APRA BASEL III PILLAR 3 DISCLOSURES

Quarter Ended 30 November 2024

BOQ GROUP

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.

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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.

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For the Quarter Ended 30 November 2024

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)

Average Quarterly Performance	November 24 Total Un-Weighted Value $m	November 24 Total Weighted Value $m	August 24 Total Un-Weighted Value $m	August 24 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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