



# 2017 Annual General Meeting

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30 November 2017

## Chairman's address

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Roger Davis  
Chairman

## Managing Director & CEO's address

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Jon Sutton  
Managing Director & CEO

## Formal business

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Roger Davis  
Chairman





# 2017 Annual General Meeting

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30 November 2017





# Chairman's address

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Roger Davis  
Chairman

## 2017 Summary

- Strong operational, strategic and financial results
- Need for strategic agility
- Community trust a focus for the industry
- Conservative risk settings

## Environment

- Increased regulatory engagement and governance
- Technology
- Customers and People
- Remuneration
- Continued need for level playing field





# Managing Director & CEO's address

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Jon Sutton  
Managing Director & CEO

# FY17 HIGHLIGHTS

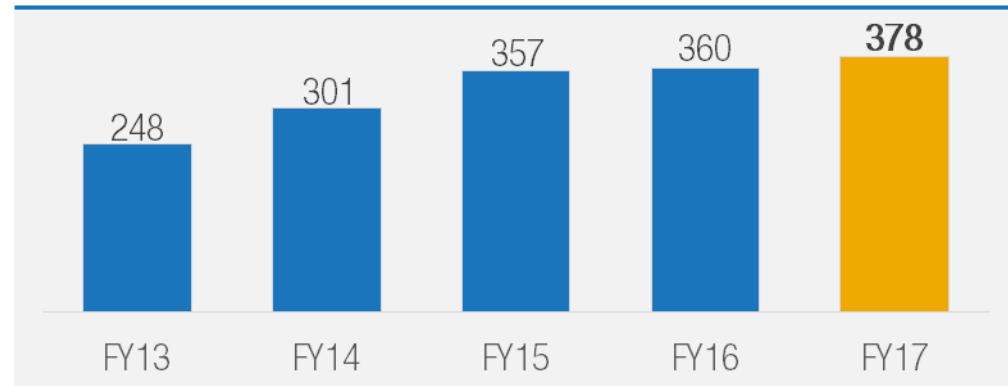


- 1 — Improved second half performance
- 2 — Niche segments continue to grow
- 3 — Asset quality remains sound
- 4 — Delivering ongoing cost savings to enable reinvestment
- 5 — Strong capital position provides flexibility



# KEY ELEMENTS OF THE RESULT

## CASH EARNINGS AFTER TAX (\$M)<sup>(1)</sup>



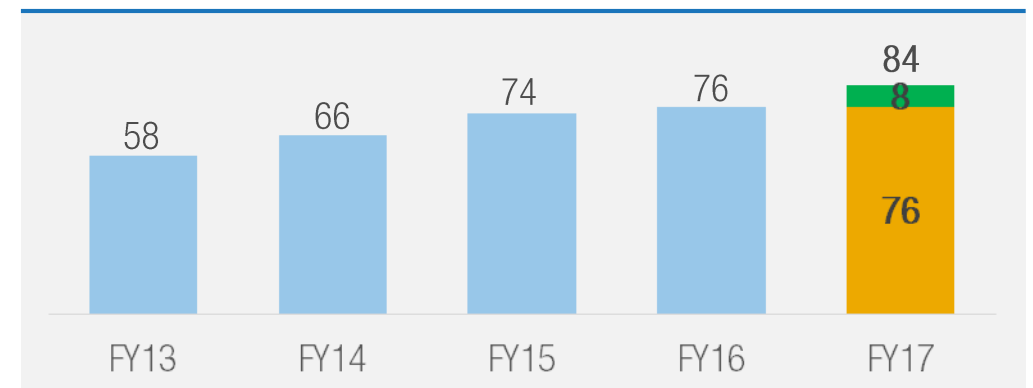
## EARNINGS PER ORDINARY SHARE (CENTS)<sup>(1)</sup>



