

# FY21 INVESTOR MATERIALS

13 October 2021

Full Year ended 31 August 2021

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

# CONTENTS

FY21 RESULTS PRESENTATION	3
ABOUT BOQ	35
DIVISIONAL RESULTS	41
ME BANK	45
PORTFOLIO QUALITY	49
CAPITAL, FUNDING & LIQUIDITY	56
ECONOMIC ASSUMPTIONS	62

# FY21 RESULTS PRESENTATION

13 October 2021

Full Year ended 31 August 2021

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

# AGENDA

## INTRODUCTION

**Cherie Bell**, General Manager Investor Relations & Integration

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## RESULTS OVERVIEW

**George Frazis**, Managing Director and CEO

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## FINANCIAL DETAIL, TRANSFORMATION & INTEGRATION

**Ewen Stafford**, Chief Financial Officer and Chief Operating Officer

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## SUMMARY & OUTLOOK

**George Frazis**, Managing Director and CEO

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## Q&A

**George Frazis**, Managing Director and CEO

**Ewen Stafford**, Chief Financial Officer and Chief Operating Officer

**Martine Jager**, Group Executive Retail Bank and CEO ME Bank

**Executive Team & Senior Leaders**

# FY21 RESULTS PRESENTATION

## 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, CFO Institutional Bank, CBA, NAB Business and Private Bank
- 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
- Previously held roles at KPMG, MLC, NAB, Australia Post, Telstra, Loan Market, Deloitte

## MARTINE JAGER



### **Group Executive Retail Bank and CEO of ME Bank**

- Joined BOQ in April 2021
- Previously held a 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



# RESULTS OVERVIEW

GEORGE FRAZIS  
MANAGING DIRECTOR AND CEO

1. **Strong FY21 statutory profit and cash earnings reflecting balance sheet growth, margin management and improved economic conditions**
  - Including 2 months of ME Bank, statutory profit of \$369m up 221%, cash earnings after tax up 83% and EPS growth of 51%<sup>1</sup>
  - Excluding ME Bank statutory profit of \$352m up 206%, cash earnings after tax up 73%
2. **Business momentum continues to build**, with quality housing growth at 1.7x system, and with good margin and cost management
3. **Continuing to support our customers and people** through ongoing COVID-19 challenges and maintaining business resilience
4. **Delivering the strategic transformation** over the past 2 years with the first phase of the digital bank in market
5. **Acquisition of ME Bank completed**, operating model integrated, improvement programs for profitable growth in place, plan to accelerate synergies
6. **Asset quality remains sound** with collective provision levels conservatively reduced in line with improved economic outlook
7. **Capital strength to support business growth and transformation** with CET1 of 9.80%
8. **Final dividend of 22cps, bringing the FY21 full year dividend to 39cps**, representing a 61% payout ratio<sup>2</sup>

# FY21 RESULTS

HIGHER CASH PROFIT DRIVEN BY STRONG QUALITY ASSET GROWTH AND MARGIN MANAGEMENT

Key Financial Results	FY21	FY20	FY21 v FY20 <sup>1</sup>
Statutory net profit after tax (\$m)	369	115	221% ▲
Cash earnings after tax (\$m)	412	225	83% ▲
Cash return on average equity (%) <sup>2</sup>	8.2	5.4	280bps ▲
Return on average tangible equity (%) <sup>2,3</sup>	10.2	6.9	330bps ▲
Common Equity Tier 1 ratio (%) <sup>2</sup>	9.80	9.78	2bps ▲
Cash earnings per share <sup>2,4</sup>	74.7c	49.6c	51% ▲
Dividend per share	39c	12c <sup>5</sup>	27c ▲

BOQ <i>excluding ME Bank</i>	FY21 vs FY20
352	206% ▲
389	73% ▲

(1) PCP does not include comparative earnings for ME Bank

(2) Including earnings from ME Bank for the period 1 July 2021 to 31 August 2021

(3) Based on after tax earnings applied to average shareholders' equity (excluding shares and treasury shares) less goodwill and identifiable intangible assets (customer related intangibles/brands and computer software)

(4) The basic cash earnings per share for all prior periods have been adjusted for the effects of the Group's capital raise in March 2021

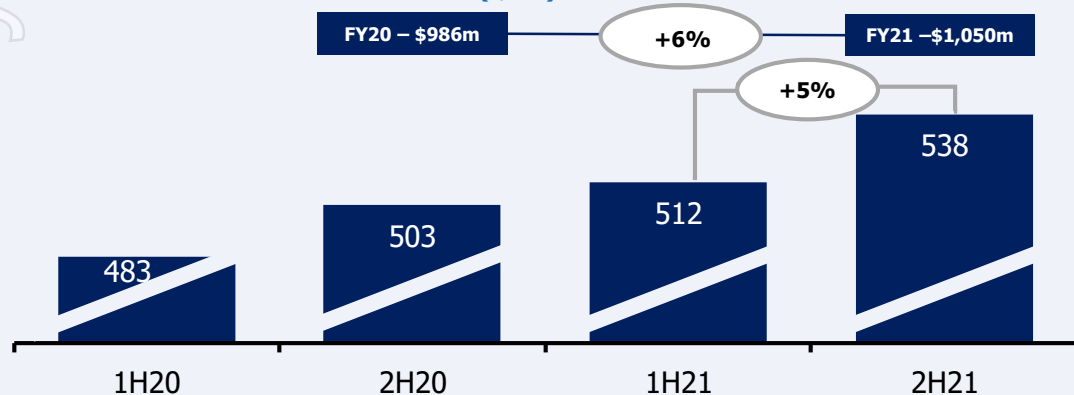
(5) BOQ paid a FY20 dividend of 12c, which represented 6c from 1H20 profits and 6c from 2H20 profits



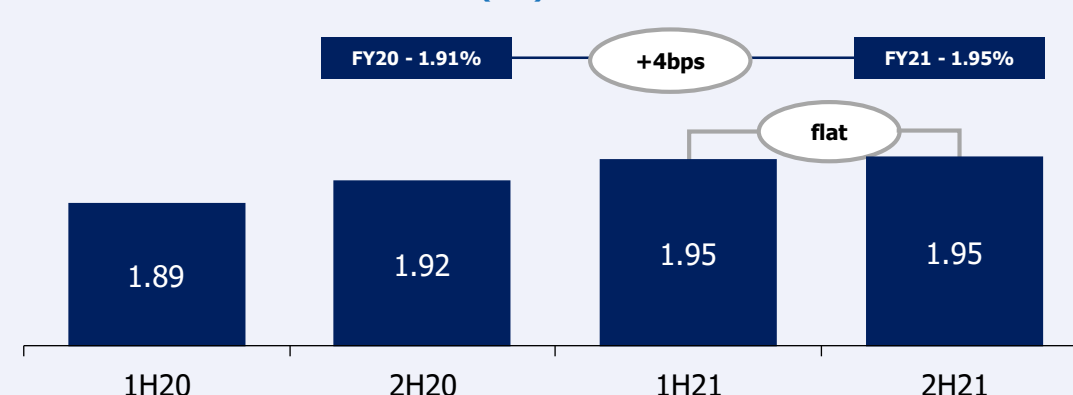
# KEY ELEMENTS OF THE RESULT<sup>1</sup>

INCOME GROWTH WITH GOOD MARGIN MANAGEMENT, IMPROVED PRODUCTIVITY AND IMPAIRMENT RELEASES

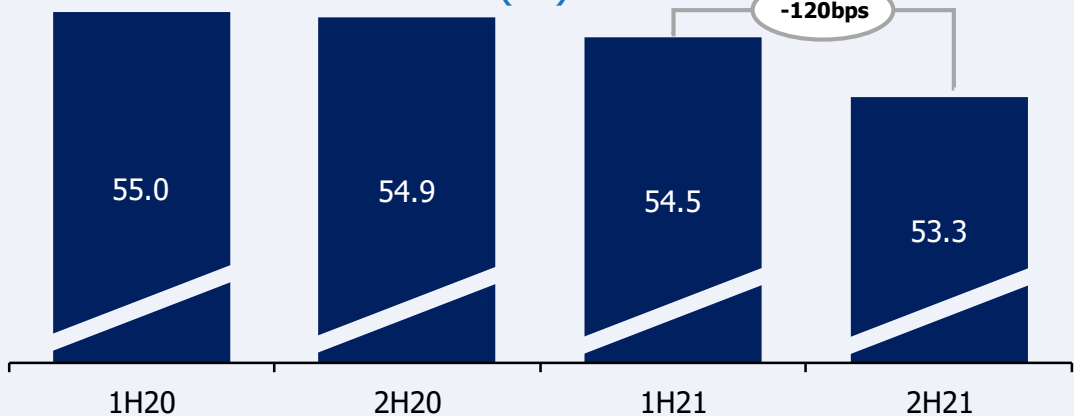
## NET INTEREST INCOME (\$m)



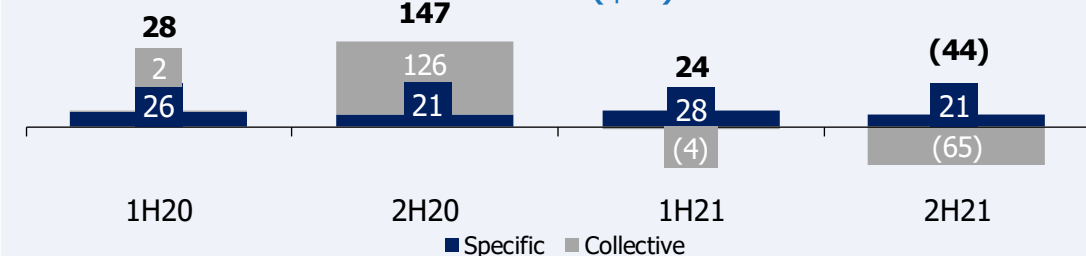
## NET INTEREST MARGIN (%)



## COST TO INCOME RATIO (%)<sup>2</sup>



## LOAN IMPAIRMENT EXPENSE (\$m)



Loan Impairment to GLA	1H20	2H20	1H21	2H21
	12bps	62bps	10bps	(17bps)
Excluding material collective provisions <sup>(3)</sup>	8bps	10bps	10bps	12bps

(1) Excluding ME Bank

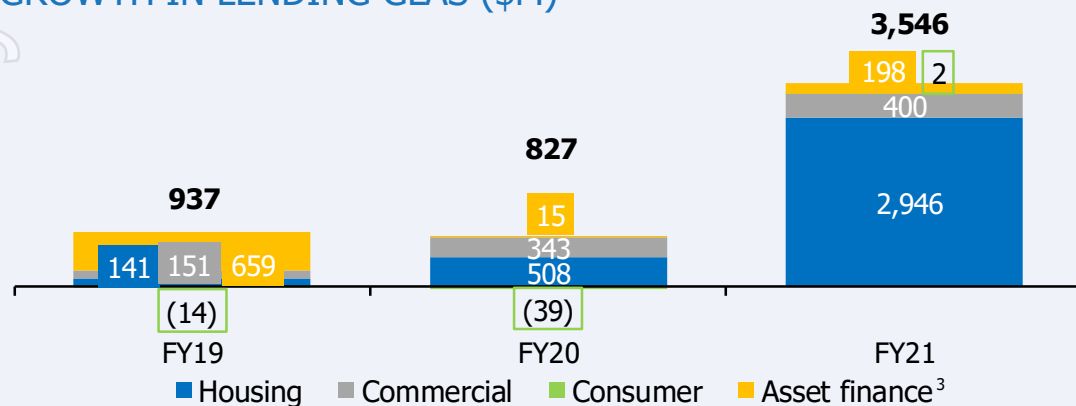
(2) VMA costs have been restated from non-interest income and included in operating expenses

(3) Loan impairment to GLA excludes material collective provisions adjustments, 1H20 \$10m, 2H20 \$123m and 2H21 -\$75m

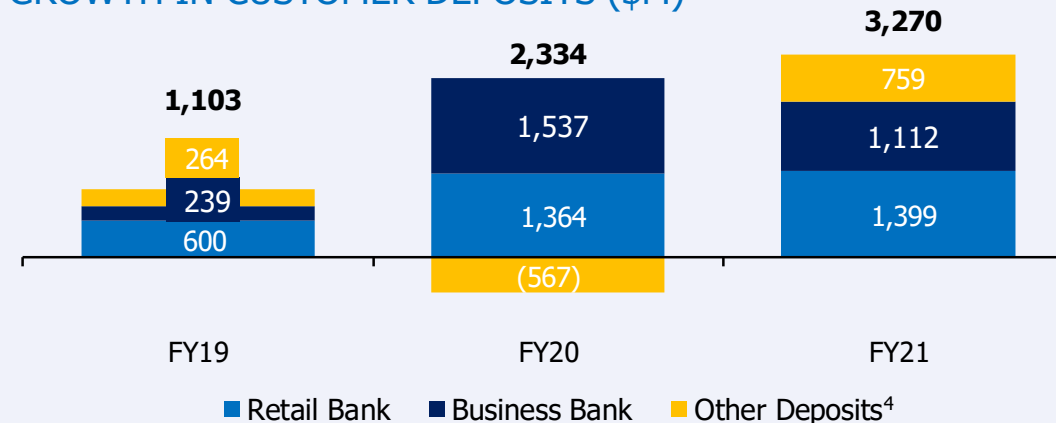
# LENDING AND DEPOSIT GROWTH<sup>1</sup>

STRONG ABOVE SYSTEM GROWTH IN HOME LENDING WITH A TURNAROUND IN THE BUSINESS BANK

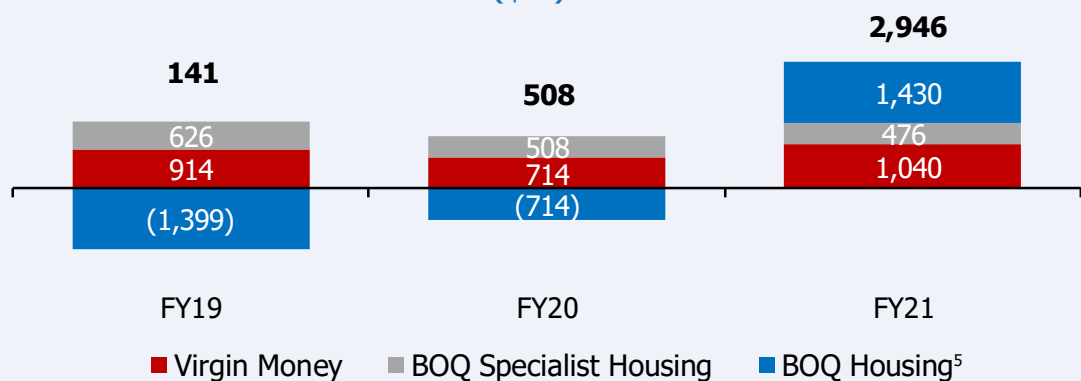
GROWTH IN LENDING GLAS (\$M)<sup>2</sup>



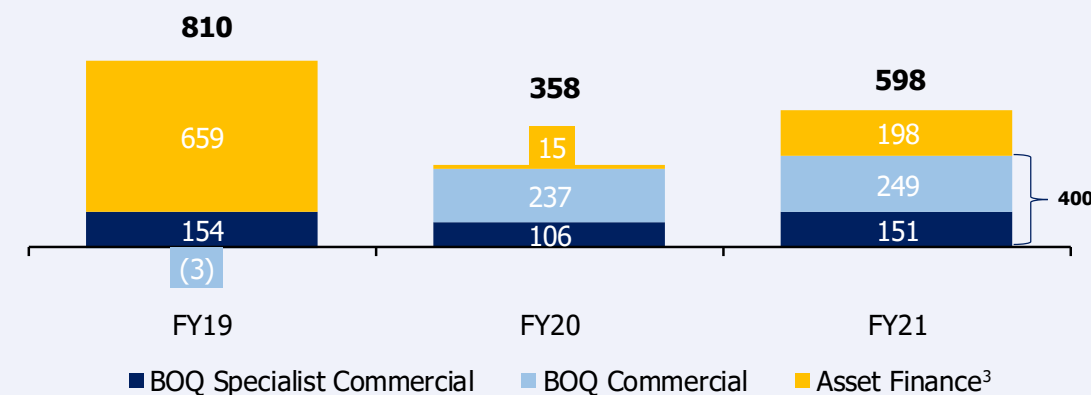
GROWTH IN CUSTOMER DEPOSITS (\$M)



GROWTH IN HOUSING GLAS (\$M)



GROWTH IN BUSINESS LENDING GLAS (\$M)



- (1) Excluding ME Bank
- (2) BOQ Specialist working capital products have been reclassified from consumer to commercial lending for all periods
- (3) BOQ Specialist Asset Finance products have been reclassified from commercial lending for all periods
- (4) Other Deposits mainly includes treasury deposits
- (5) BOQ Housing includes housing loan growth in both the Retail Bank and BOQ Business

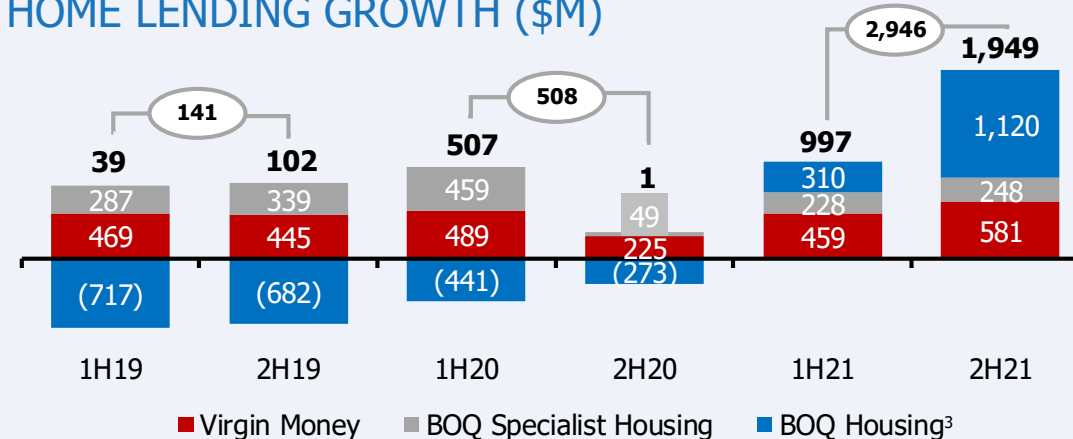
# QUALITY HOME LENDING GROWTH<sup>1</sup>

