

ASX RELEASE



APRA BASEL III PILLAR 3

Friday, 29 January 2021, Brisbane: Bank of Queensland Limited (ASX: **BOQ**) wishes to release the attached APRA Basel III Pillar 3 report relating to the period ending 30 November 2020.

Ends

Authorised for release by: The Chief Financial Officer & Chief Operating Officer, Bank of Queensland Limited

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APRA BASEL III PILLAR 3 DISCLOSURES

Quarter ended 30 November 2020

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 30 November 2020

Introduction

Bank of Queensland (**Bank** or **BOQ**) is an Authorised Deposit-taking Institution (**ADI**) regulated by the Australian Prudential Regulation Authority (**APRA**) under the authority of the *Banking Act 1959*.

This report has been prepared by BOQ to meet its disclosure requirements set out in APRA's prudential standard *APS 330 'Public Disclosure'* (**APR 330**). It presents information on the Bank's capital adequacy, credit risk, securitisation exposures and liquidity coverage ratio.

In addition to this report, 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.

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.

Capital Ratios

The Board has set the Common Equity Tier 1 Capital target range to be between 9.0% and 9.5% and the Total Capital target range to be between 11.75% and 13.5%.

As at 30 November 2020:

- Common Equity Tier 1 Capital Ratio was 9.9% (9.8% as at 31 August 2020); and
- Total Capital Ratio was 13.7% (12.7% as at 31 August 2020).

Capital Initiatives

In November 2020, the Bank raised AUD 260 million through the issue of capital notes.

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For the Quarter Ended 30 November 2020

1. Capital Structure

	November 20	August 20
	\$m	\$m
COMMON EQUITY TIER 1 CAPITAL		
Paid-up ordinary share capital	3,868	3,871
Reserves	122	134
Retained earnings, including current year profits	242	163
Total Common Equity Tier 1 Capital	4,232	4,168
REGULATORY ADJUSTMENTS		
Deferred expenditure	(194)	(187)
Goodwill and intangibles	(916)	(909)
Other deductions	4	17
Total Regulatory Adjustments	(1,106)	(1,079)
Net Common Equity Tier 1 Capital	3,126	3,089
Additional Tier 1 Capital	610 ⁽¹⁾	350
Total Tier 1 Capital	3,736	3,439
TIER 2 CAPITAL		
Tier 2 Capital	350	350
General Reserve for Credit Losses	230	230
Total Tier 2 Capital	580	580
Total Capital Base	4,316	4,019

Notes:

(1) Common Equity Tier 1 Capital Instrument was raised in November 2020 (AUD 260 million issue of capital notes).

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2. Capital Adequacy

	November 20	August 20
	\$m	\$m
Risk Weighted Assets		
SUBJECT TO THE STANDARDISED APPROACH		
Government	-	-
Bank	567	552
Residential mortgages	12,410	12,119
Other retail ⁽¹⁾	15,119	15,389
Other	188	210
Corporate	-	-
Total On-Balance Sheet Assets and Off-Balance Sheet Exposures	28,284	28,270
Securitisation Exposures	63	62
Market Risk Exposures	264	271
Operational Risk Exposures	2,973	2,973
Total Risk Weighted Assets	31,584	31,576
Capital Ratios	%	%
Level 2 Total Capital Ratio	13.7	12.7
Level 2 Common Equity Tier 1 Capital Ratio	9.9	9.8
Level 2 Net Tier 1 Capital Ratio	11.8	10.9

Notes:

(1) Includes commercial lending and leasing.

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

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3. Credit Risk

Exposure Type	Gross Credit Exposure ⁽¹⁾ \$m		Average Gross Credit Exposure \$m	
	November 20	August 20	November 20	August 20
Cash and due from financial institutions	2,183	2,101	2,142	2,297
Debt securities	4,364	4,263	4,314	4,058
Loans and advances	45,049	44,703	44,876	44,640
Off-balance sheet exposures for derivatives	412	415	414	422
Other off-balance sheet exposures ⁽²⁾	1,289	1,144	1,216	1,079
Other	188	209	199	206
Total Exposures	53,485	52,835	53,161	52,702

Portfolios Subject to the Standardised Approach	Gross Credit Exposure ⁽¹⁾ \$m		Average Gross Credit Exposure \$m	
	November 20	August 20	November 20	August 20
Government	4,279	4,176	4,227	3,970
Bank	2,685	2,607	2,646	2,809
Residential mortgage	31,228	30,487	30,858	30,321
Other retail	15,105	15,356	15,231	15,396
Other	188	209	199	206
Corporate	-	-	-	-
Total Exposures	53,485	52,835	53,161	52,702

Notes:

(1) Gross credit exposures reflect credit equivalent amounts.

(2) Other off-balance sheet exposures largely relate to customer commitments.