## RETURN ON EQUITY (%)<sup>(1)</sup>



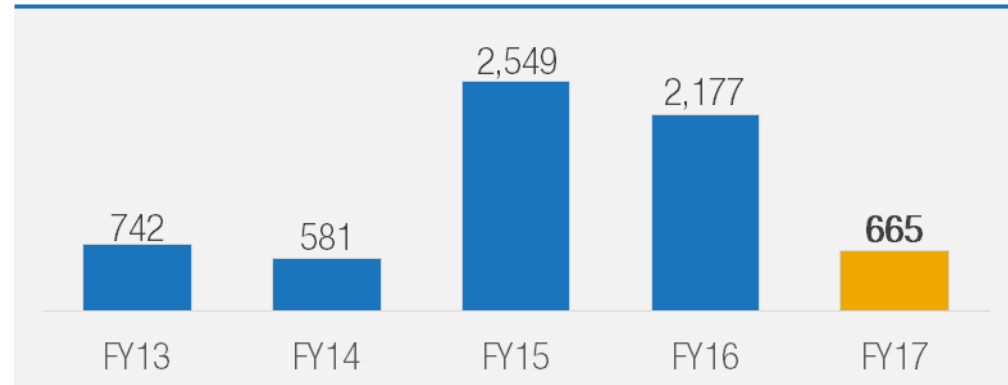
## DIVIDENDS PER ORDINARY SHARE (CENTS)



Special dividend

# DRIVERS OF THE RESULT

## LENDING GROWTH (\$M)



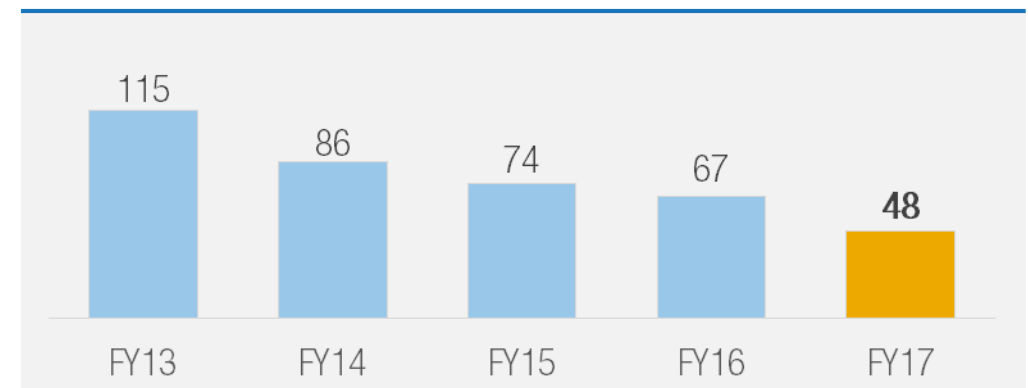
## NET INTEREST MARGIN (%)



