Bank of Queensland

UBS Australian Financial Services Conference 2009

24 – 25 June 2009

Banking landscape

- Economic growth slowing and unemployment rising towards expectations of 7-8%. Plan for economy to bottom mid-2010
- Credit growth continuing to slow, next year in housing expect 4-6% and SME lending -3% to 5%
- Impact of real economy on credit cycle only just starting to take hold, corporate defaults so far only leveraged plays; impact of slowdown on business fundamentals now starting to appear…. Peak loss in FY10
- Wholesale funding markets are beginning to open, interest in unguaranteed issues building
- Project Pathways underway to exploit the once in a generation opportunities arising in the current market
- Strength of BOQ’s OMB distribution model places the Bank in an ideal position to take advantage of these opportunities

Trading update

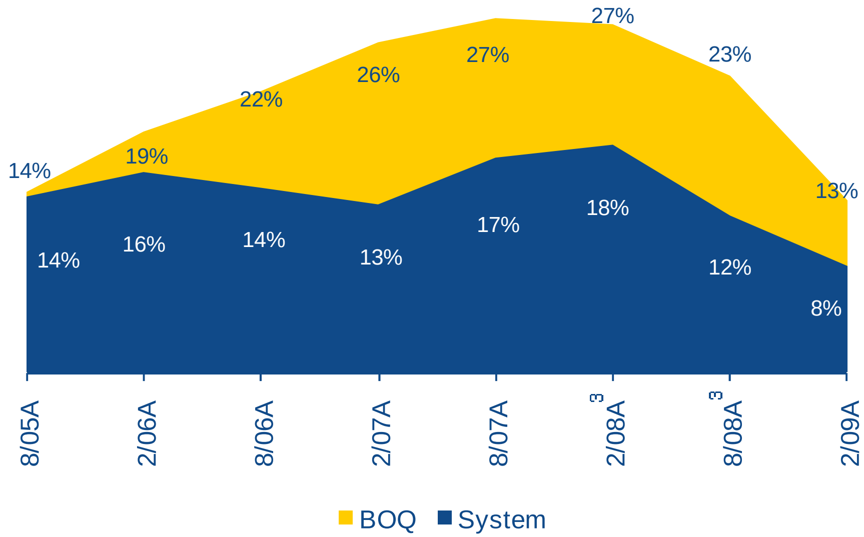
- Asset growth continuing above system with demonstrated ability to cherry pick better commercial deals
- Sticking to our knitting... continue to avoid high risk property and corporate lending opportunities. Focus on lower risk SME market
- Non performing loans continue to grow quickly but conversion to bad debts remains in line with recent periods demonstrating the advantages of well secured lending to housing and SME segments
- Significant efficiency drive with initiatives executed giving line of sight to cost to income ratio in mid 40’s and improved ROE within 3 years
- NIM bounce predicted in 2H09 underway; continue to target matching 100% of LUM & retail deposit growth
- Management maintaining target of 20-25% growth in normalised cash NPAT in FY09

Superior growth vs market

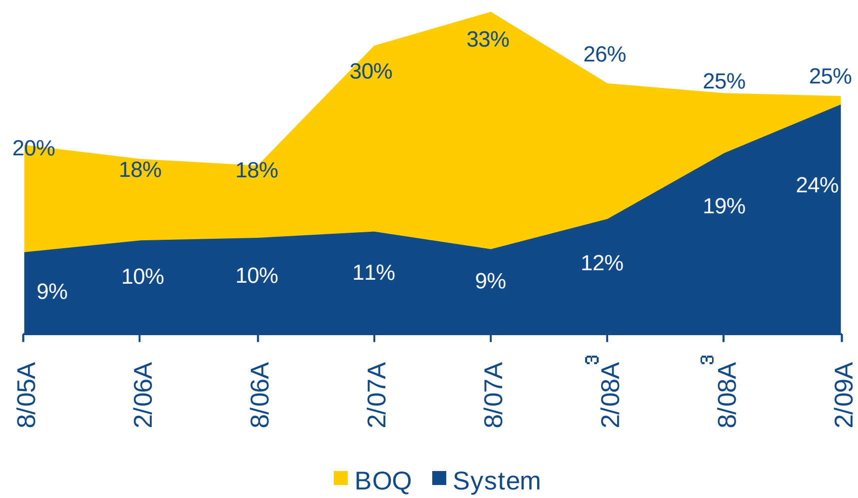
The unique productivity uplift gives rise to superior lending growth in both expanding and contracting economic environments

- The unique OMB model is a very effective retail banking distribution platform – in our view, its level of productivity is unmatched
- The Bank is focussed upon strengthening existing OMBs and converting corporate branches to OMBs in Queensland and Western Australia
- The ongoing ‘roll-out’ together with the unique productivity uplift ensures BOQ is well placed to continue to grow even in a challenging domestic and global environment

