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BOQ GROUP

Acquisition of ME Bank

Transformational Acquisition and Capital Raising

22 February 2021

IMPORTANT NOTICE AND DISCLAIMER

BOQ GROUP

(a) Important notice and disclaimer

The following important notice and disclaimer applies to this investor presentation ("**Presentation**") and you are therefore advised to read this carefully before reading or making any other use of this Presentation or any information contained in this Presentation. By accepting this Presentation you represent and warrant that you are entitled to receive this Presentation in accordance with the restrictions, and agree to be bound by the limitations, contained within it.

This Presentation has been prepared by Bank of Queensland Limited (ACN 009 656 740) ("**BOQ**"). This Presentation has been prepared in connection with BOQ's proposed acquisition of Members Equity Bank Limited (ACN 070 887 679) ("**ME Bank**") (the "**Acquisition**") and:

- an underwritten institutional placement of new fully paid ordinary shares in BOQ ("**New Shares**") to certain institutional and sophisticated investors ("**Placement**"); and
- an underwritten accelerated non-renounceable pro rata entitlement offer of New Shares to eligible existing shareholders of BOQ ("**Entitlement Offer**"),

(the Placement and Entitlement Offer are together, the "**Offer**").

The Entitlement Offer will comprise of an offer:

- to eligible institutional shareholders of BOQ in certain permitted jurisdictions; and
- to eligible retail shareholders of BOQ in Australia and New Zealand ("**Retail Entitlement Offer**").

The distribution of this Presentation in jurisdictions outside Australia and New Zealand may be restricted by law and you should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. In particular, this Presentation may not be distributed or released in the United States.

(b) Summary information

This Presentation contains summary information about the current activities of BOQ and its subsidiaries as at the date of this Presentation. The information in this Presentation is of a general nature and does not purport to be complete. This Presentation does not purport to contain all the information that an investor should consider when making an investment decision nor does it contain all the information which would be required in a disclosure document prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) ("**Corporations Act**"). It should be read in conjunction with BOQ's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange ("**ASX**"), which are available at www.asx.com.au.

No member of the BOQ Group gives any warranties in relation to the statements and information in this Presentation.

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(c) ME Bank information

Certain information in this Presentation has been sourced from ME Bank or its representatives or associates. While steps have been taken to confirm that information, no representation or warranty, expressed or implied, is made as to its fairness, accuracy, completeness, reliability or adequacy.

Investors should note that ME Bank is an unlisted public company in Australia, which means that it is not subject to the same continuous disclosure requirements as publicly listed companies in Australia (such as BOQ) and does not publish or file periodic or other continuous disclosure reports with the ASX. While ME Bank is required to file audited annual financial statements and unaudited interim financial statements with the Australian Securities and Investments Commission ("**ASIC**"), the nature of its reporting may be more limited than that for listed companies.

BOQ undertook a due diligence process in respect of the Acquisition, which relied in part on the review of financial and other information provided by ME Bank. Despite making reasonable efforts, BOQ has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it. If any such information provided to, and relied upon by, BOQ in its due diligence and in its preparation of this Presentation proves to be incorrect, incomplete or misleading, there is a risk that the actual financial position and performance of ME Bank (and the financial position and performance of BOQ following the Acquisition) may be materially different to the expectations reflected in this Presentation.

Investors should also note that there is no assurance that the due diligence conducted was conclusive, and that all material issues and risks in respect of the Acquisition have been identified or managed appropriately (for example, because it was not possible to negotiate indemnities or representations and warranties from ME Bank to cover all potential risks or as a result of the exclusions in the Warranties & Indemnities (**"W&I"**) policy). Therefore, there is a risk that issues and risks may arise which will also have a material impact on BOQ (for example, BOQ may later discover liabilities or defects which were not identified through due diligence or for which there is no contractual protection for BOQ). This could adversely affect the operations, financial performance and/or financial position of BOQ.

(d) Financial information

The financial information in this Presentation is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by the Australian Accounting Standards ("**AAS**") and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The financial information for BOQ contained in this Presentation has been extracted from the audited consolidated annual financial statements of BOQ for the fiscal years ended 31 August, 2020, 2019 and 2018, as lodged with the ASX pursuant to BOQ's continuous disclosure obligations.

The financial information for ME Bank contained in this Presentation has been extracted from the audited consolidated annual financial statements of ME Bank for its fiscal years ended 30 June, 2020, 2019 and 2018, as made available by ME Bank in connection with the Acquisition. BOQ has not independently reviewed or verified such information of ME Bank and investors should note that neither BOQ nor any other person makes any representation or warranty with respect to the accuracy, completeness or adequacy of such information. Accordingly, investors should not place undue reliance on any such information. In addition, the financial information for ME Bank contained in this Presentation does not purport to comply with Article 3-05 of Regulation S-X under the U.S. Securities Act of 1993, as amended ("**U.S. Securities Act**").

This Presentation also contains pro forma historical financial information for Financial Year 2020 (BoQ as at 31 August 2020 and ME Bank as at 30 June 2020) to show the impact of the ME Bank Acquisition and the impact of the Offer. Investors should note that because ME Bank has a different fiscal year end than BOQ, the pro forma income statements combine the results for different periods, and the pro forma balance sheet and pro forma capital impact summary combines the balance sheet and capital information as of different dates.

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The pro forma information has not been audited by BOQ's auditors. The pro forma financial information provided in this Presentation is for illustrative purposes only and is not represented as being indicative of BOQ's (nor anyone else's) views on its future financial condition and/or performance or any scale benefits, synergies or opportunities that may be realised as a result of the Acquisition. The pro forma financial information has been prepared on the basis set out on slides 36 - 38 of this Presentation.

The pro forma financial information has been prepared by BOQ in accordance with the recognition and measurement principles of AAS. Investors should note that the pro forma financial information has not been prepared in accordance with, and does not purport to comply with, Article 11 of Regulation S-X under the U.S. Securities Act.

Investors should also be aware that certain financial measures included in this Presentation are 'non-IFRS financial information' under ASIC Regulatory Guide 230: 'Disclosing non-IFRS financial information' published by ASIC and also 'non-GAAP financial measures' within the meaning of Regulation G under the U.S. Securities Exchange Act of 1934, as amended, and are not recognised under AAS and International Financial Reporting Standards ("**IFRS**"). The disclosure of non-IFRS financial measures in the manner included in this Presentation may not be permissible in a registration statement under the U.S. Securities Act.

Such non-IFRS financial information/non-GAAP financial measures do not have a standardised meaning prescribed by AAS or IFRS. Therefore, the non-IFRS financial information/non-GAAP financial measures may not be comparable to similarly titled measures presented by other entities and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS.

Although BOQ believes these non-IFRS financial information/non-GAAP financial measures provide useful information to investors in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any non-IFRS financial information/non-GAAP financial measures included in this Presentation.

All dollar values are in Australian dollars ("**A$**") and financial data is presented as at Financial Year 2020 (BOQ: 31 August 2020, ME Bank 30 June 2020) unless otherwise stated. A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Presentation.

(e) Past Performance

Past performance and pro forma historical information in this Presentation is given for illustrative purposes only and should not be relied upon (and is not) an indication of future performance including future share price information.

(f) Forward looking statements

This Presentation contains certain "forward-looking statements". The words "forecast", "estimate", "likely", "anticipate", "believe", "expect", "project", "opinion", "predict", "outlook", "guidance", "intend", "should", "could", "may", "target", "plan", "project", "consider", "foresee", "aim", "will", "seek" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements, and include statements in this Presentation regarding the potential impact and duration of the global COVID-19 pandemic (defined below), the timing, impact and outcome of the Acquisition (including integration), the conduct and outcome of the Offer, the use of proceeds, the future performance of BOQ and ME Bank post completion of the Acquisition, estimated net synergies and scale benefits after combination with ME Bank, and BOQ's outstanding debt, and BOQ's outlook for 1H21 and FY21.

Forward-looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks, uncertainties, assumptions, contingencies and other factors, many of which are beyond the control of BOQ and its related bodies corporate and affiliates and each of their respective directors, securityholders, officers, employees, partners, agents, advisers and management. This includes statements about market and industry trends, which are based on interpretations of current market conditions. Refer to the 'Key risks' on slides 41 to 70 of this Presentation for a summary of certain risk factors that may affect BOQ.

Investors are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the COVID-19 pandemic.

Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may vary materially from those expressed or implied in those statements and any projections and assumptions on which these statements are based. These statements may assume the success of BOQ's business strategies and the integration of ME Bank following completion of the Acquisition, the success of which may not be realised within the period for which the forward-looking statements may have been prepared, or at all.

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No guarantee, representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns, statements or tax treatment in relation to future matters contained in this Presentation. The forward-looking statements are based only on information available to BOQ as at the date of this Presentation. Except as required by applicable laws or regulations, none of BOQ, its representatives or advisers undertake any obligation to provide any additional or updated information or revise the forward-looking statements or other statements in this Presentation, whether as a result of a change in expectations or assumptions, new information, future events, results or circumstances.

(g) Not for distribution or release in the United States

This Presentation may not be distributed or released in the United States. This Presentation does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States.

Neither the entitlements nor the New Shares have been, or will be, registered under the U.S. Securities Act, or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be taken up or exercised by, and the New Shares may not be offered or sold to, directly or indirectly, persons in the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws of any state or other jurisdiction of the United States.

Refer to the ‘International offer restrictions’ on slides 68 - 70 of this Presentation for more information.

(h) Information and liability

To the maximum extent permitted by law, each of BOQ, the Underwriters of the Offer (defined on slide 62 of this Presentation) and their respective affiliates and related bodies corporate and each of their respective directors, officers, partners, employees, agents and advisers (together, the “**Beneficiaries**”) exclude and expressly disclaim:

- all duty and liability (including, without limitation, any liability arising from fault, negligence or negligent misstatement) for any expenses, losses, damage or costs incurred by you as a result of your participation in, or failure to participate in, the Offer or the information in this Presentation being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise;
- any obligations or undertaking to release any updates or revisions to the information in this Presentation to reflect any change in expectations or assumptions; and
- all liabilities in respect of, and make no representation or warranty, express or implied, as to the fairness, currency, accuracy, reliability or completeness of information in this Presentation or any constituent or associated presentation, information or material, or the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects or returns (or any event or results expressed or implied in any forward looking statement) contained in, implied by, the information in this Presentation or any part of it, or that this Presentation contains all material information about BOQ or which a prospective investor or purchaser may require in evaluating a possible investment in BOQ or acquisition of securities in BOQ.

The Underwriters and their respective Beneficiaries:

- have not independently verified any of the information in this Presentation and take no responsibility for any part of this Presentation or the Offer;
- have not authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this Presentation;
- make no recommendations as to whether you or your related parties should participate in the Offer nor do they make any representations or warranties to you concerning the Offer; and
- do not make or purport to make any statements in this Presentation and there is no statement in this Presentation which is based on any statement by any of them.

You represent, warrant and agree that you have not relied on any statements made by the Underwriters or their respective Beneficiaries in relation to the Offer and you further expressly disclaim that you are in a fiduciary relationship with any of them. You undertake that you will not seek to sue or hold the Underwriters and their respective Beneficiaries liable in any respect in connection with this Presentation or the Offer (to the maximum extent permitted by law).

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You acknowledge and agree that:

- determination of eligibility of investors for the purposes of the Offer is determined by reference to a number of matters, including legal and regulatory requirements and the discretion of BOQ and the Underwriters. You further acknowledge and agree that each of BOQ and the Underwriters and their respective Beneficiaries exclude and expressly disclaim any duty or liability (including, without limitation, any liability arising from fault, negligence or negligent misstatement) in respect of the exercise or otherwise of that discretion, to the maximum extent permitted by law;
- allocations are at the sole discretion of the Underwriters and/or BOQ. The Underwriters and BOQ disclaim any duty or liability (including, without limitation, any liability arising from fault, negligence or negligent misstatement) in respect of the exercise or otherwise of that discretion, to the maximum extent permitted by law; and
- BOQ reserves the right (with the prior written consent of the Underwriters (such consent not to be unreasonably withheld or delayed)) to change the timetable in their absolute discretion including by closing the Offer early, withdrawing the Offer entirely or extending the Offer closing time (generally or for particular investor(s)) in their absolute discretion (but have no obligation to do so), without recourse to them or notice to you. Furthermore, communications that a transaction is "covered" (i.e. aggregate demand indications exceed the amount of the security offered) are not an assurance that the transaction will be fully distributed.

The Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include trading, financing, corporate advisory, financial advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriters and their respective affiliates have provided, and may in the future provide, financial advisory, financing services and other services to BOQ and to persons and entities with relationships with BOQ, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and those investment and trading activities may involve or relate to assets, securities and/or instruments of BOQ, and/or persons and entities with relationships with BOQ. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market colour or trading ideas and/or publish or express independent research views in respect of those assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in those assets, securities and instruments.

In connection with the Offer, one or more investors may elect to acquire an economic interest in the New Shares ("**Economic Interest**"), instead of subscribing for or acquiring the legal or beneficial interest in those shares. The Underwriters (or their respective affiliates) may, for their own respective accounts, write derivative transactions with those investors relating to the New Shares to provide the Economic Interest, or otherwise acquire shares in BOQ in connection with the writing of those derivative transactions in the Offer and/or the secondary market. As a result of those transactions, the Underwriters (or their respective affiliates) may be allocated, subscribe for or acquire New Shares or shares of BOQ in the Offer and/or the secondary market, including to hedge those derivative transactions, as well as hold long or short positions in those shares. These transactions may, together with other shares in BOQ acquired by the Underwriters (or their respective affiliates) in connection with their ordinary course sales and trading, principal investing and other activities, result in the Underwriters (or their respective affiliates) disclosing a substantial holding and earning fee.

The Underwriters (and/or their respective affiliates) may also receive and retain other fees, profits and financial benefits in each of the above capacities and in connection with the above activities, including in their capacity as Underwriters to the Offer.

(i) Not an offer, advice recommendation

This Presentation is for information purposes only and should not be read or understood as an offer, invitation, solicitation, inducement or recommendation to subscribe, buy or sell New Shares or any other financial products in any jurisdiction.

This Presentation will not form any part of any contract or commitment for the acquisition of New Shares. This Presentation is not a prospectus, disclosure statement, product disclosure statement or other offering document under Australian law or under any other law. It will not be lodged with ASIC.

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Nothing contained in this Presentation constitutes financial product, investment, legal, tax or other advice or any recommendation. It does not take into account the investment objectives, financial situation or needs of any particular investor. Before making an investment decision, prospective investors should consider the appropriateness of the information in this Presentation having regard to their own investment objectives, financial situation and needs and with their own professional advice. BOQ is not licensed to provide financial product advice in respect of New Shares. Cooling off rights do not apply to the acquisition of New Shares.

Each recipient of this Presentation should make its own enquiries and investigations regarding all information included in this Presentation including but not limited to the assumptions, uncertainties and contingencies which may affect future operations of BOQ and the values and the impact that different future outcomes may have on BOQ.

The Retail Entitlement Offer will be made on the basis of the information contained in the retail offer booklet to be prepared for eligible retail shareholders in Australia and New Zealand ("**Retail Offer Booklet**"), and made available following its lodgement with ASX. Any eligible retail shareholder in Australia or New Zealand who wishes to participate in the Retail Entitlement Offer should read the Retail Offer Booklet before deciding whether to apply for New Shares under the Retail Entitlement Offer. Anyone who wishes to apply for New Shares under the Retail Entitlement Offer will need to apply in accordance with the instructions contained in the Retail Offer Booklet and the entitlement and acceptance form.

(j) Investment risk

An investment in BOQ shares is subject to investment and other known and unknown risks, some of which are beyond the control of BOQ, including possible loss of income and principal invested. BOQ does not guarantee any particular rate of return or the performance of BOQ, nor does it guarantee the repayment of capital from BOQ or any particular tax treatment. In considering an investment in BOQ shares, investors should have regard to (amongst other things) the risks outlined in this Presentation.

(k) Market data

Certain market and industry data used in this Presentation may have been obtained from research, surveys or studies conducted by third parties, including industry or general publications. Neither BOQ nor its representatives or its advisers have independently verified any market or industry data provided by third parties or industry or general publications.

(l) General

In this Presentation references to 'Bank of Queensland', 'BOQ', 'BOQ Group', 'the Group', 'we', 'us' and 'our' are to Bank of Queensland Limited and (where applicable) its controlled subsidiaries.

Statements made in this Presentation are made only as at the date of this Presentation. The information in this Presentation remains subject to change without notice. BOQ may in its absolute discretion, but without being under any obligation to do so, update or supplement this Presentation. Any further information will be provided subject to the terms and conditions contained in this Important Notice and Disclaimer.

BOQ reserves the right to withdraw or vary the timetable for the Offer without notice.

In consideration for being given access to this Presentation, you confirm, acknowledge and agree to the matters set out in this Important Notice and Disclaimer and any modifications notified to you and/or otherwise released on ASX.

AGENDA

INTRODUCTION	**Cherie Bell** General Manager Investor Relations
BOQ STRATEGY AND TRADING UPDATE TRANSFORMATIONAL ACQUISITION	**George Frazis** Managing Director and CEO
FINANCIAL IMPACTS AND INTEGRATION	**Ewen Stafford** Chief Financial Officer and Chief Operating Officer **Craig Ryman** Chief Information Officer
SUMMARY	**George Frazis** Managing Director and CEO
EQUITY RAISING DETAILS ACQUISITION AGREEMENT	
APPENDICES	

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BOQ STRATEGY AND TRADING UPDATE

TRANSFORMATIONAL ACQUISITION

OVERVIEW

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BOQ strategy & trading update		• BOQ delivering against our strategy with further momentum in 1H21 • Retail bank turnaround continues, returning to growth with good margin management • On track for strong 1H21 financial performance and improved FY21 outlook
Transformational Acquisition and Capital Raising	**Overview**	• BOQ to acquire 100% of ME Bank for $1.325bn in cash consideration • Highly strategic transaction bringing complementary strengths and creating a compelling alternative to the big banks ✓ Significantly enhanced scale, geographic diversification and portfolio mix ✓ Strong complementary customer focused brands ✓ Clear pathway to a scaled common cloud based digital retail core banking platform
	Financial outcomes	• Expected to be low double-digit to mid-teens cash EPS accretive including full run-rate synergies in the first year (FY22)[1] • Expected to be cash ROE accretive, over 100bps including full run-rate synergies in the first year[1] • Run-rate pre-tax synergies of ~$70 – $80m
	Funding	• Funded via an underwritten $1.35bn equity raising consisting of a $350m institutional placement and $1bn pro-rata accelerated non-renounceable entitlement offer • Expected 1H21 dividend of 17cps with new shares participating[2] • Pro forma CET1 ratio of 9.8%[3], with target dividend payout ratio of 60–75%[2] of cash earnings post transaction
	Completion	• Targeting before the end of BOQ's 2021 financial year, subject to regulatory approvals

1. FY2022 pro forma EPS accretion on an underlying cash EPS basis assuming the Acquisition is effective from 1 September 2021. Excludes transaction and integration costs and amortisation of acquired intangibles. ME Bank AT1 capital notes are treated as equity for accounting purposes. Associated dividend payments are not reflected in earnings and therefore not reflected in the EPS calculations. Calculated in accordance with AASB 133, with adjustments to reflect the bonus element of the Offer. Based on market consensus earnings for BOQ.
2. The amount of any dividend paid will be at the discretion of the Board and will depend on several factors, including (a) the recognition of profits and availability of cash for distributions; (b) the anticipated future earnings of the Company; or (c) when the forecast timeframe for capital demands of the business allows for a prudent distribution to Shareholders.
3. Refer to slide 38 for assumptions.

