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1H24
INVESTOR
MATERIALS

Half year ended 29 February 2024



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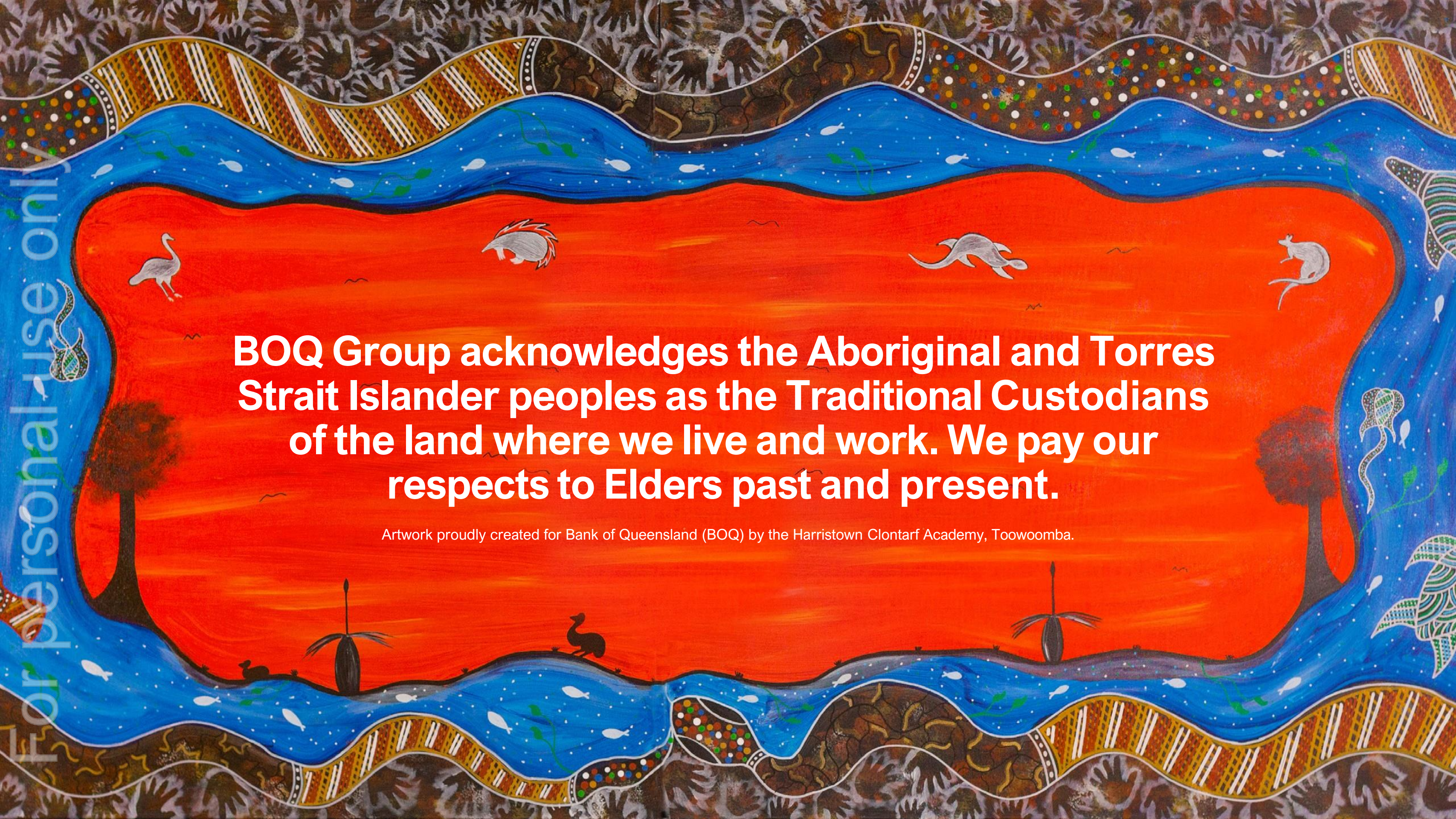
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1H24 RESULTS PRESENTATION

17 APRIL 2024

Half year ended 29 February 2024





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.

Agenda

Introduction

Jessica Smith, General Manager Investor Relations & Corporate Affairs

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 \$172m after tax cash earnings and \$151m statutory profit after tax**
- 2. Earnings continue to reflect structural disadvantages, a highly competitive market across both lending and deposits, cost inflation and investment in our transformation**
- 3. Delivered on 1H24 commitments, supporting our strategic initiatives to address legacy issues**
 - › Strengthen – Remedial Action Plans finalised, submitted and approved by both regulators with first phase independent assurance sign off
 - › Simplify – Consolidated operations and contact centres, sale of New Zealand asset portfolio and property footprint reduction of ~6,000sqm
 - › Digitise – Digital mortgage and legacy migration infrastructure built, ready for first phase launch in 2H24
- 4. Continued to support our customers and communities through the economic cycle**
- 5. Retained discipline with respect to the allocation of capital to home lending while returns remain below cost of capital**
- 6. Financially resilient with strong capital, liquidity and asset quality**
- 7. Considering additional ways to deliver FY26 ROE and CTI targets, seeking to address potential structural margin decline**

1H24 results

Lower cash earnings reflects our FY24 outlook statement of legacy structural disadvantages, a business in transformation, portfolio and margin contraction in a highly competitive market and ongoing cost inflation

Key financial results (\$m)

	1H24	1H24 v 1H23	
Total income	795	(12%)	▼
Operating expenses	(524)	6%	▲
Underlying profit	271	(33%)	▼
Loan impairment expense	(15)	(56%)	▼
Cash profit before tax	256	(31%)	▼
Income tax expense	(84)	-	
Cash earnings after tax	172	(33%)	▼
Statutory net profit after tax	151	large	▲
Return on average tangible equity ¹ (%)	7.2	(340bps)	▼
Return on average equity (%)	5.8	(260bps)	▼
Cash earnings per share (cents)	26.2	(33%)	▼
Cost to income ratio (%)	65.9	large	▲
CET1 ratio (%)	10.76	5bps	▲
Dividends per ordinary share (fully franked) ²	17.0	(15%)	▼

(1) 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)
(2) The dividend will be fully franked and the dividend reinvestment plan will operate with no discount

Retail banking overview

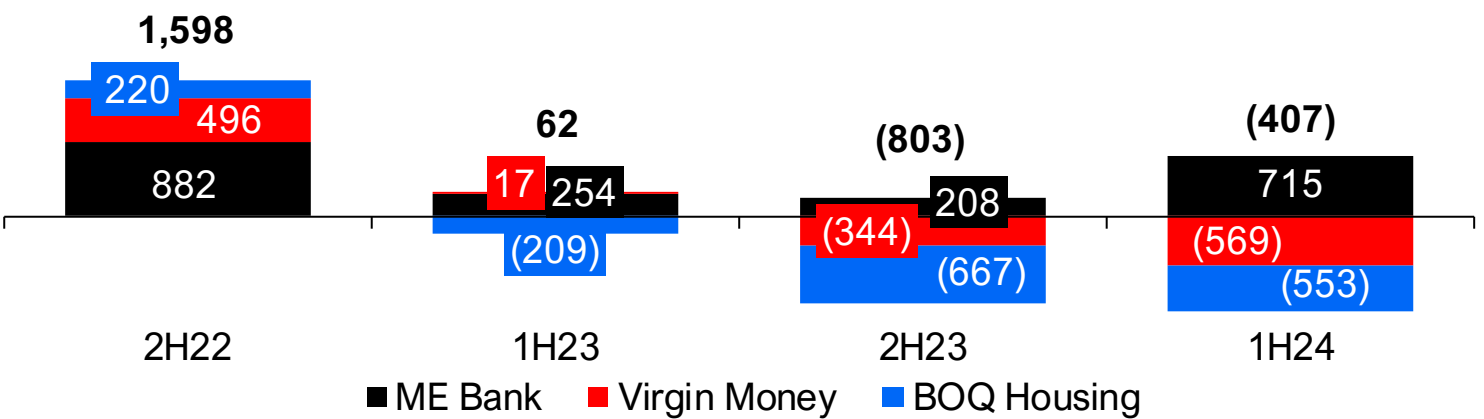


Continue to hold our position in 1H24 on home lending contraction while returns remain below cost of capital

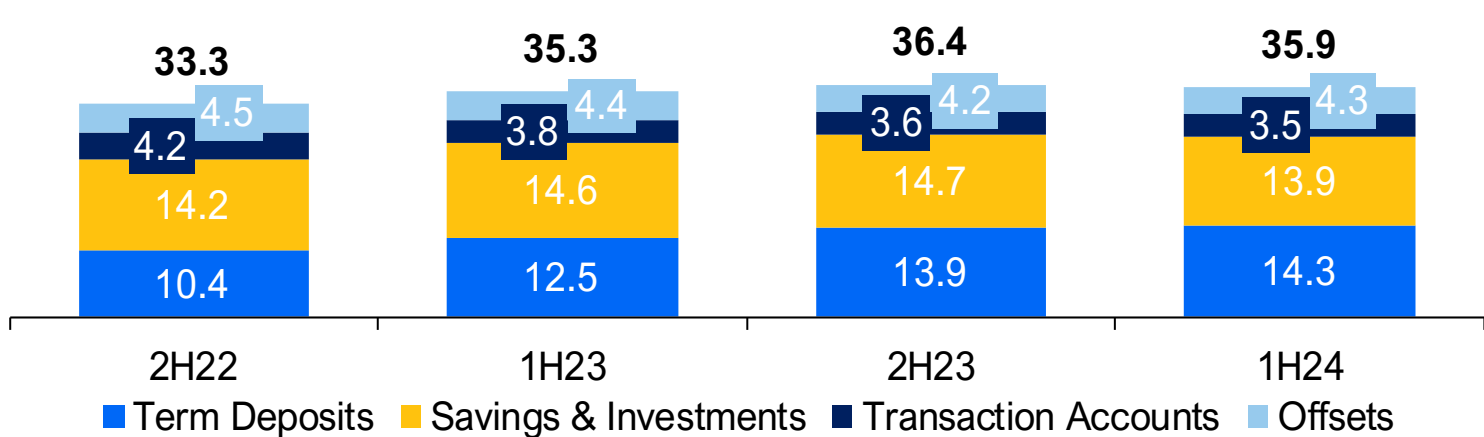
Summary

- > Total income down 19% on 1H23, reflecting margin contraction in the home lending portfolio and the impact of customers switching to higher yielding deposit products
- > Expenses increased 5%, reflecting inflation and the ongoing investment in digital transformation
- > Focussed home lending growth through ME with lower relative cost of acquisition
- > \$0.7bn growth in customer deposits on 1H23, 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. Capital light third-party revenue streams up \$5.4m to \$21.8m in 1H24
- > Ongoing focus on proactively supporting customers transitioning from fixed to variable rate loans and those experiencing hardship
- > 1.2m retail customers up 23k YTD and 7% in the past 12 months
- > **Focus remains on delivering ME as the first proof point of an end-to-end scalable low cost to serve national digital brand to address increasingly commoditised market**

Home lending growth (\$m)



Deposit funding (\$bn)



Business banking overview

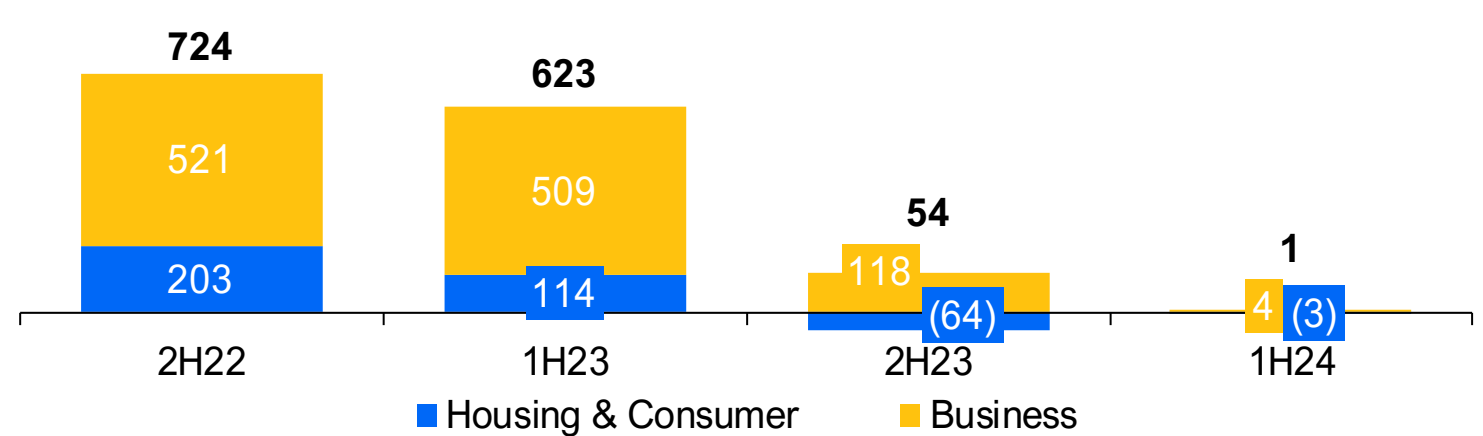


Steady lending balances reflecting repayment of large development loans and competitive SME sector

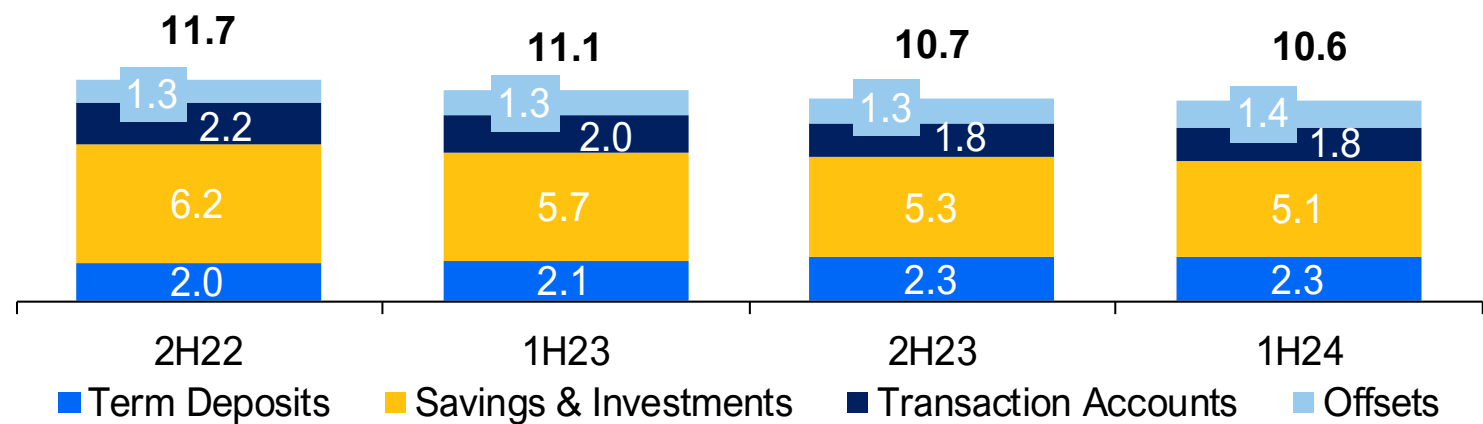
Summary

- > Total income down 4% on 1H23 reflecting steady lending assets and a disciplined approach to credit and margin management in a highly competitive market
- > Lending growth driven by the agriculture and healthcare sectors, offset by a cautious approach to larger, commercial real estate lending and targeted slowing of housing growth
- > Strong growth was delivered in the novated leasing portfolio, reflecting our strategy to focus on higher margin, specialist sectors
- > Recalibration of credit settings, investment in future-fit core technology and delivery of simplification initiatives is paving the way for efficient balance sheet growth
- > **Focus remains on quality growth across specialised SME sectors where we have a competitive advantage**

Lending growth¹ (\$m)



Deposit funding (\$bn)



(1) Business lending includes SME, corporate business lending and asset finance

Our vision

To be the bank customers choose



150 years of supporting our customers, local communities, and people with a strong QLD heritage



myBOQ and ME Go **app store rating** increasing to +4 stars



Supporting **>220k home ownership** dreams and helping **>170k businesses grow**



Differentiating approach through our **relationship and digital bank**, targeting niche customer segments



Scam prevention, with **>\$2.5M** losses prevented in 1H24



Customer-focussed, with 1.6k customers supported through hardship in 1H24

Living our purpose and values

Building social capital through banking supporting our customers and communities, creating an exceptional people experience and reducing our operational footprint

Customers and communities	Enriching our people	Environmental commitments
<div>Supporting regional areas – through owner manager deep relationships</div> <div>Actively engaging our customers through the challenging and uncertain economic environment</div> <div>Supporting our communities – partnerships with Orange Sky Australia, Beyond Blue, Clontarf Foundation, Australian Wildlife Conservancy, Minus18, Stars Foundation, National Breast Cancer Foundation and Mother’s Day Classic</div> <div>Building the resilience of our customers – particularly vulnerable customers and those in financial distress</div>	<div>Strengthening risk culture – our people increasingly feel safe to speak up, and ensuring our organisational culture promotes positive risk outcomes</div> <div>Building a future fit capability – transformation and digital capabilities required for future state</div> <div>Developing curious bankers and an agile organisation – execution capability, ability to pivot quickly, banker tools and a flexible digital platform</div> <div>Driving a diverse workforce and employee engagement – grounded in purpose, a clear strategy, inclusive leadership and empowered teams</div>	<div>Supporting our customers to transition – funding sustainable assets such as solar, electric vehicles and energy efficient infrastructure or property</div> <div>Climate Active carbon neutral certified – reducing our operational footprint</div> <div>Targeting 100% renewable energy by 2025</div> <div>Carbon footprint to be reduced by 90% for scope 1 and scope 2 emissions and 40% for scope 3 by FY30¹</div>

