

APRA BASEL III PILLAR 3 DISCLOSURES

Quarter ended 31 August 2019



BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2019

17 October 2019

This report has been prepared by Bank of Queensland Limited (Bank or BOQ) to meet its disclosure requirements under the Australian Prudential Regulation Authority's (APRA) Prudential Standard APS 330: Public Disclosure. It has been prepared using 31 August 2019 data.

Key points

The Bank's capital management strategy aims to ensure adequate capital levels are maintained to protect deposit holders. The Bank's capital is measured and managed in line with Prudential Standards issued by APRA. The capital management plan is updated annually and submitted to the Board for approval. The approval process is designed to ensure the plan is consistent with the overall business plan and for managing capital levels on an ongoing basis.

The Board has set the Common Equity Tier 1 Capital target range to be between 8.25% and 9.5% and the Total Capital target range to be between 11.75% and 13.5%.

As at 31 August 2019:

- Common Equity Tier 1 Capital Ratio was 9.0% (8.9% as at 31 May 2019); and
- Total Capital Ratio was 12.4% (12.3% as at 31 May 2019).

CONTENTS	PAGE
Capital Structure	3
Table 1: Capital Disclosure Template	4
Reconciliation between the Consolidated Balance Sheet and the Regulatory Balance Sheet	8
Entities excluded from the Regulatory Scope of Consolidation	10
Table 2: Main Features of Capital Instruments	11
Table 3: Capital Adequacy	12
Table 4: Credit Risk	13
Table 5: Securitisation Exposures	15
Table 20: Liquidity Coverage Ratio	16
Table 21: Net Stable Funding Ratio	18

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2019

Capital Structure

	August 19 \$m	February 19 \$m
COMMON EQUITY TIER 1 CAPITAL		
Paid-up ordinary share capital	3,497	3,458
Reserves	171 ⁽¹⁾	2
Retained earnings, including current year profits	132 ⁽¹⁾	385
Total Common Equity Tier 1 Capital	3,800	3,845
REGULATORY ADJUSTMENTS		
Goodwill and intangibles	(923)	(887)
Deferred expenditure	(183)	(178)
Other deductions	67	(4)
Total Regulatory Adjustments	(1,039)	(1,069)
Net Common Equity Tier 1 Capital	2,761	2,776
Additional Tier 1 Capital	500	500
Total Tier 1 Capital	3,261	3,276
TIER 2 CAPITAL		
Tier 2 Capital	350	350
General Reserve for Credit Losses	175 ⁽²⁾	174
Total Tier 2 Capital	525	524
Total Capital Base	3,786	3,800

Notes:

- (1) The profit reserve represents accumulated profits available for distribution as a dividend. Accumulated profits are recognised as reserves and not retained earnings for the period.
- (2) Following clarification from APRA, the stage 2 component that is delinquent is now treated as a Specific Provision and is no longer part of the General Reserve for Credit Losses. The value was also impacted by natural movements.

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2019

Table 1: Capital Disclosure Template

Common Equity Tier 1 Capital (CET1): Instruments and Reserves		\$m	Ref
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	3,497	A
2	Retained earnings	132	B
3	Accumulated other comprehensive income (and other reserves)	171	-
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	-	-
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	-
6	Common Equity Tier 1 Capital before Regulatory Adjustments	3,800	-
Common Equity Tier 1 Capital: Regulatory Adjustments		\$m	Ref
7	Prudential valuation adjustments	-	-
8	Goodwill (net of related tax liability)	682	C
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	241	D
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
11	Cash-flow hedge reserve	(165)	E
12	Shortfall of provisions to expected losses	-	-
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
15	Defined benefit superannuation fund net assets	-	-
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	-
17	Reciprocal cross-holdings in common equity	-	-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Authorised Deposit-taking Institution (ADI) does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	-
20	Mortgage service rights (amount above 10% threshold)	-	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
22	Amount exceeding the 15% threshold	-	-
23	of which: significant investments in the ordinary shares of financial entities	-	-
24	of which: mortgage servicing rights	-	-
25	of which: deferred tax assets arising from temporary differences	-	-
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	281	-
26a	of which: treasury shares	-	-
26b	of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI	-	-
26c	of which: deferred fee income	156	F
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	33	G
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	47	H
26f	of which: capitalised expenses	12	I
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	9	J
26h	of which: covered bonds in excess of asset cover in pools	-	-
26i	of which: undercapitalisation of a non-consolidated subsidiary	-	-
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	24	K
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
28	Total Regulatory Adjustments to Common Equity Tier 1	1,039	-
29	Common Equity Tier 1 Capital (CET1)	2,761	-

