ASX RELEASE

BOQ GROUP

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.

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APRA BASEL III PILLAR 3 DISCLOSURES

Quarter Ended 31 May 2024

BOQ GROUP

2024

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).

Bank of Queensland Limited, Basel III Pillar 3 Disclosures

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

2. Capital Adequacy

Risk Weighted Assets	May 24 $m	February 24 $m
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.

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.

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.

4. Securitisation Exposures

	May 24		February 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	**(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.

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.

5. Liquidity Coverage Ratio (continued)

Average Quarterly Performance	May 24 Total Un-Weighted Value $m	May 24 Total Weighted Value $m	February 24 Total Un-Weighted Value $m	February 24 Total Weighted Value $m
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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