ASX RELEASE

BOQ GROUP

APRA BASEL III PILLAR 3

Wednesday, 11 October 2023, Sydney: Bank of Queensland Limited (**BOQ**) today released its quarterly APRA Basel III Pillar 3 report relating to the period ending 31 August 2023.

ENDS

Authorised for release by: The Board of Directors of Bank of Queensland Limited

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APRA BASEL III PILLAR 3 DISCLOSURES

Quarter Ended 31 August 2023

BOQ GROUP

2023

Bank of Queensland Limited, Basel III Pillar 3 Disclosures

For the Quarter Ended 31 August 2023

Contents

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'* (**APS 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

Under APRA's Basel III new capital framework, effective from 1 January 2023, the Board has implemented new management target ranges, these are: Common Equity Tier 1 Capital Ratio 10.25-10.75%; Tier 1 Capital Ratio 11.75-12.50% and Total Capital Ratio 13.75-14.50%.

As at 31 August 2023, BOQ's capital ratios are as follows:

- Common Equity Tier 1 Capital Ratio was 10.91% (10.76% as at 31 May 2023);
- Tier 1 Capital Ratio was 13.64% (13.44% as at 31 May 2023); and
- Total Capital Ratio was 15.64% (15.38% as at 31 May 2023).

Capital Initiatives

The Bank redeemed AUD 200 million subordinated debt in May 2023.

1. Capital Structure

	August 23 $m	February 23 $m
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	**5,318**	5,286
Reserves	**414**	515
Retained earnings, including current year earnings	**290**	316
Total Common Equity Tier 1 Capital	**6,022**	6,117
Regulatory Adjustments		
Deferred expenditure	**(409)**	(427)
Goodwill and intangibles	**(1,069)**	(1,073)
Other deductions	**(106)**	(223)
Total Regulatory Adjustments	**(1,584)**	(1,723)
Net Common Equity Tier 1 Capital	**4,438**	4,394
Additional Tier 1 Capital	**1,110**	1,110
Total Tier 1 Capital	**5,548**	5,504
Tier 2 Capital		
Tier 2 Capital (1)	**636**	836
Provisions eligible for inclusion in Tier 2 Capital	**179**	177
Net Tier 2 Capital	**815**	1,013
Total Capital Base	**6,363**	6,517

(1) Tier 2 Capital decreased by $200m in May 2023 post the redemption of subordinated debt.

2. 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	**5,318**	A
2	Retained earnings	**290**	B
3	Accumulated other comprehensive income (and other reserves)	**414**	-
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**	**6,022**	-

	Common Equity Tier 1 capital: Regulatory Adjustments	$m	Ref
7	Prudential valuation adjustments	**-**	-
8	Goodwill (net of related tax liability)	**567**	C
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	**502**	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	**68**	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 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)	**447**	-
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*	**370**	F
26d	*of which: equity investments in financial institutions not reported in rows 18, 19 and 23*	**9**	G
26e	*of which: deferred tax assets not reported in rows 10, 21 and 25*		-
26f	*of which: capitalised expenses*	**20**	I
26g	*of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements*	**6**	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*	**42**	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**	**1,584**	-
29	**Common Equity Tier 1 Capital (CET1)**	**4,438**	-

2. Capital Disclosure Template (continued)

	Additional Tier 1 Capital: Instruments	$m	Ref
30	Directly issued qualifying Additional Tier 1 instruments	1,110	-
31	*of which: classified as equity under applicable accounting standards*	100	-
32	*of which: classified as liabilities under applicable accounting standards*	1,010	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**	1,110	-

	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 (AT1)**	1,110	-
45	**Tier 1 Capital (T1=CET1+AT1)**	5,548	-

	Tier 2 Capital: Instruments and Provisions	$m	Ref
46	Directly issued qualifying Tier 2 instruments	650	-
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	179	M + N
51	**Tier 2 Capital before Regulatory Adjustments**	829	-

2. 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)	14	-
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**	**14**	-
58	**Tier 2 capital (T2)**	**815**	-
59	**Total capital (TC=T1+T2)**	**6,363**	-
60	**Total risk-weighted assets based on APRA standards**	**40,680**	-

	Capital Ratios and Buffers	%	Ref
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	**10.91**	-
62	Tier 1 (as a percentage of risk-weighted assets)	**13.64**	-
63	Total capital (as a percentage of risk-weighted assets)	**15.64**	-
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)	**7.99**	-
65	*of which: capital conservation buffer requirement*	**2.50**	-
66	*of which: ADI-specific countercyclical buffer requirements*	**0.99**	-
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)	**2.92**	-

