Jessica Smith: Good morning and welcome to BOQ's financial results presentation for the full year ended 31st of August 2026. My name is Jessica Smith and I'm the General Manager of Investor Relations and Corporate Affairs at BOQ.

On behalf of the management team, I would like to acknowledge the traditional custodians of the land we are meeting on today, the Gadigal people of the Eora Nation. We pay our respects to elders past and present.

I'm joined in the room today by BOQ's Managing Director and Chief Executive Officer, Rod Finch, and our Chief Financial Officer, Racheal Kellaway, who will present the results. We are also joined in the room by BOQ's executive team. Following the briefing, there'll be an opportunity for questions. I will now hand over to Rod.

Rod Finch: Thanks, Jess. Good morning, everyone, and thank you for joining.

Today, I'll take you through the strong progress BOQ has made in FY26 to position us for sustainable growth in FY27. We set the foundations of a simpler specialist bank, maintained disciplined cost management, strengthened our capital position, and returned capital to shareholders.

This year, BOQ delivered $358 million in cash earnings after tax, excluding notable items with net interest margin of 1.70%. This was supported by the decisions we've made to optimise our balance sheet, improve our funding mix, and grow with strong risk-adjusted returns. We completed our whole-of-loan sale, and in August we paid a fully franked special dividend of 15 cents per share. Our on-market share buy-back is also underway.

The board has declared a fully franked final dividend of 20 cents per share, recognising the group's resilient financial position and strong capital levels. This brings total dividends for the year to 55 cents per share.

With the completion of ME migration, all ME customers, and 68% of all retail customers, are now on the digital bank. We have begun scaling the digital mortgage with 88% of application volume and 83% of settlements occurring through digital channels. Our remedial action plans are well progressed with 74% of all activities now complete. While there is more work to do, the risk frameworks we have built through the programs are being embedded across the organisation, and our risk culture measured through our people surveys continues to improve.

In FY26, we continued to recycle our balance sheet from home lending to business lending and established our capital partnership with Challenger. We supported 1.4 million customers across Australia. Our branch network has aligned to identified growth areas, especially focused on Queensland. We expanded our co-located retail and business banking centre model, and we continue to support the communities we operate in through deeply connected partnerships.

Looking closer at the financial results, we delivered total income of $1.7 billion up 1% year-on-year, and strong cost management meant expense growth was 2% below inflation and in line with our guidance. We saw improved momentum in the second half with cash earnings of $182 million, up 3%, half-on-half, and a six-basis-point margin expansion. Racheal will talk to the financial results in more detail shortly.

Since we reset the strategy in 2023, we have worked through an ambitious transformation agenda with a clear strategy to deliver a simpler specialist bank. Over the course of three years, we developed and are now well progressed in delivering against our risk programs. This has given us strong foundations in our risk practices and operational resilience. Converting and optimising our branch network to align more

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closely with growth corridors and our Queensland heritage has given us the ability to deploy more business bankers into key geographies and better reflect customer preferences.

74% of branches are located in Queensland, reflecting our strategy in this key market. Our technology landscape has simplified throughout this time, and we have halved our core banking systems. We decommissioned 41% of technology assets and 90% of target state IT assets are in the cloud. We have delivered 82% of our simplification agenda with line of sight to the remaining benefits into FY27. This program has delivered property footprint reduction, a simplified operating model, and establishing our strategic partnership with Capgemini to create efficiencies. We completed the integration of ME, built the digital end-to-end bank, and all ME customers are now on that platform.

We are on track to complete the decommissioning of ME legacy technology by the end of this calendar year. After three years of building the right foundations, simplifying our operations, building and scaling the digital proposition, we now have the platform for a focused and disciplined return to growth. We remain committed to our strategy of becoming a simpler specialist bank underpinned by our vision to be the bank customers choose.

To deliver a sustainable return to growth, we have refreshed our strategic pillars. These are: Growing our Customer Relationships, Rewiring the Bank for the Future, Accelerating the Culture Shift, and Optimising the Bank Economics. I'll step through these pillars now in more detail.

Growing our Customer Relationships. We are clear and deliberate on the customer segments we are targeting growth in. We are concentrating on the segments where we feel we have the experience and capability to win, family-owned businesses and everyday Australians. This focus is anchored to our home state of Queensland where our heritage and foundational strength means we are well positioned to capitalise on the growth underway. Deposits are central to how we want to grow, and we will use the improved offering in our digital bank to deepen relationships and fund our growth with quality deposits.

Rewiring the Bank for the Future builds on the investments we've made to date to create operational leverage. We will continue to simplify and scale, benefiting from a modern technology and data platform which supports faster delivery of customer features and has us well positioned to further deploy AI. We've simplified and better aligned our product suite to customer preferences and enabled more straight-through processing, and we will continue to add automation to these simpler services. Through Accelerating the Culture Shift, we are creating a culture that is risk-focused, accountable, and outcomes-based. We are committed to equipping our people with the skills they need in a dynamic environment, upskilling in AI capability and strengthening our leadership capabilities to adapt and better serve customers and compete in the future.

Optimising the Bank Economics is an approach to growth that is disciplined and accretive to returns. We will do that through the careful allocation of capital and growing capital-light earnings. With our digital retail deposits fully in market, our funding mix will be a key focus in supporting profitable growth.

Our business bank has continued to grow with commercial lending up 16%. Our proposition for business banking is underpinned by our strong position in Queensland and the deep industry expertise we offer in key segments, especially health, agriculture, and diversified industry customers. Half of our lending is to our target segment, established family-owned and managed businesses supported by bankers who have enduring relationships, understand their customers, and are committed to their growth and success over the long term.

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We have welcomed 42 additional business bankers since 2024, and they have provided strong volume growth. This year, we expanded our co-located business and retail banking hubs in specific growth locations, and these hubs have contributed 20% of the commercial lending growth.

Within Asset Finance, we established the capital partnership for the $3.6 billion whole-of-loan sale for equipment finance assets. The business bank is focused on scaling equipment finance lending through the partnership, which generates capital-light earnings without funding requirements and no direct credit risk. Excluding the whole-of-loan sale, asset finance grew 5% this year. This was driven by structured finance and novated leasing, in particular from continued strong demand for electric vehicles.

Turning to the retail bank, we had two key priorities this year, completing the migration and shifting mortgage origination to digital channels. We have delivered both. All ME customers are now on the digital bank, which offers greater automation, increased self-service, and benefits the group with lower unit costs across both origination and servicing. As we focused on scaling digital mortgages, we exited the year with 88% of home lending flow through our digital channels. We've seen strong mortgage application volumes with a 14% increase in the second half providing momentum into FY27. While acknowledging this uplift is off a low base, it is a positive indicator of the platform's capacity to scale.

Digital home loan customers have 5.5 times higher transaction or account balances than deposit-only customers, which highlights the importance of our strategy to win a greater share of our retail customers' banking relationships. This will be a key focus as we return to growth. The digital bank is a material shift in how we attract and serve our customers with features and product types continuing to be rolled out through FY27. There is a changing demographic of customers being acquired to a younger cohort with emerging wealth where we can serve more of their needs over time. We are seeing organic growth in deposits and customers with over $2 billion in new-to-bank deposits this year, and we saw a strong increase in customers using the platform as compared to FY25.