GOOD QUALITY ABOVE SYSTEM GROWTH IN HOME LENDING

## SUMMARY

- 1.7x system growth in home lending achieved in FY21
- BOQ Housing<sup>3</sup>, BOQ Specialist and Virgin Money contributing to strong lending volumes
- Prudent risk settings maintained ensuring quality growth
- Time to yes standards improving after increased volumes during the second half
- Consumer NPS ranked 3<sup>rd</sup> (up from 5<sup>th</sup> in FY19), Mortgage NPS ranked joint 4<sup>th</sup> (up from 11<sup>th</sup> in FY19)<sup>2</sup>
- Broker and customer experiences improved, reflecting NPS result
- Broker channel growth of \$1.1bn driven by new and existing quality aggregators
- Enhanced geographic diversification with Queensland housing portfolio concentration reducing

## HOME LENDING GROWTH (\$M)



## QUALITY HOME LENDING GROWTH

Quality Growth	Portfolio FY20	Portfolio FY21	Flow FY21
LVR > 90%	6%	5%	3%
90 Days past due	85bps	55bps	-
Interest only % <sup>4</sup>	19%	16%	13%
Investor	39%	37%	32%
PAYG	68%	72%	81%
DTI >6x			21%
Serviceability buffer			Higher of 5.35% or 2.5% above customer interest rate <sup>5</sup>

(1) Excluding ME Bank

(2) RFI XPRT Report, August 2021 and August 2019

(3) BOQ Housing includes housing loan growth in both the Retail Bank and BOQ Business

(4) Excluding construction loans

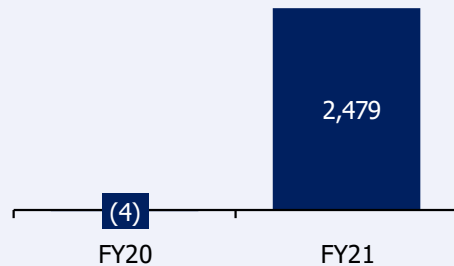
(5) 2.5% will be increased to 3% by the end of October 2021

# DIVISIONAL ACHIEVEMENTS<sup>1</sup>

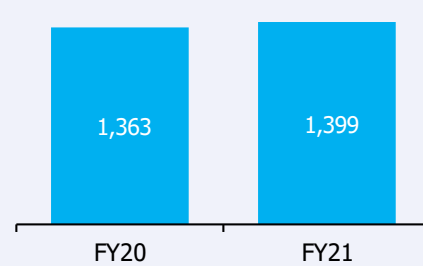
## RETAIL BANK



### Housing Loan Growth (\$m)<sup>2</sup>



### Deposit Growth (\$m)

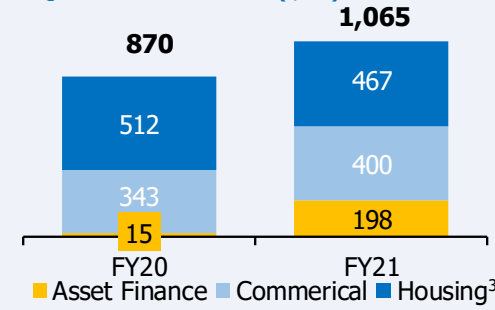


- Total income up 10% to \$561m
- BOQ Housing loan growth of 1.7x system. Growth delivered across all channels
- Green shoots with ME Bank application volumes up 36% in August and September<sup>6</sup> through introduction of Home Buying Transformation program and centralised pricing
- Deposit growth of \$1.4bn, accelerating into the second half
- Consumer NPS ranked 3<sup>rd</sup> (up from 5<sup>th</sup> in FY19), Mortgage NPS ranked joint 4<sup>th</sup> (up from 11<sup>th</sup> in FY19)<sup>4</sup>
- Time to yes standards improving following increased volumes during the second half
- All owner managers on new revenue share agreement driving alignment

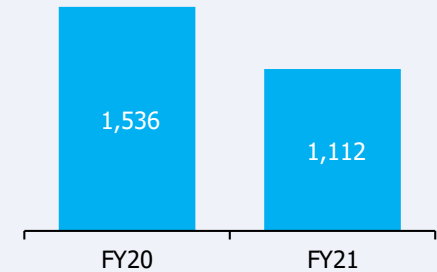
## BUSINESS BANK



### BOQB Loan Growth (\$m)



### Deposit Growth (\$m)



- Total income up 3% to \$603m
- Continued focus on niche segments
- \$1.1bn lending growth delivered across all channels
- Ongoing deposit growth of \$1.1bn funding asset growth for the year
- Customer experience remains high, SME NPS ranked 3<sup>rd</sup> (up from joint 4<sup>th</sup> in FY19)<sup>5</sup>
- Supported customers through COVID-19 with a personalised approach

(1) Excluding ME Bank

(2) BOQ Retail Bank housing loan growth includes BOQ Retail plus VMA

(3) BOQB housing loan growth includes SME home lending plus BOQS

(4) RFI XPRT Report, August 2021 and August 2019

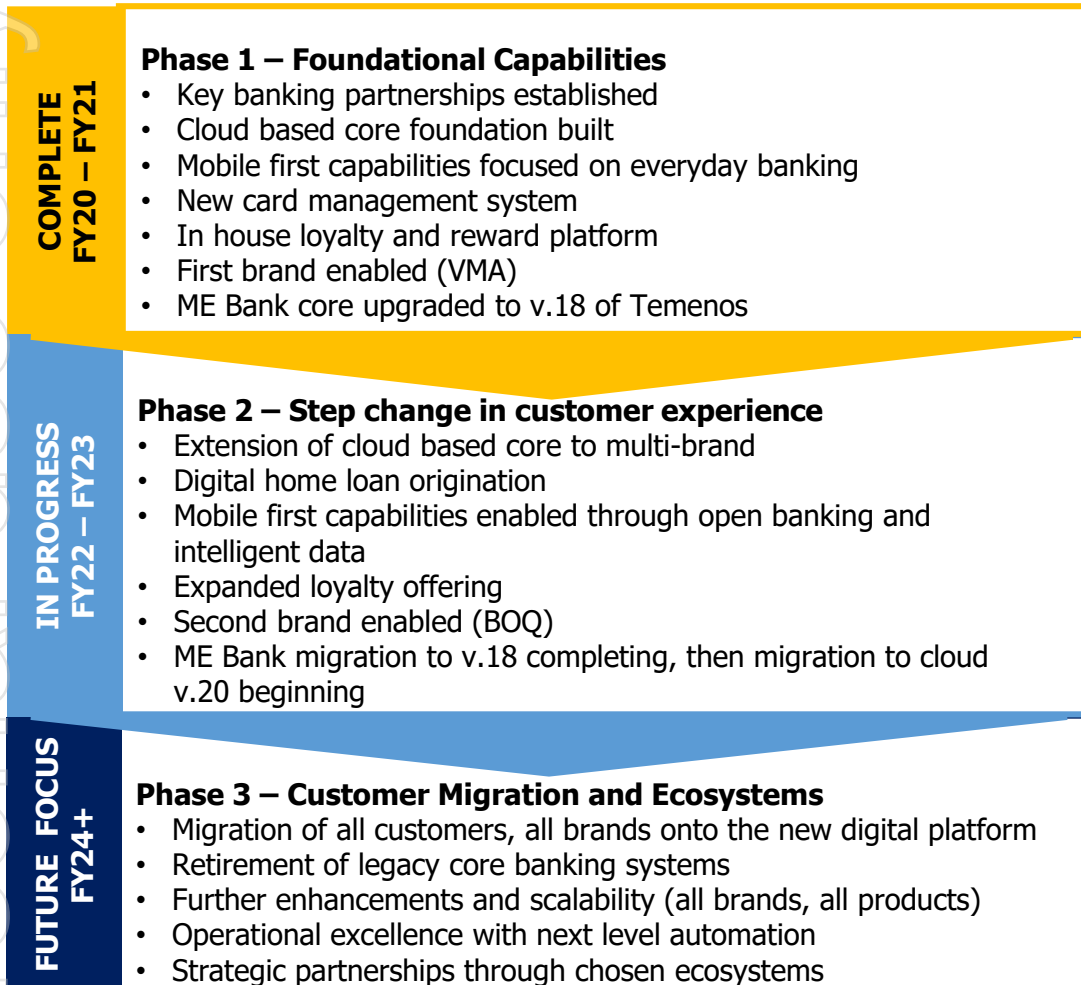
(5) DBM Atlas Report August 2021 and August 2019. SME NPS refers to Any Financial Relations (**AFR**) and businesses under \$40m turnover

(6) Compared to FY21 volumes

# RETAIL BANK DIGITAL TRANSFORMATION

TRANSFORMATION ON TRACK AND PROGRESSING AS PLANNED

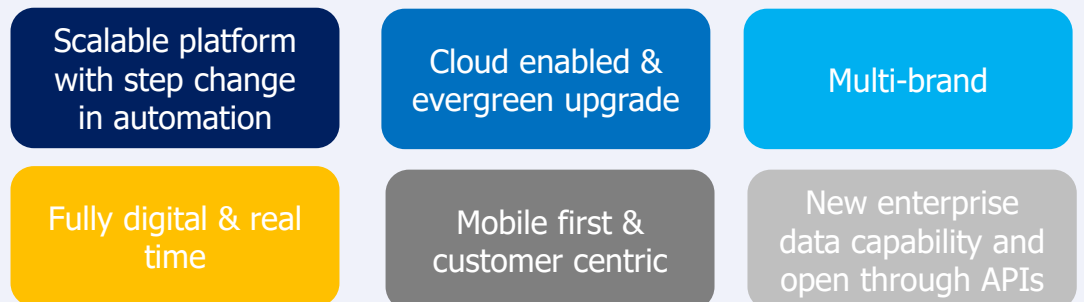
## BUILDING THE RETAIL DIGITAL BANK OF THE FUTURE



## FUTURE RETAIL PLATFORM END STATE



## END STATE



# ME BANK ACQUISITION

STRATEGIC BENEFITS DELIVERING VALUE AND INTEGRATION AHEAD OF SCHEDULE



## Significantly enhanced scale and portfolio mix for profitable growth

- 580k customers added, bringing the total to 1.5m
- \$25bn GLAs added, total BOQ GLAs now c.\$75bn
- Retail net profit contribution increases to c.55%



## Strong complementary challenger brands with a shared customer centric culture

- Differentiated customer segments and geographies with minimal overlap
- BOQ's East Coast presence has been re-balanced
- High Net Promoter Scores (NPS) achieved across all brands



## Attractive financial outcomes

- Due diligence assumptions validated
- Work underway to return ME Bank to growth, with application volumes up 36% in August and September compared to the FY21 average
- Synergies accelerated and expected to be delivered by end of FY23<sup>1</sup>



## Clear pathway to a cloud based common digital Retail bank technology platform

- Upgrade to Temenos v.18 completed, customer migration underway
- Plans being developed for final migration to common cloud platform
- Leveraged capital investment across combined business



# EXECUTING THE TRANSFORMATION ROADMAP

Excluding ME Bank unless otherwise noted

	Key Metrics	FY19	FY20	FY21
Purpose Led Culture	Employee engagement	56%	59%	64%
	Strong Leadership Team	High level of Executive turnover	Key Executive roles filled	Executive team in place and delivering
Growth, margin and productivity	Customer Numbers	c.1.0m	c.900k	c.1.5m <sup>1</sup>
	Jaws	Negative jaws -6%	Negative jaws -6%	Positive jaws +2%
	Home lending system multiples <sup>2</sup>	0.2x system	0.9x system	1.7 x system
	Business lending system multiples <sup>2</sup>	1.2x system	Positive to system	0.8x system
	Margin	1.93%	1.91%	1.95%
	Productivity benefit	-	\$30m	\$30m
Distinctive brands serving niche segments	Consumer NPS <sup>3</sup>	5 <sup>th</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>
	Mortgage NPS <sup>3</sup>	11 <sup>th</sup>	5 <sup>th</sup>	joint 4 <sup>th</sup>
	Business NPS <sup>4</sup>	joint 4 <sup>th</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>
	Time to 'yes' – proprietary <sup>5</sup>	5 days	1 day	1 day
	Time to 'yes' – broker <sup>5</sup>	8 days	3 days	3 days
Digital Bank of the Future	Delivery of core projects	<ul style="list-style-type: none"> <li>✓ Branch bandwidth &amp; telephony upgrade</li> <li>✓ E Conveyancing (PEXA)</li> <li>✓ Virgin Money credit card app</li> <li>✓ Internet banking upgrade for BOQS</li> <li>✓ Regulatory uplift</li> </ul>	<ul style="list-style-type: none"> <li>✓ Upgraded BOQS mobile app</li> <li>✓ Contact Centre telephony platform</li> <li>✓ Treasury system upgrade</li> <li>✓ Migration of data centres to cloud</li> <li>✓ Customer engagement platform</li> <li>✓ Risk &amp; Regulatory program</li> </ul>	<ul style="list-style-type: none"> <li>✓ Phase 1 of retail digital bank</li> <li>✓ New credit cards management system</li> <li>✓ Regulatory reporting program</li> <li>✓ Lending system enhancements</li> <li>✓ FX digital platform</li> </ul>
Strong Financial & Risk Position	CET1	9.04%	9.78%	9.80% <sup>1</sup>
	NSFR	112%	119%	122% <sup>1</sup>
	LCR	145%	164%	149% <sup>1</sup>
	Deposit to loan ratio	70%	74%	75% <sup>1</sup>

(1) Including ME Bank

(2) Reflects the APRA definition of lending and will therefore not directly correlate to the balance sheet growth. Adjustments made to include BOQ Finance non ADI balances in overall growth result

(3) RFI XPRT Report, August 2021, August 2020 and August 2019. Excludes ME Bank.

(4) DBM Atlas Report August 2021, August 2020 and August 2019. SME NPS refers to Any Financial Relationship (AFR) and businesses under \$40m turnover

(5) BOQ brand during August 2021. Time to conditional yes varies during the year based on volumes and customer mix.

## FY21 OUTCOMES



### Environmental

- Carbon neutral certification achieved
- Climate risk scenario analysis enhanced



### Social

- Gender diversity focus - 39% of senior leadership positions held by women
- Employee engagement score increased to 64%
- Ongoing support of community partners and investment in local grassroots communities



### Governance

- All relevant Royal Commission recommendations implemented
- Supplier Code of Conduct introduced

## KEY FOCUS AREAS GOING FORWARD



### Environmental

- Reducing emissions and targeting 100% renewable energy by 2025
- Supporting customers transition to low carbon future



### Social

- Senior leadership target of 40% females, 40% male, and 20% any gender
- Employee engagement target of 72%
- Ongoing support of the community through partnerships and investment



### Governance

- Ongoing embedding of ESG risk management practices

# FINANCIAL DETAIL, TRANSFORMATION & INTEGRATION

EWEN STAFFORD  
CHIEF FINANCIAL OFFICER AND CHIEF OPERATING OFFICER

# FINANCIAL PERFORMANCE<sup>1</sup>

UNDERLYING PROFIT GROWTH OF 8% DRIVEN BY 2% JAWS IN THE HALF AND FOR FY21

\$ million	FY21	FY20	FY21 vs FY20	2H21	1H21	2H21 vs 1H21	BOQ + ME FY21 <sup>3</sup>	FY21 vs FY20 <sup>4</sup>
Net interest income	1,050	986	6% ▲	538	512	5% ▲	1,128	14% ▲
Non-interest income <sup>2</sup>	125	128	(2%) ▼	59	66	(11%) ▼	130	2% ▲
<b>Total income</b>	<b>1,175</b>	<b>1,114</b>	<b>5% ▲</b>	<b>597</b>	<b>578</b>	<b>3% ▲</b>	<b>1,258</b>	<b>13% ▲</b>
Operating expenses <sup>2</sup>	(633)	(612)	3% ▲	(318)	(315)	1% ▲	(684)	12% ▲
<b>Underlying profit</b>	<b>542</b>	<b>502</b>	<b>8% ▲</b>	<b>279</b>	<b>263</b>	<b>6% ▲</b>	<b>574</b>	<b>14% ▲</b>
Loan impairment expense	20	(175)	Large ▼	44	(24)	Large ▼	21	Large ▼
<b>Cash profit before tax</b>	<b>562</b>	<b>327</b>	<b>72% ▲</b>	<b>323</b>	<b>239</b>	<b>35% ▲</b>	<b>595</b>	<b>82% ▲</b>
Income tax expense	(173)	(102)	70%	(99)	(74)	34%	(183)	79%
<b>Cash earnings after tax</b>	<b>389</b>	<b>225</b>	<b>73% ▲</b>	<b>224</b>	<b>165</b>	<b>36% ▲</b>	<b>412</b>	<b>83% ▲</b>
<b>Statutory net profit after tax</b>	<b>352</b>	<b>115</b>	<b>206% ▲</b>	<b>198</b>	<b>154</b>	<b>29% ▲</b>	<b>369</b>	<b>221% ▲</b>
Cash basic earnings per share <sup>5</sup>	NM	49.6c	NM	NM	35.5c	NM	74.7c	25.1c ▲
Cash return on average equity <sup>5</sup> (%)	NM	5.4	NM	NM	7.8	NM	8.2%	+280bps ▲

(1) Excluding ME Bank, unless otherwise noted

(2) VMA costs have been restated from non-interest income and included in operating expenses

