

# Bank of Queensland

Investor Presentation

24 February 2004



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# Presentation Team

David Liddy, Managing Director

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# Outline

- Capital Raisings
- Highlights of 2003
- Our Performance to Date
- FY 2004 Outlook
- Equity Placement Timetable

# Capital Raisings



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# Summary of Capital Raisings

## Placement of Ordinary Shares

- An institutional bookbuild to raise up to \$50m, underwritten to \$30m
- Placement is underwritten by ABN AMRO Rothschild
- The shares issued under the placement will rank equally with all other shares for any interim dividend declared for the Half Year ending 29 February 2004

# Summary of Capital Raisings (cont'd)

## Placement of Preference Shares

- A \$40m placement of Series 1 Reset Preference Share (S1RPS) on the same terms and ranking equally with existing S1RPS program (see Summary Terms of Issue attached in Appendix)
- Will be unlisted for at least 12 months from this placement, notwithstanding that the existing issue of S1RPS is expected to list beforehand
- The S1RPS issued under the placement will rank equally with existing S1RPS for the non-cumulative, fully franked dividend of \$2.86, payable 20 April 2004

# Summary of Capital Raisings (cont'd)

## Placement of Reset Preference Shares (cont')

- Placement conducted by institutional bookbuild
- Holdings will be via uncertificated, issuer sponsored sub-register managed by Computershare
- The S1RPS placement will be arranged by Macquarie Equity Capital Markets
- **The placements of ordinary shares and preference shares will take place contemporaneously**

## Other Capital Management Tools

- Bank of Queensland will continue to manage its capital through its DRP and SPP programs and securitisation

# Purpose of the Capital Raisings

- Bank of Queensland is raising additional new capital to maintain its Total Capital and Tier 1 targets
- The need for additional capital is as a result of significant growth in its asset portfolios
- Assets have continued to grow strongly
- At 31 January 2004, assets under management were \$10.8b compared to \$8.7b at 31 August 2003. This increase of \$2.1b includes approximately \$1.0b of assets relating to the UFJ Finance acquisition in October 2003.

**Strong asset growth is the catalyst for these capital raisings**

# Highlights of the year ended 31 August 2003



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# Highlights of a Strong Year - 2003

- A record full year profit of \$44.7m (up 56%)
- An improved 64.9% cost to income ratio (from 71.3%)
- Assets under management of \$8.7bn (up 32%)
- EPS (Diluted) 57.1¢ (up 46%)
- Increased full year dividend to 37¢ per share (up 28%)
- 22 more branches opened to further expand distribution
- Low level of impaired assets at 0.07% of average assets

