



APRA Basel III Pillar 3 Disclosures

Quarter ended 31 May 2018



Bank of Queensland Limited, Basel III Pillar 3 Disclosures

For the Quarter Ended 31 May 2018

24 July 2018

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 31 May 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 set the Common Equity Tier 1 Capital target range to be between 8.0% and 9.5% and the Total Capital range to be between 11.5% and 14.5%.

As at 31 May 2018:

- Common Equity Tier 1 Capital Ratio was 9.3% (9.4% as at 28 February 2018); and
- Total Capital Ratio was 12.9% (12.8% as at 28 February 2018).

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Capital Structure

	May 18 \$m	February 18 \$m
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	3,417	3,370
Reserves	10	2
Retained earnings, including current year profits	322	385
Total Common Equity Tier 1 Capital	3,749⁽¹⁾	3,757
Regulatory Adjustments		
Goodwill and intangibles	(877)	(869)
Deferred expenditure	(169)	(168)
Other deductions	(12)	(1)
Total Regulatory Adjustments	(1,058)	(1,038)
Net Common Equity Tier 1 Capital	2,691	2,719
Additional Tier 1 Capital	500 ⁽²⁾	641
Total Tier 1 Capital	3,191	3,360
Tier 2 Capital		
Tier 2 Capital	350 ⁽³⁾	150
General Reserve for Credit Losses	179	178
Total Tier 2 Capital	529	328
Total Capital Base	3,720	3,688

Notes:

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

(2) Impacted by the \$141m redemption of Convertible Preference Shares on 16 April 2018.

(3) Impacted by the issue of \$200m of Subordinated Instruments on 1 May 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 http://www.boq.com.au/regulatory_disclosures.htm

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Table 3: Capital Adequacy

Risk Weighted Assets	May 18 \$m	February 18 \$m
Subject to the Standardised Approach		
Government	-	-
Bank	363	192
Residential mortgage	11,585 ⁽¹⁾	11,864
Other retail ⁽²⁾	13,882	13,682
Other	133	133
Corporate	-	-
Total On-Balance Sheet Assets and Off-Balance Sheet Exposures	25,963	25,871
Securitisation Exposures	52	59
Market Risk Exposures	150	148
Operational Risk Exposures	2,781	2,781
Total Risk Weighted Assets	28,946	28,859
Capital Ratios	%	%
Level 2 Total Capital Ratio	12.9	12.8
Level 2 Common Equity Tier 1 Capital Ratio	9.3	9.4
Level 2 Net Tier 1 Capital Ratio	11.0	11.6

Notes:

(1) \$986m of home loans were reclassified as off balance sheet for APRA purposes following the completion of a REDS RMBS securitisation deal on 31 May 2018. These home loans were also reclassified in Loans and advances and Residential Mortgage exposures in Table 4.

(2) Includes commercial lending and leasing.

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Table 4: Credit Risk

Exposure Type	Gross Credit Exposure ⁽¹⁾ \$m		Average Gross Credit Exposure \$m	
	May 18	February 18	May 18	February 18
Cash and due from financial institutions	1,731	987	1,359	1,236
Debt securities	3,518	3,264	3,391	3,249
Loans and advances	42,176	42,670	42,423	42,459
Off-balance sheet exposures for derivatives	18	13	15	15
Other off-balance sheet exposures ⁽²⁾	858	897	877	700
Other	133	136	135	146
Total Exposures	48,434	47,967	48,200	47,805

Portfolios Subject to the Standardised Approach	Gross Credit Exposure ⁽¹⁾ \$m		Average Gross Credit Exposure \$m	
	May 18	February 18	May 18	February 18
Government	3,092	3,024	3,058	2,988
Bank	2,176	1,240	1,708	1,513
Residential mortgage	29,153	29,892	29,522	29,846
Other retail	13,880	13,675	13,777	13,313
Other	133	136	135	145
Corporate	-	-	-	-
Total Exposures	48,434	47,967	48,200	47,805

Notes:

(1) Gross credit exposures reflect credit equivalent amounts.

(2) Other off-balance sheet exposures largely relate to customer commitments. The Bank adopts the concessional treatment available on housing approvals resulting in reduced exposure levels.

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Table 4: Credit Risk (continued)

May 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 mortgage	135	315	38	(4)	3
Other retail	104	114	58	1	8
Other	-	-	-	-	-
Corporate	-	-	-	-	-
Total	239	429	96	(3)	11

February 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 mortgage	114	337	41	(1)	3
Other retail	101	90	58	(7)	15
Other	-	-	-	-	-
Corporate	-	-	-	-	-
Total	215	427	99	(8)	18

	May 18 \$m	February 18 \$m
Statutory Equity Reserve for Credit Losses	58	58
Collective provision	121	120
APRA General Reserve for Credit Losses	179	178

Notes:

(1) Reconciliation of impaired loans	May 18 \$m	February 18 \$m
Impaired Assets per Table 4: Credit Risk	239	215
Add: Impaired assets in off-balance sheet securitisation trusts	9	3
Less: Restructured facilities included in APS 220	(78)	(45)
Impaired Assets per Accounting Standards	170	173

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

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Table 5: Securitisation Exposures

Exposure Type	May 18		February 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	(17)	-	(27)	-
Securities held in the trading book	-	-	-	-
Liquidity facilities	-	-	(2)	-
Funding facilities	1	-	-	-
Swaps	(21)	-	(5)	-
Other ⁽¹⁾	(157)	-	791	-
Total	(194)	-	757	-

May 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 exposures retained or purchased	237	-	5	5	-	4,738
Off-balance sheet securitisation exposures	-	-	-	-	10	-
Total	237	-	5	5	10	4,738

February 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 exposures retained or purchased	254	-	5	4	-	4,895
Off-balance sheet securitisation exposures	-	-	-	-	31	-
Total	254	-	5	4	31	4,895

Notes:

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