As we return to lending growth, we remain sharply focused on quality deposit growth. As I noted, rewiring the bank is about leveraging the assets we've built and creating operational capacity for growth. With the simplified business and fewer platforms, products, and processes to run, more of our time, investment and attention can go to customers and discipline growth.

We are focused on further automation of processes, less manual intervention and managing our cost base efficiently. Improving the cost to attract and serve customers is a key focus. We've reduced the cost to originate a home loan by 22% and remain on track to deliver a 50% reduction, at scale. Further functionality releases are planned over FY27. Branch productivity across the optimised network has improved with an 8% increase in home lending applications per branch this half against the prior corresponding period, and we expect this to continue to improve as the digital mortgage is rolled out across the network in FY27.

Increasing banker productivity is also crucial. Since FY23, we have seen 17% growth in business lending settlements per banker. As we leverage the tools we have built, further enhance our processes and deploy AI, we will free up our bankers to spend more time with their customers.

Turning now to how we will accelerate the culture shift to one that is more risk-focused, accountable, and outcomes orientated. Our remedial action plans are well progressed. We have completed 66% of activities in Program IQ and 83% in AML First. Our risk culture continues to be an important indicator of how this is translating into daily activities and one we will continue to monitor closely.

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We have maintained a steady people experience during a period of significant transformational change, which is a testament to the dedication of our people. Recognising the dynamic environment we operate in, we are building ways of working and capabilities for our people to learn and adapt to emerging technologies. Over half of our people have participated in training through our AI academy, and over 70% of our people are now using AI agents and tools as part of their day-to-day work.

In supporting our customers, we prevented or recovered $7.5 million in losses to customers affected by scams and online fraud. Biometric capability in the digital bank intercepted over 99% of attempts to open fraudulent deposit accounts. During a period of further cost-of-living challenges, we supported approximately 4,000 customers experiencing financial difficulty.

Optimising the Bank Economics is an ongoing discipline between volume returns and capital efficiency. Our track record on strong cost management has resulted in sub-inflation cost growth in the last two years. We have, for several years, recycled the balance sheet towards higher returning business lending, particularly while we built the retail digital proposition. Alongside this, we've reduced our reliance on wholesale funding and increased our deposit-to-loan ratio.

Ongoing cost discipline, thoughtful investment, and rigorous capital management provide a more resilient, more flexible bank and allows us to pursue returns-focused growth. This will be enhanced through the scaling of new capitalised income streams through the partnership and attracting digital deposits.

As a Queensland bank with a 152-year history, we recognise the integral part we play in supporting our customers and the domestic economy and the communities in which we operate. Our community partnership model has continued to evolve with cross-promotional opportunities between our primary partner, Orange Sky Australia, and supporting grassroots engagement through Queensland Rugby Union and the Queensland Reds.

We contributed approximately $2 million to community partners this year, enabling support for community connection and vulnerable Australians. This year, we have delivered our first mandatory climate-related disclosures in our annual report and will continue to engage with industry regulators and our stakeholders in this area. I will now hand over to Racheal for more detail on the financial results.

Racheal Kellaway: Thank you, Rod, and good morning, everyone.

Financial year 2026 was another transformational year for BOQ with the financial result reflecting cost discipline and the delivery of capital initiatives. Stepping through the result, total income increased 1% over the year. Flat net interest income reflects an increase of six basis points in margin offset by lower assets as assets reduced following the sale of the equipment finance portfolio announced in May, and the continued shift in our balance sheet from home lending to business lending. Non-interest income increased 12%, driven by new origination and servicing fee income relating to our capital partnership and high business lending fees. Operating expenses excluding notable items increased 2% below inflation supported by simplification program benefits. Loan impairment expense increased largely as a result of the non-recurrence of a prior year commercial lending write-back, and this resulted in cash earnings excluding notable items being 7% lower at $358 million.

Second half trends were positive with cash earnings excluding notable items up 3% to $182 million. Total income was up 2% supported by a stronger margin and there was a 1% reduction in expenses. This saw underlying profit increase 8%, which was partially offset by a higher loan impairment expense of $34 million. As disclosed in August, a $33 million post-tax impairment was recognised as a notable item

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predominantly relating to technology assets. When including this, cash earnings were down 15% against both the prior year and the first half.

Statutory net profit after tax of $250 million was an increase of 88%. The prior year included impairment of goodwill. The most significant item in the current year was the $52 million impact of the equipment finance whole-of-loan sale as disclosed in May. Costs of $22 million relate to the second year of the branch strategy conversion costs with the total cost of this program remaining unchanged.

The amortisation of acquisition, fair-value adjustments, and hedging and fair-value impacts had a minimal impact in the year. Margin increased six-basis-points to 1.73% in the second half. Lending was a five-basis-point headwind with competition remaining elevated. There was a two-basis-point impact from housing and a two-basis-points impact from business lending. We saw a continued mixed benefit from shifting our portfolio towards business lending and the portfolio sale impacted the lending side of the balance sheet by one basis point.

Funding was an 11-basis-point benefit as we transformed our balance sheet and required less funding. We saw positive benefits from disciplined pricing on at-call savings and term deposits benefited from favourable spreads. There was a mix benefit as we retired higher cost wholesale funding. Positive impacts from a higher cash rate environment benefited margin by three basis points across the replicating and uninvested portfolios.

This was partly offset by a one-basis-point impact from holding higher liquid assets which were deployed in the months after the portfolio sale. Lastly, we saw the non-recurrence of the brokerage benefit we called out in April.

Bringing the impacts of the sale of the equipment finance portfolio together in line with previous guidance, the margin impact was broadly neutral. Funding benefits offset the small negative on lending and the short-term liquidity impact.

The slide also outlines considerations when looking at the first half 2027 margin where we expect a modest first half uplift, noting the inherent uncertainty. We expect competition for lending and deposits to remain elevated with a higher interest rate environment and slowing of housing growth across the system.

Our tilt to growth in higher margin business lending is expected to see the continuation of a mixed benefit. As asset growth returns, we will remain disciplined in funding that growth with a focus on growing customer deposits. Lastly, the replicating portfolio will continue to be a tailwind.

2026 has been a transitional year for non-interest income. Our strategic model is to retain the customer relationship, origination and servicing capability while partnering where it makes sense for access to balance sheet or product capability. These partnerships are important and enable us to broaden our relationships with customers, diversify and increase capital-light income and are accretive to return on equity.

In the year, non-interest income increased 12% to $159 million. Banking income increased 9% and was driven by higher business lending fees and the full year benefits from the branch conversion. The capital partnership contributed $14 million from origination and servicing fees which commenced in May. Lastly, we saw a temporary reduction in commission income as a result of transitioning to new partners.

Looking to 2027, we expect the full-run-year benefit run-rate of the capital partnership, commissions income to marginally improve following partner transition and other items to remain broadly stable. At the half year, we provided guidance on the moving parts of the back-book transaction and forward-flow

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partnership for 2026, with slide 24 showing delivery against that. Net interest income reduced in line with guidance and we saw non-interest income slightly above, overall resulting in no impact to total income, which was slightly better than expected outcomes. Cash earnings was a $3 million gain and within the guided range.

The most meaningful driver of shareholder value comes from the optimisation of capital. The on-market buy-back commenced in August. As a result, the benefit to return on equity in 2026 was not material. We are planning to continue the on-market buy-back through 2027 and expect the previously guided return on equity and earnings per share benefits to come through as the buy-back completes.

