12 OCTOBER 2022

BOQ GROUP

FY22

INVESTOR MATERIALS

Full year ended 31 August 2022

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BOQ GROUP

FY22 RESULTS PRESENTATION

12 OCTOBER 2022

Full Year ended 31 August 2022

BOQ GROUP

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- **Executive Team & Senior Leaders**

BOQ Group is proud to acknowledge the Traditional Custodians of the land on which we gather today and pay our respects to their Elders past and present. We extend that respect to Aboriginal and Torres Strait Islander peoples here today

Artwork proudly created for Bank of Queensland (BOQ) by the Harristown Clontarf Academy, Toowoomba.

BOQ GROUP

RESULTS OVERVIEW

George Frazis

Managing Director & CEO

FY22 results overview

BOQ GROUP

1. **Reported statutory NPAT up 15% to $426m[1]. Cash earnings** declined 5%[1] to $508m, given the prior year loan impairment benefit, with underlying profit up 1%
   - Income up by 1% impacted by ME GLAs decline prior to ownership and NIM pressure, recovering in second half
   - Expenses flat on FY21
2. **Solid business momentum with NIM lifting in Q4**, growth in housing and business lending, particularly in SME
3. **ME integration delivering** ahead of plan:
   - Key integration streams completed, program transitioning to BAU
   - Synergies accelerated, $38m of synergy benefits delivered during the year, integration costs in line with plan
4. **Delivering the new cloud digital end-to-end bank** with BOQ and VMA digital transaction and savings products in market. ME migration to Temenos v.18 completed and work underway to move to the new common digital bank
5. **Asset quality remains sound,** watching brief on changing economic conditions, with unemployment expected to remain low
6. **Capital remained above the target range**, with CET1 ratio of 9.57% supporting business growth and transformation investment
7. **2H22 final dividend of 24cps declared[2],** representing a 65% payout ratio[3], bringing full year dividend to 46cps

Note: Cash earnings FY21 figures are on a pro forma basis which adjusts for the ME Bank acquisition and the St Andrews divestment
(1) Statutory NPAT on a pro forma basis is down 8%. Cash earnings decline is on a pro forma basis
(2) The dividend will be fully franked and the dividend reinvestment plan will operate with a 1.5% discount
(3) Payout ratio calculated on cash earnings

FY22 Results

BOQ GROUP

Higher underlying profit driven by disciplined lending growth and cost management

Key financial results ($m)

	FY22	FY22 v FY21
Total income	1,682	1% ▲
Operating expenses	(937)	0% –
Underlying profit	**745**	**1%** ▲
Loan impairment expense	(13)	Large ▲
Cash profit before tax	**732**	**(5%)** ▼
Income tax expense	(224)	(5%)
Cash earnings after tax	**508**	**(5%)** ▼
Reported statutory net profit after tax[1]	**426**	**15%** ▲
Return on average tangible equity[2] (%)	10.6	40bps ▲
Return on average equity (%)	8.4	20bps ▲
Cash earnings per share (cents)[3]	78.4	5% ▲
Cost to income ratio (%)	55.7	(10bps) ▼
CET1 ratio (%)	9.57	(23bps) ▼
Dividends per ordinary share (fully franked)[4]	46c	18% ▲

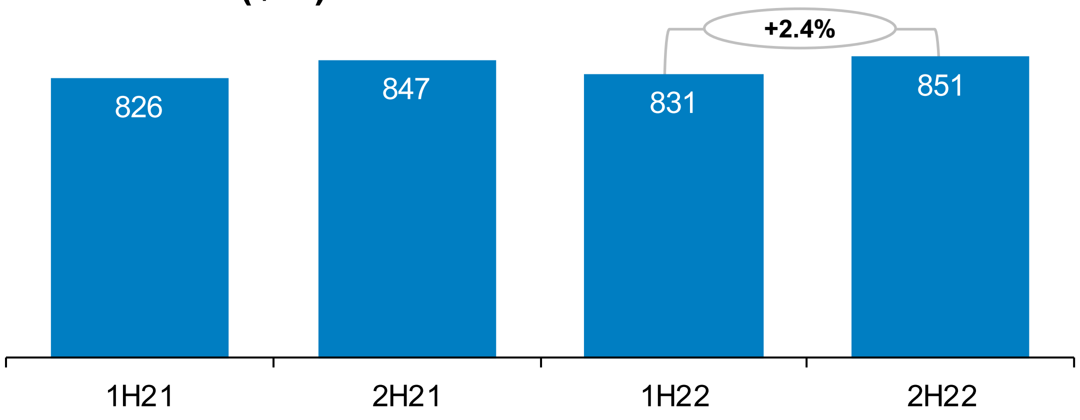
Note: All cash P&L and CTI comparative periods are on a pro forma basis. Other metrics are consistent with previously reported numbers for FY21

(1) FY22 statutory net profit after tax is down 8% on a pro forma basis
(2) Based on after tax earnings applied to average shareholders' equity (excluding preference shares and treasury shares) less goodwill and identifiable intangible assets (customer related intangibles/brands and computer software)
(3) FY21 cash EPS included earnings from ME Bank for the period 1 July 2021 to 31 August 2021
(4) The dividend will be fully franked and the dividend reinvestment plan will operate with a 1.5% discount

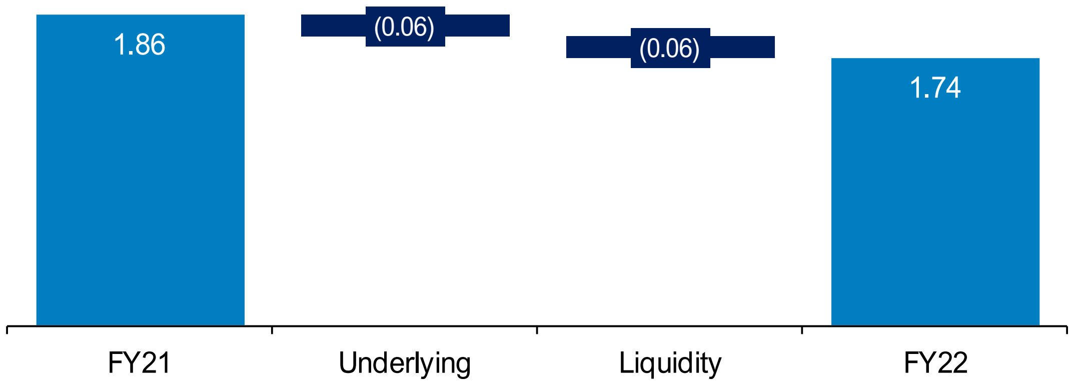
Key elements of the result

Income growth partly offset by impact of legacy ME lending decline prior to BOQ ownership and NIM pressures

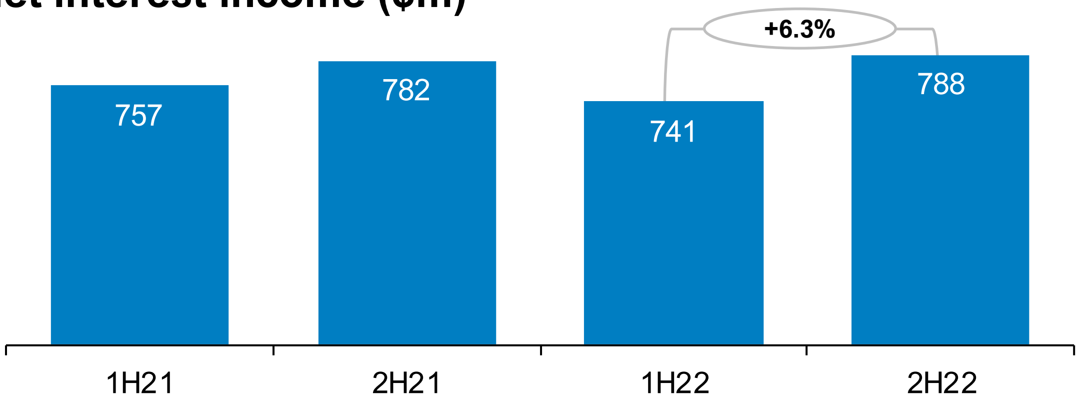
Total income ($m)



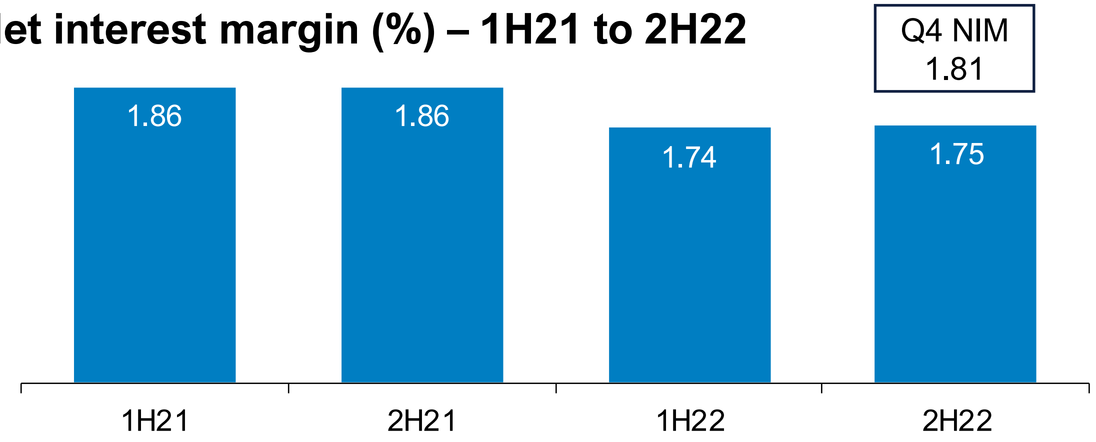
Net interest margin (%) – FY21 to FY22



Net interest income ($m)



Net interest margin (%) – 1H21 to 2H22



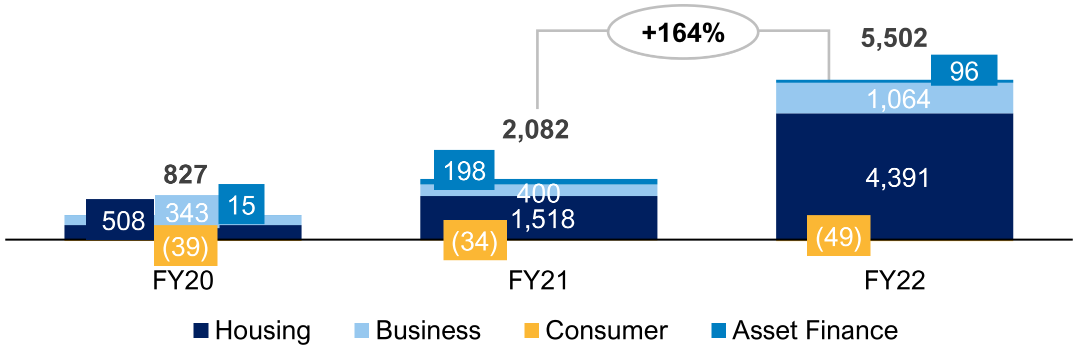
Note: All FY21 comparatives are on a pro forma basis

BOQ GROUP

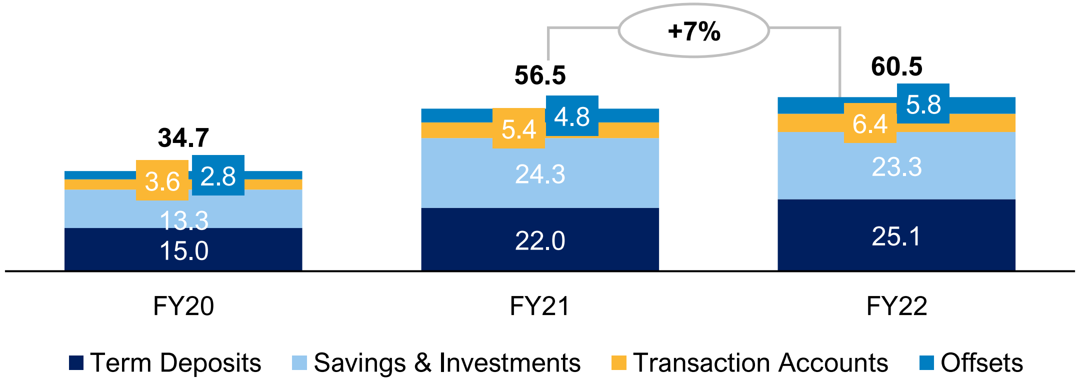
Diversified quality lending and deposit growth across retail and business banking

Solid lending growth continuing with uplift in housing and business lending

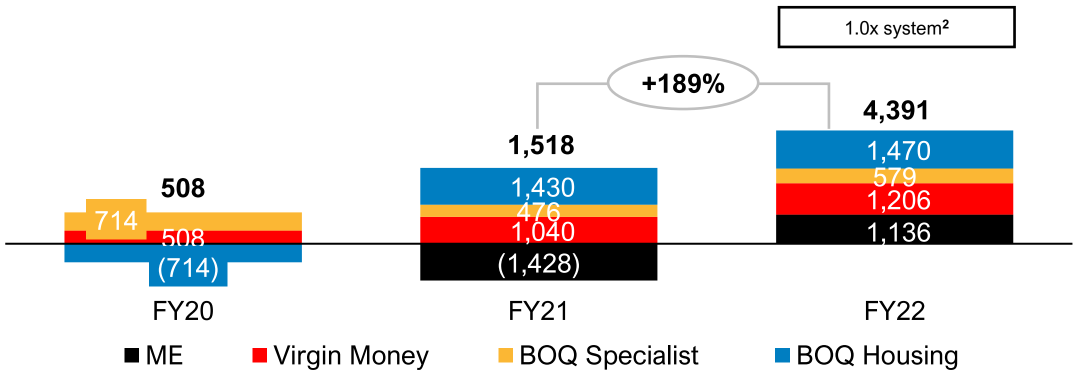
Growth in lending GLAs ($m)[1]



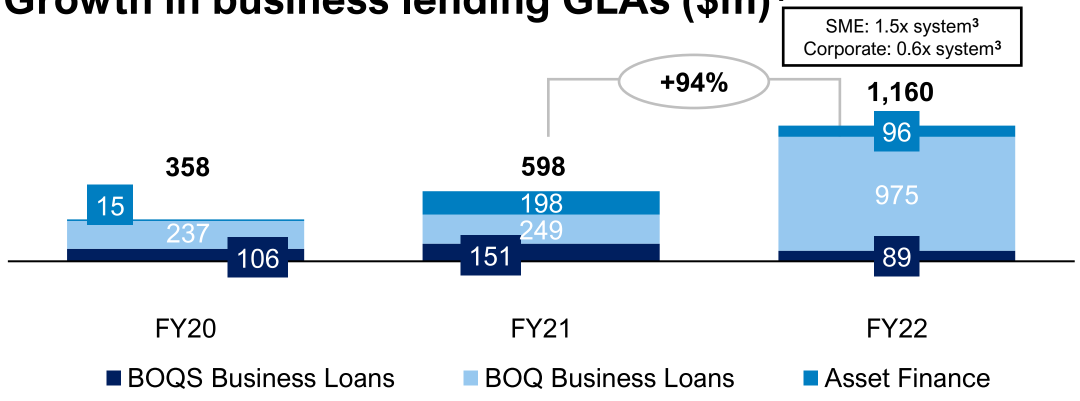
Customer deposit balances ($bn)[1]



Growth in housing GLAs ($m)[1]



Growth in business lending GLAs ($m)[1]



(1) FY20 does not include ME Bank, all other comparative periods prior to FY22 are on a pro forma basis
(2) APRA monthly banking statistics August 2022
(3) SME and Corporate system growth represents the latest available RBA data as at July 2022. RBA figures include both business lending and asset finance balance growth. The RBA definition of SME will not directly correlate to the BOQ internal definition

BOQ GROUP

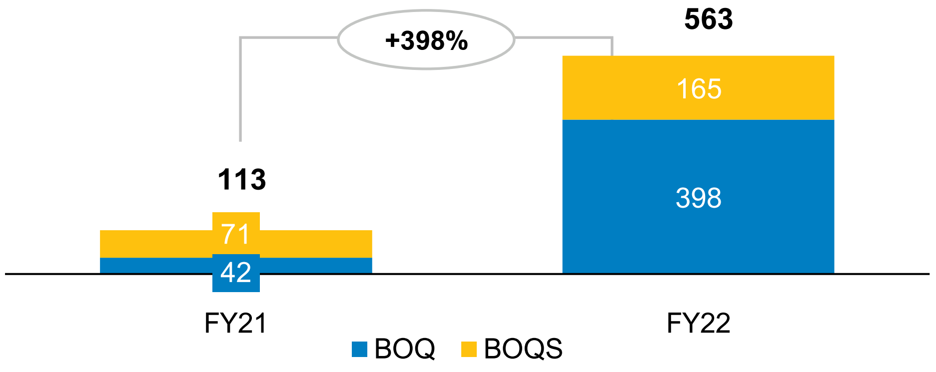
Business banking performance

Our focus on growing medium sized family businesses is delivering higher revenue and return

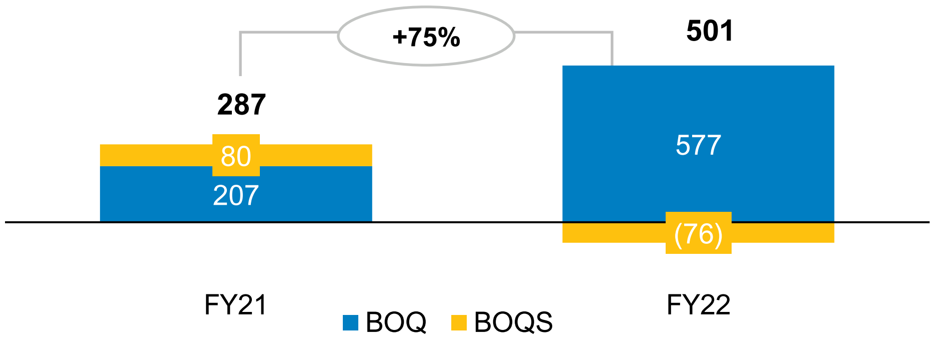
Summary

- Differentiated model with specialist bankers, owner managers and risk officers focused on niche medium sized family businesses providing relationship banking
- Investment in Business Banking is beginning to deliver with revenue growth of 7%
- A refocus of the portfolio towards medium sized family business lending resulting in growth of $0.6bn at 1.5x system[1, 2]
- The SME strategy focused on policy simplification, capability build, product features and process simplification
- Lending to large corporates grew $0.5bn or 0.6x system[2], with focus on delivering improved risk adjusted returns
- BOQ Finance continued to deliver positive growth (3%), notwithstanding global supply chain challenges
- $0.9bn of growth in deposits, helping support asset growth across BOQ
- Strong portfolio quality going in to challenging economic environment with improvements in business lending 30+ and 90+ days past due arrears during the period
- Portfolio underpinned primarily by property security, with 92% of business lending secured
- Business Bank NPS ranked 4th[3]

Growth in SME lending GLAs ($m)



Growth in corporate lending GLAs ($m)



(1) The SME portfolio of customers represents an internal view of small and medium sized businesses, with the majority of customers having lending exposure of less than $10m
(2) System growth represents the latest available RBA data as at July 2022. RBA figures include both business lending and asset finance balance growth. The RBA definition of SME will not directly correlate to the BOQ internal definition
(3) DBM Atlas report August 2022

Revenue and portfolio quality

FY22 focus on quality growth with NIM momentum in Q4

Optimising NIM through the cycle

- 2H22 NIM up 1bp to 1.75%
- Fixed rate lending applications elevated through 1H22 have now returned to normalised levels
- Liquidity continuing to reduce NIM due to CLF impact and lower yields, but NII impact remains small
- Revenue tailwinds from quality loan growth and the return of ME to growth, and strong Q4 NIM

Quality portfolio growth

- Business and housing loans backed by collateral, with minimal cash flow lending in the business bank
- Home loan customers ahead on repayments with buffers in place
- Specialist bankers, credit officers and owner managers clear understanding of niche segments credit risk facilitating the pivot towards higher quality SME lending
- High quality loan origination, with housing portfolio LVR >90% representing c.3% of loans, with flows c.1%[1]. Flow of home loans with LVR >80% reduced from 23% to 11%[2]
- Completed deep dive into fixed home loan maturity impacts and construction exposures – providing comfort of portfolio quality
- Provisioning levels strong with improving arrears – well positioned going in to a more challenging economic environment

(1) Flows relate to FY22
(2) 23% relates to FY21, 11% in FY22

Operating expenses and impairments

Expenses held flat with synergies and productivity savings funding growth and digital investment

