AUSTRALIAN SHAREHOLDERS' ASSOCIATION

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Is BOQ's multi year renovation finally bearing fruit?

Company/ASX Code	**Bank of Queensland / BOQ**
AGM time and date	**10am (AEST) on Tuesday, 2 December 2025**
Location	Brisbane Convention & Exhibition Centre, Merivale Street, South Brisbane, Queensland, 4101
Registry	MUFG
Type of meeting	Physical with webcast (no online voting)
Monitor	Paul Donohue, Noel Ambler & Alison Prentice
Pre-AGM Meeting	Andrew Fraser, Chair, Patrick Allaway, Managing Director & Chief Executive Officer, Jessica Smith, General Manager, Investor Relations & Kristy Rowe, Senior Manager, Investor Relations.

Monitor Shareholding: One of the individuals involved in the preparation of this voting intention has a shareholding in this company.

1. How we intend to vote

No.	Resolution description	Vote
2	**Remuneration Report**	For
3	**Re-election of Director (Karen Penrose)**	For
4	**Election of Director (Paul Riordan)**	For
5	**Election of non-Board endorsed external nominee as a Director (Stephen Mayne)**	Against
6	**Grant of Securities to the Managing Director & Chief Executive Officer**	For

2. Summary of Issues and Voting Intentions for AGM/EGM

- Sharp drop in statutory NPAT due to abnormal items.
- Positive progress on several strategic initiatives.
- But is the culture really improving?

See ASA Voting guidelines and Investment Glossary for definitions.

3. Matters Considered

Accounts and reports

Bank of Queensland Limited (BOQ) reported a mixed financial result for the year ended 31 August 2025 (FY25). While cash earnings after tax increased 12% to $383 million, the statutory net profit after tax (NPAT) fell sharply by 53% to $133 million.

The significant reduction in statutory NPAT was due to some material, one-off adjustments including a $170 million goodwill impairment allocated to the Retail Bank, $43 million for the branch ownership conversion, $25 million in restructuring costs, and an additional $14 million increase to the provision for Remedial Action Plans.

Financial performance

(As at FYE)	**2025**	**2024**	**2023**	**2022**	**2021**
NPAT ($m)	$133	$285	$124	$409	$412
UPAT ($m)	$383	$343	$450	$491	$532
Share price ($)	$7.27	$6.32	$5.76	$7.03	$9.46
Dividend (cents)	$0.38	$0.34	$0.41	$0.46	$0.39
Simple TSR (%)	21.0%	15.6%	-12.2%	-20.8%	60.7%
EPS (cents)	$0.58	$0.52	$0.68	$0.76	$0.75
CEO total remuneration, actual ($m)	$2.13	$2.05	$1.25 NOTE1	$1.86	$1.41

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

NOTE 1. Patrick Allaway took over as CEO from George Frazis. This number relates to Mr Allaway's remuneration.

Transformation

BOQ's ambitious transformation continues.

During the year, all 114 franchised Owner Managed Branches (OMBs) were converted to corporate ownership. This allowed BOQ to rationalise the branch network by focussing on growth areas and closing some overlapping sites. The total number of branches was reduced by roughly 20%. More than 600 new employees were taken on, many of whom previously worked in the OMBs.

Not all former owner managers are happy with the outcome, and more than half have grouped together to challenge the valuations for the businesses they had to relinquish. No legal action has begun, but the threat still looms over BOQ.

The long running technology transformation continues. The new “Digital Bank” platform is in place but does not yet cater for all products. New customers across all the brands are using the new platform and existing customers can “self migrate” if they chose, but large data migrations of existing customers has been limited to ME Bank customers with deposit products. Having said that, these migrations are complex and BOQ should be commended for successfully moving part of their customer base.

Building new technology platforms is only part of the solution. Until the original, legacy systems are decommissioned operating expenses remain high because of the duplicated cost of running both the old and new platforms. BOQ decommissioned 41 systems during the year, but these do not appear to include the core legacy systems that the Digital Bank platform was meant to replace.

The CIO is certainly incentivised to turn off the legacy platform after being awarded $1.5m worth of Deferred Award Rights if his team successfully switches off the lights.

Another transformational development is BOQ’s decision to move away from their long-term technology partner, DXC. The new partner, Capgemini, is a global technology company who will help accelerate the technology transformation and implement new solutions using Artificial Intelligence (AI). The new contract promises a 30% saving compared to DXC.

The last strategic change worth mentioning is the deliberate refocusing away from home lending to commercial lending. For the larger banks, home loans are a cash cow but the returns they generate for BOQ barely covers the cost of capital. Commercial loans have better margins, especially when targeting areas where BOQ has strong specialist skills. To speed up this switch, broker originated home loans under the BOQ brand have been paused.

Governance and culture

BOQ is making good progress on the Remedial Action Plans (RAPs), which address the Court Enforceable Undertakings (EUs) mandated by APRA and AUSTRAC. At our pre-AGM, Patrick Allaway (MD & CEO) told us they were about halfway through the process which was the anticipated pace. The RAP relating to AUSTRAC’s EU required some rework which cost an additional $14m, bringing the total provision for these remediation programs to $94m.