Lending growth[1] vs System



Retail deposit growth[2] vs System

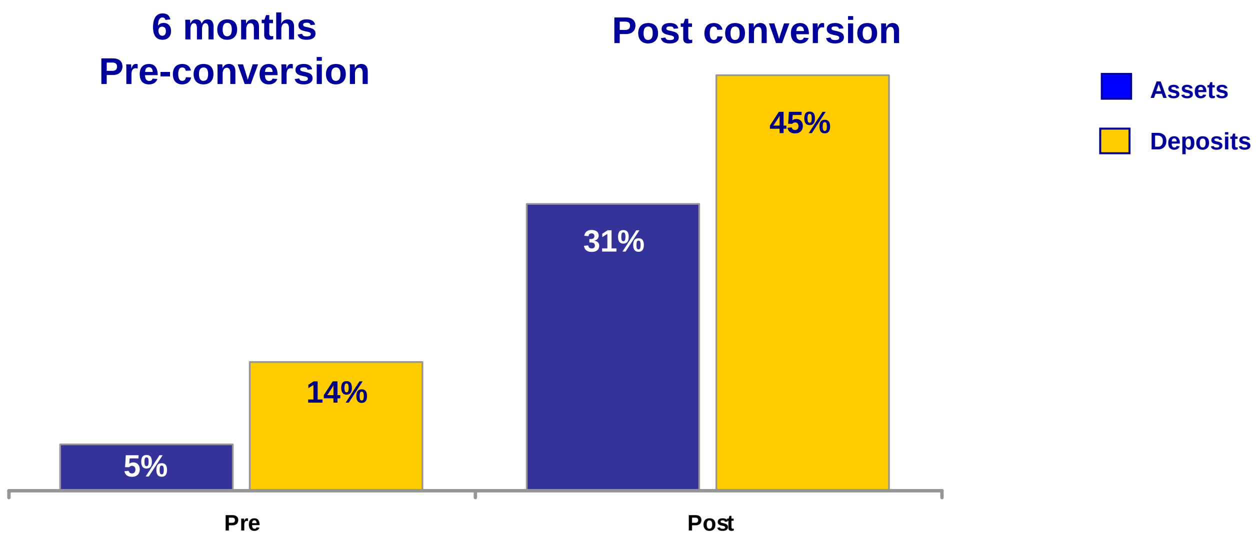


1) Represents whole of Bank growth in total loans under management. Growth measures are based upon prior comparable period. 2) Represents whole of Bank growth in retail deposits. Growth measures are based upon prior comparable period. 3) Excludes growth from the acquisition of Home Building Society. Source: APRA.

OMBs remain core to our strategy

- The rest of the OMB network is performing in line with expectations
- The productivity of the model is unmatched
- We have now converted 36 corporate branches to OMBs
- Average monthly settlements have increased 64% post conversion

Annualised growth before and after conversion



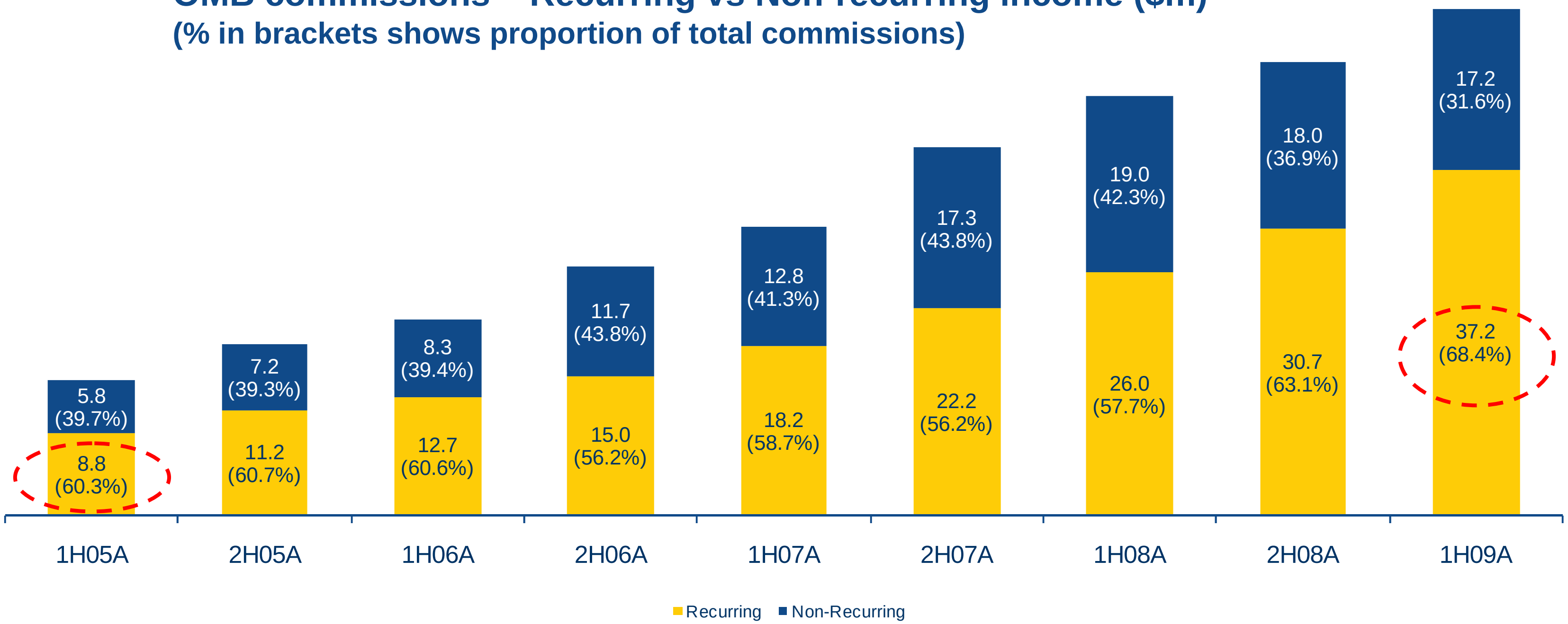
Note: For branches converted with at least 3 months of results since conversion.

