



Your own personal bank

Bank of Queensland Limited
ABN 32 009 656 740
259 Queen Street, Brisbane 4000
GPO Box 898, Brisbane 4001
Telephone (07) 3212 3333
Facsimile (07) 3212 3409
www.boq.com.au

ASX RELEASE

18 October 2012

Fit and focused – BOQ on course for a return to sustainable profitable growth

Result summary:

- Statutory loss after tax of \$17.1m for full year 2012
- Fully franked final dividend of 26 cents per share, taking the full year dividend to 52 cents per share
- Normalised underlying profit before tax \$443.5m; and normalised cash net profit after tax of \$30.6m
- Return to profitability in the second half (2H) with a statutory profit of \$73.5m
- Capital base and liquidity maintained – Core Tier 1 capital of 8.5%
- Normalised Cash Net Interest Margin (NIM) up 2bps to 1.67%, despite a competitive, low growth environment
- Deposit growth above system bringing retail funding mix to 59%

In line with guidance provided to the market on 4 October 2012, BOQ today confirmed a statutory full year loss after tax of \$17.1m for 2012, due to increased provisions and one-off legacy expense items.

In announcing the result, BOQ Managing Director and CEO Stuart Grimshaw said BOQ had emerged from this year a 'fitter' organisation, focused on sustainable and profitable growth.

"We've returned to profitability in the second half following a thorough review of BOQ's loan book, systems and processes. This has also included significant operational change to:

- strengthen BOQ's risk management capability and processes;
- reinvigorate our 'culture' to become more performance focused;
- redesign our operations to drive efficiency and excellence by continuing to simplify processes for staff and customers;
- ensure we maintain our operating cost base below the rate of inflation growth;
- maintain a strong capital base and collective provisioning to 'future proof' the organisation; and
- establish a clear strategic direction for growth and get moving.

"We are clearly now in delivery mode," said Mr Grimshaw. "We've addressed the basics to become operationally fit and are focused on delivering better services for our customers and profitable growth for shareholders.

"I believe we have reached a crucial turnaround point and I'm looking forward to the next 12 months."

Economic Outlook

"We continue to operate in a low credit growth environment," Mr Grimshaw said.



Your own personal bank

Bank of Queensland Limited
ABN 32 009 656 740
259 Queen Street, Brisbane 4000
GPO Box 898, Brisbane 4001
Telephone (07) 3212 3333
Facsimile (07) 3212 3409
www.boq.com.au

ASX RELEASE

"Consumers are behaving cautiously and paying down their debt. More than 40% of Australian mortgage holders are at least 1 year ahead of schedule on their repayments.

"Household savings are at levels not seen since the late 80's, despite falling interest rates.

"We are starting to see some early signs of consumers returning to the housing market, evidenced by auction clearance rates in capital cities improving," he said.

Asset Quality & Risk Management

Mr Grimshaw said BOQ's asset quality and risk management had been addressed.

"Stronger credit and collection processes are now in place and our risk management capability is vastly improved.

"We have seen a fall in mortgage arrears over the past few months, however we continue to be prudently provided for, hence the top-up of our collective provisions.

"We are seeing stabilisation in the commercial portfolio with no new large impaired exposures in the second half."

BOQ Strategic Focus

BOQ recognises that consumer preference for multi-channel service delivery is growing.

"This trend will continue at pace as technology evolves," said Mr Grimshaw.

"BOQ is focused on harnessing the strength and attributes of the Bank's personal service proposition, but in a digital age, through:

Multi-channel optimisation – revitalising the Retail Bank and optimising all distribution channels for sales and service, such as selective use of brokers in WA, online, mobile and social media capability.

Risk/Return balance – over time, reduce the reliance on housing loans which are comparatively low margin, labour intensive and lower comparative ROE; diversification and targeting profitable customer segments; improved cross sell by providing the technology and tools our people need.

Operational excellence – improving end to end lending processes for retail and commercial through technology improvements and process simplification; removing administrative tasks from branches and consolidating back office processing; keeping expense growth below inflation.

