BOQ GROUP

2024 HALF YEAR RESULTS

For the period ended 29 February 2024

BOQ Group 2024 Half Year Results

Bank of Queensland Limited | ABN: 32 009 656 740

ASX Appendix 4D
for the half year period ended 29 February 2024

Results for announcement to the market [1]

				$ million
Revenues from ordinary activities [2]	Down	**12%**	to	796
Profit from ordinary activities after tax attributable to members [2] [3]	Up	**3675%**	to	151
Profit for the year attributable to members [2] [3]	Up	**3675%**	to	151

Dividends	Record Date	Paid or payable on	Amounts per security
Ordinary shares (BOQ)			
Full year ordinary dividend - fully franked	**27-Oct-23**	**16-Nov-23**	**21 cents**
Interim ordinary dividend - fully franked	**3-May-24**	**27-May-24**	**17 cents**

(1) Rule 4.2A.3. Refer to Appendix 7.1 for the cross reference index for ASX Appendix 4D.

(2) On prior corresponding period (six months ended 28 February 2023). Based on statutory profit results.

(3) $150 million profit attributable to equity holders of the parent and $1 million profit attributable to other equity instruments.

Contents

Financial performance

For the half year ended 29 February 2024

1. Financial highlights

1.1 Reconciliation of cash earnings to statutory profit

Note on cash earnings to statutory profit

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

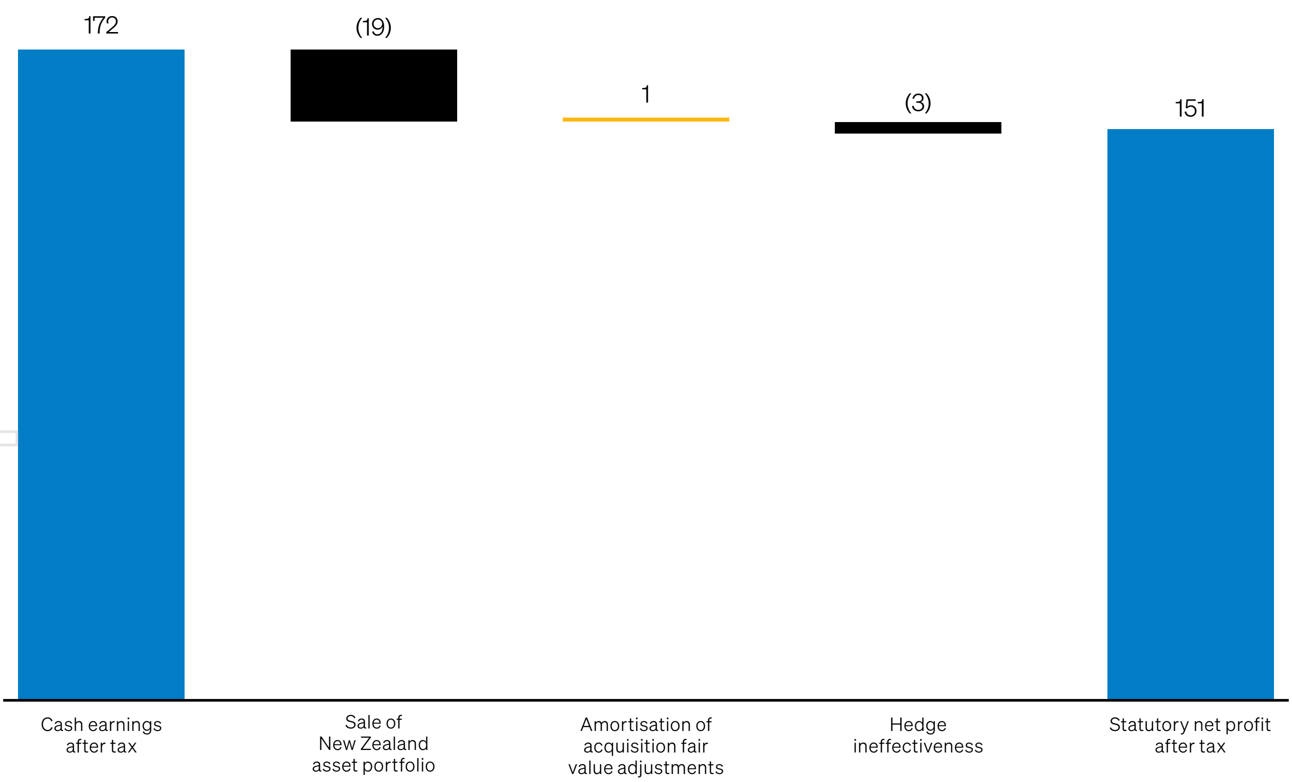
Figures disclosed in the Financial Performance report are on a cash earnings basis unless stated as being on a statutory profit basis. The non-statutory measures have not been subject to an independent audit or review.

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

The exclusions relate to:

- Sale of New Zealand asset portfolio – this represents the impairment loss on sale of a portfolio of assets held by BOQ Finance (NZ) Limited and the New Zealand branch of BOQ Equipment Finance Limited, including incurred and estimated future transaction costs;
- Amortisation of acquisition fair value adjustments – arise from the acquisition of subsidiaries; and
- Hedge ineffectiveness – represents earnings volatility from hedges that are not fully effective and create a timing difference in reported profit. These hedges remain economically effective.

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



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

Financial performance

For the half year ended 29 February 2024

1.1 Reconciliation of cash earnings to statutory profit (continued)

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

	Half year performance				
	Feb 24 $m	Aug 23 $m	Feb 23 $m	Feb 24 vs Aug 23	Feb 24 vs Feb 23
Cash earnings after tax	**172**	194	256	(11%)	(33%)
Sale of New Zealand asset portfolio (1)	**(19)**	-	-	large	large
Amortisation of acquisition fair value adjustments	**1**	3	4	(67%)	(75%)
Hedge ineffectiveness	**(3)**	2	(1)	large	200%
Goodwill impairment (2)	**-**	-	(200)	-	(100%)
ME Bank integration costs (3)	**-**	(44)	(13)	(100%)	(100%)
Remedial Action Plans (4)	**-**	-	(42)	-	(100%)
Restructuring costs (5)	**-**	(35)	-	(100%)	-
Statutory net profit after tax	**151**	120	4	26%	large

(1) The New Zealand asset portfolio sale completed on 31 March 2024. Further detail has been provided in Note 6.4 Controlled entities to the financial statements.
(2) In 1H23, the Group recognised a goodwill impairment of $200 million. Refer to Note 4.1 in the 2023 Annual Report for further detail.
(3) ME Bank integration costs associated with the restructure and integration of Members Equity Bank Limited (**ME Bank** or **ME**). The program closed in FY23.
(4) In 1H23, an after-tax provision of $42 million was raised for the estimated cost of multi-year Remedial Action Plans. Further detail has been provided in Note 6.5.3 Provisions and contingent liabilities to the financial statements.
(5) Restructuring costs incurred as a result of a Group operating model review to simplify the business.

(b) 1H24 Non-cash earnings reconciling items

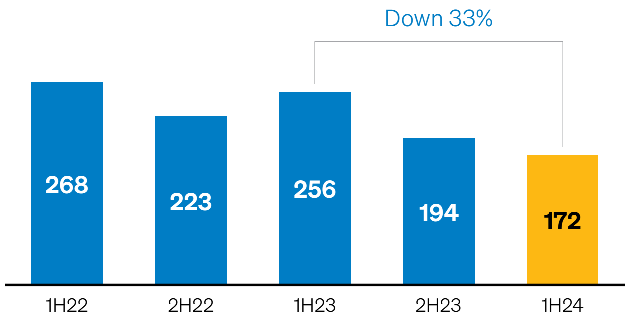
	Cash earnings Feb 24 $m	Sale of New Zealand asset portfolio $m	Amortisation of acquisition fair value adjustments $m	Hedge ineffectiveness $m	**Statutory net profit Feb 24 $m**
Net interest income	**725**	-	5	-	**730**
Non-interest income	**70**	-	-	(4)	**66**
Total income	**795**	-	5	(4)	**796**
Operating expenses	**(524)**	(18)	(5)	-	**(547)**
Underlying profit	**271**	(18)	-	(4)	**249**
Loan impairment expense	**(15)**	-	1	-	**(14)**
Profit before tax	**256**	(18)	1	(4)	**235**
Income tax expense	**(84)**	(1)	-	1	**(84)**
Profit after tax	**172**	(19)	1	(3)	**151**

Financial performance

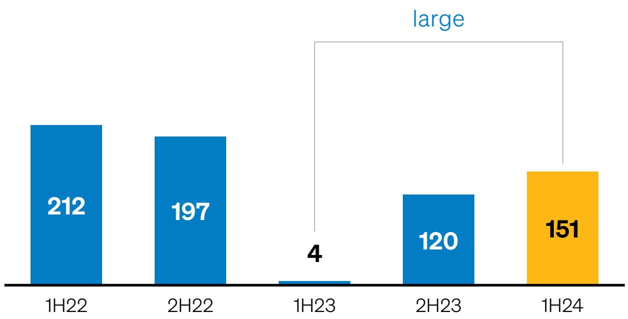
For the half year ended 29 February 2024

1.2 Financial summary

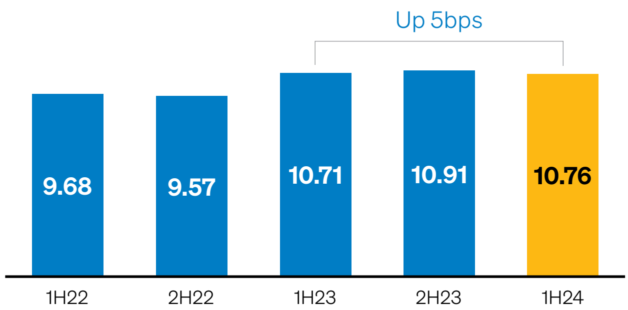
Cash earnings after tax ($m)



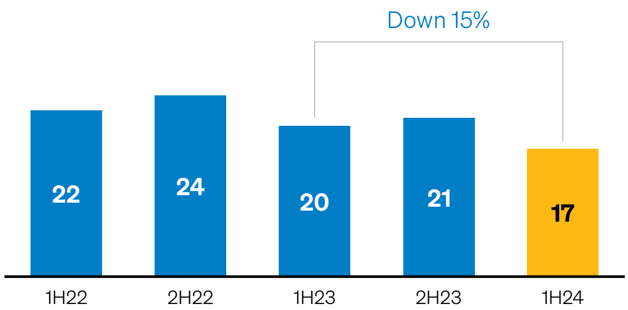
Statutory net profit after tax (**NPAT**) ($m)



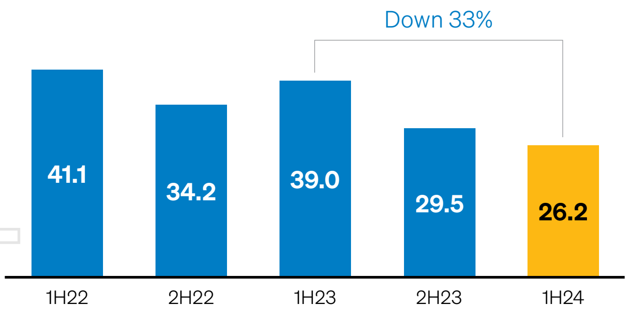
Common equity tier 1 ratio (**CET1 ratio**) (%) [(1)]



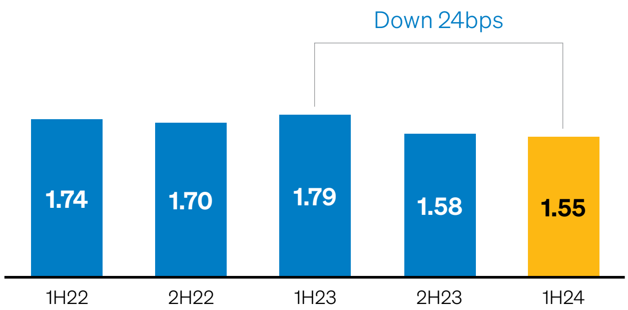
Dividends per ordinary share (cents)



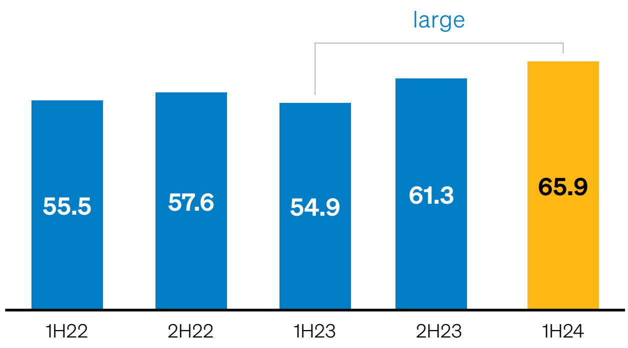
Cash basic earnings per share (**EPS**) (cents)



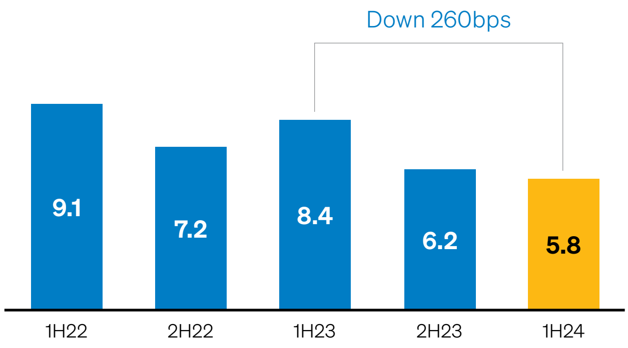
Cash net interest margin (**NIM**) (%)



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



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



(1) During 1H23, Australian Prudential Regulation Authority's (**APRA**) new Basel III capital framework came into effect. The impact of the changes to the measurement of credit risk and operational risk contributed a 120 basis points increase to the CET1 ratio. Periods prior to 1H23 are as previously reported.

Financial performance

For the half year ended 29 February 2024

1.2 Financial summary (continued)

Net profit after tax

$172m

Cash earnings
Down 33 per cent on 1H23.

$151m

Statutory NPAT
Up on 1H23

Cash net profit after tax (**NPAT**) decreased by 33 per cent on 1H23, driven by competition for lending, higher funding costs, inflation and investment in risk, compliance and technology.

Cash net interest margin

1.55%

Decrease of 24 basis points on 1H23 driven by competition for lending and higher funding costs mainly in 2H23.

Cash operating expenses

$524m

Up six per cent on 1H23, reflecting inflationary pressure and investment in risk, compliance and technology.

Cash loan impairment expense (**LIE**)

$15m

Loan impairment expense of $15 million in 1H24 compares to a loan impairment expense of $34 million in 1H23 due to a lower collective provision expense.

CET1 ratio

10.76%

Decrease of 15 basis points on 2H23 driven by higher investment spend, lower securitisation benefits and the New Zealand asset portfolio sale.

Cash ROE

5.8%

Decrease of 260 basis points on 1H23, driven by lower cash earnings.

Cash earnings after tax for 1H24 of $172 million was 33 per cent lower than 1H23. The decrease was driven by a 13 per cent reduction in net interest income and six per cent expense growth, partly offset by a decrease in loan impairment expense. Statutory net profit after tax of $151 million compares to $4 million in 1H23. 1H24 includes a $19 million loss due to the sale of the New Zealand asset portfolio as the business continues to simplify.

Net interest income

Net interest income (**NII**) of $725 million decreased $107 million or 13 per cent on 1H23. This was driven by a 24 basis points decrease in net interest margin (**NIM**) to 1.55 per cent, partially offset by one per cent growth in average interest earning assets (**AIEA**). The reduction in NIM reflected continued competition across both lending and deposits and higher wholesale funding costs as the Term Funding Facility (**TFF**) was replaced. NIM contraction in 1H24 moderated with a decline of three basis points on 2H23.

AIEA increased one per cent on 1H23, predominantly driven by growth in asset finance and commercial lending and higher liquid assets partially offset by contraction in the housing portfolio. The housing contraction reflects a decision to prioritise economic return over volume growth in a competitive market.

Non-interest income

Non-interest income of $70 million was flat on 1H23. Higher income from third party credit card and insurance products and trading income was offset by lower banking fee income.

Operating expenses

Total operating expenses of $524 million increased six per cent on 1H23. This reflected continued inflationary pressure and investment in risk, compliance and technology. This was partially offset by lower marketing spend, lower amortisation and savings from productivity initiatives.

Loan impairment expense

The loan impairment expense of $15 million decreased by $19 million on 1H23. Collective provision expense was lower than in 1H23 reflecting higher house prices, partly offset by the impacts of cost of living and interest rate pressures.

The specific provision expense was $13 million in 1H24. Specific provision activity remains low.

Capital management

The CET1 ratio of 10.76 per cent was 15 basis points lower than 2H23. The capital generated through cash earnings net of dividend was offset by higher investment spend, run off in capital relief securitisation trusts, lower available for sale reserve, higher capital deductions and the sale of the New Zealand asset portfolio. At 10.76 per cent, the CET1 ratio is above the management target range of 10.25 – 10.75 per cent.

Shareholder returns

BOQ has determined to pay an ordinary dividend of 17 cents per share, which is 65 per cent of 1H24 cash earnings. The Board has committed to a target dividend payout ratio of 60-75 per cent. [1]

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

Financial performance

For the half year ended 29 February 2024

1.2 Financial summary (continued)

Remedial Action Plans update

In 2023 BOQ established two multi-year programs of work (**the Programs**) to uplift operational resilience, risk culture and governance (**Program rQ**) and address compliance weakness across the Anti-Money Laundering and Counter-Terrorism Financing operating model (**AML First Program**). Subsequently in May 2023, the Bank entered into a Court Enforceable Undertaking (**CEUs**) with each of the Australian Prudential Regulation Authority (**APRA**) and the Australian Transaction Reports and Analysis Centre (**AUSTRAC**).

BOQ established Remedial Action Plans (**RAPs**) as required by each CEU that set out the actions the Bank must take and the timeframes necessary to address the underlying weaknesses outlined in the CEUs. The RAPs were approved by APRA and AUSTRAC on 30 November 2023 and 20 October 2023 respectively.

BOQ's initial focus was on establishing the Programs, including significant activity to establish sound governance structures, project management and workstream operating practices across the Programs, as well as the mobilisation of resources. BOQ has also executed, and continues to execute, the actions and deliverables required by the RAPs, with numerous deliverables in design, implementation or embedment phases.

An Independent Reviewer has been appointed to oversee the Program rQ RAP and an External Auditor has been appointed to oversee the AML First Program and the RAP. The first reports from these parties have now been submitted to APRA and AUSTRAC respectively. Reports will continue to be produced and submitted to APRA and AUSTRAC every four months in accordance with the conditions of the CEUs.

A provision of $60 million was recognised in 1H23 to improve operational and financial resilience, and risk culture and to address weaknesses in AML compliance practices. The provision excluded the cost of activities related to improvements beyond the matters identified in the CEUs and costs associated with identifying and remediating any potential new issues.

Financial performance

For the half year ended 29 February 2024

2. Group performance analysis

2.1 Income statement and key metrics

	Half year performance				
	Feb 24 $m	Aug 23 $m	Feb 23 $m	Feb 24 vs Aug 23	Feb 24 vs Feb 23
Net interest income (1)	**725**	768	832	(6%)	(13%)
Non-interest income (1)	**70**	72	70	(3%)	-
Total income	**795**	840	902	(5%)	(12%)
Operating expenses (1)	**(524)**	(515)	(495)	2%	6%
Underlying profit	**271**	325	407	(17%)	(33%)
Loan impairment expense (1)	**(15)**	(37)	(34)	(59%)	(56%)
Profit before tax	**256**	288	373	(11%)	(31%)
Income tax expense (1)	**(84)**	(94)	(117)	(11%)	(28%)
Cash earnings after tax	**172**	194	256	(11%)	(33%)
Statutory net profit after tax	**151**	120	4	26%	large

(1) Refer to Section 1.1 Reconciliation of cash earnings to statutory profit for a reconciliation of cash earnings to statutory net profit after tax.

