

**Bank of Queensland  
Australian Financial Services  
- UBS Conference 2008 -**



# Progress Update

- ▶ Update on guidance
- ▶ Proceeds from sale of Visa shares received
- ▶ Considerable success on funding our growth
- ▶ Core distribution model continues to outperform system
- ▶ Asset quality remains high
- ▶ BoQ model consolidator of choice in Australian Financial Services

# Market guidance

- ▶ Management maintains guidance (+9cps norm cash EPS v pcp), despite PEPS treated as fully dilutive (-7cps); and \$13m of revenue related to securitisation and FV adjustments in pcp not being available in FY08 due to Financial market conditions (-6cps).....

Headwinds	Tailwinds
Wholesale funding in advance of growth & focus on TDs is expensive	Cost disciplines holding, planning deeper process re-engineering
Market appetite for Mortgage re-pricing slowing	Commercial portfolio reflecting better pricing for risk
Marginally higher bad debt expense and NLL	Home Property related income robust

# Market guidance (cont.)

- ▶ NIM in 2H08 is expected to stabilise vs. 1H08 with an upward bias
- ▶ Proceeds from the sale of Visa IPO shares \$6.3m after tax will be normalised out:
  - Part of the gains will offset mark to market losses incurred on long duration bonds which have been sold out of the Trading Book in the 2H08 (~\$3m)
  - With the remaining gains, considering funding one-off IT spend to build better functionality in the Cards platform and consolidate the IT environment
- ▶ FY08 lending growth and retail deposit growth remains on track to be 2.0x and 2.3x system respectively\*
- ▶ Home integration remains on track to beat integration targets

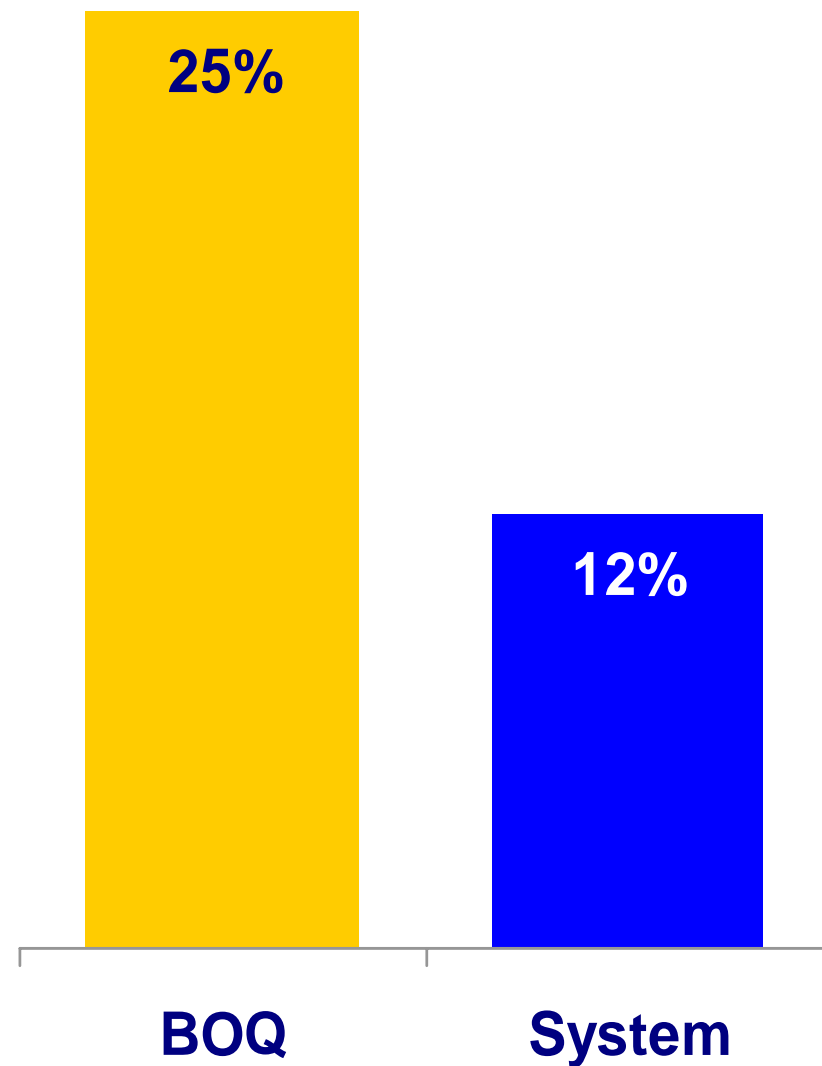
\* Excludes growth through the acquisition of Home Building Society Ltd.