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2019

Table 1: Capital Disclosure Template (continued)

Additional Tier 1 Capital (AT1): Instruments		\$m	Ref
30	Directly issued qualifying Additional Tier 1 instruments	500	-
31	of which: classified as equity under applicable accounting standards	-	-
32	of which: classified as liabilities under applicable accounting standards	500	L
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	-
35	of which: instruments issued by subsidiaries subject to phase out	-	-
36	Additional Tier 1 Capital before Regulatory Adjustments	500	-
Additional Tier 1 Capital: Regulatory Adjustments		\$m	Ref
37	Investments in own Additional Tier 1 instruments	-	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
41	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	-	-
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	-
41b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	-	-
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	-	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
43	Total Regulatory Adjustments to Additional Tier 1 Capital	-	-
44	Additional Tier 1 Capital	500	-
45	Tier 1 Capital (T1=CET1+AT1)	3,261	-
Tier 2 Capital (T2): Instruments and Provisions		\$m	Ref
46	Directly issued qualifying Tier 2 instruments	350	-
47	Directly issued capital instruments subject to phase out from Tier 2	-	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2)	-	-
49	of which: instruments issued by subsidiaries subject to phase out	-	-
50	Provisions	175	M + N
51	Tier 2 Capital before Regulatory Adjustments	525	-

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2019

Table 1: Capital Disclosure Template (continued)

Tier 2 Capital: Regulatory Adjustments		\$m	Ref
52	Investments in own Tier 2 instruments	-	-
53	Reciprocal cross-holdings in Tier 2 instruments	-	-
54	Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
55	Significant investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	-	-
56	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	-	-
56a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	-
56b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55	-	-
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-	-
57	Total Regulatory Adjustments to Tier 2 Capital	-	-
58	Tier 2 Capital (T2)	525	-
59	Total Capital (TC=T1+T2)	3,786	-
60	Total Risk Weighted Assets based on APRA Standards	30,533	-
Capital Ratios and Buffers		%	Ref
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	9.0 %	-
62	Tier 1 (as a percentage of risk-weighted assets)	10.7 %	-
63	Total Capital (as a percentage of risk-weighted assets)	12.4 %	-
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	7.0 %	-
65	of which: capital conservation buffer requirement	2.5 %	-
66	of which: ADI-specific countercyclical buffer requirements	-	-
67	of which: G-SIB buffer requirement (not applicable)	-	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	2.0 %	-
National Minima (if different from Basel III)		\$m	Ref
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	-	-
70	National Tier 1 minimum ratio (if different from Basel III minimum)	-	-
71	National Total Capital Minimum Ratio (if different from Basel III minimum)	-	-
Amount Below Thresholds for Deductions (not risk weighted)		\$m	Ref
72	Non-significant investments in the capital of other financial entities	-	-
73	Significant investments in the ordinary shares of financial entities	33	G
74	Mortgage servicing rights (net of related tax liability)	-	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Applicable Caps on the Inclusion of Provisions in Tier 2		\$m	Ref
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	175	M + N
77	Cap on inclusion of provisions in Tier 2 under standardised approach	343	-
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2019

Table 1: Capital Disclosure Template (continued)

Capital Instruments Subject to Phase-Out Arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		\$m	Ref
80	Current cap on CET1 instruments subject to phase out arrangements	-	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-
82	Current cap on AT1 instruments subject to phase out arrangements	-	-
83	Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)	-	-
84	Current cap on T2 instruments subject to phase out arrangements	-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2019

Reconciliation between the Consolidated Balance Sheet and the Regulatory Balance Sheet

Bank of Queensland Limited is the head of the Level 2 Group, as defined in Prudential Standard APS 001: Definitions. The transfer of funds or Regulatory Capital within the Level 2 Group requires approvals from Management and/or the Board, and has been disclosed in accordance with Prudential Standard APS 330: Public Disclosure Paragraph 14.

