BOQ GROUP

FY23

INVESTOR MATERIALS

Full year ended 31 August 2023

BOQ | me | Virgin money | BOQ FINANCE | BOQ SPECIALIST | BOQ BUSINESS

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Contents

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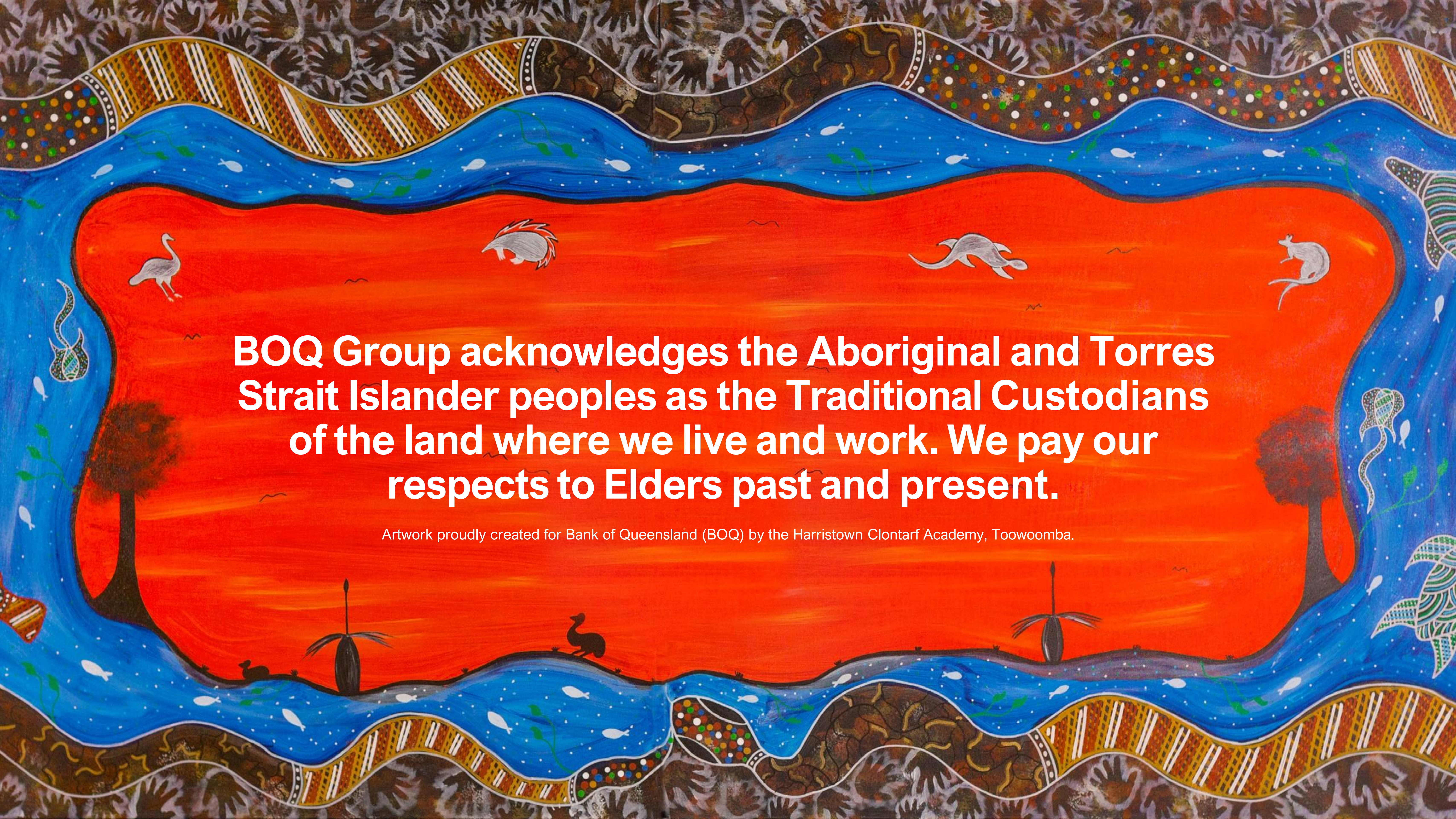
FY23 RESULTS PRESENTATION

11 OCTOBER 2023

Full Year ended 31 August 2023



BOQ Group acknowledges the Aboriginal and Torres Strait Islander peoples as the Traditional Custodians of the land where we live and work. We pay our respects to Elders past and present.

Artwork proudly created for Bank of Queensland (BOQ) by the Harristown Clontarf Academy, Toowoomba.

BOQ GROUP

Agenda

Introduction

Jessica Smith, General Manager Investor Relations & ESG

Results overview

Patrick Allaway, Managing Director & Chief Executive Officer

Financial detail

Racheal Kellaway, Chief Financial Officer

Outlook & summary

Patrick Allaway, Managing Director & Chief Executive Officer

Q&A

Patrick Allaway, Managing Director & Chief Executive Officer

Racheal Kellaway, Chief Financial Officer

Executive Team & Senior Leaders

RESULTS OVERVIEW

Patrick Allaway

Managing Director & Chief Executive Officer

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Key messages

1. **Delivered $450m after tax cash earnings and $124m statutory profit after tax**
2. **Result reflects a business in transformation addressing decade long legacy issues combined with a highly competitive market on both the asset and liability side**
3. **Taken accountability and consequence management for the risk failings that led to the two Court Enforceable Undertakings and are committed to our Remedial Action Plans**
4. **Taking decisive action to deliver a stronger, simpler, low cost digitally enabled bank with an exceptional customer experience**
5. **Continued to invest in our business through the cycle, trading off interim performance in FY23 for medium and long term benefits**
   - Accelerated investment in our digital transformation to improve customer experience, diversify funding sources and reduced our cost to serve
   - Invested in risk and restructuring charges to strengthen our operational resilience, reduce structural complexity and deliver productivity gains
   - Moderating growth in mortgages, prioritising customer retention and economic return
   - Holding strong capital and liquidity buffers through the cycle and TFF repayment
6. **High conviction in transformation, progressing at pace with a clear roadmap to deliver a better bank and improved returns for our shareholders**
   - $200m in productivity benefits FY24 through FY26
   - Scalable lower cost to serve data led digital bank, decommissioning ME core banking platform by FY25
   - Diversifying revenue mix and uplifting margin through growth of SME in targeted defensive sectors

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FY23 results

Higher total income offset by a return to normalised loan impairment expense and increased costs driven by inflation and transformation investment. Statutory earnings impacted by one-off items

Key financial results ($m)

	FY23	FY23 v FY22[1]	
Total income	1,742	5%	▲
Operating expenses	(1,010)	8%	▲
Underlying profit	**732**	**2%**	▲
Loan impairment expense	(71)	Large	▲
Cash profit before tax	**661**	**(7%)**	▼
Income tax expense	(211)	-	
Cash earnings after tax	**450**	**(8%)**	▼
Statutory net profit after tax	**124**	**(70%)**	▼
Return on average tangible equity[2] (%)	9.0	(120bps)	▼
Return on average equity (%)	7.3	(90bps)	▼
Cash earnings per share (cents)	68.4	(10%)	▼
Cost to income ratio (%)	58.0	150bps	▲
CET1 ratio[3] (%)	10.91	134bps	▲
Dividends per ordinary share (fully franked)[4]	41.0	(11%)	▼

(1) Comparatives have been restated to reflect the prior period weighted average life adjustment. Further detail has been provided in BOQ's FY23 Annual Report and its disclosure to the ASX dated 29 September 2023
(2) Based on cash earnings after tax applied to average shareholders' equity (excluding preference shares and treasury shares) less goodwill and identifiable intangible assets (customer related intangibles/brands and computer software)
(3) FY22 CET1 reported under Basel II regulatory framework. FY23 is reported under the Basel III framework which took effect 1 January 2023
(4) The dividend will be fully franked and the dividend reinvestment plan will operate with no discount

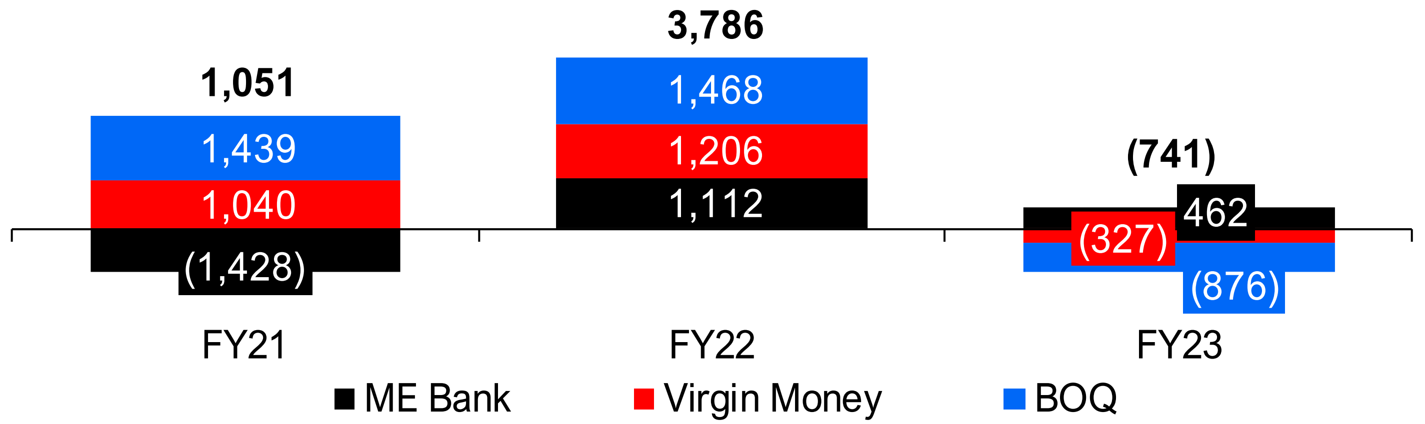
Retail banking overview

More customers banking with us, as digital strategy is executed, providing a better customer experience. Housing book decline driven by prioritisation of economic return over volume growth in a highly competitive market

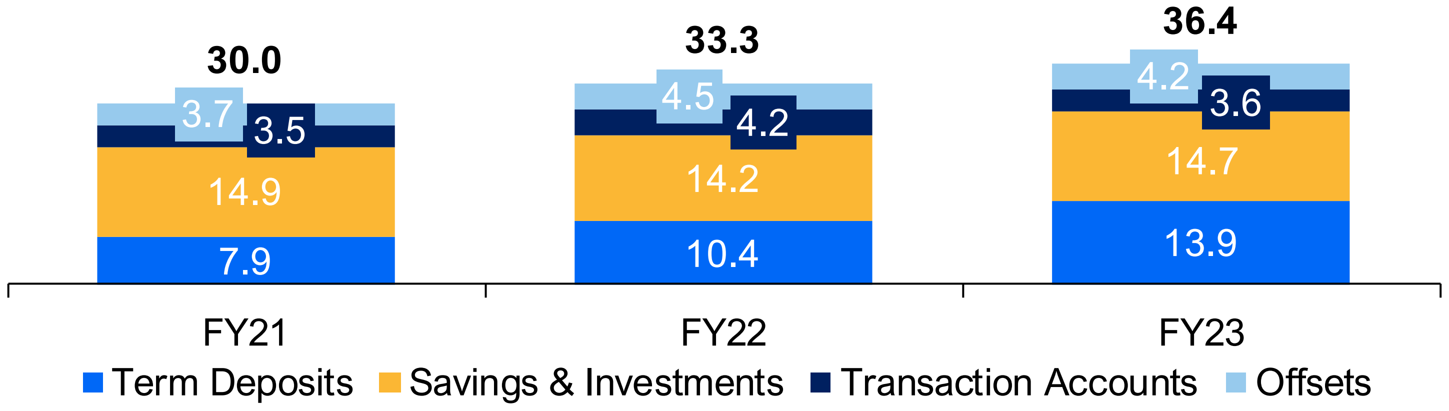
Summary

- Total income flat on the prior year as benefits from the increasing cash rate were more than offset by the impact of competitive pressures in housing and the normalisation of non-interest income
- Total expense increase of 10% in FY23, reflecting the ongoing investment in customer experience and digital transformation
- $3.1bn growth in customer deposits on FY22, driven by term and digital deposits, positively contributing to the Group's funding profile
- Meeting more customer needs with strong growth through insurance, superannuation and card partnerships
- Ongoing focus on proactively supporting customers transitioning from fixed to variable rate loans

Home lending growth ($m)



Deposit funding ($bn)



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Business banking overview

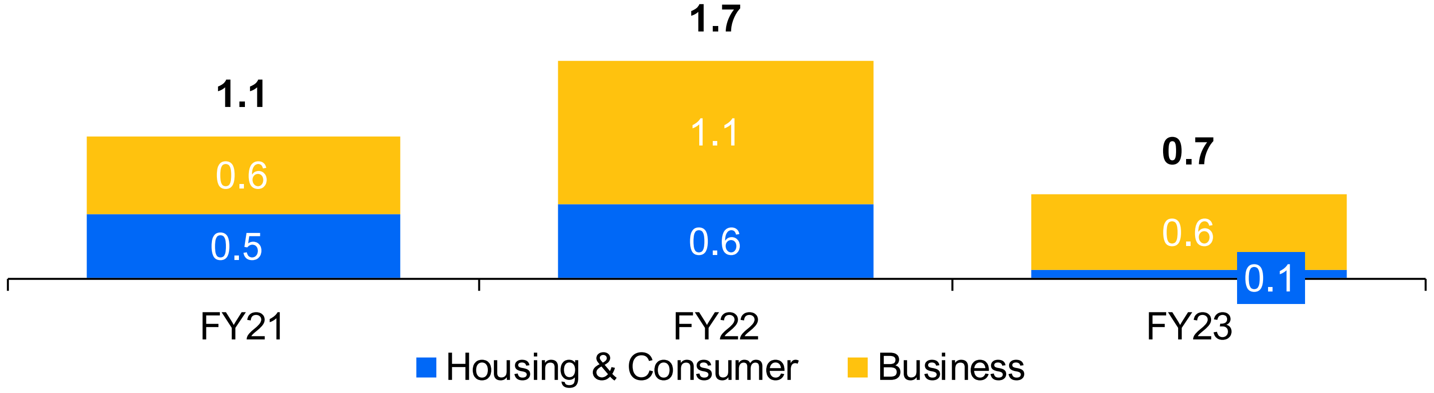
BOQ BUSINESS BOQ FINANCE BOQ SPECIALIST

Targeted lending growth and optimisation of margins delivering higher income, improved returns and lower CTI

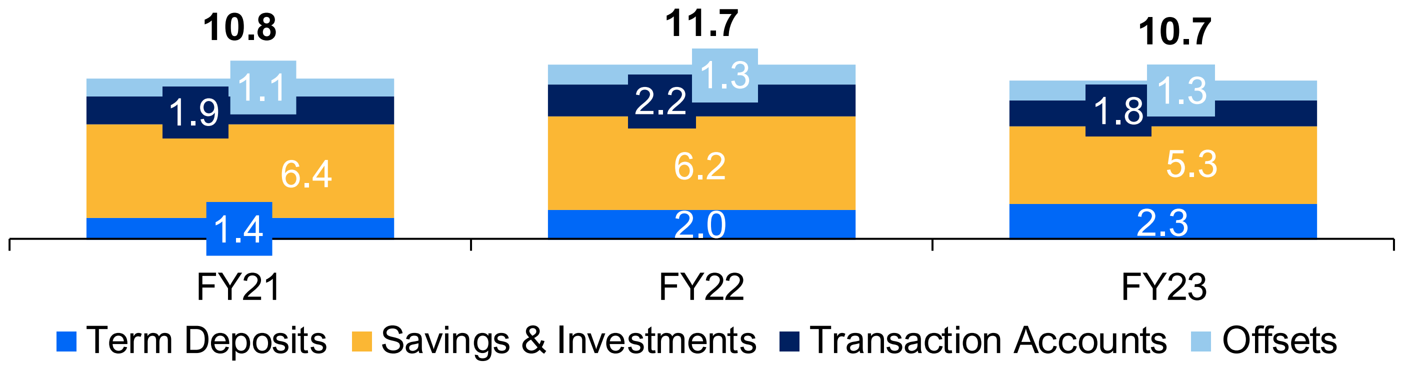
Summary

- Total income grew 14% in FY23 reflecting optimisation of margins across both lending and deposits in a slowing system[1] growth environment and targeted balance sheet growth
- Lending growth driven by strategic focus sectors of healthcare, agriculture, owner-occupied commercial property lending across a diversified range of businesses, and equipment finance
- Continued focus on portfolio and return optimisation underpinned by targeted slowing of growth in housing and corporate portfolios
- Strong performance delivered a 4.5% reduction in CTI, resilient revenue and improved risk adjusted returns
- Quality growth delivered through diversification across geography, channel, and asset class
- Normalised deposit balances as customers utilised transaction and savings balances built-up during COVID

Lending growth[2] ($bn)



Deposit funding ($bn)



(1) System growth based on APRA lending to businesses data as at August 2023
(2) Business lending includes SME, corporate business lending and asset finance

Customer experience

Elevating our customer voice and experience through a transformed operating model

Our Vision: To be the bank customers choose

149-year QLD heritage
Supporting local communities

Customer focused
Supported 3.7k customers experiencing hardship

Improving NPS
+26 vs +18
myBOQ vs legacy platform

Dedicated Group Executive
Committed to elevating our customer voice

Digital Bank foundations
Growing a more diversified lower-cost funding base

Scam and fraud prevention
Protected customers from losing more than $6m

Enhanced digital offerings
All retail brands on the new digital banking platform

Customer growth
+10% growth across all brands in FY23

WE ARE BUILDING A DIFFERENTIATED APPROACH, FOCUSED ON NICHE CUSTOMER SEGMENTS ACROSS BOTH THE RELATIONSHIP AND DIGITAL BANK

BOQ | BOQ BUSINESS

- Serving more complex customers requiring a human touch
- Leveraging our deep community relationships, specialist bankers and OMB network

Virgin money | me

- Serving customers requiring a fast and simple self-help digital experience
- Leveraging our scalable, low cost to serve, end-to-end digital banking platform

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Transforming the business

Making bold choices about our business to address legacy issues, build a future fit bank, uplift performance and drive shareholder value

Our strategic pillars are driving decisive action

STRENGTHEN	Improved financial and operational resilience and risk culture
SIMPLIFY	Improved productivity and efficiency
DIGITISE	Improved customer and employee experience and lower cost to serve
OPTIMISE	Improved returns, with strong capital position

Addressing

- Higher relative funding costs
- Higher relative cost to income ratio
- Historical technology deficit
- Complex and duplicative operating structure

Delivering

- New opportunities and improved ways of working
- Resilient and simplified bank that customers choose
- Future fit digital bank with a reduced cost to serve
- Improved shareholder value

Strengthening BOQ

A focus on building stronger foundations through financial and operational resilience, and improved risk culture

- BOQ has acknowledged its failings and underlying weakness in risk management and compliance matters
- Embracing Court Enforceable Undertakings as a platform to further strengthen the Bank

Court Enforceable Undertakings – Key Terms

Remedial Action Plans finalised and submitted:

- Addressing underlying weaknesses
- Setting clear and measurable actions
- Timeline for completion and clear accountabilities that are specific, measurable and achievable

Independent review:

- Appointment of Independent reviewer to report on appropriateness of APRA EU Remedial Action Plan and progress
- Appointment of external auditor to periodically report on the AUSTRAC EU Remedial Action Plan has been finalised to the satisfaction of AUSTRAC

Accountability

- Ensure accountability for the remediation activities in the performance scorecards of accountable and responsible persons specified in the plan and other staff

2022

- Internal and independent reviews
- APRA Prudential review
- New strategic priority to Strengthen BOQ, acknowledging uplift in risk maturity is required

2023

- Increased financial resilience: higher CET1 and LCR
- Raised $60m provision for Remedial Action Plans
- Court Enforceable Undertakings to APRA and AUSTRAC
- Remedial Action Plans formulated and submitted to regulators
- AML First Program mobilised and operating
- Executive and Board consequence management

