

# APRA BASEL III Pillar 3 Disclosures

QUARTER ENDED 29 FEBRUARY 2016

## 7 April 2016

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 29 February 2016 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 to 12.5% as at February 2016 from 12.4% as at November 2015.

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## CAPITAL STRUCTURE

|  | February 16    | August 15      |
|--|----------------|----------------|
|  | \$m            | \$m            |
| <b>Common Equity Tier 1 Capital</b>                |                |                |
| Paid-up ordinary share capital                     | 3,190          | 3,122          |
| Reserves   | (9)            | 36             |
| Retained earnings, including current year earnings | 290            | 254            |
| <b>Total Common Equity Tier 1 Capital</b>          | <b>3,471</b>   | <b>3,412</b>   |
| <b>Regulatory Adjustments</b>                      |                |                |
| Goodwill and intangibles                           | (865)          | (848)          |
| Deferred expenditure                               | (148)          | (142)          |
| Other deductions                                   | (42)           | (76)           |
| <b>Total Regulatory Adjustments</b>                | <b>(1,055)</b> | <b>(1,066)</b> |
| <b>Net Common Equity Tier 1 Capital</b>            | <b>2,416</b>   | <b>2,346</b>   |
| <b>Additional Tier 1 Capital</b>                   | <b>450</b>     | <b>450</b>     |
| <b>Total Tier 1 Capital</b>                        | <b>2,866</b>   | <b>2,796</b>   |
| <b>Tier 2 Capital</b>                              |                |                |
| Tier 2 Capital                                     | 323            | 324            |
| General reserve for credit losses                  | 231            | 227            |
| <b>Total Tier 2 Capital</b>                        | <b>554</b>     | <b>551</b>     |
| <b>Total Capital Base</b>                          | <b>3,420</b>   | <b>3,347</b>   |

TABLE 3: CAPITAL ADEQUACY

| Risk Weighted Assets   | February 16<br>\$m | November 15<br>\$m |
|--|--------------------|--------------------|
| <b>Subject to the Standardised Approach</b>                          |                    |                    |
| Government   | 7                  | 7                  |
| Bank   | 204                | 210                |
| Residential mortgage   | 12,629             | 12,302             |
| Other retail   | 11,685             | 11,422             |
| Other  | 73                 | 82                 |
| <b>Total On-Balance Sheet Assets and Off-Balance Sheet Exposures</b> | <b>24,598</b>      | <b>24,023</b>      |
| <b>Securitisation Exposures <sup>(1)</sup></b>                       | <b>160</b>         | <b>174</b>         |
| <b>Market Risk Exposures</b>   | <b>254</b>         | <b>218</b>         |
| <b>Operational Risk Exposures</b>                                    | <b>2,455</b>       | <b>2,332</b>       |
| <b>Total Risk Weighted Assets</b>                                    | <b>27,467</b>      | <b>26,747</b>      |
| <b>Capital Ratios</b>  |                    |                    |
|  | %                  | %                  |
| Level 2 Total Capital Ratio  | <b>12.5</b>        | <b>12.4</b>        |
| Level 2 Common Equity Tier 1 Capital Ratio                           | <b>8.8</b>         | <b>8.6</b>         |
| Level 2 Net Tier 1 Capital Ratio                                     | <b>10.4</b>        | <b>10.3</b>        |

**Notes:**

(1) Refer to Table 5 for securitisation exposures.

TABLE 4: CREDIT RISK

| Exposure Type                                    | Gross Credit Exposure <sup>(1)</sup><br>\$m |               | Average Gross Credit Exposure<br>\$m |               |
|--|---|---------------|--------------------------------------|---------------|
|  | February 16                                 | November 15   | February 16                          | November 15   |
| Cash and due from financial institutions         | 1,087                                       | 999           | 1,043                                | 1,265         |
| Debt securities                                  | 2,179                                       | 2,139         | 2,159                                | 1,820         |
| Loans and advances                               | 40,769                                      | 39,297        | 40,033                               | 38,834        |
| Off-balance sheet exposures for derivatives      | 12  | 30            | 21                                   | 35            |
| Other off-balance sheet exposures <sup>(2)</sup> | 463   | 441           | 452                                  | 431           |
| Other  | 60  | 62            | 61                                   | 61            |
| <b>Total Exposures</b>                           | <b>44,570</b>                               | <b>42,968</b> | <b>43,769</b>                        | <b>42,446</b> |

