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BOQ GROUP

# APRA BASEL III PILLAR 3

**Wednesday, 29 January 2025,** Brisbane: Bank of Queensland Limited (**BOQ**) today released its quarterly APRA Basel III Pillar 3 report relating to the period ending 30 November 2024.

ENDS

**Authorised for release by: The Disclosure Committee of Bank of Queensland**

**BOQ Group**
Level 3, 100 Skyring Terrace
Newstead QLD 4006

**Media enquiries**
Simon Huggins
Head of Media & Government Relations
mediarelations@boq.com.au
0447 082 757

**Analyst/Investor enquiries**
Jessica Smith
GM, Investor Relations & Corporate Affairs
Investorrelations@boq.com.au
0429 524 095

# APRA BASEL III PILLAR 3 DISCLOSURES

## Quarter Ended 30 November 2024

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2024

# Bank of Queensland Limited, Basel III Pillar 3 Disclosures
For the Quarter Ended 30 November 2024

## 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 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 30 November 2024, BOQ's capital ratios are as follows:

- Common Equity Tier 1 Capital Ratio was 10.70% (10.66% as at 31 August 2024);
- Tier 1 Capital Ratio was 12.35% (12.30% as at 31 August 2024); and
- Total Capital Ratio was 14.98% (14.27% as at 31 August 2024).

### Capital Initiatives

The Bank issued AUD 250 million Tier 2 Subordinated Notes in October 2024.

# Bank of Queensland Limited, Basel III Pillar 3 Disclosures

For the Quarter Ended 30 November 2024

## 1. Capital Structure

| | November 24 $m | August 24 $m |
|---|---|---|
| **Common Equity Tier 1 Capital** | | |
| Paid-up ordinary share capital | **5,328** | 5,342 |
| Reserves | **187** | 310 |
| Retained earnings, including current year earnings | **461** | 366 |
| **Total Common Equity Tier 1 Capital** | **5,976** | 6,018 |
| | | |
| **Regulatory Adjustments** | | |
| Deferred expenditure | **(409)** | (422) |
| Goodwill and intangibles | **(1,157)** | (1,152) |
| Other deductions | **(114)** | (155) |
| **Total Regulatory Adjustments** | **(1,680)** | (1,729) |
| | | |
| **Net Common Equity Tier 1 Capital** | **4,296** | 4,289 |
| | | |
| Additional Tier 1 Capital | **660** | 660 |
| | | |
| **Total Tier 1 Capital** | **4,956** | 4,949 |
| | | |
| **Tier 2 Capital** | | |
| Tier 2 Capital (1) | **886** | 636 |
| Provisions eligible for inclusion in Tier 2 Capital | **169** | 160 |
| **Net Tier 2 Capital** | **1,055** | 796 |
| | | |
| **Total Capital Base** | **6,011** | 5,745 |

(1) Tier 2 Capital increased by $250m following the issuance of subordinated notes in October 2024.

## 2. Capital Adequacy

| Risk Weighted Assets | November 24 $m | August 24 $m |
|---|---|---|
| **Subject to the standardised approach** | | |
| Government | **52** | 55 |
| Bank | **493** | 524 |
| Residential Mortgages | **20,734** | 20,957 |
| Other retail [1] | **8,867** | 8,860 |
| Other | **323** | 321 |
| Corporate | **6,188** | 6,007 |
| **Total On-Balance Sheet Assets and Off-Balance Sheet Exposures** | **36,657** | 36,724 |
| **Securitisation Exposures** | **33** | 38 |
| **Market Risk Exposures** | **129** | 104 |
| **Operational Risk Exposures** | **3,316** | 3,383 |
| **Total Risk Weighted Assets** | **40,135** | 40,249 |

| Capital Ratios | % | % |
|---|---|---|
| Level 2 Total Capital Ratio | **14.98** | 14.27 |
| Level 2 Common Equity Tier 1 Capital Ratio | **10.70** | 10.66 |
| Level 2 Net Tier 1 Capital Ratio | **12.35** | 12.30 |

(1) Includes commercial property, leasing and personal.

## 3. Credit Risk

| Exposure Type | Gross Credit Exposure [1] $m | | Average Gross Credit Exposure $m | |
|---|---|---|---|---|
| | **November 24** | August 24 | **November 24** | August 24 |
| Cash and due from financial institutions | **1,690** | 2,027 | **1,859** | 1,986 |
| Debt securities | **15,756** | 16,948 | **16,352** | 16,760 |
| Loans and advances | **73,252** | 73,467 | **73,359** | 73,842 |
| Off-balance sheet exposures for derivatives | **161** | 126 | **143** | 138 |
| Other off-balance sheet exposures | **5,617** | 5,238 | **5,428** | 5,723 |
| Other | **323** | 321 | **322** | 309 |
| **Total Exposures** | **96,799** | 98,127 | **97,463** | 98,758 |

| Portfolios subject to the standardised approach | Gross Credit Exposure [1] $m | | Average Gross Credit Exposure $m | |
|---|---|---|---|---|
| | **November 24** | August 24 | **November 24** | August 24 |
| Government | **16,362** | 17,349 | **16,856** | 17,641 |
| Bank | **1,851** | 2,153 | **2,002** | 2,126 |
| Residential mortgages | **59,583** | 59,942 | **59,763** | 60,470 |
| Other retail | **11,113** | 10,955 | **11,033** | 10,911 |
| Other | **323** | 321 | **322** | 309 |
| Corporate | **7,567** | 7,407 | **7,487** | 7,301 |
| **Total Exposures** | **96,799** | 98,127 | **97,463** | 98,758 |

(1) Gross credit exposures reflect credit equivalent amounts.