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

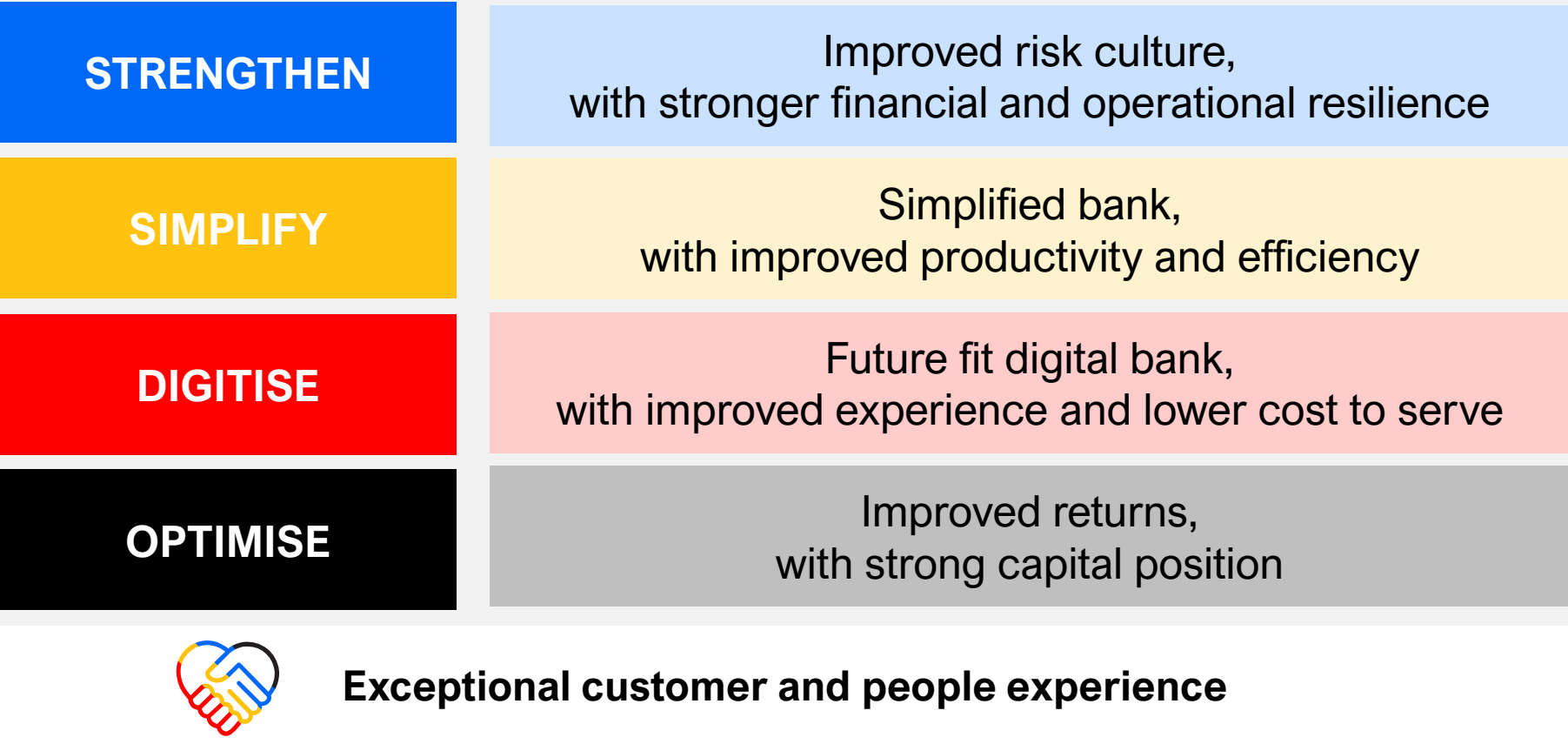
Our transformation

Delivery of our transformation on plan, building a sustainable, future fit and simplified bank with improved returns

Addressing

- › A challenging economic landscape
- › Higher relative funding costs
- › Higher relative CTI ratio
- › Complex legacy operating structure
- › Increased industry regulatory impost

Delivering through our strategic pillars



Strengthening BOQ

Embracing our court enforceable undertakings to build stronger foundations through financial and operational resilience, and improved risk culture¹

Program rQ
Strengthen risk culture, governance, and financial and operational resilience to be a stronger, simpler and digitally enabled bank

9 Workstreams 32 Deliverables

AML First
An enterprise-wide remediation and transformation program designed to address weaknesses and gaps across AML / CTF operating model





8 Workstreams 52 Deliverables

Achievements to date	2H24 focus
<ul style="list-style-type: none">✓ RAP approved by APRA✓ Mobilisation phase completed✓ Design phase commenced✓ Enhanced Management / Board governance practices	<ul style="list-style-type: none">> Progress design phase activities across 32 deliverables> Develop revised risk culture target state> Progress BOQ’s approach to operational resilience in readiness for CPS230> Re-design foundational components to risk management framework
<ul style="list-style-type: none">✓ RAP approved by AUSTRAC✓ Mobilisation phase completed✓ 5 deliverables closed✓ 15 deliverables in design phase✓ 9 deliverables in implementation phase	<ul style="list-style-type: none">> Progress the design and implementation of activities to uplift AML/CTF processes, systems and controls, including in relation to:<ul style="list-style-type: none">> AML/CTF capability> Ongoing enhanced customer due diligence> Customer risk assessment> Governance and reporting> Issues and incident management

(1) As disclosed in its Interim Results, BOQ has engaged with and expects to continue to engage with its regulators in respect of various matters

Simplifying BOQ

Simplifying our operating model and processes to reduce complexity, duplication, operational risk and progressing the FY26 \$200m program

		Progress	FY26 Targets
OPERATING MODEL		Operations shared service function Removed >220 FTE Completion of the NZ asset portfolio sale	Horizontally integrated structure >400 FTE reduction by FY26 Exit non-core business
TECHNOLOGY		~15% technology assets decomm. since FY21 56% of IT assets on cloud 8 down to 6 # core banking platforms	~50% technology assets decomm. since FY21 >80% of IT assets on cloud 3 # core banking platforms
PROPERTY & PROCUREMENT		~6,000sqm reduction in corporate property space 85% Owner Managed branches ¹	10% reduction in vendors through optimisation 16,000sqm reduction in corporate property space >90% Owner Managed branches
PROCESS & AUTOMATION		43 key processes automated during 1H24 ² Reduction in cost per home lending settlement 6% PCP	>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) Further detail on the distribution footprint movements can be found on slide 38
(2) Covers customer onboarding, cards management and regulatory reporting

Digitising BOQ

Continuing to scale our digital bank with improved customer engagement and value creation







SCALING	ENGAGING	CREATING	DIGITAL TRANSFORMATION ROADMAP
<div>23% Retail customers now on the digital platform</div>	<div>+24 NPS for myBOQ vs +11 for legacy platform</div>	<div>~\$32k Average deposit balance per customer on digital platform</div>	<div>1H24 completed<ul style="list-style-type: none">> Consolidated contact centre platform> Moved to a single collections platform> Migration readiness – product simplification¹</div>
<div>~\$6bn Deposit balances on digital platform</div>	<div>+17% Increase in active deposit customer growth</div>	<div>~55% Digital deposit customers aged between 25 and 45</div>	<div>2H24 milestones<ul style="list-style-type: none">> Commence deposit customer migration for >140k customers> Digital mortgage – launch staff, family and friends</div>

(1) Grandfathering of ~10 products and features, lending processes automated and simplified, data refreshed for legacy customers and dormant accounts closed

Optimising BOQ

Elevating focus to improve shareholder returns. Evaluating additional ways to achieve FY26 <50% CTI and >9.25% ROE targets, with less dependence on home lending margin recovery

BUILDING OFF OUR STRONG FOUNDATIONS

-  **150-year strong heritage**
-  **Business bank operating in specialist sectors with a competitive advantage**
-  **Retail digital bank foundations in place to deliver a lower cost to serve**
-  **Financial resilience with strong capital and liquidity to fund investment**
-  **High quality portfolio, well collateralised with prudent provisioning**
-  **Proven digital transformation capability**

ADDITIONAL CONSIDERATIONS TO ACHIEVE TARGETS

- Shift in revenue mix**

> Accelerate growth of our higher returning specialised niche customer segment strategy
- Cost base optimisation**

> Pursue bolder simplification program to simplify distribution channels and decommission legacy
- Capital optimisation**

> Continue with prudent capital allocation

FINANCIAL DETAIL

Racheal Kellaway
Chief Financial Officer



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Financial performance

Impacted by a competitive operating environment and an uplift in risk, compliance and technology investment

Key financial results (\$m)

	1H24	2H23	1H24 v 2H23	1H23	1H24 v 1H23
Net interest income	725	768	(6%) ▼	832	(13%) ▼
Non-interest income	70	72	(3%) ▼	70	-
Total income	795	840	(5%) ▼	902	(12%) ▼
Operating expenses	(524)	(515)	2% ▲	(495)	6% ▲
Underlying profit	271	325	(17%) ▼	407	(33%) ▼
Loan impairment expense	(15)	(37)	(59%) ▼	(34)	(56%) ▼
Cash earnings after tax	172	194	(11%) ▼	256	(33%) ▼
Statutory net profit after tax	151	120	26% ▲	4	large ▲

Non-cash items

Statutory NPAT of \$151m includes sale of New Zealand asset portfolio

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

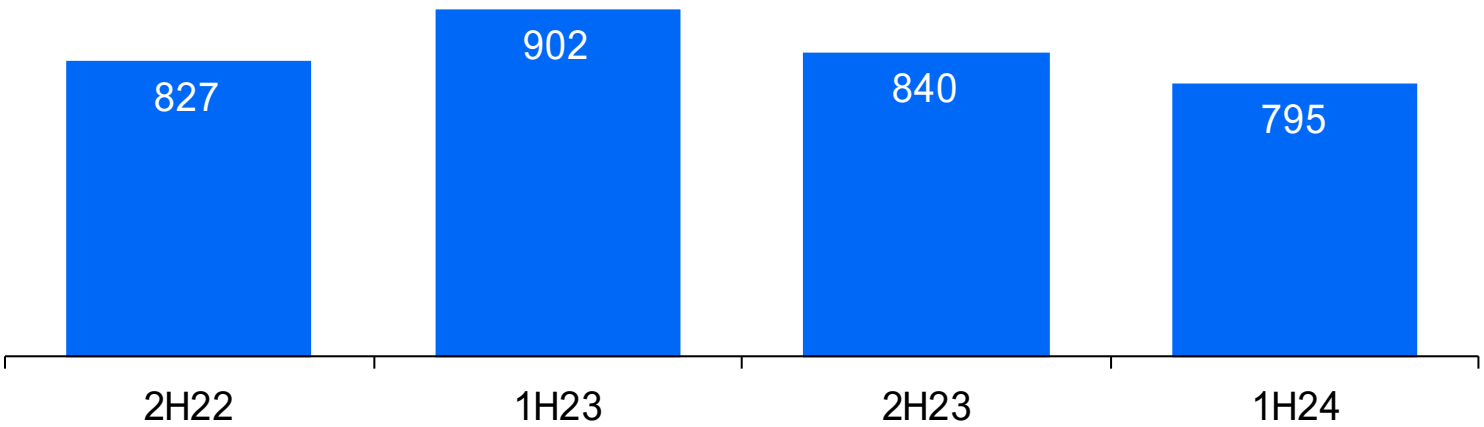
	1H24	2H23	1H23
Cash earnings after tax	172	194	256
Sale of New Zealand asset portfolio ¹	(19)	-	-
Amortisation of acquisition fair value adjustments	1	3	4
Hedge ineffectiveness	(3)	2	(1)
Goodwill impairment ²	-	-	(200)
ME Bank integration costs ³	-	(44)	(13)
Remedial Action Plans ²	-	-	(42)
Restructuring costs ³	-	(35)	-
Statutory net profit after tax	151	120	4

(1) The sale of New Zealand asset portfolio was completed on 31 March 2024. Further detail has been provided in BOQ’s Investor Information and Consolidated Financial Report and its disclosure to the ASX dated 2 February 2024 and 2 April 2024
 (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

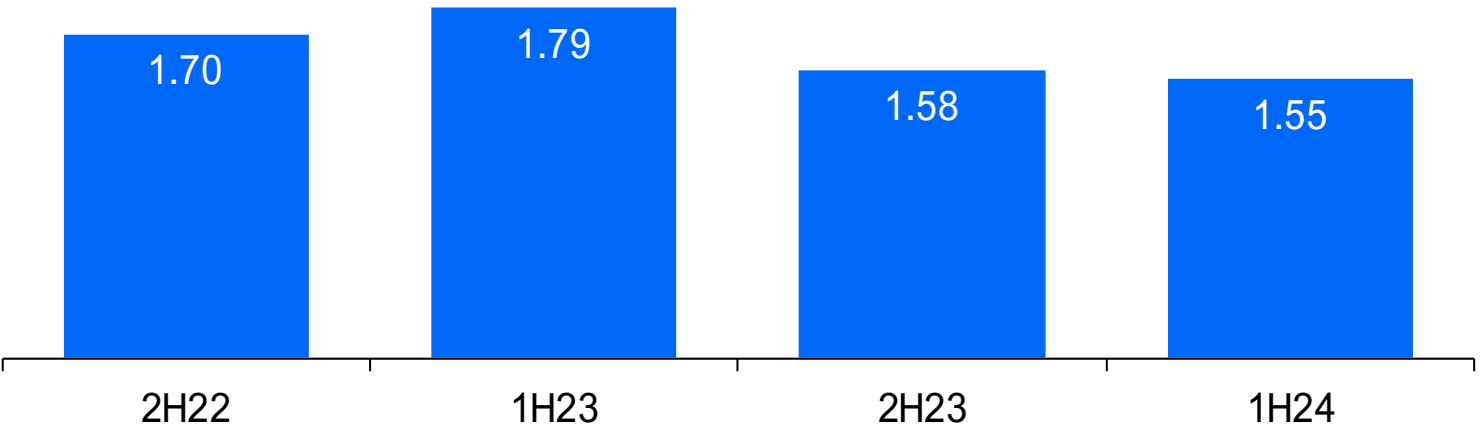
Key elements

Deliberate shift to focus on returns and prudent capital allocation

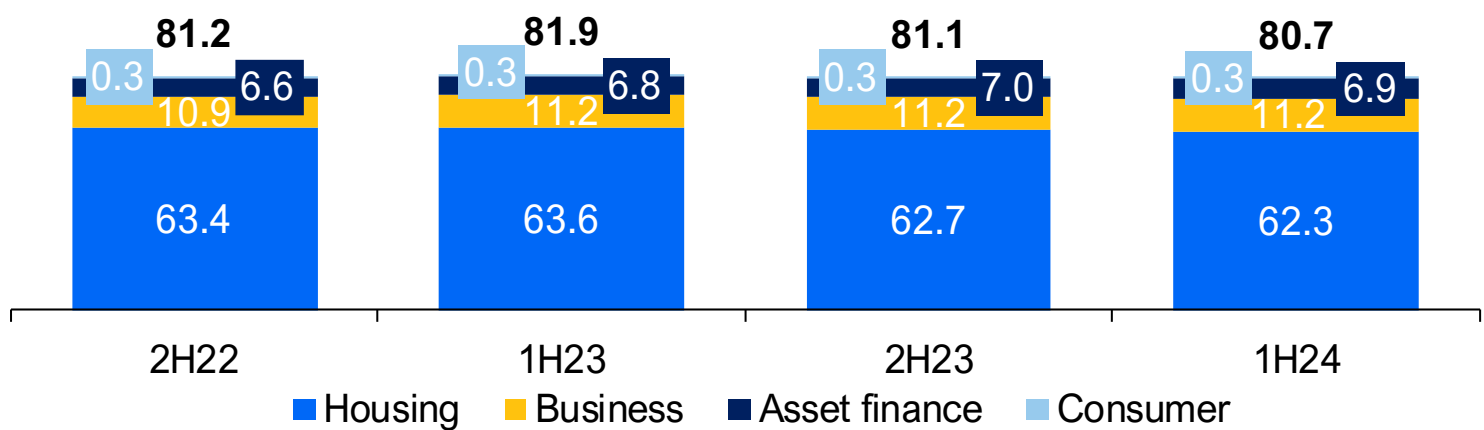
Total income¹ (\$m)



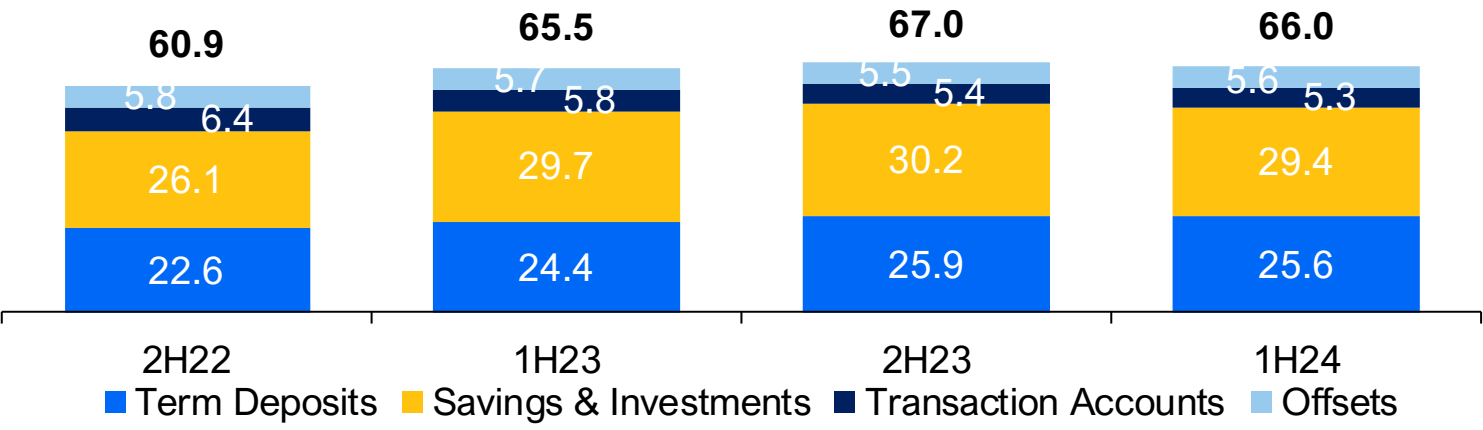
Net interest margin¹ (%)



Lending GLAs¹ (\$bn)



Customer deposit balances (\$bn)



