

APRA BASEL III PILLAR 3

Wednesday, 16 October 2024, Sydney: Bank of Queensland Limited (**BOQ**) today released its quarterly APRA Basel III Pillar 3 report relating to the period ending 31 August 2024.

ENDS

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

APRA BASEL III PILLAR 3 DISCLOSURES

Quarter Ended 31 August 2024



**BOQ
GROUP**

**20
24**

Bank of Queensland Limited, Basel III Pillar 3 Disclosures

For the Quarter Ended 31 August 2024

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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 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 Bank's Internal Capital Adequacy Assessment Process (**ICAAP**) provides the framework to ensure that the Bank is capitalised to meet internal capital targets and APRA's requirements. The ICAAP is reviewed regularly and submitted to the Board annually for approval.

The Bank's capital position is monitored on a continuous basis and reported monthly to the Asset and Liability Committee and Board.

Capital Ratios

APRA's revised Basel III capital framework has been effective since 1 January 2023. The Board has determined that BOQ will target to operate within the following management target ranges in normal operating conditions, 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 2024, BOQ's capital ratios are as follows:

- Common Equity Tier 1 Capital Ratio was 10.66% (10.69% as at 31 May 2024);
- Tier 1 Capital Ratio was 12.30% (13.20% as at 31 May 2024); and
- Total Capital Ratio was 14.27% (15.13% as at 31 May 2024).

Capital Initiatives

The Bank redeemed AUD 350 million BOQPE Additional Tier 1 Capital Notes in August 2024.

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For the Quarter Ended 31 August 2024

1. Capital Structure

	August 24 \$m	February 24 \$m
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	5,342	5,331
Reserves	310	343
Retained earnings, including current year earnings	366	330
Total Common Equity Tier 1 Capital	6,018	6,004
Regulatory Adjustments		
Deferred expenditure	(422)	(417)
Goodwill and intangibles	(1,152)	(1,110)
Other deductions	(155)	(96)
Total Regulatory Adjustments	(1,729)	(1,623)
Net Common Equity Tier 1 Capital	4,289	4,381
Additional Tier 1 Capital ⁽¹⁾	660	1,010
Total Tier 1 Capital	4,949	5,391
Tier 2 Capital		
Tier 2 Capital	636	636
Provisions eligible for inclusion in Tier 2 Capital	160	149
Net Tier 2 Capital	796	785
Total Capital Base	5,745	6,176

(1) Additional Tier 1 Capital decreased by \$350m after redemption of BOQPE Capital Notes in August 2024.

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For the Quarter Ended 31 August 2024

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	5,342	A
2	Retained earnings	366	B
3	Accumulated other comprehensive income (and other reserves)	310	-
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	6,018	-
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)	585	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	37	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	<i>of which: significant investments in the ordinary shares of financial entities</i>	-	-
24	<i>of which: mortgage servicing rights</i>	-	-
25	<i>of which: deferred tax assets arising from temporary differences</i>	-	-
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	540	-
26a	<i>of which: treasury shares</i>	-	-
26b	<i>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</i>	-	-
26c	<i>of which: deferred fee income</i>	377	F
26d	<i>of which: equity investments in financial institutions not reported in rows 18, 19 and 23</i>	9	G
26e	<i>of which: deferred tax assets not reported in rows 10, 21 and 25</i>	85	H
26f	<i>of which: capitalised expenses</i>	26	I
26g	<i>of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements</i>	7	J
26h	<i>of which: covered bonds in excess of asset cover in pools</i>	-	-
26i	<i>of which: undercapitalisation of a non-consolidated subsidiary</i>	-	-
26j	<i>of which: other national specific regulatory adjustments not reported in rows 26a to 26i</i>	36	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	1,729	-
29	Common Equity Tier 1 Capital (CET1)	4,289	-

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For the Quarter Ended 31 August 2024

