

APRA BASEL III PILLAR 3 DISCLOSURES

Quarter ended 31 August 2021

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2021

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 set the Common Equity Tier 1 Capital target range to be between 9.0% and 9.5% and the Total Capital target range to be between 11.75% and 13.5%.

As at 31 August 2021, 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 9.8% (14.1% as at 31 May 2021); and
- Total Capital Ratio was 12.6% (18.0% as at 31 May 2021).

Capital Initiatives

The Bank raised AUD 1,350 million through the issue of ordinary shares in March 2021 and AUD 250 million through the issue of subordinated debt in April 2021.

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1. Capital Structure

	August 21	February 21
	\$m	\$m
COMMON EQUITY TIER 1 CAPITAL		
Paid-up ordinary share capital ⁽¹⁾	5,213	3,870
Reserves	346	298
Retained earnings, including current year earnings	277	199
Total Common Equity Tier 1 Capital	5,836	4,367
REGULATORY ADJUSTMENTS		
Deferred expenditure	(311)	(201)
Goodwill and intangibles	(1,180)	(927)
Other deductions	(11)	(18)
Total Regulatory Adjustments	(1,502)	(1,146)
Net Common Equity Tier 1 Capital	4,334	3,221
Additional Tier 1 Capital	610	610
Total Tier 1 Capital	4,944	3,831
TIER 2 CAPITAL		
Tier 2 Capital ⁽²⁾	450	350
General Reserve for Credit Losses	178	263
Net Tier 2 Capital	628	613
Total Capital Base	5,572	4,444

Notes:

(1) Ordinary share capital was raised in March 2021 through the issue of ordinary shares.

(2) Tier 2 capital \$250m was raised in April 2021 through the issue of subordinated notes and \$150m subordinated notes matured in May 2021.

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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	5,213	A
2	Retained earnings	277	B
3	Accumulated other comprehensive income (and other reserves)	346	-
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	5,836	-
Common Equity Tier 1 capital: Regulatory Adjustments		\$m	Ref
7	Prudential valuation adjustments	-	-
8	Goodwill (net of related tax liability)	720	C
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	460	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	(68)	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	<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)	390	-
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>	277	F
26d	<i>of which: equity investments in financial institutions not reported in rows 18, 19 and 23</i>	29	G
26e	<i>of which: deferred tax assets not reported in rows 10, 21 and 25</i>	47	H
26f	<i>of which: capitalised expenses</i>	13	I
26g	<i>of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements</i>	9	J
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>	15	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	1,502	-
29	Common Equity Tier 1 Capital (CET1)	4,334	-

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2. Capital Disclosure Template (continued)

Additional Tier 1 Capital: Instruments		\$m	Ref
30	Directly issued qualifying Additional Tier 1 instruments	610	-
31	<i>of which: classified as equity under applicable accounting standards</i>	-	-
32	<i>of which: classified as liabilities under applicable accounting standards</i>	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	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	-
36	Additional Tier 1 Capital before Regulatory Adjustments	610	-
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	<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	Total Regulatory Adjustments to Additional Tier 1 capital	-	-
44	Additional Tier 1 capital (AT1)	610	-
45	Tier 1 Capital (T1=CET1+AT1)	4,944	-
Tier 2 Capital: Instruments and Provisions		\$m	Ref
46	Directly issued qualifying Tier 2 instruments	450	-
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	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	-
50	Provisions	178	M + N
51	Tier 2 Capital before Regulatory Adjustments	628	-

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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	<i>of which: holdings of capital instruments in group members by other group members on behalf of third parties</i>	-	-
56b	<i>of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55</i>	-	-
56c	<i>of which: other national specific regulatory adjustments not reported in rows 56a and 56b</i>	-	-
57	Total regulatory adjustments to Tier 2 capital	-	-
58	Tier 2 capital (T2)	628	-
59	Total capital (TC=T1+T2)	5,572	-
60	Total risk-weighted assets based on APRA standards	44,229	-
Capital Ratios and Buffers		%	Ref
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	9.8	-
62	Tier 1 (as a percentage of risk-weighted assets)	11.2	-
63	Total capital (as a percentage of risk-weighted assets)	12.6	-
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>	-	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	2.8	-
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	29	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)	178	M + N
77	Cap on inclusion of provisions in Tier 2 under standardised approach	492	-
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	-	-

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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)	-	-

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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.