OMB income streams now largely recurring in nature

OMB commissions are now skewed towards recurring income, providing earnings stability in a slowing economic environment

- The majority of OMB income now comes from existing balance sheet with less reliance upon upfront commissions
- Sales capability now starting to focus on deposits and cross sales
- Total OMB commission payments have consistently increased, further demonstrating the resilience of the model even in a downturn

OMB commissions – Recurring vs Non-recurring income ($m)[1]
(% in brackets shows proportion of total commissions)



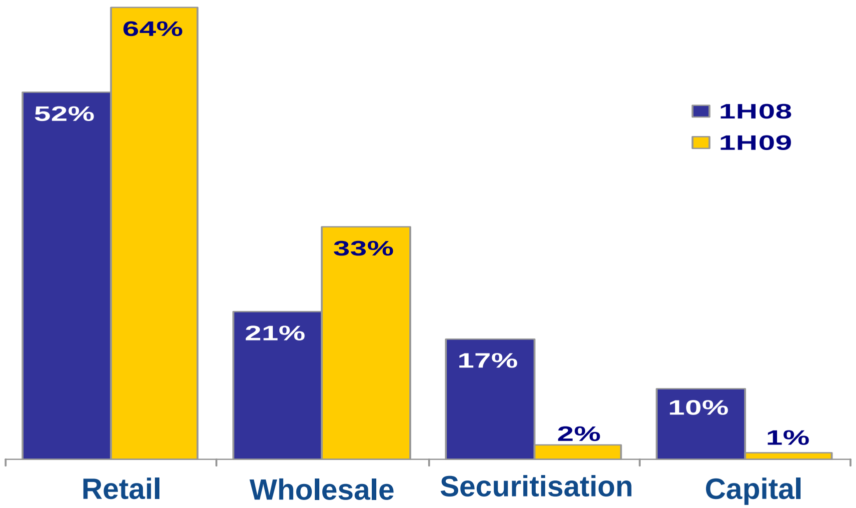
1) Recurring income includes Asset Trail, Deposit Trail, Fee and Other income.

Funding our growth

‘Sticky’ retail funding has continued to support lending growth

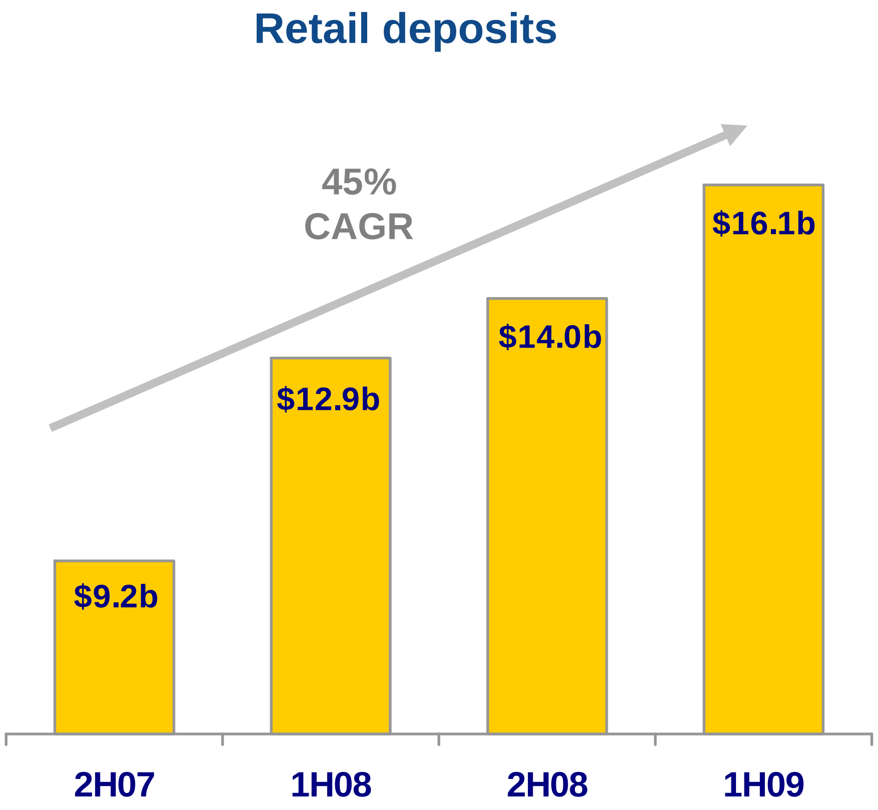
- Access to diversified funding sources with historic focus on growing ‘sticky’ retail deposits, and increasing long-term wholesale component
- Retail deposits have funded ~ 170% of 1H09A asset growth
  - Focused on sustainable, ‘sticky’ deposit growth, not simply price driven

