ASX RELEASE

BOQ GROUP

APRA BASEL III PILLAR 3

Wednesday, 31 January 2024, Brisbane: Bank of Queensland Limited (**BOQ**) today released its quarterly APRA Basel III Pillar 3 report relating to the quarter ending 30 November 2023.

ENDS

Authorised for release by: The Disclosure Committee of Bank of Queensland Limited.

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APRA BASEL III PILLAR 3 DISCLOSURES

Quarter Ended 30 November 2023

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2023

Bank of Queensland Limited, Basel III Pillar 3 Disclosures

For the Quarter Ended 30 November 2023

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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 30 November 2023, BOQ's capital ratios are as follows:

- Common Equity Tier 1 Capital Ratio was 10.64% (10.91% as at 31 August 2023);
- Tier 1 Capital Ratio was 13.35% (13.64% as at 31 August 2023); and
- Total Capital Ratio was 15.36% (15.64% as at 31 August 2023).

Bank of Queensland Limited, Basel III Pillar 3 Disclosures

For the Quarter Ended 30 November 2023

1. Capital Structure

	November 23 $m	August 23 $m
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	**5,331**	5,318
Reserves	**150**	414
Retained earnings, including current year earnings	**461**	290
Total Common Equity Tier 1 Capital	**5,942**	6,022
Regulatory Adjustments		
Deferred expenditure	**(418)**	(409)
Goodwill and intangibles	**(1,097)**	(1,069)
Other deductions	**(77)**	(106)
Total Regulatory Adjustments	**(1,592)**	(1,584)
Net Common Equity Tier 1 Capital	**4,350**	4,438
Additional Tier 1 Capital	**1,110**	1,110
Total Tier 1 Capital	**5,460**	5,548
Tier 2 Capital		
Tier 2 Capital	**636**	636
Provisions eligible for inclusion in Tier 2 Capital	**185**	179
Net Tier 2 Capital	**821**	815
Total Capital Base	**6,281**	6,363

2. Capital Adequacy

Risk Weighted Assets	November 23 $m	August 23 $m
Subject to the standardised approach		
Government	**57**	59
Bank	**458**	463
Residential Mortgages	**21,803**	22,234
Other retail (1)	**8,881**	8,352
Other	**354**	533
Corporate	**5,868**	5,750
Total On-Balance Sheet Assets and Off-Balance Sheet Exposures	**37,421**	37,391
Securitisation Exposures	**41**	43
Market Risk Exposures	**49**	37
Operational Risk Exposures	**3,383**	3,209
Total Risk Weighted Assets	**40,894**	40,680

Capital Ratios	%	%
Level 2 Total Capital Ratio	**15.36**	15.64
Level 2 Common Equity Tier 1 Capital Ratio	**10.64**	10.91
Level 2 Net Tier 1 Capital Ratio	**13.35**	13.64

(1) Includes commercial property, leasing and personal.

3. Credit Risk

Exposure Type	Gross Credit Exposure [1] $m		Average Gross Credit Exposure $m	
	November 23	August 23	**November 23**	August 23
Cash and due from financial institutions	**1,785**	1,744	**1,765**	1,646
Debt securities	**15,165**	16,461	**15,813**	16,865
Loans and advances	**74,679**	74,623	**74,651**	75,056
Off-balance sheet exposures for derivatives	**105**	116	**110**	139
Other off-balance sheet exposures [2]	**6,600**	8,148	**7,374**	7,418
Other	**354**	533	**444**	537
Total Exposures	**98,688**	101,625	**100,157**	101,661

Portfolios subject to the standardised approach	Gross Credit Exposure [1] $m		Average Gross Credit Exposure $m	
	November 23	August 23	**November 23**	August 23
Government	**17,025**	19,722	**18,373**	19,249
Bank	**1,894**	1,869	**1,881**	1,792
Residential mortgages	**61,454**	62,454	**61,954**	63,011
Other retail	**10,755**	9,963	**10,360**	9,993
Other	**354**	533	**444**	537
Corporate	**7,206**	7,084	**7,145**	7,079
Total Exposures	**98,688**	101,625	**100,157**	101,661

(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.