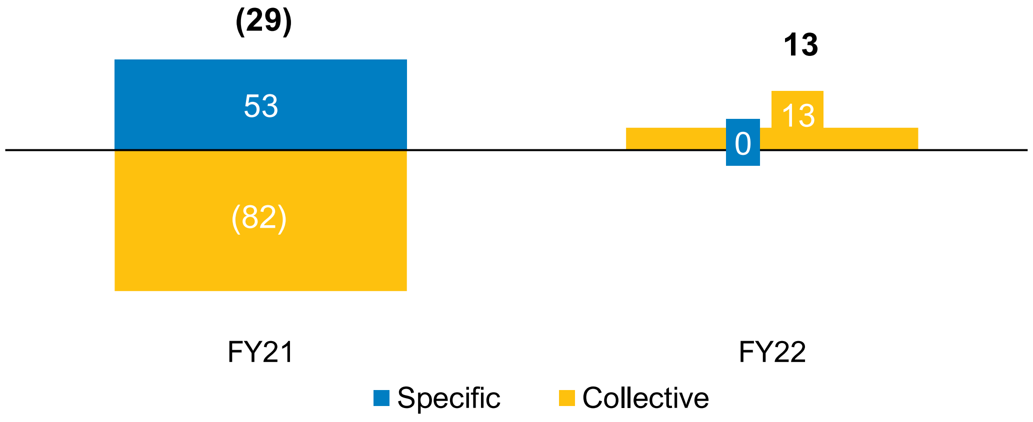
Operating expenses flat in FY22

- Synergies of $38m delivered against first year target of $30-$34m
- Productivity benefits of $30m, bringing the total from FY20 – FY22 to $90m
- Productivity and synergy savings enabling investment in the digital transformation and growth
- Maintenance of legacy core banking platform and development of new digital bank increases cost base in the near term
- Ongoing work to reduce manual processes and improve controls, uplifting risk maturity
- Inflation, skills shortages and regulation impacting banking industry expense outlook
- Completion of new digital bank, migration of customers and retirement of legacy systems will deliver material scale and efficiency benefits in coming years

Impairments

- Loan impairment expense of $13m for FY22, due to increased collective provision from GLA growth and ME Bank increases post acquisition accounting treatment, offset by a strong economy in FY22 and improving portfolio quality
- Portfolio quality remains sound with arrears improving
- Maintain a watching brief on changing key economic indicators

Loan impairment expense/(credit) ($m)



Note: FY21 comparison is on a pro forma basis

Building a sustainable business

Supporting the transition towards decarbonisation, supporting our communities and enriching our people

Environmental commitments

Supporting our customers to transition – starting to develop financing solutions for solar panels and electric vehicles

Carbon neutral certified – reducing our operational footprint

Targeting 100% renewable energy by 2025 – 54% of electricity needs powered by renewable sources in FY22

Carbon footprint to be reduced by 90% for scope 1 and scope 2 emissions and 40% for scope 3 by FY30[1]

Supporting our communities

Supporting regional areas – growing our OM branch footprint

Owner managers embedded in communities – 111 OM branches with long tenure and deep relationships in their community

Supporting our communities – c.$1.6m invested in community

Building the resilience of our customers – particularly vulnerable customers and those in financial distress

Enriching people

Building a future fit capability – transformation and digital capabilities required for future state

Developing curious bankers and an agile organisation – execution capability, ability to pivot quickly, banker tools and a flexible digital platform

Driving employee engagement – grounded in purpose, a clear strategy, inclusive leadership and empowered teams

Diverse workforce – inclusive leaders and encouraging diversity of thought

Strengthening risk culture – our people increasingly feel safe to speak up, ongoing work to improve risk controls and decrease manual processes

(1) Compared to a 2020 baseline. Scope 3 refers to organisational supply chain emissions

STRATEGY UPDATE

George Frazis
Managing Director & CEO

Our purpose and strategic pillars

We have refreshed our purpose and evolved our strategy

Group Purpose

BUILDING
SOCIAL CAPITAL
THROUGH BANKING.

Strategic Pillars

EXCEPTIONAL CUSTOMER EXPERIENCE
Through loved brands, caring bankers, building relationships, and enriching communities.

CLOUD BASED, DIGITAL BANK
With at scale unit costs, impactful data insights and fast innovative solutions.

SUSTAINABLE PROFITABLE GROWTH
With improving strength, risk and return.

ENRICHING PEOPLE
By developing curious bankers, building an agile organisation and being a good corporate citizen.

Underpinned by our values, we aim to build social capital amongst our people, customers and the communities in which we operate to produce positive outcomes for all our stakeholders.

Good progress against our strategy

Focused execution on key priorities is delivering results

EXCEPTIONAL CUSTOMER EXPERIENCE	CLOUD BASED, DIGITAL BANK	SUSTAINABLE PROFITABLE GROWTH		ENRICHING PEOPLE
All brands and channels	**Differentiated digital bank strategy working**	**Successful acquisition and integration of ME Bank**	**Delivering improved returns**	**Increased capability and engagement**
Solid quality growth across Retail and SME Improving customer experience	Building neo bank capability with known brands and long banking heritage Digital Bank foundations built VMA and BOQ digital transaction and savings in market Leveraging global partnerships	Synergies accelerated and increased ME returned to growth Key integration program streams mostly completed	Building sustainable profitable returns High quality portfolio and origination, well secured ‘Unquestionably strong’ capital position Complexity in systems and manual nature of our processes, further maturity required in uplifting risk controls and culture[2]	Engagement scores improved to 67% from 59%[1] Experienced leadership team in place with strong execution capability Building an organisational culture where risk is everyone’s business

(1) Engagement score was 59% as at August 2020, 64% in 2021 (BOQ Group and ME Bank Combined was 63%) and 67% as at September 2022
(2) BOQ has engaged with and expects to continue to engage with regulators in respect of various matters related to operational and financial resilience, and risk culture and governance

Executing on the ME integration

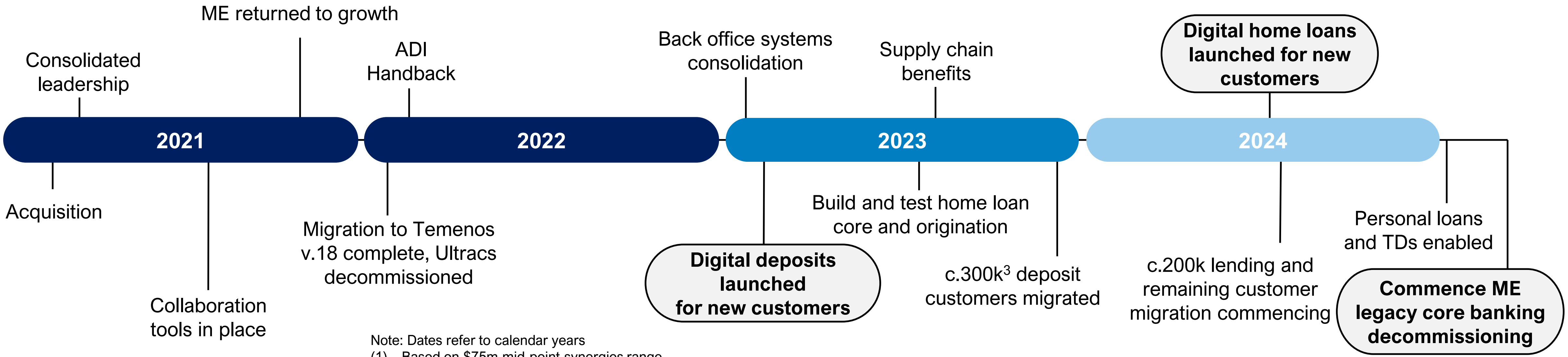
Integration program well progressed and clear pathway to a single retail digital core banking platform

Integration benefits flowing

- Synergies accelerated and increased from original expectations of $70-$80m annualised to $95m+
- Core foundational integration activities mostly completed
- Clear pathway to full integration to digital platform and decommissioning of legacy technology

Synergy and integration cost profile

	FY21	FY22	FY23	FY24+
Synergies annualised run rate	-	$47m	c.$70 - $80m	$95m+
Delivered percentage[1]	-	63%	100%	125%+
Integration costs[2]	$13m	$81m	c.$40m	c.$5m
Cumulative	$13m	$94m	c.$135m	c.$140m



Note: Dates refer to calendar years
(1) Based on $75m mid-point synergies range
(2) Integration costs are not included in cash earnings
(3) Includes dormant customers

Multi-brand strategy provides tailored solutions to niche segments

Through loved brands, caring bankers, building life-long relationships, and enriching communities

EXCEPTIONAL CUSTOMER EXPERIENCE

Retail Bank:
Providing distinctive value propositions

The Human Touch

Mature customers who prefer personal relationships, first time investors and first home buyers

The Optimiser

Younger, digitally savvy and aspirational

The Striver

PAYG with more equity – digitally aware and not requiring face to face support

Business Bank:
Specialist relationship banking, niche segments

Tailored

Specialist business and private banking centred on niche customer segment. A specific focus on the SME segment, particularly growing medium sized family business

The multi-brand approach allows us to build differentiated customer offerings which align to the preferences of our niche target segments.

Clear digital transformation benefits

Increased confidence in the benefits for customers, our people and shareholders from the transformation

CLOUD BASED, DIGITAL BANK

Differentiated approach to transformation

- Truly end-to-end digital transformation plan across retail bank, business bank and supporting group infrastructure
- Will migrate 100% of customers to new systems, allowing for full decommissioning of legacy
- Deep partnerships with global leaders to leverage technology scale, minimise complexity and customisation and staying leading edge

Clear benefits to be delivered

- **Improved customer proposition**
  Better customer proposition, leading to increasing customer base and revenue
- **Improved productivity and scalability**
  Improved productivity and scalability, leading to higher operating leverage, improved CTI and higher returns
- **Reduced manual processes and compliance** by design with strengthened risk controls
- **Improved agility for the future**
  Improved agility for the future, allowing BOQ to quickly and affordably adapt to changing customer needs

Clear approach to simplifying our technology to cloud, digital

Retail and Business platforms will have clear customer offerings

Retail Bank	Business Bank
BOQ, Virgin money, me	BOQ BUSINESS, BOQ SPECIALIST, BOQ FINANCE

Intelligent customer data infrastructure on Azure Public Cloud

Retail Bank	Business Bank
Common Retail Banking Core Temenos Cloud – v.22	Common Business Banking Core Temenos on-premise v.22 with InfoLease 10 Leasing product system

Customer Experience Platform – Microsoft Financial Services Cloud

Common scalable payments hub catering needs of SME and retail customers across all payment rails

Retail Bank	Business Bank
Differentiated origination and teller system unified across all Retail Bank	Differentiated origination system unified across all Business Bank
Digital deposit product first, then simple home loans and personal loans	**Digital leasing and deposits/payments first, then complex home loans and business lending**

Clear digital transformation plan

Phased approach to ensure successful execution and staged delivery of benefits, reducing risks

CLOUD BASED, DIGITAL BANK

	2021/2023	2024/2025	Post 2025
	Digital Deposits & Payments Hub	**Digital Home, Personal & Business Loans**	**Scaled Growth, Personalised through Data Insights, Legacy Systems Retired**
Retail Bank	VMA and BOQ transaction and savings launched on new cloud digital bank ✓ ME customers migrated to v.18, Ultracs decommissioned (7 apps, 51 servers) ✓ ME transaction and savings launched on new cloud digital bank Commence payments hub build Deposit only ME customers migrated to new digital bank	Digital mortgage for all brands on new cloud digital bank ME home loan and remaining customers migrated to new digital bank and commence decommissioning of legacy platform Digital personal loans for all brands on new digital bank Unified origination system and teller system across all retail brands	BOQ/VMA customer migration completed Complex home loan and retail small business migrated to BOQS Retire BOQ legacy systems
Business Bank	Leasing systems consolidated on latest version of InfoLease ✓ Business Bank Temenos core banking platform upgraded to latest v.22 Enhanced working capital product capability	Unified origination system across all Business Bank brands Unified 360 view of customer across the Business Bank Upgraded internet banking capability for SME's Enhanced payments hub, enabling critical use cases	New complex lending origination capability (complex home loan customers serviced by Business Bank) Integrated supply chain capability Digital transaction account capability for small business Migration of SME, Agri and Property customers to new core
Group	Data centres migrated to private cloud ✓ Intelligent data platform ✓ Data centres migrated to public cloud	Cloud based ERP platform (Finance & HR) Implement Customer Experience Platform Real time connectivity of data insights	Integrated cloud-based data platform enabling omni-channel personalisation

Starting to realise results for transaction and deposit customers

Digital bank is enabling scale, superior customer experience through simplified and faster processes and attracting new customers

CLOUD BASED, DIGITAL BANK

EXCEPTIONAL CUSTOMER EXPERIENCE

Measure	Legacy	Current (new platform)
Customers on new Retail platform[1] (% of total customers)	Nil	c.15%
Processes fully digital[2] (deposit only)	<10%	67% (43/64)
Data centres	Physical data centres	Private cloud data centres
Deposits/customer on new platform	Nil	c.$24k
Origination time – deposit products	30 mins	<5 mins
Monthly deposit and account openings[3]	2.2k	c.20k (9x)
Total deposit balance on new platform	Nil	c$1.5bn

SUSTAINABLE PROFITABLE GROWTH

Delivering productivity improvements

- Removing manual touchpoints and creating improved self-serve
- Simplifying technology infrastructure
- More scalable

Accelerating growth in deposits

- $1.5bn of deposits on new platform achieved
- Significantly faster rate of customer acquisition
- Support balance sheet, cost of funding and improve returns

(1) Includes BOQ and VMA transaction, deposit and credit card customers on the new digital platform as a proportion of total BOQ and VMA retail customers
(2) Refers to digitisation of customer facing processes only
(3) BOQ and VMA brands at-call and transaction accounts only; Start Point = 6 month average prior to VMA launch, Sep 2020 – Feb 2021. Current (new platform) = 3 month average through to the end of financial year, June – August 2022

Customer migration approach

Clear plan for customer migration to ensure good customer experience and retention

EXCEPTIONAL CUSTOMER EXPERIENCE

Seamless migration of customers enabled by robust technology approach

- Retention of account number, BSB and existing direct payment and deposit details
- Minimise potential friction points to reduce risk of churn

CLOUD BASED, DIGITAL BANK

Retail

- ME customer data cleaned and products simplified, during migration to Temenos V.18
- Payments Hub facilitates account number retention
- ME deposit only customers of (c.300k[1]) will be migrated to new cloud digital bank first
- ME home loan and remaining deposit customers c.200k migrated once digital mortgage in place, ME core bank retired
- BOQ/VMA customers c.500k migrated after ME
- Complex home loan customers and small retail business customers migrated to business bank core

Business

- Most customers already in end-state core banking system, thus not requiring migration
  - Leasing – c.60k, on InfoLease 10 platform already, not requiring migration
  - BOQS Temenos v.22 will be business bank core banking system. c.30k customers already on this system
- c.10k relationship managed business customers will be migrated onto new Temenos v.22 core system

(1) Includes dormant customers requiring migration

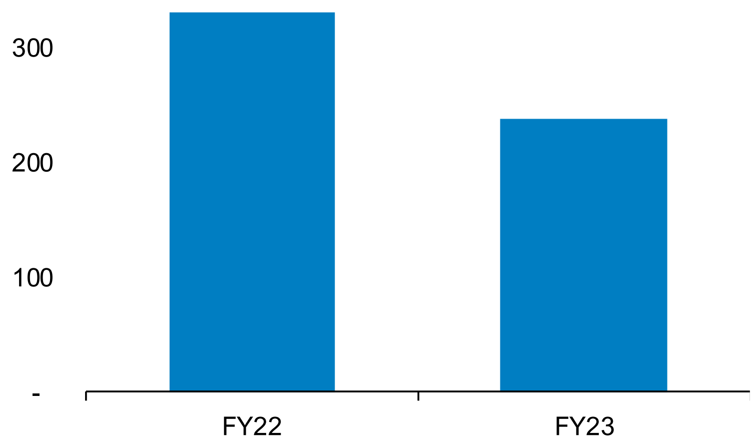
Investing in the business to deliver sustainable profitable growth

Our superior customer proposition and transformation program will deliver tangible outcomes

SUSTAINABLE PROFITABLE GROWTH

Investment spend profile

- FY23 overall investment spend reduced due to lower ME integration costs in FY23
- Investment profile to normalise over time as transformation completes



Target financial benefits by FY26 by executing on our organic strategy[1]

- CTI benefits not linear given legacy systems are decommissioned upon completion of customer migration
- Transformation to deliver a scalable, cost competitive platform that is future fit

Cost to Income Ratio
<50%

Return on Equity
>9.25%

(1) FY26 outlook is subject to no material change in market conditions

Clear strategy to improved returns

We have a clear pathway to enhanced CTI and ROE performance

Current priorities

- Growing at an attractive ROTE
- NIM benefits from centralised pricing and rising rate environment
- Business growth refocus on SME and optimising mortgage portfolio composition for Basel III
- Digital deposits and transaction accounts for all brands
- Synergy and productivity benefits
- Clear digital investment roadmap – investing now for future benefits
- Phased approach to transformation to ensure ongoing benefits throughout the program
- Clear targets and roadmap set and ongoing tracking against these to ensure delivery

Foundation Build

Medium-term outcomes

- Improved customer experience through better tools, self service capabilities and faster time to yes
- Scalable revenue growth as digital bank streamlines processes
- New revenue streams, growth in financial markets and personal loans
- Unit costs reducing as technology architecture simplified, and systems being decommissioned
- Transformation benefits increasing
- Ongoing simplification
- Improved returns

By FY26[1]:
CTI <50%
ROE >9.25%

Long-term outcomes

- Simpler organisation, and agile
- Scalable revenue growth through digital platforms
- Unit cost benefits from technology run and change costs reducing, all legacy systems decommissioned
- Evergreen technology platforms enabling low cost upgrades
- Simple, efficient and streamlined organisation
- Revenue growth through innovation
- Returns increasing

Long-term competitive advantage

(1) FY26 outlook is subject to no material change in market conditions

BOQ GROUP

FINANCIAL DETAIL

Racheal Kellaway
Chief Financial Officer

Financial performance

BOQ GROUP

Solid financial performance delivering 1% uplift in underlying profit and positive jaws for the year

Key financial results ($m)

	FY22	FY21	FY22 v FY21	2H22	1H22	2H22 v 1H22
Net interest income	1,529	1,539	(1%) ▼	788	741	6% ▲
Non-interest income	153	134	14% ▲	63	90	(30%) ▼
Total income	**1,682**	**1,673**	**1%** ▲	**851**	**831**	**2%** ▲
Operating expenses	(937)	(933)	0% –	(476)	(461)	3% ▲
Underlying profit	**745**	**740**	**1%** ▲	**375**	**370**	**1%** ▲
Loan impairment expense	(13)	29	Large ▲	(28)	15	Large ▲
Cash earnings after tax	**508**	**532**	**(5%)** ▼	**240**	**268**	**(10%)** ▼
Reported statutory net profit after tax[1]	**426**	**369**	**15%** ▲	**214**	**212**	**1%** ▲

Note: All FY21 P&L comparatives are on a pro forma basis with the exception of reported statutory net profit after tax
(1) On a pro forma basis, FY22 statutory net profit after tax is down 8% on FY21. Further details on the reconciliation between statutory and cash profit can be found in the FY22 Annual Report

