2018 RESULTS PRESENTATION

4 OCTOBER 2018

Year ended 31 August 2018

BANK OF QUEENSLAND LIMITED ABN 32 009 656 740. AFSL NO 244616.

AGENDA

RESULTS OVERVIEW

Jon Sutton Managing Director & CEO

FINANCIAL DETAIL

Matt Baxby Chief Financial Officer

SUMMARY & OUTLOOK

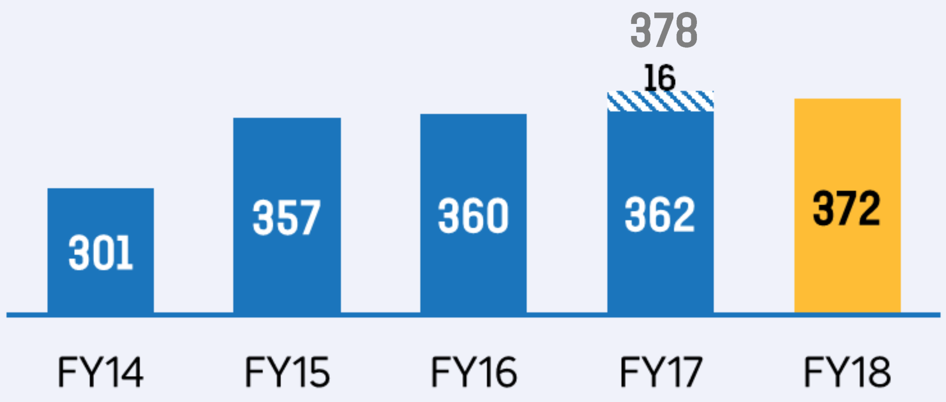
Jon Sutton Managing Director & CEO

FY18 HIGHLIGHTS

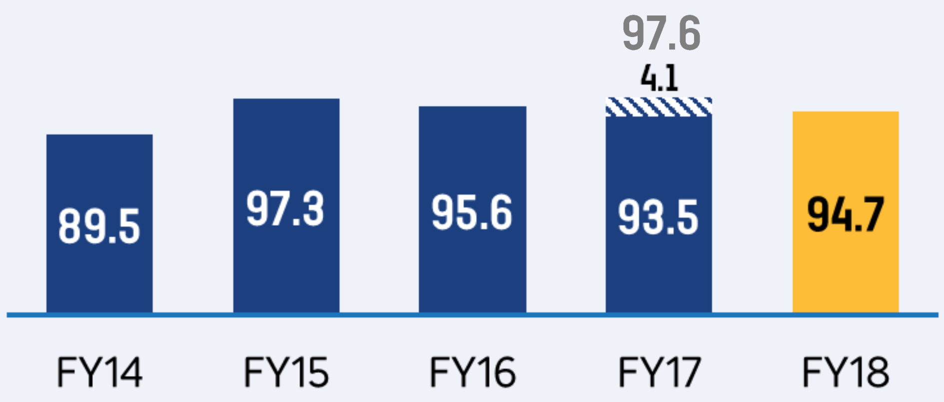
1. Evolution of the business continues
2. Good underlying result in a difficult environment
3. Consistent growth in commercial niche segments
4. Asset quality remains a key strength
5. Utilising strong capital position to invest for the future

KEY ELEMENTS OF THE RESULT

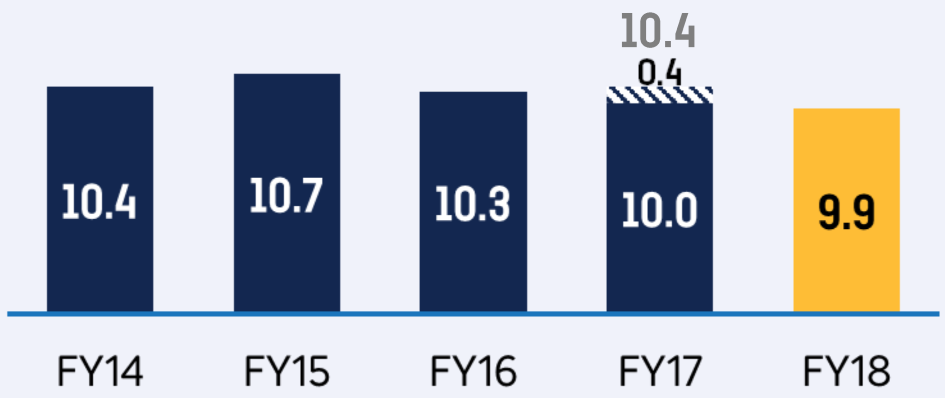
CASH EARNINGS AFTER TAX ($M)[1]



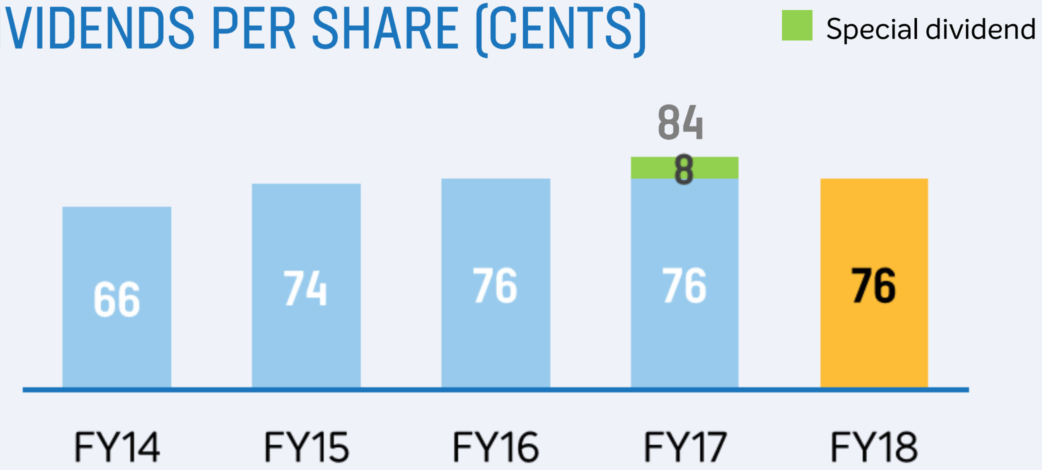
EARNINGS PER ORDINARY SHARE (CENTS)[1]



RETURN ON EQUITY (%)[1]



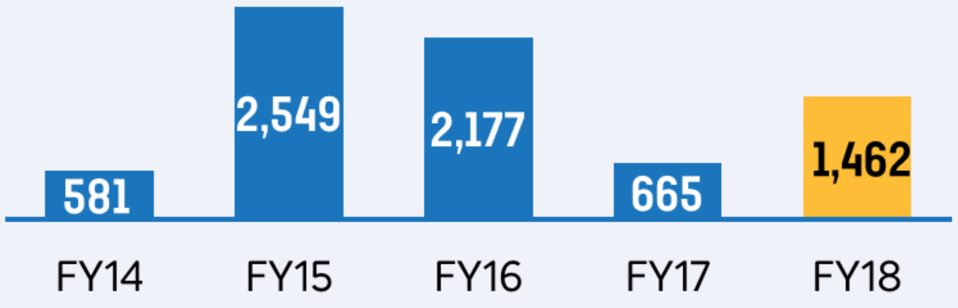
DIVIDENDS PER SHARE (CENTS)



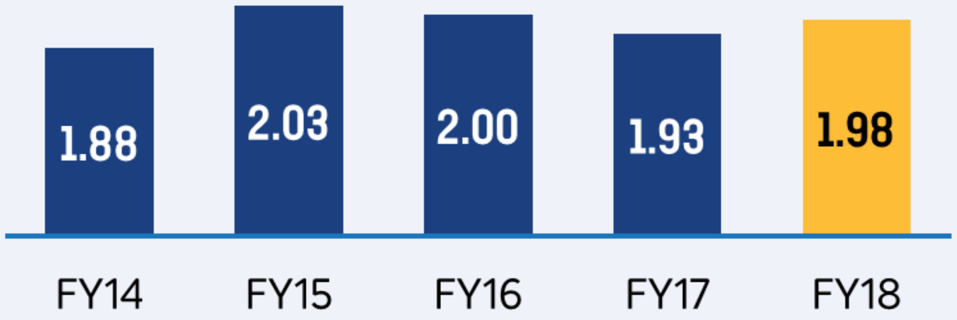
(1) FY17 shows an adjusted view to exclude the $16m profit on disposal of a vendor finance entity

DRIVERS OF THE RESULT

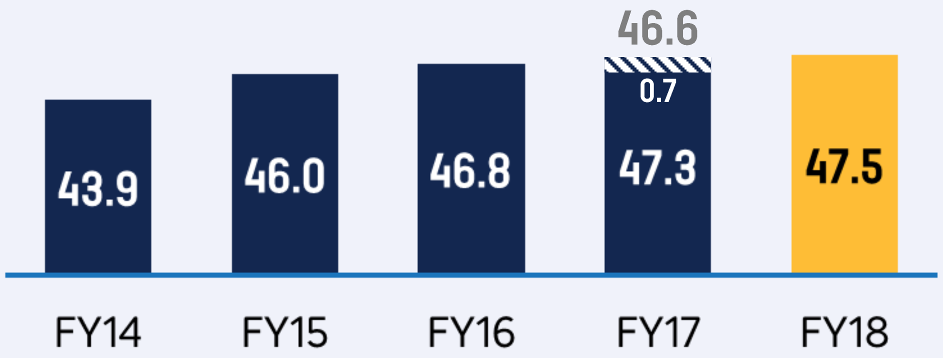
LENDING GROWTH ($M)



