APRA BASEL III PILLAR 3 DISCLOSURES

Year ended 28 February 2022

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Year Ended 28 February 2022

Introduction

Bank of Queensland (**Bank** or **BOQ**) is an Authorised Deposit-taking Institution (**ADI**) regulated by the Australian Prudential Regulation Authority (**APRA**) under the authority of the *Banking Act 1959*.

This report has been prepared by BOQ to meet its disclosure requirements set out in APRA's prudential standard *APS 330 'Public Disclosure'* (**APS 330**). It presents information on the Bank's capital adequacy, credit risk, securitisation exposures and liquidity coverage ratio.

In addition to this report, the Bank's main features of capital instruments are updated on an ongoing basis and are available at the Regulatory Disclosures section of the Bank's website at the following address: https://www.boq.com.au/regulatory_disclosures.

Key points

The Bank's capital management strategy aims to ensure adequate capital levels are maintained to protect deposit holders. The Bank's capital is measured and managed in line with Prudential Standards issued by APRA. The capital management plan is updated annually and submitted to the Board for approval. The approval process is designed to ensure the plan is consistent with the overall business plan and for managing capital levels on an ongoing basis.

Capital Ratios

The Board has implemented interim targets until the finalisation of APRA's new capital framework, these are: Common Equity Tier 1 Capital Ratio greater than 9.5%; and Total Capital Ratio greater than 13.0%.

As at 28 February 2022, BOQ's capital ratios, including the consolidation of ME Bank acquired on 1 July 2021, are as follows:

- Common Equity Tier 1 Capital Ratio was 9.7% (9.5% as at 30 November 2021); and
- Total Capital Ratio was 13.9% (13.1% as at 30 November 2021).

Capital Initiatives

The Bank raised AUD 400 million through the issue of subordinated debt in November 2021.

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1. Capital Structure

	February 22 $m	August 21 $m
COMMON EQUITY TIER 1 CAPITAL		
Paid-up ordinary share capital	5,218	5,213
Reserves	487	346
Retained earnings, including current year earnings	349	277
Total Common Equity Tier 1 Capital	6,054	5,836
REGULATORY ADJUSTMENTS		
Deferred expenditure	(350)	(311)
Goodwill and intangibles	(1,197)	(1,180)
Other deductions	(136)	(11)
Total Regulatory Adjustments	(1,683)	(1,502)
Net Common Equity Tier 1 Capital	4,371	4,334
Additional Tier 1 Capital [1]	910	610
Total Tier 1 Capital	5,281	4,944
TIER 2 CAPITAL		
Tier 2 Capital [2]	836	450
General Reserve for Credit Losses	167	178
Net Tier 2 Capital	1,003	628
Total Capital Base	6,284	5,572

Notes:

(1) Upon ADI license handback completed on 28 February 2022, the $300m capital notes originally issued by ME Bank, form part of Group's Additional Tier 1 Capital.

(2) Tier 2 capital $400m was raised in November 2021 through the issue of subordinated notes.

2. Capital Disclosure Template

	Common Equity Tier 1 Capital (CET1): Instruments and Reserves	$m	Ref
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	**5,218**	A
2	Retained earnings	**349**	B
3	Accumulated other comprehensive income (and other reserves)	**487**	-
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	**Common Equity Tier 1 capital before Regulatory Adjustments**	6,054	-

	Common Equity Tier 1 capital: Regulatory Adjustments	$m	Ref
7	Prudential valuation adjustments	-	-
8	Goodwill (net of related tax liability)	**751**	C
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	**446**	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	**102**	E
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)	**384**	-
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*	**323**	F
26d	*of which: equity investments in financial institutions not reported in rows 18, 19 and 23*	**9**	G
26e	*of which: deferred tax assets not reported in rows 10, 21 and 25*	**5**	H
26f	*of which: capitalised expenses*	**12**	I
26g	*of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements*	**9**	J
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*	**26**	K
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**	1,683	-
29	**Common Equity Tier 1 Capital (CET1)**	4,371	-

2. Capital Disclosure Template (continued)

	Additional Tier 1 Capital: Instruments	$m	Ref
30	Directly issued qualifying Additional Tier 1 instruments	910	–
31	*of which: classified as equity under applicable accounting standards*	300	–
32	*of which: classified as liabilities under applicable accounting standards*	610	L
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	*of which: instruments issued by subsidiaries subject to phase out*	-	–
36	**Additional Tier 1 Capital before Regulatory Adjustments**	910	–

