APRA BASEL III PILLAR 3 DISCLOSURES

Quarter Ended 29 February 2024

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2024

Bank of Queensland Limited, Basel III Pillar 3 Disclosures

For the Quarter Ended 29 February 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 became effective on 1 January 2023. The Board has determined that BOQ will target to operate within new 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 29 February 2024, BOQ's capital ratios are as follows:

- Common Equity Tier 1 Capital Ratio was 10.76% (10.64% as at 30 November 2023);
- Tier 1 Capital Ratio was 13.25% (13.35% as at 30 November 2023); and
- Total Capital Ratio was 15.17% (15.36% as at 30 November 2023).

Capital Initiatives

The Bank redeemed AUD 100 million ME Bank Additional Tier 1 Capital Note in December 2023.

Bank of Queensland Limited, Basel III Pillar 3 Disclosures

For the Quarter Ended 29 February 2024

1. Capital Structure

	February 24 $m	August 23 $m
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	**5,331**	5,318
Reserves	**343**	414
Retained earnings, including current year earnings	**330**	290
Total Common Equity Tier 1 Capital	**6,004**	6,022
Regulatory Adjustments		
Deferred expenditure	**(417)**	(409)
Goodwill and intangibles	**(1,110)**	(1,069)
Other deductions	**(96)**	(106)
Total Regulatory Adjustments	**(1,623)**	(1,584)
Net Common Equity Tier 1 Capital	**4,381**	4,438
Additional Tier 1 Capital (1)	**1,010**	1,110
Total Tier 1 Capital	**5,391**	5,548
Tier 2 Capital		
Tier 2 Capital	**636**	636
Provisions eligible for inclusion in Tier 2 Capital	**149**	179
Net Tier 2 Capital	**785**	815
Total Capital Base	**6,176**	6,363

(1) Additional Tier 1 Capital decreased by $100m post redemption of ME Bank Capital Note in December 2023.

Bank of Queensland Limited, Basel III Pillar 3 Disclosures

For the Quarter Ended 29 February 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	5,331	A
2	Retained earnings	330	B
3	Accumulated other comprehensive income (and other reserves)	343	-
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**	**6,004**	-

	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)	543	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	28	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)	485	-
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*	376	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*	31	H
26f	*of which: capitalised expenses*	25	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*	38	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**	**1,623**	-
29	**Common Equity Tier 1 Capital (CET1)**	**4,381**	-

2. Capital Disclosure Template (continued)

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

	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)**	**1,010**	-
45	**Tier 1 Capital (T1=CET1+AT1)**	**5,391**	-

	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	149	M + N
51	**Tier 2 Capital before Regulatory Adjustments**	**799**	-

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)**	**785**	-
59	**Total capital (TC=T1+T2)**	**6,176**	-
60	**Total risk-weighted assets based on APRA standards**	**40,702**	-

	Capital Ratios and Buffers	%	Ref
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	10.76	-
62	Tier 1 (as a percentage of risk-weighted assets)	13.25	-
63	Total capital (as a percentage of risk-weighted assets)	15.17	-
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)	2.77	-

	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)	149	M + N
77	Cap on inclusion of provisions in Tier 2 under standardised approach	466	-
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*.

February 24	Group Balance Sheet $m	Adjustments $m	Level 2 Regulatory Balance Sheet $m	Reconciliation Reference
Assets				
Cash and cash equivalents	2,887	(321)	2,566	-
Due from other financial institutions	278	(27)	251	-
Derivative financial assets	708	(2)	706	-
Financial assets at fair value through profit or loss (**FVTPL**)	40	-	40	-
Debt instruments at FVOCI	15,263	-	15,263	-
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	80,169	(5,041)	75,128	
of which : deferred fee income	376	-	376	F
of which: Provisions	149	-	149	M
Other assets	358	(2)	356	
of which: capitalised expenses	25		25	I
Property, plant and equipment	171	-	171	-
Assets held for sale	196	(196)	-	-
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	20	-	20	-
of which : deferred tax assets arising from temporary differences deducted from CET1	31	-	31	H
Intangible assets	1,123	(3)	1,120	
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)	546	(3)	543	D
Investments in joint arrangements and associates	8	(8)	-	
Total Assets	101,242	(5,600)	95,642	-
Liabilities				
Due to other financial institutions - at call	1,211	-	1,211	-
Deposits	74,861	(65)	74,796	-
Derivative financial liabilities	267	-	267	-
Accounts payable and other liabilities	1,122	(19)	1,103	-
Current tax liabilities	14	-	14	-
Deferred tax liabilities	-	-	-	-
Provisions	106	-	106	-
Borrowings	17,662	(5,521)	12,141	-
of which: other national specific regulatory adjustments not reported in rows 26a to 26i	38	-	38	K
of which: classified as liabilities under applicable accounting standards	1,010	-	1,010	L
Total Liabilities	95,243	(5,605)	89,638	-
Net Assets	5,999	5	6,004	-