August 21	Group Balance Sheet \$m	Adjustments \$m	Level 2 Regulatory Balance Sheet \$m	Reconciliation Reference
ASSETS				
Cash and cash equivalents	2,563	(257)	2,306	-
Due from other financial institutions	827	(31)	796	-
Derivative financial assets	137	-	137	-
Financial assets at FVTPL	1,087	-	1,087	-
Debt instruments at FVOCI	9,701	-	9,701	-
Equity instruments at FVOCI	9	-	9	-
<i>of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements</i>	9	-	9	J
Loans and advances at amortised cost	75,437	(5,901)	69,536	-
<i>of which: deferred fee income</i>	277	-	277	F
<i>of which: Provisions</i>	126	-	126	M
Other assets	190	31	221	-
<i>of which: capitalised expenses</i>	-	13	13	I
Property, plant and equipment	198	-	198	-
Assets held for sale	43	(43)	-	-
Shares in Controlled Entities	-	59	59	-
<i>of which: equity investments in financial institutions not reported in rows 18, 19 and 23</i>	-	29	29	G
Deferred tax assets	50	3	53	-
<i>of which: deferred tax assets arising from temporary differences deducted from CET1</i>	47	-	47	H
Intangible assets	1,180	-	1,180	-
<i>of which: Goodwill (net of related tax liability)</i>	720	-	720	C
<i>of which: other intangibles other than mortgage servicing rights (net of related tax liability)</i>	460	-	460	D
Investments in joint arrangements	10	(10)	-	-
Total Assets	91,432	(6,149)	85,283	
LIABILITIES				
Due to other financial institutions	273	-	273	-
Deposits	65,902	(44)	65,858	-
Derivative financial instruments	653	(5)	648	-
Accounts payable and other liabilities	575	(7)	568	-
Current tax liabilities	28	-	28	-
Liabilities Held for Sale	17	(17)	-	-
Provisions	64	-	64	-
Borrowings	17,723	(6,059)	11,664	-
<i>of which: other national specific regulatory adjustments not reported in rows 26a to 26i</i>	15	-	15	K
<i>of which: classified as liabilities under applicable accounting standards</i>	610	-	610	L
Total Liabilities	85,235	(6,132)	79,103	-
Net Assets	6,197	(17)	6,180	-

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

August 21	Group Balance Sheet \$m	Adjustments \$m	Level 2 Regulatory Balance Sheet \$m	Reconciliation Reference
EQUITY				
Issued Capital	5,213	-	5,213	A
Other equity instruments	314	-	314	
Reserves	376	-	376	
<i>of which: Provisions (GRCL)</i>	52	-	52	N
<i>of which: Cash-flow hedge reserve</i>	(70)	2	(68)	E
<i>of which: Other reserves included in CET1</i>	394	(2)	392	
Retained profits	294	(17)	277	B
Total Equity	6,197	(17)	6,180	

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4. Entities excluded from the Regulatory Scope of Consolidation

August 21	Total Assets \$m	Total Liabilities \$m	Principal Activities
INSURANCE ENTITIES			
St Andrew's Group (Held for sale)	43	17	Insurance Holding Entry (Held for sale)
SECURITISATION TRUSTS			
Series 2012-1E REDS Trust	135	135	Securitisation
Series 2013-1 REDS Trust	136	136	Securitisation
Series 2015-1 REDS Trust	202	202	Securitisation
Series 2017-1 REDS Trust	326	326	Securitisation
Series 2018-1 REDS Trust	417	417	Securitisation
Series 2019-1 REDS Trust	518	518	Securitisation
SMHL Series Securitisation Fund 2015-1	193	193	Securitisation
SMHL Series Securitisation Fund 2016-1	236	236	Securitisation
SMHL Series Securitisation Fund 2017-1	366	366	Securitisation
SMHL Series Securitisation Fund 2018-2	407	408	Securitisation
SMHL Series Private Placement Trust 2019-1	727	727	Securitisation
SMHL Series Securitisation Fund 2019-1	935	934	Securitisation
SMHL Series Private Placement 2019-2	720	720	Securitisation
SMHL Securitisation Trust 2020-1	795	794	Securitisation
MANAGER AND NON-FINANCIAL OPERATING ENTITIES			
Home Credit Management Ltd	24	15	Investment Holding Entity
Bank of Queensland Ltd Employee Share Plan Trust	12	3	Employee Share Plan Trust

