BOQ GROUP ANNUAL REPORT

2023

STRONG CUSTOMER RELATIONSHIPS MAKE FOR CALMER WATERS.

Iconic Whitsunday Adventures is an eco-tourism parent company, specialising in unique small group tours visiting iconic destinations in the Whitsundays. Having a deep passion for tourism, sailing and reef education; Owner Operators Nicole and Jeremy Graham found themselves chasing clear blue waters and sunshine to Airlie Beach, starting the business in 2006. They've grown to support 18 local jobs and have taken over 85,000 passengers on a cultural and eco journey throughout the Whitsundays region.

For close to three decades, Nicole and Jeremy had their personal and business accounts with another bank. As their business began to expand with more tour experiences, they became frustrated with the level of customer service, but were hesitant to move as they thought only the major banks could support loans for their marine vessels.

This frustration came to a head during the peak of COVID, when they were busy pivoting to keep their business running and to ensure they were in the best position to handle demand when the tourism industry picked up again.

Being a customer service-oriented business, Nicole and Jeremy wanted a bank that shared this same value, which they found with BOQ's unique Owner Managed model. BOQ surprised them as they had never heard of a business owner within a bank, or a bank where customers could call the Owner Manager directly on their mobile.

They first met with Owner Manager Melissa Green and Owner Manager Business Lending Specialist Melissa Egan in 2022, during the resurgence of the tourism industry post COVID-19. The branch explained to them how the bank could help their business, particularly with the marine vessels, and they soon after moved their accounts across.

Nicole said it's important to have a bank that has a genuine interest in your business as well as your short and long-term goals, which is what they have found with BOQ.

"Knowing the Mackay City branch are only ever a call away is a real game changer. They were there at a time when we needed them most and I can't imagine us ever leaving. Melissa Egan will regularly make the trip from Mackay to Airlie to catch up with us in person which just highlights how important customer relationships are to them."

The BOQ Mackay City Branch has been operating under the Owner Manager model for the last 16 years. Melissa said, "Our motto is, 'Business can be personal, let us prove it', which remains at the core of what we do day in and day out. We're building social capital by not limiting our relationship with customers to just business – we're creating real connections and taking the time to understand what we can do to help."

"Having been impacted by COVID-19, we weren't sure what bank would support us with our marine vessels, but BOQ believed in what we wanted to create and our passion for a business with strong ESG propositions. Since moving our accounts to BOQ, we've been able to continue our dream of expanding our range of eco-tourism experiences across the Whitsundays and educating locals and tourists about the reef and broader region. There's always more to be done when it comes to reef education, and with BOQ we will continue to shape our legacy."

- Nicole Graham, BOQ customer

Our reporting suite.

We produce a suite of reporting to suit the evolving expectations and needs of a wide range of stakeholders. This reporting suite includes our Annual Report, Sustainability Supplement, Investor Materials and Corporate Governance Statement.

The full suite of reporting is available at www.boq.com.au/2023

About this report

The Group's Annual Report (this report) sets out the activities of the group during FY23, detailing our financial and non-financial performance and articulates how we aim to deliver long term value to our stakeholders. This includes our Financial Statements.

Unless otherwise stated, the Annual Report encompasses all BOQ activities for the financial year that commenced 1 September 2022 and ended 31 August 2023. All monetary values in this document are presented in Australian dollars, which is the Bank's functional currency.

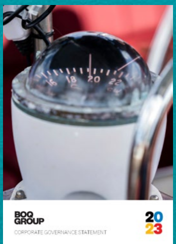
We are always looking for ways to improve our reporting suite and welcome any feedback. Please send your questions or suggestions to InvestorRelations@boq.com.au

Acknowledgement of Country

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.

Sustainability Supplement

Our 2023 Sustainability Supplement outlines our performance against social, environmental and economic opportunities and challenges. This report is available on the Annual Reports page of our website and is supported by supplementary information available on the Sustainability section of our website.



Corporate Governance Statement

Our 2023 Corporate Governance Statement discloses how we have complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition) and is available on the Corporate Governance page of our website.

FY23 Investor Materials

Our FY23 Investor Materials provide a high-level overview of the Group's performance, a detailed result analysis and a discussion on the outlook, which covers the macro environment and the Group's high-level priorities. Investor Materials are available on the Financial Results page of our website.

Important information and disclaimer

This document may contain forward-looking statements, forecasts, estimates, projections, and opinions. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believe", "estimate", "plan", "target", "project", "anticipate", "expect", "intend", "likely", "may", "will", "could", "should" or other similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. There can be no assurance that actual outcomes will not differ materially from these statements.

Forward-looking statements reflect BOQ's current views about future events. There are a number of factors (which may involve known or unknown risks and uncertainties, many of which are outside the control of BOQ) that could cause BOQ's financial performance and actual results to differ materially from those expressed, anticipated, or implied by, any forward-looking statements. These factors include changes in BOQ's operating environment, changes to the financial performance or position of BOQ, material changes to the law or applicable regulation, risks and uncertainties associated with the Australian and global economic/political environment and capital market conditions and the COVID-19 pandemic. Readers should not place undue reliance on any forward-looking statements.

To the maximum extent permitted by law, BOQ takes no responsibility for the accuracy or completeness of any forward-looking statements, whether as a result of new information, future events or results or otherwise. BOQ does not undertake to update any forward-looking statements contained in this document.

Contents.

BOQ GROUP

Bank of Queensland Limited
ABN 32 009 656 740
AFSL No. 244616
Level 6, 100 Skyring Terrace,
Newstead QLD 4006

Who we are.

About BOQ Group

From humble beginnings as Queensland's first permanent building society formed in 1874, BOQ Group has grown to become one of Australia's prominent banks. We pride ourselves on building long-term relationships with our customers and investing in our communities. Our success over 149 years demonstrates our commitment to provide reliable and secure financial services to everyday Australians and niche commercial lending segments.

Our brands

We have distinct offerings across our digital and relationship brands, offering customers many ways to interact with the Group on their terms.

Digital brands

Virgin customers are typically a younger cohort, they're aspirational and digitally savvy, looking for an alternative to the "big banks", they want easy to understand digital products. This brand offers home loans, deposits, credit cards, insurance and superannuation.

A branch-less online retail bank, ME services customers looking for a no frills mortgage and digital deposits. ME customers engage with their bank either directly online, through mobile bankers or their brokers.

Relationship brands

BOQ customers value personal relationships across our 147 strong branch network, 125 of which are owned and operated by our Owner Managers, who are actively engaged with their communities and form life long relationships with their customers.

Dedicated relationship bankers and finance specialists providing quality service to small and medium sized businesses, agribusiness, corporate banking, property finance, healthcare, tourism and hospitality customers. These customers access a range of products across long term loans, working capital management, financial markets and asset finance and structured finance solutions.

A distinctive brand providing commercial lending, asset finance and consumer banking to our niche customer segment of medical, dental, veterinary and finance professionals. These customers enjoy specialised bankers who understand their businesses and are committed to developing long-term partnering.

Organisation overview

With staff and branches in every state and territory, BOQ Group has a significant presence throughout Australia.

1.4m
Customers

147
Branches

17.8k
Accredited Brokers

$67bn
Customer Deposits

$81bn
Gross Loans and Advances

Our purpose and values.

Purpose.
Why we exist

BUILDING
SOCIAL CAPITAL
THROUGH BANKING.

Vision.
Where we are headed

To be the bank customers choose.

Pillars.
What we will deliver

STRENGTHEN	SIMPLIFY	DIGITISE	OPTIMISE

Exceptional customer and people experience.

Capabilities.
How we will deliver

- Digital Banking
- Relationship Banking
- Digitally enabled, data informed
- Risk Intelligence
- Transformational Leadership

Values.
How we will work

Spirited. Be outrageously courageous.

Optimistic. To infinity and beyond.

Curious. Be truly, madly, deeply interested.

Inclusive. Tap the collective genius.

Accountable. Be the rubber that hits the road.

Lionhearted. Be fiercely caring.

Spirited Be outrageously courageous

In banking, passion, courage, joy and spirit can be in short supply. Being different demands energy and courage. The courage to take a different angle on the same problem. The courage to speak your mind and back it up with action. The courage to speak up and support others when you see injustice. The courage to share both the good news and the bad. The courage to commit and deliver great results for all our stakeholders. The courage to bring every atom of your unique energy to work.

It's about a fundamental drive to shake up banking in this country, continuously improve and innovate our business, build great relationships and support our customers' success through unshakable courage, total vigour and game changing energy.

Optimistic To infinity and beyond

We need everyone in our Group to be an optimist because, when we work together to innovate and solve problems, optimism creates opportunity. It's about assuming positive intent and about belief, hope, energy, honesty and openness. It is not about being blindly positive.

It's about being ready to inspire, ready to help and ready to jump in with both feet. It's about being convinced that as a powerful group that works together in the right spirit, we can build the brightest futures – for our customers, shareholders, teams, Owner Managers and communities.

Curious Be truly, madly, deeply interested

This is about the power and value of curiosity. Curiosity is where change always begins, it's where we ask, "What if?" and "Why not?". It's where we listen, imagine, think and where we learn. It's the superpower that makes us bolder, more innovative, unafraid to press against the norm and stretch the paradigm we operate in.

Equally as important is the ability and the desire to ask the right questions, interrogate unspoken needs and be attuned to how we can be inspired to make the world better. For our teams, for our customers, our communities and our shareholders.

Inclusive Tap the collective genius

Working together exponentially multiplies our potential. Our Group will win by being united, deeply connected, strengthened and inspired by each other, with an unshakeable fierce faith and pride in what we can achieve together.

Our Group is home to diversity and wealth of skills, experience, perspective and insight. If we harness that what we can do together is infinite. 'Inclusive' means that our customers and communities are an integral part of our wider network, and that supporting, amplifying and collaborating with them is as important as how we accept, respect, support, show gratitude, amplify and collaborate with each other.

Accountable Be the rubber that hits the road

We get it. We're in banking. We need to build trust by being honest, respectful and ethical every day. These are the non-negotiables for running a business like ours. And let's lean in further. Our definition of accountable is that at a minimum, each of us holds ourselves to a standard of impeccable citizenship and the pursuit of excellence.

It's about embracing our opportunity to create value for our people, customers and shareholders. Beyond that is the ability to really see what the right thing is to do, manage risk, speak up, own up, act with integrity and then be 100 per cent accountable for ensuring it actually gets done.

Lionhearted Be fiercely caring

Businesses are people. Products are for people. Markets are driven by people. Money is emotional. We think and care with our heart and our head to help our customers, team members and BOQ flourish. Being fiercely caring is about making decisions as a human, not just by a spreadsheet.

We care about equitable banking that creates real value for everyone. When we engage our lionheart, we have all the necessary, and sometimes brave conversations, in the right way - because we care. Channelling empathy, curiosity, and intelligent insights, to activate feelings is a vital skill in 'Building Social Capital Through Banking'. When we do this, we build life-long relationships and create value for all our stakeholders.

How we create value.

We are building a stronger, simpler, low cost, digitally enabled bank. Anchoring against four pillars; **Strengthen**, **Simplify**, **Digitise** and **Optimise** we seek to differentiate through our digital and unique relationship banking offerings to become the bank customers choose. Board and management recognise the need to prioritise and address issues in a holistic approach alongside our wider transformation strategy, to ensure that change is embedded and sustained over time. In support of these changes is a broader cultural change, underpinned by our purpose and values. Executing against the strategic priorities will help ensure a more sustainable business for the long term that is better able to identify and manage risks, providing better experience for our customers and people and delivering outcomes for our shareholders.

Value drivers

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.

Value creatin

ng strategies

Value created

Customer

- $62.7bn in housing loans
- $67.0bn in customer deposits
- $18.1bn in business lending
- 3.7k customers supported in financial hardship

Environment & Climate Change

- Climate Active carbon neutral certified
- 84 per cent renewables consumed
- $279m lending to sustainable assets

Shareholders

- 68.4 cents in cash earnings per share
- $285m in dividends to shareholders

Community

- $2.2m in community investment
- Launch of ME Go with five charity partners
- $223m in taxes paid (1)

People

- $460m in salaries and benefits paid
- EBA agreement covering 90 per cent of employees
- Recognition and rewards platform launched

(1) Represents statutory income tax expense, unrecovered GST, employee related taxes, and other taxes/duties

Message to shareholders.

FY23 was a challenging year for BOQ Group with an eight per cent decline in cash earnings, changes in leadership and identified weaknesses in our operational resilience and risk culture resulting in two Court Enforceable Undertakings.

Our performance was impacted by margin and inflationary headwinds and the following decisions we made, which compromised FY23 performance for longer term benefit. In 2023 we:

- moderated growth in a highly competitive market, focused on delivering sufficient returns and supporting our existing customers,
- strengthened financial resilience and held higher liquidity,
- increased operational expenses, investing in our risk capability, customer experience and digital transformation; and
- took a goodwill impairment, a risk remediation provision and a restructuring charge, impacting our statutory profit.

Highlights for the year include the performance of our business bank, the delivery of all three retail brands onto the new digital banking platform for transaction and savings accounts, our strengthened financial resilience through increased capital and liquidity buffers and sound asset quality.

We delivered $450 million after tax cash earnings and $124 million statutory profit. The Board has determined to pay a 41 cents per share dividend, representing an approximate 7.1 per cent yield[1].

We acknowledge that the Court Enforceable Undertakings have eroded some of the trust our stakeholders have in us. We take accountability for this and have taken the following actions:

- made changes to the executive leadership team and taken consequence management decisions,
- shifted our strategic priorities to building a simpler and more resilient bank while continuing to digitise; and
- committed to remedial action plans to uplift our operational resilience, risk culture and Anti-Money Laundering/ Counter-Terrorism Funding (**AML/CTF**) compliance.

Leadership Change and Consequence Management

Over the past year and a half, we have implemented leadership changes across all three lines of defence, including renewal of the Managing Director & Chief Executive Officer (**CEO**) and senior leaders in Finance, Operations (including Financial Crime Operations), Group Risk, Legal and Internal Audit. Recognising that BOQ required different capability, leadership style and focus, in November 2022 we commenced an executive search for a new CEO. Former Chairman Patrick Allaway was appointed as Executive Chairman to bring stability to the Group as the search progressed. In March 2023, Patrick was appointed as CEO and in August 2023 we announced that the search had been discontinued and Patrick would remain in the role. This decision was made considering the strength of leadership, clarity of goals and execution discipline that Patrick has brought to the business.

In addition to these leadership changes, the Board has taken the following consequence management actions, including:

- to reflect the Board's collective accountability, in FY24, Non-executive Directors' fees will be reduced by 20 per cent of the individual FY23 base fees paid,
- the CEO recommended that he forgo his FY23 Performance Shares; his recommendation was supported by the Board which had separately considered the matter and determined that it was an appropriate outcome,
- determining to lapse or forfeit all unvested and/or restricted equity retained by several former senior executives; and
- determining to lapse up to 100 per cent of FY23 Performance Shares and forfeit up to 100 percent of FY22 Performance Shares held by current or former executives.

We also reduced the size of our executive team during the year. The leadership team of eight people is now more appropriate for a bank of our size.

Strategic Priorities

The Group announced its digital transformation strategy in 2020, with a multi-year investment program to deliver a data led, digitally enabled bank. This strategy was designed to address our historical technology deficit from multiple years of under-investment, with the ambition of building a digital bank, uplifting customer experience, automating manual processes and lowering our cost to serve.

We are committed to this as part of our ***digitise*** strategy and have made considerable progress. All retail brands are now on the new digital platforms. We upgraded the business bank core banking platform, our banker technology and commenced migration of data centres to the cloud. As we progress, more of our legacy platforms and systems will be retired, reducing operational complexity and manual processes. In FY23 we decommissioned more than 10 per cent of our net technology asset portfolio. The next phase will be the launch of digital mortgages and acceleration of ME onto the end-to-end digital platform, decommissioning the ME legacy systems entirely.

Following the identification of operational risk weaknesses and the change in CEO, we announced we had shifted our priorities to building a stronger, simpler, digitally enabled bank, while optimising performance.

Our ***strengthen*** strategic pillar is focused on building stronger foundations, maintaining strong financial resilience and uplifting our operational resilience and risk culture through our remedial action plans.

Our ***simplify*** pillar is focused on reducing operational complexity, consolidating like activities through a shared service model, improving processes, reducing our property footprint and optimising vendor engagements to reduce costs, operational risk and cost of change.

Our ***optimise*** pillar is focused on addressing our structural challenges, seeking to diversify and lower our funding cost and improve our return on equity through prudent allocation of capital with appropriate returns.

Remedial Action Plans

Following the identification of risk weaknesses in our business in 2022 and closely working with regulators, we conducted independent reviews and a root cause analysis. We commenced the planning for a multi-year scope of work to address these findings and uplift BOQ's operational resilience and risk culture. In April 2023 we announced a $60 million provision to fund these Remedial Action Plans[2]. In subsequent discussions with APRA and AUSTRAC we agreed to enter two Court Enforceable Undertakings.

We recognise that we have material improvements to make and are using the Court Enforceable Undertakings as a platform to address our risk management and compliance weaknesses. We have scoped and submitted these remediation plans with our regulators and are committed to this multi-year program of work.

Exceptional Customer and People Experience

The success of our organisation relies on providing exceptional customer experience, supported by a diverse and highly engaged workforce. We aspire to be top three in Net Promoter Score once our digitisation is complete, and acknowledge we have more work to do.

As part of the leadership team changes we created a new role, Chief People and Customer Officer. This role has elevated the customer and people voice within the Group, ensuring we deliver exceptional outcomes for customers and support the retention and development of our people.

Our digital banking platform and contact centre aim to deliver a significantly improved customer experience. We continue to work on stability, performance and providing customers a seamless experience.

Increased cost of living combined with one of the sharpest interest rate tightening cycles in recent history has resulted in a challenging year for many Australians. While this impacted household budgets and businesses, our lending portfolio is well placed to withstand current pressures, and we continue to support customers through a range of measures.

Australia has experienced a material increase in fraud and scams in FY23 through increasingly sophisticated criminals taking advantage of digital banking and real time payments. We are continuing to support customers impacted by this criminal activity through increased education and ensuring their digital devices are secure.

We enhanced our people experience this year with the successful consolidation of two enterprise agreements across heritage BOQ and ME employees. The new agreement provides for guaranteed salary increases and attractive employee benefits, balanced with the ongoing financial needs of the Group.

Building Social Capital through Banking

Our purpose of ***Building Social Capital through Banking*** is what we stand behind, creating the best people and customer experience, living our values, celebrating diversity and inclusion, contributing to communities, being a good corporate citizen and playing our part in Australia's transition to a low carbon economy.

We are on track to achieve 100 per cent renewable electricity by 2025, with 84 per cent renewables consumed this financial year. We have maintained our Climate Active carbon neutral certification and are well progressed in delivering a reduction of 90 per cent in Scope 1 and 2 emissions by 2030[3].

This year we supported nine community partners in delivering key services to Australians, proudly investing $2.2 million at Group and grassroots levels.

In an Australian market first, ME Go customers have the option to select from five charity-linked debit cards, each providing a one cent donation per digital wallet transaction. These donations, paid by the Group, allow customers to align with a charity and is one way we ***Build Social Capital Through Banking***. Launching our second Innovate Reconciliation Action Plan in April 2023 was also a proud moment, reflecting our ongoing commitment to its vision of 'an Australia in which First Nations peoples have infinite opportunity and prosperity'.

Outlook

While this year has seen challenges, we are proud of what we delivered. The transformation to a digital, agile and low-cost bank is progressing at pace. Your bank is in a strong financial position to support customers and enable continued investment in our transformation. Your Board and executive team are confident that our strategy will result in a bank that is unique, optimised and ready to meet the ever-evolving needs of our customers while delivering sustainable returns to our shareholders.

We acknowledge the hard work of our people, who demonstrate unwavering passion for serving our customers every day. On behalf of the Board and executive team, we sincerely thank our people for their dedication, in a year that has seen significant change and challenge.

Thank you to our shareholders for your continued support.

Warwick Negus
Chairman

Patrick Allaway
Managing Director & CEO

(1) Yield at closing share price of $5.76 as at 31 August 2023.
(2) Previously called Integrated Risk Program.
(3) Against a 2020 baseline.

2023 ANNUAL REVIEW.

Engaging with our stakeholders.

Engaging with our stakeholders is crucial in building trusted relationships and in facilitating identification and prioritisation of key environment, social and governance (**ESG**) focus areas. This ensures matters of most importance are appropriately addressed by the Group. Across the year, we engaged with a range of stakeholders including customers, investors, employees, our broker network, communities, government, media, regulators and suppliers.

Stakeholder	Importance	Engagement
Customers	Our objective is to provide the best customer experience across relationship and digital banking. We partner with our customers to build long-lasting relationships and meet their evolving financial needs.	• Listening to customer feedback across various channels such as surveys, social media and our contact centres, with insights informing senior management decision making in our Executive Customer Committee. • Customer sustainability surveys and annual materiality assessment. • Market research to deeply understand customer needs. • Customer Relations specialists work with customers with the aim of resolving complaints. • Independent operation of the Customer Advocate Office within the Group highlighting the customer's voice, particularly customers experiencing vulnerability.
Investors	The Group's investors, both debt and equity, provide an important funding source. Investors expect sustainable returns, balanced with the need for the Group to continue investing capital, to create value for all stakeholders.	• Half year and annual results briefings, including two-way dialogue with the investment community. • Meetings with domestic and international institutional investors, proxy advisors and retail brokers, with any new information disclosed to the ASX as required. • Market research on investor needs, including external surveys. • Annual General Meetings held with shareholders encouraged to submit questions for Management and the Board prior to, and during the meeting.
Employees	Employees are vital to the ongoing success of the organisation. We value and celebrate diversity and inclusion and recognise our employees' capabilities in delivering outstanding customer outcomes.	• Regular workplace culture and engagement surveys. • Leader sustainability surveys and annual materiality assessment. • Team meetings, town halls, open forums with the executive team, leader presentations and webcasts. • Internal communications channels through internal social media, intranet, company-wide emails. • Affinity networks (employee resource groups).
Community and Society	We recognise the important role we play in contributing to local communities and society at large. Our local Owner Managers are genuinely connected with their communities and develop deep and life-long relationships.	• Community partner engagement and forums. • Volunteering and fundraising initiatives across the Group. • Facilitating employee participation of meetings, conferences and industry collaboration. • Regular discussions with non-governmental organisations on ESG issues and Bank strategy/policy developments.
Government and Regulators	Open and transparent communication with government and regulators is essential. A robust and competitive banking system is in the best interests of consumers and the economy.	• Ongoing engagement with, and prudential reporting to government and regulators. • Participation in policy development submissions, inquiries, and consultations. • Membership and active participation with the Australian Banking Association working groups. • Engagement with key State and Federal political and Departmental stakeholders. • Meetings and committee appearances.
Suppliers	Collaborative and effective relationships with suppliers, who share the Group's values, support our integrity and our goal to make a positive impact on society and the environment.	• Formal and informal discussions with material suppliers and ongoing vendor consultation including ESG engagement. • Ongoing monitoring framework to hold our supply chain accountable in our identification and denouncement of Modern Slavery. • Executive level engagement for strategic partner relationships. • Risk-based assessments through contract renewals and tender process.

Our material sustainability topics.

We conduct ongoing sustainability materiality assessments with internal and external stakeholders, to identify the most material environmental, social and governance issues affecting our business. The process for assessment is:

1. Review of BOQ Group strategic priorities, risks and current emerging megatrends,
2. Review of global standards such as the Global Reporting Initiative (**GRI**) and the International Sustainability Standards Board (**ISSB**),
3. Regulatory review,
4. Stakeholder survey of customers and BOQ Group senior management; and
5. Engagement with suppliers and community partners.

Through this process, we have identified 14 topics of material importance, which are unchanged from what we reported in 2022. Of these, the seven topics which are of most importance across both internal and external stakeholders are detailed below:

Customer Experience

Value Drivers:

Delivering exceptional customer experiences through consistent, fair, easy to use, and accessible-from-anywhere banking products and services; that can accommodate complex customer needs with a personal touch.

Fraud and Financial Crime

Value Drivers:

Ensuring that the company and its customers are protected from fraud, money laundering, tax evasion and other financial crimes.

Data Governance

Value Drivers:

Ensuring the ethical and safe protection of data and safeguarding systems from cybersecurity threats.

Ethical Business Conduct

Value Drivers:

Upholding the highest standards of ethical business conduct, including measures to promote human rights, anti-corruption, trust and ethical supply chains.

Innovation and Digitisation

Value Drivers:

Continuing to innovate and transform the business through digitisation to provide consistent and accessible services to customers.

Financial Resilience and Inclusion

Value Drivers:

Supporting a stronger Australia by ensuring we only lend what customers can afford to pay and helping historically unserviced customers and markets such as small business.

Customer and Business Resilience

Value Drivers:

Supporting economic resilience by managing macro trends and events such as cost of living challenges and potential fall in housing prices.

BOQ Group's sustainability disclosures are contained in the BOQ Group 2023 Annual Report (this report), BOQ Group 2023 Sustainability Supplement, BOQ Group 2023 Corporate Governance Statement and the BOQ Group 2023 Global Reporting Index and are prepared in accordance with Global Reporting Initiative GRI Standard (2016) - Core requirements. The disclosures also refer to the Task Force for Climate related Financial Disclosures recommendations and the United Nations' Sustainable Development Goals.

Our material topics are reported in:

- 2023 Annual Report: Priority material issues important to investors and other users of general purpose financial reporting.
- 2023 Sustainability Supplement: Material issues and data tables important to investors and broader stakeholders such as customers, employees or communities. This supplement can be found on our website www.boq.com.au/2023.

Our strategic priorities.

Our vision is to be the bank customers choose. To fulfil our vision, we are building a stronger, simpler, low cost, digitally enabled bank. We are committed to delivering the best customer experience across **relationship** and **digital** banking. Our strategic priorities are where we focus our time and resources to align with our purpose and values, create value for our stakeholders, and address the environmental, social and governance matters that are most important.

STRENGTHEN.

Building stronger foundations

Material ESG topic

- Ethical business conduct
- Fraud and financial crime
- Financial resilience and inclusion
- Customer and business resilience

Priorities

- Operational resilience
- Risk culture
- Maintain strong financial resilience
- AML/CTF uplift
- Agreeing RAPs with APRA and AUSTRAC
- Credit quality
- Governance

FY23 achievements

10.91%
CET1
Strong financial resilience

89%
of our people consider risk management core in decision-making

SIMPLIFY.

Removing complexity

Material ESG topic

- Customer experience
- Talent management

Priorities

- Process and automation
- Technology
- Property and procurement
- Operating model

FY23 achievements

Property footprint consolidation

Enterprise Agreement reached, 90% of eligible employees voted in favour

Exceptional customer and people experience.

DIGITISE.
Automating and innovating

Material ESG topic
- Innovation and digitisation
- Data governance

Priorities
- Leverage digital deposit capability
- Digital home loan
- Payments
- Cyber security
- Improved customer experience
- Decommission of legacy technology

FY23 achievements

GO me

ME Go launch, June 2023

3

Brands now operating on the digital bank

OPTIMISE.
Unlocking our potential

Material ESG topic
- Community support and empowerment
- Leadership and remuneration
- Our natural environment
- Responding to climate change
- Sustainable finance
- Diversity and inclusion

Priorities
- Prudent capital allocation with appropriate returns
- Improving CTI and ROE
- Investment in the business
- Diversified and lower cost of funding

FY23 achievements

Launched second Innovate Reconciliation Action Plan

$285m

in capital returned to shareholders

STRENGTHEN.

Building stronger foundations

Highlights

10.91%
CET1

89%
people consider risk management as core in decision-making

Why is this important?

We understand the importance of financial resilience in protecting the bank and our investors, allowing us to grow with our customers and support those in need, and to continue to invest in our transformation, including our people. Our increased focus on financial and operational resilience and risk culture will build stronger foundations to ensure we not only meet our regulatory requirements but deliver better customer, people, and shareholder outcomes. We are working to deliver a stronger bank with improved operational resilience, risk maturity and culture.

Our Business

Remedial Action Plans

In April 2023, we announced a multi-year program dedicated to improving our operational resilience, risk culture and AML/CTF compliance. Following this announcement, we entered into Court Enforceable Undertakings with two of our regulators, APRA and AUSTRAC to address weaknesses in our risk management practices and risk culture.

The Court Enforceable Undertakings will be addressed through two Group-wide, multi-year programs: Program rQ and AML First. At completion of these programs, the Group will be a stronger, better organisation leading to better customer outcomes and simpler processes for our people.

These programs are the Group's highest priorities and are overseen by management and Board. Targeted work-stream groups are accountable for specific action delivery.

Accountable:
Be the rubber that hits the road

Program rQ

Program rQ will deliver our APRA Remedial Action Plan, strengthening risk culture, governance, and operational resilience.

BOQ Group is strengthening our risk foundations to build a more resilient bank, for the benefit of our people, customers, community and regulators.

Program rQ encompasses work across key themes:

- Risk culture and leadership
- Governance and reporting
- Risk Management Framework
- The end-to-end risk and control environment
- Accountability and consequence management
- Risk capability and capacity
- Embedding sustainable change

Program rQ will improve the way risk is managed, to affect meaningful and sustainable change, addressing all requirements under the Court Enforceable Undertaking with APRA and supporting the achievement of the Group's strategic priorities.

AML First

AML First will deliver our AUSTRAC Remedial Action Plan, and is designed to address gaps and weaknesses across the AML/CTF operating model and ensure compliance with AML/CTF obligations.

The program's purpose is to:

- Diagnose all the AML/CTF issues we face across each element of the operating model
- Design, implement and embed actions to address and remediate those issues

Key focus areas for AML First include ensuring:

- The Group has strong AML/CTF foundations: roles and responsibilities are clearly defined and well understood, and there is strong AML/CTF risk maturity across all three lines of defence
- Issues do not reoccur: actions are strategic rather than tactical and are sustainably embedded
- Complexity, inconsistency, and weaknesses are addressed: the AML/CTF operating model is simplified, addressing a key root cause of current issues
- The control environment is appropriately risk-based and robust: AML/CTF risk is properly understood and measured, and controls to manage that risk are effective

Regulator engagement

We recognise and appreciate the Australian banking system has a robust prudential and regulatory environment which supports economic growth and stability.

Customer and business resilience

The implementation of Basel III reinforced the industry's 'unquestionably strong' capital position and improves the flexibility of the capital framework to respond during periods of stress. Given the economic uncertainty following elevated inflation and increasing interest rates over the last year, as well as our continued transformation program, the Group has ended this year with a CET1 ratio of 10.91 per cent, above the new management target of 10.25 - 10.75 per cent. This strong position reflects the prudent capital management of the Group.

Customer resilience

Our highly skilled Customer Assistance team provide support to customers affected by financial difficulties or hardship approving over 3,694 applications over the last year. The impact on asset quality and arrears is outlined on page 68-71.

Our People

Ethical banking

"Our strong financial resilience is demonstrated in our CET1 of 10.91% and Liquidity Coverage Ratio 154% at the end of FY23"

- Patrick Allaway, Managing Director and Chief Executive Officer

BOQ Group requires a high level of integrity across the organisation, we have high expectations of our people as set out in the Code of Conduct. The Code equips our people to make good decisions for our stakeholders and have the confidence to speak up if behaviour observed does not meet the requirements under the Code.

The Group's Whistleblower Standard and Whistleblower Policy operate as a private and confidential service alongside the Code of Conduct and encourages our people to speak up when they feel something isn't right.

Anti-bribery, corruption and fraud

BOQ Group operates a zero-tolerance approach to any form of bribery and corruption, and will treat potential instances of bribery or corrupt behaviour as a threat to our reputation and integrity as a business. The Group's Anti-Bribery and Corruption Policy sets out our approach to identify, manage and mitigate the risk of bribery and corruption.

The Group's Internal Fraud Investigation Standard sets out the way in which investigations into allegations of financial crime or serious misconduct of employees is managed, including the involvement of the Customer Advocate Office where an actual or potential customer impact is identified.

29	6	7
Breaches of Code of Conduct in FY23	Terminations due to breaches of Code	Whistleblower Reports

Of the 29 breaches of the Code of Conduct reported in FY23, six resulted in a termination of employment and the remaining 23 breaches resulted in formal warnings being issued with a small number choosing to resign.

Risk culture

We are focused on building the foundations of a strong culture, fostering the right mindsets, behaviours and outcomes.

A culture that promotes positive risk outcomes is critical in the achievement of our organisational purpose to ***Build Social Capital through Banking***. It protects the best interests of those who put their trust in us, including our customers, communities, people and shareholders.

The Group identified weaknesses in our approach to risk culture prior to the commencement of Program rQ and the announcement of Court Enforceable Undertakings from APRA and AUSTRAC in May 2023.

Our Risk Culture Framework was approved in March 2023, with six key elements defining and guiding the distinct cultural expectations our people should strive to live and breathe. We measure, monitor, report and act on our risk culture using this framework.

- Governance and leadership
- Accountability and personal responsibility
- Decisioning, transparency and challenge
- Capability
- Enablement
- Performance and reward

Under the Risk Culture Framework, a bi-annual Risk Culture Report informs the Board and allows constructive challenge of BOQ Group's risk culture including the extent to which culture supports our ability to operate consistently within agreed risk appetite. At BOQ Group, that means **risk is everyone's business** and we target a culture where staff at all levels manage risk as an intrinsic part of their day-to-day duties.

"Whether we think about Program rQ as risk intelligence, risk awareness, risk maturity, or that 'Risk is everyone's business', we all make better decisions when we actively use our "rQ" in everything we do at BOQ."

- David Watts, Chief Risk Officer

Pleasingly, in our most recent Pulse survey, 89 per cent of employees answered affirmatively that risk management is regularly considered and reflected as a core part of decision making in their teams. This metric is a strong focus for the executive team and the Board.

Our Customers

Customer reach and access

The Group's 147 branches and 32 mobile bankers serve customers in every Australian state and territory. There are 11,762 brokers accredited with BOQ, 8,081 accredited with Virgin Money and 15,266 accredited with ME.

Our customers have access to 2,256 ATMs through BOQ and partners Allpoint and atmx, giving customers ease of access to their funds, on their terms.

Consumer protections

We have certain compliance obligations particularly in our dealings with customers, such as those contained in the *National Consumer Credit Protection Act* and the Banking Code of Practice. We have target market determinations for all relevant products and services, to help ensure that only customers in a target market acquire those products or services.

In FY23, we implemented a range of actions to improve the way we process to identify and communicate regulatory change and address and report on compliance matters. This uplifts the way we manage compliance with consumer protection requirements and extends to compliance obligations more generally.

Customer privacy

We have a Privacy Policy that sets out the way in which we collect, store, use and disclose personal information, including credit-related personal information. We are committed to protecting personal information (including credit information and credit eligibility information) in line with *Privacy Act 1988 (Cth)*. Our people undertake annual training on privacy as part of their mandatory training requirements.

Customer disputes

We know that we don't always get it right. When this happens, we're committed to resolving customer complaints quickly and in FY23 our front line teams resolved 92 per cent of complaints within five business days.

We have an ongoing executive focus on using the insights gained from customer complaints to create a better experience for our customers, employees, and the community. Customer complaints is a standing agenda item for our Executive Customer Committee and our Board also receives monthly updates on complaint trends.

One key area our customers have told us they have been unhappy with is wait times to speak with our contact centres. This was compounded in some instances where customers were required to call us to perform tasks such as resetting their online banking passwords. In response to this feedback and in simplifying our business, we made changes to support customers to reset their own passwords and made operating model changes across our contact centres. As a result, we have seen a 51 per cent reduction in complaints about contact centre wait times in FY23.

Across the industry, there has been an increase in external dispute resolution cases, and we have also seen a 55 per cent increase in complaints to AFCA compared with last year. One of the key drivers of these complaints is the occurrence of scams. In response, we've invested in research to better understand how we can support customers who become a scam victim. We also invested in training for our complaints handlers to increase their capability to support customers should they become a victim of a scam.

74%	4.5%	55%
Complaints were resolved on the same day they were raised	Increase in internal complaints compared with FY22	Increase in external dispute resolution complaints compared with FY22

Following the Ramsay Review of 2017, Australian credit licence holders are required to report to the Australian Securities and Investment Commission their internal dispute resolution data every six months. As a Second tranche firm, BOQ Group was required to submit its first report for the period 1 January to 30 June 2023. This report was successfully delivered to ASIC.

Education in the local community

Trudy Azzopardi, Owner Manager of Bundaberg branch, held a scam awareness session in August for a group of residents at a local over 50's village. Helping the local community be scam aware is just one example of our Owner Managers' ***Building Social Capital through Banking*** and playing a key part in their local communities. Trudy is also a proud sponsor of her local women's football team, hosts community events and is a part of Bundaberg's Business Women's Network. It is no surprise she was recently a finalist in the Women in Banking & Finance Awards for her work with small businesses.

"It's great to connect with the community, especially when we are able to provide them with current information on scams they should be aware of. The session's content was well received and there were some great questions asked."

- Trudy Azzopardi,
Owner Manager Bundaberg

Fraud and scams

BOQ Group continues to work closely with our partners across the industry to protect Australians from scams and fraud. We are in close collaboration with other financial service providers and work together, through the Australian Banking Association, to raise awareness of the dangers of scams and fraud, share learnings, insights, and implement strategies across the industry to combat the growing risks.

The landscape for scams is rapidly changing and criminals are becoming more sophisticated and more targeted, with the ACCC reporting that Australians reported on average 21,404 scams per month to Scamwatch from February 2022 to February 2023.

We saw the number of scams and fraud cases reported and investigated by our team increase 30 per cent compared to FY22. While regrettably we were unable to prevent all instances of customer loss, our teams helped to protect our customers from losing more than $6 million.

Throughout FY23, we have increased education levels across the Group to improve the knowledge of our customers and bankers. This education has included improving content and materials on our website, including providing examples of recent scams to assist customers in identifying legitimacy of communication.

Harnessing the power of community, there has been localised information and training presentations developed for our BOQ branches. Branch teams work closely with customers and community organisations to provide free scam awareness sessions for customers, with a particular focus on protecting those most vulnerable, specifically older Australians.

We have also rolled out more dedicated communications to our contact centre staff, enabling higher scam awareness. Group-wide, we have introduced monthly scam, fraud and cyber education webinars which have been attended by more than 4,000 BOQ Group and Owner Manager network employees during FY23.

In building our digital platforms, prevention of scams has been a foundational element, with an investment of almost $1.5 million relating to fraud and scam prevention across our three platforms (since development). This has included the introduction of multi-factor verification of uncommon or infrequent transactions, to limit the potential for our customers to fall victim or scams or fraud. We have adopted additional tools to help create friction and slow down the speed of potential scam and fraud transactions in our new digital platforms.

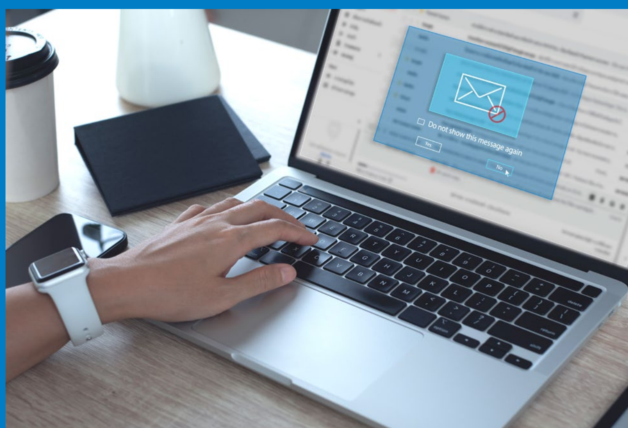
For some platforms, we have a partnership with ID Care, Australia and New Zealand's national identity and cyber support service. We are investing in new tools and technology to support the prevention of scams.

Scams impacting customers

Investment scams are becoming increasingly common. A BOQ Group customer found themselves to be the target after unknowingly providing full remote access to their device to a scammer, who intended to drain just under $97,000 of the customer's savings.

Having seen an increase in the prevalence of these types of scams, our Financial Crimes and Scams team proactively issued alerts to Customer Centres, which empowered staff to report initial suspicious activity on this customer's account of over $62,000 transfers, allowing swift recovery and preventing a further $34,000 from leaving accounts.

While the customer was not able to be contacted for several days, the team was hard at work keeping their savings safe.



SIMPLIFY.

Removing complexity

Highlights

Enterprise Agreement reached

Property Footprint consolidation progressed

Why is this important?

We operate in a highly regulated and intensely competitive market. Additionally, our business is impacted by legacy issues and complexity due to multiple acquisitions. As we simplify, we are reducing complexity and manual processes to improve customer and people experiences. We are working across the bank to drive productivity benefits while the investment in our digital transformation continues. This will make way for a leaner and more agile bank, with reduced inherent operational risk, ready to take on the challenges of tomorrow.

Our Business

Operating model

Over the course of our 149 year history, we've acquired complementary businesses to build our successful multi-brand approach. What we haven't done as well is fully integrate these businesses into our group structure. As a result, we have manual processes and a complex operating model which will, in part, be addressed through our ongoing digitisation, removing legacy technology and streamlining processes.

We realise however that we can't wait for technology to lead the way, we need to simplify and streamline our business now to be ready to take advantage of current and future opportunities. The transition to a shared services model will allow the Group to remove duplication and streamline operations across brands, channels and products. The new operating model will also provide the Group greater ability to integrate new, and deploy existing, capability, optimising resource and capital allocation.

Over the course of the year, changes were made to right-size the executive team to better reflect the Group's strategy, resulting in a highly engaged cohort of eight executive team members. Further detail of executive profiles and roles is detailed on page 49.

Operating model

Commencing 1 September 2023, we established a new operating model, which affirms the importance of putting the customer and people experience at the heart of everything we do and aligns to our strategic priorities. Our People & Customer team informs our decisions encompassing brand, marketing, communications, customer analytics, customer contact centres, community, purpose and people experience; our Retail and Business teams are responsible for growing and evolving our brands and driving future growth; Transformation & Operations oversee our ongoing transformation and are building a highly efficient shared services model. These business areas are supported by foundations of Technology, Finance and Risk.

ME integration

We have now completed our final year of what was an ambitious and opportune acquisition of ME Bank by the Group in 2021.

Acquiring this fresh and customer-centric brand into our multi-brand offering delivered geographical diversification and a distinct customer segment.

We achieved annual run-rate synergies in the final year of the integration program, of $72 million, in line with our expected $70 - 80 million.

Integration program costs were $133 million. Additionally, at the point of closing the program, we re-assessed the observed ways of working in our Melbourne offices and the clearer technology roadmap. In doing so, property and software assets were written down and we recognised an additional cost of $43 million.

Divestment of non-core activities

During FY23, the Group decided to sell a portfolio of assets held by BOQ Finance (NZ) Limited and the New Zealand branch of BOQ Equipment Finance Limited. This contributes to the simplification of the Group, removing the compliance burden of servicing a small lending portfolio in another jurisdiction. We have not entered into a contract for sale, however are continuing to actively market the portfolio and the sale is expected to be completed in the next 12 months.

Further, the Group will look to simplify its group structure in FY24 by deregistering a number of dormant entities.

Footprint

Throughout the year, we have been considering our physical footprint for our corporate offices and support functions. In simplifying our operating model, BOQ has an opportunity to materially reduce our ongoing premises costs.

We have consolidated our Perth-based call centre activities into our East Coast operations. Additionally, we are reducing our footprint at Newstead and Melbourne, have consolidated and reduced our footprint on the Gold Coast and subleased premises in Perth. We are actively pursuing a reduction of excess space in Melbourne and Sydney.

Our People

Enterprise agreement

In consolidating and streamlining our business, we have successfully negotiated a new employee enterprise agreement, from two expired enterprise agreements across both BOQ and ME employees.

The new agreement was pleasingly voted in favour by 90 per cent of eligible employees who participated in the vote, following an extensive good faith bargaining process. BOQ Group encouraged freedom of association through negotiation of terms with both Financial Services Union and employee representatives, recognising the differing cultures across heritage Bank of Queensland and ME Bank and giving a voice to these employees as to what terms they most value.

Optimistic:
To infinity and beyond

The agreement demonstrates the right balance between attractive terms and conditions for our people, with the sustainable growth and strengthening of the Group. It is a significant milestone in simplifying our business and broadening the scope of our employees covered by a clear and balanced enterprise agreement.

Our Customers

Engagement

Our customers are at the core of everything we do, and we focus on building long-term relationships, across all brands.

The customer's voice is strongly represented in all facets of the business. We have a responsibility to ensure customers across all our brands can engage with us in the way that suits them and provide feedback in an easy and timely way.

We have evolved governance around the customer experience through regular executive forums which share insights on matters of most importance to customers, elevate particular pain points, and allow for prioritisation and a focus on improving the critical points of customer experience.

This added focus on measuring experiences coupled with our digital transformation places us in a solid position to meet our aspiration of being top three in NPS in coming years, once digitisation is complete.

DIGITISE.

Automating and innovating

Highlights

3
brands now operating on the digital bank

ME Go launched with five charity-linked debit cards

Why is this important?

We're building an end-to-end digital bank, that can grow at scale and deliver exceptional experiences for our customers and our people. We know targeted digital models are not only levelling the playing field, they are also enabling smaller players to outperform their bigger rivals.

Our Business

Digitisation of BOQ

Since we announced our 2020 strategy to build a digital end-to-end bank, we have made material progress. VMA, myBOQ and ME Go apps have all now been launched to the market, and in a defining component of our strategy, these three brands are underpinned by a common digital platform.

During the year,we completed a full upgrade to the BOQ Specialist core banking platform, which will underpin the transformation of the business bank. This upgrade improved functionality and enables faster release of new features to our customers.

We are focused on the next phase of our digital transformation that will deliver digital mortgages, migrate all ME customers to the digital bank, enabling the decommissioning of existing ME systems. Once these significant milestones have been achieved, ME will be operating entirely on the new banking platform in a solely digital environment, evidencing our strategy to deliver a low-cost, scalable digital bank.

Partnerships

Our end-to-end digital bank is underpinned by Microsoft technologies. Last year, the Group entered into a strategic partnership with Microsoft to accelerate the delivery of our cloud strategy and build great customer experiences across all our channels. This partnership is also focusing on bringing new innovations to enhance our customer and employee experiences.

Decommissioning legacy

Building a new digital bank will enable the decommissioning of a significant number of legacy systems. This will simplify our current complex technology landscape reducing our cost to run, improving our cost of change and strengthening the business with higher levels of automation.

In FY23, we decommissioned over 10 per cent of our net technology asset portfolio.

Our People

Modern workplace tools

This year, our people were issued 'modern-managed' laptops, allowing for migration to Microsoft 365, which has improved collaboration and productivity across the business, while providing our people with the latest digital workplace tools and capability.

Our Customers

ME Go launch

Following the launch of ME Go in June 2023, all three retail brands are now available on the new digital banking platform. Customers have the ability to open an account and begin transacting in under five minutes.

Spirited:
Be outrageously courageous

In an Australian banking first, ME customers can choose from five charity-linked debit cards that align with their personal values. With each digital wallet payment, one cent will be donated to the charity of their choice: Beyond Blue, Australian Wildlife Conservancy, Minus18, National Breast Cancer Foundation and OrangeSky. In keeping with our commitment to the environment, the physical cards are made from 82 per cent recycled materials and feature braille, supporting financial inclusion for our products.

Open banking

The Consumer Data Right (**CDR**) regime (commonly referred to as "Open Banking" in the banking sector) is overseen by the Australian Competition and Consumer Commission (**ACCC**) and aims to give consumers more control over their banking data and improve their ability to compare and switch between products and services.

The Group is committed to complying with the CDR regime and continues to progress implementation of CDR requirements. We have a Rectification Schedule in place with the ACCC which sets out the status of its implementation of CDR requirements. The Rectification Schedule is publicly available.

Data

We now have a cloud native, real-time enabled data platform to support our digitisation. This gives us the foundations we need to provide hyper-personalised experiences for our customers across all brands and business lines.

We have also strengthened the governance of our data across the Group, uplifting our policies and frameworks relating to data risk and bringing more critical data elements (the data that supports enterprise obligations or critical business functions and processes) under management.

Cyber security

The global financial services sector is increasingly targeted by a higher volume of ever-more sophisticated cyber security threats. Customer data theft has increased throughout the finance sector as cyber criminals perceive financial organisations as vulnerable and able to pay ransoms given potential operational and reputational impacts.

To ensure our customers and network remains protected, BOQ Group has strengthened its cyber security maturity and capability with security by design, defence in depth and 'active defence' mechanisms to ensure security is robust and resilient. The landscape for cyber security is ever changing, and we continually evolve our practices and uplift capability.

The Group has been independently audited by leading cyber security audit and consulting firms, which have assessed the bank as having a resilient, mature, and continually improving cyber security posture. We have dedicated teams for cyber security incident response, threat management, vulnerability management, identity and access management, strategy, governance, risk management and security architecture.

The Group works closely with its cyber security service providers and industry-leading threat intelligence partners and security teams from other financial services organisations as part of our threat management and incident response functions. It also utilises intelligence-led exercises to test and improve security team response and performance. Cyber security audits and attestations are conducted annually for regulators, SWIFT, AusPayNet, insurers and other working partners. Monitoring also includes fundamental cyber security monitoring such as vulnerability monitoring, penetration testing and controls testing.

Cyber security performance is ultimately measured by our ability to protect the confidentiality, integrity and availability of our information. BOQ Group has had no breaches that resulted in public disclosure of data in the reporting period.

Digital financial literacy

The Group is committed to supporting customers who increasingly interact through digital channels to build financial literacy. To continually develop this, ME has delivered financial education content dedicated to helping 'Make Money Good' for all since 2016. ME's blog The Feed offers free money management content that is easy to understand, engaging and accessible to all Australians through digital channels.

Content published on The Feed is promoted through ME's digital channels to current and prospective customers including via social media, email and organic online search. Popular content delivered focused on helping customers plan for interest rate rises, understanding home loan deposit requirements, preparing for interest rate changes, refinancing, budgeting and financial hardship.

OPTIMISE.
Unlocking our potential

Highlights

$285m
in capital returned to shareholders

Recognition and Reward platform launched

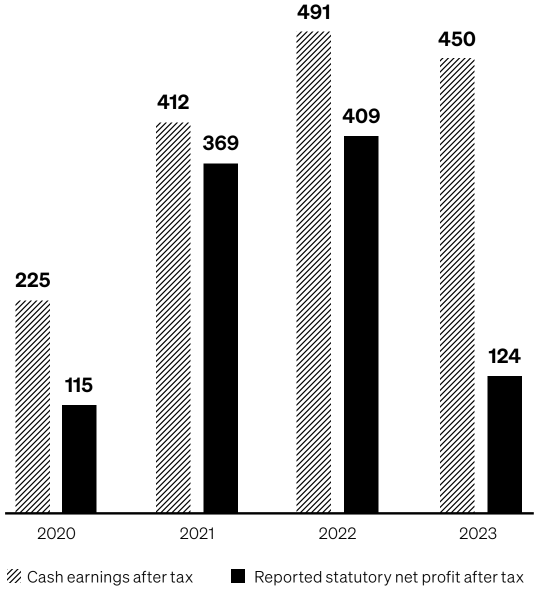
Why is this important?

When we optimise, we are making banking as good as it can be - for our customers, our people, our shareholders, and our communities. We are challenging existing norms, optimising our workforce by managing talent and ongoing diversity and inclusivity, and supporting the transition to a lower carbon economy. We are continuing to invest in the future of the Group, seeking to optimise the allocation of capital and our risk adjusted returns, to improve Return on Equity. We are steadfast in our commitment to deliver on our strategy and truly unlock the potential of BOQ Group.

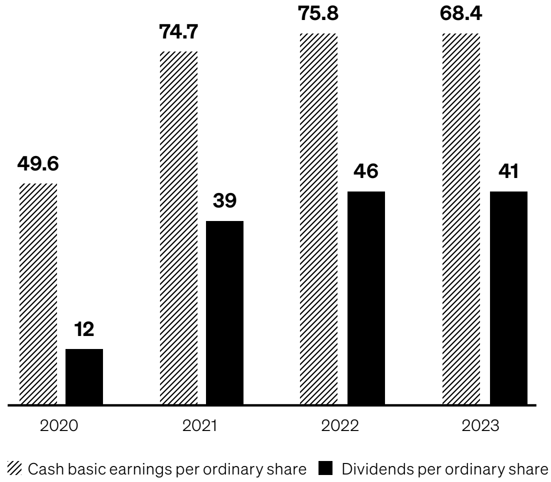
Our Business

FY23 financial performance

Profit results ($m)



Earnings and dividends (cents per ordinary share)



$450m
Cash earnings after tax
Down 8% from FY22

$124m
Reported statutory net profit after tax
Down 70% from FY22

68.4¢
Cash basic earnings per ordinary share
Down 10% from FY22

41¢
Dividends per ordinary share
Down 11% from FY22

1.69%
Cash net interest margin
Down 2bps from FY22

58.0%
Cash cost to income ratio
Up 150bps from FY22

7.3%
Cash return on equity
Down 90bps from FY22

$71m
Cash loan impairment expense
Up $58m from FY22

Further detail on the Group's financial performance is included from page 52.

Owner Manager branches

85 per cent of our branch network are run by Owner Managers, who differentiate BOQ Group through long term, deeply embedded relationships with our customers and their communities. Pleasingly, throughout the year we have been able to convert nine corporate branches to Owner Managed branches.

We welcomed 17 new Owner Managers to the Group this year, through both the conversion of corporate branches and by existing Owner Managers bringing a partner in to their business. Nine of these new Owner Managers were previously employed by the Group, demonstrating the unique career pathways available.

Through our Women in Franchise program, which empowers and enables women to seize the opportunity BOQ Group offers to become a small business owner, 36 per cent of our Owner Managed branches have a woman in the ownership structure.

Our fiercely caring Owner Managed Aspley branch was thoughtfully gifted home-grown produce, in recognition of the wonderful service our customer had received - banking doesn't get much better than that!

Lionhearted:
Be fiercely caring

Ride the subway

To deliver the best experience for our customers, our people need to deeply understand our customers' needs and perspectives. One way our non-customer facing colleagues can gain these invaluable insights, is by spending more time with their **lionhearted** frontline peers, through our Ride the Subway program.

There were 730 rides on the subway in FY23, with over 500 of our people visiting Owner Managed branches, corporate branches, customer contact centres, Customer Relations, Insurance and ME Mobile Bankers. The majority of these visits were undertaken by our non-customer facing staff.

> **"The key takeaway for me was the opportunity to better connect the dots for our people between how all our obligations can come together, to make or break a customer experience."**

- Hayley Watson, Head of Enterprise Capability

Curious:
Be truly, madly, deeply interested

Our People

Engagement and culture

Employee listening is how you capture and understand the employee experience. As part of our overall employee listening strategy, the Group conducts engagement surveys twice yearly to track progress on engagement, risk culture indicators, leadership and other cultural focus areas.

At the end of FY23, the Group engagement score was 65 per cent (a decrease from 67 per cent at the end of FY22). Pleasingly we saw significant uplift in the overall engagement across a number of divisions. We remain focused on improving our people experience.

Wellbeing

During the year, BOQ successfully introduced a new digital safety and wellbeing platform, Sonder. This platform supports psychosocial health, medical and safety for all employees. Knowledge articles to support employee wellbeing across a variety of topics such as parenting, leadership and neurodiversity are available on the platform. Since implementation, utilisation has increased to 22 per cent, a fivefold increase on the previous provider.

Sonder also provides 24/7 confidential and immediate support for medical, safety and mental health needs via chat, on the phone or in person.

Recognition

During the last quarter of this financial year, the Group successfully launched ThanQ, a unified recognition program that has been deployed across all brands, including our Owner Manager network.

Recognition from peers and leaders is a key driver of employee engagement and correlates with other business outcomes such as commitment, retention, and productivity.

We achieved 69 per cent adoption in the first 30 days, with a total of 850 people being recognised. ThanQ embeds our purpose and values through high frequency recognition and values driven reward.

THANQ.

The focus on uplifting employee engagement will continue into FY24 with planned deep dives into inclusivity, including background, age and caring responsibilities to deliver on our diversity, equity and inclusion strategy.

The Group will continue to invest in globally recognised and evidence-based diagnostics in its next culture survey, to inform the design of leadership programs and risk leadership capability across the Group.

69%	850	1.8k
Engagement in first 30 days	People recognised	Individual recognitions

Diversity and inclusion

At BOQ Group, we celebrate, value and include people of all backgrounds, genders and expressions, sexualities, cultures, bodies and abilities, and we want everyone to be able to bring their full true selves to work. We are committed to diversity and inclusion to provide a safe and inclusive environment that taps the collective genius of diverse talent to improve outcomes for our people, customers, communities and shareholders.

Inclusive:
Tap the collective genius

Our diversity policy can be viewed on our website and further detail on our inclusion milestones this year can be found in our Sustainability Supplement.

Flexibility and empowerment

The Group has continued to expand its hybrid working model, which encourages our people to find the balance that works for their teams, their well-being and the business, working both at home and in the office (up to 50 per cent of the time for most roles).

We recognise the value that is gained through in-person interactions and have run a range of networking and education sessions to facilitate the development of our people in building their relationships and collaboration opportunities across the organisation.

Training and development

All BOQ Group employees and representatives are required to undertake mandatory training that develops the knowledge and skills required to uphold the obligations and commitments we make to our customers, people, regulators and communities.

In addition, bankers have been supported to maintain and uplift their core capabilities via role-based training programs across residential lending, commercial lending, customer experience and risk practices. Examples of this are Domestic & Family Violence, Branch Risk Practices, Household Expenditure Measure training, Intermediate Commercial Lending, ME Go Launch and cross skill of existing teams.

Recognising the significant impacts of the changing economic environment, we are proactively preparing our people to support customers who may begin to experience financial difficulty. Workshops for retail bankers have been held which focuses on empathetic conversation skills, to help customers identify, understand and proactively alleviate or manage positions of financial difficulty.

In FY23, we refocused our commitment to our people through the Enterprise Capability and Talent Strategy. The strategy defines the core capabilities and underlying skills we need to deliver on our purpose and strategy and outlines the strategies we will take to build these with our people. We enable all BOQ Group employees to undertake self-paced professional development and certifications via comprehensive global learning libraries. The content covers personal and professional effectiveness, critical digital and data skills (with a particular

BOQ employees and interns taking part in the Careers Tracker program.

focus on Microsoft in line with our strategy) and leadership development. We remain focused on developing talent and careers with our signature leadership workshops.

Our support for capability extends to our community partners via financial literacy games which have been built and are delivered to First Nations students who participate in Clontarf and STARs foundations. More information on our community involvement can be found in our Sustainability Supplement.

Our Customers and Community

Our environmental commitment

We recognise the role we play in supporting our customers' transition to a lower carbon economy and have maintained carbon neutral operations through participating in the Australian Government Climate Active certification program.

We have adopted a series of operational emissions and other targets to contribute to the emission reductions required to meet the Paris Agreement temperature goals.

Climate change considerations are integrated into governance, risk management and strategy processes informed by the final recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (**TCFD**), detailed further on page 36 of this report.

Reconciliation action plan

The Group has launched its second Innovate Reconciliation Action Plan, outlining the actions the Group will take to achieve the vision of 'an Australia in which First Nations peoples have infinite opportunity and prosperity'.

Further detail on our commitment to First Nations reconciliation is included in our Sustainability Supplement.

Managing our strategic risks.

Risk management

Effective risk management is important given our role in society of supporting customers and the overall financial system, and as we execute on our vision to be the bank customers choose.

It is also important that we address the issues that we and our regulators have identified in improving our operational resilience, risk culture and AML/CTF compliance.

These issues will be addressed through two programs of work, Program rQ and AML First. As we progress these programs, the Group will be a stronger and better bank supporting our customers and other key stakeholders through effective risk management and better alignment to our purpose, strategy, values and behaviours.

Our Risk Management Framework comprises of systems, structures, policies, processes and people within the Group that manage material risks. Material risks are those that could have a material impact, both financial and/or non-financial on the Group or on the interests of our customers. The Group's material risks are categorised as: credit risk, market risk, funding and liquidity risk, capital risk, financial performance and management risk, compliance risk, financial crime risk, conduct risk, operational risk, technology risk, information security risk, data risk, third party risk, people risk, strategic execution risk and environmental, social and governance risk.

Our Risk Management Framework (**RMF**) is underpinned by our risk culture and our three lines of defence operating model. Our risk culture requires all staff to own risk outcomes. At BOQ Group, that means ***risk is everyone's business*** and we target a culture where staff at all levels manage risk as an intrinsic part of their day-to-day activities.

The Group applies a three lines of defence model in relation to the management of risk. The overarching principle of the model is that risk management capability must be embedded within the business to be effective. The Risk Management Strategy (**RMS**) describes the key elements of the framework and provides a holistic view of our strategy for managing material risks, including financial and non-financial risks, while the Risk Appetite Statement sets the appetite for the degree of risk the Group will accept in pursuit of our business plan and strategic objectives.

Risk culture

A strong risk culture is essential for the Group's Risk Management Framework to operate effectively. At BOQ Group we are focused on building the foundations of a strong culture fostering the right mindset, behaviours and outcomes.

We identified weaknesses in our approach to risk culture prior to the commencement of Program rQ and the announcement of Court Enforceable Undertakings from APRA and AUSTRAC in May 2023. Further details can be found on page 20 of this report.

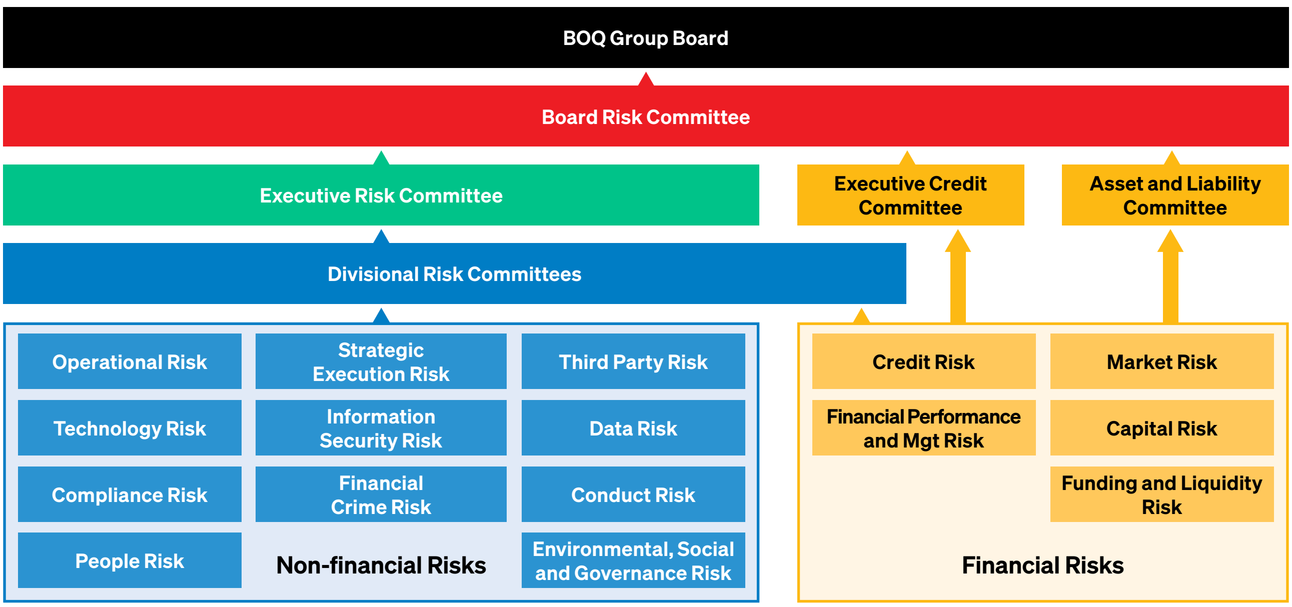
Three lines of defence

Three lines of defence is an operating model that defines our risk management structure within BOQ Group and prescribes the roles and responsibilities employees are expected to play in risk management.

Our first line of defence is our business units who are our risk owners and implement, maintain and enhance the Risk Management Framework. Our second line of defence is our Group Risk function who review and challenge the risk profile and Risk Management Framework. Our third line of defence is our Internal Audit function who provide independent assurance that the Risk Management Framework is being complied with and operating effectively.

Providing our people with the tools and resources to effectively manage risk in alignment with our strategy empowers them to be forthcoming and proactive, ultimately protecting the interests of those who put their trust in us, including our people, customers, shareholders and the community.

The below diagram illustrates the governance structure for managing the Group's key risks and how they are identified, measured, monitored and reported from management up to the Board.



Material risks.

Credit risk

Value drivers

The risk of loss in principal when a borrower or counterparty fails to repay a loan or meet contractual obligations in accordance with agreed terms.

Management

Our Credit Risk Management Strategy reflects our credit risk appetite and credit risk profile.

The objective of our credit risk management is to maximise the risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Accordingly, we manage the credit risk inherent in the entire portfolio as well as the risk in individual credits or transactions.

Market risk

Value drivers

The risk of loss in earnings arising from market factors such as changes in interest rates, currency exchange rates and credit spreads, fluctuations in bond or equity prices, or changes in the volatility of these risk factors.

Management

Our Treasury and Financial Markets Risk Policies detail the risk appetite, governance and control frameworks for traded and non-traded market risk, including principles which act as the litmus test for effective management of this risk. In addition, we maintain a comprehensive Limit Framework that controls all material market risks, including Value at Risk, stress and scenario testing, position limits, loss limits and monitoring.

Funding and liquidity risk

Value drivers

The risk of not meeting payment obligations when they fall due, loss on converting a position or selling an asset for cash to meet such obligations; and the inability to fund the balance sheet growth of the business in a timely and cost-effective way.

Management

We maintain a diverse and stable pool of potential funding sources, adequate liquidity buffers and short-term funding capacity to withstand periods of disruption. This is governed by our Treasury and Financial Markets Risk Policies, Contingency Funding Plan and Group Recovery Plan.

Capital risk

Value drivers

The risk of ineffective capital management which could result in a negative impact on the Group's capital levels and potential regulatory action or enforcement should the Group not meet minimum prudential requirements.

Management

To maintain financial resilience, the Board approves and oversees capital limits, triggers and target ranges set in the Risk Appetite Statement and the Internal Capital Adequacy Assessment Process (**ICAAP**). ICAAP and the Group Recovery Plan are designed to identify and manage potential threats and ongoing business viability.

Financial performance & management risk

Value drivers

The risk of loss arising from a failure to effectively manage the financial performance of the business, impacting shareholders and key stakeholders.

Management

Financial performance is governed through the Board and supplementary committees, including a Product & Pricing Committee with policies, processes and reporting in support of pricing, fee structures, and financial performance of our products.

Compliance risk

Value drivers

The risk of failure to comply with laws, regulations/regulatory standards, rules, industry standards and codes that apply to the business.

Management

We maintain a Compliance Management Framework that integrates compliance considerations into our business practices to manage our compliance with laws and regulations. The Group's Regulatory Change Framework helps to ensure that we identify, assess, communicate and implement regulatory change to ensure ongoing compliance. Our Governance, Risk and Compliance tool provides an organised way of managing relevant compliance matters, including in relation to obligations and compliance incidents. BOQ has implemented a range of significant actions over the past 12 months to improve its approach to manage compliance, with a range of further actions planned as part of the Group's Remedial Action Plans.

Material risks.

Financial crime risk

Value drivers

The risk of legal or regulatory sanctions, material financial loss or loss of reputation the Group may suffer as a result of its failure to comply with the requirements of relevant laws, regulations, or rules, with respect to AML/CTF, Trade and Economic Sanctions, and laws addressing Modern Slavery and Anti-Bribery and Corruption.

Management

Broadly, our AML/CTF obligations are managed through the customer lifecycle and subsequent monitoring, internal policies and procedures for which are governed by Part A and Part B of our AML/CTF Program. We have an AML/CTF Officer responsible for the maintenance and oversight of this program as well as Board oversight and approval. Through AML First, we will implement a range of enhancements to our approach to comply with our AML/CTF obligations.

Conduct risk

Value drivers

The risk of inappropriate, unethical or unlawful behaviour by our management or employees, which could have significant ramifications for our customers, shareholders, clients, counterparties and the markets in which we operate.

Management

Conduct risk is considered in the context of our customers' interests and is managed by People and Culture with assistance from Group Compliance and Legal. We aim to maintain a strong ethical organisation culture via embedded principles, policies, training, and data-informed monitoring to mitigate misconduct.

Operational risk

Value drivers

The risk of loss resulting from inadequate or failed internal processes or systems, or the actions of people.

Management

We have an Operational Risk Management Framework (**ORMF**) which defines our approach to operational risk management and is supported by underlying policies and standards. The ORMF also informs the running of divisional risk committees to ensure risk monitoring and profiling is effective throughout the business.

Technology risk

Value drivers

The risk of failed or degraded performance of IT systems due to changes, unexpected outages and ineffective lifecycle management of systems resulting in adverse financial and/or non-financial impacts for our Group, customers, shareholders and the community in which we serve.

Management

Our technology architecture ensures there is review, governance and approval channels that ensure sound management and sustainability of our technology investments. This is supported by our development, testing, change and release management, and our IT Incident Management Team. Technology risk is also managed in accordance with the ORMF.

Information security risk

Value drivers

The risk of information security incidents, including the loss, theft or misuse of data/information and the risk of failure to comply with rules and regulation concerning information security.

Management

Information security risks are managed through dynamic risk assessments by monitoring the threat landscape and the effectiveness of information security controls. Supported by the Board sub-committee. Transformation & Technology Committee, we govern our practices through key documents such as the Information Security Policy and Cyber Security Strategy. Information Security risk is also managed in accordance with the ORMF.

Data risk

Value drivers

The risk of inadequate data governance and/or inability to adhere and monitor the Data Risk Management Framework and its supporting policies, standards and processes. Further, it is the risk of poor data quality and failure to manage data appropriately through the data lifecycle, resulting in impact to customers, financial loss, reputational damage and non-compliance with legal and regulatory requirements.

Management

As reviewed and approved by the Enterprise Information Management Committee, our Data Risk Management Framework sets guiding principles and formalises the approach for the consistent management of data risk across BOQ Group in alignment with the ORMF and guidance contained in Prudential Practice Guide CPG 235 Managing Data Risk. Data risk is also managed in accordance with the ORMF.

Value Drivers Customer Finance People

Third party risk

Value drivers

Third party risk is the risk of failing to identify and manage operational risks resulting from the outsourcing of services or functions to a third party.

Management

All outsourcing agreements are subject to initial and ongoing due diligence and monitoring under our suite of outsourcing and supplier policies and standards, including where an outsourced arrangement is material. Compliance with CPS 231 and CPS 234 is considered as part of this due diligence and monitoring. Third Party risk is also managed in accordance with the ORMF.

People risk

Value drivers

The risk of losses or reputational damage arising due to inadequacies in human capital or poor management of human resources.

Management

Led by People and Culture, leaders across the organisation play a key role in managing people risk, together with our set purpose and values. Our people policies and frameworks inform learning programs, pulse and culture surveys, staff development, wellness and remuneration. These are governed by the Board Risk Committee and Remuneration Committee.

