

APRA BASEL III PILLAR 3 DISCLOSURES

Quarter ended 30 November 2018

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 30 November 2018

24 January 2019

This report has been prepared by Bank of Queensland Limited (**Bank** or **BOQ**) to meet its disclosure requirements under the Australian Prudential Regulation Authority's (**APRA**) Prudential Standard *APS 330: Public Disclosure*. It has been prepared using 30 November 2018 data.

Key points

The Bank's capital management strategy aims to ensure adequate capital levels are maintained to protect deposit holders. The Bank's capital is measured and managed in line with Prudential Standards issued by APRA. The capital management plan is updated annually and submitted to the Board for approval. The approval process is designed to ensure the plan is consistent with the overall business plan and for managing capital levels on an ongoing basis.

The Board has reset upwards by 25bps the minimum Common Equity Tier 1 Capital target range to now be between 8.25% and 9.5% and the Total Capital range to now be between 11.75% and 13.5%.

As at 30 November 2018:

- Common Equity Tier 1 Capital Ratio was 9.1% (9.3% as at 31 August 2018); and
- Total Capital Ratio was 12.6% (12.8% as at 31 August 2018).

CONTENTS	PAGE
Capital Structure	3
Table 2: Main Features of Capital Instruments	4
Table 3: Capital Adequacy	5
Table 4: Credit Risk	6
Table 5: Securitisation Exposures	8
Table 20: Liquidity Coverage Ratio	9

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 30 November 2018

Capital Structure

	November 18	August 18
	\$m	\$m
COMMON EQUITY TIER 1 CAPITAL		
Paid-up ordinary share capital	3,454	3,418
Reserves	8	4
Retained earnings, including current year profits	316	394
Total Common Equity Tier 1 Capital	3,778⁽¹⁾	3,816
REGULATORY ADJUSTMENTS		
Goodwill and intangibles	(883)	(875)
Deferred expenditure	(180)	(178)
Other deductions	(13)	(1)
Total Regulatory Adjustments	(1,076)	(1,054)
Net Common Equity Tier 1 Capital	2,702	2,762
Additional Tier 1 Capital	500	500
Total Tier 1 Capital	3,202	3,262
TIER 2 CAPITAL		
Tier 2 Capital	350	350
General Reserve for Credit Losses	182	174
Total Tier 2 Capital	532	524
Total Capital Base	3,734	3,786

Notes:

(1) Impacted by the payment of the final dividend and issue of new shares under the dividend reinvestment plan.

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 30 November 2018

Table 2: Main Features of Capital Instruments

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.

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 30 November 2018

Table 3: Capital Adequacy

	November 18	August 18
	\$m	\$m
Risk Weighted Assets		
SUBJECT TO THE STANDARDISED APPROACH		
Government	-	-
Bank	268	325
Residential mortgages	11,726	11,849
Other retail ⁽¹⁾	14,581	14,297
Other	109	152
Corporate	-	-
Total On-Balance Sheet Assets and Off-Balance Sheet Exposures	26,684	26,623
Securitisation Exposures	41	47
Market Risk Exposures	165	158
Operational Risk Exposures	2,841	2,841
Total Risk Weighted Assets	29,731	29,669
Capital Ratios	%	%
Level 2 Total Capital Ratio	12.6	12.8
Level 2 Common Equity Tier 1 Capital Ratio	9.1	9.3
Level 2 Net Tier 1 Capital Ratio	10.8	11.0

Notes:

(1) Includes commercial lending and leasing.

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 30 November 2018

Table 4: Credit Risk

Exposure Type	Gross Credit Exposure ⁽¹⁾ \$m		Average Gross Credit Exposure \$m	
	November 18	August 18	November 18	August 18
Cash and due from financial institutions	1,174	1,160	1,167	1,446
Debt securities	3,424	3,696	3,560	3,607
Loans and advances	43,135	42,758	42,947	42,467
Off-balance sheet exposures for derivatives	44	36	40	27
Other off-balance sheet exposures ⁽²⁾	932	1,071	1,002	964
Other	109	152	130	142
Total Exposures	48,818	48,873	48,846	48,653

Portfolios Subject to the Standardised Approach	Gross Credit Exposure ⁽¹⁾ \$m		Average Gross Credit Exposure \$m	
	November 18	August 18	November 18	August 18
Government	3,085	3,066	3,075	3,079
Bank	1,557	1,827	1,692	2,001
Residential mortgage	29,482	29,529	29,506	29,341
Other retail	14,585	14,300	14,443	14,090
Other	109	151	130	142
Corporate	-	-	-	-
Total Exposures	48,818	48,873	48,846	48,653

Notes:

(1) Gross credit exposures reflect credit equivalent amounts.

(2) Other off-balance sheet exposures largely relate to customer commitments. Subsequent to clarification by APRA, the Bank has adopted the concessional treatment available on housing approvals resulting in reduced exposure levels.

