

Jessica Smith: Good morning and thank you for joining us on the line today. My name is Jessica Smith and I'm the General Manager of Investor Relations and Corporate Affairs at BOQ.

Before getting underway, I would like to acknowledge the traditional custodians of the land on which we meet today, the Gadigal people of the Eora Nation. On behalf of BOQ Group, I pay my respects to elders past and present.

Today we have announced to the market a transaction which our Chief Executive Officer, Rod Finch and Chief Financial Officer, Rachel Kelloway will detail shortly. Both Rod and Rachel will be available to answer questions at the end of this call.

At the outset, I caution that as we are presently in blackout in the lead up to our first half 2026 financial results, which will be presented to the market on the 22nd of April. As such, we will not be answering any questions that are not specific to today's announcement.

I will now hand over to Rod.

Rod Finch: Thanks, Jess, and good morning, everyone.

Today, we've announced an important next step in our strategy, one that supports the continued growth of a core part of our business while improving capital efficiency and balance sheet flexibility.

As we outlined to the market in August last year, we have been exploring a capital partnership for our equipment finance business. Following a competitive process and strong interest, we're pleased to confirm that we will be partnering with Challenger.

The structure of this transaction is expected to support us in continuing to grow equipment finance without increasing BOQ's balance sheet concentration or funding requirements while maintaining our customer relationships and origination and servicing capability.

The partnership includes the sale of approximately \$3.7 billion of our equipment finance back-book along with the establishment of a forward flow arrangement with Challenger.

Equipment Finance is a long standing and core business for BOQ with strong underlying fundamentals. We've operated in this segment for more than two decades and have built deep capability across a range of industries.

The business supports customers across Australia with finance solutions for vehicles, transport, agricultural and specialist machinery, underpinned by expertise in sectors such as construction, transport, agriculture, manufacturing and professional services. The portfolio is well diversified by both industry and geography, with lending secured against income producing assets. It plays an important role within our business banking portfolio and remains a key part of our customer proposition.

Importantly, this partnership gives us the capacity to scale the business, expanding the number of customers we serve, while also deepening relationships with existing customers without adding to our capital intensity or funding requirements.

As a result of the transaction, we're also pleased to announce we are intending to return approximately \$300 million of capital to our shareholders. We expect this to be delivered through a combination of an on-market share buyback and a fully franked special dividend, subject to board and regulatory approvals and

market conditions. We'll confirm the final structure and timing once the transaction completes, which we expect by the end of May.

The expected return of capital alongside our continued transformation and ongoing deployment of capital into the business reflects the strength of our balance sheet and our focus on disciplined capital management more broadly.

This partnership represents a strong next step in BOQ transformation and is expected to be accretive to both return on equity and earnings per share over time. It demonstrates our commitment to balancing the needs of the business, continuing to offer customers a compelling proposition while also delivering returns to our shareholders.

I'll now hand over to Rachel, who will talk through the financial impacts of the transaction in more detail.

Racheal Kellaway: Thanks, Rod.

I am pleased to bring this transaction to market today. It is an important step in BOQ's strategy.

Looking at the transaction in a bit more detail, there is the whole of loan sale, which is expected, once complete, to allow us to reduce funding by about \$3.4 billion and to return approximately \$300 million of surplus capital released by the transaction to shareholders.

The sale reduces our net interest income and we transfer economic credit risk on that portfolio. We will generate an ongoing servicing fee with no impact on costs to support the business.

On the forward flow arrangement, we will originate customer facilities and these will transfer monthly to Challenger. Similar to the back book, we will receive a fee in this case for origination and then an ongoing servicing fee as we will continue to provide customer servicing and maintenance.

The forward flow agreement is for an initial 12 month term extendable by agreement between the parties and originations are subject to Challenger and its financier's discretion as defunding for BOQ.

This reshapes our revenue mix with the forfeiture of net interest income and the composition of revenue moving towards higher capital light revenue with no material credit risk weighted assets being held against exposures originated under the partnership.

As at the 28th February 2026, this portfolio has been recognised as being held for sale. This results in a derecognition of assets and liabilities associated with the sale of the back book. The estimated outcome is an unaudited post tax 31 million loss in the statutory accounts for the first half 2026.

The drivers of this are a premium on sale of \$3 million and a release of the collective provision of \$18 million, offset by an allocation of goodwill to the disposal group of \$20 million, the impact of interest rate swaps of \$27 million and costs of the transaction of \$5 million.

It is expected that there may be some adjustments to this number required on completion of the transaction, particularly as it relates to swap movements and we will announce these at the appropriate time.

