

FY23 RESULTS WEBCAST AND ITEMS IMPACTING FINANCIAL REPORTING

Friday, 29 September 2023, Brisbane: Bank of Queensland Limited (**BOQ**) will release its financial results for the full year ended 31 August 2023 on Wednesday, 11 October 2023. Details of the briefing are included in this update.

Today we announce two items totalling \$79 million impacting 2H23 statutory net profit after tax:

- Restructuring costs \$35 million
- ME integration costs \$44 million

We also provide an update on the impact of adjustments to the weighted average life of the housing loan portfolio.

Executing our strategy to become a simpler, stronger and digitally enabled bank

As outlined at the 1H23 results, BOQ is focused on simplifying its operating model and improving productivity. In respect of the half year ended 31 August 2023 (2H23), BOQ will recognise \$50 million (\$35 million after tax) of non-cash restructuring costs encompassing redundancy related costs and property and technology impairments incurred as part of a Group wide operating model review. The review forms part of the Group's strategic simplification and digital transformation, focusing on addressing BOQ's complex operating structure and operating costs. Included in the restructuring costs are:

- Redundancy related costs of approx. \$25 million. These costs address approx. 250 impacted roles across the Group in FY23 and the first quarter of FY24. This restructure brings like activities together under a shared service model, removing costs and aligning BOQ to its targeted future operating state.
- Property related impairment costs of approx. \$11 million. Together with the integration program, the Group has optimised its property footprint through consolidation of our corporate office floorspace by more than 14,000 sqm. This includes the consolidation of office space across Perth, Melbourne, Sydney and Brisbane.
- Technology costs of approx. \$14 million. These costs are associated with the decision to impair intangible assets, aligned with our digital roadmap.

Further details will be provided at BOQ's financial results for the full year ended 31 August 2023 on Wednesday 11 October 2023.

ME integration update

The ME integration program was finalised during 2H23, with total program costs delivered within guidance of \$130-140 million including \$20 million (\$14 million after tax) for 2H23.

Outside of the program, and on review of the updated group operating model and technology roadmap, additional decisions have been made to further integrate property and decommission legacy technology resulting in impairments of \$43 million (\$30 million after tax) in 2H23. These decisions include:

- Accelerating the digital transformation of ME and transition onto a single core-banking platform for the Retail Bank. This resulted in an impairment of the ME core banking intangible asset of \$27 million; and

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- Consolidating the Melbourne property footprint and impairing a legacy ME property lease of \$16 million, driven by high vacancy and subsequent low sub-leasing demand.

Targeted annualised synergies of \$72 million from ME integration were delivered by the end of FY23, of which the final \$25 million were delivered in FY23. These synergies were achieved through alignment of operating models and technology integrations, consolidation of investment roadmaps, supply chains and shared services functions.

Final costs associated with ME integration:

(\$ million) (pre tax)	FY21	FY22	FY23
ME integration program costs	13	81	39
Cumulative ME integration program costs	13	94	133
Property and core banking write-downs	-	-	43
Final costs			176

Weighted Average Life adjustment

During the half year ended 31 August 2023 (2H23), a review and harmonisation of the Group's weighted average life methodology has led to the shortening of the weighted average life of the Group's housing loan portfolio. The change resulted in a one-off release of \$12 million of loan origination costs to net interest income, decreasing 2H23 net interest margin by 3bps and FY23 net interest margin by 1bp. Methodology is now aligned across the Group.

As part of the review of methodology across the Group, BOQ has restated its prior financial year 2022 (FY22) financial position in relation to the FY22 weighted average life calculation of the ME Bank portfolio. The impact of the restatement is a decrease in FY22 profit after tax of \$17 million, a decrease in loans and advances of \$24 million and a decrease in current tax liability of \$7 million. A summary of the impact to BOQ's financial reporting is included in Appendix 1.

Details for upcoming full year financial results briefing

A market briefing on BOQ's financial results is scheduled for 10.00am AEDT (9.00am AEST) on Wednesday 11 October 2023. Managing Director & CEO Patrick Allaway and Chief Financial Officer Racheal Kellaway will present and discuss the results.

A live webcast of the briefing will be available on the day through the following webpage: <https://edge.media-server.com/mmc/p/bmds79tn>

Participants wishing to ask questions during the briefing can register through the following link: <https://s1.c-conf.com/diamondpass/10033534-9ohc0z.html>

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Appendix 1 – Impact of ME Bank FY22 Weighted Average Life Adjustments

(\$ million)	FY22	
	Adjusted	Reported
Net interest income	1,505	1,529
Non-interest income	153	153
Total income	1,658	1,682
Operating expenses	(937)	(937)
Underlying profit	721	745
Loan impairment expense	(13)	(13)
Profit before tax	708	732
Income tax expense	(217)	(224)
Cash earnings after tax	491	508
Statutory net profit after tax	409	426

(\$ million)	FY22	
	Adjusted	Reported
Housing	63,420	63,444
Gross loans and advances	81,226	81,250

	FY22	
	Adjusted	Reported
Reported statutory basis		
Basic earnings per share - ordinary shares (cents)	63.1	65.7
Diluted earnings per share - ordinary shares (cents)	57.8	60.1
ROE (%)	6.8	7.1
ROTE (%)	8.6	9.0
Cash basis		
Basic earnings per share - ordinary shares (cents)	75.9	78.4
Diluted earnings per share - ordinary shares (cents)	68.9	71.2
ROE (%)	8.2	8.4
ROTE (%)	10.2	10.6

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