(3) Including earnings from ME Bank for the period 1 July 2021 to 31 August 2021

(4) PCP does not include comparative earnings for ME Bank

(5) Including ME Bank

# NON CASH EARNINGS

NON CASH EARNINGS IMPACTED BY ME BANK ACQUISITION

\$ million	FY21	FY20	2H21	1H21	ME Bank <sup>1</sup>	BOQ + ME <sup>2</sup> FY21
<b>Cash earnings after tax</b>	<b>389</b>	<b>225</b>	<b>224</b>	<b>165</b>	<b>23</b>	<b>412</b>
Intangible asset review and restructure charges	-	(80)	-	-	(3)	(3)
Employee pay and entitlement review	(6)	(8)	-	(6)	-	(6)
ME Bank transaction costs	(19)	-	(16)	(3)	-	(19)
ME Bank integration costs	(7)	-	(7)	-	(2)	(9)
Other Non-Cash Items	(5)	(22)	(3)	(2)	(1)	(6)
<b>Total Non-Cash Items</b>	<b>(37)</b>	<b>(110)</b>	<b>(26)</b>	<b>(11)</b>	<b>(6)</b>	<b>(43)</b>
<b>Statutory net profit after tax</b>	<b>352</b>	<b>115</b>	<b>198</b>	<b>154</b>	<b>17</b>	<b>369</b>

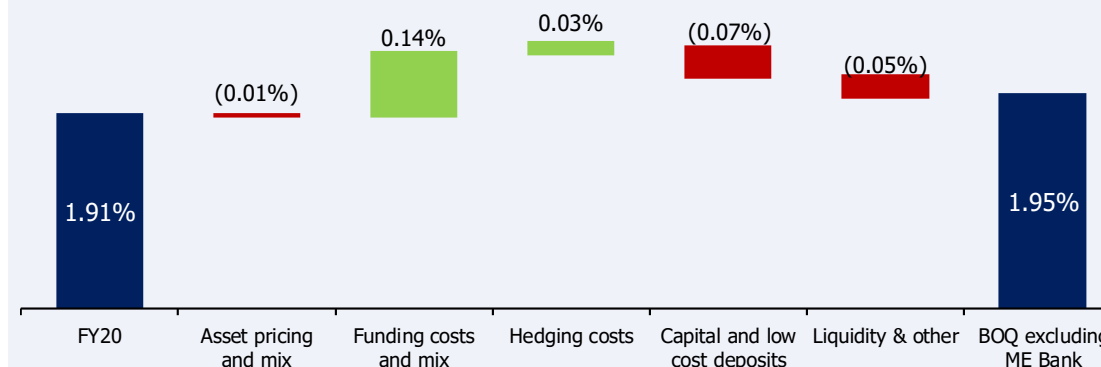
# NET INTEREST MARGIN<sup>1</sup>

GOOD NIM MANAGEMENT BALANCING RETURNS AND GROWTH

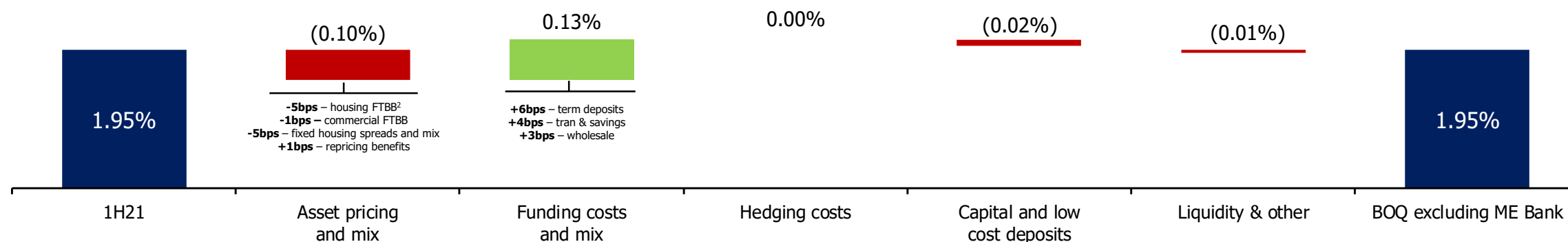
## SUMMARY

- Asset pricing impacts from front to back book drag are consistent with prior halves
- Reductions from fixed housing spreads and mix in FY21
- Funding costs continued to benefit from reduced deposit rates, change in mix and wholesale funding costs
- Slowing reduction from the low cash rate environment on the capital and low cost deposit portfolio

## NET INTEREST MARGIN – FY20 TO FY21



## NET INTEREST MARGIN – 1H21 TO 2H21





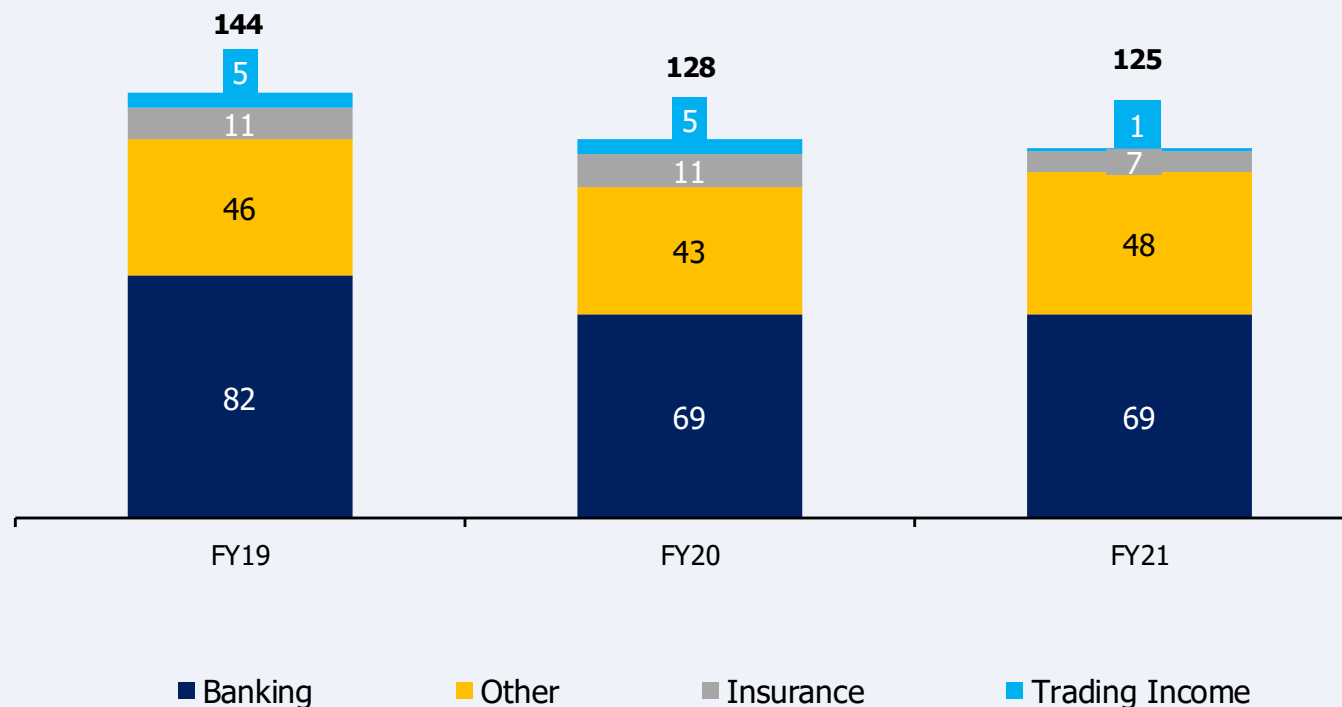
# NON-INTEREST INCOME<sup>1</sup>

STABILISING BANKING NON-INTEREST INCOME BUT IMPACTED BY TRADING AND LOWER INSURANCE INCOME

## SUMMARY

- FY21 non-interest income declined by \$3m:
  - > Banking fees normalising following the ongoing industry trends toward low and no fee products
  - > \$5m increase in other income, including a \$3m one off benefit on the cards portfolio
  - > \$4m reduction in insurance income from the closure of St Andrews to new business in 1H20
  - > Trading income impacted by \$4m due to lack of volatility and low rates

## NON-INTEREST INCOME BREAKDOWN (\$M)<sup>2</sup>



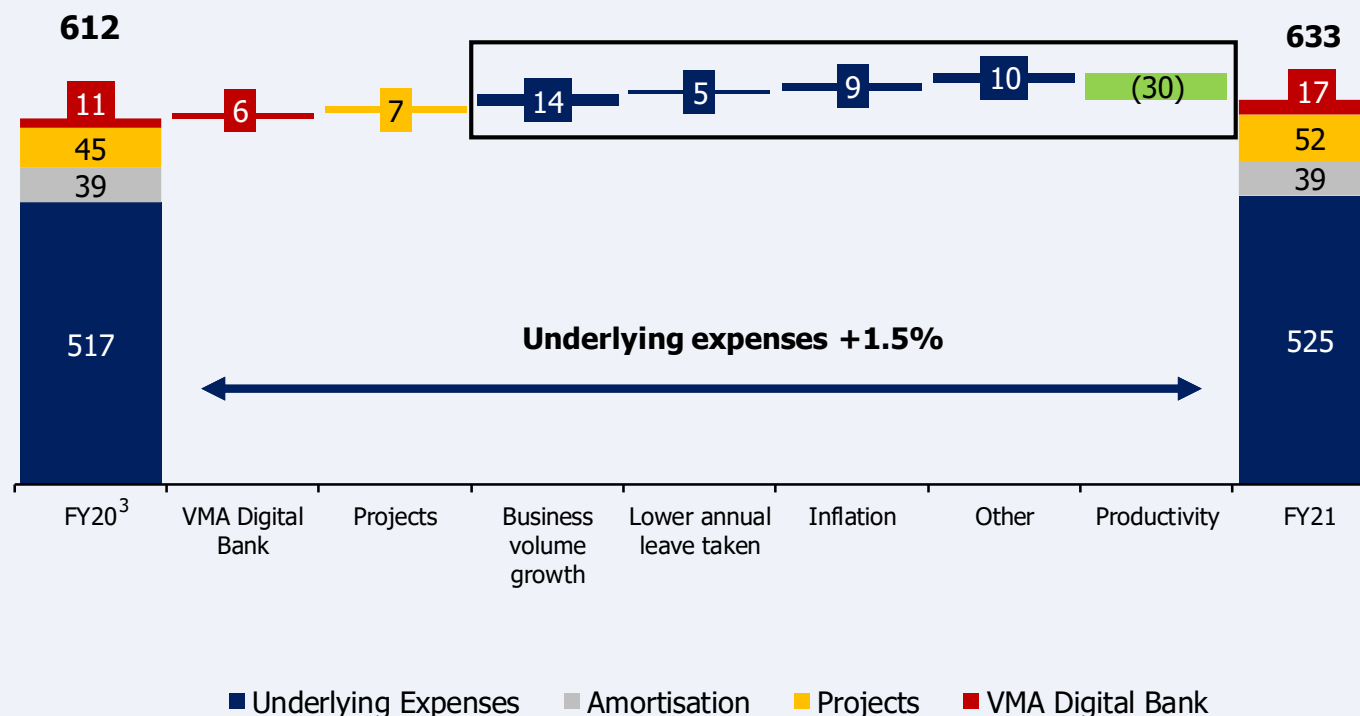
# OPERATING EXPENSES<sup>1</sup>

INVESTMENT IN STRATEGIC INITIATIVES AND COSTS TO SUPPORT GROWTH

## SUMMARY

- Expenses increased \$21m or 3% from FY20
- Underlying expenses increased 1.5%
- Increased investment on strategic initiatives, including VMA and other technology and digital projects
- \$14m of costs to support business growth in operations, product and marketing
- Year 2 productivity benefits of \$30m delivered, bringing the total to \$60m

## OPERATING EXPENSE BREAKDOWN (\$M)<sup>2</sup>



(1) Excluding ME Bank

(2) VMA third party costs have been restated from non-interest income and included in operating expenses

(3) FY20 includes a \$4m reclassification from projects to underlying expenses for data centre costs which have now moved to BAU

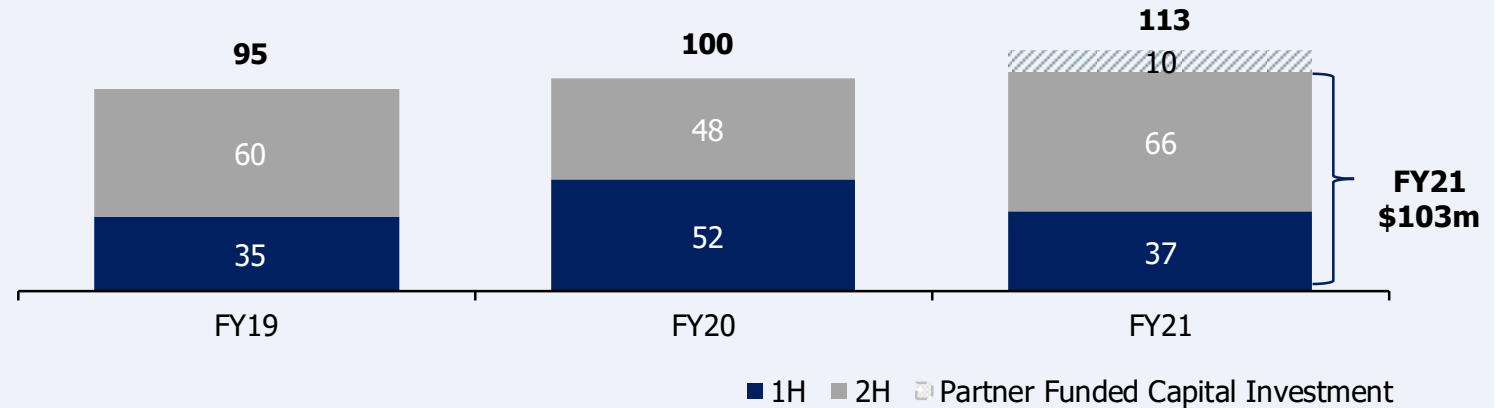
# CAPITAL INVESTMENT<sup>1</sup>

TRANSFORMATION INVESTMENT CONTINUES

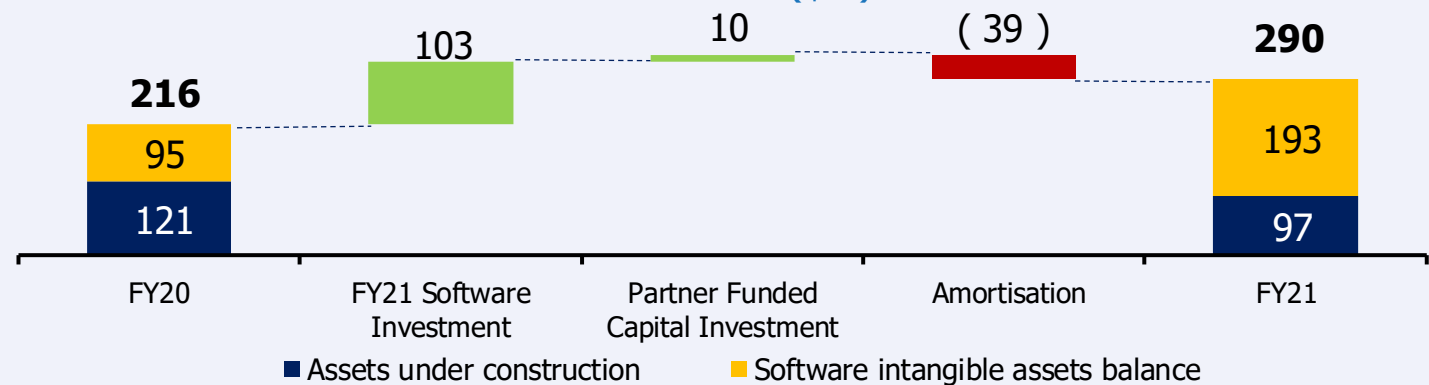
## SUMMARY

- Major capital investment in 2H21 with projects moving from discovery to development
- \$10m in cards management system has been partner funded
- Assets of the combined entity has an average useful life of 6.1yrs, with an average remaining life of 3.6yrs<sup>2</sup>
- Investment capex envelope for combined organisation expected to be c.\$115m - \$120m in FY22<sup>2</sup>
- Amortisation for combined organisation anticipated to increase in FY22 with further increase in FY23 and then plateau in FY24<sup>2</sup>

## CAPITAL INVESTMENT (\$M)



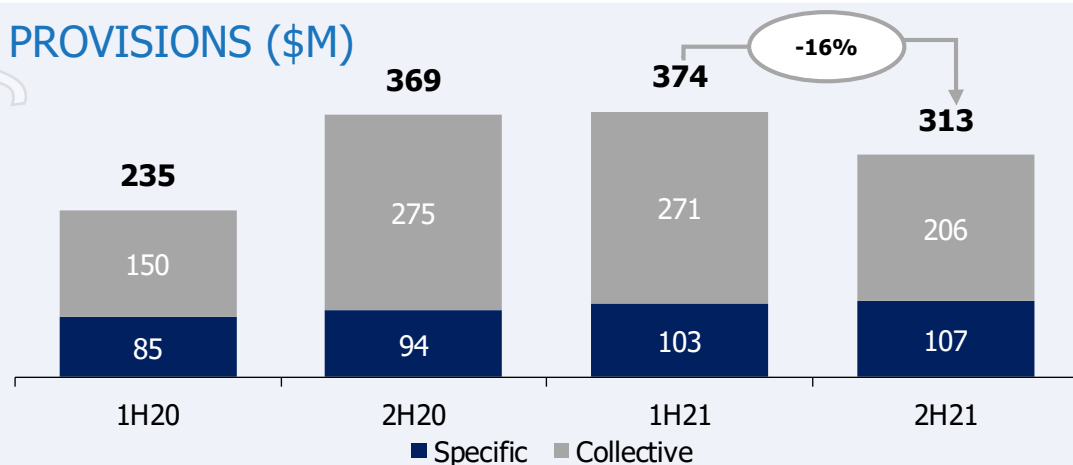
## SOFTWARE INTANGIBLE ASSET BALANCES (\$M)