| Portfolios subject to Standardised Approach | Gross Credit Exposure <sup>(1)</sup><br>\$m |               | Average Gross Credit Exposure<br>\$m |               |
|---|---|---------------|--------------------------------------|---------------|
|   | February 16                                 | November 15   | February 16                          | November 15   |
| Government                                  | 2,199                                       | 2,079         | 2,139                                | 1,940         |
| Bank  | 1,178                                       | 1,128         | 1,153                                | 1,217         |
| Residential mortgage                        | 29,440                                      | 28,265        | 28,853                               | 27,840        |
| Other retail                                | 11,700                                      | 11,434        | 11,567                               | 11,378        |
| Other                                       | 53  | 62            | 57                                   | 71            |
| <b>Total Exposures</b>                      | <b>44,570</b>                               | <b>42,968</b> | <b>43,769</b>                        | <b>42,446</b> |

**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 4: CREDIT RISK (CONTINUED)

**February 16**

| Portfolios subject to the Standardised Approach | Impaired Loans <sup>(1)</sup><br>\$m | Past Due Loans<br>> 90 Days<br>\$m | Specific Provision<br>Balance<br>\$m | Charges<br>for Specific<br>Provision<br>\$m | Write-Offs<br>\$m |
|---|--------------------------------------|------------------------------------|--------------------------------------|---|-------------------|
| Corporate                                       | -                                    | -                                  | -                                    | -   | -                 |
| Government                                      | -                                    | -                                  | -                                    | -   | -                 |
| Bank  | -                                    | -                                  | -                                    | -   | -                 |
| Residential mortgage                            | 278                                  | 132                                | 37                                   | (5)   | 6                 |
| Other retail                                    | 149                                  | 112                                | 78                                   | (1)   | 16                |
| Other   | -                                    | -                                  | -                                    | -   | -                 |
| <b>Total</b>                                    | <b>427</b>                           | <b>244</b>                         | <b>115</b>                           | <b>(6)</b>                                  | <b>22</b>         |

**November 15**

| Portfolios subject to the Standardised Approach | Impaired Loans <sup>(1)</sup><br>\$m | Past Due Loans<br>> 90 Days<br>\$m | Specific Provision<br>Balance<br>\$m | Charges<br>for Specific<br>Provision<br>\$m | Write-Offs<br>\$m |
|---|--------------------------------------|------------------------------------|--------------------------------------|---|-------------------|
| Corporate                                       | -                                    | -                                  | -                                    | -   | -                 |
| Government                                      | -                                    | -                                  | -                                    | -   | -                 |
| Bank  | -                                    | -                                  | -                                    | -   | -                 |
| Residential Mortgage                            | 291                                  | 119                                | 42                                   | 1   | 3                 |
| Other retail                                    | 143                                  | 111                                | 79                                   | (5)   | 17                |
| Other   | -                                    | -                                  | -                                    | -   | -                 |
| <b>Total</b>                                    | <b>434</b>                           | <b>230</b>                         | <b>121</b>                           | <b>(4)</b>                                  | <b>20</b>         |

|   | February 16<br>\$m | November 15<br>\$m |
|---|--------------------|--------------------|
| <b>Statutory Equity Reserve for Credit Losses</b> | 81                 | 81                 |
| Collective provision                              | 150                | 149                |
| <b>APRA General Reserve for Credit Losses</b>     | <b>231</b>         | <b>230</b>         |

**Notes:**

|   | February 16<br>\$m | November 15<br>\$m |
|---|--------------------|--------------------|
| <b>(1) Reconciliation of impaired loans</b>                     |                    |                    |
| <b>Impaired Assets per Table 17: Credit Risk</b>                | <b>427</b>         | <b>434</b>         |
| Add: Impaired assets in off-balance sheet securitisation trusts | 27                 | 33                 |
| Less: Restructured facilities included in APS 220               | 214                | 235                |
| <b>Impaired Assets per Consolidated Financial Report</b>        | <b>240</b>         | <b>232</b>         |