**Change initiatives continue to drive sustainable profit growth**

# Summary of FY 2003 Results

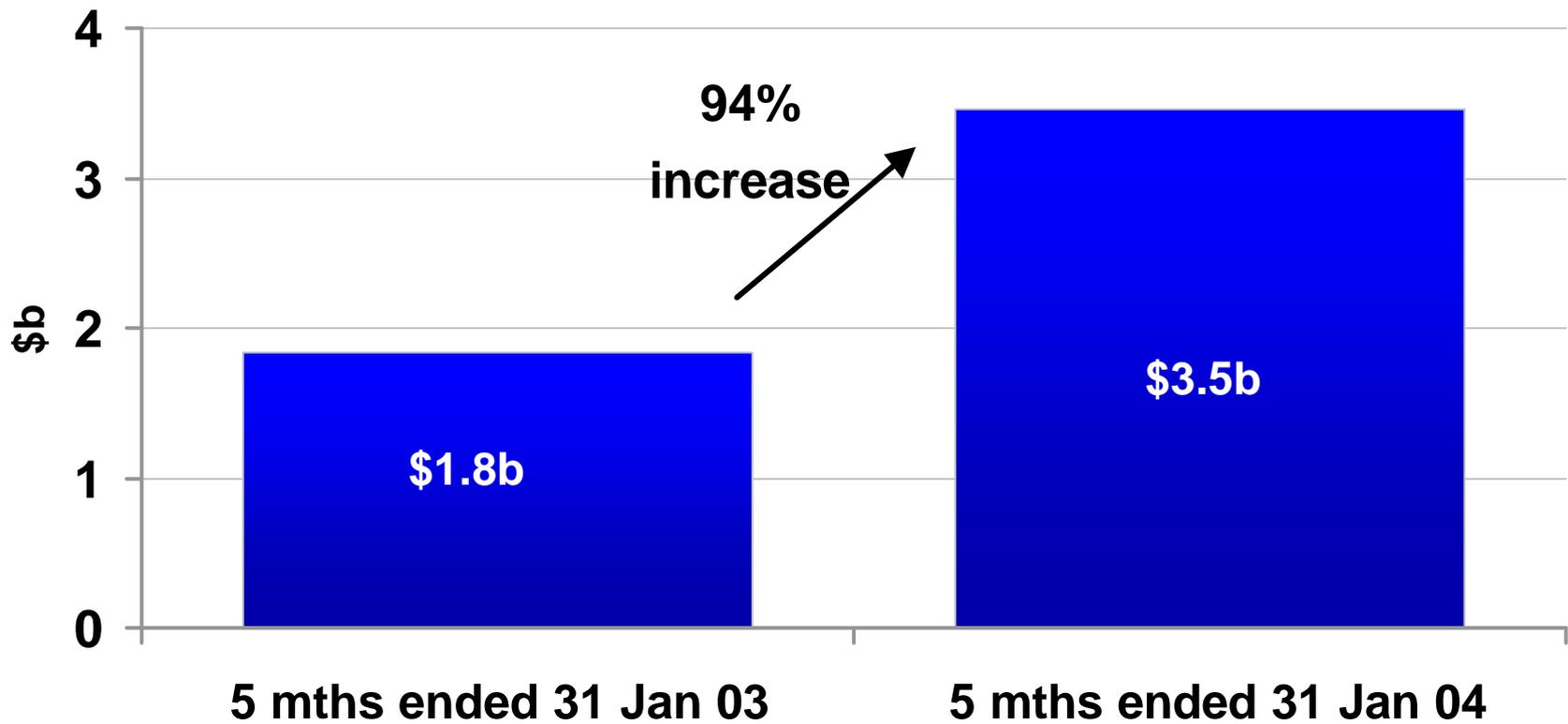
	Aug 02 \$m	Aug 03 \$m	% Change
Net Interest Income	109.2	<b>132.7</b>	22%
Non Interest Income	64.7	<b>81.6</b>	26%
<i>Total Income</i>	173.9	<b>214.3</b>	23%
Total Expenses	124.0	<b>139.0</b>	12%
<i>Underlying Profit</i>	49.9	<b>75.3</b>	51%
Bad Debts	9.3	<b>11.7</b>	26%
<i>Profit Before Tax</i>	40.6	<b>63.6</b>	57%
Income Tax	11.9	<b>18.9</b>	59%
<b>Net Profit After Tax</b>	<b>28.7</b>	<b>44.7</b>	56%
Earnings Per Share	39¢	<b>57¢</b>	46%
Cost to Income Ratio	71.3%	<b>64.9%</b>	-9%