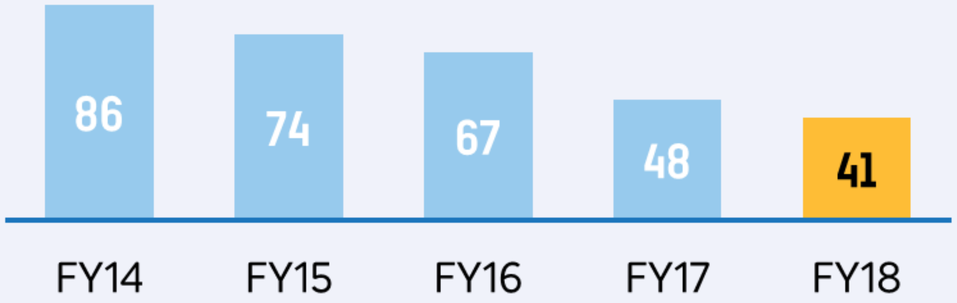
NET INTEREST MARGIN (%)



COST TO INCOME RATIO (%) (1)



LOAN IMPAIRMENT EXPENSE ($M)



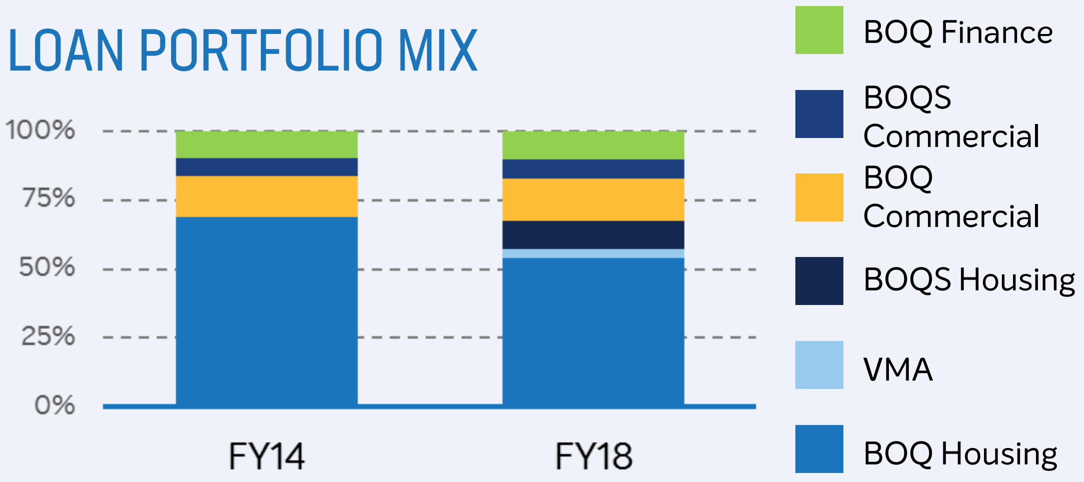
(1) FY17 shows an adjusted view to exclude the $16m profit on disposal of a vendor finance entity

BUSINESS EVOLUTION ONGOING

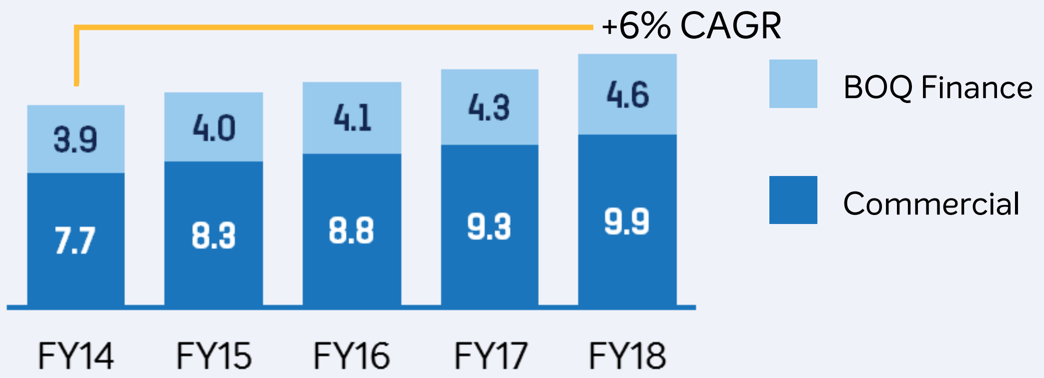
SUMMARY

- More diversified business mix
- Managing the business for long term returns
- Next phase of evolution will involve implementation of new customer-facing systems and processes

LOAN PORTFOLIO MIX



BOQ BUSINESS LENDING BALANCES ($B)



SYSTEMS & PROCESSES

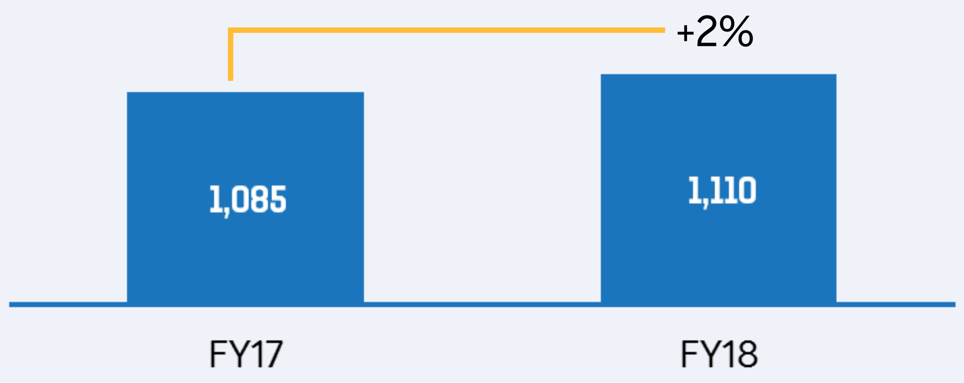
- Focused on enhancing customer experience across brands
- Evolving from manual, paper-based back office to more digitised operations
- Modernisation of technology infrastructure towards hybrid cloud and API gateways

GOOD UNDERLYING RESULT IN DIFFICULT MARKET

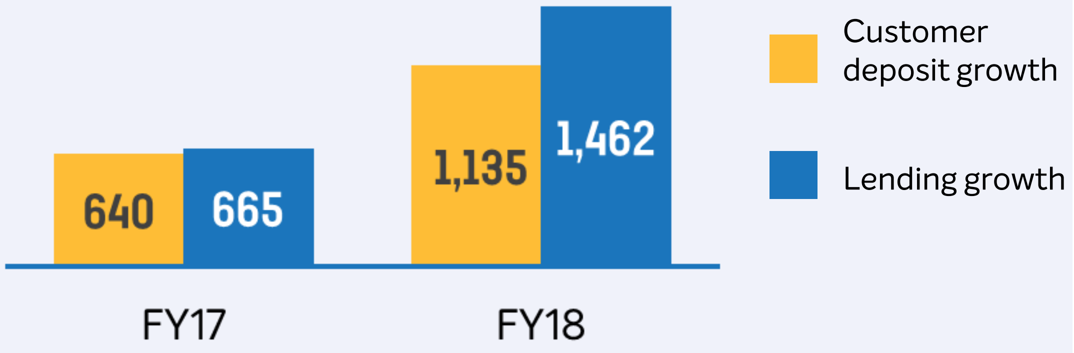
SUMMARY

- > Significant headwinds facing the sector
- > Underlying revenue growth of 2%
- > NIM increased 5bps to 1.98% despite impact of basis
- > Lending growth funded by improved deposit mix
- > Expense growth contained while still investing in the business

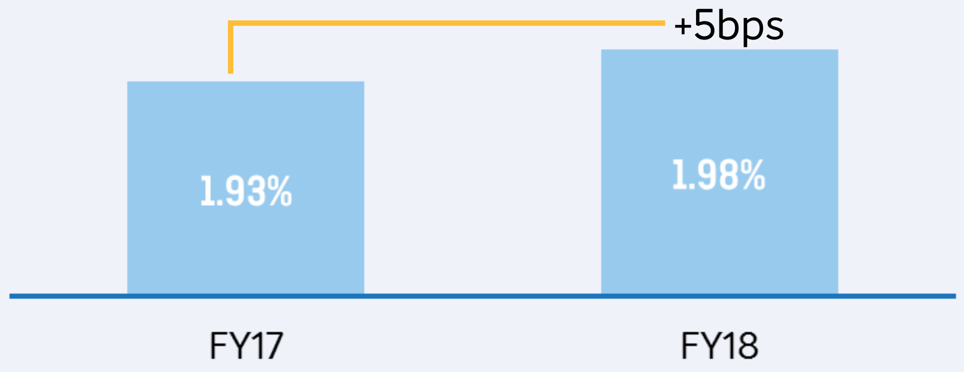
UNDERLYING REVENUE GROWTH ($M)[1]



LENDING & DEPOSIT GROWTH ($M)



NET INTEREST MARGIN



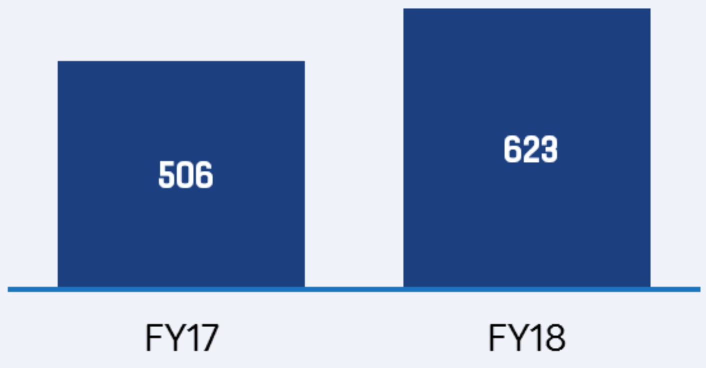
(1) Excludes the $16m profit on disposal of a vendor finance entity in FY17

