

APRA BASEL III Pillar 3 Disclosures

QUARTER ENDED 28 FEBRUARY 2015

26 March 2015

This report has been prepared by Bank of Queensland Limited (BOQ) to meet its disclosure requirements under the Australian Prudential Regulation Authority (APRA) Australian Prudential Standard (APS) 330 Capital Adequacy: Public Disclosure. It has been prepared using 28 February 2015 data.

Key points

The disclosures provided within, have been prepared in accordance with the changes to APRA's capital rules (effective 1 January 2013). The Bank's Total Capital ratio has increased from 11.8% in November to 12.0%.

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TABLE 15: CAPITAL STRUCTURE

	February 15	August 14
	\$m	\$m
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	3,071	3,021
Reserves	54	58
Retained earnings, including current year earnings	229	207
Total Common Equity Tier 1 Capital	3,354	3,286
Regulatory adjustments		
Goodwill and intangibles	(830)	(825)
Deferred expenditure	(130)	(122)
Other deductions	(96)	(178)
Total regulatory adjustments	(1,056)	(1,125)
Net Common Equity Tier 1 Capital	2,298	2,161
Additional Tier 1 Capital	300	300
Net Tier 1 Capital	2,598	2,461
Tier 2 Capital		
Tier 2 Capital	325	340
General reserve for credit losses	211	207
Total Tier 2 Capital	536	547
Total Capital Base	3,134	3,008

TABLE 16: CAPITAL ADEQUACY

Risk Weighted Assets (\$m)	February 15	November 14
Subject to the Standardised approach		
Government	10	8
Bank	392	348
Residential mortgage	11,426	11,432
Other retail	11,388	11,055
Other	84	76
Total on balance sheet assets and off balance sheet exposures	23,300	22,919
Securitisation exposures⁽¹⁾	216	237
Market risk exposures	282	322
Operational risk exposures	2,259	2,161
Total Risk Weighted Assets	26,057	25,639
Capital ratios		
	%	%
Level 2 Total Capital ratio	12.0	11.8
Level 2 Common Equity Tier 1 Capital ratio	8.8	8.5
Level 2 Net Tier 1 Capital ratio	10.0	9.7

(1) Refer to Table 18 for securitisation exposures.

TABLE 17: CREDIT RISK

Exposure Type	Gross Credit Exposure ⁽¹⁾ (\$m)		Average Gross Credit Exposure (\$m)	
	February 15	November 14	February 15	November 14
Cash and due from financial institutions	1,244	1,021	1,133	983
Debt securities	2,423	2,720	2,572	2,801
Loans and advances	36,856	36,085	36,470	35,627
Off balance sheet exposures for derivatives	94	128	111	117
Other off balance sheet exposures ⁽²⁾	387	981	684	913
Other	67	57	62	56
Total exposures	41,071	40,992	41,032	40,497

Portfolios subject to Standardised approach	Gross Credit Exposure ⁽¹⁾ (\$m)		Average Gross Credit Exposure (\$m)	
	February 15	November 14	February 15	November 14
Government	1,969	2,146	2,058	2,102
Bank	1,844	1,763	1,803	1,710
Residential Mortgage	25,794	25,958	25,876	25,753
Other retail	11,380	11,049	11,215	10,860
Other	84	76	80	72
Total exposures	41,071	40,992	41,032	40,497

Notes:

(1) Gross credit exposures reflect credit equivalent amounts.

(2) Other off balance sheet exposures largely relate to customer commitments. Subsequent to clarification by APRA, the Bank has adopted the concessional treatment available on housing approvals resulting in reduced exposure levels.

TABLE 17: CREDIT RISK (CONTINUED)

February 15

Portfolios subject to the Standardised approach	Impaired loans ⁽¹⁾ \$m	Past due loans > 90 days \$m	Specific provision balance \$m	Charges for specific provision \$m	Write-offs \$m
Corporate	-	-	-	-	-
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential Mortgage	264	151	46	(1)	7
Other retail	160	94	88	(3)	16
Other	-	-	-	-	-
Total	424	245	134	(4)	23

November 14

Portfolios subject to the Standardised approach	Impaired loans ⁽¹⁾ \$m	Past due loans > 90 days \$m	Specific provision balance \$m	Charges for specific provision \$m	Write-offs \$m
Corporate	-	-	-	-	-
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential Mortgage	246	137	45	(3)	7
Other retail	166	87	93	(9)	19
Other	-	-	-	-	-
Total	412	224	138	(12)	26

