Start of Transcript

Jessica Smith: Good morning, everyone. Welcome to BOQ Group results presentation for the half year ended 28th of February 2025. My name is Jessica Smith and I'm the General Manager, Investor Relations and Corporate Affairs.

On behalf of the management team, I would like to acknowledge the Traditional Custodians of the land we are meeting on today, the Gadigal people of the Eora Nation. We pay our respects to elders past and present.

I'm joined in the room today by BOQ's Managing Director and Chief Executive Officer, Patrick Allaway, and our Chief Financial Officer, Racheal Kellaway, who will present the results. We are also joined by BOQ's executive team and Chair. Following the briefing, there will be an opportunity for questions. I will now hand over to Patrick.

Patrick Allaway: Thank you, Jess. Good morning everyone and thank you for joining our results presentation today.

This morning, I'm pleased to take you through the considerable progress our team has made in delivering on our strategy, meeting market commitments in the first half, and improving BOQ's performance. Before I get to the results, I wanted to step back for a moment and reflect on the industry operating environment over the past few years, our strategic response and the progress we're making in delivering on our transformation.

We're operating in an increasingly dynamic environment, driven by rapid technology advancement, changing consumer preferences, heightened competition and increased regulation. These structural shifts when combined with differences in capital treatments impacting smaller banks are necessitating bold decisions to fundamentally change the way we operate and allocate our capital.

As we make these decisions, we're carefully balancing competing trade-offs across our stakeholder groups. Our advantage as a smaller bank is that we can make decisions and move quickly with the outcomes having a more material impact on our performance.

We're transforming BOQ to a simpler specialist bank with a superior customer experience and enhanced shareholder returns. We're seeing considerable progress in improved customer experience, growth on the digital platform, simplification of benefits, and uplifting both our operational resilience and financial performance. We have high conviction in our strategy and it's rewarding to see these transformation benefits emerging from disciplined execution of what we said we would do, recognising we still have a way to go to achieve our future state.

With that said, we're pleased to have delivered after-tax cash and statutory earnings growth of 6 and 13% respectively against the prior comparative period, and a return on equity uplift of 40 basis points.

This performance in the current operating environment is validating our strategy to shift our portfolio and not grow where home lending returns are uneconomic, evidenced by a stable margin for a third consecutive half.

We continue to support our customers and communities, particularly as we redesign distribution of our products, support those facing financial difficulties, enhance scams and fraud prevention, and migrate customers to an uplifted experience on our digital platforms.

Our strong capital and liquidity metrics and asset quality support continued robust financial resilience and the ability to invest and grow. We're optimistic about building on this strong momentum into the second half and into FY26.

Turning now to slide nine on the progress we've made in delivering against our strategy in the first half and improved outcomes for our customers.

We continue to strengthen our operational resilience, completing more than 30% of our remedial action plans with independent assurance.

We've completed the conversion of 114 franchise owner-manager branches to a corporate run network, and consolidated 20 branches in predominantly metropolitan locations. We've decommissioned 22 systems, simplifying and reducing risk in our technology landscape.

We've delivered on our simplification, reducing complexity. We reduced expenses by 5% on the prior half while continuing to invest in technology transformation, business bankers, and regulatory change programmes.

As we continue to digitise over 140,000 ME deposit customers were migrated off legacy systems. We now have 41% of retail deposit customers and over $9 billion in deposits on the future state digital banking platform.

Finally, we accelerated the growth of quality commercial lending with an annualised growth of 10%. I will go into more detail in these milestones shortly, but what we're most proud of is the progress we've made in transforming the bank and delivering on these outcomes.

Turning to slide 10 for a summary of this half's financial performance. Highlights include improved cash earnings and statutory profit supported by stable revenues, lower expenses, and subdued loan impairment expense. It's pleasing to see all of our key financial metrics improve across ROE, EPS, CTI, and CET1.

The board has determined to pay an interim dividend of 18 cents, being a payout ratio of 65% and a yield of 5.4% based on the half-year share price. Racheal will provide more detail on the financial results shortly.

Moving to slide 11 for an overview of our now completed branch conversion. The decision to convert branches to a fully corporate run network, while difficult for owner managers, was necessary to align with our strategy, meet evolving customer preferences, and reduce our cost to serve.

I'd like to take a moment to recognise the tremendous work undertaken by all of our teams in supporting our customers and our people with this significant change. Achieving this conversion within six months is commendable.

We've now completed conversion of branches as planned. We had 34 branches converted in the first half and took the opportunity to consolidate 20 predominantly metropolitan branches. We were pleased to have the remaining 80 branches open their doors as corporate branches on the 1st of March with these branches now operating under a corporate ownership. Pleasingly, we welcomed over 570 new team members from the owner manager network providing continuity in the wonderful in-person service that our customers value.

This converted proprietary channel will provide considerable opportunity to grow our business bank in identified regional growth corridors, particularly in Queensland.

We're continuing to work with 63 former owner managers who are in dispute. This hasn't impacted our conversion nor will it impact our current future branch operations.

Turning to slide 12, our retail banking performance reflects our conscious decision to focus on transformation and return over growth.

As we reposition to a scalable low cost to serve digital bank, the pause in low returning broker originated loans on our legacy platforms through Virgin Money and BOQ brands resulted in further deliberate contraction of the mortgage portfolio. This was partially offset by mid-brand growth, which we prioritised as this lower acquisition cost and higher conversion channel supports interim profitability.

We've made strategic portfolio decisions resulting in underlying profit in the retail bank increasing 3%, against the prior comparative period. Retail bank margin was up one basis point on the half.

This financial year will represent the peak in our mortgage portfolio contraction. In the second half, we will commence originating mortgages with materially lower origination costs through the phased rollout of our digital mortgage and leveraging our commission-free converted proprietary branch channel.

Turning to slide 13 for an overview of the performance of the business bank. Commercial lending grew 10% on an annualised basis, driven by strong growth in our target specialist sectors across healthcare, owner-occupied commercial property, and agriculture.

Asset finance grew 1% with continued demand for novated leasing offset by seasonal slowdown in cash flow finance and other portfolios. We also had targeted 7% decline in the BOQS housing portfolio in line with our broader home lending strategy.

Total income was up 3% and cash earnings increased 20% against the prior comparative period. We've onboarded 22 bankers over the last nine months supporting our growth in this half. We're planning a further 30 to join through FY26. We're well positioned to grow above system, leveraging our new bankers and targeted branch network in growth corridors.