2024+

- Design, implement and embed
- Finalise Remedial Action Plans
- Strengthen the Bank

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Strengthening BOQ: Court Enforceable Undertakings

Remedial Action Plans finalised and submitted to APRA and AUSTRAC

	Program rQ			AML First		
Program Objective	**Strengthen risk culture, governance, and financial and operational resilience to be a stronger, simpler and digitally enabled bank**			**An enterprise-wide remediation and transformation program designed to address weaknesses and gaps across the AML/CTF operating model**		
Work streams	Role of the Board	Risk Management Framework	Risk Culture Framework	Operating Model and Governance	Risk Assessments	ACIP, OCDD, ECDD
	Governance & Reporting	End-to-End Risk and Control Environment	Capability & Capacity	Regulatory Reporting	Third Party, Employee and AB&C	Transaction Monitoring
	3LOD	Accountability, Performance and Consequence Mgmt.	Strategic Change	Data & Technology	Sanctions[1]	
What it means for BOQ	› A culture which enables effective risk management outcomes › A clear understanding and effective application of 3LOD › Mature operational risk and compliance practices › Clear and demonstrable accountability and associated structures › Effective Board oversight and governance › Adequate risk capability, capacity and prioritisation			› Strong AML/CTF foundations: Roles & responsibilities clearly defined, with strong AML/CTF risk maturity › Sustainable resolution embedded to avoid reoccurrence › AML/CTF operating model is simplified removing complexity, inconsistency and current weaknesses › Robust control environment appropriately risk-based		
	9 Workstreams	32 Deliverables		8 Workstreams	54 Deliverables	

Stronger bank with improved customer, people and shareholder outcomes

Note: There is a risk that regulators may seek to commence proceedings, seek to impose fines or sanctions, or take other administrative or enforcement action in relation to the Group's compliance with relevant laws and regulations
(1) Sanctions workstream activity is incorporated as part of AML First but does not form part of the Remedial Action Plan

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Simplifying BOQ

Simplifying our operating model and processes to reduce complexity, duplication, operational risk and costs. BOQ is targeting a cost productivity program of $200m over three years

	FY23	FY24-FY26
OPERATING MODEL[1]	Executive team reduced from 12 to 8 ~100 FTE impacted in FY23 (net of new roles created) Completed ME Integration program	Horizontally integrated structure >400 FTE reduction by FY26 (150 in 1Q24) Exit non-core business
TECHNOLOGY	12% technology assets decomm. since FY21 53% of IT assets on cloud 8 down to 6 # core banking platforms	~50% Tech. assets decomm. since FY21 >80% of IT assets on cloud 3 # core banking platforms
PROPERTY[1] & PROCUREMENT	Vendor diagnostic complete >42,000sqm in corporate property space 85% Owner Managed branches[2]	10% reduction in vendors through optimisation 16,000sqm reduction in corporate property space >90% Owner Managed branches
PROCESS & AUTOMATION	45% key processes automated 17 hand-off points (home lending) High home loan origination costs 95% home lending controls manual	>80% key processes automated 3 hand off points to originate a home loan Home loan origination costs 50% lower >95% home lending controls automated

(1) Restructuring costs have been recognised in FY23 relating to the operating model and property impacts, further details provided on slide 23
(2) During FY23 we closed 7 branches as we continue to optimise our footprint and converted 9 corporate branches to OMB

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Digitising BOQ

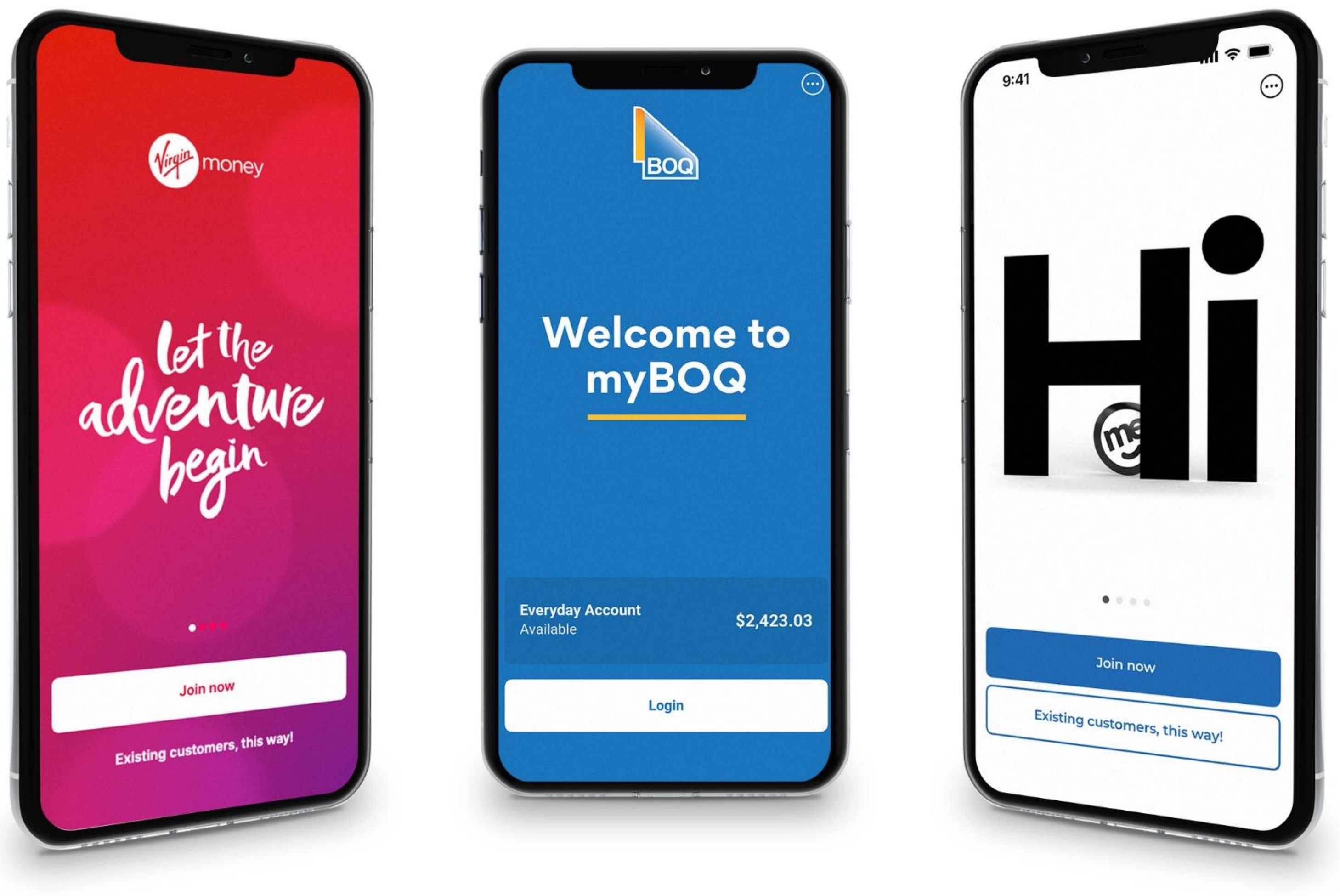
Digital strategy improving customer experience, providing strong deposit growth and lower cost to serve. All FY23 milestones achieved to plan and on budget

	FY2021 - 2023	FY2024 - 2025	Post FY2025
Retail Bank	VMA and BOQ transaction and savings launched on new cloud digital bank (Achieved) ME customers migrated to v.18, Ultracs decommissioned (7 apps, 51 servers) (Achieved) ME transaction and savings launched on new cloud digital bank (Achieved)	Digital mortgage for all brands on new cloud digital bank (On track) ME home loan and remaining customers migrated to new digital bank and commence decommissioning of legacy platform (On track) Unified origination system across all retail brands (On track) Deposit only ME customers' migration to new digital bank commenced (On track) Commence payments hub build (On track)	BOQ/VMA customer migration completed (On track) Complex home loan and retail small business migrated to BOQS (On track) Retire BOQ legacy systems (On track) Digital personal loans for all brands on new digital bank (Reprioritised (delayed))
Business Bank	Leasing systems consolidated on latest version of InfoLease (Achieved) Upgraded internet banking capability for SMEs (Achieved) Business Bank Temenos core banking platform upgraded to latest v.22 (Achieved) Enhanced working capital product capability (Achieved)	Unified 360 view of customers across the Business Bank (On track)	New complex lending origination capability (complex home loan customers serviced by Business Bank) (On track) Integrated supply chain capability (On track) Digital transaction account capability for small business (On track) Migration of SME, Agri and Property customers to new core (On track) Unified origination system across all Business Bank brands (On track) Enhanced payments hub, enabling critical use cases (On track)
Group	Data centres migrated to private cloud (Achieved) Intelligent data platform (Achieved)	Implement Customer Experience Platform (On track) Real time connectivity of data insights (On track) Data centres migrated to public cloud (On track)	Integrated cloud-based data platform enabling omni-channel personalisation (On track) Cloud based ERP platform (Finance & HR) (Reprioritised (delayed))

Legend ✓ Achieved ● On track ● Reprioritised (delayed)

Digitising BOQ

Strong growth with digital strategy starting to deliver



+267% Deposit balance growth on FY22

+103% Customer growth on FY22

+19% Avg. savings balance per customer on FY22

3x Net transaction account growth since launch of digital platforms

+26 myBOQ NPS

18% Retail customers now on the digital bank

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Optimising BOQ

Increasing competition requires a simple, low-cost, scalable operating model with prudent allocation of capital focused on return on equity

SOLID FOUNDATIONS

- **Completed integration of ME Bank**, with synergies realised
- **Completed Digital Bank foundations**, with launch of VMA, BOQ & ME digital bank
- **High quality portfolio**, with well collateralised assets
- **Strong capital and liquidity position**
- **Multi-brand portfolio** serving targeted customer segments
- **Strong 149-year QLD heritage** to be celebrated

MATERIAL PERFORMANCE UPLIFT TO BE DRIVEN BY

- **Moving off complex legacy systems to the new digital based platform**
- **Productivity benefits from simplification and digitisation**
- **Prioritising growth of non-interest 'capital lite' income and efficient allocation of capital**
- me / Virgin money: **Scalable national direct brands (ME and VMA) – simple low unit cost offering on digital platforms**
- BOQ: **Relationship banking brand (BOQ) – understanding our customer needs**

FY26 FINANCIAL TARGETS REAFFIRMED

Cost to Income Ratio

<50%

Return on Equity

>9.25%

FY26 targets supported by considered financial model. Risks include:

- Current heightened competitive mortgage and funding market being structural not cyclical
- Material deterioration in credit markets

Living our purpose and values

Building a sustainable business by supporting our customers and communities, creating an exceptional people experience and reducing our operational footprint

Customers and communities

Supporting regional areas – through owner manager deep relationships

Actively engaging our customers through the challenging and uncertain economic environment

Supporting our communities – partnerships with Orange Sky Australia, Clontarf Foundation, Stars Foundation, Head Start Homes and Mother's Day Classic

Building the resilience of our customers – particularly vulnerable customers and those in financial distress

Enriching our people

Strengthening risk culture – our people increasingly feel safe to speak up, and our organisational culture promotes positive risk outcomes

Building a future fit capability – transformation and digital capabilities required for future state

Developing curious bankers and an agile organisation – execution capability, ability to pivot quickly, banker tools and a flexible digital platform

Driving a diverse workforce and employee engagement – grounded in purpose, a clear strategy, inclusive leadership and empowered teams

Environmental commitments

Supporting our customers to transition – funding sustainable assets such as solar, electric vehicles and energy efficient infrastructure or property

Climate Active carbon neutral certified – reducing our operational footprint

Targeting 100% renewable energy by 2025

Carbon footprint to be reduced by 90% for scope 1 and scope 2 emissions and 40% for scope 3 by FY30[1]

(1) Compared to a 2020 baseline. Scope 3 refers to organisational supply chain emissions

FINANCIAL DETAIL

Racheal Kellaway

Chief Financial Officer

Financial performance

Revenue growth offset by higher costs and normalised loan impairment expense

Key financial results ($m)

	FY23	FY22[1]	FY23 v FY22	2H23	1H23	2H23 v 1H23
Net interest income	1,600	1,505	6%	768	832	(8%)
Non-interest income	142	153	(7%)	72	70	3%
Total income	**1,742**	**1,658**	**5%**	**840**	**902**	**(7%)**
Operating expenses	**(1,010)**	(937)	8%	(515)	(495)	4%
Underlying profit	**732**	**721**	**2%**	**325**	**407**	**(20%)**
Loan impairment expense	(71)	(13)	Large	(37)	(34)	9%
Cash earnings after tax	**450**	**491**	**(8%)**	**194**	**256**	**(24%)**
Statutory net profit after tax	**124**	**409**	**(70%)**	**120**	**4**	**Large**

(1) Comparatives have been restated to reflect the FY22 prior period weighted average life adjustment. Further detail has been provided in BOQ's FY23 Annual Report and its disclosure to the ASX dated 29 September 2023

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Non-cash items

2H23 statutory result included final costs of ME integration and restructuring provision to simplify the Group

Reconciliation of cash earnings to statutory net profit after tax ($m)

	FY23	FY22	2H23	1H23
Cash earnings after tax[1]	**450**	491	**194**	256
Goodwill impairment[2]	(200)	-	-	(200)
ME Bank integration costs[3]	(57)	(57)	(44)	(13)
Remedial Action Plans[2]	(42)	-	-	(42)
Restructuring costs[3]	(35)	-	(35)	-
Amortisation of acquisition fair value adjustments	7	7	3	4
Hedge ineffectiveness	1	(8)	2	(1)
St Andrew's[4]	-	(24)	-	-
Statutory net profit after tax[1]	**124**	409	**120**	4

(1) FY22 comparatives have been restated to reflect the prior period weighted average life adjustment
(2) Further detail has been provided in BOQ's FY23 Annual Report and its disclosure to the ASX dated 14 April 2023
(3) Further detail has been provided in BOQ's FY23 Annual Report and its disclosure to the ASX dated 29 September 2023
(4) The sale of St Andrew's Insurance (St Andrew's) to Farmcove Investment Holdings was completed on 28 October 2021

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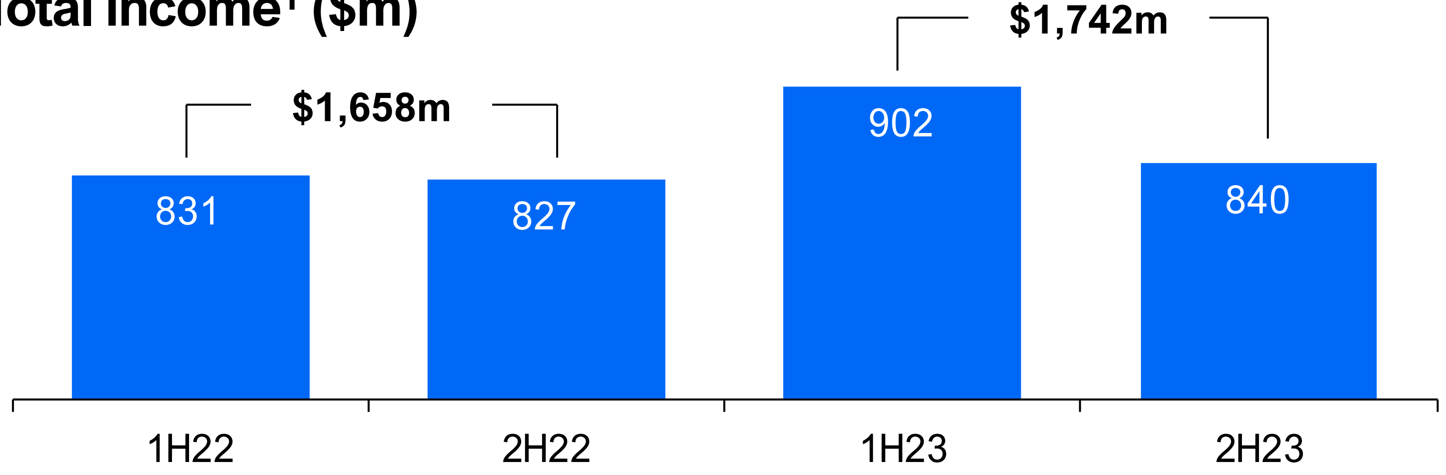
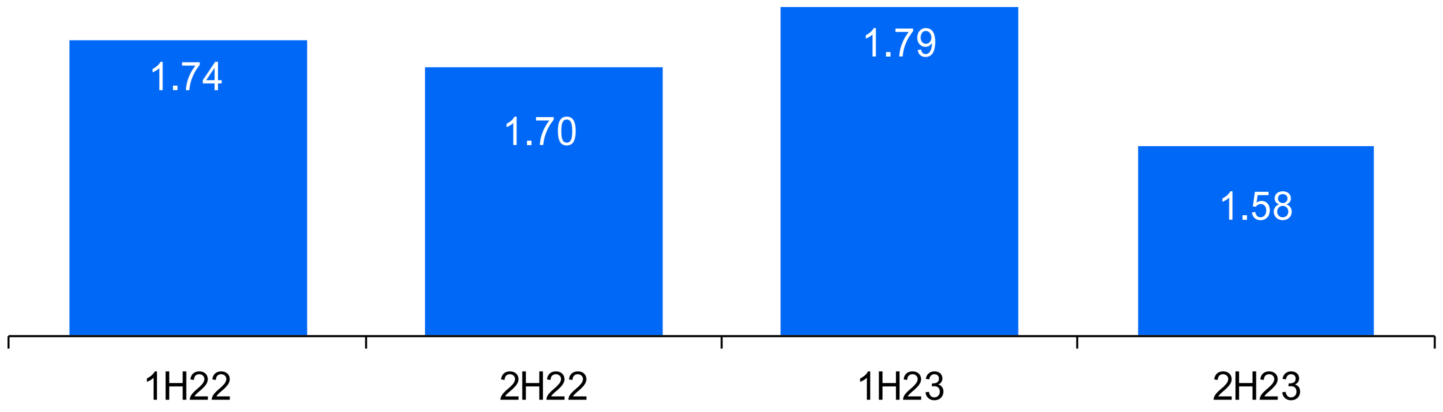
Key elements

Income up on FY22 but down in second half, impacted by lending contraction and decline in NIM

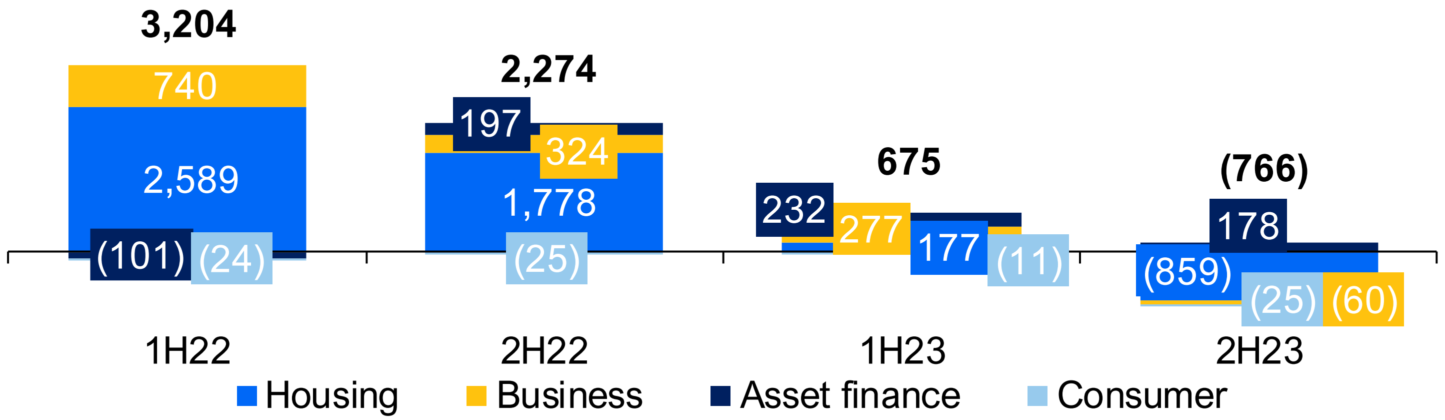
Total income[1] ($m)