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

February 24	Group Balance Sheet $m	Adjustments $m	Level 2 Regulatory Balance Sheet $m	Reconciliation Reference
Equity				
Issued Capital	**5,331**	**-**	**5,331**	A
Other equity instruments	**-**	**-**	**-**	-
Reserves	**344**	**(1)**	**343**	-
of which: Equity reserve for credit losses	**-**	**-**	**-**	N
of which: Cash-flow hedge reserve	**30**	**(2)**	**28**	E
of which: Other reserves included in CET1	**314**	**1**	**315**	-
Retained profits	**324**	**6**	**330**	B
Total Equity	**5,999**	**5**	**6,004**	-

4. Entities excluded from the Regulatory Scope of Consolidation

February 24	Total Assets $m	Total Liabilities $m	Principal Activities
Securitisation Trusts			
Series 2015-1 REDS Trust	103	103	Securitisation
Series 2017-1 REDS Trust	164	164	Securitisation
Series 2018-1 REDS Trust	203	203	Securitisation
Series 2019-1 REDS Trust	247	247	Securitisation
Series 2022-1 REDS MHP Trust	142	142	Securitisation
Series 2023-1 REDS Trust	828	828	Securitisation
SMHL Series Securitisation Fund 2017-1	(1)	-	Securitisation
SMHL Series Securitisation Fund 2018-2	156	156	Securitisation
SMHL Series Securitisation Fund 2019-1	406	406	Securitisation
SMHL Series Private Placement Trust 2017-2	857	857	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	360	360	Securitisation
Manager and Non-Financial Operating Entities			
Home Credit Management Pty Ltd	24	12	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 29 February 2024

5. Capital Adequacy

Risk Weighted Assets	**February 24 $m**	November 23 $m
Subject to the standardised approach		
Government	**59**	57
Bank	**454**	458
Residential Mortgages	**21,775**	21,803
Other retail (1)	**8,871**	8,881
Other	**343**	354
Corporate	**5,733**	5,868
Total On-Balance Sheet Assets and Off-Balance Sheet Exposures	**37,235**	37,421
Securitisation Exposures	**37**	41
Market Risk Exposures	**47**	49
Operational Risk Exposures	**3,383**	3,383
Total Risk Weighted Assets	**40,702**	40,894

Capital Ratios	**%**	%
Level 2 Total Capital Ratio	**15.17**	15.36
Level 2 Common Equity Tier 1 Capital Ratio	**10.76**	10.64
Level 2 Net Tier 1 Capital Ratio	**13.25**	13.35

(1) Includes commercial property, leasing and personal.

6. Countercyclical Capital Buffer

	February 24		
Country (1)	**RWA (2) $m**	**Jurisdictional Buffer %**	**ADI-specific Buffer (3) %**
Australia	**36,450**	**1.000**	**0.992053**
United Kingdom	**21**	**2.000**	**0.001143**
Hong Kong	**22**	**1.000**	**0.000599**
Other	**249**	**-**	**-**
Total	**36,742**		**0.993795**

(1) Represents country of ultimate risk as at 29 February 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.

7. Credit Risk

Exposure Type	Gross Credit Exposure [1] $m		Average Gross Credit Exposure $m	
	February 24	November 23	February 24	November 23
Cash and due from financial institutions	**1,799**	1,785	**1,792**	1,765
Debt securities	**15,452**	15,165	**15,308**	15,813
Loans and advances	**75,078**	74,679	**74,879**	74,651
Off-balance sheet exposures for derivatives	**99**	105	**102**	110
Other off-balance sheet exposures	**5,514**	6,600	**6,057**	7,374
Other	**343**	354	**349**	444
Total Exposures	**98,285**	98,688	**98,487**	100,157

Portfolios subject to the standardised approach	Gross Credit Exposure [1] $m		Average Gross Credit Exposure $m	
	February 24	November 23	February 24	November 23
Government	**16,053**	17,025	**16,539**	18,373
Bank	**1,901**	1,894	**1,897**	1,881
Residential mortgages	**62,058**	61,454	**61,756**	61,954
Other retail	**10,885**	10,755	**10,821**	10,360
Other	**343**	354	**349**	444
Corporate	**7,045**	7,206	**7,125**	7,145
Total Exposures	**98,285**	98,688	**98,487**	100,157

(1) Gross credit exposures reflect credit equivalent amounts.