	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	**9**	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)	**179**	M + N
77	Cap on inclusion of provisions in Tier 2 under standardised approach	**468**	-
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	-	-

2. 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)*	-	-

3. 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 23	Group Balance Sheet $m	Adjustments $m	Level 2 Regulatory Balance Sheet $m	Reconciliation Reference
Assets				
Cash and cash equivalents	5,238	(212)	5,026	-
Due from other financial institutions	293	(22)	271	-
Derivative financial assets	880	(6)	874	-
Financial assets at fair value through profit or loss (FVTPL)	38	-	38	-
Debt instruments at FVOCI	16,421	-	16,421	-
Equity instruments at FVOCI	6	-	6	-
of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	6	-	6	J
Debt instruments at amortised cost	15	-	15	-
Loans and advances	80,556	(5,706)	74,850	
of which : deferred fee income	370	-	370	F
of which: Provisions	159	-	159	M
Other assets	381	8	389	
of which: capitalised expenses	20		20	I
Current tax assets	-	-	-	-
Property, plant and equipment	197	-	197	-
Assets held for sale	247	(247)	-	-
Shares in controlled entities	-	-	-	-
of which: equity investments in financial institutions not reported in rows 18, 19 and 23		9	9	G
Deferred tax assets	-	-	-	-
Intangible assets	1,072	(3)	1,069	
of which: Goodwill (net of related tax liability)	567	-	567	C
of which: other intangibles other than mortgage servicing rights (net of related tax liability)	505	(3)	502	D
Investments in joint arrangements and associates	8	(8)	-	
Amounts due from controlled entities	-	-	-	-
Total Assets	**105,352**	**(6,196)**	**99,156**	-
Liabilities				
Due to other financial institutions - at call	1,707	-	1,707	-
Deposits	76,500	(87)	76,413	-
Derivative financial liabilities	365	-	365	-
Accounts payable and other liabilities	1,145	(19)	1,126	-
Current tax liabilities	23		23	-
Deferred tax liabilities	30		30	-
Provisions	130	-	130	-
Amounts due to controlled entities	-	-	-	-
Borrowings	19,322	(6,102)	13,220	-
of which: other national specific regulatory adjustments not reported in rows 26a to 26i	42	-	42	K
of which: classified as liabilities under applicable accounting standards	1,010	-	1,010	L
Total Liabilities	**99,222**	**(6,208)**	**93,014**	-
Net Assets	**6,130**	**12**	**6,142**	-

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

August 23	Group Balance Sheet $m	Adjustments $m	Level 2 Regulatory Balance Sheet $m	Reconciliation Reference
Equity				
Issued Capital	5,318	-	5,318	A
Other equity instruments	101	(1)	100	-
Reserves	429	5	434	-
of which: Equity reserve for credit losses	20	-	20	N
of which: Cash-flow hedge reserve	74	(6)	68	E
of which: Other reserves included in CET1	335	11	346	-
Retained profits	282	8	290	B
Total Equity	6,130	12	6,142	-

4. Entities excluded from the Regulatory Scope of Consolidation

August 23	Total Assets $m	Total Liabilities $m	Principal Activities
Securitisation Trusts			
Series 2015-1 REDS Trust	**114**	**114**	Securitisation
Series 2017-1 REDS Trust	**188**	**188**	Securitisation
Series 2018-1 REDS Trust	**233**	**233**	Securitisation
Series 2019-1 REDS Trust	**284**	**284**	Securitisation
Series 2022-1 REDS MHP Trust	**195**	**195**	Securitisation
Series 2023-1 REDS Trust	**941**	**941**	Securitisation
SMHL Series Securitisation Fund 2015-1	**-**	**-**	Securitisation
SMHL Series Securitisation Fund 2016-1	**-**	**-**	Securitisation
SMHL Series Securitisation Fund 2017-1	**171**	**171**	Securitisation
SMHL Series Securitisation Fund 2018-2	**183**	**183**	Securitisation
SMHL Series Securitisation Fund 2019-1	**476**	**476**	Securitisation
SMHL Series Private Placement Trust 2017-2	**861**	**861**	Securitisation
SMHL Series Private Placement Trust 2019-1	**1,096**	**1,096**	Securitisation
SMHL Series Private Placement 2019-2	**1,011**	**1,011**	Securitisation
SMHL Securitisation Trust 2020-1	**419**	**419**	Securitisation
Manager and Non-Financial Operating Entities			
Home Credit Management Pty Ltd	**24**	**14**	Investment Holding Entity
Bank of Queensland Limited Employee Share Plans Trust	**21**	**6**	Employee Share Plan Trust

