

BOQ 
GROUP

INVESTOR
DAY 2020

IMPORTANT INFORMATION AND DISCLAIMER



Summary information

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 period and continuous disclosure announcements (available at www.asx.com.au). 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.

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Forward looking statements

This presentation may contain forward-looking statements about BOQ's business and operations, strategy, 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. These forward looking statements may be identified by the use of forward looking terminology, including the terms "believe", "estimate", "plan", "target", "project", "anticipate", "expect", "intend", "likely", "may", "will", "could" or "should" or, in each case, their negative or other variations or other similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions (including in connection with BOQ's transformation strategy). Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

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Implementation of transformation strategy

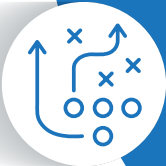
There is a risk that the objectives, key deliverables and targets of the transformation strategy set out in this document may not be achieved or realised within the targeted timeframes, or at all. If the business does not perform as anticipated or if there are changes in the business, economic, legislative or regulatory environment, or customer behavior changes, this may also affect the effectiveness of the group strategy. These could lead to BOQ underperforming market expectations regarding growth, profit and returns, which may have an impact on BOQ's financial performance, financial position, capital resources and prospects. If internal or external stakeholders do not support the strategy, then this may have an impact on BOQ Group's businesses, financial performance, capital resources, financial condition and prospects. Further, if the costs and expenses associated with implementing the strategy, including increased costs associated with technology and the digital transformation, are not managed as planned, then this may impact on the ability to successfully implement the group strategy. The increased costs could also have an adverse effect on BOQ's and the BOQ Group's business, results of operations, financial performance, financial condition and prospects. It is also possible that implementation of transformation strategy may involve a disruptive impact on the operations of the BOQ, including possible changes in key executives and employees.

Not an offer

Nothing in this presentation should be construed as either an offer to sell or a solicitation of an offer to buy or sell BOQ securities in any jurisdiction.

WHY WE ARE HERE

01



Present our refreshed Group strategy

02



Detail our points of differentiation

03



Explain how we will transform our business

04



Provide clear, near and medium term operational and financial targets

AGENDA

9:45am	Registration and coffee	
BOQ Strategy		
10:00am	Introduction	Cherie Bell, General Manager Investor Relations
10:05am	Strategic context	George Frazis, Managing Director and CEO George Frazis, Managing Director and CEO Debra Eckersley, Group Executive People and Culture Lyn McGrath, Group Executive BOQ Retail Banking
10:30am	5 Strategic pillars	Hugh Lander, CEO BOQ Specialist Verity Gilpin, CEO BOQ Finance Greg Boyle, CEO Virgin Money Australia Ewen Stafford, Chief Financial Officer and Chief Operating Officer Adam McAnalen, Chief Risk Officer
11:20am	Guidance & closing remarks	George Frazis, Managing Director and CEO Cherie Bell, General Manager Investor Relations
11:30am	Q&A	George Frazis, Managing Director and CEO Executive Team
12:00pm	Close	



BOQ STRATEGY

GEORGE FRAZIS

OVERVIEW

- BOQ has been serving our customers for 145 years
 - With distinctive brands
 - Highly specialised bankers
 - Branches run by small business owners who are deeply anchored in their communities
- We have a strong platform that has been strengthened by our investment in the new Virgin Money digital bank
- Our performance has been disappointing due to:
 - Challenging environment
 - Onerous processes
 - Complex products and system
 - Underinvestment
- We are addressing this with a comprehensive strategy built on five pillars
- We have laid out our operational and financial targets on progress
- We are focused on our customers, people and building long term shareholder value
- We are moving at pace, achieving momentum and have improved our outlook for FY20

BOQ HAS BEEN SERVING CUSTOMERS FOR 145 YEARS

with distinctive brands, highly specialised niches and Owner Managed branches



BOQ has successfully grown organically and added differentiated capability in niche segments through “bolt on” acquisitions providing a strong platform for differentiated growth

¹ BOQ Finance and BOQ Commercial consolidated to create BOQ Business

...WITH A SIGNIFICANT PRESENCE AROUND AUSTRALIA

165¹ BRANCHES

- 94 Owner Managed Branches
- 62 Corporate branches
- 9 Transaction and Service centres

\$78bn

Footings FY19²

- \$31bn housing
- \$10bn commercial
- \$5bn other lending
- \$32bn customer deposits

70%

Funding is sourced from customer deposits FY19²

910K

Customer base

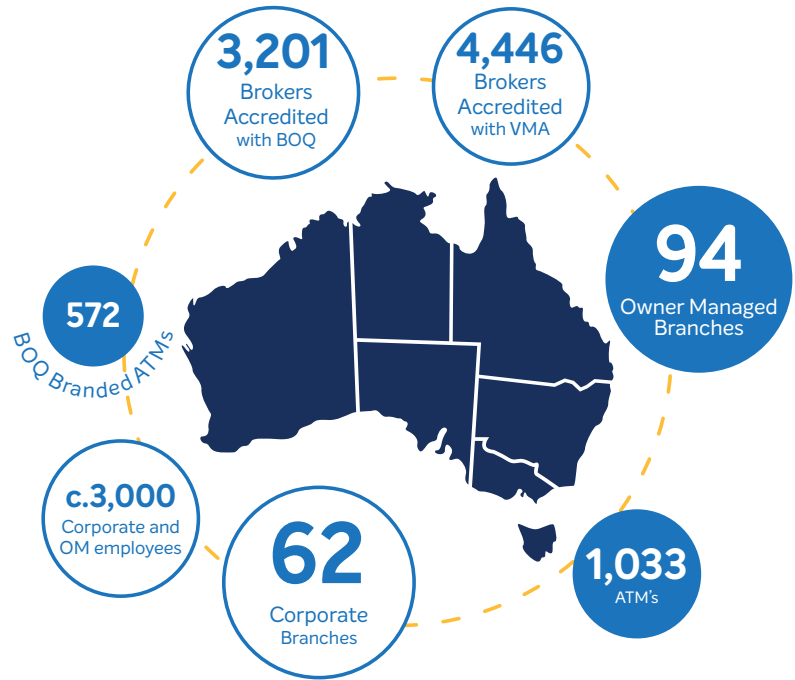
- c.210k VMA customers
- c.500k BOQ Retail Customers
- c.80k BOQ Business
- c.30k BOQ Specialist
- c.90k BOQ Finance

86%

Lending is generated from the eastern states in FY19²

60%

Share register is comprised of retail shareholders



1 As at January 2020

2 Source: BOQ Annual Report, Year ended 31 August 2019

PAST UNDERPERFORMANCE RESULTING FROM A CHALLENGING ENVIRONMENT, ONEROUS PROCESSES, COMPLEX SYSTEMS AND UNDERINVESTMENT – ALL ADDRESSED BY OUR STRATEGY