August 19	Group Balance Sheet \$m	Adjustments \$m	Level 2 Regulatory Balance Sheet \$m	Reconciliation Reference
ASSETS				
Cash and cash equivalents	1,274	(91)	1,183	-
Due from other financial institutions - term deposits	708	(39)	669	-
Derivative financial instruments	229	-	229	-
Financial assets at fair value through profit or loss (FVTPL)	2,586	-	2,586	-
Financial assets held for trading	-	-	-	-
Debt instruments at fair value through other comprehensive income (FVOCI)	3,569	-	3,569	-
Equity instruments at FVOCI	6	-	6	-
Financial assets available for sale	-	-	-	-
of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	9	-	9	J
Loans and advances at amortised cost	45,983	(2,945)	43,038	-
of which: deferred fee income	156	-	156	F
of which: provisions	113	-	113	M
Other assets	158	9	167	-
of which: capitalised expenses	-	12	12	I
Current tax assets	7	-	7	-
Property, plant and equipment	52	-	52	-
Assets held for sale	-	-	-	-
Shares in controlled entities	-	33	33	-
of which: equity investments in financial institutions not reported in rows 18,19,23	-	33	33	G
Deferred tax assets	85	(2)	83	-
of which: deferred tax assets arising from temporary differences deducted from CET1	47	-	47	H
Intangibles assets	924	(1)	923	-
of which: goodwill	682	-	682	C
of which: other intangibles other than mortgage servicing rights	241	-	241	D
Investments in joint arrangements	16	(13)	3	-
Total Assets	55,597	(3,049)	52,548	-
LIABILITIES				
Due to other financial institutions - accounts payable at call	285	-	285	-
Deposits	38,337	44	38,381	-
Derivative financial liabilities	687	-	687	-
Accounts payable and other liabilities	394	(10)	384	-
Current tax liabilities	-	-	-	-
Liabilities held for sale	-	-	-	-
Provisions	40	(10)	30	-
Insurance policy liabilities	9	(9)	-	-
Borrowings including subordinated notes	11,986	(3,066)	8,920	-
of which: other national specific regulatory adjustments not reported in rows 26a to 26i	24	-	24	K
of which: classified as liabilities under applicable accounting standards	500	-	500	L
Total Liabilities	51,738	(3,051)	48,687	-
Net Assets	3,859	2	3,861	-

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2019

Reconciliation between the Consolidated Balance Sheet and the Regulatory Balance Sheet (continued)

August 19	Group Balance Sheet \$m	Adjustments \$m	Level 2 Regulatory Balance Sheet \$m	Reconciliation Reference
EQUITY				
Issued capital	3,497	-	3,497	A
Reserves	213	19	232	-
of which: provisions (equity reserve for credit losses)	62	-	62	N
of which: cashflow hedge reserve	(165)	-	(165)	E
of which: other reserves included in CET1	335	-	335	-
Retained profits	149	(17)	132	B
Total Equity	3,859	2	3,861	-

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2019

Entities excluded from the Regulatory Scope of Consolidation

August 19	Total Assets \$m	Total Liabilities \$m	Principal Activities
INSURANCE ENTITIES			
St Andrew's Australia Services Pty Ltd	65	60	Insurance Holding Entity
St Andrew's Insurance (Australia) Pty Ltd	17	5	General Insurance
St Andrew's Life Insurance Pty Ltd	47	16	Life Insurance
SECURITISATION TRUSTS			
Series 2012-1E REDS Trust	209	209	Securitisation
Series 2013-1 REDS Trust	221	221	Securitisation
Series 2015-1 REDS Trust	319	319	Securitisation
Series 2017-1 REDS Trust	548	548	Securitisation
Series 2018-1 REDS Trust	736	736	Securitisation
Series 2019-1 REDS Trust	1,001	1,001	Securitisation
MANAGER AND NON-FINANCIAL OPERATING ENTITIES			
Home Credit Management Pty Ltd	22	15	Investment Holding Entity
Bank of Queensland Ltd Employee Share Plans Trust	7	2	Employee Share Plan Trust

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2019

Table 2: Main Features of Capital Instruments

The Bank's main features of capital instruments are updated on an ongoing basis and are available at the Regulatory Disclosures section of the Bank's website at the following address: https://www.boq.com.au/regulatory_disclosures.