5. Capital Adequacy

Risk Weighted Assets	August 23 $m	May 23 $m
Subject to the standardised approach		
Government	**59**	58
Bank	**463**	468
Residential Mortgages	**22,234**	22,863
Other retail (1)	**8,352**	8,451
Other	**533**	541
Corporate	**5,750**	5,767
Total On-Balance Sheet Assets and Off-Balance Sheet Exposures	**37,391**	38,148
Securitisation Exposures	**43**	43
Market Risk Exposures	**37**	49
Operational Risk Exposures	**3,209**	3,209
Total Risk Weighted Assets	**40,680**	41,449
Capital Ratios	**%**	%
Level 2 Total Capital Ratio	**15.64**	15.38
Level 2 Common Equity Tier 1 Capital Ratio	**10.91**	10.76
Level 2 Net Tier 1 Capital Ratio	**13.64**	13.44

(1) Includes commercial property, leasing and personal.

6. Countercyclical Capital Buffer

	August 23		
Country (1)	**RWA (2) $m**	**Jurisdictional Buffer %**	**ADI-specific Buffer (3) %**
Australia	**36,566**	**1.000**	**0.991378**
United Kingdom	**25**	**2.000**	**0.001356**
Hong Kong	**21**	**1.000**	**0.000569**
Other	**272**	**-**	**-**
Total	**36,884**		**0.993303**

(1) Represents country of ultimate risk as at 31 August 2023.
(2) Represents total private sector (excludes sovereign and bank) credit and specific market risk RWA.
(3) Calculated as each country's share of total private sector credit and specific market risk RWA multiplied by the jurisdictional CCyB of each country.

7. Credit Risk

Exposure Type	Gross Credit Exposure [1] $m		Average Gross Credit Exposure $m	
	August 23	May 23	**August 23**	May 23
Cash and due from financial institutions	**1,744**	1,547	**1,646**	1,603
Debt securities	**16,461**	17,269	**16,865**	17,722
Loans and advances	**74,623**	75,489	**75,056**	75,620
Off-balance sheet exposures for derivatives	**116**	162	**139**	168
Other off-balance sheet exposures [2]	**8,148**	6,688	**7,418**	6,124
Other	**533**	541	**537**	534
Total Exposures	**101,625**	101,696	**101,661**	101,771

Portfolios subject to the standardised approach	Gross Credit Exposure [1] $m		Average Gross Credit Exposure $m	
	August 23	May 23	**August 23**	May 23
Government	**19,722**	18,776	**19,249**	18,675
Bank	**1,869**	1,714	**1,792**	1,779
Residential mortgages	**62,454**	63,568	**63,011**	63,743
Other retail	**9,963**	10,023	**9,993**	10,013
Other	**533**	541	**537**	534
Corporate	**7,084**	7,074	**7,079**	7,027
Total Exposures	**101,625**	101,696	**101,661**	101,771

(1) Gross credit exposures reflect credit equivalent amounts.

(2) 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.

7. Credit Risk (continued)

August 23

Portfolios subject to the standardised approach	Non-performing Loans [1] $m	Specific Provision Balance [2] $m	Charges for Specific Provision $m	Write-Offs $m
Government	-	-	-	-
Bank	-	-	-	-
Residential mortgages	**645**	**53**	**(4)**	**2**
Other retail	**181**	**59**	**(5)**	**4**
Other	-	-	-	-
Corporate	**84**	**54**	-	**6**
Total	**910**	**166**	**(9)**	**12**

May 23

Portfolios subject to the standardised approach	Non-performing Loans [1] $m	Specific Provision Balance [2] $m	Charges for Specific Provision $m	Write-Offs $m
Government	-	-	-	-
Bank	-	-	-	-
Residential mortgages	599	57	(1)	1
Other retail	227	65	-	3
Other	-	-	-	-
Corporate	96	59	1	3
Total	922	181	-	7

	August 23 $m	May 23 $m
Statutory Equity Reserve for Credit Losses	**20**	30
Collective provision [2]	**159**	138
General provisions	**179**	168

(1) Excludes assets in off-balance sheet securitisation trusts as required under APRA Prudential Standard APS 220 Credit Risk Management.

(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 Provisions. If this change had not been made, the Specific Provision would have been reported as $150m for August 2023 and $165m for May 2023.

