APRA BASEL III

PILLAR 3 DISCLOSURES

Quarter ended 31 August 2020

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2020

14 October 2020

This report has been prepared by Bank of Queensland Limited (**Bank** or **BOQ**) to meet its disclosure requirements under the Australian Prudential Regulation Authority's (**APRA**) Prudential Standard *APS 330: Public Disclosure*. It has been prepared using 31 August 2020 data.

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.

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

As at 31 August 2020:

- Common Equity Tier 1 Capital Ratio was 9.8% (9.8% as at 31 May 2020); and
- Total Capital Ratio was 12.7% (12.7% as at 31 May 2020).

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Capital Structure

	August 20 $m	February 20 $m
COMMON EQUITY TIER 1 CAPITAL		
Paid-up ordinary share capital	3,871	3,868
Reserves	134[1]	131
Retained earnings, including current year earnings	163[1]	149
Total Common Equity Tier 1 Capital	4,168	4,148
REGULATORY ADJUSTMENTS		
Deferred expenditure	(187)	(187)
Goodwill and intangibles	(909)	(914)
Other deductions	17	41
Total Regulatory adjustments	(1,079)	(1,060)
Net Common Equity Tier 1 Capital	3,089	3,088
Additional Tier 1 Capital	350	500
Net Tier 1 capital	3,439	3,588
TIER 2 CAPITAL		
Tier 2 Capital	350	350
General Reserve for Credit Losses	230	179
Net Tier 2 Capital	580	529
Total Capital Base	4,019	4,117

Notes:

(1) The profit reserve represents accumulated profits available for distribution as a dividend. Accumulated profits are recognised as reserves and not retained earnings for the period.

Table 1: 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	3,871	A
2	Retained earnings	163	B
3	Accumulated other comprehensive income (and other reserves)	134	-
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**	4,168	-

	Common Equity Tier 1 Capital: Regulatory Adjustments	$m	Ref
7	Prudential valuation adjustments	-	-
8	Goodwill (net of related tax liability)	685	C
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	224	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	(143)	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)	313	-
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*	162	F
26d	*of which: equity investments in financial institutions not reported in rows 18, 19 and 23*	29	G
26e	*of which: deferred tax assets not reported in rows 10, 21 and 25*	84	H
26f	*of which: capitalised expenses*	14	I
26g	*of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements*	6	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*	18	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**	1,079	-
29	**Common Equity Tier 1 Capital (CET1)**	3,089	-

Table 1: Capital Disclosure Template (continued)

	Additional Tier 1 Capital (AT1): Instruments	$m	Ref
30	Directly issued qualifying Additional Tier 1 instruments	350	–
31	*of which: classified as equity under applicable accounting standards*	–	–
32	*of which: classified as liabilities under applicable accounting standards*	350	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**	350	–

	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)**	350	–
45	**Tier 1 Capital (T1=CET1+AT1)**	3,439	–

	Tier 2 Capital (T2): Instruments and Provisions	$m	Ref
46	Directly issued qualifying Tier 2 instruments	350	–
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	230	M + N
51	**Tier 2 Capital before Regulatory Adjustments**	580	–

Table 1: Capital Disclosure Template (continued)

	Tier 2 Capital: Regulatory Adjustments	$m	Ref
52	Investments in own Tier 2 instruments	-	-
53	Reciprocal cross-holdings in Tier 2 instruments	-	-
54	Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
55	Significant investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	-	-
56	National specific regulatory adjustments	-	-
56a	*(sum of rows 56a, 56b and 56c)*	-	-
56b	*of which: holdings of capital instruments in group members by other group members on behalf of third parties*	-	-
56c	*of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55*	-	-
57	**Total regulatory adjustments to Tier 2 capital**	-	-
58	**Tier 2 capital (T2)**	580	-
59	**Total capital (TC=T1+T2)**	4,019	-
60	**Total risk-weighted assets based on APRA standards**	31,576	-
	Capital Ratios and Buffers	**%**	**Ref**
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	9.8	-
62	**Tier 1 (as a percentage of risk-weighted assets)**	10.9	-
63	**Total capital (as a percentage of risk-weighted assets)**	12.7	-
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	7.0	-
65	*of which: capital conservation buffer requirement*	2.5	-
66	*of which: ADI-specific countercyclical buffer requirements*	-	-
67	*of which: G-SIB buffer requirement (not applicable)*	-	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	2.8	-
	National Minima (if different from Basel III)	**$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)	230	M + N
77	Cap on inclusion of provisions in Tier 2 under standardised approach	354	-
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	-	-

