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MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S ADDRESS – 2024 ANNUAL GENERAL MEETING

Tuesday, 3 December 2024, 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 of Bank of Queensland Limited, at the Bank's 2024 Annual General Meeting (**AGM**). The webcast of the AGM can be viewed at https://meetings.linkgroup.com/agm/BOQAGM24/register

The address should be read in conjunction with BOQ's 2024 Annual General Meeting presentation (available at www.boq.com.au).

It is my honour to be speaking to you as CEO in this milestone 150th year for BOQ.

My key message to you today is that after navigating a challenging two years we are now starting to see the benefits of our transformation. We are transforming to a simpler specialist bank with a superior customer experience on our new banking platform and a more optimistic outlook for shareholder returns.

Our 150-year anniversary has given us a moment to reflect on the evolution of the group over that time, what makes BOQ unique and how we ensure we leverage our competitive strengths for a prosperous future.

We are operating in an increasingly dynamic market with many disruptive forces driven by technology, changing consumer habits, competition and regulation. We need to embrace change as a way of doing business and accept that operating models that have served us well in the past may not be sustainable in the future.

The future of BOQ is a simpler specialist bank, differentiating from the majors, leveraging our smaller size and agility to disrupt traditional banking models that are structurally challenged.

We are making decisions that will fundamentally change the way we operate to reflect changed consumer preferences, lower our cost to serve, optimise our use of capital and grow our return on equity.

Our future state customer proposition is centred on digital retail banking, deep relationship banking in specialist business sectors and our strong Queensland heritage.

Financial overview
Turning to our FY24 financial results.

Our financial results reflect these dynamic market shifts with elevated competition, investment in our transformation, cost inflation and increased regulatory impost. Against this backdrop, we delivered cash earnings after tax of $343 million and statutory net profit after tax of $285 million.

There were two material adjustments to statutory profit in the year, $33 million in restructuring costs as we simplified our operating model and $22 million relating to the sale of the New Zealand asset portfolio, both items in line with our strategy.

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Net interest margin stabilised in the second half after three consecutive halves of decline. We again stood back from uneconomic home lending and prioritised economic return, over growth. We recycled lower retuning capital to accelerate the growth of the business bank in our specialist segments in the second half.

We managed expenses for the year below inflation, with 2.9% growth in underlying costs. With the foundational build of our new digital banking platform now largely complete, our transformation investment spend has now peaked, with a 21% reduction in FY24 and a further material reduction anticipated in FY25.

Our financial resilience remains robust with capital at the top end of our target range, prudent liquidity levels through the repayment of the RBA's term funding facility, and historically high deposit funding, as a percentage of total funding.

The quality of the credit portfolio remains sound. Loan impairment expense was again subdued, supported by strong asset prices and low provision activity. Recognising some uncertainty remains, we have maintained a prudent 45% weighting towards a downside or severe downside economic outcome in our modelling.

Progress against strategy
We are delivering against our four strategic pillars of strengthen, simplify, digitise and optimise, with strong execution proof points in FY24.

We have strengthened our financial and operational resilience and are delivering against our remedial action plans. Our relationship with our regulators is transparent and productive, and our Remedial Action Plans will deliver a stronger, better bank.

Last year when I spoke to you, I talked about how we are shifting to a more integrated bank with a shared services model and a lower operating cost. We have made good progress in simplifying our operating model.

We recently increased our FY26 productivity target to $250m and announced plans to simplify our distribution channels, through the conversion of our branch franchise model.

While these changes to our operating model are necessary decisions for the ongoing sustainability of the BOQ Group, I do want to acknowledge that they impact on people, and we appreciate that these decisions are difficult for those affected. I also express my gratitude to all of our Owner Managers for their contribution to BOQ over the past 22 years.

We disclosed in October that we have received a dispute notice from some Owner Mangers. We will continue to work closely with the 63 Owner Managers who are in dispute.

Pleasingly, we have progressed with conversions earlier than anticipated for 30% of Owner Managed branches and have converted 8 branches this week. We have received positive responses to employment expressions of interest both from Owner Managers and their employees.

On digitising BOQ, FY24 was a significant year of execution. The foundational build of our end-to-end digital bank is largely complete. We now have over 400 thousand active digital customers on the new digital banking platform and are in the process of migrating ME customers, targeting the decommissioning of the ME heritage bank in FY26.

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We are finalising the migration pathway and decommissioning of our complex BOQ heritage systems as we transition to a simpler lower cost to serve digital retail bank.

The experience on the new digital platform far exceeds that of the legacy bank, and we are excited that a greater percentage of our customers will soon enjoy that improved banking experience, as we continue migration.