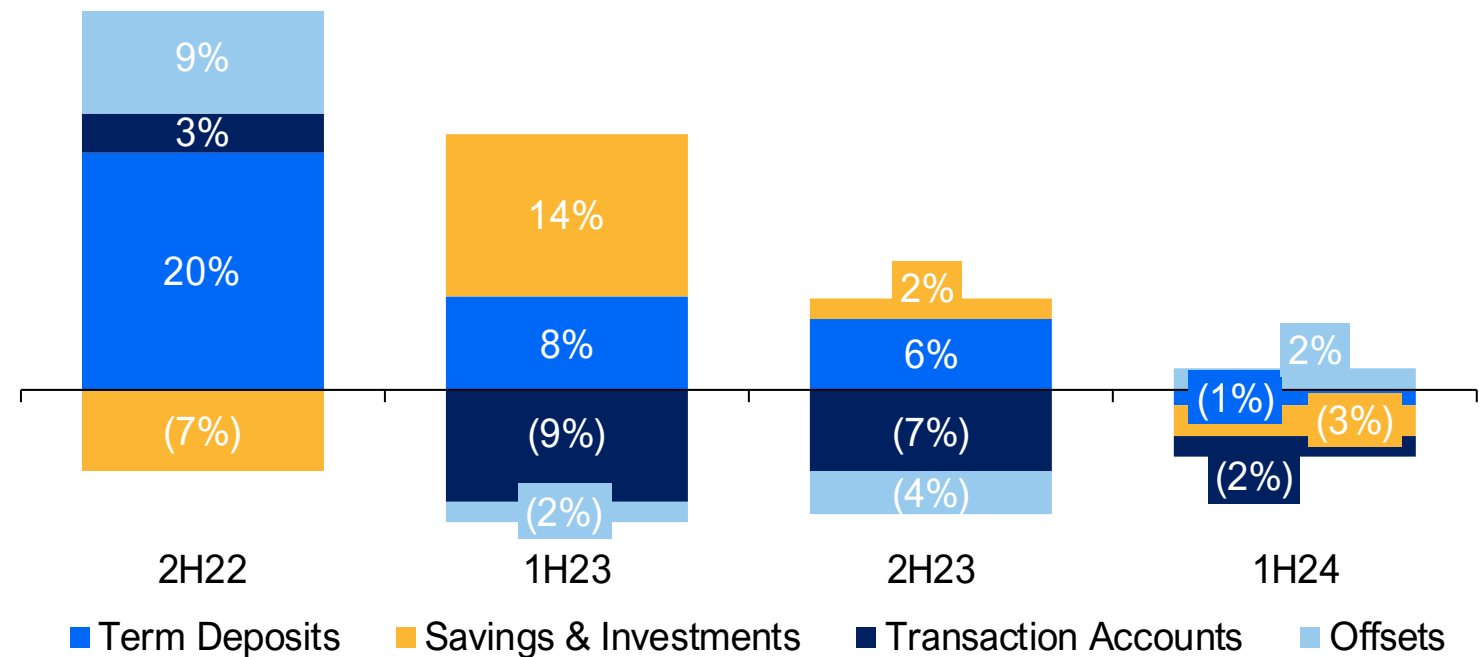
(1) 2H22 comparatives have been restated to reflect the prior period weighted average life adjustment. Further detail has been provided in BOQ's FY23 Annual Report and its disclosure to the ASX dated 29 September 2023

Operating environment

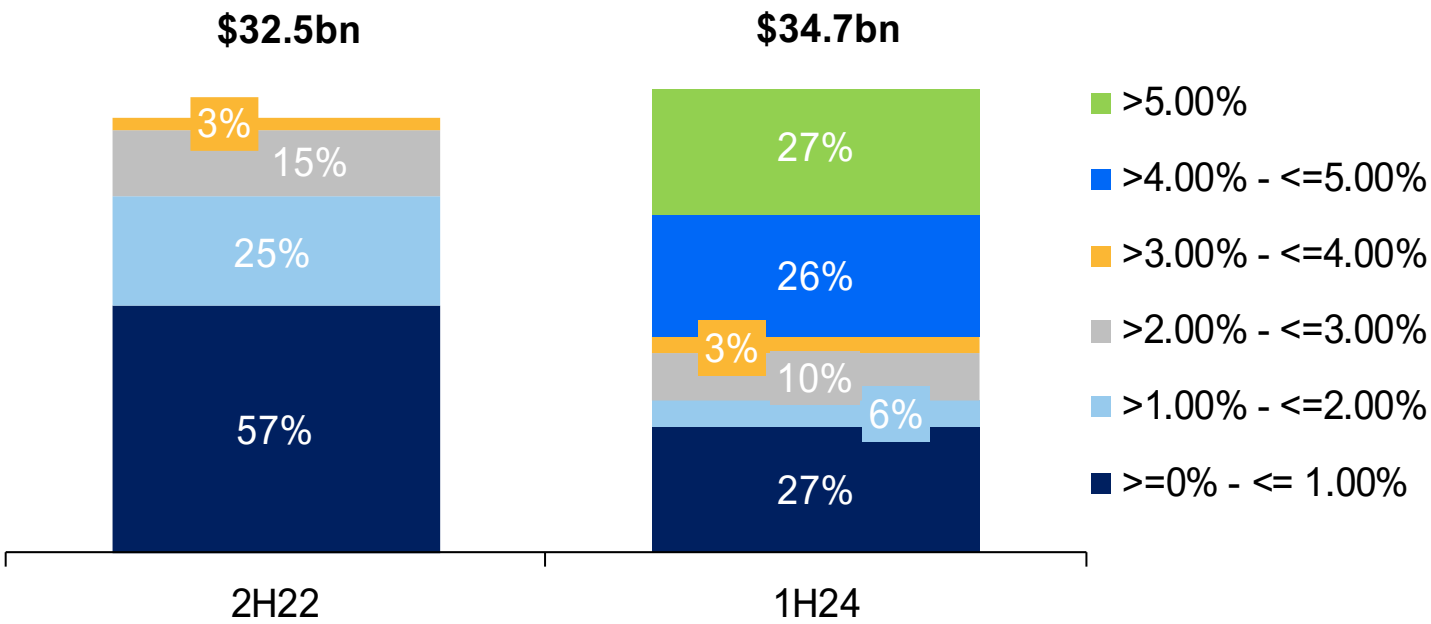
Changing operating environment has required disciplined management decisions as a response

- Supporting our customers through the challenging economic cycle
- Moderated housing growth prioritising economic return over volume growth, requiring less growth of expensive funding
- Conservative funding and liquidity held through the period
- Rapid rise in interest rates, customers focused on yield and TFF handback resulted in escalating competition for deposits

Deposit switching¹



Customer at call deposit funding costs²



(1) Growth in customer deposit spot balances
(2) Includes: Retail and Commercial Transaction and Savings, and Treasury Retail accounts. Excludes: Offset accounts and Term Deposits

Net interest margin

Competition continued to impact margins, partially offset by replicating portfolio and optimised liquids portfolio

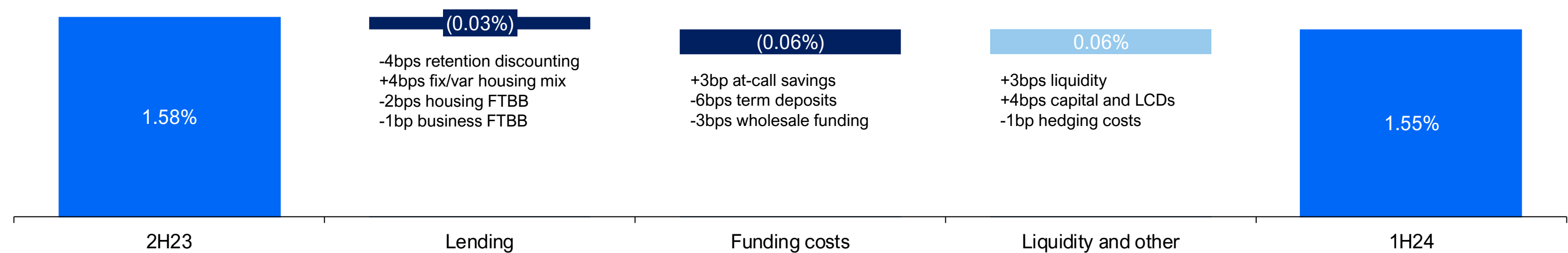
Summary

- > Competition and retention discounting continuing to impact asset margins
- > Tailwind from improved portfolio mix as fixed rate loans moved into variable
- > Industry replacement of the TFF resulting in continued competition for retail deposits
- > Benefit from optimisation of the liquids portfolio

2H24 considerations

- > Competition to continue
- > Fixed to variable mix tailwind
- > Increased funding costs
- > Replicating portfolio benefit

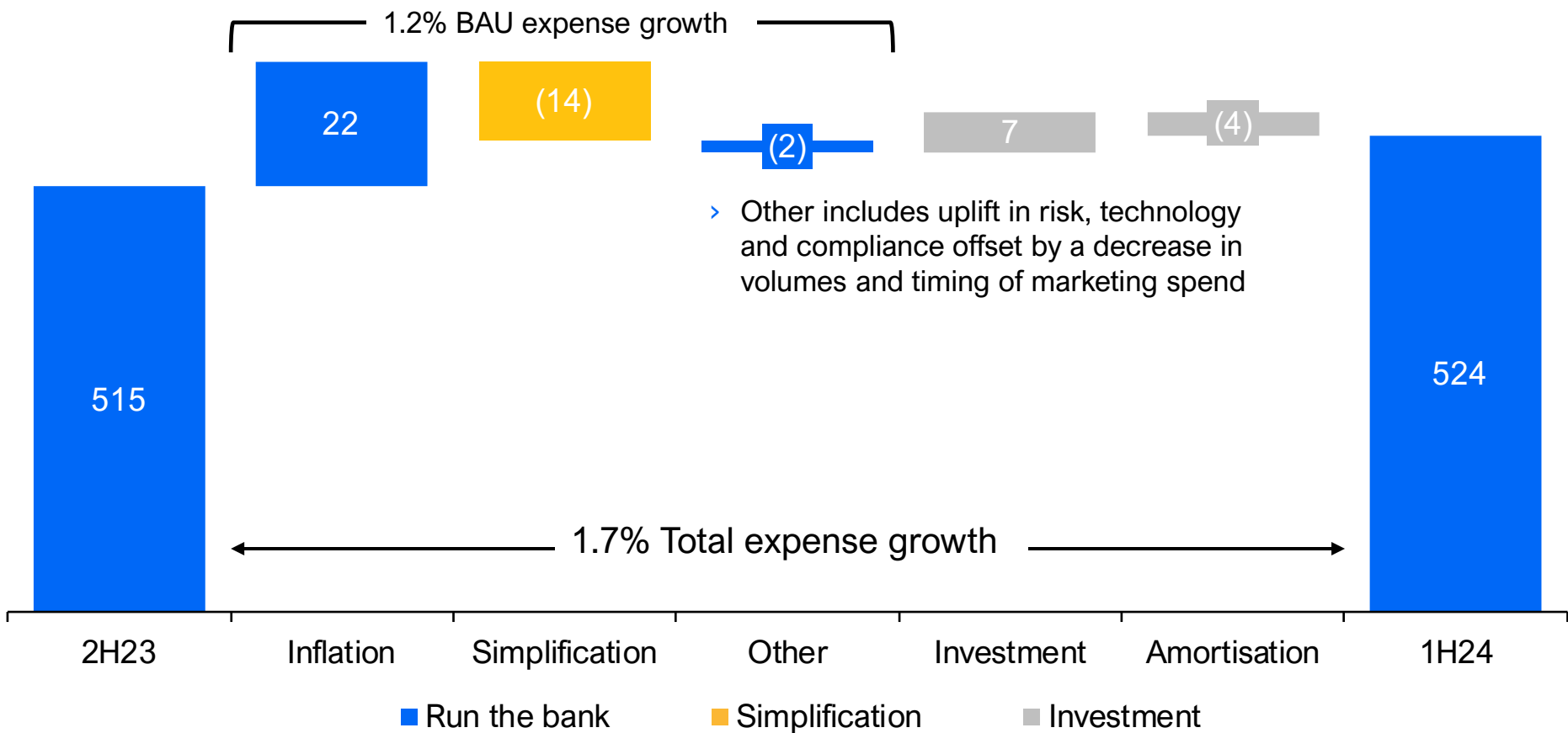
Net interest margin (%) – 2H23 to 1H24



Operating expenses

High inflation and continued investment in technology, risk and compliance partially offset by simplification

Operating expenses (\$m)



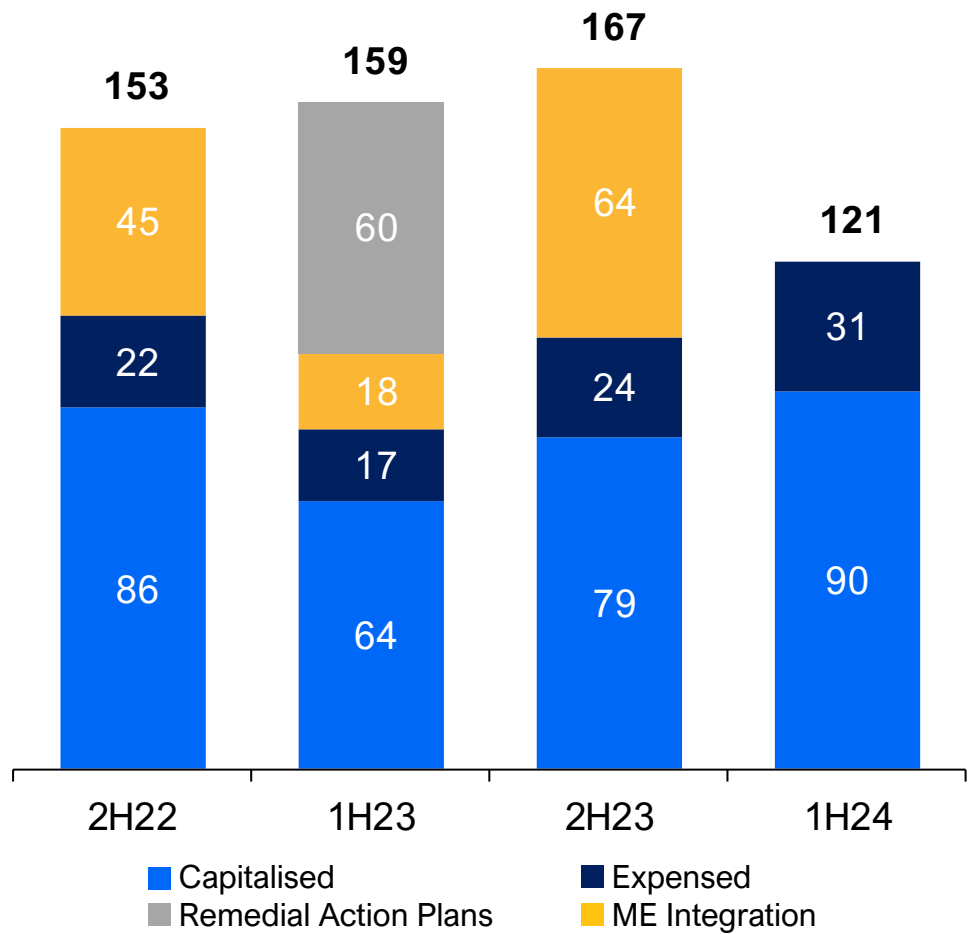
2H24 considerations

- > Low single digit growth in the underlying cost base
- > Simplification program aiming to offset inflationary pressures
- > Higher risk and compliance costs
- > Increasing OPEX investment spend as a percentage of total investment spend
- > Continue to maintain legacy technology while we digitise

Transformation investment

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

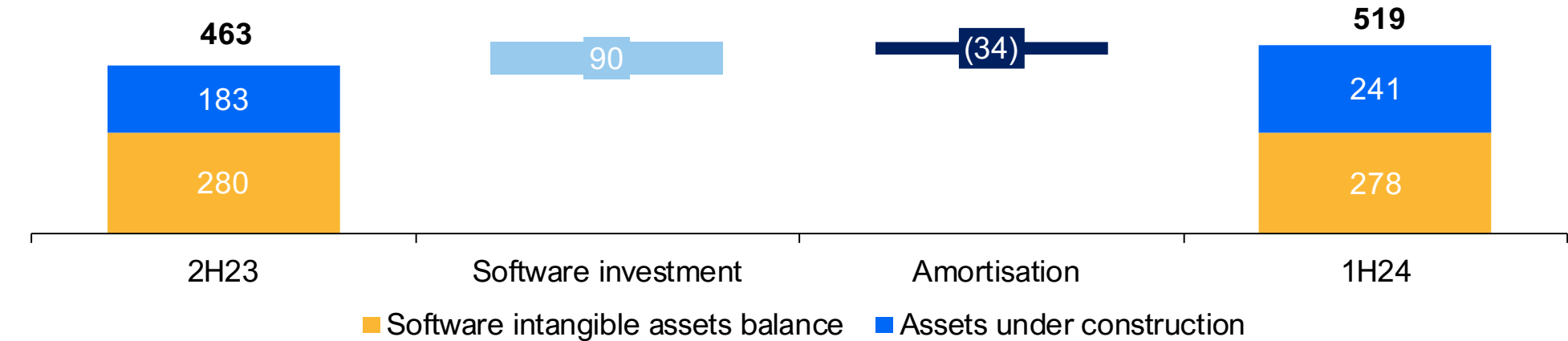
Investment spend (\$m)



Summary

- > Lower total investment spend due to the finalisation of the ME Integration program
- > Continuing to invest in the business with an increased percentage of expensed spend due to nature of investment
- > Velocity and cost of digital bank delivery is improving with each additional phase
- > Amortisation uplift in FY25 and continuing into FY26

Software intangible asset balances (\$m)

