Bank of Queensland

Full Year Results

31 August 2008

Bank of Queensland

Agenda

- **Result highlights** — **David Liddy**
  Managing Director & CEO
- **Financial result in detail** — **Ram Kangatharan**
  Group Executive & CFO
- **BOQ Portfolio** — **Ram Kangatharan**
  Group Executive & CFO
- **Strategy and outlook** — **David Liddy**
  Managing Director & CEO

Result highlights

David Liddy, Managing Director

Result highlights

- Record profit and strong EPS growth
- NIM improvement from 1.62% in 1H08 to 1.70% in 2H08 – full year 1.67% down from 1.81% in FY07
- Integration of Home Building Society completed with synergies ahead of market guidance. Further upward revision of run rate synergies in Years 2 and 3
- Significant improvement in efficiency and operating costs
- Continued sound credit quality
- Strong capital and liquidity / funding base
- Results reflect continued emphasis on retail deposits as wholesale markets continue to be volatile and costly

Strong financial results

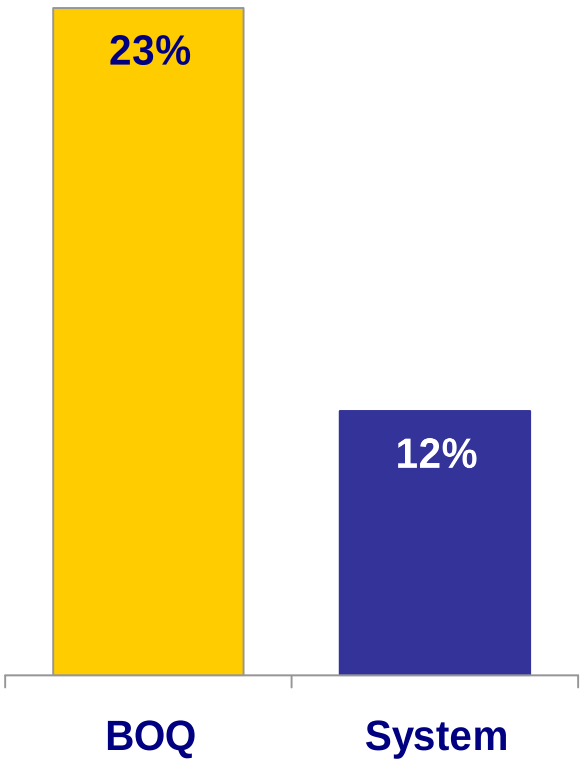
	FY07	**FY08**		
Normalised cash profit after tax	$106.1m	**$155.4m**	⇧	46%
Cash EPS **(normalised fully diluted)**	93.0¢	**102.9¢**	⇧	11%
Ordinary dividend	69¢	**73¢**	⇧	6%
Loan growth (pcp)	27%	***23%**		
Retail deposit growth (pcp)	33%	***25%**		
Net interest margin	1.81%	**1.67%**	⇩	(14bps)
Cost to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

* Excludes acquisition balances of Home Building Society Ltd.

Strong lending and deposit growth

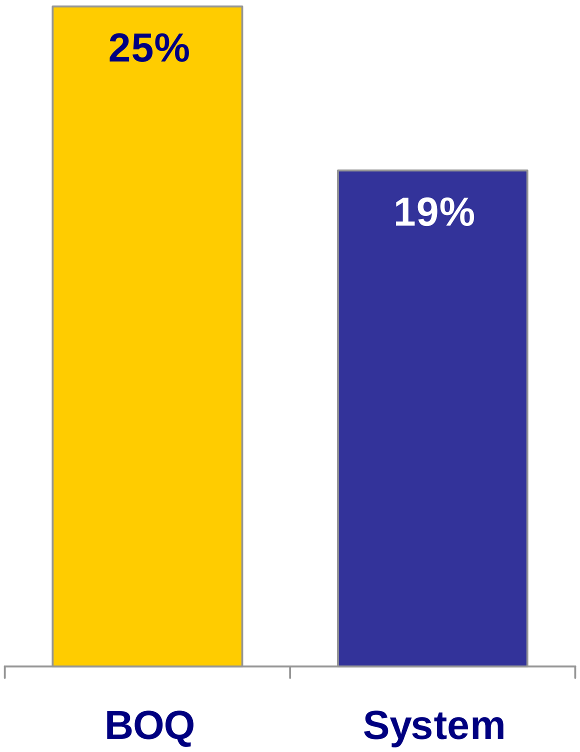
Lending growth

↑ 23% *



Retail deposits

↑ 25% *

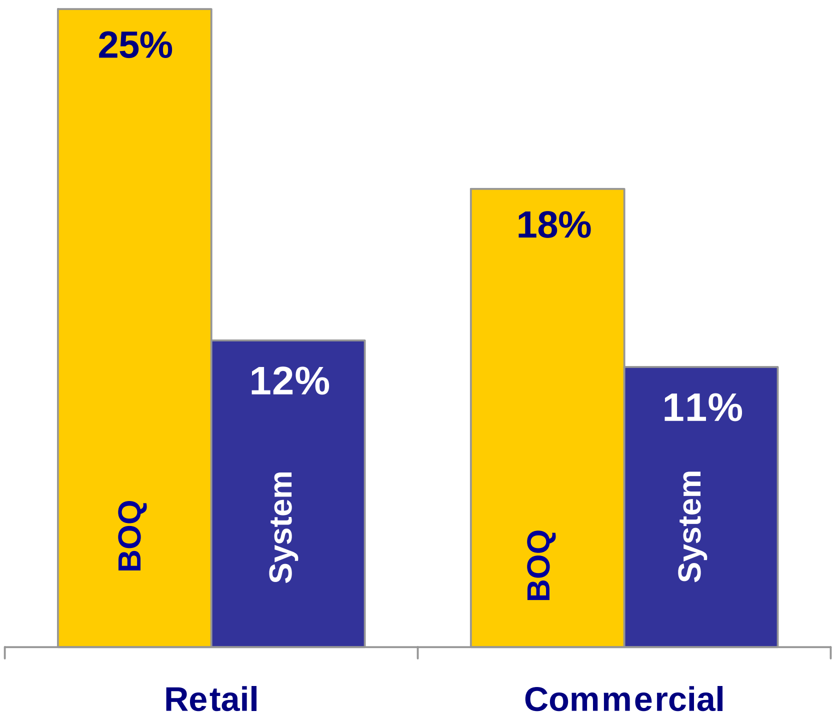


Source: APRA data

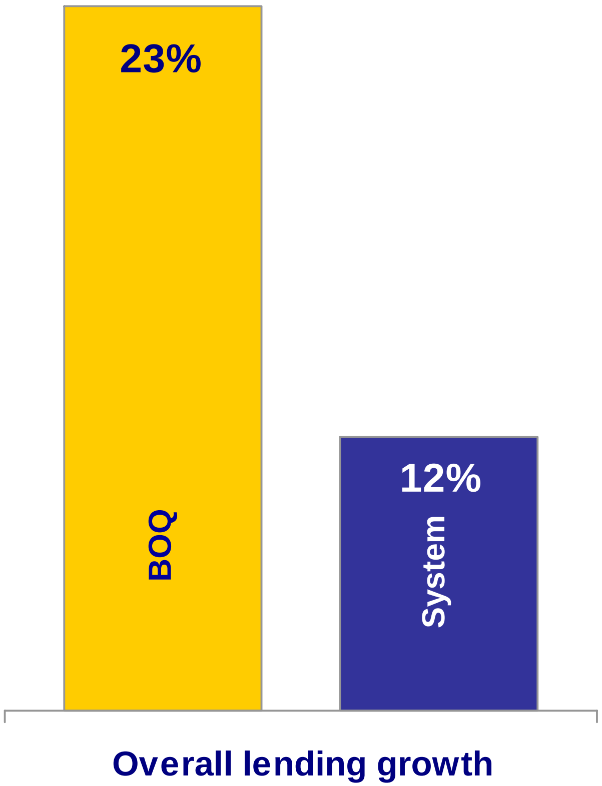
* Excludes acquisition balances from Home Building Society Ltd.

