2022 ANNUAL REPORT

BOQ GROUP

2022

A true partnership that builds social capital

Mt Barney Lodge, an eco-retreat situated in the heart of the Scenic Rim has been in the Larkin family since the late 1980s when Innes' parents first purchased the property. In 2003, Innes and his wife, Tracey took over managing the property and business and in 2006 purchased it from his parents, John and Jenny Larkin. They now run a multiple award-winning eco-tourism business with the help of their son, daughter and half a dozen employees.

"Eco tourism didn't really exist 16 years ago when we applied for our business loan, but BOQ was open to considering the merits of our proposal. Today many organisations are now realising the value of strong ESG propositions as they create a point of difference. With BOQ, we've been able to build on our family's sustainability legacy, inspire hundreds of others who visit us each year, and protect the beautiful Scenic Rim."

- Tracey Larkin, BOQ business customer

Despite the family property and business being funded by another bank for several years, Innes and Tracey were shocked to experience resistance when they requested the loan to be transferred to their names. All was quickly resolved however after they were referred to BOQ Owner Manager, Daniel Connor, who worked with them to progress their loan.

Tracey said it is important to have a true banking partner who understands your business, believes in what you're doing and is there when you need them.

"BOQ's service and accessibility over the past 16 years has been extraordinary," she said. "My lender, Daniel has supported the growth of our business and helped us navigate around 'the big punches', namely drought, bushfires and COVID-related closures – even responding to my calls on a Sunday."

With over 20 years' as the Owner-Manager of the Victoria Point branch, Daniel is extremely passionate about helping his community and enjoys visiting his customers at Mt Barney Lodge. "Our role is more than just lending, deposits and transactions. It's about building mutually beneficial partnerships that help build social capital through banking."

About this report

This year's Annual Report includes details of BOQ Group's purpose and values, strategy, operations, audited financial statements and other statutory disclosures. The report predominantly focuses on our financial performance, with further detail on our non-financial performance measures contained in the 2022 Sustainability Report. We are continuing to enhance our reporting to explain to stakeholders how we deliver long-term value.

Unless otherwise stated, the Annual Report encompasses all BOQ Group activities for the financial year commencing 1 September 2021 and ending 31 August 2022. All monetary values in this document are presented in Australian dollars, which is the Group's functional currency. Our Operating and Financial Review can be found in pages 12 - 70 of this report.

Other documents in our 2022 reporting suite

BOQ Group produces a range of reports designed to meet the evolving expectations of a wide number of stakeholders. Our 2022 annual reporting suite includes the following documents:

Sustainability Report

Our 2022 Sustainability Report outlines information about 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 2022 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.

FY22 Investor Materials

Our FY22 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.

Contents

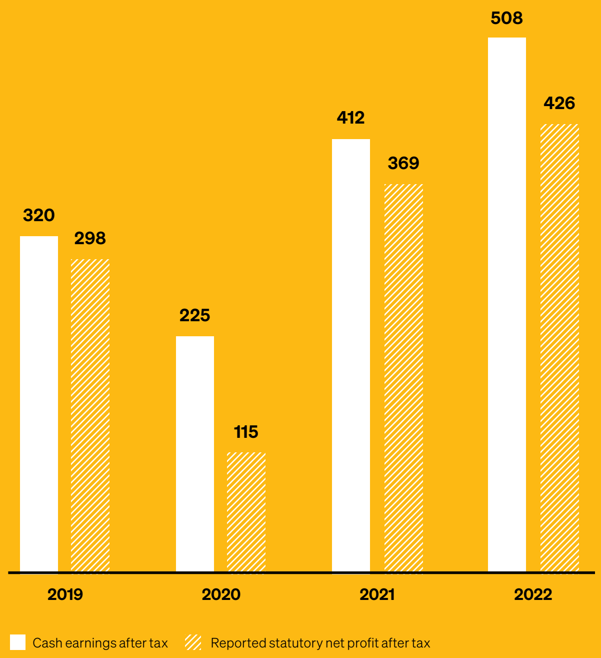
BOQGROUP

We are always looking for ways to improve our reporting. Please send your questions or suggestions to our Investor Relations team at InvestorRelations@boq.com.au

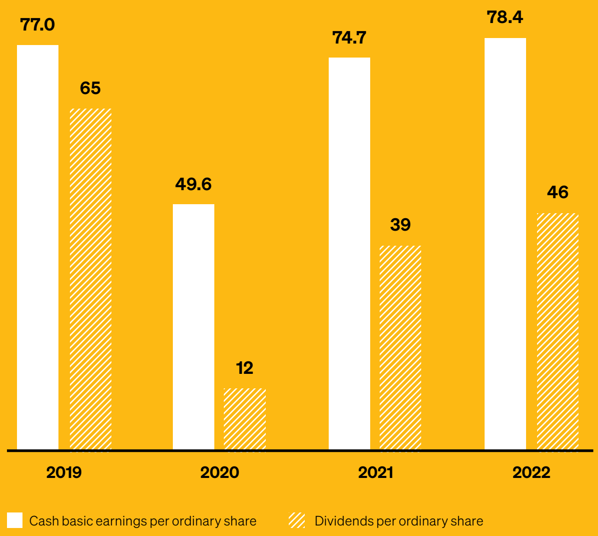
Bank of Queensland Limited
ABN 32 009 656 740
AFSL No. 244616
Level 6, 100 Skyring Terrace,
Newstead QLD 4006

FY22 financial results

Profit results
($ million)



Earnings and dividends
(¢ per ordinary share)



Cash earnings after tax	**Reported statutory net profit** after tax	**Cash basic earnings per ordinary share** (¢ per share)	**Dividends per ordinary share** (¢ per share)
$508m	$426m	78.4¢	46¢
↓ **Down 5%** from pro forma FY21	↑ **Up 15%** from FY21	↑ **Up 5%** from FY21	↑ **Up 18%** from FY21

Cash net interest margin	**Cash cost to income ratio**	**Cash return on equity**	**Cash loan impairment expense**
1.74%	55.7%	8.4%	$13m
↓ **Down 12bps** from pro forma FY21	↓ **Down 10bps** from pro forma FY21	↑ **Up 20bps** from FY21	↑ **Up $42m** from pro forma FY21

Note: The FY22 financial results should be read in conjunction with the financial performance definitions outlined in section 1.1, reconciliation of statutory profit to cash earnings.

5 year financial summary

$ million (unless otherwise stated)	2022	2021	2020	2019	2018
Financial performance [1]					
Net interest income	**1,529**	1,128	986	961	965
Non-interest income [2]	**153**	130	128	144	160
Total income [2]	**1,682**	1,258	1,114	1,105	1,125
Operating expenses [2]	**(937)**	(684)	(612)	(571)	(542)
Underlying profit before tax [3]	**745**	574	502	534	583
Loan impairment expense	**(13)**	21	(175)	(69)	(41)
Cash earnings before tax	**732**	595	327	465	542
Cash earnings after tax	**508**	412	225	320	372
Reported statutory net profit after tax	**426**	**369**	**115**	**298**	**336**
Financial position					
Gross loans and advances [4]	**81,250**	75,748	47,043	46,216	45,279
Total assets [5]	**99,930**	91,439	56,772	55,597	52,980
Customer deposits	**60,489**	56,469	34,762	32,428	31,325
Total liabilities [5]	**93,245**	85,242	52,541	51,738	49,124
Total equity	**6,685**	6,197	4,231	3,859	3,856
Shareholder performance					
Market capitalisation at balance date	**4,551**	6,063	2,785	3,721	4,565
Share price at balance date ($)	**7.03**	9.46	6.13	9.17	11.49
Statutory basic earnings per share (cents)	**65.7**	67.0	25.4	74.0	85.5
Statutory diluted earnings per share (cents)	**60.1**	62.6	24.4	69.1	81.2
Cash basic earnings per share (cents)	**78.4**	74.7	49.6	77.0	91.5
Cash diluted earnings per share (cents)	**71.2**	69.5	45.1	71.9	86.7
Fully franked dividend per ordinary share (cents)	**46**	39	12	65	76
Cash dividend payout ratio to ordinary shareholders	**58%**	61%	24%	82%	81%
Cash earnings ratios					
Net interest margin	**1.74%**	1.92%	1.91%	1.93%	1.98%
Cost to income ratio [2]	**55.7%**	54.4%	54.9%	51.7%	48.2%
Return on average ordinary equity	**8.4%**	8.2%	5.4%	8.3%	9.9%
Capital adequacy					
Common Equity Tier 1 ratio	**9.57%**	9.80%	9.78%	9.04%	9.31%
Total Capital Adequacy ratio	**13.78%**	12.60%	12.73%	12.40%	12.76%

(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 5 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) Virgin Money Australia (**VMA**) operating costs have been restated from non-interest income and included in operating expenses as per Australian Securities Exchange (**ASX**) announcement on 30 September 2021.
(3) Underlying profit before tax is profit before impairment on loans and advances, significant items and tax.
(4) Before specific and collective provisions.
(5) FY21 comparative information has been restated to reflect the prior period adjustments detailed in the financial statements Note 5.5 (C).

Chairman's review

Dear Fellow Shareholders

FY22 has been a challenging year with unique circumstances to navigate as we learnt to live with COVID-19, dealt with pressures from inflation, labour shortages and experienced rising interest rates for the first time in over 11 years. The year was also impacted by severe flooding and extreme weather events across the country. These economic, health and environmental factors have impacted the lives of many of our customers and people.

It is against this backdrop that our purpose, ***Building Social Capital through Banking*** was developed. The importance of supporting each other and leveraging the strength of our social connections has never been more critical. The new purpose enables our people from across the legacy BOQ, Virgin Money Australia and ME brands to come together under a new common banner. The purpose is underpinned by new values to inspire and guide our people as we deliver positive long term sustainable outcomes for our customers, people, shareholders and the communities in which we operate.

Board priorities and strategy

Throughout the year we have made good progress against our strategy while supporting our customers through challenging times and remaining focused on sustainable profitable growth.

We are executing on our digital transformation and are seeing tangible benefits for customers and the business with strong growth in digital transaction accounts and deposits. In March this year we launched the BOQ brand transaction and savings products on the new platform, joining VMA and proving out the multi-brand capability of the platform. Work is well progressed on adding ME to the platform which we expect to deliver next year. This will see all three retail brands available on the new digital banking platform, resulting in a superior customer experience and improved access to lower-cost funding.

We have high conviction in the delivery of the cloud based digital bank and are now halfway through this medium-term transformation plan. The program requires considerable investment with the uplift in efficiency, customer experience and returns largely back ended to when we switch off our complex legacy systems. Whilst the value of this investment is not as yet reflected in our share price, we remain committed to staying the course in our ambition to build a highly efficient and scalable digital bank with an exceptional customer experience, low cost to income ratio and improved returns on equity.

We are focused on growing our business in a quality way and strengthening our financial and operational resilience and risk controls and risk culture. There is more work to do on improving our risk controls and risk culture, which is being supported by our investment in moving off complex legacy systems and reducing reliance on manual controls.

The right leadership and talent is critical to our success and we understand the importance of building the skills needed for the future through the development and retention of a high quality and diverse team.

These elements are key to our future success, and we continually assess broader consumer trends and market shifts such as digitisation and decarbonisation, emerging opportunities and market consolidation when evolving our strategy.

Customers & communities

Customers are at the heart of our business and central to our decision making. We have continued to deliver superior customer experiences through the year, evidenced through our top 3 NPS ranking for the BOQ Retail brand and portfolio growth during the year. Our transformation gives us the opportunity to further enhance our value proposition for customers, to make their everyday and business banking a digital, seamless, and easy process, to facilitate Australians buying their first home or taking that next step in growing the family business.

We are focused on supporting our most vulnerable customers who might be facing hardship and understand the key role we play in the resilience of households and businesses through these uncertain economic times. Our business bankers have strong relationships with their customers and our Owner Managers have long term and deep relationships within their local communities.

During the year we have continued our community partnerships with Orange Sky Australia, Clontarf Foundation, Stars Foundation, National Breast Cancer Foundation and the Mother's Day Classic Foundation. These organisations support vulnerable Australians, First Nations youth and breast cancer research and are aligned to our purpose. I am very proud of the role our people and BOQ plays in advancing the important work of these organisations.

Business performance & capital management

Notwithstanding the uncertainty of this year, I am pleased to report that BOQ has again delivered a solid financial performance with reported statutory profit of $426m. After tax cash earnings for the year was $508m which represented earnings per share of 78.4 cents.

BOQ is committed to prudent capital management to support resilience through the cycle, disciplined investment and growth targets, and acceptable dividends to our shareholders. Our end of year CET1 ratio was 9.57%. Given the current economic environment and the upcoming Basel III capital changes we will seek to retain CET1 above 9.5% with a reconsideration of the appropriate setting after we have finalised the Basel III re-weightings.

We have good business momentum with strong growth across all our brands. Our Retail brands and channels have delivered above system housing growth and our Business Bank has also outperformed in the SME market in line with our renewed focus on this area.

In balancing resilience with the investment required for our transformation and the capital allocation for future growth, the Board has determined a fully franked final dividend of 24 cents per share be paid, bringing the FY22 total ordinary dividend to 46 cents per share. This is slightly below our target payout ratio reflecting the important reinvestment in the business.

People & culture

Building social capital requires a commitment from all our people to create a culture that enables exceptional customer experiences, inclusion and diversity and improving outcomes for all our stakeholders. We ask our people to be accountable and speak up if they see something that isn't right in order to build a strong risk culture where all our people see risk as part of their role.

Our values guide the way we do business, to make a positive difference to the lives of our customers and our communities. The strong leadership team we have in place will enable us to continue executing on our strategy and transform BOQ to a simpler, digital and sustainable bank. Pleasingly, we have again seen an uplift in employee engagement in FY22 which now stands at 67%. We recognise there is more to do but are encouraged by our steady progress since 2019.

In FY21 Performance Shares replaced short term incentives (delivered via a combination of cash and restricted shares) for the CEO and senior leadership team to better align with shareholder outcomes. Recognising the underperformance of BOQ's share price in FY22 and the difficult year for many of our customers and communities, balanced against the performance ratings in our group scorecard, the Board supported the recommendation from the Managing Director and CEO to reduce his performance share conversion by 25% and by 10% for those allocated to the senior executive team.

Building a sustainable business

The Board recognises the importance of environmental and social matters to our stakeholders and takes an active role in shaping BOQ's response. The devastation experienced by our communities as a result of the floods and weather events showcased the resilience of our customers and people, but it also strengthened our resolve to support Australians in the transition to a low carbon future in order to address the impacts of climate change.

BOQ is a certified carbon neutral organisation, ensuring that our operational footprint is offset while we work to reduce our emissions. We have committed to sourcing 100% of our energy needs from renewable sources by 2025 and have made good progress with 54% of our needs coming from renewable sources in FY22. We are committed to ceasing the financing of assets directly involved in the extraction of fossil fuels and are committed to a 90% reduction in our scope 1 and 2 emissions by 2030[1] along with a 40% reduction in our supply chain scope 3 emissions. Sustainability is integral to our new purpose and is critical to our future success.

"Our values guide the way we do business, to make a positive difference to the lives of our customers and our communities."

Board composition

Dr Jennifer Fagg joined the Board on 13 October 2021, bringing more than 25 years' executive experience in leading financial services institutions in Australia and abroad, strong credentials in risk management and a PHD in Risk culture. Her appointment completes the board refresh and I am confident we have the right skills, capabilities and diversity of thought in place which are crucial to BOQ's continued transformation.

The Board understands its critical role in oversight, setting the tone for the business and its responsibilities to our shareholders, our people and our customers.

Looking ahead

Our progress in delivering a fully cloud based end-to-end banking platform across the group is well underway. We look forward to continuing this progress over the coming year, with a clear purpose supported by meaningful values to continue to deliver strong results.

I would like to acknowledge our Managing Director & CEO, George Frazis, the Executive Committee and all our BOQ employees for their continued commitment to delighting our customers, living our values and creating long term value for our customers and shareholders. Through their hard work, we will continue to execute on our strategy and build social capital through banking.

On behalf of the Board, thank you to our customers and shareholders for your support through what has been a challenging year.

P. Allaway

Patrick Allaway
Chairman

(1) The emissions reduction target is based off a 2020 baseline.

Managing Director and CEO's message

Dear Fellow Shareholders

This has been another year of economic uncertainty, devastating extreme weather events and the first cash rate rise many of our customers have ever experienced. We understand the important role BOQ plays in supporting Australians through this period and our team has remained focused on ensuring the resilience of our business, our people and the communities in which we operate.

Business and operating performance

We have delivered a solid result for the year. Our continued focus on improving the customer and broker experience has resulted in strong, quality business momentum. In the housing portfolio, we have returned ME to growth and maintained our above system growth for both BOQ and VMA. In our business portfolio we have maintained our focus on supporting family businesses and have grown our SME market share during the year. Growth has resulted in a 1% increase in income for the year, despite the impact on margins from ongoing competition and significant volatility in swap rates.

Tight expense management as well as the benefits of integration synergies and the productivity program have enabled us to make significant investments in our transformation during the year while maintaining a flat expense base. Our asset quality remains sound, with improving credit risk metrics and our CET1 ratio of 9.57% remaining above our target range.

We have delivered a statutory net profit of $426m for the year and cash earnings of $508m.

Customers and community

Delighting our customers is at the heart of what we do. Through our ongoing transformation, we have digitised a large number of processes, increasing the options for customers to self-service and bank how and when they choose. Joining our award winning Virgin Money app, we launched our myBOQ app in March this year, which has enabled customers to open a transaction or savings account and start transacting in under five minutes, with real time payments, automatic savings round ups and personal financial management tools.

"We recognise the role we play in supporting our people, customers and communities in which we operate."

Our customers are our best advocates, and the changes we have made this year combined with our ongoing commitment to a superior customer experience has resulted in BOQ ranking 3rd for main financial institution net promoter score. Delivering exceptional customer experiences reflects the hard work of our dedicated team, who have listened to customer complaints to identify key areas for improvement and continue to embed the customer's voice throughout all decisions.

During the year we built on our capability to support vulnerable customers, providing additional training and resources to our front line teams to ensure they have the resources to identify and support those in need in our community.

Throughout our 148 year history, the communities in which we operate have been core to our business and we acknowledge the role and opportunity we have to make a positive impact. Our ongoing partnership with Orange Sky and the Clontarf and STARS Foundations enables us to support their great work with some of the most vulnerable members of our community. We also continued the long-standing support ME have provided to the National Breast Cancer Foundation.

People

BOQ's executive team boasts a high calibre and diverse set of skills. During the year Racheal Kellaway was appointed to the Chief Financial Officer role following three years as Deputy CFO for the Group, Paul Newham was appointed to the Group Operations Officer role after just over a year as the Chief Services Officer, we welcomed David Watts as our new Chief Risk Officer and Sally Cray as our new Chief of Public Affairs, Communications and Investor Relations.

We are driving a customer-centric culture, tapping the collective genius of our people to streamline processes and drive superior customer outcomes. Furthermore, continuing to embed a strong risk culture across the organisation means we encourage our people to be accountable and to speak up if something isn't right.

We strive to make BOQ Group a great place to work, with a focus on flexible working practices and attracting and developing our people into the leaders of tomorrow. During the year, we refreshed our operating model as we brought the BOQ and ME businesses together, which provided a number of our people with the opportunity to take on expanded roles and progress their careers.

In addition, inclusivity is key to what we expect from our leaders, ensuring our people can be themselves at work and harness diverse thoughts and experiences to drive better business outcomes.

I am sincerely grateful for our people's continued commitment to our customers, to best practice, their resilience during a challenging period and hard work over the year.

Progress against strategy

This year we launched our new Group purpose, values and strategic pillars which builds on the solid progress we have made on our strategy since 2020. Our new purpose '***Building Social Capital Through Banking***' is underpinned by our values of spirited, optimistic, curious, inclusive, accountable and lionhearted which set the north star for our people and provides the platform for ongoing transformation, continuing to delight our customers and delivering sustainable profitable growth.

Our refreshed strategy is built around 4 strategic pillars – exceptional customer experience, cloud based digital bank, sustainable profitable growth with improving strength, risk and return and enriching people. These key priorities set the direction for the next 5 years and will see BOQ transform into a future fit, sustainable business.

We have made solid progress against our strategy during the year. The digital transformation is moving at pace and we launched the myBOQ app during the year on the new digital bank platform. BOQ joins VMA in offering digital transaction and savings account capabilities on the platform and proves out the multi-brand capability.

Our recently announced five-year strategic partnership with Microsoft makes us the first bank in Australia and New Zealand to access Microsoft's new customer experience tools. This partnership will drive a key element of our digital strategy, allowing us to simplify our infrastructure, build new features for customers, automate more processes and be able to deliver differentiated and personalised experiences for our customers.

Our integration program is well progressed. We have returned ME to growth, consolidated on to one ADI licence, completed key integration streams and are delivering synergies ahead of plan. Our productivity program has also delivered material benefits during the year, enabling us to accelerate our investment in the digital transformation.

Regarding our sustainable profitable growth pillar, we have developed plans, including our responsiveness to the evolving risk landscape.

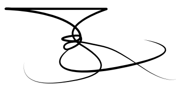
Outlook

While uncertainty remains from elevated inflation, rising interest rates, a weakening global economy and geopolitical tensions, we believe Australia is well positioned given low unemployment, high levels of accumulated household savings, strong business order books and robust growth in capex spending plans. We remain sharply focussed on delivering our strategic objectives, simplifying our business, strengthening risk management, and building the digital bank of the future.

Our transformation is delivering strong outcomes and it is wonderful to see the benefits of this investment. I am confident the dedication of our people and leadership team will continue to execute on our strategic priorities and deliver sustainable profitable growth.

I would like to thank the Chairman and the Board for their invaluable guidance, support, and contribution throughout the year.

On behalf of our Executive Team, we extend our sincere appreciation to our customers, our people and our shareholders for their continued support.



George Frazis
Managing Director and CEO

2022
DIRECTORS'
REPORT.

About BOQ Group

BOQ Group is one of Australia's leading regional banks, having served customers for 148 years.

During BOQ Group's long history, it has evolved from a Queensland-focussed, retail branch-based bank to a nationally diversified financial services business with a focus on niche commercial lending segments, highly specialised bankers and branches run by small business owners who are deeply anchored in their communities.

We provide a range of products and services to support the financial needs of our customers and pride ourselves on building long-term customer relationships that are digitally-enabled with a personal touch.

Purpose and Values

In 2022, we reset our Group purpose: '***Building social capital through banking***'.

> "These new values are embedded in our purpose: Building social capital through banking."

Our new values underpin this purpose, articulating the behaviours we want to uphold every day to create value for our customers, shareholders and people.

Group Purpose

BUILDING
SOCIAL CAPITAL
THROUGH BANKING

Group Values

S	O	C	I	A	L
Spirited	**Optimistic**	**Curious**	**Inclusive**	**Accountable**	**Lionhearted**
Be outrageously courageous	To infinity and beyond	Be truly madly deeply interested	Tap the collective genius	Be the rubber that hits the road	Be fiercely caring

Strategic Pillars

EXCEPTIONAL CUSTOMER EXPERIENCE	CLOUD-BASED, DIGITAL BANK	SUSTAINABLE PROFITABLE GROWTH	ENRICHING PEOPLE
Through loved brands, caring bankers, building relationships and enriching communities.	With at scale unit costs, impactful data insights and fast innovative solutions.	With improving strength, risk and return.	By developing curious bankers, building an agile organisation and being a good corporate citizen.

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 a 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% 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.

Our niche brand segmentation strategy

Over time, BOQ Group has successfully acquired a portfolio of brands that form the basis of our multi-brand strategy. These different and complementary business lines provide us with a competitive advantage due to our specialised knowledge in these niche segments.

Retail brands

BOQ - The Human Touch

Mature customers who prefer personal relationships, first time investors and first home buyers

BOQ is the Retail banking arm of the BOQ Group, which includes 154 branches across Australia offering a range of banking products. Our 111 Owner Managed Branches (**OMBs**) are run by local Owner Managers who understand the importance of delivering quality customer service and are deeply committed to the communities in which they operate.

Retail and SME lending, deposits, credit cards and insurance.

VMA - The Optimiser

Younger, digitally savvy and aspirational

VMA is a digital-first retail financial services company which provides a wide range of financial products that are easy to understand and is a compelling alternative to the 'big banks'. BOQ Group acquired VMA in 2013 and operates as a standalone brand within the Group.

Digital home loans, deposit, credit cards, insurance and superannuation.

ME - The Striver

PAYG with more equity – digitally aware and not requiring face to face support

ME is an online retail bank, which provides a wide range of banking products to customers through mobile bankers, direct channels and brokers. ME was acquired by BOQ Group in July 2021 and operates as a distinct brand within the Group.

Home loans, personal loans, deposits and credit cards.

BOQ Business brands

BOQ Business

Tailored
Specialist business and private banking centred on niche customer segment. A specific focus on the SME segment, particularly growing medium sized family business

BOQ Business is a relationship-led business with specialist bankers providing client solutions across small business, agribusiness, corporate banking, property finance, healthcare and retirement, and tourism, leisure and hospitality. BOQ Business also works closely with the Owner-Manager network to support commercial customers who value a more intimate business banking relationship.

Commercial lending, deposits and financial markets.

BOQ Finance

BOQ Finance is a wholly-owned subsidiary of BOQ specialising in asset finance and leasing solutions. BOQ Finance is a mid-market financier providing deep industry and product skills to its partner base. BOQ Finance has been operating in the Australian and New Zealand markets for more than 45 years.

Asset Finance, Cashflow and Structured Finance solutions.

BOQ Specialist

BOQ Specialist delivers distinctive banking solutions to niche market segments including medical, dental and veterinary professionals. BOQ Group acquired the business (previously Investec Professional Finance) from Investec Bank (Australia) Limited in 2014. BOQ Specialist operates as a niche brand within BOQ's Business Bank.

Commercial lending, asset finance, home loans and consumer banking.

Group functions

BOQ Group's business lines are supported by a number of Group functions including Retail Banking, BOQ Business, People and Culture, Finance, Operations, Risk, Public Affairs, Communication and Investor Relations, , Technology, Legal and Governance. These key functions support our bank by managing our operations, property, strategy, finance, treasury, technology architecture, infrastructure and operations, risk, compliance, legal, human resources and corporate affairs.

Australia wide

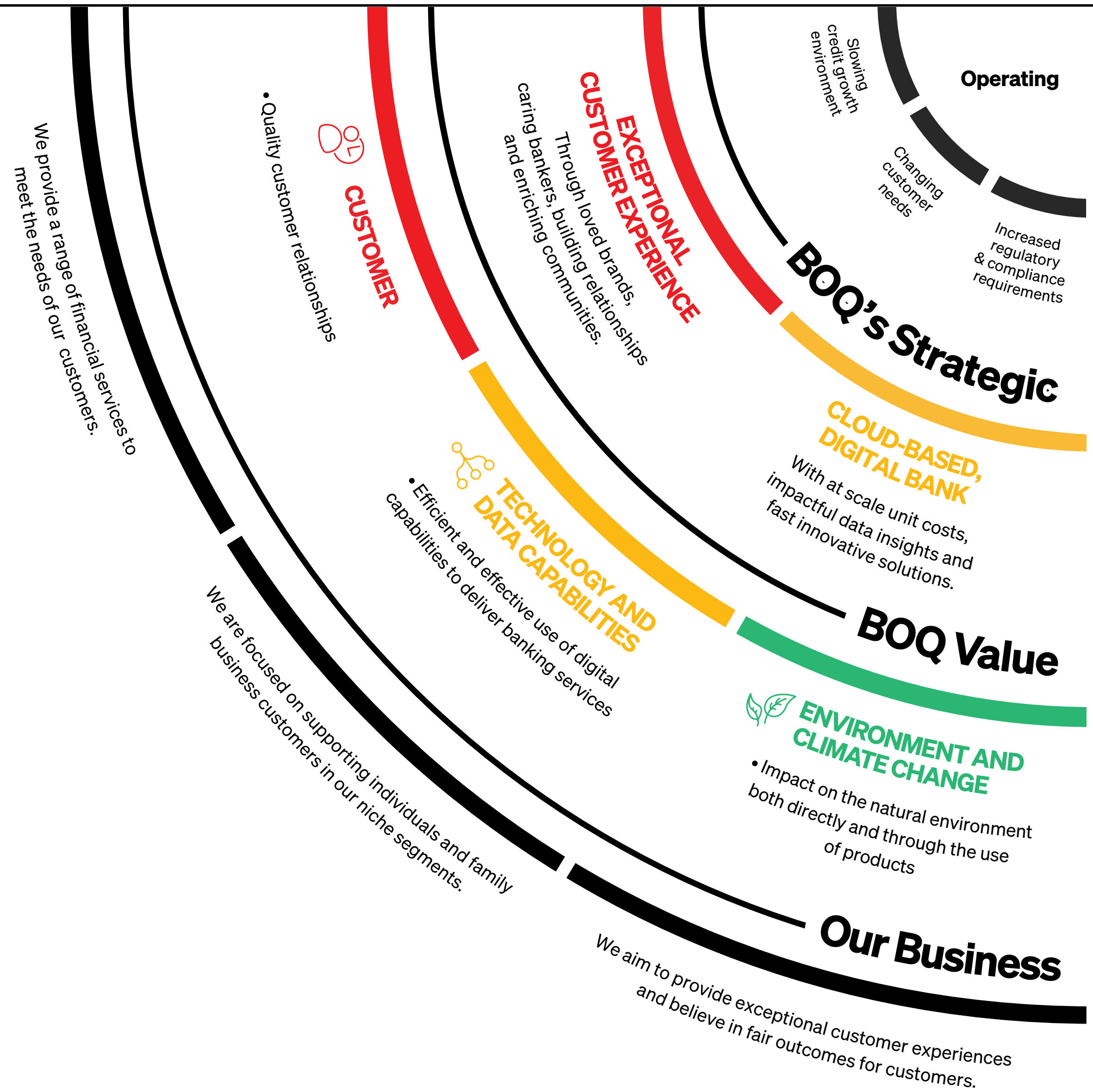
With customers and branches in every state and territory, BOQ Group has a significant presence throughout Australia.

Customers (1)	Branches
1.3m	154

Accredited brokers	Customer deposits	Gross loan and advances
15.9k	$60.5bn	$81.3bn

(1) FY22 ME customer numbers adjusted to align to BOQ Group customer definition

How we create value



Further information on our strategic priorities is contained on page 18 - 19

BOQ — Retail and SME lending, deposits, credit cards and insurance

Virgin money — Home loans, deposits, credit cards, insurance, and superannuation

me — Home loans, personal loans, deposits and credit cards

BOQ Value

CUSTOMER

- Build trusted customer relationships with a personalised touch
- Achieve fair customer outcomes
- Support individuals and businesses to achieve their financial goals

View our Sustainability Report at boq.com.au/2022

TECHNOLOGY AND DATA CAPABILITIES

- Improve customer experience through flexible and resilient digital infrastructure
- Data insights driving customer relationships and experience
- Increase business efficiencies
- Data security, governance and privacy

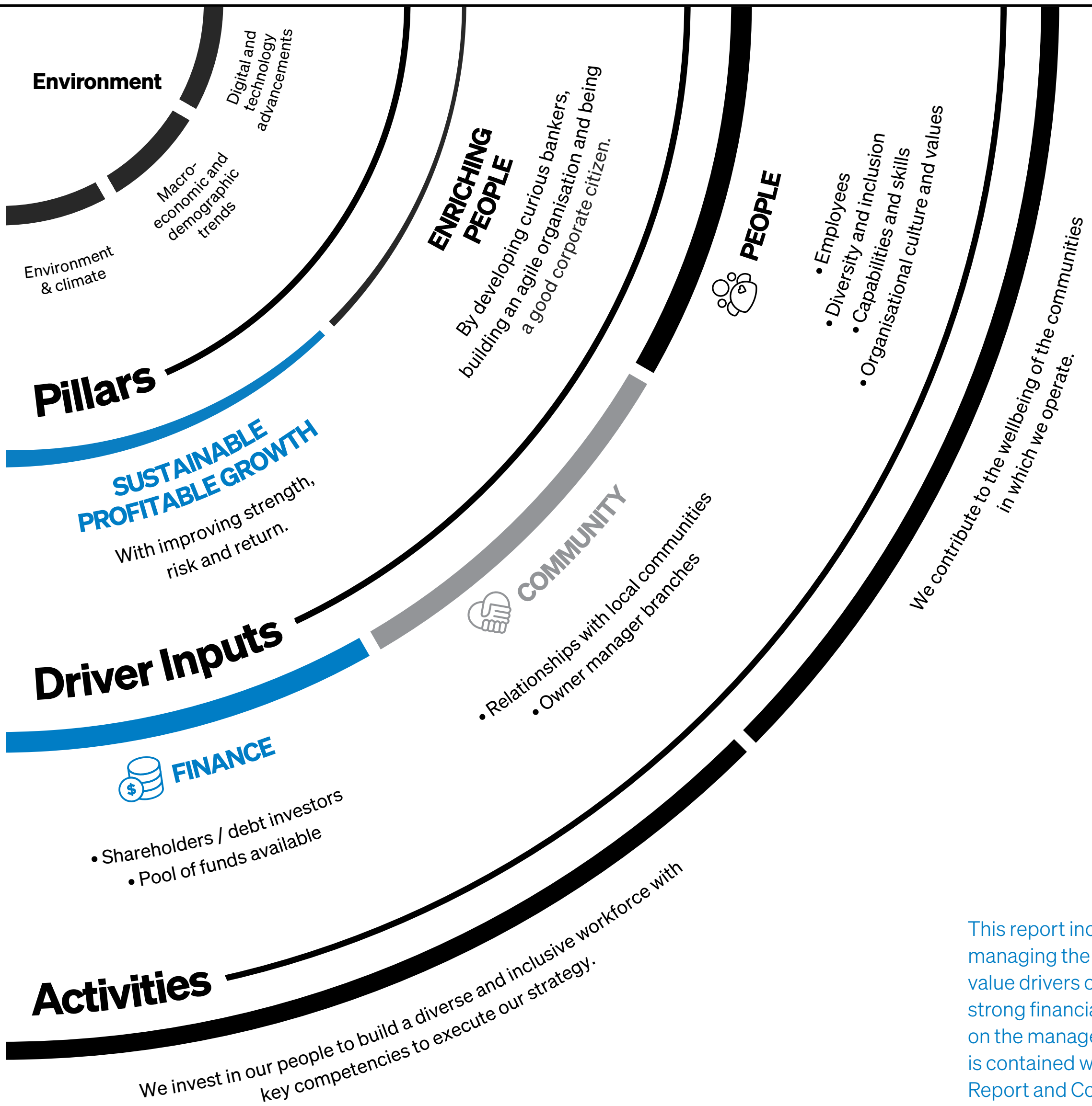
View our Sustainability Report at boq.com.au/2022

ENVIRONMENT AND CLIMATE CHANGE

- Accountability of BOQ Group's impact on the environment
- Attract customers, employees and shareholders whose values and banking choices are aligned to BOQ Group's environmental goals
- Contribute to Australia's transition to a lower carbon economy

Pages 58 - 65

At the core of how we create long-term value for our stakeholders is our purpose-led culture and the execution of our strategy. This is underpinned by our value drivers and the associated business activities, which we undertake with the aim of delivering a set of key outcomes for our stakeholders.



This report includes details on how we are managing the key risks associated with our value drivers on pages 54 - 55 to achieve strong financial returns. Further information on the management of non-financial risks is contained within the FY22 Sustainability Report and Corporate Governance Statement.

BOQ BUSINESS — Commercial lending, deposits, financial markets, insurance

BOQ SPECIALIST — Commercial lending, asset finance, home loans and consumer banking.

BOQ FINANCE — Commercial lending, deposits and financial markets.

Driver Outcomes

FINANCE

- Returns to shareholders and capital reinvested for future growth
- Trusted to deliver sustainable returns
- Increased quality market share in niche segments
- Strengthen financial and operational resilience

Financial Performance pages 20 - 57

COMMUNITY

- Experienced bankers anchored in the community
- Increase access to financial services and ongoing support
- Improve financial literacy and wellbeing of the community

View our Sustainbility Report at boq.com.au/2022

PEOPLE

- A resilient, adaptable, empowered, diverse and inclusive workforce with a strong sense of purpose and ethics
- Increase skills and capabilities of our people
- BOQ Group is seen as an employer of choice

View our Sustainbility Report at boq.com.au/2022

Our strategic priorities and value drivers

Developing and executing against our strategy

BOQ Group has the strength of a 148-year financial institution with strong relationships in the communities we serve through our experienced bankers and branch network. In February 2020, BOQ Group laid out a refreshed strategy providing clear direction to continue to deliver exceptional customer experiences through our multi-brand strategy and outlining a roadmap to address some of the structural challenges BOQ Group faced against our peers.

Pleasingly, we have made significant inroads delivering on our strategy by executing on our digital transformation, building scale and diversifying our business with the acquisition of ME in 2021. Importantly, our strategy has steered us through recent unprecedented times with our people continuing to build a digital end-to-end bank for the future. As a result of our strong progress and the acquisition of ME, we have taken the opportunity to review and evolve our strategy with the aim of further strengthening BOQ Group's competitive advantage. We have refined our strategic priorities and are focused on sustainable outcomes for our customers, people and shareholders.

We have made good progress across our priorities during FY22.

Strategic priority	Progress through FY22	Value driver
Exceptional customer experience At BOQ Group, our customers are at the heart of our decision making. With us delivering on exceptional customer experiences, they will benefit from: • Lifelong relationships, centred on improving their financial position; • Digital offering with fast decisions, easy everyday banking with the customer choosing how they want to interact; and • Innovative and personalised solutions.	• Launched myBOQ app with over 1 million transactions and 1.5 million app logins since its launch in March this year, bringing younger customers to the bank. • BOQ Retail ranked 3rd on main financial institution (**MFI**) Net Promoter Score (**NPS**). • Returned ME to growth. • Launched new general insurance offering.	
Cloud-based, digital bank We are leaving legacy technology behind committing to a cloud-based, digital bank that is sustainable and provides BOQ Group with the agility to innovate without needing to heavily invest. To achieve this, we are building on the open Application Programming Interface (**API**) architect foundations and a proven multi-brand digital stack connected to a common platform that will power our business bank. We have carefully selected global-recognised partners to manage the execution risk and ensure we are not just solving for today.	• 43/64 of customer facing processes digitised for transaction and savings accounts.[1] • Quicker time to yes, with <1 day to conditional approval for BOQ and ME brands. • New streamlined process for SME lending, saving bankers 450 hours per month. • Formed a strategic Microsoft partnership and strengthened our relationship with Temenos.	
Sustainable profitable growth We remain committed to maximising the return on our portfolio, deliberately growing in the segments that are important to us, delivering sustainable returns for our shareholders. Critical to remaining profitable is leveraging technology to drive down costs and embed risk by design to protect our customers.	• New digital app for BOQ driving growth in transaction and savings accounts. • ME integration well progressed with higher synergies. • Divestment of St Andrew's. • Strengthening financial resilience and uplifting risk controls.	
Enriching people Our people are our point of connection with our customers. We are resolute in developing curious bankers that are driven to push the boundaries of innovation and take ownership of customer outcomes. Part of our journey is to support our people in preparing their banking careers of the future.	• 67% employee engagement (increase from 59%).[2] • Delivered training programs for business bankers and leaders. • Achieved carbon neutral accreditation. • 54% of electricity needs powered by renewable energy. • Uplift in risk culture.	

(1) Remaining processes relate to cash and cheque transactions where manual processing is required to support customers.
(2) Engagement score was 59% as at August 2020 and 67% as at September 2022.

Alignment of our value drivers and strategic priorities

Customer

Customers and quality relationships sit at the heart of BOQ Group. We create value by providing a range of financial services to meet the needs of our customers. We aim to provide exceptional customer experiences and believe in fair outcomes. We aim to support individuals and businesses to achieve their financial goals.

- Best-in-class customer experience through a leading digital offering enabled by self-service and seamless banking
- Distinctive multi-brand strategy growing above system for the Retail Bank
- Superior SME offering powered by specialist bankers, supported by the Business Credit team, a highly experienced cohort with long tenure in industry, holding a significant level of technical skill and commercial acumen.

Community

BOQ Group recognises the importance of contributing to the wellbeing of the wider community. Led by the Owner-Managers, who are experienced bankers anchored in their local community, BOQ has established deep relationships with the communities in which it operates. We aim to ensure ongoing access to financial services and support and improve the financial literacy and wellbeing of the community.

- Enhancing community partnerships supporting vulnerable Australians
- Leveraging our differentiated Owner-Manager model to support communities
- Building **social capital** through banking focusing on our customers and communities

People

Our employees are key to the success of our business. We value diversity and inclusion and rely on their capabilities and skills to deliver value for stakeholders. Grounded in our organisational culture and values, we seek to build a resilient, adaptable, diverse and empowered workforce with a strong sense of purpose and ethics so that BOQ Group is viewed as an employer of choice.

- Capable bankers focused on customers and embracing the new digital age
- Building **social capital** through capable leaders and an execution mindset
- Fostering an inclusive and diverse workplace

Environment and climate change

Climate change is a risk to BOQ Group and the Australian economy, society and the environment. Banks play a central role in supporting customers through the transition to a lower carbon economy. Taking accountability of BOQ Group's impact on the environment will attract customers, employees and shareholders whose values are aligned to the Group's environmental goals. Further details on our response to climate change can be found on pages 58-65.

- Reduce BOQ Group's carbon footprint with a goal of 100 per cent renewable energy by FY25
- Support customers to transition to a lower carbon economy
- Cease funding equipment directly involved in the extraction of fossil fuels by 2024

Finance

BOQ Group's equity and debt investors provide us with an important source of funds, which are utilised through our business activities with the aim of creating value for our stakeholders. Investors expect generated capital to be reinvested to fund future growth and are seeking sustainable returns on their investment. Further details on BOQ Group's financial performance can be found on pages 20-52.

- Maintain group deposit-to-loan ratio of >70 per cent
- Improving cost-to-income ratio
- Ongoing Risk-Weighted Assets (**RWA**) optimisation
- Improving organic capital generation
- Disciplined risk management
- Maintaining strong financial resilience

Technology and data capabilities

Continued investment in technology and data capabilities is essential to delivering an enhanced customer experience, providing tailored products and service for customers and simplifying how we do business. Stakeholder expectations are changing rapidly and the ability to harness insights to tailor our offering will create significant value for stakeholders, while ensuring strong controls of data security, governance and privacy are in place.

- Deliver the digital retail banking platform for all brands
- Consolidate the business bank to one core
- Transition customers from old to new cloud-based core services platform and decommission legacy
- Build an intelligent data platform

Financial performance

For the year ended 31 August 2022

1. Financial highlights

1.1 Reconciliation of statutory profit to cash earnings

Reported and pro forma comparatives

Bank of Queensland Limited and its controlled entities (**BOQ** or **the BOQ Group**) acquired 100 per cent of Members Equity Bank Limited (**ME**) on 1 July 2021. On 28 October 2021, the sale of St Andrew's Insurance (**St Andrew's**) to Farmcove Investment Holdings was completed.

Consistent with the results presented for 28 February 2022 and to enhance the understanding and facilitate meaningful comparison with the prior year, pro forma financial information for the year ended 31 August 2021 has been prepared. This assumes that the BOQ Group structure including ME and excluding St Andrew's was in effect for the full comparative periods from 1 September 2019 to 31 August 2021. As required for statutory reporting purposes, the statutory financial information for the BOQ Group includes the results of the current Group's assets from the date of acquisition of ME and hence the statutory financial information for the year ended 31 August 2021 does not reflect the performance of the BOQ Group as it is currently structured.

The following terms have been used to describe the result throughout the financial performance section of the report:

- "Reported results" refers to information prepared on the same basis as the statutory consolidated financial statements of Bank of Queensland Limited for the year ended 31 August 2021 and 31 August 2022. These incorporate the results of ME from 1 July 2021 for the year ended 31 August 2021 and includes the results of St Andrew's up to 28 October 2021 across both periods;
- "Cash earnings" is a non-accounting standards measure commonly used in the banking industry to assist in presenting a clear view of the BOQ Group's underlying earnings. Cash earnings excludes a number of items that introduce volatility or one-off distortions of the current period performance and allows for a more effective comparison of performance across reporting periods;
- "Pro forma results" have been derived from the statutory information of the BOQ Group. Material adjustments have been made to include the results of ME assuming that the acquisition was completed on 1 September 2019 and to exclude the results of St Andrew's, including the loss on sale, from the entire period under review. Pro forma income statements are presented on a cash earnings basis. Material one-off fair value adjustments associated with the acquisition of ME have also been excluded from the pro forma results; and
- "Underlying profit" refers to profit before loan impairment expense and tax.

Pro forma results for the 31 August 2022 and 28 February 2022 financial periods are not required because ME has been included for the entire period whilst the profit from St Andrew's prior to its disposal, including the loss on sale, has been excluded from cash earnings.

Pro forma results have not been subject to an independent audit or review. They are provided to facilitate comparison of 31 August 2022 with prior periods. The pro forma result should be read in conjunction with the reported results and historical financial statements of BOQ and ME.

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 another.

Note on statutory profit and cash earnings

Statutory profit is prepared in accordance with the *Corporations Act 2001* and the Australian Accounting Standards, which comply with International Financial Reporting Standards (**IFRS**). Figures disclosed in the Financial performance report are on a cash earnings basis unless stated as being on a statutory profit basis.

Cash earnings exclusions relate to:

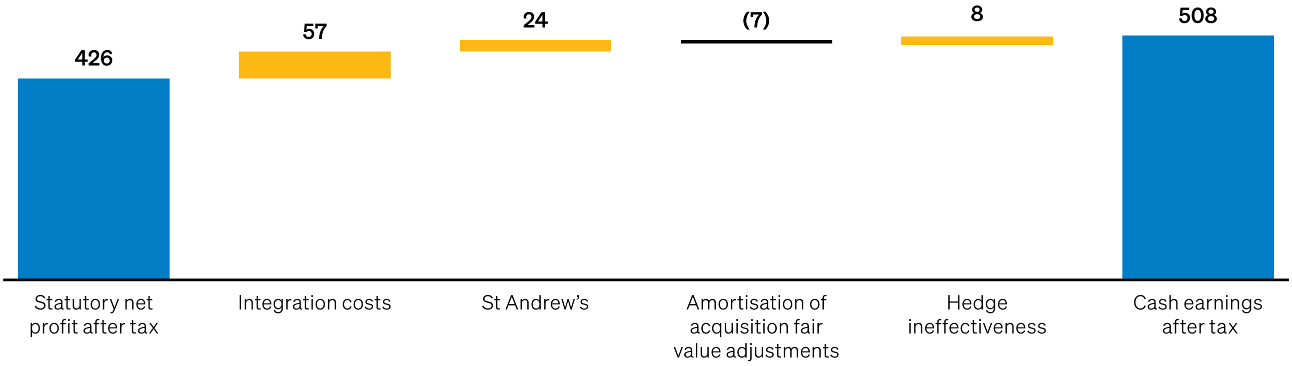
- Integration costs – costs associated with the restructure and integration of ME;
- St Andrew's – this represents the loss on sale and the net earnings of St Andrew's between 1 September 2019 and the date of completion of the sale on 28 October 2021;
- Amortisation of acquisition fair value adjustments – this arises from the acquisition of subsidiaries including ME; and
- Hedge ineffectiveness – this represents earnings volatility from hedges that are not fully effective and create a timing difference in reported profit. These hedges remain economically effective.