## 3. Credit Risk (continued)

**November 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 | 821 | 37 | (1) | 1 |
| Other retail | 203 | 46 | (7) | 2 |
| Other | - | - | - | - |
| Corporate | 89 | 43 | 1 | 1 |
| **Total** | 1,113 | 126 | (7) | 4 |

**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 |

| | November 24 $m | August 24 $m |
|---|---|---|
| Statutory Equity Reserve for Credit Losses | - | - |
| Collective provision [2] | 169 | 160 |
| **General provisions** | 169 | 160 |

(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.

## 4. Securitisation Exposures

| | November 24 | | August 24 | |
|---|---|---|---|---|
| **Exposure Type** | **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 | **(26)** | **-** | (12) | - |
| Non market off-balance sheet exposures - Securities in trading book | **-** | **-** | - | - |
| Cash and due from financial institutions - Liquidity facilities | **(6)** | **-** | 11 | - |
| Loans and Advances - Funding facilities | **1** | **-** | 2 | - |
| On market off-balance sheet exposures - Swaps | **11** | **-** | (10) | - |
| Other | **(49)** | **-** | (28) | - |
| **Total Exposures** | **(69)** | **-** | (37) | - |

**November 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 | **62** | **-** | **73** | **21** | **-** | **12,854** |
| Off-balance sheet securitisation exposure | **-** | **-** | **-** | **-** | **18** | **-** |
| **Total Exposures** | **62** | **-** | **73** | **21** | **18** | **12,854** |

**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 |

(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 (**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 November 2024 quarter was 144%, which is 1% lower than the previous August 2024 quarter average. On a spot basis, the LCR was between 134% and 163% with the low attributed to wholesale funding maturities entering the NCO window. The average LCR for the November 2024 quarter was flat compared to the August 2024 quarter which was attributed to an increase in retail deposits ($1.27b) offset by a reduction in wholesale funding due to maturities. The average balance of HQLA has decreased by $89m relative to the last quarter.

Average NCOs have decreased by $32m which was primarily driven by:

- $198m reduction due to secured wholesale funding maturities
- $144m reduction in other contractual funding obligations
- $175m increase in other cash inflows attributed to $250m Tier 2 subordinated notes issuance and securitisation substitutions
- Partly offset by $193m increase in retail deposits and $213m increase in unsecured wholesale funding

Other contractual funding obligations and other contingent funding obligations decreased $136m over the quarter primarily due to decreases in loans approved not advanced (which is a major driver of other cash outflows). Other cash inflows increased over the quarter by $175m due to a $250m Tier 2 subordinated notes issuance and an increase in various securitisation substitutions.

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 2024 quarter and 65 data points were used in calculating the average figures for the August 2024 quarter.

## 5. Liquidity Coverage Ratio (continued)

| | November 24 | | August 24 | |
|---|---|---|---|---|
| **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**)* | | **16,675** | | 16,764 |
| *Alternative liquid assets (**ALA**)* | | | | |
| **Total Liquid Assets** | | **16,675** | | 16,764 |
| | | | | |
| **Cash Outflows** | | | | |
| Retail deposits and deposits from small business customers, of which: | **40,960** | **5,869** | 39,991 | 5,676 |
| *stable deposits* | **14,320** | **716** | 14,254 | 713 |
| *less stable deposits* | **26,640** | **5,153** | 25,737 | 4,963 |
| Unsecured wholesale funding, of which: | **7,133** | **4,337** | 6,754 | 4,124 |
| *non-operational deposits (all counterparties)* | **6,424** | **3,628** | 6,052 | 3,422 |
| *unsecured debt* | **709** | **709** | 702 | 702 |
| Secured wholesale funding | | **113** | | 311 |
| Additional requirements, of which | **8,696** | **1,480** | 8,605 | 1,404 |
| *outflows related to derivatives exposures and other collateral requirements* | **1,048** | **1,048** | 975 | 975 |
| *credit and liquidity facilities* | **7,648** | **432** | 7,630 | 429 |
| Other contractual funding obligations | **1,071** | **562** | 1,209 | 706 |
| Other contingent funding obligations | **9,472** | **826** | 10,112 | 818 |
| **Total Cash Outflows** | **67,332** | **13,187** | 66,671 | 13,039 |
| | | | | |
| **Cash Inflows** | | | | |
| Secured lending (e.g. reverse repos) | **66** | **-** | 191 | - |
| Inflows from fully performing exposures | **1,038** | **530** | 1,027 | 525 |
| Other cash inflows | **1,101** | **1,101** | 926 | 926 |
| **Total Cash Inflows** | **2,205** | **1,631** | 2,144 | 1,451 |
| | | | | |
| **Total Net Cash Outflows** | **65,127** | **11,556** | 64,527 | 11,588 |
| | | | | |
| **Total liquid assets** | | **16,675** | | 16,764 |
| **Total net cash outflows** | | **11,556** | | 11,588 |
| **Liquidity Coverage Ratio (%)** | | **144%** | | 145% |

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