# Progress on funding our growth

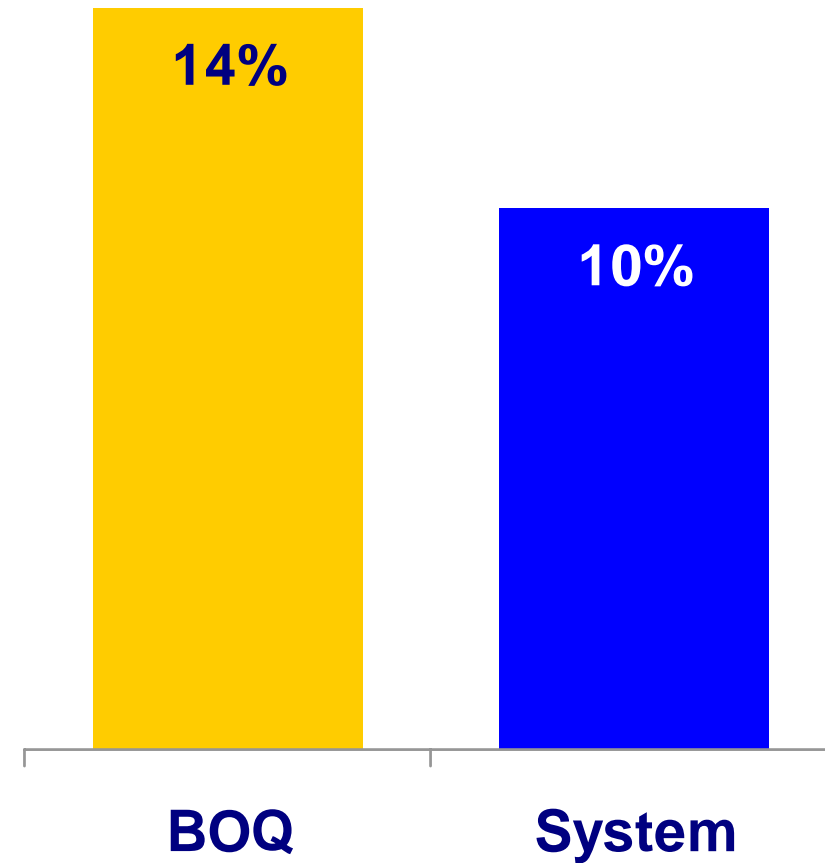
- ▶ Our strategy on diverse funding sources with close investor relationships that understand our model and lower risk profile is paying dividends:
  - \$628m EHP securitisation (April 08)
  - \$500m RMBS securitisation viz. private placement (settle June 08)
  - \$500m additional warehousing capacity (June 08)
  - \$170m in subordinated loans (settle June 08)
  - \$200m+ syndicated loan road show completed (June 08)
- ▶ Conservative posture to ride out market volatility:
  - \$500m in internal securitisation for contingent liquidity (March 08)
  - Liquidity levels in excess of 14% maintained

