

APRA BASEL III PILLAR 3

Thursday, 25 July 2024, Brisbane: Bank of Queensland Limited (**BOQ**) today released its quarterly APRA Basel III Pillar 3 report relating to the quarter ending 31 May 2024.

ENDS

Authorised for release by: The Disclosure Committee of Bank of Queensland Limited.

APRA BASEL III PILLAR 3 DISCLOSURES

Quarter Ended 31 May 2024



**BOQ
GROUP**

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Bank of Queensland Limited, Basel III Pillar 3 Disclosures

For the Quarter Ended 31 May 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 31 May 2024, BOQ's capital ratios are as follows:

- Common Equity Tier 1 Capital Ratio was 10.69% (10.76% as at 29 February 2024);
- Tier 1 Capital Ratio was 13.20% (13.25% as at 29 February 2024); and
- Total Capital Ratio was 15.13% (15.17% as at 29 February 2024).

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For the Quarter Ended 31 May 2024

1. Capital Structure

	May 24 \$m	February 24 \$m
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	5,342	5,331
Reserves	176	343
Retained earnings, including current year earnings	411	330
Total Common Equity Tier 1 Capital	5,929	6,004
Regulatory Adjustments		
Deferred expenditure	(419)	(417)
Goodwill and intangibles	(1,130)	(1,110)
Other deductions	(69)	(96)
Total Regulatory Adjustments	(1,618)	(1,623)
Net Common Equity Tier 1 Capital	4,311	4,381
Additional Tier 1 Capital	1,010	1,010
Total Tier 1 Capital	5,321	5,391
Tier 2 Capital		
Tier 2 Capital	636	636
Provisions eligible for inclusion in Tier 2 Capital	145	149
Net Tier 2 Capital	781	785
Total Capital Base	6,102	6,176

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For the Quarter Ended 31 May 2024

2. Capital Adequacy

	May 24 \$m	February 24 \$m
Risk Weighted Assets		
Subject to the standardised approach		
Government	57	59
Bank	534	454
Residential Mortgages	21,347	21,775
Other retail ⁽¹⁾	8,767	8,871
Other	297	343
Corporate	5,850	5,733
Total On-Balance Sheet Assets and Off-Balance Sheet Exposures	36,852	37,235
Securitisation Exposures	40	37
Market Risk Exposures	48	47
Operational Risk Exposures	3,383	3,383
Total Risk Weighted Assets	40,323	40,702
Capital Ratios	%	%
Level 2 Total Capital Ratio	15.13	15.17
Level 2 Common Equity Tier 1 Capital Ratio	10.69	10.76
Level 2 Net Tier 1 Capital Ratio	13.20	13.25

(1) Includes commercial property, leasing and personal.

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3. Credit Risk

Exposure Type	Gross Credit Exposure ⁽¹⁾ \$m		Average Gross Credit Exposure \$m	
	May 24	February 24	May 24	February 24
Cash and due from financial institutions	1,945	1,799	1,872	1,792
Debt securities	16,572	15,452	16,012	15,308
Loans and advances	74,218	75,078	74,648	74,879
Off-balance sheet exposures for derivatives	150	99	124	102
Other off-balance sheet exposures	6,208	5,514	5,861	6,057
Other	296	343	320	349
Total Exposures	99,389	98,285	98,837	98,487

Portfolios subject to the standardised approach	Gross Credit Exposure ⁽¹⁾ \$m		Average Gross Credit Exposure \$m	
	May 24	February 24	May 24	February 24
Government	17,933	16,053	16,993	16,539
Bank	2,099	1,901	2,000	1,897
Residential mortgages	60,998	62,058	61,528	61,756
Other retail	10,868	10,885	10,877	10,821
Other	297	343	320	349
Corporate	7,194	7,045	7,119	7,125
Total Exposures	99,389	98,285	98,837	98,487

(1) Gross credit exposures reflect credit equivalent amounts.

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For the Quarter Ended 31 May 2024

3. Credit Risk (continued)

May 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	786	55	-	1
Other retail	320	77	(1)	2
Other	-	-	-	-
Corporate	90	44	(3)	5
Total	1,196	176	(4)	8

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	-	1
Other retail	296	74	1	3
Other	-	-	-	-
Corporate	74	50	-	5
Total	1,069	175	1	9

	May 24 \$m	February 24 \$m
Statutory Equity Reserve for Credit Losses	-	-
Collective provision ⁽²⁾	145	149
General provisions	145	149

(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.