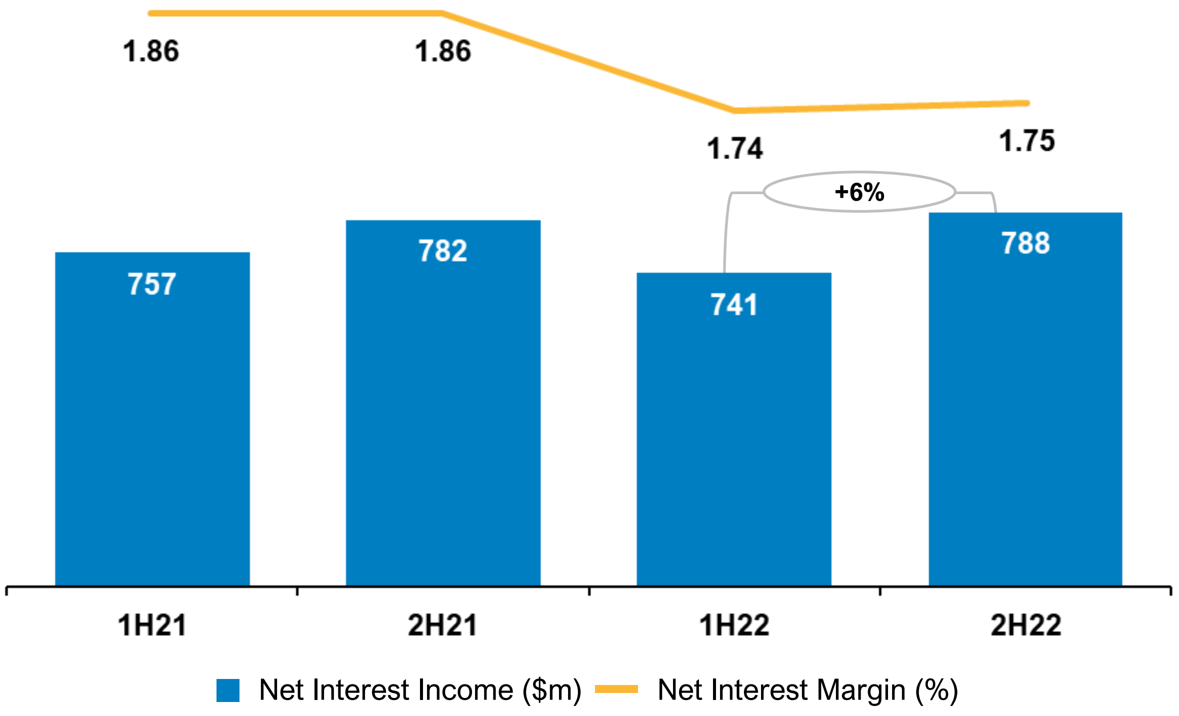
Net interest income

NII shape benefiting from ME balance sheet turnaround and higher NIMs resulting in 6% NII growth in 2H22

Summary

NII down 1% year on year, up 6% half on half

- 1H22 NII impacted by lower ME balances prior to acquisition and NIM impacts from elevated fixed rate lending
- 2H22 benefitting from;
    - Tailwinds from GLA growth in all brands including the ME turnaround
    - Deposit benefits from active management of retail deposits and improved wholesale funding costs
    - Improving NIM following cash rate rises, Q4 NIM at 1.81%
    - Day count



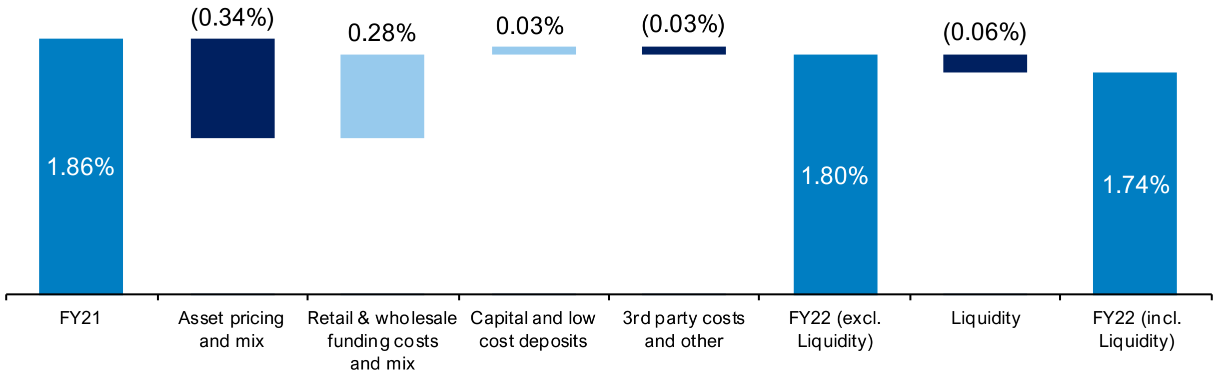
Net interest margin

Underlying 2H22 NIM up 4bps from funding cash rate benefits, partially offset by continued impact of competition

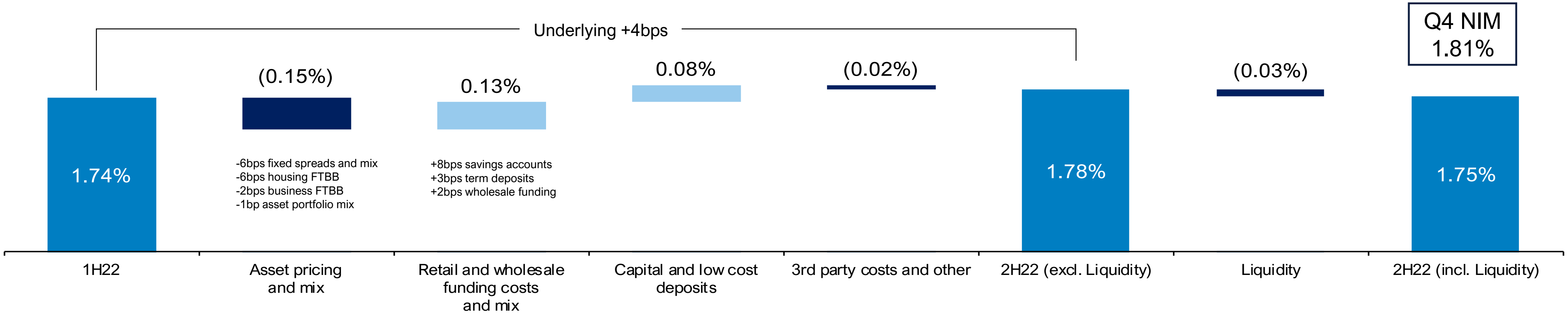
Summary

- NIM recovery in 2H22 with funding cost and replicating portfolio benefits offsetting increasing competition impacts
- Fixed rate lending impacts peaked and reversed
- Competition continuing to impact front to back book
- Funding costs continued to benefit from changes to deposit rates and improved wholesale funding costs
- Increased liquidity build to enable CLF reduction

Net interest margin – FY21 to FY22 (%)



Net interest margin – 1H22 to 2H22 (%)



Note: All comparative periods prior to FY22 are on a pro forma basis

Net interest margin future considerations

Benefits expected to continue from rising rate environment

NIM Driver	1H23	Medium Term
Asset pricing & mix	Competition continuing Fixed rate normalised Optimising portfolio mix and for Basel III impacts	Competition continuing Optimising portfolio mix and for Basel III impacts
Retail and wholesale funding costs and mix	Tailwinds continuing but to a lesser extent Wholesale funding headwinds	Rising retail and wholesale funding costs including TFF replacement
Capital and low cost deposits	Benefit from rising cash rates	Ongoing benefits from higher cash rates
Third party costs & other	Owner manager revenue share increasing but not material	Owner manager proportional revenue share fairly stable and aligned to BOQ revenues
Liquidity	Liquids portfolio growing for remaining CLF handback, but with minimal NII impact	Liquids portfolio growing with balance sheet

Non-interest income

Strong non-interest income for the year with one-off benefits in 1H22

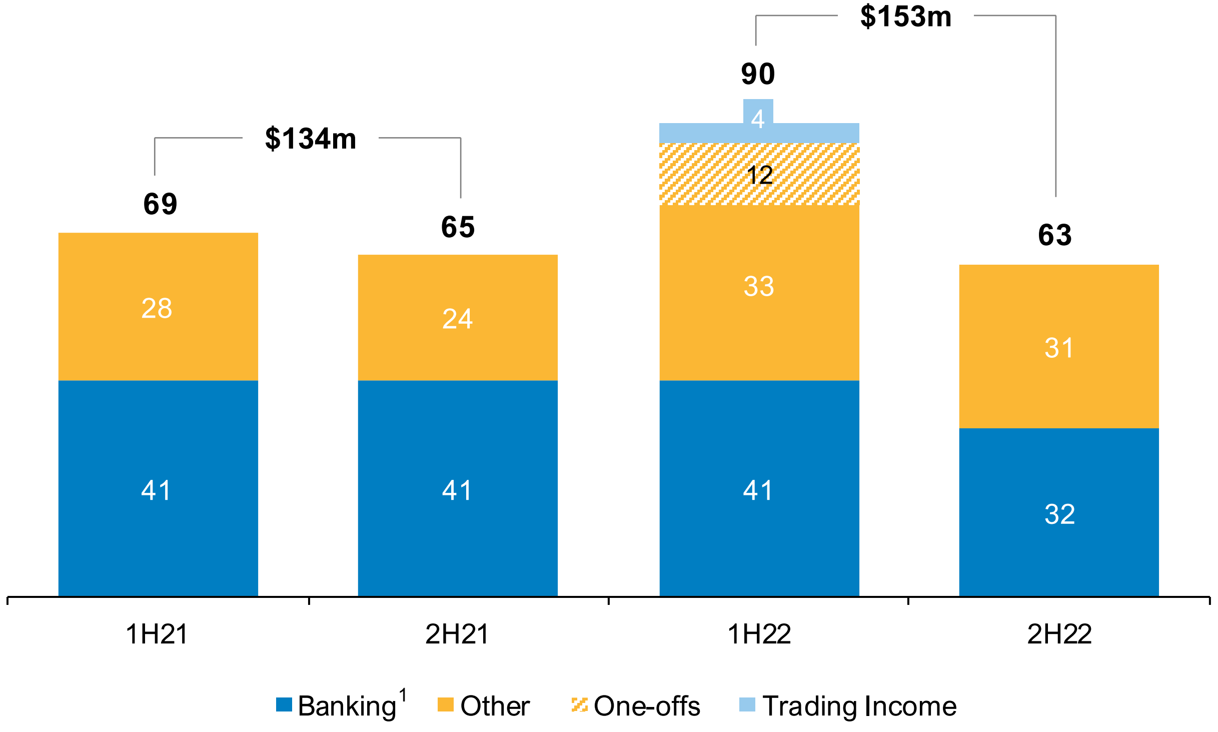
Summary

Non interest income increased by $19m for the year

- Underlying banking fees stabilising with product simplification offset by increases in business volumes
- Banking fees includes $8m reclassification of ME Bank interchange fees as contra revenue from expenses to align accounting policy
- Other income benefited from one-offs in 1H22 relating to an updated card services arrangement and an insurance provider termination fee
- Trading income reflects gain on sales of investment securities

2H22 non-interest income of $63m was primarily lower due to non-recurrence of one-offs in 1H22

Non-interest income breakdown ($m)

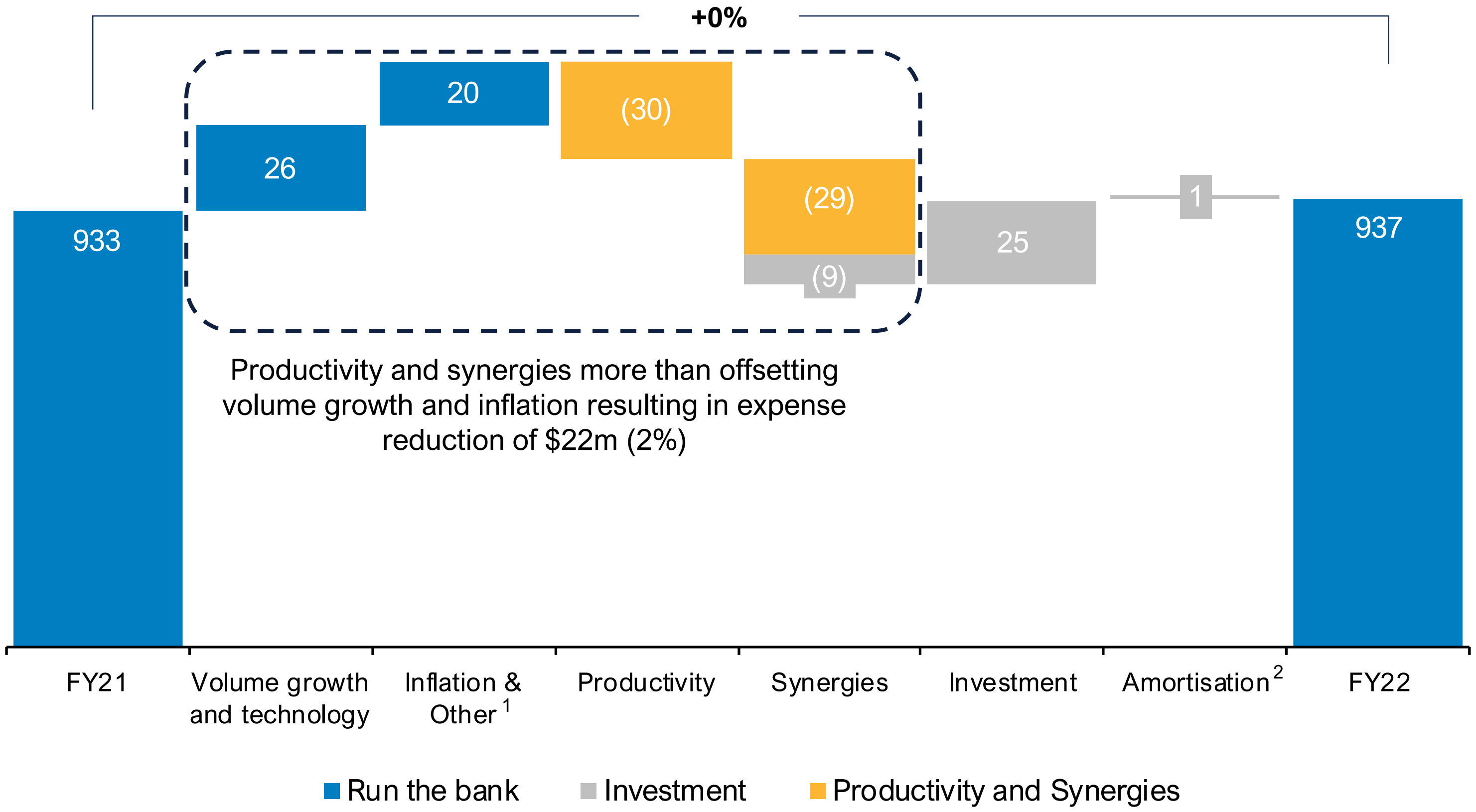


Note: All comparative periods prior to FY22 are on a pro forma basis
(1) Banking fees includes $8m reclassification of ME Bank interchange fees as contra revenue from expenses to align accounting policy. This has no impact on earnings

Operating expenses

Productivity and synergy benefits offsetting increased expenses from volume growth and investment spend

Operating expenses ($m)



FY23 considerations

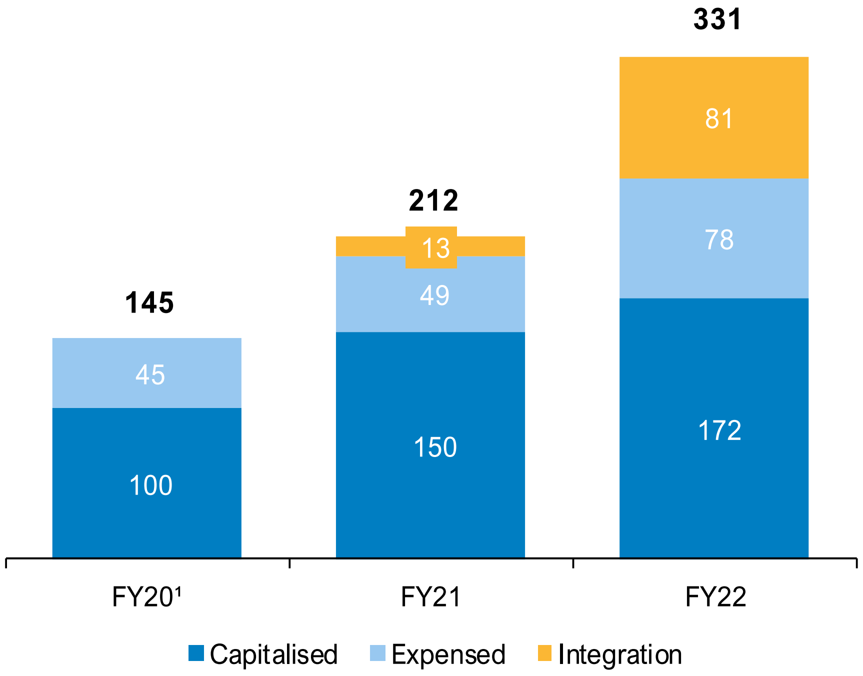
- Spot FTE reduction of 8% in FY22 providing ongoing benefits
- Headwinds from inflation pressures and regulation impacting the banking industry
- Normalised discretionary spend post COVID-19
- Further synergy benefits with integration on track
- Maintenance of legacy core banking platform during development of new digital bank

Note: All comparative periods prior to FY22 are on a pro forma basis
(1) Includes share based rem, occupancy, training and insurance. Neutral impact from accounting policy alignment including reclassification of interchange fees offset by inclusion of acquisition costs not previously reported in expenses
(2) Amortisation was reduced by c.$14m and investment propex increased by c.$14m as a result of the SaaS accounting policy change in FY21

Transformation investment

Ongoing investment to deliver transformation roadmap

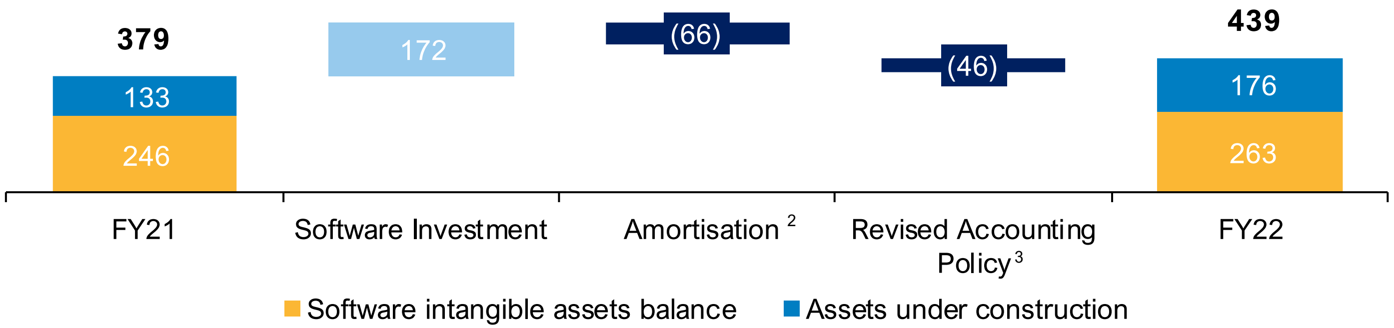
Investment spend ($m)



Summary

- Overall investment increased primarily due to integration costs in the period
- Material capital investment in FY22 focused on new cloud digital retail banking platform and key foundational components of the Data Platform and Open Banking
- Velocity and cost of digital bank delivery is improving with each additional phase
- Assets of the combined entity have an average useful life of 6.3yrs, with an average remaining life of 3.0yrs
- Amortisation is anticipated to increase in FY23 as assets under construction complete

Software intangible asset balances ($m)

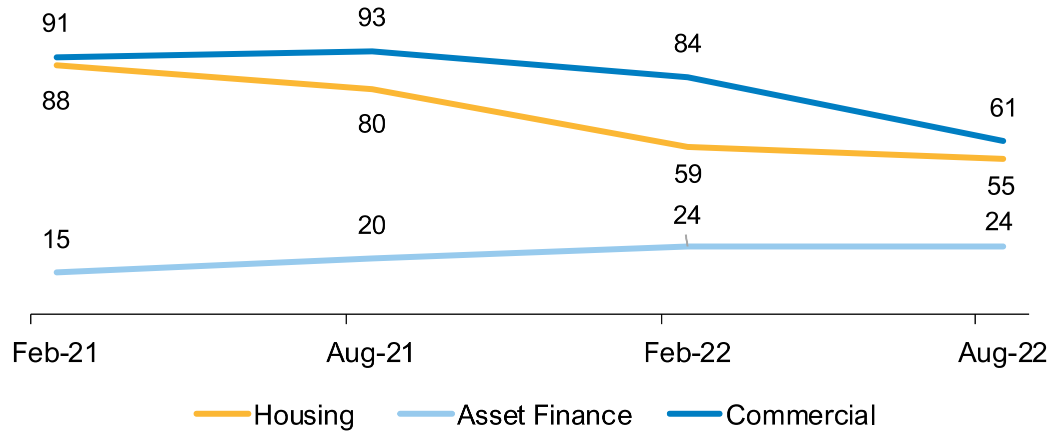


Note: Integration costs are not included in cash earnings
(1) FY20 does not include ME Bank, all other comparative periods prior to FY22 are on a pro forma basis
(2) Amortisation has decreased by c.$14m and project expenses have increased by c.$14m as a result of the SaaS accounting changes
(3) Revised accounting policy in relation to the SaaS changes. Refer to Financial statements for further detail

