

ASX RELEASE



100 Skyring Terrace
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MD & CEO'S ADDRESS – 2021 ANNUAL GENERAL MEETING

Tuesday, 7 December 2021, Brisbane: Address by George Frazis, Managing Director and Chief Executive Officer of Bank of Queensland Limited, at the Bank's 2021 Annual General Meeting (**AGM**). The webcast of the AGM can be viewed at: <https://agmlive.link/BOQ21>.

The Managing Director & CEO's address should be considered in conjunction with BOQ's 2021 Annual General Meeting Presentation (available at <http://www.boq.com.au>).

Check against delivery

Opening remarks

When I reflect on the past twelve months, I feel we have lived through more than an average year in both challenges and achievements. When we last met, we could have been forgiven for thinking the worst of the pandemic was behind us.

But the Delta variant had other ideas and as our nation starts to thoughtfully open up, we are all aware of the uncertainty created by the Omicron variant.

I am incredibly proud of the way our team has worked together to support our customers, people and the broader economy. Our people have sought to make a difference by acting with empathy and integrity throughout. These are our values, and they are firmly embedded at every touch point.

Despite the prevailing environment, FY21 was remarkable for the BOQ Group. Our diligence in executing our strategy helped us deliver a pleasing fourth consecutive half of improved underlying financial performance - in the same year we completed the transformative acquisition of ME Bank.

During the year we continued to bolster our executive leadership team. We have welcomed Martine Jager as our Group Executive, Retail Banking and ME CEO, and Nicholas Allton as Group General Counsel and Company Secretary. We have also recently appointed Chris Screen to the role of Group Executive Business Banking, and we look forward to David Watts joining us as Chief Risk Officer in early 2022.

As Patrick noted, our statutory net profit including two months contribution from ME Bank has increased to \$369 million, a significant improvement on the prior year, reflecting the improved business performance, operating conditions and customer-focused culture.

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Cash earnings after tax increased to \$412 million, and cash return on equity increased to 8.2%. Our cash earnings per share increased to 69.5 cents, and as Patrick noted, the Board determined a full-year dividend of 39 cents per share.

Maintaining a strong balance sheet continues to be of utmost importance to BOQ. Our capital remains strong with a CET1 ratio of 9.80 per cent.

These results, excluding the two month contribution of ME Bank, were driven by total lending growth accelerating during the year to \$3.5 billion. Net interest income increased 6 per cent compared to the prior year and increased 5 per cent from the first half.

We closely managed margins over the period and NIM increased by 4 basis points for the year and remained steady in the second half.

The cost to income ratio again improved during the second half FY21 to 53.3%, driven by the favourable income result and the 2% positive jaws.

There was a benefit to the loan impairment expense from a net \$69m release to the collective provision in line with improving economic conditions, and from data quality improvements relating to collateral. This resulted in a LIE benefit to the P&L of \$20m for the year.

We were very pleased to see solid evidence of the turnaround of the Retail Bank this year. All channels delivered growth for the first time in seven years, allowing us to outperform the market in a meaningful way with 1.7x system growth for our mortgage book. This housing growth has been delivered while reducing our high LVR lending and ensuring our loan book remains high quality.

The performance in the Retail Bank was driven by mortgage process simplification, a new Owner Manager incentive program, improved retail banking and lending capability, an uplift in customer experience and quality third party broker relationships.

As business confidence returned and economic conditions improved, lending for the Business Bank was up \$1.1bn and we were able to carefully manage margins. Deposit growth through BOQ Business increased by \$1.1bn which has fully funded the business lending growth for the period.

During the year, our mortgage net promoter score also improved to 4th position, up from 5th in FY20 and up from 11th in FY19.

We are delivering sustainable, disciplined growth across retail and business banking, while ensuring high quality credit outcomes, with good margin management, and an improved customer and broker experience.

We have also made significant progress in the digital transformation of the Retail Bank. Fundamentally, we are transforming BOQ from a bank weighed down by legacy architecture and antiquated technology, into a best-practice, cloud-based digital bank.

During the year, we achieved a significant milestone for our retail banking platform, launching our new mobile banking app with savings and transaction accounts for Virgin Money.

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We are also on track with our build of the new BOQ mobile banking app with transaction and saving account products, scheduled for market launch in Q1 calendar 2022.

Good progress is being made on our digital mortgage which we expect to add to the platform by the end of calendar 2022.

Further on the work we are doing to make us cloud-based, the upgrade and integration of our cloud-based card management system has allowed us to offer greatly improved digital banking app capabilities for both BOQ and Virgin Money customers. We have also delivered choice and convenience to customers by offering the ability to link their physical cards to Apple, Samsung and Google Pay digital wallets.

In summary, our digital transformation is allowing us to efficiently and effectively deliver our multi-brand retail strategy.

