

CHAIRMAN'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 Warwick Negus, Chairman 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 Chairman's address should be considered in conjunction with BOQ's 2023 Annual General Meeting presentation (available at www.boq.com.au).

Economic and operating environment

2023 was a challenging year for the banking industry, and specifically for BOQ.

Customers and communities are adjusting to sustained high inflation and the rapid rise of interest rates; we saw heightened levels of scams and fraud activity; our ways of working have fundamentally changed and competition in the banking sector remains strong.

Financial performance

We have accelerated the investment in our digital transformation to improve our customer experience, and this is starting to deliver. We now have three retail brands on the same digital core banking platform and achieved 10% growth in customers compared to FY22. This increase is diversifying our funding and reducing our cost to serve.

We are also making difficult decisions to address our challenges head on. Our transformation is progressing at pace, with key milestones achieved on plan and budget in FY23.

Patrick will speak to this in more detail, though our financial performance for the year was impacted by industry-wide NIM compression as demonstrated in recent reporting from banking peers. We have been particularly challenged with disproportionate regulatory cost, impacts of inflation and earlier repayment of the RBA's term funding facility comparative to peers.

The group's capital position is as strong as it's ever been. The year ended with a CET1 ratio of 10.91% and the Board determined to pay a second half dividend of 21 cents, taking the full year dividend to a fully franked 41 cents per share, returning \$285 million in capital to shareholders during the year. This represents a full year 60% payout ratio on cash earnings and a 7.1% dividend yield on the year end share price.

The continued investment in the bank is crucial for its success, there is a large task at hand with investing in our risk uplift, our digital transformation and simplifying the business. The Board is committed to the strategy and to management's ability to execute against that, and the need to invest in what will ultimately deliver a better BOQ.

We acknowledge that the share price performance has been disappointing. When considering the bank's quality lending book, well secured and well diversified portfolio with very strong future cash flows, we share your frustration, as fellow shareholders, that this is not currently reflected in the share price.

When Patrick addressed you at last year's meeting, he acknowledged risk weaknesses that had been identified and how the strategic objectives of the group had shifted towards strengthening operational resilience to address this. These weaknesses were further highlighted by the group subsequently agreeing to two Court Enforceable Undertakings with both APRA and AUSTRAC in May of this year.

We are committed to overseeing the uplift of the Bank's risk practices through its Program rQ and AML First programs, which will deliver against agreed Remedial Action Plans with our regulators. These programs will see the sustainable embedment of improved risk practices, resulting in a better bank for all stakeholders.

Consequence management

The Board acknowledges that these CEUs have eroded some of the trust you have in us, and we do not take these matters lightly. The Board has reflected deeply on the risk weaknesses and the circumstances which led to the CEUs and has taken appropriate consequence management actions.

With respect to the Board, we have taken accountability and reduced Non-executive Directors individual base fees by 20% for FY24. This is a highly engaged and hard-working Board. Nonetheless, we acknowledge and take accountability for the risk failings.

With regards to the executive team, the Board and CEO made deliberate decisions to refresh. We have also applied both retrospective and in-year remuneration consequences. For in-year consequences, the Board determined to convert an average of 66% of FY23 Performance Shares. For the CEO, Patrick recommended, and it was agreed by the Board that he forego FY23 Performance Shares, in effect reducing his total variable reward by 60%.

With respect to FY22 Performance Shares, downward adjustments were applied for all current and former participating Executives, resulting in individual reductions of up to 100%.

Board and leadership continuity and stability

Throughout 2020 and 2021, we completed a Board refresh. Four directors left in this time, and we recruited three new directors over a two-year period. Three of the current non-executive board members have tenure greater than three years, including myself.

Mr Bruce Carter is standing for re-election today, with the support of the Board. His re-election will provide stability and continuity while we address legacy risk issues and continue our transformation work. With the work ahead of us on our Remedial Action Plans, it is essential that we have this stability and I have asked Mr Carter to stand for re-election to ensure continued momentum with regards to these undertakings. We are actively recruiting for an additional non-executive director.