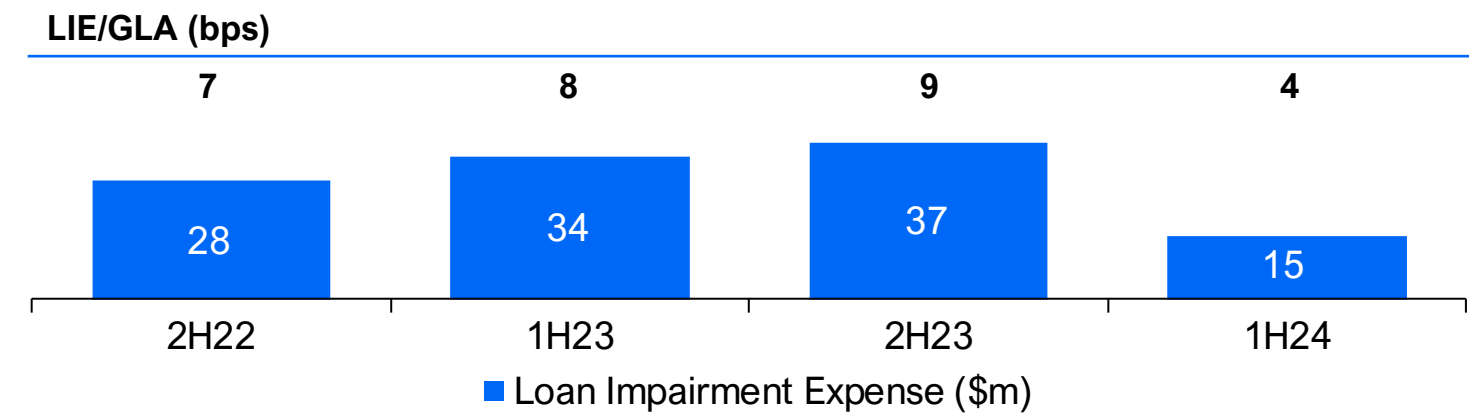


Note: Integration costs and Remedial Action Plans are not included in cash earnings

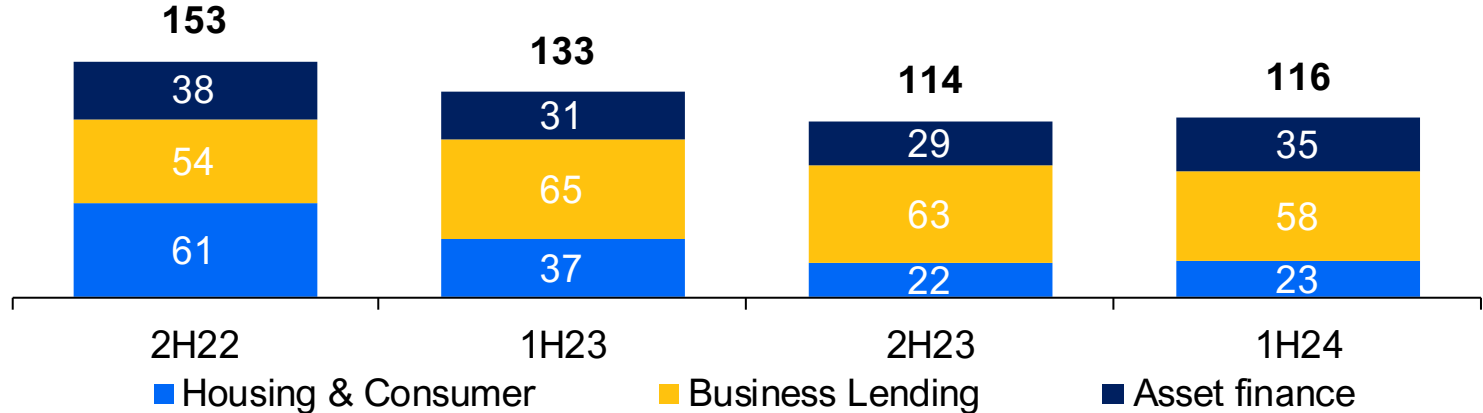
Provisioning and loan impairment expense

Portfolio quality remains sound, arrears increasing post period of historic lows

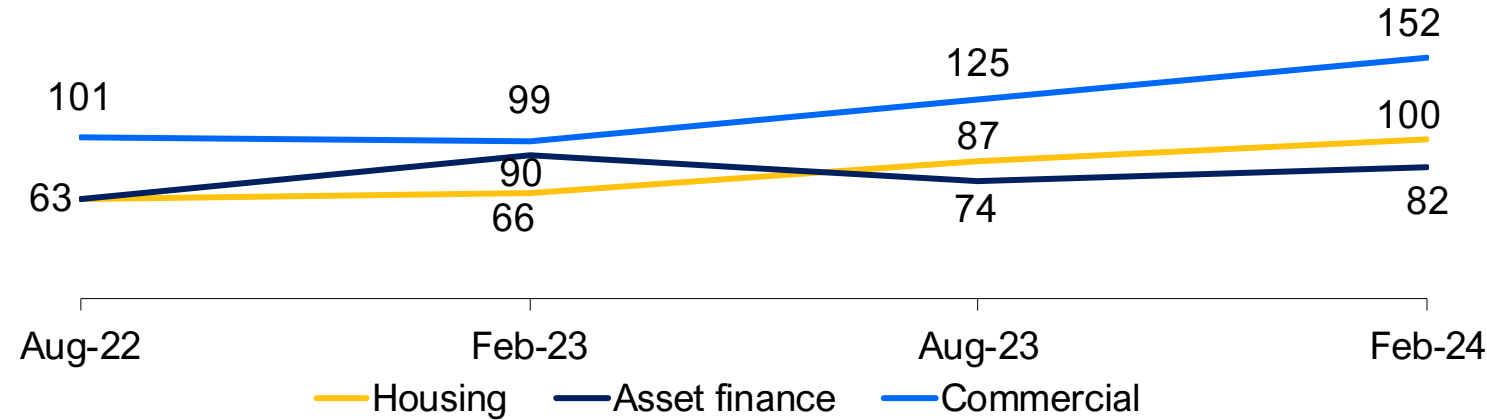
Loan impairment expense



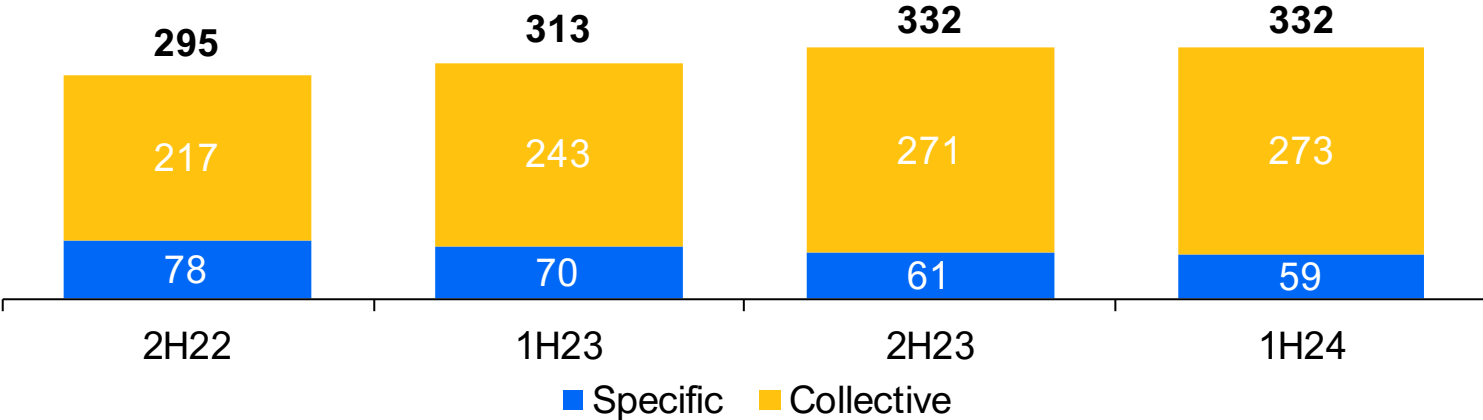
Impaired assets (\$m)



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



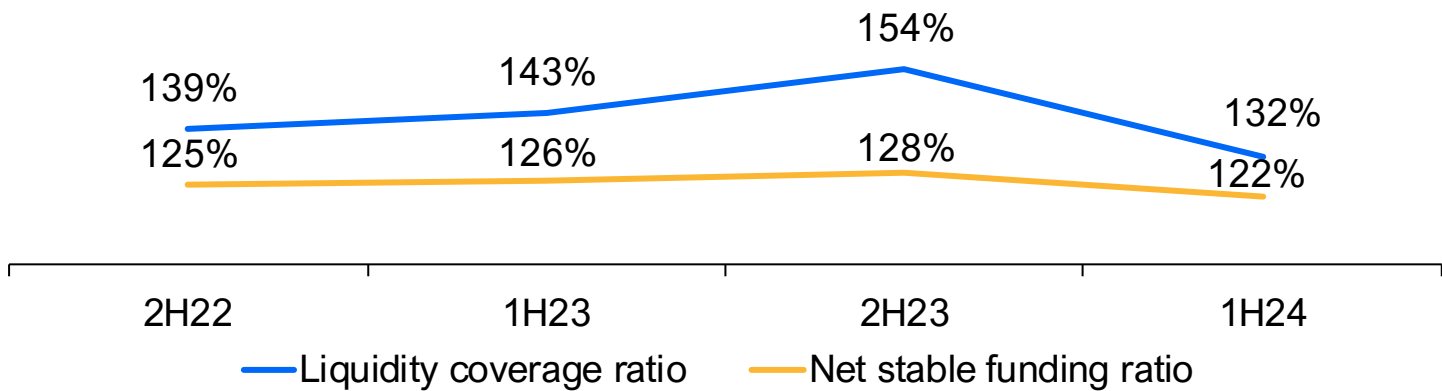
Provisions (\$m)



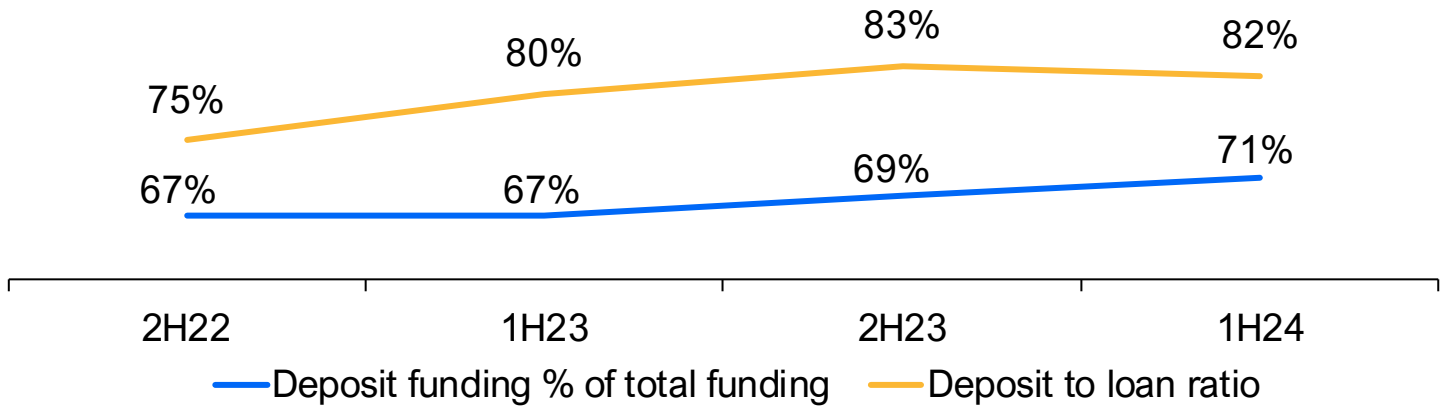
Funding & liquidity

Strong liquidity coverage demonstrating prudent approach to financial resilience

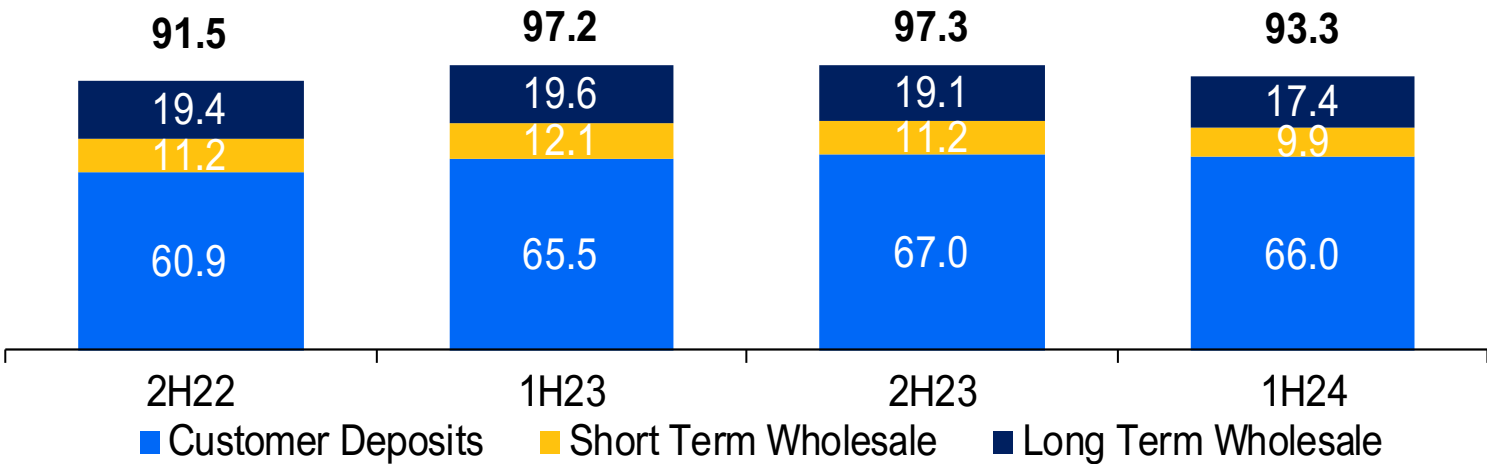
Liquidity strength



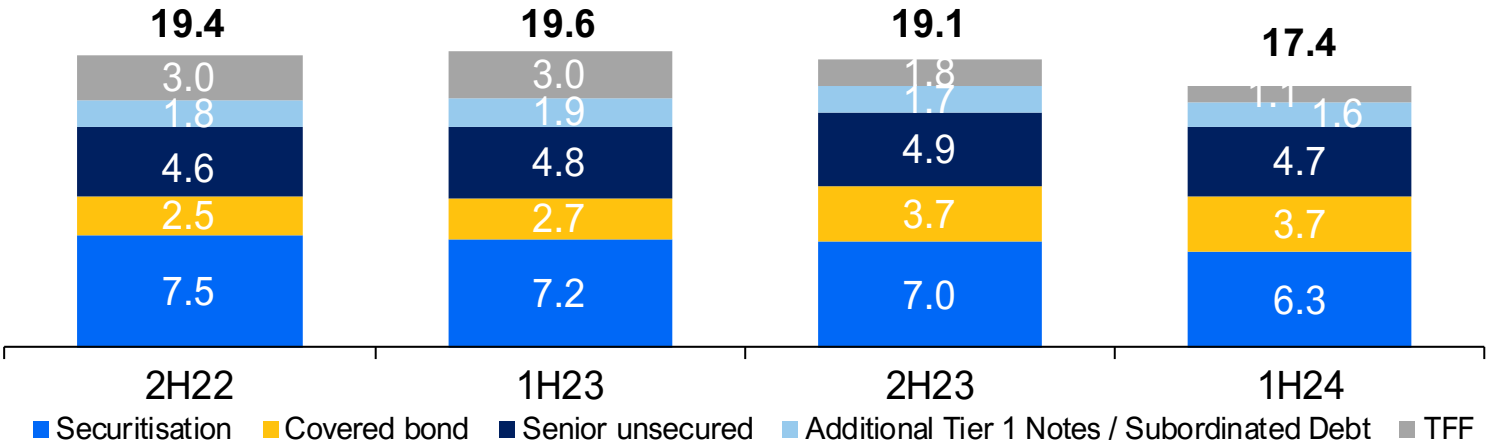
Funding strength



Funding mix (\$bn)



Long term wholesale funding (\$bn)



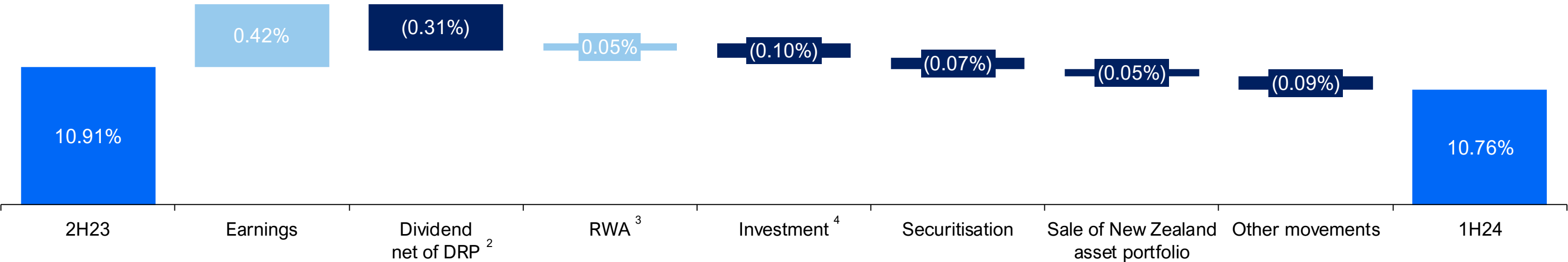
Capital strength

Strong capital buffers providing financial resilience and supporting investment in transforming the business

Summary

- > CET1 above management target range at 10.76%
- > Includes a \$50m capital overlay as determined by APRA in relation to BOQ’s Court Enforceable Undertaking
- > Sale of New Zealand asset portfolio which completed 31 March 2024 is expected to be broadly neutral to CET1¹
- > Second half dividend of 17c within payout target range at 65.2%, DRP to operate with no discount

CET1 (%) – 2H23 to 1H24



(1) The 1H24 -5bps impact from the Sale of New Zealand asset portfolio does not include lower RWA, benefit from unwinding of hedge position or impact of indemnities
(2) 2H23 DRP operated with no discount. Participation was 9.6%
(3) Includes loan origination costs, data refinements and operational RWA
(4) Capitalised expenses net of amortisation

OUTLOOK & SUMMARY



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FY24 Outlook

- Australian economy resilient supported by strong fundamentals despite growing below the long run average
 - Higher interest rates and inflation have resulted in a modest rise in unemployment, declining business confidence and low consumer confidence
 - Economy anticipated to improve over 2024 reflecting declining inflation, income tax cuts and the likelihood of falling global cash rates
 - BOQ is continuing to support customers in managing the financial burden of higher interest rates
- Anticipate revenue and margin pressure to moderate in 2H24
 - Deposit competition to continue as industry Term Funding Facility refinancing continues
 - Home lending margin compression is stabilising, housing credit has bottomed and will likely modestly pickup over the next year
 - Anticipate home lending decline to moderate and business banking growth to increase
- Anticipate low single digit cost growth in the underlying cost base in 2H24
 - Simplification program aiming to offset inflationary pressures
 - Continued investment in strengthening the bank and digitisation
 - Growth in transformation investment spend and amortisation
- BOQ asset quality remains sound, diversified and well collateralised with loan impairment expense remaining below long run averages

Summary

- › Clear strategy to address our legacy issues and deliver BOQ as a stronger and simpler bank focused on specialised segments
- › Strong financial resilience the foundation to support our customers and deliver our transformation priorities
- › Embracing our risk remediation programs with both APRA and AUSTRAC as a platform to further strengthen the bank
- › Simplification program is reducing complexity and duplication, driving productivity improvements
- › Digital transformation is on track to deliver an enhanced customer experience and lower cost to serve in an increasingly commoditised market
- › Elevating focus on our optimise strategic pillar, evaluating additional ways to lift ROE and shareholder returns
- › Delivering on our commitments and controlling what we can control through disciplined management decisions and execution

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ABOUT BOQ GROUP



BOQ Group

Serving customers for 150 years with differentiated brands attracting niche segments

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
- › Proud 150-year Queensland heritage

Our distinctive brands

Retail Banking



Creating meaningful relationships through banking



money

Sparking joy in money moments



Helping all Australians get ahead

Business Banking



BUSINESS



FINANCE



BOQ SPECIALIST

Specialised banking solutions that meet core business and personal needs

Key statistics for 1H24

c. 1.4m Customers	c. 580k BOQ c. 320k VMA c. 340k ME	c. 10k BOQ Business c. 30k Specialist c. 80k Finance c. 50k Retail SME
143 Branches ¹	38 ME Mobile & Direct Bankers	>3.3k Employees c. 950 OMB Employees
	\$147b ² Footings	
82% Deposit to loan ratio	2.73% ³ Market share - Housing	1.42% ^{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, February 2024
(4) Excluding BOQF

BUILDING
SOCIAL CAPITAL
THROUGH BANKING.