Our strategy for leveraging the branch conversion for business lending growth has seen early success with our first co-located banking centre launched late 2024 delivering strong growth. We're now replicating this model across two Queensland regions and we'll continue to expand on this.

In our finance company, we recently partnered with Trade Ledger to digitise our asset finance lending process. This will significantly improve our customer's time to decision and funding, creating an automated compliant-by-design scalable business model and will over time replace nine existing origination and reporting platforms and leverage our existing Microsoft strategic partnership.

Finally, on the business bank, I'm delighted with the appointment of Julian Russell as group executive business bank. Julian's finance and commercial background will bring a fresh perspective to optimising returns and serving our relationship customers in an increasingly competitive market. Julian will start on the 22nd of April.

Turning now to slide 14 on our purpose and values. We're proud to support the growth of 160,000 businesses, be the bank of choice to 210,000 home loan customers, and provide over 500,000 Australians with interest payments on their savings.

We recognise that many Australians are being impacted by cost of living pressures. We continue to support our customers whose budgets are challenged, encouraging customers experiencing financial difficulty to talk to us. We facilitated individual solutions for over 2,000 customers with their lending this half.

We continue to invest in technologies and uplifting awareness to protect our customers from increasingly sophisticated scams and fraud activity and have inbuilt biometric behavioural and facial recognition technology in the digital bank.

Our commitment to our community is long-standing. We have strong relationships with key community partners who provide invaluable assistance to vulnerable Australians and First Nations youth.

On uplifting our culture, as I've said before, we're striving for a step change in cultural performance, which underpins our group operational transformation. Pleasingly, our people experience score has held steady at 71% during a period of significant change, and again, we saw increases in risk measures of safe to speak up and people leadership.

Sustainability remains a priority across the organisation. We've contributed to consultation across the industry, and as a group one reporter we're preparing for mandatory climate related disclosures.

Turning to our strategic pillars now, slide 15 sets out the progress we've made on our two enterprise-wide programs, Program rQ and AML First, which are uplifting our risk practises and bolstering our anti-money laundering and counter-terrorism financing compliance.

In Program rQ, we've made solid progress having now completed one-third of the program. We've achieved material milestones for the group, reinforcing our target risk culture through the launch of our refreshed code of conduct, strengthened our governance and accountability practises, uplifted regulatory engagement, and redesigned key enterprise frameworks across risk management, strategic change, and capability.

In AML First, we've finalised our part A and part B program, uplifted financial crime operational capability, enhanced customer due diligence processes, uplifted risk assessment, and importantly, closed 21 deliverables.

Turning to slide 16, simplifying BOQ. We're reducing complexity to be more efficient, simplifying our operations, our ways of working, products, technology, supply chain, and processes. This is driving improved productivity for BOQ and the improved experience for our customers and people.

Our FY26 $250 million productivity program is well progressed and is on track for delivery in FY26. There are four key levers to this target.

Firstly, simplifying our operating model and distribution channels, which has been achieved through the consolidation of shared service activities, reducing the number of products we offer, reducing contractors, terminating our franchise model, and consolidating our branch network.

Secondly, moving to our future state technology stack, which is moving at pace. Having built the foundations of the digital bank, we are part way through migration, which will in turn allow significant decommissioning of legacy. Automated processes will drive material efficiency, scalability, system savings, and improve customer outcomes through FY26.

Thirdly, targeted reductions across property with a further 2,500 square metre reduction in health as floor space in the half. We've now reduced floor space by 17,000 square metres, materially reducing annual lease costs. And finally, we're taking action to reduce third party spend, eliminating non-essential activities, renegotiating and re-tendering material contracts, an example of which is our recent transfer of our telco service, providing cost, benefits and efficiencies.

Moving now to slide 17, digitising home lending. We've delivered significant digital milestones in the first half and are well on our way to achieving our ambition of all ME customers and products on one digital end-to-end platform and fully decommissioning ME legacy systems in FY26. This will provide a superior customer experience and a cost to serve far lower than today. The rollout of our phase one release of digital mortgages to staff, friends, and family was successful. This scenario testing has provided key insights, providing us with the confidence to move into phase market release in the second half of 2025.

The product this team has built is simple, straight through, compliant and data driven by design. Our digital mortgage is end-to-end and provides significant self-service functionality, allowing customers to manage their lending at their convenience. Our digital mortgage will materially simplify our processes, reducing 18 manual handoffs on our legacy platform to 3.

The digital mortgages leverages data with improved analytics and reporting. Importantly, a customer will have a materially faster decision on their lending application, have a much simpler prices to accept the loan, and once it's settled they'll have an intuitive and easy to manage facility. We're excited to start the phase release this month and we'll continue releasing features and tools throughout FY25 before delivering scale and cost-efficient growth and mortgages in FY26.

Moving now to slide 18, digitising deposits. The other key aspect of BOQ Group's digitisation is migrating customers off our legacy banking platforms. While the digital bank build has been an enormous success, we've approached migration in a considered and phased manner.

This half, 140,000 ME deposit customers were migrated from legacy to digital platforms. This equates to 235,000 unique accounts and over $1.5 billion in customer deposits. We are already starting to see the benefits with increased engagement and activity as customers move to the new digital platform.

Importantly, we were able to prevent a number of pain points that customers usually experience in migration with same account numbers, transaction history, payees and recurring payments migrating to the new platform, helping ensure a relatively smooth journey.

More customers now benefit from in and outbound real-time payments, personal financial management, and greater self-serve capabilities, a much improved experience with their daily banking needs.

This is an exciting time for the group. In the second half, we'll complete the remainder of ME deposit migration and commence home loan migration. Once we completed full ME migration, not only will ME customers have all of their loans, deposits, and savings accounts on one digital end-to-end bank, we'll be in a position in mid-FY26 to decommission and consolidate 40 technology platforms and vendors, making a material contribution to our simplification target.

Average app store ratings have improved to 4.5 with a considerably improved customer experience on the digital bank compared to 1.4 on our legacy platforms. This is delivering a stable source of funding for the group, attracting a younger demographic and experience that resonates with evolving customer preferences and crucially improved defence against scams and fraud.

Turning to slide 19, we are now optimising BOQ. We're executing against the planned productivity and revenue initiatives with a pathway to delivering our FY26 ROE and CTI targets. Our transformation has delivered a 40 basis point uplift in ROE as compared to our first half 2024, and material benefits will escalate into FY26.

