

Bank of Queensland

RBS Morgans

Annual Queensland Conference

14 September 2011



Your own personal bank

Background on BOQ

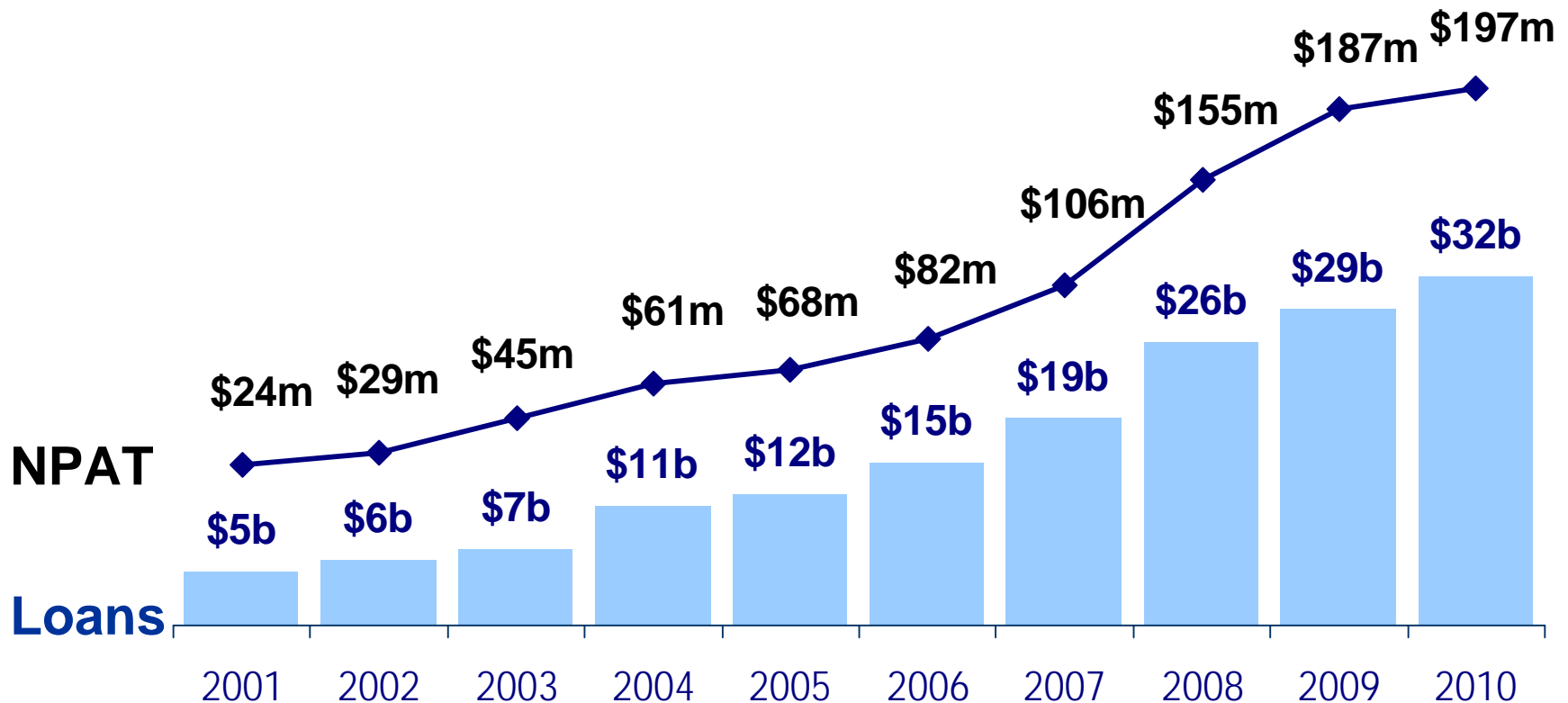
- ▶ BOQ is a regional retail bank headquartered in Queensland and listed on the Australian Securities Exchange
- ▶ BOQ is one of Australia's top 100 ASX listed companies with current market capitalisation of approximately \$1.6b
- ▶ Assets under management of \$39b as at 28 February 2011
- ▶ The Bank operates a widespread network of 269 branches, with 105 branches located outside of Queensland
- ▶ BOQ's current strategy is to focus on distribution and differentiate through excellent customer service
- ▶ We are growing our finance division – BOQNF, and recently bought a consumer credit insurance company
- ▶ We're delivering strong organic growth through the unique Owner-Managed Branch distribution model