To be the bank
customers choose.

STRENGTHEN

SIMPLIFY

DIGITISE

OPTIMISE



Exceptional customer & people experience.



Digital
Banking



Relationship
Banking



Digitally enabled,
Data informed



Risk
Intelligence



Transformational
Leadership



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.

How we create value



Customer

Personalised experiences delivered through multi-brand offering, new digital capability, and BOQ's unique relationship model



Technology & Data Capabilities

Leveraging our strategic partnerships to modernise and digitise the Group, providing great customer and people experiences more securely and effectively



Environment & Climate Change

Responsible corporate citizen, supporting customers in their decarbonisation journey



Finance

Access to funding through customer deposits, wholesale and capital markets to support operations and execute our strategy



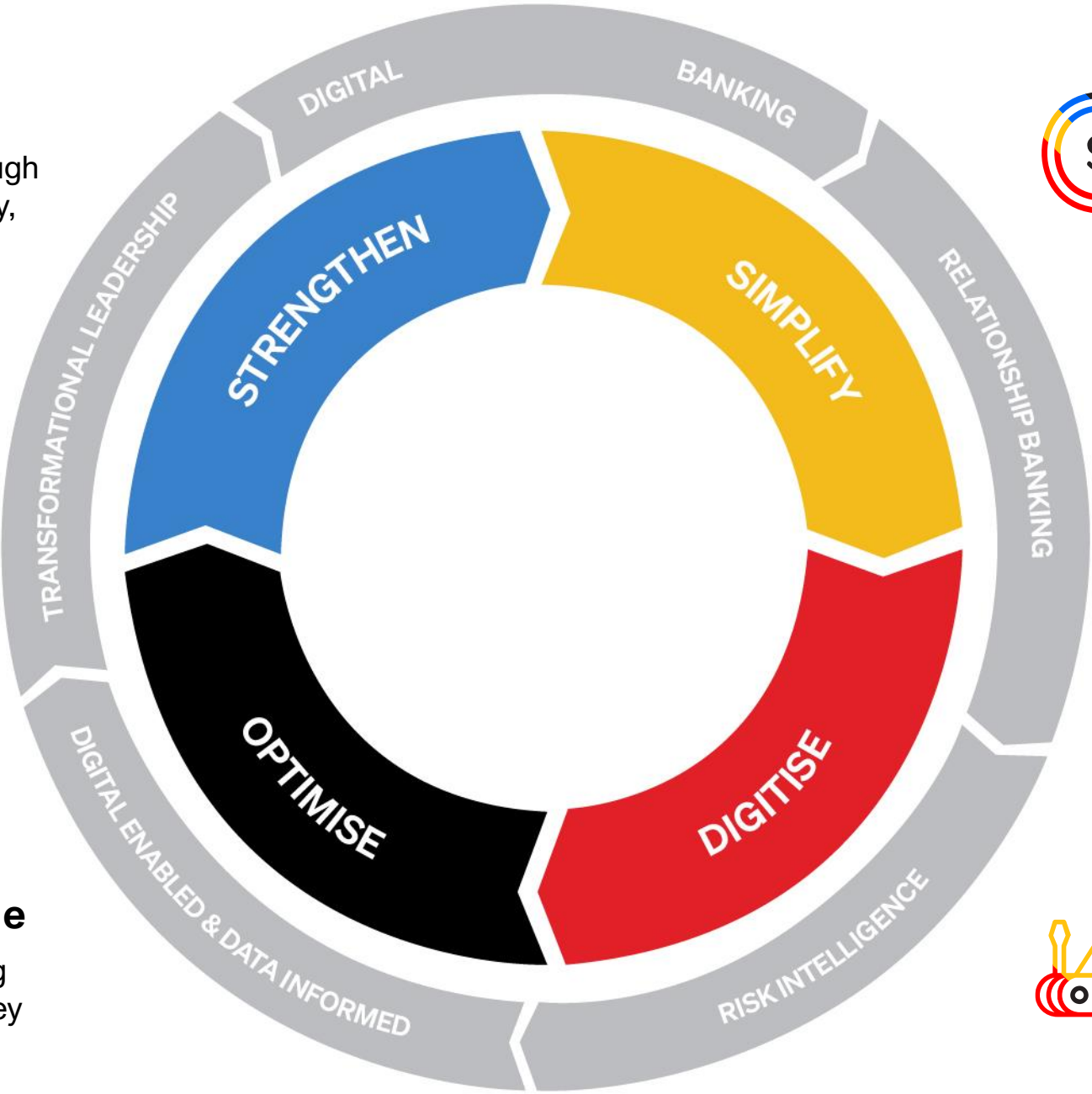
Community

Local bankers embedded in the community forming strong community relationships and supporting the vulnerable

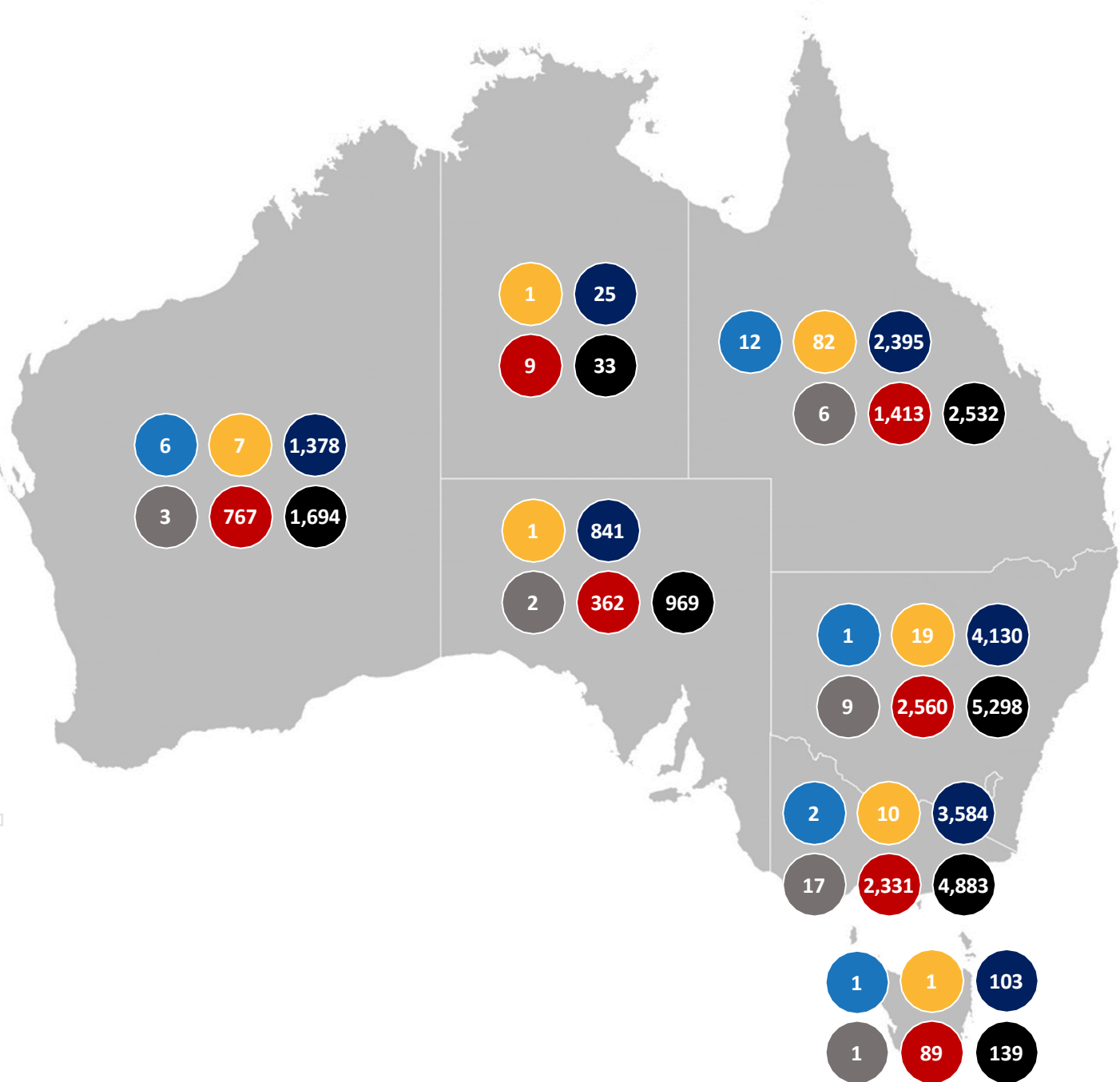


People

Diverse and engaged workforce with the flexible and inclusive work practices required to build a future fit capability



Distribution network



Summary

- 1H24 branch numbers at 143 (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 29 February 2024

22	CORPORATE BRANCHES	12,456	BROKERS ACCREDITED WITH BOQ
121	OWNER MANAGER BRANCHES	7,531	BROKER ACCREDITED WITH VMA
38	ME MOBILE & DIRECT BANKERS	15,548	BROKERS ACCREDITED WITH ME

Distribution footprint movements

Feb-24	QLD	NSW / ACT	VIC	WA	NT	TAS	SA	Total
Corporate branches	12	1	2	6	-	1	-	22
Owner managed branches	82	19	10	7	1	1	1	121
Total	94	20	12	13	1	2	1	143

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

Corporate, owner managed branches and transaction centres

	1H24	
Summary of changes	Gross	Net Branch Movement
Corporate closure	-	-
OMB closure	4	(4)
OMB to corporate	1	-
Corporate to OMB	1	-
OMB to OMB sale	-	-
New branch opening	-	-
Total changes	6	(4)

Cultural transformation

Cultural transformation delivering improved outcomes for our people and business

Legacy Engagement index

August 2020

59%

March 2024

67% (+8)

PX Engagement index¹

September 2022

70%

March 2024

71% (+1)

Safe to speak up

August 2020

58%

March 2024

78% (+20)

Alignment of role to strategy

August 2020

72%

March 2024

83% (+11)

Culture index²

August 2023

64% (+10)

August 2020

54%

(1) From FY24 BOQ has updated all Engagement related KPI's to an industry benchmarked three question People Experience (PX) Engagement index
(2) Most recent Culture index undertaken in August 2023. BOQ Group will undertake its third company wide Culture Survey in April 2024 leveraging Human Synergistics OCI/OEI tool. These surveys are completed every two years

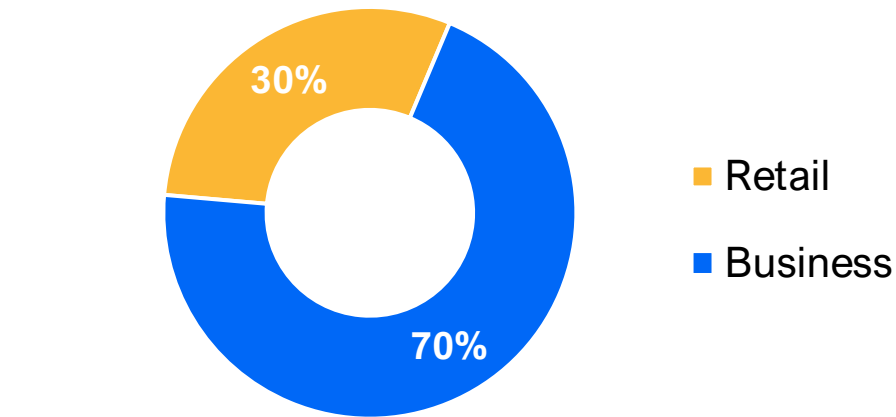
Balanced portfolio for growth and geographic diversity

Well diversified portfolio across Retail and Business banking

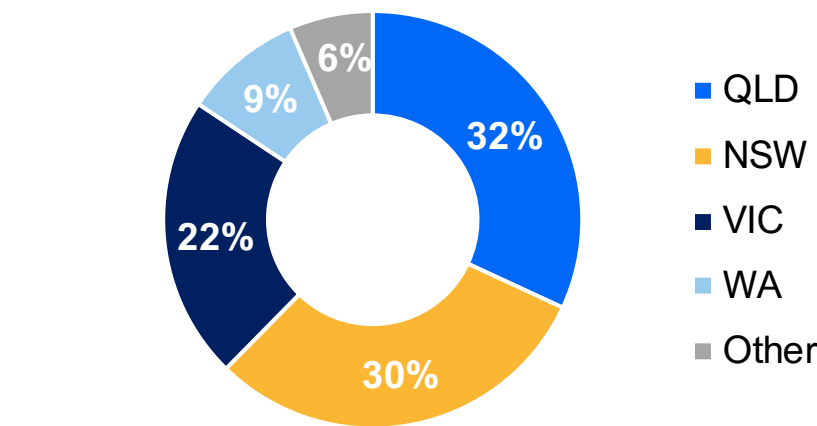
Summary

- > Well diversified and balanced portfolio. 30% of profits from Retail banking and 70% 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

1H24 Cash profit by division¹ (%)



Total loans by geography (%)



(1) Excludes \$5m in other segment business gains

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TRANSFORMATION DETAIL

Remedial Action Plans

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

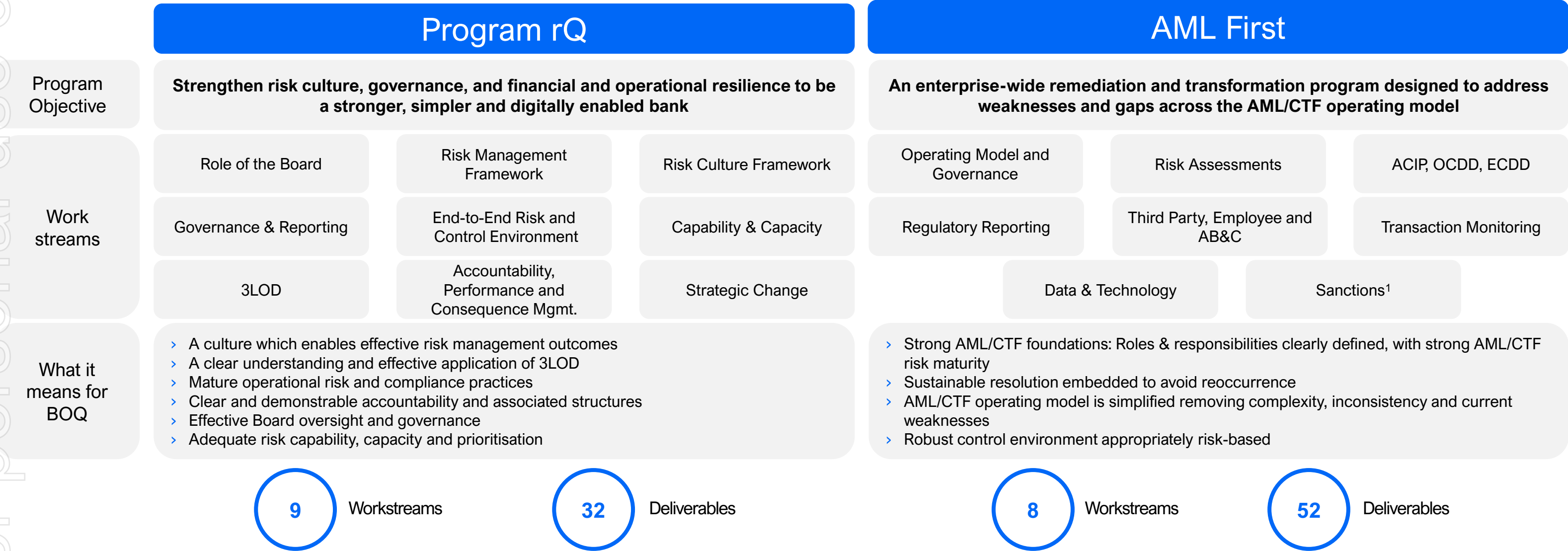
2023

- › 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

Program rQ and AML First



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

Digitising BOQ roadmap

Digital strategy improving customer experience, providing strong deposit growth and lower cost to serve

