

2018 ANNUAL GENERAL MEETING

29 November 2018

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

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CHAIRMAN'S ADDRESS

ROGER DAVIS
CHAIRMAN

2018 overview

- > Challenging environment
- > Solid financial results
- > Strategy delivering
- > Strong capital position
- > Investing in digital

Environment & outlook

- > Improving customer experience
- > Conduct & culture focus
- > Credit growth slowing
- > Pushing for competitive neutrality
- > Remuneration evolving

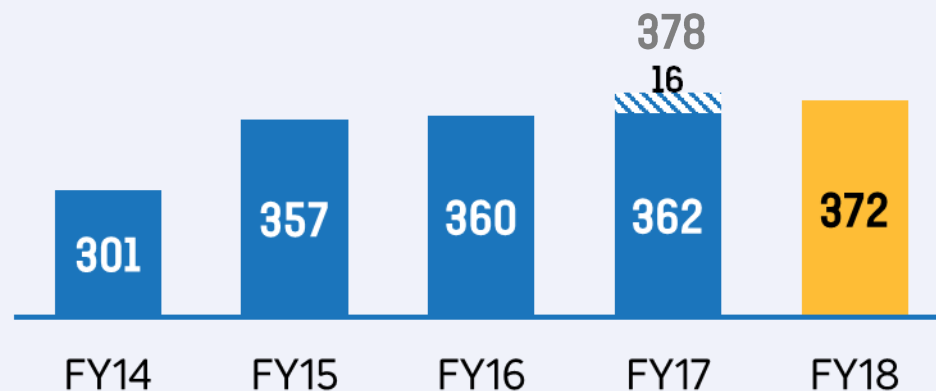
MANAGING DIRECTOR & CEO'S ADDRESS

JON SUTTON
MANAGING DIRECTOR & CEO

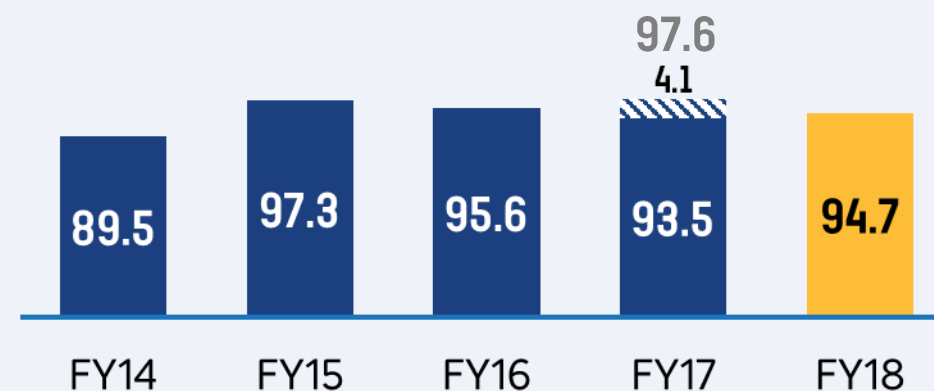
- 1 Evolution of the business continues
- 2 Good underlying result in a difficult environment
- 3 Consistent growth in commercial niche segments
- 4 Asset quality remains a key strength
- 5 Utilising strong capital position to invest for the future