Our goal:

To be the
real alternative
in financial services

10 years of continuous growth in assets and net profit



BOQ operating model

- ▶ St Andrew's and CIT were acquired in 2010 as part of our ongoing strategy to expand in high margin and low capital intensity areas
- ▶ Post acquisitions, BOQ is running three key business lines:



Banking



BOQ
Finance



Insurance

- ▶ FY11 focus is on growth, transitioning and integrating these business lines, and looking to further expand BOQNF and St Andrew's

BOQF update

- ▶ Successfully integrated with Equipment Finance and Debtor Finance to form BOQ Finance
 - ▶ Rebuild of IT environment completed on target and on budget
 - ▶ Including compliance requirements under National Consumer Credit Protection regulations
- ▶ Management team intact and employee turnover reduced
- ▶ Experienced management team hired for motor vehicle initiative
 - ▶ Systems investment completed, launched to market in June 2011
- ▶ Retail new business on 3 key vendors up 27% year-on-year
- ▶ New vendor finance agreements signed in Print, Office Products and Access equipment segments with strong pipeline



BOQ Finance

Bank

- Financial Strength
- Personal Service
- Integrity
- Local

Finance
Company

- Specialist Asset Knowledge
- Out of the square mentality
- Relationship Approach

BOQ 
Finance
Smart finance, your way

Combining best of both worlds to create
a specialist Asset Finance company

Finance company risk

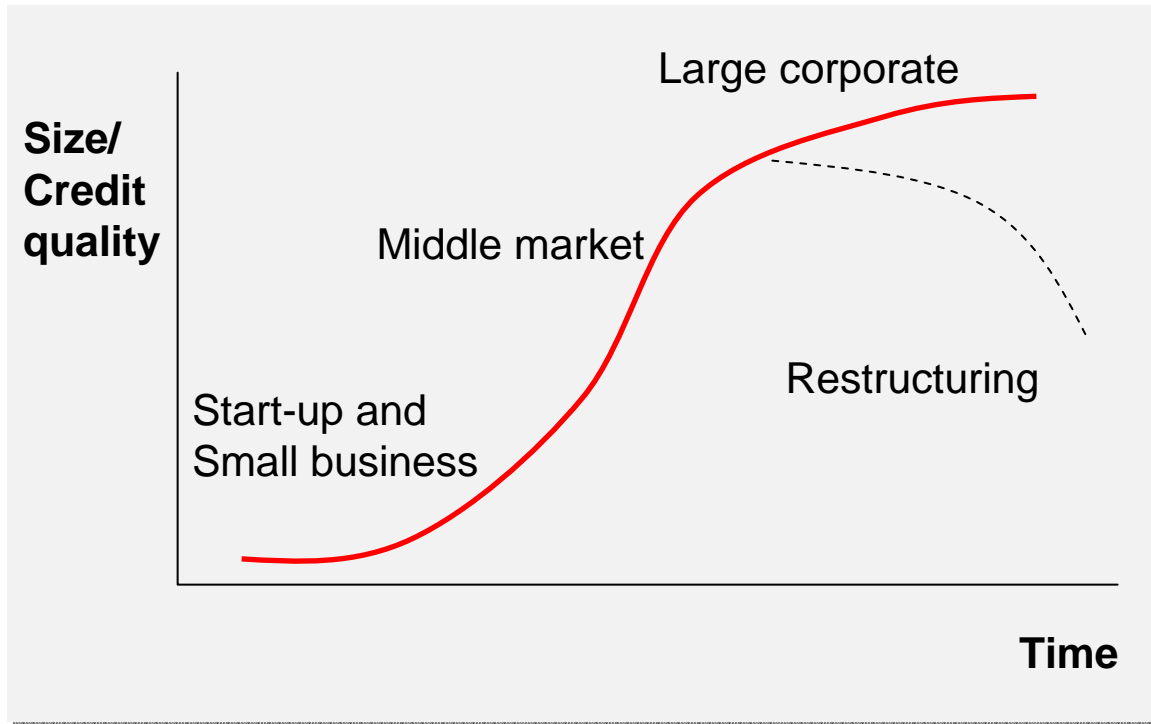
Similar concept for finance companies

- ▶ We take a disciplined approach to risk management
- ▶ We price risks accordingly...higher margins rewards for higher losses
- ▶ We monitor performance against risk assumptions & adjust as required
- ▶ We have the operational capability to mitigate risks and minimize loss