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For the Quarter Ended 31 May 2024

4. Securitisation Exposures

Exposure Type	May 24		February 24	
	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	(6)	-	(9)	-
Non market off-balance sheet exposures - Securities in trading book	-	-	-	-
Cash and due from financial institutions - Liquidity facilities	10	-	(6)	-
Loans and Advances - Funding facilities	3	-	(2)	-
On market off-balance sheet exposures - Swaps	6	-	(1)	-
Other	(60)	-	(9)	-
Total Exposures	(47)	-	(27)	-

May 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	100	-	68	18	-	12,931
Off-balance sheet securitisation exposure	-	-	-	-	17	-
Total Exposures	100	-	68	18	17	12,931

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

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

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For the Quarter Ended 31 May 2024

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 (**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 May 2024 quarter was 147%, which is 2% higher than the previous February 2024 quarter average. On a spot basis, the LCR was between 131% and 170% with the low attributed to wholesale maturities entering the NCO window. The spot LCR has trended higher over the period due to a \$1bn RMBS issuance that settled in March, upsized \$900m Senior Unsecured Transaction that settled in April and an upsized \$977m Euro Covered Bond that settled in May. These Long-Term Funding deals have pre-funded the remaining of the TFF maturities in June. The average balance of HQLA has increased by \$340m relative to the last quarter. The low point was due to a one day timing mismatch between the \$977m Euro Covered Bond settlement and maturities entering the 30 day LCR window.

Average NCOs have increased by \$58m which was primarily driven by:

- The \$200m TFF in the window and the \$810m Covered Bond Maturity over the quarter.
- Partly offset by various securitisation substitutions and long-term issuances.

Other contractual obligations to extend funds decreased over the quarter predominantly due to Retail and SME reductions over the quarter. The increase in Other Contingent Funding Obligations was attributed to the increase in Buyback of debt securities through the TCD Issuance and an increase in Loans Advanced but Not Approved (LANA) over the quarter. The Other Cash Inflows increased over the quarter due to derivatives inflows associated with the \$977m Euro Covered Bond issued.

The following table presents detailed information on the ratio composition for the two quarters. 63 data points were used in calculating the average figures for the May 2024 quarter and 60 data points were used in calculating the average figures for the February 2024 quarter.

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For the Quarter Ended 31 May 2024

5. Liquidity Coverage Ratio (continued)

	May 24		February 24	
	Un-Weighted Value \$m	Total Weighted Value \$m	Un-Weighted Value \$m	Total Weighted Value \$m
Average Quarterly Performance				
Liquid Assets				
High-quality liquid assets (HQLA)		16,509		16,169
Alternative liquid assets (ALA)				
Total Liquid Assets		16,509		16,169
Cash Outflows				
Retail deposits and deposits from small business customers, of which:	38,254	5,339	38,513	5,344
stable deposits	13,882	694	14,114	706
less stable deposits	24,372	4,645	24,399	4,638
Unsecured wholesale funding, of which:	6,965	4,048	6,954	4,162
non-operational deposits (all counterparties)	6,426	3,509	6,215	3,423
unsecured debt	539	539	739	739
Secured wholesale funding		462		126
Additional requirements, of which	9,019	1,746	8,897	1,656
outflows related to derivatives exposures and other collateral requirements	1,314	1,314	1,227	1,227
credit and liquidity facilities	7,705	432	7,670	429
Other contractual funding obligations	1,196	699	1,249	750
Other contingent funding obligations	10,015	810	9,689	808
Total Cash Outflows	65,449	13,104	65,302	12,846
Cash Inflows				
Secured lending (e.g. reverse repos)	99	-	350	-
Inflows from fully performing exposures	1,016	519	1,021	522
Other cash inflows	1,361	1,361	1,158	1,158
Total Cash Inflows	2,476	1,880	2,529	1,680
Total Net Cash Outflows	62,973	11,224	62,773	11,166
Total liquid assets		16,509		16,169
Total net cash outflows		11,224		11,166
Liquidity Coverage Ratio (%)		147%		145%

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