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BOQ GROUP

FY24 FINANCIAL RESULTS

For the year ended 31 August 2024

BOQ reports $343m cash earnings after tax; major milestones delivered across strategic pillars; strong capital, liquidity and asset quality positions; 17cps final dividend

Statutory net profit after tax $285m **▲130% on FY23**	**Cash earnings after tax** $343m **▼24% on FY23**	**Net interest margin** 1.56% **▼13bps on FY23**	**Housing lending growth** ($944m) **▼2% on FY23**	**Business lending[1] growth** $323m **▲2% on FY23**
2H24 dividend per ordinary share[2] 17c **34c FY24 dividend**	**Cash earnings per ordinary share** 52.2c **▼24% on FY23**	**Cash operating expenses** $1,069m **▲6% on FY23**	**Cash return on av. equity (ROE)** 5.7% **▼160bps on FY23**	**Common equity tier 1 (CET1) ratio** 10.66% **▼25bps on FY23**

Bank of Queensland Limited (**BOQ**) today reported statutory net profit after tax of $285 million for the full year ended 31 August 2024 (**FY24**), and cash earnings after tax of $343 million.

Total income declined 8% from the prior year driven by home lending and margin contraction in a highly competitive environment, while expenses increased 6% due to inflation and continued investment in transformation, technology, risk and compliance.

As pressures in the home lending market persisted through the year, management made the decision to recycle lower-returning home lending capital, shifting the portfolio mix to higher returning assets. In 2H24 the business bank returned to growth, accelerating in targeted specialised segments where BOQ has a strong competitive advantage.

Customer deposit balances increased 1% on the prior year, driven by an increase of $1.5 billion in digital deposits. The continued growth in digital deposit balances highlights the value emerging from BOQ's investment in digitisation, with 26% of all retail deposit customers now on BOQ's digital platform[3].

Disciplined execution to transform BOQ to a simpler, specialist bank continued, with the foundational digital bank largely built and significant progress made in strengthening and simplifying the business:

- delivery of FY24 risk programs, validated by Independent Reviewers,
- identified and executed on further initiatives to deliver $250 million in productivity benefits by FY26,
- commenced the simplification of the Group's distribution channels,
- ME Bank deposit migration commenced; and
- origination of the first digital mortgage.

Portfolio quality is sound with low loan impairment expense and prudent provisioning coverage. Liquidity settings remain strong, with a disciplined approach maintained as the final $1.1 billion dollars of the RBA's term funding facility was repaid during 2H24.

The Board have determined to pay a final fully franked dividend of 17 cents per share, representing a payout ratio of 65.7% of reported 2H24 cash earnings. The dividend reinvestment plan will operate without a discount and will be satisfied in full by an open-market purchase of shares.

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Managing Director & Chief Executive Officer Patrick Allaway said:

"Today's result demonstrates the Group's continued execution of our strategic initiatives against a difficult backdrop. With the foundational build of our digital bank largely complete and customer migration underway, we are at an inflection point in our transformation with a clear pathway to materially improve shareholder returns."

"Operationally, we have been disciplined, recycling capital from lower returning home lending to our higher returning business bank and finance company. We will continue to leverage the strength of our business bank, accelerating growth in specialist segments where we have competitive advantages."

"The work to simplify our distribution channels will provide flexibility in product distribution, the ability to enhance margins and will optimise our branch footprint to better meet changing customer habits."

"We have navigated through two difficult years, demonstrating consistent execution and are now starting to see the benefits of our transformation."