Strategic execution risk

Value drivers

The risk that the Group fails to execute on the strategy and delivery of expected outcomes against strategic goals which may lead to financial or reputational losses for the Group and its shareholders.

Management

The risks introduced via strategic planning and projects are managed via the Risk-In-Change process and governed by the ORMF, and considers risk introduced, delivered risks and benefit risks associated with the change. These are measurable through set clear objectives, benefits, roadmaps and project methodology.

The Executive Committee monitor strategic execution and report to the Board on necessary matters.

Environmental, social and governance risk

Value drivers

The risk of potential reputation and financial impacts that could arise from failing to effectively manage environmental, social, and governance events or conditions of the Group or its customers and suppliers.

Management

Our processes for identifying and assessing climate-related and social risks are integrated into company-wide risk management activities with a focus on material credit and operational risks. Refer to pages 36 - 41 for further details on how we manage climate risk.

Emerging risks

Emerging risks arise from changes in areas such as the competitive landscape, emerging technologies, macro-economic conditions, the regulatory and political environment and changes in social expectations and perspectives.

Management

The Group maintains a prudent approach to managing emerging risks. Risk committees at the group and divisional level meet several times throughout the year to assess, monitor and report on these accordingly.

Technology & Data Capabilities **Community** **Environment & Climate Change**

BOQ Group and climate change.

We acknowledge the impact climate change is having on our customers, our people, our suppliers and in the communities in which we operate. BOQ Group accepts climate change is the product of human influence and recognises the importance of economies to transition to a low carbon economy as recommended by the Paris Agreement to keep global warming to 1.5 degrees Celsius.

We understand the challenge we face to rapidly reduce the drivers of climate change and we are taking action to rapidly reduce and offset our operational emissions and working to support the transition to net zero.

Climate Active NETWORK MEMBER

Climate Active carbon neutral organisation since 2021[(1)]

81%

reduction in Scope 1 & 2 greenhouse gas (**GHG**) emissions from a FY20 baseline. On track to meet our targets[(2)]

84%

of our electricity consumed from renewable sources. On track to achieve 100% by 2025[(3)]

48%

increase in lending to Sustainable Assets[(4)]

Governance

The BOQ Group Board and Risk Committee oversee responses to climate-related events, opportunities and strategies and are responsible for reviewing and approving respective climate-related objectives, performance, goals and targets.

Progress on climate change commitments and targets are reviewed by the Board through our Sustainability Balanced Scorecard and bi-annual sustainability updates. Updates to policy, regulatory and liability responses to climate change are reported to the Board and the Risk Committee on a regular basis as needed. The Board delegates the day-to-day management of Environmental and Social Governance (**ESG**) and opportunities including climate change to the Executive Team.

The executive team is accountable for BOQ Group's actions and commitments to embed climate change into the Group's business strategy and risk management.

Topics presented to the executive team and Board in FY23 include:

- ESG education program including developments in ESG governance and development of international sustainability disclosure standards;
- Updates to the development of international sustainability climate risk reporting standards;
- Regulatory updates including climate-related legislation;
- Climate change-related targets and performance of emission reduction activities; and
- Updates to the Nature-related Financial Disclosure developments and interaction with climate related financial disclosures.

Board

The Board is responsible for oversight of the Group's approach to and management of climate change.

Risk Committee

Oversight of management of climate-related risks.

Executive Team

Ultimately responsible for embedding climate change into the Group's risk management and business strategy.

Sustainability Working Group

Supports the Executive Team with development and implementation of climate initiatives and reporting requirements.

The Sustainability Working Group (**SWG**) supports the Executive Team and is composed of senior representatives from across the organisation responsible for the development and execution of climate initiatives and reporting. The SWG's role is to oversee day-to-day climate and sustainability management and keep our leadership teams informed about climate-related issues and our progress towards meeting climate commitments and targets.

(1) The Australian Government Climate Active certification program verifies carbon neutrality by assessing and accrediting organisations based on their emission reduction efforts and climate action initiatives.
(2) Bank of Queensland Limited commits to reduce organisational scope 1 and 2 emissions by 90 per cent by 2030 compared to a 2020 baseline.
(3) BOQ Group commits to source 100 per cent of our operational electricity from renewable sources by 2025. We utilise 100 per cent certified GreenPower renewable energy at all sites where the Group can choose its energy supplier and additionally purchase renewable energy attribute certificates.
(4) Refer to our 2023 Sustainability Supplement page 30 endnote 5 for a complete description of Sustainable Assets.

BOQ Group and climate change.

Risk management

BOQ Group engages with Australian and global financial industry associations to continuously enhance our comprehension of climate-related matters, their business implications, and the evolution of regulation, assessment, and disclosure practices. This proactive engagement enables our Group to stay informed about shifts in the climate-related landscape and managing compliance with any legislative or regulatory requirements that may arise.

In September 2021, we undertook scenario analysis to understand future potential exposures to climate risks and opportunities, and to inform how climate change mitigation and adaptation could be incorporated into our strategy, to capture commercial opportunities, customer support and operational resilience.

Our Risk Management Strategy (**RMS**) and Risk Appetite Statement (**RAS**) identifies environmental risk (which incorporates climate risk) as a subcategory of our material ESG risk, for which we have a defined approach and a 'very low to low' risk appetite. Climate change considerations are also incorporated into the management of our material credit risk and our material funding and liquidity risk.

The management of climate change is considered in our business primarily through credit policies overseen by the Executive Credit Committee. In addition, a Prohibited and Restricted Industries List is also maintained. Credit risk operational activities are assessed at a portfolio level as well as at an individual credit exposure level on a case by case basis.

Property valuations consider physical climate risks such as flooding and bushfires in estimating the value of properties, which BOQ Group uses as a basis for determining an appropriate level of lending to be extended relative to that property value.

We have integrated our understanding of climate-related events into customer assistance team processes focusing specifically on customers suffering from financial difficulty because of climate-related disasters such as flooding, cyclone, or bushfires.

BOQ Group and climate change.

Strategy

BOQ Group is committed to supporting Australia and our customers to transition to a low-carbon and climate-resilient economy. Our climate change strategy is shaped by prioritising opportunities within our sectors, collaborating with our suppliers and engaging with the communities where we operate. Our financing has minimal exposure to high emitting sectors [1] with over 78 per cent of our lending concentrated in residential mortgages and other lower emitting sectors.

The table below outlines the proportionate credit exposures of lending activities.

Credit risk [2][3]	**FY23**		**FY22**	
Sector	**$m**	**% of Total Exposure**	$m	% of Total Exposure
Residential mortgages	**62,738**	**77.8**	63,420	78.6
Property and construction	**6,887**	**8.5**	6,642	8.2
Healthcare	**2,763**	**3.4**	2,762	3.4
Professional services [4]	**2,431**	**3.0**	2,462	3.1
Agriculture	**1,232**	**1.5**	1,163	1.4
Transportation	**606**	**0.8**	542	0.7
Manufacturing and mining	**682**	**0.8**	635	0.8
Hospitality and accommodation	**841**	**1.0**	827	1.0
Other [5]	**2,453**	**3.0**	2,258	2.8
Total	**80,633**	**100.0**	80,711	100.0
Total loans and advances (per balance sheet)	**80,556**		80,931	

(1) High emitting sectors could include agriculture, aluminium, cement, coal, iron and steel, oil and gas, power generation and transport.
(2) Credit exposures are as at 31 August 2023 and reflect gross on-balance sheet amounts adjusted for unearned finance lease income and excluding credit exposures in relation to credit cards, overdrafts and personal loans.
(3) Industry classifications are based on the Australian and New Zealand Standard Industrial Classifications (**ANZSIC**) of the customer for each business lending facility aggregated by the sector category most relevant to each ANZSIC industry classification.
(4) Professional services consists of the financial and insurance, and professional, scientific and technical services ANZSIC industry classifications.
(5) Other consists of the wholesale and retail trade, electricity, gas and water services, Information media and telecommunications, administrative and support services, public administration and safety, education and training, arts and recreation and other services ANZSIC industry classifications. Other also includes non-Australian customer lending.

BOQ Group and climate change.

Physical and transition climate risks and opportunities have previously been explored against our strategy through scenario analysis, and reflect potential impacts in the short term (0-5 years), medium term (10 years) and long term (20+ years).

Climate Risks (R)/Opportunities (O)		Timeframe	Potential impacts on BOQ Group customers and the Group
PHYSICAL			
ACUTE			
R & O	Extreme weather events including flooding associated with extreme rain, cyclones, storms and bushfires	Short to long term	• Decline in value of assets due to impact • Rise in insurance premiums or inability to obtain insurance • Business disruption • Devaluation of collateral • Increased expenses • Reduced profitability • Increased arrears, hardship and impairments
CHRONIC			
R	Weather changes such as rising temperatures, sea levels and drought	Long term	
TRANSITION			
POLICY			
R	Government climate policies (e.g. carbon taxes and cross border tariffs)	Short to medium term	• Reduced market competitiveness • Increased operating costs/complexity • Increased credit risk
R	Increased climate regulation for financial institutions	Short term	• Enhanced reporting and compliance obligations
TECHNOLOGY			
R & O	Transition to renewable energy, lower emissions technology and electrification	Short to medium term	• Increased/decreased costs • Increased/decreased profitability • Obsolete assets • Increased/decreased credit risk
MARKET			
R	Disruption of carbon-intensive industries and associated value chains	Short to medium term	• Obsolete assets • Devaluation of collateral • Increased arrears, hardship and impairments
O	Growth of low carbon sectors	Short to long term	• Increased profitability • Reduced carbon intensity of loan book
R & O	Shift in demand for services and products	Short to medium term	• Increase/decrease of customers and income • Increased costs/complexity from new products
REPUTATION			
R & O	Increased climate risk focus from investors	Short to medium term	• Increased/decreased cost of capital
R & O	Alignment with customer and employee values on climate change	Short to medium term	• Higher productivity, increased ability to retain and attract talent • Increase/decrease of customers and income
LIABILITY			
R	Increased stakeholder activism/litigation against organisations demonstrating insufficient climate action	Short to medium term	• Business disruption, increased costs • Director liability • Reputational damage

We have explored potential climate change related impact on our strategy through scenario analysis of physical and transition risks.

Physical risk scenario analysis has been undertaken on BOQ's residential lending portfolios and the BOQ Business property and construction portfolios [1]. Transition risk analysis has been undertaken across commercial lending and asset finance and leasing activities to assess risks and opportunities from disruption of carbon intensive sectors, and growth of low carbon sectors.

(1) Physical scenario analysis undertaken in 2021 assessing residential and business property and construction portfolios exposure to extreme heat and rain, very high fire days, cyclones and east coast lows, extreme sea level events, and chronic temperature and sea level rise. RCP4.5 and RCP8.5 reference scenarios were considered at a 2030 and 2050 timeframe. The assessment considered 85 per cent of BOQ credit risk and is largely equivalent to the 2023 portfolio mix. Additional detail on the 2021 analysis is available in the 2021 Annual Report.

(2) Transition risk analysis undertaken in 2021 commercial lending and asset finance and leasing across BOQ, BOQF and BOQS. The assessment was considered additional costs upon a sector as a result of its direct and indirect emissions from a carbon price under the relevant scenario. NGFS Orderly (1.5°C and 2°C aligned) and Disorderly (1.5°C and 2°C aligned) reference scenarios were considered at a 2030, 2040, and 2050 timeframe. For the analysis, sectoral exposure remained constant, aligning with our current strategy. Scenario analysis process uses a carbon price as a representation of a suite of policies and regulations which may or may not be purely financial. Additional detail on the 2021 analysis is available in the 2021 Annual Report.

BOQ Group and climate change.

Physical risk analysis outcomes

BOQ Group has a nationally diversified geographic spread with highest concentrations of physical risk on the Queensland coast, central and southeast New South Wales coast and metropolitan Victoria. Scenario analysis found increases in extreme rain and conversely extreme heat events are likely to be experienced under a range of scenarios and timeframes.

Our exposure to physical climate risk remains low over the short term with strategy and risk management controls in place including enhanced consideration of potential hazards in valuations at origination and our customers maintaining insurance protection in accordance with their lending contracts. In the longer term, insurance affordability or inability to insure will need to be tracked.

Our insurance partnerships allow BOQ Group retail brands to offer streamlined nationally available insurance protection via direct to consumer and aggregator platforms.

Our insurance offerings include the use of smart technological solutions to support customers in proactively reducing the risk of claims and moderating insurance costs.

Our white labelled insurance offerings contain features which strives to help mitigate the risk of underinsurance including sum insured estimates provided during the quote process and included benefits of an additional 30 per cent of the sum insured to cover costs such as home design and demolition costs. Our insurance offerings provide discounts at point of sale to help reduce the cost of insurance to overcome barriers to entry and reduce the risk of underinsurance.

Transition risk analysis outcomes

BOQ Group has no exposure to fossil fuel power generation and minimal exposure to equipment directly used in the extraction of fossil fuels. BOQ Group has minimal business lending exposure to high emitting sectors[(1)] likely to be impacted by transition risk under the ambitious decarbonisation scenarios.

More than 70 per cent of BOQ's business lending portfolio is exposed to sectors with a minimal impact from the additional costs expected during a transition to net-zero emissions under a range of scenarios and timeframes.

Certain lending segments in our portfolio encompass industries expected to encounter transition challenges, notably agriculture, non-metallic mineral product manufacturing, and waste collection and disposal services. It's worth noting that the impact of transition costs on these industries may be mitigated by the sustained demand for their products or services.

BOQ Group's typical loan terms for these sectors are relatively short, providing opportunities for periodic reassessment and continued support for our customers' transition efforts at renewal intervals.

Targets and metrics

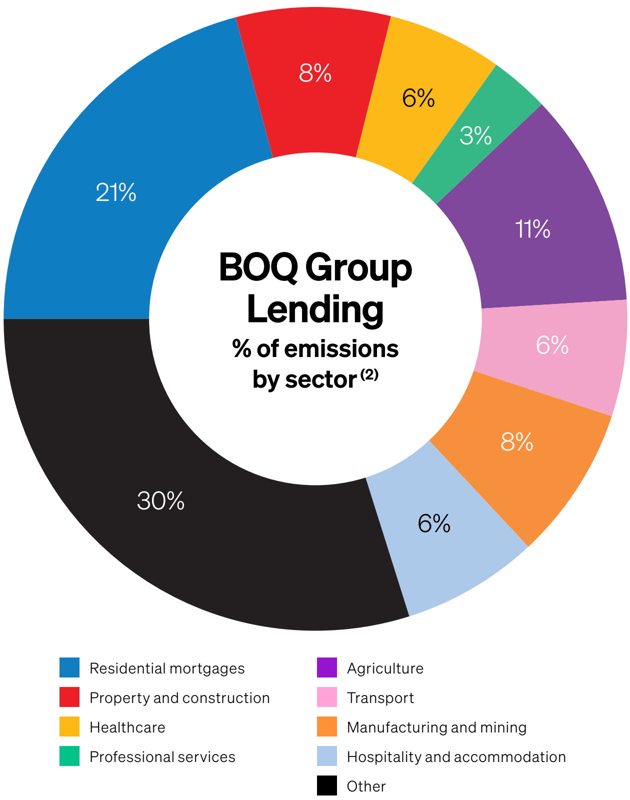
Financed emissions

BOQ Group acknowledges that assessing financed emissions plays a crucial role in addressing climate-related risks and opportunities.

The carbon intensity of the loan book in FY23 was 0.03kg of CO_2-e per $1 loaned. Following uplifts to residential mortgage greenhouse estimation methods in FY22, the approach for estimating emissions from commercial real estate where loans are secured against a specific asset has been refined in FY23. The approaches employed for mortgages and commercial real estate conform to the Partnership for Carbon Accounting Financials (**PCAF**) framework, with data quality scores of five and four, respectively.

BOQ Group estimates the emissions for remaining commercial lending and asset finance activities by applying industry-sector emissions factors to lending exposure. The approach for commercial lending aligns to the PCAF framework by estimating attributable operational emissions with a data quality score of five. The approach for Asset finance is not in full alignment to the PCAF framework for asset finance because asset finance emissions associated with motor vehicles are treated as commercial lending rather than motor vehicle loans.

Refer to our 2023 Sustainability Supplement for financed emissions methodology.



(1) High emitting sectors could include agriculture, aluminium, cement, coal, iron and steel, oil and gas, power generation, and transport.
(2) Due to rounding, numbers presented may not add up to the totals provided.

BOQ Group and climate change.

Climate-related targets

BOQ Group is on track to meet all climate-related targets.

Target	Status	Progress
Maintain operational carbon neutrality	BOQ continued our commitment to being a carbon neutral organisation via the Australian Government Climate Active certification program	Achieved
Reduce Scope 1 and 2 emissions by 90 per cent and supply chain Scope 3 emissions by 40 per cent by 2030 compared to 2020 baseline (1)	90 per cent reduction in Scope 1 and 2: 81 per cent achieved	Well progressed
	40 per cent reduction in supply chain Scope 3: 41 per cent achieved	Achieved
Cease funding equipment directly involved in the extraction of fossil fuels by end the of 2024	As at 31 August 2023, our exposure to equipment directly involved in the extraction of fossil fuels was $4.6 million representing 0.006 per cent of lending	Well progressed
Achieve 100 per cent renewable electricity by 2025	84 per cent renewable electricity (2)	Well progressed

Below expected progress   Steady progress   Well progressed   Achieved

Operational greenhouse gas footprint

In 2023, we maintained Australian Government Climate Active carbon neutrality certification across our operations, successfully striking a balance between the greenhouse gas emissions generated by our business operations and the external offset emission reduction initiatives we support. While we work towards minimising our footprint, BOQ Group supports accredited projects that reduce emissions and produces verified offsets. Our use of offsets can be found in our 2023 Sustainability Supplement on page 16.

We have continued to make progress by reducing our greenhouse gas emissions footprint by 21 per cent compared to 2022.

These reductions have been achieved through implementation of our renewable energy strategy now supplying 84 per cent of our electricity needs, continued deployment of zero and low emissions vehicles into the fleet, and direct engagement with our material upstream suppliers. Engagement with suppliers has provided a material reduction to the Scope 3 purchased goods and services category as result of acknowledging the emission reduction activities of our partners. Additional details of the split of greenhouse gas emissions can be found in our 2023 Sustainability Supplement on page 28.

Greenhouse gas emissions (tCO2-e) (3)	FY23	FY22	Change
Scope 1	**399**	423	(6%)
Scope 2	**803**	2,597	(69%)
Scope 3	**28,999**	35,025	(17%)
Total	**30,201**	38,045	(21%)

(1) Scope 1 emissions represents direct greenhouse gas emissions from fuel combustion for BOQ Group corporate operations including branches and support centres.
Scope 2 emissions represents market based indirect greenhouse gas emissions from consumption of electricity for BOQ Group including branches and support centres. Market based includes the impact of renewable electricity instruments or contracts.
Scope 3 emissions represents indirect greenhouse gas emissions from the BOQ Group supply chain including embodied emissions from data centres, IT software and hardware, capital works and repairs to buildings, communications, office equipment, furniture, legal and insurance, consultants supporting BOQ Group strategy and head office operations, business travel, waste disposal, employee commuting, and work from home emissions. These estimates represent categories 1 - 9 of the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Scope 3 emission estimates include supplier-based data where available excluding contributions of offsets purchased by vendors. Emission estimates are prepared in accordance with the Climate Active accreditation program following the principles of the GHG Protocol.

(2) We utilise 100 per cent certified GreenPower renewable energy at all sites where the Group can choose its energy supplier and additionally purchase renewable energy attribute certificates.

(3) Organisational footprint represents Scope 1, Scope 2 (market based), and Scope 3 organisational Scope 3 supply chain emissions as per the principles outlined in (1). Organisational footprint excludes financed emissions. Reduction in FY23 organisational greenhouse gas emissions from a combination of enhanced climate engagement with major supply chain vendors for more accurate reporting, implementation of fleet efficiency measures, and implementation of our renewable energy strategy.

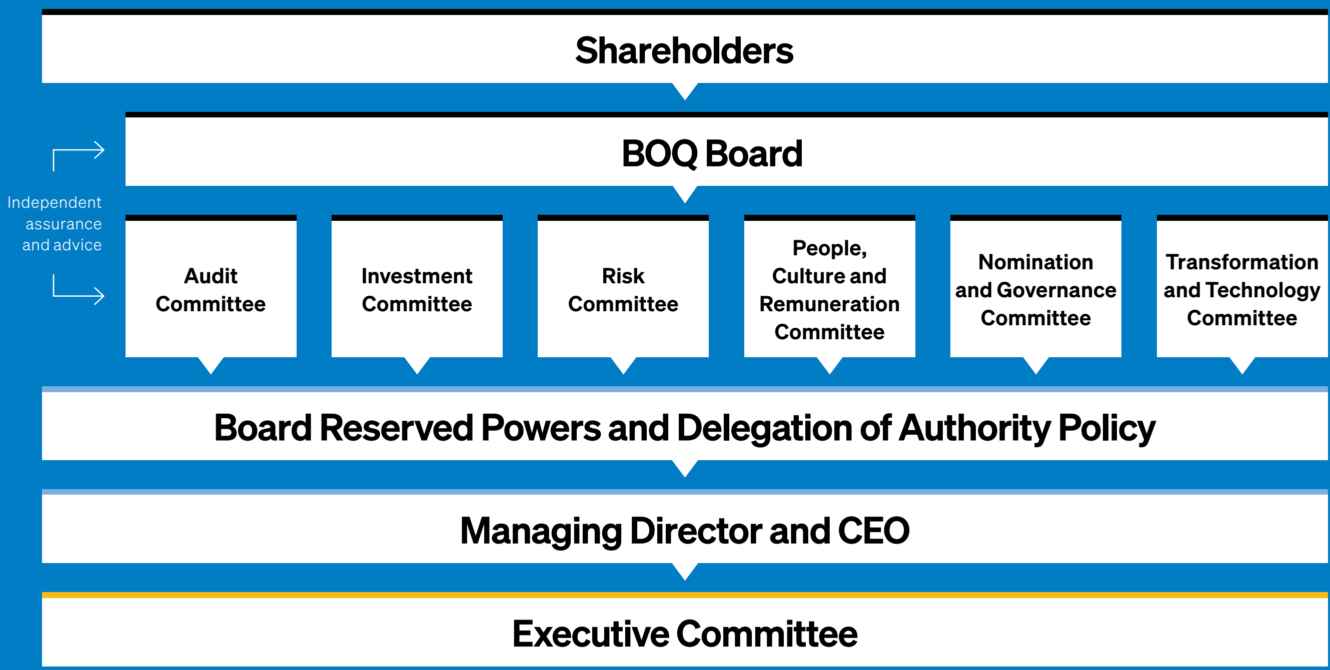
CORPORATE GOVERNANCE.

Overview.

Corporate governance framework

BOQ continues to enhance our governance and risk management practices to meet the expectations of our stakeholders. Further details on our Corporate Governance policies and practices and Board areas of focus are set out in our Corporate Governance Statement which has been prepared in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition). The FY23 Corporate Governance Statement can be viewed at boq.com.au/2023.

BOQ's Board is responsible for setting the strategy and risk appetite of the Bank and for leading the culture and values for our people. The Corporate Governance framework sets out how the Board delegates to management and provides oversight and governance of key decisions.



Board of Directors.

Warwick Negus

Non-Executive Independent Director
B Bus, M Com, SF Fin

Warwick Negus was appointed a Director of BOQ on 22 September 2016 and its Chairman on 27 March 2023.

Warwick brings more than 30 years of finance industry experience in Asia, Europe, and Australia. His most recent executive roles include Chief Executive Officer of 452 Capital, Chief Executive Officer of Colonial First State Global Asset Management, and Goldman Sachs Managing Director in Australia, London, and Singapore. He was also a Vice President of Bankers Trust Australia and a Director of the University of NSW (**UNSW**) Foundation and FINSIA.

Warwick is Chair of Dexus Funds Management Limited, and a Non-Executive Director of Virgin Australia Holdings Pty Ltd and Terrace Tower Group. He is a member of the Council of UNSW.

Patrick Allaway

Managing Director & Chief Executive Officer
BA, LLB

Patrick Allaway was appointed as Managing Director & Chief Executive Officer on 27 March 2023 for a period up to December 2024, following his role as Executive Chairman. This was made a permanent role on 14 August 2023.

Patrick has extensive senior executive, non-executive, and corporate advisory experience across the financial services, property, media, and retail sectors.

Patrick's executive career was in financial services with Citibank and Swiss Bank Corporation (now UBS) working in Sydney, New York, Zurich, and London. He was Managing Director SBC Capital Markets & Treasury with direct responsibility for a global business.

Patrick brings over 30 years of experience in financial services across financial markets, capital markets, institutional banking, and corporate advisory. He has extensive experience in leading large global teams, transforming businesses and managing customer activities with global responsibility for serving corporate and institutional customers.

Patrick has over 15 years of Non-Executive Director experience and was formerly a Non-Executive Director of Allianz Australia, Dexus Funds Management Limited, Macquarie Goodman Industrial Trust, Metcash Limited, Fairfax Media, Woolworths South Africa, David Jones, Country Road Group, and Nine Entertainment Co. He chaired the Audit & Risk Committees for Metcash, David Jones, and Country Road Group.

Patrick is currently a member of the Adobe International Advisory Board. Adobe is a leading global technology company, ranked in the top 50 of all global companies by market capitalisation.

Bruce Carter

Non-Executive Independent Director
B Econ, MBA, FAICD, FICA

Bruce Carter was appointed a Director of BOQ on 27 February 2014.

Bruce was a founding Managing Partner of Ferrier Hodgson South Australia, a corporate advisory and restructuring business, and has worked across a number of industries and sectors in the public and private sectors. He has been involved with a number of state government-appointed restructures and reviews, including chairing a task force to oversee the government's involvement in major resource and mining infrastructure projects. He had a central role in a number of key government economic papers, including the Economic Statement on South Australian Prospects for Growth, the Sustainable Budget Commission, and the Prime Minister's 2012 GST Distribution Review.

Bruce has worked with all the major financial institutions in Australia. Before Ferrier Hodgson, he was at Ernst & Young for 14 years, including four years as Partner in Adelaide. During his time at Ernst & Young, he worked across the London, Hong Kong, Toronto, and New York offices.

Bruce is currently Chair of AIG Australia Limited, Australian Submarine Corporation and Sage Group Holdings Limited, and a Non-Executive Director of Lovisa Holdings Limited. He formerly chaired the Boards of Aventus Capital Limited and One Rail Australia and was a Non-Executive Director of Crown Resorts Limited, SkyCity Entertainment Group Limited and Genesee and Wyoming Inc (NYSE).

Board of Directors.

Dr Jenny Fagg

Non-Executive Independent Director
PhD (Risk), B Econ (Hons Psychology)

Dr Jenny Fagg was appointed a Director of BOQ on 13 October 2021.

Jenny brings to the Board more than 30 years executive experience across leading financial services institutions in Australia and abroad. Most recently, she cofounded 2Be Finance, a lending fintech. Previously, Jenny served as Chief Risk Officer for AMP driving the transformation agenda for risk culture and systems following the Hayne Royal Commission.

She is recognised for her turnaround credentials fostered as SEVP of Retail Products of CIBC (Canada), as CEO of ANZ National Bank (New Zealand) and as MD of ANZ Consumer Finance. Jenny holds a PhD in Management (Risk) from University of Sydney and a Bachelor of Economics (Honours in Psychology) from the University of Queensland. She currently serves on the National Breast Cancer Foundation Board.

Deborah Kiers

Non-Executive Independent Director
B.Sc (Hons), MPA, MAICD

Deborah Kiers was appointed Non-Executive Director of the Bank in August 2021.

Deborah previously acted as a Director of ME Bank since July 2020. She is currently a Non-Executive Director for IFM Investors and holds the positions of Chair of the Responsible Investment and Sustainability Committee and Chair of the Board Audit and Risk Committee. She is also Chair of the Tiverton Agriculture Impact Fund and Non-Executive Director of Downforce Technologies Limited.

Deborah's career includes 30 years of corporate advisory and consulting support to boards, CEOs, and executive management teams across a range of industries including Financial Services, Energy and Resources, Industrials, Property, Infrastructure and Regulated Utilities, both in Australia and internationally.

Her corporate support included strategy, enterprise transformation, M&A integration, leadership transition and development, and building synergies between strategy, culture, and performance.

Karen Penrose

Non-Executive Independent Director
B Com, CPA, FAICD

Karen Penrose was appointed a Director of BOQ on 26 November 2015.

Karen is an experienced non-executive director and banker. As a banker, Karen has 20 years of experience leading businesses within Commonwealth Bank of Australia and HSBC and over ten years in accounting and finance roles. She has particular expertise in the financial services, health, property, resources and energy sectors. Karen is a Non-Executive Director of Cochlear Limited, Ramsay Health Care Limited and Estia Health Limited.

She is also a Director of Ramsay Générale de Santé and Rugby Australia Limited. Karen was formerly a Non-Executive Director of Vicinity Centres Limited, AWE Limited, Spark Infrastructure Group, Landcom, and Future Generation Global Investment Company Limited. She is a member of Chief Executive Women.

Mickie Rosen

Non-Executive Independent Director
B.A., Economics, MBA

Mickie Rosen was appointed a Director of BOQ on 4 March 2021.

Mickie has three decades of strategy, operating, advisory, and board experience across media, technology, and e-commerce. She has built and led global businesses for iconic brands such as Yahoo, Fox, and Disney, as well as early-stage companies including Hulu and Fandango.

Mickie is also a Non-Executive Director of Nine Entertainment Co and FaZe Clan in the United States. Prior, she served on the boards of Pandora Media and Ascendant Digital Acquisition Corp, was the President of Tribune Interactive, and concurrently the President of the Los Angeles Times. Mickie commenced her career with McKinsey & Company, is based on the West Coast of the United States, and holds an MBA from Harvard Business School.

Company Secretary

Fiona Daly

LLB, LLM, AGIA,
ACG, MAICD

Ms Daly joined BOQ in October 2018, was appointed joint company secretary on 30 April 2019, then assumed full company secretary duties in September 2020, and General Counsel responsibilities on 31 January 2023. Ms Daly commenced her career as a corporate lawyer at Phillips Fox (now DLA Piper) before joining Allens. Prior to working for BOQ, Ms Daly held senior legal and regulatory roles including as senior legal counsel, global regulatory affairs manager and joint company secretary at Energy Developments, an international energy company.

Board of Directors.

	Board	Transformation & Technology Committee	Risk Committee	People, Culture & Remuneration Committee	Audit Committee	Investment Committee	Nomination & Governance Committee
Warwick Negus [(1)]	●	○	○	○	○	●	●
Patrick Allaway	○						
Bruce Carter	○	○	●	○	○	○	○
Jenny Fagg	○	○	○	○	○		○
Deborah Kiers [(2)]	○	○	○	●	○		○
Karen Penrose	○	○	○	○	●	○	○
Mickie Rosen	○	●	○	○	○		○

○ Member ● Chair

(1) Warwick Negus commenced his appointment as Chairman of the Board on 27 March 2023.
(2) Deborah Kiers commenced her appointment as Chair of the People, Culture & Remuneration Committee on 27 March 2023.

Directors' Meetings

The number of meetings of the Group's Directors (including meetings of Committees of Directors) and the number of meetings attended by each Director during the financial year were:

	Board of Directors	Risk Committee	Audit Committee	Nomination & Governance Committee	People, Culture & Remuneration Committee	Transformation & Technology Committee	Investment Committee	Risk & Compliance Committee (Program rQ) [(1)]	Tenure as at 31 August 2023
Warwick Negus	16/16	10/11	9/9	3/3	8/8	4/4	3/3		6 years, 11 months
Patrick Allaway [(2)]	16/16	4/4	3/3	2/2	3/3	2/2	2/2	3/3	4 years, 4 months
George Frazis [(3)]	5/5								3 years, 3 months (as at 28 Nov 2022)
Bruce Carter	16/16	11/11	9/9	3/3	8/8	4/4	3/3	3/3	9 years, 6 months
Jenny Fagg	16/16	11/11	9/9	3/3	8/8	4/4		3/3	1 year, 10 months
Deborah Kiers	14/16	11/11	9/9	3/3	8/8	4/4		3/3	2 years, 1 month
Karen Penrose	16/16	11/11	9/9	3/3	8/8	3/4	3/3		7 years, 9 months
Mickie Rosen	16/16	11/11	9/9	3/3	8/8	4/4			2 years, 6 months

(1) This report only reflects meetings until 29 March 2023 from that point on, program rQ became a formal agenda item for the Risk Committee, which was therefore held more frequently beyond 29 March 2023.
(2) Patrick Allaway attended meetings as Chairman/committee member until his appointment as Executive Chairman on 28 November 2022.
(3) George Frazis ceased as Director on 28 November 2022.

Executive team.

Patrick Allaway

Managing Director & Chief Executive Officer

Refer to Board of Directors page 45 for Patrick's biography.

Greg Boyle

Group Executive Retail Banking

Greg Boyle is the Group Executive, Retail Banking, at BOQ Group. He is accountable for leading the Group's retail distribution channels, growing the BOQ, Virgin Money and ME brands within their niche market segments, and guiding the Group's digital bank strategy.

Prior to this appointment, Greg held senior leadership positions including Director Retail Brands and Distribution, BOQ Group, and Chief Executive Officer, Virgin Money Australia. In these roles, Greg has been instrumental in the transformation of BOQ Group's retail division including the build of the new multi-brand digital banking platform for the Virgin Money Australia, BOQ and ME Bank brands.

Before serving as Chief Executive, Greg was Strategy and Commercial Director at Virgin Money Australia and part of the Investment Management team for Virgin Group in London. During this period, he helped oversee the performance of Virgin's portfolio of companies globally across multiple sectors, including financial services, and was responsible for the execution of major projects within the Virgin Group.

Prior to his roles at Virgin, Greg was a corporate lawyer in Australia and London at Mallesons and Freshfields.

Rod Finch

Chief Transformation & Operations Officer

Rod joined BOQ Group in April 2021 and was appointed Chief Transformation & Operations Officer in September 2023.

Rod has 20 years' experience in the financial services industry, with a track record of delivery across customer, product, strategy and transformation roles within Australia and the UK.

Rod was previously at AMP where he held roles Managing Director of AMP Bank and Managing Director of Wealth Products & Platforms. Prior to AMP, Rod held a number of executive roles with Lloyds Banking Group in the UK and Westpac in Australia.

Rod holds a Bachelor of Economics (Honours) from Monash University and is a Graduate of the Australian Institute of Company Directors.

Executive team.

Martine Jager

Chief People and Customer Officer

Martine Jager joined BOQ Group as Group Executive Retail Banking in May 2021. Following the successful acquisition of ME Bank in July 2021, Martine was appointed to the role of CEO ME Bank & Group Executive of Retail Banking, which features ME Bank, Virgin Money, BOQ Retail distribution including branches, contact centres, third party broking and retail products.

In July 2023, Martine took the role of Chief People & Customer Officer, Martine is responsible for our People and Customer strategic priorities, ensuring the voice of our customers and people are at the heart of everything we do. In addition to the people and culture function, this division will include Brand, Marketing, Communication, Customer Analytics, Customer Advocate, Customer Contact Centres, Community and Purpose.

Martine is a distinguished leader with more than 20 years' experience in operational, strategic and people leadership roles. For the last 18 years, she has worked exclusively within banking and finance and held several executive roles including CEO of RAMS, where she led a national franchise business, and General Manager of third-party Mortgage Broking for St.George Banking Group.

Prior to her departure from Westpac Martine was the Group's Chief Digital and Marketing Officer and had responsibility for delivering a differentiated and digitally enabled customer experience across multiple brands. Throughout her career Martine has achieved exceptional outcomes for people and customers.

Racheal Kellaway

Group Chief Financial Officer

Racheal was appointed the Group Chief Financial Officer in July 2022, having been a part of the Executive team for the prior three years as Deputy CFO.

Racheal joined BOQ after over a decade at the Commonwealth Bank of Australia during which time she held leadership roles in finance across Group and both within the Business and Private Banking and the Retail Banking divisions.

Racheal is a seasoned banking executive with over 20 years in the industry and has a track record of driving strong business performance and value creation within Australia, New Zealand and UK.

Racheal holds a Bachelor of Commerce, is a CPA and is a graduate of the Australian Institute of Company Directors. Racheal is also an experienced Company Director and currently holds the positions of Non-Executive Director at Barnados, a Member of the Finance and Risk Committee at the Australian Banking Association, and is a member of Chief Executive Woman.

Craig Ryman

Chief Information Officer

Craig joined BOQ Group as Chief Information Officer in July 2020. He leads the banks technology function and is responsible for driving BOQ's technology transformation agenda. He is a seasoned executive with more than 25 years' experience in financial services, leading technology transformation programs.

Craig was previously at AMP Limited where he held Group Executive roles as Chief Information Officer and Chief Operating Officer. During this time he had responsibility for critical business functions including Technology, Operations, Strategic Sourcing, Corporate Real Estate and Innovation.

Craig is a well-regarded technology leader and known for establishing visionary and innovative strategies that re-invent operating environments and future proof the foundations for a technology-enabled and customer-focused enterprise. He has a proven track record in transformational change.

He holds a Bachelor of Commerce from the Australian National University.

Chris Screen

Group Executive Business Banking

Chris is the Group Executive Business Banking, and has responsibility for the Business Bank as well as BOQ Specialist and BOQ Finance. Prior to his appointment as Group Executive, Chris held several senior leadership roles across BOQ Group, including Chief Product Officer where he was responsible for the retail and business banking product suite and as the Chief of Staff to the Managing Director and CEO.

Before joining BOQ in November 2019, Chris held a number of distribution and product roles at the Westpac Group, including the Group Head of Third Party Business and Head of Home Ownership. Chris has more than 25 years' experience in financial services, covering relationship management, strategy and transformation and has led large teams in specialist product and customer-facing sales roles.

As an experienced banker, Chris is passionate about ensuring our customers have the right products and support to truly build and transform their businesses.

David Watts

Group Chief Risk Officer

David joined BOQ Group's Executive Team as Group Chief Risk Officer in March 2022. David is a distinguished leader with 30 years' experience in the finance services sector.

Prior to his appointment, he was the Group Chief Risk Officer at Insurance Australia Group, the largest general insurer in Australia and New Zealand. Before that, David held senior roles in Westpac's Risk, Regulatory and Governance teams and was Chief Risk Officer for Westpac NZ for more than three years. He began his career in banking at National Australia Bank and spent 17 years there including three years as Chief Risk Officer Australia.

David has received external recognition for his efforts in transforming risk capabilities and is a strong believer that Risk Is Everyone's Business. He is a CPA, holds an MBA and has completed the International Executive Programme at INSEAD and the Advanced Risk Management Programme at Wharton.

FINANCIAL PERFORMANCE.

Financial Performance.

For the year ended 31 August 2023

1. Financial highlights

1.1 Reconciliation of cash earnings to statutory profit

Note on cash earnings and statutory profit

Statutory profit is prepared in accordance with the *Corporations Act 2001* and the Australian Accounting Standards, which comply with International Financial Reporting Standards (**IFRS**). Cash earnings is a non-accounting measure commonly used in the banking industry to assist in presenting a view of Bank of Queensland Limited and its controlled entities' (**BOQ** or **the Group**) underlying earnings.

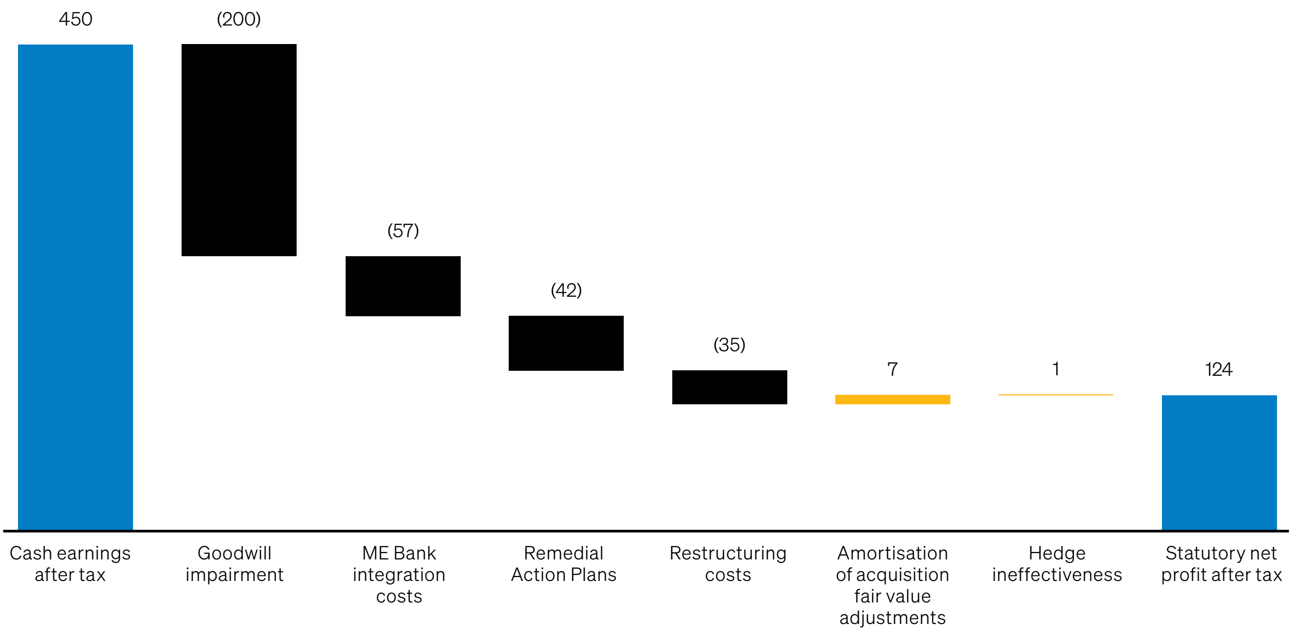
Figures disclosed in the Financial Performance report are on a cash earnings basis unless stated as being on a statutory profit basis. The non-statutory measures have not been subject to an independent audit or review.

Cash earnings excludes several items that introduce volatility or do not reflect underlying performance of the current period. This allows for a more effective comparison of performance across reporting periods.

The exclusions in the current period relate to:

- Goodwill impairment - further detail has been provided on the impairment of goodwill in Note 4.1 Intangible assets to the financial statements;
- ME Bank integration costs - costs associated with the restructure and integration of Members Equity Bank Limited (**ME Bank** or **ME**);
- Remedial Action Plans - a provision was taken to reflect a reliable estimate of costs related to improving our operational resilience, risk culture, and AML/CTF compliance. Further detail has been provided in Note 4.2 Provisions and contingent liabilities to the financial statements;
- Restructuring costs - costs incurred as a result of a Group operating model review to simplify the business;
- Amortisation of acquisition fair value adjustments - arise from the acquisition of subsidiaries; and
- Hedge ineffectiveness - represents earnings volatility from hedges that are not fully effective and create a timing difference in reported profit. These hedges remain economically effective.

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



In the financial tables throughout the Financial Performance report, 'large' indicates that the absolute percentage change in the balance was greater than 200 per cent or 500 basis points. 'Large' also indicates the result was a gain or positive in one period and a loss or negative in the corresponding period.

Financial Performance.

For the year ended 31 August 2023

1.1 Reconciliation of cash earnings to statutory profit (continued)

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

	Year end performance			Half year performance		
	Aug 23 $m	Aug 22 $m	Aug 23 vs Aug 22	**Aug 23 $m**	Feb 23 $m	Aug 23 vs Feb 23
Cash earnings after tax (1)	**450**	491	(8%)	**194**	256	(24%)
Goodwill impairment (2)	**(200)**	-	large	**-**	(200)	(100%)
ME Bank integration costs	**(57)**	(57)	-	**(44)**	(13)	large
Remedial Action Plans (3)	**(42)**	-	large	**-**	(42)	(100%)
Restructuring costs	**(35)**	-	large	**(35)**	-	large
Amortisation of acquisition fair value adjustments	**7**	7	-	**3**	4	(25%)
Hedge ineffectiveness	**1**	(8)	large	**2**	(1)	large
St Andrew's (4)	**-**	(24)	(100%)	**-**	-	-
Statutory net profit after tax (1)	**124**	409	(70%)	**120**	4	large

(1) Comparatives have been restated to reflect the FY22 prior period adjustments detailed in Note 1.5 Prior period adjustments to the financial statements.
(2) Further detail has been provided on the impairment of goodwill in Note 4.1 Intangible assets to the financial statements.
(3) In 1H23, an after-tax provision of $42 million was raised for the estimated cost of multi-year Remedial Action Plans. Further detail has been provided in Note 4.2 Provisions and contingent liabilities to the financial statements.
(4) The sale of St Andrew's Insurance (**St Andrew's**) to Farmcove Investment Holdings was completed on 28 October 2021.

(b) FY23 Non-cash earnings reconciling items

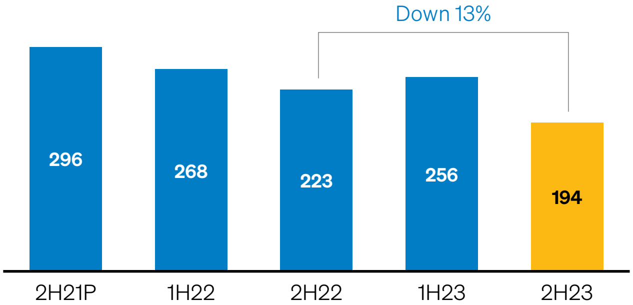
	Cash earnings Aug 23 $m	Goodwill impairment $m	ME Bank integration costs $m	Remedial Action Plans $m	Restructuring costs $m	Amortisation of acquisition fair value adjustments $m	Hedge ineffectiveness $m	**Statutory net profit Aug 23 $m**
Net interest income	**1,600**	-	-	-	-	15	-	**1,615**
Non-interest income	**142**	-	-	-	-	-	2	**144**
Total income	**1,742**	-	-	-	-	15	2	**1,759**
Operating expenses	**(1,010)**	(200)	(82)	(60)	(50)	(9)	-	**(1,411)**
Underlying profit	**732**	(200)	(82)	(60)	(50)	6	2	**348**
Loan impairment expense	**(71)**	-	-	-	-	4	-	**(67)**
Profit before tax	**661**	(200)	(82)	(60)	(50)	10	2	**281**
Income tax expense	**(211)**	-	25	18	15	(3)	(1)	**(157)**
Profit after tax	**450**	(200)	(57)	(42)	(35)	7	1	**124**

Financial Performance.

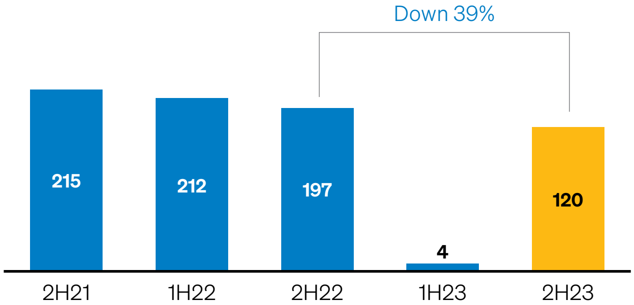
For the year ended 31 August 2023

1.2 Financial summary

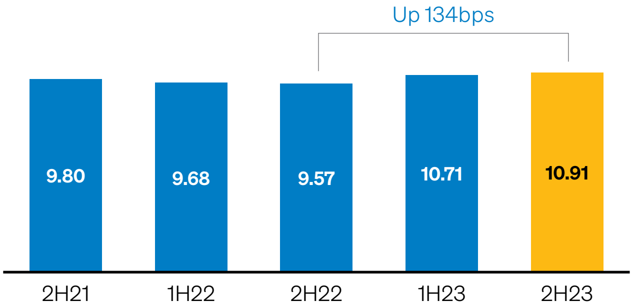
Cash earnings after tax ($m) (1) (2)



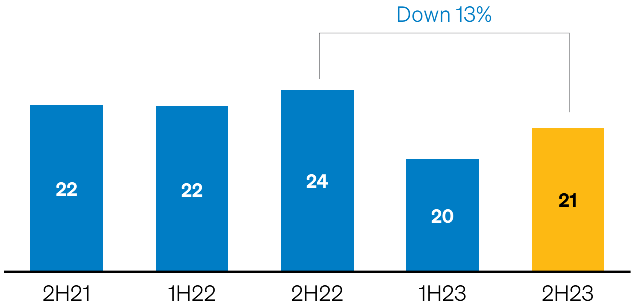
Statutory net profit after tax (**NPAT**) ($m) (2)



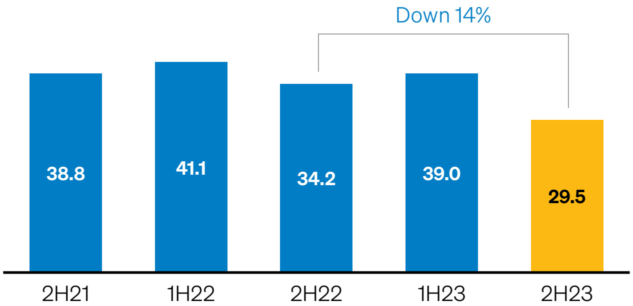
Common equity tier 1 ratio (**CET1 ratio**) (%) (3)



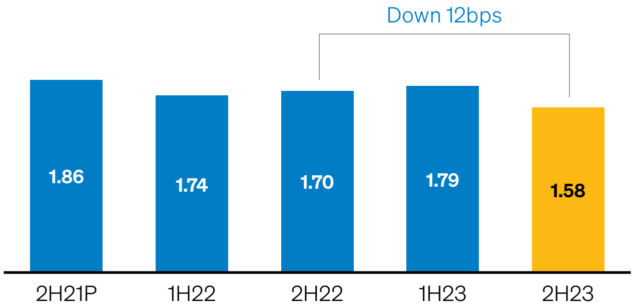
Dividends per ordinary share (cents)



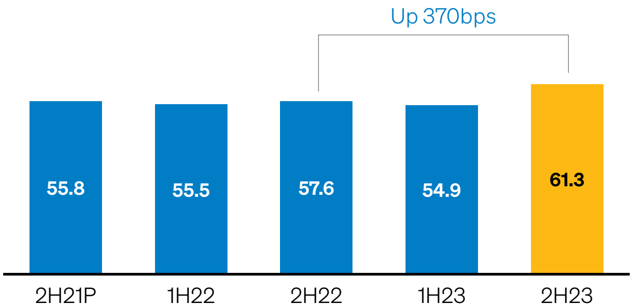
Cash basic earnings per share (**EPS**) (cents) (2)



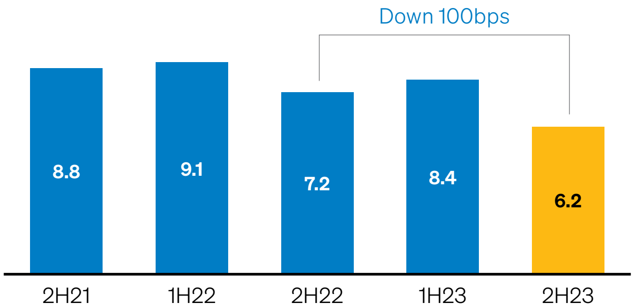
Cash net interest margin (**NIM**) (%) (1) (2)



Cash cost to income ratio (**CTI**) (%) (1) (2)



Cash return on average equity (**ROE**) (%) (2)



(1) When the period in the respective graphs ends in "P" it reflects a pro forma metric. The pro forma metric assumes that the Group structure including ME and excluding St Andrew's was in effect for the full comparative periods.

(2) Comparatives have been restated to reflect the 2H22 prior period adjustments detailed in Note 1.5 Prior period adjustments to the financial statements.

(3) During 1H23, Australian Prudential Regulation Authority's (**APRA**) new Basel III capital framework came into effect.

Financial Performance.

For the year ended 31 August 2023

1.2 Financial summary (continued)

Net profit after tax

$450m

Cash earnings
Down 8% on FY22

$124m

Statutory NPAT
Down 70% on FY22

Cash earnings after tax decreased by eight per cent on FY22 driven largely by an increase in loan impairment expense of $58 million from a low base.

Cash net interest margin

1.69%

Decrease of two basis points on FY22, driven by competition for lending and higher funding costs.

Cash operating expenses

$1,010m

Up eight per cent on FY22, reflecting inflation including wage inflation and ongoing investment in technology.

Loan impairment expense (**LIE**)

$71m

Loan impairment expense increased by $58 million on FY22, representing nine basis points to gross loans and advances (**GLA**). The increase in LIE represents a normalisation of charges from a low base and is mainly driven by an increase in collective provisions reflecting continued uncertainty from cost of living pressures, rising interest rates as well as an observed decline in house prices from peak levels in 2022.

CET1 ratio

10.91%

Increase of 134 basis points on FY22 including a 120 basis point benefit due to Basel III partially offset by a 16 basis point APRA capital overlay.

Cash ROE

7.3%

Decrease of 90 basis points on FY22, driven by lower cash earnings.

Cash earnings after tax for FY23 of $450 million was eight per cent lower than FY22. The decrease was driven largely by a higher loan impairment expense of $58 million. Underlying profit increased two per cent on FY22, driven by a five per cent growth in income partially offset by an eight per cent expense growth. The statutory net profit after tax of $124 million decreased by 70 per cent on FY22, reflecting a $200 million goodwill impairment, $57 million of cost associated with the final year of the integration of ME Bank, a $42 million after tax provision for the estimated costs of the Remedial Action Plans and $35 million in restructuring costs as part of the Group's simplification program.

Net interest income

Net interest income (**NII**) of $1,600 million increased $95 million or six per cent on FY22. This was driven by an eight per cent growth in average interest earning assets (**AIEA**), partly offset by a two basis point decrease in NIM to 1.69 per cent. The growth in AIEA was driven by holding higher liquid assets to fund the replacement of the Committed Liquidity Facility (**CLF**) and the Term Funding Facility (**TFF**). The reduction in NIM reflected increased competition across both lending and deposits and higher funding costs.

Gross loans and advances were flat on FY22 as growth in commercial lending of two per cent and asset finance of six per cent was offset by a contraction in the housing portfolio of one per cent. The contraction in the housing portfolio reflects a decision to prioritise economic return over volume growth in a competitive market.

Non-interest income

Non-interest income of $142 million decreased by $11 million or seven per cent on FY22. This was primarily driven by one-off revenue items in FY22, partially offset by a reclassification in 1H23. Underlying non-interest income in FY23 was down reflecting lower gains from the sale of leasing equipment and reduced business lending fees, partly offset by higher foreign exchange income.

Operating expenses

Total operating expenses of $1,010 million increased eight per cent on FY22. This reflected inflationary pressures, increased technology investment including higher amortisation, an uplift in resourcing across risk and compliance and higher customer engagement costs. This was partially offset by savings from productivity initiatives and synergies.

Loan impairment expense

Loan impairment expense was $71 million representing nine basis points to GLAs. This was primarily driven by a $54 million increase in the collective provision reflecting continued uncertainty from cost of living pressures, rising interest rates as well as an observed decline in house prices from peak levels in 2022.

The specific provision expense was $17 million in FY23 driven primarily by a small number of large exposures, partially offset by recoveries.

Capital management

The CET1 ratio of 10.91 per cent was 134 basis points higher than FY22. This was primarily driven by a 120 basis point benefit due to the introduction of Basel III on 1 January 2023 partially offset by a 16 basis point decrease or $50 million capital overlay [(1)] as required by APRA and a 13 basis point decrease from the 1H23 provision for the Remedial Action Plans. Excluding these factors, capital generation was 43 basis points over the year reflecting contribution from cash earnings and a decrease in risk weighted assets (**RWA**) partially offset by the payment of the interim dividend net of the DRP and one-off statutory items.

Shareholder returns

BOQ has determined to pay an ordinary dividend of 21 cents per share, which is 71 per cent of 2H23 cash earnings. The Board has committed to a target dividend payout ratio of 60-75 per cent of cash earnings. [(2)]

(1) Announced in the ASX release dated 31 May 2023.

(2) The amount of any dividend paid will be at the discretion of the Board and will depend on several factors, including a) the recognition of profits and availability of cash for distributions; b) the anticipated future earnings of the company; or c) when the forecast timeframe for capital demands of the business allows for a prudent distribution to shareholders.

Financial Performance.

For the year ended 31 August 2023

1.2 Financial summary (continued)

ME update

Integration progress

The ME integration program was formally closed during the half. The full program delivered outcomes that consolidated retail and shared services functions, systems, infrastructure, commercial property, operating model and processes across the Group. Key program milestones were:

- Returned ME lending portfolio to growth;
- Completed the handback of the ME Authorised Deposit-taking Institution (**ADI**) licence after consolidation of ME and BOQ onto a single ADI;
- Consolidated treasury desks, treasury and market risk systems;
- Consolidated ME and BOQ payments clearing processes;
- Commenced the decommissioning of ME legacy banking system;
- Integrated Group Risk and Compliance risk management application across all lines of risk;
- Rolled out a new operating model and organisation structure across all functions;
- Consolidated property and information technology networks nationally;
- Combined key strategic vendor supply chain agreements;
- Advancement of contact centre consolidation, which encompasses technology platform synergies and the rationalisation of our national contact centre presence;
- Standardisation of information technology services and integration of end user computing, which provide all employees with an enhanced digital and end user computing ecosystem. The Integration program has allowed for future enhancement and standardisation of Information Technology services; and
- Consolidation of project delivery services across the Group.

Integration expenses and synergies

ME Bank integration expenses were $82 million for FY23, with a full program cost of $176 million. This included a $43 million charge for the impairment of the ME core banking asset and legacy ME property Head Office lease, reflecting the progress on the Group's digital transformation and a lower demand for property footprint in Melbourne. Excluding impairments, the integration spend was within guidance of $130 million to $140 million. Total costs were primarily related to operating model consolidation and simplification, technology application and infrastructure integration, risk management and remediation activities and program management costs.

Total annualised synergies of $72 million were delivered by the end of FY23, of which $25 million were delivered in FY23. These were achieved through alignment of operating models and technology integrations, consolidation of investment roadmaps, supply chains and shared services functions. Almost half of the synergies were delivered through operating model changes with the balance from reduced project expenditure and supply chain synergies.

Financial Performance.

For the year ended 31 August 2023

2. Group performance analysis

2.1 Income statement and key metrics

	Year end performance			Half year performance		
	Aug 23 $m	Aug 22 [1] $m	Aug 23 vs Aug 22	**Aug 23 $m**	Feb 23 $m	Aug 23 vs Feb 23
Net interest income [2]	**1,600**	1,505	6%	**768**	832	(8%)
Non-interest income [2]	**142**	153	(7%)	**72**	70	3%
Total income	**1,742**	1,658	5%	**840**	902	(7%)
Operating expenses [2]	**(1,010)**	(937)	8%	**(515)**	(495)	4%
Underlying profit	**732**	721	2%	**325**	407	(20%)
Loan impairment expense [2]	**(71)**	(13)	large	**(37)**	(34)	9%
Profit before tax	**661**	708	(7%)	**288**	373	(23%)
Income tax expense [2]	**(211)**	(217)	(3%)	**(94)**	(117)	(20%)
Cash earnings after tax	**450**	491	(8%)	**194**	256	(24%)
Statutory net profit after tax	**124**	409	(70%)	**120**	4	large

(1) Comparatives have been restated to reflect the FY22 prior period adjustments detailed in Note 1.5 Prior period adjustments to the financial statements.
(2) Refer to Section 1.1 Reconciliation of statutory net profit to cash earnings after tax for a reconciliation of cash earnings to statutory net profit after tax.

		Year end performance			Half year performance		
Key metrics		**Aug 23**	Aug 22	Aug 23 vs Aug 22	**Aug 23**	Feb 23	Aug 23 vs Feb 23
SHAREHOLDER RETURNS							
Share price	$	**5.76**	7.03	(18%)	**5.76**	7.06	(18%)
Market capitalisation	$m	**3,786**	4,551	(17%)	**3,786**	4,607	(18%)
Dividends per ordinary share (fully franked)	cents	**41**	46	(11%)	**21**	20	5%
CASH EARNINGS BASIS [1]							
Basic earnings per share (**EPS**)	cents	**68.4**	75.8	(10%)	**29.5**	39.0	(24%)
Diluted EPS	cents	**60.2**	68.9	(13%)	**26.3**	35.2	(25%)
Dividend payout ratio [1]	%	**59.7**	60.5	(80bps)	**71.0**	51.0	large
STATUTORY BASIS [1]							
Basic EPS	cents	**18.3**	63.1	(71%)	**18.1**	0.2	large
Diluted EPS	cents	**20.2**	57.8	(65%)	**17.3**	2.7	large
Dividend payout ratio [1]	%	**large**	72.5	large	**115.3**	large	large

(1) Comparatives have been restated to reflect the FY22 prior period adjustments detailed in Note 1.5 Prior period adjustments to the financial statements.

Financial Performance.

For the year ended 31 August 2023

2.1 Income statement and key metrics (continued)

Key metrics		Year end performance			Half year performance		
		Aug 23	Aug 22	Aug 23 vs Aug 22	**Aug 23**	Feb 23	Aug 23 vs Feb 23
PROFITABILITY AND EFFICIENCY MEASURES							
CASH EARNINGS BASIS (1)							
Net profit after tax	$m	**450**	491	(8%)	**194**	256	(24%)
Underlying profit (2)	$m	**732**	721	2%	**325**	407	(20%)
NIM (3)	%	**1.69**	1.71	(2bps)	**1.58**	1.79	(21bps)
Cost to income ratio (**CTI**)	%	**58.0**	56.5	150bps	**61.3**	54.9	large
Loan impairment expense to GLA	bps	**9**	2	7	**9**	8	1
Return on average equity (**ROE**)	%	**7.3**	8.2	(90bps)	**6.2**	8.4	(220bps)
Return on average tangible equity (**ROTE**) (4)	%	**9.0**	10.2	(120bps)	**7.5**	10.6	(310bps)
STATUTORY BASIS (1)							
Net profit after tax	$m	**124**	409	(70%)	**120**	4	large
Underlying profit (2)	$m	**348**	600	(42%)	**217**	131	66%
NIM (3)	%	**1.70**	1.73	(3bps)	**1.60**	1.81	(21bps)
CTI	%	**80.2**	63.8	large	**74.5**	85.6	large
Loan impairment expense to GLA	bps	**8**	-	8	**9**	8	1
ROE	%	**1.9**	6.8	(490bps)	**3.9**	-	390bps
ROTE (4)	%	**2.4**	8.6	large	**4.8**	-	480bps
ASSET QUALITY							
30 days past due (**dpd**) arrears (5)	$m	**1,262**	944	34%	**1,262**	1,146	10%
90 dpd arrears (5)	$m	**736**	552	33%	**736**	592	24%
Impaired assets	$m	**114**	153	(25%)	**114**	133	(14%)
Specific provisions to impaired assets	%	**54**	51	300bps	**54**	53	100bps
Total provision and equity reserve for credit losses (**ERCL**) / GLA	bps	**44**	47	(3)	**44**	45	(1)
CAPITAL (6)							
CET1 ratio	%	**10.91**	9.57	134bps	**10.91**	10.71	20bps
Total capital adequacy ratio	%	**15.64**	13.78	186bps	**15.64**	15.89	(25bps)
Risk weighted assets (**RWA**)	$m	**40,680**	45,669	(11%)	**40,680**	41,020	(1%)

(1) Comparatives have been restated to reflect the FY22 prior period adjustments detailed in Note 1.5 Prior period adjustments to the financial statements.
(2) Profit before loan impairment expense and tax.
(3) NIM is calculated net of offset accounts.
(4) Based on after tax earnings applied to average shareholders' equity (excluding preference shares and treasury shares) less goodwill and identifiable intangible assets (customer related intangibles/brands and computer software).
(5) To align reporting, arrears have been adjusted to include impaired accounts. All prior periods have been restated.
(6) During FY23, APRA's new Basel III capital framework came into effect. Aug 22 is as previously reported.

Financial Performance.

For the year ended 31 August 2023

2.2 Net interest income

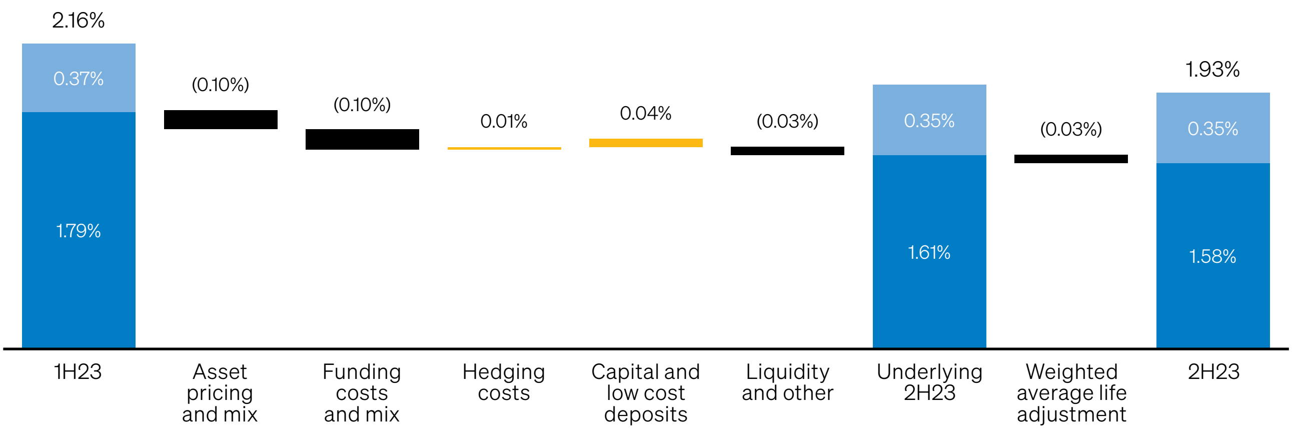
		Year end performance			Half year performance		
		Aug 23	Aug 22 (1)	Aug 23 vs Aug 22	**Aug 23**	Feb 23	Aug 23 vs Feb 23
Net interest income (2)	$m	**1,600**	1,505	6%	**768**	832	(8%)
Average interest earning assets (**AIEA**)	$m	**94,903**	87,780	8%	**96,231**	93,573	3%
NIM	%	**1.69**	1.71	(2bps)	**1.58**	1.79	(21bps)

(1) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5 Prior period adjustments to the financial statements.
(2) Refer to Section 1.1(b) Net-cash earnings reconciling items for a reconciliation of cash net interest income to statutory net interest income.

Net interest income of $1,600 million increased by $95 million or six per cent on FY22, driven by an eight per cent growth in AIEA, partially offset by a two basis point reduction in NIM. AIEA increased $7.1 billion on FY22 reflecting higher liquid assets during the financial year. Growth in asset finance and small and medium business (**SME**) lending was offset by a contraction in housing.

Net interest income of $768 million in 2H23 decreased by $64 million or eight per cent on 1H23, driven by a 21 basis points decrease in NIM, partially offset by a three per cent growth in AIEA.

Net interest margin - 1H23 to 2H23



(1) Third party costs largely represent commissions to Owner Managers and brokers.

NIM in 2H23 was 1.58 per cent, down 21 basis points on 1H23. Excluding the impact of a weighted average life adjustment, underlying NIM of 1.61 per cent was down 18 basis points. The key drivers of the movements are set out below.

Asset pricing and mix (-10bps): The decline was driven by increased retention discounting on existing loans and a competitive pricing environment. This was partially offset by improved portfolio mix, as customers preferred variable rate mortgages over fixed rate mortgages.

Funding costs and mix (-10bps): In an increasing interest rate environment customers switched to higher yielding products. In addition, competition for deposits intensified as the TFF was being replaced. Wholesale funding costs also increased in 2H23, which included the impact of replacing the CLF and TFF. During FY23 the group repaid $1.2 billion or 41 per cent of the Group's $3.0 billion TFF.

Hedging costs (+1bp): Reflecting lower basis costs as cash bills spreads decreased from an average of 16 basis points in 1H23 to 10 basis points in 2H23, with basis position exposure flat half on half.

Capital and low cost deposits (+4bps): The $8.3 billion invested and uninvested capital and low-cost deposit portfolios continued to benefit from the rising interest rate environment.

Liquidity and other:

- **Liquidity (-5bps):** Driven by maintaining higher liquidity during 2H23 with a conservative funding position and lower yields on the liquid asset portfolio.
- **Third party costs (+2bps):** Primarily due to lower brokerage and share of margin benefits flowing through to owner managed branches.

Weighted average life adjustment (-3bps): Weighted average life of the loan portfolio was assessed and shortened resulting in a one-off release of capitalised loan origination costs to net interest income.

Financial Performance.

For the year ended 31 August 2023

2.3 Non-interest income

	Year end performance			Half year performance		
	Aug 23 $m	Aug 22 $m	Aug 23 vs Aug 22	**Aug 23 $m**	Feb 23 $m	Aug 23 vs Feb 23
Banking income	**85**	73	16%	**41**	44	(7%)
Other income	**56**	76	(26%)	**30**	26	15%
Trading income	**1**	4	(75%)	**1**	-	large
Non-interest income (1)	**142**	153	(7%)	**72**	70	3%

(1) Refer to Section 1.1 (b) Non-cash earnings reconciling items for a reconciliation of cash non-interest income to statutory non-interest income.

Non-interest income of $142 million decreased by $11 million or seven per cent from FY22, impacted by one-off revenue items as previously reported in FY22, partially offset by a reclassification in 1H23. Underlying non-interest income was slightly down reflecting lower gains from the sale of leasing equipment and reduced business lending fees, partly offset by higher foreign exchange income.

Banking income increased $12 million or 16 per cent on FY22 due to the reclassification from 1H23 onwards of ME housing fee income from net interest income to non-interest income. Underlying banking income was lower due to reduced business lending fees, partly offset by higher foreign exchange sales.

Other income decreased $20 million or 26 per cent on FY22. The decrease was mainly driven by one-off revenue items in FY22 relating to updated card services arrangements and an insurance termination fee. The decrease also reflects lower gains from the sale of leasing equipment.

Trading income decreased by $3 million on FY22 due to limited trading activity in FY23, particularly in 1H23.

Financial Performance.

For the year ended 31 August 2023

2.4 Operating expenses

	Year end performance			Half year performance		
	Aug 23 $m	Aug 22 $m	Aug 23 vs Aug 22	**Aug 23 $m**	Feb 23 $m	Aug 23 vs Feb 23
Salaries and on costs	**435**	420	4%	**224**	211	6%
Employee share programs and other	**25**	24	4%	**13**	12	8%
Employee expenses	**460**	444	4%	**237**	223	6%
Information technology services	**222**	184	21%	**120**	102	18%
Amortisation - intangible assets	**76**	66	15%	**38**	38	-
Depreciation - fixed assets	**5**	5	-	**2**	3	(33%)
Technology expenses	**303**	255	19%	**160**	143	12%
Marketing	**45**	48	(6%)	**20**	25	(20%)
Commission to owner managed branches (**OMB**)	**2**	4	(50%)	**1**	1	-
Communications, print and stationery	**33**	27	22%	**16**	17	(6%)
Processing costs	**16**	14	14%	**7**	9	(22%)
Other	**56**	52	8%	**28**	28	-
Operational expenses	**152**	145	5%	**72**	80	(10%)
Occupancy expenses	**54**	54	-	**26**	28	(7%)
Administration expenses	**41**	39	5%	**20**	21	(5%)
Total operating expenses (1)	**1,010**	937	8%	**515**	495	4%
Cash CTI (%) (2)	**58.0**	56.5	150bps	**61.3**	54.9	large
Number of employees (**FTE**)	**3,163**	3,040	4%	**3,163**	3,180	(1%)

(1) Refer to Section 1.1 (b) Non-cash earnings reconciling items for a reconciliation of cash operating expenses to statutory operating expenses.
(2) Comparatives have been restated to reflect the FY22 prior period adjustments detailed in Note 1.5 Prior period adjustments to the financial statements.