2. Capital Disclosure Template (continued)

Additional Tier 1 Capital: Instruments		\$m	Ref
30	Directly issued qualifying Additional Tier 1 instruments	660	-
31	of which: classified as equity under applicable accounting standards	-	-
32	of which: classified as liabilities under applicable accounting standards	660	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	660	-
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)	660	-
45	Tier 1 Capital (T1=CET1+AT1)	4,949	-
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	160	M + N
51	Tier 2 Capital before Regulatory Adjustments	810	-

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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	<i>of which: holdings of capital instruments in group members by other group members on behalf of third parties</i>	-	-
56b	<i>of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55</i>	-	-
56c	<i>of which: other national specific regulatory adjustments not reported in rows 56a and 56b</i>	-	-
57	Total regulatory adjustments to Tier 2 capital	14	-
58	Tier 2 capital (T2)	796	-
59	Total capital (TC=T1+T2)	5,745	-
60	Total risk-weighted assets based on APRA standards	40,249	-
Capital Ratios and Buffers		%	Ref
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	10.66	-
62	Tier 1 (as a percentage of risk-weighted assets)	12.30	-
63	Total capital (as a percentage of risk-weighted assets)	14.27	-
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)	8.00	-
65	<i>of which: capital conservation buffer requirement</i>	2.50	-
66	<i>of which: ADI-specific countercyclical buffer requirements</i>	1.00	-
67	<i>of which: G-SIB buffer requirement (not applicable)</i>	-	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	2.66	-
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)	160	M + N
77	Cap on inclusion of provisions in Tier 2 under standardised approach	460	-
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	-	-

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For the Quarter Ended 31 August 2024

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	<i>Current cap on CET1 instruments subject to phase out arrangements</i>	-	-
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	-	-
82	<i>Current cap on AT1 instruments subject to phase out arrangements</i>	-	-
83	<i>Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)</i>	-	-
84	<i>Current cap on T2 instruments subject to phase out arrangements</i>	-	-
85	<i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>	-	-

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For the Quarter Ended 31 August 2024

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 24	Group Balance Sheet \$m	Adjustments \$m	Level 2 Regulatory Balance Sheet \$m	Reconciliation Reference
Assets				
Cash and cash equivalents	2,927	(359)	2,568	-
Due from other financial institutions	220	(34)	186	-
Derivative financial assets	561	(1)	560	-
Financial assets at fair value through profit or loss (FVTPL)	604	-	604	-
Debt instruments at FVOCI	16,760	-	16,760	-
Equity instruments at FVOCI	7	-	7	-
<i>of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements</i>	7	-	7	J
Debt instruments at amortised cost	15	-	15	-
Loans and advances	80,163	(6,630)	73,533	-
<i>of which: deferred fee income</i>	377	-	377	F
<i>of which: Provisions</i>	160	-	160	M
Other assets	401	(8)	393	-
<i>of which: capitalised expenses</i>	26	-	26	I
Current tax assets	-	-	-	-
Property, plant and equipment	142	-	142	-
Assets held for sale	-	-	-	-
Shares in controlled entities	-	-	-	-
<i>of which: equity investments in financial institutions not reported in rows 18, 19 and 23</i>	-	9	9	G
Deferred tax assets	70	-	70	-
<i>of which: deferred tax assets not reported in rows 10, 21 and 25</i>	85	-	85	H
Intangible assets	1,162	(10)	1,152	-
<i>of which: Goodwill (net of related tax liability)</i>	567	-	567	C
<i>of which: other intangibles other than mortgage servicing rights (net of related tax liability)</i>	595	(10)	585	D
Investments in joint arrangements and associates	8	(8)	-	-
Amounts due from controlled entities	-	-	-	-
Total Assets	103,040	(7,050)	95,990	-
Liabilities				
Due to other financial institutions - at call	1,064	-	1,064	-
Deposits	76,218	(60)	76,158	-
Derivative financial liabilities	218	-	218	-
Accounts payable and other liabilities	1,179	(37)	1,142	-
Current tax liabilities	14	-	14	-
Deferred tax liabilities	-	-	-	-
Provisions	143	-	143	-
Amounts due to controlled entities	-	-	-	-
Borrowings	18,187	(6,954)	11,233	-
<i>of which: other national specific regulatory adjustments not reported in rows 26a to 26i</i>	36	-	36	K
<i>of which: classified as liabilities under applicable accounting standards</i>	660	-	660	L
Total Liabilities	97,023	(7,051)	89,972	-
Net Assets	6,017	1	6,018	-