		Half year performance				
Key metrics		**Feb 24**	Aug 23	Feb 23	Feb 24 vs Aug 23	Feb 24 vs Feb 23
SHAREHOLDER RETURNS						
Share price	$	**5.90**	5.76	7.06	2%	(16%)
Market capitalisation	$m	**3,892**	3,786	4,607	3%	(16%)
Dividends per ordinary share (fully franked)	cents	**17**	21	20	(19%)	(15%)
CASH EARNINGS BASIS						
Basic earnings per share (**EPS**)	cents	**26.2**	29.5	39.0	(11%)	(33%)
Diluted EPS	cents	**23.9**	26.3	35.2	(9%)	(32%)
Dividend payout ratio	%	**65.2**	71.0	51.0	large	large
STATUTORY BASIS						
Basic EPS	cents	**22.9**	18.1	0.2	27%	large
Diluted EPS (1)	cents	**21.3**	17.3	0.2	23%	large
Dividend payout ratio	%	**74.4**	115.3	large	large	large

(1) 1H23 diluted EPS has been restated to exclude the impact of the Capital Notes, Capital Notes 2 and Capital Notes 3. These notes were anti-dilutive during the period and as a result, their impact has been excluded from diluted EPS.

Financial performance

For the half year ended 29 February 2024

2.1 Income statement and key metrics (continued)

		Half year performance				
Key metrics		**Feb 24**	Aug 23	Feb 23	Feb 24 vs Aug 23	Feb 24 vs Feb 23
PROFITABILITY AND EFFICIENCY MEASURES						
CASH EARNINGS BASIS						
Net profit after tax	$m	**172**	194	256	(11%)	(33%)
Underlying profit (1)	$m	**271**	325	407	(17%)	(33%)
NIM (2)	%	**1.55**	1.58	1.79	(3bps)	(24bps)
Cost to income ratio (**CTI**)	%	**65.9**	61.3	54.9	460bps	large
Loan impairment expense to gross loans and advances (**GLA**)	bps	**4**	9	8	(5)	(4)
Return on average equity (**ROE**)	%	**5.8**	6.2	8.4	(40bps)	(260bps)
Return on average tangible equity (**ROTE**) (3)	%	**7.2**	7.5	10.6	(30bps)	(340bps)
STATUTORY BASIS						
Net profit after tax	$m	**151**	120	4	26%	large
Underlying profit (1)	$m	**249**	217	131	15%	90%
NIM(2)	%	**1.56**	1.60	1.81	(4bps)	(25bps)
CTI	%	**68.7**	74.5	85.6	large	large
Loan impairment expense to GLA	bps	**3**	9	8	(6)	(5)
ROE	%	**5.1**	3.9	-	120bps	large
ROTE (3)	%	**6.3**	4.8	-	150bps	large
ASSET QUALITY						
30 days past due (**dpd**) arrears	$m	**1,552**	1,262	1,146	23%	35%
90 dpd arrears	$m	**851**	736	592	16%	44%
Impaired assets	$m	**116**	114	133	2%	(13%)
Specific provisions to impaired assets	%	**51**	54	53	(300bps)	(200bps)
Total provision and equity reserve for credit losses (**ERCL**) / GLA	bps	**41**	44	45	(3)	(4)
CAPITAL						
CET1 ratio	%	**10.76**	10.91	10.71	(15bps)	5bps
Total capital adequacy ratio	%	**15.17**	15.64	15.89	(47bps)	(72bps)
Risk weighted assets (**RWA**)	$m	**40,702**	40,680	41,020	-	(1%)

(1) Profit before loan impairment expense and tax.
(2) NIM is calculated net of offset accounts.
(3) 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).

Financial performance

For the half year ended 29 February 2024

2.2 Net interest income

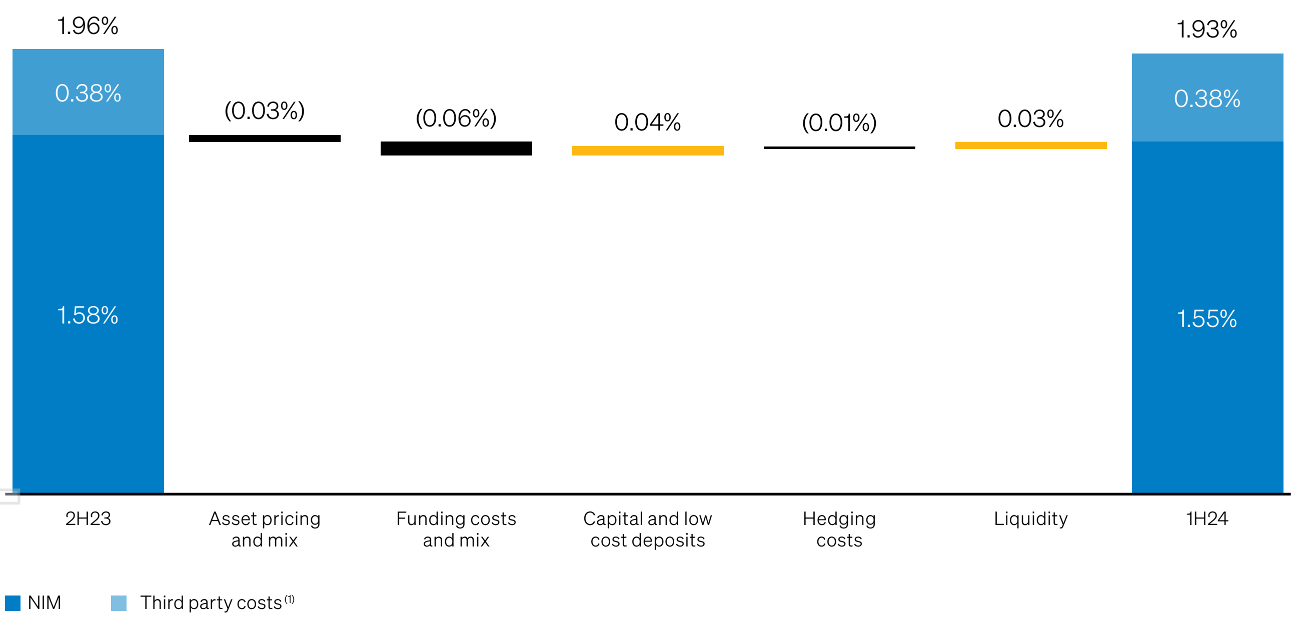
		Half year performance				
		Feb 24	Aug 23	Feb 23	Feb 24 vs Aug 23	Feb 24 vs Feb 23
Net interest income [1]	$m	**725**	768	832	(6%)	(13%)
Average interest earning assets (**AIEA**)	$m	**94,252**	96,231	93,573	(2%)	1%
NIM	%	**1.55**	1.58	1.79	(3bps)	(24bps)

(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 $725 million decreased by $107 million or 13 per cent on 1H23, driven by a 24 basis points decrease in NIM partially offset by one per cent growth in AIEA. NIM compression moderated during 1H24 with a decline of three basis points on 2H23. AIEA increased $0.7 billion or one per cent on 1H23 reflecting higher liquid assets and growth in the commercial lending and asset finance portfolios, partly offset by contraction in home lending reflecting a decision to prioritise economic return over volume growth in a competitive market.

The decrease in NIM on 1H23 reflects continued competition for new housing and commercial loans, retention discounting on existing housing loans, competition for deposits including the shift in customer preference towards higher yielding savings and term deposit products, and higher wholesale funding costs as the TFF was replaced. This was partly offset by the benefit of higher returns on invested and uninvested capital and low-cost deposits in a higher interest rate environment.

Net interest margin - 2H23 to 1H24



(1) Third party costs largely represent commissions to owner-managers and brokers. The 2H23 opening has been adjusted to include the impact of the weighted average life (**WAL**) change made in 2H23.

NIM in 1H24 was 1.55 per cent, down three basis points on 2H23 at 1.58 per cent. The key drivers of the movement are set out below.

Asset pricing and mix (-3bps): Driven by continued competitive pressure on commercial and housing lending margins, including retention discounting. This was partially offset by improved portfolio mix, as customers moved to variable rate loans as fixed rate loans rolled-off.

Funding costs and mix (-6bps): Decline was primarily due to increased competition for deposits and higher wholesale funding costs as the TFF was replaced. Whilst slowing, customers continued to move deposits from lower yielding at call products to higher yielding savings and term deposits.

Capital and low cost deposits (+4bps): The $8.4 billion invested and uninvested capital and low cost deposit portfolios continued to benefit from a higher interest rate environment.

Hedging Costs (-1bp): Driven by increased hedging exposure from a higher share of variable lending as fixed rate maturity towers were reinvested into the variable portfolio while cash bill spreads remained relatively steady.

Liquidity (+3bps): Driven by a decline in lower yielding high-quality liquid assets (**HQLA**) balances.

Financial performance

For the half year ended 29 February 2024

2.3 Non-interest income

	Half year performance				
	Feb 24 $m	Aug 23 $m	Feb 23 $m	Feb 24 vs Aug 23	Feb 24 vs Feb 23
Banking income	**38**	41	44	(7%)	(14%)
Other income	**30**	30	26	-	15%
Trading income	**2**	1	-	100%	large
Non-interest income [(1)]	**70**	72	70	(3%)	-

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

Non-interest income of $70 million was flat on 1H23. Higher income from third party credit card and insurance products and trading income was offset by lower banking fee income.

Banking income decreased $6 million on 1H23 driven by lower foreign exchange sales, lower business lending fees reflecting targeted optimisation of lending to large corporates and reduced bank fees. This was partly offset by higher income from interest rate swap sales.

Other income increased $4 million or 15 per cent on 1H23. The increase was driven by strong momentum in third party credit card and insurance products and higher gains from the sale of leasing equipment.

Trading income increased by $2 million due to limited trading activity in 1H23.

Financial performance

For the half year ended 29 February 2024

2.4 Operating expenses

	Half year performance				
	Feb 24 $m	Aug 23 $m	Feb 23 $m	Feb 24 vs Aug 23	Feb 24 vs Feb 23
Salaries and on costs	**240**	224	211	7%	14%
Employee share programs and other	**14**	13	12	8%	17%
Employee expenses	**254**	237	223	7%	14%
Information technology services	**109**	120	102	(9%)	7%
Amortisation - intangible assets	**34**	38	38	(11%)	(11%)
Depreciation - fixed assets	**2**	2	3	-	(33%)
Technology expenses	**145**	160	143	(9%)	1%
Marketing	**18**	20	25	(10%)	(28%)
Commission to owner-managed branches (**OMB**)	**1**	1	1	-	-
Communications, print and stationery	**16**	16	17	-	(6%)
Processing costs	**8**	7	9	14%	(11%)
Other	**28**	28	28	-	-
Operational expenses	**71**	72	80	(1%)	(11%)
Occupancy expenses	**23**	26	28	(12%)	(18%)
Administration expenses	**31**	20	21	55%	48%
Total operating expenses (1)	**524**	515	495	2%	6%
Cash CTI ratio (%)	**65.9**	61.3	54.9	460bps	large
Number of employees (**FTE**)	**3,169**	3,163	3,180	-	-

(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 $524 million increased six per cent on 1H23. This reflected continued inflationary pressure and investment in risk, compliance and technology. This was partially offset by lower marketing spend, lower amortisation and savings from productivity initiatives.

Employee expenses

Employee expenses of $254 million increased by $31 million or 14 per cent on 1H23. The increase was driven by inflation and investment in resourcing across risk, compliance, and technology including projects. This was partially offset by savings from the consolidation of customer contact centres and simplification of the operating model which resulted in a broadly flat FTE of 3,169.

Technology expenses

Technology expenses of $145 million increased by $2 million or one per cent on 1H23. The increase in information technology services reflected inflationary pressure and investment in the Group's digital transformation and risk mitigation programs. This was largely offset by a decrease in amortisation of $4 million. Information technology services decreased $11 million or nine per cent on 2H23 driven by investment spend composition. This was partially offset by an increase in project staff costs reflected in employee expenses.

Operational expenses

Operational expenses of $71 million decreased by $9 million or 11 per cent on 1H23 due to lower marketing, processing and communications, print and stationery costs. The decrease in marketing was driven by timing of campaign activity aligned to digital transformation milestones.

Occupancy expenses

Occupancy expense of $23 million decreased by $5 million or 18 per cent on 1H23 as a result of optimisation of the Group's property footprint.

Administration expenses

Administration expenses of $31 million increased by $10 million or 48 per cent on 1H23 primarily driven by higher compliance and legal costs.

Financial performance

For the half year ended 29 February 2024

2.5 Capitalised investment expenditure

The Group continues to uplift the digital offerings for its customers and employees along with strengthening the Group's risk and regulatory compliance capabilities.

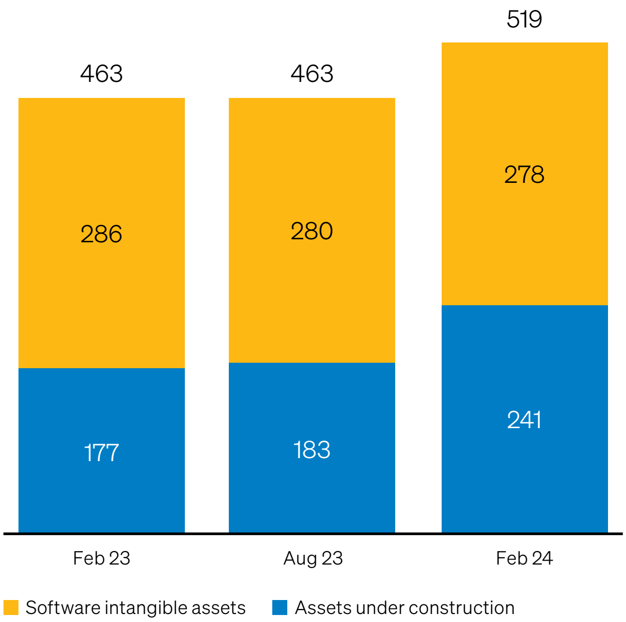
During 1H24, a new collections platform was delivered, providing a single fit for purpose integrated solution for all ME, VMA and BOQ retail brands.

The Group commenced the build of a new customer experience platform that will enhance AML/CTF compliance.

Significant progress has been made on the Group's digital home loan capability for all brands.

The Group is transitioning to Microsoft Azure Public Cloud, building new capabilities and transforming our core infrastructure. Migration of BOQ Specialist systems to the cloud is progressing. Work has commenced to migrate BOQ systems to the cloud while focusing on simplification and consolidation across all brands.

Carrying value of technology intangible assets ($m)



Financial performance

For the half year ended 29 February 2024

2.6 Lending

Gross loans and advances of $80.7 billion contracted by $0.4 billion or one per cent on 2H23, primarily reflecting the continued prioritisation of economic return over housing volume growth. Asset finance contracted one per cent driven by a reduction in non-core portfolios and equipment finance, partly offset by growth in the structured finance portfolio. Commercial lending increased one per cent on 2H23, driven by growth in the agriculture and healthcare sectors, partly offset by a cautious approach to lending in the commercial real estate sector.

	As at				
	Feb 24 $m	Aug 23 $m	Feb 23 $m	Feb 24 vs Aug 23 (1)	Feb 24 vs Feb 23
Housing lending	**57,218**	56,962	58,261	1%	(2%)
Housing lending - APS 120 qualifying securitisation (2)	**5,109**	5,776	5,336	(23%)	(4%)
	62,327	62,738	63,597	(1%)	(2%)
Commercial lending	**11,191**	11,160	11,220	1%	-
Asset finance	**6,936**	6,963	6,785	(1%)	2%
Consumer	**260**	274	299	(10%)	(13%)
Gross loans and advances (3)	**80,714**	81,135	81,901	(1%)	(1%)
Provisions for impairment	**(332)**	(332)	(313)	-	6%
Net loans and advances	**80,382**	80,803	81,588	(1%)	(1%)

(1) Growth rates have been annualised.

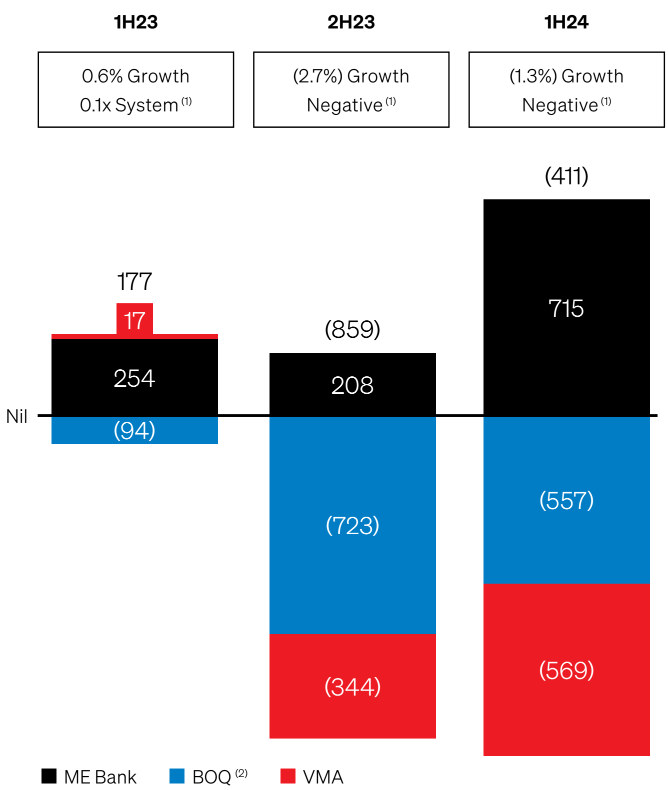
(2) Securitised loans subject to capital relief under APRA's Prudential Standard *APS 120 Securitisation* (**APS 120**).

(3) Gross loans and advances aligns to Note 6.3.4 Loans and advances to the financial statements, "gross loans and advances" after deducting "unearned finance lease income".

Growth in housing lending ($m)

The housing portfolio contracted by $0.4 billion or one per cent on 2H23 representing below system housing lending growth. The 1H24 housing growth profile reflects the prioritisation of return over volume growth in a competitive market, as well as the ongoing moderation of VMA origination in preparation for the upcoming transition to the new digital housing platform. The ME portfolio has grown in line with system with growth largely focused on variable rate loans to owner occupied customers with low loan-to-value ratios.

1H24 was characterised by fewer rate changes, rising cost of living pressures, and housing system growth slowing slightly on the prior year. Fixed rate maturities peaked in 1H24. The strategic focus remains on supporting customers, product and process simplification, digitisation and improved customer experience.



(1) Source: represents latest available APRA Monthly Banking Statistics as at February 2024. Reflects the APRA definition of lending and therefore will not directly correlate to the balance sheet growth.

(2) BOQ includes both the BOQ Retail and BOQ Business brands including BOQ Specialist.

Financial performance

For the half year ended 29 February 2024

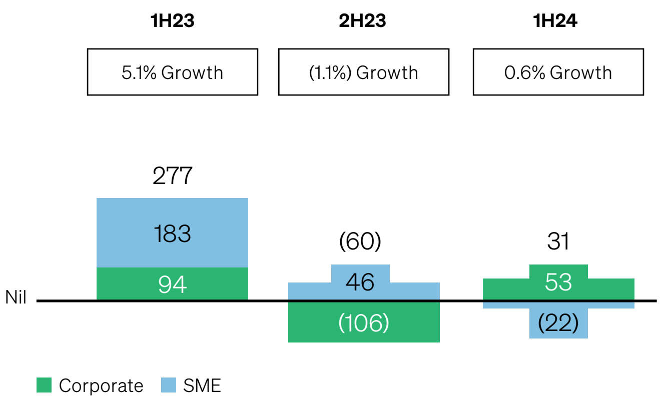
2.6 Lending (continued)

Growth in commercial lending ($m)

The commercial lending portfolio grew $31 million or one per cent on 2H23, driven by growth in the agriculture and healthcare sectors, partly offset by a cautious approach to lending in the commercial real estate sector. BOQ continued to focus on portfolio optimisation and risk adjusted returns throughout the period.

Lending to small and medium sized businesses (**SME**) contracted $22 million as growth in the healthcare sector was offset by contraction in owner-occupied commercial property lending across a diversified range of businesses, reflecting increased levels of competition and the high interest rate environment.

Lending to larger, corporate clients grew $53 million driven primarily by an increase in lending to the healthcare and agriculture sectors. This was partially offset by a contraction in lending to commercial real estate clients (**CRE**) as several development projects successfully completed and paid down, and some customers chose to delay the commencement of new projects given the more challenging conditions in the industry. BOQ continues to take a prudent approach to CRE, with a focus on supporting existing customers and high-quality investment transactions.