Summary

Total operating expenses of $1,010 million increased eight per cent on FY22. This reflected inflationary pressures, increased technology investment including higher amortisation, an uplift in resourcing across risk and compliance and higher customer engagement costs. This was partially offset by savings from productivity initiatives and synergies.

Employee expenses

Employee expenses of $460 million increased by $16 million or four per cent on FY22. The increase was driven by inflation and a four per cent uplift in FTE across customer contact centres, risk, compliance and technology. This was partially offset by savings from productivity initiatives and synergies.

In 2H23, FTE reduced one per cent on 1H23 as benefits from the consolidation of customer contact centres was partially offset by an increase in resourcing across risk, compliance and technology. This change in workforce composition and the higher workday count drove a six per cent increase in employee expenses in 2H23.

Technology expenses

Technology expenses of $303 million increased by $48 million or 19 per cent on FY22 reflecting inflationary pressure and investment in the Group's digital transformation and risk mitigation programs. This resulted in an increase in information technology service costs due to higher usage volumes and investment in cyber risk mitigation, and an uplift in amortisation costs of $10 million in FY23.

Operational expenses

Operational expenses of $152 million increased by $7 million or five per cent on FY22 due to higher communications, print and stationery and processing costs following increased customer engagement in a rising interest rate environment. This was partially offset by a reduction in brand marketing costs.

Administration expenses

Administration expenses of $41 million increased by $2 million or five per cent on FY22 primarily driven by higher audit and compliance costs.

Financial Performance.

For the year ended 31 August 2023

2.5 Capitalised investment expenditure

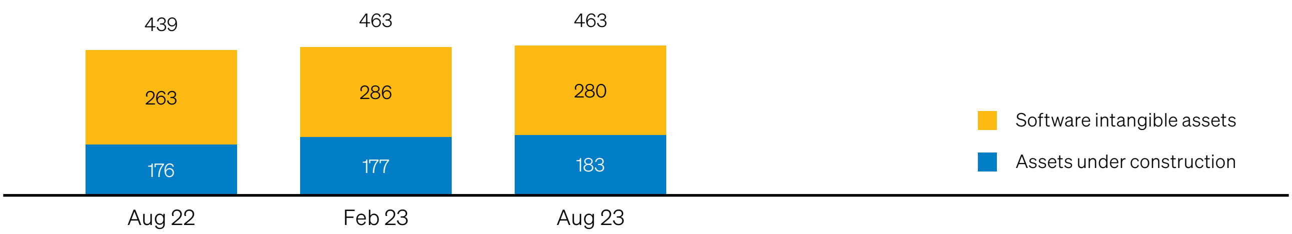
During 2H23 the Retail Banking digital transformation program delivered another significant milestone with ME Bank customers now able to access the same enhanced transaction and savings account customer experience as delivered to VMA and BOQ Retail customers. Customer migration is on track to begin in 2H24 for ME customer deposits. This means the program has now successfully delivered all three retail brands onto the Group's core foundational platform.

Significant progress also continues to be made on the Group's digital home loan capability with the ME Bank customer launch planned for 2H24 closely followed by the remaining brands.

Investment into regulatory and compliance projects during FY23 included the transition to Basel III and the deployment of Open Banking capability. Milestones were also achieved across other programs of work including an upgrade of the BOQ Specialist core banking platform, removing legacy system complexity, and improving the user experience. Our staff technology offerings have also been uplifted. Commencement of work on a new collections platform occurred and the Group's transition to Microsoft Azure Public Cloud is also on track to deliver in early FY24.

These investments enable the Group's digital transformation strategy and provide customers with access to innovative products and services through easy-to-use, multi-channel, digital experiences that are focused on their needs.

Carrying value of IT intangible assets ($m)



2.6 Lending

Gross loans and advances of $81.1 billion was $0.1 billion down on FY22, reflecting an interim decision to prioritise economic return over volume growth in housing, while maintaining focus on growth in higher returning commercial lending and asset finance. Home lending contracted one per cent reflecting below system growth in a market characterised by high competition and low returns. Commercial lending grew by two per cent on FY22 driven by SME lending. Asset finance grew six per cent on FY22 driven by growth in the core equipment finance business.

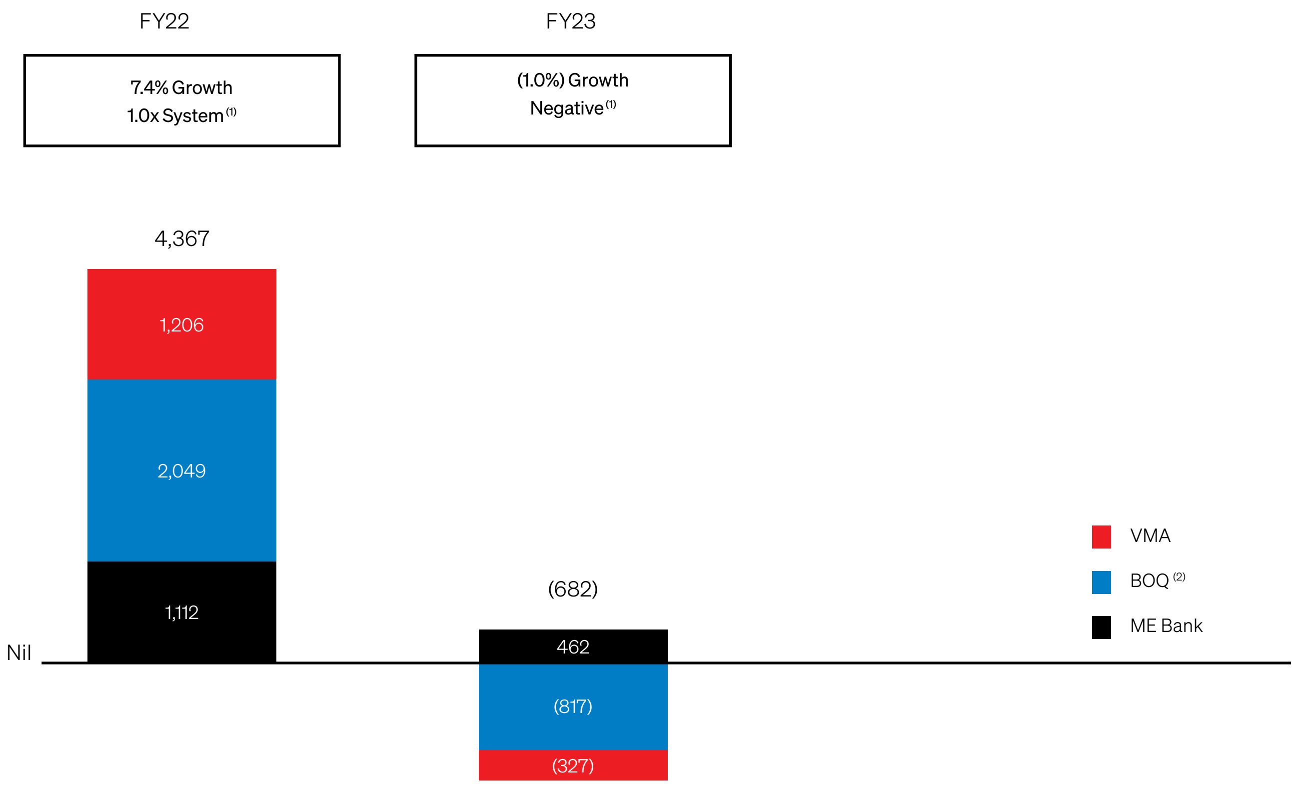
	As at				
	Aug 23 $m	Feb 23 [(1)] $m	Aug 22 [(1)] $m	Aug 23 vs Feb 23 [(2)]	Aug 23 vs Aug 22
Housing lending	**56,962**	58,261	57,253	(4%)	(1%)
Housing lending - APS 120 qualifying securitisation [(3)]	**5,776**	5,336	6,167	16%	(6%)
	62,738	63,597	63,420	(3%)	(1%)
Commercial lending	**11,160**	11,220	10,943	(1%)	2%
Asset finance	**6,963**	6,785	6,553	5%	6%
Consumer	**274**	299	310	(17%)	(12%)
Gross loans and advances [(4)]	**81,135**	81,901	81,226	(2%)	-
Provisions for impairment	**(332)**	(313)	(295)	12%	13%
Net loans and advances	**80,803**	81,588	80,931	(2%)	-

(1) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5 Prior period adjustments to the financial statements.
(2) Growth rates have been annualised.
(3) Securitised loans subject to capital relief under APRA's Prudential Standard APS 120 Securitisation (**APS 120**).
(4) Gross loans and advances aligns to Note 3.3 Loans and advances, "gross loans and advances" after deducting "unearned finance lease income".

Financial Performance.
For the year ended 31 August 2023

2.6 Lending (continued)

Growth in housing lending ($m)



(1) Source: represents latest available APRA Monthly Banking Statistics as at August 2022 and August 2023. Reflects the APRA definition of lending and therefore will not directly correlate to the balance sheet growth. "Negative" represents growth below system.
(2) BOQ includes both the BOQ Retail and BOQ Business brands including BOQ Specialist.

The total housing portfolio contracted by $682 million or one per cent on FY22 reflecting below system housing lending growth. The contraction in housing reflects a decision to prioritise economic return over volume growth in a competitive market as well as slowing VMA origination in preparation for the upcoming transition to the new digital housing platform.

FY23 was characterised by an overall slowing in housing system growth, a competitive refinancing market, a heightened focus on retention and a continued shift to variable rate mortgages. Variable rate settlements accounted for 91 per cent of total settlements, up from 66 per cent in the prior year.

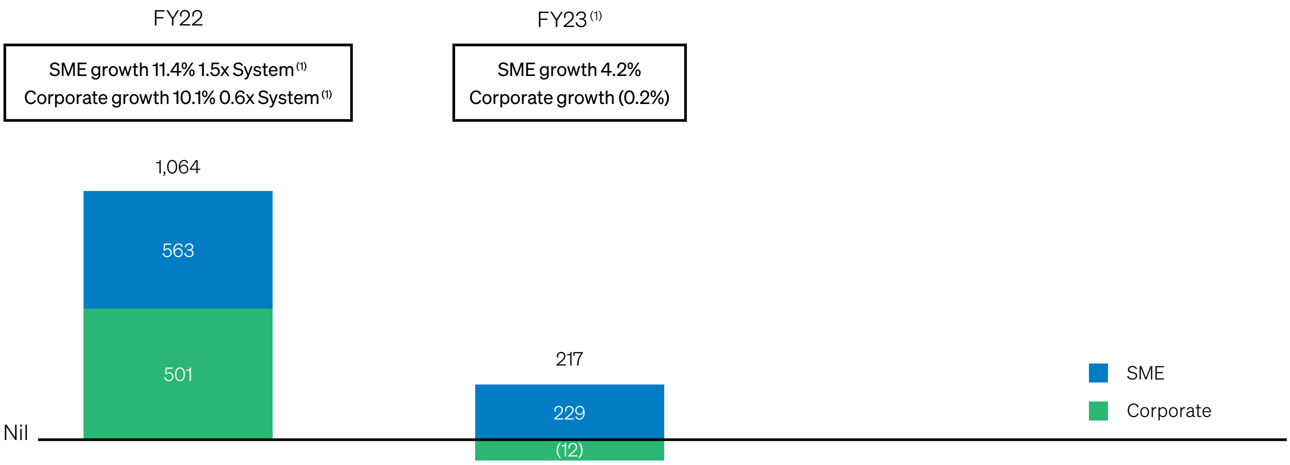
The strategic focus remains on supporting customers transitioning from fixed to variable rate loans, mortgage product and process simplification, digitisation, and improving customer experience.

Financial Performance.

For the year ended 31 August 2023

2.6 Lending (continued)

Growth in commercial lending ($m)



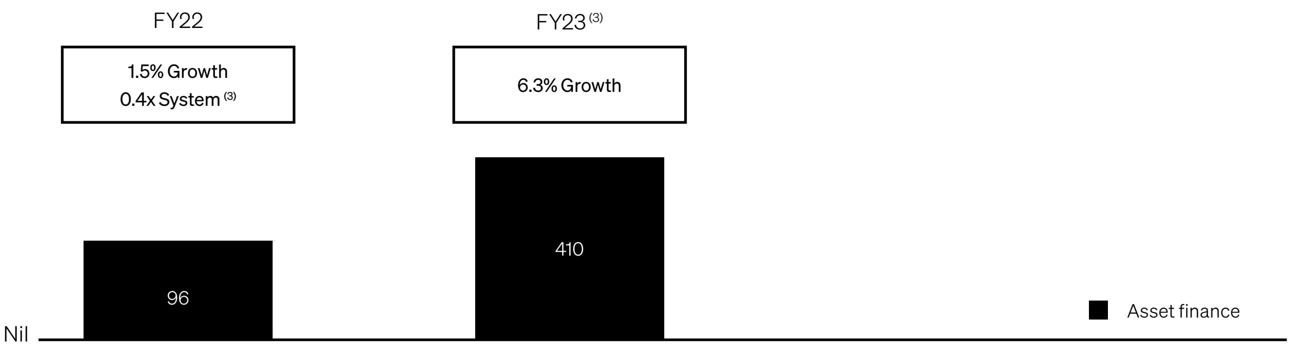
(1) System growth for FY22 represents the Reserve Bank of Australia (**RBA**) data as at July 2022. RBA system growth for SME and Corporate segments is not available due to a change in RBA segment definitions during FY23.

The commercial lending portfolio grew by $217 million or two per cent in FY23, driven by lending to small and medium sized (**SME**) businesses, with lending to larger corporate clients contracting $12 million. Growth was driven by the healthcare and agriculture sectors and owner-occupied commercial property lending across a diversified range of businesses.

SME business lending remains a core focus area for BOQ Business, delivering growth of $229 million or four per cent in a lower system growth environment in FY23. The SME strategy continues to focus on business lending process transformation and policy simplification.

Lending to larger, corporate clients was down $12 million in FY23 reflecting targeted contraction in lending to the commercial real estate sector and a continued strong focus on portfolio optimisation and risk-adjusted returns throughout the period.

Growth in asset finance lending ($m) (2)



(2) Asset Finance includes BOQ Finance and BOQ Specialist.
(3) Asset finance system growth for FY22 represents Australian Finance Industry Association (**AFIA**) system growth statistics as at August 2022. System growth for FY23 is not available due to material adjustments made to the AFIA data during the period.

Asset finance delivered growth of $410 million or six per cent in FY23 as the market experienced an easing of the supply-chain issues experienced during COVID-19.

The core equipment finance business delivered strong growth across a diverse portfolio of asset types as demand for equipment remained high.

Growth was also delivered in the structured finance and dealer finance businesses where improvements in the supply chain helped reduce lead time on equipment delivery and continued investment in state infrastructure projects drove strong demand.

Financial Performance.

For the year ended 31 August 2023

2.7 Customer deposits

	As at				
	Aug 23 $m	Feb 23 $m	Aug 22 $m	Aug 23 vs Feb 23 (1)	Aug 23 vs Aug 22
Transaction accounts	**5,441**	5,752	6,400	(11%)	(15%)
Term deposits	**25,869**	24,361	22,604	12%	14%
Savings and investment accounts	**30,162**	29,701	26,149	3%	15%
Sub-total	**61,472**	59,814	55,153	5%	11%
Mortgage offsets (2)	**5,492**	5,734	5,750	(8%)	(4%)
Customer deposits	**66,964**	65,548	60,903	4%	10%
Deposit to loan ratio	**83%**	80%	75%	3%	8%

(1) Growth rates have been annualised.
(2) Mortgage offset balances are netted against home loans for the purposes of customer interest payments.

Customer deposits

Customer deposits grew by $6.1 billion or 10 per cent on FY22 reflecting the Group's strategy to increase stable sources of funding and grow the number of customers that consider BOQ their main financial institution. The Retail Bank remains the primary source of customer deposits with strong growth in the digital platform and term deposits.

The Group has continued to maintain strong funding diversification which has supported the refinancing of the TFF maturities and replacement of the CLF, with the deposit to loan ratio rising to 83 per cent.

Transaction accounts and mortgage offsets

Transaction accounts contracted by $1.0 billion or 15 per cent on FY22, reflecting a move from at-call products to higher yielding term deposits and savings accounts. Mortgage offsets declined by four per cent.

Term deposits

Term deposits increased by $3.3 billion or 14 per cent on FY22. This reflects the shifting of customer preferences towards higher yielding products as interest rates have increased.

Savings and investment accounts

Savings and investment accounts grew by $4.0 billion or 15 per cent on FY22, driven by strong growth in the myBOQ digital products of $4.4 billion and third-party deposit arrangements of $4.4 billion, partially offset by contraction in legacy portfolios of $4.8 billion.

Financial Performance.

For the year ended 31 August 2023

3. Business settings

3.1 Asset quality

		Year end performance			Half year performance		
		Aug 23	Aug 22	Aug 23 vs Aug 22	**Aug 23**	Feb 23	Aug 23 vs Feb 23
Loan impairment expense	$m	**71**	13	large	**37**	34	9%
Loan impairment expense / GLA	bps	**9**	2	7	**9**	8	1
Impaired assets	$m	**114**	153	(25%)	**114**	133	(14%)
30 dpd arrears (1)	$m	**1,262**	944	34%	**1,262**	1,146	10%
90 dpd arrears (1)	$m	**736**	552	33%	**736**	592	24%
90 dpd arrears / GLA (1)	bps	**91**	68	23	**91**	72	19
Total provision and ERCL / GLA (2)	bps	**44**	47	(3)	**44**	45	(1)

(1) To align reporting, arrears have been adjusted to include impaired accounts. All prior periods have been restated. Excludes the impact of the fair value adjustments on acquisition of ME Bank. Arrears have been presented on a consistent basis for all periods.
(2) ERCL gross of tax effect.

The loan impairment expense of $71 million increased by $58 million in FY23. The increase in LIE represents a normalisation of charges from a low base and was primarily driven by a $54 million increase in the collective provision reflecting continued uncertainty from cost of living pressures, rising interest rates as well as an observed decline in house prices from peak levels in 2022.

Impaired assets of $114 million decreased by $39 million in FY23 due to low levels of new specific provisioning activity, conservative lending standards and strong net property value increases despite declines from peak levels in 2022.

Arrears in both the 30 day and 90 day categories increased compared to FY22. The increase reflects the impact of interest rate and cost of living pressures in the current economic environment. BOQ continues to provide assistance to our customers to manage these pressures.

Loan impairment expense

	Year end performance				Half year performance			
	Aug 23		Aug 22		**Aug 23**		Feb 23	
	Expense $m	**Expense / GLA (1) bps**	Expense $m	Expense / GLA (1) bps	**Expense $m**	**Expense / GLA (1) bps**	Expense $m	Expense / GLA (1) bps
Retail lending	**10**	**2**	42	7	**(4)**	**(2)**	14	4
Commercial lending	**34**	**30**	(19)	(17)	**23**	**42**	11	20
Asset finance	**27**	**39**	(10)	(15)	**18**	**52**	9	26
Total loan impairment expense	**71**	**9**	13	2	**37**	**9**	34	8

(1) Metrics have been annualised.

The $71 million loan impairment expense for FY23 was primarily driven by increases in the collective provision. The overall collective provision expense for FY23 was $54 million reflecting continued uncertainty from cost of living pressures, rising interest rates as well as an observed decline in house prices from peak levels in 2022. Collective provisions have been prudently managed to account for the changing environment, including areas of management judgement around economic outlook and overlays.

The specific provision expense was $17 million in FY23. Specific provision expense remained low due to strong net property value increases.

Retail loan impairment expense of $10 million for FY23 was driven by collective provision increases reflecting continued uncertainty from cost of living pressures, rising interest rates as well as an observed decline in house prices from peak levels in 2022. The decrease in LIE from FY22 is due to FY22 including the re-establishment of the ME collective provision.

Commercial loan impairment expense of $34 million for FY23 was driven by rating downgrades, prudent overlays on the construction and commercial real estate industries and specific provisions on a small number of large exposures.

Asset finance loan impairment expense of $27 million for FY23 was driven by an increase in the collective provision of $25 million.

Financial Performance.
For the year ended 31 August 2023

3.1 Asset quality (continued)

Impaired assets

	As at				
	Aug 23 $m	Feb 23 $m	Aug 22 $m	Aug 23 vs Feb 23	Aug 23 vs Aug 22
Retail lending	**22**	37	61	(41%)	(64%)
Commercial lending	**63**	65	54	(3%)	17%
Asset finance	**29**	31	38	(6%)	(24%)
Total impaired assets	**114**	133	153	(14%)	(25%)
Impaired assets / GLA	**14bps**	16bps	19bps	(2bps)	(5bps)

BOQ impaired assets of $114 million decreased by $39 million or 25 per cent on FY22. The decrease was across the retail and asset finance portfolios due to low specific provisioning activity, partially offset by an increase in the commercial portfolio.

Retail impaired assets decreased by $39 million or 64 per cent on FY22. This was driven by low levels of new specific provisioning activity, customers returning to performing and strong realisations throughout FY23.

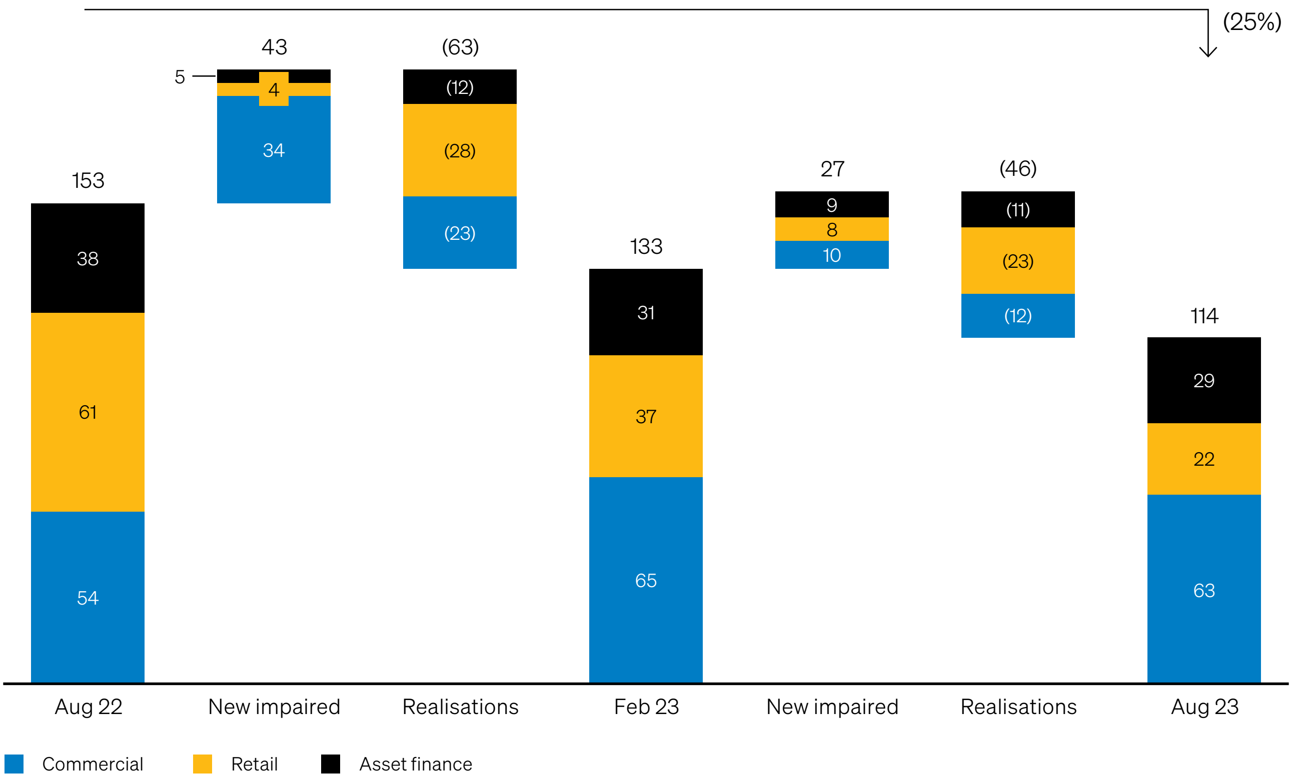
Commercial impaired assets increased by $9 million or 17 per cent on FY22. The increase was primarily driven by a small number of customers, partially offset by recoveries and realisations.

Asset finance impaired assets decreased by $9 million or 24 per cent on FY22. This was largely attributable to the movement of $6 million from the specific to the collective provision in 1H23.

The Group holds one exposure in the portfolio with an impaired balance greater than $5 million.

The following chart outlines the movements in impaired assets since August 2022.

Impaired assets ($m)



Financial Performance.

For the year ended 31 August 2023

3.1 Asset quality (continued)

Provision coverage

		As at				
		Aug 23	Feb 23	Aug 22	Aug 23 vs Feb 23	Aug 23 vs Aug 22
Specific provision	$m	**61**	70	78	(13%)	(22%)
Collective provision (**CP**)	$m	**271**	243	217	12%	25%
Total provision	$m	**332**	313	295	6%	13%
ERCL	$m	**20**	40	58	(50%)	(66%)
Specific provisions to impaired assets	%	**54**	53	51	100bps	300bps
Total provisions and ERCL / impaired assets [1]	%	**317**	278	247	large	large
CP and ERCL / Total RWA [1] [2]	bps	**74**	73	66	1	8
Total provisions and ERCL / GLA [1]	bps	**44**	45	47	(1)	(3)

(1) ERCL gross of tax effect.
(2) During 1H23, APRA's new Basel III capital framework came into effect. Aug 22 is as previously reported.

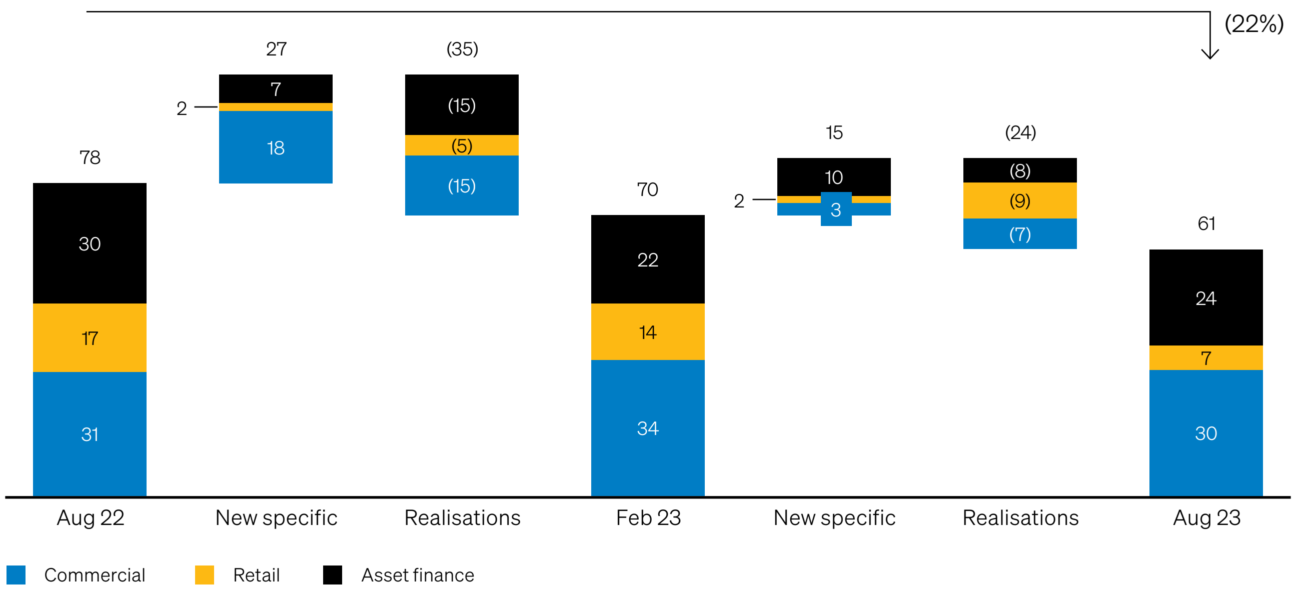
Total provisions of $332 million increased by $37 million or 13 per cent on FY22. This was driven by a higher collective provision which was partially offset by a decrease in the specific provision. Total provisions and ERCL coverage to GLAs decreased by three basis points from FY22 due to the decrease in specific provisions.

Specific provisions of $61 million decreased by $17 million or 22 per cent on FY22. Specific provisions remained subdued in FY23 due to strong net property value increases over recent years despite declines from peak levels in 2022. Of the $17 million reduction, $6 million was due to a movement from the specific provision to the collective provision within the asset finance portfolio.

The collective provision of $271 million increased by $54 million or 25 per cent on FY22, primarily due to continued uncertainty from cost of living pressures, rising interest rates as well as an observed decline in house prices from peak levels in 2022. Since FY22, further updates to overlays have been made to ensure unique portfolio factors or industries where inflation and interest rate increases could result in additional stress are considered. Overlays are managed to ensure sufficient provisions are held. Economic forecasts have catered for the uncertain outlook, including interest rate rises and the possibility of property price declines, which are offset by continued strength in employment rates.

The following chart outlines the movements in specific provisions since August 2022.

Specific provisions ($m)



Financial Performance.

For the year ended 31 August 2023

3.1 Asset quality (continued)

Arrears

		The Group					
Key metrics (1)		**Aug 23 portfolio balance $m**	**Aug 23**	Feb 23	Aug 22	Aug 23 vs Feb 23	Aug 23 vs Aug 22
Total lending - portfolio balance (2)	$m		**81,135**	81,901	81,226	(1%)	-
30 days past due	$m		**1,262**	1,146	944	10%	34%
90 days past due	$m		**736**	592	552	24%	33%
			Proportion of portfolio				
30 days past due: GLAs			**1.55%**	1.40%	1.16%	15bps	39bps
90 days past due: GLAs			**0.91%**	0.72%	0.68%	19bps	23bps
BY PORTFOLIO							
30 days past due: GLAs (Retail) (3)		**63,012**	**1.55%**	1.35%	1.10%	20bps	45bps
90 days past due: GLAs (Retail) (3)			**0.87%**	0.66%	0.63%	21bps	24bps
30 days past due: GLAs (Commercial)		**11,160**	**1.78%**	1.59%	1.44%	19bps	34bps
90 days past due: GLAs (Commercial)			**1.25%**	0.99%	1.01%	26bps	24bps
30 days past due: GLAs (Asset finance)		**6,963**	**1.33%**	1.63%	1.34%	(30bps)	(1bp)
90 days past due: GLAs (Asset finance)			**0.74%**	0.90%	0.63%	(16bps)	11bps

(1) To align reporting, arrears have been adjusted to include impaired accounts. All prior periods have been restated.
(2) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5 Prior period adjustments to the financial statements.
(3) Retail arrears includes housing and consumer lending.

Retail arrears

Retail arrears increased by 45 basis points for the 30 day category and 24 basis points for the 90 day category since FY22. The increase reflects the impact of interest rate and cost of living pressures in the current economic environment. BOQ continues to provide assistance to our customers to manage these pressures, including through hardship arrangements where appropriate. Retail arrears have returned to pre-COVID-19 levels. The portfolio loan-to-value (**LVR**) position is strong, benefiting from a number of years of prudent lending settings and loss experience remains benign.

Commercial arrears

Commercial arrears increased by 34 basis points in the 30 day category and by 24 basis points in the 90 day category since FY22. The increases were primarily driven by a small number of customers with large exposures in the commercial property sector. These customers are largely well secured. Commercial arrears rates remain below pre-COVID-19 levels and are not translating into material losses with specific provisions remaining low.

Asset finance arrears

Asset finance arrears improved by one basis point in the 30 day category and increased by 11 basis points in the 90 day category since FY22 and have improved since 1H23. This reflects the Group's continued efforts to work with customers who were impacted by industry related challenges.

Financial Performance.

For the year ended 31 August 2023

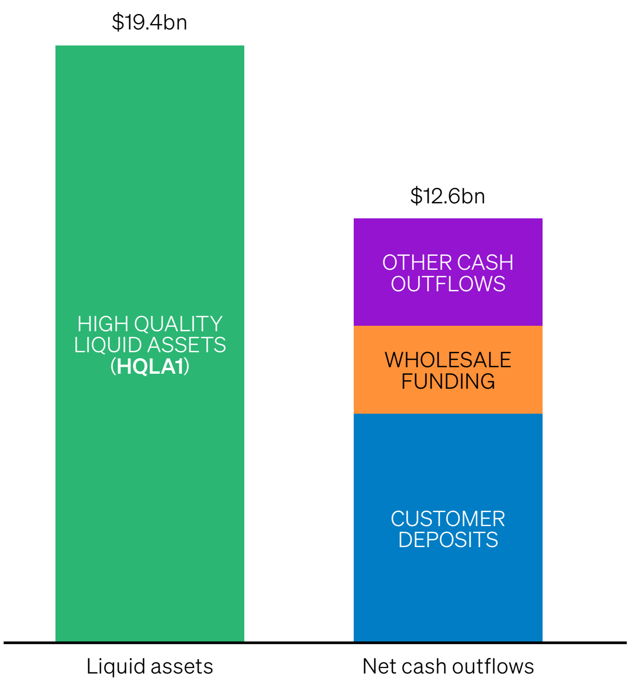
3.2 Funding and liquidity

BOQ's liquidity and funding risk appetite strategy is designed to support the Group's ability to meet its financial obligations as they fall due under all market conditions. Management of liquidity risk at BOQ is focused on developing a stable customer deposit base, maintaining access to diversified wholesale funding markets and disciplined management of maturity profiles. BOQ regularly stress tests its liquidity risk profile to identify vulnerabilities under a diverse range of market scenarios and to maintain an appropriate level of liquidity.

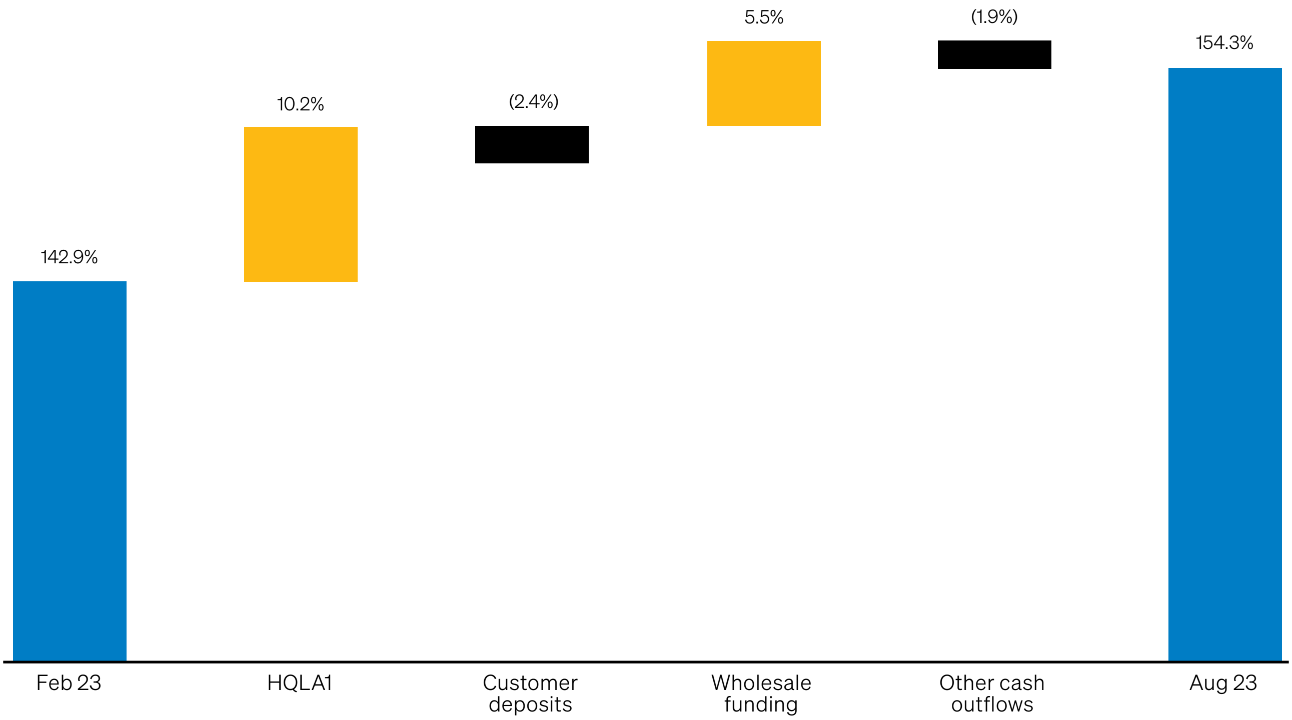
Liquidity coverage ratio (LCR)

APRA requires that authorised deposit-taking institutions (**ADIs**) maintain a minimum LCR of 100 per cent. BOQ manages its LCR on a daily basis and actively maintains a buffer above the regulatory minimum in line with BOQ's prescribed risk appetite and policy settings. BOQ's level 2 LCR at 31 August 2023 was 154 per cent, which was 11 per cent higher than 28 February 2023. The average level 2 LCR for the half was 149 per cent. The increase in LCR over the half can primarily be attributed to the increase in HQLA1, which was up $1.3 billion. Net cash outflows (**NCO**) fell by $100 million as less wholesale funding offset NCO growth from customer deposits and other cash outflows.

LCR - August 2023 (154%)



LCR waterfall 28 February 2023 - 31 August 2023



Financial Performance.

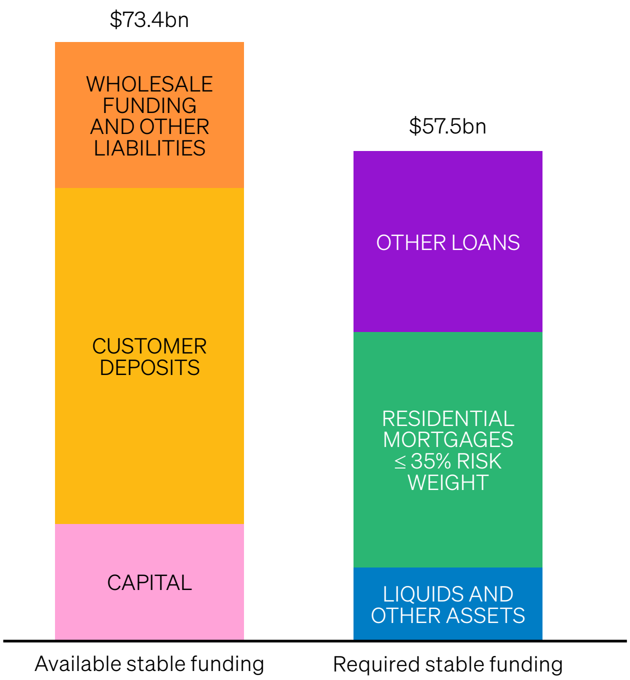
For the year ended 31 August 2023

3.2 Funding and liquidity (continued)

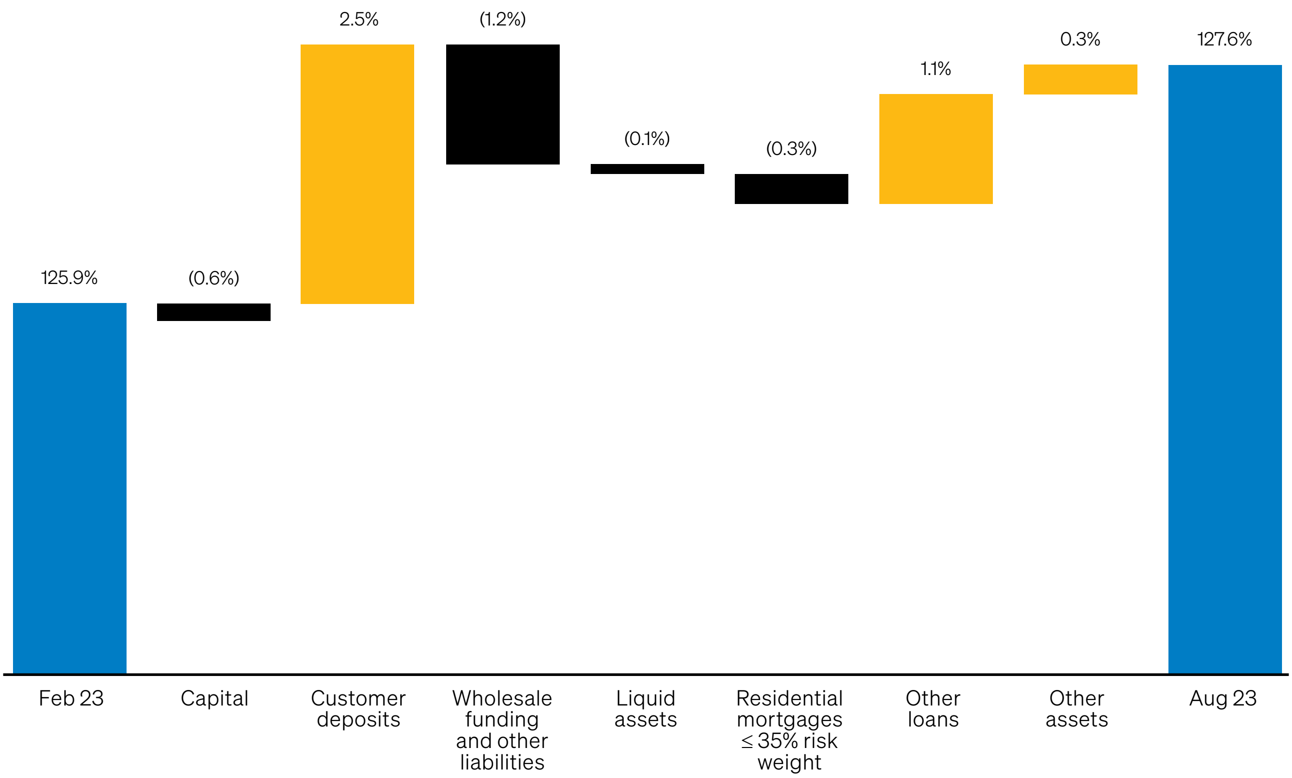
Net stable funding ratio (NSFR)

The NSFR encourages ADIs to fund their lending activities with more stable sources of funding, thereby promoting greater balance sheet resilience. BOQ manages its NSFR on a daily basis and actively maintains a buffer above the regulatory minimum of 100 per cent, in line with BOQ's prescribed risk appetite and policy settings. BOQ's level 2 NSFR at 31 August 2023 was 128 per cent, which is two per cent higher than 28 February 2023. An increase in customer deposits more than offset the NSFR impact from lower capital, wholesale funding and other liabilities. The contraction in assets, particularly in the higher risk weighted loans, drove a further uplift in NSFR.

NSFR - August 2023 (128%)



NSFR waterfall 28 February 2023 - 31 August 2023



Financial Performance.

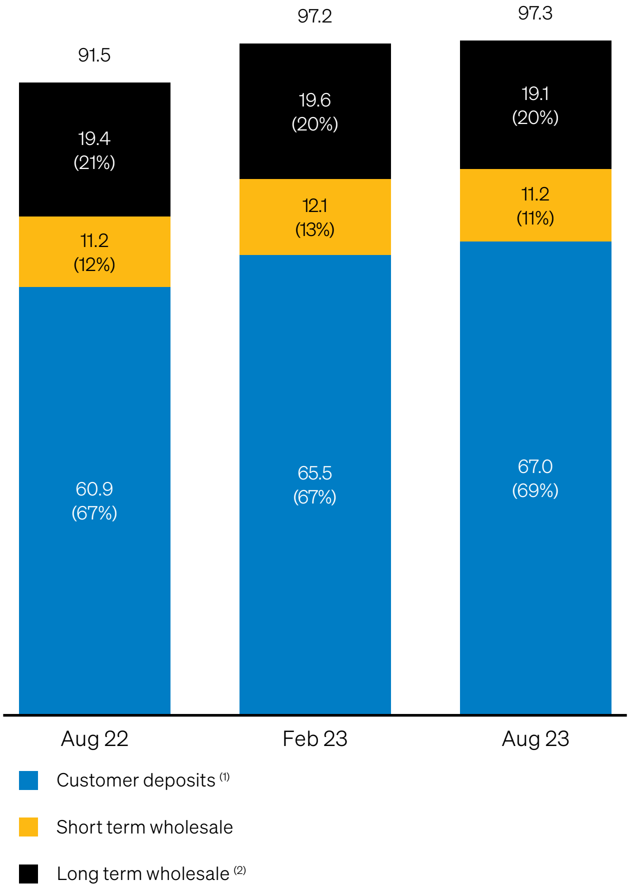
For the year ended 31 August 2023

3.2 Funding and liquidity (continued)

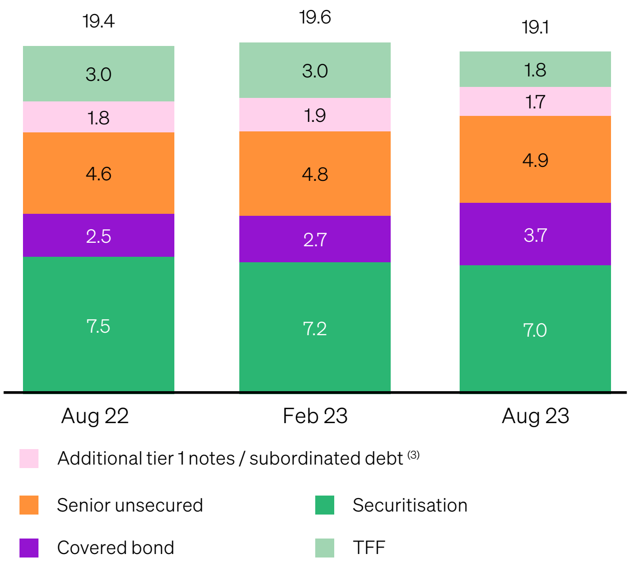
Funding

BOQ's funding strategy and risk appetite reflects the Group's business strategy, adjusted for the current economic environment. Funding is managed to allow for various scenarios that may impact BOQ's funding position.

Funding mix ($bn)



Long term wholesale ($bn)



(1) The classification of customer deposits is defined as all deposits excluding those from financial institutions as defined under APS 210.
(2) Foreign currency balances have been translated at end of day spot rates.
(3) Includes $0.1 billion additional tier 1 capital notes at 31 August 2023, which are in 'other equity instruments' in the financial statements: Consolidated statement of changes in equity.

Wholesale funding

BOQ focuses on three main strategic elements in delivering its wholesale funding objectives - capacity growth, resilience and diversity - while minimising the cost of funds and maintaining the Group's ability to take advantage of opportunities in the most appropriate markets.

BOQ continues to optimise the mix of wholesale and retail funding, whilst also increasing stable sources of funding.

In 2H23, BOQ continued to focus on growing customer deposits through a variety of channels, which has seen the deposit to loan ratio increase from 80 per cent at 1H23 to 83 per cent in 2H23. Growth in deposits, as well as strategically accessing long term wholesale markets, has assisted in refinancing TFF maturities and in managing a reduction in short term wholesale funding over the half.

Financial Performance.

For the year ended 31 August 2023

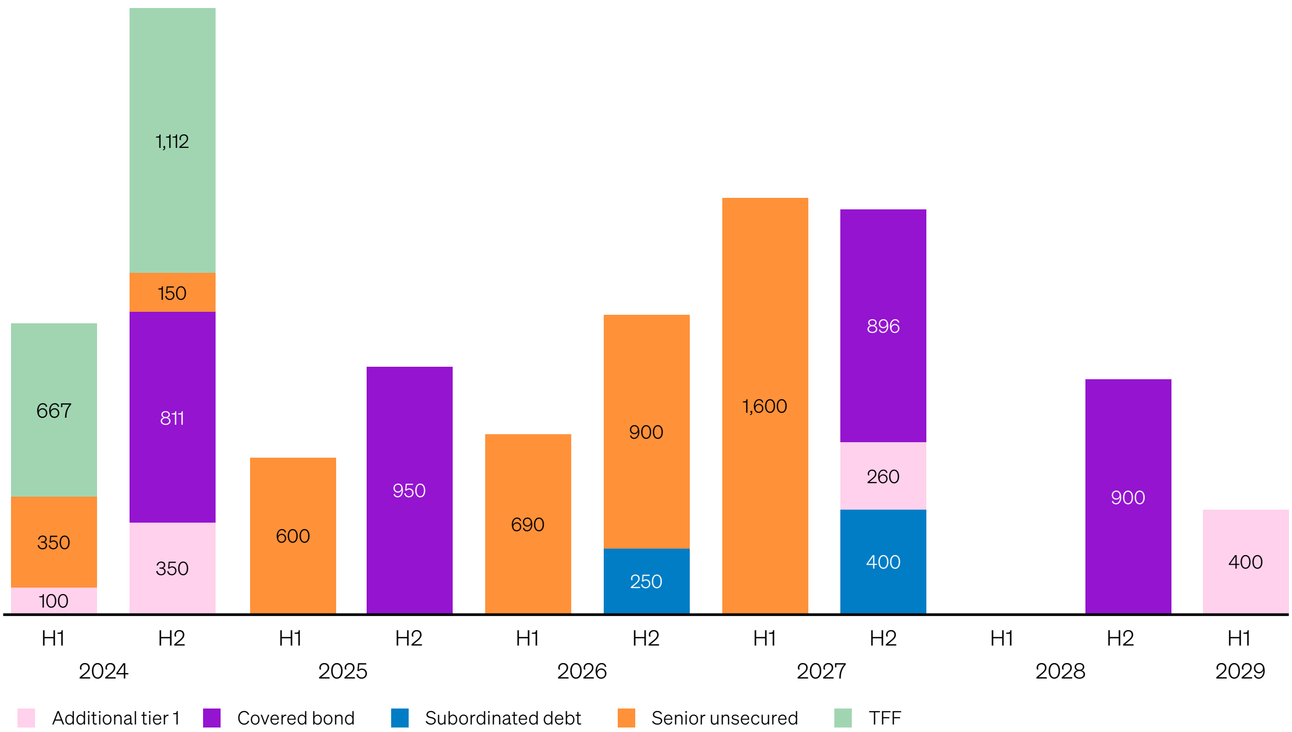
3.2 Funding and liquidity (continued)

Term funding issuance

BOQ accessed term funding markets in 2H23 using a range of long-term wholesale products with the intention of refinancing existing maturities (including the TFF) and complementing the inflow of customer deposits. This included a five year $900 million domestic covered bond in May 2023 and a $1.0 billion capital relief Residential Mortgage-Backed Securities (**RMBS**) in July 2023.

BOQ has a diverse range of unsecured and secured debt programs, which provides funding diversification benefits and enables BOQ to fund future asset growth and manage term maturity towers over the next five years.

Major maturities ($m) (1) (2) (3) (4)



(1) Any transaction issued in a currency other than AUD is shown in the applicable AUD equivalent hedged amount.
(2) Senior unsecured maturities greater than or equal to $50 million shown, excludes private placements.
(3) Redemption of subordinated debt notes and additional tier 1 notes at the scheduled call date is at BOQ's option and is subject to obtaining prior written approval from APRA.
(4) Halves are consistent with BOQ's financial reporting year.

Financial Performance.

For the year ended 31 August 2023

3.3 Capital management

The Group's capital management strategy aims to ensure adequate capital levels are maintained to protect deposit holders. The Bank's capital is measured and managed in line with Prudential Standards issued by APRA. The capital management plan is updated annually and submitted to the Board for approval. The approval process is designed to ensure the plan is consistent with the overall business plan and to manage capital levels on an ongoing basis.

APRA's revised Basel III capital framework became effective on 1 January 2023. The revisions are reflected in disclosed ratios for February 2023 and August 2023. Comparative information has not been restated and reflects reported ratios at the time under the previous capital framework.

The Board has determined that BOQ will target to operate within the Common Equity Tier 1 (**CET1**) range of between 10.25-10.75 per cent, in normal operating conditions.

Capital adequacy

	Aug 23 $m	Feb 23 (1) $m	Aug 22 (1) $m	Aug 23 vs Feb 23	Aug 23 vs Aug 22
QUALIFYING CAPITAL FOR LEVEL 2 ENTITIES (2)					
COMMON EQUITY TIER 1 CAPITAL					
Ordinary share capital	**5,318**	5,286	5,258	1%	1%
Reserves	**414**	515	781	(20%)	(47%)
Retained profits, including current period profits	**290**	316	300	(8%)	(3%)
Total CET1 Capital	**6,022**	6,117	6,339	(2%)	(5%)
REGULATORY ADJUSTMENTS					
Goodwill and intangibles	**(1,069)**	(1,073)	(1,257)	-	(15%)
Deferred expenditure	**(409)**	(427)	(404)	(4%)	1%
Other deductions	**(106)**	(223)	(308)	(52%)	(66%)
Total CET1 regulatory adjustments	**(1,584)**	(1,723)	(1,969)	(8%)	(20%)
CET1 Capital	**4,438**	4,394	4,370	1%	2%
Additional Tier 1 Capital	**1,110**	1,110	910	-	22%
Total Tier 1 Capital	**5,548**	5,504	5,280	1%	5%
Provisions eligible for inclusion in Tier 2 capital	**179**	177	176	1%	2%
Tier 2 Capital	**636**	836	836	(24%)	(24%)
Total Tier 2 Capital	**815**	1,013	1,012	(20%)	(19%)
Total Capital	**6,363**	6,517	6,292	(2%)	1%
Total RWA	**40,680**	41,020	45,669	(1%)	(11%)
CET1 ratio	**10.91%**	10.71%	9.57%	20bps	134bps
Net Tier 1 Capital ratio	**13.64%**	13.42%	11.56%	22bps	208bps
Total Capital adequacy ratio	**15.64%**	15.89%	13.78%	(25bps)	186bps

(1) Feb 23 and Aug 22 have not been restated to reflect the prior period adjustments detailed in Note 1.5 Prior period adjustments to the financial statements.

(2) APRA's Prudential Standard APS 001 'Definitions' defines Level 2 as the Group and all of its subsidiary entities other than non-consolidated subsidiaries. The non-consolidated subsidiaries excluded from Level 2 regulatory measurement at 31 August 2023 are:

- Bank of Queensland Limited Employee Share Plans Trust;
- Home Credit Management Pty Ltd;
- Series 2015-1 REDS Trust;
- Series 2017-1 REDS Trust;
- Series 2018-1 REDS Trust;
- Series 2019-1 REDS Trust;
- Series 2022-1 REDS MHP Trust;
- Series 2023-1 REDS Trust;
- SMHL Series Securitisation Fund 2015-1;
- SMHL Series Securitisation Fund 2016-1;
- SMHL Series Securitisation Fund 2017-1;
- SMHL Series Securitisation Fund 2018-2;
- SMHL Series Securitisation Fund 2019-1;
- SMHL Series Private Placement Trust 2017-2;
- SMHL Series Private Placement Trust 2019-1;
- SMHL Series Private Placement Trust 2019-2; and
- SMHL Securitisation Trust 2020-1.

Hence, the balances in the table will not directly correlate to the Consolidated balance sheet.

Financial Performance.

For the year ended 31 August 2023

3.3 Capital management (continued)

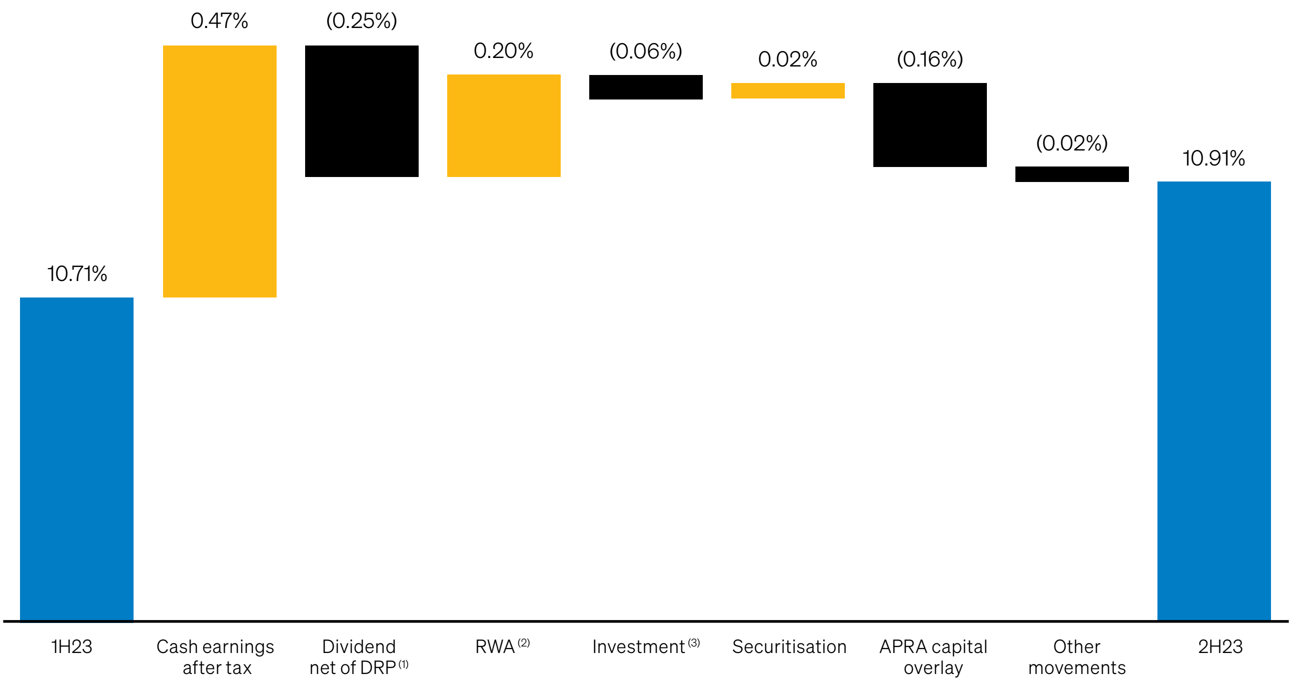
The Group's CET1 ratio at 31 August 2023 was 10.91 per cent, reflecting a 20 basis point increase from the first half.

Capital generation for the second half was 36 basis points and comprised:

- Cash earnings after tax of $194 million (47 basis points increase);
- Payment of the FY23 interim dividend net of dividend reinvestment plan (**DRP**) share issuance (25 basis points decrease);
- Underlying decrease in RWAs (excluding the impact of capital efficient securitisations) partially offset by a small increase in loan origination costs (20 basis points increase);
- Investment in line with the strategic roadmap, net of amortisation (six basis points decrease);
- Net impact of capital efficient securitisations from new issuance of RMBS and run-off which decreased RWAs (two basis points increase); and
- Other movements which include the impact of statutory adjustments net of deductions and movements in the available for sale reserve (2 basis points decrease).

Other impacts that decreased the ratio by 16 basis points this half arose from a regulatory requirement for the Group to hold $50 million additional operational risk capital, which increased RWAs by $625 million (16 basis points decrease).

2H23 CET1 ratio walk



(1) The DRP operated with a 1.5 per cent discount. Participation was 20.2 per cent.
(2) Includes loan origination costs.
(3) Capitalised expenses net of amortisation.

3.4 Tax expense

BOQ tax expense arising on cash earnings for FY23 amounted to $211 million. This represented an effective tax rate of 31.9 per cent on a cash earnings basis, which is above the corporate tax rate of 30 per cent primarily due to the non-deductibility of interest payable on capital notes issued in FY18, FY21 and FY23.

Financial Performance.

For the year ended 31 August 2023

4. Divisional performance

4.1 Retail income statement, key metrics and financial performance review

Overview

The Retail Bank meets the financial needs of personal customers. The division supports 1.2 million customers through a network of 125[1] owner managed and 22 corporate branches, third-party intermediaries, more than 2,200 automated teller machines (**ATM**), Australian-based customer call centres, digital services, and mobile mortgage specialists.

	Year end performance			Half year performance		
	Aug 23 $m	Aug 22[2] $m	Aug 23 vs Aug 22	**Aug 23 $m**	Feb 23 $m	Aug 23 vs Feb 23
Net interest income	**929**	919	1%	**429**	500	(14%)
Non-interest income	**88**	98	(10%)	**43**	45	(4%)
Total income	**1,017**	1,017	-	**472**	545	(13%)
Operating expenses	**(706)**	(642)	10%	**(357)**	(349)	2%
Underlying profit	**311**	375	(17%)	**115**	196	(41%)
Loan impairment expense	**(13)**	(41)	(68%)	**3**	(16)	large
Profit before tax	**298**	334	(11%)	**118**	180	(34%)
Income tax expense	**(95)**	(102)	(7%)	**(38)**	(57)	(33%)
Cash earnings after tax	**203**	232	(13%)	**80**	123	(35%)

		Year end performance			Half year performance		
Key metrics[3]		**Aug 23**	Aug 22	Aug 23 vs Aug 22	**Aug 23**	Feb 23	Aug 23 vs Feb 23
PERFORMANCE INDICATORS							
CTI[2]	%	**69.4**	63.1	large	**75.6**	64.0	large
Net interest income / average GLA[2][4]	%	**1.79**	1.81	(2bps)	**1.64**	1.93	(29bps)
ASSET QUALITY							
90 dpd arrears[5]	$m	**519**	368	41%	**519**	399	30%
Impaired assets	$m	**19**	46	(59%)	**19**	29	(34%)
Loan impairment expense / GLA	bps	**2**	7	(5)	**(1)**	6	large
BALANCE SHEET							
GLA[2]	$m	**55,854**	56,622	(1%)	**55,854**	56,674	(3%)
Housing	$m	**55,671**	56,412	(1%)	**55,671**	56,474	(3%)
Other retail	$m	**183**	210	(13%)	**183**	200	(17%)
Credit risk weighted assets[6]	$m	**17,299**	19,142	(10%)	**17,299**	18,036	(8%)
Customer deposits[7]	$m	**36,440**	33,319	9%	**36,440**	35,286	6%
Term deposits	$m	**13,943**	10,378	34%	**13,943**	12,458	24%
Mortgage offsets	$m	**4,216**	4,517	(7%)	**4,216**	4,417	(9%)
Savings and investment	$m	**14,673**	14,217	3%	**14,673**	14,630	1%
Transaction accounts	$m	**3,608**	4,207	(14%)	**3,608**	3,781	(9%)
Deposit to loan ratio	%	**65**	59	large	**65**	62	300bps

(1) Aug 22 included 36 corporate and 118 owner managed branches, which included 7 transaction centres.
(2) Comparatives have been restated to reflect the FY22 prior period adjustments detailed in Note 1.5 Prior period adjustments to the financial statements.
(3) Balance sheet key metrics have been annualised.
(4) Calculated on a cash earnings basis and net of mortgage offsets.
(5) To align reporting, arrears for the Group have been adjusted to include impaired accounts.
(6) Aug 23 and Feb 23 includes the impact of APRA's new Basel III capital framework. Aug 22 is as previously reported. Credit RWAs reflect on balance sheet exposures.
(7) Treasury managed customer deposits are included in the Group's Other operating business unit.

Financial Performance.

For the year ended 31 August 2023

4.1 Retail income statement, key metrics and financial performance review (continued)

FY23 vs FY22

Retail Bank cash earnings after tax of $203 million decreased by $29 million or 13 per cent on FY22. Underlying profit decreased by 17 per cent on FY22 driven by a $64 million increase in operating expenses. Loan impairment expense reduced by $28 million on FY22.

Net interest income

Net interest income of $929 million increased by $10 million or one per cent on FY22, reflecting two per cent growth in average lending assets, partly offset by a two basis point decline in net interest margin. Net interest income included the impact of reclassifying ME housing fee income from net interest income to non-interest income and the shortening of the weighted average life of the housing portfolio.

Spot balance sheet movements included:

- Housing contraction of $741 million or one per cent on FY22, reflecting a decision to prioritise returns in a competitive housing market; and
- Customer deposits growth of $3.1 billion or nine per cent on FY22, driven by term deposits partly offset by a reduction in mortgage offset and transaction balances. Savings balances grew three per cent with strong growth on the digital platform more than offsetting a decline in heritage portfolios.

Net interest margin of 1.79 per cent decreased by two basis points, reflecting competitive pressure on home lending margins, partly offset by higher deposit earnings in a rising rate environment and a two basis points benefit from shortening the weighted average life of the housing portfolio.

Non-interest income

Non-interest income of $88 million decreased by $10 million or 10 per cent on FY22. This was mainly driven by one-off revenue items in FY22, partly offset by the alignment of accounting classification, which moved $14.6 million of ME housing fee income from net interest income to non-interest income and was earnings neutral.

Operating expenses

Operating expenses of $706 million increased by $64 million or 10 per cent on FY22, driven by inflation and investment in digital and technology transformation and customer support, partly offset by productivity initiatives and realised synergies.

Loan impairment expense

Loan impairment expense of $13 million decreased by $28 million or 68 per cent on FY22 due to a lower collective provision as FY22 included the re-establishment of the ME collective provision. The FY23 loan impairment expense was driven by an increased collective provision, reflecting continued uncertainty from cost of living pressures, rising interest rates as well as an observed decline in house prices from peak levels in 2022.

2H23 vs 1H23

Retail Bank cash earnings after tax of $80 million decreased $43 million or 35 per cent on 1H23, driven by a $71 million reduction in net interest income and an $8 million increase in operating expenses. Loan impairment expense reduced $19 million on 1H23.

Net interest income

Net interest income decreased by $71 million or 14 per cent on 1H23, reflecting flat average lending assets and a 29 basis point decline in net interest margin partly offset by higher day count in 2H23. Net interest income included the impact of shortening the weighted average life of the housing portfolio.

Spot balance sheet movements included:

- Housing contraction of $803 million or three per cent, representing growth below system. 2H23 continued to reflect a decision to prioritise returns in a highly competitive housing market; and
- Customer deposits growth of $1.2 billion or six per cent on 1H23, driven by term deposits partly offset by a reduction in mortgage offsets and transaction account balances.
  Savings balances grew one per cent with strong growth on the digital platform offsetting a decline in heritage portfolios.

Net interest margin of 1.64 per cent decreased 29 basis points, reflecting continued competitive pressures across customer deposits and home lending and a five basis point contraction from shortening the weighted average life of the housing portfolio.

Non-interest income

Non-interest income decreased $2 million or four per cent on 1H23 as lower lending fee income, driven by product simplification, was partly offset by increased incentives from third-party card and insurance providers.

Operating expenses

Operating expenses increased by $8 million or two per cent on 1H23, driven by a higher day count in 2H23 and the timing of project spend, partly offset by productivity initiatives.

Loan impairment expense

Loan impairment expense was a credit of $3 million in 2H23 compared to a $16 million expense at 1H23, driven by collective provision reductions reflecting improved house prices over the second half, partly offset by continued uncertainty from cost of living pressures and rising interest rates.

Financial Performance.

For the year ended 31 August 2023

4.2 BOQ Business income statement, key metrics and financial performance review

Overview

BOQ Business provides tailored business banking solutions including commercial lending, equipment finance and leasing, cashflow finance, foreign exchange hedging and international transfers, interest rate hedging, transaction banking, home lending and deposit solutions for business customers.

	Year end performance			Half year performance		
	Aug 23 $m	Aug 22 $m	Aug 23 vs Aug 22	**Aug 23 $m**	Feb 23 $m	Aug 23 vs Feb 23
Net interest income	**686**	593	16%	**347**	339	2%
Non-interest income	**48**	50	(4%)	**24**	24	-
Total income	**734**	643	14%	**371**	363	2%
Operating expenses	**(304)**	(295)	3%	**(158)**	(146)	8%
Underlying profit	**430**	348	24%	**213**	217	(2%)
Loan impairment expense	**(58)**	28	large	**(40)**	(18)	122%
Profit before tax	**372**	376	(1%)	**173**	199	(13%)
Income tax expense	**(119)**	(115)	3%	**(56)**	(63)	(11%)
Cash earnings after tax	**253**	261	(3%)	**117**	136	(14%)

		Year end performance			Half year performance		
Key metrics [(1)]		**Aug 23**	Aug 22	Aug 23 vs Aug 22	**Aug 23**	Feb 23	Aug 23 vs Feb 23
PERFORMANCE INDICATORS							
CTI	%	**41.4**	45.9	(450bps)	**42.6**	40.2	240bps
Net interest income / average GLA [(2)]	%	**2.89**	2.63	26bps	**2.87**	2.89	(2bps)
ASSET QUALITY							
90 dpd arrears [(3)]	$m	**216**	184	17%	**216**	193	12%
Impaired assets	$m	**95**	106	(10%)	**95**	104	(9%)
Loan impairment expense / GLA	bps	**23**	(11)	large	**31**	14	17
BALANCE SHEET							
GLA	$m	**25,281**	24,604	3%	**25,281**	25,227	-
Housing	$m	**7,067**	7,008	1%	**7,067**	7,123	(2%)
Commercial and other	$m	**11,251**	11,043	2%	**11,251**	11,319	(1%)
Asset finance	$m	**6,963**	6,553	6%	**6,963**	6,785	5%
Credit risk weighted assets [(4)]	$m	**16,672**	19,533	(15%)	**16,672**	16,555	1%
Customer deposits [(5)]	$m	**10,684**	11,668	(8%)	**10,684**	11,102	(7%)
Term deposits	$m	**2,303**	2,021	14%	**2,303**	2,138	15%
Mortgage offsets	$m	**1,275**	1,233	3%	**1,275**	1,316	(6%)
Savings and investment	$m	**5,273**	6,220	(15%)	**5,273**	5,677	(14%)
Transaction accounts	$m	**1,833**	2,194	(16%)	**1,833**	1,971	(14%)
Deposit to loan ratio	%	**42**	47	(500bps)	**42**	44	(200bps)

(1) Balance sheet key metrics have been annualised.
(2) Calculated on a cash earnings basis and net of mortgage offsets.
(3) To align reporting, arrears for the Group have been adjusted to include impaired accounts.
(4) Aug 23 and Feb 23 includes the impact of APRA's new Basel III capital framework. Aug 22 is as previously reported. Credit RWAs reflect on balance sheet exposures.
(5) Treasury managed customer deposits are included in the Group's Other operating business unit.

Financial Performance.

For the year ended 31 August 2023

4.2 BOQ Business income statement, key metrics and financial performance review (continued)

FY23 vs FY22

BOQ Business cash earnings after tax of $253 million decreased $8 million or three per cent on FY22. Underlying profit growth of 24 per cent was driven by a 14 per cent increase in total income, partly offset by operating expense growth of three per cent. Loan impairment expense was $58 million in FY23 compared to a credit of $28 million in FY22.

