

# APRA BASEL III Pillar 3 Disclosures

## QUARTER ENDED 31 AUGUST 2014

### 9 October 2014

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 2014 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 14.0% in May to 12.0%. The main reason for the decrease is due to the BOQ Specialist Bank Limited acquisition.

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TABLE 15: CAPITAL STRUCTURE

	August 14	February 14
	\$m	\$m
<b>Common Equity Tier 1 Capital</b>		
Paid-up ordinary share capital	3,020.6	2,593.0
Reserves	58.0	36.0
Retained earnings, including current year earnings	207.0	186.9
<b>Total Common Equity Tier 1 Capital</b>	<b>3,285.6</b>	<b>2,815.9</b>
<b>Regulatory adjustments</b>		
Goodwill and intangibles	(824.6)	(598.3)
Deferred expenditure	(122.1)	(121.2)
Other deductions	(177.6)	(176.2)
<b>Total regulatory adjustments</b>	<b>(1,124.3)</b>	<b>(895.7)</b>
<b>Net Common Equity Tier 1 Capital</b>	<b>2,161.3</b>	<b>1,920.2</b>
<b>Additional Tier 1 Capital</b>	<b>300.0</b>	<b>300.0</b>
<b>Net Tier 1 Capital</b>	<b>2,461.3</b>	<b>2,220.2</b>
<b>Tier 2 Capital</b>		
Tier 2 Capital	340.2	270.0
General reserve for credit losses	207.4	204.4
<b>Total Tier 2 Capital</b>	<b>547.6</b>	<b>474.4</b>
<b>Total Capital Base</b>	<b>3,008.9</b>	<b>2,694.6</b>

TABLE 16: CAPITAL ADEQUACY

Risk Weighted Assets (\$m)	August 14	May 14
<b>Subject to the Standardised approach</b>		
Government	5.6	5.5
Bank	331.3	513.5
Residential mortgage	11,250.0	11,034.5
Other retail	10,686.5	8,059.2
Other	68.8	57.4
<b>Total on balance sheet assets and off balance sheet exposures</b>	<b>22,342.2</b>	<b>19,670.1</b>
<b>Securitisation exposures<sup>(1)</sup></b>	<b>232.8</b>	<b>251.0</b>
<b>Market risk exposures</b>	<b>295.4</b>	<b>273.4</b>
<b>Operational risk exposures</b>	<b>2,161.3</b>	<b>1,943.8</b>
<b>Total Risk Weighted Assets</b>	<b>25,031.7</b>	<b>22,138.3</b>
<b>Capital ratios</b>		
	<b>%</b>	<b>%</b>
Level 2 Total Capital ratio	<b>12.0</b>	<b>14.0</b>
Level 2 Common Equity Tier 1 Capital ratio	<b>8.6</b>	<b>10.5</b>
Level 2 Net Tier 1 Capital ratio	<b>9.8</b>	<b>11.9</b>

(1) Refer to Table 18 for securitisation exposures.

TABLE 17: CREDIT RISK

Exposure Type	Gross Credit Exposure <sup>(1)</sup> (\$m)		Average Gross Credit Exposure (\$m)	
	August 14	May 14	August 14	May 14
Cash and due from financial institutions	945.1	797.9	871.5	743.0
Debt securities	2,882.7	1,990.9	2,436.8	1,533.2
Loans and advances	35,173.6	32,400.8	33,787.2	32,245.4
Off balance sheet exposures for derivatives	104.6	180.0	142.3	198.8
Other off balance sheet exposures <sup>(2)</sup>	845.6	890.6	868.1	827.2
Other	53.3	44.6	49.0	44.5
<b>Total exposures</b>	<b>40,004.9</b>	<b>36,304.8</b>	<b>38,154.9</b>	<b>35,592.1</b>

Portfolios subject to Standardised approach	Gross Credit Exposure <sup>(1)</sup> (\$m)		Average Gross Credit Exposure (\$m)	
	August 14	May 14	August 14	May 14
Government	2,056.6	831.7	1,444.2	669.0
Bank	1,657.4	2,168.1	1,912.7	1,833.8
Residential Mortgage	25,546.7	25,205.0	25,375.9	25,109.8
Other retail	10,675.4	8,042.6	9,359.0	7,921.9
Other	68.8	57.4	63.1	57.6
<b>Total exposures</b>	<b>40,004.9</b>	<b>36,304.8</b>	<b>38,154.9</b>	<b>35,592.1</b>

**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 14**

Portfolios subject to the Standardised approach	Impaired loans <sup>(1)</sup> \$m	Past due loans > 90 days \$m	Specific provision balance \$m	Charges for specific provision \$m	Write-offs \$m
Corporate	-	-	-	-	-
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential Mortgage	255.7	128.5	49.5	(3.7)	5.9
Other retail	178.7	76.9	102.8	4.5	13.4
Other	-	-	-	-	-
<b>Total</b>	<b>434.4</b>	<b>205.4</b>	<b>152.3</b>	<b>0.8</b>	<b>19.3</b>