# Lending growth outperforming system in a more difficult market....

▶ Housing growth  
↑ 25% \*



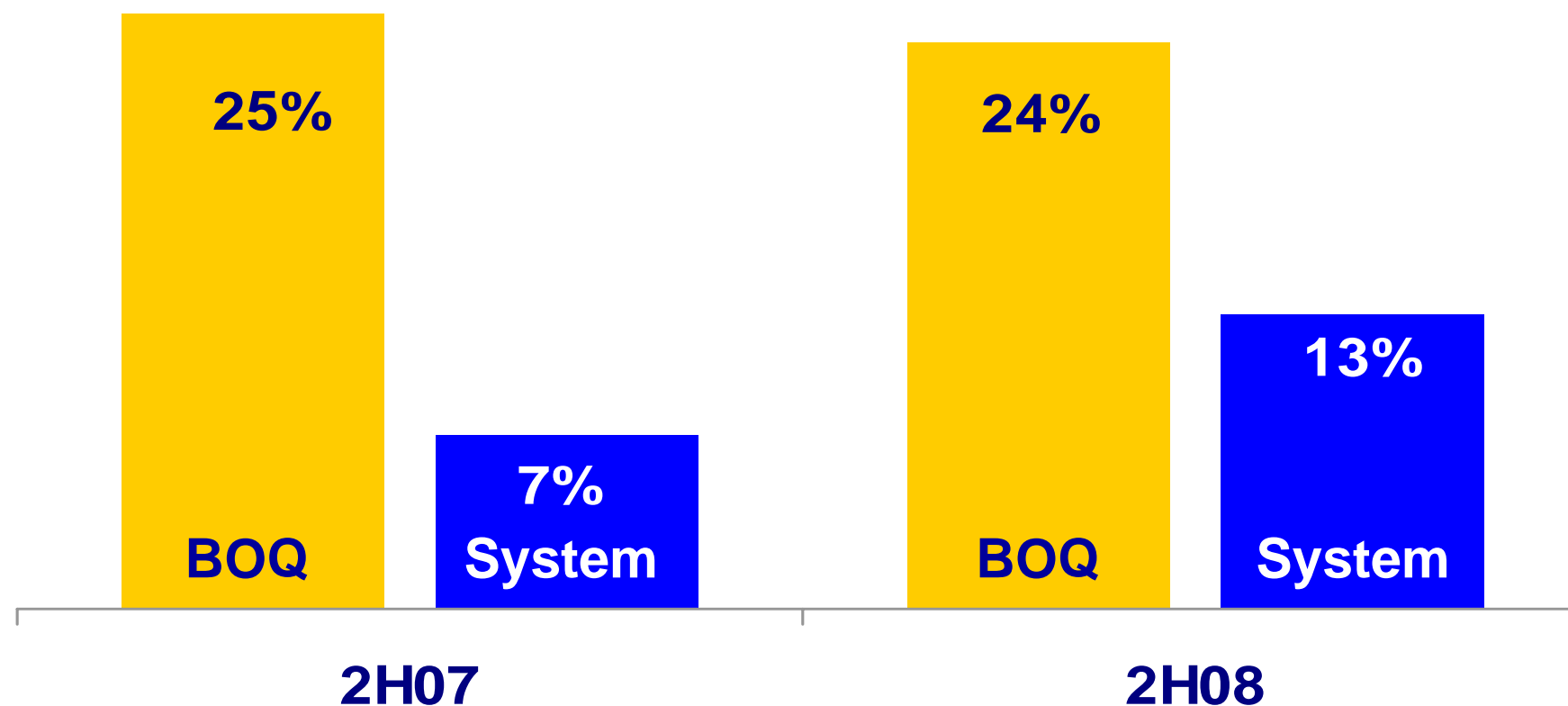
▶ Commercial growth  
↑ 14% \*



\* For 2H08 – not a full 6-month period.

# Retail deposit growth continues...

- ▶ Focus on retail deposits, especially stickier (but more expensive) TD's continues to gain traction



\* Excludes growth through the acquisition of Home Building Society Ltd.