These targets are being driven by an uplift to revenue, organisation-wide productivity, and simplification and optimising our balance sheet.

On revenue, we will further accelerate the growth of business lending through targeted segments, the strength of our asset finance company and particularly as we increase our focus on Queensland. The conversion of branches to a proprietary channel will provide a step-up in them of 12 basis points from the second half, and we're on track to exceed our expected 20 million cash and benefit from FY26.

On expenses, our $250 million productivity programme, as I've said is progressing well, having supported the 5% reduction in expenses this half. There will be material simplification benefits through the second half and into FY26 as we decommission legacy systems, continue to reduce our property footprint, and third party spend.

On the balance sheet, we will continue to optimise returns through growth and high returning assets, scaling lower cost digital deposits, and in FY26 scale, our lower cost to originate and serve digital mortgages. We're continuing to explore capital-like growth and initiatives to optimise the deployment of our capital.

All of these transformation initiatives are combining to deliver emerging benefits this year and improve financial performance into FY26.

I will now pass over to Racheal to talk you through the financials in more detail.

Racheal Kellaway: Thank you, Patrick, and good morning, everyone.

This is a result which highlights the disciplined execution of our strategy. We saw an improvement in both cash and statutory earnings on a half-on-half basis and against the prior comparative period.

For the half year ended 28 February 2025, we delivered $183 million of cash earnings, an increase of 6% on the prior comparative period with underlying profit up 1%.

Total income was stable and I'll talk through the drivers of this in a moment. We delivered on our cost target with strong cost discipline. Total expenses decreased 1% on the prior comparative period and decreased 5% half-on-half. Loan impairment expense reduced and remains low holding steady at one basis point against gross loans and advances. Statutory net profit after tax of $171 million was up 13% on the prior comparative period.

We remain confident that as announced in August last year, the cost of executing the branch strategy will be in the range of $115 to $125 million pre-tax and will amortise over approximately four years. Included in the first half result is $16 million relating to the branch strategy, which includes the first period of amortisation for the branches that converted in the first half.

Turning to the key elements of the result. The decisions we've made to adjust the composition of our balance sheet has stabilised income and margin in a period of intense industry competition. The decline in our lending assets has been driven by our consistent focus on recycling home lending capital to higher returning commercial lending where we saw 10% annualised growth in the half.

As total assets reduced, we optimised funding with a targeted reduction of term deposits resulting in an overall 1.6% contraction in the half in customer deposits and benefiting margin. These strategic decisions also allowed us to simplify our product offering aligned to the transformation roadmap.

Decisions to optimise the balance sheet resulted in a resilient margin at 1.57% against an industry backdrop where margins declined.

On the asset side, portfolio mix shift benefited margin by two basis points. This was offset by housing and business competition. Again on funding, optimising the mix of our funding sources benefited margin by two basis points. This was offset by a modest increase in funding costs, a large driver of which was the feeling the full six-month impact of the final repayment of the term funding facility midway through the last half. Finally, higher earnings on the replicating portfolio were offset by higher third-party costs.

Looking to the second half, all things being equal, we expect the underlying margin to be stable.

We are cautious on the margin outlook with increasing external uncertainty. However, there are a number of moving parts to consider. We will continue to see benefits from optimising our balance sheet with a decline in lower margin home lending and continued growth in business lending. Whilst we expect there to be a reduction in the cash rate, there is a high level of uncertainty over the extent and timing of this easing cycle and how the market will respond. We expect stable funding impacts with a low requirement for funding.

Continued benefits from the replicating portfolio hedge will likely be offset by the unhedged component feeling the impact of a reducing cash rate, and it is likely that liquidity and basis impacts will be a modest negative.

However, the headline margin will increase as a result of the branch strategy as we ceased paying commissions to owner managers resulting in an increase to net interest income. The corresponding assets already exist on our balance sheet and so we will see a step-up in NIM of 12 basis points relating to this element.

Turning now to operating expenses on slide 25. We have been disciplined on costs with the total expense base decreasing 5%, half-on-half. This was delivered through ongoing benefits from our simplification programme more than offsetting inflationary impacts. We saw cost increases in technology, risk and compliance, and have been investing in our frontline.

Each year, we experience some seasonality in spend, particularly in advertising and annual leave, which has benefited costs this half.

Looking to the second half, we expect persistent but moderating inflation and an increase in amortisation in line with the delivery of the technology transformation. Our frontline investment will continue as we invest in business bankers. We will have a six-month impact of branch costs as these branches have become a proprietary channel managed by BOQ Group and our simplification programme will continue to provide cost benefits.

All up, our cost guidance remains as flagged at the full year. We are targeting broadly flat total cost growth for full year 25.

We have been investing in the transforming the bank now over a number of years, ME Bank is being integrated successfully. The foundational build of the digital bank is materially complete. We have been strengthening our financial and operational resilience and made progress in simplifying the business with a sale of non-core assets, channel and product simplification, detailed reviews of suppliers and the cost base more broadly.

Given the delivery of these major projects, we have seen a planned reduction in investment spend. We have invested $80 million this half, a 41% decrease on the prior period. Investments made this period include continuing the progress of our digital mortgage and migrating ME deposit customers, enhancements in the business bank, ongoing activity to transition to the cloud, and investment in risk and compliance.

Total software intangibles increased 2% with growth in assets under construction slowing. As we approach the build broader digital mortgage rollout and increase the number of customers being migrated onto the new platform, we will see amortisation increase into the second half and through 2026.

Moving to the quality of the portfolio. Loan impairment expense continues to remain well below long run averages at $3 million for the half or one basis point to GLA. We continue to benefit from a well diversified and highly secured portfolio with improved valuations. However, we expect portfolios to return to normalise loss rates over time.

Specific provisioning levels decreased driven by the improvement of one large commercial customer. Collective provisioning remains stable with no change to scenario weights and no material change to key assumptions relating to the economic outlook.

We have prudently maintained a 45% weighting in our forward-looking models to downside or severe downside economic outcomes.

Cost of living pressures and higher interest rates continue to impact the economy. However, 90-day housing arrears have remained relatively stable over the period. Commercial arrears have improved and asset finance has increased to a more normalised level. Impaired assets have reduced and we aren't currently experiencing arrears converting into higher actual losses.

Turning to funding and liquidity where we have maintained strong and disciplined settings, we ended the period with a spot NSFR of 123% and LCR of 135%.