KEY ELEMENTS OF THE RESULT

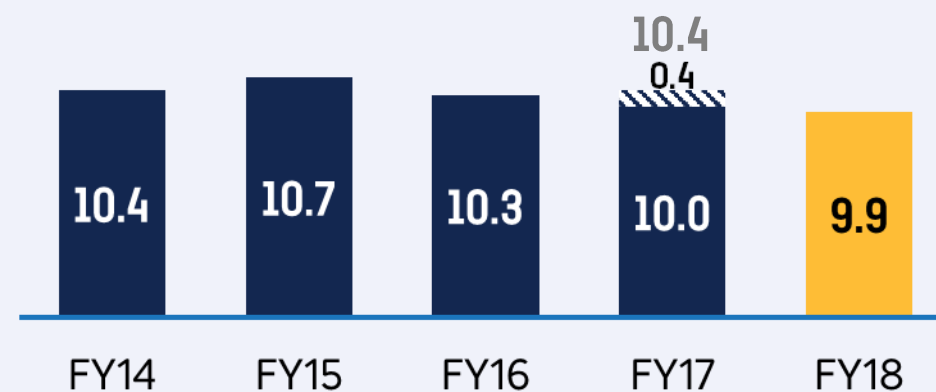
CASH EARNINGS AFTER TAX (\$M)⁽¹⁾



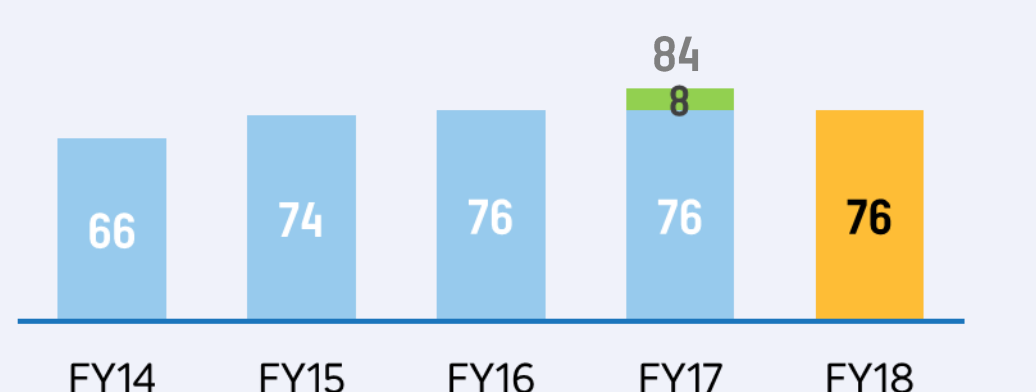
EARNINGS PER ORDINARY SHARE (CENTS)⁽¹⁾



RETURN ON EQUITY (%)⁽¹⁾

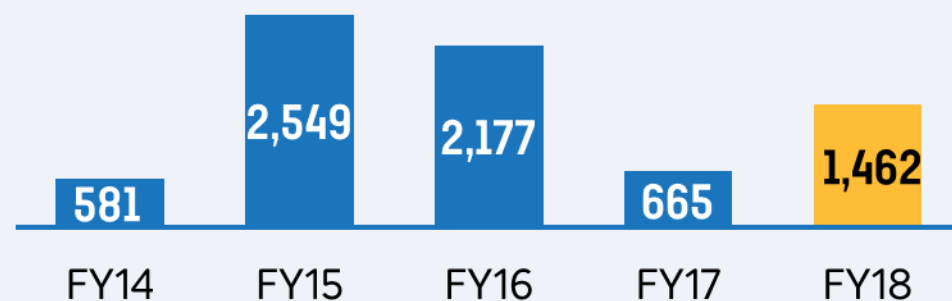


DIVIDENDS PER SHARE (CENTS)