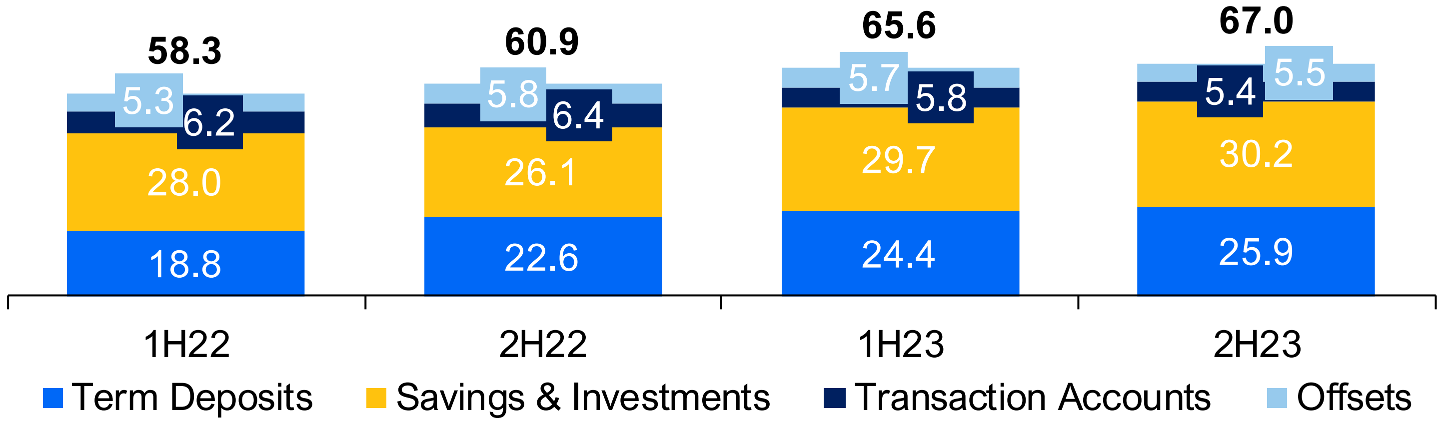
Net interest margin[1] (%)



Growth in lending GLAs[1] ($m)



Customer deposit balances ($bn)



(1) 2H22 comparatives have been restated to reflect the prior period weighted average life adjustment. Further detail has been provided in BOQ's FY23 Annual Report and its disclosure to the ASX dated 29 September 2023

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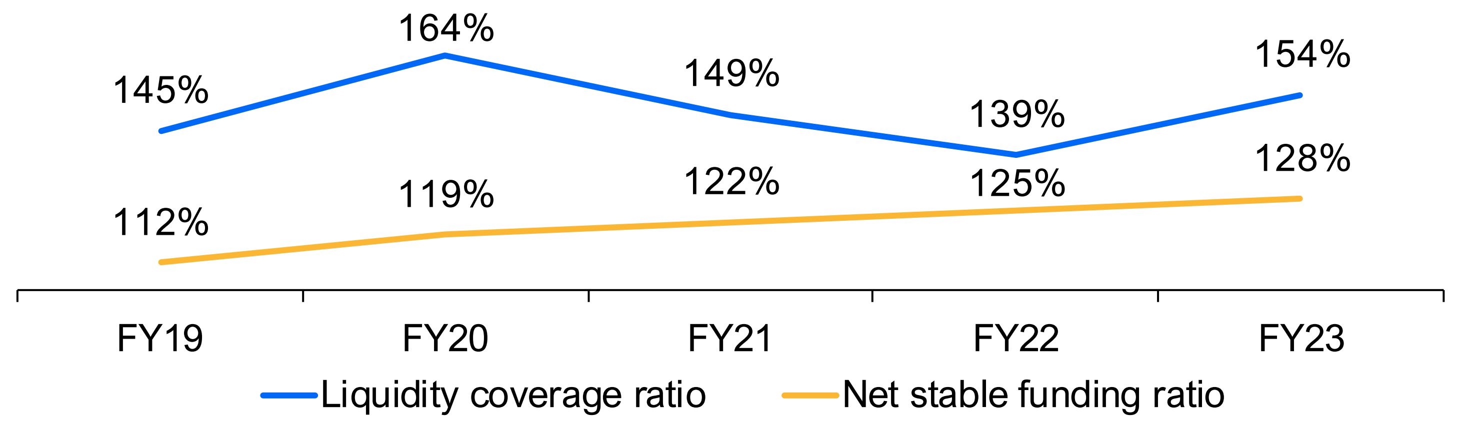
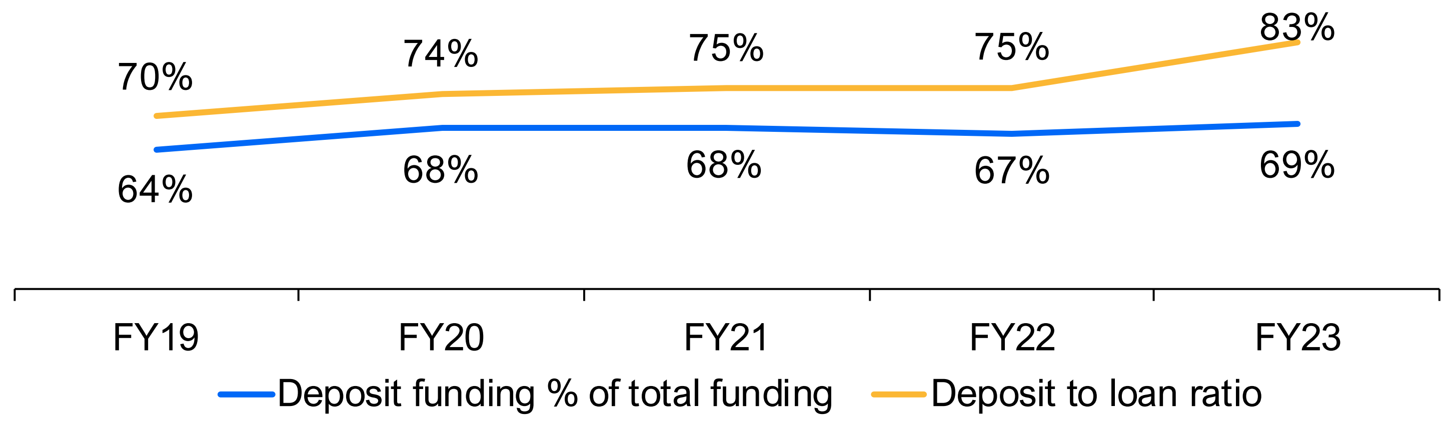
Financial resilience

Strong balance sheet with conservative settings held through the period

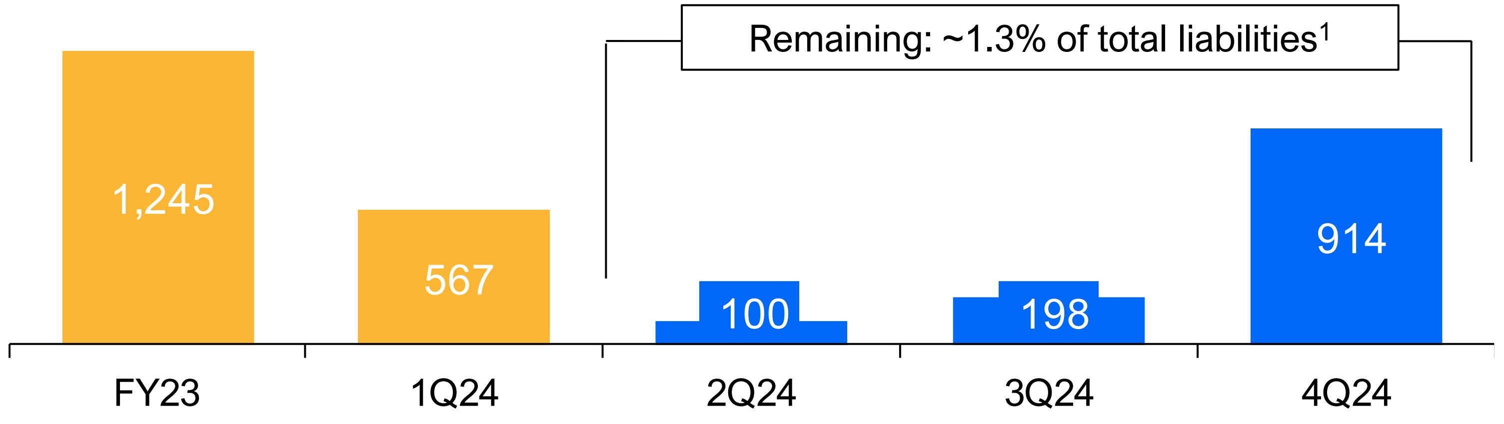
Liquidity strength



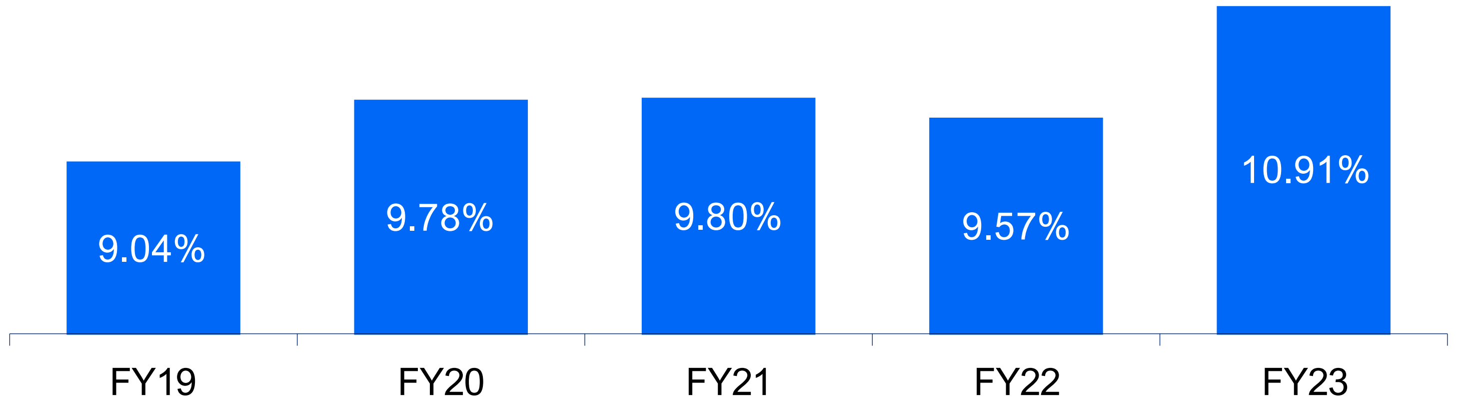
Funding strength



BOQ TFF maturities ($bn)



Capital stability (CET1)[2]



Note: All periods prior to FY21 exclude ME Bank
(1) Based on APRA August 2023 monthly authorised deposit-taking institution statistics, selected liabilities on Australian books of selected individual ADIs
(2) All prior CET1 periods are reported under Basel II regulatory framework. FY23 is reported under the Basel III framework which took effect 1 January 2023

Net interest margin

Competitive pressure on lending and deposits continued across the industry

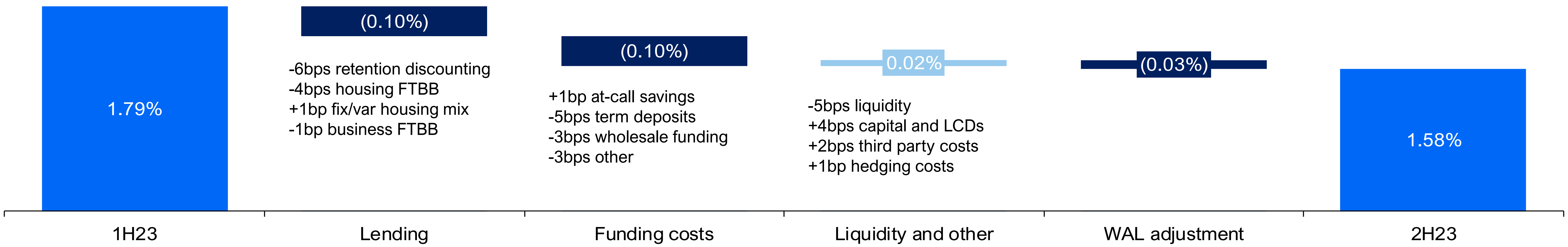
Summary

- Competition and retention discounting continuing to impact asset margins
- Strong competition for retail deposits as the industry replaces TFF and customers seek higher yields
- BOQ in a strong funding position with 60% of TFF replaced[1]
- Shortening of the weighted average life of the loan portfolio has resulted in a one-off -3bps impact

1H24 considerations

- Competition for lending
- Fixed to variable mix tailwind
- Increased funding costs
- Replicating portfolio benefit
- Optimised liquids portfolio

Net interest margin (%) – 1H23 to 2H23

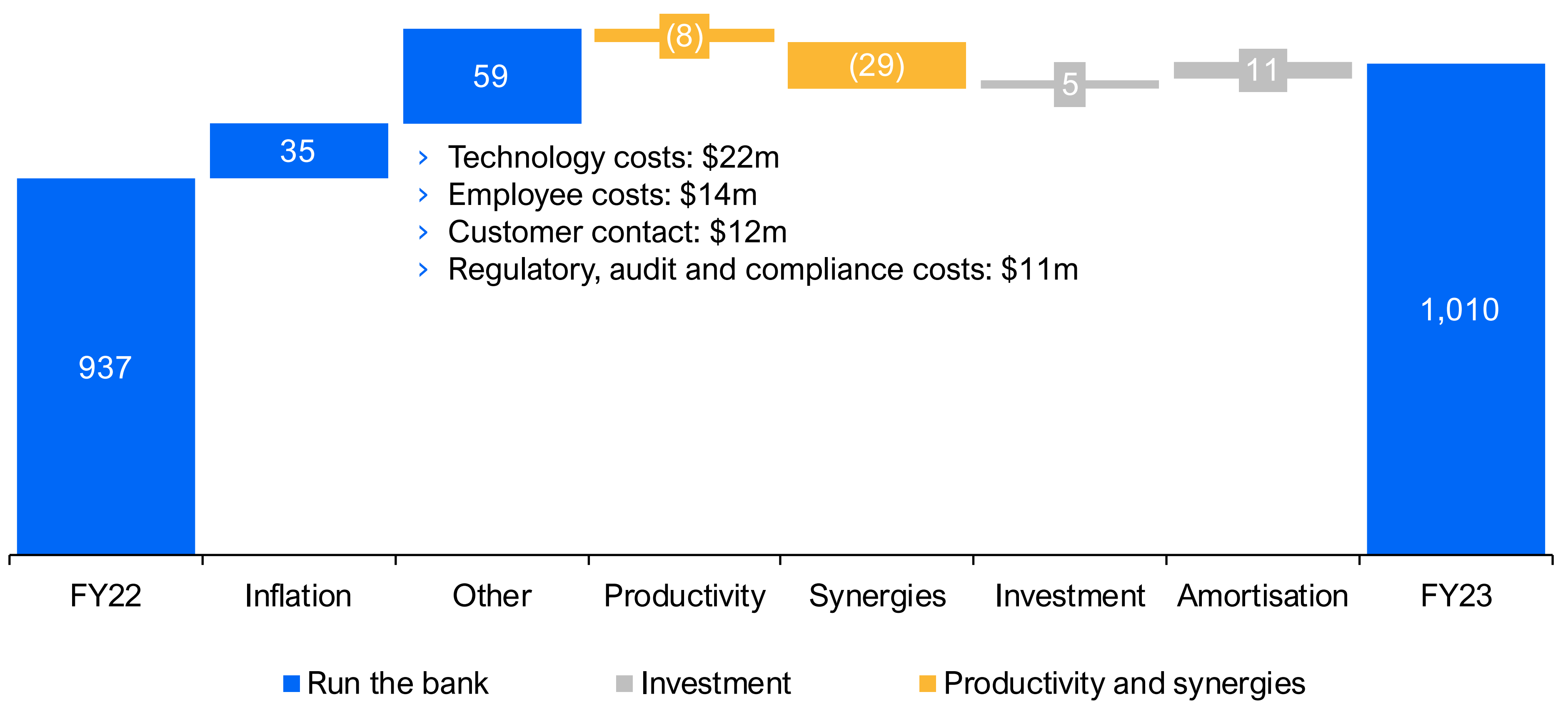


(1) Includes refinancing of all FY23 and 1Q24 maturities

Operating expenses

Inflation and technology costs partially offset by productivity and synergy benefits

Operating expenses ($m)



FY24 considerations

- Inflationary pressures partly offset by simplification, low single digit growth in the underlying cost base
- Lower total investment spend, however FY24 OPEX investment materially higher due to the nature of the spend
- Continue to maintain the legacy technology while we digitise

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ME Integration

Integration program complete with targeted synergies delivered

Expense synergy profile

	FY22	1H23	2H23
Synergies annualised run rate	$47m	$60m	$72m
Delivered percentage	63%	79%	100%

ME Integration costs[1]

	FY22	1H23	2H23
ME Integration program costs	$81m	$18m	$21m
Cumulative (target $130-140m)	$94m	$112m	$133m
Property and core banking write-downs			$43m

Execution on the ME Integration

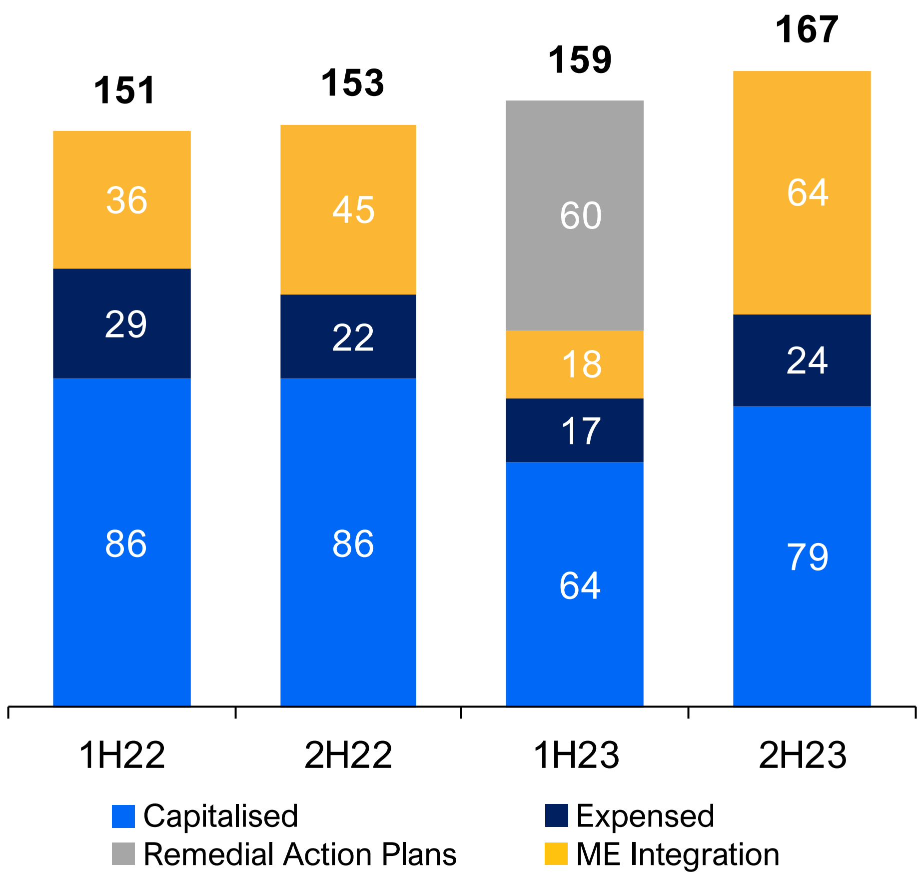
- Total annualised synergies of $72m delivered against a target of $70-80m
  - $25m delivered in FY23 through the consolidation of project delivery service teams, operating model and the simplification of operations
- ME Integration program costs delivered within guidance of $130-140m
  - FY23 costs of $39m primarily related to operations simplification, contact centre consolidation, technology and end user computing integration and operating model integration
- Further decisions made outside of the ME Integration program to consolidate Melbourne offices and write-down the ME core banking platform leading to intangible write-downs in 2H23

