

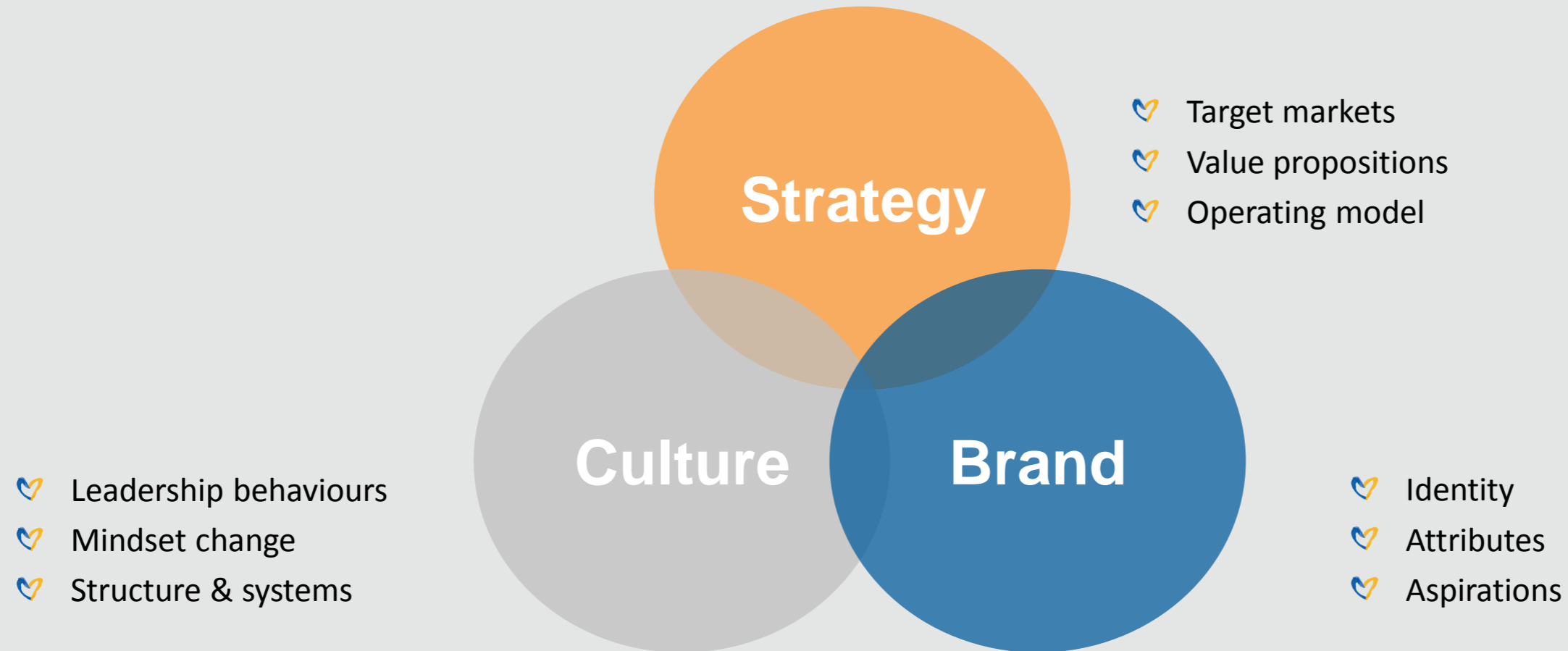
# Bank of Queensland

**Anthony Rose**

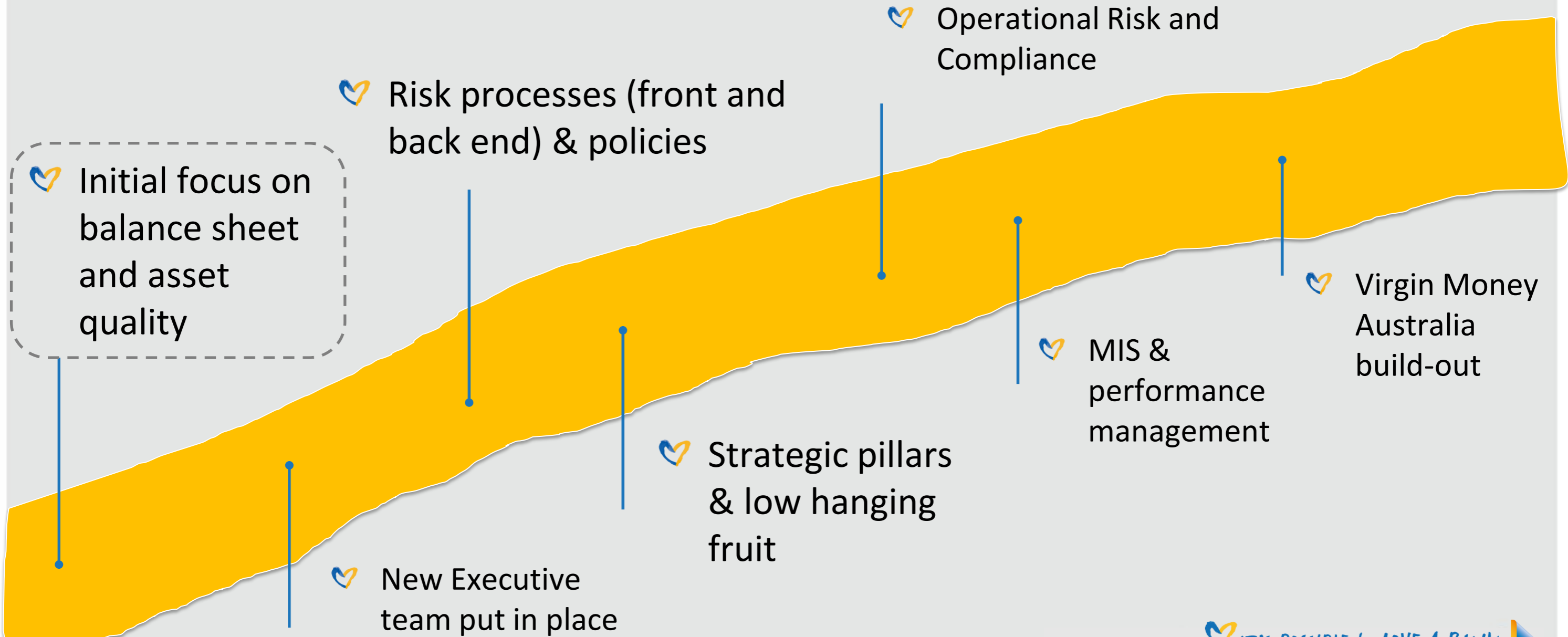
Chief Financial Officer

UBS 12th Annual Australian Financial Services Conference  
19 June 2013

# Refocus of the organisation

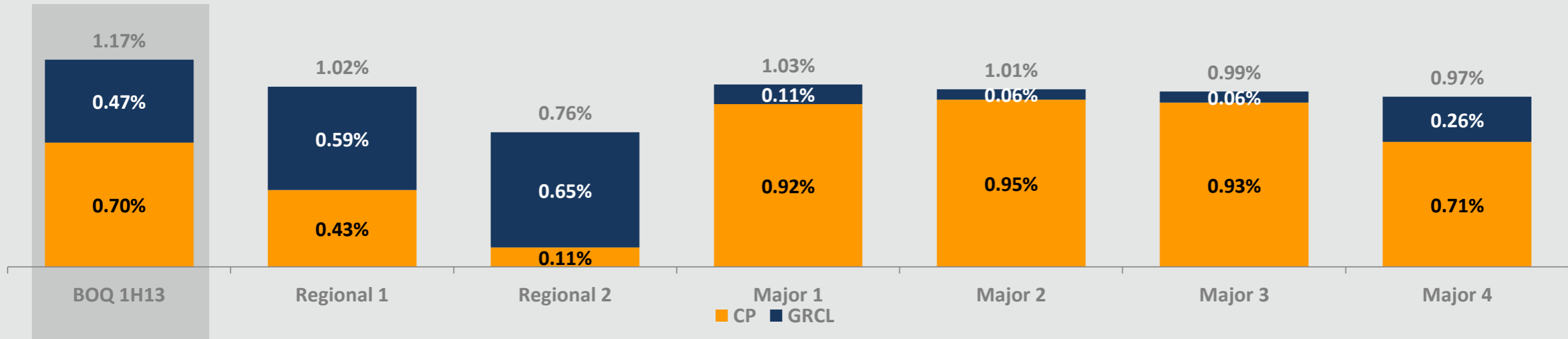


# Path to rebuild

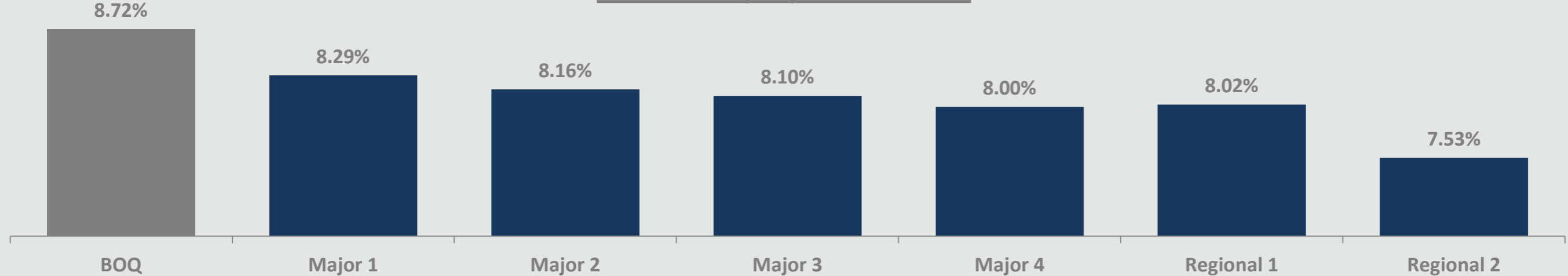


# Increased provision coverage and capital

Collective Provision & General Reserve for Credit Losses<sup>(1)</sup> / RWA v Peers



Common Equity Tier 1 Ratio<sup>(2)</sup>