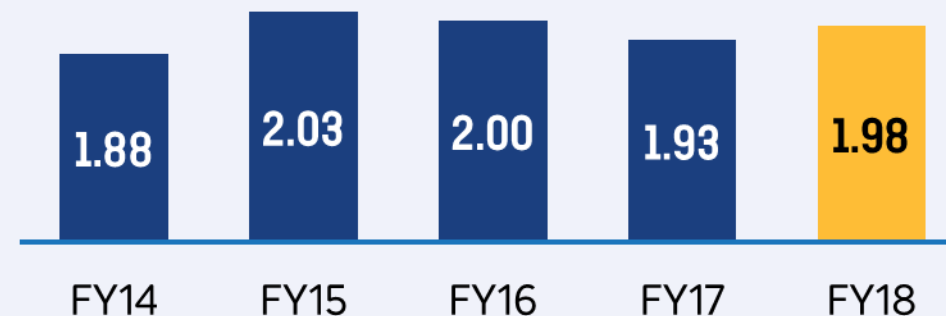


DRIVERS OF THE RESULT

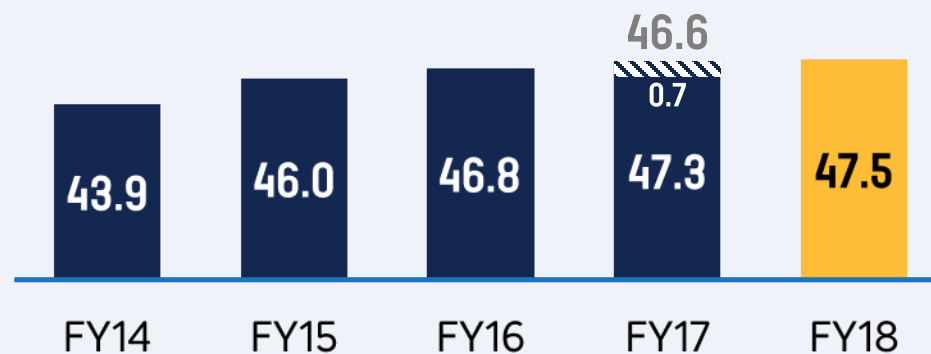
LENDING GROWTH (\$M)



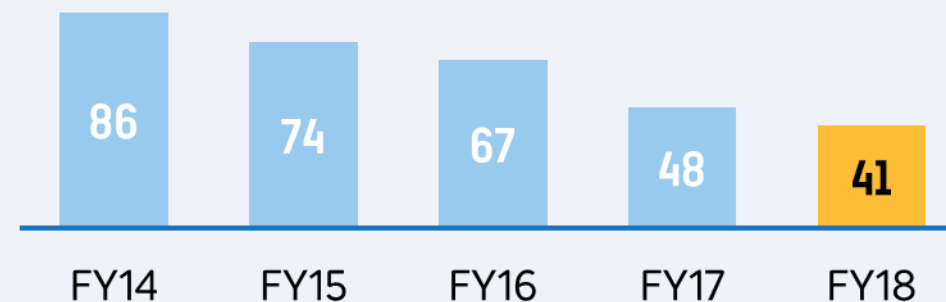
NET INTEREST MARGIN (%)



COST TO INCOME RATIO (%) ⁽¹⁾



LOAN IMPAIRMENT EXPENSE (\$M)

