

Bank of Queensland
JP Morgan Investor Conference
New York, USA
September 2008



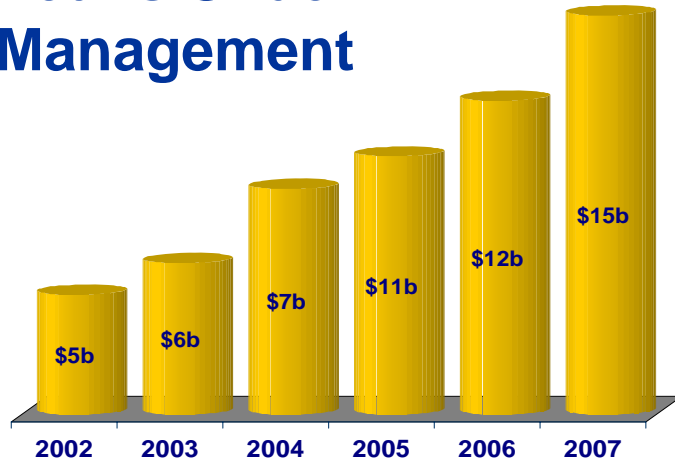
Bank of Queensland

- ▶ BOQ is a regional retail bank headquartered in Queensland
- ▶ Market capitalisation approximately \$2.3b – assets under management more than \$26b
- ▶ We currently have 283 retail sites in every state and territory in Australia, complemented by 16 business banking centres and 2,600 branded ATMs
- ▶ We've delivered significant above system growth in lending and deposits through the unique Owner Managed Branch (OMB) distribution model – we are leading the banking system in Australia, without using brokers!
- ▶ Strong expansion strategy via OMB model since 2002 supported by niche acquisitions in key markets.
- ▶ Business Bankers are aligned to support this franchised retail approach



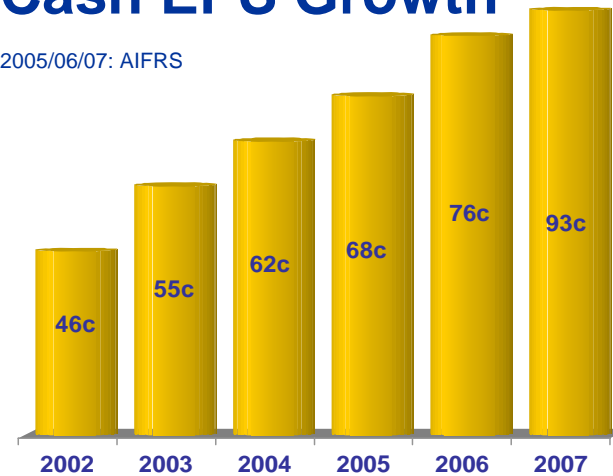
A growth story....