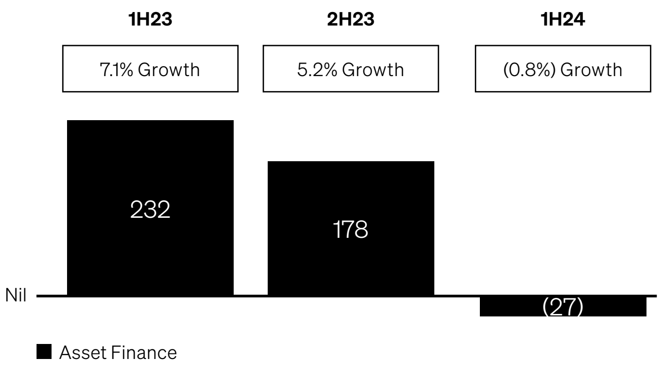


Growth in asset finance lending ($m) [1]

Asset finance contracted $27 million or one per cent on 2H23, driven by contraction in non-core portfolios [2] and the equipment finance business, partly offset by growth in the structured finance portfolio.

BOQ Business saw $47 million of run-off in its non-core portfolios in 1H24, and seasonal contraction in the cashflow finance portfolio, while lending to healthcare professionals also contracted $41 million driven by continued subdued demand across the dental and medical sectors. After delivering strong growth in FY23 as supply chain issues eased and demand for equipment remained high, the equipment finance business saw growth moderate in 1H24 as competitive pressure increased.

The structured finance portfolio grew strongly at $128 million, reflecting strengthening of relationships across the novated leasing sector and increasing demand for electric vehicles.



(1) Asset Finance includes BOQ Finance and BOQ Specialist.
(2) Includes the vendor finance business and the New Zealand portfolio of assets sold on 31 March 2024.

Financial performance

For the half year ended 29 February 2024

2.7 Customer deposits

	As at				
	Feb 24 $m	Aug 23 $m	Feb 23 $m	Feb 24 vs Aug 23 [1]	Feb 24 vs Feb 23
Transaction accounts	**5,251**	5,441	5,752	(7%)	(9%)
Term deposits	**25,643**	25,869	24,361	(2%)	5%
Savings and investment accounts	**29,440**	30,162	29,701	(5%)	(1%)
Sub-total	**60,334**	61,472	59,814	(4%)	1%
Mortgage offsets [2]	**5,632**	5,492	5,734	5%	(2%)
Customer deposits	**65,966**	66,964	65,548	(3%)	1%
Deposit to loan ratio	**82%**	83%	80%	(1%)	2%

(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 decreased by $1.0 billion or three per cent on 2H23. This reflected lower funding requirements driven by contraction in lending as BOQ prioritised returns over volume growth in housing. The Group has continued to maintain strong funding diversification with the deposit to loan ratio at 82 per cent.

Transaction accounts and mortgage offsets

Transaction accounts decreased by $0.2 billion or seven per cent on 2H23, driven by seasonality, a shift to higher yielding products and contraction in legacy portfolios, partially offset by growth in digital brands. Mortgage offsets increased by five per cent as customers moved from fixed to variable rate mortgages and customers sought to reduce overall interest expense in a high interest rate environment.

Term deposits

Term deposits decreased by $0.2 billion or two per cent on 2H23 reflecting continued competition for deposits.

Savings and investment accounts

Savings and investment accounts decreased by $0.7 billion or five per cent against 2H23. Contraction in legacy portfolios were partially offset by growth in digital products.

Financial performance

For the half year ended 29 February 2024

3. Business settings

3.1 Asset quality

		As at				
PROVISION COVERAGE		**Feb 24**	Aug 23	Feb 23	Feb 24 vs Aug 23	Feb 24 vs Feb 23
Specific provision	$m	**59**	61	70	(3%)	(16%)
Collective provision (**CP**)	$m	**273**	271	243	1%	12%
Total provision	$m	**332**	332	313	-	6%
Equity reserve for credit losses (**ERCL**)	$m	**-**	20	40	(100%)	(100%)
Specific provisions to impaired assets	%	**51**	54	53	(300bps)	(200bps)
Total provisions and ERCL / impaired assets [(1)]	%	**286**	317	278	large	large
CP and ERCL / Total RWA [(1)]	bps	**67**	74	73	(7)	(6)
Total provision and ERCL / GLA [(1)]	bps	**41**	44	45	(3)	(4)
IMPAIRED ASSETS						
Retail lending	$m	**23**	22	37	5%	(38%)
Commercial lending	$m	**58**	63	65	(8%)	(11%)
Asset finance	$m	**35**	29	31	21%	13%
Total impaired assets	$m	**116**	114	133	2%	(13%)
Total impaired assets / GLA	bps	**14**	14	16	-	(2)

		Half Year Performance				
LOAN IMPAIRMENT EXPENSE		**Feb 24**	Aug 23	Feb 23	Feb 24 vs Aug 23	Feb 24 vs Feb 23
Retail lending	$m	**1**	(4)	14	large	(93%)
Commercial lending	$m	**10**	23	11	(57%)	(9%)
Asset finance	$m	**4**	18	9	(78%)	(56%)
Total loan impairment expense [(2)]	$m	**15**	37	34	(59%)	(56%)
Total loan impairment expense / GLA [(3)]	bps	**4**	9	8	(5)	(4)

(1) ERCL gross of tax effect.
(2) Refer to Section 1.1 (b) Non-cash earnings reconciling items for a reconciliation of cash loan impairment expense to statutory loan impairment expense.
(3) Movements have been annualised.

Financial performance

For the half year ended 29 February 2024

3.1 Asset quality (continued)

Provision coverage

Total provisions of $332 million remained flat on 2H23, as slightly higher collective provisions were offset by a decrease in specific provisions.

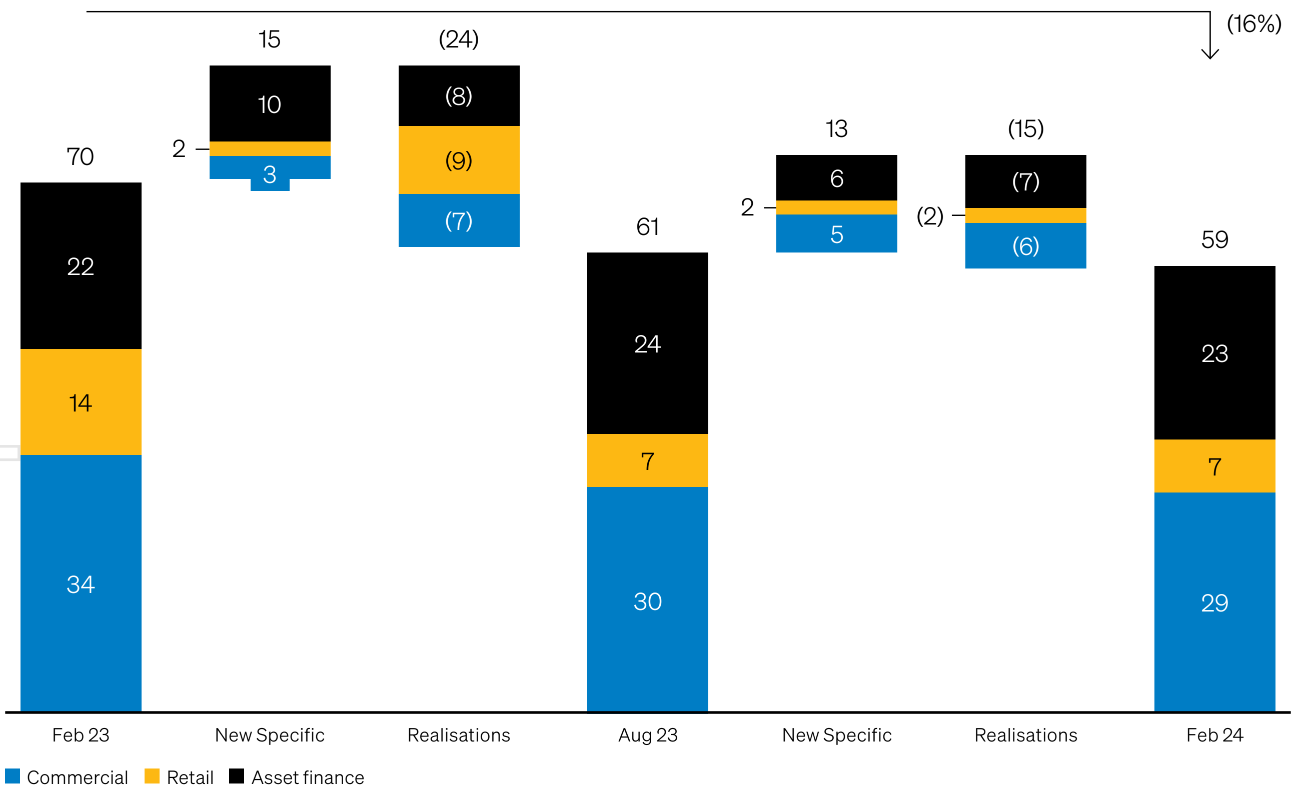
Specific provisions of $59 million decreased by $2 million or three per cent on 2H23. Specific provisions remained subdued in 1H24 due to strong net property value increases over recent years, prudent lending standards and low enforcement activity.

The collective provision of $273 million increased by $2 million or one per cent on 2H23, primarily driven by increases in the commercial portfolio due to increases in arrears and customer downgrading. This has been offset by a reduction in the retail portfolio due to increases in house prices and balance sheet contraction. Since 2H23, further refinements to overlays have been made to ensure unique portfolio factors or industries where inflation and higher interest rates could result in additional stress are considered. Overlays are managed to ensure sufficient provisions are held. Economic forecasts and prudent scenario weightings cater for further uncertainties in the outlook and the possibility of a downturn.

Total provisions coverage to GLAs, excluding ERCL, have remained flat due to decreases in specific provisions offsetting increases in collective provisions. Following an update to APRA Prudential Standard APS 220 Credit Quality on 1 January 2022, the ERCL is no longer a regulatory requirement. While BOQ has prudently maintained the reserve post the update, it has now reached an immaterial level and BOQ released the reserve on the basis that accounting provisions are adequate to cover future expected credit losses.

The following chart outlines the movements in specific provisions since February 2023.

Specific provisions ($m)



Financial performance

For the half year ended 29 February 2024

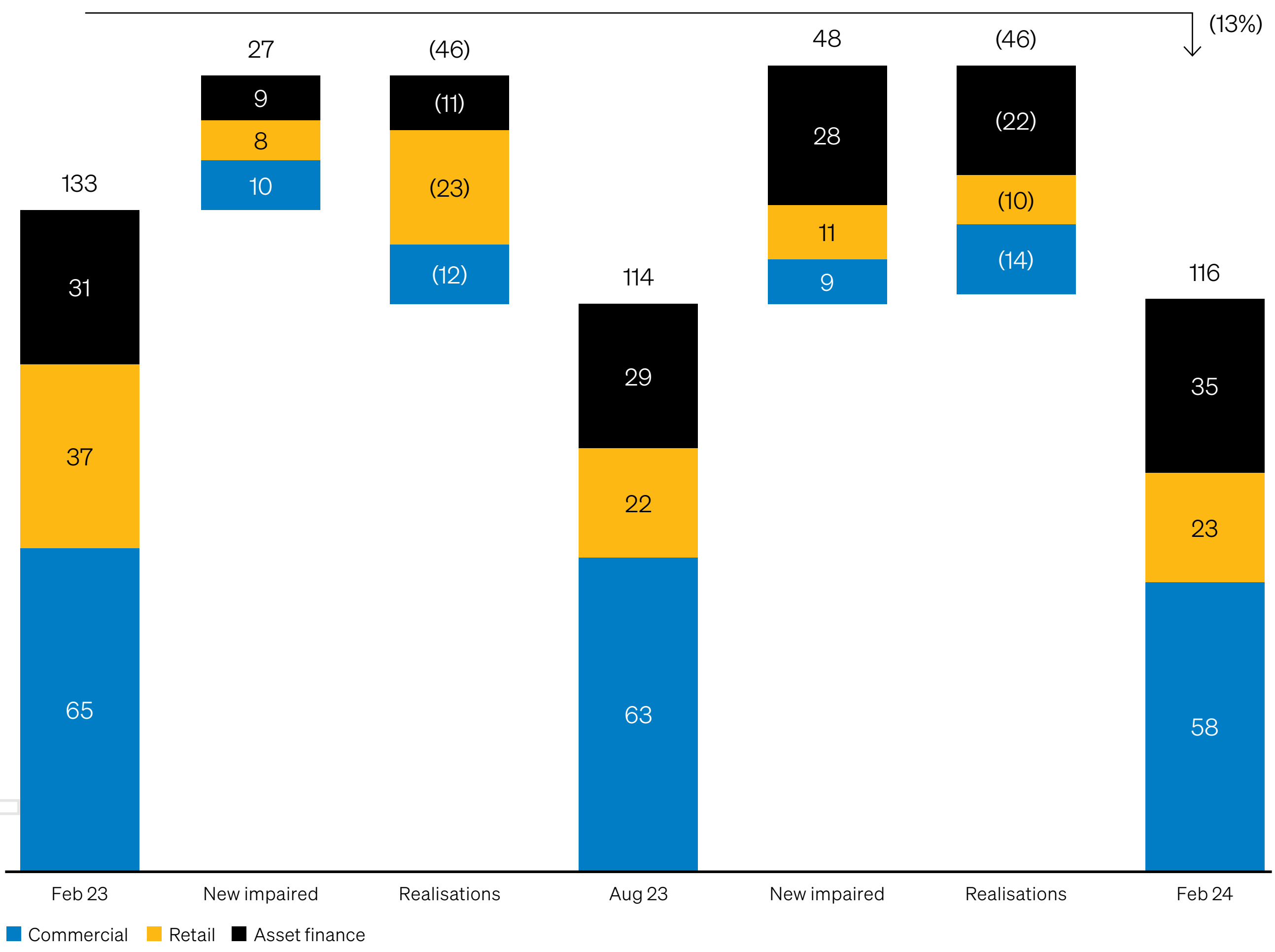
3.1 Asset quality (continued)

Impaired assets

BOQ impaired assets of $116 million increased by $2 million or two per cent on 2H23. The increase was driven by a $6 million or 21 per cent increase on 2H23 in the asset finance portfolio, largely attributable to one exposure. Retail impaired assets increased by $1 million or five per cent on 2H23. This was partially offset by commercial impaired assets which decreased by $5 million or eight per cent on 2H23 reflecting low levels of new specific provision activity.

The following chart outlines the movements in impaired assets since February 2023.

Impaired assets($m)



Loan impairment expense

The loan impairment expense of $15 million for 1H24 was $19 million lower than 1H23 driven by lower collective provision expense and low specific provision activity.

Retail loan impairment expense of $1 million for 1H24 was $13 million lower than 1H23, driven by collective provision decreases as a result of rising house prices and balance sheet contraction.

Commercial loan impairment expense of $10 million for 1H24 was driven by collective provision increases reflecting a rise in arrears and customer downgrading.

Asset finance loan impairment expense of $4 million for 1H24 was driven by a small increase in specific provisions and write offs within the equipment finance portfolios.

Financial performance

For the half year ended 29 February 2024

3.1 Asset quality (continued)

Arrears

Key metrics		The Group Feb 24 portfolio balance $m	Feb 24	Aug 23	Feb 23	Feb 24 vs Aug 23	Feb 24 vs Feb 23
Total lending - portfolio balance	$m		**80,714**	81,135	81,901	(1%)	(1%)
30 days past due	$m		**1,552**	1,262	1,146	23%	35%
90 days past due	$m		**851**	736	592	16%	44%
			Proportion of portfolio				
30 days past due: GLAs			**1.93%**	1.55%	1.40%	38bps	53bps
90 days past due: GLAs			**1.06%**	0.91%	0.72%	15bps	34bps
BY PORTFOLIO							
30 days past due: GLAs (Retail) [1]		**62,587**	**1.96%**	1.55%	1.35%	41bps	61bps
90 days past due: GLAs (Retail) [1]			**1.00%**	0.87%	0.66%	13bps	34bps
30 days past due: GLAs (Commercial)		**11,191**	**2.05%**	1.78%	1.59%	27bps	46bps
90 days past due: GLAs (Commercial)			**1.52%**	1.25%	0.99%	27bps	53bps
30 days past due: GLAs (Asset finance)		**6,936**	**1.51%**	1.33%	1.63%	18bps	(12bps)
90 days past due: GLAs (Asset finance)			**0.82%**	0.74%	0.90%	8bps	(8bps)

(1) Retail arrears includes housing and consumer lending.

Arrears in both the 30 days past due (**DPD**) and 90 DPD categories increased compared to 2H23 driven by interest rate and cost of living pressures.

Retail arrears

Retail arrears increased by 41 basis points for the 30 days DPD category and 13 basis points for the 90 DPD category since 2H23. The increase in arrears reflected seasonality, unprecedented consecutive interest rate rises and challenging cost of living pressures.

Commercial arrears

Commercial arrears increased by 27 basis points in the 30 DPD category and by 27 basis points in the 90 DPD category since 2H23. Rising arrears are primarily due to expired facilities and challenging trading conditions impacting a small number of customers in certain industries.

Asset finance arrears

The asset finance portfolio arrears increased 18 basis points in the 30 DPD category and eight basis points in the 90 DPD category since 2H23. Higher interest rates and cost of living pressures have also impacted the consumer borrowing sector within BOQ's asset finance portfolio.

Financial performance

For the half year ended 29 February 2024

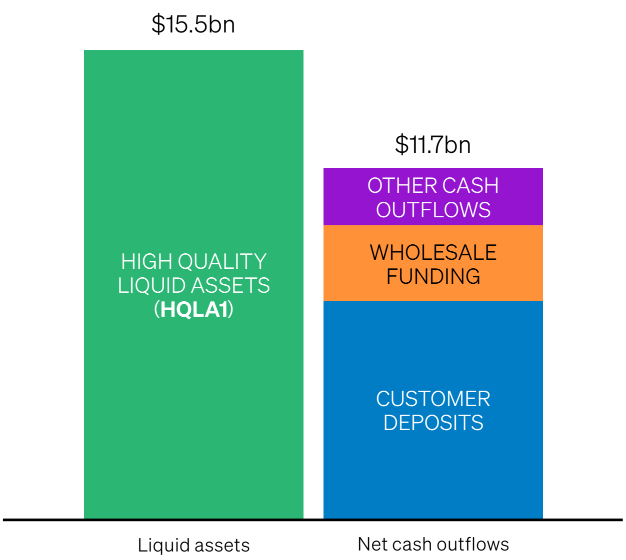
3.2 Funding and liquidity

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

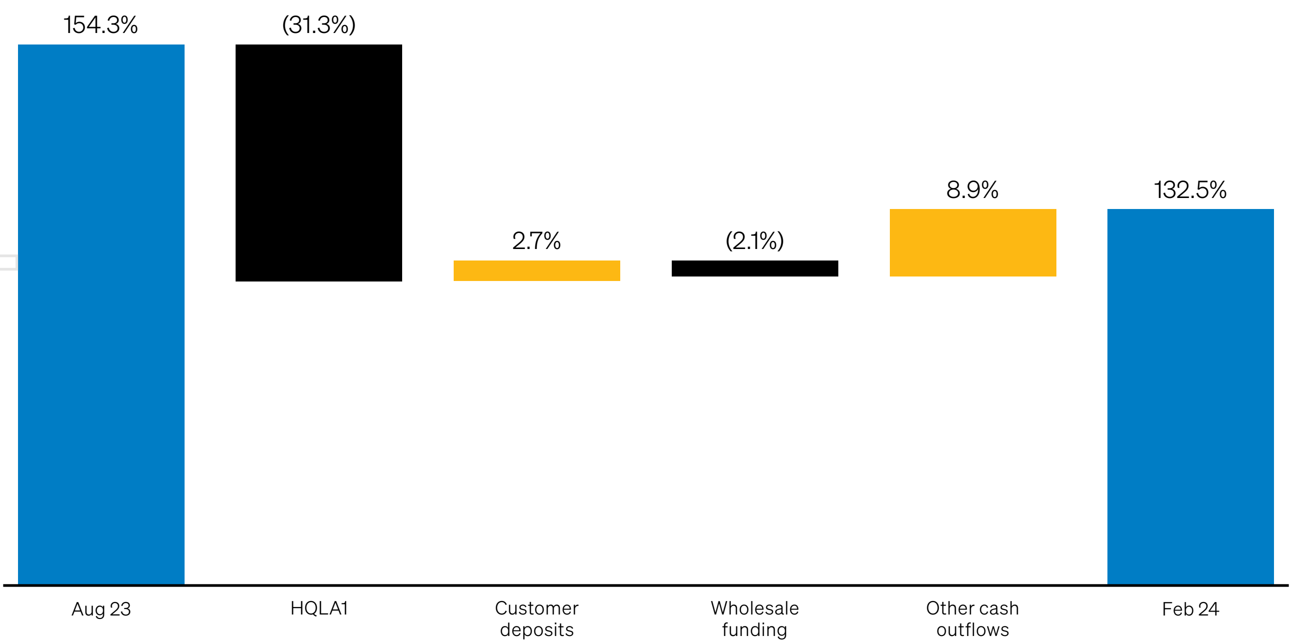
Liquidity coverage ratio (LCR)

APRA requires that authorised deposit-taking institutions (**ADIs**) maintain a minimum LCR of 100 per cent. BOQ manages its LCR on a daily basis and actively maintains a buffer above the regulatory minimum in line with BOQ's prescribed risk appetite and policy settings. BOQ's level 2 spot LCR at 29 February 2024 was 132 per cent, a decrease of 22 per cent from 31 August 2023, which was elevated due to the execution of the REDS 2023-1 transaction. The main driver of the reduction in spot LCR in 1H24 was a decrease in HQLA1, which was primarily used to fund wholesale maturities including the Term Funding Facility (**TFF**). The September TFF maturity was already in the LCR window at 31 August 2023, which was elevating net cash outflows (**NCO**). NCO's have since declined, providing uplift to LCR. The average level 2 LCR in 1H24 was 147 per cent, down two per cent from 2H23.