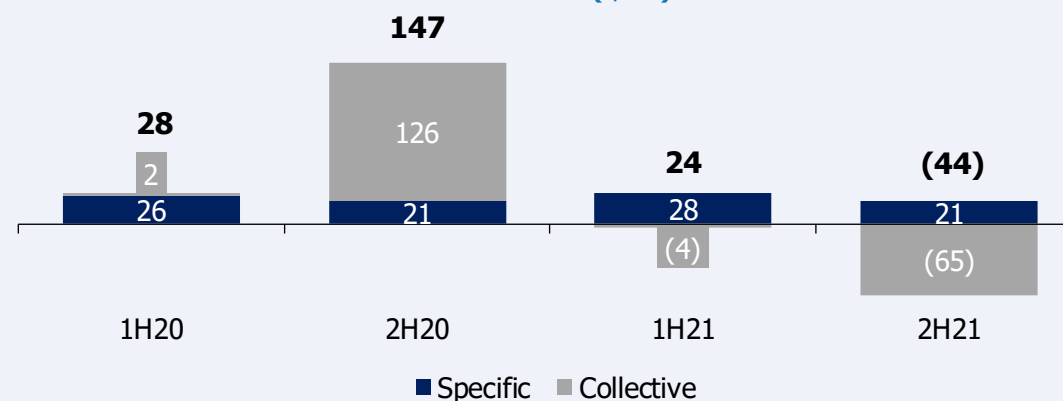
# PROVISIONS AND LOAN IMPAIRMENT EXPENSE<sup>1</sup>

CONTINUE TO REVIEW ECONOMIC ASSUMPTIONS TO ENSURE PROVISIONS ARE PRUDENTLY MANAGED

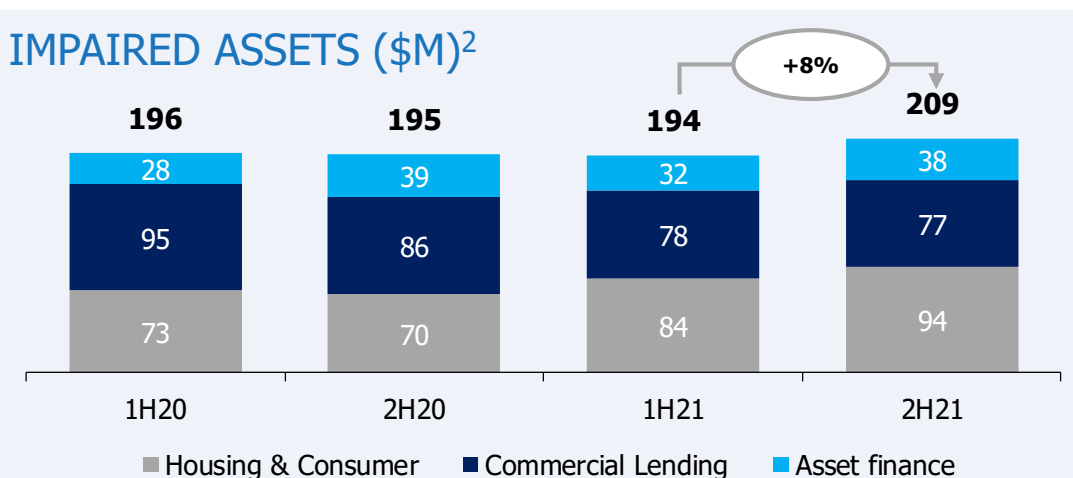
## PROVISIONS (\$M)



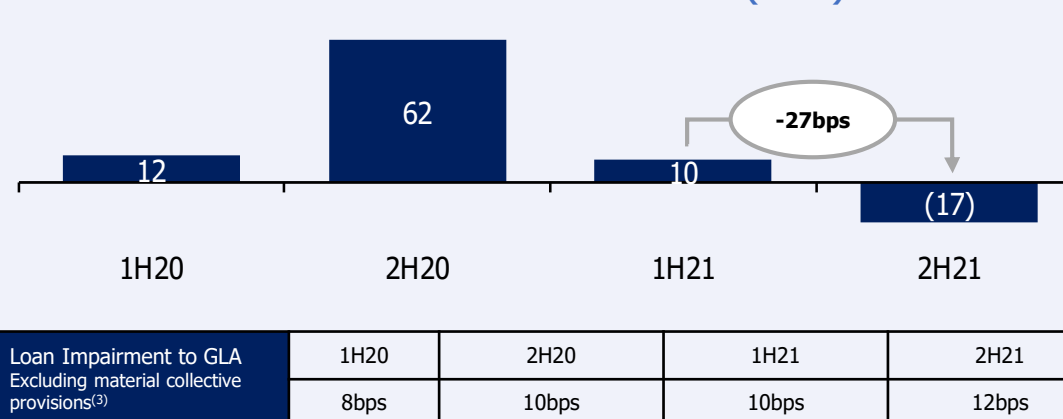
## LOAN IMPAIRMENT EXPENSE (\$M)



## IMPAIRED ASSETS (\$M)<sup>2</sup>



## LOAN IMPAIRMENT EXPENSE TO GLA (BPS)



(1) Excluding ME Bank

(2) BOQ Specialist Asset finance products have been reclassified from Commercial lending to Asset Finance for all periods presented

(3) Loan impairment to GLA excludes material collective provisions adjustments, 1H20 \$10m, 2H20 \$123m and 2H21 -\$75m

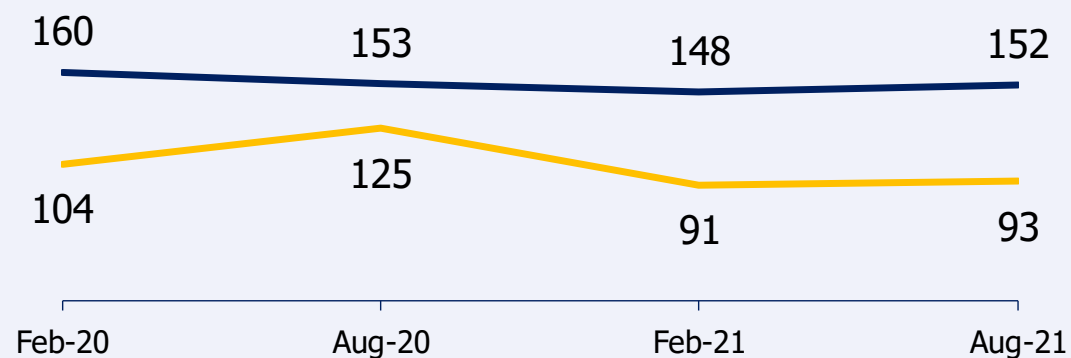
# PORTFOLIO QUALITY<sup>1</sup>

## ARREARS TRENDS REMAIN BROADLY STABLE

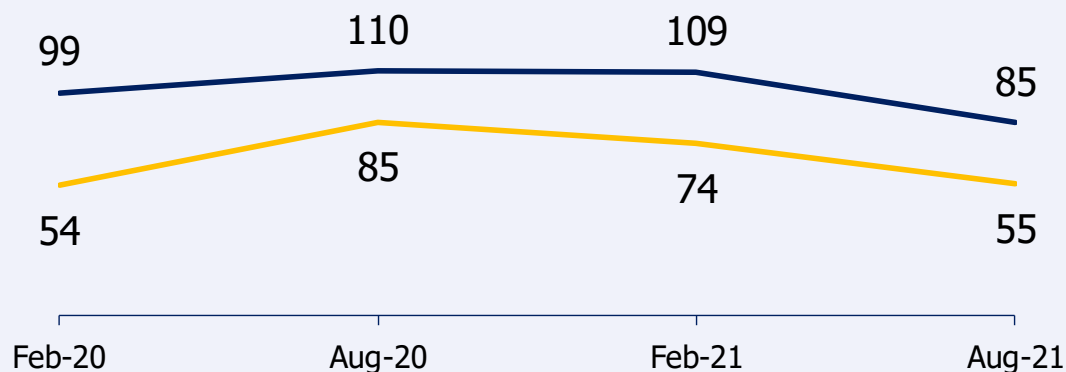
### SUMMARY

- Low interest rate environment and increased household deposits supporting lower housing arrears
- Commercial arrears normalised to pre COVID-19 levels
- Increase in asset finance arrears driven by the impacts of the extended lockdown in NSW and VIC

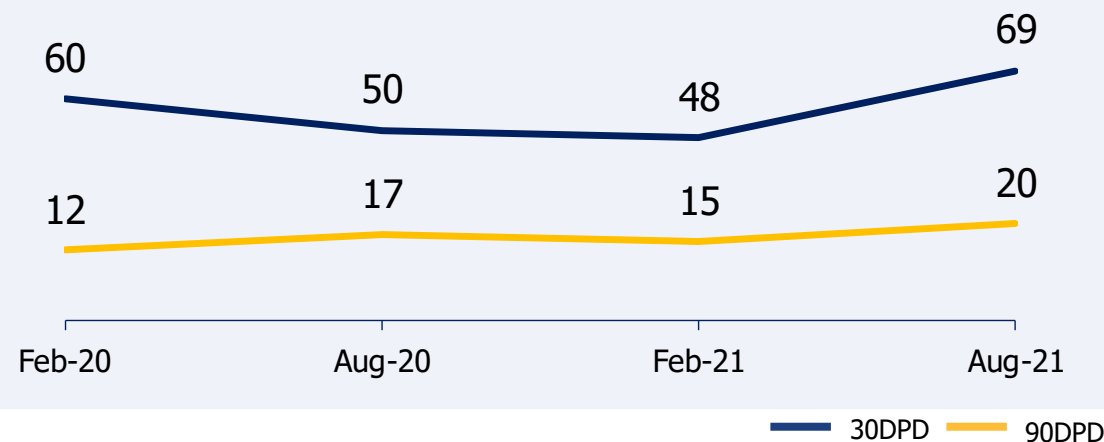
### COMMERCIAL ARREARS (bps)



### HOUSING ARREARS (bps)



### ASSET FINANCE ARREARS (bps)



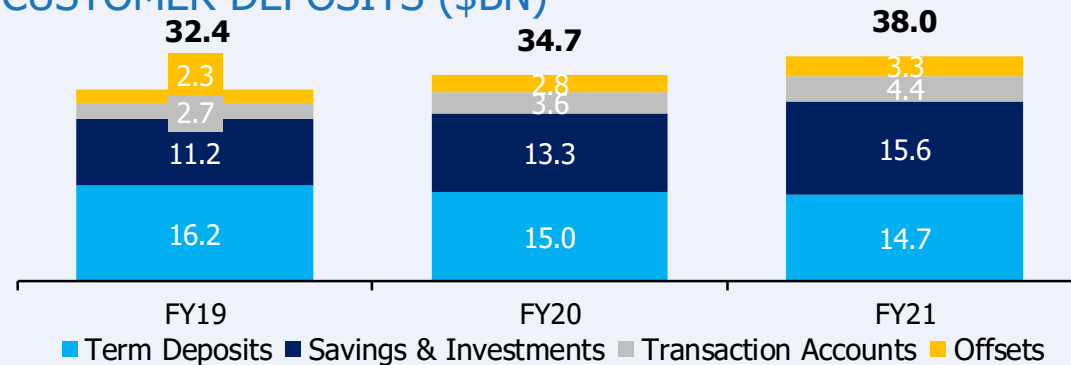
# FUNDING & LIQUIDITY<sup>1</sup>

## RESILIENT FUNDING AND LIQUIDITY PROFILE MAINTAINED

### SUMMARY

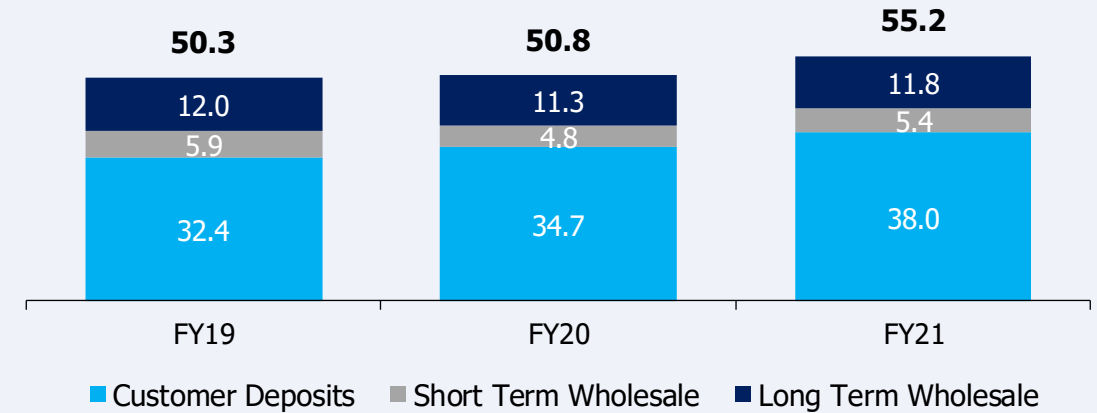
- Deposit to loan ratio at 75%
- Customer deposit growth of \$3.3bn, driven by an increase in transaction, savings and investment, and offset accounts
- Reliance on term deposits continues to decline as we further rebalance our customer deposits mix
- Full drawdown of Term Funding Facility<sup>2</sup>
- FY21 LCR of 149% and NSFR of 122%<sup>3</sup>

### CUSTOMER DEPOSITS (\$BN)

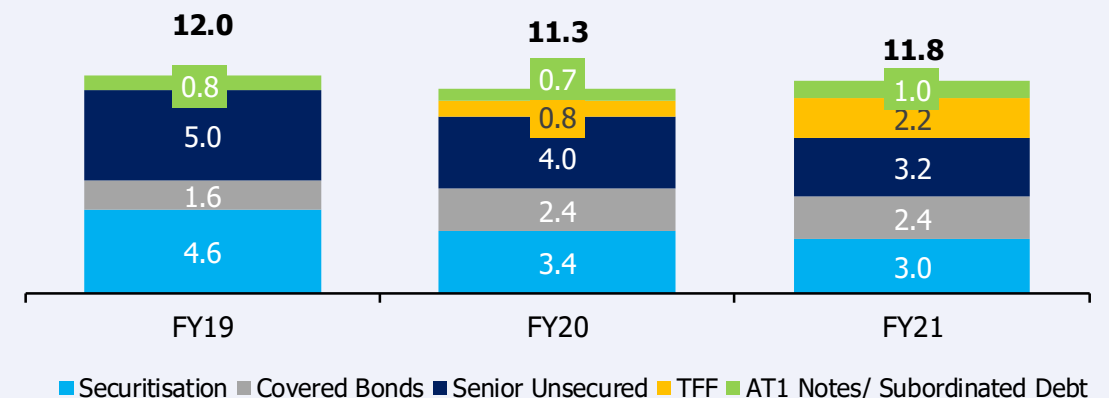


DTL ratio	70%	74%	75%
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### FUNDING MIX (\$BN)



### LONG TERM WHOLESALE FUNDING (\$BN)



(1) Excluding ME Bank

(2) BOQ utilised its TFF allowance of c.\$2.2bn, and ME Bank utilised their TFF allowance of c.\$900m

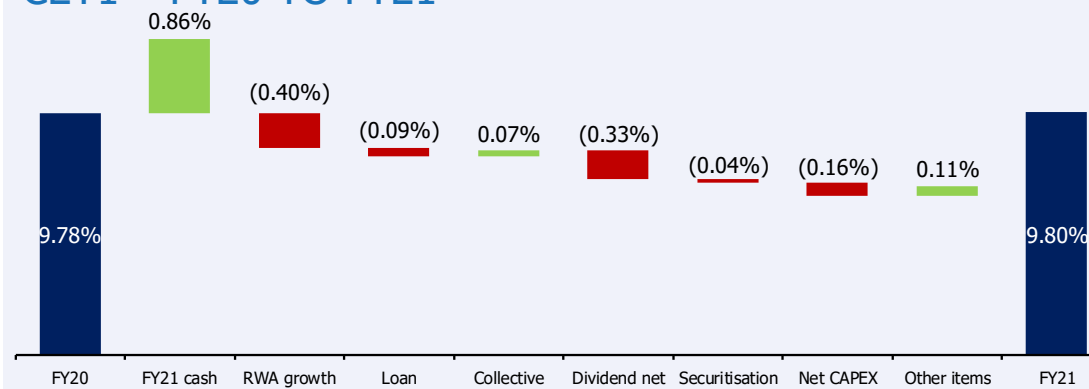
(3) LCR and NSFR include ME Bank



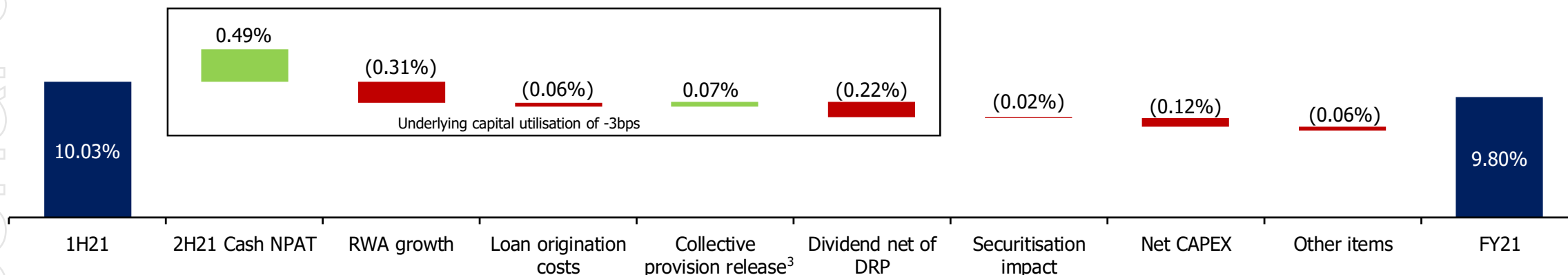
### SUMMARY

- Successfully completed \$1.35bn capital raise to fund the acquisition of ME Bank<sup>2</sup>
- 37bps of capital utilised in 2H21 to deliver above system asset growth, with 31bps of RWA growth and 6bps from increased loan origination costs
- Benefit of 7bps from collective provision release
- CET1 remains strong at 9.80%, and in FY22 expected to remain comfortably above the top end of the target range of 9 – 9.5%<sup>1</sup>

### CET1 – FY20 TO FY21



### CET1 – 1H21 TO 2H21



(1) BOQ intends to operate above the management target range of 9.0 – 9.5% in FY22 until the final impacts of APRA's changes to RWAs and capital calibration are understood. Refer to page 54 in the ME Bank acquisition investor presentation for further detail.