Sources of funding growth – 12 months to 28 Feb 2009 vs pcp



Targeting retail deposit self sufficiency

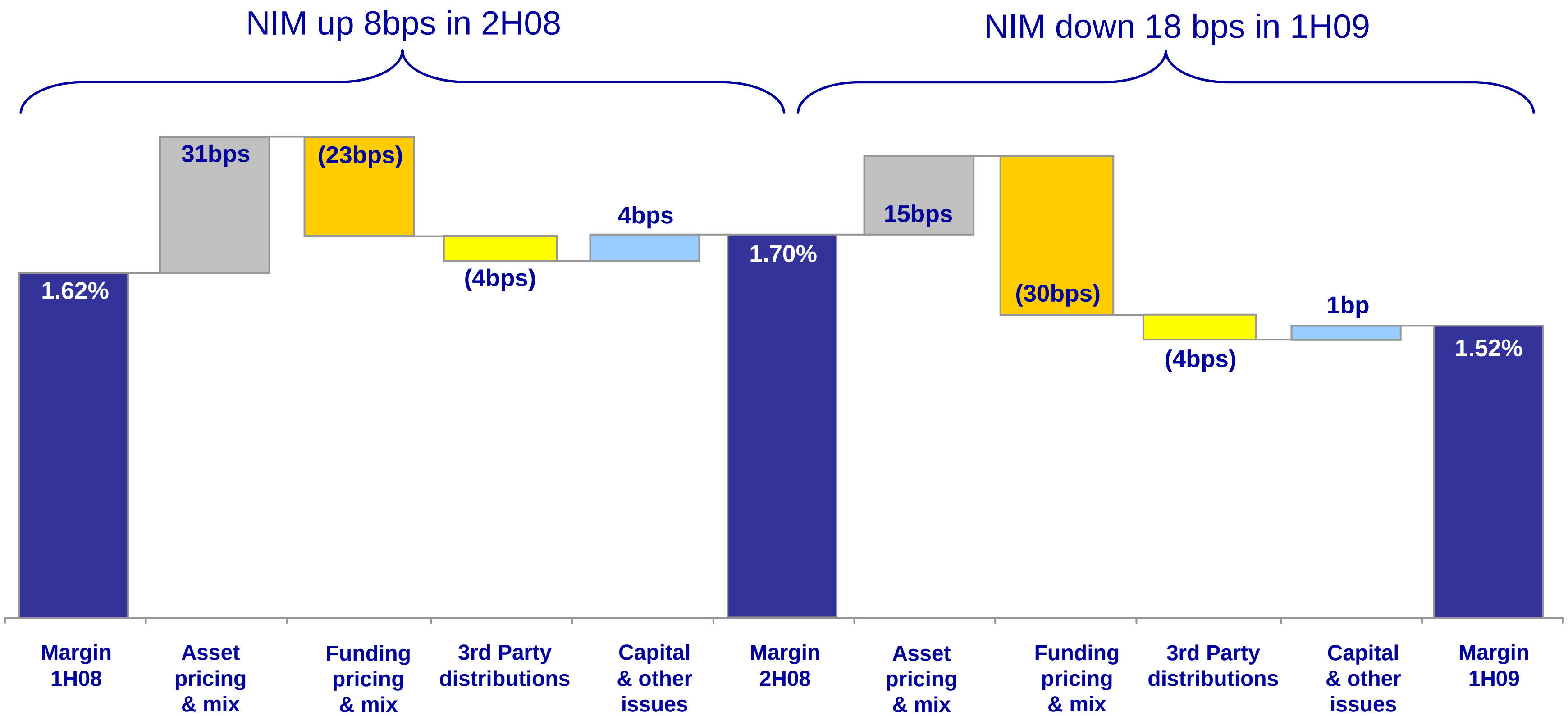
- Bank strategy has been able to secure a larger deposit base
- OMB model highly effective in securing new retail deposits
- Retail deposits + matched RMBS funding sufficient to cover all Retail lending allowing quick transmission of changes in wholesale costs to Commercial



% of LUM	48%	53%	53%	58%

NIM pressure in 1H09… Bounce in 2H09

- Excess liquidity and the Mar '09 RMBS enables better margins in 2H09
- Similar trend to FY08, with improvement in second half expected