TABLE 5: SECURITISATION EXPOSURES

| Exposure Type                       | February 16                    |                             | November 15                    |                             |
|-------------------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
|                                     | Securitisation Activity<br>\$m | Gain or Loss on Sale<br>\$m | Securitisation Activity<br>\$m | Gain or Loss on Sale<br>\$m |
| Securities held in the banking book | (65)                           | -                           | (66)                           | -                           |
| Securities held in the trading book | -                              | -                           | -                              | -                           |
| Liquidity facilities                | (4)                            | -                           | (7)                            | -                           |
| Funding facilities                  | -                              | -                           | -                              | -                           |
| Swaps                               | 2                              | -                           | (3)                            | -                           |
| Other <sup>(1)</sup>                | (33)                           | -                           | 73                             | -                           |
| <b>Total</b>                        | <b>(100)</b>                   | <b>-</b>                    | <b>(3)</b>                     | <b>-</b>                    |

**February 16**

| Securitisation Exposure  | Securities Held in the Banking Book<br>\$m | Securities Held in the Trading Book<br>\$m | Liquidity Facilities<br>\$m | Funding Facilities<br>\$m | Swaps<br>\$m | Other <sup>(1)</sup><br>\$m |
|--|--|--|-----------------------------|---------------------------|--------------|-----------------------------|
| On-balance sheet securitisation exposure retained or purchased | 606  | -  | 14                          | 6                         | -            | 4,266                       |
| Off-balance sheet securitisation exposure                      | -  | -  | -                           | -                         | 72           | -                           |
| <b>Total</b>   | <b>606</b>                                 | <b>-</b>                                   | <b>14</b>                   | <b>6</b>                  | <b>72</b>    | <b>4,266</b>                |

**November 15**

| Securitisation Exposure  | Securities Held in the Banking Book<br>\$m | Securities Held in the Trading Book<br>\$m | Liquidity Facilities<br>\$m | Funding Facilities<br>\$m | Swaps<br>\$m | Other <sup>(1)</sup><br>\$m |
|--|--|--|-----------------------------|---------------------------|--------------|-----------------------------|
| On-balance sheet securitisation exposure retained or purchased | 671  | -  | 18                          | 6                         | -            | 4,299                       |
| Off-balance sheet securitisation exposure                      | -  | -  | -                           | -                         | 70           | -                           |
| <b>Total</b>   | <b>671</b>                                 | <b>-</b>                                   | <b>18</b>                   | <b>6</b>                  | <b>70</b>    | <b>4,299</b>                |

**Notes:**

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

## COMMON DISCLOSURE TEMPLATE

The Bank is using the post 1 January 2018 capital disclosure template because it is fully applying the Basel III regulatory adjustments as implemented by APRA.

| Common Equity Tier 1 Capital (CET1): Instruments and Reserves |  | \$m          | Ref |
|---|--|--------------|-----|
| 1   | Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital        | 3,190        | A   |
| 2   | Retained earnings  | 290          | B   |
| 3   | Accumulated other comprehensive income (and other reserves)  | (9)          | C   |
| 4   | Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)   | -            |     |
| 5   | Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1) | -            |     |
| 6   | <b>Common Equity Tier 1 Capital before Regulatory Adjustments</b>                                      | <b>3,471</b> |     |