Environment

- Low growth
- Increased competition, including big tech, neobanks
- Royal Commission
- Increased regulation
- Lack of community trust
- Move to digital and increased expectations

Operations

- Complex product-set, over 220 products
- Long processing times, c. 5 days time to conditional approval for mortgages via branches
- Fragmented accountability and slow decision making
- Reduced distribution capacity

Technology

- Multiple banking systems through acquisitions (c. 15 core product platforms and hundreds of applications)
- Lagging digital and data platforms requiring investment
- Need to build execution capability

Customer and Employees

- Declining customers NPS, previously -20^{1,2} for mortgages in Aug 2019
- Low employee engagement, however, our people want BOQ to succeed
- Owner Managers and Bankers constrained to grow
- Poor digital experience for customers and bankers

1 NPS -20 as of August 2019

2 Source: RFI XPRT NPS Survey, January 2020

CHANGES IN THE ENVIRONMENT ARE CREATING OPPORTUNITIES FOR BOQ

KEY TRENDS



Shifting customer preferences, including post Financial Services Royal Commission



Increased regulatory requirements and compliance



Low income growth environment, but with housing recovery



Evolving macro economic and demographic trends



Cloud technology reducing advantage of scale

OPPORTUNITIES FOR BOQ

- Customers moving to mobile banking, diminishing advantage of large distribution footprints
- Customers choosing regional, challenger banks
- Significant shift towards brokers
- Existing customer-focused strategy, regarded as a trusted brand
- Differential in Risk Weighted Assets between majors and others is reducing
- Not hampered by major customer remediation activities
- Achieving a simplified, digital business model reduces complexity of regulatory compliance
- Distinctive brands that resonate with targeted customer segments
- Evolving niche segment strategy where we bring competitive advantages, delivering above market growth with attractive returns
- Leverage economic tailwinds for niche segments: ageing population (healthcare/retirement segment), increasing population (property/development and housing), and global population growth and demand for Australian agriculture (agri business), growing tourism industry (leisure/hospitality)
- Non-major banks leveraging cloud technology and AI to expand their customer reach and service offerings and drive productivity and cost efficiency

We see the prevailing industry changes aligning to our value proposition – an established small bank focused on attractive growth niche customer segments with a differentiated business model

GROUP STRATEGY BUILT ON WHAT DIFFERENTIATES US



Unique brands with proud history

- **BOQ's** proud history within Queensland, 145 years
- **Virgin Money Australia** as an iconic, nationally recognised brand
- **BOQ Business** (incl. BOQS & BOQF) which target specific SME segments on the east coast and nationally



Deeply anchored in local communities with a strong customer focus

- Bankers with **strong customer relationships**
- **Owner Managers** with tenure of over 11 years on average, small businesses in their own right and part of the local community
- **Quality people** who care about their customers and are motivated for BOQ to succeed



Innovative digital offering and loyalty

- New **mobile app for BOQ Specialist** with Apple Pay
- Investment in **Virgin Money Australia** new cloud based **digital bank** and loyalty program
- Strategy to transition customers to new **multi-brand cloud based banking platforms**



Highly specialised industry expertise

- **Operating in attractive niche** industry segments
- **Expert bankers**, with expert credit and local marketing – 100% specialised
- **Sound credit risk outcomes**



A distinctive approach for our customers and people

- A culture built with empathy at its heart, with customer focused bankers and Owner Managers who are small businesses deeply anchored in communities
- Unique brands in BOQ, Virgin Money Australia, BOQ Specialist and BOQ Finance
- Serving attractive niche customer segments, with a distinctive business model
- Investing in developing our people
- Exceptional employee experiences



A comprehensive digital transformation

- All the strengths of an established bank, with the digital agility of a neobank
- Capital investment of c.\$100M p.a. (FY20–FY22) before reducing to c.\$80M p.a. in FY23 and c.\$60M in FY24 to complete the digital transformation, drive growth, and enhance productivity
- New common retail cloud-based platform, with Phase 1 – Virgin Money digital bank well underway
- Common platform for the Business Bank



Delivering sustainable profitable growth and attractive returns

- Growing above system from FY20, optimising revenue and return¹
- Productivity benefits of c.\$90M annualised run rate from FY23, containing expense growth to <1.0% p.a. FY21 and FY22
- Positive jaws in FY21, expanding in FY22
- Organic capital generation of c.100bps p.a. from FY21 with CET1 of 9.00%–9.50%
- Target ROE around 8% by FY22 and ROE 9%–10% by FY24
- Sustainable growth in EPS and dividends from FY21 onwards²

¹ Sources: RBA Lending, Credit Aggregates, APRA Monthly Banking Statistics and Analyst Research & Benchmarking

² Subject to Board and Regulatory approval

WE HAVE EVOLVED OUR STRATEGIC PRIORITIES

- 01 Return to profitable and sustainable growth
- 02 Embed our purpose-led customer culture
- 03 Simplify our business, improve productivity and address costs
- 04 Close the digital and data gap, deliver mobile and VMA
- 05 Continue to strengthen the Bank



MOVING WITH PACE AND CREATING MOMENTUM

FY20 key initiatives delivered

- ✔ Material improvements in our mortgage process, improved time to conditional yes for mortgages from 5 days to 1 day and improved mortgage NPS from $-20^{1,3}$ to $+5^{2,3}$ (from 10th in market to 3rd in market)^{1,3}
- ✔ Introduced new Owner Manager revenue sharing model around quality outcomes for our customers and growth
- ✔ Growing ahead of market in mortgages (1.4x YTD), and business lending (1.3x YTD)⁴
- ✔ Improved risk based pricing in business bank, improved margin management in retail bank
- ✔ Identified and largely delivered FY20 productivity savings (gross)
- ✔ Delivery of new mobile app for BOQ Specialist with Apple Pay, first phase of cloud-based Virgin Money digital bank investment well underway
- ✔ Raised \$340M to strengthen capital position
- ✔ Developed 5 year differentiated, sustainable profitable growth strategy, with a plan to deploy capital to grow long term shareholder value
- ✔ Refreshed our purpose and values
- ✔ Launched capability framework to enable our strategic transformation

