1H20 RESULTS PRESENTATION

8 APRIL 2020

Half year ended 29 February 2020

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

AGENDA

INTRODUCTION

Cherie Bell, General Manager Investor Relations

RESULTS OVERVIEW

George Frazis, Managing Director and CEO

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Ewen Stafford, Chief Financial Officer and Chief Operating Officer

SUMMARY & OBSERVATIONS, IMPACTS OF COVID-19

George Frazis, Managing Director and CEO

Adam McAnalen, Chief Risk Officer

Q&A

RESULTS OVERVIEW

GEORGE FRAZIS
MANAGING DIRECTOR AND CEO

1H20 OVERVIEW

1. **Cash NPAT down 10% on PCP** and a 1% reduction compared to 2H19**,** with FY20 being a transition year for BOQ
2. **Balance sheet growth,** with improved momentum across housing and commercial businesses
3. **Asset quality remains sound**, additional $10m collective provision overlay taken in respect of COVID-19 as at February 2020[1]
4. **Well capitalised with good liquidity position** following the $340m capital raising, ensuring stability during economic uncertainty
5. **Strategy execution underway,** with operating model changes made, early results achieved and flexibility to respond to changing conditions
6. **Decision on dividend deferred,** until the economic outlook is clearer and stress testing results have been discussed with APRA[2]

(1) Based on the facts and circumstances existing at 29 February 2020, a $10 million COVID-19 overlay was recognised in 1H20, refer to Subsequent Event Note; (2) Refer BOQ's ASX release on 8 April 2020 'BOQ FY20 Interim Dividend Deferral'

1H20 RESULTS

CAPITAL REMAINS STRONG WITH PROFITS IMPACTED BY STRATEGIC INVESTMENT AND REGULATORY COSTS

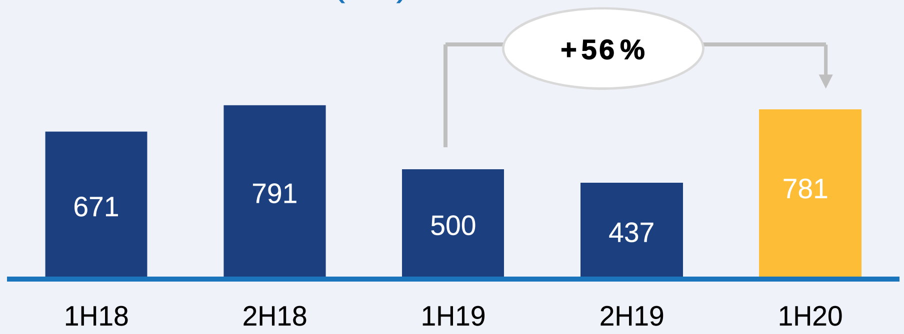
Key financial results	1H20	2H19	1H19	1H20 v 2H19	1H20 v 1H19
Statutory net profit after tax	$93m	$142m	$156m	(35%) ▼	(40%) ▼
Cash earnings after tax	$151m	$153m	$167m	(1%) ▼	(10%) ▼
Cash return on average equity	7.5%	7.8%	8.8%	(30bps) ▼	(130bps) ▼
Common Equity Tier 1 ratio	9.91%	9.04%	9.26%	87bps ▲	65bps ▲
Cash earnings per share	35.3c	37.8c	41.8c	(7%) ▼	(16%) ▼
Dividend per share[1]	-	31c	34c	(31c) ▼	(34c) ▼

(1) Refer BOQ's ASX release on 8 April 2020 'BOQ FY20 Interim Dividend Deferral'

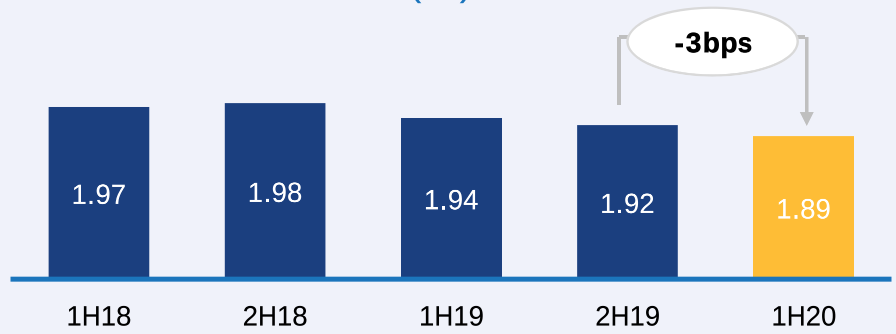
DRIVERS OF RESULTS

LENDING MOMENTUM DRIVING PROFIT, OFFSET BY INCREASED COST BASE

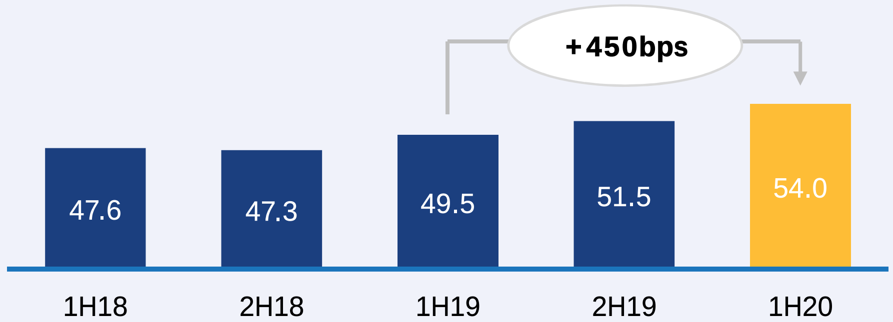
LENDING GROWTH ($M)



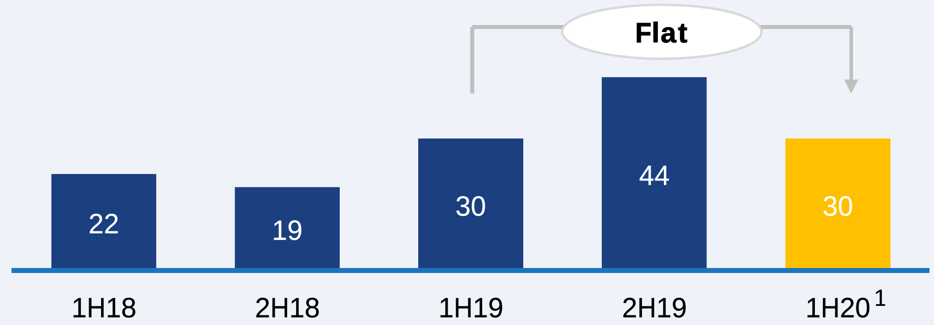
NET INTEREST MARGIN (%)



COST TO INCOME RATIO (%)



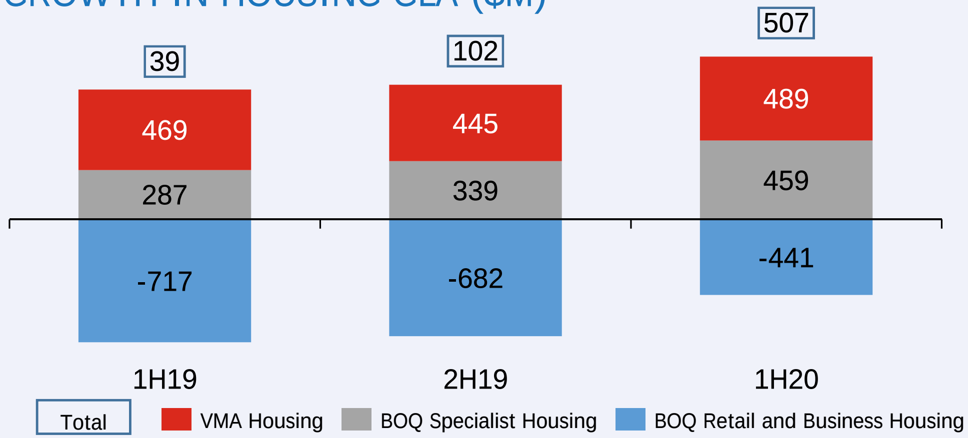
LOAN IMPAIRMENT EXPENSE ($M)



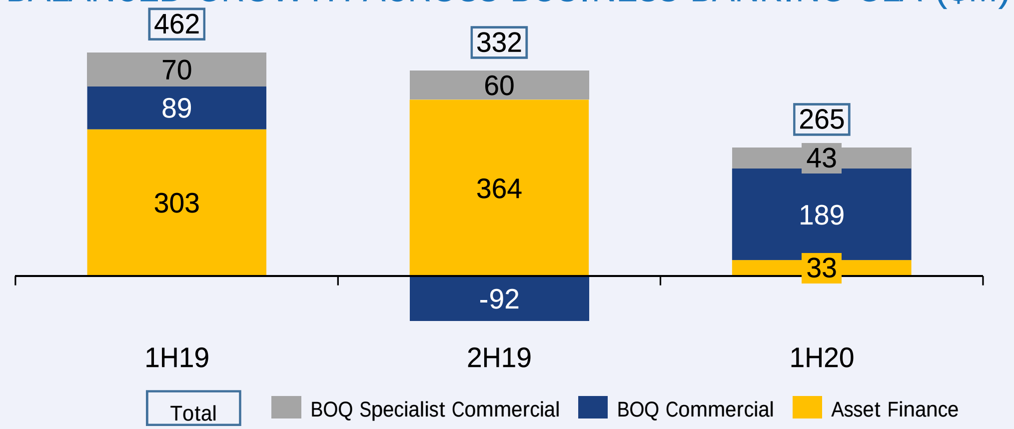
(1) Includes a $10m collective provision overlay as at 29 February 2020 in respect of COVID-19, the release of a $3m provision relating to the drought, and a net $5m reduction in the underlying collective provision balance relating to portfolio movements and improvements in data quality

LENDING GROWTH
NICHE SEGMENTS DELIVERING GROWTH

GROWTH IN HOUSING GLA ($M)[1]



BALANCED GROWTH ACROSS BUSINESS BANKING GLA ($M)



SUMMARY

- Strong housing growth for VMA (+4% vs PCP) and BOQ Specialist (+60% vs PCP) focusing on niche segments and new customer acquisition
- BOQ Blue contraction improving through increased acquisition volumes delivered by home buying transformation program

SUMMARY

- Commercial lending growth increased 112% vs PCP focusing on niche industry segments
- BOQ Finance measured growth with focus on margin management

(1) The above graphs exclude personal lending which increased $9m 1H20 vs PCP

RETAIL BANKING OVERVIEW
STRONG LENDING GROWTH FOR VMA - IMPROVED PERFORMANCE FOR BOQ BLUE

BOQ GROUP

IMPROVED CUSTOMER NPS[1]

