



# **Managing Director's address**

*Mr David Liddy*





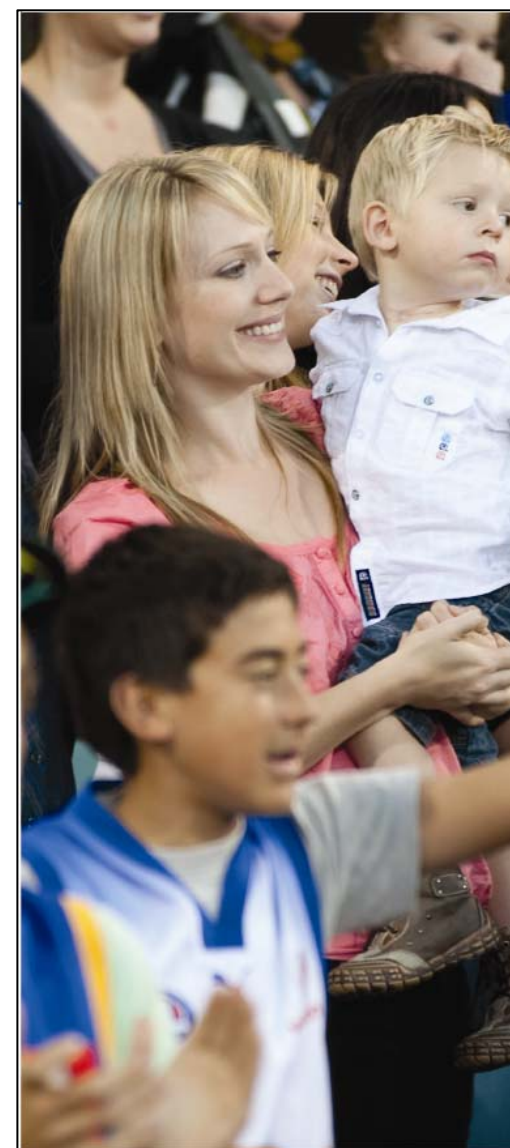
# Our stakeholders



*Customers*



*Owner-Managers*



*Community*



*Shareholders*



# The 'it's personal' brand relaunch



**Matthew Sleaford**  
Owner-Manager,  
North Rockhampton branch



**Anthony Walker**  
Owner-Manager, Penrith branch



**Josephine Tan**  
Owner-Manager, 100 Exhibition  
St and Docklands branches

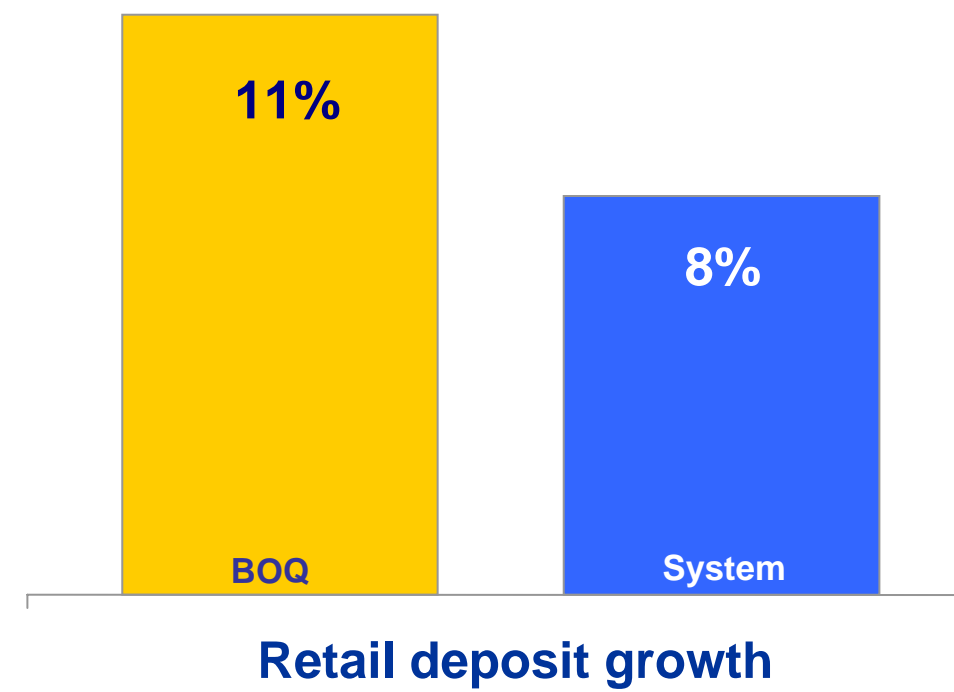
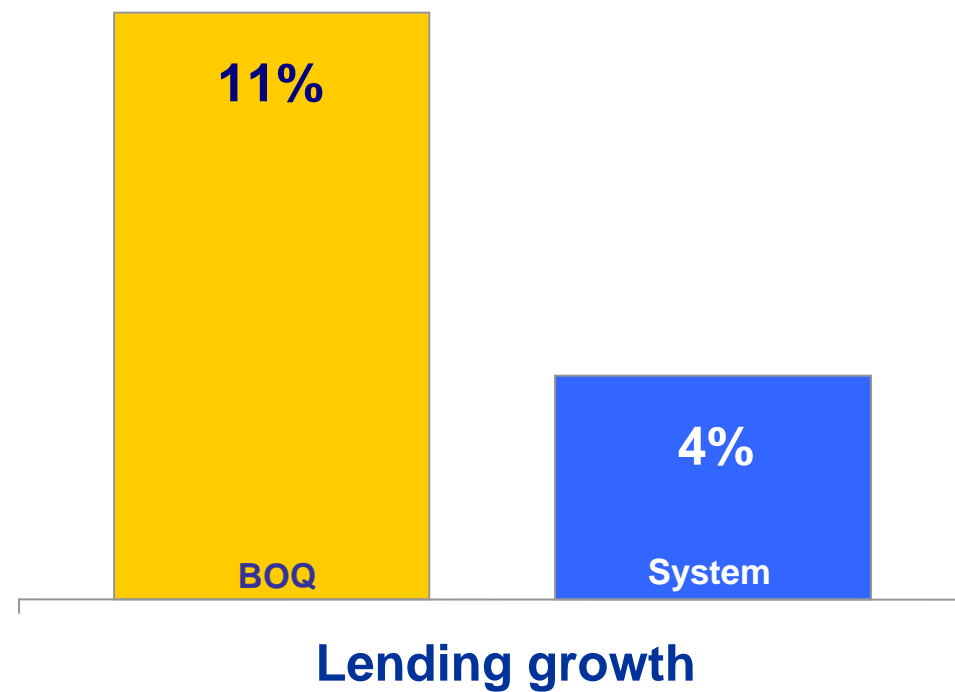
# Result continues momentum

	2009	2010	
Normalised cash NPAT	\$187.4m	<b>\$197.1m</b>	▲ 5%
Cash EPS (normalised fully diluted)	98.4c	<b>83.4c</b>	▼ 15c
Ordinary dividend	52c	<b>52c</b>	-
Loan growth (pcp)	10%	<b>11%</b>	
Retail deposit growth (pcp)	16%	<b>11%</b>	
Net interest margin	1.56%	<b>1.60%</b>	▲ 4bps
Cost-to-income ratio (normalised cash)	49.9%	<b>45.8%</b>	▼ 4.1%