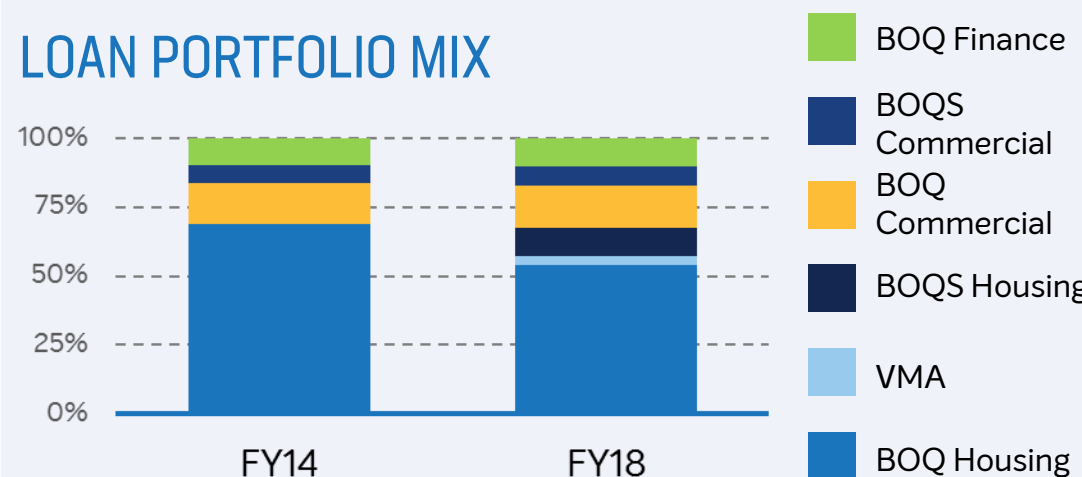


BUSINESS EVOLUTION ONGOING

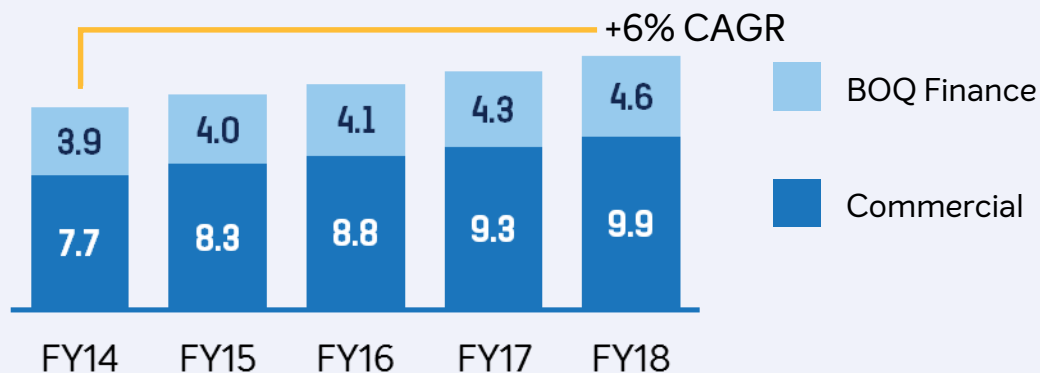
SUMMARY

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

LOAN PORTFOLIO MIX



BOQ BUSINESS LENDING BALANCES (\$B)



SYSTEMS & PROCESSES

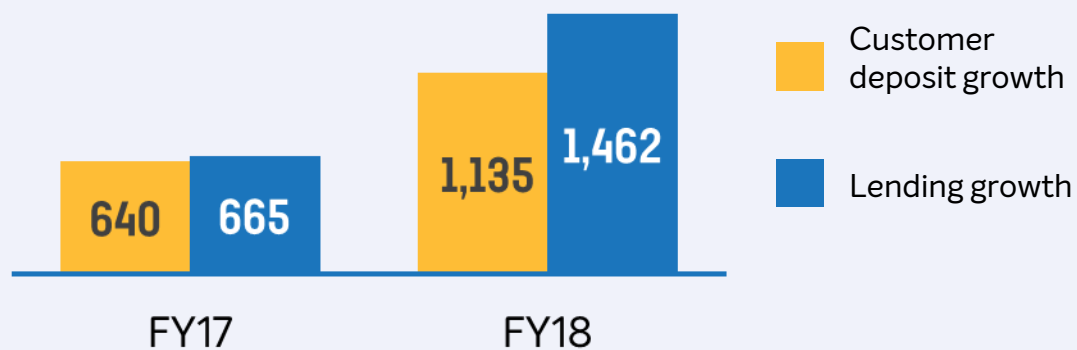
- > Focused on enhancing customer experience across brands
- > Evolving from manual, paper-based back office to more digitised operations
- > Modernisation of technology infrastructure towards hybrid cloud and API gateways