The real issue is volatility

Commercial strategy matches customer needs

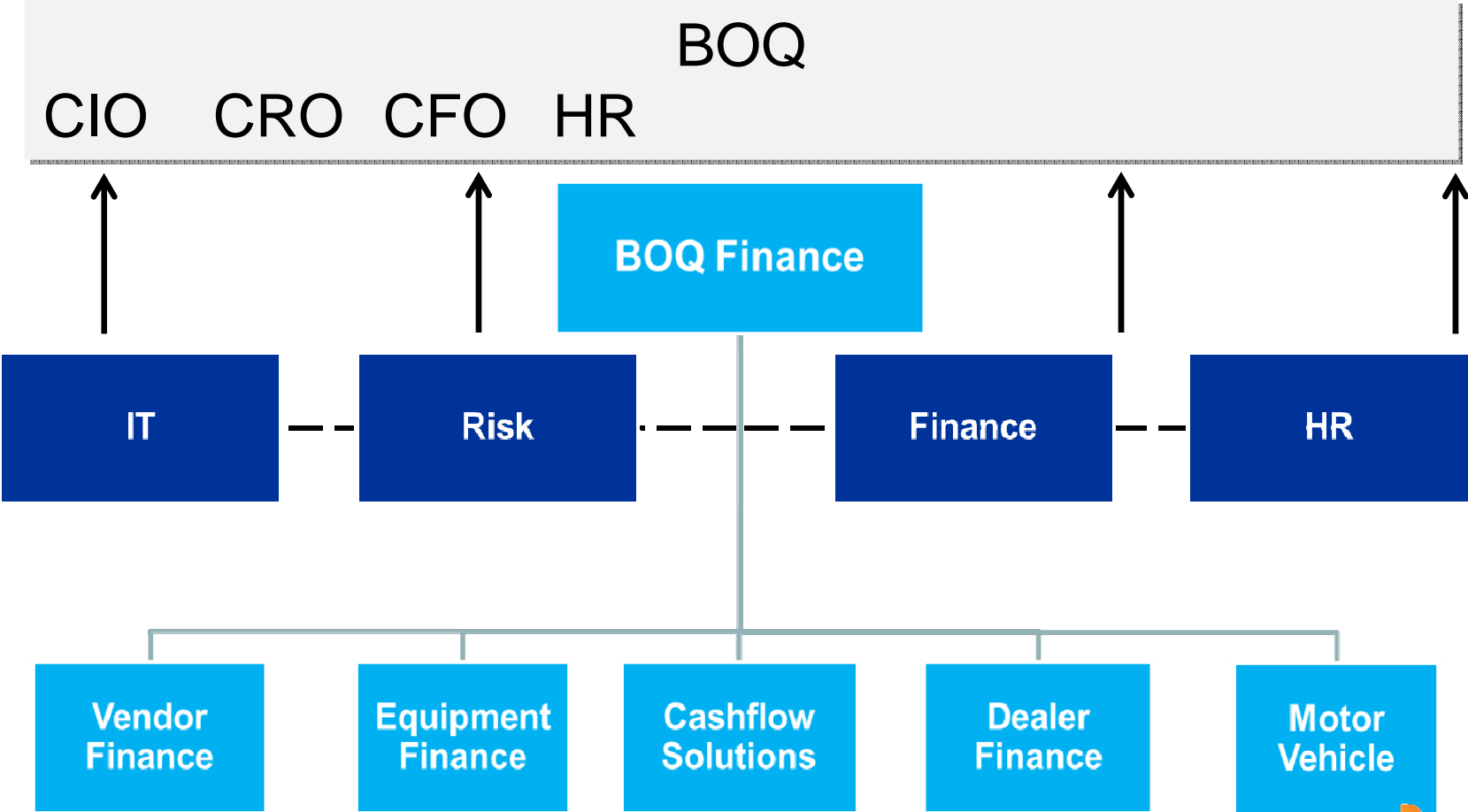
Company life cycle



Customer characteristics change through the life cycle

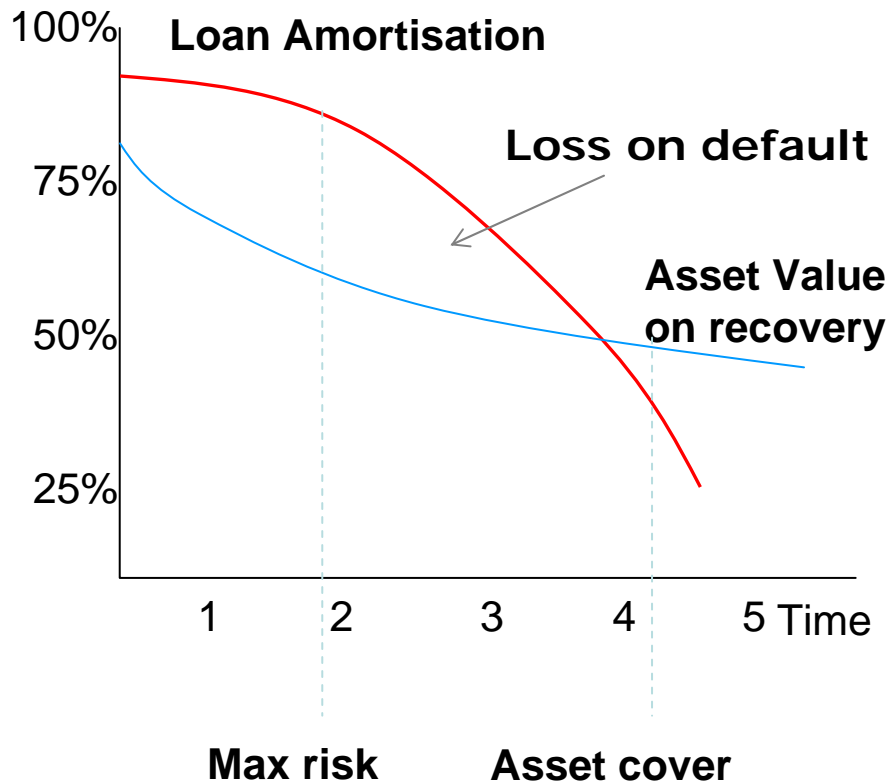
- ▶ Growth capital
- ▶ Balance sheet management
- ▶ Financial management
- ▶ Credit risk
- ▶ Deal size

BOQ Finance organisation



Equipment Finance

% to Orig
Asset Value



Customer benefits

- ▶ Leverage non-property assets
- ▶ 3rd party distribution model
 - ▶ Brokers & BOQ OMB's
- ▶ Loan amort matched to equipment life
- ▶ Fixed rate facilities
- ▶ Pricing for risk – credit & asset

