IT'S POSSIBLE to LOVE A BANK

BOQ

Results presentation for the half year ended 28 February 2014

11 April 2014

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

Agenda

Result overview	**Stuart Grimshaw** Managing Director and CEO
Financial overview	**Anthony Rose** Chief Financial Officer
Summary & outlook	**Stuart Grimshaw** Managing Director and CEO

Strong performance across key metrics

	1H14	1H13	Change 1H14 v 1H13	
Statutory net profit after tax	$134.7m	$100.5m	34%	✓
Cash earnings after tax	$140.2m	$119.9m	17%	✓
Underlying profit before tax (Cash)(1)	$249.2m	$230.7m	8%	✓
Net interest margin (Cash)	1.77%	1.66%	11bps	✓
Cost-to-income ratio (Cash)	43.8%	44.7%	90bps	✓
Return on average Tangible Equity (Cash)	13.2%	11.6%	160bps	✓
Ordinary dividend	32¢	28¢	14%	✓

(1) Profit before loan impairment expense

Key messages

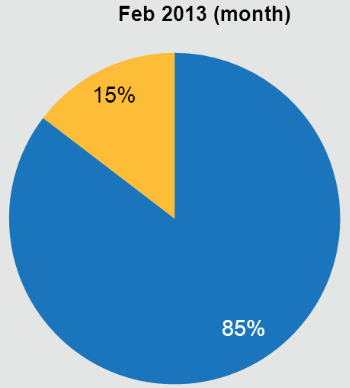
1. Simple, well executed strategy delivering record results
2. Disciplined approach to growth has continued – not compromising quality
3. Proactive management of levers to deliver results – strong improvement in margin, cost to income, risk metrics and ROTE
4. Balance sheet quality and strength evidenced by two credit rating upgrades
5. Potential upside still to be realised in new Retail channels and Business Banking
6. Delivering for shareholders - Total Shareholder Return[1] of 28% in 1H14 (compared to 8% for the ASX200 Accumulation Index)

(1) Source: IRESS

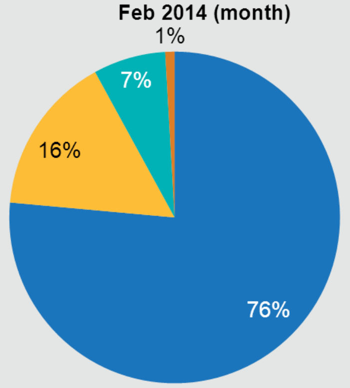
Multi-channel: improving momentum in Retail channels

Retail channels: source of lending applications

Total = $739m



Total = $764m

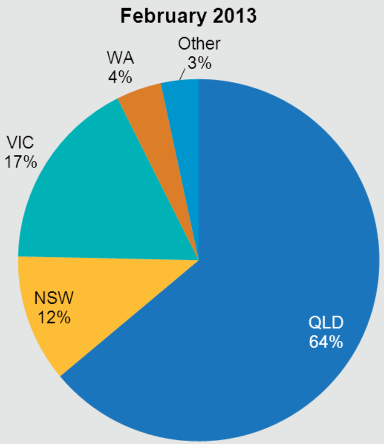


- **Broker**: 536 brokers accredited - lending applications flow doubled between 1Q13 and 2Q13
- **Corporate**: Improved corporate branch productivity following restructure & refocus – lending applications up 8% year on year
- **Mobile Bankers**: Team of 10 mobile bankers recruited & deployed with application pipeline growing strongly
- **OMB**: Owner-managed branch (OMB) – 70% of branches posted positive lending growth (excluding legacy run-off)
- **Digital**: Refreshed website and new mobile apps generating significant new leads

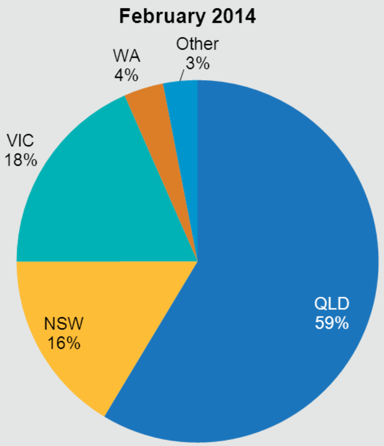
Risk-Return: focus on profitable growth

- Targeting growth and expansion in higher margin Business Banking, but not compromising price or risk
- Sound risk management practices embedded in the lending processes across the business, contributing to quality improvement
- Actively reduced reliance on high cost retail deposit segments, given lower asset growth

Commercial loans: diversifying by geography[1]



Total = $5.29bn



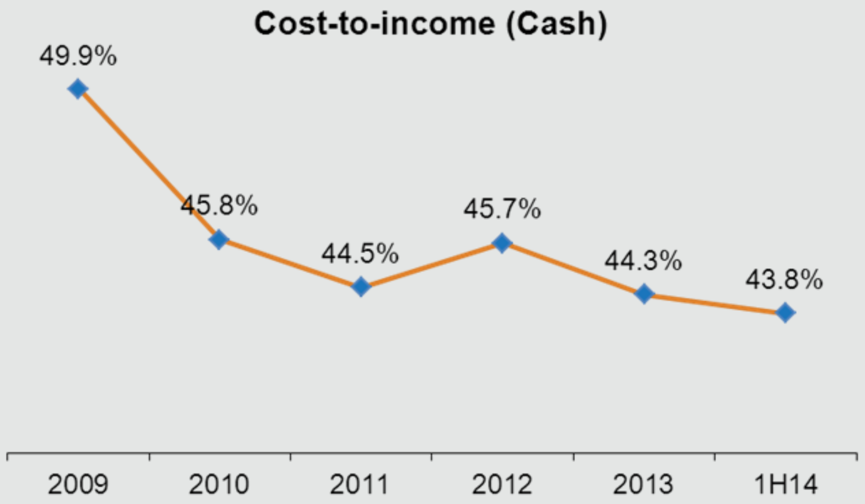
Total = $5.37bn

(1) Note this includes commercial loans originated by Retail

Operational excellence: reinvesting in future growth

- Reinvestment for growth:
  - Lending platform – digitisation, straight-through processing
  - Consolidation of technologies across the group
  - Front line staffing and capability uplift, particularly in Business Banking

- Savings harvested in:
  - Procurement $3.6m
  - Property & service rationalisation $0.8m
  - Corporate network restructuring $1.1m