With a strong liquidity position, we are focused on balancing resilience in uncertain times with ongoing optimisation. Our overall funding and the mix of funding continues to reflect decisions on disciplined asset growth and alignment to our transformation roadmap.

Customer deposits decreased primarily through our term deposit portfolio and we saw pleasing growth in our new platforms in savings and transaction accounts. This included 55% growth of customers on the digital bank driven by the first phase of ME migration. This provides us with a more stable and diverse funding.

Our deposit funding as a percentage of total funding continues to increase and now sits at 72%. Our deposit to loan ratio is 83%.

Our CET1 ratio increased 21 basis points to 10.87%, above our management target range. This is in preparation for the second half impact of the branch strategy which occurred just post reporting date and which will bring capital back into target range.

Earnings contributed 46 basis points to capital in this half and we returned 28 basis points of capital back to our shareholders in the form of a fully franked dividend.

The impact of RWAs benefited capital by eight basis points, this includes a seven basis point benefit largely driven by lower home lending balances more than offsetting the capital consumption of higher business lending. In addition, we had a seven basis point benefit from lower deferred acquisition costs. And partly offsetting this, we saw a six basis point decline in capital from lower securitised assets.

Investments consumed three basis points and movements in other included a six basis point impact from early branch conversions, which occurred late in the first half. This was partially offset by the full and final release of the indemnity held relating to the 2021 sale of St. Andrews and the sale of a small equity position in a non-core asset.

The Board have declared an interim dividend of 18 cents, representing 65.1% cash earnings paid back to our shareholders. No discount will be applied to the dividend reinvestment plan, and we plan to satisfy this through the on-market purchase of shares.

We maintain our target capital range at 10.25 to 10.75% with a dividend payout target range of 60 to 75% of cash earnings.

We are entering the second half with resilient financial settings and in a strengthened financial position. This is prudent given current volatility.

Our focus remains on consistently exercising discipline in how and where we grow, optimising how we fund the business and in managing our costs including where we choose to invest.

We are committed to the ongoing improvement of shareholder returns in a sustainable way for the long term. I'll now hand back to Patrick to provide a summary and outlook.

Patrick Allaway: Thank you, Racheal. Before I talk to the outlook, I want to reiterate that BOQ is well progressed through its ambitious transformation.

We're starting to see real benefits from the decisions we've made from both an operational and financial perspective. We're delivering on what we said we would do and have accomplished a great deal.

Racheal has provided an overview of our second half outlook for net interest margin and expenses. We have a clear pathway to achieve our FY26 ROE and CTI targets.

We recognise the highly unpredictable macroeconomic environment is making it increasingly difficult to forecast outcomes. Our outlook statements and targets are subject to a set of economic assumptions that may be impacted by global economic shocks and slower than anticipated economic growth.

We enter this more volatile period with a resilient Australian economy and financial system supported by strong employment, government spending, and anticipated rate cuts.

BOQ is well positioned to manage through this increasingly uncertain period with a quality portfolio of well-secured assets, strong capital, and liquidity buffers, and prudent risk settings.

We retain high conviction in our strategy to transform to a simpler specialist bank and we'll continue to manage what we can control, focusing on disciplined execution against our strategic pillars to strengthen, simplify, digitise, and optimise our performance. We're carefully balancing multiple priorities to support the sustainable growth of BOQ Group.

Our future state is centred on digital retail banking, serving customers quickly and simply with strong relationships and target specialist business segments and a deep connection to Queensland.

Irrespective of the uncertain economic backdrop, we are confident in the steps we're taking to deliver a stronger, better bank for all our stakeholders.

I would like to take this opportunity to commend the whole BOQ team for their resilience and discipline execution of our transformation.

On a personal note, and in response to recent speculation, I've agreed with the Board to see the organisation through at least to the delivery of our full year 2026 results.

This is a really exciting time to be at BOQ and it's an honour to serve as its CEO. Together with an exceptional management team, I look forward to continuing on the strong progress we've made in our transformation. We've navigated some real challenges and have taken decisive action to improve our customer experience and the group's performance. It's really pleasing to see benefits starting to emerge from the strategy while recognising we have more to do.

Thank you again for joining this morning and I'll now pass to Jess for questions. Thank you.

Jessica Smith: Thank you, Patrick. We will now move to questions. To ensure all participants have an opportunity to ask questions, please limit to two each. Operator, can we please have the first question?

Operator: Our first question today comes from John Storey from UBS. John, please go ahead after the beep.

John Storey, UBS: [inaudible]

Patrick Allaway: John, sorry. I'm going to stop you, John. We just got a very garbled voice there. Could you just try and start again? Apologies for that.

Operator: It does look like we have a technical issue with John's connection. I'm going to move on to the next question and try and come back to John later. Our next question comes from Andrew Triggs from J.P. Morgan. Andrew, please go ahead after the beep.

Andrew Triggs, JP Morgan: Morning. Thank you. Patrick, can you hear me okay?

Patrick Allaway: Can hear you really well, Andrew. Thank you.

Andrew Triggs, JP Morgan: Excellent. Okay, thanks, Patrick. First question, I think in the slide, you say you have a clear path to the FY26 ROE target of 8%. Still struggling to see how you do get there given that the ROE for the first half was 6.2 on what was a negligible loan impairment expense, and if you read between the lines of the guidance around margins and mortgage book runoff, assume there won't be much, if any, revenue growth into the second half.

So, I guess what are we all missing on that? I think you previously said that does assume a loan impairment expense which is well below to historical level, but in the slides you also say you do expect loan impairment expense to rise, so just squaring all those things up please.

Patrick Allaway: Yeah, thanks. Thanks, Andrew. So, look, there's a combination of factors that are supporting our pathway. One is productivity, so you are seeing the escalation of the productivity benefits, which will continue to accelerate in FY26 with the material benefits coming through in FY26.

I'll comment on the revenue side because that's an important side of BOQ returning to growth and returning our revenue growth. But we are also focused on capital management initiatives as well and growing more capital light revenue.

But I've spoken about productivity in the presentation, so I probably won't go into that, but what I think you should expect is we are being very disciplined on our expense management and our productivity. Racheal's given an outlook as to where we're going to land for the full year and you should see escalating benefits coming into FY26.