**May 14**

Portfolios subject to the Standardised approach	Impaired loans <sup>(1)</sup> \$m	Past due loans > 90 days \$m	Specific provision balance \$m	Charges for specific provision \$m	Write-offs \$m
Corporate	-	-	-	-	-
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential Mortgage	281.7	136.8	52.0	1.5	4.6
Other retail	169.4	104.0	95.7	(4.4)	18.8
Other	-	-	-	-	-
<b>Total</b>	<b>451.1</b>	<b>240.8</b>	<b>147.7</b>	<b>(2.9)</b>	<b>23.4</b>

	August 14 \$m	May 14 \$m
<b>Statutory equity reserve for credit losses</b>	70.2	70.2
Collective provision	137.2	134.0
<b>APRA General reserve for credit losses</b>	207.4	204.2

**Note:**

(1) Reconciliation of impaired loans	August 14 \$m	February 14 \$m
<b>Impaired assets per Table 17: Credit Risk</b>	<b>434.4</b>	<b>460.6</b>
Add: Impaired assets in off balance sheet securitisation trusts	4.4	4.7
Less: Restructured facilities included in APS 220	145.9	166.9
<b>Impaired assets per Consolidated Financial Report</b>	<b>292.9</b>	<b>298.4</b>

The Bank has restated the February and May 2014 impaired loans for additional restructured accounts which were erroneously excluded previously.

TABLE 18: SECURITISATION EXPOSURES

Exposure Type	August 14		May 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	(78.2)	-	70.2	-
Securities held in the trading book	-	-	-	-
Liquidity facilities	(15.2)	-	(9.3)	-
Funding facilities	(0.1)	-	-	-
Swaps	(10.6)	-	(9.6)	-
Other <sup>(1)</sup>	(35.1)	-	(36.1)	-
<b>Total</b>	<b>(139.2)</b>	<b>-</b>	<b>15.2</b>	<b>-</b>

**August 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 <sup>(1)</sup> \$m
On-balance sheet securitisation exposure retained or purchased	909.8	-	28.7	8.3	-	3,095.6
Off-balance sheet securitisation exposure	-	-	-	-	78.2	-
<b>Total</b>	<b>909.8</b>	<b>-</b>	<b>28.7</b>	<b>8.3</b>	<b>78.2</b>	<b>3,095.6</b>

**May 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 <sup>(1)</sup> \$m
On-balance sheet securitisation exposure retained or purchased	988.0	-	43.9	8.4	-	3,130.7
Off-balance sheet securitisation exposure	-	-	-	-	88.8	-
<b>Total</b>	<b>988.0</b>	<b>-</b>	<b>43.9</b>	<b>8.4</b>	<b>88.8</b>	<b>3,130.7</b>

**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	3,020.6	A
2	Retained earnings	207.0	B
3	Accumulated other comprehensive income (and other reserves)	58.0	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	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	3,285.6	
Common Equity Tier 1 capital : regulatory adjustments		A\$m	Ref
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	701.7	D
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	122.9	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	(28.9)	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)	328.6	
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	106.5	
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	119.5	F
26f	of which: capitalised expenses	3.7	
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	14.1	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	32.4	
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>	1,124.3	
29	<b>Common Equity Tier 1 Capital (CET1)</b>	2,161.3	

<b>Additional Tier 1 Capital: instruments</b>		<b>A\$m</b>	<b>Ref</b>
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	<b>Additional Tier 1 Capital before regulatory adjustments</b>	300.0	
<b>Additional Tier 1 Capital: regulatory adjustments</b>		<b>A\$m</b>	<b>Ref</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	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	<b>Total regulatory adjustments to Additional Tier 1 capital</b>	-	
44	<b>Additional Tier 1 capital (AT1)</b>	300.0	
45	<b>Tier 1 Capital (T1=CET1+AT1)</b>	2,461.3	
<b>Tier 2 Capital: instruments and provisions</b>		<b>A\$m</b>	<b>Ref</b>
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)	70.2	G
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	70.2	
50	Provisions	207.4	
51	<b>Tier 2 Capital before regulatory adjustments</b>	547.6	