LENDING GROWTH DRIVEN BY NICHE SEGMENTS

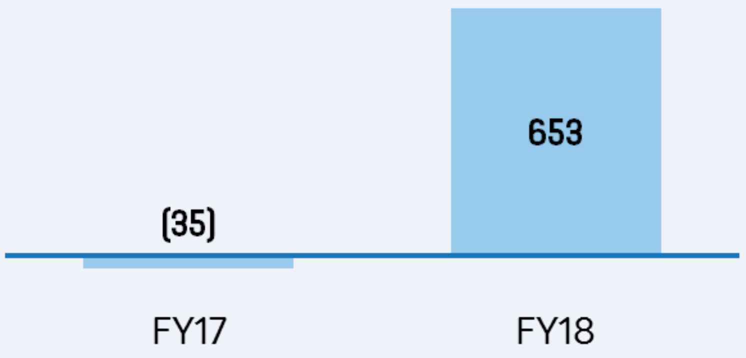
SUMMARY

- Total loan growth of $1.5bn with above-system growth in commercial
- VMA & BOQ Specialist continue to drive housing loan growth
- BOQ Finance delivered particularly strong growth
- Branches funded lending growth through solid levels of deposit growth

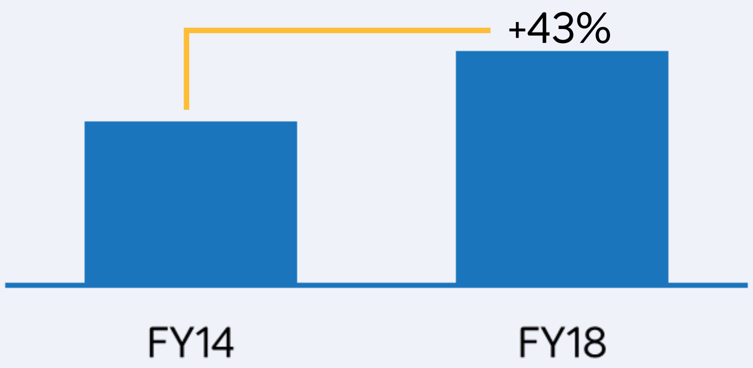
COMMERCIAL NICHE SEGMENT GROWTH ($M)



HOUSING LOAN GROWTH ($M)



DEPOSITS PER BRANCH

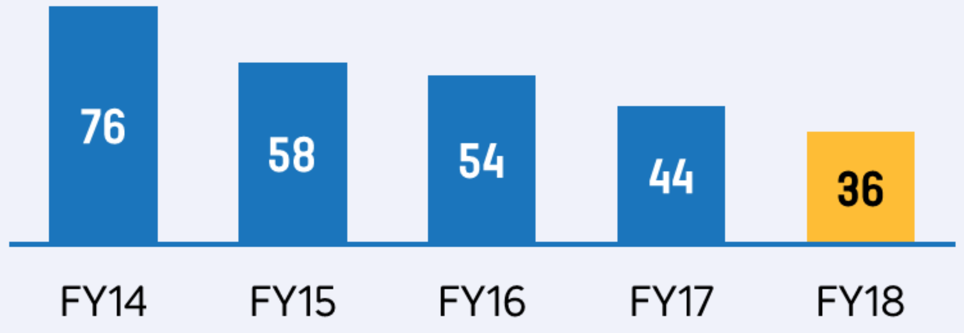


ASSET QUALITY A KEY STRENGTH

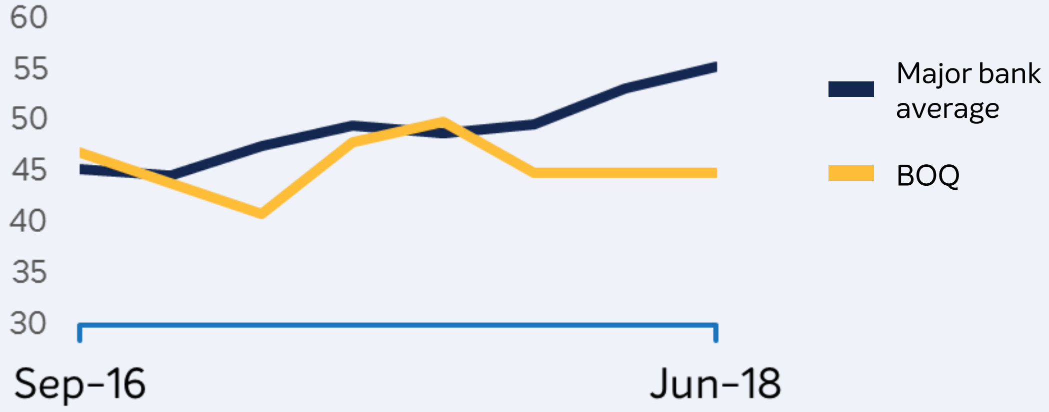
SUMMARY

- Impaired assets down 15%, loan impairment expense down 15%
- Arrears levels remain benign and favourable to peers
- Ongoing improvement a direct consequence of clear risk appetite and responsible lending practices

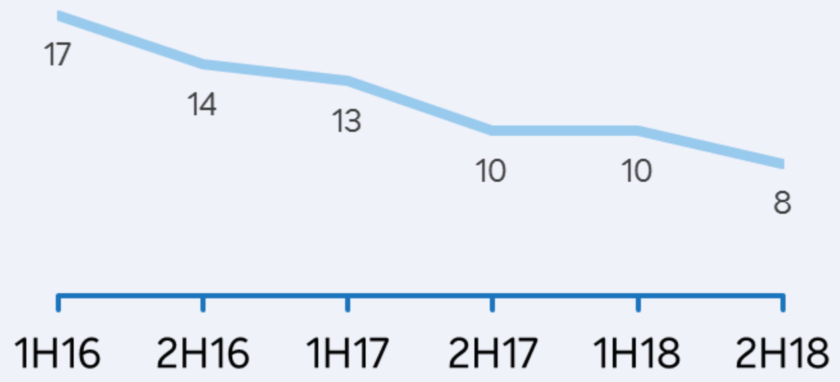
IMPAIRED ASSETS % OF GROSS LOANS (bps)



90-DAY HOUSING ARREARS (bps)[1]



GROUP IMPAIRMENT EXPENSE / GROSS LOANS (bps)



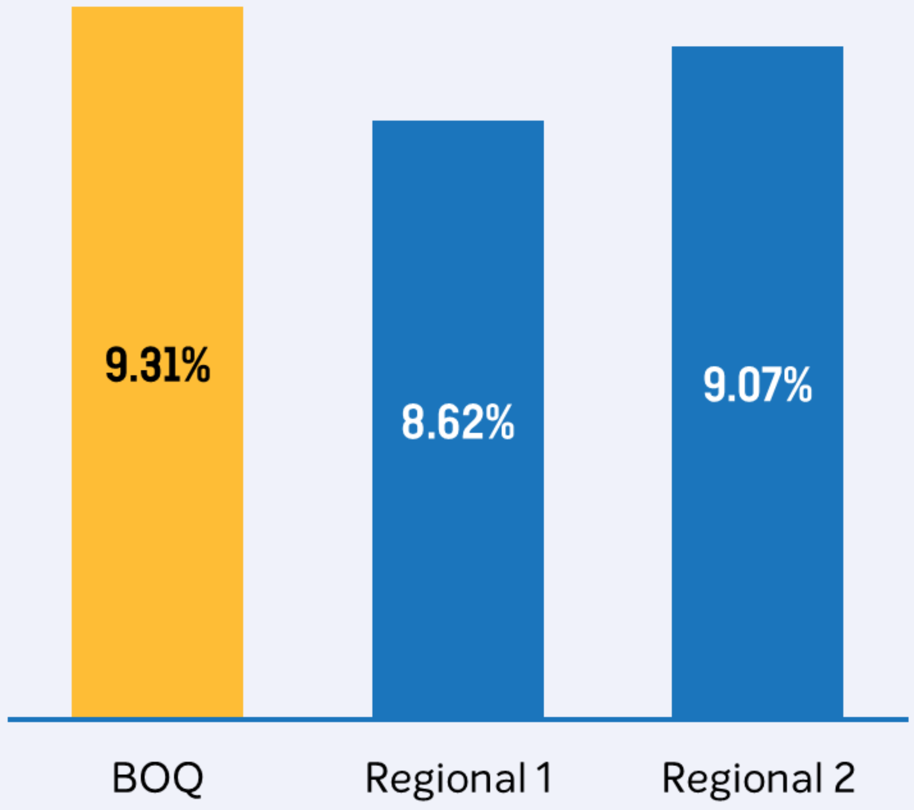
(1) Peer data based on Pillar 3 Residential Mortgage disclosures

UTILISING CAPITAL TO INVEST FOR THE FUTURE

SUMMARY

- CET1 ratio compares favourably with peers
- Customer expectations around digital experience continue to rise
- Additional capital investment will help to position the business for future success
- 7bps of additional CET1 to be utilised for digital banking platforms and customer experience improvements

CET1 CAPITAL VS PEERS[1]



(1) Peer data based on most resent full year disclosures for Bendigo & Adelaide Bank and Suncorp Bank

FINANCIAL DETAIL

MATT BAXBY
CHIEF FINANCIAL OFFICER

FINANCIAL PERFORMANCE: YEAR ON YEAR

BOQ GROUP

	FY18	FY18 v FY17	FY18 v FY17 adjusted[1]
Net interest income	$965m	4% ▲	4% ▲
Non interest income	$145m	(17%) ▼	(9%) ▼
Total income	**$1,110m**	**1%** ▲	**2%** ▲
Operating expenses	($527m)	3% ▲	3% ▲
Underlying profit	**$583m**	**(1%)** ▼	**2%** ▲
Loan impairment expense	($41m)	(15%) ▼	(15%) ▼
Profit before tax	**$542m**	**-**	**3%** ▲
Income tax expense	($170m)	5% ▲	5% ▲
Cash earnings after tax	**$372m**	**(2%)** ▼	**3%** ▲
Cash basic earnings per share	94.7c	(3%) ▼	1% ▲
Return on average tangible equity	12.9%	(80bps) ▼	(30bps) ▼