Operating expenses increased 2% on the prior year, delivering on the sub-inflation cost guidance provided our first half results. When normalising for the impacts of operating the branch network, underlying costs reduced 1.6% and is the second consecutive year of underlying cost reduction. There was a $25 million cost increase driven by inflation, higher risk and technology costs, and amortisation increased by $15 million in the year.

Looking to 2027, we expect to see similar drivers of cost movements. Themes of elevated inflation, growth in technology costs supporting new digital platforms, ongoing investment in risk, including financial crime and higher amortisation are expected to continue. These four categories of increases will be offset by ongoing benefits from the simplification program.

In 2023, we embarked on an ambitious plan to simplify the business and drive $200 million of productivity benefits into our cost base. This was increased to $250 million in 2024 as we restructured our operating model and converted the branch network. On exit of 2026, 82% of the program has been delivered and $60 million was delivered in the P&L in the year.

2026 included business processing transitioning to Capgemini, further branch and corporate property optimization, and a structural decrease in telecommunications costs. We have line of sight of the remaining two components of the program. Decommissioning of the ME Heritage environment is currently underway, and 2027 will continue to see the transition of services to Capgemini.

Our track record of disciplined expense management gives us confidence in leveraging our cost base to deliver a returns-focused sustainable return to growth.

In 2026, we invested $180 million into the business with the focus of delivery moving from building the core platform to migrating customers onto it. The digital home loan was also delivered. We commenced the work needed for migrating BOQ retail customers and continued to invest in business bank capability. The carrying value of our technology assets reduced 5% to $540 million.

Moving on to portfolio quality, loan impairment expense is normalising off a low base and is eight basis points to GLA. The year-on-year increase reflects the non-repeat of the provision release in commercial lending, which benefited the prior year and a higher collective provision. Looking at the second half, there was a $12 million retail lending expense driven by a collective provision increase, reflecting uncertainty in the economic outlook, higher interest rates, ongoing cost-of-living pressures, and a softening in house prices.

90-day arrears increased slightly to 104 basis points and reflects the contraction of the portfolio with balances in arrears broadly stable over the half. Commercial lending loan impairment expense was $7 million with stable 90-day arrears, stable impaired assets, and low specific provision activity. In asset finance, loan impairment expense reduced to $15 million in the second half, as the single-name exposure we called out at the half year did not repeat. Normalising for the portfolio sale, 90-day arrears increased

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from 96 to 103 basis points while total balances in arrears reduced over the half. Impaired assets reduced 11% in the half and are 20% lower than a year ago.

Asset quality continues to remain sound. However, we are conscious of, and are closely monitoring, the pressures facing households and businesses. We have $274 million in provisions. During the year we had the equipment finance sale and the sale of the ME unsecured lending portfolio. Those two portfolio changes resulted in an associated provision reduction of $32 million as that credit risk moved off our balance sheet. Normalising for those impacts, our total provision to GLAs is at 38 basis points, an increase of two basis points in the second half.

Retail coverage increased to reflect greater uncertainty in the economic outlook, including cost-of-living pressures and a softening in house prices. Coverage in commercial and asset finance remained relatively stable and we continue to hold overlays for industries where we see the potential for additional stress. We are holding $74 million of provisions above our base-case scenario. If we were to enter the downside scenario, a provision increase of $32 million would be required.

Onto funding and liquidity, we took the opportunity to optimise the funding stack using the proceeds of the portfolio sale with funding reducing $4.6 billion in the half. Higher cost long-term wholesale funding reduced 12%. Deposits remain our primary funding source, and we are looking to grow retail deposits to support the return to growth. Deposit funding as a percentage of total funding increased to 73% and our deposit to loan ratio increased to 87%. Our liquidity metrics are strong with a quarterly average LCR of 136% and a spot net stable funding ratio of 123%.

We ended the year with a CET1 ratio of 11.64%. Returning the capital released from the portfolio sale to shareholders provides an enduring benefit to both return on equity and earnings per share. The sale released approximately $3.2 billion of risk-weighted assets equivalent to 78 basis points of capital, and in August we paid a fully franked special dividend of 15 cents per share and commenced an on-market share buy-back. Proforma for completion of the buy-back, our CET1 ratio is 11.14% above the top end of our management target range.

Looking at the underlying capital position, earnings generated 47 basis points and we returned 35 basis points to shareholders in the ordinary interim dividend. Growth in business lending increased underlying risk weighted assets. This was partially offset by lower home lending and loan origination costs with a net impact of 15 basis points.

The Board has determined a fully franked final dividend of 20 cents per share, representing 72.9% of second half cash earnings, excluding notable items. The dividend reinvestment plan will operate with no discount and is expected to be satisfied in full by an on-market purchase of shares. Our strong capital position supports resilience and provides capacity to grow and invest in line with our strategy to be a simpler specialist bank. I'll now hand back to Rod to talk to the outlook.

Rod Finch: Thanks, Racheal. As we look to FY27, there are risks in the economic environment.

Competition for deposits is likely to continue, as customers look for returns in a higher cash rate environment. This may be exacerbated by uncertainty in the wholesale funding markets. We are targeting a similar level of commercial lending growth and remain committed to returning to housing growth in FY27.

We expect the competition for quality lending to continue. In the first half, subject to market conditions, we expect a modest uplift in margin with the component parts as outlined by Racheal. We expect strong growth in non-interest income with the full year benefits from the capital partnership and normalising commission income.

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With the tail of our productivity program flowing into FY27, we are targeting flat annual cost growth. We will continue to support our customers as they manage through a higher cash rate environment and continued cost-of-living pressures.

We expect relatively stable loan impairment expense, and our portfolio quality remains sound. We maintain our CET1 target ratio of 10.25 to 10.75% and expect to complete our buy-back in FY27. Our dividend payout target range is unchanged at 60 to 75% of cash earnings. The foundations we have set position us well for a sustainable return to growth anchored on our strengths and differentiation in the market.

We have a committed team delivering for our customers. Thank you to our people for their continued dedication and resilience, our customers we're here to serve, and our shareholders for their support.

I'll now hand over to Jess for Q&A.

Jessica Smith: Thank you, Rod. We will now move to questions. To ensure all participants have an opportunity to ask questions today, please limit to two questions each. Operator, can we please have the first question?

Operator: Thank you. Our first question today comes from Thomas Strong from Citi. Thomas, please go ahead after the beep.

Thomas Strong (Citi): Good morning, and thanks for taking my questions. Perhaps this is a question starting on mortgage growth, Rod. I mean, you've been talking the return to growth in '27 for some time and you've done your bit in terms of lowering the cost to serve, but can you talk about what sustainable growth looks like now versus what you might've anticipated six months ago, just given higher competition, slowing investor activity and pretty poor sentiment overall?

Rod Finch: Yeah, thanks Tom. So I think for us, the way we've approached this is similar to what we talked to at the half, which is I think this year we've seen some major milestones completed, which is that really build out of the digital bank and the originations we now see flowing through it, which the numbers we talked to earlier, around 88% is originating onto that platform. That gives us a different set of economics as does the conversion of the branch network that we completed a couple of years ago. So for us now, that is the basis for which we can think differently about the returns there.