Financial performance

For the year ended 31 August 2022

1.1 Reconciliation of statutory profit to cash earnings (continued)

Reconciliation of statutory net profit to cash earnings after tax for FY22 ($ million)



a) Reconciliation of pro forma net profit after tax to reported statutory net profit after tax

	Year end performance			Half year performance		
($ million)	Aug-22	Pro forma Aug-21	Aug-22 vs Aug-21	Aug-22	Feb-22	Aug-22 vs Feb-22
Cash earnings after tax	**508**	532	(5%)	**240**	268	(10%)
Integration costs	**(57)**	(9)	Large	**(32)**	(25)	28%
St Andrew's	**(24)**	-	100%	**2**	(26)	Large
Amortisation of acquisition fair value adjustments	**7**	(3)	Large	**11**	(4)	Large
Hedge ineffectiveness	**(8)**	(6)	33%	**(7)**	(1)	Large
Intangible asset review	**-**	(3)	(100%)	**-**	-	-
Transaction costs	**-**	(42)	(100%)	**-**	-	-
Employee pay and entitlements review	**-**	(6)	(100%)	**-**	-	-
Statutory net profit after tax (Aug-21 pro forma)	**426**	463	(8%)	**214**	212	1%
Less: Pro forma ME cash earnings after tax [1]	**-**	(120)	(100%)	**-**	-	-
Add: Pro forma statutory adjustments [2]	**-**	26	(100%)	**-**	-	-
Reported statutory net profit after tax [3]	**426**	369	15%	**214**	212	1%

(1) Pro forma ME cash earnings after tax comprises earnings for the 10 months ended 30 June 2021 in FY21.
(2) Pro forma statutory adjustments comprises ME adjustments for the 10 months ended 30 June 2021 in FY21.
(3) Reported statutory net profit after tax is not presented on a pro forma basis and agrees to the audited, or auditor reviewed, consolidated income statement within the financial statements.

b) FY22 non-cash earnings reconciling items

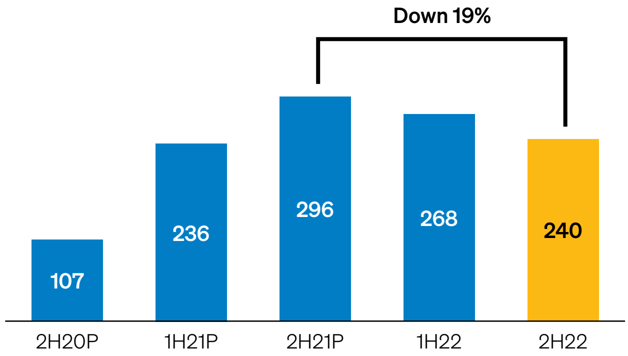
($ million)	Cash earnings Aug-22	Integration costs	St Andrew's	Amortisation of acquisition fair value adjustments	Hedge ineffectiveness	Statutory net profit Aug-22
Net interest income	**1,529**	-	-	11	-	**1,540**
Non-interest income	**153**	-	1	(1)	(11)	**142**
Total income	**1,682**	-	1	10	(11)	**1,682**
Operating expenses	**(937)**	(81)	(26)	(14)	-	**(1,058)**
Underlying profit	**745**	(81)	(25)	(4)	(11)	**624**
Loan impairment income	**(13)**	-	-	14	-	**1**
Profit before tax	**732**	(81)	(25)	10	(11)	**625**
Income tax expense	**(224)**	24	1	(3)	3	**(199)**
Profit after tax	**508**	(57)	(24)	7	(8)	**426**

Financial performance

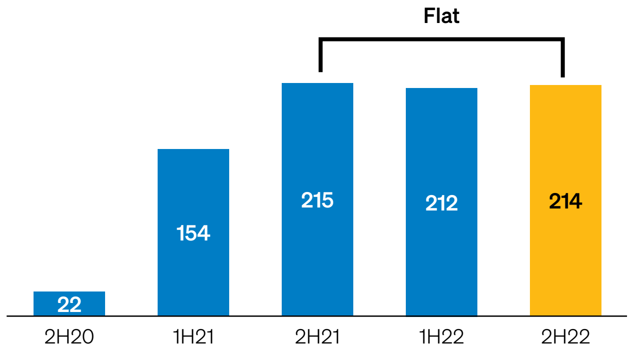
For the year ended 31 August 2022

1.2 Financial summary

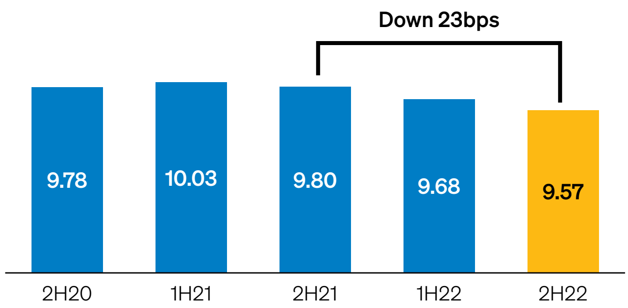
Cash earnings after tax ($ million)[1]



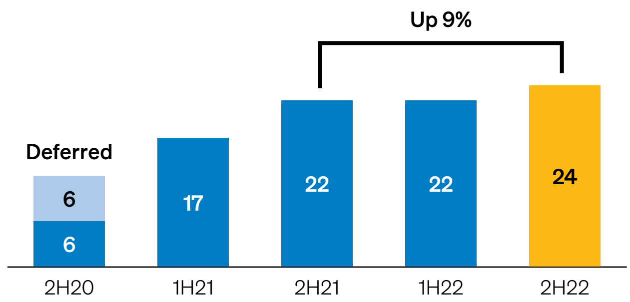
Reported statutory net profit after tax ($ million)



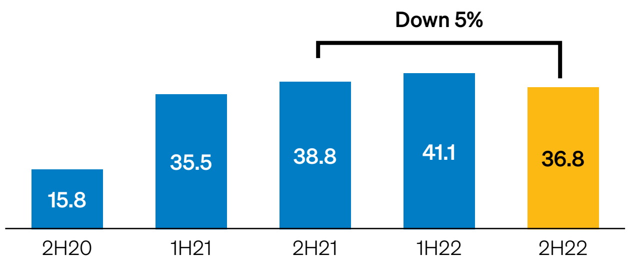
Common Equity Tier 1 (CET1) (%)



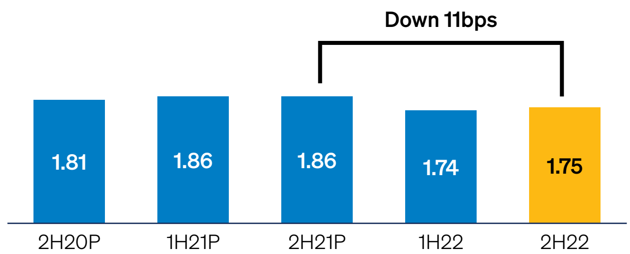
Dividends per ordinary share (cents)[2]



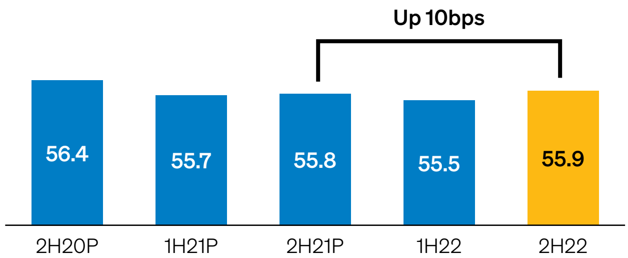
Cash basic Earnings per Share (EPS) (cents)



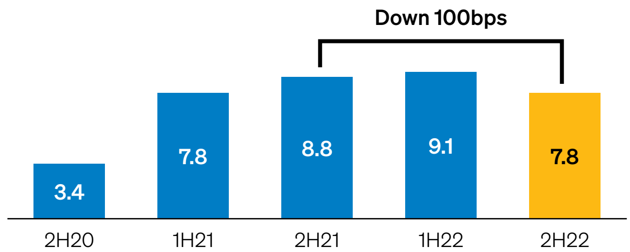
Cash Net Interest Margin (NIM) (%)[1]



Cash Cost to Income (CTI) ratio (%)[1]



Cash Return on average Equity (ROE) (%)



(1) When the period in the respective graphs ends in "P" it reflects a pro forma metric.
(2) Based on the Australian Prudential Regulation Authority guidance issued on 7 April 2020, BOQ determined to defer the decision on payment of an interim dividend. Refer to BOQ ASX Release "BOQ FY20 Interim Dividend Deferral", 8 April 2020.

Financial performance

For the year ended 31 August 2022

1.2 Financial summary (continued)

Net profit after tax (1)

$508m

Cash NPAT

Down 5% on FY21

$426m

Reported statutory NPAT

Up 15% on FY21

Cash Net Profit after Tax (**NPAT**) decrease of five per cent on FY21, driven by the release of COVID-19 collective provisions in FY21.

Cash net interest margin (1)

1.74%

Decrease of 12 basis points on FY21, driven by lower lending margins and higher liquid assets. 2H22 NIM up one basis point due to lower funding costs.

Cash operating expenses (1)

$937m

Flat on FY21, reflecting savings from productivity and synergies, offset by increased investment in technology transformation and business growth.

Loan impairment expense (1)

$13m

Reflects an overall increase of $42 million on FY21 and the normalisation of collective provision following a $69 million credit to the collective provision in FY21. FY22 also includes the establishment of collective provisions for ME loans that were recognised at fair value on acquisition.

CET1

9.57%

Decrease of 23 basis points on FY21, driven by growth in lending, investment and volatility in reserves, partly offset by cash earnings.

Cash ROE

8.4%

Increase of 20 basis points on FY21, driven by higher earnings.

BOQ's cash earnings after tax for FY22 of $508 million was five per cent lower than the pro forma FY21 result. The decrease was primarily driven by the non-recurrence of a credit in loan impairments in 2H22. Underlying profit grew one per cent on pro forma FY21, driven by one per cent income growth and flat expenses. The reported statutory net profit after tax was $426 million, a 15 per cent increase on FY21 reflecting the full year ME result in FY22.

Net interest income

Net interest income of $1,529 million decreased $10 million or one per cent on pro forma FY21. This was driven by a 12 basis points decrease in NIM to 1.74 per cent, partly offset by a six per cent growth in average interest earnings assets.

Gross loans and advances grew seven percent in FY22, driven by a seven percent increase in the housing portfolio and an 11 per cent growth in the commercial lending portfolio. The ME housing portfolio returned to growth by delivering an uplift of $1.1 billion compared to a $1.4 billion contraction in FY21.

NIM of 1.74 per cent decreased by 12 basis points on pro forma FY21. This was driven by the ongoing impact of competition for new housing loans, customers switching from variable to lower margin fixed rate loans, swap rates increasing faster than customer rates on fixed lending and an increase in liquid assets.

NIM recovered by one basis point in the 2H22 to 1.75 per cent driven by the benefits of a rising cash rate environment and deposit repricing.

Non-interest income

Non-interest income of $153 million increased by $19 million or 14 per cent on pro forma FY21. This was primarily driven by a number of one-off revenue items including incentive income realised through an updated card services arrangement, a termination fee relating to a third party insurance provider and realised gains on sale of investment securities.

Operating expenses

Total operating expenses of $937 million were flat on pro forma FY21. This reflected ongoing productivity initiatives and synergy savings driven by operating model changes as part of the ME acquisition, which led to a lower number of employees (**FTE**). These were offset by higher expenses to support the technology transformation and volume growth. This resulted in positive Jaws and a CTI ratio of 55.7 per cent.

Loan impairment expense

The $13 million loan impairment expense for FY22 compares to a credit of $29 million in FY21, which included a $69 million reduction in the collective provision. The overall collective provision expense for FY22 was $13 million driven by the establishment and subsequent seasoning of collective provisions for ME loans that were recognised at fair value on acquisition.

There was nil specific provision expense in FY22 primarily driven by write backs as a result of strong property prices and improved economic conditions across most industries, offset by an increase in niche segments within the Asset Finance portfolio.

Capital management

The CET1 ratio of 9.57 per cent was 23 basis points lower than FY21. This was primarily driven by cash earnings net of dividend, growth in housing and commercial lending and the resulting growth in risk weighted assets and loan origination costs. Widening credit spreads on bonds held in the liquidity portfolio negatively impacted the available for sale reserve. Additionally, the business continues to invest in the digital transformation and the integration of ME. At 9.57 per cent, the CET1 ratio is above the upper end of the management target range of 9.0 per cent to 9.5 per cent.

Shareholder returns

BOQ has determined to pay an ordinary dividend of 24 cents per share, which is 64.7 per cent of 2H22 cash earnings. The Board has committed to a target dividend payout ratio of 60-75 per cent.

(1) Metrics are compared to pro forma FY21.

Financial performance

For the year ended 31 August 2022

1.2 Financial summary (continued)

ME update

Purchase Price Allocation (PPA) update

ME's net assets recognised in the 2021 Annual Report were based on a provisional assessment of their fair value, while the BOQ Group continued to finalise various matters impacting the acquisition accounting entries. All matters have been finalised in the current period and resulted in adjustments detailed in Note 5.5 to the financial statements.

Integration progress

The integration of ME has successfully completed the first full year with delivery focused on quick win synergies, streamlining governance, aligning and simplifying corporate functions, standardising corporate applications, delivering supply chain synergies and aligning policies. A disciplined approach to integration execution resulted in a detailed implementation plan with regular milestones and frequent reporting to the Board, Leadership Team and external regulatory stakeholders. The next phase of integration will focus on the transformational areas of incorporating ME into the cloud computing strategy and into the BOQ Group's broader digital bank transformation.

In FY22, the ME integration completed the following significant milestones:

- Returned ME lending portfolio to growth;
- Completed the handback of the ME Authorised Deposit-taking Institution (**ADI**) licence on 28 February 2022 after the consolidation of ME and BOQ onto a single ADI, a key foundational activity for a number of synergies;
- Consolidated treasury desks, treasury and market risk systems, enabling a single view of the combined balance sheet;
- Consolidated ME and BOQ payments clearing processes for regulatory reporting;
- 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;
- Partially consolidated property and IT networks nationally; and
- Combined key strategic vendor supply chain agreements.

Integration expenses and synergies

Integration expenditure is expected to range between $130 million and $140 million (pre-tax) over the life of the program, with the majority to be incurred in the first two years. Due to the size and non-recurring nature of these costs, they are being treated as a statutory adjustment and not included in cash earnings.

Total integration costs of $81 million in FY22, primarily related to operating model consolidation, technology integration, the risk and remediation program and program costs.

The accelerated completion of key integration initiatives has resulted in pre-tax cost synergies exceeding FY22 targets. In addition to cost synergies, revenue benefits, funding savings and investment capex synergies have also been delivered.

Cost synergies of $38 million have been delivered in FY22 through the successful implementation of aligned operating models, integrating shared service functions and associated technology, decommissioning systems, consolidating treasury, balance sheet and payments processes and consolidating supply chains. Furthermore, the associated run rate benefit of the FY22 synergies delivered is $47 million, which is favourable to the expected run rate target of $38-42 million for FY22. This ensures that there is positive momentum to continue realising the remainder of the integration synergies into FY23. Additional upside is expected in FY24 and beyond following the completion of key technology and banking transformation initiatives.

Financial performance
For the year ended 31 August 2022

2. Group performance analysis

2.1 Pro forma income statement and key metrics [1]

	Year end performance			Half year performance		
($ million)	Aug-22	Pro forma Aug-21	Aug-22 vs Aug-21	Aug-22	Feb-22	Aug-22 vs Feb-22
Net interest income	**1,529**	1,539	(1%)	**788**	741	6%
Non-interest income	**153**	134	14%	**63**	90	(30%)
Total income	**1,682**	1,673	1%	**851**	831	2%
Operating expenses	**(937)**	(933)	-	**(476)**	(461)	3%
Underlying profit	**745**	740	1%	**375**	370	1%
Loan impairment expense	**(13)**	29	Large	**(28)**	15	Large
Profit before tax	**732**	769	(5%)	**347**	385	(10%)
Income tax expense	**(224)**	(237)	(5%)	**(107)**	(117)	(9%)
Cash earnings after tax	**508**	532	(5%)	**240**	268	(10%)
Statutory net profit after tax (Aug-21 pro forma)	**426**	463	(8%)	**214**	212	1%
Reported statutory net profit after tax	**426**	369	15%	**214**	212	1%

(1) 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-22	Aug-21	Aug-22 vs Aug-21	Aug-22	Feb-22	Aug-22 vs Feb-22
Shareholder returns							
Share price	($)	**7.03**	9.46	(26%)	**7.03**	8.00	(12%)
Market capitalisation	($ million)	**4,551**	6,063	(25%)	**4,551**	5,141	(11%)
Dividends per ordinary share (fully franked)	(cents)	**46**	39	18%	**24**	22	9%
Cash earnings basis							
Basic Earnings per Share (**EPS**) [1]	(cents)	**78.4**	74.7	5%	**36.8**	41.1	(10%)
Diluted EPS [1]	(cents)	**71.2**	69.5	2%	**33.6**	37.7	(11%)
Dividend payout ratio	(%)	**58.4**	60.6	(220bps)	**64.7**	52.7	Large
Reported statutory basis							
Basic EPS [1]	(cents)	**65.7**	67.0	(2%)	**32.9**	32.3	2%
Diluted EPS [1]	(cents)	**60.1**	62.6	(4%)	**30.1**	29.9	1%
Dividend payout ratio	(%)	**69.6**	67.7	190bps	**72.6**	66.6	Large

(1) The sum of 1H22 and 2H22 EPS does not equal FY22 due to the uneven distribution of cash earnings after tax across the two halves of the year.

Financial performance

For the year ended 31 August 2022

2.1 Pro forma income statement and key metrics (continued)

Key metrics		Year end performance Aug-22	Aug-21 (1)(2)(3)	Aug-22 vs Aug-21	Half year performance Aug-22	Feb-22	Aug-22 vs Feb-22
Profitability and efficiency measures							
Cash earnings basis							
Net profit after tax	($ million)	**508**	532	(5%)	**240**	268	(10%)
Underlying profit (4)	($ million)	**745**	740	1%	**375**	370	1%
Net Interest Margin (**NIM**) (5)	(%)	**1.74**	1.86	(12bps)	**1.75**	1.74	1bp
Cost to Income (**CTI**) ratio	(%)	**55.7**	55.8	(10bps)	**55.9**	55.5	40bps
Loan impairment expense to Gross Loans and Advances (**GLA**)	(bps)	**2**	(4)	Large	**7**	(4)	Large
Return on average Equity (**ROE**)	(%)	**8.4**	8.2	20bps	**7.8**	9.1	(130bps)
Return on average Tangible Equity (**ROTE**) (6)	(%)	**10.6**	10.2	40bps	**9.8**	11.5	(170bps)
Reported statutory basis (7)							
Net profit after tax	($ million)	**426**	369	15%	**214**	212	1%
Underlying profit (4)	($ million)	**624**	517	21%	**323**	301	7%
NIM (5)	(%)	**1.76**	1.92	(16bps)	**1.77**	1.74	3bps
CTI ratio	(%)	**62.9**	58.7	420bps	**62.0**	63.9	(190bps)
Loan impairment expense to GLA	(bps)	**-**	(3)	3bps	**3**	(4)	Large
ROE	(%)	**7.1**	7.4	(30bps)	**7.0**	7.2	(20bps)
ROTE (6)	(%)	**9.0**	9.2	(20bps)	**8.8**	9.1	(30bps)
Asset quality							
30 days past due (**dpd**) arrears	($ million)	**827**	941	(12%)	**827**	885	(7%)
90dpd arrears	($ million)	**444**	593	(25%)	**444**	476	(7%)
Impaired assets	($ million)	**153**	243	(37%)	**153**	194	(21%)
Specific provisions to impaired assets	(%)	**51**	47	400bps	**51**	46	500bps
Total provision and Equity Reserve for Credit Losses (**ERCL**) coverage / GLA	(bps)	**47**	63	(16bps)	**47**	48	(1bp)
Capital							
Common equity tier 1 ratio	(%)	**9.57**	9.80	(23bps)	**9.57**	9.68	(11bps)
Total capital adequacy ratio	(%)	**13.78**	12.60	118bps	**13.78**	13.91	(13bps)
Risk Weighted Assets (**RWA**)	($ million)	**45,669**	44,229	3%	**45,669**	45,162	1%

(1) Cash earnings basis are on a pro forma basis except for the return on average equity and return on average tangible equity metrics, which are as previously reported.
(2) Asset quality metrics have been presented on a pro forma basis. Excludes the impact of the fair value adjustments on acquisition of ME. Arrears have been presented on an unadjusted basis for all periods.
(3) Capital metrics are as previously reported.
(4) Profit before loan impairment expense and tax.
(5) NIM is calculated net of offset accounts.
(6) 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).
(7) Reported statutory basis are as reported in the statutory financial statements and are not presented on a pro forma basis.

Financial performance

For the year ended 31 August 2022

2.2 Net interest income

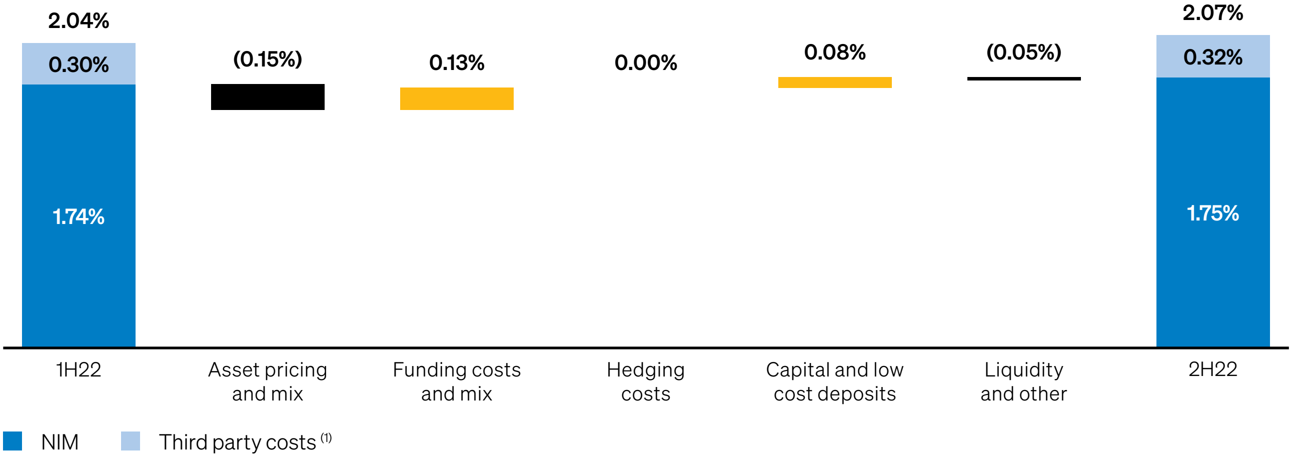
	Year end performance			Half year performance		
($ million)	Aug-22	Pro forma Aug-21	Aug-22 vs Aug-21	Aug-22	Feb-22	Aug-22 vs Feb-22
Net interest income (1)	**1,529**	1,539	(1%)	**788**	741	6%
Average interest earning assets	**87,780**	82,523	6%	**89,503**	86,057	4%
NIM (%)	**1.74**	1.86	(12bps)	**1.75**	1.74	1bp

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

Net interest income of $1,529 million decreased $10 million or one per cent on pro forma FY21 driven by a 12 basis points decrease in NIM, partly offset by a six per cent growth in average interest earnings assets.

Net interest income of $788 million in 2H22 increased by $47 million or six per cent on 1H22 driven by a one basis point increase in NIM and four per cent growth in average interest earnings assets. NIM was up one basis point on 1H22 as benefits from deposit repricing and higher returns on invested and uninvested capital and low cost deposits more than offset strong competition for new housing loans, retention discounting and the impact of sharply rising swap rates on fixed margins. Heightened liquidity levels driven by the removal of the Committed Liquidity Facility (**CLF**) program also reduced NIM during 2H22.

Net interest margin (%) - February 2022 to August 2022



(1) Third party costs largely represent commissions to owner-managers and brokers.

NIM in 2H22 was 1.75 per cent, up one basis point on 1H22 at 1.74 per cent. The key drivers of the movement are set out below.

Asset pricing and mix (-15bps): This was driven by ongoing competition for housing and commercial lending through lower front book rates and retention discounting. Customer preference for fixed rate loans normalised in 4Q22 with competition in variable loans continuing.

Funding costs and mix (+13bps): This was primarily driven by repricing actions of retail at-call accounts and term deposits. Short term wholesale margins were slightly improved as the full half benefits from 1H22 and early 2H22 portfolio rollovers at lower costs offset higher costs later in the half.

Hedging costs (flat): Cash-bills spreads were relatively steady in the period and the basis remained narrow, driven by the decline of the overnight cash-rate repricing gap as loans moved to fixed rate and deposits to cash rate in prior periods.

Capital and low cost deposits (+8bps): The $8.1 billion replicating portfolio covering BOQ's capital and invested low cost deposits was lengthened to five years and expanded in 2H22. Repricing of both invested and uninvested capital and low cost deposits in the rising rate environment also improved NIM.

Liquidity (-3bps): An increase in lower yielding liquid asset balances was driven by the regulatory change in phasing out the CLF as a means of meeting the minimum Liquidity Coverage Ratio (**LCR**).

Third party costs (-2bps): This was primarily driven by deposit margin benefits flowing through to owner-managed branches.

Financial performance
For the year ended 31 August 2022

2.3 Non-interest income

	Year end performance			Half year performance		
($ million)	Aug-22	Pro forma Aug-21	Aug-22 vs Aug-21	Aug-22	Feb-22	Aug-22 vs Feb-22
Banking income	**73**	82	(11%)	**32**	41	(22%)
Other income	**76**	52	46%	**31**	45	(31%)
Trading income	**4**	-	100%	**-**	4	(100%)
Non-interest income[(1)]	**153**	134	14%	**63**	90	(30%)

(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 $153 million increased by $19 million or 14 per cent on pro forma FY21 driven by one-off revenue items and realised gains on sale of investment securities primarily in 1H22.

Banking income decreased by $9 million on pro forma FY21. This reflects the alignment of ME card fee income to BOQ accounting classification, which was earnings neutral and the removal of fees as part of product simplification. This was partly offset by higher volume driven lending fee income and foreign exchange sales revenue.

Other income increased $24 million or 46 per cent on pro forma FY21. The increase was driven by one-off revenue items including incentive income realised through an updated card services arrangement with a third party supplier and a termination fee relating to a third party insurance provider. Underlying other income increased on FY21 due to an uplift in VMA third party insurance revenue.

Trading income increased by $4 million on pro forma FY21. This reflected gains from portfolio management activities and the sale of Alternative Liquid Assets (**ALAs**) to purchase High Quality Liquid Assets (**HQLA1**) in order to maintain LCR targets as part of the phased reduction in the CLF.

2H22 non-interest income of $63 million decreased by $27 million or 30 per cent. This was driven by the non-recurrence of one-off items detailed above.

Financial performance
For the year ended 31 August 2022

2.4 Operating expenses

	Year end performance			Half year performance		
($ million)	Aug-22	Pro forma Aug-21	Aug-22 vs Aug-21	Aug-22	Feb-22	Aug-22 vs Feb-22
Salaries and on costs	**420**	447	(6%)	**206**	214	(4%)
Employee share programs and other	**24**	18	33%	**12**	12	-
Employee expenses	**444**	465	(5%)	**218**	226	(4%)
Information technology services	**184**	153	20%	**93**	91	2%
Amortisation - intangible assets	**66**	65	2%	**36**	30	20%
Depreciation - fixed assets	**5**	4	25%	**3**	2	50%
Technology expenses	**255**	222	15%	**132**	123	7%
Marketing	**48**	48	-	**29**	19	53%
Commission to Owner-Managed Branches (**OMB**)	**4**	4	-	**2**	2	-
Communications, print and stationery	**27**	28	(4%)	**15**	12	25%
Processing costs	**14**	14	-	**6**	8	(25%)
Other	**52**	64	(19%)	**24**	28	(14%)
Operational expenses	**145**	158	(8%)	**76**	69	10%
Occupancy expenses	**54**	50	8%	**29**	25	16%
Administration expenses	**39**	38	3%	**21**	18	17%
Total operating expenses(1)	**937**	933	-	**476**	461	3%
Cash CTI ratio	**55.7**	55.8	(10bps)	**55.9**	55.5	40bps
Number of employees (**FTE**)	**3,040**	3,300	(8%)	**3,040**	3,172	(4%)

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

Summary

Total operating expenses of $937 million remained flat on pro forma FY21. This was driven by productivity and synergy savings, largely from the alignment of operating models across ME and BOQ, which led to lower employee expenses, offset by higher technology and volume related costs.

Employee expenses

Employee expenses of $444 million decreased by $21 million or five per cent on FY21. This was driven by a decrease of eight per cent in full time equivalent staff and reductions in expenses relating to employee leave entitlements, partly offset by the impact of inflation. The decrease in the number of FTE was primarily driven by synergy savings from the alignment of operating models. Increased share based remuneration was driven by a higher number of awards issued, a change in profile and awards issued to ME employees.

Technology expenses

Technology expenses of $255 million increased by $33 million or 15 per cent on pro forma FY21. This was driven by additional costs to support the technology transformation and higher lending volumes including licenses, hardware and storage costs. It also reflected additional costs as a result of the changes associated with the treatment of Software as a Service (**SaaS**) costs.

Amortisation expense of $66 million increased by $1 million or two per cent on pro forma FY21 with investment in the Digital Bank and Open Banking largely offset by lower amortisation on SaaS assets, which are no longer on the balance sheet.

Operational expenses

Operational expenses of $145 million decreased by $13 million or eight per cent on pro forma FY21. This was driven by savings from productivity and synergies and alignment of ME to BOQ accounting classification.

Occupancy expenses

Occupancy expenses of $54 million increased by $4 million or eight per cent on pro forma FY21 primarily driven by a new lease in Sydney.

Administration expenses

Administration expenses of $39 million increased by $1 million or three per cent on pro forma FY21 primarily driven by higher insurance, partially offset by lower consulting fees.

Financial performance

For the year ended 31 August 2022

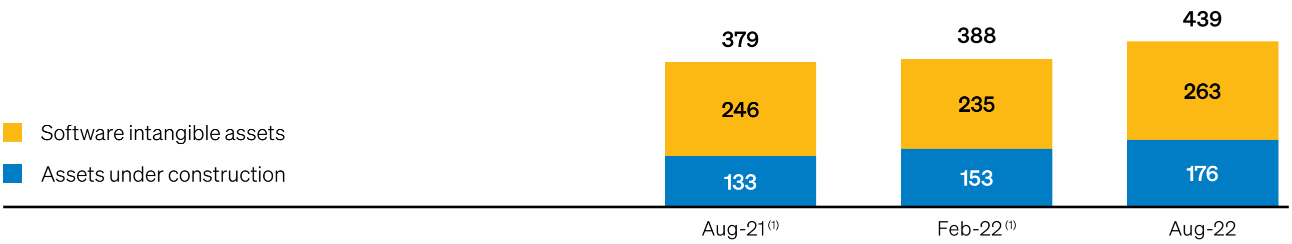
2.5 Capitalised investment expenditure

The focus of the digital transformation program continues to be on Retail Banking. Transaction accounts, savings accounts and credit cards were delivered to VMA in March 2021 and to new BOQ Retail bank customers in March 2022. These foundations are now being leveraged to provide the same enhanced customer experience to ME retail customers with delivery expected mid FY23. Significant progress has been made over 2H22 on a multi-brand lending origination platform and it is on track to deliver cloud-based home loan capability to all brands in FY24.

Major milestones were also achieved during the period in other programs. These included compliance with Phase Two and Three of Open Banking requirements, an upgrade of the equipment finance platform, and successful transition of the legacy BOQ Specialist Data Centres into the BOQ Group Data Centre. These projects alongside others have increased application stability, improved security, reduced technical risk, improved productivity and customer experience. Over 2H22 work commenced building out the card management platform incorporating ME, upgrading the online banking platforms for BOQ Retail and Business customers and updating the payments system.

Given this investment, the carrying value of intangible assets increased further. These investments enable BOQ's digital transformation strategy and provide customers with access to innovative and leading products and services through easy-to-use multi-channel digital experiences that are focused on their needs.

Carrying value of IT intangible assets ($ million)



(1) Comparative information has been restated to reflect the prior period adjustments detailed in Note 5.5(C) to the financial statements.

2.6 Lending

Gross loans and advances of $81.3 billion grew by $5.5 billion or seven per cent on FY21, primarily driven by increased home and commercial lending volumes. Home lending, excluding ME, remained above system and delivered growth of $3.3 billion or 10 per cent on the prior year representing 1.4x system. The ME home lending portfolio returned to growth, delivering $1.1 billion in FY22, as mortgage simplification and integration activities drove efficiency and enabled higher volumes. Commercial lending grew by $1.1 billion or 11 per cent on FY21 with higher than system growth in small and medium business lending.

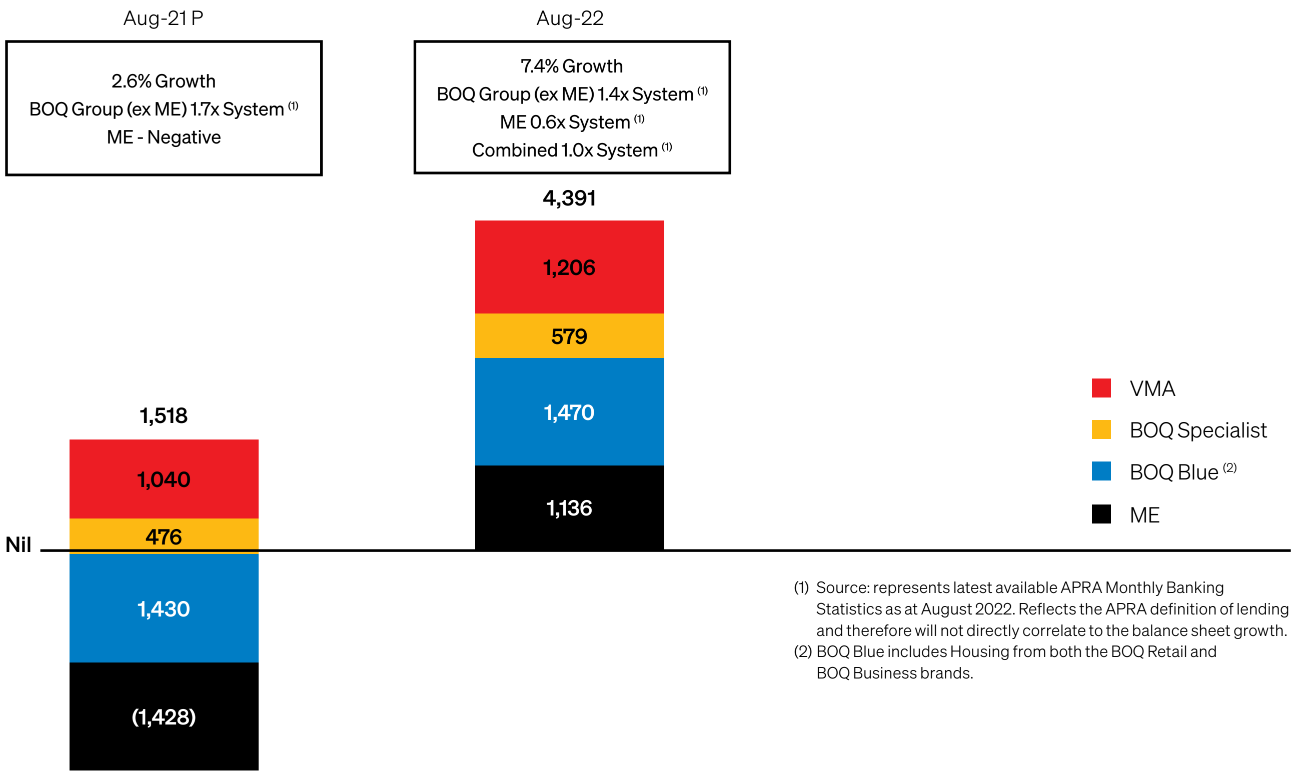
	As at				
($ million)	Aug-22	Feb-22	Aug-21	Aug-22 vs Feb-22 (1)	Aug-22 vs Aug-21
Housing lending	**57,277**	55,245	53,146	7%	8%
Housing lending - APS 120 qualifying securitisation (2)	**6,167**	6,397	5,907	(7%)	4%
	63,444	61,642	59,053	6%	7%
Commercial lending	**10,943**	10,619	9,879	6%	11%
Asset Finance	**6,553**	6,356	6,457	6%	1%
Consumer	**310**	335	359	(15%)	(14%)
Gross loans and advances (3)	**81,250**	78,952	75,748	6%	7%
Provisions for impairment	**(295)**	(289)	(311)	4%	(5%)
Net loans and advances	**80,955**	78,663	75,437	6%	7%

(1) Growth rates have been annualised.
(2) Securitised loans subject to capital relief under Australian Prudential Regulation Authority (**APRA**) Prudential Standard APS 120 Securitisation (**APS 120**).
(3) Gross loans and advances aligns to the financial statement Note 3.3 Loans and Advances, "Gross loans and advances" after deducting "Unearned finance lease income".

Financial performance
For the year ended 31 August 2022

2.6 Lending (continued)

Growth in housing lending ($ million)



(1) Source: represents latest available APRA Monthly Banking Statistics as at August 2022. Reflects the APRA definition of lending and therefore will not directly correlate to the balance sheet growth.
(2) BOQ Blue includes Housing from both the BOQ Retail and BOQ Business brands.

The total housing portfolio grew by $4.4 billion or seven per cent on FY21, representing 1.0x system growth. Settlement volumes increased by 30 per cent on FY21 as conversion rates improved in a competitive and buoyant property market. FY22 was initially characterised by strong market driven fixed rate flow, which moderated and shifted towards higher margin variable rate loans in 2H22. The focus remains on mortgage process simplification and digitisation, improving customer and broker experience, and uplifting Retail Banking and lending capability. The BOQ mortgage Net Promoter Score (**NPS**) decreased from +4 in August 2021 to +3 in August 2022 whilst the ME mortgage NPS improved to +1 from -14 in August 2021.

The BOQ Blue portfolio grew by $1.5 billion or six per cent on FY21. The BOQ broker channel contributed $1.1 billion as settlement volumes increased 14 per cent. The consistency in the broker channel's performance was enabled by quality third party relationships, on boarded in FY21, and the continued investment and uplift in the broker support ecosystem. The BOQ branch portfolio grew by $0.4 billion or two per cent on FY21. The corporate and owner-manager network performance was driven by a combined uplift in settlement volumes of 17 per cent.

The VMA mortgage portfolio continued to perform well in FY22 growing by $1.2 billion or 28 per cent on FY21, taking the portfolio to over $5.5 billion. The VMA brand is globally recognised and contributes to the Group's geographical diversification by targeting metropolitan-based customers across Australia.

ME's portfolio returned to growth after contracting $1.4 billion in FY21. The portfolio grew by $1.1 billion or five per cent on FY21 as settlement volumes increased by 65 per cent due to improved conversion and retention rates. The return to growth was primarily attributable to mortgage simplification and integration activities focused on re-energising the broker and customer experience, simplifying process and policies and improving customer maintenance and retention.

BOQ Specialist home lending portfolio grew by $0.6 billion or 10 per cent on FY21. BOQ Specialist continues to deliver above system growth by building relationships with health professionals in the early stages of their careers and providing a quality online banking solution. This creates future opportunities for BOQ Specialist to meet the commercial lending needs of these health professionals as they progress through their careers.

Financial performance

For the year ended 31 August 2022

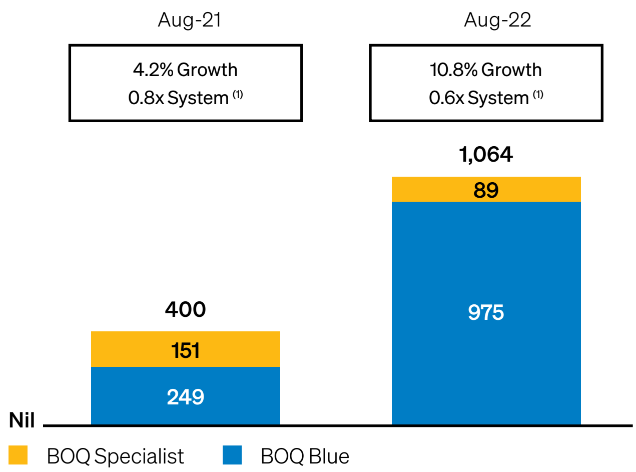
2.6 Lending (continued)

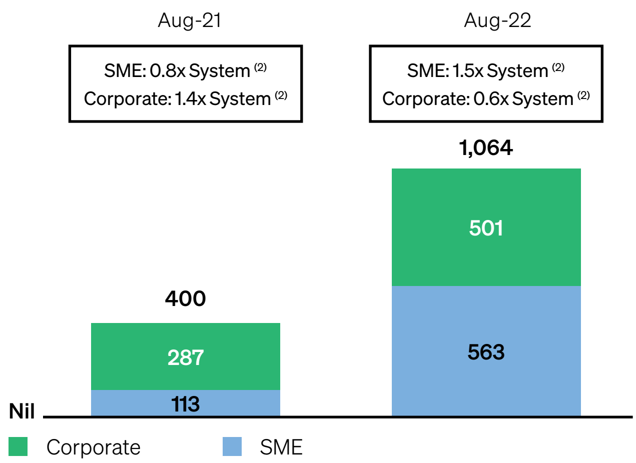
Growth in commercial lending ($ million)

The commercial lending portfolio grew by $1.1 billion or 11 per cent in FY22, reflecting strong growth across both the corporate, and Small and Medium-sized Enterprise (**SME**) business lending portfolios.

The SME portfolio delivered above system growth of 11 per cent in FY22 and remains a core focus area for BOQ Business. The SME business strategy resulted in the creation of a business unit solely focused on servicing this customer segment and during the year successfully delivered policy simplification, building of banker and branch capability, enhanced product features and business lending process transformation.

BOQ Business also continued to provide support to its larger, corporate clients, delivering growth of 10 per cent in FY22. Growth came primarily in the diversified industries and agriculture sectors, while the business maintained a strong focus on portfolio optimisation and improved risk adjusted returns.

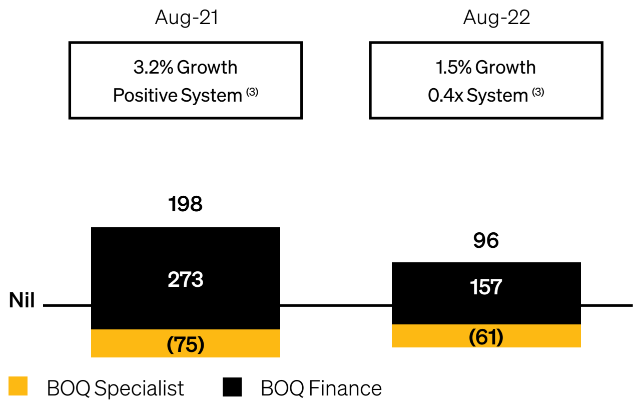




Growth in Asset Finance lending ($ million)

The BOQ Finance portfolio grew $157 million or three per cent in FY22. Growth was delivered primarily in the core equipment finance business across the construction and transport segments, while the impacts of ongoing supply chain issues in the market were felt across the portfolio.

BOQ Specialist contracted $61 million as high levels of liquidity and supply chain issues impacted growth in the medical segment. The business continued to deliver improvements across key supplier relationships and processes during the year.



(1) Commercial system growth represents latest available APRA Monthly Banking Statistics as at August 2022. Reflects the APRA definition of lending and therefore will not directly correlate to the balance sheet growth. "Positive system" represents a growth better than system whereas "Negative system" represents growth worse than system.
(2) System growth represents the latest available Reserve Bank of Australia (**RBA**) data as at July 2022. RBA figures include both business lending and asset finance balance growth. The RBA definition of SME will not directly correlate to the BOQ internal definition.
(3) Asset Finance system growth represents latest available Australian Finance Industry Association (**AFIA**) system growth statistics as at July 2022.

Financial performance

For the year ended 31 August 2022

2.7 Customer deposits

	As at				
($ million)	Aug-22	Feb-22	Aug-21	Aug-22 vs Feb-22 (1)	Aug-22 vs Aug-21
Transaction accounts	**6,400**	6,214	5,377	6%	19%
Term deposits	**25,056**	20,693	21,991	42%	14%
Savings and investment accounts	**23,283**	26,099	24,293	(21%)	(4%)
Sub-total	**54,739**	53,006	51,661	6%	6%
Mortgage offsets (2)	**5,750**	5,278	4,808	18%	20%
Customer deposits	**60,489**	58,284	56,469	8%	7%
Deposit to loan ratio	**74%**	74%	75%	-	(1%)

(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 $4.0 billion or seven per cent on FY21 reflecting the BOQ Group's strategy to increase stable sources of funding and increasing the number of customers that consider BOQ their main bank.

The Retail Bank remains the primary source of customer deposits with the majority generated through BOQ and VMA with ME broadly flat. The majority of the inflows for FY22 were through the new digital platform and term deposits.

The BOQ Group has continued to maintain a strong liquidity position with the deposit to loan ratio at 74 per cent.

Transaction accounts and mortgage offsets

Transaction accounts and mortgage offsets grew by $1.0 billion or 19 percent and $0.9 billion or 20 per cent on FY21 respectively. The growth in transaction accounts reflected the impact of lockdowns in 1H22 and the BOQ Group's ongoing focus on increasing main bank customers. Higher offset balances also reflected the growth in home lending in FY22.

Term deposits

Term deposits increased by $3.1 billion or 14 per cent on FY21. The majority of the inflows occurred in 2H22 as swap rates increased, shifting customer preferences towards higher yielding accounts.

Savings and investment accounts

Savings and investment accounts contracted by $1.0 billion or four per cent on FY21 with the majority of the contraction in Retail Bank driven by margin optimisation in the ME brand. The myBOQ and VMA digital propositions attracted strong balance growth while legacy portfolios contracted.

Financial performance

For the year ended 31 August 2022

3. Business settings

3.1 Asset quality

($ million)		Year end performance: Aug-22	Year end performance: Pro forma Aug-21	Year end performance: Aug-22 vs Aug-21	Half year performance: Aug-22	Half year performance: Feb-22	Half year performance: Aug-22 vs Feb-22
Loan impairment expense [(1)(2)]	($ million)	**13**	(29)	Large	**28**	(15)	Large
Loan impairment expense / GLA [(1)(2)]	(bps)	**2**	(4)	Large	**7**	(4)	Large
Impaired assets	($ million)	**153**	243	(37%)	**153**	194	(21%)
30dpd arrears [(1)]	($ million)	**827**	941	(12%)	**827**	885	(7%)
90dpd arrears [(1)]	($ million)	**444**	593	(25%)	**444**	476	(7%)
90dpd arrears / GLA[(1)]	(bps)	**55**	78	(23bps)	**55**	60	(5bps)
Total provision and ERCL / GLA [(3)]	(bps)	**47**	63	(16bps)	**47**	48	(1bp)

(1) Excludes the impact of the fair value adjustments on acquisition of ME. Arrears have been presented on an unadjusted basis.
(2) Feb-22 loan impairment expense includes $5 million credit related to Purchased or Originated Credit Impaired (**POCI**) loans, transferred out of cash earnings in 2H22 in line with other ME fair value adjustments.
(3) ERCL gross of tax effect.

The loan impairment expense was $13 million for FY22. This was primarily driven by a $13 million increase in the collective provision over the year. 1H22 saw a credit of $15 million predominantly as a result of the strong recovery as the economy emerged from COVID-19. 2H22 expense of $28 million reflected the increased uncertainty around rising inflationary and interest rate pressures, portfolio growth and seasoning of the ME collective provision after the establishment, in 1H22, of collective provisions for ME loans that were recognised at fair value on acquisition.

Impaired assets decreased to $153 million in FY22 from $243 million in FY21. Decreases in the Retail portfolio and BOQ Commercial are in line with low levels of new specific provisions as a result of strong asset prices and the general strength of economic conditions.

Arrears in both the 30 day and 90 day categories reduced compared to both FY21 and 1H22. Retail and Commercial reduced in both 30+ and 90+ over the half and full year periods, offset by an increase in Asset Finance 30+ arrears. Loan growth, low unemployment and the general strength of economic conditions in FY22 have contributed to the reducing levels of arrears. To date, interest rate rises have had no material impact on the level of arrears.

Financial performance

For the year ended 31 August 2022

3.1 Asset quality (continued)

Loan impairment expense

	Year end performance				Half year performance			
($ million)	Aug-22		Pro forma Aug-21		Aug-22		Feb-22	
	Expense ($m)	Expense / GLA (bps)	Expense ($m)	Expense / GLA (bps)	Expense ($m)	Expense / GLA (bps) [(1)]	Expense ($m)	Expense / GLA (bps) [(1)]
Retail lending	**42**	**7**	(19)	(4)	**29**	**10**	13	4
Commercial lending	**(19)**	**(17)**	(9)	(9)	**2**	**4**	(21)	(40)
Asset Finance	**(10)**	**(15)**	(1)	2	**(3)**	**(9)**	(7)	(22)
Total loan impairment expense	**13**	**2**	(29)	(4)	**28**	**7**	(15)	(4)

(1) Metrics have been annualised.

The $13 million loan impairment expense for FY22 was primarily driven by increases in Retail collective provisions. The overall collective provision expense for FY22 was $13 million driven by the establishment and subsequent seasoning of collective provisions for ME loans that were recognised at fair value on acquisition. This was partially offset by the weighting assigned to the severe scenario, portfolio quality improvements and strong property prices observed through FY22. Economic forecasts were updated throughout the year to reflect higher inflation, cash rate expectations and forecast property price declines.

There was nil specific provision expense in FY22 driven primarily by write backs as a result of strong property prices and improved economic conditions across most industries, offset by an increase in niche segments within the Asset Finance portfolio.

Retail loan impairment expense of $42 million for FY22 was driven by the establishment of ME's collective provision and offset by portfolio improvements. Specific provisions saw a $4 million credit driven by strong property prices.

Commercial loan impairment expense was a credit of $19 million for FY22 driven by a reduction in the collective provision of $18 million due to portfolio improvements. Specific provisions were also lower resulting in a $1 million credit due to strong property prices and the general strength of economic conditions across most industries.

Asset Finance loan impairment expense was a credit of $10 million for FY22 driven by a reduction in the collective provision of $15 million offset by $5 million specific provision expense primarily in the forestry and health care sectors.

Financial performance

For the year ended 31 August 2022

3.1 Asset quality (continued)

Impaired assets

	As at				
($ million)	Aug-22	Feb-22	Aug-21	Aug-22 vs Feb-22	Aug-22 vs Aug-21
Retail lending	**61**	95	128	(36%)	(52%)
Commercial lending	**54**	63	77	(14%)	(30%)
Asset Finance	**38**	36	38	6%	-
Total impaired assets	**153**	194	243	(21%)	(37%)
Impaired assets / GLA	**19bps**	25bps	32bps	(6bps)	(13bps)

BOQ impaired assets of $153 million decreased by $90 million or 37 per cent on FY21 as a result of low specific provisioning activity.

Retail impaired assets decreased by $67 million or 52 per cent on FY21 as strong house prices, low unemployment and a strong economy supported low specific provisioning activity, with one facility contributing $9 million or seven per cent of the decrease following a partial recovery of the debt.

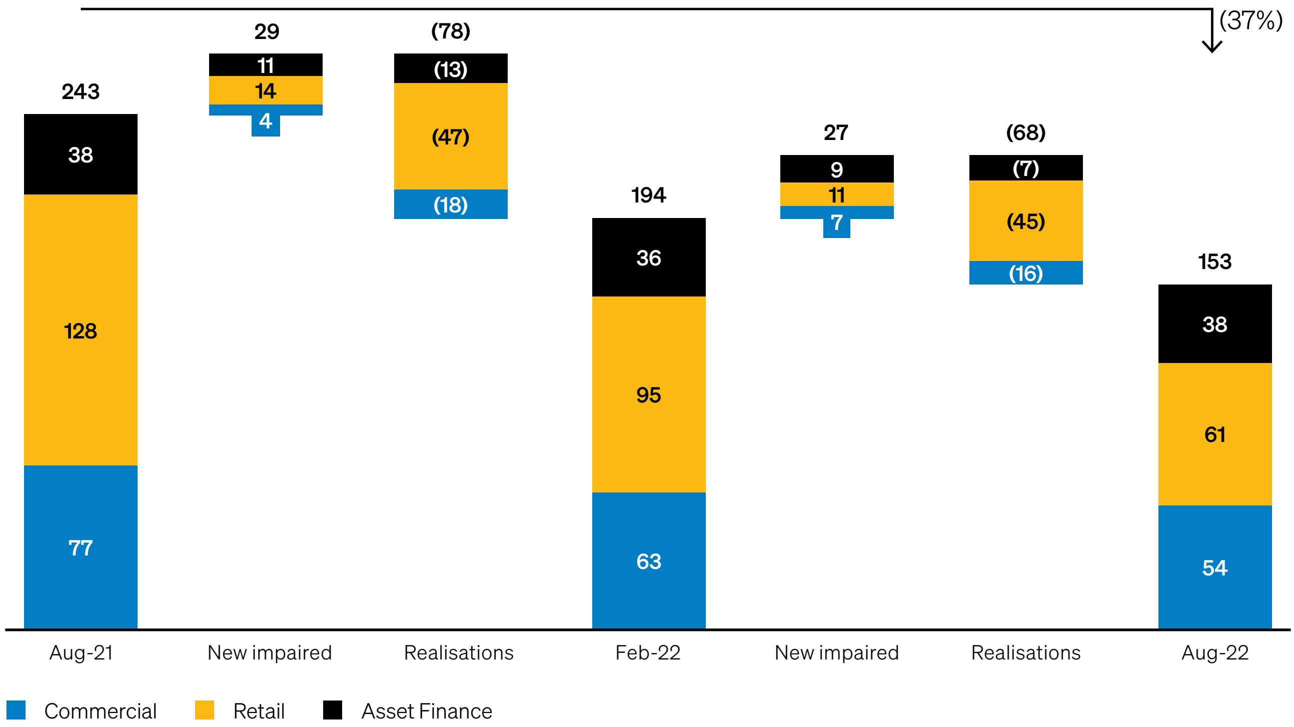
Commercial impaired assets decreased by $23 million or 30 per cent on FY21. This was due to low specific provisioning activity and one large Agribusiness facility of $5 million returning to performing in 1H22.

