

EXECUTIVE CHAIRMAN'S ADDRESS – 2022 ANNUAL GENERAL MEETING

Tuesday, 6 December 2022, Brisbane: Address by Patrick Allaway, Executive Chairman of Bank of Queensland Limited, at the Bank's 2022 Annual General Meeting (**AGM**). The webcast of the AGM can be viewed at <https://meetings.linkgroup.com/BOQAGM22>.

The Executive Chairman's address should be considered in conjunction with BOQ's 2022 Annual General Meeting presentation (available at www.boq.com.au).

Check against delivery

These are important meetings, providing the opportunity for our shareholders to hear directly from BOQ on our performance, our digital transformation and outlook ahead. Equally important, is the opportunity to respond to your questions. This is especially so in the context of the company announcing the departure of its Chief Executive Officer George Frazis and the commencement of a search for his replacement.

I know this leadership change would have come as a surprise to many and I want to explain the Board's decision directly to you.

We have made considerable progress on delivering our strategic plan as outlined to the Market in 2020 to transform BOQ. We remain committed to this plan, improving the experience for our customers and employees by building a digital and data led scalable bank. This transformation is critical not only for our competitiveness, but also to uplift our risk control environment by moving off multiple complex legacy systems and reducing our reliance on manual processes. The digital bank will provide a compelling value proposition, increasing our return on equity and building shareholder value.

An important stream of work in this plan is building a simpler and more resilient bank with an uplift in our risk culture, frameworks, processes and controls. The Board recognises and is committed to ensuring that this is our highest priority, particularly reflecting on the more difficult economic cycle we are entering.

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While we respect and acknowledge the contribution that George Frazis has made over his three years with BOQ, the Board reached a conclusion that we need a different capability and leadership style to build a simpler and more resilient bank. Our expectations, in respect of this were made clear to George over a period of time.

Having made this difficult decision, we considered a number of options about how to move forward. We recognise the immediate departure of a CEO and the associated uncertainty is not ideal, but we felt a longer transition would not be in the best interest of BOQ. We considered it would be sub-optimal and destabilising for George to continue in the CEO role knowing he did not have the ongoing support of the Board while the search for his successor was underway. The Board also felt it was important, given the need for stability, to allow the Senior Executive team to focus on continuing to deliver on our plan, support the wider BOQ team, and keep their attention on what is best for our customers and shareholders.

BOQ is now actively looking to appoint a new CEO as a matter of priority. Our succession planning process has been monitoring a number of quality internal and external candidates. We anticipate the executive search and evaluation process, and commencement of the new Managing Director and CEO may take up to 9 months.

During this interim period, I have stepped in as Executive Chair and Karen Penrose has been appointed as Lead Independent Director ensuring BOQ continues to have a senior independent role on the Board.

As Executive Chair I will focus on supervising the management of the business while our executive team remain focussed on execution of our strategic priorities and running the business. I recognise the increased time commitment required to undertake an Executive Chair role, and accordingly I have taken leave of absence from the Dexu and Allianz Boards during this interim period. I will remain on the Adobe Global Advisory Board which has 4 meetings per annum and no fiduciary duties.

The strength and stability of BOQ is not about one person, it's about the capability of all our people.

We have a strong team led by our Senior Executive Team who are well skilled and seasoned bankers and passionate about BOQ. My appointment as Executive Chair is of an interim nature to retain stability as I intend to return to my role on the Board in a non-executive capacity as soon as a new CEO commences.

Our ambitious vision and strategy for BOQ remains unchanged. We are in a strong financial position and by strengthening our operational resilience and risk culture we will further strengthen our ability to transform in a sustainable manner.