LCR - February 2024 (132%)



LCR waterfall 31 August 2023 - 29 February 2024



Financial performance

For the half year ended 29 February 2024

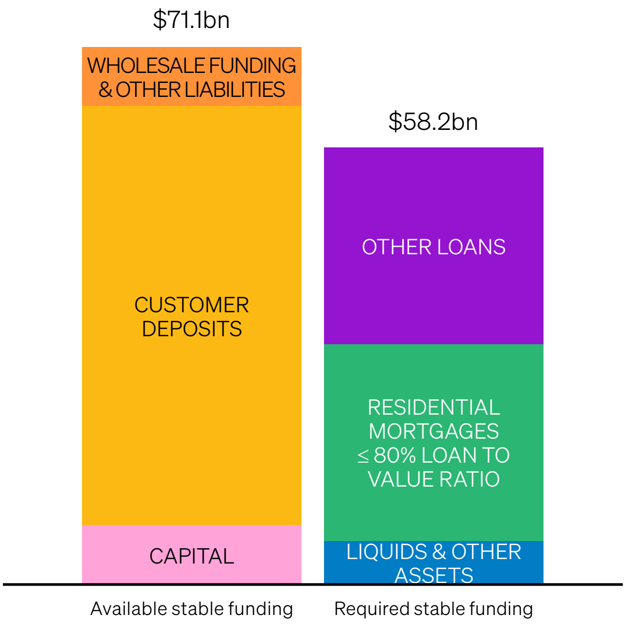
3.2 Funding and liquidity (continued)

Net stable funding ratio (NSFR)

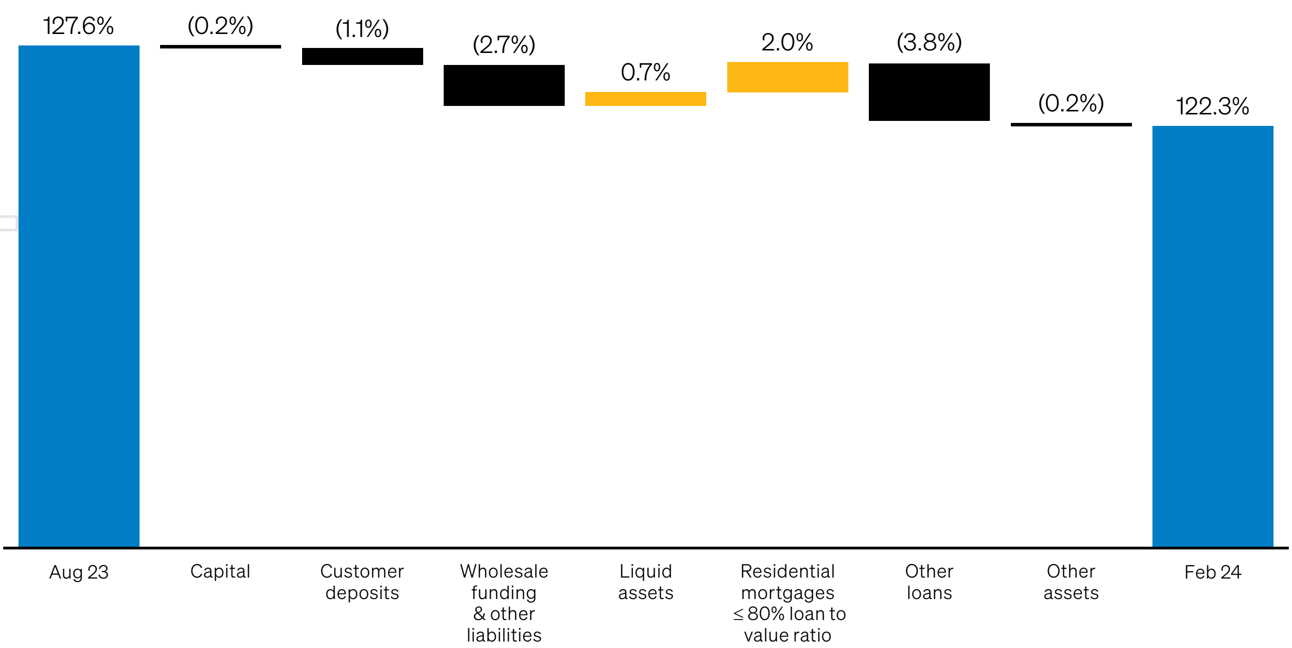
The NSFR encourages ADIs to fund their lending activities with more stable sources of funding, thereby promoting greater balance sheet resilience. BOQ manages its NSFR on a daily basis and actively maintains a buffer above the regulatory minimum of 100 per cent, in line with BOQ's prescribed risk appetite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

BOQ's level 2 NSFR at 29 February 2024 was 122 per cent, which was six per cent lower than 31 August 2023. The decline was primarily due to aging of long term wholesale maturities and a contraction in long term wholesale and customer deposits. Additionally, collateral held against the TFF that matured in 1H24 has moved to a higher weighting in the NSFR denominator (required stable funding) and had a small downward impact on the NSFR overall.

NSFR - February 2024 (122%)



NSFR waterfall 31 August 2023 - 29 February 2024



Financial performance

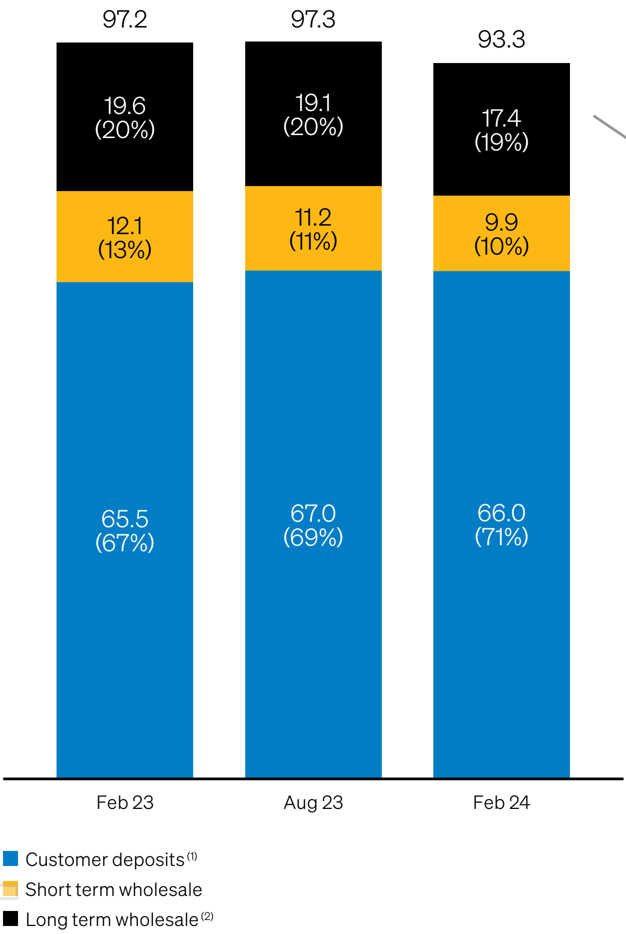
For the half year ended 29 February 2024

3.2 Funding and liquidity (continued)

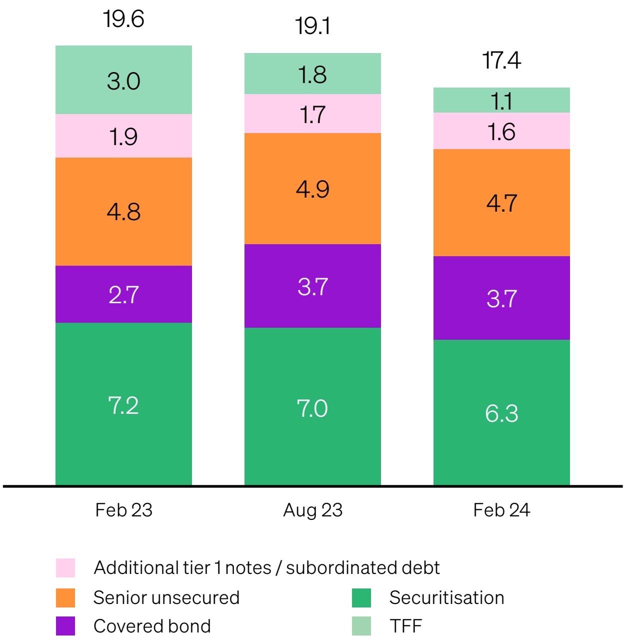
Funding

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

Funding mix ($bn)



Long term wholesale ($bn)



(1) The classification of customer deposits is defined as all deposits excluding those from financial institutions as defined under APS 210 Liquidity.

(2) Foreign currency balances have been translated at end of day spot rates.

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 1H24, BOQ continued to focus on growing the proportion of customer deposits within its funding mix which has assisted with refinancing TFF maturities and reduced the proportion of long term wholesale from 20 per cent to 19 per cent. As at February 2024, $1.1 billion remained out of the Group's $3.0 billion TFF, which matures by June 2024.

Financial performance

For the half year ended 29 February 2024

3.2 Funding and liquidity (continued)

Term funding issuance

BOQ accessed term funding markets in 1H24 using two long term wholesale products with the intention of complementing customer deposits. This included a $250 million one year domestic senior unsecured transaction in December 2023 and a $1 billion securitisation transaction under the REDS Residential Mortgage-Backed Securities (**RMBS**) program, which settled in March 2024. BOQ also redeemed the $100 million ME Bank AT1 Capital Notes (Series 2) without issuing a replacement security.

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

Major maturities ($m) [(1)(2)(3)]

(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 $100 million shown but 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.

Financial performance

For the half year ended 29 February 2024

3.3 Capital management

The Group's capital management 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 Group's Internal Capital Adequacy Assessment Process (**ICAAP**) provides the framework to ensure that the Group is capitalised to meet internal capital targets and APRA's requirements. The ICAAP is reviewed regularly and submitted to the Board annually for approval. The Group's capital position is monitored on a continuous basis and reported monthly to the Asset and Liability Committee and Board.

APRA's revised Basel III capital framework became effective on 1 January 2023. The Board has determined that BOQ will target to operate within the Common Equity Tier 1 (**CET1**) range of between 10.25-10.75 per cent, in normal operating conditions.

Capital adequacy

	Feb 24 $m	Aug 23 $m	Feb 23 $m	Feb 24 vs Aug 23	Feb 24 vs Feb 23
QUALIFYING CAPITAL FOR LEVEL 2 ENTITIES [(1)]					
COMMON EQUITY TIER 1 CAPITAL					
Ordinary share capital	**5,331**	5,318	5,286	-	1%
Reserves	**343**	414	515	(17%)	(33%)
Retained profits, including current period profits	**330**	290	316	14%	4%
Total CET1 Capital	**6,004**	6,022	6,117	-	(2%)
REGULATORY ADJUSTMENTS					
Goodwill and intangibles	**(1,110)**	(1,069)	(1,073)	4%	3%
Deferred expenditure	**(417)**	(409)	(427)	2%	(2%)
Other deductions	**(96)**	(106)	(223)	(9%)	(57%)
Total CET1 regulatory adjustments	**(1,623)**	(1,584)	(1,723)	2%	(6%)
CET1 Capital	**4,381**	4,438	4,394	(1%)	-
Additional Tier 1 Capital	**1,010**	1,110	1,110	(9%)	(9%)
Total Tier 1 Capital	**5,391**	5,548	5,504	(3%)	(2%)
Provisions eligible for inclusion in Tier 2 capital	**149**	179	177	(17%)	(16%)
Tier 2 Capital	**636**	636	836	-	(24%)
Total Tier 2 Capital	**785**	815	1,013	(4%)	(23%)
Total Capital	**6,176**	6,363	6,517	(3%)	(5%)
Total RWA	**40,702**	40,680	41,020	-	(1%)
CET1 ratio	**10.76%**	10.91%	10.71%	(15bps)	5bps
Net Tier 1 Capital ratio	**13.25%**	13.64%	13.42%	(39bps)	(17bps)
Total Capital adequacy ratio	**15.17%**	15.64%	15.89%	(47bps)	(72bps)

(1) APRA Prudential Standard APS 001 'Definitions' defines Level 2 as the Group and all of its subsidiary entities other than non-consolidated subsidiaries. The non-consolidated subsidiaries excluded from Level 2 regulatory measurements at 29 February 2024 are:

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

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

Financial performance

For the half year ended 29 February 2024

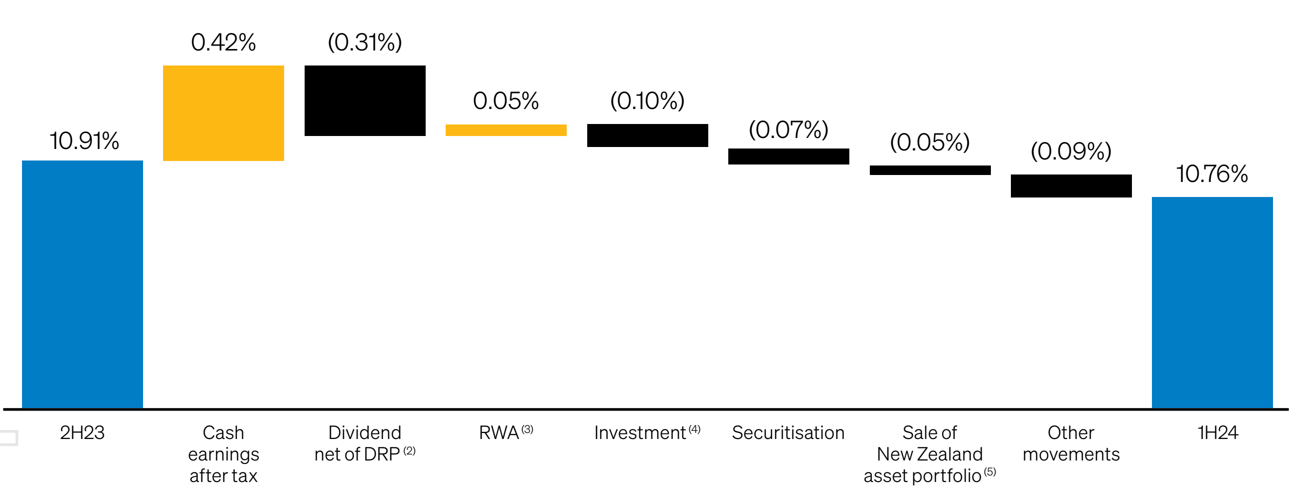
3.3 Capital management (continued)

The Group's CET1 ratio decreased by 15 basis points during 2H23 from 10.91 per cent to 10.76 per cent.

The movement was driven by:

- Cash earnings after tax of $172 million (42 basis points increase);
- Payment of the FY23 final dividend net of dividend reinvestment plan (**DRP**) share issuance (31 basis points decrease);
- Underlying credit RWA decrease and loan origination costs increase (five basis points increase). RWA growth excludes the impact of capital efficient securitisations;
- Investment in line with the strategic roadmap, net of amortisation (10 basis points decrease);
- Reduction in capital relief securitised loan RWAs due to run-off (seven basis points decrease);
- Impact of impairment loss (post-tax) related to the sale of the New Zealand asset portfolio and associated transaction costs (five basis points decrease); and
- Other movements which decreased the ratio by nine basis points. These movements included:
  - Higher capital deductions for Deferred Tax Assets in excess of Deferred Tax Liabilities (eight basis points decrease);
  - A lower available for sale reserve (five basis points decrease);
  - A transfer of the Equity Reserve for Credit Losses (**ERCL**)[(1)] to retained earnings (five basis points increase); and
  - Other items (one basis point decrease).

1H24 CET1 ratio walk



(1) The ERCL is excluded from the Common Equity Tier 1 capital base and added back to Tier 2 capital. The transfer to retained earnings resulted in a decrease in Tier 2 capital and an increase in the Common Equity Tier 1 capital base.

(2) The DRP operated with no discount. Participation was 9.6 per cent.

(3) Includes loan origination costs, data refinements and operational RWA.

(4) Capitalised expenses net of amortisation.

(5) Impact of the New Zealand asset portfolio sale related to the impairment loss incurred in 1H24.

3.4 Tax expense

BOQ tax expense arising on cash earnings for 1H24 amounted to $84 million. This represented an effective tax rate of 32.8 per cent on a cash earnings basis, which is above the corporate tax rate of 30 per cent primarily due to the non-deductibility of interest payable on capital notes issued in FY18, FY21 and FY23.

Financial performance

For the half year ended 29 February 2024

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 1.2 million customers through a network of 121 [(1)] owner-managed and 22 corporate branches, third-party intermediaries, more than 3,800 automated teller machines (**ATM**), Australian-based customer call centres, digital services, and mobile mortgage specialists.

	Half year performance				
	Feb 24 $m	Aug 23 $m	Feb 23 $m	Feb 24 vs Aug 23	Feb 24 vs Feb 23
Net interest income	**393**	429	500	(8%)	(21%)
Non-interest income	**46**	43	45	7%	2%
Total income	**439**	472	545	(7%)	(19%)
Operating expenses	**(366)**	(357)	(349)	3%	5%
Underlying profit	**73**	115	196	(37%)	(63%)
Loan impairment expense	**2**	3	(16)	(33%)	large
Profit before tax	**75**	118	180	(36%)	(58%)
Income tax expense	**(25)**	(38)	(57)	(34%)	(56%)
Cash earnings after tax	**50**	80	123	(38%)	(59%)

		Half year performance				
Key metrics [(2)]		**Feb 24**	Aug 23	Feb 23	Feb 24 vs Aug 23	Feb 24 vs Feb 23
PERFORMANCE INDICATORS						
CTI	%	**83.4**	75.6	64.0	large	large
Net interest income / average GLA [(3)]	%	**1.54**	1.64	1.93	(10bps)	(39bps)
ASSET QUALITY						
90 dpd arrears	$m	**588**	519	399	13%	47%
Impaired assets	$m	**16**	19	29	(16%)	(45%)
Loan impairment expense / GLA	bps	**(1)**	(1)	6	-	(7)
BALANCE SHEET						
GLA		**55,432**	55,854	56,674	(2%)	(2%)
Housing	$m	**55,264**	55,671	56,474	(1%)	(2%)
Other retail	$m	**168**	183	200	(16%)	(16%)
Credit risk weighted assets [(4)]	$m	**16,997**	17,299	18,036	(4%)	(6%)
Customer deposits [(5)]	$m	**35,949**	36,440	35,286	(3%)	2%
Term deposits	$m	**14,289**	13,943	12,458	5%	15%
Mortgage offsets	$m	**4,271**	4,216	4,417	3%	(3%)
Savings and investment	$m	**13,900**	14,673	14,630	(11%)	(5%)
Transaction accounts	$m	**3,489**	3,608	3,781	(7%)	(8%)
Deposit to loan ratio	%	**65**	65	62	-	300bps

(1) Owner-managed branches of 121 includes 9 transaction and service centres.
(2) Balance sheet key metrics have been annualised for Feb 24 vs Aug 23.
(3) Calculated on a cash earnings basis and net of mortgage offsets.
(4) Credit RWAs reflect on balance sheet exposures.
(5) Treasury managed customer deposits are included in the Group's Other operating business unit.