1 NPS -20 as of August 2019

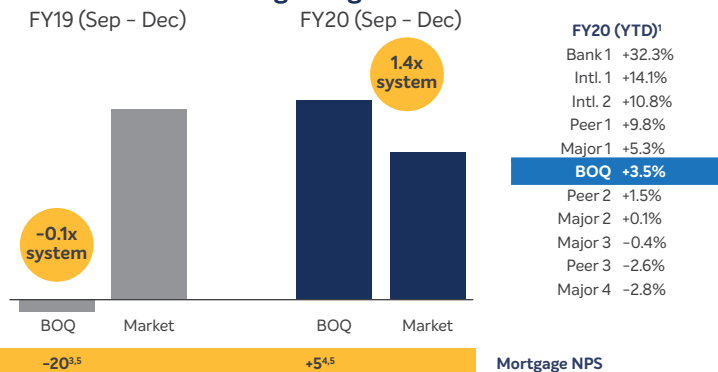
2 NPS $+5$ as of January 2020

3 Source: RFI XPRT NPS Survey, January 2020

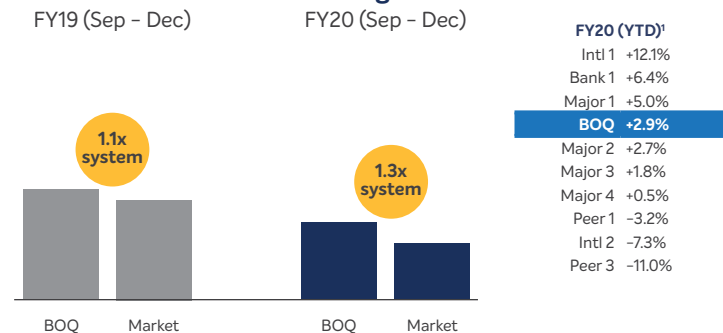
4 Sources: RBA Lending, Credit Aggregates, APRA monthly authorised deposit-taking institution statistics Exc International Banks, December 2019

STRONG GROWTH AND MARGIN MANAGEMENT FOR VMA AND BUSINESS BANK, WITH STABILISING BOQ RETAIL

Loans to households: gaining market share¹

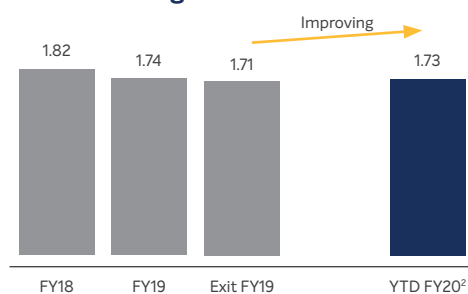


Loans to business: maintaining momentum¹



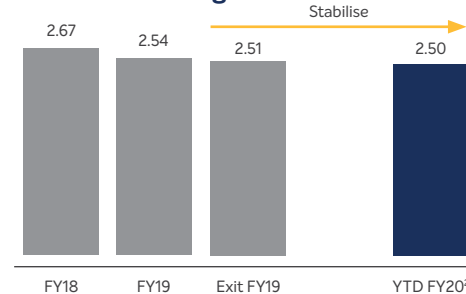
Mortgage NPS

Retail Banking NIM



NIM improvement due to improved margin on fixed rate products and repricing activities

Business Banking NIM



Re-priced lending products, maintaining broadly flat NIM

1 Internal BOQ Analysis and APRA monthly authorised deposit-taking institution statistics Excl International Banks, December 2019; NII: Net Interest Income; GLA: Gross Loans and Advances; NIM: Net Interest Margin.

2 YTD FY20 is January 2020.
3 NPS -20 as of August 2019

4 NPS +5 as of January 2020
5 Source: RFI XPRT NPS Survey, January 2020

WE HAVE A DIFFERENTIATED STRATEGY BUILT ON FIVE PILLARS

– Delivering an exceptional customer experience with specialised bankers and increasing long term shareholder value



A photograph of four diverse professionals (three men and one woman) sitting around a table in a modern office setting. They are all smiling and looking at each other, engaged in a collaborative discussion. Several laptops are open on the table in front of them. The background is slightly blurred, showing office lights and a window.

PILLAR 1

OUR EMPATHETIC CULTURE SETS US APART



BUILDING A DISTINCTIVE PURPOSE-LED CULTURE, WITH EMPATHY AT THE HEART

Purpose and values

Creating prosperity for our customers, shareholders and people through empathy, integrity and by making a difference.

What this means for...

Our customers

- Delight our customers
- Help our customers into their homes, help them save and make their banking easy and intuitive
- Help family businesses grow and prosper, and help them run their business well

Our people

- Inspire people to delight customers, bring their whole selves to work, contribute and develop their capabilities
- Enhances our capability to be a leader in mobility with a personal touch, with smart data insights, for in the moment customer solutions
- Strengthens our ability to deliver sustainable profitable growth resulting in a stronger bank



Our shareholders

Growing sustainable long term shareholder value



BUILDING A DISTINCTIVE PURPOSE-LED CULTURE, WITH EMPATHY AT THE HEART, COMBINED WITH ENHANCED CAPABILITY

Empathy

- Capacity to understand and feel with another person, what they are experiencing then acting to help them
- BOQ today, when we are at our best
- Opportunity to distinguish from competitors



**Purpose-led,
empathetic culture**



**Exceptional
employee experiences**



**Growing capability
and talent**

Values-driven

Values as our compass to make a difference

Innovative mindset

Flexibility to respond to changing dynamics

Connected

Our employees and Owner Managers are connected and empathetic bankers

Empowerment

Enable our people to delight our customers

Accountability

Clarity for informed and fast decision-making

Alignment

Recognising those making a difference

Leadership capability

Development and targeted recruitment

Execution excellence

Invest to enhance our execution capabilities

Talent diversity

Build diversity to reflect customers and communities

Employee engagement from 56% to top quartile



WE HAVE ENHANCED OUR OWNER MANAGED BRANCH PROPOSITION



RESET NETWORK

Location of branches has been optimised
and reset for growth



FOCUSED RECRUITMENT

Developed clear recruitment criteria ensuring
OM candidates have significant banking experience

Growing pipeline of internal candidates



REVISED FRANCHISE MODEL

Implemented a revised franchise agreement, driving
strong alignment between OM revenue, good
customer outcomes, and BOQ performance

More information on our Owner Manager proposition

[CLICK HERE](#)

<http://bit.ly/3bR4KCF>



OWNER MANAGERS AS LONG STANDING SMALL BUSINESS OWNERS ARE DEEPLY ANCHORED IN THEIR COMMUNITIES

Owner Managed branch model is a Group asset and differentiator

Seizing its potential to drive profitable growth



122
Owner
Managers
in 94
locations

>11 years
avg OM
tenure

Long term
Customer
relationships
#3 NPS
for mortgages¹

ROE
well above
BOQ average

44%
housing loans
to non-PAYG
customers

49%
of Group
retail funding

- Align our branch network to target markets
- Rebalance our branch portfolio towards Owner Managers
- Set for growth in Queensland, Sydney and Melbourne
- Revise our franchise offering
- Removing unnecessary back office activity, and improving customer self service