Continuing strong lending growth

- Strong growth in all areas *



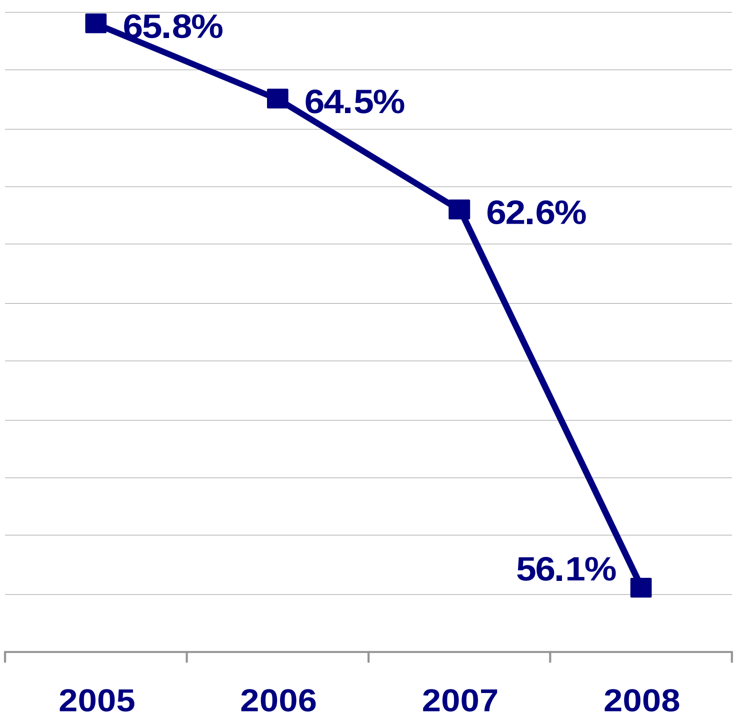
- Overall 1.9x system growth *



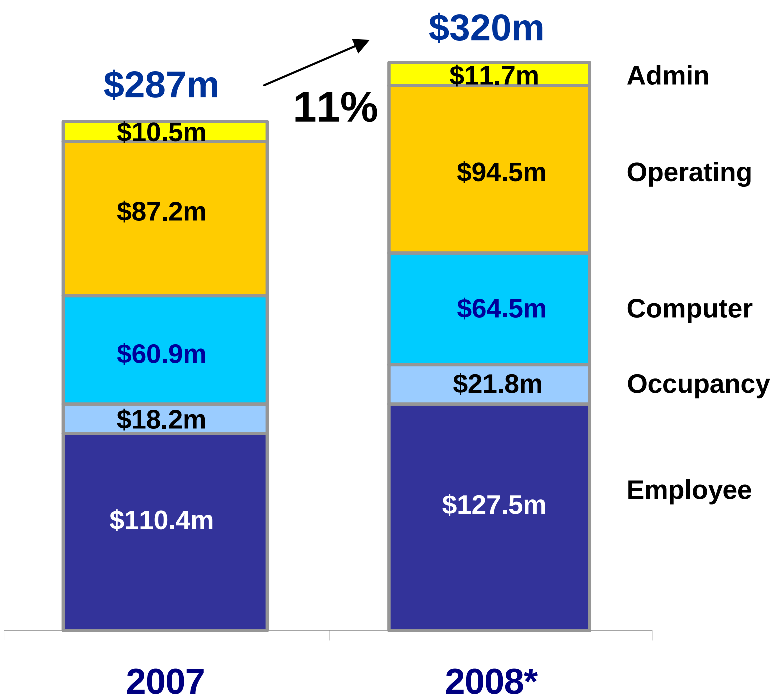
Source: APRA data
* Excludes acquisition balances from Home Building Society Ltd.

Improving efficiency

Cost to income ratio



Expenses



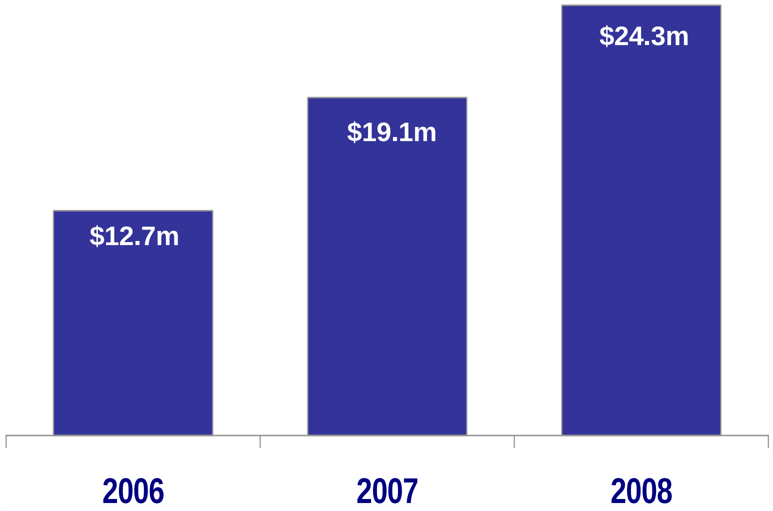
Based on Normalised Cash costs, excluding the impacts of significant items & amortisation of Customer Contracts

* Expenses in FY08 include 8.5 months of Home Building Society Ltd. expenses.

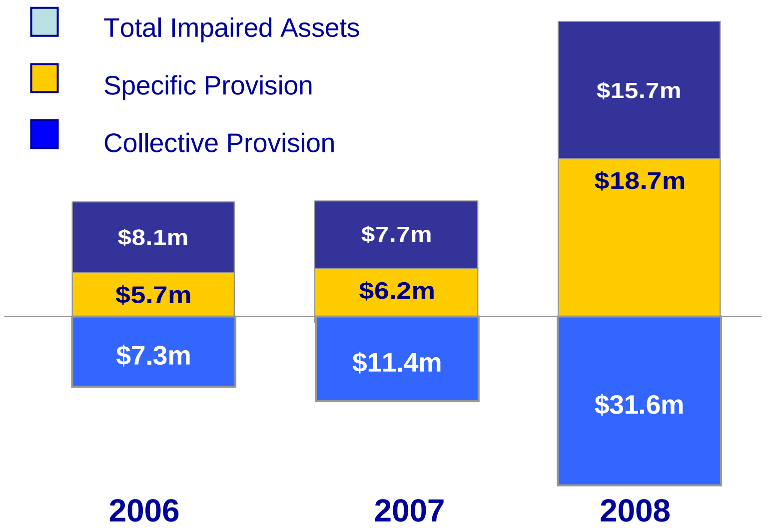
Strong asset quality

- Focus remains on well secured housing and SME lending in Qld & WA
- Level of impaired assets has increased but no systemic issues
- Adopting a more conservative approach to provisions