+13 to +16

1H20 Movement in Retail MFI NPS

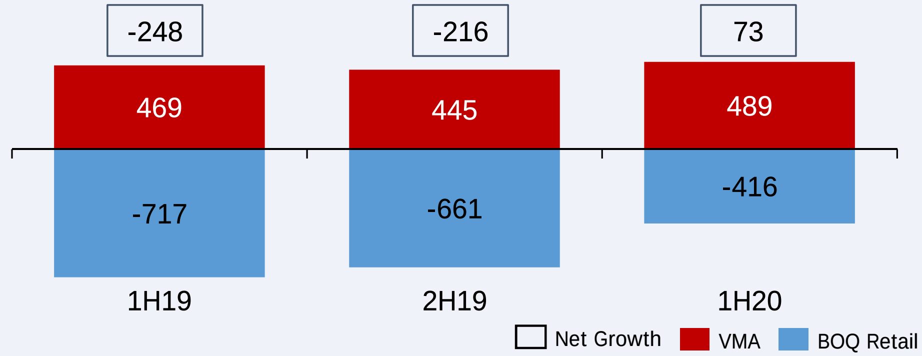
+27 to +7

1H20 Movement in Mortgage NPS

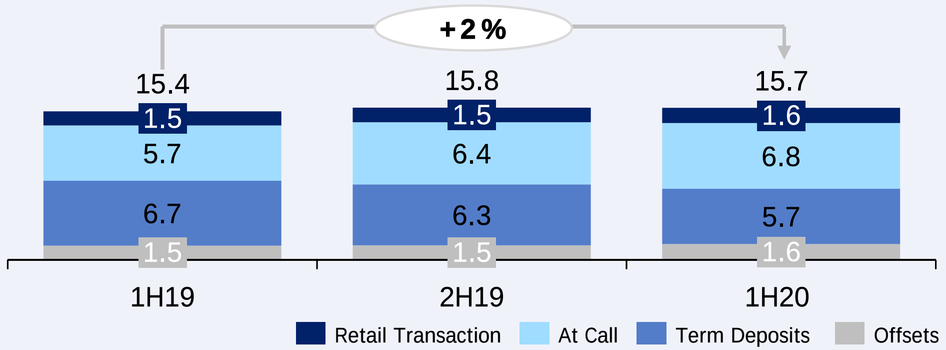
+2 to +31

1H20 Movement in overall NPS VMA

IMPROVED HOME LENDING GROWTH ($M)[2]



SOLID DEPOSIT FUNDING ($BN)



CONTINUED MOMENTUM FOR VMA

$3B

1H20 lending balance (39% annualised growth rate)

$4M

1H20 profit before tax across partnerships (+15% PCP)

$627M

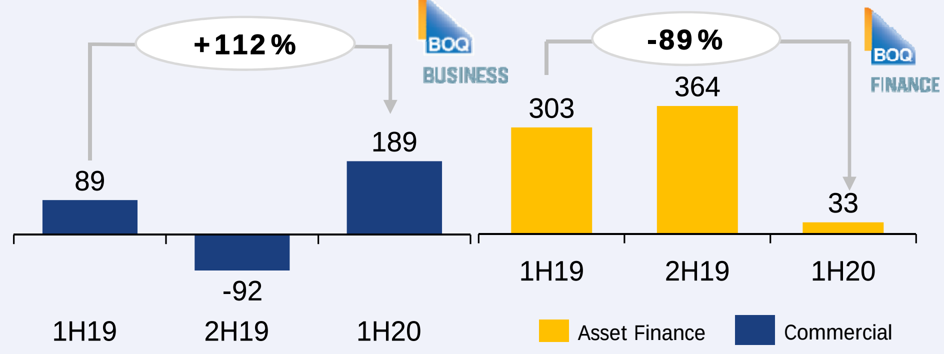
1H20 credit card receivables (-1% 1H20 vs 2H19)

(1) RFI XPRT August 2019 to February 2020; (2) BOQ Retail home lending growth excludes BOQ Business home lending growth

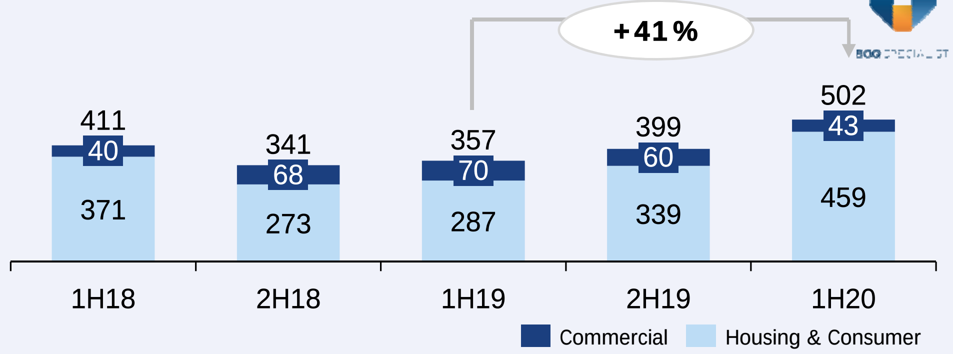
BUSINESS BANKING OVERVIEW

NICHE SEGMENT STRATEGY DELIVERING BALANCED GROWTH ACROSS BOQB BRANDS

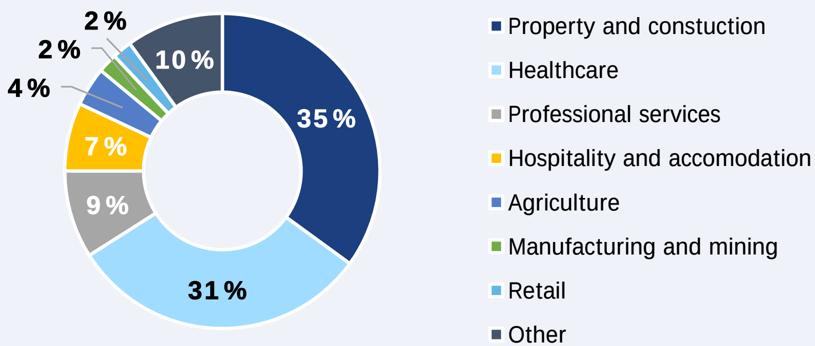
LENDING GROWTH – BUSINESS BANK AND BOQF ($M)



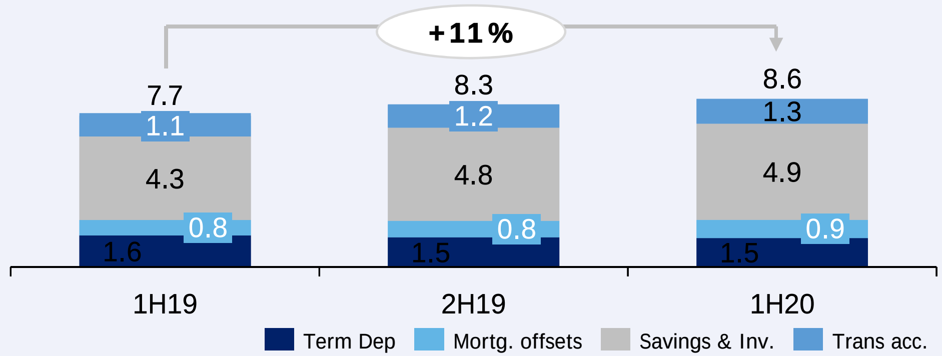
LENDING GROWTH – BOQ SPECIALIST ($M)



DIVERSIFIED PORTFOLIO (%)



STRONG GROWTH IN DEPOSITS ($BN)



GROUP STRATEGY
CLEAR PRIORITIES FOCUSED ON CUSTOMERS, PEOPLE AND SHAREHOLDERS

STRATEGY PROGRESS
EXECUTING ON OUR STRATEGY WITH EARLY RESULTS

Our purpose led empathetic culture sets us apart

- **+13** MFI NPS BOQ Retail from +3 (Aug 19) to +16 (Feb 20) [1]
- **+27** Mortgage NPS BOQ Retail from -20 (Aug 19) to +7 (Feb 20) [1]

Distinctive brands serving attractive niche customer segments

- **1.3x** system home lending growth[2]
- **2.2x** system business lending growth[2]

Digital Bank of the future with a personal touch

- **New** mobile app for BOQ Specialist with Apple Pay
- **Phase 1** VMA digital bank on track for 2020
- Core infrastructure **cloud** modernisation on track for 2020

Simple and intuitive business with strong execution capability

- **4%** FTE reduction (1H20 vs FY19)
- **<1** Day to conditional approval (-4 days)
- **Reduction** in lending rework, 26% fewer files with critical errors

Strong financial and risk position, with attractive returns

- **$340m capital raised** ($250m placement, $90m SPP)
- **9.91** CET1 (1H20)
- 112% **NSFR**, 133% **LCR**, c.69% deposit funded

(1) RFi XPRT Reports August 2019 to February 2020; (2) Systems growth represents latest available APRA monthly Banking Statistics as at February 2020. Data has been aligned for the new APRA regulatory definitions applicable from 1 July 2019

FINANCIAL DETAIL

EWEN STAFFORD
CHIEF FINANCIAL OFFICER AND CHIEF OPERATING OFFICER

FINANCIAL PERFORMANCE

1H20 IN LINE WITH EXPECTATIONS DURING TRANSITIONAL YEAR

BOQ GROUP

$ million	1H20	2H19	1H19	1H20 v 2H19		1H20 v 1H19	
Net interest income	483	485	476	(0%)	-	1%	▲
Non-interest income	58	63	65	(8%)	▼	(11%)	▼
Total income	**541**	**548**	**541**	**(1%)**	▼	**0%**	-
Operating expenses	(292)	(282)	(268)	4%	▲	9%	▲
Underlying profit	**249**	**266**	**273**	**(6%)**	▼	**(9%)**	▼
Loan impairment expense	(30)[1]	(44)	(30)	(32%)	▼	0%	-
Cash profit before tax	**219**	**222**	**243**	**(1%)**	▼	**(10%)**	▼
Income tax expense	(68)	(69)	(76)	(1%)	▼	(11%)	▼
Cash earnings after tax	**151**	**153**	**167**	**(1%)**	▼	**(10%)**	▼
Statutory net profit after tax[2]	**93**	**142**	**156**	**(35%)**	▼	**(40%)**	▼

Cash basic earnings per share	35.3c	37.8c	41.8c	(7%)	▼	(16%)	▼
Cash return on average equity	7.5%	7.8%	8.8%	(30bps)	▼	(130bps)	▼