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 30 November 2018

Table 4: Credit Risk (continued)

November 18

Portfolios Subject to the Standardised Approach	Impaired Loans ⁽¹⁾ \$m	Past Due Loans > 90 Days ⁽²⁾ \$m	Specific Provision Balance \$m	Charges for Specific Provision \$m	Write-Offs \$m
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgages	152	299	24	(2)	4
Other retail	98	105	59	(1)	10
Other	-	-	-	-	-
Corporate	-	-	-	-	-
Total	250	404	83	(3)	14

August 18

Portfolios Subject to the Standardised Approach	Impaired Loans ⁽¹⁾ \$m	Past Due Loans > 90 Days ⁽²⁾ \$m	Specific Provision Balance \$m	Charges for Specific Provision \$m	Write-Offs \$m
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgages	146	298	26	(3)	5
Other retail	99	116	60	(7)	21
Other	-	-	-	-	-
Corporate	-	-	-	-	-
Total	245	414	86	(10)	26

	November 18 \$m	August 18 \$m
Statutory Equity Reserve for Credit Losses	59	59
Collective provision	123	115
APRA General Reserve for Credit Losses	182	174

Notes:

	November 18 \$m	August 18 \$m
(1) Reconciliation of impaired loans		
Impaired Assets per Table 4: Credit Risk	250	245
Add: Impaired assets in off-balance sheet securitisation trusts	12	14
Less: Restructured facilities included in APS 220	(105)	(95)
Impaired Assets per Accounting Standards	157	164

(2) Excludes assets in off-balance sheet securitisation trusts as required under APRA Prudential Standard APS220 Credit Quality.

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 30 November 2018

Table 5: Securitisation Exposures

Exposure Type	November 18		August 18	
	Securitisation Activity \$m	Gain or Loss on Sale \$m	Securitisation Activity \$m	Gain or Loss on Sale \$m
Securities held in the banking book	(27)	-	(18)	-
Securities held in the trading book	-	-	-	-
Liquidity facilities	-	-	-	-
Funding facilities	-	-	-	-
Swaps	(5)	-	4	-
Other ⁽¹⁾	208	-	(12)	-
Total	176	-	26	-

November 18

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	192	-	5	5	-	4,934
Off-balance sheet securitisation exposure	-	-	-	-	9	-
Total	192	-	5	5	9	4,934

August 18

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	219	-	5	5	-	4,726
Off-balance sheet securitisation exposure	-	-	-	-	14	-
Total	219	-	5	5	14	4,726

Notes:

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

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 30 November 2018

Table 20: Liquidity Coverage Ratio

APRA requires authorised deposit-taking institutions to maintain a minimum 100 per cent Liquidity Coverage Ratio (LCR). The LCR requires sufficient High Quality Liquid Assets (HQLA1) and alternative liquid assets (covered by the Committed Liquidity Facility (CLF)) to meet net cash outflows 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's average LCR over the November quarter was 132% which is slightly lower than the previous August quarter average of 136%. Net Cash Outflows (NCO) increased over the period due to higher customer deposits and contractual funding obligations while HQLA1 decreased marginally. The following table presents detailed information on the average LCR composition for the two quarters. 92 data points were used in calculating the average figures for the August quarter and 91 data points were used in calculating the average figures for the November quarter.

BOQ maintains a portfolio of high quality, diversified liquid assets to facilitate balance sheet liquidity and meet internal and regulatory requirements. Liquid assets comprise of HQLA1 (cash, Australian Semi-Government and Commonwealth Government securities) and alternative liquid assets covered by the CLF from the Reserve Bank of Australia (RBA). Assets eligible for the CLF include senior unsecured bank debt, covered bonds, asset backed securities, residential mortgage backed securities (RMBS) and internal RMBS that are eligible for repurchase with the RBA.

BOQ has a stable, diversified and resilient deposit and funding base that mitigates the chance of a liquidity stress event across various funding market conditions. BOQ uses a range of funding instruments including customer deposits, securitisation and short term and long term wholesale debt instruments. The Group increased customer funding and long-term wholesale issuance in the period as part of its overall funding strategy to lengthen tenor and add to its stable funding base. Bank lending is predominantly funded from stable funding sources, with short term wholesale funding primarily used to manage timing mismatches and fund liquid assets.

The liquid assets composition has remained relatively stable over the year with the allocation to HQLA1 over NCO for the November Quarter averaging 71%. BOQ does not have significant derivative or currency exposures that could adversely affect its LCR.

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 30 November 2018

Table 20: Liquidity Coverage Ratio (continued)

	Average Quarterly Performance			
	November 18		August 18	
	Un-Weighted Value \$m	Total Weighted Value \$m	Total Un-Weighted Value \$m	Total Weighted Value \$m
LIQUID ASSETS				
<i>of which: high-quality liquid assets</i>	n/a	3,483	n/a	3,520
<i>of which: alternative liquid assets</i>	n/a	2,981	n/a	2,981
Total Liquid Assets	n/a	6,464	n/a	6,501
CASH OUTFLOWS				
Customer deposits and deposits from small business customers	15,512	1,576	15,141	1,521
<i>of which: stable deposits</i>	6,899	345	6,924	346
<i>of which: less stable deposits</i>	8,613	1,231	8,217	1,175
Unsecured wholesale funding	4,317	2,553	4,123	2,511
<i>of which: non-operational deposits</i>	3,484	1,720	3,206	1,594
<i>of which: unsecured debt</i>	833	833	917	917
Secured wholesale funding	n/a	29	n/a	32
Additional requirements	2,269	789	1,781	610
<i>of which: outflows related to derivatives exposures and other collateral requirements</i>	711	711	548	548
<i>of which: credit and liquidity facilities</i>	1,558	78	1,233	62
Other contractual funding obligations	1,151	811	1,016	663
Other contingent funding obligations	9,225	541	9,595	561
Total Cash Outflows	32,474	6,299	31,656	5,898
CASH INFLOWS				
Secured lending (e.g. reverse repos)	149	n/a	208	n/a
Inflows from fully performing exposures	741	401	790	437
Other cash inflows	970	970	680	680
Total Cash Inflows	1,860	1,371	1,678	1,117
Total Net Cash Outflows	30,614	4,928	29,978	4,781
Total Liquid Assets	n/a	6,464	n/a	6,501
Total Net Cash Outflows	n/a	4,928	n/a	4,781
Liquidity Coverage Ratio (%)	n/a	132 %	n/a	136 %