FY24 RESULTS SUMMARY

- **Statutory NPAT** for FY24 was $285 million, a significant increase on FY23 due to the non-reoccurrence of large one-off items impacting FY23. The FY24 statutory result was impacted by two material one-off after tax adjustments: $33 million of restructuring costs related to BOQ's simplification program and $22 million relating to the sale of the non-core New Zealand asset portfolio.
- **Cash NPAT** for FY24 was $343 million, a 24% decline on FY23, driven by competition for lending, higher funding costs, inflation and investment in risk, compliance and technology.
- **Total income** of $1,600 million declined 8% on FY23, driven by lower net interest income as BOQ continued to prioritise economic return over volume growth in a competitive and commoditised market.
- **Net interest income** of $1,463 million decreased 9% on FY23, as a decline in both NIM and average interest earning assets was driven by competition across both lending and deposits and higher wholesale funding costs as the Term Funding Facility was repaid.
- **Non-interest income** of $137 million was down 4% on FY23, as higher income from third party credit card, insurance products and trading income was offset by lower banking fee income.
- **Net interest margin** was 1.56% for FY24, a 13 basis point decrease on FY23. The reduction in NIM was driven by the decline experienced in 2H23, before relative stability was achieved in FY24.
- **Operating expenses** of $1,069 million increased 6% on FY23, reflecting impacts from inflation and investments in risk, compliance and technology, partly offset by lower amortisation, occupancy and productivity initiatives.
- **Loan impairment expense** of $20 million was an improvement of 72% on FY23, equating to 2 basis points to gross loans and advances. This was driven by both lower collective and specific provision activity.
- **Cost to income ratio** of 66.8%, an increase on FY23, due to both higher operating expenses and lower revenue.
- **2H24 dividend** BOQ has determined to pay a final 2H24 fully franked dividend of 17 cents per share, representing a payout ratio of 65.7% of reported 2H24 cash earnings.

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- **Cash earnings per share** decreased 24% on FY23 to 52.2 cents per share.
- **Cash return on average equity (ROE)** decreased 160 basis points to 5.7% on FY23, due to lower cash earnings.
- **Cash return on tangible equity (ROTE)** declined 190 basis points on FY23 to 7.1%, largely due to lower cash earnings.
- **CET1** decreased 25 basis points on FY23 to 10.66%, remaining at the top end of the management target range of 10.25–10.75%. A strong capital position provides BOQ with financial resilience and supports the continued investment in transforming the business.
- **Home lending** contraction of $944 million in the period was reflective of the continued discipline in prioritising economic return over volume growth in what remained a competitive environment.
- **Business lending**[1] growth of $323 million was driven by commercial lending across healthcare and owner-occupied commercial property across a diverse range of businesses.
- **Customer deposits** increased by $397 million, or 1%, with the deposit to loan ratio increasing 1% to 84%.

OUTLOOK[4]

The Group remains optimistic on the long-term view. The Australian economy is likely to improve in the coming financial year, however, the strength of the improvement is uncertain. There is heightened uncertainty due to the global outlook, low productivity and increasing consumer and business caution. Supportive factors include a resilient labour market, fiscal support and declining global, and potentially domestic, cash rates.

BOQ anticipates stable margins and revenue benefits from business bank growth in specialist areas, and branch conversion, partially offset by further reductions in mortgage balances. Broadly flat expense growth is anticipated as simplification initiatives offset inflation, higher amortisation and branch conversion costs. Transformation investment spend will reduce materially, as the foundational build of the digital bank has largely completed and spend transitions to running and enhancing digital platforms.

Capital is expected to remain in the management target range of 10.25 – 10.75% and will be impacted ~30bps due to the branch conversion, recognised at conversion date. Asset quality remains sound, diversified and well collateralised with an anticipated loan impairment expense increase from current low levels.

The dividend payout ratio target range will remain unchanged at 60–75% of cash earnings[5].

1. Business lending comprises commercial lending and asset finance.
2. The dividend will be fully franked and the dividend reinvestment plan will operate with no discount and is expected to be satisfied in full by an on-market purchase of shares.
3. Includes deposit and linked VMA credit card customers.
4. Subject to no material change in market conditions.
5. The amount of any dividend will be at the discretion of the Board and will depend on several factors, including a) the recognition of profits and availability of cash for distributions; b) the anticipated future earnings of the company; or c) when the forecast timeframe for capital demands of the business allows for a prudent distribution to shareholders.

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INVESTOR BRIEFING

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

Participants wishing to join the conference call can register by navigating to: https://s1.c-conf.com/diamondpass/10042526-6b3tus.html

ENDS

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

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