# Growth well ahead of the industry average

▶ Lending growth: ~2.5x system\*

▶ Deposit growth: ~1.5x system\*



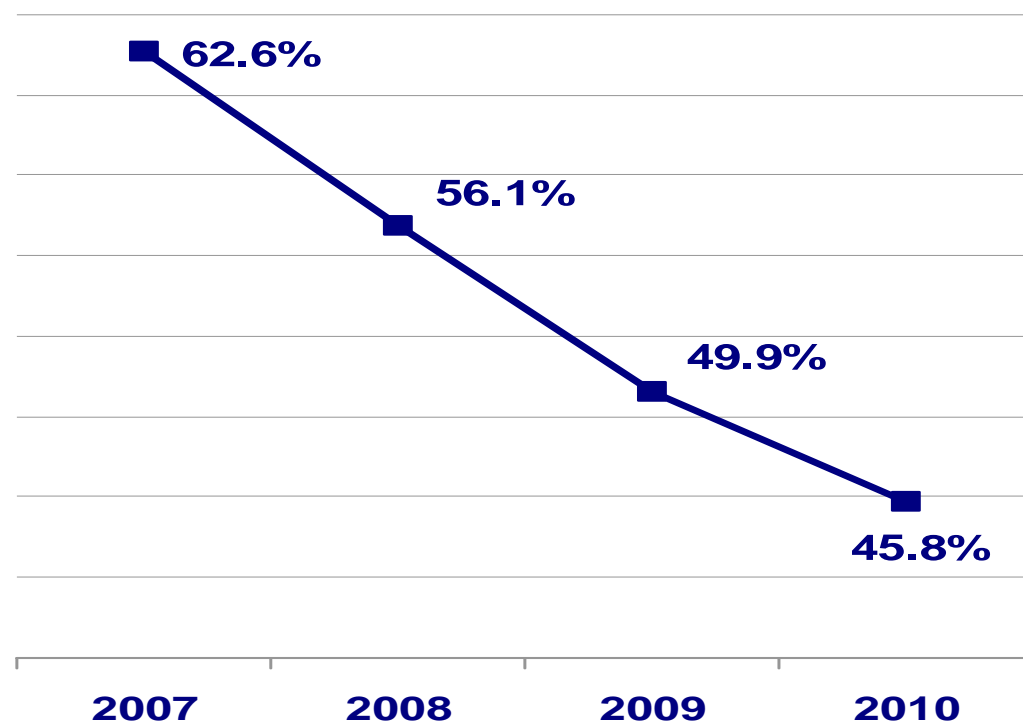
\* Last 12 months  
Source: APRA data



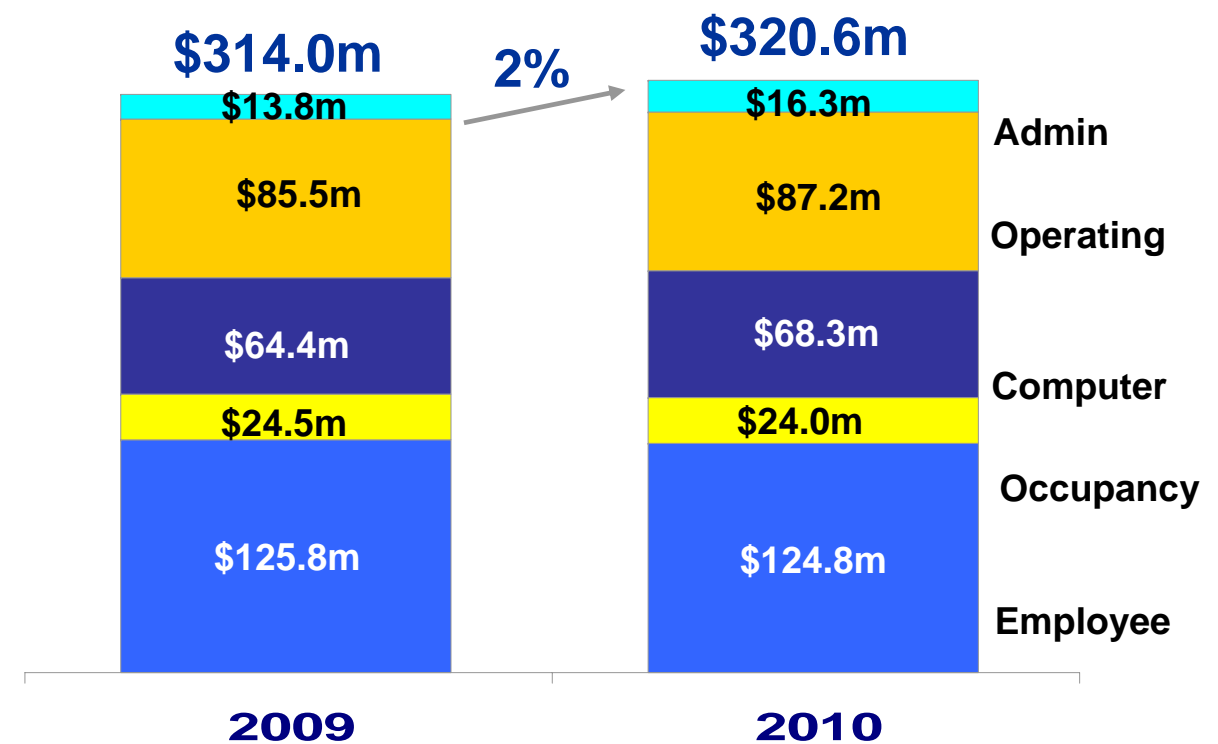
# Continued expense management

- ▶ Expenses slightly ahead of full year guidance... expense management disciplines delivering a more efficient business