Funding costs… re-establishing competitiveness

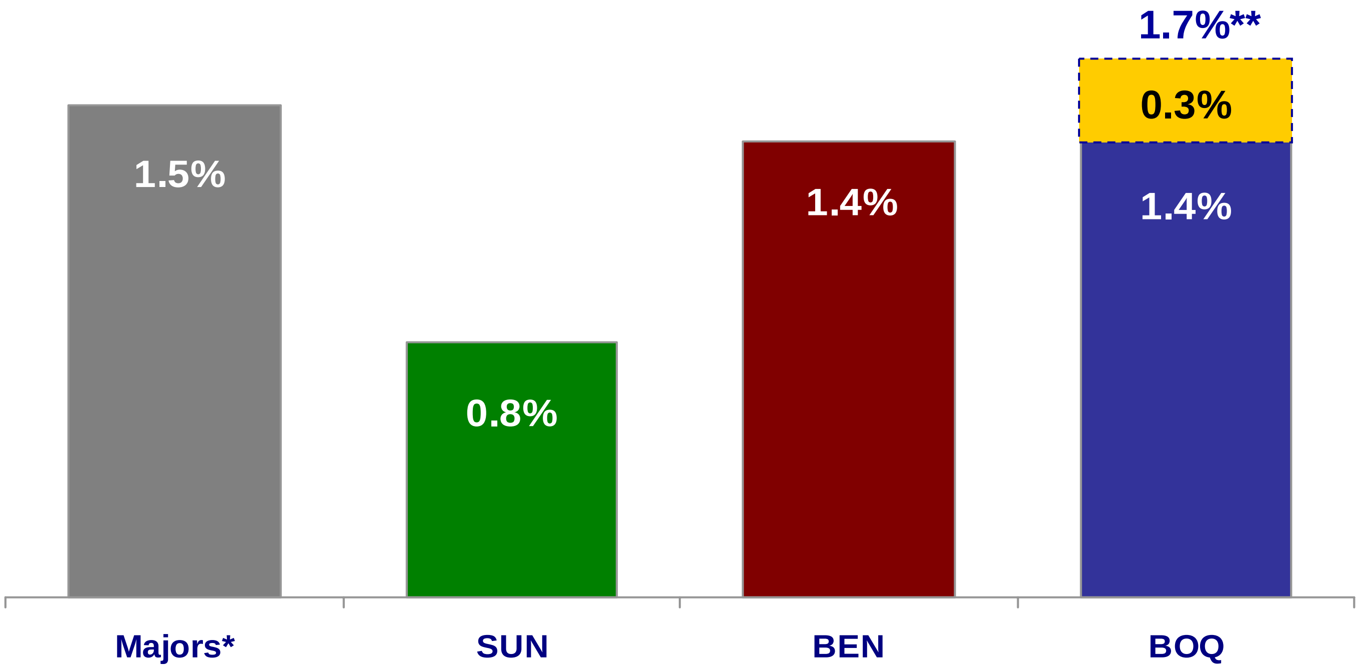
- Government guarantee cost differential drives uneconomic term debt for regionals vs majors
- Cost of securitisation is no longer allowing equalisation of term debt costs vs the majors
- Uniform cost of guarantee plus expansion of AOFM assisted RMBS issues will quickly improve competitive position of regionals

	BOQ	Majors*	
	% of Total Funding	% of Total Funding	Funding cost advantage (bps)
Retail deposits	49%	49%	~15 – 25bps
S/T wholesale	13%	~20%	~15 – 25bps
Term debt	13%	~24%	~80bps
Securitisation	20%	~2%	-
Equity	5%	~5%	Traditionally ~20% PE discount to BOQ. Now 10% premium.

* Illustrative numbers – source BOQ and RBA Bulletin June 2009.

Risk adjusted NIM..... temporary stalemate

- Reported NIM adjusted for impairment charges shows a more even playing field across the banking sector
- Major bank risk adjusted NIM could be under greater pressure in a prolonged down turn, equally improvement in BDD allows cross-subsidisation to price out competition



* Average of major banks
** BOQ reports margins net of OMB share of margins (27bps). This adjustment aligns BOQ with competitors.

Differentiated risk profile & fully provisioned

BOQ lending: secured, small exposures, avoid non-recourse lending, high pre-sales on development

Housing	Personal	Leasing	Commercial	Large exposures
▸ 70% of total lending ▸ Avg loan size: ~$250k ▸ Avg LVR: low 60's ▸ ~30% securitised	▸ 2% of total lending ▸ Book size: $0.4bn ▸ No exposure to credit cards or margin lending	▸ 11% of total lending ▸ Avg transaction size: $70k ▸ Loss rates lower vs peers ▸ ~26% securitised	▸ 12% of total lending ▸ SME focus (<$10m exp) ▸ ~40% secured on residential property	▸ 5% of total lending ▸ 66 names ▸ Avg loan size: $20m ▸ No single exp >$100m