DEFINING ACQUISITION DELIVERING MATERIAL SCALE – STRATEGICALLY AND FINANCIALLY COMPELLING

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Significantly enhanced scale and portfolio mix for profitable growth	• Number of customers increases from ~900k to ~1.45m • Broadly doubles retail banking GLAs to over $57 billion • Increases Retail net profit contribution from ~35% to greater than 50%
Strong complementary challenger brands with a shared customer centric culture	• Strong customer-centric ME Bank brand aligned to BOQ's multi-brand strategy • Differentiated customer segments and geographies with minimal overlap • Re-balances BOQ's East Coast presence (Qld GLAs reduce from 42% to 31% of BOQ's loan portfolio, NSW increases to 29% and VIC to 21%) • ME, BOQ and VMA all with high Net Promoter Scores (NPS)
Attractive financial outcomes	• Expected to be low double-digit to mid-teens cash EPS accretive including full run-rate synergies in the first year (FY22)[1] • Expected to be cash ROE accretive, over 100bps including full run-rate synergies in the first year[1] • Full run-rate pre-tax synergy benefits of ~$70 - $80m expected
Clear pathway to a cloud based common digital Retail bank technology platform	• Acquisition provides opportunity to accelerate BOQ's digital strategy • Common use of Temenos for retail core banking aligns to BOQ's pathway to a single, multi-brand cloud-based digital platform • Leveraged capital investment across a broader base to deliver best-in-class customer experience • Delivering Temenos's global innovation through continuous cloud upgrades

1. FY2022 pro forma EPS accretion on an underlying cash EPS basis assuming the Acquisition is effective from 1 September 2021. Excludes transaction and integration costs and amortisation of acquired intangibles. Calculated in accordance with AASB 133, with adjustments to reflect the bonus element of the Offer. Based on market consensus earnings for BOQ.

1H21 TRADING UPDATE[1]

BOQ expects to announce 1H21 statutory net profit growth of 60 - 65% and 1H21 cash net profit growth of 8 – 10%[2]

- Annualised Housing GLA growth of 5% in 1H21 (1.2x system), and slightly negative to flat Business GLA growth (vs. negative system)[3]
- NIM is expected to be up ~3bps on 2H20
- 1H21 expense growth of 4% compared to 1H20, 2% compared to 2H20
- Positive jaws of 1% for the half vs PCP
- 1H21 loan impairment expense to GLAs of ~10bps
- CET1 expected to be above 10.0% at the end of 1H21, well above the target range of 9.0% - 9.5%, excluding the impacts of the capital raising
- 1H21 dividend expected to be ~17cps[4] inclusive of new shares issued through capital raise

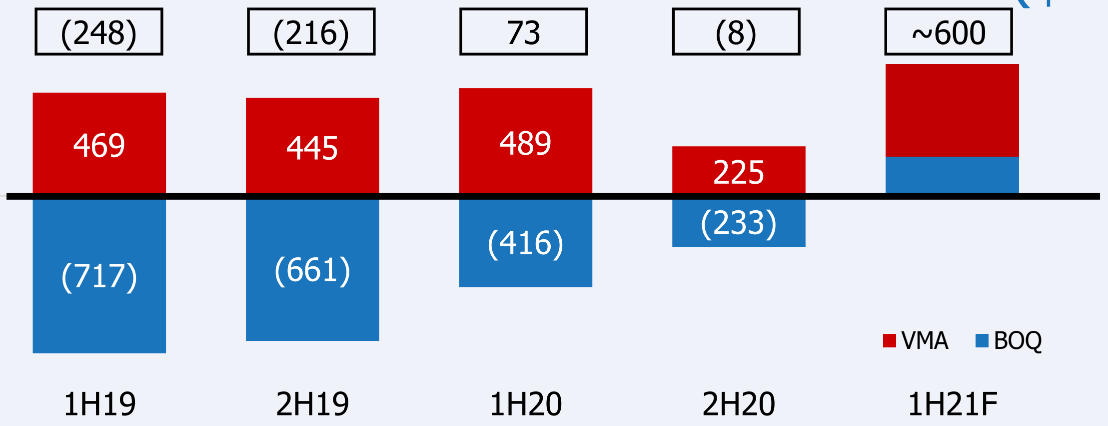
1. All comparisons are 1H21 vs. 1H20 unless otherwise noted.
2. Excluding the impacts of the acquisition and capital raising and subject to no material change in market conditions. Final result is subject to usual end of period processes and audit. Refer to the disclaimer and risk factors in relation to forward looking statements.
3. Annualised growth takes the first half growth and assumes the same level of growth, adjusted for number of days, for the remainder of the year.
4. The amount of any dividend paid will be at the discretion of the Board and will depend on several factors, including (a) the recognition of profits and availability of cash for distributions; (b) the anticipated future earnings of the Company; or (c) when the forecast timeframe for capital demands of the business allows for a prudent distribution to Shareholders.

RETAIL BANK TURNAROUND

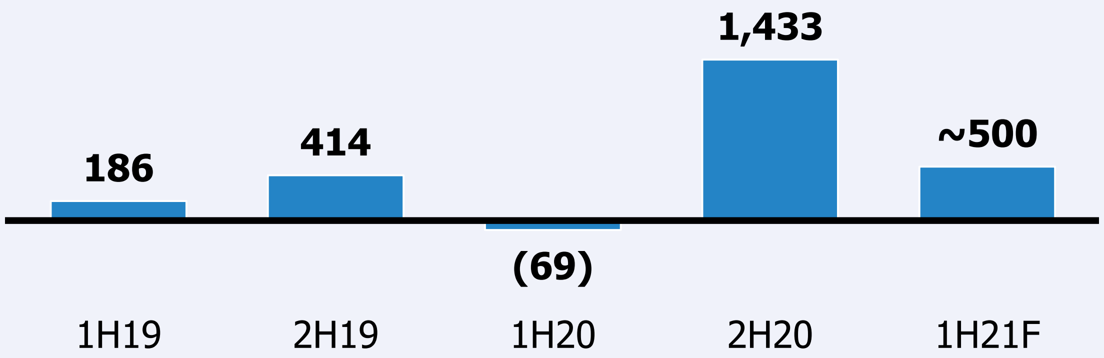
RETAIL BANKING PERFORMANCE

- BOQ's Retail Bank has delivered a performance turnaround since FY19
- Housing loan growth momentum towards 2x system
- Applications volumes have increased significantly
- Consumer NPS[1] ranked 4th (up from 5th in FY19), Mortgage NPS ranked joint 3rd (up from 11th in FY19)
- Home Buying Transformation program has significantly improved 'time to conditional yes'
- 98% of Owner Managers on new franchise agreement
- VMA phase 1 soft launch completed delivering transaction, savings accounts and credit card capability

RETAIL HOUSING LENDING GROWTH ($M)[2]



DEPOSITS GROWTH ($M)



1. NPS = Net Promoter Score. Consumer and Mortgage NPS: RFi XPRT Report August 2019, and December 2020 using BOQ competitor suite.
2. Retail Bank Housing GLA and deposit growth and excludes BOQ Specialist.

ACQUISITION IS CLOSELY ALIGNED TO BOQ'S STRATEGIC PRIORITIES – BRINGING TOGETHER TWO CUSTOMER CENTRIC CULTURES

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

me: To help all Australians get ahead

Transaction expected to be EPS and ROE accretive before synergies[1]

ME Bank's value based and customer first culture aligns with BOQ's purpose and values

ME Bank's brand to be added to the BOQ Group suite targeting complementary customer segments

Simple retail banking business allows for harmonisation of operating models

Aligned digital roadmaps accelerates transformation and delivers opportunity for scale benefits

1. FY2022 pro forma EPS accretion on an underlying cash EPS basis assuming the Acquisition is effective from 1 September 2021. Excludes transaction and integration costs integration and amortisation of acquired intangibles. Calculated in accordance with AASB 133, with adjustments to reflect the bonus element of the Offer. Based on market consensus for BOQ earnings.

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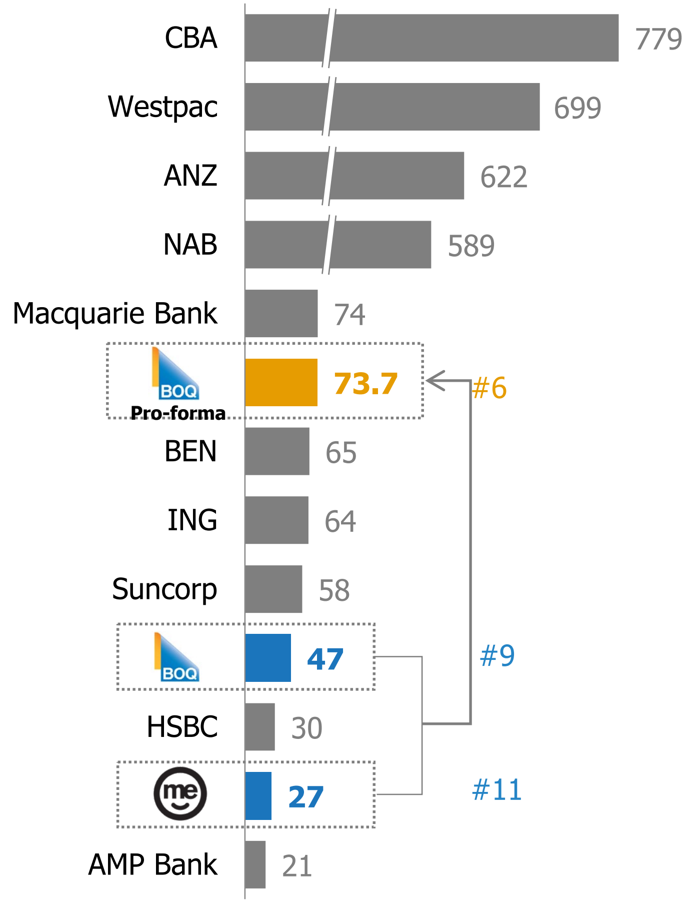
DELIVERS SIGNIFICANT SCALE

SIGNIFICANT INCREASE IN SCALE

FY20		BOQ (Aug YE)	ME (June YE)	BOQ Pro Forma (ex synergies)[1]
Balance Sheet	Gross Loans and Advances ($bn)	47.0	26.7	**73.7**
	Total Assets ($bn)	56.8	31.5	**88.3**
	Deposits ($bn)	39.6	17.2	**56.8**
	Book Equity ($bn)[2]	4.2	1.6	**5.9**
Income Statement	Total Revenue ($m)	1,096	481	**1,578**
	Total Expenses ($m)	594	287	**881**
	Cash NPAT ($m)[3]	319	124	**442**
KPIs	Net Interest Margin	1.91%	1.56%	**1.78%**
	Cost to Income	54%	60%	**56%**
	Cash Return on Equity[2,3]	7.6%	8.1%	**7.6%**
	CET1 Ratio	9.8%	9.9%	**9.8%**
	Customers (#)	~900k	~550k	**~1,450k**

STRONGER MARKET POSITION

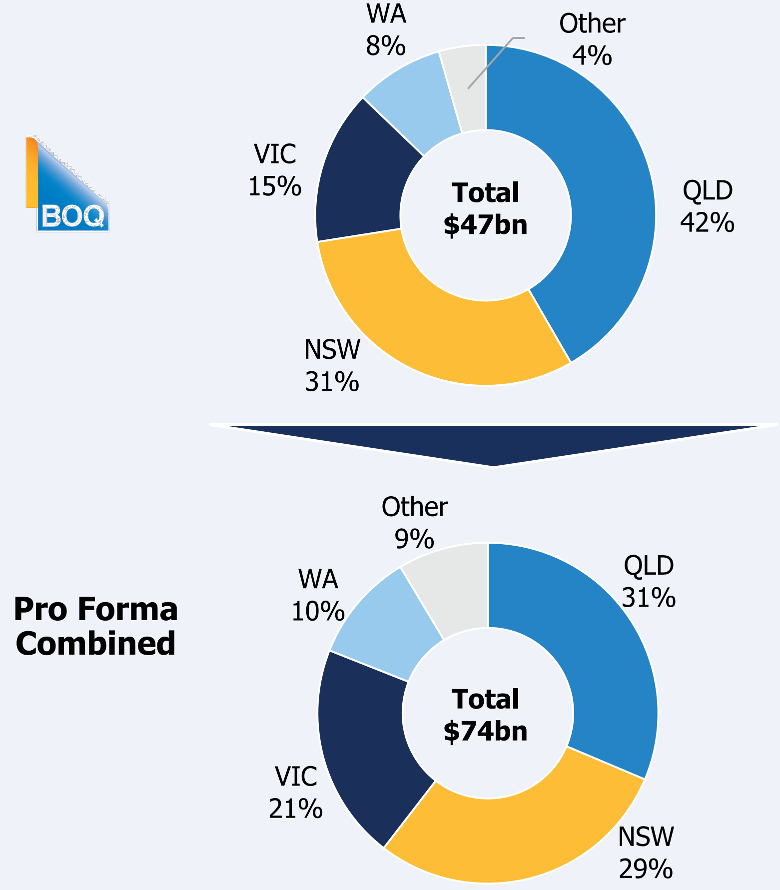
Gross loans and advances ($bn)[4]



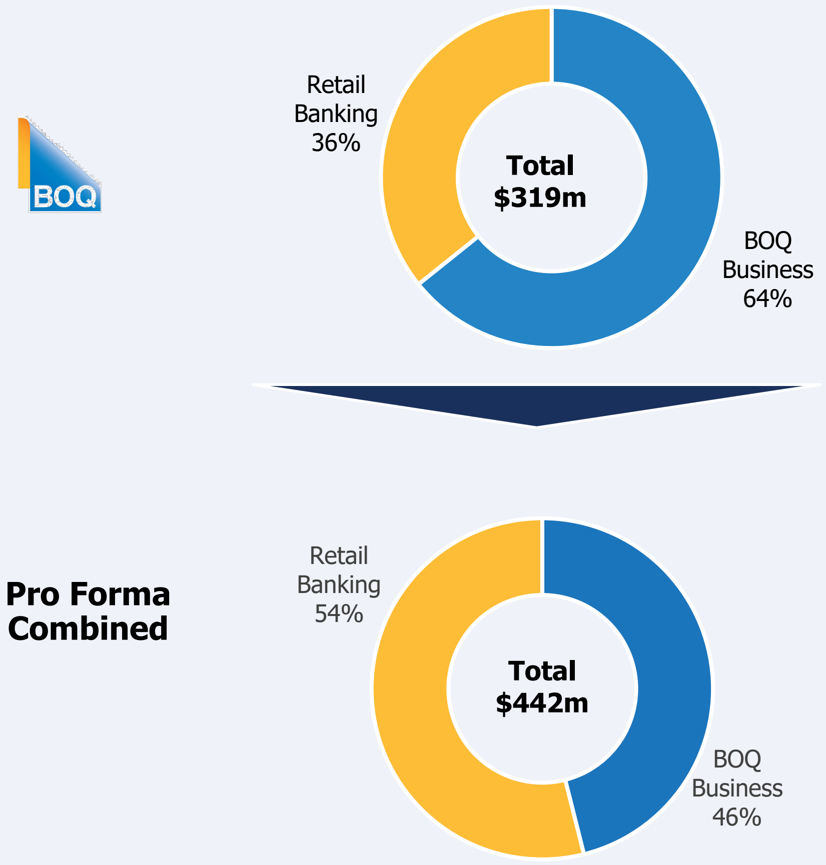
1. Refer to p.36-38 for adjustments. Excludes expected pre-tax run-rate synergies of $70 - $80m per annum.
2. ME Bank book equity includes $298m of AT1 Capital Notes.
3. Excludes COVID-19 provisions of $133m for BOQ and $42m for ME as disclosed in respective FY20 financial statements.
4. Based on reported figures. AMP Bank, HSBC, Suncorp, ING, BEN and CBA are based on Jun-20 figures. Macquarie Bank, NAB, ANZ and Westpac are based on Sep-20 figures. Pro Forma figures based on reported FY20 numbers.

CREATES A GEOGRAPHICALLY DIVERSE AND BALANCED PORTFOLIO FOR GROWTH

TOTAL LOANS BY GEOGRAPHY[1]



CASH PROFIT BY DIVISION[1,2]



Source: ME Bank Disclosures

1. BOQ (August YE), ME Bank (June YE) and Pro Forma figures based on reported FY20 numbers.
2. Excludes COVID-19 provisions of $133m for BOQ and $42m for ME as disclosed in respective FY20 financial statements.

COMPLEMENTARY RETAIL BRANDS

	Customer Numbers	Housing GLAs by Geography[1]	Target Customers
BOQ	~500k	• Queensland Branch Network and Eastern Seaboard • QLD 55% • NSW 18% • VIC 12%	• Mature who prefer personal and empathetic face to face relationships, 36 – 55 year olds • Self-employed • First home buyer • First time investors • Construction loans (older first home buyers)
Virgin money	~210k	• National – Inner City • QLD 16% • NSW 37% • VIC 26%	• Younger, digitally savvy and aspirational, 26 – 55 year olds • Successful young professionals • Multiple property holdings • “Loyalty” home loans
me	~550k	• National with Victorian emphasis • QLD 13% • NSW 26% • VIC 31%	• Slightly more mainstream but digitally aware and not requiring face to face support, 26 – 65 year olds • PAYG • Mature age with more equity, investors • Industry super funds (referrer partner arrangements)

1. Housing GLAs by State as at 31 August 2020.
2. ME data based on Company disclosures.

EXPERIENCED EXECUTIVES TO LEAD INTEGRATION EFFORT

BOQ GROUP

- BOQ has a **new, invigorated, management team** with substantial experience in integration and transformation projects
- Our senior leaders have **direct experience** in working through a number of **complex integrations**
- BOQ's Executives will lead the broader team which has experience from recent acquisitions

GEORGE FRAZIS

Managing Director and Chief Executive Officer

With over 26 years' of corporate experience, George has led numerous integrations. His experience across mergers and integrations includes:

- St George / Advance Bank acquisition
- St George / Asgard Wealth Solutions acquisition
- Lloyds Bank / TSB UK acquisition
- Digital transformations of NAB's Business and Private Bank, St. George Bank, Westpac Consumer Bank
- Experience as former BCG Partner

EWEN STAFFORD

Chief Financial Officer and Chief Operating Officer

Ewen has over 30 years' of corporate experience across financial services amongst other industries. Experience across mergers and integrations includes:

- Colliers Australia post corporatization and integration
- MLC / NAB integration
- Sale and divestment of MLC's Asian businesses
- StarTrack Express acquisition and integration
- Australia Post 'Future Ready' transformation
- Telstra 'T20' transformation

CRAIG RYMAN

Chief Information Officer

Craig has over 20 years' experience in financial services, leading technology transformation programs. Experience across mergers and integrations includes:

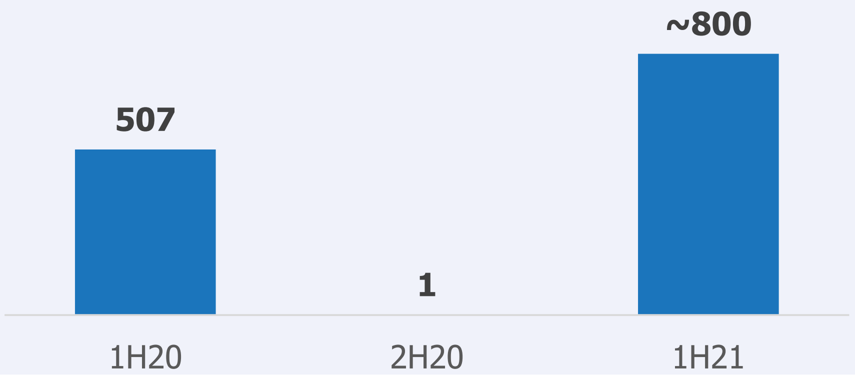
- AMPLE / Interactive Investor Integration (UK)
- AMP / AXA merger
- AMP Customer Transformation
- AMP Growth Transformation
- AMP portfolio reviews
- AMP Life divestment and simplification

FINANCIAL IMPACTS AND INTEGRATION

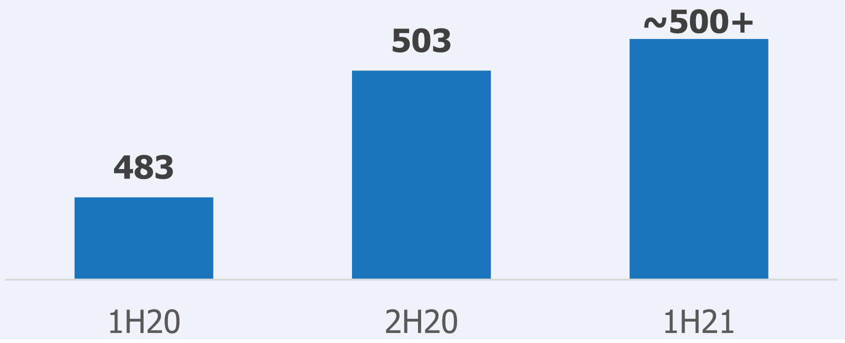
MOMENTUM BUILDING OVER THREE HALVES[1]

BOQ GROUP

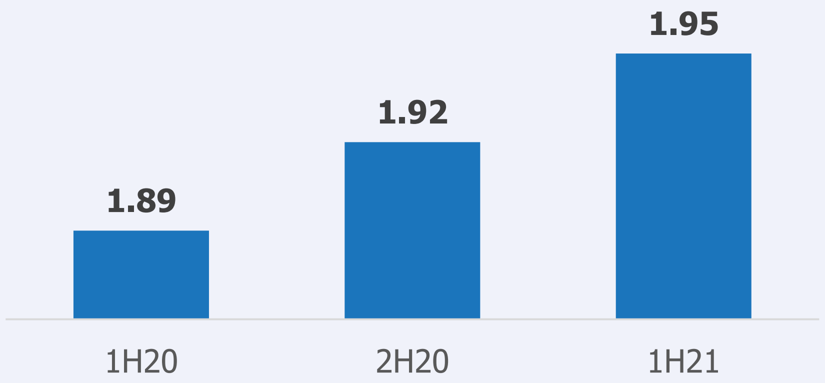
GROWTH IN HOUSING GLA ($M)



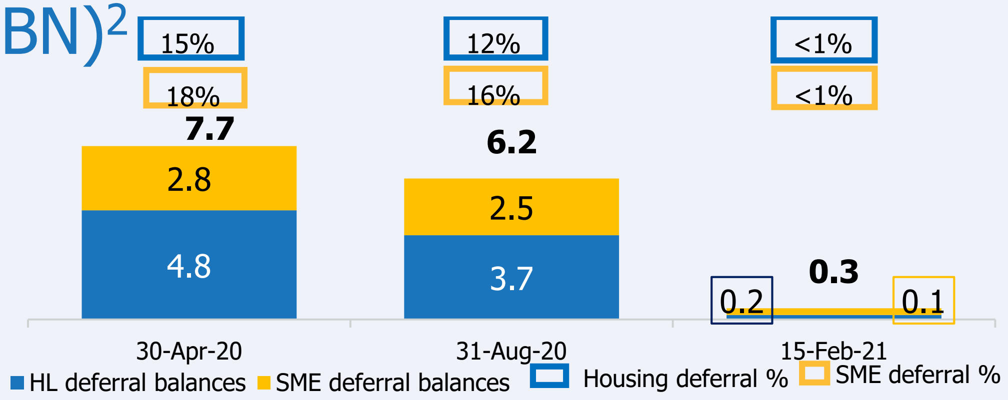
NET INTEREST INCOME ($M)



NET INTEREST MARGIN (%)



BANKING RELIEF PACKAGE DEFERRALS ($BN)[2]



1. Excluding the impacts of the acquisition and capital raising and subject to no material change in market conditions. Final result is subject to usual end of period processes and audit. Refer to the disclaimer and risk factors in relation to forward looking statements.
2. SME deferral % = total SME deferral balances as a proportion of commercial lending balances. Housing deferral % = total deferred housing balance as a proportion of total retail lending.

