

Bank of Queensland 2023 AGM report

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| ASX code | BOQ |
| Meeting date | Tuesday, 6 December 2023 |
| Type of meeting | Hybrid |
| Monitor | Paul Donohue & Noel Ambler |
| Pre AGM-meeting | Yes, with Warwick Negus (Chairman), Patrick Allaway (Managing Director & CEO) and Jessica Smith (GM Investor Relations). |

Meeting Statistics

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| Number of holdings represented by ASA | 145 |
| Number of shares represented by ASA | 948,759 |
| Value of shares represented by ASA | \$5.31 m |
| Total number attending meeting | 150 in person and 2 online |
| Market capitalisation | \$6.21 b |
| ASA open proxies voted | ASA voted in favour of all resolutions except for Bruce Carter's re-election. |

The BOQ Chair, Warwick Negus, started his address with "2023 was a challenging year for the banking industry, and specifically for BOQ". The MD & CEO, Patrick Allaway, was also contrite. He kicked off with "We recognise this has been a difficult year, with our leadership changes, enforceable undertakings, decline in statutory earnings and poor share price performance."

Questions came primarily from two groups, ASA and Bank Warriors. The latter asked about historical instances of perceived misconduct by BOQ, some dating back more than 15 years. Anyone who has attended BOQ AGMs before will be familiar with these questions and the Chair / MD&CEO handled them sympathetically but firmly.

ASA's questions covered cost to income ratio, goodwill, issues with the regulators, technology and Bruce Carter's re-election.

Noel Ambler asked if we should be concerned that cost to income, a simple measure of a bank's efficiency, had risen from 44% in 2014 to 58% in the latest results. Warwick Negus explained the figure of 44% reflected a period of significant underinvestment and the current technology transformation is the main reason for the ratio becoming less attractive. Other contributing factors were inflation and regulatory constraints.

Paul Donohue asked about the \$200m goodwill impairment, pointing out that it was an enormous destruction of shareholder value and enquiring if more skeletons were lurking in the \$576m goodwill balance. The Chair said he can't rule out future impairments so we will have to keep a close eye on this in future. We chatted to the Auditors after the AGM seeking a definitive answer about how BOQ's goodwill is managed. They confirmed it is effectively a big bucket and the lineage back to the original acquisitions is long gone.

The key theme ASA wanted to explore was shortcomings in the risk framework that led to the court enforceable undertakings with APRA and AUSTRAC. These issues were known to BOQ from at least 2016 to 2023 so why were they not addressed earlier and why did the board not have full visibility?

Warwick said BOQ did address some issues but not to the board's satisfaction. And, as it turns out, not to the regulator's satisfaction. BOQ now has a clear timeline for remediation and are confident of resolving all shortcomings. Patrick added that years of under investment were the root cause and they had lots of manual processes.

On the second question, there were major problems in the information flow to the board. The board papers were too long with the important points buried in the detail. They passed through too many hands which introduced delay. The board did not have enough time to properly analyse the information. Steps have been taken to improve the information flow.

While we appreciate the candour on this topic, the responses don't pass the "pub test". If a board isn't getting the information they need, they should demand improvements. If investments are insufficient, they should allocate capital appropriately. What makes this situation even more unacceptable is that BOQ had three Chief Risk Officers in this period and surely each change in CRO was an opportunity to get on top of things.

We questioned Bruce Carter's workload and asked about his positive role in the regulatory issues. His answers were satisfactory, but we still voted against his re-election because, as Chair of the Risk Committee, we feel he should take some accountability.

After the AGM we chatted at length with NED Mikkie Rosen and found her to be fully across BOQ's technology issues and the transformation program of work. We expressed our concern that the board must ensure they received frank and fearless advice on this topic to prevent a re-run of the regulatory debacle.

With the exception of Bruce Carter's re-election, we voted for all resolutions. There were significant no votes on all items, but not enough to defeat them. The remuneration report received a 40% protest meaning a first strike for the BOQ board.

Finally, Patrick gave a sombre outlook for the future. Business conditions will be challenging for some time, the simplification and transformation initiatives will eventually bring down costs and he anticipates returning to profitability growth in FY25 or FY26. Until then, dividends will be at the lower end of BOQ's payout ratio.

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