8. Securitisation Exposures

Exposure Type	August 23 Securitisation Activity $m	August 23 Gain or Loss on Sale $m	May 23 Securitisation Activity $m	May 23 Gain or Loss on Sale $m
Debt securities - Securities held in the banking book	(19)	-	(23)	-
Non market off-balance sheet exposures - Securities in trading book	-	-	-	-
Cash and due from financial institutions - Liquidity facilities	8	-	(2)	-
Loans and Advances - Funding facilities	3	-	(2)	-
On market off-balance sheet exposures - Swaps	10	-	(1)	-
Other	(11)	-	(19)	-
Total Exposures	(9)	-	(47)	-

August 23

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	124	-	64	17	-	13,010
Off-balance sheet securitisation exposure	-	-	-	-	11	-
Total Exposures	124	-	64	17	11	13,010

May 23

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	143	-	56	14	-	13,021
Off-balance sheet securitisation exposure	-	-	-	-	1	-
Total Exposures	143	-	56	14	1	13,021

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

9. Liquidity Coverage Ratio

APRA requires authorised deposit-taking institutions (**ADI**) to maintain a minimum Liquidity Coverage Ratio (**LCR**) of 100 per cent. The LCR requires an ADI to hold sufficient High Quality Liquid Assets (**HQLA1**) to meet net cash outflows (**NCO**) 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 needs and meet the regulatory minimum, with appropriate additional Board and management buffers set in line with the Group risk appetite. Liquid assets are comprised of HQLA1 (ESA balances, cash, Australian Semi-Government and Commonwealth Government securities). BOQ has a stable, diversified and resilient deposit and funding base that aims to mitigate 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 Level 2 LCR over the August 2023 quarter was 150%, which is 3% higher than the previous May 2023 quarter average of 147%. On average, the increase in LCR over the quarter is primarily due to a decrease in cash outflows from secured wholesale funding in the LCR window. A reduction in the average balance of HQLA had a small negative impact on the LCR. The following table presents detailed information on the ratio composition for the two quarters. 66 data points were used in calculating the average figures for the August 2023 quarter and 63 data points were used in calculating the average figures for the May 2023 quarter.

9. Liquidity Coverage Ratio (continued)

Average Quarterly Performance	August 23 Total Un-Weighted Value $m	August 23 Total Weighted Value $m	May 23 Total Un-Weighted Value $m	May 23 Total Weighted Value $m
Liquid Assets				
*High-quality liquid assets (**HQLA**)*		18,142		18,317
*Alternative liquid assets (**ALA**)*		-		-
Total Liquid Assets		18,142		18,317
Cash Outflows				
Retail deposits and deposits from small business customers, of which:	38,709	5,469	38,230	5,374
stable deposits	13,569	678	13,318	666
less stable deposits	25,140	4,791	24,912	4,708
Unsecured wholesale funding, of which:	7,659	4,585	7,662	4,590
non-operational deposits (all counterparties)	6,948	3,874	6,949	3,877
unsecured debt	711	711	713	713
Secured wholesale funding		244		638
Additional requirements, of which	8,683	1,595	8,953	1,684
outflows related to derivatives exposures and other collateral requirements	1,177	1,177	1,257	1,257
credit and liquidity facilities	7,506	418	7,696	427
Other contractual funding obligations	1,474	993	1,540	1,090
Other contingent funding obligations	10,460	938	11,181	835
Total Cash Outflows	66,985	13,824	67,566	14,211
Cash Inflows				
Secured lending (e.g. reverse repos)	657			
Inflows from fully performing exposures	988	506	925	475
Other cash inflows	1,254	1,254	1,249	1,249
Total Cash Inflows	2,899	1,760	2,174	1,724
Total Net Cash Outflows	64,086	12,064	65,392	12,487
Total liquid assets		18,142		18,317
Total net cash outflows		12,064		12,487
Liquidity Coverage Ratio (%)		150%		147%

10. 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 Level 2 NSFR as at 31 August 2023 was 128%, which was 3% higher than the NSFR as at 31 May 2023. Available Stable Funding declined primarily due to a reduction in the weighted value of wholesale funding, but this was more than offset by a lower loan balance in the Required Stable Funding denominator.