FINANCIAL HIGHLIGHTS OF ACQUISITION[6]

BOQ GROUP

- **Acquisition consideration of $1.325bn implies:**
  - 11.9x FY20 cash earnings after tax (excluding synergies)[1]
  - ~8.0x FY20 cash earnings after tax (including full run-rate synergies)[2]
  - 1.05x FY20 book value[3]
- Expected to be **low double-digit to mid-teens cash EPS accretive** including full run-rate synergies in the first year (FY22)[4]
- Expected to be **cash ROE accretive**, over 100bps including full run-rate synergies in the first year (FY22)[4]
- Fully phased **annual run-rate synergies of ~$70 - 80m (pre-tax)** expected to be delivered by end of year 3
  - Expected total integration costs of $130 - $140m (pre-tax)
  - Potential additional upside from wholesale funding costs, reduced investment capex, and revenue benefits
- **Strong balance sheet**, funding and liquidity position maintained
  - Pro forma CET1 of 9.8%
  - Pro forma deposits to loans ratio of ~70%[5]
  - Liquidity Coverage Ratio and Net Stable Funding Ratio to remain well above target levels

1. Based on reported ME Bank underlying cash earnings, before COVID-19 overlays. Earnings adjusted for preference share dividends.
2. Based on reported ME Bank underlying cash earnings, before COVID-19 overlays. Earnings adjusted for preference share dividends. Full run-rate synergies of $70 - $80m assumed.
3. Based on reported ME Bank book equity (excluding capital notes)
4. FY2022 pro forma EPS accretion on an underlying cash EPS basis assuming the Acquisition is effective from 1 September 2021. Excludes transaction and integration costs and amortisation of acquired intangibles. Calculated in accordance with AASB 133, with adjustments to reflect the bonus element of the Offer. Based on market consensus earnings for BOQ. Based on reported ME Bank ordinary book equity as at 30 June 2020, excluding preference shares.
5. ME Bank deposits include retail deposits, corporate (TMM) and advised non-retail. ME information is sourced from ME Company disclosures.
6. There are a number of acquisition risks – refer to pages 42 - 45 of this Presentation.

BOQ GROUP

SIGNIFICANT SYNERGY BENEFITS

PRE-TAX SYNERGY ANNUALISED BENEFITS OF ~$70M – $80M EXPECTED

> Clear roadmap identified for synergy realisation

> ~75% of synergies targeted to be delivered within two years with the remainder by the end of year 3

> Pre-tax integration costs of ~$130 - $140m expected, including technology transformational integration costs, with the majority to be incurred in the first two years

> Potential additional upside from:

- Wholesale funding costs
- Reduced investment capex
- Revenue benefits

SOURCES OF SYNERGIES

> Access to ‘best of both’ approach

> Synergy benefits from complementary businesses

> Material benefits expected from alignment of operating models and technology roadmap

> Significant opportunities to deliver simplification, harmonisation and scale efficiencies

ANTICIPATED KEY SOURCES OF SYNERGIES

Leadership structure and clear accountabilities	**Integration of shared services**
Consolidated core banking and technology platforms	**Transition to a single ADI**
Supply chain consolidation	**Combined funding envelope**

1. There are a number of acquisition risks – refer to pages 42 - 45 of this Presentation.

PHASED INTEGRATION PROCESS REDUCES INTEGRATION RISK

PRE-COMPLETION

- Joint integration collaboration and integration planning
- Build 100 day plan
- Integration Management Office processes and controls
- Cultural planning underway

> Integration hypothesis and workstreams finalised

> Target operating model updated

> Synergy assessment updated

SIMPLIFY

Day 1 – 6 months

- Execute Day 1 and quick wins program
- Commence financials, scorecard, and synergy tracking
- Policies and procedures review

> Leadership team and clear accountabilities in place

> Targeted harmonisation of policies and processes

> Cross group technology tools

SCALE

6 – 18 months

- Execution of technology roadmap - corporate systems consolidation
- Corporate functions rationalisation
- Supply chain and property consolidation

> Integration of shared services

> Supply chain and property consolidation

> Single ADI

TRANSFORM

18+ months

- Operational systems integration
- Compliance and regulatory consolidation
- Process efficiencies from scale

> Single origination and payments platform

> Core banking platform and CRM consolidation

> Process simplification from common platform

CLEAR PATHWAY TO A COMMON PLATFORM

BOQ GROUP

TECHNOLOGY INTEGRATION HIGHLIGHTS

- **Aligned direct business models** with ME Bank digital strategy similar to BOQ
- **First phase of Virgin Money digital path successfully delivered:** Second phase well underway, forming the basis for cloud based platform for BOQ and ME Bank
- ME Bank to complete core Temenos transition by July 2021, which will further **streamline integration processes**
- ME has **one contemporary core platform** with no legacy systems leveraging scale and innovation of cloud
- **No separation** required prior to integration
- Common **data architecture**

FUTURE PLATFORM END STATE

Virgin money | me | BOQ

ALL RETAIL AND SME CUSTOMERS ON A SINGLE PLATFORM

Cloud based core

SUPPORTED BY

Multi-brand customer experience

Common Cloud Microsoft Data & Analytics

Modern micro services, API integration

Agile Ways of Working + Global Partners

SUMMARY

FY21 OUTLOOK[1]

BOQ's updated FY21 outlook[2] is:

- Around 1% positive jaws (vs. "broadly neutral" jaws)
- Above system growth in lending (no change)
- NIM slightly positive (vs. 2-4bps decline)
- Cost growth of 3% to support the growth momentum of the business (vs. cost growth of 2%)
- Divestment of St Andrew's expected to be completed in 2H21
- Dividend payout ratio target range of 60 – 75% of cash earnings for FY21[3]

1. All comparisons are 1H21 vs. 1H20 unless otherwise noted.
2. Excluding the impacts of the acquisition and capital raising and subject to no material change in market conditions. Final result is subject to usual end of period processes and audit. Refer to the disclaimer and risk factors in relation to forward looking statements.
3. The amount of any dividend paid will be at the discretion of the Board and will depend on several factors, including (a) the recognition of profits and availability of cash for distributions; (b) the anticipated future earnings of the Company; or (c) when the forecast timeframe for capital demands of the business allows for a prudent distribution to Shareholders.

BOQ GROUP

ACQUISITION OF ME BANK IS BOTH STRATEGICALLY AND FINANCIALLY COMPELLING

STRATEGIC RATIONALE

Significantly **enhances scale** and **diversifies portfolio**

Brings together strong **complementary brands** with a shared **customer centric culture**

Accelerates pathway to a **scaled common digital retail bank technology platform**

ATTRACTIVE FINANCIAL OUTCOMES

Including full run rate synergies, expected to be **low double-digit to mid-teens cash EPS accretive** and **over 100bps cash ROE accretive** in the first year (FY22)[1]

Expected to **realise significant pre-tax cost synergies of ~$70 - $80m p.a**. Potential upside from revenue benefits, funding savings and investment capex synergies

Balance sheet strength maintained including strong capital position

1. FY2022 pro forma EPS accretion on an underlying cash EPS basis assuming the Acquisition is effective from 1 September 2021. Excludes transaction and integration costs and amortisation of acquired intangibles. ME Bank AT1 capital notes are treated as equity for accounting purposes. Associated dividend payments are not reflected in earnings and therefore not reflected in the EPS calculations. Calculated in accordance with AASB 133, with adjustments to reflect the bonus element of the Offer. Based on market consensus earnings for BOQ.

BOQ GROUP

EQUITY RAISING DETAILS AND ACQUISITION AGREEMENT

BOQ GROUP

KEY DETAILS OF THE OFFER

Offer Structure	• Underwritten **A$1.35** billion equity raising **(Equity Raising)** consisting of:
	– An institutional placement **(Placement)** to raise approximately **$350m**
	– A **1** for **3.34** pro-rata accelerated non-renounceable entitlement offer **(Entitlement Offer)** to existing shareholders to raise approximately **$1.0bn**
	  – Eligible shareholders will be invited to subscribe for **1** new Bank of Queensland share **(New Shares)** for every **3.34** existing Bank of Queensland shares held as at 7:00pm Wednesday, 24 February 2021 **(Entitlement Offer Record Date)**
	  – The Entitlement Offer is non renounceable and entitlements will not be tradeable or otherwise transferable
	• Approximately **184** million New Shares to be issued under the Offer representing approximately **40.4**% of current issued capital

Offer Pricing	• The Equity Raising will be offered at a price of $**7.35** per New Share **(Offer Price)** – **9.3**% discount to theoretical ex-rights price (TERP)[1] of $8.11; and – **12.6**% discount to close price of $8.41 on Thursday, 18 February 2021
Use of proceeds	• The proceeds will be used to fully fund upfront purchase price of ME Bank and certain transaction costs
Institutional Offer	• Institutional Entitlement Offer and Placement to be conducted on Monday, 22 February 2021[2] • Entitlements not taken up and those for ineligible institutional shareholders will be sold at the Offer Price
Retail Offer	• Retail Entitlement Offer to open on Monday, 1 March 2021 and close 5:00pm on Wednesday, 10 March 2021 • Only eligible shareholders with a registered address in Australia or New Zealand may participate in the Retail Entitlement Offer • Eligible shareholders who take up their pro-rata entitlement may also apply for additional New Shares up to a maximum of 35% of their entitlement
Board Participation	• All of the Directors of BOQ who are shareholders have indicated they will participate in the Entitlement Offer
Underwriting	• The Placement and Entitlement Offer are underwritten by the Underwriters
Other	• New Shares will rank equally with existing BOQ shares on issue in all aspects and will be eligible to the upcoming interim dividend • New Shares issued under the Placement will not be eligible to participate in the Entitlement Offer

1. The theoretical ex rights price (TERP) includes shares issued under the Entitlement Offer and Placement. TERP is the theoretical price at which BOQ's shares should trade at immediately after the ex-date for the Entitlement Offer based only on the last traded price and issuance of shares at the Offer Price in the Entitlement Offer and the Placement. TERP is a theoretical calculation only and the actual price at which BOQ shares trade immediately after the ex-date for the Entitlement Offer may be different from the TERP.
2. These timings are indicative only and subject to variation. BOQ reserves the right to alter the timetable at its absolute discretion and without notice, subject to the Listing Rules, Corporations Act and other applicable laws. All references are to Sydney time.

EQUITY RAISING TIMETABLE

Event	
Announcement of the Placement and Accelerated Non-Renounceable Entitlement Offer	Monday, 22 February 2021
Entitlement Offer Record Date	7:00pm (Sydney time) Wednesday, 24 February 2021
Institutional Entitlement Offer and Placement	
Institutional Entitlement Offer and Placement opens	Monday, 22 February 2021
Institutional Entitlement Offer and Placement closes	Monday, 22 February 2021
Announcement of results of Institutional Entitlement Offer and Placement	Tuesday, 23 February 2021
Shares recommence trading	Tuesday, 23 February 2021
Settlement of New Shares issued under the Institutional Entitlement Offer and Placement	Tuesday, 2 March 2021
Issue and commencement of trading of New Shares under the Institutional Entitlement Offer and Placement	Wednesday, 3 March 2021
Retail Entitlement Offer	
Retail Offer Booklet dispatched to Eligible Retail Shareholders and Retail Entitlement Offer opens	Monday, 1 March 2021
Retail Entitlement Offer closes	5:00PM (Sydney time) Wednesday, 10 March 2021
Announcement of results of Retail Entitlement Offer	Monday, 15 March 2021
Settlement of New Shares issued under the Retail Entitlement Offer	Tuesday, 16 March 2021
Issue of New Shares under the Retail Entitlement Offer	Wednesday, 17 March 2021
Commencement of trading of New Shares issued under the Retail Entitlement Offer	Thursday, 18 March 2021
Holding statements in respect of New Shares issued under the Retail Entitlement Offer despatched	Thursday, 18 March 2021

The timetable (and each reference in this presentation to a date specified in the timetable) is indicative only and BOQ may, at its discretion, vary any of the above dates by lodging a revised timetable with the ASX. All times are Sydney times.

SUMMARY OF ACQUISITION AGREEMENT

BOQ GROUP

Acquisition	• The acquisition by BOQ of 100% of the ordinary share capital in ME Bank from 26 Australian industry superannuation funds (the "**Sellers**") pursuant to a share sale and purchase deed ("**SSPD**") • Purchase price of $1,325 million payable at Completion, subject to completion adjustments amounts
Condition precedent	• Treasurer approval pursuant to the *Financial Sector (Shareholdings) Act 1998* (Cth)
Termination and Break Fee	• Subject to BOQ complying with the SSPD, BOQ has a right to terminate the SSPD if the underwriting agreement is terminated by the Underwriters other than as a result of BOQ withdrawing the offer, resulting in BOQ not receiving the underwritten amount as contemplated in the Underwriting Agreement to complete the Acquisition by 19 March 2021 ("**Non-Funding Termination Right**") • If the SSPD is terminated as a result of BOQ exercising the Non-Funding Termination Right, BOQ must pay a break fee of approximately 1% of the purchase price to the Sellers. Refer to the 'Completion risk' on slide 42 for more information.
Completion	• Completion is currently expected to occur before the end of the 2021 financial year, although this is subject to satisfaction of the condition precedent • For the period between signing and Completion, the ME Bank group must carry on its business materially in the ordinary course, with various restrictions
Liability Regime & W&I Insurance	• The Sellers indemnify BOQ (and ME Bank) in relation to certain legacy regulatory matters for a defined time period ("**Regulatory Indemnity**") • A balanced suite of business and tax related warranties ("**Seller Warranties"**) and indemnities otherwise apply, which are subject to various limitations, qualifications and subject to certain exceptions • BOQ's sole recourse for a breach of any Seller Warranty will be pursuant to a W&I insurance policy, other than in respect of fraud of the Sellers for which BOQ will have recourse against the Sellers in their respective proportions • The W&I insurance policy contains certain coverage exclusions, including (but not limited to) in relation to cyber security risks, financial institution specific risks and the Regulatory Indemnity

APPENDICES

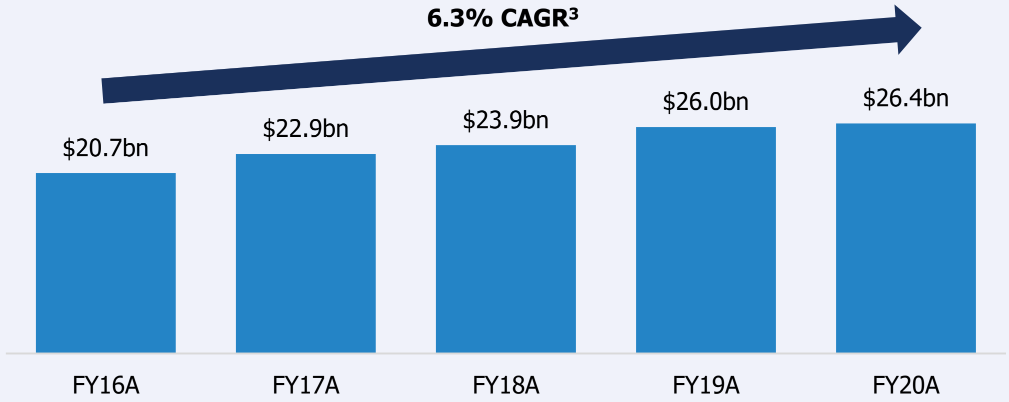
OVERVIEW OF ME BANK

BOQ GROUP

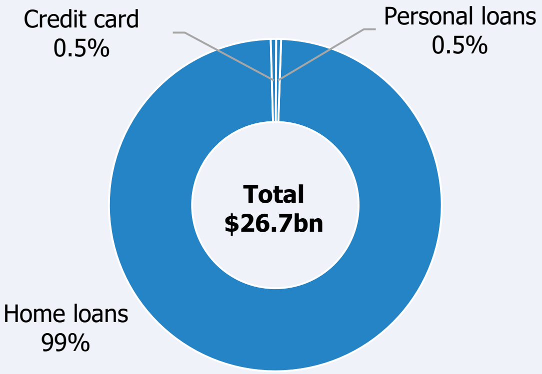
COMPANY OVERVIEW

- Founded in 1994
- Owned by 26 Australian industry superannuation funds
- Full service retail bank with ~550k customers
- Operates in Australia, employs ~1,100 FTE employees and headquartered in Melbourne, Australia

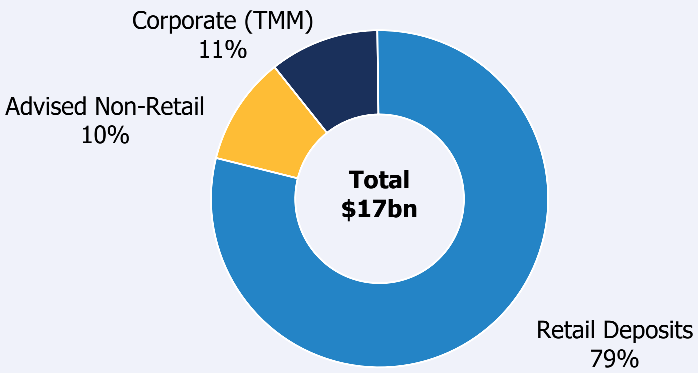
HOME LOAN GROWTH[1]



GLAS BREAKDOWN[2]



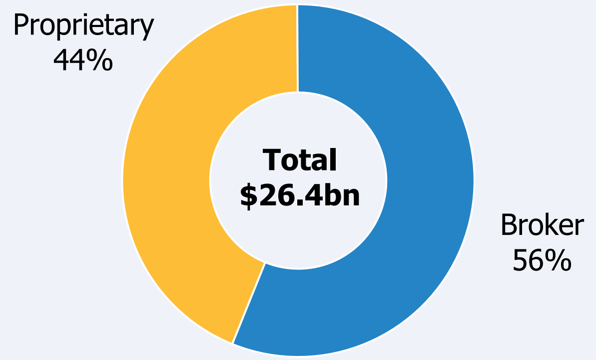
DEPOSIT BREAKDOWN[2]



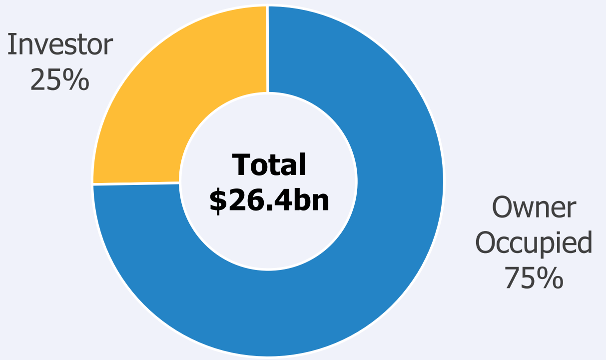
Source: ME Bank Information Memorandum
1. Excludes legacy SMHL loans.
2. As at 30 June 2020. TMM refers to Treasury Money Market deposits.
3. CAGR equals compound annual growth rate.

