'08

Welcome to Bank of Queensland's Annual General Meeting

Bank of Queensland

‘08

Managing Director’s address

Mr David Liddy

Strong financial results

	FY07	**FY08**		
Normalised cash profit after tax	$106.1m	**$155.4m**	↑	46%
Cash EPS (normalised fully diluted)	93.0¢	**102.9¢**	↑	11%
Ordinary dividend	69¢	**73¢**	↑	6%
Loan growth (pcp)	27%	***23%**		
Retail deposit growth (pcp)	33%	***25%**		
Net interest margin	1.81%	**1.67%**	↓	(14bps)
Cost to income ratio (normalised cash)	62.6%	**56.1%**	↑	6.5pts

* Excludes acquisition balances of Home Building Society Ltd.

Secure, strong, flexible, unique

Secure

- 134 year old organisation
- Retail bank with low-risk assets
- No exposure to sub-prime
- Stringent surveillance on the quality of our balance sheet
- Commercial lending extremely disciplined
- Government deposit guarantee

Strong

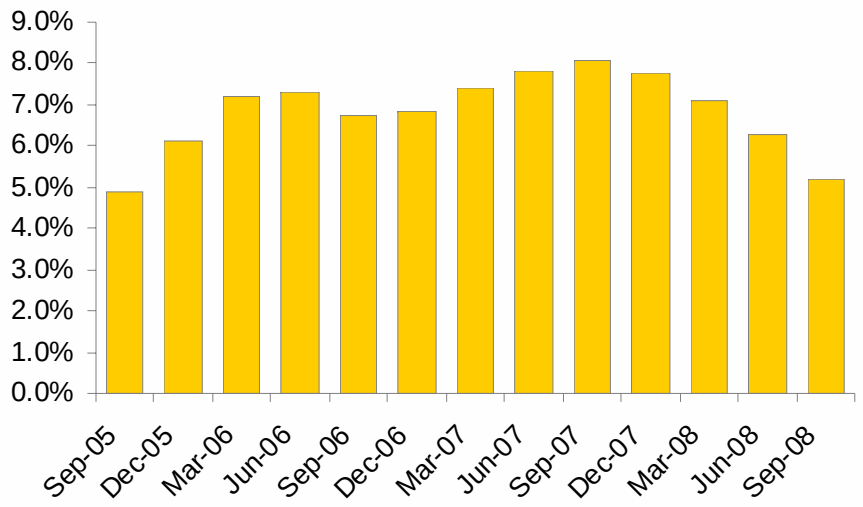
- Another record result
- Leveraging Queensland and WA economies
- Strong and growing retail funding
- Successful acquisitions and integrations
  - → Pioneer Building Society (central Queensland)
  - → Home Building Society (WA)

Merger successfully completed

- Integration completed nine months ahead of schedule
- Provided an additional 24 branches, $2.7b in loans and advances and $2.5m in deposits

The QLD economy remains in good shape

Qld state final demand[1] (GDP equivalent[2])



Queensland represents circa
one fifth of the national economy

1) Annual percentage change, based upon trend data 2) Excludes international trade (import and export)
Source: ABS

Highlights

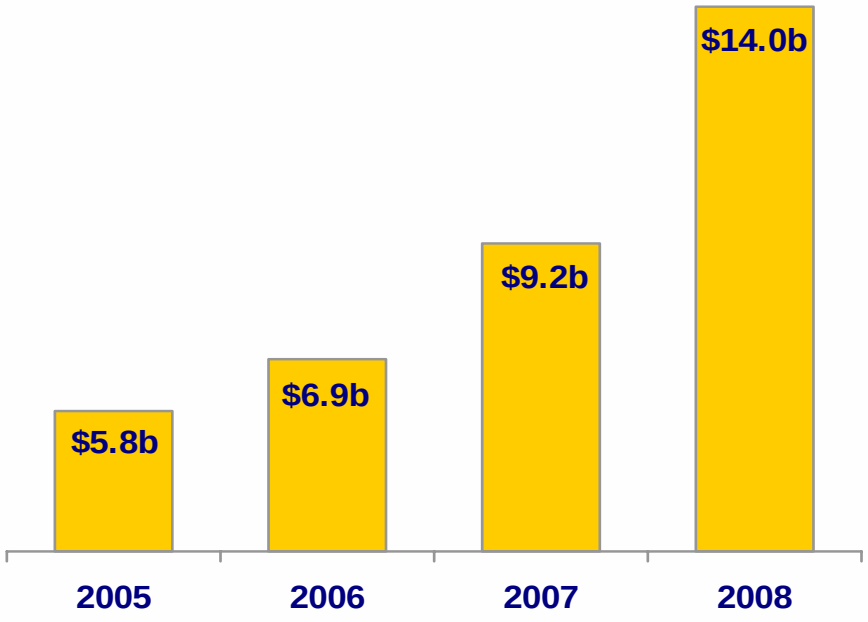
- The Queensland economy has exceeded national growth for last 12 consecutive years ... forecast to achieve a 13th
- Queensland population growth continues to outstrip the national growth rate
  - increased 2.2% in the March 08 quarter, well above 1.5% for the rest of Australia
- Unemployment remains at close to record lows at 3.75% (Nov 08) and although expected to moderately rise, remains below the rest of Australia
- The proportion of total dwelling approvals in Australia represented by Queensland remains high at 24.5%
- Residential vacancy rates remain extremely low at 2.8% (Queensland) and 1.8% (Brisbane)