(1) Excludes the $16m profit on disposal of a vendor finance entity in FY17

FINANCIAL PERFORMANCE: HALF ON HALF

	2H18	2H18 v 1H18		2H18 v 2H17 adjusted(1)	
Net interest income	$490m	3%	▲	3%	▲
Non interest income	$70m	(7%)	▼	(11%)	▼
Total income	**$560m**	**2%**	▲	**1%**	▲
Operating expenses	($265m)	1%	▲	2%	▲
Underlying profit	**$295m**	**2%**	▲	**1%**	▲
Loan impairment expense	($19m)	(14%)	▼	(10%)	▼
Profit before tax	**$276m**	**4%**	▲	**2%**	▲
Income tax expense	($86m)	2%	▲	2%	▲
Cash earnings after tax	**$190m**	**4%**	▲	**2%**	▲
Cash basic earnings per share	48.2c	4%	▲	–	
Return on average tangible equity	13.0%	10bps	▲	(20bps)	▼

(1) Excludes the $16m profit on disposal of a vendor finance entity in FY17

SEGMENT PERFORMANCE: YEAR ON YEAR

	RETAIL BANKING		BOQ BUSINESS	
	FY18	**FY18 v FY17**	**FY18**	**FY18 v FY17 adjusted[(1)]**
Net interest income	$458m	3%	$514m	7%
Non interest income	$67m	(3%)	$59m	(5%)
Total income	**$525m**	**2%**	**$573m**	**5%**
Operating expenses	($281m)	3%	($228m)	4%
Underlying profit	**$244m**	**1%**	**$345m**	**6%**
Loan impairment expense	($15m)	7%	($26m)	(24%)
Profit before tax	**$229m**	**1%**	**$319m**	**10%**
Income tax expense	($72m)	3%	($100m)	11%
Cash earnings after tax	**$157m**	**-**	**$219m**	**10%**

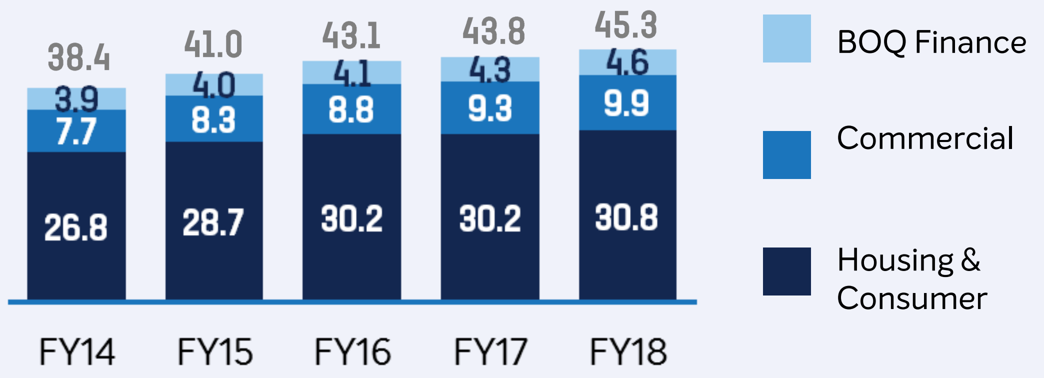
(1) Excludes the $16m profit on disposal of a vendor finance entity in FY17

LOAN PORTFOLIO AND GROWTH

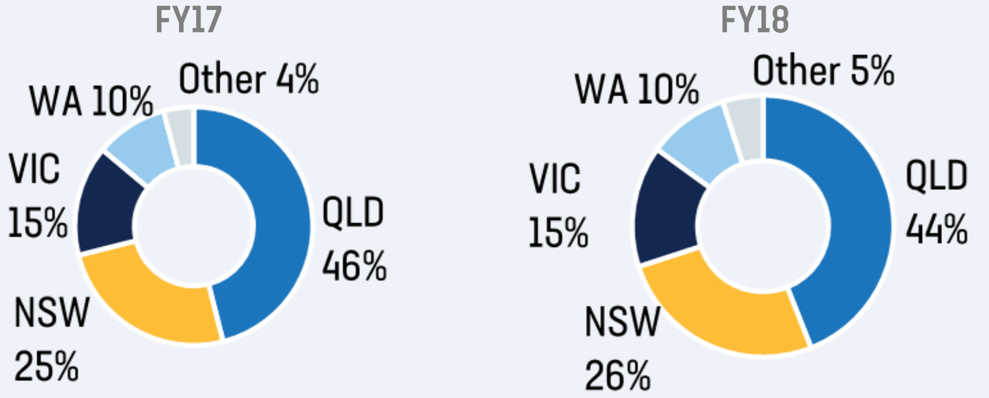
SUMMARY

- Gross loan growth of 3% in a slowing market
- Commercial lending growth of 1.2x system, driven by niche segments
- Housing growth driven by VMA and BOQ Specialist, with improvement in branch network
- Maintained discipline around credit standards

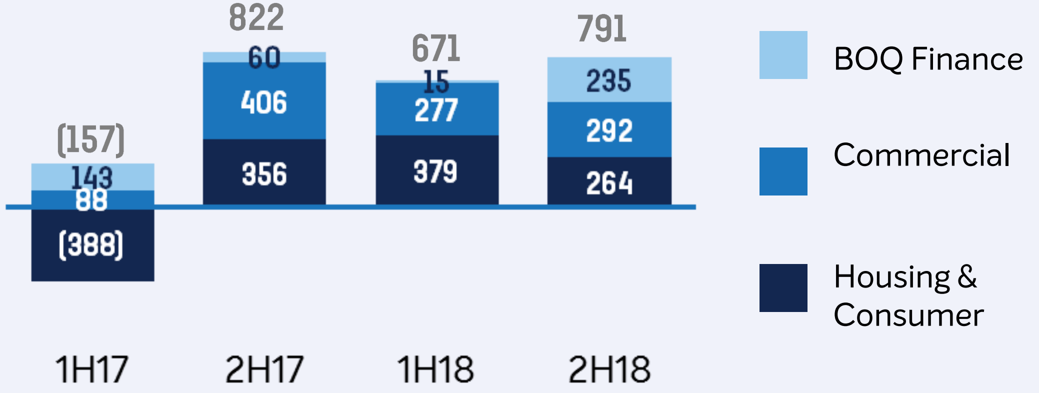
GROSS LOANS & ADVANCES ($B)



TOTAL LENDING GEOGRAPHIC MIX



HALF YEARLY GROWTH COMPOSITION ($M)



SEGMENT PERFORMANCE

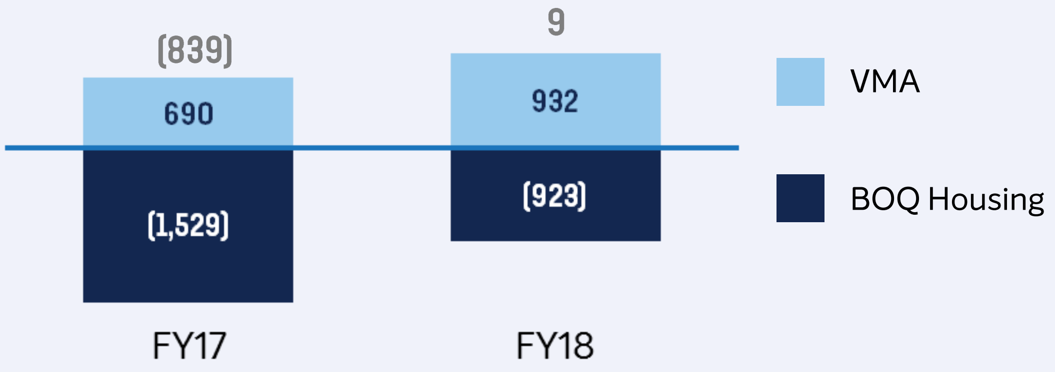
RETAIL BANKING SUMMARY

> Improved growth profile supported by VMA and BOQ Broker channel
> Growth being balanced with margin and risk
> Branches focused on deposit gathering and MFI customer growth

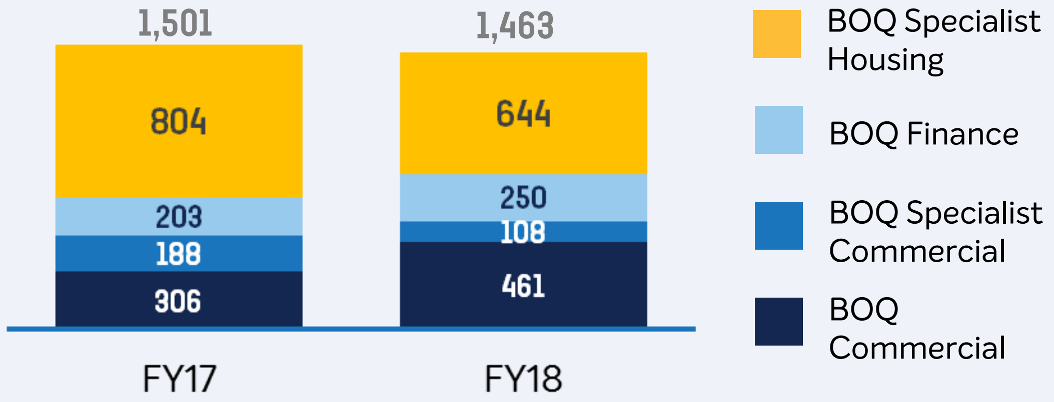
BOQ BUSINESS SUMMARY

> Consistent growth across all business lines
> BOQ Specialist mortgage growth remains strong
> Niche segment growth of $623m
> BOQ Finance delivered solid growth through structured programs

RETAIL HOUSING LOAN GROWTH BY CHANNEL ($M)



BOQ BUSINESS LOAN GROWTH BY CHANNEL ($M)