OVERVIEW OF ME BANK'S HOME LOAN PORTFOLIO

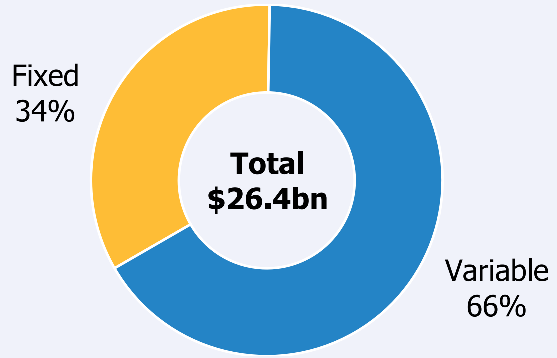
HOUSING GLAS BY CHANNEL[1]



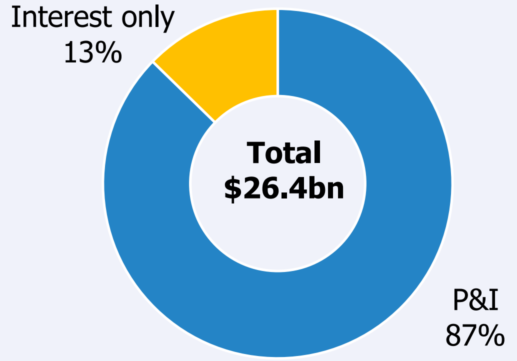
HOUSING GLAS BY TYPE[1]



FIXED vs VARIABLE



P&I vs INTEREST ONLY



Source: ME Bank Company Disclosures
1. As at 30 June 2020.

ME BANK HISTORICAL FINANCIALS

June YE, $m	FY18A	FY19A	FY20A
Net interest income	398	415	459
Other operating income	22	26	23
Total income	**420**	**441**	**481**
Operating expenses	(274)	(289)	(287)
Underlying profit	**146**	**152**	**195**
Loan impairment expense	(8)	(9)	(60)
Cash profit before tax	**138**	**143**	**135**
Income tax expense	(42)	(43)	(41)
Cash net profit after tax	**96**	**100**	**95**
Add back: COVID-19 BDDs (post-tax)	–	–	29
Cash net profit after tax (excl. COVID overlay)	**97**	**100**	**124**
Less: COVID-19 BDDs (post-tax)	–	–	(29)
Intangible asset review	(16)	(42)	(17)
Fair value on economic hedges	5	(5)	(3)
Tax effect	3	14	6
Statutory net profit after tax	**89**	**67**	**81**
Key metrics			
Net Interest Margin (%)	1.50%	1.48%	1.56%
Cost-to-Income ratio (%)	65.2%	65.6%	59.6%
Loan impairment expense as % of average GLA (bp)	3	4	7[1]
Cash return on average equity (%)	7.4%	6.8%	8.1%[1]
Cash return on average tangible equity (%)	8.9%	9.0%	10.9%[1]
Common Equity Tier 1 ratio (%)	9.73%	9.54%	9.87%
Risk weighted assets	10,171	10,304	10,489

June YE, $m	FY18A	FY19A	FY20A
Assets			
Cash, cash equivs. and investments	3,586	4,421	4,658
Loans and advances	24,213	26,272	26,615
Intangible assets	93	87	103
Current and deferred tax assets	9	53	55
PPE	6	7	15
Other assets	30	28	19
Total Assets	**27,937**	**30,868**	**31,465**
Liabilities			
Deposits	14,787	16,287	17,163
Derivatives financial liabilities	12	99	83
Accounts payable and other liabilities	23	40	32
Provisions	29	31	31
Borrowings	11,379	12,625	12,600
Subordinated debt	301	301	-
Total Liabilities	**26,531**	**29,383**	**29,908**
Net Assets	**1,406**	**1,485**	**1,557**
Equity			
Issued capital	1,006	1,105	1,105
Reserves	23	(41)	(49)
Retained earnings	377	421	500
Total Equity[2]	**1,406**	**1,485**	**1,557**

Source: ME Bank Annual Review 2020, ME Bank Annual Review 2019

1. Excludes COVID-19 loan impairment expense of 16bp of GLA ($42m pre-tax).
2. Includes AT1 Capital Notes of $198m in FY18, $298m in FY19 and $298m in FY20.

PRO FORMA PROFIT AND LOSS IMPACT

FY20 Financial Statements	BOQ Aug YE, $m	ME Bank June YE, $m	Pro Forma $m
Net interest income	986	459	1,445
Non-interest income	110	23	133
Total income	**1,096**	**481**	**1,578**
Operating expenses	(594)	(287)	(881)
Underlying profit	**502**	**195**	**697**
Loan impairment expense	(175)	(60)	(235)
Cash Net Profit Before Tax	327	135	463
Cash Net Profit After Tax	**225**	**95**	**320**
Statutory net profit after tax	**115**	**81**	**196**
Cash Net Profit After Tax and Before COVID Overlay[1]	**319**	**124**	**442**

1. Excludes COVID-19 provisions of $133m for BOQ and $42m for ME as disclosed in respective FY20 financial statements.

BASIS OF PREPARATION

BOQ financials have been extracted from BOQ's audited financial statements for the twelve months ended 31 August 2020.

ME Bank financials have been extracted from ME Bank's audited financial statements for the twelve months ended 30 June 2020 and overlaid with cash earnings adjustments.

PRO FORMA BALANCE SHEET IMPACT

FY20 Financial Statements	BOQ Aug YE, $m	ME Bank June YE, $m	Adjustments $m	Pro-forma $m
Cash, cash equivs. and investment / financial assets	8,770	4,658	(17)	13,411
Loans and advances	46,674	26,615		73,289
Intangible assets	908	103	66	1,076
Current and deferred tax assets	124	55	8	186
PPE	148	15		163
Other assets	148	19		167
Total Assets	**56,772**	**31,465**	**56**	**88,293**
Deposits	39,593	17,163		56,756
Derivative financial liabilities	803	83		886
Accounts payable and other liabilities	759	32		791
Provisions	47	31		78
Borrowings	11,339	12,600		23,939
Total Liabilities	**52,541**	**29,908**	**-**	**82,449**
Net Assets	**4,231**	**1,557**	**56**	**5,844**
Issued capital	3,869	1,105	525	5,499
Reserves	184	(49)	49	184
Retained profits	178	500	(517)	161
Total Equity	**4,231**	**1,557**	**56**	**5,844**

BASIS OF PREPARATION

BOQ financials have been extracted from BOQ's audited financial statements for the twelve months ended 31 August 2020.

ME Bank financials have been extracted from ME Bank's audited financial statements for the twelve months ended 30 June 2020.

DESCRIPTION OF PRO FORMA ADJUSTMENTS

Pro forma adjustments reflect;

- the acquisition of ME Bank; and
- the equity raise net of transaction costs relating to the equity raise.

This does not include the impact of purchase price allocation. The difference between the purchase price and net assets acquired has been attributed to intangible assets, which will be adjusted when a formal purchase price accounting exercise is completed within 12 months after acquisition.

BOQ GROUP

PRO FORMA CAPITAL IMPACTS

FY20 Financial Statements	BOQ Aug YE, $m	ME Bank June YE, $m	Adjustments $m	Pro-forma $m
Paid-up ordinary share capital	3,871	808	525	5,204
Reserves	134	(41)	41	134
Retained profits, including current year earnings	163	475	(492)	146
Total Common Equity Tier 1 Capital	**4,168**	**1,242**	**73**	**5,484**
Goodwill and intangibles	(909)	(103)	(66)	(1,077)
Deferred expenditure and tax assets	(271)	(159)	(8)	(438)
Other deductions	101	55		156
Total regulatory adjustments	**(1,079)**	**(207)**	**(73)**	**(1,359)**
Net Common Equity Tier 1 Capital	**3,089**	**1,035**	**-**	**4,124**
Additional Tier 1 Capital	350	298[1]		648
Net Tier 1 Capital	**3,439**	**1,333**	**-**	**4,772**
Tier 2 Capital	350	-		350
General reserve for credit losses	230	64		294
Net Tier 2 Capital	**580**	**64**	**-**	**644**
Capital base	4,019	1,397	-	5,416
Risk Weighted Assets	31,576	10,489		42,065
Common Equity Tier 1 Capital	9.78%	9.87%		9.80%
Net Tier 1 Capital ratio	10.89%	12.70%		11.34%
Total Capital Adequacy Ratio	12.73%	13.32%		12.88%

1. Represents Capital Notes issued by ME Bank which are classified as equity and treated as Additional Tier 1 Capital. These notes will remain in place post closing of the transaction.

BASIS OF PREPARATION

BOQ financials have been extracted from BOQ's Pillar 3 disclosures for the quarter ended 31 August 2020.

ME Bank financials have been extracted from ME Bank's Pillar 3 disclosures for the quarter ended 30 June 2020.

DESCRIPTION OF PRO FORMA ADJUSTMENTS

Pro forma adjustments reflect;

- the acquisition of ME Bank; and
- the equity raise net of transaction costs relating to the equity raise.

This does not include the impact of purchase price allocation. The difference between the purchase price and net assets acquired has been attributed to intangible assets, which will be adjusted when a formal purchase price accounting exercise is completed within 12 months after acquisition.

EXPERIENCED KEY MANAGEMENT PERSONNEL TEAM

BOQ GROUP

GEORGE FRAZIS
Managing Director and Chief Executive Officer

- Joined BOQ in September 2019
- More than 26 years' of experience
- Previously CEO Westpac Group's Consumer Bank, CEO St. George, CEO Westpac New Zealand Limited
- Started in the RAAF as an engineer then a partner at BCG

EWEN STAFFORD
Chief Financial Officer and Chief Operating Officer

- Joined BOQ in November 2019
- More than 30 years' of experience across financial services, telecommunications, eCommerce and logistics, commercial property and professional services
- KPMG, MLC, NAB, Australia Post, Telstra, Deloitte

CRAIG RYMAN
Chief Information Officer

- Joined BOQ in July 2020
- More than 20 years' experience in financial services, leading technology transformation programs.
- Previously CIO and COO at AMP Limited

DEB ECKERSLEY
Group Executive People and Culture

- Joined BOQ as Group Executive, P&C in September 2018
- Previously Managing Partner at PwC, leading the Human Capital function

MARTINE JAGER
Group Executive Retail

- Due to join BOQ in April 2021
- Previously held number of executive roles including CEO of RAMS, Chief Digital and Marketing Officer for Westpac Group and General Manager third party Mortgage Broking at St George

FIAMMA MORTON
Group Executive BOQ Business

- Joined BOQ in June 2020
- Extensive experience in Banking in Australia and the USA, previously CBA, Goldman Sachs, MasterCard and Westpac

ADAM MCANALEN
Chief Risk Officer

- Appointed to CRO of BOQ in June 2019
- Has held a number of senior leadership roles across the Business and Retail Banking, Finance, Operations and Risk divisions of BOQ

DANIELLE KEIGHERY
Chief Customer Officer

- Joined BOQ in January 2021
- Previously, Chief Experience Officer at Virgin Australia
- Extensive Corporate Affairs, Brand, and Marketing experience

NICHOLAS ALLTON
Group General Counsel and Company Secretary

- Joined BOQ in February 2021
- More than 25 years experience in Financial Services in Australia and the UK, most recently at MLC and Macquarie

KEY RISKS

KEY RISKS

BOQ's financial position and performance, its dividends and the market price of BOQ's shares may be adversely affected, sometimes materially, by a number of risk factors. Holders of BOQ shares ("**BOQ Shareholders**") should accordingly be aware that an investment in BOQ carries a number of risks, some of which are specific to BOQ (that is, matters that relate directly to the Acquisition or BOQ's business) and some of which are general risks that relate to the industries in which BOQ operates or to listed securities generally. These risks mean that the price and value of BOQ shares may rise or fall over any given period. Some of these risks are beyond BOQ's control.

BOQ Shareholders should be aware of the following risks (which are some, but not necessarily all, of the risks) which may affect the future operating and financial performance of BOQ and the value of BOQ shares. Additional risks and uncertainties that BOQ is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect BOQ's operating and financial performance.

Before investing in BOQ shares, you should consider whether this investment is suitable for you. Potential investors should also consider publicly available information on BOQ (such as that available on the websites of BOQ and ASX), carefully consider their personal circumstances and consult their stockbroker, solicitor, accountant or other professional advisor to ensure they understand fully the terms of the Offer and the inherent risks before making an investment decision.

ACQUISITION RISKS

BOQ GROUP

(a) Completion risk

Completion of the Acquisition is conditional on regulatory approval from the Treasurer under the Financial Sector (Shareholdings Act) 1998 (Cth) as set out in the share sale agreement in respect of the Acquisition ("**Sale Agreement**").

In addition, BOQ may terminate the Sale Agreement if the Underwriting Agreement is terminated by the Underwriters pursuant to the terms and conditions of the Underwriting Agreement and such termination results in BOQ not receiving an amount equal to the underwritten amount (as contemplated by the Underwriting Agreement) by 19 March 2021 (or such other date as agreed). If BOQ terminates the Sale Agreement for this reason, BOQ has agreed to pay the Sellers (in their respective proportions), a break fee of an amount equal to 1% of the base purchase price. In most circumstances this break fee will be the sole recourse of the Sellers against BOQ, however, there may be additional remedies available to the Sellers for termination by BOQ in circumstances where BOQ is at fault.

If the condition precedent is not satisfied or if BOQ exercises its termination right in respect of the Underwriting Agreement, completion of the Acquisition may not occur on the current terms or at all. Similarly, if any of the completion deliverables are not delivered, completion of the Acquisition may be deferred or may not occur on the current terms or at all.

If the Acquisition is not completed as a result of a failure to satisfy the condition (or otherwise), BOQ will need to consider ways to return the proceeds (net of transaction costs) to shareholders who participated in the Offer. If completion of the Acquisition is delayed, BOQ may incur additional costs and it may take longer than anticipated for BOQ to realise the benefits of the Acquisition. Further, a significant delay to completion may have adverse effects on the business of ME Bank including in terms of growth, employee engagement or funding costs. Any failure to complete, or delay in completing, the Acquisition and/or any action required to be taken to return capital to shareholders who participated in the Offer, may have a material adverse effect on BOQ's financial performance, financial position and trading prices of BOQ shares.

(b) Historical liabilities

If the Acquisition completes, BOQ may become directly or indirectly exposed to liabilities that ME Bank has incurred or is liable for in respect of prior acts or omissions, including legal and regulatory liabilities for which it may not be adequately indemnified, or liabilities which were not identified during BOQ's due diligence (including in respect of matters of which ME Bank was not aware) or which are greater than expected, or for which BOQ was unable to negotiate sufficient protection in the Sale Agreement. Such liabilities may adversely affect the financial performance or position of BOQ after the Acquisition.

ME Bank is party to ongoing litigation in Queensland, New South Wales, Victoria, South Australia, Western Australia and Tasmania in respect of a number of complaints and claims brought against it.

Additionally, there is an ongoing regulatory investigation by ASIC in respect of the conduct of ME Bank, which, whilst proceedings have not yet been commenced, may result in litigation (including criminal proceedings following a referral by ASIC to the Commonwealth Director of Public Prosecutions) or other enforcement action as well as significant penalties. This investigation relates to suspected contraventions of the National Credit Code, Corporations Act and ASIC Act 2001 (Cth) by ME Bank, its directors and/or officers. ME Bank is also engaging with AUSTRAC in relation to ME Bank's compliance with the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) ("**AML/CTF Act**")."

Additionally, as a financial service provider, ME Bank is subject to regulatory oversight and supervision from the Australian Prudential Regulation Authority ("**APRA**") and other regulators, including the Australian Competition & Consumer Commission ("**ACCC**"), including in respect of the implementation of the "Consumer Data Right" commonly referred to as "Open Banking". ME Bank may be subject to further regulatory action in respect of acts or omissions that occurred prior to the completion of the Sale Agreement that may not have been disclosed as part of due diligence.

In this case, there may be circumstances where the indemnity the sellers of ME Bank have provided BOQ does not cover part of or all of the fines and penalties that may be payable to regulators, or customers as a result of remediation programs, in respect of pre-completion breaches of law. Matters resulting in any regulatory action may also lead to the requirement for ME Bank to modify its systems, which also will not be indemnified by the sellers of ME Bank and may adversely affect BOQ's business, operations or financial performance.

ACQUISITION RISKS

(c) Disclosure and insurance risk

The Sale Agreement contains a number of representations, warranties and indemnities, however the warranties and indemnities may not be sufficient to cover the actual liability incurred in connection with any known or unknown liabilities of ME Bank and/or BOQ may not be able to recover from the warranty and indemnity insurer. The warranties and indemnities are also subject to certain financial claims thresholds and other limitations.

Similarly, whilst BOQ went to the warranty and indemnity insurance market and through its warranty and indemnity insurance broker, negotiated arms' length market terms available at the time, there is a risk that certain exclusions under the warranty and indemnity insurance policy may apply.

Any material unsatisfied warranty or indemnity claims could adversely affect BOQ's business, operations or financial performance.

(d) Reliance on information provided

BOQ undertook a due diligence process in respect of the Acquisition, which relied in part on the review of financial and other information provided by ME Bank or discussed at meetings held with ME Bank management. Despite making reasonable efforts, BOQ has not been able to verify the accuracy, reliability or completeness of all the information which was provided.

If any information provided and relied upon by BOQ in its due diligence and preparation of this Presentation proves to be incorrect, incomplete or misleading, there is a risk that the actual financial position and performance of ME Bank and the BOQ Group may be materially different to the expectations and targets reflected in this Presentation.

Investors should also note that there is no assurance that the due diligence conducted was conclusive, and that all material issues and risks in respect of the Acquisition have been identified and avoided or managed appropriately (for example, because it was not always possible to negotiate indemnities or representations and warranties from ME Bank to cover all potential risks or as a result of exclusions in the W&I policy). Therefore, there is a risk that issues and risks may arise which will also have a material impact on the BOQ Group (for example, BOQ may later discover liabilities, defects or gaps which were not identified through due diligence or for which there is no contractual protection for BOQ). This could adversely affect the operations, financial performance or position of BOQ.

(e) Integration and synergies

The Acquisition will be transformational for BOQ's business, operational profile, capital structure and size compared to that of BOQ on a standalone basis. There is a risk that the success and profitability of BOQ following completion could be adversely affected if ME Bank is not integrated effectively. There is a risk that integration could take longer, be more complex or cost more than expected, encounter unexpected challenges or issues, divert management attention or that the anticipated benefits and synergies of the integration may be less than estimated. Possible problems may include:

- delays in regulatory approvals;
- differences in corporate culture between the businesses being integrated;
- lack of capability and talent to deliver integration;
- unanticipated or higher than expected costs, delays or failures relating to integration of businesses, support operations, accounting or other systems;
- unanticipated or higher than expected costs or extensive delays in the planned upgrades, migration, integration and decommission of information technology systems and platforms;
- loss of, or reduction in, key personnel, expert capability or employee productivity, or failure to procure or retain employees;
- failure to derive the expected benefits of the strategic growth initiatives; and
- disruption of ongoing operations of other BOQ businesses.

