



PROVE IT'S POSSIBLE

SHAREHOLDER REVIEW 2015

BOQ DELIVERS REC

BOQ IS ONE OF AUSTRALIA'S LEADING CHALLENGER BANKS. WE PRIDE OURSELVES ON BUILDING LONG-TERM CUSTOMER RELATIONSHIPS SUPPORTED BY BANKING PRODUCTS THAT GENUINELY MEET OUR CUSTOMERS' FINANCIAL NEEDS. OUR STRATEGY IS TO FOCUS ON NICHE SEGMENTS WHERE CUSTOMERS VALUE A MORE INTIMATE BANKING RELATIONSHIP.

We're on a mission to prove it's possible to love a bank. Independent Roy Morgan research shows our customer satisfaction and advocacy scores have soared over the last 3 years, drastically improving compared to our competitors*.

We've come a long way, but we're not there just yet – we want to be Australia's most loved bank. We'll get there by making it easier for our customers to deal with us, growing our business the right way, finding better ways to do things and enhancing our customer-focused culture.

**Roy Morgan Research, MFI customers aged 14+, 6 month averages, competitors exclude mutual banks. Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld.*



FIND OUT MORE ABOUT HOW
WE'RE DELIVERING OUR STRATEGY AT
WWW.BOQ.COM.AU/ANNUAL_REPORTS/2015

ORD FY15 RESULTS

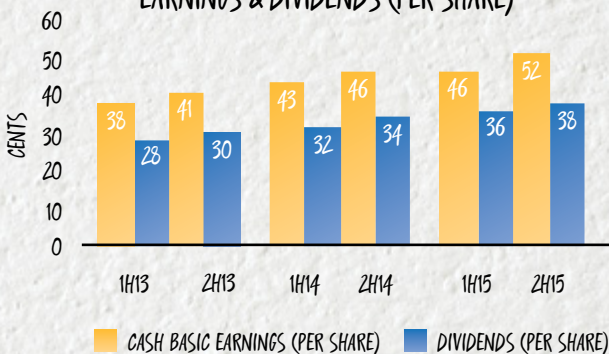
STATUTORY NET PROFIT AFTER TAX

↑ \$318M
UP 22%

CASH EARNINGS

↑ \$357M
UP 19%

EARNINGS & DIVIDENDS (PER SHARE)



EARNINGS PER SHARE

↑ 97C
UP 9%
SINCE FY14

DIVIDEND PER SHARE

↑ 74C
UP 12%
SINCE FY14

RETURN ON EQUITY

10.7%

RETURN ON TANGIBLE EQUITY

14.4%



CHAIRMAN AND CEO MESSAGE

We are pleased to report that our strategy is delivering strong, sustainable growth for our business and shareholders.

Over the last 12 months, we have made significant strategic progress towards transforming our business so we can take advantage of future opportunities and respond to any challenges. Our results for FY15 demonstrate we are on the right path.

For the fifth successive half, we achieved a record financial result. Net profit after tax was up 19% to \$357 million while statutory profit after tax increased 22% to \$318 million.

Our strategy is also driving improved business performance with key metrics such as growth, margins and asset quality showing improvement. Our strong financial performance has enabled the Board to set a final dividend of 38 cents per share, taking full year dividends to 74 cents per share. This means we have delivered a total return to shareholders of 6.3% during our financial year, the highest return of any listed Australian bank during this period.

During the year we refreshed our strategy to focus on niche segments where customers value a more intimate banking relationship.

We are delivering this strategy through four execution pillars: 'Customer in charge'; 'Grow the right way'; 'There's always a better way'; and 'Loved like no other'. Our progress in these areas over FY15 is detailed in this review.

Our culture is crucial to the success of our strategy – we strive to be a company that our employees love working for and our customers love dealing with and we are happy to say our employee engagement scores are heading in the right direction.

Not surprisingly, this is also contributing to high levels of customer satisfaction. Independent Roy Morgan research comparing customer satisfaction and advocacy among Australia's top banks shows our Main Financial Institution Net Promoter Score has increased by 36.7 points over the last 2.5 years. This is by far the biggest improvement in our sector and puts us within striking distance of the top spot.

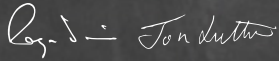
BOQ achieved much over the financial year and shareholders should take comfort from the fact that the Bank is extremely well placed for the future.

Our strategy sets the Bank up for success in a market which continues to see significant regulatory and technology change. At a time when there is some uncertainty around the regulatory environment, we continue to maintain high levels of capital so we are well placed whatever global and local regulators decide to do.

Results like these are achieved through a true team performance – from the executive team right the way through to our front line employees who help customers every day. Thank you to everyone at BOQ for their efforts.