Underlying bad debts

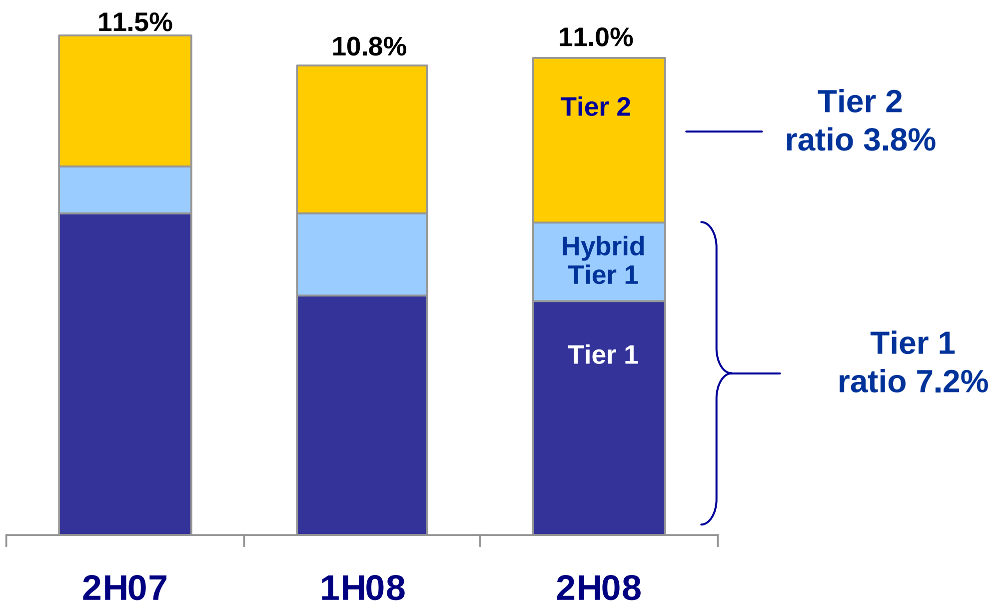


Impaired assets vs Collective & Specific Provisions

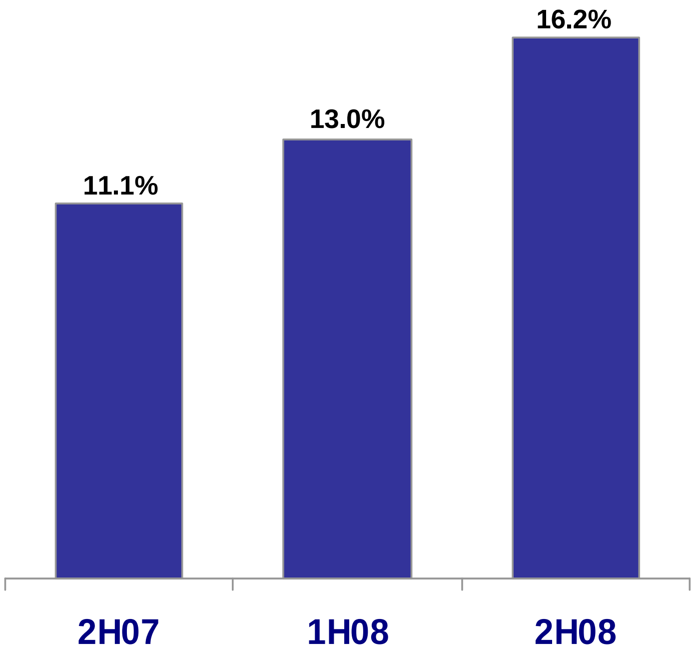


Strong capital and liquidity

Capital Adequacy



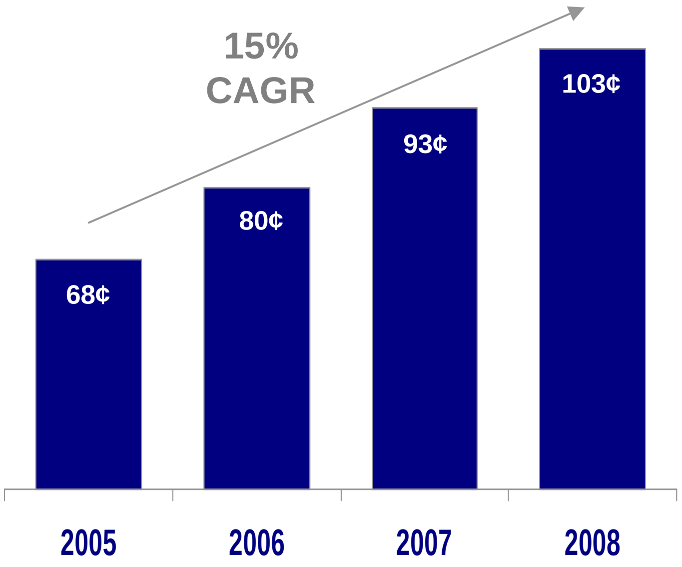
Liquidity



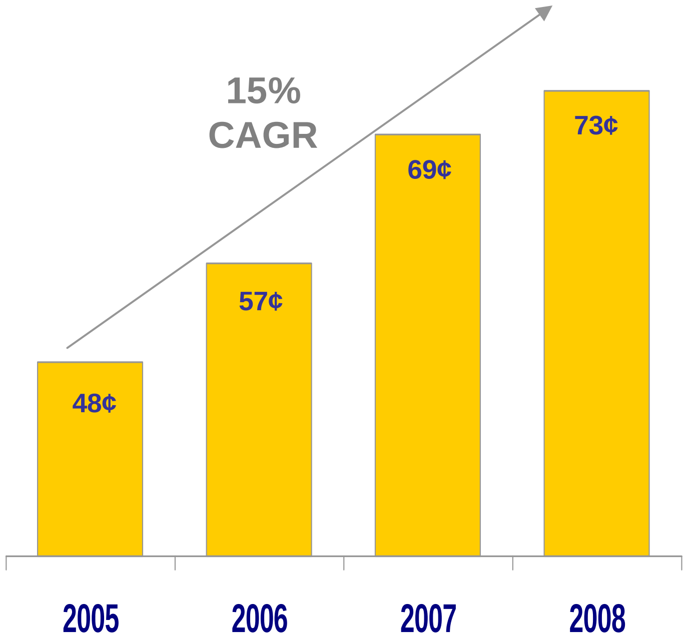
Delivering superior results

- BOQ has a strong track record of delivering shareholder value

Earnings per Share



Dividends*



* Excludes special dividends, on a cash normalised profit basis, although 2007 dividend had an implicit 3cent special dividend from the sale of Cards portfolio.

The result in detail

Ram Kangatharan, Chief Financial Officer

Bank of Queensland

Meeting our commitments

	FY07 $m	FY08 $m	% Change vs PCP
Total operating income	**500.0**	**570.6**	14%
Total expenses	**294.7**	**360.7**	22%
Underlying profit	**205.3**	**209.9**	2%
Impairment on loans and advances	**20.9**	**27.0**	29%
Profit before tax	**184.4**	**182.9**	-1%
Income tax	**54.6**	**56.1**	3%
Net profit after tax	**129.8**	**126.8**	-2%
Add: Amortisation of customer contracts	**2.0**	**18.7**	-
Cash profit after tax	**131.8**	**145.5**	10%
Normalising Items	(25.7)	**9.9**	-
Normalised cash profit after tax	**106.1**	**155.4**	46%
Add: RePS & S1RPS Dividend	**5.9**	**5.9**	-
Cash Earnings used for Fully Diluted EPS	**112.0**	**161.3**	44%
Cash diluted EPS (normalised)	**93.0¢**	**102.9¢**	11%

Includes Home Building Society results from 18th December 2008

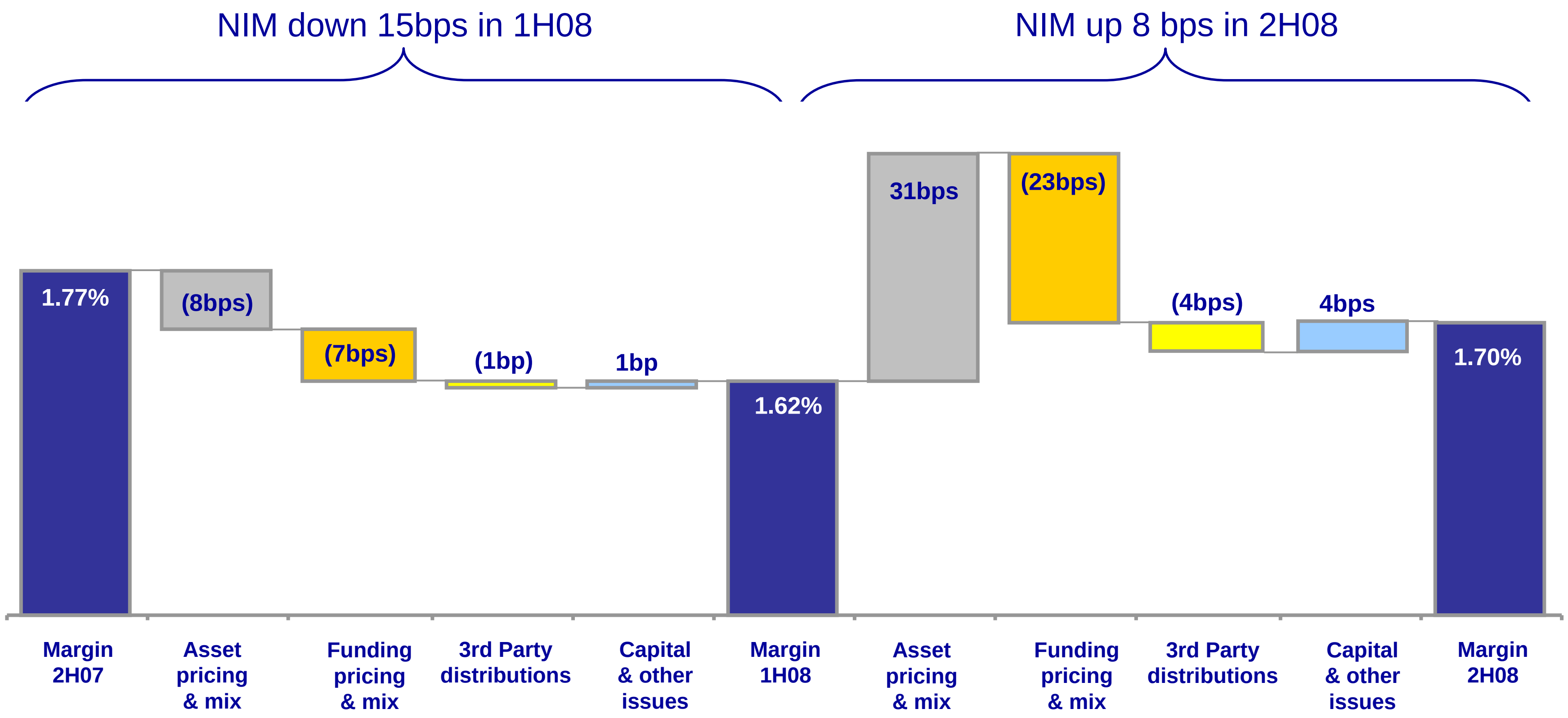
Normalisation and integration details

- Normalisation items - $28.6m after tax
  - Amortisation of customer contracts $18.7m
  - Integration costs $10.1m
  - Gain on sale of Visa shares ($6.3m)
  - Mark to market on banking book bonds and hedge ineffectiveness related to Home acquisition $6.1m

- Home Building Society acquisition synergies
  - >$5.7m in expense synergies (exceeded original guidance on acquisition of $3m)
  - Expect to exceed $15m cost synergies in Year 2 and $30m in Year 3 (original guidance $20m).