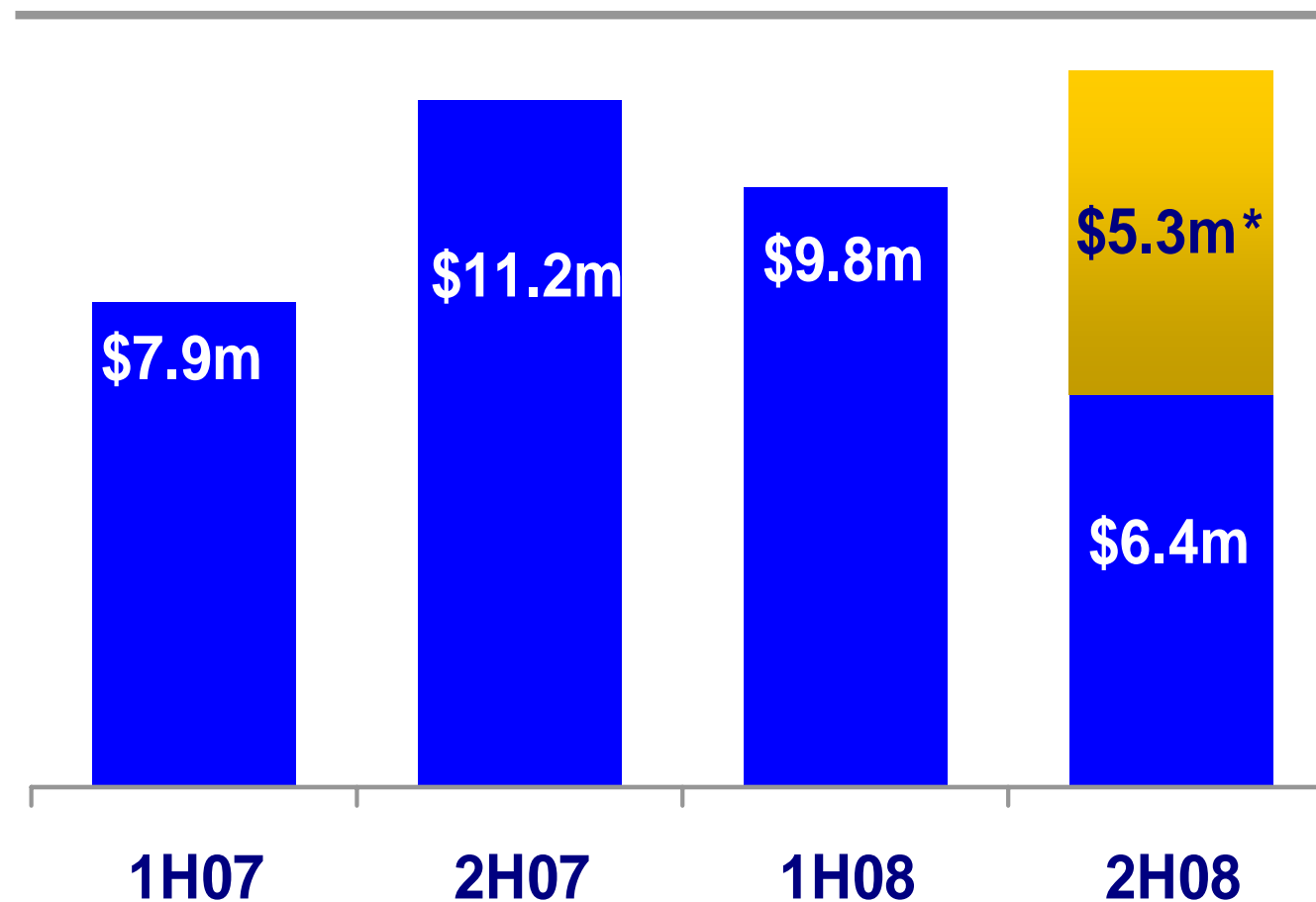
System: APRA monthly statistics, total deposits

2H08 not a full 6-month period

# Strong asset quality continues..

- ▶ Focus remains on well secured housing and SME lending
- ▶ We expect 2H08 BDD outcomes in line with recent performance