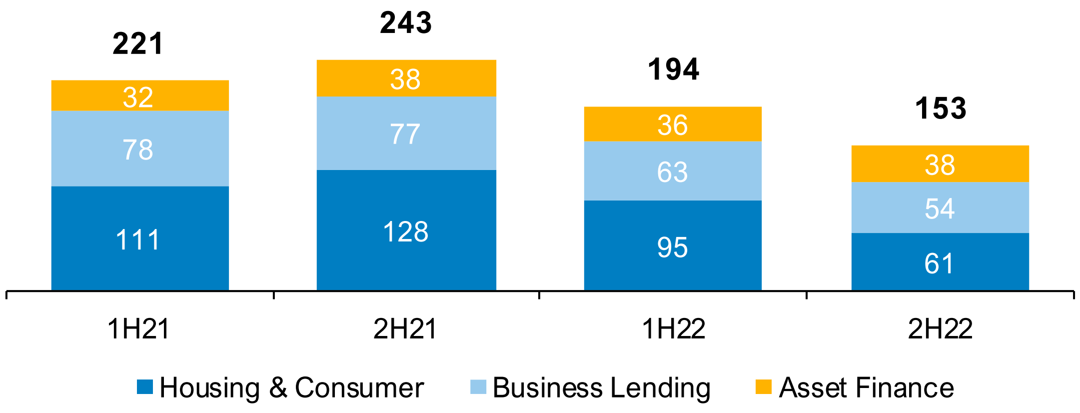
Provision and loan impairment expense

Sound provisioning levels maintained in light of changing economic conditions

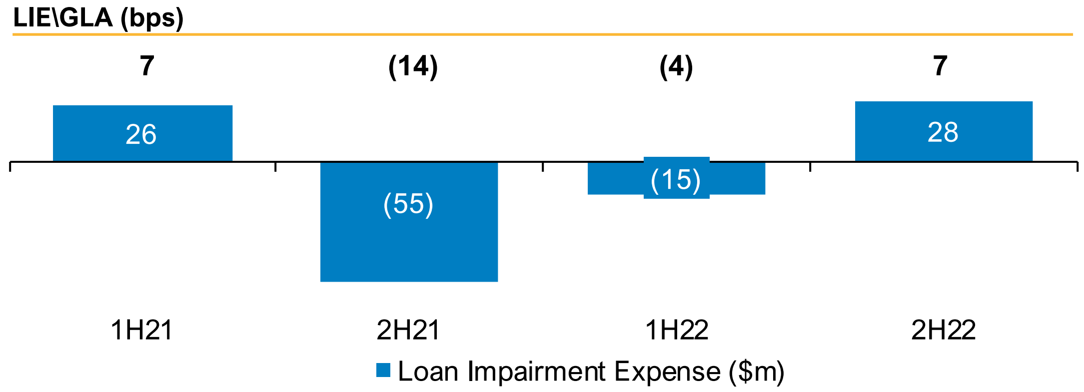
Housing, asset finance and commercial arrears 90DPD (bps)



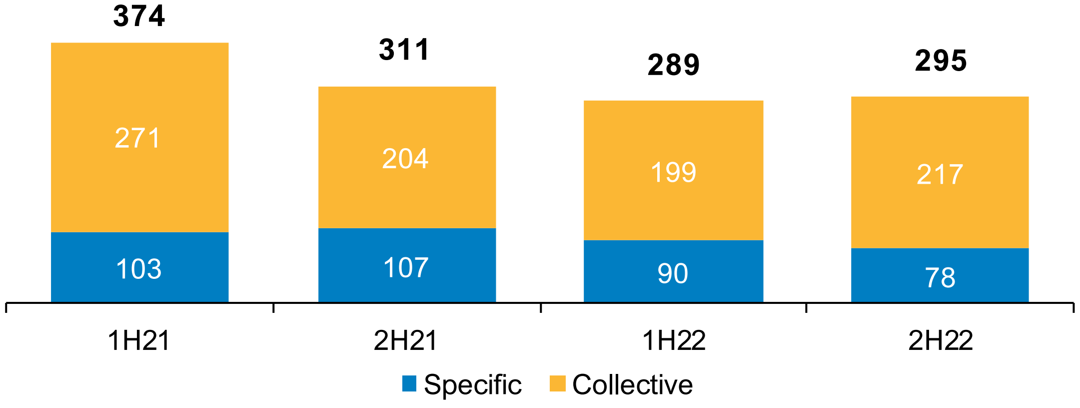
Impaired assets ($m)



Loan impairment expense



Provisions ($m)[1]



Note: All comparative periods prior to FY22 are on a pro forma basis
(1) 1H21 excludes $95m ME total provision which has been fair valued on acquisition

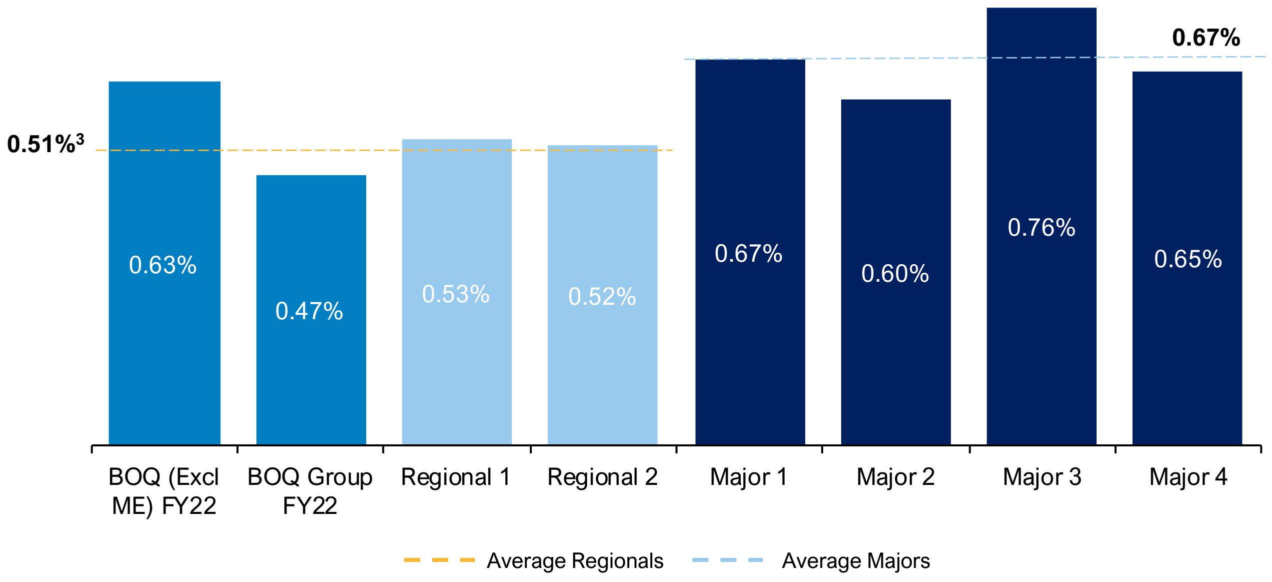
Provisioning levels

Well provisioned, with coverage above regional peers excluding impact of ME (acquisition accounting and lower risk housing exposure)

Summary

- Specific provision levels remain low due to low arrears and increased asset valuations
- Excluding ME, coverage above peers
- Acquisition accounting adjustments in relation to ME have also reduced coverage ratios due to the reset of portfolio to "new" lending as at the date of acquisition[2]
- Consolidation of ME portfolio has driven a shift in mix towards housing exposures, reducing required coverage ratios
- ME related provisions are expected to increase over time as portfolio matures

Provisions & GRCL to GLA[1] (%)



(1) Includes Collective Provisions, Specific Provisions and GRCL
(2) A fair value adjustment (FVA) was taken against the opening ME GLA balance at the point of acquisition
(3) Simple average including BOQ Group, Regional 1 and Regional 2 (Excl. BOQ (Excl. ME))

Impacts of interest rate rises for home loan customers

BOQ GROUP

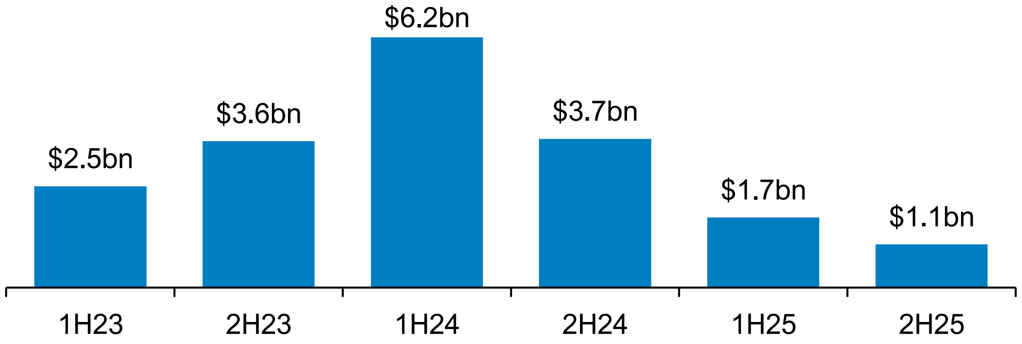
Housing customers have a comfortable buffer for future interest rate rises

Summary

- 53% of home loan customers have a repayment[1] buffer of one year or more
- Home loans with minimal or no repayment buffer[2] are:
  - skewed towards investor loans, those originated within the past 12 months and fixed rate lending with contractual limitations
  - have a strong LVR[3] profile with only 7% of accounts having an LVR >80%, due to prudent lending, house price appreciation and disciplined growth in lower LVR loans

Fixed rate maturity impacts and towers

- Fixed rate maturity tower peak in 1H24, in line with high levels of fixed rate lending through 1H22
- Portfolio arrears remain low given high levels of employment – no impacts yet seen from either interest rate rises or fixed rate to variable rate conversions
- 35% of housing portfolio is currently on a fixed rate loan
- Serviceability buffers and minimum floor rates mean borrowers have capacity to meet repayments in a rising rate environment



(1) Including payments in advance, offset accounts and customer deposits. 40% excluding savings, transaction and term deposit accounts. Savings, transactions and term deposits were aggregated for all customers linked to a loan and apportioned against the aggregate loans of all customers linked to the loan

(2) 18% of home loan customers have minimal or no repayment buffer when including payments in advance, offset accounts and customer deposits. Including the 18%, 39% of home loan customers have minimal or no repayment buffer when savings, transaction and term deposit accounts are excluded

(3) LVR is based upon current loan balance and collateral value indexed from origination to reporting date

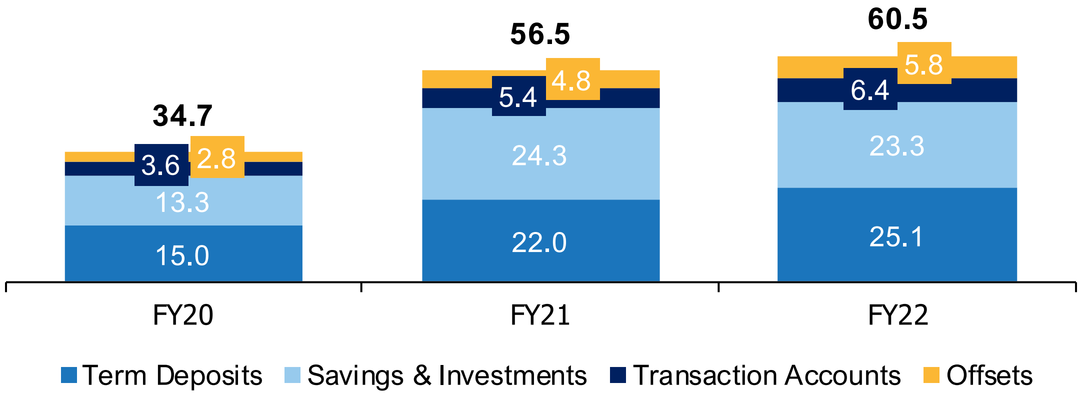
Funding & liquidity

Increasing deposit portfolio supporting business growth

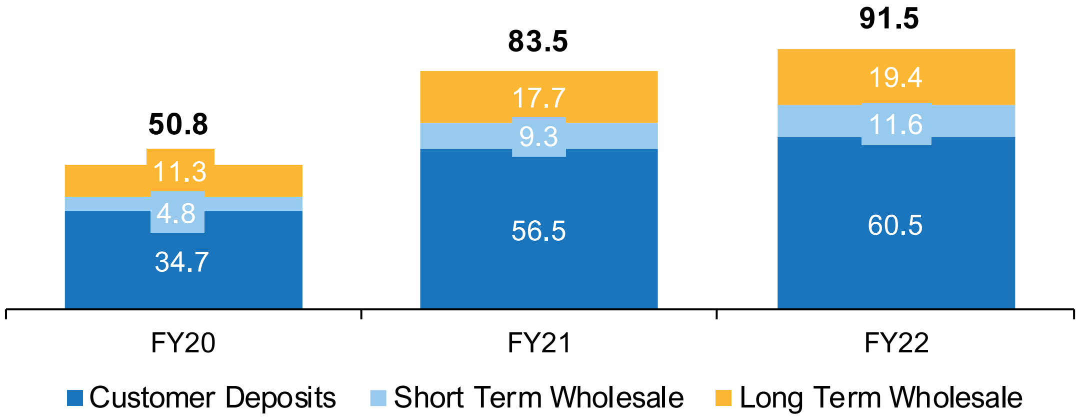
Summary

- Deposit to loan ratio broadly stable at 74%
- Growth in transaction accounts of 19%
- Cash rate increases driving growth in term deposits as customers seek yield following a low interest rate cycle
- Term deposits currently providing favourable funding source due to pricing compared to BBSW, $1.7bn is new money
- Long term wholesale funding increased to replace CLF
- FY22 LCR of 139% and NSFR of 125%

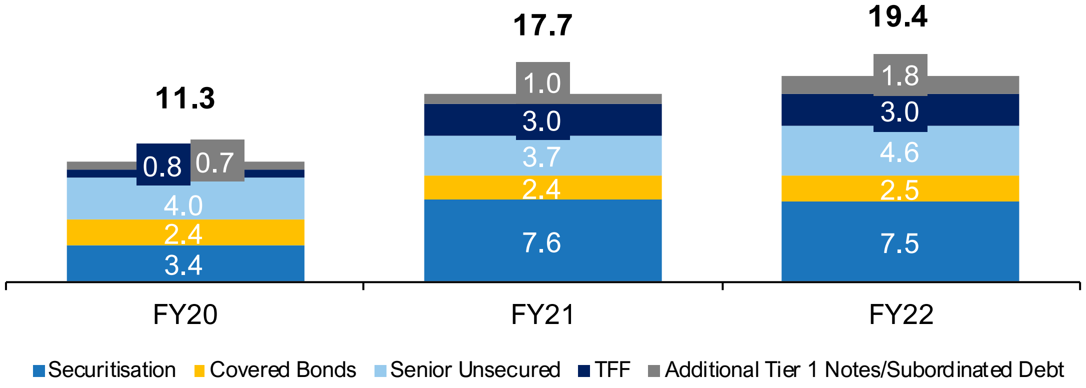
Customer deposit balances ($bn)[1]



Funding mix ($bn)[1]



Long term wholesale funding ($bn)[2]



(1) FY20 does not include ME Bank, all other comparative periods prior to FY22 are on a pro forma basis
(2) $0.3b additional tier 1 capital notes are included in 'other equity instruments' in the Financial Statements. Upon ADI licence handback completed on 28 February 2022, these notes, which were originally issued by ME, formed part of the Group's capital adequacy

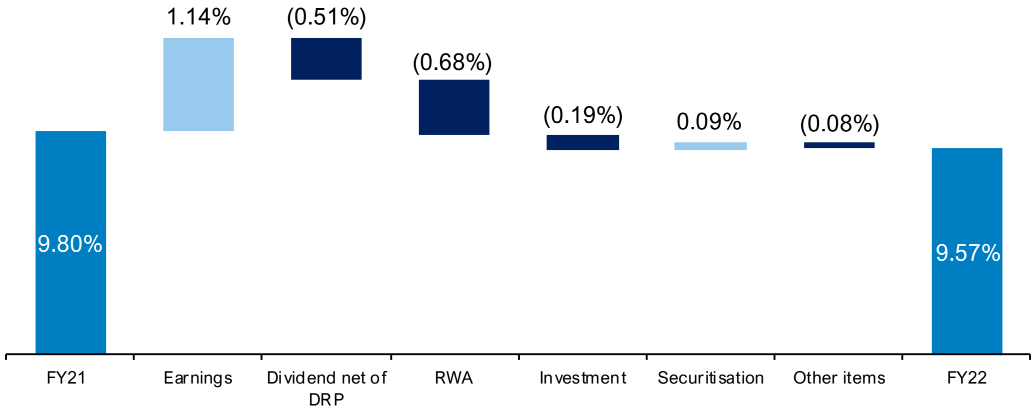
Capital

Investing in growth and transformation

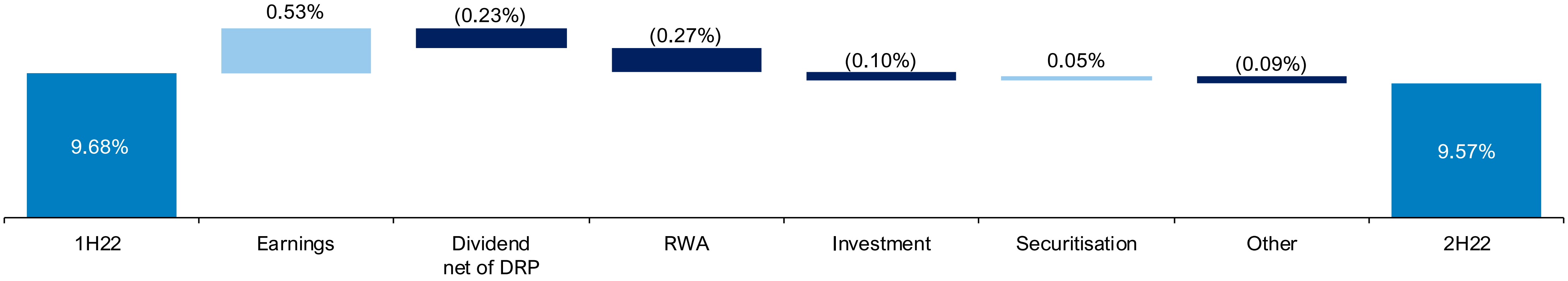
Summary

- CET1 remains above the target range, at 9.57% for 2H22
- Solid quality growth generating earnings
- Continued investment in transforming the business
- Impact of c.6bps in 2H22 from mark-to-market on HQLA portfolio (impacting Other)
- Final dividend at lower end of target payout range and DRP discount of 1.5% implemented to retain capital while growth opportunities remain and investing in transformation

CET1 (%) – FY21 to FY22



CET1 (%) – 1H22 to 2H22



SUMMARY & OUTLOOK

FY22 summary

BOQ GROUP

- Supporting our customers and people through ongoing changing times
- Solid financial performance during FY22, delivering positive jaws and sustainable quality growth across retail and business bank
  - Quality loan growth offsetting heightened industry margin pressure during first half
  - Margin benefits due to rising interest rates starting to flow through
  - Demonstrating good operating efficiency enabling increased investment in the new digital bank
  - High quality portfolio well secured
- Integration program well progressed, ME returned to growth, synergies ahead of accelerated schedule
- St Andrew's divestment completed
- Creating real competitive advantage through execution of our transformation
  - Sustainable and diversified growth across multi brands, in niche segments, across retail and business, providing distinctive customer propositions
  - Specialist bankers, credit officers and owner managers embedded in communities focused on long term customer relationships
  - Operating leverage with strategic execution capability
  - New cloud based, end-to-end digital bank, leading to improvement in productivity, customer experience, innovation and embedded compliance leading to improved risk controls
  - Quality portfolio and originations, well secured
- Capital position of 9.57% 'unquestionably strong', supporting investment, growth and dividends

Outlook

FY23 outlook[1]

- Australia remains well placed given low unemployment, high level of accumulated household saving, strong business order books, robust growth in capex spending plans and high terms of trade. Increased business spending in response to increased consumer spending relative to pre-pandemic levels
- However, uncertainty remains given elevated inflation, rising interest rates, geopolitical tensions, weakening global economy and supply chain and labour disruptions. Housing and business system growth expected to slow in FY23 and both residential and commercial property prices expected to fall
- Focus remains on quality sustainable profitable growth
    - Expecting market forecast credit growth of c.3.5% in housing and c.6.5% in business
    - Growth ahead of market optimising margin, revenue and returns. Tailwinds given net growth across all brands, retail and business
    - Positive NIM momentum, with tailwinds from rising interest rates partly offset by headwinds from wholesale funding
    - Cost headwinds from inflation, run of legacy systems along with build of new digital bank, regulatory changes and business growth, only partly offset by continued delivery of simplification and integration benefits
    - Positive jaws
- We intend to operate with CET1 above the target range of 9.0-9.5%[2]
- Implementing an integrated plan to strengthen our financial and operational resilience and risk culture
- Dividend payout ratio target range of 60 - 75% of cash earnings[3]

