

# ASX RELEASE



100 Skyring Terrace  
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## REFRESHED FIVE YEAR BOQ STRATEGY ANNOUNCED

**Thursday, 27 February 2020, Sydney:** Bank of Queensland Limited (**BOQ**) today unveiled details of its refreshed five year strategy to drive enhanced customer experiences, generate sustainable and profitable growth and create long term shareholder value.

Managing Director and CEO, George Frazis, said: “BOQ will build on its key strengths, differentiators, and strong customer engagement through an improved digital offering to deliver sustainable performance improvement.

Our strategy combines traditional banking with contemporary digital capabilities to better serve our customers, deliver better products and services, be nimble and improve productivity.

This five year strategy is the next iteration of a bank that has served its customers for 145 years. We will build on our existing competitive advantages in the knowledge that customers are increasingly looking for alternative ways to bank.”

Execution of BOQ’s strategy is built around five pillars:

- **Our empathetic culture sets us apart.** BOQ will embed this across all areas of the business to support its focus on providing customers with enhanced experiences, and building the capability of its people.
- **Distinctive brands serving attractive niche customer segments.** BOQ will focus on the niche segments that provide the greatest opportunities to grow sustainable returns.
- **Digital bank of the future with a personal touch.** BOQ will deliver a comprehensive digital transformation, through implementation of digital and cloud based technologies starting with the investment in the Virgin Money Australia new digital bank that is well under way.
- **Simple and intuitive business, with strong execution capability.** BOQ, through a bank-wide transformation, will reduce its product set, streamline processes and leverage technology to improve the customer experience, drive efficiencies and reduce costs.
- **Maintaining a strong financial and risk position, with attractive returns.** BOQ’s growth will be underpinned by a strong balance sheet and a robust risk and regulatory compliance framework.

To deliver against these priorities, BOQ is continuing its capital investment of approximately \$100 million per annum before reducing to ~\$80 million per annum in FY23 and ~\$60 million in FY24. The investment will be staged and prioritised to achieving long term shareholder value. The investment uplift will be partly financed through efficiency and productivity benefits that will deliver anticipated annualised savings of approximately \$90 million by FY23. These savings will hold expense growth at less than 1% per annum to FY22.

For further information please call:

### Media

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BOQ's refreshed strategy supports the following:

- **Growth above system from FY20.** As at the date of this release, BOQ's home lending and business lending portfolios are already growing above system whilst optimising returns.<sup>1</sup> BOQ will build on this momentum in the years ahead by leveraging niche customer segments, and driving further improvements in its product offerings and customer experience.
- **Positive jaws in FY21, expanding in FY22.** BOQ will take a disciplined approach to costs, coupled with anticipated sustained growth in revenue.
- **Target ROE of around 8% by FY22, increasing to 9%-10% by FY24.** BOQ will focus on quality lending, and good margin management funded through a mix of sources that includes a high level of retail deposits.
- **Organic capital generation of around 100 basis points per annum from FY21 with CET1 of 9.00%-9.50%.** Returning BOQ to sustainable and profitable growth will support a ROE that generates organic capital needed to continue growing the business.
- **Targeting sustainable growth in EPS and dividends from FY21 onwards.** BOQ understands the importance of dividends for its shareholders. As previously disclosed, BOQ's target dividend payout ratio is 70%-80% of cash earnings subject to required approvals.

George Frazis said: "The work is underway and we are starting to see improvements across key metrics including customer satisfaction, home lending and business lending growth. BOQ is moving with pace and will build on this early momentum in the months ahead.

I'm confident that we have the right strategy and roadmap to grow the business in a way that delivers for customers, shareholders and our people," Mr Frazis said.

Today, BOQ also announced updated FY20 guidance. With improved momentum across BOQ since the capital raising, FY20 cash earnings is now expected to be 4% to 6% lower than FY19 driven by better than expected income growth and improved impairment expense<sup>2</sup>.

**ENDS**

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

*This announcement is subject to the Important Information and Disclaimer set out on page 2 of the investor presentation announced on the same date.*

#### **Strategy update webcast details:**

BOQ's strategy update teleconference will be held today at 10:00am (AEDT). Teleconference details are as follows.

**Dial-in number (Australia): 1800 149 568**

**Dial-in number (International): +61 2 8038 5271**

**Conference ID: 896 8078**

**The webcast address is:** <https://edge.media-server.com/mmc/p/4odtavmx>

<sup>1</sup> Sources: RBA Lending, Credit Aggregates, APRA Monthly Banking Statistics and Analyst Research and Benchmarking.

<sup>2</sup> Subject to no material change in economic or market conditions

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