	FY21 - 23	FY24 - 25	Post FY25
Retail Bank	VMA and BOQ transaction and savings launched on new cloud digital bank	✓ Digital mortgage for all brands on new cloud digital bank	● BOQ/VMA customer migration completed
	ME customers migrated to v.18, Ultracs decommissioned (7 apps, 51 servers)	✓ Commence ME home loan migration to new digital bank and decommissioning of legacy platform	● Complex home loan and retail small business migrated to BOQS
	ME transaction and savings launched on new cloud digital bank	✓ Unified origination system across all retail brands	● Retire BOQ legacy systems
		✓ Deposit only ME customers' migration to new digital bank commenced	● Digital personal loans for all brands on new digital bank
		Commence payments hub build	●
Business Bank	Leasing systems consolidated on latest version of InfoLease	✓ Unified 360 view of customers across the Business Bank	● New complex lending origination capability (complex home loan customers serviced by Business Bank)
	Upgraded internet banking capability for SMEs	✓	● Integrated supply chain capability
	Business Bank Temenos core banking platform upgraded to latest v.22	✓	● Digital transaction account capability for small business
	Enhanced working capital product capability	✓	● Migration of SME, Agri and Property customers to new core
			● Unified origination system across all Business Bank brands
Group	Data centres migrated to private cloud	✓ Implement Customer Experience Platform	● Integrated cloud-based data platform enabling omni-channel personalisation
	Intelligent data platform	✓ Real time connectivity of data insights	● Cloud based ERP platform (Finance & HR)
		Data centres migrated to public cloud	●

Legend

✓

Achieved

●

On track

●

Reprioritised (delayed)

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DIVISIONAL RESULTS

Divisional performance

	<div> <div>Retail</div> <div>me</div> <div>BOQ</div> <div>Virgin money</div> </div>			<div> <div>Business</div> <div>BOQ BUSINESS</div> <div>BOQ FINANCE</div> <div>BOQ SPECIALIST</div> </div>		
	1H24	1H23	1H24 v 1H23	1H24	1H23	1H24 v 1H23
Net interest income	393	500	(21%) ▼	329	339	(3%) ▼
Non-interest income	46	45	2% ▲	21	24	(13%) ▼
Total income	439	545	(19%) ▼	350	363	(4%) ▼
Operating expenses	(366)	(349)	5% ▲	(158)	(146)	8% ▲
Underlying profit	73	196	(63%) ▼	192	217	(12%) ▼
Loan impairment expense	2	(16)	large ▼	(17)	(18)	(6%) ▼
Cash profit before tax	75	180	(58%) ▼	175	199	(12%) ▼
Income tax expense	(25)	(57)	(56%)	(58)	(63)	(8%)
Cash earnings after tax	50	123	(59%) ▼	117	136	(14%) ▼

Home lending performance

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

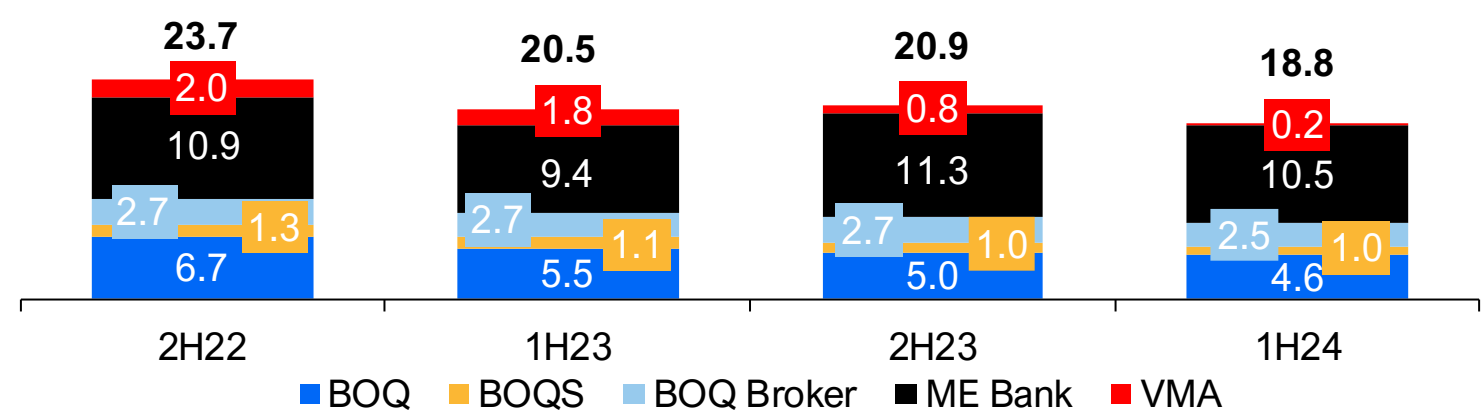
Housing metrics

	Portfolio 1H24	Flow 1H24
LVR > 90% (%)	1.8	0.8
LVR > 80% (%)	11.6	6.2
90 Days past due	100	-
Interest only % (excl. construction)	10	8
Investor %	29	26
PAYG %	79.6	84.0
DTI >=6x %	-	2.26
Fixed %	17	2
Broker %	49	63
BOQ & VMA system growth ¹	-	Negative
BOQS system growth ¹	-	Negative
ME system growth ¹	-	1.4x
Overall BOQ Group system growth ¹	-	Negative

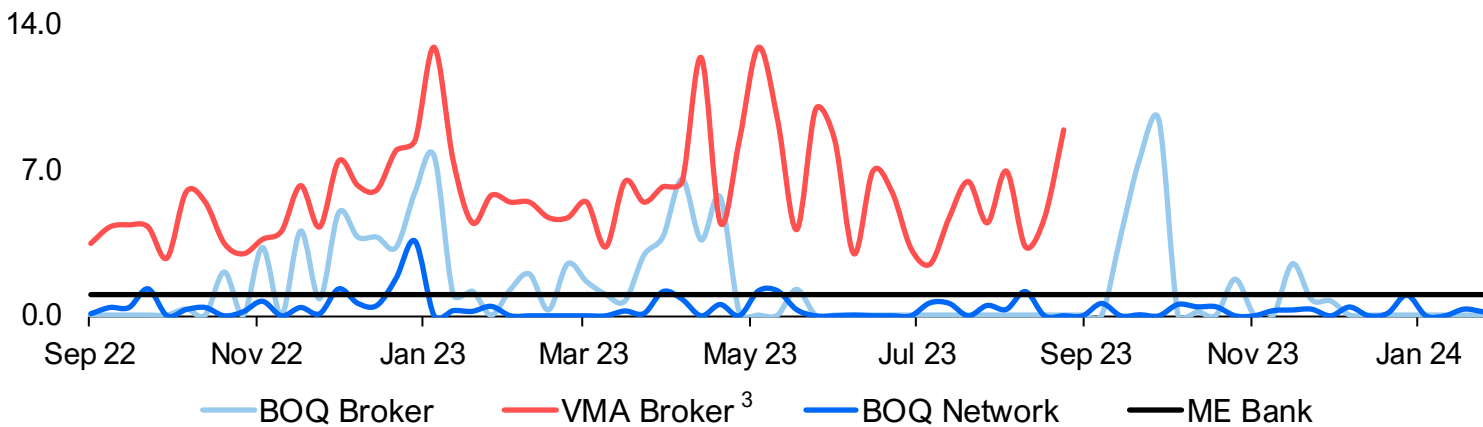
Serviceability buffer

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)²



(1) Multiple based on YTD system to February 2024, APRA monthly banking statistics
(2) 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
(3) VMA stopped accepting home loan applications for new customers through broker channel from 1 September 2023

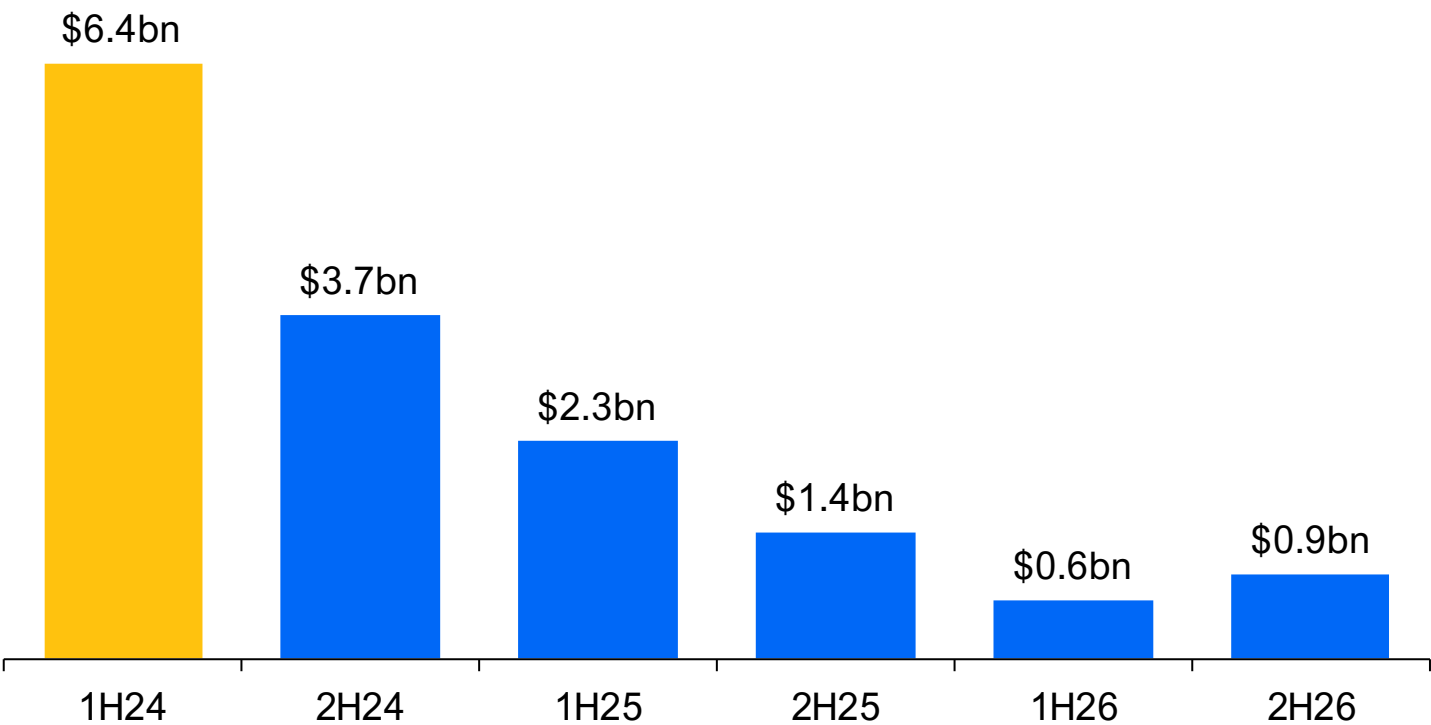
Interest rate impacts

Supporting our home loan customers as they transition to a higher interest rate environment

Summary

- > Fixed rate maturity tower peaked in 1H24, in line with high levels of fixed rate lending through 1H22
- > Home loan customers remain resilient with 48% having a repayment buffer of one year or more¹
- > Home loans with minimal or no repayment buffer² have a strong LVR profile with only 5% of accounts having an LVR >80%
- > Ongoing focus on proactively supporting customers transitioning from fixed to variable rate loans
- > 17% of housing portfolio is currently on a fixed rate loan

BOQ’s fixed rate mortgage maturity towers³



(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) 21% 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

Lending to households (APRA data)

	Lending to Households (APRA)			Multiple (APRA)			Market share
	YTD (A)	3M (A)	1M	YTD	3M	1M	
Major 1	10.12%	5.39%	0.14%	2.4	1.3	0.5	5.29%
Major 2	7.75%	6.91%	0.43%	1.8	1.7	1.6	13.54%
International 1	7.12%	5.80%	0.00%	1.7	1.5	Neg	2.69%
Regional 1	7.09%	7.30%	0.63%	1.6	1.8	2.4	2.44%
ME	5.86%	9.24%	1.34%	1.4	2.3	5.1	1.25%
International 2	4.72%	4.15%	0.05%	1.1	1.0	0.2	1.38%
System	4.30%	4.00%	0.26%				
Major 3	4.05%	3.47%	0.24%	0.9	0.9	0.9	21.38%
Major 4	4.03%	3.70%	0.22%	0.9	0.9	0.9	14.63%
Major 5	1.75%	3.10%	0.24%	0.4	0.8	0.9	25.23%
Regional 2	-0.14%	1.26%	0.30%	Neg	0.3	1.1	2.70%
BOQ + ME	-1.29%	0.13%	0.30%	Neg	0.0	1.2	2.73%
BOQ	-6.93%	-7.23%	-0.56%	Neg	Neg	Neg	1.48%

Source: APRA Monthly Banking Statistics September 2023 to February 2024
 Note: Majors comprise CBA, NAB, WBC, ANZ and Macquarie, Regionals comprise SUN and BEN and Internationals comprise HSBC and ING

Business bank

Investing in the business to deliver a stronger platform for future growth

STRENGTHEN

Strengthening of core risk and compliance capabilities that underpin the business

- Uplift of non-financial risk capability
- Establishment of agile long-live teams to support key business systems
- End-to-end process reviews of key products

SIMPLIFY

Simplification of the business delivering an enhanced customer and banker experience

- Repositioning BOQB to a sector-led operating model
- Sale of the non-core New Zealand portfolio of assets
- Decommissioning of legacy technology

DIGITISE

Investments into foundational technology that will support the business into the future

- Transitioning to cloud-based platforms
- Upgrade to the BOQS internet banking platform
- Delivery of API capability into the Equipment Finance book

OPTIMISE

Undertaking activities to drive optimisation of financial outcomes

- Increased proportion of customer facing roles
- Optimisation of credit policy settings
- Positive shift in mix to higher returning assets

Lending to business (APRA data)

	Lending to Businesses (APRA)			Multiple (APRA)			Market share
	YTD (A)	3M (A)	1M	YTD	3M	1M	
Major 1	13.25%	15.72%	-0.36%	2.0	2.9	Neg	2.01%
Regional 1	10.58%	6.30%	0.92%	1.6	1.2	1.7	0.88%
Major 2	7.26%	7.30%	0.88%	1.1	1.4	1.6	25.45%
Major 3	7.20%	6.45%	0.42%	1.1	1.2	0.8	21.06%
System	6.64%	5.33%	0.55%				
Major 4	5.93%	1.90%	-0.08%	0.9	0.4	Neg	15.83%
Major 5	5.92%	3.50%	0.45%	0.9	0.7	0.8	19.36%
Regional 2	4.76%	6.64%	0.48%	0.7	1.2	0.9	1.38%
International 1	2.89%	5.44%	2.35%	0.4	1.0	4.3	2.04%
BOQ	-0.34%	0.61%	1.20%	Neg	0.1	2.2	1.42%
Regional 3	-3.48%	0.30%	0.48%	Neg	0.1	0.9	1.65%
International 2	-11.61%	-1.66%	0.88%	Neg	Neg	1.6	1.39%
International 3	-15.46%	-6.29%	-0.21%	Neg	Neg	Neg	0.32%

Source: APRA Monthly Banking Statistics September 2023 to February 2024
 Note: Majors comprise CBA, NAB, WBC, ANZ and Macquarie, Regionals comprise SUN, JDO and BEN and Internationals comprise HSBC, Rabobank and ING

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PORTFOLIO QUALITY

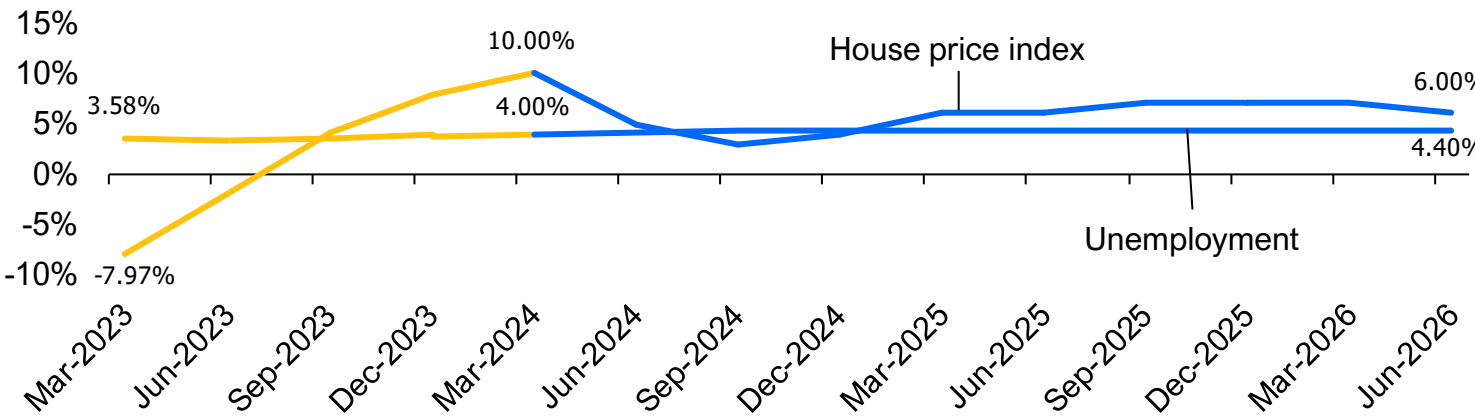
Collective provisioning

Prudent provisioning reflective of a changing environment

Provision model assumptions

- Base case reflects BOQ’s forward looking economic assumptions and is supported by RBA forecasts where available
- Downside scenario represents stagflation effects, with higher interest rates, a falling GDP and rising unemployment for the first two years
- 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		
	2024	2025	2026	2024	2025	2026
GDP (YoY growth %)	1.80	2.30	2.40	(0.50)	0.75	1.00
Unemployment rate (%)	4.30	4.40	4.40	6.25	7.25	7.50
Residential Property Prices (cumulative % change)	4.00	7.00	6.00	(8.00)	(4.50)	(0.25)
Commercial Property Prices (cumulative % change)	(8.00)	5.00	3.00	(13.25)	(3.75)	(2.50)
Cash Rate (%)	3.90	3.40	3.20	4.75	4.25	4.00

Scenario weights

	Upside		Base		Downside		Severe	
	Feb 24	Aug 23	Feb 24	Aug 23	Feb 24	Aug 23	Feb 24	Aug 23
Weighting	5%	5%	50%	50%	30%	30%	15%	15%