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5. Capital Adequacy

	August 21	May 21
	\$m	\$m
Risk Weighted Assets		
SUBJECT TO THE STANDARDISED APPROACH		
Government	-	-
Bank	774	520
Residential Mortgages	21,774	13,261
Other retail ⁽¹⁾	16,302	15,322
Other	344	169
Corporate	90	-
Total On-Balance Sheet Assets and Off-Balance Sheet Exposures	39,284	29,272
Securitisation Exposures	80	57
Market Risk Exposures	142	162
Operational Risk Exposures	4,723	3,034
Total Risk Weighted Assets	44,229	32,525
Capital ratios	%	%
Level 2 Total Capital ratio	12.6	18.0
Level 2 Common Equity Tier 1 Capital ratio	9.8	14.1
Level 2 Net Tier 1 Capital ratio	11.2	16.0

Notes:

(1) Includes commercial lending and leasing.

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6. Credit Risk

Exposure Type	Gross Credit Exposure ⁽¹⁾ \$m		Average Gross Credit Exposure \$m	
	August 21	May 21	August 21	May 21
Cash and due from financial institutions	3,069	2,070	2,866	1,920
Debt securities	9,416	5,264	8,727	5,103
Loans and advances	69,779	47,163	69,311	46,604
Off-balance sheet exposures for derivatives	387	1,402	437	1,467
Other off-balance sheet exposures ⁽²⁾	4,347	466	4,188	476
Other	362	169	290	193
Total exposures	87,360	56,534	85,819	55,763

Portfolios Subject to the Standardised Approach	Gross Credit Exposure ⁽¹⁾ \$m		Average Gross Credit Exposure \$m	
	August 21	May 21	August 21	May 21
Government	8,656	5,174	7,994	5,018
Bank	4,003	2,626	3,814	2,485
Residential mortgage	57,514	33,225	57,226	32,750
Other retail	16,566	15,340	16,208	15,317
Other	531	169	503	193
Corporate	90	-	74	-
Total Exposures	87,360	56,534	85,819	55,763

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.

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6. Credit Risk (continued)

August 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 Mortgage	247	187	43	(2)	2
Other retail	132	100	137	6	6
Other	-	-	-	-	-
Corporate	-	-	-	-	-
Total	379	287	180	4	8

May 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	188	203	51	4	3
Other retail	111	114	107	(3)	7
Other	-	-	-	-	-
Corporate	-	-	-	-	-
Total	299	317	158	1	10

	August 21 \$m	May 21 \$m
Statutory Equity Reserve for Credit Losses	52	53
Collective provision ⁽²⁾	126	142
APRA General reserve for credit losses	178	195

Notes:

	August 21 \$m	May 21 \$m
(1) Reconciliation of impaired loans		
Impaired assets per table 6: Credit Risk	379	299
Add: Impaired assets in off balance sheet securitisation trusts	23	16
Less: Restructured facilities included in APS 220	(159)	(116)
Impaired Assets per Accounting Standards	243	199

(1) Excludes assets in off-balance sheet securitisation trusts as required under APRA Prudential Standard APS220 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 \$173m for August 2021 and \$125m for May 2021.

