ASX RELEASE

BOQ GROUP

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S ADDRESS – 2023 ANNUAL GENERAL MEETING

Tuesday, 5 December 2023, Brisbane: In accordance with ASX Listing Rule 3.13.3, following is the address to be given by Patrick Allaway, Managing Director and Chief Executive Officer (**CEO**) of Bank of Queensland Limited, at the Bank's 2023 Annual General Meeting (**AGM**). The webcast of the AGM can be viewed at https://meetings.linkgroup.com/agm/BOQAGM23/register.

The CEO's address should be considered in conjunction with BOQ's 2023 Annual General Meeting presentation (available at www.boq.com.au).

We recognise this has been a difficult year, with our leadership changes, enforceable undertakings, decline in statutory earnings and poor share price performance.

We have taken responsibility and accountability, and the Board has taken decisive and appropriate consequence management as outlined by the Chair and in the Remuneration Report.

I would like to leave you with four key messages today:

1. We have a clear plan to strengthen BOQ and address our structural challenges, which are more exacerbated in the current environment, and we are making good progress executing against the plan.

2. This plan requires continued investment in the business through this current cycle of cost and margin headwinds. As such, lower returns are likely in FY24 while we position BOQ for recovery in FY25 and 26.

3. We are in a strong financial position to continue our transformation investment and manage this economic cycle, while continuing to pay dividends.

4. We are focused on restoring shareholder value and need time and stability to see this plan through.

Before addressing our FY23 performance and strategic plan, I would like to start today by providing context to our Enforceable Undertakings, leadership changes and the stability of the management team.

You might recall the digital transformation we announced back in 2020 after a decade of underinvestment in technology. While we were successfully executing against this, and growing the bank, reviews through 2022 and regulatory feedback identified that an uplift in our operational resilience and risk culture was required.

At last year's annual general meeting, I shared with you that a change in management and more holistic transformation was required and that we had shifted our priorities to include strengthening our operational resilience and simplifying our operating model, while continuing to deliver the digitisation roadmap.

We worked closely with APRA and AUSTRAC and announced a comprehensive remediation plan to the market, taking a $60m provision at the half year to fund the plan. We subsequently agreed to two Court Enforceable Undertakings to deliver these Remedial Action Plans. We are embracing these multi-year programs of work as an opportunity to build a stronger and simpler bank.

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Warwick has spoken to the circumstances that led to the request from the Board for me to transition from Executive Chairman to CEO this year. While this was not originally in my plans, I accepted the CEO position because I care about BOQ, our shareholders and our people. I feel a sense of responsibility and accountability to see this through, and agreed it was the best decision for the bank. I am committed to doing everything that I can to make BOQ a better bank.

In taking on this role I consciously took action to reduce the size of the executive team from 12 to 8. This change better reflects the needs of a smaller bank and has facilitated more in-depth discussions, streamlined our decision making, creating stronger accountability for outcomes.

As part of this change, we have retained the core team that is leading our transformation to a stronger, simpler digitally enabled bank. We will be enhancing this highly capable and unified team with an upcoming appointment of a Group Executive with deep expertise in People and Culture.

Further, our Group Chief Risk Officer, David Watts, will retire in late 2024 as part of a planned orderly succession process. David joined the Group in March 2022 with a wealth of experience to uplift our risk capability and with recognition that this would be his last executive role prior to retirement in late 2024. David is instrumental in transforming our risk management and compliance capability and will continue to do so with a seamless transition planned for late 2024.

While we recognise that we have a big task ahead, we have confidence in our capable and committed senior leadership team to deliver against our clear plans.

FY23 overview

Our financial performance reflects current economic and industry headwinds; exacerbated by legacy issues and the provisions and restructuring charges we have undertaken to strengthen and simplify BOQ. Decisions to invest in the business and address these deficits are also impacting short term profitability, in the interests of delivering more sustainable and attractive performance over the long term.