We're very mindful about the outlook that we're looking into. I come back to what we are focused on and that is sustainable return to growth. So you should expect to see growth where we're comfortable with an acquisition margin that's accretive to current ROE and ultimately supporting us to get back to returns above the cost of capital, but we recognise it's a challenging environment out there. We are focused on returning the balance sheet to growth this year, but it really needs to be at the right conditions.

Thomas Strong (Citi): Great, thanks for that. And the second question, just I guess on market conditions as well, can you just give some commentary around the capital partnership with Challenger? I mean, again, you made the comment that you've got flexibility to originate on balance sheet or through the partnership. How are you navigating that split of business given we're a few months into that partnership now in terms of what's attractive in the market?

Rod Finch: Yeah, the partnership is where we want it to be. That is well underway. We've established a good working relationship. Really for us, it's about serving more customers and capturing the opportunity that we saw in the market. So in terms of where the challenger partnership is, it's in line with our expectations.

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Thomas Strong: Thanks very much, Rod.

Operator: Thank you. Our next question comes from Matthew Dunger from BAML. Matthew, please go ahead.

Matthew Dunger: Yes, thank you very much. I just wanted to follow up on the mortgage growth question. The application volumes on slide 37, you show, if I just look at August, you're annualising over 25 billion of volumes. So what's the right level to grow the book here, Rod, and what returns do you think you're writing new mortgages at?

Rod Finch: Thanks, Matt. So as I mentioned, the volume that we have seen in application momentum at BOQ, we are coming off a low base. So as we've talked over previous periods, we stepped back while the economics weren't working for us in that mortgage portfolio with those big structural and transformational pieces now in place, we're more confident stepping back into the market. So that 14% is off a low base and it is a portfolio approach that we're taking, so across both first and third parties.

Where we have anchored ourselves is ensuring that the acquisition returns that are coming through on the margins are accretive to our current ROE, and it's really over time working to get that back up to the cost of capital. So we're comfortable with where we're at, at the moment. It is a mix across both first and third parties. We're also looking at different segments within the portfolio in terms of product types and features.

We recognise, as I said earlier to Tom's question, it is a different market than it was six months ago, but what we've really built is an ability to work through the cycle and work through the segments that we feel like we can generate accretive returns.

Matthew Dunger: Great, thank you. And if I could just follow up on costs, we can see that the investment spends rebased lower to around 370 mil over the last year. Large composition shift in the cost base coming in FY27 with ME decommissioning and Capgemini. Can you just talk to what is the right level of investment spend going forward for your business?

Rod Finch: Yeah, so in terms of where we're at in the transformation, the big heavy lifting in terms of remedial action plans and re-platforming of the technology environment is behind us. So as we've guided to, we're getting to a level now that we think is consistent with investment going forward. I think what I would say is with the strong capital position that we have, we do have capacity of where we see the right investment and right business case to have the capacity to invest, but it really will be driven by the returns that we see from that investment. So we're comfortable with where we're at and really now it's about making sure we're investing thoughtfully to support improved returns.

Carlos Cacho: Thank you.

Operator: Our next question comes from Brendan Sproules from Goldman Sachs. Brendan, please go ahead.

Brendan Sproules: Good morning. Brendan Sproules from Goldman Sachs. Look, Racheal, I just have a question on your second half bad and doubtful debt expense. I mean, you've shown us 34 million, but when I look on slide 29, the collective in total fell, I think 16 million, and I think you called out the sale of the equipment finance as one of the drivers of that. So given that write-back, can you maybe talk about the individual provisioning charges that you've had to take during the half and what's the source of them?

Racheal Kellaway: Yeah. Hi, Brendan. So yeah, there's actually two drivers really of the overall reduction in provisioning, and they're actually nearly equally attributable, but the first, as you called out, is the sale of

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the equipment finance portfolio. The second is the sale of the ME unsecured, mostly credit card portfolio that occurred around close at the first half. We noted it then minimal impact to P&L, but actually did have a, as you would expect on an unsecured portfolio, had a collective provision associated with that, which was sort of outweighed given the size of the balance sheet. So if you remove those two impacts, actually the collective provision is sort of broadly flat to the same period last year and up about 6.5% half-on-half.

And so, there is an underlying increase in the collective provision, noting also that the balance sheet has declined given the home lending contraction as well. So the biggest increases in collective provision really come from the retail lending portfolio where we have taken effectively a more pessimistic view on the economic outlook in our downside and severe downside economic scenarios. So we have about 45% weighting to those downside scenarios and the weighting hasn't changed, but we think compared to when we were talking to you in April that the economic outlook has deteriorated.

Brendan Sproules: Just a follow-up question. So those portfolio divestments that you made, you called out the credit card and unsecured and the equipment finance, do those write-backs run through the P&L?

Racheal Kellaway: So effectively they will be in the lower loan impairment expense number, yes. The equipment finance portfolio write-back was wrapped up in part of the transaction cost, so that benefit went into the overall below-the-line, sort of, cash-adjusted statutory number that you see, I think it's $52 million in total in the year.

Brendan Sproules: Thank you. And just a second question in your NIM on slide 22. In the first half, you indicated that you had, on the asset and lending side, a four-basis-point headwind from the timing of the cash rate. I was wondering whether that has appeared here in the second half as a reversal or whether that is still to come in FY27.

Racheal Kellaway: Yeah, so it was in the first half when we talked to that. If you recall where we were in the cash rate cycle, we had actually seen in the period prior, we had seen reductions in the cash rate and then the cash rate started picking up quite quickly in what was our first half. And so the dual impact of that created what was quite a visible net interest income impact in the margin walk. This period, because we've just seen effectively two periods where we've seen rates rising, the delta hasn't been as great, so it's not an impact in the margin walk.

Brendan Sproules: Thank you.

Operator: Our next question today comes from Brian Johnson from MST Marquee. Brian, please go ahead.

Brian Johnson: Thank you very much, and congratulations on some of the stuff we can see coming through. Two questions. If I have a look on slide 50, I can see that your business lending book has got a lot of property in it and property's got a lot of issues at the moment. I know you're telling us that most of it is well secured, but there's a lot of argument that values could actually be falling. Is there any chance that we could get a little bit more detail of what that actually is, that 92 point, that quite substantial balance, that 35% is pretty chunky, but could we get some kind of breakdown on that by sector?

Rod Finch: Yeah, thanks Brian, and thanks for the question. So on slide 13 of the deck, we've tried to outline a couple of lenses through which we think about our business banking franchise and how we manage the business. So on the right-hand side there, you'll see from a commercial lending perspective, one of the lenses from an exposure point of view with which we cut the bank and it gives you a sense of the profiles. And then the industry segments, and I'd call out there the diversified industries that you see on the right-hand side of that chart, on the left section of the chart. The most of the lending that we're

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doing, you see that's where the growth is, and a lot of the lending we're doing in that part, these are operating or trading businesses, and they're also investing in existing properties as part of a wealth diversification strategy as part of their business, and that is a key strategy they're deploying, and we're supporting that with our customers.

The difference you see there to what you've called out on page 50 is the page 50 definition is on a pure ANZSIC basis. That is where it reflects the income source that's driving servicing the asset underlying. And in those cases, it's where the primary income is coming from. So the difference is there is where a customer is choosing to service the commercial property through the lease payments that would be coming through as a property lend, even though they are running a wider trading business or an operating business as part of their overall portfolio of businesses that they run. So again, we think it's business that we understand. We are really comfortable with the quality of the assets that we're lending to, we understand the credit risk that we're taking, and we're very thoughtful about the outlook, and we take that into account when we're thinking about the future pipeline and the deals that we're doing.

