BOQ GROUP

FY19 RESULTS PRESENTATION

17 OCTOBER 2019

Year ended 31 August 2019

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

AGENDA

BOQ GROUP

INTRODUCTION
Daniel Ryan Head of Investor Relations

WELCOME & OVERVIEW OF RESULTS
George Frazis Managing Director & CEO

RESULT ANALYSIS & FINANCIAL DETAIL
Matt Baxby Chief Financial Officer

SUMMARY & OUTLOOK
George Frazis Managing Director & CEO

Q&A

Thanks Dan and good morning everyone. I'm delighted to be here with you today as Managing Director and CEO of Bank of Queensland.

I am joined by Matt Baxby, as mentioned our CFO, to present BOQ's FY19 results.

I would like to take this opportunity to thank Matt greatly for his contribution over the last seven years and wish him all the best for the future.

At the end of the month, Racheal Kellaway, who is here with us today, our Deputy CFO, will be Interim CFO until Ewen Stafford joins BOQ, who we announced last week as our new CFO and COO.

I would also like to acknowledge Anthony Rose who is here today and thank him for his contribution over the last seven years and also for helping us out during the transition.

I am joined by my Executive team:

- Deb, Group Executive People & Culture;
- Adam, Chief Risk Officer;
- Lyn, Group Executive Retail Banking;
- Peter, Group Executive BOQ Business; and
- Donna, Chief Digital and Information Officer.

I should have actually started by acknowledging Patrick Allaway who is here today. Patrick takes over as Chair tomorrow. Patrick congratulations I really look forward to working closely with you. I also want to acknowledge and thank Roger Davis our outgoing Chairman.

I want to start by saying I was attracted to BOQ because fundamentally it is a good business.

One with a mix of businesses which provides the opportunity to differentiate and grow during a time of change and evolution in the banking industry.

Importantly, our bankers who care for our customers and care deeply for the Bank will be crucial to realising these opportunities.

I’m happy to say today that while only six weeks into the CEO role, I’m excited by the potential across the company, confirming my earlier observations.

The growth we have achieved in recent years, for example in Virgin Money Australia and niche business segments demonstrates that we can differentiate and compete well when the customer proposition is right.

Today we are here to present the financial results and clearly, they are disappointing. It underscores the need to bring about a change in our culture; the way we do business; and how we prioritise our investments that will change our future.

We are very aware that we need to move quickly to return the company to sustainable and profitable growth.

In this regard I’ll be very working closely with the Board and the senior executive leadership team to develop an overarching strategy to deliver those key objectives.

As I said at the outset, BOQ is fundamentally a good business, but while there are a number of foundational investments already underway, as we work towards building an organisation that is innovative, nimble and makes banking easy for our customers, this will take time.

I have deep experience in retail and business banking and as you would expect I am conducting a detailed review across all elements of our business.

We will present the go-forward strategy to the market in late February.

RESULTS DISAPPOINTING IN A CHALLENGING ENVIRONMENT

BOQ GROUP

	FY19	FY19 v FY18	2H19	2H19 v 1H19
Statutory net profit after tax(1)	$298m	(11%) ▼	$142m	(9%) ▼
Cash earnings after tax	$320m	(14%) ▼	$153m	(8%) ▼
Cash return on average equity	8.3%	(160bps) ▼	7.8%	(100bps) ▼
Common Equity Tier 1 ratio	9.04%	(27bps) ▼	9.04%	(22bps) ▼
Cash earnings per share	79.6c	(16%) ▼	37.8c	(10%) ▼
Dividend per share	65c	(14%) ▼	31c	(9%) ▼

(1) Refer to page 23 for a reconciliation of cash earnings to statutory profit

Turning now to the results themselves - statutory net profit after tax decreased 11% from FY18 to 298 million dollars, and cash earnings after tax decreased 14% to 320 million dollars.

Cash return on equity reduced to 8.3%, with common equity tier one also lower at 9.04%.

I would note that we remain well positioned for ‘unquestionably strong’ in 2020, and await clarification from the regulator on the revised risk weighting framework which is due to be implemented in 2022.

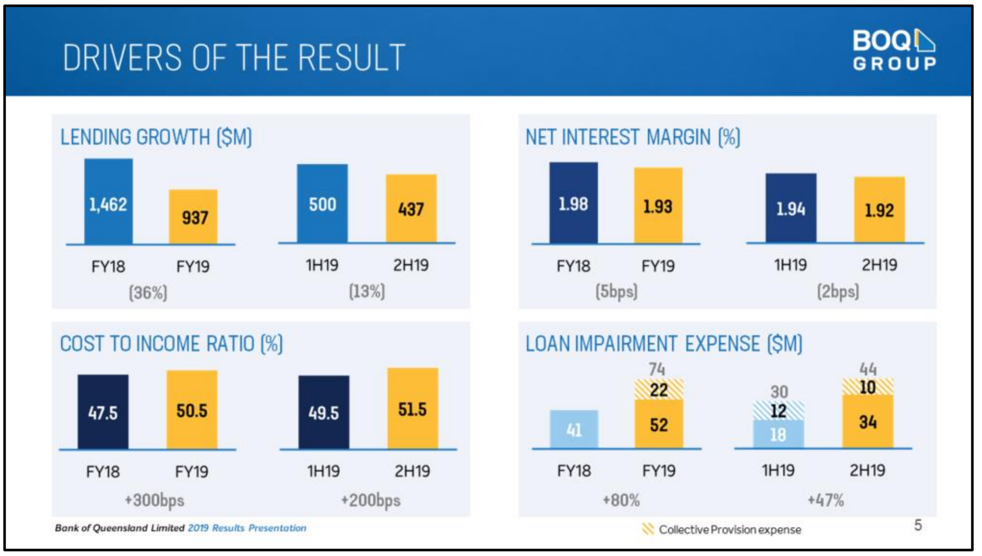
Balance sheet strength is a key priority for me and I will be paying significant attention to it.

Cash earnings per share decreased 16% to 79.6 cents per share.

The Board has taken the prudent approach to maintain the dividend payout ratio, with a second half dividend of 31 cents resulting in a full year dividend per share at 65 cents, a reduction of 14%.

As Matt will walk you through, the performance in the second half represents a deterioration across all of these metrics relative to the first half.

This, together with the decision to reduce the dividend, reflects the challenging environment particularly in the past six months.



In terms of the drivers of the results on slide 5, total lending grew by 937 million dollars, or 2% during the year, with the first half slightly stronger. This was primarily driven by the Business Bank, with mortgages underperforming.

Net interest margin reduced by five basis points from FY18, with most of the reduction evident in the first half.

As total income reduced by 2% and operating expenses increased by 4%, the cost to income ratio increased to 50.5% for the year and was higher in the second half.

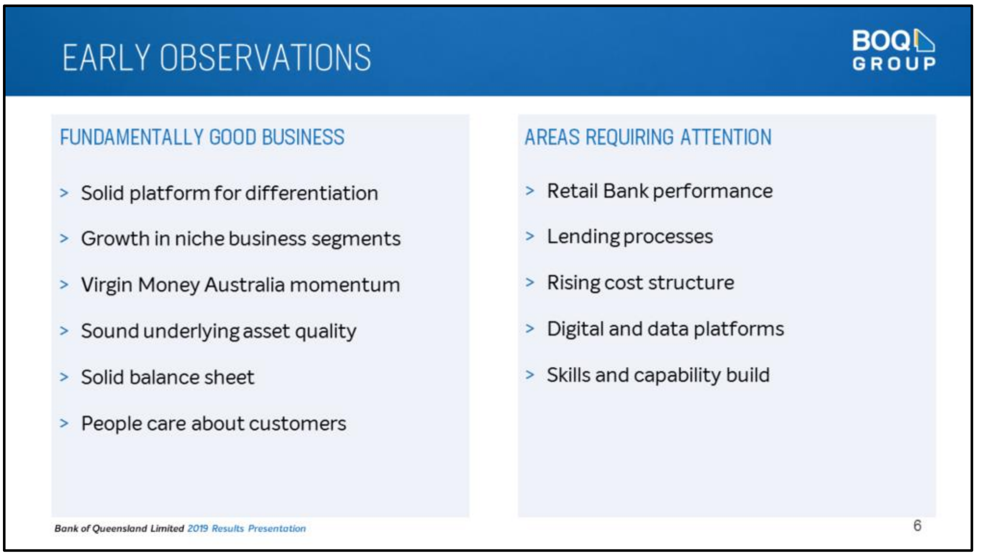
Loan impairment expense increased by 33 million dollars to 74 million dollars, or 16 basis points of gross loans.

This included a number of one-off impacts, which Matt will explain further.

Underlying asset quality remains sound with arrears at low levels.

These results are disappointing and the management team recognises this.

As CEO, I have a clear objective and mandate to take decisive action and improve our performance for both customers and shareholders.



To summarise, my early observations on the business, I would start by reiterating that BOQ is fundamentally a good business.

It has a solid platform for differentiation, through the niche business segments and Virgin Money Australia.

Underlying asset quality is sound, and our balance sheet is solid.

Our bankers importantly care for our customers and the Bank.

But there are some clear areas requiring attention.