# Our Performance to Date



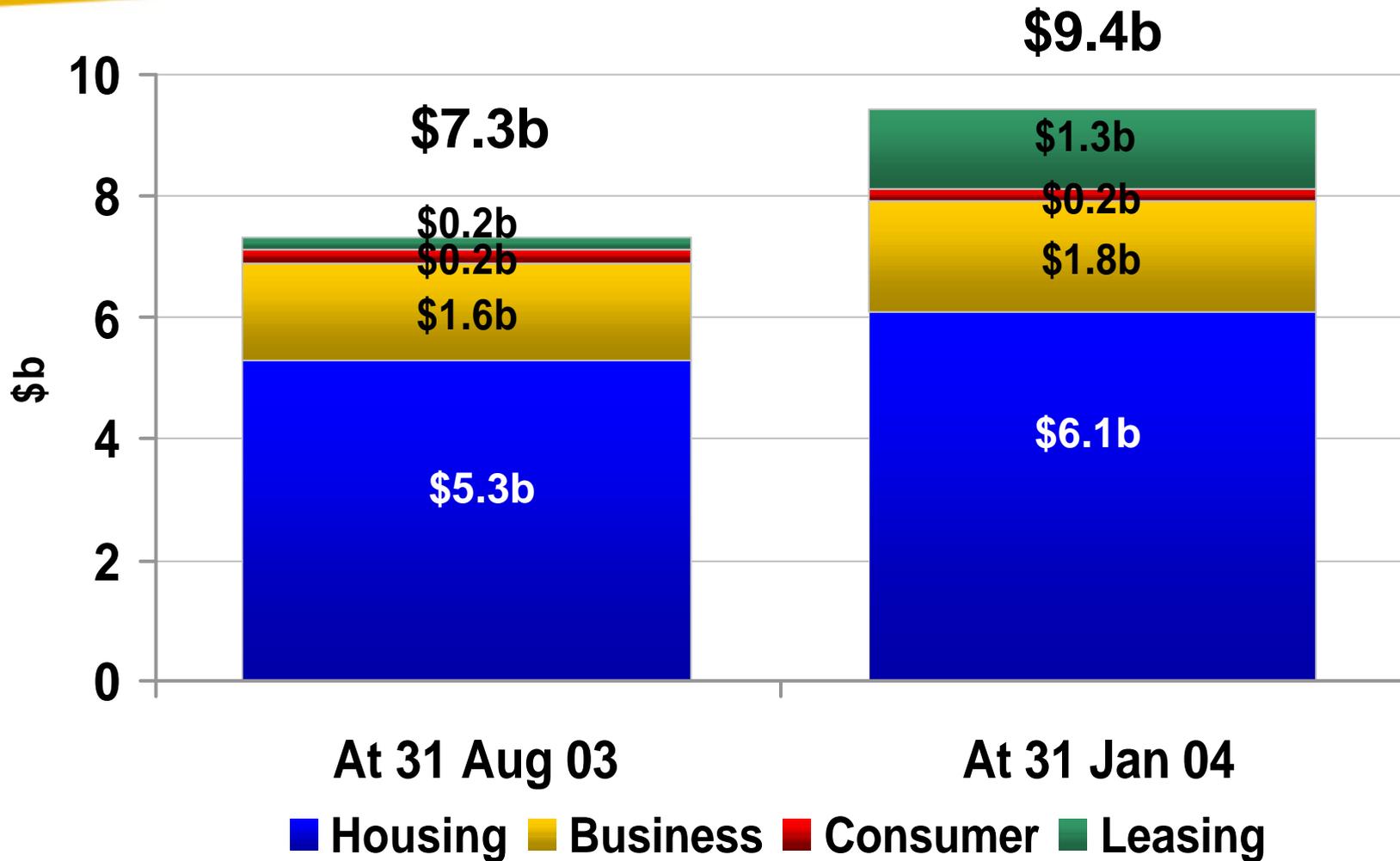
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# Strong growth in approvals over the same period last year