On the revenue side, there's a couple of big uplifts and revenues that will come through. So first and foremost, Racheal mentioned that we are going to get a NIM uplift from the conversion of the branch network. We're no longer paying commissions into that network. We're going to get a 12 basis point margin uplift starting from March into and through from March into the second half, but also into FY26.

I think the other piece to that book is that the proprietary channel now enables us to grow at a much lower cost to serve. We're taking a very targeted approach with that converted channel, particularly in growth corridors in Queensland. I did speak to the success we've had with a co-located branch, which we trialled at the end of last year where we've put business bankers with our retail bankers. This gives us the opportunity, and as we've said, we're growing the number of business bankers to locate bankers in our branch channel in growth corridors to really grow in target segments.

We've got a real competitive strength in Queensland. We've got that 150-year foundational history and we are very confident that we will continue to accelerate the growth of the business bank above system. Clearly, with the economic outlook, we can't forecast what system's going to do, but we're confident with the strategy that we've got that we will grow above system and with all things being equal, we will materially accelerate the growth of the business bank. So I think that's the second piece.

I think the third piece is really around the mortgage portfolio. What we have said to you is that we anticipate peak mortgage contraction. We have now completed the pilot of our digital mortgage and we'll start to phase the growth of that new channel, which is a lower cost to serve channel. At current rates, we will be able to write mortgages above our cost of capital, both through digital mortgages and our proprietary branch channel, and so you should expect us to continue to phase the recovery of our mortgage portfolio and return that portfolio to growth.

So that's another piece. Look, I think the other aspects that you really just should not underestimate is the scale of the transformation that we're delivering on. There are a number of moving parts of this, but they're all coming together very well.

You're seeing the early benefits of that start to come through in our results, but you will see an acceleration into FY26. We do see the opportunity to scale transaction and savings accounts on our new digital platform as well, which will support margin.

So, there are combinations of initiatives that give us confidence that we've got a clear pathway, but clearly that's very qualified by the very unpredictable economic environment that we're in. We've based that outlook on economic scenarios that we currently have in our models, but if they change clearly, it will be difficult to achieve where we are. But we've had a good uplift in ROE from last year and we've got good momentum into FY26.

Andrew Triggs, JP Morgan: Thanks, Patrick. And it's an interrelated question, but the CET1 ratio looks a little tight back into the top end of the range I guess when you factor in the branch conversion impact. Just your thoughts around, I mean you reference both business lending growth above system and a recovery in housing volumes, but you do have quite a high payout ratio for your current ROE, so just managing that. I mean, are you just happy to use the DRP in future in order to drive that revenue growth that you need to achieve those targets?

Patrick Allaway: I'll get Rach to respond to that.

Racheal Kellaway: Sure. So I mean look, we are ending the period with a CET1 ratio, as I said, above the top end of the range. Once the 15 basis points of branch conversion comes in, we're still sitting quite high in terms of that range. The mix of balance sheet impacting the RWA number within that capital stack has actually generated some capital.

So, we've actually run off home lending faster than growing business lending in that period, which means we are actually really well positioned to grow and accelerate business lending as Patrick mentioned. So very happy with the target capital range around capital and very happy with the payout ratio that we have for dividend as well.

Andrew Triggs: Thanks, Racheal. Thanks, Patrick.

Operator: Thank you. Our next question today comes from Tom Strong from Citi. Tom, please go ahead after the beep.

Tom Strong, Citi: Oh, good morning and thanks for taking my questions. Firstly, just want to follow on the previous question just around the revenue outlook. I mean, if I look at your economic forecast, looks like you're assuming in the base case about two rate cuts from here. Is that what you've got factored into your ROE ambitions into 26?

Patrick Allaway: So Tom, we don't provide an outlook on rate cuts and specifics on our forecasts. We've been bold enough to say that we anticipate underlying margin to be stable and expenses to be broadly flat in the second half. Obviously, I've outlined to Andrew a number of the initiatives that we're progressing, but we're not going to give specifics on outlook.

Tom Strong: Okay, that's fair. And just the second question then, just around the business banking side, if we look over the last four halves, I mean you've had a solid turnaround to growth on the asset side, but we've seen the deposit funding contract from 10.7 billion down to 10.1. I mean, how should we think about growing the funding side of the business going forward to support that run rate of 10% year-on-year?

Patrick Allaway: Thanks for that question, Tom. So look, there's two considerations. One is that we have not required the funding in the first half, so it has enabled us to optimise our funding and for higher cost term deposits to run off, as Racheal said, through the presentation.

The retail bank is an important funding arm for the business bank at the moment. We recognise that the business bank is supported through retail funding. A huge opportunity for us as we invest in technology to support our business bank customers and payments platforms in the business bank is to really grow funding through the business bank as well. That's an opportunity. We're certainly not there yet, but we're comfortable with the balance we've got through both our retail funding and household funding.

Tom Strong, Citi: Yep. Thanks very much.

Operator: We have John Storey back from UBS. John, please go ahead.

John Storey, UBS: Thanks, Patrick. Hopefully, you guys can hear me now.

Patrick Allaway: Can hear you well, thanks.

John Storey, UBS: Fantastic. Congrats on a good set of results too. Just wanted to ask you just on the margin guidance that you provided, that 12 basis points, obviously the 12 basis points I would assume basically takes into consideration that all the OMBs actually convert all the 114 branches. Maybe if you could just give us a little bit of a sense in terms of how we should think about it if they don't, if not all the OMBs convert, how would we pro-rata that 12 basis points? That's the first question I have.

Patrick Allaway: Thanks, John. So look, all OMBs have converted, so effective 1st of March, we've converted all 114 branches, and so we're now operating all of our branches under a corporate network.

John Storey, UBS: Okay. So, there's no risk around litigation or anything like that, any of the articles that we've seen over the last few days? So, the 12 basis points are effectively locked in, right?

Patrick Allaway: That's correct. I might just comment on the speculation in the media. So, we did disclose at the AGM that we're in dispute with 63 previous owner managers, that's still the case. As Racheal said, the previously disclosed estimate of the cost of conversion of $115 to $125 million is unchanged.

We've got strong contingency in that for legal fees, but also for reasonable requests on specific matters that owner managers might require over and above their entitlements. I also just wanted to be clear on something because the article referenced us buying businesses. This conversion is not buying owner manager businesses. We've terminated the franchise agreement. There's a very clear clause in the franchise agreement entitling us to terminate, and there's a very clear unambiguous termination payment which we have paid. So it's been paid to all of the owner managers and we're moving forward as business as usual.

