BOQ GROUP
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MD & CEO'S ADDRESS – 2020 ANNUAL GENERAL MEETING

Tuesday, 8 December 2020, Sydney: Address by George Frazis, Managing Director and Chief Executive Officer of Bank of Queensland Limited, at the Bank's 2020 Annual General Meeting (AGM). The webcast of the AGM can be viewed at: https://agmlive.link/BOQAGM20.

Check against delivery

Opening remarks

When I reflect on the past twelve months, I too am proud of how we have rallied together to support our customers, people, and the broader economy. As Patrick has mentioned, throughout this past year, we've helped our customers through drought, bushfires and a global pandemic. We have helped Australians into their homes and worked with small businesses to ensure they keep their doors open. We have responded to more than 20,000 requests for assistance, through our Banking Relief Package, while our branches remained open to serve our customers and the community.

In overview and while clearly FY20 has been a year like no other, we have delivered a solid underlying result, particularly given the headwinds and all the work we are doing to transform our business.

Despite the many challenges, we've remained firmly focused on the execution of our strategy and our digital transformation is on track.

We have completed the migration of our data centres to the cloud, modernising our core infrastructure.

The family and friends launch of phase 1 of the Virgin digital bank will be completed this week, forming the strategic platform for the Retail Bank.

The operating model review is complete and has delivered productivity savings which we have been able to invest in new strategic initiatives and capability uplift.

In line with our focus on simplification, we announced the sale of our St Andrew's business to a private investment firm, Farmcove, achieving an important strategic milestone.

Turning to our results - pleasingly, our underlying full year result, excluding the impacts of COVID, was ahead of our expectations flagged at our strategy briefing in February. In FY20, Statutory net profit after tax was $115 million and reflects the challenging environment and year of transition for BOQ. Cash earnings, after tax decreased to $225 million, due to the COVID collective provision overlay. Cash return on equity decreased to 5.4%. Common equity tier one remained strong at 9.78%. Our cash

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Bank of Queensland Limited ABN 32 009 656 740 (BOQ).

earnings per share decreased to 51.1 cents per share and the Board determined to pay a full year dividend of $0.12 per share.

We are well provisioned against the potential lifetime losses in our portfolio as a result of COVID having applied prudent assumptions. Given the government stimulus and good handling of the crisis, there is potential upside opportunity should the economy recover at a faster rate than currently forecast. Our balance sheet and capital are strong.

In terms of drivers of these results, total lending grew by $826 million. Net Interest Income increased 3% compared to the prior year and increased 4% from the first half.

Given the focus on margin management, NIM increased by 3 basis points in the second half delivering a 2 basis points reduction for the year.

The cost to income ratio improved slightly to 54.1% in the second half, driven by the favourable income result and the benefits from the $30 million productivity savings.

The loan impairment expense was materially up at $175 million as we took an additional provision overlay of $133 million to cover the anticipated lifetime losses on the loan portfolio relating to COVID.

Focusing on our customers in these challenging times - we continue to support them through COVID. Pleasingly, total deferrals have decreased 83% since their peak in April, with $1.3bn remaining on deferral in November. As at 30 November, 3% of the Housing Portfolio and 3% of the SME portfolio remain on deferral. We have now reached out to 9 out of 10 customers on Banking Relief prior to the end of their deferral. More than 85% of customers have confirmed they will recommence loan repayments and 9% requested a deferral extension.

A priority for me over the past 12 months has been the need to fix the Retail Bank – and we have made good progress. The Retail Bank has delivered a 1% increase in net interest income through home loan growth and improved margins, while also increasing customer deposits by $1.2 billion during the year. FY20 is the first time since 2015 that the Retail Bank has delivered net mortgage lending growth, growing at around the market rate. Importantly, it has also delivered a number of improvement initiatives, including product and process simplification, and improvements in the customer experience, reflected in higher NPS scores, going from 5th to 3rd.

In BOQ Business we have delivered good growth in a contracting market, with this outperformance seen across all business lines. Our niche segment focus is working. Net interest income has increased by 3% for the year.

In line with the industry, business lending growth slowed in the second half as we supported our customers through the impacts of COVID on their businesses. BOQ has recently confirmed our participation in Phase 2 of the Federal Government's SME Guarantee Scheme and we are well-positioned to provide additional lending into the market as we enter the economic recovery phase.

In terms of our transformation - we continue to achieve meaningful progress on our strategic roadmap, and while looking after our customers and our people throughout the COVID period, the management team and I have stayed focused on strategy execution and our transformation.

We now have in place a high calibre executive team, comprised of experienced leaders with deep execution capability. Importantly, we are seeing results in a number of key areas. We have simplified our mortgage process and reduced the time to yes from five days to one day.

In February this year, I shared our digital transformation program, which we are delivering against, with six core projects already completed.

The family and friends launch of phase one of our Virgin Money digital bank is on track to complete this week. It will provide a fully digital and mobile banking transaction and savings account capability, as well as an integrated credit cards experience. This is a foundational investment for BOQ and is providing a strategic pathway for the Retail Bank's migration to the digital platform.

The Virgin Digital Bank enables us to build a new digital bank with the benefits of an existing customer base, and the support of the BOQ Group. We have established strong execution capability, partnering with Deloitte Digital and cloud-based technology partners to leverage their global expertise.

The VMA platform is a market leading technology solution providing customers with a personalised digital experience. This project is key to the digital transformation of BOQ and will provide us with the ability to sustainably grow our market share through a highly efficient channel. This will also be an important lever to improving ROE.

Moving forward to FY21, we remain committed to executing against our strategic targets. Critically, we will focus on our people, driving employee engagement through inclusive leadership and an uplift in capability, building on the improvement in engagement in FY20.

We will continue to grow our lending portfolio, returning our branch network to net growth, lifting market share through the broker channel, and growing digital sales. Finally, there will be a strong cost discipline and we expect to deliver a further $30 million in productivity savings.

So in summary - while the broader outlook remains uncertain until we have widely distributed, proven vaccines and treatments, Australia is relatively well placed given the government's management of the health crisis and the substantial economic stimulus.

We have supported our customers, communities and our people while continuing to grow our business and deliver against our strategy. Importantly our lending growth momentum is increasing whilst we are also managing margins.

The increased collective provision sees us well placed to withstand the anticipated lifetime losses arising from COVID. Our capital position is strong and a priority for me. Our organic capital generation will provide us with the ability to continue to invest and grow our business in FY21, while also delivering improved returns for our shareholders. We are executing on our strategy. We are overcoming our legacy structural disadvantages through the use of digital channels, partnering and new technologies.

We have a clear transformation roadmap and are delivering against it. Executing against our strategy remains our key priority. We are reconfirming the FY21 outlook to deliver broadly neutral jaws.

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We understand the importance of dividends for our shareholders. We remain absolutely committed to delivering long term shareholder value through sustainable, profitable growth and attractive returns.

As a bank we have a responsibility to ensure the ongoing resilience of our business. We are a much better bank than we were a year ago and are well positioned to achieve sustainable, profitable growth over the coming years. We are focused on making a difference as we re-imagine banking.
I would like to thank Patrick and the Board for their counsel and support throughout the year. I would like to thank my executive team and all our bankers. I will now pass back to Patrick for the formal business of today's meeting.

ENDS

Authorised for release by: Fiona Daly, Company Secretary

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