ASX RELEASE

BOQ GROUP

Wednesday, 17 April 2024

1H24 FINANCIAL RESULTS

BOQ delivers $172m cash earnings after tax; disciplined execution of strategy and continued strong financial resilience; 17cps 1H24 dividend declared

Statutory net profit after tax	Cash earnings after tax	Net interest margin	Housing loan growth	Business loan growth[1]
$151m	$172m	1.55%	($411m)	$4m
▲ on 1H23	▼33% on 1H23	▼3bps from 2H23	▼1% on 2H23	Stable on 2H23
1H24 dividend per ordinary share[2]	**Cash earnings per ordinary share**	**Cash operating expenses**	**Cash return on av. equity (ROE)**	**Common equity tier 1 (CET1) ratio**
17c	26.2c	$524m	5.8%	10.76%
20c at 1H23	▼33% from 1H23	▲6% on 1H23	8.4% at 1H23	▼15bps from 2H23

Bank of Queensland Limited (**BOQ**) today reported statutory net profit after tax of $151 million for the half year ended 29 February 2024 (**1H24**), with cash earnings after tax of $172 million.

This result included a one-off after tax adjustment of $19 million relating to the sale of non-core New Zealand asset portfolio, as announced to the market on 2 February 2024 and 2 April 2024.

Total income declined 12% from the prior comparative period driven by lower margins due to competitive pressures and a contraction in lending, while expenses increased 6% due to inflation and continued investment in risk, compliance and technology.

Financial resilience remains strong. A CET1 ratio of 10.76% was above the management target range, and spot LCR of 132% reflects an orderly reduction in liquidity as the Term Funding Facility (TFF) repayment has progressed. At the date of this release, 30% of the TFF remains to be repaid[3].

Asset quality remains sound with low loan impairment expense (LIE) and prudent provisioning. The continued focus on economic return resulted in a contraction of the housing portfolio, while growth in niche business banking segments, including novated leasing and lending to the health and agriculture sectors, was partially offset by a cautious approach to commercial real estate lending.

BOQ's focus remains on ***strengthening***, ***simplifying***, ***digitising*** and ***optimising*** our business with the following key achievements in the half:

- Approved Remedial Actions Plans with regulators,
- Simplified operations with sale of non-core asset and progress on productivity program,
- Digital mortgage and legacy migration infrastructure built, with first phase launch in the second half 2024; and
- Organisational shift to focus on return on equity (ROE) and improve shareholder returns.

The Board determined to pay an interim fully franked dividend of 17 cents per share, representing a payout ratio of 65.2% of reported 1H24 cash earnings. The dividend reinvestment plan will operate without a discount.

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Managing Director & Chief Executive Officer Patrick Allaway said:

"This result has been impacted by continuing industry headwinds, with heightened competition for lending and deposits and higher funding costs. Pleasingly, in a reduced revenue and high inflation environment, we have held BAU cost growth at just 1.2% in the half.

Real progress has been made against our strategic priorities. We have made a good start to our simplification productivity agenda and have agreed Remedial Action Plans with our regulators, to continue strengthening the bank. Our digital transformation is progressing on plan. We have built and tested both our digital mortgage and legacy migration infrastructure, with these key milestones moving to delivery stage in the second half.

We have a dedicated and committed leadership team and a clear transformation roadmap. We continue to have high conviction that our transformation plan will address legacy issues and deliver a stronger and simpler bank."