John Storey, UBS: Okay, that's very helpful, thanks. And then just on my second question, just on business banking, you go and have a look at bottom line growth is obviously incredibly strong, but actually if you go and have a look at some of the underlying revenue trends, it's definitely a decline in margins sequentially that's starting to come through.

So maybe if you could just provide a little bit of context on which levers BOQ is effectively using to drive growth. Is it a function of price or risk appetite? And then just maybe a link to that, which sectors in particular are you going after?

Patrick Allaway: Thanks, John. So, look, first of all, acknowledging it's a highly competitive market. Many of our peers are seeing business banking as an attractive place to generate higher returns. So, we're not on our own in that strategy, but we have said that we're going to specialise in sectors where we've got a competitive advantage, where we've got deep industry knowledge and capability, and we're bringing bankers in with that capability as well.

Those three sectors just to come back, the three core sectors we're focused on to come back to your question is healthcare. We've got a really, really strong business in healthcare and we feel that we can grow that business and hold margin because we have deep knowledge that's of high value to our customers and bankers who have strong capability in that sector, both across supporting businesses, but also through our asset finance business with obviously the technical capability of the equipment that those businesses require.

The other sector that we're in is agriculture. We are very specialised in beef and cotton, and the third one is really a diversified commercial portfolio but it's owner-occupied. So we've got really strong capabilities in those sectors. We're operating in a smaller sweet spot where we think it's less competitive. So that's $1 million to $25 million loan space. As you've seen in the first half, we have accelerated growth. We are feeling comfortable that we can defend and grow in those sectors. Yes, it's competitive, but we feel that the value proposition that we provide our customers will enable us to retain stable margin.

John Storey, UBS: Thank you, Patrick.

Operator: Our next question comes from Jeff Cai from Jarden. Jeff, please go ahead after the beep.

Jeff Cai, Jarden: Good morning. Thanks for taking my question. Another question on business lending. Can you talk a little bit about the source of growth for this part? How much of that is driven by commercial property, and then looking forward in a new flag that you want to materialise, accelerate growth in this segment, does that suggest that we should expect volume growth to be at least 10% for the next 18 months? Thank you.

Patrick Allaway: Thanks for that, Jeff. So first of all, the strongest growth segment sector for us has been healthcare as you would expect, and it's very diversified, so it's not dependent on one-off large deals. The average size of deals is around about $10 million, so strong growth in that sector. In terms of commercial property, as you would've seen in our book last year, we actually stepped back from the larger commercial property sector given the outlook for asset prices and where commercial property was. We are seeing growth in our diversified owner-occupied commercial property growth, but again, they're not large deals, so we're not taking increased concentration risk. We're not relying on large, one-off large commercial property deals to drive growth. Your second question, sorry, what was your second question?

Jeff Cai, Jarden: In terms of your flag material acceleration and growth, just interested in your view, does that mean acceleration from the 10% or more of a continuation of that volume growth that we saw for this half?

Patrick Allaway: So, Jeff, look, all things being equal, we think we can accelerate growth. Clearly, we're in a very unpredictable environment where it's very dependent on economic growth and system growth. So a lot will depend on what happens with system growth, but assuming current system growth, you should expect us to accelerate our growth from the first half.

As we've said, we bought on 22 bankers over the last nine months. It really takes about six months for those bankers to be productive. We've seen great results from those. We plan to bring on another 30 through the second half into FY26, and so you should expect that we will grow above system and all things being equal accelerate growth. Cyclically, also, you will see the finance company as it does cyclically in the second half, improve growth. And as we've said, we're looking to scale that business through automated technology that we're implementing through the second half as well. So you should expect the finance company to scale further into next year as well.

Jeff Cai, Jarden: Got it. Great. And then, a question on costs, lots of positive progress on cost management and seemingly some of the projects tracking above expectations. Is the target still for FY26 total costs to be broadly flat to 23, and to what extent can that be a little bit better?

Patrick Allaway: So that is the target. We did say with the branch conversion, so when we made that call, we hadn't made the decision on the branch conversion. So yes, you are correct that we would expect cost to be broadly flat with FY23. There are two changes to that. One as we last year out of the further $50 million productivity initiative to the $200 million target, but also we've converted the branches and are taking on a cost base. So you should expect a slightly uplift, small uplift from what we'd previously said because the cost of bringing on the branches is more than the productivity initiative we spoke to. Racheal, do you want to add anything to that?

Jeff Cai, Jarden: Got it, thank you.

Operator: Our next question comes from Richard Wiles from Morgan Stanley. Richard, please go ahead after the beep.

Richard Wiles, Morgan Stanley: Good morning, Patrick and Racheal. Just like to ask about the loan loss composition. In the 4D on page 16, you show that retail lending had a charge that increased from $5 million to $12 million. The asset finance charge went from $2 to $15 million, and that increase in those two categories was masked by the $24 million write-off in commercial lending. Can you explain why there was a spike in both retail and asset finance? Seems pretty surprising given credit quality is reportedly so sound in your portfolio and across Australia generally.

Racheal Kellaway: I might take that one. So look, as you said, there's a couple of offsetting factors within the broader portfolio. So from a housing perspective, that number gets us to four basis points to the housing portfolio, which is we consider to be a reasonable long-term average. We do have arrears in housing tracking at what you would consider to be a long-run average. And so, I think that is explainable. I mean, we did see some house price movements around future economic assumptions as well, which are outlined in the investor pack, not material, but still a factor.

Asset finance, again tracking to what we would consider to be the long-term average. The increase in arrears in asset finance from 75 basis points to 93 basis points in the half represents about $12 million. So again, given the size of that portfolio, I think from our perspective we see that as a reasonable place to be.

The offset was commercial lending and that related to one large customer. As I said when I was explaining the result, we do not expect that to be a repeat and we would expect commercial lending loan and payment expense to normalise into the second half again.

Richard Wiles, Morgan Stanley: So Racheal, if I interpret that correctly, retail lending at 12 million and a half an asset finance 15 million and a half long-run averages, commercial lending clearly isn't going to continue at minus 24. I mean, even if it's zero, you are telling us the retail lending and asset finance combined should give an annual charge of about $60 million. Is that correct?

Racheal Kellaway: I think that’s a reasonable place.

Richard Wiles, Morgan Stanley: $30 million and a half from those two businesses?

