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ASX RELEASE

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BOQ TO ACQUIRE INVESTEC AUSTRALIA'S SPECIALIST FINANCE AND LEASING BUSINESSES LAUNCHES A\$400 MILLION ENTITLEMENT OFFER

Key points

- BOQ to acquire Investec Bank (Australia) Limited's Professional Finance and Asset Finance & Leasing businesses¹ for purchase consideration of \$440 million².
- Compelling opportunity which delivers BOQ access to a high net worth and quality customer base in specialist market niches (primarily medical, dental and accounting professionals).
- Adds a \$2.4 billion loan portfolio with a relatively low-risk profile and attractive margins.
- Provides further diversification for BOQ by industry sector and geography.
- Strongly aligns with BOQ's four strategic pillars.
- Financially attractive for BOQ shareholders – expected to be approximately 2% cash EPS accretive in the first full year following the acquisition (FY15) and approximately 4% cash EPS accretive in FY16³.
- Acquisition funded through \$400 million fully underwritten accelerated renounceable entitlement offer, as well as excess capital.
- Opportunity for all shareholders to either participate in the equity offer on a pro-rata basis or to potentially receive value for their entitlements.
- Acquisition remains subject to a number of conditions including regulatory approvals⁴, with completion expected by the end of BOQ's current financial year.

BOQ will become a market leading provider of specialised banking solutions to the broad medical and accounting professions following the \$440 million acquisition of Investec Bank (Australia) Limited's ("Investec") specialist Professional Finance and Asset Finance & Leasing businesses, the Bank announced today.

¹ Following a restructuring of Investec Bank (Australia) Limited to remove certain businesses outside of the scope of the acquisition, BOQ will acquire 100% of the shares in Investec Bank (Australia) Limited, including the deposit book.

² Includes estimated \$230 million to capitalise the business.

³ Calculated on a post cost synergies basis and excludes the impact of one-off integration and transaction costs, one-off balance sheet transitional impacts and amortisation expense associated with new identifiable intangibles from the acquisition. Key assumptions are discussed in the Investor Presentation lodged with ASX on 11 April 2014. Cash EPS accretion relative to BOQ analyst consensus estimates for cash EPS of \$0.96 for FY15 and \$1.03 for FY16, theoretically adjusted for the bonus element of the entitlement offer.

⁴ These include approval of the Treasurer under the Financial Sector (Shareholdings) Act 1998 and the Banking Act 1959 (Cwlth).

Stuart Grimshaw, BOQ Managing Director and Chief Executive Officer, said that the acquisition is a strong fit with BOQ's four strategic pillars and will bring diversification and scale benefits.

"The acquisition provides BOQ with an opportunity to obtain a leading position in attractive specialist segments, delivering access to a client base consisting primarily of medical, dental and accounting professionals," he said.

"It also materially increases the size and footprint of our Business Bank, providing further diversification by geography and industry sector."

"We are also excited by the strong alignment of staff and the internal culture to BOQ. Both organisations share a strong client-focus which is highly valued by the busy professionals who form their customer base."

Barry Lanesman, the Head of Professional Finance, emphasised his support for the deal.

"I am excited to be joining BOQ and to have the opportunity to leverage the increased scale and other benefits associated with operating under the ownership of BOQ to continue to grow the Professional Finance business," he said.

Peter MacMillan, founder of the Asset Finance & Leasing business, said the transaction would create a stronger finance and leasing business.

"Our businesses are complementary and by combining our strengths we will add scale and increase our finance and leasing capability across specific channels and markets," he said.

The acquisition remains subject to a number of conditions including regulatory approvals, with completion expected by the end of BOQ's current financial year.

Overview of acquired businesses

After Investec Bank (Australia) Limited restructures to remove certain businesses outside of the scope of the acquisition, BOQ will acquire 100% of the shares in Investec Bank (Australia) Limited which will include the following businesses:

- Professional Finance: Specialist provider of practice and personal finance to medical, dental and veterinary practitioners (82% of outstanding loans) and accounting and other professionals (18% of outstanding loans). The business serves approximately 19,000 customers and has a high-quality loan portfolio of \$2.2 billion as at 31 March 2014;
- Asset Finance & Leasing: Provider of specialist asset finance and leasing solutions via a mix of vendors, intermediaries and direct client relationships. The business currently serves approximately 14,000 customers and has a \$173 million on-balance sheet lending portfolio as at 31 March 2014; and
- Deposit book: The deposit book includes \$2.7 billion of deposits comprising \$2.3 billion of retail and \$0.4 billion of wholesale deposits. Greater than 50% of the deposit book is sourced from high net worth individuals and clients of the Professional Finance business.