Loans Under Management



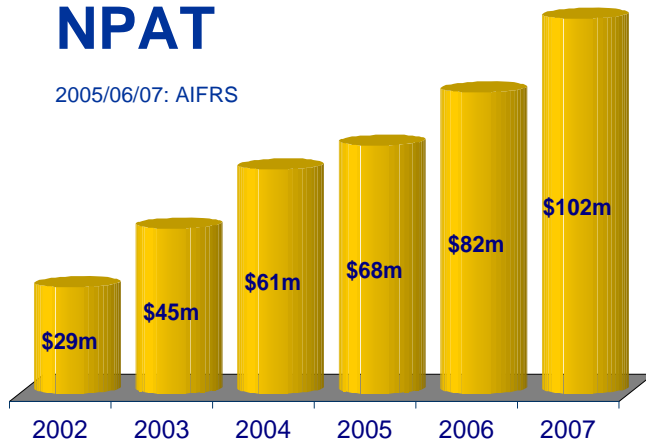
Cash EPS Growth

2005/06/07: AIFRS

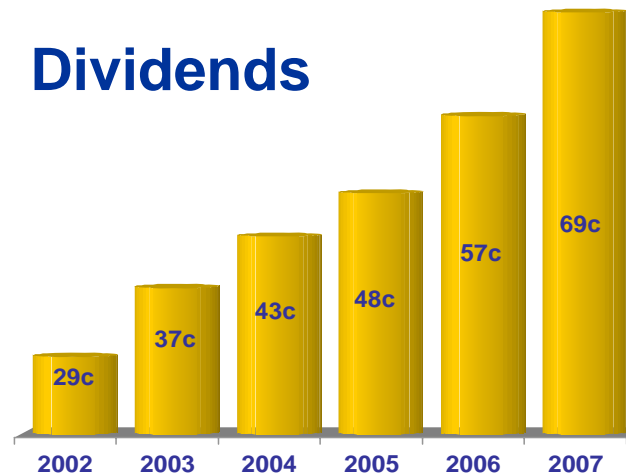


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2005/06/07: AIFRS



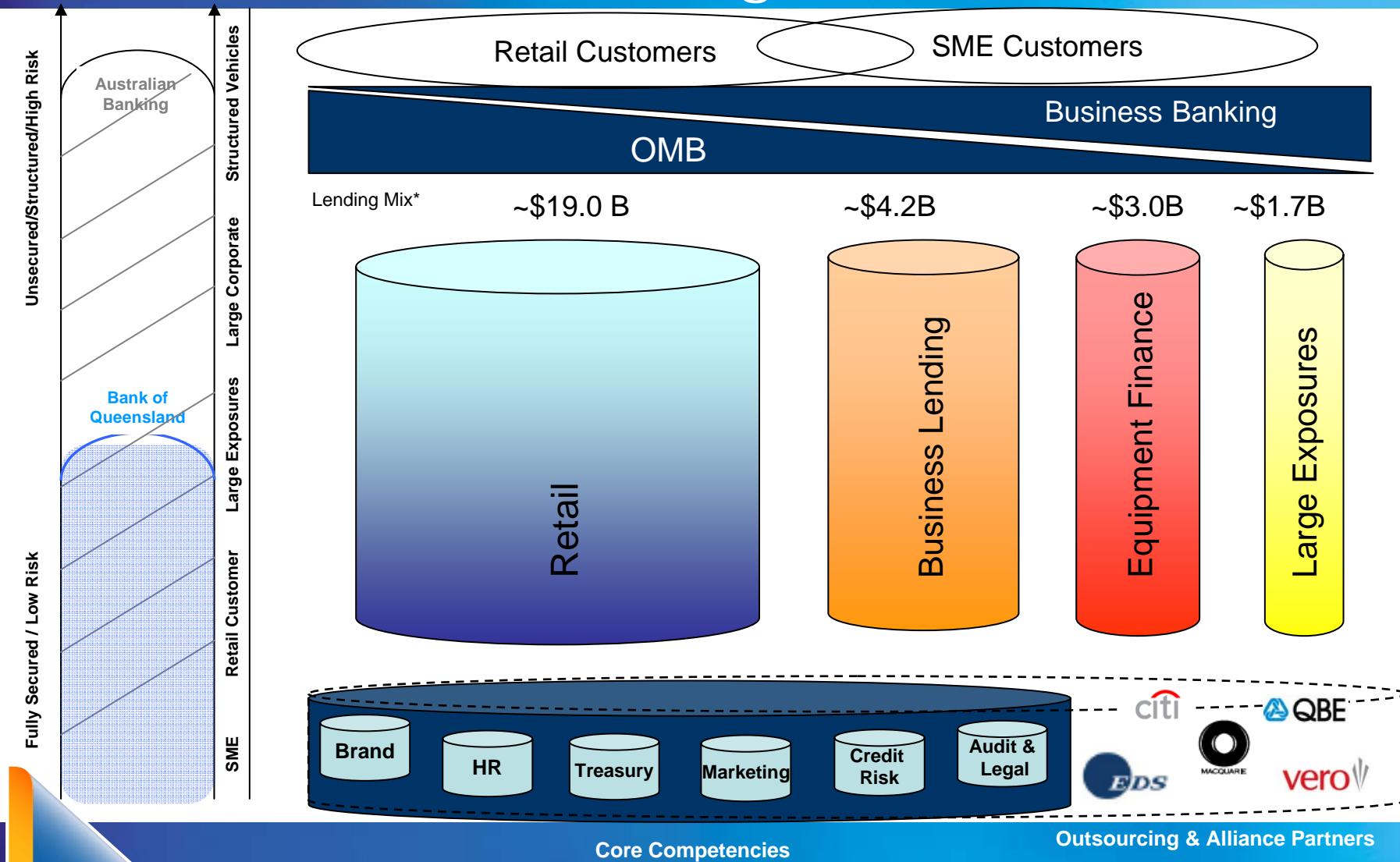
Dividends



Differentiated banking model

- ▶ Expansion strategy based on rolling-out the Bank's Owner Managed Branch (OMB) operating franchise model.
- ▶ This is a unique empowered distribution model that provides us with a sustainable competitive advantage. We are differentiating through our service and distribution focus.
- ▶ It combines the benefits of a motivated sales culture with a compliance focused culture.
- ▶ Our expansion strategy:
 - leverages the Bank's investment in infrastructure and its banking license
 - through expansion on a low, variable cost basis
 - attracting the best relationship bankers by rewarding performance
 - underpins the Bank's substantial branch expansion, and
 - whilst creating shareholder value

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

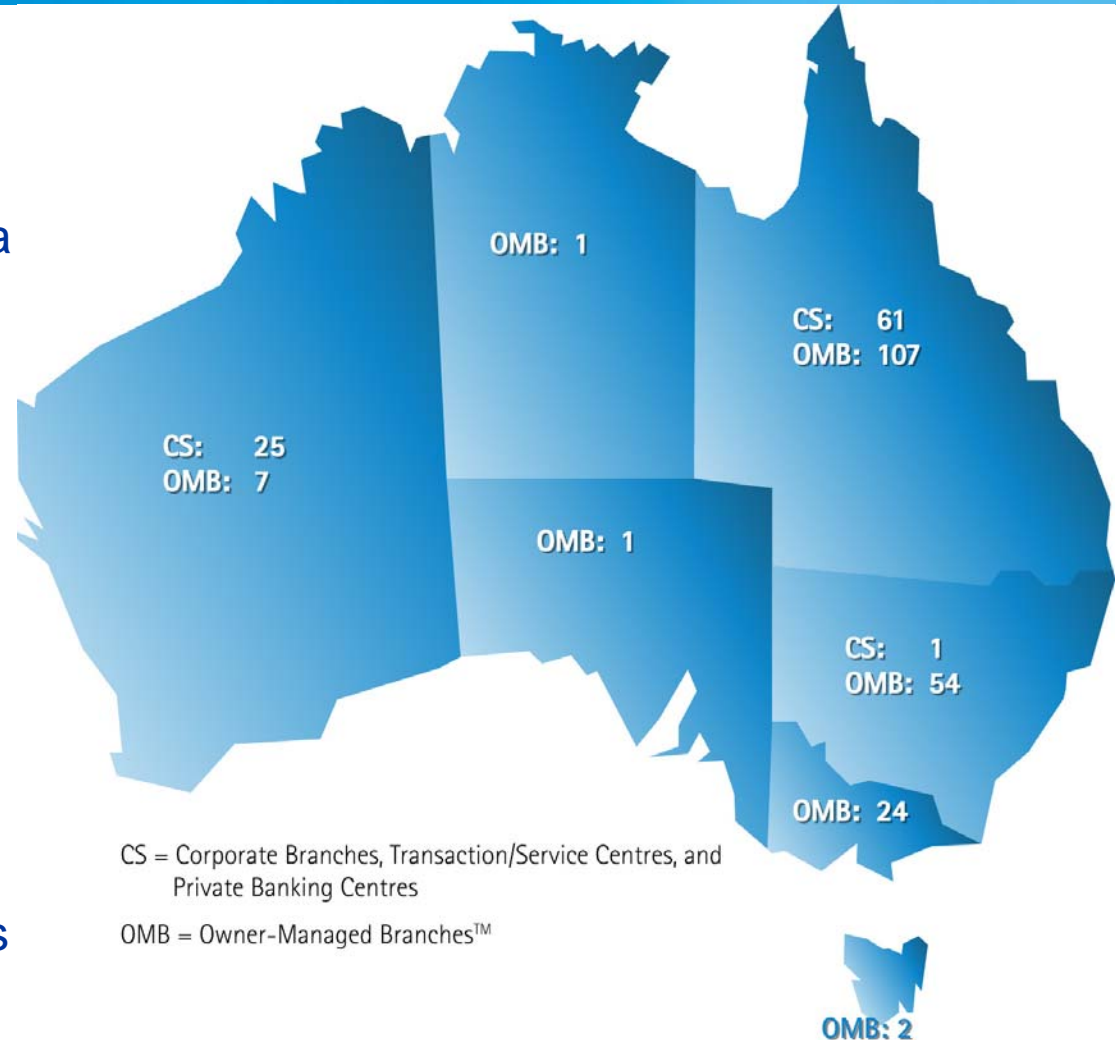


Evolution of the OMB Model

- ▶ To our customers and the public an Owner Managed Branch has the same appearance as a corporate branch, but offering an enhanced sales and service offering.
- ▶ The Bank has operated this model for over 30 years, initially called Private Agencies.
- ▶ Originally the agent was paid a fee per transaction, however, this did not align with the creation of shareholder value through growing our business.
- ▶ In 2001/2002 the model was completely revised to a franchising model. The focus was to align the return of the Owner Manager to the Bank's goal of growing shareholder value.
- ▶ Now Owner Managers receive a share of the Bank's revenues from operating a branch.