Racheal Kellaway: Yeah, look, I think that's a reasonable place to land. I mean, the one thing I would say is just generally we are sitting with a really strong provision coverage ratio. So we're at 39 basis points on collective provision. We've got still significant weightings to downside and severe downside scenarios at 45% combining those two scenarios. And so, depending on where you think the cycle's going to go, that estimate that you gave could move up and down as you would expect, but I think that's a reasonable place to land.

Richard Wiles, Morgan Stanley: And what do you think, I'm not asking you for an outlook comment, but in terms of historical trends, what's commercial lending, 40 bps, 50 bps?

Racheal Kellaway: No, no. I mean, it's probably closer to about 20 basis points to GLA as a long-run average. We've got a really well-secured portfolio, only 13% unsecured lending in that portfolio. Patrick outlines the industries that we are growing in. Some of those have quite defensive industries, strong asset valuations that sit in that portfolio. So it is still a really sound credit quality that's in that portfolio.

Richard Wiles, Morgan Stanley: And if I could just ask quickly on business bankers, are you hiring them from other banks or are you upscaling and training individuals who were previously not business bankers but are moving into a new role?

Patrick Allaway: Thanks, Richard. We're hiring them from other banks. Look, it's an exciting time to be at BOQ. We are finding that we can attract real quality bankers because our strategy is resonating well with them. And in the specialist sectors that we're focused in, we're getting really good quality bankers.

Richard Wiles, Morgan Stanley: Okay, thank you.

Operator: We’re going to return to Jonathon Mott from Barrenjoey. Jonathan, please go ahead after the beep.

Jonathon Mott, Barrenjoey: I'm just checking. You can hear me this time, Patrick?

Patrick Allaway: We can hear you really well, John. Thanks for coming back.

Jonathan Mott, Barrenjoey: Great. Yeah, sorry, apologies. I asked the first question, then the line cut off. Did you get that or should I re-ask that?

Patrick Allaway: No, we didn't. We cut you off purposely, John. No, we didn't get the question at all.

Jonathan Mott, Barrenjoey: Not a problem.

Patrick Allaway: Just start again.

Jonathan Mott, Barrenjoey: Okay. Well, I apologise if this is being asked because I was off for a bit, but with the relationship with the owner managers at the moment or former owner managers isn’t great and you’d have to expect that a lot of them are now going to be competitors of BOQ, either as brokers or bankers with other organisations.

So I wanted to get a feel not just for the mortgage book, but also for the deposit book. What runoff assumptions are you assuming from those former owner managed branch books, and because obviously they're assuming that the mortgage books' going to start growing again. And the digital product, what are you assuming for the runoff versus the growth of the new product?

Patrick Allaway: So John, we have, in our planning, expected some runoff from the conversion. It's too early today to assess. The deposit book has been relatively stable. So we're not seeing anything that suggests any change to the deposit book. Clearly, some of these owner managers may end up as brokers. So certainly on the asset side of the book, we have anticipated some runoff, but pleasingly we brought on 570 employees from the network. They have really strong relationships with our existing customer base. The transition has been very smooth. We have reached out to all of our business customers and its business as usual from that perspective.

So whilst there's some risk, we are really excited about the proprietary channel that we've got and the growth that this provides us. But most importantly, it provides us with a growth channel where we can actually get a return above our cost of capital, but also we can align it where we want to grow in our target specialist sectors, particularly in Queensland. And so, our sense is that the customer experience is strong. We've had good continuity in employees that were part of the network that have joined us and we've had a very smooth transition.

Jonathon Mott, Barrenjoey: And if I can ask a second question, just following on from Richard Wiles' question earlier on, as you grow the business book, especially of small businesses, you have to start putting aside a larger collective provision given the growth. So I wanted to get a feel for your expectation of the collective CP growth in the business bank as you rapidly expand this. Is that going to lead to a higher budget charge or payment charge over next year halves just from the mixed change in the growth in the small business book?

Patrick Allaway: So a couple of things, John. As Racheal said, our business lending is largely secured, so it's close to 90% of the book is secured. And so, whilst we are lending to smaller businesses, we are feeling really comfortable with the asset backing and the strength of the assets behind those. Most of these assets are owner-occupied, so we don't have risk to basically the larger commercial lending with large tenants that others might have to.

There's no question that business lending is a higher sector than home lending. But if you look at our portfolio today, we've still got the highest weighting of all of our peers in home lending. It's around about 77% of our portfolio. And this shift that you're seeing is not a material shift, but we think the weighting is appropriate and we think our risk settings are appropriate to manage through that. As Racheal said, from a provision perspective, we are well covered and we're feeling like where we are today and with the growth prospects we have, we've got a quality book, which is well positioned to grow.

Jonathon Mott, Barrenjoey: Thank you.

Operator: Our next question comes from Matthew Dunger from Bank of America. Matthew, please go ahead after the beep.

Matthew Dunger, BofA: Yes, thank you for taking my question. I wondered if I could follow up on the strong growth that you delivered as promised in the commercial division. And just wondering, with business confidence taking a bit of a recent hit on the tariff news, particularly given those healthcare, agri, and commercial real estate sectors you're growing in, what impact are you expecting on growth within those channels? Are you seeing any slowdown in demand for credit?

Patrick Allaway: Look, we haven't seen any slowdown to date. In fact, our pipeline is the strongest it's been and looks really, really strong. But clearly, as I've said earlier, we're going into a very unpredictable environment. Now, that may impact investment decisions, people might defer just until we get some more certainty. So it certainly could be the case that system growth will slow, but what we've said is that we will grow above system. The real question is what's the pace of credit growth in the economy? And I don't think anyone can forecast that today given the unpredictable outlook. But we're going to really focus on what we can control and delivering great outcomes for our customers and continue to grow where we can grow.

Matthew Dunger, BofA: Great, thank you very much. And if I could just follow up on your CET1, the impact from the owner manager branch conversions. You previously said 30 basis point impact. You're calling out 6 basis points in the first half, 15 in the second. What am I missing, is there more to come in FY26?

Racheal Kellaway: No, so you're absolutely right, but there is also not any more to come. So we initially said 30 basis points. If you take a day one impact, it actually is 28 basis points. The 30 was based on some assumptions when we had announced the original conversion. So what we know today is that the impact will be 28 basis points up front, but actually what's already happening is that that is unwinding and there's some treatment of the deferred tax liability that is also bringing down the impact that you'll see within the CET1 walk period on period. So we will see, we have seen 6 basis points in the first half. We will see 15 basis points in the second half and that will be it.