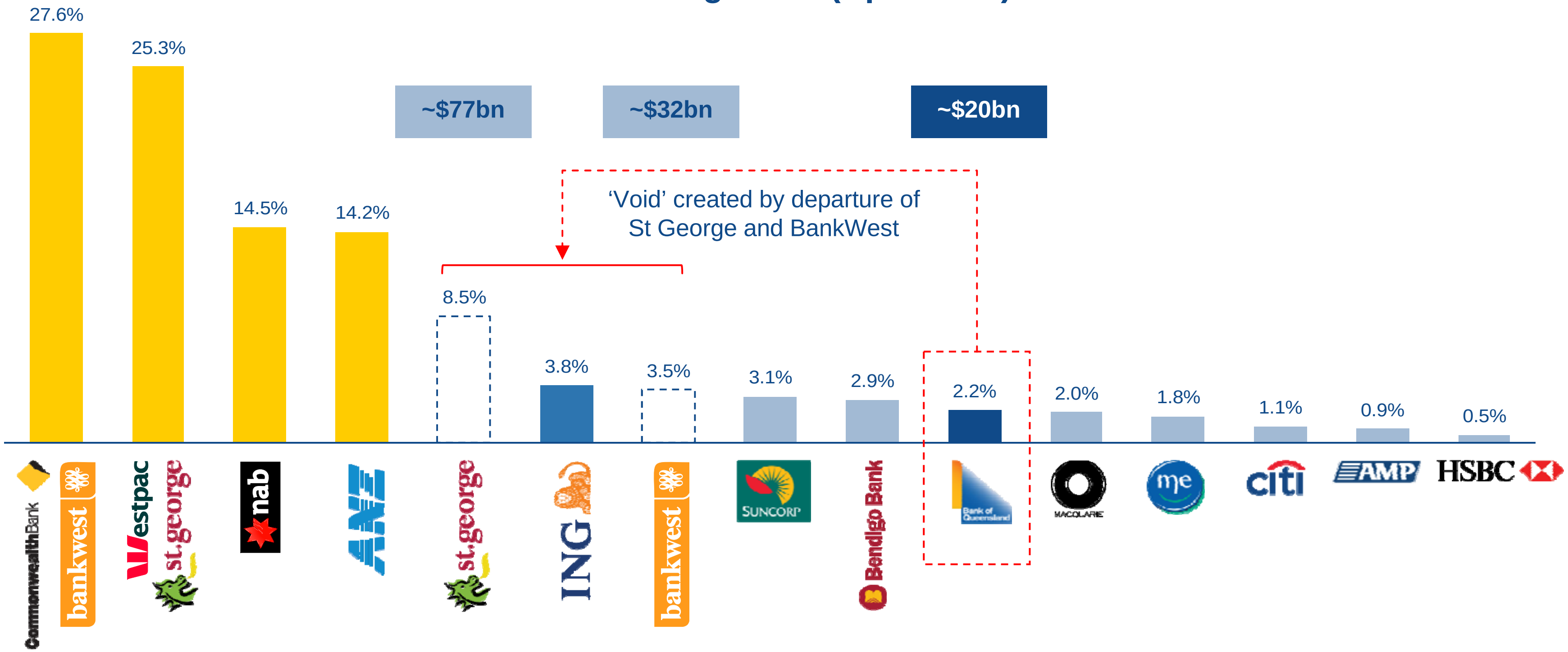
Our provisioning:

- Combined specific, collective and GRCL expected to be maintained at minimum 2x annual impairment charge
- Impairment charges in FY09 ~15-20bps of GLA equating to approx. 25% of the majors' average
- Stress testing on peak loss cycle demonstrates ability to absorb 'worst case' on 1990's experience… Current efficiency initiatives alone allow more than a doubling of BDD without impacting profitability

Opportunities arising from a consolidating market

BOQ's national footprint, combined with the ongoing strength of its OMB distribution model, has placed the Bank in an ideal position to take advantage of the opportunities arising from a rapidly consolidating Australian banking sector

Housing loans (April 2009)



- Retail Banking Review found that nearly a quarter – 23.3% of BankWest and 24.1% of St George customers reported that the takeovers had negatively affected their satisfaction with their bank.

Source: APRA statistics (Housing loans including securitised) as at 30 Apr 2009, Retail Banking Review (3 Feb 2009).

Addressing the 'market void'

As a strong challenger brand, BOQ is ideally positioned to capitalise on the current 'market void'

Industry consolidation

- The Australian banking industry has recently undergone a period of consolidation
  - BankWest (loan assets ~$55bn[1]) was acquired by Commonwealth Bank
  - St. George Bank (loan assets ~$94bn[2]) was acquired by Westpac
- Rationalisation of low doc operators and mezzanine funders
- Consolidation has limited consumer choice, increasing the 'strangle hold' of the Majors

Departure of non-bank lenders

- The global financial crisis has effectively shutdown the RMBS market
- Australia's smaller non-bank lenders were heavily reliant on the RMBS market
- Non bank lenders were forced to 'close shop', or sell out
  - RAMS acquired by Westpac
  - 30% stake in Aussie Home Loans sold to Commonwealth Bank
  - Wizard sold to Aussie Home Loans

Departure of foreign banks

- The global economic crisis has led foreign banks to reduce lending in Australia
  - Foreign banks have indicated to the Australian Treasury they can give no guarantee of their continued support to Australian borrowers
  - GE Money Motor Solutions and GMAC ceased writing auto loans

1) As at 30 June 2008, CBA Investor Pack, 8 Oct 2008 2) As at 31 Mar 2008, St George Scheme Booklet, 29 Sep 2008.