Building a National Branch Network

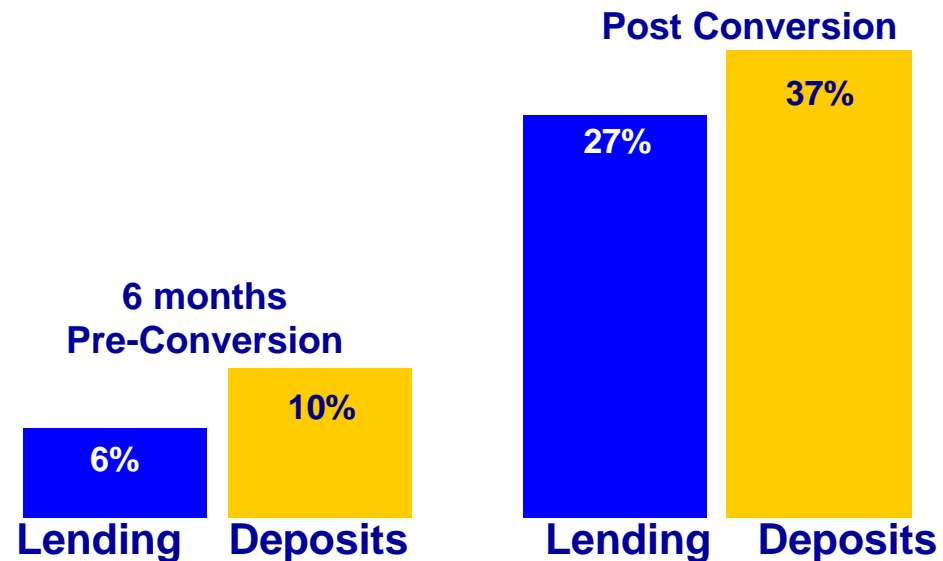
- ▶ The OMB model is a unique empowered distribution model that provides us with a sustainable competitive advantage.
- ▶ From the Bank's perspective it is a low cost expansion strategy. It is a variable model that rewards performance.
- ▶ Since 2001, the Bank has expanded from 93 branches to now having 283 retail sites in each state of Aust.



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 branch networkcreates higher affordability and higher accretion

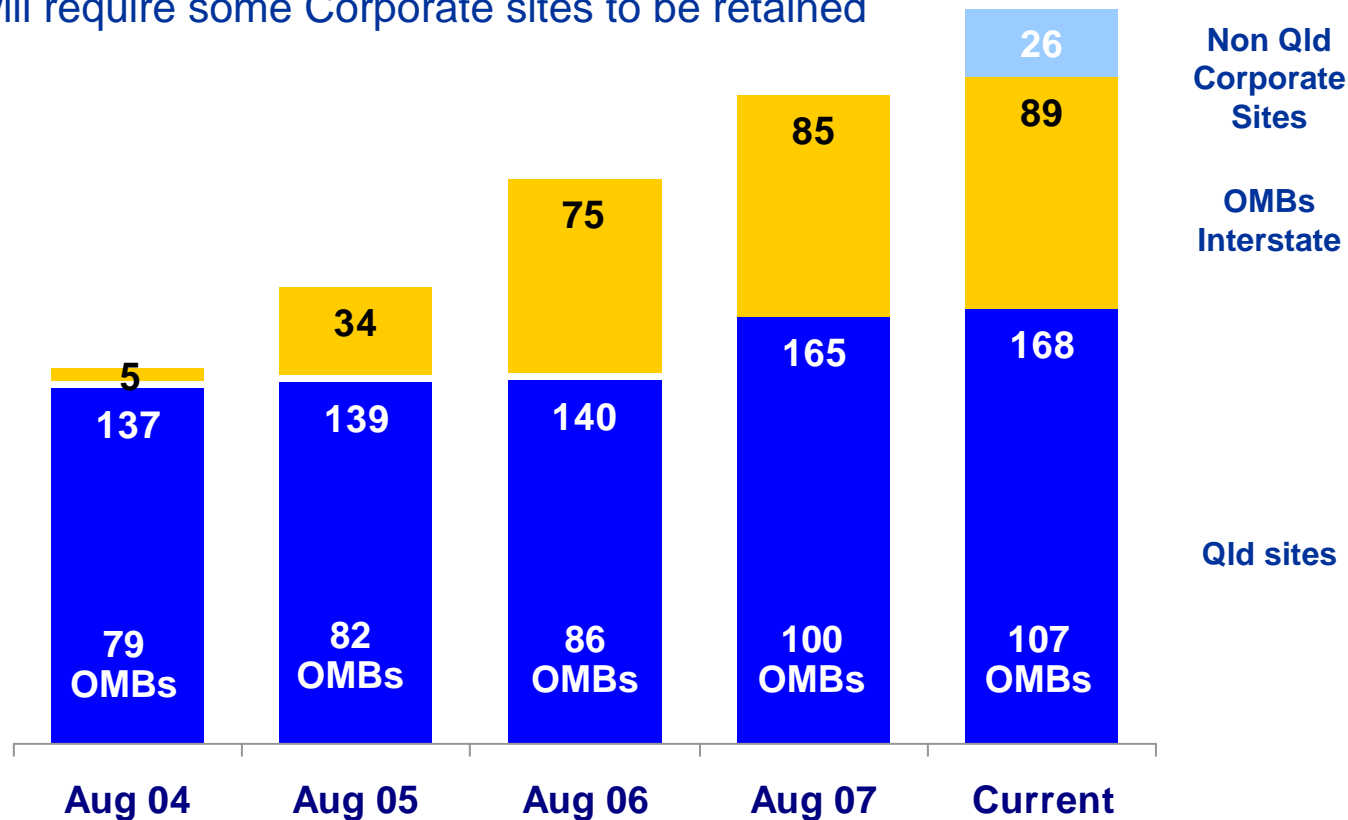
Annualised growth before and after conversion



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

Growth Acceleration opportunities...

- ▶ With the Home acquisition, 69 branches are potential candidates for conversion to OMB model
- ▶ Model will require some Corporate sites to be retained



How does the OMB model work?