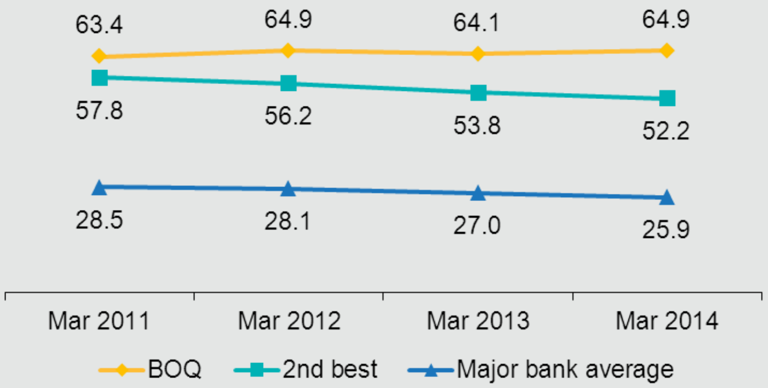
Talent & culture: driving customer satisfaction

- Retail customer satisfaction metrics improving
  - 68% of customers classified as 'high advocates' (scored 8-10/10) – ranked #1 in February 2014 among all major banks from #7 a year ago(1)
- Business Banking surveys consistently rank BOQ #1 across a range of engagement metrics
  - Recently named Best Relationship Bank by AB+F
- BOQ Finance ranks #1 in pre-deal service and #2 in ease of use and product performance against leading primary financiers (2)
- Driving culture of customer focus across the organisation and targeting top quartile employee engagement scores

Net Promoter Scores – February 2014(1)

BOQ	ANZ	CBA	NAB	WBC
+17.5	-7.5	+1.5	+1.6	-10.9

Business Banking Customer Engagement(3)



(1) Source: Roy Morgan Research Consumer Single Source, 6 months average - February 2014. Net Promoter Score is a trademark of "Satmetrix Systems, Inc., Bain & Company, and Fred Reichheld"
(2) Source: East & Partners Business Banking Index June 2013
(3) Source: East & Partners Business Banking Index March 2014

Good progress towards management targets

Metrics[1]		1H14 Actual	FY15+ Target (from 2H12)[5]
BOQ asset growth			
-Retail	✘	0x system	1.2x system
-Business[2]	✓	2.4x system	1.5x system
Net Interest Margin	✓	177bps	Low-Mid 160s
Expense growth[3]	✓	2%	< Inflation
Cost to Income	✓	43.8%	Low 40s
Bad & Doubtful Debts to GLA	✓	26bps	~20bps
Return on Tangible Equity[4]	✓	13.2%	13%+

These are internal management targets and are not forecasts or projections

(1) Cash earnings basis
(2) Excluding the impact of impaired asset run-off; includes Commercial and BOQ Finance
(3) Compound growth rate from 2H12 when the management targets were established
(4) Excluding goodwill and identifiable intangible assets
(5) Excludes Virgin Money Australia

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Financial overview

Anthony Rose

Chief Financial Officer

Strong financial performance

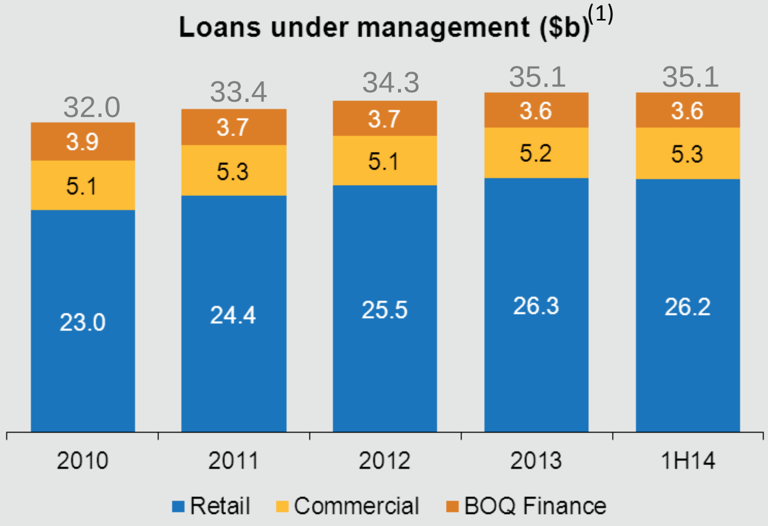
- 21% increase in half year cash earnings on an adjusted basis[1], to $140.2m
- Net interest income growth driven by margin expansion
- Expense uplift due to reinvestment, compliance spend and branch take-backs
- Reduction in impairment expense, reflecting continued focus on asset quality

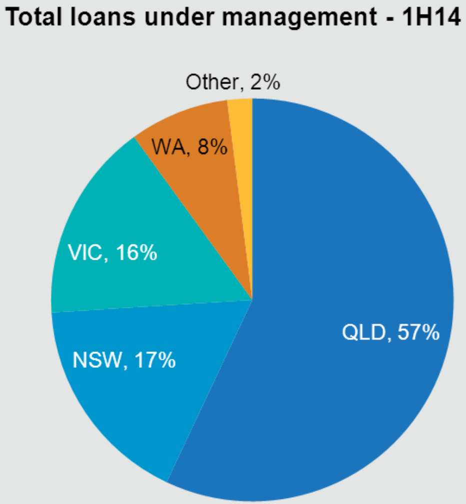
	1H14	2H13	1H14 v 2H13		Day count view 1H14 v 2H13[1]
Net Interest Income	$362.2m	$359.5m	1%	▲	5%
Non interest income	$81.6m	$79.9m	2%	▲	4%
Total income	$443.8m	$439.4m	1%	▲	5%
Operating Expenses	($194.6m)	($192.7m)	1%	▲	2%
Underlying profit	$249.2m	$246.7m	1%	▲	7%
Loan impairment expense	($46.1m)	($55.1m)	(16%)	▼	(33%)
Profit before tax	$203.1m	$191.6m	6%	▲	19%
Income tax expense	($62.9m)	($60.6m)	4%	▲	14%
Cash earnings after tax	$140.2m	$131.0m	7%	▲	21%
Statutory net profit after tax	134.7m	$85.3m	58%	▲	NM