We delivered $124m in statutory profit after tax and cash earnings of $450m after tax. Our statutory profit includes four below the line items, including a $200m goodwill impairment, $42m risk remediation provision, $35m restructuring charge and $57m ME integration costs.

Income growth of 5% was offset by higher costs, as inflation impacted on the cost base, along with continued investment in the business and a return to more normalised loan impairment expense.

Income growth in the retail bank was flat on the prior year. We stood back from the highly competitive mortgage market, where economic returns could not be achieved and deliberately prioritised customer retention. Pleasingly, we grew customer deposits by $6.1bn with strong growth on our new digital platform.

Our continued focus on targeted niche customer segments within the business bank contributed 14% income growth and, underlying profit growth of 24%. We were able to hold margins and delivered a lower cost to income in the business bank.

Highlights for FY23 included:

- Material progress has been made in our digital transformation with all three retail brands now on the new digital banking platform, 45% of our key processes automated and 53% of our IT assets now on the cloud.

- Our customer base grew by 10% and we supported over 3,500 customers as they adjusted to higher interest rates and cost of living pressures.

- The capability of our risk, compliance and internal audit functions have been uplifted and our risk reporting improved.

- We took steps to simplify our operating model and launched a $200m productivity program to address cost inflation.

- We finalised a consolidated enterprise agreement with our people; and finally;

- We strengthened our financial resilience, holding strong capital and liquidity buffers.

Transforming the business

Our strategy is addressing our core structural disadvantages and our historic failure to invest in addressing legacy issues which are impacting our current relative performance in this more challenged margin and higher interest rate environment. The underlying issues that are driving under performance include:

- Firstly, our historic inferior online banking experience and low base of transaction accounts, which did not start to be addressed until 2020. This is impacting on our relative funding costs in a higher interest rate environment. While we have now delivered digital banking and real time payments, it will take time for lower funding cost transaction accounts to continue building.

- Secondly, the lack of automated processes and limited integration of legacy systems, which has been a root cause of operational resilience and risk weaknesses.

- Finally, the inadequate integration of historical acquisitions is exacerbating our scale disadvantage, which has resulted in an overly complex organisation, duplicative siloed functions and ultimately a higher cost to serve.

We are making strong progress addressing these legacy issues and delivering against our four strategic pillars announced earlier this year of strengthen, simplify, digitise and optimise:

Our ***strengthen*** strategic pillar is uplifting our risk maturity and building stronger foundations for BOQ, addressing our Enforceable Undertakings including our manual processes and historical weaknesses in our risk controls. We have recently received approval from both our regulators for the scope of our Remedial Action Plans and have mobilised our organisation behind these plans with clear deliverables and milestones.

Our ***simplify*** strategic pillar is reducing our operational complexity and costs. This includes a $200m productivity program to be delivered over the next three years. We are shifting to be a simpler and more integrated bank under a shared service model, with a smaller management team and lower operating costs more aligned with that of a smaller agile bank.

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Our ***digitise*** strategic pillar, which was launched in 2020, is building a digital data-led bank. Benefits include improving our customer experience, diversifying and lowering our funding cost, lowering our cost to serve through decommissioning legacy technology and automating processes. As mentioned earlier, we have launched apps for all three brands on the common digital core platform with an improved customer experience, $5.5bln in deposits and over 20% of customers on the new platform. This is a material proof point in the delivery of our digitisation pillar. We are now in the testing phase for digital mortgages, our second major proof point, scheduled for delivery in 2024, which will significantly improve our customer experience as well as halve our mortgage origination and processing costs.

Finally, our ***optimise*** strategic pillar is focused on improving risk adjusted returns through the prudent allocation of capital and diversification of the portfolio and income streams. Our quality, well secured and diversified $81bln lending portfolio is performing well through this economic cycle. We are exploring opportunities to diversify and further grow our non-interest income portfolio of higher return on equity opportunities.