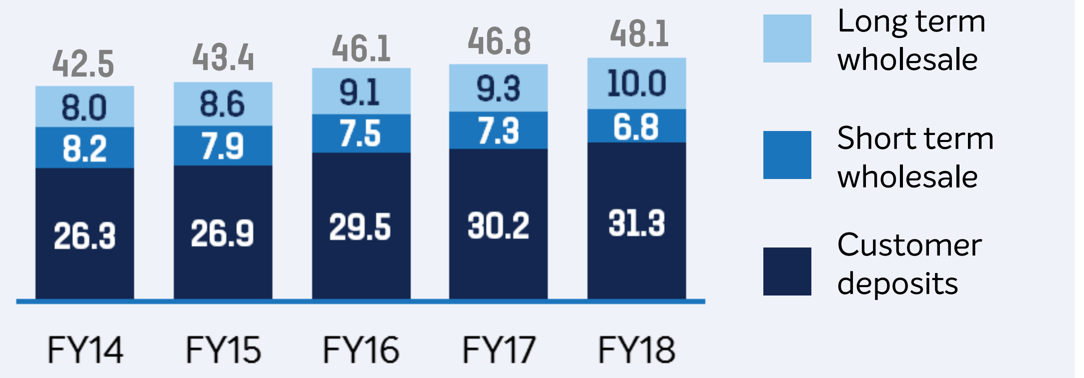


FUNDING MIX

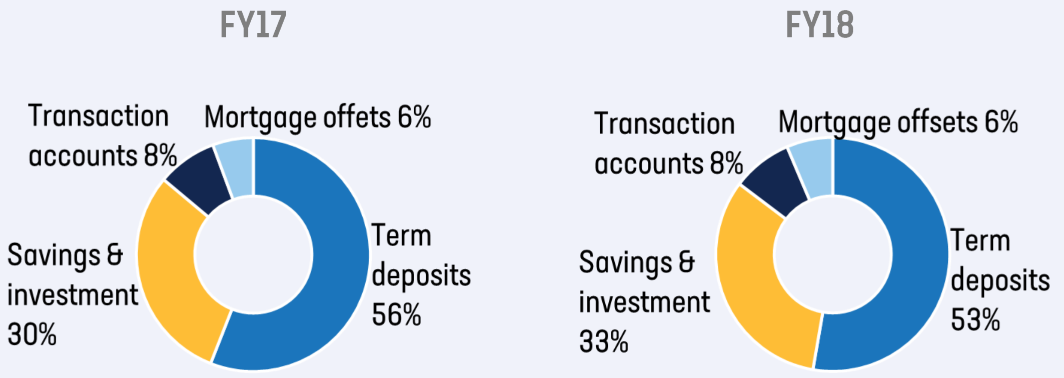
SUMMARY

- Customer deposit growth of 4%
- Deposit to loan ratio of 69%
- Shift in mix towards savings from term deposits
- Selective long term wholesale issuance when market conditions permit

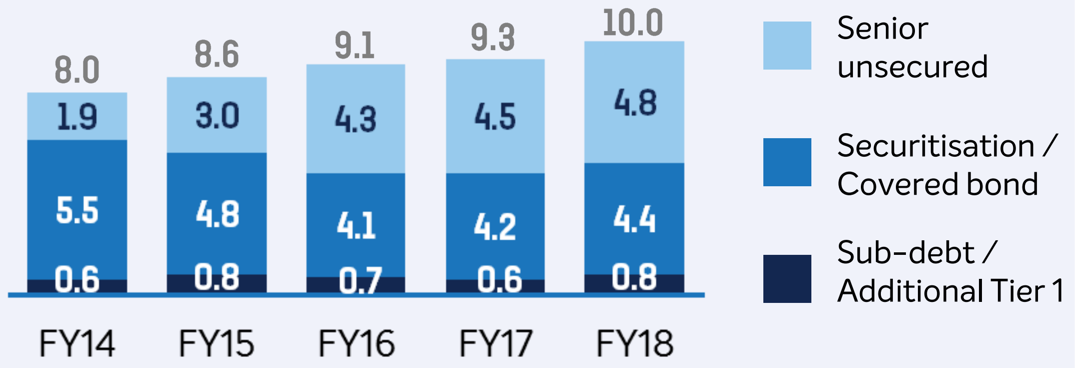
OVERALL FUNDING MIX ($B)



CUSTOMER DEPOSIT MIX

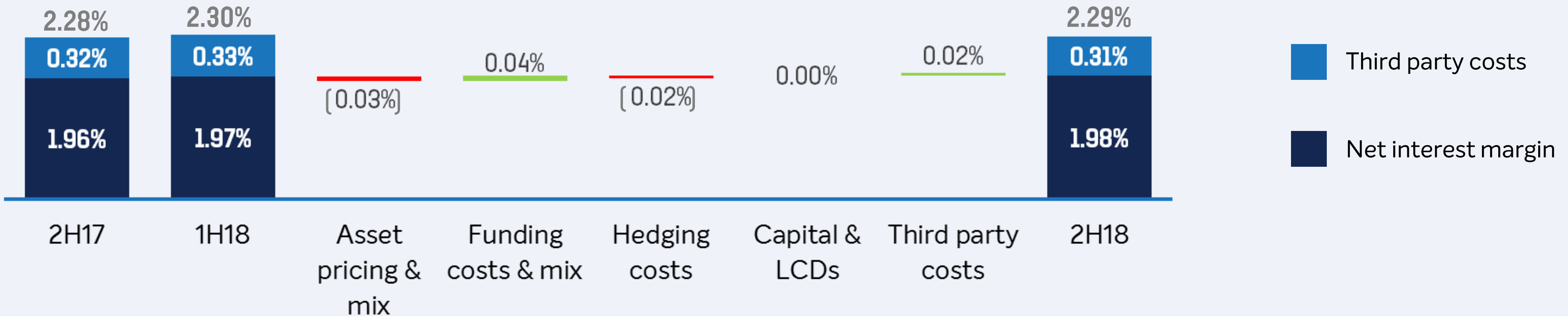


LONG TERM WHOLESALE FUNDING ($B)



NET INTEREST MARGIN

NET INTEREST MARGIN MOVEMENTS 1H18 TO 2H18



2H18 CONSIDERATIONS

> Hedging cost headwind mitigated by improvements driven through funding mix and asset pricing

> Front book vs back book impact ongoing

> 2bps benefit from extension in weighted average life of housing loans, reflecting portfolio trends

SUMMARY OF KEY MOVING PARTS[1]

Element	2H17	1H18	2H18
Asset pricing benefits	+6bps	+4bps	+2bps
Front book pricing & mix	(4bps)	(5bps)	(5bps)
Funding costs & mix	+5bps	+2bps	+4bps
Hedging costs	–	+2bps	(2bps)
Capital & LCDs	(2bps)	(1bp)	–

(1) Other moving parts include a –1bp impact in 1H18 and a +2bps impact in 2H18 related to Third party costs.

NON INTEREST INCOME

SUMMARY

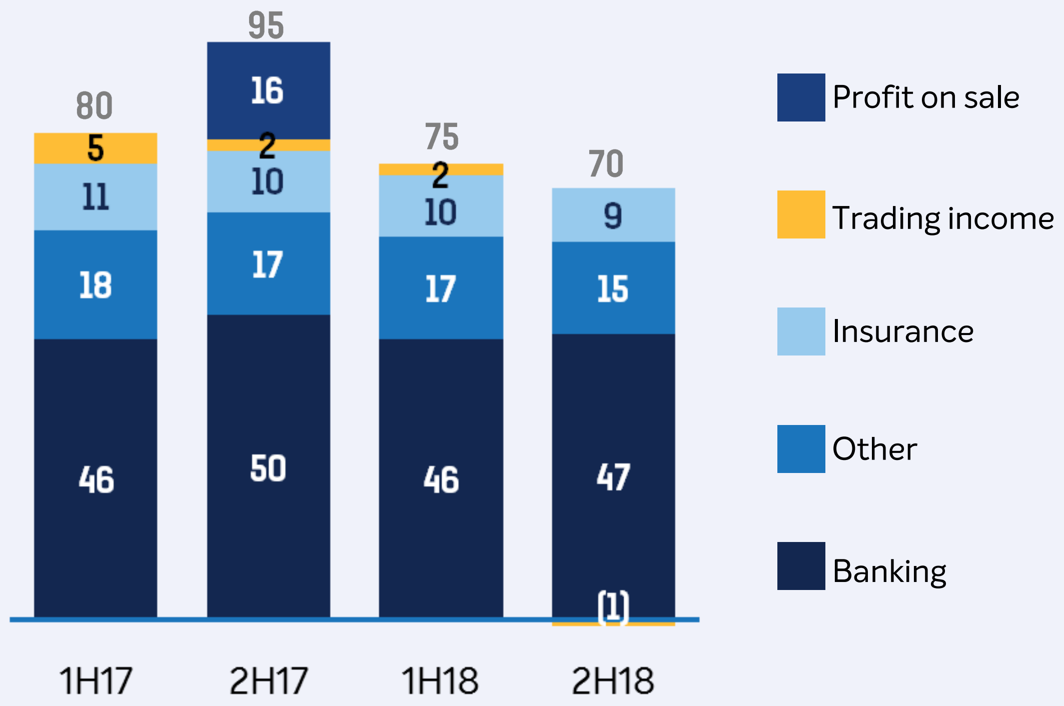
> Ongoing pressure on banking fees

> Limited opportunities for trading income generation

> Insurance income continues to trend lower

> Digital financial market offering to launch in FY19 should start to provide some offset

NON INTEREST INCOME BREAKDOWN ($M)