Net interest income

Net interest income of $686 million increased $93 million or 16 per cent on FY22, reflecting five per cent growth in average lending assets and a 26 basis point improvement in net interest margin, partly offset by an eight per cent reduction in customer deposits.

Spot balance sheet movements included:

- Commercial and other lending growth of $208 million or two per cent driven by growth across the agriculture and healthcare sectors, and owner-occupied commercial property lending across a diversified range of businesses;
- Asset finance growth of $410 million or six per cent led by the core equipment finance business, along with growth in structured and dealer finance as supply-chain issues eased across the market;
- Housing growth of $59 million or one per cent representing growth below system, reflecting a decision to prioritise returns in a highly competitive housing market; and
- Customer deposits contracted $984 million or eight per cent as a reduction in savings and transaction balances was partly offset by shifting customer preferences towards higher yielding term deposits.

Net interest margin of 2.89 per cent improved by 26 basis points reflecting higher deposit earnings in the rising interest rate environment, partly offset by competitive pressure on lending margins.

Non-interest income

Non-interest income of $48 million decreased by $2 million or four per cent on FY22 reflecting lower gains from the sale of leasing equipment and reduced business lending fees, partly offset by higher foreign exchange income.

Operating expenses

Operating expenses of $304 million increased by three per cent on FY22 driven by inflation, uplift in risk, compliance and technology resourcing and investment in technology transformation, partly offset by productivity initiatives.

Loan impairment expense

Loan impairment expense of $58 million compares to a credit of $28 million in FY22. This was driven by collective provision increases reflecting rating downgrades and prudent overlays on the construction and commercial real estate industries. Specific provisions also increased on a small number of large exposures.

2H23 vs 1H23

Cash earnings after tax of $117 million decreased $19 million or 14 per cent on 1H23. A two per cent increase in total income was offset by an eight per cent increase in operating expenses resulting in a two per cent contraction in underlying profit. Loan impairment expense was $22 million higher in 2H23.

Net interest income

Net interest income of $347 million increased $8 million or two per cent reflecting a two per cent increase in average lending assets and a higher day count in 2H23, partly offset by a two basis point deterioration in net interest margin and lower deposit balances.

Spot balance sheet movements included:

- Commercial and other lending contraction of one per cent in 2H23 reflecting a slowing of system growth and a continued focus on optimising returns;
- Asset finance growth of $178 million or five per cent driven by the core equipment finance business, along with growth in structured and dealer finance;
- Housing contraction of $56 million or two per cent reflecting a decision to prioritise returns in a highly competitive housing market; and
- Customer deposits contraction of $418 million or seven per cent reflecting lower savings and transaction deposits, partly offset by shifting customer preferences towards higher yielding term deposits.

Net interest margin of 2.87 per cent contracted two basis points in 2H23 driven by competitive pressure on lending margins, partly offset by higher deposit earnings in the rising interest rate environment.

Non-interest income

Non-interest income was flat on 1H23, as lower business lending fees were offset by higher gains from the sale of leasing equipment and stronger foreign exchange and interest rate sales.

Operating expenses

Operating expenses increased by eight per cent in 2H23, reflecting an uplift in risk, compliance and technology resourcing and investment in technology transformation and higher day count, partly offset by productivity initiatives.

Loan impairment expense

Loan impairment expense of $40 million increased $22 million on 1H23. This was driven by collective provision increases reflecting rating downgrades and prudent overlays on the construction and commercial real estate industries.

Financial Performance.

For the year ended 31 August 2023

4.3 Other income statement and financial performance review

Overview

The Other business unit includes Treasury and Group Head Office.

	Year end performance			Half year performance		
	Aug 23 $m	Aug 22 $m	Aug 23 vs Aug 22	**Aug 23 $m**	Feb 23 $m	Aug 23 vs Feb 23
Net interest expense	**(15)**	(7)	114%	**(8)**	(7)	14%
Non-interest income	**6**	5	20%	**5**	1	large
Total loss	**(9)**	(2)	large	**(3)**	(6)	(50%)
Operating expenses	**-**	-	-	**-**	-	-
Underlying loss	**(9)**	(2)	large	**(3)**	(6)	(50%)
Loan impairment expense	**-**	-	-	**-**	-	-
Loss before tax	**(9)**	(2)	large	**(3)**	(6)	(50%)
Income tax benefit	**3**	-	large	**-**	3	(100%)
Cash loss after tax	**(6)**	(2)	200%	**(3)**	(3)	-

Financial performance review

Cash loss after tax of $6 million in FY23 compares to cash loss after tax of $2 million in FY22 reflecting higher interest expenses and lower Treasury related income.

Net interest expense

Net interest expense of $15 million in FY23 compares to net interest expense of $7 million in FY22. This was driven by the timing impact of break costs and benefits and other ongoing interest rate hedging costs in a volatile rate environment.

Non-interest income

Non-interest income of $6 million was primarily driven by Treasury related fees and gains.

4.4 Outlook

Economic growth moderated over the course of the second half of the year reflecting the high cost of living and the efforts by the Reserve Bank of Australia to combat inflation with higher interest rates. Further slowing in economic growth is expected in the next half due to the lagged impact of higher interest rates and a weaker global economy. Inflationary pressures are expected to ease allowing for a more stable period for monetary policy. The unemployment rate is expected to rise modestly in the coming year.

The Group's performance outlook for FY24 is for:

- Further slowing in both housing and credit growth;
- Continued industry wide competition for deposits due to the replacement of the TFF;
- Competition for quality home and business lending;
- Ongoing delivery of the Group's simplification agenda;
- Sustained investment in the Group's digital transformation and strengthening of its operational resilience; and
- Increased loan impairment expense and support for customers in managing the financial burden of the rate increases during FY23.

Financial Performance.
For the year ended 31 August 2023

5. Appendix to Financial performance

5.1 Cash EPS calculations

		Year end performance			Half year performance		
		Aug 23	Aug 22 (1)	Aug 23 vs Aug 22	**Aug 23**	Feb 23	Aug 23 vs Feb 23
RECONCILIATION OF CASH EARNINGS FOR EPS							
Cash earnings after tax	$m	**450**	491	(8%)	**194**	256	(24%)
Returns to other equity instruments	$m	**(9)**	(12)	(25%)	**(3)**	(5)	(40%)
Fair value adjustment on ME AT1 capital notes	$m	**4**	9	(56%)	**1**	3	(67%)
Cash earnings available for ordinary shareholders	$m	**445**	488	(9%)	**192**	254	(24%)
Effect of capital notes 1	$m	**17**	10	70%	**9**	8	13%
Effect of capital notes 2	$m	**13**	8	63%	**7**	6	17%
Effect of capital notes 3 (2)	$m	**16**	-	large	**10**	5	100%
Cash diluted earnings available for ordinary shareholders	$m	**491**	506	(3%)	**218**	273	(20%)
WEIGHTED AVERAGE NUMBER OF SHARES (WANOS)							
Basic WANOS - ordinary shares	m	**650**	643	1%	**652**	648	1%
Effect of award rights	m	**5**	4	25%	**6**	5	20%
Effect of capital notes 1	m	**60**	49	22%	**60**	50	20%
Effect of capital notes 2	m	**45**	37	22%	**45**	37	22%
Effect of capital notes 3 (2)	m	**55**	-	large	**69**	34	103%
Diluted WANOS for cash earnings EPS	m	**815**	733	11%	**832**	774	7%
CASH EARNINGS PER SHARE							
Cash basic EPS - ordinary shares	cents	**68.4**	75.8	(10%)	**29.5**	39.0	(24%)
Cash diluted EPS - ordinary shares	cents	**60.2**	68.9	(13%)	**26.3**	35.2	(25%)

(1) Comparatives have been restated to reflect the FY22 prior period adjustments detailed in Note 1.5 Prior period adjustments to the financial statements.
(2) The capital notes 3 were issued on 14 November 2022. Further detail has been provided in Note 3.5 Borrowings to the financial statements.

Financial Performance.

For the year ended 31 August 2023

5.2 Average balance sheet and margin analysis

The following tables outline the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate for each of 1H23, 2H23, FY22 and FY23.

	2H23			1H23		
	Average balance $m	**Interest $m**	**Average rate %**	Average balance $m	Interest $m	Average rate %
INTEREST EARNING ASSETS						
Loans and advances [1]	**75,924**	**1,909**	**4.99**	75,659	1,610	4.29
Investments and other securities	**20,307**	**380**	**3.71**	17,914	249	2.80
Total interest earning assets	**96,231**	**2,289**	**4.72**	93,573	1,859	4.01
Non-interest earning assets						
Property, plant and equipment	**232**			256		
Other assets	**2,280**			2,590		
Provision for impairment	**(312)**			(297)		
Total non-interest earning assets	**2,200**			2,549		
Total assets	**98,431**			96,122		
INTEREST BEARING LIABILITIES						
Retail deposits	**61,005**	**973**	**3.16**	58,195	624	2.16
Wholesale deposits and borrowings [2]	**29,105**	**548**	**3.73**	30,130	403	2.70
Total interest bearing liabilities	**90,110**	**1,521**	**3.35**	88,325	1,027	2.34
Non-interest bearing liabilities	**1,613**			1,371		
Total liabilities	**91,723**			89,696		
Shareholders' funds	**6,708**			6,426		
Total liabilities and shareholders' funds	**98,431**			96,122		
INTEREST MARGIN AND INTEREST SPREAD						
Interest earning assets	**96,231**	**2,289**	**4.72**	93,573	1,859	4.01
Interest bearing liabilities	**90,110**	**1,521**	**3.35**	88,325	1,027	2.34
Net interest spread			**1.37**			1.67
Benefit of free funds			**0.21**			0.12
NIM - on average interest earning assets	**96,231**	**768**	**1.58**	93,573	832	1.79

(1) Net of average mortgage offset balances.
(2) Includes hedging costs, execution costs and dealer fees.

Financial Performance.

For the year ended 31 August 2023

5.2 Average balance sheet and margin analysis (continued)

	FY23			FY22 [1]		
	Average balance $m	**Interest $m**	**Average rate %**	Average balance $m	Interest $m	Average rate %
INTEREST EARNING ASSETS						
Loans and advances [2]	**75,792**	**3,519**	**4.64**	73,562	2,114	2.87
Investments and other securities	**19,111**	**629**	**3.29**	14,218	75	0.53
Total interest earning assets	**94,903**	**4,148**	**4.37**	87,780	2,189	2.49
Non-interest earning assets						
Property, plant and equipment	**244**			251		
Other assets	**2,415**			2,136		
Provision for impairment	**(305)**			(340)		
Total non-interest earning assets	**2,354**			2,047		
Total assets	**97,257**			89,827		
INTEREST BEARING LIABILITIES						
Retail deposits	**59,600**	**1,597**	**2.68**	54,054	334	0.62
Wholesale deposits and borrowings [3]	**29,617**	**951**	**3.21**	28,595	350	1.22
Total interest bearing liabilities	**89,217**	**2,548**	**2.86**	82,649	684	0.83
Non-interest bearing liabilities	**1,490**			1,075		
Total liabilities	**90,707**			83,724		
Shareholders' funds	**6,550**			6,103		
Total liabilities and shareholders' funds	**97,257**			89,827		
INTEREST MARGIN AND INTEREST SPREAD						
Interest earning assets	**94,903**	**4,148**	**4.37**	87,780	2,189	2.49
Interest bearing liabilities	**89,217**	**2,548**	**2.86**	82,649	684	0.83
Net interest spread			**1.51**			1.66
Benefit of free funds			**0.18**			0.05
NIM - on average interest earning assets	**94,903**	**1,600**	**1.69**	87,780	1,505	1.71

(1) Comparatives have been restated to reflect the FY22 prior period adjustments detailed in Note 1.5 Prior period adjustments to the financial statements.
(2) Net of average mortgage offset balances.
(3) Includes hedging costs, execution costs and dealer fees.

DIRECTORS' REPORT.

Remuneration Report.

For the year ended 31 August 2023

Dear Shareholder

Introduction

I acknowledge that BOQ's performance during FY23 was below the standards our shareholders, customers and communities expect of us. The Board takes accountability for the operational resilience and risk culture failings that led to two enforceable undertakings with APRA and AUSTRAC. Both the Board and Management have taken decisive action to drive and deliver the changes that are necessary to overcome our challenges and restore your trust in BOQ, including making necessary leadership changes and applying consequence management.

The Board has reflected deeply on our circumstances and worked to identify root causes. We have committed to two remedial action plans, Program rQ and AML First, that will be overseen by independent assurers and the respective regulators, APRA and AUSTRAC. We have considered the circumstances that led to the two enforceable undertakings and have applied what we believe are proportionate consequences to those who are accountable, both individually and collectively.

On behalf of the Board, I present the Remuneration Report for the period 1 September 2022 to 31 August 2023 (FY23) and share with you the way in which remuneration outcomes have been impacted to reflect accountability for our challenges, together with our progress and achievements against our people and culture strategies.

Leadership renewal

Over the past year and a half, we have implemented leadership changes across all three lines of defence, including renewal of the Managing Director & Chief Executive Officer (**MD**&**CEO**) and senior leaders in Finance, Operations (including Financial Crime Operations), Group Risk, Legal and Internal Audit.

Recognising that BOQ required different capability, leadership style and focus, in November 2022 we commenced an executive search for a new MD&CEO. Former Chairman Patrick Allaway was appointed as Executive Chairman to bring stability to the Group as the search progressed. In March 2023 Patrick was appointed as MD&CEO and in August 2023 we announced that the search had been discontinued and Patrick would remain in the role.

This decision was made considering the strength of leadership, clarity of goals, momentum in addressing our risk-related regulatory issues, and execution discipline that Patrick has brought to the business.

Notably, the following Senior Executives departed the Group during FY23:

- The former MD&CEO ceased in the role on 28 November 2022.
- The former Chief Operations Officer (**COO**) ceased with the Group on 31 August 2023.
- The former Group Executive People & Culture retired on 5 June 2023.

During FY23 we reduced the size of the Executive team, consistent with our strategy and new operating model. The team of eight people is now more appropriate for a bank of our size.

A new operating model was implemented on 1 September 2023 which saw the following appointments take effect:

- Martine Jager was appointed Chief People & Customer Officer.
- Rod Finch was appointed Chief Transformation & Operations Officer.
- Greg Boyle was appointed Group Executive Retail Banking.

Remuneration consequences

The Board has taken decisive action to apply downward remuneration adjustments to Non-executive Directors, current Senior Executives and former Senior Executives to reflect accountability for the circumstances that led to the two enforceable undertakings.

Remuneration Report.

For the year ended 31 August 2023

In-period adjustments

To reflect the Board's collective accountability, in FY24 Non-executive Directors' fees will be reduced by 20 per cent of the individual FY23 base fees paid.

The MD&CEO's remuneration structure for FY23 comprised a total variable reward opportunity of 170 per cent of fixed reward, delivered in Performance Shares (60 per cent of the total variable opportunity) and Premium Priced Options (40 per cent of the total variable opportunity).

Reflective of his accountability, the current MD&CEO recommended that he forgo his FY23 Performance Shares. Having separately considered the matter and determined it was an appropriate outcome, the Board supported the recommendation. The face value of the forgone FY23 Performance Shares award was $662k (pro-rated for the period 27 March to 31 August 2023).

The Premium Priced Options which vest in December 2026 and December 2027 will remain on foot, subject to receiving shareholder approval at the 2023 AGM. Consequently, the MD&CEO would receive a 60 per cent reduction to his total at-target variable remuneration for FY23.

For other Senior Executives who were in role during the performance period, the Board determined to convert an average of 66 per cent of FY23 Performance Shares, resulting in an average lapsing of 34 per cent.

Further information on FY23 remuneration outcomes for Senior Executives can be found in section 3.

Malus

Malus provisions were applied to equity held by current and former Senior Executives through the Board's specific assessment of risk and conduct, resulting in the lapsing or forfeiture of some or all unvested and/or restricted equity. Following further review after the prior financial year end, including an independent root cause analysis report and the two enforceable undertakings, the Board formed a view that further consequence management was necessary.

As a result, 100 per cent of unvested or restricted equity held by several former Senior Executives lapsed or was forfeited. This included converted Performance Shares, Premium Priced Options, Performance Award Rights and Restricted Shares issued in respect of their deferred FY20 short-term incentive.

Between 40 per cent and 100 per cent of the Restricted Shares allocated to other Senior Executives in December 2022 following the conversion of FY22 Performance Shares were forfeited. In addition to the in-period adjustments applied to these awards last year, the reduction to FY22 Performance Shares is between 50 per cent and 100 per cent.

FY24 remuneration structure changes

Following the introduction of APRA Prudential Standard CPS 511 (**CPS 511**) effective 1 September 2023, BOQ's FY24 executive remuneration framework moves away from offering 100 per cent of variable remuneration in equity through Performance Shares and Premium Priced Options. From 1 September 2023, we reverted to a more traditional structure comprising fixed reward, short-term variable reward (**STVR**) delivered partly in cash and partly in Restricted Shares, and long-term variable reward (**LTVR**) delivered in rights to BOQ equity.

The new executive remuneration framework supports a shift from a focus on delivering as a Group towards a balance between Group and individual, facilitating greater reward or consequence for individual outcomes and accountability.

The Group Scorecard based on the strategic pillars of Strengthen, Simplify, Digitise and Optimise underpinned by Customer & People Experience will continue to be the MD&CEO's scorecard for STVR purposes. STVR outcomes for Senior Executives other than the Group Chief Risk Officer (**GCRO**) will be determined based on a combination of Group Scorecard outcomes (50 per cent weighting) and individual outcomes (50 per cent weighting). As in FY23, the GCRO will be assessed based entirely on individual objectives.

STVR will be delivered partly in cash (50 per cent) and partly in Restricted Shares (50 per cent).

LTVR will be granted using Executive Performance Rights, which have a balance of financial and non-financial performance metrics, measured over a four-year performance period. The Board has selected LTVR measures to support delivering against the Customer Experience, Strengthen (including the Remedial Action Plans Program rQ and AML First) and Optimise priorities.

The new framework provides greater clarity and individual accountability and aligns reward with the key priorities of BOQ. Performance measures are transparent and strategically aligned. While a focus on performance measures is key, importantly, the Board retains discretion to make final determinations for both STVR and LTVR awards.

To reflect the independence of the role, the GCRO's remuneration mix has been re-balanced, with a greater proportion shifting into fixed reward and a lower variable opportunity.

Further information on the FY24 executive remuneration framework is provided in section 4.3.

Remuneration Report.

For the year ended 31 August 2023

People and culture strategy

Cultural transformation remains one of the Group's top priorities. The findings of the 2022 culture diagnostic were reinforced by a prudential review and the root cause analysis undertaken in 2023. While steady improvements have been made, the need for broader organisation-wide cultural transformation continues and underpins the remedial action plans.

Highlights this year included:

- Our people voting for a single Enterprise Agreement (**EA**) for the whole of BOQ Group in May 2023. The new EA came into effect on 6 July 2023, replacing two separate agreements for our ME Bank and BOQ-heritage employees. The scope and coverage of the EA was extended to employees below "Head of" level, and the EA offers guaranteed increases of up to 11.25 per cent over the life of the agreement.
- BOQ being recognised as a Workplace Gender Equality Agency (**WGEA**) Employer of Choice for Gender Equality for the second time.
- Launching three new inclusive leave policies: First Nations cultural leave, gender affirmation leave, and religious and cultural leave.
- Releasing a statement in support of an Aboriginal and Torres Strait Islander Voice to parliament in April 2023.

In FY24, balancing cost management with delivering the remedial action plans and the risk to high potential talent and critical roles remains a key priority for the Group.

Conclusion

The Board remains committed to ensuring that the Group's people, culture and remuneration frameworks and practices further the interests of all stakeholders, including shareholders, customers and employees. It is the Board's view that the remuneration outcomes for FY23 are appropriate considering the Group's results and challenges.

As we work through our remedial action plans, we continue to collaborate proactively with the regulators. We are also focused on transitioning from the Banking Executive Accountability Regime (**BEAR**) to the Financial Accountability Regime (**FAR**) by March 2024.

We will remain vigilant in ensuring that we have the right culture, which includes having an effective risk culture, to both improve our risk and control environment and create an internal atmosphere where any matters are surfaced by our employees as quickly as possible. We have confidence that effective implementation of the plans under the leadership of the current executive team will ensure that we get to a position where we can move forward with certainty that these issues are behind us.

The Board appreciates the feedback we have received from our shareholders, and we will continue to engage as we deliver on our strategy.

Yours faithfully

Deborah Kiers
Chair, People, Culture & Remuneration Committee

Remuneration Report.

For the year ended 31 August 2023

1. Remuneration snapshot

Purpose.
Why we exist

BUILDING
SOCIAL CAPITAL
THROUGH BANKING

Vision.
Where we are headed

To be the bank customers choose.

Pillars.
What we will deliver

STRENGTHEN	SIMPLIFY	DIGITISE	OPTIMISE

Exceptional customer and people experience.

Capabilities.
How we will deliver

- Digital Banking
- Relationship Banking
- Digitally enabled, data informed
- Risk Intelligence
- Transformational Leadership

Values.
How we will work

- **Spirited.** Be outrageously courageous.
- **Optimistic.** To infinity and beyond.
- **Curious.** Be truly, madly, deeply interested.
- **Inclusive.** Tap the collective genius.
- **Accountable.** Be the rubber that hits the road.
- **Lionhearted.** Be fiercely caring.

Remuneration principles.

- Reward sustainable, optimised performance, accountability, and enterprise-wide thinking.
- Reward our people for delivering an exceptional customer and people experience.
- Align our people to long-term value creation for our shareholders.
- Attract and retain curious bankers through performance and reward frameworks that are consistent with community expectations.
- Offer reward structures support our purpose and values, driving desired cultural shifts including to risk culture.
- Take into account prudent risk management in accordance with BOQ's risk appetite and regulatory expectations.

Remuneration Report.

For the year ended 31 August 2023

Senior executive remuneration framework summary

The Framework is anchored in the remuneration principles and designed to support the Group's Purpose, Vision, Strategy and Values by facilitating the successful achievement of the strategic priorities. The FY23 and FY24 frameworks are summarised below.

Fixed reward

Delivery	Cash
Performance criteria	Compliance with the terms and conditions of employment including the Code of Conduct and fulfilment of accountabilities under the Banking Executive Accountability Regime (**BEAR**) / Financial Accountability Regime (**FAR**).
Risk	Effective management of risk, contribution to improving the Group's risk maturity and risk culture.

Variable reward

	Performance Shares (FY23)	Short-term variable reward (FY24)
Delivery	• Rights that convert to Restricted Shares	• 50% cash; • 50% Restricted Shares
Performance criteria	• Over the one-year performance period: • MD&CEO: Group Scorecard (refer to section 3.5). • GCRO: Individual objectives. • Others: 75% Group Scorecard, 25% individual objectives.	• MD&CEO: Group Scorecard. • GCRO: Individual objectives. • Others: 50% Group Scorecard; 50% individual objectives.
Risk	• Performance outcomes are modified by the Board using informed judgement in consideration of risk, conduct and behaviours prior to determining conversion (Performance Shares) / STVR award. • Pre-release risk assessment prior to lifting restrictions from each tranche of Restricted Shares. • Restricted Shares are subject to malus. • A clawback period of two years applies to each tranche from the date the relevant tranche becomes unrestricted and from the payment date for the cash component.	
Vesting and restriction profile	• Rights convert to Restricted Shares on completion of the one-year performance period. Once converted, dealing restrictions are lifted as follows: • 33% In December 2024, 33% in December 2025 and 34% in December 2026 (i.e., after two, three and four years). • Vesting occurs on the earlier of completion of a cumulative three years' (50%) and five years' (50%) service with the Group (service vesting condition) or on the date that restrictions are lifted.	• Cash: paid on completion of the one-year performance period. Dealing restrictions on Restricted Shares in satisfaction of CPS 511 are lifted as follows: • MD&CEO: 20% in December 2025; 20% in December 2026; 30% in December 2027; 30% in December 2028 (i.e., on completion of years two, three, four and five). • Others: 50% in December 2025; 50% in December 2026 (i.e., on completion of years two and three).

	Premium Priced Options (FY23)	Long-term variable reward (FY24)
Delivery	• Options with a premium exercise price (120% of share price at grant).	• Performance Rights with a four-year performance period.
Performance criteria	• BOQ's share price must exceed the exercise price set for the award, and a risk assessment conducted by the Board.	• Customer tranche: 20%. • Strength tranche: 30%. • Optimise tranche: 50%.
Risk	• Risk assessment prior to vesting. • Unvested awards are subject to malus. • Each tranche is subject to dealing restrictions for one year after vesting. • A clawback period of two years from the vesting date applies to each tranche.	• Risk assessment prior to vesting. • Unvested awards are subject to malus. • Post-vesting dealing restrictions in satisfaction of CPS 511 deferral requirements. • A clawback period of two years from the vesting date applies to each tranche.
Vesting profile and restriction	• The earlier of completion of three years' service from the grant date (service vesting condition) 50% in December 2026 and 50% in December 2027 (i.e., after four and five years).	Performance criteria are tested on completion of the four-year performance period. Dealing restrictions may apply and will be released as follows: • MD&CEO: 33% in December 2027; 33% in December 2028; 34% in December 2029 (i.e., on completion of years four, five and six). • Others: 50% in December 2027; 50% in December 2028 (i.e., on completion of years four and five).

Remuneration Report.

For the year ended 31 August 2023

2. Key management personnel

This section identifies Directors and Senior Executives who are KMP and sets out the changes that have occurred within this cohort during FY23 and up until the date of this Report.

Table 1 - Executive and Non-Executive Directors

CURRENT DIRECTORS	
Patrick Allaway	Managing Director & Chief Executive Officer (commenced 27 March 2023) Executive Chairman (28 November 2022 to 26 March 2023) Non-executive Director & Chair (1 September 2022 to 27 November 2022)
Bruce Carter	Non-executive Director
Jenny Fagg	Non-executive Director
Deborah Kiers	Non-executive Director
Warwick Negus	Non-executive Director & Chair (commenced 27 March 2023) Non-executive Director (1 September 2022 to 26 March 2023)
Karen Penrose	Non-executive Director (1 September 2022 to 27 November 2022 and 27 March 2023 to present) Lead Independent Director (28 November 2022 to 26 March 2023)
Mickie Rosen	Non-executive Director

FORMER DIRECTORS	
George Frazis	Former Managing Director & Chief Executive Officer (ceased 28 November 2022)

Table 2 - Other Senior Executives

CURRENT SENIOR EXECUTIVES	
Greg Boyle	Group Executive Retail Banking (commenced 1 September 2023)
Rod Finch	Chief Strategy & Transformation Officer (10 April 2023 to 31 August 2023) Chief Transformation & Operations Officer (commenced 1 September 2023)
Martine Jager	Group Executive Retail Banking & Chief Executive Officer ME Bank (1 September 2022 to 4 June 2023) Group Executive Retail Banking, People & Culture & Chief Executive Officer ME Bank (5 June 2023 to 31 August 2023) Chief People & Customer Officer (commenced 1 September 2023)
Racheal Kellaway	Chief Financial Officer
Paul Newham	Chief Operations Officer (ceased 31 August 2023)
Craig Ryman	Chief Information Officer
Chris Screen	Group Executive Business Banking
David Watts	Group Chief Risk Officer

FORMER SENIOR EXECUTIVES	
Debra Eckersley	Former Group Executive People & Culture (ceased 5 June 2023)

Remuneration Report.

For the year ended 31 August 2023

3. Remuneration outcomes

This section details remuneration outcomes for Senior Executives during FY23.

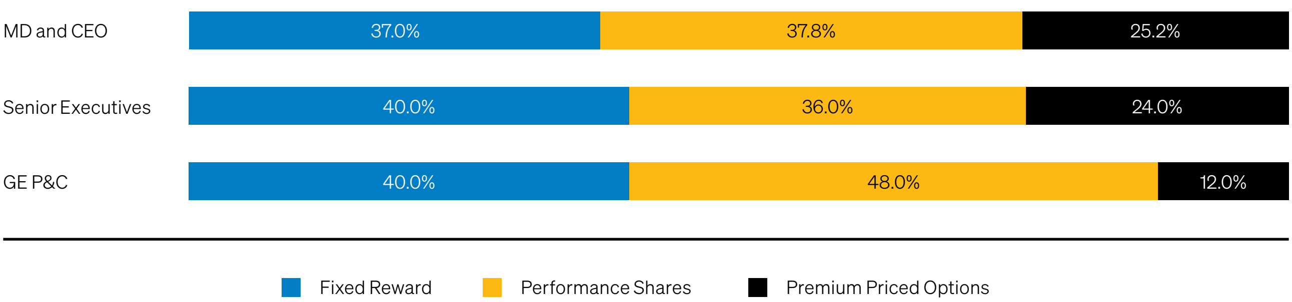
3.1 Remuneration mix

Figure 1 illustrates the at-target mix of Fixed Reward, Performance Shares and Premium Priced Options awarded to Senior Executives in FY23.

As disclosed in the 2022 remuneration report, the total variable reward opportunity for Senior Executives increased in FY23, from 146 per cent to 170 per cent of fixed reward for the MD&CEO, and from 130 per cent to 150 per cent of fixed reward for other Senior Executives.

The Group Executive People & Culture notified the Board of her intention to retire during FY23. Consequently, the Board determined to award a greater percentage of her total variable reward in Performance Shares (80 per cent of TVR compared to 60 per cent of TVR) and a smaller percentage of total variable reward in Premium Priced Options (20 per cent of TVR compared to 40 per cent of TVR).

Figure 1 - Remuneration Mix (at target level)



3.2 Fixed reward

Fixed reward for Senior Executives is set based on a combination of the executive's experience and capability, competitiveness relative to the financial services sector and similarly sized ASX listed companies, and internal relativities.

Fixed reward for the incoming MD&CEO was set at the same level as the outgoing MD&CEO.

Five Senior Executives received increases to their fixed reward effective 1 January 2023 - the Chief Information Officer, the GCRO, the Chief Financial Officer, Group Executive Business Banking, and former Group Executive People & Culture. The average increase across the Senior Executive population was 5.7 per cent.

3.3 Other awards

A portion of the other awards granted to David Watts and Paul Newham vested in FY23, as follows:

- For Mr Watts, 33% of the long-term incentive component (Tranche 2 of 3) and 50 per cent of the deferred short-term incentive component (Tranche 2 of 2) of his make-good award vested in July 2023.
- For Mr Newham, 33 per cent of the award granted in 2021 on joining BOQ Group (Tranche 2 of 3) and 50 per cent of the award granted in July 2022 on promotion to Chief Operations Officer (Tranche 1 of 2) vested in December 2022.

The equity issued to Mr Watts and Mr Newham is/was subject to employment conditions and the Board's assessment of risk.

Remuneration Report.

For the year ended 31 August 2023

3.4 Linking performance and reward outcomes

The Group's financial performance is summarised in Table 3, together with its relationship to the aggregate value of Performance Shares granted and converted in relation to FY23, FY22 and FY21 and, for prior years, the amount of STI paid.

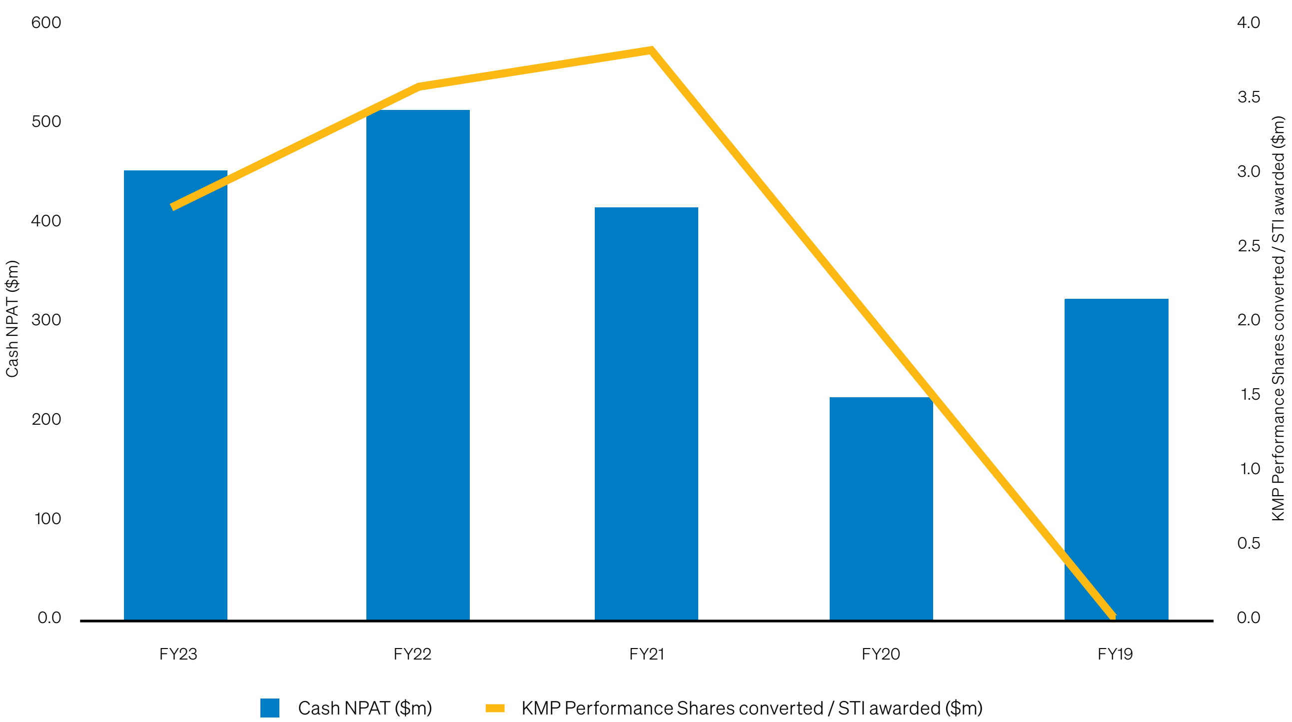
Table 3 - Group performance

5 YEAR COMPANY PERFORMANCE		FY23 (1)	FY22	FY21 (2)	FY20	FY19 (3)
Statutory net profit/(loss) after tax	$m	124	426	369	115	298
Cash net profit after tax (4)	$m	450	508	412	225	320
Cash basic earnings per share (4)	cents	68.4	78.4	74.7	49.6	79.5
Cash cost to income ratio (4)	%	58	55.7	54.4	54.9	51.0
Share price at balance sheet date	$	5.76	7.03	9.46	6.13	9.17
Total shareholder return (4)	%	(11.81)	(21.04)	63.75	(29.8)	(13.9)
Value of dividends paid	$m	285	282	164	126	288
Performance Shares converted/STI awarded (5)	$m	2.75	3.52	3.79	1.78	-

(1) Metrics have been restated to reflect the FY22 prior period adjustments detailed in Note 1.5 to the financial statements.
(2) All results are inclusive of ME Bank.
(3) The closing share price on 31 August 2018 was $11.49.
(4) Non-statutory measures are not subject to audit.
(5) For Performance Shares, uses the share price on the balance sheet date.

Figure 2 compares the total Performance Shares converted since FY21 and STI awarded to Senior Executives in FY19 and FY20 with BOQ's Cash NPAT over the past five years.

Figure 2 - FY23 Performance Shares converted/STI awarded vs 5-year NPAT



Remuneration Report.

For the year ended 31 August 2023

3.5 Group scorecard

The Group Scorecard articulates the areas of focus that support the achievement of the strategy and sets the tone for how achievement is measured throughout the performance period. It connects the Group's vision with tangible outcomes that contain an appropriate degree of stretch.

In FY23, we operated two Group Scorecards, one for the first half and one for the second half. The achievement of the objectives in the second half Group Scorecard informs the conversion of 75 per cent of FY23 Performance Shares for all Senior Executives other than the MD&CEO and the GCRO. The material changes between first and second halves were alignment with our refreshed strategic pillars, and the inclusion of our remedial action plans, Program rQ and AML First.

For FY23, the overall outcome against the Group Scorecard is partially delivered. This is based on achievement of the targets against each measure, modified by the Board's separate and explicit consideration of risk.

Figure 3 details the FY23 Group Scorecard, including strategic priorities, measures and weightings set by the Board, together with FY23 outcomes.

Figure 3 - Assessment of FY23 Group Scorecard

Strategic priorities and measures | **Performance**

Customer experience (10%)

Net Promoter Score	BOQ Retail MFI ranked 4th (target: 3rd); ME MFI ranked 9th (target: 4th); Business AFR ranked 5th (target: 4th).
App store ratings	MyBOQ 2.7 stars (target: 3.0 stars); VMA 2.5 stars (target: 3.0 stars).
Contact centre wait times	6 month average 359 seconds (target: 550 seconds).
Contact centre % of calls abandoned	13% (target: 20%).

People experience (10%)

Cultural transformation	Culture index 64% (target: 67%).
Employee engagement	Employee engagement score 65% (target: 67%).
Voluntary turnover	Rolling 12 month result 19% (target: 22%).

Strengthen (15%)

Remedial Action Plans	Achieved target of successfully submitting Remedial Action Plans (Program rQ & AML First) to Regulators by due dates.
Risk culture	I feel safe to speak up score 74% (target: 76%)

Remuneration Report.

For the year ended 31 August 2023

3.5 Group scorecard (continued)

Strategic priorities and measures | **Performance**

Simplify (15%)

Simplification cost reduction	$8.62 million (target: $9 million).
Operating model	Planned and ready for implementation on 1 September 2023.

Digitise (15%)

% of active customers on new platform	41% (target: 51%).
Digital mortgage	Milestones achieved to ensure Project HLX is on track for staff, friends and family launch in April 2024.
Digital roadmap	ME Go delivered to market and BOQS T24 upgrade delivered by planned due date.

Optimise (35%)

Cost to income ratio (CTI)	58.0% (target: 57.1%).
Cash profit	$450 million (target: $473 million).
Return on equity (ROE)	7.3% (target: 7.7%).

Overall assessment

3.6 Grant and conversion of Performance Shares

Performance Shares were granted to Senior Executives other than the MD&CEO in FY23, with the face value of allocations being 90 per cent of fixed reward for most participants and 120 per cent of fixed reward for the former Group Executive, People & Culture. Annual grants were made on 15 February 2023. Rod Finch's pro-rata top-up award was granted on 26 May 2023.

With the former MD&CEO exiting BOQ on 28 November 2022, the AGM resolution regarding his grant of securities was withdrawn. Patrick Allaway commenced in the role on 27 March 2023 and is not being considered for FY23 Performance Shares. Reflective of his accountability, Patrick recommended that he forgo this award and having separately considered the matter the Board supported the recommendation, as an appropriate consequence.

The number of Performance Shares allocated as part of the annual grant was determined using the face value of the award divided by the VWAP of BOQ shares over the ten trading days immediately following the 2022 AGM, as was Rod Finch's pro-rata top-up award.

The GCRO's performance was assessed against his individual scorecard, which contained a reduced weighting to financial measures relative to the Group Scorecard, on completion of the one-year performance period (1 September 2022 to 31 August 2023). Taking into account this assessment, and applying informed judgement based on the Group's overall non-financial position, the Board determined that 90 per cent of David Watts' Performance Shares would convert. The remainder lapsed.

Remuneration Report.

For the year ended 31 August 2023

3.6 Grant and conversion of Performance Shares (continued)

Other Senior Executives' performance was assessed against a combination of the Group Scorecard (75 per cent weighting) and their individual objectives (25 per cent weighting) on completion of the one-year performance period , and the Board's specific assessment of risk and conduct.

- The Board determined that the executive team's collective accountability for the Group's results, in particular, non-financial risk failings, should result in 80 per cent of the 75 per cent of FY23 Performance Shares subject to assessment of the Group Scorecard converting (and 20 per cent lapsing).
- Between 78 per cent and 90 per cent of cent of the 25 per cent of FY23 Performance Shares subject to assessment of individual performance were eligible for conversion, with between 22 per cent and 10 per cent lapsing.
- In applying its informed judgement to the calculated outcomes, the Board determined that downward adjustments of up to 100 per cent were appropriate.
- Overall, an average of 66 per cent of Senior Executives' FY23 Performance Shares converted and an average of 34 per cent lapsed.

Post-conversion, the Restricted Shares will have restrictions lifted in over three years, a pre-release assessment by the Board and all other original terms, including malus.

Performance Shares that convert to Restricted Shares have restrictions lifted three tranches, 33 per cent in December 2024, 33 per cent in December 2025, and 34 per cent in December 2026, subject to the Board's assessment of risk. Each tranche is subject to a clawback period of two years from the date the restrictions are lifted.

Table 4 details the grants and conversion of FY23 Performance Shares.

Table 4 - Performance Shares granted and converted

Name	Position title	Fixed reward at time of grant $	Performance Shares as % of FR %	Face value of Performance Shares award $	VWAP $	Performance Shares granted units	% of Performance Shares converted %	Performance Shares lapsed units	Values of Performance Shares Award at 31 August 2023 (1) $
CURRENT SENIOR EXECUTIVES									
Rod Finch (2)	Chief Strategy & Transformation Officer	680,000	90	42,600	6.9286	6,149	70%	1,845	24,791
Martine Jager	Group Executive Retail Banking, People & Culture and CEO ME Bank	750,000	90	675,000	6.9286	97,423	75%	24,355	420,872
Racheal Kellaway	Chief Financial Officer	725,000	90	652,500	6.9286	94,175	75%	23,543	406,840
Paul Newham (3)	Chief Operations Officer	700,000	90	630,000	6.9286	90,928	-	90,928	-
Craig Ryman	Chief Information Officer	800,000	90	720,000	6.9286	103,918	70%	31,176	418,994
Chris Screen	Group Executive Business Banking	725,000	90	652,500	6.9286	94,175	80%	18,836	433,953
David Watts	Group Chief Risk Officer	850,000	90	765,000	6.9286	110,412	90%	11,042	572,371
FORMER SENIOR EXECUTIVES									
Debra Eckersley (4)	Group Executive People & Culture	680,000	120	816,000	6.9286	117,773	70%	35,331	474,866

(1) Based on closing share price of $5.76.

(2) Rod Finch commenced as a KMP on 10 April 2023. He was awarded Performance Shares in his prior role and a top-up on commencing as a KMP to reflect the increased opportunity for KMP based on his new FR. The disclosed value represents the top-up.

(3) Paul Newham ceased as a KMP on 31 August 2023.

(4) Debra Eckersley ceased as a KMP on 5 June 2023.

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3.7 Premium priced options granted

Premium Priced Options were granted to Senior Executives other than the MD&CEO in FY23. The face value of allocations for Senior Executives other than Ms Debra Eckersley, former Group Executive People & Culture, was 60 per cent of fixed reward. The face value of Ms Eckersley's award was 30 per cent of fixed reward. Annual grants were made on 15 February 2023. Rod Finch's pro-rata top-up award was granted on 26 May 2023.

With the former MD&CEO exiting BOQ on 28 November 2022, the AGM resolution regarding his grant of securities was withdrawn. Patrick Allaway commenced as MD&CEO on 27 March 2023 and subject to receiving shareholder approval at the 2023 AGM will receive a pro-rata grant of FY23 Premium Priced Options.

To determine the number of Premium Priced Options each Senior Executive was allocated, the face value of their award was divided by the value of an option. For the annual grant, the Board determined that the value of a Premium Priced Option was 8 per cent of the VWAP over the ten trading days immediately following the 2022 AGM.

The Exercise Price was set at 120 per cent of the same VWAP. This valuation and exercise price also applied to Rod Finch's and Patrick Allaway's pro-rata grants.

Table 5 details the Premium Priced Options awarded to participants in FY23.

Table 5 - Premium Priced Options awarded

Name	Position title	Fixed reward at time of grant $	Options as % of FR %	Face value of Options award $	VWAP $	Option value $	Options granted units	Exercise price $	Options forfeited units
CURRENT SENIOR EXECUTIVES									
Patrick Allaway (1)	Managing Director & Chief Executive Officer	1,500,000	68	441,534	6.9286	0.5543	796,562	8.3143	-
Rod Finch (2)	Chief Strategy & Transformation Officer	680,000	60	28,400	6.9286	0.5543	51,236	8.3143	-
Martine Jager	Group Executive Retail Banking, People & Culture and CEO ME Bank	750,000	60	450,000	6.9286	0.5543	811,835	8.3143	-
Racheal Kellaway	Chief Financial Officer	725,000	60	435,000	6.9286	0.5543	784,774	8.3143	-
Paul Newham (3)	Chief Operations Officer	700,000	60	420,000	6.9286	0.5543	757,713	8.3143	661,492
Craig Ryman	Chief Information Officer	800,000	60	480,000	6.9286	0.5543	865,958	8.3143	-
Chris Screen	Group Executive Business Banking	725,000	60	435,000	6.9286	0.5543	784,774	8.3143	-
David Watts	Group Chief Risk Officer	850,000	60	510,000	6.9286	0.5543	920,080	8.3143	-
FORMER SENIOR EXECUTIVES									
Debra Eckersley (4)	Group Executive People & Culture	680,000	30	204,000	6.9286	0.5543	368,032	8.3143	321,296

(1) Patrick Allaway commenced Managing Director & Chief Executive Officer on 27 March 2023. Subject to receiving shareholder approval at the 2023 AGM he will be awarded a pro-rata grant of Premium Priced Options in respect of the period 27 March 2023 to 31 August 2023.
(2) Rod Finch commenced as a KMP on 10 April 2023. He was awarded Premium Priced Options in his prior role and a top-up on commencing as a KMP to reflect the opportunity for KMP based on his new FR. The disclosed value represents the top-up.
(3) Paul Newham ceased as a KMP on 31 August 2023. His FY23 Premium Priced Options were pro-rated to his separation date and remain on foot subject to the original terms and conditions.
(4) Debra Eckersley ceased as a KMP on 5 June 2023. Her FY23 Premium Priced Options were pro-rated to her separation date and remain on foot subject to the original terms and conditions.

Participants derive value from Premium Priced Options only if the Exercise Price is exceeded at the relevant vesting date and prior to the expiry date. Premium Priced Options vest four and five years after grant.

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3.8 Equity vested during FY23

For two Senior Executives, Debra Eckersley and Craig Ryman, restrictions were lifted from Tranche 2 (40 per cent) of the Restricted Shares awarded in respect of FY20 STI in December 2022. For six Senior Executives, restrictions were lifted from Tranche 1 (33 per cent) of the FY21 Performance Shares which converted to Restricted Shares in December 2021. The former MD&CEO's awards were forfeited.

3.9 Equity lapsed or forfeited during FY23

Performance Award Rights (**PARs**) granted in 2018 (FY19) were scheduled to vest in October 2022. The grant was subject to two performance hurdles, being relative total shareholder return (**rTSR**) with an 80 per cent weighting and relative earnings per share (**rEPS**) with a 20 per cent weighting. None of the PARs granted in 2018 vested in FY23 making it the third consecutive PARs grant to lapse in full.

The results of the PARs testing are presented in Table 6 below.

Table 6 - 2018 PARs vesting outcomes

Grant date	Performance period	Tranche	Vesting hurdle	Performance outcome
11/12/2018	04/10/2018 to 12/10/2022	rTSR (80%)	Relative TSR ranking of at least 50th percentile	BOQ's TSR outcome achieved a ranking of 29th percentile, resulting in 0% of the TSR tranche vesting.
		rEPS (20%)	Relative EPS ranking of at least 60th percentile	BOQ's EPS achieved a ranking of 20th percentile resulting in 0% of the EPS tranche vesting.

The Board took decisive action to hold Senior Executives to account for the circumstances that led to the two enforceable undertakings, including through the lapsing or forfeiture of equity granted in previous years.

In addition to applying in-period adjustments to FY23 Performance Shares as described in section 3.6, with the assessment of non-financial risk challenges, the Board determined to forfeit up to 100 per cent of the Restricted Shares allocated to Senior Executives, current and former, in December 2022 on conversion of FY22 Performance Shares.

As reported last year, downward in-period adjustments were applied to the conversion of all Senior Executives' FY22 Performance Shares - 25 per cent for the former MD&CEO and 10 per cent for other Senior Executives. Following further reviews after the prior financial year end, including an independent root cause analysis report and the two enforceable undertakings, the Board considered that further consequences were necessary. Subsequently, to appropriately reflect Senior Executive accountability for BOQ's challenges the Board determined that:

- For current and continuing Senior Executives and the former Group Executive People & Culture, 44 per cent of Restricted Shares allocated in December 2022 in respect of converted FY22 Performance Shares would be forfeited. In addition to the 10 per cent downward in-period adjustment applied prior to conversion in December 2022, this represents an overall reduction of 50 per cent of the total awards granted; and
- For one Senior Executive, 100 per cent of Restricted Shares allocated in December 2022 in respect of converted FY22 Performance Shares would be forfeited.

In addition to the Performance Shares noted above, 100 per cent of all unvested equity for several former Senior Executives was lapsed or forfeited. This included Performance Shares, Premium Priced Options, Restricted Shares and/or Performance Award Rights.

Consequences below Senior Executive level will be considered during the Group's annual reward review in November 2023.

The statutory tables in Section 7 set out the detail of equity awards forfeited by individual Senior Executives.

Remuneration Report.

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3.10 Senior executive actual reward outcomes for FY23 (non-statutory disclosure)

As in prior years, this section provides a summary of the total reward realised by Senior Executives during FY23.

Table 7 provides a summary of Senior Executives' actual remuneration and includes a breakdown of the following components:

- fixed reward (including base salary and employer superannuation contributions);
- the value of non-monetary and other short-term benefits;
- termination benefits; and
- the value of any variable remuneration which was realised, lapsed or was forfeited during FY23.

For remuneration disclosures in accordance with the Australian Accounting Standards, please refer to Section 7 (Statutory Disclosures).

Table 7 - Non-statutory disclosure - Senior Executives

Name	Position title	Year	Fixed reward (1) $	Value of benefits (2) $	Value of deferred equity realised in period (3) $	Termination benefits (4) $	Total reward value (5) $	Prior years' equity forfeited / lapsed (6) $
CURRENT SENIOR EXECUTIVES								
Patrick Allaway (7)	Managing Director & Chief Executive Officer	**2023**	**1,241,244**	**10,210**	**-**	**-**	**1,251,454**	**-**
		2022	-	-	-	-	-	-
Rod Finch (8)	Chief Strategy & Transformation Officer	**2023**	**254,152**	**5,312**	**-**	**-**	**259,464**	**10,633**
Martine Jager (9)	Group Executive Retail Banking, People & Culture and CEO ME Bank	**2023**	**750,203**	**80,163**	**46,390**		**876,756**	**294,396**
		2022	710,928	8,538	-	-	719,466	47,017
Racheal Kellaway	Chief Financial Officer	**2023**	**702,453**	**42,653**	**85,245**	**-**	**830,351**	**175,843**
		2022	112,153	6,706	-	-	118,859	-
Paul Newham (10)	Chief Operations Officer	**2023**	**713,137**	**13,453**	**150,147**	**536,323**	**1,413,060**	**645,225**
		2022	166,342	3,183	-	-	169,525	37,069
Craig Ryman	Chief Information Officer	**2023**	**782,703**	**13,453**	**171,301**	**-**	**967,457**	**348,294**
		2022	749,056	13,354	17,694	-	780,104	51,481
Chris Screen	Group Executive Business Banking	**2023**	**702,453**	**13,453**	**79,556**	**-**	**795,462**	**256,971**
		2022	607,288	12,256	12,126	-	631,670	45,301
David Watts	Group Chief Risk Officer	**2023**	**815,203**	**15,840**	**262,874**	**-**	**1,093,917**	**232,322**
		2022	368,460	6,622	315,630	-	690,712	51,481
FORMER SENIOR EXECUTIVES								
Debra Eckersley (11)	Group Executive People & Culture	**2023**	**497,077**	**10,541**	**203,403**	**294,038**	**1,005,059**	**678,108**
		2022	638,792	5,598	108,863	-	753,253	43,930
George Frazis (12)	Managing Director & Chief Executive Officer	**2023**	**386,344**	**24,543**	**-**	**1,290,998**	**1,701,885**	**2,995,782**
		2022	1,496,780	107,784	252,708	-	1,857,272	289,089

(1) Comprises salary and superannuation, including annual leave paid during the year. For departing KMP this includes any leave that is paid out upon termination of employment.

(2) Includes short-term benefits such as allowances and non-monetary benefits (including associated FBT) such as car parking, accommodation, relocation and travel.

(3) The value of deferred equity awards realised during the period using the closing share price on the vesting date/ the date that restrictions were lifted. It excludes equity awards granted in previous years that were not realised during the period.

(4) Includes termination payments in lieu of notice and, where relevant, any periods of Gardening Leave.

(5) The total dollar value of fixed reward, value of benefits, value of equity vested in period and termination benefits.

(6) The value of equity that was forfeited or lapsed during the year as a result of hurdles not being met and/or as a result of ceasing employment. Performance Award Rights, Restricted Shares and Performance Shares are valued at the closing share price on the forfeiture or lapsing date. Premium Priced Options are valued at zero as at the lapsing date the share price did not exceed the exercise price of $9.3337 for FY21 awards, $9.5861 for FY22 awards and $8.3143 for FY23 awards. Prior year balances have been restated to reflect the value of FY22 Performance Shares that lapsed in 2022 following the Board's consideration of risk, performance, behaviours and shareholder outcomes.

(7) Patrick Allaway commenced as Managing Director & Chief Executive Officer on 27 March 2023. He served as Executive Chairman from 28 November 2022 to 26 March 2023, and prior to that was the Non-executive Chair of the Board until 27 November 2022. The value disclosed under Fixed reward includes fees paid to him for all three roles. The value disclosed under Value of benefits represents the period 28 November 2022 to 31 August 2023.

(8) Rod Finch commenced as KMP on 10 April 2023. On 1 September 2023 he assumed the role of Chief Transformation & Operations Officer.

(9) Martine Jager was paid an allowance in respect of additional accountabilities for the period 5 June 2023 to 31 August 2023. She assumed the role of Chief People & Customer Officer on 1 September 2023.

(10) Paul Newham ceased as KMP on 31 August 2023.

(11) Debra Eckersley ceased as a KMP on 5 June 2023. She was on Gardening Leave from 6 June 2023 until 31 August 2023. The balance of her six-month notice period was paid on completion of the period of Gardening Leave.

(12) George Frazis ceased as a KMP on 28 November 2022. He was on Gardening Leave from 29 November 2022 until 27 August 2023, the full duration of his notice period.

Remuneration Report.

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4. Remuneration strategy and structure

This section outlines the Group's remuneration strategy and the structure of Senior Executives' remuneration.

4.1 Strategy

The Group's reward principles articulate the remuneration strategy and apply at all levels throughout the organisation. These are to:

- reward sustainable, optimised performance, accountability, and enterprise-wide thinking;
- reward our people for delivering an exceptional customer and people experience;
- align our people to long-term value creation for our shareholders;
- attract and retain curious bankers through performance and reward frameworks that are consistent with community expectations;
- offer reward structures to support our purpose and values, driving desired cultural shifts including to risk culture; and
- take into account prudent risk management in accordance with BOQ's risk appetite and regulatory expectations.

4.2 FY23

4.2.1 Structure

Senior Executives' remuneration is structured in accordance with the Framework that was introduced on 1 September 2020. The particular objectives of the Framework are to:

- increase alignment with shareholder interests by delivering a sizeable proportion of total remuneration in equity;
- encourage long-term performance, with an appropriate focus on financial and non-financial metrics;
- focus Senior Executives on improving absolute shareholder returns;
- provide a simple and transparent executive remuneration framework; and
- attract and retain A-class executive talent.

The features of the Framework are outlined in Table 8.

Table 8 - FY23 Senior Executive Remuneration framework

Purpose **Fixed reward:** To attract and retain talent and reflect the individual's skills, capabilities and experience. **Performance Shares:** To focus Senior Executives on delivering against the Group's strategy collaboratively and as a team. **Premium Priced Options:** To align Senior Executives' interests with the interests of shareholders to achieve improved outcomes for all stakeholders and grow shareholder value.
Delivery **Fixed reward:** Cash **Performance Shares:** Rights that may convert to Restricted Shares after the one-year performance period. **Premium Priced Options:** Options with a premium exercise price (120 per cent of share price at grant).
Opportunity **Fixed reward:** N/A **Performance Shares:** MD&CEO: target 102 per cent of FR; maximum 122 per cent of FR. GE P&C: target 120 per cent of FR; maximum 140 per cent of FR. Others: target 90 per cent of FR; maximum 110 per cent of FR. **Premium Priced Options:** MD & CEO: 68 per cent of FR. GE P&C: 30 per cent of FR. Others: 60 per cent of FR.

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4.2 FY23 (continued)

4.2.1 Structure (continued)

Table 8 - FY23 Senior Executive Remuneration framework (continued)

Remuneration mix at target

Fixed reward: MD&CEO: 37 per cent, GE P&C: 40 per cent, Others: 40 per cent
Performance Shares: MD&CEO: 37.8 per cent, GE P&C: 48 per cent, Others: 36 per cent.
Premium Priced Options: MD&CEO: 25.2 per cent. GE P&C: 12 per cent. Others: 24 per cent.

Eligibility

Fixed reward: N/A
Performance Shares: At least three months' active employment during the performance period.
Premium Priced Options: At least three months' active employment during the performance period.

Cessation of employment

Fixed reward: N/A
Performance Shares:
Unless the Board determines otherwise:

Reason for ceasing employment	Performance Shares (i.e., during one-year Performance Period)	Restricted Shares allocated on conversion of Performance Shares
Summarily dismissed	Lapse	Forfeited
Resign	Lapse	If at least three years of service with the Group has been completed, 50 per cent of each unvested Tranche remain on foot and the remaining 50 per cent of each tranche is forfeited. If at least five years of service with the Group has been completed, 100 per cent remain on foot. If less than three years of service with the Group has been completed, 100 per cent forfeited.
In all other cases (e.g., redundancy, retirement, mutually agreed separation)	Pro-rata allocation based on the portion of the one-year Performance Period that has elapsed	Remain on foot
Leave to work with a competitor or is employed by a competitor of BOQ within 6 months of ceasing, irrespective of the reason for ceasing employment.	Lapse	Forfeited

Remuneration Report.

For the year ended 31 August 2023

4.2 FY23 (continued)

4.2.1 Structure (continued)

Table 8 - FY23 Senior Executive Remuneration framework (continued)

Cessation of employment (continued)

Premium Priced Options:
Unless the Board determines otherwise:

Reason for ceasing employment	Unvested Options	Vested Options (four or five year service condition has been met)	Restricted Shares after exercise of Options
Summarily dismissed	Lapse	Lapse	Forfeited
Resign	Qualifying condition: If at least three years' service has been completed from the FY23 Options grant date, pro-rata retention based on the portion of the relevant Vesting Period elapsed. Unvested options lapse if above qualifying condition is not met.	Remain on foot, must be exercised within 60 days of cessation of employment, after which time they will lapse	Remain on foot
In all other cases (e.g., redundancy, retirement, mutually agreed separation)	Pro-rata retention based on the portion of the relevant Vesting Period that has elapsed	Remain on foot, must be exercised within 60 days of cessation of employment, after which time they will lapse	Remain on foot
Leave to work with a competitor or is employed by a competitor of BOQ within 6 months of ceasing, irrespective of the reason for ceasing employment	Lapse	Remain on foot, must be exercised within 60 days of cessation of employment, after which time they will lapse	Remain on foot

Allocated value

Fixed reward: Fixed reward levels are informed by benchmarking comparable roles in financial services and/or similarly sized ASX listed companies.
Performance Shares: The face value of the Senior Executive's award and dividing that by the volume weighted average price (**VWAP**) of BOQ shares. The VWAP over the 10 trading days immediately following the 2022 AGM.
Premium Priced Options: Face value of each Senior Executive's award divided by a percentage of the VWAP of BOQ shares over the 10 trading days immediately following the AGM. 8 per cent of the VWAP over the 10 trading days immediately following the 2022 AGM.

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For the year ended 31 August 2023

4.2 FY23 (continued)

4.2.1 Structure (continued)

Table 8 - FY23 Senior Executive Remuneration framework (continued)

Performance criteria

Fixed reward: Compliance with the terms and conditions of employment including the Code of Conduct and fulfilment of accountabilities under the Banking Executive Accountability Regime (**BEAR**).
Performance Shares: MD&CEO: Performance against the Group Scorecard over the one-year performance period.
GCRO: Achievement of individual objectives over the one-year performance period. Other Senior Executives: 75 per cent weighting to collective performance against the Group Scorecard and 25 per cent weighting to achievement of individual objectives over the one-year performance period. All outcomes may be subject to modification by the Board's overall assessment of risk, performance and behaviours to determine the conversion from Rights to Restricted Shares.
Premium Priced Options: BOQ's share price must exceed the exercise price set for the award, and a risk assessment conducted by the Board.

Risk

Fixed reward: Effective management of risk, contribution to improving the Group's risk maturity and risk culture.
Performance Shares: Risk assessment prior to conversion and lifting of dealing restrictions. Unvested awards are subject to malus.
A clawback period of two years applies to each tranche.
Premium Priced Options: Risk assessment prior to vesting. Unvested awards are subject to malus. Each tranche is subject to dealing restrictions for one year after vesting. A clawback period of two years applies to each tranche.

Vesting and restriction profile

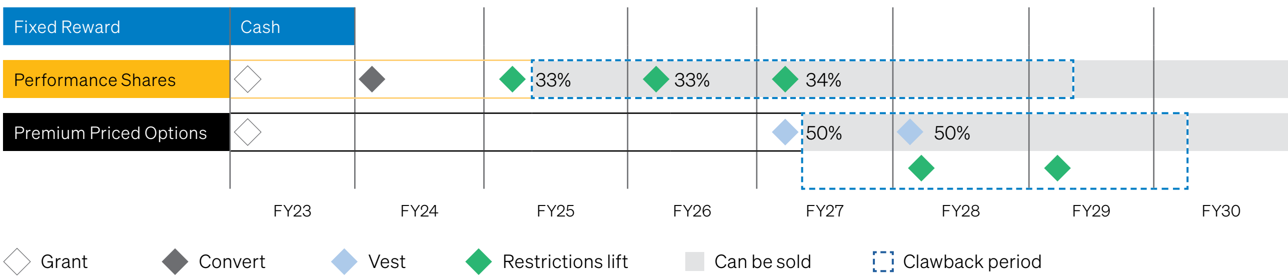
Fixed reward: N/A
Performance Shares:
- Restrictions are released 33 per cent in December 2024, 33 percent in December 2025 and 34 per cent in December 2026 (i.e., after two, thee and four years).
- Vesting occurs on the earlier of completion of a cumulative three years' (50%) and five years' (50%) service with the Group (service vesting condition) or on the date that restrictions are lifted.

Premium Priced Options: The earlier of completion of three years' service from the grant date (service vesting condition) or 50 per cent in December 2026 and 50 per cent in December 2027 (i.e., after four and five years).

4.2.2 Delivery and realisation timeframes

Figure 4 illustrates the delivery profile of the different components of Senior Executives' remuneration for FY23.

Figure 4 - Delivery and realisation timeframes - FY23



Remuneration Report.

For the year ended 31 August 2023

4.3 Changes for FY24

CPS 511 came into effect on 1 January 2023 and our remuneration frameworks have been reviewed with changes taking effect on 1 September 2023, BOQ's first full financial year under CPS 511.

In FY24, BOQ's executive remuneration structure moves away from offering 100 per cent of variable remuneration in equity through Performance Shares and Premium Priced Options and reverts to a more traditional structure comprising fixed reward, short-term variable reward (**STVR**) delivered partly in cash and partly in equity, and long-term variable reward (**LTVR**) delivered in equity, as set out in Table 9.

The Group's refreshed strategy, as launched to the market in April 2023, comprises four strategic pillars (Strengthen, Simplify, Digitise, Optimise) underpinned by Customer & People Experience. It is the foundation for the FY24 Group Scorecard, each Senior Executive's individual objectives (where relevant) and the performance measures selected for LTVR. The performance framework continues to focus Senior Executives on achieving the Group's vision and strategic priorities in a values-led way.

The Group Scorecard will continue to be the MD&CEO's scorecard for STVR purposes. STVR outcomes for most other Senior Executives will be determined based on a combination of Group Scorecard outcomes (50 per cent weighting) and individual outcomes (50 per cent weighting) against objectives and key results as agreed with the MD&CEO and approved by the Board. As in FY23, the GCRO will be assessed based entirely on achievement of individual objectives and key results, which include 55 per cent weighting to the Strengthen strategic pillar.

The GCRO's remuneration mix has been re-balanced, with a greater proportion shifting into fixed reward and a lower variable opportunity. This is to reflect the independence of the role.

STVR outcomes will be determined at the end of the one-year performance period and delivered 50 per cent in cash and 50 per cent in Restricted Shares. Dealing restrictions will be lifted from the Restricted Shares in several tranches in satisfaction of CPS 511 deferral requirements.

Performance measures for STVR will be as follows:

- MD&CEO: 100 per cent weighting to the Group Scorecard.
- GCRO: 100 per cent weighting to individual objectives.
- All other Senior Executives: 50 per cent weighting to the Group Scorecard; 50 per cent weighting to individual objectives.
- The two remedial action plans feature in the Group Scorecard and accountable Senior Executives' individual objectives.

LTVR will be granted using Executive Performance Rights, which have a balance of financial and non-financial performance measures. The Board has selected LTVR measures to support delivering against the Customer Experience, Strengthen (including the Remedial Action Plans Program rQ and AML First) and Optimise priorities.

The measures are subject to a four-year performance period, commencing 1 September 2023 and ending 31 August 2027. On completion of the four-year performance period, in addition to testing the performance hurdles, the Board will undertake a risk-based pre-vesting assessment to inform any modification to the proportion of LTVR that will vest.

LTVR will be granted using performance rights that have a balance of financial and non-financial performance measures. For FY24 the Board has selected LTVR measures to support delivering against the following strategic priorities:

- Customer Experience.
- Strengthen (including the two remedial action plans).
- Optimise.

LTVR will vest at the end of the four-year performance period, subject to achieving the performance measures. Additionally, the Board will conduct a pre-vesting assessment using a set of pre-defined questions to inform whether there should be any downward adjustments to LTVR vesting outcomes. Upon vesting, holding locks will be applied in satisfaction of the deferral requirements of CPS 511.

Prior to restrictions on deferred STVR and holding locks on LTVR being released, the Board will conduct pre-release assessments comprising a set of pre-defined questions to inform whether lapsing or forfeiture of all or some of the equity is appropriate.

Remuneration Report.

For the year ended 31 August 2023

4.3 Changes for FY24 (continued)

Table 9 - FY24 Senior Executive Remuneration framework summary

	Fixed reward	STVR	LTVR
Purpose	To attract and retain talent and reflect the individual's skills, capabilities and experience.	To focus Senior Executives on delivering against the Group's strategic priorities both individually and collectively.	To align Senior Executives' interests with the interests of shareholders to achieve strategic financial and non-financial outcomes.
Delivery	Cash.	50% Cash. 50% Restricted Shares.	Performance Rights with a four-year performance period.
Opportunity	N/A	MD&CEO: target 90% of FR; maximum 120% of FR. GCRO: target 53% of FR; maximum 70% of FR. Others: target 70% of FR; maximum 90% of FR.	MD & CEO: 100% of FR. GCRO: 52% of FR. Others: 100% of FR.
Remuneration mix	MD&CEO: 34.5%. GCRO: 48.8%. Others: 36.4%.	MD&CEO: 31% (15.5% cash; 15.5% deferred). GCRO: 25.8% (12.9% cash; 12.9% deferred). Others: 27.2% (13.6% cash; 13.6% deferred).	MD&CEO: 34.5%. GCRO: 25.4% Others: 36.4%.
Eligibility	N/A	At least three months' active employment during the performance period.	At least three months' active employment during the grant year.
Performance criteria	Compliance with the terms and conditions of employment including the Code of Conduct and fulfilment of accountabilities under the Banking Executive Accountability Regime (**BEAR**) or equivalent.	MD&CEO: Group Scorecard. GCRO: Individual objectives. Others: 50% Group Scorecard; 50% individual objectives. All: Modified by the Board's informed judgement.	Customer tranche: 20%. Strength tranche: 30%. Optimise tranche: 50%. In addition to the performance hurdles set for each tranche of the award, the Board will undertake a pre-vesting and pre-release assessment as relevant.
Risk	Effective management of risk, contribution to improving the Group's risk maturity and risk culture.	The Board will undertake a pre-release assessment prior to lifting the dealing restrictions from each tranche. Restricted awards are subject to malus. A clawback period of two years applies to each tranche, from the date restrictions are lifted from Restricted Shares, and from the date of payment for the cash component.	Risk assessment prior to vesting and release of dealing restrictions. Unvested awards are subject to malus. Post-vesting dealing restrictions in satisfaction of CPS 511 deferral requirements. A clawback period of two years from the vesting date applies to each tranche.
Vesting and restriction profile	N/A	Cash: paid on completion of the one-year performance period. Restrictions are lifted from Restricted Shares as follows: MD&CEO: 20% in December 2025; 20% in December 2026; 30% in December 2027; 30% in December 2028 (i.e., on completion of years two, three, four and five). Others: 50% in December 2025; 50% in December 2026 (i.e., on completion of years two and three).	Performance criteria test on completion of the four-year performance period. Restrictions released as follows: MD&CEO: 33% in December 2027; 33% in December 2028; 34% in December 2029 (i.e., on completion of years four, five and six). Others: 50% in December 2027; 50% in December 2028 (i.e., on completion of years four and five).

Remuneration Report.

For the year ended 31 August 2023

5. Remuneration governance

5.1 Group Remuneration policy

The Group Remuneration Policy (the **Policy**) sets out the governance structure for oversight of BOQ's remuneration frameworks and practices and the minimum expectations for their implementation. Specifically, the Policy requires that the Group's performance and remuneration frameworks:

- align with BOQ's business plan, strategic objectives and risk management framework (**RMF**);
- promote effective management of both financial and non-financial risks, sustainable performance and BOQ's long-term financial soundness; and
- support the prevention and mitigation of conduct risk, strategic, customer and financial objectives.

The Group Remuneration Policy (the **Policy**) was updated during the period and most recently approved by the Board in December 2022 in preparation for the implementation of CPS 511. The Policy is reviewed regularly as developments and changes in the regulatory environment become known and will be updated as required to ensure appropriate reflection of regulatory and legislative developments, including the Financial Accountability Regime (**FAR**).

5.2 Roles and responsibilities

5.2.1 The Board

The Board is responsible for determining BOQ's Remuneration Policy and, through the People, Culture and Remuneration Committee (**PCRC**), focuses on strategic human resources, culture and remuneration.

The Board must, at least annually, review and approve:

- the Policy;
- individual remuneration arrangements, including but not limited to fixed remuneration levels, variable reward targets and outcomes, make-good awards, retention awards and other benefits of significant value for those employees designated as Accountable Persons and Responsible Persons;
- collectively, remuneration structures for other cohorts specified by APRA; and
- all equity plans, including the terms and conditions under which grants are offered.