As a result of our strong capital position, last reported in Q1 pillar 3 reporting, which shows us above the top end of our management target range, we have announced today the intention to return the capital released from this transaction back to shareholders.

Our intention is that this comes in the form of an on market share buyback and a fully franked special dividend. This is subject to regulatory and board approval and when we can share more detail on this, we will. The share buyback is of course also subject to market conditions.

I look forward to speaking to you in more detail about this transaction as part of our first half results on the 22nd April, and also when the transaction completes.

I'll now hand over to Jess for QA.

Jessica Smith: Thanks, Racheal.

As a reminder, as we are in blackout and today's call is confined solely to this announcement, we ask that you please ask one question only and strictly limit your question to the content of today's release.

I will now hand the call back to our operator, Michelle to facilitate the Q&A. Thank you, Michelle.

Michelle (Operator): If you are in the queue, you do not need to press any buttons. Your line will open automatically when it is your turn and you will hear a beep to confirm you are live. If you have muted your phone using your device's own mute function, Please ensure it is unmuted when your name is called as this will prevent us from opening your line. After your initial question, your line will be muted automatically. You will then be placed in listen only mode. To ask further questions, please press * to rejoin the queue.

Our first question comes from Ed Henning from CLSA. Ed, please go ahead.

Ed Henning (CLSA): Hi, thanks for taking my question. Can you just give us a little bit more detail on the actual cash NPAT impact from the sale of the fee of the \$3.7 billion and the and the reduction in the in the debt, how we should think about on that net interest income and also with that the ongoing service servicing fee. So, if we just exclude out the capital management for now, I'm just interested in the P&L impact on this transaction please.

Racheal Kellaway: Hi Ed and thanks for the question.

You know there are elements of this that we aren't disclosing due to commercial sensitivity and in particular the amount of fees that we'll generate on the on the forward flow and the servicing fee on that back book transaction and the back book sale.

So if I think about the P&L broadly though, net interest income is going to be a negative. So obviously we're going to be stopped... So we'll stop generating net interest income on that portfolio. It will be largely offset by non interest income, but not entirely.

If I then move through the P&L, operating expenses, no change, but we will no longer on the forward flow or the back book incur credit losses on that. So that's a positive to P&L and so that's how we get to sort of the cash, a cash impact position.

If you then think about the real strategic driver of this transaction, it is around the capital release, and so the statements we've made today are around cash ROE and EPS accretion in in FY2026 and beyond that.

Michelle (Operator): The next question is from Jonathon Mott at Barrenjoey. Jonathon, please go ahead.

Jon Mott (Barrenjoey): Yeah, Hi, Rachel. Just wanted to get a bit more detail because you've basically said nothing there. So following on from Ed's question, I'm just going to give you some back of the envelope, but I just wanted to see if this is correct or you can point me in the right direction.

But I would have thought the yield on these assets would have been somewhere around 400 basis points, 350 and 400 basis points and then you'd be funding them say 100 over. So you're making around a 300 basis point spread. And are you saying that the, the non interest income that you're going to generate on the fees is going to be slightly less than that? So therefore it's going to be revenue negative. And then you take off the bad debts, which we can all estimate. So it's going to be a small loss coming through from this portfolio. I know it's commercially sensitive, but can you give us some information rather than just not answering each question?

Racheal Kellaway: Jon, I think you're pretty much there on all of those assumptions that you've modelled out yourself. And so you know, the, the overarching reason for this though is, is the capital.

So you know, this isn't a material driver of earnings either in a positive sense or a negative sense. When we get to completion, we can give you a little bit more information as to what it will do in, in FY2026.

But at this point we aren't, we aren't providing anything more specific other than saying from a, from a cash earnings perspective, it's really not a key driver.

Michelle (Operator): Our next question is from Carlos Cacho from Macquarie. Please go ahead, Carlos.

Carlos Cacho (Macquarie): Thank you. I'm just interested in how you're, I guess, thinking about the capital return. You know, you've got excess franking balance of over 600 mil. So, it would seem that you know, which is it's unlikely to come down organically in the near term, it would seem that paying out the vast majority of proceeds, through a special dividend would be most tax efficient way for the majority of investors aside from supporting EPS with the lower share count.

What's the, I guess, rationale from using the buyback done alongside that? And how are you thinking about the choice between the between the two options? And I guess I guess kind of alongside that, given you know you're above your operating you kind of management targets, well, why aren't you returning more capital?

