

ASX RELEASE

BOQ's 1H22 results reflect strong business momentum, tightly managed costs and improved portfolio quality. Integration and strategic transformation are on track and delivering results.

STATUTORY NET PROFIT AFTER TAX	CASH EARNINGS AFTER TAX	NET INTEREST MARGIN	HOUSING LOAN GROWTH
\$212m	\$268m	1.74% ↓12bps from 2H21	\$2.6bn ↑9% from 2H21
↑38% from 1H21 ¹	↑14% from 1H21	OPERATING EXPENSES	BUSINESS LOAN GROWTH ²
		\$461m ↓3% from 2H21	\$0.6bn ↑8% from 2H21
INTERIM DIVIDEND PER ORDINARY SHARE ³	CASH EARNINGS PER ORDINARY SHARE	CASH RETURN ON AVERAGE EQUITY (ROE)	COMMON EQUITY TIER 1 (CET1) RATIO
22¢	41.1¢	9.1%	9.68% (9.76% proforma) ⁴
	↑16% from 1H21	↑130bps from 1H21	↓12bps from 2H21 (↓4bps)

1H22 Results Overview

Managing Director and CEO George Frazis: BOQ's financial results for 1H22 highlights our progress on delivering quality sustainable profitable growth and reflects the sharp focus on our strategic priorities.

Today's result demonstrates our disciplined execution of the ME integration and digital transformation program and represents our fifth consecutive half of improved underlying performance. This has been achieved during a period of ongoing economic uncertainty from COVID, and at a time of notable change as we bed down the integration of ME and upgrade our digital capability for customers and our people.

Statutory net profit after tax increased 38% to \$212m¹. Cash earnings of \$268m have increased 14% from 1H21 and reflect the ongoing business momentum through the half, our focus on costs and the benefit of lower loan impairment expenses. Our goal to help more Australians into their homes continues to drive performance with the ME home loan book returning to growth in the period and BOQ and Virgin Money (**VMA**) brands showing continued strong growth at 1.8x system. Our refocus on helping family businesses has resulted in above market growth in SME of 2.5x system and Corporate business lending of 1.2x system.

We continue to execute on our plan, the digital transformation and the ME integration. We are a step closer to realising our bold strategy of building a truly multi-brand, cloud-based, digital retail bank with the launch of myBOQ joining VMA on the common core banking platform which enhances the customer experience. The integration program is well progressed with key milestones delivered on the accelerated timeline and within the committed expense profile, and with \$33m of run rate synergies delivered during the half. Synergy benefits have been increased from \$70-\$80m to \$95m in FY24 and beyond.

Our capital strength has enabled our business to grow and to invest in our transformation. Our asset quality remains sound with prudent collective provisioning levels.

The Board has therefore determined to pay an interim fully franked dividend of 22 cents per share which represents a 53% payout ratio for 1H22.

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

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1H22 Key Financial Results

Statutory NPAT¹ for 1H22 was \$212m, a 38% increase on 1H21, driven by lending momentum, expense management and lower impairment provisions.

Cash NPAT for 1H22 was \$268m, a 14% increase on 1H21. The increase is primarily attributable to underlying business growth, higher non-interest income, carefully managed costs and a loan impairment expense credit in the half.

Total income of \$831m increased 1% from 1H21. The increase was driven by higher asset balances and non-interest income revenue, offset in part by the NIM decline.

Net Interest Income decreased to \$741m, down 2% from 1H21, driven by the NIM decline and the impact of the ME Bank decline in average interest earning asset balances prior to ownership.

Non-interest income increased 30% to \$90m, driven by a number of one-off revenue items including incentive income from an updated card services arrangement and a termination fee relating to a third party insurance provider.

Net Interest Margin was 1.74% for the half, representing a decrease of 12bps over the half. This comprised 7bps of underlying decline primarily due to industry dynamics including ongoing competition, higher fixed rate lending volumes and volatile swap rates, and a further 5bps relating to increased liquidity during the period.

Operating expenses declined 3% to \$461m in 1H22 compared to the prior half. Ongoing productivity initiatives and synergy savings from the ME Bank integration have more than offset higher expenses to support the digital transformation and increased business volumes.

Loan Impairment expense was a credit of \$15m in 1H22 reflecting an improvement in the collective provision as a result of the more favourable economic outlook and the strong housing market. Specific provisions were also in credit during the period driven by write backs across the retail and commercial portfolios.

Cost to income ratio improved by 20bps to 55.5% in 1H22. This was due to revenue uplift while expenses were held flat during the period, and reflects the positive jaws of 1% achieved in the half.