- ▶ An Owner Managed Branch is a small business; Operating under a 5 year franchise Agreement with BoQ
- ▶ Owner Manager (OM) pays establishment and operational costs
- ▶ OM shares profits directly flowing from branch business
- ▶ OMBs look the same as a Corporate branch, but have enhanced service
- ▶ BOQ centrally controls:



It is based on alignment of interests

Individual remuneration together with growing a valuable business has been the key to the success of the model

The Owner Manager covers:

- ▶ Set-up and ongoing operating costs
- ▶ Salaries for branch staff
- ▶ IT supply, lease payments and premises costs

The Owner Manager receives:

- ▶ Share of net revenues generated from lending and deposits
- ▶ Share of non-interest and fee income
- ▶ A fee per transaction processed

The Owner Manager also receives the capital appreciation from any increase in value of the business

OMBs are empowered

- ▶ This model delivers on the service excellence promise
- ▶ Superior experience means different things to different people:
 - Recognition/understanding of personal needs
 - Access
 - Price
- ▶ This is achieved profitably as organisational and branch revenue drivers aligned; Transforms the branch network into a powerful sales channel vs. transaction support focus of our competitors
- ▶ Service is tailored to the local market
 - Flexible hours
 - Understanding of local market
 - Use of local business & social networks

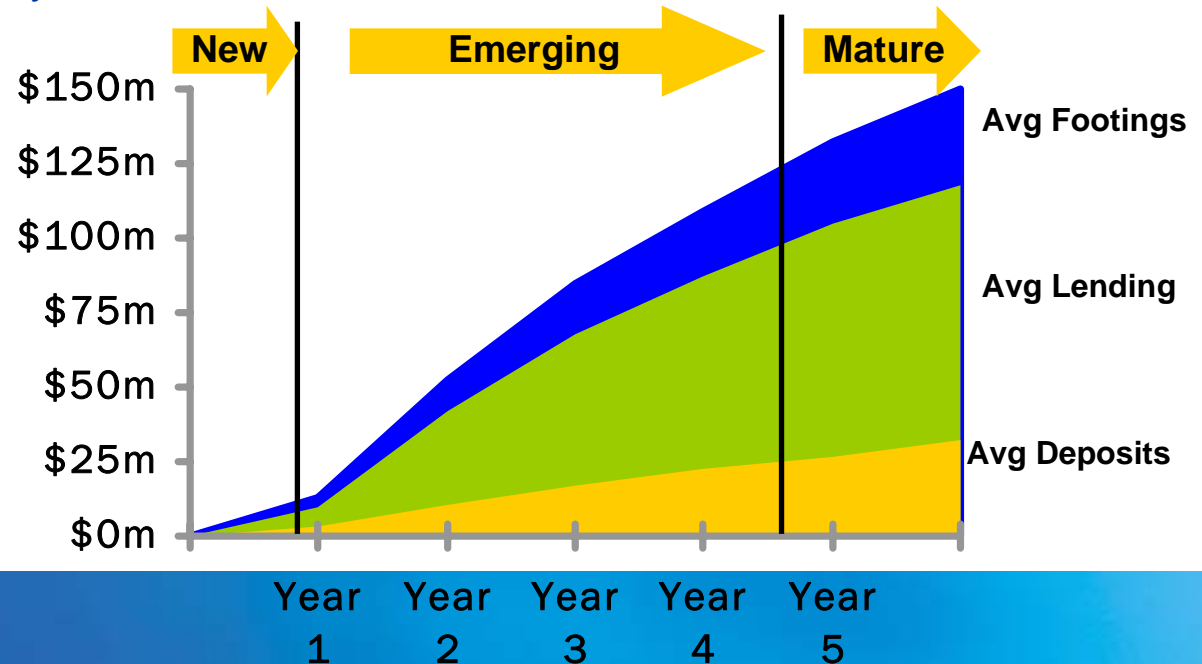
Benefits of the OMB model

- ▶ The OMB model drives shareholder value through:
 - Superior Sales productivity
 - Rewarding a customer service focus
 - Eliminates branch-startup capex
 - Variable cost structure aligned to performance
- ▶ Franchising offers:
 - The potential to “step-change” sales performance
 - Talent magnet for sales management
 - Stable Management building long term relationships
 - Unleashes entrepreneurial energy
 - Convenience retailing

Profitability of Expansion

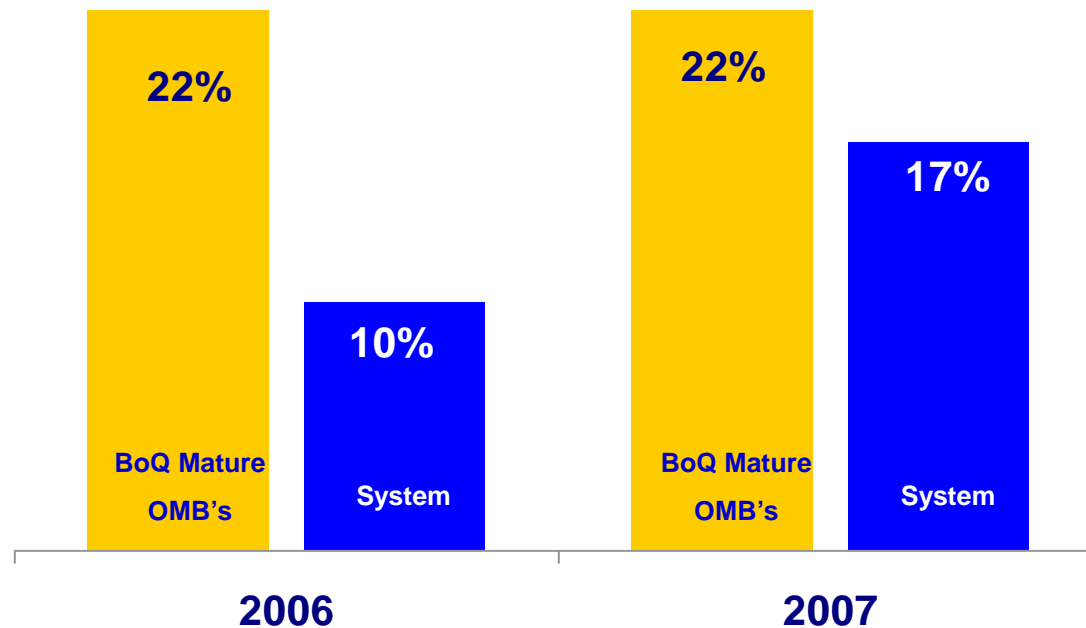
- ▶ Our Owner Managed Branch model has proved to be successful.
- ▶ Generating strong lending and deposit growth from growing a strong customer base.
- ▶ The branches we have opened to date fall into 3 categories:
 - New - opened within last year
 - Emerging - 1 to 4 years old
 - Mature - open for >4 years

Model of the expected performance. Lending growth leads deposit growth.



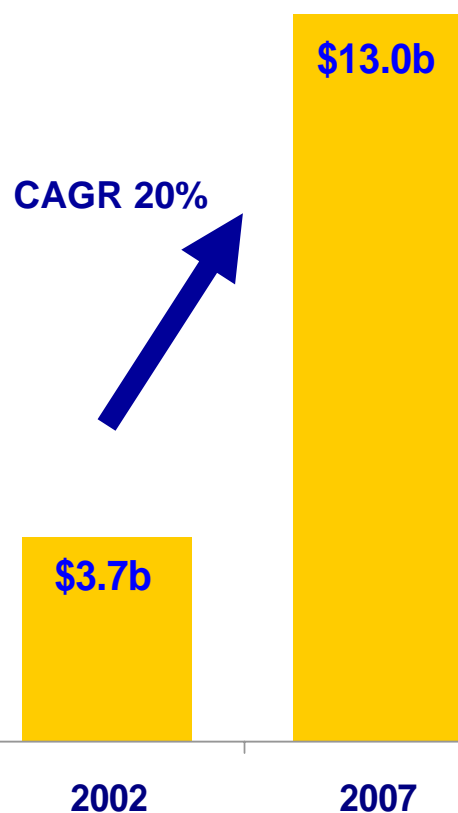
Sustaining the growth momentum...