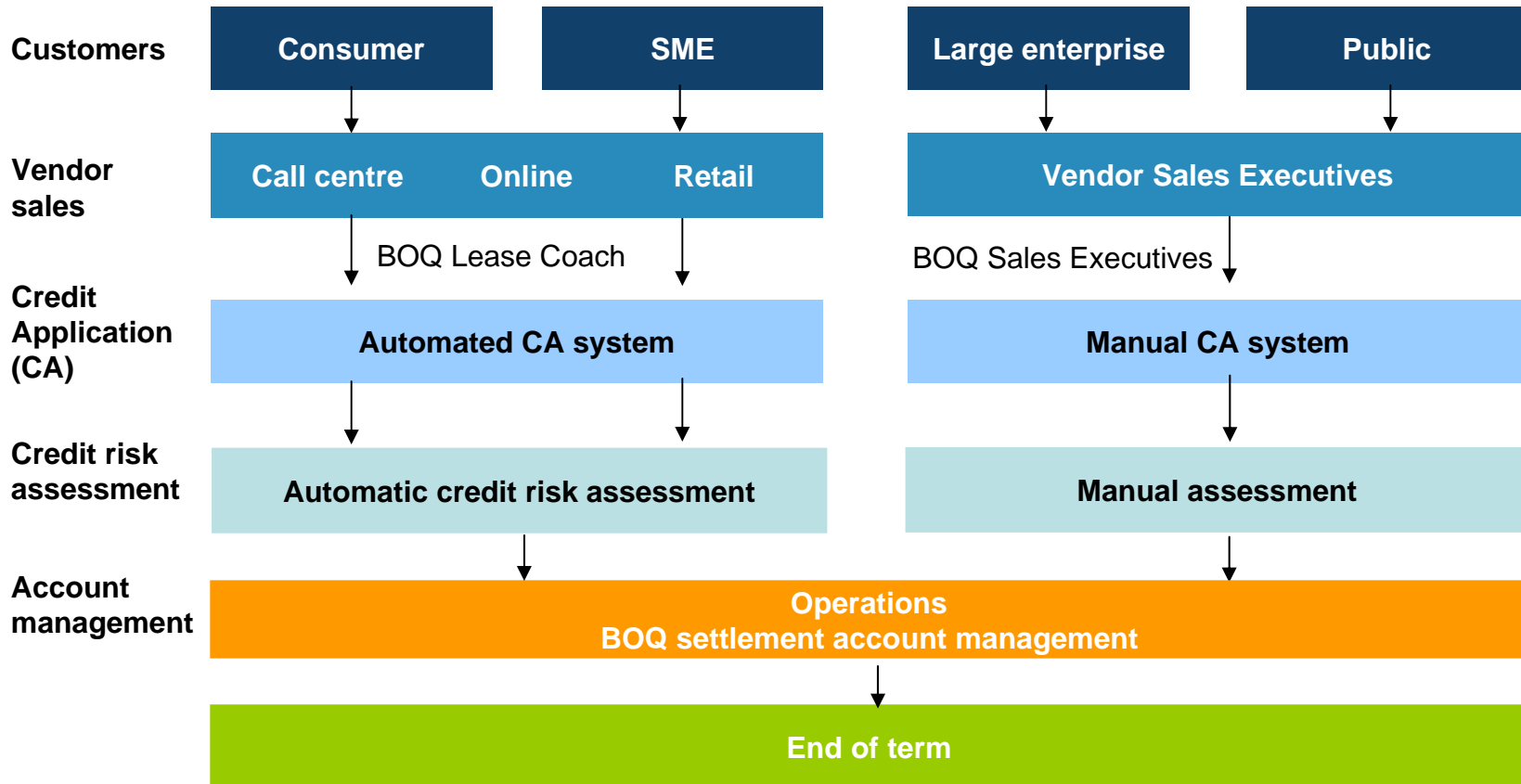
Risk Management

- ▶ Channel underwriting
 - ▶ Broker accreditation
 - ▶ Monitoring variation in metrics
- ▶ Traditional credit risk assessment
 - ▶ Focus on early term risks
- ▶ Equipment security assessment
- ▶ Perfection of security
- ▶ Good delinquency management
- ▶ Efficiency of asset realisation