Project Pathways… 3yr plan

Repositioning BOQ to achieve its strategic vision

1

Efficiency Program
- Restructured cost base for future growth and expansion
- Forecast to save ~$50m (~13% from FY10E cost base)

2

Portfolio Optimisation Program
- SME market, cross-sell and enhanced product offerings
- Expected to deliver significant incremental gross revenue over 5 years

3

Strategic partner
- Equity investment
- Long term strategic commitment to BOQ and the Australian market
- Preferably demonstrated value-add

Repositioning

Creates a lean and efficient cost base, and a business model that is strong and robust in the current environment

Solve for rating increase, capital intensity and greater scale

2 complementary paths for growth

Mosaic strategy leveraging proven OMB model	Transformational consolidation opportunities
Match the Majors on efficiency	'Sling shot' past the majors on efficiency
Niche segments	Scale player
Outgrow system 1.5-2.0x	Outgrow system 1.5-2.5x
ROE mid teens %	ROE high teens %

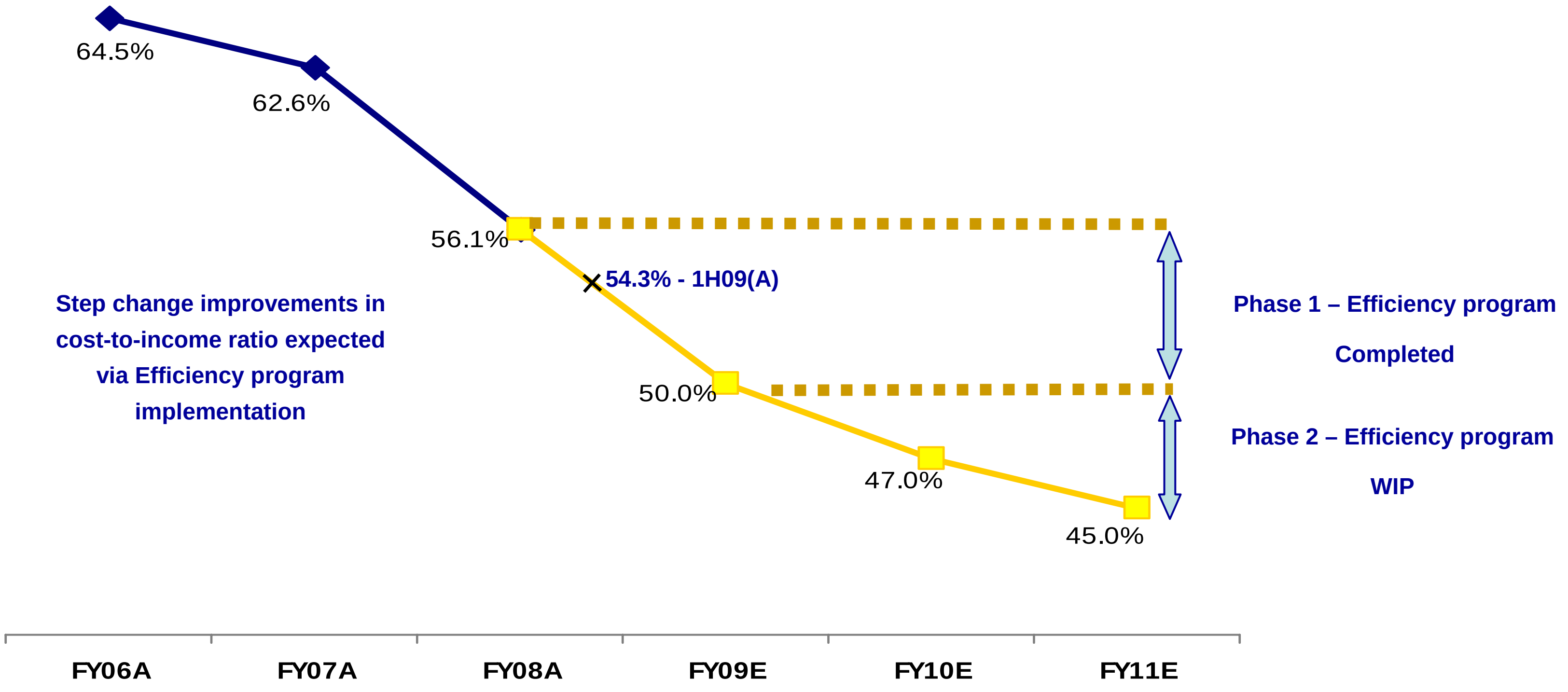
Efficiency program overview

		Status	Annualised Benefit
Phase One	Organisational alignment	Completed	~$20m
	Expense optimisation	Completed	~$30m
			~$50m
Phase Two	Simplification	WIP	TBD
	Sourcing Review & Opportunities	WIP	TBD