- ▶ The exponential growth track record from green field branch openings is proven. However, existing mature Qld network continues to grow well above system, beating the expected return to system growth

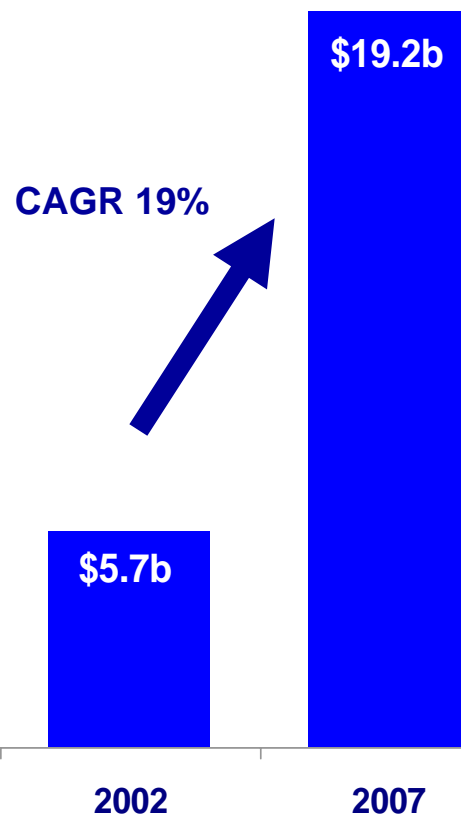


Track record of superior growth...

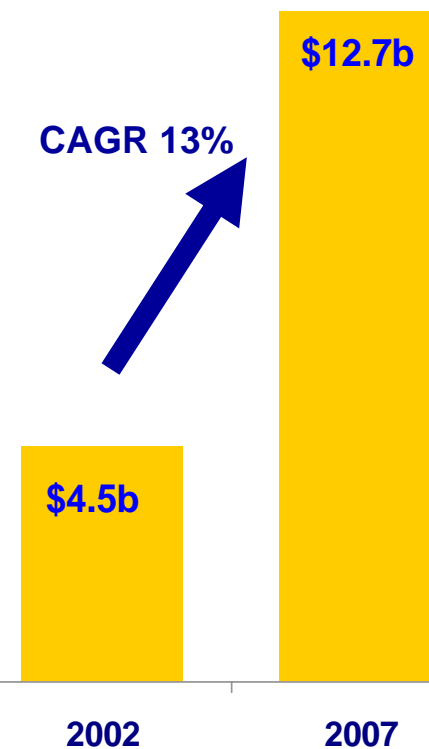
Loan Approvals



LUM

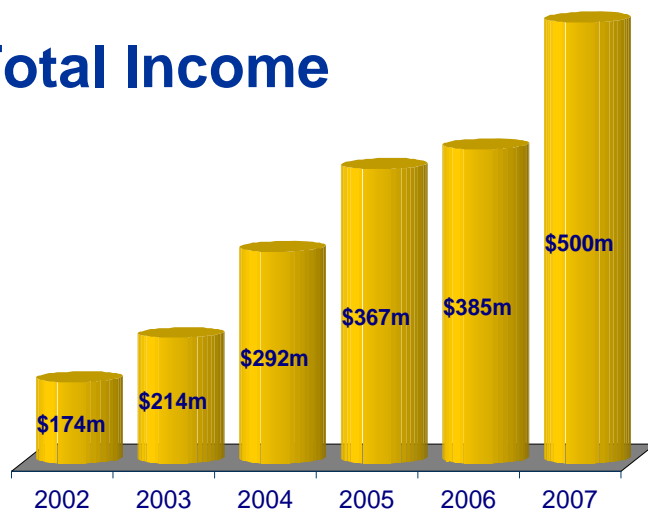


Retail Deposits

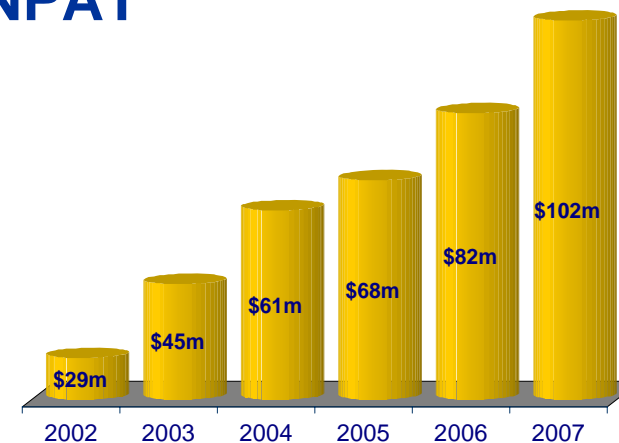


Resulting in exceptional results...

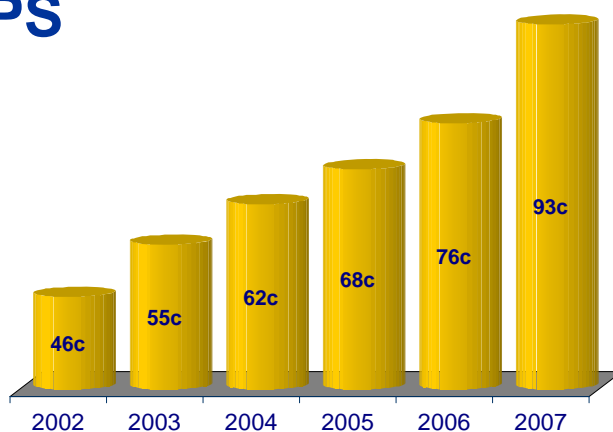
Total Income



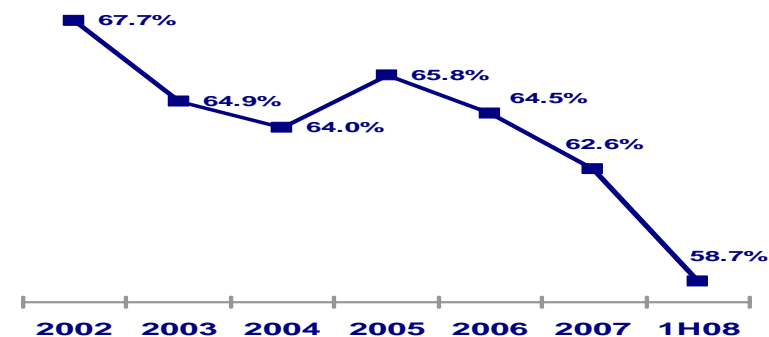
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EPS