Financial performance

For the half year ended 29 February 2024

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

1H24 vs 1H23

Retail Bank cash earnings after tax of $50 million decreased by $73 million or 59 per cent on 1H23, driven by a $107 million or 21 per cent reduction in net interest income and a $17 million or five per cent increase in operating expenses. Loan impairment expense reduced by $18 million on 1H23.

Net interest income

Net interest income of $393 million decreased by $107 million or 21 per cent on 1H23, reflecting a two per cent contraction in the housing portfolio and a 39 basis points decline in net interest margin (**NIM**). The rate of NIM compression has eased over the last six months.

Spot balance sheet movements included:

- Housing contraction of $1.2 billion or two per cent on 1H23, representing growth below system. 1H24 continued to reflect the prioritisation of returns in a highly competitive housing market; and
- Customer deposits grew $0.7 billion or two per cent on 1H23, driven by growth in term deposits partially offset by a contraction in savings and transaction account balances, reflecting a greater consumer demand for higher yielding products.

Net interest margin of 1.54 per cent decreased by 39 basis points, reflecting higher funding costs, continued competitive pressure across customer deposits including the impact of customers switching to higher yielding deposit products. Home lending NIM contracted reflecting increased competition.

Non-interest income

Non-interest income of $46 million increased by $1 million or two per cent on 1H23 as increased commissions from third party credit card and insurance providers were partly offset by lower lending fee income.

Operating expenses

Operating expenses of $366 million increased by $17 million or five per cent on 1H23, driven by inflation, investment in technology transformation, and an uplift in resourcing across risk and compliance, partly offset by productivity initiatives and the consolidation of customer contact centers.

Loan impairment expense

Loan impairment credit of $2 million compares to a $16 million expense in 1H23, driven by collective provision reductions reflecting improved house prices and balance sheet contraction, partly offset by uncertainty from cost of living pressures and rising interest rates.

1H24 vs 2H23

Retail Bank cash earnings after tax decreased $30 million or 38 per cent on 2H23, driven by a $36 million or eight per cent reduction in net interest income and a $9 million or three per cent increase in operating expenses.

Net interest income

Net interest income decreased by $36 million or eight per cent on 2H23 driven by a 10 basis points reduction in net interest margin, a one percent contraction in the housing portfolio, and the impact of a lower day count in 1H24.

Spot balance sheet movements included:

- Housing contraction of $0.4 billion on 2H23 representing growth below system. 1H24 housing continued to reflect the prioritisation of returns in a highly competitive housing market; and
- Customer deposits contracted $0.5 billion on 2H23, reflecting the optimisation in group funding requirements as lending volumes moderate. Growth in term deposits was more than offset by a reduction in savings and transaction account balances, reflecting a greater consumer demand for higher yielding products.

Net interest margin decreased 10 basis points reflecting higher funding costs, continued competitive pressure across customer deposits including the impact of customers switching to higher yielding deposit products. Home lending NIM contracted reflecting increased competition.

Non-interest income

Non-interest income increased by $3 million or seven per cent on 2H23 as increased commissions from third party credit card and insurance providers more than offset the reduction in lending fee income.

Operating expenses

Operating expenses increased by $9 million or three per cent on 2H23, driven by inflation, investment in technology transformation and an uplift in resourcing across risk and compliance. This was partly offset by productivity initiatives and the consolidation of customer contact centers.

Loan impairment expense

Loan impairment expense was broadly flat on 2H23 as the impact of continued uncertainty from cost of living pressures was offset by improved house prices and balance sheet contraction.

Financial performance

For the half year ended 29 February 2024

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

Overview

The BOQ Business 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, home lending and deposit solutions for business customers.

	Half year performance				
	Feb 24 $m	Aug 23 $m	Feb 23 $m	Feb 24 vs Aug 23	Feb 24 vs Feb 23
Net interest income	**329**	347	339	(5%)	(3%)
Non-interest income	**21**	24	24	(13%)	(13%)
Total income	**350**	371	363	(6%)	(4%)
Operating expenses	**(158)**	(158)	(146)	-	8%
Underlying profit	**192**	213	217	(10%)	(12%)
Loan impairment expense	**(17)**	(40)	(18)	(58%)	(6%)
Profit before tax	**175**	173	199	1%	(12%)
Income tax expense	**(58)**	(56)	(63)	4%	(8%)
Cash earnings after tax	**117**	117	136	-	(14%)

		Half year performance				
Key metrics [1]		**Feb 24**	Aug 23	Feb 23	Feb 24 vs Aug 23	Feb 24 vs Feb 23
PERFORMANCE INDICATORS						
CTI	%	**45.1**	42.6	40.2	250bps	490bps
Net interest income / average GLA [2]	%	**2.76**	2.87	2.89	(11bps)	(13bps)
ASSET QUALITY						
90 dpd arrears	$m	**263**	216	193	22%	36%
Impaired assets	$m	**100**	95	104	5%	(4%)
Loan impairment expense / GLA	bps	**14**	31	14	(17)	-
BALANCE SHEET						
GLA	$m	**25,282**	25,281	25,227	-	-
Housing	$m	**7,063**	7,067	7,123	-	(1%)
Commercial and other	$m	**11,283**	11,251	11,319	1%	-
Asset finance	$m	**6,936**	6,963	6,785	(1%)	2%
Credit risk weighted assets [3]	$m	**17,124**	16,672	16,555	5%	3%
Customer deposits [4]	$m	**10,578**	10,684	11,102	(2%)	(5%)
Term deposits	$m	**2,314**	2,303	2,138	1%	8%
Mortgage offsets	$m	**1,361**	1,275	1,316	14%	3%
Savings and investment	$m	**5,141**	5,273	5,677	(5%)	(9%)
Transaction accounts	$m	**1,762**	1,833	1,971	(8%)	(11%)
Deposit to loan ratio	%	**42**	42	44	-	(200bps)

(1) Balance sheet key metrics have been annualised for Feb 24 vs Aug 23.
(2) Calculated on a cash earnings basis and net of mortgage offsets.
(3) Credit RWAs reflect on balance sheet exposures.
(4) Treasury managed customer deposits are included in the Group's Other operating business unit.

Financial performance

For the half year ended 29 February 2024

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

1H24 vs 1H23

BOQ Business cash earnings after tax of $117 million decreased $19 million or 14 per cent on 1H23. Underlying profit contracted $25 million or 12 per cent driven by a $13 million or four per cent reduction in total income and operating expense growth of $12 million or eight per cent. Loan impairment expense was $17 million in 1H24, a decrease of $1 million on 1H23.

Net interest income

Net interest income of $329 million reduced by $10 million or three per cent on 1H23, reflecting flat lending assets and a 13 basis points contraction in net interest margin.

Spot balance sheet movements included:

- Commercial and other lending contraction of $36 million driven by run-off in the commercial real estate portfolio, partly offset by growth in the agriculture and healthcare sectors;
- Asset finance growth of $151 million or two per cent driven primarily by the structured finance and dealer finance businesses;
- Housing contraction of $60 million or one per cent reflecting a decision to prioritise returns over volume growth in a highly competitive housing market; and
- Customer deposits contraction of $524 million or five per cent, driven by a reduction in savings and investment deposits and transaction accounts, partly offset by increased customer demand for higher yielding term deposits.

Net interest margin of 2.76 per cent decreased by 13 basis points reflecting competitive pressure on home and business lending margins and higher funding costs, partly offset by higher deposit earnings in the rising interest rate environment.

Non-interest income

Non-interest income of $21 million was down $3 million on 1H23 reflecting lower business lending fees and foreign exchange sales, partly offset by higher gains from the sale of leasing equipment and increased interest rate sales.

Operating expenses

Operating expenses of $158 million increased by $12 million or eight per cent on 1H23 reflecting inflation, an uplift in risk and compliance resourcing, and investment in technology transformation, partly offset by productivity initiatives.

Loan impairment expense

Loan impairment expense of $17 million was down $1 million on 1H23 reflecting low levels of specific provisioning in the commercial portfolio. Collective provisions rose in 1H24 reflecting increases in arrears and customer downgrading.

1H24 vs 2H23

Cash earnings after tax were flat on 2H23. Underlying profit contracted $21 million or ten per cent driven by a $21 million or six per cent reduction in total income and flat operating expenses. This was partly offset by a $23 million decrease in loan impairment expense.

Net interest income

Net interest income of $329 million reduced by $18 million or five per cent reflecting flat lending assets, an 11 basis points contraction in net interest margin and the impact of a lower day count in 1H24.

Spot balance sheet movements included:

- Commercial and other lending growth of $32 million or one per cent driven by growth in the agricultural and healthcare sectors, partly offset by run-off in the commercial real estate portfolio;
- Asset finance contraction of $27 million or one per cent driven by run-off in non-core portfolios and contraction in equipment finance, partly offset by growth in the structured finance business;
- Housing contraction of $4 million reflecting a decision to prioritise returns over volume growth in a highly competitive housing market; and
- Customer deposits contraction of $106 million or two per cent reflecting lower savings and investment and transaction deposits, partly offset by an increase in mortgage offsets.

Net interest margin of 2.76 per cent decreased by 11 basis points reflecting competitive pressure on home and business lending margins and higher funding costs.

Non-interest income

Non-interest income of $21 million decreased $3 million driven by lower foreign exchange sales and a reduction in business lending fees.

Operating expenses

Operating expenses of $158 million were flat on 2H23 as the impact of inflationary pressure was offset by productivity initiatives.

Loan impairment expense

Loan impairment expense of $17 million was down $23 million on 2H23 reflecting low levels of specific provisioning in the commercial portfolio. Collective provisions rose in 1H24 reflecting increases in arrears and customer downgrading.

Financial performance

For the half year ended 29 February 2024

4.3 Other income statement and financial performance review

Overview

The Other business unit includes Treasury and Group Head Office.

	Half year performance				
	Feb 24 $m	Aug 23 $m	Feb 23 $m	Feb 24 vs Aug 23	Feb 24 vs Feb 23
Net interest income / (expense)	**3**	(8)	(7)	large	large
Non-interest income	**3**	5	1	(40%)	200%
Total income / (loss)	**6**	(3)	(6)	large	large
Operating expenses	**-**	-	-	-	-
Underlying profit / (loss)	**6**	(3)	(6)	large	large
Loan impairment expense	**-**	-	-	-	-
Profit / (loss) before tax	**6**	(3)	(6)	large	large
Income tax (expense) / benefit	**(1)**	-	3	large	large
Cash profit / (loss) after tax	**5**	(3)	(3)	large	large

Financial performance review

Cash profit after tax of $5 million in 1H24 compares to cash loss after tax of $3 million in 1H23 reflecting higher interest income and Treasury related income.

Net interest income / (expense)

Net interest income of $3 million in 1H24 compares to net interest expense of $7 million in 1H23. This was driven by the timing impact of break costs and benefits and other ongoing interest rate management.

Non-interest income / (expense)

Non-interest income of $3 million was primarily driven by Treasury related fees and gains.

4.4 Outlook

The Australian economy ended the period resilient although growing at below the long run average. There has been a modest rise in the unemployment rate, declining business confidence and low consumer confidence. We expect the economy will improve over the course of 2024 reflecting declining inflation, income tax cuts and the likelihood of falling global cash rates. BOQ's view is that Australia has reached the top of the cash rate cycle although monetary policy easing may not occur until the end of 2024 or early 2025.

The Group's performance outlook for FY24 is outlined below:

- Housing credit has bottomed and will likely modestly pickup over the next year;
- Continued strong competition for home lending;
- Business credit growth may ease a little further in the next half;
- Competition for quality business lending;
- Continued industry wide competition for deposits due to the replacement of the Term Funding Facility;
- Ongoing delivery of the Group's simplification agenda;
- Continued investment in the Group's digital transformation and strengthening of its operational resilience;
- Loan impairment expense to increase back towards long run averages; and
- Continued support for customers in managing the financial burden of higher interest rates.

Financial performance

For the half year ended 29 February 2024

5. Appendix to Financial performance

5.1 Cash EPS calculations

		Half year performance				
		Feb 24	Aug 23	Feb 23	Feb 24 vs Aug 23	Feb 24 vs Feb 23
RECONCILIATION OF CASH EARNINGS FOR EPS						
Cash earnings after tax	$m	**172**	194	256	(11%)	(33%)
Returns to other equity instruments [1]	$m	**(2)**	(3)	(5)	(33%)	(60%)
Fair value adjustment on ME AT1 capital notes [1]	$m	**1**	1	3	-	(67%)
Cash earnings available for ordinary shareholders	$m	**171**	192	254	(11%)	(33%)
Effect of capital notes 1	$m	**10**	9	8	11%	25%
Effect of capital notes 2	$m	**7**	7	6	-	17%
Effect of capital notes 3	$m	**11**	10	5	10%	120%
Cash diluted earnings available for ordinary shareholders	$m	**199**	218	273	(9%)	(27%)
WEIGHTED AVERAGE NUMBER OF SHARES (WANOS)						
Basic WANOS - ordinary shares	m	**656**	652	648	1%	1%
Effect of award rights	m	**6**	6	5	-	20%
Effect of capital notes 1	m	**60**	60	50	-	20%
Effect of capital notes 2	m	**44**	45	37	(2%)	19%
Effect of capital notes 3	m	**69**	69	34	-	103%
Diluted WANOS for cash earnings EPS [2]	m	**835**	832	774	-	8%
EARNINGS PER SHARE						
Cash basic EPS - ordinary shares	cents	**26.2**	29.5	39.0	(11%)	(33%)
Cash diluted EPS - ordinary shares	cents	**23.9**	26.3	35.2	(9%)	(32%)

(1) BOQ redeemed ME Bank AT1 Capital Notes (Series 2) in full on 5 December 2023 without issuing a replacement security. For further details refer to Note 6.3.2 (b) Other equity instrument to the financial statements.

(2) The Group had awarded 13,002,358 employee share options as at 29 February 2024. The options were anti-dilutive during the period and therefore have not impacted diluted WANOS.

Financial performance

For the half year ended 29 February 2024

5.2 Average balance sheet and margin analysis

The following tables outline the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate for each of 1H24, 2H23, 1H23.

	1H24			2H23			1H23		
	Average balance $m	**Interest $m**	**Average rate %**	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
INTEREST EARNING ASSETS									
Loans and advances [(1)]	**75,055**	**2,058**	**5.51**	75,924	1,909	4.99	75,659	1,610	4.29
Investments and other securities	**19,197**	**401**	**4.20**	20,307	380	3.71	17,914	249	2.80
Total interest earning assets	**94,252**	**2,459**	**5.25**	96,231	2,289	4.72	93,573	1,859	4.01
Non-interest earning assets									
Property, plant and equipment	**188**			232			256		
Other assets	**2,382**			2,280			2,590		
Provision for impairment	**(323)**			(312)			(297)		
Total non-interest earning assets	**2,247**			2,200			2,549		
Total assets	**96,499**			98,431			96,122		
INTEREST BEARING LIABILITIES									
Retail deposits	**60,725**	**1,115**	**3.69**	61,005	973	3.16	58,195	624	2.16
Wholesale deposits and borrowings [(2)]	**27,711**	**619**	**4.48**	29,105	548	3.73	30,130	403	2.70
Total interest bearing liabilities	**88,436**	**1,734**	**3.94**	90,110	1,521	3.35	88,325	1,027	2.34
Non-interest bearing liabilities	**1,607**			1,613			1,371		
Total liabilities	**90,043**			91,723			89,696		
Shareholders' funds	**6,456**			6,708			6,426		
Total liabilities and shareholders' funds	**96,499**			98,431			96,122		
INTEREST MARGIN AND INTEREST SPREAD									
Interest earning assets	**94,252**	**2,459**	**5.25**	96,231	2,289	4.72	93,573	1,859	4.01
Interest bearing liabilities	**88,436**	**1,734**	**3.94**	90,110	1,521	3.35	88,325	1,027	2.34
Net interest spread			**1.31**			1.37			1.67
Benefit of free funds			**0.24**			0.21			0.12
NIM - on average interest earning assets	**94,252**	**725**	**1.55**	96,231	768	1.58	93,573	832	1.79

(1) Net of average mortgage offset balances.

(2) Includes hedging costs, execution costs and dealer fees.

6. Consolidated half year financial report

For the half year ended 29 February 2024

Directors' report

The Directors present their report together with the consolidated half year financial report of Bank of Queensland Limited (**the Bank**), being the Bank and its controlled entities, for the half year ended 29 February 2024.

Directors' details

The Directors of the Bank at any time during or since the end of the half year and up to the date of this report are:

- Patrick Allaway, Director since May 2019, Managing Director and Chief Executive Officer (**CEO**) since March 2023
- Warwick Negus, Director since September 2016 and Chairman since March 2023
- Bruce Carter, Director since February 2014
- Karen Penrose, Director since November 2015
- Miyuki (Mickie) Rosen, Director since March 2021
- Deborah Kiers, Director since August 2021
- Jennifer Fagg, Director since October 2021
- Andrew Fraser, Director since February 2024.

Principal activities

The principal activity of the Bank and its controlled entities (together referred to as **the Consolidated Entity** or **the Group**) is the provision of financial services to the community. The Bank has an authority to carry on banking business under the *Banking Act 1959*. There were no significant changes during the period in the nature of the activities of the Consolidated Entity.

Operating and financial review

Our Operating and Financial review is contained in pages 4 - 34 of this report.

Regulatory developments

On 30 May 2023 the Group entered into voluntary enforceable undertakings with APRA and AUSTRAC to execute multi-year programs of work to uplift our operational resilience, risk culture, governance and Anti-Money Laundering and Counter-Terrorism Financing programs.

The Remedial Action Plans were approved by APRA and AUSTRAC on 30 November 2023 and 20 October 2023 respectively.

Throughout first half ended 29 February 2024 the Group has had numerous engagements with its regulators and been subject to a number of reviews and enquiries. This includes engagement with ASIC about concerns it has regarding BOQ's systems and controls relating to its design and distribution, breach reporting, dispute resolution and effective compensation engagement obligations and responding to ASIC's inquiries into lenders' approaches to financial hardship. BOQ has also engaged with the Banking Code Compliance Committee (**BCCC**) about concerns regarding compliance with the Banking Code of Practice and management of deceased estates.

Key management and company officer changes

Key management and company officer changes during the half year and up to the date of this report were as follows.

Management changes during the year:

- Martine Jager ceased in the role of Chief People & Customer Officer on 10 November 2023. Alexandra Taylor was appointed as Chief People Officer on 11 March 2024. Racheal Kellaway, Group Chief Financial Officer, served as acting Group Executive, People and Culture, from 13 November until Ms Taylor's appointment.
- Rod Finch assumed the role of Chief Transformation & Operations Officer on 1 September 2023.
- Greg Boyle was appointed as Group Executive Retail Banking on 1 September 2023.
- Rachel Stock was appointed as Chief Risk Officer Designate on 1 February 2024, working alongside David Watts, Group Chief Risk Officer, as part of a planned transition of responsibilities. Ms Stock assumed the role of Chief Risk Officer on 5 April 2024.

Director changes during the year:

- Andrew Fraser was appointed as an independent Non-Executive Director to the BOQ Board on 8 February 2024.

Company Secretary changes during the year:

- Ricky-Anne Lane-Mullins was appointed as an additional Company Secretary on 17 January 2024. Fiona Daly remains a Company Secretary of BOQ.

Subsequent events

The Bank has determined an interim dividend to be paid on 27 May 2024. Further details with respect to the dividend amount per share, payment date and dividend reinvestment plan can be obtained from Note 6.2.3.

The New Zealand asset portfolio sale completed on 31 March 2024. Refer to Note 6.4 (a) for further detail. As part of the sale agreement, the Group provided the purchaser with warranties and an indemnity which are customary to this type of transaction. The Directors are not currently aware of any events that could lead to a claim under the provided warranties or indemnity.

The Directors are unaware of any other matters or circumstances that have arisen in the interval between the end of the financial half year end 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.