In January, we farewelled long-standing Director Steve Crane when he retired after six years on the Board. Steve's expertise was invaluable and we thank him for his service and wish him the best for the future.

We also thank shareholders for their ongoing support of our company.



Roger Davis
Chairman

Jon Sutton
Managing Director & CEO

**Listen to the Chairman and
CEO at [WWW.BOQ.COM.AU/
ANNUAL_REPORTS/2015](http://WWW.BOQ.COM.AU/ANNUAL_REPORTS/2015)**



CUSTOMER IN CHARGE

We're improving our customer experience by putting our customers in charge of when, where and how they choose to interact with us.

Over the past year we've continued making progress by:

- Expanding our broker program. We now have 2,500 brokers writing loans for BOQ, double the amount from 12 months ago.
- Opening a second Customer Contact Centre, this one in Queensland, increasing our call centre capacity.
- Redesigning the branch experience to create a more flexible and engaging environment.
- Introducing social media support into our Customer Contact Centre to ensure faster customer response times across more hours of the day.
- Beginning a pilot of individual Facebook pages for branches to enable more personal connections with local customers and communities.

IN THE YEAR AHEAD WE'LL REDESIGN MORE BRANCHES, ROLL OUT FACEBOOK PAGES TO MORE BRANCHES AND MOVE TOWARDS 24/7 SOCIAL MEDIA SUPPORT. WE'LL INTRODUCE A VIRGIN MONEY AUSTRALIA BRANDED HOME LOAN PRODUCT, UPGRADE OUR ATMS AND INVESTIGATE OPTIONS TO UPGRADE OUR WEBSITE PLATFORM. BUSINESS BANKING CUSTOMERS WILL ENJOY A BROADER RANGE OF SERVICES AS WE EXPAND OUR FINANCIAL MARKETS AND INTERNATIONAL TRADE FINANCE CAPABILITIES.

GROW THE RIGHT WAY

We're developing a strong and profitable business by making the right decisions about where and how we grow and leveraging our expertise in specific areas where we can add real value.

Over the past year we've continued making progress by:

- > Identifying niche industries of focus for business banking including micro to mid-market sized businesses in health and aged care, agriculture, property, hospitality and professional services.
- > Adding \$1.6 billion in new lending in the first full year of contribution from BOQ Specialist, which focuses specifically on lending to accounting and medical professionals.

- Overhauling our retail portfolio management and reporting processes and strengthening our residential mortgage lending practices.
- Introducing a Group-wide risk appetite framework and embedding it in all business units as part of their strategic and business planning processes.
- Continuing to roll out new franchise agreements to better align branch operations with business and risk objectives.
- Rolling out a new training program for frontline staff that focuses on enriching customer communications to drive more responsive service and improved compliance.

IN THE YEAR AHEAD WE'LL CONTINUE ALIGNING OUR BUSINESS WITH OUR ROBUST RISK PROFILE THROUGH INTERNAL EDUCATION AND TRAINING MODULES AND BY BRINGING MORE FRANCHISEES ONTO THE NEW AGREEMENT. NEW GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE SOFTWARE WILL BE INTRODUCED AND WE'LL DEEPEN OUR MARKET AND CUSTOMER INSIGHTS THROUGH BETTER USE OF DATA.





THERE'S ALWAYS A BETTER WAY

We're committed to making our processes simpler, faster and smarter.

Over the past year we've continued making progress by:

- Continuing to digitise our lending. This system will automate processes and remove paperwork, improving the speed of lending decisions, improving productivity and enabling our people to spend more time with customers.
- Restructuring our IT operations, including signing a new services contract with Hewlett Packard.
- Rolling out new portable laptops to head office employees, branch managers and mobile lenders enabling greater collaboration and flexibility across the network.
- Developing more robust IT security measures with business partners and suppliers.
- Introducing a new matrix so we can make credit quality decisions on vehicle finance faster than ever.
- Introducing new swipe release printers in head office to prevent uncollected print jobs – saving 1.2 million pages per year.

IN THE YEAR AHEAD WE'LL TAKE OUR FIRST RETAIL APPLICATIONS THROUGH OUR NEW LENDING PROCESS. DEVELOPMENT WILL START ON A SMALL-TO-MEDIUM BUSINESS APPLICATION SCORECARD TO HELP US PROVIDE FASTER LENDING DECISIONS FOR APPLICATIONS THAT MEET CERTAIN CRITERIA. WE'LL ALSO INVESTIGATE WAYS TO FURTHER STRENGTHEN EMPLOYEE COLLABORATION BY CONSOLIDATING DIFFERENT EMAIL PLATFORMS ACROSS THE GROUP AND UPGRADING OUR VIDEO CONFERENCING FACILITIES.