3. Credit Risk (continued)

November 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	664	48	(1)	1
Other retail	178	58	(4)	4
Other		-	-	-
Corporate	73	49	1	1
Total	915	155	(4)	6

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

	November 23 $m	August 23 $m
Statutory Equity Reserve for Credit Losses	22	20
Collective provision [(2)]	163	159
General provisions	185	179

(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 $140m for November 2023 and $150m for August 2023.

4. Securitisation Exposures

Exposure Type	November 23 Securitisation Activity $m	November 23 Gain or Loss on Sale $m	August 23 Securitisation Activity $m	August 23 Gain or Loss on Sale $m
Debt securities - Securities held in the banking book	(9)	-	(19)	-
Non market off-balance sheet exposures - Securities in trading book	-	-	-	-
Cash and due from financial institutions - Liquidity facilities	-	-	8	-
Loans and Advances - Funding facilities	-	-	3	-
On market off-balance sheet exposures - Swaps	1	-	10	-
Other	(10)	-	(11)	-
Total Exposures	(18)	-	(9)	-

November 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	115	-	64	17	-	13,000
Off-balance sheet securitisation exposure	-	-	-	-	12	-
Total Exposures	115	-	64	17	12	13,000

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

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

5. 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 November 2023 quarter was 150%, which is unchanged from the previous August 2023 quarter average. A reduction in the average balance of HQLA was offset by a reduction in NCO leaving the LCR unchanged. The NCO reduction was driven by a reduction in retail and wholesale deposits maturing within the LCR window. The following table presents detailed information on the ratio composition for the two quarters. 65 data points were used in calculating the average figures for the November 2023 quarter and 66 data points were used in calculating the average figures for the August 2023 quarter.

5. Liquidity Coverage Ratio (continued)

	November 23		August 23	
Average Quarterly Performance	**Total Un-Weighted Value $m**	**Total Weighted Value $m**	Total Un-Weighted Value $m	Total Weighted Value $m
Liquid Assets				
*High-quality liquid assets (**HQLA**)*		**17,581**		18,142
*Alternative liquid assets (**ALA**)*		**-**		-
Total Liquid Assets		**17,581**		18,142
Cash Outflows				
Retail deposits and deposits from small business customers, of which:	**38,541**	**5,387**	38,709	5,469
stable deposits	**13,896**	**695**	13,569	678
less stable deposits	**24,645**	**4,692**	25,140	4,791
Unsecured wholesale funding, of which:	**7,236**	**4,365**	7,659	4,585
non-operational deposits (all counterparties)	**6,455**	**3,584**	6,948	3,874
unsecured debt	**781**	**781**	711	711
Secured wholesale funding		**384**		244
Additional requirements, of which	**8,880**	**1,682**	8,683	1,595
outflows related to derivatives exposures and other collateral requirements	**1,256**	**1,256**	1,177	1,177
credit and liquidity facilities	**7,624**	**426**	7,506	418
Other contractual funding obligations	**1,292**	**790**	1,474	993
Other contingent funding obligations	**9,831**	**853**	10,460	938
Total Cash Outflows	**65,780**	**13,461**	66,985	13,824
Cash Inflows				
Secured lending (e.g. reverse repos)	**1,045**	**-**	657	-
Inflows from fully performing exposures	**1,029**	**527**	988	506
Other cash inflows	**1,184**	**1,184**	1,254	1,254
Total Cash Inflows	**3,258**	**1,711**	2,899	1,760
Total Net Cash Outflows	**62,522**	**11,750**	64,086	12,064
Total liquid assets		**17,581**		18,142
Total net cash outflows		**11,750**		12,064
Liquidity Coverage Ratio (%)		**150%**		150%

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