Flexible

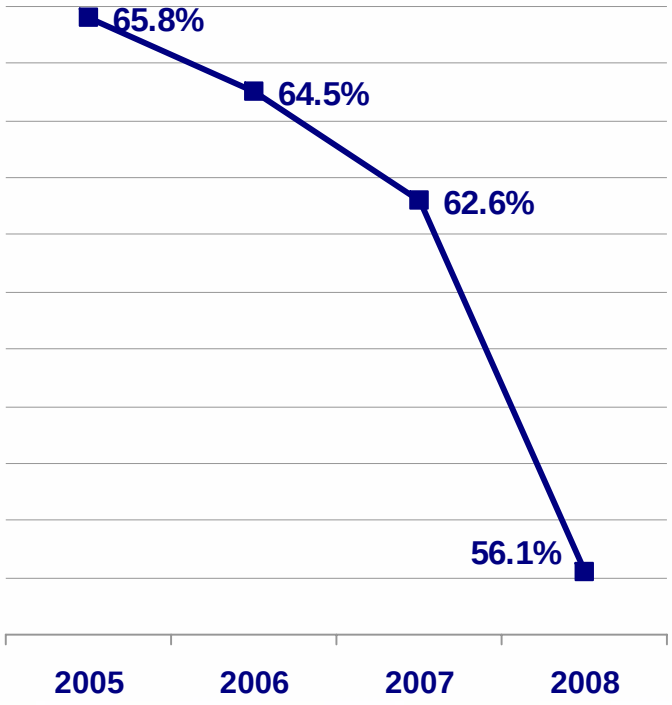
- We can quickly respond to changing market conditions
- Switched to maximising retail deposits
  - → Deposits grew 25% (excluding Home) in FY08
- Focused on cost control

Refocusing on deposits & reducing costs

- Retail deposits



- Cost to income ratio



Money magazine best of the best

Our WebSavings Account has won the **Best Savings Account** category in *Money* Magazine's 2009 Best of the Best awards

WebSavings Account

Unique

- Unique Owner-Managed Branch network
- Superior sales productivity
- Minimal branch start-up costs
- Variable cost structure aligned to performance
- Enhanced customer service
- Supported by high-touch SME business banking services

Our responsibilities to stakeholders

- All our stakeholders benefit: our shareholders, customers, employees, the community and environment in which we operate and the government and regulators we comply with

FY09 progress* and prospects

Tailwinds*	Headwinds
▲Annualised LUM growth 12% and deposit growth 34% ▲Retail deposits growth YTD funding ~116% of asset growth ▲Cost disciplines holding, deeper process re-engineering underway ▲Impairment charges steady on pcp	▼Retail cost of funds trending higher with unpredictable competition ▼Wholesale markets continue to come under pressure ▼Sub-debt and hybrid capital markets effectively closed in the short term

* Performance based on current financial year, Sep–Nov 08.