Table 1: 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)	-	-

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 20	Group Balance Sheet $m	Adjustments $m	Level 2 Regulatory Balance Sheet $m	Reconciliation Reference
ASSETS				
Cash and cash equivalents	1,353	(76)	1,277	-
Due from other financial institutions	860	(34)	826	-
Derivative financial assets	154	-	154	-
Financial assets at FVTPL	1,854	-	1,854	-
Debt instruments at FVOCI	4,530	-	4,530	-
Equity instruments at FVOCI	6	-	6	-
of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	*6*	-	*6*	*J*
Loans and advances at amortised cost	46,673	(2,264)	44,409	-
of which : deferred fee income	*162*	-	*162*	*F*
of which: Provisions	*167*	-	*167*	*M*
Other assets	148	7	155	-
of which: capitalised expenses	-	*14*	*14*	*I*
Current tax assets	2	-	2	-
Property, plant and equipment	148	-	148	-
Shares in Controlled Entities	-	59	59	-
of which: equity investments in financial institutions not reported in rows 18, 19 and 23	-	*29*	*29*	G
Deferred tax assets	122	(1)	121	-
of which : deferred tax assets arising from temporary differences deducted from CET1	*84*	-	*84*	*H*
Intangible assets	909	-	909	-
of which: Goodwill (net of related tax liability)	*685*	-	*685*	*C*
of which: other intangibles other than mortgage servicing rights (net of related tax liability)	*224*	-	*224*	*D*
Investments in joint arrangements	13	(13)	-	-
Total Assets	**56,772**	**2,322**	**54,450**	**-**
LIABILITIES				
Due to other financial institutions	296	-	296	-
Deposits	39,593	32	39,625	-
Derivative financial instruments	803	-	803	-
Accounts payable and other liabilities	458	(7)	451	-
Insurance liability	5	(5)	-	-
Provisions	47	(6)	41	-
Borrowings	11,339	(2,321)	9,018	-
of which: other national specific regulatory adjustments not reported in rows 26a to 26i	*18*	-	*18*	K
of which: classified as liabilities under applicable accounting standards	*350*	-	*350*	*L*
Total Liabilities	**52,541**	**(2,307)**	**50,234**	**-**
Net Assets	4,231	(15)	4,216	-

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

August 20	Group Balance Sheet $m	Adjustments $m	Level 2 Regulatory Balance Sheet $m	Reconciliation Reference
EQUITY				
Issued Capital	3,871	-	3,871	A
Reserves	182	-	182	-
of which : Provisions (GCRL)	*63*	-	*63*	*N*
of which: Cash-flow hedge reserve	*(143)*	-	*(143)*	*E*
of which: Other reserves included in CET 1	*263*	-	*263*	-
Retained profits	178	(15)	163	B
Total Equity	4,231	(15)	4,216	-

Entities excluded from the Regulatory Scope of Consolidation

August 20	Total Assets $m	Total Liabilities $m	Principal Activities
INSURANCE ENTITIES			
St Andrew's Australia Services Pty Ltd	33	3	Insurance Holding Entity
St Andrew's Insurance (Australia) Pty Ltd	12	2	General Insurance
St Andrew's Life Insurance Pty Ltd	47	16	Life Insurance
SECURITISATION TRUSTS			
Series 2012-1E REDS Trust	170	170	Securitisation
Series 2013-1 REDS Trust	177	177	Securitisation
Series 2015-1 REDS Trust	259	259	Securitisation
Series 2017-1 REDS Trust	431	431	Securitisation
Series 2018-1 REDS Trust	547	547	Securitisation
Series 2019-1 REDS Trust	759	759	Securitisation
MANAGER AND NON-FINANCIAL OPERATING ENTITIES			
Home Credit Management Ltd	24	15	Investment Holding Entity
BOQ Employee Share Plans Trust	5	2	Employee Share Plan Trust

Table 2: Main Features of Capital Instruments

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.