(1) Economic forecasts reflect calendar year end numbers for 2024 and 2025 and June for 2026 and were prepared as at February 2024, based on RBA and market consensus at the time and prepared for the purpose of collective provision updates

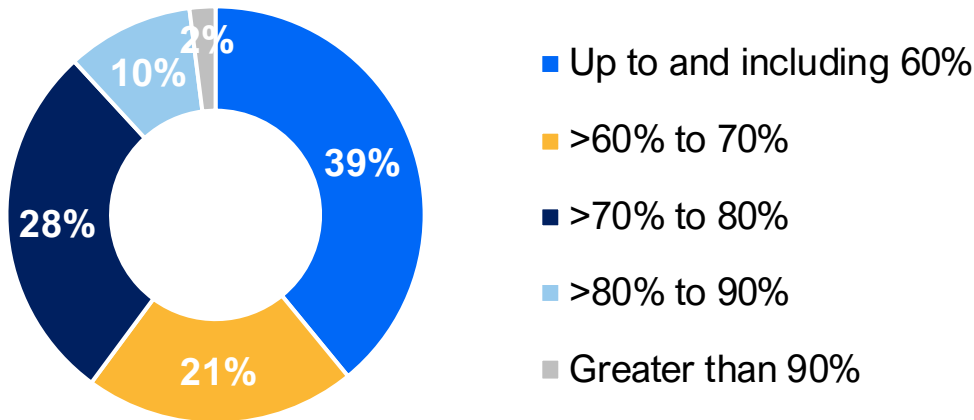
Housing loan portfolio

Diversified portfolio with conservative LVR lending

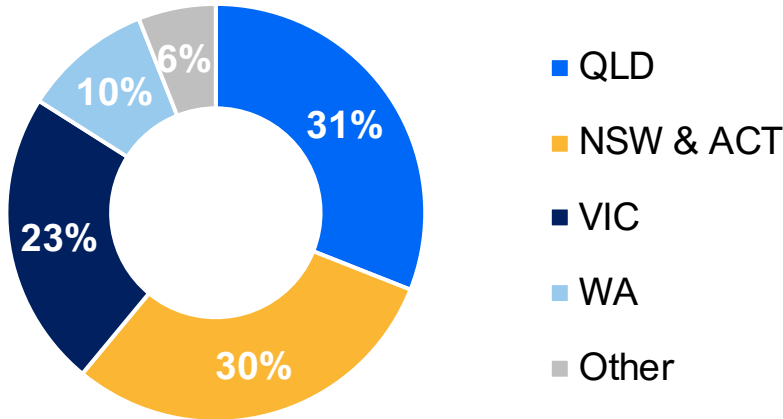
Summary

- > Housing portfolio diversified across geography and channel
- > ~98% of customers with LVR =<90%, with 1H24 flow above 90% at 0.8%
- > 1H24 flows from home loan customers with LVR>80% reducing to 6.2% from 8.7% in 2H23

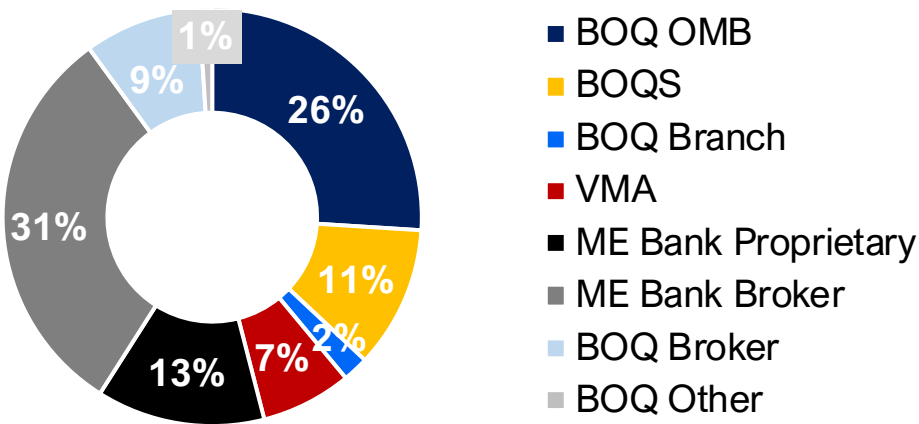
Housing portfolio by LVR (%)



Housing portfolio by geography (%)



Housing portfolio by channel (%)



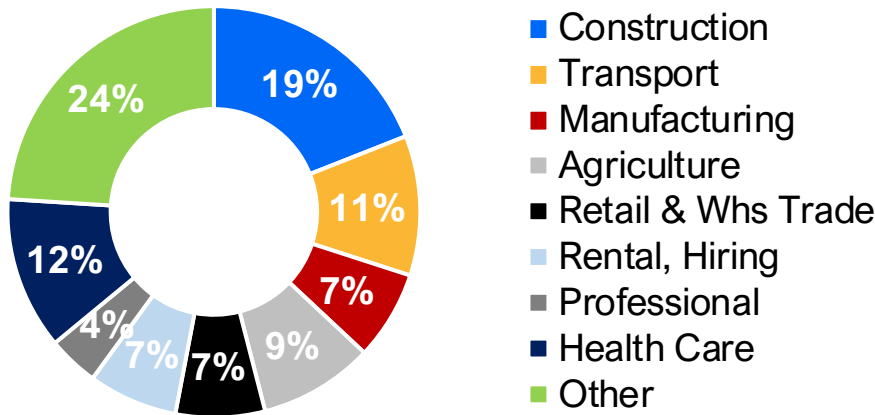
Asset finance portfolio

Portfolio remains well diversified

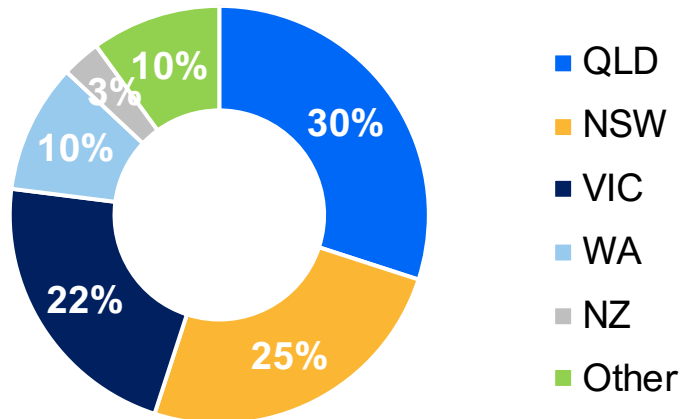
Summary

- > Broad industry spread reducing concentration of Asset finance portfolio
- > Asset finance portfolio diversified across geography and channel

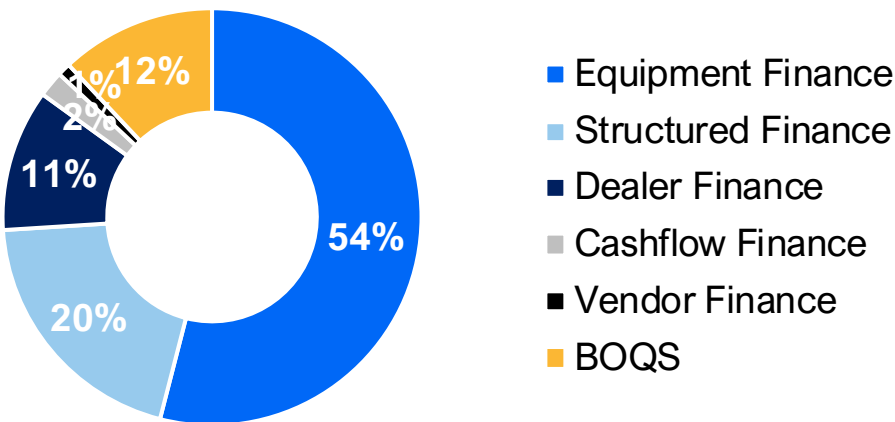
Asset finance by industry (%)



Asset finance by geography (%)



Asset finance by channel (%)



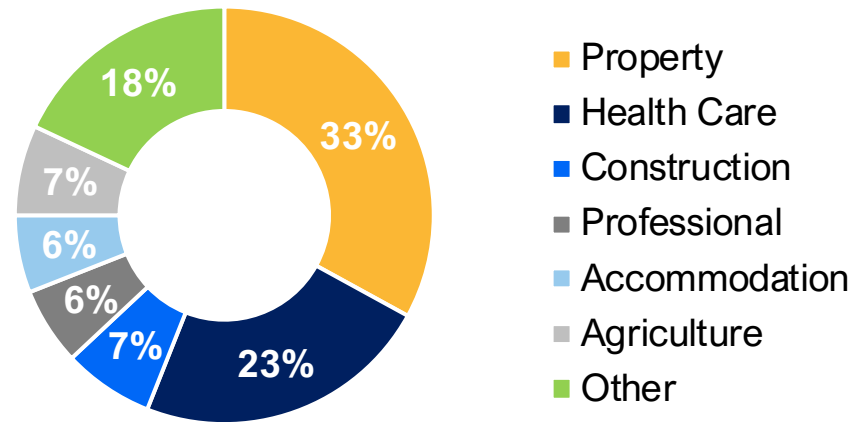
Commercial portfolio

Continued focus on target segments and optimisation of SME and corporate portfolio mix

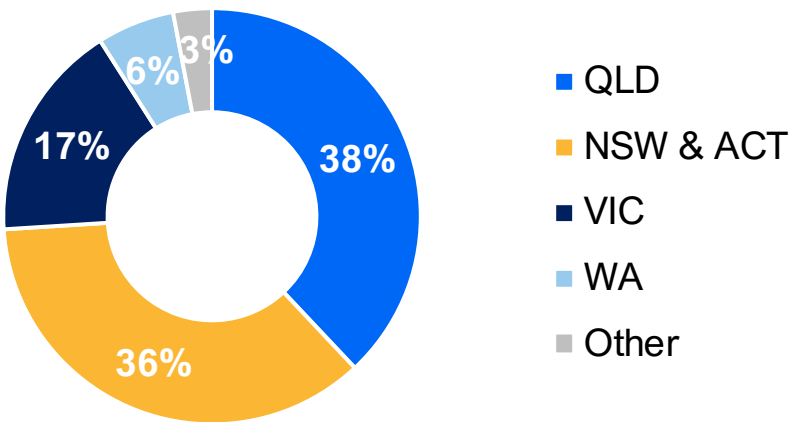
Summary

- > Commercial portfolio diversified geographically with a diverse channel mix
- > The portfolio is secured with less than c.10% of unsecured lending
- > Property and construction industry segments are well diversified and performing well with no material indication of stress. These segments will continue to be monitored given current market conditions

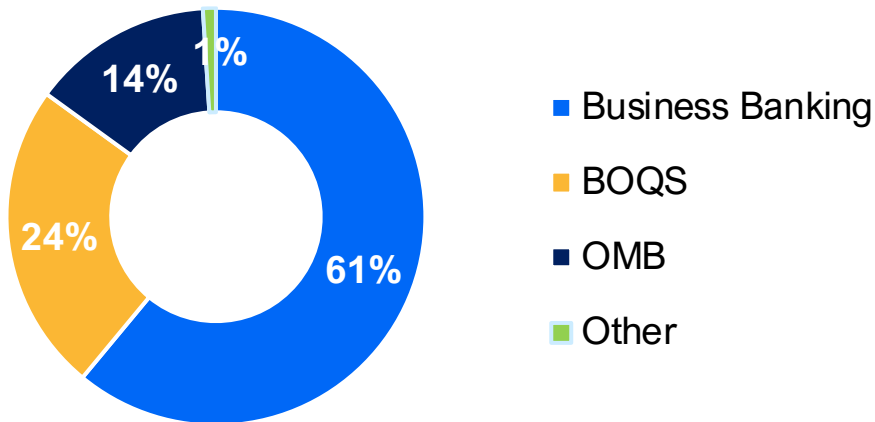
Commercial by industry (%)



Commercial by geography (%)



Commercial by channel (%)



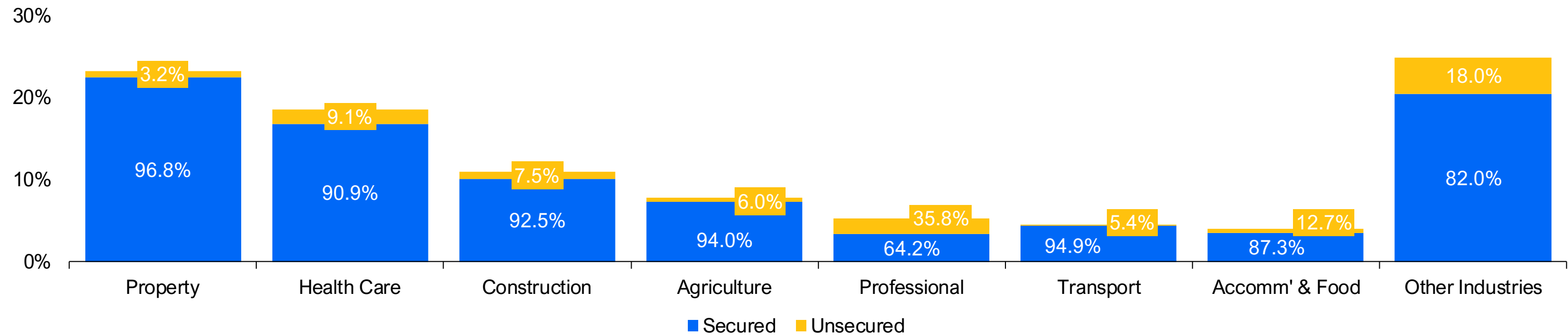
Business Bank lending portfolio

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.11% of unsecured lending
- No material industry stresses emerging and losses remain benign

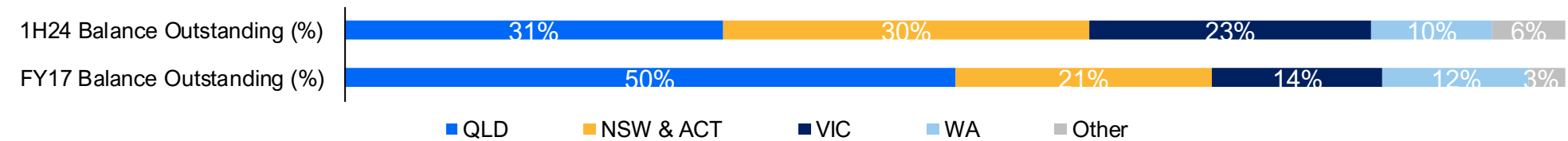
Business portfolio security status by industry



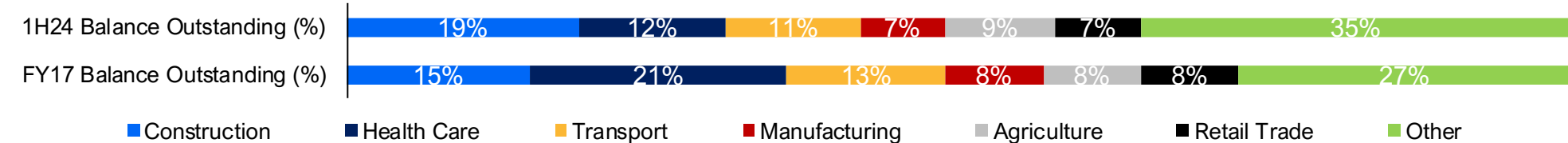
Industry and geographic split over time¹

Enhanced geographic and sector diversification over time

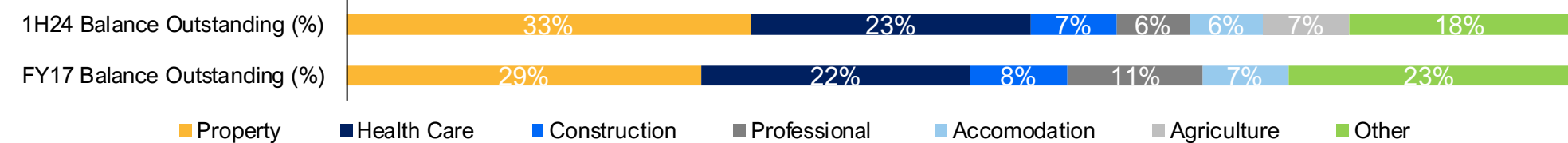
Housing loans - geographic split over time (%)



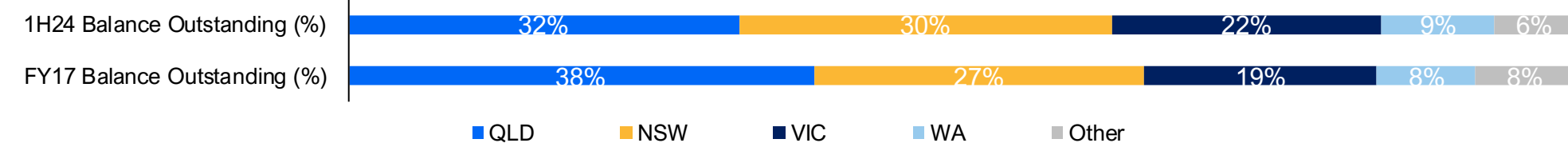
Asset finance - industry segments over time (%)



Commercial - industry segments over time (%)



Total lending - geographic split over time² (%)



Summary

- > Enhanced geographic diversification, Queensland housing portfolio reducing from 50% in FY17 to 31% in 1H24
- > The addition of ME has further diversified the geographic diversity of the housing portfolio
- > Asset finance and commercial lending portfolios remain diversified across a broad range of industries

(1) FY17 has not been restated to include ME
(2) Excludes consumer

Emerging risks to portfolio quality

Macro economic environment

- > Cash rates are likely at their peak. We look for any rate reduction in 2024 to occur late in the year
- > Interest rates over the next decade are likely to be higher than they have been over the past one
- > There continues to be growth in house prices albeit performance is mixed across the country. Affordability remains a concern
- > The global economy has absorbed high inflation and interest rates well. There is uncertainty about the outlook for the Chinese economy
- > Some asset prices may be vulnerable to unexpected economic or financial market developments
- > The labour market remains strong although is gradually weakening