Rod Finch: Thanks, Carlos. In terms of the capital management plan, what we've called out is an on-market share buyback and a special dividend, it's really about efficiency in returning the capital to shareholders and that's really driven how we're thinking about that plan.

As Rach noted, we're still subject to board and regulatory approvals on that, but it's really the driver of the mix between the two is from how we can efficiently return capital to shareholders. In terms of the second question on sorry, what was the second sorry? Can you just repeat your second question there, Carlos?

Michelle (Operator): Our next question is from Brian Johnson from MST Financial. Brian, please go ahead.

Brian Johnson (MST): Thanks for the opportunity to ask a question. I'd just be interested on reading the announcement, this is an agreement for one year. Could you just talk to us about what would happen if Challenger decide not to do this in a year's time?

Rod Finch: Thanks Brian and thanks for the question. So we've really taken a long term view with this deal and the way we've worked through it is going to model it out over a number of years. I think that the 12 month agreement is something we've worked on with Challenger. I think we've retained the flexibility to write these deals onto our own balance sheet and that is something that's available to us through the partnership, including when the forward flow agreement is in place.

Our hope is we'll continue to work with Challenger over the next 12 months to work on that forward flow and to agree for multiple years. But at this stage, it's just for 12 months.

But we have retained flexibility to write these deals or from this portfolio onto our own balance sheet.

Michelle (Operator): The next question is from Matthew Wilson from Jarden. Matthew, please go ahead.

Matt Wilson (Jarden): Good morning, team, Matt Wilson, Jarden. If we stand back and look at this strategically, haven't we seen this movie before? It reminds me very much of what Bank of Queensland did from 2001 until 2007 and then funding markets closed and the business was less structurally impaired until from 2007 until today.

Like these arrangements really acknowledge that you have no benefits from being a bank. How is this sustainable?

Rod Finch: Thanks for the question, Matt. The way we've approached this is really about how do we scale growth in a core area of our business, recognising that our capacity to grow is constrained by a balance sheet and we're subject to the concentration limits associated with this portfolio. So for us, we think we've retained flexibility within this structure.

For us in the short term, it's very much about how do we leverage challenges balance sheet to help us meet a need that we see and we think we can grow in this portfolio over time and we can do that in a really capital efficient way. And it also helps with our funding costs as an organisation and it reduces our exposure to credit risk through the cycle.

And if we think about the flexibility that we've also retained just to BJ's question, we're also able to write these loans onto our balance sheet and we've retained that flexibility over time.

So, we think this is a way that we can think differently about optimising our balance sheet and ultimately scaling growth in our business where we're seeing a real need from our customers.

Michelle (Operator): The next question is from Kelsey Bentley from JP Morgan. Kelsey, please go ahead.

Kelsey Bentley (JP Morgan): Thanks, Rod and Rachel, just following on from your previous comment, given you have the flexibility to originate facilities on your own balance sheet, but then you'll also have this forward flow agreement, how are you actually going to balance the two? And I guess what's the consideration if something is originated on your balance sheet or not and you know how do you ensure you're essentially not competing between those two channels?

Rod Finch: So, thanks for the question, Kelsey. So the way the arrangement works is we continue to own the customer relationship and the business continues to operate servicing both customers within our business bank and more directly into the broker market that supports this portfolio.

At the industry level for us, it's really clear on the types of deals that go through to our challenger. That's been part of the arrangement that we've struck and those details are commercial in confidence.

But what we've retained with that flexibility is really how we think about growth more broadly now that is still subject to our credit risk appetite, the needs of our customers and what we're seeing in the market. And so for us, it's very much about returning to growth with our customers.

We've got a really clear view of what would be originated to Challenger based on the partnership that we've announced today with the flexibility and the option to use our own balance sheet where we see growth potential.

But, I think for us what's really important is maintaining discipline allocation of capital into the business ongoing and with the with the objective of ultimately improving returns.

Michelle (Operator): The next question is from John Storey from UBS. John, please go ahead.

John Storey (UBS): Morning, Rod. Morning, Racheal. Just on the actual deal itself, I'd be interested to get your views. Is there any further opportunities to actually expand these types of asset sales beyond equipment finance? And then just to what BJ was asking about, maybe you could just share.

Obviously I appreciate it's pretty sensitive, but some high level conditions or the flow agreements that reset every 12 months, I mean is there conditions I would assume around things like the asset quality, performance of the assets for the gain and the etcetera?

Rod Finch: Thanks John. So just on your first question, look, we've shown a willingness to think differently about our balance sheet and this capital partnership we're announcing today is a reflection of that.

