



## ASX RELEASE

---

15 August 2013

### **BOQ IDENTIFIES LEGACY PRODUCT ISSUES, CONFIRMS FY13 MANAGEMENT TARGETS**

Bank of Queensland has completed a comprehensive review of its products, processes and systems as flagged late last year, identifying a number of legacy issues. These have resulted in the incorrect application of interest rates and fees.

As a result of this review, BOQ will refund customers an estimated \$34.5 million and incur additional remediation costs of \$11.5 million. These costs will be treated as a one-off legacy item in the FY13 results and will not impact normalised cash NPAT.

Around 4% of BOQ's customer base is affected by these issues, some of which date back as far as 2004.

Despite these remediation costs, BOQ's Board of Directors can confirm that profit before tax for the year to 31 August 2013 is currently expected to be at the top end of analysts' consensus range of \$339 million to \$368 million (based on a set of 12 analysts monitored by BOQ). FY13 results will reflect an effective tax rate of around 31% given the coupon payment for the 1H13 Convertible Preference Share issue is non-deductible.

BOQ remains on track to achieve six of its seven previously stated FY13 management targets around asset growth, margins, expenses, bad and doubtful debts and returns. The exception is retail asset growth of one times system which, on present experience, will be broadly in line with the 0.8 times system outcome reported in 1H13.

In addition, the final 2013 dividend payment is expected to be at least equal to the 1H13 interim dividend payment of 28 cents per share. In setting the final dividend, Directors will ensure the Bank's current strong Common Equity Tier 1 position is maintained.

Results for the year to 31 August 2013 are subject to the final year end audit process and will be announced on 10 October 2013.

BOQ's management team commenced this review of products, processes and systems following the discovery of a mortgage offset account issue late last year. ASIC has been advised of the issues and BOQ's priority is to ensure affected customers are reimbursed as soon as practicable.

Managing Director and CEO Stuart Grimshaw said while he was disappointed at the impact of these issues on BOQ's customers and business, the completion of the review represented an important milestone in BOQ's recovery.

"We have worked hard to address legacy issues and ensure the business is both robust and well positioned for future growth," he said.



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](http://www.boq.com.au)

## ASX RELEASE

---

“Our balance sheet and capital position has been significantly strengthened, our risk management framework completely overhauled and new management teams are in place across each business.

“One of the last steps in the Bank’s recovery has been this detailed review of our products, processes and systems. As well as the product review, we have assessed a broad range of areas from branch security through to disaster recovery plans and lending processes.

“The rigorous process we have undertaken gives us confidence that there are no other significant legacy issues in our business, aside from existing litigation.”

The problems have been caused by a number of issues, including overly complex products which required too many manual processes.

Mr Grimshaw said while it was frustrating these issues had not been identified more quickly, BOQ had now acted to ensure the problems did not recur.

“We are not only addressing the underlying issues but taking proactive steps to minimise future risks. This includes simplifying our product suite and improving our back office procedures, for example through the automation of lending processes from origination through to the back office,” he said.

Systems have also been put in place to ensure fees are being appropriately collected.

Ernst & Young was appointed late last year and will continue to provide independent review and assessment of BOQ’s product review program.

The process of refunding customers is expected to be completed by the end of 2014. In the interim, enquiries can be directed to BOQ’s Customer Contact Centre on 1300 55 72 72 or customers can refer to [www.boq.com.au/product\\_review](http://www.boq.com.au/product_review) for updates.

**Ends**

**For further information please call:**

<b>Media:</b> Jamin Smith, Head of Media Relations P: 07 3212 3018 E: <a href="mailto:jamin.smith@boq.com.au">jamin.smith@boq.com.au</a>	<b>Analysts:</b> Daniel Ryan, Head of Investor Relations P: 07 3212 3990 E: <a href="mailto:daniel.ryan@boq.com.au">daniel.ryan@boq.com.au</a>
--	--