## COST TO INCOME RATIO (%)<sup>(1)</sup>



## LOAN IMPAIRMENT EXPENSE (\$M)



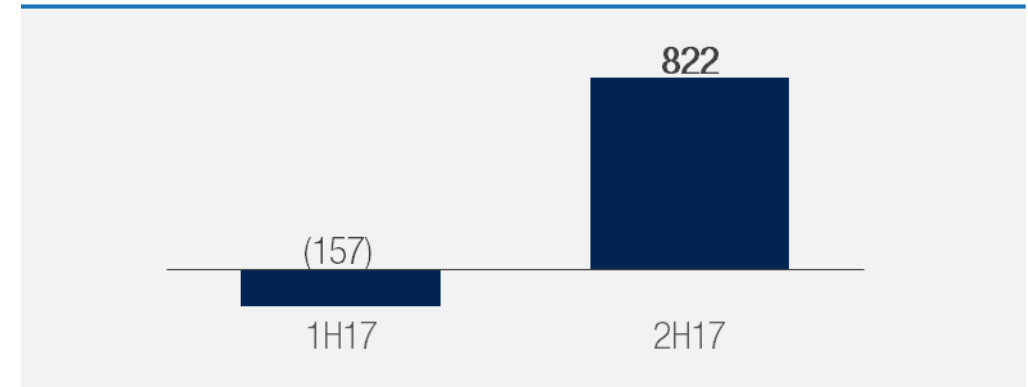
# IMPROVED SECOND HALF PERFORMANCE



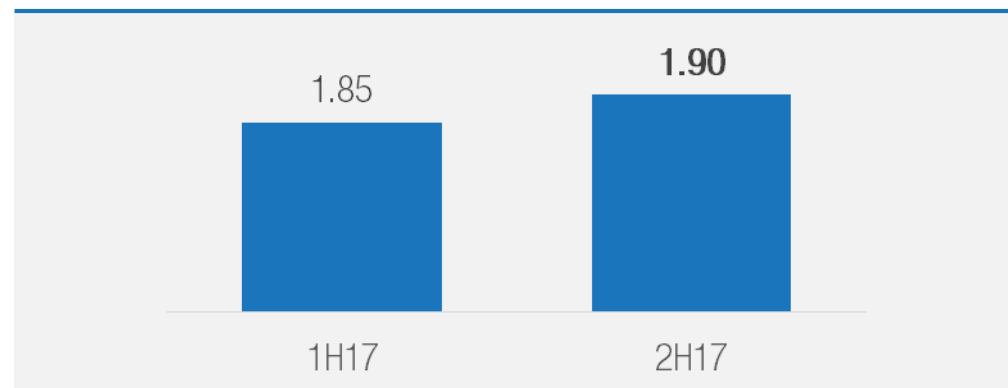
## SUMMARY

- Lending growth returned to positive
- 2H17 Net Interest Margin rebounded to 1.90% as forecast
- Loan Impairment Expense showed further improvement

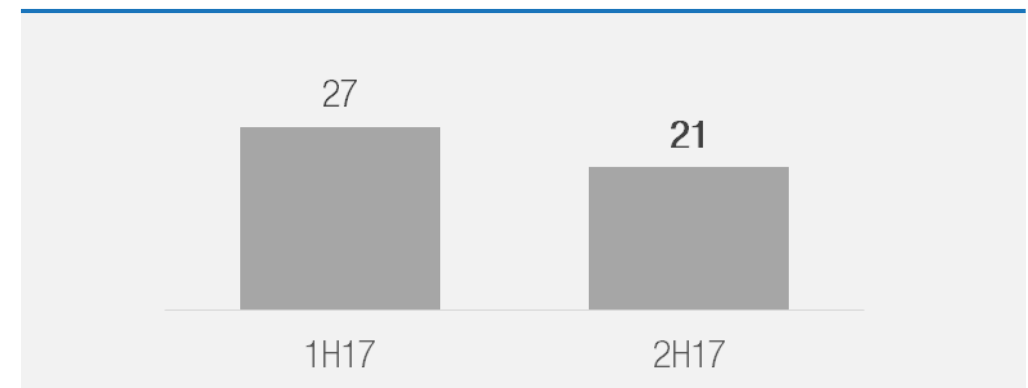
## LENDING GROWTH (\$M)



## NET INTEREST MARGIN (%)



## LOAN IMPAIRMENT EXPENSE (\$M)





# NICHE BUSINESS SEGMENTS DELIVERING



## BOQ SPECIALIST



- Commercial loan book growth of \$188m (7%)
- Housing loan book growth of \$804m (26%)
- New commercial volumes remain at strong levels
- Customer numbers grown to over 30,000