(2) Proceeds from the capital raising were received in March 2021 and fully funded the capital impacts of the ME Bank acquisition

(3) Collective provision release refers to a \$45m pre-tax adjustment due to improved economic conditions

# EXECUTING THE TRANSFORMATION ROADMAP

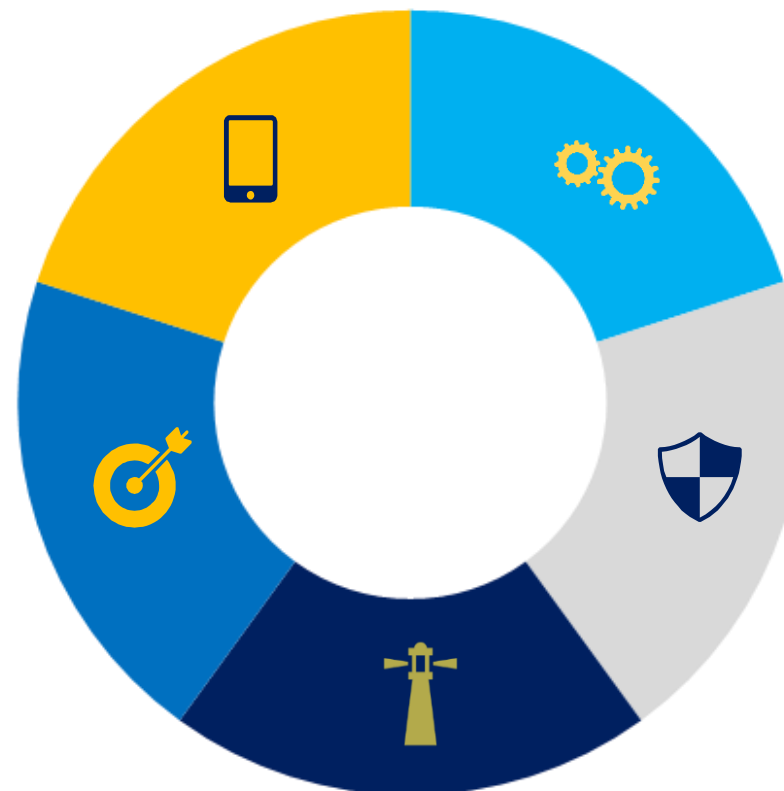
KEY STRATEGIC INITIATIVES DELIVERED IN FY21

## Digital Bank of the Future

- Online transaction, savings and credit card accounts developed and plans to scale to all brands
- Debit cardholders now have instant card issuance, digital wallet & self-service convenience.
- Upgraded internet and mobile banking for business customers
- FX digital platform and currency exchange

## Distinctive brands serving niche segments

- Upgraded Broker portal and digital tools
- Evolution of owner manager model



## Simple and intuitive

- Improved broker experience, mortgage hub service and efficiency uplift
- Process and product simplification, reducing business complexity
- Streamlined complaints resolution

## Financial and Risk Position

- Operational risk tool
- Regulatory & compliance programs
- Open Banking Program progressing
- Streamlined customer risk rating and transaction monitoring

## Purpose Led Culture

- Payroll system enhancements
- Business Banker toolkit enhancement
- Capability programs to enhance leadership and coaching

Underpinned by execution capability uplift program

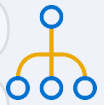
# INTEGRATION PROGRAM DELIVERING

STRATEGIC BENEFITS DELIVERING VALUE AND INTEGRATION AHEAD OF SCHEDULE



## Return ME Bank to growth

- Home Buying Transformation program commenced
- Product and pricing capability consolidated
- ME Digital Bank Temenos v.18 upgrade completed, customer migration in progress



## Single Board and Leadership Team in place

- Operating model refreshed
- Implementation of combined organisational structure ahead of original plan



## ADI consolidation on track for early 2022<sup>1</sup>

- Systems consolidation underway for Treasury, market risk and regulatory reporting
- Ongoing engagement with regulator



## Technology integration commenced

- Collaboration tools in place for day 1
- Network integration program commenced



## Risk, compliance and remediation uplift

- AML uplift and remediation program in place and progressing
- Consolidation of fraud monitoring system commenced



## Consolidation and simplification

- Phase 1 of policy harmonisation nearing completion
- Strategic sourcing consolidation commenced

# SYNERGIES ACCELERATED

SYNERGY BENEFITS AND INTEGRATION COSTS CONFIRMED AND ACCELERATING

## SUMMARY

- Synergy cost commitment accelerated and additional synergies identified
- FY22 in year P&L synergies expected to be \$30 - \$34m
- Pre-tax cost synergy benefits of \$70 - \$80m annualised run rate expected by the end of FY23, with further upside in FY24 from core platform consolidation
- Other synergy sources identified and under review:
  - Capex benefits of c.\$15m expected from consolidated investment roadmap
  - Further NIM benefits from wholesale and retail deposits
  - Non-interest income benefits

## PHASING OF INTEGRATION COSTS OF \$130 - \$140M

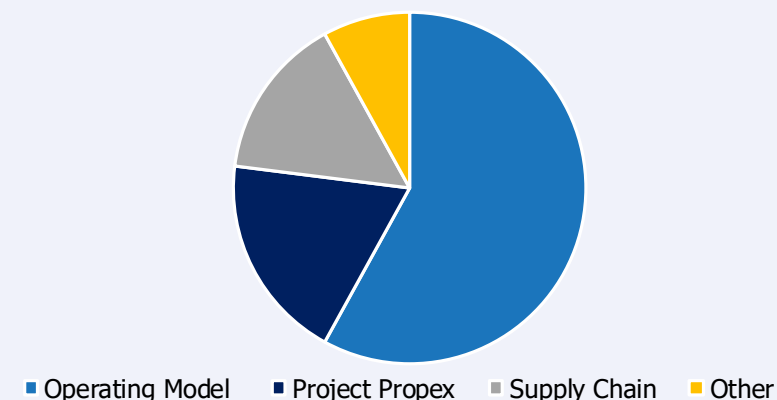
	FY21	FY22	FY23	FY24
Integration costs	\$13m	c.\$70 - \$80m	c.\$30 - \$40m	c.\$10m

- FY22 spend primarily relates to<sup>2</sup>:
  - Operating model changes
  - Technology spend on network integration, ADI handback requirements including treasury system, regulatory reporting and payroll integration
  - Risk, compliance and remediation programs
  - Integration program management

## EXPENSE SYNERGY PROFILE ACCELERATED

	FY22	FY23	FY24
Synergies Annualised run rate	\$38 - \$42m	\$70 - \$80m	\$80m+
Delivered percentage <sup>1</sup>	c.50% - 56%	100%	100%+



## EXPENSE SOURCE OF SYNERGIES



(1) Based on \$75m mid-point of synergies range

(2) Integration costs will be taken from non-cash earnings.

# FY21 BOQ GROUP KEY METRICS & PRO FORMA<sup>1</sup>

	 <b>BOQ excluding ME Bank<sup>2</sup></b> <b>(Aug 21 YE)</b>	 <b>ME Bank<sup>3</sup></b> <b>(Aug 21 YE)</b>	<b>BOQ Group</b> <b>Pro Forma</b>	
<b>Balance Sheet</b>	Gross Loans and Advances (\$bn)	50.6	25.2	75.7
	Total Assets (\$bn)	62.4	29.0	91.4
	Total Interest Earning Assets (\$bn)	56.4	28.8	85.2
	Risk weighted assets (\$bn)	33.8	10.4	44.2
	Customer Deposits (\$bn)	38.0	18.4	56.4
<b>Income Statement</b>	Total Revenue (\$m)	1,168	505	1,673
	Total Expenses (\$m)	(626)	(307)	(933)
	Underlying Profit (\$m)	542	198	740
	Cash NPAT (\$m) <sup>4</sup>	389	143	532
<b>Pro Forma Key Metrics</b>	Net Interest Margin (%)	1.95	1.70	1.86
	Cost to Income (%)	53.6	60.8	55.8
	Total provisions and GRCL / GLA <sup>5</sup>	76bps	38bps	63bps
	CET1 (%)			9.80
	Customers (#)	c. 900k	c.600k	c.1.5m

(1) Pro formas have been prepared to align ME Bank to BOQ's August year end and to align ME Bank to BOQ's presentation of NII, Non-interest income and operating expenses

(2) BOQ result has been adjusted as follows:

- VMA third party costs have been restated from non-interest income and included in operating expenses per ASX announcement on 30 September 2021
- St Andrew's income as disclosed in note 2.4 and operating expenses and non interest income of \$7 million in FY21 have been removed to reflect the planned divestment in 1H22

(3) Includes the impact of fair value adjustments on the balance sheet and amortisation of fair value adjustments on acquisition

(4) ME Bank proforma does not include distributions on AT1 instruments, which are taken as an adjustment for the purposes of calculating earnings per share

(5) Provisions and GRCL for ME Bank have been grossed up to exclude the impact of the fair value adjustments on acquisition of ME Bank

# SUMMARY & OUTLOOK

GEORGE FRAZIS  
MANAGING DIRECTOR AND CEO



1. Supporting our customers and people through ongoing challenging times
2. Delivering quality sustainable profitable growth
3. Executing on our digital transformation
4. Successfully completed acquisition of ME Bank and expected divestment of St Andrew's in 1H22
5. Focus on strength with strong balance sheet and capital, with sound asset quality and conservative provision overlays in place

# FY22 OUTLOOK<sup>1</sup>

1. Cautiously optimistic, despite the uncertain environment, Australia remains well placed for economic recovery
2. Focus remains on achieving quality sustainable profitable growth and delivering positive jaws
3. Expecting at least 2% jaws
  - Above system growth in BOQ and VMA housing to continue, return ME to around system growth by year end, growing around system in our niche business banking segments
  - NIM decline of c.5 - 7bps
  - Broadly flat expenses
    - 3% underlying expense increase to support business
    - Offset by accelerated year 1 synergies realised
4. Capital investment spend of c.\$115 - \$120m including ME Bank, with integration costs of \$70 - \$80m
5. Maintaining a prudent approach to provisioning
6. CET1 to remain comfortably above 9.5%<sup>2</sup>
7. Dividend payout ratio target range of 60 - 75% of cash earnings<sup>3</sup>

(1) FY22 outlook is based on FY21 pro formas and subject to no material change in market conditions

(2) BOQ intends to operate above the management target range of 9.0 – 9.5% in FY22 until the final impacts of APRA's changes to RWAs and capital calibration are understood. Refer to page 54 in the ME Bank acquisition investor presentation for further detail.

(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.

# ABOUT BOQ

# HISTORY OF BOQ

## BOQ HAS BEEN SERVING CUSTOMERS FOR 147 YEARS

with distinctive brands, highly specialised niches and Owner Managed branches



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

## OUR DIFFERENTIATORS

- > Unique brands with proud history
- > Deeply anchored in local communities
- > Highly specialised bankers and credit officers, within niche industry segments
- > Building an innovative digital offering and loyalty

## OUR DISTINCTIVE BRANDS

## Retail Banking



Human, empathetic  
relationship-led  
banking



The digital bank  
of bigger  
possibilities



The bank helping  
all Australians  
get ahead

## Business Banking



BUSINESS



FINANCE



BOQ SPECIALIST

Specialised banking solutions that  
meet core business and personal needs

## KEY STATISTICS FOR FY21

c. **1.5m**  
Customers

c. **570k** BOQ  
c. **195k** VMA  
c. **580k** ME

c. **15k** BOQB  
c. **35k** Specialist  
c. **90k** Finance

**163**  
Branches<sup>1</sup>

**>3.5k**  
Employees  
**>800**  
OMB Employees

**\$132b**  
Footings<sup>2</sup>

**75%**  
Deposit-to-  
Loan Ratio

**3.00%**<sup>3</sup>  
Market share -  
Housing

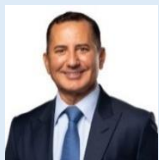
**1.62%**<sup>3</sup>  
Market share -  
Business

(1) Total branches includes transaction and service centres

(2) Footings means gross loans and advances plus customer deposits

(3) Internal BOQ Analysis and APRA monthly authorised deposit-taking institution statistics excluding International banks, August 2021

# EXPERIENCED LEADERSHIP TEAM



**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, CFO Institutional Bank, CBA, NAB Business and Private Bank
- 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



**DEB ECKERSLEY**

*Group Executive People and Culture*

- Joined BOQ as Group Executive, P&C in September 2018
- More than 20 years' experience consulting to many of Australia's leading organisations
- Previously Managing Partner at PwC, leading the Human Capital function



**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



**NICHOLAS ALLTON**

*Group General Counsel and Company Secretary*

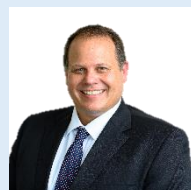
- Joined BOQ in February 2021
- More than 25 years experience in Financial Services in Australia and the UK, most recently at MLC and Macquarie



**MARTINE JAGER**

*Group Executive Retail & CEO ME Bank*

- Joined 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



**CHRIS SCREEN**

*Group Executive BOQ Business*

- Joined BOQ in November 2019
- Has over 25 years experience in financial services
- Previously held a number of senior business banking, retail banking and third party distribution roles at Westpac, St George and NAB



**DANIELLE KEIGHERY**

*Chief Customer Officer*

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



**ADAM MCANALEN**

*Chief Risk Officer  
(outgoing, moving to a new role)*

- 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
- After transition, moving to a new role

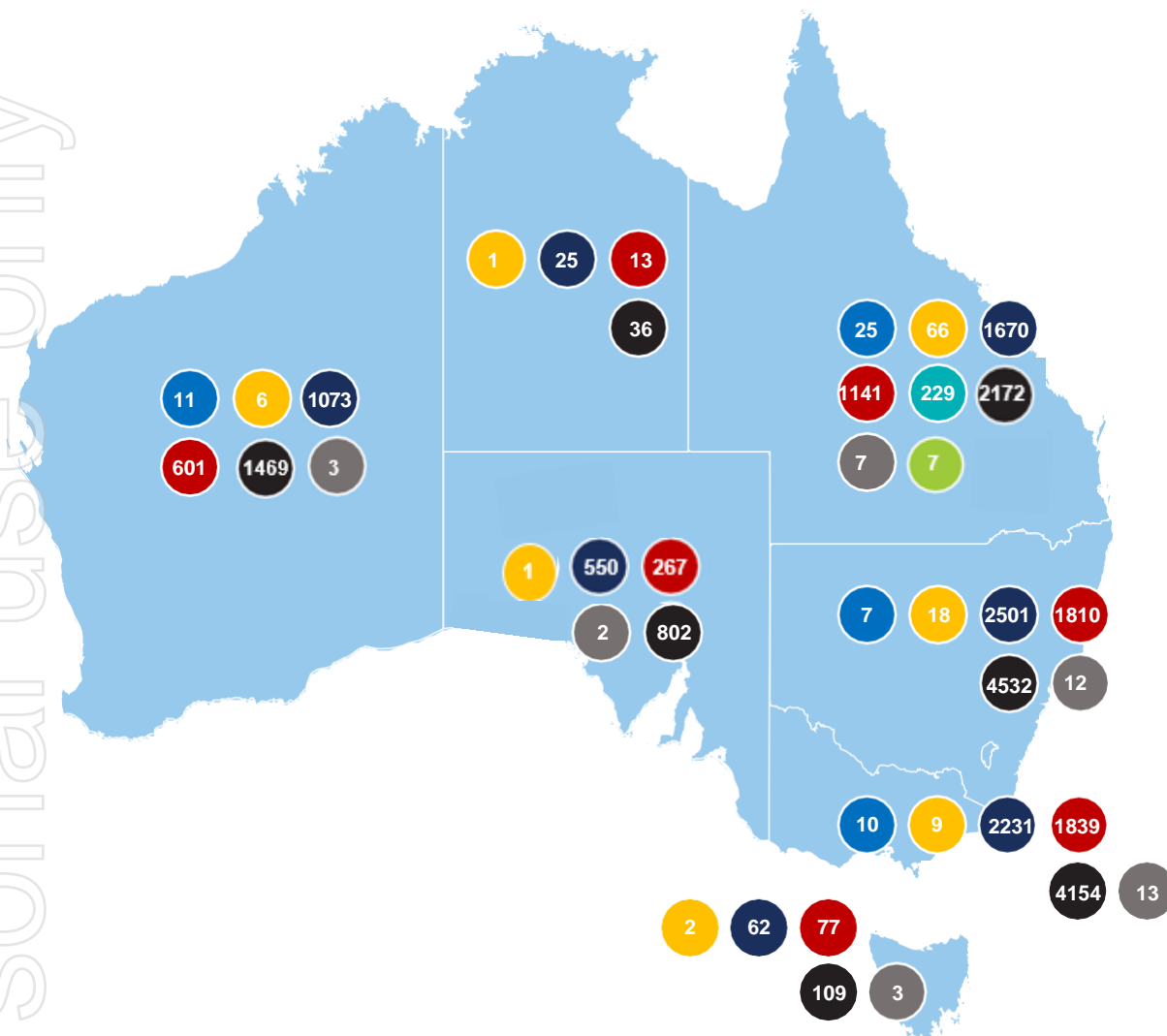


**DAVID WATTS**

*Chief Risk Officer  
(commencing early 2022)*

- Due to join BOQ in early 2022
- Has over 25 years of senior executive experience in financial services
- Previously held CRO roles at several leading financial institutions including IAG, NAB and Westpac