(1) FY23 outlook is subject to no material change in market conditions
(2) Following payment of the FY22 final dividend in November 2022, CET1 is expected to fall below 9.5%, before increasing to above 9.5% by the end of 1H23. We will re-assess our CET1 target once the final impacts of APRA's changes to RWAs and capital calibration are understood.
(3) The amount of any dividend paid will be at the discretion of the Board and will depend on several factors, including (a) the recognition of profits and availability of cash for distributions; (b) the anticipated future earnings of the Company; or (c) when the forecast timeframe for capital demands of the business allows for a prudent distribution to shareholders

ABOUT BOQ GROUP

BOQ

Unique brands in niche segments serving customers for 148 years

Our differentiators

- Unique brands with proud history
- Deeply anchored in local communities
- Highly specialised bankers, within niche industry segments
- Building an innovative digital offering and loyalty

Our distinctive brands

Retail Banking

BOQ: **Human, empathetic relationship-led banking**

Virgin money: **The digital bank of bigger possibilities**

me: **The bank helping all Australians get ahead**

Business Banking

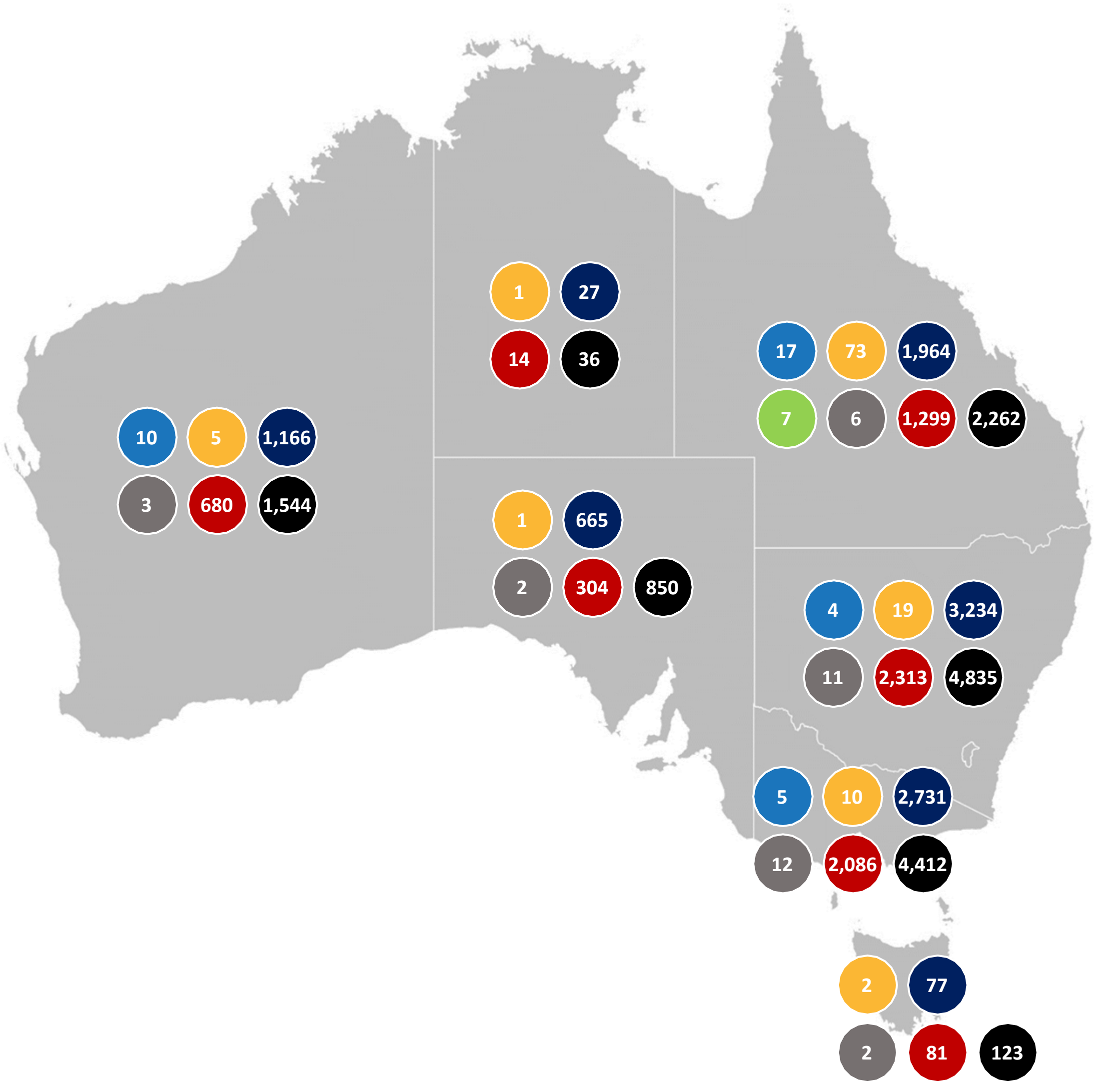
BOQ BUSINESS, BOQ FINANCE, BOQ SPECIALIST: **Specialised banking solutions that meet core business and personal needs**

Key statistics for FY22

c.1.3m[1] Customers	**c.530k** BOQ Retail **c.240k** VMA **c.350k** ME[1]		**c.10k** BOQ Business **c.34k** Specialist **c.80k** Finance **c.50k** Retail small business
154 Branches[2]	**36** ME Mobile & Direct Bankers	**c.3.3k** Employees **>900** OMB Employees	**$142b**[3] Footings
74% Deposit-to-Loan Ratio	**2.98%**[4] Market share - Housing		**1.54%**[4,5] Market share - Business

(1) FY22 ME customer numbers adjusted to align to BOQ Group active customer definition which excludes dormant customers
(2) Total branches includes transaction centres
(3) Footings means gross loans and advances plus customer deposits
(4) Internal BOQ Analysis and APRA monthly authorised deposit-taking institution statistics excluding International banks, August 2022
(5) Excluding BOQF

Distribution footprint



Summary

- FY22 branch numbers at 154 (incl. transaction centres)
- The franchise network remains a key differentiator for BOQ and is pivotal to the Bank's deposit raising capabilities and growth in mortgages and SME lending

As at 31 August 2022

- 36 CORPORATE BRANCHES
- 111 OWNER MANAGED BRANCHES
- 7 TRANSACTION CENTRES
- 36 ME MOBILE & DIRECT BANKERS
- 9,864 BROKERS ACCREDITED WITH BOQ
- 6,777 BROKERS ACCREDITED WITH VMA
- 14,062 BROKERS ACCREDITED WITH ME

Distribution footprint movements

Distribution footprint movements

Aug-22	QLD	NSW / ACT	VIC	WA	NT	TAS	SA	Total
Corporate branches	17	4	5	10	-	-	-	36
Owner managed branches	73	19	10	5	1	2	1	111
Transaction centres	7	-	-	-	-	-	-	7
Total	97	23	15	15	1	2	1	154

Aug-21	QLD	NSW / ACT	VIC	WA	NT	TAS	SA	Total
Corporate branches	25	7	10	11	-	-	-	53
Owner managed branches	66	18	9	6	1	2	1	103
Transaction centres	7	-	-	-	-	-	-	7
Total	98	25	19	17	1	2	1	163

Corporate, owner managed branches & transaction centres

	FY22 Actual YTD	
Summary of changes	Gross	Net Branch Movement
Corporate closure	7	(7)
OMB closure	2	(2)
OMB to corporate	1	-
Corporate to OMB	11	-
OMB to OMB sale	3	-
New branch opening	-	-
Total changes	24	(9)

Cultural transformation

Cultural transformation delivering improved outcomes for our people and business

	Engagement	Culture	Safe to speak up	Strategy execution	Alignment of role to strategy
Baseline	August 2020	August 2020	May 2020	May 2020	August 2020
	59%	54%	58%	51%	72%
Latest	August 2022	August 2022	August 2022	May 2022[1]	August 2022
	67%	65%	76%	64%	79%
Change	+8	+11	+18	+13	+7

We encourage collaboration and working together to achieve the best outcomes for customers

August 2022

76%

(1) Full strategy execution index not included in August 2022 survey

Multi brand strategy

Our multi brand strategy allows us to target attractive segments with brands and value propositions that work

	Retail Bank			Business Bank		
	BOQ	Virgin money	me	BOQ Finance, BOQ Specialist	BOQ Business, BOQ Finance	BOQ Business, BOQ Finance
	The Human Touch	**The Optimiser**	**The Striver**	**Specialised Business & Private Banking Services**		
Differentiation & value proposition	'The Relationship Bank' Delivering premium service through **OUR UNIQUE OM NETWORK.** Mature customers who prefer personal relationships, first time investors and first home buyers.	'The Loyalty Bank' Digitally disrupting banking by offering value and **REWARDING CUSTOMER LOYALTY.** Younger, digitally savvy and aspirational.	'Banking made simple and doing good' **SIMPLE, FAST AND SOCIALLY CONSCIOUS** banking to help everyday Australians get ahead. PAYG with more equity – digitally aware and not requiring face to face support.	Distinctive industry **tailored business and private banking** for Healthcare, Technology & Professional Businesses.	**Differentiated Full-service proposition** to Diversified & Logistics businesses.	**Supporting Australian businesses** who are farming, building or investing (Agri, Social & Property services).
Channel	• OM Branches • Digital • Brokers • Call Centre	• Digital • Brokers • Mobile Bankers • Call Centre	• Digital • Brokers • Mobile Bankers • Call Centre	• Specialist Bankers • Specialist Credit Officers • Branches	• OMB • Branches • Specialist Bankers • Local Connections	• Specialist Bankers • Specialist Credit Officers • Branches
Products	• Home Loans • Consumer Finance • Everyday Banking • Savings • Insurances • SME	• Home Loans • Consumer Finance • Everyday Banking • Savings • Insurance • Superannuation	• Home Loans • Consumer Finance • Everyday Banking • Saving	• Home Loans • Business Loans • Business Transaction Banking • Foreign Currency (Smart FX) • Equipment and Vendor Finance • Dealer Finance • Insurance Premium Finance • Structured Finance		
Emerging opportunities	• Low-cost, scalable customer propositions aligned to brand segments • New Digital Apps to increase main bank relationship and transaction accounts • Consumer Finance • Data and insights			• Targeted profitable niche segment penetration in business lending • Market leading merchant acquiring and transaction banking solutions • Data and insights • Payments Hub • Financial Markets • Supply chain capability		

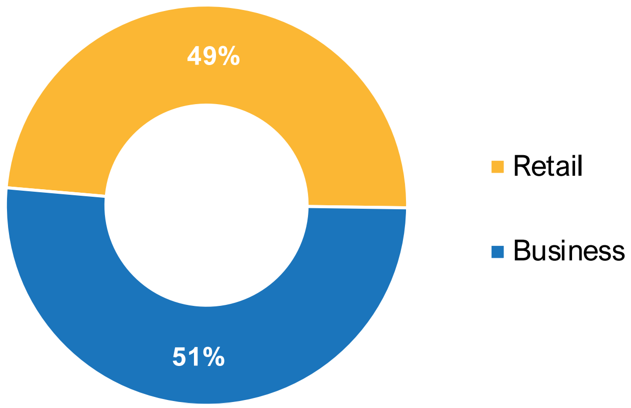
Balanced portfolio for growth and geographic diversity

Combination of BOQ and ME has diversified the portfolio

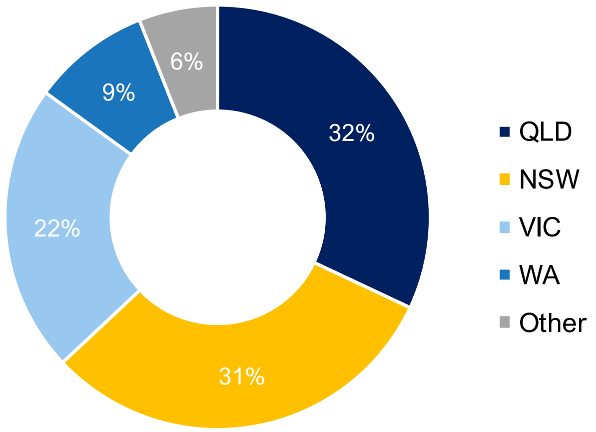
Summary

- Well diversified profit, with 49% of profits from Retail Banking and 51% from Business Banking
- Lending portfolio diversified geographically across the East Coast of Australia
- Multi-brand and business bank niche strategy enables differentiated customer propositions
- Capital investment leveraged across a broader base while scaling common technology
- Targeting growth with a ROTE above BOQ's cost of capital

FY22 Cash profit by division[1] (%)



Total loans by geography[2] (%)



(1) Excludes $2m in other segment business loss
(2) Excludes consumer as at 31 August 2022

TRANSFORMATION & INTEGRATION DETAIL

Executing on the ME integration

Integration program well progressed and synergies ahead of schedule

ME returned to growth

Improved time to yes

Centralised product and pricing capability

$1.1bn GLA growth in FY22 compared to $1.4bn GLA decline in FY21 (pre-ownership)

Single ADI

ME Bank ADI licence handed back

Consolidated Treasury and Balance sheet technology

Technology integration well progressed

Upgrade to v.18 of Temenos completed and decommissioned Ultracs (7 apps, 51 servers)

Migrated c.500k customers from Temenos v.13 to v.18, c.30k customers from Ultracs to v.18

Consolidated team and capability build

Single executive team with leadership teams drawn from 'best of both'

Capability uplifts acquired in technology and marketing

Outperformed on synergy benefits delivered

Synergies accelerated and increased

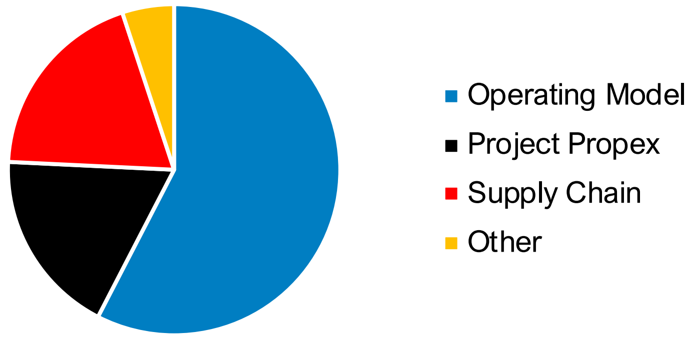
Integration costs in line with initial target

Synergy and integration cost profile

	FY21	FY22	FY23	FY24+
Synergies annualised run rate	-	$47m	c.$70 - $80m	$95m+
Delivered percentage[1]	-	63%	100%	125%+
Integration costs[2]	$13m	$81m	c.$40m	c.$5m
Cumulative	$13m	$94m	c.$135m	c.$140m

(1) Based on $75m mid-point of synergies range
(2) Integration costs are not included in cash earnings

Sources of annualised synergies to date



Integration update

Integration program delivering ahead of plan

Expense synergy profile

	1H22	FY22	FY23	FY24+
Synergies annualised run rate	$33m	$47m	c.$70 - $80m	$95m+
Delivered percentage[1]	44%	63%	100%	125%+

- FY22 P&L synergies of $38m delivered through operating model changes, supply chain benefits and consolidation of project portfolios
- Additional $7.5m one off non interest income benefit from an updated card services arrangement
- FY23 annualised synergies expected from further ME BAU project portfolio reductions, supply chain benefits and ongoing operating model changes

Integration costs[2]

	FY21	FY22	FY23	FY24+
Integration costs	$13m	$81m	c.$40m	c.$5m
Cumulative	$13m	$94m	c.$135m	c.$140m

FY22 spend primarily relates to[2]:

- Operating model changes
- Technology spend on collaboration tools, network integration, Treasury system consolidation and regulatory reporting consolidation
- Risk, compliance and remediation programs

FY23 costs expected to relate to ongoing technology integration and operating model changes

(1) Based on $75m mid-point of synergies range
(2) Integration costs are not included in cash earnings

DIVISIONAL RESULTS

Divisional performance

Positive growth in underlying profit in BOQ Business with Retail Bank down 1%

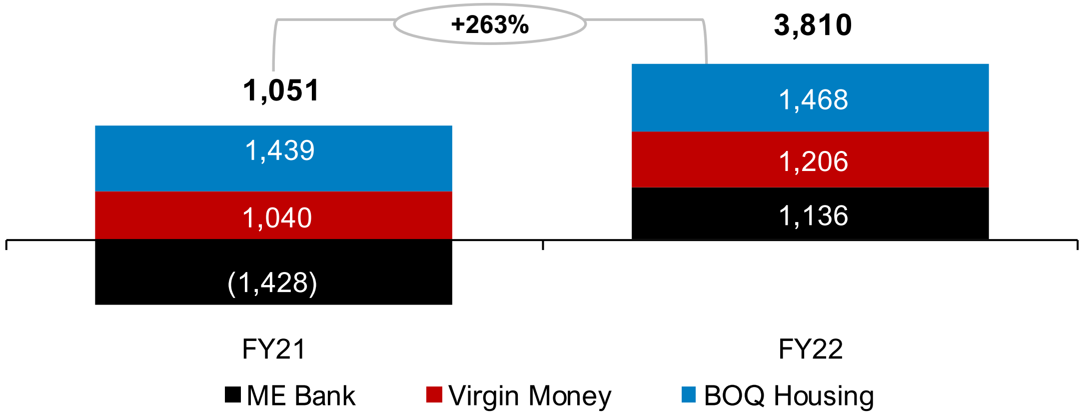
($m)	Retail bank			Business bank		
	FY22	FY21	FY22 v FY21	FY22	FY21	FY22 v FY21
Net interest income	943	981	(4%) ▼	593	555	7% ▲
Non-interest income	98	85	15% ▲	50	48	4% ▲
Total income	1,041	1,066	(2%) ▼	643	603	7% ▲
Operating expenses	(642)	(663)	(3%) ▼	(295)	(262)	13% ▲
Underlying profit	399	403	(1%) ▼	348	341	2% ▲
Loan impairment expense	(41)	29	Large ▲	28	-	100% ▼
Cash profit before tax	358	432	(17%) ▼	376	341	10% ▲
Income tax expense	(109)	(134)	(19%)	(115)	(106)	8%
Cash earnings after tax	249	298	(16%) ▼	261	235	11% ▲

Retail banking overview

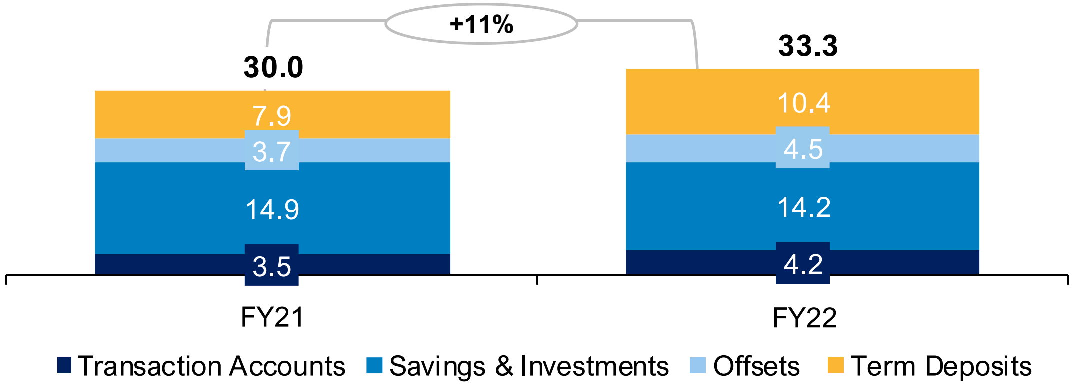
Summary

- Total income decreased 2% as margin degradation more than offset high non-interest income in the year
- Retail customer deposit growth of $3.3bn, reflecting 1.3x system, driven by 20% transaction account growth
- $1.5bn deposits on new digital platform
- Maintained housing momentum in BOQ retail and VMA growing at 1.3x system. ME returned to growth in 1H22 and achieved 0.6x system growth in FY22. Overall BOQ Group system growth of 1.0x system[2]
- Ongoing enhancement to loan processing and resourcing profile has ensured time to yes continues to improve
- Retail NPS improved to 3rd (from 5th in FY19)[3, 4]
- Mortgage NPS stable at 5th (from 11th in FY19)[3, 4]