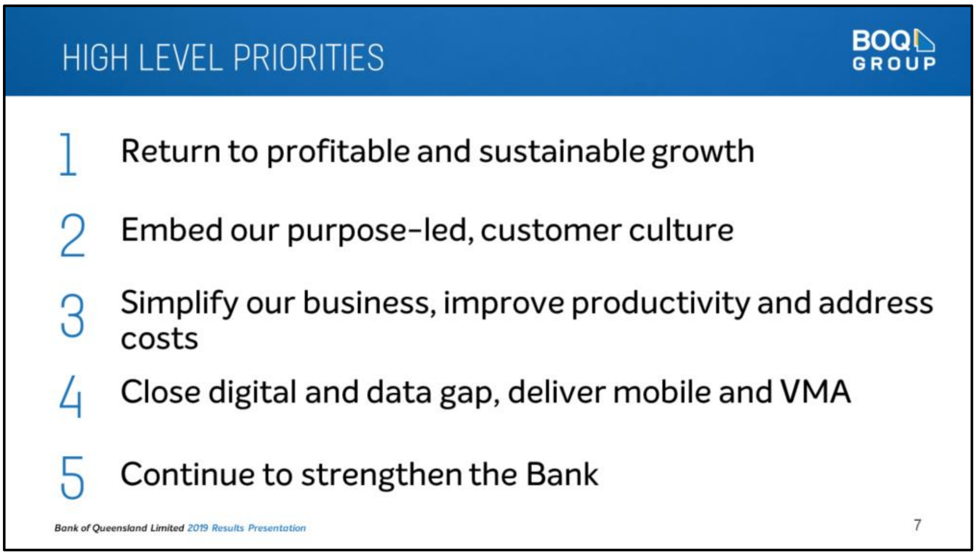
Turning around the retail bank's performance.

Fixing our onerous lending processes.

Addressing our rising costs, given the revenue challenges in the current environment.

Close the digital gap between BOQ and our peers. This extends to also improving our data platforms.

And building on our people, skills and capability, particularly when it comes to execution.



Based on these early assessments and together with the Board, I have therefore identified five high level priorities.

The first is to return to profitable and sustainable growth.

The second is to embed our purpose-led, customer culture, building on our people's skills and capabilities.

Our next priority is to simplify our business, improve productivity and address costs.

Fourthly, closing the digital and data gap that has emerged between us and our peers, by delivering a refreshed BOQ digital offering and our investment in a Virgin Money Australia digital bank, which will broadly form BOQ's future digital platform.

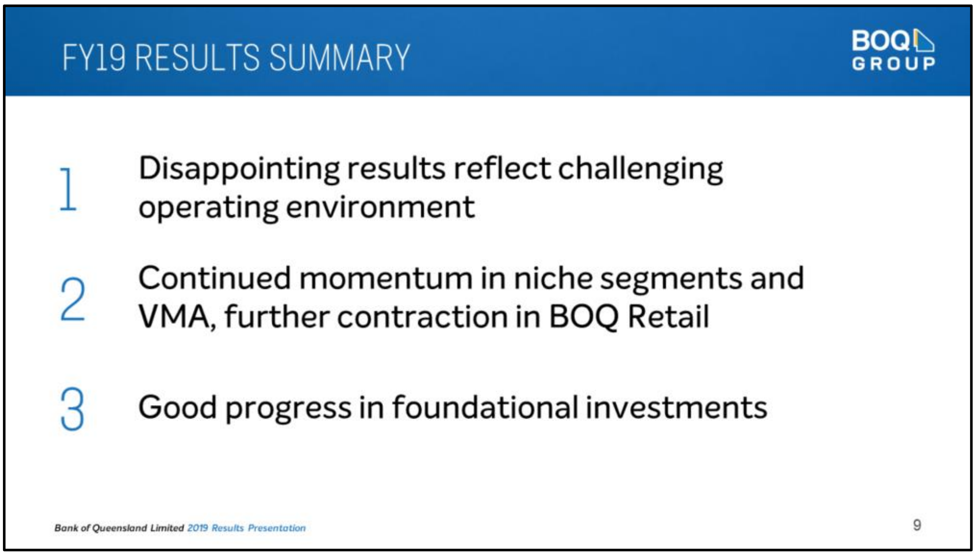
Finally, we need to continue to strengthen the Bank.

I will come back later to provide some more thoughts on the outlook and my focus, but for now I will hand over to Matt to take you through the 2019 financials in more detail.

RESULT ANALYSIS

BOQ GROUP

MATT BAXBY
CHIEF FINANCIAL OFFICER



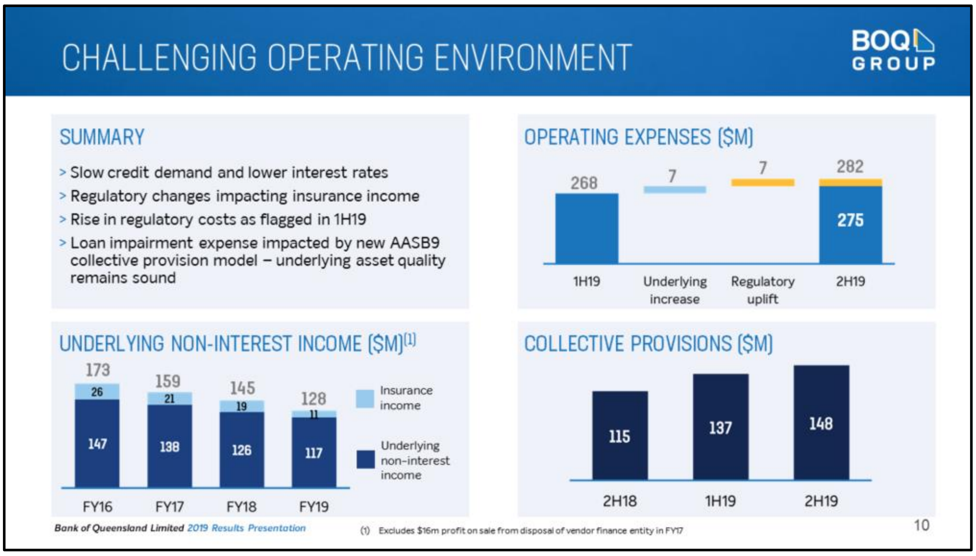
Thanks George.

I'll start by taking you through some of the key themes that are evident through the results.

There's no doubt we are operating in a challenging environment with slow credit growth and historically low interest rates, together with rising regulatory and customer expectations. BOQ has felt these impacts in FY19.

We have continued to see good growth momentum in our niche segments and Virgin Money Australia, which demonstrates what can be achieved with a highly targeted customer offering. This was offset by further contraction in the BOQ branded housing loan book.

We have also made good progress on our foundational investments, which will set us up for the future.



On slide 10 we've highlighted how a challenging operating environment has impacted our income and increased expenses.

Low credit growth and lower interest rates have hampered net interest income growth.

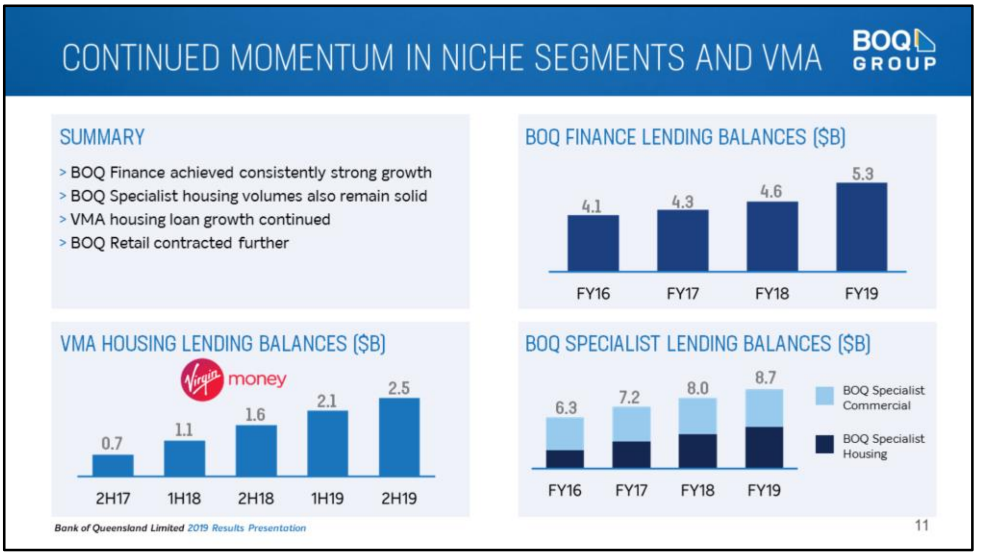
Regulatory changes have impacted insurance income through St Andrew's. In addition, changing customer preferences are driving lower fee income.

Our operating expenses have increased, in line with the guidance we provided at the first half result. The uplift in regulatory and compliance costs that we previously called out came through in the second half, and we expect this to continue in FY20. I will provide more detail on this later.

Although our underlying asset quality metrics remain sound, loan impairment expense increased significantly during the year, albeit from a low base.

Of the 74 million dollars in total loan impairment expense, 22 million dollars was attributable to the collective provision. Within this, 10 million dollars related to model adjustments made in the second half, to provide greater resilience given an uncertain economic outlook.

There were also specific provisions of nine million dollars which relate to two large exposures which became impaired in the second half, as a result of specific issues that pertain to them.



Despite these challenges, slide 11 demonstrates the continuing strong momentum in our niche segments.

BOQ Finance achieved consistently strong growth across both halves, with the portfolio growing by 15 per cent over the year to 5.3 billion dollars.