Brian Johnson: So Rod, it's existing business customers just going and buying the building that they're operating out of? Is that kind of what it is?

Rod Finch: Or an investment property as well. So we have clients who are buying the property next door or they're seeing it as a way to diversify their asset base and their income streams off their trading business.

Brian Johnson: Okay. The second question, if I may, just on slide 26, just thinking about the productivity kicker for next year, we know you get the 13 million run rate comes through in FY27 that you didn't realise in this period. How much of that 45 million do you reckon actually hits the P&L in '27?

Racheal Kellaway: So Brian, we've called out really the two initiatives that would deliver the residual amount into P&L. So we are planning to see that benefit drop into the P&L, and that's the decommissioning of the legacy ME systems that's currently underway. We're currently in the process of archiving and literally turning things off, so clear line of sight. And then through 2027, the residual amount is the transition of services to Capgemini, which comes at a lower cost. So that full P&L benefit will come through in 2027.

Brian Johnson: Does that imply there's another benefit that comes through in '28 when you get full period impact of it? So what you're saying is it's actually greater than 45, is that the way to think about it?

Racheal Kellaway: No, I mean, the component relating to the legacy ME bank systems, that's occurring really, let's just say towards the end of the first quarter, maybe into the second quarter. So there will be a small benefit come through into 2028 off the back of that very sort of small that will continue. The transition of services, that will just come through, through the year. There will probably be a tailwind that continues into 2028, but we will still be looking at how to manage the cost base into 2028 off the back of all of the moving parts, including inflation, higher amortisation, and things that will continue through to that period again.

Brian Johnson: Rod, can I just push my luck with a third question, if I may? When I have a look on the data sets, I can see Bank of Queensland just saying, you're going to be very disciplined on housing. I can see that you're going more and more digital, which is great. You say that at the moment the cost reduction is 22%, goes to 50%, but I'd suggest to you that's kind of minuscule relative to the competitive margin dynamic that we see. But if I have a look on the data sets, I can see ME Bank with basically matching Macquarie with the most aggressive owner-occupied rates in the market. Can you just reconcile that for

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us? If you're going more and more digital where basically price is the option, it just doesn't seem to ring true matching the price with basically the most aggressive player in town, particularly through digital. I mean, how can we wrap those things together?

Rod Finch: Thanks, Brian. So for us, we very much take a portfolio approach. So we recognise that brokers are a key factor in this market. Customers are choosing that. They choose that through the cycle. So to participate in the mortgage market, we need to have a good proposition in that space, and that is really our ME brand that we take to market. I think the way we've built the digital mortgage and though about that business more holistically is absolutely, you know, it is continue on that efficiency route of making it a very efficient platform to originate and serve. But increasingly, we're thinking really about those first-party channels as well, both through our BOQ brand and our Virgin brand where we are in market with the digital mortgage as well.

When we look at that composition and we look at the different product sets in it as well, it's really about looking at that overall. And certainly the returns in first party we're very comfortable with. And in that overall approach, that portfolio approach, which is a mix of channel, different product types and where we might sit on the risk curve, albeit facing into the being really conscious of the market we're facing into, that is how we get comfortable with returning to growth overall in mortgages.

Brian Johnson: Thank you.

Operator: Our next question comes from Andrew Triggs from JP Morgan. Andrew, please go ahead. Andrew, you are live. Please double check you're not on mute.

Andrew Triggs: Sorry about that. Good morning. Just on NIM, obviously the margin benefited from strong funding cost management post equipment finance sale. Can you talk through please just your confidence around a sustainable return to NII growth in what is a competitive mortgage market world? And as a related point to that, I mean, how can you be sure that while growing digital deposits, they're just not deposits that are the bleeding price edge?

Rod Finch: Yeah, thanks. I'll start with the deposits and then I'll circle back on the mortgage. So deposits, it's how we've grown over the last couple of years. We've added some stats in there, and I think it's that mix of transactional accounts along with that call as well, obviously the way those products are constructed. And similar to the answer for Brian, it's a portfolio approach that we take.

So there'll be different price points that we take for certain segments that we're looking to attract. I think we are balancing that growth in the context of the wider portfolio and how we're optimising that through wholesale funds and also third-party deposits. And I think the other factor that we take into account in how we're looking at funding mix and optimising that going forward is the Challenger partnership and the fact that that is funding that we're no longer required to support to grow asset finance.

And so for us, very much a portfolio approach again. Underlying that is obviously just growing transactional balances. I think the other area, Andrew, that we recognise we have an opportunity to grow is deposits for our business customers. We don't do a lot of that. We have some gaps in the proposition, and that's something we're addressing strategically, but I think we also see some areas there that we can do more in the near term, and that's something we're focused on as well, and we think there's some upside for us. So it is a long game. It's shifting that mix over time, and we think that's an important part and really what underpins our return to growth overall as a business. On mortgages, as I said earlier, it's really about being really disciplined around where we want to play, understanding what role our brands

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play in the mortgage market, looking at leveraging particularly those first-party brands that we have and looking to grow more there, but balancing that in an overall portfolio sense.

Andrew Triggs: Yeah, thank you. But overall, would you say that the cost of your digital deposits is improving either relative to history or relative to peers? Do you have a lens on that?

Rod Finch: Well, look, I think we're-

Andrew Triggs: And transaction accounts aside, really just the savings account. If one of your regional bank peers is doing a very good job in growing digital savings accounts and that is leading to new improvements, I'm just wondering whether there's a similar story here.

Rod Finch: Well, look, we're comfortable with where we're sitting. We see it as core to our strategy, which is really deposit-led growth, and we've been really thoughtful around how we want to grow, and so the product settings are very deliberate. For us, continuing to grow those retail deposits, and I would include business deposits in that definition, that is, we see there's an opportunity for us to improve our funding mix over time by focusing in that space. We recognise it takes time to build that up, but we're really comfortable that we've got a proposition that's winning, and we're comfortable that that's supporting the returns aspiration we're looking for over the next couple of years.

Andrew Triggs: Thanks, Rod. And just a quick one on mortgage originations or applications, should I say, in the fourth quarter, could you give us a number in terms of, or perhaps Racheal, the mix of broker and proprietary on that fourth quarter application flow? We've got the FY26 flow number, but just interested in the period where you saw a pickup in applications.

Racheal Kellaway: Yeah, the broker-proprietary mix is still, it's in line with market, but heavily broker as you would expect for us given we are just launching the digital prop channel. We have seen through our branches an increase in productivity, and so we've seen some uplifting momentum or some momentum through our branch network in the period as well, but still largely in line with market, which is broker-led.

Andrew Triggs: And Racheal, the period over time that might start to change?

Racheal Kellaway: Yeah, that is our plan, for sure. I mean, whilst we have been in the build of the digital home loan mortgage, we have been effectively relying much more on broker than we see going forward. But look, customers are still tending to like to use brokers for lots of different obvious reasons, and so we expect that to remain a very important channel for us.

Andrew Triggs: Thank you.

Operator: Thank you. Our next question comes from Richard Wiles from Morgan Stanley. Richard, please go ahead.