5.2.2 The People, Culture and Remuneration Committee

In accordance with its Charter, the PCRC will:

- review and make recommendations to the Board on the performance objectives and individual remuneration arrangements for the MD&CEO at least annually;
- make recommendations to the Board on individual remuneration arrangements for Accountable Persons and the Specified Role Category of Senior Managers (Senior Executives), at least annually as part of the remuneration review, and as otherwise required (e.g., on appointment, for out-of-cycle awards, and on separation if outside of policy);
- make recommendations to the Board on collective remuneration arrangements for other Specified Role Categories (Highly Paid Material Risk Takers, Material Risk Takers and Risk and Financial Control Personnel) as specified by APRA;
- at least annually, review the Policy and, where necessary, recommend amendments to the Board. The review must include an assessment of the Policy's:
  - effectiveness and compliance with prudential standards and any other relevant legal, regulatory and/or governance requirements, including an assessment of underlying procedures, controls and oversight;
  - effectiveness in supporting BOQ's purpose, strategy and objectives, including to identify material deviations from the intent of the Policy and unreasonable or undesirable outcomes that flow from existing arrangements;
  - effectiveness in protecting the interests of customers and quality outcomes for customers;
  - alignment with shareholder interests; and
  - alignment with BOQ's RMF and the protection of BOQ's long-term financial and non-financial soundness.

The PCRC may seek advice from external advisers to assist with the execution of its responsibilities.

5.3 Board discretion

Senior Executives' remuneration is determined by the remuneration strategy, Policy and the Framework. Remuneration outcomes are determined in accordance with relevant performance measures, plan design and the EIP Rules.

The PCRC and Board recognise that there are a range of factors which are specific to current and future years, and these may be taken into account when considering the overall remuneration outcomes for each year. To account for those factors, the PCRC and Board may make discretionary adjustments to remuneration outcomes for Senior Executives, those employees in Specified Role Categories and all other employees. These discretionary adjustments may impact an individual's remuneration positively or negatively. In accordance with this principle, remuneration outcomes have been adjusted both positively and negatively in prior years.

Remuneration Report.

For the year ended 31 August 2023

5.3 Board discretion (continued)

The criteria used by the PCRC and the Board to recommend and approve discretionary adjustments respectively include:

- factors either not known or not relevant at the beginning of a performance period or financial year, which can impact performance positively or negatively during the course of that performance period or financial year;
- the degree of stretch implicit in the performance measures and targets, and the environment and market context in which the targets were set;
- whether the operating environment during the performance period or financial year was materially different than forecast;
- comparison of the Group's performance relative to its competitors;
- the emergence of any major positive or negative risk or reputational issues;
- the quality of financial results as shown by their composition and consistency;
- whether leadership behaviours consistent with the Group's Code of Conduct and values have been regularly demonstrated throughout the performance period or financial year; and
- any other matters that the PCRC and Board deem to be relevant and which are not outlined above.

5.4 Risk adjustment

The GCRO presents a report to the PCRC and Board Risk Committee on a biannual basis. This report covers significant and thematic risk events and is used to inform variable reward decisions including the granting of equity to Senior Executives and other employees, and the Board's assessment of risk prior to vesting of or releasing restrictions from equity awards.

5.4.1 Risk adjusted reward framework

The Group's risk adjusted reward framework sets out the criteria for applying risk-based adjustments where, in the opinion of Management and/or the Board, the conduct, behaviour and action (or lack thereof) of an individual or group of individuals has contributed to or resulted in:

- significant adverse outcomes;
- a significant failure of financial or non-financial risk management;
- a significant failure or breach of accountability, fitness and propriety, or compliance obligations;
- a significant error or a significant misstatement of criteria on which the variable remuneration determination was based; and
- significant adverse outcomes for customers, beneficiaries or counterparties.

Matters and instances which may be referred for consideration under the risk adjusted reward framework include where an individual or group of individuals:

- engaged in serious misconduct or a breach of their employment obligations (including fraud, dishonesty, gross negligence, recklessness or wilful indifference);
- failed to meet BOQ Group's conduct and behavioural standards, including a determination that a former employee engaged in conduct that would be considered failure of the conduct and behavioural standards if still employed;
- significantly contributed to poor risk outcomes;
- received a cash or equity award where all or part of the initial award was not justified having regard to the circumstances or information which has come to light after an award was made under a variable remuneration plan.

The risk adjusted reward framework works in conjunction with other consequence management mechanisms and provides guiding principles for leaders, the PCRC and the Board to make decisions regarding appropriate and proportionate actions to be taken to respond to risk events across the organisation.

5.4.2 Risk adjustment tools

Management, the PCRC and Board have at their disposal three avenues for making risk adjustments to remuneration. These include:

- in-period adjustment, where all, or a portion, of potential variable reward may be reduced, including to zero;
- malus, where the Board may determine that all, or a portion of any unvested or restricted award will be lapsed or forfeited; and
- clawback, where the Board treat any variable reward that has been paid or vested and, as a result of a risk, compliance or conduct incident would not have otherwise been paid or vested, as an overpayment and, subject to legal limitations, seeks to recover the difference for the benefits of BOQ Group through any action it deems necessary and appropriate, and which may be applied whether or not the employment or engagement of the person has ceased.

(1) Paul Newham ceased as a KMP on 31 August 2023.

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Circumstances in which the PCRC may recommend, and the Board may approve, to invoke in-period adjustment, malus and/or clawback provisions include where, in the opinion of the Board, a Senior Executive or other individual has:

- engaged in serious misconduct or a breach of their employment obligations (including fraud, dishonesty, gross negligence, recklessness or wilful indifference);
- failed to meet BOQ's conduct and behavioural standards, including a determination that a former employee engaged in conduct that would be considered failure of the conduct and behavioural standards if still employed;
- contributed to a material misstatement in, or omission from, BOQ's financial statements, or a misstatement of a performance condition applicable to a variable remuneration plan;
- acted, or failed to act, in a way that contributed to material reputational damage to BOQ; or
- received a variable reward where all or part of the initial award was not justified having regard to the circumstances or information which has come to light after an award was made under a variable remuneration plan.

5.5 Cessation of employment and change of control

The treatment of future awards and unvested or restricted equity awards depends on the circumstances under which employment ceases. Generally:

- in the event of summary dismissal or resignation, Senior Executives are not eligible to be awarded any further grants of Performance Shares or Premium Priced Options, and any unvested or restricted equity will be lapsed or forfeited (as relevant to the particular award and/or instrument).
- In particular circumstances, referred to as Qualifying Reasons, it may be possible and permitted for a Senior Executives' unvested or restricted equity to remain on foot. Qualifying Reasons include redundancy; retirement; death; mutual agreement; and total and permanent disablement.
- Where a Senior Executive ceases employment for a Qualifying Reason but is subsequently employed by a competitor of BOQ within 6 months of ceasing, any unvested or restricted equity will be lapsed or forfeited (as relevant to the particular award and/or instrument) as though they had resigned, unless the Bank consents otherwise.

The Policy and various plan documentation also sets out the relevant treatment on change of control.

Generally speaking, in relation to awards granted up to and including FY23, where an employee separates for a Qualifying Reason or due to a Change of Control event, unvested or restricted equity will be pro-rated to cessation date and remain on foot to vest or have restrictions released in the normal course, subject to the original terms and conditions including malus and clawback unless the Board determines otherwise.

Senior Executives who resign may retain a portion of unvested or restricted Performance Shares and Premium Priced Options based on their length of service. The circumstances in which this treatment may apply are part of the original terms and conditions of the awards.

5.6 Minimum shareholding requirements

NEDs are required to hold shares equal in value to one times their base fee within three years of their appointment to the Board.

There are no minimum shareholding requirements for Senior Executives. However, the prevalence of equity and the long-dated vesting timeframes that underpin the Framework ensures that all Senior Executives will have, at a minimum, equity interests reflecting at least one times their fixed remuneration once they have been awarded an annual grant of Performance Shares and Premium Priced Options (and in FY24, LTVR).

5.7 Securities trading policy

The Group's Securities Trading Policy regulates dealings by Directors, employees and contractors in BOQ securities. Under the policy, Prescribed Persons (those employees with the authority, responsibility, participatory role in, or knowledge of the planning, directing or controlling of the activities of the Group) are prohibited from dealing in BOQ securities during certain blackout periods, including:

- the period commencing 1 March and ending at the close of trading on the ASX one day after the announcement of BOQ's half year results;
- the period commencing 1 September and ending at the close of trading on the ASX one day after the announcement of BOQ's full year results; or
- any other period nominated from time to time by the Chair, MD&CEO or Chief Financial Officer of BOQ.

If a Director, employee or contractor has inside information about the BOQ Group, they must not deal in BOQ securities at any time, including outside of a blackout period.

5.8 Use of remuneration consultants

Where necessary, the Board seeks advice from independent experts and advisors, including remuneration consultants. The remuneration consultants are engaged by the Chair of the PCRC in order to ensure, upon engagement, that the appropriate level of independence exists from Management. Reports provided by independent consultants are submitted directly to the Chair of the PCRC. Where the consultant's engagement requires a recommendation, the recommendation is provided to and discussed directly with the PCRC Chair in accordance with the requirements of the Corporations Act.

During FY23 the PCRC did not engage independent advisors to assist with decision-making.

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5.9 Senior executive contract terms

The remuneration and terms of Senior Executives' employment are formalised in their Executive Services Agreement (**ESA**).
Each ESA provides for the payment of fixed and performance-based variable remuneration, superannuation and other benefits such as statutory leave entitlements. Two Senior Executives have access to additional paid leave as part of their employment terms.
The employment terms of each ESA is summarised in Table 10 below.

Table 10 - Senior Executive contract terms

Name	Position title	Notice period by Executive	Notice period by Employer	Termination payments (includes notice period)
CURRENT				
Patrick Allaway	Managing Director & Chief Executive Officer	6 months	6 months	6 months' fixed reward in lieu of notice
Rod Finch	Chief Strategy & Transformation Officer	6 months	6 months	6 months' fixed reward in lieu of notice
Martine Jager	Group Executive Retail Banking, People & Culture & Chief Executive Officer ME Bank	6 months	6 months	6 months' fixed reward in lieu of notice
Racheal Kellaway	Chief Financial Officer	6 months	6 months	6 months' fixed reward in lieu of notice
Paul Newham (1)	Chief Operations Officer	6 months	6 months	6 months' fixed reward in lieu of notice
Craig Ryman	Chief Information Officer	6 months	6 months	6 months' fixed reward in lieu of notice
Chris Screen	Group Executive Business Banking	6 months	6 months	6 months' fixed reward in lieu of notice
David Watts	Group Chief Risk Officer	6 months	6 months	6 months' fixed reward in lieu of notice
FORMER				
Debra Eckersley	Former Group Executive People & Culture	6 months	6 months	6 months' fixed reward in lieu of notice
George Frazis	Former Managing Director & Chief Executive Officer	9 months	9 months	9 months' fixed reward in lieu of notice

(1) Paul Newham ceased as a KMP on 31 August 2023.

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6. Non-Executive Director Remuneration

6.1 Fee pool

NED fees are determined within an aggregate fee pool limit. The pool currently stands at $2,800,000 inclusive of superannuation and was approved by shareholders on 30 November 2016. The fee pool allows the Board flexibility with changes to its size and composition. The Board will not be seeking an increase to the fee pool at the 2023 AGM.

6.2 Remuneration framework

NED fees are set to attract and retain individuals of appropriate calibre to the Board and Committees. Fees are reviewed annually by the PCRC having regard for the external market of similarly sized and comparably complex organisations.

The Chair's fee is determined independently from the fees of other Directors and is also based on the external market. The Chair is not present at any discussions relating to the determination of his own remuneration.

To maintain independence and impartiality, NEDs to do not receive any performance-based remuneration including share options or rights subject to a performance condition in addition to their prescribed fees. NEDs are not provided with retirement benefits apart from statutory superannuation.

The BOQ Constitution allows the Company to pay Directors additional remuneration for extra or special services performed.

6.3 Board committees

All NEDs serve on the Board Audit; Nomination & Governance; People, Culture & Remuneration; Risk; and Transformation & Technology Committees.

6.4 NED fee structure

To reflect the committee composition and to provide fairness and simplicity, BOQ NEDs are remunerated using a flat fee structure, inclusive of superannuation which is payable up to the maximum contributions base. The only instances where additional committee fees are payable are in relation to the Due Diligence Committee, the Investment Committee and, between November 2022 and March 2023 the Program rQ Sub-Committee, which are paid on a per-meeting basis.

Following a benchmarking exercise completed during FY23, NED fees will not increase for FY24. To reflect collective accountability for BOQ's non-financial risk challenges, individual fees for NEDs will be reduced by an amount equal to 20 per cent of their FY23 base fees throughout FY24.

The FY23 and FY24 fee structures are set out in Table 11.

Table 11 - FY23 and FY24 NED fees

	FY23 (01/09/2022 - 31/08/2023)		FY24 (01/09/2023 - 31/08/2024)	
	Chair / Committee Chair (1) $	**Directors / Committee Members $**	Chair / Committee Chair (1) $	Directors / Committee Members $
ANNUAL FEES				
Base fees	**500,000**	**185,000**	500,000 (2)	185,000 (3)
Committee fees (4)	**50,000**	**80,000**	50,000	80,000
Lead Independent Director (5)	**20,000**			
AML First (6)		**30,000**		30,000
PER MEETING FEES				
Investment Committee	**2,500**	**1,750**	2,500	1,750
Due Diligence Committee	**2,500**	**1,750**	2,500	1,750
Program rQ Sub-Committee	**2,500**	**1,750**		

(1) The Chair receives no additional remuneration for involvement with Committees.
(2) For the duration of FY24, the Warwick Negus' fee will be reduced by 20 per cent of his FY23 actual base fees, determined using a pro-rata calculation of his director's base fee for the period 1 September 2022 to 26 March 2023 and Chair's fee for the period 27 March to 31 August 2023.
(3) For the duration of FY24, other NEDs' fees will be reduced by 20 per cent of their FY23 actual base fees.
(4) A flat fee applies for the following Committees: Audit; Nomination & Governance; People, Culture & Remuneration; Risk; and Transformation & Technology.
(5) The Lead Independent Director fee of $20k per annum was in place in the period 28 November 2022 to 26 March 2023.
(6) One Director is receiving an additional fee of $30,000 per annum for responsibilities related to overseeing the Group's AML First program.

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6.5 NED fee sacrifice rights plan

At the beginning of FY23, as in prior years, offers were made under the NED Fee Sacrifice Rights Plan. Four NEDs elected to participate in the Plan, a summary of which is provided in Table 12.

Table 12 - Terms of the NED fee sacrifice rights plan

Purpose	The Plan's purpose is to provide an opportunity for NEDs to increase their shareholding in a tax effective manner. The Plan meets regulatory and tax requirements.
Value	At the beginning of the participation period, NEDs can nominate a percentage of their pre-tax annual fees (up to 100 per cent) to receive in Rights to shares in BOQ.
Vesting period	Rights vest and convert to shares following the completion of the participation period. For FY23 the participation period was the eleven months from 1 October 2022 to 31 August 2023. The rights do not have any performance conditions in order to preserve the NEDs' independence.
Disposal Restrictions	Shares received on exercise will be subject to a disposal restriction of at least three years, or longer as nominated by the Director (up to 15 years).
Cessation of Directorship	If a participant ceases to be a NED prior to the Rights vesting, they will retain a pro-rata number of Rights based on the period they were a NED. If directorship ceases during the restriction period, any disposal restrictions on the shares will be lifted subject to a minimum trading restriction of 12 months.
Modification	On 25 November 2022, prior to the grant of FY23 Rights, the Board approved a modification to the Plan. The market price of the underlying equity instrument on this date was $7.56. That modification was to amend the VWAP used to determine the number of Rights granted. There was no difference between the total fair value of the award immediately prior to the modification and the total fair value of the award immediately after the modification. The modification had no impact of the fair value of the awards; only the method used to calculate the number of Rights granted to each participant.

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7. Statutory tables

7.1 Statutory disclosures

The following tables include details of the nature and amount, as required by the Corporations Act 2001 (Cth), of each major element of the remuneration of each Director and Senior Executive of the Group, calculated in accordance with accounting standards.

Table 13 - Directors' Remuneration

Name	Year	Salary and fees (1) $	Non-monetary benefits (2) $	Other short-term benefits (3) $	Total short-term benefits $	Post-employment (4) $	Other long-term (5) $	Termination benefits (6) $	Rights (7)(8) $	Shares and units (8)(9) $	Total $	Proportion of remuneration performance based %
CURRENT EXECUTIVE DIRECTOR												
Patrick Allaway (10)	**2023**	**1,162,964**	**10,210**	**-**	**1,173,174**	**27,927**	**11,981**	**-**	**23,178**	**-**	**1,236,260**	**2**
	2022	476,145	-	-	476,145	23,999	-	-	-	-	500,144	-
CURRENT NON-EXECUTIVE DIRECTORS												
Bruce Carter	**2023**	**47,415**	**-**	**-**	**47,415**	**4,582**	**-**	**-**	**-**	**288,753**	**340,750**	**N/A**
	2022	3,224	-	-	3,224	318	-	-	-	277,989	281,531	N/A
Jenny Fagg	**2023**	**221,666**	**-**	**-**	**221,666**	**26,041**	**-**	**-**	**-**	**24,294**	**272,001**	**N/A**
	2022	213,379	-	-	213,379	21,250	-	-	-	-	234,629	N/A
Deborah Kiers	**2023**	**241,305**	**-**	**-**	**241,305**	**28,140**	**-**	**-**	**-**	**24,294**	**293,739**	**N/A**
	2022	136,682	-	-	136,682	21,873	-	-	-	93,551	252,106	N/A
Warwick Negus	**2023**	**116,893**	**-**	**-**	**116,893**	**3,789**	**-**	**-**	**-**	**288,753**	**409,435**	**N/A**
	2022	3,341	-	-	3,341	-	-	-	-	277,989	281,330	N/A
Karen Penrose	**2023**	**338,474**	**-**	**-**	**338,474**	**29,014**	**-**	**-**	**-**	**-**	**367,488**	**N/A**
	2022	271,478	-	-	271,478	19,656	-	-	-	27,802	318,936	N/A
Mickie Rosen	**2023**	**307,463**	**-**	**-**	**307,463**	**7,537**	**-**	**-**	**-**	**-**	**315,000**	**N/A**
	2022	295,838	-	-	295,838	19,162	-	-	-	-	315,000	N/A
FORMER EXECUTIVE DIRECTOR												
George Frazis (11)	**2023**	**396,345**		**24,352**	**420,697**	**6,323**	**(84,678)**	**1,290,998**	**(906,149)**	**(2,313,972)**	**(1,586,781)**	**-**
	2022	1,438,727	13,354	94,430	1,546,511	23,999	36,348	-	1,337,919	685,681	3,630,458	56

(1) Salary and fees includes base salary, including annual leave accrued during the year, less any amounts sacrificed under the NED Fee Sacrifice Rights Plan.

(2) Company-funded benefits (and associated FBT) such as car parking, accommodation, relocation and travel.

(3) Benefits such as allowances.

(4) Includes superannuation benefits.

(5) Comprises long service leave accrued and/or utilised during the financial year.

(6) Includes termination payments in lieu of notice, payment of leave entitlements on separation and, where relevant, any period of Gardening Leave.

(7) The fair value of rights is calculated at the date of grant using an industry-accepted option pricing model.

(8) During the year, the 2022 share-based payments expense has been restated to reflect the impact of the service vesting conditions noted in the respective Award Terms. The impact of this was an increase to prior year expense for George Frazis of $782,136. The number and total value of the relevant awards remains the same and as previously disclosed.

(9) Represents the fair value of shares acquired under the Non-executive Director Fee Sacrifice Rights Plan (**NED Plan**). The grant date for these awards was 5 December 2022 measured at a fair value of $7.40 per award.

(10) Patrick Allaway commenced as Managing Director & Chief Executive Officer on 27 March 2023. He served as Executive Chairman from 28 November 2022 to 26 March 2023, and was the Non-executive Chair of the Board from 1 September 2022 to 27 November 2022.

(11) George Frazis ceased as a KMP on 28 November 2022. He was on Gardening Leave from 29 November 2022 until 27 August 2023, the full duration of his notice period.

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7.1 Statutory disclosures (continued)

Table 14 - Senior Executives' Remuneration

Details of the nature and amount of each major element of the remuneration of each Senior Executive of the Group are as outlined in Table 14 below.

Name	Position	Year	Salary and fees[(1)] $	Non-monetary benefits[(2)] $	Other short-term benefits[(3)] $	Total short-term benefits $	Post-employment[(4)] $	Other long-term[(5)] $	Termination benefits[(6)] $	Rights[(7)(8)] $	Shares and units[(8)(9)] $	Total $	Proportion of remuneration performance based %
CURRENT SENIOR EXECUTIVES													
Rod Finch[(10)]	Chief Strategy & Transformation Officer	**2023**	**238,077**	**5,312**	**-**	**243,389**	**10,591**	**8,428**	**-**	**142,048**	**36,635**	**441,090**	**41**
Martine Jager	Group Executive Retail Banking, People & Culture & CEO ME Bank	**2023**	**729,046**	**5,163**	**75,000**	**809,209**	**25,819**	**14,038**	**-**	**447,490**	**121,721**	**1,418,277**	**40**
		2022	667,974	8,538	-	676,512	23,999	14,407	-	275,254	80,634	1,070,806	33
Racheal Kellaway	Chief Financial Officer	**2023**	**701,832**	**42,653**	**-**	**744,485**	**25,819**	**17,652**	**-**	**613,905**	**25,633**	**1,427,494**	**45**
		2022	77,357	6,706	-	84,063	6,323	10,265	-	41,496	8,754	150,901	33
Paul Newham[(11)]	Chief Operations Officer	**2023**	**678,211**	**13,453**	**-**	**691,664**	**25,819**	**(17,744)**	**536,323**	**115,150**	**208,309**	**1,559,521**	**21**
		2022	146,308	3,183	-	149,491	6,323	5,778	-	51,020	61,929	274,542	36
Craig Ryman	Chief Information Officer	**2023**	**737,404**	**13,453**	**-**	**750,857**	**25,819**	**17,114**	**-**	**623,269**	**140,339**	**1,557,398**	**49**
		2022	713,853	13,354	-	727,207	23,999	15,119	-	404,255	209,351	1,379,931	44
Chris Screen	Group Executive Business Banking	**2023**	**702,794**	**13,453**	**-**	**716,247**	**25,819**	**17,178**	**-**	**632,398**	**(101,361)**	**1,290,281**	**41**
		2022	579,125	12,256	-	591,381	23,999	18,308	-	493,631	47,790	1,175,109	46
David Watts	Group Chief Risk Officer	**2023**	**800,810**	**15,840**	**-**	**816,650**	**25,819**	**16,887**	**-**	**822,854**	**182,734**	**1,864,944**	**54**
		2022	326,417	6,622	-	333,039	16,685	6,935	-	711,935	-	1,068,594	15
FORMER SENIOR EXECUTIVES										-	-		
Debra Eckersley[(12)]	Group Executive People & Culture	**2023**	**477,951**	**10,541**	**-**	**488,492**	**18,969**	**(47,063)**	**294,038**	**708,729**	**(148,906)**	**1,314,259**	**43**
		2022	597,943	5,598	-	603,541	23,999	16,567	-	641,731	61,182	1,347,021	52

(1) Comprises salary and annual leave accrued during the year.
(2) Company-funded benefits (and associated FBT) such as car parking, accommodation, relocation and travel.
(3) Benefits such as allowances
(4) Includes superannuation benefits
(5) Comprises long service leave accrued or utilised during the financial year.
(6) Includes termination payments in lieu of notice, payment of leave entitlements on separation and, where relevant, any period of Gardening Leave.
(7) The fair value of rights is calculated at the date of grant using an industry-accepted option pricing model.
(8) The 2022 Remuneration Report includes remuneration of former KMP, who are excluded from the table above, comprising Adam McAnalen ($648,531), Ewen Stafford ($355,210) and Fiamma Morton ($606,894). During the year, the 2022 share-based payments expense was restated to reflect the impact of the service vesting conditions noted in the respective Award Terms. The impact of this was an increase to prior year expense for Adam McAnalen of $85,908, for Debra Eckersley of $137,990, for Martine Jager of $34,664, for Racheal Kellaway of $10,109, for Paul Newham of $10,523, for Craig Ryman of $99,332, for Chris Screen of $209,351 and for David Watts of $4,508. There was a decrease to prior year expense for Ewen Stafford of $67,646 and Fiamma Morton of $13,102. For Adam McAnalen, the share-based payments expense has been restated to further reflect the impact of awards that were accelerated to vest on a pro-rata basis (Premium Priced Options, Performance Award Rights) and in full (Restricted Shares and Performance Shares) at the time of his departure. The impact of this was an additional increase to prior year expense of $359,828. The number and total value of the relevant awards remains the same and as previously disclosed.
(9) Represents the value of Restricted Shares awarded through deferred short-term variable reward, make-good or retention awards as well as Performance Shares once converted to Restricted Shares. The fair value of shares has been calculated at the date of grant using an industry-accepted valuation model.
(10) Rod Finch commenced as a KMP on 10 April 2023.
(11) Paul Newham ceased as a KMP on 31 August 2023.
(12) Debra Eckersley ceased as a KMP on 5 June 2023. She was on Gardening Leave from 6 June 2023 until 31 August 2023. The balance of her six-month notice period was paid on completion of the period of Gardening Leave.

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7.2 Equity held by Senior Executives

7.2.1 Underlying factors used to value equity awards held by Senior Executives

The underlying factors used to value equity awards held by Senior Executives are set out in Tables 15a and 15b and inform the disclosures in Table 16.

The acronyms for award names as shown in Tables 15a,15b and 16 are as follows:

- Deferred Award Rights (**DARs**)
- Performance Shares (**PS**)
- Premium Priced Options (**PPO**)
- Performance Award Rights (**PARs**)
- Transformation Award Rights (**TARs**)
- Restricted Shares (**RS**).

Table 15a - Valuation inputs for awards issued in 2023

			FY23			
Award name	**Tranche number**	**Vesting date / date restrictions are lifted (1)**	**Grant date assumed for valuation**	**Share price (2) $**	**Fair value (3) $**	**Expiry date (4)**
2023 PS	1	6/12/2024	13/02/2023	7.16	6.87	-
2023 PS	2	8/12/2025	13/02/2023	7.16	6.87	-
2023 PS	3	6/12/2026	13/02/2023	7.16	6.87	-
2023 PS	1	6/12/2024	17/02/2023	7.03	6.75	-
2023 PS	2	8/12/2025	17/02/2023	7.03	6.75	-
2023 PS	3	6/12/2026	17/02/2023	7.03	6.75	-
2023 PS	1	6/12/2024	24/05/2023	5.68	5.52	-
2023 PS	2	8/12/2025	24/05/2023	5.68	5.52	-
2023 PS	3	6/12/2026	24/05/2023	5.68	5.52	-
2023 PPO	1	6/12/2026	13/02/2023	7.16	0.69	15/02/2030
2023 PPO	2	6/12/2027	13/02/2023	7.16	0.73	15/02/2030
2023 PPO	1	6/12/2026	17/02/2023	7.03	0.65	20/02/2030
2023 PPO	2	6/12/2027	17/02/2023	7.03	0.70	20/02/2030
2023 PPO	1	6/12/2026	24/05/2023	5.68	0.24	26/05/2030
2023 PPO	2	6/12/2027	24/05/2023	5.68	0.28	26/05/2030
2023 PPO	1	6/12/2026	31/08/2023	5.76	0.25	31/08/2030
2023 PPO	2	6/12/2027	31/08/2023	5.76	0.30	31/08/2030
2023 RS	1	6/12/2023	4/1/2023	6.93	6.93	-
2023 RS	2	6/12/2024	4/1/2023	6.93	6.93	-

(1) Vesting date applies to PPO. Date restrictions are lifted applies to converted PS and other RS.
(2) Closing share price on the grant date assumed for valuation.
(3) The fair value of rights granted is measured using industry accepted pricing methodologies, taking into account the terms and conditions upon which the rights are granted.
(4) Performance Shares will lapse if not converted into Restricted Shares on completion of the one year performance period. Once converted Restricted Shares do not have an expiry date.

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7.2 Equity held by Senior Executives (continued)

Table 15b - Valuation inputs for awards issued in prior years

Award name	Grant date assumed for valuation	Share price [1] $	Fair value [2] $	Expiry date [3]
2018 PARs	11/12/2018	9.64	4.91	11/12/2025
2019 DARs	19/12/2019	7.41	6.09	19/12/2026
2019 PARs	19/12/2019	7.41	3.61	19/12/2026
2019 TARs	19/12/2019	7.41	6.12	19/12/2026
2021 PPO	6/1/2021	7.48	0.56	6/1/2028
2021 PPO	9/4/2021	8.73	0.86	6/1/2028
2021 PPO	30/06/2021	9.11	0.99	6/1/2028
2021 PPO	30/06/2021	9.11	0.99	30/06/2028
2021 PS	6/1/2021	7.48	7.49	-
2021 PS	30/06/2021	9.11	8.86	-
2021 RS	6/1/2021	7.48	7.80	-
2021 RS	14/12/2021	7.98	7.98	-
2022 DARs	18/03/2022	8.41	7.65	21/03/2037
2022 PS	25/01/2022	7.61	7.25	-
2022 PS	18/03/2022	8.41	8.01	-
2022 PS	22/07/2022	7.44	7.26	-
2022 PPO	25/01/2022	7.61	0.59	31/01/2029
2022 PPO	18/03/2022	8.41	0.88	21/03/2029
2022 RS	22/07/2022	7.44	7.44	-

(1) Closing share price on the grant date assumed for valuation.
(2) The fair value of rights granted is measured using industry accepted pricing methodologies, taking into account the terms and conditions upon which the rights are granted.
(3) Performance Shares will lapse if not converted into Restricted Shares on completion of the one year performance period. Once converted Restricted Shares do not have an expiry date.

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7.2 Equity held by Senior Executives

7.2.2 Movement and value of equity awards held by Senior Executives during the Financial Year 2023

Using the valuation data set out in Tables 15a and 15b above, the movement and value of equity awards held by Senior Executives during FY23 are detailed in Table 16.

Table 16 - Movement and value of equity awards held by Senior Executives during financial year 2023

	Grant	Balance 1 Sep 22 Units	Other [1]	Granted [2] Units	Granted [2] $	Vested / Converted [3] Units	Vested / Converted [3] Date	Forfeited / Lapsed Units	Forfeited / Lapsed Date	Exercised / Restrictions lifted [3][4] Units	Exercised / Restrictions lifted [3][4] Date	Balance 31 Aug 23 [5] $	Balance 31 Aug 23 [5] Units	Value at 31 Aug 23 [6] $	Vested During the Year %
CURRENT SENIOR EXECUTIVES															
Rod Finch [7]	PPO	-	1,092,233	51,236	13,321	-		-		-		-	1,143,469	793,802	-
	PS	-	134,141	6,149	33,942	-		-		-		-	140,290	999,315	-
Martine Jager	PPO	557,164	-	811,835	576,403	-		-		-		-	1,368,999	965,846	-
	PS	87,378	-	97,423	669,296	60,197	5/12/2022	6,688	5/12/2022	6,763	7/12/2022	59,920	171,350	1,287,292	69
Racheal Kellaway	DARs	3,554	-	-	-	3,554	5/12/2022	-		-		-	3,554	21,644	100
	PARs	16,399	-	-	-	-		-		-		-	16,399	59,200	-
	PPO	693,879	-	784,774	557,190	-		-		-		-	1,478,653	1,088,937	-
	PS	13,419	-	94,175	646,982	12,077	5/12/2022	1,342	5/12/2022	-		-	106,252	734,661	90
	RS	17,543	-	13,506	93,597	-		-		8,771	5/12/2022	69,993	22,278	233,590	-
	TARs	10,933	-	-	-	10,933	6/12/2022	-		-		-	10,933	-	100
Paul Newham [8]	PPO	449,337	-	757,713	537,976	-		920,583	31/08/2023	-		-	286,467	209,615	-
	PS	70,247	-	90,928	624,675	47,454	5/12/2022	5,273	5/12/2022	5,782	7/12/2022	51,229	150,120	1,123,944	68
	RS	31,989	-	-	-	-		-		15,994	5/12/2022	132,772	15,995	265,552	-
Craig Ryman	PPO	1,223,783	-	865,958	614,830	-		-		-		-	2,089,741	1,313,464	-
	PS	143,430	-	103,918	713,917	65,909	5/12/2022	7,323	5/12/2022	23,165	7/12/2022	173,506	216,860	1,717,540	46
	RS	3,588	-	-	-	-		-		1,794	5/12/2022	13,886	1,794	27,771	-
Chris Screen	DARs	5,467	-	-	-	2,734	5/12/2022	-		-		-	5,467	33,294	50
	PARs	13,119	-	-	-	-		-		-		-	13,119	47,360	-
	PPO	843,759	-	784,774	557,190	-		-		-		-	1,628,533	1,177,366	-
	PS	64,444	-	94,175	646,982	58,000	5/12/2022	6,444	5/12/2022	-		-	152,175	1,067,482	90
	RS	17,543	-	-	-	-		-		8,771	5/12/2022	69,993	8,772	139,993	-
David Watts	DARs	81,203	-	-	-	47,110	3/7/2023	-		-		-	81,203	621,203	58
	PPO	443,838	-	920,080	653,257	-		-		-		-	1,363,918	1,043,834	-
	PS	73,232	-	110,412	758,530	65,909		7,323	5/12/2022	-		-	176,321	1,286,462	90

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	Grant	Balance 1 Sep 22 Units	Other[1]	Granted[2] Units	Granted[2] $	Vested / Converted[3] Units	Vested / Converted[3] Date	Forfeited / Lapsed Units	Forfeited / Lapsed Date	Exercised / Restrictions lifted[3][4] Units	Exercised / Restrictions lifted[3][4] Date	Balance 31 Aug 23[5] $	Balance 31 Aug 23[5] Units	Value at 31 Aug 23[6] $	Vested During the Year %
FORMER SENIOR EXECUTIVES															
Debra Eckersley[9]	PARs[10]	106,847		-	-	-		49,450	15/12/2022	-		-	57,397	207,203	-
	PPO	1,002,698		368,032	261,303	-		805,752	31/08/2023	-		-	564,978	327,580	-
	PS	118,649		117,773	809,101	56,242	5/12/2022	6,249	5/12/2022	18,532	7/12/2022	138,805	211,641	1,637,478	47
	RS	22,084		-	-	-		-		11,042	5/12/2022	85,465	11,042	170,930	-
George Frazis[11]	PARs	143,215		-	-	-		143,215	16/12/2022	-		-	-	-	-
	PPO	2,625,384		-	-	-		2,625,384	16/12/2022	-		-	-	-	-
	PS	269,933		-	-	-		269,933	16/12/2022	-		-	-	-	-
	RS	51,266		-	-	-		51,266	30/06/2023	-		-	-	-	-

(1) Opening balance is the balance at the date the individual became KMP.

(2) This represents the maximum number of securities that may vest to each Executive. The minimum total value which may vest is zero.

(3) The award type and dates vested / released are as follows: Performance Shares on 7 December 2022, Deferred Award Rights on 5 December 2022 and Transformation Award Rights on 6 December 2022.

(4) Fair Value on the on the grant date multiplied by the number of units/rights exercised during the year.

(5) Balance amounts as at 31 August 2023 includes both unvested and vested awards that are not yet exercisable.

(6) Balance amounts as at 31 August 2023 multiplied by the fair value.

(7) Rod Finch commenced as KMP on 10 April 2023.

(8) Paul Newham ceased as KMP on 31 August 2023. In accordance with the relevant Plan Rules, his FY21, FY22 and FY23 Premium Priced Options were pro-rated to his separation date and will remain on foot subject to the original terms and conditions.

(9) Debra Eckersley ceased as KMP on 5 June 2023. In accordance with the relevant Plan Rules, her FY21, FY22 and FY23 Premium Priced Options were pro-rated to her separation date and will remain on foot subject to the original terms and conditions.

(10) 2018 Performance Award Rights lapsed on 15 December 2022 as the two performance conditions of relative TSR (80% of the award) and relative EPS (20% of the award) were not achieved.

(11) George Frazis ceased as KMP on 28 November 2022 as such all awards lapsed or were forfeited; Performance Award Rights, Premium Priced Options and Performance Shares on 16 December 2022 and Restricted Shares on 30 June 2023.

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7.3 Equity instruments - Holdings and movements

The number of equity instruments held directly, indirectly or beneficially by each Director, Senior Executive or related party is set out in Table 17. All shares were acquired by Directors under normal terms and conditions or through the NED Fee Sacrifice Rights Plan.

Table 17 - Number of other equity instruments held directly, indirectly or beneficially

Ordinary Shares	Held at 1 September 2022	Purchases / (Sales)	Rights granted under NED Fee Sacrifice Rights Plan	Received on exercise of Rights or when restrictions were lifted from Restricted Shares	**Held at 31 August 2023**
CURRENT DIRECTORS					
Patrick Allaway (1)	242,742	-	-	-	**242,742**
Bruce Carter	172,433	-	38,997	-	**211,430**
Jenny Fagg	-	-	3,281	-	**3,281**
Deborah Kiers	11,444	6,309	3,281	-	**21,034**
Warwick Negus	141,574	-	38,997	-	**180,571**
Karen Penrose	33,912	-	-	-	**33,912**
Mickie Rosen	20,000	10,000	-	-	**30,000**
FORMER DIRECTORS					
George Frazis (2)	139,479	-	-	-	**N/A**
CURRENT SENIOR EXECUTIVES					
Rod Finch (3)	6,269	-	-	-	**6,269**
Martine Jager	-	-	-	6,763	**6,763**
Racheal Kellaway	47,453	-	-	8,771	**56,224**
Paul Newham (4)	9,371	-	-	21,776	**31,147**
Craig Ryman	2,393	-	-	24,959	**27,352**
Chris Screen	-	-	-	8,771	**8,771**
David Watts	47,109	-	-	-	**47,109**
FORMER SENIOR EXECUTIVES					
Debra Eckersley (5)	29,602	-	-	29,574	**N/A**

(1) Patrick Allaway commenced as Managing Director & Chief Executive Officer on 27 March 2023; however, as Board Chair he was a KMP at 1 September 2022. Holdings at 1 September 2022 were acquired on market or through the NED Fee Sacrifice Rights Plan.
(2) George Frazis ceased as a KMP on 28 November 2022.
(3) Rod Finch commenced as a KMP on 10 April 2023; represents equity holdings on that date.
(4) Paul Newham ceased as a KMP on 31 August 2023.
(5) Debra Eckersley ceased as a KMP on 5 June 2023.

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7.4 Equity instruments - holdings and movements

7.4.1 Loan transactions

Loans to KMP and their related parties (including close family members and entities over which the KMP and/or their close family members have control, joint control or significant influence) are provided in the ordinary course of business. Normal commercial terms and conditions are applied to all loans. Any discounts provided to KMP are the same as those available to all employees of the Group. There have been no write-downs or amounts recorded as provisions during FY23.

Details of loans held by KMP and their related parties during FY23, where the individual's aggregate loan balance exceeded $100,000 at any time in this period, are set out in Table 18.

Table 18 - Individual loan transactions with KMP (over $100,000)

	Balance at 1 September 2022 $	Interest charged during the year $	Balance at 31 August 2023 $	Highest balance during the year $
CURRENT SENIOR EXECUTIVE				
Paul Newham [(1)]	2,893,619	61,725	1,614,578	2,898,689
FORMER SENIOR EXECUTIVE				
Debra Eckersley [(2)]	2,016,969	59,344	N/A	2,023,061
OTHER RELATED PARTIES - CURRENT				
Karen Penrose related parties	-	43,872	1,662,665	1,677,233
Martine Jager related parties [(3)]	41,770,552	2,146,494	44,892,817	45,020,210
OTHER RELATED PARTIES - FORMER				
George Frazis related parties [(4)]	1,484,323	23,912	N/A	1,491,911

(1) In FY23 the Group performed a review of KMP disclosures and noted the omission of loan accounts relating to Paul Newham and his related parties from the FY22 Financial Statements. The opening balance as at 1 September 2022 has therefore been updated to reflect this.

(2) Debra Eckersley ceased as a KMP on 5 June 2023.

(3) In FY23 the Group performed a review of KMP disclosures and noted the omission of loan accounts for related parties of Martine Jager from the FY22 Remuneration Report The opening balance as at 1 September 2022 has been updated to reflect this. Some of the loans were originated prior to Ms Jager joining BOQ. All loans followed the Group's credit approval processes (and have been subject to annual review) and are on arm's length terms , including interest rates applied, collateral required and other terms. The loans are for commercial purposes, are not in arrears and there have been no write downs or individually assessed provisions for credit loss recognised for these loans.

(4) George Frazis ceased as a KMP on 28 November 2022.

Remuneration Report.

For the year ended 31 August 2023

7.4 Equity instruments - holdings and movements (continued)

7.4.1 Loan transactions (continued)

Details regarding the aggregate value of loans made, guaranteed or secured by any entity in the economic entity to all Senior Executives and their related parties and the number of individuals in each group are set out in Table 19:

Table 19 - Aggregated loan transactions with KMP

	Balance at 1 September 2022 $	Interest charged during the year $	Balance at 31 August 2023 $	Number in Group at 31 August 2023
Current Senior Executives (1)	2,893,619	64,243	1,767,632	3
Former Senior Executive	2,016,969	59,344	N/A	-
Current Other Related Parties (2)	41,770,552	2,190,366	46,555,482	2
Other Related Parties - Former	1,484,323	23,912	N/A	-

(1) In FY23 the Group performed a review of KMP disclosures and noted the omission of loan accounts relating to Paul Newham and his related parties from the FY22 Financial Statements. The opening balance as at 1 September 2022 has therefore been updated to reflect this.

(2) In FY23 the Group performed a review of KMP disclosures and noted the omission of loan accounts for related parties of Martine Jager from the FY22 Remuneration Report. The opening balance as at 1 September 2022 has been updated to reflect this. Some of the loans were originated prior to Ms Jager joining BOQ. All loans followed the Group's credit approval processes (and have been subject to annual review) and are on arm's length terms , including interest rates applied, collateral required and other terms. The loans are for commercial purposes, are not in arrears and there have been no write downs or individually assessed provisions for credit loss recognised for these loans.

7.4.2 Capital notes

On 14 November 2022 the Bank issued Capital Notes at a price of $100 per note. Details of those notes issued to BOQ Directors are set out below.

Table 20 - Capital notes

		Balance at 31 August 2023 $	Interest earned for the year $
CURRENT DIRECTORS			
Karen Penrose	Capital Notes 3	50,000	1,933
Total		**50,000**	**1,933**

Directors' Report.

For the year ended 31 August 2023

Indemnification of officers

The Bank's Constitution, supported by a Deed of Indemnity, Insurance and Access, provides an indemnity in favour of all directors and officers of the Bank against liabilities incurred by them in the capacity as officer to the maximum extent permitted by law.

Insurance of officers

Since the end of the previous financial year, the Bank has paid insurance premiums in respect of a Directors' and Officers' liability insurance contract. The contract insures each person who is or has been a director or officer (as defined in the relevant policy) of the Bank against certain liabilities arising in the course of their duties to the Bank and its subsidiaries, as defined in the relevant policy. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

Directors' interests

Directors' interests as at the date of this report were as follows:

	Ordinary shares	Capital Notes 3
Warwick Negus	180,571	-
Patrick Allaway [(1)]	242,742	-
Bruce Carter	211,430	-
Jennifer Fagg	3,281	-
Deborah Kiers	21,034	-
Karen Penrose	33,912	500
Mickie Rosen	30,000	-

(1) Patrick Allaway, Director since May 2019, Chairman between Oct 2019 and 28 Nov 2022, Executive Chairman between 28 Nov 2022 and 27 March 2023 and Managing Director and CEO since 27 March 2023.

Audit and non-audit services

During the year, PricewaterhouseCoopers (**PwC**), the Bank's auditor, has performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the year by the auditor are compatible with, and did not compromise, the auditor's independence requirements of the *Corporations Act 2001 (Cth)* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Bank and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor's independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Bank or acting as an advocate for the Bank or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Bank, PwC and its related practices, for audit and non-audit services provided during the year are set out below and in Note 5.6 auditor remuneration:

	Consolidated		**Bank**	
	2023 $000	2022 $000	**2023 $000**	2022 $000
AUDIT SERVICES				
Audits and reviews of the financial reports	**3,370**	2,290	**2,927**	2,000
Regulatory audits and reviews as required by regulatory authorities	**856**	654	**831**	630
Total audit services	**4,226**	2,944	**3,758**	2,630
AUDIT RELATED SERVICES				
Other assurance services	**102**	166	**102**	100
Total audit related services	**102**	166	**102**	100
NON-AUDIT SERVICES				
Taxation services	**-**	10	**-**	10
Other	**994**	596	**952**	387
Total non-audit services	**994**	606	**952**	397

Directors' Report.

For the year ended 31 August 2023

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 125 and forms part of the Directors' report for the year ended 31 August 2023.

Director and management changes

Director changes during the year:

- George Frazis ceased in the role of Managing Director and Chief Executive Officer (**CEO**) on 28 November 2022 and served out his Gardening Leave ceasing on 27 August 2023.
- Chairman Patrick Allaway took on the role of Executive Chairman on 28 November 2022 and was appointed Managing Director and CEO on 27 March 2023.
- Warwick Negus was appointed as Chairman of the Board on 27 March 2023.

Management changes during the year:

- Nicholas Allton, Group General Counsel and Company Secretary, departed the Group on 3 February 2023. Fiona Daly remains a Company Secretary of BOQ and assumed the role of General Counsel, reporting to the Group Chief Risk Officer.
- Rod Finch commenced as Chief Strategy & Transformation Officer on 10 April 2023. On 1 September 2023, he assumed the role of Chief Transformation & Operations Officer.
- Debra Eckersley, Group Executive People and Culture, ceased in her role on 5 June 2023 and served out her Gardening Leave ceasing on 31 August 2023.
- On 5 June 2023, Martine Jager assumed the responsibilities of Group Executive, People & Culture following the retirement of Debra Eckersley. Ms Jager retained her existing responsibilities for Retail Banking including ME Bank and served as Group Executive, Retail Banking, People & Culture and Chief Executive Officer (**CEO**) ME Bank until 31 August 2023. On 1 September 2023 she assumed the role of Chief People & Customer Officer.
- Paul Newham ceased as Chief Operations Officer on 31 August 2023.
- Greg Boyle was appointed as Group Executive Retail Banking on 1 September 2023.

Management attestation

The Board has been provided with a joint written statement from the Group's Managing Director & CEO and Chief Financial Officer confirming that, in their opinion, the financial records of the Bank and the Group have been properly maintained and the accompanying financial statements and notes in accordance with the *Corporations Act 2001* (Cth) comply with accounting standards and present a true and fair view in all material respects of the Bank's and Group's financial position and performance as at and for the year ended 31 August 2023.

The Directors' Declaration can be found on page 206 of the financial statements.

Environmental regulation

We are not required to report under the *National Greenhouse and Energy Reporting Act 2007* (Cth) because our business operations are below the threshold at which those requirements apply.

The Group does not believe its operations are subject to other significant environmental regulation under a law of the Commonwealth or a State or Territory. The Group may become subject to environmental regulation as a result of its lending activities in the ordinary course of business and has processes in place designed to ensure any potential risk is addressed. We are not aware of the Group incurring any material liability under any environmental legislation.

Subsequent events

Dividends have been determined after 31 August 2023. The financial effect of these dividends has not been brought to account in the financial statements for the year ended 31 August 2023. Further details with respect to the dividend amounts per share, payment date and dividend reinvestment plan can be obtained from Note 2.4 dividends of the consolidated financial statements.

No matters or circumstances have arisen since the end of the financial year and up until the date of this report which significantly affect the operations of the Bank, the results of those operations, or the state of affairs of the Bank in subsequent years.

Rounding

The amounts in this report have been rounded to the nearest one million dollars in accordance with ASIC Corporations Instrument 2016/191 dated 24 March 2016, unless otherwise stated. Any discrepancies between total and sums of components in tables contained in this report are due to rounding.

Operating and Financial Review

Our Operating and Financial Review is contained in pages 53 – 85 of this report

Signed in accordance with a resolution of the Directors:

Warwick Negus
Chairman
10 October 2023

Patrick Allaway
Managing Director & CEO
10 October 2023

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001.

For the year ended 31 August 2023

Auditor's Independence Declaration

As lead auditor for the audit of Bank of Queensland Limited for the year ended 31 August 2023 I declare that to the best of my knowledge and belief there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Bank of Queensland Limited and the entities it controlled during the year.

Craig Stafford
Partner
PricewaterhouseCoopers

Sydney
10 October 2023

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2023 FINANCIAL REPORT.

Income statements.

For the year ended 31 August 2023

		Consolidated		Bank	
	Note	**2023 $m**	2022 (1) $m	**2023 $m**	2022 (1) $m
INTEREST INCOME:					
Effective interest income	2.1	**3,475**	2,143	**4,062**	2,166
Other	2.1	**588**	149	**563**	152
Interest expense	2.1	**(2,448)**	(776)	**(3,438)**	(1,231)
Net interest income	2.1	**1,615**	1,516	**1,187**	1,087
Net other operating income	2.1	**144**	141	**515**	522
Net banking operating income		**1,759**	1,657	**1,702**	1,609
Net insurance operating income	2.1	**-**	1	**-**	-
Net operating income before impairment and operating expenses	2.1	**1,759**	1,658	**1,702**	1,609
Less: Operating expenses	2.2	**(1,411)**	(1,058)	**(1,390)**	(1,020)
Impairment (loss) / gain on loans and advances	3.3	**(67)**	1	**(34)**	(13)
Profit before income tax		**281**	601	**278**	576
Income tax expense	2.3	**(157)**	(192)	**(121)**	(176)
Profit for the year		**124**	409	**157**	400
PROFIT ATTRIBUTABLE TO:					
Equity holders of Bank of Queensland Limited		**124**	409	**157**	400
EARNINGS PER SHARE (EPS)					
Basic EPS - Ordinary shares (cents)	2.6	**18.3**	63.1		
Diluted EPS - Ordinary shares (cents)	2.6	**20.2**	57.8		

(1) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.

The income statements should be read in conjunction with the accompanying notes.

Statements of comprehensive income.

For the year ended 31 August 2023

	Consolidated		Bank	
	2023 $m	2022 [1] $m	**2023 $m**	2022 [1] $m
Profit for the year	**124**	409	**157**	400
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX				
Items that may be reclassified subsequently to profit or loss				
Cash flow hedges:				
Net movement taken to equity	**(233)**	344	**(195)**	324
Net movement transferred to profit or loss	**16**	17	**16**	17
Debt instruments at fair value through other comprehensive income (**FVOCI**):				
Net change in fair value	**(7)**	(17)	**(7)**	(17)
Net movement transferred to profit or loss	**(9)**	(13)	**(9)**	(13)
Other comprehensive (loss) / income, net of income tax	**(233)**	331	**(195)**	311
Total comprehensive (loss) / income for the year	**(109)**	740	**(38)**	711
TOTAL COMPREHENSIVE (LOSS) / INCOME ATTRIBUTABLE TO:				
Equity holders of Bank of Queensland Limited	**(109)**	740	**(38)**	711

(1) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.

The statements of comprehensive income should be read in conjunction with the accompanying notes.

Balance sheets.

As at 31 August 2023

		Consolidated		Bank	
	Note	**2023 $m**	2022[1] $m	**2023 $m**	2022[1] $m
ASSETS					
Cash and cash equivalents	3.1	**5,238**	2,448	**4,212**	1,222
Due from other financial institutions		**293**	347	**217**	269
Derivative financial assets	3.8	**880**	1,073	**825**	1,019
Financial assets at fair value through profit or loss (**FVTPL**)	3.2	**38**	4	**38**	4
Debt instruments at FVOCI	3.2	**16,421**	13,304	**16,421**	13,304
Equity instruments at FVOCI	3.2	**6**	6	**6**	6
Debt instruments at amortised cost	3.2	**15**	-	**13,044**	13,050
Loans and advances	3.3	**80,556**	80,931	**74,780**	75,311
Other assets		**381**	250	**560**	443
Current tax assets		**-**	21	**-**	21
Property, plant and equipment		**197**	264	**191**	256
Assets held for sale	5.4 e)	**247**	-	**-**	-
Shares in controlled entities	5.4 a)	**-**	-	**428**	428
Deferred tax assets	2.3	**-**	-	**68**	-
Intangible assets	4.1	**1,072**	1,257	**1,006**	1,189
Investments in joint arrangements and associates	5.5	**8**	8	**-**	-
Amounts due from controlled entities		**-**	-	**5,817**	8,499
Total assets		**105,352**	99,913	**117,613**	115,021
LIABILITIES					
Due to other financial institutions - at call		**1,707**	1,821	**1,707**	1,821
Deposits	3.4	**76,500**	70,684	**76,730**	70,852
Derivative financial liabilities	3.8	**365**	630	**412**	482
Accounts payable and other liabilities		**1,145**	716	**1,042**	621
Current tax liabilities		**23**	-	**23**	-
Deferred tax liabilities	2.3	**30**	141	**-**	66
Provisions	4.2	**130**	66	**128**	64
Amounts due to controlled entities		**-**	-	**19,444**	23,177
Borrowings	3.5	**19,322**	19,187	**12,297**	11,647
Total liabilities		**99,222**	93,245	**111,783**	108,730
Net assets		**6,130**	6,668	**5,830**	6,291
EQUITY					
Issued capital		**5,318**	5,258	**5,337**	5,274
Other equity instruments	3.10	**101**	305	**101**	305
Reserves		**429**	799	**369**	698
Retained profits		**282**	306	**23**	14
Total equity		**6,130**	6,668	**5,830**	6,291

(1) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.

The balance sheets should be read in conjunction with the accompanying notes.

Statements of changes in equity.

For the year ended 31 August 2023

Consolidated	Issued capital $m	Other equity instruments $m	Employee benefits reserve $m	Share plan revaluation reserve $m	Equity reserve for credit losses $m	Cash flow hedge reserve $m	FVOCI reserve $m	Profit reserve $m	Retained profits $m	Total equity $m
YEAR ENDED 31 AUGUST 2023										
Balance as at 31 August 2022 [1]	5,258	305	46	(3)	58	291	26	381	306	6,668
TOTAL COMPREHENSIVE INCOME FOR THE YEAR										
Profit for the year	-	9	-	-	-	-	-	-	115	124
Transfers to profit reserve	-	-	-	-	-	-	-	181	(181)	-
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX:										
Cash flow hedges:										
Net movement to equity	-	-	-	-	-	(233)	-	-	-	(233)
Net movement transferred to profit or loss	-	-	-	-	-	16	-	-	-	16
Debt instruments at FVOCI:										
Net change in fair value	-	-	-	-	-	-	(7)	-	-	(7)
Net movement transferred to profit or loss	-	-	-	-	-	-	(9)	-	-	(9)
Transfer from equity reserve for credit losses	-	-	-	-	(38)	-	-	-	38	-
Total other comprehensive income / (loss)	-	-	-	-	(38)	(217)	(16)	-	38	(233)
Total comprehensive income / (loss) for the year	-	9	-	-	(38)	(217)	(16)	181	(28)	(109)
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY / CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS										
Dividend reinvestment plan	63	-	-	-	-	-	-	-	-	63
Dividends to shareholders	-	-	-	-	-	-	-	(285)	-	(285)
Equity settled transactions	-	-	8	-	-	-	-	-	-	8
Treasury shares [2]	(3)	-	-	-	-	-	-	-	-	(3)
Share plan revaluation [2]	-	-	-	(3)	-	-	-	-	-	(3)
Other equity instruments distributions	-	(9)	-	-	-	-	-	-	-	(9)
Amortisation of premium	-	(4)	-	-	-	-	-	-	4	-
Redemption of other equity instruments	-	(200)	-	-	-	-	-	-	-	(200)
Total contributions by and distributions to owners	60	(213)	8	(3)	-	-	-	(285)	4	(429)
Balance at the end of the year	5,318	101	54	(6)	20	74	10	277	282	6,130

(1) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.

(2) Treasury shares represent the value of shares held by a subsidiary that the Bank is required to include in the Consolidated Entity's financial statements. The revaluation of treasury shares is included in equity.

The statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of changes in equity.

For the year ended 31 August 2022

Consolidated	Issued capital $m	Other equity instruments $m	Employee benefits reserve $m	Share plan revaluation reserve $m	Equity reserve for credit losses $m	Cash flow hedge reserve $m	FVOCI reserve $m	Profit reserve [1] $m	Retained profits [1] $m	Total equity $m
YEAR ENDED 31 AUGUST 2022										
Balance as at 31 August 2021	5,213	314	35	3	52	(70)	56	300	294	6,197
Change on revision of accounting policy [2]	-	-	-	-	-	-	-	(25)	-	(25)
Restated balance as at 1 September 2021	5,213	314	35	3	52	(70)	56	275	294	6,172
TOTAL COMPREHENSIVE INCOME FOR THE YEAR										
Profit for the year	-	12	-	-	-	-	-	-	397	409
Transfers to profit reserve	-	-	-	-	-	-	-	388	(388)	-
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX:										
Cash flow hedges:										
Net movement to equity	-	-	-	-	-	344	-	-	-	344
Net movement transferred to profit or loss	-	-	-	-	-	17	-	-	-	17
Debt instruments at FVOCI:										
Net change in fair value	-	-	-	-	-	-	(17)	-	-	(17)
Net movement transferred to profit or loss	-	-	-	-	-	-	(13)	-	-	(13)
Transfer from equity reserve for credit losses	-	-	-	-	6	-	-	-	(6)	-
Total other comprehensive income / (loss)	-	-	-	-	6	361	(30)	-	(6)	331
Total comprehensive income / (loss) for the year	-	12	-	-	6	361	(30)	388	3	740
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY / CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS										
Dividend reinvestment plan	50	-	-	-	-	-	-	-	-	50
Dividends to shareholders	-	-	-	-	-	-	-	(282)	-	(282)
Equity settled transactions	-	-	11	-	-	-	-	-	-	11
Treasury shares [3]	(5)	-	-	-	-	-	-	-	-	(5)
Share plan revaluation [3]	-	-	-	(6)	-	-	-	-	-	(6)
Other equity instruments distributions	-	(12)	-	-	-	-	-	-	-	(12)
Amortisation of premium	-	(9)	-	-	-	-	-	-	9	-
Total contributions by and distributions to owners	45	(21)	11	(6)	-	-	-	(282)	9	(244)
Balance as at 31 August 2022	**5,258**	**305**	**46**	**(3)**	**58**	**291**	**26**	**381**	**306**	**6,668**

(1) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.
(2) Opening balance has been restated to reflect the adjustments in relation to Software as a Service arrangements. Refer to 2022 Annual Report for detailed information. In the current period, the retrospective adjustment was made to transfer this amount from retained earnings to the profit reserve.
(3) Treasury shares represents the value of shares held by a subsidiary that the Bank is required to include in the Consolidated Entity's financial statements. The revaluation of treasury shares is included in equity.

The statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of changes in equity.

For the year ended 31 August 2023

Bank	Issued capital $m	Other equity instruments $m	Employee benefits reserve $m	Equity reserve for credit losses $m	Cash flow hedge reserve $m	FVOCI reserve $m	Profit reserve $m	Retained profits $m	Total equity $m
YEAR ENDED 31 AUGUST 2023									
Balance as at 31 August 2022 [1]	5,274	305	46	59	280	26	287	14	6,291
TOTAL COMPREHENSIVE INCOME FOR THE YEAR									
Profit for the year	-	9	-	-	-	-	-	148	157
Transfers to profit reserve	-	-	-	-	-	-	181	(181)	-
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX:									
Cash flow hedges:									
Net movement to equity	-	-	-	-	(195)	-	-	-	(195)
Net movement transferred to profit or loss	-	-	-	-	16	-	-	-	16
Debt instruments at FVOCI:									
Net change in fair value	-	-	-	-	-	(7)	-	-	(7)
Net movement transferred to profit or loss	-	-	-	-	-	(9)	-	-	(9)
Transfer from equity reserve for credit losses	-	-	-	(38)	-	-	-	38	-
Total other comprehensive income / (loss)	-	-	-	(38)	(179)	(16)	-	38	(195)
Total comprehensive income / (loss) for the year	-	9	-	(38)	(179)	(16)	181	5	(38)
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY / CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS									
Dividend reinvestment plan	63	-	-	-	-	-	-	-	63
Dividends to shareholders	-	-	-	-	-	-	(285)	-	(285)
Equity settled transactions	-	-	8	-	-	-	-	-	8
Other equity instruments distributions	-	(9)	-	-	-	-	-	-	(9)
Amortisation of premium	-	(4)	-	-	-	-	-	4	-
Redemption of other equity instruments	-	(200)	-	-	-	-	-	-	(200)
Total contributions by and distributions to owners	63	(213)	8	-	-	-	(285)	4	(423)
Balance at the end of the year	5,337	101	54	21	101	10	183	23	5,830

(1) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.

The statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of changes in equity.

For the year ended 31 August 2022

Bank	Issued capital $m	Other equity instruments $m	Employee benefits reserve $m	Equity reserve for credit losses $m	Cash flow hedge reserve $m	FVOCI reserve $m	Profit reserve [1] $m	Retained profits [1] $m	Total equity $m
YEAR ENDED 31 AUGUST 2022									
Balance as at 31 August 2021	5,224	-	35	53	(61)	56	300	5	5,612
Change on revision of accounting policy / prior period restatement [1] [2]	-	-	-	-	-	-	(119)	-	(119)
Restated balance as at 1 September 2021	5,224	-	35	53	(61)	56	181	5	5,493
Transfer from ME Bank [3]	-	314	-	-	-	-	-	6	320
TOTAL COMPREHENSIVE INCOME FOR THE YEAR									
Profit for the year	-	12	-	-	-	-	-	388	400
Transfers to profit reserve	-	-	-	-	-	-	388	(388)	-
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX:									
Cash flow hedges:									
Net movement to equity	-	-	-	-	324	-	-	-	324
Net movement transferred to profit or loss	-	-	-	-	17	-	-	-	17
Debt instruments at FVOCI:									
Net change in fair value	-	-	-	-	-	(17)	-	-	(17)
Net movement transferred to profit or loss	-	-	-	-	-	(13)	-	-	(13)
Transfer to equity reserve for credit losses	-	-	-	6	-	-	-	(6)	-
Total other comprehensive income / (loss)	-	-	-	6	341	(30)	-	(6)	311
Total comprehensive income / (loss) for the year	-	12	-	6	341	(30)	388	(6)	711
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY / CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS									
Dividend reinvestment plan	50	-	-	-	-	-	-	-	50
Dividends to shareholders	-	-	-	-	-	-	(282)	-	(282)
Equity settled transactions	-	-	11	-	-	-	-	-	11
Other equity instruments distributions	-	(12)	-	-	-	-	-	-	(12)
Fair value amortisation of capital notes	-	(9)	-	-	-	-	-	9	-
Total contributions by and distributions to owners	50	(21)	11	-	-	-	(282)	9	(233)
Balance at the end of the year	**5,274**	**305**	**46**	**59**	**280**	**26**	**287**	**14**	**6,291**

(1) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.
(2) Opening balance has been restated to reflect the adjustments in relation to Software as a Service arrangements. Refer to 2022 Annual Report for detailed information. The adjustment was transferred from the retained earnings to the profit reserve.
(3) ME Bank other equity instruments and retained profits transferred to the Bank upon ME Bank's ADI licence surrender on 28 February 2022.

The statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of cash flows.

For the year ended 31 August 2023

	Note	Consolidated 2023 $m	Consolidated 2022 $m	Bank 2023 $m	Bank 2022 $m
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		**3,956**	2,374	**4,510**	2,347
Fees and other income received		**145**	181	**405**	503
Interest paid		**(2,172)**	(849)	**(3,188)**	(1,276)
Cash paid to suppliers and employees		**(821)**	(896)	**(865)**	(838)
Income tax paid		**(123)**	(195)	**(121)**	(192)
		985	615	**741**	544
DECREASE / (INCREASE) IN OPERATING ASSETS:					
Loans and advances at amortised cost		**70**	(5,539)	**507**	(5,219)
Other financial assets		**(3,128)**	(2,676)	**(3,131)**	(3,155)
INCREASE IN OPERATING LIABILITIES:					
Deposits		**5,639**	6,363	**5,723**	6,635
Net cash inflows / (outflows) from operating activities	3.1	**3,566**	(1,237)	**3,840**	(1,195)
CASH FLOWS FROM INVESTING ACTIVITIES					
Disposal of a subsidiary, net of cash disposed of		**-**	15	**-**	23
Proceeds from / payments for property, plant and equipment		**4**	(42)	**4**	(37)
Payments for / proceeds from property, plant and equipment		**(3)**	6	**-**	-
Payments for intangible assets	4.1	**(143)**	(173)	**(143)**	(172)
Proceeds from investments in joint arrangements		**-**	2	**-**	-
Dividends received from controlled entities		**-**	-	**110**	14
Net cash outflows from investing activities		**(142)**	(192)	**(29)**	(172)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings	3.5	**5,607**	6,653	**3,144**	4,201
Repayments of borrowings	3.5	**(5,753)**	(5,025)	**(2,769)**	(2,467)
Proceeds from Foreign Exchange Instruments		**9**	-	**9**	-
Net movement in other financing activities		**-**	-	**(708)**	(879)
Redemption of other equity instruments		**(200)**	-	**(200)**	-
Payments for treasury shares		**(17)**	(17)	**(17)**	(17)
Other equity instruments distribution paid		**(8)**	(12)	**(8)**	(12)
Dividends paid		**(223)**	(232)	**(223)**	(232)
Payment of lease liabilities		**(49)**	(46)	**(49)**	(46)
Net cash (outflows) / inflows from financing activities		**(634)**	1,321	**(821)**	548
Net increase / (decrease) in cash and cash equivalents		**2,790**	(108)	**2,990**	(819)
Transfer from ME Bank [1]		**-**	-	**-**	668
Cash and cash equivalents at beginning of year		**2,448**	2,556	**1,222**	1,373
Cash and cash equivalents at end of year	3.1	**5,238**	2,448	**4,212**	1,222

(1) ME Bank cash transferred to the Bank upon ME Bank's ADI licence surrender on 28 February 2022.

The statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements.

For the year ended 31 August 2023

Notes to the financial statements.

For the year ended 31 August 2023

Note 1. Basis of preparation

1.1 Reporting entity

The Bank of Queensland Limited (**the Bank**) is a for-profit company domiciled in Australia. Its registered office is Level 6, 100 Skyring Terrace, Newstead, QLD 4006.

The consolidated financial statements of the Bank for the financial year ended 31 August 2023 comprise the Consolidated Entity (or **the Group**), being the Bank and its controlled entities, and the Consolidated Entity's interest in equity accounting investments. The Group operates principally in Australia with some operations in New Zealand. The principal activity of the Group is the provision of financial services to the community.

1.2 Basis of preparation

a) Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001 (Cth)*. The financial statements and notes thereto also comply with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**). The financial statements were authorised for issue by the Directors on 10 October 2023. The Directors have the power to amend and reissue the financial statements.

b) Basis of measurement

The financial statements are prepared on a going concern basis using a historical cost basis, with the exception of the following assets and liabilities which are stated at their fair value:

- Derivative financial instruments;
- Financial instruments at FVTPL; and
- Financial instruments at FVOCI.

c) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Bank's functional currency.

d) Rounding

The Group and the Bank are of a kind referred to in ASIC Corporations Instrument 2016/191 dated 24 March 2016 and in accordance with that instrument, amounts in the financial statements have been rounded to the nearest million dollars, unless otherwise stated.

e) Significant accounting policies

Significant accounting policies are included within each of the relevant notes throughout the financial statements with the exception of policies listed in Note 5.8.

1.3 Use of estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied throughout the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

- Loans and advances - weighted average life (WAL) - Note 3.3;
- Loans and advances - expected credit losses (ECL) - Note 3.3;
- Carrying value of goodwill – Note 4.1;
- Provisions - Note 4.2; and
- Business combinations - Note 5.4.

1.4 New Australian accounting standards

Standards, amendments to standards and interpretations issued by the AASB and the IASB, including those that are not yet effective, are not expected to result in significant changes to the Group or the Bank.

1.5 Prior period adjustments

Weighted average life (WAL) adjustment

During the financial year ended 31 August 2023, the Group and the Bank implemented the following changes:

The Group and the Bank adjusted the WAL of the ME Bank portfolio for an error relating to prior financial year's WAL calculation.

The comparative information for the 2022 financial year has been restated for the impact of the error. Specifically, the impact resulted in the Group's and the Bank's:

- decrease in interest income of $24 million;
- decrease in income tax expense and current tax payable of $7 million, and;
- decrease to loans and advances of $24 million.

Refer to Note 3.3 Loans and advances at amortised cost for description of accounting policy on WAL.

Impairment of the Bank's investment in BOQ Home Pty Ltd

During the financial year ended 31 August 2023, the Bank identified that its investment in BOQ Home Pty Ltd should historically have been impaired by $94 million.

The opening profit reserve balance of the Bank at 1 September 2021 have been adjusted to recognise the impairment loss with a corresponding reduction to the balance of the Bank's shares in controlled entities. This had no impact on the results of the Group.

Notes to the financial statements.

For the year ended 31 August 2023

Note 2. Financial performance

2.1 Operating income

	Consolidated		Bank	
	2023 $m	2022 [1] $m	**2023 $m**	2022 [1] $m
INTEREST INCOME				
Effective interest income	**3,475**	2,143	**4,062**	2,166
Other: Securities at fair value	**588**	149	**563**	152
Total interest income	**4,063**	2,292	**4,625**	2,318
INTEREST EXPENSE				
Retail deposits	**(1,643)**	(277)	**(1,638)**	(278)
Wholesale deposits and borrowings	**(800)**	(494)	**(1,795)**	(948)
Lease liabilities	**(5)**	(5)	**(5)**	(5)
Total interest expense	**(2,448)**	(776)	**(3,438)**	(1,231)
Net interest income	**1,615**	1,516	**1,187**	1,087
INCOME FROM OPERATING ACTIVITIES				
Customer fees and charges [2]	**83**	73	**82**	73
Share of fee revenue paid to owner-managed branches	**(6)**	(6)	**(6)**	(6)
Loyalty program expenses	**(10)**	(9)	**(10)**	(9)
Commissions	**37**	40	**10**	13
Foreign exchange income – customer based	**19**	15	**18**	15
Net profit on sale of property, plant and equipment	**3**	6	**-**	-
Net gain / (loss) from financial instruments and derivatives at fair value	**3**	(6)	**4**	(4)
Securitisation income	**-**	-	**222**	339
Dividend income	**-**	-	**116**	14
Management fees – controlled entities	**-**	-	**69**	63
Other income	**15**	28	**10**	24
Net other operating income	**144**	141	**515**	522
INCOME FROM INSURANCE ACTIVITIES [3]				
Premiums from insurance contracts	**-**	7	**-**	-
Claims and policyholder liability expense from insurance contracts	**-**	(6)	**-**	-
Net insurance operating income	**-**	1	**-**	-
Total	**1,759**	1,658	**1,702**	1,609

(1) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.
(2) Customer charges on lending, banking and leasing products.
(3) Income up to the sale completion date of 28 October 2021 for the St Andrew's Insurance Group.