(1) Includes a $10m collective provision overlay as at 29 February 2020 in respect of COVID-19, refer to Subsequent Event Note; (2) Refer to slide 26 for the reconciliation of cash earnings after tax to statutory net profit

DIVISIONAL PERFORMANCE

RETAIL AND BUSINESS IMPACTED BY NON INTEREST INCOME DECLINE AND INCREASED EXPENSES

	RETAIL		BUSINESS	
$ million	1H20	1H20 v 1H19	1H20	1H20 v 1H19
Net interest income	214	0% -	271	4% ▲
Non-interest income	29	(9%) ▼	21	(19%) ▼
Total income	**243**	**(2%)** ▼	**292**	2% ▲
Operating expenses	(154)	9% ▲	(127)	8% ▲
Underlying profit	**89**	**(16%)** ▼	**165**	(2%) ▼
Loan impairment expense	(9)	(10%) ▼	(21)[1]	5% ▲
Cash profit before tax	**80**	**(17%)** ▼	**144**	(3%) ▼
Income tax expense	(25)	(17%) ▼	(45)	(4%) ▼
Cash earnings after tax	**55**	**(17%)** ▼	**99**	**(3%)** ▼

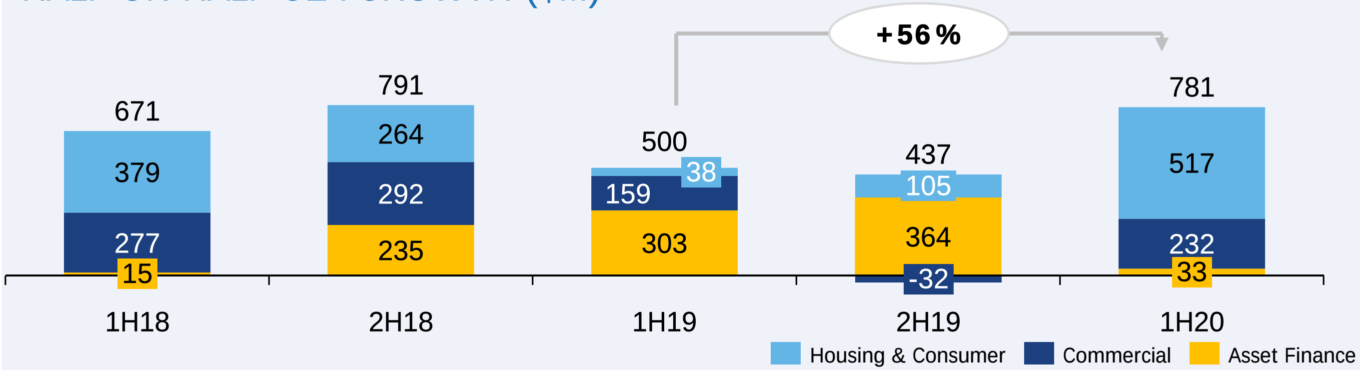
(1) Based on the facts and circumstances existing at 29 February 2020, a $10 million COVID-19 overlay was recognised in 1H20

LENDING PORTFOLIO
OUTPERFORMANCE IN LENDING GROWTH DESPITE COMPETITIVE LANDSCAPE

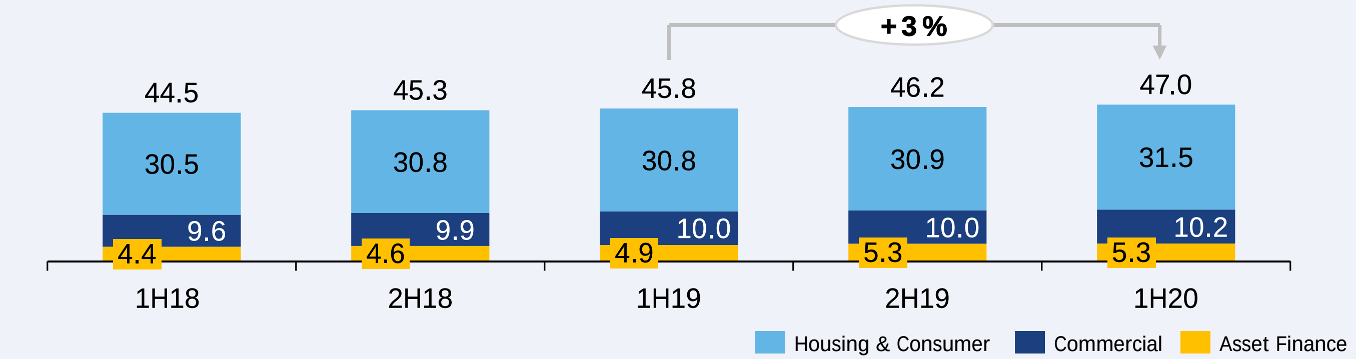
SUMMARY

- Niche strategy resulting in strong growth in commercial and housing lending
- VMA and BOQS driving uplift in housing volumes, whilst BOQ Blue continues to lift new business volumes
- Asset Finance grew 1.3% in 1H20 with a focus on margins and returns
- Continued focus on management of asset growth, quality and margin

HALF ON HALF GLA GROWTH ($M)



GROSS LOANS AND ADVANCES ($BN)



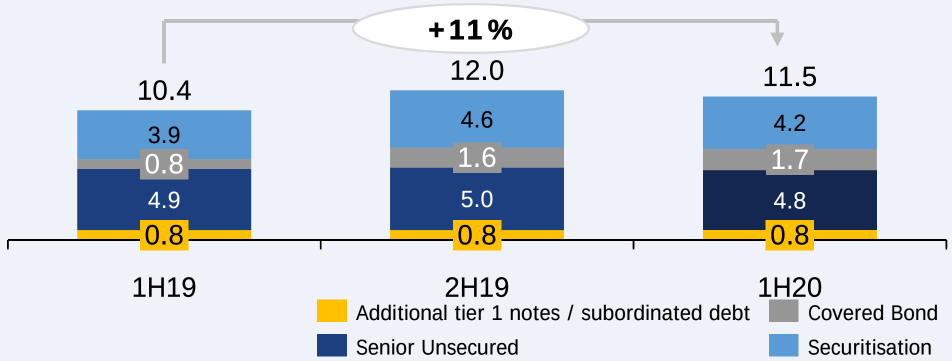
FUNDING MIX

RESILIENT FUNDING PROFILE WITH STRATEGIC OPTIONS TO GROW

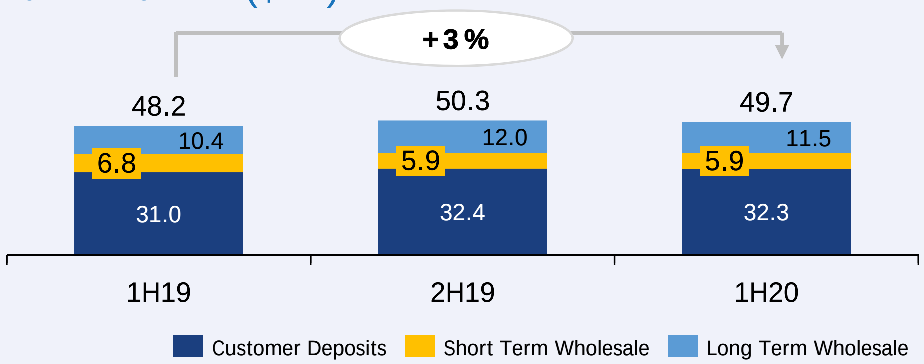
SUMMARY

- Deposit to loan ratio of c.69%
- Lower reliance on TDs and continued growth in low cost transaction and savings accounts
- Focused on increasing longer dated, stable wholesale funding sources

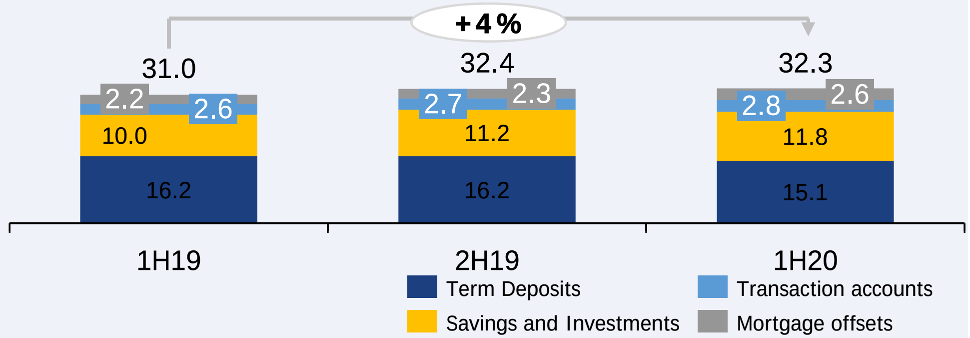
LONG TERM WHOLESALE ($BN)



FUNDING MIX ($BN)



CUSTOMER DEPOSITS ($BN)