GOOD UNDERLYING RESULT IN DIFFICULT MARKET

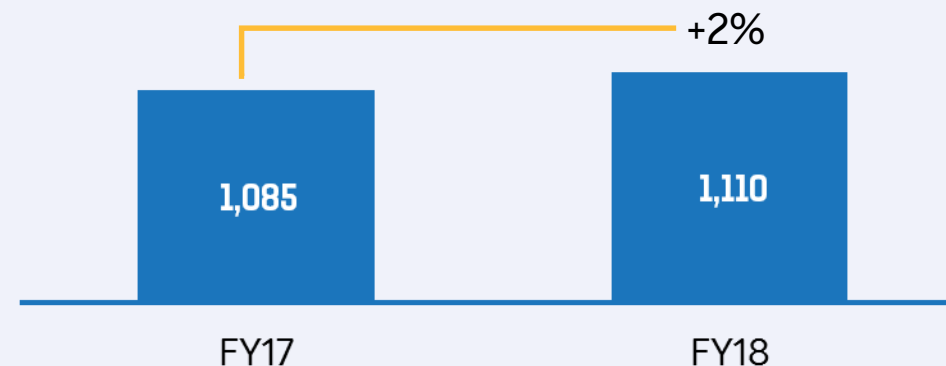
SUMMARY

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

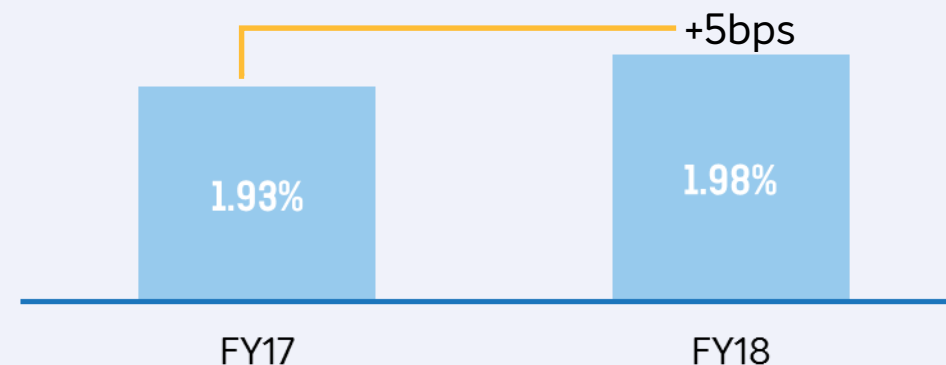
LENDING & DEPOSIT GROWTH (\$M)