	Additional Tier 1 Capital: Regulatory Adjustments	$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)**	910	–
45	**Tier 1 Capital (T1=CET1+AT1)**	5,281	-

	Tier 2 Capital: Instruments and Provisions	$m	Ref
46	Directly issued qualifying Tier 2 instruments	836	–
47	Directly issued capital instruments subject to phase out from Tier 2	-	–
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	*of which: instruments issued by subsidiaries subject to phase out*	-	–
50	Provisions	167	M + N
51	**Tier 2 Capital before Regulatory Adjustments**	1,003	–

2. Capital Disclosure Template (continued)

	Tier 2 Capital: Regulatory Adjustments	$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)**	1,003	-
59	**Total capital (TC=T1+T2)**	6,284	-
60	**Total risk-weighted assets based on APRA standards**	45,162	-

	Capital Ratios and Buffers	%	Ref
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	9.7	-
62	**Tier 1 (as a percentage of risk-weighted assets)**	11.7	-
63	**Total capital (as a percentage of risk-weighted assets)**	13.9	-
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	*of which: capital conservation buffer requirement*	2.5	-
66	*of which: ADI-specific countercyclical buffer requirements*	-	-
67	*of which: G-SIB buffer requirement (not applicable)*	-	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	2.7	-

	National Minima (if different from Basel III)	$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)	$m	Ref
72	Non-significant investments in the capital of other financial entities	-	-
73	Significant investments in the ordinary shares of financial entities	9	G
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	$m	Ref
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	167	M + N
77	Cap on inclusion of provisions in Tier 2 under standardised approach	500	-
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	-	-

2. Capital Disclosure Template (continued)

	Capital Instruments Subject to Phase-Out Arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	$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	-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

3. Reconciliation between the Consolidated Balance Sheet and the Regulatory Balance Sheet

Bank of Queensland Limited is the head of the Level 2 Group, as defined in Prudential Standard *APS 001: Definitions*. The transfer of funds or Regulatory Capital within the Level 2 Group requires approvals from Management and/or the Board, and has been disclosed in accordance with Prudential Standard *APS 330: Public Disclosure Paragraph 14*.

February 22	Group Balance Sheet $m	Adjustments $m	Level 2 Regulatory Balance Sheet $m	Reconciliation Reference
ASSETS				
Cash and cash equivalents	2,157	(176)	1,981	–
Due from other financial institutions	395	(25)	370	–
Derivative financial assets	357	(6)	351	–
Financial assets at FVTPL	874	–	874	–
Debt instruments at FVOCI	10,695	–	10,695	–
Equity instruments at FVOCI	9	–	9	–
of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	*9*	–	*9*	J
Loans and advances at amortised cost	78,663	(6,095)	72,568	–
of which: deferred fee income	*323*	–	*323*	F
of which: Provisions	*104*	–	*104*	M
Other assets	254	(4)	250	–
of which: capitalised expenses	–	*12*	*12*	I
Current tax assets	*11*	–	*11*	–
Property, plant and equipment	274	–	274	–
Assets held for sale	–	–	–	–
Shares in Controlled Entities	–	–	–	–
of which: equity investments in financial institutions not reported in rows 18, 19 and 23	–	*9*	*9*	G
Deferred tax assets	–	–	–	–
of which: deferred tax assets arising from temporary differences deducted from CET1	*5*	–	*5*	H
Intangible assets	1,197	–	1,197	–
of which: Goodwill (net of related tax liability)	*751*	–	*751*	C
of which: other intangibles other than mortgage servicing rights (net of related tax liability)	*446*	–	*446*	D
Investments in joint arrangements	9	(9)	–	–
Total Assets	**94,895**	**(6,315)**	**88,580**	–
LIABILITIES				
Due to other financial institutions	211	–	211	–
Deposits	67,896	(93)	67,803	–
Derivative financial instruments	415	(2)	413	–
Accounts payable and other liabilities	605	(10)	595	–
Current tax liabilities	–	–	–	–
Deferred tax liabilities	54	(3)	51	–
Liabilities Held for Sale	–	–	–	–
Provisions	61	–	61	–
Borrowings	19,244	(6,196)	13,048	–
of which: other national specific regulatory adjustments not reported in rows 26a to 26i	*26*	–	*26*	K
of which: classified as liabilities under applicable accounting standards	*610*	–	*610*	L
Total Liabilities	**88,486**	**(6,304)**	**82,182**	–
Net Assets	**6,409**	**(11)**	**6,398**	–