## Underlying bad debts

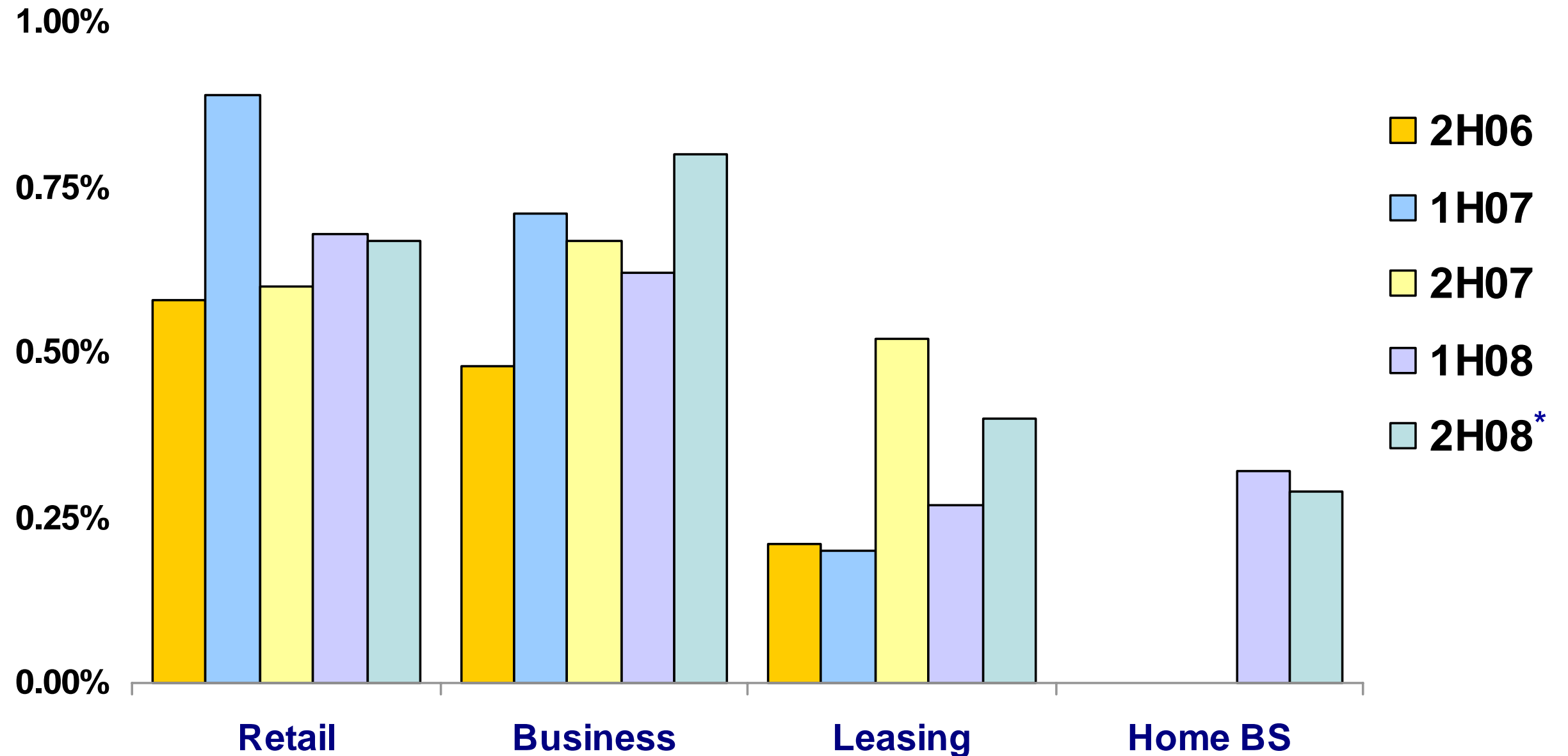


\* Forecast for remainder of 2H08



# Portfolio quality

## Arrears 90+ days (% of portfolio, excluding securitised loans)

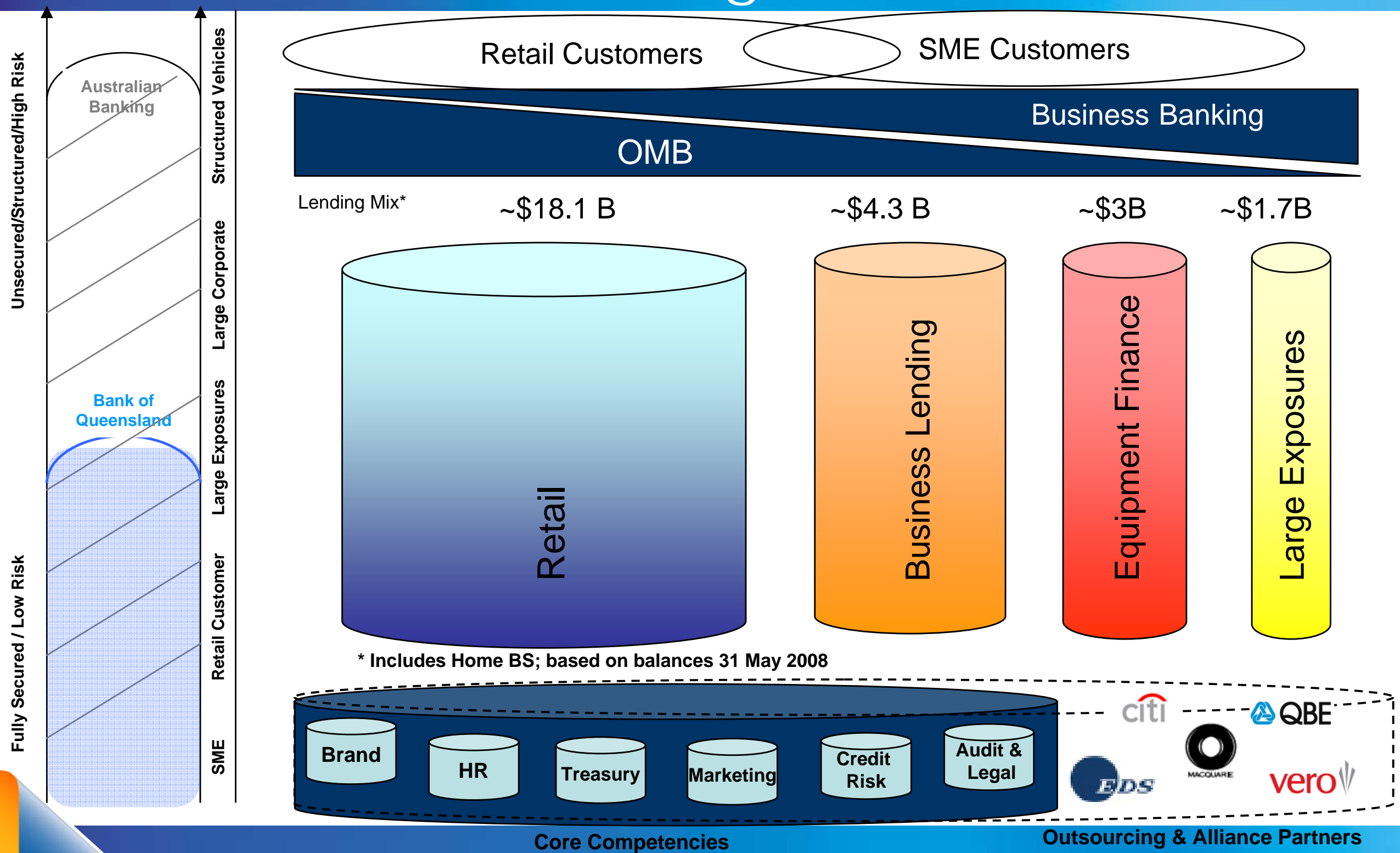


\* As at end of May 2008

# Longer term outlook

- ▶ Our concentration in Qld and WA continues to pay dividends in terms of growth and superior asset quality
- ▶ Unemployment trend is the key driver for our business....key dependency on continued growth in business investment
- ▶ Our commercial lending is more disciplined and pricing for risk ...our exposure to residential building and construction projects remain within risk parameters and continues to perform well
- ▶ Home integration exceeding plan. Moved to a single brand in May 08. Synergies on track with upwards bias.
- ▶ 3-5 year view of the business environment focused on whether a shift from low inflation in goods & services to higher inflation coupled with asset deflation is in progress – the impact on debt serviceability and implications for secured lending and asset quality