## BOQ FINANCE

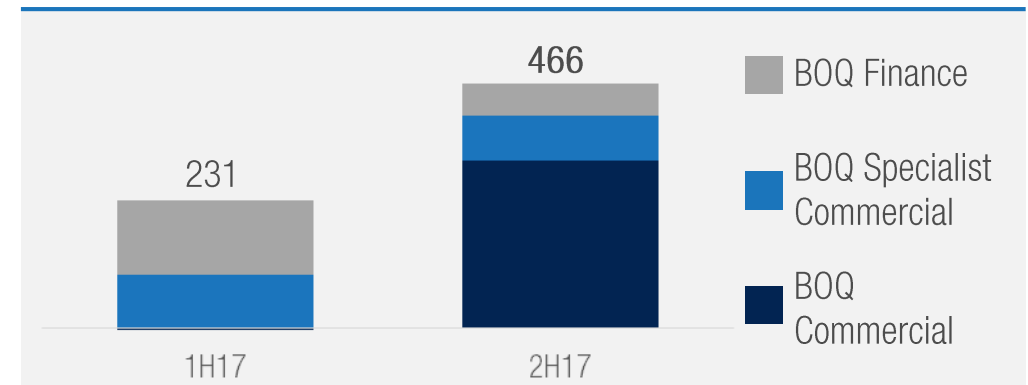


- FY17 organic growth of 4%
- Improving mix of higher margin business
- Impairment expense well below expected range
- Cashflow Finance acquisition successfully integrated

## BUSINESS BANKING SEGMENT GROWTH

- Target sectors of corporate healthcare & retirement living, hospitality & tourism, agribusiness and franchising
- Strong growth in niche business segments of \$309m
- Continuing to add further resources, attract new clients and diversify by geography

## GROWTH ACROSS ALL COMMERCIAL LINES (\$M)



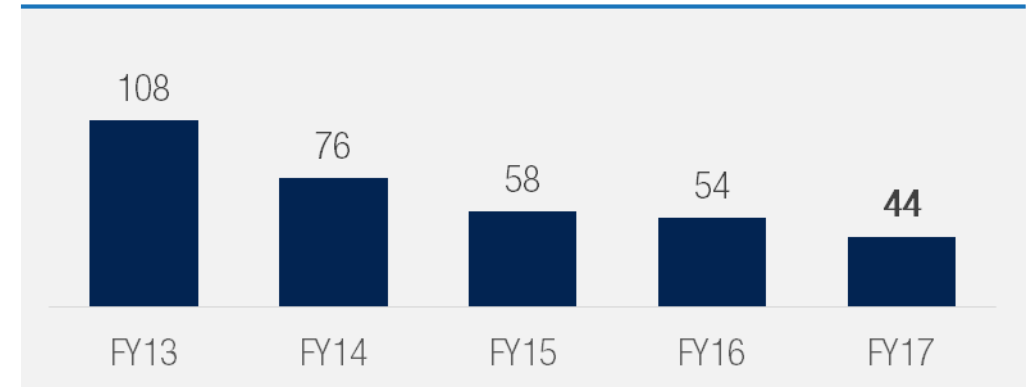
# ASSET QUALITY REMAINS SOUND



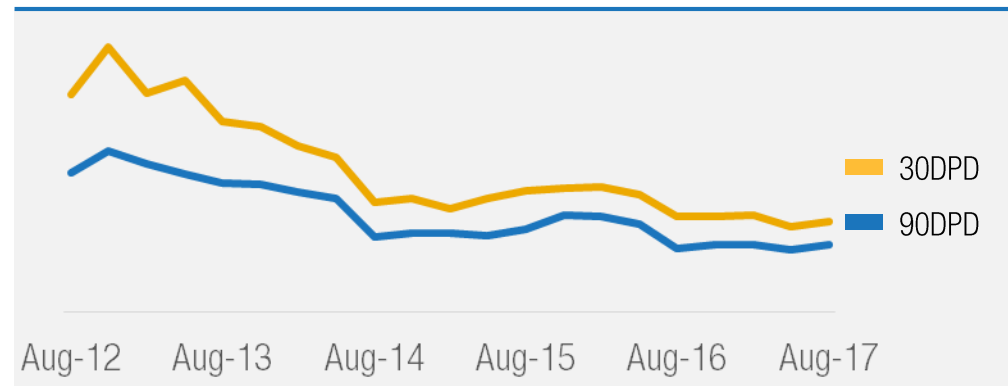
## SUMMARY

- Pleasing results across all portfolios
- Commercial and BOQ Finance performing particularly well
- Housing solid, with pockets of weakness concentrated in Central QLD & WA