**Cost-to-income ratio\***



**Expenses\***

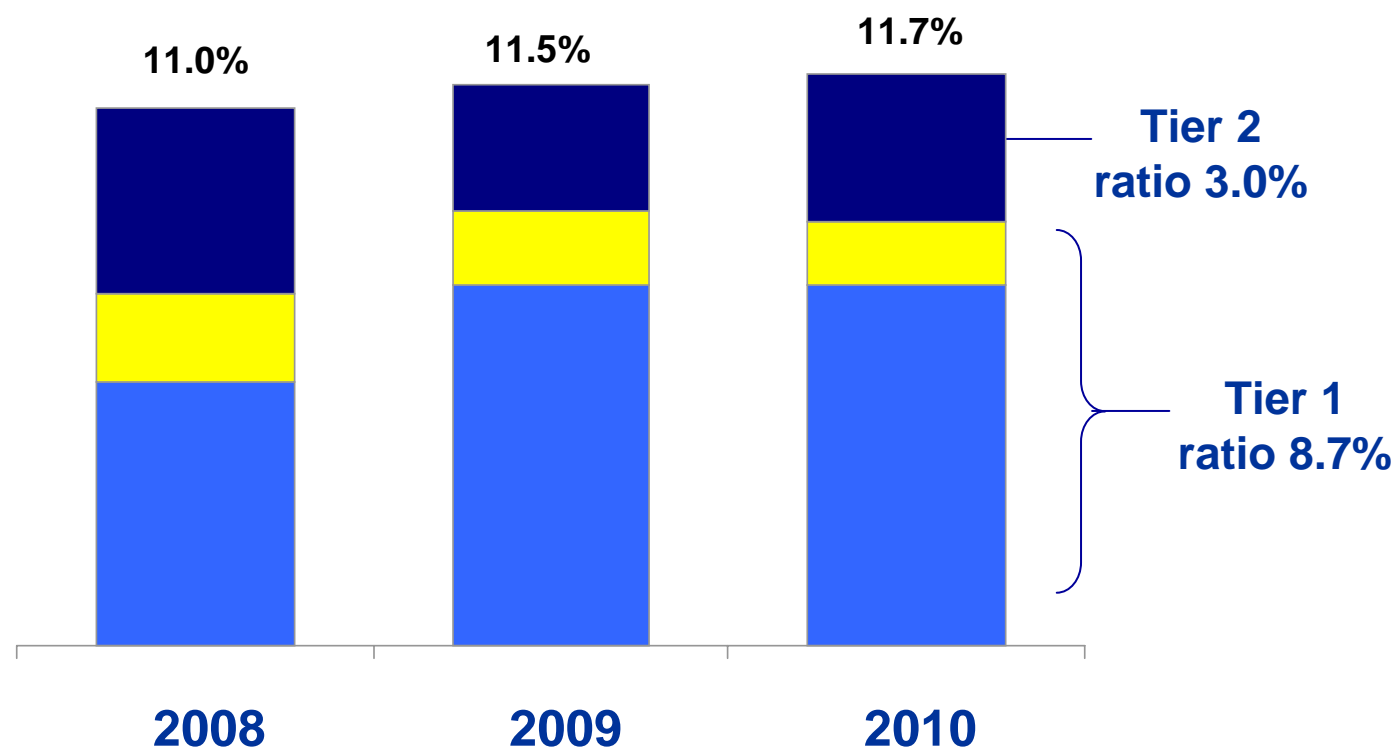


\* Based on normalised cash costs, excluding the impacts of normalisation items and amortisation of customer contracts