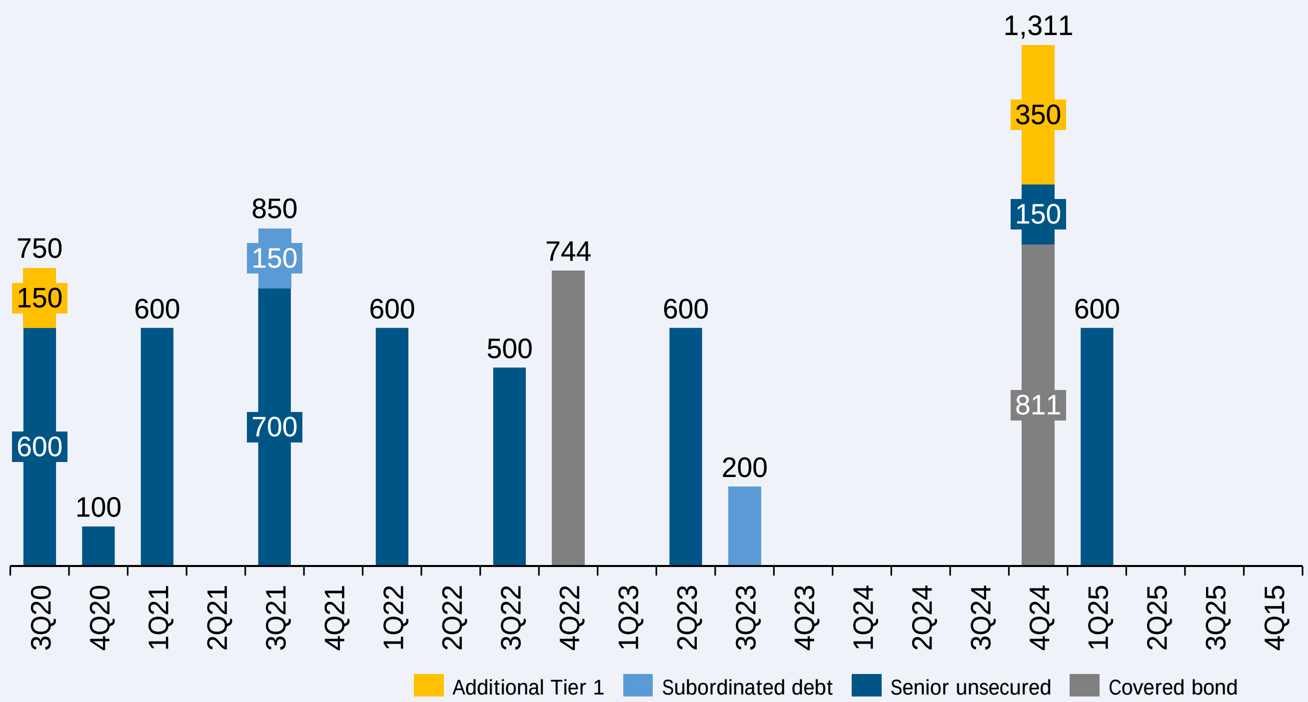


TERM FUNDING
DIVERSIFIED AND WELL SPACED FUNDING MATURITY TOWERS

SUMMARY

- Well positioned on funding through diversified funding sources and orderly maturity towers
- 2H20 includes a $150m[4] Additional Tier 1 note and $700m senior unsecured maturities
- Diversified access and capacity through the Term Funding Facility, three AAA securitisation programmes, and $3.25bn AAA covered bond programme – with potential upside once senior unsecured market reopens

MAJOR MATURITIES ($M)[1 2 3]



(1) Any transaction issued in a currency other than AUD is shown in the applicable AUD equivalent hedged amount; (2) Senior unsecured maturities greater than or equal to $50 million shown, excludes private placements; (3) Redemption of subordinated debt notes and additional tier 1 notes at the scheduled call date is at BOQ's option and is subject to obtaining prior written approval from APRA; (4) APRA approval received to redeem $150 million Additional Tier 1 note at call date May 2020

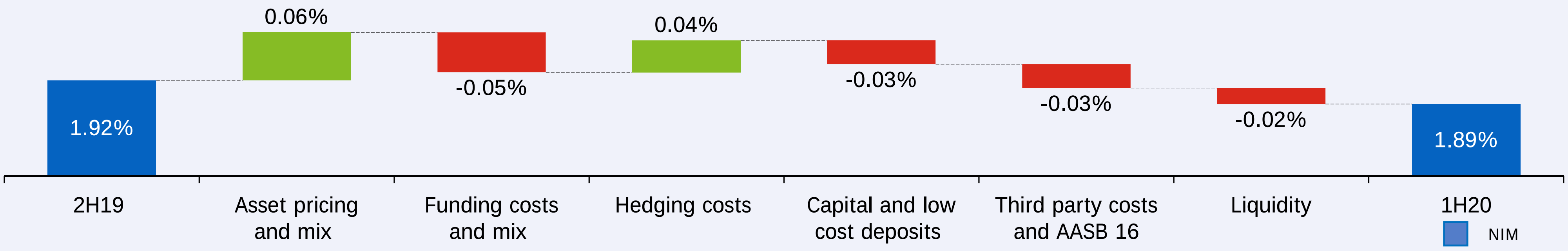
CURRENT FUNDING ENVIRONMENT

STRONG FUNDING POSITION PROVIDING STABILITY IN CURRENT ENVIRONMENT

- COVID-19 has caused significant **disruptions and volatility in financial markets**
- Term funding **credit spreads have increased**, and **debt investors are more cautious**
- **BOQ is well positioned for volatility** given good liquidity and capital levels prior to market disruption
- RBA and APRA have **increased market liquidity** and improved BOQ's funding options:
  - RBA announced TFF for ADIs – 3 year funding at 25bps;
  - APRA announced temporary changes to its expectations regarding bank capital ratios, to ensure banks are well positioned to provide credit to the economy in the current environment;
  - Repurchase of government bonds in secondary market;
  - Continuation of repo operations; and
  - Loan deferral payments of up to 6 months retain current risk weighting

NET INTEREST MARGIN
GOOD NIM MANAGEMENT WHILE COMPETING FOR GROWTH

NET INTEREST MARGIN – AUGUST 2019 TO FEBRUARY 2020



SUMMARY

- Margin benefit of 10bps delivered through repricing, partially offset by 4bps reduction from front to back book impact
- Headwinds to Capital and low cost deposits from the replicating portfolio
- Hedging costs benefit from reduced basis costs
- Increased third party costs due to higher broker costs and OM commissions aligned to increased business volumes

KEY NIM MOVEMENTS OVER TIME (1)

Element	1H19	2H19	1H20
Asset pricing and mix	+0bps	+2bps	+6bps
Funding costs & mix	+2bps	(5bps)	(5bps)
Hedging costs	(3bps)	+3bps	+4bps
Capital & LCDs	(1bp)	(2bps)	(3bps)
Third party costs/AASB 16	(3bps)	-	(3bps)
Liquidity	-	-	(2bps)

(1) Other NIM movements in 1H19 include a +1bp impact related to other factors

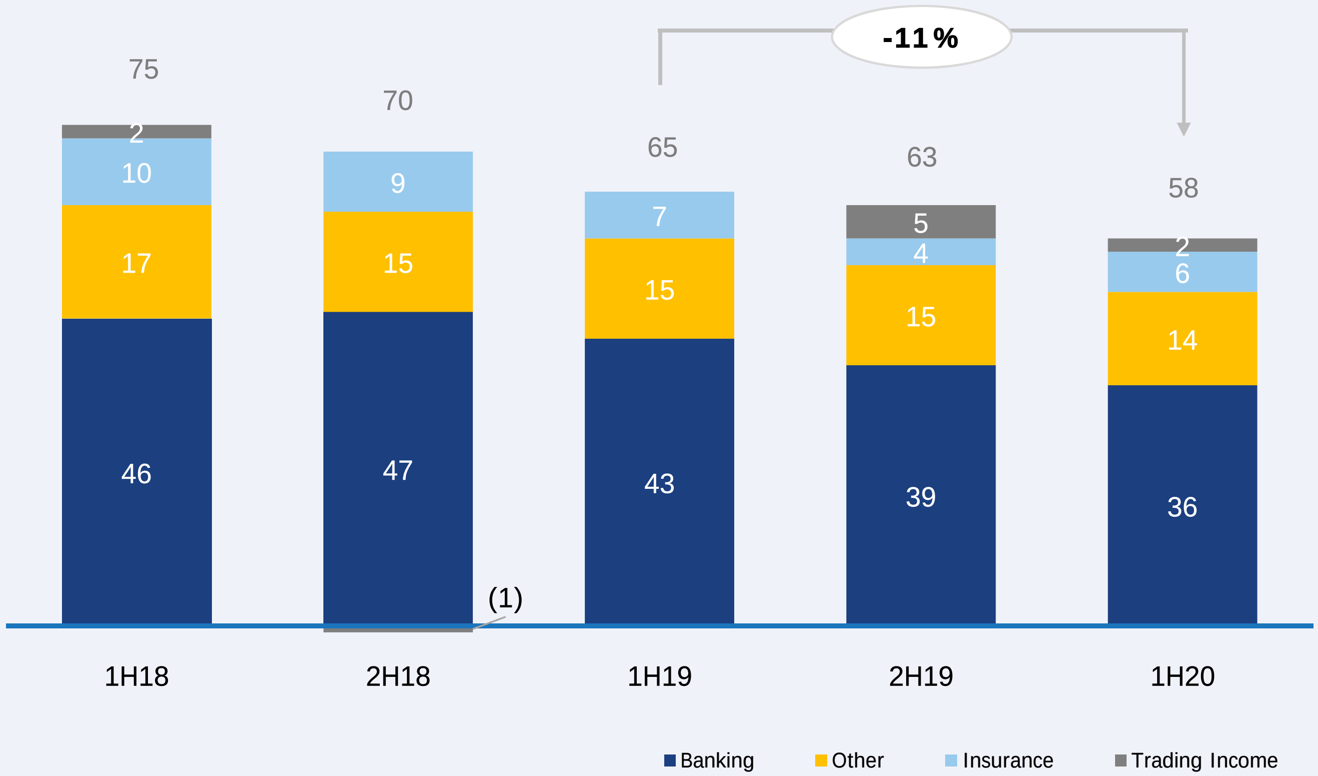
NON-INTEREST INCOME
DECLINING TREND CONTINUES DUE TO CHANGES IN CONSUMER PREFERENCES

BOQ GROUP

SUMMARY

- Banking income declines as a result of:
  - changes in consumer preferences towards low and no fee products;
  - reduction in merchant fee income due to migration to new third party arrangement in 1H19; and
  - reduction in debtor finance fees following sale of business in 2H19.
- Trading income relating to improving credit spreads

NON-INTEREST INCOME BREAKDOWN ($M)