Interest income and expense

Interest income and expense for all interest bearing financial instruments are recognised in the profit or loss using the effective interest rates of the financial assets or financial liabilities to which they relate. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but not future credit losses. Other operating income and expenses that are considered an integral part of the effective interest rate on a financial instrument are included in the measurement of the effective interest rate.

Interest income on finance lease receivables is recognised progressively over the life of the lease, reflecting a constant periodic rate of return in the lease.

Interest income on financial instruments that are classified at fair value through the income statement or fair value through other comprehensive income (**FVOCI**) is accounted for on a contractual rate basis, and includes amortisation of premium or discounts.

Other operating income

Other lending, banking and leasing fees revenue is recognised over the contract period in line with the performance obligation delivered to the customers. Customer service fees that represent the recoupment of the costs of providing the service are recognised when the service is provided. Commissions are recognised as income when performance obligations in respect of those commissions have been satisfied. Dividends are recognised when control of a right to receive consideration is established.

Notes to the financial statements.

For the year ended 31 August 2023

2.2 Operating expenses

		Consolidated		Bank	
	Note	**2023 $m**	2022 $m	**2023 $m**	2022 $m
EMPLOYEE EXPENSES					
Salaries, wages and superannuation contributions		**439**	451	**428**	438
Payroll tax		**26**	23	**25**	23
Equity settled transactions		**20**	16	**18**	15
Other		**17**	11	**17**	11
		502	501	**488**	487
IT EXPENSES					
Technology services		**235**	197	**231**	194
Amortisation - computer software	4.1	**76**	66	**74**	64
Impairment - intangible assets	4.1	**43**	-	**43**	-
Depreciation - IT equipment		**5**	5	**5**	5
		359	268	**353**	263
OCCUPANCY EXPENSES					
Depreciation of ROU assets and lease expenses		**42**	39	**42**	38
Depreciation - property, plant and equipment		**14**	11	**14**	10
Impairment - leases		**19**	-	**19**	-
Other		**4**	4	**3**	4
		79	54	**78**	52
ADMINISTRATIVE EXPENSES					
Professional fees		**36**	33	**34**	31
Directors' fees		**1**	2	**1**	2
Other		**13**	17	**23**	26
		50	52	**58**	59
OTHER OPERATING EXPENSES					
Remedial Action Plans	4.2	**60**	-	**60**	-
Advertising		**45**	49	**34**	40
Communications and postage		**28**	22	**28**	22
Processing costs		**16**	14	**17**	14
Printing and stationery		**5**	5	**5**	5
Commissions to owner-managed branches		**2**	4	**2**	4
Other		**54**	55	**56**	56
		210	149	**202**	141
OTHER					
Goodwill impairment	4.1	**200**	-	**200**	-
Impairment - other		**2**	-	**2**	-
Loss on sale of St Andrew's Group		**-**	25	**-**	9
Amortisation - acquired intangibles	4.1	**9**	9	**9**	9
		211	34	**211**	18
Total operating expenses		**1,411**	1,058	**1,390**	1,020

Notes to the financial statements.

For the year ended 31 August 2023

2.3 Income tax expense and deferred tax

Income tax expense

The major components of income tax expense along with a reconciliation between pre-tax profit and tax expense are detailed below:

	Consolidated		Bank	
	2023 $m	2022 (1) $m	**2023 $m**	2022 (1) $m
CURRENT TAX EXPENSE				
Current year	**187**	149	**173**	152
Adjustments for prior years	**(19)**	(4)	**(2)**	(1)
	168	145	**171**	151
DEFERRED TAX EXPENSE				
Origination and reversal of temporary differences	**(11)**	47	**(50)**	25
Total income tax expense in income statement	**157**	192	**121**	176
DEFERRED TAX RECOGNISED IN EQUITY				
Cash flow hedge reserve	**(93)**	150	**(65)**	145
Retained profits	**-**	(11)	**-**	(11)
Other	**(7)**	(10)	**(19)**	(13)
	(100)	129	**(84)**	121
Transfer of deferred tax balances from ME Bank (2)	**-**	-	**-**	5
NUMERICAL RECONCILIATIONS BETWEEN TAX EXPENSE AND PRE-TAX PROFIT				
Profit before tax	**281**	601	**278**	576
Income tax using the Australian corporate tax rate of 30% (2022: 30%)	**84**	181	**83**	173
INCREASE IN INCOME TAX EXPENSE DUE TO:				
Goodwill impairment	**60**	-	**60**	-
Non-deductible expenses	**14**	6	**14**	6
Loss on sale of St Andrew's	**-**	7	**-**	2
DECREASE IN INCOME TAX EXPENSE DUE TO:				
Other (3)	**(1)**	(2)	**(36)**	(5)
Income tax expense on pre-tax net profit (4)	**157**	192	**121**	176

(1) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.
(2) ME Bank deferred tax balances transferred to the Bank upon ME Bank's ADI licence surrender on 28 February 2022.
(3) In the Bank, this includes the impact of dividends received from subsidiary members in the tax consolidated group which are eliminated at the Group level.
(4) The Group's effective tax rate for the year ended 31 August 2023 was 55.9 per cent (2022: 31.9 per cent). This is above the corporate tax rate of 30 per cent, primarily attributable to the impairment of Goodwill and interest payable on Capital Notes, which are both non-deductible for tax purposes. Prior year effective tax rate was above the corporate tax rate of 30 per cent primarily due to the loss on the sale of St. Andrew's Group and interest payable on Capital Notes, both non-deductible for tax purposes.

Notes to the financial statements.

For the year ended 31 August 2023

2.3 Income tax expense and deferred tax (continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Consolidated	**2023 $m**	2022 $m	**2023 $m**	2022 $m	**2023 $m**	2022 $m
Accruals	**23**	5	**-**	-	**23**	5
Capitalised expenditure	**-**	-	**(20)**	(8)	**(20)**	(8)
Provisions for impairment	**96**	87	**-**	-	**96**	87
Other provisions	**44**	24	**-**	-	**44**	24
Equity reserves	**-**	-	**(33)**	(134)	**(33)**	(134)
ROU Asset and Lease Liability	**66**	79	**(52)**	(66)	**14**	13
Lease financing relating to lessor activities	**-**	-	**(145)**	(115)	**(145)**	(115)
Intangibles	**-**	2	**(12)**	(15)	**(12)**	(13)
Consolidation - Taxation of Financial Arrangements (**TOFA**) [1]	**-**	-	**(5)**	(9)	**(5)**	(9)
Other	**10**	12	**(2)**	(3)	**8**	9
Total tax assets / (liabilities)	**239**	209	**(269)**	(350)	**(30)**	(141)

Bank						
Accruals	**23**	4	**-**	-	**23**	4
Capitalised expenditure	**-**	-	**(14)**	(3)	**(14)**	(3)
Provisions for impairment	**72**	70	**-**	-	**72**	70
Other provisions	**43**	22	**-**	-	**43**	22
Equity reserves	**-**	-	**(46)**	(130)	**(46)**	(130)
ROU Asset and Lease Liability	**66**	79	**(52)**	(66)	**14**	13
Lease financing relating to lessor activities	**-**	-	**(13)**	(15)	**(13)**	(15)
Intangibles	**-**	2	**(12)**	(15)	**(12)**	(13)
Consolidation - Taxation of Financial Arrangements (**TOFA**) [1]	**-**	-	**(5)**	(10)	**(5)**	(10)
Other	**8**	10	**(2)**	(14)	**6**	(4)
Total tax assets / (liabilities)	**212**	187	**(144)**	(253)	**68**	(66)

Unrecognised deferred tax assets

Deferred tax assets have not been brought to account for the following items as realisation of the benefit is not regarded as probable:

	2023 $m	2022 $m
Gross income tax losses [2]	**21**	22
Gross capital gains tax losses	**73**	73

(1) The business combination balances relating to the acquisition of ME Bank include a transitional deferred tax liability that will fully unwind in 2024.

(2) Income tax losses are subject to utilisation over an expected 15-20 year period.

Notes to the financial statements.

For the year ended 31 August 2023

2.3 Income tax expense and deferred tax (continued)

Accounting for income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss in the income statement except to the extent that it relates to items recognised directly in equity, or other comprehensive income.

Current tax is the expected tax payable/receivable on the taxable income/loss for the year and any adjustment to the tax payable/receivable in respect of previous years. It is measured using tax rates enacted or substantially enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Tax consolidation

The Bank is the head entity in the tax-consolidated group comprising all the Australian wholly-owned subsidiaries. The implementation date for the tax-consolidated group was 1 September 2003.

Current tax expense (income), deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using a 'group allocation' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any Tax Funding Agreement (**TFA**) amounts. Any difference between these amounts is recognised by the Bank as an equity contribution, or distribution from the subsidiary.

Any subsequent period amendments to deferred tax assets arising from unused tax losses as a result of a revised assessment of the probability of recoverability is recognised by the head entity only.

Nature of tax funding and tax sharing arrangements

The Bank, in conjunction with other members of the tax-consolidated group, has entered into a TFA which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The TFA requires payments to/from the head entity equal to the current tax liability/asset assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the Bank recognising an inter-entity payable/receivable equal in amount to the tax liability/asset assumed.

Contributions to fund the current tax liabilities are payable as per the TFA and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The Bank, in conjunction with other members of the tax-consolidated group, has also entered into a Tax Sharing Agreement (**TSA**). The TSA provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the TSA is considered remote.

Notes to the financial statements.

For the year ended 31 August 2023

2.4 Dividends

	Bank			
	2023		2022	
	Cents per share	**$m**	Cents per share	$m
ORDINARY SHARES				
Final 2022 dividend paid 17 November 2022 (2021: 18 November 2021)	**24**	**155**	22	141
Interim 2023 dividend paid 1 June 2023 (2022: 26 May 2022)	**20**	**130**	22	141
		285		282

All dividends paid on ordinary shares have been fully franked. Since the end of the financial year, the Directors have determined the following dividends:

	Cents per share	**$m**
Final ordinary share dividend	21	138

The final ordinary share dividend will be paid on 16 November 2023 to owners of ordinary shares at the close of business on 27 October 2023 (record date). Shares will be quoted ex-dividend on 26 October 2023.

	Bank	
	2023 $m	2022 $m
30% franking credits available to shareholders of the Bank for subsequent financial years	**546**	583

The ability to utilise the franking credits is dependent upon there being sufficient available profits to pay dividends. The profits accumulated in the profit reserve are available for dividend payments in future years. All dividends paid by the Bank since the end of the previous financial year were franked at the tax rate of 30 per cent.

The balance of the Bank's dividend franking account at the date of this report, after adjusting for franking credits and debits that will arise on payment of income tax and proposed dividends relating to the year ended 31 August 2023, is $484 million calculated at the 30 per cent tax rate (2022: $516 million). It is anticipated, based on these franking account balances that the Bank will continue to pay fully franked dividends in the foreseeable future.

Dividend reinvestment plan

The dividend reinvestment plan (**DRP**) provides ordinary shareholders with the opportunity to reinvest all or part of their entitlement to a dividend into new ordinary shares.

The price for shares issued or transferred under the DRP is the Market Price less such discount (if any) as the directors may determine from time to time and notify to the ASX (rounded to the nearest cent).

Market price is the arithmetic average, rounded to four decimal places, of the daily volume weighted average price of:

- all shares sold in the ordinary course of trading on the ASX automated trading system; and
- where shares are sold on trading platforms of Australian licensed financial markets operated by persons other than ASX, all shares sold in the ordinary course of trading on such of those trading platforms determined by the Board, from time to time, during the 10 trading day period commencing on the second trading day after the record date in respect of the relevant dividend.

The calculation of the daily volume weighted average price shall not include certain transactions, as outlined in the DRP terms and conditions. If, after this calculation, there is a residual balance, that balance will be carried forward (without interest) and added to the next dividend for the purpose of calculating the number of shares secured under the DRP at that time.

Shares issued or transferred under the DRP will be fully-paid and rank equally in all respects with existing shares.

The last date for election to participate in the DRP for the 2023 full year dividend is 30 October 2023.

Notes to the financial statements.

For the year ended 31 August 2023

2.5 Operating segments

Segment information

The Group determines and presents operating segments based on the information that is provided internally to its chief operating decision maker.

During the year, George Frazis ceased in the role of Managing Director and CEO on 28 November 2022 and the chief operating decision maker role was assumed by Patrick Allaway as Executive Chairman. Patrick Allaway was subsequently appointed as the Managing Director and CEO on 27 March 2023.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to each segment and assess performance for which discrete financial information is available.

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group's operating segments comprise the following:

Retail Banking - retail banking solutions provided to customers through Owner-managed and Corporate branch networks, ME Bank and Virgin Money distribution channels, digital platforms, and third-party intermediaries; and

BOQ Business - includes the BOQ branded commercial and financial markets products, BOQ Finance and BOQ Specialist businesses. The division provides tailored business banking solutions including commercial lending, equipment finance and leasing, cash flow finance, foreign exchange, interest rate hedging, transaction banking and deposit solutions for commercial customers.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed within the individual operating segments and thus disclosed this way.

Transfer prices between operating segments are on an arm's length basis, reflecting the Bank's external cost of funds, in a manner similar to transactions with third parties.

Major customers

No revenue from transactions with a single external customer or counterparty amounted to 10 per cent or more of the Group's total revenue in 2023 or 2022.

Geographic information

While the Group does have some operations in New Zealand, the business segments operate principally in Australia.

A portfolio of New Zealand assets has been classified as held for sale during the year. Refer to Note 5.4 e) for further detail.

Goodwill

For goodwill allocation between segments, refer to Note 4.1.

Presentation

The following table presents income, profit and certain asset and liability information regarding the Group's operating segments. Consistent with the information provided to the chief operating decision maker, the information is on a cash basis, with the statutory adjustments shown below the line.

Inter-segment revenue and expenses and transfer pricing adjustments are reflected in the performance of each operating segment.

All inter-segment profits are eliminated on consolidation.

Other column includes Treasury and Group Head Office operations. This is not reported internally to the Group's and the Bank's chief operating decision maker as an operating segment.

Notes to the financial statements.

For the year ended 31 August 2023

2.5 Operating segments (continued)

	Retail banking		BOQ business		Other [1]		Total	
	2023 $m	2022 [2] $m	**2023 $m**	2022 [2] $m	**2023 $m**	2022 [2] $m	**2023 $m**	2022 [2] $m
CASH BASIS:								
INCOME								
Net interest income [3]	**929**	919	**686**	593	**(15)**	(7)	**1,600**	1,505
Non-interest income	**88**	98	**48**	50	**6**	5	**142**	153
Total income	**1,017**	1,017	**734**	643	**(9)**	(2)	**1,742**	1,658
Operating expenses	**(706)**	(642)	**(304)**	(295)	**-**	-	**(1,010)**	(937)
Underlying profit / (loss)	**311**	375	**430**	348	**(9)**	(2)	**732**	721
Loan impairment gain / (loss)	**(13)**	(41)	**(58)**	28	**-**	-	**(71)**	(13)
Cash profit / (loss) before tax	**298**	334	**372**	376	**(9)**	(2)	**661**	708
Income tax (expense) / benefit	**(95)**	(102)	**(119)**	(115)	**3**	-	**(211)**	(217)
Segment cash profit / (loss) after tax [4]	**203**	232	**253**	261	**(6)**	(2)	**450**	491
STATUTORY BASIS ADJUSTMENTS:								
Goodwill impairment [5]	**(200)**	-	**-**	-	**-**	-	**(200)**	-
RAP [6]	**-**	-	**-**	-	**(42)**	-	**(42)**	-
ME Bank integration costs [7]	**-**	-	**-**	-	**(57)**	(57)	**(57)**	(57)
St Andrew's [8]	**-**	-	**-**	-	**-**	(24)	**-**	(24)
Amortisation of acquisition fair value adjustments	**-**	-	**-**	-	**7**	7	**7**	7
Hedge ineffectiveness	**-**	-	**-**	-	**1**	(8)	**1**	(8)
Restructuring costs [9]	**-**	-	**-**	-	**(35)**	-	**(35)**	-
Statutory net profit / (loss) after tax	**3**	232	**253**	261	**(132)**	(84)	**124**	409
INCLUDED IN THE RESULTS:								
Depreciation and amortisation	**(103)**	(82)	**(27)**	(29)	**(9)**	(10)	**(139)**	(121)
Segment assets	**57,200**	58,280	**26,674**	25,861	**21,478**	15,772	**105,352**	99,913
Segment liabilities	**36,441**	33,319	**9,409**	11,668	**53,372**	48,258	**99,222**	93,245

(1) This is not reported internally to the Group's and the Bank's chief operating decision maker as an operating segment.
(2) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.
(3) Interest income and interest expenses are disclosed in this note on a net interest income basis. This is in line with the information provided internally to the Managing Director and CEO.
(4) This excludes a number of items that introduce volatility and/or one-off distortions of the Group's performance.
(5) In the year ended 31 August 2023, the Group recognised goodwill impairment of $200 million. Refer to Note 4.1 for further detail.
(6) In the year ended 31 August 2023, the Group has provided for the estimated costs of its Remedial Action Plans (**RAP**). Further detail on this program can be found in Note 4.2.
(7) Integration costs from the ME Bank acquisition completed on 1 July 2021. Prior period costs include integration and transaction costs from the ME Bank acquisition.
(8) Includes the loss on sale of the St Andrew's Group of $25 million and net earnings of the St Andrew's Group for the period ended 28 October 2021 of $1 million.
(9) Costs incurred as a result of a Group operating model review to simplify the business.

Notes to the financial statements.

For the year ended 31 August 2023

2.6 Earnings per share

Basic earnings per share (**EPS**) is calculated by dividing the relevant earnings attributable to ordinary shareholders by the average weighted number of shares on issue. Diluted EPS takes into account the dilutive effect of all outstanding share rights vesting as ordinary shares.

	Consolidated 2023 $m	Consolidated 2022 [1] $m
EARNINGS RECONCILIATION		
Profit for the year	**124**	409
Returns to holders of other equity instruments [2]	**(9)**	(12)
Amortisation of premium on other equity instruments	**4**	9
Profit available for ordinary shareholders	**119**	406
BASIC EARNINGS		
Effect of capital notes	**17**	10
Effect of capital notes 2	**13**	8
Effect of capital notes 3	**16**	-
Diluted earnings	**165**	424

Weighted average number of shares used as the denominator		2023 Number	2022 Number
NUMBER FOR BASIC EARNINGS PER SHARE			
Ordinary shares		**650,373,305**	642,839,759
NUMBER FOR DILUTED EARNINGS PER SHARE			
Ordinary shares		**650,373,305**	642,839,759
Effect of award rights		**5,614,258**	4,400,556
Effect of capital notes		**59,930,003**	49,229,237
Effect of capital notes 2		**44,520,155**	36,570,886
Effect of capital notes 3		**54,855,675**	-
		815,293,396	733,040,438
EARNINGS PER SHARE			
Basic earnings per share - ordinary shares	cents	**18.3**	63.1
Diluted earnings per share - ordinary shares	cents	**20.2**	57.8

(1) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.
(2) Other equity instruments assumed on the acquisition of ME Bank. Refer to Note 3.10 b) for further information.

Notes to the financial statements.

For the year ended 31 August 2023

Note 3. Capital and balance sheet management

3.1 Cash and cash equivalents

Components of cash and cash equivalents

Cash and cash equivalents comprise cash at branches, cash on deposit, cash in transit and balances with the RBA. Cash flows from the following activities are presented on a net basis in the statements of cash flows:

- Sales and purchases of trading securities;
- Customer deposits and withdrawals from deposit accounts; and
- Loan drawdowns and repayments.

	Consolidated		Bank	
	2023 $m	2022[1] $m	**2023 $m**	2022[1] $m
Notes, coins and cash at bank	**2,148**	2,048	**1,173**	852
Remittances in transit	**434**	400	**383**	370
Reverse repurchase agreements maturing in less than three months	**2,656**	-	**2,656**	-
Total	**5,238**	2,448	**4,212**	1,222

Notes to the statements of cash flows

Reconciliation of profit for the year to net cash provided by operating activities:

	Consolidated 2023 $m	Consolidated 2022[1] $m	Bank 2023 $m	Bank 2022[1] $m
Profit from ordinary activities after income tax	**124**	409	**157**	400
ADD / (LESS) NON-CASH ITEMS OR ITEMS CLASSIFIED AS INVESTING / FINANCING:				
Depreciation	**49**	48	**43**	47
Amortisation - acquired intangibles	**9**	9	**9**	9
Software amortisation	**76**	66	**74**	64
Loss on sale of subsidiary	**-**	25	**-**	9
Impairment / (Profit) on sale of property, plant and equipment	**42**	(9)	**45**	-
Leases Impairment	**19**	-	**19**	-
Goodwill Impairment	**200**	-	**200**	-
Equity settled transactions	**20**	16	**18**	15
Salary sacrifice arrangements	**-**	(1)	**-**	(1)
Dividends received from controlled entities	**-**	-	**(116)**	(11)
Decrease in due from other financial institutions	**54**	480	**52**	444
(Increase) in financial assets	**(3,166)**	(3,145)	**(3,154)**	(3,598)
Decrease / (Increase) in loans and advances at amortised cost	**95**	(5,478)	**523**	(5,077)
Increase / (Decrease) in provision for impairment	**32**	(17)	**7**	13
(Increase) / Decrease in derivatives	**(37)**	25	**(77)**	37
Decrease / (Increase) in deferred tax asset	**-**	40	**(31)**	30
(Increase) in amounts due from controlled entities	**-**	-	**(69)**	(123)
(Increase) in other assets	**(72)**	(55)	**(66)**	(111)
(Decrease) / Increase in due to other financial institutions	**(114)**	1,235	**(114)**	1,235
Increase in deposits	**5,764**	5,121	**5,849**	5,436
Increase in accounts payable and other liabilities	**473**	37	**466**	46
Increase / (Decrease) in current tax liabilities	**45**	(50)	**44**	(43)
Increase / (Decrease) in provisions	**64**	(2)	**64**	-
(Decrease) / Increase in deferred tax liabilities	**(111)**	9	**(103)**	(16)
Net cash inflow / (outflow) from operating activities	**3,566**	(1,237)	**3,840**	(1,195)

(1) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.

Notes to the financial statements.

For the year ended 31 August 2023

3.2 Financial assets and liabilities

Financial instruments measured at amortised cost

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset.

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost. Financial assets or financial liabilities are initially recognised at fair value, inclusive of any directly attributable costs. They are subsequently measured at each reporting date at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

The Bank invests in debt securities at amortised cost that are issued by 100 per cent owned securitisation vehicles within the Consolidated Group. The programs' underlying pool of financial instruments are recorded within the Bank's Loans and advances.

Also included in this category are loans and advances at amortised cost (refer to Note 3.3 Loans and advances) and receivables due from other financial institutions recognised and measured at amortised cost.

For financial liabilities at amortised cost, refer to Note 3.4 for further information on Deposits and Note 3.5 for further information on Borrowings.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets held in a business model with the objective of collecting contractual cash flows or realising the asset through sale and having contractual cash flows considered to be solely payments of principal and interest are measured at FVOCI. Gains or losses arising from changes in the fair value of these financial instruments are recognised in other comprehensive income. Interest income and foreign exchange gains and losses are recognised in profit or loss in the income statement, as are cumulative gains or losses previously recognised in other comprehensive income upon derecognition of the financial instruments.

Equity instruments that are not held for trading are measured at FVOCI, where an irrevocable election has been made by management. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss, but can be reclassified to retained profits. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Financial instruments and derivatives at fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria to be measured at amortised cost or FVOCI are measured at FVTPL, with all changes in fair value recognised in the income statement. Financial assets in this category are those that are held for trading and have been designated by management upon initial recognition or are mandatorily required to be measured at fair value under AASB 9 *Financial Instruments* (**AASB 9**).

Where a financial liability is designated at fair value through profit or loss, the movement in fair value is recognised in profit or loss in the income statement. Changes in fair value relating to the Group's own credit risk in relation to liabilities designated at fair value through the income statement on origination are recognised in other comprehensive income. Interest incurred is recognised within net interest income on a contractual rate basis, including amortisation of any premium or discount.

Modification of financial instruments

A financial instrument is modified when its original contractual cash flows are modified. A financial instrument that is modified is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms or if the existing terms of the financial instrument are substantially modified. Where the modification results in derecognition of the original financial instrument, a new financial instrument is recorded initially at fair value and the difference is recorded in profit or loss in the income statement.

When the modification does not result in derecognition, the difference between the financial instrument's original contractual cash flows and the modified cash flows, discounted at the original effective interest rate, is recognised as a gain or loss in the income statement.

Reclassification of financial instruments

The Group reclassifies financial assets when, and only when, it changes its business model for managing those assets. Reclassified financial assets are subsequently measured based on the new measurement category.

The Group does not reclassify financial liabilities.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receive cash flows from the assets have expired, or where the Group has transferred its contractual rights to receive the cash flows of the financial assets or substantially all the risks and rewards of ownership, or upon substantial modification. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expired.

Notes to the financial statements.

For the year ended 31 August 2023

3.2 Financial assets and liabilities (continued)

Financial assets recognised and measured at fair value and debt instruments at amortised cost are listed below. For other financial assets and liabilities refer to Note 3.1 for Cash and cash equivalents, Note 3.3 for Loans and advances, Note 3.4 for Deposits, Note 3.5 for Borrowings and Note 3.8 for Derivative financial instruments and hedge accounting.

	Consolidated		Bank	
	2023 $m	2022 $m	**2023 $m**	2022 $m
DERIVATIVE FINANCIAL ASSETS				
Current	**253**	126	**241**	115
Non-current	**627**	947	**584**	904
Total derivative financial assets	**880**	1,073	**825**	1,019
FINANCIAL ASSETS AT FVTPL				
Floating rate notes and bonds	**38**	-	**38**	-
Equity instruments	**-**	4	**-**	4
Total financial assets at FVTPL	**38**	4	**38**	4
Current	**38**	4	**38**	4
FINANCIAL ASSETS AT FVOCI				
Debt instruments	**16,421**	13,304	**16,421**	13,304
Equity instruments	**6**	6	**6**	6
Total financial assets at FVOCI	**16,427**	13,310	**16,427**	13,310
Current	**9,883**	6,365	**9,883**	6,365
Non-current	**6,544**	6,945	**6,544**	6,945
DEBT INSTRUMENTS AT AMORTISED COST				
Current	**-**	-	**17**	176
Non-current	**15**	-	**13,027**	12,874
Total debt instruments at amortised cost	**15**	-	**13,044**	13,050

Notes to the financial statements.

For the year ended 31 August 2023

3.3 Loans and advances

Loans and advances at amortised cost

Loans and advances are originated by the Group and are recognised upon cash being advanced to the borrower. Loans and advances are initially recognised at fair value, plus incremental directly attributable transaction costs. They are subsequently measured at each reporting date at amortised cost using the effective interest method. The method used to determine the appropriate period to amortise any upfront payments or receipts on origination of loan contracts is the WAL of the loan category. The WAL for the loan categories is assessed at each reporting period. A revision to the WAL is made where there are material consecutive changes to the WAL in the same direction over a minimum of three half yearly reporting periods.

In the current year, the Group harmonised its WAL methodology for the residential housing and business portfolios across BOQ, VMA, ME Bank and BOQ Specialist brands. This harmonisation led to minor changes in the WAL methodology and a change in residential housing and business portfolios' WAL.

Finance lease receivables

Loans and advances include finance lease receivables. Finance leases are those products where substantially all the risks and rewards of the leased asset have been transferred to the lessee. Finance lease receivables are initially recognised at amounts equal to the lower of fair value of the leased asset or the present value of the minimum lease repayments plus the present value of a guaranteed residual value expected to accrue at the end of the lease term. Subsequently, lease repayments are apportioned between interest income and the reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

	Consolidated		Bank	
	2023 $m	2022[1] $m	**2023 $m**	2022[1] $m
Residential property loans	**62,738**	63,420	**62,738**	63,420
Personal loans	**97**	127	**97**	127
Overdrafts	**227**	205	**227**	205
Commercial loans	**11,126**	10,934	**10,931**	10,738
Credit cards	**177**	183	**177**	183
Asset finance and leasing	**6,901**	6,440	**851**	863
Gross loans and advances	**81,266**	81,309	**75,021**	75,536
LESS:				
Unearned finance lease income	**(131)**	(83)	**(10)**	(11)
Specific provision for impairment	**(61)**	(78)	**(46)**	(58)
Collective provision for impairment	**(271)**	(217)	**(185)**	(156)
Net loans and advances (including assets reclassified as held for sale)	**80,803**	80,931	**74,780**	75,311
Less: Net loans and advances reclassified as held for sale [2]	**(247)**	-	**-**	-
Total loans and advances	**80,556**	80,931	**74,780**	75,311

(1) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.

(2) Refer to Note 5.4 e) for further detail.

Notes to the financial statements.

For the year ended 31 August 2023

3.3 Loans and advances (continued)

a) Loans and advances - Expected Credit Losses (ECL)

In accordance with AASB 9, the Group utilises a forward-looking ECL approach. The ECL allowance is based on the credit losses expected to arise over the next 12 months of the financial asset, unless there has been a significant increase in credit risk (**SICR**) since origination. In this case, the allowance is based on the ECL for the life of the financial asset. The 12 month ECL is the portion of lifetime ECLs resulting from default events on a financial asset that are possible within the 12 months after the reporting date.

At the end of each reporting period, the Group performs an assessment of whether a financial asset's credit risk has increased significantly since initial recognition. This is done by considering the change in the risk of default occurring over the remaining life of the financial asset.

The Group applies a three stage approach to measuring the ECL, as described below:

- Stage 1 – For financial assets where there has not been a SICR since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default (**PD**) occurring within the next 12 months is recognised as the 12 month ECL, adjusted for forward-looking information. Stage 1 includes facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.
- Stage 2 – When there has been a SICR, the lifetime ECL is determined with reference to the financial asset's lifetime PD and the lifetime losses associated with that PD, adjusted for forward-looking information. The Group assesses whether there has been a SICR since initial recognition based on qualitative, quantitative, and reasonable and supportable forward-looking information that includes significant management judgement. Use of alternative criteria could result in significant changes to the timing and amount of ECL to be recognised. Lifetime ECL considers the expected behaviour of the asset as well as forward looking macro-economic forecasts. Stage 2 also includes facilities where the credit risk has improved and the loan has been reclassified from stage 3.
- Stage 3 – This includes financial assets that are deemed to be credit impaired, which generally correspond to the APRA definition of default, and include exposures that are at least 90 days past due. The provision is also equivalent to the lifetime ECL. Financial assets in Stage 3 will have a collective provision determined by the ECL model, although some loans are individually covered by a specific provision. A specific provision is calculated based on estimated future cash flows discounted to their present value, net of any collateral held against that financial asset.
- Purchased or originated credit-impaired (**POCI**) - POCI assets are financial assets that are purchased or originated as being credit impaired. The ECL for POCI assets is measured at an amount equal to the lifetime ECL. However, the amount recognised as a loss allowance for these assets is not the total amount of lifetime ECLs, but instead the changes in lifetime ECLs since initial recognition of the asset.

Write-offs

Financial assets are written off, either partially or in full, against the related provision when the Group concludes that there is no reasonable expectation of recovery and all possible collateral has been realised. Recoveries of financial assets previously written off are recognised in profit or loss based on the cash received.

Definition of default

A default is considered to have occurred when the borrower is unlikely to pay its credit obligations in full without recourse by the Group to the realisation of available security and/or the borrower is at least 90 days past due on their credit obligations. This definition is in line with the regulatory definition of default and also aligned to the definition used for internal credit risk management purposes across all portfolios.

Significant increase in credit risk

SICR for financial assets is assessed by comparing the risk of a default occurring over the expected life of a financial asset at the reporting date compared to the corresponding risk of default at origination. In determining what constitutes a significant increase in credit risk, the Group considers qualitative and quantitative information. For the majority of BOQ's portfolios, SICR is assessed using PD based triggers, by comparing the PD at the reporting date to the PD at origination. PD's are primarily assigned through either a Customer Risk Rating or statistical models, utilising account behaviours. For all loan portfolios, the primary indicator is in addition to the secondary SICR indicator, which is based on 30 days past due arrears information and other qualitative criteria.

Calculation of ECL

ECLs for financial assets in Stage 1 and 2 are assessed for impairment on a collective basis whilst those in Stage 3 are subjected to either collective or individual assessment. Where ECL is modelled collectively for portfolios of exposures, it is modelled primarily as the product of the PD, the loss given default (**LGD**) and the exposure at default (**EAD**).

These parameters are generally derived from internally developed statistical models combined with historical, current and forward- looking information, including macro-economic data:

- The 12-month and lifetime PD, for accounting purposes, represent the estimation of the point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk;
- The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a facility; and
- The LGD represents the expected loss conditional on default, taking into account the mitigating effect of collateral, its expected value when realised, and the time value of money.

Notes to the financial statements.

For the year ended 31 August 2023

3.3 Loans and advances (continued)

a) Loans and advances - Expected Credit Losses (ECL) (continued)

Incorporation of forward-looking information

The credit risk factors described above are point in time estimates based on the probability weighted forward-looking economic scenarios. The inclusion of a forward-looking component in the model anticipates changes in the economic outlook, and is an important component of the provisioning process. The Group considers four forward-looking macro-economic scenarios (base, upside, downside and severe downside) over the next three years. The scenarios are then probability weighted based on the likelihood of the scenario occurring to ensure ECL appropriately captures forward looking effects and considers the range of possible economic outcomes.

The scenarios, including their underlying indicators, are developed using a combination of publicly available data and internal forecasts to form the initial baseline. The scenarios are refined through consultation with internal specialists and benchmarking to external data from reputable sources, which includes forecasts published from a range of market economists and official data sources, including major central banks.

Economic outlook factors that are taken into consideration include unemployment, interest rates, gross domestic product, commercial and residential property price indexes, and require an evaluation of both the current and forecast direction of the macro-economic cycle.

Incorporating forward looking information, including macro-economic forecasts, increases the degree of judgement required to assess how changes in these data points will affect ECLs. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

- **Base case scenario**: This scenario reflects BOQ's forward looking economic assumptions where the impacts of cash rate rises start moderating inflation, and as such cash rates start reducing from 2024. Base case assumptions are supported by RBA forecasts where available. Unemployment remains low for the short term, with modest increases occurring in later years as a result of overall higher cash rates having a slowing effect on the broader economy. Lower GDP growth is expected in late 2023 and 2024 due to the higher interest rate effects before moderately increasing in later years. Residential property prices remain relatively flat after increases observed in 2023.
- **Upside scenario:** This scenario represents a slight to moderate improvement on the economic conditions from the Base case.
- **Downside scenario:** This scenario represents stagflation effects, with higher interest rates, a falling GDP and rising unemployment for the first two years. Compared to the base case scenario, interest rate rises are not able to constrain inflation as early and therefore reach a higher peak. Other economic variables experience more stressed outcomes as a result.
- **Severe downside scenario:** This scenario also represents stagflationary economic outcomes and accounts for the potential impact of lower likelihood but higher severity macroeconomic conditions.

The table below provides a summary of macro-economic assumptions used in the Base and Downside scenarios as at 31 August 2023.

	Base			**Downside**		
Macro-economic assumption [1]	**2023 %**	2024 %	2025 %	**2023 %**	2024 %	2025 %
GDP Growth (YoY)	**1.00**	1.75	2.25	**(0.50)**	-	1.00
Unemployment Rate	**4.00**	4.50	4.50	**4.50**	6.75	7.25
Residential Property Price Growth (YoY)	**5.00**	-	2.50	**(6.00)**	(10.00)	(2.00)
Commercial Property Price Growth (YoY)	**(10.00)**	(5.00)	-	**(17.75)**	(9.25)	(4.00)
Cash Rate	**4.25**	3.75	3.10	**4.75**	4.75	4.00

(1) The forecasts in the table reflect calendar year end numbers.

In determining the reported ECL of $332 million, the Group has taken into account the facts, circumstances and forecasts of future economic conditions and supportable information available at the reporting date. Provisioning assumption updates have been made during FY23 which include a complete review of overlays and adjustments, which are held for external factors not captured in the core models, including specific industry or portfolio stresses and uncertainties related to model precision, as well as updated scenarios and scenario weightings to cater for economic uncertainties. Management overlays have been refined based on industry data observed over the period and management judgement.

Key emerging risks have been considered, including:

- Construction industry stress, primarily related to cost increases and fixed price contracts impacting builders' profitability;
- Forecast commercial property price declines impacting the commercial property sector;
- Inflationary/supply chain pressures impacting retail trade, transport, hospitality, arts and recreation;
- El Nino and a higher likelihood of drought impacting the agriculture sector; and
- Potential stress within the home loan portfolio caused by interest rate rises impacting fixed rate loans when they expire.

Notes to the financial statements.

For the year ended 31 August 2023

3.3 Loans and advances (continued)

a) Loans and advances - Expected Credit Losses (ECL) (continued)

Incorporation of forward-looking information (continued)

The final ECL reflects an unbiased and probability-weighted amount, determined by the evaluation of a range of possible forward looking economic outcomes, rather than being based on a best or worst case scenario. The table below shows weightings applied to derive the probability weighted ECL, utilising the most up to date macro-economic information available as at reporting date.

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

Sensitivity of provisions for impairment

The ECL reflects an unbiased and probability-weighted amount across a range of macro-economic scenarios as described above.

The following table compares the reported ECL to approximate levels of ECL under each scenario assuming a 100 per cent weighting was applied to each scenario with all other assumptions held constant.

	Consolidated		Bank	
	2023 $m	2022 $m	**2023 $m**	2022 $m
Reported probability weighted ECL	**332**	295	**231**	214
100% Upside scenario	**238**	214	**146**	147
100% Base case scenario	**245**	225	**152**	158
100% Downside scenario	**386**	331	**278**	256
100% Severe Downside scenario	**546**	482	**436**	405

Sensitivity of provisions for impairment to SICR assessments

If one per cent of Stage 1 credit exposures as at 31 August 2023 was included in Stage 2, provisions for impairment would increase by approximately $12 million for the Group and $11 million for the Bank (2022: $15 million for the Group and $14 million for the Bank) based on using coverage ratios by stage to the movement in the gross exposure by stage.

Notes to the financial statements.

For the year ended 31 August 2023

3.3 Loans and advances (continued)

a) Loans and advances - Expected Credit Losses (ECL) (continued)

Governance

The Executive Credit Committee has the delegation for reviewing and approving the determination of ECL, including any judgements and assumptions. Where applicable, management adjustments or overlays may be made to account for situations where known or expected risks and information have not been considered in the modelling process. The Group's provision for impairment on loans and advances, and key areas of judgement are reported to the Board Audit Committee at each reporting period.

The following table discloses the breakdown of the Group's ECL by component for the year ended 31 August 2023.

	Collective Provision				
Consolidated	Stage 1 – 12 month ECL $m	Stage 2 – Lifetime ECL $m	Stage 3 – Lifetime ECL $m	Stage 3 – Specific provision $m	Total $m
Balance as at 1 September 2022	**65**	**76**	**76**	**78**	**295**
TRANSFERS DURING THE YEAR TO / (FROM):					
Stage 1	**40**	**(26)**	**(11)**	**(3)**	**-**
Stage 2	**(4)**	**12**	**(7)**	**(1)**	**-**
Stage 3	**(1)**	**(6)**	**10**	**(3)**	**-**
New provisions	**42**	**13**	**7**	**3**	**65**
Increased provisions	**28**	**48**	**49**	**24**	**149**
Write-back of provisions no longer required	**(69)**	**(36)**	**(35)**	**(15)**	**(155)**
Amounts written off, previously provided for	**-**	**-**	**-**	**(22)**	**(22)**
Balance as at 31 August 2023	**101**	**81**	**89**	**61**	**332**

The table below discloses the effect of movements in the gross carrying value of loans and advances in the different stages of the ECL model of the Group during the year ended 31 August 2023.

Consolidated	Stage 1 – 12 month ECL $m	Stage 2 – Lifetime ECL $m	Stage 3 – Lifetime ECL $m	Stage 3 – Specific provision $m	Stage 3 - POCI loans $m	Total [(1)] $m
Gross carrying amount as at 1 September 2022 [(2)]	**76,047**	**4,194**	**598**	**162**	**225**	**81,226**
TRANSFERS DURING THE YEAR TO / (FROM):						
Stage 1	**1,218**	**(1,146)**	**(66)**	**(6)**	**-**	**-**
Stage 2	**(3,736)**	**3,855**	**(114)**	**(5)**	**-**	**-**
Stage 3	**(401)**	**(214)**	**576**	**39**	**-**	**-**
New loans and advances originated or purchased	**17,591**	**536**	**44**	**5**	**-**	**18,176**
Loans and advances derecognised or repaid during the year including write-offs	**(16,654)**	**(1,295)**	**(186)**	**(81)**	**(51)**	**(18,267)**
Gross carrying amount as at 31 August 2023	**74,065**	**5,930**	**852**	**114**	**174**	**81,135**
Provision for impairment	**(101)**	**(81)**	**(89)**	**(61)**	**-**	**(332)**
Net carrying amount as at 31 August 2023 [(3)]	**73,964**	**5,849**	**763**	**53**	**174**	**80,803**

(1) The amounts presented above are inclusive of unearned finance lease income.
(2) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.
(3) Net carrying amount at 31 August 2023 includes assets held for sale. Refer to Note 5.4 e) for further detail.

The loss allowance associated with the POCI loans for the Group reduced by $5 million for the year ended 31 August 2023 (FY22 reduction: $14 million), from an opening balance of $8 million (FY22 opening balance: $22 million), and was taken directly to the balance of the gross carrying value of loans and advances. No new POCI loans were recognised in the year ended 31 August 2023.

Notes to the financial statements.
For the year ended 31 August 2023

3.3 Loans and advances (continued)

a) Loans and advances - Expected Credit Losses (ECL) (continued)

The following table discloses the breakdown of the Group's ECL by component for the year ended 31 August 2022.

	Collective Provision				
Consolidated	Stage 1 – 12 month ECL $m	Stage 2 – Lifetime ECL $m	Stage 3 – Lifetime ECL $m	Stage 3 – Specific provision $m	Total $m
Balance as at 1 September 2021	88	50	66	107	311
TRANSFERS DURING THE YEAR TO / (FROM):					
Stage 1	29	(13)	(10)	(6)	-
Stage 2	(4)	13	(8)	(1)	-
Stage 3	(1)	(4)	3	2	-
New provisions	24	10	6	2	42
Increased provisions	19	47	46	20	132
Write-back of provisions no longer required	(90)	(27)	(27)	(24)	(168)
Amounts written off, previously provided for	-	-	-	(22)	(22)
Balance as at 31 August 2022	65	76	76	78	295

The table below discloses the effect of movements in the gross carrying value of loans and advances in the different stages of the ECL model of the Group during the year ended 31 August 2022.

Consolidated	Stage 1 – 12 month ECL $m	Stage 2 – Lifetime ECL $m	Stage 3 – Lifetime ECL $m	Stage 3 – Specific provision $m	Stage 3 - POCI loans $m	Total (1) $m
Gross carrying amount as at 1 September 2021	70,688	4,010	543	221	286	75,748
TRANSFERS DURING THE YEAR TO / (FROM):						
Stage 1	1,042	(997)	(39)	(6)	-	-
Stage 2	(2,076)	2,202	(120)	(6)	-	-
Stage 3	(249)	(132)	351	30	-	-
New loans and advances originated or purchased (2)	24,835	340	37	4	-	25,216
Loans and advances derecognised during the period including write-offs	(18,193)	(1,229)	(174)	(81)	(61)	(19,738)
Gross carrying amount as at 31 August 2022	76,047	4,194	598	162	225	81,226
Provision for impairment	(65)	(76)	(76)	(78)	-	(295)
Net carrying amount as at 31 August 2022	75,982	4,118	522	84	225	80,931

(1) The amounts presented above are inclusive of unearned finance lease income.
(2) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.

Notes to the financial statements.

For the year ended 31 August 2023

3.3 Loans and advances (continued)

a) Loans and advances - Expected Credit Losses (ECL) (continued)

The following table discloses the breakdown of the Bank's ECL by component for the year ended 31 August 2023.

	Collective Provision				
Bank	Stage 1 – 12 month ECL $m	Stage 2 – Lifetime ECL $m	Stage 3 – Lifetime ECL $m	Stage 3 – Specific provision $m	Total $m
Balance as at 1 September 2022	**31**	**65**	**60**	**58**	**214**
TRANSFERS DURING THE YEAR TO / (FROM):					
Stage 1	**28**	**(21)**	**(6)**	**(1)**	**-**
Stage 2	**(3)**	**9**	**(5)**	**(1)**	**-**
Stage 3	**(1)**	**(5)**	**6**	**-**	**-**
New / increased provisions	**13**	**9**	**4**	**1**	**27**
Increased provisions	**23**	**48**	**35**	**20**	**126**
Write-back of provisions no longer required	**(45)**	**(32)**	**(28)**	**(18)**	**(123)**
Amounts written off, previously provided for	**-**	**-**	**-**	**(13)**	**(13)**
Balance as at 31 August 2023	**46**	**73**	**66**	**46**	**231**

The table below discloses the effect of movements in the gross carrying value of loans and advances in the different stages of the ECL model of the Bank during the year ended 31 August 2023.

Bank	Stage 1 – 12 month ECL $m	Stage 2 – Lifetime ECL $m	Stage 3 – Lifetime ECL $m	Stage 3 – Specific provision $m	Stage 3 - POCI loans $m	Total [(1)] $m
Gross carrying amount as at 1 September 2022 [(2)]	**70,885**	**3,733**	**548**	**134**	**225**	**75,525**
TRANSFERS DURING THE PERIOD TO / (FROM):						
Stage 1	**1,013**	**(960)**	**(48)**	**(5)**	**-**	**-**
Stage 2	**(3,564)**	**3,680**	**(111)**	**(5)**	**-**	**-**
Stage 3	**(377)**	**(198)**	**540**	**35**	**-**	**-**
New loans and advances originated or purchased	**14,844**	**471**	**36**	**3**	**-**	**15,354**
Loans and advances derecognised during the period including write-offs	**(14,496)**	**(1,093)**	**(161)**	**(67)**	**(51)**	**(15,868)**
Gross carrying amount as at 31 August 2023	**68,305**	**5,633**	**804**	**95**	**174**	**75,011**
Provision for impairment	**(46)**	**(73)**	**(66)**	**(46)**	**-**	**(231)**
Net carrying amount as at 31 August 2023	**68,259**	**5,560**	**738**	**49**	**174**	**74,780**

(1) The amounts presented above are inclusive of unearned finance lease income.
(2) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.

The loss allowance associated with the POCI loans for the Bank reduced by $5 million for the year ended 31 August 2023 (FY22 reduction: $9 million), from an opening balance of $8 million (FY22 opening balance: $17 million), and was taken directly to the balance of the gross carrying value of loans and advances. No new POCI loans were recognised in the year ended 31 August 2023.

Notes to the financial statements.

For the year ended 31 August 2023

3.3 Loans and advances (continued)

a) Loans and advances - Expected Credit Losses (ECL) (continued)

The following table discloses the breakdown of the Bank's ECL by component for the year ended 31 August 2022.

Bank	Collective Provision Stage 1 – 12 month ECL $m	Collective Provision Stage 2 – Lifetime ECL $m	Collective Provision Stage 3 – Lifetime ECL $m	Stage 3 – Specific provision $m	Total $m
Balance as at 1 September 2021	51	39	46	83	219
TRANSFERS DURING THE YEAR TO / (FROM):					
Stage 1	14	(8)	(4)	(2)	-
Stage 2	(1)	8	(6)	(1)	-
Stage 3	-	(3)	3	-	-
New provisions	11	7	2	1	21
Increased provisions	9	33	35	10	87
Transfer from ME Bank (1)	10	11	3	4	28
Write-back of provisions no longer required	(63)	(22)	(19)	(24)	(128)
Amounts written off, previously provided for	-	-	-	(13)	(13)
Balance as at 31 August 2022	31	65	60	58	214

The table below discloses the effect of movements in the gross carrying value of loans and advances in the different stages of the ECL model of the Bank during the year ended 31 August 2022.

Bank	Stage 1 – 12 month ECL $m	Stage 2 – Lifetime ECL $m	Stage 3 – Lifetime ECL $m	Stage 3 – Specific provision $m	Stage 3 - POCI loans $m	Total (2) $m
Gross carrying amount as at 1 September 2021	40,736	3,617	499	194	-	45,046
TRANSFERS DURING THE PERIOD TO / (FROM):						
Stage 1	928	(892)	(30)	(6)	-	-
Stage 2	(1,192)	1,316	(118)	(6)	-	-
Stage 3	(109)	(120	213	16	-	-
New loans and advances originated or purchased (3)	15,985	537	96	1	-	16,619
Transfer from ME Bank (1)	24,747	326	42	-	260	25,375
Loans and advances derecognised during the period including write-offs	(10,210)	(1,051)	(154)	(65)	(35)	(11,515)
Gross carrying amount as at 31 August 2022	70,885	3,733	548	134	225	75,525
Provision for impairment	(31)	(65)	(60)	(58)	-	(214)
Net carrying amount as at 31 August 2022	70,854	3,668	488	76	225	75,311

(1) ME Bank balances transferred to the Bank upon ME Bank's ADI licence surrender on 28 February 2022.
(2) The amounts presented above are inclusive of unearned finance lease income.
(3) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.

Notes to the financial statements.

For the year ended 31 August 2023

3.3 Loans and advances (continued)

b) Lease receivables

Asset finance and leasing include the following finance lease receivables for leases where the Group is the lessor.

	Consolidated		Bank	
	2023 (1) $m	2022 $m	**2023 $m**	2022 $m
GROSS INVESTMENT IN FINANCE LEASE RECEIVABLES:				
Less than one year	**360**	344	**12**	14
Between one and five years	**703**	620	**86**	91
More than five years	**11**	21	**8**	19
	1,074	985	**106**	124
Unearned finance lease income	**(124)**	(83)	**(10)**	(11)
Net investment in finance leases	**950**	902	**96**	113
NET INVESTMENT IN FINANCE LEASES:				
Less than one year	**313**	310	**11**	13
Between one and five years	**628**	573	**78**	84
More than five years	**9**	19	**7**	16
Net investment in finance leases	**950**	902	**96**	113

(1) 2023 amounts exclude finance lease receivables classified as held for sale.

c) Transfer of financial assets

Securitisation program

Through its REDS Securitisation (**RMBS Trusts**), REDS EHP Securitisation (**REDS EHP Trusts**), Impala, MHP Trust and SMHL Securitisation (**SMHL Trusts**) programs, the Group packages loans and advances through a series of securitisation vehicles from which debt securities are issued to investors. The Group is entitled to any residual income from the vehicles after all payments to investors and costs of the programs have been met. The securitised loans and advances are included in Loans and advances and the securitisation liabilities are included in Borrowings on the Group's balance sheet. The note holders have recourse only to the loan pool of assets. Refer to Note 5.8 a) (ii) for further information.

Under internal securitisation arrangements, the Bank also holds debt securities issued by securitisation vehicles that are backed by the Bank's loans and advances. These are recognised as Debt Instruments at Amortised Cost in the Bank with a corresponding liability in Amounts Due to Controlled Entities representing the related obligations to the securitisation vehicles.

Covered bond program

The Bank issues covered bonds for funding and liquidity purposes. The bonds are issued to external investors and are secured against a pool of the Bank's housing loans. Housing loans are assigned to a bankruptcy remote structured entity to provide security for all obligations payable on the covered bonds issued by the Bank. The covered bond holders have dual recourse to the Bank and the cover pool of assets. The Bank is required to maintain the cover pool at a level sufficient to cover the obligations of the bonds. The Bank is entitled to any residual income of the covered bond structured entity after all payments due to the covered bond holders and any costs related to the program have been met. The housing loans are included in Loans and advances and the covered bonds issued are included in Borrowings on the Group's and the Bank's balance sheet. Refer to Note 5.8 a) (iii) for further information.

The Bank earns fees for provision of services and facilities to the securitisation vehicles and the covered bond program, including the management and servicing of the loans and leases securitised. The receivable for these fees is included in Other Assets on the Bank's balance sheet. The fees receivable at 31 August 2023 was $5 million (31 August 2022: $5 million).

The following table sets out the transferred financial assets and associated liabilities of the securitisation and covered bond programs that did not qualify for derecognition under AASB 9 and typically result in the transferred assets continuing to be recognised in full.

Notes to the financial statements.

For the year ended 31 August 2023

3.3 Loans and advances (continued)

c) Transfer of financial assets (continued)

	Consolidated		Bank	
	2023 $m	2022 $m	**2023 $m**	2022 $m
TRANSFERRED FINANCIAL ASSETS				
Securitisation - Loans and advances	**6,310**	6,844	**18,442**	18,815
Covered bonds - Loans and advances	**4,653**	4,340	**4,653**	4,340
	10,963	11,184	**23,095**	23,155
ASSOCIATED FINANCIAL LIABILITIES				
Securitisation liabilities - external investors	**7,032**	7,546	**-**	-
Covered bonds - external investors	**3,699**	2,549	**3,699**	2,549
Amounts due to controlled entities	**-**	-	**18,826**	19,452
	10,731	10,095	**22,525**	22,001
FOR THOSE LIABILITIES THAT HAVE RECOURSE (1)				
Fair value of transferred assets	**10,879**	11,087	**22,987**	23,041
Fair value of associated liabilities	**(10,731)**	(10,095)	**(22,525)**	(22,001)
Net position	**148**	992	**462**	1,040

(1) The fair values of transferred assets and liabilities that reprice within 6 months are assumed to equate to the amortised cost. All other fair values are calculated using a discounted cash flow model.

3.4 Deposits

Deposits are initially recognised at fair value, net of any directly attributable transaction costs. Subsequent to initial measurement, they are measured at amortised cost using the effective interest method.

	Consolidated		Bank	
	2023 $m	2022 (1) $m	**2023 $m**	2022 (1) $m
Deposits at call	**38,351**	38,694	**38,581**	38,862
Term deposits	**33,036**	26,651	**33,036**	26,651
Certificates of deposit	**5,113**	5,338	**5,113**	5,338
Total deposits	**76,500**	70,683	**76,730**	70,851
CONCENTRATION OF DEPOSITS				
Customer deposits	**66,964**	60,903	**67,194**	61,071
Wholesale deposits	**9,536**	9,780	**9,536**	9,780
	76,500	70,683	**76,730**	70,851

(1) To align underlying product characteristics, $2.5 billion as at Aug 22 of term deposits were reclassified to deposits at call. In addition, $414 million as at Aug 22 of wholesale deposits were reclassified to customer deposits.

Notes to the financial statements.

For the year ended 31 August 2023

3.5 Borrowings

Borrowings are initially recognised at fair value, net of any directly attributable transaction costs. Subsequent to initial measurement, they are measured at amortised cost using the effective interest method.

The Group recorded the following movements on borrowings:

Consolidated	Securitisation liabilities (1) $m	Covered bonds liabilities (2)(7) $m	EMTN program (7) $m	ECP program (7) $m	Term funding facility (3) $m	Subordinated notes (4) $m	Senior unsecured notes $m	Capital notes (5) $m	Total $m
YEAR ENDED 31 AUGUST 2023									
Balance at beginning of year	**7,540**	**2,544**	**71**	**80**	**3,026**	**848**	**4,474**	**604**	**19,187**
Proceeds from issues / new funding	**2,463**	**900**	**14**	**555**	**-**	**-**	**1,275**	**400**	**5,607**
Repayments	**(2,977)**	**-**	**(52)**	**(288)**	**(1,247)**	**(200)**	**(975)**	**-**	**(5,739)**
Deferred establishment costs	**(4)**	**(2)**	**-**	**-**	**-**	**-**	**(1)**	**(7)**	**(14)**
Amortisation of deferred costs (6)	**7**	**2**	**-**	**-**	**-**	**-**	**2**	**3**	**14**
Foreign exchange translation (6)	**-**	**250**	**2**	**15**	**-**	**-**	**-**	**-**	**267**
Balance at end of year	**7,029**	**3,694**	**35**	**362**	**1,779**	**648**	**4,775**	**1,000**	**19,322**

Consolidated	Securitisation liabilities (1) $m	Covered bonds liabilities (2)(7) $m	EMTN program (7) $m	ECP program (7) $m	Term funding facility (3) $m	Subordinated notes (4) $m	Senior unsecured notes $m	Capital notes (5) $m	Total $m
YEAR ENDED 31 AUGUST 2022									
Balance at beginning of year	7,645	2,359	81	-	3,026	449	3,561	602	17,723
Proceeds from issues / new funding	2,452	1,095	-	253	-	400	2,453	-	6,653
Repayments	(2,558)	(744)	(13)	(175)	-	-	(1,535)	-	(5,025)
Deferred establishment costs	(2)	(3)	-	-	-	(2)	(5)	-	(12)
Amortisation of deferred costs (6)	3	1	-	-	-	1	-	2	7
Foreign exchange translation (6)	-	(164)	3	2	-	-	-	-	(159)
Balance at end of year	7,540	2,544	71	80	3,026	848	4,474	604	19,187

(1) Securitisation liabilities are secured by a floating charge over securitised assets for amounts owing to note holders and any other secured creditors of the securitisation vehicles.
(2) Covered bonds liabilities are secured by a charge over a pool of loans and advances and guaranteed by the covered bond guarantor.
(3) The TFF provides funding at a fixed interest rate of 25 basis points, for a maximum of three years and is accounted for as borrowings. From 4 November 2020 the interest rate of new borrowings was lowered to 10 basis points. The funding is a below market interest loan from a Government entity and, accordingly, classified as a Government Grant. The Group reflects an interest expense net of the benefit of the below market interest loan in the income statement. There are no terms and conditions associated with the TFF other than pledging eligible collateral that meets the RBA's eligibility criteria. At 31 August 2023, the Group has pledged $2.2 billion of self-securitised residential mortgage-backed securities as collateral.
(4) The Bank has redeemed series 76, tranche 1 subordinated notes of $200 million together with accrued interest on early redemption date of 1 May 2023. The early redemption was exercised following approval by APRA.
(5) **Capital Notes**
On 28 December 2017, the Bank issued 3,500,000 Capital Notes at a price of $100 per note. Capital Notes are perpetual and convertible notes issued by BOQ, with preferred, discretionary, non-cumulative distributions. They are not guaranteed or secured. As at 31 August 2023, 3,500,000 Capital Notes were outstanding. Capital Notes must convert into ordinary shares on 15 August 2026 if certain mandatory conversion conditions are satisfied, unless they are converted or redeemed earlier. Where the mandatory conversion conditions are satisfied, a holder will receive a number of ordinary shares per Capital Note based on the volume weighted average price of ordinary shares during a specified period. The Capital Notes must also convert to ordinary shares of the Bank with the occurrence of a loss absorption event or an acquisition event. BOQ may elect to convert, redeem or resell Capital Notes on 15 August 2024 or following a regulatory or tax event. BOQ may also elect to convert all Capital Notes following a potential acquisition event. These options are subject to APRA's prior written approval and certain conditions being satisfied. In a winding up of the Bank, Capital Notes will rank for payment of capital ahead of ordinary shares, equally with Capital Notes 2, Capital Notes 3 and other equal ranking instruments, but behind the claims of all senior ranking creditors, including depositors and unsubordinated and subordinated creditors. Capital Notes are additional tier 1 capital and form part of the Group's capital adequacy.
Capital Notes 2
On 30 November 2020, the Bank issued 2,600,000 Capital Notes 2 at a price of $100 per note. Capital Notes 2 are perpetual and convertible notes issued by BOQ, with preferred, discretionary, non-cumulative distributions. They are not guaranteed or secured. As at 31 August 2023, 2,600,000 Capital Notes 2 were outstanding. Capital Notes 2 must convert into ordinary shares on 15 May 2029 if certain mandatory conversion conditions are satisfied, unless they are converted or redeemed earlier. Where the mandatory conversion conditions are satisfied, a holder will receive a number of ordinary shares per Capital Note 2 based on the volume weighted average price of ordinary shares during a specified period. Capital Notes 2 must also convert to ordinary shares of the Bank with the occurrence of a loss absorption event or an acquisition event. BOQ may elect to convert, redeem or resell Capital Notes 2 on 14 May 2027 or following a regulatory or tax event. BOQ may also elect to convert all Capital Notes 2 following a potential acquisition event. These options are subject to APRA's prior written approval and certain conditions being satisfied. In a winding up of the Bank, Capital Notes 2 will rank for payment of capital ahead of ordinary shares, equally with Capital Notes, Capital Notes 3 and other equal ranking instruments, but behind the claims of all senior ranking creditors, including depositors and unsubordinated and subordinated creditors. Capital Notes 2 are additional tier 1 capital and form part of the Group's capital adequacy.
Capital Notes 3
The Capital Notes 3 were issued on 14 November 2022 at a price of $100 per note. Capital Notes 3 are non-cumulative, perpetual, convertible, unguaranteed and unsecured notes with discretionary distributions, issued by BOQ. As at 31 August 2023, 4,000,000 Capital Notes 3 were outstanding. Capital Notes 3 must convert into ordinary shares on 16 June 2031 if certain mandatory conversion conditions are satisfied, unless they are converted or redeemed earlier. Where the mandatory conversion conditions are satisfied, a holder will receive a number of ordinary shares per Capital Note 3 based on the volume weighted average price of ordinary shares during a specified period. Capital Notes 3 must also convert to ordinary shares of the Bank with the occurrence of a loss absorption event or an acquisition event. BOQ may elect to convert, redeem or resell Capital Notes 3 on 15 December 2028, 15 March 2029 and 15 June 2029 or following a regulatory or tax event. BOQ may also elect to convert all Capital Notes 3 following a potential acquisition event. These options are subject to APRA's prior written approval and certain conditions being satisfied. In a winding up of the Bank, Capital Notes 3 will rank for payment of capital ahead of ordinary shares, equally with Capital Notes, Capital Notes 2 and other equal ranking instruments, but behind the claims of all senior ranking creditors, including depositors and unsubordinated and subordinated creditors. Capital Notes 3 are additional tier 1 capital and form part of the Group's capital adequacy.
(6) Amortisation of deferred costs and foreign exchange translation are non-cash movements. Foreign exchange translation movements are 100 per cent hedged.
(7) At the end of the year the BOQ Group held borrowings in the following currencies, Covered Bonds EUR €1.1bn (2022: EUR €1.1bn), EMTN Program EUR €9m (2022: USD $35m), ECP Program USD $130m and EUR €16m (2022: USD $40m and EUR €15m). All other balances are denominated in Australian dollars.

Notes to the financial statements.

For the year ended 31 August 2023

3.5 Borrowings (continued)

The Bank recorded the following movements on borrowings:

Bank	Covered bonds liabilities (1)(7) $m	EMTN program (7) $m	ECP program (7) $m	Term funding facility (2) $m	Subordinated notes (3) $m	Senior unsecured notes $m	Capital notes (4) $m	Total $m
YEAR ENDED 31 AUGUST 2023								
Balance at beginning of year	**2,549**	**71**	**80**	**3,026**	**848**	**4,469**	**604**	**11,647**
Proceeds from issues / new funding	**900**	**14**	**555**	**-**	**-**	**1,275**	**400**	**3,144**
Repayments	**-**	**(52)**	**(288)**	**(1,247)**	**(200)**	**(975)**	**-**	**(2,762)**
Deferred establishment costs	**-**	**-**	**-**	**-**	**-**	**-**	**(7)**	**(7)**
Amortisation of deferred costs (5)	**-**	**-**	**-**	**-**	**-**	**5**	**3**	**8**
Foreign exchange translation (5)	**250**	**2**	**15**	**-**	**-**	**-**	**-**	**267**
Balance at end of year	**3,699**	**35**	**362**	**1,779**	**648**	**4,774**	**1,000**	**12,297**

Bank	Covered bonds liabilities (1)(7) $m	EMTN program (7) $m	ECP program (7) $m	Term funding facility (2) $m	Subordinated notes (3) $m	Senior unsecured notes $m	Capital notes (4) $m	Total $m
YEAR ENDED 31 AUGUST 2022								
Balance at beginning of year	2,362	81	-	2,154	449	3,158	602	8,806
Transfer of ME Bank borrowings (6)	-	-	-	872	-	397	-	1,269
Proceeds from issues / new funding	1,095	-	253	-	400	2,453	-	4,201
Repayments	(744)	(13)	(175)	-	-	(1,535)	-	(2,467)
Deferred establishment costs	-	-	-	-	(2)	(4)	-	(6)
Amortisation of deferred costs (5)	-	-	-	-	1	-	2	3
Foreign exchange translation (5)	(164)	3	2	-	-	-	-	(159)
Balance at end of year	2,549	71	80	3,026	848	4,469	604	11,647

(1) Covered bonds liabilities are secured by a charge over a pool of loans and advances and guaranteed by the covered bond guarantor.
(2) The TFF provides funding at a fixed interest rate of 25 basis points, for a maximum of three years and is accounted for as borrowings. From 4 November 2020 the interest rate of new borrowings was lowered to 10 basis points. The funding is a below market interest loan from a Government entity and, accordingly, classified as a Government Grant. The Bank reflects a net interest expense in the income statement. There are no terms and conditions associated with the TFF other than pledging eligible collateral that meets the RBA's eligibility criteria. At 31 August 2023, the Bank has pledged $2.2 billion of self-securitised residential mortgage-backed securities as collateral.
(3) The Bank has redeemed series 76, tranche 1 subordinated notes of $200 million together with accrued interest on early redemption date of 1 May 2023. The early redemption was exercised following approval by APRA.
(4) **Capital Notes**
On 28 December 2017, the Bank issued 3,500,000 Capital Notes at a price of $100 per note. Capital Notes are perpetual and convertible notes issued by BOQ, with preferred, discretionary, non-cumulative distributions. They are not guaranteed or secured. As at 31 August 2023, 3,500,000 Capital Notes were outstanding. Capital Notes must convert into ordinary shares on 15 August 2026 if certain mandatory conversion conditions are satisfied, unless they are converted or redeemed earlier. Where the mandatory conversion conditions are satisfied, a holder will receive a number of ordinary shares per Capital Note based on the value weighted average price of ordinary shares during a specified period. The Capital Notes must also convert to ordinary shares of the Bank with the occurrence of a loss absorption event or an acquisition event. BOQ may elect to convert, redeem or resell Capital Notes on 15 August 2024 or following a regulatory or tax event. BOQ may also elect to convert all Capital Notes following a potential acquisition event. These options are subject to APRA's prior written approval and certain conditions being satisfied. In a winding up of the Bank, Capital Notes will rank for payment of capital ahead of ordinary shares, equally with Capital Notes 2, Capital Notes 3 and other equal ranking instruments, but behind the claims of all senior ranking creditors, including depositors and unsubordinated and subordinated creditors. Capital Notes are additional tier 1 capital and form part of the Group's capital adequacy.
Capital Notes 2
On 30 November 2020, the Bank issued 2,600,000 Capital Notes 2 at a price of $100 per note. Capital Notes 2 are perpetual and convertible notes issued by BOQ, with preferred, discretionary, non-cumulative distributions. They are not guaranteed or secured. As at 31 August 2023, 2,600,000 Capital Notes 2 were outstanding. Capital Notes 2 must convert into ordinary shares on 15 May 2029 if certain mandatory conversion conditions are satisfied, unless they are converted or redeemed earlier. Where the mandatory conversion conditions are satisfied, a holder will receive a number of ordinary shares per Capital Note 2 based on the volume weighted average price of ordinary shares during a specified period. Capital Notes 2 must also convert to ordinary shares of the Bank with the occurrence of a loss absorption event or an acquisition event. BOQ may elect to convert, redeem or resell Capital Notes 2 on 14 May 2027 or following a regulatory or tax event. BOQ may also elect to convert all Capital Notes 2 following a potential acquisition event. These options are subject to APRA's prior written approval and certain conditions being satisfied. In a winding up of the Bank, Capital Notes 2 will rank for payment of capital ahead of ordinary shares, equally with Capital Notes, Capital Notes 3 and other equal ranking instruments, but behind the claims of all senior ranking creditors, including depositors and unsubordinated and subordinated creditors. Capital Notes 2 are additional tier 1 capital and form part of the Group's capital adequacy.
Capital Notes 3
The Capital Notes 3 were issued on 14 November 2022 at a price of $100 per note. Capital Notes 3 are non-cumulative, perpetual, convertible, unguaranteed and unsecured notes with discretionary distributions, issued by BOQ. As at 31 August 2023, 4,000,000 Capital Notes 3 were outstanding. Capital Notes 3 must convert into ordinary shares on 16 June 2031 if certain mandatory conversion conditions are satisfied, unless they are converted or redeemed earlier. Where the mandatory conversion conditions are satisfied, a holder will receive a number of ordinary shares per Capital Note 3 based on the volume weighted average price of ordinary shares during a specified period. Capital Notes 3 must also convert to ordinary shares of the Bank with the occurrence of a loss absorption event or an acquisition event. BOQ may elect to convert, redeem or resell Capital Notes 3 on 15 December 2028, 15 March 2029 and 15 June 2029 or following a regulatory or tax event. BOQ may also elect to convert all Capital Notes 3 following a potential acquisition event. These options are subject to APRA's prior written approval and certain conditions being satisfied. In a winding up of the Bank, Capital Notes 3 will rank for payment of capital ahead of ordinary shares, equally with Capital Notes, Capital Notes 2 and other equal ranking instruments, but behind the claims of all senior ranking creditors, including depositors and unsubordinated and subordinated creditors. Capital Notes 3 are additional tier 1 capital and form part of the Group's capital adequacy
(5) Amortisation of deferred costs and foreign exchange translation are non-cash movements. Foreign exchange translation movements are 100 per cent hedged.
(6) ME Bank borrowings transferred to the Bank upon ME Bank's ADI licence surrender on 28 February 2022.
(7) At the end of the year the BOQ Group held borrowings in the following currencies, Covered Bonds EUR €1.1bn (2022: EUR €1.1bn), EMTN Program EUR €9m (2022: USD $35m), ECP Program USD $130m and EUR €16m (2022: USD $40m and EUR €15m). All other balances are denominated in Australian dollars.

Notes to the financial statements.

For the year ended 31 August 2023

3.6 Financial risk management

The use of financial instruments is fundamental to the Group's business of providing banking services to our customers. The associated financial risks (primarily credit, market and liquidity risks) are a significant portion of the Group's key material risks.

The Group and the Bank adopts a "managed risk" approach to its banking activities in which the articulation of a risk aware culture is prevalent throughout the Group's credit, market and liquidity risk policies and procedures. The Board has adopted policies in relation to the assessment, management and monitoring of these risks and ownership of the frameworks within which these risks are managed reside with the Group Chief Risk Officer.

The Group Chief Risk Officer contributes towards the achievement of the Group's corporate objectives through the operationalisation and progressive development of the Group's risk management function. The continued improvement of the Group's risk management function focusses on a number of key areas, with particular emphasis on:

1. the efficiency and effectiveness of the Group's credit, market and liquidity risk management process, controls and policies to support the Bank's customer proposition in line with its risk appetite;
2. providing management and the Board with risk reporting that contributes to the further development of sound corporate governance standards;
3. partnering with the Compliance function to support maintaining regulatory compliance in line with regulators' expectations; and
4. contributing to the Group achieving risk based performance management.