Talent and capability – new Executive Leadership Team in place; focus on organisational culture; refreshed talent in key areas.

Mr Grimshaw said BOQ would play to its obvious strengths and focus on customers who value that personal focus and longevity of relationship – primarily SME's and families.

"We've reinvigorated BOQ's Business Bank to incorporate agribusiness, property and corporate customers and diversified our product capability through financial markets, equipment finance, debtor finance and insurance. This strategy, while still at early stages, is beginning to bear fruit," he said.



Your own personal bank

Bank of Queensland Limited
ABN 32 009 656 740
259 Queen Street, Brisbane 4000
GPO Box 898, Brisbane 4001
Telephone (07) 3212 3333
Facsimile (07) 3212 3409
www.boq.com.au

ASX RELEASE

Capital and Funding

The Bank's core equity tier 1 level at 31 August 2012 was 8.5%. This is consistent with the level following BOQ's capital raising in April and demonstrates the capacity to pay the final dividend at 26 cents per share from the second half profit.

BOQ was able to buyback \$635m of its more expensive Government Guaranteed debt in June 2012 and is well positioned to meet the new Basel III capital requirements that will come into effect from January 2013.

Dividend

Mr Grimshaw confirmed that the Board had approved a fully franked final dividend of 26 cents per share, taking the full year dividend to 52 cents per share.

The following dates apply to this dividend:

- Ex-dividend date: 15 November 2012
- Record date: 21 November 2012
- Payment date: 8 December 2012

<u>Media Contact</u>	<u>Analyst Contact</u>
Andrea Sackson, Head of Corporate Affairs T: 07 3212 3018 M: 0400 480 866 andrea.sackson@boq.com.au	Sally Wehl, Investor Relations Manager T: 07 3212 3463 M: 0434 583 611 sally.wehl@boq.com.au



Your own personal bank

Bank of Queensland Limited
 ABN 32 009 656 740
 259 Queen Street, Brisbane 4000
 GPO Box 898, Brisbane 4001
 Telephone (07) 3212 3333
 Facsimile (07) 3212 3409
 www.boq.com.au

ASX RELEASE

BOQ 2012 Full Year Result Snapshot

	FY11 \$M	FY12 \$M	Change on FY11 \$M
Normalised Underlying Profit Before Tax	447.4	443.5	(3.9)
Normalised Cash Net Profit After Tax	176.6	30.6	(146.0)
Statutory Net Profit / (Loss) After Tax	158.7	(17.1)	(175.8)
Retail Deposits	20,317.9	22,270.0	1,952.1
Loan Approvals	11,786.0	11,649.0	(137.0)
Loans Under Management (before collective provisions):	33,356.2	34,339.8	983.6
Housing	24,149.4	25,366.1	1,216.7
Commercial	5,252.4	5,095.1	(157.3)
BOQ Finance	3,683.5	3,655.2	(28.3)
Consumer	270.9	223.4	(47.5)
Assets Under Management	39,900.8	41,758.0	1,857.2
Normalised Cash Cost to Income Ratio	44.5%	45.7%	1.2%
Normalised Basic Cash Earnings Per Share (EPS) (c)	71.3	7.9	(63.4)
Normalised Diluted Cash EPS (c)	66.7	7.9	(58.8)
Dividend per share (c)	54.0	52.0	(2.0)c

- **Normalised Cash Net Profit After Tax:** \$30.6m
- **Normalised Underlying Profit Before Tax:** \$443.5m
- **Continued increase in retail funding:** retail funding increased from 56% FY11 to 59% FY12.
- **Capital:** first half Core Tier 1 capital level maintained.
- **Normalised Cash Cost-to-income:** increased 1.2% to 45.7% due to lower revenue growth
- **Collective and specific provision charges:** increase due to the substantial provisioning charges incurred in the first half. The Bank has seen a significant reduction in provisioning charges in the second half.
- **Normalised Net Interest Margin:** NIM improved 2bps on a pcg basis.