IT'S POSSIBLE to LOVE A BANK

Results presentation for the full year ended 31 August 2014

9 October 2014

Bank of Queensland Limited ABN 32 009 656 740. AFSL No 244616.

Agenda

Result overview	**Jon Sutton** Acting Chief Executive Officer
Financial overview	**Anthony Rose** Chief Financial Officer
Summary & outlook	**Jon Sutton** Acting Chief Executive Officer

Record profit in FY14

	FY14[1]	FY13	Change
Statutory net profit after tax	$260.5m	$185.8m	40% ✓
Cash earnings after tax	$301.2m	$250.9m	20% ✓
Underlying profit before tax (Cash)	$521.7m	$477.4m	9% ✓
Net interest margin	1.82%	1.69%	13bps ✓
Cost-to-income ratio (Cash)	43.9%	44.3%	40bps ✓
Return on average Tangible Equity (Cash)	13.2%	11.9%	130bps ✓
Basic earnings per share (Cash)[2]	89.5¢	78.1¢	15% ✓
Ordinary dividend	66¢	58¢	14% ✓

(1) Includes one month's contribution from the purchase of Investec Bank (Australia) Limited's Professional Finance and Asset Finance & Leasing businesses, settled on 31 July 2014. The Professional Finance business has been renamed BOQ Specialist, and now operates as a separate division of BOQ's Business Bank; the Asset Finance & Leasing business has been merged with BOQ Finance.

(2) FY13 basic earnings per share has been adjusted for the effect of the rights issue that occurred during FY14.

Clear, simple strategy remains unchanged

Our dream is to create AUSTRALIA'S MOST LOVED BANK

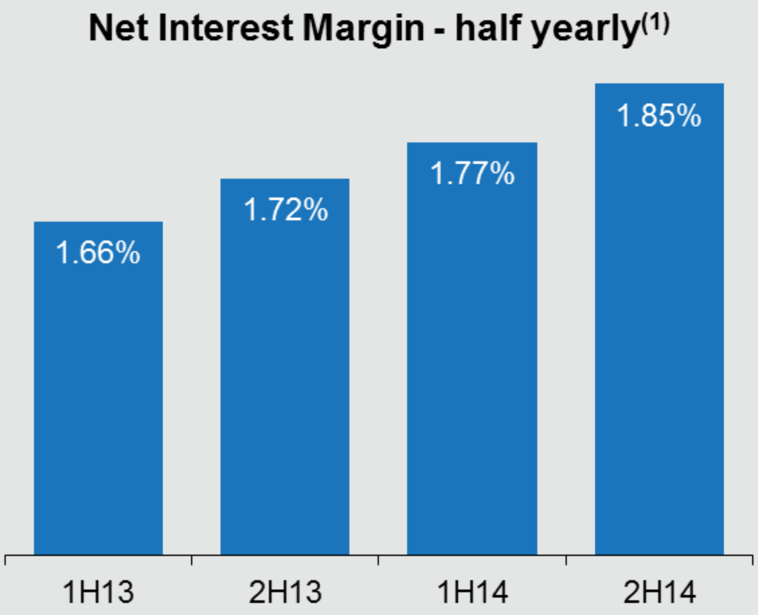
FY14 highlights

Focused on delivering shareholder returns	Increased EPS, dividends, ROTE and ROE Strong TSR outcome for financial year of 39%[1]
Disciplined approach to lending growth	Continued focus on profitable growth and margin management Ongoing asset quality improvement
Balance sheet strength maintained	Capital ratios remain at upper end of peer range Credit rating upgrades reflect progress made
Investing for growth	Ongoing investment in customer facing channels and transformation initiatives Key projects on track for delivery in FY15
Successful acquisition of Investec businesses	Completed on 31 July; launch of BOQ Specialist brand Delivering on expectations and exciting growth potential

(1) Source: IRESS

Revenue growth reflects strong margin management

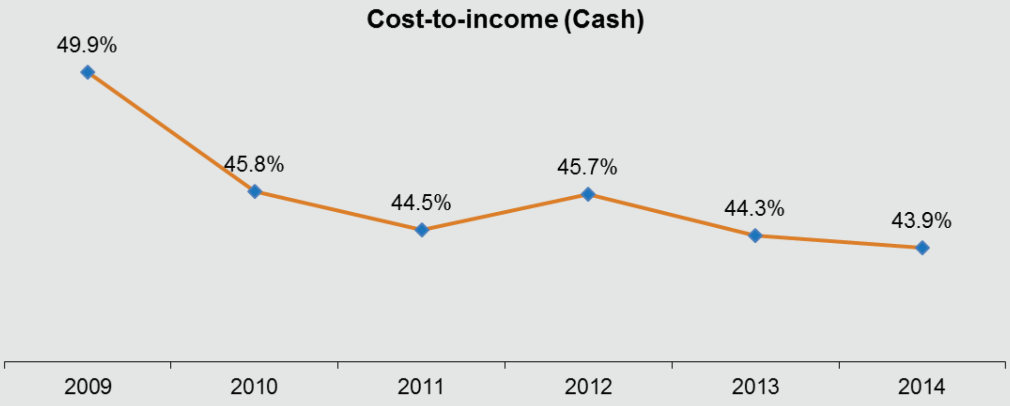
- Decisive action taken to improve funding mix and reduce reliance on 'hot' money
- Funding costs assisted by two credit rating upgrades
- Growing assets through higher margin segments – particularly Business Banking expansion
- BOQ exit margin[1] consistent with 2H14 performance
  - BOQ Specialist expected to add 9-10 bps



(1) Excluding BOQ Specialist

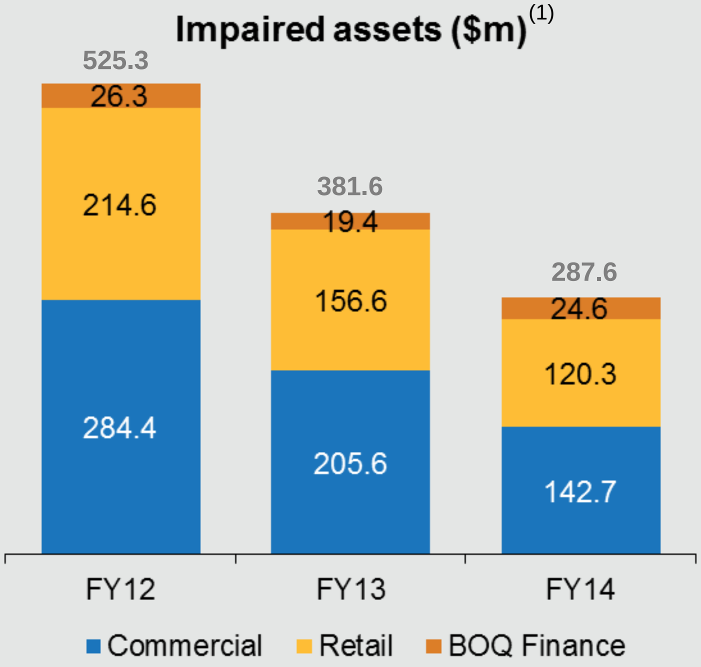
Ongoing management of cost to income ratio