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

August 24	Group Balance Sheet \$m	Adjustments \$m	Level 2 Regulatory Balance Sheet \$m	Reconciliation Reference
Equity				
Issued Capital	5,342	-	5,342	A
Other equity instruments	-	-	-	-
Reserves	311	(1)	310	-
<i>of which: Equity reserve for credit losses</i>	-	-	-	N
<i>of which: Cash-flow hedge reserve</i>	37	-	37	E
<i>of which: Other reserves included in CET1</i>	274	(1)	273	-
Retained profits	364	2	366	B
Total Equity	6,017	1	6,018	-

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4. Entities excluded from the Regulatory Scope of Consolidation

August 24	Total Assets \$m	Total Liabilities \$m	Principal Activities
Securitisation Trusts			
Series 2015-1 REDS Trust	-	-	Securitisation
Series 2017-1 REDS Trust	146	146	Securitisation
Series 2018-1 REDS Trust	179	179	Securitisation
Series 2019-1 REDS Trust	217	217	Securitisation
Series 2022-1 REDS MHP Trust	100	100	Securitisation
Series 2023-1 REDS Trust	723	723	Securitisation
Series 2024-1 REDS Trust	871	871	Securitisation
Series 2024-2 REDS Trust	1,013	1,013	Securitisation
SMHL Series Securitisation Fund 2018-2	140	140	Securitisation
SMHL Series Securitisation Fund 2019-1	351	351	Securitisation
SMHL Series Private Placement Trust 2017-2	855	855	Securitisation
SMHL Series Private Placement Trust 2019-1	1,097	1,097	Securitisation
SMHL Series Private Placement 2019-2	1,010	1,010	Securitisation
SMHL Securitisation Trust 2020-1	312	312	Securitisation
Manager and Non-Financial Operating Entities			
Home Credit Management Pty Ltd	24	11	Investment Holding Entity
Bank of Queensland Limited Employee Share Plans Trust	21	6	Employee Share Plan Trust

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For the Quarter Ended 31 August 2024

5. Capital Adequacy

	August 24 \$m	May 24 \$m
Risk Weighted Assets		
Subject to the standardised approach		
Government	55	57
Bank	524	534
Residential Mortgages	20,957	21,347
Other retail ⁽¹⁾	8,860	8,767
Other	321	297
Corporate	6,007	5,850
Total On-Balance Sheet Assets and Off-Balance Sheet Exposures	36,724	36,852
Securitisation Exposures	38	40
Market Risk Exposures	104	48
Operational Risk Exposures	3,383	3,383
Total Risk Weighted Assets	40,249	40,323
Capital Ratios		
	%	%
Level 2 Total Capital Ratio	14.27	15.13
Level 2 Common Equity Tier 1 Capital Ratio	10.66	10.69
Level 2 Net Tier 1 Capital Ratio	12.30	13.20

(1) Includes commercial property, leasing and personal.

6. Countercyclical Capital Buffer

Country ⁽¹⁾	August 24		
	RWA ⁽²⁾ \$m	Jurisdictional Buffer %	ADI-specific Buffer ⁽³⁾ %
Australia	36,026	1.000	0.996212
United Kingdom	21	2.000	0.001161
Hong Kong	24	1.000	0.000664
Other	92	-	-
Total	36,163		0.998037

(1) Represents country of ultimate risk as at 31 August 2024.

(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.