Richard Wiles: Good morning. I have two questions. The first relates to the mortgages. As we've discussed, you've highlighted the improved applications. Can you also comment on how much of that increase in applications is driven by refinancing and also what trends you are seeing in runoff?

Rod Finch: Thanks, Richard. So look, I think the market we're operating in one at the moment, which is more of a refinance market, so that is underpinning a large percentage of the application volume. So purchases have really softened given what we've seen in the market. So that's what reflected in the second half. If looking forward from there, look, I think we'll play out where the market goes to from here. I

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think for us, it's about maintaining a really clear understanding of the acquisition margin we're acquiring at and making sure we've got those settings right. So at this stage, it is really driven by refinancing.

Richard Wiles: So Rod, historically, refinancing has been about 35% of volume. I've heard anecdotes that at the moment it's 60 to 65. Is that consistent with what you're saying? And could you also comment on the runoff of your book?

Rod Finch: Apologies. I missed the runoff. Yeah, so in terms of refinance, that's ballpark. I think that's reasonable to see where the market is at the moment in terms of refi's. In terms of runoff, look, it is kind of improving a little over recent time, and that's really a feature of less property sales in the market, less purchases, less properties changing hands. You tend to see that segment of people aren't upgrading and changing out properties. So runoff has slightly improved given that market that we're seeing with purchases dropping off.

Racheal Kellaway: I might just add, just in terms of the implications on margin, and particularly retention discounting, which is a theme in the industry at the moment, if you look back beyond 12 months ago, we saw high levels of retention discounting, so high volumes and high amounts of retention discounting in the market. You saw that come through our margin through 2025 and the beginning of 2026. It did actually come down through 2026, so less volume and at a less discount. The last couple of months, probably the last two to three months, we have started to see that trend back up again. So you should expect to see across the industry some margin headwinds relating to retention discounting, I expect.

Richard Wiles: Okay, thank you. And just a question on deposits. In your slide 22, you say that TDs provided a four basis point benefit in the second half '26. Can you give us some sort of indication of what you're expecting to be the impact in the period ahead? I assume TDs will become a margin headwind for a short period given some of the recent pricing dynamics.

Racheal Kellaway: That's right. That's exactly what we are expecting to happen. So what we saw through the second half was swap rates increasing and market typically not really following as fast, and so there was some repricing effectively on the term deposit portfolios that gave us a four basis point benefit in the second half. We are assuming that that is a slight negative into the first half of our 2027 given spreads and where they're at, and the fact that we are needing to start to return to growth, and that part of that funding mix will likely come from term deposits.

Richard Wiles: Okay, thank you.

Operator: Our next question comes from Jon Mott from Barrenjoey. Jon, please go ahead.

Jon Mott: Thank you. Question on slide 13, which you've given us a lot more detail on the growth in the commercial lending book. I think BJ talked about this a little bit earlier, but just wanted to go into a bit on the growth that you've seen. So over the last two years, you've seen that commercial book grow by $3.7 billion up to 15 billion, so about 30%, and you've given us the breakdown in the size of the customers, so about half of it in family-owned, but also about 26% of that is in wholesale and syndicated loans, which are very large, over $50 million in size. Can you give us what that breakdown between the family-owned and syndicated looked like two years ago, and so how much of the very rapid 30% growth in business lending, commercial lending has actually come in large customers?

Rod Finch: Yeah, look, I think what we've tried to outline on 13 is how we go to market and how we think about it. I would say that wholesale and syndicated business has been part of our business bank for a long time, and it's something that we do see an opportunity to grow with the right customers. We have a lot of our longstanding Queensland customers in there, but we also participate in syndicated lending at the

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right margin, and that's how we think about the composition strategy going forward. So we have seen growth across all dimensions, but we have also seen growth in those higher lending or higher credit balances. For us, it is really consistent. We understand the segments we're playing in. We're looking for that balanced growth across the board and participating in credit that we understand, and then we have a track record in.

So for us, it's really just continuing on that path. As we've called out, what we really want to focus on is that family-owned and operated businesses, our health business is part of that. We classify the specialist segment that we offer or we go to market for there. But overall, we're really looking for a composition that's balanced across the board and where we see the opportunity for lending growth in segments we understand, including that wholesale and syndicated business, that would be part of our strategy going forward.

Jon Mott: Okay. And just following up, if I go over to slide 28 where you break down the loan impairment expenses and you break down the housing consumer, the commercial, and then the asset finance. Over the last couple of years, you've grown that commercial book by $3.7 billion, but even if you exclude the 24 billion that you released in the first half '25, the total credit charge for this book's only been $12 million. So you've grown the book 3.7 billion and only put 12 aside for credit impairment charges. It doesn't look like much of a provision's been built against that, especially when we are in a more challenged economic environment. Can you explain why the credit charge is so low for that commercial book, given the rapid growth that you're seeing?

Racheal Kellaway: Yeah, I mean, look, the performance of the current portfolio is actually quite stable. So we have seen stable arrears, we have seen lower actual impaired assets, which are two of the inputs. Our modelling assumes, as I said before, a more pessimistic outlook into the future. Jon, you're right, the actual loan impairment expense to assets at the moment is about nine basis points in the second half, taking it to it's about seven basis points over the full year.

We think the long-run average for that portfolio is higher than that. And so to get us to that total portfolio view, which we've been talking about now at maybe eight or nine basis points to GLA, which is kind of where we're at, at an aggregate level. So there are always going to be swings and roundabouts within the portfolios. We are still under what we think our long-run average is in terms of provisioning or in terms of expense, sorry, over the GLAs in the period, but everything that we are seeing in the portfolio is actually quite strong.

John Mott: Okay, but it only takes one or two individual provisions for that to move very, very quickly because there's not much collective put aside for that rapid growth that you've seen over the years?

Rod Finch: Yeah, look, I think we're conscious of the risks that we're taking. I think for where we are focused, we understand the risks. We've been working in these segments for a long time. We have really clear policies that we're working to. Those policies haven't changed. We're very disciplined around where we allocate capital. We want to do it at the right margin. So we recognise the risks that we're taking. We have experience in it. And I think for us, we go through the provisioning process every six months. It's a robust process. And to the points that Rach has talked to, we think we've got the provisioning where it needs to be, but we're conscious of the outlook we're facing into as well.

Jon Mott: Thank you.

Operator: Our next question comes from Christian Mazza from Jarden. Christian, please go ahead.

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Christian Mazza: Morning, team, and thanks for taking my questions. Throughout the presentation, you've mentioned quality deposits a number of times. Could you please define your view of a quality deposit? As we've seen on slide 54, deposits paying more than 5% has gone from 4% of total deposits in first half '26 up to 44% in second half '26.

Rod Finch: Yeah, thanks. Look, I would define it as a retail or business customer. We're holding their transaction account. We're also supporting them with their at-call needs as well, and that those deposits are persisting over time. I think for us, one of the big strategic headwinds that BOQ has always faced into is that lack of that kind of everyday banking transactional deposit offering. We're seeing traction in that space. It takes time to build up, and we think that is good business for us, even at higher funding costs. And I think you're seeing the rate cycle play out here, they're customer rates. So there's obviously an increasing rate cycle playing out in the numbers that you've seen on 54. We price in the market where we think we need to be to grow those deposits over time. We see this as good funding for us. It's reducing our reliance on wholesale funding cost.