1H22 Dividend BOQ has determined to pay an interim 1H22 fully franked dividend of 22 cents per share on 26 May 2022, representing a 53% cash payout ratio.

Cash earnings per share increased 16% to 41.1cps in the half. The uplift was due to the strong profit growth for the period.

Cash return on average equity (ROE) increased 130bps to 9.1% from 1H21 driven by positive jaws and the loan impairment expense benefit.

CET1 at 9.68%, was 12bps lower than 2H21, but remains above the target range of 9.0 – 9.5%⁵. In addition, BOQ completed a securitisation transaction in March 2022 which would increase the CET1 ratio to 9.76% on a pro forma basis. The strong capital position has enabled us to grow the business and invest in our transformation during the period.

Housing Loan growth momentum continued, with \$2.6bn of growth in the half across all brands. BOQ and VMA growth of 1.8x system and ME returned to growth at 0.3x system.

Business Loan growth of \$0.6bn with strong growth in both the Corporate and SME businesses in the half. Small and medium business lending grew at 2.5x system⁵, whilst Corporate grew at 1.2x system. The Asset Finance business achieved growth in the core equipment finance business, offset by declines in other areas due to COVID and supply chain issues.

Customer deposit growth continued with an additional \$1.8bn of balances added during the half. Growth across the transaction account and savings and investment products has enabled us to reduce our reliance on term deposits. The deposit to loan ratio was 74% at the end of the period and BOQ's customer deposits totalled \$58.3bn.

Net Promoter Score⁶ Customer advocacy has been impacted during the half with Consumer NPS falling to a ranking of 10th impacted by the legacy poor digital banking offering and shifting customer expectations. Mortgage NPS remained strong, ranked 4th and Business NPS declined slightly to also be ranked 4th in the period.

Customer Support We continue to work closely with those customers who require ongoing support to manage the impacts of extended lockdowns, as well as those impacted by recent flood events. We are providing ongoing assistance to impacted customers, however, customers impacted remain low.

Outlook

Australia remains well placed for continued economic recovery, with low unemployment, high terms of trade and a large pipeline of residential construction and infrastructure work to be done. However, uncertainty remains given geopolitical tensions, elevated inflation, rising interest rates, supply chain and labour disruptions.

BOQ remains focussed on achieving quality, sustainable, profitable growth and delivering 2% positive jaws for FY22. Business momentum continues to build, BOQ and VMA housing gaining market share, ME Bank housing returning to net growth and business lending growing ahead of market, particularly in SME, while we optimise revenue, portfolio quality and returns.

We expect to see NIM headwinds reducing and the continued benefits from our integration and productivity programs driving a cost reduction of at least 1%.

The integration of ME is well progressed and we continue to execute against our strategic transformation roadmap. Over the next 12 months, the second phase of the digital, cloud based retail core banking platform will be available to customers and will include home loan products.

There may still be uncertainty associated with COVID-19 over the next year. We will continue to maintain a prudent approach to provisioning. We have a strong capital position and expect CET1 to remain comfortably above 9.5%⁵. Our dividend payout ratio target range is 60-75% of cash earnings.

Note: All cash P&L and CTI comparative periods are on a pro forma basis. Other metrics are consistent with previously reported numbers for 1H21.

1. Compared to the Audited Financial Statements for 1H21. Statutory NPAT has decreased 5% on a pro forma basis.
2. Business lending comprises commercial lending and asset finance.
3. The dividend will be fully franked and the dividend reinvestment plan will operate with a 2.5% discount
4. CET1 pro forma of 9.76% including a securitisation transaction which settled in March 2022.
5. BOQ intends to operate above the management target range of 9.0 – 9.5% in FY22 until the final impacts of APRA's changes to RWAs and capital calibration are understood. Refer to page 54 in the ME Bank acquisition investor presentation for further detail.
6. System growth represents the latest available RBA data as at January 2022. RBA figures include both business lending and asset finance balance growth. The RBA definition of SME will not directly correlate to the BOQ internal definition.
7. RFI XPRT Report February 2022 and August 2019. Consumer NPS refers to Main Financial Institution (MFI). DBM Atlas Report February 2022 and August 2019. SME NPS refers to Any Financial Relationship and businesses under \$40m turnover.

Investor briefing

BOQ's results webcast will be held today at 10am AEST. The webcast address is <https://edge.media-server.com/mmc/p/873beaa9>

Participants can register for the conference by navigating to <https://s1.c-conf.com/diamondpass/10021111-4jamx21.html>. Please note that registered participants will receive their dial in number upon registration.

ENDS

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