7. Credit Risk (continued)

February 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	699	51	0	1
Other retail	296	74	1	3
Other		-	-	-
Corporate	74	50	0	5
Total	**1,069**	**175**	**1**	**9**

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

	February 24 $m	November 23 $m
Statutory Equity Reserve for Credit Losses	-	22
Collective provision [2]	149	163
General provisions	**149**	185

(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.

8. Securitisation Exposures

	February 24		November 23	
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	**(9)**	**-**	(9)	-
Non market off-balance sheet exposures - Securities in trading book	**-**	**-**	-	-
Cash and due from financial institutions - Liquidity facilities	**(6)**	**-**	-	-
Loans and Advances - Funding facilities	**(2)**	**-**	-	-
On market off-balance sheet exposures - Swaps	**(1)**	**-**	1	-
Other	**(9)**	**-**	(10)	-
Total Exposures	**(27)**	**-**	(18)	-

February 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	**106**	**-**	**58**	**15**	**-**	**12,991**
Off-balance sheet securitisation exposure	**-**	**-**	**-**	**-**	**11**	**-**
Total Exposures	**106**	**-**	**58**	**15**	**11**	**12,991**

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

(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. The table below also includes other contractual and contingent funding obligations, these items primarily include cash outflows from loans approved and not advanced and the buyback of short-term and long-term debt securities included in the LCR calculation.

BOQ's average Level 2 LCR over the February 2024 quarter was 145%, which is 5% lower than the previous November 2023 quarter average. On a spot basis, the LCR was between 132% and 153%. The spot LCR has trended lower over the period as excess liquid assets have been reduced to optimise BOQ's liquidity position, the average balance of HQLA has reduced by $1.4bn relative to the last quarter. Average NCOs have reduced by $584m which was primarily driven by:

- A $258m reduction relating to secured wholesale funding, this was elevated in the last quarter due to the first tranche of Term Funding Facility maturities.
- A further $203m reduction from average unsecured wholesale funding was driven by a reduction in deposits and fewer maturities through December and January.

The following table presents detailed information on the ratio composition for the two quarters. 60 data points were used in calculating the average figures for the February 2024 quarter and 65 data points were used in calculating the average figures for the November 2023 quarter.

9. Liquidity Coverage Ratio (continued)

	February 24		November 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***)*		**16,169**		17,581
*Alternative liquid assets (***ALA***)*				-
Total Liquid Assets		**16,169**		17,581
Cash Outflows				
Retail deposits and deposits from small business customers, of which:	**38,513**	**5,344**	38,541	5,387
stable deposits	**14,114**	**706**	13,896	695
less stable deposits	**24,399**	**4,638**	24,645	4,692
Unsecured wholesale funding, of which:	**6,954**	**4,162**	7,236	4,365
non-operational deposits (all counterparties)	**6,215**	**3,423**	6,455	3,584
unsecured debt	**739**	**739**	781	781
Secured wholesale funding		**126**		384
Additional requirements, of which	**8,897**	**1,656**	8,880	1,682
outflows related to derivatives exposures and other collateral requirements	**1,227**	**1,227**	1,256	1,256
credit and liquidity facilities	**7,670**	**429**	7,624	426
Other contractual funding obligations	**1,249**	**750**	1,292	790
Other contingent funding obligations	**9,689**	**808**	9,831	853
Total Cash Outflows	**65,302**	**12,846**	65,780	13,461
Cash Inflows				
Secured lending (e.g. reverse repos)	**350**	**-**	1,045	-
Inflows from fully performing exposures	**1,021**	**522**	1,029	527
Other cash inflows	**1,158**	**1,158**	1,184	1,184
Total Cash Inflows	**2,529**	**1,680**	3,258	1,711
Total Net Cash Outflows	**62,773**	**11,166**	62,522	11,750
Total liquid assets		**16,169**		17,581
Total net cash outflows		**11,166**		11,750
Liquidity Coverage Ratio (%)		**145%**		150%

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 29 February 2024 was 122%, which was 2.5% lower than the NSFR as at 30 November 2023. Available Stable Funding declined $1bn primarily due to the aging of long-term wholesale maturities and a lower total balance of long-term wholesale and customer deposits. Required Stable Funding increased by $319m over the period due to an increase in the weighted amount of performing loans.

