

APRA BASEL III Pillar 3 Disclosures

QUARTER ENDED 31 AUGUST 2013

10 October 2013

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 31 August 2013 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 decreased from 12.7% in May to 12.2%. The main reason for the decrease is due to the maturity of \$170m of subordinated debt.



TABLE 15: CAPITAL STRUCTURE

	August 13	February 13
	\$m	\$m
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	2,562.6	2,496.5
Reserves	41.7	61.5
Retained earnings, including current year earnings	149.6	160.5
Total Common Equity Tier 1 Capital	2,753.9	2,718.5
Regulatory adjustments		
Goodwill and intangibles	(586.8)	(539.9)
Deferred expenditure	(124.5)	(121.4)
Other deductions	(182.0)	(196.4)
Total regulatory adjustments	(893.3)	(857.7)
Net Common Equity Tier 1 Capital	1,860.6	1,860.8
Additional Tier 1 Capital	300.0	314.0
Net Tier 1 Capital	2,160.6	2,174.8
Tier 2 Capital		
Tier 2 Capital	270.0	396.0
General reserve for credit losses	207.7	220.5
Total Tier 2 Capital	477.7	616.5
Total Capital Base	2,638.3	2,791.3

TABLE 16: CAPITAL ADEQUACY

Risk Weighted Assets (\$m)	August 13	May 13
Subject to the Standardised approach		
Government	4.7	4.9
Bank	301.7	249.7
Residential mortgage	11,078.5	11,318.6
Other retail	7,676.4	7,704.3
Other	73.5	75.3
Total on balance sheet assets and off balance sheet exposures	19,134.8	19,352.8
Securitisation exposures⁽¹⁾	177.3	158.1
Market risk exposures	362.1	417.7
Operational risk exposures	1,877.5	1,823.8
Total Risk Weighted Assets	21,551.7	21,752.4
Capital ratios		
	%	%
Level 2 Total Capital ratio	12.2	12.7
Level 2 Common Equity Tier 1 Capital ratio	8.6	8.5
Level 2 Net Tier 1 Capital ratio	10.0	9.9

(1) Refer to Table 18 for securitisation exposures.

TABLE 17: CREDIT RISK

Exposure Type	Gross Credit Exposure ⁽¹⁾ (\$m)		Average Gross Credit Exposure (\$m)	
	August 13	May 13	August 13	May 13
Cash and due from financial institutions	739.2	552.0	645.6	550.8
Debt securities	536.3	549.3	542.8	541.6
Loans and advances	31,934.2	32,284.5	32,109.5	31,958.1
Off balance sheet exposures for derivatives	274.0	256.9	265.5	270.6
Other off balance sheet exposures ⁽²⁾	698.6	734.2	716.4	717.0
Other	41.7	39.7	40.7	40.5
Total exposures	34,224.0	34,416.6	34,320.5	34,078.6

Portfolios subject to Standardised approach	Gross Credit Exposure ⁽¹⁾ (\$m)		Average Gross Credit Exposure (\$m)	
	August 13	May 13	August 13	May 13
Government	400.3	439.0	419.7	438.5
Bank	1,176.5	947.4	1,062.0	952.6
Residential Mortgage	24,933.5	25,293.8	25,113.6	25,034.8
Other retail	7,656.6	7,677.5	7,667.1	7,592.0
Other	57.1	58.9	58.1	60.7
Total exposures	34,224.0	34,416.6	34,320.5	34,078.6

Notes:

(1) Gross credit exposures reflect credit equivalent amounts.

(2) Other off balance sheet exposures largely relate to customer commitments.

TABLE 17: CREDIT RISK (CONTINUED)

August 13

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	266.8	150.1	54.2	(5.2)	11.2
Other retail	232.8	130.5	118.3	(19.7)	42.0
Other	-	-	-	-	-
Total	499.6	280.6	172.5	(24.9)	53.2

May 13

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	298.1	165.9	59.7	(1.7)	12.2
Other retail	289.4	141.0	138.7	(12.4)	37.1
Other	-	-	-	-	-
Total	587.5	306.9	198.4	(14.1)	49.3

	August 13 \$m	May 13 \$m
Statutory equity reserve for credit losses	70.2	70.2
Collective provision	137.5	141.5
APRA General reserve for credit losses	207.7	211.7

Notes:

(1) Refer to Appendix 1 for reconciliation between regulatory and statutory impaired assets.

TABLE 18: SECURITISATION EXPOSURES

Exposure Type	August 13		May 13	
	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	30.2	-	77.1	-
Securities held in the trading book	-	-	-	-
Liquidity facilities	12.9	-	-	-
Funding facilities	1.0	-	-	-
Swaps	20.6	-	(6.3)	-
Other ⁽¹⁾	(16.3)	-	125.0	-
Total	48.4	-	195.8	-

August 13

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	520.8	-	49.9	8.4	-	3,207.9
Off-balance sheet securitisation exposure	-	-	-	-	130.6	-
Total	520.8	-	49.9	8.4	130.6	3,207.9

May 13

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	490.6	-	37.0	7.4	-	3,224.2
Off-balance sheet securitisation exposure	-	-	-	-	110.0	-
Total	490.6	-	37.0	7.4	110.0	3,224.2

Notes:

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

APPENDIX 1

Reconciliation of impaired loans	August 13 \$m	February 13 \$m
Impaired assets per Table 17: Credit Risk	499.6	596.2
Add: Impaired assets in off balance sheet securitisation trusts	30.1	27.6
Less: Restructured facilities included in APS 220	148.1	145.3
Impaired assets per Investor Information	381.6	478.5