Improved home lending growth ($m)[1]



Solid deposit funding ($bn)[1]



(1) All comparative periods prior to FY22 are on a pro forma basis
(2) APRA monthly banking statistics August 2022
(3) RFi XPRT Report, August 2022 and August 2019
(4) Relates to BOQ Retail brand

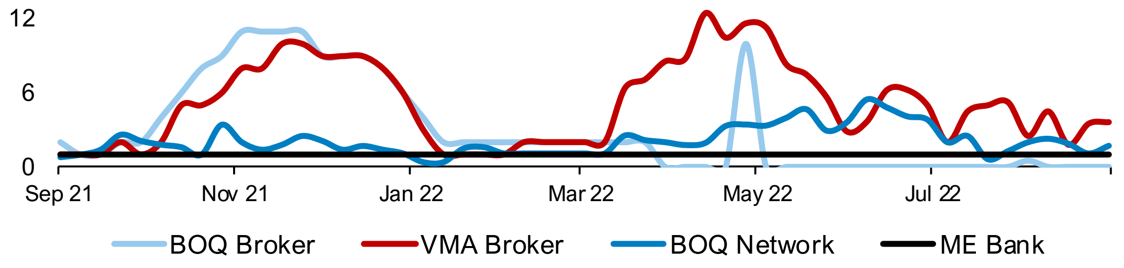
Home lending performance

Quality growth in housing, with net growth and application volumes providing revenue tailwinds, whilst maintaining good turnaround times

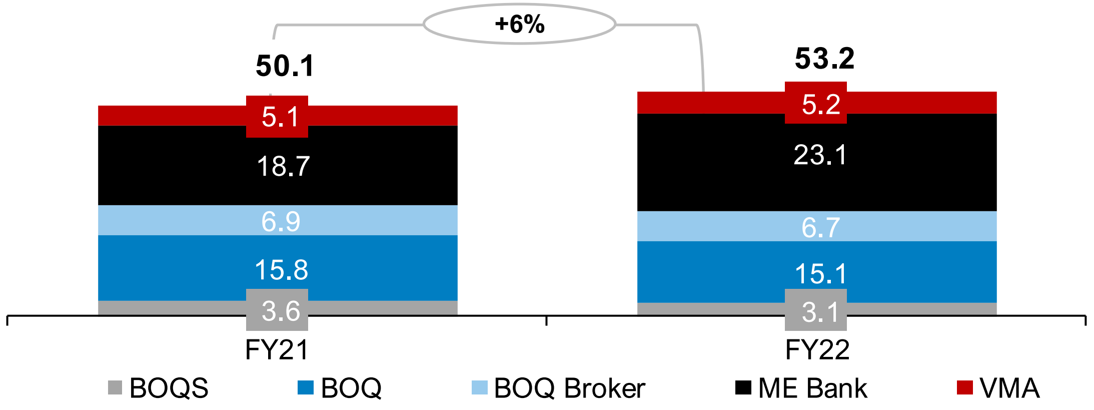
Quality housing growth metrics

Quality Growth	Portfolio FY22	Flow FY22
LVR > 90% (%)	2.6	1.3
LVR > 80% (%)	15.9	10.9
90 Days past due	55bps	
Interest only %[1]	13	13
Investor %	31	29
PAYG %	78	83
DTI >6x %		19.5
Fixed %	35	32
Broker %	45	55
BOQ & VMA system growth[2]		1.3x
BOQS system growth[2]		1.3x
ME system growth[2]		0.6x
Overall BOQ Group system growth[2]		1.0x
Serviceability buffer		Higher of 5.35% (BOQ)/5.05% (ME) or 3.0% above customer interest rate. BOQ and ME rates were raised to 5.75% in Aug 2022

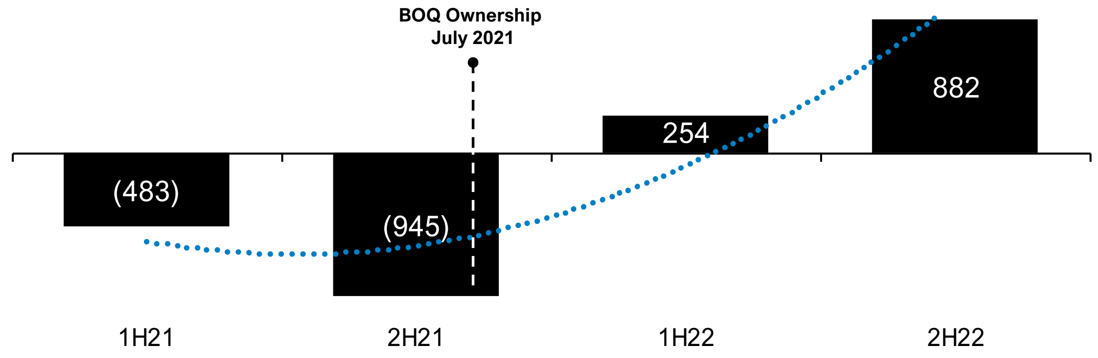
FY22 turnaround times – housing (days)[3]



Housing application volumes (# '000)



ME housing GLA growth ($m)



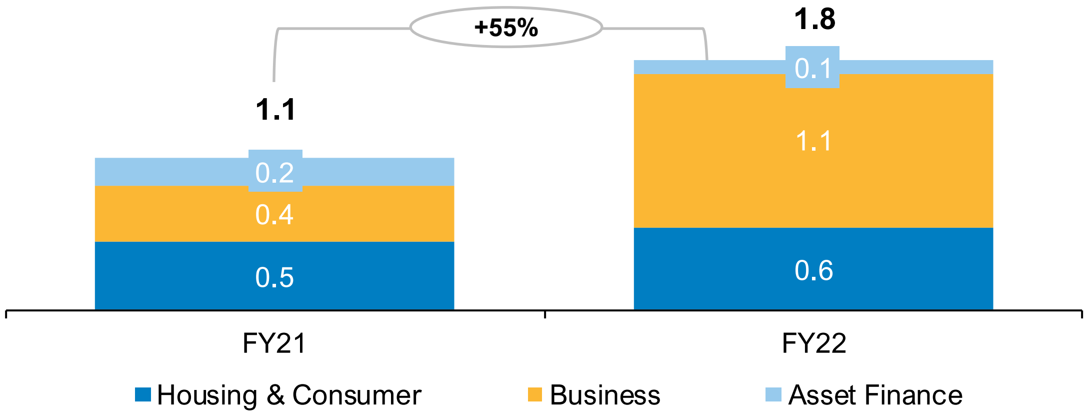
Note: All comparative periods prior to FY22 are on a pro forma basis
(1) Excluding construction loans
(2) Multiple based on YTD system to August 2022, APRA monthly banking statistics
(3) Conditional approval with median turnaround times reported. ME's process has automated Conditional Approval prior to verification, BOQ's process is a fully verified Conditional Approval

Business banking overview

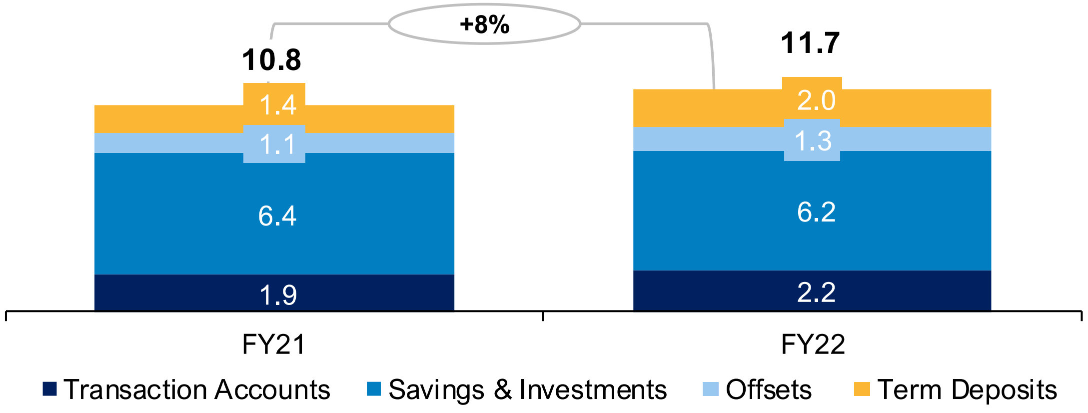
Summary

- Total income grew 7%, reflecting strong lending balance growth of 8% and focused margin management in an environment of increasing competition
- Lending momentum was underpinned by above system growth in SME ($0.6bn) and housing ($0.6bn), and $0.5bn of additional lending to large corporates
- The business remained focused on portfolio optimisation and delivering improved risk adjusted returns during the year
- $0.9bn of growth in customer deposits, helping to support asset growth across the Group
- Ongoing supply chain issues subdued growth across the BOQ Specialist asset finance portfolio, offset by solid growth in BOQ Finance
- An ongoing focus on policy, process and technology enhancements continues to deliver benefits to customers and our people

Strong housing and business lending growth ($bn)



Uplift in deposit funding ($bn)



Lending to households (APRA data)

	Lending to Households (APRA)			Multiple (APRA)			
	YTD (A)	3M (A)	1M	YTD	3M	1M	Market share
Major 1	35.71%	21.61%	1.46%	5.0	3.6	3.2	4.76%
International 1	16.47%	-3.03%	-0.25%	2.3	Neg	Neg	1.36%
Regional 1	12.53%	18.14%	1.44%	1.7	3.0	3.2	2.39%
Major 2	11.61%	17.95%	0.40%	1.6	3.0	0.9	14.93%
BOQ & VMA	9.77%	0.71%	-0.15%	1.4	0.1	Neg	1.70%
Regional 2	9.73%	3.49%	0.10%	1.4	0.6	0.2	2.84%
BOQ, VMA + ME	7.42%	1.99%	-0.14%	1.0	0.3	Neg	2.98%
System	7.18%	6.04%	0.45%				
Major 3	6.70%	4.54%	0.38%	0.9	0.8	0.9	25.81%
International 2	5.82%	-5.02%	-0.67%	0.8	Neg	Neg	2.74%
ME	4.48%	3.70%	-0.13%	0.6	0.6	Neg	1.29%
Major 4	3.28%	5.96%	0.57%	0.5	1.0	1.3	21.54%
Major 5	0.80%	3.10%	0.18%	0.1	0.5	0.4	13.00%

Source: APRA Monthly Banking Statistics August 2021 to August 2022
Note: Majors comprise CBA, NAB, WBC, ANZ and Macquarie, Regionals comprise SUN and BEN and Internationals comprise HSBC and ING

Lending to business (APRA data)

BOQ GROUP

	Lending to Businesses (APRA)			Multiple (APRA)			
	YTD (A)	3M (A)	1M	YTD	3M	1M	Market share
International 1	34.87%	8.57%	-2.39%	2.4	0.6	Neg	0.40%
International 2	15.22%	47.25%	3.54%	1.0	3.4	4.7	1.58%
System	14.56%	13.87%	0.75%				
Major 4	14.33%	18.20%	0.88%	1.0	1.3	1.2	19.57%
Major 2	14.18%	12.12%	0.56%	1.0	0.9	0.8	20.62%
Major 3	14.01%	7.66%	0.55%	1.0	0.6	0.7	25.84%
Major 1	13.49%	7.10%	-2.04%	0.9	0.5	Neg	1.93%
Major 5	12.55%	20.67%	1.04%	0.9	1.5	1.4	16.14%
BOQ	8.87%	7.56%	0.09%	0.6	0.5	0.1	1.54%
International 3	5.60%	18.47%	0.44%	0.4	1.3	0.6	1.91%
Regional 1	1.55%	7.84%	0.90%	0.1	0.6	1.2	1.39%
Regional 2	0.11%	1.40%	-0.42%	0.0	0.1	Neg	1.80%

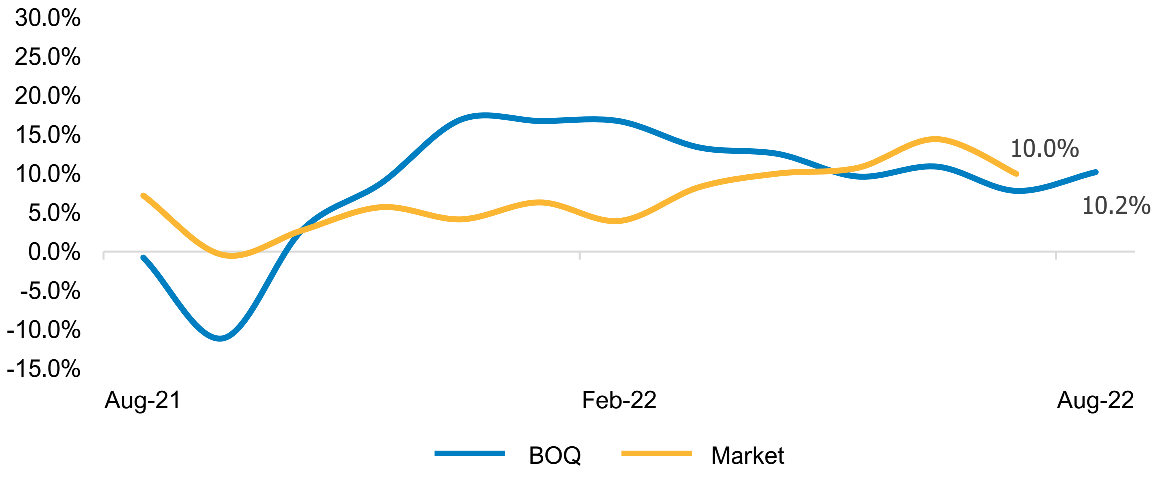
Source: APRA Monthly Banking Statistics August 2021 to August 2022
Note: Majors comprise CBA, NAB, WBC, ANZ and Macquarie, Regionals comprise SUN and BEN and Internationals comprise HSBC and ING

Business lending (RBA data)

Solid business growth with focus on SME

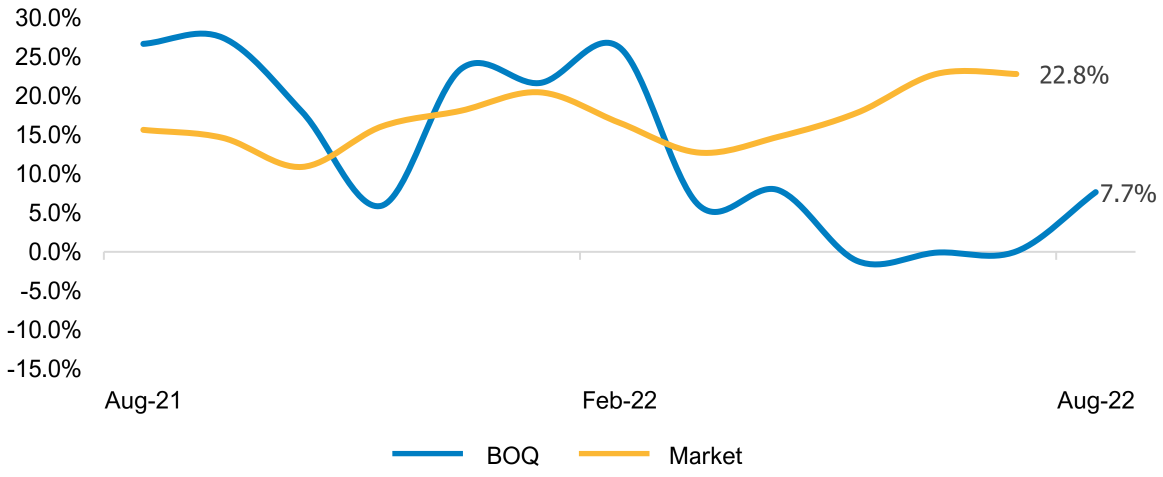
BOQ GROUP

Small and medium (rolling 3m growth rate) – RBA



Small and medium	YTD (A)
Market Growth - RBA (As at 31 Jul 22)	7.9%
BOQ Growth (As at 31 Aug 22)	11%
BOQ Multiple (As at 31 Jul 22)	1.5x

Large (rolling 3m growth rate) – RBA



Large	YTD (A)
Market Growth - RBA (As at 31 Jul 22)	18.7%
BOQ Growth (As at 31 Aug 22)	10%
BOQ Multiple (As at 31 Jul 22)	0.6x

Source: BOQ data is internal GL based and market data is sourced from the RBA D14.1 lending to business – business finance outstanding by business size and industry
Note: The RBA defines small business as an entity with exposure of less than $1 million and the business has turnover of less than $50 million, medium business is defined as an entity with exposure of more than $1 million and turnover of less than $50 million, and large business is defined as an entity with turnover of $50 million or more

BOQ GROUP

PORTFOLIO QUALITY

BOQ GROUP

Provision and loan impairment expense

Prudent economic forecasts reflective of a changing environment

Provision model assumptions

- The base case scenario reflects BOQ's forward looking economic assumptions and is supported by RBA forecasts where available
- Downside scenario represents the risk of stagflation effects, with further rises in interest rates, no GDP growth and rising unemployment
- Downside and Severe scenario weights have reduced since 2021, representing a less volatile economic outlook with COVID-19 risks subsiding, although still reflecting the uncertainty posed by the current economic environment

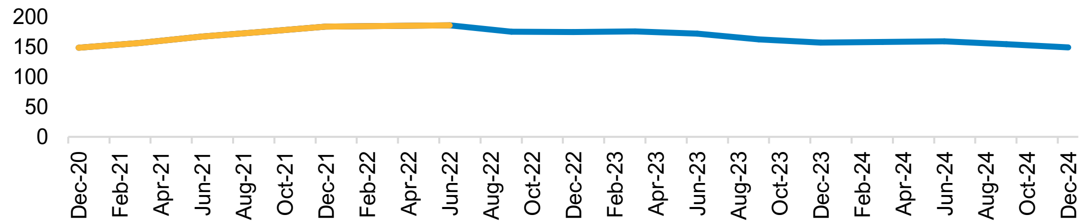
Economic forecasts (calendar year) (%)[1]

	Base			Downside		
	2022	2023	2024	2022	2023	2024
GDP (YoY growth %)	3.25	1.75	1.75	0.25	0.00	0.75
Unemployment rate (%)	3.25	3.50	4.00	5.00	7.00	7.50
Residential Property Prices (cumulative % change)	-6.00	-15.00	-20.00	-16.00	-29.00	-32.00
Commercial Property Prices (cumulative % change)	-4.00	-9.00	-12.00	-13.00	-22.00	-26.50
Cash Rate (%)	2.90	2.95	2.90	3.50	3.75	3.50

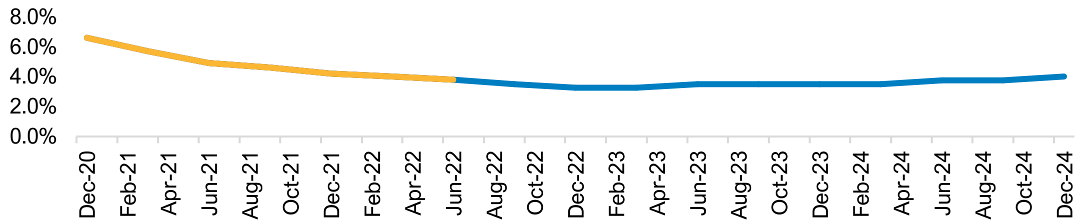
Scenario weights

	Upside		Base		Downside		Severe	
	2022	2021	2022	2021	2022	2021	2022	2021
Weighting	5%	5%	50%	43%	30%	30%	15%	22%

House price index



Unemployment (%)



(1) Economic forecasts as at July 2022, based on RBA and market consensus at that time and prepared for the purposes of collective provision updates. The peak interest rate at that time was 3.1%