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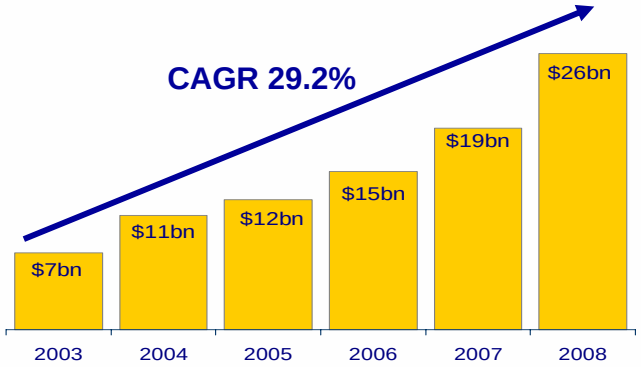
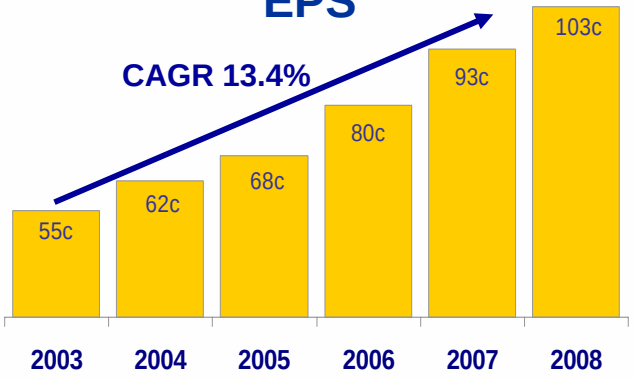
Project Pathways – the next growth phase

BOQ has an enviable track record

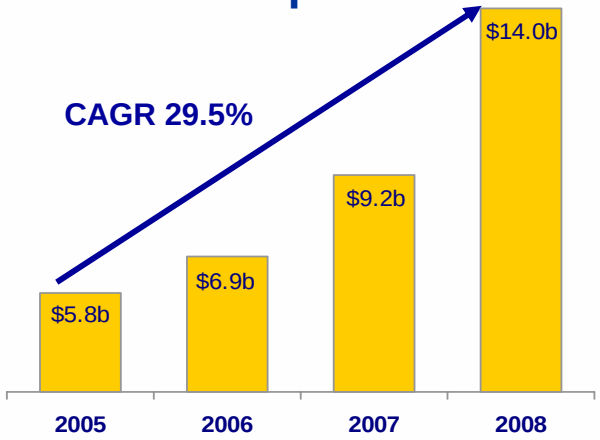
Total LUM



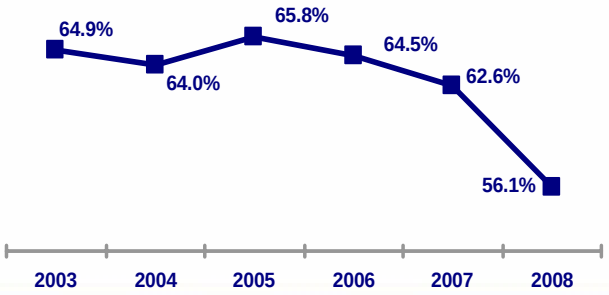
EPS



Retail deposits



Cost-to-Income Ratio

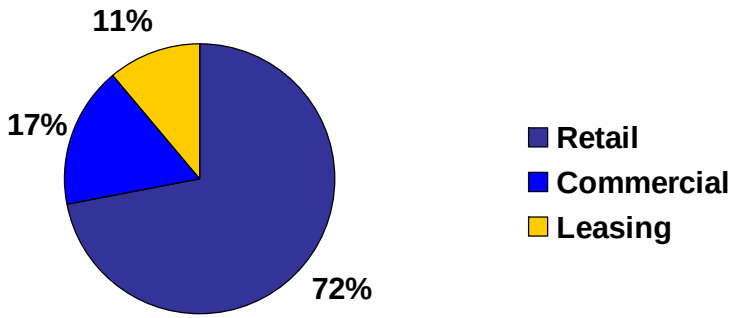


Core focus – low risk retail banking

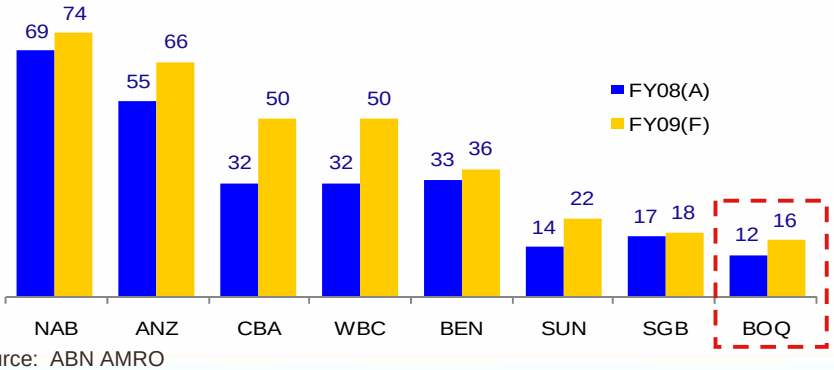
Low risk banking

- Retail lending of ~72% of LUM (8/08A)
  - low doc/unsecured personal of ~5%
- Well positioned with 77% exposure to QLD and WA
- No direct exposure to sub-prime, CDOs, etc
- Low write-off rates relative to peer group
- Total of only 69 exposures > $10m (8/08A): ~5% of AUM