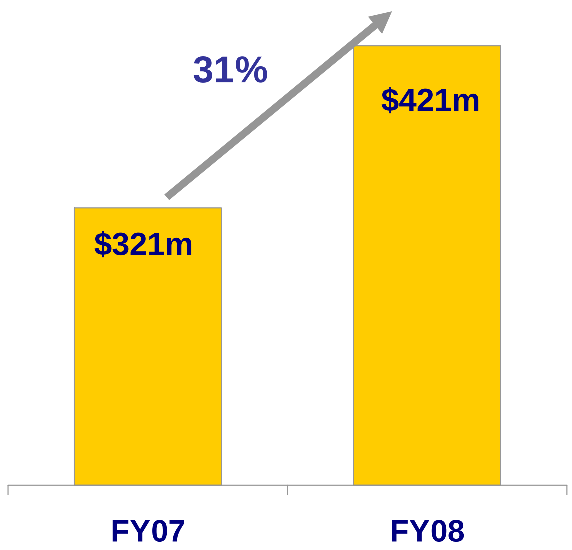
Recovering Margins

- NIM in 2008 1.67% vs. 1.81% in 2007; but improved in 2H08…

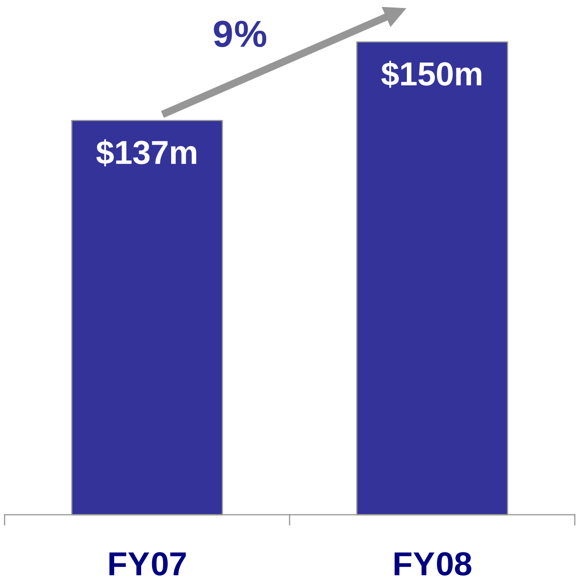


Continued strong revenue growth

Net Interest Income



Non Interest Income*

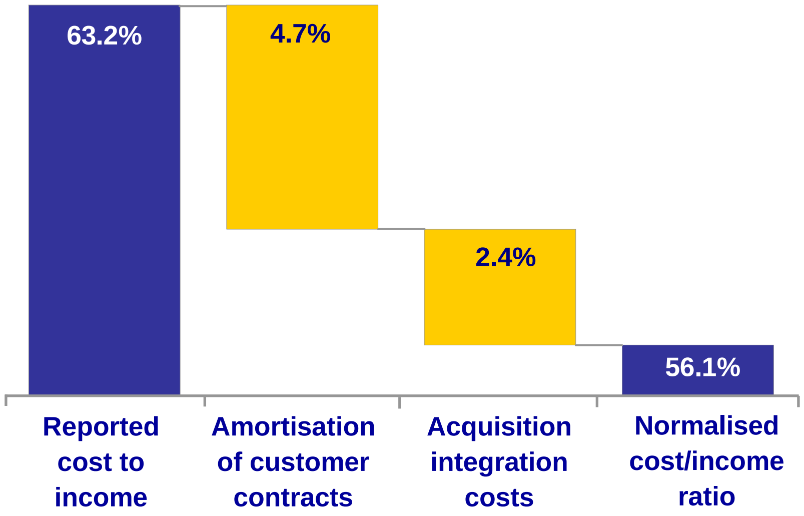


- NII reflecting strong lending growth offsetting higher cost of funds
- Disposal of the Cards business and lower non-core income offset by higher banking & insurance income

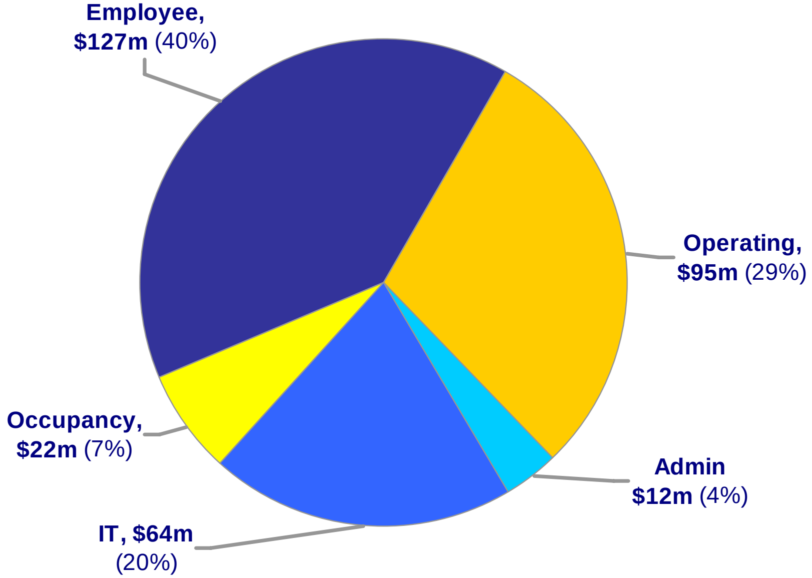
* Adjusted for profit on sale of cards portfolio in FY07

Expenses

Cost to Income Ratio

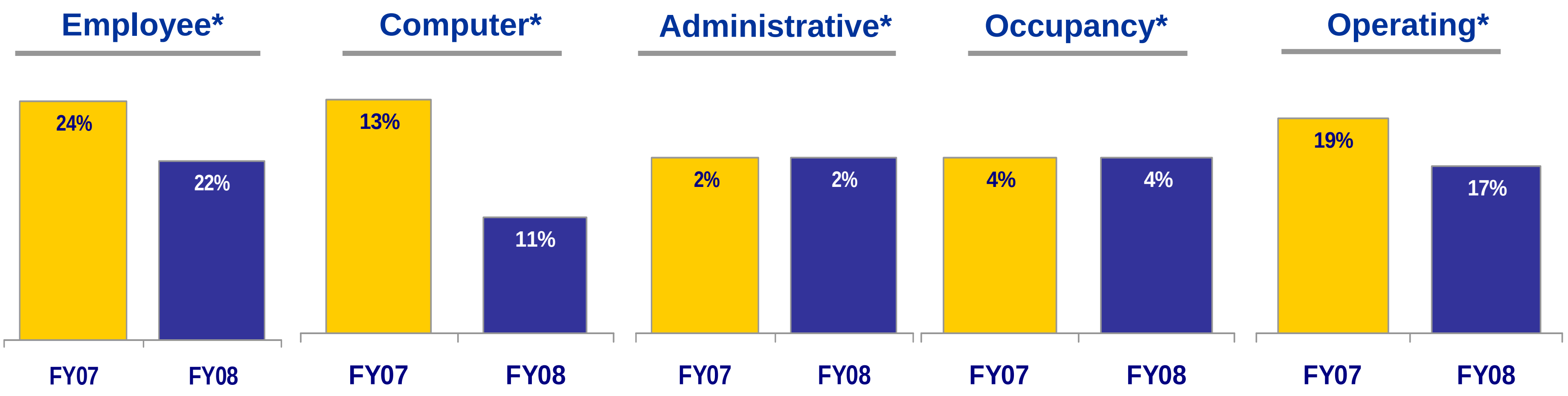


Operating Expenses



Expense discipline

- Fundamental cost disciplines introduced to offset volatile markets
- In FY09 focus will be on sustainable, process re-engineered cost reductions
- Higher investment in our People and Brand required in FY09



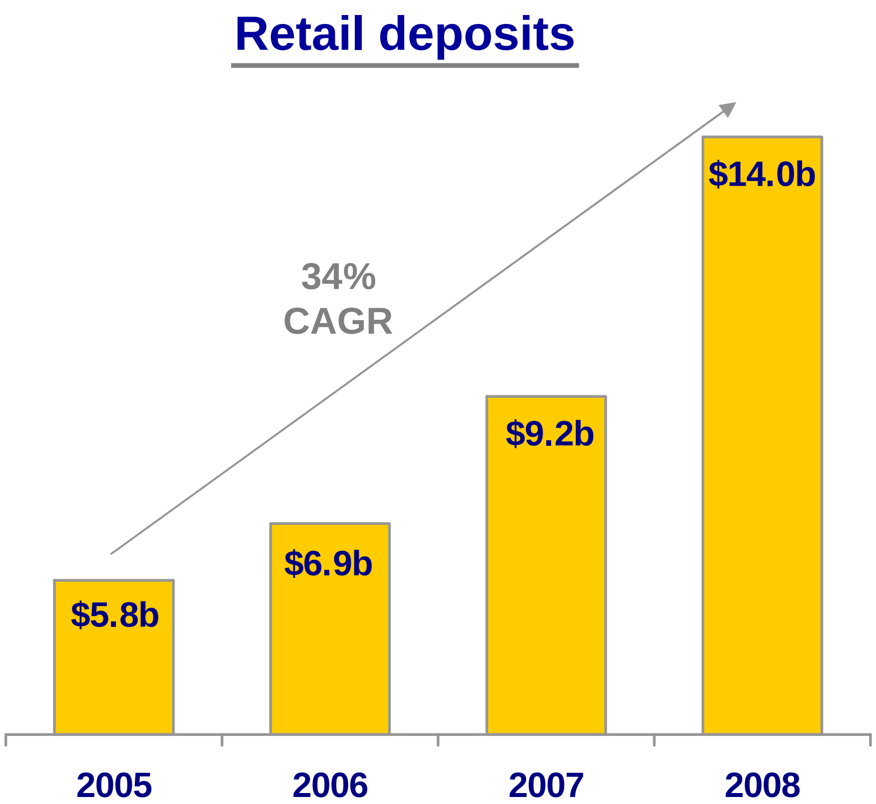
* Expressed as a percentage of total normalised income

Funding and liquidity

- Key to BOQ's philosophy has been first and foremost to grow 'sticky' Retail deposits, then tap multiple wholesale funding sources…
- Diversification of wholesale borrowing
  - Inter-bank market
  - Securitisation
  - Short and long term senior debt
  - Domestic and offshore
- BOQ has issued senior debt domestically and in offshore markets in FY08
  - Accessing short term senior debt both domestically and offshore
  - Credit spreads remain at wider levels
  - Successfully issued USD267m/AUD309m into the syndicated loan market with a 2.5 year deal maturing on 2 March 2011.
- Liquidity
  - Currently holding ~16.0% liquidity with 94% of securities held either in cash or securities eligible for RBA repurchase agreements

Focus on retail deposits

- Growth in retail deposits funded 53% of growth in loans under management in FY08*
- OMB performance on deposits demonstrates the power of the distribution model.
- Early success in trial Deposit incentive scheme since Apr ’08



% of LUM	47%	46%	48%	53%

* Excludes Home BS balances; including Home 68% of growth was funded by Retail deposits

