



Your own personal bank

Bank of Queensland Limited
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ASX RELEASE

10 April 2013

BOQ TO ACQUIRE VIRGIN MONEY AUSTRALIA

Key points

- BOQ expands its distribution footprint through acquisition of Virgin Money Australia (VMA)
- Transaction expected to complete on 30 April 2013, total purchase price of \$40 million (including ~\$30 million in BOQ shares, subject to a 12 month holding lock)
- Agreement with the Virgin Group for exclusive use of the VMA brand in Australia for up to 40 years in return for an ongoing royalty
- Extends BOQ's reach into currently untapped, complementary customer and market segments, providing access to an iconic brand with proven capability in online customer acquisition and product distribution
- Significant opportunity to grow Virgin Money Australia through distribution of BOQ-manufactured banking products marketed under the Virgin Money brand
- Virgin Group will have a seat on the BOQ Board
- Highly experienced financial services executive Brian Bissaker appointed CEO of VMA, which will continue to operate on a stand-alone basis
- Incumbent VMA Managing Director David Curneen will leave the business but will act as a consultant for a period

BOQ has today announced the expansion of its distribution footprint through the acquisition of Virgin Money (Australia) Pty Ltd (VMA), the Australian retail financial services arm of the Virgin Group.

The acquisition delivers BOQ exclusive Australian rights to a brand in retail financial services with significant consumer resonance, over 150,000 customers in segments untouched by the BOQ brand, strong online capability in customer acquisition and product distribution, and a complementary product footprint across credit cards, life insurance, general insurance and superannuation. Initially the licence from the Virgin Group will be for retail financial services for consumers and SMEs, with provisions to expand into corporate financial services.

BOQ Managing Director and CEO Stuart Grimshaw said the Bank had worked hard to successfully re-establish the fundamentals of its business over the last 18 months and was now expanding its focus to growth.

"The acquisition of Virgin Money Australia immediately delivers increased geographic and income diversity, and allows us to fast track our existing multi-channel distribution strategy through access to an iconic brand and a business with proven capability in online customer acquisition and product distribution," he said.



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“It will enable us to sell BOQ-manufactured banking products marketed under the Virgin Money Australia brand to customers who would be unlikely to walk into one of our branches, and provides a low risk, high potential entry point into online funds management distribution with an established brand.”

VMA is a product distributor, with product manufacturing agreements in place with a range of best-in-class partners including Citigroup, TAL (formerly Tower), Allianz Global Assistance (part of the Allianz Group), Auto & General Insurance (part of the Budget Group) and Pillar.

Sir Richard Branson, founder of Virgin, said: “We see Australia as one of Virgin’s most important markets.

“I am excited that, in partnership with BOQ, we will be able to develop more leading products and distribute them even more widely, so many new customers will get to experience the benefits of Virgin Money. I look forward to Virgin Money Australia becoming a truly national player.”

Transaction details and financial impacts

The total purchase price for VMA will be approximately \$40 million. After the payout of VMA obligations of around \$10 million, approximately \$30 million in fully-paid ordinary BOQ shares will be issued to a subsidiary of the Virgin Group soon after completion as part of the acquisition consideration. The parties have agreed the consideration shares are to be subject to a 12 month holding lock, subject to certain limited exceptions.

The final purchase price and the number of shares to be issued (based upon the 30 day volume weighted average price of BOQ in the 30 trading days prior to the date of the agreement) are subject to post-completion adjustments.

BOQ will also pay an ongoing royalty to Virgin Group for exclusive use of the VMA brand in Australia for up to 40 years.

A Virgin Group nominee will join the BOQ Board, a joint advisory committee will be established to drive the growth of the business and BOQ will have the opportunity to access the Virgin Group’s global intellectual capital.

Given it is still in a start-up phase, having launched a range of new products since 2009, VMA is currently a loss-making business. Continuing its existing customer acquisition and growth profile would deliver a positive and fast growing earnings profile.

The existing business profile and the issue of shares as part of this transaction will result in EPS dilution of 1-2% in FY14. It will become EPS positive during the second full year of ownership.