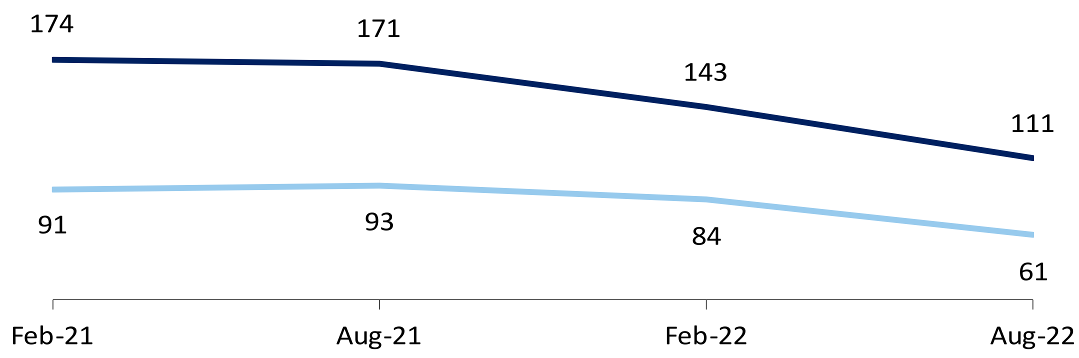
Portfolio quality

Housing and Commercial arrears trends broadly improving over the year

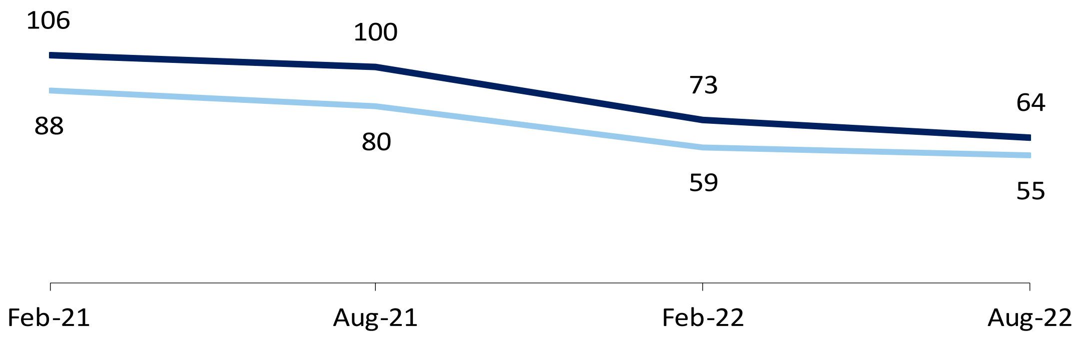
Summary

- Low unemployment, rising house prices and increased household deposits supporting lower housing arrears
- Commercial arrears continue to normalise to pre COVID-19 levels
- Asset finance arrears have deteriorated since FY21, driven by a small number of customers
- Rising interest rates and inflation expected to result in increasing arrears, somewhat mitigated by high quality portfolio, serviceability buffers and well secured in retail and business banking

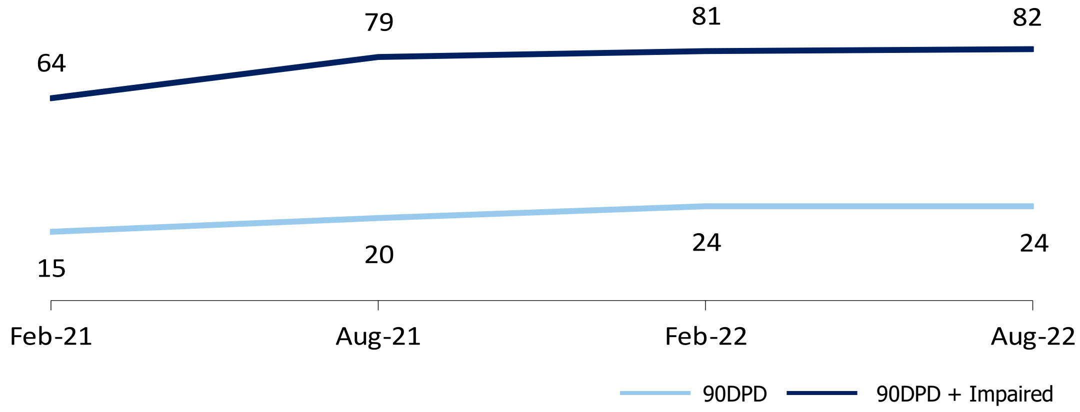
Commercial arrears (bps)



Housing arrears (bps)



Asset finance arrears (bps)



Note: FY21 comparison is on a pro forma basis

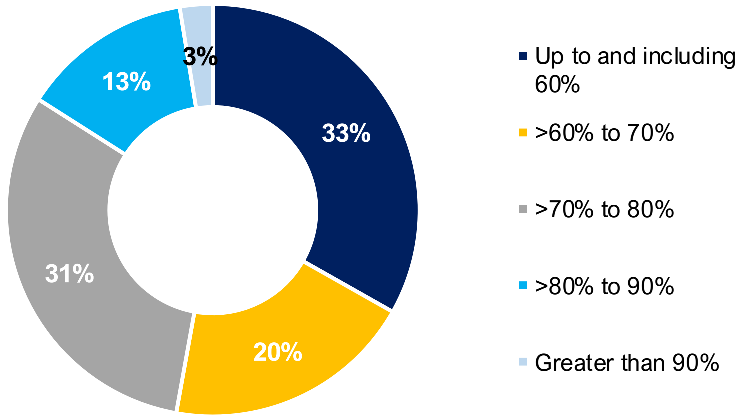
Housing loan portfolio

Strong risk management with diversified portfolio and conservative LVR lending

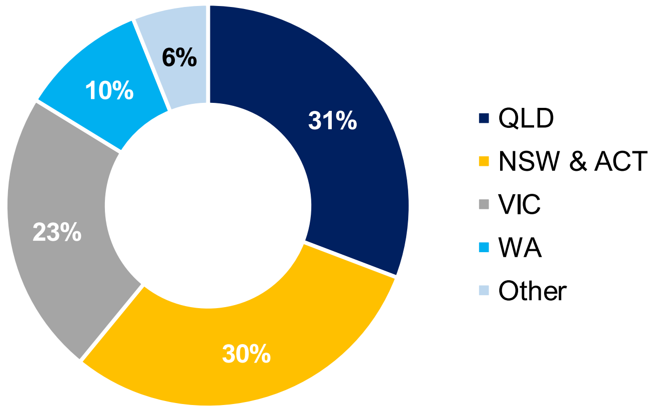
Summary

- Housing portfolio diversified across geography and channel
- 97% of customers with LVR<90%, with FY22 flow above 90% at 1.3%
- FY22 flows from home loan customers with LVR>80 reduced from 23% (FY21) to 11%

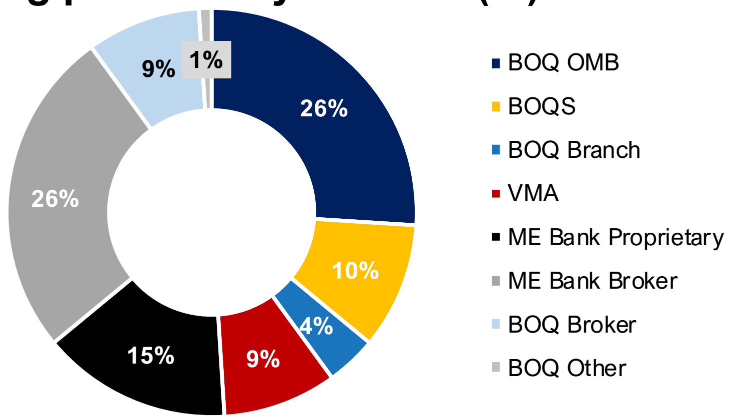
Housing portfolio by LVR (%)



Housing portfolio by geography (%)



Housing portfolio by channel (%)



Asset finance portfolio

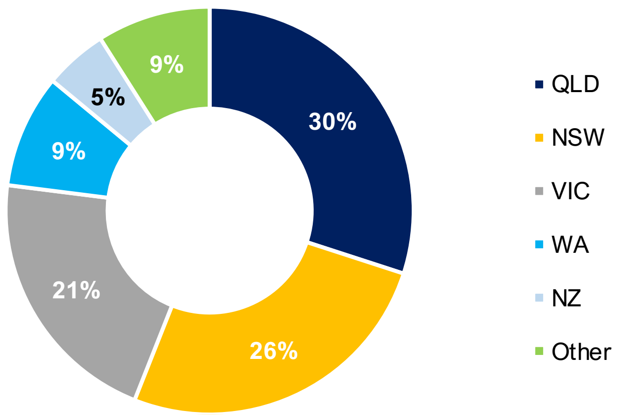
Portfolio remains well diversified

BOQ GROUP

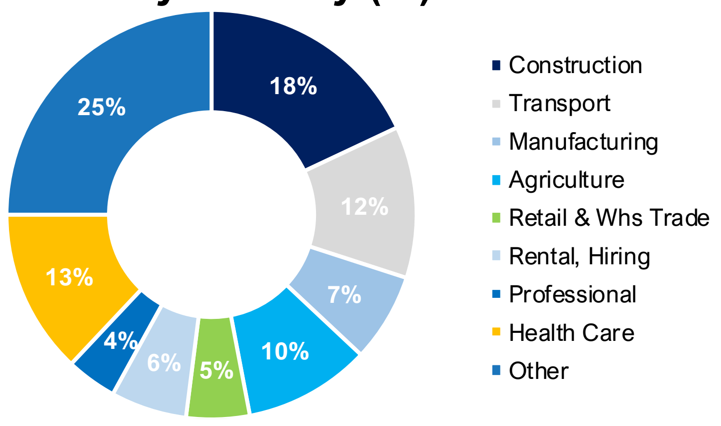
Summary

- Broad industry spread reducing concentration of asset finance portfolio
- Exposure to the construction sector is well spread across a mix of light and heavy vehicles and yellow goods, with strong secondary markets for these assets

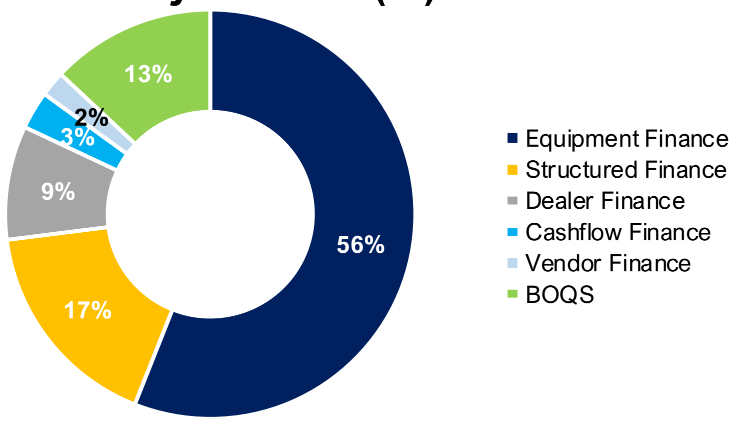
Asset finance by geography (%)



Asset finance by industry (%)



Asset finance by channel (%)



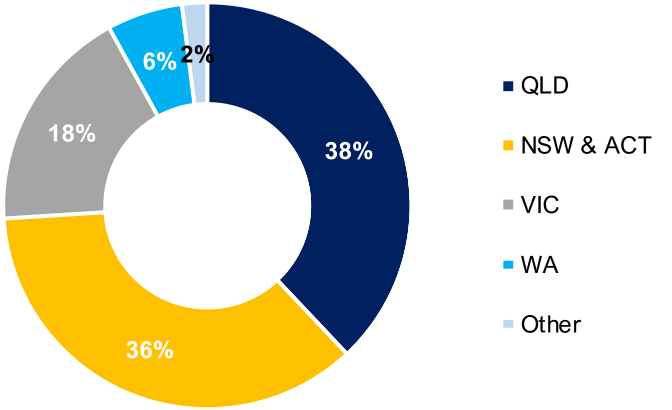
Business portfolio

Strong growth across the core distribution channels of Business Banking, BOQS & owner managed branches

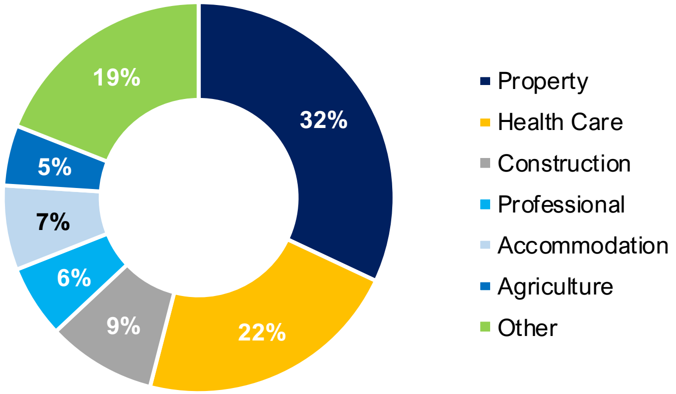
Summary

- Business portfolio well diversified geographically with a diverse channel mix
- The portfolio is well secured with less than c.8% of unsecured lending
- Property and construction industry segments are well diversified and performing well with no material indication of stress emerging in the portfolios

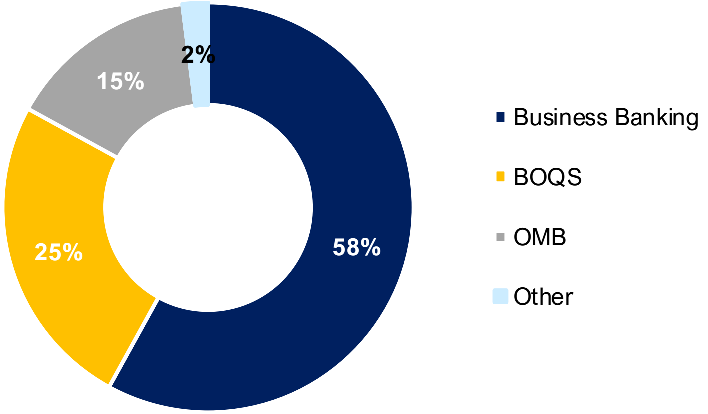
Business by geography (%)



Business by industry (%)



Business by channel (%)



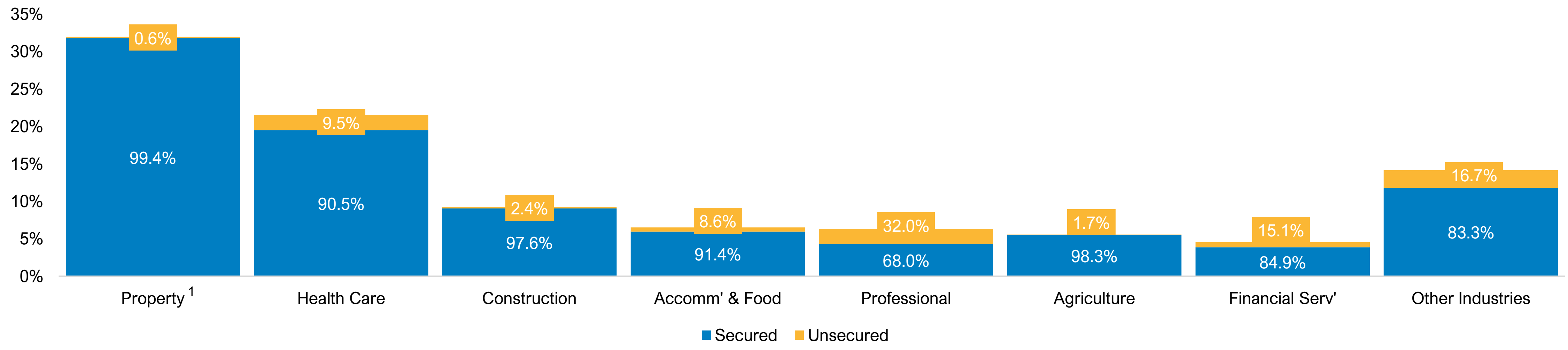
Business portfolio

Business lending primarily underpinned by quality security

Summary

- c.8% of the business exposure is unsecured
- All industries and brands are predominantly secured
- Property and construction contribute 41% to the business exposure with the vast majority of these industries being secured lending

Business portfolio security status by industry (% of industry GLA)



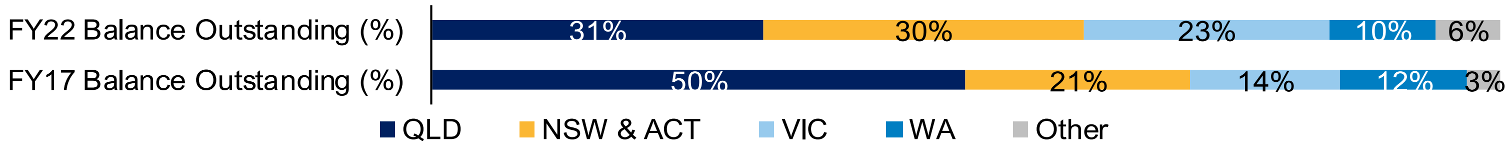
(1) Majority of the unsecured exposure in the property industry is due to a group with more than $13m exposure which was re-contracted on the 29th of August. The group is fully secured however due to timing differences security data had not been recorded in system on the year end date

BOQ GROUP

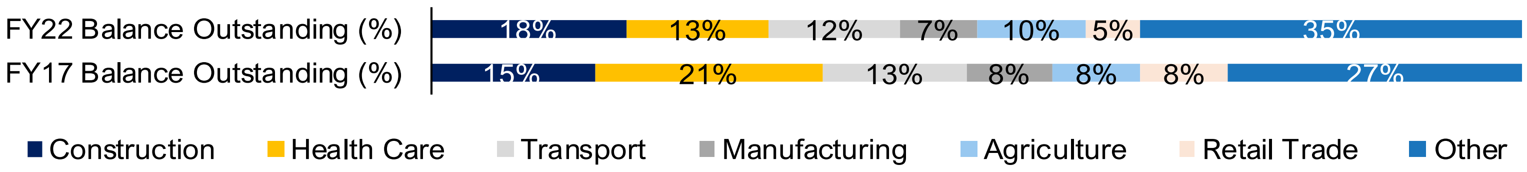
Industry and geographic split over time[1]

Enhanced geographic and sector diversification over time

Housing loans – geographic split over time (%)

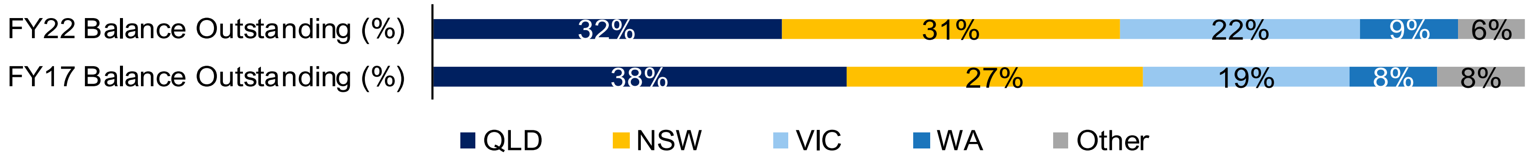


Asset finance – industry segments over time (%)



Business – industry segments over time (%)

Total lending – geographic split over time[2] (%)



Summary

- Enhanced geographic diversification, Queensland housing portfolio reducing over 4 years from 50% in FY17 to 31% in FY22
- The addition of ME has further diversified the geographic diversity of the housing portfolio
- Asset Finance and Business Lending portfolios remain diversified across a broad range of industries

(1) FY22 includes ME, FY17 has not been restated
(2) Excludes consumer

Emerging risks

BOQ GROUP

Macro economic environment

- Strong post covid economic rebound
- Historically low unemployment forecast to remain
- Housing and business credit system growth expected to slow
- Increasing inflationary concerns
- Geopolitical tensions with weakening global economy
- Supply chain and labour disruptions
- Increased swap yields, rising cash rates and increasing volatility
- House prices expected to fall

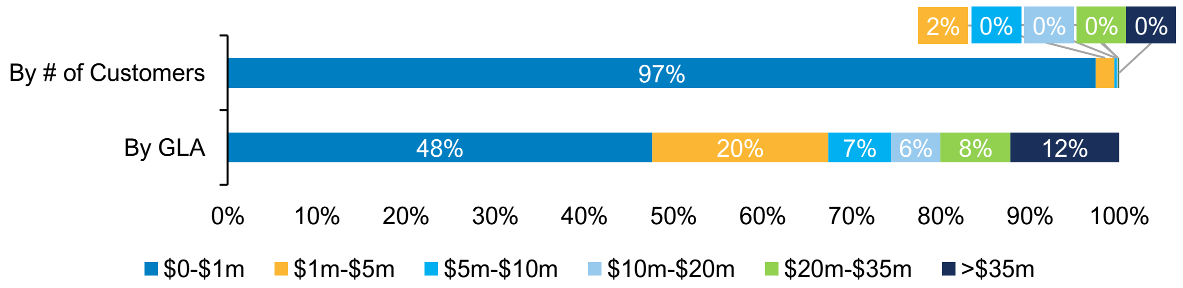
Recent weather events

- Supporting customers impacted by FY22 weather events through hardship arrangements – minimal customer requests received
- To date no material credit losses expected in relation to housing customers as general insurers expected to cover most property damages
- Business bankers working closely with impacted business customers, government assistance arrangements expected to minimise economic impacts
- Sound credit policy which considers flood risk as part of lending criteria