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7. Credit Risk

Exposure Type	Gross Credit Exposure ⁽¹⁾ \$m		Average Gross Credit Exposure \$m	
	August 24	May 24	August 24	May 24
Cash and due from financial institutions	2,027	1,945	1,986	1,872
Debt securities	16,948	16,572	16,760	16,012
Loans and advances	73,467	74,218	73,842	74,648
Off-balance sheet exposures for derivatives	126	150	138	124
Other off-balance sheet exposures	5,238	6,208	5,723	5,861
Other	321	296	309	320
Total Exposures	98,127	99,389	98,758	98,837

Portfolios subject to the standardised approach	Gross Credit Exposure ⁽¹⁾ \$m		Average Gross Credit Exposure \$m	
	August 24	May 24	August 24	May 24
Government	17,349	17,933	17,641	16,993
Bank	2,153	2,099	2,126	2,000
Residential mortgages	59,942	60,998	60,470	61,528
Other retail	10,955	10,868	10,911	10,877
Other	321	297	309	320
Corporate	7,407	7,194	7,301	7,119
Total Exposures	98,127	99,389	98,758	98,837

(1) Gross credit exposures reflect credit equivalent amounts.

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7. Credit Risk (continued)

August 24

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	846	41	-	1
Other retail	278	65	1	4
Other	-	-	-	-
Corporate	84	40	(1)	4
Total	1,208	146	-	9

May 24

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	786	55	-	1
Other retail	320	77	(1)	2
Other	-	-	-	-
Corporate	90	44	(3)	5
Total	1,196	176	(4)	8

	August 24 \$m	May 24 \$m
Statutory Equity Reserve for Credit Losses	-	-
Collective provision ⁽²⁾	160	145
General provisions	160	145

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

(2) The stage 2 component that is non-performing, deemed to be ineligible as a General Provision, is considered as a regulatory specific provision.

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For the Quarter Ended 31 August 2024

8. Securitisation Exposures

Exposure Type	August 24		May 24	
	Securitisation Activity \$m	Gain or Loss on Sale \$m	Securitisation Activity \$m	Gain or Loss on Sale \$m
Debt securities - Securities held in the banking book	(12)	-	(6)	-
Non market off-balance sheet exposures - Securities in trading book	-	-	-	-
Cash and due from financial institutions - Liquidity facilities	11	-	10	-
Loans and Advances - Funding facilities	2	-	3	-
On market off-balance sheet exposures - Swaps	(10)	-	6	-
Other	(28)	-	(60)	-
Total Exposures	(37)	-	(47)	-

August 24

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	88	-	79	20	-	12,903
Off-balance sheet securitisation exposure	-	-	-	-	7	-
Total Exposures	88	-	79	20	7	12,903

May 24

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	100	-	68	18	-	12,931
Off-balance sheet securitisation exposure	-	-	-	-	17	-
Total Exposures	100	-	68	18	17	12,931

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

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For the Quarter Ended 31 August 2024

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 (**HQLA**) 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 composed of HQLA (RBA balances, cash, Australian Semi-Government and Commonwealth Government securities). 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 2024 quarter was 145%, which is 2% lower than the previous May 2024 quarter average. On a spot basis, the LCR was between 138% and 161% with the low attributed to wholesale maturities entering the NCO window including \$914m in the Term Funding Facility (TFF). The spot LCR has trended higher over the period due to the \$914m TFF being repaid in June, a retail funding surplus of \$1,124m in the period, and a \$1bn RMBS issuance that settled in August. The average balance of HQLA has increased by \$255m relative to the last quarter.

The average NCOs have increased by \$364m primarily driven by a \$337m increase in retail deposits.

Other contractual funding obligations and other contingent funding obligations increased by \$15m over the quarter primarily due to decreases in loans approved not advanced (which is the major driver of other cash outflows). The other cash inflows decreased over the quarter by \$435m mostly due to a reduction in derivative positions from the prior quarter as a result of the covered bond transactions, there are similar reductions in the outflows related to derivatives exposures and other collateral requirements.

