

Bank of Queensland (BOQ)

Investor Profile Analysis

Current Price: \$6.70 — Target Price: \$7.89 (+17.8%)

Match Score Overview

INCOME	★★★ 65%
VALUE	★★★ 80%
GROWTH	★★★ 40%
QUALITY	★★★ 55%
THEMATIC	★★★ 60%

At A Glance Metrics

Fundamental	Value	Notes
Company	Bank of Queensland	Regional bank with multi-brand strategy Australian Securities Exchange
Ticker	BOQ.AX	
Market Cap	\$4.4 billion	
1H25 Cash Earnings	\$183 million	+6% year-over-year
Net Interest Margin	1.57%	+2bps year-over-year
Cost-to-Income Ratio	65.6%	-30bps year-over-year
Return on Equity	6.2%	+40bps year-over-year
CET1 Ratio	10.87%	+11bps year-over-year
Dividend (Interim)	18.0 cents	+6% year-over-year
Dividend Yield	5.4%	Based on projected annual dividend

★★★ INCOME INVESTOR PROFILE (65%)

Performance Rating

BOQ offers an attractive dividend yield of approximately 5.4%, above sector average for regional banks. The interim dividend increased by 6% year-over-year to 18 cents per share, with a projected annual dividend of 39 cents based on historical patterns. This represents moderate dividend growth while maintaining a conservative payout ratio within the target range of 60-75%.

Primary Metrics Analysis

Metric	Value	Benchmark	Variance	Rating	Trend
Current Dividend Yield	5.4%	4.5% (Sector avg)	+0.9%	★★	→
Payout Ratio	65.1%	60-75% (Target)	Within target	★★★	→
Dividend Coverage	1.54x	1.5x (Banking std)	+0.04x	★★	→
Dividend Growth YoY	6.0%	3-4% (Sector avg)	+2-3%	★★	→
Projected DPS Growth	6-8%	3-5% (Sector)	+1-3%	★★	↑

Risk Assessment Matrix

Risk Factor	Impact	Probability	Score
Transformation Execution Risk	High	Medium	●
Credit Quality Normalization	Medium	High	●
Competitive Pressure	Medium	High	●
Retail Banking Inefficiency	High	High	●
Regulatory Compliance	Medium	Medium	●

Why This Profile Fits/Doesn't Fit

BOQ maintains a consistent dividend policy with a target payout ratio of 60-75%, currently at 65.1%. The interim dividend increased by 6% year-over-year to 18 cents per share, demonstrating management’s commitment to shareholder returns despite transformation challenges. Dividend coverage appears adequate based on current earnings, and the bank’s strong capital position (CET1 ratio 10.87%) supports ongoing dividend sustainability.

However, transformation execution risks and potential credit quality normalization could impact future dividend growth potential. The Retail Banking segment’s inefficiency (CTI ratio 82.7%) requires successful transformation to ensure long-term dividend sustainability.

Bottom Line

BOQ offers income investors an above-average dividend yield of approximately 5.4% with a clear dividend policy and consistent payout ratio within the 60-75% target range. The bank’s ability to maintain and gradually grow its dividend during its transformation journey demonstrates commitment to shareholder returns.

However, the sustainability of dividend growth faces challenges from potential credit quality normalization, competitive pressures, and ongoing transformation execution. The bank’s strong capital position provides some cushion against these risks, but the high cost-to-income ratio (65.6%) and retail banking inefficiency (82.7% CTI) require successful transformation execution to ensure long-term dividend sustainability.

★★★ **VALUE INVESTOR PROFILE (80%)**

Performance Rating

BOQ’s current valuation metrics point to significant undervaluation relative to both intrinsic value estimates and peer comparisons. The current price (\$6.70) represents a 17.8% discount to the base case valuation (\$7.89) and a 30.3% discount to the bull case valuation (\$9.61). Even the bear case valuation (\$5.37) suggests current downside is limited to 19.9%, creating an attractive risk-reward proposition.

Primary Metrics Analysis

Metric	Value	Benchmark	Variance	Rating	Trend
P/B Ratio	0.75x	0.85x (Reg. bank avg)	-11.8%	★★	→
P/E Ratio	9.2x	10.4x (Reg. bank avg)	-11.5%	★★	→
Price/Target	0.85x	1.0x	-15.0%	★★	→
Terminal P/B in Val.	0.95x	0.85x (Reg. bank avg)	+11.8%	★★	→
Price to Bull Case	0.70x	1.0x	-30.0%	★★★	→
Risk-Adj. Upside	14.8%	10.0% (Threshold)	+4.8%	★★	→

Risk Assessment Matrix

Risk Factor	Impact	Probability	Score
Transformation Execution Failure	High	Medium	●
Retail Efficiency Improvement Delay	High	High	●
Credit Quality Deterioration	Medium	Medium	●
Competitive Margin Pressure	Medium	High	●
Branch Conversion Benefits Underdelivery	High	Low	●

Why This Profile Fits/Doesn’t Fit

BOQ presents a compelling value proposition, trading at 0.75x price-to-book and 9.2x P/E, both below regional banking peer averages. The bank has identifiable near-term catalysts, particularly the expected 12bps NIM improvement from branch conversion that should materially enhance 2H25 earnings.