Group Risk is an independent function and is responsible for providing the framework, policies and procedures needed for managing credit, market and liquidity risk throughout the Group. Policies are set in line with the governing strategy and risk guidelines set by the Board.

Monitoring

The Group's enterprise risk management framework incorporates active management and monitoring of a range of risks including (but not limited to):

1. Market;
2. Credit; and
3. Liquidity.

a) Market risk

Market risk is the risk that movements in market rates and prices will result in profits or losses to the Group. The objective of market risk management is to manage and control market risk and to minimise its impact on the Group.

(i) Interest rate risk in the banking book (IRRBB)

IRRBB is the risk of loss in net interest income (**NII**) or in the economic value (**EV**) in the banking book due to movements in interest rates. IRRBB arises predominantly from the Group's general balance sheet funding and lending activities. The operations of the Group are subject to the risk of interest rate fluctuations as a result of mismatches in the timing of the repricing of interest rates on the Group's assets and liabilities.

The Group takes a prudent approach to the management of IRRBB, balancing NII and EV within Board risk appetite and aiming to reduce volatility in current and future earnings. Risks are monitored and measured against limits delegated by the Asset-Liability Committee (**ALCO**) and approved by the Board's Risk Committee.

The figures in the table below indicate the potential increase/(decrease) in net interest income for an ensuing 12 month period of a one per cent parallel shock increase to the yield curve.

Consolidated	2023 $m	2022 $m
Exposure at the end of the year	**(6)**	(1)
Average monthly exposure during the year	**(3)**	(2)
High month exposure during the year	**2**	20
Low month exposure during the year	**(10)**	(19)

(ii) Foreign exchange risk

It is the Group's policy not to carry material foreign exchange rate exposures, net of associated hedging instruments, in the banking book. At balance date, there are no net material foreign exchange rate exposures in the banking book.

The Group uses cross currency swaps and forward foreign exchange contracts to hedge its exchange rate exposures arising from borrowing off-shore in foreign currencies. The Group uses forward foreign exchange contracts to hedge potential exchange rate exposures created by customer-originated foreign currency transactions.

The Group's investment in its New Zealand subsidiary is hedged by forward foreign exchange contracts which mitigate the currency risk arising from the subsidiary's net assets.

The Group's foreign exchange risk in the trading book is measured in section (iii) traded market risk.

Notes to the financial statements.

For the year ended 31 August 2023

3.6 Financial risk management (continued)

a) Market risk (continued)

(iii) Traded and non-traded market risk

Market risks attributable to trading activities are primarily measured using a historical simulation Value-at-Risk (**VaR**) model based on historical data. The Traded market risk VaR is a statistical technique used to quantify the potential loss in the value of positions in the trading book from adverse market movements and is calculated to a 99 per cent confidence level over a one day holding period. As an additional overlay to VaR, the individual market risks of interest rate, foreign exchange, and credit are managed using a framework that includes stress testing, scenario analysis, sensitivity analysis and stop losses. Risks are monitored and measured against limits delegated by the Asset- Liability Committee (**ALCO**) and approved by the Board's Risk Committee.

The portfolio (interest rate, foreign exchange, and credit) VaR for the Bank's trading portfolio for the year was as follows:

Trading VaR	2023 $m	2022 $m
Average	**0.14**	0.24
Maximum	**0.58**	0.35
Minimum	**0.02**	0.13

Non-traded market risk primarily represents IRRBB. The IRRBB VaR model uses the historical simulation approach method to measure Banking Book VaR to a 99 per cent confidence level and 12 month holding period. The Group also models a variety of scenarios to analyse the Group's exposure to IRRBB and project the potential impact. This includes scenarios that would potentially have an extreme impact on earnings.

The following table outlines the non-traded VaR for the Bank for the year:

Non-traded VaR	2023 $m	2022 $m
Average	**18**	16
Maximum	**35**	29
Minimum	**9**	4

b) Credit risk

Credit risk arises in the business from lending activities, the provision of guarantees including letters of credit and commitments to lend, investment in bonds and notes, financial market transactions and other associated activities. Credit risk is the potential loss arising from the possibility that customers or counterparties fail to meet contractual payment obligations to the Group as they fall due.

The Board has implemented a structured framework of policies, systems and controls to monitor and manage credit risk comprising:

- documented credit risk management principles which are disseminated to all staff involved with the lending process;
- documented Credit policies, lending standards and procedures;
- a process for approving risk, based on tiered delegated approval authorities, whereby the largest exposures are assessed by the Executive Credit Committee consisting of Senior Executives and senior risk managers, chaired by the Group Chief Risk Officer;
- risk grading the Bank's commercial exposures based on items inclusive of financial performance and stability, organisational structure, industry segment and security support. Exposures within this segment of the portfolio are generally subject to annual review which may include reassessment of the assigned risk grade;
- an automated scorecard and decision strategy model for the Bank's retail portfolio inclusive of home loan and personal loan lending. This model is supported by experienced risk assessment managers and a credit hindsight framework; and
- a series of management reports detailing industry concentrations, counterparty concentrations, loan grades and security strength ratings.

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. In accordance with its treasury and financial markets risk policies, the Group can hold derivative financial instruments for trading purposes. Credit risk on derivative contracts used for these purposes is minimised as counterparties are either qualifying central counterparties or recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Notes to the financial statements.

For the year ended 31 August 2023

3.6 Financial risk management (continued)

b) Credit risk (continued)

(i) Maximum exposure to credit risk

The amounts disclosed are the maximum exposure to credit risk, before taking account of any collateral held or other credit enhancements. For financial assets recognised on the balance sheet, the exposure to credit risk equals their carrying amount. For customer commitments, the maximum exposure to credit risk is the full amount of the committed facilities as at reporting date.

The carrying amount of financial assets represents the maximum credit exposure.
The maximum exposure to credit risk at the reporting date was:

	2023 $m				2022 $m
Consolidated	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Total
Cash and cash equivalents	**5,238**	**-**	**-**	**5,238**	2,448
Due from other financial institutions	**293**	**-**	**-**	**293**	347
Other financial assets (including accrued interest)	**16,635**	**-**	**-**	**16,635**	13,426
Derivative financial instruments	**880**	**-**	**-**	**880**	1,073
Financial assets other than loans and advances	**23,046**	**-**	**-**	**23,046**	17,294
Gross loans and advances (1)	**74,065**	**5,930**	**1,140**	**81,135**	81,226
Total financial assets	**97,111**	**5,930**	**1,140**	**104,181**	98,520
Customer commitments (2)	**10,637**	**-**	**-**	**10,637**	6,144
Total potential exposure to credit risk	**107,748**	**5,930**	**1,140**	**114,818**	104,664

	2023 $m				2022 $m
Bank	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Total
Cash and cash equivalents	**4,212**	**-**	**-**	**4,212**	1,222
Due from other financial institutions	**217**	**-**	**-**	**217**	269
Other financial assets (including accrued interest)	**29,678**	**-**	**-**	**29,678**	26,474
Derivative financial instruments	**825**	**-**	**-**	**825**	1,019
Financial assets other than loans and advances	**34,932**	**-**	**-**	**34,932**	28,984
Gross loans and advances (1)	**68,305**	**5,633**	**1,073**	**75,011**	75,525
Total financial assets	**103,237**	**5,633**	**1,073**	**109,943**	104,509
Customer commitments (2)	**9,649**	**-**	**-**	**9,649**	5,170
Total potential exposure to credit risk	**112,886**	**5,633**	**1,073**	**119,592**	109,679

(1) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.
(2) Refer to Note 5.2 for details of customer commitments.

Notes to the financial statements.

For the year ended 31 August 2023

3.6 Financial risk management (continued)

b) Credit risk (continued)

(ii) Credit quality

The credit quality categories of financial assets have been determined based on Standard & Poor's credit ratings, APRA risk weightings and the Bank's standard risk grading. The categories are classified as below:

- High grade – generally corresponds to Standard & Poor's credit ratings AAA+ to BBB-;
- Satisfactory – generally corresponds to Standard & Poor's credit rating BB+ to B;
- Weak – generally corresponds to Standard & Poor's credit ratings up to B; and
- Unrated – Loans and advances which have been classified as unrated are not secured, however these are not deemed to be weak.

The table below presents an analysis of the credit quality of financial assets:

	Consolidated							
	2023 $m				2022 $m			
	Gross loans and advances				Gross loans and advances [1]			
	Retail	**Commercial**	**Gross loans and advances**	**Other financial assets**	Retail	Commercial	Gross loans and advances	Other financial assets
High Grade	**58,947**	**4,471**	**63,418**	**23,040**	59,554	5,099	64,653	17,284
Stage 1	**54,500**	**4,378**	**58,878**	**23,040**	57,011	5,005	62,016	17,284
Stage 2	**4,447**	**93**	**4,540**	**-**	2,543	94	2,637	-
Stage 3	**-**	**-**	**-**	**-**	-	-	-	-
Satisfactory	**1,481**	**12,181**	**13,662**	**-**	2,474	9,951	12,425	-
Stage 1	**1,337**	**11,398**	**12,735**	**-**	2,171	9,271	11,442	-
Stage 2	**144**	**783**	**927**	**-**	303	680	983	-
Stage 3	**-**	**-**	**-**	**-**	-	-	-	-
Weak	**1,196**	**1,227**	**2,423**	**6**	1,365	2,023	3,388	10
Stage 1	**352**	**502**	**854**	**6**	601	1,256	1,857	10
Stage 2	**46**	**383**	**429**	**-**	62	484	546	-
Stage 3	**798**	**342**	**1,140**	**-**	702	283	985	-
Unrated	**1,436**	**197**	**1,633**	**-**	336	424	760	-
Stage 1	**1,401**	**197**	**1,598**	**-**	309	423	732	-
Stage 2	**35**	**-**	**35**	**-**	27	1	28	-
Stage 3	**-**	**-**	**-**	**-**	-	-	-	-
	63,060	**18,076**	**81,136**	**23,046**	63,729	17,497	81,226	17,294

(1) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.

Notes to the financial statements.

For the year ended 31 August 2023

3.6 Financial risk management (continued)

b) Credit risk (continued)

(ii) Credit quality (continued)

	Bank							
	2023 $m				2022 $m			
	Gross loans and advances				Gross loans and advances [1]			
	Retail	Commercial	Gross loans and advances	Other financial assets	Retail	Commercial	Gross loans and advances	Other financial assets
High Grade	58,947	2,966	61,913	33,476	59,554	4,462	64,016	27,502
Stage 1	54,500	2,954	57,454	33,476	57,011	4,399	61,410	27,502
Stage 2	4,447	12	4,459	-	2,543	63	2,606	-
Stage 3	-	-	-	-	-	-	-	-
Satisfactory	1,487	8,004	9,491	-	2,474	6,869	9,343	-
Stage 1	1,343	7,405	8,748	-	2,171	6,339	8,510	-
Stage 2	144	599	743	-	303	530	833	-
Stage 3	-	-	-	-	-	-	-	-
Weak	1,196	975	2,171	6	1,366	464	1,830	10
Stage 1	352	350	702	6	601	55	656	10
Stage 2	46	350	396	-	63	204	267	-
Stage 3	798	275	1,073	-	702	205	907	-
Unrated	1,436	-	1,436	1,450	336	-	336	1,472
Stage 1	1,401	-	1,401	1,450	309	-	309	1,472
Stage 2	35	-	35	-	27	-	27	-
Stage 3	-	-	-	-	-	-	-	-
	63,066	11,945	75,011	34,932	63,730	11,795	75,525	28,984

(1) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.

Notes to the financial statements.

For the year ended 31 August 2023

3.6 Financial risk management (continued)

b) Credit risk (continued)

(iii) Concentration of exposure for gross loans and advances

Concentration of credit risk exists when a number of counterparties are engaged in similar activities, operate in the same geographical areas or industry sectors and have similar economic characteristics, so that their ability to meet contractual obligations is similarly affected by changes in economic, political or other conditions. The Group monitors concentrations of credit risk by geographical location for loans and advances. An analysis of these concentrations of credit risk at the reporting date is shown below:

	Consolidated		Bank	
Geographical concentration of credit risk for loans and advances (before provisions and unearned income)	**2023 $m**	2022 $m	**2023 $m**	2022 $m
Queensland	**25,579**	25,213	**23,684**	23,435
New South Wales	**25,551**	25,953	**24,043**	24,547
Victoria	**16,449**	16,032	**15,087**	14,839
Northern Territory	**429**	461	**371**	400
Australian Capital Territory	**2,058**	2,025	**2,008**	1,975
Western Australia	**6,830**	7,456	**6,265**	6,935
South Australia	**2,768**	2,622	**2,391**	2,265
Tasmania	**1,278**	1,239	**1,172**	1,140
International (New Zealand) [1]	**324**	308	**-**	-
	81,266	81,309	**75,021**	75,536

(1) Includes loans and finance lease receivables classified as held for sale. Refer to Note 5.4 e) for further detail.

Notes to the financial statements.

For the year ended 31 August 2023

3.6 Financial risk management (continued)

c) Liquidity and funding risk

Liquidity risk arises from the possibility that the Group is unable to meet its financial obligations as they fall due or incurs a loss on converting a position or selling an asset for cash to meet such obligations. These obligations include the repayment of deposits on demand or at their contractual maturity, the repayment of wholesale borrowings and capital notes as they mature and the payment of interest on borrowings.

These risks are governed by the Group's prescribed risk appetite, which is set by the Board, and managed by Group Treasury. Market Risk reviews the effectiveness of risk management and oversight is provided by the Group ALCO.

The Board is ultimately responsible for the prudent management of liquidity risk across the Group and to ensure compliance with risk appetite.

Key controls and risk mitigation strategies include:

- Daily monitoring of liquidity risk exposures, including LCR and NSFR.
- Maintaining adequate liquidity buffers and short-term funding capacity to withstand periods of disruption in long-term wholesale funding markets.
- Operating a prudent funding strategy which ensures appropriate diversification and limits maturity concentrations and imposing internal limits that are in addition to regulatory requirements.
- Maintaining a contingent funding plan designed to address liquidity shortfalls in a crisis situation.
- Managing a robust limit framework including stress testing and scenario analysis.

The liquid asset portfolio held as part of these principles aims to be well diversified by tenor, counterparty and product type. The composition of the portfolio mainly includes cash, commonwealth government and semi government securities. In addition, the Group holds internal RMBS as a source of contingent liquidity.

Funding mix

The Group's funding is comprised of a mix of deposits, including retail transaction accounts, savings accounts and term deposits, together with term wholesale funding, short-term wholesale funding and equity. The Group manages this within risk appetite settings to ensure suitable funding of its asset base and to enable it to respond to changing market conditions and regulatory requirements.

The Group is focused on developing a stable customer deposit base and maintaining access to diversified wholesale funding markets via its term funding programmes. In addition, during the 2023 financial year, the Group continued to access domestic and to a lesser extent international short-term wholesale markets.

On 19 March 2020, the RBA announced the establishment of the TFF for the Australian banking system to support ADIs in providing credit into the Australian economy. The TFF provided access to three-year secured funding, supported lending to the Group's customers, and reduced wholesale funding refinancing risks (Refer to Note 3.5). The Bank had $1.2 billion of TFF mature during the year ended 31 August 2023, and has $1.8 billion maturing in the next financial year ending 31 August 2024. The Group's intention is to refinance the upcoming maturities using a range of funding tools, including both customer deposits and wholesale funding, focusing particularly on stable funding sources.

Notes to the financial statements.

For the year ended 31 August 2023

3.6 Financial risk management (continued)

c) Liquidity risk (continued)

Consolidated 2023	Carrying amount $m	At call $m	3 months or less $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m
		Total contractual cashflows					
FINANCIAL LIABILITIES							
Due to other financial institutions	**1,707**	**1,305**	**152**	**259**	**-**	**-**	**1,716**
Deposits	**76,500**	**38,351**	**20,552**	**17,607**	**1,003**	**-**	**77,513**
Derivative financial instruments [1]	**31**	**-**	**4**	**13**	**13**	**1**	**31**
Accounts payable and other liabilities	**1,145**	**-**	**934**	**30**	**119**	**62**	**1,145**
Securitisation liabilities [2]	**7,029**	**-**	**398**	**915**	**6,683**	**-**	**7,996**
Borrowings [3]	**12,293**	**-**	**788**	**3,750**	**8,598**	**410**	**13,546**
Total financial liabilities	**98,705**	**39,656**	**22,828**	**22,574**	**16,416**	**473**	**101,947**
DERIVATIVE FINANCIAL INSTRUMENTS (HEDGING RELATIONSHIP)							
Contractual amounts payable		**-**	**940**	**2,323**	**2,956**	**154**	**6,373**
Contractual amounts receivable		**-**	**(997)**	**(2,517)**	**(3,142)**	**(195)**	**(6,851)**
	(511)	**-**	**(57)**	**(194)**	**(186)**	**(41)**	**(478)**
OFF BALANCE SHEET POSITIONS							
Guarantees, indemnities and letters of credit	**-**	**271**	**-**	**-**	**-**	**-**	**271**
Customer funding commitments	**-**	**10,366**	**-**	**-**	**-**	**-**	**10,366**
	-	**10,637**	**-**	**-**	**-**	**-**	**10,637**

(1) Derivative financial instruments other than those designated in hedge relationships.
(2) Repayment of securitisation bonds is forecast based on the expected repayment profile of the underlying assets of the Trusts.
(3) Borrowings include the $1.8 billion TFF.

Consolidated 2022	Carrying amount $m	At call $m	3 months or less $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m
		Total contractual cashflows					
FINANCIAL LIABILITIES							
Due to other financial institutions	1,821	1,821	-	-	-	-	1,821
Deposits	70,684	37,576	15,233	17,044	1,275	-	71,128
Derivative financial instruments [1]	41	-	2	20	19	1	42
Accounts payable and other liabilities	716	-	462	31	141	82	716
Securitisation liabilities [2]	7,542	-	503	839	6,476	496	8,314
Borrowings [3]	11,645	-	158	2,637	9,647	-	12,442
Total financial liabilities	92,449	39,397	16,358	20,571	17,558	579	94,463
DERIVATIVE FINANCIAL INSTRUMENTS (HEDGING RELATIONSHIP)							
Contractual amounts payable		-	1,214	1,143	4,060	252	6,669
Contractual amounts receivable		-	(1,194)	(1,385)	(4,138)	(305)	(7,022)
	(442)	-	20	(242)	(78)	(53)	(353)
OFF BALANCE SHEET POSITIONS							
Guarantees, indemnities and letters of credit	-	285	-	-	-	-	285
Customer funding commitments	-	5,859	-	-	-	-	5,859
	-	6,144	-	-	-	-	6,144

(1) Derivative financial instruments other than those designated in hedge relationships.
(2) Repayment of securitisation bonds is forecast based on the expected repayment profile of the underlying assets of the Trusts.
(3) Borrowings include the $3 billion TFF.

Notes to the financial statements.

For the year ended 31 August 2023

3.6 Financial risk management (continued)

c) Liquidity risk (continued)

Bank 2023	Carrying amount $m	Total contractual cash flows At call $m	3 months or less $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m
FINANCIAL LIABILITIES							
Due to other financial institutions	1,707	1,305	152	259	-	-	1,716
Deposits	76,730	38,581	20,552	17,607	1,003	-	77,743
Derivative financial instruments (1)	31	-	4	13	13	1	31
Accounts payable and other liabilities	1,042	-	831	30	119	62	1,042
Borrowings (2)	12,297	-	788	3,750	8,598	410	13,546
Amounts due to controlled entities	19,444	19,444	-	-	-	-	19,444
Total financial liabilities	**111,251**	**59,330**	**22,327**	**21,659**	**9,733**	**473**	**113,522**
DERIVATIVE FINANCIAL INSTRUMENTS (HEDGING RELATIONSHIP)							
Contractual amounts payable		-	842	1,366	1,991	154	4,353
Contractual amounts receivable		-	(903)	(1,556)	(2,109)	(195)	(4,763)
	(409)	-	(61)	(190)	(118)	(41)	(410)
OFF BALANCE SHEET POSITIONS							
Guarantees, indemnities and letters of credit	-	271	-	-	-	-	271
Customer funding commitments	-	9,378	-	-	-	-	9,378
	-	9,649	-	-	-	-	9,649

(1) Derivative financial instruments other than those designated in hedge relationships.
(2) Borrowings include the $1.8 billion TFF.

Bank 2022	Carrying amount $m	Total contractual cash flows At call $m	3 months or less $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m
FINANCIAL LIABILITIES							
Due to other financial institutions	1,821	1,821	-	-	-	-	1,821
Deposits	70,852	37,744	15,233	17,044	1,275	-	71,296
Derivative financial instruments (1)	41	-	2	20	19	1	42
Accounts payable and other liabilities	621	-	367	31	141	82	621
Borrowings (2)	11,647	-	158	2,637	9,647	-	12,442
Amounts due to controlled entities	23,177	23,177	-	-	-	-	23,177
Total financial liabilities	108,159	62,742	15,760	19,732	11,082	83	109,399
DERIVATIVE FINANCIAL INSTRUMENTS (HEDGING RELATIONSHIP)							
Contractual amounts payable		-	1,209	1,030	2,169	252	4,660
Contractual amounts receivable		-	(1,192)	(1,266)	(2,469)	(305)	(5,232)
	(536)	-	17	(236)	(300)	(53)	(572)
OFF BALANCE SHEET POSITIONS							
Guarantees, indemnities and letters of credit	-	285	-	-	-	-	285
Customer funding commitments	-	4,885	-	-	-	-	4,885
	-	5,170	-	-	-	-	5,170

(1) Derivative financial instruments other than those designated in hedge relationships.
(2) Borrowings include the $3 billion TFF.

Notes to the financial statements.

For the year ended 31 August 2023

3.7 Fair value of financial instruments

a) Fair value of financial instruments

The financial assets and liabilities listed below are recognised and measured at fair value and therefore their carrying value equates to their fair value:

- Derivatives;
- Financial instruments designated at FVTPL; and
- Financial instruments designated at FVOCI.

The fair value estimates for instruments carried at amortised cost are based on the methodologies and assumptions below.

Cash and cash equivalents, due from and to other financial institutions, accounts payable and other liabilities

The fair value approximates to their carrying value as they are short term in nature or are receivable or payable on demand.

Loans and advances

Loans and advances are net of specific and collective provisions for impairment and unearned income. The fair values of loans and advances that reprice within six months of year ended 31 August 2023 are assumed to equate to the carrying value. The fair values of all other loans and advances are calculated using discounted cash flow models based on the contractual maturity of the loans and advances.

The discount rates applied are based on the current interest rates at the reporting date for similar types of loans and advances, if the loans and advances were performing at the reporting date. The differences between estimated fair values and carrying values reflect changes in interest rates and creditworthiness of borrowers since loan or advance origination.

Deposits

The fair value of non-interest bearing, at call and variable rate deposits and fixed rate deposits repricing within six months is the carrying value. The fair value of other term deposits is calculated using discounted cash flow models based on the deposit type and its related maturity.

Borrowings and debt instruments at amortised cost

The fair values are calculated based on a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instruments.

b) Comparison of fair value to carrying amounts

The table below discloses the fair value of financial instruments where their carrying values are not a reasonable approximation of their fair value:

	Carrying value		Fair value	
Consolidated	**2023 $m**	2022 $m	**2023 $m**	2022 $m
ASSETS CARRIED AT AMORTISED COST				
Loans and advances	**80,556**	80,931	**80,068**	79,936
	80,556	80,931	**80,068**	79,936
LIABILITIES CARRIED AT AMORTISED COST				
Deposits	**(76,500)**	(70,684)	**(76,563)**	(70,818)
Borrowings including subordinated notes	**(19,322)**	(19,187)	**(19,336)**	(19,275)
	(95,822)	(89,871)	**(95,899)**	(90,093)
Bank				
ASSETS CARRIED AT AMORTISED COST				
Loans and advances	**74,780**	75,311	**74,442**	74,545
Debt instruments at amortised cost	**13,044**	13,050	**13,049**	13,050
	87,824	88,361	**87,491**	87,595
LIABILITIES CARRIED AT AMORTISED COST				
Deposits	**(76,730)**	(70,852)	**(76,793)**	(70,986)
Borrowings including subordinated notes	**(12,297)**	(11,647)	**(12,328)**	(11,734)
	(89,027)	(82,499)	**(89,121)**	(82,720)

Notes to the financial statements.

For the year ended 31 August 2023

3.7 Fair value of financial instruments (continued)

c) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy and valuation techniques, which reflect the significance of the inputs used in making the measurements:

- **Level 1:** This category includes assets and liabilities for which the valuation is determined from inputs based on unadjusted quoted market prices in active markets for identical instruments.
- **Level 2:** This category includes assets and liabilities for which the valuation is determined from inputs other than quoted prices included within level 1, which are observable either directly or indirectly. This includes the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.
- **Level 3:** This category includes assets and liabilities for which the valuation includes inputs that are not based on observable market data. This includes equity instruments where there are no quoted market prices.

The fair value hierarchy classification of instruments held at amortised cost:

- Debt instruments at amortised cost – Level 2.
- Loans and advances – Level 3.
- Deposits and borrowings – Level 2.

There was no movement between levels during the year.

The table below analyses financial instruments carried at fair value, by the valuation method:

	2023			
Consolidated	**Level 1 $m**	**Level 2 $m**	**Level 3 $m**	**Total $m**
FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE				
Derivative financial assets	**-**	**880**	**-**	**880**
Financial assets at FVTPL	**-**	**38**	**-**	**38**
Debt instruments at FVOCI	**5,478**	**10,943**	**-**	**16,421**
Equity Instruments at FVOCI	**-**	**-**	**6**	**6**
Total assets measured at fair value	**5,478**	**11,861**	**6**	**17,345**
Derivative financial liabilities	**-**	**(365)**	**-**	**(365)**
Net financial instruments at fair value	**5,478**	**11,496**	**6**	**16,980**

	2022			
Consolidated	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE				
Derivative financial assets	-	1,073	-	1,073
Financial assets at FVTPL	-	-	4	4
Debt instruments at FVOCI	6,335	6,969	-	13,304
Equity instruments at FVOCI	-	-	6	6
Total assets measured at fair value	6,335	8,042	10	14,387
Derivative financial liabilities	-	(630)	-	(630)
Net financial instruments at fair value	6,335	7,412	10	13,757

Notes to the financial statements.

For the year ended 31 August 2023

3.7 Fair value of financial instruments (continued)

c) Fair value hierarchy (continued)

Bank	2023 Level 1 $m	Level 2 $m	Level 3 $m	Total $m
FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE				
Derivative financial assets	**-**	**825**	**-**	**825**
Financial assets at FVTPL	**-**	**38**	**-**	**38**
Debt instruments at FVOCI	**5,478**	**10,943**	**-**	**16,421**
Equity Instruments at FVOCI	**-**	**-**	**6**	**6**
Total assets measured at fair value	**5,478**	**11,806**	**6**	**17,290**
Derivative financial liabilities	**-**	**(412)**	**-**	**(412)**
Net financial instruments at fair value	**5,478**	**11,394**	**6**	**16,878**

Bank	2022 Level 1 $m	Level 2 $m	Level 3 $m	Total $m
FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE				
Derivative financial assets	-	1,019	-	1,019
Financial assets at FVTPL	-	-	4	4
Debt instruments at FVOCI	6,335	6,969	-	13,304
Equity instruments at FVOCI	-	-	6	6
Total assets measured at fair value	6,335	7,988	10	14,333
Derivative financial liabilities	-	(482)	-	(482)
Net financial instruments at fair value	6,335	7,506	10	13,851

Notes to the financial statements.

For the year ended 31 August 2023

3.8 Derivative financial instruments and hedge accounting

a) Fair value of derivatives

The following tables summarise the notional and fair value of the Group's and Bank's commitments to derivative financial instruments at reporting date. Fair value in relation to derivative financial instruments is estimated using net present value techniques. The tables below set out the fair values of the derivative financial instruments.

	Consolidated					
	2023			2022		
	Notional amount	**Fair value**		Notional amount	Fair value	
	$m	**Asset $m**	**Liability $m**	$m	Asset $m	Liability $m
DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS						
Interest rate swaps	**16,005**	**33**	**(28)**	22,185	40	(40)
Foreign exchange forwards	**103**	**2**	**(3)**	139	2	(1)
Futures (interest rate)	**725**	**-**	**-**	194	-	-
	16,833	**35**	**(31)**	22,518	42	(41)
DERIVATIVES HELD AS CASH FLOW HEDGES						
Interest rate swaps	**57,540**	**558**	**(252)**	48,172	782	(285)
Cross currency swaps	**2,649**	**71**	**(28)**	2,674	56	(202)
Foreign exchange forwards	**967**	**14**	**(6)**	969	15	(7)
	61,156	**643**	**(286)**	51,815	853	(494)
DERIVATIVES DESIGNATED AS FAIR VALUE HEDGES						
Interest rate swaps	**5,157**	**202**	**(48)**	5,444	178	(95)
DERIVATIVES DESIGNATED AS NET INVESTMENT HEDGES						
Foreign exchange forwards	**27**	**-**	**-**	26	-	-
Total derivatives measured at fair value	**83,173**	**880**	**(365)**	79,803	1,073	(630)

Notes to the financial statements.

For the year ended 31 August 2023

3.8 Derivative financial instruments and hedge accounting (continued)

a) Fair value of derivatives (continued)

	Bank					
	2023			2022		
	Notional amount	**Fair value**		Notional amount	Fair value	
	$m	**Asset $m**	**Liability $m**	$m	Asset $m	Liability $m
DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS						
Interest rate swaps	**16,005**	**33**	**(28)**	22,185	40	(40)
Foreign exchange forwards	**129**	**2**	**(3)**	165	2	(1)
Futures (interest rate)	**725**	**-**	**-**	194	-	-
	16,859	**35**	**(31)**	22,544	42	(41)
DERIVATIVES HELD AS CASH FLOW HEDGES						
Interest rate swaps	**57,124**	**540**	**(306)**	46,840	728	(313)
Cross currency swaps	**942**	**34**	**(21)**	967	56	(26)
Foreign exchange forwards	**967**	**14**	**(6)**	969	15	(7)
	59,033	**588**	**(333)**	48,776	799	(346)
DERIVATIVES DESIGNATED AS FAIR VALUE HEDGES						
Interest rate swaps	**5,157**	**202**	**(48)**	5,444	178	(95)
Total derivatives measured at fair value	**81,049**	**825**	**(412)**	76,764	1,019	(482)

b) Hedging strategy

The Group and Bank used derivative financial instruments for both hedging and trading purposes in the current year and prior year. Refer to Note 3.6 a) for an explanation of the Group's and Bank's risk management framework. The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities.

The Group's hedging strategy is to protect net interest income from variability in interest rates in Australian dollars. This requires the Group to enter into interest rate swaps allowing for the reduction in interest rate risk.

Foreign currency exposures are swapped to Australian dollars using cross currency interest rate swaps. These cross currency swaps will be matched to the underlying interest rate exposure of fixed or floating, respectively.

The majority of exposures are managed under the above strategy. Where a risk is within agreed limits, the Group may decide not to apply hedge accounting to that risk. Instead, the Group will manage its exposure under broader risk management processes.

c) Accounting for derivatives

In accordance with its treasury risk policies, the Group can hold derivative financial instruments for trading purposes. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially measured at fair value. Subsequent to initial recognition, gains or losses on derivatives are recognised in the income statement, unless they are entered into for hedging purposes.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and current creditworthiness of the swap counterparties.

The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price. The fair value of futures contracts is their quoted market price.

Notes to the financial statements.

For the year ended 31 August 2023

3.8 Derivative financial instruments and hedge accounting (continued)

c) Accounting for derivatives (continued)

The following table shows the maturity profile of hedging derivatives based on their notional amounts.

	2023 $m				2022 $m			
Consolidated	**0 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**	0 to 12 months	1 to 5 years	Over 5 years	Total
Interest rate swaps	**42,917**	**17,700**	**2,080**	**62,697**	26,361	24,389	2,866	53,616
Foreign exchange forwards	**994**	**-**	**-**	**994**	995	-	-	995
Cross currency swaps	**1,123**	**1,520**	**6**	**2,649**	164	2,475	35	2,674
Bank								
Interest rate swaps	**41,779**	**17,337**	**3,165**	**62,281**	25,230	23,398	3,656	52,284
Foreign exchange forwards	**967**	**-**	**-**	**967**	969	-	-	969
Cross currency swaps	**312**	**624**	**6**	**942**	164	768	35	967

d) Hedging relationships

Cash flow hedges

Cash flow hedges are used by the Group to manage exposure to variability in future cash flows, which may result from fluctuations in interest and exchange rates. The Group principally uses interest rate swaps and cross currency swaps to protect against such fluctuations.

Where a derivative financial instrument is designated as a hedge of the variability of the cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income and accumulated in reserves in equity. The ineffective portion of any gain or loss is recognised immediately in profit or loss in the income statement. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses previously recognised directly in other comprehensive income are reclassified to profit or loss in the income statement in the same period or periods in which the asset acquired or liability assumed affects the income statement (i.e. when interest income or expense is recognised).

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship and the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in profit or loss in the income statement when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss is recognised immediately in profit or loss in the income statement.

Net investment hedge

The Group holds investments in New Zealand operations. Revaluation of net assets held in foreign currency results in gain or loss in the foreign currency translation reserve and volatility in shareholders' equity. To protect against this foreign currency risk, the Group enters into foreign currency forwards that are designated as hedging instruments in net investment hedges.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any foreign currency gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. To the extent the hedge is ineffective, a portion is recognised immediately in the income statement within other income or other expenses.

The following table shows the executed rates for the most significant hedging instruments that have been designated in cash flow hedges and net investment hedges that are in place at the balance date.

			Consolidated	
	Hedging Instruments	**Currency**	**2023**	2022
Cash flow hedges	Interest rate swaps	AUD	**0.075% - 5.205%**	0.068% - 4.253%
Cash flow hedges	Cross currency swaps	AUD / USD	**-**	0.780 - 0.793
		AUD / EUR	**0.617 - 0.67**	0.617 - 0.670
		NZD / AUD	**1.032 - 1.134**	1.032 - 1.119
Net Investment hedges	Foreign exchange forwards	AUD / NZD	**1.085**	1.111

Notes to the financial statements.

For the year ended 31 August 2023

3.8 Derivative financial instruments and hedge accounting (continued)

d) Hedging relationships (continued)

Fair value hedges

Fair value hedges are used by the Group to manage exposure to changes in the fair value of an asset. Changes in fair values arise from fluctuations in interest rates. The Group principally uses interest rate swaps to protect against such fluctuations.

Changes in the value of fair value hedges are recognised in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

All gains and losses associated with the ineffective portion of fair value hedge relationships are recognised immediately in the income statement.

If the hedge relationship no longer meets the criteria for hedge accounting, it is discontinued. The fair value adjustment to the hedged item is amortised to the income statement from the date of discontinuation over the period to maturity of the previously designated hedge relationship using the effective interest method. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement.

The following table shows the carrying value of hedged items designated in fair value hedge accounting relationships and the cumulative fair value hedge accounting adjustment that has been recognised as part of that carrying value. These balances are being amortised to the income statement on an effective yield basis. The Group does not hedge its entire exposure to a class of financial instruments, nor does it apply hedge accounting in all instances, therefore the carrying amounts below will not equal the total carrying amounts disclosed in other notes to these financial statements. As noted in the Group's accounting policies, since the hedged item is adjusted only for the hedged risk, the hedged item's carrying value disclosed in the table will not be equivalent to its fair value as disclosed in other notes to these financial statements. The accumulated amount of fair value hedge adjustments remaining in the balance sheet for hedged items that have ceased to be adjusted for hedging gains and losses is nil (2022: nil) for the Group.

	Consolidated			
	2023 $m		2022 $m	
	Carrying value [1]	**Fair value hedge adjustments Debit / (Credit)**	Carrying value [1]	Fair value hedge adjustments Debit / (Credit)
ASSETS				
Financial Investments	**5,059**	**276**	5,531	282

(1) The carrying amounts in the table above exclude accrued interest from the carrying amount of hedged items.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments not held for trading do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income.

Notes to the financial statements.

For the year ended 31 August 2023

3.8 Derivative financial instruments and hedge accounting (continued)

e) Hedge ineffectiveness

Hedge ineffectiveness, in the case of a fair value hedge, is the extent to which the changes in the fair value of the hedging instrument differ to that of the hedged item and, in the case of cash flow and net investment hedge relationships, the extent to which the change in the hedging instrument exceeds that of the hedged item. Sources of hedge ineffectiveness primarily arise from basis and timing differences between the hedged items and hedging instruments.

The following table contains the hedge ineffectiveness associated with cash flow hedge and fair value hedge relationships during the period, as recognised in other operating income in the income statement:

	Consolidated					
	2023 $m			2022 $m		
	Gains / (losses) on hedging instruments	**Gains / (losses) on hedged items**	**Hedge ineffectiveness**	Gains / (losses) on hedging instruments	Gains / (losses) on hedged items	Hedge ineffectiveness
INTEREST RATE RISK						
Fair value hedges:						
Interest rate swaps	**(5)**	**6**	**1**	474	(474)	-
Cash flow hedges:						
Interest rate swaps	**(279)**	**279**	**-**	540	(545)	(5)
INTEREST RATE AND FOREIGN EXCHANGE RISK						
Cash flow hedges:						
Cross currency swaps	**(199)**	**199**	**-**	(163)	163	-
NET INVESTMENT HEDGE						
Foreign exchange forwards	**2**	**(2)**	**-**	2	(2)	-

Notes to the financial statements.

For the year ended 31 August 2023

3.8 Derivative financial instruments and hedge accounting (continued)

f) Master netting or similar arrangements

The Group enters into derivative transactions under International Swaps and Derivatives Association (**ISDA**) master netting agreements. Amounts owed by each counterparty are aggregated into a single net amount that is payable by one party to another.

The Group also receives and gives collateral in the form of cash in respect of derivatives and such collateral is subject to standard industry terms. The Group has not offset these amounts in the balance sheet as their ISDA agreements do not meet the criteria to do so. The Group has no current legally enforceable right to offset recognised amounts as the right to offset is only enforceable on the occurrence of future events. The Group normally settles on a net basis or realises the derivative assets and liabilities simultaneously.

The following tables set out the effect of netting arrangements on derivative financial assets and derivative financial liabilities if they were to be applied.

			2023 $m		
Consolidated	**Gross amounts as presented in the balance sheet**	**Net amounts of recognised assets and liabilities available for offset**	**Calculated balance**	**Cash collateral**	**Net amounts if offsetting applied in the balance sheet**
Derivative financial assets	**880**	**(326)**	**554**	**(510)**	**44**
Derivative financial liabilities	**(365)**	**326**	**(39)**	**19**	**(20)**

			2022 $m		
Consolidated	Gross amounts as presented in the balance sheet	Net amounts of recognised assets and liabilities available for offset	Calculated balance	Cash collateral	Net amounts if offsetting applied in the balance sheet
Derivative financial assets	1,073	(411)	662	(641)	21
Derivative financial liabilities	(630)	411	(219)	25	(194)

			2023 $m		
Bank	**Gross amounts as presented in the balance sheet**	**Net amounts of recognised assets and liabilities available for offset**	**Calculated balance**	**Cash collateral**	**Net amounts if offsetting applied in the balance sheet**
Derivative financial assets	**825**	**(326)**	**499**	**(510)**	**(11)**
Derivative financial liabilities	**(412)**	**326**	**(86)**	**19**	**(67)**

			2022 $m		
Bank	Gross amounts as presented in the balance sheet	Net amounts of recognised assets and liabilities available for offset	Calculated balance	Cash collateral	Net amounts if offsetting applied in the balance sheet
Derivative financial assets	1,019	(411)	608	(641)	(33)
Derivative financial liabilities	(482)	411	(71)	25	(46)

Notes to the financial statements.

For the year ended 31 August 2023

3.9 Capital management

The Group and the Bank's capital management strategy aims to ensure adequate capital levels are maintained to protect deposit holders. The Bank's capital is measured and managed in line with Prudential Standards issued by APRA. The capital management plan is updated annually and submitted to the Board for approval. The approval process is designed to ensure the plan is consistent with the overall business plan and for managing capital levels on an ongoing basis.

APRA's revised Basel III capital framework became effective on 1 January 2023. The revisions are reflected in disclosed ratios for February 2023 and August 2023. Comparative information has not been restated and reflect reported ratios at the time under the previous capital framework.

The Board has determined that BOQ will target to operate within the Common Equity Tier 1 (**CET1**) range of between 10.25-10.75 per cent, in normal operating conditions.

3.10 Capital and reserves

a) Ordinary shares

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share rights are recognised as a deduction from equity, net of any tax effects.

Treasury shares

Ordinary shares of the Bank may be purchased from time to time by a controlled entity of the Bank, pursuant to the Awards Rights Plan, Equity Incentive Plan, Non-Executive Director Fee Sacrifice Rights Plan and the BOQ Employee ThankQ Plan. Where these shares remain unvested to employees they are treated as treasury shares and deducted from capital as required by AASB 132 *Financial Instruments: Presentation*. No profit or loss is recorded on purchase, sale, issue or cancellation of these shares.

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as determined by the Bank and are entitled to one vote per share at shareholders' meetings. In the event of a winding up of the Bank, ordinary shareholders rank after capital note holders and creditors and are fully entitled to any residual proceeds of liquidation.

	Consolidated		Bank	
	2023 No of shares	2022 No of shares	**2023 No of shares**	2022 No of shares
MOVEMENTS DURING THE YEAR				
Balance at the beginning of the year – fully paid	**647,357,479**	640,889,563	**647,357,479**	640,889,563
Dividend reinvestment plan [(1)]	**9,859,952**	6,467,916	**9,859,952**	6,467,916
Balance at the end of the year – fully paid	**657,217,431**	647,357,479	**657,217,431**	647,357,479
TREASURY SHARES (INCLUDED IN ORDINARY SHARES ABOVE):				
Balance at the beginning of the year	**2,243,719**	1,128,671	-	-
Net acquisitions and disposals during the year	**974,405**	1,115,048	-	-
Balance at the end of the year	**3,218,124**	2,243,719	-	-

(1) 20 per cent of the dividend paid on 1 June 2023 and 24 per cent of the dividend paid on 17 November 2022 were reinvested by shareholders as part of the dividend reinvestment plan. 24 per cent of the dividend paid on 26 May 2022 and 11 per cent of the dividend paid on 18 November 2021 were reinvested by shareholders as part of the dividend reinvestment plan in prior year.

Notes to the financial statements.

For the year ended 31 August 2023

3.10 Capital and reserves (continued)

b) Other equity instruments

Other equity instruments of $101 million consist of Additional Tier 1 (**AT1**) securities assumed on the acquisition of ME Bank. The securities are perpetual, non-cumulative, subordinated and unsecured notes (**AT1 Capital Notes**).

	Earliest redemption date	**2023 No of capital notes**	2022 No of capital notes
AT1 EQUITY INSTRUMENTS			
AT1 Capital Notes (Series 1)	-	**-**	20,000
AT1 Capital Notes (Series 2)	5/12/2023	**10,000**	10,000
Total AT1 equity instruments		**10,000**	30,000

The AT1 Capital Notes were transferred to the Bank on 28 February 2022 as part of a total transfer of all assets and liabilities of ME Bank to the Bank undertaken pursuant to the Financial Sector (Transfer and Restructure) *Act 1999* (Cth). Upon transfer, the AT1 Capital Notes formed part of the Group's capital adequacy. The AT1 Capital Notes are presented in Other equity instruments in the consolidated balance sheet and the consolidated statement of changes in equity.

AT1 Capital Notes (Series 1) were redeemed in full on 28 November 2022.

The principal terms of the AT1 Capital Notes are as follows:

- Rank for payment:
  - Ahead of common equity;
  - Equally without any preference amongst themselves for each series and with the holders of equal ranking instrument; and
  - Behind the claims of subordinated tier 2 instruments and the senior creditors.
- AT1 Capital Notes are undated and, unless a tax event or regulatory event occurs, are only redeemable, at the option of BOQ, on or after the fifth anniversary of the date of issue, subject to prior written approval by APRA;
- AT1 Capital Notes pay quarterly floating rate non-cumulative distributions. The payment of distributions is at the discretion of BOQ and subject to no payment condition existing at the payment date; and
- Some or all of the AT1 Capital Notes must be written-off if a non-viability trigger event, as determined by APRA, occurs.

c) Nature and purpose of reserves

Employee benefits reserve

The employee benefits reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 5.1 for further details of these plans.

Profit reserve

The profit reserve represents accumulated profits available for distribution as a dividend.

Equity reserve for credit losses

The Equity reserve for credit losses (**ERCL**) has previously been held in accordance with APRA Prudential Standard, APS 220 Credit Quality, which required a reserve to cover future credit losses which may arise over the life of the portfolio. With the release of APS 220 Credit Risk Management, from 1 January 2022, the requirement to hold an ERCL was removed. BOQ has prudently maintained this reserve to cover potential unexpected losses.

FVOCI reserve

Changes in the fair value of financial assets classified as debt and equity instruments at FVOCI are recognised in other comprehensive income as described in Note 3.2 and accumulated in a separate reserve within equity. For debt instruments at FVOCI, amounts are reclassified to Other operating income in the income statement when the associated assets are sold or impaired. For equity instruments at FVOCI, amounts are not subsequently transferred to the income statement when the associated assets are sold or impaired, but can be reclassified to retained profits.

Cash flow hedge reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in Note 3.8 d).

Share revaluation reserve

The share revaluation reserve represents the gain or loss on revaluation of the shares held within the employee share plan trust. The revaluation of treasury shares is netted off in equity.

Notes to the financial statements.

For the year ended 31 August 2023

Note 4. Other assets and liabilities

4.1 Intangible assets

Consolidated	Goodwill $m	Customer related intangibles and brands $m	Computer software $m	Assets under construction $m	Total $m
Balance as at 1 September 2021	767	60	246	133	1,206
Change on revision of accounting policy (1)	-	-	(35)	(12)	(47)
Restated balance as at 1 September 2021	767	60	211	121	1,159
Additions	-	-	-	173	173
Transfers to asset	-	-	118	(118)	-
Amortisation charge	-	(9)	(66)	-	(75)
Balance as at 31 August 2022	767	51	263	176	1,257
Balance as at 1 September 2022	**767**	**51**	**263**	**176**	**1,257**
Additions	**-**	**-**	**-**	**143**	**143**
Transfers to asset	**-**	**-**	**129**	**(129)**	**-**
Amortisation charge	**-**	**(9)**	**(76)**	**-**	**(85)**
Impairment	**(200)**	**-**	**(36)**	**(7)**	**(243)**
Balance as at 31 August 2023	**567**	**42**	**280**	**183**	**1,072**

Bank	Goodwill $m	Customer related intangibles and brands $m	Computer software $m	Assets under construction $m	Total $m
Balance as at 1 September 2021	622	4	191	98	915
Change on revision of accounting policy (1)	-	-	(35)	(12)	(47)
Restated balance as at 1 September 2021	622	4	156	86	868
Additions	-	-	-	172	172
Transfer of ME Bank assets (2)	82	56	52	36	226
Transfers to asset	-	-	118	(118)	-
Other transfers (3)	-	-	(4)	-	(4)
Amortisation charge	-	(9)	(64)	-	(73)
Balance as at 31 August 2022	704	51	258	176	1,189
Balance as at 1 September 2022	**704**	**51**	**258**	**176**	**1,189**
Additions	**-**	**-**	**-**	**143**	**143**
Transfers to asset	**-**	**-**	**129**	**(129)**	**-**
Amortisation charge	**-**	**(9)**	**(74)**	**-**	**(83)**
Impairment	**(200)**	**-**	**(36)**	**(7)**	**(243)**
Balance as at 31 August 2023	**504**	**42**	**277**	**183**	**1,006**

(1) Opening balance has been restated to reflect the adjustments in relation to Software as a Service arrangements. Refer to 2022 Annual Report for detailed information.
(2) ME Bank intangible assets transferred to the Bank upon ME Bank's ADI licence surrender on 28 February 2022.
(3) Transfer of an asset from the Bank to a subsidiary in the Group.

Notes to the financial statements.

For the year ended 31 August 2023

4.1 Intangible assets (continued)

Recognition and measurement

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (**CGUs**) for the purpose of impairment testing. The allocation is made to those CGUs that are expected to benefit from the business combination purposes, being the operating segments - Retail Banking and BOQ Business. Please refer to Note 5.8 e) for further details.

(ii) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(iii) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software in which the goodwill arose. The units are identified at the lowest level at which goodwill is monitored for internal management;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(iv) Research and development

Research expenditure and development expenditure that do not meet the criteria in (iii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(v) Software as a service

Software as a service (**SaaS**) costs are only recognised as intangible assets if the implementation activities create an asset that the entity controls and the asset meets the recognition criteria. Costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangement to significantly customise the software for the Group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

Amortisation

Except for goodwill, amortisation is charged to profit or loss in the income statement on a straight-line basis over the estimated useful life of the intangible asset unless the life of the intangible asset is indefinite. Where applicable, intangible assets are amortised from the date they are available for use. The amortisation period and method are reviewed on an annual basis. The amortisation rates used in the current and comparative periods are as follows:

	Years
Computer software	3-10
Customer related intangibles and brands	3-10

Impairment testing of the Cash-Generating Units containing goodwill

As the Group's market capitalisation was below the Group's net asset value at 28 February 2023, the Group assessed the carrying value of CGUs containing goodwill as at 28 February 2023. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and a premium to reflect the risks specific to the CGUs.

As a result of this assessment, the Retail Banking CGU's recoverable amount indicated a shortfall relative to carrying amount. Accordingly, an impairment loss of $200 million has been recognised at 28 February 2023.

No further impairment was recognised as a result of the annual impairment testing at 31 August 2023.

Notes to the financial statements.

For the year ended 31 August 2023

4.1 Intangible assets (continued)

Value-in-use

The carrying amount of each CGU is compared to its recoverable amount. For the annual 2023 and 2022 reporting periods, the recoverable amount of the CGUs was determined based on value in use calculations which require the use of assumptions.

Value in use is determined by discounting the future cash flows generated from the continued operation of the CGU. These cash flow projections were updated during the year to reflect the most recent Board approved Strategic Plan. The key assumptions represent management's assessments of future trends in retail and business banking and are based on both external and internal sources. The following key assumptions were used in the value in use models:

- Post-tax cash flow projections based on a five year financial forecast which is developed annually and approved by management and the Board. A long term growth rate is applied to extrapolate cash flows beyond the initial five-year period for each CGU. These forecasts utilise information about current and future economic conditions, observable historical performance and management expectations of future business performance.
- Post-tax discount rate applied to the cash flow projections reflecting the specific risks and conditions relating to the relevant CGUs.
- Common Equity Tier 1 Holdback Rate refers to the level of capital held as a percentage of total risk-weighted assets, in line with the midpoint of management's target CET1 range.
- Long term growth rate is used to extrapolate cash flows beyond the forecast period and reflects the upper end of the RBA's target long-term inflation rate band.

The following table sets out the key assumptions used for both Retail Bank and BOQ Business:

	Retail Banking		BOQ Business	
	2023 %	2022 %	**2023 %**	2022 %
Post-tax discount rate	**10.31**	9.60	**10.03**	9.60
Common Equity Tier 1 Holdback Rate (1)	**10.50**	9.65	**10.50**	9.65
Long term growth rate	**3.00**	3.00	**3.00**	3.00

(1) Increase in CET1 Holdback rate has been aligned to the midpoint of management's CET1 target range, following Basel III implementation.

The directors and management have considered and assessed reasonably possible changes for other key assumptions.

Sensitivity analysis

The calculated headroom for the Retail Banking CGU, under the value in use model described above is:

	2023 $m	2022 $m
Retail Banking	**112**	49

The table below shows a sensitivity analysis for Retail Banking CGU. There is no impairment of Goodwill in Retail Banking but a reasonable possible change in assumptions would result in impairment. This sensitivity analysis assumes the specific assumption moves in isolation while all other assumptions are held constant. The below are reasonably possible changes in assumptions that would erode headroom to nil.

	Retail Banking
Post-tax discount rate	Increase to 10.53%
Long-term growth rate	Decrease to 1.8%
Long-run NIM %	Decrease by 1.5bps
Long-run investment profile	Increase by $18 million

There are no reasonably possible changes in assumptions that would result in an impairment of the Business Banking CGU.

Notes to the financial statements.

For the year ended 31 August 2023

4.2 Provisions and contingent liabilities

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The carrying amounts of the provisions recognised are:

	Consolidated		Bank	
	2023 $m	2022 $m	**2023 $m**	2022 $m
Employee benefits [1]	**46**	42	**44**	40
Pay and entitlements review	**6**	8	**6**	8
RAP provision	**45**	-	**45**	-
Restructuring provision [2]	**15**	6	**15**	6
Provision for non-lending losses	**1**	1	**1**	1
Other [3]	**17**	9	**17**	9
Total provisions	**130**	66	**128**	64

(1) Employee benefits provision consists of annual leave (represents present obligations resulting from employees' services provided up to the reporting date, calculated based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs) and long service leave entitlements for employees (represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date). The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attached to Australian 10 year corporate bonds at reporting date which most closely match the terms of maturity of the related liabilities. $41 million (2022: $36 million) of this provision balance is classified as current.

(2) During the year ended 31 August 2023, an additional restructuring provision of $13 million has been raised for the costs associated with the changes in the Group's operating model review to simplify the business.

(3) Other provisions includes an amount relating to alleged contraventions of financial services law by ME Bank prior to its acquisition by the BOQ Group.

Pay and entitlements review

In 2020 BOQ commenced a review of payments to employees covering Superannuation guarantee compliance and whether correct payments have been made to employees under successive BOQ Enterprise Agreements, being 2010, 2014 and 2018. BOQ has made remediation payments for base wage, lump-sum entitlement, superannuation and interest for active and former employees.
As at 31 August 2023, the remaining provision balance was $6 million (2022: $8 million). The provision balance is based on financial modelling that has reconstructed BOQ's payroll obligations, covering Enterprise Agreement remediation, on-costs and interest and associated professional costs based on management's assessment of the facts and circumstances existing as at the reporting date.
It is reasonably possible that the final outcomes may differ to those reported, the impact of which will be reflected in future reporting periods.
BOQ continues to engage closely with the Fair Work Ombudsman on the progress of the remediation.

Provision for Remedial Action Plans (RAP)

On 30 May 2023 the Group entered into voluntary enforceable undertakings with APRA and AUSTRAC to execute a multi-year program of work to uplift our operational resilience, risk culture, governance and Anti-Money Laundering and Counter-Terrorism Financing program. The enforceable undertakings are court enforceable.

The undertaking with APRA addresses remediation of weaknesses in the Group's risk management practices, controls, systems, governance and risk culture (**the APRA EU**). APRA has also determined to apply a capital adjustment to the Group's minimum capital requirements, adding $50 million to the Group's operational risk capital requirement.

As previously disclosed, the key terms of the APRA EU are as follows:

- Remedial Action Plan: prepare a remedial action plan to address underlying weaknesses in risk management practices, control, systems, governance and risk culture, a draft of which was required to be submitted to APRA for approval within 120 days of the APRA EU. The plan was required to, among other things, set out an appropriate timeline for the implementation of remediation activities, and be specific, measurable and achievable.
- Independent review: the Group was required to appoint an independent reviewer approved by APRA to report on the appropriateness of the remedial action plan and BOQ's progression against the remedial action plan.
- Accountability: the Group will ensure accountability for the remediation activities in the remuneration scorecards of accountable and responsible persons specified in the plan and other staff as relevant.

The requirement in respect of the $50 million capital adjustment applied from 30 May 2023. The change reduced the Group's Level 2 common equity tier 1 (**CET1**) ratio by approximately 17bps. The Group may apply for removal of all or part of the capital adjustment when it concludes that it can demonstrate compliance to APRA's satisfaction with commitments in respect of ongoing remediation and the APRA EU.

Notes to the financial statements.

For the year ended 31 August 2023

4.2 Provisions and contingent liabilities (continued)

Provision for Remedial Action Plans (RAP) (continued)

The enforceable undertaking with AUSTRAC addresses remediation of issues in respect of the Group's anti-money laundering and counter-terrorism financing program (**the AUSTRAC EU**).

As previously disclosed, the key terms of the AUSTRAC EU are as follows:

- Remedial Action Plan: prepare a remedial action plan, a draft of which was required to be submitted to AUSTRAC for approval within 120 days of the AUSTRAC EU. The plan was required to address concerns raised and identified by AUSTRAC and, among other things, include clear and measurable actions, a clear timeline for completion and clear accountabilities for executives.
- External auditor: the Group was required to appoint an external auditor to periodically report on the remedial action plan until the plan has been completed to the satisfaction of AUSTRAC.

The commitments entered into with APRA and AUSTRAC will continue the work commenced under the Integrated Risk Program (now referred to as the Remedial Action Plans) announced to the market on 14 April 2023 and for which the Group took a provision of $60 million at HY23.

The provision excluded the costs of activities that are expected to be performed by existing resources of the Group, ongoing operating costs and costs related to improvements beyond the matters identified.

A number of risks and uncertainties exist for which assumptions have been made in estimating the provision required, including:

- Scope: The provision has been based on matters currently identified that require uplift. It is possible that additional matters are identified as a result of further analysis or required by regulators that could increase the scope and cost of the program.
- Nature and extent of work required to address the matters identified: It has been necessary to estimate the work required to deliver on requirements based on plans at different levels of development. Allowance has been made for this uncertainty informing the estimate, however it is possible that as work proceeds the scope and cost of the program required is different to the estimate.
- Resources required to deliver the work required: As outlined above, the provision has been made for the additional expenditure to the Group necessary to deliver the required uplift such as external support, contractors and independent assurance providers. This has required estimation of the extent and cost of additional resources required based on an assumption of the Group's capacity to deliver a significant proportion of the activities with its existing and planned internal resources.

On 28 July 2023 the Group appointed Grant Thornton as external auditor for the purpose of the AUSTRAC EU and on 8 August 2023 as independent reviewer for the purpose of APRA EU.

On 20 September 2023 the Group submitted draft remedial action plan to AUSTRAC and on 27 September 2023 to APRA. Both submissions were made within the 120 day timeline set out in the Enforceable Undertakings.

Notes to the financial statements.

For the year ended 31 August 2023

4.2 Provisions and contingent liabilities (continued)

Movements in provisions

Movements in each class of provision during the year, other than employee benefits, are as follows:

	Consolidated				
2023	RAP provision $m	Restructuring provision $m	Pay and entitlements review $m	Non-lending loss $m	Other $m
Carrying amount at beginning of year	**-**	**6**	**8**	**1**	**9**
Additional provision recognised	**60**	**13**	**-**	**-**	**14**
Amounts utilised during the year	**(15)**	**-**	**-**	**-**	**(4)**
Release of provision	**-**	**(4)**	**(2)**	**-**	**(2)**
Carrying amount at end of year	**45**	**15**	**6**	**1**	**17**
Current	**23**	**15**	**6**	**1**	**10**
Non-current	**22**	**-**	**-**	**-**	**7**

	Bank				
2023	RAP provision $m	Restructuring provision $m	Pay and entitlements review $m	Non-lending loss $m	Other $m
Carrying amount at beginning of year	**-**	**6**	**8**	**1**	**9**
Additional provision recognised	**60**	**13**	**-**	**-**	**14**
Amounts utilised during the year	**(15)**	**-**	**-**	**-**	**(4)**
Release of provision	**-**	**(4)**	**(2)**	**-**	**(2)**
Carrying amount at end of year	**45**	**15**	**6**	**1**	**17**
Current	**23**	**15**	**6**	**1**	**10**
Non-current	**22**	**-**	**-**	**-**	**7**

	Consolidated				
2022	RAP provision $m	Restructuring provision $m	Pay and entitlements review $m	Non-lending loss $m	Other $m
Carrying amount at beginning of year	-	2	11	3	5
Transfer of ME Bank Provisions (1)	-	-	-	-	-
Additional provision recognised	-	5	-	-	8
Amounts utilised during the year	-	(1)	(3)	-	(3)
Release of provision	-	-	-	(2)	(1)
Carrying amount at end of year	-	6	8	1	9
Current	-	6	8	1	9
Non-current	-	-	-	-	-

	Bank				
2022	RAP provision $m	Restructuring provision $m	Pay and entitlements review $m	Non-lending loss $m	Other $m
Carrying amount at beginning of year	-	1	11	3	1
Transfer of ME Bank Provisions (1)	-	1	-	-	4
Additional provision recognised	-	5	-	-	5
Amounts utilised during the year	-	(1)	(3)	-	-
Release of provision	-	-	-	(2)	(1)
Carrying amount at end of year	-	6	8	1	9
Current	-	6	8	1	9
Non-current	-	-	-	-	-

(1) ME Bank provisions transferred to the Bank upon ME Bank's ADI licence surrender on 28 February 2022.

Notes to the financial statements.

For the year ended 31 August 2023

4.2 Provisions and contingent liabilities (continued)

The Bank's compliance with the Consumer Data Rights (CDR) regime (Open Banking)

BOQ continues to implement Actions to ensure compliance with CDR requirements, including for example in relation to data latency. BOQ has a Rectification Schedule in place with the ACCC, which sets out the status of its implementation of CDR requirements. The Rectification Schedule is publicly available.

It is uncertain what actions (if any) will result in meeting our CDR obligations, including in relation to matters set out in the Rectification Schedule, or BOQ's implementation of CDR requirements in earlier years.

Legal claims, remediation, compensation claims and regulatory enforcement

The BOQ Group is committed to strengthening, simplifying, digitising and optimising its business to deliver improved outcomes for our customers, people, shareholders and valued partners.

As BOQ has developed and progressed through the Remedial Action Plans, it has identified further weaknesses in its AML/CTF systems and controls, including in relation to its reporting to AUSTRAC. This has led to a failure to report a significant number of suspicious matter reports to AUSTRAC in a timely manner. Where BOQ has identified weaknesses, it has self-reported these to AUSTRAC and is working to address them. The work to address these weaknesses is reflected in the draft remedial action plan submitted to AUSTRAC.

While it is uncertain whether AUSTRAC or APRA will take any further enforcement action (either in relation to the matters referred to in the enforceable undertakings or other matters), neither regulator has indicated to BOQ that it intends to do so.

The Group could be engaged in a range of litigation matters at any given time. The Group (like all entities in the banking and finance sector) is exposed to the risk of litigation and there can be no assurance that significant litigation will not arise in the future. The outcome of legal proceedings, and total costs associated with exposure to litigation, remains uncertain. Where relevant, expert legal advice is obtained and, in the light of such advice, provisions or disclosures as deemed appropriate are made.

There is a risk that from time to time, the Group does not comply with its legal or regulatory obligations. In some cases where the Group does not comply, it must undertake remediation programs. The Group also undertakes ongoing compliance activities, including to review products, advice, conduct and services provided to its customers. Some of these reviews also result in remediation programs. Where relevant, the Group consults with the respective regulator on these matters.

The Group's regulators, including ASIC, ACCC, ATO, APRA and AUSTRAC and other independent bodies, such as the Banking Code Compliance Committee (**BCCC**), also engage with the Group. For example, our regulators or independent bodies may carry out reviews or audits of our compliance arrangements or request certain information from us as part of an inquiry or investigation. Throughout the year the Group has had numerous engagements with its regulators and independent bodies and been subject to a number of reviews and inquiries. This includes engagement with ASIC about concerns it has regarding BOQ's systems and controls relating to its design and distribution, breach reporting, dispute resolution and effective compensation arrangement obligations. There is a risk that, following such engagement, 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. There is also the risk that the Group incurs increased costs in people, processes and systems in order to meet regulators' requirements or expectations. The outcomes and total costs associated with these possible exposures remain uncertain.

Notes to the financial statements.

For the year ended 31 August 2023

Note 5. Other notes

5.1 Employee benefits

a) Superannuation commitments

Superannuation plan

The Group contributes to a number of superannuation plans which comply with the *Superannuation Industry (Supervision) Act 1993*. Contributions are charged to profit or loss in the income statement as they are payable.

Basis of contributions

The Group is required to meet the minimum legal obligations under the relevant superannuation guarantee legislation and the industrial instrument provisions.

b) Share based payments

The Group currently operates the Equity Incentive Plan (previously the Awards Right Plan) for equity-settled compensation. The plan allows the Group's employees to acquire shares in the Bank. The fair value of rights granted is recognised as an employee expense with a corresponding increase to the Employee Benefits Reserve. The fair value of rights granted is recognised as an employee expense with a corresponding increase to the Employee Benefits Reserve. The fair value is measured at grant date and expensed over the service period, which is based on the respective service vesting conditions. The fair value of the rights granted is measured using industry accepted pricing methodologies, taking into account the terms and conditions upon which the rights are granted. Where rights do not vest due to failure to meet a non-market condition (e.g. employee service period), the expense is reversed. Where rights do not vest due to failure to meet a market condition (e.g. total shareholder return test), the expense is not reversed.

(i) Description of share based payments

The Award Rights Plan was first introduced and approved by shareholders on 11 December 2008, with the subsequent changes to the Award Rights Plan approved by shareholders on 30 November 2017. It is an equity based program under which Award Rights were granted as long-term incentives. Types of award rights granted to employees under this plan were Deferred Award Rights (**DARs**), Performance Award Rights (**PARs**), BOQ Group Transformation Award (**BTAs**), BOQ Group Transformation Award - Virgin (**VTAs**) and Restricted Shares.

The Award Rights Plan was replaced by the Equity Incentive Plan for new awards from 1 September 2020. Types of award rights granted to employees under the new plan are DARs, Premium Priced Options, Performance Shares, Restricted Shares and CEO and Chair Award Rights (**CARs**).

No amount is payable by employees for the grant or exercise of the award rights.

Performance Shares

Performance Shares granted in FY23 are delivered in rights that convert to the restricted shares at the of the financial year based on the Board's assessment of the Group Scorecard, individual performance, risk and conduct assessment. Performance Shares granted in FY21 and FY22 converted based on the Board's assessment of the Group Scorecard, risk and conduct. Once converted, dealing restrictions are released from restricted shares after a further one, two and three years.

Premium Priced Options

Premium Priced Options vest in two tranches with 50 per cent vesting at the end of year four and 50 per cent at the end of year five and may be altered at the board's discretion. The exercise price is set at 120 per cent of the share price based on a volume weighted average price over the five trading days following the Annual General Meeting (**AGM**) and is also based on a risk assessment conducted by the Board. On exercise, the options can be settled in cash or an allocation of shares at the board's discretion.

DARs

There are no market performance hurdles or other performance based vesting conditions for DARs but the holder must remain an employee of the Bank. DARs granted in December 2019 were issued under the Award Rights Plan and vest over three years in the ratio of 20 per cent at the end of year one, 30 per cent at the end of year two and 50 per cent at the end of year three.

Subsequent DARs issuances are under the Equity Incentive Plan and the vesting period is dependent on if a person is an Accountable Person under the Banking Executive Accountability Regime (**BEAR**).

New DARs issued to Accountable Persons under the BEAR were extended to vest over four years in a ratio of 30 per cent at the end of year one, 15 per cent at the end of year two, 15 per cent at the end of year three and 40 per cent at the end of year four. Other DARs continue to vest over a three year period. DARs granted in January and February 2023 vest over three years in the ratio of 35 per cent at the end of year one, 35 per cent at the end of year two and 30 per cent at the end of year three. DARs may be exercised by the employee once they have vested.

Notes to the financial statements.

For the year ended 31 August 2023

5.1 Employee benefits (continued)

b) Share based payments (continued)

(i) Description of share based payments (continued)

Restricted Shares

The Group has used shares with restrictions on disposal as a non-cash, share based component of both short term and long term incentive awards. On occasion, restricted shares are also used as make-good awards.

CEO and Chair Award Rights (CARs)

There are no market performance hurdles or other performance based vesting conditions for CARs but the holder must remain an employee of the Bank. The CARs granted in FY22 will vest in three tranches, with 35 per cent vesting at the end of year one, 35 per cent at the end of year two and 30 per cent at the end of year three. The CARs granted in FY23 will vest in three tranches, with 20 per cent vesting at the end of year one, 30 per cent at the end of year two and 50 per cent at the end of year three.

CARs may be exercised by the employee once they have vested.

Award Rights Plan

PARs

PARs granted in December 2019 will vest in December 2023. Their vesting framework is based on the relative Total Shareholder Return (**rTSR**) and relative EPS. The rTSR component makes up 80 per cent of the employee's PARs and is measured against a peer group over a four year period. That peer group consists of companies included in the S&P/ASX 200 index, excluding selected entities in resources, real estate investment trusts, telecommunications (offshore headquartered), energy and utilities and such other inclusions and exclusions the Board considers appropriate. TSR is a measure of the entire return a shareholder would obtain from holding an entity's securities over a period, taking into account factors such as changes in the market value of the securities and dividends paid over the period.

The TSR component of the PARs vests in accordance with rTSR performance as follows:

rTSR performance	TSR component of PARs vesting
At or above 75th percentile	All
50th to 75th percentile	Relative proportion between 50 and 100 per cent
Below 50th percentile	None

The remaining 20 per cent of PARs vest based on the Bank's EPS performance measured against a financial services peer group over a four year period:

The Bank's cash EPS Compound Annual Growth Rate (CAGR) performance	PARs vesting
At or above 90th percentile	All
60th to 90th percentile	Relative proportion between 50 and 100 per cent
Below 60th percentile	None

PARs may be exercised by the employee once they have vested.

BTAs

The performance hurdles or vesting conditions for BTAs are linked to BOQ Group meeting cash earnings excluding loan impairment expense and income tax targets. BTAs vest in two tranches in the ratio of 50 per cent in year one and 50 per cent in year two if BOQ Group meets the respective cash earnings targets. There is an opportunity for retest in year two and three. There are no market performance hurdles. BTAs may be exercised by the employee once they have vested.

VTAs

The performance hurdles or vesting conditions for VTAs are linked to the delivery of a next generation core banking platform through Virgin Money Australia (**Project de Novo**) and BOQ Group meeting cash earnings excluding loan impairment expense and income tax targets. VTAs vest in two tranches in the ratio of 50 per cent subject to the delivery of Project de Novo and 50 per cent if BOQ Group meet cash earnings targets in year two. There is an opportunity for retest in year three. There are no market performance hurdles. VTAs may be exercised by the employee once they have vested.

Notes to the financial statements.