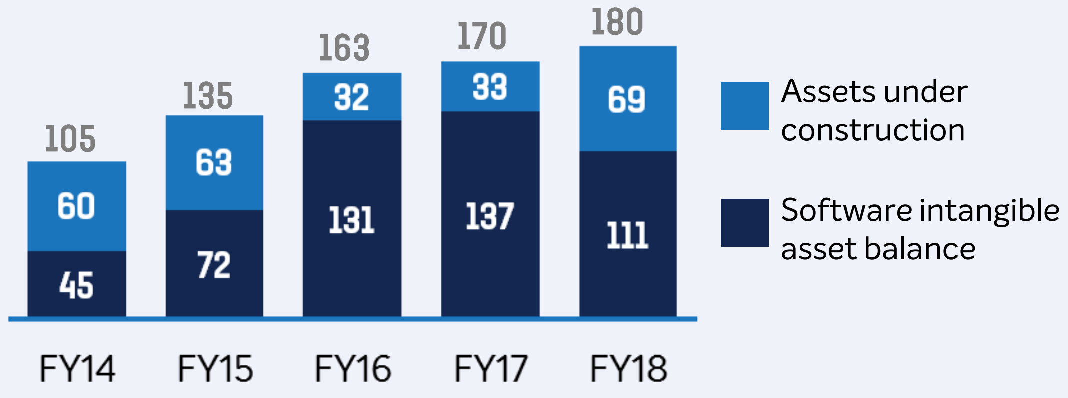


OPERATING EXPENSES

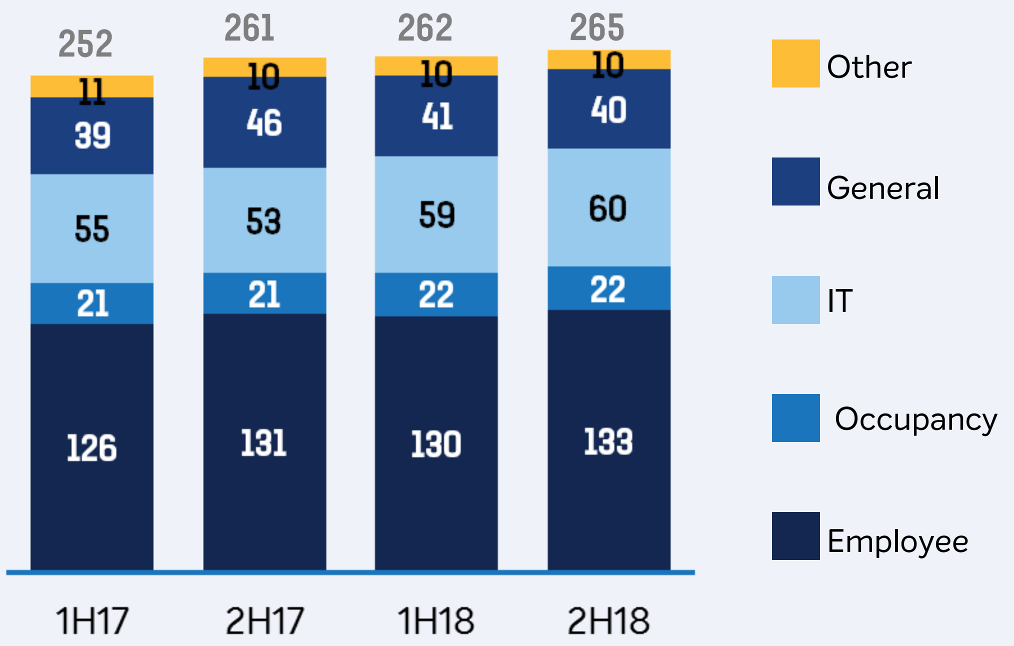
SUMMARY

- Expense growth contained to 3%; CTI 47.5%
- Core expense growth of 1%(1)
- Amortisation increasing with ongoing IT investment
- Increased capital investment flagged for FY19

CARRYING VALUE OF INTANGIBLE ASSETS ($M)



OPERATING EXPENSE BREAKDOWN ($M)



(1) Core expenses excludes amortisation and costs associated with the Virgin Money mortgage offering

NON-CASH EARNINGS ITEMS

	FY18	FY17
Cash earnings after tax	**$372m**	**$378m**
Amortisation of acquisition fair value adjustments	($7m)	($13m)
Hedge ineffectiveness	($3m)	($9m)
Integration / transaction costs	($1m)	($1m)
Regulatory /compliance	($9m)	–
Software changes	($11m)	–
Legacy items	($5m)	($3m)
Statutory Net Profit after tax	**$336m**	**$352m**

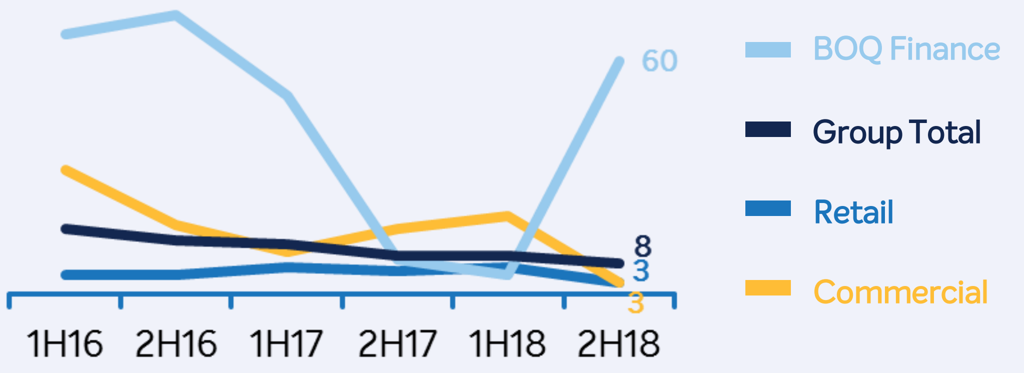
ASSET QUALITY

BOQ GROUP

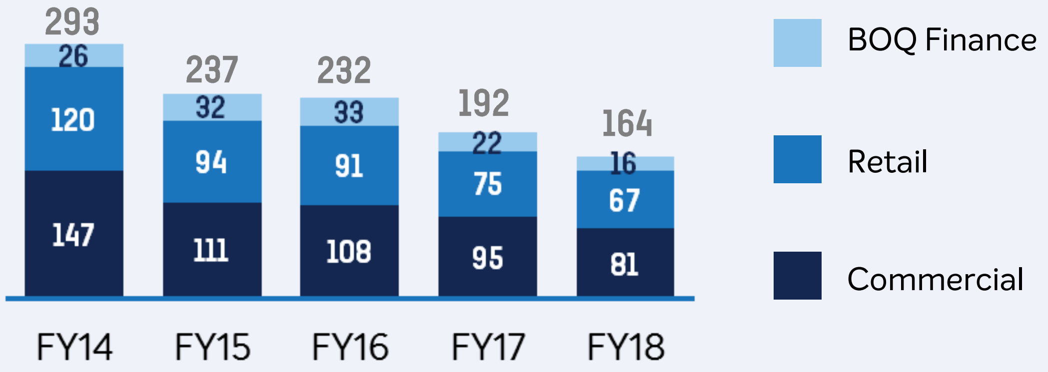
SUMMARY

- Ongoing improvement evident across all metrics
- 15% reduction in impaired assets and loan impairment expense
- Low volume of new impairments

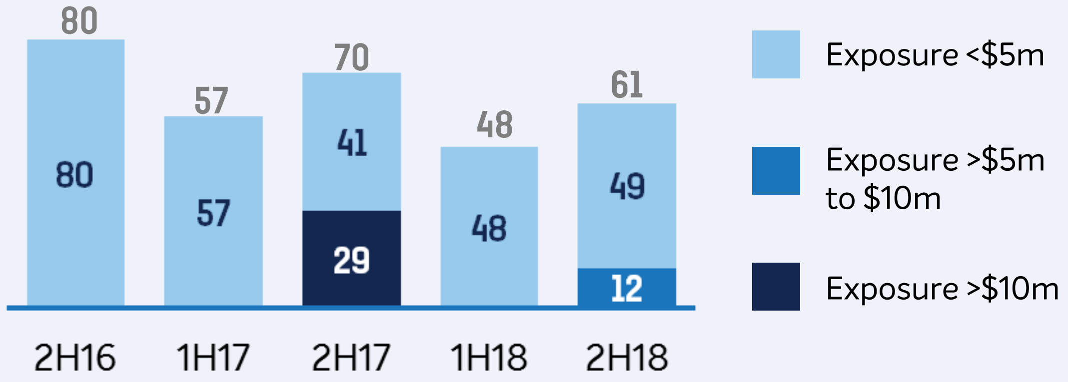
LOAN IMPAIRMENT EXPENSE BY PRODUCT (bps)



IMPAIRED ASSETS ($M)



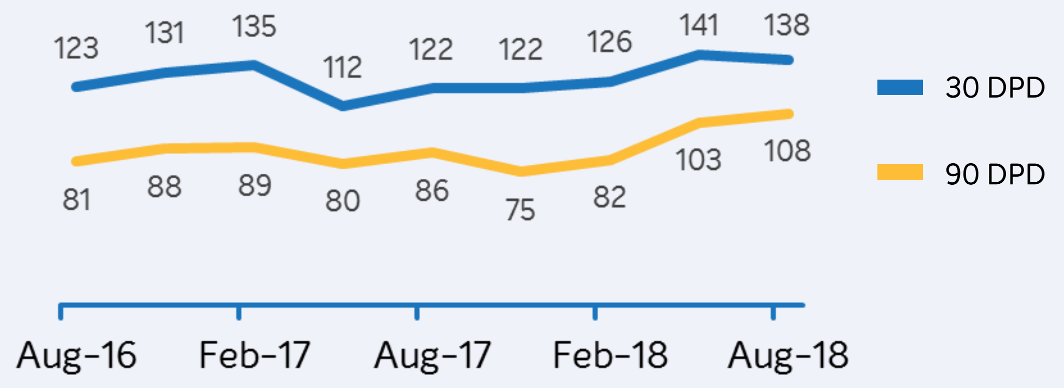
NEW IMPAIRED ASSETS ($M)