(1) Grossed up for tax effect. Note: Major banks are accredited to run advanced risk weighting models. Comparison between the major and the standardised regional banks is not like for like.

(2) Where Basel III common equity Tier 1 capital ratio was not available, the Core Tier 1 ratio was used.

# Path to rebuild

Initial focus on balance sheet and asset quality

Risk processes (front and back end) & policies

Operational Risk and Compliance

Strategic pillars & low hanging fruit

MIS & performance management

Virgin Money Australia build-out

New Executive team put in place

# Talent, capability & culture



♥ New Executive team on-boarded between March and December 2012 – extensive experience

♥ Existing talent at next levels complemented by selected new hires

♥ Diversity and staff engagement a focus at all levels

♥ New culture of collaboration, accountability, trust and openness

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Operational Risk and Compliance

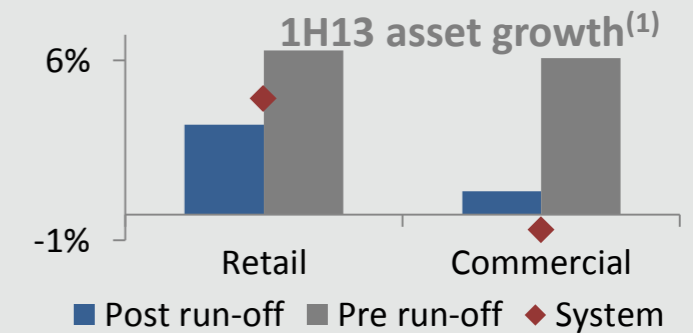
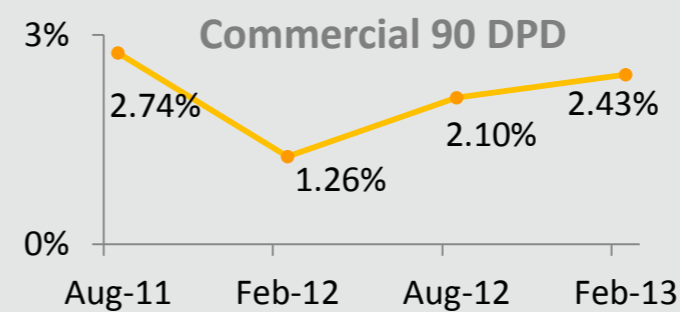
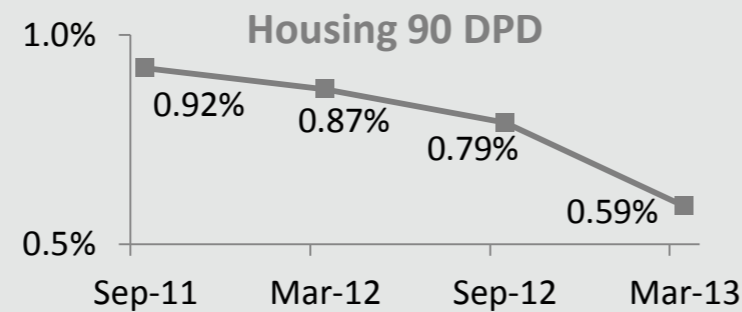
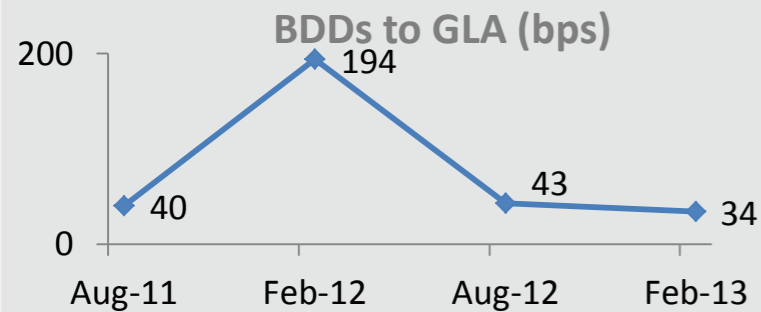
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# Risk processes and policies



