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BOQ GROUP

1H25 FINANCIAL RESULTS

For the half year ended 28 February 2025

BOQ delivers $183m cash earnings after tax; major strategic milestones delivered; strong capital, liquidity and asset quality positions; 18 cps interim dividend

Statutory net profit after tax	Cash earnings after tax	Net interest margin	Retail GLA growth[1]	Business GLA growth[2]
$171m	$183m	1.57%	($1,300m)	$371m
▲13% on 1H24	▲6% on 1H24	Stable on 2H24	▼5% on 2H24	▲3% on 2H24
1H25 dividend per ordinary share[3]	**Cash earnings per ordinary share**	**Cash operating expenses**	**Cash return on av. equity (ROE)**	**Common equity tier 1 (CET1) ratio**
18c	27.9c	$520m	6.2%	10.87%
17c at 1H24	▲6% on 1H24	▼1% on 1H24	▲40bps on 1H24	▲21bps on 2H24

Bank of Queensland Limited (**BOQ**) today reported statutory net profit after tax of $171 million for the half year ended 28 February 2025 (**1H25**), and cash earnings after tax of $183 million.

Total income was stable on the prior comparative period, as the Group exercised continued discipline in moderating home lending growth and improved its portfolio mix. Operating expenses decreased 1% as simplification benefits more than offset inflation, investment in the business bank and the continued uplift in risk, technology and compliance.

Lower home lending supported capital recycling to accelerate commercial lending which grew 10% on an annualised basis in target specialist sectors across healthcare, agriculture and owner-occupied commercial property. Growth in Asset Finance was driven by strong relationships in novated leasing offsetting seasonal contraction.

The Group continued to support 210,000 Australian households with their mortgages, the growth of 160,000 businesses, and provided interest payments to over 500,000 deposit customers. Over 2,000 customers were supported with assistance due to financial difficulty, and we continued to invest in uplifting scams and fraud prevention and recovery. Average app ratings on the digital bank of 4.5 out of 5 show considerably improved customer experience compared to legacy platforms.

Key milestones were achieved in the half, progressing the Group's transformation to a simpler, specialist bank:

- Early conversion of 34 branches, consolidation of 20 branches in predominantly metropolitan locations, with all remaining conversions occurring on 1 March 2025.
- First phase of ME deposit migration completed with over 140,000 customers migrated to the digital platform, with $9.1 billion of deposits now on the digital bank.
- Digital mortgage pilot was successful and is ready for market launch in 2H25.
- Remedial Action Plans now over 30% complete.

The Group's financial position remains strong with capital above the management target range, conservative liquidity settings and strong provisioning on a sound portfolio of lending assets.

The Board have determined to pay an interim fully franked dividend of 18 cents per share, representing a payout ratio of 65.1% of reported 1H25 cash earnings. The dividend reinvestment plan will operate without a discount and is expected to be satisfied in full by an open-market purchase of shares.

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Managing Director & Chief Executive Officer Patrick Allaway said:

"We are making considerable progress transforming to a simpler, specialist bank with a superior customer experience through our digital platform and improved shareholder returns. These results demonstrate another half of disciplined execution against our strategy, delivering on market commitments.

Our improved performance and stable margin in the current operating environment validate our strategy to shift our portfolio towards higher-returning segments, and reposition the Retail Bank as a scalable, low cost-to-serve digital bank.

The Group has navigated some real challenges and is taking decisive action to enhance customer experience and improve the performance of BOQ for the benefit of our people, customers and shareholders. It is pleasing to see that the benefits from these bold decisions to simplify the business and execute our strategy are delivering positive outcomes, while recognising there is still more to do."