# Our model ... lower risk, less capital intensive and growth driven

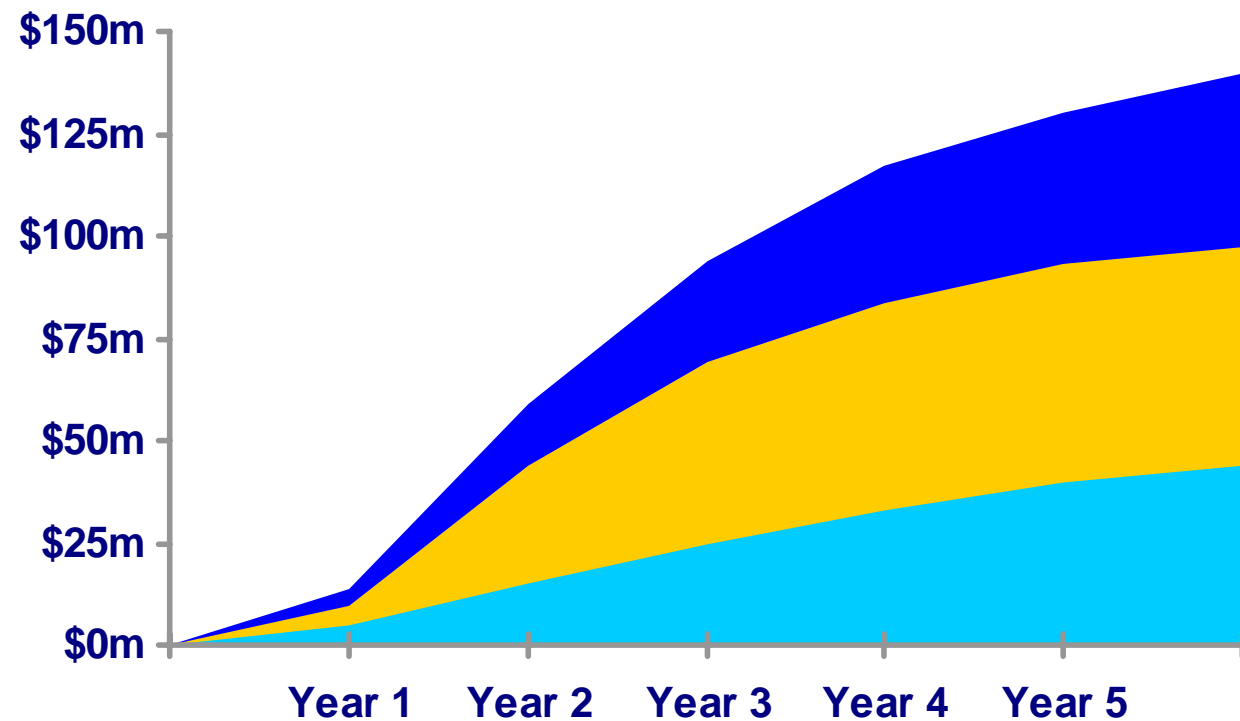


\* Includes Home BS; based on balances 31 May 2008

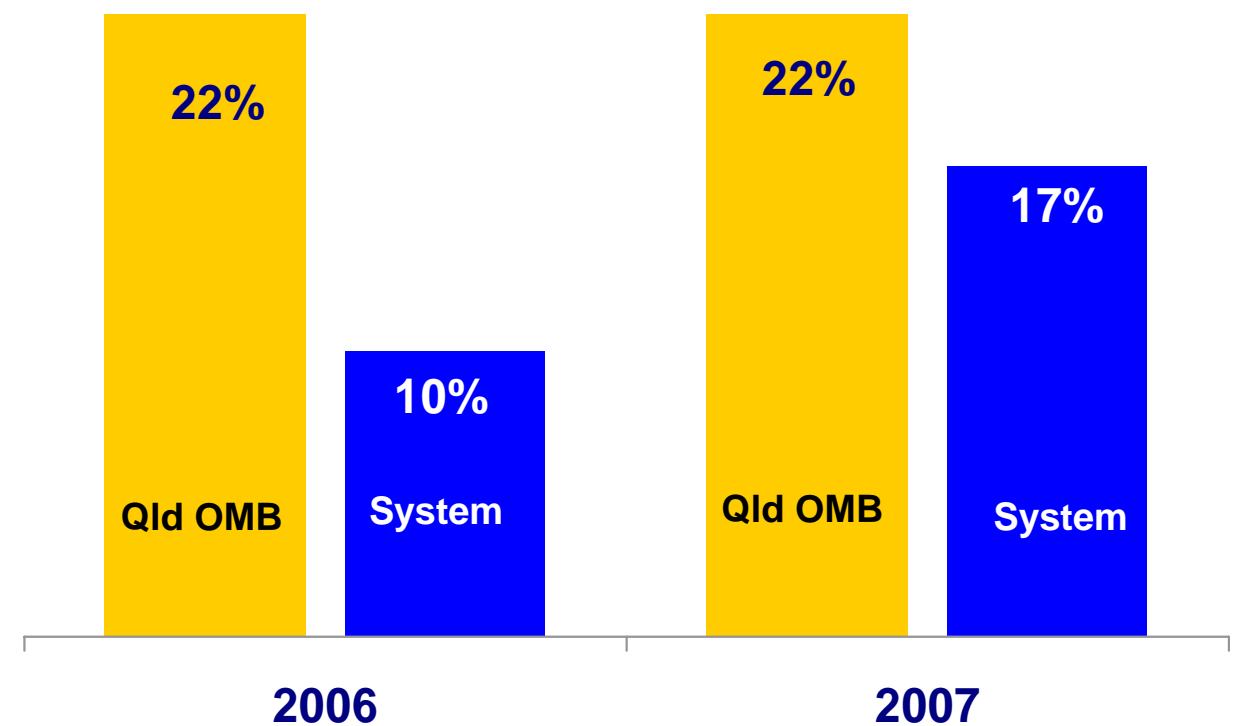
# Organic growth capability of model

- ▶ The exponential growth track record from greenfield branch openings is proven. However, expected maturity not evident...
- ▶ Existing mature Qld network continues to grow well above system