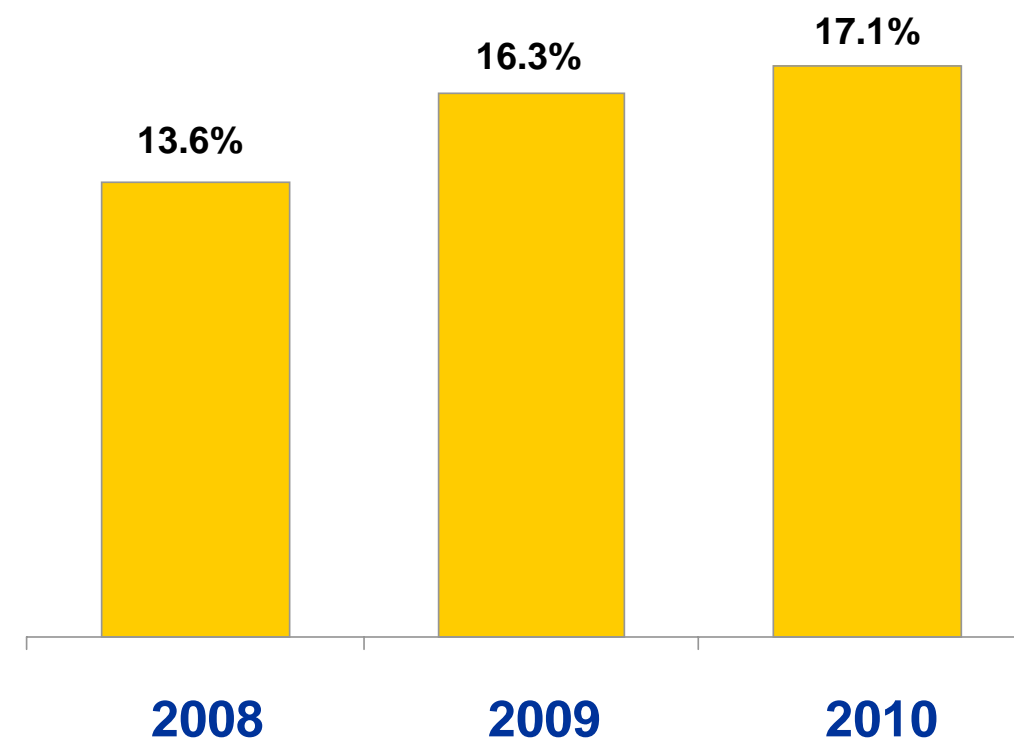
# Strong capital base and liquidity

- ▶ Tier 1 and total capital levels remain in excess of APRA and internal benchmarks
- ▶ Conservative liquidity position maintained during half to ensure smooth completion of recent acquisitions and recently buoyed by record post-GFC securitisation issue