LUM by Product (31 Aug 2008)

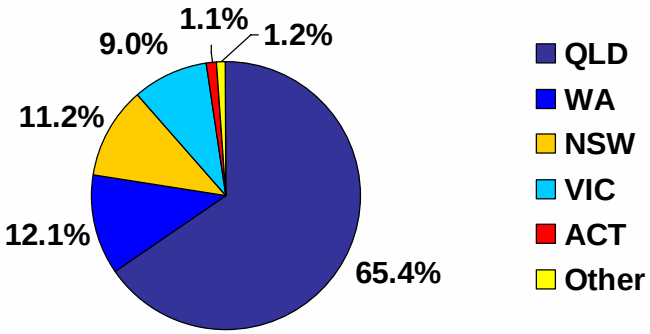


Bad & Doubtful Debts (BDD)/Average Gross Loans (bps)



Source: ABN AMRO

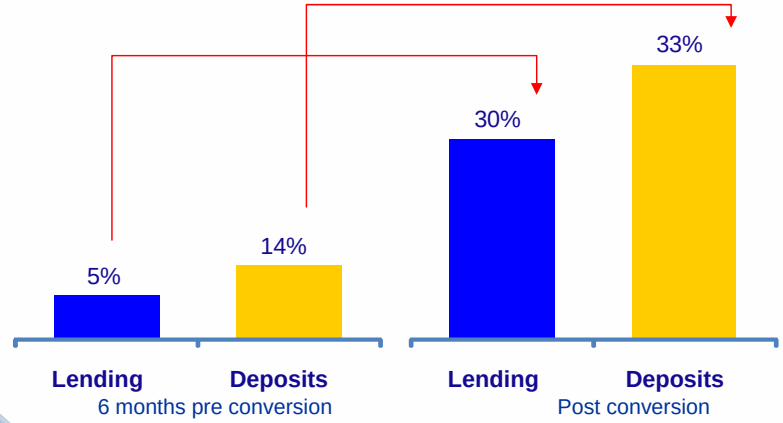
Gross Loans and Advances (31 Aug 2008)



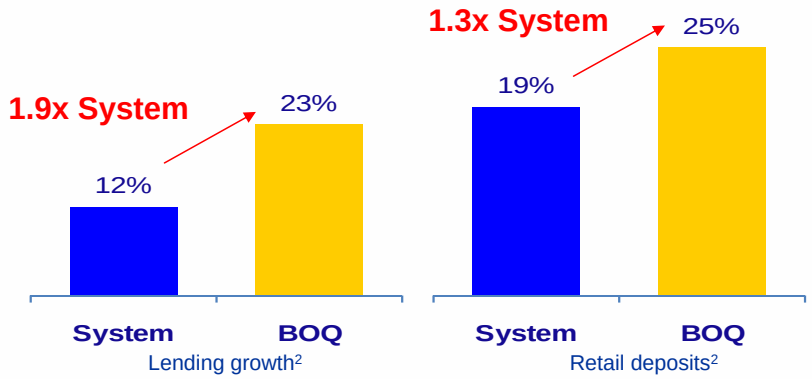
High performance growth model...

- BOQ's Owner Manager Branch (OMB) distribution model gives the Bank a substantial edge on growth
  - **Average monthly settlements typically increase by ~65% post Corporate to OMB conversion**
  - **focused on customer service**
  - **BOQ has delivered above system growth in lending and deposits**
  - **attract the best relationship bankers by rewarding performance**

Annualised growth before and after conversion to OMB[1]



Above system lending and retail deposit growth (FY08)