# DISTRIBUTION FOOTPRINT



## SUMMARY

- FY21 branch numbers at 163 (incl. transaction centres)
- The franchise network remains a key differentiator for BOQ and is pivotal to the Bank's deposit raising capabilities
- In FY21 we expanded strategic 3rd party distribution partnerships with quality aggregators
- Continued to build our broker presence with 39% of housing settlements (excluding ME) originated out of VMA and BOQ accredited brokers

## AS AT 31 AUGUST 2021

53	CORPORATE BRANCHES	40	ME BANK MOBILE & DIRECT BANKERS
103	OWNER MANAGED BRANCHES	7	TRANSACTION CENTRES
8112	BROKERS ACCREDITED WITH BOQ		
5748	BROKERS ACCREDITED WITH VMA		
13,274	BROKERS ACCREDITED WITH ME		

# DISTRIBUTION FOOTPRINT MOVEMENTS

<b>Aug-21</b>	<b>QLD</b>	<b>NSW / ACT</b>	<b>VIC</b>	<b>WA</b>	<b>NT</b>	<b>TAS</b>	<b>SA</b>	<b>Total</b>
Corporate branches	25	7	10	11	-	-	-	53
Owner managed branches	66	18	9	6	1	2	1	103
Transaction centres	7	-	-	-	-	-	-	7
	98	25	19	17	1	2	1	163

<b>Aug-20</b>	<b>QLD</b>	<b>NSW / ACT</b>	<b>VIC</b>	<b>WA</b>	<b>NT</b>	<b>TAS</b>	<b>SA</b>	<b>Total</b>
Corporate branches	33	9	9	12	-	-	-	63
Owner managed branches	58	18	10	6	1	2	-	95
Transaction centres	7	-	-	-	-	-	-	7
	98	27	19	18	1	2	-	165

## CORPORATE, OWNER MANAGED BRANCHES & TRANSACTION CENTRES

	<b>FY21 Actual YTD</b>	
<b>Summary of changes</b>	<b>Gross</b>	<b>Net Branch Movement</b>
Corporate closure	3	(3)
OMB closure	1	(1)
OMB to corporate	3	-
Corporate to OMB	10	-
OMB to OMB sale	4	-
New branch opening	2	2
<b>Total changes</b>	<b>23</b>	<b>(2)</b>



# DIVISIONAL RESULTS

# DIVISIONAL PERFORMANCE<sup>1</sup>

STRONG PERFORMANCE ACROSS RETAIL & BOQ BUSINESS



	RETAIL			BUSINESS		
\$ million	FY21	FY20	FY21 vs FY20	FY21	FY20	FY21 vs FY20
Net interest income	492	437	13% ▲	555	543	2% ▲
Non-interest income	69	74	(7%) ▼	48	40	20% ▲
<b>Total income</b>	561	511	10% ▲	603	583	3% ▲
Operating expenses	(356)	(335)	6% ▲	(262)	(258)	2% ▲
<b>Underlying profit</b>	205	176	16% ▲	341	325	5% ▲
Loan impairment expense	20	(56)	Large ▼	-	(119)	Large ▼
<b>Cash profit before tax</b>	225	120	88% ▲	341	206	66% ▲
Income tax expense	(70)	(37)	89%	(106)	(64)	66%
<b>Cash earnings after tax</b>	155	83	87% ▲	235	142	65% ▲

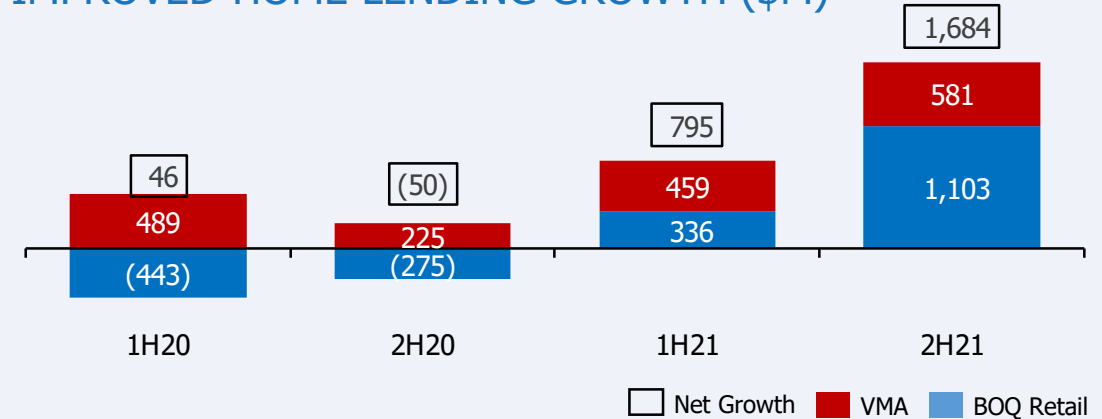
# RETAIL BANKING OVERVIEW<sup>1</sup>

IMPROVED PERFORMANCE FOR BOQ BLUE AND CONTINUED MOMENTUM FOR VMA

## SUMMARY

- The housing momentum generated at the end of FY20 has translated into positive lending growth across VMA and BOQ Retail
- Successful turnaround in the BOQ Blue brand
- Second phase of VMA digital bank incorporating home loans and term deposits and BOQ brand digital bank capabilities well progressed

## IMPROVED HOME LENDING GROWTH (\$M)<sup>1</sup>



## ME BANK – STRATEGICALLY AND FINANCIALLY COMPELLING

**\$25bn GLA**  
**\$18bn Deposits**  
**c.580k Customers**

- ✓ Enhanced scale
- ✓ Broadly doubling the retail bank
- ✓ Providing geographic diversification

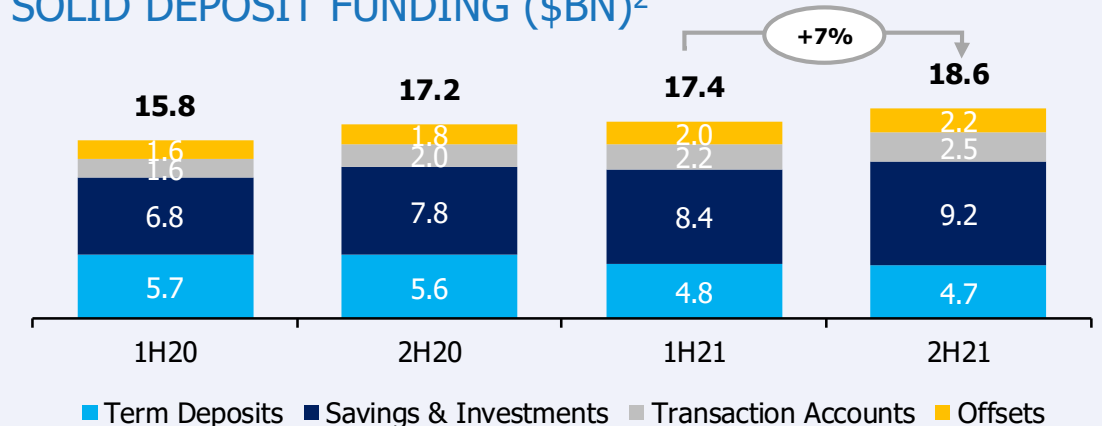
**Common cloud based technology platform**

- ✓ Upgrade to v.18 of Temenos completed, customer migration commenced

**Attractive financial outcomes**

- ✓ Due diligence assumptions validated
- ✓ Synergies accelerated and expected to be delivered by end FY23<sup>3</sup>

## SOLID DEPOSIT FUNDING (\$BN)<sup>2</sup>



(1) Excluding ME Bank. BOQ Retail Bank home lending growth includes VMA plus BOQ Retail. Home lending growth includes a reclassification relating to a transfer of loans from BOQ Business Banking to Retail Banking reflecting customer segmentation changes. Prior periods have been restated.

(2) Excluding ME Bank

(3) By the end of FY23 on an annualised run-rate basis

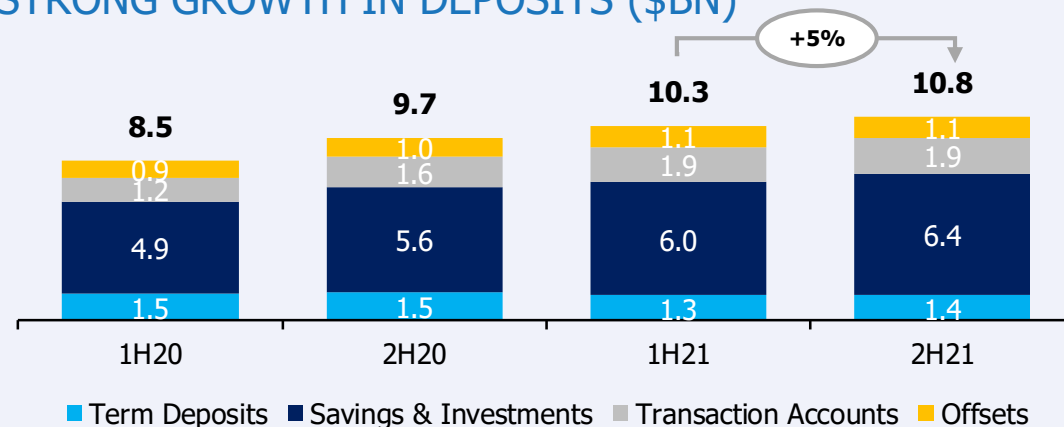
# BUSINESS BANKING OVERVIEW

NICHE SEGMENT STRATEGY DELIVERING BALANCED GROWTH DESPITE CHALLENGING MARKET CONDITIONS

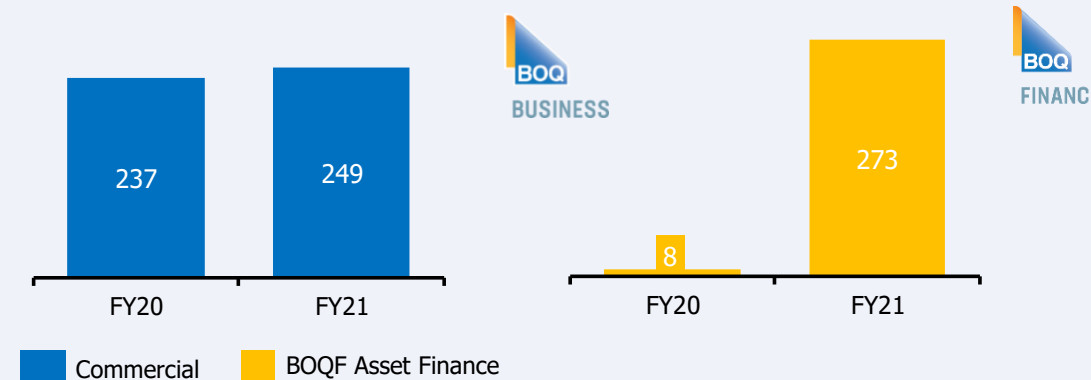
## SUMMARY

- Continued support to customers through the impacts of COVID-19 and the challenging economic climate
- Continued focus on niche segment strategy with growth delivered in FY21
- Strong deposit growth of \$1.1 billion or 11% over FY21 largely in the transaction and savings account products

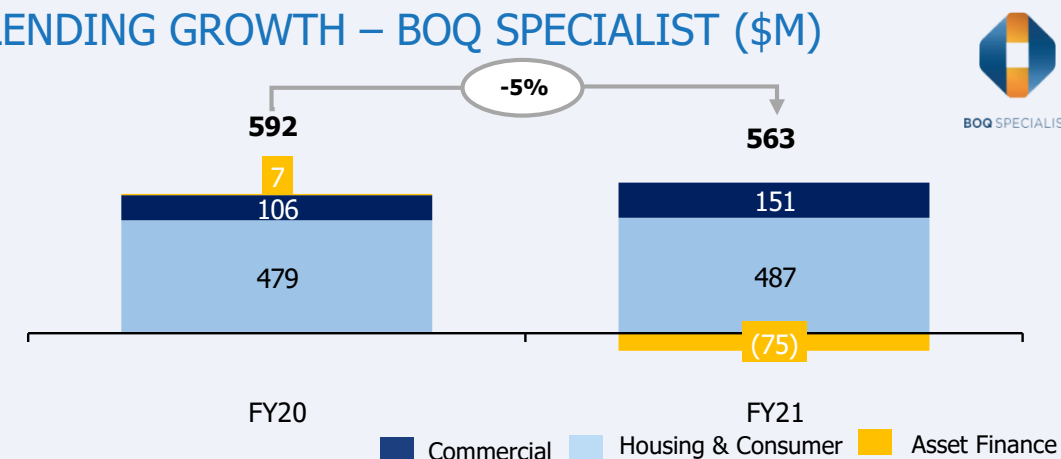
## STRONG GROWTH IN DEPOSITS (\$BN)



## LENDING GROWTH – BUSINESS BANK AND BOQF (\$M)



## LENDING GROWTH – BOQ SPECIALIST (\$M)



ersonal use only

# ME BANK

**BOQ**  
GROUP

# ME BANK FINANCIAL PERFORMANCE

FINANCIAL RESULT IN LINE WITH DUE DILIGENCE ASSUMPTIONS

## SUMMARY

- Cash NPAT contribution of \$23m for the two months post acquisition
- Financial performance in line with due diligence assumptions
- BOQ Group NIM for the year including 2 months of ME Bank performance was 1.92%
- Expenses broadly consistent with historical performance and integration provides opportunity for CTI improvement
- Home Buying Transformation program commenced to drive uplift in GLA volumes going forward

## FY21 FINANCIAL IMPACT

FY21 Financial Performance	ME Bank Jul to Aug 21 \$m	BOQ FY21 excluding ME Bank \$m	BOQ FY21 including ME Bank \$m
Net interest income	78	1,050	1,128
Non-interest income	5	125	130
<b>Total income</b>	83	1,175	1,258
Operating expenses	(51)	(633)	(684)
<b>Underlying profit</b>	32	542	574
Loan impairment expense	1	20	21
Cash Net Profit Before Tax	33	562	595
<b>Cash Net Profit After Tax</b>	23	389	412
<b>Statutory net profit after tax</b>	17	352	369
<b>Net interest margin (%)<sup>1</sup></b>	1.71%	1.95%	1.92%
<b>Cost to Income Ratio (%)</b>	61.4%	53.9%	54.4%

# ME BANK PERFORMANCE

FINANCIAL RESULT IN LINE WITH DUE DILIGENCE ASSUMPTIONS

## SUMMARY

- Net interest income growth of 4% despite declining GLAs of 5% driven by NIM improvement
- On a pro forma basis ME Bank's NIM has improved from 1.59% in FY20 to 1.70% in FY21
- Expenses increased by 8%, including an \$8m uplift in amortisation
- Loan impairment expenses benefited from a release of collective provision from a reduction in GLA balances and improvements in arrears

## ME BANK PRO FORMA<sup>1</sup>

ME Bank Financial Performance	ME Bank - FY21 Adjusted <sup>2</sup> \$m	ME Bank - FY20 Adjusted \$m	FY20 v FY21 \$m
Net interest income	489	470	4% ▲
Non-interest income	16	16	-
<b>Total income</b>	<b>505</b>	<b>486</b>	<b>4% ▲</b>
Operating expenses	(307)	(283)	8% ▲
<b>Underlying profit</b>	<b>198</b>	<b>203</b>	<b>(2%) ▼</b>
Loan impairment expense	9	(60)	Large ▼
Cash Net Profit Before Tax	207	143	45% ▲
<b>Cash Net Profit After Tax</b>	<b>143</b>	<b>101</b>	<b>42% ▲</b>
<b>Statutory net profit after tax</b>	<b>111</b>	<b>87</b>	<b>28% ▲</b>
<b>Net interest margin (%)<sup>1</sup></b>	<b>1.70%</b>	<b>1.59%</b>	<b>11bps ▲</b>
<b>Cost to Income Ratio (%)</b>	<b>60.8%</b>	<b>58.2%</b>	<b>260bps ▲</b>

(1) ME Bank results have been adjusted to reflect BOQ's reporting periods

(2) Includes the amortisation of fair value adjustments on acquisition including an effective interest adjustment following a fair value adjustment to the loan portfolio on acquisition of ME Bank

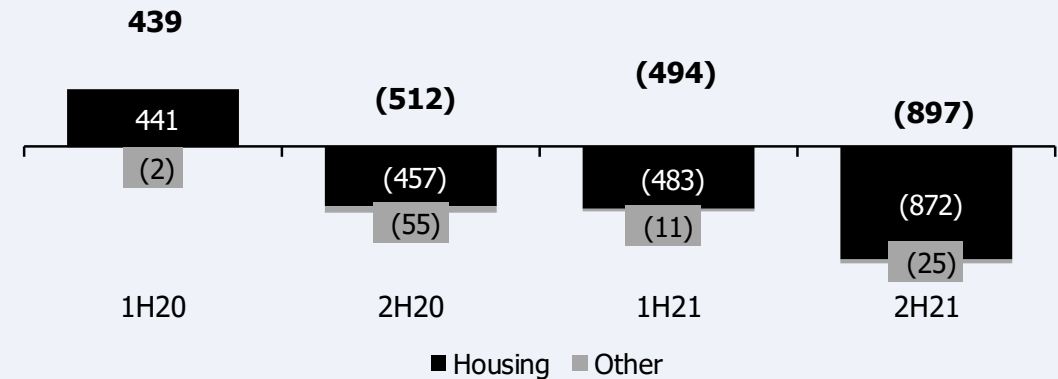
# ME BANK LENDING AND DEPOSIT GROWTH<sup>1</sup>