Any failure to achieve the targeted synergies of integration may impact on the financial performance, operation and position of BOQ Group and the future price of BOQ shares.

ACQUISITION RISKS

(f) BOQ Group's Strategic Growth Projections

There is a risk that existing customers may elect to leave ME Bank and/or that third party channels may withdraw their recommendation or elect not to transfer business to BOQ following Completion. Should this be extensive, this could result in the actual strategic growth position of the BOQ Group being materially different to the expectations reflected in this Presentation.

(g) BOQ Group's Funding Position

There is a risk that deposit customers, debt investors, third parties and other intermediaries who provide funding, credit lines or recommend ME Bank's funding products may elect to withdraw their funds, withdraw their recommendation or elect not to transfer agreements to BOQ following the Acquisition. If the withdrawal of funds or support is material, this could result in the actual funding position and liquidity of the BOQ Group being materially different to the expectations reflected in this Presentation. It also may impact BOQ's credit ratings, cost of funds and access to further funding, which could in turn effect the funding and liquidity position of the BOQ Group and the financial performance of BOQ.

(h) Risks associated with existing contracts and agreements

As part of completion, certain contracts may need to be assigned, transferred or novated from ME Bank to BOQ. ME Bank is a party to certain contractual arrangements containing termination for convenience provisions and change of control provisions that, in the absence of counterparty consent, may be triggered by implementation of the Acquisition. There is a risk of each counterparty refusing or imposing onerous or unacceptable conditions on their consent.

Additionally, there is a risk that contractual arrangements could be terminated, lost or impaired, or renewed or replaced on less favourable terms from time to time. Some of these contractual arrangements can be terminated without cause or on short notice periods (depending on the circumstances). Further, some contractual arrangements may be breached or terminated as a result of the Acquisition or as a result of the proposed funding arrangements for the Acquisition. The breach, termination or non-renewal of material contracts could have adverse consequences for BOQ Group's operational and financial performance or financial condition.

(i) Risks associated with retention of ME Bank employees

Employees employed by ME Bank at the time it is acquired will be covered by the ME Bank Enterprise Agreement or other contractual terms and conditions which may differ to BOQ arrangements. BOQ will have to meet employees existing employment terms and conditions or if those conditions cannot be met because of operational or commercial constraints, BOQ will have to provide commensurately beneficial terms to the employees (this may be financially onerous) or implement variations to terms and conditions of employment (this may result in disputes, or BOQ may not secure the desired changes).

Given there will be cultural differences between ME Bank and BOQ, there is a risk that these differences, if not carefully managed, may lead to a loss of ME Bank employees.

Any inability to retain, attract and motivate key ME Bank employees could adversely impact BOQ's future operating and financial performance.

(j) Impairment of intangible assets

As part of the Acquisition, BOQ will need to perform a fair value assessment of ME Bank's assets (including intangibles) and liabilities. In the event that goodwill or any other intangible assets are required to be impaired under the Australian Accounting Standards post completion, this will result in an additional expense in the income statement of the BOQ Group.

(k) Risks associated with the size of the Acquisition

ME Bank, if acquired by BOQ, will be a material part of BOQ's business. The increased relative exposure to BOQ's businesses could adversely impact BOQ's financial position and performance if ME Bank does not perform as expected.

ACQUISITION RISKS

(l) Funding and underwriting risk

BOQ's intends to fund the Acquisition through the funds raised under the Offer.

BOQ has entered into an Underwriting Agreement with the Underwriters (**Underwriting Agreement** and **Underwriters** defined on slide 62 of this Presentation) pursuant to which the Underwriters have agreed to underwrite the Offer, subject to the terms and conditions of the Underwriting Agreement. If certain conditions are not satisfied or certain customary termination events occur, the Underwriters may terminate the Underwriting Agreement. Those termination events are summarised on slides 62 - 65 of this Presentation. Termination of the Underwriting Agreement could have an adverse impact on the amount of proceeds raised under the Offer, which could result in BOQ not having access to sufficient capital to fund the Acquisition or to undertake integration activities.

As noted above, BOQ may terminate the Sale Agreement if the Underwriting Agreement is terminated by the Underwriters pursuant to the terms and conditions of the Underwriting Agreement and such termination results in BOQ not receiving an amount equal to the underwritten amount (as contemplated by the Underwriting Agreement) by 19 March 2021 (or such other date as agreed). If BOQ terminates the Sale Agreement for this reason, BOQ has agreed to pay the Sellers (in their respective proportions), a break fee of an amount equal to 1% of the base purchase price. In most circumstances this break fee will be the sole recourse of the Sellers against BOQ, however, there may be additional remedies available to the Sellers for termination by BOQ in circumstances where BOQ is at fault.

If BOQ does not or is not able to exercise its termination right under the Sale Agreement, BOQ may need to seek alternative sources of funding to complete the Transaction, which may result in BOQ incurring additional costs (for example, by way of interest payments on debt) and/or potential restrictions being imposed on the manner in which BOQ conducts its business and deals with its assets. There is no guarantee that alternative funding could be sourced on satisfactory terms and conditions or at all. Failure to source alternative funding could result in BOQ being unable to perform its obligations to complete the Acquisition or being unable to implement the proposed integration of ME Bank. Any of these outcomes could have a material adverse impact on BOQ's financial position, prospects and reputation.

(m) Analysis of Acquisition opportunity

BOQ has undertaken financial, tax, legal, commercial and technical analysis of ME Bank in order to determine its attractiveness to BOQ and whether to proceed with the Acquisition. It is possible that despite such analysis and the best estimate assumptions made by BOQ, the conclusions drawn are inaccurate or are not realised. To the extent that the actual results achieved by the Acquisition are different to those indicated by BOQ's analysis, there is a risk that the performance of BOQ following the Acquisition may be different (including in a materially adverse way) from what is reflected in this Presentation.

KEY RISKS ASSOCIATED WITH BOQ'S BUSINESS

BOQ GROUP

The BOQ Group's activities are subject to risks that can adversely impact its business, operations and financial condition. Certain risks and uncertainties that the BOQ Group may face are summarised below.

Additional risks and uncertainties that the BOQ Group is unaware of, or that the BOQ Group currently deems to be immaterial, may also become important factors that affect it. If any of the listed or unlisted risks actually occur, the BOQ Group's business, operations, financial condition, or reputation could be materially and adversely affected, with the result that the trading price of the BOQ Group's equity or debt securities could decline, and investors could lose all or part of their investment.

(a) The Coronavirus (COVID-19) pandemic

On 11 March 2020, the World Health Organisation declared a pandemic following the emergence in China, and subsequent spread to the rest of the world, of a severe acute respiratory illness caused by a novel coronavirus ("**COVID-19**").

The COVID-19 pandemic had a sudden and significant adverse effect on global markets, operations and activity generally. As government measures in Australia and globally continue to be aimed at controlling the spread of COVID-19 such as travel and border restrictions, closure of schools and businesses, restrictions on public gatherings and social distancing, it is expected that these measures will continue to have a prolonged negative impact on global economic activity. This has resulted in and is likely to further result in increased volatility and negative investor sentiment in financial, capital and retail markets both in Australia and globally.

The expected duration and magnitude of COVID-19 and its potential impacts on the economy and financial markets remains unclear however, should the impact of the COVID-19 pandemic be severe or prolonged (including the risk of ongoing geographical lockdowns following community transmission of COVID-19), it may lead to reduced client activity and demand for BOQ's products and services, higher credit and valuation losses in its loan and investment portfolios, impairments of financial assets, trading losses and other negative impacts on its operations, financial position and prospects. This may be more severe in States and Territories which face ongoing periods of lockdowns.

In particular, the volatility and dislocation seen recently in global markets has had a negative impact on certain mark-to-market valuations in the markets and treasury portfolios and may continue to do so. The broader economic impact of the COVID-19 pandemic is expected to impact on asset quality, leading to increased provisioning and risk weights over time. Further, some capital markets continue to be significantly disrupted, despite action taken by central banks, which the BOQ Group would otherwise access to diversify its funding base and maintain adequate capital levels.

Despite government measures and assistance introduced to limit the severity of the impact of COVID-19 on businesses and individuals, including those support measures provided by BOQ to its customers, there is the increased risk that the COVID-19 pandemic will cause customers to experience an adverse financial situation thereby exposing the BOQ Group to an increased risk that those customers will fail to meet their obligations. The extent to which these packages mitigate and/or defer the economic impact, including any credit losses BOQ may incur, is uncertain. The short term measures introduced may also create longer-term risks to the economy and an increase in credit risks facing BOQ.

In addition, the COVID-19 pandemic has disrupted the provision of services, activities and products delivered to the BOQ Group by third party vendors and the timelines of strategic projects and may continue to do so.

With respect to the potential future impacts of the COVID-19 pandemic on BOQ's financial performance, any adjustment or provisioning made by BOQ to reflect the impact of COVID-19 is based on circumstances that continue to evolve, making any definitive assessment difficult. There is a risk that the assessments or stress testing used by BOQ to determine any forward looking adjustments prove to be subsequently incorrect with the impact on the BOQ Group's financial performance or position materially different to that forecasted.

All of the above together with any other epidemics or pandemics that may arise in the future have the ability to impact the BOQ Group's financial performance, financial position, capital resources and prospects.

KEY RISKS ASSOCIATED WITH BOQ'S BUSINESS

BOQ GROUP

(b) Credit risk

As a financial institution, BOQ is exposed to the risks associated with extending credit to other parties. Credit risk is the risk of financial loss arising from a debtor or counterparty failing to meet their contractual debts and obligations or the failure to recover the recorded value of secured assets. Credit risk arises from both BOQ's lending activities as well as markets and trading activities.

BOQ's lending activities cover a broad range of sectors, customers and products, including residential mortgages, consumer loans, commercial loans (including commercial property), equipment finance, vendor finance and other finance products. Less favourable economic or business conditions or a deterioration in commercial and residential property markets, whether generally or in a specific industry sector or geographic region, or external events such as natural disasters and natural hazards (including climatic, biological (such as the COVID-19 pandemic), meteorological or geological) could cause customers to experience an adverse financial situation, thereby exposing BOQ to the increased risk that those customers will fail to meet their obligations in accordance with agreed terms. An increase in the failure of customers to meet their obligations could adversely impact BOQ's financial performance, financial position, capital resources and prospects.

BOQ's markets and trading activities exposes BOQ to counterparty risk on other market counterparties that BOQ may face when entering into transactions such as interest rate swaps or cross currency swaps, should those counterparties be unable to honour their contractual obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. Such counterparty risk is more acute in difficult market conditions where the risk of failure of counterparties is higher which could adversely impact BOQ's financial performance, financial position, capital resources and prospects.

(c) Dependence on the Australian and Queensland economies

BOQ's revenues and earnings are dependent on economic activity and the level of financial services its customers require. In particular, lending is dependent on customer and investor confidence, the state of the economy, the residential lending market and prevailing market interest rates in Australia and in Queensland in particular. These factors are, in turn, impacted by both domestic and international economic and political events, natural disasters and the general state of the global and Australian economy.

A downturn in the Australian or Queensland economy may give rise to an increase in customer defaults, ultimately affecting BOQ's financial performance, profitability and return to investors.

(d) Dependence on real estate markets

Residential and commercial property lending, together with property finance, including real estate development and investment property finance, constitute important businesses to BOQ.

A significant decrease in commercial property valuations or a significant slowdown in Australian commercial real estate markets could result in a decrease in the amount of new lending BOQ is able to write and/or increase the losses that BOQ may experience from existing loans, which in either case, could adversely impact BOQ's financial performance, financial position, capital resources and prospects. The social and economic impacts of the COVID-19 pandemic have the potential to drive a material decline in residential and commercial property prices because, amongst other things, increased unemployment. As a result of the COVID-19 pandemic, increases to rental property arrears and tenant vacancy periods are possible as well as requests for rental relief.

Further, should BOQ's regulators impose new supervisory measures impacting BOQ's residential lending or if Australian housing price growth subsides or property valuations decline, the demand for BOQ's home lending products may decrease, which may adversely affect BOQ's financial performance, financial position, capital resources and prospects.

(e) Climate change risk

BOQ, its customers and external suppliers, may be adversely affected by the physical risks (including possibility of destruction or disruption to human life, physical and natural capital) and socioeconomic impacts (including impacts to liveability, food systems and infrastructure assets) of climate change. As average temperatures rise, there is the possibility of acute hazards, such as floods, storms, heat waves and the occurrence of fires increasing in frequency and severity, and chronic hazards such as droughts and increases in sea levels intensifying. These effects, whether acute or chronic in nature, may directly impact BOQ and its customers through damage to property, reduced asset values, insurance risk and business disruption and may have an adverse impact on BOQ's financial performance (including through an increase in defaults on customers' loans).

KEY RISKS ASSOCIATED WITH BOQ'S BUSINESS

BOQ GROUP

Initiatives to mitigate or respond to adverse impacts of climate change may impact market and asset prices, economic activity, and customer behaviour, particularly in geographic locations and industry sectors adversely affected by these changes. Failure of BOQ to effectively assess and respond to the risks of climate change (including transition to a low carbon footprint) or to be perceived as failing to do so, could adversely affect BOQ's reputation which in turn could adversely affect BOQ's financial performance, financial position, capital resources and prospects.

In addition, natural disasters as a result of climate change such as (but not restricted to) cyclones, floods and earthquakes, and the economic and financial market implications of such disasters on domestic and global market conditions could adversely impact BOQ's financial performance, financial position, capital resources and prospects.

(f) Environmental risk

BOQ and its customers operate businesses and hold assets in a diverse range of sectors, asset types and geographical locations which are exposed to environmental risks as well as risks related to climate change, which is a growing risk to both BOQ and the Australian and global economies.

Environmental risks may arise from lending to customers in certain industries or taking possession of collateral with environmental damage. A failure to manage these risks and respond appropriately could adversely impact BOQ's reputation and financial performance.

(g) Disruption to financial markets

In recent years, global credit and equity markets have experienced periods of uncertainty, followed by periods of stability and low volatility. More recently, financial markets globally have been impacted by the COVID-19 pandemic (see risk factor titled "The Coronavirus (COVID-19) Pandemic" for further details), which has seen governments and central banks around the world implement both monetary and fiscal policy to reduce volatility and increase liquidity in financial markets, whilst also promoting growth to severely impacted economies.

The monetary policy tools utilised have included quantitative easing, including the lowering of interest rates, which can result in challenging market conditions when major central banks begin the process of normalising monetary policy settings in future years.

The uneven pace of global economic growth, global unemployment and labour market slack, and the risk of asset bubbles as a result of easing monetary and fiscal policy, all pose risks to global financial markets. There are also significant and ongoing global political and geopolitical developments, or the consequences of such developments, that have the potential to cause, or are causing, conflict and/or impact major global economies, including Brexit and the introduction of tariffs and other protectionist measures by various countries such as the US and China. A shock to one of the major global economies could result in currency and interest rate fluctuations, operational disruptions and dislocation in financial markets that negatively impact the BOQ Group.

Financial markets globally may also be disrupted by future biological hazards, pandemics and contagious diseases.

Any such market and economic disruptions could have an adverse effect on financial institutions such as the BOQ Group because consumer and business confidence may decrease, unemployment may rise and demand for the products and services the BOQ Group provides may decline, thereby reducing the BOQ Group's earnings. These conditions may also affect the ability of its borrowers to repay their loans, or the BOQ Group's counterparties to meet their obligations, causing it to incur higher credit losses. These events could also result in the undermining of confidence in the financial system, reducing liquidity and impairing the BOQ Group's access to funding and impairing its customers and counterparties and their businesses.

The nature and consequences of any such event are difficult to predict and there can be no guarantee that the BOQ Group could respond effectively to any such event. Any such event and/or the effectiveness of the BOQ Group's response could adversely affect the BOQ Group's financial performance, financial position, capital resources and prospects.

(h) Funding and liquidity risk

Financial institutions (including the BOQ Group) are currently subject to global credit and capital market conditions, which experienced extreme volatility, disruption and decreased liquidity following the global financial crisis and the more recent COVID-19 market disruptions.

KEY RISKS ASSOCIATED WITH BOQ'S BUSINESS

BOQ GROUP

If market conditions deteriorate due to economic, financial, political, health or other reasons, the BOQ Group's funding costs may be adversely affected and its liquidity and its funding of lending activities may be constrained. There is no assurance that the BOQ Group will be able to obtain adequate funding at acceptable prices or at all.

Funding and liquidity risk is the risk that the BOQ Group, although balance sheet solvent, cannot meet or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms. Funding risk can occur due to an increase in competition for funding, or a change in risk premiums required by investors, which cause an increase in funding costs or increased difficulty accessing funding markets. The BOQ Group mitigates this risk by sourcing a diversified investor base through a number of different funding programmes in a number of different markets. Additionally, the BOQ Group's 'Contingent Funding Plan' is used to manage this risk.

BOQ maintains a portfolio of high quality, diversified liquid assets to facilitate balance sheet liquidity needs and meet internal and regulatory requirements. BOQ raises funding from a variety of sources, including customer deposits and wholesale funding in Australia and offshore markets to meet its funding obligations and to maintain or grow its business generally. If confidence in BOQ is damaged and BOQ's sources of funding prove to be insufficient or so expensive as to be uncompetitive, it may be forced to seek alternative funding arrangements or curtail its business operations and limit loan growth. The BOQ Group may also experience challenges in managing its capital base, which could give rise to greater volatility in capital ratios. The ability for BOQ to secure alternative funding will depend on a variety of factors, including prevailing market conditions, the availability of credit and BOQ's credit ratings.

The financial performance of the BOQ Group may also be significantly impacted by changes in monetary policy both in Australia and globally through the impact of broader economic conditions, as well as the change in stimulus provided by central banks. The actions of central banks, such as interest rate settings (including very low and negative interest rates) and quantitative easing, can potentially impact the BOQ Group's access to funding markets, liquidity levels, cost of funding, margin on products and, as a result, could adversely impact the BOQ Group's financial performance, financial position, capital resources and prospects.

(i) Challenges in managing BOQ's capital base

BOQ's capital base is critical to the management of its businesses and access to funding. BOQ is required by APRA to maintain adequate regulatory capital. Capital risk is the risk that BOQ does not hold sufficient capital and reserves to cover exposures and to protect against unexpected losses.

Under current regulatory requirements, risk-weighted assets and expected loan losses increase as a counterparty's risk grade worsens. These additional regulatory capital requirements compound any reduction in capital resulting from increased provisions for loan losses and lower profits in times of stress. As a result, greater volatility in capital ratios may arise and may require BOQ to raise additional capital. There can be no certainty that any additional capital required would be available or could be raised on reasonable terms.

(j) Credit ratings risk

Credit ratings are opinions on the BOQ Group's creditworthiness. The BOQ Group's credit ratings affect the cost and availability of its funding from capital markets and other funding sources and they may be important to customers or counterparties when evaluating its products and services. Therefore, maintaining high quality credit ratings is important.

The credit ratings assigned to the BOQ Group and its subsidiaries by rating agencies are based on an evaluation of a number of factors, including financial strength, support from members of the BOQ Group and structural considerations regarding the Australian financial system. A credit rating downgrade could be driven by the occurrence of one or more of the other events identified as risks in this section of the Presentation or by other events, including changes to the methodologies used by the rating agencies to determine ratings.

If BOQ fails to maintain its current credit ratings, this could adversely affect the BOQ Group's cost of funds and related margins, competitive position and its access to capital and funding markets. This could adversely affect the BOQ Group's businesses, financial performance, liquidity, capital resources, financial condition and prospects. The extent and nature of these impacts would depend on various factors, including the extent of any ratings change, whether the ratings of BOQ differ among agencies (split ratings) and whether any ratings changes also impact the BOQ Group's peers or the banking and insurance sectors.

KEY RISKS ASSOCIATED WITH BOQ'S BUSINESS

BOQ GROUP

(k) Market risk

The BOQ Group is exposed to market risk as a consequence of both its investments and trading activities in financial markets and through the asset and liability management of its balance sheet. The BOQ Group is exposed to losses arising from adverse movements in levels and volatility of market factors, including interest rates, foreign exchange rates, equity prices and credit spreads.