- Cost to income ratio down 40 bps to 43.9%
- Investing in new channels
  - Broker expansion support
  - Business Banking build-out
- Significant business investment in productivity and efficiency
- New IT services contract
- Investment spend timing is in advance of expected benefits from FY16



Asset quality improvement evident

- Continued progress on improving portfolio quality - impaired assets down 25% in FY14, 45% from FY12
- Commercial arrears trends showing further improvement
- Sound risk management frameworks and practices embedded in lending processes across business



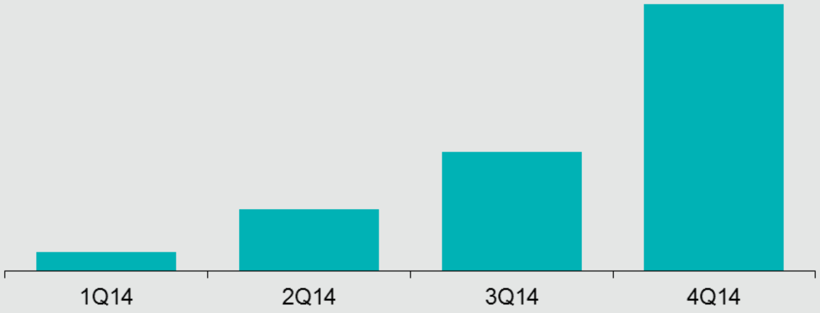
(1) Excluding BOQ Specialist

Disciplined approach to growth in a challenging market

Retail

- Remain disciplined in a competitive mortgage market – prioritising credit quality & margin
- Broker presence growing but still under-represented
- Still face headwinds from legacy run-off
- Over-represented in slower growth QLD market (QLD system = 0.4x National system growth)[1]
- Branch network in a period of transition

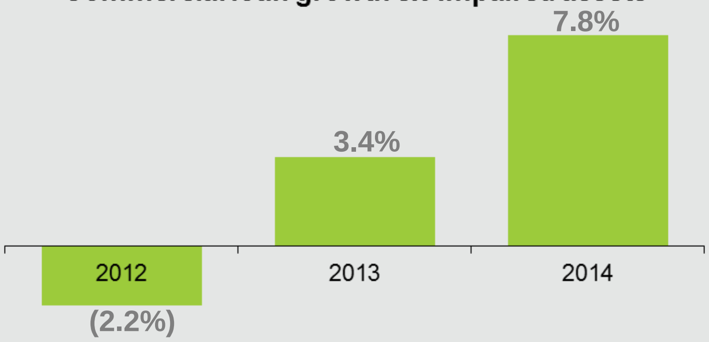
Quarterly mortgage broker growth - 2014



Business Banking

- Growing where we are most competitive – high touch relationship based service
- Maintaining risk discipline to improve the quality of the book
- Measured growth in Agri: portfolio $285m
- BOQ Finance achieved modest growth in flat market

Commercial loan growth ex-Impaired assets



(1) Source: Canstar Market Share Report July 2014

BOQ Specialist performance on track

BOQ SPECIALIST
Distinctive banking

- Acquisition completed 31 July
- $2.6bn in Lending assets at end of August; 19,000 high value customers
- Business has grown $215m in assets from announcement(1) to end of August
- Successful launch of new BOQ Specialist brand
- Delivers leadership position in niche specialist segments
- Strong growth opportunities, including mortgages
  - Historically originated ~$1bn per annum in mortgages, funded by third parties
  - Expect to be funding 50% of these originations on BOQ balance sheet within a year
- All key staff & customers retained

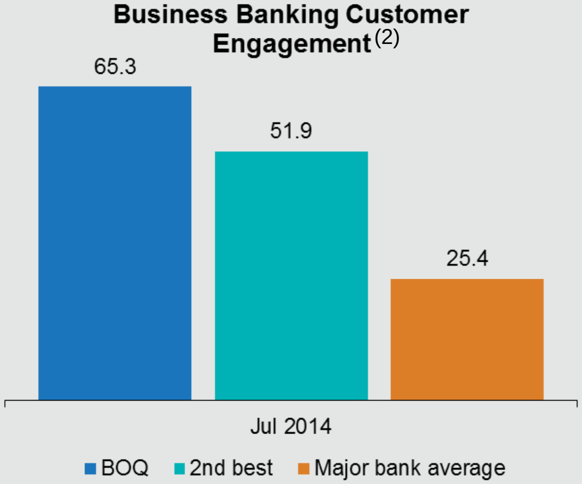
(1) Feb 2014 Balance

Culture & capability uplift driving customer satisfaction

- Retail customer satisfaction metrics remain high
- Continue to outperform in Business Banking customer satisfaction
  - Record score in latest East & Partners Business Banking Index
- Employee engagement improving – targeting top quartile
- Cultural transformation supported by office consolidations in Sydney & Brisbane

Net Promoter Scores – August 2014[(1)]

BOQ	ANZ	CBA	NAB	WBC
+16.8	-5.9	+1.3	+0.2	-7.1



(1) Source: Roy Morgan Research Consumer Single Source, 12 months average - August 2014. Net Promoter Score is a trademark of "Satmetrix Systems, Inc., Bain & Company, and Fred Reichheld"

(2) Source: East & Partners Business Banking Index July 2014. The Business Banking Index provides a monitor of several key drivers of customer engagement behaviour with their bank including advocacy, empathy, satisfaction and loyalty.