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7. Securitisation Exposures

Exposure Type	August 21		May 21	
	Securitisation Activity \$m	Gain or Loss on Sale \$m	Securitisation Activity \$m	Gain or Loss on Sale \$m
Debt securities – Securities held in the banking book	(30)	-	(21)	-
Non market off balance sheet exposures – Securities in trading book	-	-	-	-
Cash and due from financial institutions – Liquidity facilities	(6)	-	-	-
Loans and Advances – Funding facilities	-	-	-	-
On market off balance sheet exposures – Swaps	(6)	-	(4)	-
Other	143	-	(57)	-
Total exposures ⁽¹⁾	101	-	(82)	-

August 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 ⁽²⁾ \$m
On-balance sheet securitisation exposure retained or purchased	353	-	33	6	-	7,704
Off-balance sheet securitisation exposure	-	-	14	12	17	-
Total exposures ⁽¹⁾	353	-	47	18	17	7,704

May 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 ⁽²⁾ \$m
On-balance sheet securitisation exposure retained or purchased	258	-	3	6	-	7,561
Off-balance sheet securitisation exposure	-	-	-	-	24	-
Total	258	-	3	6	24	7,561

Notes:

- (1) Includes the impact of the acquisition of ME Bank completed on 1 July 2021.
(2) Exposures relate to notes held in the Bank's on-balance sheet securitisation vehicles.

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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 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 and meet internal and regulatory requirements. Liquid assets are comprised of HQLA1 (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 mitigates 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 August 2021 quarter was 149%, which is 9% lower than the previous May quarter average of 158%. The settlement of the ME Bank acquisition on 1 July 2021 has had a significant positive impact on BOQ's Level 2 liquidity position. Alternative liquid assets grew as ME Bank's \$2.5 billion CLF was merged with BOQ's \$2.9 billion CLF, offsetting a decline in BOQ's available CLF as the final utilisation of the Term Funding Facility was completed in June. On 1 August 2021, \$600 million of ME Bank's \$2.5 billion CLF was handed back. The merging of the two balance sheets provided a proportionately large increase to liquid assets when compared to the associated increase in net cash outflows. BOQ's other contingent funding obligations also increased. The following table presents detailed information on the average LCR and NSFR composition for the two quarters. 92 data points were used in calculating the average figures for the August 2021 quarter and 92 data points were used in calculating the average figures for the May 2021 quarter.

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8. Liquidity Coverage Ratio (continued)

	Average Quarterly Performance			
	August 21		May 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)		8,049		5,927
Alternative liquid assets (ALA)		4,398		3,755
Total Liquid Assets		12,447		9,682
CASH OUTFLOWS				
Retail deposits and deposits from small business customers, of which:	29,619	3,239	21,347	2,147
stable deposits	12,558	628	9,101	455
less stable deposits	17,061	2,611	12,246	1,692
Unsecured wholesale funding, of which:	6,378	3,396	4,840	2,604
non-operational deposits (all counterparties)	5,767	2,785	4,218	1,982
unsecured debt	611	611	622	622
Secured wholesale funding		47		49
Additional requirements, of which	4,824	1,041	2,689	968
outflows related to derivatives exposures and other collateral requirements	821	821	877	877
credit and liquidity facilities	4,003	220	1,812	91
Other contractual funding obligations	1,659	1,301	1,563	1,250
Other contingent funding obligations	8,664	667	7,082	418
Total Cash Outflows	51,144	9,691	37,521	7,436
CASH INFLOWS				
Secured lending (e.g. reverse repos)	233	-	70	-
Inflows from fully performing exposures	729	371	627	314
Other cash inflows	973	973	1,001	1,001
Total cash inflows	1,935	1,344	1,698	1,315
Total Net Cash Outflows	49,209	8,347	35,823	6,121
Total liquid assets		12,447		9,682
Total net cash outflows		8,347		6,121
Liquidity Coverage Ratio (%)		149%		158%

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2021

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 31 August 2021 was 122.2%, an improvement of 2.6% from 31 May 2021. The increase in NSFR is due to the merging of the BOQ and ME Bank balance sheets.