3. Reconciliation between the Consolidated Balance Sheet and the Regulatory Balance Sheet (continued)

February 22	Group Balance Sheet $m	Adjustments $m	Level 2 Regulatory Balance Sheet $m	Reconciliation Reference
EQUITY				
Issued Capital	5,218	-	5,218	A
Other equity instruments	314	(14)	300	-
Reserves	535	(4)	531	-
of which: Provisions (GRCL)	*63*	-	*63*	N
of which: Cash-flow hedge reserve	*106*	*(4)*	*102*	E
of which: Other reserves included in CET1	*366*	-	*366*	-
Retained profits	342	7	349	B
Total Equity	6,409	(11)	6,398	-

4. Entities excluded from the Regulatory Scope of Consolidation

February 22	Total Assets $m	Total Liabilities $m	Principal Activities
SECURITISATION TRUSTS			
Series 2012-1E REDS Trust	115	115	Securitisation
Series 2013-1 REDS Trust	116	116	Securitisation
Series 2015-1 REDS Trust	175	175	Securitisation
Series 2017-1 REDS Trust	283	283	Securitisation
Series 2018-1 REDS Trust	360	360	Securitisation
Series 2019-1 REDS Trust	432	432	Securitisation
SMHL Series Securitisation Fund 2015-1	166	166	Securitisation
SMHL Series Securitisation Fund 2016-1	181	180	Securitisation
SMHL Series Securitisation Fund 2017-1	282	282	Securitisation
SMHL Series Securitisation Fund 2017-2	546	544	Securitisation
SMHL Series Securitisation Fund 2018-2	319	319	Securitisation
SMHL Series Private Placement Trust 2019-1	1,091	1,089	Securitisation
SMHL Series Securitisation Fund 2019-1	765	762	Securitisation
SMHL Series Private Placement 2019-2	1,008	1,006	Securitisation
SMHL Securitisation Trust 2020-1	674	672	Securitisation
MANAGER AND NON-FINANCIAL OPERATING ENTITIES			
Home Credit Management Ltd	24	15	Investment Holding Entity
Bank of Queensland Ltd Employee Share Plan Trust	23	7	Employee Share Plan Trust

5. Capital Adequacy

Risk Weighted Assets	February 22 $m	November 21 $m
SUBJECT TO THE STANDARDISED APPROACH		
Government	–	-
Bank	441	692
Residential Mortgages	22,018	22,100
Other retail [1]	17,105	16,752
Other	322	289
Corporate	–	90
Total On-Balance Sheet Assets and Off-Balance Sheet Exposures	39,886	39,923
Securitisation Exposures	77	78
Market Risk Exposures	256	203
Operational Risk Exposures	4,944	4,723
Total Risk Weighted Assets	45,162	44,927
Capital ratios	%	%
Level 2 Total Capital ratio	13.9	13.1
Level 2 Common Equity Tier 1 Capital ratio	9.7	9.5
Level 2 Net Tier 1 Capital ratio	11.7	10.9

Notes:
(1) Includes commercial lending and leasing.

6. Credit Risk

Exposure Type	Gross Credit Exposure [1] $m		Average Gross Credit Exposure $m	
	February 22	November 21	February 22	November 21
Cash and due from financial institutions	2,605	2,779	2,692	2,924
Debt securities	8,625	9,669	9,147	9,542
Loans and advances	72,120	71,152	71,636	70,465
Off-balance sheet exposures for derivatives	719	647	683	517
Other off-balance sheet exposures [2]	3,143	4,664	3,904	4,506
Other	322	305	313	309
Total exposures	87,534	89,216	88,375	88,263

Portfolios Subject to the Standardised Approach	Gross Credit Exposure [1] $m		Average Gross Credit Exposure $m	
	February 22	November 21	February 22	November 21
Government	8,629	8,857	8,743	8,756
Bank	3,320	3,988	3,654	3,996
Residential mortgage	57,708	58,765	58,237	58,140
Other retail	17,555	16,999	17,277	16,782
Other	322	517	419	499
Corporate	–	90	45	90
Total Exposures	87,534	89,216	88,375	88,263

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.