(1) ME Integration costs are not included in cash earnings

Transformation investment

Commitment to delivering on the transformation supported by material investment in the business

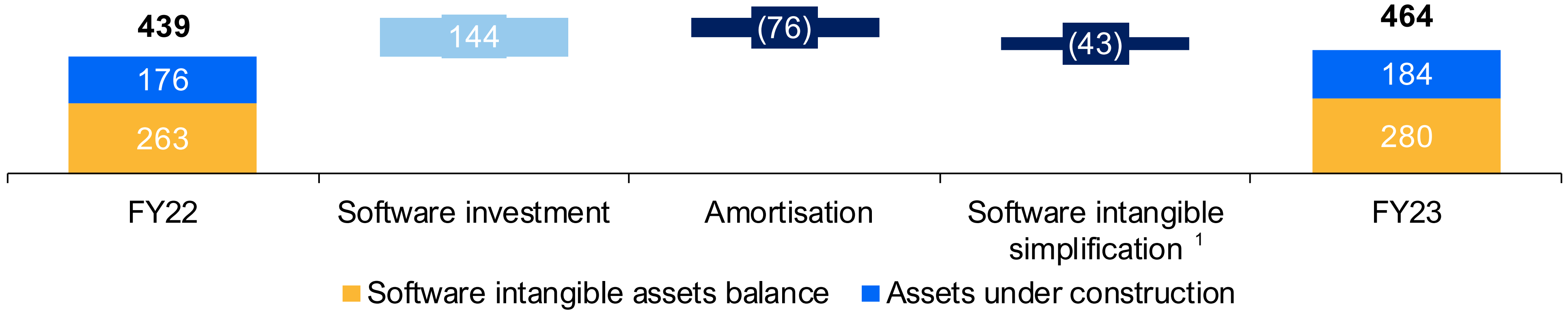
Investment spend ($m)



Summary

- Increase in investment spend largely due to final ME Integration costs associated with property and ME core banking write-downs
- Velocity and cost of digital bank delivery is improving with each additional phase
- Amortisation is anticipated to increase in FY24 and peak in FY25

Software intangible asset balances ($m)



Note: Integration costs are not included in cash earnings

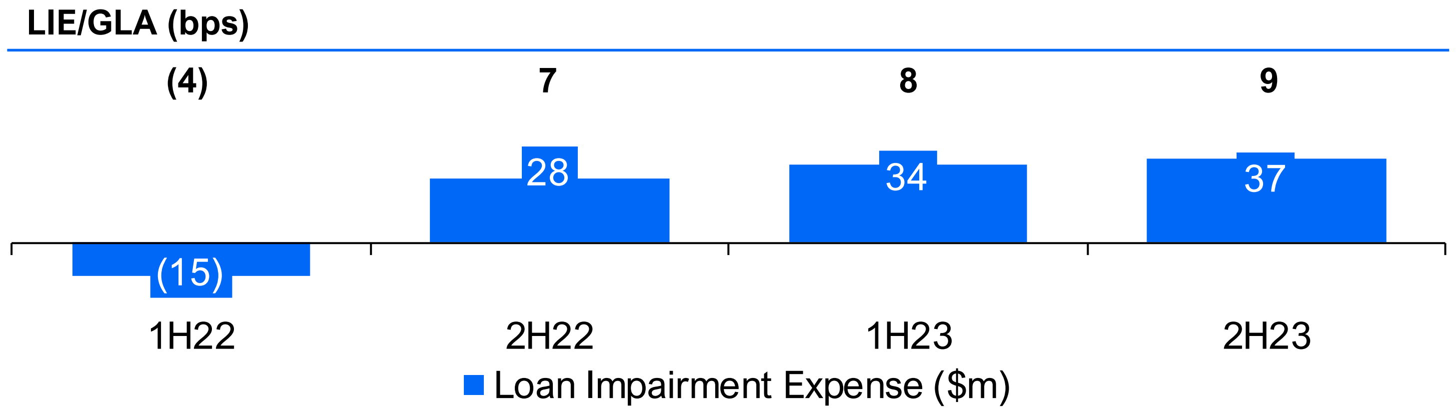
(1) Software intangible simplification includes $14m technology impairments and $27m ME core banking intangible asset

BOQ GROUP

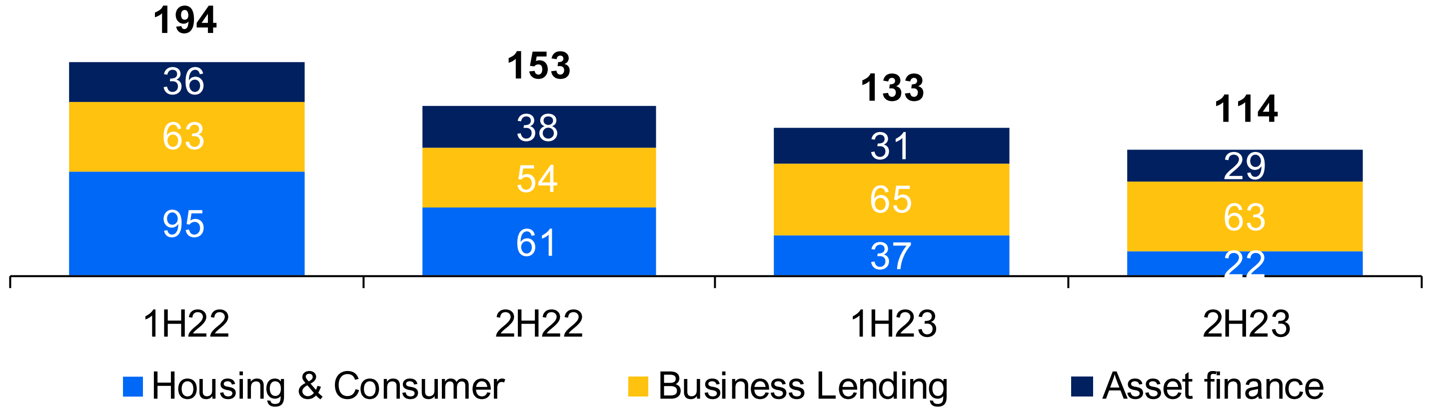
Provisioning and loan impairment expense

Increased provisioning levels taking into account forward looking overlays in light of changing economic conditions

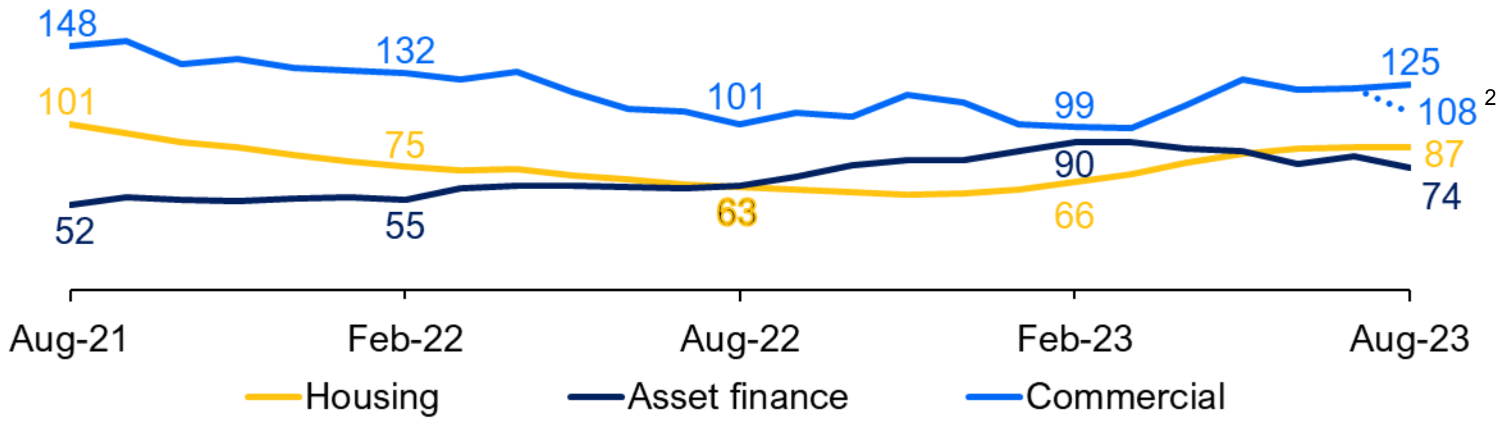
Loan impairment expense



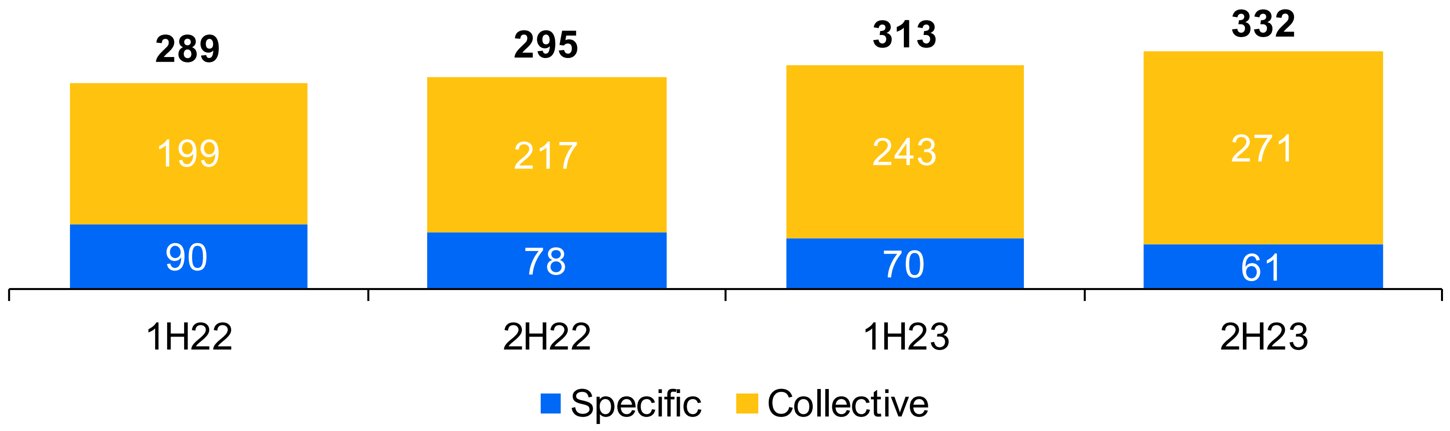
Impaired assets ($m)



Housing, Asset finance and Commercial arrears 90DPD[1] (bps)



Provisions ($m)



(1) To align reporting, arrears have been adjusted to include impaired accounts, all prior periods have been restated. Charts showing the impact in comparison to previously used methodology are presented on slide 54
(2) Post balance date material commercial exposure has been refinanced, which will result in a reduction in commercial arrears

BOQ GROUP

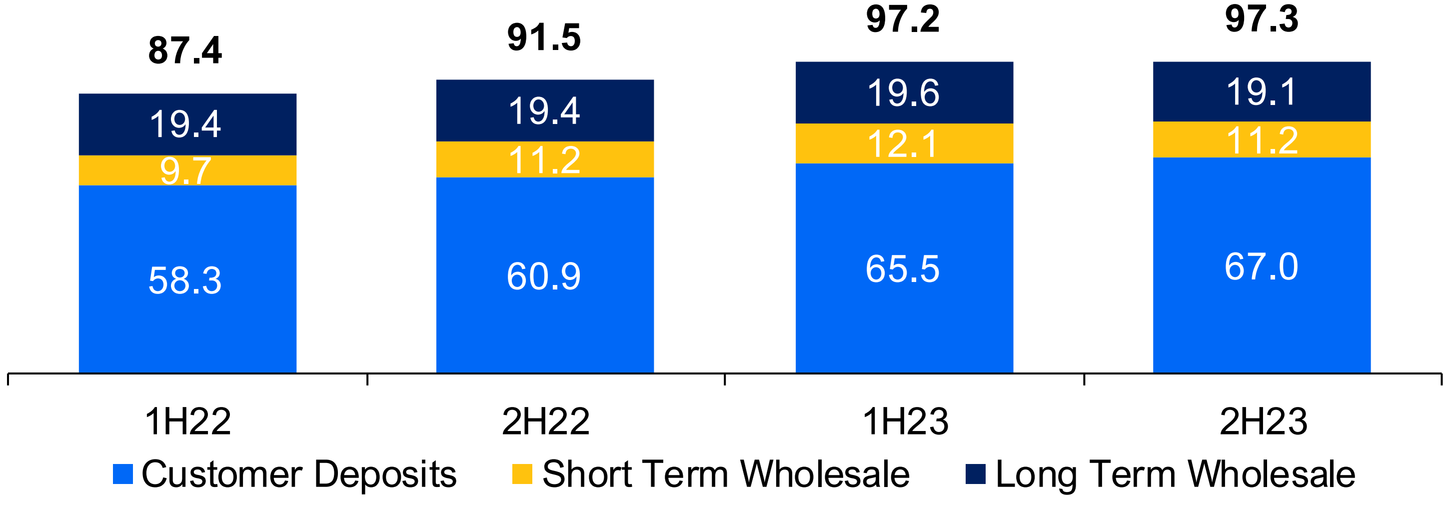
Funding & liquidity

Strategic growth in customer deposits demonstrating digital strategy is delivering

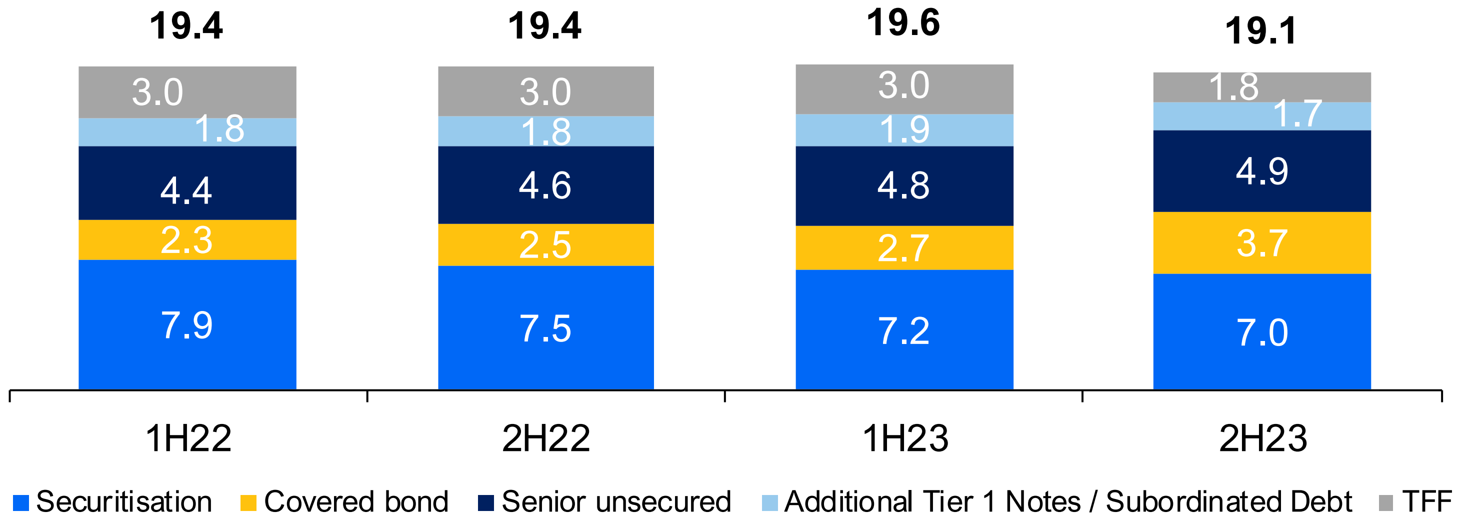
Summary

- Strong liquidity position, diversified funding approach through multiple retail and wholesale channels
- Spot FY23 LCR of 154%, average FY23 LCR of 147%
- Growth in customer deposits of 10% on FY22, providing favourable funding while restoring additional wholesale capacity
- Conservative LCR providing flexibility, driven by TFF replacement in a highly competitive market

Funding mix ($bn)



Long term wholesale funding ($bn)



BOQ GROUP

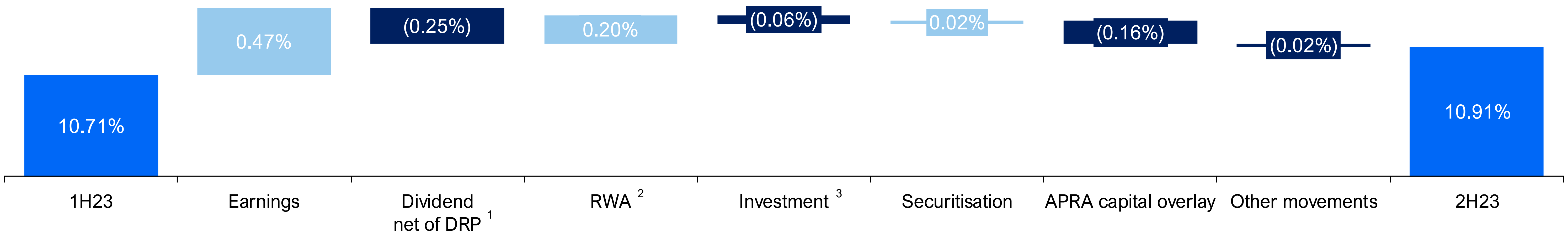
Capital strength

Strong CET1 ratio providing financial resilience in a period of economic uncertainty whilst continuing to invest in transformation

Summary

- CET1 above management target range at 10.91%, $65m in surplus capital held
- Capital overlay of $50m applied as determined by APRA in relation to BOQ's Court Enforceable Undertaking
- Second half dividend of 21c within payout target range at 71%
- DRP to operate with no discount

CET1 (%) – 1H23 to 2H23



(1) 1H23 DRP operated with a discount of 1.5% discount. Participation was 20.2%
(2) Includes loan origination costs
(3) Capitalised expenses and amortisation

OUTLOOK & SUMMARY

FY24 Outlook

- Australian economy resilient supported by solid fundamentals with low unemployment and strong cash savings
- Increasing risk into FY24 due to elevated cost of living and the lagged impact of sustained high interest rates
- We will support our customers through this more challenging economic cycle
- Revenue and margin pressure to continue in FY24:
  - Slower credit growth whilst BOQ continues to prioritise economic return over volume growth in a highly competitive environment
  - We anticipate mortgage pricing will need to adjust to provide returns above banks cost of capital
  - Deposit competition to remain intense as industry Term Funding Facility refinancing continues
- Continued investment in strengthening the bank and digitisation partly offset by productivity benefits
  - Simplification program offsetting inflationary pressures
  - Anticipated low single digit cost growth in FY24 plus growth in investment spend and amortisation
- BOQ asset quality remains sound, diversified and well collateralised
- We will deliver a market leading digital mortgage in FY24, improving the customer experience and reducing the cost to serve
- Positioning for economic recovery with a stronger, simpler, lower cost and scalable digitally enabled bank with an exceptional customer experience across our differentiated brand propositions

BOQ GROUP

Summary

- Strong financial position to support our customers and deliver our transformation priorities to strengthen, simplify, digitalise and optimise BOQ
- Committed to our risk remediation programs with both APRA and AUSTRAC
- Our Simplification program is reducing complexity and duplication, driving productivity improvements
- Our Digital transformation is on track with delivery of all key milestones with digital mortgages and decommissioning ME core banking platform in FY24/25
- Clear strategy to address our legacy issues and deliver a competitive and sustainable model with improved customer experience, profitable growth and shareholder value

ABOUT BOQ GROUP

Purpose. *Why we exist*	BUILDING SOCIAL CAPITAL THROUGH BANKING.
Vision. *Where we are headed*	**To be the bank customers choose.**
Strategy. *What we will deliver*	STRENGTHEN · SIMPLIFY · DIGITISE · OPTIMISE **Exceptional customer & people experience.**
Capabilities. *How we will deliver*	Digital Banking · Relationship Banking · Digitally enabled, Data informed · Risk Intelligence · Transformational Leadership
Values. *How we will work*	**Spirited.** Be outrageously courageous. **Optimistic.** To infinity and beyond. **Curious.** Be truly, madly, deeply interested. **Inclusive.** Tap the collective genius. **Accountable.** Be the rubber that hits the road. **Lionhearted.** Be fiercely caring.