We wrote our first digital mortgage in August of this year and will continue rolling out this product throughout FY25, before scaling and returning to mortgage growth in FY26. The digital mortgage delivers a superior customer experience, will accelerate time to yes, will halve our cost to originate a loan, reduce processing time by two thirds, and allow us to grow commoditised home lending with a higher return on equity.

Moving now to how we are optimising BOQ and improving shareholder returns.

We are targeting a revised return on equity of 8% and cost to income ratio of 56%, in FY26. These are interim targets, and our aspiration is to materially grow returns, beyond these targets.

There are 4 key components to delivering improved returns:

- Firstly, our $250 million productivity target from simplifying operations, distribution channels and decommissioning the ME legacy platform.

- Second, is shifting our portfolio mix through recycling capital away from lower returning lending, into higher returning specialist business lending, where we have a competitive advantage.

- Thirdly, we will commence scaling the digital bank in FY26, growing proprietary channels, improving our funding mix with increased low-cost deposits and starting to scale the digital mortgage; and

- Finally, we will grow capital light non-interest income.

Living purpose and values
Moving now to our commitment to customers.

We are putting customers at the heart of everything we do. We recognise that customers have a choice in who they bank with and that we need to continue to earn that choice by delivering a trusted, consistent and differentiated experience, supporting their day-to-day banking needs.

As I have said before, we are structuring BOQ to service customers the way they wish to be served. Customers seeking a fast and self-service digital experience will be served through our retail digital channel and contact centre. Those with more complex or business banking needs will be served through our relationship bankers across our head office and corporate branch channels.

We are supporting our customers in times of need with some feeling the impacts of higher rates for longer and sustained cost of living pressures. We have proactively supported customers in managing from fixed to variable rates, customers in hardship and vulnerable Australians. Our dedicated financial difficulty assistance team supported over 3 and a half thousand customers with their lending, and we continue to encourage customers to speak with us if they are struggling.

As Warwick mentioned, we are investing in technology to keep customers safe from fraud and scams. We have joined an industry-wide approach through the Australian Banking Association and enhanced

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communications to customers, to warn them of potential scams. This year we prevented and recovered more losses to customers from scams than ever before.

Cultural transformation
We have a quality team focused on delivering better outcomes for our customers.

Our people engagement index has held steady at 71%, during a period of difficult transformational decisions for our operating model. We are seeing a strong uplift in leadership, safety to speak up, risk culture metrics and an understanding of what needs to be done, to deliver the strategy.

We are striving for a step-change in our cultural performance, as an important part of our transformation. During the year, we articulated our culture aspirations and reinforced our focus on embedding practices and behaviours that put the customer first, prioritise achieving sustainable performance and outcomes, and embrace agile ways of working. To support this cultural shift, we have reset how we measure and reward performance in FY25 to better align with employee roles, delivering outcomes and market practice.

Looking ahead
We expect some improvement in the Australian economy in FY25 supported by strong fundamentals and anticipated lower cash rates. The strength of that improvement remains uncertain, with increasing geo-political uncertainty, low productivity and increasing consumer and business caution.

We remain positive about the growth prospects for Queensland over the next few years. We will be recycling and reallocating capital and putting on additional bankers to support this growth, we will leverage our 150-year heritage and competitive advantage in supporting Queensland businesses and are proud to be the last standing listed Queensland bank.

Our outlook for FY25 remains unchanged from our commentary at the FY24 results. We are targeting broadly flat total cost growth in FY25 and an uplift in revenues from the growth in our business bank and the owner manager conversion in the second half.

We have now brought on 19 new business bankers with a strong deal pipeline and good conversion rates. Our housing portfolio is continuing to reduce as we recycle this capital into higher returning business lending. We anticipate stable margins in the first half.

Loan impairment expense is expected to increase, reflecting this later stage of the higher interest rate cycle and higher rates for longer. We will continue to target capital management within our target ratio of 10.25 to 10.75%, and expect dividends to be paid within our target payout ratio of 60 – 75% of cash earnings after tax.

In closing, I would like to acknowledge the patience and support of you, our shareholders, as we have managed through a difficult two years.

As I have previously said, transformations are difficult, take time and rely on trust in the management team. We take that responsibility very seriously and are absolutely committed to improving our customer experience and shareholder returns.

Our share price is materially up on this time last year. However, we continue to trade at a discount to book value, with an opportunity for improved shareholder returns if we deliver on our FY26 targets.

While there are many factors that are outside of our control, we remain sharply focussed on the disciplined execution of our strategy to transform BOQ, and continue to control what we can control.

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I would like to take this opportunity to thank our Board for their continued support, our executive team and people for their dedication and commitment to shaping the future of BOQ, our customers for choosing to bank with us, and you, our shareholders, for your ongoing investment in BOQ.

ENDS

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

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