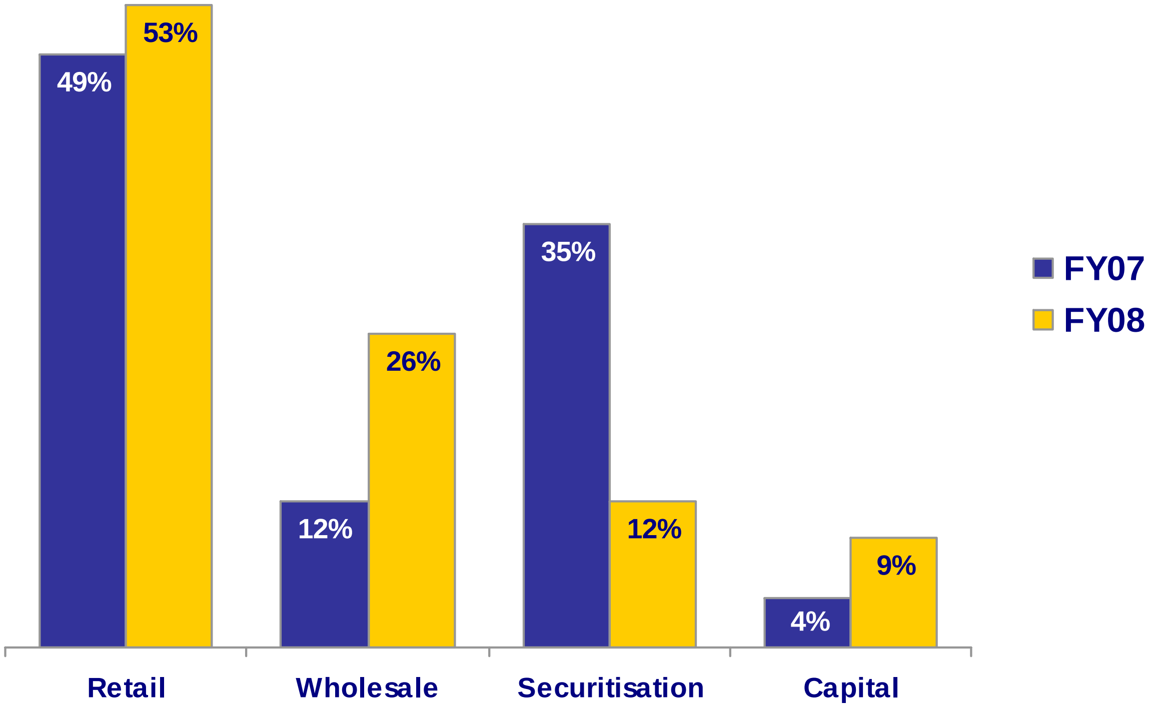
Wholesale funding

- Despite adverse market conditions in FY08, BoQ successfully issued across various funding markets:
  - ABS - $630m in April 2008
  - RMBS - $350m in October 2007
  - RMBS private placement - $500m in June 2008
  - Increased Warehouse capacity $500m (incl. new providers)
  - Hybrid securities - $200m in December 2007
  - Sub debt - $170m in June 2008
  - Senior Debt
    - Grew NCD portfolio
    - Grew ECP portfolio
    - $129m TCD in March 2008
    - Various private placements
  - **Total Wholesale funding achieved in 2008 $4.7b**

NOTE: In addition to the above deals, in Mar 2008 an internal securitisation of $500m in RMBS was executed

Funding our growth

- Home acquisition enhances our Retail funding base.
- Limited capacity in securitisation markets, driving increasing reliance on wholesale markets.

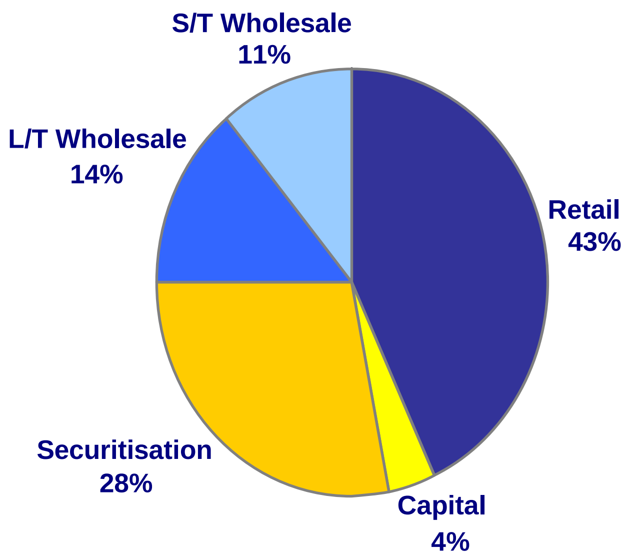


Funding mix for growth including addition of the Home balance sheet

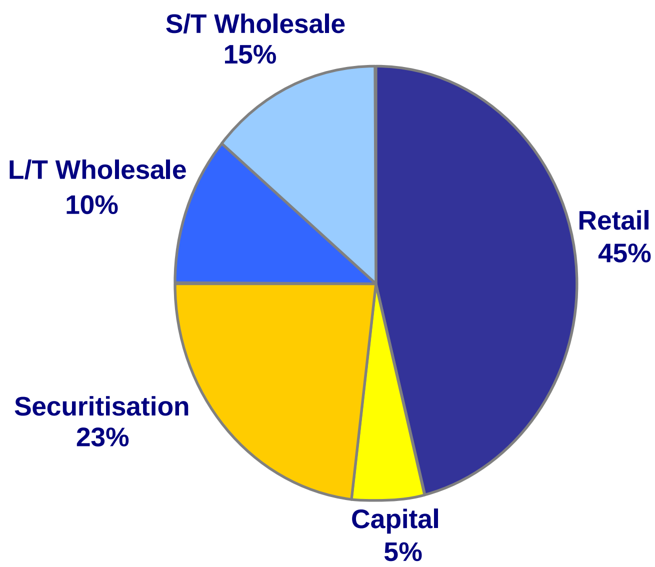
Funding balance sheet impact

- 85% of funding comes from committed and sticky sources
- Securitisation run off will slow as warehouse capacity replaces term issues
- Term debt average maturity lengthening vs. pre-crisis levels

FY07 Funding



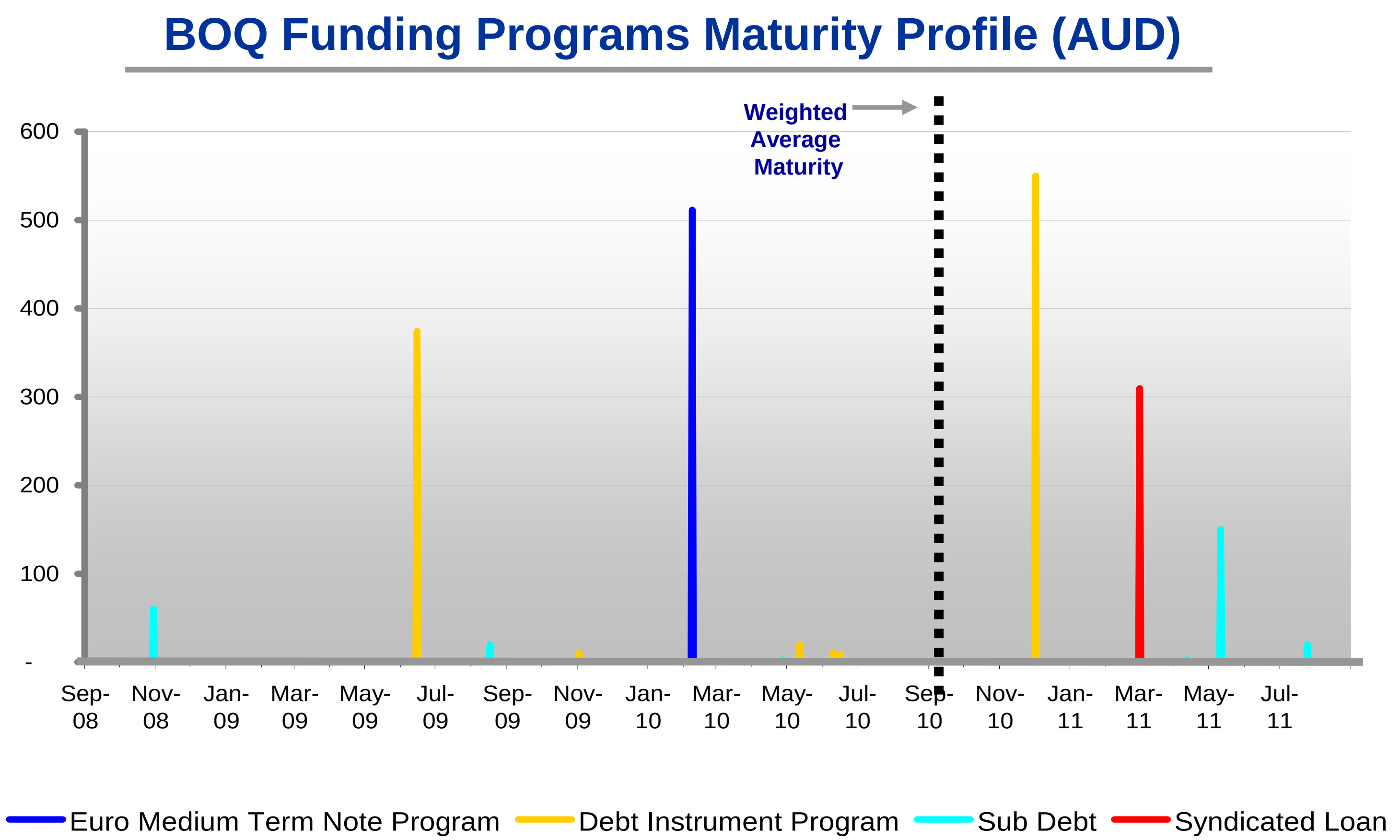
FY08 Funding



$309.5m Syndicated loan maturity 2.5 years, settled on 2 September 2008. This amount is not included in funding profile.