With the re-election of Mr Carter, we anticipate that he would remain on the board for a period of approximately 12 months, allowing an appropriate and thorough transition period for the new board member. He will speak to you in more detail in his address, however, I would like to call out his depth of knowledge of the Bank, his position in the industry as a well-regarded risk expert for complex corporate matters, and his commitment to his role on the Board.

I'd like to take this opportunity to talk about how your board operates, and particularly, the process we undertook with our appointment of CEO and Managing Director, Patrick Allaway.

BOQ Group

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As you are aware, the Board made the decision last November that the bank needed a different capability and leadership style. On making the CEO change, the Board decided it was in the best interests of the bank for Patrick to step in as Executive Chair. We appointed Karen Penrose as Lead Independent Director and commenced a global search for a new CEO.

Upon his appointment as CEO, Patrick made significant progress in articulating and executing against the strategy, particularly with regards to strengthening the bank.

During this time, we shifted our strategic priorities and made additional leadership changes to streamline the executive team and felt it was important to provide certainty to our people and the market as soon as possible. Patrick's appointment as CEO was ultimately a straightforward decision for the Board. Beyond his commitment to excellence is his ability to provide purpose to the executive team and to align our people with the strategy and provide hands-on leadership and transparency. He has focused the current executive team on both our Remedial Action Plans and our transformation agenda. Patrick is a hard-working CEO who is visible across the Bank and was, in the view of the Board, easily the best candidate.

Today's Board is a diligent board that has leant in as problems were identified. Our directors have played an active role in both identifying the problems and defining the solution. We have also engaged on a frequent basis with our regulators and the fact that we now have two agreed Remedial Action Plans, with APRA and with AUSTRAC, speaks volumes about the hard work of our directors.

Environmental commitments

There are many issues, both financial and non-financial, that are important to us, our customers, shareholders, our people and other stakeholders. We regularly review the most material environmental, social, and governance issues affecting our business. These topics represent the issues that are relevant and impactful to both stakeholders and to the business.

We acknowledge the impact that climate change is having on our people, our customers, our suppliers and in the communities in which we operate, and we recognise the importance of supporting the transition to a lower carbon economy.

By 2025, we are targeting 100% of our electricity needs to be sourced through renewables, with 84% achieved this past year. We have committed to reducing our emissions by 90% for scope 1 and 40% for scope 2 by 2030, against a 2020 baseline. We reached our scope 2 target this year, and scope 1 is not far behind at 81% achieved.

Community involvement

I am very proud to be part of such a community-focused organisation, through the important Owner Manager network who are deeply connected to their local communities and our nine community partners - Clontarf Foundation, Stars Foundation, Head Start Homes, Orange Sky, OzHarvest, National Breast Cancer Foundation, Minus18, Beyond Blue and Australian Wildlife Conservatory. These partnerships contribute to the important and critical work that these organisations do.

In an Australian market first, as a way of engaging our customers directly in our community support programs, ME Go customers can select from one of five charities which are most aligned to their personal values. For each digital wallet transaction they make, the Bank donates 1 cent to their chosen charity from our list of community partners. In the first six months, BOQ has donated \$175,000 through this initiative.

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In a significant milestone, we launched our second Innovate Reconciliation Action plan in April of this year. Our vision for reconciliation is an Australia in which First Nations peoples have infinite opportunity and prosperity and our RAP includes a commitment for 18 actions we will undertake during 2023 to 2025 to progress this vision.

Prior to the meeting today, there were some questions submitted regarding the Voice to Parliament referendum and whether BOQ provided financial support to either campaign. While BOQ did not contribute funding to either side of the campaign, we encouraged our people to engage with the Voice to understand perspectives different to their own, we provided factual information to support our people make an informed decision and above all, encouraged respect.

Looking ahead

Your Board remains committed to the strategy of the group, a strategy which will produce a future-fit, simpler and lean organisation ready to meet the evolving needs of customers and provide long term returns to shareholders. You have our assurance that we are unquestionably focused on rebuilding shareholder value.

On behalf of the Board, I would like to thank the Bank's leadership and all the employees of BOQ for their passion in serving their customers and their commitment to the group.

Finally, I thank you, our shareholders for your ongoing support of BOQ and I look forward to speaking with many of you after today's meeting.

ENDS

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