These four strategic initiatives are focused on rebuilding shareholder value through strengthening the bank, lowering our cost to income ratio and growing return on equity.

Customer experience

We recognise that customers have a choice in who they bank with, and we need to earn their choice. Our new vision **To Be the Bank Customers Choose** is materially increasing focus on our customer experience. We are lifting the voice of the customer in everything that we do to be obsessed with ensuring we deliver exceptional customer outcomes. While we have fabulous examples every day across our organisation where we go above and beyond for our customers, this is a continuous improvement journey with more to do to differentiate BOQ as the bank that customers choose.

We are structuring the organisation to serve customers the way they wish to be served. Customers who want a fast and simple self-service digital experience will be served through our ME and VMA national digital brands. Customers with more complex needs or desiring a human touch will be served through our BOQ brand, leveraging our specialist bankers and owner manager network.

This is a difficult economic cycle for many of our customers with the rapid rise in interest rates and cost of living pressures. While our customers on the whole are well positioned to withstand this cycle, having built up buffers of advance repayments, there are customers who are finding the environment challenging. We are proactively engaging with these customers and supporting them through this period. We encourage any of our customers who are experiencing financial difficulty to contact us so that we can discuss your personal circumstances and options.

Another matter which is significantly impacting customers is the rising prevalence of scams and fraud. We are increasing our focus on educating and protecting our customers and working with the ABA on industry wide initiatives.

Living our purpose and values

Every day when I speak to people from all areas of the business, I am met with such passion, commitment, and integrity. Our success relies on us retaining and attracting talent through making BOQ a great place to work.

We have more to do in supporting our people through developing their careers, celebrating their diversity and empowering them to speak up if they see something that is not in line with our values.

We are working on shifting our culture to being more customer focused, more agile and more open to change with an inclusive and diverse voice which questions the status quo.

In FY23, we launched both a new recognition and reward program and an improved wellbeing tool offered to our employees, both of which have seen significant uptake.

I would like to thank my colleagues on our Executive Committee and all our employees for their contributions to BOQ.

Looking ahead

We are well positioned and laying the foundations for our future success. We are uplifting our operational resilience, risk culture and compliance with a focus on sustainable embedment of changes to the way we approach risk.

We are managing what we can control, in an environment that remains uncertain, we are focused on simplifying and optimising our business for growth, with a lower cost to serve, when the cycle turns.

While the Australian economy remains resilient, we do anticipate increasing economic risk into next year due to the lagged impact of sustained higher interest rates combined with the increased cost of living.

We are expecting continued revenue and margin pressure from slower credit growth, ongoing heightened competition and our higher relative cost of funding. We anticipate that our simplification program will partially offset cost inflation and increasing regulatory impost with low single digit growth to our underlying cost base. Our ongoing transformation investment spend and amortisation will be incremental to this underlying expense.

The combination of these impacts is likely to deliver lower returns in FY24. We anticipate returning to profitability growth in FY25 and FY26 when the cycle turns. We will continue to target the payment of dividends at the lower end of our payout ratio during this period.

In closing, we recognize that our shareholders have lost value in their investment and that an investment in BOQ requires patient trust in the management team to deliver. We take this responsibility very seriously, are being transparent about our challenges and are getting on with addressing them.

We have a clear plan. We are confident in the plan, our people, and in our ability to execute. Our priority is to retain stability and ensure disciplined execution against the plan.

Transformations of this scale are difficult and take time, but also can be rewarding for shareholders when executed well. We are committed to delivering a stronger, simpler, more competitive BOQ that will provide better customer outcomes and long term sustainable and attractive returns to you, our shareholders.

I would like to take this opportunity to thank our customers for choosing BOQ, our shareholders for your support, our people and the Board for their commitment and hard work in building a stronger, simpler, future fit bank.

ENDS

Authorised for release by: The Company Secretary of Bank of Queensland

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