I am also pleased that ME Bank has been successfully upgraded to version 18 of the Temenos system, an important step towards its path to the common cloud version 20.

Once all retail customers have been migrated to the new common mobile banking digital platform and the legacy systems are finally fully retired, we will see a step improvement in our cost to income ratio. This will also provide us with the opportunity to develop ecosystems around our key niche segments.

The ME Bank acquisition in July has delivered the strategic and financial benefits we were expecting and has significantly enhanced BOQ's scale and portfolio mix.

The ME Bank brand is complementary to BOQ's existing suite of brands and the minimal overlap is helping drive the geographic diversification of our portfolio. It also balances the contribution between our retail and business bank to around 50% each.

We are pleased ME Bank is back to net growth for the month of November, with momentum increasing.

As part of the integration of ME, we have refreshed our operating model and have consolidated our leadership teams across all divisions. We enabled collaboration tools for our people from day 1 and are executing on our integration program.

Consolidation of supply chain arrangements and policy harmonisation is well progressed and we are on track to consolidate our businesses on to a single ADI early in 2022.

We have accelerated the delivery of synergies which are expected to be fully delivered by the end of FY23.

Our transformation continues, and we are laser-focused on the continuing successful execution of our strategy.

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We are delivering disciplined, sustainable growth, while closely managing margin, ensuring good credit quality and delivering productivity improvements.

As you have seen, our customer-centric focus is delivering results. Our 'time to yes' continues to be a priority, particularly through periods of increased volumes. This, along with significant improvements made over the past 18 months has contributed to our customer NPS scores improving.

We remain committed to building a sustainable business with a clear focus on positive environmental, social and governance outcomes.

We know that diversity within our business is crucial to our success and ensures we reflect our customers and the communities in which we operate. During the year, we made strong progress on our gender diversity target of 40% and we were recognised as an Employer of Choice for Gender Equality. Our employee engagement score of 64% has improved 5% and we are working hard to meet our top quartile target of 72%.

During the year, we also achieved our carbon neutral certification. We have a plan to reduce our emissions and are targeting 100% renewable energy by 2025. We are working closely with our suppliers and customers through the transition to a low carbon future.

Across the Group our employee networks champion many marginalised groups and ensure their voices are heard. This includes acknowledging days of significance and celebration across the year, for our First Nations people, LGBTIQ+ community and celebrating Diwali.

Community is at the heart of what we do. As a Group we raised more than \$867,000 for our community partners. We are focused on supporting vulnerable Australians and our key partnerships help Aboriginal and Torres Strait Islander people as well as those experiencing homelessness.

We work with the STARS and Clontarf Foundations that provide education and development of life skills for Aboriginal and Torres Strait Islander communities and we are a key partner for Orange Sky which provides laundry and shower vans for people in need. Orange Sky, which was started by two Brisbane university students, with our financial help is now national and helping homeless people across Australia.

Moving to FY22, we will continue to progress our strategic transformation program.

As a nation we are relatively well placed for continuing economic recovery, with house prices remaining strong, consumers ready to spend, businesses ready to invest, and the vaccine rollout becoming one of the highest globally.

As mentioned at the beginning of my comments, we maintain a watching brief on the potential implications of the Omicron variant including ensuring the health and wellbeing of our employees and customers.

We will continue to work closely with customers and communities that need our support.

We have a strong capital position and clear digital transformation roadmap.

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We reconfirm the FY22 guidance of at least 2% positive jaws, with expenses down around 1% for the year.

Our growth momentum has continued in a quality way throughout the first quarter of FY22 with strong application volumes across both the housing and business lending portfolios. The BOQ, VMA and BOQS housing portfolio increased by around \$1bn for the quarter, continuing its above market growth, and ME returned to growth for the month of November.

Business Banking lending grew by around \$200m in the first quarter of 2022, with the asset finance business also performing well.

The growth in retail and business remains disciplined and high quality, with low levels of >90% LVR lending in mortgages and a focus on SMEs in the business bank.

The industry has experienced NIM headwinds in the first quarter of 2022 as a result of tougher trading conditions, including yield curve volatility arising post the RBA removal of yield curve control, intense price competition, increased fixed rate lending and higher liquid asset balances. This will result in a slightly lower FY22 NIM than previously guided.

Given our ongoing focus on delivering positive jaws, FY22 expenses are now expected to be around 1% lower than FY21, reflecting additional productivity benefits. A greater proportion of the additional cost reduction will be realised in the second half.

We remain absolutely committed to achieving quality, sustainable, profitable growth for you, our shareholders.

I would like to thank Patrick and the Board for their counsel and support throughout the year. I would like to thank my executive team and all our bankers for their continued focus on our customers and focus on improving our business. A special call out to all our branch staff who have kept our doors open for customers throughout the pandemic. I will now pass back to Patrick for the formal business of today's meeting.

ENDS

Authorised for release by: Fiona Daly, Company Secretary

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