APRA BASEL III PILLAR 3 DISCLOSURES

Quarter Ended 28 February 2023

BOQ SPECIALIST

BOQ

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BOQ FINANCE

BOQ GROUP

2023

Bank of Queensland Limited, Basel III Pillar 3 Disclosures

For the Quarter Ended 28 February 2023

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 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.

Capital Ratios

Under APRA's Basel III new capital framework, effective from 1 January 2023, the Board has implemented new management target ranges, 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 28 February 2023, BOQ's capital ratios are as follows [(1)]:

- Common Equity Tier 1 Capital Ratio was 10.71% (9.51% as at 30 November 2022);
- Tier 1 Capital Ratio was 13.42% (11.93% as at 30 November 2022); and
- Total Capital Ratio was 15.89% (14.14% as at 30 November 2022).

Capital Initiatives

The Bank raised AUD 400 million through the issue of Capital Notes 3 and redeemed AUD 200 million ME Bank Capital Notes Series 1 in November 2022.

(1) The impact of changes from APRA's Basel III new capital framework have been applied to the relevant disclosures from February 2023 reporting period. Prior period comparatives have not been adjusted.

Bank of Queensland Limited, Basel III Pillar 3 Disclosures

For the Quarter Ended 28 February 2023

1. Capital Structure

	February 23 $m	August 22 $m
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	**5,286**	5,258
Reserves	**515**	781
Retained earnings, including current year earnings	**316**	300
Total Common Equity Tier 1 Capital	**6,117**	6,339
Regulatory Adjustments		
Deferred expenditure	**(427)**	(404)
Goodwill and intangibles	**(1,073)**	(1,257)
Other deductions	**(223)**	(308)
Total Regulatory Adjustments	**(1,723)**	(1,969)
Net Common Equity Tier 1 Capital	**4,394**	4,370
Additional Tier 1 Capital (1)	**1,110**	910
Total Tier 1 Capital	**5,504**	5,280
Tier 2 Capital		
Tier 2 Capital	**836**	836
Provisions eligible for inclusion in Tier 2 Capital (2)	**177**	176
Net Tier 2 Capital	**1,013**	1,012
Total Capital Base	**6,517**	6,292

(1) Additional Tier 1 Capital $400m was raised in November 2022 through the issue of Capital Notes 3, partly offset by redemption of $200m ME Bank Capital Notes Series 1.
(2) In accordance with APRA's Prudential Standard APS 330 changes effective 1 January 2023, an updated terminology has been applied to Provisions eligible for inclusion in Tier 2 capital which replaced General Reserve for Credit Losses, to align with the approach in Prudential Standard APS 220 Credit Risk Management.

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	5,286	A
2	Retained earnings	316	B
3	Accumulated other comprehensive income (and other reserves)	515	-
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**	**6,117**	-

	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)	506	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	165	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*	394	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*	18	-
26f	*of which: capitalised expenses*	14	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*	44	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**	**1,723**	-
29	**Common Equity Tier 1 Capital (CET1)**	**4,394**	-

2. Capital Disclosure Template (continued)

	Additional Tier 1 Capital: Instruments	**$m**	**Ref**
30	Directly issued qualifying Additional Tier 1 instruments	**1,110**	-
31	*of which: classified as equity under applicable accounting standards*	**100**	-
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**	**1,110**	-

	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)**	**1,110**	-
45	**Tier 1 Capital (T1=CET1+AT1)**	**5,504**	-

	Tier 2 Capital: Instruments and Provisions	**$m**	**Ref**
46	Directly issued qualifying Tier 2 instruments	**850**	-
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	**177**	M + N
51	**Tier 2 Capital before Regulatory Adjustments**	**1,027**	-

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)**	**1,013**	-
59	**Total capital (TC=T1+T2)**	**6,517**	-
60	**Total risk-weighted assets based on APRA standards**	**41,020**	-

Capital Ratios and Buffers		%	Ref
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	**10.71**	-
62	Tier 1 (as a percentage of risk-weighted assets)	**13.42**	-
63	Total capital (as a percentage of risk-weighted assets)	**15.89**	-
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)	**2.72**	-