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Board Key Areas of Focus

Our core transformation strategy remains unchanged, with an increased focus on the following priorities:

- Strengthening the bank through building a simpler and more resilient bank. This will include continuing to work co-operatively with regulators to advance our risk management maturity and culture and our control environment in respect of both financial and non-financial risks. While a significant amount of work has been done, there is still more work to do in this area.
- The ongoing execution of the technology transformation remains key to our future position in the industry and we remain focused on delivering a digital and data led bank to improve the customer and employee experience, and further improve our risk profile as we reduce our reliance on manual processes.
- We will have a sharpened focus on simplification, disciplined execution, and optimising returns. Optimising returns will be achieved with a focus on quality growth in key segments and achieving an acceptable return above our cost of capital.
- And finally, we aim to embed our purpose and values in everything we do to make a real difference for all our stakeholders, ensuring it drives our decision making and our behaviours.

Our new Purpose is: Building Social Capital through Banking

It has been a difficult year for all our stakeholders, navigating unique circumstances as we continued to live with COVID-19, dealt with pressures from inflation, labour shortages and experienced rising interest rates for the first time in over 11 years.

The year was also impacted by severe flooding and extreme weather events across the country. These economic, health and environmental factors have impacted the lives of many of our customers and people.

It is against this backdrop that our new purpose, ***Building Social Capital through Banking*** was developed. The importance of supporting each other and our customers in doing the right thing and driving improved social and environmental outcomes has never been more critical.

Our new purpose and values guide our culture and the way we do business, driving appropriate conduct and making a positive difference to the lives of all our stakeholders. We are empowering our people and in doing so will hold them to account to deliver against our priorities. We are further encouraging them to speak up, be curious and challenge the status quo and to bring an inclusive and diverse voice to work. We have more work to do in strengthening our risk culture, ensuring all our people understand that we are in the business of taking risks and that **managing risk is everyone's business.**

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Whilst cultural transformations take time, we are pleased to see continual improvement in our employee engagement which now stands at 67% and an improvement in our culture to a more constructive style. We recognise there is more to do and are encouraged by our steady progress.

The right leadership and talent is critical to our success and we remain focussed on building the skills needed for the future through the development of a high quality, diverse and inclusive team.

Building a Sustainable Business

BOQ is committed to building a sustainable business. I'm proud of our environmental commitments and our progress to date. We have continued with our carbon neutral accreditation and 54% of our energy needs are now from renewable sources. We are committed to achieving 100% renewable energy by 2025 and have further committed to reducing our emissions by 90% for Scope 1 and 2 by 2030 compared to a 2020 baseline.

Throughout our 148-year history, the communities in which we operate have been core to our business and we acknowledge the role we play in those communities and opportunity we have to make a positive impact. Our owner managers are embedded within their communities through more than 100 branches, with long tenure and deep relationships.

Our customers are at the heart of our business and central to all our decision making. With many of our customers across the country impacted by severe flooding and extreme weather events, the increasing cost of living and rising interest rates, we are focussed now more than ever on supporting our most vulnerable customers who may be facing hardship.

During the year we have continued our community partnerships with Orange Sky Australia, Clontarf Foundation, Stars Foundation, National Breast Cancer Foundation and the Mother's Day Classic Foundation. These organisations support vulnerable Australians, First Nations youth and breast cancer research and are firmly aligned to our purpose. I am very proud of the role our people and BOQ plays in advancing the important work of these organisations.

Progress against Strategy

Throughout the year we have continued to execute against our strategic plan, building on the solid progress we have made since 2020.

The digital transformation is moving at pace and this year we launched the myBOQ app on the new digital bank platform. Completing digital deposits and payments as a first priority benefits the majority of our customers who are mostly transaction and savings deposit holders, and it strategically improves our funding.

MyBOQ joins our award-winning Virgin Money app, in offering customers digital transactions and savings account capabilities, with customers able to start transacting in under five minutes, with real time payments, automatic savings round ups, and personal financial management tools. This has resulted in improved customer acquisition, and we are now attracting 9x more deposit accounts on average per month.

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ME digital deposits will be delivered in FY23, and towards the end of next year, we will have commenced migrating 300,000 existing ME deposit customers to the new digital bank. Building a payments capability for retail and business banking customers is another key deliverable under this first phase.

There has also been progress across the broader transformation plan which includes the migration of data centre infrastructure into the public cloud, the upgrade of the business bank core, and further build out of our intelligent data platform.