Matthew Dunger, BofA: Excellent, thank you.

Operator: Our next question comes from Carlos Cacho from Macquarie. Carlos, please go ahead after the beep.

Carlos Cacho, Macquarie: Thank you very much for the chance to ask a question. I was wondering if you'd give us any colour around how you are seeing the Virgin Money mortgage book and BOQ specialist mortgage books progress since you made the decision to not pass on the rate cut there. Have you started to see an accelerated amortisation or sorry, accelerated attrition in those books?

Patrick Allaway: Thanks, Carlos. Look, it's too early. We haven't seen any material change. I mean, as we have said, we've made a conscious decision to recycle low returning capital to support our lending and returning business segments. So those books have been in decline through the half. We did withdraw from the broker channel in VMA as well. That's been a conscious decision. So we have realigned those rates to market rates so they're not significantly out of market. Those customers were getting a discount to market rates previously. And as we think about the sustainability of BOQ, we've carefully balanced trade-offs and we think where we've landed is right position, but we're not seeing any material change to date from the trend that we've seen. But I would say it's obviously early days.

Carlos Cacho, Macquarie: Right. Thank you. And just secondly, it’d be great to hear your thoughts on the investment outlook, you've obviously, you're at the tail end of a significant period of investment, but as you noted at the beginning, we're in a pretty dynamic environment with rapid technological advancement. So just wondering how sustainable is the reduction in investment we're seeing this year and does that potentially increase again down the line to keep up with that rapid technological advancement?

Patrick Allaway: Look, I think you would expect that we said last year that the foundational build of the digital bank is largely complete. So with the digital platform being built and with digital mortgages now starting a phased rollout, that's been a significant part of the technology investment. So a natural progression of that, you would expect that we will see investment come down.

So this has not been a conscious decision to lower our investment. It's more that we have invested very heavily over the last three years in particular and it's coming down from abnormally high levels. We're still not back at the normalised investment level.

We still continue to invest in important technology aspects for the bank, but I think it's at appropriate levels where we are today reflecting the considerable progress we've made in delivering the technology transformation. But clearly, technology will continue to advance. There's no question about that. We've delivered a product in market that we think is not just caught us up, but actually taken us ahead with an end-to-end digital solution for our customers and we will continue to ensure that we invest in technology and don't repeat the mistakes from years ago where we let our legacy systems support customers for too long. So we're excited about the great customer experience that they're seeing on this new digital platform. We will continue to invest in technology but not at the scale that we've invested previously.

Racheal Kellaway: It's probably worth just a reminder that in the period as well, we had the very high costs relating to the ME integration, so what you would described as one cost, and then we also had included in that peak the cost of the court enforceable undertakings so that the programmes that we've got supporting the uplifts required. So that also contributed to the peak. And then, Patrick outlined the more normalised level that we're at now. We will always, of course, look for opportunity to invest where we see value though.

Carlos Cacho, Macquarie: Thank you.

Operator: Our next question comes from Ed Henning from CLSA. Ed, please go ahead after the beep. Ed, you're live. Please go ahead.

Ed Henning, CLSA: Sorry, can you hear me now?

Patrick Allaway: We can, Ed. Not sure what's happening there, but we can hear you very clearly now.

Ed Henning, CLSA: Okay, thank you. Just following on from the last question on the investment spend to start with, just to clarify, did you say the 25 investment spend is now back at normal levels or will that reduce going forward?

Patrick Allaway: So I think you should expect that is normal levels, we're in continuous transformation now. Technology is advancing strongly. I think you should expect that to stabilise for a period. We've talked about a number of investments that we're making. Also, there's a very large number of new legislative regulatory requirements that have come through that require investment as well. So I think you should anticipate into FY26 that it'll stabilise, but possibly it could come off in future years.

Racheal Kellaway: I mean, the other thing just to think about is we are actually investing in, for example, growing the front line. That sits in the operating expense line as opposed to the slide 26 that I suspect you're looking at, which has that peak of investment. And so, there's a little bit of definition here, but we are investing in growing our business banking franchise.

Ed Henning, CLSA: Okay. No, that's great. Thank you. And then, just a second question on the margin, apologies if I've missed this because I dropped off for a little bit, but can you just run through what you're thinking of it on deposits? You ran down your deposits a little bit and got a bit of a mixed benefit there. Do you anticipate to still run down the deposits despite the growth you're anticipating in the business lending and hopefully seeing some mortgage lending start to come through a little bit. And then, also can use touch on what you're seeing on wholesale costs at the moment and are you assuming any basis risk change in your margin guidance, please?

Racheal Kellaway: So I'll start with retail funding. So the retail funding mix will continue to provide a benefit into the second half, about the same extent, maybe a little bit less than what we saw in the first half, but that will provide continued tailwinds. That is the full extra, well the full next half of impact relating to the lowering of the wholesale funding that we have and the growth of the retail deposits. And so, that mix shift will continue to provide a benefit.

If I think about wholesale costs, I mean it really is what happened in the first half, very different to what we're experiencing today. Through the half, we saw really conducive wholesale funding markets. We have still got some maturities that are rolling off into much cheaper through that period that we're rolling off into cheaper wholesale funding transactions. Obviously, that takes some time to flow through the margin.

Today as we stand here, our wholesale funding markets spreads have widened, things are more expensive. I think it's important as we look to the second half to see that we don't actually have a significant funding task ahead of us. The concept of recycling capital applies obviously to funding as well.

And so, we aren't actually moving or being required to tap into wholesale funding markets materially in the second half at all. And so we've got some flexibility available to us from that perspective.

If I think about basis, started the half at about 6 and a half basis points, ended the half at about 10 and a half basis points. So we have seen that our exposure to basis is actually reducing. So our growth of the at call deposits is outpacing the growth of variable loans and was in that period. I mean, if you think about a sustained widening of basis, if it sustains by about 10 basis points, that will impact margin by about one basis point for us. However, that won't also commence until FY26 and beyond, and we are actually 100% hedged through the second half for that. So that will roll through more slowly as well.

Ed Henning, CLSA: Okay that’s great, thank you very much.

Operator: There are no more questions, I’ll now hand back to Jessica.

Jessica Smith: Thank you for joining today's call. If you have further questions, please reach out to the investor relations team and we look forward to connecting with many of you over the coming days. Thank you.

End of transcript.