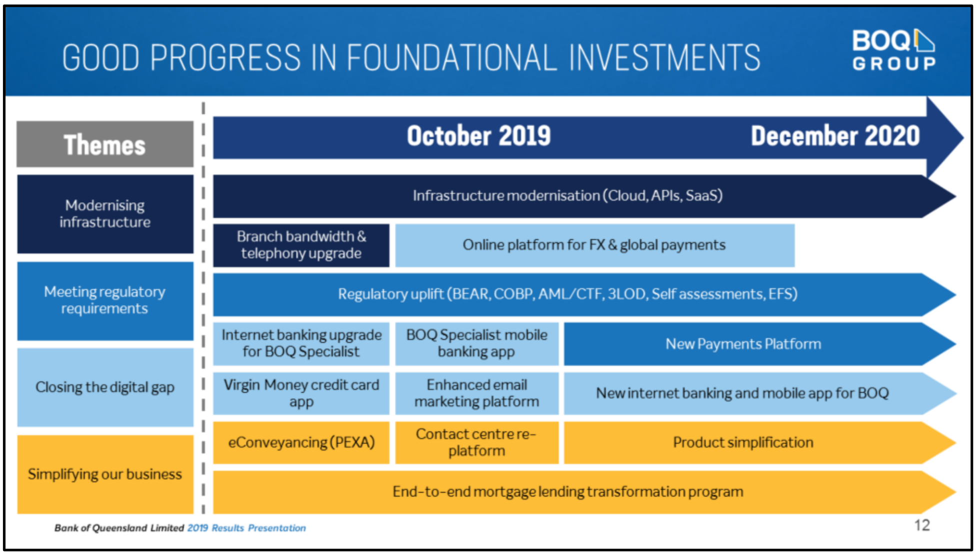
This was achieved primarily through a focused proposition in our intermediated equipment finance business which has resonated very well with both customers and brokers.

BOQ Specialist has delivered solid housing and commercial loan growth again through its core medical segment, taking its overall lending portfolio to 8.7 billion dollars.

Virgin Money Australia also continued its strong level of customer acquisition, with close to a billion dollars of growth through FY19 taking its total home loan portfolio to over 2.5 billion dollars.

These businesses demonstrate what can be achieved with a clear target market and a focused customer offering.

A key imperative remains rebuilding the foundation for growth in BOQ's retail bank, which saw further contraction in its residential housing loan book.



We called out in the first half that a fundamental step in BOQ's path to restoring returns is delivering a number of 'must do' foundational investments.

During the second half, significant progress has been made to deliver a large number of projects, which will better set BOQ up for the future.

These foundational investments include modernisation of our infrastructure, meeting regulatory requirements, as well as a number of digital and simplification initiatives.

Our infrastructure modernisation continues, through the migration to a hybrid cloud model, leveraging API micro-services and exploring further opportunities to automate and utilise robotics capability.

A new mobile app and improved internet banking functionality has been rolled out for BOQ Specialist customers, including Apple Pay. This will support the ongoing growth we have experienced in this segment.

For customers of the retail bank, the new mobile app and digital banking platform is under development with a phased rollout planned and a pilot commencing in the first half of 2020.

A number of lending process improvements are also being deployed periodically, with further improvement in lending volumes expected as a result of these changes in FY20.

It's also worth noting that the new revenue share arrangement flagged at our half year result is being rolled out to our Owner Managers in the first half of FY20.

FINANCIAL DETAIL

BOQ GROUP

MATT BAXBY
CHIEF FINANCIAL OFFICER

FINANCIAL PERFORMANCE: YEAR ON YEAR

BOQ GROUP

	FY19	FY18	FY19 v FY18
Net interest income	$961m	$965m	(0%) ▼
Non-interest income	$128m	$145m	(12%) ▼
Total income	**$1,089m**	**$1,110m**	**(2%)** ▼
Operating expenses	($550m)	($527m)	4% ▲
Underlying profit	**$539m**	**$583m**	**(8%)** ▼
Loan impairment expense	($74m)	($41m)	80% ▲
Cash profit before tax	**$465m**	**$542m**	**(14%)** ▼
Income tax expense	($145m)	($170m)	(15%) ▼
Cash earnings after tax	**$320m**	**$372m**	**(14%)** ▼
Statutory net profit after tax[1]	**$298m**	**$336m**	**(11%)** ▼
Cash basic earnings per share	79.6c	94.7c	(16%) ▼
Return on average tangible equity	10.8%	12.9%	(210bps) ▼

Bank of Queensland Limited *2019 Results Presentation*

(1) Refer to page 23 for a reconciliation of cash earnings to statutory profit

14

The Group's financial performance for FY19 compared to FY18 is outlined on slide 14.

Total income reduced 21 million dollars or two per cent from FY18. Within this, net interest income was largely flat, with loan growth of two per cent offset by a five basis point decline in net interest margin.

Non-interest income reduced 17 million dollars or 12 per cent impacted by a decline in insurance income and lower banking fees.

Operating expenses increased by four per cent, which meant underlying profit decreased by eight per cent.

I've already touched on loan impairment expense, which increased by 33 million dollars during the year to 74 million dollars. This reflects the application of a new collective provisioning model under AASB 9, which incorporates more forward looking elements and results in more volatility in model outcomes. Underlying portfolio trends remain sound.

Cash earnings reduced by 14 per cent, with statutory profit down 11 per cent, given there was a lower amount of non-cash items in FY19 compared to FY18.

FINANCIAL PERFORMANCE: HALF ON HALF

BOQ GROUP

	2H19	1H19	2H19 v 1H19
Net interest income	$485m	$476m	2% ▲
Non-interest income	$63m	$65m	(3%) ▼
Total income	**$548m**	**$541m**	**1%** ▲
Operating expenses	($282m)	($268m)	5% ▲
Underlying profit	**$266m**	**$273m**	**(3%)** ▼
Loan impairment expense	($44m)	($30m)	47% ▲
Cash profit before tax	**$222m**	**$243m**	**(9%)** ▼
Income tax expense	($69m)	($76m)	(9%) ▼
Cash earnings after tax	**$153m**	**$167m**	**(8%)** ▼
Statutory net profit after tax(1)	**$142m**	**$156m**	**(9%)** ▼
Cash basic earnings per share	37.8c	41.8c	(10%) ▼
Return on average tangible equity	10.2%	11.4%	(120bps) ▼

Bank of Queensland Limited 2019 Results Presentation

(1) Refer to page 23 for a reconciliation of cash earnings to statutory profit

15

We've provided a half on half comparison on slide 15.

Income grew in the second half, assisted by increased day-count, but this was more than offset by higher operating expenses, emanating from the regulatory and compliance uplift that we flagged in the first half.

Loan impairment expense was also higher, due to collective provision model adjustments and higher specific provisions related to a small number of large exposures.

This meant second half cash earnings were eight per cent lower than the first half result.

SEGMENT PERFORMANCE: HALF ON HALF

BOQ GROUP

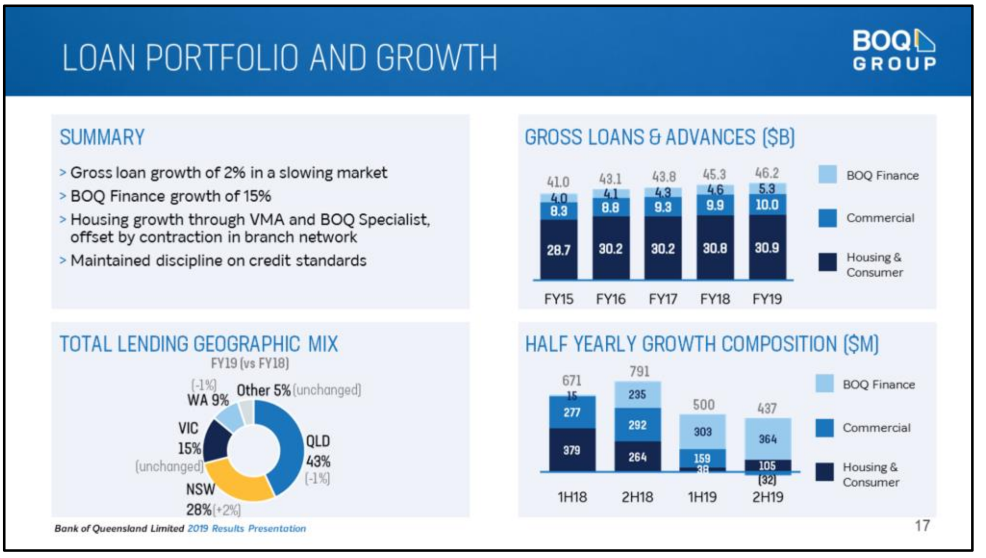
	RETAIL BANKING		BOQ BUSINESS	
	2H19	2H19 v 1H19	2H19	2H19 v 1H19
Net interest income	$217m	1%	$266m	2%
Non-interest income	$31m	(3%)	$24m	(8%)
Total income	**$248m**	**-**	**$290m**	**1%**
Operating expenses	($146m)	4%	($124m)	5%
Underlying profit	**$102m**	**(4%)**	**$166m**	**(2%)**
Loan impairment expense	($4m)	(60%)	($40m)	100%
Cash profit before tax	**$98m**	**2%**	**$126m**	**(15%)**
Income tax expense	($31m)	3%	($39m)	(17%)
Cash earnings after tax	**$67m**	**2%**	**$87m**	**(15%)**

We’ve broken the second half result down by business segment on slide 16.

You can see that cash earnings improved in the Retail Bank, with flat income offset by higher expenses, but with an improved loan impairment result.

BOQ Business had a larger impact from the provision increases in its commercial and BOQ Finance portfolios. Some of this relates to one-off model adjustments which I’ll talk through later.