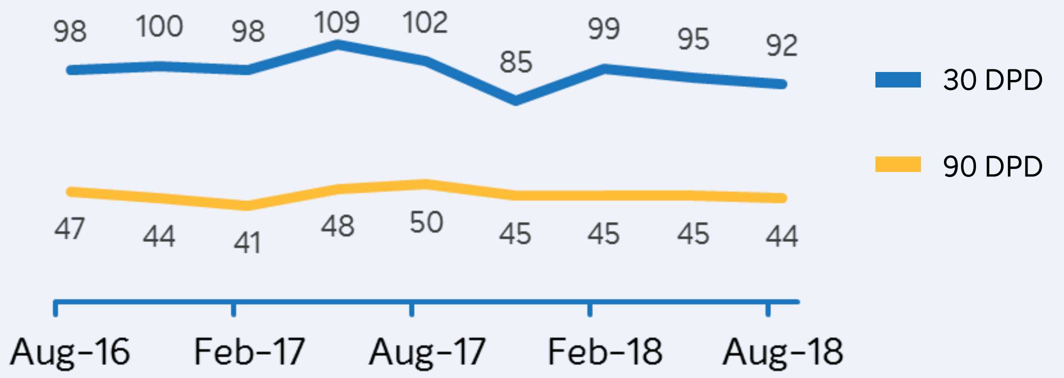
SUMMARY

- Arrears level remain low and steady across all portfolios
- Small increase in commercial arrears
- No areas of concern emerging

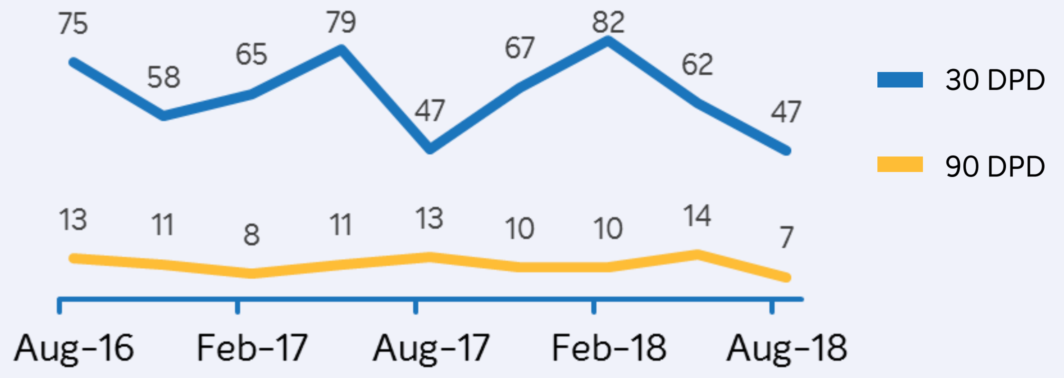
COMMERCIAL ARREARS (bps)



HOUSING ARREARS (bps)



BOQ FINANCE ARREARS (bps)

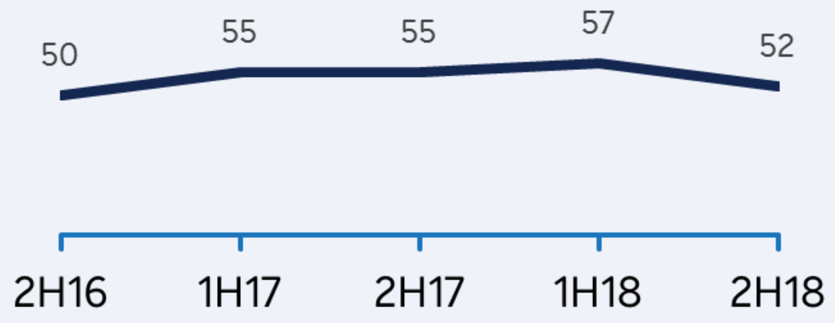


PROVISION COVERAGE

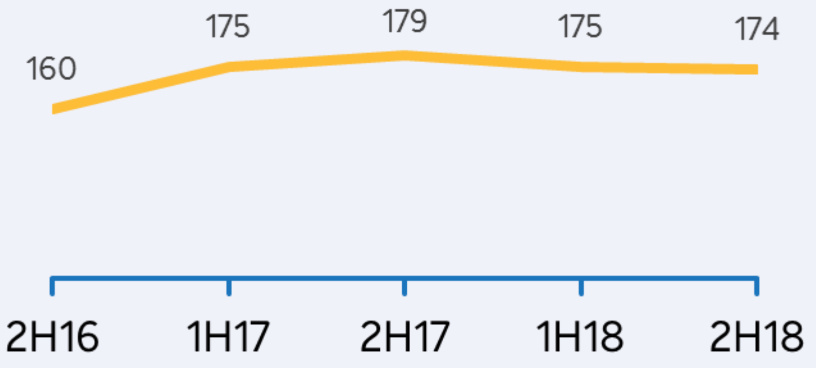
SUMMARY

- Coverage levels remain adequate
- Collective Provisions – AASB 9 impact muted due to model and overlay changes in prior periods

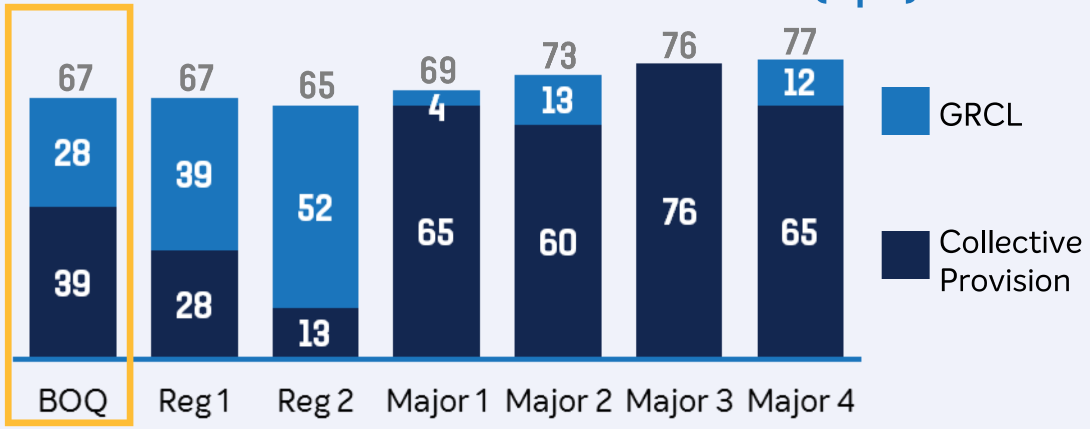
SPECIFIC PROVISIONS / IMPAIRED ASSETS (%)



TOTAL PROVISION & GRCL / IMPAIRED ASSETS (%)

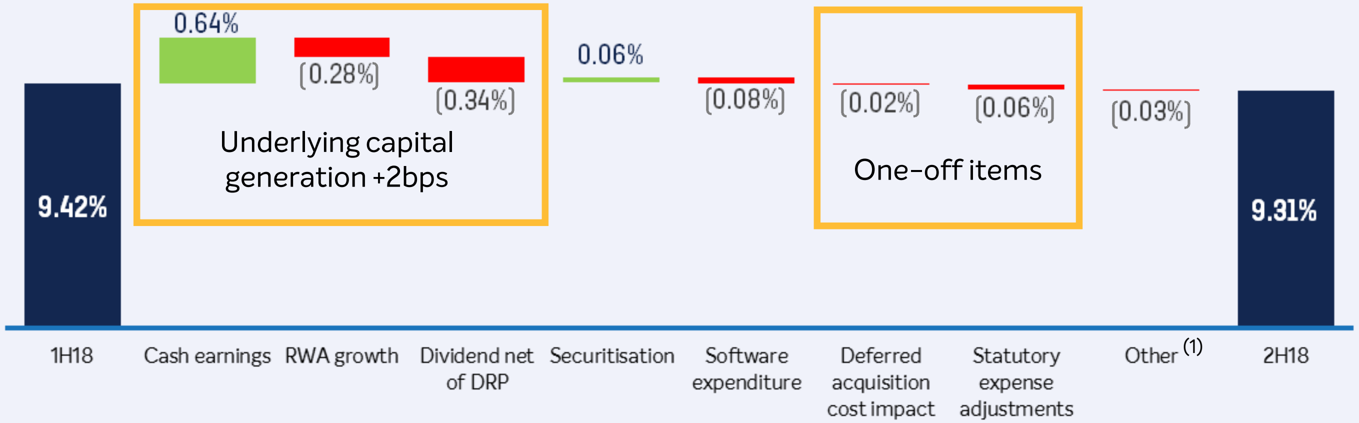


PROVISIONING COVERAGE VS PEERS (bps)



CAPITAL

COMMON EQUITY TIER 1 MOVEMENTS



SUMMARY

- 9.31% Common Equity Tier 1 ratio
- Underlying capital generation of +2bps
- Impact from one-off items of (8bps)
- Increased investment spend reduced CET1 by 8bps

LEVERAGING STRONG CAPITAL POSITION

- Incremental spend of 7bps of CET1 over FY19 & FY20 to accelerate investment in digital assets

(1) Other items includes increased off balance sheet risk weights through changed regulatory treatment net of reduced DTA deductions.