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2019

Table 3: Capital Adequacy

	August 19	May 19
	\$m	\$m
Risk Weighted Assets		
SUBJECT TO THE STANDARDISED APPROACH		
Government	-	-
Bank	443	386
Residential mortgages	11,628	11,855
Other retail ⁽¹⁾	15,143	14,908
Other	139	98
Corporate	-	-
Total On-Balance Sheet Assets and Off-Balance Sheet Exposures	27,353	27,247
Securitisation Exposures	55	40
Market Risk Exposures	205	145
Operational Risk Exposures	2,920	2,885
Total Risk Weighted Assets	30,533	30,317
Capital Ratios	%	%
Level 2 Total Capital Ratio	12.4	12.3
Level 2 Common Equity Tier 1 Capital Ratio	9.0	8.9
Level 2 Net Tier 1 Capital Ratio	10.7	10.6

Notes:

(1) Includes commercial lending and leasing.

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2019

Table 4: Credit Risk

Exposure Type	Gross Credit Exposure ⁽¹⁾ \$m		Average Gross Credit Exposure \$m	
	August 19	May 19	August 19	May 19
Cash and due from financial institutions	1,845	1,886	1,865	1,746
Debt securities	4,354	3,209	3,782	3,202
Loans and advances	43,208	43,778	43,493	43,647
Off-balance sheet exposures for derivatives ⁽²⁾	394	93	243	75
Other off-balance sheet exposures ⁽³⁾	1,102	984	1,043	961
Other	139	98	118	107
Total Exposures	51,042	50,048	50,544	49,738

Portfolios Subject to the Standardised Approach	Gross Credit Exposure ⁽¹⁾ \$m		Average Gross Credit Exposure \$m	
	August 19	May 19	August 19	May 19
Government	3,250	3,120	3,185	3,157
Bank	3,343	2,068	2,705	1,866
Residential mortgage	29,167	29,859	29,513	29,786
Other retail	15,143	14,903	15,023	14,822
Other	139	98	118	107
Corporate	-	-	-	-
Total Exposures	51,042	50,048	50,544	49,738

Notes:

(1) Gross credit exposures reflect credit equivalent amounts.

(2) The movement reflects the implementation of APS 180 Capital Adequacy: Counterparty Credit Risk.

(3) Other off-balance sheet exposures largely relate to customer commitments. Subsequent to clarification by APRA, the Bank has adopted the concessional treatment available on housing approvals resulting in reduced exposure levels.

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2019

Table 4: Credit Risk (continued)

August 19

Portfolios Subject to the Standardised Approach	Impaired Loans ⁽¹⁾ \$m	Past Due Loans > 90 Days ⁽²⁾ \$m	Specific Provision Balance \$m	Charges for Specific Provision \$m	Write-Offs \$m
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgages	278	181	37	2	3
Other retail	142	91	83	-	13
Other	-	-	-	-	-
Corporate	-	-	-	-	-
Total	420	272	120 ⁽³⁾	2	16

May 19

Portfolios Subject to the Standardised Approach	Impaired Loans ⁽¹⁾ \$m	Past Due Loans > 90 Days ⁽²⁾ \$m	Specific Provision Balance \$m	Charges for Specific Provision \$m	Write-Offs \$m
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgages	242	183	27	(1)	3
Other retail	149	95	83	8	7
Other	-	-	-	-	-
Corporate	-	-	-	-	-
Total	391	278	110	7	10

	August 19 \$m	May 19 \$m
Statutory Equity Reserve for Credit Losses	62	60
Collective provision	113	121
APRA General Reserve for Credit Losses	175	181

Notes:

	August 19 \$m	May 19 \$m
(1) Reconciliation of impaired loans		
Impaired Assets per Table 4: Credit Risk	420	391
Add: Impaired assets in off-balance sheet securitisation trusts	28	25
Less: Restructured facilities included in APS 220	(251)	(251)
Impaired Assets per Accounting Standards	197	165

(2) Excludes assets in off-balance sheet securitisation trusts as required under APRA Prudential Standard APS220 Credit Quality.