BOQ Business was also impacted by rising compliance and employee costs associated with managing its growing portfolio.

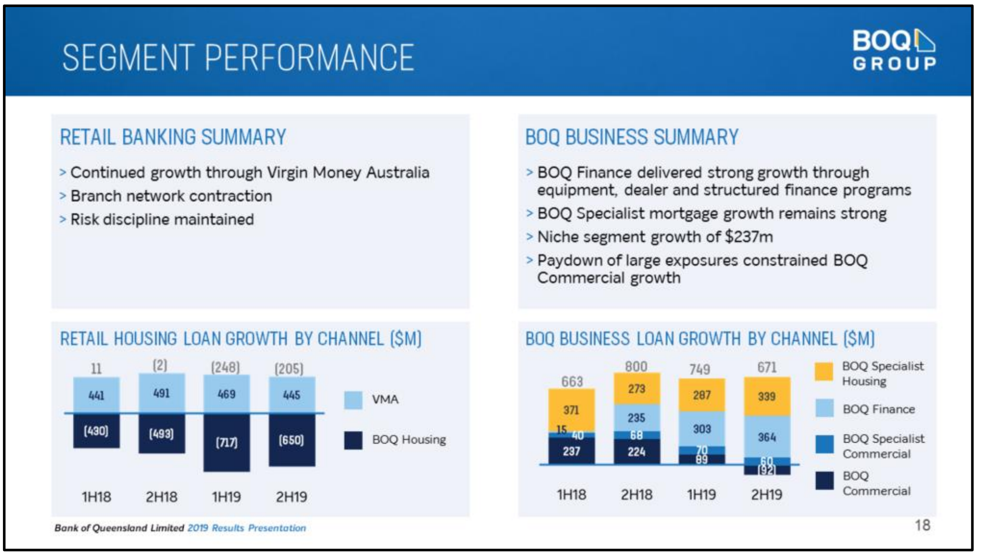


Moving to the group loan portfolio on slide 17, total loan growth of 937 million dollars was achieved over the year.

This was driven primarily by growth of 15 per cent in BOQ Finance, with housing loan balances flat and commercial loans growing by one per cent.

Strong levels of growth were achieved in our niche segments, with BOQ Specialist contributing solid growth in both its housing and commercial loan portfolios.

I’ll touch on BOQ Retail housing growth next.



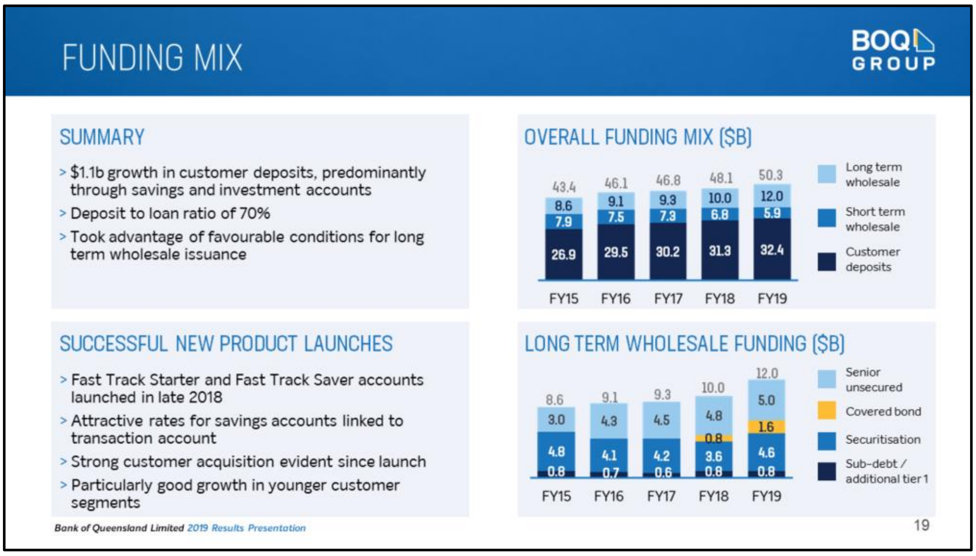
Growth has been split out by business segment on slide 18.

This shows the continued strong growth in Virgin Money Australia, which was offset by a further contraction in the BOQ housing loan book. A key driver of this has been our fulfilment processes.

We have implemented a number of changes to simplify our lending processes in the second half. These changes should result in a faster time to unconditional approval for our customers and improved productivity of our lenders.

Moving to BOQ Business – both BOQ Finance and BOQ Specialist delivered strong growth, as I have already mentioned. We saw 237 million dollars of growth through our commercial niche segments over the year.

This was offset by some large paydowns in our commercial portfolio, including some clients taking opportunities to sell assets and therefore reduce their lending requirements.

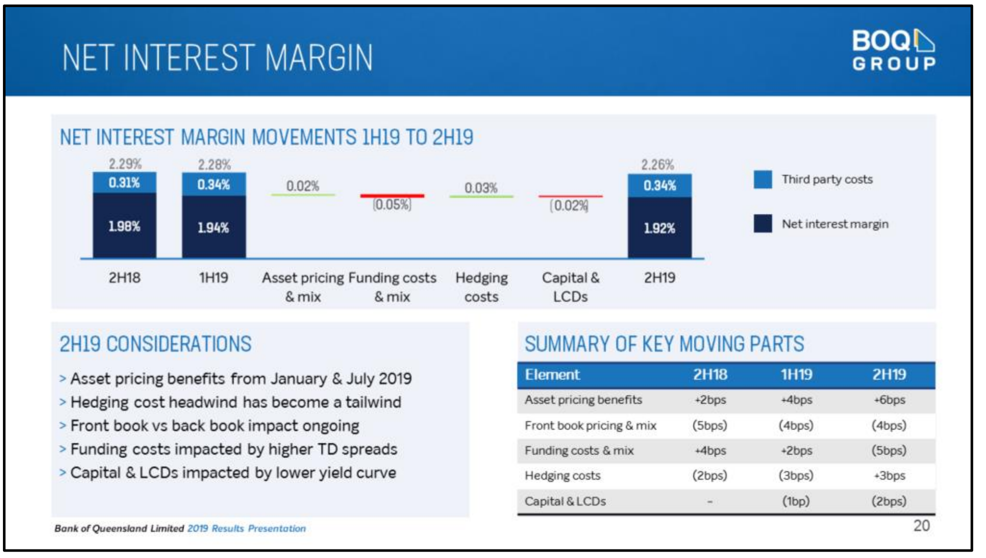


We are well positioned on funding, which is outlined on slide 19.

During the year we have lengthened the tenor of our wholesale funding, increased our deposit to loan ratio and improved our mix of deposit funding.

The launch of our Fast Track Saver and Fast Track Starter accounts resulted in improved growth in savings and transaction accounts, which has reduced our reliance on term deposits. These products have also improved our customer growth in younger demographics. The launch of our new digital offering in 2020 will further support growth.

The actions we have taken to enhance our long term wholesale funding during the year have built further resilience in our funding profile. BOQ's ability to use a range of debt programmes to access long term wholesale funding markets provides diversification benefits whilst also allowing for manageable refinancing towers over the medium term.



Net interest margin reduced by five basis points over the year, and two basis points in the second half. These movements are summarised on slide 20.

Asset pricing actions in January and July contributed a six basis point positive benefit to NIM during the half. This benefit was partially offset by continued price competition for new housing loans, which was responsible for a four basis point reduction in NIM.

Funding costs reduced NIM by five basis points. Retail and middle market term funding costs increased in the second half as industry pricing lagged a reduction in short term rates, which was a risk we called out in our outlook commentary in the first half. Wholesale funding costs also rose in line with a lengthening of portfolio duration to strengthen the Bank's net stable funding ratio.

The impacts of hedging costs improved NIM by three basis points in the half, driven by reductions in basis and other hedging costs. Half of the improvement was due to the basis portfolio spreads reducing from an average of 46 basis points to 39 basis points. The remainder was from favourable positioning of other hedging over the period.

The return on BOQ's 4.4 billion dollar replicating portfolio declined in the half as the lower interest rate environment impacted the portfolio reinvestment rates. This drove a two basis point reduction in NIM.

Turning to the outlook, we expect the front to back book dynamic to continue, providing a headwind of around four basis points per half.

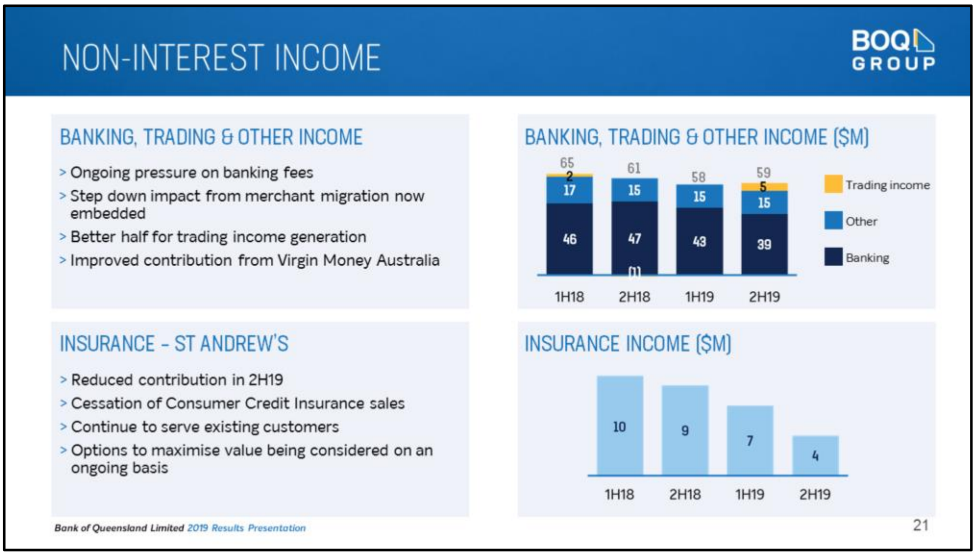
Based on pricing changes we have announced and full year benefit of changes made in July, we expect a benefit to NIM of 5-6 basis points in the first half of 2020 to help offset this.