1H25 RESULTS SUMMARY

- **Statutory NPAT** for 1H25 was $171 million, an increase of 13% on 1H24. The 1H25 statutory result includes $16 million in costs relating to the branch strategy.
- **Cash NPAT** for 1H25 was $183 million, a 6% increase on 1H24, driven by a 2 basis point improvement in margin, simplification benefits savings and subdued loan impairment expense.
- **Total income** of $793 million was stable on 1H24, driven by an improvement in net interest margin offsetting lower average interest earning assets (AIEA).
- **Net interest income** of $725 million was stable on 1H24, reflecting improved margins and 1% contraction in AIEA.
- **Non-interest income** of $68 million was down 3% on 1H24, as higher income from third party credit card, insurance and foreign exchange products was offset by lower banking fee and trading income.
- **Net interest margin** was 1.57% for 1H25, stable on 2H24, reflecting continued discipline in home lending, improved portfolio mix, and replicating portfolio benefits, offsetting higher third party and other costs.
- **Operating expenses** of $520 million decreased 1% on 1H24, with simplification benefits more than offsetting continued inflationary pressures, increased investment in the business bank, digital transformation and risk mitigation.
- **Loan impairment expense** of $3 million decreased 80% on 1H24, equating to 1 basis point to gross loans and advances. The decrease was due to lower collective provisioning and low specific provision activity. The portfolio remains prudently provisioned.
- **Cost to income ratio** of 65.6%, a decrease on 1H24 of 30 basis points, due to both lower operating expenses and stable income.
- **1H25 dividend**[3] BOQ has determined to pay an interim 1H25 fully franked dividend of 18 cents per share, representing a payout ratio of 65.1% of reported 1H25 cash earnings.
- **Cash earnings per share** increased 6% on 1H24 to 27.9 cents per share.

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- **Cash return on average equity (ROE)** increased 40 basis points to 6.2% on 1H24, due to higher cash earnings.
- **Cash return on tangible equity (ROTE)** increased 50 basis points on 1H24 to 7.7%, due to higher cash earnings.
- **CET1** increased 21 basis points on 2H24 to 10.87%, above the top end of the management target range of 10.25 – 10.75%. This strong capital position provides BOQ with flexibility to support the 15 basis points of capital required to execute the branch strategy in 2H25.
- **Home lending** contraction of $1,529 million in the period reflects the continued prioritisation of economic return over volume and optimising the portfolio to higher returning assets.
- **Business lending**[4] growth of $624 million was driven by commercial lending across healthcare and owner-occupied commercial property, offsetting contraction in larger commercial real estate lending. Strong relationships in novated leasing contributed to growth in Asset Finance which offset seasonal contraction in the cashflow finance portfolio.
- **Customer deposits** contraction of $1,046 million, or 3% annualised on 2H24 was driven by targeted contraction in term deposits. The deposit to loan ratio decreased 1% in the half to 83%.

OUTLOOK[5]

The Australian economy improved in the half, reflecting increasing disposable household incomes, supported by a strong labour market and increasing consumer confidence. Further cash rate easing is expected in 2025, although the timing and depth of the easing cycle is uncertain. While the evolving geopolitical environment has created significant uncertainty, the Group remains optimistic about the longer-term view.

There will be a step up in headline margin in 2H25, following the execution of the branch strategy. Underlying margin, excluding the benefit from branch conversion, will be broadly stable for 2H25 despite continued competition for home and business lending and increased competition for both lending and deposits in response to monetary policy easing. Mortgage contraction is expected to continue in 2H25 as the Group continues to shift its portfolio towards higher returning business lending.

Expense growth for the year is expected to be broadly flat, with increased branch network costs, higher amortisation and inflationary pressures expected to be offset by lower annual investment spend and further simplification benefits. Support will continue for customers managing the impacts of higher cost of living and interest rates, and loan impairment expense is likely to increase from current historical lows.

Capital is expected to remain in the management target range of 10.25 – 10.75%, with a further ~15 bps deployed to complete the branch strategy in the second half. Asset quality remains sound, diversified and well collateralised.

The dividend payout ratio target range remains unchanged at 60 – 75% of cash earnings[6].

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1. Retail GLA includes housing and other retail in the Retail Bank division.
2. Business GLA includes housing, commercial and other, and asset finance in the Business Bank division.
3. The dividend will be fully franked. The dividend reinvestment plan will operate with no discount and is expected to be satisfied in full by an on-market purchase of shares.
4. Business lending refers to Commercial Lending and Asset Finance.
5. Subject to no material change in market conditions.
6. 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; and c) forecast capital demands of the business.

INVESTOR BRIEFING

BOQ's results webcast will be held today at 10:00am AEST. The webcast address is:
https://meetings.lumiconnect.com/300-515-031-373

ENDS

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

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