(3) Following clarification from APRA, the stage 2 component that is delinquent is now treated as a Specific Provision and is no longer as part of the General Reserve for Credit Losses. If this change had not been made, the Specific Provision would have been reported as \$108m.

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2019

Table 5: Securitisation Exposures

Exposure Type	August 19		May 19	
	Securitisation Activity \$m	Gain or Loss on Sale \$m	Securitisation Activity \$m	Gain or Loss on Sale \$m
Securities held in the banking book	47	-	-	-
Securities held in the trading book	-	-	-	-
Liquidity facilities	(1)	-	-	-
Funding facilities	1	-	-	-
Swaps	20	-	10	-
Other ⁽¹⁾	(26)	-	181	-
Total	41	-	191	-

August 19

Securitisation Exposure	Securities Held in the Banking Book \$m	Securities Held in the Trading Book \$m	Liquidity Facilities \$m	Funding Facilities \$m	Swaps \$m	Other ⁽¹⁾ \$m
On-balance sheet securitisation exposure retained or purchased	228	-	4	6	-	5,470
Off-balance sheet securitisation exposure	-	-	-	-	39	-
Total	228	-	4	6	39	5,470

May 19

Securitisation Exposure	Securities Held in the Banking Book \$m	Securities Held in the Trading Book \$m	Liquidity Facilities \$m	Funding Facilities \$m	Swaps \$m	Other ⁽¹⁾ \$m
On-balance sheet securitisation exposure retained or purchased	181	-	5	5	-	5,496
Off-balance sheet securitisation exposure	-	-	-	-	19	-
Total	181	-	5	5	19	5,496

Notes:

(1) Exposures relate to notes held in the Bank's on-balance sheet securitisation vehicles.

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2019

Table 20: Liquidity Coverage Ratio

APRA requires authorised deposit-taking institutions (ADI) to maintain a minimum 100 per cent Liquidity Coverage Ratio (LCR). The LCR requires an ADI to hold sufficient High Quality Liquid Assets (HQLA1) and alternative liquid assets (covered by the Committed Liquidity Facility (CLF)) to meet net cash outflows over a 30 day period, under a regulator defined liquidity stress scenario. BOQ manages its LCR on a daily basis with a buffer above the regulatory minimum in line with the BOQ prescribed risk appetite and management ranges.

BOQ maintains a portfolio of high quality, diversified liquid assets to facilitate balance sheet liquidity and meet internal and regulatory requirements. Liquid assets comprise of HQLA1 (cash, Australian Semi-Government and Commonwealth Government securities) and alternative liquid assets covering the CLF from the Reserve Bank of Australia (RBA). Assets eligible for the CLF include senior unsecured bank debt, covered bonds, asset backed securities, residential mortgage backed securities (RMBS) and internal RMBS that are eligible for repurchase with the RBA.

BOQ has a stable, diversified and resilient deposit and funding base that mitigates the chance of a liquidity stress event across various funding market conditions. BOQ uses a range of funding instruments including customer deposits, short term and long term wholesale debt instruments, securitisation and covered bonds, with the objective of lengthening tenor, diversifying funding sources and increasing the stable funding base.

BOQ's average LCR over the August quarter was 140%, which is in line with the previous May 2019 quarter average of 141%. Net Cash Outflows (NCO) increased relative to the previous quarter due to a decrease in the Other Cash Inflows category. Liquid assets were higher over the same period as a result of increased HQLA holding. The following table presents detailed information on the average LCR composition for the two quarters. 92 data points were used in calculating the average figures for the August 2019 quarter and 92 data points were used in calculating the average figures for the May 2019 quarter.

