

ASX RELEASE

BOQ's financial results for FY21 reflects strong underlying performance and strategy execution. ME Bank integration ahead of schedule.

STATUTORY NET PROFIT AFTER TAX \$369m¹ <small>↑221% from FY20</small>	CASH EARNINGS AFTER TAX \$412m² <small>↑83% from FY20</small>	NET INTEREST MARGIN (NIM) 1.95% <small>Excluding ME Bank ↑4bp from FY20</small> 1.92% <small>Including ME Bank ↑1bp from FY20</small>
COMMON EQUITY TIER 1 (CET1) RATIO 9.80% <small>↑2bps from FY20</small>	FINAL DIVIDEND PER ORDINARY SHARE 22¢ <small>↑5c from 1H21</small>	CASH EARNINGS PER ORDINARY SHARE 74.7¢ <small>↑51% from FY20</small>

FY21 Results Overview

Managing Director and CEO George Frazis: BOQ's financial results for FY21 underscores the Group's progress on strategic execution with strong cash earnings, an increase in NIM and cash EPS growth.

Our refreshed strategy announced in February 2020 set out a clear path to return the Group to sustainable profitability and today's results show our momentum with four consecutive halves of improving performance. We have achieved this during a period marked by uncertainty, and also in a year where we executed the transformative acquisition of ME Bank. This transaction delivers further scale in retail, enhances our portfolio diversification, and we have accelerated capturing synergies from the integration.

Cash earnings of \$412m have increased 83% in FY21 and reflect the strong business momentum through the year. This was driven by above system housing growth in all channels and disciplined NIM and expense management that delivered 2% positive jaws.

COVID-19 has made this another challenging year. The lower unemployment rate is a sign that economic conditions improved for the nation and we are well positioned to capitalise on greater consumer and business confidence from the vaccine rollout. We continue to execute on our strategy, the digital transformation and the ME Bank integration. We improved the digital experience for our customers as we delivered the first phase of the retail digital bank. This lays the foundation for all our retail brands to operate from a common cloud-based digital platform.

We have the capital strength to support our business growth and transformation and our asset quality remains sound with prudent collective provisioning levels.

The Board has therefore determined to pay a final fully franked dividend of 22 cents per share, bringing the FY21 dividend to 39 cents per share. This represents a 61% payout ratio for FY21.

We remain firmly focused on executing on our strategy to transform BOQ into a digital bank with a personal touch to create a compelling proposition for our shareholders, customers, people and the community.

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FY21 Key Financial Results

Statutory NPAT for FY21 was \$369m, a 221% increase on FY20. Excluding ME Bank, statutory NPAT was \$352m, an increase of 206%, driven by increased net interest income and a credit to loan impairment expense, partly offset by higher operating expenses.

FY21 Dividend BOQ has determined to pay a final fully franked dividend of 22 cents per share, bringing the FY21 dividend to 39 cents per share.

Total income of \$1.26bn increased 13% in FY21. Excluding ME Bank, total income increased 5% to \$1.18bn, driven by growth in net interest income as a result of quality asset growth and NIM improvement.

Net Interest Margin was 1.92% for the year. Excluding the impacts from ME Bank, BOQ's underlying NIM increased 4bps for the year to 1.95% and was flat half on half. This improvement was largely driven by lower funding costs and deposit mix, offset partially by market competition and the ongoing impact of a low interest rate environment.

Net Interest Income increased to \$1.13bn, up 14% from FY20, driven by lending growth and NIM improvements. Excluding ME Bank, net interest income increased by 6% for the year.

Non-interest income increased 2% to \$130m. Excluding ME Bank, non-interest income declined by 2% reflecting lower trading and insurance income, partially offset by a new card services arrangement including a \$3m one off benefit in the first half.

Operating expenses increased by 12% to \$684m. Excluding ME Bank, expenses increased \$21m, or 3% compared to FY20. The increase was driven by higher business volumes and the build out of the new Digital Bank and other technology projects.