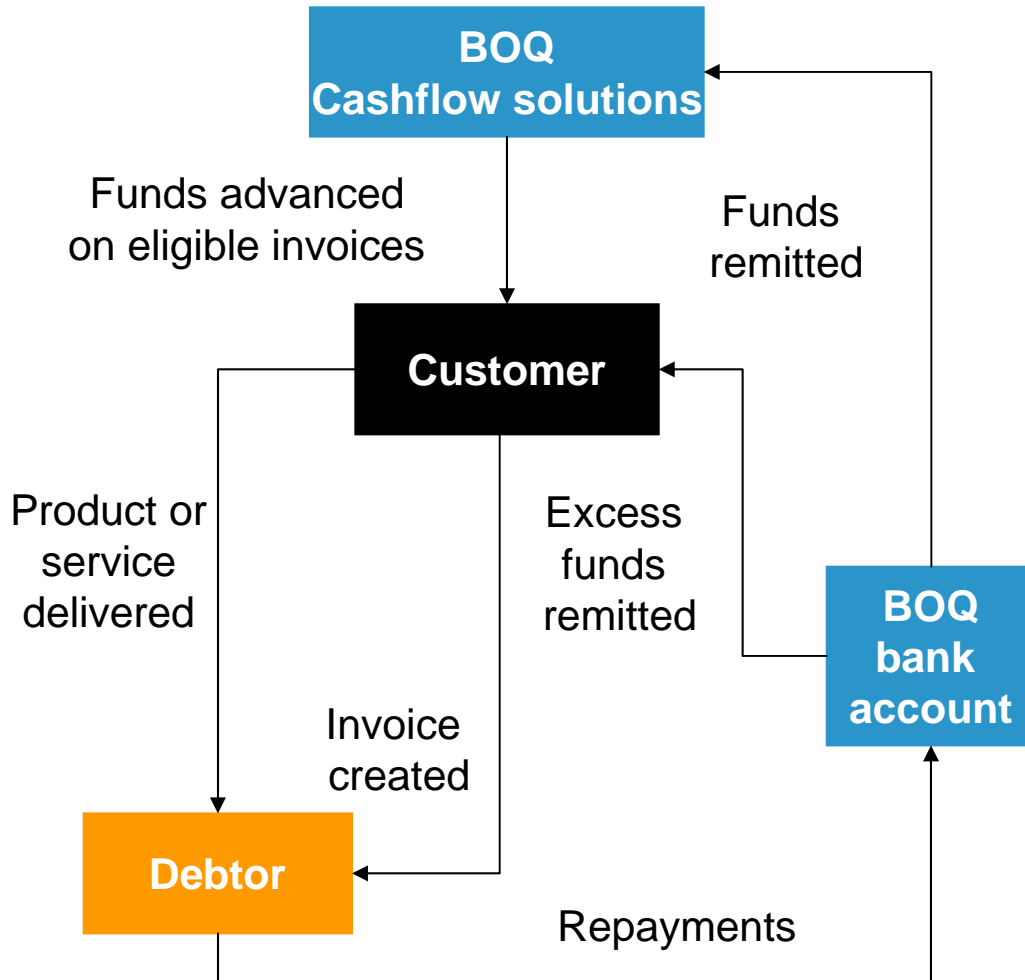
Vendor Finance

Transactional approach

Relationship approach



Cashflow solutions



Customer benefits

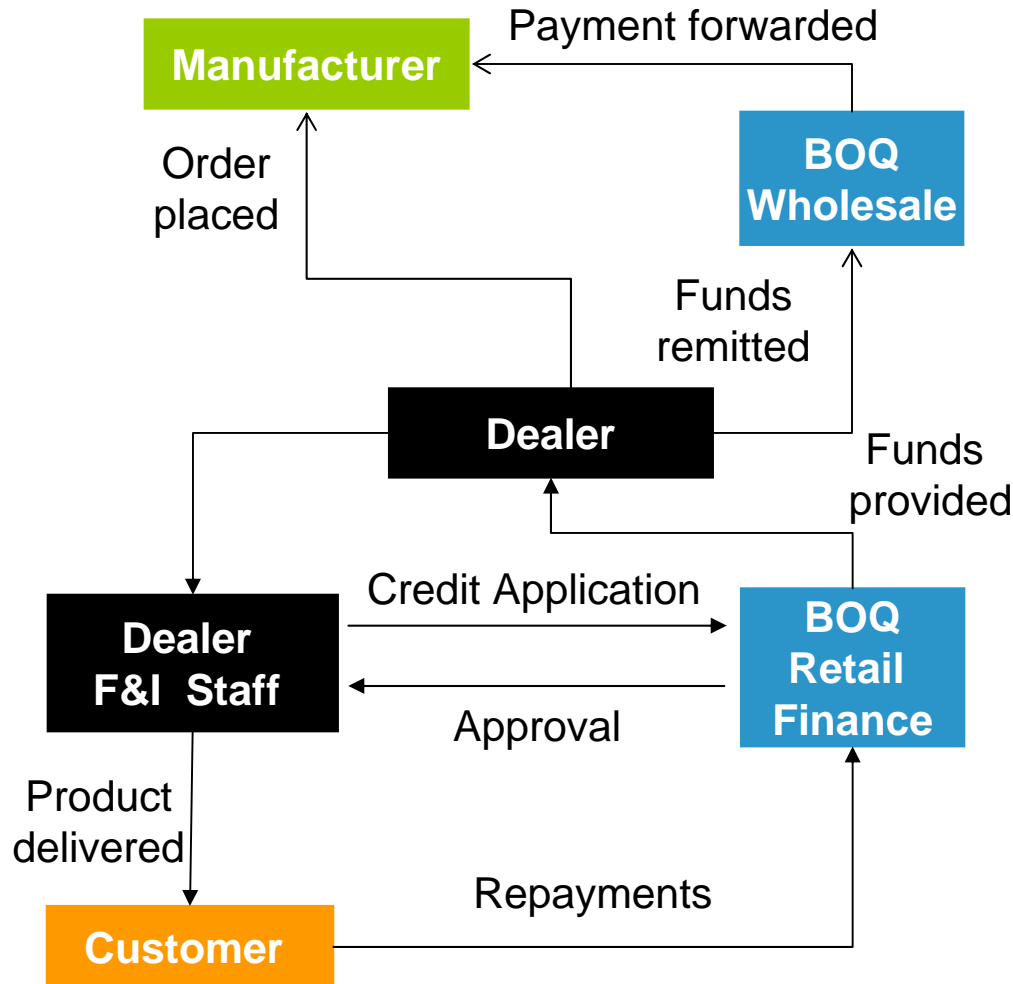
- ▶ Debts turned to cash quickly
- ▶ Leverages debtors credit strength
- ▶ Funding capacity grows with customers sales

Risk Management

- ▶ Extensive take-on analysis of new customers
- ▶ Each invoice and debtor eligibility assessed at time of issue
- ▶ Customers audited regularly
- ▶ Metrics monitored monthly – red flags acted on
- ▶ Cash receipts controlled

Dealer based finance

Motor vehicle and other asset classes



Two elements wholesale or floorplan finance

- ▶ Dealer risk
- ▶ Risk monitoring around:
 - ▶ Payment timeframes & fraud
 - ▶ Age of stock
 - ▶ Financial strength of dealer

End customer or retail finance

- ▶ Traditional equipment finance risk with consumer & commercial customers
- ▶ Smaller ticket automated application and risk scoring
- ▶ Larger ticket commercial
 - ▶ Manual credit assessment
- ▶ Ease of documentation



Your own personal bank