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2021

9. Net Stable Funding Ratio (continued)

August 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	6,471	-	-	1,060	7,531
<i>Regulatory Capital</i>	6,471	-	-	1,060	7,531
Retail deposits and deposits from small business customers	21,748	19,396	-	-	37,820
<i>Stable deposits</i>	9,301	6,692	-	-	15,193
<i>Less stable Deposits</i>	12,447	12,704	-	-	22,627
Wholesale funding	3,181	20,509	3,041	8,113	17,144
<i>Operational deposits</i>	-	-	-	-	-
<i>Other wholesale funding</i>	3,181	20,509	3,041	8,113	17,144
Other liabilities	646	57	51	163	189
<i>NSFR derivative liabilities</i>	-	57	-	-	-
<i>All other liabilities and equity not included in the above categories</i>	646	-	51	163	189
Total ASF					62,684

REQUIRED STABLE FUNDING (RSF) ITEM

Total NSFR (HQLA)					431
ALA					490
RBNZ securities	-	-	-	-	-
Deposits held at other financial institutions for operational purposes	526	-	-	-	453
Performing loans and securities	-	3,303	2,725	59,773	46,197
<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	-	-	-	-	-
<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	-	268	-	31	71
<i>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:</i>	-	2,249	1,890	12,993	13,082
<i>With a risk weight of less than or equal to 35% under APS 112</i>	-	183	124	962	779
<i>Performing residential mortgages, of which:</i>	-	786	835	46,749	33,044
<i>With a risk weight equal to 35% under APS 112</i>	-	473	483	41,140	27,943
<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	-	-	-	-	-

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2021

9. Net Stable Funding Ratio (continued)

August 21

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
Other assets	1,912	1,037	32	992	3,403
<i>Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)</i>		-	-	143	122
<i>NSFR derivative assets</i>		-	-	79	79
<i>NSFR derivative liabilities before deduction of variation margin posted</i>		-	-	127	127
<i>All other assets not included in the above categories</i>	1,912	1,037	32	643	3,075
Off-balance sheet items		-	-	6,999	324
Total RSF					51,298
Net Stable Funding Ratio (%)					122%

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2021

9. Net Stable Funding Ratio (continued)

May 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	5,966	-	-	1,060	7,026
<i>Regulatory Capital</i>	5,966	-	-	1,060	7,026
Retail deposits and deposits from small business customers	20,792	5,501	-	-	24,178
<i>Stable deposits</i>	8,912	1,697	-	-	10,079
<i>Less stable Deposits</i>	11,880	3,803	-	-	14,099
Wholesale funding	2,912	12,819	1,104	5,856	11,545
<i>Operational deposits</i>	-	-	-	-	-
<i>Other wholesale funding</i>	2,912	12,819	1,104	5,856	11,545
Other liabilities	585	41	56	162	191
<i>NSFR derivative liabilities</i>	-	41	-	-	-
<i>All other liabilities and equity not included in the above categories</i>	585	-	56	162	191
Total ASF					42,939

REQUIRED STABLE FUNDING (RSF) ITEM

Total NSFR (HQLA)					279
ALA					384
RBNZ securities	-	-	-	-	-
Deposits held at other financial institutions for operational purposes	685	-	-	-	615
Performing loans and securities	-	2,910	2,297	38,796	31,869
<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	-	-	-	-	-
<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	-	118	-	-	18
<i>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:</i>	-	2,285	1,707	11,197	11,372
<i>With a risk weight of less than or equal to 35% under APS 112</i>	-	173	144	1,110	880
<i>Performing residential mortgages, of which:</i>	-	507	589	27,599	20,479
<i>With a risk weight equal to 35% under APS 112</i>	-	226	233	21,994	15,396
<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	-	-	-	-	-

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2021

9. Net Stable Funding Ratio (continued)

May 21

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
Other assets	1,770	379	32	736	2,556
<i>Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)</i>		-	-	130	111
<i>NSFR derivative assets</i>		-	-	84	84
<i>NSFR derivative liabilities before deduction of variation margin posted</i>		-	-	128	128
All other assets not included in the above categories	1,770	379	32	395	2,234
Off-balance sheet items		-	-	4,503	202
Total RSF					35,906
Net Stable Funding Ratio (%)					120%