

CHAIRMAN'S LETTER TO SHAREHOLDERS

Monday, 27 May 2024, Brisbane: Today, the Bank of Queensland Limited (**BOQ**) released a letter to shareholders. A copy of the letter is attached to this release.

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Authorised for release by: The Chairman of Bank of Queensland Limited.

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Chairman's letter to shareholders

Monday, 27 May 2024

Dear Shareholder,

I am taking this opportunity to provide you with an update on some of the achievements of BOQ Group, following the release of our financial results for the half year ended 29 February 2024.

2024 Half Year Results

BOQ Group reported cash earnings of \$172 million and statutory earnings of \$151 million for the half year ended 29 February 2024. These earnings reflect the highly competitive environment for both mortgages and deposits, as well as specific decisions the Group has made to set itself up for future success.

We continued to focus on the financial resilience of the bank as demonstrated by our strong common equity tier 1 (CET1) ratio of 10.76%, a spot liquidity coverage ratio (LCR) of 132% and prudent provision settings.

The transformation of the Group has continued at pace, as we balance the continued investment in the business with the importance of dividends for our shareholders. The Board declared a 17 cent first half dividend, representing a payout of 65.2% of cash earnings.

Strategic Progress

The operating environment was again characterised by a highly competitive mortgage market and increasing competitive pressure on deposits as banks across the industry sought to replace the Reserve Bank of Australia's Term Funding Facility, a combined \$188bn funding task.

Against this backdrop, Australians have been adjusting to increased costs of living and higher interest rates, especially those coming off historically low fixed rate mortgages. This has resulted in elevated hardship activity and we have provided closer support as these customers adjust.

The Australian economy remains resilient, well supported by low unemployment rates and strong investment. While we do expect there will be lagged effects from interest rates and inflationary pressures, our lending portfolios are well secured, high quality and our prudent provisioning means BOQ Group is well positioned for the current environment. We remain optimistic on the long-term view and expect we are at the bottom of the economic cycle.

The Group has been focussed on diligently executing its strategy to **strengthen, simplify, digitise** and **optimise** the bank. Pleasingly, there has been considerable progress made against these four pillars; key achievements include:

Strengthening BOQ

While we have maintained sharp focus on the financial resilience of the bank, we have made some material progress on strengthening our operational resilience.

We have agreed Remedial Action Plans with our regulators, AUSTRAC and APRA, to address weaknesses identified in our Court Enforceable Undertakings (CEU), and independent reviewers have been appointed to provide assurance to these programs. These are multi-year programs of work, with 17 workstreams and 84 separate deliverables to design, implement and embed uplifts across both Program rQ, which addresses our APRA CEU, and AML First, which addresses our AUSTRAC CEU.

We are embracing these CEUs as a platform to build stronger foundations to leverage for future growth.

Simplifying BOQ

During this half year, we progressed simplifying our operating model, consolidating our contact centre and operations teams to a shared services model, while cross-training our bankers to enable a more seamless customer experience. We also automated a further 43 key processes across customer onboarding, cards management and regulatory reporting.

We exited a business and jurisdiction which was non-core to the group's operations; the sale of our New Zealand Asset Portfolio completed on 31 March 2024. Finally within simplification, we reduced our office footprint by over 6,000 square meters of floorspace, improving collaboration between our teams and generating \$40 million in cost savings over the life of the leases.

Digitising BOQ

Since announced in 2020, the Group's digital transformation strategy has been progressing at pace. We are at a pivotal point having now built, and in final testing stages for, both the ME deposit migration infrastructure and digital mortgage product. In the second half of this financial year we will launch phase one of these key components of our digital strategy.

Since enabling deposits for all three retail brands on the new digital bank, the customer experience has been enhanced, demonstrated by significantly improved mobile app ratings as compared to the legacy experience.

Once we complete the release of our market leading digital mortgage, the bank will be able to compete at a lower cost to originate and service customers, with a wholly digital end-to-end brand. These milestones are key to achieving our vision **to be the bank customers choose**.

Optimising BOQ

The above three pillars will enable a lower cost, stronger and simpler bank. Our optimise pillar is focussed on uplifting long-term shareholder returns. We have been careful with our deployment of capital given the challenges the industry has faced. Should the current market dynamics be structural rather than cyclical, we recognise that we might need to take additional steps to improve returns. This includes shifting our revenue mix, further simplifying the way we work and capital optimisation.

Building social capital through banking

Our purpose, **building social capital through banking** is central to everything the Group does. It sets the standard in how we treat our customers with fairness and compassion, escalating concerns when we don't get it right, enriching our people by building future fit capabilities, providing a safe and inclusive place to come to work, facilitating the critical work of our community partners, and importantly, keeping our environmental commitments.

The Board and Management take our responsibility to our shareholders very seriously; we recognise and appreciate that your investment requires patient trust in the management team to deliver on our strategy. We have a highly capable, deeply committed executive team, who are passionate about transforming BOQ Group.

In closing, I wish to thank our customers, our people and you, our shareholders, for your continued support.



Warwick Negus
Chairman