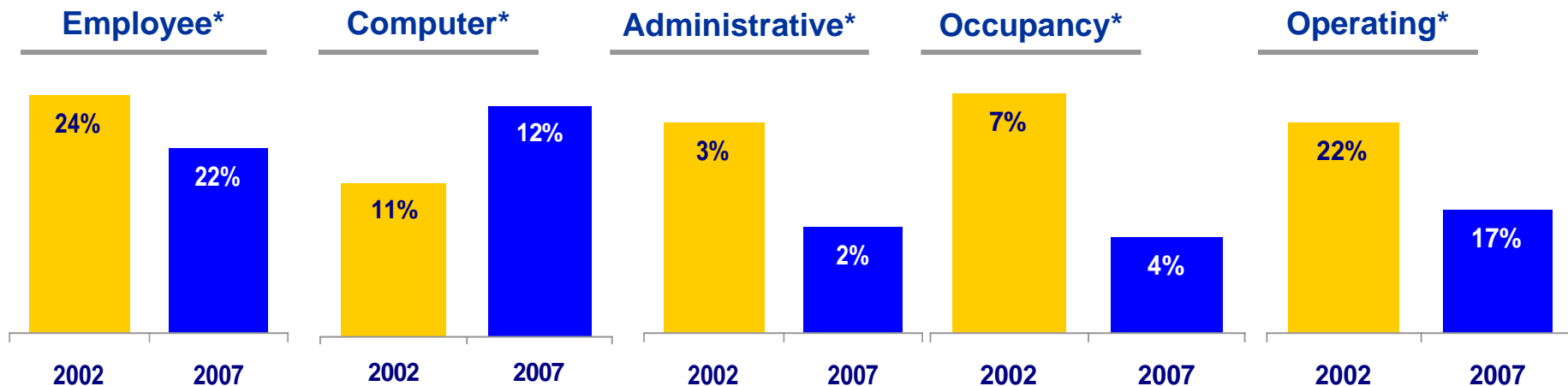


Cost-to-Income Ratio



Expense discipline

- ▶ Cost disciplines introduced to offset volatile markets without compromising the long term potential of the brand or our unique distribution model
- ▶ Adjusting for amortisation of customer contracts, major expense categories have been flat/declining relative to income growth

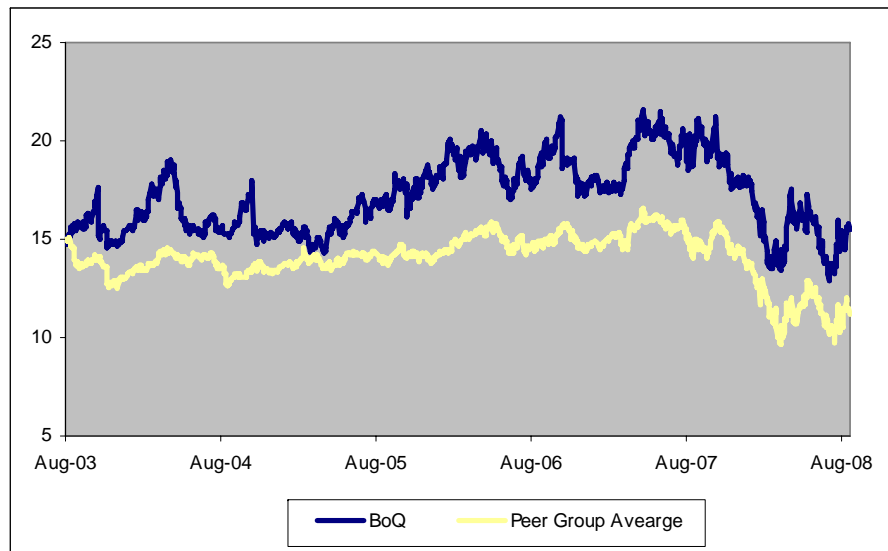


* Expressed as a percentage of total income

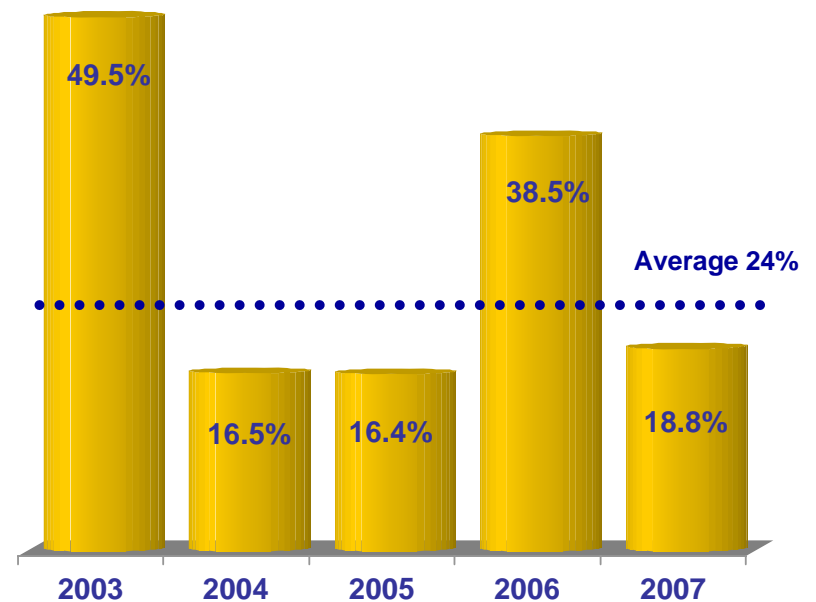
Shareholder returns

- ▶ BOQ has a strong track record of maintaining share price premium even in difficult times and delivering exceptional shareholder returns