Management is executing a clear transformation strategy focused on optimizing for higher-returning segments and improved operational efficiency. The significant discount to both base case (\$7.89) and bull case (\$9.61) valuations provides potential for multiple expansion if transformation execution proceeds successfully. The strong business banking segment (earnings +20% YoY) provides a solid foundation while transformation challenges in retail banking are addressed.

Bottom Line

BOQ presents a compelling value proposition for investors, trading at a discount to both peer multiples and calculated intrinsic value. The bank offers multiple catalysts for value realization, primarily the expected 12bps NIM improvement from branch conversion and the strategic shift toward higher-returning business segments.

The strong business banking performance provides a solid foundation while retail transformation proceeds. However, significant execution risks remain, particularly around retail banking efficiency improvement and competitive pressures. The value case depends heavily on management’s ability to successfully execute its transformation strategy and achieve the targeted 8% ROE and 56% cost-to-income ratio by FY26, or reasonably close to this timeline.

★★★ **GROWTH INVESTOR PROFILE (40%)**

Performance Rating

BOQ’s current growth metrics fall significantly below typical growth investor requirements. Total income growth was flat (0% YoY) in 1H25, with cash earnings growth of 6.4%. These figures are below standard growth investment thresholds, though future projections show improvement with a cash earnings CAGR of 9.2% through 2H28 once transformation benefits materialize.

Primary Metrics Analysis

Metric	Value	Benchmark	Variance	Rating	Trend
Total Income Growth (YoY)	0.0%	8.0% (Threshold)	-8.0%	★	→
Cash Earnings Growth (YoY)	6.4%	10.0% (Threshold)	-3.6%	★★	↑
Business Lending Growth (YoY)	9.0%	6.5% (Industry)	+2.5%	★★★	→
Housing Lending Growth (YoY)	-3.0%	6.0% (Industry)	-9.0%	★	↓
NIM Expansion Projection	+18bps	+5bps (Industry)	+13bps	★★★	↑
3-Year Earnings CAGR Proj.	9.2%	12.0% (Threshold)	-2.8%	★★	↑

Risk Assessment Matrix

Risk Factor	Impact	Probability	Score
Continued Housing Contraction	High	High	●
Digital Mortgage Adoption Failure	High	Medium	●
Business Banking Momentum Loss	High	Low	●
Market Share Pressure	Medium	High	●
ME Bank Integration Delays	Medium	Medium	●

Why This Profile Fits/Doesn’t Fit

BOQ is not well aligned with growth investor requirements, as it is currently prioritizing transformation and returns over volume growth. The bank is deliberately contracting its housing lending (-3% YoY compared to system growth of +5.41%) while focusing on higher-returning business segments.

Total income was flat (0% YoY) in 1H25, with total gross loans and advances contracting 1%. While cash earnings growth of 6.4% shows some improvement, it remains below typical growth investor thresholds. The business lending growth of 9% is strong relative to the industry, but this segment represents only 15.3% of the total loan book, limiting its impact on overall growth.

The digital mortgage platform launch in 2H25 may eventually support return to growth, but management explicitly notes FY25 will be "peak housing contraction" with stabilization and modest growth only from FY26 onwards.

Bottom Line

BOQ currently presents limited alignment with growth investor requirements. The bank is in transformation mode rather than growth phase, deliberately contracting its housing lending (-3% YoY) while focusing on returns over volume. Total income was flat (0% YoY) in 1H25, with total gross loans and advances contracting 1%.

While business lending growth is strong (+9% YoY), this segment is not yet large enough to drive meaningful overall growth. The projected growth improvement (cash earnings CAGR of 9.2% through 2H28) depends on successful transformation execution, particularly the digital mortgage platform launch in 2H25 and achievement of cost efficiency targets. Growth investors would likely need to see evidence of successful housing stabilization and return to growth before considering BOQ aligned with this investment profile.

★★★ QUALITY/CORE INVESTOR PROFILE (55%)

Performance Rating

BOQ presents a mixed quality profile with strong metrics in specific areas but challenges in others. The bank’s current ROE of 6.2% falls below typical quality thresholds (10%+), but the Business Bank segment demonstrates superior quality characteristics with an efficient cost-to-income ratio of 44.8% and strong earnings growth of 20%. The bank maintains solid capital (CET1 10.87%) and liquidity (LCR 134.5%) positions, with stable asset quality metrics (loan impairment expense 1bp, impaired assets down 18%).