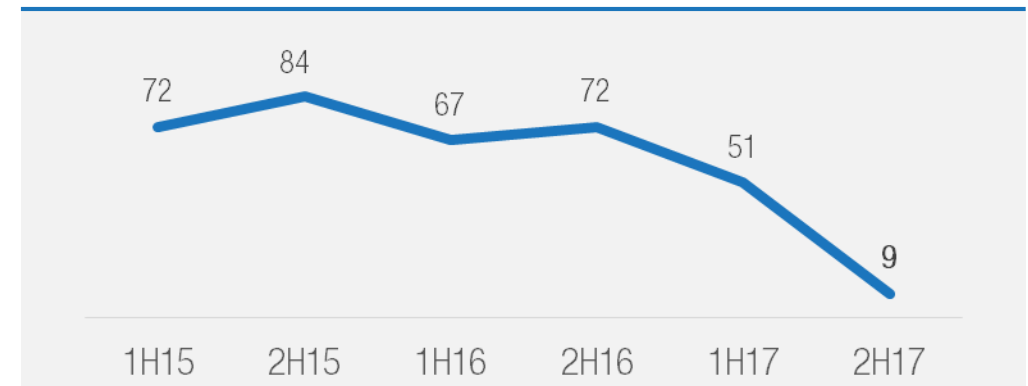
## IMPAIRED ASSETS % OF GROSS LOANS (bps)



## COMMERCIAL LOAN ARREARS<sup>(1)</sup>



## BOQ FINANCE IMPAIRMENT EXPENSE / GROSS LOANS (bps)



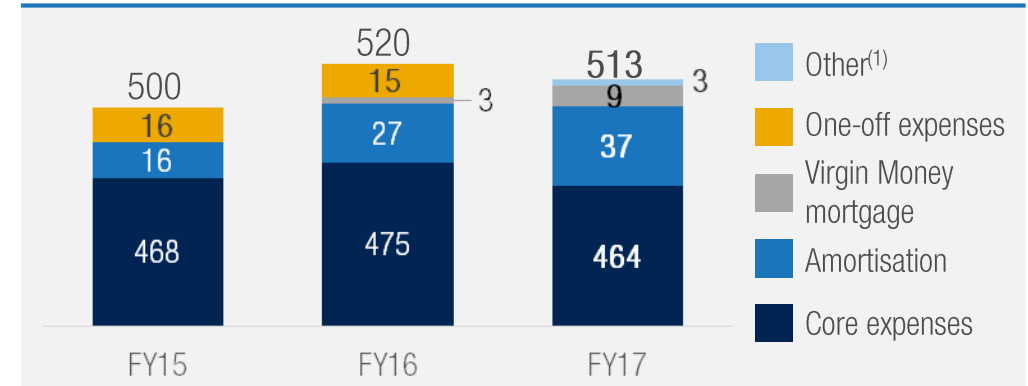
# DELIVERING ONGOING COST SAVINGS



## SUMMARY

- 1% underlying expense growth target achieved for FY17
- More than \$15m in ongoing savings delivered through efficiency programs
- Further efficiency gains will enable additional reinvestment

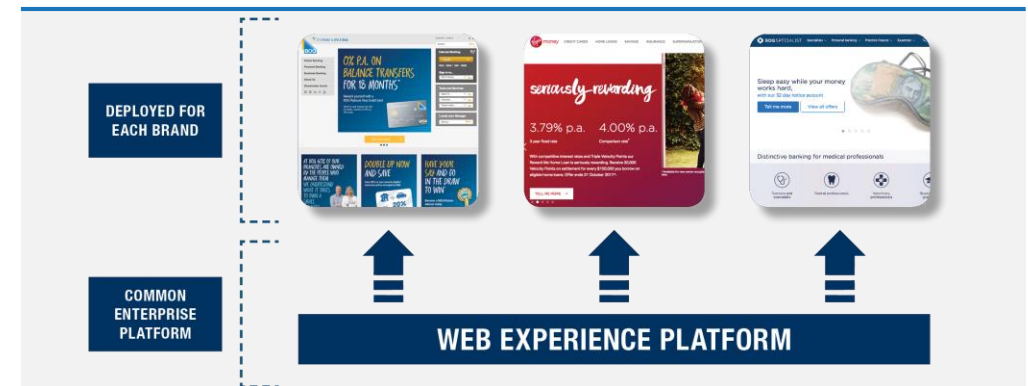
## UNDERLYING EXPENSES (\$M)