P/E Ratio – BOQ v Peer Group Average



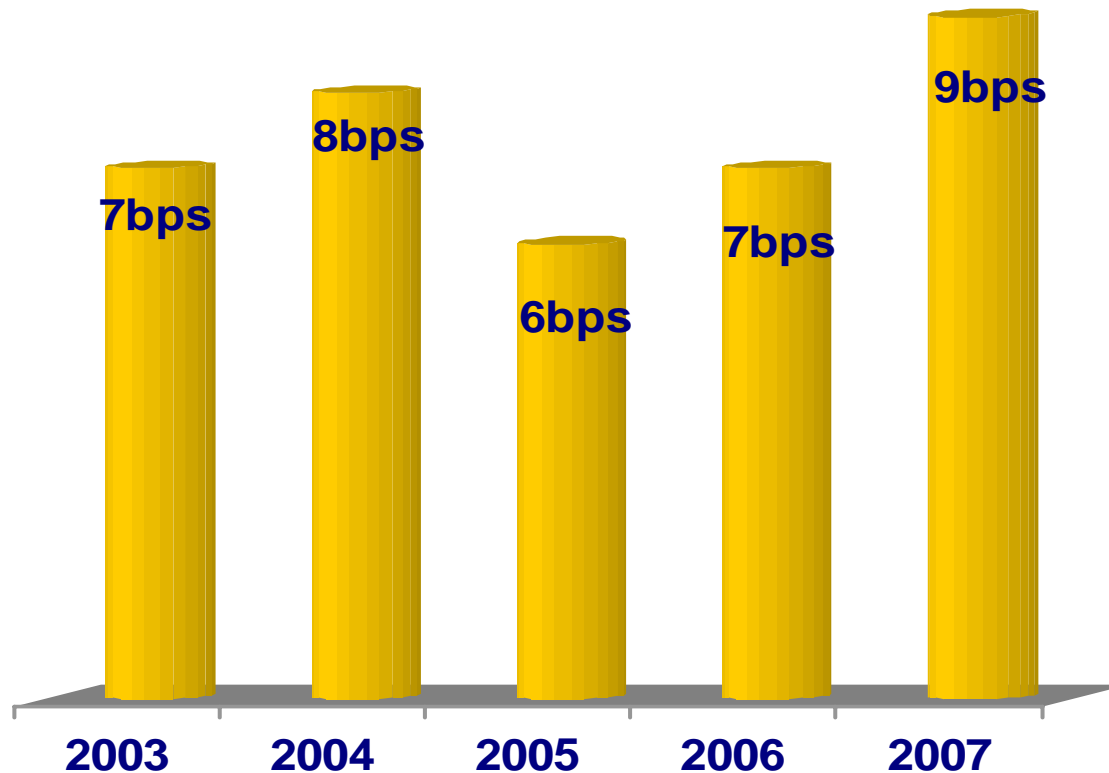
BOQ Historical TSR



Continuing asset quality

- ▶ The exponential growth has been driven by the expansion of a highly productive network, not at the expense of asset quality...

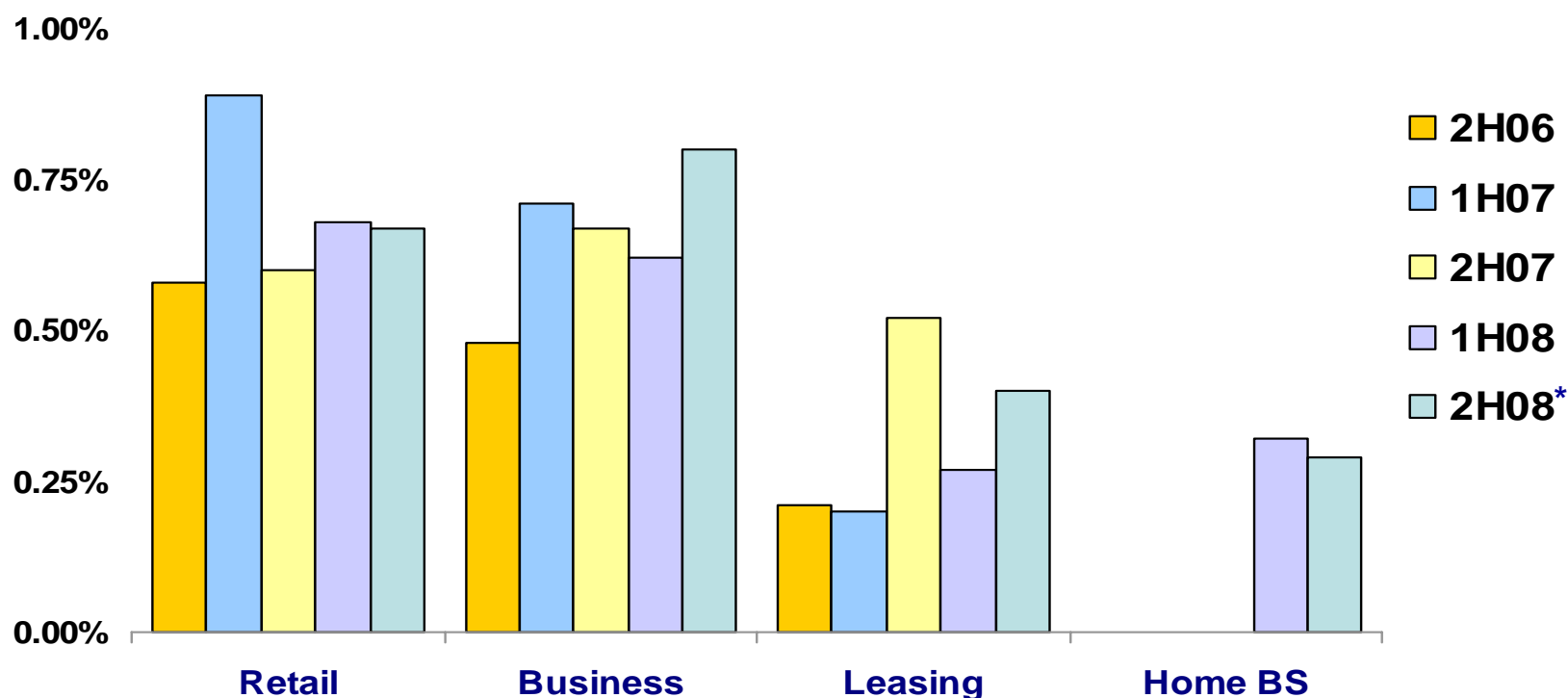
Impaired assets to non-securitised lending