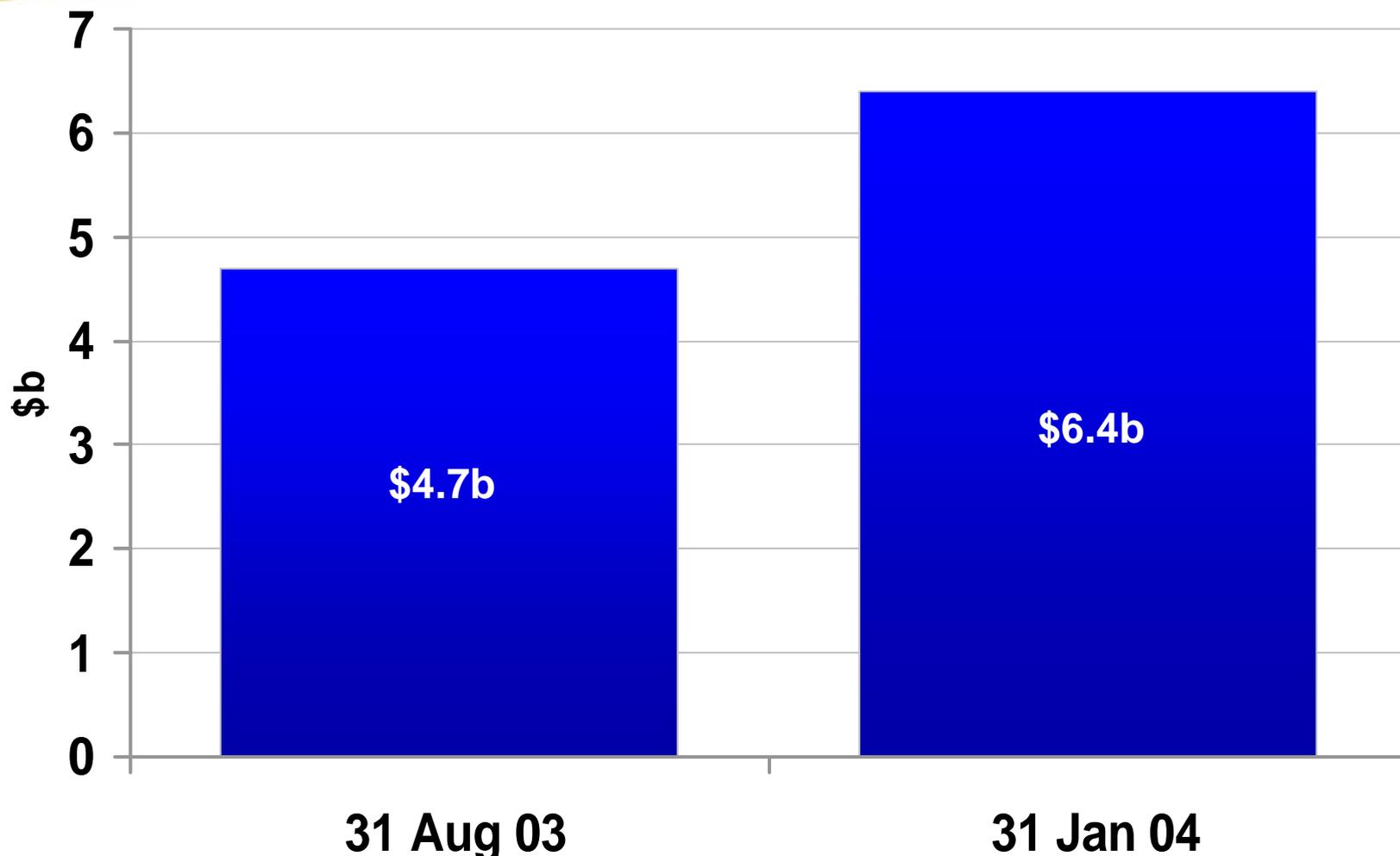
The period ended 31 January 2004 includes approvals relating to the UFJ Finance acquisition in October 2003.

# Resulting in increased loans under management



Loans under management includes approximately \$1.0b of assets relating to the UFJ Finance acquisition in October 2003. Excluding UFJ Finance, LUM have increased 15% in 5 months.

# Risk weighted assets position at 31 Jan 2004



Risk weighted assets at 31 January 2004 includes approximately \$1.0b of risk weighted assets relating to the UFJ Finance acquisition in October 2003.