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Credit Risk (continued)

November 20

Portfolios Subject to the Standardised Approach	Impaired Loans ⁽¹⁾ \$m	Past Due Loans > 90 Days ⁽¹⁾ \$m	Specific Provision Balance ⁽²⁾ \$m	Charges for Specific Provision \$m	Write-Offs \$m
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgages	117	229	56	1	2
Other retail	126	117	147	(1)	9
Other	-	-	-	-	-
Corporate	-	-	-	-	-
Total	243	346	203	-	11

August 20

Portfolios Subject to the Standardised Approach	Impaired Loans ⁽¹⁾ \$m	Past Due Loans > 90 Days ⁽¹⁾ \$m	Specific Provision Balance ⁽²⁾ \$m	Charges for Specific Provision \$m	Write-Offs \$m
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgages	185	240	55	(1)	2
Other retail	139	125	148	4	4
Other	-	-	-	-	-
Corporate	-	-	-	-	-
Total	324	365	203	3	6

	November 20 \$m	August 20 \$m
Statutory Equity Reserve for Credit Losses	63	63
Collective provision	167	167
Total APRA General Reserve for Credit Losses	230	230

Notes:

	November 20 \$m	August 20 \$m
(1) Reconciliation of impaired loans		
Impaired Assets per table above: Credit Risk	243	324
Add: Impaired assets in off-balance sheet securitisation trusts	6	13
Less: Restructured facilities included in APS 220	(53)	(142)
Impaired Assets per Accounting Standards	196	195

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

(2) 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 \$123 million for November 2020 and \$123 million for August 2020.

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4. Securitisation Exposures

Exposure Type	November 20		August 20	
	Securitisation Activity \$m	Gain or Loss on Sale \$m	Securitisation Activity \$m	Gain or Loss on Sale \$m
Securities held in the banking book	2	-	15	-
Securities held in the trading book	-	-	-	-
Liquidity facilities	-	-	-	-
Funding facilities	1	-	-	-
Swaps	1	-	(14)	-
Other ⁽¹⁾	(29)	-	(17)	-
Total	(25)	-	(16)	-

November 20

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	269	-	3	7	-	7,646
Off-balance sheet securitisation exposure	-	-	-	-	41	-
Total	269	-	3	7	41	7,646

August 20

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	267	-	3	6	-	7,675
Off-balance sheet securitisation exposure	-	-	-	-	40	-
Total	267	-	3	6	40	7,675

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

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5. 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 are comprised of HQLA1 (cash, Australian Semi-Government and Commonwealth Government securities) and alternative liquid assets covered by 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 November 2020 quarter was 161%, which is 1% higher than the previous August quarter average of 160%. Net Cash Outflows (**NCO**) increased over the quarter but was more than offset by a higher HQLA1 balance and an increase in the available Term Funding Facility (**TFF**). The following table presents detailed information on the average LCR composition for the two quarters. 91 data points were used in calculating the average figures for the November 2020 quarter and 92 data points were used in calculating the average figures for the August 2020 quarter.

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Liquidity Coverage Ratio (continued)

	Average Quarterly Performance			
	November 20		August 20	
	Un-Weighted Value \$m	Total Weighted Value \$m	Total Un-Weighted Value \$m	Total Weighted Value \$m
LIQUID ASSETS				
High-quality liquid assets (HQLA)	n/a	4,677	n/a	4,326
Alternative liquid assets (ALA)	n/a	4,847	n/a	4,638
Total Liquid Assets	n/a	9,524	n/a	8,964
CASH OUTFLOWS				
Retail deposits and deposits from small business customers	20,707	2,049	18,966	1,871
of which: stable deposits	8,944	447	8,166	408
of which: less stable deposits	11,763	1,602	10,800	1,463
Unsecured wholesale funding	4,732	2,579	4,528	2,519
of which: non-operational deposits	4,092	1,939	3,835	1,826
of which: unsecured debt	640	640	693	693
Secured wholesale funding	n/a	55	n/a	57
Additional requirements	2,494	867	2,566	827
of which: outflows related to derivatives exposures and other collateral requirements	781	781	735	735
of which: credit and liquidity facilities	1,713	86	1,831	92
Other contractual funding obligations	1,389	1,057	1,310	999
Other contingent funding obligations	6,903	396	7,235	399
Total Cash Outflows	36,225	7,003	34,605	6,672
CASH INFLOWS				
Secured lending (e.g. reverse repos)	63	-	93	-
Inflows from fully performing exposures	668	335	636	325
Other cash inflows	755	755	733	732
Total Cash Inflows	1,486	1,090	1,462	1,057
Total Net Cash Outflows	34,739	5,913	33,143	5,615
Total Liquid Assets	n/a	9,524	n/a	8,964
Total Net Cash Outflows	n/a	5,913	n/a	5,615
Liquidity Coverage Ratio (%)	n/a	161%	n/a	160%