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)	**177**	M + N
77	Cap on inclusion of provisions in Tier 2 under standardised approach	**480**	-
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 23	Group Balance Sheet $m	Adjustments $m	Level 2 Regulatory Balance Sheet $m	Reconciliation Reference
Assets				
Cash and cash equivalents	2,443	(389)	2,054	-
Due from other financial institutions	345	(22)	323	-
Derivative financial assets	1,083	(16)	1,067	-
Financial assets at fair value through profit or loss (**FVTPL**)	-	-	-	-
Debt instruments at FVOCI	18,236	-	18,236	-
Equity instruments at FVOCI	6	-	6	-
of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	6	-	6	J
Loans and advances	81,330	(5,292)	76,038	-
of which: deferred fee income	394	-	394	F
of which: Provisions	137	-	137	M
Other assets	287	5	292	-
of which: capitalised expenses	14	-	14	I
Current tax assets	-	-	-	-
Property, plant and equipment	247	-	247	-
Assets held for sale	282	(282)	-	-
Shares in controlled entities	-	-	-	-
of which: equity investments in financial institutions not reported in rows 18, 19 and 23	-	9	9	G
Intangible assets	1,076	(3)	1,073	-
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)	509	(3)	506	D
Investments in joint arrangements	7	(7)	-	-
Total Assets	105,342	(6,006)	99,336	-
Liabilities				
Due to other financial institutions - at call	1,840	-	1,840	-
Deposits	75,846	(92)	75,754	-
Derivative financial liabilities	541	-	541	-
Accounts payable and other liabilities	911	(24)	887	-
Current tax liabilities	46	-	46	-
Deferred tax liabilities	57	-	57	-
Provisions	119	-	119	-
Borrowings	19,738	(5,903)	13,835	-
of which: other national specific regulatory adjustments not reported in rows 26a to 26i	44	-	44	K
of which: classified as liabilities under applicable accounting standards	1,010	-	1,010	L
Total Liabilities	99,098	(6,019)	93,079	-
Net Assets	6,244	13	6,257	-

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

February 23	Group Balance Sheet $m	Adjustments $m	Level 2 Regulatory Balance Sheet $m	Reconciliation Reference
Equity				
Issued Capital	5,286	-	5,286	A
Other equity instruments	102	(2)	100	-
Reserves	555	-	555	-
of which: Equity reserve for credit losses	40	-	40	N
of which: Cash-flow hedge reserve	176	(11)	165	E
of which: Other reserves included in CET1	339	11	350	-
Retained profits	301	15	316	B
Total Equity	**6,244**	**13**	**6,257**	-

4. Entities excluded from the Regulatory Scope of Consolidation

February 23	Total Assets $m	Total Liabilities $m	Principal Activities
Securitisation Trusts			
Series 2013-1 REDS Trust	92	92	Securitisation
Series 2015-1 REDS Trust	132	132	Securitisation
Series 2017-1 REDS Trust	213	213	Securitisation
Series 2018-1 REDS Trust	267	267	Securitisation
Series 2019-1 REDS Trust	325	325	Securitisation
Series 2022-1 REDS MHP Trust	259	259	Securitisation
SMHL Series Securitisation Fund 2015-1	(1)	0	Securitisation
SMHL Series Securitisation Fund 2016-1	(1)	0	Securitisation
SMHL Series Securitisation Fund 2017-1	197	197	Securitisation
SMHL Series Securitisation Fund 2018-2	222	222	Securitisation
SMHL Series Securitisation Fund 2019-1	566	566	Securitisation
SMHL Series Private Placement Trust 2017-2	1,114	1,114	Securitisation
SMHL Series Private Placement Trust 2019-1	1,095	1,095	Securitisation
SMHL Series Private Placement 2019-2	1,011	1,011	Securitisation
SMHL Securitisation Trust 2020-1	491	491	Securitisation
Manager and Non-Financial Operating Entities			
Home Credit Management Pty Ltd	24	14	Investment Holding Entity
Bank of Queensland Limited Employee Share Plans Trust	27	14	Employee Share Plan Trust

5. Capital Adequacy

Risk weighted assets	February 23 (1) $m	November 22 (1) $m
Subject to the standardised approach		
Government (2)	**57**	-
Bank	**504**	530
Residential Mortgages	**23,163**	22,674
Other retail (2) (3)	**8,410**	17,149
Other (2)	**528**	381
Corporate (2)	**5,679**	-
Total On-Balance Sheet Assets and Off-Balance Sheet Exposures	**38,341**	40,734
Securitisation Exposures	**49**	52
Market Risk Exposures	**46**	44
Operational Risk Exposures (4)	**2,584**	5,045
Total Risk Weighted Assets	**41,020**	45,875

