

ASX RELEASE



BOQ 1H22 CHAIRMAN'S LETTER TO SHAREHOLDERS

Monday, 16 May 2022, Brisbane: Today Bank of Queensland Limited (**BOQ**) released a letter to shareholders. A copy of the letter is attached to this release.

ENDS

Authorised for release by: The Chairman , Bank of Queensland Limited

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16 May 2022

Chairman's letter to shareholders

Dear Shareholder

BOQ has continued to make strong headway on the execution of its strategy, and I wanted to provide an update on some key elements of our progress following the release of our half year 2022 financial results.

2022 Half Year Results

BOQ Group reported cash earnings of \$268 million and statutory profit of \$212 million, an increase of 14%¹ and 38%² respectively compared to the first half of 2021. These results were supported by strong asset growth across our brands and one off non interest income benefits, partly offset by continued net interest margin compression being experienced across the industry.

Our business momentum remains strong with high quality lending across the housing and business lending portfolios. Our focus on business lending is delivering growth with SME growing at 2.5x system and Corporate growing at 1.2x system. The BOQ and VMA brands delivered growth of 1.8x system and ME returned to growth during the half, reversing the FY21 downward trend.

We remain committed to prudent balance sheet and capital management. Our CET1 ratio was 9.68% per cent at the end of the 1H22. We intend to retain our CET1 ratio above the top end of our target range of 9.0 - 9.5 per cent³.

The Group will continue to balance an attractive distribution to shareholders against the capital needed to support our business transformation, growth and the resilience of the bank. We declared an interim dividend of 22 cents per share for the first half of FY22.

Operating Environment

We are operating in a highly competitive and uncertain environment with increasing risks to the economy from rising inflation and interest rates, supply chain issues, labour shortages, high leverage and asset prices and continued geopolitical tensions abroad.

While Australia remains well placed with low unemployment, high terms of trade and a large pipeline of residential construction and infrastructure we recognise the need for prudent risk settings and capital balances during this uncertain period.

Digital Transformation

The Group continues executing on our strategy and delivering against the digital transformation roadmap. We have delivered Phase 1 with the launch of VMA and BOQ's new banking app to customers on a single cloud based digital banking platform and improved the tools for our bankers. Phase 2 will include the roll out of digital home loans on this platform.

¹ 14% increase is compared to the pro forma 1H21 result

² 38% increase is compared to the reported statutory profit. On a pro forma basis statutory net profit after tax is down 5% compared to 1H21.

³ 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 acquisition investor presentation for further detail.

ME Bank Integration

The ME integration program is well progressed and on schedule, with synergies accelerated and increased and the program operating within the integration cost envelope. The ME acquisition is strategically aligned providing scale, diversification and is complementary to our multi-brand strategy.

Our key focus of returning ME to growth was achieved through the establishment of the Home Buying Transformation program and the streamlining and simplification of processes. In addition, we completed the handback of the ME Bank ADI licence on 28 February 2022 in line with the program schedule, a significant milestone and critical to enable us to bring together the two businesses.

Building a sustainable business

The group remains committed to building a sustainable business with a clear focus on positive environmental, social and governance outcomes. We are focussed on strong governance, achieving social impact through our activities, and understand the role we play in the decarbonisation of Australia. BOQ remains a carbon neutral accredited organisation and is well progressed on our commitment towards using 100% renewable energy sources by 2025.

Board renewal

In October 2021 we welcomed Dr Jenny Fagg to the Board as a Non-Executive Director and announced the retirement of John Lorimer. Dr Fagg brings more than 25 years experience across leading financial services institutions in Australia and abroad and her appointment completes the BOQ Board refresh and retirement cycle. I am confident we have a Board with strong capabilities in banking, digitisation, consumer experiences, risk management, organisational transformation, culture and strategy. These skills are critical as BOQ continues to grow and transform.

Going Forward

At the 2019 AGM we noted that the transformation of the bank would take time. We have made good progress in the past two years in returning the bank to growth across both the housing and business portfolios, delivering improved profitability and executing our digital transformation. The next phase will focus on delivering a fully integrated retail banking platform across both deposits and lending, and growth of our retail and family business market share driving sustainable profitable growth.

Delivery of the retail digital bank on a single cloud based digital banking platform across all brands and products will create competitive advantage for BOQ through agility, lower costs, scalability, improved customer experiences and innovation driving superior returns.

Continuing to grow profitability in the short term whilst investing in and executing against an ambitious medium term transformation plan and integrating ME Bank is a challenging balance. Under the strong leadership of George Frazis and the Executive Committee the team are delivering both short term performance uplift and making considerable progress in building long term value for all stakeholders. I would like to thank all our employees for their considerable hard work and contribution to BOQ.

Thank you to our customers and shareholders for your ongoing support of BOQ.

Yours faithfully



Patrick Allaway
Chairman