UNDERLYING REVENUE GROWTH (\$M)⁽¹⁾



NET INTEREST MARGIN

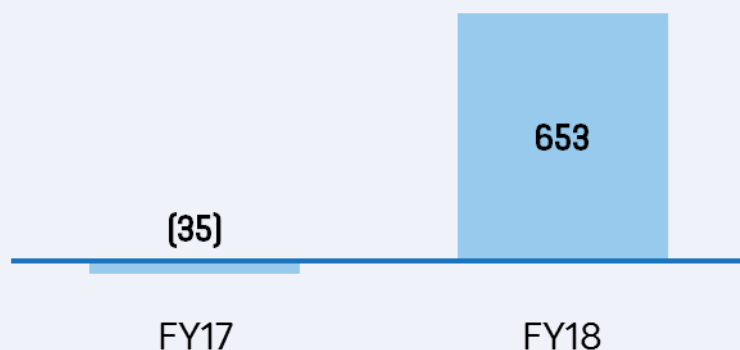


LENDING GROWTH DRIVEN BY NICHE SEGMENTS

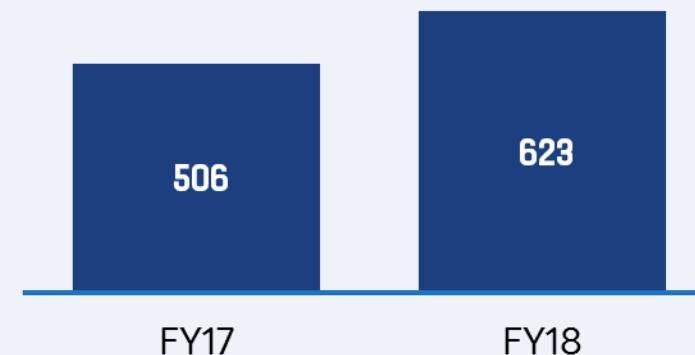
SUMMARY

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

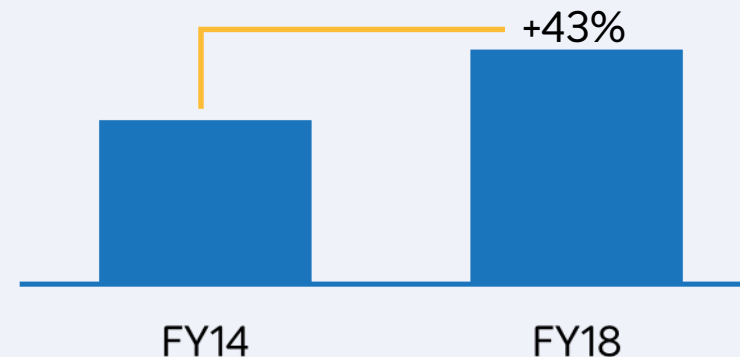
HOUSING LOAN GROWTH (\$M)



COMMERCIAL NICHE SEGMENT GROWTH (\$M)