| Common Equity Tier 1 Capital: Regulatory Adjustments |  | \$m          | Ref |
|--|--|--------------|-----|
| 7  | Prudential valuation adjustments   | -            |     |
| 8  | Goodwill (net of related tax liability)  | 674          | D   |
| 9  | Other intangibles other than mortgage servicing rights (net of related tax liability)  | 191          | E   |
| 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  | (112)        | F   |
| 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 Authorised Deposit-taking Institution (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   | <i>of which: significant investments in the ordinary shares of financial entities</i>  | -            |     |
| 24   | <i>of which: mortgage servicing rights</i>   | -            |     |
| 25   | <i>of which: deferred tax assets arising from temporary differences</i>  | -            |     |
| 26   | National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)   | 302          |     |
| 26a  | <i>of which: treasury shares</i>   | -            |     |
| 26b  | <i>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</i>  | -            |     |
| 26c  | <i>of which: deferred fee income</i>   | 129          | G   |
| 26d  | <i>of which: equity investments in financial institutions not reported in rows 18, 19 and 23</i>   | 52           | H   |
| 26e  | <i>of which: deferred tax assets not reported in rows 10, 21 and 25</i>  | 80           | I   |
| 26f  | <i>of which: capitalised expenses</i>  | 7            | J   |
| 26g  | <i>of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements</i>   | 10           | K   |
| 26h  | <i>of which: covered bonds in excess of asset cover in pools</i>   | -            |     |
| 26i  | <i>of which: undercapitalisation of a non-consolidated subsidiary</i>  | -            |     |
| 26j  | <i>of which: other national specific regulatory adjustments not reported in rows 26a to 26i</i>  | 24           | L   |
| 27   | Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions  | -            |     |
| 28   | <b>Total Regulatory Adjustments to Common Equity Tier 1</b>  | <b>1,055</b> |     |
| 29   | <b>Common Equity Tier 1 Capital (CET1)</b>   | <b>2,416</b> |     |

## COMMON DISCLOSURE TEMPLATE (CONTINUED)

|  | \$m  | Ref   |
|--|--|-------|
| <b>Additional Tier 1 Capital (AT1): Instruments</b>      |  |       |
| 30   | Directly issued qualifying Additional Tier 1 instruments   | 450   |
| 31   | <i>of which: classified as equity under applicable accounting standards</i>  | -     |
| 32   | <i>of which: classified as liabilities under applicable accounting standards</i>   | 450   |
| 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   | <b>Additional Tier 1 Capital before Regulatory Adjustments</b>   | 450   |
| <b>Additional Tier 1 Capital: Regulatory Adjustments</b> |  |       |
| 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  | <i>of which: holdings of capital instruments in group members by other group members on behalf of third parties</i>  | -     |
| 41b  | <i>of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40</i>   | -     |
| 41c  | <i>of which: other national specific regulatory adjustments not reported in rows 41a and 41b</i>   | -     |
| 42   | Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions   | -     |
| 43   | <b>Total Regulatory Adjustments to Additional Tier 1 Capital</b>   | -     |
| 44   | <b>Additional Tier 1 Capital</b>   | 450   |
| 45   | <b>Tier 1 Capital (T1=CET1+AT1)</b>  | 2,866 |
| <b>Tier 2 Capital (T2): Instruments and Provisions</b>   |  |       |
| 46   | Directly issued qualifying Tier 2 instruments  | -     |
| 47   | Directly issued capital instruments subject to phase out from Tier 2   | 270   |
| 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)   | 53    |
| 49   | <i>of which: instruments issued by subsidiaries subject to phase out</i>   | 53    |
| 50   | Provisions   | 231   |
| 51   | <b>Tier 2 Capital before Regulatory Adjustments</b>  | 554   |



## COMMON DISCLOSURE TEMPLATE (CONTINUED)

|   | \$m    | Ref |
|---|--------|-----|
| <b>Tier 2 Capital: Regulatory Adjustments</b>                     |        |     |
| 52  | -      |     |
| 53  | -      |     |
| 54  | -      |     |
| 55  | -      |     |
| 56  | -      |     |
| 56a   | -      |     |
| 56b   | -      |     |
| 56c   | -      |     |
| 57  | -      |     |
| 58  | 554    |     |
| 59  | 3,420  |     |
| 60  | 27,467 |     |
| <b>Capital Ratios and Buffers</b>                                 |        |     |
| 61  | 8.8%   |     |
| 62  | 10.4%  |     |
| 63  | 12.5%  |     |
| 64  | 7.0%   |     |
| 65  | 2.5%   |     |
| 66  | -      |     |
| 67  | n/a    |     |
| 68  | 1.8%   |     |
| <b>National Minima (if different from Basel III)</b>              |        |     |
| 69  | -      |     |
| 70  | -      |     |
| 71  | -      |     |
| <b>Amount below Thresholds for Deductions (not risk-weighted)</b> |        |     |
| 72  | -      |     |
| 73  | 52     | H   |
| 74  | -      |     |
| 75  | -      |     |
| <b>Applicable Caps on the Inclusion of Provisions in Tier 2</b>   |        |     |
| 76  | 231    | O+P |
| 77  | 310    |     |
| 78  | -      |     |
| 79  | -      |     |