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2019

Table 20: Liquidity Coverage Ratio (continued)

	Average Quarterly Performance			
	August 19		May 19	
	Total Un-Weighted Value \$m	Total Weighted Value \$m	Total Un-Weighted Value \$m	Total Weighted Value \$m
LIQUID ASSETS				
of which: high-quality liquid assets	n/a	3,659	n/a	3,464
of which: alternative liquid assets	n/a	3,280	n/a	3,281
Total Liquid Assets	n/a	6,939	n/a	6,745
CASH OUTFLOWS				
Customer deposits and deposits from small business customers	15,602	1,576	15,411	1,566
of which: stable deposits	6,339	317	6,201	310
of which: less stable deposits	9,263	1,259	9,210	1,256
Unsecured wholesale funding	4,474	2,564	4,119	2,535
of which: non-operational deposits	3,640	1,730	3,152	1,568
of which: unsecured debt	834	834	967	967
Secured wholesale funding	n/a	25	n/a	25
Additional requirements	2,175	772	2,322	823
of which: outflows related to derivatives exposures and other collateral requirements	698	698	744	744
of which: credit and liquidity facilities	1,477	74	1,578	79
Other contractual funding obligations	1,191	855	1,149	811
Other contingent funding obligations	8,917	525	9,075	552
Total Cash Outflows	32,359	6,317	32,076	6,312
CASH INFLOWS				
Secured lending (e.g. reverse repos)	193	-	67	-
Inflows from fully performing exposures	745	409	741	403
Other cash inflows	934	934	1,105	1,105
Total Cash Inflows	1,872	1,343	1,913	1,508
Total Net Cash Outflows	30,487	4,974	30,163	4,804
Total Liquid Assets	n/a	6,939	n/a	6,745
Total Net Cash Outflows	n/a	4,974	n/a	4,804
Liquidity Coverage Ratio (%)	n/a	140 %	n/a	141 %

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2019

Table 21: Net Stable Funding Ratio

APRA's objective in implementing the Net Stable Funding Ratio (NSFR) is to strengthen funding and liquidity resilience. The NSFR encourages ADIs to reduce the amount of liquidity transformation by funding their lending activities with more stable sources of funding, and thereby promoting greater balance sheet resilience.

The NSFR establishes a minimum stable funding requirement based on the liquidity characteristics of the ADI's assets and off-balance sheet activities over a one year time horizon. The NSFR is defined as the ratio of the amount of Available Stable Funding to the amount of Required Stable Funding. APRA requires ADIs to maintain an NSFR of at least 100%. BOQ manages its NSFR on a daily basis and actively maintains a buffer above the regulatory minimum in line with BOQ's prescribed risk appetite and management ranges.

BOQ's NSFR at 31 August 2019 was 112%, up from 111% at 31 May 2019. The main driver for the increase in NSFR over the quarter was an increase in customer deposits.

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2019

Table 21: Net Stable Funding Ratio (continued)

August 19

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
AVAILABLE STABLE FUNDING (ASF) ITEM					
Capital	4,004	-	150	700	4,854
of which: regulatory capital	4,004	-	150	700	4,854
of which: other capital instruments	-	-	-	-	-
Retail deposits and deposits from small business customers	15,251	7,944	-	-	21,315
of which: stable deposits	6,326	2,452	-	-	8,340
of which: less stable deposits	8,925	5,492	-	-	12,975
Wholesale funding	1,920	13,769	1,336	6,095	11,427
of which: operational deposits	-	-	-	-	-
of which: other wholesale funding	1,920	13,769	1,336	6,095	11,427
Liabilities with matching interdependent assets	-	-	-	-	-
Other liabilities	748	67	-	68	68
of which: NSFR derivative liabilities	n/a	67	-	-	n/a
of which: all other liabilities and equity not included in the above categories	748	-	-	68	68
Total ASF	n/a	n/a	n/a	n/a	37,664
REQUIRED STABLE FUNDING (RSF) ITEM					
Total NSFR (HQLA)	n/a	n/a	n/a	n/a	162
ALA	n/a	n/a	n/a	n/a	350
RBNZ securities	n/a	n/a	n/a	n/a	-
Deposits held at other financial institutions for operational purposes	535	-	-	-	473
Performing loans and securities	-	3,746	2,452	35,837	29,857
of which: performing loans to financial institutions secured by Level 1 HQLA	-	1,013	-	-	101
of which: performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	163	65	56	113
of which: performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs) of which:	-	2,060	1,825	10,760	11,099
with a risk weight of less than or equal to 35% under APS 112	-	139	95	859	675
of which: performing residential mortgages, of which:	-	500	562	24,968	18,494
with a risk weight equal to 35% under APS 112	-	202	205	19,865	13,829
of which: securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	9	-	54	50
Assets with matching interdependent liabilities	-	-	-	-	-