SUMMARY & OUTLOOK

JON SUTTON
MANAGING DIRECTOR & CEO

LONG TERM TRENDS IMPACTING BANKING

Challenging economic landscape

Meeting our customers' digital needs

Competitive dynamics & value chain disruption

Regulatory reform & community expectations

STRATEGIC FOCUS

Execution pillars	Customer in charge	Grow the right way	Always a better way	Loved like no other
BOQ goals	> Achieving digital parity and meeting our customers' digital needs > Delivering a seamless customer experience > Tilting to higher margin segments	> Lift MFI penetration through deposit gathering and pricing for risk > Treat data as a strategic asset > Ensuring a state of readiness to respond to regulatory reform	> Overhauling key processes > Developing capabilities to drive efficiency through digitization	> Define and bring to life our purpose for our people and customers > Deliver a differentiated service offering
Key initiatives	> Upgraded or new digital banking platforms and apps > Accelerate VMA digital bank opportunity	> Focus distribution channels towards deposit gathering and MFI > Close key product gaps to support deeper customer relationships > Develop strategic response to potential regulatory reform	> Establish lending centre of excellence > Continuous improvement initiatives > Digitisation of processes	> Engage our people to define and start to embed our purpose-led culture > Revitalise BOQ core business market positioning

ACCELERATED INVESTMENT IN DIGITAL ASSETS

FASTER TRACK TO DIGITAL PARITY

> Investing in platforms that can be leveraged across all brands

> Focus on enhancing connectivity with customers

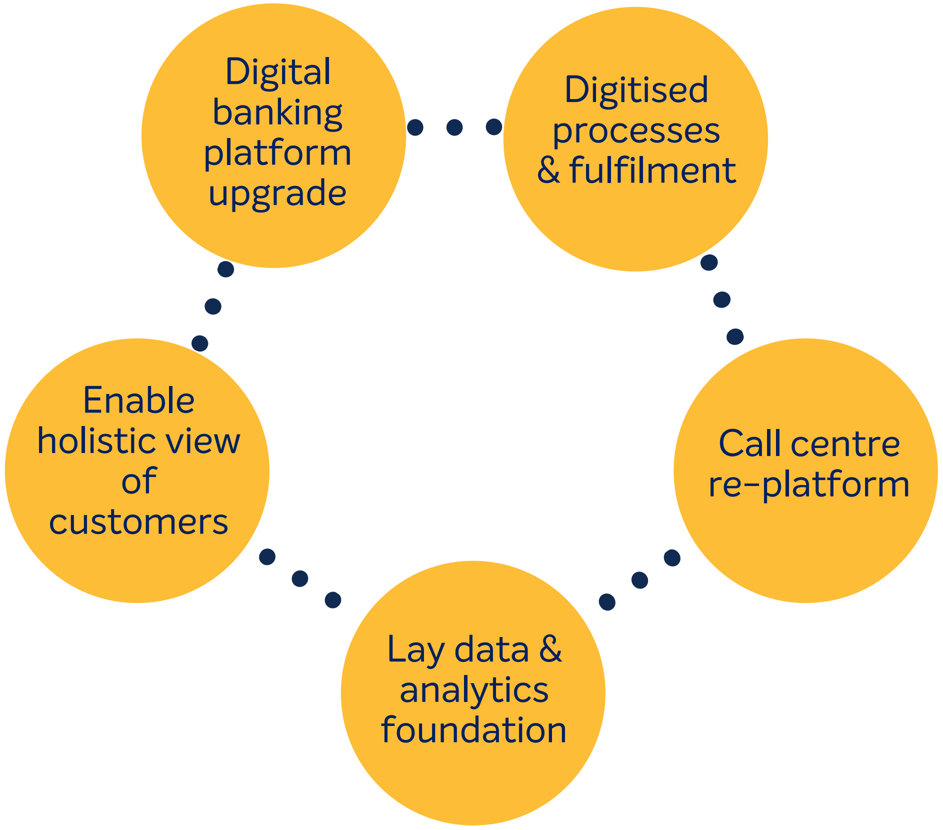
> Keeping pace with expectations of digitally active customers

VMA OPTIONALITY RETAINED

> Proven power of Virgin brand to attract new and valuable customer segments

> Exploring options to leverage the potential of the brand

ACCELERATED INVESTMENT PRIORITIES



OUTLOOK

1. Strategy delivering results
2. Asset quality resilient
3. Investing for future customer needs
4. Ready to respond to regulatory reform

APPENDICES

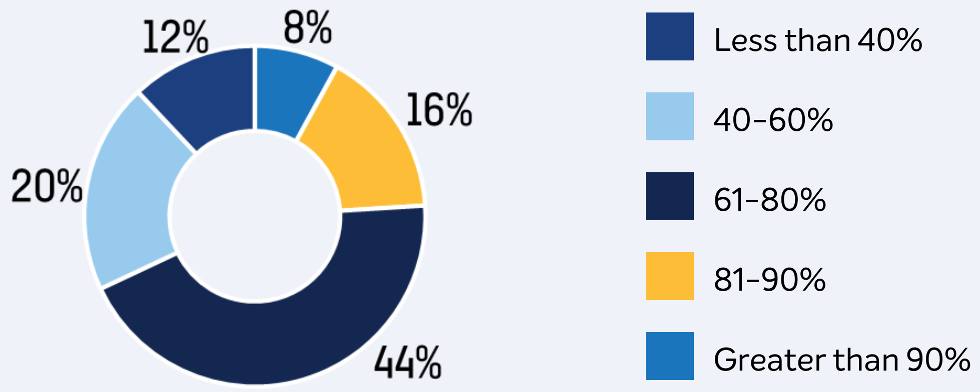
HOUSING PORTFOLIO

BOQ GROUP

SUMMARY

- > Broker settlements at 30% including VMA
- > Interest only settlements reduced significantly
- > Owner occupied P&I loans represent 50% of portfolio

HOUSING PORTFOLIO LVR BANDS



PORTFOLIO METRICS

Metrics (%)	2H17	1H18	2H18
Owner occupied	59	59	59
Investment	41	41	41
Interest only	37	32	29
Broker originated(1)	11	13	15
Weighted avg LVR	67	67	67
Line of Credit	8	7	6
Avg loan balance	$269k	$275k	$280k
Variable rate	72	71	74
Fixed rate	28	29	26

SETTLEMENT METRICS

Metrics (%)	2H17	1H18	2H18
Owner occupied	63	61	61
Investment	37	39	39
Interest only	37	16	14
Broker originated(1)	28	30	30
Weighted avg LVR	69	68	69
Line of Credit	1	1	1
Avg loan balance	$381k	$394k	$408k
Variable rate	72	72	80
Fixed rate	28	28	20

LIMITED EXPOSURE TO HIGH RISK SECTORS

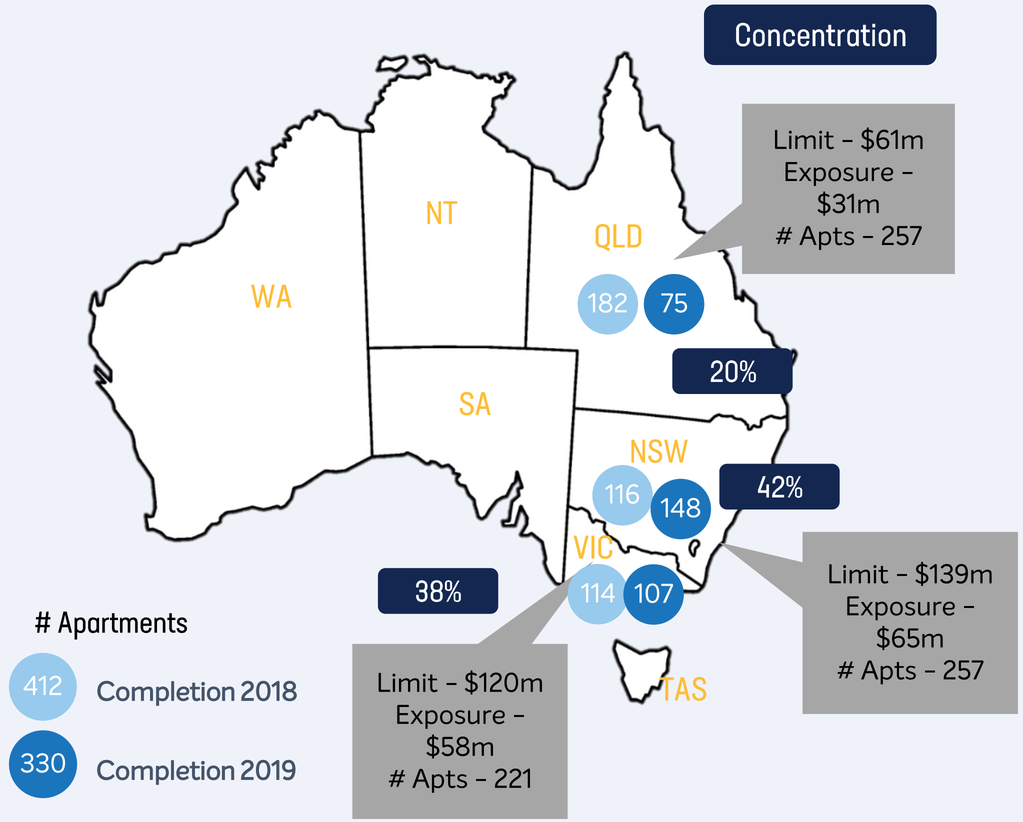
APARTMENT CONSTRUCTION EXPOSURES

> $154m current exposure to residential construction
> 14 developments across 3 states, completing 2018 through 2019
> Well diversified intra-state within NSW and VIC

OTHER HIGH RISK SECTORS

> No material regional housing exposures
> No systemic issues emerging
> Direct mining exposure <$100m

LENDING TO RESIDENTIAL APARTMENT CONSTRUCTION



ABBREVIATIONS

1H: First half of financial year
2H: Second half of financial year
30DPD: 30 days past due
90DPD: 90 days past due
AASB: Australian Accounting Standards Board
APRA: Australian Prudential Regulation Authority
APS: ADI Prudential Standards
Apts: Apartments
AT1: Additional Tier One
Avg: Average
BDD: Bad & Doubtful Debt Expense
bps: basis points
CAGR: Compound annual growth rate
CET1: Common Equity Tier 1
cps: Cents per share
CPS: Convertible Preference Shares
CTI: Cost-to-income ratio
DPD: Days past due
DRP: Dividend Reinvestment Plan
DTA: Deferred tax asset
EPS: Earnings per share
FY: Financial year
GLA: Gross Loans & Advances
GRCL: General Reserve for Credit Losses
LCD: Low cost deposit
LOC: Line of Credit
LVR: Loan to valuation ratio
MFI: Main Financial Institution
NIM: Net Interest Margin
OMB: Owner Managed Branch
P&I: Principal & interest
PCP: Prior corresponding period
ROE: Return on equity
ROTE: Return on tangible equity
RWA: Risk-weighted assets
SME: Small and Medium Enterprises
TD: Term deposit
VMA: Virgin Money Australia

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