Management attestation

The Board has been provided with a joint written statement from the Managing Director and CEO and Chief Financial Officer confirming that, in their opinion, the accompanying financial statements and notes:

(a) have been prepared in accordance with Australian Accounting Standards; and

(b) present a true and fair view of the Group's financial position and performance as at and for the half year ended 29 February 2024.

Further, that in their opinion financial records for the Group have been properly maintained for the half year ended 29 February 2024. The Directors' declaration can be found on page 58 of this document.

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

The Lead Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 36 and forms part of the Directors' Report for the half year ended 29 February 2024.

Rounding of amounts

The Bank is a company of a kind referred to in ASIC Corporations Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, amounts in this financial report and Directors' Report have been rounded to the nearest million dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

Warwick Negus
Chairman
16 April 2024

Patrick Allaway
Managing Director and CEO
16 April 2024

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

Auditor's Independence Declaration

As lead auditor for the review of Bank of Queensland Limited for the half year ended 29 February 2024 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 review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Bank of Queensland Limited and the entities it controlled during the period.

Craig Stafford
Partner
PricewaterhouseCoopers

Sydney
16 April 2024

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Consolidated income statement

For the half year ended 29 February 2024

	Note	Feb 24 $m	Feb 23 $m
INTEREST INCOME:			
Effective interest income		**2,039**	1,590
Other		**358**	241
Interest expense		**(1,667)**	(991)
Net interest income		**730**	840
Net other operating income	6.2.1	**66**	69
Net operating income before impairment and operating expenses		**796**	909
Operating expenses		**(547)**	(778)
Impairment loss on loans and advances		**(14)**	(31)
Profit before income tax		**235**	100
Income tax expense	6.2.2	**(84)**	(96)
Profit for the period		**151**	4
PROFIT ATTRIBUTABLE TO:			
Equity holders of Bank of Queensland Limited		**151**	4
EARNINGS PER SHARE (EPS)			
Basic earnings per share - Ordinary shares (cents)		**22.9**	0.2
Diluted earnings per share - Ordinary shares (cents) [(1)]		**21.3**	0.2

(1) Comparative diluted earnings per share has been restated to exclude the impact of the Capital Notes, Capital Notes 2 and Capital Notes 3. These notes were anti-dilutive during the comparative period and as a result, their impact has been excluded from the diluted earnings per share.

The Consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

For the half year ended 29 February 2024

	Feb 24 $m	Feb 23 $m
Profit for the period	**151**	4
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	**(51)**	(121)
Net movement transferred to profit or loss	**5**	8
Debt instruments at fair value through other comprehensive income (**FVOCI**):		
Net change in fair value	**(9)**	5
Net movement transferred to profit or loss	**(4)**	(5)
Other comprehensive loss, net of income tax	**(59)**	(113)
Total comprehensive income / (loss) for the period	**92**	(109)
TOTAL COMPREHENSIVE INCOME / (LOSS) ATTRIBUTABLE TO:		
Equity holders of Bank of Queensland Limited	**92**	(109)

The Consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

As at 29 February 2024

	Note	Feb 24 $m	Aug 23 $m
ASSETS			
Cash and cash equivalents		**2,887**	5,238
Due from other financial institutions		**278**	293
Derivative financial assets	6.3.3(a)	**708**	880
Financial assets at fair value through profit or loss (**FVTPL**)	6.3.3(a)	**40**	38
Debt instruments at FVOCI	6.3.3(a)	**15,263**	16,421
Equity instruments at FVOCI	6.3.3(a)	**6**	6
Debt instruments at amortised cost		**15**	15
Loans and advances	6.3.4	**80,169**	80,556
Other assets		**358**	381
Property, plant and equipment		**171**	197
Assets held for sale	6.4(a)	**196**	247
Deferred tax assets		**20**	-
Intangible assets		**1,123**	1,072
Investments in joint arrangements		**8**	8
Total assets		**101,242**	105,352
LIABILITIES			
Due to other financial institutions - at call		**1,211**	1,707
Deposits		**74,861**	76,500
Derivative financial liabilities	6.3.3(a)	**267**	365
Accounts payable and other liabilities		**1,122**	1,145
Current tax liabilities		**14**	23
Deferred tax liabilities		**-**	30
Provisions		**106**	130
Borrowings	6.3.5	**17,662**	19,322
Total liabilities		**95,243**	99,222
Net assets		**5,999**	6,130
EQUITY			
Issued capital		**5,331**	5,318
Other equity instruments		**-**	101
Reserves [1]		**344**	335
Retained profits [1]		**324**	376
Total equity		**5,999**	6,130

(1) Comparatives have been restated to reclassify $94 million from Profit Reserve to Retained Profits for the historical adjustment described in Note 1.5 of the 2023 Annual Report. There is no impact to total equity.

The Consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the half year ended 29 February 2024

	Issued capital $m	Other equity instruments $m	Employee benefits reserve $m	Share revaluation reserve $m	Equity reserve for credit losses $m	Other reserves [1] $m	Retained profits [1] $m	Total equity $m
HALF YEAR ENDED 29 FEBRUARY 2024								
Balance as at 31 August 2023	**5,318**	**101**	**54**	**(6)**	**20**	**267**	**376**	**6,130**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD								
Profit for the period	**-**	**1**	**-**	**-**	**-**	**-**	**150**	**151**
Transfers to profit reserve	**-**	**-**	**-**	**-**	**-**	**223**	**(223)**	**-**
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX:								
Cash flow hedges:								
Net movement taken to equity	**-**	**-**	**-**	**-**	**-**	**(51)**	**-**	**(51)**
Net movement transferred to profit or loss	**-**	**-**	**-**	**-**	**-**	**5**	**-**	**5**
Debt instruments at FVOCI:								
Net change in fair value	**-**	**-**	**-**	**-**	**-**	**(9)**	**-**	**(9)**
Net movement transferred to profit or loss	**-**	**-**	**-**	**-**	**-**	**(4)**	**-**	**(4)**
Transfers to/ (from) equity reserve for credit losses	**-**	**-**	**-**	**-**	**(20)**	**-**	**20**	**-**
Total other comprehensive income / (expense)	**-**	**-**	**-**	**-**	**(20)**	**(59)**	**20**	**(59)**
Total comprehensive income / (expense) for the period	**-**	**1**	**-**	**-**	**(20)**	**164**	**(53)**	**92**
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY / CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS								
Dividend reinvestment plan	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**13**
Dividends to shareholders	**-**	**-**	**-**	**-**	**-**	**(138)**	**-**	**(138)**
Redemption of other equity instruments	**-**	**(100)**	**-**	**-**	**-**	**-**	**-**	**(100)**
Other equity instruments distributions	**-**	**(1)**	**-**	**-**	**-**	**-**	**-**	**(1)**
Fair value amortisation of capital notes	**-**	**(1)**	**-**	**-**	**-**	**-**	**1**	**-**
Share plan revaluation	**-**	**-**	**-**	**4**	**-**	**-**	**-**	**4**
Equity settled transactions	**-**	**-**	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Total contributions by and distributions to owners	**13**	**(102)**	**(1)**	**4**	**-**	**(138)**	**1**	**(223)**
Balance as at 29 February 2024	**5,331**	**-**	**53**	**(2)**	**-**	**293**	**324**	**5,999**

(1) Comparatives have been restated to reclassify $94 million from Profit Reserve to Retained Profits for the historical adjustment described in Note 1.5 of the 2023 Annual Report. There is no impact to total equity.

The Consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the half year ended 28 February 2023

	Issued capital $m	Other equity instruments $m	Employee benefits reserve $m	Share revaluation reserve $m	Equity reserve for credit losses $m	Other reserves [1] $m	Retained profits [1] $m	Total equity [1] $m
HALF YEAR ENDED 28 FEBRUARY 2023								
Balance as at 31 August 2022	**5,258**	**305**	**46**	**(3)**	**58**	**604**	**400**	**6,668**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD								
Profit for the period	-	5	-	-	-	-	(1)	4
Transfers to profit reserve	-	-	-	-	-	-	-	-
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX:								
Cash flow hedges:								
Net movement taken to equity	-	-	-	-	-	(121)	-	(121)
Net movement transferred to profit or loss	-	-	-	-	-	8	-	8
Debt instruments at FVOCI:								
Net change in fair value	-	-	-	-	-	5	-	5
Net movement transferred to profit or loss	-	-	-	-	-	(5)	-	(5)
Transfers to/ (from) equity reserve for credit losses	-	-	-	-	(18)	-	18	-
Total other comprehensive income / (expense)	-	-	-	-	(18)	(113)	18	(113)
Total comprehensive income / (expense) for the period	-	5	-	-	(18)	(113)	17	(109)
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY / CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS								
Dividend reinvestment plan	37	-	-	-	-	-	-	37
Dividends to shareholders	-	-	-	-	-	(155)	-	(155)
Redemption of other equity instruments	-	(200)	-	-	-	-	-	(200)
Other equity instruments distributions	-	(5)	-	-	-	-	-	(5)
Fair value amortisation of capital notes	-	(3)	-	-	-	-	3	-
Share plan revaluation	-	-	-	1	-	-	-	1
Equity settled transactions	-	-	(1)	-	-	-	-	(1)
Treasury shares [2]	(9)	-	-	-	-	-	-	(9)
Total contributions by and distributions to owners	28	(208)	(1)	1	-	(155)	3	(332)
Balance as at 28 February 2023	**5,286**	**102**	**45**	**(2)**	**40**	**336**	**420**	**6,227**

(1) Comparatives have been restated to reflect the prior period adjustment as detailed in Note 1.5 in the 2023 Annual Report.

(2) Treasury shares represent the value of shares held by a subsidiary that the Bank is required to include in the Consolidated Entity's financial statements. The revaluation of treasury shares is included in equity.

The Consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the half year ended 29 February 2024

	Note	**Feb 24 $m**	Feb 23 $m
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		**2,326**	1,764
Fees and other income received		**77**	84
Interest paid		**(1,573)**	(810)
Cash paid to suppliers and employees		**(525)**	(460)
Income tax paid		**(118)**	(71)
		187	507
Decrease / (Increase) in operating assets:			
Loans and advances at amortised cost		**413**	(682)
Other financial assets		**1,169**	(4,959)
(Decrease) / Increase in operating liabilities:			
Deposits		**(2,127)**	5,141
Net cash (outflow) / inflow from operating activities		**(358)**	7
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(2)**	(4)
Proceeds from sale of property, plant and equipment		**2**	2
Payments for intangible assets		**(90)**	(61)
Proceeds from investments in joint arrangements		**-**	1
Net cash outflow from investing activities		**(90)**	(62)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	6.3.5	**410**	2,290
Repayments of borrowings	6.3.5	**(2,054)**	(1,883)
Proceeds from foreign exchange instruments		**-**	7
Redemption of other equity instruments		**(100)**	(200)
Payments for treasury shares		**(8)**	(18)
Other equity instruments distribution paid		**(1)**	(5)
Dividends paid		**(125)**	(118)
Payment of lease liabilities		**(25)**	(23)
Net cash (outflow) / inflow from financing activities		**(1,903)**	50
Net decrease in cash and cash equivalents		**(2,351)**	(5)
Cash and cash equivalents at beginning of the period		**5,238**	2,448
Cash and cash equivalents at end of the period		**2,887**	2,443

The Consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the half year ended 29 February 2024

6.1 Basis of preparation

6.1.1 Reporting entity

The Bank of Queensland Limited (**the Bank**) is a for-profit company domiciled in Australia. Its registered office is Level 3, 100 Skyring Terrace, Newstead, QLD 4006.

The consolidated interim financial statements as at and for the half year ended 29 February 2024 comprise the Consolidated Entity (or **the Group**), being the Bank and its controlled entities, and the Consolidated Entity's interest in equity accounted investments. The principal activity of the Group is the provision of financial services to the community.

6.1.2 Basis of accounting

The consolidated half year financial report is a general purpose interim financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth). The consolidated half year financial report does not include all the information required for a full annual financial report, and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the Annual Report. As a result, this consolidated half year financial report should be read in conjunction with the consolidated annual financial report of the Group as at and for the financial year ended 31 August 2023 and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth) and the ASX Listing Rules. The financial report for the year ended 31 August 2023 is available upon request from the Bank's registered office at Level 3, 100 Skyring Terrace, Newstead QLD 4006 or at http://www.boq.com.au.

The Group is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, amounts contained in this report have been rounded to the nearest million dollars, unless otherwise stated.

The consolidated half year financial report is presented in Australian dollars which is the functional currency of the Group.

The consolidated half year financial report was approved by the Board of Directors on 16 April 2024.

6.1.3 Significant accounting policies

The accounting policies applied by the Group in this consolidated half year financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 31 August 2023.

Where necessary, comparative information has been restated to conform to presentation in the current period. All changes have been footnoted throughout the financial statements.

6.1.4 Use of judgements and estimates

In preparing the consolidated half year financial report, management has been required to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, equity, 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 significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty are consistent with those applied to the consolidated financial statements as at and for the year ended 31 August 2023.

6.1.5 New Australian accounting standards

There are no new accounting standards or amendments to existing standards that are not yet effective, which are expected to have a material impact on the Group.

Notes to the financial statements

For the half year ended 29 February 2024

6.2 Financial performance

6.2.1 Net other operating income

	Feb 24 $m	Feb 23 $m
INCOME FROM OPERATING ACTIVITIES		
Customer fees and charges [(1)]	**38**	43
Share of fee revenue to owner-managed branches	**(3)**	(3)
Loyalty program expenses	**(5)**	(5)
Commissions	**23**	18
Foreign exchange income – customer based	**8**	9
Net profit on sale of property, plant and equipment	**2**	1
Net loss from financial instruments and derivatives at fair value	**(2)**	(1)
Other income	**5**	7
Total net other operating income	**66**	69

(1) Customer charges on lending, banking and leasing products.

6.2.2 Income tax expense

The Group's effective tax rate for the half year ended 29 February 2024 was 35.7 per cent and for the half year ended 28 February 2023 was 95.7 per cent. This is above the corporate tax rate of 30 per cent, primarily attributable to the interest payable on Capital Notes which is non-deductible for tax purposes. Prior half effective tax rate was well above the corporate tax rate of 30 per cent primarily due to the impairment of Goodwill and interest payable on Capital Notes, both non-deductible for tax purposes.

Notes to the financial statements

For the half year ended 29 February 2024

6.2.3 Dividends

	Feb 24		Feb 23	
	Cents per share	**$m**	Cents per share	$m
ORDINARY SHARES				
Final 2023 dividend paid 16 November 2023 (2022: 17 November 2022)	**21**	**138**	24	155

All dividends paid on ordinary shares have been fully franked.

Since the end of the period, the Directors have determined the following dividends:

	Cents per share	**$m**
Interim 2024 ordinary share dividend	**17**	**112**

The interim ordinary share dividend payment will be fully franked and paid on 27 May 2024 to owners of ordinary shares at the close of business on 3 May 2024 (record date). Shares will be quoted ex-dividend on 2 May 2024.

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 2024 interim dividend is 6 May 2024.

Notes to the financial statements

For the half year ended 29 February 2024

6.2.4 Operating segments

Segment information

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

The Group's operating segments comprise the following:

Retail Banking - retail banking solutions provided to customers through Owner-managed and Corporate branch network, ME Bank and Virgin Money distribution channels, digital platforms, and third-party intermediaries; and

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

Geographic information

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

A portfolio of New Zealand assets remains classified as held for sale in the current half year. Refer to Note 6.4 (a) for further detail.

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.

Other column includes Treasury and Group Head Office operations, as well as statutory basis adjustments not attributable to one of the segments. This is not reported internally to the Group's chief operating decision maker as an operating segment.

	Half year ended 29 February 2024				Half year ended 28 February 2023			
	Retail Banking $m	**BOQ Business $m**	**Other [1] $m**	**Total $m**	Retail Banking $m	BOQ Business $m	Other [1] $m	Total $m
Net interest income [2]	**393**	**329**	**3**	**725**	500	339	(7)	832
Non-interest income	**46**	**21**	**3**	**70**	45	24	1	70
Total income	**439**	**350**	**6**	**795**	545	363	(6)	902
Operating expenses	**(366)**	**(158)**	**-**	**(524)**	(349)	(146)	-	(495)
Underlying profit	**73**	**192**	**6**	**271**	196	217	(6)	407
Loan impairment (loss) / gain	**2**	**(17)**	**-**	**(15)**	(16)	(18)	-	(34)
Segment cash profit / (loss) before tax	**75**	**175**	**6**	**256**	180	199	(6)	373
Income tax expense	**(25)**	**(58)**	**(1)**	**(84)**	(57)	(63)	3	(117)
Segment cash profit / (loss) after tax [3]	**50**	**117**	**5**	**172**	123	136	(3)	256
STATUTORY BASIS ADJUSTMENTS								
Sale of New Zealand asset portfolio [4]	**-**	**(19)**	**-**	**(19)**	-	-	-	-
Hedge ineffectiveness	**-**	**-**	**(3)**	**(3)**	-	-	(1)	(1)
Amortisation of acquisition fair value adjustments	**-**	**-**	**1**	**1**	-	-	4	4
Goodwill impairment [5]	**-**	**-**	**-**	**-**	(200)	-	-	(200)
ME Bank Integration costs [6]	**-**	**-**	**-**	**-**	-	-	(13)	(13)
RAP [7]	**-**	**-**	**-**	**-**	-	-	(42)	(42)
Statutory net profit / (loss) after tax	**50**	**98**	**3**	**151**	(77)	136	(55)	4
BALANCE SHEET								
Loans and advances	**55,336**	**24,833**	**-**	**80,169**	56,592	24,738	-	81,330
Deposits [8]	**35,949**	**10,578**	**28,334**	**74,861**	35,286	11,102	29,458	75,846

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

(2) 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 Group's chief operating decision maker.

(3) This excludes a number of items that introduce volatility and / or one-off distortions of the current period performance.

(4) The New Zealand asset portfolio sale completed on 31 March 2024. Further detail has been provided in Note 6.4(a) Controlled entities.

(5) In the half year ended 28 February 2023, the Group recognised goodwill impairment of $200 million. Refer to Note 6.5.1 in the Consolidated half year financial report 2023 for further detail.

(6) ME Bank integration costs from ME Bank acquisition completed on 1 July 2021.

(7) In the half year ended 28 February 2023, the Group has provided for the estimated costs of its Remedial Action Plans. Refer to Note 4.2 in the 2023 Annual Report for further detail.

(8) Treasury managed deposits are included in Other.

Notes to the financial statements

For the half year ended 29 February 2024

6.3 Capital and balance sheet management

6.3.1 Capital management

The Group's capital management 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 Group's Internal Capital Adequacy Assessment Process (**ICAAP**) provides the framework to ensure that the Group is capitalised to meet internal capital targets and APRA's requirements. The ICAAP is reviewed regularly and submitted to the Board annually for approval. The Group's capital position is monitored on a continuous basis and reported monthly to the Asset and Liability Committee and Board.

APRA's revised Basel III capital framework became effective on 1 January 2023. The Board has determined that BOQ will target to operate within the Common Equity Tier 1 (**CET1**) range of between 10.25-10.75 per cent, in normal operating conditions.

6.3.2 Issued capital

(a) Ordinary shares

	Feb 24 No of shares	Feb 23 No of shares
MOVEMENTS DURING THE PERIOD		
Balance at the beginning of the period – fully paid	**657,217,431**	647,357,479
Dividend reinvestment plan [(1)]	**2,467,301**	5,127,531
Balance at the end of the period – fully paid	**659,684,732**	652,485,010
TREASURY SHARES (INCLUDED IN ORDINARY SHARES ABOVE)		
Balance at the beginning of the period	**3,218,124**	2,243,719
Net acquisitions and disposals during the period	**(108,651)**	1,183,708
Balance at the end of the period	**3,109,473**	3,427,427

(1) 10 per cent of the dividend paid on 16 November 2023 (24 per cent of the dividend paid on 17 November 2022) was reinvested by shareholders as part of the dividend reinvestment plan.

(b) Other equity instruments

	Earliest redemption date	**Feb 24 No of Capital Notes**	Feb 23 No of Capital Notes
AT1 EQUITY INSTRUMENTS			
AT1 Capital Notes (Series 2)	5 December 2023	**-**	**10,000**
Total AT1 equity instruments			**10,000**

Other equity instruments are Additional Tier 1 (**AT1**) securities assumed on the acquisition of ME Bank. The securities were perpetual, non-cumulative, subordinated and unsecured notes (**AT1 Capital Notes**).