Progress towards management targets

Metrics[1]		FY14 Results	FY15+ Target (from 2H12)
BOQ asset growth			
-Retail	✘	0.1x system	1.2x system
-Business[2]	✓	1.7x system	1.5x system
Net Interest Margin	✓	181bps	Low-Mid 160s
Expense growth	✘	6%	< Inflation
Cost to Income	✓	43.8%	Low 40s
Bad & Doubtful Debts to GLA	✓	24bps	~20bps
Return on Tangible Equity[3]	✓	13.6%	13%+

These are internal management targets and are not forecasts or projections

(1) Cash earnings basis. Excludes Virgin Money Australia and BOQ Specialist
(2) Excluding the impact of impaired asset run-off
(3) Excluding goodwill and identifiable intangible assets

Financial overview

Anthony Rose

Chief Financial Officer

Strong financial performance

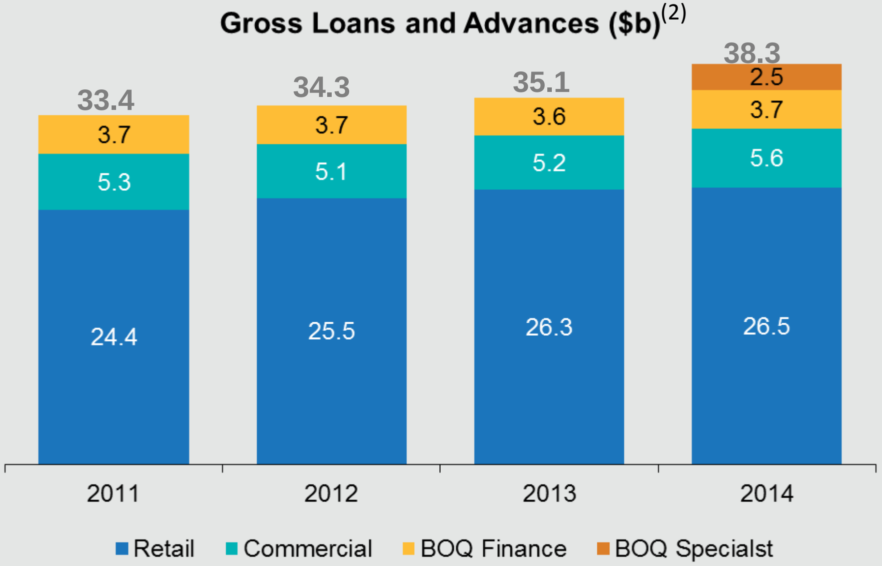
- 20% increase in cash earnings to $301.2m
- Net interest income growth driven by margin expansion
- Expense uplift due to investment in frontline capability, Sydney and Brisbane head office transition and branch consolidations
- Reduction in impairment expense, reflecting continued focus on asset quality
- Substantial lift in ROTE of 170bps to 13.6%[1]

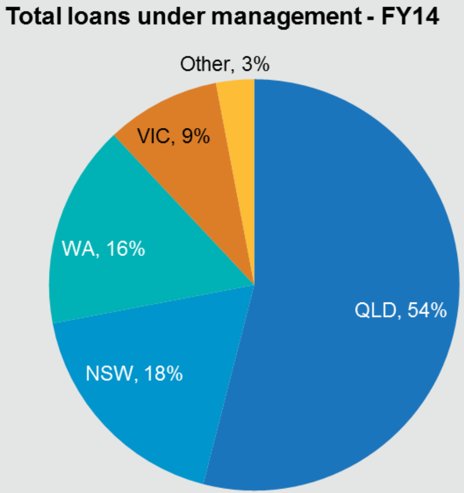
	FY14	FY13	FY14 v FY13
Net interest income	$761.2m	$694.4m	▲ 10%
Non interest income	$168.4m	$162.4m	▲ 4%
Total income	$929.6m	$856.8m	▲ 8%
Operating expenses	($407.9m)	($379.4m)	▲ 8%
Underlying profit	$521.7m	$477.4m	▲ 9%
Loan impairment expense	($86.2m)	($114.6m)	▼ (25%)
Profit before tax	$435.5m	$362.8m	▲ 20%
Income tax expense	($134.3m)	($111.9m)	▲ 20%
Cash earnings after tax	$301.2m	$250.9m	▲ 20%
Statutory net profit after tax	$260.5m	$185.8m	▲ 40%

(1) Pro forma excluding the BOQ Specialist acquisition and associated equity raising

Loan portfolio – focus on quality

- Muted lending growth with disciplined approach to pricing and risk
- Better quality book with geographic diversification continuing – QLD down to 54% from 60% in 2H12
- Continued Business Banking momentum – 1.7x system[1]

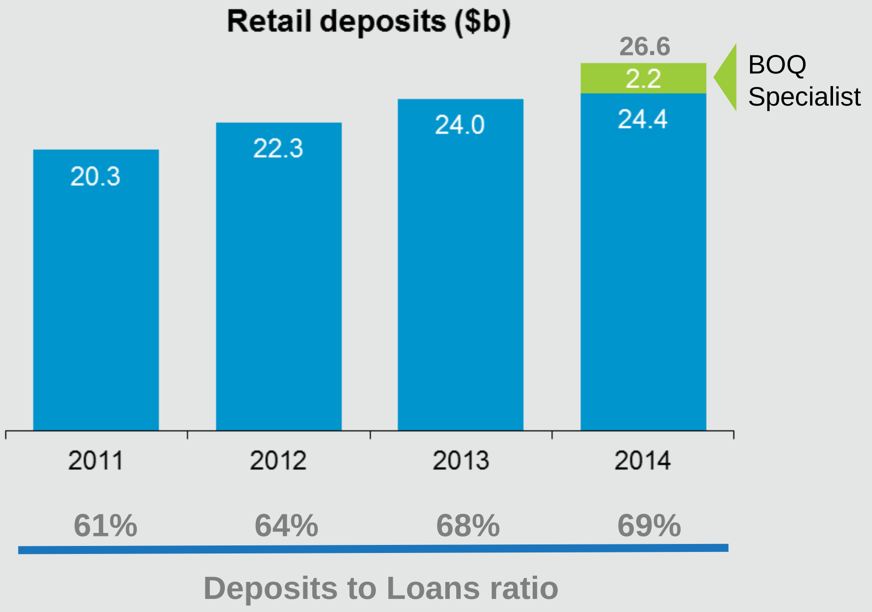


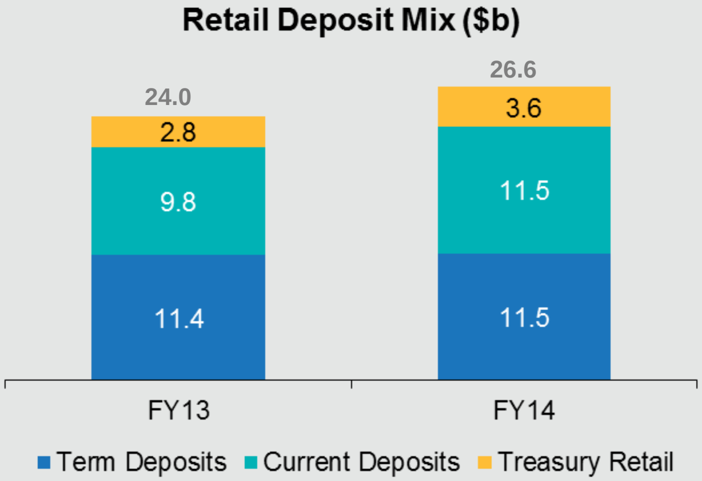


(1) Excluding the impact of impaired asset run-off
(2) Gross Loans and Advances net of specific provisions.

