

## INTEGRATED RISK PROGRAM AND GOODWILL ADJUSTMENT

**Friday, 14 April 2023**, Brisbane: Bank of Queensland (**BOQ**) today announced that as detailed at its December 2022 AGM, it is prioritising strengthening and simplifying BOQ whilst delivering a digital data led bank.

In a further step in the implementation of that strategy, BOQ will undertake an Integrated Risk Program to strengthen its commitment to risk management and will reflect an anticipated \$60 million cost of this program in its 1H23 results being announced on 20 April 2023. In addition, following a review of the carrying amount of goodwill in accordance with Accounting Standards, BOQ has determined that it is appropriate to write-down \$200 million of goodwill. Both adjustments are non-cash items and will appear within the statutory net profit after tax in the 1H23 results.

Key elements of the 1H23 unaudited result, include:

- Strong financial position with CET1 ratio at 10.71% and the Liquidity Coverage ratio at 143% up from 9.57% and 139% respectively at 2H22.
- Unaudited cash earnings after tax of \$256 million.
- Statutory net profit after tax of \$4 million including \$60 million (\$42 million after tax) provision for an Integrated Risk Program and \$200 million non-cash impairment to goodwill.
- BOQ intends to pay an interim dividend of 20c per share<sup>1</sup>.

BOQ also notes its announcement made today that APRA has provided its written approval to redeem A\$200,000,000 Floating Rate Subordinated Notes due 1 May 2028 (ISIN: AU3FN0042339) and that BOQ would exercise the right to redeem as set out in that announcement.

### Strengthening & Simplifying BOQ

BOQ has made good progress in strengthening its financial resilience with strong capital and liquidity buffers, noting the uplifts in CET1 and Liquidity Coverage.

A \$60 million (\$42 million after tax) non-cash provision will be reflected in the 1H23 results for the cost of a three-year Integrated Risk Program to strengthen BOQ's non-financial resilience. This program of work is well under way and follows reviews which have identified that a material uplift is required in respect of BOQ's operational resilience, risk culture and AML/CTF program and compliance. BOQ is engaging proactively with regulators in relation to the scope and governance of the Integrated Risk Program, with external subject matter experts engaged to assist. The Integrated Risk Program will be independently assured.

In parallel with the Integrated Risk Program, BOQ has commenced a work stream to simplify its operating model through reducing duplication and delivering operational efficiencies. It is anticipated that this initiative,

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<sup>1</sup> The decision in respect of payment of the dividend (fully franked with the dividend reinvestment plan operating with a 1.5% discount) is subject to the finalisation of audited accounts and regulatory approval.

when combined with the Integrated Risk Program and the digital transformation, will deliver a stronger, simpler, and low-cost bank. BOQ expects to provide an update in 2H23 regarding the simplification program.

### **Goodwill Adjustment**

Following a review of the carrying amount of goodwill in accordance with Accounting Standards, BOQ has determined to write-down \$200 million of goodwill in 1H23. The majority of goodwill held on the BOQ balance sheet relates to the acquisition of Home Building Society Limited in 2007. As at 28 February 2023, BOQ considers that the share price and resulting market capitalisation does not appropriately reflect the value of BOQ's assets and liabilities. Accordingly, BOQ has increased the discount rate used to determine the value in use. This reduces the gap between BOQ's market capitalisation and value in use of the cash generating units in which goodwill is associated.

Managing Director & CEO Patrick Allaway said "BOQ is in a strong financial position supported by increased capital and liquidity buffers, cash earnings and sound asset quality with prudent risk settings. The investment in our Integrated Risk Program will further strengthen our operational resilience. Our shifted focus on strength and simplification whilst digitising BOQ is designed to deliver a low-cost bank with strong foundations."

Further detail will be provided at the announcement of BOQ's interim FY23 result on 20 April 2023.

An analyst briefing is scheduled for 10.00 am AEST on Friday, 14 April 2023.

You can access the webcast here: <https://edge.media-server.com/mmc/p/xn5fqpc6>

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