¹ Source: RFI XPRT NPS Survey, January 2020



PILLAR 2

**DISTINCTIVE BRANDS SERVING
ATTRACTIVE NICHE CUSTOMER SEGMENTS**



A PORTFOLIO OF DISTINCTIVE BRANDS



**EMPATHETIC
RELATIONSHIP-LED
BANKING EXPERIENCE**

**THE BANK OF BIGGER
POSSIBILITIES**

**SPECIALISED SME AND NICHE BUSINESS BANKING SOLUTIONS THAT
MEET CORE BUSINESS AND PERSONAL NEEDS**

CUSTOMERS	~500k	~210k	~80k	~30k	~90k
ASSETS	\$22.1bn	\$2.5bn	\$7.6bn	\$8.8bn	\$5.1bn
DEPOSITS	\$15.5bn	\$0.3bn	\$5.1bn	\$3.1bn	
FOOTINGS	\$37.6bn	\$2.8bn	\$12.7bn	\$11.9bn	

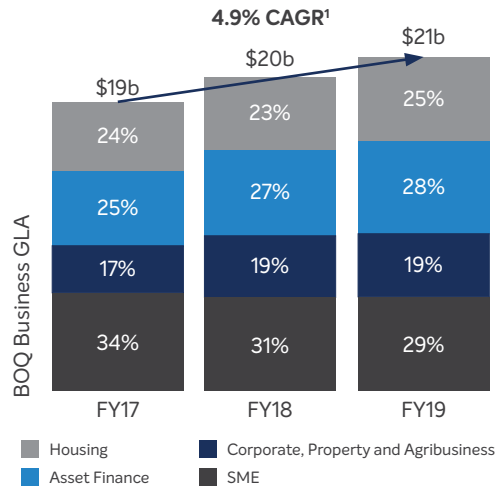
Open to partnering and small “bolt on” acquisitions that provide niche capability, growth and shareholder value

1 Customer numbers per August 2019



DEEPENING BOQ'S PROVEN NICHE SEGMENT STRATEGY TO DRIVE PROFITABLE GROWTH

Our niche strategy has delivered sustainable growth



Successful niche strategy in action

Specialist Bankers and risk personnel

Life cycle lending

Strong professional associations and supplier connections

c. 1000 new student and graduate customers per year

12% CAGR Customer growth FY14 - FY19

32% CAGR Asset growth FY14 - FY19

Experienced specialist bankers supported by high quality credit officers, with the best local area marketing

¹ Source: BOQ Annual Reports 2017, 2018 & 2019



GROW FASTER IN SME BANKING



SME is a critical segment for BOQ Group...

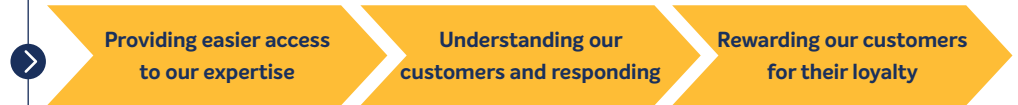
111%¹
Deposit to loan ratio
Strong source of deposits

c.13%¹
ROE
Attractive returns

~140K¹
Customers
Significant scale

and remains underserved by banks

Our niche strategy will focus on key SME segments where we are building and leveraging capability



- Connecting customers through video
- More owner managers in more places
- Leveraging established relationships
- Extend broker proposition
- Simplified and enhanced products
- New on-boarding experience
- Closing gap in payment solutions
- Faster time to cash
- Integrate into eco-systems
- Simple and meaningful loyalty program
- Access to BOQ brands
- Data driven insight and support

¹ BOQ internal analysis

A woman with her hair in a ponytail, wearing a light-colored top, is smiling and looking down at a tablet device she is holding. The background is a blurred office setting with large windows and a potted plant. A large blue diagonal shape covers the bottom half of the image, containing the text.

PILLAR 3

**DIGITAL BANK OF THE FUTURE
WITH A PERSONAL TOUCH**



DIGITAL WILL UNDERPIN OUR BUSINESS TRANSFORMATION

To become the digital bank of the future with a personal touch



Building the future cloud-based platform for growth, migrating existing customers to the new platform

- Staged to manage risk
- No customisation at the core
- Clear upgrade path
- Secure and productive
- Software as a service/APIs/open architecture



Providing richer customer experiences

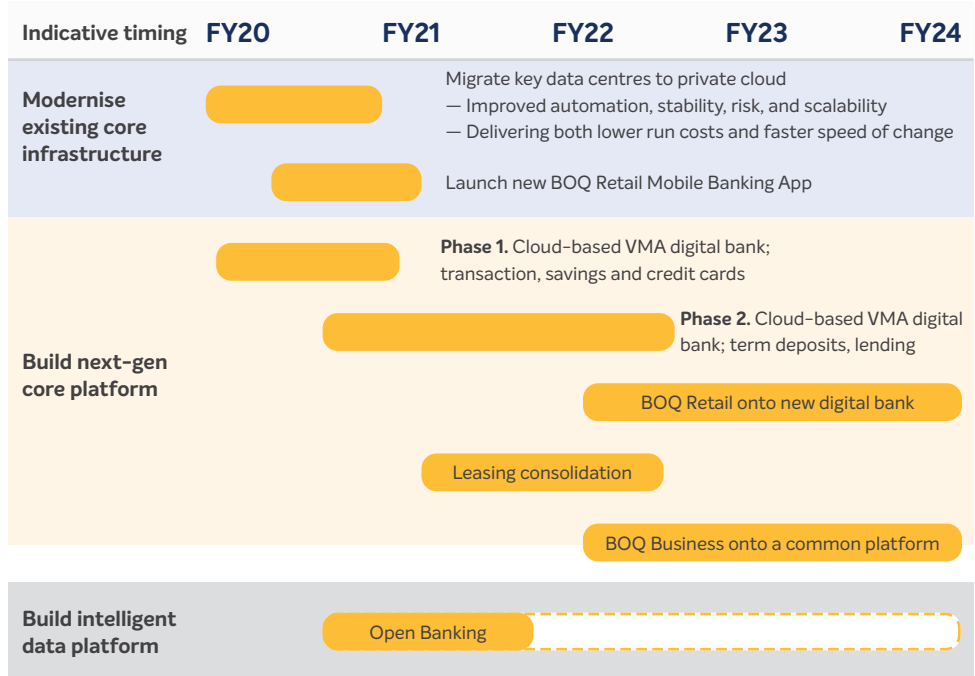
- Differentiation at the customer digital front end
- Intelligent data and analytics



Driving efficiency across our business



Strong execution and oversight





BUILDING THE DIGITAL BANK OF THE FUTURE

A neobank with existing customer scale



Globally recognised aspirational brand

OUR AMBITION



Be one of Australia's leading digital challenger banks

OUR PURPOSE



Creating bigger possibilities

WE WILL ACHIEVE THIS BY



Re-imagining banking to make it beautifully simple and rewarding

CUSTOMER BENEFITS



Improved financial fitness

Feel a sense of purpose

Feel recognised and rewarded

Beautifully simple

EXCITING MOMENTUM



210K+ Customers complementary to BOQ¹

>\$3B home loan growth, since FY16 launch²

[CLICK HERE](#)