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 August 2024 quarter and 63 data points were used in calculating the average figures for the May 2024 quarter.

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9. Liquidity Coverage Ratio (continued)

	August 24		May 24	
	Un-Weighted Value \$m	Total Weighted Value \$m	Un-Weighted Value \$m	Total Weighted Value \$m
Average Quarterly Performance				
Liquid Assets				
High-quality liquid assets (HQLA)		16,764		16,509
Alternative liquid assets (ALA)				
Total Liquid Assets		16,764		16,509
Cash Outflows				
Retail deposits and deposits from small business customers, of which:	39,991	5,676	38,254	5,339
stable deposits	14,254	713	13,882	694
less stable deposits	25,737	4,963	24,372	4,645
Unsecured wholesale funding, of which:	6,754	4,124	6,965	4,048
non-operational deposits (all counterparties)	6,052	3,422	6,426	3,509
unsecured debt	702	702	539	539
Secured wholesale funding		311		462
Additional requirements, of which	8,605	1,404	9,019	1,746
outflows related to derivatives exposures and other collateral requirements	975	975	1,314	1,314
credit and liquidity facilities	7,630	429	7,705	432
Other contractual funding obligations	1,209	706	1,196	699
Other contingent funding obligations	10,112	818	10,015	810
Total Cash Outflows	66,671	13,039	65,449	13,104
Cash Inflows				
Secured lending (e.g. reverse repos)	191	-	99	-
Inflows from fully performing exposures	1,027	525	1,016	519
Other cash inflows	926	926	1,361	1,361
Total Cash Inflows	2,144	1,451	2,476	1,880
Total Net Cash Outflows	64,527	11,588	62,973	11,224
Total liquid assets		16,764		16,509
Total net cash outflows		11,588		11,224
Liquidity Coverage Ratio (%)		145%		147%

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For the Quarter Ended 31 August 2024

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 fund 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 2024 was 125%, which remained in line with the NSFR as at 31 May 2024. Available Stable Funding increased by \$837m primarily due to an increase in the weighted value of Retail deposits of \$1.5bn, offset by the \$350m convertible note maturity and a weighted \$366m of wholesale deposits. Required Stable Funding increased by \$777m over the quarter due to a \$319m increase in ADI securities purchased and fewer encumbered loans due to the \$914m TFF maturity.

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For the Quarter Ended 31 August 2024

10. Net Stable Funding Ratio (continued)

August 24

	Unweighted value by residual maturity				Weighted value \$m
	No maturity \$m	< 6 months \$m	6 months to < 1 year \$m	> 1 year \$m	
Available Stable Funding (ASF) Item					
Capital	6,265	-	-	1,310	7,575
Regulatory Capital	6,265	-	-	1,310	7,575
Other capital instruments	-	-	-	-	-
Retail deposits and deposits from small business customers	30,544	25,234	-	-	51,033
Stable deposits	14,283	5,017	-	-	18,335
Less stable Deposits	16,261	20,217	-	-	32,698
Wholesale funding	3,015	18,084	2,177	7,323	14,352
Operational deposits	-	-	-	-	-
Other wholesale funding	3,015	18,084	2,177	7,323	14,352
Liabilities with matching interdependent assets	-	-	-	-	-
Other liabilities	1246	189	154	97	174
NSFR derivative liabilities	-	189	-	-	-
All other liabilities and equity not included in the above categories	1246	-	154	97	174
Total ASF					73,134
Required Stable Funding (RSF) Item					
Total NSFR (HQLA)					834
ALA					-
RBNZ securities					-
Deposits held at other financial institutions for operational purposes	1,502	-	-	-	1,334
Performing loans and securities	-	3,635	2,795	66,693	52,089
Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	152	-	-	23
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:	-	2,466	2,105	17,578	16,467
With a risk weight of less than or equal to 35% under APS 112	-	214	164	4,397	3,084
Performing residential mortgages, of which:	-	732	593	48,805	35,144
Are standard loans to individuals with a LVR of 80% or below	-	304	319	40,526	27,756
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	285	97	310	455