(1) Annualised, day-count adjusted basis

Loan portfolio – focus on quality

- Lending stable over the half with disciplined approach to pricing and risk
- Better quality book with geographic diversification continuing – QLD down to 57% from 60% in 2H12
- Business Banking volumes strong, but new business volumes offset by planned exits of exposures outside risk appetite

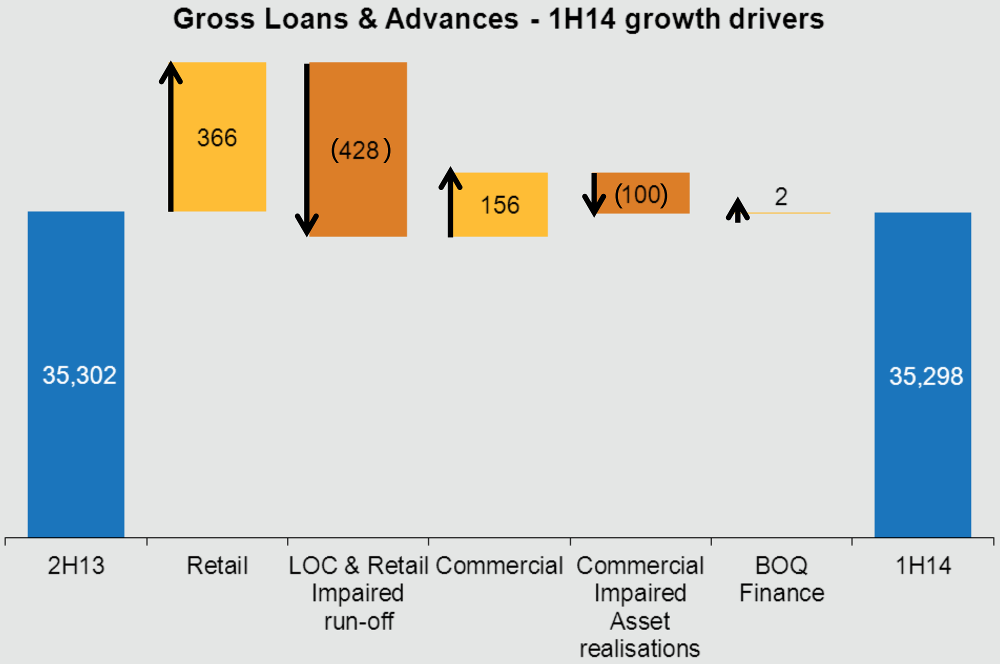




(1) Loans under management net of specific provisions.

Run-off & deleveraging restraining growth

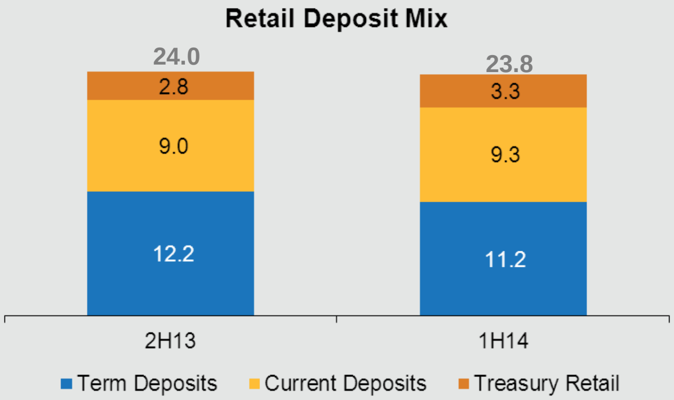
- Focus on improving quality of the book and building a sound platform for growth
- Line of Credit (LOC) run-off still high as portfolio re-weighting continues – down to $3.9bn from $5.2bn in Feb 2012
- QLD continues to underperform national system growth (0.5x)[1], but interstate expansion will further reduce impact

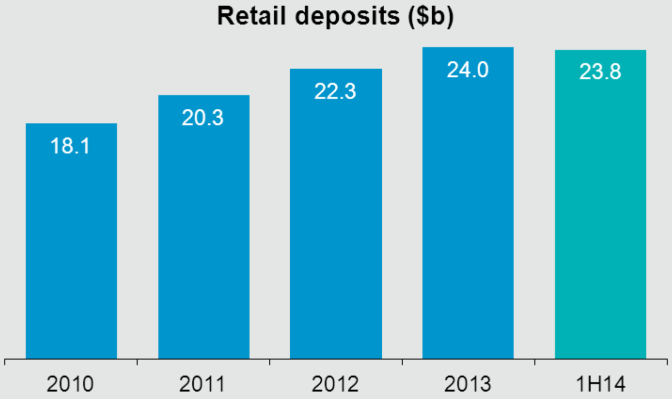


(1) Source: Cannex market share report Feb 2014.

Deposit funding composition improved

- Focus on composition rather than growth given flat asset growth – actively 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





	2010	2011	2012	2013	1H14
Deposits to Loans ratio	57%	61%	64%	68%	68%

Proactive margin management

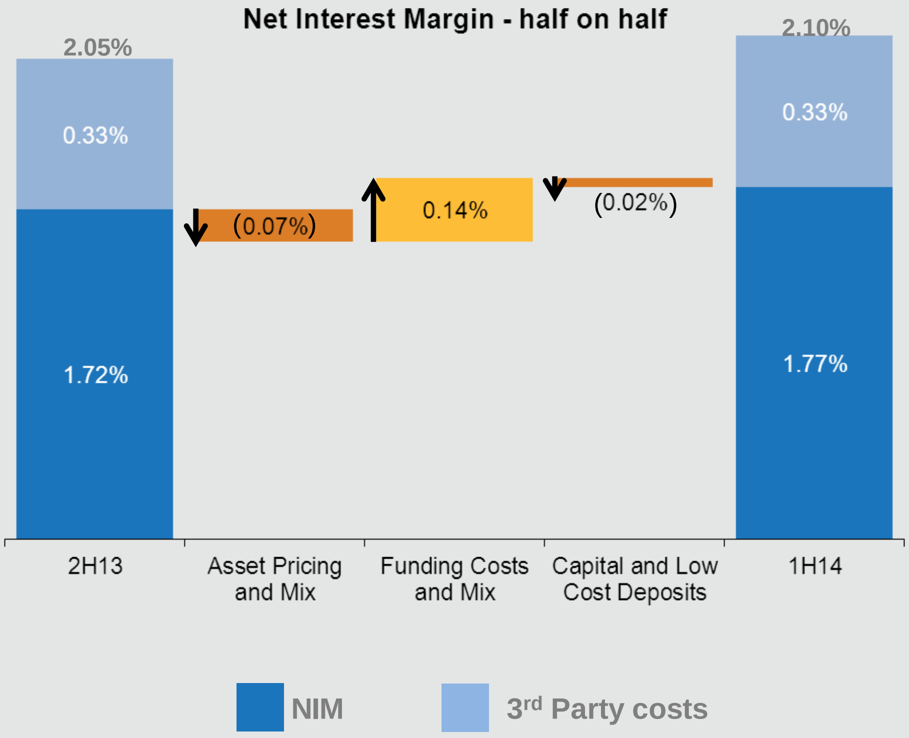
- Strong 5bps improvement on 2H13

Tailwinds

- Rating upgrades reducing wholesale costs and opening up counterparty limits
- Deposit pricing adjustments with lower lending growth