Given where the cash to bill spread is today, we would expect a 3 basis point benefit to NIM through hedging costs.

As long term interest rates have continued to decrease, this represents a headwind of 3-4 basis points in the first half, through lower returns on capital and low cost deposits.

The impact of funding costs is uncertain and can move quickly, but given where rates are today, our current estimate would be that this remains a headwind to NIM in the first of half 2020, albeit not to the same extent as the second half of FY19.

There will continue to be a strong focus on margin management going forward.



Non-interest income is on slide 21, and I've already touched on some of the drivers here.

Outside of insurance income, we saw a slight uptick in non-interest income in the second half.

Banking income was impacted by a step down related to the migration of our merchant service arrangements to a new provider. This impact is now fully embedded.

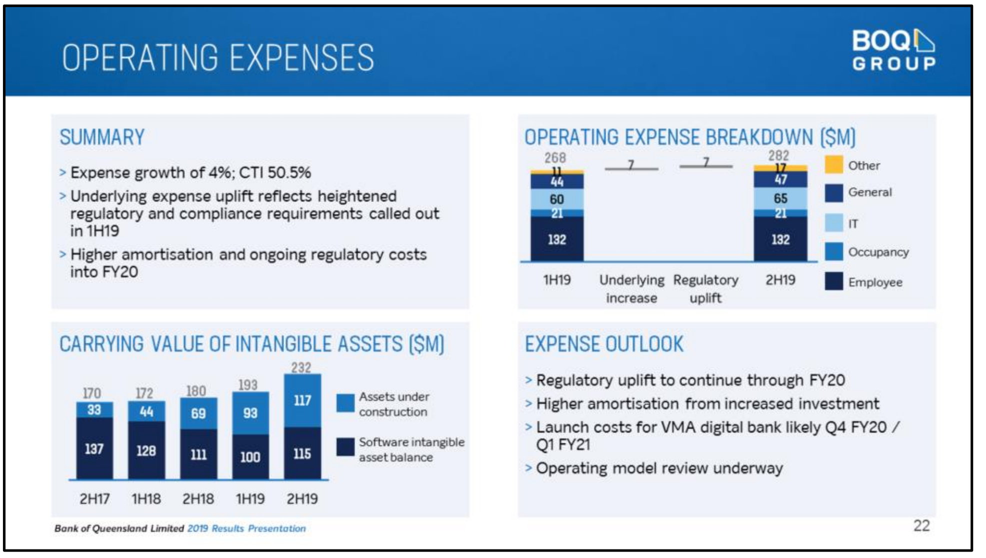
There were also impacts from the continuing trend towards lower or no fee products and from the implementation of AASB 15 *Revenue from Contracts with Customers*.

There was a good second half contribution from trading income, but this is a line with some volatility.

Insurance income, being the contribution from the St Andrew's business, saw a reduction in the second half of FY19 due to the ongoing impact of regulatory reform. There was also some claims volatility in the second half relative to the first half.

The decision has been made to cease consumer credit insurance sales in response to the change in industry dynamics and future outlook.

Existing customers will continue to be served and the interests of policyholders will remain a priority. We expect the FY20 non-interest income contribution from insurance to remain consistent with the second half of 2019. Options to maximise value and capital will be considered on an ongoing basis.



Moving to operating expenses on slide 22, and the second half increase was in line with the guidance we provided at the first half result. The regulatory uplift of seven million dollars was felt on top of an underlying increase of a little over two point five per cent.

IT costs increased due to data collection activities addressing compliance requirements and new software services resulting from the Bank's transformation programs.

General and other expenses increased, largely due to regulatory and compliance requirements. The transition between data centre locations as part of the Bank's infrastructure modernisation program also carried some additional cost.

The assets under construction balance increased due to the foundational investments that are underway. A number of other investments were completed during the year, driving the increase to the software intangible asset balance.

Looking forward to FY20, we expect the regulatory uplift to continue, with the seven million dollars we incurred in the second half likely to be closer to 10 million dollars in each half of 2020.

In addition, we expect amortisation to increase by 10 to 15 million dollars in FY20 as a result of the increased in capital investment evident through 2019 and continuing in FY20.

George will outline the investment profile for the build out of the VMA digital bank but some of the launch costs may be incurred in the second half of FY20 depending on the final launch timing.

An operating model review is underway to identify efficiency opportunities. It is likely, however, that the benefits from this review will be more evident in FY21 than FY20.

NON-CASH EARNINGS ITEMS

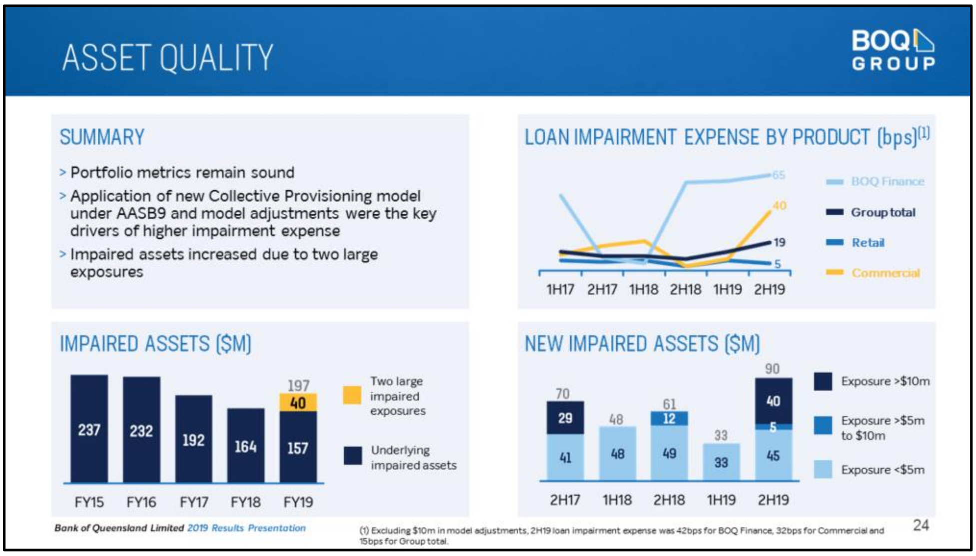
BOQ GROUP

	FY19	FY18
Cash earnings after tax	**$320m**	**$372m**
Amortisation of acquisition fair value adjustments	($6m)	($7m)
Hedge ineffectiveness	($8m)	($3m)
Integration / transaction costs	($1m)	($1m)
Extraordinary regulatory / compliance	($6m)	($9m)
Software changes	-	($11m)
Legacy items	($1m)	($5m)
Statutory net profit after tax	**$298m**	**$336m**

Bank of Queensland Limited 2019 Results Presentation 23

Slide 23 provides a summary of the non-cash earnings items for the year.

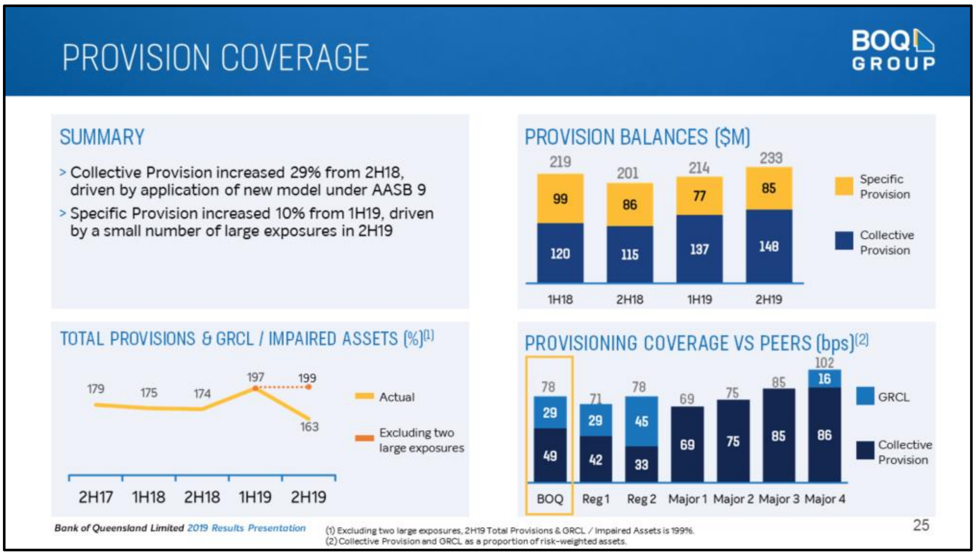
Overall, non cash items represent a smaller proportion relative to the prior year.



Turning to asset quality now on slide 24 and the underlying metrics in our lending portfolio remain sound.

As I mentioned earlier, the key drivers of the increase in loan impairment expense were higher collective provisions. In the second half, this was amplified by model adjustments designed to build additional resilience, which I will touch on next.

Excluding these model adjustments, second half loan impairment expense would have been 15 basis points of gross loans compared to the 19 basis points we have reported.