Outlook for credit losses

- > Loan impairment expense remains at historically low levels
- > BOQ has retained prudent collective provision scenario weights with 45% weighting to downside scenarios
- > Housing customers rolling off fixed rates are experiencing large increases in repayments. Overlays are in place to cater for potential stress
- > Overlays in place for key industries that will be impacted by higher inflation and interest rate environment
- > BOQ remains well provisioned and has prudently factored the changing outlook into our provisioning outcomes
- > Loss experience is expected to normalise from current low levels. With a well secured portfolio and prudent provisioning levels, BOQ is well positioned for a changing credit loss environment

Commercial real estate

- > Sector risks remain given economic conditions. To date no material losses have been observed and the sector has not experienced increasing arrears
- > Property comprises 33% of BOQ's commercial portfolio, 23% of total business lending portfolio and only 5% of BOQ's total lending
- > Property sector exposure is well diversified by asset type and geography
- > 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

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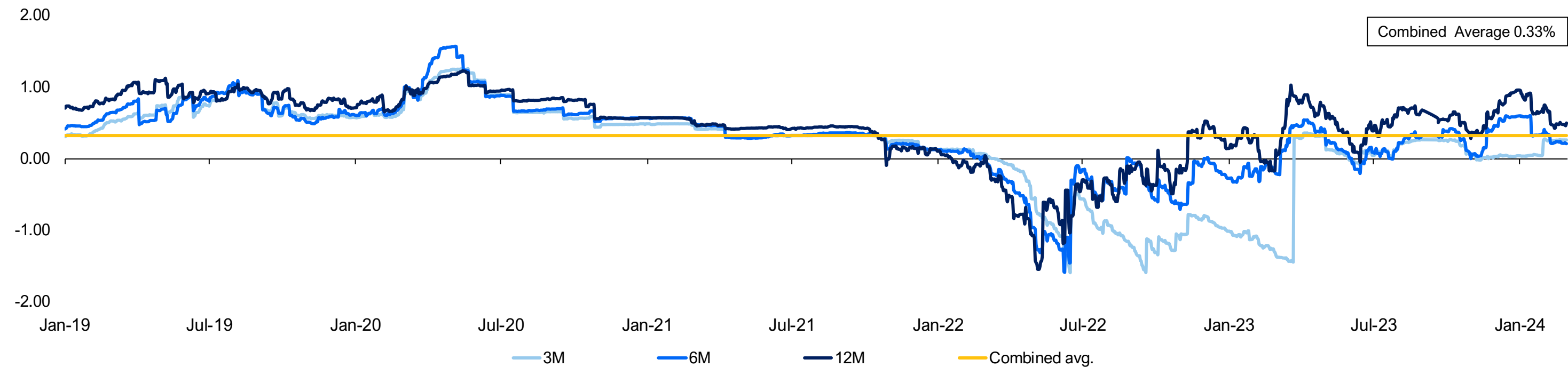
FUNDING & LIQUIDITY

Term deposits

Summary

- › Lower funding requirements have resulted in the ability to moderate TD growth in 1H24 as cost of TD's increased through the period
- › TD carded rates returning to more normalised spreads to BBSW albeit still below pre-COVID cost of funds
- › Competition is expected to continue into 2H24 as final TFF maturities are repaid, and customers continue to seek yield from higher paying products

Historical BOQ TD carded rates compared to BBSW (%)

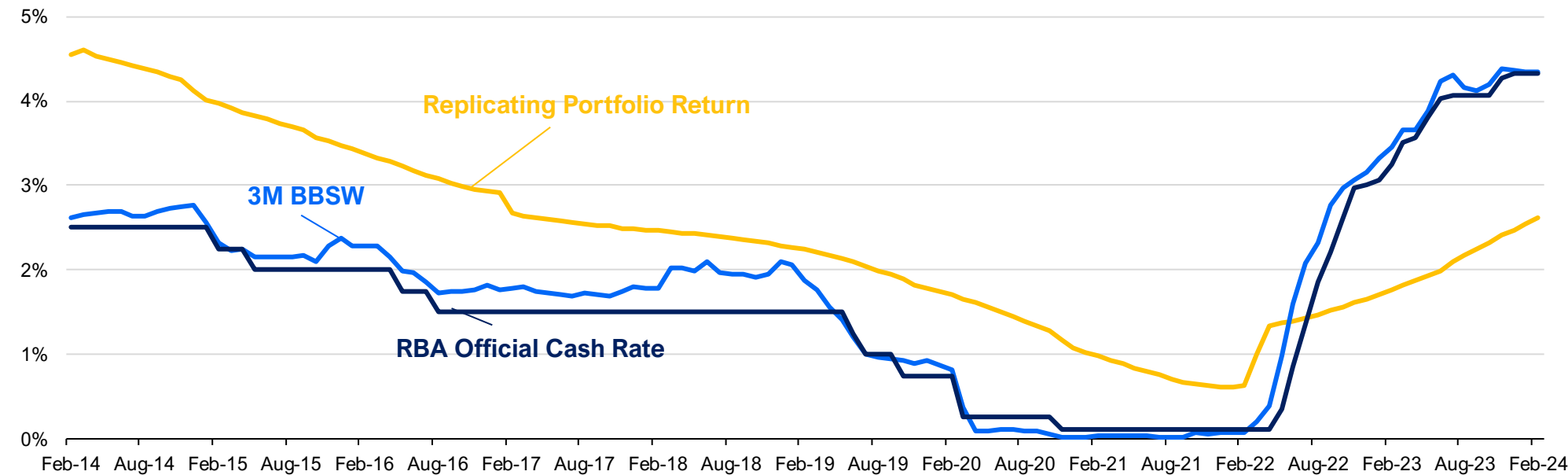


Replicating portfolio and uninvested capital and low cost deposits

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 0.42bps

Replicating portfolio



	2H23 Balance (\$bn) ²	1H24 Balance (\$bn)	1H24 Avg. Return	Exit Return Rate	Investment Term
Capital	4.0	4.1	2.46%	2.66%	5 years
Low cost deposits	4.3	4.2	2.41%	2.57%	5 years
Total Replicating Portfolio	8.3	8.3	2.44%	2.62%	5 years
Uninvested capital and low cost deposit	1.5	1.6	4.33%	4.39%	3 months ¹

(1) Invested at the overnight cash rate plus 6 months average of the 3 month Bills/OIS spread for a 1 year tenor
(2) 2H23 uninvested capital and low cost deposit balance was previously reported as \$1.7bn, this was calculated as the average balance over the prior 12 months. This has been restated as \$1.5bn which is the 6 month average balance ending 31 August 2023. This methodology is consistent with the replicating portfolio balances for 1H24

Hedging costs - basis risk

Summary

- > The impacts of hedging costs had a -1bp NIM impact in 1H24
- > Basis exposure has increased over the half driven by a larger portfolio of variable rate loans
- > Current sensitivity given increasing basis exposure is c.2bps of NIM for every 10bps in basis swap spread

Long term basis risk avg - 20 bps

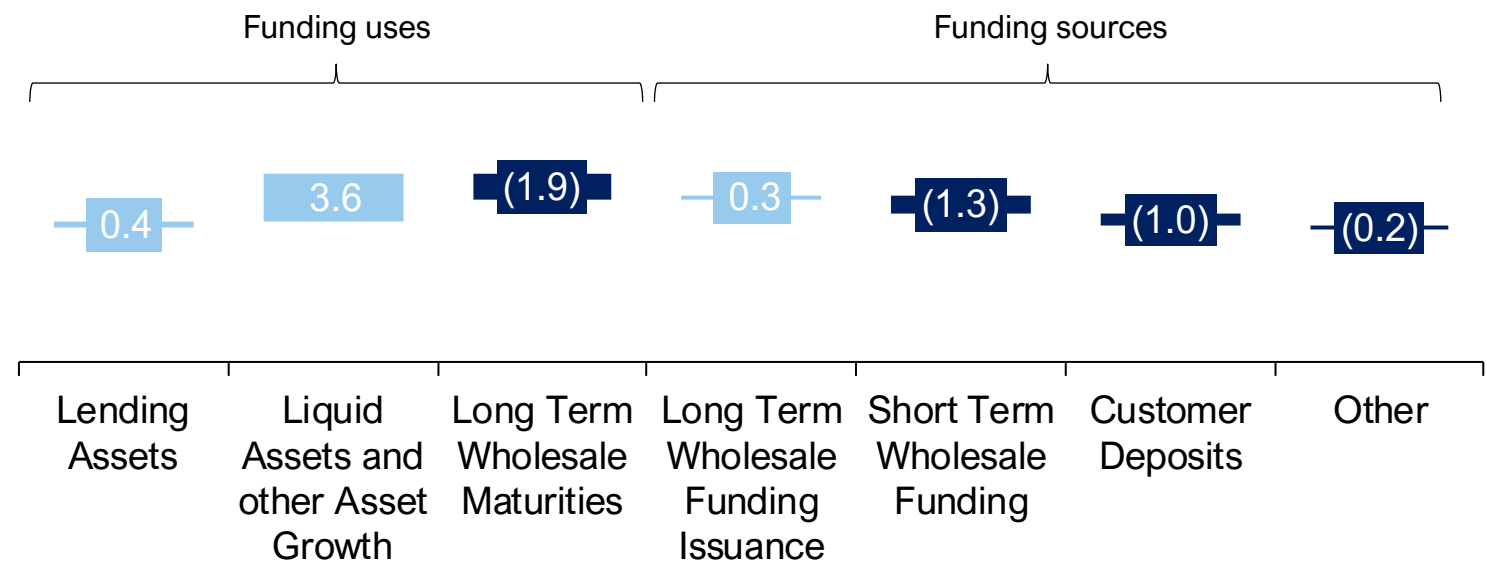


Funding

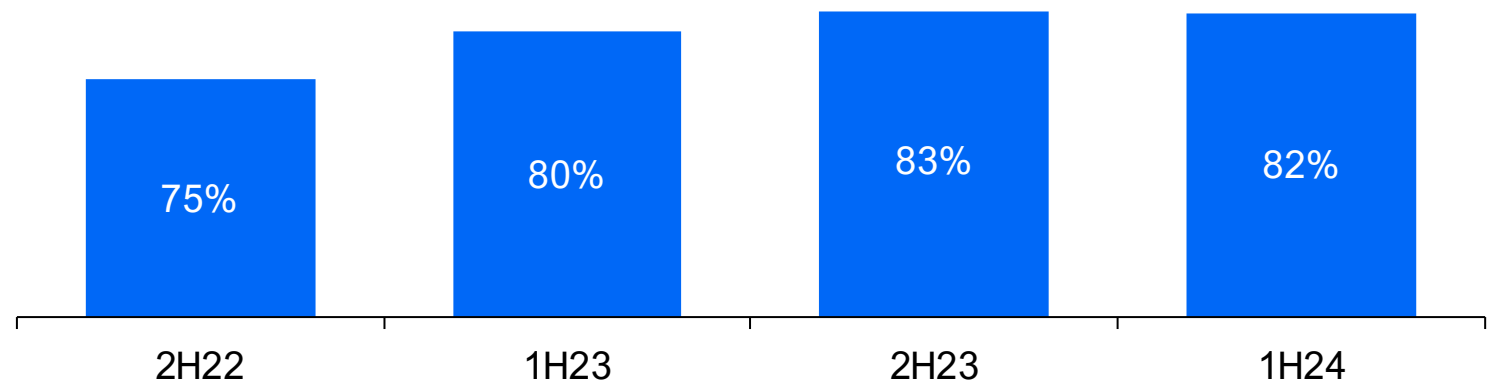
Summary

- 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 2% to 82% on 1H23

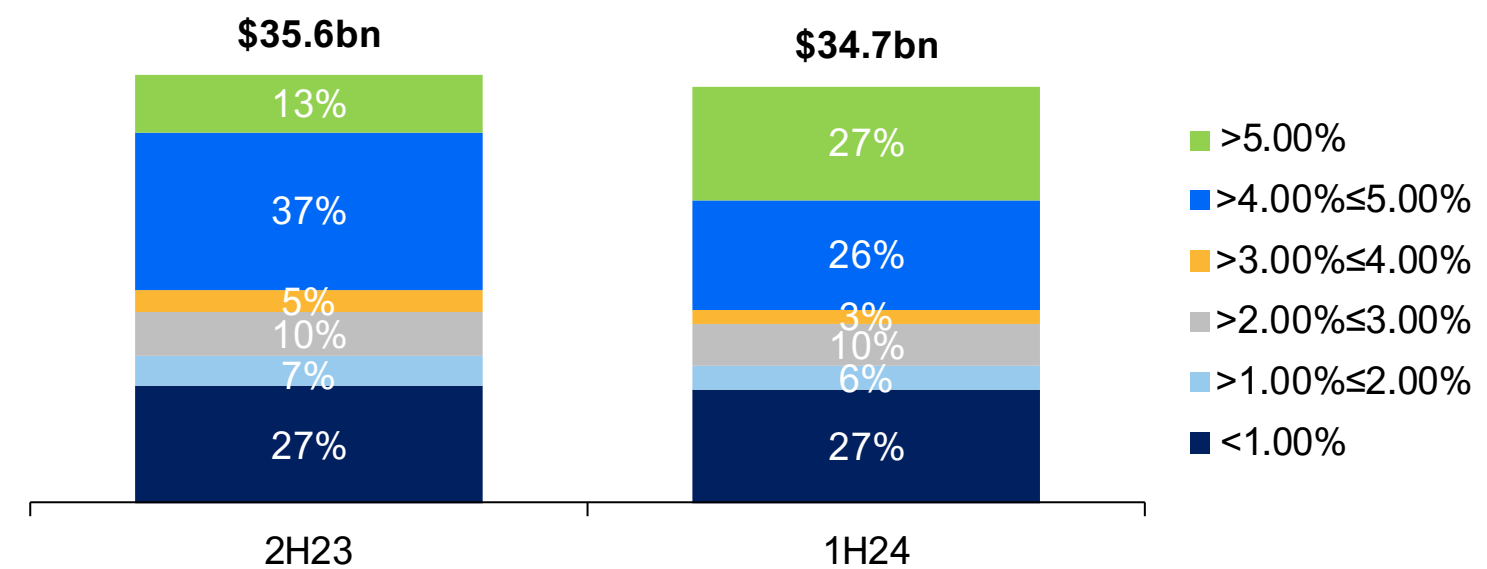
Uses & sources of funding – 2H23 to 1H24



Deposit to loan ratio (%)



Customer at call deposit funding costs



Credit rating

Current debt ratings¹

Rating Agency	Short Term	Long Term	Outlook
S&P	A-2	A-	Stable
Fitch	F2	A-	Stable
Moody's	P-2	Baa1	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 environment¹

Economic growth has slowed with declining but still elevated inflation

Macro economic

- › Economic growth has moderated with a gradual slowing of the labour market
- › Inflation will decline further over 2024 although uncertainty surrounds the pace of the decline
- › Interest rates have likely peaked. We are not expecting rate cuts until next financial year
- › Weakness in household disposable income growth was the main economic problem in 2023. Some improvement is expected by the end of 2024
- › There is uncertainty about the Chinese economic outlook

(1) BOQ house view

Housing, business lending and deposit outlook¹

Economic growth slowing with declining but still elevated inflation

Housing outlook

- › A modest rise in the unemployment rate to around 4.4% is expected by the end of 2024²
- › 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 continued their rise into 2024 although performance has been mixed across regions
- › Housing credit is projected to grow by around 4.25% over this financial year²

Business lending outlook

- › Business order books and capex intentions has slowed over the past six months
- › The slowdown of consumer discretionary spending is impacting some firms
- › Cost pressures remain an issue for companies
- › Worker availability is still a constraint although less than it has been over the past couple of years
- › Business credit is expected to grow by around 4.5% in the 2024 financial year²

Deposits outlook

- › Some increase in the household saving rate is likely this year as household disposable income growth improves
- › Higher interest rates has led to a shift towards interest-bearing deposits
- › Deposit growth is expected to be around 4.75% in the 2024 financial year²

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

ABBREVIATIONS

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Abbreviations

3LOD: Three lines of defense	CLF: Committed Liquidity Facility	NPAT: Net Profit After Tax
1H: First half of financial year	DPD: Days past due	NPS: Net Promoter Score
2H: Second half of the financial year	ECDD: Enhanced Customer Due Diligence	NSFR: Net Stable Funding Ratio
30DPD: 30 days past due	EPS: Earnings per Share	OCDD: Ongoing Customer Due Diligence
90DPD: 90 days past due	ESA: Exchange Settlement Account	OMB: Owner Managed Branch
AASB: Australian Accounting Standards Board	ERP: Enterprise Resource Planning	OIS: Overnight Index Swap
ACIP: Applicable Customer Identification Procedures	EU: Enforceable Undertaking	PAYG: Pay As You Go
ADI: Authorised Deposit-taking Institution	FTE: Full Time Equivalent	PCP: Prior Corresponding Period
APRA: Australian Prudential Regulation Authority	FY: Financial year	PD: Probability of Default
ASIC: Australian Securities & Investments Commission	GDP: Gross Domestic Product	QE: Quantitative Easing
AUC: Assets Under Construction	GLA: Gross Loans & Advances	RAP: Remedial Action Plan
Avg: Average	GRLC: General Reserve for Credit Losses	RBA: Reserve Bank of Australia
BAU: Business As Usual	HQLA: High Quality Liquid Assets	ROE: Return on equity
BBSW: Bank Bill Swap Rate	LCD: Low cost deposit	ROTE: Return on tangible equity
BDD: Bad & Doubtful Debt Expense	LCR: Liquid Coverage Ratio	RWA: Risk-weighted assets
BOQF: Bank of Queensland Finance	LGD: Loss Given Default	SaaS: Software as a Service
BOQS: Bank of Queensland Specialist	LIE: Loan Impairment Expense	SME: Small and Medium Enterprises
Bps: basis points	LOC: Line of Credit	STO: Strategy and Transformation Office
CAGR: Compound annual growth rate	LVR: Loan to Valuation Ratio	TD: Term deposit
CET1: Common Equity Tier 1	MFI: Main Financial Institution	TFF: Term Funding Facility
CP: Collective Provision	NIM: Net Interest Margin	VMA: Virgin Money Australia
cps: cents per share	NII: Net Interest Income	WAL: Weighted Average Life
CTI: Cost-to-income ratio	NM: Not meaningful	YTD: Year to Date