Strategic highlights

This acquisition represents a growth enhancing transaction for BOQ which is closely aligned to the four pillars of its strategy.

The Professional Finance business is a market leading provider of specialised banking solutions to the broad medical and accounting professions. Its loan portfolio will significantly increase the size (by approximately 38% at acquisition) and footprint of BOQ's existing Commercial loan portfolio and provide it with greater industry and geographic diversity.

The \$2.2 billion Professional Finance loan portfolio is a relatively high margin and high credit quality portfolio that has demonstrated relatively strong historical growth with low historical arrears. The clients that are targeted by the Professional Finance business work in industries characterised by predictable and recurring cash flows and capital requirements.

The Asset Finance & Leasing business will add scale in specific channels and markets, and enhance leasing capability in vendor financing for BOQ Finance.

The acquisition will also provide BOQ with cross-selling opportunities and the potential ability to leverage the proven specialist models of the acquired businesses to enter adjacent industry sectors.

Financial highlights

The acquisition is financially attractive for BOQ shareholders and is expected to deliver approximately 2% cash EPS accretion in the first full year following the acquisition (FY15) and approximately 4% cash EPS accretion in FY16⁵. The acquisition is expected to add approximately \$38m in post-tax earnings in FY15, before the impact of operating cost and revenue synergies and one-off costs (includes assumed BOQ funding costs).

BOQ expects a modest level of operating cost and revenue synergies.

The acquisition will be funded by a \$400 million equity raising and excess capital of \$54 million (including funding for estimated upfront transaction costs of \$14 million).

Post completion, BOQ will maintain strong capitalisation levels with a pro forma Common Equity Tier 1 ratio of 8.58% (on a pro forma basis as at 28 February 2014), which remains strong relative to peers.

Accelerated renounceable entitlement offer (AREO)

In order to help fund the acquisition of Investec, BOQ has announced a 3 for 26 fully underwritten AREO to raise approximately \$400 million.

The offer is priced at \$10.75 per new share, which is an 11.4% discount to dividend adjusted TERP⁶ of \$12.14 and a 12.6% discount to the dividend adjusted last closing price of \$12.30.

⁵ Calculated on a post cost synergies basis and excludes the impact of one-off integration and transaction costs, one-off balance sheet transitional impacts and amortisation expense associated with new identifiable intangibles from the acquisition. Key assumptions are discussed in the Investor Presentation lodged with ASX on 11 April 2014. Cash EPS accretion relative to BOQ analyst consensus estimates for cash EPS of \$0.96 for FY15 and \$1.03 for FY16, theoretically adjusted for the bonus element of the entitlement offer.

⁶ The Theoretical Ex-Rights Price ("TERP") is the theoretical price at which BOQ shares should trade immediately after the ex-date for the entitlement offer. The TERP is a theoretical calculation only and the actual price at which BOQ shares trade immediately after the ex-date for the entitlement offer will depend on many factors and may not equal the TERP. TERP is calculated by reference to BOQ's closing price of A\$12.62 on 10-April-2014 and deducting the 2014 interim dividend of A\$0.32 to reflect the fact that new shares will not be entitled to receive this dividend payment.

New shares issued under this AREO will not be eligible for the 1H14 interim dividend of A\$0.32 per share. New shares issued will rank equally with existing shares from the date of allotment.

BOQ Chairman Roger Davis said that, by conducting the equity raising by way of an AREO structure, all shareholders will be given the opportunity to either participate on a pro-rata basis or to potentially receive value for their entitlements.

The AREO timetable is included in Appendix 1.

Advisers to BOQ

Gresham is acting as exclusive financial adviser to BOQ in relation to the acquisition of Investec.

Market briefing

A briefing covering BOQ's results for the half year to 28 February 2014 and the Investec acquisition will be held at the Intercontinental Hotel in Sydney at 10:30am AEST today.