Asset Finance impaired assets remained flat from FY21 but increased $2 million or six per cent on 1H22 driven by the impairment of one forestry facility of $2 million in 2H22. Improved asset values and loan servicing, reflective of improved economic conditions were offset by a slower recovery within niche medical practices impacting Asset Finance.

The BOQ Group holds one exposure with an impaired balance greater than $5 million, totalling $10 million. This decrease from $22 million at 1H22 was primarily due to the $9 million partial recovery of the Retail debt mentioned above.

The following chart outlines the movements in impaired assets since August 2021.

Impaired assets ($ million)



Financial performance

For the year ended 31 August 2022

3.1 Asset quality (continued)

Provision coverage

	As at				
($ million)	Aug-22	Feb-22	Aug-21	Aug-22 vs Feb-22	Aug-22 vs Aug-21
Specific provision	**78**	90	107	(13%)	(27%)
Collective provision (**CP**)	**217**	199	204	9%	6%
Total provision	**295**	289	311	2%	(5%)
ERCL ($ million)	**58**	63	52	(8%)	12%
Excluding fair value adjustments (1)					
Specific provisions to impaired assets	**51%**	46%	47%	500bps	400bps
Total provisions and ERCL coverage / impaired assets (2)	**247%**	195%	198%	Large	Large
CP and ERCL / Total RWA (bps) (2)	**66bps**	64bps	84bps	2bps	(18bps)
Total provisions and ERCL coverage / GLA (2)	**47bps**	48bps	63bps	(1bp)	(16bps)
Including fair value adjustments					
Specific provisions to impaired assets	**51%**	46%	44%	500bps	Large
Total provisions and ERCL coverage / impaired assets (2)	**247%**	195%	158%	Large	Large
CP and ERCL / Total RWA (bps) (2)	**66bps**	64bps	63bps	2bps	3bps
Total provisions and ERCL coverage / GLA (2)	**47bps**	48bps	51bps	(1bp)	(4bps)

(1) Excludes the impact of the fair value adjustments on acquisition of ME.
(2) ERCL gross of tax effect.

Total provisions of $295 million decreased by $16 million or five per cent from FY21. This was driven by decreases in specific provisions which were offset by an increase in the collective provision.

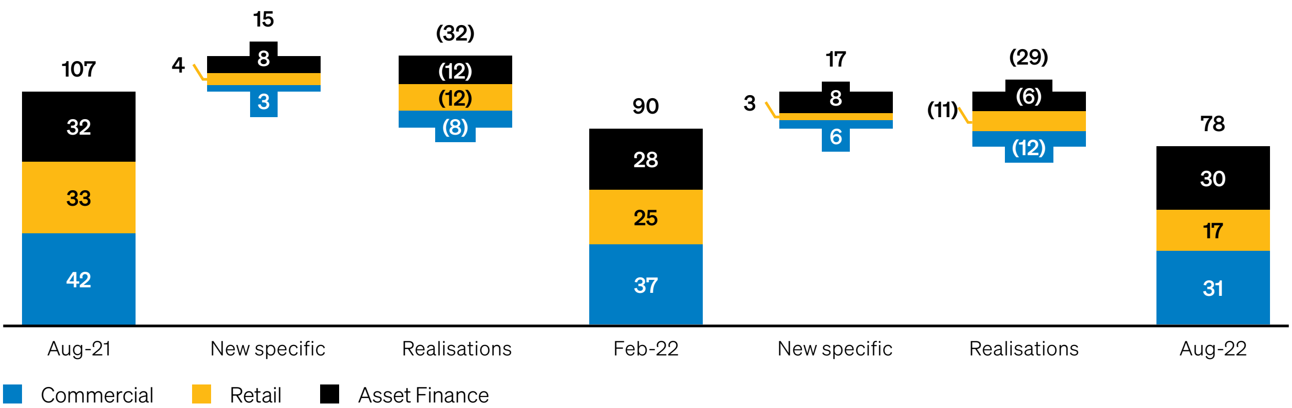
Specific provisions of $78 million decreased by $29 million or 27 per cent from FY21. Specific provisions were subdued in FY22 driven by increases in security valuations and low arrears due to general economic strength.

The collective provision of $217 million increased by $13 million or six per cent from FY21, due to increases in portfolio growth and increases in the ME collective provision. Portfolio quality improved from FY21 partially offsetting the increases. Since 1H22 increases to overlays have been implemented to cater for specific portfolio effects or industries where inflation and cash rate increases could result in additional stress. Management overlays are appropriately managed to ensure sufficient provisions are held. Economic forecasts have catered for the uncertain outlook, including cash rate rises and property price declines, which are offset by continued strength in unemployment rates.

Including the fair value adjustments, total provisions and ERCL coverage to GLAs decreased by four basis points from FY21 as a result of the decreases in specific provisions.

The following chart outlines the movements in specific provisions since August 2021.

Specific provisions ($ million)



Financial performance

For the year ended 31 August 2022

3.1 Asset quality (continued)

Arrears

Key metrics	Portfolio balance ($m) The BOQ Group	Aug-22	Feb-22	Aug-21	Aug-22 vs Feb-22	Aug-22 vs Aug-21
Total lending - portfolio balance ($ million)		**81,250**	78,952	75,748	3%	7%
30 days past due ($ million) [1]		**827**	885	941	(7%)	(12%)
90 days past due ($ million) [1]		**444**	476	593	(7%)	(25%)
				Proportion of portfolio		
30 days past due GLAs		**1.02%**	1.12%	1.24%	(10bps)	(22bps)
90 days past due GLAs		**0.55%**	0.60%	0.78%	(5bps)	(23bps)
By portfolio						
30 days past due GLAs (Retail) [1][2]	**63,754**	**1.03%**	1.11%	1.26%	(8bps)	(23bps)
90 days past due GLAs (Retail) [1][2]		**0.57%**	0.60%	0.83%	(3bps)	(26bps)
30 days past due GLAs (Commercial)	**10,943**	**1.01%**	1.32%	1.52%	(31bps)	(51bps)
90 days past due GLAs (Commercial)		**0.61%**	0.84%	0.93%	(23bps)	(32bps)
30 days past due GLAs (Asset Finance)	**6,553**	**0.88%**	0.85%	0.69%	3bps	19bps
90 days past due GLAs (Asset Finance)		**0.24%**	0.24%	0.20%	-	4bps

(1) Excludes the impact of the fair value adjustments on the acquisition of ME. Arrears have been presented on an unadjusted basis.
(2) Retail arrears includes housing and consumer lending.

Retail arrears

Retail arrears decreased in both the 30 day and 90 day categories by 23 and 26 basis points respectively since FY21 and are in line with pre-COVID-19 levels. Low unemployment rates and the strong economy in FY22 contributed to lower arrears. The downward trend continued to decline with improved credit quality in the growth of the retail portfolio over the year. Interest rate rises have not had an impact on portfolio arrears to date, however will continue to be closely monitored.

Commercial arrears

Commercial arrears decreased by 51 basis points in the 30 day category and by 32 basis points in the 90 day category since FY21. The decreases were driven by improvements in all business segments as a result of strong economic conditions in FY22 and overall portfolio growth. Interest rate rises have not had an impact on portfolio arrears to date, however will continue to be closely monitored.

Asset Finance arrears

Asset Finance arrears increased by 19 basis points in the 30 day category and four basis points in the 90 day category since FY21. The deterioration in 30 day arrears was driven by a small number of customers in the forestry and construction sectors. The minor 90 day arrears deterioration was driven by a small number of customers in the construction sector.

Financial performance

For the year ended 31 August 2022

3.2 Funding and liquidity

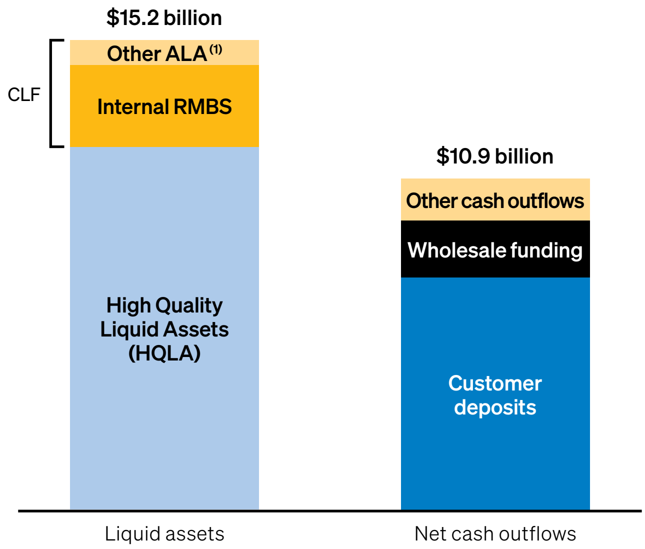
BOQ's liquidity and funding risk appetite strategy is designed to ensure that the BOQ Group has the ability to meet its financial obligations as they fall due under all market conditions. Management of liquidity risk at BOQ is focused on developing a stable customer deposit base, maintaining access to 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 ensuring an appropriate level of liquidity is held.

Liquidity Coverage Ratio (LCR)

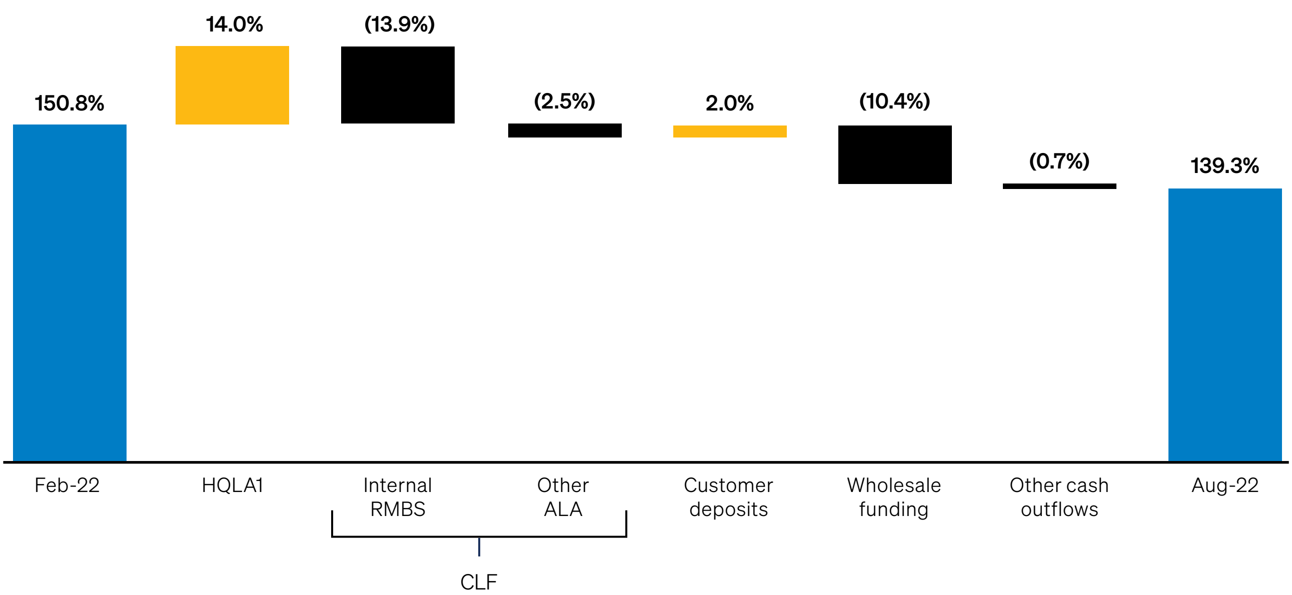
APRA requires that ADIs maintain a minimum LCR of 100 per cent. BOQ manages its LCR on a daily basis and actively maintains a buffer above the regulatory minimum in line with BOQ's prescribed risk appetite and policy settings.

BOQ's level two LCR at 31 August 2022 was 139 per cent, which was 12 per cent lower than the elevated 1H22 LCR. The average level two LCR for the half was 137 per cent. The CLF decreased by $1.2 billion on 1 May 2022. Net Cash Outflows (**NCO**) grew by $679 million, which was primarily influenced by an increase in wholesale funding due to a higher balance of at-call deposits and Negotiable Certificates of Deposit (**NCD**) maturities in the LCR window. HQLA1 increased by $1.4 billion to compensate for the reduction in the CLF and increase in NCO. The Alternative Liquid Assets (**ALA**) portfolio was further reduced to assist in the funding of HQLA1.

LCR - August 2022 (139%)



LCR waterfall (%) - 28 February 2022 to 31 August 2022



(1) ALA qualifying as collateral for the CLF, excluding internal Residential Mortgage Backed Securities (**RMBS**), within the CLF limit.

Financial performance

For the year ended 31 August 2022

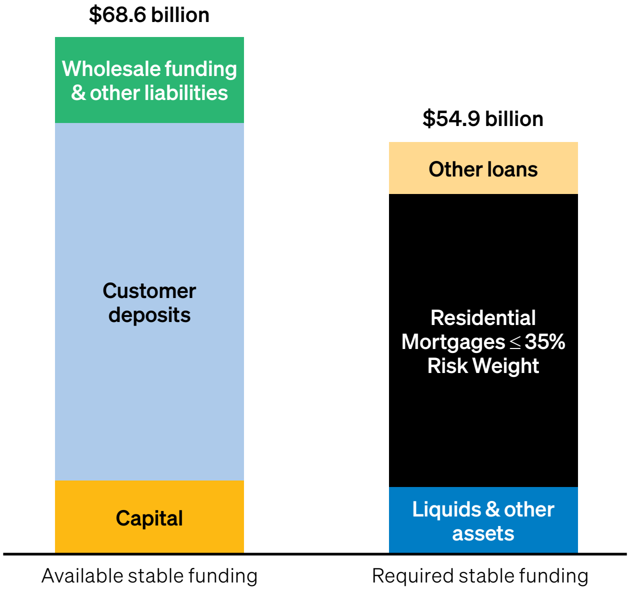
3.2 Funding and liquidity (continued)

Net Stable Funding Ratio (NSFR)

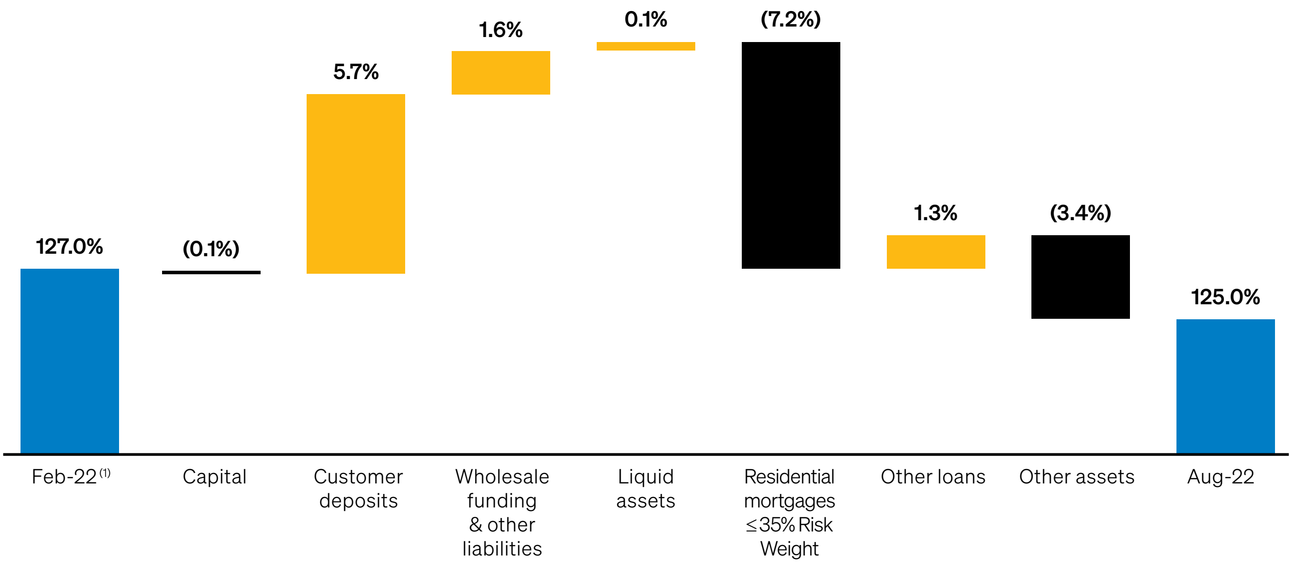
The NSFR encourages ADIs to fund their lending activities with more stable sources of funding, thereby promoting greater balance sheet resilience. BOQ manages its NSFR on a daily basis and actively maintains a buffer above the regulatory minimum of 100 per cent, in line with BOQ's prescribed risk appetite and policy settings.

BOQ's level 2 NSFR at 31 August 2022 was 125 per cent, which is a decrease of two per cent over the 1H22 NSFR. The CLF decrease had a negative impact on the NSFR via additional growth in the residential mortgages category, but growth in stable funding sources was sufficient to offset this impact.

NSFR - August 2022 (125%)



NSFR waterfall (%) - 28 February 2022 to 31 August 2022



(1) NSFR for 28 February 2022 was restated due to the reclassification of residential mortgages into self-securitised assets used as collateral for the CLF and Term Funding Facility (**TFF**).

Liquid assets

BOQ maintains a portfolio of high quality, diversified liquid assets to facilitate balance sheet liquidity and meet internal and regulatory requirements. Liquid assets are comprised of: HQLA1 and alternative liquid assets covered under the CLF provided by the RBA. CLF assets can include senior unsecured bank debt, covered bonds, Asset Backed Securities (**ABS**) and RMBS that are eligible for repurchase with the RBA.

As of 31 August 2022, BOQ's CLF was $2.4 billion. BOQ is scheduled to hand back a further $1.2 billion of CLF on the 1 September 2022. In response to the increase in HQLA available to the banking system to meet LCR requirements, APRA has confirmed that the CLF allowance for the banking system will be reduced to zero by the end of 2022.

Financial performance

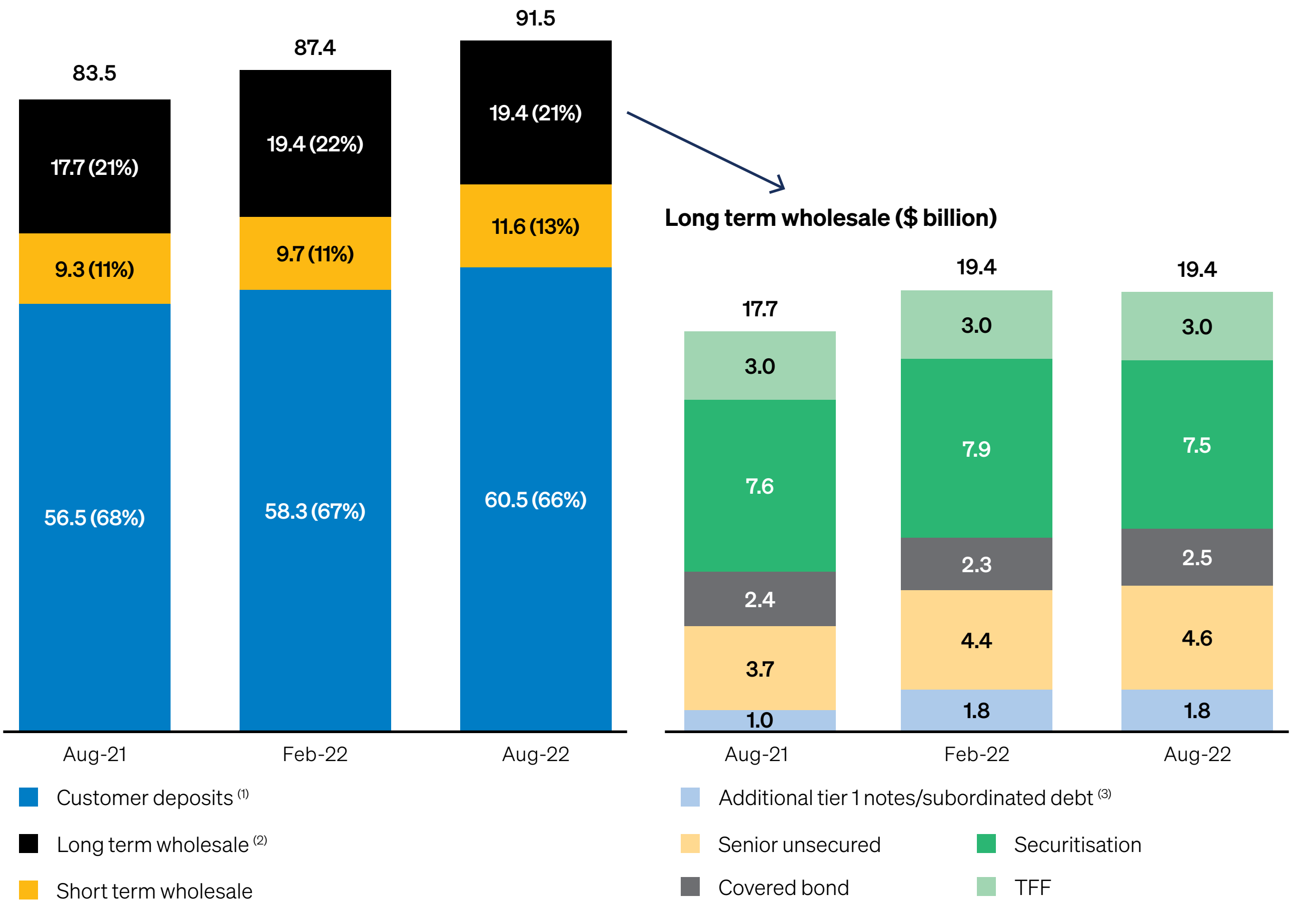
For the year ended 31 August 2022

3.2 Funding and liquidity (continued)

Funding

BOQ's funding strategy and risk appetite reflects the BOQ 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 ($ billion)



(1) The classification of customer deposits is defined as all deposits excluding those from financial institutions as defined under APS 210 Liquidity.
(2) Foreign currency balances have been translated at end of day spot rates.
(3) Includes $0.3 billion additional tier 1 capital notes at 28 February 2022, 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 its 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 2H22, BOQ continued focus on growing customer deposits through a variety of channels. Growth in customer deposits has seen the deposit to loan ratio remain above 70 per cent, ending the period at 74 per cent and flat with 1H22. The remaining customer deposit funding gap was primarily funded by accessing wholesale funding markets, including both short and long term and in both secured and unsecured formats.

Financial performance

For the year ended 31 August 2022

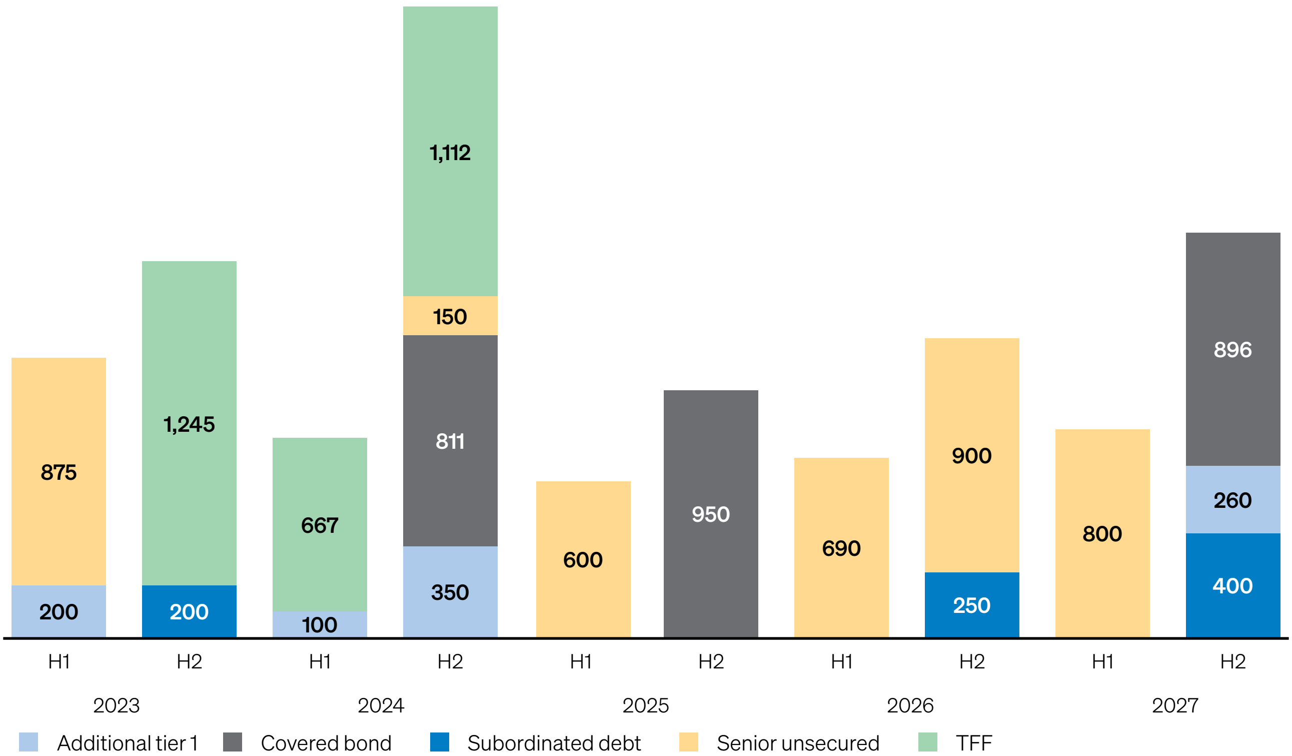
3.2 Funding and liquidity (continued)

Term funding issuance

BOQ accessed term funding markets in 2H22 using a range of long term wholesale products despite market volatility, with the intention of refinancing existing maturities as well as funding loan growth and complementing the inflow of customer deposits. This included a $650 million domestic senior unsecured benchmark issuance in April 2022, a EUR600 million covered bond and a $200 million domestic covered bond increase of the existing May 2025 maturity.

BOQ has a diverse range of unsecured and secured debt programmes. This provides funding diversification benefits and also enables BOQ to fund future asset growth and manage term maturity towers over the next five years, including refinancing the TFF.

Major maturities ($ million) (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 reflected in line with BOQ's financial reporting year.

Financial performance
For the year ended 31 August 2022

3.3 Capital management

The BOQ Group's capital management strategy aims to ensure adequate capital levels are maintained to protect deposit holders. The BOQ Group'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.

Capital Adequacy

($ million)	Aug-22	Feb-22	Aug-21	Aug-22 vs Feb-22	Aug-22 vs Aug-21
Qualifying capital for level 2 entities (1)					
Common Equity Tier 1 Capital					
Ordinary share capital	**5,258**	5,218	5,213	1%	1%
Reserves	**781**	487	346	60%	126%
Retained profits, including current period profits	**300**	349	277	(14%)	8%
CET1 capital before regulatory adjustments	**6,339**	6,054	5,836	5%	9%
Regulatory adjustments					
Goodwill and intangibles	**(1,257)**	(1,197)	(1,180)	5%	7%
Deferred expenditure	**(404)**	(350)	(311)	15%	30%
Other deductions	**(308)**	(136)	(11)	126%	Large
Total CET1 regulatory adjustments	**(1,969)**	(1,683)	(1,502)	17%	31%
CET1 Capital	**4,370**	4,371	4,334	-	1%
Additional Tier 1 Capital	**910**	910	610	-	49%
Total Tier 1 Capital	**5,280**	5,281	4,944	-	7%
General Reserve for Credit Losses (**GRCL**) (2)	**176**	167	178	5%	(1%)
Tier 2 Capital	**836**	836	450	-	86%
Total Tier 2 Capital	**1,012**	1,003	628	1%	61%
Total Capital	**6,292**	6,284	5,572	-	13%
Total RWA	**45,669**	45,162	44,229	1%	3%
CET1 ratio	**9.57%**	9.68%	9.80%	(11bps)	(23bps)
Net Tier 1 Capital ratio	**11.56%**	11.69%	11.18%	(13bps)	38bps
Total Capital adequacy ratio	**13.78%**	13.91%	12.60%	(13bps)	118bps

(1) APRA Prudential Standard APS 001 Definitions defines Level 2 as the BOQ Group and all of its subsidiary entities other than non-consolidated subsidiaries. The non-consolidated subsidiaries excluded from Level 2 regulatory measurements at 31 August 2022 are:
- Bank of Queensland Limited Employee Share Plans Trust;
- Home Credit Management Pty Ltd;
- Series 2012-1E REDS Trust;
- Series 2013-1 REDS Trust;
- 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;
- 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.

(2) Reflects the APRA definition for GRCL.

Financial performance
For the year ended 31 August 2022

3.3 Capital management (continued)

The BOQ Group's CET1 ratio decreased by 11 basis points during 2H22 from 9.68 per cent to 9.57 per cent and was above the top end of the target range of 9.0 – 9.5 per cent [1].

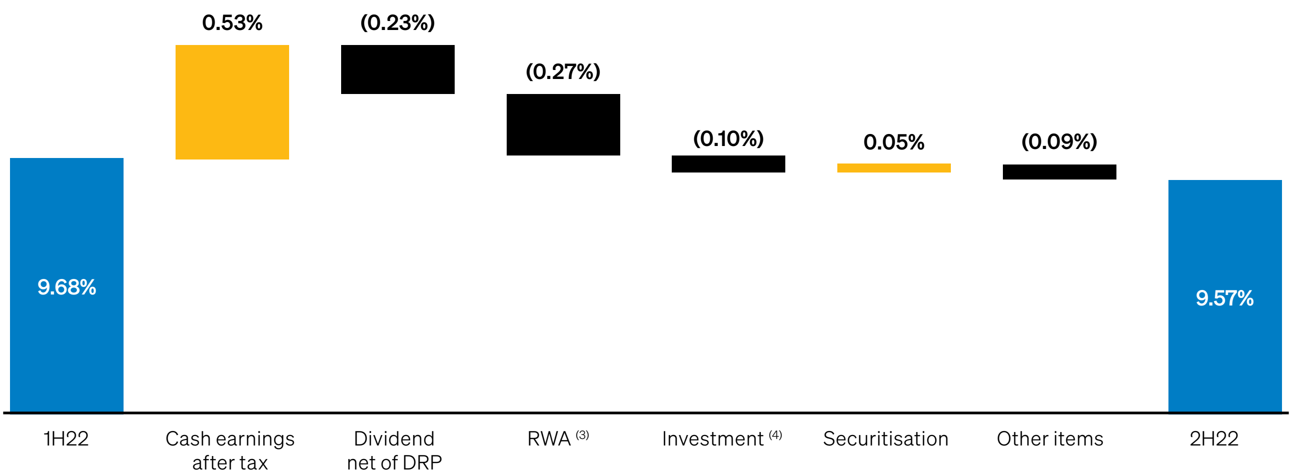
Cash earnings after tax generated 53 basis points of capital, which was offset by:

- Payment of the FY22 Interim Dividend net of Dividend Reinvestment Plan (**DRP**) [2] share issuance (23 basis points decrease);
- Underlying RWA growth and increased loan origination costs (27 basis points decrease). RWA growth excludes the impact of capital efficient securitisations; and
- Investment in line with the strategic roadmap, net of amortisation, utilised 10 basis points of capital.

Capital efficient securitisations issued over the half contributed 12 basis points of capital. This was partially offset by run-off in capital relief securitised loans increasing RWA, which utilised seven basis points. The overall net impact of securitisations in 2H22 was a five basis points increase.

Other items mainly driven by statutory adjustments, a decrease in the available for sale reserve and deferred tax movements decreased the ratio by nine basis points. The available for sale reserve decreased by $26 million or six basis points, primarily driven by the widening credit spreads on bonds in the liquidity portfolio.

2H22 CET1 Walk (%)



3.4 Tax expense

BOQ tax expense arising on cash earnings for FY22 amounted to $224 million. This represented an effective tax rate of 30.6 per cent, 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 and FY21.

(1) BOQ intends to operate above the management target range of 9.0 – 9.5 per cent in FY23 until the final impacts of APRA's changes to RWAs and capital calibration are understood.
(2) The DRP operated with a 2.5 per cent discount. Participation was 24.4 per cent.
(3) Includes loan origination costs.
(4) Capitalised expenses net of amortisation.

Financial performance
For the year ended 31 August 2022

4. Divisional performance

4.1 Retail income statement, key metrics and financial performance review

Overview

The Retail Bank meets the financial needs and services of personal customers. The division supports customers through a network of 111 owner-managed and 36 corporate branches, third party intermediaries, more than 2,300 Automated Teller Machines (**ATM**), an Australian based customer call centre, digital services and mobile mortgage specialists. The acquisition of ME strengthened the multi-brand proposition enabling the BOQ Group to optimise the use of multi-channels and geographical strengths while leveraging best practices and scale to drive growth across all brands.

MyBOQ was successfully launched in March 2022, representing the first deployment of multi-brand capability onto the new Digital Bank platform. MyBOQ is a significant milestone and execution proof point for the BOQ Group in the strategy to move towards a single consolidated digital platform across all retail brands.

	Year end performance			Half year performance		
($ million)	Aug-22	Pro forma Aug-21	Aug-22 vs Aug-21	Aug-22	Feb-22	Aug-22 vs Feb-22
Net interest income	**943**	981	(4%)	**483**	460	5%
Non-interest income	**98**	85	15%	**36**	62	(42%)
Total income	**1,041**	1,066	(2%)	**519**	522	(1%)
Operating expenses	**(642)**	(663)	(3%)	**(321)**	(321)	-
Underlying profit	**399**	403	(1%)	**198**	201	(1%)
Loan impairment expense	**(41)**	29	Large	**(22)**	(19)	16%
Profit before tax	**358**	432	(17%)	**176**	182	(3%)
Income tax expense	**(109)**	(134)	(19%)	**(54)**	(55)	(2%)
Cash earnings after tax	**249**	298	(16%)	**122**	127	(4%)

		Year end performance			Half year performance		
Key metrics (1)		Aug-22	Pro forma Aug-21	Aug-22 vs Aug-21	Aug-22	Feb-22	Aug-22 vs Feb-22
Performance indicators							
CTI ratio	(%)	**61.7**	62.2	(50bps)	**61.8**	61.5	30bps
Net interest income/ Average GLA (2)	(%)	**1.86**	1.99	(13bps)	**1.86**	1.85	1bp
Asset quality							
90dpd arrears	($ million)	**339**	487	(30%)	**339**	350	(3%)
Impaired assets	($ million)	**46**	87	(47%)	**46**	85	(46%)
Loan impairment expense / GLA	(bps)	**7**	(5)	Large	**8**	7	1bp
Balance sheet							
GLA	($ million)	**56,646**	52,883	7%	**56,646**	55,072	6%
Housing	($ million)	**56,436**	52,626	7%	**56,436**	54,838	6%
Other retail	($ million)	**210**	257	(18%)	**210**	234	(20%)
Credit risk weighted assets	($ million)	**19,142**	18,716	2%	**19,142**	18,852	3%
Customer deposits (3)(4)	($ million)	**33,319**	29,978	11%	**33,319**	31,442	12%
Term deposits	($ million)	**10,378**	7,913	31%	**10,378**	7,380	81%
Mortgage offsets	($ million)	**4,517**	3,689	22%	**4,517**	4,022	24%
Savings & investment	($ million)	**14,217**	14,884	(4%)	**14,217**	15,979	(22%)
Transaction accounts	($ million)	**4,207**	3,492	20%	**4,207**	4,061	7%
Deposit to loan ratio (4)	(%)	**59**	57	200bps	**59**	57	200bps

(1) Balance sheet key metrics have been annualised.
(2) Calculated on a pro forma net profit after tax basis and net of offsets accounts.
(3) Treasury managed deposits are included in the Group's Other operating segment.
(4) ME Treasury deposits have been removed from Retail customer deposits and included in the Other operating segment. Previous periods have been restated.

Financial performance

For the year ended 31 August 2022

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

FY22 vs FY21

Retail Bank cash earnings after tax of $249 million decreased $49 million or 16 per cent on FY21. Underlying profit decreased by one per cent on FY21 as revenue contraction of two per cent was partially offset by a three per cent reduction in operating expenses.

Net interest income

Net interest income of $943 million decreased $38 million or four per cent on FY21 as net interest margins contracted 13 basis points. This was partially offset by a seven per cent increase in housing loan balance growth.

Spot balance sheet movement included:

- Housing growth of $3.8 billion or seven per cent on FY21, representing 1.0x system growth. ME returned to growth in FY22, delivering growth of $1.1 billion at 0.6x system, compared to FY21 during which it contracted $1.4 billion. FY22 was initially characterised by strong, market driven, fixed rate flow, which normalised in the second half.
- Customer deposits grew $3.3 billion or 11 per cent on FY21 as transaction and offsets balances delivered strong growth in 1H22. Rising swap rates provided an opportunity to optimise funding through term deposit growth of $2.5 billion, partially offset by a reduction of $0.7 billion in lower margin at-call savings balances.

Net interest margin of 1.86 per cent decreased by 13 basis points reflecting continued competitive pressures in home lending and customer preference for fixed rate lending in a period of increasing swap rates. This was partly offset by improved deposit margins, which benefitted from a rising cash rate environment.

Non-interest income

Non-interest income of $98 million increased $13 million or 15 per cent on FY21. This was attributable to one-off revenue items including incentive income realised through an updated card services arrangement, a termination fee relating to a third-party insurance provider and realised gains on sale of investment securities. 2H22 revenue was impacted by an accounting classification alignment of ME card fee income, which was earnings neutral. Underlying non-interest income increased on FY21 due to an uplift in VMA third party insurance revenue.

Operating expenses

Operating expenses of $642 million decreased $21 million or three per cent on FY21. Productivity and synergy realisation more than offset investment to support increased volume growth, investment to enable the Retail digital transformation, absorbing corporate costs previously included in the other segment and the impact of inflation. The impact of an accounting classification alignment of ME card fee income was offset by a change in the treatment of marketing spend incurred to acquire deposit accounts.

Loan impairment expense

The loan impairment expense of $41 million compares to a credit of $29 million in FY21 and reflects the normalisation of collective provisioning following prior period COVID-19 provisioning impact, the establishment and subsequent seasoning of collective provisions for ME loans that were recognised at fair value on acquisition.

2H22 vs 1H22

Retail Bank cash earnings after tax of $122 million decreased $5 million or four per cent on 1H22. Higher net interest income reflected the benefit of a rising cash rate environment and improved deposit margins.

Net interest income

Net interest income of $483 million increased $23 million or five per cent on 1H22. This was driven by a one basis point improvement in net interest margin, six per cent growth in the housing loan portfolio and an increased day count in 2H22.

Spot balance sheet movement included:

- Housing growth of $1.6 billion or six per cent on 1H22. Housing growth moderated from 1H22 due to the slowing of system and margin optimisation.
- Customer deposits grew $1.9 billion or 12 per cent on 1H22 as rising swap rates provided an opportunity to optimise funding through term deposit growth of $3.0 billion, offset by a reduction of $1.8 billion in lower margin at-call savings balances.

Net Interest margin of 1.86 per cent increased one basis point reflecting improved deposit margins, which benefitted from a rising cash environment. The housing portfolio mix normalised as customer preference reverted to variable rate lending in 2H22. Continued competitive pressures remain a headwind to margin.

Non-interest income

Non-interest income of $36 million decreased $26 million or 42 per cent on 1H22 due to the non-recurrence of one-off revenue items in the half. 2H22 revenue was impacted by the accounting classification alignment of ME card fee income, which was earnings neutral. Underlying non-interest income was marginally down as an increase in VMA third party revenue was offset by a reduction in ME fee income.

Operating expenses

Operating expenses of $321 million were flat on 1H22 as ongoing productivity and synergy realisation offset higher Retail digital transformation spend, absorbing corporate costs previously included in the other segment and the impact of inflation. The impact of an accounting classification alignment of ME card fee income was offset by a change in the treatment of marketing spend incurred to acquire deposit accounts.

Loan impairment expense

Loan impairment expense of $22 million increased $3 million or 16 per cent on 1H22. The uplift was driven by the establishment and subsequent seasoning of collective provisions for ME loans that were recognised at fair value on acquisition, and lending growth across the portfolio.

Financial performance
For the year ended 31 August 2022

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

Overview

BOQ Business includes BOQ branded commercial lending, BOQ Finance, BOQ Specialist and financial markets. The division 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 and deposit solutions for business customers. The division also provides home loans and consumer banking for BOQ Specialist customers.

	Year end performance			Half year performance		
($ million)	Aug-22	Aug-21	Aug-22 vs Aug-21	Aug-22	Feb-22	Aug-22 vs Feb-22
Net interest income	**593**	555	7%	**313**	280	12%
Non-interest income	**50**	48	4%	**25**	25	-
Total income	**643**	603	7%	**338**	305	11%
Operating expenses	**(295)**	(262)	13%	**(155)**	(140)	11%
Underlying profit	**348**	341	2%	**183**	165	11%
Loan impairment expense	**28**	-	100%	**(6)**	34	Large
Profit before tax	**376**	341	10%	**177**	199	(11%)
Income tax expense	**(115)**	(106)	8%	**(54)**	(61)	(11%)
Cash earnings after tax	**261**	235	11%	**123**	138	(11%)

		Year end performance			Half year performance		
Key metrics (1)		Aug-22	Aug-21	Aug-22 vs Aug-21	Aug-22	Feb-22	Aug-22 vs Feb-22
Performance indicators							
CTI ratio	(%)	**45.9**	43.4	250bps	**45.9**	45.9	-
Net interest income/ Average GLA (2)	(%)	**2.63**	2.64	(1bp)	**2.70**	2.55	15bps
Asset quality							
90dpd arrears	($ million)	**105**	118	(11%)	**105**	126	(17%)
Impaired assets	($ million)	**106**	123	(14%)	**106**	109	(3%)
Loan impairment expense / GLA	(bps)	**(11)**	-	(11bps)	**5**	(29)	Large
Balance sheet							
GLA	($ million)	**24,604**	22,865	8%	**24,604**	23,880	6%
Housing	($ million)	**7,008**	6,427	9%	**7,008**	6,804	6%
Commercial and other	($ million)	**11,043**	9,981	11%	**11,043**	10,720	6%
Asset Finance	($ million)	**6,553**	6,457	1%	**6,553**	6,356	6%
Credit risk weighted assets	($ million)	**19,533**	18,147	8%	**19,533**	19,114	4%
Customer deposits (3)	($ million)	**11,668**	10,838	8%	**11,668**	11,889	(4%)
Term deposits	($ million)	**2,021**	1,393	45%	**2,021**	1,573	56%
Mortgage offsets	($ million)	**1,233**	1,119	10%	**1,233**	1,255	(3%)
Savings & investment	($ million)	**6,220**	6,443	(3%)	**6,220**	6,909	(20%)
Transaction accounts	($ million)	**2,194**	1,883	17%	**2,194**	2,152	4%
Deposit to loan ratio	(%)	**47**	47	-	**47**	50	(300bps)

(1) Balance sheet key metrics have been annualised.
(2) Calculated on a cash earnings basis and net of offsets accounts.
(3) Treasury managed deposits are included in the Group's Other operating segment.

Financial performance

For the year ended 31 August 2022

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

FY22 vs FY21

BOQ Business cash earnings after tax of $261 million increased $26 million or 11 per cent on FY21. This was driven by a seven per cent increase in total income and a $28 million credit in loan impairment expense following reduced levels of collective provisioning. This was partly offset by operating expense growth of 13 per cent resulting in an underlying profit increase of two per cent.

Net interest income

Net interest income of $593 million increased by $38 million or seven per cent, reflecting an eight per cent growth in lending assets and an eight per cent growth in customer deposits, partly offset by a one basis point contraction in net interest margin.

Spot balance sheet movements included:

- Commercial lending growth of 11 per cent was driven by above system growth in small and medium business lending. Lending to large corporates originated primarily in the diversified industries and agriculture sectors, with a continued focus on portfolio optimisation;
- Asset Finance growth of one per cent was subdued by supply chain challenges across the market, with growth coming primarily in the core equipment finance business;
- Housing growth of $0.6 billion or nine per cent was driven by above system growth in the BOQ Specialist channel; and
- Improvements made to online banking in BOQ Specialist helped facilitate customer deposit growth of $0.8 billion or eight per cent, primarily across transaction and term deposit accounts.

Net interest margin of 2.63 per cent decreased by one basis point, reflecting the impact of rising swap rates on fixed margins, and competitive pressure on front book lending rates, partly offset by benefits from repricing of the deposits portfolio and higher early termination fees in the leasing portfolio.

Non-interest income

Non-interest income of $50 million increased by $2 million or four per cent driven by higher lending-related fees and foreign exchange sales revenue, partly offset by reduced income from third-party supplier incentives and trading income.

Operating expenses

Operating expenses of $295 million were up 13 per cent. This reflected increased investment in technology projects, higher risk and compliance related costs, absorbing corporate costs previously included in the other segment and the impact of inflation.

Loan impairment expense

Loan impairment expense was a credit of $28 million. This reflected lower collective provision charges due to portfolio improvements, and low levels of specific provisioning activity due to strong property prices and the general strength of economic conditions across most industries.

2H22 vs 1H22

BOQ Business cash earnings after tax of $123 million decreased $15 million or 11 per cent on 1H22. This was driven by higher operating expenses and a $40 million increase in loan impairment expense, partly offset by 12 per cent improvement in net interest income.

Net interest income

Net interest income of $313 million increased $33 million or 12 per cent on 1H22. This was driven by a six per cent growth in lending assets, a 15 basis point improvement in net interest margin, and an increased day count in 2H22.

Spot balance sheet movements included:

- Commercial lending growth of six per cent driven by growth in lending to small and medium businesses, partly offset by a continued focus on portfolio optimisation activity across the corporate book;
- Asset Finance growth of six per cent was driven by the core equipment finance business, partly offset by continued supply chain challenges across the market;
- Housing portfolio growth of six per cent was driven by the BOQ Specialist channel; and
- Deposit balances contracted $0.2 billion or four per cent reflecting lower savings and investment deposits, partly offset by shifting customer preferences towards higher yielding term deposit accounts which grew 56 per cent in 2H22.

Net interest margin of 2.70 per cent increased 15 basis points in 2H22, driven by repricing actions across the deposits portfolio, partly offset by competitive pressure on front book lending rates.

Non-interest income

Non-interest income was flat on 1H22, as higher lending-related fees were offset by reduced incentive income from a third party supplier and lower gains from sales of leasing equipment.

Operating expenses

Operating expenses increased by $15 million or 11 per cent , driven by increased investment in technology projects, higher risk and compliance related costs, absorbing corporate costs previously included in the other segment and the impact of inflation.

Loan impairment expense

Loan impairment expense of $6 million increased $40 million on 1H22 reflecting lower levels of collective provision releases. Specific provisioning activity remained low due to strong property prices and the general strength of economic conditions across most industries.

Financial performance

For the year ended 31 August 2022

4.3 Other segment income statement and financial performance review

Overview

The Other segment includes Treasury and Group Head Office. Previously, the Other segment included St Andrew's Insurance, which was sold during 1H22 and therefore excluded from the pro forma result below.

	Year end performance			Half year performance		
($ million)	Aug-22	Pro forma Aug-21	Aug-22 vs Aug-21	Aug-22	Feb-22	Aug-22 vs Feb-22
Net interest (expense) / income	**(7)**	3	Large	**(8)**	1	Large
Non-interest income	**5**	1	Large	**2**	3	(33%)
Total (loss) / income	**(2)**	4	Large	**(6)**	4	Large
Operating expenses	**-**	(8)	(100%)	**-**	-	-
Underlying (loss) / profit	**(2)**	(4)	(50%)	**(6)**	4	Large
Loan impairment expense	**-**	-	-	**-**	-	-
(Loss) / profit before tax	**(2)**	(4)	(50%)	**(6)**	4	Large
Income tax expense	**-**	3	(100%)	**1**	(1)	Large
Cash (loss) / earnings after tax	**(2)**	(1)	100%	**(5)**	3	Large

Financial performance review

Cash loss after tax of $2 million was $1 million lower than pro forma FY21.

Net interest (expense) / income

Net interest expense of $7 million decreased by $10 million on FY21. This was primarily driven by lower break costs, trading book accrual and interest rate hedging losses in the changing interest rate environment as well as higher lease liability expenses not allocated out to the operating divisions.

Non-interest income

Non-interest income of $5 million reflected gains from portfolio management activities and the sale of ALAs to purchase HQLA1s in order to maintain LCR targets as part of the phased reduction in the CLF.

Operating expenses

Operating expenses decreased by $8 million in FY22 as all Group Head Office expenses were allocated to the Retail and Business divisions.

4.4 Outlook

Australia remains well placed given the current low levels of unemployment, high level of household savings, strong business order books, robust growth in capex spending plans and high terms of trade. However, uncertainty remains given elevated inflation, rising interest rates, geopolitical tensions and supply chain and labour disruptions. Housing and business system growth are both expected to slow in FY23 with both residential and commercial property prices facing the prospect of declines.

BOQ remains focused on quality, sustainable profitable growth and we will continue to maintain a prudent approach to provisioning and capital given the ongoing uncertainty around economic conditions.

Financial performance

For the year ended 31 August 2022

5. Appendix to Financial performance

5.1 Cash EPS calculations

		Year end performance			Half year performance		
		Aug-22	Aug-21	Aug-22 vs Aug-21	Aug-22 [1]	Feb-22 [1]	Aug-22 vs Feb-22
Reconciliation of cash earnings for EPS							
Cash earnings after tax	($ million)	**508**	412	23%	**240**	268	(10%)
Returns to other equity instruments [2]	($ million)	**(12)**	(1)	Large	**(6)**	(5)	20%
FV adjustment on ME AT1 Capital Note	($ million)	**9**	-	100%	**4**	-	100%
Cash earnings available for ordinary shareholders	($ million)	**505**	411	23%	**238**	263	(10%)
Effect of Capital Notes 1	($ million)	**10**	9	11%	**6**	5	20%
Effect of Capital Notes 2	($ million)	**8**	5	60%	**4**	3	33%
Cash diluted earnings available for ordinary shareholders	($ million)	**523**	425	23%	**248**	271	(8%)
Weight Average Number of Shares (**WANOS**)							
Basic WANOS - Ordinary shares	(million)	**643**	550	17%	**644**	640	1%
Effect of award rights	(million)	**4**	3	33%	**6**	4	50%
Effect of Capital Notes 1	(million)	**49**	38	29%	**49**	43	14%
Effect of Capital Notes 2	(million)	**37**	21	76%	**37**	32	16%
Diluted WANOS for cash earnings EPS	(million)	**733**	612	20%	**736**	719	2%
Cash earnings per share							
Cash basic EPS - Ordinary shares	(cents)	**78.4**	74.7	5%	**36.8**	41.1	(10%)
Cash diluted EPS - Ordinary shares	(cents)	**71.2**	69.5	2%	**33.6**	37.7	(11%)

(1) The sum of 1H22 and 2H22 EPS does not equal FY22 due to the uneven distribution of cash earnings after tax across the two halves of the year.
(2) Other equity instruments of $314 million include AT1 securities assumed on the acquisition of ME. The securities are perpetual, non-cumulative, subordinated and unsecured notes. Refer to Note 3.10(b) to the financial statements. The return in FY21 represents two months since the acquisition.