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Plans for BOQ-manufactured core banking products, to be distributed under the Virgin Money brand, offer potentially material upside. A detailed product and distribution strategy is in development.

In terms of capital impacts, the Common Equity Tier 1 ratio will be maintained at sector leading levels with a minimal reduction of approximately 12 basis points at completion. The present value of the minimum ongoing royalty payable to Virgin Group has been incorporated into the upfront capital impact.

It is anticipated the transaction will complete on 30 April 2013, by which time all completion conditions should be satisfied.

Other details

Highly experienced financial services executive Brian Bissaker will take on the role of Virgin Money Australia CEO on completion of the transaction and will head the VMA team out of its Sydney office. VMA will operate as a standalone business within the BOQ Group.

"I am delighted that Brian has agreed to lead the Virgin Money Australia business – there is no better person to help us capitalise on the opportunities this transaction opens up, particularly in the wealth space," Mr Grimshaw said.

Virgin Group CEO Josh Bayliss acknowledged the contribution of incumbent VMA managing director David Curneen, who will leave the business but has agreed to act as a consultant for a period.

"We look forward to working with the team at BOQ to grow Virgin Money Australia together. This partnership represents a major step forward in expanding the Virgin brand's reach in Australian financial services," he said.

"We would like to thank David Curneen for leading the business through its most successful period and for preparing it for this transaction."

Mr Grimshaw said BOQ and VMA were complementary organisations that both offered high quality and differentiated services to their customers.

"Our organisations already have much in common – we are challenger brands that offer something different to our customers and a genuine alternative to the sameness of the Big 4 banks," Mr Grimshaw said.

"By combining our strengths and leveraging our intellectual capital, as well as that of the Virgin Group globally, both BOQ and Virgin Money Australia will be stronger organisations without compromising those characteristics that appeal to our separate customer bases."



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Following the transaction, VMA will continue to offer Virgin Money branded credit cards, savings accounts, life and general insurance and superannuation products through its existing partnerships, in the same way it does today. There will be no impacts for Virgin Money Australia's existing or new customers.

Over time, core banking products such as personal loans, mortgage products and transaction accounts manufactured by BOQ will be added to the VMA portfolio, offering significant upside potential.

Market briefing

A briefing for analysts, investors and media will be held at The Westin, Sydney at 11:00 am AEST. Participants are also invited to join the briefing by teleconference or webcast, details of these facilities are as follows:

Briefing

Venue: Barnet Room, Level 6, The Westin Sydney,
1 Martin Place, Sydney, NSW 2000
Time: 10:45am for 11:00am AEST

Teleconference

Dial-in number (Australia): 1800 354 715
Dial-in number (International): +61 (0)2 8823 6760
Conference ID: **34254632**

Webcast address

<http://www.media-server.com/m/p/u4irt9ah>

Ends

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Brian Bissaker CV

Brian Bissaker has had a long and high profile career in financial services. He was CEO of Colonial First State from 2006 to May 2012. During this period Brian was also a Board member and Deputy Chair of the Financial Services Council.

Brian commenced his career at KPMG in audit and tax consulting from 1982 to 1994, specialising in financial services. From there he moved to BT Funds Management where he spent eight years in a variety of roles. His principal role was as Executive Vice President heading the Product Division which structured and maintained product across BT's institutional and retail product range.

In 2002, Brian moved to Colonial First State to establish a Product Division and head the multi-manager investment function and chair the investment committee before being appointed CEO.

Brian has had extensive experience in Government advocacy work in the areas of superannuation and funds management. He is a past director of the Australian Superannuation Funds Association.

Since leaving Colonial in 2012, Brian has worked as a consultant providing strategic advice to CEOs in the financial services industry. He was appointed by the Minister for Superannuation and Financial Services to the Government Super Stream Advisory Council in September 2012.

He also has taken an honorary role with the University of Sydney Business School Executive MBA Program.

Brian graduated in Economics from the University of Sydney. He is a Fellow of the Institute of Chartered Accountants and has completed the International Executive Program at INSEAD France.