Table 3: Capital Adequacy

Risk Weighted Assets	August 20 $m	May 20 $m
SUBJECT TO THE STANDARDISED APPROACH		
Government	-	-
Bank	552	636
Residential Mortgage	12,119	11,938
Other retail	15,389 [(1)]	15,468
Other	210	202
Corporate	-	-
Total On-Balance Sheet Assets and Off-Balance Sheet Exposures	28,270	28,244
Securitisation Exposures	62	62
Market Risk Exposures	271	233
Operational Risk Exposures	2,973	2,966
Total Risk Weighted Assets	31,576	31,505
Capital Ratios	%	%
Level 2 Total Capital Ratio	12.7	12.7
Level 2 Common Equity Tier 1 Capital Ratio	9.8	9.8
Level 2 Net Tier 1 Capital Ratio	10.9	10.9

Notes:
(1) Includes commercial lending and leasing.

Table 4: Credit Risk

Exposure Type	Gross Credit Exposure [1] $m		Average Gross Credit Exposure $m	
	August 20	May 20	August 20	May 20
Cash and due from financial institutions	**2,101**	2,493	**2,297**	2,113
Debt securities	**4,263**	3,855	**4,058**	3,768
Loans and advances	**44,703**	44,576	**44,640**	44,454
Off-balance sheet exposures for derivatives	**415**	428	**422**	334
Other off-balance sheet exposures[2]	**1,144**	1,013	**1,079**	1,006
Other	**209**	202	**206**	223
Total Exposures	52,835	52,567	52,702	51,898

Portfolios Subject to the Standardised Approach	Gross Credit Exposure [1] $m		Average Gross Credit Exposure $m	
	August 20	May 20	August 20	May 20
Government	**4,176**	3,765	**3,970**	3,628
Bank	**2,607**	3,011	**2,809**	2,587
Residential mortgage	**30,487**	30,154	**30,321**	30,015
Other retail	**15,356**	15,435	**15,396**	15,445
Other	**209**	202	**206**	223
Corporate	**–**	–	**–**	–
Total Exposures	52,835	52,567	52,702	51,898

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.

Table 4: Credit Risk (continued)

August 20

Portfolios Subject to the Standardised Approach	Impaired Loans [(1)] $m	Past Due Loans > 90 Days [(2)] $m	Specific Provision Balance [(2)] $m	Charges for Specific Provision $m	Write-Offs $m
Government	–	–	–	–	–
Bank	–	–	–	–	–
Residential mortgages	185	240	55	(1)	2
Other retail	139	125	148	4	4
Other	–	–	–	–	–
Corporate	–	–	–	–	–
Total	**324**	**365**	**203**	**3**	**6**

May 20

Portfolios Subject to the Standardised Approach	Impaired Loans [(1)] $m	Past Due Loans > 90 Days [(2)] $m	Specific Provision Balance [(2)] $m	Charges for Specific Provision $m	Write-Offs $m
Government	–	–	–	–	–
Bank	–	–	–	–	–
Residential mortgages	181	226	36	(1)	2
Other retail	134	136	98	7	5
Other	–	–	–	–	–
Corporate	–	–	–	–	–
Total	315	362	134	6	7

	August 20 $m	May 20 $m
Statutory Equity Reserve for Credit Losses	63	64
Collective provision	167 [(3)]	171
APRA General Reserve for Credit Losses	230	235

Notes:

(1) Reconciliation of impaired loans	August 20 $m	May 20 $m
Impaired Assets per Table 4: Credit Risk	324	315
Add: Impaired assets in off-balance sheet securitisation trusts	13	14
Less: Restructured facilities included in APS	(142)	(136)
Impaired Assets per Accounting Standards	195	193

(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 $81m for August 2020 and $120m for May 2020.

(3) During the August 20 quarter, the AASB9 Collective Provision increased by $103m. Stage 3 and the stage 2 delinquent component of $108m was transferred to Specific Provision. Of this, $66m relates to impacts from the COVID-19 pandemic, which includes amounts not transferred to Specific Provision in previous quarters. The total overlay for COVID-19 for the August 20 quarter was $62m compared to $61m in the May 20 quarter.