1H24 RESULTS SUMMARY

- **Statutory NPAT** for 1H24 was $151 million, a significant increase on 1H23 and was impacted by a one-off item in relation to the sale of New Zealand asset portfolio.
- **Cash NPAT** for 1H24 was $172 million, a 33% decline on 1H23, driven by lower revenue and higher operating costs.
- **Total income** of $795 million declined 12% on 1H23, driven by a decline in NIM, partly offset by higher average interest earning assets (AIEA).
- **Net interest income** of $725 million decreased by 13% on 1H23, reflecting the sharp decline in NIM during 2H23, partially offset by 1% growth in average interest earning assets.
- **Non-interest income** of $70 million was stable on 1H23.
- **Net interest margin** was 1.55% for 1H24, a 3 basis point decrease on 2H23, driven by continued competition in lending, further competition in deposits and higher funding costs across the industry.
- **Operating expenses** of $524 million increased 6% on 1H23, reflecting impacts from inflation, an uplift in risk, regulatory and compliance and technology investment, partly offset by simplification benefits.
- **Loan impairment expense** of $15 million decreased 56% on 1H23, equating to 4 basis points to gross loans and advances. The decrease was primarily due to lower collective provision expense.
- **Cost to income ratio** of 65.9%, an increase on 1H23, due to both higher operating expenses and lower revenue.
- **1H24 dividend** BOQ has determined to pay an interim 1H24 fully franked dividend of 17 cents per share, representing a payout ratio of 65.2% of reported 1H24 cash earnings.
- **Cash earnings per share** decreased 33% to 26.2 cents per share.
- **Cash return on average equity (ROE)** decreased 260 basis points to 5.8% on 1H23, due to lower cash earnings.

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- **Cash return on tangible equity (ROTE)** declined 340 basis points on 1H23 to 7.2%, due to lower cash earnings.
- **CET1** decreased 15 basis points from 2H23 due to increased investment, securitisation balance run-off and the sale of the non-core New Zealand asset portfolio.
- **Housing loan** contraction of $0.4 billion in the period was reflective of the continued discipline in prioritising economic return over volume growth in what remained a competitive environment.
- **Business loan growth**[1] of $4 million. Growth in novated leasing and lending to the agriculture and healthcare sectors was offset by a cautious approach to lending in the commercial real estate sector.
- **Customer deposit growth** declined by $1.0 billion, or 3%, due to a lower funding requirement. The deposit to loan ratio held broadly flat at 82%, reflecting the Group's strategy for stable and diversified funding sources.
- **Net Promoter Score**[4] BOQ's app advocacy has increased to an NPS of +24 on myBOQ, as compared to +11 on legacy BOQ app.

OUTLOOK[5]

We remain optimistic on the long-term view; the Australian economy remains resilient and well supported by low unemployment and strong investment.

Loan impairment expense is expected to remain below long run averages. With a well secured portfolio and prudent provision settings, BOQ is well positioned for a changing credit loss environment, and we will continue to support customers who might need additional time adjusting.

We anticipate revenue and margin pressures to moderate in the second half of 2024. Deposit competition to continue as TFF refinancing continues. We expect home lending margin compression to stabilise and BOQ's home lending decline to moderate, with business banking growth to increase. While our cost base will be impacted by ongoing inflation and continued investment in the business, we are on track to deliver low single digit BAU expense growth for 2H24.

BOQ has a strong capital position and expects CET1 to remain comfortably within the target range of 10.25 to 10.75%. Our dividend payout ratio target range is 60-75% of cash earnings[6].

In summary, BOQ is methodically executing against its strategy, which will deliver a low cost, digital and data-led bank, positioned for growth and ongoing sustainable shareholder returns.

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1. Business lending comprises commercial lending and asset finance.
2. The dividend will be fully franked and the dividend reinvestment plan will operate with no discount.
3. Includes repayment of April 2024 maturity post balance date
4. RFi Global Report February 2024. Retail and Mortgage NPS ranking refers to Main Financial Institution (MFI) based on six-month rolling average of responses. SME NPS refers to Any Financial Relationship (AFR) for businesses under $40m turnover based on a twelve-month rolling average of responses.
5. Subject to no material change in market conditions.
6. The amount of any dividend will be at the discretion of the Board and will depend on several factors, including a) the recognition of profits and availability of cash for distributions; b) the anticipated future earnings of the company; or c) when the forecast timeframe for capital demands of the business allows for a prudent distribution to shareholders.

INVESTOR BRIEFING

BOQ's results webcast will be held today at 10:00am AEST. The webcast address is:
https://edge.media-server.com/mmc/p/95x3twe6

Participants wishing to join the conference call can register by navigating to:
https://s1.c-conf.com/diamondpass/10037001-rwjk6f.html.

ENDS

Authorised for release by: The Board of Directors of Bank of Queensland Limited

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