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 are presented in Other equity instruments in the Consolidated Balance Sheet and the Consolidated Statement of Changes in Equity.

AT1 Capital Notes (Series 2) were redeemed in full on 5 December 2023.

Notes to the financial statements

For the half year ended 29 February 2024

6.3.3 Financial instruments

(a) 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, that are observable either directly or indirectly. This includes the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.
- **Level 3:** This category includes assets and liabilities for which the valuation includes inputs that are not based on observable market data. This includes equity instruments where there are no quoted market prices.

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

	Feb 24			
	Level 1 $m	**Level 2 $m**	**Level 3 $m**	**Total $m**
FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE				
Derivative financial assets	**-**	**708**	**-**	**708**
Financial assets at FVTPL	**-**	**40**	**-**	**40**
Debt instruments at FVOCI	**6,569**	**8,694**	**-**	**15,263**
Equity Instruments at FVOCI	**-**	**-**	**6**	**6**
Total assets measured at fair value	**6,569**	**9,442**	**6**	**16,017**
Derivative financial liabilities	**-**	**(267)**	**-**	**(267)**
Net financial instruments at fair value	**6,569**	**9,175**	**6**	**15,750**

	Aug 23			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE				
Derivative financial assets	-	880	-	880
Financial assets at FVTPL	-	38	-	38
Debt instruments at FVOCI	5,478	10,943	-	16,421
Equity Instruments at FVOCI	-	-	6	6
Total assets measured at fair value	5,478	11,861	6	17,345
Derivative financial liabilities	-	(365)	-	(365)
Net financial instruments at fair value	5,478	11,496	6	16,980

There was no movement between levels during the period.

(b) Valuation techniques used to derive Level 2 and Level 3 fair values

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data where it is available and rely as little as possible on the entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Notes to the financial statements

For the half year ended 29 February 2024

6.3.3 Financial instruments (continued)

(c) Comparison of fair value to carrying amounts

The table below discloses the fair value of financial instruments held at amortised cost:

	Carrying value		Fair value	
	Feb 24 $m	Aug 23 $m	**Feb 24 $m**	Aug 23 $m
ASSETS CARRIED AT AMORTISED COST [1]				
Loans and advances	**80,169**	80,556	**79,916**	80,068
	80,169	80,556	**79,916**	80,068
LIABILITIES CARRIED AT AMORTISED COST				
Deposits	**(74,861)**	(76,500)	**(74,903)**	(76,563)
Borrowings including subordinated notes	**(17,662)**	(19,322)	**(17,653)**	(19,336)
	(92,523)	(95,822)	**(92,556)**	(95,899)

(1) Debt instruments at amortised cost are not shown in this table as they are held at the Bank level only.

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.

6.3.4 Loans and advances

	Feb 24 $m	Aug 23 $m
Gross loans and advances	**80,877**	81,266
Less:		
Unearned finance lease income	**(163)**	(131)
Specific provision for impairment	**(59)**	(61)
Collective provision for impairment	**(273)**	(271)
Net loans and advances	**80,382**	80,803
Less: Net loans and advances reclassified as held for sale [1]	**(213)**	(247)
Total loans and advances	**80,169**	80,556

(1) Refer to Note 6.4(a) for further detail.

Expected Credit Losses (ECL)

The following table discloses the breakdown of the Group's ECL by component for the half year ended 29 February 2024:

	Collective Provision				
	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 2023	**101**	**81**	**89**	**61**	**332**
Transfers during the period to:					
Stage 1	**27**	**(16)**	**(11)**	**-**	**-**
Stage 2	**(5)**	**11**	**(6)**	**-**	**-**
Stage 3	**(1)**	**(9)**	**7**	**3**	**-**
New provisions	**19**	**2**	**3**	**-**	**24**
Increased provision	**16**	**47**	**41**	**9**	**113**
Write-back of provisions no longer required	**(66)**	**(32)**	**(25)**	**-**	**(123)**
Amounts written off, previously provided for	**-**	**-**	**-**	**(14)**	**(14)**
Balance as at 29 February 2024	**91**	**84**	**98**	**59**	**332**

Notes to the financial statements

For the half year ended 29 February 2024

6.3.4 Loans and advances (continued)

	Collective Provision				
	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 March 2023	80	81	82	70	313
Transfers during the period to:					
Stage 1	3	(1)	-	(2)	-
Stage 2	(1)	3	(2)	-	-
Stage 3	(1)	-	2	(1)	-
New provisions	24	10	2	3	39
Increased provisions	7	-	19	1	27
Write-back of provisions no longer required	(11)	(12)	(14)	(2)	(39)
Amounts written off, previously provided for	-	-	-	(8)	(8)
Balance as at 31 August 2023	101	81	89	61	332

The table below discloses the effect of movements in the gross carrying value of loans and advances in the different stages of the ECL model during the half year ended 29 February 2024:

	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 2023	**74,065**	**5,930**	**852**	**114**	**174**	**81,135**
Transfers during the period to:						
Stage 1	**1,233**	**(1,201)**	**(32)**	**-**	**-**	**-**
Stage 2	**(3,195)**	**3,309**	**(113)**	**(1)**	**-**	**-**
Stage 3	**(137)**	**(392)**	**508**	**21**	**-**	**-**
New loans and advances originated or purchased	**9,529**	**50**	**23**	**-**	**-**	**9,602**
Loans and advances derecognised during the period including write-offs	**(8,899)**	**(930)**	**(160)**	**(18)**	**(16)**	**(10,023)**
Balance at the end of the period	**72,596**	**6,766**	**1,078**	**116**	**158**	**80,714**
Provision for impairment	**(91)**	**(84)**	**(98)**	**(59)**	**-**	**(332)**
Net carrying amount as at 29 February 2024	**72,505**	**6,682**	**980**	**57**	**158**	**80,382**

	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 March 2023	76,366	4,572	635	133	195	81,901
Transfers during the period to:						
Stage 1	(13)	37	(26)	2	-	-
Stage 2	(1,446)	1,465	(16)	(3)	-	-
Stage 3	(271)	(55)	314	12	-	-
New loans and advances originated or purchased	7,703	498	38	5	-	8,244
Loans and advances derecognised during the period including write-offs	(8,274)	(587)	(93)	(35)	(21)	(9,010)
Balance at the end of the period	74,065	5,930	852	114	174	81,135
Provision for impairment	(101)	(81)	(89)	(61)	-	(332)
Net carrying amount as at 31 August 2023	73,964	5,849	763	53	174	80,803

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

Purchased or originated credit-impaired (**POCI**) loans 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.

The loss allowance associated with the POCI loans amounted to a reduction of $1 million for the half year ended 29 February 2024 and was taken directly to the balance of the gross carrying value of loans and advances. No new POCI loans were recognised in the half year ended 29 February 2024.

Notes to the financial statements

For the half year ended 29 February 2024

6.3.4 Loans and advances (continued)

ECL model methodology, estimates and assumptions

The Group's reported ECL of $332 million was determined by taking into account the facts, circumstances and forecasts of future economic conditions and supportable information available at the reporting date. The fundamental credit model mechanics and methodology underpinning the Group's calculation of ECL have broadly remained consistent with prior periods, including economic and model overlays reflecting the uncertainty at that time.

In accordance with AASB 9 *Financial Instruments,* the 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 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 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, but are not limited to, unemployment, interest rates, gross domestic product, commercial and residential property price indices, and require an evaluation of both the current and forecast direction of the macro-economic cycle.

Incorporating forward looking information, including macro-economic forecasts, increases the degree of judgement required to assess how changes in these data points will affect ECLs. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

- **Base case scenario:** This scenario reflects BOQ's forward looking economic assumptions where the impacts of higher cash rates start moderating inflation, and as such cash rates start reducing from the second half of 2024. Base case assumptions are supported by RBA forecasts where available.

  Unemployment remains low for the short term, with modest increases occurring in later years as a result of overall higher cash rates having a slowing effect on the broader economy. Lower GDP growth is expected in late 2024 and 2025 due to the higher interest rate effects before moderately increasing in later years. Residential property prices see further growth in 2024, although lower than the increases observed in 2023.

- **Upside scenario:** This scenario represents a slight to moderate improvement on the economic conditions from the Base case.
- **Downside scenario:** This scenario represents stagflation effects, with higher interest rates, a falling GDP and rising unemployment for the first two years. Compared to the base case scenario, interest rate rises are not able to constrain inflation as early and therefore reach a higher peak. Other economic variables experience more stressed outcomes as a result.
- **Severe downside scenario:** This scenario also represents stagflationary economic outcomes and accounts for the potential impact of lower likelihood but higher severity macroeconomic conditions.

Notes to the financial statements

For the half year ended 29 February 2024

6.3.4 Loans and advances (continued)

ECL model methodology, estimates and assumptions (continued)

The table below provides a summary of macro-economic assumptions used in the Base and Downside scenarios as at 29 February 2024:

	Base			Downside		
Macro-economic assumption (1)	**2024**	2025	2026	**2024**	2025	2026
GDP (**YoY**)	**1.80**	2.30	2.40	**(0.50)**	0.75	1.00
Unemployment	**4.30**	4.40	4.40	**6.25**	7.25	7.50
Residential Property Prices (**YoY**)	**4.00**	7.00	6.00	**(8.00)**	(4.50)	(0.25)
Commercial Property Prices (**YoY**)	**(8.00)**	5.00	3.00	**(13.25)**	(3.75)	(2.50)
Cash Rate	**3.90**	3.40	3.20	**4.75**	4.25	4.00

(1) The forecasts in the table reflect calendar year end numbers for 2024 and 2025 and June for 2026.

In determining the reported ECL of $332 million, the Group has taken into account the facts, circumstances and forecasts of future economic conditions and supportable information available at the reporting date. Provisioning assumption updates have been made during 1H24 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 a review of scenarios and scenario weightings to cater for economic uncertainties. Key drivers of management overlays remain related to emerging risks associated with construction, commercial property, inflationary pressures 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	
	Feb 24	Aug 23	**Feb 24**	Aug 23	**Feb 24**	Aug 23	**Feb 24**	Aug 23
Weighting	**5%**	5%	**50%**	50%	**30%**	30%	**15%**	15%

Sensitivity of provisions for impairment

The ECL reflects an unbiased and probability-weighted amount across a range of macro-economic scenarios as described above. The following table compares the reported ECL to approximate levels of ECL under each scenario assuming a 100 per cent weighting was applied to each scenario with all other assumptions held constant.

	Consolidated Feb 24 $m	Consolidated Aug 23 $m
Reported probability weighted ECL	**332**	332
100% Upside scenario	**241**	238
100% Base case scenario	**242**	245
100% Downside scenario	**375**	386
100% Severe Downside scenario	**575**	546

Sensitivity of provisions for impairment to SICR assessments

If one per cent of Stage 1 credit exposures as at 29 February 2024 was included in Stage 2, provisions for impairment would increase by approximately $11 million for the Group (31 August 2023: $12 million) based on applying coverage ratios by stage to the movement in the gross exposure by stage.

Notes to the financial statements

For the half year ended 29 February 2024

6.3.5 Borrowings

The Consolidated Entity recorded the following movements on borrowings:

	Securitisation liabilities (1) $m	Covered bonds liabilities (2)(7) $m	Debt issues (3)(7) $m	Euro-commercial paper program (7) $m	Term funding facility(4) $m	Subordinated notes $m	Capital Notes (5) $m	Total $m
HALF YEAR ENDED 29 FEBRUARY 2024								
Balance at the beginning of the period	**7,029**	**3,694**	**4,810**	**362**	**1,779**	**648**	**1,000**	**19,322**
Proceeds from issues / new funding	**-**	**-**	**251**	**159**	**-**	**-**	**-**	**410**
Repayments	**(725)**	**-**	**(370)**	**(292)**	**(667)**	**-**	**-**	**(2,054)**
Amortisation of deferred costs (6)	**1**	**1**	**-**	**-**	**-**	**-**	**1**	**3**
Foreign exchange translation (6)	**-**	**(19)**	**-**	**-**	**-**	**-**	**-**	**(19)**
Balance at the end of the period	**6,305**	**3,676**	**4,691**	**229**	**1,112**	**648**	**1,001**	**17,662**

	Securitisation liabilities (1) $m	Covered bonds liabilities (2)(7) $m	Debt issues (3)(7) $m	Euro-commercial paper program (7) $m	Term funding facility (4) $m	Subordinated notes $m	Capital Notes (5) $m	Total $m
HALF YEAR ENDED 28 FEBRUARY 2023								
Balance at the beginning of the period	7,540	2,544	4,545	80	3,026	848	604	19,187
Proceeds from issues / new funding	500	-	1,164	234	-	-	400	2,298
Repayments	(873)	-	(927)	(83)	-	-	-	(1,883)
Deferred establishment costs	(2)	-	-	-	-	-	(6)	(8)
Amortisation of deferred costs (6)	3	1	-	-	-	-	-	4
Foreign exchange translation (6)	-	133	1	6	-	-	-	140
Balance at the end of the period	7,168	2,678	4,783	237	3,026	848	998	19,738

(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) Debt issues consist of domestic and offshore senior unsecured debt transactions.

(4) The TFF provides funding at a fixed interest rate of 25 basis points, for a maximum of three years from March 2020 and is accounted for as borrowings. From 4 November 2020, the interest rate of new borrowings was lowered to 10 basis points. The TFF closed to new drawdowns of funding on 30 June 2021. The funding is a below market interest loan from a Government entity and accordingly, classified as a Government Grant. The Group 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 meet the RBA's eligibility criteria. At 29 February 2024, the Group has pledged $1.4 billion (Feb 2023: $3.7 billion) of self-securitised residential mortgage-backed securities as collateral.

(5) **Capital Notes**
On 28 December 2017, the Bank issued 3,500,000 Capital Notes at a price of $100 per note. Capital Notes are perpetual and convertible notes issued by BOQ, with preferred, discretionary, non-cumulative distributions. They are not guaranteed or secured. As at 29 February 2024, 3,500,000 Capital Notes were outstanding. Capital Notes must convert into ordinary shares on 15 August 2026 if certain mandatory conversion conditions are satisfied, unless they are converted or redeemed earlier. Where the mandatory conversion conditions are satisfied, a holder will receive a number of ordinary shares per Capital Note based on the volume weighted average price of ordinary shares during a specified period. The Capital Notes must also convert to ordinary shares of the Bank with the occurrence of a loss absorption event or an acquisition event. BOQ may elect to convert, redeem or resell Capital Notes on 15 August 2024 or following a regulatory or tax event. BOQ may also elect to convert all Capital Notes following a potential acquisition event. These options are subject to APRA's prior written approval and certain conditions being satisfied. In a winding up of the Bank, Capital Notes will rank for payment of capital ahead of ordinary shares, equally with Capital Notes 2 , Capital Notes 3 and other equal ranking instruments, but behind the claims of all senior ranking creditors, including depositors and unsubordinated and subordinated creditors. Capital Notes are additional tier 1 capital and form part of the Group's capital adequacy.
Capital Notes 2
On 30 November 2020, the Bank issued 2,600,000 Capital Notes 2 at a price of $100 per note. Capital Notes 2 are perpetual and convertible notes issued by BOQ, with preferred, discretionary, non-cumulative distributions. They are not guaranteed or secured. As at 29 February 2024, 2,600,000 Capital Notes 2 were outstanding. Capital Notes 2 must convert into ordinary shares on 15 May 2029 if certain mandatory conversion conditions are satisfied, unless they are converted or redeemed earlier. Where the mandatory conversion conditions are satisfied, a holder will receive a number of ordinary shares per Capital Note 2 based on the volume weighted average price of ordinary shares during a specified period. Capital Notes 2 must also convert to ordinary shares of the Bank with the occurrence of a loss absorption event or an acquisition event. BOQ may elect to convert, redeem or resell Capital Notes 2 on 14 May 2027 or following a regulatory or tax event. BOQ may also elect to convert all Capital Notes 2 following a potential acquisition event. These options are subject to APRA's prior written approval and certain conditions being satisfied. In a winding up of the Bank, Capital Notes 2 will rank for payment of capital ahead of ordinary shares, equally with Capital Notes, Capital Notes 3 and other equal ranking instruments, but behind the claims of all senior ranking creditors, including depositors and unsubordinated and subordinated creditors. Capital Notes 2 are additional tier 1 capital and form part of the Group's capital adequacy.
Capital Notes 3
The Capital Notes 3 were issued on 14 November 2022 at a price of $100 per note. Capital Notes 3 are non-cumulative, perpetual, convertible, unguaranteed and unsecured notes with discretionary distributions, issued by BOQ. As at 29 February 2024, 4,000,000 Capital Notes 3 were outstanding. Capital Notes 3 must convert into ordinary shares on 16 June 2031 if certain mandatory conversion conditions are satisfied, unless they are converted or redeemed earlier. Where the mandatory conversion conditions are satisfied, a holder will receive a number of ordinary shares per Capital Note 3 based on the volume weighted average price of ordinary shares during a specified period. Capital Notes 3 must also convert to ordinary shares of the Bank with the occurrence of a loss absorption event or an acquisition event. BOQ may elect to convert, redeem or resell Capital Notes 3 on 15 December 2028, 15 March 2029 and 15 June 2029 or following a regulatory or tax event. BOQ may also elect to convert all Capital Notes 3 following a potential acquisition event. These options are subject to APRA's prior written approval and certain conditions being satisfied. In a winding up of the Bank, Capital Notes 3 will rank for payment of capital ahead of ordinary shares, equally with Capital Notes 1, Capital Notes 2 and other equal ranking instruments, but behind the claims of all senior ranking creditors, including depositors and unsubordinated and subordinated creditors. Capital Notes 3 are additional tier 1 capital and form part of the Group's capital adequacy.

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

(7) At the end of the period, the BOQ Group held borrowings in the following currencies, Covered Bonds EUR €1.1bn (Feb 2023: EUR €1.1bn), EMTN Program EUR €9m (Feb 2023: EUR €9m), ECP Program USD $15m and EUR €16m (Feb 2023: USD $80m and EUR €31m). All other balances are denominated in Australian dollars.

Notes to the financial statements

For the half year ended 29 February 2024

6.4 Controlled entities

(a) Operations classified as held for sale

On 21 December 2023, the Group entered into an agreement to sell a portfolio of assets held by BOQ Finance (NZ) Limited and the New Zealand branch of BOQ Equipment Finance Limited. The assets include commercial loans, finance and operating leases written in New Zealand. This decision represents simplification of the Bank's lending portfolio removing the compliance burden with servicing a small lending portfolio in another jurisdiction.

As at 29 February 2024, the Group classified the portfolio of assets as held for sale. An unallocated impairment loss of $17 million has been recognised for the expected loss on sale as at 29 February 2024, including estimated future transaction costs.

The sale of the New Zealand assets impacts the BOQ Business segment.

	Feb 24 $m	Aug 23 $m
Net loans and advances reclassified as held for sale	**213**	247
Less:		
Unallocated impairment losses [1]	**(17)**	-
Total assets held for sale	**196**	247

(1) Represents the pre-tax amount of impairment losses in excess of the carrying value of the non-current assets excluded from the measurement scope of AASB 5 and includes estimated future transaction costs. Transaction costs incurred during the half year ended 29 February 2024 are reflected in operating expenses.

On 31 March 2024, the portfolio sale was completed and the ownership of these assets were transferred to the purchaser.

(b) Entities closed during the half year period

The following trusts have exercised their clean up call options during the half year ended 29 February 2024:

- SMHL Series Securitisation Fund 2017-1 clean up call options were exercised on 27 December 2023.

The following entities were closed during the half year ended 29 February 2024:

- Home Financial Planning Pty Ltd was deregistered on 3 January 2024;
- Pioneer Permanent Pty Ltd was deregistered on 3 January 2024;
- Virgin Money Home Loans Pty Ltd was deregistered on 3 January 2024; and
- BOQ Share Plans Nominee Pty Ltd was deregistered on 3 January 2024.

Notes to the financial statements

For the half year ended 29 February 2024

6.5 Other notes

6.5.1 Intangible assets

Goodwill

Goodwill is allocated to cash-generating units (**CGUs**) for the purpose of impairment testing. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose. The units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments - Retail Banking and BOQ Business (refer Note 6.2.4).

Following the Group's commitment to sell a portfolio of New Zealand assets (refer Note 6.4(a)), the Group adjusted the estimated cash flows related to these assets in assessing the carrying value of CGUs containing goodwill as at 29 February 2024. Post-tax discount rates were also updated to reflect current market assessments of the time value of money and a premium for the risks specific to the CGUs in this assessment.