**OMB maturity (Theory)**



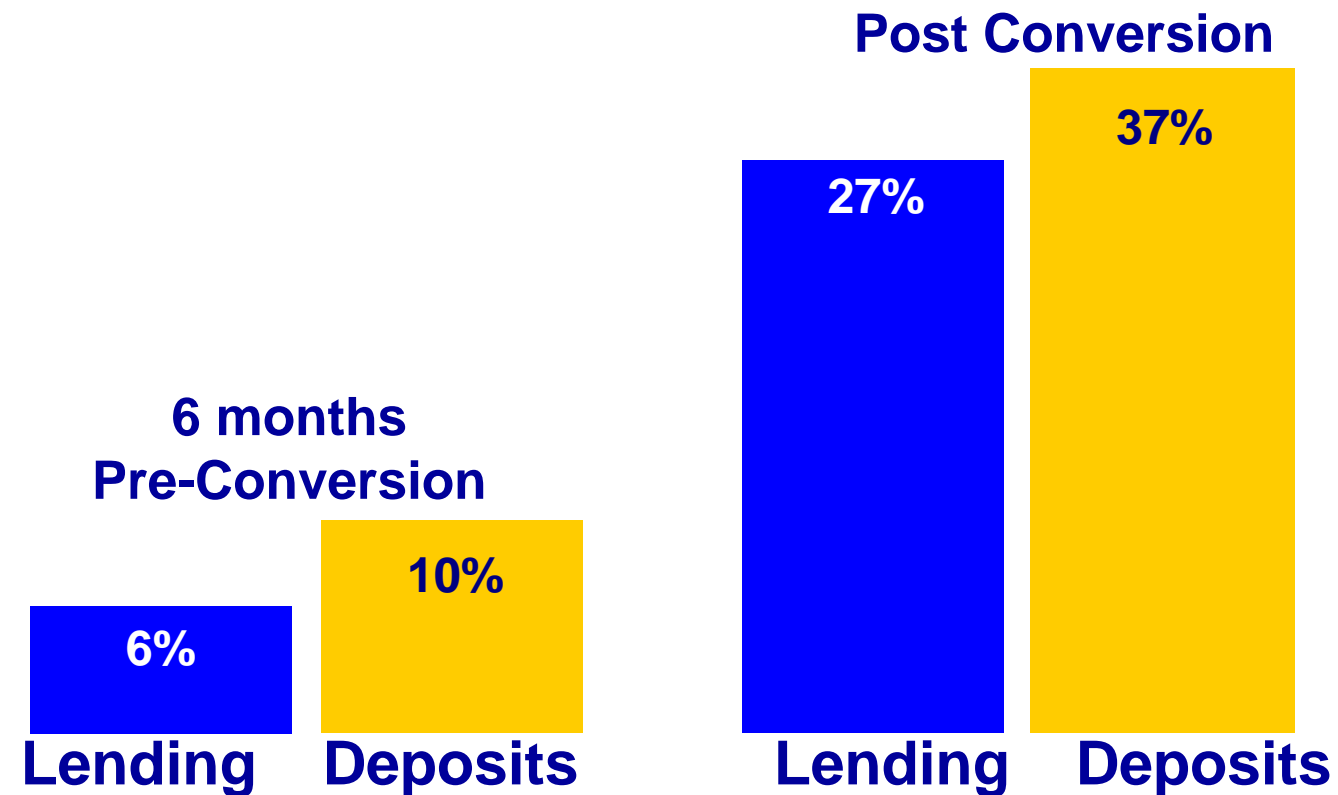
**Qld OMB Network- Mature Branches**



# Uniquely productive Retail banking network

- ▶ We have now converted 22 corporate branches to OMBs
- ▶ Average monthly settlements have increased **62%** post conversion
- ▶ BoQ has a unique synergy when acquiring any retail network ....creates higher affordability and higher accretion

## Annualised growth before and after conversion



Note: For branches converted with at least 3 months of results since conversion.

# Evolution of our Strategy