**Capital adequacy**

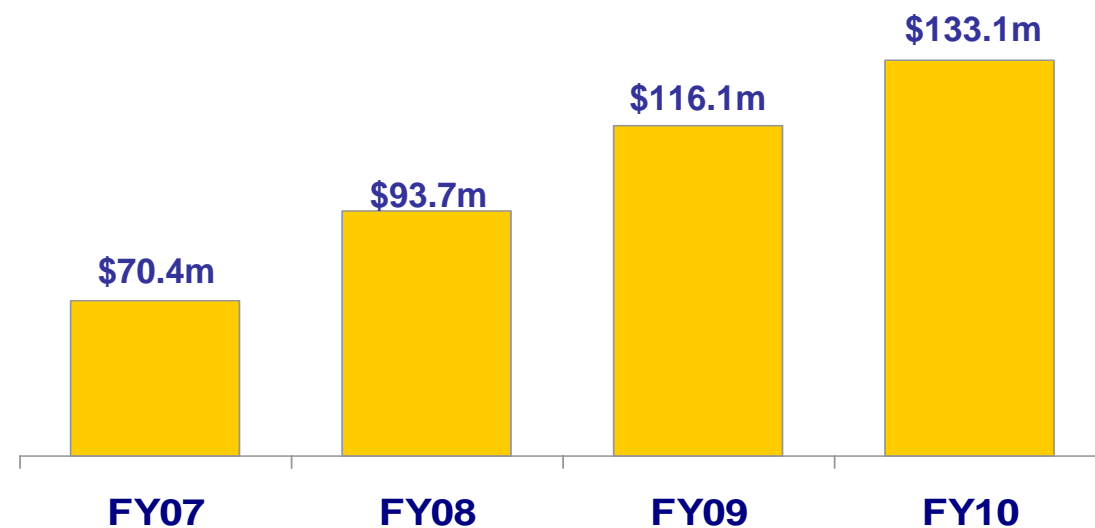


**Liquidity**



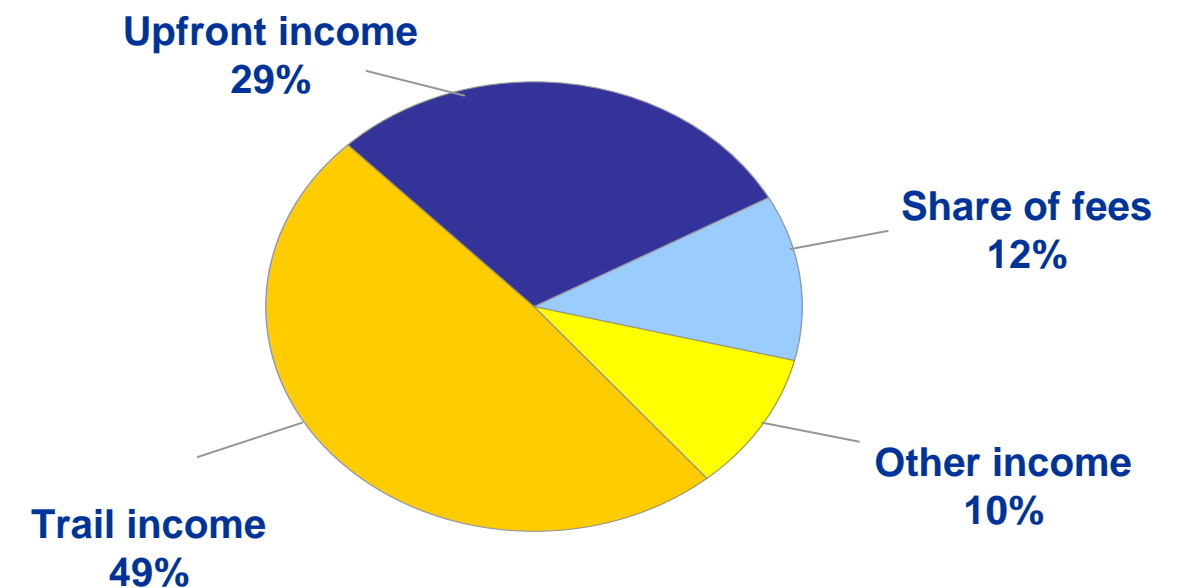
# Network continuing to grow

## Total OMB commissions



- ▶ Total OMB commission payments continue to increase
- ▶ Demonstrates resilience of model even as credit growth has slowed

## OMB income split FY10



- ▶ Majority OMB income comes from existing balance sheet with less reliance on upfronts
- ▶ Upfronts now making up less than 30% of total commissions