Table 5: Securitisation Exposures

	August 20		May 20	
Exposure Type	**Securitisation Activity $m**	**Gain or Loss on Sale $m**	Securitisation Activity $m	Gain or Loss on Sale $m
Securities held in the banking book	15	–	(18)	–
Securities held in the trading book	–	–	–	–
Liquidity facilities	–	–	(3)	–
Funding facilities	–	–	2	–
Swaps	(14)	–	19	–
Other [1]	(17)	–	2,228	–
Total	**(16)**	**–**	**2,228**	–

August 20

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	267	–	3	6	–	7,675
Off-balance sheet securitisation exposure	–	–	–	–	40	–
Total	267	–	3	6	40	7,675

May 20

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	252	–	3	6	–	7,692
Off-balance sheet securitisation exposure	–	–	–	–	54	–
Total	252	–	3	6	54	7,692

Notes:

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

Table 20: Liquidity Coverage Ratio

APRA requires authorised deposit-taking institutions (**ADI**) to maintain a minimum 100 per cent Liquidity Coverage Ratio (**LCR**). 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 comprise 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 average LCR over the August quarter was 160%, which is 20% higher than the previous May 2020 quarter average of 140%. Net Cash Outflows (**NCO**) were flat over the period. The main driver of the increased LCR was the Term Funding Facility (**TFF**) and additional High Quality Liquid Asset (**HQLA**) holdings. The following table presents detailed information on the average LCR composition for the two quarters. 92 data points were used in calculating the average figures for the May 2020 quarter and 92 data points were used in calculating the average figures for the August 2020 quarter.

Table 20: Liquidity Coverage Ratio (continued)

	Average Quarterly Performance			
	August 20		May 20	
	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)	*n/a*	*4,326*	*n/a*	*3,827*
Alternative liquid assets (ALA)	*n/a*	*4,638*	*n/a*	*3,732*
Total Liquid Assets	n/a	8,964	n/a	7,559
CASH OUTFLOWS				
Retail deposits and deposits from small business customers	18,966	1,871	17,854	1,806
of which: stable deposits	*8,166*	*408*	*7,364*	*368*
of which: less stable deposits	*10,800*	*1,463*	*10,490*	*1,438*
Unsecured wholesale funding	4,528	2,519	4,523	2,630
of which: non-operational deposits	*3,835*	*1,826*	*3,760*	*1,867*
of which: unsecured debt	*693*	*693*	*763*	*763*
Secured wholesale funding	n/a	57	n/a	47
Additional requirements	2,566	827	2,308	821
of which: outflows related to derivatives exposures and other collateral requirements	*735*	*735*	*743*	*743*
of which: credit and liquidity facilities	*1,831*	*92*	*1,565*	*78*
Other contractual funding obligations	1,310	999	1,219	914
Other contingent funding obligations	7,235	399	7,927	459
Total Cash Outflows	34,605	6,672	33,831	6,677
CASH INFLOWS				
Secured lending (e.g. reverse repos)	93	-	115	-
Inflows from fully performing exposures	636	325	681	376
Other cash inflows	733	732	888	887
Total Cash Inflows	1,462	1,057	1,684	1,264
Total Net Cash Outflows	33,143	5,615	32,147	5,413
Total Liquid Assets	n/a	8,964	n/a	7,559
Total Net Cash Outflows	n/a	5,615	n/a	5,413
Liquidity Coverage Ratio (%)	n/a	160%	n/a	140%

Table 21: 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 NSFR at 31 August 2020 was 119%, this represent a 4% increase from the 31 May 2020 result of 115%. NSFR has benefited from customer deposit growth resulting in an additional $1 billion of Available Stable Funding.

Table 21: Net Stable Funding Ratio (continued)