- Overall impaired trending down
- Retail and Leasing improvements evident
- Commercial book known and provided for, but arrears still high
- Run-off of Retail LOCs and non-performing Commercial is impacting growth

(1) 6-month annualised growth



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# 4 strategic pillars

## 1. Multi-channel optimisation

- ✔ Broker channel rollout, digital-social refresh and replacement in development, optimal retail footprint build, branch capability upgrade
- ✔ Continued investment in Business Banking capability by geography and industry
- ✔ Virgin Money Australia acquisition provides online customer acquisition capability

## 2. Risk/Return balance

- ✔ Business Banking – increased focus on profitable growth through targeted client acquisition with improved cross sell focus into financial markets, leasing and transaction banking
- ✔ Balanced Scorecard for Owner Managers
- ✔ BOQ Finance and St Andrew's – integration and channel (proprietary and 3rd party) focus
- ✔ Wealth strategy being implemented leveraging growth in the SMSF market

## 3. Operational excellence

- ✔ IT operating model being refined
- ✔ Further savings in operations through centralised procurement
- ✔ Salesforce CRM system pilot – leveraging the platform for operational effectiveness
- ✔ Continued review of the Commercial and Retail end to end lending processes

## 4. Talent, capability & culture

- ✔ New brand positioning launched end of May 2013
- ✔ Substantial focus across divisions on embedding a collaborative and accountable culture along with improved engagement and diversity

# Path to rebuild – work in progress

Initial focus on balance sheet and asset quality

Risk processes (front and back end) & policies

Operational Risk and Compliance

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# Key Management Targets

Metrics <sup>(1)</sup>		1H13 Actual	FY13 Target	FY15+ Target <sup>(5)</sup>
<b>BOQ asset growth<sup>(2)</sup></b>				
- Retail	✘	0.8x system	1.0x system	1.2x system
- Business <sup>(3)</sup>	✔	BOQ +6.1% System -0.6%	1.0x system	1.5x system
<b>Net Interest Margin</b>	✔	166bps	Low-Mid 160s	Low-Mid 160s
<b>Expense growth</b>	✔	-3% YTD	< Inflation	< Inflation
<b>Cost to Income</b>	✔	44.7%	45%	Low 40s
<b>Bad &amp; Doubtful Debts to GLA<sup>(2)</sup></b>	✔	34bps	28-34bps	~20bps
<b>Return on Tangible Equity<sup>(4)</sup></b>	✔	11.6%	~10%	13%+

**These are internal management targets and are not forecasts or projections**

(1) Cash earnings basis

(2) 6-month annualised growth rates

(3) Excluding the impact of impaired asset run-off; includes Commercial and BOQ Finance

(4) Excluding goodwill and other intangibles

(5) Excludes Virgin Money Australia

# Outlook

- ✔ Economic and business conditions mixed although signs of residential property market improvement in SE Queensland
- ✔ Limited exposure to mining through Finance and Commercial books
- ✔ Asset quality continues to improve with impaired assets trending downwards, a result of the Bank's new loan origination strategies and risk appetite framework
- ✔ On track to meet key management targets for FY13

# Important notices

## Financial amounts

All dollar values are in Australian dollars (A\$) and financial data is presented as at the date stated. Pro-forma financial information and past information provided in this Presentation is for illustrative purposes only and is not represented as being indicative of BOQ's views on its future financial condition and/or performance. Past performance, including past trading or share price performance, of BOQ cannot be relied upon as an indicator of (and provides no guidance as to) future BOQ performance including future trading or share price performance.

## Future performance

This Presentation contains certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "will", "could", "may", "target", "plan" and other similar expressions within the meaning of securities laws of applicable jurisdictions. The forward looking statements contained in this Presentation involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of BOQ, and may involve significant elements of subjective judgement as to future events which may or may not be correct.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.

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