# CIT A&NZ and St Andrew's acquisitions

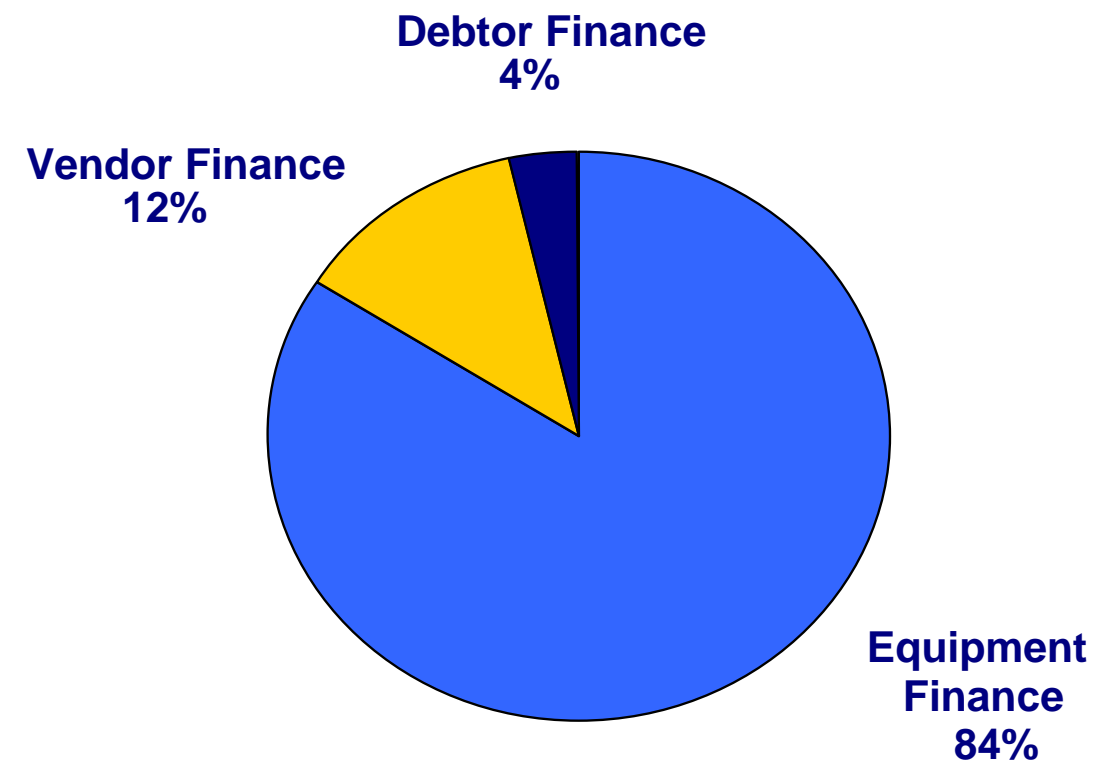
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- ▶ CIT Australia & New Zealand and St Andrew's acquisitions completed 30 June and 1 July respectively
- ▶ 100% of existing management team and 100% of key staff transitioned
- ▶ Business momentum maintained and enhanced through the purchase process
- ▶ Transition and integration projects underway - completion expected February 2011