Financial performance

For the year ended 31 August 2022

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 BOQ Group together with the respective interest earned or paid and the average interest rate for each of 1H22, 2H22, FY21 and FY22.

	2H22			1H22		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Interest earning assets						
Loans & advances [1]	**75,159**	**1,141**	**3.01**	71,966	997	2.79
Investments & other securities	**14,344**	**59**	**0.82**	14,091	16	0.23
Total interest earning assets	**89,503**	**1,200**	**2.66**	86,057	1,013	2.37
Non-interest earning assets						
Property, plant & equipment	**270**			231		
Other assets	**2,345**			1,926		
Provision for impairment	**(301)**			(380)		
Total non-interest earning assets	**2,314**			1,777		
Total assets	**91,817**			87,834		
Interest bearing liabilities						
Retail deposits	**54,629**	**202**	**0.73**	53,479	132	0.50
Wholesale deposits & borrowings [2]	**30,067**	**210**	**1.39**	27,123	140	1.04
Total interest bearing liabilities	**84,696**	**412**	**0.96**	80,602	272	0.68
Non-interest bearing liabilities	**995**			1,154		
Total liabilities	**85,691**			81,756		
Shareholders' funds	**6,126**			6,078		
Total liabilities & shareholders' funds	**91,817**			87,834		
Interest margin & interest spread						
Interest earning assets	**89,503**	**1,200**	**2.66**	86,057	1,013	2.37
Interest bearing liabilities	**84,696**	**412**	**0.96**	80,602	272	0.68
Net interest spread			**1.70**			1.69
Benefit of free funds			**0.05**			0.05
NIM - on average interest earning assets	**89,503**	**788**	**1.75**	86,057	741	1.74

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

Financial performance

For the year ended 31 August 2022

5.2 Average balance sheet and margin analysis (continued)

	FY22			FY21		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Interest earning assets						
Loans & advances [1]	**73,562**	**2,138**	**2.90**	69,801	2,188	3.13
Investments & other securities	**14,218**	**75**	**0.53**	12,722	40	0.31
Total interest earning assets	**87,780**	**2,213**	**2.52**	82,523	2,228	2.70
Non-interest earning assets						
Property, plant & equipment	**251**			185		
Other assets	**2,136**			1,890		
Provision for impairment	**(340)**			(445)		
Total non-interest earning assets	**2,047**			1,630		
Total assets	**89,827**			84,153		
Interest bearing liabilities						
Retail deposits	**54,054**	**334**	**0.62**	49,396	353	0.71
Wholesale deposits & borrowings [2]	**28,595**	**350**	**1.22**	26,833	336	1.25
Total interest bearing liabilities	**82,649**	**684**	**0.83**	76,229	689	0.90
Non-interest bearing liabilities	**1,075**			1,414		
Total liabilities	**83,724**			77,643		
Shareholders' funds	**6,103**			6,510		
Total liabilities & shareholders' funds	**89,827**			84,153		
Interest margin & interest spread						
Interest earning assets	**87,780**	**2,213**	**2.52**	82,523	2,228	2.70
Interest bearing liabilities	**82,649**	**684**	**0.83**	76,229	689	0.90
Net interest spread			**1.69**			1.80
Benefit of free funds			**0.05**			0.06
NIM - on average interest earning assets	**87,780**	**1,529**	**1.74**	82,523	1,539	1.86

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

Governance and risk management

Managing our risk landscape

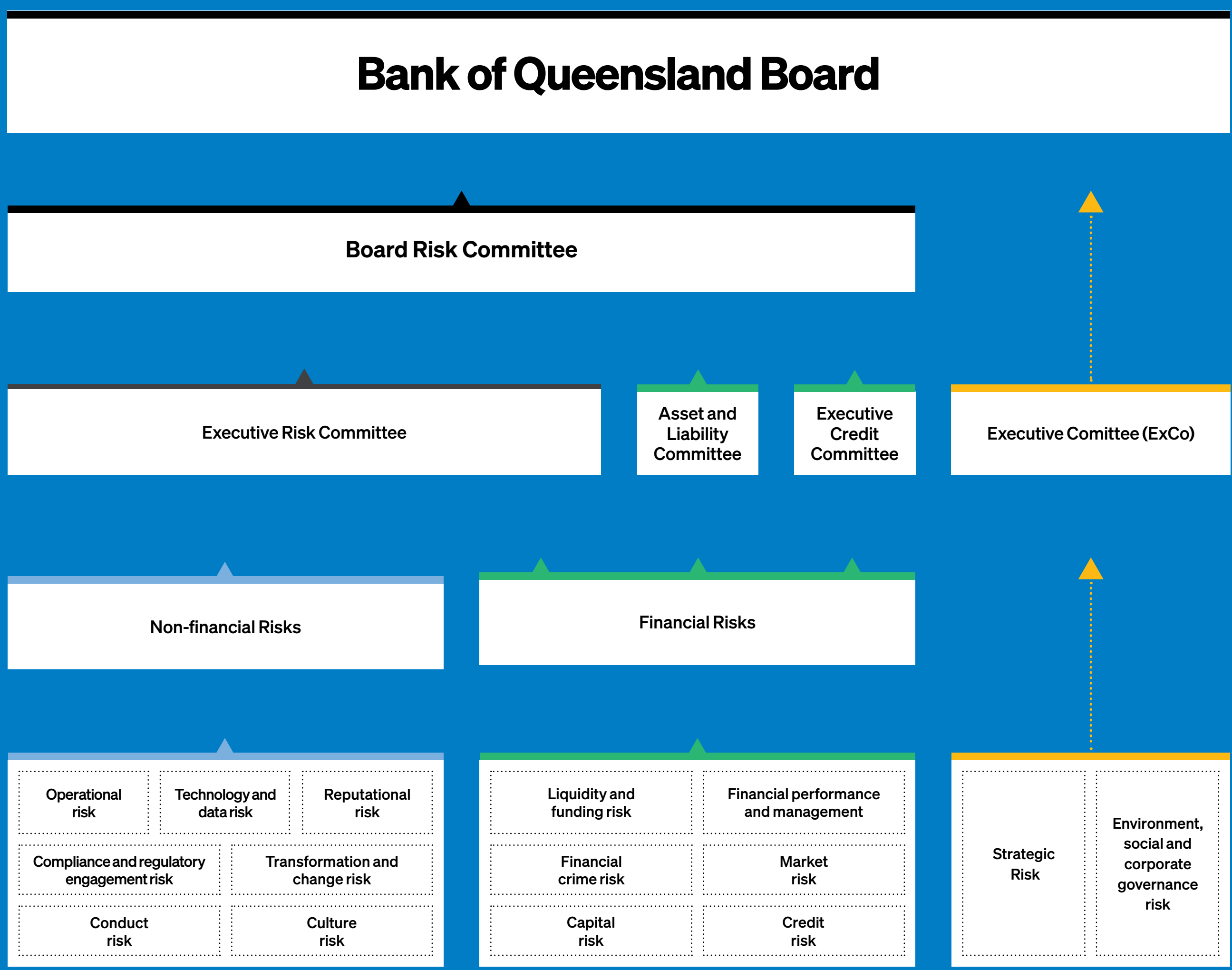
We believe that Risk is Everyone's Business, it is at the core of our strategy. As part of a Group Risk Management Framework, which is overseen by the Board, we identify and manage key risks. This framework includes Business Plans, Risk Management Strategy and Risk Appetite Statement, as well as capital and funding plans.

The Group Risk Appetite Statement is a cornerstone of the enterprise-wide strategy, which covers the principal sources of risk and is adopted at a business unit level as part of the business unit planning process, qualitatively (through risk policies, standards and operating procedures) and quantitatively (through risk limits, settings and decision authorities).

The other foundation of the enterprise-wide strategy is the annual Board Strategic Review, which provides a forward outlook taking into consideration various factors:

- Macroeconomic and financial services outlook
- Internal, environmental and competitive assessment
- Group strategic, risk and financial objectives
- Group strategy statement
- Financial forecast
- System growth assumptions and relative returns of business lines
- Key strategic initiatives
- Strategic goals and targets
- Material strategy execution risks and proposed mitigating actions

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



Governance and risk management

BOQ's operations and performance are impacted by strategic risks, financial risks and non-financial risks. Key risks are identified and managed as part of BOQ's risk management framework. The below table outlines the key risks impacting the business and how BOQ manages these.

Risk	Value Drivers	Description
Compliance and regulatory engagement risk		The risk of failing to comply with any legal or regulatory obligations or respond to regulatory change, includintg improper licensing, data privacy, financial crime-related and cross-border activities. This includes the risk of not effectively managing interactions or requirements of the Group's regulatory relationships, and participation in industry forums to influence developments in regulatory policy.
Conduct risk		The risk of failing to act in accordance with customers' best interests; not designing and distributing products and services to customers in an adequate, accurate and proper manner; and not acting in accordance with fair market practices, Workplace Health and Safety laws and the Group's Code of Conduct.
Culture risk		The risk of an ineffective culture impacting the ability to deliver strategic objectives. This includes culture and risk culture across the organisation, covering areas such as talent and succession planning, recruitment and retention, remuneration and consequence management practices, risk and governance architecture as well as behaviours aligned with BOQ's values.
Credit risk		The risk that a debtor or transactional counterparty will default and/or fail to meet their contractual obligations and includes the risk of loss of value of assets due to deterioration in credit quality and credit concentration risk. This risk primarily arises from BOQ's lending activities and the holding of various financial instruments for investment or liquidity purposes.
Liquidity and funding risk		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.
Capital risk		The risk of ineffective 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.
Financial performance & management		The risk of loss arising from a failure to effectively manage the financial performance of the business, and/or customer requirements of pricing lending and deposit products, impacting customers, shareholders and key stakeholders.
Market risk		The risk to the Group's earnings arising from changes in interest rates, currency exchange rates and credit spreads, fluctuations in bond or equity prices, or from changes in the volatility of these risk factors.
Operational risk		The risk of loss resulting from inadequate or failed internal processes, people and systems, and/or from third party or external events. As such, operational risk captures business continuity plans, crisis management, process, systems and operations risk, people-related risks and health and safety-related risks.
Financial crime		The risk of fraud attempted or perpetrated against the organisation by an internal or external party; or failure to comply with restrictions imposed by sanctions, or appropriately monitor, detect and control potentially suspicious financial crime activity.
Technology and data risk		The risk of loss resulting from impacts to system availability or information security incidents, including the loss, theft or misuse of data and information. This includes managing and maintaining all types of data, such as client data, employee data, and the organisation's proprietary data.
Transformation & change risk		The risk of failure to deliver projects in accordance with scope, cost, schedule and benefits; and delivered change including people, process and system not having effective embedded controls for managing the risks in our business.
Reputational risk		The risk to earnings and capital arising from negative public opinion resulting from the loss of reputation, public trust or standing. This is a risk derived from business activities and is considered in conjunction with the underlying risks resulting from those activities.
Strategic risk		The risk that might arise from the pursuit of a business model or strategy that is not viable, or failure to execute on the strategy and delivery of expected outcomes
Environmental, social & corporate governance risk		Environmental, Social and Corporate Governance (**ESG**) considers the risk of factors related to climate change, natural resources and pollution; managing human capital, human rights and responsible lending in supporting the community; and the risk associated with our corporate governance and behaviours.

Governance and risk management

Management of risk

BOQ has an established Compliance Management Framework, which sets out the Group's approach to identifying and managing compliance risk and complying with relevant laws and regulations.
The Compliance Management Framework is supported by a range of Group-wide policies and procedures to manage particular compliance risks, comply with particular laws and regulations, and to manage conduct risk, including for example the Group-wide Privacy Policy and the Group-wide Conflicts of Interest Policy.
BOQ uses its Governance Risk and Compliance tool to capture and document the financial services laws and obligations that it must comply with, as well as the processes in place to ensure compliance.
The Group also has an established process to identify and record incidents, to assess those incidents to identify potential breaches of its compliance obligations, and where relevant, to provide notifications to regulators in a timely manner. This process is also supported by a formal Committee, comprised of members of senior management, to consider and assess certain incidents. The Group also has an established Group-wide Regulatory Change Framework, to identify, assess, communicate and implement relevant regulatory changes. BOQ has also established a range of policies and procedures to manage financial crime and ensure compliance with relevant financial crime obligations.

BOQ maintains a strong ethical culture via embedded principles and policies, including the BOQ Code of Conduct, Whistleblower Policy and Conduct Risk Standard. The Group regularly monitors the risk with Group Risk Appetite Measures in place.

The Board oversees the Group's culture, with Board sub-committees in place to support, including the People, Culture & Remuneration Committee and Board Risk Committee. Key policies, procedures and plans that underpin our organisational culture and risk culture, include the Group's Purpose and Values, Code of Conduct, Whistleblower Policy, Consequence Management Framework, and Remuneration Framework.
Monitoring and reporting is supported through risk appetite measures, regular surveys to all employees, and interviews with employees leaving the organisation.

Risk management practices in place to support effective credit risk management include the establishment and ongoing maintenance of a limits monitoring and management framework. BOQ's Credit Risk Management Principles provide core standards for the provision of credit for all customers. The credit risk management principles express the expectations of the Board for both the analytical and behavioural aspects of granting of credit to customers. BOQ maintains a suite of credit policies to address the range of lending products provided to customers and to satisfy the Board level requirements expressed in the Credit Risk Management Principles and Risk Appetite Statement.

BOQ maintains a diverse and stable pool of potential funding sources. The Bank maintains adequate liquidity buffers and short-term funding capacity to withstand periods of disruption in long-term wholesale funding markets. BOQ adopts a robust limit framework including stress testing and scenario analysis that enables risk based decisioning ensuring the business remains within risk appetite.

The Board, through the Board Risk Committee, approves and oversees capital limits, triggers and target ranges set out in the Group Risk Appetite Statement, as well as the Internal Capital Adequacy Assessment Process (**ICAAP**). The ICAAP and Group Recovery Plan are designed to help identify and manage potential threats to the ongoing viability of the Bank.

The financial performance of the Group is governed through the Board, led by the Group Chief Financial Officer and the Executive. A product & pricing committee is in place to support decision-making in respect to pricing, fee structure and financial performance of our products.
Financial risk policies include all Board and management accounting policies which form the basis for the recording and reporting of the financial statements, including group taxation. These policies are governed by the Board Audit Committee.

BOQ's Credit Portfolio Limit Framework and Risk Appetite measures enable effective management of market risk. BOQ applies common risk management practices across all Group subsidiaries. The performance of subsidiaries is subject to ongoing review and oversight, with senior management representation on subsidiary management committees and boards.

BOQ has an Operational Risk Management Framework and underlying standards and procedures that outline how operational risks are identified and managed within risk appetite and tolerance to meet regulatory, customer, operational and strategic requirements. This includes mechanisms to undertake risk-reward business decisions, taking into account operational risk exposures and the control environment. These risks are managed through our GRC tool.

The Board is ultimately responsible for overseeing the management of financial crime risk and is assisted by the Board Risk Management Committee and Executive Risk Management Committee.
The Group's AML/CTF obligations are articulated in the Part A and Part B AML/CTF Programmes. These programmes are supported by a range of underlying policies, guidelines and standards. Additionally, the Group's broader financial crime risk obligations are managed through a range of supporting policies and standards including the Financial Crime Policy, Anti-Bribery and Corruption Policy, Fraud Controls Policy, Insider Risk Framework, and Major Fraud Framework.

The Board Risk Committee assists the Board in overseeing technology risks. They do this through oversight of the technology portfolio health by reference to internal and external benchmarks on the quality, stability, reliability and security of the IT services and the impact on customer experience.

Additionally, this includes constantly monitoring and assessing the cyber threat landscape and hardening our environment to protect our data from cyber threat.

The TTC assists the Board in overseeing the transformation agenda for the Group. This is done through the oversight of the strategic project portfolio through reporting on critical and significant Tier 1 projects, monitored in line with the Group's risk appetite.

Governance for Reputational Risk is integrated in the Group's broader risk governance framework, including Crisis Management and Business Continuity Plans. The Conduct Risk Standard, Code of Conduct, and Reputational Risk Framework outline the approach to establishing and maintaining a strong ethical culture via embedded principles and policies throughout the Group.

Business strategy development incorporates risk management practices to ensure any potential changes in the level of risk, including new risks, are continuously considered when making strategic decisions. Key strategic risks are subject to ongoing review and analysis with monthly reporting provided to management and the Board including performance against strategic growth targets.

Refer to page 58 for full details on how we are managing ESG Risk.

Governance and risk management

Managing the evolving risk environment

Building an organisational culture of accountability underpinned by strong risk foundations is a strategic enabler to enhance operational and financial resilience for the Group. Our risk culture is below where we would consider best practice and BOQ are dedicated to advancing maturity in risk behaviours and architecture to strengthen our resilience and responsiveness to the evolving risk landscape.

The financial services industry continues to receive significant focus from the Federal Government, regulators, investors and consumers. A summary of key areas of reform and areas of increased risk focus are outlined below.

Regulatory developments

Policy and Priorities

In February 2022, APRA released its policy and supervision priorities for the coming 18 months, with the following focus for ensuring system stability, and resilient and prudent institutions:

- Improving cyber resilience and crisis preparedness, and finalising new prudential standards on Financial Contingency Planning and Resolution Planning;
- Continued support to Treasury in the development of the Financial Accountability Regime;
- Development of a new prudential standard for Operational Risk, that will combine the existing Outsourcing and Business Continuity Management prudential standards;
- Continued focus on risk culture following the completion of a survey across all regulated entities to benchmark perceived risk behaviours and the effectiveness of risk structures;
- Implementing the capital reforms that were largely finalised in 2021, to embed "unquestionably strong" capital ratios and the Basel III reforms; and
- Publishing APRA's Macroprudential Policy Framework

In August 2022, ASIC released a corporate plan outlining key priorities and actions over the next four years, including:

- Drive compliance with new design and distribution obligations;
- Proactively supervise and enforce governance, transparency and disclosure standards on sustainable finance; and
- Focus on technology impacts on financial services and address digitally enabled misconduct including scams.

Conduct and Culture

Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission)

The package of reforms following the 2020 Financial Sector Reform (Hayne Royal Commission Response) implemented a significant number of commitments made by the Government to improve consumer protections and strengthen regulators.

BOQ has implemented controls to comply with new breach reporting and anti-hawking obligations that commenced during the 2022 financial year, in response to recommendations made by the Royal Commission.

BOQ has enhanced its approach to identify, assess and manage new and changed laws and regulations, through the establishment of a formal, Group-wide Regulatory Change Framework.

Conduct and Culture (continued)

Financial Accountability Regime

The Banking Executive Accountability Regime (BEAR) which has been applicable to ADIs since 2018 (and applicable to BOQ since 1 July 2019), is set to be absorbed in the Financial Accountability Regime (FAR).

FAR imposes a strengthened responsibility and accountability framework within financial institutions, absorbs the BEAR requirements and represents a significant milestone for the further implementation of recommendations from the Hayne Royal Commission Response. BOQ is committed to complying with its requirements under FAR.

Risk Culture and Governance

Shaping an organisational culture that supports a mature risk culture remains a key area of focus for BOQ in FY23. BOQ is dedicated to evolving how the organisational culture influences good risk outcomes and ensures early identification and accountability of current and future risks.

Recent reviews have identified areas for improvement in our risk culture and governance. BOQ is dedicated to advancing maturity in risk behaviours and architecture to strengthen our management framework and practices. BOQ has engaged with and expects to continue to engage with regulators in respect of various matters related to operational and financial resilience and risk culture and governance.

BOQ will appoint specialists to support a review of our control environment which, when combined with our own control self-assessment, will support an integrated plan to strengthen our risk culture.

Complementing this plan is the investment in our transformation program, which is critical to simplifying our technology and automating our processes. The ultimate aim of the program is to continue to provide better outcomes for our customers, bankers, and shareholders.

Governance and risk management

Managing the evolving risk environment (continued)

Regulatory oversight and change

Regulatory Guide 271 – Internal Dispute Resolution

In October 2021, Regulatory Guide (RG) 271 on Internal Dispute Resolution (IDR) became enforceable. This RG raised the internal dispute resolution standards across the financial sector and requires an increased focus on complaints handling across the industry.

In response, BOQ has transformed its complaint management system and increased front-line training to better capture and respond to customer complaints. These initiatives have seen the total number of internal complaints recorded increase by 69per cent compared to last year, due in part to BOQ's more mature complaint capturing model. The average time to resolve front line complaints this year was two days.

Effective and appropriate management of complaints continues to be a strong focus for BOQ.

Consumer Data Right (CDR) and Open Banking

The 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 customers' ability to compare and switch between products and services. BOQ is committed to complying with the CDR regime, and continues to progress implementation of CDR requirements.

While BOQ (excluding ME) did not initially meet the Phase one, two or three compliance dates, on 30 June 2022 BOQ confirmed to the ACCC that all three phases had been successfully delivered. Separately, ME received an exemption from the ACCC for the CDR requirements until 30 June 2022. ME successfully commenced data sharing on 28 June 2022.

There are a number of further compliance requirements under the CDR regime that are due throughout 2022. This includes requirements to deliver joint account functionality by 1 October 2022, as well as secondary user capability and non-individual accounts by 1 November 2022. While BOQ is largely on track to deliver these requirements, it is likely there will be some delay, although BOQ expects to still deliver each of these requirements by the end of October and November 2022 respectively. The Group also continues to progress implementation of several other CDR requirements, including improvements to ensure that the Group's products have commensurate latency between digital channels and CDR APIs.

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 at ACCC's website.

On 23 June 2022, the ACCC issued BOQ with an infringement notice in relation to non-compliance with the CDR rules. The notice includes a monetary penalty of $133,200. It is uncertain what other actions (if any) will result following the delay in meeting other CDR requirements as set out in the Rectification Schedule.

Financial crime

Anti-Money Laundering and Counter Terrorism Financing Compliance

Financial crime is a topic of material importance for BOQ, recognising the important role banks play in preventing and detecting financial crime. BOQ continues to build its financial crime capability through technology, people, partnerships and a strong Anti-Money Laundering (**AML**)/Counter Terrorism Financing (**CTF**) framework.

BOQ continues to engage with Australian Transaction Reports and Analysis Centre (**AUSTRAC**) in relation to BOQ's AML/CTF program and continues to enhance and strengthen its AML/CTF systems and controls.

Credit risk

Over FY22 BOQ has continued to enhance credit models to enable a greater understanding of the impact of economic movements on BOQ's key portfolios. This uplift has resulted in more accurate and granular sensitivity analyses available to the group.

BOQ has continued to enhance credit frameworks for commercial lending with the implementation of standardised customer review and risk grading frameworks.

Governance and risk management

Governance and risk management

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.

We have delivered on our initial commitment of carbon neutrality of BOQ Group operations, are well progressed to meet our target to source 100 per cent renewable energy by 2025, and have set ambitious 2030 emission reduction targets aligned with science.

Through scenario analysis we understand that action to reduce emissions will not be enough. In response, we have integrated our understanding of physical and transition climate risks into our risk management and resilience activities. This has allowed us to rapidly respond and support our customers and communities with emergency relief to support rebuilding and resilience activities.

Engagement with regulators and banking peers has revealed that climate is still an emerging risk with standardised and consistent identification, measurement, and management approaches still under development. BOQ Group will continue to evolve our assessment of climate risks and its impact on our business and look for opportunities to influence the transition to a resilient low-carbon economy.

Climate risk position

BOQ Group accepts climate change is the product of human influence and supports the transition to a net-zero carbon economy in alignment with the Paris Agreement.

We are committed to support the transformational change needed in every sector to keep global warming to 1.5 degrees Celsius and improve the resilience of customers, our people, our suppliers and society as we live through the impacts of climate change.

We are doing our part through being a carbon neutral organisation, setting operational emission targets aligned with science, accelerating plans to reduce our own emissions, and working to support our customers, our people and our suppliers' climate resilience and transition to net zero.

90%
Emission reduction target by 2030 [1]

Renewable energy contracts signed towards target of 100% renewable electricity by 2025 [2]

19%
Reduced operational GHG emissions [3]

Collaboration to standardise the assessment and reporting of climate risk

(1) Bank of Queensland Limited commits to reduce organisational scope 1 and 2 emissions by 90% and organisational supply chain scope 3 emissions by 40% by 2030 compared to a 2020 baseline. The Science Based Targets initiative recommends a 42% absolute emission reduction between 2020 and 2030 to align with a 1.5 degree Celsius reduction pathway
(2) Agreements in place at all locations where BOQ Group has a choice of electricity supplier. Renewable certificates used at major support centres without a choice of electricity supplier.
(3) Includes scope 1, 2 and scope 3 emissions.

Governance and risk management

BOQ Group and climate change (continued)

Governance

The BOQ Group Board and Risk Committee directly oversees responses to climate-related risks, 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 on a quarterly basis through our Sustainability Balanced Scorecard. 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 risks 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 Group's business strategy and risk management.

Topics presented to the Executive Team and Board in FY22 include:

- ESG education program including climate risk management and developments in sustainable finance;
- Updates to 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
- Outcomes of APRA's climate risk survey participation.

The Sustainability Working Group (**SWG**) supports the Executive Team with the development and implementation of climate initiatives and reporting requirements. The SWG is made up of senior representatives across the Group who are involved in the day to day management of climate change and other sustainability matters. SWG members are responsible for ensuring the leadership teams across the bank remain informed on climate-related issues and our progress on climate change commitments and targets.

Board

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

Risk Comittee

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'

Risk management

The identification and assessment of climate-related risks is integrated into multi-disciplinary company-wide risk management activities including the impact on material credit and operational risks. Losses due to climate change are seen as a subset of credit risk, notably that transition or physical risk can drive a customer default or cause asset devaluation.

Our Risk Management Strategy (**RMS**) and Risk Appetite Statement (**RAS**) specifically addresses climate and sustainability risk. These policies set out expectations regarding the degree of ESG and climate risk that the BOQ Board is prepared to accept.

The RMS and RAS are updated annually, informed by workshops to validate and prioritise our approach to climate change risks. This process is supported by reviews of the impact of climate-related events and includes scenario analysis and input from external climate consultants and scientists.

Scenario analysis has been used to inform potential future exposure to material climate risks and opportunities. We have used this analysis to inform how climate change mitigation and adaptation could be incorporated into our strategy to capture commercial opportunities, support our customers and maintain resilient operations.

The management of climate change is embedded in our business through credit policies overseen by the Executive Credit Committee such as our Prohibited and Restricted Industries List and the Ecological Care and Sustainability Lending Policy. 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 take into account factors such as flooding and environmental risk including insurance impacts 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. The climate scenario analysis has been undertaken at the portfolio level.

We are also continually monitoring trends, concerns, publications, and actions that emerge from regulators and investors through structured engagement and industry forums.

We have engaged with APRA and the Australian Banking Association's (**ABA's**) sustainability and climate risk working groups as the industry's understanding of climate-related risks, its impact on business and assessment and disclosure knowledge evolves. This allows BOQ Group to keep abreast of changes to climate-related risks including compliance with any legislative or regulatory obligations.

Governance and risk management

BOQ Group and climate change (continued)

Risk management (continued)

Between February and March 2022 a series of weather systems brought unprecedented rainfall and subsequent flooding to vast areas of Queensland and New South Wales resulting in devastating loss of life and property. Our 2021 climate scenario analysis previously identified increases in extreme rain as likely to be experienced across Australia's east coast.

A succession of extreme rainfall events continued to impact affected communities multiple times through March and into April hampering recovery efforts and impacting our operations, people, customers and the communities in which we operate. Our Gympie and Lismore branches were entirely submerged, and streets around our Newstead Head Office were impassable during the flood event (shown below).

We activated our business continuity plans ensuring the security of cash and documents and physical safety of locations while continuing to support our customers, our people and the communities in which we operate.

Our critical incident Employee Assistance Program (**EAP**) support was mobilised providing support for our people directly impacted; and our employees accessed over 2,000 hours of community service and flood leave during the flood recovery.

Over $180,000 was donated as emergency relief across multiple services aiding affected local communities, including the Queensland Fire and Emergency Services, New South Wales State Emergency Service, BOQ's charity partner (Orange Sky) and other local area initiatives.

The impact of the evolving situation was closely monitored by a cross-functional team using post code and street matching mapping tools to identify potential exposure from flood affected business and retail customers across all brands. Additional weekly portfolio analysis reporting was developed for BOQ and VMA Retail and BOQB with the highest proportion of physical collateral located in Queensland.

BOQ made its Emergency Fast Track Relief assistance available to affected customers providing relief to over 200 customers by way of loan deferrals and temporary overdraft facilities. Retail customers represented 70 per cent of the number of flood hardship requests and approximately 80 per cent of the potentially impacted GLAs.

While a large number of postcodes were impacted by floods, within those postcodes the flooding impact was found to be localised.

Despite the unprecedented scale of flooding, the impact on the Group portfolio is immaterial with flood hardship-approved customers representing only 0.09 per cent of total GLAs.

Governance and risk management

BOQ Group and climate change (continued)

Strategy

BOQ Group is committed to supporting Australia and our customers to transition to a low-carbon and climate-resilient economy. Our approach to climate change is informed by prioritised risks and opportunities. We consider our climate-related risks and opportunities focused on credit, liquidity markets and operational risks and they are prioritised over 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			• 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
R & O	Extreme weather events including flooding associated with extreme rain, cyclones, storms and bushfires	Short to long term	
Chronic			
R	Long-term 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

Climate scenario analysis

In FY22 we leveraged our understanding of physical and transition risks from climate extremes to BOQ Group's residential lending and business portfolios gained through our 2021 climate program. Technical information on the climate scenario analysis undertaken in the 2021 climate program is available in the 2021 Annual Report.

We used this understanding to move forward in collaborating with banking peers and regulators both in Australia and overseas to standardise the assessment of climate risk through scenario analysis and inclusion of climate risk factors in capital frameworks.

Governance and risk management

BOQ Group and climate change (continued)

Physical risk analysis outcomes (1)

BOQ Group has a nationally diversified geographic spread with highest concentrations on the Queensland coast, central and south-east 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 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. In FY22 BOQ Group partnered with Honey Insurance who offer smart technology to lower the cost of home insurance and the risk of under-insurance. Honey Insurance provides national coverage that supports the footprint of BOQ branches and customers including far north Queensland.

Transition risk analysis outcomes (2)

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.

BOQ's business lending portfolios have minimal exposure to high emitting sectors with elevated exposure to transition risk under the most ambitious decarbonisation scenario. BOQ's lending portfolio has no exposure to fossil fuel power generation and minimal direct exposure to fossil fuels extraction.

Industries including agriculture, non-metallic mineral product manufacturing and waste collection and disposal services are likely to face transition challenges despite their products remaining in demand. BOQ Group's behavioural loan term for these sectors is generally short providing an opportunity to re-assess and support our customer's transition at renewal points.

Targets and metrics

Industry exposures

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

Credit risk	FY22		FY21	
Sector	**$m**	**% of Total Exposure**	**$m**	**% of Total Exposure**
Residential mortgages	**63,444**	**78.6%**	59,053	78.5%
Property & construction	**6,115**	**7.6%**	5,627	7.5%
Healthcare	**3,127**	**3.9%**	3,017	4.0%
Professional services	**1,548**	**1.9%**	1,453	1.9%
Agriculture	**1,276**	**1.6%**	1,232	1.6%
Transportation	**801**	**1.0%**	843	1.1%
Manufacturing & mining	**792**	**1.0%**	779	1.0%
Hospitality & accommodation	**770**	**1.0%**	622	0.8%
Other	**2,862**	**3.5%**	2,598	3.5%
Total (3)	**80,735**	**100.0%**	75,244	100.0%
Per Balance Sheet (4)	**81,250**		75,748	

(1) Summary of physical climate risk scenario analysis undertaken in 2021 for all residential lending and the BOQ Business property and construction portfolio.
(2) Summary of transition climate risk scenario analysis undertaken in 2021 for BOQ Business portfolios including commercial and asset financing from BOQB, BOQS and BOQF.
(3) Due to rounding, numbers presented may not add up to the totals provided.
(4) This includes unearned income reallocated in Credit Risk and the balance of credit cards, overdrafts and personal loans.

Governance and risk management

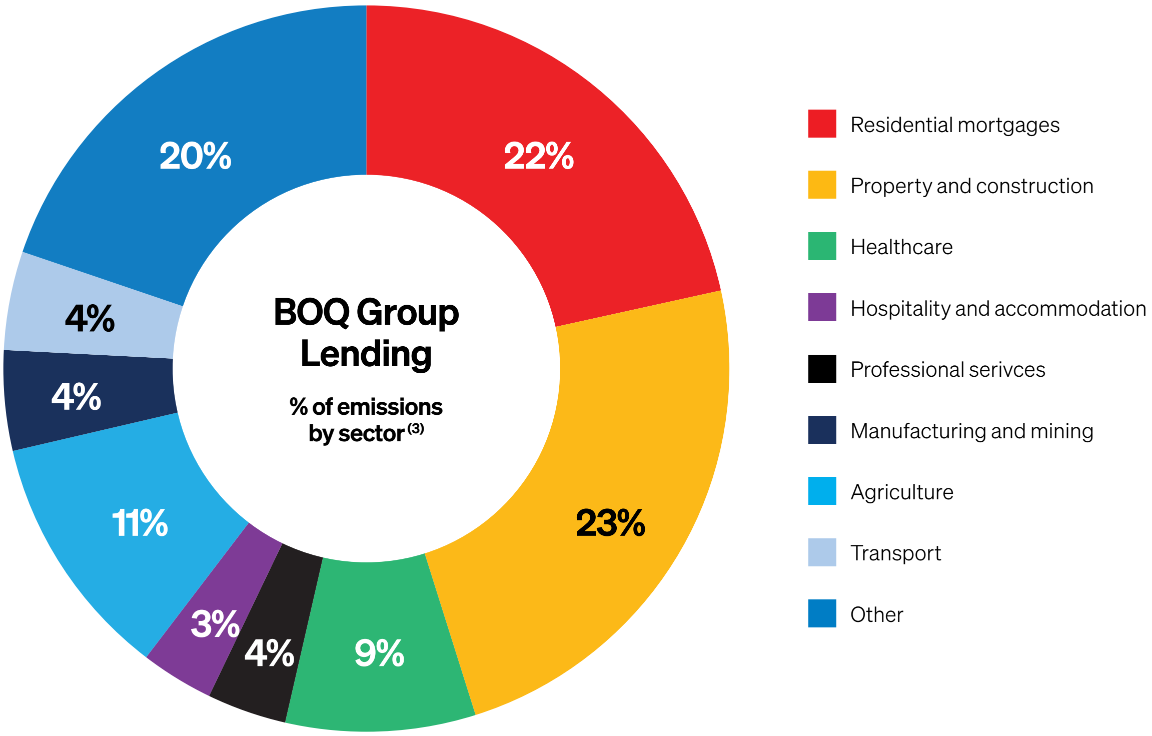
BOQ Group and climate change (continued)

Financed emissions

BOQ Group recognises that measuring financed emissions is an important consideration in managing climate-related risks and opportunities.

The carbon intensity of the loan book in FY22 was 0.23kg of CO2-e per $1 loaned [1], a reduction of 25 per cent [2] largely driven by a change in emissions attribution that more closely aligns to the approach recommended by the Partnership for Carbon Accounting Financials (**PCAF**) framework and by the incremental decarbonisation of Australia's electricity supply.

Residential and commercial property makes up 86 per cent of our credit risk exposure and comprises 45 per cent of the carbon emissions from our lending portfolio as at August 2022.



(1) Financed emissions calculations include estimated greenhouse gas emissions associated with residential mortgages, commercial loans and asset financing.
(2) The FY21 carbon intensity of the loan book has been revised to 0.30 kg of CO2-e per $1 loaned.
(3) Due to rounding, numbers presented may not add up to the totals provided.

Governance and risk management

BOQ Group and climate change (continued)

Operational greenhouse gas footprint

In FY22 we continued to be carbon neutral across our operations achieving a balance between the greenhouse gas emissions associated with running our business and the emission reduction activities we support.

We recognise that being carbon neutral is only part of the solution and have made significant progress on our emissions reduction journey. We have re-baselined our FY20 and FY21 emissions on proforma basis inclusive of ME using the same operational boundary as the BOQ Climate Active certification. From FY22, BOQ Group's Climate Active certification will include ME operations.

We have reduced emissions through the introduction of electric and hybrid vehicles into our fleet, operating our major Brisbane, Sydney and Melbourne support centres on renewable electricity, and entered into GreenPower 100per cent certified renewable energy contracts for all sites where the Group can choose its energy supplier.

We engaged with 11 of our material upstream suppliers on their climate policies and ways to collaborate to reach net zero. Made possible through the implementation of our Supplier Code of Conduct, our supplier engagement allows for more accurate calculation of Scope Three emissions that acknowledges the emission reduction activities of our partners.

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 FY22 Sustainability Report on page 22.

Greenhouse gas emissions (tCO_2-e)[1]	FY22	FY21	Change
Scope 1	423	429	(1%)
Scope 2	2,567	4,583	(43%)
Scope 3	35,025	41,896	(16%)
Total	**38,045**	**46,908**	**(19%)**

Climate-related targets

BOQ Group commits to reduce organisational scope 1 and 2 emissions by 90 per cent and organisational supply chain Scope Three emissions by 40 per cent by 2030 compared to our 2020 baseline. These targets are aligned to the science-based emission reduction trajectory needed to meet the goal of net zero emissions by 2050.

BOQ Group is committed to cease funding equipment directly involved in the extraction of fossil fuels by 2024. As at 31 August 2022, our exposure to this industry was $9.1 million representing 0.01 per cent of lending.

In FY22 we continued our commitment to being a carbon neutral organisation via the Australian Government Climate Active certification program. The BOQ certification will be integrated with ME's in 2022 to include operations and supply chain contribution from BOQ Retail (including branches), Virgin Money Australia, BOQ Business, BOQ Finance and BOQ Specialist.

We are well progressed with our commitment to source 100 per cent of our operational electricity from renewable sources by 2025. For FY22 BOQ Group operated on 54 per cent renewable electricity and has contracts in place for renewable energy contracts for all sites where the Group can choose its energy supplier. For other locations we will work with landlords or separately contract renewable certificates to meet our commitments by 2025.

(1) Emissions estimates are calculated in accordance with the GHG Protocol using the factors consistent with Climate Active's carbon neutral program. FY21 is restated to include ME. Scope 1 includes direct emissions from transport fleet. Scope 2 includes electricity purchased. Scope 3 includes purchased goods and services, capital goods, fuel and energy-related emissions from fuel extraction, waste generated in operations, business travel, employee commuting and working from home. Due to rounding, numbers presented may not add up to the totals provided.

Governance and risk management

Our approach to corporate governance

BOQ continues to focus on enhancing our governance and risk management practices to meet the expectations of our stakeholders. Further details on our Corporate Governance policies and practices 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 FY22 Corporate Governance Statement can be viewed at boq.com.au/2022.

Corporate governance framework

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.

Shareholders

BOQ Board

Investment Committee

Audit Committee

Nomination and Governance Committee

Risk Committee

People, Culture and Remuneration Committee

Transformation and Technology Committee

Board Reserved Powers and Delegation of Authority Policy

Managing Director and Chief Executive Officer

Executive Committee (ExCo)

Board areas of focus

During FY22, the Board and its Committees have focussed on the following 8 key strategic, governance and oversight activities.

1. **Financial Resilience**

   Strengthening BOQ's capital and liquidity position, to ensure resilience through the cycle

2. **Digital Transformation**

   Continuing the technology program, which will see the bank move from complex legacy systems to an end-to-end cloud based digital and data led scalable organisation

3. **Profitable and Quality Growth**

   Disciplined growth, with a focus on quality SME lending

4. **New Purpose and Values**

   Setting the tone from the top, by living our values, enabling curiosity and accountability, to do the right thing and make a positive difference

5. **Customer Experience**

   Focus on the voice of the customer in all board decisions, and maintaining a focus on NPS ranking

6. **Risk Culture**

   Ongoing focus on embedding risk culture, ensuring divisional accountability, building a risk culture where risk is everyone's business

7. **Leadership and Talent**

   Ensuring future fit skills and capabilities to achieve our ambitions, through the development and retention of a quality and diverse team

8. **2030 Strategy**

   Work on the 2030 BOQ. Considering market consolidation, disruption, new opportunities for growth and diversity of earnings to address the key consumer trends and market shifts

Directors' details

For the year ended 31 August 2022

Board of Directors

Patrick Allaway
BA, LLB

Independent non-executive director since May 2019. Chairman since October 2019. Chair, Investment and Nomination & Governance Committees. Member, People, Culture & Remuneration, Transformation & Technology, Audit & Risk Committees.

George Frazis
B. Eng (Hons), MBA

Managing Director and Chief Executive Officer since September 2019.

Bruce Carter
B. Econ, MBA, FAICD, FICA

Independent non-executive director since February 2014. Chair, Risk Committee. Member, Audit, Transformation & Technology, Investment, People, Culture & Remuneration, and Nomination & Governance Committees.

Karen Penrose
B. Com, CPA, FAICD

Independent non-executive director since November 2015. Chair, Audit Committee. Member People, Culture & Remuneration, Risk, Transformation & Technology, Investment, and Nomination & Governance Committees.

Warwick Negus
B Bus, M Com, SF Fin

Independent non-executive director since September 2016. Chair, People, Culture & Remuneration Committee. Member, Audit, Risk, Transformation & Technology, Investment, and Nomination & Governance Committees.

Mickie Rosen
BA, Economics, MBA

Independent non-executive director since March 2021. Chair, Transformation & Technology Committee. Member, Risk, People, Culture & Remuneration, Audit, and Nomination & Governance Committees.

Deborah Kiers
B Sc (Hons), MPA, MAICD

Independent non-executive director since August 2021. Member, Audit, Risk, Nomination & Governance, People, Culture and Remuneration, and Transformation & Technology Committees.

Dr Jenny Fagg
PhD, B Econ

Independent non-executive director since October 2021. Member, Transformation & Technology, Risk, People, Culture & Remuneration, Audit, and Nomination & Governance Committees.

Directors' details

For the year ended 31 August 2022

The Directors present their report together with the financial report of Bank of Queensland Limited (the Bank or BOQ) and of the Consolidated Entity (or the Group), being the Bank and its controlled entities, for the year ended 31 August 2022 and the independent auditor's report thereon. The Directors of the Bank at any time during or since the end of the financial year are:

Name, qualifications & independent status	Experience, special responsibilities, and other Directorships
Patrick Allaway BA/LLB Chairman	Mr Allaway was appointed as a Non-Executive Director of the Bank on 1 May 2019 and was appointed Chairman on 18 October 2019. Mr Allaway has extensive senior executive, non-executive, and corporate advisory experience across the financial services, property, media, and retail sectors. Mr Allaway's executive career was in financial services with Citibank and Swiss Bank Corporation (now UBS) working in Sydney, New York, Zurich, and London. Mr Allaway was Managing Director SBC Capital Markets & Treasury with direct responsibility for a global business. Mr Allaway brings over 30 years of experience in financial services across financial markets, capital markets, and corporate advisory. This included an advisory role in the media sector, responding to considerable digital disruption. Mr Allaway has over 15 years of Non-Executive Director experience and was formerly a Non-Executive Director of Macquarie Goodman Industrial Trust, Metcash Limited, Fairfax Media, Woolworths South Africa, David Jones, Country Road Group, and Nine Entertainment Co. Mr Allaway chaired the Audit & Risk Committees for Metcash, David Jones, and Country Road Group. Mr Allaway is currently a Non-Executive Director of Allianz Australia and Dexus Funds Management Limited and a member of the Adobe International Advisory Board. He chairs BOQ's Investment and Nomination & Governance Committees and is a member of the People, Culture & Remuneration, Transformation & Technology, Audit, and Risk Committees.
George Frazis B. Eng (Hons), MBA Managing Director and Chief Executive Officer	Mr Frazis joined BOQ as Managing Director and CEO on 5 September 2019 and has over 26 years of corporate experience. Mr Frazis has a long history in Banking and Finance, having worked in the industry for the past 17 years. Most recently he was Chief Executive of Westpac Group's Consumer Bank. Prior to that Mr Frazis was CEO, St. George Banking Group and Chief Executive, Westpac New Zealand Limited. Mr Frazis has held senior executive roles at National Australia Bank, Commonwealth Bank of Australia, as well as Air New Zealand. He started his career as an officer in the Royal Australian Air Force.
Bruce Carter B. Econ, MBA, FAICD, FICA Non-Executive Independent Director	Mr Carter was appointed a Director of BOQ on 27 February 2014. Mr Carter 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. Mr Carter 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. Mr Carter has worked with all the major financial institutions in Australia. Before Ferrier Hodgson, Mr Carter 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. Mr Carter is currently Chair of the AIG Australia Limited, Australian Submarine Corporation and Sage Group Holdings Limited Boards. He formerly chaired the Boards of Aventus Capital Limited and One Rail Australia and was a Non-Executive Director of Crown Resorts Limited and SkyCity Entertainment Group Limited. Mr Carter is Chair of the Risk Committee and a member of the Audit, Transformation & Technology, Investment, People, Culture & Remuneration, and Nomination & Governance Committees.
Karen Penrose B. Com, CPA, FAICD Non-Executive Independent Director	Ms Penrose was appointed a Director of BOQ on 26 November 2015. Ms Penrose 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. Ms Penrose has particular expertise in the financial services, health, property, resources and energy sectors. Ms Penrose 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. Ms Penrose 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. Ms Penrose is Chair of the Audit Committee and is a member of the People, Culture & Remuneration, Risk, Transformation & Technology, Investment and Nomination & Governance committees.

Directors' details

For the year ended 31 August 2022

Name, qualifications & independent status	Experience, special responsibilities, and other Directorships
Warwick Negus B Bus, M Com, SF Fin Non-Executive Independent Director	Mr Negus was appointed a Director of BOQ on 22 September 2016. Mr Negus 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. Mr Negus is Chair of Pengana Capital Group and a Non-Executive Director of Washington H Soul Pattinson & Co Ltd, Dexus Funds Management Limited, Virgin Australia Holdings Pty Ltd, and Terrace Tower Group. He is a member of the Council of UNSW and Chair of UNSW Global Limited. Mr Negus is Chair of the People, Culture & Remuneration Committee and a member of the Audit, Risk, Transformation & Technology, Investment, and Nomination & Governance Committees.
Mickie Rosen BA, Economics, MBA Non-Executive Independent Director	Ms Rosen was appointed a Director of BOQ on 4 March 2021. Ms Rosen 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. Ms Rosen is also a Non-Executive Director of Nine Entertainment Co and of Ascendant Digital Acquisition Company and FaZe Clan in the United States. Prior, Ms Rosen served on the board of Pandora Media and was the President of Tribune Interactive, the digital arm of Tribune Publishing, and was concurrently the President of the Los Angeles Times. Ms Rosen commenced her career with McKinsey & Company, is based on the West Coast of the United States, and holds an MBA from Harvard Business School. Ms Rosen currently chairs the Transformation & Technology Committee and is a member of the Risk, People, Culture & Remuneration, Audit, and Nomination & Governance Committees.
Deborah Kiers B Sc (Hons), MPA, MAICD Non-Executive Independent Director	Ms Kiers was appointed as a Non-Executive Director of the Bank on 5 August 2021. Ms Kiers previously acted as a Director of ME since July 2020 and acted as Chair of the ME Board's People and Culture sub-committee and as a member of the Risk and Compliance Committee. Ms Kiers brings over 30 years of corporate advisory and consulting experience 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. As Managing Director of JMW Consultants (Asia Pacific), her corporate support included strategic advice, transformation initiatives, M&A integration, leadership transition and development, and building synergies between purpose, strategy, culture, and performance. Ms Kiers is currently a Non-Executive Director for IFM Investors and holds the position of Chair of the Responsible Investment and Sustainability Committee and is a member of the Board Audit and Risk Committee. Ms Kiers is also Chair of Tiverton Agriculture Impact Fund and Non-Executive Director of Downforce Technologies Limited. Ms Kiers is a member of the Audit, Risk, Nomination & Governance, People, Culture and Remuneration, and Transformation & Technology Committees.
Dr Jenny Fagg PhD, B Econ Non-Executive Independent Director	Dr Fagg was appointed a Director of BOQ on 13 October 2021. Dr Fagg brings to the Board more than 25 years executive experience across leading financial services institutions in Australia and abroad. Currently, she is the CEO of 2Be Finance. Previously, Dr Fagg served as Chief Risk Officer for AMP Limited driving a critical transformation agenda for risk culture and systems following the Hayne Royal Commission. She is recognised for her turnaround credentials fostered during her time at CIBC (Canada), as CEO of ANZ National Bank (New Zealand) and as Managing Director of ANZ Consumer Finance. Dr Fagg has a PhD in Management (Risk) from University of Sydney and a Bachelor of Economics (Honours in Psychology) from the University of Queensland. Dr Fagg is a member of BOQ's Transformation & Technology, Risk, People, Culture & Remuneration, Audit, and Nomination & Governance Committees.

Directors' details

For the year ended 31 August 2022

Company Secretaries

Fiona Daly
LLB, LLM, AGIA, ACG, MAICD

Ms Daly joined BOQ in October 2018 and was appointed joint company secretary on 30 April 2019. 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.

Nicholas Allton
LLB (hons), LLM, GAICD

Mr Allton joined BOQ as Group General Counsel and Company Secretary on 1 February 2021. Mr Allton has more than 28 years' experience across Financial Services, including 11 years in private practice for top-tier Australian, English and US firms. Prior to joining BOQ, Mr Allton held the role of Group General Counsel and Company Secretary at MLC and spent 15 years working across a number of senior roles within the Macquarie Group.

