

ASX RELEASE



100 Skyring Terrace
NEWSTEAD QLD 4006

CHAIRMAN'S 2019 AGM ADDRESS

Tuesday, 10 December 2019, Brisbane: I take on the role as Chairman of BOQ with appreciation of the considerable responsibility for the Board and management to deliver better outcomes for all our stakeholders.

As we are all aware - we are now operating in a low growth part of the cycle with rising investment needs, increased regulatory and compliance costs, declining margins, accelerating industry disruption and competition, and heightened community expectations.

We anticipate this backdrop to be the new operating norm for the sector in the medium term.

Our FY19 performance was disappointing and reflects these challenges. Cash earnings of \$320m and statutory net profit after tax of \$298m represent 14% and 11% respective declines on the previous year. The reduction in our dividend to 65 cents per share is proportional to our year on year cash earnings decline. George will provide more detail on our results in his address.

Given that performance - the financial performance gateway was not met for our short term incentive plan. No short-term incentive compensation was paid to KMP or our senior leadership team in 2019. They accept and understand that this is appropriate.

While it has been a difficult year, there are a number of positives to draw your attention to:

- Good progress in our foundational investments with above system growth in the BOQ Specialist, BOQ Finance, and the VMA businesses.
- Embedding our purpose and values to deliver more human empathetic experiences that help customers and communities prosper.
- Successful completion of the Virgin Money digital bank pilot and Board approval for the roll out of this growth opportunity in 2020.
- Rollout of our new mobile banking app and Apple Pay in BOQ Specialist.
- Sound underlying asset quality.

We acknowledge our share price has underperformed for a few years now and that you our shareholders are rightly dissatisfied. We take accountability for this and are finalising our strategy to improve the performance of the business, develop a more sustainable business model for the current low growth environment, and return the business to profitable growth.

Actions we have already taken include:

1. The appointment of our new CEO and CFO/COO to drive our transformation change agenda.

For further information please call:

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2. A productivity review to reduce our cost to income ratio and transform BOQ to a more agile, efficient and simplified business model.
3. A strategic review to refocus on niche customer segments across both our business and retail banks targeting above system revenue growth in our target markets.
4. Investment in improving our end to end customer experience and embedding our customer led purpose and culture in the organisation.
5. Investment in modernising our technology infrastructure and closing the digital and data gap.
6. Continuing to strengthen the bank through our recent capital raising, strong governance, compliance and prudent risk management.

George will present the outcomes of our productivity and strategic reviews to the market in February next year. We wanted to get this right and not rush the finalisation of our transformation plans.

The customer experience will be at the forefront of our strategy to return BOQ to profitable and sustainable growth. We are committed to delighting our customers with a seamless end to end experience in niche segments where we can add value and win. We recognise that this transformation will take time. The investments and restructuring required to make BOQ stronger will impact our financial results in FY20.

Whilst we face many challenges, we are confident that we have a strong platform with good opportunities for BOQ to capitalise on and achieve above system growth in our target segments in the medium term.

To further strengthen the bank and to support our strategic transformation, we launched a capital raising on the 25th November, seeking to raise \$275m of additional capital. The first phase of this has been completed with \$250m raised through an institutional placement. Priority in the placement was given to existing institutional shareholders and retail broker bids supporting our loyal retail shareholders. The remaining \$25m will be raised by way a share purchase plan offering retail shareholders the opportunity to apply for up to \$30,000 of new BOQ shares. Information about this retail offer was sent to shareholders last week.

While we recognise the dilution and interim impact on the share price – we firmly believe this strengthened capital position will assist us in growing shareholder value in the long term.

As part of the capital raising announcement, we stated our target dividend payout ratio going forward would be 70-80% of cash earnings per share. We will continue to factor the importance for dividends for shareholders into our future capital management plans.

Your Board has also recently undergone an extensive and independent review. We have reflected on how we can improve Board performance and have balanced our important governance and compliance role with an increased strategic and business performance focus. We will empower and hold management to account for execution of the strategy. We have emphasised the importance of good culture in driving better outcomes for all stakeholders and have agreed to a Code of Conduct - which incorporates our BOQ purpose and values – and sets the tone for leading our organisational behaviour by example.

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Before handing over to George, I would like to acknowledge the considerable contribution of our outgoing Chair, Roger Davis, over his 12 years' service to BOQ and retiring Directors David Willis who retires at this AGM and Richard Haire who retires in April 2020.

During their term, BOQ recovered strongly from the post GFC liquidity and credit squeeze and acquired a number of niche business which now provide a strong foundation for our strategy to return to growth. With these Directors retiring we will take the opportunity to reduce the size of your Board and refresh our skills with a focus on enhancing our retail banking, customer insight, digital and data, and transformation skills.

I would also like to extend a thank you to Jon Sutton, who resigned as CEO for health reasons in December 2018, Anthony Rose, our interim CEO, who provided a smooth leadership transition and other senior executives who have left the business this year. We wish them all the best in their future careers.

Thank you to my fellow Directors, management, and all BOQ employees for their considerable hard work and contribution. The year ahead will not be easy, requiring resilience and a belief in our ambitious aspirations for the business. We value our people and are committed to building an inclusive and diversified workforce that respects and knows BOQ is a great place to work.

Thank you to all our shareholders and customers for your continued support for this iconic Queensland company.

I am honoured to be appointed Chair of BOQ and relish the opportunity to be a change agent to harness the collective strength of the Board and the organisation to transform BOQ and to grow long term and sustainable shareholder value.

Your Board and management take accountability for achieving better outcomes for all our stakeholders.

Patrick Allaway
Chairman

Authorised for release by: Patrick Allaway, Chairman

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