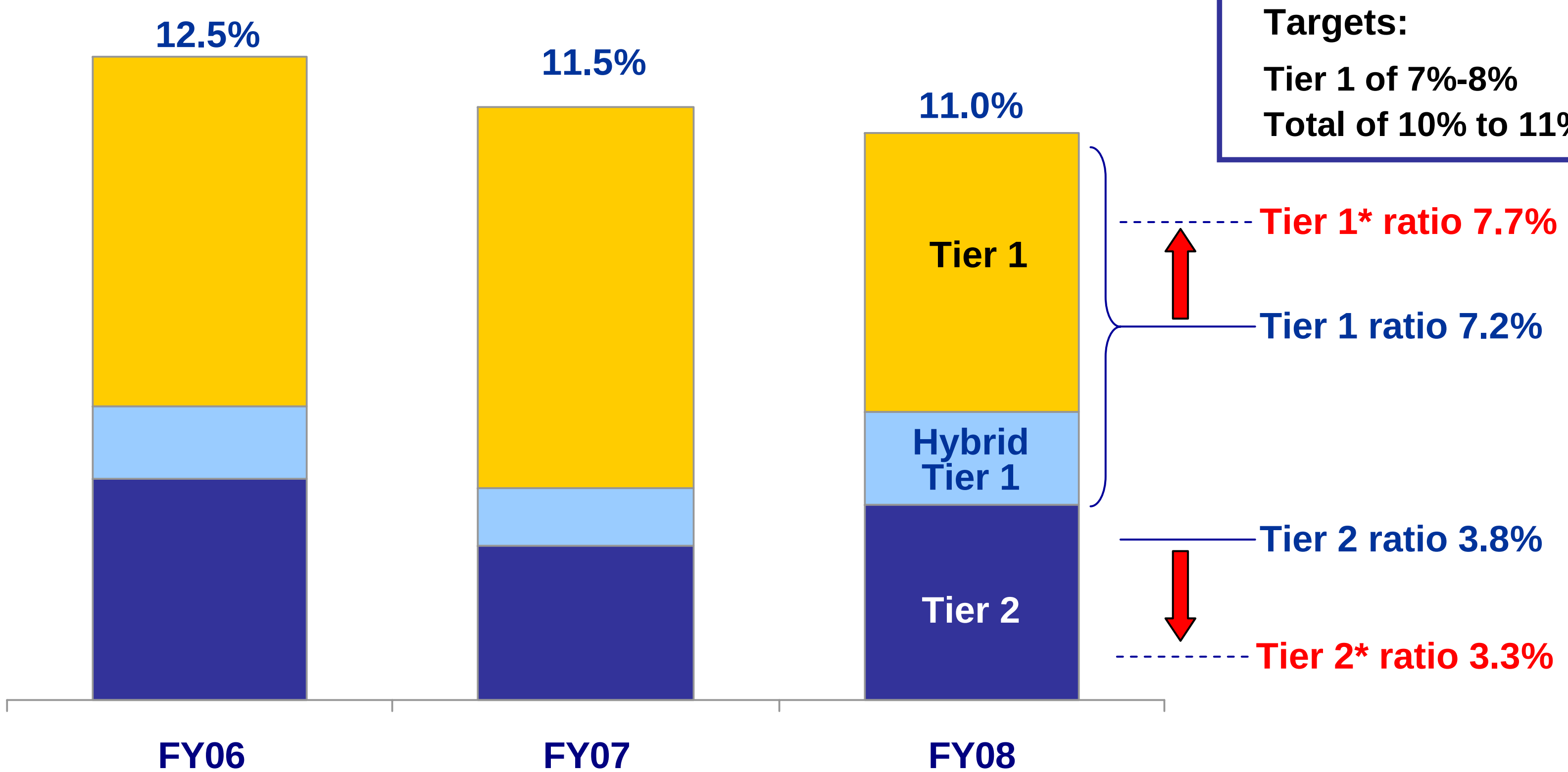
Long-term debt maturity profile

- Weighted average maturity of long term debt is 2.0 years



Capital adequacy

- S1RPS hybrid conversion announced in Aug '08, increases Tier 1 to upper range…



Targets:
Tier 1 of 7%-8%
Total of 10% to 11%

*Post $64.7m S1RPS Conversion Impact on 20th October 2008 (based on 31 August 2008 balance sheet)

FY09 funding & capital plan

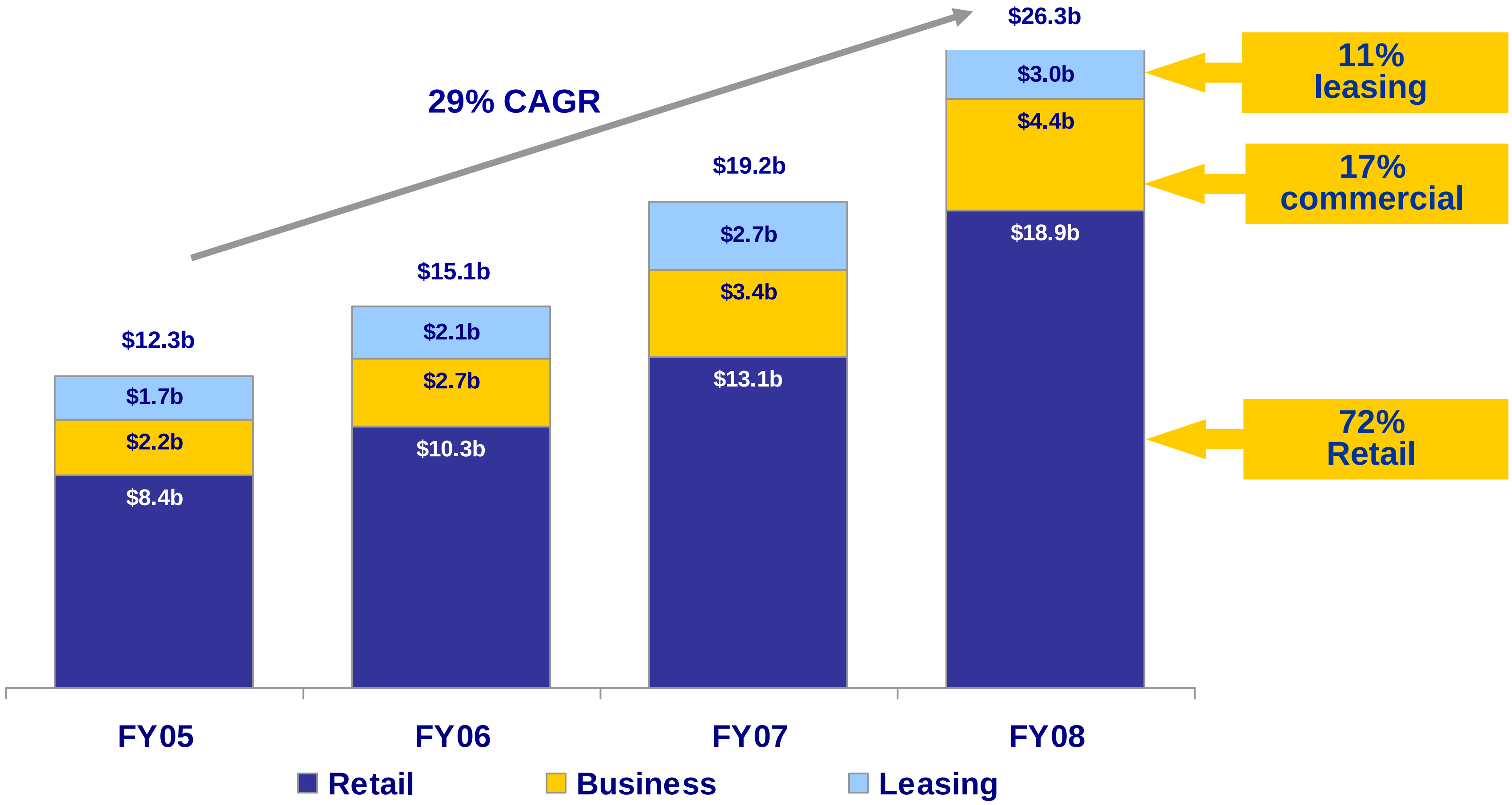
- Strong emphasis on retail deposit growth
  - Not just price driven; influencing customer interaction model
  - Driving sustainable, stickier deposit growth by incentivising OMBs
  - New products pipeline to be executed from 2H09
- Continued drive into wholesale middle market
- Additional warehouse capacity & opportunistic RMBS placements
- BOQ will continue to access the term debt market as opportunities arise (as in FY08)
  - Loan syndication for $310m completed on 2 September 2008
- Plan to execute the Share Purchase Plan now in FY09. Opting for flexibility to either underwrite DRP or execute a private placement to capitalise on investor demand.