[HTTPS://VIMEO.COM/354777887](https://vimeo.com/354777887)

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Laying the foundations for the Group's future banking platform

¹ Figures as per August 2019

² Figures as at January 2020



PILLAR 4

**SIMPLE AND INTUITIVE BUSINESS,
WITH STRONG EXECUTION CAPABILITY**



A SIMPLE INTUITIVE BUSINESS, WITH STRONG EXECUTION CAPABILITY

Operations and processes

- Minimum banking **product-set focused on target customer segments**, dealing to personal and commercial banking needs
- Fastest **time to right decision** for key banking services

Technology and digitisation

- **Transforming the customer and banker experience**
- **Quick and easy joining** through mobile app used by **customers and bankers** – immediate access to accounts and funds
- Supported by **“born in the cloud” digital, banking and data platforms** to drive operational efficiency through unit cost reduction and lean customer focused processes

Capability and culture

- **Best in class execution capabilities**, project management and partner relationships
- Focused and leading **digital, data and analytical capability**
- Absolute clarity on end-to-end **responsibility and accountability**
- Strong oversight and governance

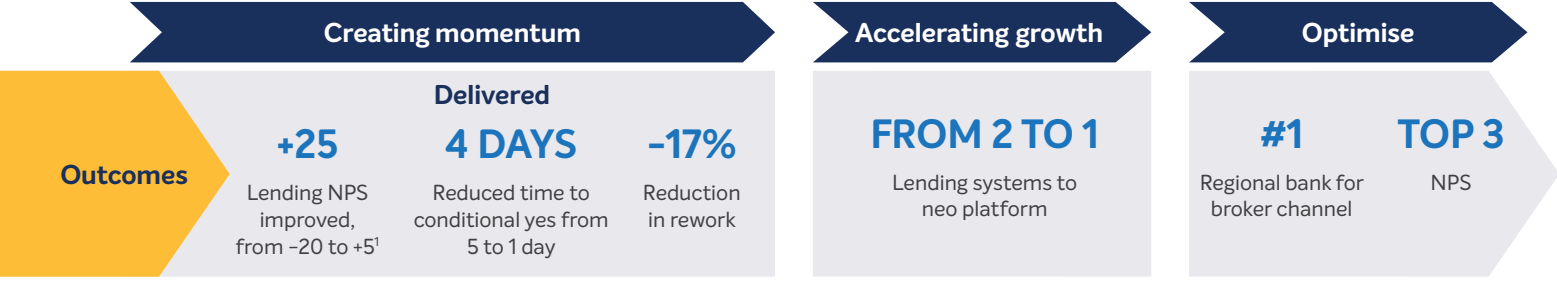
Risk and compliance

- Continuing sector focus deepening **credit risk capability within domains**
- **Compliance by design**
- Continually uplift our strong **risk management processes**, accountability and culture
- Implement all relevant Hayne recommendations and **regulatory changes**



WE HAVE MADE SIGNIFICANT INROADS THROUGH OUR HOME BUYING TRANSFORMATION PROGRAM BUT THERE IS MORE TO DO...

	Culture and capability	Optimise channels	Simplified and streamlined process, products and systems
Delivered	<ul style="list-style-type: none"> New Retail Bank leadership team with strong lending experience Attracting, developing and retaining lending talent 	<ul style="list-style-type: none"> Launched mobile mortgage bankers, with further expansion planned Leveraging Owner Manager retail and commercial banking skills 	<ul style="list-style-type: none"> Simplified and digitised customer processes and forms Introduced digital intuitive lender checklists Focus on root cause of errors and rework Customer engagement tool rollout
Accelerating Growth	<ul style="list-style-type: none"> Systematic service and sales model developed and rolled out Lender onboarding and development programs 	<ul style="list-style-type: none"> Turning on the broker channel, making it easier to do business with BOQ 	<ul style="list-style-type: none"> Consolidation of lending platforms, including broker portal with origination system Introducing automation and AI into our processes Smart data insights with 'in the moment' customer solutions Simplifying the product set.

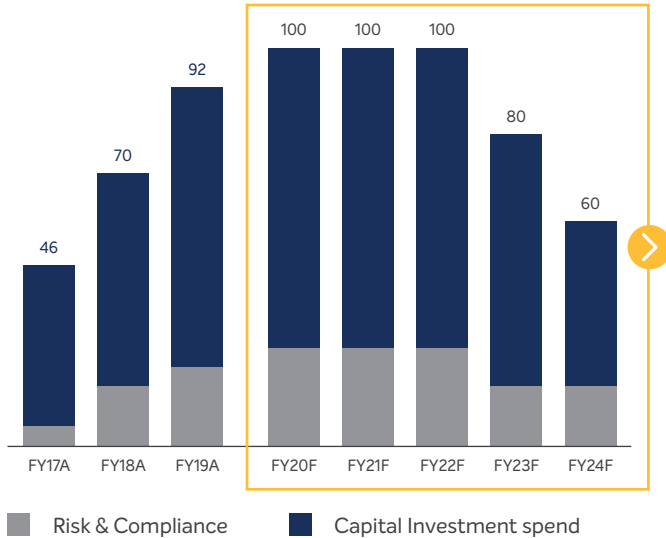


1 Source: RFI XPRT NPS Survey, August 2019 to January 2020

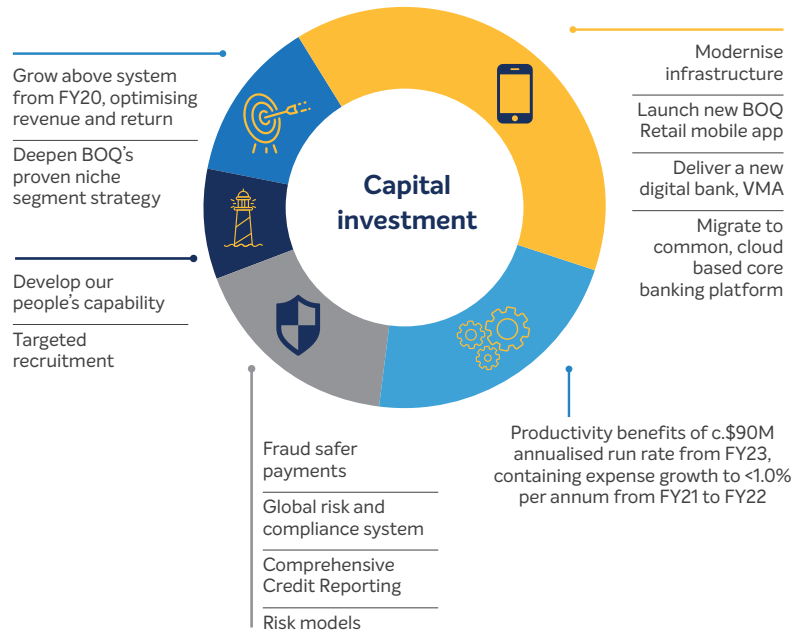


CONTINUED CAPITAL INVESTMENT TO DELIVER TRANSFORMATIONAL OUTCOMES

Targeted capital investment (\$M)