Deposit funding composition improved

- Focus on composition given subdued asset growth – reduced reliance on high cost retail segments
- Deposits to Loan ratio maintained comfortably within target range of 65-70%
- Access to wholesale and middle market counterparties enhanced with rating upgrades from S&P and Moody's





Proactive margin management

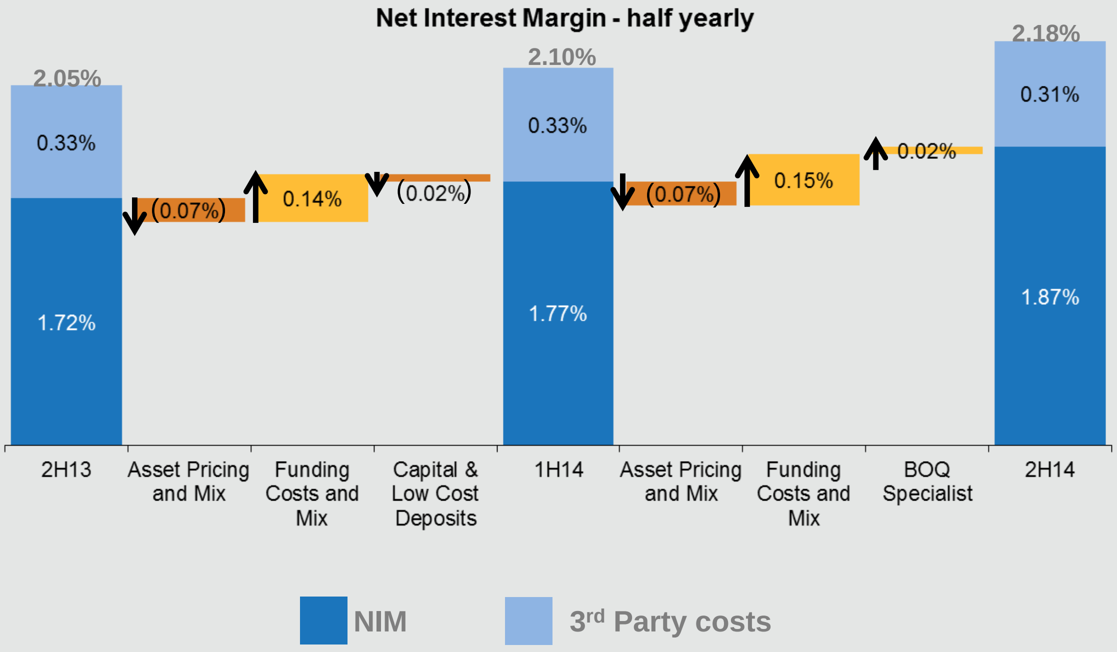
- Strong 10bps improvement on 1H14

Tailwinds

- Deposit pricing adjustments with lower lending growth
- Rating upgrades reducing wholesale costs and opening up counterparty limits
- Free funding cost from excess capital

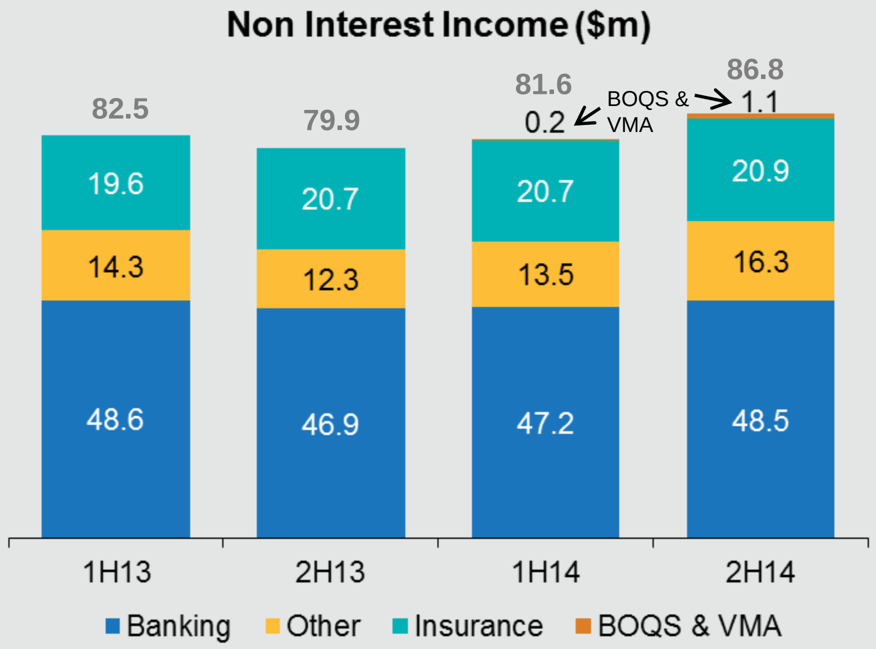
Headwinds

- High margin asset run-off (eg. Line of Credit)
- Lending front-book pricing competition
- Low interest rate environment



Other income

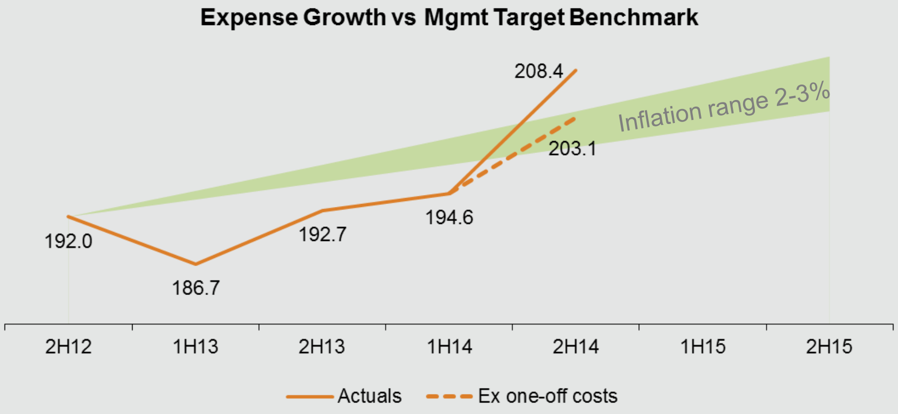
- Continued pressure on banking fee income
- BOQ Finance equipment sales lower due to customer inertia/lower reinvestment
- APS210 will shift component of other income to NII
- Strategies to offset include Business Banking expansion (fee income) and financial markets product expansion
- St Andrew's: trend away from single premium products will reduce profitability; Bankwest distribution contract still under negotiations