The BOQ Group, through its investment portfolios, is exposed to risk and volatility in the markets, securities and other assets in which it invests. Those risks include, but are not limited to:

- *Interest rate risk* arising from a variety of sources, including mismatches between the repricing periods of assets and liabilities and the investment of the low cost deposit and capital portfolio. As a result of these mismatches, movements in interest rates may affect earnings or the value of the BOQ Group;
- *Currency risk*, i.e. the risk of loss of earnings or reduction in asset values due to adverse movements in foreign exchange rates;
- *Basis risk* arising where the cash rate and bank bill rates do not move in tandem which arises primarily from variable retail assets repricing off the cash rate whilst the wholesale funding liabilities price off the bank bill rates. As a result of these mismatches between the base rate that assets price off and the base rate that liabilities price off, movements in basis markets may affect earnings or the value of the BOQ Group;
- *Asset/liability risk*, i.e. the risk that the value of an investment portfolio will decrease relative to the value of the liabilities as a result of fluctuation in investment factors including share prices, interest rates, credit spreads, counterparty default, exchange rates or commodity prices; and
- *Liquidity risk*, including that assets cannot be sold without a significant impairment in value.

Such risks can be heightened during periods of high volatility, market disruption and periods of sustained low interest rates and if the BOQ Group was to suffer substantial losses due to any market volatility, it could adversely affect the BOQ Group's financial performance, financial position, capital resources and prospects.

(l) Regulatory legal and compliance risk

Regulation in Australia

As a financial services provider, BOQ is subject to substantial regulatory and legal oversight in Australia. The key agencies with regulatory oversight of BOQ and its subsidiaries include APRA, the Reserve Bank of Australia, the ACCC, ASX, ASIC, the AUSTRAC and the Australian Taxation Office ("ATO").

Global economic conditions have led to increased supervision and regulation, as well as changes in the regulation in markets in which BOQ and the BOQ Group operate, particularly for financial institutions, and will lead to further significant changes of this kind. In addition, regulation is becoming increasingly extensive and complex and some areas of regulatory change involve multiple jurisdictions seeking to adopt a coordinated approach or certain jurisdictions seeking to expand the territorial reach of their regulation. For example, the current political and regulatory environment that the BOQ Group is operating in has also seen (and may in the future see) BOQ's regulators receive new powers. As an example, legislation was passed by the Australian Parliament that provided ASIC with a product intervention power, which enables ASIC to make orders that prevent issuers of financial products from engaging in certain conduct. Additionally, BOQ may be impacted by changes enacted by these regulators in response to the ongoing COVID-19 pandemic. The nature and extent of these future changes and impacts cannot be predicted with any certainty but the impact for BOQ is not likely to be greater than it is for any other financial institution.

In addition, legislation has been passed that broadens the range of misconduct that can attract a civil penalty. In particular, ASIC can commence civil penalty proceedings and seek significant civil penalties against an Australian Financial Services licensee (such as BOQ) for failing to do all things necessary to ensure that financial services provided under the licence are provided efficiently, honestly and fairly. This trend towards increasingly the scope of penalties for failing to meet compliance obligations could continue in the future and be expanded into other areas of regulation that the BOQ Group is subject to. This is evident in the Financial Sector Reform (Hayne Royal Commission Response) Bill 2020 which was passed on 10 December 2020.

Changes may also occur in the oversight approach of regulators, which could result in a regulator preferring its enforcement powers over a more consultative approach. In recent years, there have been significant increases in the nature and scale of regulatory investigations, enforcement actions and the quantum of fines issued by global regulators.

KEY RISKS ASSOCIATED WITH BOQ'S BUSINESS

This dynamic is apparent, with ASIC committing to conducting more enforcement actions against large financial institutions and adopting a 'why not litigate?' enforcement stance. ASIC has also continued to implement its 'Close and Continuous Monitoring' program, which has seen ASIC proposing to have staff embedded within the institutions they supervise which could include BOQ. While on-site visits are currently paused due to Covid-19, ASIC expects on-site visits to recommence in due course.

APRA has stated that it will use enforcement where appropriate to prevent and address serious prudential risks and hold entities and individuals to account. The current environment may see a shift in the nature of enforcement proceedings commenced by regulators. As well as conducting more civil penalty proceedings, BOQ's regulators may be more likely to bring criminal proceedings against institutions and/or their representatives in the future. Alternatively, regulators may elect to make criminal referrals to the Commonwealth Department of Public Prosecutions or other prosecutorial bodies.

The provision of new powers to regulators, coupled with the increasingly active supervisory and enforcement approaches adopted by them, increases the risk of adverse regulatory action being brought against the BOQ Group. Further, the severity and consequences of that action may now be greater, given the expansion of penalties for corporate and financial sector misconduct. Regulatory action brought against the BOQ Group may expose the BOQ Group to an increased risk of litigation brought by third parties (including through class action proceedings), which may require the BOQ Group to pay compensation to third parties and/or undertake further remediation activities.

The nature and impact of future changes are not predictable and are beyond BOQ's control and there is operational and compliance risk and cost associated with the implementation of any new laws and regulations that apply to BOQ as a financial institution. In particular, changes in applicable laws, regulations, government policies or accounting standards, including changes in interpretation or implementation of laws, regulations, government policies or accounting standards could adversely affect one or more of BOQ Group's businesses and could require BOQ and/or the BOQ Group to incur substantial costs. Further impacts include required levels, or the measurement, of bank liquidity and capital adequacy, limiting the types of financial services and products that can be offered, and/or reducing the fees which banks can charge on their financial services. APRA may introduce new prudential regulations or modify existing regulations, including those that apply to BOQ as an Authorised Deposit-taking Institutions ("ADI"). Any such event could adversely affect the business or financial performance of the BOQ Group. Any new or amended rules may result in changes to BOQ's capital adequacy ratio.

BOQ is responsible for ensuring that it complies with all applicable legal and regulatory requirements (including accounting standards, where applicable, as well as rules and regulations relating to corrupt and illegal payments and money laundering) and industry codes of practice (such as the Banking Code of Practice), as well as meeting its ethical standards. The failure to comply with applicable regulations could result in suspensions, restrictions of operating licences, fines and penalties or limitations on its ability to do business. They could also have adverse reputational consequences. These costs, expenses and limitations could have an adverse effect on BOQ's and the BOQ Group's financial performance, financial position, capital resources and prospects. The legal and regulatory requirements described above could also adversely affect the profitability and prospects of BOQ and the BOQ Group or their businesses to the extent that they limit BOQ's and BOQ Group's operations and flexibility of BOQ's and BOQ Group's businesses. The nature and impact of future changes in such requirements are not predictable and are beyond BOQ's and the BOQ Group's control.

Significant domestic and global legislative and regulatory developments and industry reforms which will, or may, impact on the BOQ Group's operations in Australia are further set out below. Depending on the nature, implementation or enforcement of any regulatory requirements, they may have an adverse impact on BOQ's financial performance, financial position, capital resources and prospects.

The nature, timing and impact of future regulatory reforms or changes are not predictable and are beyond the BOQ Group's control. Regulatory compliance and the management of regulatory change is an increasingly important part of the BOQ Group's strategic planning. Regulatory change may also impact the BOQ Group's operations by requiring it to have higher levels, and better quality of capital as well as place restrictions on the businesses the BOQ Group operates or require the BOQ Group to alter its product or service offerings. If regulatory change has any such effect, it could adversely affect one or more of the BOQ Group's businesses, restrict its flexibility, require it to incur substantial costs and impact the profitability of one or more of the BOQ Group's businesses.

Banking Executive Accountability Regime

The *Treasury Laws Amendment (Banking Executive Accountability and Related Measures) Act 2018* (Cth) ("**BEAR**" or "**BEAR Legislation**") established accountability obligations for ADIs and their senior executives and directors. The BEAR Legislation applied to BOQ from 1 July 2019.

KEY RISKS ASSOCIATED WITH BOQ'S BUSINESS

The Royal Commission recommended implementing the Financial Accountability Regime ("**FAR**") to replace BEAR. FAR will have BEAR-like accountability requirements and will apply to other APRA-regulated entities and directors/senior executives. It is also proposed that civil penalties for breach be increased and that individual penalties be introduced.

The Australian Government has announced a delay of six months to the implementation of the Royal Commission recommendations including FAR. The Government now intends to introduce legislation to implement the FAR by 30 June 2021, with a public consultation on the draft legislation in the first quarter of 2021.

Primary risks to the BOQ Group potentially emerging from the introduction of the FAR relate to the substantial penalties for breaching the FAR legislation (which are representative of the already substantial penalties in place for BEAR), and the ability to attract and retain high quality executives.

Royal Commission into misconduct in the banking, superannuation and financial services industry

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry ("**Royal Commission**") was established on 14 December 2017 and conducted through 2018 and 2019. The Commissioner, the Honourable Kenneth Hayne AC QC, submitted an Interim Report to the Governor-General on 28 September 2018 which was tabled in Parliament on 28 September 2018. The final report was submitted to the Governor-General on 1 February 2019 and was tabled in Parliament on 4 February 2019.

The Australian Government and regulators have accepted the majority of the recommendations from the Royal Commission and are in the process of implementing them. The Royal Commission has led to, and may continue to lead to, regulatory enforcement activity, litigation and changes in laws, regulations or regulatory policy and has resulted in, and may continue to result in, reputational damage to the banking industry, all of which has had, and may continue to have, an adverse effect on the banking industry's business.

The nature, timing and impact of future regulatory reforms or changes are not predictable and are beyond the BOQ Group's control. Regulatory compliance and the management of regulatory change is an increasingly important part of the BOQ Group's strategic planning. Regulatory change may also impact the BOQ Group's operations by requiring it to have higher levels, and better quality of capital as well as place restrictions on the businesses the BOQ Group operates or require the BOQ Group to alter its product or service offerings. If regulatory change has any such effect, it could adversely affect one or more of the BOQ Group's businesses, restrict its flexibility, require it to incur substantial costs and impact the profitability of one or more of the BOQ Group's businesses. Any such costs or restrictions could adversely affect BOQ's businesses, financial performance, liquidity, capital resources, financial condition and prospects.

In May 2020, the Australian Government announced a six month deferral to the implementation of commitments associated with the Royal Commission recommendations to allow the industry to focus its efforts on supporting bank customers and the economy more broadly during the COVID-19 pandemic.

Financial Crime Obligations

The BOQ Group is subject to anti-money laundering and counter-terrorism financing ("**AML/CTF**") laws, anti-bribery and corruption laws, economic and trade sanctions laws and tax transparency laws in the jurisdictions in which it operates. Financial Crime Obligations The BOQ Group is subject to AML/CTF laws, anti-bribery and corruption laws, economic and trade sanctions laws and tax transparency laws in the jurisdictions in which it operates. These laws can be complex and, in some circumstances, impose a diverse range of obligations. Specifically, under the AML/CTF Act and the Anti-Money Laundering and Counter Terrorism Financing Rules Instrument 2007 (No.1) the BOQ Group must have in place an AML/CTF program ("**Program**") specifying how the BOQ Group complies with the AML/CTF legislation. The purpose of the Program is to identify, mitigate and manage the risk the BOQ Group may reasonably face through the provision of any designated service offered by any member of the BOQ Group. The Program must consist of two parts, 'Part A' which defines how the processes and procedures help identify, mitigate and manage AML/CTF risks and 'Part B' which focuses on the procedures to identify customers and verify a customer's identify before BOQ can offer any designated services. The BOQ Group, under its Program, is also required to conduct ongoing due diligence on customers and undertake ongoing risk assessments. AML/CTF laws also require BOQ to report certain matters and transactions to regulators (including in relation to International Funds Transfer Instructions, Threshold Transaction Reports and Suspicious Matter Reports) and ensure that certain information is not disclosed to third parties in a way that would contravene the 'tipping off' provisions in AML/CTF legislation. The Program is to be approved by the Board, be reviewed annually and must be regularly independently reviewed. An independent review of BOQ's program was conducted in 2020.

In recent years there has been increased focus on compliance with financial crime obligations, with regulators around the globe commencing large-scale investigations and taking enforcement action where they have identified noncompliance (often seeking significant monetary penalties). As reported in BOQ Group's 2020 Annual Report and 2019 Annual Report, in 2018 BOQ received a compliance assessment report from the AUSTRAC which identified potential compliance contraventions of the AML/CTF legislation. BOQ continues to engage, consult with and update AUSTRAC about the progress that has been made in relation to BOQ's AML/CTF systems, program and controls in response to the issues identified in the report.

KEY RISKS ASSOCIATED WITH BOQ'S BUSINESS

BOQ GROUP

Due to the volume of transactions that the BOQ Group processes, the undetected failure or the ineffective implementation, monitoring or remediation of a system, policy, process or control (including in relation to a regulatory reporting obligation) could result in breaches of AML/CTF obligations. This in turn could lead to significant monetary penalties. If BOQ fails, or where BOQ has failed, to comply with these obligations, BOQ could face regulatory enforcement action such as litigation, significant fines, penalties and the revocation, suspension or variation of licence conditions.

Non-compliance with financial crime obligations could also lead to litigation commenced by third parties (including class action proceedings) and cause reputational damage. These actions could, either individually or in aggregate, adversely affect BOQ's business, prospects, reputation, financial performance or financial condition.

Crisis Management Risk

The Financial System Inquiry report recommended that APRA's crisis management powers be expanded. On 5 March 2018, the *Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Act 2018* (Cth) (the "**Crisis Management Act**") came into effect. The Crisis Management Act amends the *Banking Act 1959* (Cth) ("**Banking Act**") (among other statutes applicable to financial institutions in Australia) and is intended to enhance certain APRA powers. Specifically, the Crisis Management Act enhances APRA's powers to facilitate the orderly resolution of the entities it regulates (and their subsidiaries) in times of distress. Additional powers given to APRA under the Crisis Management Act which could impact BOQ include greater oversight, management and directions powers in relation to BOQ, increased statutory management powers over regulated entities within the BOQ Group and changes which are designed to give statutory recognition to the conversion or write-off of regulatory capital instruments.

Consumer Data Right/ Open Banking

The Australian Government passed legislation in August 2019 to establish a "Consumer Data Right" which seeks to improve consumers' ability to compare and switch between products and services. The Consumer Data Right is being introduced in the banking sector in phases. These reforms (referred to as "Open Banking") are expected to reduce the barriers to new entrants into, and increase competition in, the banking industry in Australia.

Ongoing competition for customers can lead to compression in profit margins and loss of market share, which may ultimately impact the BOQ's financial performance and position. Open Banking's regulatory timelines require changes to BOQ's operations and technology. There is a risk that BOQ does not achieve compliance with the set milestones for the complete implementation of Open Banking. Open Banking may also lead to cyber and fraud risks in the Consumer Data Right ecosystem. Governance mechanisms including accountabilities, controls and frameworks are still evolving and, under the Open Banking regime, customer data will be shared with a broader range of stakeholders. The significant resources and management time required to implement Open Banking may also have a flow-on effect, impacting BOQ's timely implementation of other regulatory reforms and its transformation agenda.

International regulation

There continues to be proposals and changes by global regulatory advisory and standard-setting bodies, such as the International Association of Insurance Supervisors, the Basel Committee on Banking Supervision ("**BCBS**") and the Financial Stability Board, which, if adopted or followed by domestic regulators, may increase operational and capital costs or requirements (see "*Basel III*" below for further information).

The BOQ Group's businesses may also be affected by changes to the regulatory framework in other jurisdictions, including the cost of complying with regulation that has extra-territorial application such as the *Bribery Act 2010* (UK), FATCA (US), General Data Protection Regulation (EU), Dodd–Frank Wall Street Reform (US) and *Consumer Protection Act 2010* (US) and other reforms.

There has also been increased regulator expectation and focus in relation to a number of other areas such as data quality and controls, governance and culture and conduct. Changes in international regulation could increase costs and or restrict BOQ from operating in certain businesses, which could adversely impact BOQ's financial performance, financial position, capital resources and prospects.

Regulatory review and investigations

From time to time, BOQ may be exposed to regulatory reviews or investigations. The nature of those reviews and investigations are wide ranging and, for example, include a range of matters including responsible lending practices, risk governance, product suitability, and conduct in financial markets and capital markets transactions. Currently, APRA has indicated that it is likely to schedule a retail credit risk, technology risk review, and a tripartite review of CPS234 with BOQ over the next 12 months in addition to industry thematic reviews focused on aspects of risk governance.

Although BOQ intends to comply with all regulatory reviews and investigations, the outcomes of these reviews and investigations are uncertain. If any of these reviews lead to legislative or other regulatory change, this could have an impact on BOQ's business. In addition, enforcement action may result in fines, remediation or other regulatory action or reputation impacts, which could have an adverse impact on the overall financial position and performance of BOQ.

KEY RISKS ASSOCIATED WITH BOQ'S BUSINESS

Basel III

Basel III is a comprehensive set of reform measures, developed by the BCBS, to strengthen the regulation, supervision and risk management of the banking sector globally.

The International Standards for Basel III have been finalised, however, certainty around BOQ's capital requirements won't be known until APRA outlines its jurisdictional approach to their implementation in Australia. A significant recalibration of risk-weighted assets ("**RWAs**") was initially expected under the requirements of the APRA discussion paper "Revisions to the capital framework for authorised deposit-taking institutions" issued 14 February 2018. APRA released its "Response to Submissions – Revisions to the Capital Framework of Authorised Deposit Taking Institutions" on 12 June 2019. There have been subsequent discussion papers and a quantitative impact study across the industry.

On 19 July 2017, APRA released its discussion paper on its approach to meeting the Financial Systems Enquiry "Unquestionably Strong" ("**UQS**") recommendation. The paper outlines APRA's key considerations for calibrating prudential limits across the industry, including the requirements for:

- Standardised banks to hold an extra 50 basis points on their Prudential Capital Requirement ("**PCR**") in addition to the Capital Conservation Buffer ("**CCB**") limits; and
- Advanced banks to hold an additional 100 basis points of capital more than standardised banks and those that are also domestic systemically import banks ("**DSIBs**"), a further 100 basis points (total of 200 basis points higher). The market expectation is that the major banks will target a 10.5% CET1 ratio.

This announced change for UQS effectively increases BOQ's CET1 minimum by 50 basis points. APRA expected that ADIs would meet UQS requirements by 1 January 2020. BOQ is adopting a management target range for CET1 between 9.0% and 9.5% until the final impacts of APRA's RWA and capital calibration are understood.

Discussions held with APRA subsequent to the release of the UQS paper have indicated that for standardised ADIs, it is likely that the 50 basis point increase in requirements will be as a result of changes to risk weights under the revisions to prudential standards, rather than just being added on as an increase to PCR or the CCB. The 50 basis points presented in their paper was intended to provide a benchmark to assist in capital planning ahead of the implementation of APRA framework changes in 2022, with the actual change based on each individual ADI's exposures. Changes to regulatory capital requirements could adversely impact BOQ's financial performance, financial position, capital resources and prospects.

On 19 March 2020 APRA advised all banks that, given the prevailing circumstances, it envisages they may need to utilise some of their current large buffers to facilitate ongoing lending to the economy. This is especially the case for banks wishing to take advantage of new facilities announced on 19 March 2020 by the Reserve Bank of Australia to promote the continued flow of credit. Provided banks are able to demonstrate they can continue to meet their various minimum capital requirements APRA will not be concerned if they were not meeting the additional benchmarks announced in 2017 during the period of disruption caused by COVID-19.

On 30 March 2020, APRA announced that the implementation of capital reforms would be delayed by 1 year to 1 January 2023.

On 8 December 2020, APRA released for consultation changes to the ADI capital framework aimed at embedding 'unquestionably strong' levels of capital, improving the flexibility of the framework, and improving the transparency of ADI capital strength. The consultation is a continuation of a process that responds to the Financial System Inquiry recommendations and ensures Australian banks meet the internationally agreed Basel III requirements. Given the Australian banking sector is well-capitalised, the proposed changes are not expected to require ADIs to raise additional capital. Final consultation closes 1 April 2021 with APRA indicating the final standards are expected late 2021.

(m) Regulatory fines and sanctions

The upward trend in compliance breaches by global banks and the related fines and settlement sums means that these risks continue to be an area of focus for BOQ.

KEY RISKS ASSOCIATED WITH BOQ'S BUSINESS

In particular, the risk of non-compliance with anti-money laundering, counter-terrorist financing and sanction laws remains high given the current environment in which BOQ operates. Failure to develop and implement a robust Financial Crime Compliance Framework to combat AML/CTF, bribery and corruption or to ensure economic and trade sanction laws as well as market conduct laws and regulations could have serious legal, financial, and reputational consequences for the BOQ Group and its employees. Consequences could include fines, criminal and civil penalties (including custodial sentence), civil claims, reputational harm and possible limitations or amendments to the BOQ Group banking licence along with limitations on doing business in certain jurisdictions.