Directors' Meetings

The number of meetings of the Bank'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	Board of Directors – St Andrews	Risk Committee	Audit Committee	Nomination & Governance Committee	People, Culture & Remuneration Committee	Transformation & Technology Committee	Investment Committee	Board of Directors – ME Bank	Audit Committee – ME Bank	Risk & Compliance Committee – ME Bank	Tenure as at 31 August 2022
Patrick Allaway	16/16		7/7	7/7	2/2	6/6	4/4	2/2	4/4	3/3	3/3	3 years, 4 months
George Frazis	15/15								4/4			3 years
Bruce Carter	16/16		6/7	7/7	2/2	6/6	4/4	2/2	4/4	3/3	3/3	8 years, 6 months
Karen Penrose	15/16	2/2	7/7	7/7	2/2	5/6	4/4	2/2	3/4	3/3	3/3	6 years, 9 months
Warwick Negus	15/16		7/7	7/7	2/2	6/6	4/4	2/2	3/4	3/3	3/3	5 years, 11 months
Mickie Rosen	16/16		7/7	7/7	2/2	6/6	4/4		4/4	3/3	3/3	1 year, 6 months
Deborah Kiers	14/16		7/7	6/7	1/2	5/6	4/4		2/4	3/3	3/3	1 year, 1 month
Jenny Fagg (1)	14/14		5/5	5/5	1/1	3/3	4/4		2/2	1/1	1/1	10 months
John Lorimer (2)	4/5		3/3	4/4	1/1	4/4	1/1		3/3	3/3	3/3	5 years, 10 months

(1) Jennifer Fagg was appointed as a Director on 13 October 2021
(2) John Lorimer ceased as a Director on 7 December 2021
(3) ME Bank meetings held between the date of acquisition (1 July 2021) and ADI Handbank (28 February 2022)

Remuneration Report

For the year ended 31 August 2022

Dear Shareholder

Introduction

In FY22, we have simultaneously progressed the integration of ME Bank and our digital and cultural transformation, while navigating challenges such as extreme weather events, learning to live with COVID-19 and rising interest rates alongside our people, customers, shareholders and communities.

The launch of our new purpose, 'Building Social Capital through Banking', and values is something that we are especially proud of. They enable our people across all brands to join together under a common banner to deliver on our refreshed strategy.

On behalf of the Board I am delighted to present the Remuneration Report for the period 1 September 2021 to 31 August 2022 (**FY22**) and share with you our progress and achievements against our people and culture strategies.

Key management personnel changes

Chris Screen was appointed to the role of Group Executive, Business Banking on 1 October 2021. David Watts commenced as Group Chief Risk Officer on 3 March 2022. Paul Newham was appointed Chief Operations Officer effective 6 June 2022 and Racheal Kellaway was appointed Chief Financial Officer effective 1 July 2022.

On the Board, we welcomed a new Non-executive Director (**NED**), Dr Jenny Fagg on 13 October 2021.

I thank our former key management personnel (**KMP**) Fiamma Morton (former Group Executive, Business Banking), Adam McAnalen (former Chief Risk Officer), Ewen Stafford (former Chief Financial Officer & Chief Operating Officer), and John Lorimer (former Non-executive Director) for their valuable contributions to BOQ.

FY22 remuneration structure

There were no changes to the Senior Executive Remuneration Framework (the **Framework**) in FY22. As in FY21, Senior Executives were compensated via fixed reward and a total variable reward opportunity comprising Performance Shares and Premium Priced Options; there is no cash component of variable reward. The Framework is focused on alignment with shareholders, balanced measures of performance and long-term deferral.

FY22 remuneration outcomes

After two years in the role, the fixed reward of our Managing Director and Chief Executive Officer was benchmarked and increased from $1.3m to $1.5m, effective from 1 September 2021. Two other Senior Executives also received increases in their fixed reward from 1 September 2021 – the Chief Information Officer and Group Executive People and Culture. A fixed reward increase was awarded to the Group Executive Retail Banking and Chief Executive Officer ME, effective 1 April 2022.

Fixed reward for newly appointed Senior Executives was determined 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.

At the beginning of FY22, Senior Executives were awarded grants of Performance Shares and Premium Priced Options. Performance Shares are granted as Rights which convert to Restricted Shares based on the Board's assessment of collective performance against the Group Scorecard, risk matters and any other considerations by the Board.

Premium Priced Options have a single performance hurdle - an exercise price that is 120 per cent of the share price after the Annual General Meeting (**AGM**) in December. This aligns the interests of Senior Executives with those of Shareholders, as participants derive zero value unless the share price at between the vesting date (four and five years from the grant date) and expiry date (six and seven years from the grant date) exceeds the exercise price. Share price is dependent on financial performance, effective risk management (including conduct risk), and other non-financial factors (including reputation, customer growth and future outlook).

The Chief Financial Officer, who was promoted into the role on 1 July 2022, was awarded a pro-rata award of Performance Shares in respect of the period 1 July to 31 August 2022.

Remuneration outcomes for FY22 reflect a range of relevant factors:

- the Group's performance in relation to the five strategic priorities, the Group Scorecard and achievement of the Board-approved financial and non-financial measures;
- regard to executive contribution to Group Scorecard performance and progress toward the achievement of our strategic priorities;
- explicit consideration of risk events, behaviours and outcomes based on input from the Group Chief Risk Officer and Board Risk Committee; and
- the experience of our shareholders during the year in terms of share price and dividends.

Some highlights for the year include the Group making steady progress on building our new digital bank which is providing a markedly better banking experience for our customers. Already, the Virgin Money Australia and BOQ transaction and savings functions are operating on our new cloud digital bank, and work is well advanced to move ME Bank deposit transactions to the new cloud platform. We have delivered solid quality growth across retail and particularly in our business bank with medium sized family businesses. Importantly, we have returned ME Bank to growth and we are completing the integration ahead of schedule and with increased synergies.

Remuneration Report
For the year ended 31 August 2022

However, recognising the underperformance of BOQ's share price in FY22, we understand the impact that paying below our target dividend range has on our shareholders. We also understand that cost of living pressures are a real factor for our customers and the communities we serve.

The MD and CEO has proposed that 75% of his FY22 Performance Shares convert and, supported by the executive team, that 90% of Senior Executives' FY22 Performance Shares convert. Based on the Group Scorecard outcomes and the Board's holistic consideration of risk, performance, behaviours and outcomes for our shareholders, the Board deems this to be fair. Consequently, 25% of the MD and CEO's Performance Shares will lapse, as will 10% of those held by other Senior Executives.

The BOQ Performance Shares differ to traditional short-term incentive plans where typically a portion is paid in cash and the balance deferred into equity, using the share price at around the end of the year. The BOQ Senior Executives receive no cash incentives. As the Performance Shares are allocated and priced during the relevant performance year (after the AGM), the Senior Executives are fully aligned with the experiences of shareholders. In making its decision regarding the conversion of FY22 Performance Shares, the Board considered the impact of the share price since grant (which represented a 12 per cent reduction in value to 31 August 2022).

To encourage alignment between employees and shareholders and to promote ownership across the employee population, BOQ delivers a portion of total reward at Senior Manager level and above using equity. BOQ offered a tax-exempt employee gift share plan, which we refer to as ThankQ Shares, again in FY22. The ThankQ Share Plan was offered to eligible employees who would generally not participate in other forms of equity-based remuneration, including those who joined the Group through the ME acquisition. At BOQ, we have a strong focus on encouraging employee ownership through equity.

FY23 remuneration

As we enter the third year of our Senior Executive Remuneration Framework, it was an opportune time for the Board to review its effectiveness. This review showed that a clearer articulation of the ability for "upside" and "downside" variation to Performance Share outcomes would allow the Board to better differentiate performance and accountability. The results of our benchmarking exercise also showed that the Senior Executives' total variable reward (TVR) opportunity, "at risk" remuneration, is less than our financial services peers. Therefore, effective from 1 September 2022, our Senior Executives' TVR opportunity, will increase from 130 per cent to 150 per cent (maximum opportunity of 170 per cent) of fixed reward, with the MD and CEO increasing from 146 per cent to 170 per cent (maximum of 200 per cent) of his fixed reward. The target opportunity for Performance Shares remains at 60 per cent of TVR, with the remaining 40 per cent of TVR delivered using Premium Priced Options.

There is no further upside opportunity for the Premium Priced Options component. These TVR opportunities are still toward the lower end of peer benchmarking. BOQ remains committed to strong alignment with the experience of our shareholders. All variable reward for Senior Executives is delivered in BOQ equity.

The FY23 Group Scorecard continues to focus our Senior Executives on achieving the Group's strategy and fulfilling our ambition. The Group's refreshed strategy comprises four strategic pillars which are the foundation of the Group Scorecard. It is these against which the collective performance of Senior Executives, and the conversion of Performance Shares granted in FY23, will be assessed.

Following an increase in FY22, NED fees remain unchanged for FY23.

APRA Prudential Standard CPS 511 (**CPS 511**) will come into effect on 1 January 2023. Our remuneration frameworks are being reviewed and any required changes to our executive remuneration settings will be implemented on 1 September 2023, which is the start of the Group's first full performance period under CPS 511.

People and Culture strategy

In May 2022 we launched the Group's new Purpose - Building social capital through banking, strategic pillars, and values - Spirited, Optimistic, Curious, Inclusive, Accountable and Lion-hearted. These values support our new purpose and refreshed strategy. The People and Culture strategy supports the Group Strategy.

A comprehensive culture diagnostic was launched in May 2022, with the outputs informing the next phase of our culture plan. We are delighted to see positive progress across all cultural dimensions. Additionally, through the six-monthly Pulse survey, we were pleased to see consecutive improvements to employee sentiment in the areas of engagement and culture. Further detail is provided in section 3.5 (Group Scorecard).

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 customers, shareholders, regulators and employees.

We are halfway through an exciting and ambitious digital transformation which will give us the flexibility of a neobank but with the scale, strong capital position and proven brands of an established institution with 148 years in banking. This will provide a compelling advantage over both new and existing competitors.

In consideration of this, our continued progress against our strategic priorities and including the need to do more work on improving our control environment and uplifting our risk culture, it is the Board's view that the remuneration outcomes for FY22 are appropriate and consistent with our new purpose and values and reflect the environment in which we operate.

Thank you to all our people across all our brands (BOQ, Virgin Money and ME Bank) for your fantastic contribution to BOQ Group's success.

I welcome any feedback on the remuneration report and look forward to seeing many of you again in person at the AGM in December.

Yours faithfully

W Negus

Warwick Negus
Chair, People, Culture and Remuneration Committee

Remuneration Report
For the year ended 31 August 2022

1. Remuneration snapshot

Group purpose

BUILDING
SOCIAL CAPITAL
THROUGH BANKING

Group values

S	O	C	I	A	L
Spirited	**Optimistic**	**Curious**	**Inclusive**	**Accountable**	**Lionhearted**
Be outrageously courageous	To infinity and beyond	Be truly madly deeply interested	Tap the collective genius	Be the rubber that hits the road	Be fiercely caring

Strategic pillars

EXCEPTIONAL CUSTOMER EXPERIENCE	**CLOUD BASED, DIGITAL BANK**	**SUSTAINABLE PROFITABLE GROWTH**	**ENRICHING PEOPLE**
Through loved brands, caring bankers, building relationships, and enriching communities.	With at scale unit costs, impactful data insights and fast innovative solutions.	With improving strength, risk and return.	By developing curious bankers, building an agile organisation and being a good corporate citizen.

Remuneration objectives

Reward sustainable, profitable growth as BOQ executes its strategy	Reward our people for delivering an exceptional customer 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	Reward structures that support our purpose and values and drive a strong 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 2022

Senior Executive Remuneration Framework Summary

The Framework is anchored in the remuneration objectives and designed to support the Group's Purpose by facilitating the successful achievement of the strategic priorities and prudent risk-taking, in line with our purpose and values.

	Fixed reward	Performance Shares	Premium Priced Options
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 strategy collaboratively and as a team.	To align Senior Executives' interests with the interests of shareholders to achieve improved outcomes for all stakeholders and grow shareholder value.
Delivery	Cash.	Rights that convert to Restricted Shares.	Options with a premium exercise price (120% of share price at grant).
Proportion of fixed reward	N/A	MD and CEO: 88% Other Senior Executives: 78%	MD and CEO: 58% Other Senior Executives: 52%
Performance criteria	Satisfactory performance, 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 against the Group Scorecard over the one-year performance period (the FY) modified by the Board's overall assessment of risk, performance and behaviours determines the conversion from Rights to Restricted Shares.	BOQ's share price must exceed the exercise price set for the award, and a risk assessment conducted by the Board.
Risk	N/A	Risk assessment prior to vesting. Unvested awards are subject to malus. A clawback period of two years applies to each tranche.	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 profile	N/A	33% in December 2023, 33% in December 2024 and 34% in December 2025 (i.e., after two, three and four years).	50% in December 2025 and 50% in December 2026 (i.e., after four years and five years).

Remuneration Report
For the year ended 31 August 2022

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 FY22 and up until the date of this Report.

Table 1 - Executive and Non-Executive Directors

Current Directors	
Patrick Allaway	Chair (Non-executive)
Bruce Carter	Non-executive Director
Dr Jenny Fagg	Non-executive Director (commenced 13 October 2021)
George Frazis	Managing Director and Chief Executive Officer
Deborah Kiers	Non-executive Director
Warwick Negus	Non-executive Director
Karen Penrose	Non-executive Director
Mickie Rosen	Non-executive Director
Former Directors	
John Lorimer	Non-executive Director (ceased 7 December 2021)

Table 2 - Other senior executives

Current Senior Executives	
Debra Eckersley	Group Executive People and Culture
Martine Jager	Group Executive Retail Banking and Chief Executive Officer ME Bank
Racheal Kellaway	Chief Financial Officer (commenced as KMP 1 July 2022)
Paul Newham	Chief Operations Officer (commenced as KMP 6 June 2022)
Craig Ryman	Chief Information Officer
Chris Screen	Group Executive Business Banking (commenced as KMP 1 October 2021)
David Watts	Group Chief Risk Officer (commenced 3 March 2022)
Former Senior Executives	
Adam McAnalen	Chief Risk Officer (ceased as KMP 2 March 2022 and ceased employment 9 September 2022)
Fiamma Morton	Group Executive, Business Banking (ceased as KMP 30 September 2021 and ceased employment 31 October 2021)
Ewen Stafford	Chief Financial Officer and Chief Operating Officer (ceased employment on 1 July 2022)

Remuneration Report
For the year ended 31 August 2022

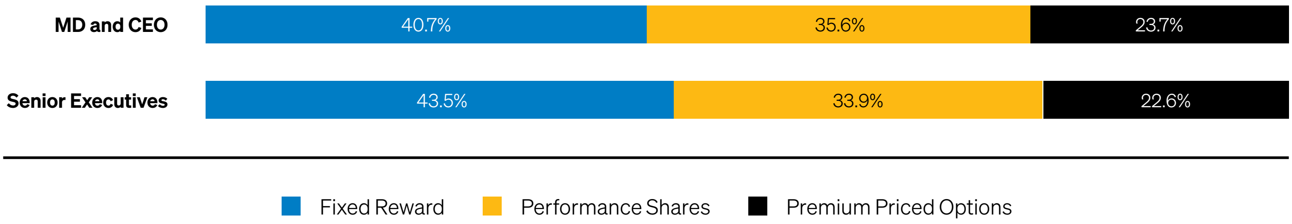
3. Remuneration outcomes

This section details remuneration outcomes for Senior Executives during the FY22 year.

3.1 Remuneration mix

Figure 1 illustrates the mix of Fixed Reward, Performance Shares and Premium Priced Options awarded to Senior Executives in FY22.

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.

After two years in the role, the fixed reward of our Managing Director and Chief Executive Officer was benchmarked and increased from $1.3m to $1.5m, effective from 1 September 2021. Three other Senior Executives received increases during FY22 - effective from 1 September 2021 for the Chief Information Officer and Group Executive, People & Culture and effective from 1 April 2022 for the Group Executive Retail Banking and Chief Executive Officer ME Bank.

Fixed reward levels for the four newly appointed Senior Executives, the Group Executive Business Banking, the Group Chief Risk Officer, the Chief Operations Officer and the Chief Financial Officer were determined based on the principles outlined above.

3.3 Other awards

During FY22 the Board approved a make-good award for David Watts, Group Chief Risk Officer and a one-off award for Paul Newham upon his appointment to the Chief Operations Officer role.

Mr Watts' award was in respect of unvested long-term incentive and deferred short-term incentive forgone upon resignation from his previous employer. The make-good award was valued at $1,025,000 and granted on 21 March 2022 using Deferred Award Rights, comprising:

- $801,000 in respect of forfeited LTI, vesting 33 per cent in July 2022, 33 per cent in July 2023, and 34 per cent in July 2024 to align with the vesting schedule of the LTI forfeited; and
- $224,000 in respect of forfeited deferred STI vesting 50 per cent in July 2022 and 50 per cent in July 2023 to align with the vesting schedule of the deferred STI forfeited.

Mr Newham's award was valued at $100,000 and granted on 25 July 2022 using Restricted Shares that will vest 50 per cent in December 2022 and 50 per cent in December 2023.

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

Remuneration Report
For the year ended 31 August 2022

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 FY22 and FY21 and, for prior years, the amount of STI paid.

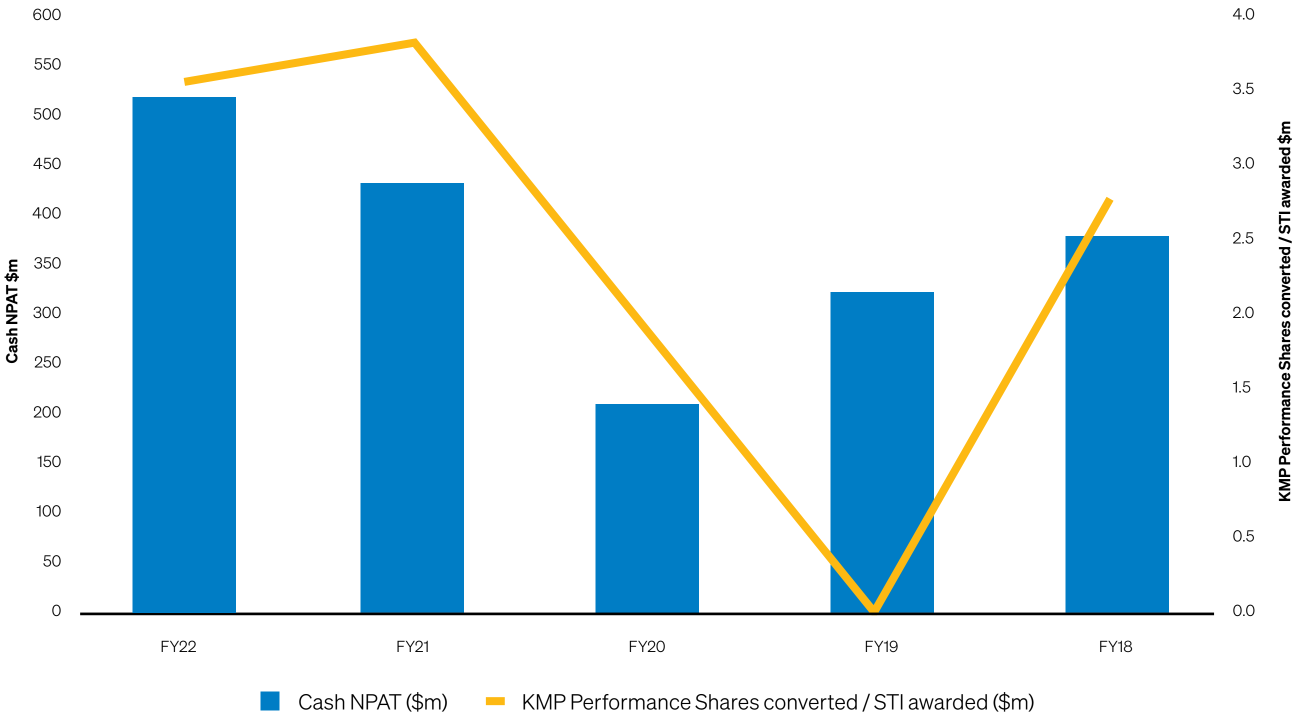
Table 3 - Group performance

5 Year company performance		FY22 (1)	FY21 (1)	FY20	FY19	FY18
Statutory net profit/(loss) after tax	($m)	**426**	369	115	298	336
Cash net profit after tax (2)	($m)	**508**	412	225	320	372
Cash basic earnings per share (2)	(cents)	**78.4**	74.7	49.6	79.5	94.7
Cash cost to income ratio (2)	(%)	**55.7**	54.4	54.9	51.0	47.5
Share price at balance sheet date	($)	**7.03**	9.46	6.13	9.17	11.49
Total shareholder return	(%)	**(21.04)**	63.75	(29.80)	(13.90)	(2.70)
Value of dividends paid	($m)	**282**	164	126	288	341
Senior Executive Performance Shares converted / STI awarded (3)	($m)	**3.52**	3.79	1.78	-	2.73

(1) All results are inclusive of ME.
(2) Non-statutory measures are not subject to audit.
(3) Performance Shares are converted based on the Board's assessment of the Group Scorecard and other considerations.

Figure 2 compares the total Performance Shares converted based on Group Scorecard results since FY21 and STI awarded to Senior Executives from FY18 to FY20 with BOQ's Cash NPAT over the past 5 years.

Figure 2 - FY22 Performance Shares converted / STI awarded vs 5-year NPAT



Remuneration Report
For the year ended 31 August 2022

3.5 Group Scorecard

At the commencement of FY22, the Group Scorecard was approved by the Board. The Group Scorecard was based on the priorities that underpinned the strategy announced in 2020.

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, for Senior Executives and all other employees of the Group. It connects the Group's vision with tangible outcomes that contain an appropriate degree of stretch.

The Board's assessment of achievement against the Group Scorecard, together with holistic consideration of risk, performance and behaviours, determines the conversion of Senior Executives' Performance Shares.

For FY22, the overall outcome against the Group Scorecard is between Threshold and Achieving. Whilst there have been strong people and customer outcomes and good traction on our digital transformation, the experience of our shareholders has been poor, and our risk maturity remains a focus. It is the judgment of the Board and MD and CEO that the Group hasn't delivered the value we aspire to for our shareholders.

We understand the impact that paying below our target dividend range has on our shareholders. We also understand that cost of living pressures are a real factor for our customers and the communities we serve. Having undertaken its assessment the Board supports the MD and CEO's proposal to convert 75 per cent of his Performance Shares and, for Senior Executives, to convert 90 per cent of their Performance Shares.

Figure 3 details the FY22 Group Scorecard, including strategic priorities, measures, targets and weightings set by the Board, together with FY22 outcomes.

Figure 3 - Assessment of FY22 Group Scorecard

Strategic priorities & measures | **Performance**

Our empathetic culture sets up apart (10%)

Delight our customers - Net Promoter Score:	BOQ Retail main financial institution ranked 3rd (target: top 3); ME Bank any financial relationship ranked 4th (target: top 4); Business SME any financial relationship ranked 4th (target: top 3).
Engagement, culture and leadership:	Improvements in Employee Engagement (67%) and I feel safe to speak up 76% (on target); strong momentum on cultural transformation (as measured by the OCI tool), with an ongoing focus on risk culture; Senior Women in Leadership 37% (target: 40%); Overall Women in Leadership 38% (target: 42%).
Retention of talent:	Voluntary turnover just above target of 25%; total turnover in critical role cohort below target of 10%.
Climate change:	Reduction of carbon emissions in line with publicly communicated targets; built on our carbon neutral status with a new commitment to reduce our emissions by 90% by 2030; progress made on target of 100% renewable energy with 53% of the Group's energy needs now coming from renewable sources.

Distinctive brands serving attractive niche customer segments (10%)

Mortgage growth:	BOQ Blue & VMA 1.4x system (target: 1.5x system); ME Bank mortgage growth 0.6x system (target: 0.7x system); all Retail brands 1.0x system (target: 1.3x system).
Business lending growth:	Business Banking delivering revenue growth of 7%; successful execution of strategy to tilt portfolio towards medium-sized family business lending resulted in growth of $0.6bn at 1.5x system; other Business segments growing at below system growth.
ME Integration:	Delivered synergies above target of $38m (target: $30m-$34m) and annualised run rate $47m (target: $38m-$42m).

Remuneration Report

For the year ended 31 August 2022

Strategic priorities & measures	Performance

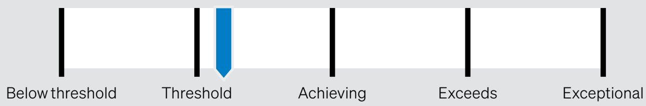
Digital bank of the future with a personal touch (10%)

Delivery of a new digital bank:	MyBOQ launched 21 March 2022 (target: March 2022); Expanded VMA deposit offering with launch of Locked Saver Notice Account feature on 4 April 2022 (target: March 2022); project investment overspend due to accelerated delivery and additional compliance costs.
Digital sales and service:	$1.5bn in deposit balances, attracting a younger customer segment, a significantly faster rate of customer acquisition on new digital platform; 67% of processes digitised and 54 releases across core banking, mobile app and broader platform.

Simple and intuitive business, with strong execution capability (10%)

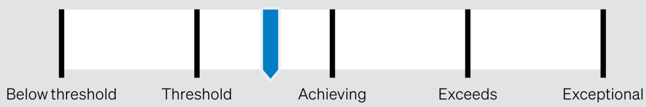
Productivity benefits:	$30m (target $30m)
Product simplification:	44 products and features closed in FY22, taking total reduction to 72% on 2019 baseline (target: 50% reduction).
Closing out legacy systems:	ME Bank legacy core banking system decommissioned including 7 applications and over 50 servers generating ~$2.15m in annual benefits (target: $2.2m); further 25 IT assets decommissioned (target: 20) reducing operating expenses and simplifying the tech environment.
Time to conditional yes:	All Retail Brands 1 day; BOQ branch median 3 days; BOQ broker median <1 day; VMA broker median 4 days; ME Bank Broker median <1 day; ME Bank Proprietary median <1 day (target: 4 days across all Retail Brands).

Strong risk position (10%) (1)



Strengthen the bank:	CET1 ratio 9.57% (target: 9.72%); Deposit to loan ratio 74% (target: 72%); consolidated our business under one ADI licence with the successful handback of the ME ADI in February 2022 (on schedule).
Strong risk and compliance outcomes:	Strong credit risk with improving 90 day past due in benign environment. The Board considered the ACCC fine of $133,200 for an Open Banking delay. As a part of our overall transformation strategy, the bank has recognised there is more work to do to improve its risk management framework and practices. BOQ is committed to an integrated plan to strengthen our financial and operating resilience and risk culture.

Attractive, sustainable returns (50%)



Profitable and sustainable growth in cash earnings & earnings per share:	Cash earnings $508m, includes non-interest income one-offs of $12m in 1H, (target: $494m); earnings per share 78.4c (target: 75c).
Return on equity:	Return on equity 8.4% (target: 8.2%).
Contained expense growth & positive Jaws:	0% operating expense growth (target: 0%); 1% Jaws (target: 2%).

Overall

(1) Risk is also specifically considered as part of Board judgement

Remuneration Report

For the year ended 31 August 2022

3.6 Grant and conversion of Performance Shares

Performance Shares were granted to Senior Executives in FY22. The face value of the MD and CEO's allocation was 88 per cent of fixed reward; for other Senior Executives, the face value of their allocation was 78 per cent of fixed reward. Annual grants were made on 31 January 2022. David Watts' award was granted on 21 March 2022 and Racheal Kellaway's pro-rated award granted on 25 July 2022.

The MD and CEO's grant of Performance Shares was approved by shareholders at the 2021 AGM.

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 2021 AGM, as was David Watts' award. Racheal Kellaway's award was priced using the VWAP over the ten trading days immediately preceding her commencement as Chief Financial Officer on 1 July 2022.

Performance against the Group Scorecard over the one-year performance period (1 September 2021 to 31 August 2022), modified by the Board's overall assessment of risk, performance and behaviours, determines the conversion of Performance Shares from Rights to Restricted Shares. Having undertaken this assessment, the Board supports the MD and CEO's proposal to convert 75 per cent of his Performance Shares, and for Senior Executives to convert 90 per cent of their Performance Shares. In making its decision, the Board also considered the devaluation in the share price since grant, which represented a reduction of 12 per cent to 31 August 2022. Post-conversion, the Restricted Shares will vest over three years, subject to continued service, a pre-vesting assessment by the Board and all other original terms, including malus.

Performance Shares that convert to Restricted Shares will vest in three tranches, 33 per cent in December 2023, 33 per cent in December 2024, and 34 per cent in December 2025, subject to the Board's assessment of risk prior to each vesting date. Each tranche is subject to a clawback period of two years from the vesting date.

Table 4 details the grants and conversion of FY22 Performance Shares.

Table 4 – FY22 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	% of Performance Shares converted	Performance Shares lapsed	Values of Performance Shares Award at 31 August 2022[1]
Current Senior Executives									
George Frazis	Managing Director and Chief Executive Officer	$1,500,000	88%	$1,314,000	$7.9884	164,489	75%	41,122	$867,266
Debra Eckersley	Group Executive People and Culture	$640,000	78%	$499,200	$7.9884	62,491	90%	6,249	$395,379
Martine Jager	Group Executive Retail Banking and CEO ME Bank	$685,000	78%	$534,300	$7.9884	66,885	90%	6,688	$423,178
Racheal Kellaway[2]	Chief Financial Officer	$660,000	78%	$90,000	$6.7072	13,419	90%	1,342	$84,902
Craig Ryman	Chief Information Officer	$750,000	78%	$585,000	$7.9884	73,232	90%	7,323	$463,339
Chris Screen[3]	Group Executive Business Banking	$660,000	78%	$514,800	$7.9884	64,444	90%	6,444	$407,734
David Watts[4]	Group Chief Risk Officer	$750,000	78%	$585,000	$7.9884	73,232	90%	7,323	$463,339
Former Senior Executives									
Adam McAnalen[5]	Chief Risk Officer	$675,000	78%	$526,500	$7.9884	65,909	90%	6,591	$417,006
Ewen Stafford[6]	Chief Financial Officer and Chief Operating Officer	$800,000	78%	$624,000	$7.9884	78,114	0%	78,114	$0

(1) Based on closing share price of $7.03.
(2) Racheal Kellaway commenced as a KMP on 1 July 2022 and was awarded a pro-rata grant of Performance Shares.
(3) Chris Screen commenced as a KMP on 1 October 2021 and, as an existing employee, was awarded a full year grant of Performance Shares.
(4) David Watts commenced as a KMP on 3 March 2022; he was awarded a full year grant of Performance Shares in accordance with his employment contract.
(5) Adam McAnalen ceased as a KMP on 2 March 2022.
(6) Ewen Stafford ceased employment on 1 July 2022. 100% of his Performance Shares were forfeited.
Note: Paul Newham will receive his first grant of Performance Shares as a KMP in FY23. Paul was awarded Performance Shares in his prior role in FY22.

Remuneration Report
For the year ended 31 August 2022

3.7 Premium priced options granted

Premium Priced Options were granted to Senior Executives in FY22. As approved by shareholders at the 2021 AGM, the face value of the MD and CEO's allocation was 58 per cent of fixed reward. For other Senior Executives, the face value of their allocation was 52 per cent of fixed reward. Annual grants were made on 31 January 2022. David Watts' award was granted on 21 March 2022.

To determine the number of Premium Priced Options each Senior Executive was allocated, the face value of their award was divided by the fair value. For the annual grant, the Board determined that the value of a Premium Priced Option was 11 per cent of the VWAP over the ten trading days immediately following the 2021 AGM. The Exercise Price was set at 120 per cent of the same VWAP. This valuation also applied to David Watts' grant.

Intra-year awards for other Senior Executives who joined part way through the performance period were determined using the same methodology to derive a value reflective of the current conditions and based on the VWAP of BOQ shares over the ten trading days immediately preceding their date of commencement with BOQ. This approach is adopted so that the Exercise Price for intra-year awards remains consistent with the Exercise Price for annual grants.

Table 5 details the Premium Priced Options awarded to participants in FY22.

Table 5 – FY22 premium priced options awarded

Name	Position Title	Fixed reward at time of grant	Options as % of FR	Face value of Options award	VWAP	Options value	Options granted	Exercise price	Options forfeited
Current Senior Executives									
George Frazis	Managing Director and Chief Executive Officer	$1,500,000	58%	$876,000	$7.9884	$0.8787	996,928	$9.5861	-
Debra Eckersley	Group Executive People and Culture	$640,000	52%	$332,800	$7.9884	$0.8787	378,742	$9.5861	-
Martine Jager	Group Executive Retail Banking and CEO ME Bank	$685,000	52%	$356,200	$7.9884	$0.8787	405,372	$9.5861	-
Craig Ryman	Chief Information Officer	$750,000	52%	$390,000	$7.9884	$0.8787	443,838	$9.5861	-
Chris Screen (1)	Group Executive Business Banking	$660,000	52%	$343,200	$7.9884	$0.8787	390,577	$9.5861	-
David Watts (2)	Group Chief Risk Officer	$750,000	52%	$390,000	$7.9884	$0.8787	443,838	$9.5861	-
Former Senior Executives									
Adam McAnalen (3)	Chief Risk Officer	$675,000	52%	$351,000	$7.9884	$0.8787	399,454	$9.5861	-
Ewen Stafford (4)	Chief Financial Officer and Chief Operating Officer	$800,000	52%	$416,000	$7.9884	$0.8787	473,427	$9.5861	473,427

(1) Chris Screen commenced as a KMP on 1 October 2021 and, as an existing employee, was awarded a full year grant of Options.
(2) David Watts commenced as a KMP on 3 March 2022; he was awarded a full year grant of Options in accordance with his employment contract.
(3) Adam McAnalen ceased as a KMP on 2 March 2022.
(4) Ewen Stafford ceased employment on 1 July 2022. 100% of his Options were forfeited.
Note: Racheal Kellaway and Paul Newham will each receive their first grant of Options as KMP in FY23. Both were awarded Options in their prior roles in FY22.

Remuneration Report
For the year ended 31 August 2022

3.7 Premium priced options granted (continued)

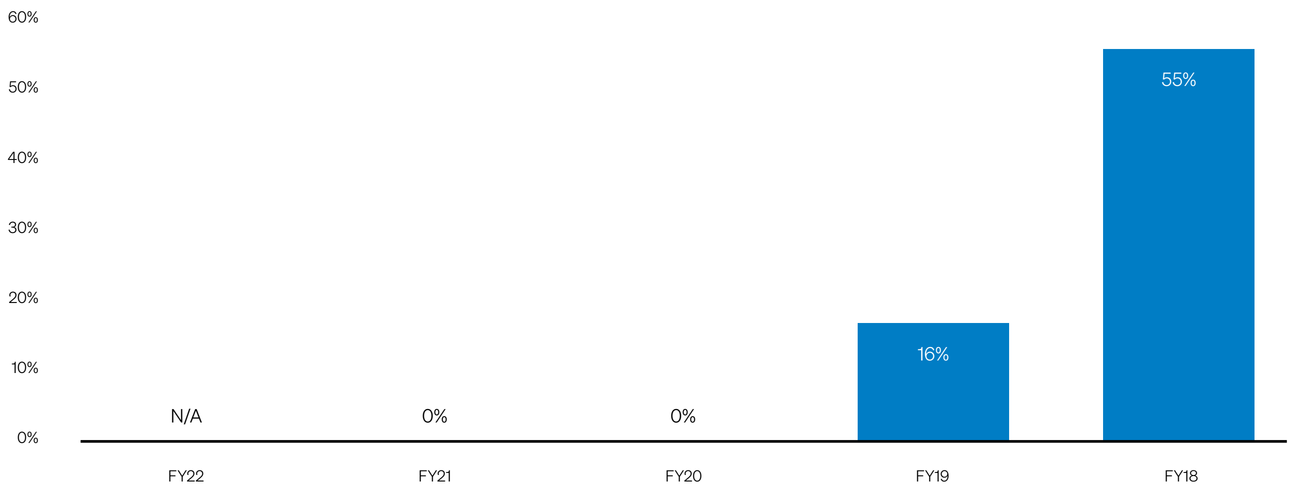
Participants derive value from Premium Priced Options only if the BOQ share price exceeds the exercise price between the vesting date and the applicable expiry date. Premium Priced Options vest four and five years after grant.

3.8 Equity vested during FY22

For a number of Senior Executives, Tranche 1 (40 per cent) of the Restricted Shares awarded in respect of FY20 STI vested in December 2021.

No grants of Performance Award Rights (PARs) were scheduled to vest during FY22, as the performance period increased from three years to four years with the 2018 grant. Whilst PARs are no longer offered by the Group, the last remaining awards from FY18 and FY19 remain on-foot, to be tested in FY23 and FY24 respectively. The vesting date for the 2018 grant is 1 October 2022; however, the performance hurdle testing cannot be completed until December 2022. The outcome will be disclosed in the FY23 remuneration report.

Figure 4 - Percentage of LTI vesting over the last five years



3.9 Senior Executive total reward outcomes for FY22 (non-statutory disclosure)

This section provides a summary of the total benefit earned by Senior Executives with respect to performance over FY22. As in previous years, this non-statutory table shows the Senior Executives' actual remuneration in respect of FY22.

Table 6 includes a breakdown of the following components of Senior Executive remuneration:

- FY22 fixed reward (including base salary and employer superannuation contributions);
- the value of non-monetary and other short-term benefits provided in FY22; and
- the value of any variable remuneration which vested, lapsed of forfeited during FY22.

Remuneration Report
For the year ended 31 August 2022

Table 6 - Non-statutory disclosure - senior executives

The table below shows the amount received by each senior executive during FY22 as well as equity amounts forfeited as a result of vesting hurdles not being met or termination. Not all amounts have been prepared in accordance with accounting standards and this table will differ to amounts disclosed in section 7.

Name	Position title	Year	Fixed Reward [1]	Value of Benefits [2]	Value of Deferred Equity Vested in Period [3]	Termination Benefits	Total Reward Value [4]	Prior Years' Equity Forfeited / Lapsed [5]
Current Senior Executives								
George Frazis	Managing Director and Chief Executive Officer	**2022**	**1,496,780**	**107,784**	**252,708**	**-**	**1,857,272**	**-**
		2021	1,295,212	111,683	-	-	1,406,895	-
Debra Eckersley	Group Executive People and Culture	**2022**	**638,792**	**5,598**	**108,863**	**-**	**753,253**	**-**
		2021	558,047	-	-	-	558,047	-
Martine Jager	Group Executive Retail Banking and CEO ME Bank	**2022**	**710,928**	**8,538**	**-**	**-**	**719,466**	**-**
		2021	237,141	2,971	-	-	240,112	-
Racheal Kellaway [6]	Chief Financial Officer	**2022**	**112,153**	**6,706**	**-**	**-**	**118,859**	**-**
Paul Newham [7]	Chief Operations Officer	**2022**	**166,342**	**3,183**	**-**	**-**	**169,525**	**-**
Craig Ryman	Chief Information Officer	**2022**	**749,056**	**13,354**	**17,694**	**-**	**780,104**	**-**
		2021	697,511	15,840	-	-	713,351	-
Chris Screen [8]	Group Executive Business Banking	**2022**	**607,288**	**12,256**	**12,126**	**-**	**631,670**	**-**
David Watts [9]	Group Chief Risk Officer	**2022**	**368,460**	**6,622**	**315,630**	**-**	**690,712**	**-**
Former Senior Executives								
Adam McAnalen [10]	Chief Risk Officer	**2022**	**337,677**	**3,379**	**145,139**	**-**	**486,195**	**-**
		2021	672,606	6,527	22,823	-	701,956	(67,943)
Fiamma Morton [11]	Group Executive Business Banking	**2022**	**70,686**	**1,302**	**34,013**	**350,000**	**456,001**	**(211,536)**
		2021	697,511	15,840	-	-	713,351	-
Ewen Stafford [12]	Chief Financial Officer and Chief Operating Officer	**2022**	**666,399**	**22,909**	**122,350**	**-**	**811,658**	**(1,951,301)**
		2021	721,649	47,004	-	-	768,653	-

(1) Base salary and superannuation make up a Senior Executive's fixed remuneration, including annual leave paid during the year. For departing KMP this includes any leave that is paid out upon termination of employment, which is not included in Statutory Tables 11 and 12 in section 7.
(2) Value of benefits includes both non-monetary and other short-term benefits and relates to benefits (and associated FBT) such as car parking, accommodation or relocation and travel.
(3) The value of all deferred cash and/or equity awards (using the closing share price on the vesting date) that vested during the period. It excludes deferred equity awards granted in previous years that did not vest during the period.
(4) This is the total dollar value of fixed remuneration, Value of Benefits, Cash STI, Value of Deferred Equity Vested in Period, Termination Benefits and Value of LTI Vested in Period.
(5) This relates to equity that lapsed during the year as a result of hurdles not being met and/or as a result of ceasing employment. PARs, Restricted Shares and Performance Shares have been measured at the closing share price on the lapse date. Premium Priced Options have been valued at zero because, as at the lapsing date, the share price did not exceed the exercise price of $9.3337 for FY21 Options and $9.5861 for FY22 Options..
(6) Racheal Kellaway commenced as a KMP on 1 July 2022.
(7) Paul Newham commenced as a KMP on 6 June 2022.
(8) Chris Screen commenced as a KMP on 1 October 2021.
(9) David Watts commenced as a KMP on 3 March 2022.
(10) Adam McAnalen ceased as a KMP on 2 March 2022.
(11) Fiamma Morton ceased as a KMP on 30 September 2021.
(12) Ewen Stafford ceased employment on 1 July 2022.

Remuneration Report
For the year ended 31 August 2022

4. Remuneration strategy and structure

This section outlines the Group's remuneration strategy and the structure of senior executive remuneration.

4.1 Strategy

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

- reward sustainable, profitable growth as BOQ executes its strategy;
- reward our people for delivering an exceptional customer 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;
- reward structures that support our purpose and values and drive a strong risk culture ; and
- take into account prudent risk management in accordance with BOQ's risk appetite and regulatory expectations.

4.2 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 of 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 7.

Table 7 - The Senior Executive Remuneration Framework

	Fixed Reward	Performance Shares	Premium Priced Options
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 strategy collaboratively and as a team.	To align Senior Executives' interests with the interests of shareholders to achieve improved outcomes for all stakeholders and grow shareholder value.
Delivery	Cash.	Rights that may convert to Restricted Shares after one year.	Options with a premium exercise price (120% of share price at grant).
Opportunity	N/A	MD and CEO: 88% of FR Other Senior Executives: 78% of FR	MD and CEO: 58% of FR Other Senior Executives: 52% of FR
Eligibility	N/A	At least three months' active employment during the performance period.	At least three months' active employment during the performance period.

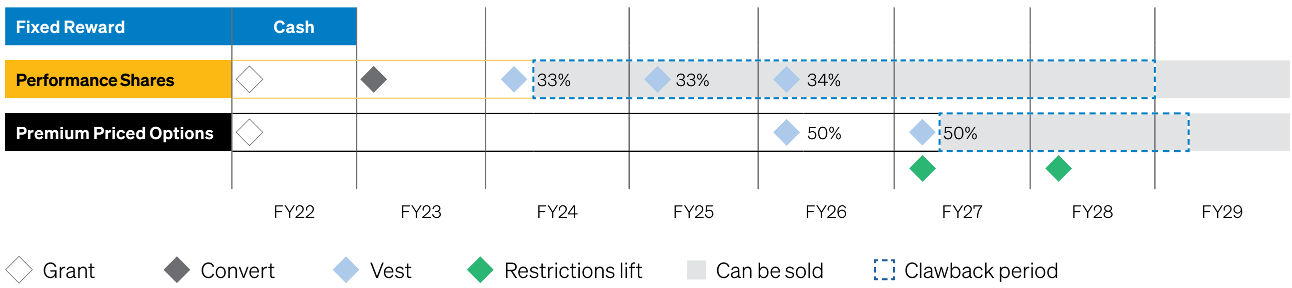
Remuneration Report
For the year ended 31 August 2022

	Fixed Reward	Performance Shares	Premium Priced Options
Allocated value	Fixed reward levels are informed by benchmarking comparable roles in financial services and/or similarly sized ASX listed companies.	The face value of the Senior Executive's award and dividing that by the volume weighted average price (VWAP) of BOQ shares. For the annual grant, the VWAP over the 10 trading days immediately following the 2021 AGM. For Senior Executives who joined part-way through the performance period, the VWAP over the 10 trading days immediately preceding their commencement date.	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. For the annual grant, 11% of the VWAP over the 10 trading days immediately following the 2021 AGM. For Senior Executives who joined part-way through the performance period, a percentage of the VWAP over the 10 trading days immediately preceding their commencement date.
Performance criteria	Satisfactory performance, 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 against the Group Scorecard over the one year performance period (the FY) modified by the Board's overall assessment of risk and performance determines the conversion from Rights to Restricted Shares.	BOQ's share price must exceed the exercise price set for the award, and a risk assessment conducted by the Board.
Risk	N/A	Risk assessment prior to vesting. Unvested awards are subject to malus. A clawback period of two years applies to each tranche.	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 profile	N/A	33% in December 2023, 33% in December 2024 and 34% in December 2025 (i.e., after two, three and four years).	50% in December 2025 and 50% in December 2026 (i.e., after four years and five years).

4.3 Delivery and realisation timeframes

Figure 5 illustrates the delivery profile of the different components of Senior Executives' remuneration for FY22.

Figure 5 - Delivery and realisation timeframes



Remuneration Report
For the year ended 31 August 2022

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 the design and management of remuneration with:
  - BOQ's strategic, customer and financial objectives; and
  - prudent risk-taking, incorporating adjustments to reflect:
    - the outcomes of business activities,
    - the risks related to those activities taking account, where relevant, the cost of the associated capital, and
    - the time necessary for the outcomes of those business activities to be reliably measured; and
- encourage behaviours that:
  - are consistent with BOQ's purpose and values;
  - align with and reward the delivery of superior customer outcomes;
  - support BOQ's Risk Management Framework (**RMF**), prudent risk-taking and long-term financial success;
  - prevent matters that may negatively impact prudential standing or reputation; and
  - comply with all relevant jurisdictional legislative and regulatory requirements.

The Policy is currently being reviewed in advance of APRA Prudential Standard CPS 511 taking effect on 1 January 2023 and will be presented to the Board for approval in December 2022. The Policy is reviewed regularly for effectiveness in supporting BOQ's purpose, strategy and objectives, and as developments and changes in the regulatory environment become known. The Policy will be updated as required to ensure appropriate reflection of regulatory and legislative developments, including APRA Prudential Standard CPS 511 and the Financial Accountability Regime.

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 and CEO at least annually;
- make recommendations to the Board on individual remuneration arrangements for Accountable Persons and Responsible Persons, including 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 cohorts 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 soundness.

Remuneration Report
For the year ended 31 August 2022

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 Equity Incentive Plan (**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 and those employees classified as Accountable Persons and/or Responsible Persons. 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.

The criteria used by the PCRC and the Board to recommend and approved 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 Chief Risk Officer presents a report to the PCRC on a biannual basis. This report covers significant and thematic risk events and is used by the PCRC 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 equity awards.

In FY22, an enhanced risk adjusted reward framework was developed. The risk adjusted reward framework works in conjunction with other consequence management mechanisms and provides guiding principles for leaders, the PCRC and the Board regarding appropriate and proportionate actions to be taken to respond to risk events across the organisation.

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 award will be lapsed or forfeited; and
- clawback, where, subject to legal limitations, the Board may seek to recover all, or a portion of an award that has been paid and/or vested.

Circumstances in which the PCRC may recommend, and the Board may approve, to invoke in-period adjustment, malus and/or clawback provisions include, but are not limited to those 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 poor risk outcomes;
- 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.

Remuneration Report
For the year ended 31 August 2022

5.5 Cessation of employment and change of control

The treatment of future awards and unvested deferred 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 equity, unless the relevant service has been completed, 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 equity to remain on foot. Qualifying Reasons include redundancy; retirement; death; mutual agreement for cessation; 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 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 FY22, where an employee separates for a Qualifying Reason or due to a Change of Control event, unvested awards will be pro-rated to cessation date and remain on foot to vest in the normal course, subject to the original terms and conditions unless the Board determines otherwise.

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.

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 and 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 FY22 the PCRC did not engage independent advisors to assist with decision-making.

Remuneration Report
For the year ended 31 August 2022

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. The employment terms of each ESA is summarised in Table 8 below.

Table 8 - Summary of Executive Services Agreement for Senior Executives

Name	Position Title	Notice Period by Executive	Employer Notice Period	Termination Payments (includes Notice Period) (1)
Current Senior Executives				
George Frazis	Managing Director and Chief Executive Officer	6 months	9 months	9 months' fixed remuneration in lieu of notice
Debra Eckersley	Group Executive People and Culture	6 months	6 months	6 months' fixed remuneration in lieu of notice
Martine Jager	Group Executive Retail Banking and Chief Executive Officer ME Bank	6 months	6 months	6 months' fixed remuneration in lieu of notice
Racheal Kellaway	Chief Financial Officer	6 months	6 months	6 months' fixed remuneration in lieu of notice
Paul Newham	Chief Operations Officer	6 months	6 months	6 months' fixed remuneration in lieu of notice
Craig Ryman	Chief Information Officer	6 months	6 months	6 months' fixed remuneration in lieu of notice
Chris Screen	Group Executive Business Banking	6 months	6 months	6 months' fixed remuneration in lieu of notice
David Watts	Group Chief Risk Officer	6 months	6 months	6 months' fixed remuneration in lieu of notice
Former Senior Executives				
Adam McAnalen	Chief Risk Officer	6 months	6 months	6 months' fixed remuneration in lieu of notice
Fiamma Morton	Group Executive Business Banking	6 months	6 months	6 months' fixed remuneration in lieu of notice
Ewen Stafford	Chief Financial Officer and Chief Operating Officer	6 months	6 months	6 months' fixed remuneration in lieu of notice

(1) In the event of redundancy, Senior Executives may also be entitled to redundancy pay in line with National Employment Standards.

Remuneration Report
For the year ended 31 August 2022

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 2022 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.

In order to maintain independence and impartiality, NEDs 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 and Governance; People, Culture and Remuneration; Risk; and Transformation and Technology Committees.

6.4 ME Bank

BOQ NEDs were Directors of ME Bank Limited from the completion of the acquisition until the handback of ME's Authorised Deposit-taking Institution (**ADI**) licence on 28 February 2022, with all NEDs having assumed equivalent roles with ME Bank Limited, for example, Patrick Allaway was the Chair of the ME Bank Board and all other NEDs were members of the ME Bank Board.

In accordance with APRA regulation, the Board of ME Bank Limited was required to maintain its own Board Audit and Board Risk Committees. Karen Penrose served as the Chair of the ME Bank Board Audit Committee and Bruce Carter served as the Chair of the ME Bank Board Risk Committee. All other NEDs were members of both committees.

No additional fees were paid for chairmanship or membership of the ME Bank Board or its Board committees.

Remuneration Report
For the year ended 31 August 2022

6.5 NED fee structure

To reflect the revised 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 and the Investment Committee, which are paid on a per-meeting basis.

Following a benchmarking exercise completed during FY22, NED fees will not increase for FY23. The FY22 and FY23 fee structures are set out in Table 9.