The development of lending origination that will sit across retail and business banking will be a key outcome for the second phase, commencing with digital home loans, followed by personal loans and business loans.

During the year we announced a five-year strategic partnership with Microsoft making BOQ the first bank in Australia and New Zealand to access Microsoft's new customer experience tools. The partnership will drive a key element of our digital strategy, allowing us to simplify our infrastructure, build new features for customers, standardise and automate more processes and be able to deliver differentiated and personalised experiences for our customers.

Our ME integration program is well progressed with ME having returned to growth and consolidated on to one ADI licence. We have completed a number of key integration streams and delivered synergies ahead of plan.

Our ongoing work to provide a superior customer experience has involved enhancements to loan processing to ensure our time to yes continued to improve. During the year, our retail net promoter score improved to 3rd position, up from 5th in FY19, and our Business Bank NPS was ranked 4th.

Delivery of our strategy, with an increased focus on the areas I have outlined is key to delivery of long-term outcomes of a stronger and simpler organisation, optimising returns for shareholders and improving our customer and employee experience.

Business Performance & Capital Management

Notwithstanding the difficult and highly competitive trading conditions this past year, I am pleased to report that BOQ has again delivered a solid financial performance with reported statutory profit of \$426m. After tax cash earnings for the year was \$508m which represented earnings per share of 78.4 cents.

We have good business momentum in home lending growth across all our brands. Our Business Bank has also outperformed the market in the small to medium sized business sectors in line with our renewed focus on this important segment.

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BOQ's \$81bn loan book has performed well through the past 12 months. Our business lending portfolio is well diversified and well secured with minimal cash flow lending. Whilst we anticipate increased pressure on some of our retail and business customers from higher interest rates and inflation, BOQ's book is well positioned going into a more difficult economic environment.

Our end of year CET1 ratio was 9.57%, giving us a strong buffer to all regulatory requirements.

The Board determined a fully franked final dividend of 24 cents per share be paid, bringing the full year total ordinary dividend to 46 cents per share. This is slightly below our target payout ratio allowing for the important reinvestment in our business.

Shareholder Value

We acknowledge the disappointment in our share price performance. We are trading at a discount to book value and a relatively low price to earnings multiple. In our view, the value of our quality book and the material investment being made in our transformation is not currently reflected in the share price. The completion of our transformation will require a medium term, rather than short term, view of benefits and we thank our shareholders for their support over this time horizon.

Your Board and Executive team remain committed to the considerable investment in our strategy, as we have high conviction in being able to generate sustainable shareholder value over the medium term and an improved customer and employee experience.

Looking ahead

We have a clear plan to further strengthen, transform and build a digital, scalable, more competitive bank with an exceptional customer and employee experience. Our performance demonstrates that BOQ is stable and strong.

Looking ahead, Australia is relatively well placed as we move into a more uncertain economic environment. It is time to be prudent as we deal with elevated inflation and rising interest rates, combined with geopolitical tensions, a weakening global economy and ongoing supply chain and labour disruptions.

With the increased focus on building a simpler more resilient bank, we are currently reviewing our plans to enable an increased investment in strengthening our control environment. Whilst we are investing more in this area, and are operating in a high inflation environment, we will remain focussed on overall cost discipline across the Group.

We remain focussed on optimising net interest margin in the near term and delivering medium term improvements in our cost to income ratio and return on equity through the delivery of our strategic plan.

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We are increasingly confident in a slightly positive outcome for our capital position under Basel III which comes into effect on 1 January 2023. If that is the outcome, we will seek to preserve this benefit to support stronger financial resilience through the more challenging economic cycle.

We recognise the importance of dividends to our shareholders, and we will balance that against the resilience and strength of the bank, capital requirements for balance sheet growth and ongoing investments for transformation.

The Board acknowledge our Executive Committee and all our BOQ employees for their continued commitment to delivering for our customers, living our purpose and creating long term value for our shareholders.

On behalf of the Board, thank you to our customers and shareholders for your support for BOQ.

ENDS

Authorised for release by: Fiona Daly, Company Secretary

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