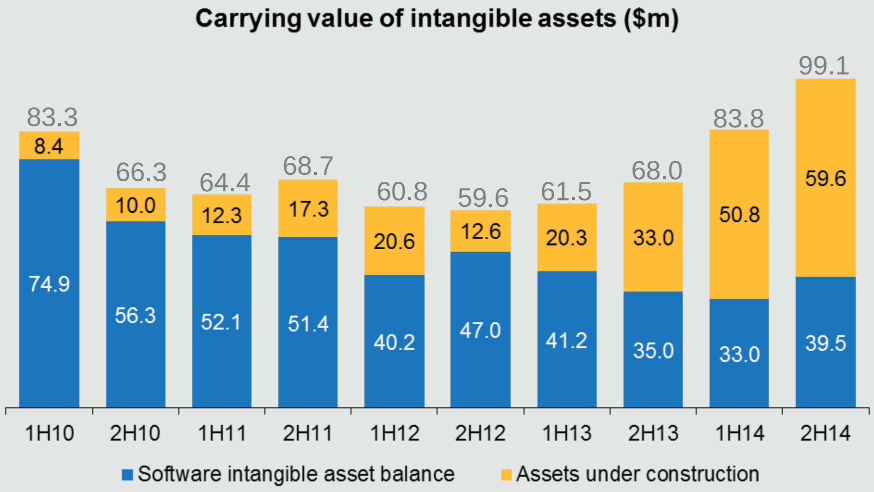


Note: BOQS = BOQ Specialist

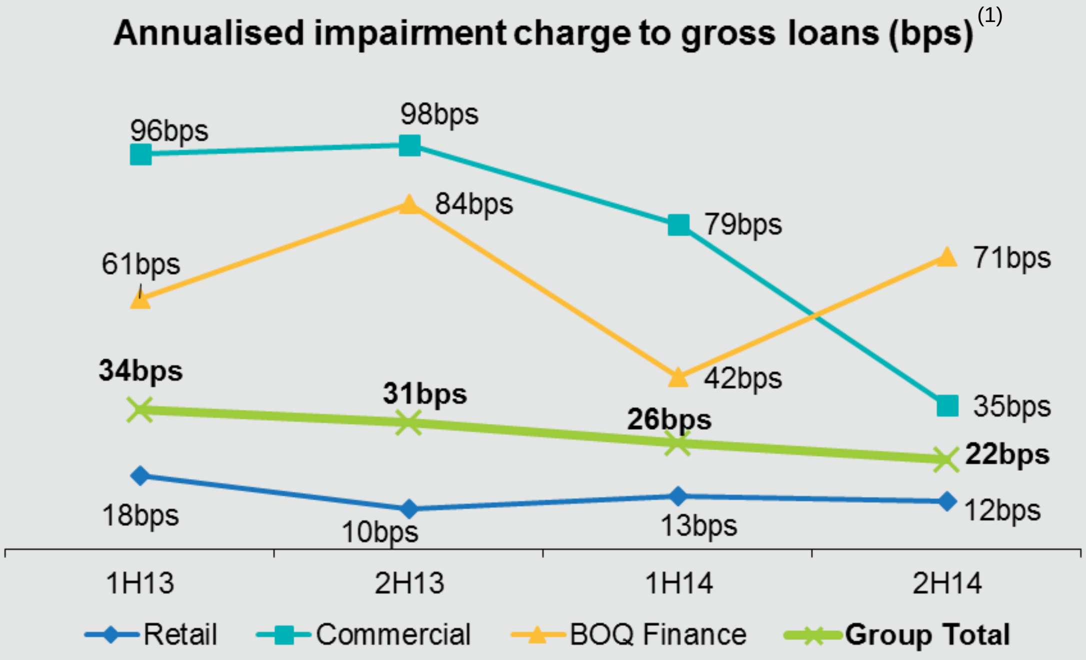
Cost-to-income controlled

- Cost-to-income down to 43.9% from 45.7% in 2012
- Expense growth of 6% excluding BOQ Specialist - above target, driven by one-off premises reconfiguration and frontline investment
- Significant digitisation investment well advanced for 2015 rollout
- New IT outsourcing contract – savings to shelter intangible asset amortisation tail





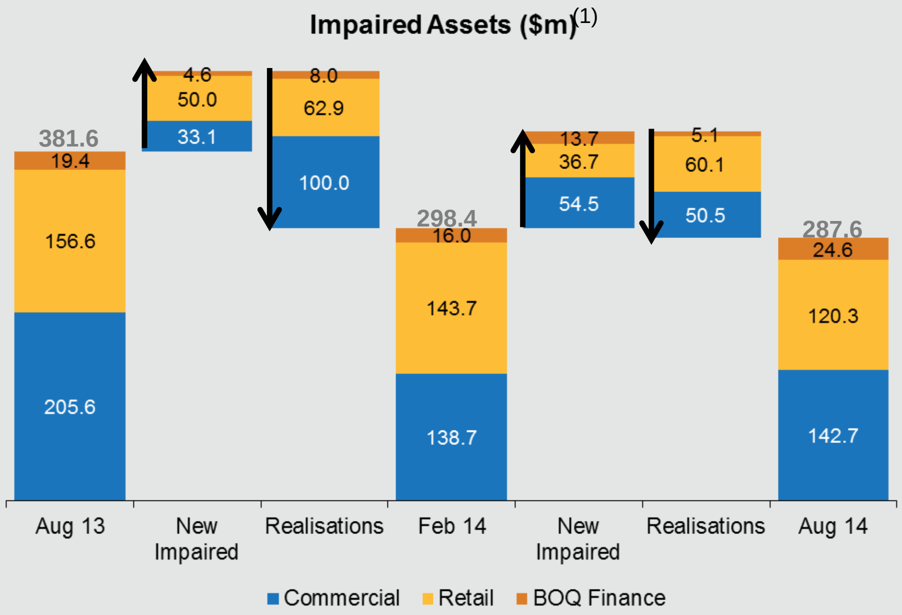
Consistent improvement in impairment expense