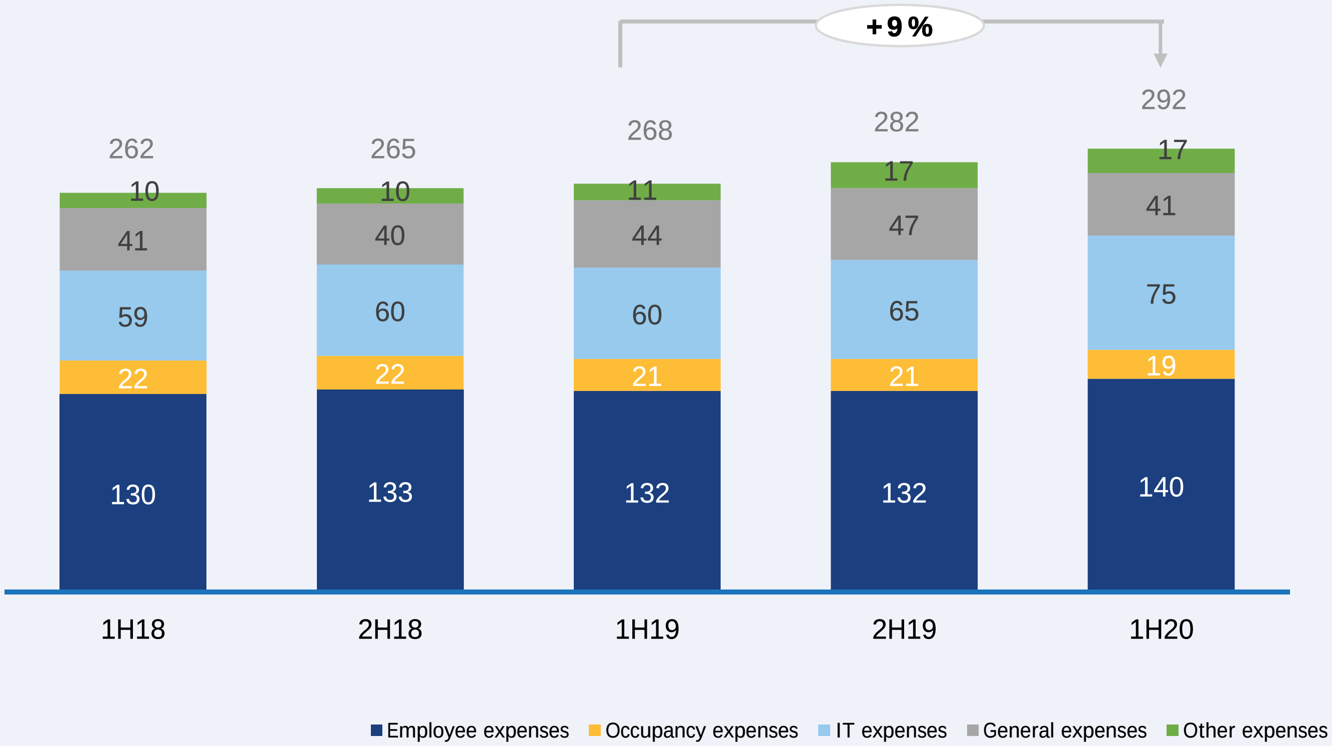


OPERATING EXPENSES
INCREASED INVESTMENT IN STRATEGIC INITIATIVES AND RISK AND COMPLIANCE PROGRAMS

SUMMARY

- Increased technology spend on strategic initiatives (e.g., VMA Phase 1 and core infrastructure modernisation)
- Increased employee and administrative expenses relating to risk and regulatory programs
- Excluding the technology and risk and compliance spend, underlying expenses increased c.1%
- Reduction in occupancy costs and general expenses

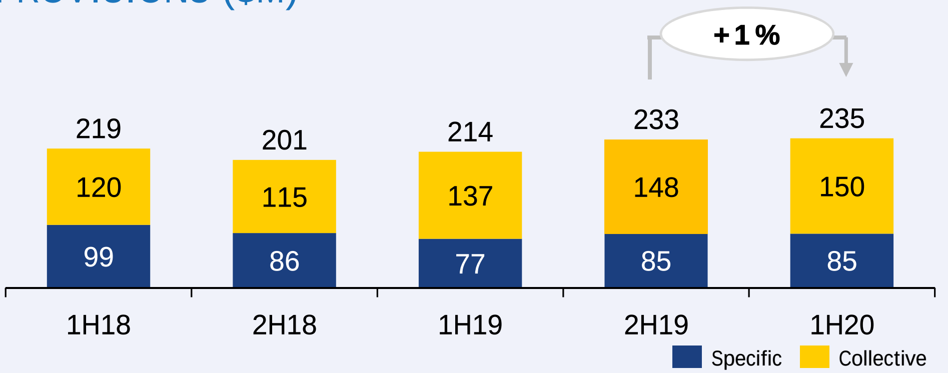
OPERATING EXPENSE BREAKDOWN ($M)



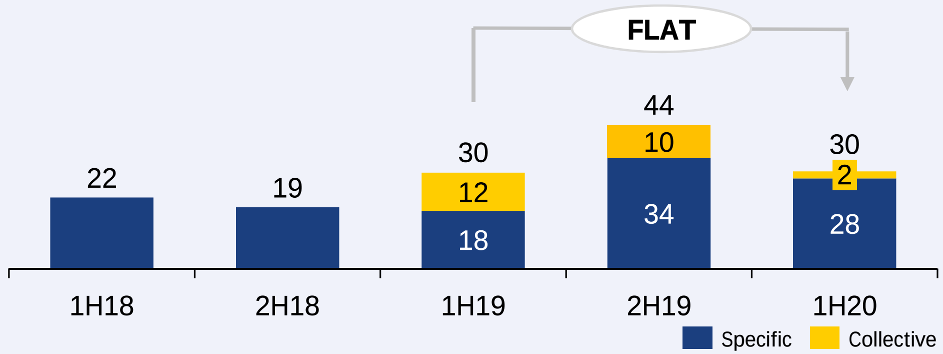
PORTFOLIO AND LOAN IMPAIRMENT EXPENSE

SOUND PORTFOLIO QUALITY[1]

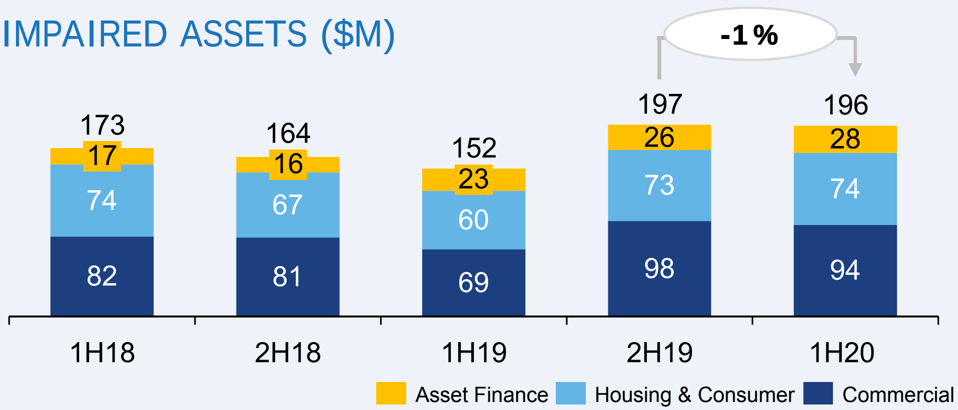
PROVISIONS ($M)[1]



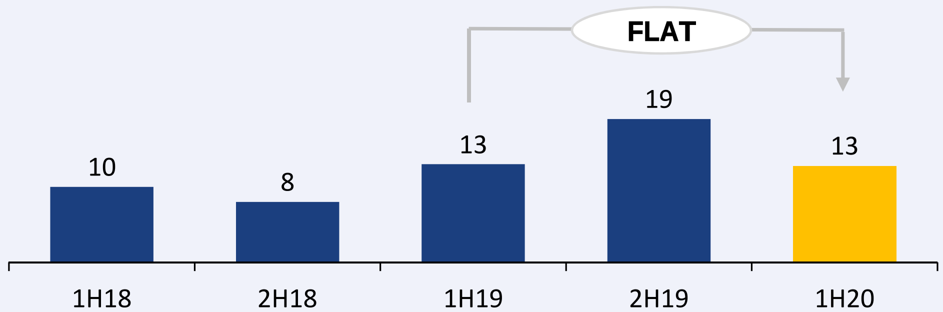
LOAN IMPAIRMENT EXPENSE ($M)[1]



IMPAIRED ASSETS ($M)



LOAN IMPAIRMENT EXPENSE TO GLA (BPS)



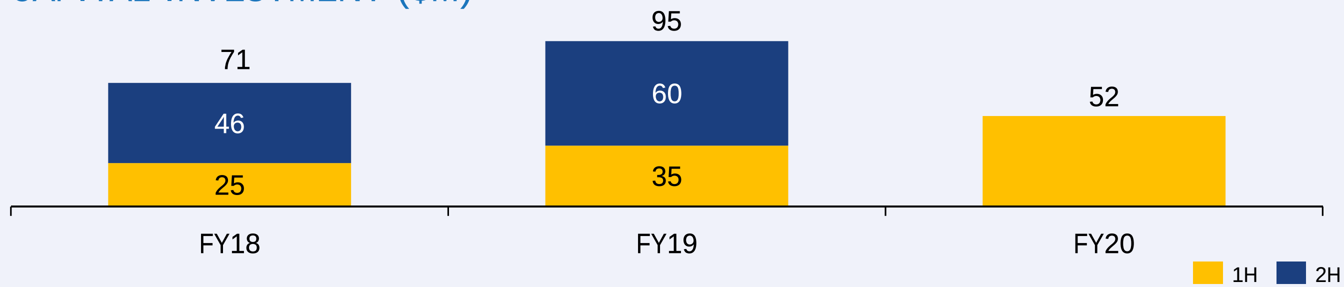
(1) Based on the facts and circumstances existing at 29 February 2020, a $10 million COVID-19 overlay was recognised in 1H20

CAPITAL INVESTMENT
EXECUTING ON THE TRANSFORMATION ROADMAP

SUMMARY

- Increased capital investment spend in 1H20 (+$17M)
- Investment focus on VMA digital bank and core infrastructure modernisation
- Foundational investment for strategy

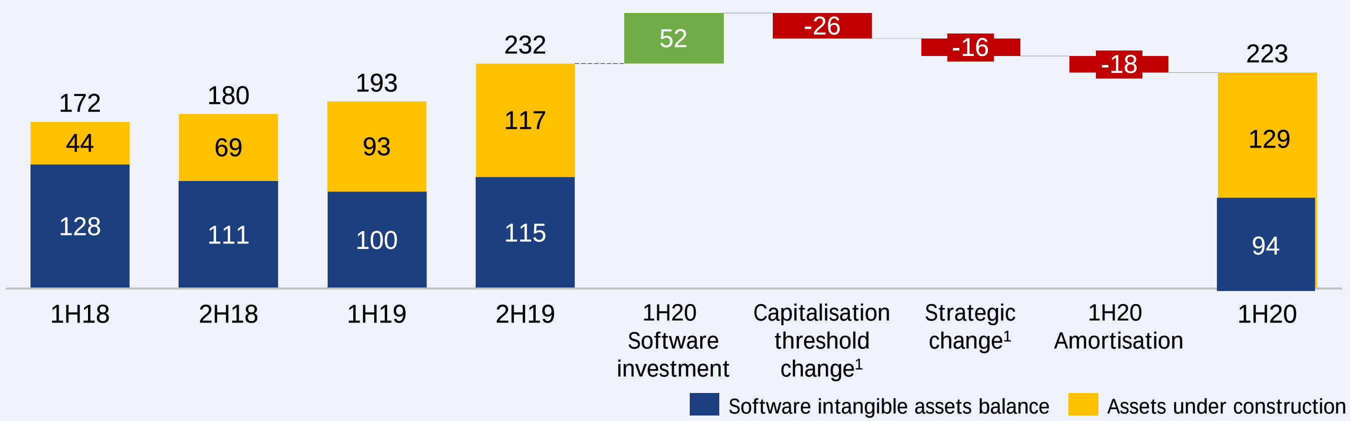
CAPITAL INVESTMENT ($M)