10. Net Stable Funding Ratio (continued)

February 24

	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	6,256	350	-	1,310	7,916
Regulatory Capital	6,256	350	-	1,310	7,916
Other capital instruments	-	-	-	-	-
Retail deposits and deposits from small business customers	29,591	24,115	-	-	49,135
Stable deposits	14,118	4,766	-	-	17,940
Less stable Deposits	15,473	19,349	-	-	31,195
Wholesale funding	3,057	20,138	1,981	6,639	13,830
Operational deposits	-	-	-	-	-
Other wholesale funding	3,057	20,138	1,981	6,639	13,830
Liabilities with matching interdependent assets	-	-	-	-	-
Other liabilities	990	255	160	153	233
NSFR derivative liabilities		233	-	-	
All other liabilities and equity not included in the above categories	990	22	160	153	233
Total ASF					71,114
Required Stable Funding (RSF) Item					
Total NSFR (HQLA)					758
ALA					111
RBNZ securities					-
Deposits held at other financial institutions for operational purposes	1,087	-	-	-	868
Performing loans and securities	-	3,711	2,779	66,969	52,151
Performing loans to financial institutions secured by Level 1 HQLA	-	200	-	-	20
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	177	-	-	27
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:	-	2,479	2,030	19,387	17,539
With a risk weight of less than or equal to 35% under APS 112	-	406	249	6,586	4,628
Performing residential mortgages, of which:	-	838	734	47,469	34,452
With a risk weight equal to 35% under APS 112	-	276	271	38,788	26,560
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	17	15	113	113

10. Net Stable Funding Ratio (continued)

February 24

	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	2,642	583	29	1,146	3,851
Physical traded commodities, including gold	-				-
Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)		-	-	139	118
NSFR derivative assets		-	-	75	75
NSFR derivative liabilities before deduction of variation margin posted		-	-	53	53
All other assets not included in the above categories	2,642	583	29	879	3,605
Off-balance sheet items		-	-	7,996	431
Total RSF					**58,170**
Net Stable Funding Ratio (%)					**122%**

10. Net Stable Funding Ratio (continued)

November 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	6,203	100	350	1,310	7,963
Regulatory Capital	6,203	100	350	1,310	7,963
Other capital instruments	-	-	-	-	-
Retail deposits and deposits from small business customers	30,046	23,410	-	-	48,935
Stable deposits	14,076	4,643	-	-	17,783
Less stable Deposits	15,970	18,767	-	-	31,152
Wholesale funding	2,876	19,388	3,682	6,774	14,991
Operational deposits	-	-	-	-	-
Other wholesale funding	2,876	19,388	3,682	6,774	14,991
Liabilities with matching interdependent assets	-	-	-	-	-
Other liabilities	944	672	159	213	293
NSFR derivative liabilities		329	-	-	
All other liabilities and equity not included in the above categories	944	343	159	213	293
Total ASF					72,182

	No maturity $m	< 6 months $m	6 months to < 1 year $m	> 1 year $m	Weighted value $m
Required Stable Funding (RSF) Item					
Total NSFR (HQLA)					708
ALA					147
RBNZ securities					-
Deposits held at other financial institutions for operational purposes	1,139	-	-	-	1,023
Performing loans and securities	-	4,737	3,103	66,297	51,881
Performing loans to financial institutions secured by Level 1 HQLA	-	1,452	-	-	145
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	138	-	-	21
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:	-	2,227	2,356	19,327	17,552
With a risk weight of less than or equal to 35% under APS 112	-	448	266	6,509	4,606
Performing residential mortgages, of which:	-	913	727	46,768	33,978
With a risk weight equal to 35% under APS 112	-	223	242	38,348	26,234
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	7	20	202	185

10. Net Stable Funding Ratio (continued)

November 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	2,688	1,759	31	897	3,684
Physical traded commodities, including gold	-				-
Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)		-	-	135	115
NSFR derivative assets		-	-	-	-
NSFR derivative liabilities before deduction of variation margin posted		-	-	72	72
All other assets not included in the above categories	2,688	1,759	31	690	3,497
Off-balance sheet items		-	-	7,568	408
Total RSF					57,851
Net Stable Funding Ratio (%)					125%

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