Capital ratios	%	%
Level 2 Total Capital Ratio	**15.89**	14.14
Level 2 Common Equity Tier 1 Capital Ratio	**10.71**	9.51
Level 2 Net Tier 1 Capital Ratio	**13.42**	11.93

(1) The impact of changes from the Basel III new capital framework have been applied from February 2023 reporting period. Prior period comparatives have not been adjusted.
(2) The quarter-on-quarter movements were driven by the impact of Basel III changes from APRA's new Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk (APS 112), that resulted in an overall reduction to Credit Risk Weighted Assets and definitional reclasses from Other Retail to Government ($57m), Corporate ($5,679m) and Other ($121m).
(3) Includes commercial property, leasing and personal.
(4) The quarter-on-quarter movement was driven by the impact of Basel III changes from APRA's new Prudential Standard APS 115 Capital Adequacy: Standardised Measurement Approach to Operational Risk.

6. Countercyclical Capital Buffer

	February 23		
Country (1)	RWA (2) $m	Jurisdictional Buffer %	ADI-specific Buffer (3) %
Australia	**37,349**	**1.000**	**0.988173**
United Kingdom	**34**	**1.000**	**0.000900**
Hong Kong	**16**	**1.000**	**0.000423**
Other	**397**	**-**	**-**
Total	**37,796**		**0.989496**

(1) Represents country of ultimate risk as at 28 February 2023.
(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)		Average Gross Credit Exposure	
	February 23 (2) $m	November 22 (2) $m	**February 23 (2) $m**	November 22 (2) $m
Cash and due from financial institutions	**1,659**	2,164	**1,683**	2,194
Debt securities	**18,175**	7,278	**19,113**	7,732
Loans and advances	**75,751**	75,055	**75,659**	74,667
Off-balance sheet exposures for derivatives	**174**	1,716	**170**	1,753
Other off-balance sheet exposures (3)	**5,559**	2,806	**5,169**	2,876
Other	**528**	381	**506**	385
Total Exposures	**101,846**	89,400	**102,300**	89,607

Portfolios subject to the standardised approach	Gross Credit Exposure (1)		Average Gross Credit Exposure	
	February 23 (2) $m	November 22 (2) $m	**February 23 (2) $m**	November 22 (2) $m
Government	**18,573**	7,278	**19,246**	7,732
Bank	**1,844**	3,881	**1,863**	3,947
Residential mortgages	**63,919**	60,252	**63,720**	59,998
Other retail	**10,002**	17,608	**9,935**	17,545
Other	**528**	381	**506**	385
Corporate (4)	**6,980**	-	**7,030**	-
Total Exposures	**101,846**	89,400	**102,300**	89,607

(1) Gross credit exposures reflect credit equivalent amounts.
(2) The impact of changes from the Basel III new capital framework have been applied from February 2023 reporting period. Prior period comparatives have not been adjusted.
(3) 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.
(4) In alignment with Basel III definitional changes per APRA's new Prudential Standard APS 112, Corporate includes a reclassification of $6,980m from Other Retail.

7. Credit Risk (continued)

February 23

Portfolios subject to the standardised approach	Non-performing Loans (1) (2) $m	Specific Provision Balance (3) $m	Charges for Specific Provision $m	Write-Offs $m
Government	-	-	-	-
Bank	-	-	-	-
Residential mortgages	520	48	(1)	1
Other retail	151	52	4	7
Other	-	-	-	-
Corporate	111	66	(8)	2
Total	**782**	**166**	**(5)**	**10**

November 22

Portfolios subject to the standardised approach	Non-performing Loans (1) (2) $m	Specific Provision Balance (3) $m	Charges for Specific Provision $m	Write-Offs $m
Government	-	-	-	-
Bank	-	-	-	-
Residential mortgages	520	45	(3)	-
Other retail	161	49	-	4
Other	-	-	-	-
Corporate	105	72	-	1
Total	786	166	(3)	5