All other assumptions were in line with those disclosed in the 2023 Annual report.

No impairment was required as a result of this assessment given both CGU's recoverable amount indicated a headroom relative to their carrying amount. As disclosed in the 2023 Annual Report, a reasonably possible change in assumptions would result in impairment of the Retail Banking CGU.

The following table sets out the post-tax discount rates used for the periods ended 29 February 2024 and 31 August 2023:

	Feb 24 %	Aug 23 %
Retail Banking	**10.35**	10.31
BOQ Business	**10.20**	10.03

6.5.2 Related parties

The terms of arrangements for all related parties are consistent with those disclosed in the 2023 Annual Report.

The terms and conditions of the transactions entered into with KMP and their related parties were no more favorable 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.

Notes to the financial statements

For the half year ended 29 February 2024

6.5.3 Provisions and contingent liabilities

Provision for Remedial Action Plans (RAPs)

On 30 May 2023 the Group entered into voluntary enforceable undertakings with APRA and AUSTRAC to execute a multi-year program of work to uplift our operational resilience, risk culture, governance and Anti-Money Laundering and Counter-Terrorism Financing program. The enforceable undertakings are court enforceable.

The undertaking with APRA addresses remediation of weaknesses in the Group's risk management practices, controls, systems, governance and risk culture (**the APRA EU**). APRA has also determined to apply a capital adjustment to the Group's minimum capital requirements, adding $50 million to the Group's operational risk capital requirement.

As previously disclosed, the key terms of the APRA EU are as follows:

- Remedial Action Plan: prepare a remedial action plan to address underlying weaknesses in risk management practices, control, systems, governance and risk culture, a draft of which was required to be submitted to APRA for approval within 120 days of the APRA EU. The plan was required to, among other things, set out an appropriate timeline for the implementation of remediation activities, and be specific, measurable and achievable.
- Independent review: the Group was required to appoint an independent reviewer approved by APRA to report on the appropriateness of the remedial action plan and BOQ's progression against the remedial action plan.
- Accountability: the Group will ensure accountability for the remediation activities in the remuneration scorecards of accountable and responsible persons specified in the plan and other staff as relevant.

The requirement in respect of the $50 million capital adjustment applied from 30 May 2023. The change reduced the Group's Level 2 common equity tier 1 (**CET1**) ratio by approximately 17bps. The Group may apply for removal of all or part of the capital adjustment when it concludes that it can demonstrate compliance to APRA's satisfaction with commitments in respect of ongoing remediation and the APRA EU.

The enforceable undertaking with AUSTRAC addresses remediation of issues in respect of the Group's anti-money laundering and counter-terrorism financing program (**the AUSTRAC EU**).

As previously disclosed, the key terms of the AUSTRAC EU are as follows:

- Remedial Action Plan: prepare a remedial action plan, a draft of which was required to be submitted to AUSTRAC for approval within 120 days of the AUSTRAC EU. The plan was required to address concerns raised and identified by AUSTRAC and, among other things, include clear and measurable actions, a clear timeline for completion and clear accountabilities for executives.
- External auditor: the Group was required to appoint an external auditor to periodically report on the remedial action plan until the plan has been completed to the satisfaction of AUSTRAC.

The commitments entered into with APRA and AUSTRAC will continue the work commenced under the Integrated Risk Program (now referred to as the Remedial Action Plans) announced to the market on 14 April 2023 and for which the Group took a provision of $60 million in the first half ended 28 February 2023.

The provision excluded the costs of activities that are expected to be performed by existing resources of the Group, ongoing operating costs and costs related to improvements beyond the matters identified.

A number of risks and uncertainties exist for which assumptions have been made in estimating the provision required, including:

- Scope: The provision has been based on matters currently identified that require uplift. It is possible that additional matters are identified as a result of further analysis or required by regulators that could increase the scope and cost of the program.
- Nature and extent of work required to address the matters identified: It has been necessary to estimate the work required to deliver on requirements based on plans at different levels of development. Allowance has been made for this uncertainty informing the estimate, however it is possible that as work proceeds the scope and cost of the program required is different to the estimate.
- Resources required to deliver the work required. As outlined above, the provision has been made for the additional expenditure to the Group necessary to deliver the required uplift such as external support, contractors and independent assurance providers. This has required estimation of the extent and cost of additional resources required based on an assumption of the Group's capacity to deliver a significant proportion of the activities with its existing and planned internal resources.

On 28 July 2023 the Group appointed Grant Thornton as external auditor for the purpose of the AUSTRAC EU and on 8 August 2023 as independent reviewer for the purpose of APRA EU.

On 20 September 2023 the Group submitted the draft Remedial Action Plan to AUSTRAC and on 27 September 2023 to APRA.

Both submissions were made within the 120 day timeline set out in the Enforceable Undertakings.

On 20 October 2023 AUSTRAC approved the AUSTRAC Remedial Action Plan and on 30 November 2023 APRA approved the APRA Remedial Action Plan.

Notes to the financial statements

For the half year ended 29 February 2024

6.5.3 Provisions and contingent liabilities (continued)

The Bank's compliance with the Consumer Data Rights regime (Open Banking)

Open Banking services are functioning as expected for a large majority of our customer base, however, BOQ continues to work towards full compliance with its CDR obligations. BOQ maintains a Rectification Schedule with the ACCC, which discloses any outstanding CDR requirements. The Rectification Schedule is publicly available.

It is uncertain what actions (if any) will result from the items disclosed on our Rectification Schedule, or BOQ's implementation of CDR requirements in earlier years.

Legal claims, remediation, compensation claims and regulatory enforcement

The BOQ Group is committed to strengthening, simplifying, digitising and optimising its business to deliver improved outcomes for our customers, people, shareholders and valued partners.

As BOQ has developed and progressed through the Remedial Action Plans and engaged with APRA and AUSTRAC, it has identified further weaknesses in its systems and controls, including in relation to its reporting to AUSTRAC (leading to a failure to report a significant number of suspicious matter reports to AUSTRAC in a timely manner). Where BOQ has identified weaknesses, relevant regulators have been informed and BOQ is working to address them. BOQ is undertaking further reviews of certain areas and this work may identify further weaknesses. The work to address identified weaknesses and the performance of further reviews is reflected in the Remedial Action Plans.

While it is uncertain whether AUSTRAC or APRA will take any further enforcement action (either in relation to the matters referred to in the enforceable undertakings or other matters), neither regulator has indicated to BOQ that it intends to do so.

The Group could be engaged in a range of litigation matters at any given time. The Group (like all entities in the banking and finance sector) is exposed to the risk of litigation and there can be no assurance that significant litigation will not arise in the future. The outcome of legal proceedings, and total costs associated with exposure to litigation, remains uncertain. Where relevant, expert legal advice is obtained and, in the light of such advice, provisions or disclosures as deemed appropriate are made.

There is a risk that from time to time, the Group does not comply with its legal or regulatory obligations. In some cases where the Group does not comply, it must undertake remediation programs. The Group also undertakes ongoing compliance activities, including to review products, conduct and services provided to its customers. Some of these reviews may identify weaknesses that result in remediation programs. Where relevant, the Group consults with the respective regulator on these matters.

The Group's regulators, including ASIC, ACCC, ATO, APRA, OAIC and AUSTRAC and other independent bodies, such as the BCCC, also engage with the Group. For example, our regulators or independent bodies may carry out reviews or audits of our compliance arrangements or request certain information from us as part of an inquiry or investigation. Throughout the period the Group has had numerous engagements with its regulators and independent bodies and been subject to a number of reviews and inquiries including, for example, responding to ASIC's inquiries into lenders' approaches to financial hardship (where BOQ has identified areas requiring uplift and has an inflight program to address those areas). This includes engagement with ASIC about concerns it has regarding BOQ's systems and controls relating to its design and distribution, breach reporting, dispute resolution, hardship and effective compensation arrangement obligations, as well as the BCCC about concerns regarding compliance with the Banking Code of Practice and management of deceased estates.

There is a risk that, following such engagement, regulators may seek to commence proceedings, seek to impose fines or sanctions, or take other administrative or enforcement action in relation to the Group's compliance with relevant laws and regulations (the Group has not been informed of any current intention by its regulators to do so). There is also the risk that the Group incurs increased costs in people, processes and systems in order to meet regulators' requirements or expectations. The outcomes and total costs associated with these possible exposures remain uncertain.

St Andrew's

As part of the St Andrew's sale completed on 28 October 2021, BOQ provided a capped indemnity of $8.5 million to the buyer, Farmcove Investment Holdings, for the period ending 28 October 2024. No claims on the indemnity have been made up to the date of this report.

6.5.4 Events subsequent to balance date

The Bank has determined an interim dividend to be paid on 27 May 2024. Further details with respect to the dividend amount per share, payment date and dividend reinvestment plan can be obtained from Note 6.2.3.

The New Zealand asset portfolio sale completed on 31 March 2024. Refer to Note 6.4 (a) for further detail.

As part of the sale agreement, the Group provided the purchaser with warranties and an indemnity which are customary to this type of transaction. The Directors are not currently aware of any events that could lead to a claim under the provided warranties or indemnity.

The Directors are not aware of any other matters or circumstances that have arisen in the interval between the end of the financial half 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.

Directors' declaration

In the opinion of the Directors of Bank of Queensland Limited:

(a) the consolidated financial statements and accompanying notes for the half year ended 29 February 2024, as set out on pages 37 to 57 are in accordance with the *Corporations Act 2001* (Cth), including that they:

(i) give a true and fair view of the financial position of the Consolidated Entity as at 29 February 2024 and of its performance, for the half year ended on that date;

(ii) comply with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* (Cth); and

(b) there are reasonable grounds to believe that the Bank and the Consolidated Entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Warwick Negus
Chairman
16 April 2024

Patrick Allaway
Managing Director and CEO
16 April 2024

Independent auditor's report

pwc

Independent auditor's review report to the members of Bank of Queensland Limited

Report on the half year financial report

Conclusion

We have reviewed the half year financial report of Bank of Queensland Limited (the Company) and the entities it controlled during the half year (together, "the Group"), which comprises the consolidated balance sheet as at 29 February 2024, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated income statement for the half year ended on that date, selected explanatory notes and the Directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half year financial report of Bank of Queensland Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 29 February 2024 and of its performance for the half year ended on that date

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half year financial report* section of our report.

We are independent of 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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the Directors for the half year financial report

The Directors of the Company are responsible for the preparation of the half year 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 half year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the half year financial report

Our responsibility is to express a conclusion on the half year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001*, including giving a true

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Independent auditor's report

and fair view of the Group's financial position as at 29 February 2024 and of its performance for the half year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

Craig Stafford
Partner

Sydney
16 April 2024

7. Appendices

7.1 ASX Appendix 4D

Cross reference index	Page
Details of reporting period and previous period (Rule 4.2A.3 Item No. 1)	Inside front cover
Results for announcement to the market (Rule 4.2A.3 Item No. 2)	Inside front cover
Net tangible assets per security (Rule 4.2A.3 Item No. 3)	Page 61
Details of entities over which control has been gained or lost (Rule 4.2A.3 Item No. 4)	Page 54
Dividends and dividend dates (Rule 4.2A.3 Item No. 5)	Inside front cover and page 45
Dividend reinvestment plan (Rule 4.2A.3 Item No. 6)	Page 45
Details of associates and joint venture entities (Rule 4.2A.3 Item No. 7)	Page 61
Foreign entities (Rule 4.2A.3 Item No. 8)	Not applicable
Independent audit report subject to modified opinion (Rule 4.2A.3 Item No. 9)	Not applicable

Details of associates and joint venture entities (Rule 4.2A.3 Item No. 7)	**Ownership interest held (%)**
JOINT ARRANGEMENTS (1)	
Ocean Springs Pty Ltd (Brighton)	9.31
Dalyellup Beach Pty Ltd (Dalyellup)	17.08
East Busselton Estate Pty Ltd (Provence)	25.00
Provence 2 Pty Ltd (Provence 2)	25.00

	As at		
Net tangible assets per security (Rule 4.2A.3 Item No. 3)	**Feb 24**	Aug 23	Feb 23
Net tangible assets per ordinary shares ($) (2)	**7.39**	7.54	7.76

(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. No change in ownership interest held since 31 August 2023.

(2) Represents net assets excluding intangible assets and other equity instruments divided by ordinary shares on issue at the end of the period. Right-of-use-assets of $115 million have been included in the net tangible asset calculation for the half year ended 29 February 2024.

Glossary

TERM	DESCRIPTION
Anti-money laundering (**AML**)	The prevention of money laundering, being the process of moving money or property through the economy in a way that hides its illegal origins or intended criminal purpose.
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.
AT1 Capital Notes	AT1 Capital Notes are perpetual, non-cumulative, subordinated and unsecured notes assumed on the acquisition of ME Bank.
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 Competition and Consumer Commission (**ACCC**)	ACCC is an independent Commonwealth statutory authority having the role of administering and enforcing the *Competition and Consumer Act 2010* and other legislation to promote competition, fair trade and to regulate national infrastructure. The ACCC currently comes under the portfolio responsibilities of The Treasury.
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 & Investments Commission (**ASIC**)	ASIC is Australia's corporate, markets and financial services regulator.
Australian Securities Exchange (**ASX**)	Australian Securities Exchange or ASX Limited (ABN 98 008 624 691) and the market activities operated by ASX Limited.
Australian Transactions Reports and Analysis Centre (**AUSTRAC**)	AUSTRAC is Australia's financial intelligence unit and anti-money laundering (**AML**) and counter-terrorism financing (**CTF**) regulator.
Australian Taxation Office **(ATO)**	The Australian Taxation Office is an Australian statutory agency and the principal revenue collection body for the Australian Government. The ATO has responsibility for administering the Australian federal taxation system, superannuation legislation, and other associated matters.
Authorised deposit-taking institution (**ADI**)	A body corporate which is authorised to carry on banking business in Australia under the *Banking Act 1959* (Cth).
Available stable funding (**ASF**)	ASF is the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year.
Average interest earning assets (**AIEA**)	Average balance over the period for a bank's assets that accrue interest income.
Banking Code Compliance Committee (**BCCC**)	The Banking Code Compliance Committee is an independent body that monitors banks' compliance with the Banking Code of Practice.
Bank of Queensland Limited (**the Bank** or **BOQ**)	The Bank is a for-profit entity primarily involved in providing retail banking, business banking and leasing finance products to its customers.
Basel 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).
Capital notes (**BOQPE**), Capital notes 2 (**BOQPF**) & Capital notes 3 (**BOQPG**)	Capital Notes are perpetual, convertible, unguaranteed and unsecured notes issued by BOQ, with preferred, discretionary, non-cumulative distributions. Capital Notes may convert into common shares in certain circumstances as described in the offer documentation of the notes.
Cash earnings	Cash Earnings is a non-accounting standards measure commonly used in the banking industry to assist in presenting a clear view of underlying earnings.
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.
Commercial Real Estate (**CRE**)	Businesses whose primary purpose is the construction and / or development of commercial real estate.

Glossary

TERM	DESCRIPTION
Consolidated entity (**the Group** or **BOQ**)	BOQ and its subsidiaries.
Corporations Act 2001	The *Corporations Act 2001* (Cth).
Cost to income (**CTI**) ratio	Operating expenses divided by net operating income.
Counter terrorism financing (**CTF**)	The prevention of the financing of terrorism, including the financing of terrorist acts, and of terrorists and terrorist organisations.
Court Enforceable Undertakings (**CEUs**)	These are legally binding undertakings that have been accepted by APRA and AUSTRAC and are enforceable in a court.
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.
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.
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.
Equity reserve for credit losses (**ERCL**)	An additional reserve for future unidentified credit losses, not reflected as part of existing Expected Credit Loss provisions.
Expected credit loss (**ECL**)	Estimated credit losses using a forward looking impairment methodology accounted for, in accordance with AASB 9 *Financial Instruments*.
Euro Medium Term Note (**EMTN**)	EMTN is an offshore medium term note program.
Eurocommercial paper program (**ECP**)	ECP is an offshore short term commercial paper program.
Fair value through other comprehensive income (**FVOCI**)	Measurement and classification of financial assets under AASB 9 *Financial Instruments*. A financial asset is measured at FVOCI if it is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The contractual cash flows must be solely payments of principal and interest.
Fair value through profit or loss (**FVTPL**)	Measurement and classification of financial assets under AASB 9 *Financial Instruments*. FVTPL include financial assets that are held for trading.
Full time equivalent (**FTE**)	A calculation based on number of hours worked by full and part time employees as part of their normal duties.
Gross domestic product (**GDP**)	Total monetary value of all goods and services produced in a country.
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 asset (**HQLA**)	Comprises of the Bank's notes and coins, central bank balances able to be drawn down 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.
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.

Glossary

TERM	DESCRIPTION
International Financial Reporting Interpretations Committee (**IFRIC**)	Independent, private-sector body that provides guidance on financial reporting issues not specifically addressed in International Financial Reporting Standards.
International Financial Reporting Standards (**IFRS**)	IFRS and interpretations issued by the International Accounting Standards Board.
Issued capital	Value of securities allotted in a company to its shareholders.
Jaws ratio	The jaws ratio is a measure to demonstrate the extent to which a trading entity's income growth rate exceeds its expenses growth rate, measured as a percentage.
Liquid assets	All Unencumbered RBA repurchase eligible liquid assets including HQLA1.
Liquidity coverage ratio (**LCR**)	The LCR represents the level of unencumbered high quality liquid assets available to meet obligations over a 30 day period, under a regulator defined liquidity stress scenario.
Loss given default (**LGD**)	Loss of money by a bank when a customer defaults on a loan represented as a percentage of the total exposure at the time of default.
Members Equity Bank Limited (**ME Bank** or **ME**)	ME Bank is a for profit entity that operated in the retail segment of the domestic market offering primarily home loan products and everyday transaction and online savings accounts. On 28 February 2022, ME Bank surrendered its ADI licence and ME Bank's assets and liabilities were transferred to BOQ.
MyBOQ	BOQ digital bank platform, launched in March 2022, including transaction and savings accounts.
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. APRA requires ADIs to maintain an NSFR of at least 100 per cent. ASF is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. 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.
Non-interest earning assets	The Bank's assets that do not accrue interest income.
Office of Australian Information Commissioner (**OAIC**)	The Office of the Australian Information Commissioner's purpose is to promote and uphold privacy and information access rights and was set up under the under the *Australian Information Commissioner Act 2010 (AIC Act)*. The OAIC is an independent statutory agency in the Attorney-General's portfolio.
Owner-managed branch (**OMB**)	A branch which is run by a franchisee.
Probability of default (**PD**)	An estimate of the likelihood of a default over a given time horizon.
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.
Remedial Action Plans (**RAPs**)	Programs to strengthen BOQ's operational resilience, risk culture and AML/CTF governance and compliance.
Reserve Bank of Australia (**RBA**)	Australia's central bank and derives its functions and powers from the *Reserve Bank Act 1959*.
Residential mortgage-backed securities (**RMBS**)	BOQ's securitisation program which enables the trustee to issue debt securities backed by assets originated by the Group such as mortgages.
Return on average equity (**ROE**)	Net profit less other equity instruments' distributions divided by average shareholder equity, excluding other equity instruments.
Return on average tangible equity (**ROTE**)	After tax earnings applied to average shareholders' equity (excluding preference shares and treasury shares) less goodwill and identifiable intangible assets (customer related intangibles/brands and computer software).

Glossary

TERM	DESCRIPTION
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.
SMHL	Term to describe the ME Bank securitisation programs.
Term funding facility (**TFF**)	Funding Facility for authorised deposit-taking institutions established by the RBA to support the Australian economy.
Total capital adequacy ratio	Total capital divided by total RWA calculated in accordance with relevant APS.
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 Money Australia (**VMA** or **Virgin Money**)	Virgin Money Australia is a business operated by BOQ, encompassing Virgin Money Australia Pty Ltd and its subsidiaries, as well as Virgin Money Australia products sold by the Bank. The VMA products offered by the Group include home loans, transaction and savings accounts and the provision of other financial services (e.g. credit cards, insurance and superannuation) on behalf of business partners.
Weighted average life (**WAL**)	Is the average length of time for the principal on a loan to be paid in full.
Weighted average number of shares (**WANOS**)	Calculated in accordance with AASB 133 *Earnings per share.*

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