Capital investment profile and outcomes - deployed to grow long term shareholder value

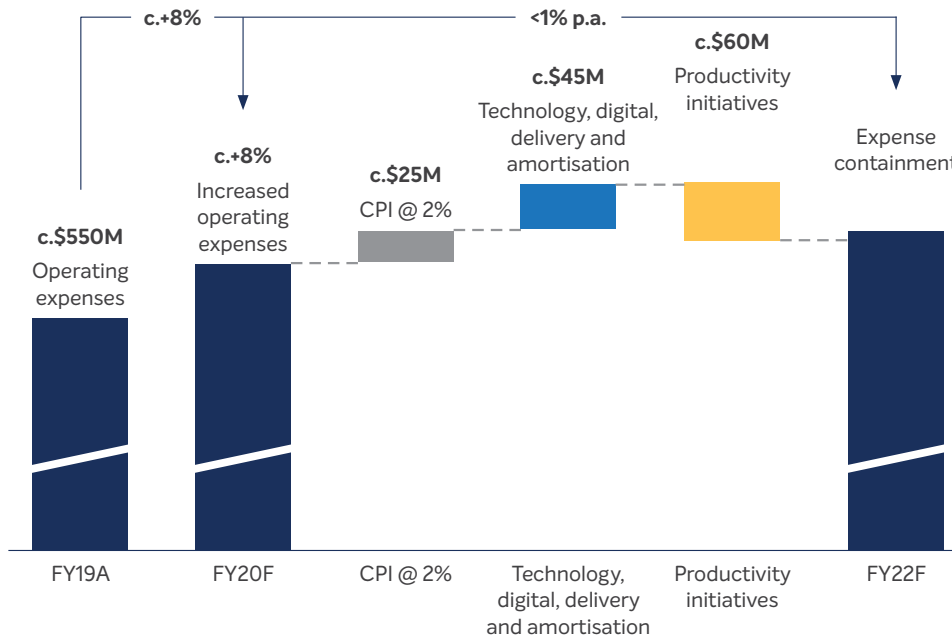




TARGETING “BROADLY FLAT” COST BASE OF <1% PER ANNUM IN FY21 AND FY22

Operating expense profile

FY19 to FY22



- “Broadly flat” underlying cost base profile in FY21 and FY22
- Increased technology and delivery spend to deliver strategic initiatives and technology roadmap
- Amortisation will increase in FY21 and FY22, and plateau into FY23
- Productivity benefits of c.5% annualised per annum from FY20 to FY22

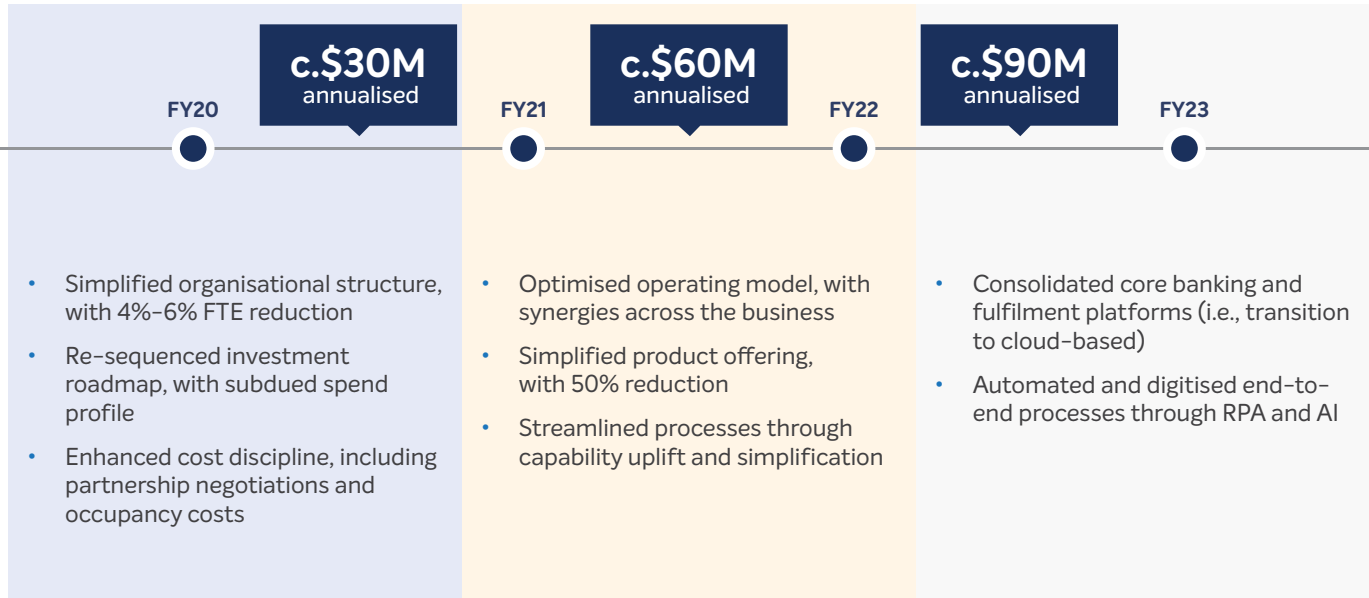


ACCUMULATING PRODUCTIVITY BENEFITS OF C.5% P.A. FY20 TO FY22, TO \$90M ANNUALISED BY FY23

Discipline

Synergy

Scale



A photograph of a business meeting in progress. A man with glasses and a purple checkered shirt is the central focus, looking towards a woman with blonde hair tied back. To the left, the back of a man in a white shirt is visible. They are gathered around a table with two laptops open. The background is a bright, modern office space with large windows.