## CONTINUING TO INVEST FOR THE LONG TERM

- Investments made in BOQ Specialist and Virgin Money mortgage distribution
- Cost of branch network optimisation absorbed
- Retail Loan origination platform implemented
- First phase of enterprise web experience platform

## DIGITAL TRANSFORMATION





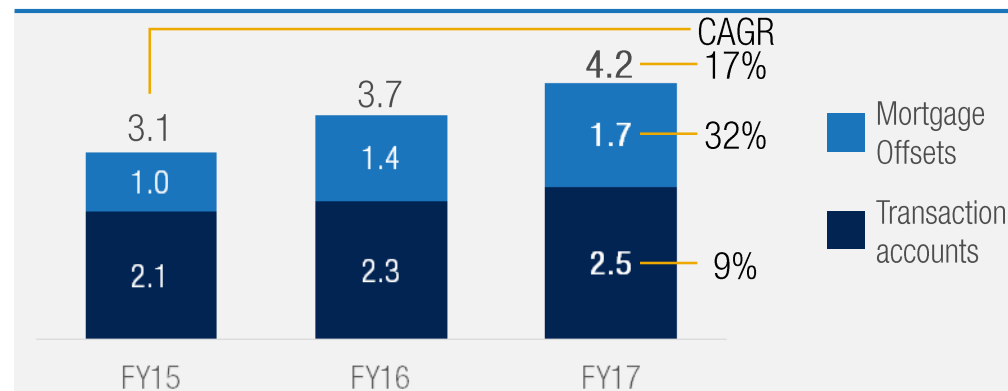
# STRONG FUNDING & CAPITAL POSITION



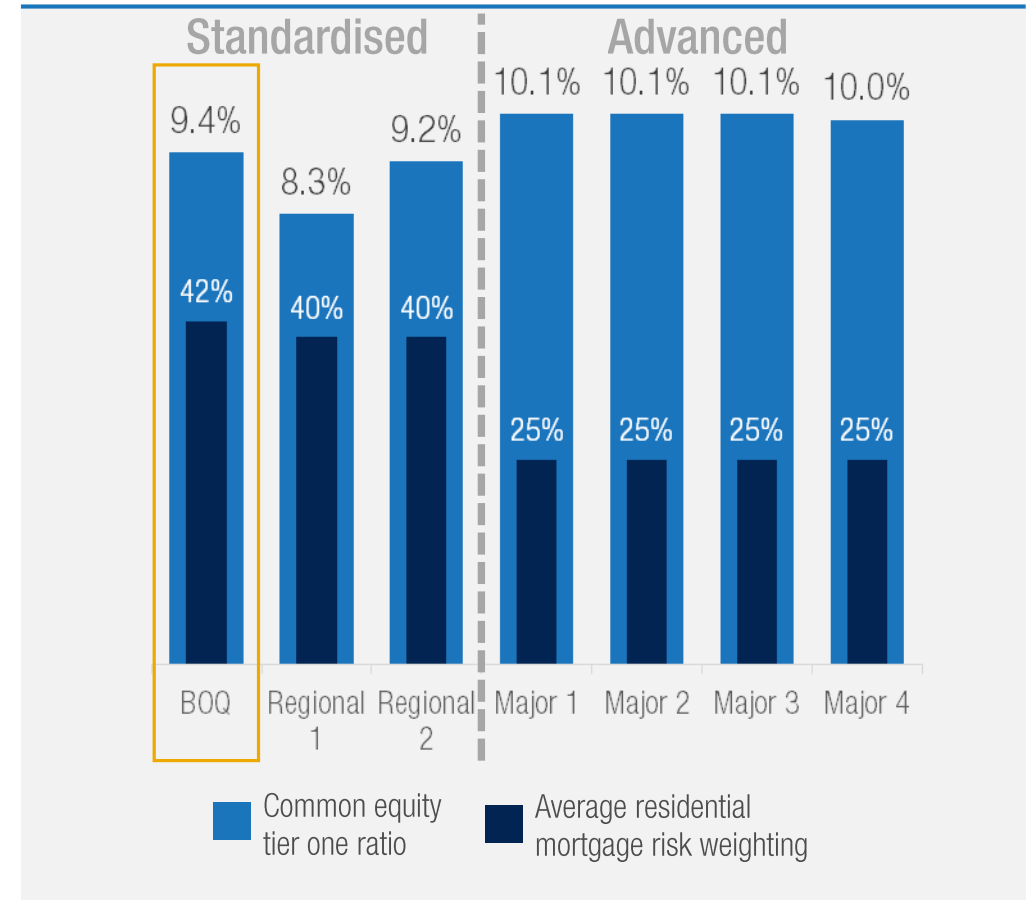
## SUMMARY

- Good progress in relationship deposit growth
- Strong capital position on any measure
- 8c special dividend and DRP suspension announced
- Additional capital management options available

## RELATIONSHIP DEPOSIT BALANCES (\$B)



## CET1 CAPITAL VS PEERS (%)



# FY17 SCORECARD: STRATEGIC PRIORITIES



Strategic pillar	FY17 priorities	FY17 progress	Highlights
Customer in charge	<ol style="list-style-type: none"> <li>Expansion of mortgage aggregators for Virgin Money</li> <li>Enhance digital customer experience</li> <li>Ongoing branch network optimisation</li> </ol>	  	Virgin Money mortgage growth of \$700m
Grow the right way	<ol style="list-style-type: none"> <li>Optimise deposit pricing using data analytics</li> <li>Develop specialist niche capability in franchising and hospitality</li> <li>Focus investment in high margin businesses</li> </ol>	  	Niche segment loan growth of \$1.3bn
There's always a better way	<ol style="list-style-type: none"> <li>Complete roll out of new origination &amp; leasing systems</li> <li>Deliver return on investment in efficiency programs</li> <li>Implement centralised mortgage hub</li> </ol>	  	>\$15m in savings generated
Loved like no other	<ol style="list-style-type: none"> <li>Invest in leadership and talent</li> <li>Build gender diversity towards 50% in senior management by 2020<sup>(1)</sup></li> <li>Complete ethics training roll-out</li> </ol>	  	39% of leadership roles held by women

Legend: Achieved Achieved & ongoing In progress