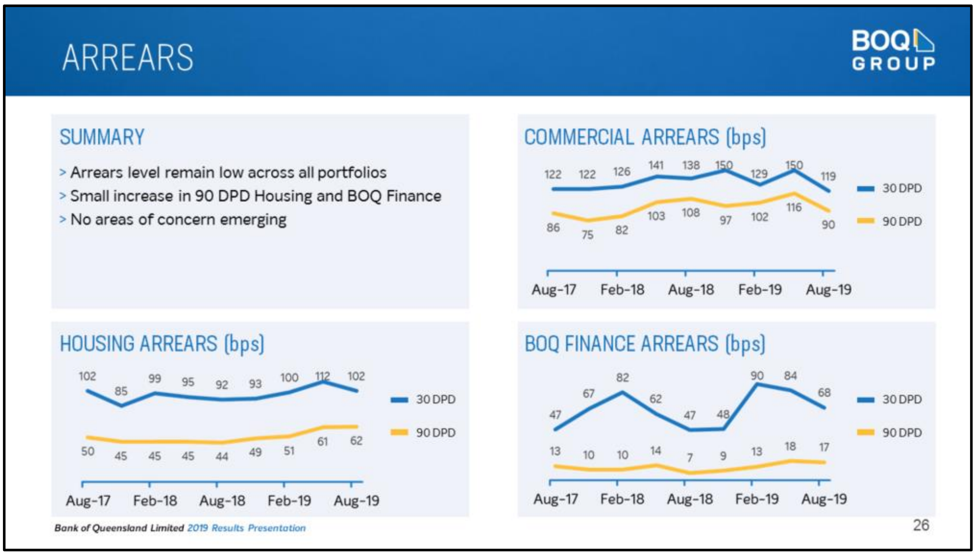
The increase in provision balances are evident on slide 25. There is some noise in the provisioning coverage ratios due to our largest impaired exposure, which is well secured and therefore has a low specific provision against it.

Collective provisions increased by 33 million dollars or 29 per cent year on year. This included the transitional adjustment, which resulted in the model overlay being increased by 10 million dollars to account for model and methodology developments.

In addition to this, in the second half we took two one-off model adjustments totalling 10 million dollars – one to better reflect observed loss given default metrics in our vendor finance portfolio. The other to provide additional coverage across our agribusiness portfolio.

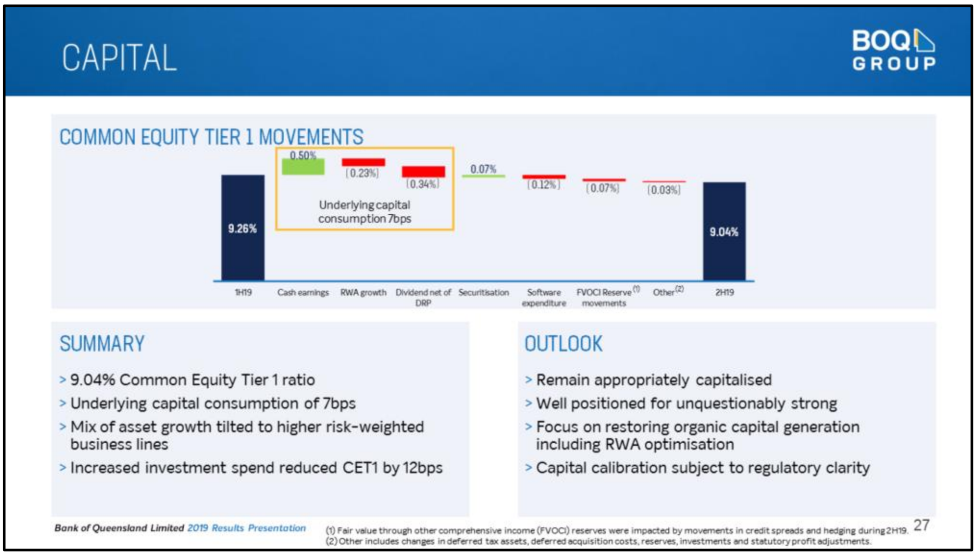
The second half was also impacted by specific provisioning activity related to two large exposures for a total of nine million dollars.

Overall we remain comfortable with our provision coverage and believe we have built in a prudent level of resilience given an uncertain economic outlook.



The arrears trends on slide 26 demonstrate the sound underlying performance of our three main portfolios. Overall, arrears remain at low levels, with only small increases evident in 90 day housing and BOQ Finance arrears over recent quarters.

This reflects the low interest rate environment, a resilient domestic labour market and company balance sheets being in relatively good shape.



Moving to capital now, on slide 27. CET1 was 9.04 per cent, a reduction of 22 basis points during the half.

Underlying capital generation was impacted by growth in profitable but higher risk-weighted business segments, lower DRP participation and lower earnings.

This was fully offset by a one billion dollar capital efficient securitisation transaction that we completed in the half, which provided seven basis points of capital benefit.

There were a couple of items that created some volatility. Movements in Fair Value of Other Comprehensive Income reserves created a drag than usual, as credit spreads widened late in the half, together with some one-time portfolio movements. We wouldn't expect an ongoing drag of this magnitude.

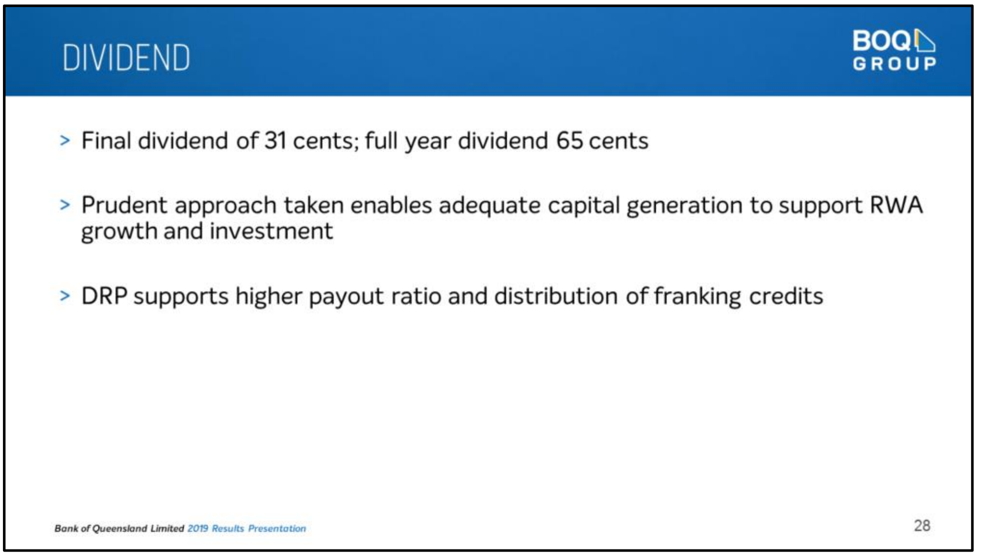
There was a 12 basis point impact from the increased capitalised software spend which we flagged at the 2018 full year results and again at the 2019 first half results. This supported the critical foundational investments that I ran through earlier.

Putting the Virgin Money investment to one side, the net capital impact of BAU software investment in FY20 will be significantly lower than what we experienced in FY19.

Like the rest of the industry, the implementation of the new leasing standard AASB16, has a transitional impact on capital. In BOQ's case, this will be no more than 8bps.

BOQ remains well positioned for unquestionably strong in 2020. The revised risk weighting framework due to be implemented in 2022 is reliant on clarity from the regulator.

As George has indicated, the strength of our balance sheet is a key priority and our focus is on returning to profitable and sustainable growth. This includes by taking advantage of favourable securitisation markets and the optimisation of risk weighted assets, to support improved organic capital generation.



We have today announced a final dividend of 31 cents per share, which brings the full year dividend to 65 cents per share.

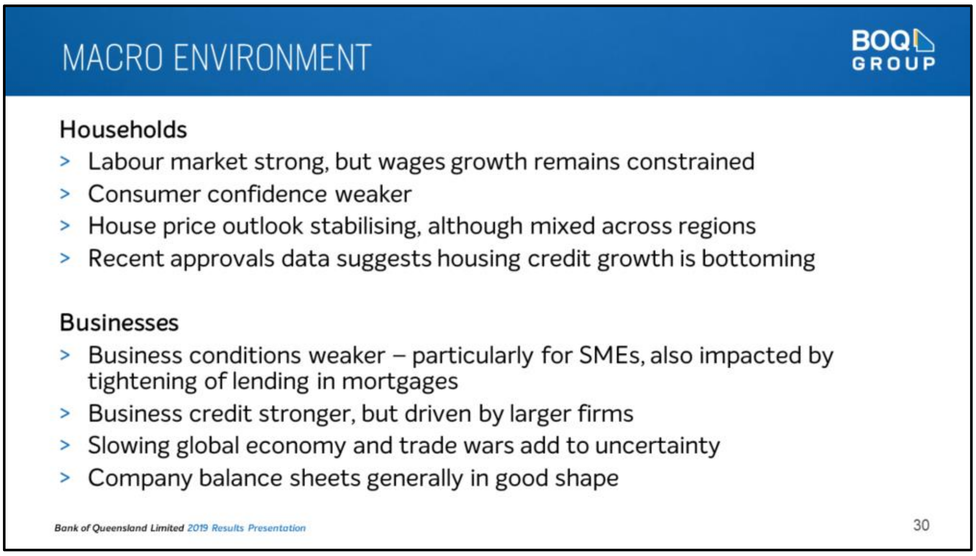
This is a reduction of 14 per cent from 2018 and is reflective of the challenging operating environment and outlook.