August 20

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
AVAILABLE STABLE FUNDING (ASF) ITEM					
Capital	4,497	–	–	550	5,047
of which: regulatory capital	*4,497*	–	–	*550*	*5,047*
Retail deposits and deposits from small business customers	18,563	6,941	–	–	23,471
of which: stable deposits	*8,251*	*2,113*	–	–	*9,846*
of which: less stable deposits	*10,312*	*4,828*	–	–	*13,625*
Wholesale funding	2,380	12,219	1,330	6,498	11,891
of which: other wholesale funding	*2,380*	*12,219*	*1,330*	*6,498*	*11,891*
Other liabilities	367	214	118	93	152
of which: NSFR derivative liabilities	*n/a*	*114*	–	–	*n/a*
of which: all other liabilities and equity not included in the above categories	*367*	*100*	*118*	*93*	*152*
Total ASF	n/a	n/a	n/a	n/a	40,561
REQUIRED STABLE FUNDING (RSF) ITEM					
Total NSFR (HQLA)	n/a	n/a	n/a	n/a	213
Alternative liquid assets	n/a	n/a	n/a	n/a	506
RBNZ securities	n/a	n/a	n/a	n/a	–
Deposits held at other financial institutions for operational purposes	490	–	–	–	436
Performing loans and securities	–	2,791	2,563	35,888	30,102
of which: performing loans to financial institutions secured by Level 1 HQLA	–	*100*	–	–	*10*
of which: performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	*76*	*101*	–	*62*
of which: 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:	–	*2,095*	*1,937*	*10,932*	*11,261*
with a risk weight of less than or equal to 35% under APS 112	–	*128*	*133*	*871*	*697*
of which: performing residential mortgages, of which:	–	*520*	*525*	*24,898*	*18,719*
with a risk weight equal to 35% under APS 112	–	*208*	*219*	*19,506*	*13,827*
of which: securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	–	–	*59*	*50*

Table 21: Net Stable Funding Ratio (continued)

August 20

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
Other assets:	1,754	310	36	763	2,563
of which: assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)	*n/a*	–	–	*84*	*71*
of which: NSFR derivative assets	n/a	–	–	41	41
of which: NSFR derivative liabailities before deduction of variation margin posted	*n/a*	–	–	161	161
of which: all other assets not included in the above categories	*1,754*	*310*	*36*	*478*	*2,290*
Off-balance sheet items	n/a	–	–	4,026	204
Total RSF	**n/a**	**n/a**	**n/a**	**n/a**	**34,022**
Net Stable Funding Ratio (%)	**n/a**	**n/a**	**n/a**	**n/a**	**119%**

Table 21: Net Stable Funding Ratio (continued)

May 20

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
AVAILABLE STABLE FUNDING (ASF) ITEM					
Capital	4,420	–	–	550	4,970
of which: regulatory capital	*4,420*	–	–	*550*	*4,970*
Retail deposits and deposits from small business customers	16,907	7,471	–	–	22,423
of which: stable deposits	*7,359*	*2,285*	–	–	*9,162*
of which: less stable deposits	*9,548*	*5,186*	–	–	*13,261*
Wholesale funding	2,101	13,216	1,227	6,671	11,950
of which: other wholesale funding	*2,101*	*13,216*	*1,227*	*6,671*	*11,950*
Other liabilities	535	143	130	97	161
of which: NSFR derivative liabilities	*n/a*	*77*	–	–	*n/a*
of which: all other liabilities and equity not included in the above categories	*535*	*66*	*130*	*97*	*161*
Total ASF	n/a	n/a	n/a	n/a	39,504
REQUIRED STABLE FUNDING (RSF) ITEM					
Total NSFR (HQLA)	n/a	n/a	n/a	n/a	190
Alternative liquid assets	n/a	n/a	n/a	n/a	449
RBNZ securities	–	–	–	–	–
Deposits held at other financial institutions for operational purposes	634	–	–	–	568
Performing loans and securities	–	3,285	2,253	36,192	30,292
Performing loans to financial institutions secured by Level 1 HQLA	–	*348*	–	–	*35*
of which: performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	*186*	–	*54*	*82*
of which: 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:	–	*2,187*	*1,716*	*11,148*	*11,389*
with a risk weight of less than or equal to 35% under APS 112	–	*103*	*137*	*904*	*707*
of which: performing residential mortgages, of which:	–	*564*	*537*	*24,990*	*18,786*
with a risk weight equal to 35% under APS 112	–	*211*	*220*	*19,723*	*13,974*
of which: securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	–	–	–	–

Table 21: Net Stable Funding Ratio (continued)

May 20

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
Other assets:	1,723	427	37	827	2,613
of which: assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)	*n/a*	–	–	*73*	*62*
of which: NSFR derivative assets	*n/a*	–	–	*153*	*153*
of which: NSFR derivative liabailities before deduction of variation margin posted	*n/a*	–	–	*153*	*153*
of which: all other assets not included in the above categories	*1,723*	*427*	*37*	*448*	*2,245*
Off-balance sheet items		–	–	4,089	211
Total RSF	n/a	n/a	n/a	n/a	34,323
Net Stable Funding Ratio (%)	n/a	n/a	n/a	n/a	115%