# BOQ National Finance

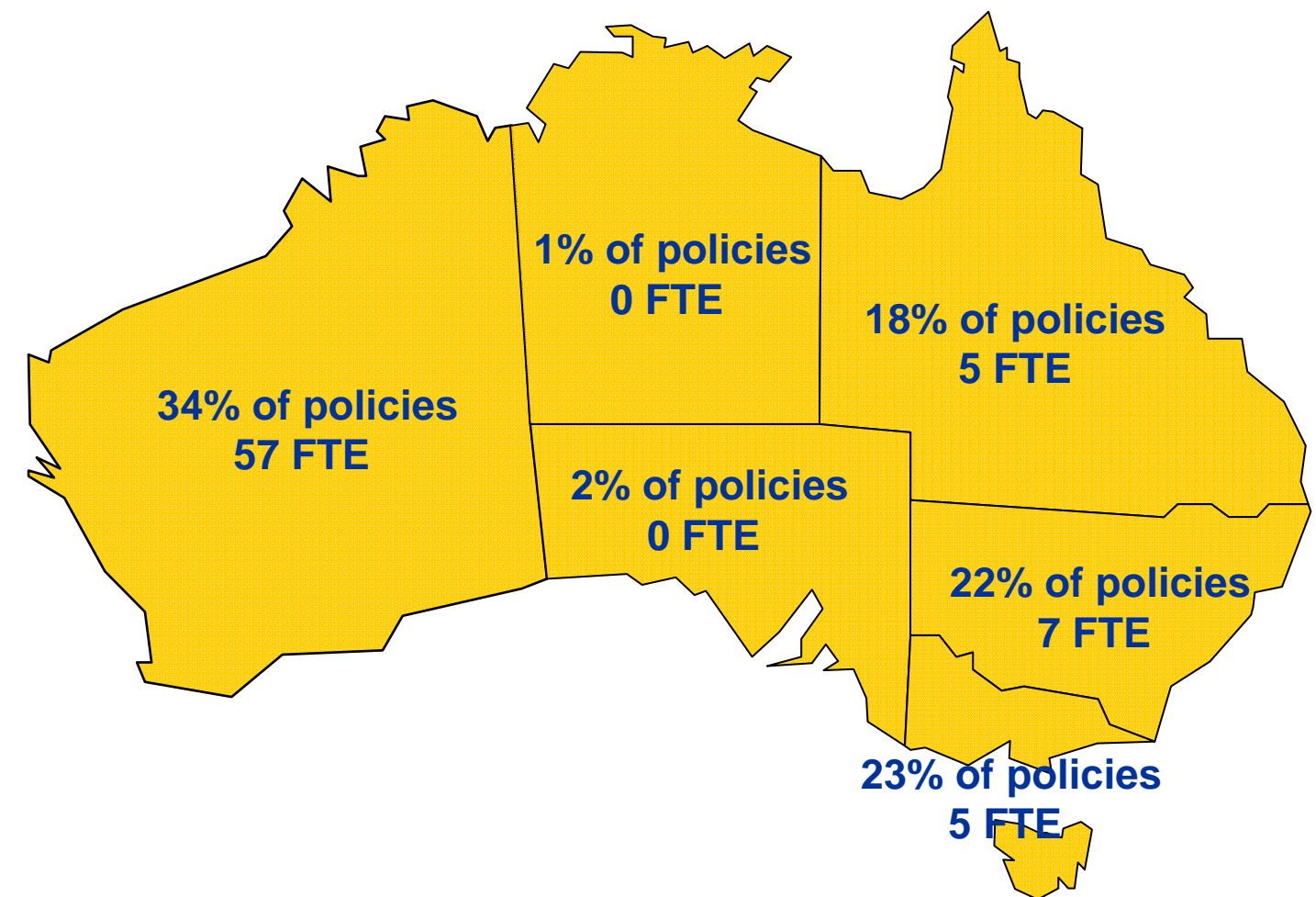
- ▶ Creation of a best in class finance company
- ▶ Responsible for ~\$3.9bn of assets including BOQ Equipment Finance and Debtor Finance
- ▶ Majority of customers have their primary banking relationship with a major
- ▶ Planning to enhance Motor Vehicle Finance proposition
- ▶ Targeting ROE in excess of 15%