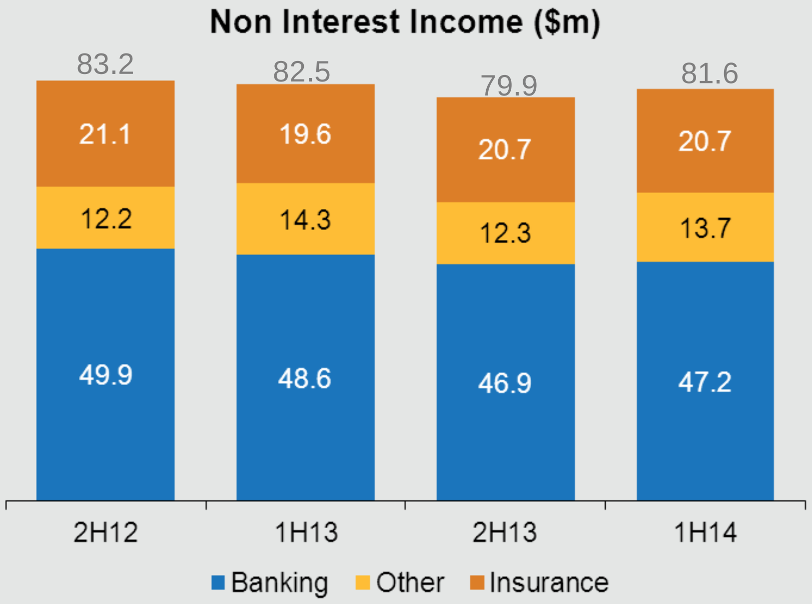
Headwinds

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



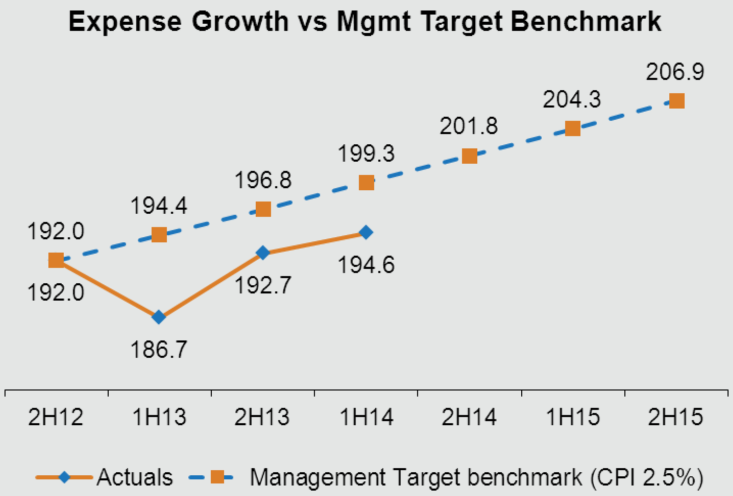
Other income remains flat

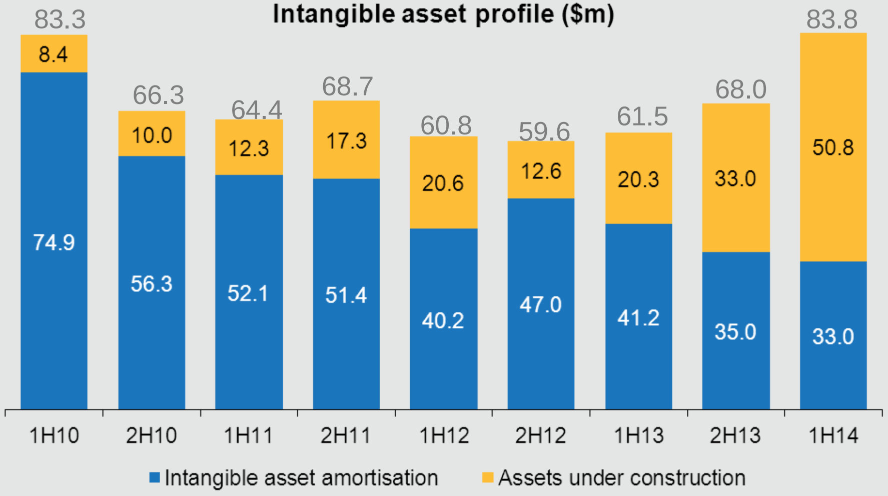
- Continued pressure on banking fee income
- BOQ Finance equipment sales lower due to customer inertia/lower reinvestment
- APS210 will shift component of other income to NII
- Strategies to offset include Business Banking expansion (fee income) and financial markets product expansion



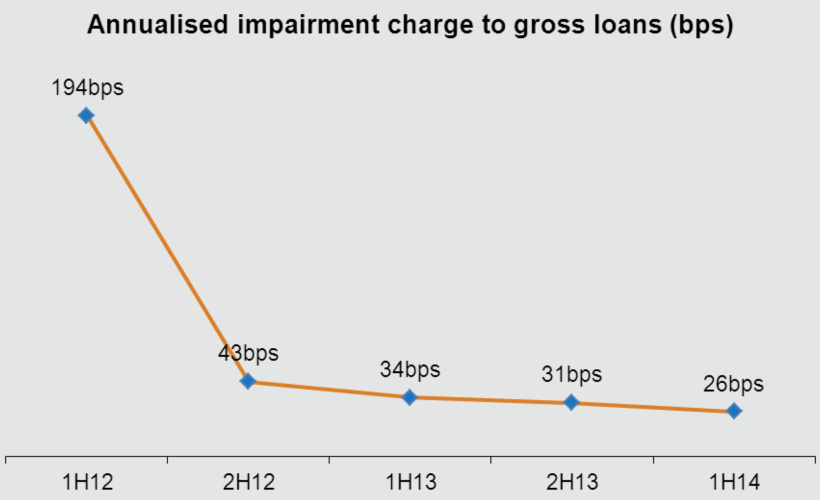
Cost-to-income on track

- Cost-to-income down to 43.8% from 44.7% in 1H13
- Compliance costs, network reconfiguration and reinvestment all accommodated within expense profile
- Intangible asset amortisation has been reducing but is expected to peak in 3-4yr horizon at double its low point, with substantial efficiency benefits to accrue subsequently