**COMMON DISCLOSURE TEMPLATE (CONTINUED)**

| <b>Capital Instruments subject to Phase-Out Arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b> |  | <b>\$m</b> | <b>Ref</b> |
|--|--|------------|------------|
| 80   | Current cap on CET1 instruments subject to phase out arrangements                                  | -          |            |
| 81   | Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)            | -          |            |
| 82   | Current cap on AT1 instruments subject to phase out arrangements                                   | -          |            |
| 83   | Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities) | -          |            |
| 84   | Current cap on T2 instruments subject to phase out arrangements                                    | 308        |            |
| 85   | Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)              | -          |            |

## RECONCILIATION BETWEEN THE CONSOLIDATED BALANCE SHEET AND THE REGULATORY BALANCE SHEET

Bank of Queensland Limited is the head of the Level 2 Group. The transfer of funds or Regulatory Capital within the level 2 Group requires approvals from Management and/or the Board.

|  | Group<br>Balance<br>Sheet | Adjustments    | Level 2<br>Regulatory<br>Balance<br>Sheet | Reconciliation<br>Reference |
|--|---------------------------|----------------|---|-----------------------------|
|  | \$m                       | \$m            | \$m                                       |                             |
| <b>Assets</b>  |                           |                |   |                             |
| Cash and liquid assets   | 846                       | (84)           | 762                                       | -                           |
| Due from other financial institutions - Term   | 80                        | (65)           | 15  | -                           |
| Financial assets available for sale  | 3,472                     | -              | 3,472                                     | -                           |
| <i>of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements</i> | 10                        | -              | 10  | K                           |
| Financial assets held for trading  | 1,487                     | -              | 1,487                                     | -                           |
| Derivative financial instruments   | 149                       | -              | 149                                       | -                           |
| Loans and advances at amortised cost   | 42,659                    | (2,338)        | 40,321                                    | -                           |
| <i>of which: deferred fee income</i>   | 129                       | -              | 129                                       | G                           |
| <i>of which: provisions</i>  | 150                       | -              | 150                                       | O                           |
| Other assets   | 119                       | 22             | 141                                       | -                           |
| <i>of which: capitalised expenses</i>  | -                         | 7              | 7   | J                           |
| Shares in controlled entities  | -                         | 52             | 52  | -                           |
| <i>of which: equity investments in financial institutions not reported in rows 18,19,23</i>                              | -                         | 52             | 52  | H                           |
| Property, plant and equipment  | 60                        | -              | 60  | -                           |
| Deferred tax assets  | 88                        | 1              | 89  | -                           |
| <i>of which: deferred tax assets arising from temporary differences deducted from CET1</i>                               | 80                        | -              | 80  | I                           |
| Intangibles assets   | 865                       | -              | 865                                       | -                           |
| <i>of which: goodwill (net of related tax liability)</i>   | 674                       | -              | 674                                       | D                           |
| <i>of which: other intangibles other than mortgage servicing rights (net of related tax liability)</i>                   | 191                       | -              | 191                                       | E                           |
| Investment in joint arrangements   | 16                        | (13)           | 3   | -                           |
| <b>Total Assets</b>  | <b>49,841</b>             | <b>(2,425)</b> | <b>47,416</b>                             | -                           |
| <b>Liabilities</b>   |                           |                |   |                             |
| Due to other financial institutions - Accounts payable at call   | 181                       | -              | 181                                       | -                           |
| Deposits   | 36,080                    | 92             | 36,172                                    | -                           |
| Derivative financial instruments   | 356                       | (6)            | 350                                       | -                           |
| Accounts payable and other liabilities   | 387                       | 8              | 395                                       | -                           |
| Current tax liabilities  | 30                        | -              | 30  | -                           |
| Provisions   | 46                        | (8)            | 38  | -                           |
| Insurance policy liability   | 32                        | (32)           | -   | -                           |
| Borrowings including loan capital  | 9,204                     | (2,425)        | 6,779                                     | -                           |
| <i>of which: other national specific regulatory adjustments not reported in rows 26a to 26i</i>                          | 24                        | -              | 24  | L                           |
| <i>of which: instruments issued by subsidiaries subject to phase out</i>   | 53                        | -              | 53  | N                           |
| <i>of which: classified as liabilities under applicable accounting standards</i>   | 450                       | -              | 450                                       | M                           |
| <b>Total Liabilities</b>   | <b>46,316</b>             | <b>(2,371)</b> | <b>43,945</b>                             | -                           |
| <b>Net Assets</b>  | <b>3,525</b>              | <b>(54)</b>    | <b>3,471</b>                              | -                           |