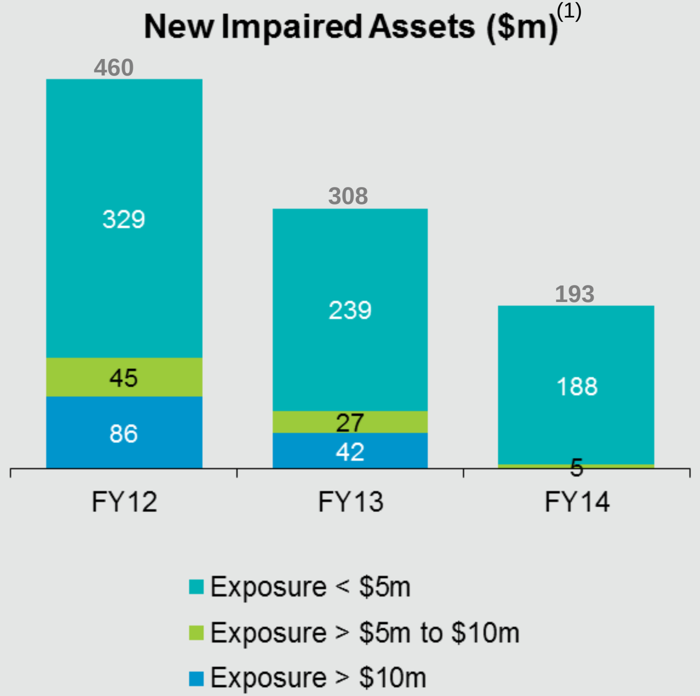


- Ongoing reduction in impairment expense
- On track to achieve FY15 management target of 20bps

(1) Excluding BOQ Specialist

Continued success in realisation of impaired assets

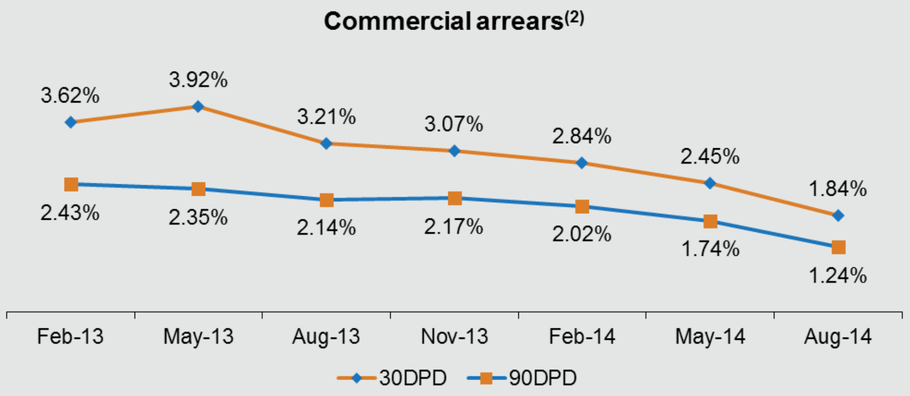


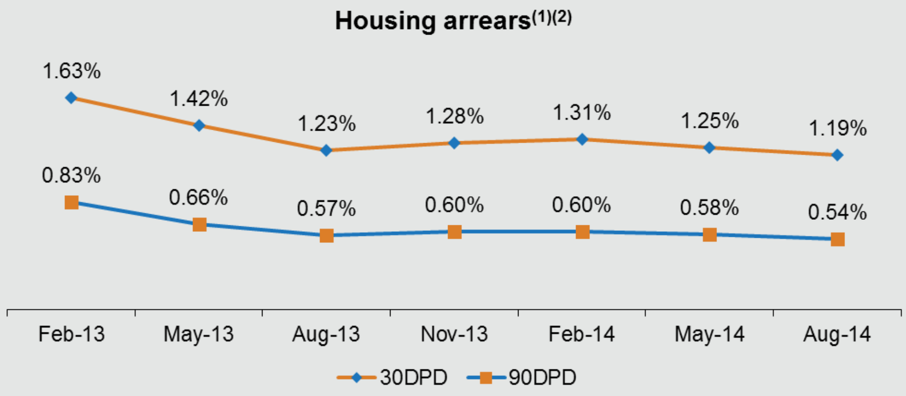


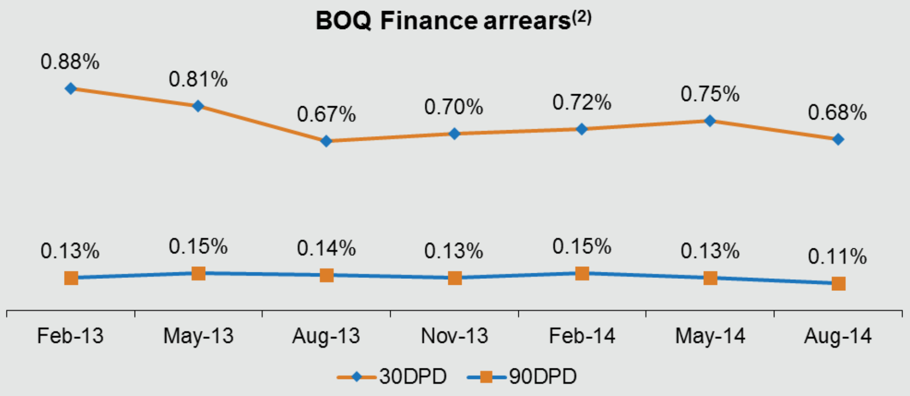
(1) Excluding BOQ Specialist

Positive arrears trends

- Housing arrears at consistent and manageable levels
- Revised risk appetite and origination framework driving reductions in commercial arrears
- BOQ Finance portfolio stable