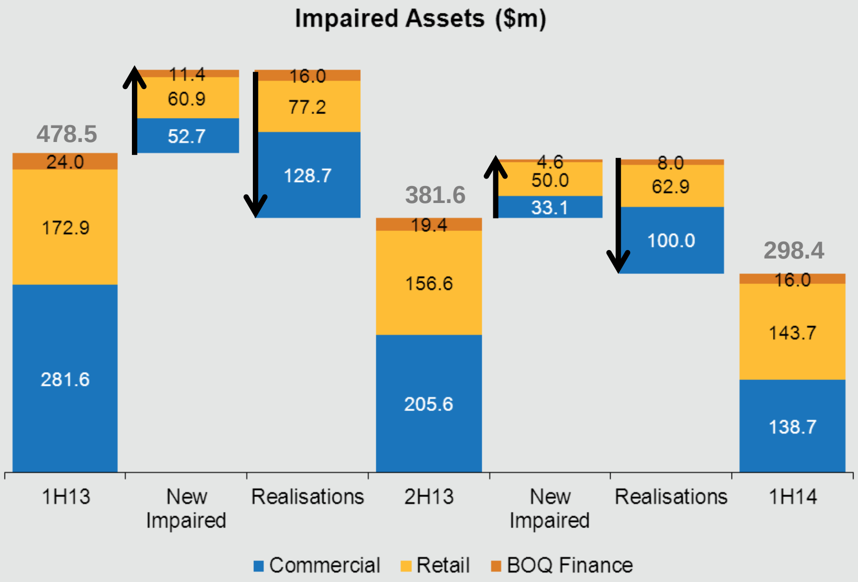


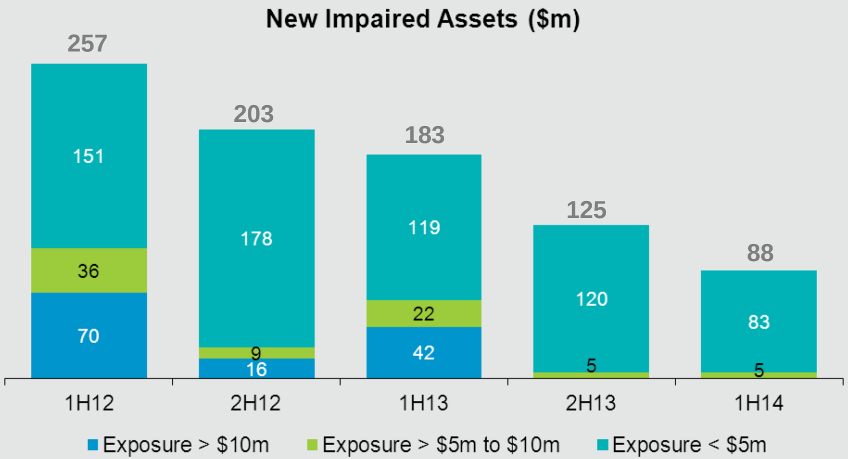
Significant improvement in impairment expense



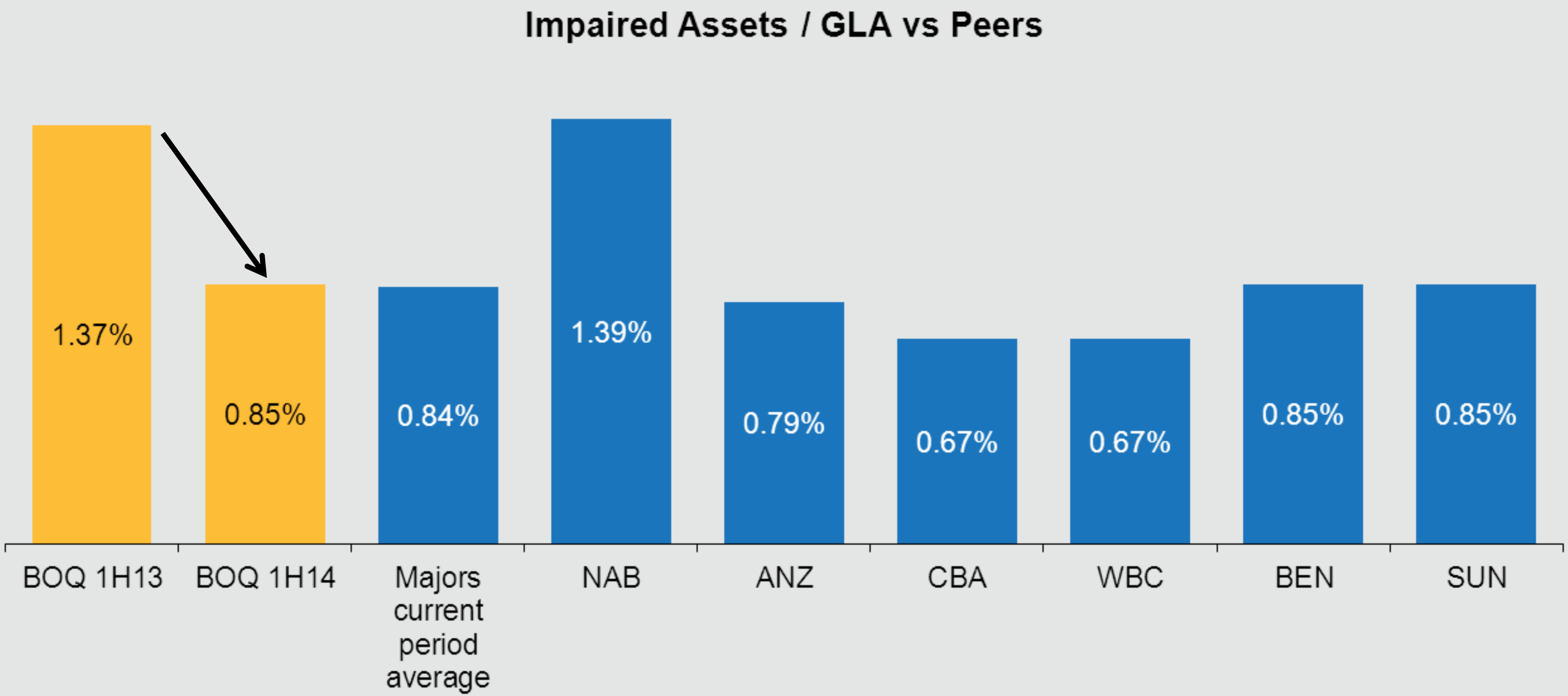
- Significant reduction in impaired assets, particularly commercial – levels now in line with broader industry
- New impaired assets have also decreased as a result of tighter risk management
- On track to achieve FY15 management target of 20bps