Table 9 - FY22 and FY23 NED fees

	FY22 (01/09/2021 - 31/08/2022)		FY23 (01/09/2022 - 31/08/2023)	
	Chair / Committee Chair [1] $	Directors / Committee Members $	Chair / Committee Chair [1] $	Directors / Committee Members $
Annual fees				
Base fees	500,000	185,000	500,000	185,000
Committee fees [2]	50,000	80,000	50,000	80,000
St Andrew's Board [3]	-	50,000	n/a	n/a
Per meeting fees				
Investment Committee	2,500	1,750	2,500	1,750
Due Diligence Committee	2,500	1,750	2,500	1,750

(1) The Chair receives no additional remuneration for involvement with Committees.
(2) A flat fee applies for the following Committees: Audit; Nomination and Governance; People, Culture and Remuneration; Risk; and Transformation and Technology.
(3) Karen Penrose was also a member of the St Andrew's Board of Directors. The sale of St Andrew's Insurance was completed on 28 October 2021.

6.6 NED fee sacrifice rights plan

At the beginning of FY22, 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 10.

Table 10 - 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 FY22 the participation period was the twelve months from 1 September 2021 to 31 August 2022. 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 the earlier of retirement from the Board or 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 on the cessation date.

7. Statutory tables

7.1 Statutory disclosures

The following tables include details of the nature and amount, as required by the Corporations Act 2001, of each major element of the remuneration of each Director and Senior Executive of the Group, calculated in accordance with accounting standards.

Remuneration Report
For the year ended 31 August 2022

7.1 Statutory Disclosures (continued)

Table 11 - Directors' Remuneration

Details of the nature and amount of each major element of the remuneration of each Director of the Group are as outlined in the table below:

		Short-Term					Long-Term					
									Share Based Payments			
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 $	Rights (6) $	Shares and units (7) $	Total $	Proportion of performance related remuneration %
Executive Director												
George Frazis	**2022**	**1,438,727**	**13,354**	**94,430**	**1,546,511**	**23,999**	**36,348**	**-**	**742,802**	**498,662**	**2,848,322**	**44%**
	2021	1,262,032	15,840	95,843	1,373,715	22,163	24,368	-	685,721	225,749	2,331,716	39%
Current Non-Executive Directors												
Patrick Allaway	**2022**	**476,145**	**-**	**-**	**476,145**	**23,999**	**-**	**-**	**-**	**-**	**500,144**	**-**
	2021	361,724	-	-	361,724	24,281	-	-	-	70,420	456,425	-
Bruce Carter	**2022**	**3,224**	**-**	**-**	**3,224**	**318**	**-**	**-**	**-**	**277,989**	**281,531**	**-**
	2021	23,906	-	-	23,906	2,125	-	-	-	230,551	256,582	-
Jenny Fagg (8)	**2022**	**213,379**	**-**	**-**	**213,379**	**21,250**	**-**	**-**	**-**	**-**	**234,629**	**-**
Deborah Kiers	**2022**	**136,682**	**-**	**-**	**136,682**	**21,873**	**-**	**-**	**-**	**93,551**	**252,106**	**-**
	2021	15,186	-	-	15,186	1,519	-	-	-	-	16,705	
Warwick Negus	**2022**	**3,341**	**-**	**-**	**3,341**	**-**	**-**	**-**	**-**	**277,989**	**281,330**	**-**
	2021	39,275	-	-	39,275	1,477	-	-	-	230,551	271,303	-
Karen Penrose	**2022**	**271,478**	**-**	**-**	**271,478**	**19,656**	**-**	**-**	**-**	**27,802**	**318,936**	**-**
	2021	315,431	-	-	315,431	23,113	-	-	-	27,243	365,787	-
Mickie Rosen	**2022**	**295,838**	**-**	**-**	**295,838**	**19,162**	**-**	**-**	**-**	**-**	**315,000**	**-**
	2021	111,771	-	-	111,771	10,566	-	-	-	-	122,337	-
Former Non-Executive Directors												
John Lorimer (9)	**2022**	**64,817**	**-**	**-**	**64,817**	**6,234**	**-**	**-**	**-**	**-**	**71,051**	**-**
	2021	223,575	-	-	223,575	21,425	-	-	-	-	245,000	-

(1) Salary and fees includes base salary, including annual leave accrued during the year.
(2) Company-funded benefits (and associated FBT) such as car parking, accommodation or relocation and travel.
(3) Benefits such as allowances
(4) Includes superannuation benefits
(5) Comprises long service leave accrued or utilised during the financial year. Following correction of a prior period error values have been restated resulting in a decrease of $20,207.
(6) The amortisation period for rights granted throughout the year has been amended to commence at the date when the employees begin providing services to satisfy the vesting conditions - no change has been made to the terms or quantity of rights awarded. In prior years, the amortisation period incorrectly commenced from the grant date. This has resulted in amortisation expense being recognised earlier (in most instances from 1 September) compared to prior periods. The comparative period has been restated accordingly, with a total increase of $140,472 in the share based payment expense recognised.
(7) Represents the amortisation of restricted shares awarded through deferred STI payments or converted performance shares for the Executive Director. Following a reassessment of the fair value used to calculate the amortisation expense for restricted shares, the prior period expense has been restated. The fair value of shares has been calculated at the grant date using an industry-accepted valuation model. Previously the fair value had been calculated at the allocation date which differed to the grant date. The comparative period has been restated accordingly, with a total increase of $6,374 in the share based payment expense recognised. During the year, the valuation method for the shares acquired under the NED Plan has been amended to align with the fair value at grant date. This resulted in an overall decrease in amortisation expense of $107,720 for the prior period.
(8) Jenny Fagg commenced as a KMP on 13 October 2021.
(9) John Lorimer ceased as a KMP on 7 December 2021.
Note: Bruce Carter, Deborah Kiers, Warwick Negus and Karen Penrose participated in the FY22 NED Fee Sacrifice Rights Plan. Patrick Allaway, Bruce Carter, Warwick Negus and Karen Penrose participated in the FY21 NED Fee Sacrifice Rights Plan.

Remuneration Report
For the year ended 31 August 2022

7.1 Statutory Disclosures (continued)

Table 12 - Senior Executive 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 the table below:

		Short-Term					Long-Term		Share Based Payments			
		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 $	Rights (6) $	Shares and units (7) $	Total $	Proportion of performance related remuneration %
Current Senior Executives												
Debra Eckersley	**2022**	**597,943**	**5,598**	**-**	**603,541**	**23,999**	**16,567**	**-**	**367,098**	**197,826**	**1,209,030**	**47%**
	2021	549,832	-	-	549,832	22,163	10,230	-	324,393	97,248	1,003,866	42%
Martine Jager	**2022**	**667,974**	**8,538**	**-**	**676,512**	**23,999**	**14,407**	**-**	**243,724**	**77,498**	**1,036,140**	**31%**
	2021	243,664	2,971	-	246,635	11,316	4,381	-	44,197	-	306,529	14%
Racheal Kellaway (8)	**2022**	**77,357**	**6,706**	**-**	**84,063**	**6,323**	**10,265**	**-**	**31,387**	**8,754**	**140,792**	**29%**
Paul Newham (9)	**2022**	**146,308**	**3,183**	**-**	**149,491**	**6,323**	**5,778**	**-**	**44,637**	**57,790**	**264,019**	**33%**
Craig Ryman	**2022**	**713,853**	**13,354**	**-**	**727,207**	**23,999**	**15,119**	**-**	**304,148**	**181,997**	**1,252,470**	**39%**
	2021	703,652	15,840	-	719,492	22,163	12,883	-	264,867	15,803	1,035,208	27%
Chris Screen (10)	**2022**	**579,125**	**12,256**	**-**	**591,381**	**23,999**	**18,308**	**-**	**284,277**	**47,790**	**965,755**	**34%**
David Watts (11)	**2022**	**326,417**	**6,622**	**-**	**333,039**	**16,685**	**6,935**	**-**	**707,427**	**-**	**1,064,086**	**14%**
Former Senior Executives												
Adam McAnalen (12)	**2022**	**318,693**	**2,780**	**599**	**322,072**	**14,290**	**6,977**	**-**	**177,543**	**127,649**	**648,531**	**47%**
	2021	682,993	5,332	1,195	689,520	22,163	12,695	-	360,136	117,216	1,201,730	40%
Fiamma Morton (13) (15)	**2022**	**62,201**	**1,302**	**-**	**63,503**	**-**	**(16,021)**	**350,000**	**150,111**	**59,301**	**606,894**	**35%**
	2021	662,212	15,840	-	678,052	22,163	12,885	-	264,867	30,388	1,008,355	29%
Ewen Stafford (14) (15)	**2022**	**640,112**	**22,909**	**-**	**663,021**	**17,989**	**(26,687)**	**-**	**(403,191)**	**104,077**	**355,210**	**(84%)**
	2021	703,289	47,004	-	750,293	22,163	16,331	-	333,934	109,301	1,232,022	36%

(1) Salary and fees includes base salary, including annual leave accrued during the year.
(2) Company-funded benefits (and associated FBT) such as car parking, accommodation or relocation and travel.
(3) Benefits such as allowances.
(4) Includes superannuation benefits.
(5) Comprises long service leave accrued or utilised during the financial year. Following correction of a prior period error values have been restated resulting in a decrease of $23,907.
(6) The amortisation period for rights granted throughout the year has been amended to commence at the date when the employees begin providing services to satisfy the vesting conditions - no change has been made to the terms or quantity of rights awarded. In prior years, the amortisation period incorrectly commenced from the grant date. This has resulted in amortisation expense being recognised earlier (in most instances from 1 September) compared to prior periods. The comparative period has been restated accordingly, with a total increase of $367,657 in the share based payment expense recognised.
(7) Represents the amortisation of restricted shares awarded through deferred STI payments or converted performance shares for the Executive Director. Following a reassessment of the fair value used to calculate the amortisation expense for restricted shares, the prior period expense has been restated. The fair value of shares has been calculated at the grant date using an industry-accepted valuation model. Previously the fair value had been calculated at the allocation date which differed to the grant date. The comparative period has been restated accordingly, with a total increase of $10,448 in the share based payment expense recognised.
(8) Racheal Kellaway commenced as Chief Financial Officer on 1 July 2022.
(9) Chris Screen commenced as Group Executive Business Banking, on 1 October 2021.
(10) Paul Newham commenced as Chief Operations Officer on 6 June 2022.
(11) David Watts commenced as Group Group Chief Risk Officer on 3 March 2022.
(12) Adam McAnalen ceased as a KMP on 2 March 2022.
(13) Fiamma Morton ceased as a KMP on 30 September 2021.
(14) Ewen Stafford ceased employment as a KMP on 1 July 2022.
(15) The share based payments value for Fiamma Morton and Ewen Stafford reflects the expense for each award up to the end of each service period and the reversal of expenses related to lapsed awards.

Remuneration Report

For the year ended 31 August 2022

7.2 Equity held by Senior Executives

Table 13 - Movement in equity awards held by Senior Executives during the Financial Year 2022

				Movements during the 2022 Financial Year					
Senior [1] Executive	**Grant [2]**	**Grant Date**	**Balance at 1 Sep 2021**	**Other [3]**	**Granted [4]**	**Vested / Exercised [5]**	**Forfeited / Lapsed [6]**	**Balance at 31 Aug 2022 [4] [7]**	**Vested during the Year [8] (%)**
Current									
George Frazis	2019 PARs	19/12/2019	143,215	-	-	-	-	143,215	0%
	2021 Performance Shares	6/01/2021	146,566	-	-	-	-	146,566	0%
	2021 Premium Priced Options	6/01/2021	1,628,456	-	-	-	-	1,628,456	0%
	Restricted Shares	6/01/2021	85,443	-	-	34,177	-	51,266	40%
	2022 Performance Shares	25/01/2022	-	-	164,489	-	41,122	123,367	0%
	2022 Premium Priced Options	25/01/2022	-	-	996,928	-	-	996,928	0%
Debra Eckersley	2018 PARS	11/12/2018	49,450	-	-	-	-	49,450	0%
	2019 PARs	19/12/2019	57,397	-	-	-	-	57,397	0%
	2021 Performance Shares	6/01/2021	56,158	-	-	-	-	56,158	0%
	2021 Premium Priced Options	6/01/2021	623,956	-	-	-	-	623,956	0%
	Restricted Shares	6/01/2021	36,807	-	-	14,723	-	22,084	40%
	2022 Performance Shares	25/01/2022	-	-	62,491	-	6,249	56,242	0%
	2022 Premium Priced Options	25/01/2022	-	-	378,742	-	-	378,742	0%
Martine Jager	2021 Performance Shares	30/06/2021	20,493	-	-	-	-	20,493	0%
	2021 Premium Priced Options	30/06/2021	151,792	-	-	-	-	151,792	0%
	2022 Performance Shares	25/01/2022	-	-	66,885	-	6,688	60,197	0%
	2022 Premium Priced Options	25/01/2022	-	-	405,372	-	-	405,372	0%
Racheal Kellaway	2019 DARs	19/12/2019	-	3,554	-	-	-	3,554	0%
	2019 PARs	19/12/2019	-	16,399	-	-	-	16,399	0%
	2021 Premium Priced Options	9/4/2021	-	453,182	-	-	-	453,182	0%
	Restricted Shares	14/12/2021	-	17,543	-	-	-	17,543	0%
	2022 Performance Shares	22/07/2022	-		13,419		1,342	12,077	0%
	2022 Premium Priced Options	25/01/2022	-	240,697	-	-	-	240,697	0%
	Transformation Award Rights	19/12/2019	-	10,933	-	-	-	10,933	0%
Paul Newham	2021 Performance Shares	30/06/2021	-	17,520	-	-	-	17,520	0%
	2021 Premium Priced Options	30/06/2021	-	129,774	-	-	-	129,774	0%
	Restricted Shares	30/06/2021	-	18,744	-	-	-	18,744	0%
	Restricted Shares	22/07/2022	-		13,245			13,245	0%
	2022 Performance Shares	25/01/2022	-	52,727	-	-	5,273	47,454	0%
	2022 Premium Priced Options	25/01/2022	-	319,563	-	-	-	319,563	0%

(1) Senior Executives with nil shareholding movements while KMP have been excluded from the table above.
(2) Based on Board assessment 100% of the 2021 Performance shares converted to Restricted Shares on completion of the performance period (1 September 2020 to 31 August 2021). These will vest in 3 tranches, 33 per cent in December 2022, 33 per cent in December 2023 and 34 per cent in December 2024, subject to Board assessment of risk prior to vesting date.
(3) Opening balance is the balance at the date an executive became KMP. Racheal Kellaway was appointed as KMP on 1 July 2022, Paul Newham was appointed as KMP on 6 June 2022 and Chris Screen was appointed as KMP on 1 October 2021.
(4) This represents the maximum number of award rights that may vest to each Executive. The minimum total value which may vest is zero.
(5) 2021 Restricted shares vested on 6 December 2021, 2019 DARS vested on 6 December 2021 but are not yet exercised. All other awards are shown at exercise date being 6 December 2021 for 2018 DARS and 12 July 2022 for 2022 DARs.
(6) The portion of 2022 Performance Shares that did not convert to Restricted Shares.
(7) Balance amounts as at 31 August 2022 are unvested and not yet exercisable.
(8) Percentage of initial rights granted.

Remuneration Report
For the year ended 31 August 2022

7.2 Equity held by Senior Executives (continued)

Table 13 - Movement in equity awards held by Senior Executives during the Financial Year 2022 (continued)

				Movements during the 2022 Financial Year					
Senior [1] Executive	**Grant [2]**	**Grant Date**	**Balance at 1 Sep 2021**	**Other [3]**	**Granted [4]**	**Vested / Exercised [5]**	**Forfeited / Lapsed [6]**	**Balance at 31 Aug 2022 [4] [7]**	**Vested during the Year [8] (%)**
Craig Ryman	2021 Performance Shares	6/01/2021	70,198	-	-	-	-	70,198	0%
	2021 Premium Priced Options	6/01/2021	779,945	-	-	-	-	779,945	0%
	Restricted Shares	6/01/2021	5,981	-	-	2,393	-	3,588	40%
	2022 Performance Shares	25/01/2022	-	-	73,232	-	7,323	65,909	0%
	2022 Premium Priced Options	25/01/2022	-	-	443,838	-	-	443,838	0%
Chris Screen	2019 DARs	19/12/2019	-	4,374	-	1,640	-	2,734	30%
	2019 PARs	19/12/2019	-	13,119	-	-	-	13,119	0%
	2021 Premium Priced Options	9/4/2021	-	453,182	-	-	-	453,182	0%
	Restricted Shares	14/12/2021	-	-	17,543	-	-	17,543	0%
	2022 Performance Shares	25/01/2022	-	-	64,444	-	6,444	58,000	0%
	2022 Premium Priced Options	25/01/2022	-	-	390,577	-	-	390,577	0%
David Watts	2022 DARs	18/03/2022	-	-	128,312	47,109	-	81,203	37%
	2022 Performance Shares	18/03/2022	-	-	73,232	-	7,323	65,909	0%
	2022 Premium Priced Options	18/03/2022	-	-	443,838	-	-	443,838	0%
Former									
Adam McAnalen [9]	2018 PARS	11/12/2018	10,361	-	-	-	-	10,361	0%
	2018 DARs	11/12/2018	1,884	-	-	1,884	-	-	50%
	2019 PARs	19/12/2019	65,597	-	-	-	-	65,597	0%
	2021 Performance Shares	6/01/2021	67,691	-	-	-	-	67,691	0%
	2021 Premium Priced Options	6/01/2021	752,090	-	-	-	-	752,090	0%
	Restricted Shares	6/01/2021	44,365	-	-	17,745	-	26,620	40%
	2022 Performance Shares	25/01/2022	-	-	65,909	-	6,591	59,318	0%
	2022 Premium Priced Options	25/01/2022	-	-	399,454	-	-	399,454	0%
Fiamma Morton [10]	2021 Performance Shares	6/01/2021	70,198	-	-	-	24,568	45,630	0%
	2021 Premium Priced Options	6/01/2021	779,945	-	-	-	649,189	130,756	0%
	Restricted Shares	6/01/2021	11,502	-	-	4,600	-	6,902	40%
Ewen Stafford [11]	2019 PARs	19/12/2019	76,529	-	-	-	76,529	-	0%
	2021 Performance Shares	6/01/2021	70,198	-	-	-	70,198	-	0%
	2021 Premium Priced Options	6/01/2021	779,945	-	-	-	779,945	-	0%
	Restricted Shares	6/01/2021	41,369	-	-	16,547	-	24,822	40%
	2022 Performance Shares	25/01/2022	-	-	78,114	-	78,114	-	0%
	2022 Premium Priced Options	25/01/2022	-	-	473,427	-	473,427	-	0%

(1) Senior Executives with nil shareholding movements while KMP have been excluded from the table above.
(2) Based on Board assessment 100% of the 2021 Performance shares converted to Restricted Shares on completion of the performance period (1 September 2020 to 31 August 2021). These will vest in 3 tranches, 33 per cent in December 2022, 33 per cent in December 2023 and 34 per cent in December 2024, subject to Board assessment of risk prior to vesting date.
(3) Opening balance is the balance at the date an executive became KMP. Racheal Kellaway was appointed as KMP on 1 July 2022, Paul Newham was appointed as KMP on 6 June 2022 and Chris Screen was appointed as KMP on 1 October 2021.
(4) This represents the maximum number of award rights that may vest to each Executive. The minimum total value which may vest is zero.
(5) 2021 Restricted shares vested on 6 December 2021, 2019 DARS vested on 6 December 2021 but are not yet exercised. All other awards are shown at exercise date being 6 December 2021 for 2018 DARS and 12 July 2022 for 2022 DARs.
(6) The portion of 2022 Performance Shares that did not convert to Restricted Shares.
(7) Balance amounts as at 31 August 2022 are unvested and not yet exercisable.
(8) Percentage of initial rights granted.
(9) Adam McAnalen ceased as a KMP on 2 March 2022.
(10) Fiamma Morton ceased as a KMP on 30 September 2022. 35% of 2021 Performance Shares and 83% of 2021 Options lapsed.
(11) Ewen Stafford ceased as a KMP on 1 July 2022. 100% of 2019 PARs, 2021 and 2022 Performance Shares and 2021 and 2022 Options lapsed.

Remuneration Report
For the year ended 31 August 2022

7.2 Equity held by Senior Executives (continued)

The table below shows the total value of any rights that were granted, exercised or lapsed to Senior Executives.

Table 14 - Value of equity awards held by Senior Executives during the Financial Year 2022

Senior Executive	Grant	Grant Date	Fair Value per Right at Grant Date (1) $	Value at Grant Date (2) $	Vesting/ Exercise Date (3)	Share Price at Exercise Date (4) $	Value at Exercise Date (5) $	Expiry / Lapsing Date
Current								
George Frazis	2019 PARs	19/12/2019	3.61	517,006	-	-	-	19/12/2026
	2021 Performance Shares	6/01/2021	7.49	1,097,779	-	-	-	-
	2021 Premium Priced Options	6/01/2021	0.57	928,220	-	-	-	6/01/2028
	Restricted Shares	6/01/2021	7.80	666,455	6/12/2021	7.60	259,745	-
	2022 Performance Shares	25/01/2022	7.25	1,192,545	-	-	-	-
	2022 Premium Priced Options	25/01/2022	0.59	588,188	-	-	-	31/01/2029
Debra Eckersley	2018 PARS	11/12/2018	4.91	242,800	-	-	-	11/12/2025
	2019 PARs	19/12/2019	3.61	207,203	-	-	-	19/12/2026
	2021 Performance Shares	6/01/2021	7.49	420,623	-	-	-	-
	2021 Premium Priced Options	6/01/2021	0.56	349,415	-	-	-	6/01/2028
	Restricted Shares	6/01/2021	7.80	287,095	6/12/2021	7.60	111,895	-
	2022 Performance Shares	25/01/2022	7.25	453,060	-	-	-	-
	2022 Premium Priced Options	25/01/2022	0.59	223,458	-	-	-	31/01/2029
Martine Jager	2021 Performance Shares	30/06/2021	8.86	181,568	-	-	-	-
	2021 Premium Priced Options	30/06/2021	0.99	150,274	-	-	-	6/01/2028
	2022 Performance Shares	25/01/2022	7.25	484,916	-	-	-	-
	2022 Premium Priced Options	25/01/2022	0.59	239,169	-	-	-	31/01/2029
Racheal Kellaway	2019 DARs	19/12/2019	6.09	43,282	-	-	-	19/12/2026
	2019 PARs	19/12/2019	3.61	59,200	-	-	-	19/12/2026
	2021 Premium Priced Options	9/4/2021	0.86	389,737	-	-	-	6/01/2028
	Restricted Shares	14/12/2021	7.98	139,993	-	-	-	-
	2022 Performance Shares	22/07/2022	7.26	97,422	-	-	-	-
	2022 Premium Priced Options	25/01/2022	0.59	142,011	-	-	-	31/01/2029
	Transformation Award Rights	19/12/2019	6.12	66,910	-	-	-	19/12/2026

(1) 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. Following reassessment of the methodology used to calculate the fair value for restricted shares the fair value for Restricted Shares granted on 6 January 2021 and 30 June 2021 has been updated.
(2) Represent total value of initial awards granted.
(3) 2021 Restricted shares vested on 6 December 2021, all other awards are shown at exercise date being 6 December 2021 for 2018 DARS and 2019 DARs and 12 July 2022 for 2022 DARs.
(4) Closing share price on exercise date of rights that have a nil exercise price.
(5) Closing share price on exercise date multiplied by the number of rights exercised during the year.

Remuneration Report
For the year ended 31 August 2022

7.2 Equity held by Senior Executives (continued)

The table below shows the total value of any rights that were granted, exercised or lapsed to Senior Executives.

Table 14 - Value of equity awards held by Senior Executives during the Financial Year 2022 (continued)

Senior Executive	Grant	Grant Date	Fair Value per Right at Grant Date (1) $	Value at Grant Date (2) $	Vesting/ Exercise Date (3)	Share Price at Exercise Date (4) $	Value at Exercise Date (5) $	Expiry / Lapsing Date
Paul Newham	2021 Performance Shares	30/06/2021	8.86	155,227	-	-	-	-
	2021 Premium Priced Options	30/06/2021	0.99	128,476	-	-	-	30/6/2028
	Restricted Shares	30/06/2021	9.03	253,878	-	-	-	-
	Restricted Shares	22/07/2022	7.44	98,543	-	-	-	-
	2022 Performance Shares	25/01/2022	7.25	382,271	-	-	-	-
	2022 Premium Priced Options	25/01/2022	0.59	188,542	-	-	-	31/1/2029
Craig Ryman	2021 Performance Shares	6/01/2021	7.49	525,783	-	-	-	-
	2021 Premium Priced Options	6/01/2021	0.56	436,769	-	-	-	6/01/2028
	Restricted Shares	6/01/2021	7.80	46,652	6/12/2021	7.60	18,187	-
	2022 Performance Shares	25/01/2022	7.25	530,932	-	-	-	-
	2022 Premium Priced Options	25/01/2022	0.59	261,864	-	-	-	31/1/2029
Chris Screen	2019 DARs	19/12/2019	6.09	33,294	6/12/2021	7.60	12,464	19/12/2026
	2019 PARs	19/12/2019	3.61	47,360	-	-	-	19/12/2026
	2021 Premium Priced Options	9/4/2021	0.86	389,737	-	-	-	6/01/2028
	Restricted Shares	14/12/2021	7.98	139,993	-	-	-	-
	2022 Performance Shares	25/01/2022	7.25	467,219	-	-	-	-
	2022 Premium Priced Options	25/01/2022	0.59	230,440	-	-	-	31/01/2029

(1) 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. Following reassessment of the methodology used to calculate the fair value for restricted shares the fair value for Restricted Shares granted on 6 January 2021 and 30 June 2021 has been updated.
(2) Represent total value of initial awards granted.
(3) 2021 Restricted shares vested on 6 December 2021, all other awards are shown at exercise date being 6 December 2021 for 2018 DARS and 2019 DARs and 12 July 2022 for 2022 DARs.
(4) Closing share price on exercise date of rights that have a nil exercise price.
(5) Closing share price on exercise date multiplied by the number of rights exercised during the year.

Remuneration Report
For the year ended 31 August 2022

7.2 Equity held by Senior Executives (continued)

The table below shows the total value of any rights that were granted, exercised or lapsed to Senior Executives.

Table 14 - Value of equity awards held by Senior Executives during the Financial Year 2022 (continued)

Senior Executive	Grant	Grant Date	Fair Value per Right at Grant Date (1) $	Value at Grant Date (2) $	Vesting/ Exercise Date (3)	Share Price at Exercise Date (4) $	Value at Exercise Date (5) $	Expiry / Lapsing Date
David Watts	2022 DARs	18/03/2022	7.65	981,587	12/07/2022	6.98	328,821	21/03/2037
	2022 Performance Shares	18/03/2022	8.01	586,588	-	-	-	-
	2022 Premium Priced Options	18/03/2022	0.88	390,577	-	-	-	21/03/2029
Former								
Adam McAnalen (6)	2018 PARS	11/12/2018	4.91	50,873	-	-	-	11/12/2025
	2018 DARs	11/12/2018	8.21	30,935	13/12/2021	7.96	14,997	11/12/2025
	2019 PARs	19/12/2019	3.61	236,805	-	-	-	19/12/2026
	2021 Performance Shares	6/01/2021	7.49	507,006	-	-	-	-
	2021 Premium Priced Options	6/01/2021	0.56	421,170	-	-	-	6/01/2028
	Restricted Shares	6/01/2021	7.80	346,047	6/12/2021	7.60	134,862	-
	2022 Performance Shares	25/01/2022	7.25	477,840	-	-	-	-
	2022 Premium Priced Options	25/01/2022	0.59	235,678	-	-	-	31/01/2029
Fiamma Morton (7)	2021 Performance Shares	6/01/2021	7.49	525,783	-	-	-	-
	2021 Premium Priced Options	6/01/2021	0.56	436,769	-	-	-	6/01/2028
	Restricted Shares	6/01/2021	7.80	89,716	6/12/2021	7.60	34,960	-
Ewen Stafford (8)	2019 PARs	19/12/2019	3.61	276,270	-	-	-	19/12/2026
	2021 Performance Shares	6/01/2021	7.49	525,783	-	-	-	-
	2021 Premium Priced Options	6/01/2021	0.56	436,769	-	-	-	6/01/2028
	Restricted Shares	6/01/2021	7.80	322,678	6/12/2021	7.60	125,757	-
	2022 Performance Shares	25/01/2022	7.25	566,327	-	-	-	-
	2022 Premium Priced Options	25/01/2022	0.59	279,322	-	-		31/01/2029

(1) 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. Following reassessment of the methodology used to calculate the fair value for restricted shares the fair value for Restricted Shares granted on 6 January 2021 and 30 June 2021 has been updated.
(2) Represent total value of initial awards granted and the maximum total value that will vest.
(3) 2021 Restricted shares vested on 6 December 2021, all other awards are shown at exercise date being 6 December 2021 for 2018 DARS and 2019 DARs and 12 July 2022 for 2022 DARs.
(4) Closing share price on exercise date of rights that have a nil exercise price.
(5) Closing share price on exercise date multiplied by the number of rights exercised during the year.
(6) Adam McAnalen ceased as a KMP on 2 March 2022.
(7) Fiamma Morton ceased as a KMP on 30 September 2022. 35% of 2021 Performance Shares and 83% of 2021 Options lapsed.
(8) Ewen Stafford ceased as a KMP on 1 July 2022. 100% of 2019 PARs, 2021 and 2022 Performance Shares and 2021 and 2022 Options lapsed.

Remuneration Report
For the year ended 31 August 2022

7.3 Other Equity Instruments - Holdings and Movements

The number of other equity instruments held directly, indirectly or beneficially by each Director, Senior Executive or related party is set out in Table 15. All shares were acquired by NEDs under normal terms and conditions or through the NED Fee Sacrifice Rights Plan.

Table 15 - Number of other equity instruments held directly, indirectly or beneficially

Ordinary shares (1)	Held at 31 August 2021	Purchases/ (Sales)	Rights granted under NED Fee Sacrifice Rights Plan	Received on Exercise of Rights / Vesting of Restricted Shares	Held at 31 August 2022
Directors - Current					
Patrick Allaway	197,742	45,000	-	-	**242,742**
Bruce Carter	138,427	-	34,006	-	**172,433**
George Frazis	90,552	14,750	-	34,177	**139,479**
Deborah Kiers	-	-	11,444	-	**11,444**
Warwick Negus	107,568	-	34,006	-	**141,574**
Karen Penrose	30,511	-	3,401	-	**33,912**
Mickie Rosen	-	20,000	-	-	**20,000**
Directors - Former					
John Lorimer	27,454	-	-	-	**n/a**
Executives - Current					
Debra Eckersley	14,879	-	-	14,723	**29,602**
Racheal Kellaway (2)	47,453	-	-	-	**47,453**
Paul Newham (3)	9,371	-	-	-	**9,371**
Craig Ryman	-	-	-	2,393	**2,393**
David Watts	-	-	-	47,109	**47,109**
Executives - Former					
Adam McAnalen	83,444	-	-	19,629	**n/a**
Ewen Stafford	-			16,547	**n/a**

(1) Directors and Senior executives with nil shareholding balances as at 31 August 2022 have been excluded from the table above.
(2) Represents opening balance as at 1 July 2022.
(3) Represents opening balance as at 6 June 2022.

Remuneration Report
For the year ended 31 August 2022

7.4 Transactions with Key Management Personnel (Directors and Senior Executives)

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 FY22.

Details of loans held by KMP and their related parties during the financial year, where the individual's aggregate loan balance exceeded $100,000 at any time in this period, are as follows:

Table 16 - Individual Loan transactions with KMP (over $100,000)

	Balance at 1 September 2021 $	Interest charged during the year $	Balance at 31 August 2022 $	Highest balance during the year $
Executives				
Debra Eckersley	350,000	47,616	2,016,969	2,053,811
Other Related Parties				
George Frazis related parties	743,279	40,965	1,484,323	1,508,565

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 as follows:

Table 17 - Aggregated Loan transactions with KMP

	Balance at 1 September 2021 $	Interest charged during the year $	Balance at 31 August 2022 $	Number in group at 31 August 2022 #
Executives	350,000	47,616	2,016,969	1
Other Related Parties	743,279	40,965	1,484,323	1

Directors' report

For the year ended 31 August 2022

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
Patrick Allaway	242,742
George Frazis	139,479
Bruce Carter	172,433
Jennifer Fagg [(1)]	-
Deborah Kiers	11,444
Warwick Negus	141,574
Karen Penrose	33,912
Miyuki (Mickie) Rosen	20,000

(1) Jennifer Fagg was appointed as a Director of the Board on 13 October 2021.

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 5.7 Auditor Remuneration:

	Consolidated		Bank	
	2022 $000	2021 [(1)] $000	2022 $000	2021 [(1)] $000
Audit services				
- Statutory audits and reviews of the financial reports	**2,290**	2,172	**2,000**	1,826
- Regulatory audits and reviews as required by regulatory authorities	**654**	704	**630**	611
Total audit services	**2,944**	2,876	**2,630**	2,437
Audit related services				
- Other assurance services	**166**	373	**100**	154
Total audit related services	**166**	373	**100**	154
Non-audit services				
- Taxation services	**10**	116	**10**	116
- Other	**573**	250	**330**	250
Total non-audit services	**583**	366	**340**	366

(1) Fees for the prior financial year audit were paid to KPMG Australia.

Details of the amounts paid to other auditors for audit services provided during the prior year in respect of Members Equity Bank Limited (**ME Bank**) acquisition are set out below and in Note 5.7 Auditor Remuneration:

	Consolidated		Bank	
Deloitte	2022 $000	2021 $000	2022 $000	2021 $000
Audit services				
- Statutory audits and reviews of the financial reports	-	202	-	-
Total audit services	-	202	-	-

Directors' report

For the year ended 31 August 2022

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 103 and forms part of the Directors' report for the year ended 31 August 2022.

Director and management changes

Director changes during the year:

- Jennifer Fagg was appointed as a Director of the Board on 13 October 2021.
- John Lorimer retired as a Director of the Board on 7 December 2021.

Management changes during the year:

- Chris Screen commenced as Group Executive, Business Banking on 1 October 2021, replacing former Group Executive, Business Banking Fiamma Morton.
- David Watts commenced as Chief Risk Officer on 3 March 2022, replacing former Chief Risk Officer Adam McAnalen.
- Paul Newham commenced as Chief Operations Officer on 6 June 2022 and Racheal Kellaway commenced in the role of Chief Financial Officer on 1 July 2022, replacing former Chief Financial Officer & Chief Operating Officer Ewen Stafford.

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 2022.

The Directors' Declaration can be found on page 180 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 2022. The financial effect of the dividends has not been brought to account in the financial statements for the year ended 31 August 2022. 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 12 – 70 of this report

Signed in accordance with a resolution of the Directors:

Patrick Allaway Chairman 11 October 2022	George Frazis Managing Director & CEO 11 October 2022

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

Auditor's Independence Declaration

As lead auditor for the audit of Bank of Queensland Limited for the year ended 31 August 2022, 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.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
11 October 2022

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

2022 FINANCIAL REPORT.

Income statements

For the year ended 31 August 2022

		Consolidated		Bank	
	Note	2022 (1) $m	2021 $m	2022 (1) $m	2021 $m
Interest income:					
Effective interest income	2.1	**2,167**	1,576	**2,190**	1,367
Other	2.1	**149**	112	**152**	117
Interest expense	2.1	**(776)**	(560)	**(1,231)**	(705)
Net interest income	2.1	**1,540**	1,128	**1,111**	779
Other operating income	2.1	**141**	118	**522**	228
Net banking operating income		**1,681**	1,246	**1,633**	1,007
Net insurance operating income	2.1	**1**	7	**-**	-
Net operating income before impairment and operating expenses	2.1	**1,682**	1,253	**1,633**	1,007
Expenses	2.2	**(1,058)**	(736)	**(1,020)**	(641)
Impairment gain/ (loss) on loans and advances	3.3	**1**	21	**(13)**	13
Profit before income tax		**625**	538	**600**	379
Income tax expense	2.3	**(199)**	(169)	**(183)**	(115)
Profit for the year		**426**	369	**417**	264
Profit attributable to:					
Equity holders of the parent		**426**	368	**417**	264
Non-controlling interests		**-**	1	**-**	-
Profit for the year		**426**	369	**417**	264
Earnings per share (**EPS**)					
Basic EPS - Ordinary shares (cents)	2.6	**65.7**	67.0		
Diluted EPS - Ordinary shares (cents)	2.6	**60.1**	62.6		

(1) On 28 February 2022, ME Bank surrendered its ADI licence and the assets, liabilities and reserves of ME Bank were transferred to the Bank. The current year results of the Bank above include a full year of ME Bank results from 1 September 2021. The prior year results include the results of ME Bank since acquisition in the Group result only.

The Income Statements should be read in conjunction with the accompanying notes.

Statements of comprehensive income

For the year ended 31 August 2022

	Consolidated		Bank	
	2022 (1) $m	2021 $m	2022 (1) $m	2021 $m
Profit for the year	**426**	369	**417**	264
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	**344**	53	**324**	53
Net movement transferred to profit or loss	**17**	19	**17**	19
Debt instruments at fair value through other comprehensive income (**FVOCI**):				
Net change in fair value	**(17)**	35	**(17)**	35
Net movement transferred to profit or loss	**(13)**	(12)	**(13)**	(12)
Other comprehensive income, net of income tax	**331**	95	**311**	95
Total comprehensive income for the year	**757**	464	**728**	359
Total comprehensive income attributable to:				
Equity holders of the parent	**757**	463	**728**	359
Non-controlling interests	**-**	1	**-**	-
Total comprehensive income for the year	**757**	464	**728**	359

(1) On 28 February 2022, ME Bank surrendered its ADI licence and the assets, liabilities and reserves of ME Bank were transferred to the Bank. The current year results of the Bank above include a full year of ME Bank results from 1 September 2021. The prior year results include the results of ME Bank since acquisition in the Group result only.

The Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

Balance sheets

As at 31 August 2022

		Consolidated		Bank	
	Note	2022 $m	2021 [1] $m	2022 $m	2021 $m
Assets					
Cash and cash equivalents	3.1	**2,448**	2,556	**1,222**	1,373
Due from other financial institutions		**347**	827	**269**	708
Derivative financial assets	3.8	**1,073**	137	**1,019**	86
Financial assets at fair value through profit or loss (**FVTPL**)	3.2	**4**	1,087	**4**	1,087
Debt instruments at FVOCI	3.2	**13,304**	9,701	**13,304**	5,548
Equity instruments at FVOCI	3.2	**6**	9	**6**	6
Debt instruments at amortised cost	3.2	**-**	-	**13,050**	7,699
Loans and advances	3.3	**80,955**	75,437	**75,335**	44,827
Other assets [2]		**250**	190	**443**	269
Current tax assets		**14**	-	**14**	-
Property, plant and equipment		**264**	198	**256**	120
Assets held for sale	5.5	**-**	43	**-**	30
Shares in controlled entities	5.5	**-**	-	**522**	1,910
Deferred tax assets	2.3	**-**	38	**-**	85
Intangible assets	4.1	**1,257**	1,206	**1,189**	915
Investments in joint arrangements and associates	5.6	**8**	10	**-**	-
Amounts due from controlled entities [2]		**-**	-	**8,499**	7,002
Total assets		**99,930**	91,439	**115,132**	71,665
Liabilities					
Due to other financial institutions - at call [2]		**1,821**	586	**1,821**	586
Deposits [2]	3.4	**70,684**	65,589	**70,852**	43,256
Derivative financial liabilities	3.8	**630**	653	**482**	620
Accounts payable and other liabilities		**716**	575	**621**	360
Current tax liabilities		**-**	31	**-**	24
Deferred tax liabilities		**141**	-	**66**	**-**
Liabilities held for sale	5.5	**-**	17	**-**	-
Provisions	4.2	**66**	68	**64**	43
Amounts due to controlled entities [2]		**-**	-	**23,177**	12,358
Borrowings	3.5	**19,187**	17,723	**11,647**	8,806
Total liabilities		**93,245**	85,242	**108,730**	66,053
Net assets		**6,685**	6,197	**6,402**	5,612
Equity					
Issued capital		**5,258**	5,213	**5,274**	5,224
Other equity instruments	3.10	**305**	314	**305**	-
Reserves		**841**	376	**834**	383
Retained profits		**281**	294	**(11)**	5
Total equity		**6,685**	6,197	**6,402**	5,612

(1) Comparative information has been restated to reflect the prior period adjustments detailed in Note 5.5(C).
(2) Comparative information has been restated to reflect the adjustments detailed in Note 1.6.

The Balance Sheets 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 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 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 (1)	-	-	-	-	-	-	-	-	(25)	(25)
Restated balance as at 1 September 2021	5,213	314	35	3	52	(70)	56	300	269	6,172
Total comprehensive income for the year										
Profit for the year	-	12	-	-	-	-	-	-	414	426
Transfers to profit reserve	-	-	-	-	-	-	-	405	(405)	-
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 to equity reserve for credit losses	-	-	-	-	6	-	-	-	(6)	-
Total other comprehensive income / (expense)	-	-	-	-	6	361	(30)	-	(6)	331
Total comprehensive income / (expense) for the year	-	12	-	-	6	361	(30)	405	3	757
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 (2)	(5)	-	-	-	-	-	-	-	-	(5)
Share plan revaluation (2)	-	-	-	(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 at the end of the year	5,258	305	46	(3)	58	291	26	423	281	6,685

(1) Opening balance has been restated to reflect the adjustments detailed in Note 1.4.

(2) 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 2022

Consolidated	Issued capital $m	Other equity instruments $m	Employee benefits reserve $m	Share 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 2021										
Balance as at 1 September 2020	3,869	-	30	-	63	(142)	33	200	178	4,231
Acquisition of ME Bank	-	315	-	-	-	-	-	-	-	315
Total comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	-	-	369	369
Transfers to profit reserve	-	-	-	-	-	-	-	264	(264)	-
Other comprehensive income, net of income tax:										
Cash flow hedges:										
Net movement to equity	-	-	-	-	-	53	-	-	-	53
Net movement transferred to profit or loss	-	-	-	-	-	19	-	-	-	19
Debt instruments at FVOCI:										
Net change in fair value	-	-	-	-	-	-	35	-	-	35
Net movement transferred to profit or loss	-	-	-	-	-	-	(12)	-	-	(12)
Transfer to equity reserve for credit losses	-	-	-	-	(11)	-	-	-	11	-
Total other comprehensive income / (expense)	-	-	-	-	(11)	72	23	-	11	95
Total comprehensive income / (expense) for the year	-	-	-	-	(11)	72	23	264	116	464
Transactions with owners, recorded directly in equity / contributions by and distributions to owners										
Institutional share placement (1)	350	-	-	-	-	-	-	-	-	350
Institutional entitlement offer (2)	321	-	-	-	-	-	-	-	-	321
Retail entitlement offer (3)	681	-	-	-	-	-	-	-	-	681
Issues of ordinary shares (4)	1	-	-	-	-	-	-	-	-	1
Dividend reinvestment plan	19	-	-	-	-	-	-	-	-	19
Dividends to shareholders	-	-	-	-	-	-	-	(164)	-	(164)
Cost of capital issuance	(23)	-	-	-	-	-	-	-	-	(23)
Equity settled transactions	-	-	5	-	-	-	-	-	-	5
Treasury shares (5)	(5)	-	-	3	-	-	-	-	-	(2)
Other equity instruments distributions	-	(1)	-	-	-	-	-	-	-	(1)
Total contributions by and distributions to owners	1,344	(1)	5	3	-	-	-	(164)	-	1,187
Balance at the end of the year	5,213	314	35	3	52	(70)	56	300	294	6,197

(1) On 23 February 2021, the Bank completed an institutional placement of new fully paid ordinary shares at the offer price of $7.35 per share. The shares were issued on 3 March 2021.
(2) On 23 February 2021, the Bank completed an underwritten 1 for 3.34 accelerated pro-rata non-renounceable institutional entitlement offer at the offer price of $7.35 per share. The shares were issued on 3 March 2021.
(3) On 15 March 2021, the Bank completed an underwritten 1 for 3.34 accelerated pro-rata non-renounceable retail entitlement offer at the offer price of $7.35 per share. The shares were issued on 17 March 2021.
(4) On 9 November 2020, 130,000 ordinary shares were issued at $6.37 to the trustee of the Bank of Queensland Limited Employee Share Plans Trust to satisfy the issue of shares under the BOQ Employee ThankQ Plan.
(5) 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 netted off 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

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 2022									
Balance as at 31 August 2021	**5,224**	**-**	**35**	**53**	**(61)**	**56**	**300**	**5**	**5,612**
Change on revision of accounting policy (1)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(25)**	**(25)**
Restated balance as at 1 September 2021	**5,224**	**-**	**35**	**53**	**(61)**	**56**	**300**	**(20)**	**5,587**
Transfer from ME Bank (2)	**-**	**314**	**-**	**-**	**-**	**-**	**-**	**6**	**320**
Total comprehensive income for the year									
Profit for the year	**-**	**12**	**-**	**-**	**-**	**-**	**-**	**405**	**417**
Transfers to profit reserve	**-**	**-**	**-**	**-**	**-**	**-**	**405**	**(405)**	**-**
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 / (expense)	**-**	**-**	**-**	**6**	**341**	**(30)**	**-**	**(6)**	**311**
Total comprehensive income / (expense) for the year	**-**	**12**	**-**	**6**	**341**	**(30)**	**405**	**(6)**	**728**
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)**
Amortisation of premium	**-**	**(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**	**423**	**(11)**	**6,402**

(1) Opening balance has been restated to reflect the adjustments detailed in Note 1.4.
(2) 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 changes in equity

For the year ended 31 August 2022

Bank	Issued capital $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 2021								
Balance as at 1 September 2020	3,875	30	64	(133)	33	200	(6)	4,063
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	264	264
Transfers to profit reserve	-	-	-	-	-	264	(264)	-
Other comprehensive income net of income tax:								
Cash flow hedges:								
Net movement to equity	-	-	-	53	-	-	-	53
Net movement transferred to profit or loss	-	-	-	19	-	-	-	19
Debt instruments at FVOCI:								
Net change in fair value	-	-	-	-	35	-	-	35
Net movement transferred to profit or loss	-	-	-	-	(12)	-	-	(12)
Transfer to equity reserve for credit losses	-	-	(11)	-	-	-	11	-
Total other comprehensive income / (expense)	-	-	(11)	72	23	-	11	95
Total comprehensive income / (expense) for the year	-	-	(11)	72	23	264	11	359
Transactions with owners, recorded directly in equity / contributions by and distributions to owners								
Institutional share placement [(1)]	350	-	-	-	-	-	-	350
Institutional entitlement offer [(2)]	321	-	-	-	-	-	-	321
Retail entitlement offer [(3)]	681	-	-	-	-	-	-	681
Issues of ordinary shares [(4)]	1	-	-	-	-	-	-	1
Dividend reinvestment plan	19	-	-	-	-	-	-	19
Dividends to shareholders	-	-	-	-	-	(164)	-	(164)
Cost of capital issue	(23)	-	-	-	-	-	-	(23)
Equity settled transactions	-	5	-	-	-	-	-	5
Total contributions by and distributions to owners	1,349	5	-	-	-	(164)	-	1,190
Balance at the end of the year	5,224	35	53	(61)	56	300	5	5,612

(1) On 23 February 2021, the Bank completed an institutional placement offer at the offer price of $7.35 per share. The shares were issued on 3 March 2021.

(2) On 23 February 2021, the Bank completed an underwritten 1 for 3.34 accelerated pro-rata non-renounceable institutional entitlement offer at the offer price of $7.35 per share. The shares were issued on 3 March 2021.

(3) On 15 March 2021, the Bank completed an underwritten 1 for 3.34 accelerated pro-rata non-renounceable retail entitlement offer at the offer price of $7.35 per share. The shares were issued on 17 March 2021.

(4) On 9 November 2020, 130,000 ordinary shares were issued at $6.37 to the trustee of the Bank of Queensland Limited Employee Share Plans Trust to satisfy the issue of shares under the BOQ Employee ThankQ Plan.

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 2022

	Note	Consolidated		Bank	
		2022 $m	2021 (1) $m	2022 $m	2021 $m
Cash flows from operating activities					
Interest received		**2,374**	1,663	**2,347**	1,387
Fees and other income received		**181**	127	**503**	205
Interest paid		**(849)**	(569)	**(1,276)**	(712)
Cash paid to suppliers and employees		**(896)**	(622)	**(838)**	(531)
Income tax paid		**(195)**	(100)	**(192)**	(91)
		615	499	**544**	258
(Increase) / decrease in operating assets:					
Loans and advances at amortised cost		**(5,539)**	(3,070)	**(5,219)**	(3,443)
Other financial assets		**(2,676)**	(1,001)	**(3,155)**	(173)
Increase in operating liabilities:					
Deposits		**6,363**	3,953	**6,635**	3,738
Net cash inflow / (outflow) from operating activities	3.1	**(1,237)**	381	**(1,195)**	380
Cash flows from investing activities					
Acquisition of ME Bank, net of cash acquired	5.5	**-**	(753)	**-**	(1,388)
Disposal of a subsidiary, net of cash disposed of		**15**	-	**23**	-
Payments for property, plant and equipment		**(42)**	(9)	**(37)**	(9)
Proceeds from sale of property, plant and equipment		**6**	6	**-**	-
Payments for intangible assets	4.1	**(173)**	(119)	**(172)**	(115)
Proceeds / (payments) for investments in joint arrangements		**2**	2	**-**	-
Dividends received from controlled entities		**-**	-	**14**	4
Net cash inflow / (outflow) from investing activities		**(192)**	(873)	**(172)**	(1,508)
Cash flows from financing activities					
Proceeds from borrowings	3.5	**6,653**	3,628	**4,201**	1,844
Repayments of borrowings	3.5	**(5,025)**	(3,063)	**(2,467)**	(937)
Net movement in other financing activities		**-**	-	**(879)**	(378)
Proceeds for issue of ordinary shares		**-**	1,329	**-**	1,329
Payments for treasury shares		**(17)**	(7)	**(17)**	(7)
Other equity instruments distribution paid		**(12)**	(1)	**(12)**	-
Dividends paid		**(232)**	(145)	**(232)**	(145)
Payment of lease liabilities		**(46)**	(42)	**(46)**	(40)
Net cash inflow / (outflow) from financing activities		**1,321**	1,699	**548**	1,666
Net increase / (decrease) in cash and cash equivalents		**(108)**	1,207	**(819)**	538
Transfer from ME Bank (2)		**-**	-	**668**	-
Cash and cash equivalents at beginning of year		**2,556**	1,353	**1,373**	835
Cash and cash equivalents at end of year	3.1	**2,448**	2,560	**1,222**	1,373
Cash and cash equivalents included in assets held for sale		**-**	(4)	**-**	-
Cash and cash equivalents as presented in the Balance Sheets		**2,448**	2,556	**1,222**	1,373

(1) Comparative information has been restated to reflect the prior period adjustments detailed in Note 5.5(C).