(1) Housing including Lines of Credit (2) Excluding BOQ Specialist

BOQ Specialist forecasts unchanged

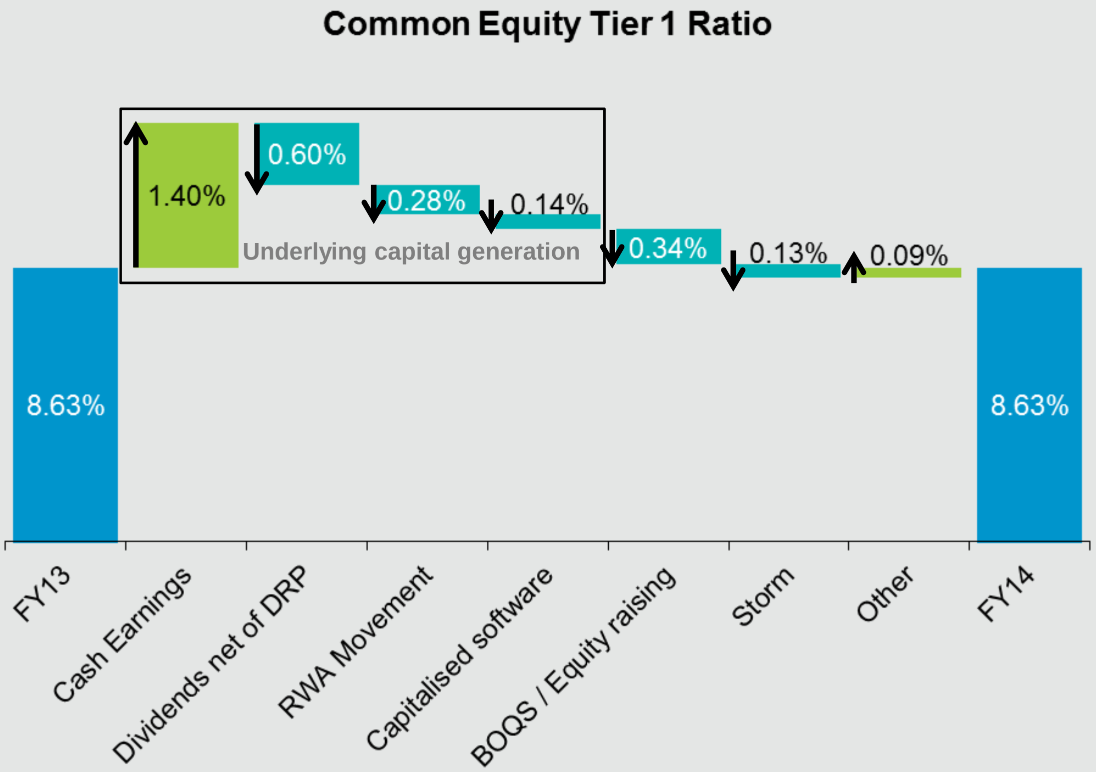
- BOQ Specialist on track to perform in line with expectations
- Reconfirming financial metrics from announcement:
  - $38m post-tax earnings in FY15 (before synergies), remain committed to EPS accretion expectations
  - Cash ROE dilutive in FY15, but expected to be cash ROE accretive in FY16
  - Balance Sheet transition costs of $6m (post tax) to unwind by end of FY15
  - Integration and transaction costs of $23m (post-tax) to be taken below the line; ~$7.5m incurred in FY14
  - Modest synergy benefits assumed in forecasts

BOQ SPECIALIST
Distinctive banking

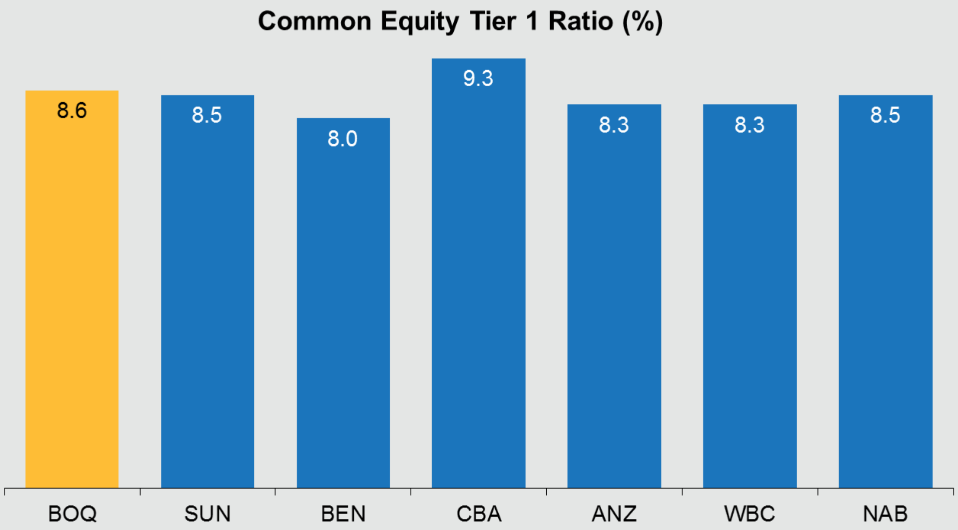
Maintainable capital generation

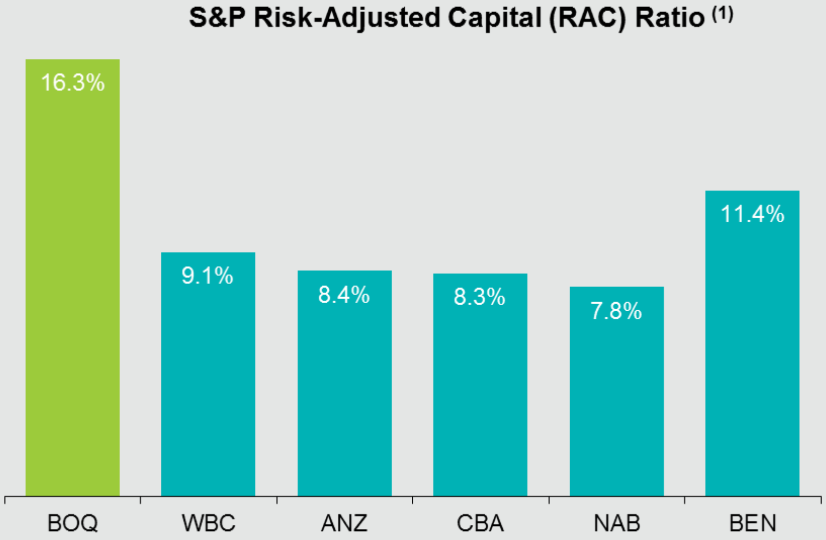
- Capital strength maintained with Total Capital at 12.02% and Common Equity Tier 1 at 8.63%

- Internal capital generation supporting dividend growth



Remain well capitalised vs peers





(1) Source: latest published S&P reports and company reports

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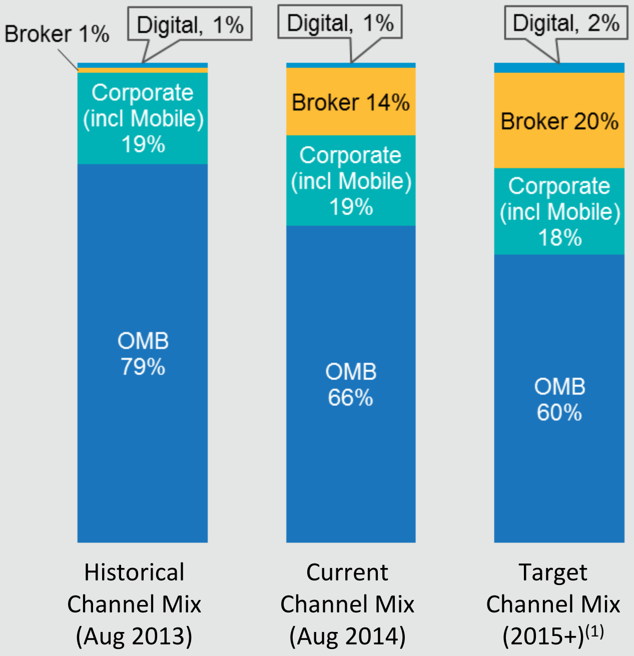
BOQ