BOQ Group

Unique brands in niche segments serving customers for 149 years

Our differentiators

- Unique brands with proud history
- OMB network deeply anchored in local communities
- Highly specialised bankers serving niche industry segments
- Building an innovative digital offering and loyalty

Our distinctive brands

Retail Banking

BOQ – Personalised, relationship-led banking

Virgin money – The digital bank rewarding Aussies

me – Helping all Australians get ahead

Business Banking

BOQ BUSINESS

BOQ FINANCE

BOQ SPECIALIST – Specialised banking solutions that meet core business and personal needs

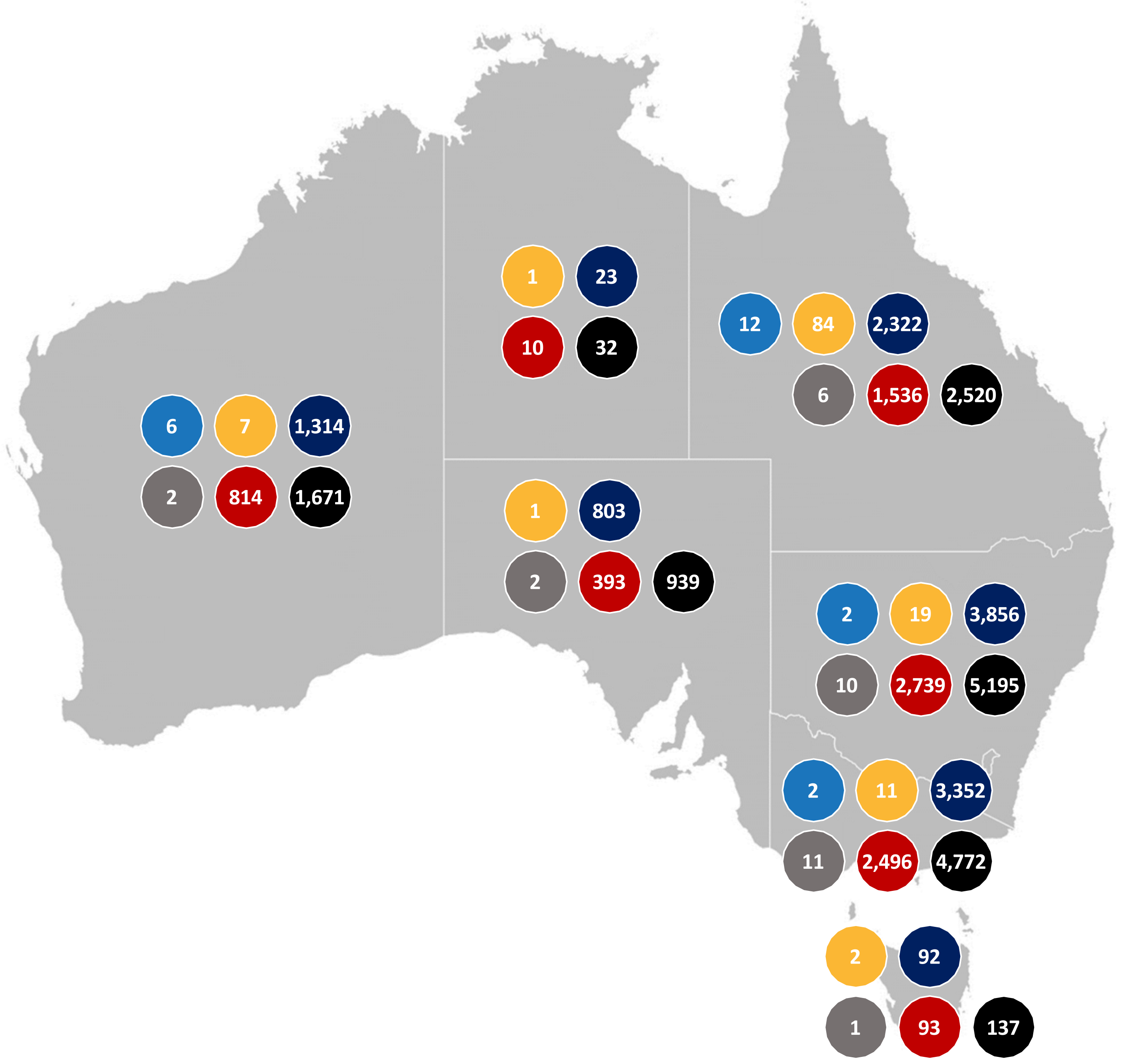
Key statistics for FY23

c. 1.4m Customers		**c. 570k** BOQ **c. 320k** VMA **c. 350k** ME	**c. 10k** BOQ Business **c. 30k** Specialist **c. 80k** Finance **c. 50k** Retail SME
147 Branches[1]	**32** ME Mobile & Direct Bankers	**>3.3k** Employees **c. 950** OMB Employees	**$148b**[2] Footings
83% Deposit to loan ratio		**2.82%**[3] Market share - Housing	**1.47%**[3,4] Market share - Business

(1) Total branches includes transaction centres
(2) Footings refer to gross loans and advances plus customer deposits
(3) Internal BOQ Analysis and APRA monthly authorised deposit-taking institution statistics excluding International banks, August 2023
(4) Excluding BOQF

BOQ GROUP

Distribution network



Summary

FY23 branch numbers at 147 (incl. transaction centres)

- The franchise network remains a key differentiator for BOQ and is pivotal to the Bank's deposit raising capabilities and growth in mortgages and SME lending

As at 31 August 2023

22	CORPORATE BRANCHES	11,762	BROKERS ACCREDITED WITH BOQ
125	OWNER MANAGER BRANCHES	8,081	BROKER ACCREDITED WITH VMA
32	ME MOBILE & DIRECT BANKERS	15,266	BROKERS ACCREDITED WITH ME

BOQ GROUP

Distribution footprint movements

Aug-23	QLD	NSW / ACT	VIC	WA	NT	TAS	SA	Total
Corporate branches	12	2	2	6	0	0	0	22
Owner managed branches	84	19	11	7	1	2	1	125
Total	96	21	13	13	1	2	1	147

Aug-22	QLD	NSW / ACT	VIC	WA	NT	TAS	SA	Total
Corporate branches	17	4	5	10	-	-	-	36
Owner managed branches	80	19	10	5	1	2	1	118
Total	97	23	15	15	1	2	1	154

Corporate, owner managed branches and transaction centres

	FY23	
Summary of changes	**Gross**	**Net Branch Movement**
Corporate closure	5	(5)
OMB closure	2	(2)
OMB to corporate	-	-
Corporate to OMB	9	-
OMB to OMB sale	4	-
New branch opening	-	-
Total changes	20	(7)

Cultural transformation

Cultural transformation delivering improved outcomes for our people and business

	Engagement	Culture	Safe to speak up	Alignment of role to strategy
Earlier	August 2020: 59%	August 2020: 54%	May 2020: 58%	August 2020: 72%
August 2023	65%	64%	74%	78%
Change	+6	+10	+16	+6

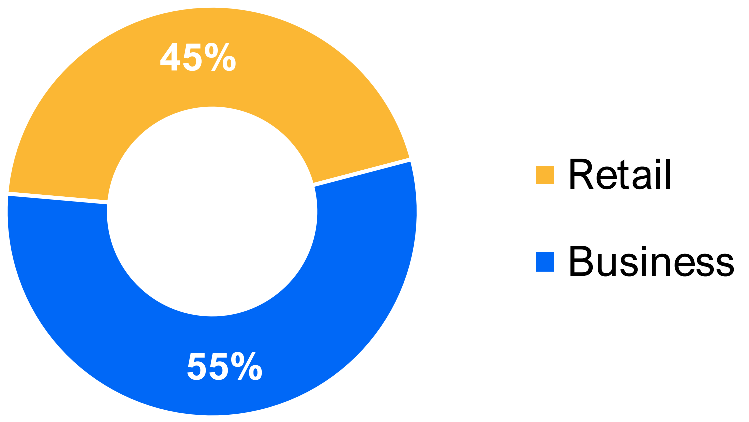
Balanced portfolio for growth and geographic diversity

Well diversified portfolio across Retail and Business Banking

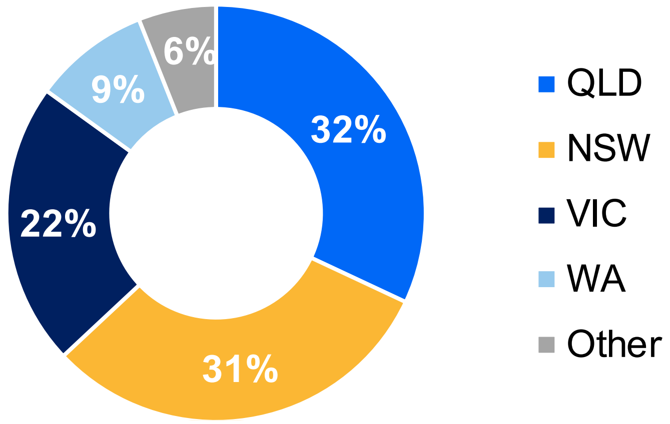
Summary

- Well diversified portfolio, with 45% of profits from Retail Banking and 55% from Business Banking
- Lending portfolio diversified geographically across the East Coast of Australia
- Multi-brand and business bank targeted strategy enables differentiated customer propositions
- Capital investment leveraged across a broader base while scaling common technology

FY23 Cash profit by division[1] (%)



Total loans by geography (%)



(1) Excludes $6m in other segment business loss

DIVISIONAL RESULTS

Divisional performance

Positive NII growth in BOQ Business and Retail Bank, NPAT down due to higher costs and normalised impairment expenses

	Retail FY23	Retail FY22[1]	Retail FY23 v FY22[1]	Business FY23	Business FY22	Business FY23 v FY22
Net interest income	929	919	1% ▲	686	593	16% ▲
Non-interest income	88	98	(10%) ▼	48	50	(4%) ▼
Total income	1,017	1,017	0% —	734	643	14% ▲
Operating expenses	(706)	(642)	10% ▲	(304)	(295)	3% ▲
Underlying profit	311	375	(17%) ▼	430	348	24% ▲
Loan impairment expense	(13)	(41)	(68%) ▼	(58)	28	Large ▲
Cash profit before tax	298	334	(11%) ▼	372	376	(1%) ▼
Income tax expense	(95)	(102)	(7%)	(119)	(115)	3%
Cash earnings after tax	**203**	**232**	**(13%)** ▼	**253**	**261**	**(3%)** ▼

(1) Comparatives have been restated to reflect the prior period weighted average life adjustment. Further detail has been provided in BOQ's FY23 Annual Report and its disclosure to the ASX dated 29 September 2023

BOQ GROUP

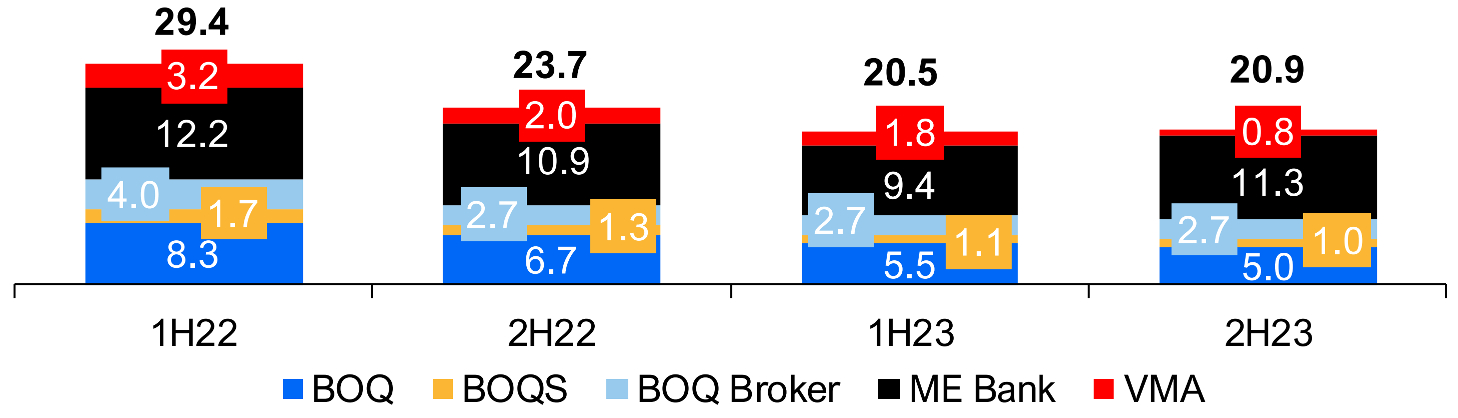
Home lending performance

Moderated housing growth, reflecting decision to prioritise economic return over volume growth

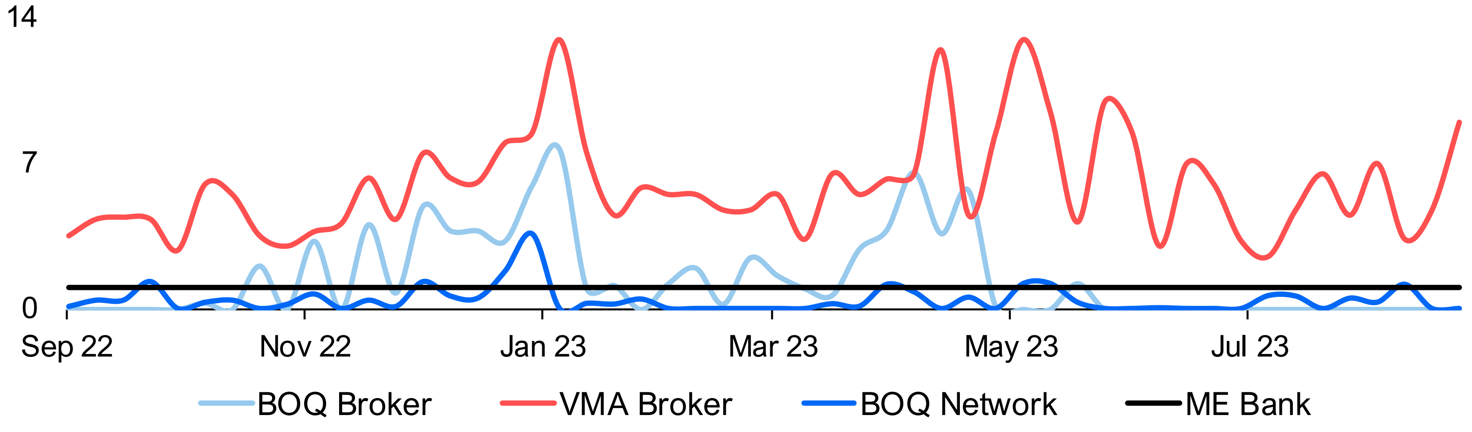
Housing metrics

Quality Growth	Portfolio FY23	Flow FY23
LVR > 90% (%)	1.8	1.5
LVR > 80% (%)	12.8	8.7
90 Days past due[1]	87	-
Interest only % (excl. construction)	12	10
Investor %	30	27
PAYG %	79.1	83.1
DTI >6x %	-	6
Fixed %	27	8
Broker %	48	59
BOQ & VMA system growth[2]	-	Negative
BOQS system growth[2]	-	0.2x
ME system growth[2]	-	0.4x
Overall BOQ Group system growth[2]	-	Negative
Serviceability buffer	Customer repayment ability assessed on the higher of the minimum floor rate which is currently 5.75% or actual customer interest rate plus buffer of 3%	

Housing application volumes (# '000)



Turnaround times – Housing (days)[3]



(1) To align reporting, arrears have been adjusted to include impaired accounts. Charts showing the impact in comparison to previously used methodology are presented on slide 54
(2) Multiple based on YTD system to August 2023, APRA monthly banking statistics
(3) Conditional approval with median turnaround times reported. ME and BOQ processes have elements of automated Conditional Approval prior to verification, VMA is a fully verified Conditional Approval

Lending to households (APRA data)

	Lending to Households (APRA)			Multiple (APRA)			
	YTD (A)	3M (A)	1M	YTD	3M	1M	Market share
Major 1	13.50%	14.19%	1.66%	2.7	3.1	4.8	5.14%
Major 5	7.61%	6.69%	0.70%	1.5	1.5	2.0	13.32%
International 1	6.33%	6.55%	0.76%	1.3	1.4	2.2	1.38%
Regional 1	6.03%	4.39%	-0.37%	1.2	1.0	Neg	2.41%
System	4.96%	4.60%	0.34%				
Major 4	4.16%	7.73%	0.63%	0.8	1.7	1.8	21.38%
Major 3	3.94%	-1.04%	-0.26%	0.8	Neg	Neg	25.55%
Major 2	3.01%	3.74%	0.34%	0.6	0.8	1.0	14.65%
Regional 2	1.98%	4.16%	-0.05%	0.4	0.9	Neg	2.76%
International 2	1.66%	4.70%	-0.71%	0.3	1.0	Neg	2.65%
ME	1.61%	5.08%	0.13%	0.3	1.1	0.4	1.25%
BOQ + ME	-0.95%	-1.54%	-0.33%	Neg	Neg	Neg	2.82%
BOQ	-2.89%	-6.64%	-0.68%	Neg	Neg	Neg	1.57%

Source: APRA Monthly Banking Statistics August 2022 to August 2023
Note: Majors comprise CBA, NAB, WBC, ANZ and Macquarie, Regionals comprise SUN and BEN and Internationals comprise HSBC and ING

BOQ GROUP

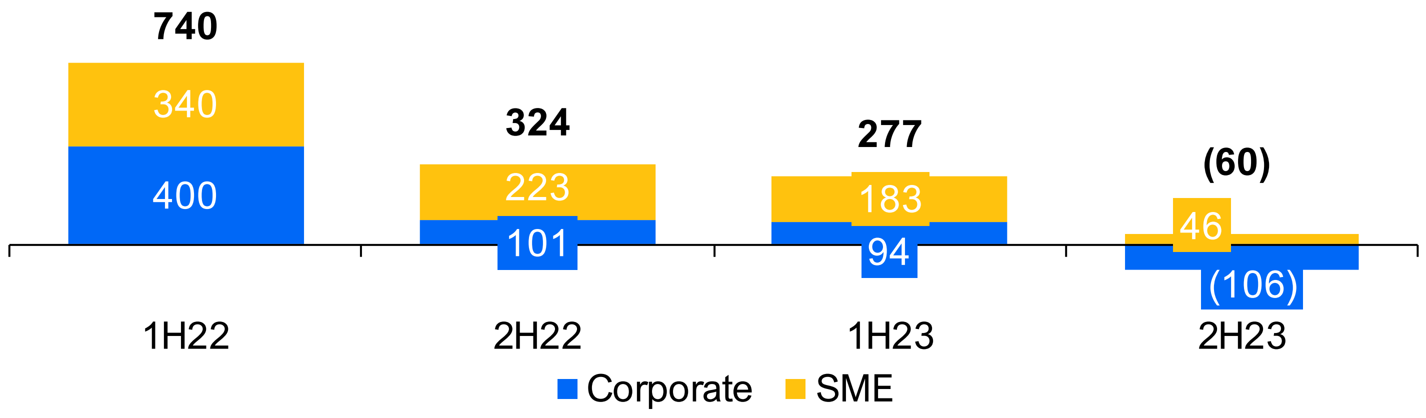
Business lending

A continued focus on growth in strategic segments and portfolio and return optimisation as system growth slowed