## RECONCILIATION BETWEEN THE CONSOLIDATED BALANCE SHEET AND THE REGULATORY BALANCE SHEET (CONTINUED)

|  | Group<br>Balance<br>Sheet | Adjustments | Level 2<br>Regulatory<br>Balance<br>Sheet | Reconciliation<br>Reference |
|--|---------------------------|-------------|---|-----------------------------|
|  | \$m                       | \$m         | \$m                                       |                             |
| <b>Equity</b>  |                           |             |   |                             |
| Issued capital   | 3,190                     | -           | 3,190                                     | A                           |
| Reserves   | 48                        | (57)        | (9)                                       | C                           |
| <i>of which: provisions (equity reserve for credit losses)</i> | 81                        | -           | 81  | P                           |
| <i>of which: cashflow hedge reserve</i>                        | (112)                     | -           | (112)                                     | F                           |
| Retained profits <sup>(1)</sup>                                | 287                       | 3           | 290                                       | B                           |
| <b>Total Equity</b>  | <b>3,525</b>              | <b>(54)</b> | <b>3,471</b>                              |                             |

**Notes:**

(1) Retained profits are higher on Level 2 as a result of dividends paid up from non-consolidated subsidiaries.

## ENTITIES EXCLUDED FROM THE REGULATORY SCOPE OF CONSOLIDATION

|   | Total Assets<br>\$m | Total<br>Liabilities<br>\$m | Principal Activities      |
|---|---------------------|-----------------------------|---------------------------|
| <b>Insurance Entities</b>                           |                     |                             |                           |
| St Andrew's Australia Services Pty Ltd              | 75                  | 70                          | Insurance                 |
| St Andrew's Insurance (Australia) Pty Ltd           | 26                  | 12                          | General Insurance         |
| St Andrew's Life Insurance Pty Ltd                  | 80                  | 50                          | Life Insurance            |
| <b>Securitisations Trusts</b>                       |                     |                             |                           |
| Series 2007-1E REDS Trust                           | 199                 | 199                         | Securitisations           |
| Series 2007-2 REDS Trust                            | 60                  | 60                          | Securitisations           |
| Series 2012-1E REDS Trust                           | 460                 | 460                         | Securitisations           |
| Series 2013-1 REDS Trust                            | 482                 | 482                         | Securitisations           |
| Series REDS 2015-1 Trust                            | 719                 | 719                         | Securitisations           |
| REDS Warehouse Trust No. 3                          | 250                 | 250                         | Securitisations           |
| REDS Asset Trust                                    | 252                 | 252                         | Securitisations           |
| <b>Manager and Non-Financial Operating Entities</b> |                     |                             |                           |
| Home Credit Management Ltd                          | 22                  | 20                          | Investment Holding Entity |
| BOQ Share Plans Nominee Pty Ltd                     | 10                  | 3                           | Trust Management          |
| BQL Management Pty Ltd                              | 42                  | 34                          | Trust Management          |

## LIQUIDITY COVERAGE RATIO

APRA requires ADIs to maintain a minimum 100% Liquidity Coverage Ratio (LCR). This is calculated as the ratio of high quality liquid assets to a 30 day net cash outflow projected under a prescribed stress scenario.