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	<b>Total regulatory adjustments to Tier 2 capital</b>	-	
58	<b>Tier 2 capital (T2)</b>	547.6	
59	<b>Total capital (TC=T1+T2)</b>	3,008.9	
60	<b>Total risk-weighted assets based on APRA standards</b>	25,031.7	
Capital ratios and buffers		A\$m	Ref
61	<b>Common Equity Tier 1 (as a percentage of risk-weighted assets)</b>	8.6%	
62	<b>Tier 1 (as a percentage of risk-weighted assets)</b>	9.8%	
63	<b>Total capital (as a percentage of risk-weighted assets)</b>	12.0%	
64	<b>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)</b>	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	<b>Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)</b>	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	<b>National total capital minimum ratio (if different from Basel III minimum)</b>	-	
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)	207.4	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	282.2	
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>	396.0	
85	<i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>	-	

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

	Group Balance Sheet	Adjustments	Level 2 Regulatory Balance Sheet	Reconciliation reference
	\$m	\$m	\$m	
<b>Assets</b>				
Cash and liquid assets	1,033.6	(89.5)	944.1	-
Due from other financial institutions - Term	92.8	(77.7)	15.1	-
Financial assets available for sale	3,864.4	-	3,864.4	-
Financial assets held for trading	2,473.1	-	2,473.1	-
Derivative financial instruments	160.3	(25.8)	134.5	-
Loans and advances at amortised cost	38,135.5	(2,960.2)	35,175.3	-
Other assets	131.4	46.5	177.9	-
Shares in controlled entities	-	49.8	49.8	E
Property, plant and equipment	53.6	(0.3)	53.3	-
Deferred tax assets	112.2	2.1	114.3	F
Intangibles assets	827.2	(2.6)	824.6	D
Investment in joint arrangements	20.5	(13.3)	7.2	E
<b>Total Assets</b>	<b>46,904.6</b>	<b>(3,071.0)</b>	<b>43,833.6</b>	-
<b>Liabilities</b>				
Due to other financial institutions - Accounts payable at call	207.5	-	207.5	-
Deposits	35,935.8	112.6	36,048.4	-
Derivative financial instruments	248.7	(33.9)	214.8	-
Accounts payable and other liabilities	399.1	(50.1)	349.0	-
Current tax liabilities	71.5	-	71.5	-
Provisions	104.1	(7.6)	96.5	-
Insurance policy liability	63.0	(63.0)	-	-
Borrowings including loan capital	6,534.4	(3,028.6)	3,505.8	G
<b>Total Liabilities</b>	<b>43,564.1</b>	<b>(3,070.6)</b>	<b>40,493.5</b>	-
<b>Net Assets</b>	<b>3,340.5</b>	<b>(0.4)</b>	<b>3,340.1</b>	-
<b>Equity</b>				
Issued capital	3,020.6	-	3,020.6	A
Reserves	114.4	(1.9)	112.5	C
Retained profits	205.5	1.5	207.0	B
<b>Total Equity</b>	<b>3,340.5</b>	<b>(0.4)</b>	<b>3,340.1</b>	

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

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

RECONCILIATION	\$M
<b>Reserves (reference C)</b>	
Per regulatory balance sheet	112.5
Add: Tax effect on available for sale reserve	15.7
Less: General reserve for credit losses	(70.2)
<b>Total per Common Disclosure Template</b>	<b>58.0</b>
<b>Of which: Cash flow hedge reserve</b>	<b>(28.9)</b>
<b>Equity Investments (reference E)</b>	
Shares in Controlled Entities	49.8
Investments in joint ventures accounted for using the equity method	7.2
Investments in financial entities reported in other financial assets	9.5
<b>Total per Common Disclosure Template</b>	<b>66.5</b>
<b>Deferred Tax Assets (reference F)</b>	
Per regulatory balance sheet	114.3
Cash flow hedge reserve	5.2
<b>Total per Common Disclosure Template</b>	<b>119.5</b>
<b>Additional Tier 1 and Tier 2 Capital (reference G)</b>	
Additional Tier 1	300.0
Tier 2 Capital	340.2
Other borrowings not eligible for capital	2,865.6
<b>Total per Common Disclosure Template</b>	<b>3,505.8</b>

## ENTITIES EXCLUDED FROM THE REGULATORY SCOPE OF CONSOLIDATION

	Total Assets \$M	Total Liabilities \$M
<b>Insurance entities</b>		
St Andrew's Australia Services Pty Ltd	73.3	70.1
St Andrew's Insurance (Australia) Pty Ltd	25.1	15.3
St Andrew's Life Insurance Pty Ltd	102.6	72.7
<b>Securitisations Trusts</b>		
Series 2006-1E REDS Trust	223.1	223.1
Series 2007-1E REDS Trust	278.9	278.9
Series 2013-1 REDS Trust	668.6	668.6
REDS Warehouse Trust No.1	329.7	329.7
REDS Warehouse Trust No.3	223.2	223.2
<b>Manager and non-financial operating entities</b>		
Home Credit Management Ltd	20.5	18.5
BOQ Share Plans Nominee Pty Ltd	4.4	1.6
BQL Management Pty Ltd	42.5	31.6