## Industry

- Conduct and culture focus intensifying
- Increasing regulatory & political scrutiny
- Technology transforming customer experience

## Economic

- National economy improving, but consumers cautious
- QLD doing well, but mixed across regions
- Slowing credit growth



# STRATEGIC FOCUS



## Strategic pillar

Customer in charge

Grow the right way

There's always a better way

Loved like no other

## Goals

- Achieving minimum digital parity and meeting more of our customers' digital needs
- Delivering a seamless customer experience across channels

- Improving deposit gathering and lifting MFI penetration across all business lines
- Growing assets with pricing based on risk profile and holistic relationship

- Overhauling key processes to align to our relationship proposition
- Creating capacity to invest by Bringing the Future Forward

- Delivering a differentiated service offering
- Investing in an engaged and capable team

## FY18 priorities

1. Upgrade customer facing digital platforms
2. Expand Virgin Money product offering
3. Increase frontline staff to support BOQ Business growth

1. Refocus distribution channels towards deposit gathering and MFI
2. Close key product gaps that support deeper relationships
3. Implement new FX digital platform

1. Operating model refresh and establish centres of excellence
2. Delivery of key transformation initiatives
3. Continuous improvement focused on productivity and customer experience

1. Delivery of the 'Customer Heartbeat' programme
2. Improve employee engagement
3. Implement a program to increase advocacy across key business partnerships

- 1 — Current market conditions favour niche segment strategy
- 2 — Virgin Money & BOQ Specialist provide avenues for growth
- 3 — Remain cautious about outlook for housing market
- 4 — Building momentum in transformation delivery
- 5 — Strong capital position provides flexibility

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