We'll continue to review our portfolio in a really disciplined way and where we see opportunities that make sense for us, we would consider that and continue to explore them over time. But at the moment, we're really focused on establishing the relationship with Challenger and focusing on the equipment finance book as a starting point in terms of more broadly how we've...

Racheal Kellaway: I think the, I think the sort of second part to add there to Rod's question is, is actually about the, the way in which we will look at the 12 monthly discussion with Challenger. And by the way, you know it's a, it's a sort of a legal 12 month term. Clearly, we will be working with Challenger on a much more frequent basis. And the key things we are in discussion with are things like yield performance and loss performance. They're really the two key drivers of what looks like the next 12 months and beyond of this, of this partnership.

As Rod called out, we are very much aligned on this being a long term partnership. And so these checkpoints are really just to make sure that we are meeting criteria that has been agreed upfront and that we are still appropriately, you know, getting a yield and, and, and our credit policies are giving us the your credit loss experience over the long term that is expected by both parties.

Michelle (Operator): Our next question is from Andrew Lyons from Jefferies. Andrew, please go ahead.

Andrew Lyons (Jeffries): Hi guys. Can you hear me? Just a really straightforward question just around the FY2026 cash ROE guidance that'll go up by 15 to 25 basis points given the transaction. Can you, can you just confirm is that a pro forma comment assuming that the transaction had completed at the beginning of the year and had any capital management attached to it?

Racheal Kellaway: So it's not, it's not pro forma. It is actually the impact in FY2026 from the date of completion. We flagged the date of completion today as being by the end of May.

If I, if I then just take a step back again, the, the impact for the remainder of the year really is, you know, revenue is sort of largely neutral, very, very small negative as I said earlier. We've then removed the assumed credit losses from the P&L going forward. There's no impact on operating costs.

And so we're back to the key driver in this period is really the dependency on the execution of our plans for capital management. So, as we've outlined today, it is still dependent on regulatory approval and in the event of a share buyback, also subject to market conditions. But we are looking to execute on this as efficiently as possible, which is supportive of the FY2026 ROE and EPS statements that we've made today.

Michelle (Operator): Thank you, I will quickly re-read the instructions in case anyone needs to rejoin the queue. If you'd like to ask a question today and are currently not in the queue, or you have already spoken and wish to ask further questions, please dial * at any time.

Our next question is from Carlos Cacho from Macquarie. Carlos, please go ahead when you hear the beep.

Carlos Cacho (Macquarie): Hi Rod, I just wanted to follow up on the second part of my question around the capital. I guess now you noted that you're already operating above your management targets. So why not return more than the 300 million given you're sitting at close to 11% CET1 and you've got a target [inaudible] basically 10.5%. Seems like you just have the capacity to do a bit more.

Rod Finch: Carlos, thanks for the question and apologies, we missed that earlier. Look, I think we entered this transaction in a strong capital position. We continue to invest in the business in a sustainable way and we're continuing to deploy capital into the business.

And so from our perspective, we think this is the right mix in terms of returning capital to shareholders while continuing to have sufficient capital to execute our plans and deploy capital where we see appropriate or good returns within the business.

Michelle (Operator): The next question is from Sally Hong from Morgan Stanley. Sally, please go ahead when you hear the beep.

Sally Hong (Morgan Stanley): Good morning. Can you hear me OK?

Rod Finch: We can, Sally.

Sally Hong (Morgan Stanley): I just have a question on the capital piece. I'm not sure if you already answered it, but in the second half 26, can you talk through the capital impacts that we should expect once the transaction completes?

Racheal Kellaway: Sally, unfortunately at this point we can't give you any more information. So, on completion and subject to having received that regulatory approval, we will be able to share more details as to the split of the capital management plan between the share buyback and the fully franked special dividend and also the likely timing.

Michelle (Operator): The next question is from Brendan Sproules from GS. Brendan, please go ahead. When you hear the beep on...

Brendan Sproules (Goldman Sachs): Good morning. I just want to follow up on Andy's question around the ROE impact of 15 to 25 basis points. Just from your answer, it appears to me that this is just a three month impact from both a capital and P&L side. Can I just get you to confirm that?

Racheal Kellaway: Yeah, it was. So, we've basically assumed, you know by the end of May that we'll have completed so three or four months.

Michelle (Operator): There are no more questions.

Jessica Smith: Thank you everyone for your time today and we look forward to speaking to you in more detail at our first half 2026 results on the 22nd of April.

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