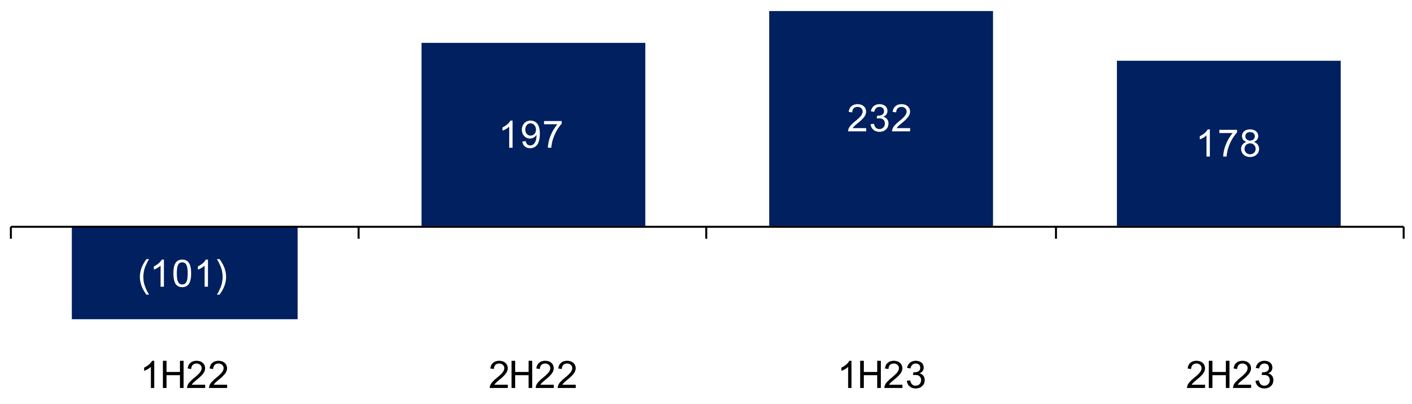
Summary

- FY23 growth was driven by the healthcare and agriculture sectors, owner-occupied property lending across a diversified range of businesses, and equipment finance
- The SME strategy remains focused on policy simplification, product features and process enhancements
- Lending to large corporates was broadly flat, reflecting a continued focus on portfolio optimisation and delivering improved risk adjusted returns
- Asset finance growth of 6% across a diverse portfolio of assets as COVID-related supply chain issues eased
- Portfolio quality remains strong despite the challenging economic environment, with asset finance arrears improving in 2H23 and commercial arrears impacted by a small number of well secured exposures in the commercial property sector but remaining below pre-COVID levels

Growth in SME and corporate lending GLAs ($m)



Growth in Asset finance GLAs ($m)



(1) The SME portfolio of customers represents an internal view of small and medium sized businesses, with the majority of customers having lending exposure of less than $10m

BOQ GROUP

Lending to business (APRA data)

	Lending to Businesses (APRA)			Multiple (APRA)			
	YTD (A)	3M (A)	1M	YTD	3M	1M	Market share
International 3	15.10%	21.01%	0.00%	2.6	3.4	0.0	2.08%
Major 2	7.89%	4.76%	0.55%	1.3	0.8	0.6	21.00%
Major 1	7.21%	7.22%	0.11%	1.2	1.2	0.1	1.95%
Regional 1	5.94%	2.29%	0.08%	1.0	0.4	0.1	1.39%
System	5.90%	6.15%	0.92%				
Major 4	5.13%	12.38%	1.47%	0.9	2.0	1.6	19.43%
Major 5	4.26%	-2.71%	0.71%	0.7	Neg	0.8	15.89%
Major 3	3.96%	8.05%	0.83%	0.7	1.3	0.9	25.37%
International 2	2.25%	17.45%	0.78%	0.4	2.8	0.9	1.53%
Regional 2	2.04%	15.27%	0.54%	0.3	2.5	0.6	1.74%
BOQ	1.20%	-1.91%	-0.99%	0.2	Neg	Neg	1.47%
International 1	-5.46%	-27.77%	2.46%	Neg	Neg	2.7	0.36%

Source: APRA Monthly Banking Statistics August 2022 to August 2023
Note: Majors comprise CBA, NAB, WBC, ANZ and Macquarie, Regionals comprise SUN and BEN and Internationals comprise HSBC and ING

NET INTEREST MARGIN

Net interest margin – FY22 to FY23

Funding cost benefits from rising interest rates offset by retention discounting and competition

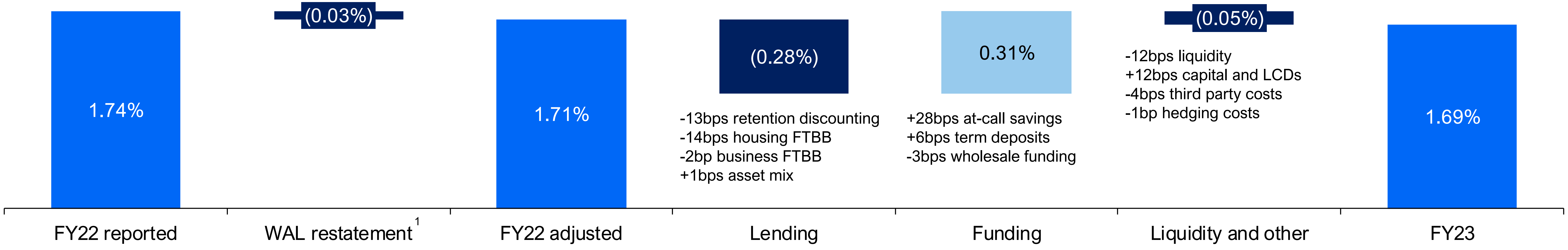
Headwinds

- Front book pricing due to elevated competition
- Retention discounting
- Liquidity drag due to the removal of the CLF and TFF replacement

Tailwinds

- Benefits from rising rate environment
- Replicating portfolio benefits

Net interest margin (%) – FY22 to FY23



(1) Restated to reflect the prior period weighted average life adjustment. Further detail has been provided in BOQ's FY23 Annual Report and its disclosure to the ASX dated 29 September 2023

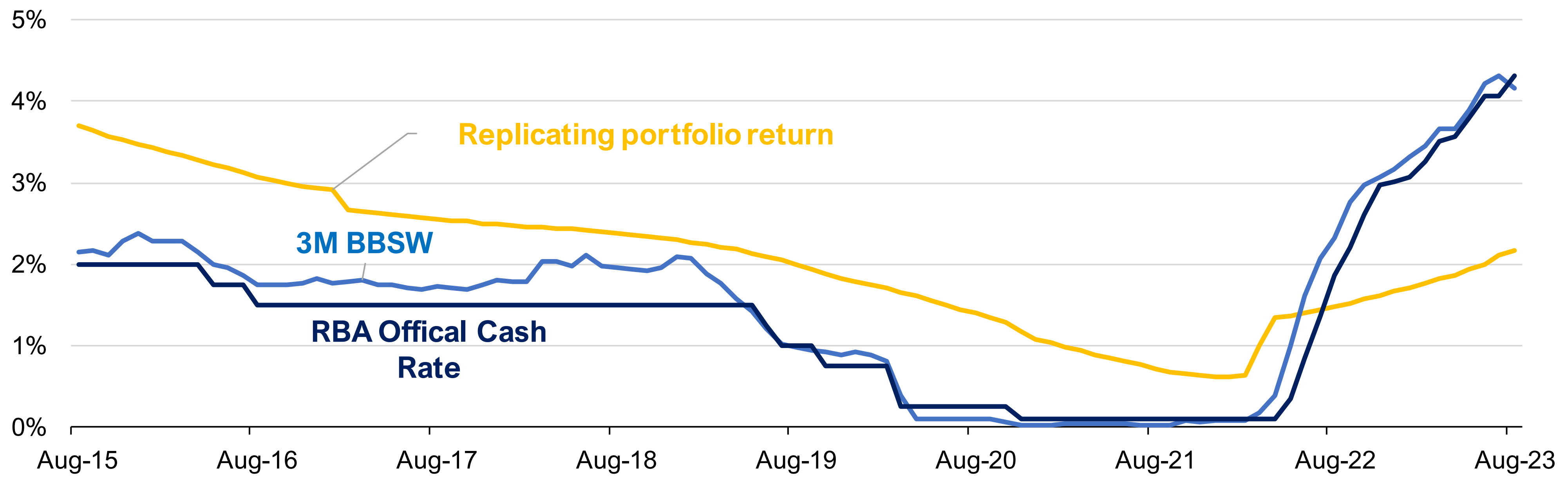
BOQ GROUP

Replicating portfolio & uninvested capital and low cost deposits

Summary

- Replicating portfolio has an investment term of 5 years, this remains appropriate in current market conditions
- For every 25bps cash rate increase, the uninvested capital and low cost deposit portfolio increases NIM by circa 0.44bps

Replicating portfolio



	1H23 Balance ($bn)	2H23 Balance ($bn)	FY23 Avg. Return	Exit Return Rate	Investment Term
Capital	3.9	4.0	1.68%	2.17%	5 years
Low cost deposits	4.3	4.3	1.92%	2.16%	5 years
Total Replicating Portfolio	**8.2**	**8.3**	1.81%	2.17%	5 years
Uninvested capital and low cost deposit	1.9	1.7	3.41%	4.16%	3 months[1]

(1) Invested at the overnight cash rate plus 3 month average of 3 month Bills OIS spread

PORTFOLIO QUALITY

BOQ GROUP

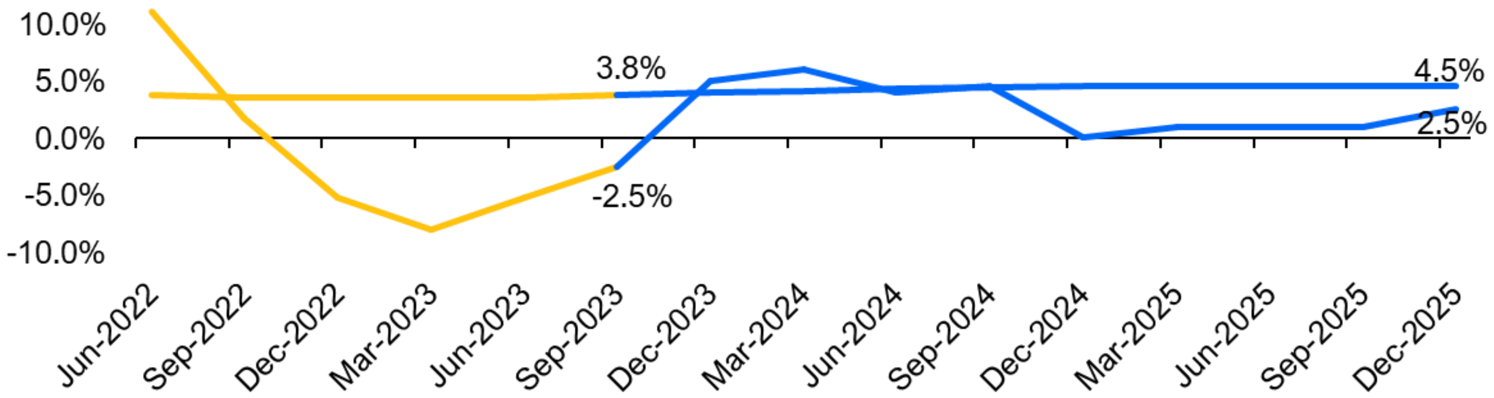
Collective provisioning

Prudent economic forecasts reflective of a changing environment

Provision model assumptions

- Increased collective provisioning primarily due to higher levels in BOQ Business driven by rating downgrades, prudent forward-looking overlays and increased overlays on the construction and commercial real estate industries
- The forward-looking nature of AASB9 means that prudent assumptions can be maintained in uncertain economic times. Assumptions are revised regularly based upon the economic outlook and portfolio positioning

House price index and unemployment



Economic forecasts (calendar year) (%)[1]

	Base			Downside		
	2023	2024	2025	2023	2024	2025
GDP (YoY growth %)	1.00	1.75	2.25	(0.50)	-	1.00
Unemployment rate (%)	4.00	4.50	4.50	4.50	6.75	7.25
Residential Property Prices (cumulative % change)	5.00	-	2.50	(6.00)	(10.00)	(2.00)
Commercial Property Prices (cumulative % change)	(10.00)	(5.00)	-	(17.75)	(9.25)	(4.00)
Cash Rate (%)	4.25	3.75	3.10	4.75	4.75	4.00

Scenario weights

	Upside		Base		Downside		Severe	
	2023	2022	2023	2022	2023	2022	2023	2022
Weighting	5%	5%	50%	50%	30%	30%	15%	15%

(1) Economic forecasts reflect calendar year end numbers and were prepared as at August 2023, based on RBA and market consensus at the time and prepared for the purpose of collective provision updates

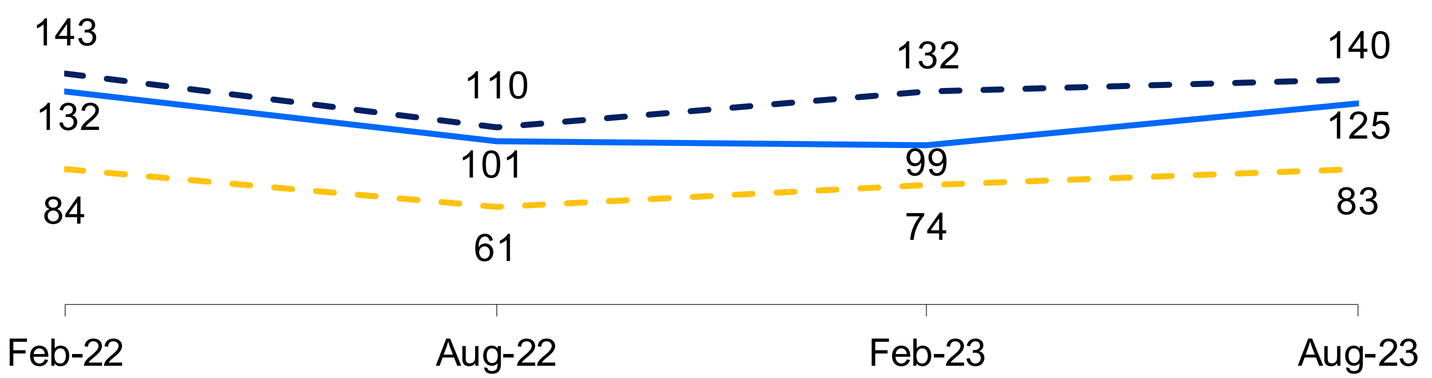
Portfolio quality

Housing, Commercial and Asset finance arrears normalising, reflecting the economic environment

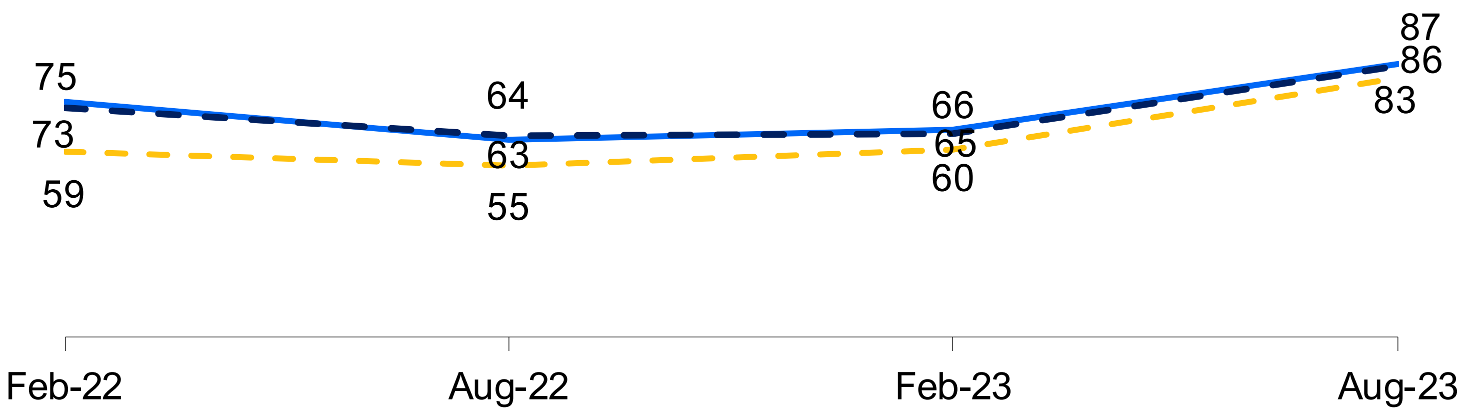
Summary

- To align reporting to industry practice and BOQ's risk management approach, arrears methodology has been adjusted to include impaired accounts
- BOQ has a conservative approach to arrears reporting for customers that have exited their hardship arrangement and are in the 6-month post arrangement serviceability period, continuing to report these customers in arrears until the end of their serviceability period
- Asset finance arrears improved following BOQ's 1H23 approach to work with customers impacted by challenges facing a small number of industries

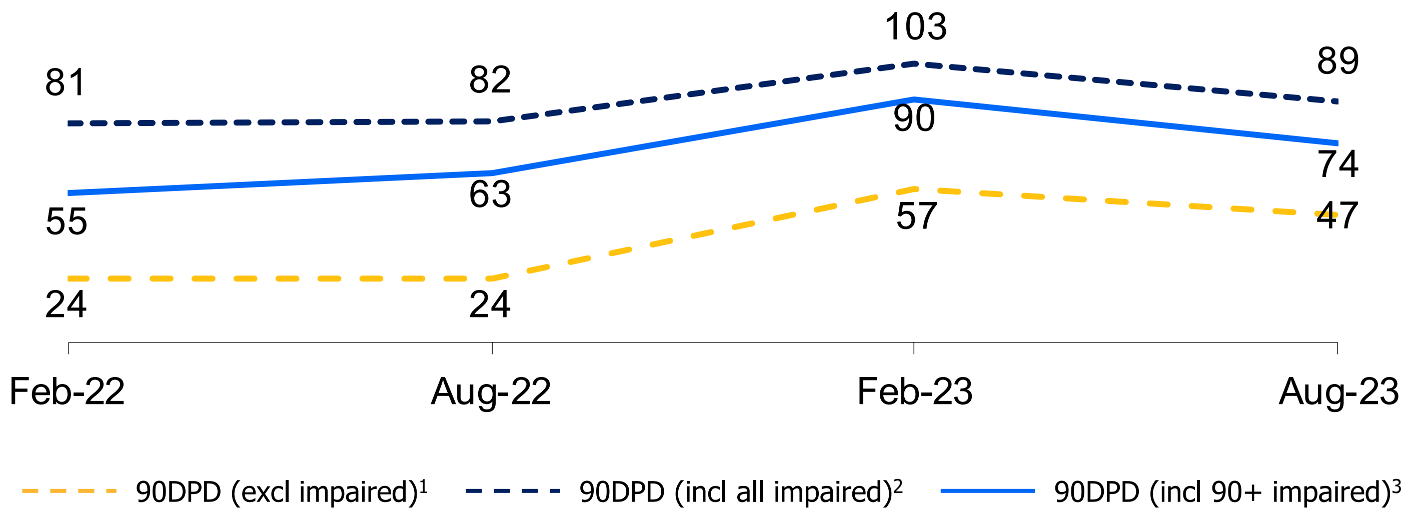
Commercial arrears (bps)



Housing arrears (bps)



Asset finance arrears (bps)



(1) 90DPD (excl impaired) – does not include any impaired accounts
(2) 90DPD (incl all impaired) – includes all 90DPD accounts, plus any impaired accounts that are not in arrears
(3) 90DPD (incl 90+ impaired) – includes all 90DPD accounts, not including any impaired accounts that are below 90DPD

