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Bank of Queensland Limited

APRA Basel II Pillar 3 Disclosures

29 October 2012

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 2012 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	2,464.6
Reserves	33.3
Retained earnings, including current year earnings	116.8
Innovative Tier 1 capital	
Non-innovative Tier 1 capital	195.7
Gross Tier 1 capital	2,810.4
<u>Deductions from Tier 1 capital</u>	
Goodwill	(541.1)
Deferred expenditure	(106.8)
Other deductions	(164.4)
Total Tier 1 capital deductions	(812.3)
Net Tier 1 capital	1,998.1
<u>Tier 2 capital</u>	
Upper Tier 2 capital	192.7
Lower Tier 2 capital	499.9
Gross Tier 2 capital	692.6
<u>Deductions from Tier 2 capital</u>	
Tier 2 deductions	(31.5)
Total Tier 2 capital deductions	
Net Tier 2 capital	661.1
Total capital base	2,659.2

Table 16: Capital Adequacy

Aug 12

	Risk Weighted Assets \$m
Subject to the Standardised approach	
Corporate	-
Government	5.0
Bank	261.4
Residential Mortgage	11,379.1
Other retail	7,181.1
Other	71.2
Total capital requirement subject to the standardised approach	18,897.8
Credit risk capital requirement relating to securitisation exposures	146.2
Market risk minimum capital requirement	292.8
Operational risk minimum capital requirement	1,761.3
Total RWA and capital requirement	21,098.1

Capital ratios	%
Level 2 Total capital ratio	12.6
Level 2 Tier 1 capital ratio	9.5

May 12

	Risk Weighted Assets \$m
Subject to the Standardised approach	
Corporate	-
Government	4.4
Bank	232.5
Residential Mortgage	11,332.9
Other retail	7,181.3
Other	70.2
Total capital requirement subject to the standardised approach	18,821.3
Credit risk capital requirement relating to securitisation exposures	152.8
Market risk minimum capital requirement	237.4
Operational risk minimum capital requirement	1,735.0
Total RWA and capital requirement	20,946.5

Capital ratios	%
Level 2 Total capital ratio	12.9
Level 2 Tier 1 capital ratio	9.4

Table 17: Credit Risk

Aug 12

Exposure Type	Gross Credit Exposure \$m	Average Gross Credit Exposure \$m
Cash and due from financial institutions	569.3	542.2
Debt securities	643.6	631.0
Loans and advances	31,891.6	31,759.3
Non market off balance sheet exposures	1,349.7	1,343.2
On market off balance sheet exposures	47,614.1	45,717.5
Other	42.5	43.2
Total exposures	82,110.8	80,036.4

Portfolios subject to Standardised approach	Gross Credit Exposure \$m	Average Gross Credit Exposure \$m
Corporate	-	-
Government	527.5	518.3
Bank	48,326.9	46,398.4
Residential Mortgage	25,373.5	25,249.9
Other retail	7,828.3	7,815.1
Other	54.6	54.7
Total exposures	82,110.8	80,036.4

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	203.6	202.2	72.7	13.7	7.4
Other retail	311.1	124.4	143.8	(68.6)	75.1
Other	-	-	-	-	-
Total	514.7	326.6	216.5	(54.9)	82.5

	Balance \$m
General reserve for credit losses	184.2

Table 17: Credit Risk

May 12

Exposure Type	Gross Credit Exposure \$m	Average Gross Credit Exposure \$m
Cash and due from financial institutions	515.1	497.8
Debt securities	618.5	583.3
Loans and advances	31,626.8	31,290.3
Non market off balance sheet exposures	1,336.6	1,396.6
On market off balance sheet exposures	43,821.0	43,829.9
Other	43.9	43.9
Total exposures	77,961.9	77,641.8

Portfolios subject to Standardised approach	Gross Credit Exposure \$m	Average Gross Credit Exposure \$m
Corporate	-	-
Government	509.1	471.0
Bank	44,469.8	44,465.4
Residential Mortgage	25,126.3	24,825.6
Other retail	7,801.9	7,823.1
Other	54.8	56.7
Total exposures	77,961.9	77,641.8

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	159.6	238.0	60.2	13.5	6.6
Other retail	432.3	127.1	197.9	(4.7)	15.0
Other	-	-	-	-	-
Total	591.9	365.1	258.1	8.8	21.6

	Balance \$m
General reserve for credit losses	212.8

Table 18: Securitisation Exposures

Exposure Type	Current Period Securitisation Activity \$m Aug 12	Gain or Loss on Sale \$m Aug 12	Current Period Securitisation Activity \$m May 12	Gain or Loss on Sale \$m May 12
Securities held in the banking book	(32.3)		(22.3)	-
Securities held in the trading book	-		-	-
Liquidity facilities	-		-	-
Funding facilities	(1.3)		0.1	-
Swaps	(16.2)		22.6	-
Other ⁽¹⁾	26.8		1,055.9	-
Total	(23.0)		1,056.3	-

Aug 12

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	420.9	-	38.9	6.5	-	3,101.8
Off-balance sheet securitisation exposure	-	-	-	-	111.4	-
Total	420.9	-	38.9	6.5	111.4	3,101.8

May 12

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	453.2	-	38.9	7.8	-	3,075.0
Off-balance sheet securitisation exposure	-	-	-	-	127.6	-
Total	453.2	-	38.9	7.8	127.6	3,075.0

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