Continued success in realisation of impaired assets





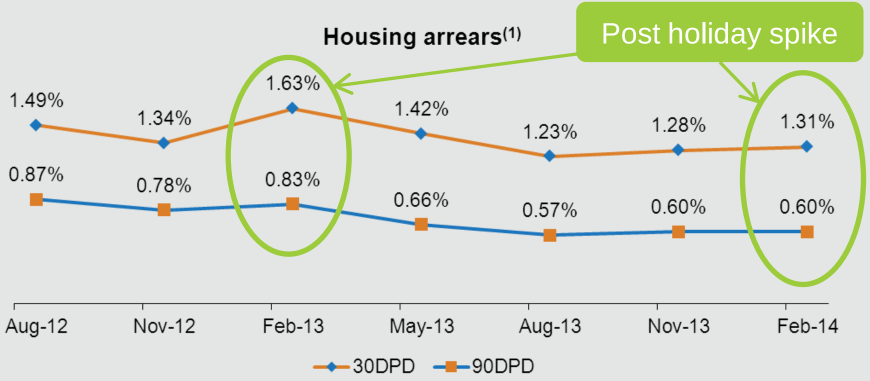
Impaired levels now in line with peers



Continued positive arrears trends

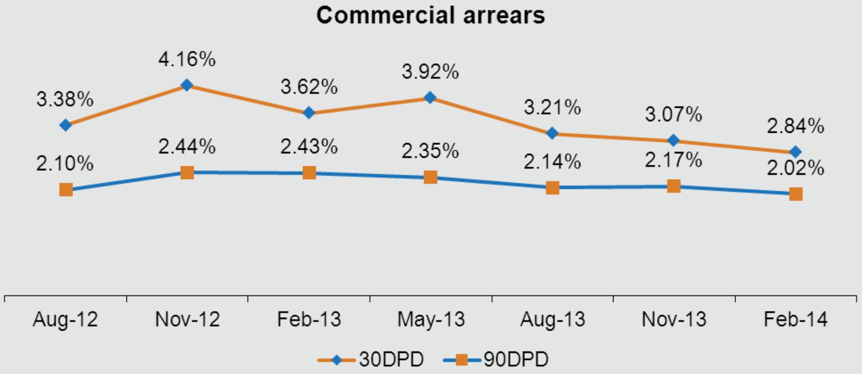
Housing

- Housing arrears at consistent and manageable levels
- Lower post holiday season spike
- QLD weighting of portfolio keeping overall levels higher



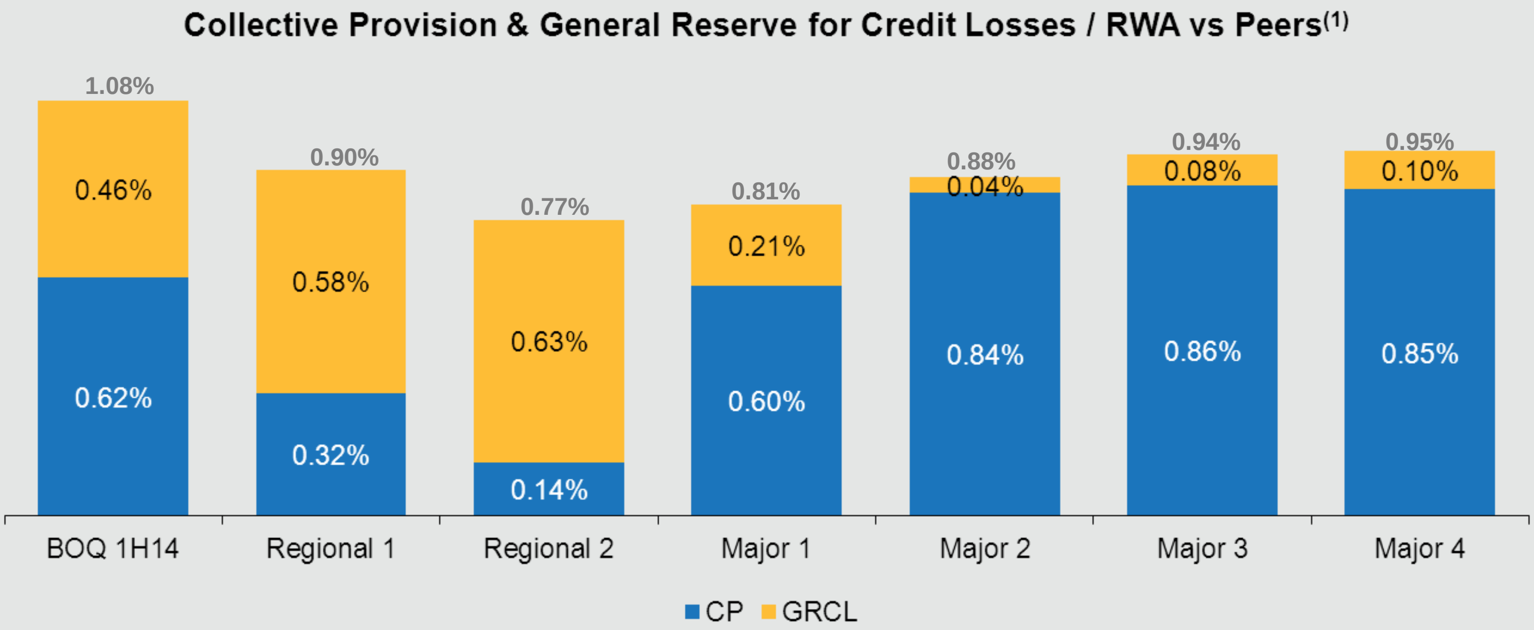
Commercial

- Revised risk appetite and origination framework driving reductions in commercial arrears