	February 15 \$m	November 14 \$m
Statutory equity reserve for credit losses	70	70
Collective provision	141	142
APRA General reserve for credit losses	211	212

Note:

(1) Reconciliation of impaired loans	February 15 \$m	August 14 \$m
Impaired assets per Table 17: Credit Risk	424	434
Add: Impaired assets in off balance sheet securitisation trusts	30	33
Less: Restructured facilities included in APS 220	195	175
Impaired assets per Investor Information	259	292

TABLE 18: SECURITISATION EXPOSURES

Exposure Type	February 15		November 14	
	Current Period Securitisation Activity \$m	Gain or Loss on Sale \$m	Current Period Securitisation Activity \$m	Gain or Loss on Sale \$m
Securities held in the banking book	(77)	-	35	-
Securities held in the trading book	-	-	-	-
Liquidity facilities	-	-	-	-
Funding facilities	-	-	-	-
Swaps	7	-	(4)	-
Other ⁽¹⁾	1,059	-	118	-
Total	989	-	149	-

February 15

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	868	-	29	8	-	4,272
Off-balance sheet securitisation exposure	-	-	-	-	82	-
Total	868	-	29	8	82	4,272

November 14

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	945	-	29	8	-	3,213
Off-balance sheet securitisation exposure	-	-	-	-	75	-
Total	945	-	29	8	75	3,213

Notes:

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

COMMON DISCLOSURE TEMPLATE

Common Equity Tier 1 capital: instruments and reserves		A\$m	Ref
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	3,071	A
2	Retained earnings	229	B
3	Accumulated other comprehensive income (and other reserves)	54	C
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)</i>	-	
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	Common Equity Tier 1 capital before regulatory adjustments	3,354	
Common Equity Tier 1 capital : regulatory adjustments		A\$m	Ref
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	702	D
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	128	D
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash-flow hedge reserve	(84)	C
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit superannuation fund net assets	-	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20	Mortgage service rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	of which: significant investments in the ordinary shares of financial entities	-	
24	of which: mortgage servicing rights	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	310	
26a	of which: treasury shares	-	
26b	of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI	-	
26c	of which: deferred fee income	114	
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	52	E
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	99	F
26f	of which: capitalised expenses	5	
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	12	E
26h	of which: covered bonds in excess of asset cover in pools	-	
26i	of which: undercapitalisation of a non-consolidated subsidiary	-	
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	28	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common Equity Tier 1	1,056	
29	Common Equity Tier 1 Capital (CET1)	2,298	

Additional Tier 1 Capital: instruments		A\$m	Ref
30	Directly issued qualifying Additional Tier 1 instruments	300	G
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	300	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
36	Additional Tier 1 Capital before regulatory adjustments	300	
Additional Tier 1 Capital: regulatory adjustments		A\$m	Ref
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	-	
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	
41b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	-	
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	Total regulatory adjustments to Additional Tier 1 capital	-	
44	Additional Tier 1 capital (AT1)	300	
45	Tier 1 Capital (T1=CET1+AT1)	2,598	
Tier 2 Capital: instruments and provisions		A\$m	Ref
46	Directly issued qualifying Tier 2 instruments	-	
47	Directly issued capital instruments subject to phase out from Tier 2	270	G
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2)	55	G
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	55	
50	Provisions	211	
51	Tier 2 Capital before regulatory adjustments	536	

Tier 2 Capital: regulatory adjustments		A\$m	Ref
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
55	Significant investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	-	
56	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	-	
56a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	
56b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55	-	
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-	
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	536	
59	Total capital (TC=T1+T2)	3,134	
60	Total risk-weighted assets based on APRA standards	26,057	
Capital ratios and buffers		A\$m	Ref
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	8.8%	
62	Tier 1 (as a percentage of risk-weighted assets)	10.0%	
63	Total capital (as a percentage of risk-weighted assets)	12.0%	
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	7.0%	
65	<i>of which: capital conservation buffer requirement</i>	2.5%	
66	<i>of which: ADI-specific countercyclical buffer requirements</i>	-	
67	<i>of which: G-SIB buffer requirement (not applicable)</i>	n/a	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	1.8%	
National minima (if different from Basel III)		A\$m	Ref
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	-	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	-	
71	National total capital minimum ratio (if different from Basel III minimum)	-	
Amount below thresholds for deductions (not risk-weighted)		A\$m	Ref
72	Non-significant investments in the capital of other financial entities	-	
73	Significant investments in the ordinary shares of financial entities	50	E
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
Applicable caps on the inclusion of provisions in Tier 2		A\$m	Ref
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	211	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	294	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	

Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		A\$m	Ref
80	<i>Current cap on CET1 instruments subject to phase out arrangements</i>	-	
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	-	
82	<i>Current cap on AT1 instruments subject to phase out arrangements</i>	-	
83	<i>Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)</i>	-	
84	<i>Current cap on T2 instruments subject to phase out arrangements</i>	385	
85	<i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>	-	

REGULATORY BALANCE SHEET

	Group Balance Sheet	Adjustments	Level 2 Regulatory Balance Sheet	Reconciliation reference
	\$m	\$m	\$m	
Assets				
Cash and liquid assets	1,104	(82)	1,022	-
Due from other financial institutions	93	(73)	20	-
Financial assets available for sale	3,448	-	3,448	-
Financial assets held for trading	2,388	-	2,388	-
Derivative financial instruments	292	(45)	247	-
Loans and advances at amortised cost	39,451	(2,815)	36,636	-
Other assets	113	36	149	-
Shares in controlled entities	-	50	50	E
Property, plant and equipment	67	-	67	-
Deferred tax assets	93	3	96	F
Intangibles assets	832	(2)	830	D
Investment in joint ventures accounted for using the equity method	19	(14)	5	E
Total Assets	47,900	(2,942)	44,958	-
Liabilities				
Due to other financial institutions	174	-	174	-
Deposits	34,017	105	34,122	-
Derivative financial instruments	361	(22)	339	-
Accounts payable and other liabilities	388	19	407	-
Current tax liabilities	28	-	28	-
Provisions	98	(9)	89	-
Insurance policy liability	53	(53)	-	-
Borrowings including loan capital	9,378	(2,971)	6,407	G
Total Liabilities	44,497	(2,931)	41,566	-
Net Assets	3,403	(11)	3,392	-
Equity				
Issued capital	3,071	-	3,071	A
Reserves	96	(4)	92	C
Retained profits	236	(7)	229	B
Total Equity	3,403	(11)	3,392	

REGULATORY BALANCE SHEET (CONTINUED)

RECONCILIATION	\$M
Reserves (reference C)	
Per regulatory balance sheet	92
Add: Tax effect on available for sale reserve	32
Less: General reserve for credit losses	(70)
Total per Common Disclosure Template	54
Of which: Cash flow hedge reserve	(84)
Equity Investments (reference E)	
Shares in Controlled Entities	50
Investments in joint ventures accounted for using the equity method	5
Investments in financial entities reported in other assets	9
Total per Common Disclosure Template	64
Deferred Tax Asset (reference F)	
Per regulatory balance sheet	96
Deferred tax of cash flow hedge reserve	3
Total per Common Disclosure Template	99
Additional Tier 1 and Tier 2 Capital (reference G)	
Additional Tier 1	300
Tier 2 Capital	325
Other borrowings not eligible for capital	5,782
Total per regulatory balance sheet	6,407

ENTITIES EXCLUDED FROM THE REGULATORY SCOPE OF CONSOLIDATION

	Total Assets \$M	Total Liabilities \$M
Insurance entities		
St Andrew's Australia Services Pty Ltd	80	67
St Andrew's Insurance (Australia) Pty Ltd	27	14
St Andrew's Life Insurance Pty Ltd	87	60
Securitisations Trusts		
Series 2006-1E REDS Trust	196	194
Series 2007-1E REDS Trust	245	242
Series 2007-2 REDS Trust	72	72
Series 2012-1E REDS Trust	639	639
Series 2013-1 REDS Trust	589	589
REDS Warehouse Trust No.1	426	426
REDS Warehouse Trust No.3	256	256
REDS Asset Trust	482	482
Manager and non-financial operating entities		
Home Credit Management Ltd	22	20
BOQ Share Plans Nominee Pty Ltd	9	2
BQL Management Pty Ltd	43	30