Portfolio quality

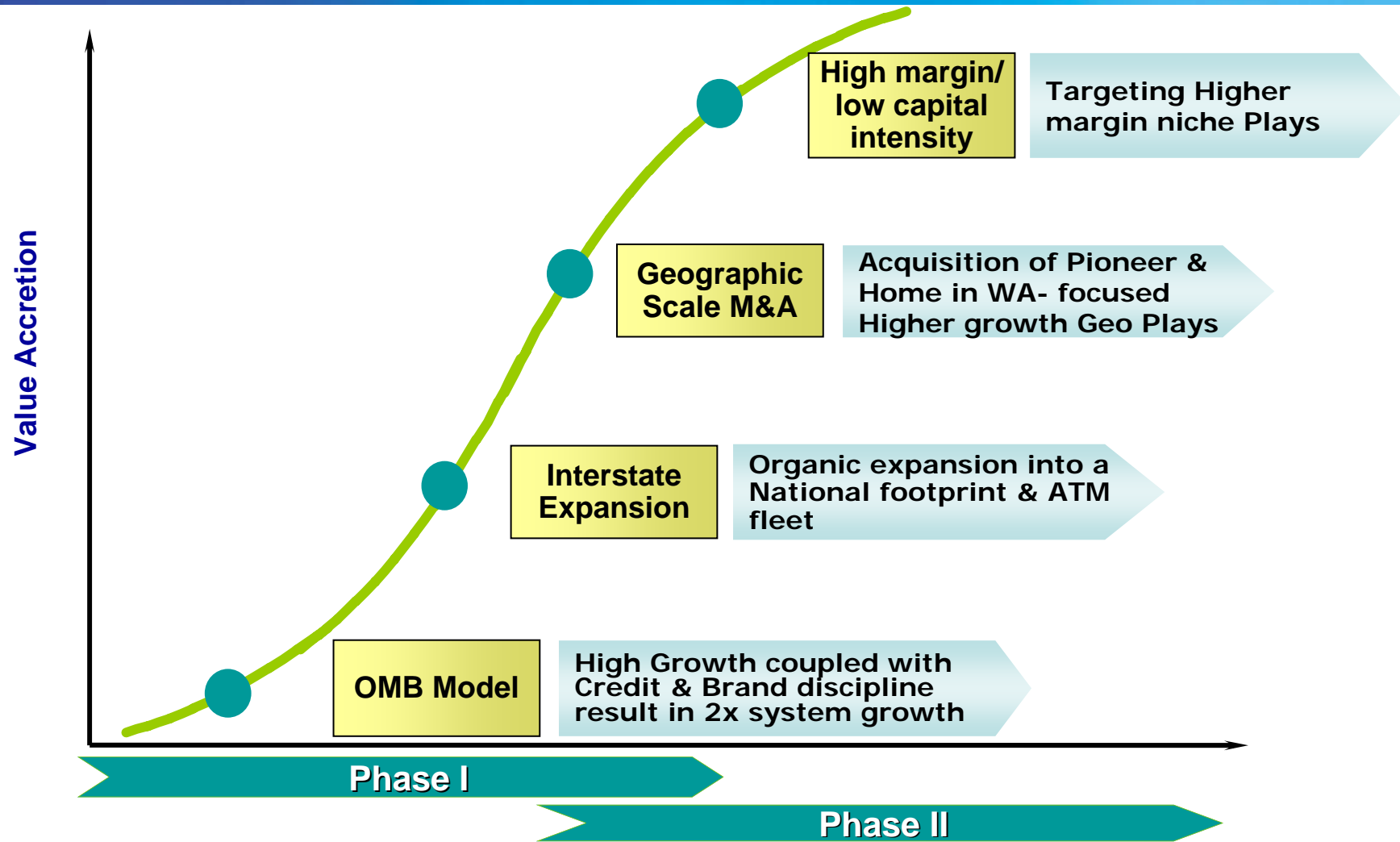
- ▶ Lead indicators on asset quality continue to flag the advantages of our predominant exposure to the Queensland and WA economies

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

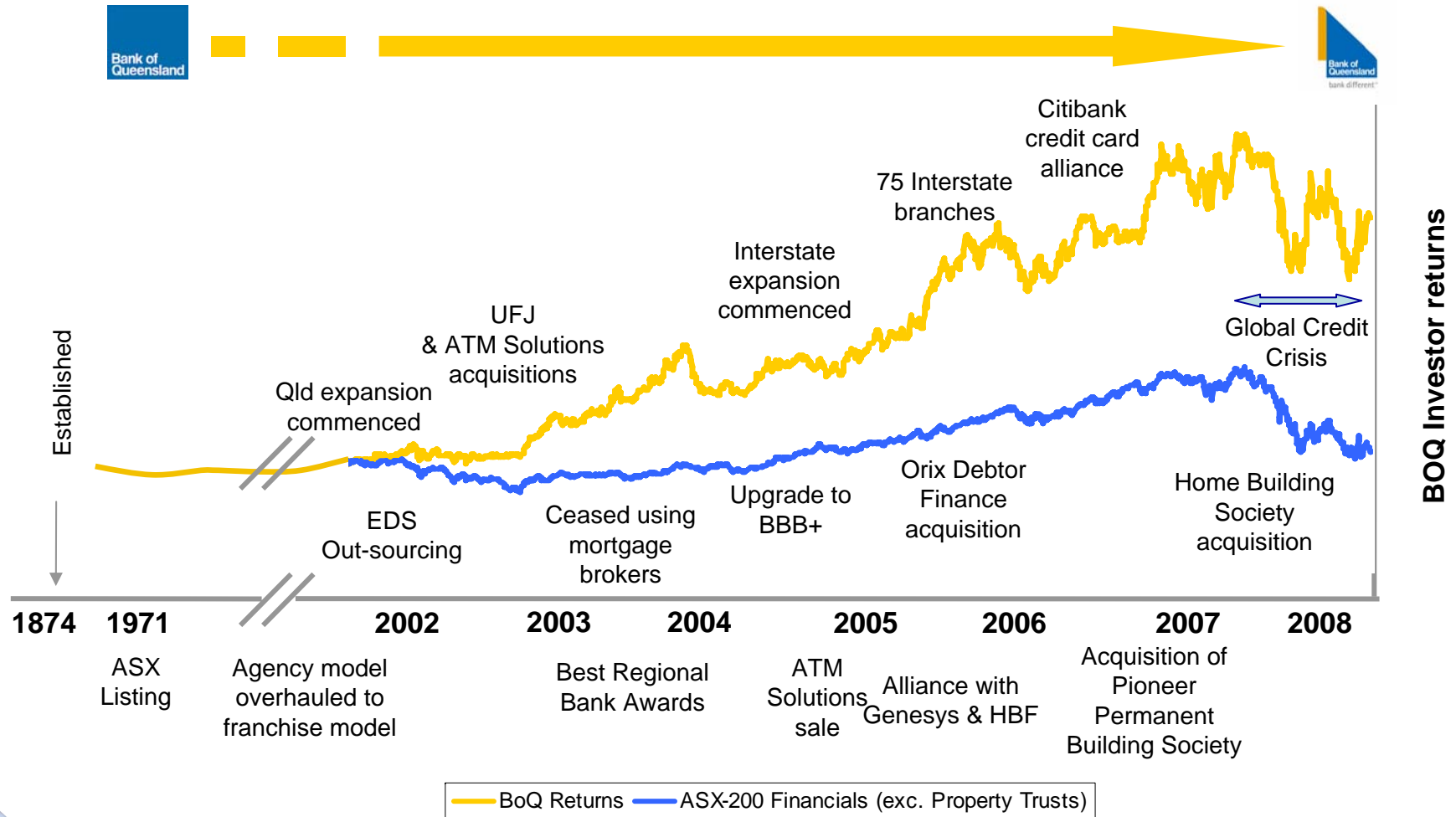


* As at end of May 2008

Evolution of our Strategy



BOQ's recent journey....



Confident outlook

- ▶ The underlying BOQ business is in a strong position:
 - Established retail and commercial national distribution points
 - Growing strongly and profitably. Inorganic growth as consolidator of choice.
 - Leveraging our strong base of a healthy Queensland and Western Australian economy
 - No significant corporate exposures, CDO's, sub-prime exposure – we are a pure retail bank
- ▶ Our financial goals for the 2008 financial year:
 - Above system growth within funding capacity
 - Maintain credit quality
 - Build on track record of delivering value to all stake holders

Summing up our value proposition

bank different®



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