It gives us benefits. We think there's more we can do on the business banking side. And so for us, we think this is the core to our strategy, growing retail deposits, thinking differently about how we might go to market in this space to grow. So we're really comfortable with the proposition that we've got. We recognise in this market there is more focus for customers in a high-cost-of-living environment about looking for a good rate. And as an industry, it is much easier to switch for customers now between their savings, at-call and transactions accounts. So for us, we think we've got the right proposition. We want to grow in this space. We set the price really optimising at a portfolio-level across the whole funding stack, so it's something we're going to continue to focus on.

Christian Mazza: Okay, thanks. And secondly, on non-housing loans, following the back of Jon's questioning, it's gone up to 26% of the book up from 22%, but provisions to non-home loans has fallen from 1.9% to 1.4%. How do you reconcile this with an outlook that's more risky and uncertain going forward with the turbulence in private credit and even falling house prices on the back of that and commercial property prices?

Racheal Kellaway: So look, it comes back to the same answer, really, which is that we look at the quality of our portfolio. We are not seeing indicators at the moment. As I said, impaired assets are low, arrears is tracking low, both in 90 days and also 30 days.

We have a slight increase if we're getting really granular in arrears in the full year, but that was two customers where we don't expect there to be actually any losses. And so all of the indicators that we look at within our portfolio are suggesting that it is a high-quality portfolio. Obviously then we overlay a view of the general economic outlook in the way that we look at the ECL modelling, and we have taken a more pessimistic view of that, which results in a slight increase overall in the collective provision.

But there's nothing we're seeing in our portfolio at this point that suggests that we need to take any more expense there. As I said though, we are still off long-run averages in that portfolio, so there could be an expectation that impairment expense could increase in that portfolio going forward.

Christian Mazza: Okay, thanks. Yeah, it's just interesting considering on slide four, you've seen the economic forecast that you've put out have deteriorated materially since 1H26. So we thought maybe there should be some extra provisioning based on the back of that, but that makes sense.

Operator: Thank you. Our next question comes from Ed Henning from CLSA. Ed, please go ahead.

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Ed Henning: Thank you for taking my questions. Just following on asset quality for a second, and you've obviously touched on a couple of times there that you're below the long-run average. Can you just talk about on slide 52 what industries you've got overlays for? And then on slide 59 you talk about a peak in a cash rate. Is that assumed in your forward-looking provisions that the cash rate has peaked and if we do get another increase, will that see a worsening economic outlook from your forward ECL provisions?

Racheal Kellaway: So just on the first point, the industry overlays we have include construction and transport predominantly, and particularly the transport overlay largely relates to our asset finance portfolio. We had a small industry overlay on agribusiness, but our portfolio size there is actually not material. In terms of the general economic outlook, we have assumed, I mean, we run three different scenarios, obviously, well, we run four, the base case, downside and severe downside. They're all outlined in the disclosure other than the severe downside, which is, as you can expect, another kind of material reduction in GDP growth, significantly higher unemployment. And so in that example, actually cash rates start to come off, but not materially.

Ed Henning: Okay, thank you. Next question, just going back to the margin for a second, and obviously you've talked about slightly higher in the first half. Can you just break down the components a little bit? You talked about there's a headwind now potentially for the TDs because you had some repricing in the previous period, but you're pushing back into growth. You talked about deposit competition. I'm specifically interested in just the more the funding costs beyond TDs, which you highlighted at call and stuff. Is that still going to be a tailwind for you or potentially with the growth in the book and deposit competition, that may not be as big a tailwind for you in the next half?

Racheal Kellaway: Yeah, I might just give you a couple of the component parts outside of funding as well, just to outline how we get to the modest uplift in the first half '27. And so if I take lending for a minute, we expect the home lending impact on margin to be broadly consistent with what we've seen, not only in the last half actually, but in the couple of halves prior.

So that is largely driven by retention discounting, but we still do have a small front-to-back book difference, and that includes our quite disciplined return to growth on home lending. So you should not expect a significant impact on margin in the first half driven by pricing for growth, for example. Commercial lending is a little bit more interesting. So whilst we saw a two-basis-point impact in the second half, we expect that to still be a negative to margin overall, but just slightly less.

And so that's largely off the back of what we saw in the first half was a significant shift in industry dynamics in competition for business lending. It was quite intense, so the impact on margin was felt. It continued through basically the kind of flow on impacts from that, continued through the second half. But what we have seen in terms of pricing in that portfolio is that it's still competitive and elevated, but not as intense as it was particularly through the end of the first half. And so that will be still a negative, as I said, but just slightly less so. We'll see the mixed benefits continue at a similar level as we have the past couple of halves as we shift the balance sheet still from home lending to business lending at a total level. And then you won't see the impacts of the sale repeat, so that's all behind us now.

Funding is definitely, I would describe it as the swing factor in our margin outlook, and that is not only because of our return to growth, but also where cash rates go, whether there's a possibility of another increase, how the industry and the competitive market reacts to that.

And so we are assuming certainly no funding benefit to continue into the first half, but we're not expecting a significant negative, and we are expecting it to be broadly flat, but there is definitely some risk to the upside and the downside depending on interest rate environments and competitive dynamics. And then

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largely the confidence we have in the modest uplift then comes through as a result of the most recent cash rate change that happened in late September. So our first month of this half, ongoing tailwinds from our replicating portfolio and the normalisation of liquidity. So that will be a slight tailwind into the first half as well.

Ed Henning: That's great. Thank you very much.

Operator: Our next question comes from Nick Dalton from Jefferies. Nick, please go ahead.

Nick Dalton: Hi, Rod and Racheal. Just a quick one from me on return. Now, your answers to the previous questions has touched on this, so maybe the answer is a summation of everything you've said so far, but your returns are still well below the cost of capital. And what is the pathway in your view of getting the ROE back to at least the cost of capital level, and what are the levers do you expect they're going to have to do a lot of the heavy lifting to get there?

Rod Finch: Yeah, thanks for the question, Nick. So for us, there's really three key pillars, and our strategy is structurally aligned to this, and they're the drivers of ROE from our perspective.

The first is optimising our funding mix, and that is talking to what we have earlier today around growing our transactional deposit base, increasing the deposit and needs that we're meeting with our customers, and continuing to grow that over time, optimising our funding mix more broadly than that in terms of the capital partnership is a core element, as is other elements, you know, covered bonds are a core part of our funding stack as well. So funding mix is the starting point. I think continuing to generate operational leverage as an organisation. We've invested heavily in technology. We're well placed to continue to leverage upside from that from a productivity point of view.

So continuing to see that leverage in the business in terms of serving more customers, supporting growth through the existing cost base, and maintaining that disciplined cost management approach that we've maintained over a couple of years now. And the final element is around optimising the balance sheet, and that's really continuing to look at the efficient and disciplined allocation of capital, recycling capital into higher margin business, and where we see the opportunity to extend the partnership model that we've established, that is another element that we'll continue to look at. So it's really those three key pillars that provide us a pathway back to returns at or above our cost of capital.

Nick Dalton: Brilliant, thanks.

Operator: Our next question comes from Carlos Cacho from Macquarie. Carlos, please go ahead.

Carlos Cacho: Thanks for the opportunity to ask a question. First, I just wanted to ask on your outlook comments for stable impairment expenses. I was just wondering, are you thinking about that on a financial year or second half basis, just given that there was a release of provisions in the first half, and how we should think about that going forward?