6. Credit Risk (continued)

February 22

Portfolios Subject to the Standardised Approach	Impaired Loans [1] $m	Past Due Loans > 90 Days [1] $m	Specific Provision Balance [2] $m	Charges for Specific Provision $m	Write-Offs $m
Government	–	–	–	–	–
Bank	–	–	–	–	–
Residential Mortgage	254	308	42	(1)	(4)
Other retail	125	102	138	(2)	3
Other	–	–	–	–	–
Corporate	–	–	–	–	–
Total	379	410	180	(3)	(1)

November 21

Portfolios Subject to the Standardised Approach	Impaired Loans [1] $m	Past Due Loans > 90 Days [1] $m	Specific Provision Balance [2] $m	Charges for Specific Provision $m	Write-Offs $m
Government	–	–	–	–	–
Bank	–	–	–	–	–
Residential mortgages	316	236	38	(1)	(2)
Other retail	134	102	139	(2)	2
Other	–	–	–	–	–
Corporate	–	–	–	–	–
Total	450	338	177	(3)	0

	February 22 $m	November 21 $m
Statutory Equity Reserve for Credit Losses	63	57
Collective provision [2]	104	114
APRA General reserve for credit losses	167	171

Notes:

(1) Reconciliation of impaired loans	February 22 $m	November 21 $m
Impaired assets per table 6: Credit Risk	379	450
Add: Impaired assets in off balance sheet securitisation trusts	30	47
Less: Restructured facilities included in APS 220	(215)	(273)
Impaired Assets per Accounting Standards	194	224

(1) Excludes assets in off-balance sheet securitisation trusts as required under APRA Prudential Standard APS 220 Credit Quality.

(2) Following clarification from APRA, the stage 2 component that is delinquent is now treated as a Specific Provision and is no longer as part of the General Reserve for Credit Losses. If this change had not been made, the Specific Provision would have been reported as $163m for February 2022 and $170m for November 2021.

7. Securitisation Exposures

Exposure Type	February 22 Securitisation Activity $m	February 22 Gain or Loss on Sale $m	November 21 Securitisation Activity $m	November 21 Gain or Loss on Sale $m
Debt securities – Securities held in the banking book	(31)	–	(7)	–
Non market off balance sheet exposures – Securities in trading book	–	–	–	–
Cash and due from financial institutions – Liquidity facilities	8	–	–	–
Loans and Advances – Funding facilities	(3)	–	5	–
On market off balance sheet exposures – Swaps	–	–	(6)	–
Other	5,436	–	(22)	–
Total exposures	**5,410**	**–**	(30)	–

February 22

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	315	–	55	20	–	13,118
Off-balance sheet securitisation exposure	–	–	0	0	11	–
Total exposures	315	–	55	20	11	13,118

November 21

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	346	–	33	6	–	7,682
Off-balance sheet securitisation exposure	–	–	14	17	11	–
Total	346	–	47	23	11	7,682

Notes:

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

8. Liquidity Coverage Ratio

APRA requires authorised deposit-taking institutions (**ADI**) to maintain a minimum Liquidity Coverage Ratio (**LCR**) of 100 per cent. The LCR requires an ADI to hold sufficient High Quality Liquid Assets (**HQLA1**) and alternative liquid assets (covered by the Committed Liquidity Facility (**CLF**) to meet net cash outflows (**NCO**) over a 30 day period, under a regulator defined liquidity stress scenario. BOQ manages its LCR on a daily basis with a buffer above the regulatory minimum in line with the BOQ prescribed risk appetite and management ranges.

BOQ maintains a portfolio of high quality, diversified liquid assets to facilitate balance sheet liquidity needs and meet internal and regulatory requirements. Liquid assets are comprised of HQLA1 (ESA balances, cash, Australian Semi-Government and Commonwealth Government securities) and alternative liquid assets covered by the CLF from the Reserve Bank of Australia (**RBA**). Assets eligible for the CLF include senior unsecured bank debt, covered bonds, asset backed securities, residential mortgage backed securities (**RMBS**) and internal RMBS that are eligible for repurchase with the RBA. BOQ has a stable, diversified and resilient deposit and funding base that aims to mitigate the chance of a liquidity stress event across various funding market conditions. BOQ uses a range of funding instruments including customer deposits, short term and long term wholesale debt instruments, securitisation and covered bonds, with the objective of lengthening tenor, diversifying funding sources and increasing the stable funding base.