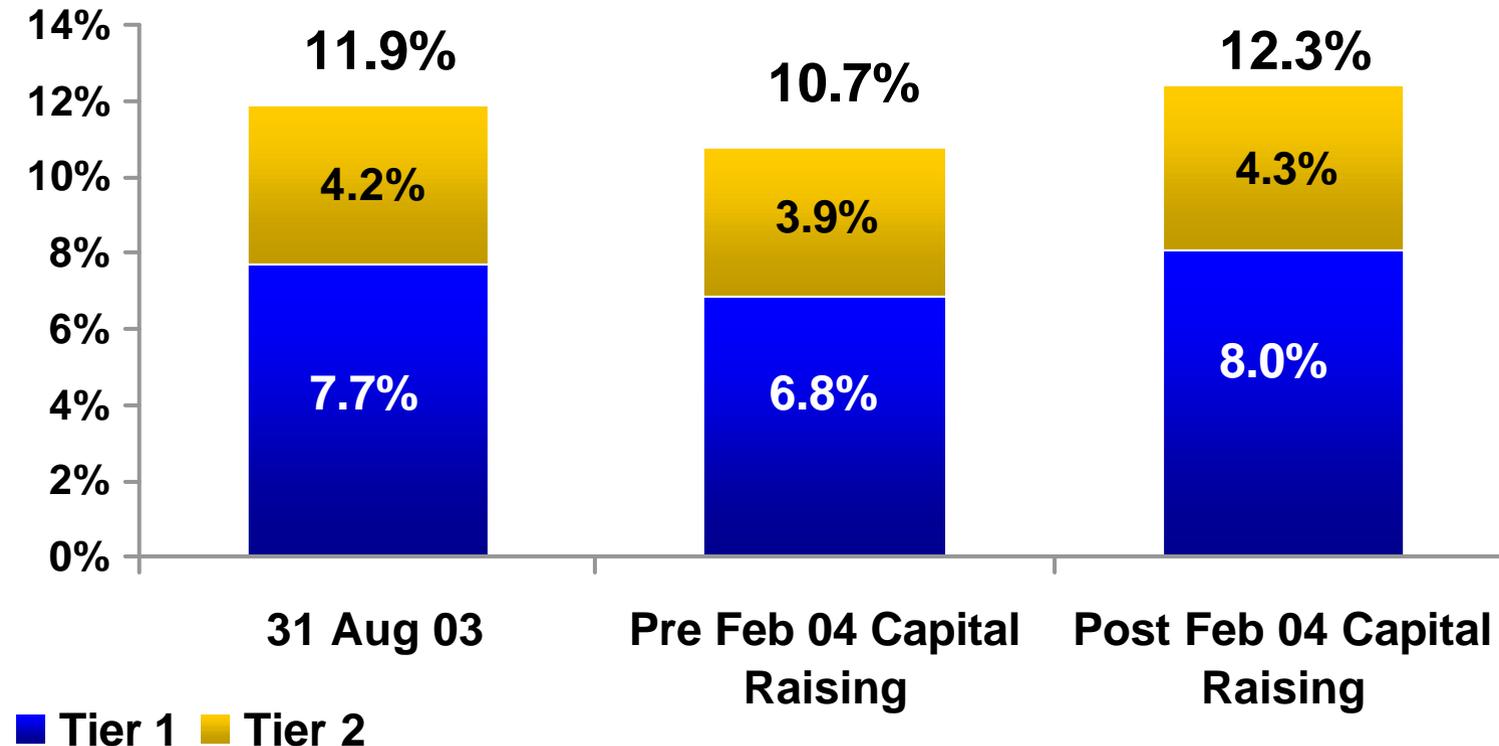
# Indicators point to continued growth in the Qld housing market

- Queensland's population grew by 2.3 % in 2002/03, 1.4% higher than the rest of the country
- Total population grew by 85,800 people on previous year
- Net annual migration to Queensland is forecast at 51,300 in 2004 increasing to 64,000 in 2006
- Over 3 years to June 2006, Brisbane's median house price is forecast to rise by 42%, or 30% in real terms
- Building activity dwelling commencements are expected to rise in 2003/4 by 11.6%
- Deficiency of dwelling stock is estimated to be 28,000 at June 2004

Source : PMI residential property overview, in conjunction with BIS Shrapnel, January 2004 and Queensland Government population projections.