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2019

Table 21: Net Stable Funding Ratio (continued)

August 19

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
Other assets:	1,595	369	21	819	2,472
of which: physical traded commodities, including gold	-	n/a	n/a	n/a	-
of which: assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)	n/a	-	-	53	46
of which: NSFR derivative assets	n/a	-	-	138	138
of which: NSFR derivative liabilities before deduction of variation margin posted	n/a	-	-	138	138
of which: all other assets not included in the above categories	1,595	369	21	490	2,150
Off-balance sheet items	n/a	-	-	3,880	205
Total RSF	n/a	n/a	n/a	n/a	33,519
Net Stable Funding Ratio (%)	n/a	n/a	n/a	n/a	112%

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2019

Table 21: Net Stable Funding Ratio (continued)

May 19

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
AVAILABLE STABLE FUNDING (ASF) ITEM					
Capital	3,939	-	150	700	4,789
of which: regulatory capital	3,939	-	150	700	4,789
of which: other capital instruments	-	-	-	-	-
Retail deposits and deposits from small business customers	14,681	8,251	-	-	21,068
of which: stable deposits	6,065	2,526	-	-	8,161
of which: less stable deposits	8,616	5,725	-	-	12,907
Wholesale funding	1,808	14,059	1,272	6,039	11,180
of which: operational deposits	-	-	-	-	-
of which: other wholesale funding	1,808	14,059	1,272	6,039	11,180
Liabilities with matching interdependent assets	-	-	-	-	-
Other liabilities	707	63	-	69	69
of which: NSFR derivative liabilities	n/a	63	-	-	n/a
of which: all other liabilities and equity not included in the above categories	707	-	-	69	69
Total ASF	n/a	n/a	n/a	n/a	37,106
REQUIRED STABLE FUNDING (RSF) ITEM					
Total NSFR (HQLA)	n/a	n/a	n/a	n/a	156
ALA	n/a	n/a	n/a	n/a	350
RBNZ securities	n/a	n/a	n/a	n/a	-
Deposits held at other financial institutions for operational purposes	594	-	-	-	515
Performing loans and securities	-	2,763	2,187	36,061	29,806
of which: performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
of which: performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	78	55	56	95
of which: performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs) of which:	-	2,176	1,616	10,722	11,007
with a risk weight of less than or equal to 35% under APS 112	-	137	68	849	654
of which: performing residential mortgages, of which:	-	494	516	25,245	18,665
with a risk weight equal to 35% under APS 112	-	189	197	20,100	13,979
of which: securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	14	-	37	39
Assets with matching interdependent liabilities	-	-	-	-	-

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2019

Table 21: Net Stable Funding Ratio (continued)

May 19

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
Other assets:	1,599	1,241	39	680	2,397
of which: physical traded commodities, including gold	-	n/a	n/a	n/a	-
of which: assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)	n/a	-	-	41	35
of which: NSFR derivative assets	n/a	-	-	34	34
of which: NSFR derivative liabilities before deduction of variation margin posted	n/a	-	-	109	109
of which: all other assets not included in the above categories	1,599	1,241	39	496	2,220
Off-balance sheet items	n/a	-	-	3,427	188
Total RSF	n/a	n/a	n/a	n/a	33,412
Net Stable Funding Ratio (%)	n/a	n/a	n/a	n/a	111 %