BOQ's Level 2 average LCR over the February 2022 quarter was 152%, which is 3% lower than the previous November quarter average of 155%. The Bank continues to build its HQLA1 balance to maintain the LCR as NCOs increase with the growing balance sheet and to offset the CLF as it's reduced throughout 2022. BOQ's CLF declined $1.2bln to $3.6bln on 1 January 2022. NCO growth over the quarter primarily occurred due to a higher balance of retail deposits and LANA (loans approved but not advanced), but was partially offset by less unsecured debt in the LCR window. The following table presents detailed information on the ratio composition for the two quarters. 90 data points were used in calculating the average figures for the February 2022 quarter and 91 data points were used in calculating the average figures for the November 2021 quarter.

8. Liquidity Coverage Ratio (continued)

	Average Quarterly Performance			
	February 22		November 21	
	Total Un- Weighted Value $m	Total Weighted Value $m	Total Un- Weighted Value $m	Total Weighted Value $m
LIQUID ASSETS				
High-quality liquid assets (HQLA)		*11,458*		*10,599*
Alternative liquid assets (ALA)		*3,806*		*4,551*
Total Liquid Assets		15,264		15,150
CASH OUTFLOWS				
Retail deposits and deposits from small business customers, of which:	36,021	4,169	34,825	3,963
stable deposits	*14,800*	*740*	*14,588*	*729*
less stable deposits	*21,221*	*3,429*	*20,237*	*3,234*
Unsecured wholesale funding, of which:	6,984	3,595	7,068	3,832
non-operational deposits (all counterparties)	*6,542*	*3,153*	*6,285*	*3,049*
unsecured debt	*442*	*442*	*783*	*783*
Secured wholesale funding		52		43
Additional requirements, of which	6,364	1,378	6,094	1,216
outflows related to derivatives exposures and other collateral requirements	*1,084*	*1,084*	*923*	*923*
credit and liquidity facilities	*5,280*	*294*	*5,171*	*293*
Other contractual funding obligations	2,240	1,829	2,017	1,625
Other contingent funding obligations	9,857	612	9,032	573
Total Cash Outflows	**61,466**	**11,635**	59,036	11,252
CASH INFLOWS				
Secured lending (e.g. reverse repos)	–	–	175	–
Inflows from fully performing exposures	848	437	793	402
Other cash inflows	1,162	1,162	1,058	1,058
Total cash inflows	**2,010**	**1,599**	2,026	1,460
Total Net Cash Outflows	59,456	10,036	57,010	9,792
Total liquid assets		**15,264**		15,150
Total net cash outflows		**10,036**		9,792
Liquidity Coverage Ratio (%)		**152%**		155%

9. Net Stable Funding Ratio

APRA's objective in implementing the Net Stable Funding Ratio (**NSFR**) is to strengthen funding and liquidity resilience. The NSFR encourages ADIs to reduce the amount of liquidity transformation by funding their lending activities with more stable sources of funding, and thereby promoting greater balance sheet resilience.

The NSFR establishes a minimum stable funding requirement based on the liquidity characteristics of the ADI's assets and off-balance sheet activities over a one year time horizon. The NSFR is defined as the ratio of the amount of Available Stable Funding to the amount of Required Stable Funding. APRA requires ADIs to maintain an NSFR of at least 100%. BOQ manages its NSFR on a daily basis and actively maintains a buffer above the regulatory minimum in line with BOQ's prescribed risk appetite and management ranges.

BOQ's Level 2 NSFR as at 28 February 2022 was 123%, which was 1 percent lower than 30 November 2021. This was primarily due to strong loan growth and a reduction in the tenor of outstanding wholesale funding.