PILLAR 5

**STRONG FINANCIAL AND RISK POSITION,
WITH ATTRACTIVE RETURNS**

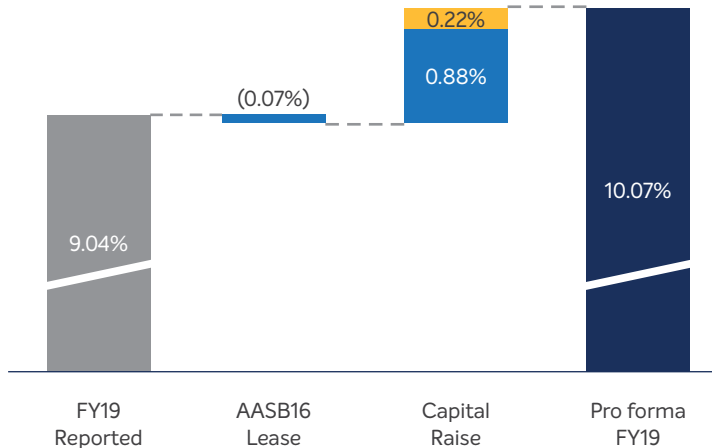


CONTINUING TO STRENGTHEN THE BANK



Capital raising of \$340M (\$250M placement, \$90M SPP)

Achieved peer leading capital position, with pro forma CET1 of >10% through a successful capital raising



Capital deployed where we can achieve long term shareholder value growth

- **Investment capacity and flexibility** to execute the changes necessary to transform the business
- Organic **capital generation of c.100bps p.a.** from FY21 with CET1 of 9.00%–9.50%
- Targeted shift in lending mix to **optimise return on RWA growth** over time
- **Sustainable growth in EPS and dividends** from FY21 onwards¹
- **Strong funding and liquidity** with high level of customer deposits

¹ Subject to Board and Regulatory approval



CONTINUING TO STRENGTHEN THE BANK - RISK MANAGEMENT

Focus areas to support BOQ differentiated strategy

Managing portfolio quality and credit risk

Continue our sector focus, building complementary credit risk capability

- ✔ Ongoing credit model development reflecting our niche strategy
- ✔ Building on strong credit risk skills

Aligned with lending transformation initiatives

Enable faster time to right decision, whilst maintaining robust risk processes

- ✔ Well progressed simplification and consolidation of credit policies and processes
- ✔ Deployed robotics capability across elements of credit decisioning process

Transforming the risk function

Continuous focus on driving improvements across our 3 lines of defence to keep the bank safe

- ✔ Delivered automated customer onboarding tool
- ✔ Developed Group Global Risk and compliance tool
- ✔ Developing automated regulatory reporting
- ✔ Three lines of defence more deeply embedded

to support accelerated growth

- Automated scorecards
- Advancing risk rating methodology around more specialised credit

- Use data and technology capabilities to deliver faster, better quality outcomes

- Utilise AI and other technologies to enhance regulatory compliance and reporting

76 Royal Commission Recommendations

9

actions completed or underway

16

government legislation or review

51¹

not relevant to BOQ

Robust risk management



3 lines of defence



Strong compliance



Safe to speak up

1 Excluding St. Andrews

A young child with dark hair, wearing a white short-sleeved shirt and dark shorts, is crouching outdoors. The child is holding a small green plant with several leaves in their hands, looking down at it with a focused expression. The background is a blurred outdoor setting with greenery and a building. A large blue diagonal shape covers the bottom left portion of the image, containing the text.

CLOSING REMARKS & GUIDANCE

GEORGE FRAZIS

BOQ'S KEY TARGETS

Our strategic priorities...



Our empathetic culture sets us apart

- Top 3 NPS for personal and SME customers
- Employee engagement from 56% to top quartile



Distinctive brands service attractive niche customer segments

- Grow customer base to c.1.5M customers by FY24
- Growing above system from FY20, optimising revenue and return¹
- Ongoing RWA optimisation



Digital bank of the future with a personal touch

- Deliver a new digital bank, VMA (cloud, SaaS, API)
- Transition customers from old to new cloud based core services platform



Simple and intuitive business with strong execution capability

- Productivity benefits of c.\$90M annualised run rate from FY23, containing expense growth to <1.0% p.a. in FY21 and FY22
- Halve the products for sale from 220
- Within 1-day time to conditional approval for home lending



Strong financial and risk position, with attractive returns

- Positive jaws in FY21, expanding in FY22
- Strong risk and compliance outcomes
- Maintain gross deposit-to-loan ratio of $\geq 70\%$
- Capital investment of c.\$100M p.a. FY20-FY22 before reducing to c.\$80M p.a. in FY23 and c.\$60m in FY24 and then normalising

¹ Sources: RBA Lending, Credit Aggregates, APRA Monthly Banking Statistics and Analyst Research & Benchmarking

² Subject to Board and Regulatory approval

driving to our targets...

delivering strong returns

Target ROE around
8% by FY22 and ROE
9%-10% by FY24

Organic capital generation
of c.100bps p.a. from FY21
with CET1 of 9.00%-9.50%

Sustainable growth in
EPS and dividends from
FY21 onwards²

CONCLUDING REMARKS

Delivering an exceptional customer experience, with specialised bankers, and increase long term shareholder value through sustainable profitable growth and attractive returns

- We are a niche player – we know our customers, we know where we want to play and we know digital will help us deliver
- BOQ will exceed customer expectations through our empathetic culture, skilled specialist bankers and Owner Managers who will drive sustainable, profitable growth
- Customers are seeking niche solutions rather than commoditised banking products and services
- The changing environment results in less reliance on proprietary IT systems and extensive branch networks and allows us to leverage digital and cloud based technologies
- BOQ is not burdened by large infrastructure and overheads allowing us to be responsive and flexible
- Our simplified structure and staged approach will allow us to rapidly adapt to the new normal
- We will deploy capital where we can deliver long term shareholder value and ensure we have strong execution skills and oversight

FY20 GUIDANCE

- ▶ **We had previously guided that FY20 will be a difficult year as we transition, with lower year on year cash earnings. We are now anticipating income growth and an improved impairment outcome, and accordingly anticipate FY20 cash earnings to be approximately 4% - 6% lower than FY19¹.**
- ▶ **Statutory earnings impacted by a material one-off below the line adjustment of c.\$80M-c.\$100M pre-tax (in addition to standard noncash items)²**
- ▶ **Target dividend payout ratio set at 70% - 80% of cash earnings³**
 - Given the anticipated statutory profit impact of the strategic transformation in 1H20 it is anticipated that BOQ will set the interim dividend within the 70%-80% target range (excluding one-off items); this will require APRA approval due to the 12 months profit test⁴

1 Subject to no material change in market conditions

2 Subject to external audit.

3 The level of dividends is subject to the discretion of BOQ's Board and depends on, among other things, BOQ's profitability, further prospects, any contractual, legal or regulatory (including APRA) restrictions on the payment of dividends by BOQ and any other factors deemed relevant.

4 Investors should not assume that APRA's approval will be given; if it is not, the 1H20 dividend payout ratio may be below the target range.

Q&A

TEACH YOUR
CHILDREN
ABOUT TAX...