# Capital Management

- Our target range for capital is 10%-11% (Tier 1 of 7%-8%)
- Based on risk weighted assets at 31 January 2004
- Assumes raising of \$50m in Ordinary Shares (underwritten to \$30m) and \$40m of S1RPS



# Operational performance

- Qld branch rollout on schedule:

	31 Aug 02	31 Aug 03	Forecast 29 Feb 04	Forecast 31 Aug 04
<b>Corporate Branches</b>	58	58	58	58
<b>Owner Managed</b>	40	62	74	78
<b>TOTAL</b>	98	120	132	136

- Asset quality maintained
- Core banking system on track to be implemented at 31 March 2004
- Moodys recently upgraded the senior debt rating to Baa3

# Interstate Expansion

- Interstate expansion will be the cornerstone of our growth strategy
- Recent acquisitions complement this strategy
- By 31 August 2004 we will have commenced our interstate expansion
- We are targeting a minimum of 100 branches across NSW and Victoria by 31 August 2006
- Well advanced in rollout planning
- Strong interest from potential owner managers

# Recent acquisitions – UFJ Finance

In 2003 Bank of Queensland acquired UFJ Finance, an equipment financier (now renamed BOQ Equipment Finance)

This business has been successfully integrated and combined with the BOQ leasing business

Performance has been above expectations with sales up on the prior comparable period

More than \$2m in synergy cost savings have already been achieved

**We have significant scale in our equipment financing business and diversified revenue streams**

# Recent acquisitions – ATM Solutions

- In 2003 Bank of Queensland also acquired ATM Solutions
- This business has also been successfully integrated
- The number of active ATMs has increased from 1,022 to 1,350 in the first quarter of the 2004 FY
- This is an increase of 32% in the number of ATMs
- The number of transactions has increased 53% since 31 August 2003
- Rebranding ATMs underway, over 300 completed, further 400 to be rebranded by 31 March 04

# FY 2004 Outlook



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# Financial Performance

Half-year net profit after tax:

- We expect to achieve an interim result in line with analysts forecasts
- Analysts are forecasting NPAT within a range of \$26.0m to \$28.5m (excluding outliers)
- Continue to target 70% dividend payout ratio

We can reaffirm our full year financial guidance of:

- EPS growth of 10%-12% on a cash basis
- Cost to income ratio of 64%
- ROE target of 14%

# Our 2004 Goals

- Consolidate our Qld market position
  - Continue strong growth in lending and deposits
  - Maintain credit quality
  - Complete 2004 planned branch network expansion
  - Expand our business banking capability
- Implement new core banking system
  - Initiate PEP II leveraging off the new platform (PEP I delivered \$30m in run-rate benefits)
- Commence interstate expansion
- Continue to drive synergies from our acquisitions

# Longer Term Vision

## ***Our New Vision:***

“To be Australia’s leading regional bank, providing innovative personal and business banking solutions and offering the best customer service experience.”

- The “person2person bank”
- Big small bank, not a small big bank
- The leading regional bank
- People focused
- Target to be writing 5% of the national home loan market in 3-5 years (currently 2.5%)
- Key provider to SME market

# Equity Placement Timetable



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# Equity Placement Timetable

## Timetable

2004

Trading halt	24 February
Conference call for investors and analysts	24 February
Bookbuild (Ordinary and S1RPS)	24 February
Share price set for placement (Ordinary and S1RPS)	24 February
Allocations notified	25 February
Lift trading halt	25 February
Investors to return signed allocation acceptance letters	25 February
Settlement of placement shares (Ordinary and S1RPS)	27 February
Financial Half-Year End	29 February
Expected date of ASX quotation of Ordinary shares*	1 March
Interim results announcement	7 April

**\*Note:** S1RPS placement will not be listed at issue. Bank of Queensland intends to apply for quotation of this issue at some time after the anniversary of the issue. The original issue of S1RPS is expected to be listed and quoted 5 months in advance of this placement of S1RPS.