In addition, there are increased number of civil penalty provisions under the Corporations Act included with the passage of the *Financial Sector Reform (Hayne Royal Commission Response) Bill 2020* on 10 December 2020 which increases focus required on regulatory compliance.

(n) Customer remediation risk

Operational risk, technology risk, conduct risk or compliance risk events have required, and could in the future require, BOQ to undertake customer remediation activity. BOQ relies on a large number of policies, processes, procedures, systems and people to conduct its business. Breakdowns or deficiencies in one of these areas (arising from one or more operational risk, technology risk, conduct risk or compliance risk events) have resulted, and could in the future result in, adverse outcomes for customers which BOQ is required to remediate.

These events could require BOQ to incur significant remediation costs (which may include compensation payments to customers, costs associated with correcting the underlying issue and costs associated with obtaining assurance that the remediation has been conducted appropriately) and result in reputational damage.

There are significant challenges and risks involved in customer remediation activities. BOQ's ability to investigate an adverse customer outcome that may require remediation could be impeded if the issue is a legacy matter spanning beyond BOQ's record retention period, or if BOQ record keeping is otherwise inadequate. Depending on the nature of the issue, it may be difficult to quantify and scope the remediation activity.

Determining how to properly and fairly compensate customers can also be a complicated exercise involving numerous stakeholders, such as the affected customers, regulators and industry bodies. BOQ's proposed approach to a remediation may be affected by a number of events, such as a group of affected customers commencing class action proceedings on behalf of the broader population of affected customers, or a regulator exercising their powers to require that a particular approach to remediation be taken. These factors could impact the cost of, and timeframe for, completing the remediation activity, potentially resulting in BOQ failing to execute the remediation in a timely manner. A failure of this type could lead to a regulator commencing enforcement action against BOQ or result in customer or class action litigation against BOQ. The ineffective or slow completion of a remediation also exposes BOQ to reputational damage, with BOQ potentially being criticised by regulators, affected customers, the media and other stakeholders, resulting in reputational damage.

The significant challenges and risks involved in scoping and executing remediations in a timely way also create the potential for remediation costs actually incurred to be higher than those initially estimated by BOQ.

If BOQ cannot effectively scope, quantify or implement a remediation activity in a timely way, there could be an adverse impact to BOQ's financial performance, financial position, capital resources and prospects.

(o) Operational risk

Operational risk is the risk of loss, other than those captured in the credit and market risk categories, resulting from inadequate or failed internal processes, people or systems (including information security systems), or from external events. The BOQ Group is exposed to a variety of risks including those arising from process error, fraud, technology failure, security and physical protection, franchise agreements entered into with owners of OMBs, customer services, staff skills, workplace safety, compliance, business continuity, crisis management, processing errors, mis-selling of products and services and performance and product development and maintenance. Financial crime, in particular, is an inherent risk within the financial services industry. In response to COVID-19, a proportion of BOQ's workforce is now working from home. This exposes BOQ to additional operating risk, including increased risk of fraud, technology and related risks and employee health and safety risks.

KEY RISKS ASSOCIATED WITH BOQ'S BUSINESS

BOQ manages these operational risks through appropriate reporting lines, defined responsibilities, policies and procedures and an operational risk framework incorporating regular risk monitoring and reporting by each business unit. Operational risks are documented in a centralised risk database which provide the basis for business unit and bank-wide risk profiles, the latter being reported to the BOQ Risk Committee on a regular basis. Although these steps are in place, there is no guarantee that the BOQ Group will not suffer loss as a result of these risks (and an inherent risk also exists due to systems and internal controls failing to identify or prevent losses relating to these operational risks). Such losses can include fines, penalties, loss or theft of funds or assets, customer compensation, loss of shareholder value, reputational losses, loss of life or injury to people and loss of property and information. Loss from such risks could affect the BOQ Group's financial performance, financial position capital resources and prospects.

The BOQ Group includes a number of subsidiaries that are trading entities. Dealings and exposures between the members of the BOQ Group (which principally arise through the provision of administrative, corporate and distribution services, as well as through the provision of funding and equity contributions) also give rise to a risk of loss to BOQ.

(p) Reputational risk

Reputation risk may arise through the actions of BOQ or other financial services market participants and adversely affect perceptions of BOQ held by the public, holders of its securities, regulators or rating agencies. These issues include inappropriately dealing with potential conflicts of interests, pricing policies, legal and regulatory requirements, ethical issues, litigation, money laundering laws, employment laws, trade sanctions legislation, privacy laws, information security policies, sales and trading practices, technology failures, security breaches and risk management failures. Damage to BOQ's reputation may have an adverse impact on BOQ's financial performance, financial position, capital resources and prospects.

(q) Changes in technology

In order to continue to deliver new products and better services to customers, comply with regulatory obligations (such as obligations to report certain data and information to regulators) and meeting the demands of customers in a highly competitive banking environment, BOQ needs to regularly renew and enhance its technology.

Currently there are a number of large key strategic technology programs underway, that form a key component of BOQ's overarching strategy to simplify and modernise its technology infrastructure, application and operations environment. These programs of work comprise both remedial activity to ensure the technology environment remains secure and stable, and transformational activity to drive customer growth such as the build-out of a new digital bank.

Failure to successfully deliver these projects could result in substantial cost overruns, unrealised productivity, operational and system instability, failure to meet compliance obligations, reputational damage and/or result in the loss of market share to competitors.

The delivery of these technology programs can have a direct impact to the BOQ Group's financial performance.

(r) Cyber security risks

BOQ is highly dependent on information systems and technology. Therefore, there is a risk that these, or services BOQ uses or is dependent upon, might fail, including because of unauthorised access or use. Most of BOQ's daily operations are computer-based and information systems applications and technology are essential to maintaining effective communications with customers. BOQ is also conscious that threats to information systems applications and technology are continuously evolving and cyber threats and risk of attacks are increasing.

Cyber security means protecting the cyber environment and information from threats including unauthorised access, use, disclosure, disruption, modification, perusal, inspection, recording or destruction. By its nature, BOQ handles a considerable amount of personal and confidential information about its customers. The exposure to systems risks include the complete or partial failure of information technology systems due to, among other things, failure to keep pace with industry developments and the capacity of the existing systems to effectively accommodate growth, prevent unauthorised access and integrate existing and future acquisitions and alliances. There is a risk that information may be inadvertently or inappropriately accessed or distributed or illegally accessed or stolen.

KEY RISKS ASSOCIATED WITH BOQ'S BUSINESS

To manage these risks, BOQ employs a cyber security team which is responsible for the development and implementation of BOQ's information security policies, operational procedures and cyber security specialist partners. BOQ is conscious that threats to cyber security are continuously evolving and as such BOQ conducts regular internal and external reviews to ensure new threats are identified, evolving risks are mitigated, policies and procedures are updated and good practice is maintained. However, BOQ may not be able to anticipate all attacks as they may be dynamic in nature or implement effective measures to prevent or minimise disruptions that may be caused by all cyber threats because the techniques used can be highly sophisticated and those perpetuating the attacks may be well resourced. As there can be no guarantee that the steps taken by BOQ to manage the risks will be fully effective, any failure of these systems could result in business interruption, customer dissatisfaction, legal or regulatory breaches and liability, loss of customers, financial compensation, damage to reputation and/or a weakening of BOQ's competitive position, which could adversely impact BOQ's financial performance, financial position, capital resources and prospects.

(s) Failure to recruit and retain key executives, employees and Directors

Key executives, employees and Directors play an integral role in the operation of BOQ's business and its pursuit of its strategic objectives. The unexpected departure of an individual in a key role, or BOQ's failure to recruit and retain appropriately skilled and qualified persons into these roles, could each have an adverse effect on BOQ's business, prospects, reputation, financial performance or financial condition.

(t) Failure of risk management strategies

The BOQ Group has implemented risk management strategies and internal controls involving processes and procedures intended to identify, assess, measure, monitor, report and mitigate the risks to which it is subject as noted above.

However, there are inherent limitations with any risk management framework as there may exist, or develop in the future, risks that the BOQ Group has not anticipated or identified or controls that may not operate effectively.

If any of the BOQ Group's risk management processes and procedures prove ineffective or inadequate or are otherwise not appropriately implemented, the BOQ Group could suffer unexpected losses and reputational damage which could adversely impact the BOQ Group's financial performance, financial position, capital resources and prospects.

(u) Breach of industrial practices

Failure by an employer to comply with relevant employment laws, awards or enterprise agreements can lead to potential regulatory investigations or enforcement actions or other civil or criminal fines or penalties. As disclosed on 29 September 2020, BOQ identified irregularities in superannuation payments and potential underpayment and entitlement issues relating to employees employed under the 2010, 2014 and 2018 Enterprise Agreements.

While BOQ has undertaken significant work, with the assistance of external third parties, to estimate the likely costs to remediate any underpayments plus associated costs, the work and analysis, together with ongoing engagement with the Fair Work Ombudsman ("**FWO**") and Financial Services Union, will continue throughout 2021. Accordingly, there is a risk that the full impact may differ from the amount for which BOQ has currently provisioned. Given the time required to undertake this work and the FWO deliberations, it is not yet possible to fully determine what enforcement action, if any, FWO may take but could include an enforceable undertaking.

There is also a risk of further regulatory enforcement action and associated penalty payments in relation to these underpayments for which BOQ has included an estimate in the current provision.

(v) Changes to accounting policies and/or methods in which they are applied may adversely affect BOQ's business, operations and financial condition

The accounting policies and methods that BOQ applies are fundamental to how it records and reports its financial position and results of operations. Management of BOQ must exercise judgment in selecting and applying many of these accounting policies and methods as well as estimates and assumptions applied so that they not only comply with generally accepted accounting principles but they also reflect the most appropriate manner in which to record and report on the financial position and results of operations.

KEY RISKS ASSOCIATED WITH BOQ'S BUSINESS

However, these accounting policies may be applied inaccurately, and/or incorrect assumptions or judgments made, resulting in a misstatement of financial position and results of operations leading to an adverse impact on BOQ's financial performance, financial position, capital resources and prospects.

(w) Changes to BOQ's banking licence

BOQ is licensed to operate in the various states and territories in which it conducts business. Unexpected changes in the conditions of the licences may prohibit or restrict BOQ from operating in a manner that was previously permitted and may adversely impact BOQ's financial results.

The failure of BOQ to adhere to the BOQ Group's business strategy, as a result of a change in licence conditions, could adversely impact BOQ's financial performance, financial position, capital resources and prospects.

(x) Insurance risk

The BOQ Group maintains insurance that it considers to be prudent for the scope and scale of its activities. If the BOQ Group's third-party providers fail to perform their obligations and/or its third-party insurance cover is insufficient for a particular matter or group or related matters, the net loss to the BOQ Group could adversely impact BOQ's financial performance, financial position, capital resources and prospects.

(y) Strategic risk

Risks to BOQ growth strategy

Strategic risk is the risk associated with the pursuit of BOQ's strategic objectives including the risk that it fails to execute its chosen strategy effectively or within a timely manner.

There are a number of interrelated risks that relate to BOQ's growth strategy and include risk of local market saturation, risks associated with geographical diversification, changes in wholesale or retail funding markets, changes in general economic conditions, regulatory reform and risk of its ability to diversify its distribution channels satisfactorily.

A failure to execute BOQ's strategic objectives may result in a failure to achieve anticipated benefits and ultimately adversely impact BOQ's operations, financial performance, financial position, capital resources and prospects.

Implementation of transformation strategy

BOQ has previously announced its transformation strategy. There is a risk that the transformation strategy may not achieve or realise BOQ's key priorities, as well as the risk that the proposed timetable for implementation may be delayed. If the business does not perform as anticipated or if there are changes in the business, economic, legislative or regulatory environment, wholesale or retail funding markets or customer behaviour changes, this may also affect the effectiveness of the strategy. These could lead to BOQ underperforming market expectations regarding growth and profit, which may have an impact on BOQ's financial performance, financial position, capital resources and prospects. In addition, if internal or external stakeholders do not support the strategy, then this may have an impact on BOQ's businesses, financial performance, financial position, capital resources and prospects. Further, if the costs and expenses associated with implementing the strategy, including increased costs associated with technology projects, are not managed as planned, then this may impact on the ability to successfully implement the strategy. The increased costs could also have an adverse effect on BOQ's financial performance, financial position, capital resources and prospects. It is also possible that implementation of the transformation strategy may involve a disruptive impact on the operations of BOQ, including possible changes in key executives and employees.

KEY RISKS ASSOCIATED WITH BOQ'S BUSINESS

(z) Increased industry competition

There is substantial competition for the provision of financial services in the markets in which BOQ operates. Existing participants or potential new entrants to the market, especially in BOQ's main markets and products, could heighten competition and reduce margins or increase costs of participation, which would adversely affect the BOQ Group's financial performance and position. As the financial services industry is a licensed and regulated industry, the prudential framework across industry participants creates its own challenges such as the RG209 which provides scope for competitive advantage depending on interpretation and access to technology to support the requirement contained within the guide. Changes in the regulatory environment will potentially influence the industry's competitive dynamic which may in turn adversely affect the BOQ Group's financial performance, financial position, capital resources and prospects.

(aa) Mergers, acquisition and divestments

BOQ may engage in merger, acquisition or divestment activities which facilitate BOQ's strategic direction. These activities may involve entering new markets, exiting products and/or offering third party manufactured products or expanding the BOQ Group's current product suite and may affect the BOQ Group's risk profile through changes to, or to the relative importance of, the geographies and/or product types to which it has exposures. Whilst BOQ recognises that benefits may arise from merger, acquisition or divestment activities, significant risks exist in both the execution and implementation of such activities.

It is likely that BOQ would raise additional debt or raise equity to finance any major merger or acquisition and this would cause BOQ to face the financial risks and costs associated with additional debt or equity. Where BOQ decides to divest a business or asset, this may involve a loss against book value, particularly of any goodwill or other intangibles.

Changes in ownership and management may result in impairment of relationships with employees and customers of the acquired businesses. Depending on the type of transaction, it could take a substantial period of time for BOQ to realise the financial benefits of the transaction, if any.

Any acquisition or divestment may result in a material positive or negative impact on the BOQ Group's financial position, including reported profit and loss and capital ratios. There can be no assurance that any acquisition (or divestment) would have the anticipated positive results, including results relating to the total cost of integration (or separation), the time required to complete the integration (or separation), the amount of longer-term cost savings, the overall performance of the combined (or remaining) entity, or an improved price for BOQ's securities. BOQ's operating performance, risk profile and capital structure may be affected by these corporate opportunities and there is a risk that BOQ's credit ratings may be placed on credit watch or downgraded if these opportunities are pursued.

Integration (or separation) of an acquired (or divested) business can be complex and costly, sometimes including combining (or separating) relevant accounting and data processing systems, and management controls, as well as managing relevant relationships with employees, customers, regulators, counterparties, suppliers and other business partners. Integration (or separation) efforts could create inconsistencies in standards, controls, procedures and policies, as well as diverting management attention and resources. This could adversely affect BOQ's ability to conduct its business successfully and impact BOQ's financial performance, financial position, capital resources and prospects. Additionally, there can be no assurance that employees, customers, counterparties, suppliers and other business partners of newly acquired (or retained) businesses will remain post-acquisition (or post-divestment), and the loss of employees, customers, counterparties, suppliers and other business partners could adversely affect BOQ's financial performance, financial position, capital resources and prospects.

Additionally and as announced on 14 October 2020, BOQ has entered into an agreement to sell St Andrew's Insurance ("**St Andrew's**") to Farmcove Investment Holdings ("**Farmcove**") (the "**Transaction**"). The Transaction is subject to the satisfaction of certain conditions including regulatory approval from APRA. The Transaction may not proceed or may be delayed. There is a risk that as a result of adjustments the final purchase consideration could be lower than expected, or that separation and transaction costs are higher than expected. BOQ's operating results may be adversely affected by these risks. In addition, the post-tax statutory loss on sale could be larger than anticipated.

A breach of warrantees and/or indemnities may result in BOQ being liable to Farmcove. As a part of the Transaction, a vendor loan has been agreed between BOQ and Farmcove which will become effective on the completion date. The duration and nature of this arrangement gives rise to certain risks, for example, if Farmcove were to default under the terms of the loan.

KEY RISKS ASSOCIATED WITH BOQ'S BUSINESS

(bb) Conduct risk

Conduct risk is the risk that BOQ's provision of services and products results in unsuitable or unfair outcomes for its stakeholders or undermines market integrity. Conduct risk could occur through the provision of products and services to BOQ's customers that do not meet their needs or do not support market integrity, as well as the poor conduct of BOQ's employees, contractors, agents, authorised representatives and external service providers, which could include deliberate attempts by such individuals to circumvent BOQ's controls, processes and procedures. This could occur through a failure to meet professional obligations to specific clients (including fiduciary and suitability requirements), poor product design and implementation, failure to adequately consider customer needs or selling products and services outside of customer target markets. Conduct risk may also arise where there has been a failure to adequately provide a product or services that BOQ had agreed to provide a customer.

While BOQ has frameworks, policies, processes and controls that are designed to manage poor conduct outcomes, these policies and processes may not always have been or continue to be effective. The failure of these policies and processes could result in financial losses and reputational damage and this could adversely affect BOQ's financial performance, financial position, capital resources and prospects.

(cc) Reliance on external parties

BOQ's operations depend on performance by a number of external parties under contractual arrangements with BOQ including its OMB network, brokers and agents. Non-performance of contractual obligations and poor operational performance of OMBs may have an adverse effect on BOQ's business and financial performance.

In addition, BOQ also has key outsourcing agreements including in relation to its IT platforms and systems where certain activities or products can be more effectively provided. Although BOQ has taken steps to protect it from the effects of defaults, inadvertent loss of data, breaches of privacy or security, under these contractual arrangements and outsourcing agreements, such defaults, losses or breaches may have an adverse effect on BOQ's business continuity and financial performance.

(dd) Litigation and regulatory proceedings

BOQ (like all entities in the banking, insurance or finance sectors) is exposed to the risk of litigation and/or regulatory reviews, investigations or proceedings brought by or on behalf of policyholders, deposit holders, reinsurers, government agencies (including regulators) or other potential claimants. If the BOQ Group fails to meet its legal or regulatory requirements, or the requirements of industry codes of practice (such as the Banking Code of Practice), or its ethical standards, it may be exposed to fines, public censure, litigation, settlements, restitution to customers, regulators or other stakeholders, or enforced suspension of operations or loss of licence to operate all or part of the BOQ Group's business.

The BOQ Group may be exposed to risks relating to the provision of advice, recommendations or guidance about financial products and services, or behaviours which do not appropriately consider the interests of consumers, the integrity of the financial markets and the expectations of the community, in the course of its business activities.

In recent years there have been significant increases in the nature and scale of regulatory investigations and reviews, enforcement actions (whether by court action or otherwise) and the quantum of fines issued by regulators, particularly against financial institutions both in Australia and globally. The nature of those investigations, reviews and enforcement actions can be wide ranging and, for example, have included and currently include a range of matters including responsible lending practices, product suitability, wealth advice and conduct in financial markets and capital markets transactions.

On 4 September 2019, ASIC commenced proceedings in the Federal Court of Australia against BOQ alleging that certain terms in BOQ's small business contracts are unfair contract terms in breach of the Australian Securities and Investments Commission Act 2019 (Cth). BOQ has agreed revised terms with ASIC and is currently awaiting a judgment in this matter.

There can be no assurance that significant litigation will not arise in the future and that the outcome of legal proceedings from time to time will not have an adverse effect on the BOQ Group's businesses, financial performance, financial condition or prospects.

KEY RISKS ASSOCIATED WITH BOQ’S BUSINESS

BOQ GROUP

The BOQ Group may be exposed to risks relating to the provision of advice, recommendations or guidance about financial products and services, or behaviours which do not appropriately consider the interests of consumers, the integrity of the financial markets and the expectations of the community, in the course of its business activities.

In recent years there have been significant increases in the nature and scale of regulatory investigations and reviews, enforcement actions (whether by court action or otherwise) and the quantum of fines issued by regulators, particularly against financial institutions both in Australia and globally. The nature of those investigations, reviews and enforcement actions can be wide ranging and, for example, currently include a range of matters including responsible lending practices, product suitability, wealth advice and conduct in financial markets and capital markets transactions.