Net Promoter Score Customer advocacy continues to track positively with BOQ Consumer and Business NPS maintaining their 3rd ranking. Mortgage NPS continued to be ranked 4th in FY21.

Cash NPAT for FY21 was \$412m, an 83% increase on FY20. Excluding ME Bank, cash earnings were \$389m, an increase of 73%, driven by increased net interest income and a credit to loan impairment expense, partly offset by higher operating expenses.

Cash earnings per share increased 51% to 74.7cps in the year. The uplift was due to the strong underlying profit growth for the period.

CET1 at 9.80%, was up 2bps compared to FY20, and comfortably above the target range of 9.0 – 9.5%.³ The strong capital position sees us well placed to support future growth and our transformation investment.

Cost to income ratio improved to 54.4% in FY21. Excluding ME Bank, CTI improved 100bps to 53.9% reflecting positive jaws of 2% for the year.

Loan Impairment expense was a credit of \$21m in FY21 reflecting sound credit, and a \$71m reduction in the collective provision from the improved economic outlook and improvements in data quality relating to collateral.

Lending growth Housing growth (excluding ME Bank) was 1.7x system with growth delivered across all channels. BOQ Business delivered growth of \$0.6bn for the year as market conditions improved. Including ME Bank, BOQ's Gross Loans & Advances totalled \$75.7bn in FY21.

Customer deposit growth excluding ME Bank was \$3.3 billion during the year, with growth in transaction, savings and investment accounts partially reducing reliance on term deposits. The deposit to loan ratio increased to 75% for FY21. Including ME Bank, BOQ's customer deposits totalled \$56.5bn in FY21.

Customer Support We continue to work closely with those customers who require ongoing support to manage the impacts of extended lockdowns. We are providing ongoing lockdown assistance to impacted customers, however these numbers are low, representing 0.5% of retail customers and 0.6% of commercial customers.

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Outlook

Despite the uncertain environment, we are cautiously optimistic that Australia remains well placed for economic recovery, characterised by further house price rises and solid growth in consumer spending and business investment.

BOQ remains focused on achieving sustainable profitable growth. In FY22, we are expecting at least 2% jaws, driven by above system growth in our BOQ and VMA brands, and by returning ME Bank to around system growth by year end. We expect NIM to decline by c.5-7bps in FY22, as competition continues and the low interest rate environment remains. We expect expenses to grow by 3% on an underlying basis to support business growth, which will be offset by accelerated integration synergies.

The integration of ME Bank is well progressed and we continue to execute against our strategic transformation roadmap. Over the next 12 months, the second phase of the Virgin Money Australia (VMA) digital bank will be available to customers and will include home loans and additional deposit products. Work is also well progressed on the first phase of the BOQ digital bank which leverages the foundational investment in VMA.

There may still be uncertainty associated with COVID-19 over the next year. We expect that fiscal and monetary policy will continue to underpin the economic recovery. We will continue to maintain a prudent approach to provisioning given the ongoing impact of lockdowns. We have a strong capital position and expect CET1 to remain comfortably above 9.5%³.

In line with our strategy to focus on distinctive brands serving attractive niche customer segments, the Group expects to complete the divestment of St Andrew's in 1H22.

1. Statutory NPAT of \$352m excluding ME Bank up 206%
2. Cash NPAT of \$389m excluding ME Bank up 73%
3. BOQ intends to operate above the management target range of 9.0 – 9.5% in FY22 until the final impacts of APRA's changes to RWAs and capital calibration are understood. Refer to page 54 in the ME Bank acquisition investor presentation for further detail.

Investor briefing

BOQ's results webcast will be held today at 11am AEDT. The webcast address is <https://edge.media-server.com/mmc/p/kf4dbgcx>

Participants can register for the conference by navigating to <https://s1.c-conf.com/diamondpass/10016813-37sv7d.html> Please note that registered participants will receive their dial in number upon registration.

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

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