

APRA BASEL III Pillar 3 Disclosures

QUARTER ENDED 31 AUGUST 2015

8 October 2015

This report has been prepared by Bank of Queensland Limited (Bank) 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 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 to 12.7% as at August 2015 from 12.4% as at May 2015.

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TABLE 15: CAPITAL STRUCTURE

	August 15	February 15
	\$m	\$m
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	3,122	3,071
Reserves	36	54
Retained earnings, including current year earnings	254	229
Total Common Equity Tier 1 Capital	3,412	3,354
Regulatory adjustments		
Goodwill and intangibles	(848)	(830)
Deferred expenditure	(142)	(130)
Other deductions	(76)	(96)
Total regulatory adjustments	(1,066)	(1,056)
Net Common Equity Tier 1 Capital	2,346	2,298
Additional Tier 1 Capital	450	300
Net Tier 1 Capital	2,796	2,598
Tier 2 Capital		
Tier 2 Capital	324	325
General reserve for credit losses	227	211
Total Tier 2 Capital	551	536
Total Capital Base	3,347	3,134

TABLE 16: CAPITAL ADEQUACY

Risk Weighted Assets (\$m)	August 15	May 15
Subject to the Standardised approach		
Government	7	7
Bank	244	310
Residential mortgage ⁽¹⁾	11,954	11,483
Other retail ⁽²⁾	11,332	11,725
Other	80	80
Total on balance sheet assets and off balance sheet exposures	23,617	23,605
Securitisation exposures⁽³⁾	190	196
Market risk exposures	182	233
Operational risk exposures	2,332	2,259
Total Risk Weighted Assets	26,321	26,293
Capital ratios		
	%	%
Level 2 Total Capital ratio	12.7	12.4
Level 2 Common Equity Tier 1 Capital ratio	8.9	8.7
Level 2 Net Tier 1 Capital ratio	10.6	10.4

Notes:

(1) The growth in Residential Mortgage Risk Weighted Assets (RWA) for the quarter has been impacted by:

a. The reclassification of a number of BOQ Specialist mortgages from Other retail (refer to ASX release dated 29 September 2015 for further information); and
 b. Application of concessional RWA treatment for BOQ Specialist mortgages post transfer to BOQ. Prior to this change, these assets were recorded as 100% risk weighted.

(2) As stated above, the reduction in Other retail has been impacted on a one-off basis by the reclassification of a number of BOQ Specialist mortgages from Other retail to Residential Mortgage.

(3) Refer to Table 18 for securitisation exposures.

TABLE 17: CREDIT RISK

Exposure Type	Gross Credit Exposure ⁽¹⁾ (\$m)		Average Gross Credit Exposure (\$m)	
	August 15	May 15	August 15	May 15
Cash and due from financial institutions	1,529	1,177	1,353	1,210
Debt securities	1,501	2,216	1,858	2,320
Loans and advances	38,371	37,382	37,877	37,118
Off balance sheet exposures for derivatives	40	38	39	66
Other off balance sheet exposures ⁽²⁾	421	447	434	417
Other	61	64	63	66
Total exposures	41,923	41,324	41,624	41,197

Portfolios subject to Standardised approach	Gross Credit Exposure ⁽¹⁾ (\$m)		Average Gross Credit Exposure (\$m)	
	August 15	May 15	August 15	May 15
Government	1,801	1,894	1,847	1,931
Bank	1,307	1,574	1,441	1,709
Residential Mortgage ⁽³⁾	27,414	26,060	26,737	25,927
Other retail ⁽³⁾	11,321	11,716	11,519	11,548
Other	80	80	80	82
Total exposures	41,923	41,324	41,624	41,197

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.

(3) As stated at the notes to table 16, the growth in Residential Mortgage and reduction in Other retail gross credit exposures for the quarter have been impacted by the reclassification of a number of BOQ Specialist mortgages from Other retail to Residential Mortgage (refer to ASX release dated 29 September 2015 for further information).

TABLE 17: CREDIT RISK (CONTINUED)

August 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	277	148	41	2	2
Other retail	155	96	84	(8)	32
Other	-	-	-	-	-
Total	432	244	125	(6)	34

May 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	273	158	40	(5)	2
Other retail	151	91	92	3	15
Other	-	-	-	-	-
Total	424	249	132	(2)	17

	August 15 \$m	May 15 \$m
Statutory equity reserve for credit losses	81	70
Collective provision	146	144
APRA General reserve for credit losses	227	214

Note:

(1) Reconciliation of impaired loans	August 15 \$m	February 15 \$m
Impaired assets per Table 17: Credit Risk	432	424
Add: Impaired assets in off balance sheet securitisation trusts	30	30
Less: Restructured facilities included in APS 220	225	195
Impaired assets per Consolidated Financial Report	237	259

TABLE 18: SECURITISATION EXPOSURES

Exposure Type	August 15		May 15	
	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	(55)	-	(76)	-
Securities held in the trading book	-	-	-	-
Liquidity facilities	-	-	(4)	-
Funding facilities	-	-	(2)	-
Swaps	(5)	-	(4)	-
Other ⁽¹⁾	-	-	(45)	-
Total	(60)	-	(131)	-