SUMMARY

- Reduction in software intangibles balance resulting from a change to the capitalisation threshold ($26M) and amortisation acceleration ($16m) relating to the strategic reset of the technology roadmap[1]
- Average useful life profile of intangible asset base is 5.1 years as at 1H20

SOFTWARE INTANGIBLE ASSET BALANCES ($M)



(1) The capitalisation threshold change and strategic change constitute the $32m post tax below the line adjustment to statutory net profit

NON CASH EARNINGS

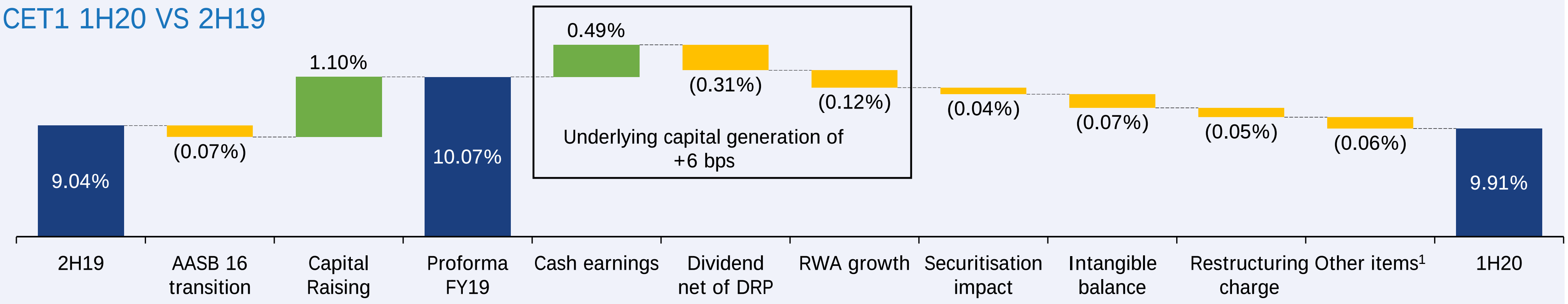
STATUTORY NPAT DOWN 40% DUE TO TRANSFORMATION CHARGE

$ million	1H20	2H19	1H19
Cash earnings after tax	**151**	**153**	**167**
Strategy Refresh (after tax)			
Intangible Asset Review (Policy change (18m) / Amor. acceleration ($11m) / Other ($3m))	(32)	0	0
Restructure charges (operating model review ($10m)/ other ($5m))	(15)	0	0
Other Non-Cash Items (after tax)			
Amortisation of acquisition fair value adjustments	(2)	(2)	(4)
Hedge ineffectiveness	(3)	(5)	(3)
Integration / transaction costs	0	(1)	0
Legacy and regulatory/ compliance	(6)	(3)	(4)
Statutory net profit after tax	**93**	**142**	**156**

CAPITAL

STRONG CAPITAL POSITION WITH FLEXIBILITY TO ADAPT TO CHANGING CONDITIONS

CET1 1H20 VS 2H19



SUMMARY

- Capital raise provided significant uplift in CET1
- Underlying capital generation of 6 basis points in 1H20
- Increased lending growth drove an uplift in RWAs
- Material non cash adjustments due to intangible asset review and restructuring charges

OUTLOOK

- The Group CET 1 ratio of 9.91 per cent places the bank in a strong capital position
- Well capitalised to manage through the potential downside economic impacts from COVID-19
- Sufficient capital to support asset growth and transformation agenda
- APRA has deferred Basel III reforms by 1 year to January 2023

(1) Other includes changes in deferred tax assets, deferred acquisition costs, reserves, investments and statutory profit adjustments

SUBSEQUENT EVENT NOTE

COVID-19

- The economic environment has evolved materially since 29 February 2020 including COVID-19 being classified as a pandemic by the World Health Organisation on 11 March 2020
- Requirement to disclose material change in circumstances as a non-adjusting subsequent event disclosure
- The calculation of the possible impact has taken into consideration forward-looking economic assumptions as well as estimated risk exposure across BOQ's retail and commercial lending portfolio
- The potential impact on the collective provision for FY20 is estimated to be in the range of $49m-$71m[1], inclusive of the $10m recognised in 1H20
- The estimated collective provision range is subject to significant uncertainty
- The impacts of COVID-19 will continue to be monitored in light of the implications on collective provision, financial position and performance.

(1) The estimate range of the collective provision of $49-$71m should not be seen as firm guidance or a forecast as to the final impacts expected

SUMMARY & OBSERVATIONS, IMPACTS OF COVID-19

GEORGE FRAZIS
MANAGING DIRECTOR AND CEO

ADAM MCANALEN
CHIEF RISK OFFICER

SUMMARY

- **Future economic outlook uncertain** due to rapid escalation of COVID-19 and subsequent actions to contain the virus that have resulted in extraordinary economic dislocation
- Entered this unprecedented and uncertain period with a **good capital and liquidity position**, and a quality book
- Our **strong risk management framework** will continue to stress test our business against a broad range of potential future economic scenarios with prudent triggers and actions to protect BOQ's business resilience through this period
- **Remain focused on stable operations & the continuity of our business**, the well being of our employees and customers, and the strength of the Bank
- **Our people have adapted quickly,** continuing to **deliver for our customers**
- **Difficult to accurately assess impact on future earnings** given highly fluid environment
- **Focused on protecting our strong foundations and executing against our strategic plan**, positioning BOQ for a strong return to growth when the economy recovers

SIGNIFICANT SHIFT IN ENVIRONMENT DUE TO COVID-19, WHICH WILL IMPACT 2H20 AND BEYOND

- **Economic impact of COVID-19 has been significant - abrupt, deep and broad**
- **Government and regulatory response has been extensive to cushion impact**
  - Government injection of ~$320bn into the economy supporting jobs and businesses
  - RBA providing liquidity through term funding and bond purchase
  - APRA's approach to payment deferrals helping conserve capital
- **BOQ entered this in a strong position**
  - Strong capital, with pro-forma CET1 10.07%, having raised $340m last year
  - Good liquidity with LCR 133%, NSFR 112%
  - Good credit position with LIE/GLA of 13bps
  - Operating model review mostly implemented, with flexibility around capital expenditure
- **Focus has been on the wellbeing of our people, supporting our customers, balance sheet strength and maintaining operations**
- **Potential collective provision** estimated to be in the range of $49m-$71m[1], inclusive of the $10m recognised in 1H20

(1) The estimated range of the collective provision of $49-$71m should not be seen as firm guidance or a forecast as to the final impacts expected

MACRO ECONOMIC ENVIRONMENT

SIGNIFICANT UNCERTAINTY ON ECONOMIC ENVIRONMENT

MACRO ECONOMIC

- Economy heading into a very difficult period, with a likely sharp decline in GDP in Q2
- Government and regulatory response has cushioned the decline
- Greatest uncertainty is the length of the crisis, dependent on cures for severe cases and on a vaccine
- Balance sheet strength of Government, RBA and the Banks a significant positive, with all aligned to do what is required to support the economy

CONSUMER

- **Consumer confidence significantly down**
- **Unemployment potentially rising to 8.5%-10.0%**
- **Household savings decline,** offset partly by Government programs
- **Soft housing market,** with potential house value declines of around 5%-15%, reversing last years gain of 10%

BUSINESS

- **Abrupt fall in consumption**
- **Industry wide economic slowdown**
- **SMEs vulnerable**
- **Balance sheets tested in some corporate/commercial sectors**
- **Agribusiness confidence improving**

WELLBEING OF STAFF AND CONTINUATION OF BANK OPERATIONS

EXECUTION OF CONTINGENCY PLANS GOING WELL

STAFF WELLBEING

- Extensive communication plan enacted – 'Act now', 'Prioritise" and 'Avoid'
- All branches fully equipped with social distancing measures
- 'Floor only' policies in place in Corporate Offices, A & B teams, social distancing, video meetings
- Increased our remote working capabilities
- Health checks are now available in 4 locations, including temperature checks
- Sourced over 750k hygiene products for staff use (masks, hand sanitisers and wipes)
- Care package established for our people isolated or quarantined

BANK OPERATIONS

- Business Continuity Plan enacted on 28 January 2020
- All 165 branches remain open
- Corporate Offices rotating people (Team A/Team B)
- Back up site is up and running for key roles
- Contact Centre staff in Sydney, Gold Coast, and Perth
- 80% of our people are now working remotely
- Increased capacity to work from home
- Re-directed skilled resourcing into helping customers
- Dedicated team managing large exposures

ASSET QUALITY

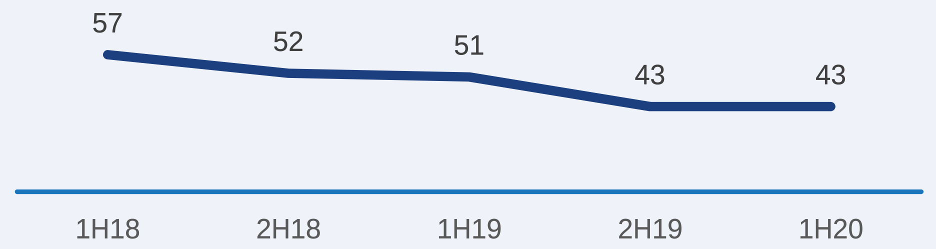
BROADLY FLAT PROVISIONS WITH STRONG COVERAGE LEVELS AS AT 29 FEBRUARY 2020

BOQ GROUP

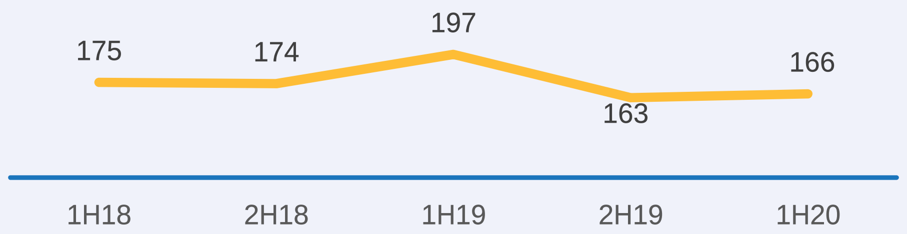
SUMMARY

- Specific provisions to impaired assets remained broadly flat
- Coverage levels remain strong compared to peers
- Increased collective provision by $10m in response to COVID-19 uncertainty
- No new large impaired exposures (>$5m) during the half