Construction industry

- Sector risks emerging given recent impacts from supply chain and rising cost impacts
- Construction industry comprises 9% of BOQ's commercial portfolio and 18% of the asset finance book
- Construction sector exposure is well diversified by customer size and geography with a focus on SME
- Prudent collective provisioning in place which considers sector health
- Analysis of BOQ construction exposure completed, with no material signs of stress currently emerging
- Individual customer assessments performed for all exposures over $10m, whilst customers have been impacted by industry issues, no material signs of stress emerging and customers appear to be well positioned to withstand the industry stress

Group business construction GLAs by customer exposure size (%)



BOQ GROUP

CAPITAL, FUNDING & LIQUIDITY

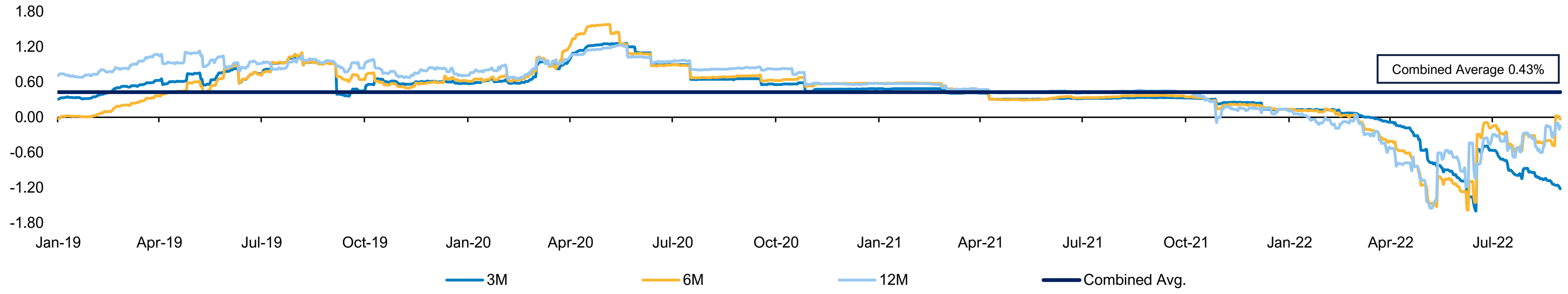
Term deposits benefiting from lower pricing relative to BBSW, new money of $1.7bn

BOQ GROUP

Summary

- FY22 term deposit growth of 14%
- 2H22 saw a strategic pivot to term deposits due to relatively low cost of funding
- Favourable carded rates in 2H22 well below elevated BBSW vs normalised rates positioned above BBSW
- Portfolio shifted to longer tenor with c.50% held in terms nine months or greater
- $1.7bn of new money, $1.4bn from existing customers (net of run off)

Term deposit carded rates[1] compared to BBSW (%)



(1) Relates to BOQ Brand

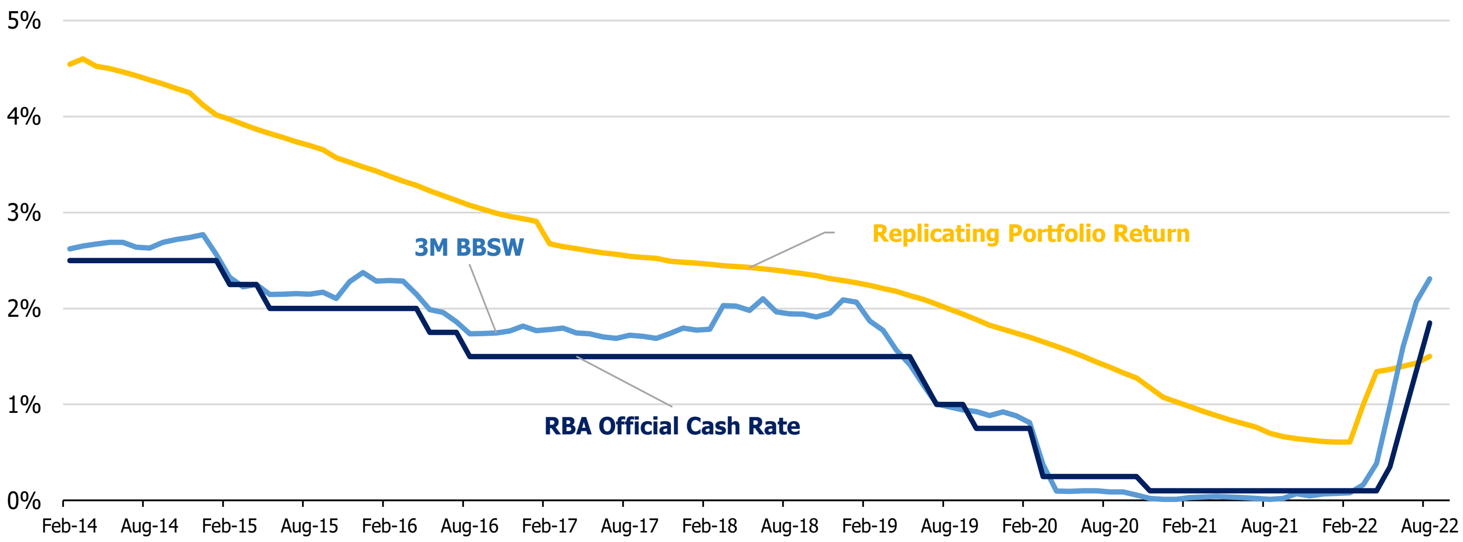
Replicating portfolio and uninvested capital and low cost deposits

BOQ GROUP

Summary

- Replicating portfolio investment term moved from 3 years to 5 years in FY22
- Additional $1bn of uninvested low cost deposits were invested into the replicating portfolio early in 2H22
- $300m increase in uninvested low cost deposits due to transaction deposit growth
- For every 25bps cash rate increase, the uninvested capital and low cost deposit portfolio increases NIM by c.0.5bps

Replicating portfolio (%)



	1H22 Balance ($bn)	2H22 Balance ($bn)	2H22 Avg. Return	Exit Return Rate	Investment Term
Capital	3.9	3.9	1.17%	1.28%	5 yrs
Low cost deposits	3.3	4.3	1.50%	1.64%	5 yrs
Total Replicating Portfolio	**7.2**	**8.2**	1.34%	1.47%	5 yrs
Uninvested capital and low cost deposit	2.9	2.2	0.84%	2.31%	3 mths[1]

(1) Invested at the overnight cash rate plus 3 month average of 3 month Bills OIS spread

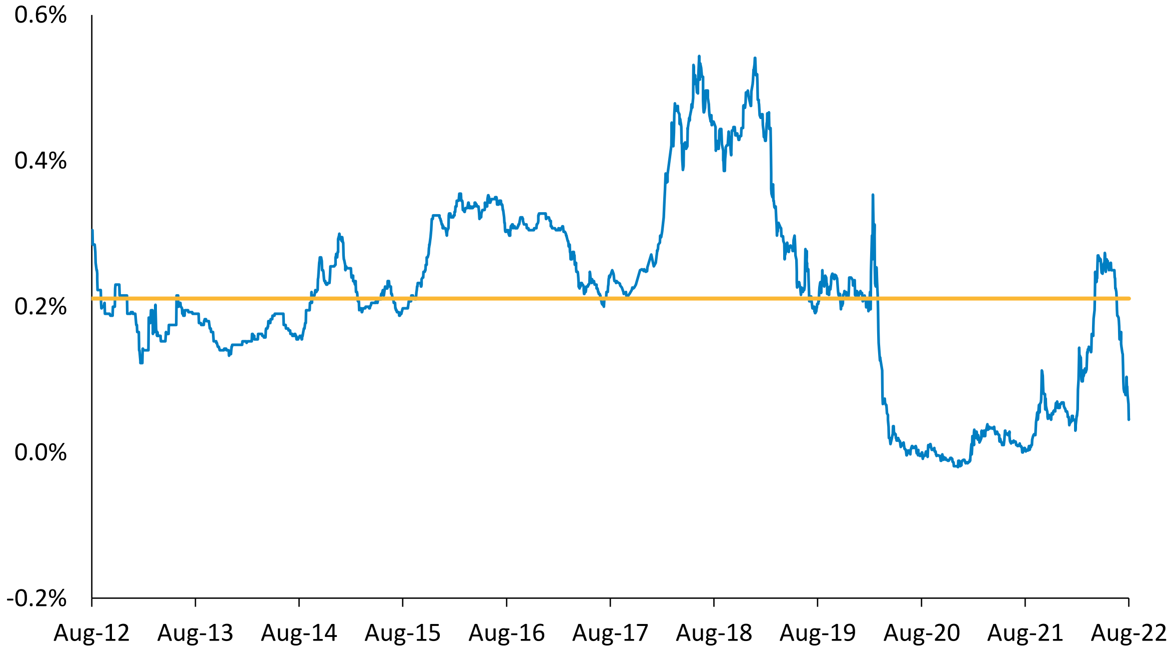
Hedging costs - basis risk

BOQ GROUP

Summary

- The impacts of hedging costs had a flat NIM impact in 2H22
- The basis exposure has started to normalise since HY22 as fixed rate lending has slowed and term deposits growth has increased during the period
- Current sensitivity given increasing basis exposure is c.1.5bps of NIM for every 10bps in basis swap spread

Long term basis risk avg - 21bps



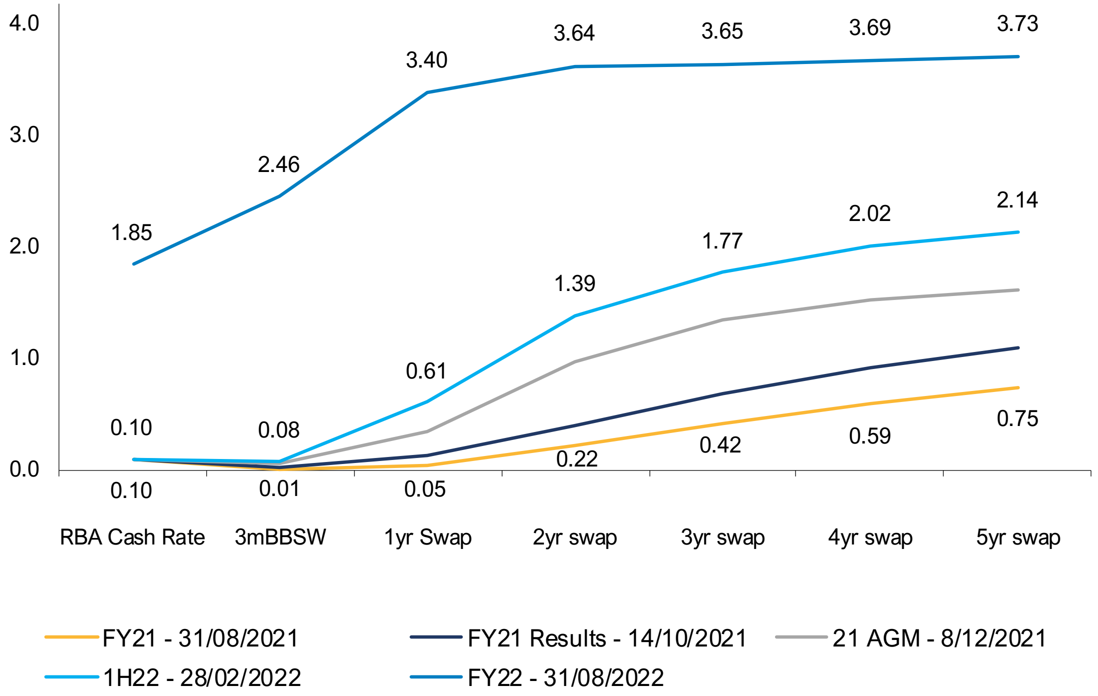
Yield curve movements

BOQ GROUP

Summary

- Swap yields have continued to increase significantly in 2H22 as central banks commence lifting cash rates in response to inflationary pressures
- This has created challenges for industry NIM

Yield curve movements (%)

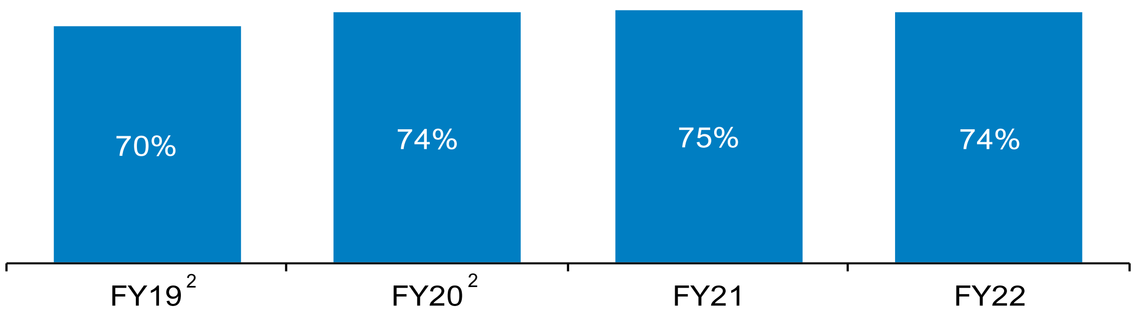


Funding

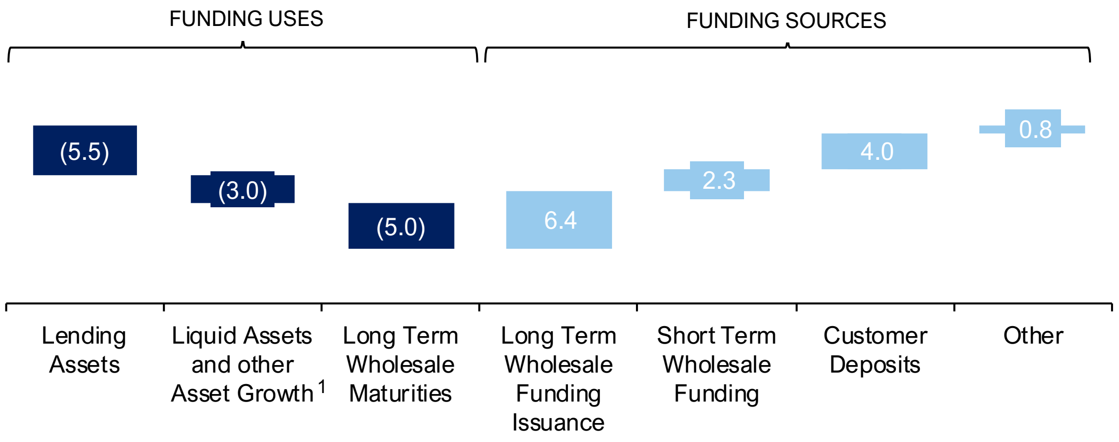
Summary

- Loan growth funded through stable funding sources, including customer deposits and long term wholesale funding
- Deposit to loan ratio of 74% despite the increase in loan growth in the year

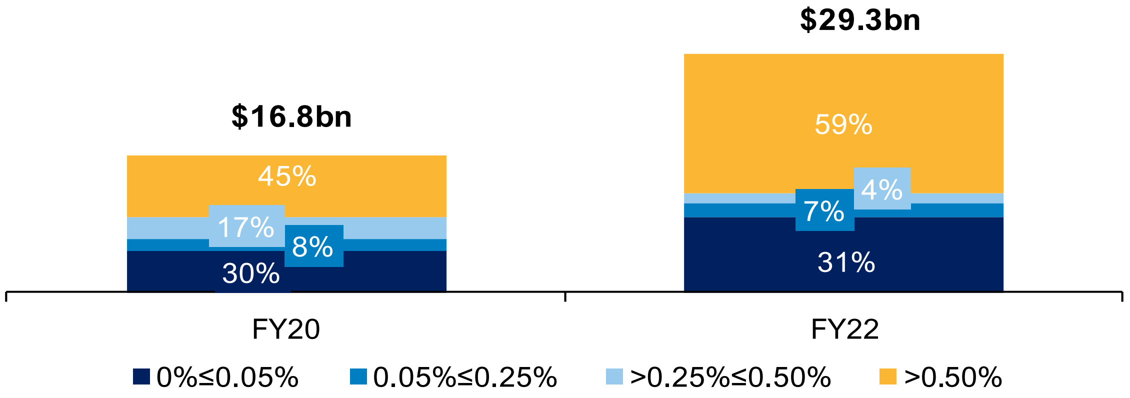
Deposit to loan ratio (%)



Uses & sources of funding – FY21 to FY22 ($bn)



Customer at call deposit funding costs[3]



(1) Other assets comprises of movements in derivatives, collateral, operating accounts and other non ESA cash accounts
(2) Period excludes ME Bank
(3) Funding mix is presented on a spot basis. FY20 funding mix and customer deposit data does not include ME

Credit rating

BOQ GROUP

Current debt ratings[1]

Rating Agency	Short Term	Long Term	Outlook
S&P	A-2	BBB+	Positive
Fitch	F2	A-	Stable
Moody's	P-2	A3	Stable

(1) The Bank monitors rating agency developments closely and is rated by Standard & Poor's (S&P), Fitch Ratings and Moody's Investor Service

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ECONOMIC ASSUMPTIONS

Macro economic environment[1]

Economic growth to be strong but with elevated inflation

Macro economic

- Economic growth will likely slow over the next 1-2 years with a forecast modest rise in the unemployment rate
- Inflation will likely peak by end-2022
- This will likely result in interest rates peaking by the first half of next year
- RBA base case is for a soft landing
- There is a higher than usual uncertainty about the outlook

(1) BOQ house view

Housing, business lending and deposits outlook[1]

Housing outlook

- Unemployment low at c.3.5% in calendar 2023 and likely to stay low
- Consumer confidence has taken a hit from the rise in the cost of living and higher interest rates
- Consumers remain confident about the labour market and are likely to benefit from faster wage growth
- Consumers have accumulated significant savings
- Rising interest rates and affordability concerns will see a peak-to-trough decline in house prices of around 16% in this cycle
- House prices forecast to drop by c.9% in 2023
- Housing credit is projected to grow by around 3.5% this financial year[2]

Business lending outlook

- Business order books and capex intentions are currently elevated
- Consumer spending is above pre-COVID levels
- High input costs are an issue for many firms
- Labour remain the biggest constraint although supply-chain problems are slowly being resolved
- Strong outlook for agri given high commodity prices
- Business credit is expected to grow by around 6.5% in the 2023 financial year

Deposits outlook

- System deposit growth was elevated over COVID-19
- Deposit growth will likely slow reflecting the end of government COVID income support, negative real wages growth and greater spending opportunities from the re-opening of the economy
- An important offset may be that the uncertain economic and financial market environment as well as higher interest rates will lead to a shift in the composition of saving towards deposits
- Deposit growth is expected to grow by around 5% in the 2023 financial year

(1) BOQ house view
(2) BOQ financial year to August 2023

ABBREVIATIONS

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
ADI: Authorised Deposit-taking Institution
APRA: Australian Prudential Regulation Authority
ASIC: Australian Securities & Investments Commission
AUC: Assets Under Construction
Avg: Average
BAU: Business As Usual
BBSW: Bank Bill Swap Rate
BDD: Bad & Doubtful Debt Expense
BOQS: Bank of Queensland Specialist
BOQF: Bank of Queensland Finance
bps: basis points
CAGR: Compound annual growth rate
CET1: Common Equity Tier 1
CP: Collective Provision
cps: cents per share
CTI: Cost-to-income ratio
CLF: Committed Liquidity Facility
DPD: Days past due
EPS: Earnings per Share
ESA: Exchange Settlement Account
ERP: Enterprise Resource Planning
FTE: Full Time Equivalent
FY: Financial year
GDP: Gross Domestic Product
GLA: Gross Loans & Advances
GRCL: General Reserve for Credit Losses
HQLA: High Quality Liquid Assets
LCD: Low cost deposit
LCR: Liquidity Coverage Ratio
LGD: Loss Given Default
LIE: Loan Impairment Expense
LOC: Line of Credit
LVR: Loan to Valuation Ratio
MFI: Main Financial Institution
NIM: Net Interest Margin
NII: Net Interest Income
NM: Not meaningful
NPAT: Net Profit After Tax
NPS: Net Promoter Score
NSFR: Net Stable Funding Ratio
OMB: Owner Managed Branch
OIS: Overnight Index Swap
PAYG: Pay As You Go
PCP: Prior Corresponding Period
PD: Probability of Default
QE: Quantitative Easing
RBA: Reserve Bank of Australia
ROE: Return on equity
ROTE: Return on tangible equity
RWA: Risk-weighted assets
SaaS: Software as a Service
SME: Small and Medium Enterprises
TD: Term deposit
TFF: Term Funding Facility
VMA: Virgin Money Australia