

▶ Bank of Queensland

Acquisition of Virgin Money Australia

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Transaction details

- ▶ BOQ acquiring Virgin Money Australia (VMA) from the Virgin Group
- ▶ Total purchase price of \$40m, including ~\$30m in BOQ shares⁽¹⁾ (subject to a 12 month lock-up)
- ▶ Agreement with the Virgin Group for the exclusive use of the Virgin Money brand in Australia for up to 40 years in return for an ongoing royalty
- ▶ Virgin Group nominee to take up BOQ Board position and joint Advisory Committee established to oversee the business
- ▶ To operate as a standalone business within the BOQ Group, with highly experienced financial services executive Brian Bissaker appointed as CEO VMA
- ▶ Acquired business expected to become EPS accretive during the second full year of ownership
- ▶ Expected completion date 30 April 2013

(1) After the payout of VMA obligations, ~\$30m in shares will be issued to a subsidiary of the Virgin Group soon after completion as part of the acquisition consideration. The final amount is subject to post-completion adjustments. The number of shares issued will be based upon the volume weighted average price of BOQ in the 30 trading days prior to the date of the agreement.



A compelling transaction for BOQ shareholders

1

- ▶ Established challenger brand opportunity in a market which lacks exciting alternatives
 - Combining traditional banking management strength with a new world customer and distribution business

2

- ▶ VMA's proven online expertise removes execution risk of building capability
 - Consumer preferences shifting towards technology
 - Accelerates BOQ's ability to acquire customers through alternative channels, including online

3

- ▶ Extends BOQ's reach into currently untapped, complementary market segments
 - Two-thirds of customer base is young affluent professionals/young growing families
 - Increased geographic diversification

4

- ▶ Gives BOQ the opportunity to manufacture banking products to be marketed under the VMA brand
 - Opportunity to deliver savings products, mortgages, SME lending, etc
 - Opportunity to significantly uplift VMA customer cross sell

5

- ▶ Provides a low risk, high potential growth avenue into the wealth space



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Transaction consistent with BOQ's Strategy

BOQ's strategic focus

How does VMA deliver against strategy?

1. Multi-channel optimisation

- ✓
 - ▶ VMA brings core competency in online customer acquisition
 - ▶ BOQ brand predominantly branch based

2. Risk/Return balance

- ✓
 - ▶ Broadens BOQ's exposure to different customers and segments
 - ▶ Opportunity to further enhance geographic diversification
 - ▶ Direct wealth offering

3. Operational excellence

- ✓
 - ▶ Respective core competencies to be utilised
 - ▶ Opportunity to leverage technology investments across brands

4. Talent, capability & culture

- ✓
 - ▶ Both BOQ and VMA cultures centred around outstanding customer service
 - ▶ Access to the capability and expertise of the Virgin Group



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Financial impact

- ▶ Total purchase price of \$40m, including ~\$30m in BOQ shares⁽¹⁾
- ▶ Ongoing royalty for use of Virgin Money brand
- ▶ VMA currently loss-making given still in start-up phase:
 - Continuing existing customer acquisition and growth profile would deliver a positive and fast growing earnings profile during the second full year of ownership
 - No material impact to BOQ's FY13 Cash NPAT
- ▶ Existing business profile and share issue will result in EPS dilution of 1-2% in the next financial year – becomes EPS accretive during the second full year of ownership
- ▶ Growth plans in BOQ manufactured banking product distribution offer potentially material upside
- ▶ Common equity tier 1 ratio to be maintained at sector leading levels, with minimal reduction of ~12bps⁽²⁾ at completion

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(2) The present value of the minimum on-going royalty is incorporated in upfront capital impact.



Summary

- ▶ BOQ has worked hard to successfully re-establish business fundamentals over last 18 months and is now acquiring a unique opportunity for future growth; creating a combination that is stronger than the sum of the parts:

Customers

- ▶ VMA customers represent the strong new world distribution footprint that is fast growing
- ▶ Provides opportunity to acquire banking customers in profitable segments online through VMA

Products

- ▶ BOQ will add banking product manufacturing depth
- ▶ VMA brings existing capability where BOQ doesn't manufacture (eg. Wealth)
- ▶ Cross sell opportunities

Financials

- ▶ Significant upside for growth that would be more difficult to achieve organically
- ▶ The result will be an improvement in BOQ's long term EPS profile
- ▶ Rapid customer acquisition coupled with a focus on cross sell enhances return profiles



▶ Appendices

Additional Information



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About Virgin Money Australia

- ▶ Virgin brand universally recognised as a challenger in the global and Australian market, with growing awareness and consideration in financial services
- ▶ VMA established in Australia in 2003. Relunched with new strategic partnerships and a new range of banking and insurance products commencing 2009
- ▶ Partnership distribution model (ie. no product manufacturing) – working with leading financial services product manufacturing partners to bring simple products to market, leveraging brand and marketing, direct channel management and customer experience
- ▶ Currently servicing over 150,000 financial services customers, growing strongly at ~30% pa in the past 12 months with high customer satisfaction

Product	Alliance Partner/s	Start Year
Credit Cards	Citigroup	July 2010
Super	The Trust Company (Trustee), Pillar Administration (Administrator), BNP Paribas (Custodian)	June 2005
Life Insurance	TAL (formerly TOWER)	Feb 2011
General Insurance	Auto & General Insurance (part of the Budget Group), Allianz Global Assistance	May 2009 October 2012



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