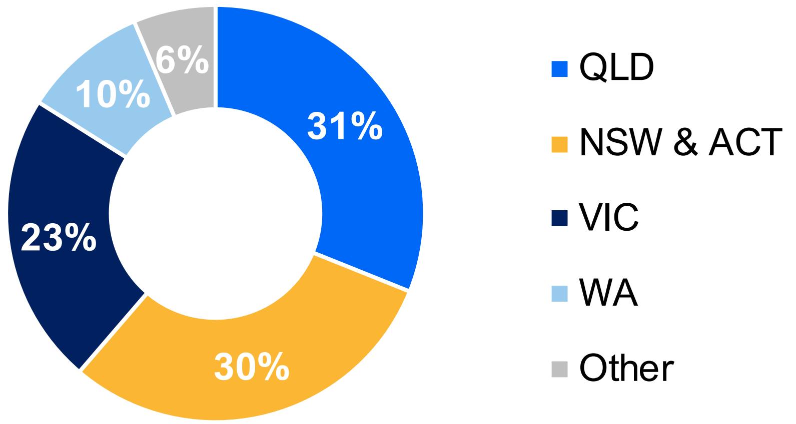
Housing loan portfolio

Diversified portfolio with conservative LVR lending

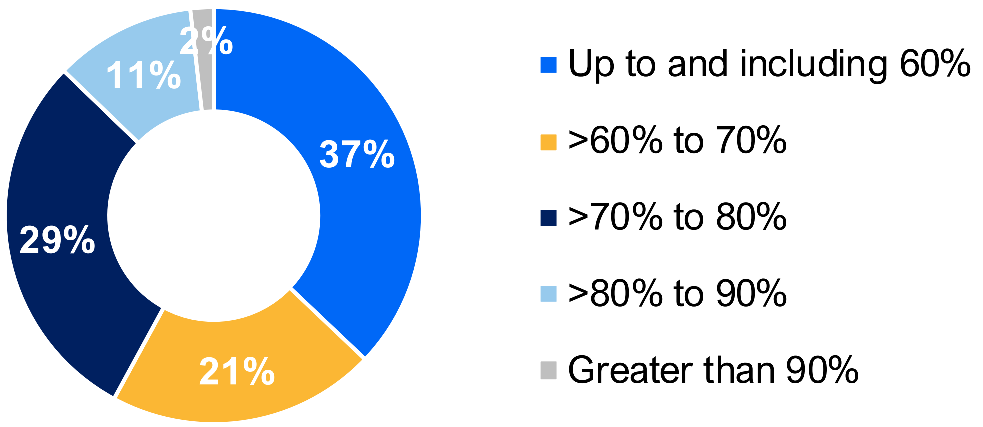
Summary

- Housing portfolio diversified across geography and channel
- 98% of customers with LVR =<90%, with FY23 flow above 90% at 1.5%
- FY23 flows from home loan customers with LVR>80% reducing to 8.7% from 11% in FY22

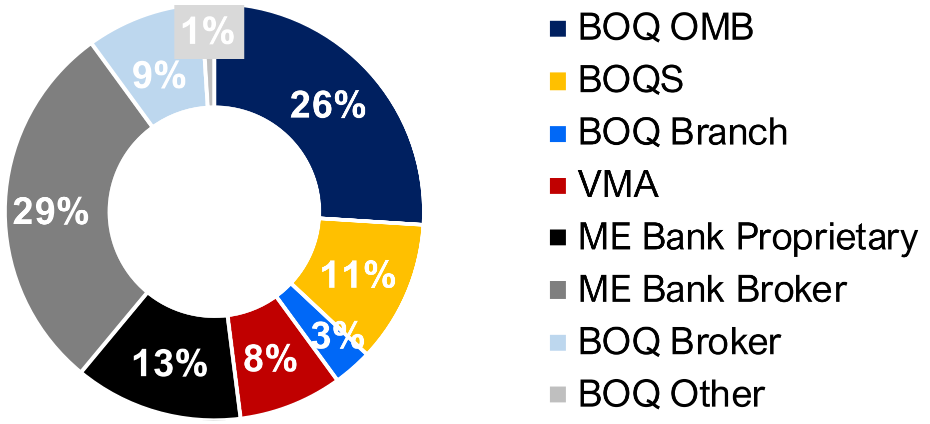
Housing portfolio by geography (%)



Housing portfolio by LVR (%)



Housing portfolio by channel (%)



BOQ GROUP

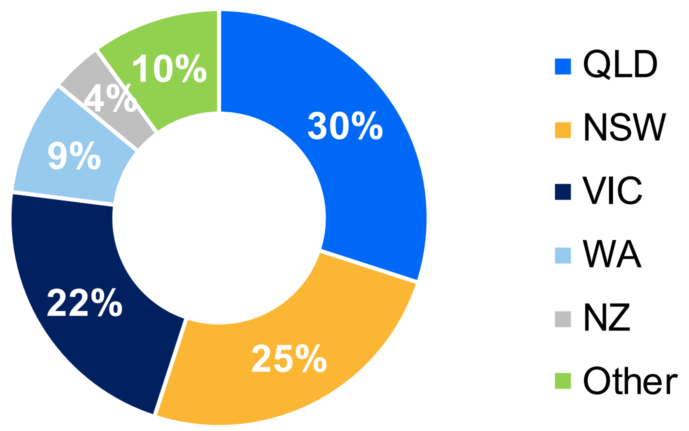
Asset finance portfolio

Portfolio remains well diversified

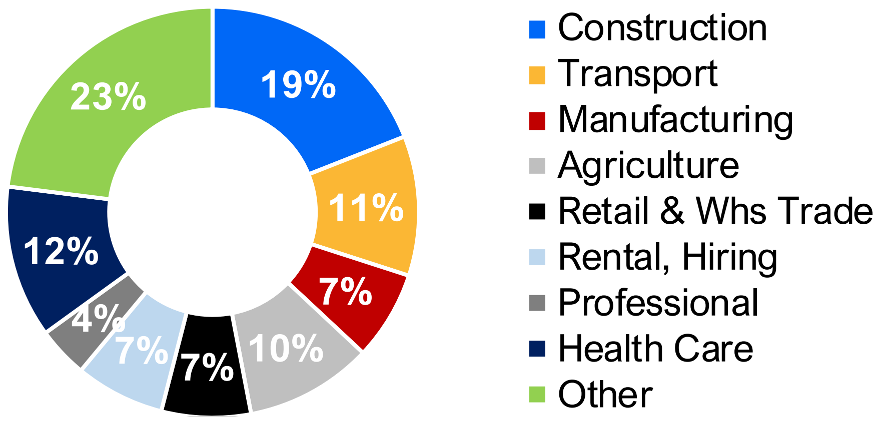
Summary

- Broad industry spread reducing concentration of Asset finance portfolio
- Arrears improving following BOQ's 1H23 approach to work with customers impacted by challenges facing a small number of industries

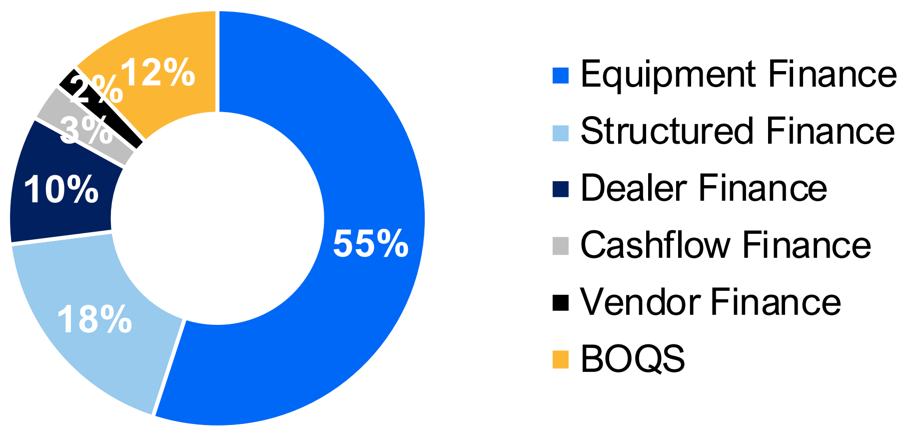
Asset finance by geography (%)



Asset finance by industry (%)



Asset finance by channel (%)



BOQ GROUP

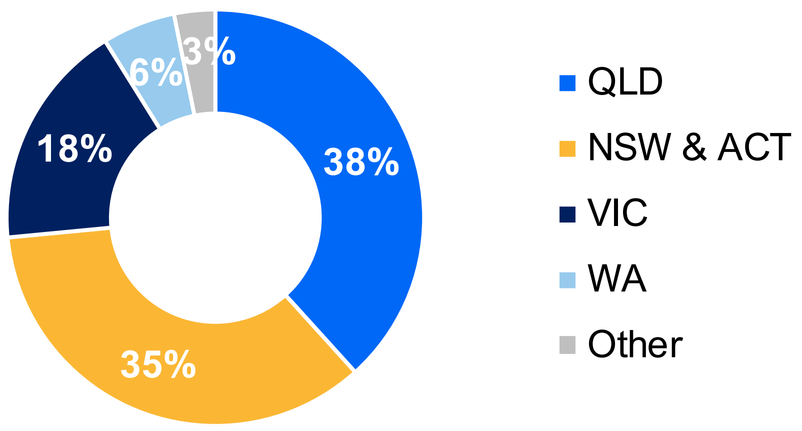
Commercial portfolio

Growth across core SME target segments and optimisation of corporate lending

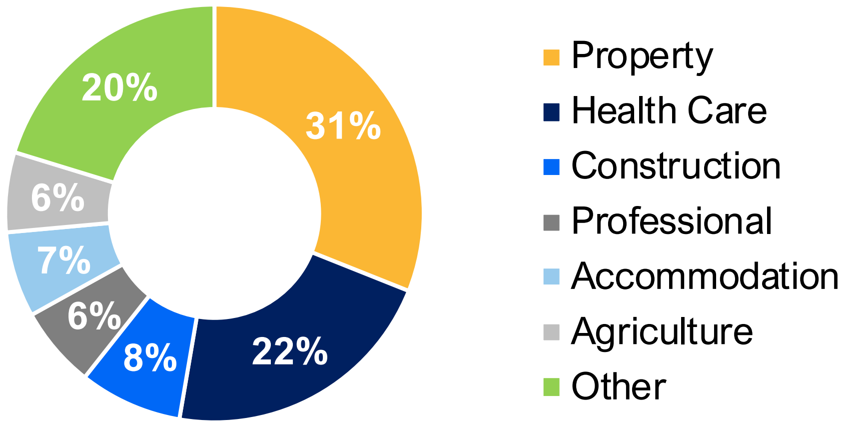
Summary

- Commercial portfolio diversified geographically with a diverse channel mix
- The portfolio is well secured with less than c.9% of unsecured lending
- Property industry is performing and diversified, and will continue to be monitored given current market conditions

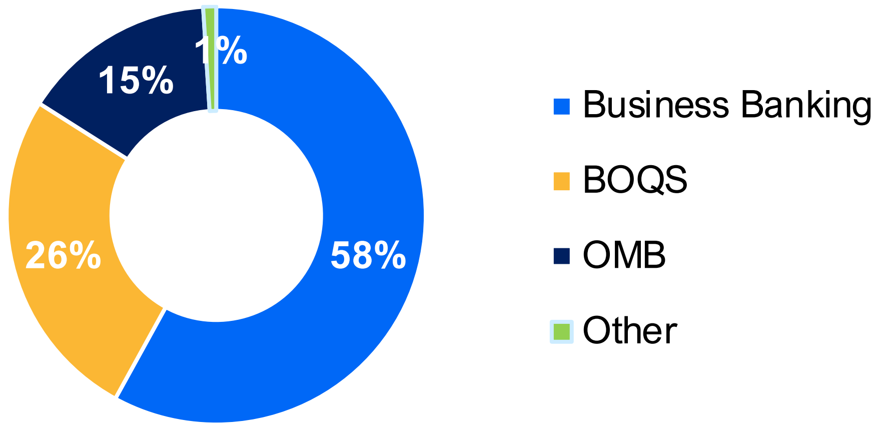
Commercial by geography (%)



Commercial by industry (%)



Commercial by channel (%)



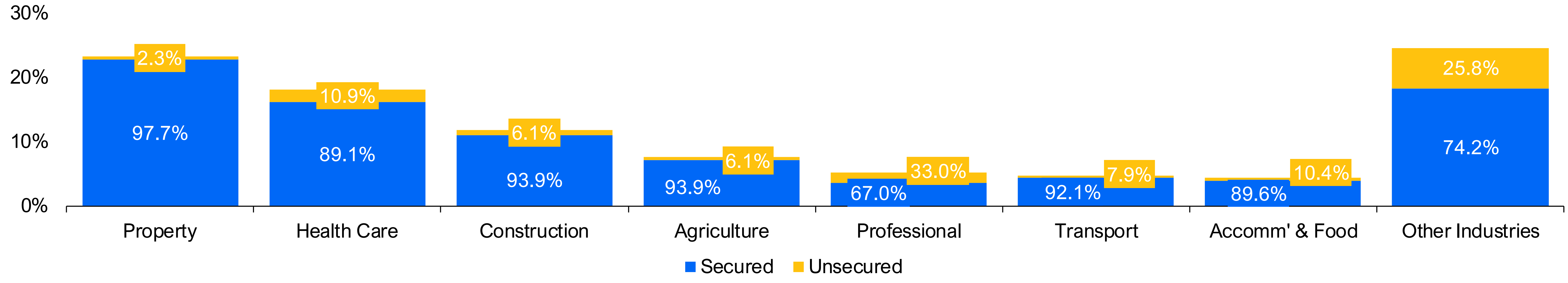
Business Bank lending portfolio

Well diversified and underpinned by quality security

Summary

- Business Bank portfolio diversified geographically with a diverse channel mix
- The portfolio is well secured with less than c.13% of unsecured lending
- Diversified property and construction industry segments remain performing with no material indication of stress emerging and losses remain benign

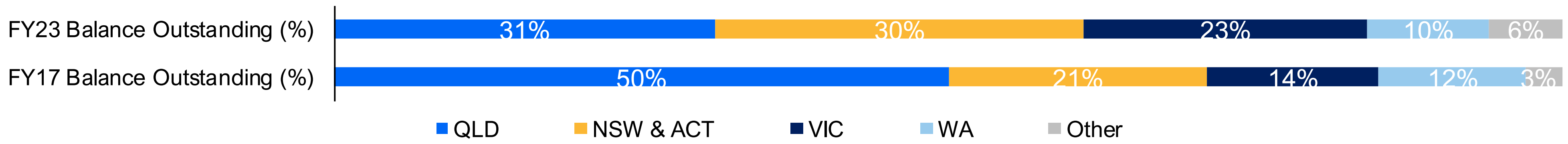
Business portfolio security status by industry (% of industry GLA)



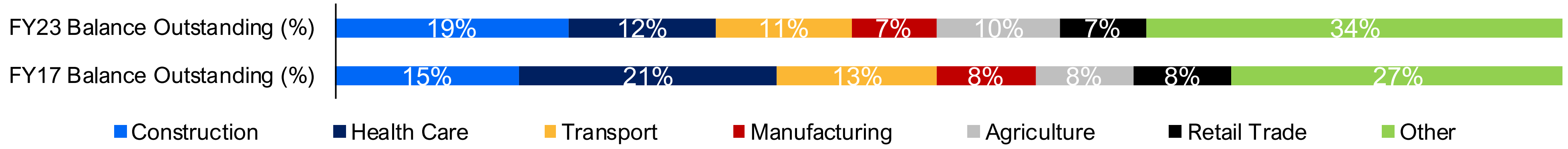
Industry and geographic split over time[1]

Enhanced geographic and sector diversification over time

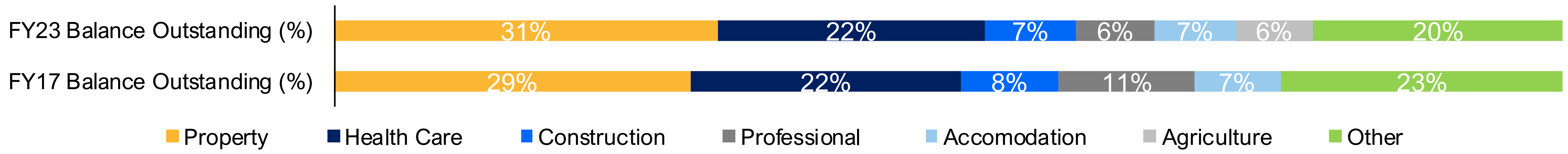
Housing loans - geographic split over time (%)



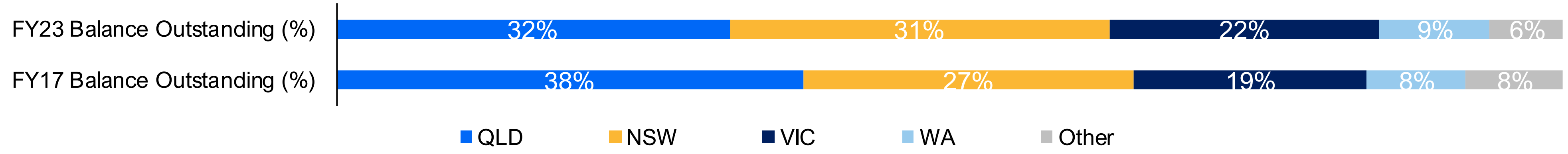
Asset finance - industry segments over time (%)



Business - industry segments over time (%)



Total lending - geographic split over time[2] (%)



(1) FY23 includes ME, FY17 has not been restated
(2) Excludes consumer

Summary

- Enhanced geographic diversification, Queensland housing portfolio reducing from 50% in FY17 to 31% in FY23
- The addition of ME has further diversified the geographic diversity of the housing portfolio
- Asset finance and Business lending portfolios remain diversified across a broad range of industries

Emerging risks

Macro economic environment

- Cash rates are close to their peak. The central-case view is that there will be no rate reductions in 2024
- There has been nationwide house price growth in 2023 albeit performance was mixed across market segments, affordability is a key concern
- Weakening global economy amidst higher inflation and interest rates
- Labour market remains strong although some deterioration is likely in FY24
- Competitive funding conditions for retail deposits and wholesale funding
- Risk that interest rates on average will be higher over the medium term than they have been over the past decade

Outlook for credit losses

- Specific provisions remain low, collective provisions have been increasing due to outlook
- Collective provisioning catering for the performance of the housing book, where customers have experienced some stress due to rising rates
- Fixed rate maturities being carefully managed to ensure customers are supported as required and prudent collective provision overlays are in place for this segment
- Housing customer buffers have reduced marginally through the year, however there are still 49% of customers with one year or more buffer
- Overlays in place for key industries that will be impacted by rising interest rates or continued supply chain challenges
- BOQ remains well provisioned and has prudently factored the changing economic environment into our provisioning outcomes

Commercial real estate

- Sector risks emerging given economic outlook. To date no material losses have been observed
- Property comprises 31% of BOQ's commercial portfolio and 24% of total business lending portfolio
- Property sector exposure is well diversified by asset type and geography
- BOQ has actively reduced higher LVR lending in recent years
- Prudent collective provisioning in place which considers sector health
- Property prices have seen some decline, however that follows a long period of sustained property price growth
- No material signs of stress currently emerging, however will continue to be closely monitored due to the economic environment