(2) 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 2022

Notes to the financial statements

For the year ended 31 August 2022

Note 1. Basis of preparation

1.1 Reporting entity

The Bank of Queensland Limited (**the Bank** or **BOQ**) 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 2022 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 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 consolidated financial statements and notes thereto also comply with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**). The consolidated financial statements were authorised for issue by the Directors on 11 October 2022. The Directors have the power to amend and reissue the financial statements.

b) Basis of measurement

The consolidated financial statements are prepared on 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 consolidated 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 5.9.

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:

- Software as a Service arrangements - Note 1.4;
- Loans and advances - Expected credit losses (**ECL**) - Note 3.3;
- Financial instruments – Notes 3.2, 3.7 and 3.8;
- Carrying value of goodwill – Note 4.1;
- Provisions - Note 4.2; and
- Business combinations - Note 5.5.

Notes to the financial statements

For the year ended 31 August 2022

1.4 Changes in accounting policies

International Financial Reporting Standards Interpretations Committee final agenda decisions on Software as a Service arrangements

In April 2021, the IFRS Interpretations Committee (**IFRIC**) published its second agenda decision in relation to Software as a Service (**SaaS**) cloud computing arrangements. The decision discusses whether configuration or customisation expenditure relating to SaaS arrangements is able to be recognised as an intangible asset and if not, over what time period the expenditure is expensed. Specifically, IFRIC stated that in most instances, configuration and customisation costs incurred in implementing SaaS solutions will be treated as an operating expense.

The Group's accounting policy has historically been to capitalise costs incurred in configuring or customising SaaS arrangements as intangible assets, as the Group considered it would benefit from those services over the expected renewable term of the arrangements.

Based on the updated IFRIC guidance, the Group revised its accounting policy and adopted the accounting treatment set out in the IFRIC agenda decision, which is to only recognise those costs 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.

In applying the revised accounting policy at the reporting date and in an ongoing application of the SaaS policy, the Group makes significant judgements in:

- Determining whether implementation activities create an intangible asset that the entity controls; and
- Determining whether costs paid to the suppliers of the SaaS arrangements relate to significant customisation of the software.

Due to a lack of historical information on which to determine the nature of capitalised software, as set out above, it is not practicable to determine the cumulative effect on the amounts in both opening and closing statements of financial position for prior years.

Accordingly, amounts relating to prior years have been adjusted through opening retained earnings and comparatives have not been restated.

The impact to the consolidated financial statements of the Group to reflect amendments to previously capitalised costs at 1 September 2021 was as follows:

- A decrease in intangible assets of $47 million;
- An increase in prepaid assets of $11 million;
- An increase in deferred tax assets of $11 million; and
- A decrease in retained earnings of $25 million.

The impact to the financial statements of the Bank is the same as the impact to the consolidated financial statements of the Group.

1.5 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.

AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2.

The amendments introduce practical expedients in relation to accounting for modification of financial instruments resulting directly from the Interbank Offered Rates (IBOR) reform. The amendments also allow a series of exemptions from the regular hedge accounting rules and introduce additional disclosures requirements.

The Group assessed the changes required by the IBOR reform and the resulting amendments and determined there are no significant impacts to the Group or the Bank.

1.6 Prior period adjustments

During the financial year ended 31 August 2022, the Group and the Bank implemented the following changes that were applied retrospectively and impacted the prior periods' financial statements:

The Group and Bank reclassified balances relating to securities sold under an agreement to repurchase, from Deposits to Due to other financial institutions - at call, consistent with the accounting policy in Note 5.9 i).

The Bank changed its presentation for certain financial arrangements with controlled entities. Amounts due to controlled entities and Amounts due from controlled entities had previously been offset in the Bank's balance sheet and reported as a net Amount due to controlled entities. These balances are no longer offset unless there is a legal right and intention to settle net. As a result the Bank now presents Amounts due from controlled entities and Amounts due to controlled entities separately. In performing this change, the Bank also reclassified an amount due from a wholly owned covered bond trust from Other assets to Amounts due from controlled entities.

The impacts of these changes on the prior period financial statements of the Group and Bank were as follows:

- an increase in the Group's and the Bank's amounts Due to other financial institutions - at call and a decrease in Deposits of $313m for the year ended 31 August 2021 (Bank: $313m);
- an increase in the Bank's amounts due from controlled Entities and an increase in amounts to controlled entities of $7,002m for the year ended 31 August 2021;
- a decrease in the Bank's Other assets and an increase in Amounts due from controlled entities of $885m for the year ended 31 August 2021.

The above restatements impacted total assets (Bank), total liabilities (Bank) and identified balance sheet line items above only. The Group adjustment was a reclass solely between liability line items with no impact on total liabilities. There was no impact to the previously reported Consolidated or Bank earnings per share, profit, comprehensive income or statement of changes in equity.

Notes to the financial statements

For the year ended 31 August 2022

Note 2. Financial performance

2.1 Operating income

	Consolidated		Bank	
	2022 (1) $m	2021 $m	2022 (1) $m	2021 $m
Interest income				
Effective interest income	**2,167**	1,576	**2,190**	1,367
Other: Securities at fair value	**149**	112	**152**	117
Total interest income	**2,316**	1,688	**2,342**	1,484
Interest expense				
Retail deposits	**(277)**	(206)	**(278)**	(192)
Wholesale deposits and borrowings	**(494)**	(351)	**(948)**	(510)
Lease liabilities	**(5)**	(3)	**(5)**	(3)
Total interest expense	**(776)**	(560)	**(1,231)**	(705)
Net interest income	**1,540**	1,128	**1,111**	779
Income from operating activities				
Customer fees and charges (2)	**64**	62	**64**	62
Share of fee revenue paid to owner-managed branches	**(6)**	(6)	**(6)**	(6)
Commissions	**40**	31	**13**	12
Foreign exchange income – customer based	**15**	13	**15**	13
Net profit on sale of property, plant and equipment	**6**	5	**-**	-
Net loss from financial instruments and derivatives at fair value	**(6)**	(4)	**(4)**	(5)
Securitisation income	**-**	-	**339**	111
Dividend income	**-**	-	**14**	4
Management fees – controlled entities	**-**	-	**63**	29
Other income	**28**	17	**24**	8
Other operating income	**141**	118	**522**	228
Income from insurance activities (3)				
Premiums from insurance contracts	**7**	42	**-**	-
Claims and policyholder liability expense from insurance contracts	**(6)**	(35)	**-**	-
Net insurance operating income	**1**	7	**-**	-
Total	**1,682**	1,253	**1,633**	1,007

(1) On 28 February 2022, ME Bank surrendered its ADI licence and the assets, liabilities and reserves of ME Bank were transferred to the Bank. The current year results of the Bank above include a full year of ME Bank results from 1 September 2021. The prior year results include the results of ME Bank since acquisition in the Group result only.

(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 Company 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 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 2022

2.2 Expenses

		Consolidated		Bank	
	Note	2022 (1) $m	2021 $m	2022 (1) $m	2021 $m
Operating expenses					
Advertising		**49**	33	**40**	19
Commissions to owner-managed branches		**4**	4	**4**	4
Communications and postage		**22**	20	**22**	16
Printing and stationery		**5**	4	**5**	3
Processing costs		**14**	14	**14**	14
Other		**55**	36	**56**	32
		149	111	**141**	88
Administrative expenses					
Professional fees		**33**	38	**31**	32
Directors' fees		**2**	2	**2**	2
Other		**17**	17	**26**	23
		52	57	**59**	57
IT expenses					
Technology services		**197**	121	**194**	112
Amortisation – computer software	4.1	**66**	47	**64**	36
Depreciation – IT equipment		**5**	1	**5**	1
		268	169	**263**	149
Occupancy expenses					
Depreciation of ROU assets and lease expenses		**39**	29	**38**	26
Depreciation – property, plant and equipment		**11**	9	**10**	9
Other		**4**	3	**4**	3
		54	41	**52**	38
Employee expenses					
Salaries, wages and superannuation contributions		**451**	313	**438**	272
Payroll tax		**23**	16	**23**	14
Equity settled transactions		**16**	8	**15**	7
Other		**11**	17	**11**	14
		501	354	**487**	307
Other					
Loss on sale of St Andrew's Group	5.5	**25**	-	**9**	-
Amortisation – acquired intangibles	4.1	**9**	4	**9**	2
		34	4	**18**	2
Total expenses		**1,058**	736	**1,020**	641

(1) On 28 February 2022, ME Bank surrendered its ADI licence and the assets, liabilities and reserves of ME Bank were transferred to the Bank. The current year results of the Bank above include a full year of ME Bank results from 1 September 2021. The prior year results include the results of ME Bank since acquisition in the Group result only.

Notes to the financial statements

For the year ended 31 August 2022

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	
	2022 $m	2021 $m	2022 $m	2021 $m
Current tax expense				
Current year	**156**	123	**159**	113
Adjustments for prior years	**(4)**	(2)	**(1)**	(7)
	152	121	**158**	106
Deferred tax expense				
Origination and reversal of temporary differences	**47**	48	**25**	9
Total income tax expense	**199**	169	**183**	115
Deferred tax recognised in equity				
Cash flow hedge reserve	**150**	20	**145**	19
Retained profits	**(11)**	-	**(11)**	-
Other	**(10)**	10	**(13)**	10
	129	30	**121**	29
Transfer of deferred tax balances from ME Bank [1]	**-**	-	**5**	-
Numerical reconciliations between tax expense and pre-tax profit				
Profit before tax	**625**	538	**600**	379
Income tax using the Australian corporate tax rate of 30% (2021: 30%)	**188**	161	**180**	114
Increase in income tax expense due to:				
Non-deductible expenses	**6**	10	**6**	9
Loss on sale of St Andrew's	**7**	-	**2**	-
Decrease in income tax expense due to:				
Other [2]	**(2)**	(2)	**(5)**	(8)
Income tax expense on pre-tax net profit [3]	**199**	169	**183**	115

(1) ME Bank deferred tax balances transferred to the Bank upon ME Bank's ADI licence surrender on 28 February 2022.

(2) 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.

(3) The Group's effective tax rate for the year ended 31 August 2022 was 31.8 per cent (2021: 31.4 per cent). This is above the corporate tax rate of 30 per cent, which is primarily attributable to the loss on the sale of St. Andrew's Group (refer to Note 5.5(d) for details) and interest payable on Capital Notes, which are both non-deductible for tax purposes.

Notes to the financial statements

For the year ended 31 August 2022

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	2022 $m	2021 [1] $m	2022 $m	2021 [1] $m	2022 $m	2021 [1] $m
Accruals	**5**	8	**-**	-	**5**	8
Capitalised expenditure	**-**	-	**(8)**	(5)	**(8)**	(5)
Provisions for impairment	**87**	94	**-**	-	**87**	94
Other provisions	**24**	31	**-**	-	**24**	31
Equity reserves	**-**	6	**(134)**	-	**(134)**	6
ROU Asset and Lease Liability	**79**	41	**(66)**	(32)	**13**	9
Lease financing relating to lessor activities	**-**	-	**(115)**	(87)	**(115)**	(87)
Intangibles	**2**	2	**(15)**	(18)	**(13)**	(16)
Consolidation - Taxation of Financial Arrangements (**TOFA**) [2]	**-**	-	**(9)**	(14)	**(9)**	(14)
Other	**12**	15	**(3)**	(3)	**9**	12
Total tax assets / (liabilities)	**209**	197	**(350)**	(159)	**(141)**	38
Bank						
Accruals	**4**	3	**-**	-	**4**	3
Capitalised expenditure	**-**	-	**(3)**	(1)	**(3)**	(1)
Provisions for impairment	**70**	66	**-**	-	**70**	66
Other provisions	**22**	19	**-**	-	**22**	19
Equity reserves	**-**	2	**(130)**	-	**(130)**	2
ROU Asset and Lease Liability	**79**	41	**(66)**	(32)	**13**	9
Lease financing relating to lessor activities	**-**	-	**(15)**	(18)	**(15)**	(18)
Intangibles	**2**	-	**(15)**	-	**(13)**	-
Consolidation - Taxation of Financial Arrangements (**TOFA**) [2]	**-**	-	**(10)**	-	**(10)**	-
Other	**10**	8	**(14)**	(3)	**(4)**	5
Total tax assets / (liabilities)	**187**	139	**(253)**	(54)	**(66)**	85

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:

	2022 $m	**2021 $m**
Gross income tax losses	**22**	23
Gross capital gains tax losses	**73**	50

(1) Comparative information has been restated to reflect the prior period adjustments detailed in Note 5.5(c).

(2) The business combination balances relating to the acquisition of ME Bank include a transitional deferred tax liability that will continue to unwind equally across the next two years.

Notes to the financial statements

For the year ended 31 August 2022

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 2022

2.4 Dividends

	Bank			
	2022		2021	
	Cents per share	$m	Cents per share	$m
Ordinary shares				
Final 2021 dividend paid 18 November 2021 (2020: 25 November 2020)	**22**	**141**	12	55
Interim 2022 dividend paid 26 May 2022 (2021: 26 May 2021)	**22**	**141**	17	109
		282		164

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	24	155

The final ordinary share dividend will be paid on 17 November 2022 to owners of ordinary shares at the close of business on 28 October 2022 (record date). Shares will be quoted ex-dividend on 27 October 2022.

	Bank	
	2022 $m	2021 $m
30% franking credits available to shareholders of the Bank for subsequent financial years	**583**	507

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 2022, is $516 million calculated at the 30 per cent tax rate (2021: $446 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 2022 full year dividend is 31 October 2022.

Notes to the financial statements

For the year ended 31 August 2022

2.5 Operating segments

Segment information

The Group determines and presents operating segments based on the information that is provided internally to the Managing Director and CEO, the Group's and the Bank's chief operating decision maker.

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 Managing Director and CEO 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 Managing Director and CEO 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 our Owner-managed and Corporate branch network, ME Bank and Virgin Money distribution channels, and third-party intermediaries;

BOQ Business - includes the BOQ branded commercial lending activity, BOQ Finance and BOQ Specialist businesses. The division provides tailored business banking solutions including commercial lending, equipment finance and leasing, cashflow 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 2022 or 2021.

Geographic information

While the Group does have some operations in New Zealand, the business segments operate principally in Australia.

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.

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 2022

2.5 Operating segments (continued)

	Retail Banking		BOQ Business		Other[1]		Segment Total	
	2022[2] $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m
Income								
Net interest income[3]	**943**	570	**593**	555	**(7)**	3	**1,529**	1,128
Non-interest income	**98**	74	**50**	48	**5**	8	**153**	130
Total income	**1,041**	644	**643**	603	**(2)**	11	**1,682**	1,258
Operating expenses	**(642)**	(407)	**(295)**	(262)	**-**	(15)	**(937)**	(684)
Underlying profit / (loss)	**399**	237	**348**	341	**(2)**	(4)	**745**	574
Loan impairment gain/ (loss)	**(41)**	21	**28**	-	**-**	-	**(13)**	21
Cash profit / (loss) before tax	**358**	258	**376**	341	**(2)**	(4)	**732**	595
Income tax (expense) / benefit	**(109)**	(80)	**(115)**	(106)	**-**	3	**(224)**	(183)
Segment cash profit / (loss) after tax[4]	**249**	178	**261**	235	**(2)**	(1)	**508**	412
Statutory basis adjustments:								
Integration costs[5]	**-**	-	**-**	-	**-**	-	**(57)**	(9)
St Andrew's[6]	**-**	-	**-**	-	**-**	-	**(24)**	-
Amortisation of acquisition fair value adjustments	**-**	-	**-**	-	**-**	-	**7**	(3)
Hedge ineffectiveness	**-**	-	**-**	-	**-**	-	**(8)**	(3)
Intangible asset review and restructure[7]	**-**	-	**-**	-	**-**	-	**-**	(3)
Transaction costs[5]	**-**	-	**-**	-	**-**	-	**-**	(19)
Employee pay and entitlements review	**-**	-	**-**	-	**-**	-	**-**	(6)
Statutory net profit after tax	**249**	178	**261**	235	**(2)**	(1)	**426**	369
Included in the results:								
Depreciation and amortisation	**(82)**	(54)	**(29)**	(22)	**(10)**	(8)	**(121)**	(84)
Segment assets[8]	**58,280**	54,077	**25,861**	23,913	**15,789**	13,449	**99,930**	91,439
Segment liabilities[8][9]	**33,319**	29,978	**11,668**	10,838	**48,258**	44,426	**93,245**	85,242

(1) This is not reported internally to the Group's and the Bank's chief operating decision maker as an operating segment.

(2) On 28 February 2022, ME Bank surrendered its ADI licence and the assets, liabilities and reserves of ME Bank were transferred to the Bank. The current year results of the Bank above include a full year of ME Bank results from 1 September 2021. The prior year results include the results of ME Bank since acquisition in the Group result only.

(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) Integration and transaction costs from ME acquisition completed on 1 July 2021.

(6) 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.

(7) The August 2021 financial results included a non-recurring adjustment due to a change in the ME minimum threshold for the capitalisation of intangible assets to align with BOQ.

(8) Comparative information has been restated to reflect the adjustments detailed in Note 5.5(C).

(9) ME Bank treasury deposits have been removed from Retail customer deposits and included in Other. Comparative information has been restated.

Notes to the financial statements

For the year ended 31 August 2022

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	
	2022 $m	2021 $m
Earnings reconciliation		
Profit for the year	**426**	369
Returns to holders of other equity instruments [1]	**(12)**	(1)
Amortisation of premium on other equity instruments	**9**	-
Profit available for ordinary shareholders	**423**	368
Basic earnings		
Effect of Capital Notes	**10**	9
Effect of Capital Notes 2	**8**	5
Diluted earnings	**441**	382

Weighted average number of shares used as the denominator	2022 Number	2021 Number
Number for basic earnings per share		
Ordinary shares	**642,839,759**	549,628,512
Number for diluted earnings per share		
Ordinary shares	**642,839,759**	549,628,512
Effect of award rights	**4,400,556**	3,248,973
Effect of Capital Notes	**49,229,237**	37,717,103
Effect of Capital Notes 2	**36,570,886**	21,033,327
	733,040,438	611,627,915
Earnings per share		
Basic earnings per share - Ordinary shares (cents)	**65.7**	67.0
Diluted earnings per share - Ordinary shares (cents)	**60.1**	62.6

(1) 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 2022

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 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	
	2022 $m	2021 (1) $m	2022 $m	2021 $m
Notes, coins and cash at bank	**2,048**	2,059	**852**	1,135
Remittances in transit	**400**	296	**370**	238
Reverse repurchase agreements maturing in less than three months	**-**	201	**-**	-
Cash and cash equivalents as presented in the Balance Sheets	**2,448**	2,556	**1,222**	1,373
Cash and cash equivalents included in assets held for sale	**-**	4	**-**	-
Total	**2,448**	2,560	**1,222**	1,373

(1) Comparative information has been restated to reflect the prior period adjustments detailed in Note 5.5(C) and to comply with current year presentation.

Notes to the Statements of Cash Flows

Reconciliation of profit for the year to net cash provided by operating activities:

Profit from ordinary activities after income tax	**426**	369	**417**	264
Add / (less) non-cash items or items classified as investing / financing:				
Depreciation	**48**	39	**47**	36
Amortisation - acquired intangibles	**9**	4	**9**	2
Software amortisation and impairment	**66**	47	**64**	36
Loss on sale of subsidiary	**25**	-	**9**	-
Profit on sale of property, plant and equipment	**(9)**	(5)	**-**	-
Equity settled transactions	**16**	8	**15**	7
Salary sacrifice arrangements	**(1)**	(3)	**(1)**	(3)
Dividends received from controlled entities	**-**	-	**(11)**	(4)
Add / (less) changes in operating assets and liabilities:				
Decrease in due from other financial institutions	**480**	119	**444**	118
(Increase) in financial assets	**(3,145)**	(1,120)	**(3,598)**	(292)
(Increase) in loans and advances	**(5,502)**	(3,052)	**(5,101)**	(3,439)
Increase / (decrease) in provision for impairment	**(17)**	(58)	**13**	(35)
(Increase) / decrease in derivatives	**25**	(19)	**37**	(9)
(Increase) / decrease in deferred tax asset	**40**	17	**30**	(1)
(Increase) in amounts due from controlled entities	**-**	-	**(123)**	(850)
(Increase) in other assets	**(55)**	(18)	**(111)**	743
Increase in due to other financial institutions	**1,235**	289	**1,235**	289
Increase in deposits	**5,121**	3,669	**5,436**	3,420
Increase in accounts payable and other liabilities	**37**	33	**46**	67
Increase / (decrease) in current tax liabilities	**(43)**	34	**(36)**	26
Increase / (decrease) in provisions	**(2)**	5	**-**	4
Increase / (decrease) in deferred tax liabilities	**9**	23	**(16)**	1
Net cash (inflow) / outflow from operating activities	**(1,237)**	381	**(1,195)**	380

Notes to the financial statements

For the year ended 31 August 2022

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 2022

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	
	2022 $m	2021 $m	2022 $m	2021 $m
Derivative financial assets				
Current	**126**	82	**115**	19
Non-current	**947**	55	**904**	67
Total derivative financial assets	**1,073**	137	**1,019**	86
Financial assets at FVTPL				
Floating rate notes and bonds	**-**	664	**-**	664
Negotiable certificates of deposit	**-**	180	**-**	180
Promissory notes	**-**	200	**-**	200
Reverse repurchase agreements	**-**	43	**-**	43
Equity instruments	**4**	-	**4**	-
Total financial assets at FVTPL (1)	**4**	1,087	**4**	1,087
Current	**4**	1,087	**4**	1,087
Financial assets at FVOCI				
Debt instruments	**13,304**	9,701	**13,304**	5,548
Equity instruments	**6**	9	**6**	6
Total financial assets at FVOCI	**13,310**	9,710	**13,310**	5,554
Current	**6,365**	3,232	**6,365**	607
Non-current	**6,945**	6,478	**6,945**	4,947
Debt instruments at amortised cost				
Current	**-**	-	**176**	168
Non-current	**-**	-	**12,874**	7,531
Total debt instruments at amortised cost	**-**	-	**13,050**	7,699

(1) Trading book assets have been sold, as these assets formed part of the assets held for CLF purpose. On 10 September 2021, APRA announced that the CLF will be phased out to zero by the end of 2022 subject to financial market conditions. The Group has been selling down assets which are held as part of the CLF in line with the scheduled reduction.

Notes to the financial statements

For the year ended 31 August 2022

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 weighted average life (**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 over a minimum of three half yearly reporting periods.

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**	
	2022 $m	2021 $m	2022 $m	2021 $m
Residential property loans	**63,444**	59,053	**63,444**	34,101
Personal loans	**127**	182	**127**	95
Overdrafts	**205**	164	**205**	164
Commercial loans	**10,934**	9,900	**10,738**	9,715
Credit cards	**183**	178	**183**	57
Asset finance and leasing	**6,440**	6,347	**863**	928
Gross loans and advances	**81,333**	75,824	**75,560**	45,060
Less:				
Unearned finance lease income	**(83)**	(76)	**(11)**	(14)
Specific provision for impairment	**(78)**	(107)	**(58)**	(83)
Collective provision for impairment	**(217)**	(204)	**(156)**	(136)
Total loans and advances	**80,955**	75,437	**75,335**	44,827

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.

Notes to the financial statements

For the year ended 31 August 2022

3.3 Loans and advances (continued)

a) Loans and advances - Expected Credit Losses (ECL) (continued)

- **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.

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 inflation remains high from supply chain effects causing further increases in cash rates. 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 higher cash rates having a slowing effect on the broader economy. Lower GDP growth is seen in late 2023 and 2024 due to the interest rate effects. Property prices declines are experienced aligning to rising interest rates.

Notes to the financial statements

For the year ended 31 August 2022

3.3 Loans and advances (continued)

a) Loans and advances - Expected Credit Losses (ECL) (continued)

Incorporation of forward-looking information (continued)

- **Upside scenario:** This scenario represents a slight improvement on the economic conditions from the Base case.
- **Downside scenario:** This scenario represents stagflation effects, with rises in interest rates, no GDP growth and rising unemployment. 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 2022.

	Base			Downside		
Macro-economic assumption	2022 (%)	2023 (%)	2024 (%)	2022 (%)	2023 (%)	2024 (%)
GDP (YoY)	**3.25**	1.75	1.75	**0.25**	-	0.75
Unemployment	**3.25**	3.50	4.00	**5.00**	7.00	7.50
Residential property prices (YoY)	**(5.00)**	(10.00)	(5.00)	**(14.50)**	(14.50)	(6.50)
Commercial property prices (YoY)	**(3.00)**	(5.00)	(5.00)	**(17.25)**	(11.25)	(5.25)
Cash Rate [(1)]	**2.90**	2.95	2.90	**3.50**	3.75	3.50

(1) The forecasts in the table reflect calendar year end numbers. The peak cash rate forecast in the base case occurs in 2023 and is projected to reach 3.1%. Due to further changes in market sentiment since 31 August 2022, the market implied cash rate peak has increased beyond the numbers provided in the table. Analysis has shown that updating the cash rate forecast to incorporate these changes would not have a material impact on the expected credit losses.

In determining the reported ECL of $295 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 FY22 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 and reductions in capitalisation rates impacting the commercial property sector;
- Inflationary / supply chain pressures impacting retail trade, transport, hospitality, arts and recreation; and
- Potential stress in fixed rate loans within the home loans portfolio caused by interest rate rises.

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	
	2022	2021	2022	2021	2022	2021	2022	2021
Weighting	**5%**	5%	**50%**	43%	**30%**	30%	**15%**	22%

Sensitivity of provisions for impairment to changes to forward looking assumptions

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	
	2022 $m	2021 $m	2022 $m	2021 $m
Reported probability weighted ECL	**295**	311	**214**	219
100% Upside scenario	**214**	288	**147**	199
100% Base case scenario	**225**	289	**158**	199
100% Downside scenario	**331**	331	**256**	234
100% Severe Downside scenario	**482**	340	**405**	241

Sensitivity of provisions for impairment to SICR assessments

If 1% of Stage 1 credit exposures as at 31 August 2022 was included in Stage 2, provisions for impairment would increase by approximately $15 million for the Group and $14 million for the Bank (2021: $7million for the Group and $6 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 2022

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 Group's Audit Committee and Board at each reporting period.

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:					
Stage 1	**29**	**(13)**	**(10)**	**(6)**	**-**
Stage 2	**(4)**	**13**	**(8)**	**(1)**	**-**
Stage 3	**(1)**	**(4)**	**3**	**2**	**-**
New/increased provisions	**43**	**57**	**52**	**22**	**174**
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:						
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	**24,859**	**340**	**37**	**4**	**-**	**25,240**
Loans and advances derecognised or repaid during the year including write-offs	**(18,193)**	**(1,229)**	**(174)**	**(81)**	**(61)**	**(19,738)**
Balance as at 31 August 2022	**76,071**	**4,194**	**598**	**162**	**225**	**81,250**
Provision for impairment	**(65)**	**(76)**	**(76)**	**(78)**	**-**	**(295)**
Net carrying amount as at 31 August 2022	**76,006**	**4,118**	**522**	**84**	**225**	**80,955**

(1) The amounts presented above are inclusive of unearned finance lease income.

The loss allowance associated with the POCI loans for the Group reduced by $14 million for the year ended 31 August 2022, from an opening balance of $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 2022.

Notes to the financial statements

For the year ended 31 August 2022

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 2021.

	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 2020	95	115	65	94	369
Transfers during the year to:					
Stage 1	19	(10)	(1)	(8)	-
Stage 2	(5)	10	(2)	(3)	-
Stage 3	(1)	(5)	3	3	-
New/increased provisions	36	31	53	55	175
Write-back of provisions no longer required	(56)	(91)	(52)	(1)	(200)
Amounts written off, previously provided for	-	-	-	(33)	(33)
Balance as at 31 August 2021	88	50	66	107	311

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 2021.

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 2020	42,831	3,605	408	199	-	47,043
Transfers during the year to:						
Stage 1	1,307	(1,282)	(23)	(2)	-	-
Stage 2	(2,373)	2,436	(35)	(28)	-	-
Stage 3	(235)	(182)	321	96	-	-
New loans and advances originated or purchased	40,232	342	7	8	286	40,875
Loans and advances derecognised or repaid during the year including write-offs	(11,074)	(909)	(135)	(52)	-	(12,170)
Balance as at 31 August 2021	70,688	4,010	543	221	286	75,748
Provision for impairment	(88)	(50)	(66)	(107)	-	(311)
Net carrying amount as at 31 August 2021	70,600	3,960	477	114	286	75,437

(1) The amounts presented above are inclusive of unearned finance lease income.

Notes to the financial statements

For the year ended 31 August 2022

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.

	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 2021	**51**	**39**	**46**	**83**	**219**
Transfers during the year to:					
Stage 1	**14**	**(8)**	**(4)**	**(2)**	**-**
Stage 2	**(1)**	**8**	**(6)**	**(1)**	**-**
Stage 3	**-**	**(3)**	**3**	**-**	**-**
New/increased provisions	**20**	**40**	**37**	**11**	**108**
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 year to:						
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	**16,009**	**537**	**96**	**1**	**-**	**16,643**
Transfer from ME Bank (1)	**24,747**	**326**	**42**	**-**	**260**	**25,375**
Loans and advances derecognised or repaid during the year including write-offs	**(10,210)**	**(1,051)**	**(154)**	**(65)**	**(35)**	**(11,515)**
Balance as at 31 August 2022	**70,909**	**3,733**	**548**	**134**	**225**	**75,549**
Provision for impairment	**(31)**	**(65)**	**(60)**	**(58)**	**-**	**(214)**
Net carrying amount as at 31 August 2022	**70,878**	**3,668**	**488**	**76**	**225**	**75,335**

(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.

The loss allowance associated with the POCI loans for the Bank amounted to a reduction of $9 million for the year ended 31 August 2022, from an opening balance of $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 2022.

Notes to the financial statements

For the year ended 31 August 2022

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 2021.

	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 2020	57	78	51	68	254
Transfers during the year to:					
Stage 1	5	(4)	(1)	-	-
Stage 2	(3)	7	(1)	(3)	-
Stage 3	(1)	(3)	2	2	-
New/increased provisions	18	25	35	40	118
Write-back of provisions no longer required	(25)	(64)	(40)	(8)	(137)
Amounts written off, previously provided for	-	-	-	(13)	(13)
Unwind discount	-	-	-	(3)	(3)
Balance as at 31 August 2021	51	39	46	83	219

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 2021.

Bank	Stage 1 – 12 month ECL $m	Stage 2 – Lifetime ECL $m	Stage 3 – Lifetime ECL $m	Stage 3 – Specific provision $m	Total (1) $m
Gross carrying amount as at 1 September 2020	38,270	2,934	399	171	41,774
Transfers during the year to:					
Stage 1	997	(973)	(22)	(2)	-
Stage 2	(2,133)	2,195	(34)	(28)	-
Stage 3	(203)	(168)	289	82	-
New loans and advances originated or purchased	13,008	263	14	4	13,289
Loans and advances derecognised or repaid during the year including write-offs	(9,203)	(634)	(147)	(33)	(10,017)
Balance as at 31 August 2021	40,736	3,617	499	194	45,046
Provision for impairment	(51)	(39)	(46)	(83)	(219)
Net carrying amount as at 31 August 2021	40,685	3,578	453	111	44,827

(1) The amounts presented above are inclusive of unearned finance lease income.

Notes to the financial statements

For the year ended 31 August 2022

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	
	2022 $m	2021 $m	2022 $m	2021 $m
Gross investment in finance lease receivables:				
Less than one year	**344**	334	**14**	14
Between one and five years	**620**	611	**91**	108
More than five years	**21**	34	**19**	31
	985	979	**124**	153
Unearned finance lease income	**(83)**	(76)	**(11)**	(14)
Net investment in finance leases	**902**	903	**113**	139
The net investment in finance leases:				
Less than one year	**310**	303	**13**	15
Between one and five years	**573**	570	**84**	97
More than five years	**19**	30	**16**	27
Net investment in finance leases	**902**	903	**113**	139

Notes to the financial statements

For the year ended 31 August 2022

3.3 Loans and advances (continued)

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 5.9 (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 5.9 (A)(iii) for further information.

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.

	Consolidated		Bank	
	2022 $m	2021 $m	2022 (1) $m	2021 $m
Transferred financial assets				
Securitisation - Loans and advances	**6,844**	6,952	**18,815**	9,115
Covered bonds - Loans and advances	**4,340**	3,078	**4,340**	3,078
	11,184	10,030	**23,155**	12,193
Associated financial liabilities				
Securitisation liabilities - external investors	**7,546**	7,653	**-**	-
Covered bonds - external investors	**2,549**	2,362	**2,549**	2,362
Amounts due to controlled entities	**-**	-	**19,452**	9,324
	10,095	10,015	**22,001**	11,686
For those liabilities that have recourse only to transferred assets (2)				
Fair value of transferred assets	**11,087**	10,042	**23,041**	12,202
Fair value of associated liabilities	**(10,095)**	(10,015)	**(22,001)**	(11,686)
Net position	**992**	27	**1,040**	516

(1) ME Bank's ADI licence surrender occured on 28 February 2022. At this time the securitisation trusts and the associated assets and liabilities transferred to being under control of the Bank, as such these have been included within the transfer of financial assets note for the Bank in the current financial year.

(2) 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.

Notes to the financial statements
For the year ended 31 August 2022

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	
	2022 $m	2021[1] $m	2022 $m	2021[1] $m
Deposits at call	**36,243**	34,179	**36,411**	23,189
Term deposits	**29,103**	26,427	**29,103**	16,744
Certificates of deposit	**5,338**	4,743	**5,338**	3,323
Total deposits	**70,684**	65,589	**70,852**	43,256
Concentration of deposits				
Customer deposits	**60,489**	56,469	**60,657**	38,180
Wholesale deposits	**10,195**	9,120	**10,195**	5,076
	70,684	65,589	**70,852**	43,256

(1) Comparative information has been restated to reflect the adjustments detailed in Note 1.6.

Notes to the financial statements

For the year ended 31 August 2022

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)(6) $m	EMTN program (6) $m	ECP Program (6) $m	Term funding facility (3) $m	Subordinated notes $m	Senior unsecured notes $m	Capital Notes (4) $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 (5)	**3**	**1**	**-**	**-**	**-**	**1**	**-**	**2**	**7**
Foreign exchange translation (5)	**-**	**(164)**	**3**	**2**	**-**	**-**	**-**	**-**	**(159)**
Balance at end of year	**7,540**	**2,544**	**71**	**80**	**3,026**	**848**	**4,474**	**604**	**19,187**

Consolidated	Securitisation liabilities (1) $m	Covered bonds liabilities (2)(6) $m	EMTN program (6) $m	Term funding facility (3) $m	Subordinated notes $m	Senior unsecured notes $m	Capital Notes (4) $m	Total $m
Year ended 31 August 2021								
Balance at beginning of year	3,429	2,367	194	820	350	3,833	346	11,339
Acquisition of ME Bank	4,558	-	-	872	-	403	-	5,833
Proceeds from issues / new funding	1,134	-	-	1,334	250	650	260	3,628
Repayments	(1,476)	-	(112)	-	(150)	(1,325)	-	(3,063)
Deferred establishment costs	(2)	-	-	-	(1)	(1)	(5)	(9)
Amortisation of deferred costs (5)	2	1	-	-	-	1	1	5
Foreign exchange translation (5)	-	(9)	(1)	-	-	-	-	(10)
Balance at end of year	7,645	2,359	81	3,026	449	3,561	602	17,723

(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 3 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 2022, the Group has pledged $3.7 billion of self-securitised residential mortgage-backed securities as collateral.

(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 2022, 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 and other equal ranking instruments, but behind the claims of all senior ranking creditors, including depositors and unsubordinated and subordinated creditors.

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 2022, 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 (issued 28 December 2017) and other equal ranking instruments, but behind the claims of all senior ranking creditors, including depositors and unsubordinated and subordinated creditors.

(5) Amortisation of deferred costs and foreign exchange translation are non-cash movements. Foreign exchange translation movements are 100 per cent hedged.

(6) At the end of the year the BOQ Group held borrowings in the following currencies, Covered Bonds EUR €1.1bn (2021: EUR €1bn), EMTN Program USD $35m (2021: USD $35m), ECP Program USD $40m & EUR €15m (2021: Nil). All other balances are denominated in Australian dollars.

Notes to the financial statements

For the year ended 31 August 2022

3.5 Borrowings (continued)

The Bank recorded the following movements on borrowings:

Bank	Covered bonds liabilities (6) $m	EMTN Program (6) $m	ECP Program (6) $m	Term funding facility $m	Subordinated notes $m	Senior Unsecured Notes $m	Capital notes $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 (5)	**-**	**-**	**-**	**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 (4)	**-**	**-**	**-**	**-**	**1**	**-**	**2**	**3**
Foreign exchange translation (4)	**(164)**	**3**	**2**	**-**	**-**	**-**	**-**	**(159)**
Balance at end of year	**2,549**	**71**	**80**	**3,026**	**848**	**4,469**	**604**	**11,647**

Bank	Covered bonds liabilities (1)(6) $m	EMTN program (6) $m	Term funding facility (2) $m	Subordinated notes $m	Senior unsecured notes $m	Capital Notes (3) $m	Total $m
Year ended 31 August 2021							
Balance at beginning of year	2,371	194	820	350	3,833	346	7,914
Proceeds from issues / new funding	-	-	1,334	250	-	260	1,844
Repayments	-	(112)	-	(150)	(675)	-	(937)
Deferred establishment costs	-	-	-	(1)	(1)	(6)	(8)
Amortisation of deferred costs (4)	-	-	-	-	1	2	3
Foreign exchange translation (4)	(9)	(1)	-	-	-	-	(10)
Balance at end of year	**2,362**	**81**	**2,154**	**449**	**3,158**	**602**	**8,806**

(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 3 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 RBAs eligibility criteria. At 31 August 2022, the Bank has pledged $3.7 billion of self-securitised residential mortgage-backed securities as collateral.

(3) 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 2022, 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 and other equal ranking instruments, but behind the claims of all senior ranking creditors, including depositors and unsubordinated and subordinated creditors.

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 2022, 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 (issued 28 December 2017) and other equal ranking instruments, but behind the claims of all senior ranking creditors, including depositors and unsubordinated and subordinated creditors.

(4) Amortisation of deferred costs and foreign exchange translation are non-cash movements. Foreign exchange translation movements are 100 per cent hedged.

(5) ME Bank borrowings transferred to the Bank upon ME Bank's ADI licence surrender on 28 February 2022.

(6) At the end of the year the BOQ Group held borrowings in the following currencies, Covered Bonds EUR €1.1bn (2021: EUR €1bn), EMTN Program USD $35m (2021: USD $35m), ECP Program USD $40m & EUR €15m (2021: Nil). All other balances are denominated in Australian dollars.

Notes to the financial statements

For the year ended 31 August 2022

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 management

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 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	2022 $m	2021 $m
Exposure at the end of the year	**(1)**	23
Average monthly exposure during the year	**(2)**	6
High month exposure during the year	**20**	23
Low month exposure during the year	**(19)**	(6)

(ii) Foreign exchange risk

It is the Bank'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 Bank uses cross currency swaps and forward foreign exchange contracts to hedge its exchange rate exposures arising from borrowing off-shore in foreign currencies. The Bank uses forward foreign exchange contracts to hedge potential exchange rate exposures created by customer-originated foreign currency transactions.

The Bank'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.

Notes to the financial statements

For the year ended 31 August 2022

3.6 Financial risk management (continued)

a) Market risk (continued)

(iii) 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. VaR is a statistical technique used to quantify the potential loss in earnings from adverse market movements and is calculated over a one-day time horizon to a 99 per cent confidence level using two-years of historical data. As an additional overlay to VaR, the individual market risks of interest rate, foreign exchange, credit and equity 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, credit and equity) VaR for the Bank's trading portfolio for the year was as follows:

Trading VaR	2022 $m	2021 $m
Average	**0.24**	0.45
Maximum	**0.35**	1.13
Minimum	**0.13**	0.20

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 2022

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:

	2022				2021
Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 $m	Total $m	Total $m
Cash and cash equivalents	**2,448**	-	-	**2,448**	2,556
Due from other financial institutions	**347**	-	-	**347**	827
Other financial assets (including accrued interest)	**13,426**	-	-	**13,426**	10,847
Derivative financial instruments	**1,073**	-	-	**1,073**	137
Financial assets other than loans and advances	**17,294**	-	-	**17,294**	14,367
Gross loans and advances	**76,071**	**4,194**	**985**	**81,250**	75,748
Total financial assets	**93,365**	**4,194**	**985**	**98,544**	90,115
Customer commitments (1) (2)	**6,144**	-	-	**6,144**	6,656
Total potential exposure to credit risk	**99,509**	**4,194**	**985**	**104,688**	96,771

	2022				2021
Bank	Stage 1 $m	Stage 2 $m	Stage 3 $m	Total $m	Total $m
Cash and cash equivalents	**1,222**	-	-	**1,222**	1,373
Due from other financial institutions	**269**	-	-	**269**	708
Other financial assets (including accrued interest)	**26,474**	-	-	**26,474**	14,385
Derivative financial instruments	**1,019**	-	-	**1,019**	86
Financial assets other than loans and advances	**28,984**	-	-	**28,984**	16,552
Gross loans and advances	**70,909**	**3,733**	**907**	**75,549**	45,046
Total financial assets	**99,893**	**3,733**	**907**	**104,533**	61,598
Customer commitments (1) (2)	**5,170**	-	-	**5,170**	2,875
Total potential exposure to credit risk	**105,063**	**3,733**	**907**	**109,703**	64,473

(1) Refer to Note 5.2 for details of customer commitments.
(2) Comparatives have been restated pertaining to a subset of ME Bank's portfolio following a realignment to BOQ Group's methodology.

Notes to the financial statements

For the year ended 31 August 2022

3.6 Financial risk management (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							
	2022 $m				2021 [(1)] $m			
	Gross loans & advances				Gross loans & advances			
	Retail	Commercial	Gross loans & advances	Other financial assets	Retail	Commercial	Gross loans & advances	Other financial assets
High Grade	**59,578**	**5,099**	**64,677**	**17,284**	50,239	4,589	54,828	14,365
Stage 1	**57,035**	**5,005**	**62,040**	**17,284**	48,145	4,505	52,650	14,365
Stage 2	**2,543**	**94**	**2,637**	**-**	2,094	84	2,178	-
Stage 3	**-**	**-**	**-**	**-**	-	-	-	-
Satisfactory	**2,474**	**9,951**	**12,425**	**-**	7,551	9,365	16,916	-
Stage 1	**2,171**	**9,271**	**11,442**	**-**	7,221	8,635	15,856	-
Stage 2	**303**	**680**	**983**	**-**	330	730	1,060	-
Stage 3	**-**	**-**	**-**	**-**	-	-	-	-
Weak	**1,365**	**2,023**	**3,388**	**10**	1,467	2,154	3,621	9
Stage 1	**601**	**1,256**	**1,857**	**10**	659	1,140	1,799	9
Stage 2	**62**	**484**	**546**	**-**	105	667	772	-
Stage 3	**702**	**283**	**985**	**-**	703	347	1,050	-
Unrated	**336**	**424**	**760**	**-**	155	228	383	-
Stage 1	**309**	**423**	**732**	**-**	155	228	383	-
Stage 2	**27**	**1**	**28**	**-**	-	-	-	-
Stage 3	**-**	**-**	**-**	**-**	-	-	-	-
	63,753	**17,497**	**81,250**	**17,294**	59,412	16,336	75,748	14,374

(1) Comparative Stage 3 balances have all been reclassed into the Weak category.

Notes to the financial statements

For the year ended 31 August 2022

3.6 Financial risk management (continued)

b) Credit risk (continued)

(ii) Credit quality (continued)

Bank								
	2022 $m				2021 (1) $m			
	Gross loans & advances				Gross loans & advances			
	Retail	Commercial	Gross loans & advances	Other financial assets	Retail	Commercial	Gross loans & advances	Other financial assets
High Grade	**59,578**	**4,462**	**64,040**	**27,502**	30,572	4,054	34,626	15,449
Stage 1	**57,035**	**4,399**	**61,434**	**27,502**	28,478	4,003	32,481	15,449
Stage 2	**2,543**	**63**	**2,606**	**-**	2,094	51	2,145	-
Stage 3	**-**	**-**	**-**	**-**	-	-	-	-
Satisfactory	**2,474**	**6,869**	**9,343**	**-**	2,553	5,906	8,459	-
Stage 1	**2,171**	**6,339**	**8,510**	**-**	2,223	5,318	7,541	-
Stage 2	**303**	**530**	**833**	**-**	330	588	918	-
Stage 3	**-**	**-**	**-**	**-**	-	-	-	-
Weak	**1,366**	**464**	**1,830**	**10**	1,093	834	1,927	6
Stage 1	**601**	**55**	**656**	**10**	571	109	680	6
Stage 2	**63**	**204**	**267**	**-**	105	449	554	-
Stage 3	**702**	**205**	**907**	**-**	417	276	693	-
Unrated	**336**	**-**	**336**	**1,472**	34	-	34	1,097
Stage 1	**309**	**-**	**309**	**1,472**	34	-	34	1,097
Stage 2	**27**	**-**	**27**	**-**	-	-	-	-
Stage 3	**-**	**-**	**-**	**-**	-	-	-	-
	63,754	**11,795**	**75,549**	**28,984**	34,252	10,794	45,046	16,552

(1) Comparative Stage 3 balances have all been reclassed into the Weak category.

Notes to the financial statements

For the year ended 31 August 2022

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)	2022 $m	2021 $m	2022 $m	2021 $m
Queensland	**25,216**	24,258	**23,437**	18,697
New South Wales	**25,959**	23,058	**24,553**	15,076
Victoria	**16,041**	14,924	**14,849**	5,951
Northern Territory	**461**	449	**400**	237
Australian Capital Territory	**2,026**	1,877	**1,976**	329
Western Australia	**7,459**	7,477	**6,938**	3,735
South Australia	**2,623**	2,226	**2,266**	808
Tasmania	**1,240**	1,170	**1,141**	227
International (New Zealand)	**308**	385	**-**	-
	81,333	75,824	**75,560**	45,060

Notes to the financial statements

For the year ended 31 August 2022

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 Asset and Liability Committee.

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.
- On 10 September 2021, APRA announced that the CLF will be phased out to zero by the end of 2022 subject to financial market conditions. The CLF reduction is expected to be offset by ADIs increasing holdings of HQLA.

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 2022 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)

Notes to the financial statements

For the year ended 31 August 2022

3.6 Financial risk management (continued)

c) Liquidity risk (continued)

Consolidated 2022	Carrying amount $m	Total contractual cashflows At Call $m	3 months or less $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Policy holder $m	Total $m
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**
Liabilities held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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.

Consolidated 2021	Carrying amount $m	Total contractual cashflows At Call $m	3 months or less $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Policy holder $m	Total $m
Financial liabilities								
Due to other financial institutions	586	586	-	-	-	-	-	586
Deposits	65,589	34,732	16,661	13,346	988	-	-	65,727
Derivative financial instruments [1]	28	-	5	13	11	-	-	29
Accounts payable and other liabilities	575	-	384	27	114	50	-	575
Securitisation liabilities [2]	7,645	-	1,702	1,234	2,807	2,258	-	8,001
Borrowings [3]	10,078	-	622	1,807	7,620	265	-	10,314
Insurance policy liabilities	17	-	-	-	-	-	17	17
Total financial liabilities	84,518	35,318	19,374	16,427	11,540	2,573	17	85,249
Derivative financial instruments (hedging relationship)								
Contractual amounts payable		-	880	1,196	1,913	168	-	4,157
Contractual amounts receivable		-	(809)	(1,079)	(1,574)	(131)	-	(3,593)
	519	-	71	117	339	37	-	564
Off balance sheet positions								
Guarantees, indemnities and letters of credit	-	259	-	-	-	-	-	259
Customer funding commitments [4]	-	6,397	-	-	-	-	-	6,397
	-	6,656	-	-	-	-	-	6,656

(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.

(4) Comparatives have been restated pertaining to a subset of ME Bank's portfolio following a realignment to BOQ Group's methodology.

Notes to the financial statements

For the year ended 31 August 2022

3.6 Financial risk management (continued)

c) Liquidity risk (continued)

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**

Bank 2021	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
Due to other financial institutions	586	586	-	-	-	-	586
Deposits	43,256	23,502	10,658	8,369	806	-	43,335
Derivative financial instruments (1)	28	-	5	13	11	-	29
Accounts payable and other liabilities	360	-	212	28	98	29	367
Borrowings (3)	8,806	-	621	1,404	6,745	265	9,035
Amounts due to controlled entities	12,358	12,358	-	-	-	-	12,358
Total financial liabilities	65,394	36,446	11,496	9,814	7,660	294	65,710
Derivative financial instruments (hedging relationship)							
Contractual amounts payable		-	877	451	1,095	168	2,591
Contractual amounts receivable		-	(822)	(299)	(796)	(131)	(2,048)
	537	-	55	152	299	37	543
Off balance sheet positions							
Guarantees, indemnities and letters of credit	-	259	-	-	-	-	259
Customer funding commitments (4)	-	2,616	-	-	-	-	2,616
	-	2,875	-	-	-	-	2,875

(1) Derivative financial instruments other than those designated in hedge relationships.
(2) Borrowings include the $3 billion TFF.
(3) Borrowings include the $2.2 billion TFF.
(4) Comparatives have been restated pertaining to a subset of ME Bank's portfolio following a realignment to BOQ Group's methodology.

Notes to the financial statements

For the year ended 31 August 2022

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 have, materially, equated to their carrying value and are based on the methodologies and assumptions below. Although, in an environment of rising interest rates, there is an opportunity for divergence between carrying value and fair value this is not expected to be significant as at the reporting date.

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 ending 31 August 2022 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 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

The fair values are calculated based on a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instruments.

Notes to the financial statements

For the year ended 31 August 2022

3.7 Fair value of financial instruments (continued)

b) 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; and
- **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 carrying values for instruments at amortised cost approximate their fair values.