Summary & outlook

Jon Sutton
Acting Chief Executive Officer

FY15 opportunities for growth – Retail

Retail channels: source of lending applications



(1) Excluding BOQ Specialist

Retail channel initiatives

Scaling new channels of growth

- National expansion across ~2,500 accredited brokers by end of FY15
- 'Sweating' recent digital asset refreshes and driving leads through to sales channels
- BOQ Specialist mortgages – target to originate 50% on balance sheet within a year

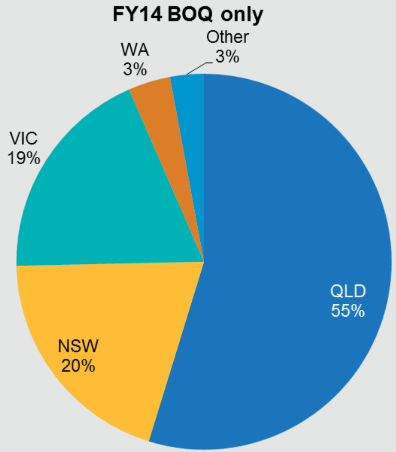
Unlocking the potential from our core business

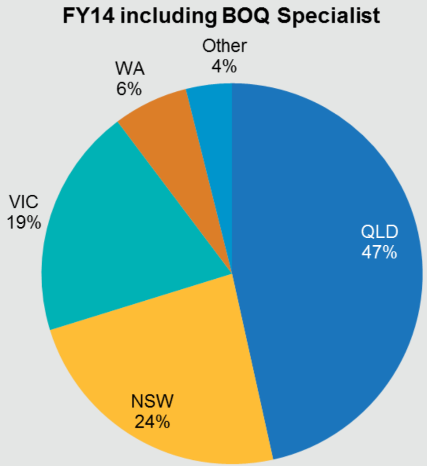
- Optimising branch network and harvesting productivity initiatives
- Driving alignment through new franchise agreement and commission model
- Building franchise and sales capability through coaching programme

FY15 opportunities for growth – Business Banking

- Diversifying by product, geography, industry sector and asset class
- Profitable growth through focus on margin management, improved credit quality and pricing for risk
- Building competitive advantage as a relationship bank
- BOQ Specialist provides additional niche distribution capability and diversification
- Further opportunities for cross sell in BOQ Finance

Commercial Loans: diversifying loan book geographically





Other FY15 growth and productivity initiatives

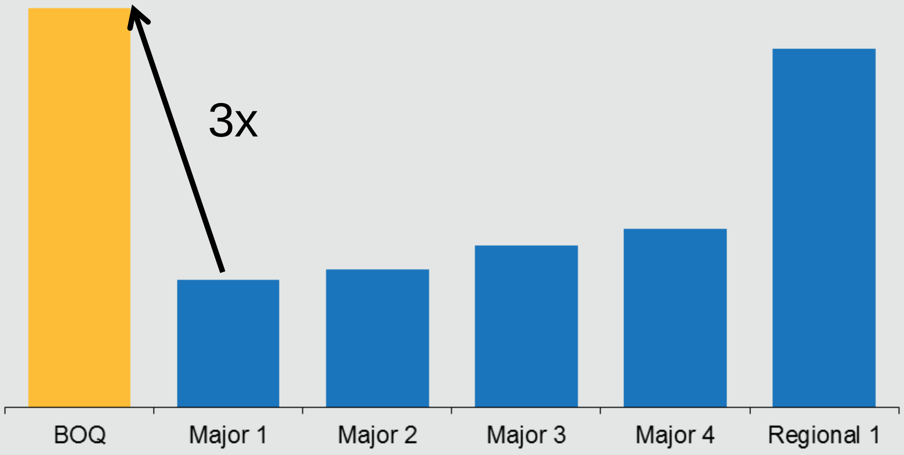
- Virgin Money Australia tracking to expectations; retail banking strategy planning underway
- St Andrew's continues to diversify revenue streams
- Digitisation underway – intensive paper based system has been worst in class "Time to Yes"
  - Digitised lending process to be piloted from April
  - Roll-out over calendar year – expect productivity benefits in FY16
- New IT services contract with Hewlett-Packard to provide cost savings for reinvestment

Case for change made to Financial System Inquiry

We've made a strong case for change in 3 key areas:

- Narrowing of the gap on risk weightings
  - Current regulatory capital settings are anticompetitive in the case of low-risk, homogenous residential mortgages
- Removing the 'too big to fail' funding cost advantage enjoyed by the major banks
- More transparent disclosure from brokers and aggregators so customers understand the incentives behind recommendations

Average capital on $300k Residential mortgage(1)



(1) Assumes 8.5% capital. Based on average risk weights published in Pillar 3 reports

Summary & outlook

1. Record full year cash earnings of $301.2m and further increase in shareholder returns
2. Continued execution of four pillar strategy with key priority to drive profitable growth across all business lines
3. BOQ Specialist provides additional growth opportunity
4. Focus on cost discipline while continuing to invest in business transformation
5. Subdued business conditions likely to persist in the year ahead
6. Expect sustainable growth in earnings and dividends (subject to macro conditions)

Important notices

Financial amounts

All dollar values are in Australian dollars (A$) and financial data is presented as at the date stated. Pro-forma financial information and past information provided in this Presentation is for illustrative purposes only and is not represented as being indicative of BOQ's views on its future financial condition and/or performance. Past performance, including past trading or share price performance, of BOQ cannot be relied upon as an indicator of (and provides no guidance as to) future BOQ performance including future trading or share price performance.

Future performance

This Presentation 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" and other similar expressions within the meaning of securities laws of applicable jurisdictions. The forward looking statements contained in this Presentation 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 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.

Financial performance

In assessing financial performance, BOQ discloses the net profit (loss) after tax on both a ‘Statutory basis’ and a ‘Cash Earnings basis’. The Statutory basis is prepared in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS). The Cash Earnings basis is used by Management to present a clear view of BOQ’s underlying operating results. This excludes a number of items that introduce volatility and/or one off distortions of BOQ’s current period performance, and allows for a more effective comparison of BOQ’s performance across reporting periods and against peers. These items, such as amortisation of intangibles from acquisitions, and accounting for economic hedges, are calculated consistently year on year and do not discriminate between positive and negative adjustments. BOQ also uses the measure of ‘Underlying Profit’, which represents the profit before loan impairment expense and tax, to provide users with a view on the underlying growth rate of the business. Further details of items excluded from statutory profit are provided in the reconciliation of the net profit after tax (“Cash Earnings basis”) in this Presentation.

Non statutory financial disclosures are not audited.

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