Briefing

Venue: Fort Macquarie Room, Level 2, Intercontinental Hotel
Address: 117 Macquarie Street, Sydney

Teleconference

Dial-in number (Australia): 1800 725 000
Dial-in number (International): +61 2 8373 3582
Conference ID: 13716115
Webcast address: <http://www.media-server.com/m/p/enrj5e4g>

Ends

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Appendix 1 – AREO timetable

The Institutional Entitlement Offer will open at 9:00am Friday, 11 April 2014 and will close at 2:00pm Monday, 14 April 2014. Eligible institutional shareholders can choose to take up all, part or none of their Entitlement.

Institutional entitlements not taken up by eligible institutional shareholders by the close of the Institutional Entitlement Offer, and entitlements of ineligible institutional shareholders will be sold through the Institutional Shortfall Bookbuild to be conducted on Tuesday, 15 April 2014.

The Retail Entitlement Offer will open at 9:00am Thursday, 17 April 2014 and will close at 5:00pm Friday, 9 May 2014. Retail entitlements not taken up and entitlements of ineligible retail shareholders will be sold through the Retail Shortfall Bookbuild to be conducted after market, on Wednesday, 14 May 2014.

AREO timetable	Date
Enter Trading Halt and Launch Institutional Entitlement Offer	11 April 2014
Close Institutional Entitlement Offer	14 April 2014
Institutional Entitlement Offer Shortfall Bookbuild	15 April 2014
Resume Trading, Announce Results of Institutional Entitlement Offer, Record Date	16 April 2014
Retail Entitlement Offer Opens	17 April 2014
Institutional Entitlement Offer Settlement	29 April 2014
Record Date for Entitlement to 2014 Interim Dividend	29 April 2014
Institutional Entitlement Offer Allotment and Quotation	30 April 2014
Retail Entitlement Offer Closes	9 May 2014
Retail Entitlement Offer Shortfall Bookbuild	14 May 2014 (after-market)
Retail Entitlement Offer Settlement	21 May 2014
Retail Entitlement Offer Allotment and Quotation	22 May 2014
New Shares Under the Retail Entitlement Offer Commence Trading on ASX	23 May 2014
Retail Premium (if any) Dispatched	26 May 2014

Appendix 2 – Important Notices

The information contained in this Announcement is of a general nature and does not contain all of the information that a prospective investor may require in evaluating a possible investment in BOQ or that would be required in a prospectus or product disclosure statement in accordance with the requirements of the Corporations Act.

All dollar values are in Australian dollars (A\$) and financial data is presented as at the date stated. Investors should note that this Announcement contains pro forma financial information. In preparing the pro forma financial information, certain adjustments were made to the historical financial information of BOQ that it considered appropriate to reflect the capital raising and the acquisition of Investec Bank (Australia) Limited. Investors should note that past performance, including past trading or share price performance and pro forma financial information, of BOQ is given for illustrative purposes only and cannot be relied upon as an indicator of (and provides no guidance as to) future BOQ performance including future trading or share price performance.

This Announcement contains certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "will", "could", "may", "target", "plan", "predict", "propose", "outlook", guidance, "consider", "forsee", "aim" and other similar expressions, and include statements regarding the outcome and effects of the equity raising, the acquisition of Investec Bank (Australia) Limited and the future financial performance of BOQ following the acquisition. Indications of, and guidance or outlook on future earnings, distributions or financial position or performance are also forward looking statements. The forward looking statements contained in this Announcement involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of BOQ, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.

Refer to the "Key Risks" section of the Investor Presentation released to ASX today 11 April 2014 by BOQ for a summary of certain general and BOQ specific risk factors that may affect BOQ when considering this information. Investors should consider the forward looking statements contained in this Announcement in light of those disclosures. You are cautioned not to place undue reliance on forward looking statements. Except as required by law or regulation (including the ASX Listing Rules), BOQ undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise. Further information regarding the matters in this Announcement, including important notices, key risks and assumptions in relation to certain forward looking statements in this Announcement, is set out in the Investor Presentation. The important notices section of that presentation applies to this Announcement as if it were set out in full and included reference to this Announcement.

U.S. restrictions

This Announcement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States of America (United States) or to any person in the United States or that is acting on behalf of a person in the United States. The entitlements and the New Shares have not been, and will not be, registered under the Securities Act of 1933 (U.S. Securities Act) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be offered and the New Shares may not be offered or sold to persons in the United States or that are acting for the account or benefit of a person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable

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