The Board has taken a prudent approach which keeps the payout ratio consistent with the level of the first half.

With that, I’ll hand back to George.

SUMMARY & OUTLOOK

GEORGE FRAZIS
MANAGING DIRECTOR & CEO



Thank you Matt. When thinking about the outlook for 2020, it's important to consider the macroeconomic environment. In this regard, conditions remain challenging and economic growth is likely to be subdued.

Although the labour market is strong and house prices appear to be stabilising, wage growth and confidence remain low, with the global economic slowdown and trade wars adding to the uncertainty.

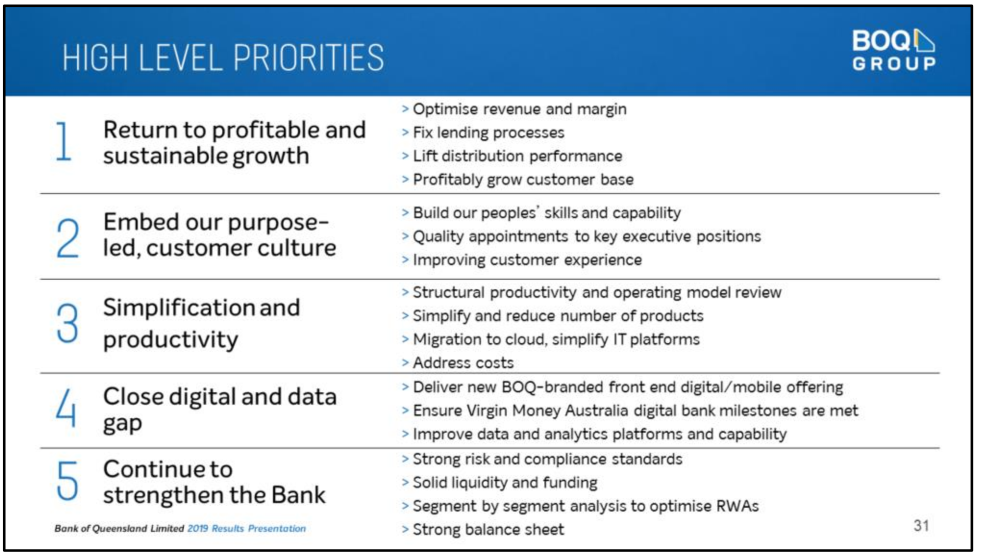
While lower interest rates are helping those with debt to repay quicker, savers are feeling the pinch as their spending capacity has reduced, which hurts overall confidence across the economy.

Business conditions, particularly for SMEs, are perceived as being weaker and also impacted by a tightening of lending standards. While business credit growth has been stronger, this has been mostly driven by larger firms.

There remains the potential for an extended drought period, hence we are working very closely with our Agri customers during these challenging times. Our Agri book is around half a billion dollars and represents 4% of our commercial loan book.

Company balance sheets generally remain in good shape and employment is holding up, and we see this in our portfolio with underlying asset quality trends remaining sound.

We are likely to see a gradual increase in the growth of credit for mortgages and business lending.



Despite this uncertain backdrop, I still believe there are good opportunities for BOQ to return to profitable growth, with a differentiated and focused strategy.

I touched on my high level priorities earlier, but wanted to give you a bit more detail on what I'm focused on.

We will return to profitable and sustainable growth, but there will be a transition period required to achieve this. We need to optimise revenue and margin and also fix our lending processes. This will lift our distribution performance and assist to profitably grow our customer base.

Our ability to build our purpose-led customer culture will take strong leadership at all levels. There is a lot of evidence, and indeed my own experience points to, achieving such a culture will lead to better customer outcomes and better business outcomes.

To support this top priority I have focused on quality appointments to key executive positions that were vacant after a period of significant change. We will need to build on our peoples' skills and capabilities.

In order to simplify our business, improve productivity and address costs, we are conducting a structural productivity and operating model review.

This will include simplifying and reducing the number of products we offer and simplifying our IT platforms as part of our infrastructure migration to a cloud environment.

A simpler business will also make it somewhat easier for us to navigate the rising investment and regulatory costs we face.

We have put in place initiatives to control and address cost growth.

Closing the digital and data gap that has emerged with our peers is absolutely critical to our success.

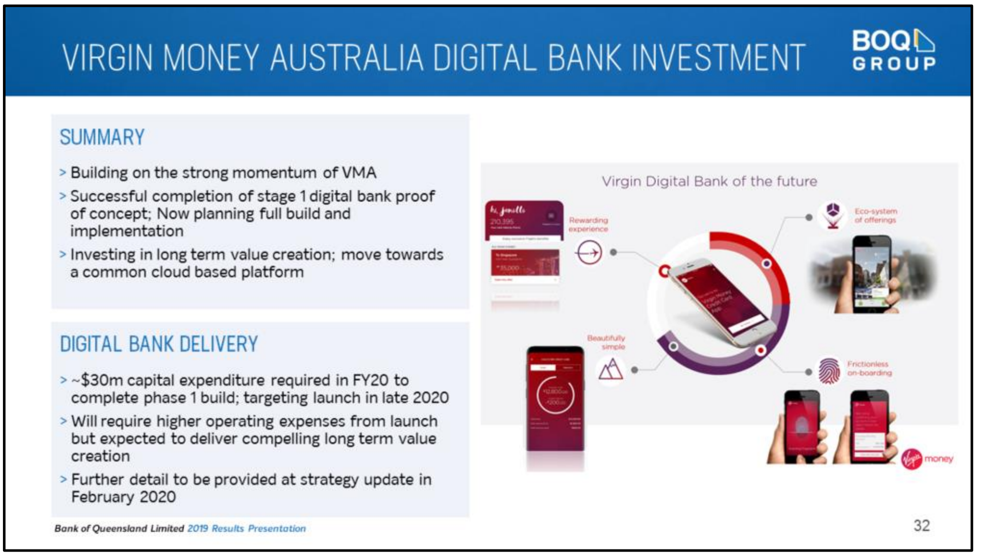
We must deliver our new BOQ branded mobile banking offering, to lift the experience for our customers.

We will also ensure that our Virgin Money Australia digital bank milestones are met. I will talk more about the investment we are making shortly.

While doing all of this, we are committed to continue strengthening the bank, through robust risk and compliance standards and maintaining a strong balance sheet.

A segment by segment analysis will provide meaningful insights to optimise risk-weighted assets and improve risk-adjusted returns.

We plan to come back to the market in late February 2020 with a detailed strategy update, outlining our objectives for the future. We will be transparent about our transformation and provide clear milestones that can be used to monitor our progress.



An exciting development is the decision we have made to continue building on the strong momentum in Virgin Money Australia.

Following successful completion of the stage 1 digital bank proof of concept, we are now planning the full build and implementation.

There will be a phased delivery, with transaction and savings accounts in approximately 12 months, followed by migration of VMA's home loan portfolio and other products in subsequent phases.

This is an investment in long term value creation, as we move towards a common cloud based platform.

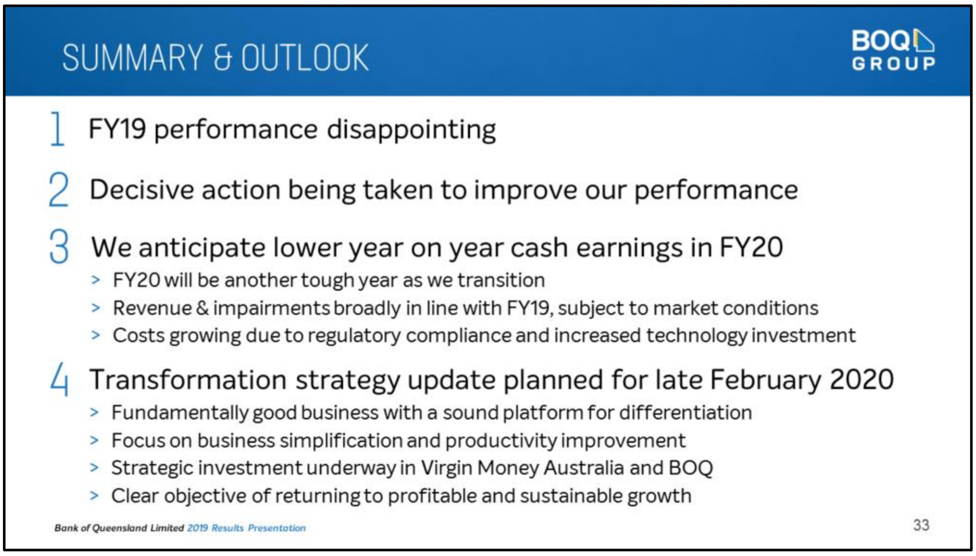
Completion of the phase 1 build will require approximately 30 million dollars of capital expenditure throughout FY20, ahead of the targeted launch in late 2020.

It will also require higher operating expenses on launch with additional resources and marketing to support the customer offering and growth.

This could be up to 10 million dollars in the back end of FY20, depending on the timing of launch.

Over time though, this investment in VMA is expected to deliver compelling value to the Group. It will also broadly form the Group's digital platform.

I will provide further detail on the VMA digital bank at our strategy update.



In conclusion, the FY19 results are clearly disappointing.

We are already taking decisive action to improve financial performance on both revenue and costs.

That being said, FY20 will also be a difficult year. We expect lower year-on-year cash earnings in FY20, with revenue and impairment outcomes in line with FY19, subject to market conditions.