BOQ portfolio

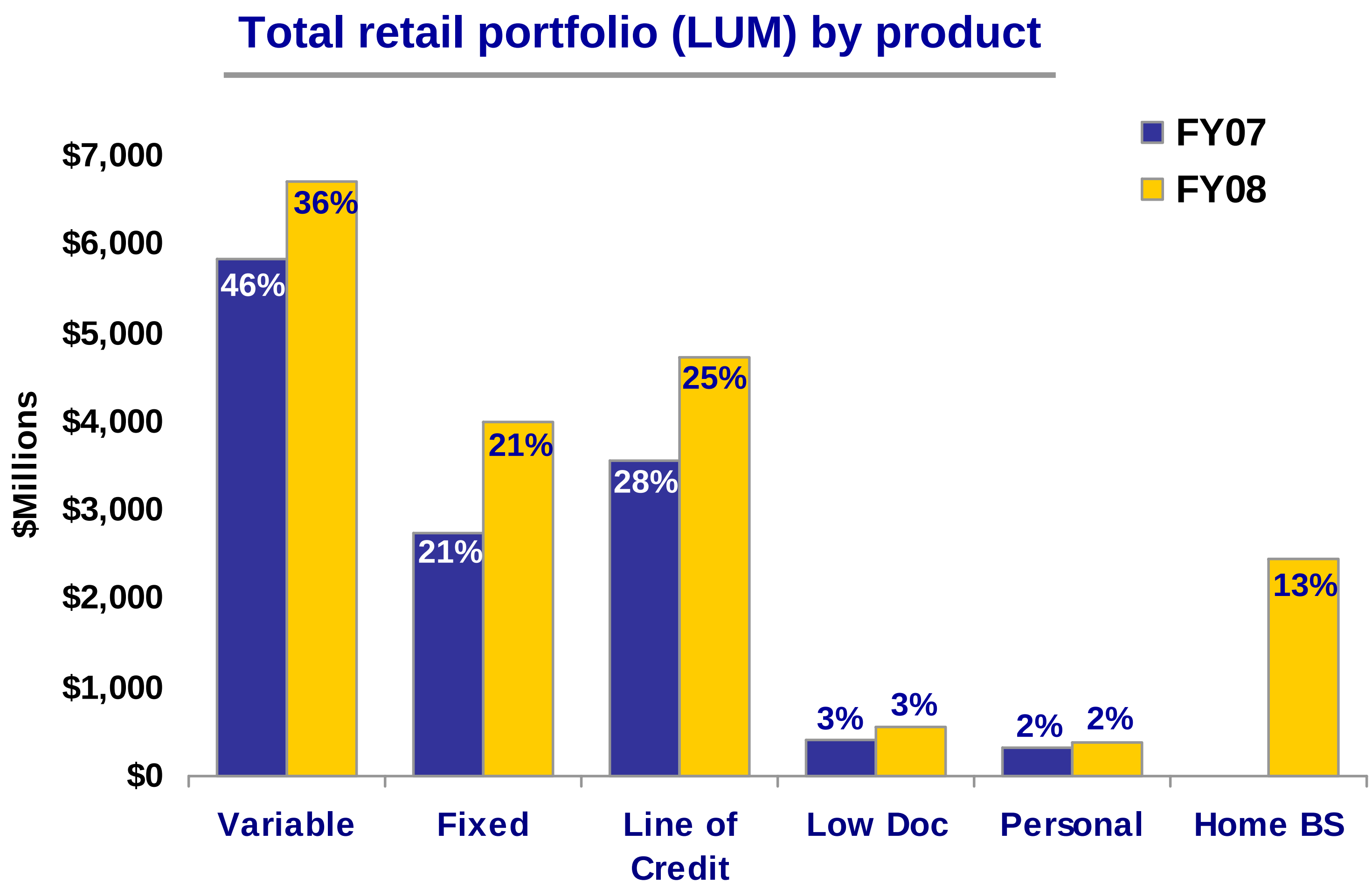
Ram Kangatharan, Chief Financial Officer