DEPOSITS PER BRANCH

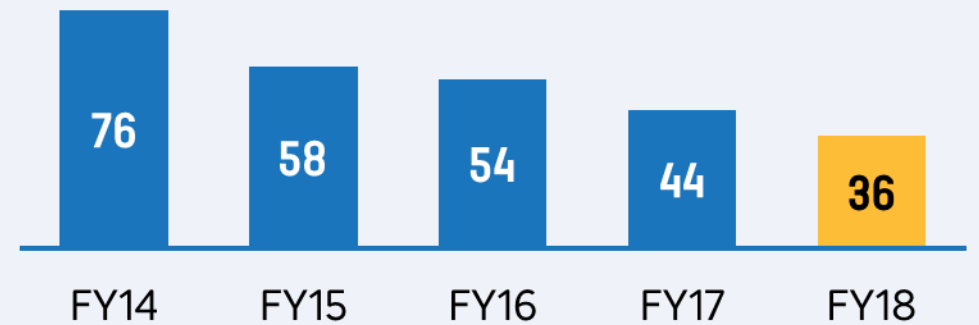


ASSET QUALITY A KEY STRENGTH

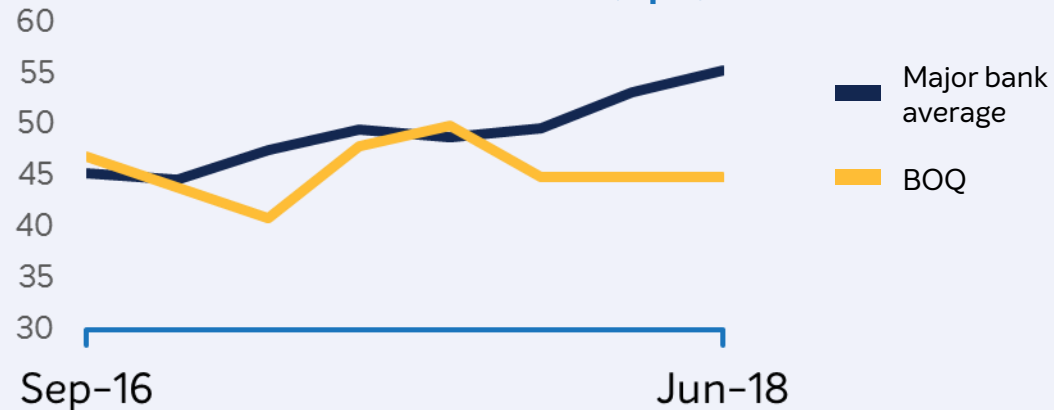
SUMMARY

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

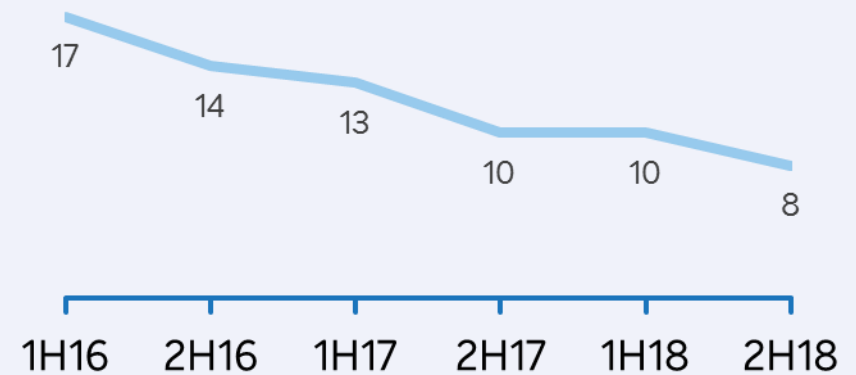
IMPAIRED ASSETS % OF GROSS LOANS (bps)



90-DAY HOUSING ARREARS (bps)⁽¹⁾



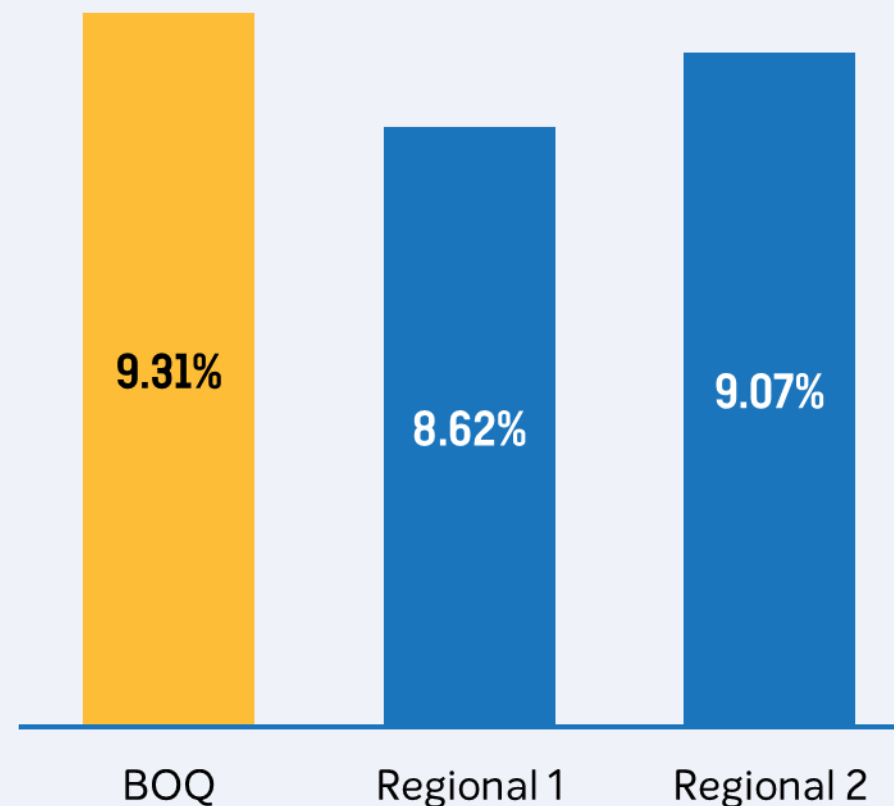
GROUP IMPAIRMENT EXPENSE / GROSS LOANS (bps)



SUMMARY

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

CET1 CAPITAL VS PEERS⁽¹⁾



LONG TERM TRENDS IMPACTING BANKING

Challenging economic
landscape

Meeting our customers'
digital needs

Competitive dynamics &
value chain disruption

Regulatory reform &
community expectations

STRATEGIC FOCUS

Execution pillars

Customer in charge

Grow the right way

Always a better way

Loved like no other

BOQ goals

- > Achieving digital parity and meeting our customers' digital needs
- > Delivering a seamless customer experience
- > Tilting to higher margin segments