LOVED LIKE NO OTHER

We're creating a workplace with the culture and capability that empowers all of our people to share the love with their customers.

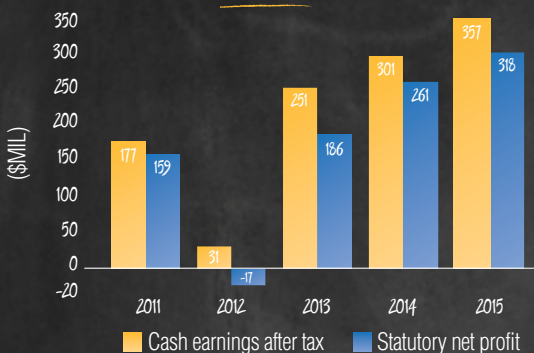
Over the past year we've continued making progress by:

- > Introducing a new flexible-working policy enabling more staff to work from home, as well as a new policy to pay superannuation for up to 12 months for those on maternity leave.
- > Consolidating our capital city head offices to bring our people together, improving collaboration and driving long-term cost savings.
- > Rolling out free business coaching programs for branches that drive performance, strategy and best practice.
- > Introducing a new accreditation induction program for all new employees spanning their first 120 days.
- > Demonstrating our progress on being loved like no other our employee engagement scores have soared from 42% in 2014 to 67% in 2015.
- > Continuing our annual Banking on our Kids appeal, raising more than \$203,000 for Children's Hospital Foundations Australia.

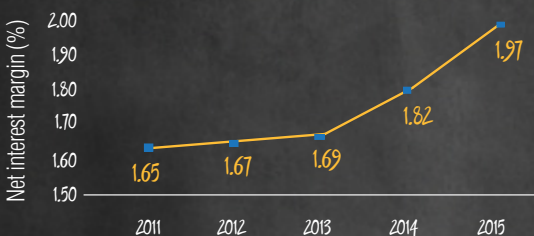
IN THE YEAR AHEAD WE'LL CONTINUE ROLLING OUT OUR BRANCH BUSINESS COACHING PROGRAMS AND STAFF TRAINING TO BUILD A MORE ROBUST SALES AND SERVICE CULTURE. PERSONALISED LEADERSHIP DEVELOPMENT PROGRAMS WILL BE IMPLEMENTED. WE'LL ALSO CONTINUE TO DEVELOP OUR COMMUNITY PARTNERSHIPS TO MAKE A POSITIVE IMPACT ON ISSUES AFFECTING YOUNG AUSTRALIANS AND GIVE BACK TO THE COMMUNITIES IN WHICH WE OPERATE.



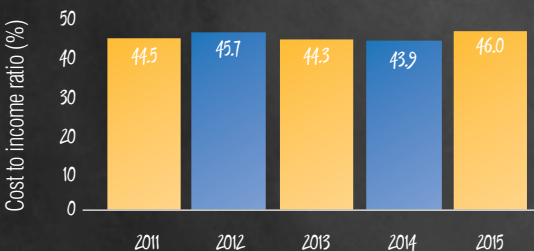
RECORD CASH EARNINGS...



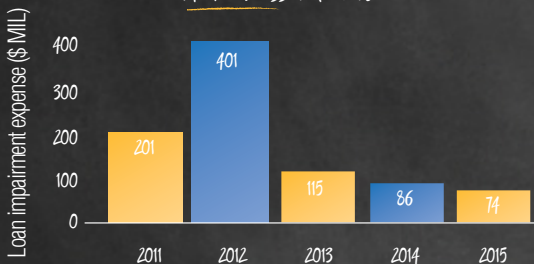
...UNDERPINNED BY STRONG MARGIN MANAGEMENT...



...TIGHT UNDERLYING COST CONTROL...



...IMPROVED ASSET QUALITY



SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

BOQ's Chairman Roger Davis and Managing Director and Chief Executive Officer Jon Sutton will address shareholders at the Bank's Annual General Meeting

10am (AEST) on Thursday, 26 November 2015

Ballroom Level 5, Hilton Hotel, Brisbane

Webcast and speeches will be made available at

www.boq.com.au/shareholder_agm.htm

KEY SHAREHOLDER DATES

Annual General Meeting	26 November 2015
Financial half year end	29 February 2016
Half year results and interim dividend announcement	7 April 2016
Financial full year end	31 August 2016
Full year results and final dividend announcement	6 October 2016
Annual General Meeting	30 November 2016

SHARE REGISTRY

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LOVE A BANK  BOQ