BOQ GROUP

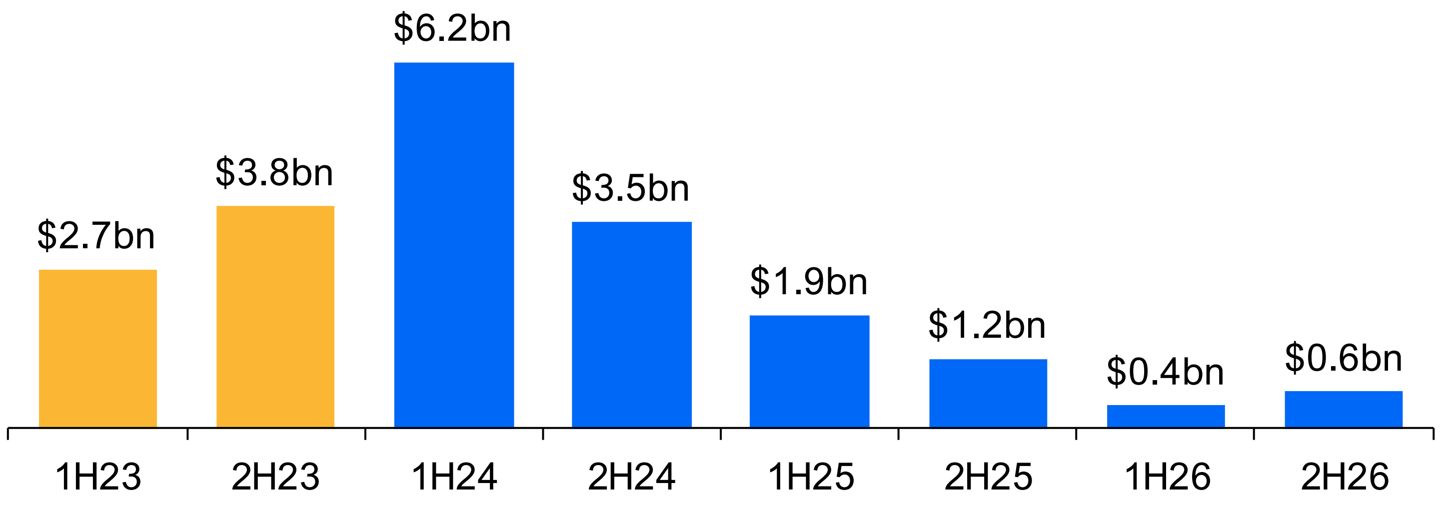
Interest rate impacts

Supporting our home loan customers as higher rates flow through the economy

Summary

- Home loan customers remain resilient with 49% having a repayment buffer of one year or more[1]
- Home loans with minimal or no repayment buffer[2] have a strong LVR profile with only 10% of accounts having an LVR >80%
- Fixed rate maturity tower to peak in 1H24, in line with high levels of fixed rate lending through 1H22
- Ongoing focus on proactively supporting customers transitioning from fixed to variable rate loans
- 27% of housing portfolio is currently on a fixed rate loan

BOQ's fixed rate maturity towers[3]



(1) Including payments in advance, offset accounts and customer deposits. 38% excluding savings, transaction and term deposit accounts. Savings, transactions and term deposits were aggregated for all customers linked to a loan and apportioned against the aggregate loans of all customers linked to the loan
(2) 20% of home loan customers have minimal or no repayment buffer when including payments in advance, offset accounts and customer deposits
(3) Maturities are calculated on the expected value at maturity

FUNDING & LIQUIDITY

BOQ GROUP

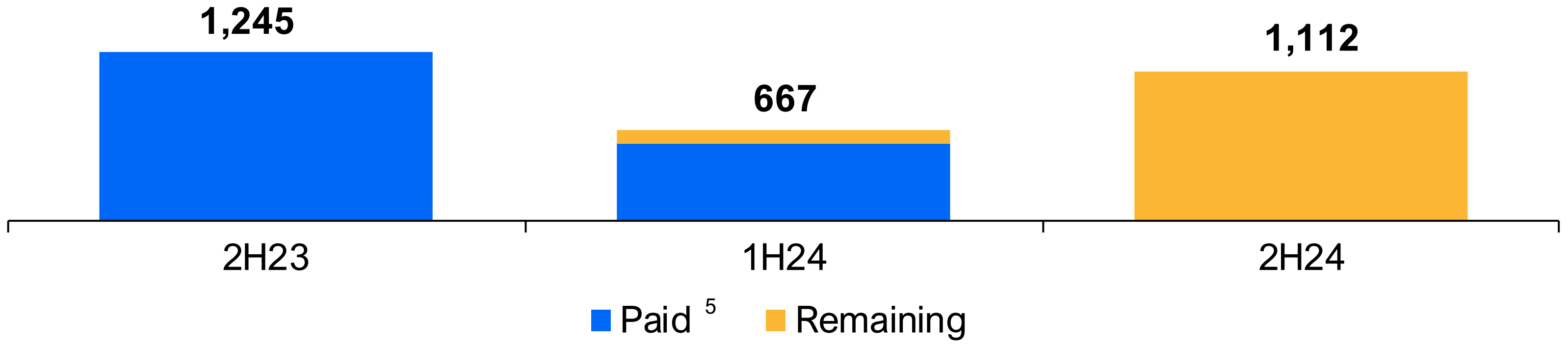
Term funding facility maturities

Prudent liquidity management maintained as TFF maturities are repaid and pre-funded

Summary

- Total TFF drawdown smaller for BOQ compared to peers, representing a lesser portion of total liabilities at 3.3%[1]
- TFF maturities in FY24 are well below industry levels at 1.3%[1] of total liabilities
- BOQ is further progressed through its TFF refinancing than the industry
  - 60% of total TFF drawdown repaid
  - Remaining 40% being pre-funded using diverse wholesale funding programs and retail deposit gathering channels

BOQ TFF maturities ($bn)



Term Funding Facility drawdown by bank[2]

	Initial[3]	Supplementary and additional[4]		Total	
	Drawn-down ($bn)	Drawn-down ($bn)	% of Total liabilities[1]	Drawn-down ($bn)	% of Total liabilities[1]
Major 2	19.15	31.99	3.5%	51.14	5.6%
Major 3	14.27	17.60	2.4%	31.87	4.4%
Major 4	17.9	11.89	1.5%	29.78	3.8%
Major 5	12	8.09	1.4%	20.09	3.6%
Major 1	1.72	9.53	4.4%	11.26	5.2%
Regional 2	1.83	2.89	3.1%	4.72	5.1%
Regional 1	1.74	2.39	3.1%	4.13	5.4%
BOQ	1.81	1.21	1.3%	3.02	3.3%

(1) Based on APRA August 2023 monthly authorised deposit-taking institution statistics, selected liabilities on Australian books of selected individual ADIs
(2) Source: RBA August 2021 Statement on Monetary Policy, Box C: Use of the Reserve Bank's Term Funding Facility
(3) The Initial Allowance was available for drawdown beginning on 6 April 2020. ADIs were able to draw on their Initial Allowance from that date through to 30 September 2020
(4) The Supplementary and Additional Allowance has been available for drawdown since 1 October 2020. ADIs were able to draw on their Supplementary Allowance through to 30 June 2021
(5) Includes repayment of September 2023 maturity post balance date

BOQ GROUP

Term deposits

Summary

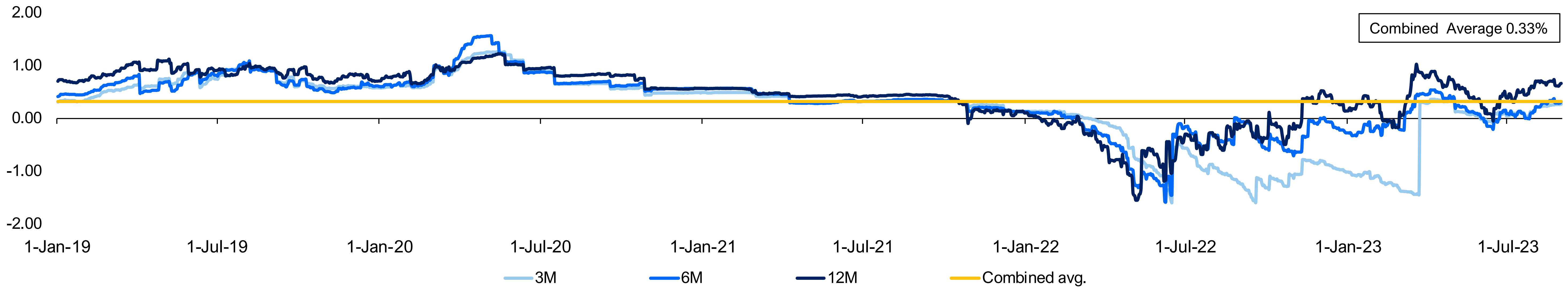
› FY23 term deposit growth of 15%

› Customers continue to seek yield from higher interest paying products, increased competition throughout FY23

› Favourable BOQ TD carded rates in 1H23 moderated in 2H23, but remained favourable to long-term averages

› Competition is expected to continue into 1H24, spreads and the cost of funding remaining unfavourable to FY23

Historical BOQ TD carded rates compared to BBSW (%)



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Hedging costs - basis risk

Summary

- The impacts of hedging costs had a +1bp NIM impact in FY23
- Basis exposure has increased over the half driven by a larger portfolio of variable rate loans
- Liability side of the balance sheet has had only a minor impact to the banks basis exposure
- Current sensitivity given increasing basis exposure is c.1.3bps of NIM for every 10bps in basis swap spread

Long term basis risk avg - 20 bps

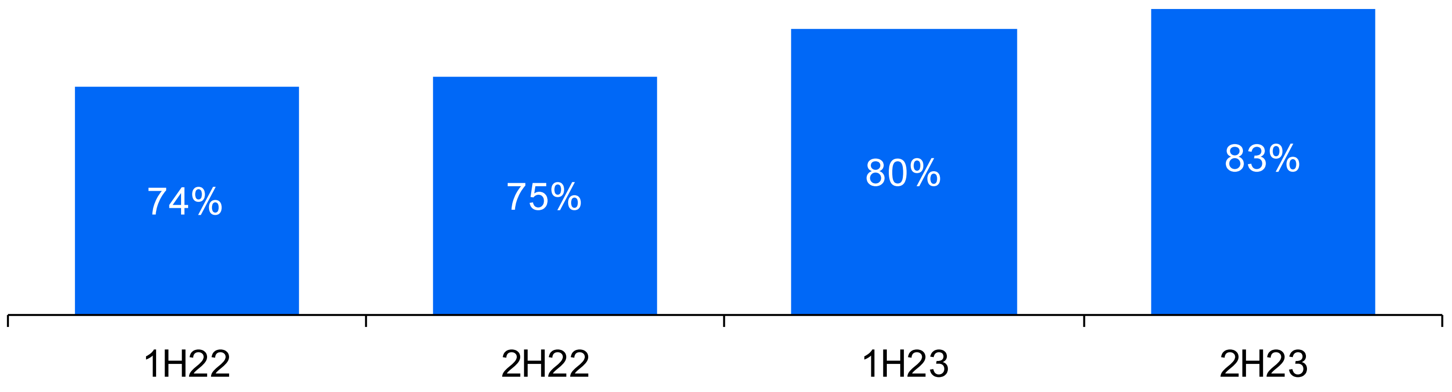
BOQ GROUP

Funding

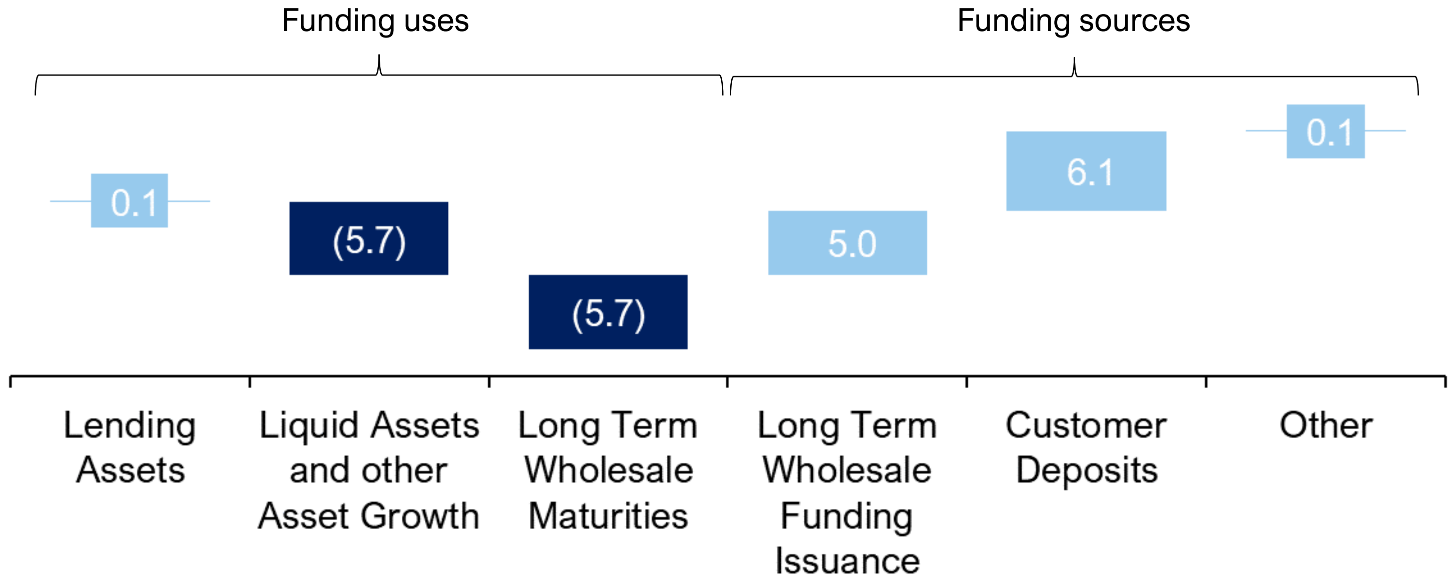
Summary

- Loan growth funded through stable funding sources, including customer deposits and long term wholesale funding
- Strategic focus on customer deposits has seen an increase to the deposit to loan ratio of 8% to 83% on the prior year

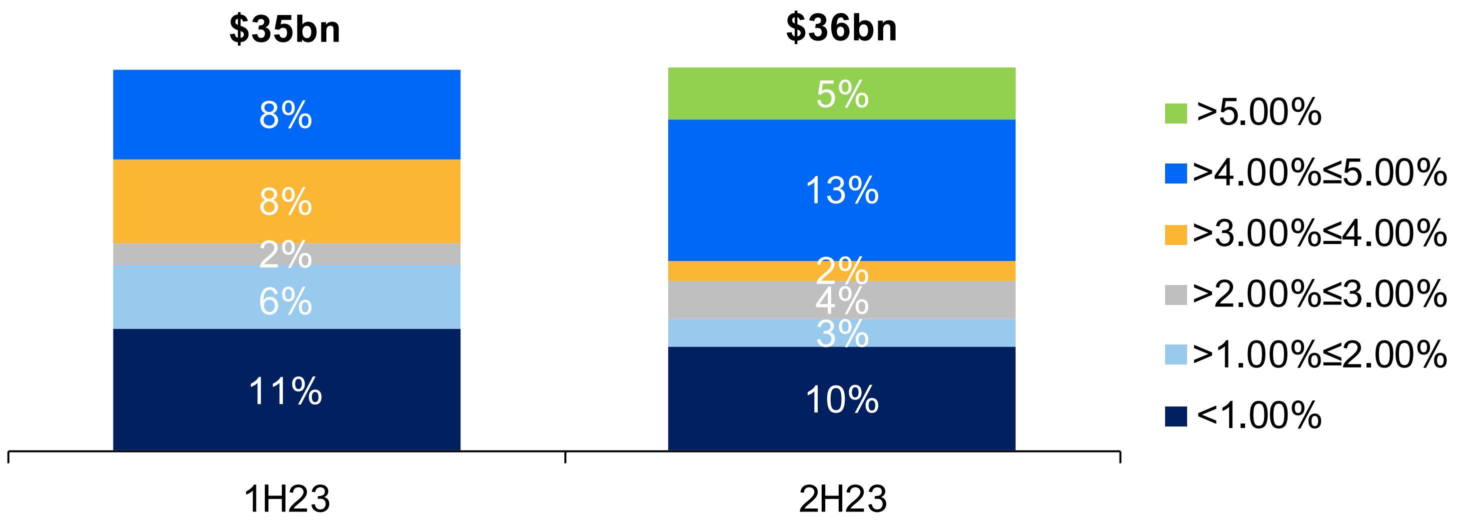
Deposit to loan ratio (%)



Uses & sources of funding – FY22 to FY23



Customer at call deposit funding costs



BOQ GROUP

Credit rating

Current debt ratings[1]

Rating Agency	Short Term	Long Term	Outlook
S&P	A-2	BBB+	Positive
Fitch	F2	A-	Stable
Moody's	P-2	A3	Stable

(1) The Bank monitors rating agency developments closely and is rated by Standard & Poor's (S&P), Fitch Ratings and Moody's Investor Service

ECONOMIC ASSUMPTIONS

Macro economic environment[1]

Economic growth slowing with declining, but still elevated inflation

Macro economic

- Economic growth is slowing with a forecast modest rise in the unemployment rate
- Inflation is likely to decline over financial-year 2024, uncertainty surrounds the pace of the slowdown
- Interest rates will likely peak in 2023. Rate cuts this financial year are not our central-case view
- RBA base case is for a soft landing
- There is uncertainty about how the rise in interest rates will impact the economic outlook

(1) BOQ house view

Housing, business lending and deposit outlook[1]

Economic growth slowing with declining, but still elevated inflation

Housing outlook

- A modest rise in the unemployment rate to c.4.5% by the end of this financial year[2]
- Consumer confidence is being heavily impacted by the rise in the cost of living and higher interest rates
- Households continue to benefit from a strong labour market
- Australia-wide house prices have risen in calendar 2023, although performance has been mixed across regions
- Housing credit is projected to grow by around 3.5% this financial year[2]

Business lending outlook

- Business order books and capex intentions remain elevated albeit below the peak levels seen in 2022
- The slowdown of consumer discretionary spending is impacting some firms
- Cost pressures remain an issue for companies
- Worker availability is still a constraint although is gradually improving
- Business credit is expected to grow by around 1% in the 2024 financial year

Deposits outlook

- Household savings rate has fallen reflecting declining real disposable incomes and 'revenge spending' post lockdowns
- An important offset may be the uncertain economic and financial market environment
- Higher interest rates is leading to a shift in the composition of saving towards interest-bearing deposits
- Deposit growth is expected to grow by around 5% in the 2024 financial year

(1) BOQ house view
(2) BOQ financial year to August 2024

ABBREVIATIONS

Abbreviations

3LOD: Three lines of defense
1H: First half of financial year
2H: Second half of the financial year
30DPD: 30 days past due
90DPD: 90 days past due
AASB: Australian Accounting Standards Board
ACIP: Applicable Customer Identification Procedures
ADI: Authorised Deposit-taking Institution
APRA: Australian Prudential Regulation Authority
ASIC: Australian Securities & Investments Commission
AUC: Assets Under Construction
Avg: Average
BAU: Business As Usual
BBSW: Bank Bill Swap Rate
BDD: Bad & Doubtful Debt Expense
BOQF: Bank of Queensland Finance
BOQS: Bank of Queensland Specialist
Bps: basis points
CAGR: Compound annual growth rate
CET1: Common Equity Tier 1
CP: Collective Provision
cps: cents per share
CTI: Cost-to-income ratio

CLF: Committed Liquidity Facility
DPD: Days past due
ECDD: Enhanced Customer Due Diligence
EPS: Earnings per Share
ESA: Exchange Settlement Account
ERP: Enterprise Resource Planning
EU: Enforceable Undertaking
FTE: Full Time Equivalent
FY: Financial year
GDP: Gross Domestic Product
GLA: Gross Loans & Advances
GRLC: General Reserve for Credit Losses
HQLA: High Quality Liquid Assets
LCD: Low cost deposit
LCR: Liquid Coverage Ratio
LGD: Loss Given Default
LIE: Loan Impairment Expense
LOC: Line of Credit
LVR: Loan to Valuation Ratio
MFI: Main Financial Institution
NIM: Net Interest Margin
NII: Net Interest Income
NM: Not meaningful

NPAT: Net Profit After Tax
NPS: Net Promoter Score
NSFR: Net Stable Funding Ratio
OCDD: Ongoing Customer Due Diligence
OMB: Owner Managed Branch
OIS: Overnight Index Swap
PAYG: Pay As You Go
PCP: Prior Corresponding Period
PD: Probability of Default
QE: Quantitative Easing
RAP: Remedial Action Plan
RBA: Reserve Bank of Australia
ROE: Return on equity
ROTE: Return on tangible equity
RWA: Risk-weighted assets
SaaS: Software as a Service
SME: Small and Medium Enterprises
STO: Strategy and Transformation Office
TD: Term deposit
TFF: Term Funding Facility
VMA: Virgin Money Australia
WAL: Weighted Average Life