For the year ended 31 August 2023

5.1 Employee benefits (continued)

b) Share based payments (continued)

(ii) Award rights on issue

The number of rights and restricted shares on issue for the Group is as follows:

	Deferred Award Rights 2023 '000	Performance Award Rights 2023 '000	Premium Priced Options 2023 '000	BOQ Transformation Award Rights 2023 '000	BOQ Transformation Award Rights - Virgin 2023 '000	Performance Shares 2023 '000	Restricted Shares 2023 '000	CEO & Chair Awards Rights 2023 '000
Balance at beginning of the year	**2,757**	**966**	**11,572**	**180**	**33**	**1,322**	**279**	**382**
Granted during the year	**2,027**	**-**	**6,687**	**-**	**-**	**927**	**71**	**315**
Forfeited / expired during the year	**(357)**	**(509)**	**(3,946)**	**(22)**	**-**	**(397)**	**(97)**	**(40)**
Exercised during the year	**(884)**	**-**	**-**	**(107)**	**(30)**	**(103)**	**(90)**	**(89)**
Outstanding at the end of the year	**3,543**	**457**	**14,313**	**51**	**3**	**1,749**	**163**	**569**

	Deferred Award Rights 2022 '000	Performance Award Rights 2022 '000	Premium Priced Options 2022 '000	BOQ Transformation Award Rights 2022 '000	BOQ Transformation Award Rights - Virgin 2022 '000	Performance Shares 2022 '000	Restricted Shares 2022 '000	CEO & Chair Awards Rights 2022 '000
Balance at beginning of the year	2,142	1,197	8,034	248	40	661	300	-
Granted during the year	1,605	-	5,896	-	-	875	104	404
Forfeited / expired during the year	(328)	(231)	(2,358)	(36)	-	(214)	-	(22)
Exercised during the year	(662)	-	-	(32)	(7)	-	(125)	-
Outstanding at the end of the year	2,757	966	11,572	180	33	1,322	279	382

Notes to the financial statements.

For the year ended 31 August 2023

5.1 Employee benefits (continued)

b) Share based payments (continued)

(iii) Measurement of fair values

The Premium Priced Options have been valued using a four step methodology that uses a simulation approach to project future share prices and then the Binomial model to value the options on vesting.

The fair value of DARs, Performance Shares and CEO and Chair Award Rights have been measured using a formula based approach discounted by the assumed dividend yield.

The value of Restricted Shares is equal to the Share Price as at the grant date.

The weighted average of the inputs used in the measurement of the long term incentive award rights grants during the year was as follows:

		Deferred Award Rights	**Premium Priced Options**	**Performance Shares**	**Restricted Shares**	**CEO & Chair Awards Rights**
		2023	**2023**	**2023**	**2023**	**2023**
Fair value at grant date	$	**6.22**	**0.66**	**6.74**	**6.93**	**6.16**
Share price at grant date	$	**6.86**	**6.88**	**6.90**	**6.86**	**7.05**
Expected volatility	%	**25.0**	**25.0**	**25.0**	**25.0**	**25.0**
Risk free interest rate	%	**3.5**	**3.5**	**3.5**	**3.5**	**3.5**
Dividend yield	%	**6.0**	**6.1**	**6.0**	**6.0**	**6.0**

		Deferred Award Rights	Premium Priced Options	Performance Shares	Restricted Shares	CEO & Chair Awards Rights
		2022	2022	2022	2022	2022
Fair value at grant date	$	7.28	0.62	7.31	9.19	6.92
Share price at grant date	$	8.05	7.54	7.68	8.01	7.64
Expected volatility	%	25.0	25.0	25.0	25.0	25.0
Risk free interest rate	%	1.2	2.0	0.2	0.2	0.2
Dividend yield	%	5.0	5.0	5.0	5.0	5.0

(iv) Salary sacrifice arrangements

The Non-Executive Director Fee (**NEDs**) Sacrifice Rights Plan (**NED Plan**) allows NEDs to sacrifice a portion of their Board fees to acquire BOQ shares. The equity under this plan is not subject to any conditions apart from a disposal restriction for a minimum of three years.

The shares acquired as part of the NED Plan have been valued using the fair value at grant date using an industry-accepted valuation model. Inputs into the fair value calculation are in line with those shown in the table above.

(v) Other employee awards

BOQ ThankQ Plan

The ThankQ Plan replaces the previously offered salary sacrifice Employee Share Plan and is a gift of shares up to a maximum of $1,000 per eligible employee. During the year the Group granted no shares under this plan (2022: 317,125). The shares under this plan are restricted from sale until the earlier of three years or until an employee ceases employment with the Group.

Notes to the financial statements.

For the year ended 31 August 2023

5.2 Commitments

a) Customer funding commitments

	Consolidated		Bank	
	2023 $m	2022 $m	**2023 $m**	2022 $m
Guarantees, indemnities and letters of credit	**271**	285	**271**	285
Customer funding commitments [1]	**10,366**	5,859	**9,378**	4,885
	10,637	6,144	**9,649**	5,170

(1) In the previous year, the Group's policy was to consider only those commitments which were not unconditionally cancellable as their customer funding commitments. Following the implementation of Basel III and the related definitional change to commitments within those standards, the Group have revised their policy to consider the full committed balance. Comparative information has not been restated in this regard.

In the normal course of business the Group makes commitments to extend credit to its customers. Most commitments either expire if not taken up within a specified time or can be cancelled by the Group within one year. Credit risk is significantly less than the notional amount and does not crystallise until a commitment is funded.

Guarantees are provided to third parties on behalf of customers. The credit risks of such facilities are similar to the credit risks of loans and advances.

b) Other commitments

Expenditure on software assets and other expenditure contracted for but not provided on the balance sheets is $2 million (2022: $6 million).

St Andrew's

As part of the St Andrew's sale completed on 28 October 2021, BOQ provided a capped indemnity of $8.5 million to the buyer, Farmcove Investment Holdings, for the period ending 28 October 2024. No claims on the indemnity have been made up to the date of this report.

Notes to the financial statements.

For the year ended 31 August 2023

5.3 Related parties information

a) Controlled entities

Details of interests in materially controlled entities are set out in Note 5.4.

During the year there have been transactions between the Bank and its controlled entities. The Bank conducted normal banking business with its operating controlled entities. Amounts owing to or from controlled entities generally attract interest on normal terms and conditions, except in respect of Virgin Money (Australia) Pty Limited, Virgin Money Financial Services Pty Ltd, BOQ Specialist Pty Ltd, BOQ Home Pty Limited, Home Credit Management Pty Ltd, covered bond and securitisation trusts and dormant entities as set out in Note 5.4 a). The Bank receives management fees from its operating controlled entities except Virgin Money Financial Services Pty Ltd, BOQ Specialist Pty Ltd, BOQ Home Pty Limited, Home Credit Management Pty Ltd and dormant entities as set out in Note 5.4 a). The Bank earns fees for provision of services and facilities to the securitisation vehicles and the covered bond program, including the management and servicing of the loans and leases securitised.

The Bank has a related party relationship with equity accounted joint ventures, refer to Note 5.5.

b) Key management personnel compensation

KMP, including Directors and other Senior Executives, have authority and responsibility for planning, directing and controlling the activities of the Bank and the Group.

KMP compensation included in 'administrative expenses' and 'employee expenses' (refer to Note 2.2) is as follows:

	2023 $	2022 (1) $
Short term employee benefits	**8,128,080**	7,225,245
Long term employee benefits	**(46,207)**	87,996
Post employment benefits	**317,827**	294,097
Share based employment benefits	**2,000,097**	6,010,544
Termination benefits	**2,121,359**	350,000
	12,521,156	13,967,882

(1) The share-based payments expense has been restated to reflect the impact of the service vesting conditions noted in the respective Award Terms. The impact was an increase of $1,423,054 to prior year rights and a decrease of $101,147 to prior year shares/units. The number and total value of the relevant awards remains the same and as previously disclosed.

Individual Directors and Senior Executives compensation disclosures

Information regarding individual Directors and Senior Executives' compensation and equity instruments disclosures, as permitted by Regulation 2M.3.03 of the *Corporations Regulations 2001,* is provided in the Remuneration Report section of the Directors' Report.

Apart from the details disclosed in the Remuneration Report, no Director has entered into a material contract with the Bank since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

Notes to the financial statements.

For the year ended 31 August 2023

5.3 Related parties information (continued)

c) Other financial instrument transactions with key management personnel and their related parties

A number of KMP and their close family members hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. These entities, as well as the KMP and their close family members, are related parties to the Group. Financial instrument transactions with KMP and their related parties during the financial year arise out of the provision of banking services, the acceptance of funds on deposit, the granting of loans and other associated financial activities.

The terms and conditions of the transactions entered into with KMP and their related parties were no more favourable than those available, or which might reasonably be expected to be available on similar transactions to non-related entities, on an arm's length basis. No amounts have been written down or recorded as impaired during the year (2022: nil).

The loans between the Group and KMP or their related parties up to 31 August 2023 are:

	Balance as at		For the period [1]		
	1 September 2022 $	**31 August 2023 $**	**Total loan drawdowns / (repayments) $**	**Total loan / overdraft interest $**	**Total fees on loans / overdraft $**
TERM PRODUCTS (LOANS / ADVANCES)					
KMP	4,910,588	**1,767,632**	**(1,274,378)**	**123,586**	**690**
Other related parties	43,254,875	**46,555,482**	**2,569,309**	**2,214,278**	**1,015**
Total	48,165,463	**48,323,114**	**1,294,931**	**2,337,864**	**1,705**

(1) Amounts are included only for the period that the Director/Executive is classified as a member of the key management personnel. George Frazis ceased as a KMP on 28 November 2022 and Debra Eckersley ceased as a KMP on 5 June 2023. On this basis, loans and advances between the Consolidated Entity and Mr Frazis and Mrs Eckersley are not included in the closing balance as at 31 August 2023.

	Balance as at		For the period [1]		
	1 September 2021 $	31 August 2022 $	Total loan drawdowns / (repayments) $	Total loan / overdraft interest $	Total fees on loans / overdraft $
TERM PRODUCTS (LOANS / ADVANCES)					
KMP [2]	350,000	4,910,588	4,498,314	62,085	189
Other related parties [3]	31,532,381	43,254,875	10,869,862	851,772	860
Total	31,882,381	48,165,463	15,368,176	913,857	1,049

(1) Amounts are included only for the period that the Director/Executive is classified as a member of the key management personnel.

(2) In FY23 the Group performed a review of KMP disclosures, and noted the omission of loan accounts relating to Paul Newham and his close family members, which have been presented above for the period up until 31 August 2022.

(3) In FY23 the Group performed a review of KMP disclosures, and noted the omission of loan accounts relating to Martine Jager's related party, which have been presented above for the period up until 31 August 2022.

Notes to the financial statements.

For the year ended 31 August 2023

5.4 Controlled entities

a) Particulars in relation to materially controlled entities

The Group's controlled entities at 31 August 2023 are set out below. The country of incorporation or registration is also the principal place of business.

Controlled entities:	Place of business / country of incorporation	Parent entity's interest 2023 %	Parent entity's interest 2022 %	Amount of investment 2023 $m	Amount of investment 2022 [(1)] $m	Principal activities
Alliance Premium Funding Pty Ltd	New Zealand	**100**	100	**-**	-	Dormant
Bank of Queensland Limited Employee Share Plans Trust	Australia	**100**	100	**-**	-	Trust
BOQ Asset Finance and Leasing Pty Ltd	Australia	**100**	100	**-**	-	Asset finance & leasing
BOQ Covered Bond Trust	Australia	**100**	100	**-**	-	Issue of covered bonds
BOQ Credit Pty Limited	Australia	**100**	100	**-**	-	Asset finance & leasing
BOQ Equipment Finance Limited	Australia	**100**	100	**15**	15	Asset finance & leasing
BOQF Cashflow Finance Pty Ltd	Australia	**100**	100	**-**	-	Professional finance
BOQ Finance (Aust) Limited	Australia	**100**	100	**230**	230	Asset finance & leasing
BOQ Finance (NZ) Limited	New Zealand	**100**	100	**22**	22	Asset finance & leasing
BOQ Funding Pty Limited	Australia	**100**	100	**-**	-	Dormant
BOQ Home Pty Ltd	Australia	**100**	100	**63**	63 [(1)]	Investment holding entity
BOQ Share Plans Nominee Pty Ltd	Australia	**100**	100	**-**	-	Dormant
BOQ Specialist (Aust) Pty Ltd	Australia	**100**	100	**13**	13	Professional finance and asset finance & leasing
BOQ Specialist Pty Ltd	Australia	**100**	100	**-**	-	Professional finance
B.Q.L. Management Pty Ltd	Australia	**100**	100	**-**	-	Trust management
Home Credit Management Pty Ltd	Australia	**100**	100	**-**	-	Investment holding entity
Home Financial Planning Pty Ltd	Australia	**100**	100	**-**	-	Dormant
Impala Trust No. 1 - Sub-Series 2 [(2)]	Australia	**100**	100	**-**	-	Securitisation
Members Equity Proprietary Limited	Australia	**100**	100	**-**	-	Dormant
SMHL Series Private Placement 2014-2	Australia	**100**	100	**-**	-	Dormant
SMHL Series Securitisation Fund 2016-1	Australia	**100**	100	**-**	-	Dormant
SMHL Series Securitisation Fund 2017-1	Australia	**100**	100	**-**	-	Securitisation
SMHL Series Private Placement Trust 2017-2	Australia	**100**	100	**-**	-	Securitisation
SMHL Series 2018-1 Fund	Australia	**100**	100	**-**	-	Securitisation
SMHL Series Securitisation Fund 2018-2	Australia	**100**	100	**-**	-	Securitisation
SMHL Series Private Placement Trust 2019-1	Australia	**100**	100	**-**	-	Securitisation
SMHL Series Securitisation Fund 2019-1	Australia	**100**	100	**-**	-	Securitisation
SMHL Series Private Placement 2019-2	Australia	**100**	100	**-**	-	Securitisation
SMHL Securitisation Trust 2020-1	Australia	**100**	100	**-**	-	Securitisation
Pioneer Permanent Pty Ltd	Australia	**100**	100	**32**	32	Dormant
Series 2008-1 REDS Trust	Australia	**100**	100	**-**	-	Securitisation
Series 2012-1E REDS Trust	Australia	**100**	100	**-**	-	Dormant

(1) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.
(2) The trust's name has been updated from Impala Trust No. 2 - Sub-Series 2.

Notes to the financial statements.

For the year ended 31 August 2023

5.4 Controlled entities (continued)

a) Particulars in relation to materially controlled entities (continued)

Controlled entities:	Place of business / country of incorporation	Parent entity's interest 2023 %	Parent entity's interest 2022 %	Amount of investment 2023 $m	Amount of investment 2022 [(1)] $m	Principal activities
Series 2013-1 REDS Trust	Australia	**100**	100	**-**	-	Dormant
Series 2015-1 REDS Trust	Australia	**100**	100	**-**	-	Securitisation
Series 2017-1 REDS Trust	Australia	**100**	100	**-**	-	Securitisation
Series 2018-1 REDS Trust	Australia	**100**	100	**-**	-	Securitisation
Series 2018-1 REDS EHP Trust	Australia	**100**	100	**-**	-	Dormant
Series 2019-1 REDS Trust	Australia	**100**	100	**-**	-	Securitisation
Series 2021-1 REDS EHP Trust	Australia	**100**	100	**-**	-	Securitisation
Series 2022-1 REDS MHP Trust	Australia	**100**	100	**-**	-	Securitisation
Series 2022-1PP REDS EHP Trust	Australia	**100**	-	**-**	-	Securitisation
Series 2023-1 REDS Trust	Australia	**100**	-	**-**	-	Securitisation
Statewest Financial Planning Pty Ltd	Australia	**100**	100	**-**	-	Dormant
Virgin Money (Australia) Pty Limited	Australia	**100**	100	**53**	53	Financial services
Virgin Money Financial Services Pty Ltd	Australia	**100**	100	**-**	-	Financial services
Virgin Money Home Loans Pty Limited	Australia	**100**	100	**-**	-	Dormant
				428	428	

(1) Comparatives have been restated to reflect the prior period adjustments detailed in Note 1.5.

Notes to the financial statements.

For the year ended 31 August 2023

5.4 Controlled entities (continued)

b) Significant restrictions

In accordance with APS 222 *Associations with related entities*, the Bank and its subsidiaries that form part of the Extended Licensed Entity have various restrictions. This includes not having unlimited exposures to related entities, including general guarantees.

c) Acquisition of controlled entities

(i) Accounting for business combinations

All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired.

Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event and its fair value can be measured reliably.

Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as a finder's fee, legal fees, due diligence fees and other professional and consulting fees are expensed as incurred. Transaction costs related to the issue of ordinary shares are recognised as a deduction from equity.

(ii) Entities established during the year

The following entities were established during the financial year:

- Series 2022-1PP REDS EHP Trust was opened on 22 December 2022.
- Series 2023-1 REDS Trust was opened on 27 July 2023.

d) Disposal of controlled entities

(i) Entities closed during the year

The following trusts have exercised their clean up call options during the financial year:

- Series 2012-1E REDS Trust and SMHL Series Securitisation Fund 2016-1 clean up call options were exercised on 26 September 2022;
- Series 2018-1 REDS EHP Trust clean up call option was exercised on 14 November 2022;
- SMHL Series Private Placement 2014-2 clean up call option was exercised on 23 March 2023;
- Series 2013-1 REDS Trust clean up call option was exercised on 20 April 2023.

e) Operations classified as held for sale

During the year ended 31 August 2023, the Bank has made a decision to sell a portfolio of assets held by BOQ Finance (NZ) Limited and the New Zealand branch of BOQ Equipment Finance Limited. The assets include commercial loans, finance and operating leases written in New Zealand. This decision represents simplification of the Bank's lending portfolio removing the compliance burden with servicing a small lending portfolio in another jurisdiction.

As at the date of this report, the Bank has not entered into a contract for sale but continues to actively market the portfolio and the sale is expected to be completed in the next 12 months.

The sale of the New Zealand assets will impact the BOQ Business segment.

The carrying value of loans and leases held for sale as at 31 August 2023 amounted to $247 million as outlined in Note 3.3.

Notes to the financial statements.

For the year ended 31 August 2023

5.5 Investments in joint arrangements

The Group holds interests in a number of collectively and individually immaterial joint ventures that are accounted for using the equity method.

a) Accounting for joint arrangements

The Group's investment in joint venture entities is accounted for under the equity method of accounting in the consolidated financial statements. Joint ventures are entities in which the Group has joint control over all operational decisions and activities.

b) Details of joint ventures

Set out below are the joint ventures of the Group as at 31 August 2023 which, in the opinion of the Directors, are immaterial to the Group. Australia is the place of business and also the country of incorporation for all joint ventures.

	Ownership interest		Carrying amount	
	2023 %	2022 %	**2023 $m**	2022 $m
JOINT ARRANGEMENTS [1]				
Ocean Springs Pty Ltd (Brighton)	**9.31**	9.31	**2**	1
Dalyellup Beach Pty Ltd (Dalyellup)	**17.08**	17.08	**6**	7
East Busselton Estate Pty Ltd (Provence)	**25.00**	25.00	**-**	-
Coastview Nominees Pty Ltd (Margaret River) [2]	**-**	5.81	**-**	-
Provence 2 Pty Ltd (Provence 2)	**25.00**	25.00	**-**	-
Total equity accounted investments			**8**	8

(1) The principal activity of the joint venture entities is land subdivision, development and sale. These investments were acquired as part of the Home Building Society acquisition in 2007.

(2) Margaret River joint venture has been finalised.

Share of profit for equity accounted joint ventures, adjusted for the share of ownership held by the Group, is contained below:

	2023 $m	2022 $m
Profit from continuing operations	**2**	2
Total comprehensive profit	**2**	2

Notes to the financial statements.

For the year ended 31 August 2023

5.6 Auditor's remuneration

	Consolidated		Bank	
	2023 $000	2022 $000	**2023 $000**	2022 $000
AUDIT SERVICES				
Audits and reviews of the financial reports	**3,370**	2,290	**2,927**	2,000
Regulatory audits and reviews as required by regulatory authorities	**856**	654	**831**	630
Total audit services	**4,226**	2,944	**3,758**	2,630
AUDIT RELATED SERVICES				
Other assurance services	**102**	166	**102**	100
Total audit related services	**102**	166	**102**	100
NON-AUDIT SERVICES				
Taxation services	**-**	10	**-**	10
Other	**994**	596	**952**	387
Total non-audit services	**994**	606	**952**	397

Non-audit services, other, primarily relate to business specific reviews.

5.7 Events subsequent to balance date

Dividends have been determined after 31 August 2023. The financial effect of these dividends has not been brought to account in the financial statements for the year ended 31 August 2023. Further details with respect to the dividend amounts per share, payment date and dividend reinvestment plan can be obtained from Note 2.4 Dividends.

Except for the matters listed above, the Directors are not aware of any matters or circumstances that have arisen in the interval between the end of the financial year and the date of this report, or any item, event or transaction which significantly affects, or may significantly affect the operations of the Group in future financial years.

Notes to the financial statements.

For the year ended 31 August 2023

5.8 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statements and have been applied consistently across the Group and the Bank.

a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to benefit from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. In the Bank's financial statements, investments in subsidiaries are carried at cost.

(ii) Securitisation

The Group's securitisation programs consist of:

- REDS RMBS Trusts - securitisation of mortgage loans;
- REDS EHP Trusts - securitisation of hire purchase, chattel mortgages and finance leases;
- Impala and MHP Trusts - securitisation of medical equipment financed through the BOQ Specialist channel; and
- SMHL Trusts acquired as part of the ME Bank acquisition in 2021.

The Group

The Group receives the residual income distributed by its consolidated Trusts - REDS, Impala, MHP and SMHL - after all payments due to investors and associated costs of the program have been met.

The Group is considered to retain the risks and rewards of the receivables and they do not meet the derecognition criteria of AASB 9.

The Trusts fund their purchase of the loans by issuing floating-rate debt securities. The securities are represented as borrowings of the Group, however, the Group does not stand behind the capital value or the performance of the securities or the assets of the Trusts. The Group does not guarantee the payment of interest or the repayment of principal due on the securities. The loans subject to the securitisation program have been pledged as security for the securities issued by the Trusts. The Group is not obliged to support any losses that may be suffered by investors and does not intend to provide such support.

The Bank provides the securitisation programs with arm's length services and facilities, including the management and servicing of the loans and leases securitised.

The Bank has no right to repurchase any of the securitised assets and no obligation to do so, other than in certain circumstances where there is a breach of warranty within 120 days of the sale or when certain criteria are met under the clean up provision per the Trust Deed Supplement.

The transferred assets are equitably assigned to the Trusts. The investors in the securities issued by the Trusts have full recourse to the assets transferred to the Trusts.

Bank

The original transfer of the mortgages from the Bank to the Trusts does not meet the derecognition criteria set out in AASB 9. The Bank continues to reflect the securitised loans in their entirety and also recognises a financial liability to the Trusts. The interest payable on the inter-company financial asset/liability represents the return on an imputed loan between the Bank and the Trusts and is based on the interest income under the mortgages, the fees payable by the Trusts and the interest income or expense not separately recognised under the interest rate and basis swaps transactions between the Bank and the Trusts.

All transactions between the Bank and the Trusts are eliminated on consolidation.

(iii) Covered bond program

The Bank issues covered bonds for funding and liquidity purposes. Certain housing loans have been assigned to a bankruptcy remote structured entity to provide security for all obligations payable on the covered bonds issued by the Bank.

Similar to the securitisation programs, the Bank is entitled to any residual income after all payments due to covered bond investors have been met. As the Bank retains substantially all of the risks and rewards associated with the housing loans, the Bank continues to recognise the housing loans on balance sheet. Investors have dual recourse to the Bank and the covered pool assets.

(iv) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the financial statements.

For the year ended 31 August 2023

5.8 Significant accounting policies (continued)

b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are, initially, translated at the foreign exchange rate ruling at the date of the transaction. Subsequently, at reporting date, monetary assets and liabilities denominated in foreign currencies are translated into Australian dollars at the foreign exchange rate ruling at that date. Non-monetary items in a foreign currency that are measured at historical cost remain translated using the original exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in profit or loss. Where a foreign currency transaction is part of a hedge relationship it is accounted for as above, subject to the hedge accounting rules set out in Note 3.8.

(ii) Foreign operations

The Group carries out its foreign operations in New Zealand through the wholly controlled subsidiary, BOQ Finance (NZ) Limited and through the non-incorporated branch of BOQ Equipment Finance Limited.

c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (**GST**), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (**ATO**). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the balance sheet.

Cash flows are included in the statements of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from or payable to the ATO are classified as operating cash flows.

d) Property, plant and equipment

(i) Recognition and initial measurement

Items of property, plant and equipment are measured at cost on recognition.

(ii) Subsequent costs

Subsequent additional costs are only capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the assets will flow to the Group in future years. Where these costs represent separate components, they are accounted for as separate assets and are separately depreciated over their useful lives. Costs that do not meet the criteria for subsequent capitalisation are expensed as incurred.

(iii) Subsequent measurement

The Group has elected to use the cost model to measure property, plant and equipment after recognition. The carrying value is the initial cost less accumulated depreciation and any accumulated impairment losses.

(iv) Depreciation

Depreciation is charged to the profit or loss in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

	Years
IT equipment	3 - 8
Plant, furniture and equipment	3 - 20
Leasehold improvements [1]	6 - 12

(1) Or term of lease if less.

The useful lives are reassessed annually.

Notes to the financial statements.

For the year ended 31 August 2023

5.8 Significant accounting policies (continued)

e) Impairment of non-financial assets

Non-financial assets, other than deferred tax assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For goodwill, intangible assets with an indefinite life and assets under construction yet to commence amortisation the recoverable amount is estimated at the same time each year.

The Group conducts an annual internal review of non-financial asset values to assess for any indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets - a CGU.

An impairment loss is recognised in profit or loss in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use or its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit on a pro-rata basis.

This grouping is subject to an operating segment ceiling test. Non-financial assets, other than goodwill, that have previously suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. An impairment loss in respect of goodwill is not reversed.

f) Leases

(i) Identification of a lease

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has identified three types of leases: property leases, vehicle leases and equipment leases. Where practical the Group separates consideration in a contract between lease and non-lease components, only accounting for the lease component under AASB 16 Leases and the non-lease component under other relevant accounting standards. For property leases it has been possible to separate lease and non-lease components but for some equipment leases the Group has elected not to separate the consideration.

The Group has further elected not to recognise right-of-use (**ROU**) assets and lease liabilities for leases of low value assets (mainly IT equipment). The Group recognises these lease payments as an expense on a straight-line basis.

(ii) As a lessee

The Group recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses. Lease incentives received at commencement reduce the ROU asset value. ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease liability is measured as the present value of the lease payment outstanding at commencement date, discounted using the Group's incremental borrowing rate applied to the lease term. The lease liability is then increased by the interest expense on the lease liability and decreased by lease payments made.

The determination of the lease term in calculation of the lease liability relies on judgement as to whether any extension options or termination options are likely to be exercised. These judgements would be assessed 6-18 months prior to the lease expiry. When the lease liability is remeasured, a corresponding adjustment is made to the carrying value of the ROU asset, or, in the income statement, where the carrying value of the ROU asset has been fully written down.

Notes to the financial statements.

For the year ended 31 August 2023

5.8 Significant accounting policies (continued)

f) Leases (continued)

(iii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Group determines at lease inception whether each lease is a finance lease or an operating lease.

To classify the lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group provides both finance and operating leases as part of its Asset Leasing subsidiaries.

(iv) Operating leases

Operating leases, in which the Group is the lessor, are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated to write off the cost of operating lease assets less their estimated residual values using the straight-line basis over the term of the lease. This is generally recognised in profit or loss. Depreciation methods and residual values are reviewed at each reporting date and adjusted if appropriate.

(v) Finance leases

The Group leases business equipment to commercial customers. These leases typically run for a period of one to five years, with an option to renew the lease after that date or purchase. There are no products offered by the Group that contain variable lease payments.

Finance leases are those products where substantially all the risks and rewards of the leased asset have been transferred to the lessee.

Finance leases – unearned income

Finance lease receivables are initially recognised at amounts equal to the lower of fair value of the leased asset or the present value of the minimum lease repayments plus the present value of a guaranteed residual value expected to accrue at the end of the lease term. Subsequently, lease repayments are apportioned between interest income and the reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease. Assets leased under finance leases are classified and presented as finance lease receivables.

Lease receivables include finance charges. These finance charges are recognised as income over the term of the lease, reflecting a constant periodic rate of return on the net investment. The amount of unearned income deducted from gross finance receivables represents income allocable to future periods. The remaining gross finance lease receivables represent the principal in the carrying amount.

Finance leases – residual values

Finance leases are recorded at the aggregated future minimum lease repayments plus estimated residual values. Residual values are assessed for impairment and in the event of a shortfall, an impairment charge is recognised in the current period. Data regarding equipment values, including appraisals, and historical residual realisation experience are among the factors considered in evaluating estimated residual values.

(vi) Inventories

Inventoried assets are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to make the sale.

Following completion of a lease or a rental contract the relevant assets are transferred to Inventories at their carrying amount or residual value. The inventoried assets are written down to net realisable value if their carrying amount cannot be realised from sale.

Notes to the financial statements.

For the year ended 31 August 2023

5.8 Significant accounting policies (continued)

g) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

h) Due from/to other financial institutions

Amounts due from/to other financial institutions include cash collateral, short term deposits and other balances. Cash collateral includes initial and variation margins in relation to derivative transactions. Amounts due from/to other financial institutions are initially recognised at fair value and subsequently measured at amortised cost.

i) Other assets

Other Assets include accrued interest receivable, GST recoverable (see Note 5.8 c) and prepayments. Interest receivable is recognised on an accruals basis while prepayments are amortised over the period in which the economic benefits from the underlying goods or services are received.

j) Accounts payable and other liabilities

Accounts payable and other liabilities included accrued interest on borrowings, salary and other expense accruals and short-term creditor liabilities. This balance also includes the AASB 16 lease liability reflecting the discounted future lease payment for property and equipment leases. Accounts payable and other liabilities are measured at the contractual amount payable. As most payables are short-term in nature, the contract amount payable approximates fair value.

Directors' declaration.

For the year ended 31 August 2023

The Directors of Bank of Queensland Limited declare that:

1. In the opinion of the Directors:
   a) the financial statements and notes (and the remuneration report included within the Directors' Report) set out on pages 87 to 205 are in accordance with the *Corporations Act 2001 (Cth)*, including:
      i) complying with the Australian Accounting Standards and the *Corporations Regulations 2001*; and
      ii) giving a true and fair view of the financial position of the Bank and the Group as at 31 August 2023 and their performance for the year ended 31 August 2023; and

   b) there are reasonable grounds to believe that the Bank and the Group will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001 (Cth)* from the Managing Director & CEO and the Chief Financial Officer, for the year ended 31 August 2023.
3. Note 1.2 a) to the financial statements includes a statement of compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors

Warwick Negus
Chairman
10 October 2023

Patrick Allaway
Managing Director and CEO
10 October 2023

Independent auditor's report.

For the year ended 31 August 2023

Independent auditor's report

To the members of Bank of Queensland Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Bank of Queensland Limited (the Bank) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Bank's and Group's financial positions as at 31 August 2023 and of their financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Bank and Group financial report comprises:

- the Consolidated and Bank Balance sheets as at 31 August 2023;
- the Consolidated and Bank Income statements for the year then ended;
- the Consolidated and Bank Statements of comprehensive income for the year then ended;
- the Consolidated and Bank Statements of changes in equity for the year then ended;
- the Consolidated and Bank Statements of cash flows for the year then ended;
- the Notes to the financial statements, which include significant accounting policies and other explanatory information; and
- the Directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank and the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code and the IESBA Code.

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Independent auditor's report.

For the year ended 31 August 2023

Our audit approach

Bank and Group audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Bank and the Group, their accounting processes and controls and the industry in which they operate.

Our audit focused on where the Bank and the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

In designing the scope of our audit, we considered the structure of the Group, which includes a number of subsidiary entities across Australia and New Zealand carrying on varying financial services businesses. We identified each of these subsidiary entities as components of the Group.

The nature, timing and extent of audit work performed for each component was determined by each component's risk characteristics and financial significance to the Group, and consideration as to whether sufficient evidence had been obtained for our opinion on the financial report as a whole. This determination resulted in either:

- an audit of the financial information of a component (full scope); or
- analytical procedures performed at the Group level and/or audit procedures performed at a Group level, including over the consolidation of the Group's components and the preparation of the financial report (other procedures).

Applying this methodology, eight of the individual components (including the Bank) were considered to require a full scope audit. This work was also performed for the purposes of the standalone legal entities' statutory financial reports.

Bank and Group audit materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

Based on our professional judgement, we determined certain qualitative thresholds for materiality, including the overall Bank and Group materiality for the financial report, which we applied at $40,500,000.

We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.

Independent auditor's report.

For the year ended 31 August 2023

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. In the table below we describe each key audit matter and include a summary of the principal audit procedures we performed to address those matters.

The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. The key audit matters identified below relate to both the Bank and the Group audit, unless otherwise stated below. We communicated the key audit matters to the Audit Committee.

Key audit matter	*How our audit addressed the key audit matter*
Recoverability of Goodwill *(Refer to note 4.1) [$577m]* As disclosed in Note 4.2 to the financial statements, a $200m impairment of the Retail Banking cash generating unit (CGU) goodwill balance was recognised at the half year. As at 31 August 2023, the Retail Banking CGU had a goodwill balance of $170m and the BOQ Business CGU had a goodwill balance of $397m. The Bank and Group performed an impairment test over the goodwill balance by calculating the value in use for these CGUs and comparing this value to the net assets of each CGU including goodwill. We considered the recoverability of goodwill to be a key audit matter as the goodwill balance is significant to the Bank's and Group's balance sheets, and significant judgement is required in calculating value in use with respect to determining appropriate: • Discount rates; • Cash flow projections, including annual growth rates; • Adjustments to terminal year cash flows to account for non-recurring cash flows; and • Earnings growth rates applied beyond the short-term cash flow forecasts (long term growth rate).	We performed the following procedures, amongst others: • Evaluated whether the Bank's and the Group's identification of CGUs are consistent with our knowledge of the Bank's and the Group's operations and the internal organisational structure. • Evaluated whether the method applied in calculating and allocating value in use to the identified CGUs was in line with the requirements of Australian Accounting Standards. • Tested the mathematical accuracy of the relevant value in use and impairment model calculations. • Compared cash flow forecasts to Board approved business plans. • Compared previous cash flow forecasts to actual results to assess the historical accuracy of forecasting. • Tested whether cash flow forecasts, including annual growth rates, and long term growth rates used in the model are consistent with our knowledge of current business conditions, externally derived data (where possible) and our understanding of the business. • Tested whether adjustments to those cash flows are consistent with the requirements of Australian Accounting Standards; • Together with PwC valuation experts, assessed the appropriateness of discount rates contained in the models by comparing these to relevant external data. • Assessed the related disclosures in the financial report having regard to the requirements of Australian Accounting Standards. This included assessing the Bank's and the Group's sensitivity analyses for each CGU, and their assessment of reasonably possible changes to key assumptions.

Independent auditor's report.

For the year ended 31 August 2023

Key audit matter	*How our audit addressed the key audit matter*
Provisioning for Expected Credit Losses *(Refer to note 3.3) [Bank - $231m, Group - $332m]* As disclosed in Note 3.3 to the financial statements, the provision for expected credit losses (ECL) on loans and credit commitments was $231m for the Bank and $332m for the Group as at 31 August 2023. ECL is a probability weighted estimate of the cash shortfalls expected to result from defaults over the relevant timeframe determined by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions. The Bank and the Group utilised collective provision models and performed individual assessments for certain impaired exposures to estimate the provision for ECL. We considered the provision for ECL a key audit matter due to the inherent estimation uncertainty in its determination. In particular: • Models used to calculate ECL are inherently complex, and judgement is applied in determining the appropriate construct of each model; • Multiple assumptions are made concerning the inputs to the ECL models and how inputs correlate with one another, including defining when a Significant Increase in Credit Risk (SICR) has occurred, the estimation and use of forward-looking macroeconomic scenarios (MES) and application of associated weightings; • Judgement is involved in identifying and calculating adjustments to the ECL model output (overlays); and • Judgement is involved in determining the amount of individually assessed provisions for impaired commercial borrowers. Additionally, economic uncertainty has increased the subjectivity, judgement and complexity of the measurement of the Bank's and the Group's provision for ECL, specifically in relation to MES and associated weightings, and overlays applied to the ECL model output.	Our procedures included developing an understanding of processes and controls relevant to our audit of the Bank's and the Group's provision for ECL and assessing whether they were appropriately designed and implemented. We tested the operating effectiveness of certain control activities including: • Review and approval of the macroeconomic scenarios and their associated weights, overlays and the ECL provision by the Group's and Bank's Executive Credit Committee (ECC); and • Review and approval of the annual refresh of the credit risk ratings, in line with policy. In addition to control testing we, along with PwC credit modelling experts and PwC economics experts, performed the following procedures, amongst others: • Assessed the appropriateness of the ECL model methodology applied by the Bank and the Group for a selection of loan portfolios. • Assessed the appropriateness of significant assumptions within ECL models, including probability of default, loss given default, SICR and expected lifetime of loans, through assessing the results of certain model monitoring tests and reperforming relevant calculations and analysis for accuracy; • Assessed the appropriateness of macroeconomic scenarios developed by the Bank and the Group, including underlying forecasts and the weightings assigned to the scenarios; • Tested the completeness and accuracy of data elements used as inputs to the ECL models by agreeing, on a sample basis, to and from source systems; • Assessed a selection of overlays identified by the Group and Bank, including the appropriateness of the methodology and significant assumptions utilised and tested the underlying dataset used for the calculations; • Examined a selection of credit impaired loan analyses to assess the amount of provision recognised; and • Considered the reasonableness of the related disclosures in the financial report in light of the requirements of Australian Accounting Standards.

Independent auditor's report.

For the year ended 31 August 2023

Key audit matter	*How our audit addressed the key audit matter*
Provisions for Remedial Action Plans and related matters *(Refer to note 4.2)* As disclosed in Note 4.2 to the financial statements, the Bank and Group have recognised provisions in relation to the completion of Remedial Action Plans (RAPs) required by Court Enforceable Undertakings with both APRA and AUSTRAC. We considered the provisions and related disclosures noted above to be a key audit matter as significant judgement is required in quantifying the provisions, which includes assumptions regarding uncertain matters including the work and resources required to deliver the commitments under the RAPs. Further, the assessment of the likelihood of any enforcement action (including penalties) being taken by the Bank's and Group's regulators in relation to instances of non-compliance identified by the Bank and Group requires significant judgement as to the significance of the matters identified, the probability of action being taken and whether a reliable estimate of any cash outflow can be formed, if applicable.	We performed the following procedures, amongst others: • Developed an understanding of the process for estimating the costs required to complete the RAPs and the process for assessing whether a provision should be recognised and/or contingent liability disclosed in relation to any instances of non-compliance identified during the RAPs to date; • Held discussions with management and certain of their advisors, inspected relevant Board of Directors and key Committee minutes and inspected relevant correspondence with regulators; • Evaluated the Bank's and Group's estimate of the extent of work required to meet the obligations under the RAPs. Where considered necessary, this included involving PwC experts with experience in similar remediation programs; • Assessed the appropriateness of the Bank's and Group's estimate of the costs of completing the work required under the RAPs, including the nature of the resources required and whether the relevant costs were appropriate to include in the provision, with reference to Australian Accounting Standards; • Assessed whether Bank's and Group's determination of whether or not to recognise a provision were in accordance with the requirements of Australian Accounting Standards; and • Considered the reasonableness of the related disclosures in the financial report in light of the requirements of Australian Accounting Standards.

Independent auditor's report.

For the year ended 31 August 2023

Key audit matter	*How our audit addressed the key audit matter*
Operation of financial reporting IT General Controls The Bank's and Group's operations and financial reporting processes are heavily dependent on IT systems for the processing and recording of the significant volume of transactions. A key component of IT systems and controls is the suite of controls (known as IT general controls, or ITGCs) which aim to ensure that risks relating to inappropriate user access, unauthorised program changes and inadequate IT operating protocols are effectively managed. Our audit entails spending significant time and effort in developing an understanding of the role that IT systems and automated controls play in the Bank's and Group's internal controls relevant to financial reporting, and developing an understanding of and evaluating related ITGCs. Due to the significance of this audit effort, we consider the operation of financial reporting IT systems and controls to be a key audit matter. The Bank and Group have an ongoing multi-year strategic program to uplift controls relating to systems and technology platforms relevant to financial reporting.	For material financial report balances, we developed an understanding of the business processes used to generate and support those balances, and the IT systems and associated IT application controls supporting those processes. Our procedures included evaluating and testing the design and implementation of certain control activities over the continued integrity of the IT systems relevant to financial reporting. This involved assessing, where relevant to the audit: • Change management: The processes and controls used to develop, test and authorise changes to the functionality and configurations within systems; • System development: The project disciplines which ensure that significant developments or implementation are appropriately tested before implementation and that data is converted and transferred completely and accurately; • Security: The access controls designed to enforce segregation of duties, govern the use of generic and privileged accounts or ensure that data is only changed through authorised means; and • IT operations: The controls over operations are used to ensure that any issues that arise are managed appropriately. Within the scope of our audit where technology services are provided by a third party, we considered assurance reports from the third party's auditor on the design and operating effectiveness of controls. We also carried out tests, on a sample basis, of IT application controls and IT dependencies in manual controls that were key to our audit testing in order to assess the accuracy of certain system calculations, the generation of certain reports and the operation of certain system enforced access controls. Where we identified design and operating effectiveness matters relating to IT systems or application controls relevant to our audit, we performed alternative audit procedures. We also considered mitigating controls and procedures to respond to the impact on our overall audit approach.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 August 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

Independent auditor's report.

For the year ended 31 August 2023

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Bank and the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Independent auditor's report.

For the year ended 31 August 2023

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 88 to 122 of the Directors' report for the year ended 31 August 2023.

In our opinion, the remuneration report of Bank of Queensland Limited for the year ended 31 August 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Craig Stafford
Partner

Sydney
10 October 2023

5 year financial summary.

For the year ended 31 August 2023

$m (unless otherwise stated)		2023	2022	2021	2020	2019
FINANCIAL PERFORMANCE (1)						
Net interest income (2)		**1,600**	1,505	1,128	986	961
Non-interest income		**142**	153	130	128	144
Total income (2)		**1,742**	1,658	1,258	1,114	1,105
Operating expenses		**(1,010)**	(937)	(684)	(612)	(571)
Underlying profit before tax (2) (3)		**732**	721	574	502	534
Loan impairment expense		**(71)**	(13)	21	(175)	(69)
Cash earnings before tax (2)		**661**	708	595	327	465
Cash earnings after tax (2)		**450**	491	412	225	320
Statutory net profit after tax (2)		**124**	409	369	115	298
FINANCIAL POSITION						
Gross loans and advances (2) (4)		**81,135**	81,226	75,748	47,043	46,216
Total assets (2)		**105,352**	99,913	91,439	56,772	55,597
Customer deposits (5)		**66,964**	60,903	56,469	34,762	32,428
Total liabilities		**99,222**	93,245	85,242	52,541	51,738
Total equity (2)		**6,130**	6,668	6,197	4,231	3,859
SHAREHOLDER PERFORMANCE						
Market capitalisation at balance date		**3,786**	4,551	6,063	2,785	3,721
Share price at balance date	$	**5.76**	7.03	9.46	6.13	9.17
Statutory basic earnings per share (2)	cents	**18.3**	63.1	67.0	25.4	74.0
Statutory diluted earnings per share (2)	cents	**20.2**	57.8	62.6	24.4	69.1
Cash basic earnings per share (2)	cents	**68.4**	75.8	74.7	49.6	77.0
Cash diluted earnings per share (2)	cents	**60.2**	68.9	69.5	45.1	71.9
Fully franked dividend per ordinary share	cents	**41**	46	39	12	65
Cash dividend payout ratio to ordinary shareholders (2)	%	**60**	61	61	24	82
CASH EARNINGS RATIOS						
Net interest margin (2)	%	**1.69**	1.71	1.92	1.91	1.93
Cost to income ratio (2)	%	**58.0**	56.5	54.4	54.9	51.7
Return on average ordinary equity (2)	%	**7.3**	8.2	8.2	5.4	8.3
CAPITAL ADEQUACY						
Common Equity Tier 1 ratio	%	**10.91**	9.57	9.80	9.78	9.04
Total Capital Adequacy ratio	%	**15.64**	13.78	12.60	12.73	12.40

(1) All amounts disclosed are on a cash basis except statutory net profit after tax. Further, all amounts disclosed are not presented on a pro forma basis. The five year financial summary should be read in conjunction with the financial performance definitions outlined in section 1.1, reconciliation of statutory profit to cash earnings.
(2) Comparatives have been restated to reflect the FY22 prior period adjustments detailed in Note 1.5 to the financial statements.
(3) Underlying profit before tax is profit before impairment on loans and advances, significant items and tax.
(4) Before specific and collective provisions.
(5) Aug 22 has been restated for a reclassification from short term wholesale funding to customer deposits as disclosed in 1H23.

Shareholding details.

1. Twenty largest ordinary shareholders

As at 26 September 2023, the following shareholding details applied:

	Number of ordinary shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	91,376,886	13.90
CITICORP NOMINEES PTY LIMITED	37,094,051	5.64
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	36,980,785	5.63
NATIONAL NOMINEES LIMITED	21,116,313	3.21
BNP PARIBAS NOMS PTY LTD	10,185,282	1.55
GOLDEN LINEAGE PTY LTD	3,258,631	0.50
PACIFIC CUSTODIANS PTY LIMITED	2,868,065	0.44
CITICORP NOMINEES PTY LIMITED	2,200,626	0.33
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,120,670	0.32
BNP PARIBAS NOMINEES PTY LTD	1,842,496	0.28
GLENN HARGRAVES INVESTMENTS PTY LTD	1,800,000	0.27
EMICHROME PTY LIMITED	1,324,594	0.20
MR KIE CHIE WONG	1,233,000	0.19
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	1,170,223	0.18
CARLTON HOTEL LIMITED	1,084,037	0.16
THE MANLY HOTELS PTY LIMITED	1,045,301	0.16
TOM HADLEY ENTERPRISES PTY LTD	1,000,000	0.15
BNP PARIBAS NOMS(NZ) LTD	996,158	0.15
PACIFIC CUSTODIANS PTY LIMITED	969,314	0.15
EMICHROME PTY LIMITED	900,000	0.14
Total	**220,566,432**	**33.55**

The above table includes shareholders that may hold shares for the benefit of third parties.

Voting rights

On a poll every person who is a holder of ordinary shares or a duly appointed representative of a holder of ordinary shares has one vote.

Shareholding details.

2. Twenty largest capital note holders

As at 26 September 2023, the following holding details applied:

	Number of capital notes	%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	192,341	5.50
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	108,210	3.09
MUTUAL TRUST PTY LTD	78,263	2.24
DIOCESE DEVELOPMENT FUND - CATHOLIC DIOCESE OF PARRAMATTA	56,238	1.61
JOHN E GILL TRADING PTY LTD	54,593	1.56
CITICORP NOMINEES PTY LIMITED	53,428	1.53
NETWEALTH INVESTMENTS LIMITED	35,437	1.01
BNP PARIBAS NOMINEES PTY LTD	34,163	0.98
NATIONAL NOMINEES LIMITED	32,254	0.92
BOND STREET CUSTODIANS LIMITED	32,200	0.92
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	29,385	0.84
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	28,404	0.81
TRUSTEES OF CHURCH PROPERTY FOR THE DIOCESE OF NEWCASTLE	27,499	0.79
BNP PARIBAS NOMINEES PTY LTD	24,137	0.69
FEDERATION UNIVERSITY AUSTRALIA	21,935	0.63
INVIA CUSTODIAN PTY LIMITED	21,310	0.61
HAVENFLASH PTY LTD	21,000	0.60
PACIFIC DEVELOPMENT CORPORATION PTY LTD	15,500	0.44
NETWEALTH INVESTMENTS LIMITED	15,425	0.44
SEYMOUR GROUP PTY LTD	14,000	0.40
Total	**895,722**	**25.61**

The above table includes security holders that may hold securities for the benefit of third parties.

Voting rights

Capital Notes do not give the holders any voting rights at any general shareholders meetings, except in certain circumstances.

Shareholding details.

3. Twenty largest capital note 2 holders

As at 26 September 2023, the following holding details applied:

	Number of capital notes	%
CITICORP NOMINEES PTY LIMITED	114,815	4.42
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	91,702	3.53
DIMBULU PTY LTD	75,000	2.88
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	74,241	2.86
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	73,207	2.82
DIOCESE DEVELOPMENT FUND - CATHOLIC DIOCESE OF PARRAMATTA	56,000	2.15
MUTUAL TRUST PTY LTD	53,863	2.07
BNP PARIBAS NOMINEES PTY LTD	32,400	1.25
NATIONAL NOMINEES LIMITED	27,078	1.04
NETWEALTH INVESTMENTS LIMITED	24,938	0.96
BNP PARIBAS NOMINEES PTY LTD	20,977	0.81
BERNE NO 132 NOMINEES PTY LTD	20,000	0.77
BERNE NO 132 NOMINEES PTY LTD	17,259	0.66
NULIS NOMINEES (AUSTRALIA) LIMITED	16,840	0.65
MRS NICOLE MANUELA BROWN	12,393	0.48
NETWEALTH INVESTMENTS LIMITED	12,355	0.48
NAVIGATOR AUSTRALIA LTD	12,139	0.47
QM FINANCIAL SERVICES PTY LTD	12,000	0.46
COOLAN TRADING PTY LTD	8,513	0.33
SKUA INVESTMENTS PTY LTD	8,075	0.31
Total	**763,795**	**29.40**

The above table includes security holders that may hold securities for the benefit of third parties.

Voting rights

Capital Notes 2 do not give the holders any voting rights at any general shareholders meetings, except in certain circumstances.

Shareholding details.

4. Twenty largest capital note 3 holders

As at 26 September 2023, the following holding details applied:

	Number of capital notes	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	168,901	4.22
CITICORP NOMINEES PTY LIMITED	133,070	3.33
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	130,164	3.25
NETWEALTH INVESTMENTS LIMITED	96,790	2.42
DIOCESE DEVELOPMENT FUND - CATHOLIC DIOCESE OF PARRAMATTA	72,834	1.82
BNP PARIBAS NOMINEES PTY LTD	53,492	1.34
NETWEALTH INVESTMENTS LIMITED	42,403	1.06
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	31,930	0.80
JOHN E GILL TRADING PTY LTD	22,860	0.57
ELM SPRINGS PTY LTD	21,000	0.53
MR BRADLEY VINCENT HELLEN & MR SEAN PATRICK MCMAHON	20,000	0.50
BARKLY HIRE PTY LTD	20,000	0.50
NATIONAL NOMINEES LIMITED	19,750	0.49
EYESPECIALIST SERVICES PTY LTD	16,000	0.40
NAVIGATOR AUSTRALIA LTD	14,488	0.36
VILAKAZI PTY LTD	13,000	0.33
GEAT INCORPORATED	12,190	0.30
NAVIGATOR AUSTRALIA LTD	11,622	0.29
NULIS NOMINEES (AUSTRALIA) LIMITED	11,328	0.28
BNP PARIBAS NOMINEES PTY LTD	11,122	0.28
MR VAUGHAN GARFIELD BOWEN	10,330	0.26
V G BOWEN HOLDINGS PTY LTD	10,330	0.26
Total	**943,604**	**23.59**

The above table includes security holders that may hold securities for the benefit of third parties.

Voting rights

Capital Notes 3 do not give the holders any voting rights at any general shareholders meetings, except in certain circumstances

Shareholding details.

5. Distribution of security holders

Distribution of fully paid ordinary shares as at 26 September 2023:

Category	Number of shareholders	% of shareholders	Number of shares	% of issued capital
1 - 1,000	**63,570**	52.63	23,552,980	3.58
1,001 - 5,000	**37,716**	31.22	95,074,005	14.47
5,001 - 10,000	**10,733**	8.89	78,135,847	11.89
10,001 - 100,000	**8,526**	7.06	192,936,021	29.36
100,001 - and over	**245**	0.20	267,518,578	40.70
Total	**120,790**	100	657,217,431	100.00
Less than marketable parcel (1)	**5,876**	4.86	248,736	0.04

Distribution of capital notes as at 26 September 2023:

Category	Number of security holders	% of security holders	Number of securities	% of issued capital
1 - 1,000	**4,349**	90.44	1,528,676	43.68
1,001 - 5,000	**408**	8.48	818,518	23.39
5,001 - 10,000	**25**	0.52	170,322	4.87
10,001 - 100,000	**25**	0.52	681,933	19.48
100,001 - and over	**2**	0.04	300,551	8.58
Total	**4,809**	100.00	3,500,000	100.00
Less than marketable parcel (2)	**21**	0.44	41	-

Distribution of capital notes 2 as at 26 September 2023:

Category	Number of security holders	% of security holders	Number of securities	% of issued capital
1 - 1,000	**2,887**	89.13	1,072,419	41.25
1,001 - 5,000	**315**	9.73	655,665	25.22
5,001 - 10,000	**19**	0.59	124,709	4.80
10,001 - 100,000	**17**	0.52	632,392	24.32
100,001 - and over	**1**	0.03	114,815	4.41
Total	**3,239**	100.00	2,600,000	100.00
Less than marketable parcel (3)	**3**	0.09	5	-

Distribution of capital notes 3 as at 26 September 2023:

Category	Number of security holders	% of security holders	Number of securities	% of issued capital
1 - 1,000	**4,855**	88.99	1,598,752	39.97
1,001 - 5,000	**533**	9.77	1,145,146	28.63
5,001 - 10,000	**45**	0.82	302,198	7.56
10,001 - 100,000	**20**	0.37	521,769	13.04
100,001 - and over	**3**	0.05	432,135	10.80
Total	**5,456**	100.00	4,000,000	100.00
Less than marketable parcel (4)	**15**	0.27	57	-

(1) Based on a closing price of $5.77 at 26 September 2023
(2) Based on a closing price of $102.50 at 26 September 2023
(3) Based on a closing price of $103.40 at 26 September 2023
(4) Based on a closing price of $101.69 at 26 September 2023

Shareholding details.

6. Partly paid shares

There are no partly paid shares.

7. Substantial shareholders

The names of substantial shareholders in the Bank, per the meaning within the *Corporations Act 2001 (Cth)*, and the number of shares in which each has an interest as disclosed in substantial shareholder notices given to the Bank were:

	Number of ordinary shares in which interest is held (at date of notification)	Date of notification
State Street Global	39,013,553	27 September 2023
The Vanguard Group Inc.	32,417,919	6 July 2022

8. Securities exchange listing

The shares of Bank of Queensland Limited (**BOQ**), Capital Notes (**BOQPE**), Capital Notes 2 (**BOQPF**) and Capital Notes 3 (**BOQPG**) are quoted on the Australian Stock Exchange.

Notes issued under BOQ's Euro Medium Term Note Programme and covered bonds issued under BOQ's Covered Bond Programme may be listed on the London Stock Exchange.

9. Unquoted securities

As at 30 September 2023, the following unquoted securities were on issue:

Unquoted securities (1)	Number of holders in the plan	Number of unquoted securities
CEO & Chair Awards	153	568,532
Deferred Award Rights	1,567	3,499,979
Performance Award Rights	74	457,062
Premium Priced Options	59	14,313,406
Performance Shares	11	927,395
Transformation Award Rights	8	52,679

10. On market buy-back

There is no current on market buy-back.

11. Securities purchased on market

During the year ended 31 August 2023, 2,400,000 share were purchased on market under the employee incentive scheme (2). The average price per security was $7.26.

12. Other information

BOQ is a publicly listed company limited by shares and is incorporated and domiciled in Australia.

(1) Unquoted securities are issued under the Award Rights Plan and the Equity Incentive Plan.
(2) Inclusive of shares purchased under the NED Plan.

Shareholding details.

Share Registry

Link Market Services Limited

Level 21, 10 Eagle Street
Brisbane Qld 4000

Australia: 1800 779 639
International: +61 1800 779 639

Email: boq@linkmarketservices.com.au

Website: linkmarketservices.com.au

Company Details

Bank of Queensland Limited

ABN 32 009 656 740
ACN 009 656 740

Registered office:
Level 6, 100 Skyring Terrace
Newstead Qld 4006

Telephone: +61 7 3212 3844
Investor Relations:
InvestorRelations@boq.com.au

boq.com.au
twitter.com/boq
facebook.com.au/BOQOnline

Customer Service

Australia: 1300 55 72 72
International: +61 7 3336 2420

Postal address:
GPO Box 898
Brisbane Qld 4001

Key Shareholder Dates

Dividend dates for ordinary shares only are:

2023	
Financial full year end	31 August 2023
Full year results and dividend announcement	11 October 2023
Full year ex-dividend	26 October 2023
Full year dividend record date	27 October 2023
Full year dividend payment date	16 November 2023
Annual General Meeting	5 December 2023

Shareholder communication election

In accordance with the *Corporations Act 2001 (Cth)*, shareholders are able to elect how they wish to receive communications. You can elect either as a one-off or ongoing basis how to receive certain documents. You may elect to receive documents such as the Annual Report and documents for shareholder meetings (and voting/proxy forms) as either physical or electronic reports and communications. We encourage our shareholders to receive these communications electronically, which is the best way to stay informed and support BOQ's commitment to the environment. You can change your elections through Link's Investor Centre.

Glossary.

APRA Prudential Standard (**APS**)	Prudential standards issued by APRA which are applicable to ADIs.
Asset backed securities (**ABS**)	A financial security which is pledged by a pool of assets such as but not limited to loans, leases and credit card debt.
Asset-Liability Committee (**ALCO**)	A supervisory group that coordinates the management of assets and liabilities with a goal of earning adequate returns.
Australian Accounting Standards Board (**AASB**)	The AASB produces a series of technical pronouncements that set out the measurement and recognition requirements when accounting for particular types of transactions and events, along with the preparation and presentation requirements of an entity's financial statements.
Australian Banking Association (**ABA**)	The trade association for the Australian banking industry.
Australian Competition and Consumer Commission (**ACCC**)	Australia's competition regulator and national consumer law champion.
Australian Finance Industry Association (**AFIA**)	AFIA is the national association for the equipment leasing and financing industry. Formerly Australian Equipment Lessors Association.
Australian Prudential Regulation Authority (**APRA**)	APRA is the prudential regulator of the Australian financial services industry. APRA is an independent statutory authority that supervises institutions across banking, insurance and superannuation and promotes financial system stability in Australia.
Australian Securities and Investments Commission (**ASIC**)	ASIC is Australia's corporate, markets and financial services regulator.
Australian Securities Exchange (**ASX**)	Australian Securities Exchange or ASX Limited (ABN 98 008 624 691) and the market activities operated by ASX Limited.
Australian Transaction Reports and Analysis Center (**AUSTRAC**)	Australia's financial intelligence unit and anti-money laundering and counter-terrorism financing regulator.
Authorised deposit-taking institution (**ADI**)	A corporation which is authorised under the *Banking Act 1959* and includes banks, building societies and credit unions.
Available stable funding (**ASF**)	ASF is the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year.
Average interest earning assets (**AIEA**)	Average balance over the period for a bank's assets that accrue interest income.
Bank of Queensland Limited (**the Bank**)	The Bank is a for-profit entity primarily involved in providing retail and business banking, leasing finance and insurance products to its customers.
Banking Executive Accountability Regime (**BEAR**)	The Banking Executive Accountability Regime (**BEAR**), set out in Part IIAA of the *Banking Act 1959,* establishes accountability obligations for authorised deposit-taking institutions (**ADIs**) and their senior executives and directors.
Basel II and III	A global regulatory framework to improve the regulation, supervision and risk management within the banking system developed by the Basel Committee on Banking Supervision.
Basis points (**bps**)	One per cent of one per cent (0.01 per cent).
BOQ Blue	BOQ Blue refers to the original BOQ brand and excludes new brands such as Virgin Money, BOQ Specialist and BOQ Finance. It is predominantly represented as transactions and products serviced through our branch network, business bank relationship managers and financial markets.

Glossary.

BOQ Group Transformation Award (**BTA**)	BOQ Group Transformation Award is a type of incentive award granted to select employees. BTAs vest subject to the achievement of a core earnings hurdle.
Capital Notes (**BOQPE)**, Capital Notes 2 (**BOQPF**) & Capital Notes 3 (**BOQPG**)	Capital Notes are perpetual, convertible, unguaranteed and unsecured notes issued by BOQ, with preferred, discretionary, non-cumulative distributions. Capital Notes may convert into common shares in certain circumstances as described in the offer documentation of the notes.
Cash-Generating Unit (**CGU**)	A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The CGUs represent the Controlled Entity's operating segments – Retail Banking and BOQ Business.
Collective Provision (**CP**)	An allowance for impairment loss of financial assets that are collectively assessed for impairment in accordance with AASB 9 *Financial Instruments*.
Committed liquidity facility (**CLF**)	The RBA provided a CLF to certain ADIs as part of Australia's implementation of the Basel III liquidity standards. The facility was designed to ensure that participating ADIs have enough access to liquidity to respond to an acute stress scenario, as specified under the relevant APS.
Common equity tier 1 (**CET1**)	Capital that is recognised as the highest quality component of capital under APS.
Common equity tier 1 ratio (**CET1 ratio**)	CET1 capital divided by total RWA calculated in accordance with relevant APS.
Compound Annual Growth Rate (**CAGR**)	Measurement of the annual return of an investment over a period of time, inclusive of the effect of compounding.
Consolidated Entity (**the Group** or **BOQ**)	BOQ and its subsidiaries.
Corporation Regulations 2001	The *Corporations Regulations 2001* made under the *Corporations Act 2001 (Cth).*
Corporations Act 2001	The *Corporations Act 2001 (Cth).*
Cost to income ratio (**CTI**)	Operating expenses divided by net operating income.
Counter Terrorism Financing (**CTF**)	A set of government laws, regulations, and other practices that are intended to restrict access to funding and financial services for those whom the government designates as terrorists.
Covered bond guarantor	Perpetual Corporate Trust Limited ABN 99 000 341 533, incorporated with limited liability in the Commonwealth of Australia and having its registered office at Level 18, 123 Pitt Street, Sydney, NSW 2000, as trustee of the BOQ Covered Bond Trust (the **Trustee**).
Days past due (**dpd**)	A loan or lease payment that has not been made by a customer by the due date.
Deferred Award Rights (**DARs**)	A type of long-term incentive award rights granted to employees below Senior Executive Level. DARs vest subject to service conditions and a risk assessment.
Dividend payout ratio	Dividends paid on ordinary shares divided by earnings.
Dividend reinvestment plan (**DRP**)	A plan which provides shareholders with the opportunity to convert all or part of their entitlement to a dividend into new shares.
Dividend yield	Dividend shown as a percentage of the share price.
Earnings per share (**EPS**)	Measure of earnings attributed to each equivalent ordinary share over a twelve month period. This is calculated by dividing the company's earnings by the weighted average number of shares on issue in accordance with AASB 133 *Earnings per share*.

Glossary.

Effective tax rate	Income tax expense divided by profit before tax.
Equipment hire purchase trust (**EHP trust**)	EHP trust under the REDS securitisation program, issuing asset backed securities to the term market.
Euro Medium Term Note (**EMTN**)	EMTN is an offshore medium term note program.
Expected Credit Loss (**ECL**)	Estimated credit losses using a forward looking impairment methodology accounted for in accordance with AASB 9 *Financial Instruments*.
Full time equivalent (**FTE**)	A calculation based on number of hours worked by full and part time employees as part of their normal duties.
Equity reserve for credit losses (**ERCL**)	An additional reserve for future unidentified credit losses, in line with APS 220 Credit Risk Management, not reflected as part of existing Expected Credit Loss provisions.
Gross Domestic Product (**GDP**)	Monetary measure of the market value of all the final goods and services produced in a specific time period.
Gross loans and advances (**GLA**)	Gross loans and advances is the principal amount of loans and advances provided, gross of provisions and deferred fee income and including any accrued interest.
High Quality Liquid Assets (**HQLA1**)	Comprise the Bank's notes and coins and marketable securities representing claims on or guaranteed by the Australian Government or Semi-Government authorities.
Impaired assets	Exposures that have deteriorated to the point where full collection of principal and interest is in doubt.
Interbank Offered Rates (**IBOR**)	Globally recognised interest rate benchmarks at which banks borrow in the interbank market.
Interest bearing liabilities	The Bank's liabilities that accrue interest expense.
International Accounting Standards Board (**IASB**)	Independent, private-sector body that develops and approves International Financial Reports Standards.
International Financial Reporting Standards (**IFRS**)	A series of globally accepted accounting standards for accounting for particular types of transactions and events.
International Panel on Climate Change (**IPCC**)	IPCC is the United Nations body charged with overseeing climate change and publishing the global climate models' (including RCP's).
International Swaps and Derivatives Agreement (**ISDA**)	An agreement published by the International Swaps and Derivatives Association (**ISDA**), outlines the terms to be applied to a derivatives transaction between two parties, typically a derivatives dealer and a counterparty.
Issued capital	Value of securities allotted in a company to its shareholders.
Know Your Client (**KYC**) Regulatory compliance costs	The KYC guidelines in financial services require professionals to verify the identity, suitability, and risks involved with maintaining a business relationship. The procedures fit within the broader scope of the Bank's anti-money laundering (**AML**) policy.
Liquid assets	All Unencumbered RBA repurchase eligible liquid assets including HQLA1.
Liquidity Coverage Ratio (**LCR**)	The ratio of HQLA1 that can be converted into cash easily and immediately in private markets, to total net cash flows required to meet the Group's liquidity needs for a 30 day calendar liquidity stress scenario as determined in accordance with APS.
Loan to Value Ratio (**LVR**)	The ratio between the loan amount and the appraised value of the underlying asset.

Glossary.

Members Equity Bank Limited (**ME Bank** or **ME**)	ME Bank is a for profit entity that operated in the retail segment of the domestic market offering primarily home loan products and everyday transaction and online savings accounts. On 28 February 2022, ME Bank surrendered its ADI licence and ME Bank's assets and liabilities were transferred to BOQ.
Mortgage Net Promoter Score (**NPS**)	The Net Promoter Score is an index that measures the willingness of customers to recommend a company's products or services to others. It is used as a proxy for gauging the customer's overall satisfaction with a company's product or service and the customer's loyalty to the brand.
Net cash outflow (**NCO**)	Represents the total expected cash outflows minus total expected cash inflows under a prescribed stress scenario for the subsequent 30 calendar days.
Net interest margin (**NIM**)	Net interest income divided by average interest-earning assets.
Net stable funding ratio (**NSFR**)	The NSFR is defined as the amount of ASF relative to the amount of required stable funding. This ratio should be equal to at least 100 per cent on an on-going basis. The amount of such stable funding required of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet exposures.
Net tangible assets (**NTA**)	Net tangible assets are calculated as the total assets of a company minus any intangible assets such as goodwill, less all liabilities and the par value of preferred stock.
Net Tier 1 Capital ratio	Total Tier 1 Capital divided by total RWA calculated in accordance with relevant APS.
Non-Executive Director Fee Sacrifice Rights Plan (**NED Plan**)	The Non-Executive Director Fee (**NEDs**) Sacrifice Rights Plan (**NED Plan**) allows NEDs to sacrifice a portion of their Board fees to acquire BOQ shares.
Non-interest earning assets	The Bank's assets that do not accrue interest income.
Owner-managed Branch (**OMB**)	A branch which is run by a franchisee.
Performance Award Rights (**PARs**)	A type of long-term incentive award rights which were granted to senior employees, including executives, until 2019. PARs vest subject to two performance hurdles; relative total shareholder return (**rTSR**) and relative earnings per share (**rEPS**).
Probability of Default (**PD**)	The likelihood that a borrower will be unable to meet debt obligations.
Purchased or originated credit impaired (**POCI**) assets	Financial assets that are purchased or originated as being credit impaired.
REDS	Term to describe the BOQ securitisation programmes.
Representative Concentration Pathway (**RCP**)	RCP are physical climate scenarios set by the IPCC (with the assistance of the global scientific community).
Required stable funding (**RSF**)	An input to the calculation of the NSFR for bank prudential management purposes. A bank's RSF is calculated from its assets, weighted according to their maturity, credit quality and liquidity, together with an amount in relation to off balance sheet commitments.
Reserve Bank of Australia (**RBA**)	Australia's central bank and drives its functions and powers from the *Reserve Bank Act 1959*.
Residential mortgage backed securities (**RMBS**)	BOQ's securitisation program which enables the trustee to issue debt securities backed by assets originated by the Group such as mortgages.
Return on average equity (**ROE**)	Net profit attributable to the owners of the Bank divided by average ordinary equity.

Glossary.

Return on average tangible equity (**ROTE**)	After tax earnings applied to average shareholders' equity (excluding preference shares and treasury shares) less goodwill and identifiable intangible assets (customer related intangibles/ brands and computer software).
Right-of-use (**ROU**) asset	The right-of-use asset is a lessee's right to use an asset over the life of a lease.
Risk weighted assets (**RWA**)	A quantitative measure of various risks including credit, operational, market and securitisation as defined by APS.
Significant Increase in Credit Risk (**SICR**)	A significant change in the estimated risk of default over the remaining expected life of the financial asset. SICR is assessed by comparing the risk of a default occurring over the expected life of a financial asset at the reporting date compared to the corresponding risk of default at origination.
Small and Medium Enterprises (**SME**)	Businesses whose personnel numbers fall below certain limits.
Software-as-a-Service (**SaaS**)	Software delivery and licensing in which software is accessed online via a subscription, rather than bought and installed on individual computers.
Tax Funding Arrangement (**TFA**)	An agreement entered into between members of the BOQ income tax consolidated group for the funding of the Australian income tax liability.
Tax Sharing Arrangement (**TSA**)	An arrangement entered into between members of the BOQ income tax consolidated group for the apportionment of the Australian income tax liability.
Taxation of Financial Arrangements (**TOFA**)	The TOFA rules provide for the tax treatment of gains and losses on financial arrangements.
Term Funding Facility (**TFF**)	Funding Facility for authorised deposit-taking institutions established by the RBA to support the Australian economy.
Tier 1 capital	Tier 1 capital is the aggregate of Common Equity Tier 1 (CET1) capital and instruments that meet the criteria for inclusion as Additional Tier 1 (AT1) capital set out in APS 111 Capital Adequacy: Measurement of Capital.
Tier 2 capital	Tier 2 capital comprises other components of capital that, to varying degrees, do not meet the requirements as Tier 1 capital but nonetheless contribute to the overall strength of an ADI.
Total capital adequacy ratio	Total capital divided by total RWA calculated in accordance with relevant APS.
Total Shareholder Return (**TSR**)	A measure of the entire return a shareholder would obtain from holding an entity's securities over a period, taking into account factors such as changes in the market value of the securities and dividends paid over the period.
Treasury shares	Shares that the Bank has issued but are held by a trust included within the Bank's consolidated results. Treasury shares are not considered shares outstanding and are not included in 'per share' calculations.
Virgin BOQ Group Transformation Award (**VTA**)	A type of incentive award granted to select employees. VTAs vest subject to the achievement of two hurdles: core earnings and the delivery of the Virgin Money digital bank.
Virgin Money Australia (**VMA** or **Virgin Money**)	Virgin Money (Australia) Pty Ltd and its subsidiaries. The VMA entities are subsidiaries of the Group that engage in the provision of financial services on behalf of business partners, including BOQ.
Weighted average life (**WAL**)	Is the average length of time for the principal on a loan to be paid in full.
Weighted average number of shares (**WANOS**)	Calculated in accordance with AASB 133 *Earnings per share*.

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