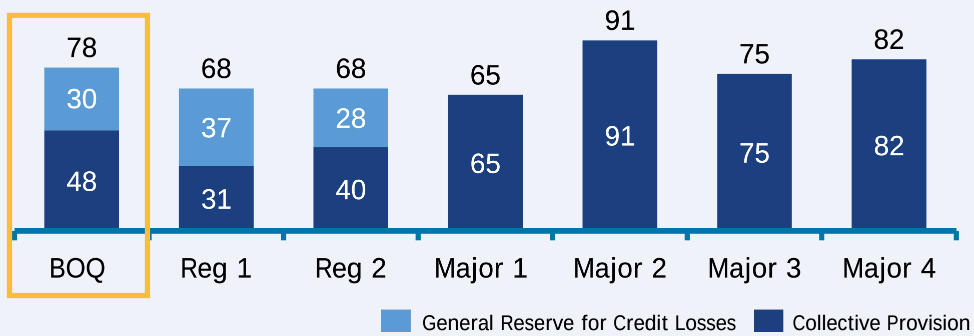
SPECIFIC PROVISIONS / IMPAIRED ASSETS (%)



TOTAL PROVISION & GRCL / IMPAIRED ASSETS (%)[1]



PROVISION COVERAGE VS PEERS (bps)[1 2]



(1) Includes a $10m collective provision overlay as at 29 February 2020 in respect of COVID-19, refer to Subsequent Event Note; (2) Collective provisions and GRCL as a proportion of risk weighted assets
Note: these figures are for the period to February 2020 prior to the material impact of COVID-19 on the Australian economy

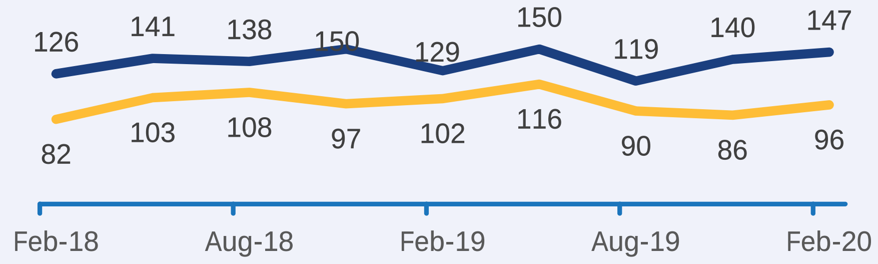
ARREARS

QUALITY UNDERLYING PORTFOLIO EVIDENCED BY STABLE ARREARS AS AT 29 FEBRUARY 2020

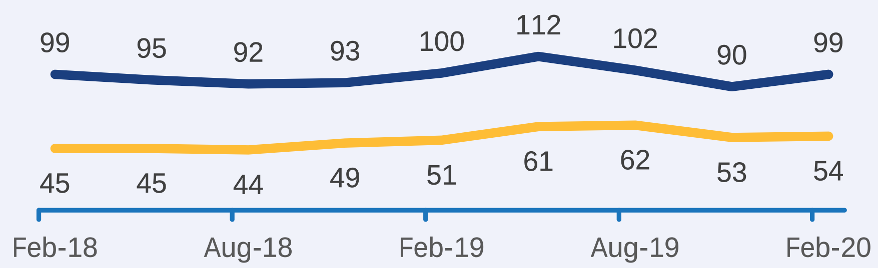
SUMMARY

- A general improvement has been experienced over the last few years in both 30+DPD and 90+DPD arrears
- Marginal elevation for 90+DPD arrears across all portfolios compared to prior year

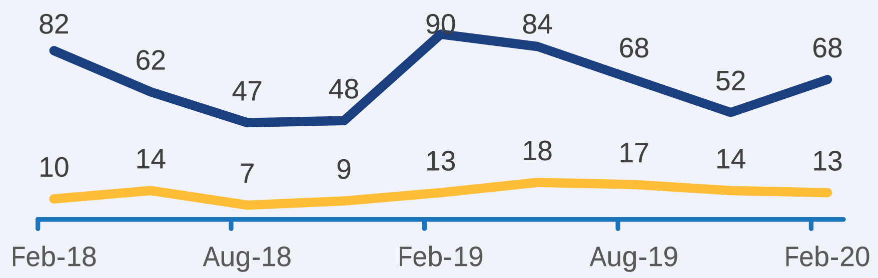
COMMERCIAL ARREARS (bps)



HOUSING ARREARS (bps)



BOQ FINANCE ARREARS (bps)



Note: these figures are for the period to February 2020 prior to the material impact of COVID-19 on the Australian economy

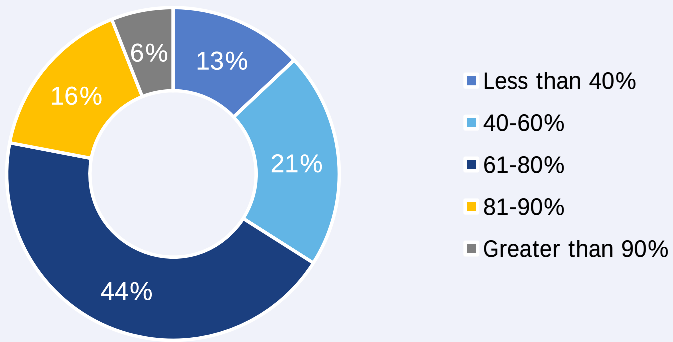
30DPD 90DPD

LENDING PORTFOLIO
DIVERSIFIED PORTFOLIO MITIGATING ECONOMIC UNCERTAINTY

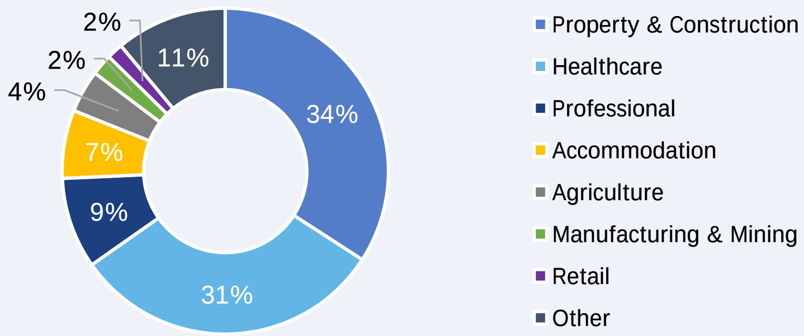
SUMMARY

- Carefully managed risk levels across housing portfolio, with average LVR of 66%
- Increased industry diversification across our commercial and finance portfolio compared to the previous 3 years
- Enhanced geographic diversification, Queensland portfolio reducing over 10 years from 78% to 43% in FY20

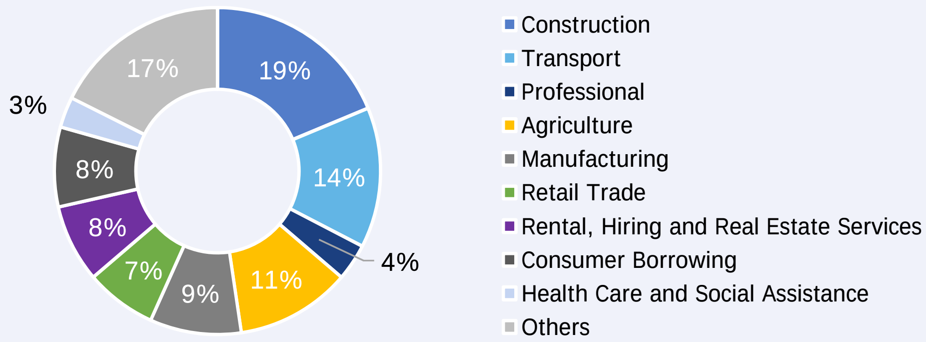
HOUSING PORTFOLIO LVR BANDS



COMMERCIAL PORTFOLIO BY INDUSTRY



FINANCE PORTFOLIO BY INDUSTRY



COVID-19 SCENARIO MODELLING – 2H20[1]

GOVERNMENT LOCK DOWNS LEAD TO GLOBAL ECONOMY HIBERNATION

BOQ GROUP

ECONOMIC ASSUMPTIONS – 7 APRIL 2020

Economic Assumptions	Q2 2020	2020	2021
GDP Movement (%)	-6.0%	-3.0%	+1.3% – 4.0%
Unemployment Rate (%)	9.0%	8.5%	8.5% reducing to 6.5%
Property Price Movement (%)	-5.0%	-5.0%	0.0% - 5.0%
Loss Given Default	-	Aligned to property price change	-

INDUSTRY IMPACT ASSESSMENT

Industry Impact Assessment (PD)	% of Portfolio[2]	Credit Risk Rating Impact (Notches)	Probability of Default Multiplier Impact
High Impact: Accommodation & Food Services, Education & Training	<2%	-4	8x
Medium Impact: Manufacturing, Wholesale Trade, Retail Trade, Transport, Postal & Warehousing, Arts and Recreation Services, Dentists	9%	-3	6x
Low Impact: Construction, Mining, Vets & Optometrists	5%	-2	4x
Other Sectors	30%	-1	2x

Potential collective provision impact of $49m - $71m[1], inclusive of the $10m recognised in 1H20:

- Adjusted for stimulus package provided by Government which provides credit enhancement
- Unemployment Rate assumption takes into account the substantial government stimulus to protect jobs, businesses, and actions by regulators and BOQ

(1) The estimate range of the collective provision of $49m-$71m should not be seen as firm guidance or a forecast as to the final impacts expected
(2) As a percentage of GLAs
Note: These assumptions could be subject to material change

SUPPORTING OUR CUSTOMERS

RELIEF PACKAGES DESIGNED FOR OUR RETAIL AND BUSINESS BANKING CUSTOMERS

SMALL BUSINESS CUSTOMERS

> **Business Banking Relief Package** offering small business customers with up to $10m in lending a 6 month deferred repayment period. This is available to 99% of our business banking customers (72% of business bank lending book, 26% of total lending book).

> Providing SME customers access to unsecured overdraft of up to $250k with material reduction in rates, co-guaranteed with Government. This is potentially available to 99% of our business customers.

> Reductions to business term loan and overdraft interest rates

> Waiving business transaction account monthly account maintenance fees for 6 months

> Waiver of merchant terminal fees

> Paused spending qualification criteria for Business Performance saver accounts

PERSONAL CUSTOMERS

> **Personal Banking Relief Package** providing deferral repayment options for our home loan customers for an initial 3 months, with a potential for a further 3 months (covers 66% of total lending book).