August 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	737	-	25	6	-	4,226
Off-balance sheet securitisation exposure	-	-	-	-	73	-
Total	737	-	25	6	73	4,226

May 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	792	-	25	6	-	4,226
Off-balance sheet securitisation exposure	-	-	-	-	78	-
Total	792	-	25	6	78	4,226

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: instruments and reserves		A\$m	Ref
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	3,122	A
2	Retained earnings	254	B
3	Accumulated other comprehensive income (and other reserves)	36	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	3,412	

Common Equity Tier 1 capital : regulatory adjustments		A\$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)	174	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	(91)	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)	309	
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	123	
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	90	F
26f	of which: capitalised expenses	7	
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	25	
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	1,066	

Additional Tier 1 Capital: instruments		A\$m	Ref
30	Directly issued qualifying Additional Tier 1 instruments	450	G
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	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	Additional Tier 1 Capital before regulatory adjustments	450	
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)	450	
45	Tier 1 Capital (T1=CET1+AT1)	2,796	
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)	54	G
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	54	
50	Provisions	227	
51	Tier 2 Capital before regulatory adjustments	551	

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)	551	
59	Total capital (TC=T1+T2)	3,347	
60	Total risk-weighted assets based on APRA standards	26,321	
Capital ratios and buffers		A\$m	Ref
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	8.9%	
62	Tier 1 (as a percentage of risk-weighted assets)	10.6%	
63	Total capital (as a percentage of risk-weighted assets)	12.7%	
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)	1.9%	
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)	227	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	298	
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	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

	Group Balance Sheet	Adjustments	Level 2 Regulatory Balance Sheet	Reconciliation reference
	\$m	\$m	\$m	
Assets				
Cash and liquid assets	1,103	(103)	1,000	-
Due from other financial institutions - Term	91	(72)	19	-
Financial assets available for sale	2,827	-	2,827	-
Financial assets held for trading	1,939	-	1,939	-
Derivative financial instruments	225	(63)	162	-
Loans and advances at amortised cost	40,703	(2,734)	37,969	-
Other assets	114	38	152	-
Shares in controlled entities	-	50	50	E
Property, plant and equipment	61	-	61	-
Deferred tax assets	89	1	90	F
Intangibles assets	848	-	848	D
Investment in joint arrangements	18	(13)	5	E
Total Assets	48,018	(2,896)	45,122	-
Liabilities				
Due to other financial institutions - Accounts payable at call	259	-	259	-
Deposits	34,732	99	34,831	-
Derivative financial instruments	297	(8)	289	-
Accounts payable and other liabilities	390	13	403	-
Current tax liabilities	55	-	55	-
Provisions	62	(9)	53	-
Insurance policy liability	41	(41)	-	-
Borrowings including loan capital	8,713	(2,946)	5,767	G
Total Liabilities	44,549	(2,892)	41,657	-
Net Assets	3,469	(4)	3,465	-
Equity				
Issued capital	3,122	-	3,122	A
Reserves	90	(1)	89	C
Retained profits	257	(3)	254	B
Total Equity	3,469	(4)	3,465	

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
Reserves (reference C)	
Per regulatory balance sheet	89
Add: Tax effect on available for sale reserve	28
Less: General reserve for credit losses	(81)
Total per Common Disclosure Template	36
Of which: Cash flow hedge reserve	(91)
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 financial assets	9
Total per Common Disclosure Template	64
Deferred Tax Assets (reference F)	
Per regulatory balance sheet	90
Cash flow hedge reserve	0
Total per Common Disclosure Template	90
Additional Tier 1 and Tier 2 Capital (reference G)	
Additional Tier 1	450
Tier 2 Capital	551
Other borrowings not eligible for capital	7,501
Total per Common Disclosure Template	8,502

ENTITIES EXCLUDED FROM THE REGULATORY SCOPE OF CONSOLIDATION

	Total Assets \$M	Total Liabilities \$M	Principal activities
Insurance entities			
St Andrew's Australia Services Pty Ltd	71	66	Insurance
St Andrew's Insurance (Australia) Pty Ltd	27	13	General Insurance
St Andrew's Life Insurance Pty Ltd	84	56	Life Insurance
Securitisations Trusts			
Series 2006-1E REDS Trust	174	174	Securitisation
Series 2007-1E REDS Trust	218	218	Securitisation
Series 2007-2 REDS Trust	65	65	Securitisation
Series 2012-1E REDS Trust	588	588	Securitisation
Series 2013-1 REDS Trust	520	520	Securitisation
Series REDS 2015-1 Trust	811	811	Securitisation
REDS Warehouse Trust No. 3	246	246	Securitisation
REDS Asset Trust	242	242	Securitisation
Manager and non-financial operating entities			
Home Credit Management Ltd	22	20	Investment holding entity
BOQ Share Plans Nominee Pty Ltd	7	2	Trust management
BQL Management Pty Ltd	48	34	Trust management