## Loans Under Management by segment



# St Andrew's Insurance

- ▶ Life and general insurer underwriting personal lines focussed on consumer credit
- ▶ Capital-lite, high ROE business overcoming headwinds in banking non-interest income
- ▶ B2B distribution model through consumer finance organisations with national reach
- ▶ Core capabilities:
  - ▶ Speed to market and flexibility
  - ▶ Proactive sales management
  - ▶ Service proposition
  - ▶ Single integrated product admin system





# A more diversified business – operating 3 business lines



## Banking

### Customers

- ▶ Retail and SME

### Value proposition

- ▶ Your own personal bank
- ▶ Relationship based service model (ie. Owner Managers)



## National Finance

- ▶ Third parties and direct

- ▶ Best in class specialist financier



## Insurance

- ▶ Third parties and direct

- ▶ Your insurance partner through customised solutions, proactive sales management and service

# Group Executive team



**David Liddy**  
Managing Director &  
Chief Executive  
Officer



**Ram Kangatharan**  
Chief Operating  
Officer



**Ewan Cameron**  
Chief Financial  
Officer



**Darryl Newton**  
Chief Risk Officer



**Jim Stabback**  
Group Executive,  
IT and Operations



**Keith Rodwell**  
Group Executive,  
BOQ National  
Finance



**Renato Mazza**  
Group Executive,  
Insurance and CEO  
St Andrew's



# **New products and services**

*Mr David Liddy*



# Greater ATM access



- ▶ BOQ has formed an alliance with Cuscal Limited to allow BOQ customers to access rediATMs, one of the largest ATM networks in Australia
- ▶ Provides our customers with greater convenience and accessibility to ATMs
- ▶ Most importantly, our customers can also access the ATMs on this large network, as well as any BOQ branded ATMs, all free of direct charges

# Filling product suite gaps

## Self Managed Super Fund account



- ▶ High interest bearing investment account for customers with SMSFs
- ▶ An online savings product
- ▶ To be launched in first quarter of 2011

## Online share trading platform



- ▶ Online share trading service in partnership with CMC Markets Stockbroking
- ▶ Increase non-interest income, diversify revenue
- ▶ To be launched in first quarter of 2011

# The Save to Win Account



- ▶ New account which enables deposit-holders with a minimum balance to be automatically entered into a monthly prize draw
- ▶ 1% p.a. interest rate earned on deposits
- ▶ Aimed at people who want a novel way to save some spare cash
- ▶ Will help increase new customers



**Your chance to win!**

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# Shareholder benefits package

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Changes to our shareholder benefits package will be introduced and communicated in the first quarter of 2011:

- ▶ **Savings Accounts:** Increase on the bonus interest from 0.10% to 0.25% on any standard carded rate on BOQ Premier Investments between \$25,000 and \$250,000 (excludes specials)
- ▶ **Term Life Insurance:** Introducing a 20% discount on Term Life Insurance
- ▶ **Personal lending:** Maintaining the discounts of up to 0.70% on variable rate home loans and personal loans rates with no monthly fee, annual package fee or conversion fees





**Outlook**  
*Mr David Liddy*



# Challenges ahead

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- ▶ Margin pressure still present, but improving
- ▶ Funding costs still high; ongoing payment of Government Guarantee
- ▶ Significant regulatory and technology spend
- ▶ Slow economic conditions generally – Queensland specifically
- ▶ Uncertain landscape in terms of proposed banking changes and regulations

# Competition in banking

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- ▶ The competitive landscape has changed significantly post-GFC
- ▶ Without the ability to provide pricing competition, it is difficult for a banking participant to provide genuine competition to the major banks
- ▶ Prior to the GFC, securitisation was the “leveller”
  - ▶ Allowed an equal cost of funds for home loans
- ▶ Post-GFC, the securitisation market remains subdued
- ▶ The most effective and sustainable way to reinvigorate competition is to focus on reducing funding costs and re-establish a funding level playing field

# Prospects for FY11 and beyond

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- ▶ Acquisitions are expected to perform better than pro-forma
- ▶ Growth opportunities in our three business lines – total lending in the first two months of the year are above our FY11 guidance of 1.5 – 2x system
- ▶ Cost disciplines are holding
- ▶ Margins improving
- ▶ The suite of new products targeting customer growth and lower cost funding
- ▶ Further bolt-on acquisitions opportunities are emerging



# Outlook

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- ▶ **\$210m to \$230m** cash net profit after tax (normalised)
- ▶ **45%** cost-to-income ratio (excluding acquisitions)
- ▶ **1.5 to 2 times** higher lending and deposit growth (than the industry average)
- ▶ **10% to 20%** dividend growth