FINANCIAL RESULT IN LINE WITH DUE DILIGENCE ASSUMPTIONS

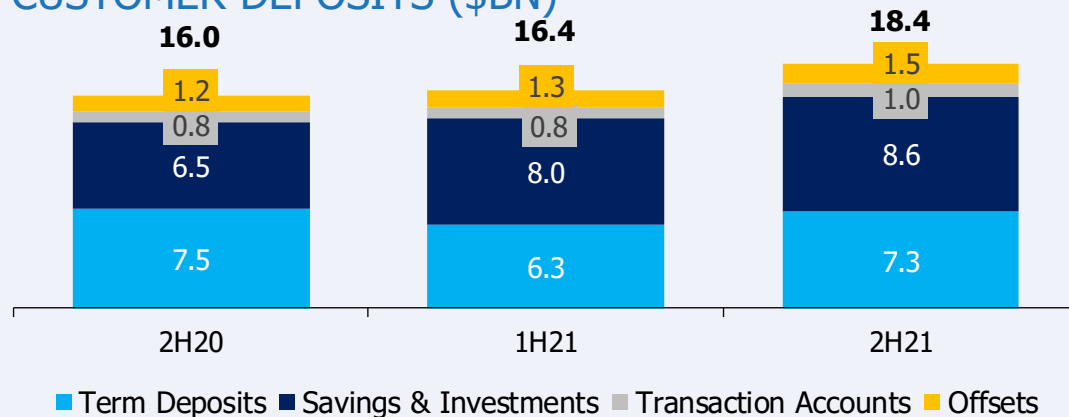
## SUMMARY

- Housing loans continued to decline in line with recent historical trends
- Deposit growth of \$2.4bn in FY21 has increased the deposit to loan ratio to 73%
- Leveraging the BOQ Home Buying Transformation program to return ME Bank to growth
- Early green shoots with application volumes increasing by 36% in August and September compared to the FY21 average

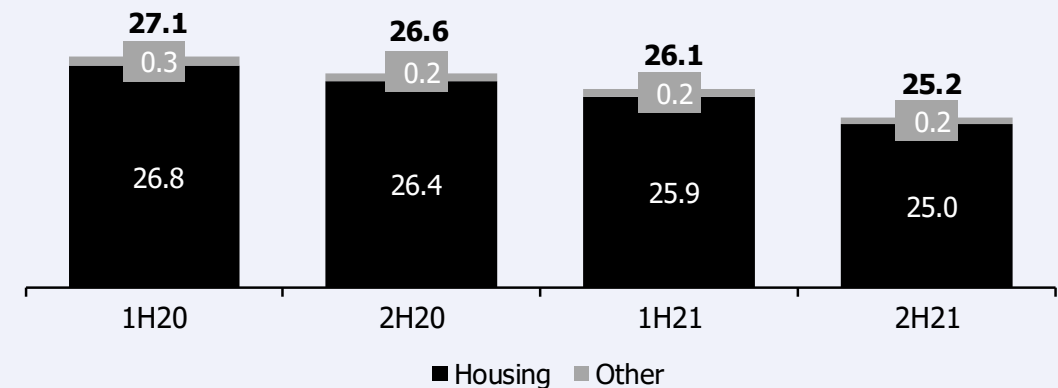
## GROSS LOANS AND ADVANCES GROWTH (\$M)



## CUSTOMER DEPOSITS (\$BN)



## GROSS LOANS AND ADVANCES BALANCES (\$BN)





PERSONAL USE ONLY

# PORTFOLIO QUALITY

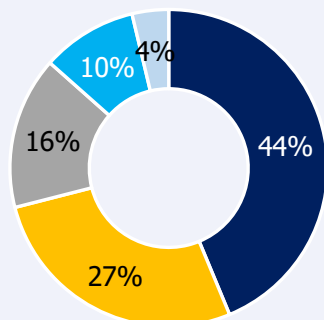
# HOUSING PORTFOLIO

<b>Portfolio</b>	<b>FY21</b> <i>excluding ME Bank</i>	<b>FY21</b> <i>including ME Bank</i>	<b>FY20<sup>1</sup></b>
Total Spot Balance - (\$m)	34,101	59,053	31,155
Variable Rate	68%	63%	78%
Owner Occupied	63%	69%	61%
Investor	37%	31%	39%
Line of Credit	3%	2%	4%
Proprietary	74%	61%	79%
Broker	26%	39%	21%
Interest Only	16%	14%	19%
Principal & Interest	84%	86%	81%

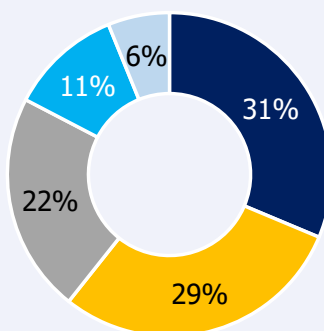
# HOUSING LOAN PORTFOLIO

## HOUSING PORTFOLIO BY STATE

Excluding ME Bank



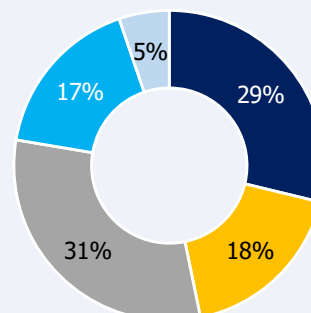
Including ME Bank



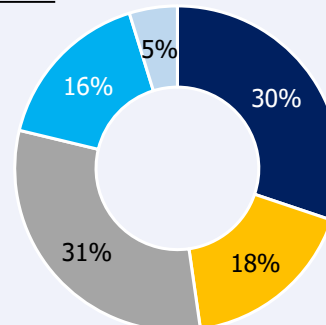
■ QLD ■ NSW & ACT ■ VIC ■ WA ■ Other

## HOUSING PORTFOLIO BY LVR

Excluding ME Bank



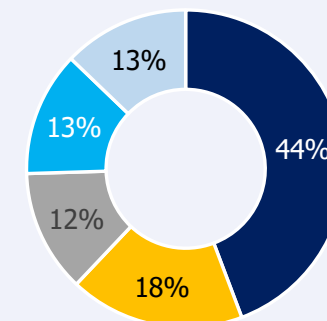
Including ME Bank



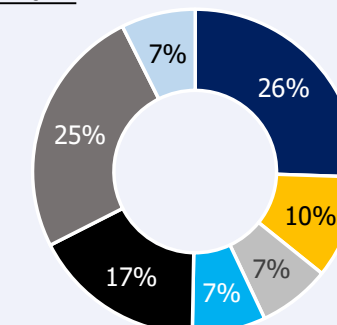
■ Up to and including 60% ■ >60% to 70% ■ >70% to 80% ■ >80% to 90% ■ Greater than 90%

## HOUSING PORTFOLIO BY CHANNEL

Excluding ME Bank



Including ME Bank



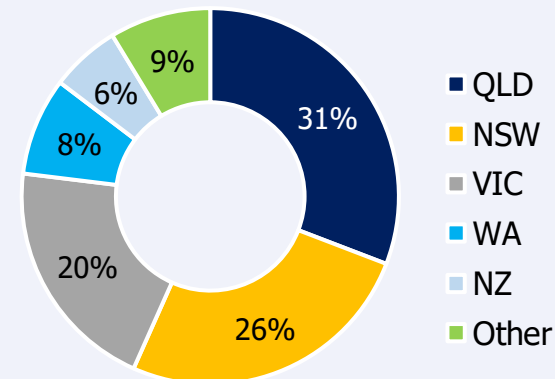
■ OMB ■ BOQS ■ Corporate ■ VMA ■ Broker¹ ■ ME Bank Proprietary ■ ME Bank Broker

# ASSET FINANCE PORTFOLIO

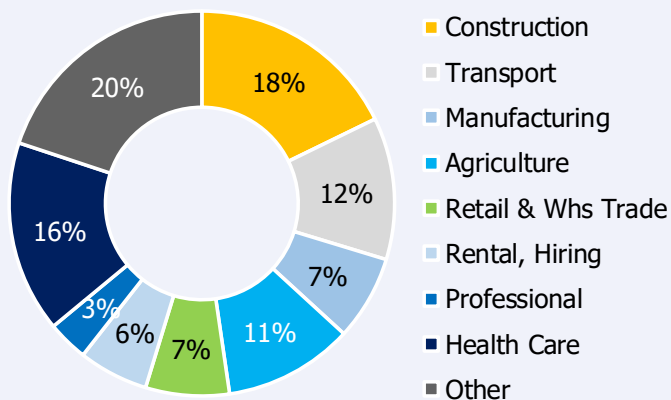
## SUMMARY

- Portfolio is well diversified geographically
- Broad industry spread reducing concentration
- Focused on supporting tools of trade

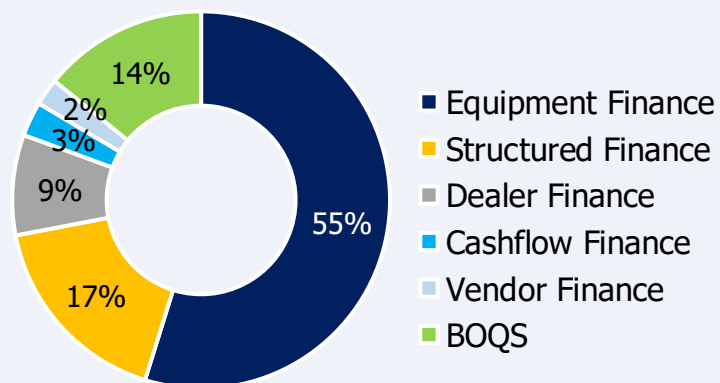
## ASSET FINANCE BY STATE



## ASSET FINANCE BY INDUSTRY



## ASSET FINANCE BY CHANNEL

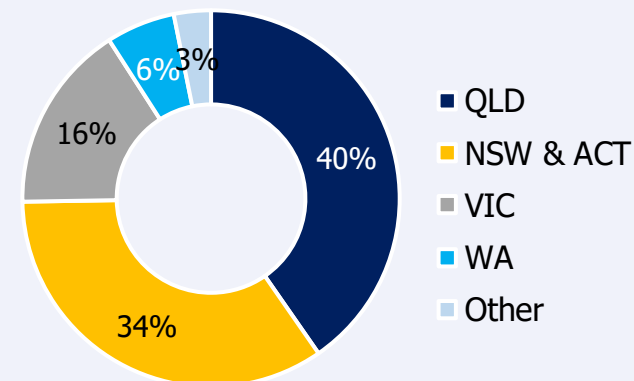


# COMMERCIAL PORTFOLIO

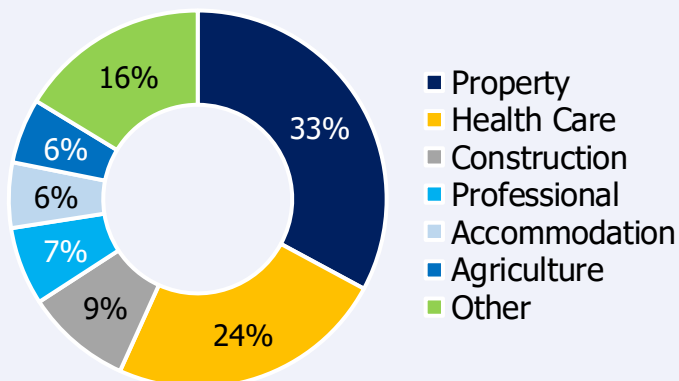
## SUMMARY

- Commercial portfolio well diversified geographically
- Focused on specialist industry segments

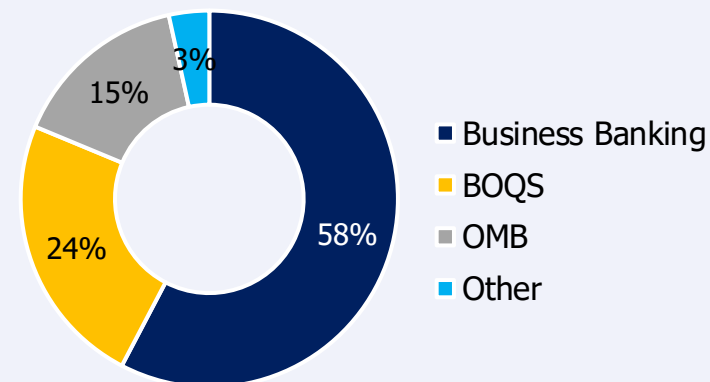
## COMMERCIAL PORTFOLIO BY STATE



## COMMERCIAL PORTFOLIO BY INDUSTRY

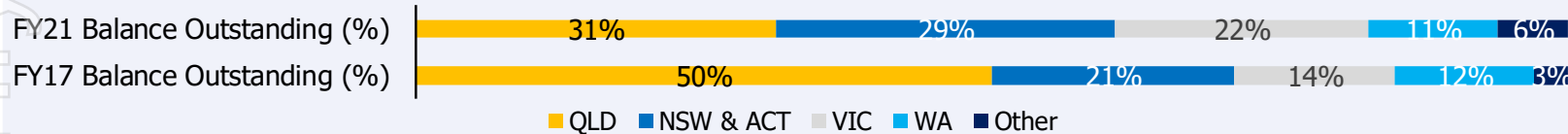


## COMMERCIAL PORTFOLIO BY CHANNEL

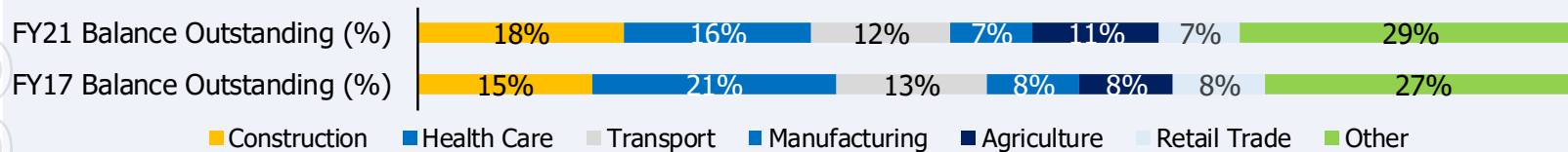


# INDUSTRY AND GEOGRAPHIC SPLIT OVER TIME<sup>1</sup>

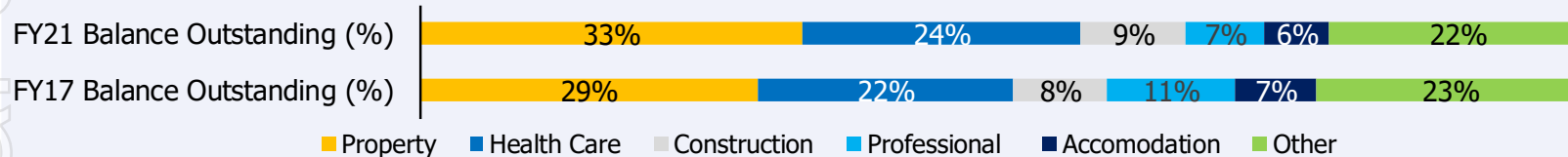
## HOUSING LOANS - GEOGRAPHIC SPLIT OVER TIME



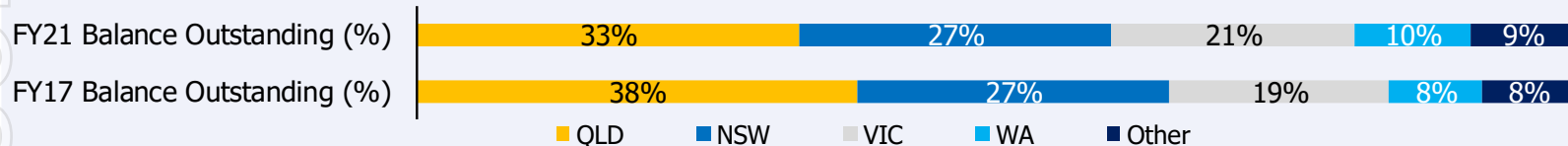
## ASSET FINANCE - INDUSTRY SEGMENTS OVER TIME



## COMMERCIAL - INDUSTRY SEGMENTS OVER TIME



## TOTAL LENDING<sup>2</sup> – GEOGRAPHIC SPLIT OVER TIME



## SUMMARY

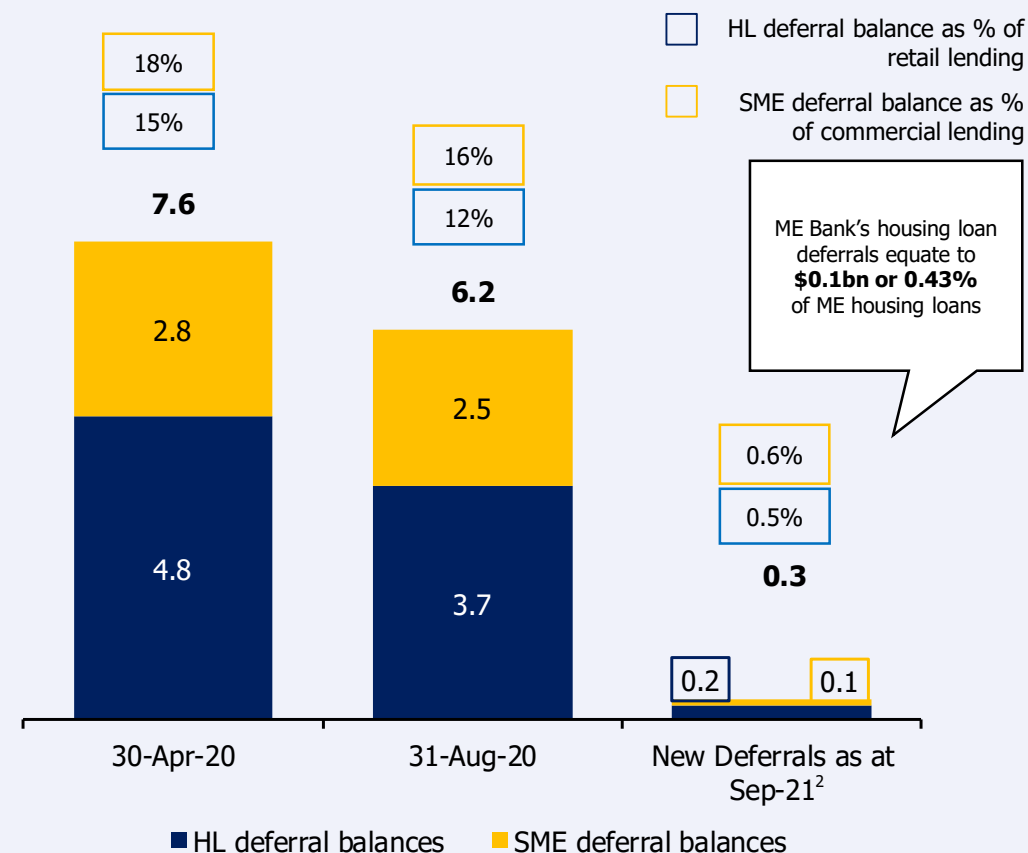
- Enhanced geographic diversification, Queensland housing portfolio reducing over 4 years from 50% in FY17 to 31% in FY21
- The addition of ME Bank creates a geographically diverse housing portfolio
- Asset Finance and Commercial Lending portfolios remain diversified across a broad range of industries