Primary Metrics Analysis

Metric	Value	Benchmark	Variance	Rating	Trend
Return on Equity	6.2%	10.0% (Threshold)	-3.8%	★	↑
CET1 Ratio	10.87%	10.25-10.75% (Target)	Above target	★★★	→
Net Interest Margin	1.57%	1.55% (Prior year)	+2bps	★★	→
Cost-to-Income Ratio	65.6%	56.0% (Target)	+9.6%	★	↑
Business Bank CTI	44.8%	48.2% (Major banks)	+3.4%	★★★	→
Loan Impairment/GLA	1bp	4bps (Prior year)	-3bps	★★★	↓
Liquidity Coverage Ratio	134.5%	100% (Reg. min)	+34.5%	★★★	→

Risk Assessment Matrix

Risk Factor	Impact	Probability	Score
Retail Efficiency Challenge	High	High	●
ROE Target Achievement Delay	High	Medium	●
Credit Quality Normalization	Medium	High	●
Competitive Margin Pressure	Medium	High	●
Capital Requirement Changes	Medium	Low	●

Why This Profile Fits/Doesn’t Fit

BOQ shows mixed alignment with quality/core investor requirements. The bank demonstrates strong capital position (CET1 ratio 10.87%), stable asset quality metrics (loan impairment expense 1bp of GLA, impaired assets down 18%), and resilient margin performance (+2bps YoY to 1.57%) in a competitive environment.

The Business Bank segment exhibits particularly strong quality characteristics with efficient operations (CTI ratio 44.8%) and consistent growth (earnings +20% YoY). However, overall ROE remains modest at 6.2% (+40bps YoY), below typical quality investor thresholds, and the Retail Bank’s inefficiency (CTI ratio 82.7%) creates a significant drag on group returns. The multi-year transformation program introduces execution uncertainty not typically favored by quality investors, though successful execution could eventually elevate BOQ’s quality profile through improved returns and efficiency metrics.

Bottom Line

BOQ presents a mixed quality/core investment profile. The bank demonstrates strength in capital (CET1 10.87%), liquidity (LCR 134.5%), and asset quality (loan impairment expense 1bp), with the Business Bank segment exhibiting superior quality characteristics (CTI 44.8%, earnings +20% YoY).

However, modest overall ROE (6.2%), high group cost-to-income ratio (65.6%), and significant Retail Bank inefficiency (CTI 82.7%) fall short of typical quality investor requirements. The ongoing transformation introduces execution uncertainty but offers potential for improved quality metrics if successful. Conservative investors may appreciate BOQ’s strong capital position and business banking quality while remaining cautious about transformation execution risks and ROE improvement timeline.

★★★ THEMATIC INVESTOR PROFILE (60%)

Performance Rating

BOQ provides moderate exposure to key banking industry themes, particularly digital transformation and specialized business banking. The bank has made significant progress in its digital journey with 41% of retail deposit customers now on its digital platform, completion of branch network transformation, and upcoming digital mortgage platform launch. In specialized business banking, the 9% growth in commercial lending focused on healthcare, agriculture, and owner-occupied commercial property demonstrates meaningful thematic alignment.

Primary Metrics Analysis

Metric	Value	Benchmark	Variance	Rating	Trend
Digital Banking Adoption	41%	50% (Industry leaders)	-9%	★★	↑
Business Specialization	15% of loan book	10% (Regional peers)	+5%	★★★	↑
Commercial Lending Growth	+9% YoY	+6.5% (System growth)	+2.5%	★★★	→
Branch Conversion	100% complete	Industry transformation	Leading	★★★	✓
Digital Mortgage Dev.	Launch in 2H25	Industry digitization	On-track	★★	→
ME Bank Migration	First phase complete	Digital integration	On-track	★★	→

Risk Assessment Matrix

Risk Factor	Impact	Probability	Score
Digital Adoption Lag	High	Medium	●
Business Specialization Competition	Medium	Medium	●
Major Bank Digital Acceleration	High	High	●
Branch Strategy Execution	Medium	Low	●
Technology Investment Constraints	High	Medium	●

Why This Profile Fits/Doesn't Fit

BOQ offers meaningful exposure to several banking industry themes, particularly digital transformation and specialized business banking. The bank has completed the foundational build of its digital platform with 41% of retail deposit customers now onboarded and digital mortgage launch scheduled for 2H25.

The strategic focus on specialized business segments is delivering results, with 9% growth in commercial lending focused on healthcare, agriculture, and owner-occupied commercial property sectors. The successful completion of branch conversion to the corporate model (100% complete in March 2025) represents a meaningful transformation in distribution strategy aligned with evolving banking trends.

However, BOQ remains subscale compared to major banks in digital banking investment capacity, and housing lending contraction (-3% YoY) indicates challenges in competing in mass-market segments despite digital initiatives.

Bottom Line

BOQ offers meaningful exposure to digital banking transformation and specialized business banking themes. The bank has demonstrated commitment to these themes through its digital platform development (41% of retail deposit customers), branch network transformation (100% converted to corporate model), and specialized business banking focus (9% commercial lending growth in targeted sectors).

The upcoming digital mortgage platform launch (2H25) represents a critical milestone in the bank's digital transformation journey. However, BOQ faces scale disadvantages compared to major banks in technology investment capacity, and its housing lending contraction (-3% YoY) indicates challenges in digital competitiveness in mass-market segments. Thematic investors seeking exposure to banking transformation may find BOQ's strategic focus and execution progress appealing, though scale limitations create implementation risks not present with larger competitors.