A more efficient model to challenge scale players

- Current efficiency initiatives executed give line of sight to dramatic improvement in our cost to income ratio, challenging the majors whilst 1/15th their size

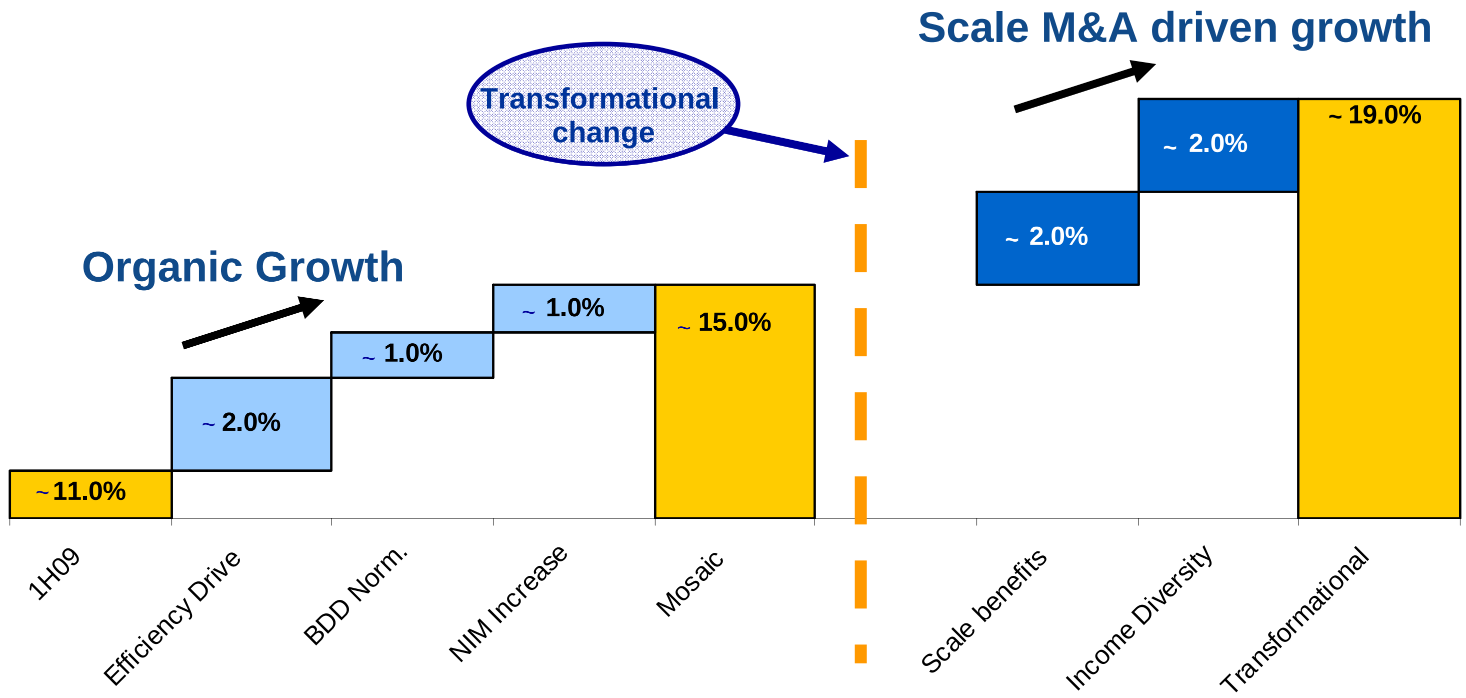
Cost to income ratio targets



* Forecast cost to income targets are dependent on achievement of revenue and cost forecasts.

Improving ROE levels – 3yr plan

- Project Pathways is designed to deliver a significantly enhanced investment opportunity in the BOQ platform delivering higher growth and lower risk through the credit cycles
- The current efficiency initiative enables BOQ to be competitive, whilst a transformational scale play and/or acquiring diversified income streams can enhance ROE dramatically



Illustrative long term planning.

Summary

- Strong performance given current economic climate
- Very successful in retail and wholesale funding growth
- OMB network resilient despite conditions
  - NSW consolidation and maturing profile increases resilience and performance
- Single channel to Retail & SME market strengthens our model
- Strong credit and risk management disciplines
  - Sticking to our knitting... Secured Retail and SME lending
- Removing the scale disadvantages vs. the major banks
  - Initiatives executed give line of sight to CTI ratio in mid 40’s within 3yrs
- Project Pathways on track to achieve its objective of positioning the Bank for ongoing growth and improved ROE performance

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Bank of Queensland