We also expect higher post-Hayne regulatory and compliance costs and increased operating expenses related to our investment in technology.

In summary:

BOQ fundamentally is a good business with a sound platform for differentiation. Investments are underway as both Matt and I have covered.

I am undertaking a detailed review of all of our businesses and I will present back to the market in February.

I wanted to finish by saying how excited I am to be here leading BOQ.

Thank for you listening and we will now move to Q&A.

APPENDICES

BOQ GROUP

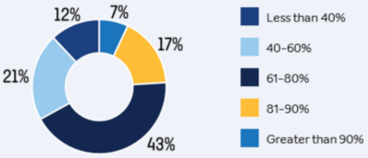
HOUSING PORTFOLIO

BOQ GROUP

SUMMARY

- Broker settlements 29% including VMA
- Owner occupied P&I loans represent 53% of portfolio

HOUSING PORTFOLIO LVR BANDS



PORTFOLIO METRICS

Metrics(%)	2H18	1H19	2H19
Owner occupied	59	59	60
Investment	41	41	40
Interest only	29	25	25
Broker originated(1)	15	17	18
Weighted avg LVR	67	66	66
Line of credit	6	6	5
Avg loan balance	$280k	$274k	$290k
Variable rate	74	77	78
Fixed rate	26	23	22

SETTLEMENT METRICS

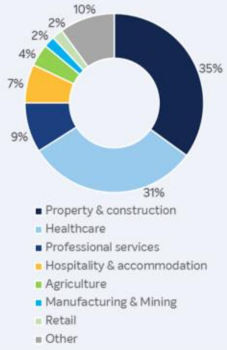
Metrics(%)	2H18	1H19	2H19
Owner occupied	61	61	66
Investment	39	39	34
Interest only(2)	14	16	24
Broker originated(1)	30	30	29
Weighted avg LVR	69	68	68
Line of credit	1	1	1
Avg loan balance	$408k	$408k	$402k
Variable rate	80	84	77
Fixed rate	20	16	23

(1) Includes Virgin Money
(2) 2H19 includes construction loans which were previously reported as P&I but have been reclassified as Interest Only. The comparative metric for 1H19 would be 21%

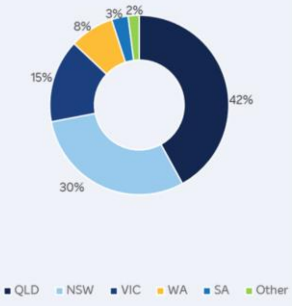
COMMERCIAL PORTFOLIO

BOQ GROUP

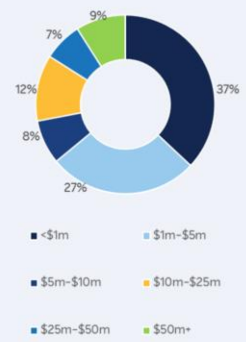
PORTFOLIO BY INDUSTRY

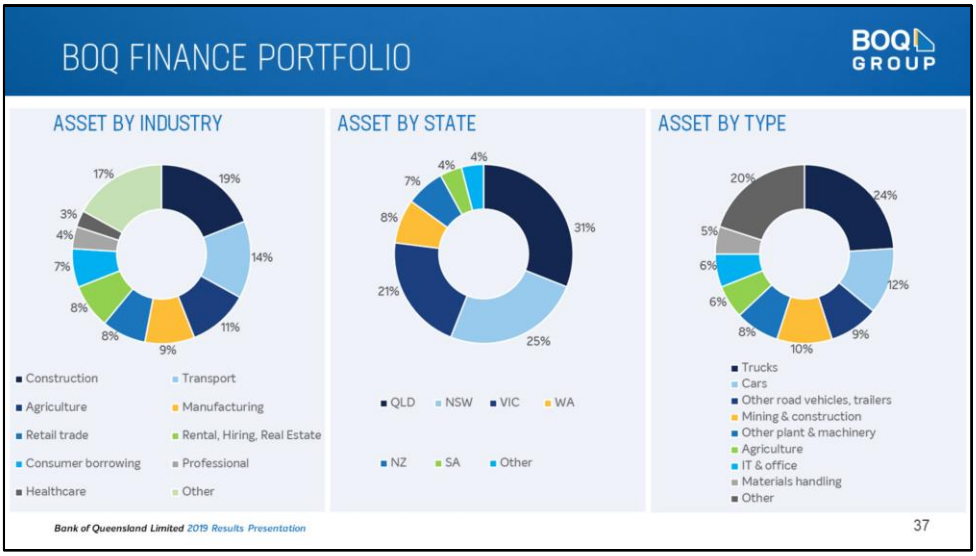


PORTFOLIO BY STATE



PORTFOLIO BY EXPOSURE SIZE




BOQ FINANCE PORTFOLIO
BOQ GROUP
ASSET BY INDUSTRY
19%
14%
11%
9%
8%
8%
7%
4%
3%
17%
Construction
Transport
Agriculture
Manufacturing
Retail trade
Rental, Hiring, Real Estate
Consumer borrowing
Professional
Healthcare
Other
ASSET BY STATE
31%
25%
21%
8%
7%
4%
4%
QLD
NSW
VIC
WA
NZ
SA
Other
ASSET BY TYPE
24%
12%
9%
10%
8%
6%
6%
5%
20%
Trucks
Cars
Other road vehicles, trailers
Mining & construction
Other plant & machinery
Agriculture
IT & office
Materials handling
Other
Bank of Queensland Limited 2019 Results Presentation
37

LIMITED EXPOSURE TO HIGH RISK SECTORS

BOQ GROUP

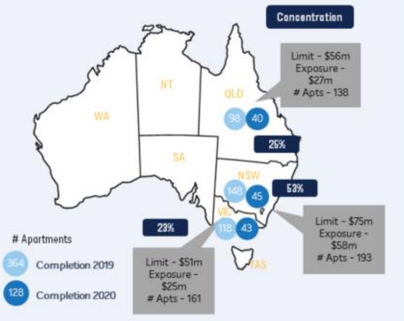
APARTMENT CONSTRUCTION EXPOSURES

- $110m current exposure to residential construction
- 14 developments across 3 states, completing 2019 through 2020
- Well diversified intra-state within NSW and VIC

OTHER HIGH RISK SECTORS

- No material regional housing exposures
- No systemic issues emerging
- Direct mining exposure <$130m

LENDING TO RESIDENTIAL APARTMENT CONSTRUCTION



OUTLOOK DEPENDENT ON:

> Changes in cash rate and bank bill swap rate
> Competitive actions
> Unemployment rate
> Consumer and business confidence
> House prices
> Pace of change of technology and customer preferences
> Potential regulatory changes
> Economic growth

ABBREVIATIONS

BOQ GROUP

1H: First half of financial year
2H: Second half of financial year
3LOD: Three lines of defence
30DPD: 30 days past due
90DPD: 90 days past due
AASB: Australian Accounting Standards Board
ADI: Authorised Deposit-taking Institution
AML/CTF: Anti-Money Laundering/Counter-Terrorism Financing
APRA: Australian Prudential Regulation Authority
APS: ADI Prudential Standards
Apts: Apartments
ASIC: Australian Securities & Investments Commission
AT1: Additional Tier One
AUSTRAC: Australia's financial intelligence agency
Avg: Average
BDD: Bad & Doubtful Debt Expense
BEAR: Banking Executive Accountability Regime
bps: basis points
CAGR: Compound annual growth rate
CET1: Common Equity Tier 1
COBP: Code of Banking Practice
cps: Cents per share
CTI: Cost-to-income ratio
DPD: Days past due
DRP: Dividend Reinvestment Plan
DTA: Deferred tax asset
EFS: Economic and Financial Statistics
EPS: Earnings per share
FVOCI: Fair value through other comprehensive income
FY: Financial year
GLA: Gross Loans & Advances
GRCL: General Reserve for Credit Losses
IRB: Internal Ratings-Based approach to credit risk
LCD: Low cost deposit
LOC: Line of Credit
LVR: Loan to valuation ratio
MFI: Main Financial Institution
NIM: Net Interest Margin
OMB: Owner Managed Branch
P&I: Principal & interest
PCP: Prior corresponding period
ROE: Return on equity
ROTE: Return on tangible equity
RWA: Risk-weighted assets
SME: Small and Medium Enterprises
TD: Term deposit
VMA: Virgin Money Australia

DISCLAIMER

This is a presentation of general background information about Bank of Queensland Limited's (BOQ's) activities at the date of this document. It is in summary form and does not purport to be complete. It should be read in conjunction with BOQ's other periodic and continuous disclosure announcements. All figures are presented on a cash earnings basis unless otherwise stated.

The information contained in this presentation may include information derived from publicly available sources that has not been independently verified. BOQ does not warrant the accuracy, completeness or reliability of the information contained in this presentation or any assumptions on which it is based.

This presentation is not financial product advice and should not be relied upon for investment purposes. This presentation does not take into account the investment objectives, financial situation or particular needs of any individual investors. These should be considered, with or without professional advice, before deciding if an investment in BOQ is appropriate.

This presentation may contain forward-looking statements about BOQ's business and operations, market conditions, results of operations and financial condition, capital adequacy and risk management practices which reflect BOQ's views held and current expectations as at the date of this document.

Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of BOQ and which may cause actual results to differ materially from those expressed or implied in such statements. Readers are cautioned not to place undue reliance on any forward-looking statements. Actual results or performance may vary from those expressed in, or implied by, any forward-looking statements. BOQ does not undertake to update any forward-looking statements contained in this document, subject to disclosure requirements applicable to it.