But is the culture changing? The group scorecard which is used to determine executive remuneration has a metric related to cultural transformation. This scored only 65% which was well below the lower limit.

Key board or senior management changes

There has been significant change in both the board and executive.

Four directors left the board (Fagg, Carter, Kiers & Negus) and two have joined (Waldron & Riordan). We were assured this was all planned and the reduced size of the board will only be temporary. They aren’t rushing into finding new directors and are confident they can cover all the bases with the current directors.

The big change on the executive team was the sudden departure of Julian Russell from the role of Group Executive Business Banking. The Sydney Morning Herald described him as a “potential successor to the CEO” however he resigned only two months after joining BOQ. In the last decade, eight people have lead Business Banking. Rose, White, Snell, Sarantzouklis, Morton, Screen, Russell & Strachan.

We raised this with Patrick Allaway at our pre-AGM. He stressed that only a few of those exits were on his watch and that Russell was an excellent candidate. Julian is now CEO of Platinum Asset Management, so perhaps a CEO role was more enticing than a Divisional Head?

The Business Banking role is currently held by Keith Strachan. He has held senior roles at BOQ since 2021 in both Business Banking and Specialist Banking.

Sustainability / ESG

BOQ enhanced its environmental commitments by becoming a signatory to the UN Principles for Responsible Banking, preparing for Australia’s mandatory climate-related financial disclosures, and sourcing the equivalent of 100% of its electricity demands from renewables.

They launched a new volunteering program, in which employees help the Orange Sky charity provide warm showers and clean laundry to vulnerable Australians across Brisbane, Sydney and Melbourne.

4. Rationale for Voting Intentions

Resolution 1: Remuneration Report (For)

The remuneration report is an improvement on last year. The metrics in the group scorecard which determine the Short-Term Variable Reward (STVR) are more focussed and easier to measure. There are now hurdles relating to the digital bank migration, Remedial Action Plans, decommissioning and product simplification. There are also clear financial metrics related to expenses, profit and return on equity.

The Long-Term Variable Reward (LTVR) performance hurdles have shifted significantly to favour financial outcomes. Last year financial outcomes were 50% of the assessment but now they are 70%. The remaining 30% is based on the strategic milestones of customer migration to digital bank and decommissioning the legacy platform.

There was an increase in the CEO's fixed remuneration, but it is not excessive.

Resolution 2: Re-election of Director - Karen Penrose (For)

Karen Penrose brings valuable industry experience to the board with more than 20 years in banking and 10 years in accounting and finance.

She has been on the BOQ board for more than ten years so this will probably be her last term as an independent director.

Her workload is manageable with director roles at Cochlear, Ramsay Health, Charter Hall and Ramsay’s European operations (Ramsay Générale de Santé).

Karen holds 33,912 BOQ shares which, at the time of writing, was worth $235K.

Resolution 3: Election of Director - Paul Riordan (For)

As the newest member of the board, Paul Riordan brings a fresh perspective that is informed by his experience.

His 40-year track record in banking, corporate governance, risk management, financial markets, treasury, and payments infrastructure is impressive having previously held senior executive risk roles at major banking institutions such as NAB, Comm Bank, Bank of America and UBS.

Paul is currently an Independent Non-Executive Director of the Financial Services Institute of Australasia (FINSIA).

He does not appear to have any BOQ shares but is expected to establish a holding over his first five years on the board.

Resolution 4: Election of non-Board endorsed external nominee as a Director (Stephen Mayne) (Against)

Stephen Mayne is a well-known shareholder activist and financial commentator. Each year he attends many AGMs around the country asking probing questions and sometimes running for a board seat. His goal is to raise awareness of corporate governance and to champion shareholder rights.

The notice of meeting outlines the issues Mr Mayne is concerned about. Firstly, BOQ does not allow online voting at its AGM, secondly poor treatment of retail shareholders in capital raisings and lastly, a concern about the timing of the results being released after nominations for shareholders had closed.

His views on these issues are closely aligned with ASA's voting guidelines. We prefer a hybrid AGM that allows shareholders to participate fully in the AGM without having to attend in person. That means hearing and watching the proceedings in real time, asking questions and voting.

One of ASA's focus areas for 2025 states "retail shareholders must be given fair and equitable treatment in capital raisings" so we are also aligned on the second point.

The third point about the premature AGM is technically correct but perhaps not terribly important for many shareholders.

However, we cannot in good faith vote for Mr Mayne to join the BOQ board because his skills and experiences do not seem to be a good fit and his presence on the board may be counterproductive.

Resolution 5: Grant of Securities to the MD & CEO (For)

This item relates to share-based incentives awarded to the CEO, Patrick Allaway. Because he is also a director, shareholder approval is required for the grant of securities.

Given that we support the remuneration report, we also support this resolution.

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