On 4 September 2019, ASIC commenced proceedings in the Federal Court of Australia against BOQ alleging that certain terms in BOQ’s small business contracts are unfair contract terms in breach of the *Australian Securities and Investments Commission Act 2019* (Cth). The outcome of this litigation is uncertain, and it is difficult to predict the ultimate impact and timing of any potential consequences on BOQ. Depending on the outcome of the litigation, BOQ may be required to comply with broad court orders, including compliance orders, enforcement orders or costs orders.

There can be no assurance that significant litigation will not arise in the future and that the outcome of legal proceedings from time to time will not have an adverse effect on the BOQ Group’s businesses, financial performance, financial condition or prospects.

OFFER AND GENERAL RISKS

BOQ GROUP

(a) Market price of ordinary shares will fluctuate

Ordinary shares trade on ASX. The market price of ordinary shares on ASX may fluctuate due to various factors, including:

- the impact of COVID-19, or other pandemics or epidemics, and the measures taken to control their spread;
- the impact of government stimulus and other fiscal measures (such as JobKeeper) employed in response to COVID-19 and the timing and impact of when those measures cease to have effect;
- Australian and international general economic conditions (which have generally deteriorated in the context of COVID-19) (including inflation rates, the level of economic activity, interest rates and currency exchange rates), changes in government policy, changes in regulatory policy, the expressed views of regulators, investor sentiment and general market movements, which may or may not have an impact on BOQ's actual operating performance;
- operating results that vary from expectations of securities analysts and investors;
- changes in expectations as to BOQ's future financial performance, including financial estimates by securities analysts and investors;
- changes in market valuations of other financial services institutions;
- changes in dividends paid to shareholders, BOQ's dividend payout policy or BOQ's ability to frank dividends;
- announcement of acquisitions, strategic partnerships, joint ventures or capital commitments by BOQ or its competitors;
- changes in the market price of ordinary shares and / or other capital securities or other equity securities issued by BOQ or by other issuers, or changes in the supply of equity securities or capital securities issued by BOQ or by other issuers;
- changes in laws, regulations and regulatory policy;
- BOQ’s failure to comply with law, regulations or regulatory policy, which may result in regulatory investigations, inquiries, litigation, fines, penalties, infringement notices, revocation, suspension or variation of conditions of relevant regulatory licences or other enforcement or administrative action or agreements (such as enforceable undertakings);
- other major Australian and international events such as hostilities and tensions, and acts of terrorism; and
- other events set out in the “Key risks associated with BOQ’s business” on slides 46 to 61 of this Presentation.

It is possible that the price of ordinary shares will trade at a market price below the Offer price as a result of these and other factors. It is also possible that new risks might emerge as a result of Australian or global markets experiencing extreme stress or existing risks may manifest themselves in ways that are not currently foreseeable. There have been in recent months, and may be in the future, significant fluctuations and volatility in the prices of shares. In particular, the COVID-19 pandemic, and the continuing uncertainty as to its future impact on the Australian and global economies, has contributed to significant market falls and volatility, including on the prices of shares trading on the ASX (including the price of BOQ shares) and other foreign securities exchanges, which may materially adversely impact the market price of New Shares.

(b) Underwriting risk

Goldman Sachs Australia Pty Ltd (ABN 21 006 797 897) and UBS AG, Australia Branch (ABN 47 088 129 613) (“**Underwriters**”) will be acting as underwriters, joint lead managers and bookrunners to the Offer. BOQ has entered into an agreement with the Underwriters (“**Underwriting Agreement**”), under which the Underwriters have agreed to underwrite the Offer, subject to the terms and conditions of the Underwriting Agreement. If certain conditions are not satisfied or certain events occur, then both the Underwriters may terminate the Underwriting Agreement. The events which may trigger termination of the Underwriting Agreement include (but are not limited to) the following:

OFFER AND GENERAL RISKS

BOQ GROUP

- BOQ fails to lodge the investor presentation materials with ASX by 10.00am on the day of launch;
- BOQ issues or is required to correct a defective cleansing notice for the Entitlement Offer or Placement in accordance with section 708AA(10) of the Corporations Act (as modified by *ASIC Corporations (Non-Traditional Rights Issue) Instrument 2016/84*) or section 708A(9) of the Corporations Act;
- an obligation arises for BOQ to give ASX a notice due to a new circumstance arising (in accordance with section 708AA(12) of the Corporations Act (as modified by *ASIC Corporations (Non-Traditional Rights Issue) Instrument 2016/84*) or section 708A(10) of the Corporations Act), other than the obligation to lodge a supplementary offer document solely because of agreement on a revised Offer price, and which arises due to, or relates to, an event, fact or matter that is adverse to the Group;
- the Offer documents contain a material statement which is not true or accurate or is, or becomes, misleading or deceptive, or is likely to mislead or deceive, or a material omission (having regard to sections 708AA and 708A of the Corporations Act and any other applicable requirements) or which results in the Offer documents becoming misleading or deceptive or likely to mislead or deceive
- the Offer documents contain a material expression of opinion or intention which is not, or ceases to be, fairly and properly supportable or there are no, or ceases to be, reasonable grounds for the making of any material statement relating to future matters;
- BOQ withdraws the Offer or any part of the Offer or the Offer will not otherwise proceed under the Underwriting Agreement;
- ASIC issues, or indicates an intention to issue, proceedings in relation to the Offer or commences any formal inquiry or investigation into the Offer;
- (*) ASIC or any other Government Authority commences or gives notice of its intention to prosecute BOQ or any of its directors or employees in relation to the Offer or the Offer documents;
- (*) ASIC or any other Government Authority commences or gives notice of its intention to commence a hearing or investigation into BOQ in relation to the Offer or the Offer documents;
- approval is refused or not granted (other than subject to customary conditions) to the quotation of the New Shares on ASX (or such approval is subsequently withdrawn or qualified (other than by customary conditions)) by the relevant trading dates for the Institutional Entitlement Offer, Placement and the Retail Entitlement Offer or any of those events occur;
- trading in BOQ shares quoted on the ASX is, or will be, suspended (this does not include a trading halt in connection the Offer) or BOQ is, or will be, removed from the official list of ASX;
- BOQ does not obtain the relevant waivers from ASX under the ASX Listing Rules that are required to complete the Offer, or the relevant waivers are subsequently withdrawn, revoked, qualified or amended in a materially adverse particular;
- BOQ is prevented from allotting and issuing the New Shares under the ASX Listing Rules, applicable laws, a court order or an order from a Government Authority;
- there are delays in the timetable for more than 2 business days (other than events solely within control of the Underwriters) without the prior written approval of the Underwriters;
- BOQ or any of its material subsidiaries becomes insolvent;
- a certificate which is required to be delivered by BOQ to the Underwriters in accordance with the Underwriting Agreement is not delivered;
- (*) a certificate which is required to be delivered by BOQ to the Underwriters in accordance with the Underwriting Agreement is untrue, incorrect, misleading or deceptive in any material respect (including by way of omission);
- (*) a change in the chief executive officer, chief financial officer, chief risk officer or the board of directors of BOQ occurs, other than a board appointment that has been notified to the Underwriters in writing;
- (*) any director or officer (as that term is defined in the Corporations Act), the chief executive officer, chief financial officer or chief risk officer of BOQ is charged with an indictable offence relating to any financial or corporate matter or disqualified from managing a corporation under the Corporations Act;
- (*) any Government Authority commences, or announces its intention to commence (whether or not in connection with the Offer), any public action against the Group or any of its affiliates, directors or officers (as that term is defined in the Corporations Act) in their capacity as a director or office of BOQ in relation to any fraudulent conduct or activity that is in any way connected to the Group;
- (*) BOQ or its affiliates, directors or officers (as those terms are defined in the Corporations Act) engages in any fraudulent conduct or activity whether or not in connection with the Offer;
- (*) BOQ commits a breach or contravention of the Corporations Act, the ASX Listing Rules or applicable laws, its Constitution or ASIC determinations or consent orders;
- (*) BOQ commits a breach of any terms and conditions under the Underwriting Agreement, or any representation, warranty or undertaking becomes untrue or incorrect;
- (*) the due diligence report or any information supplied by or on behalf of BOQ to the Underwriters in connection with the Offer or Acquisition is, or becomes, false, misleading or deceptive, or is likely to mislead or deceive (including by way of omission);
- there is an event or occurrence, including any statute, order, rule, regulation, directive or request of any Government Authority which makes it illegal or commercially impossible for the Underwriters to satisfy an obligation under the Underwriting Agreement, or to market, promote, underwrite or settle the Offer;

OFFER AND GENERAL RISKS

- (*) there is introduced, or there is an announcement to introduce, a law or prospective law, a new regulation or government policy in Australia (other than a law or prospective law, a new regulation or government policy which has been announced prior to the date that the Underwriting Agreement is entered into), which does, or is likely to prohibit or regulate the Offer or transactions contemplated by the Underwriting Agreement;
- (*) BOQ or any of its related bodies corporate (as that term is defined in the Corporations Act) charges (or agrees to) the whole or a substantial part of their respective business or property, other than:
  - a charge or any fees or commission which BOQ is or will be entitled to;
  - as disclosed in the Offer documents; or
  - as agreed with the Underwriters (acting reasonably);
- (*) the Offer does not comply with the Corporations Act, the ASX Listing Rules, any other applicable laws, or any waiver granted by ASX under the ASX Listing Rules;
- BOQ is prevented from allotting and issuing the New Shares under the ASX Listing Rule, applicable laws, a court order or order from a Government Authority;
- (*) trading in all securities quoted on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for at least 1 day on which ASX is open for trading;
- (*) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, the United States or the United Kingdom or a new national emergency or war is declared by any of those countries, or a major act of terrorism is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world; or
- (*) a general moratorium on commercial banking activities in Australia, the United States or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries.

The ability of the Underwriters to terminate the Underwriting Agreement in respect of the above termination events denoted with an asterisk (*) will depend on whether the event:
(a) has or is likely to have a materially adverse effect on the:
(i) success or settlement of the Offer;
(ii) the ability of the Underwriters to market or promote or settle the Offer; or
(iii) the likely price at which the New Shares will trade on ASX; or

(b) would, or is likely to, give rise to liability of the Underwriters under, or a contravention by the Underwriters or their affiliates or any of them being involved in a contravention of, any applicable laws.

If the Underwriting Agreement is terminated for any reason, then BOQ may not receive the full amount of the Offer, its financial position may change, and it may need to take other steps to raise capital.

The Underwriting Agreement is also subject to customary conditions precedent, representations, warranties and indemnities.

In this risk, "**Government Authority**" means:
(a) APRA, ASIC, ATO and any non-government regulatory authority including the ASX;
(b) any government in any jurisdiction, whether federal, state, territorial or local;
(c) any minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government or in which any government is interested; and
(d) any regulatory organisation established under statute.

OFFER AND GENERAL RISKS

BOQ GROUP

(c) Dilution

Entitlement Offer rights cannot be traded on ASX or otherwise transferred. If BOQ Shareholders do not participate in the Entitlement Offer, then their percentage shareholding in BOQ will be diluted and they will not be exposed to future increases or decreases in BOQ's share price in respect of those New Shares that would have been issued to them had they participated in the Entitlement Offer. Similarly, BOQ Shareholders who are ineligible, unable to, or do not participate in the Placement for a pro rata share will have their percentage security holding in BOQ diluted.

(d) Liquidity risk

BOQ Shareholders who wish to sell their ordinary shares may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for ordinary shares.

BOQ does not guarantee the market price or liquidity of ordinary shares and there is a risk that you may lose some of the money you invested.

(e) Dividend may fluctuate or may not be paid

Dividends are discretionary and do not accrue. The rate of dividends may fluctuate or BOQ may not pay dividends at all. There is a risk that dividends may become less attractive compared to returns on comparable securities or investments.

None of BOQ, BOQ's directors or any other person guarantees any particular rate of return on ordinary shares.

Restrictions on the amount of earnings that can be distributed through dividends, Additional Tier 1 Capital distributions and discretionary staff bonuses apply if BOQ's Common Equity Tier 1 Capital ratio falls below the prudential capital requirements set by APRA (which may be above the minimum capital ratios in APRA's prudential standards) plus the prevailing capital buffer ("**Distribution Restriction Trigger**"). The Distribution Restriction Trigger is currently 7% for standardised banks, but it may be higher for individual ADI (including BOQ). The terms of higher-ranking securities, including Additional Tier 1 securities, may restrict distributions on BOQ's ordinary shares in certain circumstances.

APRA approval is required where BOQ proposes to pay greater than the past 12 months profits test.

(f) Taxation

Any change to the current rate of company income tax in jurisdictions where BOQ operates may impact on shareholder returns. Any changes to the current rates of income tax applying to shareholders, whether they are individuals, trusts or companies may similarly impact on shareholder returns.

(g) Shareholders are subordinated and unsecured investors

In a winding up of BOQ, shareholders' claims will rank after the claims of creditors preferred by law, secured creditors and general creditors. Shareholders' claims will rank equally with claims of holders of all other ordinary shares.

If BOQ were to be wound up and, after the claims of creditors preferred by law, secured creditors, general creditors and holders of subordinated instruments (including holders of hybrid securities) are satisfied, there are insufficient assets remaining, you may lose some or all of the money you invested in ordinary shares.

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OFFER AND GENERAL RISKS

(h) Investments in ordinary shares are not deposit liabilities or protected accounts under the Banking Act

Investments in ordinary shares are an investment in BOQ and will be affected by the ongoing performance, financial position and solvency of BOQ. They are not deposit liabilities or protected accounts under the *Banking Act 1959* (Cth) ("**Banking Act**"). Therefore, ordinary shares are not guaranteed or insured by any Australian government, government agency or compensation scheme of Australia or any other jurisdiction.

(i) Foreign Account Tax Compliance Act ("FATCA") withholding and reporting

In order to comply with FATCA, BOQ (or, if BOQ shares are held through another financial institution, such other financial institution) may be required (pursuant to an agreement with the United States or under applicable law including pursuant to the terms of an applicable intergovernmental agreement entered into between the United States and any other jurisdiction) (i) to request certain information from holders or beneficial owners of BOQ shares, which information may be provided to the US Internal Revenue Service ("**IRS**"), and (ii) to withhold tax on any portion of payments with respect to BOQ shares treated as a 'foreign passthru payment' made two years after the date on which the final regulation that defines 'foreign passthru payment' is published, if such information is not provided or if payments are made to certain foreign financial institutions that have not entered into a similar agreement with the United States (and are not otherwise required to comply with the FATCA regime under applicable law including pursuant to the terms of an applicable intergovernmental agreement entered into between the United States and any other jurisdiction).

If BOQ or any other person is required to withhold amounts under or in connection with FATCA from any payments made with respect to BOQ shares, holders and beneficial owners of BOQ shares will not be entitled to receive any gross up or additional amounts to compensate them for such withholdings. FATCA is complex and its application to BOQ shares remains uncertain. Shareholders are advised to consult their own tax advisers about the application of FATCA to BOQ shares. This information is based on guidance issued by the IRS or other relevant tax authority as at the date of this document. Future guidance may affect the application of FATCA to BOQ, shareholders or beneficial owners of BOQ shares.

(j) Powers of a Banking Act statutory manager

In certain circumstances APRA may appoint a statutory manager to take control of the business of an ADI, such as BOQ. Those circumstances are defined in the Banking Act to include:

- where the ADI informs APRA that it considers it is likely to become unable to meet its obligations, or is about to suspend payment;
- where APRA considers that, in the absence of external support:
  - the ADI may become unable to meet its obligations;
  - the ADI may suspend payment;
  - it is likely that the ADI will be unable to carry on banking business in Australia consistently with the interests of its depositors; or
- the ADI becomes unable to meet its obligations or suspends payment; or
- where, in certain circumstances, the ADI, its holding company (if any) or any of its subsidiaries, is in default of compliance with a direction by APRA to comply with the Banking Act or regulations made under it and the Federal Court of Australia authorises APRA to assume control of the ADI's business.

The powers of a Banking Act statutory manager include the power to alter the constitution of an ADI, its holding company (if any) or any of its subsidiaries, to issue, cancel or sell shares (or rights to acquire shares) in the ADI, its holding company (if any) or any of its subsidiaries, and to vary or cancel rights or restrictions attached to shares in a class of shares in the ADI, its holding company (if any) or any of its subsidiaries. The Banking Act statutory manager is authorised to do so despite the Corporations Act, the ADI's constitution, any contract or arrangement to which the ADI, its holding company (if any) or any of its subsidiaries is party or the ASX Listing Rules. In the event that a Banking Act statutory manager is appointed to BOQ in the future, these broad powers of a Banking Act statutory manager may be exercised in a way which adversely affects the rights attaching to the ordinary shares and the position of shareholders.

OFFER AND GENERAL RISKS

(k) Future issues of debt or other securities by BOQ

BOQ and members of the BOQ Group may, at their absolute discretion, issue additional securities in the future that may rank ahead of, equally with or behind ordinary shares, whether or not secured. Additionally, certain convertible securities currently on issue or which may be issued by BOQ and members of the BOQ Group in the future may be converted from debt to equity securities. Any issue or conversion of other securities may dilute the relative value of existing ordinary shares and affect your ability to recover any value in a winding up.

An investment in ordinary shares confers no right to restrict BOQ from raising more debt or issuing other securities (subject to restrictions imposed under the ASX Listing Rules), to require BOQ to refrain from certain business changes, or to require BOQ to operate within potential certain ratio limits.

An investment in ordinary shares carries no right to participate in any future issue of securities (whether equity, hybrid, debt or otherwise) by any member of the BOQ Group, other than future pro rata issues if the shareholder is eligible to participate in the pro rata issue under relevant laws.

No prediction can be made as to the effect, if any, such future issues of debt or other issues of securities by an entity in the BOQ Group may have on the market price or liquidity of ordinary shares.

(l) Other external events

Acts of terrorism, an outbreak of international hostilities, labour strikes, civil wars or fires, floods, earthquakes, cyclones and other natural disasters (including where the frequency and severity of such events increase as a result of the effects of climate change), and outbreaks of disease and biosecurity threats such as COVID-19 may cause an adverse change in investor sentiment with respect to BOQ specifically or the share market more generally, which could have a negative impact on the value of an investment in ordinary shares.

INTERNATIONAL OFFER RESTRICTIONS

This document does not constitute an offer of New Shares of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

(a) United States

This Presentation does not constitute an offer to sell, or the solicitation of an offer to buy, securities in the United States. Neither the entitlements nor the New Shares have been, or will be, registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be taken up or exercised by, and the New Shares may not be offered or sold to, directly or indirectly, persons in the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws of any state or other jurisdiction of the United States.

(b) European Union

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(c) Hong Kong

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The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

(d) New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

INTERNATIONAL OFFER RESTRICTIONS

Other than in the entitlement offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

(e) Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007 no. 75. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act. The New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in the Norwegian Securities Trading Act).

(f) Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an "institutional investor" (as defined in the SFA) or (ii) an "accredited investor" (as defined in the SFA). If you are not an investor falling within one of these categories, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

(g) Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares constitutes a prospectus or a similar notice, as such terms are understood under art. 35 of the Swiss Financial Services Act or the listing rules of any stock exchange or regulated trading facility in Switzerland.

Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. The New Shares will only be offered to investors who qualify as "professional clients" (as defined in the Swiss Financial Services Act). This document is personal to the recipient and not for general circulation in Switzerland.

No offering or marketing material relating to the New Shares has been, nor will be, filed with or approved by any Swiss regulatory authority or authorised review body. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (“**FINMA**”).

INTERNATIONAL OFFER RESTRICTIONS

BOQ GROUP

(h) United Arab Emirates

This document does not constitute a public offer of securities in the United Arab Emirates and the New Shares may not be offered or sold, directly or indirectly, to the public in the UAE. Neither this document nor the New Shares have been approved by the Securities and Commodities Authority (“**SCA**”) or any other authority in the UAE.

This document may be distributed in the UAE only to “qualified investors” (as defined in the SCA Board of Directors' Chairman Decision No. 37 RM of 2019, as amended) and may not be provided to any person other than the original recipient. No marketing of the New Shares has been, or will be, made from within the UAE other than in compliance with the laws of the UAE and no subscription for any securities may be consummated within the UAE.

No offer or invitation to subscribe for New Shares is valid, or permitted from any person, in the Abu Dhabi Global Market or the Dubai International Financial Centre.

(i) United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("**FSMA**")) has been published or is intended to be published in respect of the New Shares.

The New Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

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In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("**FPO**"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.