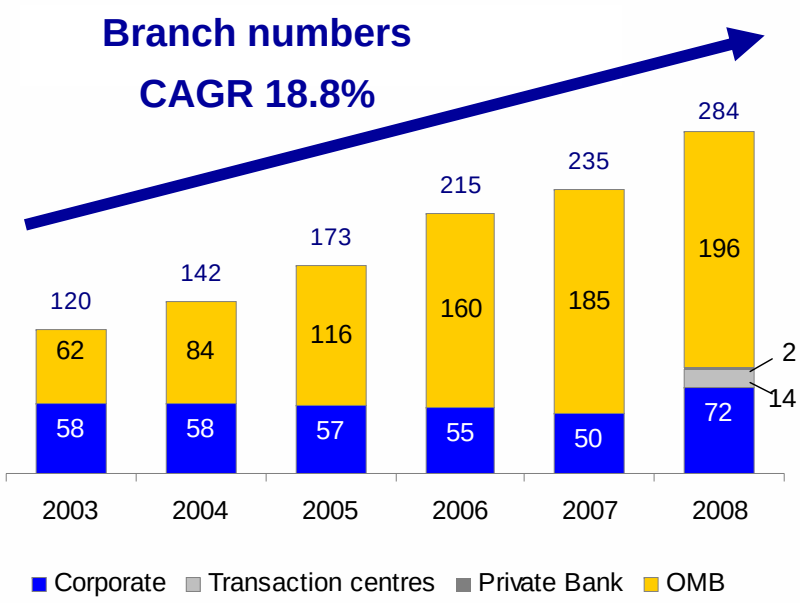
Source: APRA data

1) For branches converted with at least three months of results post conversion, as at 31 Aug 08 2) Excludes acquisition balances of Home Building Society Ltd

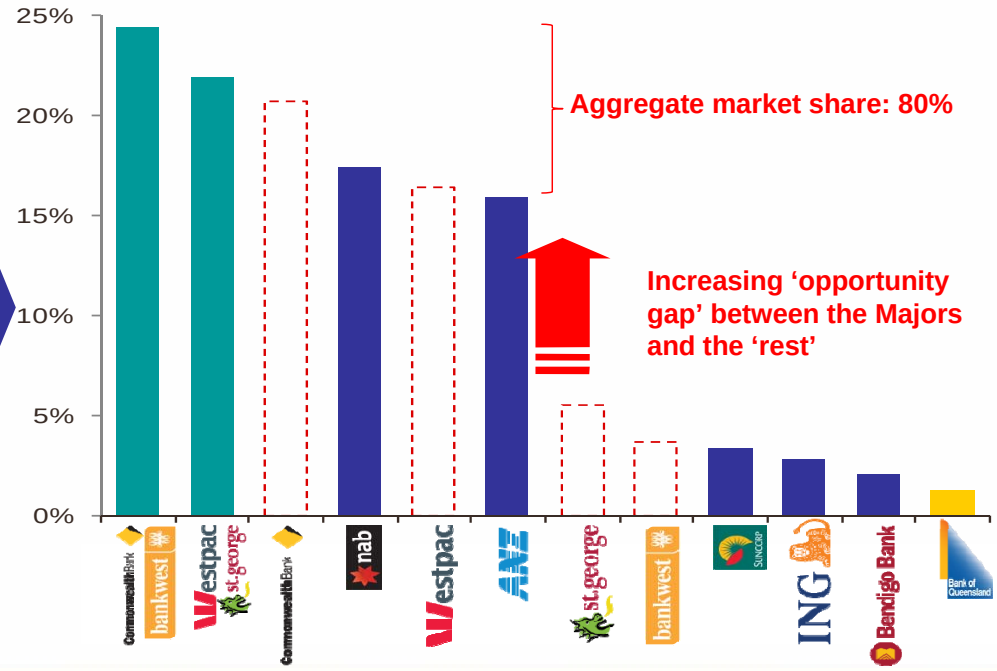
Growth opportunities...

- BOQ now has a sizable high performance OMB platform to pursue the 'opportunity gap' to the Majors

The 'high growth' platform has been built ...



... to gain market share[2]



1) Includes Home Corporate branches, 14 transaction centres and 2 Private Bank sites 2) Gross loans and advances as at 30 Sep 2008 (Source: APRA) 3) Pro forma combined without adjustment

Project Pathways – the next growth phase

Objectives

1. **Support growth**
   - Organic business growth platform
   - Portfolio optimisation
2. **Consolidation participant**
   - M&A activity – building societies, regional banks
   - Introduce a 'strategic partner'
3. **Increase business efficiency**
   - Cost restructure – back-office processes
   - Review internal processes to increase productivity
4. **Maximise value**
   - Grow shareholder returns

Approach

Comprehensive evaluation of a wide array of organic and inorganic opportunities

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Thank you