(1) Housing including Lines of Credit

Strongest bad debt coverage amongst peers

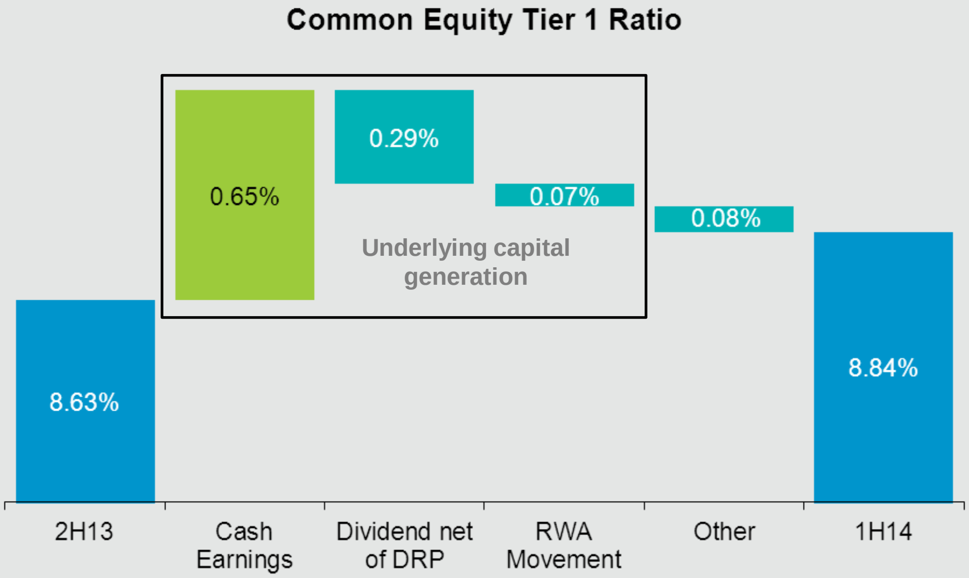


(1) Grossed up for tax effect

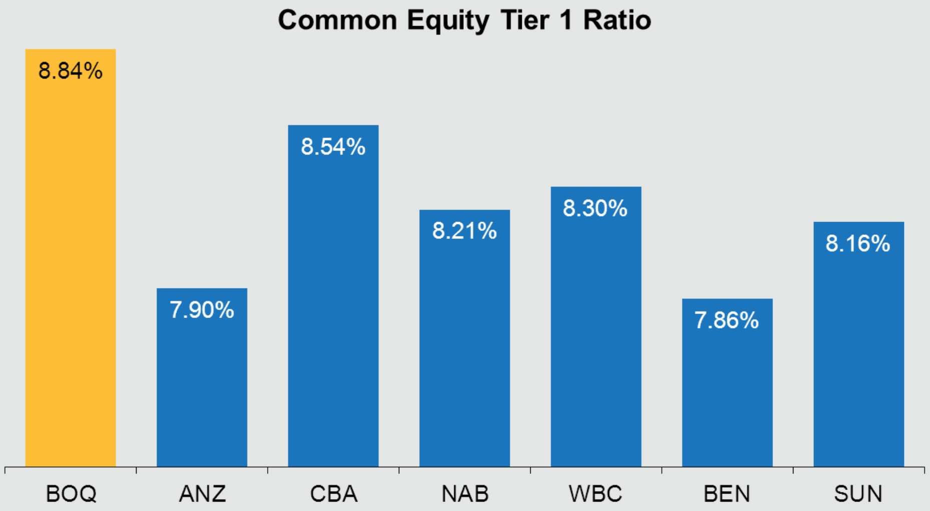
Note: Major banks are accredited to run advanced risk weighting models. Comparison between the majors and the standardised regional banks is not like for like.

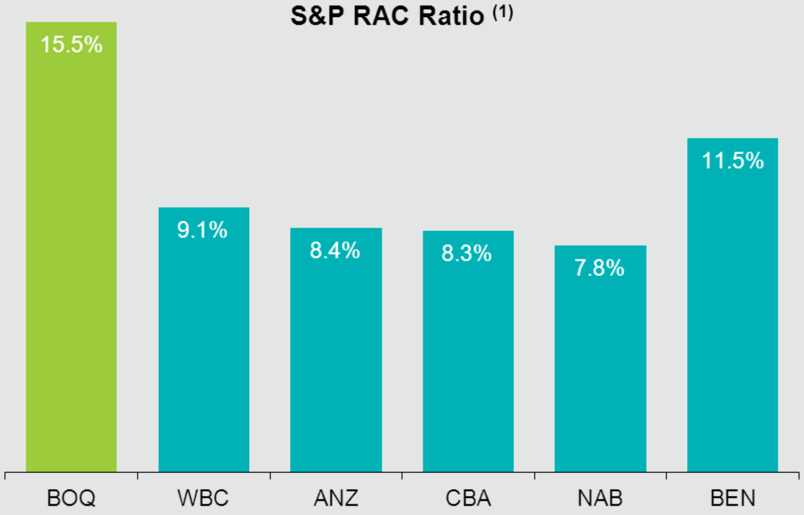
Strong capital generation

- Capital strength maintained with Total Capital at 12.41% and Common Equity Tier 1 at 8.84%
- Internal capital generation supporting dividend growth