Rod Finch: Yeah, we're looking at it over the course of the financial year, is the short answer. And I think for us, it's really informed by those comments we talked to earlier. As Racheal has said, we've called out for a couple of periods. We do see ourselves getting back to that long-run average, and so we're approaching that given the result that we've got. But in terms of the specific question on the outlook guidance we've given, it's over the course of the financial year.

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Carlos Cacho: Sorry, I meant more on is that if we look at '26, it was nine bps ... Sorry, second half '26, it was nine. Like, should we think about that or should we think about FY26 as a whole or second half '26 as being the relative starting point?

Racheal Kellaway: Yeah, you should assume that the actual expense is broadly consistent with FY26. So as you said, we had nine basis points in the second half, it was eight basis points over the full year. Obviously, it's going to be largely dependent on the timing of growth in the balance sheet, but look, I think we've given pretty specific guidance on this actually, which is that we expect the expense amount in the P&L to be broadly consistent over the full year. So this year's expense repeated through next year.

Carlos Cacho: Thank you. And then just secondly, just curious, now, you did make some comments that business competition is probably a little bit less intense. Anecdotally, we've heard through the industry that with the stresses emerging in private credit, there's been certainly a pullback on the availability of private credit and an increase in the cost of it.

I'm just wondering if you're seeing any opportunities to maybe pick up customers who might have previously gone to private credit given you do do a lot of property-backed lending and that's obviously where most of the private credit playing is. So it does seem like there'd probably be a reasonable bit of overlap for maybe some of those high quality customers that were competed away over the last two years when private credit became so prolific.

Rod Finch: Yeah, look, I think, Carlos, we are seeing business lending is resilient at the moment. We're seeing that coming through the market stats. For us, I wouldn't say necessarily we're seeing customers coming across for private credit. We're really clear on the segments we're playing. They're established businesses that are up and running and have been for some time. We've got a really clear view of the customers we want to target. We're not seeing a lot of it. Most of our growth comes from our existing customers. There is an element of new-to-bank, but it is really in line with those key segments that we called out that we're looking to extend or deepen relationships with customers and grow more. So for us, it's really just focusing on that customer cohort. We're not seeing too much come across there.

Carlos Cacho: Thank you.

Operator: Our last question comes from Nathan Lead from Morgans. Nathan, please go ahead.

Nathan Lead: Hey, Rod and Racheal, thanks for your presentations. Just three or so for me, if you don't mind. So first up on slide 24, and within the outlook statements also you talk about strong non-interest income growth coming through an FY27. Do we go to that slide 24, look at that $14 million that was actually delivered and annualise that? Is that the sort of expectation for FY27?

Racheal Kellaway: Nathan, the way that I think about this is the partnership really got off the ground in May, and so annualizing it from my perspective is the base case. I would say there's upside given momentum in that forward-flow arrangement sort of picked up even through the last quarter of our results. So it's a good starting point. I think you should probably think that that is our base case.

Nathan Lead: Okay, that's fantastic. Second, just on the cost base, there's no comments within the pack that I can see about getting to work on the BOQ heritage legacy cost base. Can you talk us through what your targets are there, when you're expecting to really get going on it and what the potential for cost out is on that element of the business?

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Rod Finch: Yeah, thanks, Nathan. So where we're at is still absolutely part of our strategic forward plan where we'd like to get all of our customers onto the digital stack and benefit from the better proposition there. Planning is underway. We're still, as Rach called out earlier, looking to just complete the final steps of the decommissioning of the legacy technology for ME. We are turning our attention to the BOQ heritage side of the business. There's some different characteristics of that business that we need to take into account. The primary one being it's a branch-based model as well as being digital.

So slightly different approach to how we think about managing the change experience there for customers. We learnt a lot through the ME migration that is also getting built into the BOQ. I would think about this in the same timeframes as the ME migration. They're things that are complex and we want to make sure we do it safely and minimise disruption to the organisation and customers. So around the same timeframe, around two to three years is the right timeframe, and then similar cost kind of step down that we've called out for the ME migration and decommissioning as well. I think that's the right way to think about it.

Nathan Lead: Okay, that's great. And then the third one for me, you're saying about the loan impairment charge on a million-dollar basis being flat, FY27 versus '26. You've got home lending returning to growth, you've got some pretty strong business or commercial lending growth. And please just, if you could clarify just whether that's on a million-dollar basis or on a percentage basis, what the target is there. I'm just interested, if you've got that amount of gross loan growth coming through, how is it that the loan impairment charge actually stays flat also in FY27 or into FY27?

Racheal Kellaway: Just to answer the more specific part of that question, it is on a dollar basis and look, it is heavily caveated as you would expect given the uncertainty in the economic environment. As Jon called out earlier, the need for any sort of one-off specific provisions that need to be raised through the period if a customer does fall into arrears or into trouble. And so our assumption is that it's in a dollars basis because we've looked at our current portfolio with the current inputs that we've looked at in terms of forward-look assumptions around the economy, but that can shift really quickly. We've seen a much more volatile environment in the last few months, in the last probably year, I would say, than probably in the few periods before that. And so we will come back to the market and update if that changes, but at this point, that's our best expected outlook for loan impairment expense.

Nathan Lead: Okay. So it's going to decline on a basis point of GLA basis into FY27?

Racheal Kellaway: Look, there's always a number of one-offs in the portfolio, so we've looked at those. So we did take some specific provisions in this year. We don't expect that to repeat as we stand here today, but as I said, that is a risk. The portfolio growth, we've talked about a sustainable return to growth.

It's about the same level of growth that we're assuming from a business lending perspective, but we won't take on any of the credit risk relating to the equipment finance part of the asset finance portfolio given the forward-flow arrangement we have with Challenger. And then lastly, our return to growth in housing is not a hugely ambitious, undisciplined return to growth in 2027. It is very much a slow and steady ensuring we get the right returns as Rod outlined earlier. And so we don't see a material impact on the collective provision relating to housing. It will obviously come with a collective provision, but not material.

Nathan Lead: Okay, great. And Racheal, you talked about your long-run expectations for loan impairment expenses, like, eight to nine basis points. Could you actually just talk us through what you're thinking in terms of the different segments on a long-run basis-

Racheal Kellaway: Yeah, I mean, we-

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Nathan Lead: ... that is consistent with that?

Racheal Kellaway: Sorry. I can just-

Nathan Lead: Please fire away.

Racheal Kellaway: Yeah, sorry. Look, so the three kind of broad categories, housing, we think that sits between two and four basis points. Commercial lending can be around 20 basis points. And then asset finance is obviously the highest at about 45 basis points.

There are different subsets of that asset finance portfolio that can vary quite significantly, but at an aggregate level about 45 basis points. Noting that for equipment finance, that's largely not coming onto our balance sheet going forward. But look, these are long-run averages and there are just as many arguments to say that history, you know, the future is not going to look like the past, but that is, as we stand here today, our best estimate as to where we think long-run averages sit.

Nathan Lead: Great, thank you.

Operator: Thank you. There are no further questions. I'll now hand back to Jessica.

Jessica Smith: Thank you everyone for joining today's call. If you have any further questions, please reach out to the BOQ investor relations team, and we look forward to connecting with many of you over the coming days. Thank you.

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