EAT 30%
OF THEIR INCOME



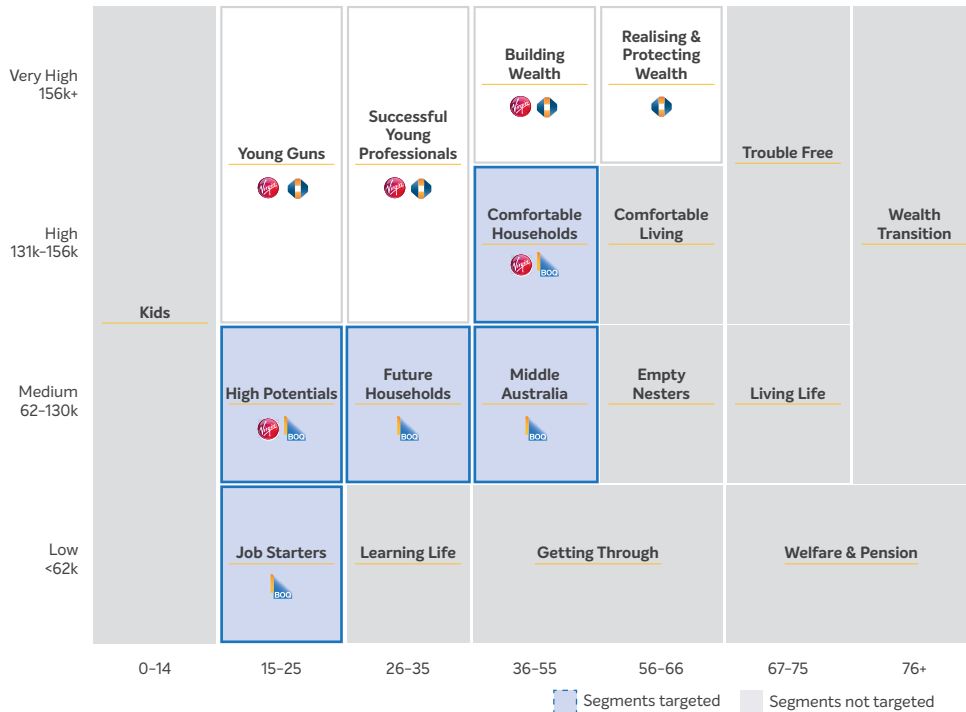
APPENDIX



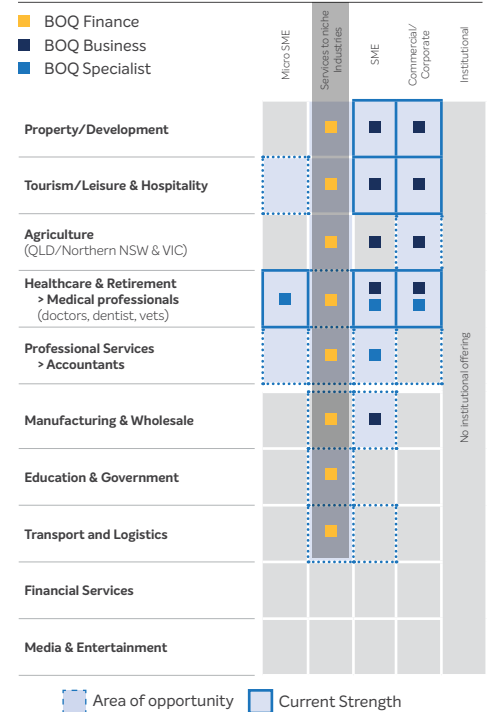
WE HAVE MADE CLEAR CHOICES ON WHICH CUSTOMER SEGMENTS TO FOCUS ON - WHERE WE CAN ACHIEVE ABOVE MARKET GROWTH AND RETURNS



Personal Banking



Business Banking



PRESENTERS



GEORGE FRAZIS
Managing Director & CEO

George Frazis joined BOQ as Managing Director and CEO in September 2019 and has over 26 years' corporate experience.

George has a long history in Banking and Finance, having worked in the industry for the past 17 years. Most recently he was Chief Executive of Westpac Group's Consumer Bank. Prior to that George was CEO, St. George Banking Group and Chief Executive, Westpac New Zealand Limited. George has held senior executive roles at National Australia Bank, Commonwealth Bank of Australia, as well as Air New Zealand.



LYN MCGRATH
Group Executive BOQ Retail Banking

Lyn McGrath is the Group Executive Retail Banking, Bank of Queensland. She is responsible for Virgin Money Australia, BOQ Retail distribution – Branches, Contact Centres and Third Party broking, Retail Products, Marketing, Customer Segments, Experience and Strategy. Prior to this she successfully led Commonwealth Bank's Retail Bank Branch distribution and specialist distribution areas. She has also held roles with St George in the Retail Bank as Head of Customer Experience and as Regional Manager, Northern Sydney.



DEBRA ECKERSLEY
Group Executive People & Culture

Debra Eckersley joined BOQ as Group Executive, People and Culture in September 2018 and leads the People and Culture business unit. Prior to her appointment with BOQ, she was a Managing Partner at PricewaterhouseCoopers (PwC), where she spent the past 24 years working in a number of roles including leading their Human Capital function to enable the delivery of PwC Australia's business priorities and consulting to many of Australia's leading organisations.



HUGH LANDER
CEO BOQ Specialist

Hugh Lander is the Chief Executive Officer of BOQ Specialist, appointed in December 2017 who provide distinctive banking to medical, veterinarian and accounting professionals.

Previously, he was Chief Executive Officer of BOQ Finance, where he led a national network of relationship-based asset finance specialists for 5 years, who were leading players in the mid-market asset financing segment across Australia and New Zealand.

PRESENTERS



VERITY GILPIN
CEO BOQ Finance

Verity Gilpin joined Bank of Queensland ("BOQ") as the CEO of the BOQ Finance Business in June 2019.

Prior to joining BOQ, Verity was the General Manager Consumer at Flexigroup where she was responsible for leading the sales and marketing teams across all products (including buy now pay later and credit cards) for the Consumer Business in Australia.



EWEN STAFFORD
Chief Financial Officer and
Chief Operating Officer

Ewen Stafford joined BOQ as Chief Financial Officer and Chief Operating Officer in November 2019. He has more than 30 years' of corporate experience across financial services, telecommunications, eCommerce and logistics, commercial property and professional services.

Ewen joined BOQ Group from Deloitte, where he was a Strategy Consulting Partner and led the Banking & Capital Markets sector for Australia.



GREG BOYLE
CEO Virgin Money Australia

Since 2015, Greg Boyle has been Chief Executive Officer of Virgin Money Australia, one of Australia's fastest growing and most successful challenger brands operating across banking, insurance and wealth with a proven track record in leading high performing and entrepreneurial teams from start-up to success.

Prior to the Chief Executive role, Greg was Strategy and Commercial Director at Virgin Money Australia and part of the Investment Management team for Virgin Group in London.



ADAM MCANALEN
Chief Risk Officer

Adam McAnalen was appointed Chief Risk Officer of BOQ in June 2019. Prior to his appointment as Chief Risk Officer, Adam held a number of senior leadership roles across the Business and Retail Banking, Finance, Operations and Risk divisions of BOQ.

His previous roles include CEO of BOQ Finance, CRO for BOQ Business, and General Manager Retail Credit where he led the Bank's retail credit risk strategy, scorecards, decisioning, collection and recovery operations.