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For the Quarter Ended 31 August 2024

10. Net Stable Funding Ratio (continued)

August 24

	Unweighted value by residual maturity				Weighted value \$m
	No maturity \$m	< 6 months \$m	6 months to < 1 year \$m	> 1 year \$m	
Assets with matching interdependent liabilities	-	-	-	-	-
Other assets	2,635	668	26	1,260	3,963
<i>Physical traded commodities, including gold</i>	-				-
<i>Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)</i>		-	-	103	88
<i>NSFR derivative assets</i>		-	-	71	71
<i>NSFR derivative liabilities before deduction of variation margin posted</i>		-	-	44	44
<i>All other assets not included in the above categories</i>	2,635	668	26	1,042	3,760
Off-balance sheet items		-	-	7,630	410
Total RSF					58,630
Net Stable Funding Ratio (%)					125%

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For the Quarter Ended 31 August 2024

10. Net Stable Funding Ratio (continued)

May 24

	Unweighted value by residual maturity				Weighted value \$m
	No maturity \$m	< 6 months \$m	6 months to < 1 year \$m	> 1 year \$m	
Available Stable Funding (ASF) Item					
Capital	6,193	350	-	1,310	7,853
<i>Regulatory Capital</i>	6,193	350	-	1,310	7,853
<i>Other capital instruments</i>	-	-	-	-	-
Retail deposits and deposits from small business customers	29,751	24,324	-	-	49,511
<i>Stable deposits</i>	14,249	4,876	-	-	18,168
<i>Less stable Deposits</i>	15,502	19,448	-	-	31,343
Wholesale funding	3,053	19,882	2,442	7,516	14,718
<i>Operational deposits</i>	-	-	-	-	-
<i>Other wholesale funding</i>	3,053	19,882	2,442	7,516	14,718
Liabilities with matching interdependent assets	-	-	-	-	-
Other liabilities	704	246	151	140	215
<i>NSFR derivative liabilities</i>	-	246	-	-	-
<i>All other liabilities and equity not included in the above categories</i>	704	-	151	140	215
Total ASF					72,297
Required Stable Funding (RSF) Item					
Total NSFR (HQLA)					796
ALA					91
RBNZ securities					-
Deposits held at other financial institutions for operational purposes	1,180	-	-	-	1,054
Performing loans and securities	-	4,397	2,845	66,172	51,673
<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	-	949	-	-	95
<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	-	149	-	-	22
<i>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:</i>	-	2,483	2,137	15,963	15,366
<i>With a risk weight of less than or equal to 35% under APS 112</i>	-	207	191	3,133	2,260
<i>Performing residential mortgages, of which:</i>	-	766	704	50,080	36,054
<i>Are standard loans to individuals with a LVR of 80% or below</i>	-	313	316	41,781	28,579
<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	-	50	4	129	136

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10. Net Stable Funding Ratio (continued)

May 24

	Unweighted value by residual maturity				Weighted value \$m
	No maturity \$m	< 6 months \$m	6 months to < 1 year \$m	> 1 year \$m	
Assets with matching interdependent liabilities	-	-	-	-	-
Other assets	2,582	1,042	37	1,177	3,820
<i>Physical traded commodities, including gold</i>	-	-	-	-	-
<i>Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)</i>	-	-	-	106	90
<i>NSFR derivative assets</i>	-	-	-	27	27
<i>NSFR derivative liabilities before deduction of variation margin posted</i>	-	-	-	56	56
<i>All other assets not included in the above categories</i>	2,582	1,042	37	988	3,647
Off-balance sheet items	-	-	-	7,874	419
Total RSF					57,853
Net Stable Funding Ratio (%)					125%

**BOQ
GROUP**