Remain well capitalised vs peers





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

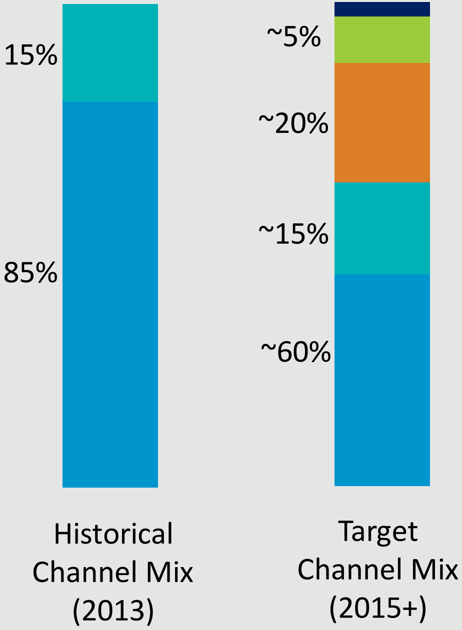
Summary & outlook

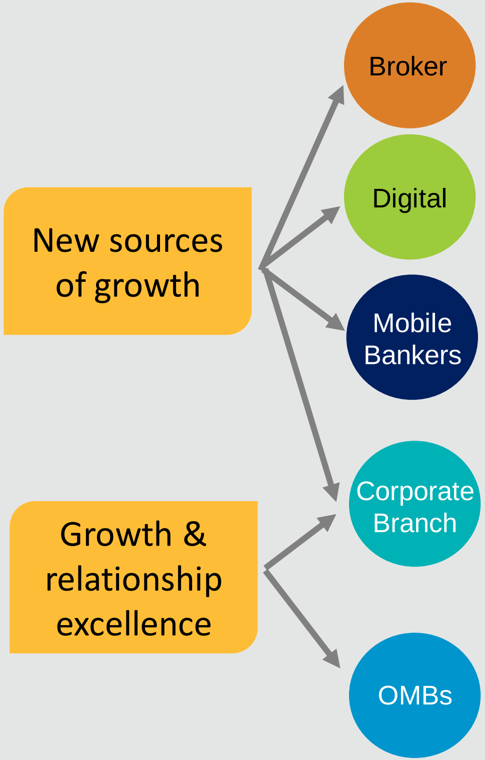
Stuart Grimshaw

Managing Director and CEO

Opportunities for growth

Source of origination





- National roll out and scale up of BDM & processing resource – target to double accredited brokers & aggregators in 2H14
- Leverage refresh of digital assets to drive online sales and lead generation
- Doubling of mobile business development resource to build on strong initial pipeline
- Currently operating at ~30% of OMB productivity – significant growth potential as new talent and productivity initiatives embedded
- New commission model launched in 1Q15 will increase focus on quality and share of wallet
- Transformation of back office & increased capability will improve franchisee productivity

Opportunities for growth

Business Banking expansion

- Continue to invest in existing metropolitan hubs with planned expansion into regional and rural Victoria / WA over the next 12 months
- Focus on credit quality, pricing for risk and achieving return hurdles
- Remain committed to growing a strong, high quality agribusiness portfolio
- Non interest income opportunities with further investment in financial markets capability and expertise
- Further push into the SME segment by leveraging unique operating model of the OMB network and recruitment of 3 additional SME specialist lenders (10 in total)

Other

- Further cost and productivity initiatives including digitisation and process re-engineering
- BOQ Finance targeting increased penetration into BOQ branch network
- Virgin Money Australia business build-out strategy progressing – profitability achieved six months early

Summary & outlook

1. Record half yearly cash earnings of $140.2m
2. Continued focus on execution with disciplined approach to growth, margin, risk management and costs
3. Increasing returns to shareholders with interim dividend 32 cents off a lower risk, lower volatility platform
4. Further growth potential in Retail distribution and Business Banking expansion, as well as internal productivity and efficiency gains
5. On track to meet key management targets for FY15

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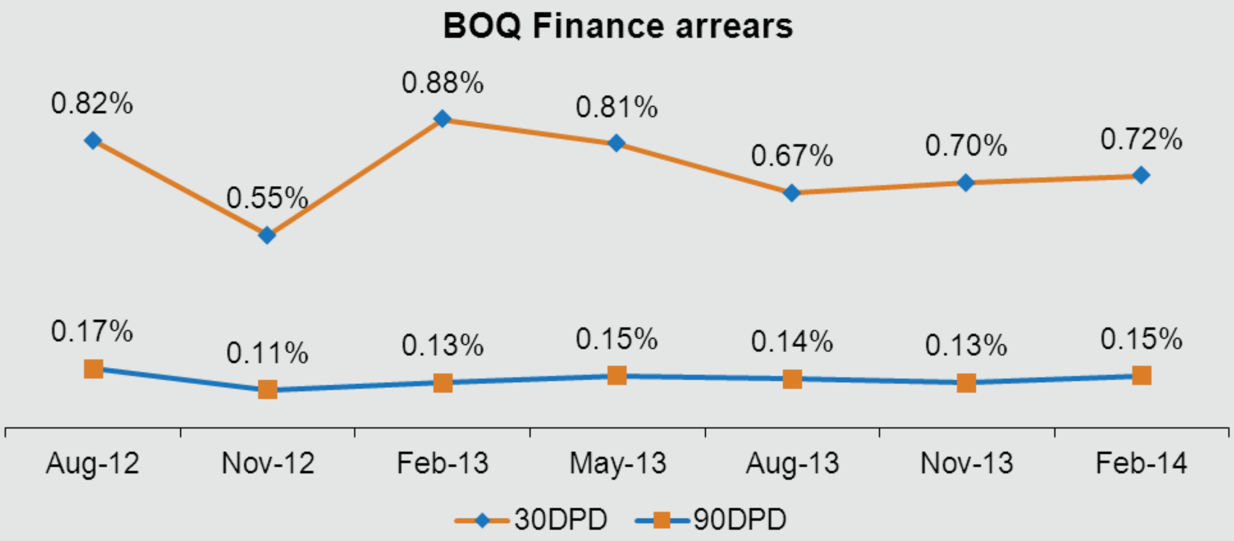
Appendices

Additional information

BOQ Finance arrears



Cash to statutory reconciliation

- Legacy items dealt with, only existing litigation remains

	1H14	2H13	1H13
Cash earnings / (loss) after tax	**$140.2m**	**$131.0m**	**$119.9m**
Amortisation of customer contracts	($2.5m)	($4.2m)	($4.9m)
Amortisation of fair value adjustments	-	-	($1.0m)
Hedge ineffectiveness	($0.8m)	$3.1m	($0.7m)
Government guarantee break fee	($1.4m)	($5.2m)	-
Integration / due diligence costs	-	($3.4m)	($0.3m)
Legacy items	($0.8m)	($36.0m)	($1.5m)
Restructuring costs	-	-	($11.0m)
Statutory profit (loss) after tax	**$134.7m**	**$85.3m**	**$100.5m**

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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