10. Net Stable Funding Ratio (continued)

August 23

	Unweighted value by residual maturity				
	No maturity $m	< 6 months $m	6 months to < 1 year $m	> 1 year $m	Weighted value $m
Available Stable Funding (ASF) Item					
Capital	6,286	100	350	1,310	8,046
Regulatory Capital	6,286	100	350	1,310	8,046
Other capital instruments	-	-	-	-	-
Retail deposits and deposits from small business customers	30,439	23,166	-	-	49,080
Stable deposits	13,696	4,411	-	-	17,202
Less stable Deposits	16,743	18,755	-	-	31,878
Wholesale funding	2,994	21,037	3,471	7,424	15,993
Operational deposits	-	-	-	-	-
Other wholesale funding	2,994	21,037	3,471	7,424	15,993
Liabilities with matching interdependent assets	-	-	-	-	-
Other liabilities	1,137	478	171	213	298
NSFR derivative liabilities		330	-	-	
All other liabilities and equity not included in the above categories	1,137	148	171	213	298
Total ASF					**73,417**
Required Stable Funding (RSF) Item					
Total NSFR (HQLA)					814
ALA					218
RBNZ securities					-
Deposits held at other financial institutions for operational purposes	1,009	-	-	-	841
Performing loans and securities	-	6,206	2,977	65,698	51,588
Performing loans to financial institutions secured by Level 1 HQLA	-	2,856	-	-	286
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	164	1	-	25
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:	-	2,184	2,146	17,075	16,008
With a risk weight of less than or equal to 35% under APS 112	-	440	312	4,092	3,054
Performing residential mortgages, of which:	-	1,000	802	48,521	35,168
Are standard loans to individuals with a LVR of 80% or below	-	207	248	40,243	27,457
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	2	28	102	101

10. Net Stable Funding Ratio (continued)

August 23

	Unweighted value by residual maturity				
	No maturity $m	**< 6 months $m**	**6 months to < 1 year $m**	**> 1 year $m**	**Weighted value $m**
Assets with matching interdependent liabilities	-	-	-	-	-
Other assets	2,639	798	40	892	3,663
Physical traded commodities, including gold	-				-
Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)		-	-	140	119
NSFR derivative assets		-	-	32	32
NSFR derivative liabilities before deduction of variation margin posted		-	-	73	73
All other assets not included in the above categories	2,639	798	40	647	3,439
Off-balance sheet items		-	-	7,700	413
Total RSF					57,537
Net Stable Funding Ratio (%)					128%

10. Net Stable Funding Ratio (continued)

May 23

	Unweighted value by residual maturity				
	No maturity $m	< 6 months $m	6 months to < 1 year $m	> 1 year $m	Weighted value $m
Available Stable Funding (ASF) Item					
Capital	6,428	-	100	1,660	8,188
Regulatory Capital	6,428	-	100	1,660	8,188
Other capital instruments	-	-	-	-	-
Retail deposits and deposits from small business customers	30,631	21,897	-	-	48,060
Stable deposits	13,219	4,071	-	-	16,425
Less stable Deposits	17,412	17,826	-	-	31,635
Wholesale funding	3,233	21,455	1,970	9,390	17,420
Operational deposits	-	-	-	-	-
Other wholesale funding	3,233	21,455	1,970	9,390	17,420
Liabilities with matching interdependent assets	-	-	-	-	-
Other liabilities	1,323	356	161	58	138
NSFR derivative liabilities		356	-	-	
All other liabilities and equity not included in the above categories	1,323	-	161	58	138
Total ASF					73,806
Required Stable Funding (RSF) Item					
Total NSFR (HQLA)					841
ALA					218
RBNZ securities					-
Deposits held at other financial institutions for operational purposes	876	-	-	-	865
Performing loans and securities	-	4,461	2,745	66,862	52,496
Performing loans to financial institutions secured by Level 1 HQLA	-	1,105	-	-	111
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	200	-	2	32
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:	-	2,148	1,830	17,279	16,028
With a risk weight of less than or equal to 35% under APS 112	-	266	388	4,070	2,992
Performing residential mortgages, of which:	-	1,001	896	49,466	36,214
With a risk weight equal to 35% under APS 112	-	221	227	40,669	28,012
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	7	19	115	111

10. Net Stable Funding Ratio (continued)

May 23

	Unweighted value by residual maturity				
	No maturity $m	< 6 months $m	6 months to < 1 year $m	> 1 year $m	Weighted value $m
Assets with matching interdependent liabilities	-	-	-	-	-
Other assets	3,097	791	68	883	4,126
Physical traded commodities, including gold	-				-
Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)		-	-	140	119
NSFR derivative assets		-	-	29	29
NSFR derivative liabilities before deduction of variation margin posted		-	-	78	78
All other assets not included in the above categories	3,097	791	68	636	3,900
Off-balance sheet items		-	-	7,856	422
Total RSF					58,968
Net Stable Funding Ratio (%)					125%

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