The table below analyses financial instruments carried at fair value, by the valuation method:

	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**
	6,335	**8,042**	**10**	**14,387**
Derivative financial liabilities	**-**	**(630)**	**-**	**(630)**
	6,335	**7,412**	**10**	**13,757**

	2021			
Consolidated	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial instruments measured at fair value				
Derivative financial assets	-	137	-	137
Financial assets at FVTPL	43	1,044	-	1,087
Debt instruments at FVOCI	6,309	3,392	-	9,701
Equity instruments at FVOCI	-	-	9	9
	6,352	4,573	9	10,934
Derivative financial liabilities	-	(653)	-	(653)
	6,352	3,920	9	10,281

Notes to the financial statements

For the year ended 31 August 2022

3.7 Fair value of financial instruments (continued)

b) Fair value hierarchy (continued)

Bank	2022 Level 1 $m	2022 Level 2 $m	2022 Level 3 $m	2022 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**
	6,335	**7,988**	**10**	**14,333**
Derivative financial liabilities	**-**	**(482)**	**-**	**(482)**
	6,335	**7,506**	**10**	**13,851**

Bank	2021 Level 1 $m	2021 Level 2 $m	2021 Level 3 $m	2021 Total $m
Financial instruments measured at fair value				
Derivative financial assets	-	86	-	86
Financial assets at FVTPL	43	1,044	-	1,087
Debt instruments at FVOCI	5,061	487	-	5,548
Equity instruments at FVOCI	-	-	6	6
	5,104	1,617	6	6,727
Derivative financial liabilities	-	(620)	-	(620)
	5,104	997	6	6,107

Notes to the financial statements

For the year ended 31 August 2022

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					
	2022			2021		
	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	**22,185**	**40**	**(40)**	10,232	30	(27)
Foreign exchange forwards	**139**	**2**	**(1)**	51	1	(1)
Futures	**194**	**-**	**-**	57	-	-
	22,518	**42**	**(41)**	10,340	31	(28)
Derivatives held as cash flow hedges						
Interest rate swaps	**48,172**	**782**	**(285)**	29,971	23	(103)
Cross currency swaps	**2,674**	**56**	**(202)**	2,185	70	(22)
Foreign exchange forwards	**969**	**15**	**(7)**	755	11	(4)
	51,815	**853**	**(494)**	32,911	104	(129)
Derivatives designated as fair value hedges						
Interest rate swaps	**5,444**	**178**	**(95)**	4,491	2	(496)
Derivatives designated as net investment hedges						
Foreign exchange forwards	**26**	**-**	**-**	27	-	-
	79,803	**1,073**	**(630)**	47,769	137	(653)

Notes to the financial statements

For the year ended 31 August 2022

3.8 Derivative financial instruments and hedge accounting (continued)

a) Fair value of derivatives (continued)

	Bank					
	2022			2021		
	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	**22,185**	**40**	**(40)**	8,032	30	(27)
Foreign exchange forwards	**165**	**2**	**(1)**	77	1	(1)
Futures	**194**	**-**	**-**	57	-	-
	22,544	**42**	**(41)**	8,166	31	(28)
Derivatives held as cash flow hedges						
Interest rate swaps	**46,840**	**728**	**(313)**	22,415	35	(82)
Cross currency swaps	**967**	**56**	**(26)**	631	7	(10)
Foreign exchange forwards	**969**	**15**	**(7)**	755	11	(4)
	48,776	**799**	**(346)**	23,801	53	(96)
Derivatives designated as fair value hedges						
Interest rate swaps	**5,444**	**178**	**(95)**	4,491	2	(496)
	76,764	**1,019**	**(482)**	36,458	86	(620)

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 2022

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.

	2022				2021 (1)			
Consolidated	0 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m	0 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m
Interest rate swaps	**26,361**	**24,389**	**2,866**	**53,616**	16,647	15,783	2,032	34,462
Foreign exchange forwards	**995**	**-**	**-**	**995**	782	-	-	782
Cross currency swaps	**164**	**2,475**	**35**	**2,674**	831	1,314	40	2,185

(1) Comparatives have been restated.

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	2022	2021
Cash flow hedges	Interest rate swaps	AUD	**0.068% - 4.253%**	0.010% - 3.890%
Cash flow hedges	Cross currency swaps	AUD/USD	**0.780 - 0.793**	0.761 - 0.793
		AUD/EUR	**0.617 - 0.670**	0.617 - 0.672
		NZD/AUD	**1.032 - 1.119**	1.036 - 1.119
Net Investment hedges	Foreign exchange forwards	AUD/NZD	**1.111**	1.049

Notes to the financial statements

For the year ended 31 August 2022

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 (2021: nil) for the Group.

	Consolidated			
	2022		2021	
	Carrying value [(1)] $m	Fair value hedge adjustments Debit/(Credit) $m	Carrying value [(1)] $m	Fair value hedge adjustments Debit/(Credit) $m
Assets				
Debt instruments at FVOCI	**5,531**	**282**	5,041	(194)

(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 2022

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					
	2022			2021		
	Gains/(losses) on hedging instruments $m	Gains/(losses) on hedged items $m	Hedge ineffectiveness $m	Gains/(losses) on hedging instruments $m	Gains/(losses) on hedged items $m	Hedge ineffectiveness $m
Interest rate risk						
Fair value hedges						
Interest rate swaps	**474**	**(474)**	**-**	109	(109)	-
Cash flow hedges						
Interest rate swaps	**540**	**(545)**	**(5)**	70	(67)	3
Interest rate and foreign exchange risk						
Cash flow hedges						
Cross currency swaps	**(163)**	**163**	**-**	(9)	9	-
Net investment hedge						
Foreign exchange forwards	**2**	**(2)**	**-**	(1)	1	-

Notes to the financial statements

For the year ended 31 August 2022

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.

			2022		
Consolidated	Gross amounts as presented in the Balance Sheet $m	Net amounts of recognised assets and liabilities available for offset $m	Calculated balance $m	Cash collateral $m	Net amounts if offsetting applied in the Balance Sheet $m
Derivative financial assets	**1,073**	**(411)**	**662**	**(641)**	**21**
Derivative financial liabilities	**(630)**	**411**	**(219)**	**25**	**(194)**

			2021		
Consolidated	Gross amounts as presented in the Balance Sheet $m	Net amounts of recognised assets and liabilities available for offset $m	Calculated balance $m	Cash collateral $m	Net amounts if offsetting applied in the Balance Sheet $m
Derivative financial assets	137	(51)	86	-	86
Derivative financial liabilities	(653)	51	(602)	579	(23)

			2022		
Bank	Gross amounts as presented in the Balance Sheet $m	Net amounts of recognised assets and liabilities available for offset $m	Calculated balance $m	Cash collateral $m	Net amounts if offsetting applied in the Balance Sheet $m
Derivative financial assets	**1,019**	**(411)**	**608**	**(641)**	**(33)**
Derivative financial liabilities	**(482)**	**411**	**(71)**	**25**	**(46)**

			2021		
Bank	Gross amounts as presented in the Balance Sheet $m	Net amounts of recognised assets and liabilities available for offset $m	Calculated balance $m	Cash collateral $m	Net amounts if offsetting applied in the Balance Sheet $m
Derivative financial assets	86	(51)	35	-	35
Derivative financial liabilities	(620)	51	(569)	565	(4)

Notes to the financial statements

For the year ended 31 August 2022

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.

During the year, BOQ operated above its interim CET1 target of 9.0 to 9.5 per cent. The target is deemed appropriate until APRA's new capital framework comes into effect on 1 January 2023.

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, Restricted Shares, 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	
	2022 No of shares	2021 No of shares	2022 No of shares	2021 No of shares
Movements during the year				
Balance at the beginning of the year – fully paid	**640,889,563**	454,335,413	**640,889,563**	454,335,413
Dividend reinvestment plan (1)	**6,467,916**	2,386,974	**6,467,916**	2,386,974
Issues of ordinary shares (2)	**-**	130,000	**-**	130,000
Institutional share placement (3)	**-**	47,619,048	**-**	47,619,048
Institutional entitlement offer (4)	**-**	43,684,531	**-**	43,684,531
Retail entitlement offer (5)	**-**	92,733,597	**-**	92,733,597
Balance at the end of the year – fully paid	**647,357,479**	640,889,563	**647,357,479**	640,889,563
Treasury shares (included in ordinary shares above):				
Balance at the beginning of the year	**1,128,671**	633,187	**-**	-
Net acquisitions and disposals during the year	**1,115,048**	495,484	**-**	-
Balance at the end of the year	**2,243,719**	1,128,671	**-**	-

(1) 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. 11 per cent of the dividend paid on 26 May 2021 and 13 per cent of the dividend paid on 25 November 2020 were reinvested by shareholders as part of the dividend reinvestment plan in prior year.

(2) On 9 November 2020, 130,000 ordinary shares were issued at $6.37 to the trustee of the Bank of Queensland Limited Employee Share Plans Trust to satisfy the issue of shares under the BOQ Employee ThankQ Plan.

(3) On 23 February 2021, the Bank completed an institutional placement of new fully paid ordinary shares at the offer price of $7.35 per share. The shares were issued on 3 March 2021. On 26 November 2019, the Bank completed an institutional share placement of new fully paid ordinary shares at an issue price of $7.78 per share. The shares were issued on 29 November 2019.

(4) On 23 February 2021, the Bank completed an underwritten 1 for 3.34 accelerated pro-rata non-renounceable institutional entitlement offer at the offer price of $7.35 per share. The shares were issued on 3 March 2021.

(5) On 15 March 2021, the Bank completed an underwritten 1 for 3.34 accelerated pro-rata non-renounceable retail entitlement offer at the offer price of $7.35 per share. The shares were issued on 17 March 2021.

Notes to the financial statements

For the year ended 31 August 2022

3.10 Capital and reserves (continued)

b) Other equity instruments

Other equity instruments 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**). The AT1 Capital Notes were recognised at fair value on acquisition, the face value of the AT1 Capital Notes on issue was $300 million at a price of $10,000 per note. There have been no issuances and redemptions in the twelve months to 31 August 2022.

	Earliest redemption date	2022 No of Capital Notes	2021 No of Capital Notes
AT1 equity instruments			
AT1 Capital Notes	28/11/2022	**20,000**	20,000
AT1 Capital Notes	5/12/2023	**10,000**	10,000
Total AT1 equity instruments		**30,000**	30,000

The AT1 Capital Notes were transferred to BOQ on 28 February 2022 as part of a total transfer of all assets and liabilities of ME Bank to BOQ 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 continue to be presented in Other equity instruments in the Consolidated Balance Sheet and the Consolidated Statement of Changes in Equity.

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 regulatory approval;
- 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, reflecting the current uncertain economic outlook, to cover potential unexpected losses that are not incorporated into the Expected Credit Losses held in accordance with AASB 9 accounting standard.

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 2022

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 2020	685	7	95	121	908
Acquisition of ME Bank	82	57	58	33	230
Additions	-	-	6	113	119
Transfers to asset	-	-	134	(134)	-
Amortisation charge	-	(4)	(43)	-	(47)
Accelerated amortisation charge (1)	-	-	(4)	-	(4)
Balance as at 31 August 2021 (2)	767	60	246	133	1,206
Balance as at 1 September 2021	**767**	**60**	**246**	**133**	**1,206**
Change on revision of accounting policy (3)	**-**	**-**	**(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**

Bank	Goodwill $m	Customer related intangibles and brands $m	Computer software $m	Assets under construction $m	Total $m
Balance as at 1 September 2020	622	6	89	121	838
Additions	-	-	6	109	115
Transfers to asset	-	-	132	(132)	-
Amortisation charge	-	(2)	(35)	-	(37)
Accelerated amortisation charge	-	-	(1)	-	(1)
Balance as at 31 August 2021	622	4	191	98	915
Balance as at 1 September 2021	**622**	**4**	**191**	**98**	**915**
Change on revision of accounting policy (3)	**-**	**-**	**(35)**	**(12)**	**(47)**
Restated balance as at 1 September 2021	**622**	**4**	**156**	**86**	**868**
Additions	**-**	**-**	**-**	**172**	**172**
Transfer of ME Bank assets (4)	**82**	**56**	**52**	**36**	**226**
Transfers to asset	**-**	**-**	**118**	**(118)**	**-**
Other transfers (5)	**-**	**-**	**(4)**	**-**	**(4)**
Amortisation charge	**-**	**(9)**	**(64)**	**-**	**(73)**
Balance as at 31 August 2022	**704**	**51**	**258**	**176**	**1,189**

(1) The August 2021 financial results include a non-recurring adjustment due to a change in the ME Bank minimum threshold for the capitalisation of intangible assets to align with BOQ.
(2) Comparative information has been restated to reflect the prior period adjustments detailed in Note 5.5(C).
(3) Opening balances have been restated to reflect the adjustments detailed in Note 1.4.
(4) ME Bank intangible assets transferred to the Bank upon ME Bank's ADI licence surrender on 28 February 2022.
(5) Transfer of an asset from the Bank to a subsidiary in the Group.

Recognition and measurement

(i) Goodwill

Goodwill is measured as described in note 5.5 (c). 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 for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments. Please refer to Note 5.9(f) 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

Notes to the financial statements

For the year ended 31 August 2022

4.1 Intangible assets (continued)

(iii) Software (continued)

- 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 ad brands	3-10

Impairment testing of the Cash-Generating Units containing goodwill

For the purpose of the impairment test that is performed at least annually, goodwill is allocated to Cash-Generating Units (CGUs) which represent the Controlled Entity's operating segments - Retail Banking and BOQ Business (refer Note 2.5). The carrying amount of each CGU is compared to its recoverable amount. For the 2022 and 2021 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. 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:

Impairment testing of the Cash-Generating Units containing goodwill (continued)

- Post-tax cash flow projections based on Medium Term Financial Forecast (three year) which is developed annually and approved by management and the Board. Cash flows beyond the three-year forecast are extrapolated to a five year forecast. 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 the regulator requires ADIs to hold as a percentage of total risk-weighted assets.
- 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:

	FY22	FY21
Post-tax discount rate	**9.60%**	9.40%
Common Equity Tier 1 Holdback Rate	**9.65%**	9.00%
Long term growth rate	**3.00%**	3.00%

The directors and management have considered and assessed reasonably possible changes for other key assumptions.

The aggregate carrying amounts of goodwill for Retail Banking and BOQ Business CGUs are:

	2022 $m	2021 $m
Retail Banking	**370**	288
BOQ Business	**397**	394
Total	**767**	682 [(1)]

(1) Prior year Goodwill related to the acquisition of ME Bank was not included for the purpose of the annual impairment testing. The Goodwill was assessed by applying the acquisition method in business combination accounting on 1 July 2021

Sensitivity to changes in assumptions

The calculated headroom for each CGU, under the value in use model described above is:

	2022	2021
Retail Banking	**49**	182
BOQ Business	**7**	286

The table below shows a sensitivity analysis for both Retail Bank and BOQ Business CGUs. There is no impairment of goodwill in either CGU 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 key assumptions that would erode headroom to nil.

	Retail Banking	BOQ Business
Post-tax discount rate	Increase to 9.70%	Increase to 9.62%
Long term growth rate	Decrease to 2.87%	Decrease to 2.97%
Common Equity Tier 1 Holdback Rate	Increase to 9.98%	Increase to 9.71%

Notes to the financial statements

For the year ended 31 August 2022

4.2 Provisions

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	
	2022 $m	2021 (1) $m	2022 $m	2021 $m
Employee benefits (2)	**42**	47	**40**	27
Provision for non-lending loss	**1**	3	**1**	3
Other (3)	**23**	18	**23**	13
Total provisions	**66**	**68**	**64**	**43**

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. During the year, BOQ made remediation payments for base wage, lump-sum entitlement, superannuation and interest for active and former employees. As at 31 August 2022, the remaining provision balance was $8 million (2021: $11 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.

Movements in provisions

Movements in each class of provision during the year, other than employee benefits, are as follows:

	Consolidated		Bank	
2022	Non-lending loss $m	Other $m	Non-lending loss $m	Other $m
Carrying amount at beginning of year	**3**	**18**	**3**	**13**
Transfer of ME Bank Provisions	**-**	**-**	**-**	**5**
Additional provision recognised	**-**	**13**	**-**	**10**
Amounts utilised during the year	**-**	**(7)**	**-**	**(4)**
Release of provision	**(2)**	**(1)**	**(2)**	**(1)**
Carrying amount at end of year	**1**	**23**	**1**	**23**
Current	**1**	**23**	**1**	**23**
Non-current	**-**	**-**	**-**	**-**

	Consolidated		Bank	
2021 (1)	Non-lending loss $m	Other $m	Non-lending loss $m	Other $m
Carrying amount at beginning of year	13	11	13	5
Additional provision recognised	1	15	1	14
Amounts utilised during the year	(1)	(8)	(1)	(7)
Release of provision	(1)	(9)	(1)	(8)
Reclassification from non-lending loss provision (4)	(9)	9	(9)	9
Carrying amount at end of year	**3**	**18**	**3**	**13**
Current	3	18	3	13
Non-current	-	-	-	-

(1) Comparative information has been restated to reflect the prior period adjustments detailed in Note 5.5(C).

(2) 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 long-service leave 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. $36 million (2021: $32 million) of this provision balance is classified as current.

(3) Other provisions include amounts relating to the Group's employee pay and leave entitlements review ($8 million), restructuring ($6 million) and others including an amount relating to alleged contraventions of financial services law by ME Bank prior to its acquisition by the BOQ Group.

(4) During the financial year ended 31 August 2021, the employee pay and leave entitlements review provision has been reclassified from Non-lending loss to Other.

Notes to the financial statements

For the year ended 31 August 2022

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 made.

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 is measured at grant date and expensed over the service period. 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.

No amount is payable by employees for the grant or exercise of the award rights.

Equity Incentive Plan

Effective 1 September 2020, the Group made changes to the way it delivers variable remuneration, including the discontinuation of the PARs plan and the introduction of Premium Priced Options and Performance Shares.

Performance Shares

Performance Shares are delivered in rights that convert to restricted shares at the end of the financial year based on the Board's assessment of performance against the Group Scorecard, risk and conduct. Once converted, the restricted shares vest 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. 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**). On exercise, the options can be settled in cash or an allocation of shares.

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 20 per cent at the end of year one, 10 per cent at the end of year two, 10 per cent at the end of year three and 60 per cent at the end of year four.

Other DARs continue to vest over a three year period.

DARs granted in January 2021 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.

DARs granted in December 2021 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 2022

5.1 Employee benefits (continued)

b) 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

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 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.

CARs may be exercised by the employee once they have vested.

Award Rights Plan

PARs

For PARs granted in December 2018 and December 2019 the 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 2022

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 Bank is as follows:

	Deferred Award Rights		Performance Award Rights		Premium Priced Options		BOQ Transformation Award Rights		BOQ Transformation Award Rights - Virgin		Performance Shares		Restricted Shares		CEO & Chair Awards Rights	
	2022 '000	2021 '000	2022 '000	2021 '000	2022 '000	2021 '000	2022 '000	2021 '000	2022 '000	2021 '000	2022 '000	2021 '000	2022 '000	2021 '000	2022 '000	2021 '000
Balance at beginning of the year	**2,142**	1,606	**1,197**	1,792	**8,034**	-	**248**	431	**40**	66	**661**	-	**300**	73	**-**	-
Granted	**1,605**	1,156	**-**	-	**5,896**	8,034	**-**	-	**-**	-	**875**	661	**104**	295	**404**	-
Forfeited / expired	**(328)**	(170)	**(231)**	(593)	**(2,358)**	-	**(36)**	(63)	**-**	-	**(214)**	-	**-**	(65)	**(22)**	-
Exercised	**(662)**	(450)	**-**	(2)	**-**	-	**(32)**	(120)	**(7)**	(26)	**-**	-	**(125)**	(3)	**-**	-
Outstanding at the end of the year	**2,757**	2,142	**966**	1,197	**11,572**	8,034	**180**	248	**33**	40	**1,322**	661	**279**	300	**382**	-

(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 PARs has been measured using a Monte Carlo simulation approach.

The fair value of DARs, BTAs, VTAs, 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		Performance Award Rights		Premium Priced Options		BOQ Transformation Award Rights		BOQ Transformation Award Rights - Virgin		Performance Shares		Restricted Shares		CEO & Chair Awards Rights	
		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Fair value at grant date	($)	**7.28**	6.97	**-**	-	**0.62**	0.67	**-**	-	**-**	-	**7.31**	7.79	**9.19**	7.04	**6.92**	-
Share price at grant date	($)	**8.05**	7.73	**-**	-	**7.54**	8.02	**-**	-	**-**	-	**7.68**	7.98	**8.01**	7.83	**7.64**	-
Expected volatility	(%)	**25.0**	25.1	**-**	-	**25.0**	25.0	**-**	-	**-**	-	**25.0**	26.4	**25.0**	25.6	**25.0**	-
Risk free interest rate	(%)	**1.2**	0.2	**-**	-	**2.0**	0.4	**-**	-	**-**	-	**0.2**	0.2	**0.2**	0.2	**0.2**	-
Dividend yield	(%)	**5.0**	5.0	**-**	-	**5.0**	5.0	**-**	-	**-**	-	**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 317,125 shares under this plan (2021: 235,498). 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 2022

5.2 Commitments

a) Customer funding commitments

	Consolidated		Bank	
	2022 $m	2021(1) $m	2022 $m	2021(1) $m
Guarantees, indemnities and letters of credit	**285**	259	**285**	259
Customer funding commitments	**5,859**	6,397	**4,885**	2,616
	6,144	6,656	**5,170**	2,875

(1) Comparatives have been restated pertaining to a subset of ME Bank's portfolio following a realignment to BOQ Group's methodology.

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

The Group has lease commitments of $1 million (2021: $103 million) which have not been recognised as lease liabilities on the Balance Sheets as the lease commencement dates are after the end of the financial year. Expenditure on software assets and other expenditure contracted for but not provided on the Balance Sheets is $6 million (2021: $34 million).

St Andrew's

As part of the St Andrew's sale agreement, BOQ provided a capped indemnity of $8.5 million to the buyer, Farmcove Investment Holdings, for a period limited to three years until 2024. No claims on the indemnity have been made up to the date of this report.

5.3 Contingent liabilities

Legal claims, remediation, compensation claims and regulatory enforcement

The Group could be engaged in a range of litigation at any point in time. Where relevant, expert legal advice has been 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, for example in relation to the interest and fees the Group has charged. Some of these investigations and reviews also result in remediation programs. Where relevant, the Group consults with the respective regulator on these matters.

There is a risk that regulators may impose fines or sanctions or take other enforcement action against a company in the Group in relation to these matters.

The Group's regulators, including ASIC, APRA and AUSTRAC also engage with the Group. For example, our regulators may request certain information from us or perform reviews of our compliance arrangements. Throughout the year the Group has had numerous engagements with its regulators and been subject to reviews, including by AUSTRAC. There is a risk that, following such engagement, regulators impose fines, sanctions or take other enforcement actions 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 such reviews and possible exposures remain uncertain.

Notes to the financial statements

For the year ended 31 August 2022

5.3 Contingent liabilities (continued)

The Bank's compliance with the Consumer Data Rights regime (Open Banking)

While BOQ (excluding ME Bank) did not initially meet the Phase 1, 2 or 3 compliance dates, on 30 June 2022 BOQ confirmed to the Australian Competition and Consumer Commission (**ACCC**) that all three phases had been successfully delivered. Separately, ME Bank received an exemption from the ACCC for the CDR requirements until 30 June 2022. ME Bank successfully commenced data sharing on 28 June 2022.

There are a number of further compliance requirements under the CDR regime that are due throughout 2022. This includes requirements to deliver joint account functionality by 1 October 2022, as well as secondary user capability and non-individual accounts by 1 November 2022. While BOQ is largely on track to deliver these requirements, it is likely there will be some delay, although BOQ expects to still deliver each of these requirements by the end of October and November 2022 respectively. The Group also continues to progress implementation of several other CDR requirements, including improvements to ensure that the Group's products have commensurate latency between digital channels and CDR APIs.

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.

On 23 June 2022, the ACCC issued BOQ with an infringement notice in relation to non-compliance with the CDR rules. The notice includes a monetary penalty of $133,200. It is uncertain what other actions (if any) will result following the delay in meeting other CDR requirements as set out in the Rectification Schedule. No provisions have been made in relation to any events that may arise, as any potential future liability of that kind cannot be reliably estimated at this time.

5.4 Related parties information

a) Controlled entities

Details of interests in materially controlled entities are set out in Note 5.5.

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 ME Bank, 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 5.5(A). The Bank receives management fees from its operating controlled entities except ME Bank, 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 5.5(A).

The Bank has a related party relationship with equity accounted joint ventures, refer to Note 5.6.

b) Key management personnel compensation

KMP have authority and responsibility for planning, directing and controlling the activities of the Bank and the Group, including Directors and other Senior Executives.

KMP compensation included in 'administrative expenses' and 'employee expenses' (refer to Note 2.2) is as follows:

	2022 $	2021[(1)] $
Short term employee benefits	**7,225,245**	6,667,311
Long term employee benefits	**87,996**	93,773
Post employment benefits	**294,097**	264,703
Share based employment benefits	**4,688,638**	3,462,943
Termination benefits	**350,000**	-
	12,645,976	10,488,730

(1) Comparative information has been restated in relation to long service leave and to reflect changes to the service period over which the share based employment benefits are expensed for all award types as well as revision to the fair value for shares following reassessment of the grant date. As a result of the restatement, long term employee benefits have decreased by $44,114 and share based employment benefits have increased by $417,232 in the comparative period.

Individual Directors and Senior Executives compensation disclosures

Information regarding individual Directors and Senior Executives' compensation and some 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 2022

5.4 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 (2021: nil).

The loans between the Group and KMP or their related parties up to 31 August 2022 are:

	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	350,000	**2,016,969**	**1,619,353**	**47,616**	**99**
Other related parties	743,279	**1,484,323**	**699,769**	**40,965**	**310**
Total	1,093,279	**3,501,292**	**2,319,122**	**88,581**	**409**

	Balance as at		For the period		
	1 September 2020 $	31 August 2021 $	Total loan drawdowns / (repayments) $	Total loan / overdraft interest $	Total fees on loans / overdraft $
Term products (loans / advances)					
KMP	350,000	350,000	(11,508)	11,508	-
Other related parties	760,430	743,279	(52,449)	34,998	300
Total	1,110,430	1,093,279	(63,957)	46,506	300

(1) Amounts are included only for the period that the Director / Executive is classified as a member of the KMP.

Notes to the financial statements

For the year ended 31 August 2022

5.5 Controlled entities

a) Particulars in relation to materially controlled entities

The Group's controlled entities at 31 August 2022 are set out below. The country of incorporation or registration is also the principal place of business.

	Place of business/ country of incorporation	Parent entity's interest		Amount of investment		Principal activities
Controlled entities:		2022 %	2021 %	2022 $m	2021 $m	
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%	157	157	Investment holding entity
BOQ Share Plans Nominee Pty Ltd	Australia	100%	100%	-	-	Dormant
BOQ Specialist (Aust) Pty Ltd (1)	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. 2 - Sub-Series 2	Australia	100%	100%	-	-	Securitisation
Members Equity Proprietary Limited (2)	Australia	100%	100%	-	1,388	Dormant
ME Portfolio Management Limited (3)	Australia	-	100%	-	-	Deregistered
SMHL Series Private Placement 2014-2	Australia	100%	100%	-	-	Securitisation
SMHL Series Securitisation Fund 2015-1	Australia	-	100%	-	-	Securitisation
SMHL Series Securitisation Fund 2016-1	Australia	100%	100%	-	-	Securitisation
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%	-	-	Securitisation

(1) The company changed type from a public company to a proprietary company on 14 December 2021.
(2) The company changed type from a public company to a proprietary company on 22 July 2022 and was, effectively, dormant following the surrender of its ADI licence and transfer of assets and liabilities to BOQ. Refer to Note 5.5(c) for further information.
(3) ME Portfolio Management Limited was deregistered with ASIC on 27 February 2022.

Notes to the financial statements

For the year ended 31 August 2022

5.5 Controlled entities (continued)

a) Particulars in relation to materially controlled entities (continued)

	Place of business/ country of incorporation	Parent entity's interest		Amount of investment		Principal activities
Controlled entities:		2022 %	2021 %	2022 $m	2021 $m	
Series 2013-1 REDS Trust	Australia	100%	100%	-	-	Securitisation
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%	-	-	Securitisation
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%	-	-	-	Securitisation
St Andrew's Australia Services Pty Ltd	Australia	-	100%	-	-	Insurance holding entity
St Andrew's Insurance (Australia) Pty Ltd	Australia	-	100%	-	-	General insurance
St Andrew's Life Insurance Pty Ltd	Australia	-	100%	-	-	Life insurance
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
				522	**1,910**	

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.

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) Business combinations

On 1 July 2021, the Group acquired 100 per cent of the shares and voting interests in Members Equity Bank Limited (**ME Bank**) for cash consideration of $1.395 billion.

ME Bank engages in the provision of banking services including funding, management and servicing of residential and consumer lending portfolios.

On 28 February 2022, ME Bank surrendered its ADI licence and ME Bank's assets and liabilities were transferred to BOQ.

ME Bank's net assets recognised in the 2021 Annual Report were based on a provisional assessment of their fair value, while the Group continued to finalise various matters impacting the acquisition accounting entries. All matters have been finalised in the current period and resulted in the following adjustments:

Notes to the financial statements

For the year ended 31 August 2022

5.5 Controlled entities (continued)

c) Acquisition of controlled entities (continued)

	Fair value on acquisition 1 July 2021 $m	Adjustments $m	Final fair value on 1 July 2021 $m
Assets			
Cash and cash equivalents	642	-	642
Due from other financial institutions	124	-	124
Debt instruments at FVOCI	3,320	-	3,320
Equity instruments at FVOCI (1)	3	-	3
Property, plant and equipment	73	-	73
Software intangibles	112	(21)	91
Brand intangibles	26	-	26
Customer relationship intangibles	31	-	31
Loans and advances	25,669	-	25,669
Other assets	19	-	19
Total Assets	30,019	(21)	29,998
Liabilities		-	
Deposits	22,302	-	22,302
Derivatives financial liabilities	26	-	26
Accounts payable and other liabilities	161	-	161
Provisions	18	4	22
Current tax liabilities	9	3	12
Borrowings	5,833	-	5,833
Deferred tax liabilities	2	12	14
Total Liabilities	28,351	19	28,370
Net identifiable assets and liabilities	**1,668**	(40)	**1,628**
Other equity instruments	(315)	-	(315)
Goodwill arising on acquisition	35	47	82
Total Purchase consideration transferred	**1,388**	7	**1,395**
Cash acquired	642	-	642
Net cash outflow	**746**	7	**753**

(1) Reclassified to financial assets at FVTPL in the current year.

The goodwill recognised of $82 million represents the fair value of expected future synergies arising from the acquisition.

The adjustments primarily relate to the impact of the SaaS accounting policy change, software intangible asset write-offs and updates to the deferred tax balances based on the revised tax consolidation outcomes.

(i) Entities established during the year

The following entities were established during the financial year:

- Series 2022-1 REDS MHP Trust was opened on 24 March 2022.

Notes to the financial statements

For the year ended 31 August 2022

5.5 Controlled entities (continued)

d) Disposal of controlled entities

On 13 October 2020, the Bank entered into an agreement to sell 100 per cent of its controlled entities - St Andrew's Australia Services Pty Ltd and its subsidiaries, St Andrew's Insurance (Australia) Pty Ltd and St Andrew's Life Insurance Pty Ltd (**the St Andrew's Insurance Group**) to Farmcove Investment Holdings.

The sale completed on 28 October 2021, with direct management and control of St Andrew's Insurance Group business transferred to Farmcove Investment Holdings. As a result, the St Andrew's Insurance Group was deconsolidated and derecognised on 28 October 2021 from the BOQ Group.

The sale resulted in a pre-tax loss of $25 million for the Group for the year ended 31 August 2022.

(i) Entities closed during the year

The following entities were closed during the financial year:

- SMHL Series Securitisation Fund 2015-1 was closed on 26 July 2022.

5.6 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 2022 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	
	2022 (%)	2021 (%)	2022 $m	2021 $m
Joint arrangements (1)				
Ocean Springs Pty Ltd (Brighton)	**9.31**	9.31	**1**	3
Dalyellup Beach Pty Ltd (Dalyellup)	**17.08**	17.08	**7**	7
East Busselton Estate Pty Ltd (Provence)	**25.00**	25.00	**-**	-
Coastview Nominees Pty Ltd (Margaret River)	**5.81**	5.81	**-**	-
Provence 2 Pty Ltd (Provence 2)	**25.00**	25.00	**-**	-
Total equity accounted investments			**8**	10

(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.

Share of profit for equity accounted joint ventures, adjusted for the share of ownership held by the Group, is contained below:

	2022 $m	2021 $m
Profit from continuing operations	**2**	1
Total comprehensive profit	**2**	1

Notes to the financial statements

For the year ended 31 August 2022

5.7 Auditor's remuneration

	Consolidated		Bank	
	2022 $000	2021 (1) $000	2022 $000	2021 (1) $000
Audit services				
- Statutory audits and reviews of the financial reports	**2,290**	2,172	**2,000**	1,826
- Regulatory audits and reviews as required by regulatory authorities	**654**	704	**630**	611
Total audit services	**2,944**	2,876	**2,630**	2,437
Audit related services				
- Other assurance services	**166**	373	**100**	154
Total audit related services	**166**	373	**100**	154
Non-audit services				
- Taxation services	**10**	116	**10**	116
- Other	**596**	250	**387**	250
Total non-audit services	**606**	366	**397**	366

(1) Fees for the prior financial year audit were paid to KPMG Australia.

Non-audit services, other, primarily relate to business specific assurance and reviews.

Details of the amounts paid to other auditors for audit services provided in respect of ME Bank acquisition:

	Consolidated		Bank	
Deloitte	2022 $000	2021 $000	2022 $000	2021 $000
Audit services				
- Statutory audits and reviews of the financial reports	**-**	202	**-**	-
Total audit services	**-**	202	**-**	-

5.8 Events subsequent to balance date

Dividends have been determined after 31 August 2022. The financial effect of the dividends has not been brought to account in the financial statements for the year ended 31 August 2022. 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 2022

5.9 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements and have been applied consistently across the Group.

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. As a result, the Group is considered to retain the risks and rewards of the Trusts 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

Interest rate risk from the Trusts is transferred back to the Bank by way of interest rate and basis swaps. Accordingly, under AASB 9 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 intercompany 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 2022

5.9 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) 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 recognised in profit or loss. Depreciation methods and residual values are reviewed at each reporting date and adjusted if appropriate.

d) 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.

e) 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 - 10
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 2022

5.9 Significant accounting policies (continued)

f) 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 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.

g) 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 3 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 2022

5.9 Significant accounting policies (continued)

g) 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 1-5 years, with an option to renew the lease after that date or repurchase. 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.

Notes to the financial statements

For the year ended 31 August 2022

5.9 Significant accounting policies (continued)

h) 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.

i) 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.

j) Other assets

Other Assets include accrued interest receivable, GST recoverable (see 5.9 d) 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.

k) 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.

Director's declaration

The Directors of Bank of Queensland Limited declare that:

1. In the opinion of the Directors:
    a) the consolidated financial statements and notes (and the remuneration report included within the Directors' Report) set out on pages 71 to 179, are in accordance with the *Corporations Act 2001* (Cth), including:
        i) complying with the Australian Accounting Standards and any further requirements in the *Corporations Regulations 2001*; and
        ii) giving a true and fair view of the financial position of the Bank and Group as at 31 August 2022 and their performance for the year ended 31 August 2022; and
    b) there are reasonable grounds to believe that the Bank and 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 2022.
3. Section 1.2(a) to the financial statements includes a statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Directors.

Patrick Allaway
Chairman
11 October 2022

George Frazis
Managing Director & CEO
11 October 2022

Independent auditor's report

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 2022 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 (the financial report) comprises:

- the Consolidated and Bank Balance sheets as at 31 August 2022
- 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
- the declaration of the Directors.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. 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) 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.

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999

Independent auditor's report

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 legal 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 or 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. These subsidiary entities are considered to be components as the Group prepares financial information for each component for inclusion in the financial report.

The nature, timing and extent of audit work performed for each component was determined by each components' 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, seven 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.

Independent auditor's report

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 have set out in the table below:

Overall Bank and Group Materiality	**$29.9 million**
How we determined it	Approximately 5% of the 2022 financial year net profit before income tax (PBT). We perform this calculation for both the Bank and the Group, and apply the lower of the outcomes in order to avoid duplication of work. For the 2022 financial year, this meant that we used the Bank's PBT.
Rationale for the materiality benchmark applied	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. We chose net profit before income tax because, in our view, it is the metric against which the performance of the Bank and the Group is most commonly measured, and it is a generally accepted benchmark. We utilised a 5% threshold based on our professional judgement, noting that it is within the range of commonly acceptable thresholds.

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. We have communicated the key audit matters to the Audit Committee.

Independent auditor's report

Key audit matter	How our audit addressed the key audit matter
Recoverability of Goodwill *(Refer to note 4.1)* The Bank and Group performed an impairment test over the goodwill balance by calculating the value in use for each cash generating unit (CGU) and comparing this value to the net assets of each CGU including goodwill. We considered the impairment test 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. • Common Equity Tier 1 holdback rate. • Five-year cash flow projections, including annual growth rates. • 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, which are the smallest identifiable groups of assets that can generate largely independent cash inflows, was consistent with our knowledge of the Bank's and the Group's operations and the internal organisational structure. • Evaluated whether the methods applied in calculating and allocating value in use to the identified CGUs were in line with the requirements of Australian Accounting Standards. • Tested the mathematical accuracy of the 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. • Together with PwC valuation experts, assessed the appropriateness of discount rates contained in the models by comparing these to relevant external data. • Tested whether cash flow forecasts, including annual growth rates, and long term growth rates used in the models are consistent with our knowledge of current business conditions, externally derived data (where possible) and our understanding of the business. • Considered the reasonableness of the related disclosures in the financial report in light of 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

Key audit matter	How our audit addressed the key audit matter
Provisioning for Expected Credit Losses *(Refer to note 3.3a))* AASB 9 Financial Instruments requires a Provision for Expected Credit Losses (ECL) to be recognised, the measurement of which is required to be 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, specifically due to the inherent subjectivity and extent of judgement used by the Bank and the Group in the measurement of the provision for ECL, including: • 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; • Identifying and calculating adjustments to the ECL model output (overlays); and • Determining the valuation 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 forward looking assumptions impacting internal credit ratings, 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 were operating effectively, including: • Testing the reliability and accuracy of select inputs to the ECL calculations; and • Review and approval of the macroeconomic scenarios and their associated weights, overlays, and the ECL provision by the Group and Bank's Executive Credit Committee (ECC). In addition to control testing we, along with PwC credit modelling experts and PwC economics experts, performed the following substantive procedures, amongst others: • Assessed the appropriateness of the ECL model methodology applied by the Bank and the Group for a selection of loan portfolios, this included assessing key model components such as SICR and testing the accuracy of the results of certain model monitoring tests; • Assessed the appropriateness of macroeconomic scenarios developed, underlying forecasts and the weightings assigned; • Tested the completeness and accuracy of a selection of data elements used as inputs to the ECL models; • Assessed a selection of overlays identified by the Group and Bank, including assessing the appropriateness of the methodology utilised and testing the underlying dataset used for the calculations; • Tested a selection of credit impaired loan provisions to assess the reasonableness of the provisions recognised; • Considered the reasonableness of the related disclosures in the financial report in light of the requirements of Australian Accounting Standards; and • Considered the impact of events occurring subsequent to the balance date on the provision for ECL.

Independent auditor's report

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 a significant volume of transactions. Due to this, we consider the operation of financial reporting IT systems and controls to be a key audit matter. In particular, in common with all banks, access rights to technology are important because they are intended to ensure that changes to applications and data are appropriately authorised. Ensuring that only appropriate staff have access to IT systems, that the level of access itself is appropriate, and that access is periodically monitored, are key controls in mitigating the potential for fraud or error as a result of a change to an application or underlying data. The Bank and Group have an ongoing multi-year strategic program to uplift systems and technology platforms relevant for 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 operating effectiveness 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 that were key to our audit testing in order to assess the accuracy of certain system calculations 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 in order to respond to the impact on our overall audit approach.

Independent auditor's report

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 71 to 100 of the Directors' report for the year ended 31 August 2022.

In our opinion, the remuneration report of Bank of Queensland Limited for the year ended 31 August 2022 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

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
11 October 2022

Independent auditor's report

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 2022, 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.

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 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.

Shareholding details

1. Twenty largest ordinary shareholders

As at Tuesday 20 September 2022, the following shareholding details applied:

	Number of ordinary shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	101,159,874	15.63
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	65,728,927	10.15
CITICORP NOMINEES PTY LIMITED	38,453,122	5.94
NATIONAL NOMINEES LIMITED	26,072,304	4.03
BNP PARIBAS NOMS PTY LTD	12,948,009	2.00
GOLDEN LINEAGE PTY LTD	3,110,131	0.48
CITICORP NOMINEES PTY LIMITED	2,376,174	0.37
PACIFIC CUSTODIANS PTY LIMITED	1,971,622	0.30
GLENN HARGRAVES INVESTMENTS PTY LTD	1,250,000	0.19
MR KIE CHIE WONG	1,233,000	0.19
BNP PARIBAS NOMINEES PTY LTD	1,161,801	0.18
EMICHROME PTY LIMITED	1,100,594	0.17
CARLTON HOTEL LIMITED	1,084,037	0.17
THE MANLY HOTELS PTY LIMITED	1,045,301	0.16
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,029,958	0.16
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	950,463	0.15
EMICHROME PTY LIMITED	900,000	0.14
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	790,144	0.12
BNP PARIBAS NOMINEES PTY LTD	776,522	0.12
NATIONAL EXCHANGE PTY LTD	760,000	0.12
Total	**263,901,983**	**40.77**

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 Tuesday 20 September 2022, the following holding details applied:

	Number of capital notes	%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	155,040	4.43
CITICORP NOMINEES PTY LIMITED	148,599	4.25
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	109,327	3.12
MUTUAL TRUST PTY LTD	61,941	1.77
DIOCESE DEVELOPMENT FUND - CATHOLIC DIOCESE OF PARRAMATTA	56,238	1.61
JOHN E GILL TRADING PTY LTD	54,593	1.56
NATIONAL NOMINEES LIMITED	39,985	1.14
NETWEALTH INVESTMENTS LIMITED	35,473	1.01
BOND STREET CUSTODIANS LIMITED	32,200	0.92
BNP PARIBAS NOMINEES PTY LTD	31,219	0.89
TRUSTEES OF CHURCH PROPERTY FOR THE DIOCESE OF NEWCASTLE	27,499	0.79
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	24,387	0.70
BERNE NO 132 NOMINEES PTY LTD	23,705	0.68
FEDERATION UNIVERSITY AUSTRALIA	21,935	0.63
BNP PARIBAS NOMINEES PTY LTD	21,811	0.62
INVIA CUSTODIAN PTY LIMITED	21,310	0.61
HAVENFLASH PTY LTD	21,000	0.60
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	17,584	0.50
NAVIGATOR AUSTRALIA LTD	16,832	0.48
NETWEALTH INVESTMENTS LIMITED	15,885	0.45
Total	**936,563**	**26.76**

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 Tuesday 20 September 2022, the following holding details applied:

	Number of capital notes	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	124,938	4.81
CITICORP NOMINEES PTY LIMITED	123,760	4.76
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	117,519	4.52
DIMBULU PTY LTD	75,000	2.88
DIOCESE DEVELOPMENT FUND – CATHOLIC DIOCESE OF PARRAMATTA	58,000	2.23
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	52,194	2.01
NATIONAL NOMINEES LIMITED	49,027	1.89
MUTUAL TRUST PTY LTD	43,062	1.66
BERNE NO 132 NOMINEES PTY LTD	37,436	1.44
BNP PARIBAS NOMINEES PTY LTD	24,616	0.95
NETWEALTH INVESTMENTS LIMITED	22,156	0.85
BNP PARIBAS NOMINEES PTY LTD	20,584	0.79
BERNE NO 132 NOMINEES PTY LTD	20,000	0.77
QM FINANCIAL SERVICES PTY LTD	12,000	0.46
NETWEALTH INVESTMENTS LIMITED	10,676	0.41
SANDHURST TRUSTEES LTD	10,000	0.38
G HARVEY INVESTMENTS PTY LIMITED	10,000	0.38
NULIS NOMINEES (AUSTRALIA) LIMITED	9,979	0.38
COOLAN TRADING PTY LTD	8,513	0.33
SKUA INVESTMENTS PTY LTD	8,075	0.31
MCLEAN CARE LTD	8,036	0.31
Total	**845,571**	**32.52**

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. Distribution of security holders

Distribution of fully paid ordinary shares as at Tuesday 20 September 2022:

Category	Number of shareholders	% of shareholders	Number of shares	% of issued capital
1 - 1,000	**63,273**	53.69	23,224,630	3.59
1,001 - 5,000	**36,845**	31.26	91,659,469	14.16
5,001 - 10,000	**10,071**	8.55	72,332,497	11.17
10,001 - 100,000	**7,468**	6.34	161,110,802	24.89
100,001 - and over	**192**	0.16	299,030,081	46.19
Total	**117,849**	100.00	647,357,479	100.00
Less than marketable parcel (1)	**4,943**	4.19	167,598	0.03

Distribution of capital notes as at Tuesday 20 September 2022:

Category	Number of security holders	% of security holders	Number of securities	% of issued capital
1 - 1,000	**4,655**	91.42	1,487,939	42.51
1,001 - 5,000	**381**	7.48	754,377	21.55
5,001 - 10,000	**25**	0.49	172,033	4.92
10,001 - 100,000	**28**	0.55	672,685	19.22
100,001 - and over	**3**	0.06	412,966	11.80
Total	**5,092**	100.00	3,500,000	100.00
Less than marketable parcel (2)	**44**	0.86	131	0.00

Distribution of capital notes 2 as at Tuesday 20 September 2022:

Category	Number of security holders	% of security holders	Number of securities	% of issued capital
1 - 1,000	**2,685**	88.03	948,884	36.50
1,001 - 5,000	**323**	10.59	671,814	25.84
5,001 - 10,000	**27**	0.89	188,334	7.24
10,001 - 100,000	**12**	0.39	424,751	16.34
100,001 - and over	**3**	0.10	366,217	14.09
Total	**3,050**	100.00	2,600,000	100.00
Less than marketable parcel (3)	**3**	0.10	6	0.00

(1) Based on a closing price of $6.88 on 20 September 2022.
(2) Based on a closing price of $102.91 on 20 September 2022.
(3) Based on a closing price of $102.60 on 20 September 2022.

Shareholding details

5. Partly paid shares

There are no partly paid shares.

6. 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
The Vanguard Group Inc.	32,417,919	6 July 2022
State Street Corporation	39,013,553	6 September 2022

7. Securities exchange listing

The shares of Bank of Queensland Limited (**BOQ**), Capital Notes (**BOQPE**) and Capital Notes 2 (**BOQPF**) 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.

8. Unquoted securities

As at 30 September 2022, the following unquoted securities were on issue:

Unquoted securities [(1)]	Number of holders in the plan	Number of unquoted securities
CEO & Chair Awards	76	371,749
Deferred Award Rights	521	2,741,161
Performance Award Rights	89	947,152
Premium Priced Options	19	10,765,064
Performance Shares	13	796,248
Transformation Award Rights	37	212,386

9. On market buy-back

There is no current on market buy-back.

10. Securities purchased on market

During the year ended 31 August 2022, 2,082,857 shares were purchased on market under the employee incentive scheme [(2)]. The average price per security was $8.64.

11. 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.

Shareholder information

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

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:

2022	
Financial full year end	31 August 2022
Full year results and dividend announcement	12 October 2022
Full year ex-dividend date	27 October 2022
Full year dividend record date	28 October 2022
Full year dividend payment date	17 November 2022
Annual General Meeting	6 December 2022

Glossary

Term	Description
Alternative liquid assets (**ALA**)	Alternative liquid assets are alternative treatments for holdings in the stock of HQLA. These treatments are made available in jurisdictions where there is insufficient supply of HQLA1 (or both HQLA1 and HQLA2) in the domestic currency to meet the aggregate demand of banks with significant exposures in the domestic currency in the LCR framework. Within Australia, a locally-incorporated ADI subject to LCR requirements is able to establish a CLF with the Reserve Bank of Australia, sufficient in size to cover any shortfall in Australian dollars between the ADI's holdings of HQLA and net cash outflows.
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 (**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.

Glossary

Term	Description
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	Average balance over the period for a bank's assets that accrue interest income.
Bank of Queensland Limited (**the Bank** or **BOQ**)	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.
Banking Relief Package (**BRP**)	A form of Government assistance that gives eligible clients the option of deferring loan repayments for a period of time.
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).
Bonus Interest savings Account (**BISA**)	BOQ's Bonus Interest Savings Account is a savings account with a variable base interest rate and a bonus interest rate calculated on a tiered basis.
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.
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.

Glossary

Term	Description
Capital Notes (**BOQPE**) & Capital Notes 2 (**BOQPF**)	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 provides a CLF to certain ADIs as part of Australia's implementation of the Basel III liquidity standards. The facility is 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**)	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.

Glossary

Term	Description
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.
Design and Distribution Obligations and Product Intervention Powers (**DDO**)	A mandatory government legislation that introduces targeted and principles-based design and distribution obligations in relation to financial products.
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.*
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.*

Glossary

Term	Description
Financial Accountability Regime (**FAR**)	Financial Accountability Regime Bill 2022 will replace the Banking Executive Accountability Regime (**BEAR**) and impose core sets of obligations on authorised deposit-taking institutions, insurance companies, and superannuation funds.
Full time equivalent (**FTE**)	A calculation based on number of hours worked by full and part time employees as part of their normal duties.
General reserve for credit losses (**GRCL**)	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 Interpretations Committee (**IFRIC**)	The interpretative body of the International Accounting Standards Board (**IASB**).
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).

Glossary

Term	Description
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.
Line of credit (**LOC**)	A flexible facility that allows a customer to draw down on their approved available credit at any time, as long as the customer does not exceed the approved credit limit.
Liquid assets	All unencumbered RBA repurchase eligible liquid assets including HQLA1 and assets able to be pledged as collateral to the RBA under the CLF.
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.
Members Equity Bank Limited (**ME Bank** or **ME**)	ME Bank is a for profit entity that operates in the retail segment of the domestic market offering primarily home loan products and everyday transaction and online savings accounts.
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 capitalised investment (**CAPEX**)	Net capitalised investment is the amount spent on purchasing or improving capital assets less their cost of the depreciation and amortisation.
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% 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.

Glossary

Term	Description
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.
Novel Coronavirus disease (**COVID-19**)	The Novel Coronavirus disease that was declared as a global pandemic on 11 March 2020.
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.
Purchase Price Allocation (**PPA**)	The amount BOQ allocates to the purchase of assets and liabilities for the ME Bank acquisition.
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.

Glossary

Term	Description
Return on average equity (**ROE**)	Net profit attributable to the owners of the Bank divided by average ordinary equity.
Return on average tangible equity (**ROTE**)	Net profit attributable to the owners of the Bank divided by average ordinary equity less goodwill and identifiable intangible assets.
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.

Glossary

Term	Description
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*.
Wholesale Capital Notes (**WCN**)	Notes that may convert into common shares in certain circumstances as described in the offer documentation of the notes.