# SUPPORTING OUR CUSTOMERS THROUGH COVID-19

## SUMMARY

- Assistance to customers affected by extended lock down remains considerably lower compared to the height of COVID-19

## DEFERRALS (\$BN)<sup>1</sup>



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# CAPITAL, FUNDING & LIQUIDITY

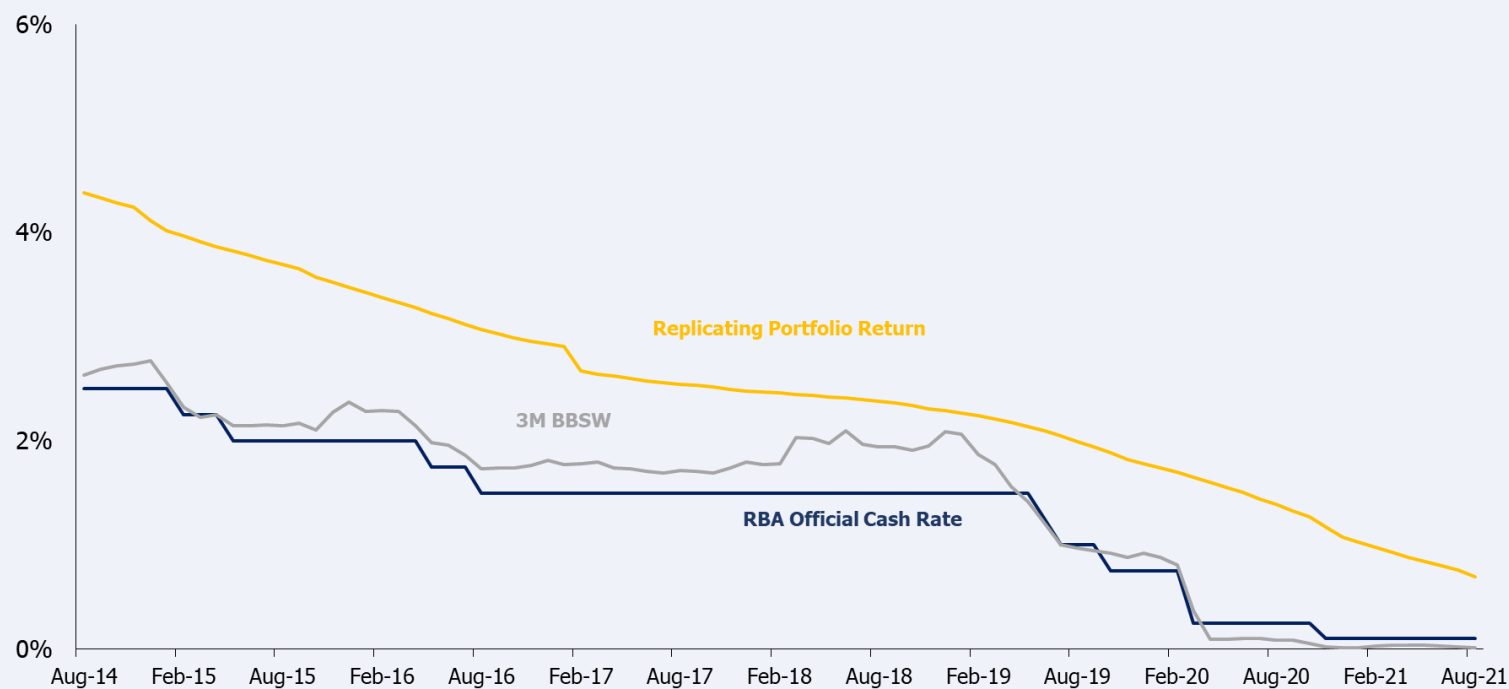


# REPLICATING PORTFOLIO<sup>1</sup>

## SUMMARY

- Slowing reduction from the low cash rate environment on the capital and low cost deposit portfolio

## REPLICATING PORTFOLIO AND EQUITY HEDGE (%)



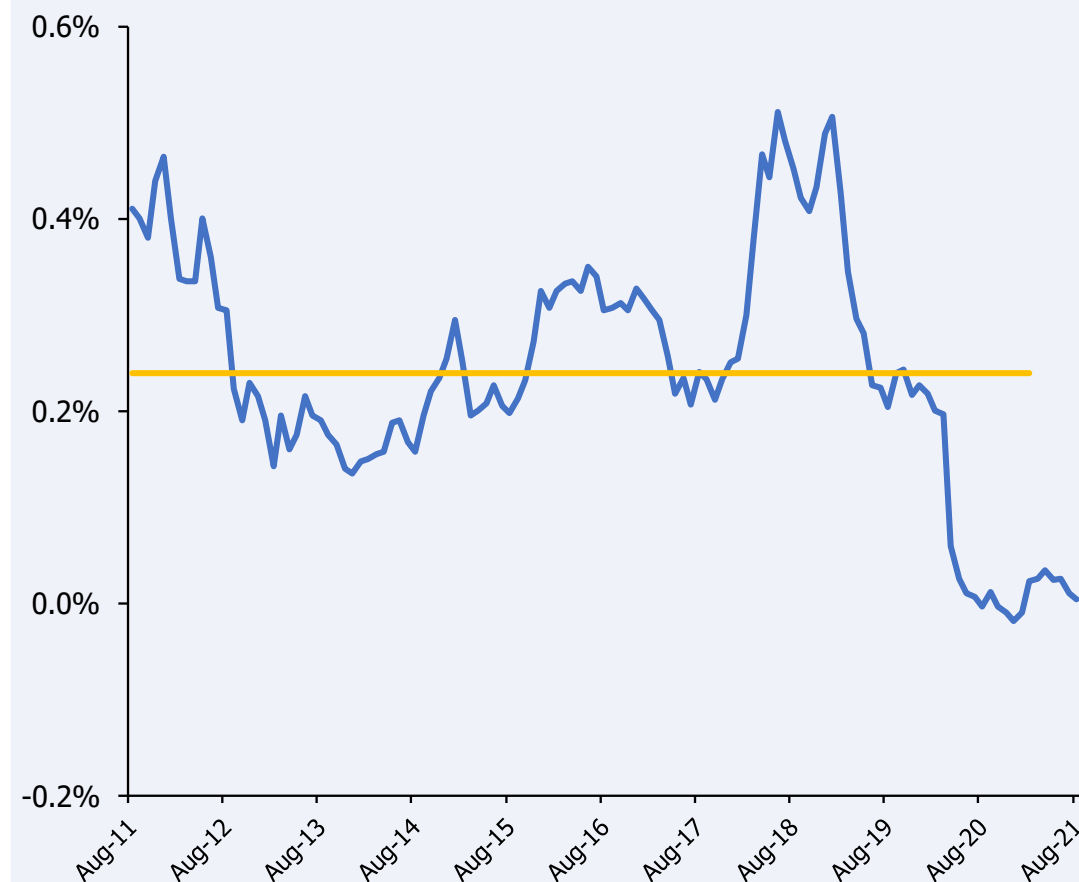
	Aug-21 Balance \$bn	2H21 Avg Return	Exit Return Rate	Avg term
<b>Equity</b>	2.7	0.80%	0.71%	3 years
<b>Deposit</b>	2.5	0.84%	0.68%	3 years
<b>Uninvested capital and low cost deposits</b>	2.2	0.03%	0.03%	3 months

# HEDGING COSTS - BASIS RISK

## SUMMARY

- The impacts of hedging costs had a flat NIM impact in 2H21

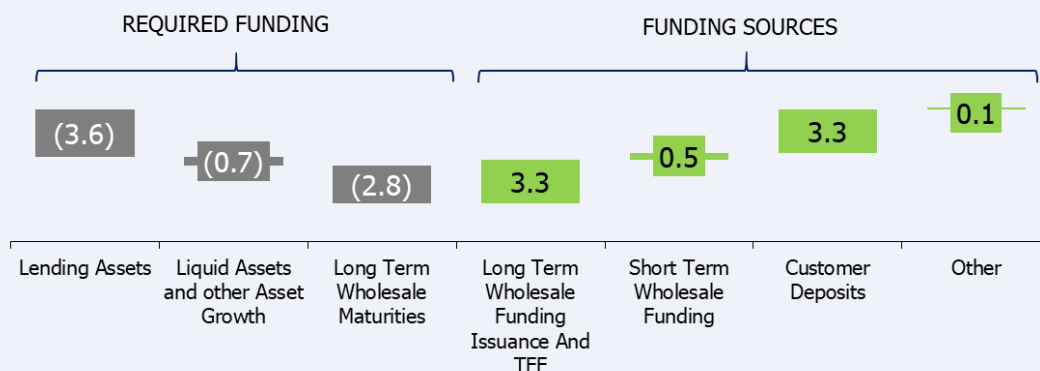
## LONG TERM BASIS RISK AVG - 23BPS



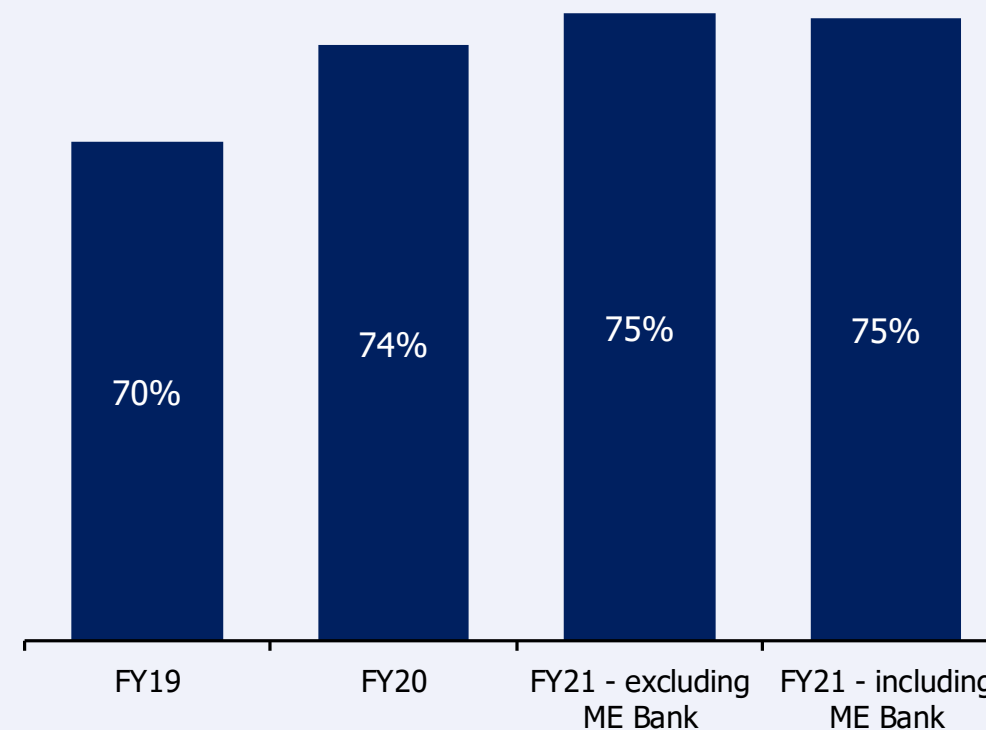
## SUMMARY

- Loan growth funded through stable funding sources, including customer deposits, long term wholesale and the TFF
- Ongoing growth in deposits resulted in the increase of the deposit to loan ratio to 75%
- ME Bank customer deposits contributed \$18.4bn to Group deposits, with no change to the combined deposit to loan ratio of 75%

## USES & SOURCES OF FUNDING – FY21 (\$BN)<sup>1</sup>



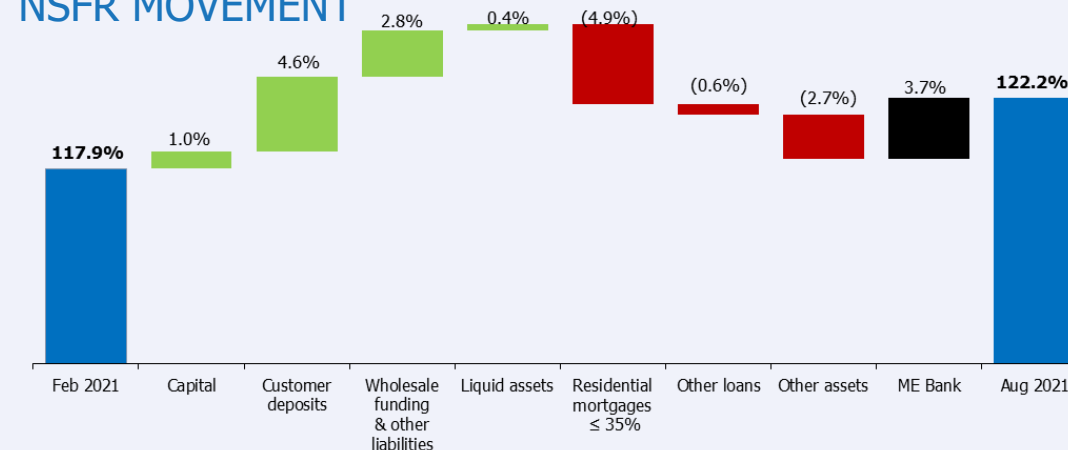
## DEPOSIT TO LOAN RATIO



## SUMMARY

- Strong liquidity with LCR at 149% and NSFR at 122%, well above regulatory targets at the end of 2H21
- Customer deposits grew by \$3.3 billion or 9% on FY20, consistent with the Bank's strategy to increase stable sources of funding while also reflecting ongoing high levels of liquidity in the market
- Well positioned to support future growth

## NSFR MOVEMENT



## LCR MOVEMENT



# CREDIT RATING

The Bank monitors rating agency developments closely and is rated by Standard & Poor's (S&P), Moody's Investor Service and Fitch Ratings. BOQ's current debt ratings are shown below.

Rating Agency	Short Term	Long Term	Outlook
S&P	A2	BBB+	Positive
Fitch	F2	A-	Stable
Moody's	P2	A3	Stable

# ECONOMIC ASSUMPTIONS

# MACRO ECONOMIC ENVIRONMENT

ECONOMIC ENVIRONMENT TO IMPROVE BUT UNCERTAINTY TO REMAIN

## MACRO ECONOMIC

- The economy should rebound strongly from the lockdowns
- The likelihood of ongoing COVID cases creates uncertainty about the outlook
- Some restrictions (notably on international people movement) are likely to be in place for at least the next year
- Fiscal and monetary policy response continues to underpin the recovery

## CONSUMER

- Consumer confidence has taken a hit from the lockdowns although households remain upbeat about the medium term
- Demand for workers remains solid. Any rise in the unemployment rate from the recent lockdowns is likely to be limited
- Very low interest rates and a recovering economy has resulted in strong house price growth
- The large build-up of household savings will play an important role in the economic outlook

## BUSINESS

- Business short-term confidence in the economy has taken a knock although investment and hiring intentions remain reasonable
- Conditions are mixed across sectors and regions
- The COVID-19 restrictions are proving a challenge for some SME's
- Agribusiness continues to do well
- Expectations of reasonable economic growth, low interest rates and government incentives have underpinned a rise in business lending

# DISCLAIMER



## IMPORTANT INFORMATION AND DISCLAIMER

This is a presentation of general background information about Bank of Queensland Limited and its consolidated entities (BOQ's) activities at the date of this document. It is in summary form, does not purport to be complete and should be read in conjunction with BOQ's other periodic and continuous disclosure announcements, including the 2021 Full Year Results Announcement (available at [www.boq.com.au](http://www.boq.com.au)) . All figures are presented on a cash earnings basis unless otherwise stated.

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# ABBREVIATIONS

1H: First half of financial year  
2H: Second half of financial year  
30DPD: 30 days past due  
90DPD: 90 days past due  
AASB: Australian Accounting Standards Board  
ADI: Authorised Deposit-taking Institution  
APRA: Australian Prudential Regulation Authority  
ASIC: Australian Securities & Investments Commission  
AUC: Assets Under Construction  
Avg: Average  
BBSW: Bank Bill Swap Rate  
BDD: Bad & Doubtful Debt Expense  
BOQS: Bank of Queensland Specialist  
bps: basis points  
CAGR: Compound annual growth rate  
CCI: Consumer Credit Insurance  
CET1: Common Equity Tier 1  
CP: Collective Provision  
CTI: Cost-to-income ratio  
DPD: Days past due  
EPS: Earnings per share  
FTE: Full Time Equivalent  
FY: Financial year

GDP: Gross Domestic Product  
GLA: Gross Loans & Advances  
GRCL: General Reserve for Credit Losses  
LCD: Low cost deposit  
LCR: Liquidity 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  
NM: Not meaningful  
NPAT: Net Profit After Tax  
NSFR: Net Stable Funding Ratio  
OMB: Owner Managed Branch  
PCP: Prior corresponding period  
PD: Probability of Default  
RBA: Reserve Bank of Australia  
ROE: Return on equity  
ROTE: Return on tangible equity  
RWA: Risk-weighted assets  
SME: Small and Medium Enterprises  
TD: Term deposit  
TFF: Term Funding Facility  
VMA: Virgin Money Australia