

STRATEGY AND TRADING UPDATE

28 August 2025, Brisbane: Bank of Queensland Limited (**BOQ**) today announces two strategic initiatives and provides an update on unaudited year to date FY25 performance¹ and FY26 financial targets.

BOQ is continuing to make progress in executing its transformation to a simpler, specialist bank with enhanced customer experience and improved performance. Initiatives announced today further progress BOQ's four strategic pillars to *strengthen, simplify, digitise* and *optimise*.

Capital partnership

BOQ has previously indicated its intent to optimise balance sheet efficiency and grow capital light revenue streams to improve Return on Equity (ROE). Recently this has involved recycling capital from lower returning home lending into business lending.

BOQ is exploring a whole-of-loan sale process for up to ~\$3.8 billion of its equipment finance portfolio. This proposed transaction is aimed at enhancing capital flexibility, improving ROE and supporting scalable customer growth, through an off-balance sheet forward flow origination and servicing arrangement.

A successful transaction would result in the underlying assets, net interest income and exposure to any credit losses being economically transferred to the capital partner. An agreement would generate capital light earnings for BOQ, while continuing to provide customers, particularly small to medium (SME) customers, with a differentiated experience built on deep industry experience and capability.

This potential transaction provides the opportunity to release Risk Weighted Asset (RWA) inefficient capital and risk transfer of a more cyclically exposed, higher risk portion of BOQ's balance sheet.

Completion of the transaction, targeted for the first half of FY26, will be subject to acceptable terms, including sale price, servicing fees, scalability, and Board approval. BOQ is making this announcement today due to the public nature of the transaction process. There is no certainty that a transaction will proceed. BOQ will provide a further market update, should the process result in a transaction.

Information technology and business processing strategic partnership

Following a tender process, BOQ has entered into a strategic partnership with global technology services and digital transformation leader Capgemini for agentic artificial intelligence (AI), information technology and business processing services.

This strategic partnership is the next step in BOQ's transformation to strengthen, simplify and digitise, and will complement its established partnership with Microsoft. The partnership is designed to further simplify BOQ's operating model, digitise processes, improve customer experience and support scalable growth.

As part of the partnership, BOQ will also draw on Capgemini's global capabilities to scale its AI operations. A key initiative will be the co-creation of an AI academy, designed to upskill BOQ's people and equip them for success in an AI-driven future.

The partnership is expected to lower BOQ's cost to serve, further supporting BOQ's ability to compete with sustainable returns in an increasingly commoditised market. BOQ anticipates realising annualised

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cost savings of at least \$30 million, expected to be achieved from FY27, with the consolidation of external service providers driving the majority of the expected benefits.

Full year 2025 financial results

BOQ is scheduled to release its FY25 financial results on Wednesday 15 October 2025. For the full year ending 31 August 2025, BOQ expects to report cash earnings after tax in the range of \$375 - \$385 million¹, up 9% to 12% on FY24. BOQ also anticipates FY25 Cash ROE uplift of between 50 and 70 bps on FY24. It is expected there will be three notable items, adjusted from cash earnings:

- previously disclosed branch strategy costs, totalling \$43 million¹ post-tax (which includes \$16 million incurred in 1H25), in line with the reported range of \$115 – \$125 million pre-tax.
- restructuring costs of \$25 million post-tax¹ driven by ongoing operating model simplification. From FY26, all restructuring costs driven by simplification and transformation of the business, including those relating to technology and business processing partnerships, will be included in ordinary operating expenses.
- a \$14 million post-tax¹ increase to the provision relating to the previously announced Remedial Action Plan delivering against the Enforceable Undertaking with AUSTRAC, following an updated assessment of remedial activities to complete the program.

FY26 financial targets²

BOQ has made significant progress on its transformation, and while the initiatives today are expected to contribute positively to ROE in the coming years, BOQ is no longer providing specific ROE and Cost to Income (CTI) targets to the market.

At the 1H25 results, BOQ noted the FY26 targets were subject to the highly unpredictable operating environment. This uncertainty has persisted, and when combined with accelerating industry headwinds it is increasingly difficult to forecast the timing of delivering targets. BOQ remains confident in the strategic pathways previously identified to deliver continued improvement in our ROE and CTI metrics.

BOQ's transformation is progressing and BOQ remains committed to delivering a sustainable uplift in ROE and lowering CTI. The strategic initiatives announced today, combined with the continued portfolio mix shift toward higher returning assets, the completion of the digital bank build and the previously announced conversion of the franchise model to a proprietary distribution channel, provide a strong foundation for long-term performance and improved returns.

Managing Director & Chief Executive Officer Patrick Allaway said:

"We are fundamentally transforming the way we operate and how we allocate capital to support customer growth and deliver sustainable shareholder returns in a structurally challenged market. We are making transformative decisions for the long-term benefit of our stakeholders through disciplined execution of our plans."

1. Figures represented are unaudited and based on year to date financial information.
2. BOQ was previously targeting ROE of 8% and CTI of 56% in FY26.

ENDS

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

IMPORTANT INFORMATION

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