> Reduced interest rates on fixed rate home loans

> Providing cashflow options to home loan customers ahead on repayments, including interest only, offset, and redraw facilities

> Paused minimum monthly transaction qualification for Fast Track accounts

> Increased term deposit rates

> Temporarily paused cash management account monthly fees

BANKING RELIEF PACKAGES – PERSONAL CUSTOMERS

AVERAGE LVR FOR PERSONAL ASSISTANCE REQUESTS IS 59%

BOQ GROUP

CUSTOMER FACTS[1]

Of **75k** customers with **≤80% LVR** and av. loan size of **$392K** ❯ **c.5.5%** requested assistance

Of **20k** customers with **>80% LVR** and av. loan size of **$409K** ❯ **c.4.5%** requested assistance

BANKING RELIEF PACKAGE REQUESTS

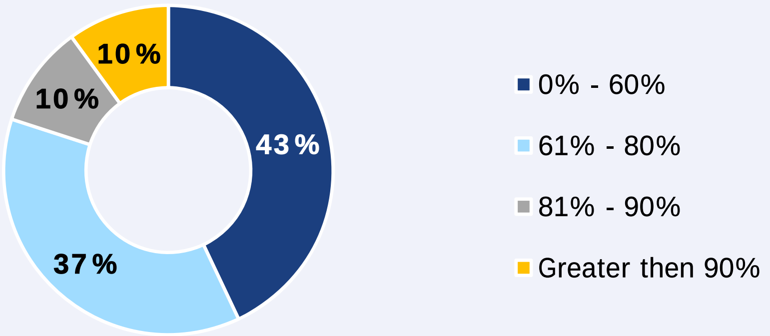
c.5,000
Total assistance requests

59%
Average LVR

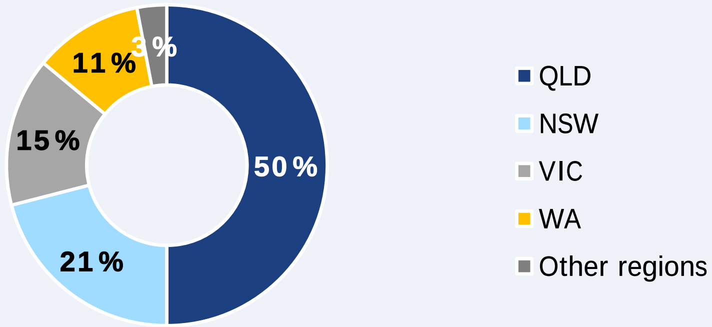
49%
Requests from PAYG customers

$319K
Average loan size

RETAIL ASSISTANCE REQUESTS BY LVR (%)



RETAIL ASSISTANCE REQUESTS BY GEOGRAPHY (%)



(1) Figures only represent home lending customers

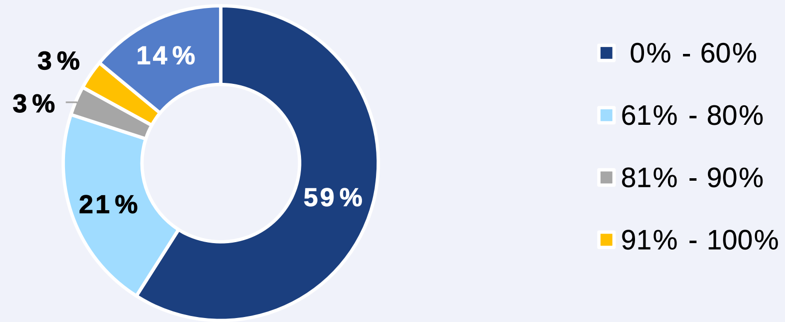
BANKING RELIEF PACKAGES – BUSINESS CUSTOMERS
MAJORITY OF ASSISTANCE REQUESTS FROM HEALTHCARE AND PROFESSIONAL SERVICES

BOQ GROUP

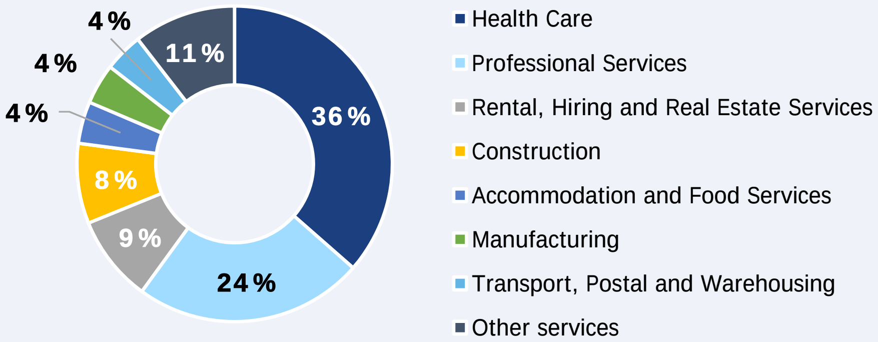
CUSTOMER FACTS[1]

Total assistance requests for business customers	**c.10,000**
Of **168k** customers with **<$10m** and av. loan size of **$126k**	**c.6%** requested assistance
Of **150** customers with **≥$10m** and av. loan size of **$26m**	**c.4%** requested assistance

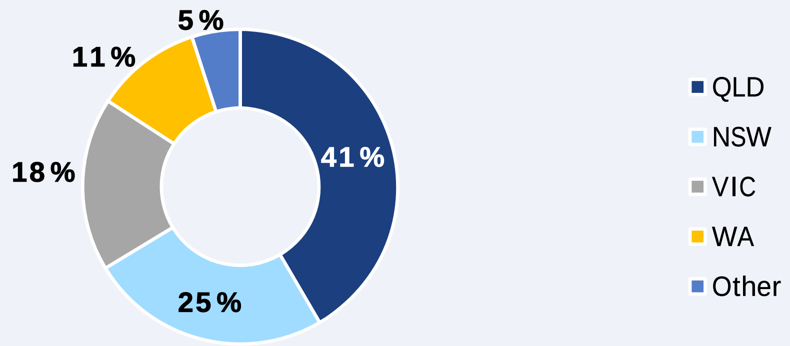
BUSINESS ASSISTANCE REQUESTS BY LVR (%)



BUSINESS ASSISTANCE REQUESTS BY INDUSTRY (%)



BUSINESS ASSISTANCE REQUESTS BY GEOGRAPHY (%)



(1) Figures only represent commercial lending customers

FY20 OBSERVATIONS

Revenue – Continued pressure

> Home loan and business loan application volume growth holding up, but this could change quickly

> Repayment holidays limit decline in growth of loan balances

> Margin pressure on mortgages abating as deposits are becoming more competitive, NIM likely to be broadly flat in second half

> Fee income will continue to decline, with demand for low and no fee products, waiving fees and lower new to bank

Cost – Closely managed

> Progress on productivity savings in line with guidance provided during Investor Day

> Flexibility to meet increased volume of queries and requests to support our customers

> Higher requirements in terms of continuity planning, cleaning etc.

> Discretionary spending, travel cost etc. declining

> Encouraging utilisation of leave, and bringing forward compulsory training

> Productivity plans in place to contain cost growth in FY21 to <1%

FY20 OBSERVATIONS

Impairments – Uncertain environment

- Government actions cushion downside to unemployment
- Preliminary overlay provision of $49m-$71m[1], inclusive of the $10m recognised in 1H20
- Proactive contact with customers to help best manage through the next 6 months
- Will require careful management once 6 month repayment holidays end
- 145 customers above $10m in lending with $3.45bn being managed individually

Maintain a strong capital, funding and liquidity position

- Non-core capital expenditure of c.30% under review
- Maintain liquidity and funding ratios above regulatory targets
- Funding capacity available through the Term Funding Facility, securitisation and covered bonds programme
- Focus on growing retail deposits

(1) The estimate range of the collective provision of $49m-$71m should not be seen as firm guidance or a forecast as to the final impacts expected

CONCLUDING REMARKS

1 First half results on track reflecting transition year, with good momentum

2 Remain committed to transformation strategy and return to profitable growth

3 Uncertain outlook given COVID-19 impacts, sensible adjustments being made, being monitored and managed closely

4 Balance sheet is strong, with strong capital and liquidity

5 Immediate priorities have been maintaining balance sheet strength and operations, well being of our people and supporting customers

APPENDICES

BOQ
UNIQUE BRANDS IN NICHE SEGMENTS SERVING CUSTOMERS FOR 145 YEARS

OUR DIFFERENTIATORS

> Unique brands with proud history

> Deeply anchored in local communities

> Highly specialised bankers, within niche industry segments

> Building an innovative digital offering and loyalty

OUR DISTINCTIVE BRANDS

Retail Banking

Human, empathetic relationship-led banking

The digital bank of bigger possibilities

Business Banking

Specialised banking solutions that meet core business and personal needs

KEY STATISTICS FOR 1H20

>910k Customers	c.210k VMA c.500k Retail c.80k Business	c.35k Specialist c.90k Finance
165 Branches	**>2k** Employees	**$78b** Footings
70% Deposit-to-Loan Ratio	**1.64%**[1] Market share - Housing	**1.72%**[1] Market share - Business

(1) Internal BOQ Analysis and APRA monthly authorised deposit-taking institution statistics excluding International Institutional banks, February 2020

ABBREVIATIONS

1H: First half of financial year
2H: Second half of financial year
30DPD: 30 days past due
90DPD: 90 days past due
AASB: Australian Accounting Standards Board
ADI: Authorised Deposit-taking Institution
AOFM: Australian Office of Financial Management
APRA: Australian Prudential Regulation Authority
ASIC: Australian Securities & Investments Commission
AUC: Assets Under Construction
Avg: Average
BBSW: Bank Bill Swap Rate
BDD: Bad & Doubtful Debt Expense
BOQS: Bank of Queensland Specialist
bps: basis points
CAGR: Compound annual growth rate
CCI: Consumer Credit Insurance
CET1: Common Equity Tier 1
CP: Collective Provision
CTI: Cost-to-income ratio
DPD: Days past due
EPS: Earnings per share
FTE: Full Time Equivalent
FY: Financial year
GDP: Gross Domestic Product
GLA: Gross Loans & Advances
GRCL: General Reserve for Credit Losses
LCD: Low cost deposit
LCR: Liquidity Coverage Ratio
LGD: Loss Given Default
LIE: Loan Impairment Expense
LOC: Line of Credit
LVR: Loan to valuation ratio
MFI: Main Financial Institution
NIM: Net Interest Margin
NPAT: Net Profit After Tax
NSFR: Net Stable Funding Ratio
OMB: Owner Managed Branch
PCP: Prior corresponding period
PD: Probability of Default
RBA: Reserve Bank of Australia
ROE: Return on equity
ROTE: Return on tangible equity
RWA: Risk-weighted assets
SME: Small and Medium Enterprises
TD: Term deposit
TFF: Term Funding Facility
VMA: Virgin Money Australia

DISCLAIMER

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