	February 23 $m	November 22 $m
Statutory Equity Reserve for Credit Losses	40	55
Collective provision (2)	137	122
General provisions (4)	**177**	177

(1) Due to APS 330 changes effective 1 January 2023, non-performing loans are reported to align with APRA Prudential Standard APS 220 Credit Risk Management.
(2) Excludes assets in off-balance sheet securitisation trusts as required under APRA Prudential Standard APS 220 Credit Risk Management.
(3) Following clarification from APRA, the stage 2 component that is delinquent is now treated as a Specific Provision and is no longer as part of the General provisions. If this change had not been made, the Specific Provision would have been reported as $151m for February 2023 and $155m for November 2022.
(4) Due to APS 330 changes effective 1 January 2023, a change in terminology has been applied where General Reserve for Credit Losses has been changed to General provisions.

8. Securitisation Exposures

Exposure Type	February 23 Securitisation Activity $m	February 23 Gain or Loss on Sale $m	November 22 Securitisation Activity $m	November 22 Gain or Loss on Sale $m
Debt securities - Securities held in the banking book	**(16)**	**-**	(24)	-
Non market off-balance sheet exposures - Securities in trading book	**-**	**-**	-	-
Cash and due from financial institutions - Liquidity facilities	**(2)**	**-**	(1)	-
Loans and Advances - Funding facilities	**1**	**-**	(3)	-
On market off-balance sheet exposures - Swaps	**-**	**-**	(3)	-
Other	**75**	**-**	(69)	-
Total Exposures	**58**	**-**	(100)	-

February 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	**166**	**-**	**58**	**16**	**-**	**13,040**
Off-balance sheet securitisation exposure	**-**	**-**	**-**	**-**	**2**	**-**
Total Exposures	**166**	**-**	**58**	**16**	**2**	**13,040**

November 22

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	182	-	60	15	-	12,965
Off-balance sheet securitisation exposure	-	-	-	-	2	-
Total Exposures	182	-	60	15	2	12,965

(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.

BOQ's average Level 2 LCR over the February 2023 quarter was 151%, which is 12% higher than the previous November 2022 quarter average of 139%. BOQ's CLF declined by $1.2b on 1 January 2023. A new contractual deposit platform arrangement in the February 2023 quarter increased HQLA and NCO's, which overall increased LCR. 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 2023 quarter and 64 data points were used in calculating the average figures for the November 2022 quarter.

9. Liquidity Coverage Ratio (continued)

	February 23		November 22	
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**)*		**17,919**		13,941
*Alternative liquid assets (**ALA**)*		**263**		903
Total Liquid Assets		**18,182**		14,844
Cash Outflows				
Retail deposits and deposits from small business customers, of which:	**38,434**	**5,212**	35,348	4,360
stable deposits	**13,924**	**696**	14,430	722
less stable deposits	**24,510**	**4,516**	20,918	3,638
Unsecured wholesale funding, of which:	**7,520**	**4,558**	6,808	3,816
non-operational deposits (all counterparties)	**6,704**	**3,742**	6,202	3,210
unsecured debt	**816**	**816**	606	606
Secured wholesale funding		**170**		139
Additional requirements, of which	**8,263**	**1,411**	8,288	1,517
outflows related to derivatives exposures and other collateral requirements	**1,050**	**1,050**	1,160	1,160
credit and liquidity facilities	**7,213**	**361**	7,128	357
Other contractual funding obligations	**1,739**	**1,298**	2,026	1,586
Other contingent funding obligations	**11,121**	**828**	10,692	748
Total Cash Outflows	**67,077**	**13,477**	63,162	12,166
Cash Inflows				
Inflows from fully performing exposures	**902**	**461**	880	440
Other cash inflows	**1,014**	**1,014**	1,055	1,055
Total Cash Inflows	**1,916**	**1,475**	1,935	1,495
Total Net Cash Outflows	**65,161**	**12,002**	61,227	10,671
Total liquid assets		**18,182**		14,844
Total net cash outflows		**12,002**		10,671
Liquidity Coverage Ratio (%)		**151%**		139%

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 28 February 2023 was 126%, which was 2% higher than the NSFR as at 30 November 2022. An increase in retail and SME deposits and wholesale funding was sufficient to more than offset the increase in required stable funding (**RSF**), which was primarily driven by loan growth. APRA's Basel III new capital framework, effective 1 January 2023, included amendments to APRA's prudential standard APS 210 Liquidity (**APS 210**) which negatively impacted NSFR as at 28 February 2023 by 2.4%. Prior period comparatives have not been restated.