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	2,562.6	A
2	Retained earnings	149.6	B
3	Accumulated other comprehensive income (and other reserves)	41.7	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	2,753.9	
Common Equity Tier 1 capital : regulatory adjustments		A\$m	Ref
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	487.9	D
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	98.9	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	(2.3)	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)	308.8	
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	103.6	
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	52.4	E
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	110.2	F
26f	of which: capitalised expenses	2.0	
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	9.8	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	30.8	
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	893.3	
29	Common Equity Tier 1 Capital (CET1)	1,860.6	

Additional Tier 1 Capital: instruments		A\$m	Ref
30	Directly issued qualifying Additional Tier 1 instruments	300.0	G
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	300.0	
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	300.0	

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)	300.0	
45	Tier 1 Capital (T1=CET1+AT1)	2,160.6	

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	270.0	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)	-	
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
50	Provisions	207.7	
51	Tier 2 Capital before regulatory adjustments	477.7	

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)	477.7	
59	Total capital (TC=T1+T2)	2,638.3	
60	Total risk-weighted assets based on APRA standards	21,551.7	
Capital ratios and buffers		A\$m	Ref
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	8.6%	
62	Tier 1 (as a percentage of risk-weighted assets)	10.0%	
63	Total capital (as a percentage of risk-weighted assets)	12.2%	
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)	1.6%	
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	49.8	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)	207.7	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	241.4	
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	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	396.0	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

REGULATORY BALANCE SHEET

	Group Balance Sheet	Adjustments	Level 2 Regulatory Balance Sheet	Reconciliation reference
	\$m	\$m	\$m	
Assets				
Cash and liquid assets	873.2	(135.0)	738.2	-
Due from other financial institutions	118.5	(94.6)	23.9	-
Other financial assets	5,401.4	-	5,401.4	-
Derivative financial instruments	260.4	(20.0)	240.4	-
Loans and advances at amortised cost	34,989.3	(3,279.7)	31,709.6	-
Shares in controlled entities	-	49.8	49.8	E
Current tax assets	-	-	-	-
Property, plant and equipment	37.8	(1.3)	36.5	-
Deferred tax assets	104.5	2.7	107.2	F
Other assets	129.1	64.8	193.9	-
Intangibles assets	592.7	(5.9)	586.8	D
Investment in joint ventures accounted for using the equity method	21.4	(13.3)	8.1	E
Total Assets	42,528.3	(3,432.5)	39,095.8	-
Liabilities				
Due to other financial institutions	201.1	-	201.1	-
Deposits	31,698.7	69.6	31,768.3	-
Derivative financial instruments	137.4	(27.9)	109.5	-
Accounts payable and other liabilities	362.0	(22.8)	339.2	-
Current tax liabilities	23.0	-	23.0	-
Provisions	78.9	(8.1)	70.8	-
Insurance policy liability	72.5	(72.5)	-	-
Borrowings including loan capital	7,136.9	(3,373.7)	3,763.2	G
Total Liabilities	39,710.5	(3,435.4)	36,275.1	-
Net Assets	2,817.8	2.9	2,820.7	-
Equity				
Issued capital	2,562.6	-	2,562.6	A
Reserves	111.1	(2.6)	108.5	C
Retained profits	144.1	5.5	149.6	B
Total Equity	2,817.8	2.9	2,820.7	

Note: Retained profits is higher on Level 2 as a result of dividends paid up from non-consolidated subsidiaries.

REGULATORY BALANCE SHEET (CONTINUED)

RECONCILIATION	\$M
Reserves (reference C)	
Per regulatory balance sheet	108.5
Add: Tax effect on available for sale reserve	3.4
Less: General reserve for credit losses	(70.2)
Total per Common Disclosure Template	41.7
Of which: Cash flow hedge reserve	(2.3)
Equity Investments (reference E)	
Shares in Controlled Entities	49.8
Investments in joint ventures accounted for using the equity method	8.1
Investments in financial entities reported in other financial assets	4.3
Total per Common Disclosure Template	62.2
Deferred Tax Asset (reference F)	
Per regulatory balance sheet	107.2
Deferred tax of cash flow hedge reserve	3.0
Total per Common Disclosure Template	110.2
Additional Tier 1 and Tier 2 Capital (reference G)	
Additional Tier 1	300.0
Tier 2 Capital	270.0
Other borrowings not eligible for capital	3,193.2
Total per Common Disclosure Template	3,763.2

ENTITIES EXCLUDED FROM THE REGULATORY SCOPE OF CONSOLIDATION

	Total Assets \$M	Total Liabilities \$M
Insurance entities		
St Andrew's Australia Services Pty Ltd	66.8	65.7
St Andrew's Insurance (Australia) Pty Ltd	22.3	15.5
St Andrew's Life Insurance Pty Ltd	102.9	69.4
Securitisations Trusts		
Series 2005-2 REDS Trust	77.3	77.3
Series 2006-1E REDS Trust	283.5	282.2
Series 2007-1E REDS Trust	349.6	346.7
Series 2007-2 REDS Trust	96.3	96.3
Series 2012-1E REDS Trust	877.3	877.9
Series 2013-1 REDS Trust	852.4	852.4
REDS Warehouse Trust No.1	422.3	422.3
REDS Warehouse Trust No.3	24.5	24.5
REDS Warehouse Trust No.4	387.1	387.1
Manager and non-financial operating entities		
Home Credit Management Ltd	22.6	20.6
BOQ Share Plans Nominee Pty Ltd	2.4	1.0
BQL Management Pty Ltd	41.6	34.0