

ENTRY INTO ENFORCEABLE UNDERTAKINGS WITH APRA AND AUSTRAC

Wednesday, 31 May 2023, Brisbane: Bank of Queensland Limited (**BOQ**) provides the following update on its Integrated Risk Program and ongoing engagement with APRA and AUSTRAC.

BOQ has previously disclosed internal and external reviews that have led to identification of deficiencies in its operational resilience, risk culture and governance and Anti-Money Laundering and Counter-Terrorism Financing program and BOQ's ongoing engagement with APRA and AUSTRAC.

BOQ confirms that following further engagement with each regulator:

- BOQ has entered into a voluntary enforceable undertaking with APRA addressing remediation of weaknesses in BOQ's risk management practices, controls, systems, governance and risk culture (the **APRA EU**). APRA has also determined to apply a capital adjustment to BOQ's minimum capital requirements, adding \$50 million to BOQ's operational risk capital requirement.
- BOQ has also entered into a voluntary enforceable undertaking with AUSTRAC addressing remediation of issues in respect of BOQ's anti-money laundering and counter-terrorism financing program (the **AUSTRAC EU**).

BOQ remains committed to the remediation noted above and the commitments entered into with APRA and AUSTRAC will serve as a platform to continue the work commenced under the previously announced Integrated Risk Program. BOQ announced a provision for the Integrated Risk Program on 14 April 2023 and has made good progress in strengthening its financial resilience and holds strong capital and liquidity buffers.

The key terms of the APRA EU are as follows.

- **Remedial Action Plan:** prepare a remedial action plan to address underlying weaknesses in risk management practices, controls, systems, governance and risk culture, a draft of which is required to be submitted to APRA for approval within 120 days of the APRA EU. The plan is required to, among other things, set out an appropriate timeline for the implementation of remediation activities, and be specific, measurable and achievable.
- **Independent review:** BOQ is required to appoint an independent reviewer approved by APRA to report on the appropriateness of the remedial action plan and BOQ's progress on the remedial action plan.
- **Accountability:** BOQ will ensure accountability for the remediation activities in the remuneration scorecards of accountable and responsible persons specified in the plan and other staff as relevant.

The requirement in respect of the \$50 million capital adjustment will apply from 30 May 2023. The change is expected to reduce BOQ's Level 2 common equity tier 1 (CET1) ratio by approximately 17bps. BOQ's CET1 capital ratio as at 28 February 2023 was 10.71%. BOQ may apply for removal of

all or part of the capital adjustment when it concludes that it can demonstrate compliance to APRA's satisfaction with commitments in respect of ongoing remediation and the APRA EU.

The key terms of the AUSTRAC EU are as follows.

- **Remedial Action Plan:** prepare a remedial action plan, a draft of which is required to be submitted to AUSTRAC for approval within 120 days of the AUSTRAC EU. The plan is required to address concerns raised and identified by AUSTRAC and, among other things, include clear and measurable actions, a clear timeline for completion and clear accountabilities for executives.
- **External auditor:** BOQ is required to appoint an external auditor to periodically report on the remedial action plan until the plan has been completed to the satisfaction of AUSTRAC.

BOQ Chairman Warwick Negus said: "We have acknowledged the concerns raised by APRA and AUSTRAC. BOQ remains committed to its multi-year Integrated Risk Program to build a stronger and simpler bank with an uplift in risk culture, frameworks, processes and controls. This program will be independently reviewed as previously announced and we will continue to work proactively and transparently with APRA and AUSTRAC. Our digital transformation is complementary to this strategic priority as we decommission multiple complex legacy systems and reduce our reliance on manual processes."

ENDS

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