The Bank has managed liquidity with appropriate buffers to the regulatory minimum. The LCR decreased over the past 3 months from 136% to 123% at the period end with an average across the quarter of 129%, materially in line with the previous quarterly average of 131%. Net cash outflows have increased modestly over the quarter, broadly in line with balance sheet growth.

The main sources of LCR volatility relate to the short-term funding maturity profile which continues to be actively managed. BOQ does not have significant derivative exposures or currency exposures that could adversely affect the Bank's cash flows.

BOQ maintains a portfolio of high quality, diversified liquid assets to facilitate balance sheet liquidity needs and meet internal and regulatory requirements. During this period, the Committed Liquidity Facility (CLF) was reduced by \$600 million from \$3.2 billion to \$2.6 billion on 1 January 2016 as part of the annual CLF application process.

The objective of the Bank's funding profile is to create a stable, diverse and resilient funding structure that mitigates the chance of a liquidity stress event across various funding market conditions. The Bank utilises a range of funding tools including customer deposits, securitisation, short and long term wholesale debt instruments. Bank lending is predominantly funded from stable funding sources with short term wholesale funding primarily used to fund highly liquid assets and trading securities.

## LIQUIDITY COVERAGE RATIO (CONTINUED)

|  | Average Quarterly Performance            |                                       |
|--|--|---------------------------------------|
|  | Total Un-Weighted Value<br>Feb-16<br>\$m | Total Weighted Value<br>Feb-16<br>\$m |
| <b>Liquid Assets</b>   |  |                                       |
| <i>of which: high-quality liquid assets</i>  | n/a                                      | 2,548                                 |
| <i>of which: alternative liquid assets</i>   | n/a                                      | 2,609                                 |
| <b>Total Liquid Assets</b>   |  | <b>5,157</b>                          |
| <b>Cash Outflows</b>   |  |                                       |
| Customer deposits and deposits from small business customers                                 | 13,069                                   | 1,336                                 |
| <i>of which: stable deposits</i>   | 6,128                                    | 306                                   |
| <i>of which: less stable deposits</i>  | 6,941                                    | 1,030                                 |
| Unsecured wholesale funding  | 3,976                                    | 2,513                                 |
| <i>of which: non-operational deposits</i>  | 3,142                                    | 1,679                                 |
| <i>of which: unsecured debt</i>  | 834                                      | 834                                   |
| Secured wholesale funding  | n/a                                      | 63                                    |
| Additional requirements  | 441                                      | 348                                   |
| <i>of which: outflows related to derivatives exposures and other collateral requirements</i> | 343                                      | 343                                   |
| <i>of which: credit and liquidity facilities</i>   | 98                                       | 5                                     |
| Other contractual funding obligations  | 350                                      | 45                                    |
| Other contingent funding obligations   | 8,152                                    | 572                                   |
| <b>Total Cash Outflows</b>   | <b>25,988</b>                            | <b>4,877</b>                          |
| <b>Cash Inflows</b>  |  |                                       |
| Inflows from fully performing exposures  | 646                                      | 341                                   |
| Other cash inflows   | 538                                      | 538                                   |
| <b>Total Cash Inflows</b>  | <b>1,184</b>                             | <b>879</b>                            |
| <b>Total Net Cash Outflows</b>   | <b>24,804</b>                            | <b>3,998</b>                          |
| <b>Total Liquid Assets</b>   | <b>n/a</b>                               | <b>5,157</b>                          |
| <b>Total Net Cash Outflows</b>   | <b>n/a</b>                               | <b>3,998</b>                          |
| <b>Liquidity Coverage Ratio (%)</b>  | <b>n/a</b>                               | <b>129%</b>                           |