- > Lift MFI penetration through deposit gathering and pricing for risk
- > Treat data as a strategic asset
- > Ensuring a state of readiness to respond to regulatory reform

- > Overhauling key processes
- > Developing capabilities to drive efficiency through digitization

- > Define and bring to life our purpose for our people and customers
- > Deliver a differentiated service offering

Key initiatives

- > Upgraded or new digital banking platforms and apps
- > Accelerate VMA digital bank opportunity

- > Focus distribution channels towards deposit gathering and MFI
- > Close key product gaps to support deeper customer relationships
- > Develop strategic response to potential regulatory reform

- > Establish lending centre of excellence
- > Continuous improvement initiatives
- > Digitisation of processes

- > Engage our people to define and start to embed our purpose-led culture
- > Revitalise BOQ core business market positioning

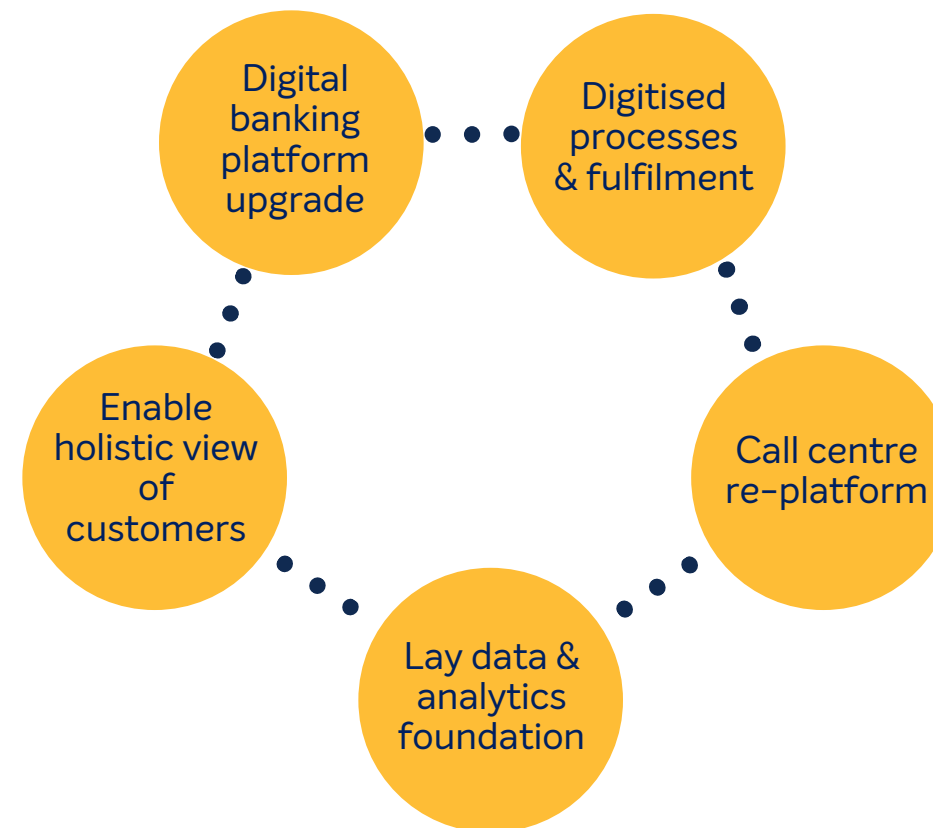
FASTER TRACK TO DIGITAL PARITY

- > Investing in platforms that can be leveraged across all brands
- > Focus on enhancing connectivity with customers
- > Keeping pace with expectations of digitally active customers

VMA OPTIONALITY RETAINED

- > Proven power of Virgin brand to attract new and valuable customer segments
- > Exploring options to leverage the potential of the brand

ACCELERATED INVESTMENT PRIORITIES



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