# Appendix - Reset Preference Shares



# Appendix – Summary Terms of Issue

The Placement Securities are issued subject to the terms and conditions of the BOQ Series 1 Reset Preference Shares (“S1RPS Terms and Conditions”). A copy of the S1RPS Terms and Conditions is annexed to BOQ’s announcement to ASX on 3 October 2003 and can viewed at [www.boq.com.au](http://www.boq.com.au) (specifically [http://www.boq.com.au/AboutUs/AU\\_II\\_Series1ResetPreferences.htm](http://www.boq.com.au/AboutUs/AU_II_Series1ResetPreferences.htm))

Issuer:	Bank of Queensland Limited (“BOQ”)
Issue:	\$40 million placement of S1RPS
Face Value:	\$100 per S1RPS
Issue Price:	To be determined through bookbuild process
Listing:	No official Quotation on ASX: <ul style="list-style-type: none"><li>▪ BOQ does not intend to apply for quotation from their first date of issue</li><li>▪ BOQ intends to apply for quotation at some time after the anniversary of the issue</li></ul> Will not be fully fungible with original issue of S1RPS until quoted and listed on the ASX, which is expected to occur 5 months after listing of the original issue
Dividend:	A fixed non-cumulative fully franked dividend rate of 5.1975% p.a. and applies for the period until the first Reset Date (20 October 2008). If any Dividend is not franked to 100%, the dividend will be adjusted to provide a “gross-up” to the corporate tax rate applicable on the franking account from which the Dividend will be franked
Dividend Payment Dates:	Dividends are payable in arrears on each 20 October and 20 April until the S1RPS exchange into Ordinary Shares
Dividend Reset:	BOQ will provide a Dividend Reset Notice at least 50 Business Days prior to the Reset Date with details of (which are subject to the restrictions set out in clause 9.2); <ul style="list-style-type: none"><li>▪ the next Reset Date;</li><li>▪ the Dividend Rate applying for the period to the next Reset Date; and</li><li>▪ Dividend Payment Dates</li></ul> The margin may not be varied from the Initial Margin (2.00%) until 15 years after the Initial Issue. Thereafter there are various restrictions on the amount the margin may step-up (see clause 9.2)

# Appendix – Summary Terms of Issue (continued)

Exchange:	<p>Each S1RPS shall be exchanged for a number of Ordinary Shares as calculated by dividing the Face Value of each S1RPS by 97.5% of the volume weighted average of the sale prices at which Ordinary Shares were sold on ASX over the 20 Trading Days prior to the relevant date for exchange.</p> <p>Exchange will take place at the option of BOQ:</p> <ul style="list-style-type: none"><li>▪ by giving notice within the notice period, or</li><li>▪ on occurrence of a Regulatory Event or Tax Event</li></ul> <p>Exchange will take place at the option of the holder of the S1RPS (subject to BOQ's right to arrange for the holder's S1RPS to be acquired at face value by a third party):</p> <ul style="list-style-type: none"><li>▪ by giving notice within the notice period; or</li><li>▪ by the exercise of rights granted in the event of a Control Event occurring</li></ul>
Exchange Discount:	2.5% except where BOQ arranges for S1RPS to be acquired at face value by a third party
Redemption:	Irredeemable
Voting Rights:	Prior to exchange, holders of S1RPS will only have limited voting rights in circumstances as required by the ASX Listing Rules. Upon exchange, holders of S1RPS will have the same voting rights as ordinary shareholders
Status:	<p>Until exchange, the S1RPS rank ahead of ordinary shares for the payment of dividends.</p> <p>In winding-up or liquidation of the Bank, the S1RPS rank:</p> <ul style="list-style-type: none"><li>▪ Subordinate to all creditors including depositors;</li><li>▪ Junior to holders of RePS;</li><li>▪ Senior to holders of Ordinary Shares; and</li><li>▪ At least equal with other preference shares.</li></ul> <p>for return of the Face Value and the amount of any Dividend due but unpaid, and otherwise do not participate in a winding up.</p> <p>Upon exchange, the shares rank pari passu in all respects with ordinary shares.</p>