



ASX RELEASE

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TRADING AND EARNINGS UPDATE

BOQ is providing the market with an update on trading conditions for the half year period ending 28 February 2019 (**1H19**), ahead of the scheduled half year results release on 11 April 2019.

Based on January year-to-date performance, 1H19 cash earnings after tax is expected to be in the range of \$165-170m, compared to the 1H18 cash earnings after tax result of \$182m.

A reduction in income from 1H18 has been driven primarily by Non Interest Income which is expected to be \$8-10m lower than the 1H18 level of \$75m. This is due to continued downward pressure across fee, trading, insurance and other income lines.

Other 1H19 earnings impacts are:

- Net Interest income is expected to be broadly in line with the 1H18 level of \$475m, with Net Interest Margin (**NIM**) expected to be in the range of 1.93% to 1.95% (compared to 1.97% in 1H18). The reduction in NIM is primarily attributable to continuing funding cost pressures (including the elevated bank bill swap rate) and price competition for new loans.
- Recurring operating expenses have been largely in line with expectations, however some non-recurring costs have negatively impacted the half year result.
- Loan impairment expense is expected to be in the range of 11-13 basis points of gross loans. Underlying asset quality trends across the portfolio remain sound.

BOQ's capital position remains strong with the first half Common Equity Tier One ratio expected to be above the 9.1% reported in the November quarter Pillar 3 disclosure.

Looking forward to the second half, market conditions are expected to remain challenging. We expect regulatory costs to increase as BOQ adapts to changes in regulatory requirements and expectations, including the impacts of the Royal Commission.

All financials are subject to end of period finalisation processes and audit. Further analysis of the impact on the second half will be provided as part of the half year results announcement on 11 April 2019.

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