9. Net Stable Funding Ratio (continued)

February 22

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
AVAILABLE STABLE FUNDING (ASF) ITEM					
Capital	6,664	–	–	1,460	8,124
Regulatory Capital	*6,664*	–	–	*1,460*	*8,124*
Retail deposits and deposits from small business customers	23,672	19,452	–	–	39,615
Stable deposits	*9,573*	*6,701*	–	–	*15,460*
Less stable Deposits	*14,099*	*12,751*	–	–	*24,155*
Wholesale funding	3,678	21,311	2,357	8,185	16,767
Operational deposits	–	–	–	–	–
Other wholesale funding	*3,678*	*21,311*	*2,357*	*8,185*	*16,767*
Other liabilities	608	304	146	227	300
NSFR derivative liabilities		*304*	–	–	
All other liabilities and equity not included in the above categories	608	–	146	227	300
Total ASF					**64,806**
REQUIRED STABLE FUNDING (RSF) ITEM					
Total NSFR (HQLA)					546
ALA					360
RBNZ securities	–	–	–	–	–
Deposits held at other financial institutions for operational purposes	574	–	–	–	473
Performing loans and securities	–	3,362	2,621	62,524	47,870
Performing loans to financial institutions secured by Level 1 HQLA	–	–	–	–	–
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	*240*	–	*25*	*61*
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs), of which:	–	*2,280*	*1,772*	*13,397*	*13,386*
With a risk weight of less than or equal to 35% under APS 112	–	*171*	*94*	*989*	*775*
Performing residential mortgages, of which:	–	*842*	*849*	*49,102*	*34,423*
With a risk weight equal to 35% under APS 112	–	*492*	*477*	*43,794*	*29,550*
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	–	–	–	–

9. Net Stable Funding Ratio (continued)

February 22

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
Other assets	1,953	1,349	42	933	3,178
Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)		*–*	*–*	*182*	*155*
NSFR derivative assets		*–*	*–*	*34*	*34*
NSFR derivative liabilities before deduction of variation margin posted		*–*	*–*	*88*	*88*
All other assets not included in the above categories	*1,953*	*1,349*	*42*	*629*	*2,901*
Off-balance sheet items		–	–	6,862	323
Total RSF					**52,750**
Net Stable Funding Ratio (%)					**123%**

9. Net Stable Funding Ratio (continued)

November 21

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
AVAILABLE STABLE FUNDING (ASF) ITEM					
Capital	6,238	–	–	1,460	7,698
Regulatory Capital	*6,238*	–	–	*1,460*	*7,698*
Retail deposits and deposits from small business customers	23,125	19,288	–	–	38,973
Stable deposits	*9,551*	*6,704*	–	–	*15,442*
Less stable Deposits	*13,574*	*12,584*	–	–	*23,531*
Wholesale funding	3,766	19,981	2,804	8,776	17,823
Operational deposits	–	–	–	–	–
Other wholesale funding	*3,766*	*19,981*	*2,804*	*8,776*	*17,823*
Other liabilities	808	247	52	166	192
NSFR derivative liabilities		*247*	–	–	
All other liabilities and equity not included in the above categories	808	–	52	166	192
Total ASF					**64,686**
REQUIRED STABLE FUNDING (RSF) ITEM					
Total NSFR (HQLA)					496
ALA					480
RBNZ securities					–
Deposits held at other financial institutions for operational purposes	713	–	–	–	671
Performing loans and securities	–	3,394	2,746	60,430	46,606
Performing loans to financial institutions secured by Level 1 HQLA	–	–	–	–	–
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	*300*	–	*31*	*76*
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs), of which:	–	*2,231*	*1,864*	*13,133*	*13,160*
With a risk weight of less than or equal to 35% under APS 112	–	*181*	*115*	*982*	*787*
Performing residential mortgages, of which:	–	*863*	*882*	*47,266*	*33,370*
With a risk weight equal to 35% under APS 112	–	*487*	*480*	*41,946*	*28,459*
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	–	–	–	–

9. Net Stable Funding Ratio (continued)

November 21

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
Other assets	2,003	1,185	36	1,018	3,467
Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)		–	–	*184*	*157*
NSFR derivative assets		–	–	*76*	*76*
NSFR derivative liabilities before deduction of variation margin posted		–	–	*99*	*99*
All other assets not included in the above categories	2,003	1,185	36	659	3,135
Off-balance sheet items		–	–	7,224	345
Total RSF					52,065
Net Stable Funding Ratio (%)					124%