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Bank of Queensland Limited

APRA Basel II Pillar 3 Disclosures

26 October 2011

The Basel II Capital Accord principles took effect in Australia on 1 January 2008. The framework for the application of Basel II in Australia is comprised of three pillars:

- Pillar 1: More sophisticated calculation of minimum capital requirements;
- Pillar 2: Institutions' own assessments of their capital adequacy and enhanced supervision of capital management; and
- Pillar 3: Materially increased disclosure requirements.

The Bank of Queensland Limited Group ("the Group") commenced reporting its regulatory disclosures to APRA under the requirements of Pillar 1 from January 2008 using the Standardised approach. The Group has also implemented the Pillar 2 regime including documentation of its Internal Capital Adequacy Assessment Process ("ICAAP") and increased management supervisory review and assessment.

The Pillar 3 requirements mandated by APRA prudential standard APS 330, 'Capital Adequacy: Public Disclosure of Prudential Information', involve the disclosure of regulatory capital structure, capital adequacy and credit risk information.

The Bank of Queensland Group Pillar 3 disclosures below have been prepared using 31 August 2011 data in accordance with APRA's requirements. Bank of Queensland will be updating components of its Pillar 3 disclosures on a quarterly basis, with additional disclosures provided on a semi-annual basis in alignment with the Group's annual and half year reporting periods.

Table 15: Capital Structure

	\$m
<u>Tier 1 capital</u>	
Paid-up ordinary share capital	1,957.9
Reserves	33.5
Retained earnings, including current year earnings	288.4
Innovative Tier 1 capital	-
Non-innovative Tier 1 capital	195.7
Gross Tier 1 capital	2,475.5
<u>Deductions from Tier 1 capital</u>	
Goodwill	(557.9)
Deferred expenditure	(105.1)
Other deductions	(94.3)
Total Tier 1 capital deductions	(757.3)
Net Tier 1 capital	1,718.2
<u>Tier 2 capital</u>	
Upper Tier 2 capital	127.3
Lower Tier 2 capital	539.6
Gross Tier 2 capital	666.9
<u>Deductions from Tier 2 capital</u>	
Tier 2 deductions	(40.8)
Total Tier 2 capital deductions	(40.8)
Net Tier 2 capital	626.1
Total capital base	2,344.3

Table 16: Capital Adequacy

	Risk Weighted Assets \$m
Subject to the Standardised approach	
Corporate	-
Government	5.0
Bank	269.9
Residential Mortgage	10,679.4
Other retail	7,480.3
Other	66.3
Total capital requirement subject to the standardised approach	18,500.9
Credit risk capital requirement relating to securitisation exposures	49.5
Market risk minimum capital requirement	289.2
Operational risk minimum capital requirement	1,685.0
Total RWA and capital requirement	20,524.6
Capital ratios	%
Level 2 Total capital ratio	11.4
Level 2 Tier 1 capital ratio	8.4

Table 17: Credit Risk

Exposure Type	Gross Credit Exposure \$m	Average Gross Credit Exposure \$m
Cash and due from financial institutions	382.4	353.6
Debt securities	949.0	1,021.2
Loans and advances	30,843.2	30,543.3
Non market off balance sheet exposures	1,166.2	1,226.3
On market off balance sheet exposures	39,844.3	40,963.0
Other	40.4	39.7
Total exposures	73,225.5	74,147.1

Portfolios subject to Standardised approach	Gross Credit Exposure \$m	Average Gross Credit Exposure \$m
Corporate	-	-
Government	276.4	253.8
Bank	40,926.3	42,110.3
Residential Mortgage	23,942.6	23,746.9
Other retail	8,031.0	7,990.2
Other	49.2	45.9
Total exposures	73,225.5	74,147.1

Portfolios subject to the Standardised approach	Impaired loans \$m	Past due loans > 90 days \$m	Specific provision balance \$m	Charges for specific provision \$m	Write-offs \$m
Corporate	-	-	-	-	-
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential Mortgage	87.1	296.6	27.3	4.6	6.2
Other retail	355.0	164.6	146.1	17.9	13.7
Other	-	-	-	-	-
Total	442.1	461.2	173.4	22.5	19.9

	Balance \$m
General reserve for credit losses	123.1