10. Net Stable Funding Ratio (continued)

February 23 (1)

	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	6,612	-	100	1,660	8,372
Regulatory Capital	6,612	-	100	1,660	8,372
Other capital instruments	-	-	-	-	-
Retail deposits and deposits from small business customers	30,969	20,642	-	-	47,232
Stable deposits	13,441	3,707	-	-	16,290
Less stable Deposits	17,528	16,935	-	-	30,942
Wholesale funding	3,182	22,808	2,200	8,921	17,171
Operational deposits	-	-	-	-	-
Other wholesale funding	3,182	22,808	2,200	8,921	17,171
Liabilities with matching interdependent assets	-	-	-	-	-
Other liabilities	754	500	158	95	173
NSFR derivative liabilities		500	-	-	
All other liabilities and equity not included in the above categories	754	-	158	95	173
Total ASF					**72,948**
Required Stable Funding (RSF) Item					
Total NSFR (HQLA)					903
ALA					352
RBNZ securities					-
Deposits held at other financial institutions for operational purposes	1,091	-	-	-	976
Performing loans and securities	-	2,915	2,418	66,664	51,799
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	-	135	-	2	22
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:	-	2,126	1,713	20,938	19,228
With a risk weight of less than or equal to 35% under APS 112	-	273	349	3,323	2,488
Performing residential mortgages, of which:	-	626	702	45,583	32,414
Are standard loans to individuals with a LVR of 80% or below	-	244	240	40,102	27,334
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	28	3	141	135

(1) The impact of changes from the Basel III new capital framework have been applied from February 2023 reporting period. Prior period comparatives have not been adjusted.

10. Net Stable Funding Ratio (continued)

February 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	2,586	538	49	843	3,523
Physical traded commodities, including gold	-				-
Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)		-	-	194	165
NSFR derivative assets		-	-	-	-
NSFR derivative liabilities before deduction of variation margin posted		-	-	108	108
All other assets not included in the above categories	2,586	538	49	541	3,250
Off-balance sheet items		-	-	8,496	414
Total RSF					**57,967**
Net Stable Funding Ratio (%)					**126%**

10. Net Stable Funding Ratio (continued)

November 22

	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	6,541	-	-	1,760	8,301
Regulatory Capital	6,541	-	-	1,760	8,301
Other capital instruments	-	-	-	-	-
Retail deposits and deposits from small business customers	30,750	17,343	-	-	44,142
Stable deposits	13,994	3,568	-	-	16,683
Less stable Deposits	16,756	13,775	-	-	27,459
Wholesale funding	3,329	22,285	2,022	7,976	16,301
Operational deposits	-	-	-	-	-
Other wholesale funding	3,329	22,285	2,022	7,976	16,301
Liabilities with matching interdependent assets	-	-	-	-	-
Other liabilities	1,176	482	156	109	187
NSFR derivative liabilities		482	-	-	
All other liabilities and equity not included in the above categories	1,176	-	156	109	187
Total ASF					68,931

	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)					676
ALA					447
RBNZ securities					-
Deposits held at other financial institutions for operational purposes	1,250	-	-	-	1,143
Performing loans and securities	-	3,096	2,447	64,759	49,351
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	-	115	-	1	19
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:	-	2,355	1,706	13,047	12,973
With a risk weight of less than or equal to 35% under APS 112	-	186	113	1,159	903
Performing residential mortgages, of which:	-	626	741	51,704	36,353
With a risk weight equal to 35% under APS 112	-	325	300	46,644	31,681
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	7	6

10. Net Stable Funding Ratio (continued)

November 22

	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	2,766	422	60	815	3,679
Physical traded commodities, including gold	-				-
Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)		-	-	194	165
NSFR derivative assets		-	-	-	-
NSFR derivative liabilities before deduction of variation margin posted		-	-	104	104
All other assets not included in the above categories	2,766	422	60	517	3,410
Off-balance sheet items		-	-	8,876	423
Total RSF					55,719
Net Stable Funding Ratio (%)					124%

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