Bank of Queensland

Loans under management by product

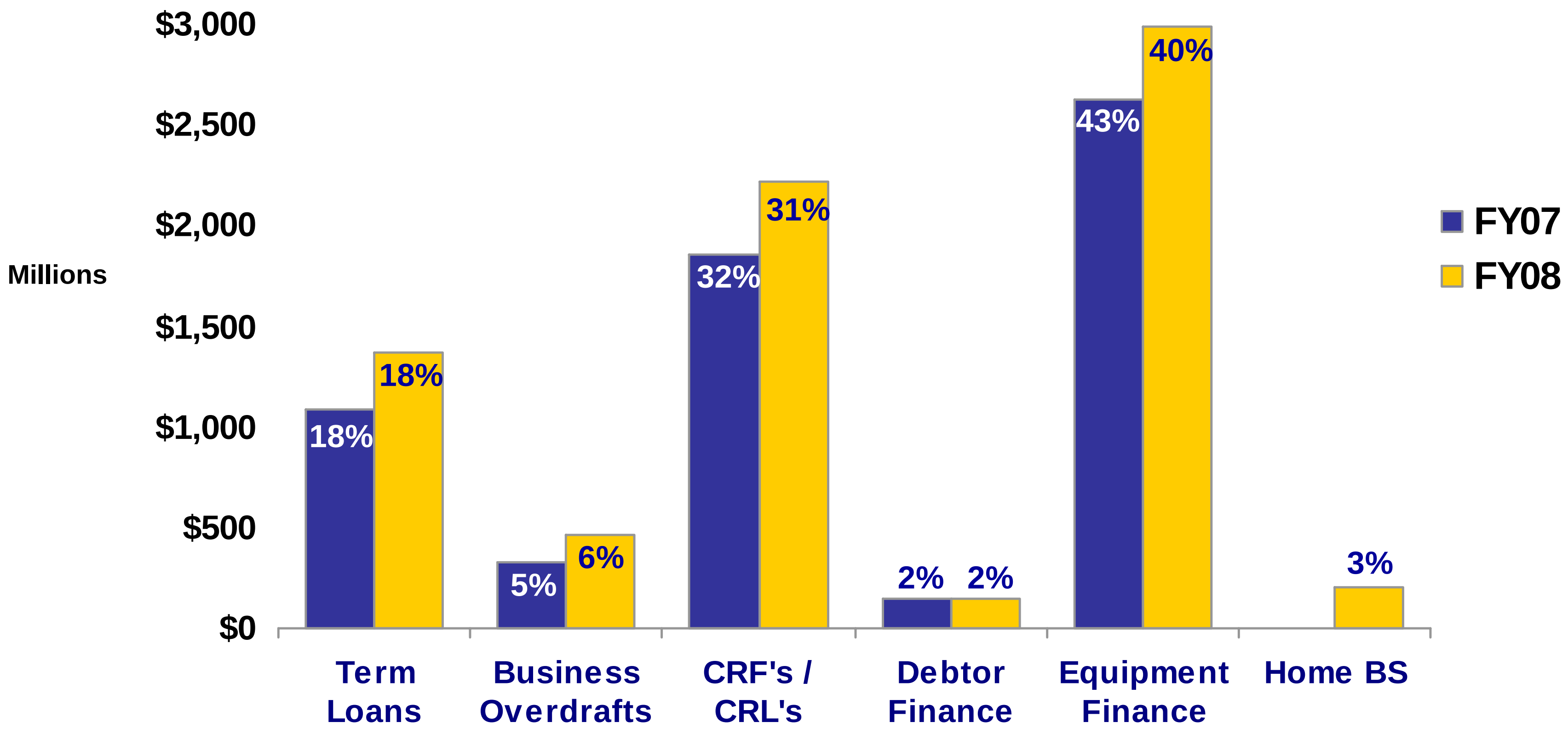


Retail portfolio

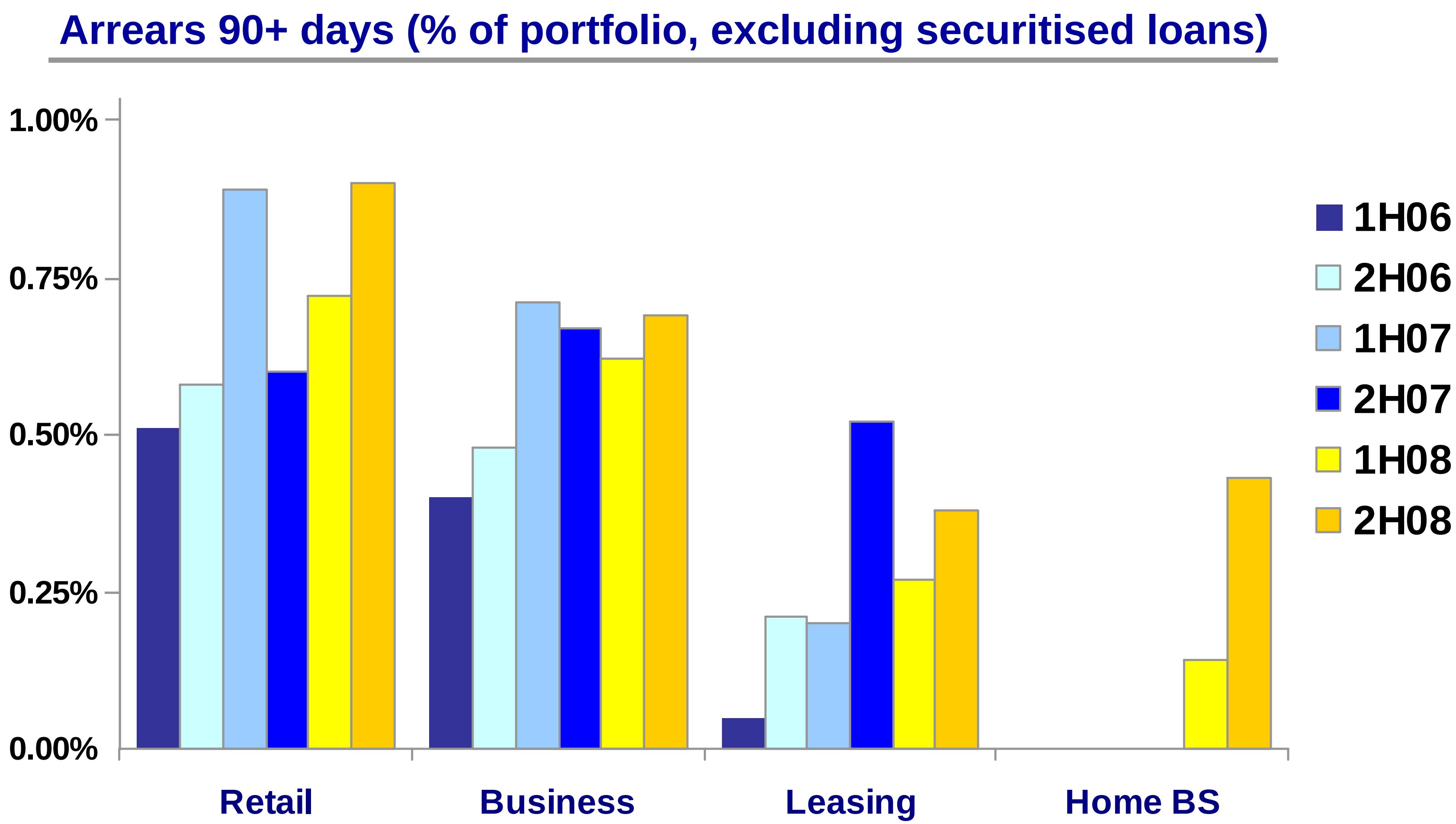


Commercial portfolio

Total commercial portfolio (LUM) by product



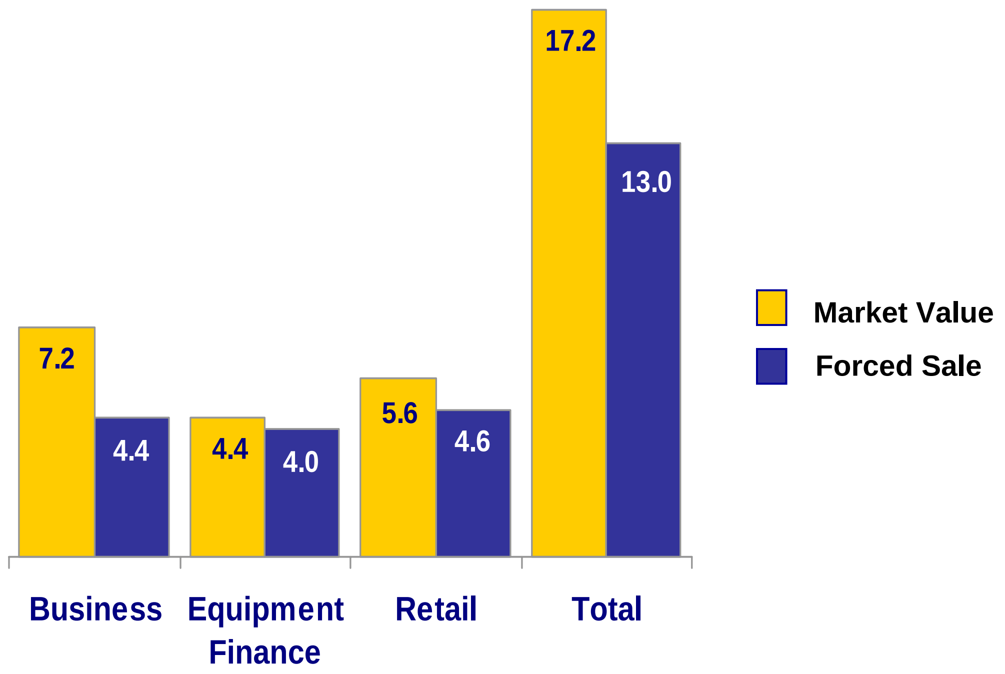
Portfolio quality



Impaired Assets & Collections

- Stress testing asset values - “Market” to “Forced sale” valuations
- Conservative provisioning based on forced sale valuations. Market value shows upside….

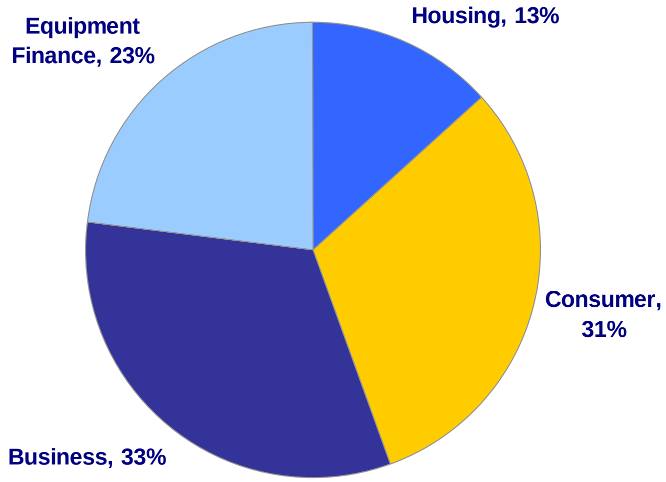
Impaired Assets – Market Value v Forced Sale



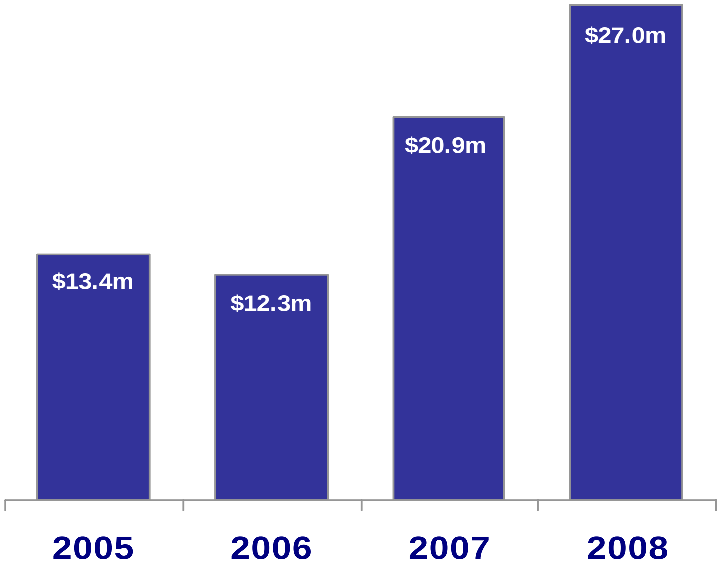
Bad Debts Analysis

- Sound credit quality, moderate increase in bad debts
- Greater transparency on bad debts
- Execution started on plans to eliminate specific origination issues in some minor products accounting for ~30% of ’08 BDD charges by FY10

Bad Debts by Product

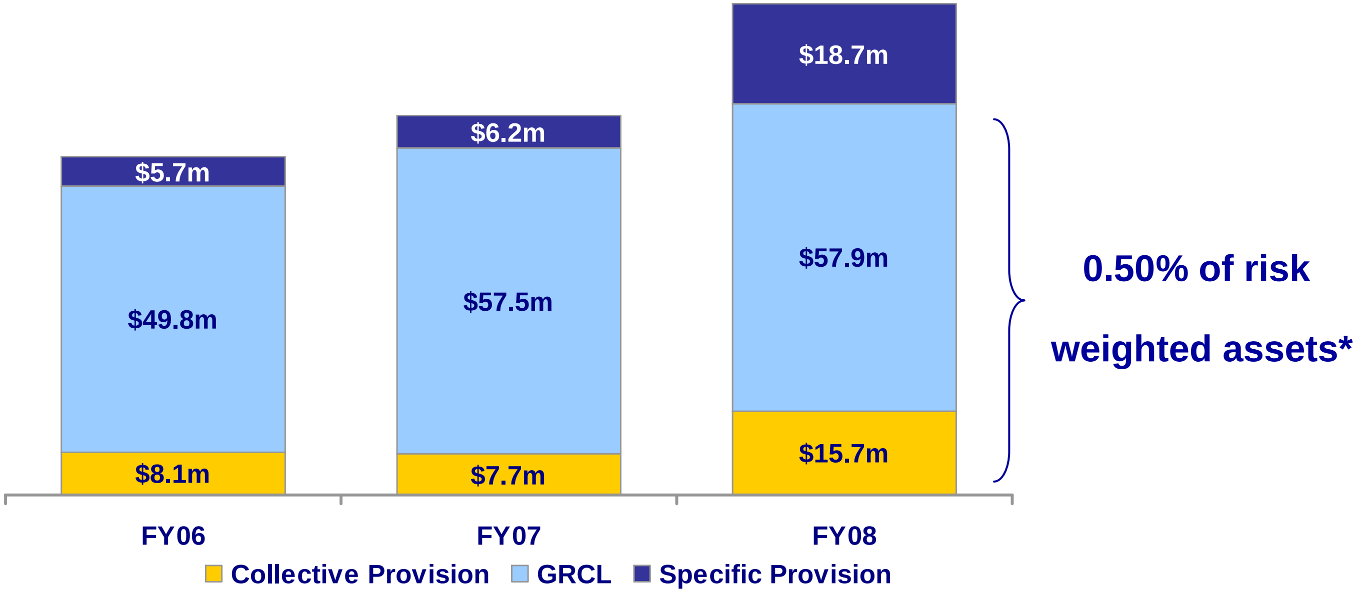


Total Impairment Expense



Conservative Provisioning

- No systemic portfolio risks identified during extensive Reviews in FY08
- Strong geographic and industry diversification; Home portfolio in transition to the BOQ risk management systems and processes
- Some deterioration in isolated sectors but with strong underlying security position

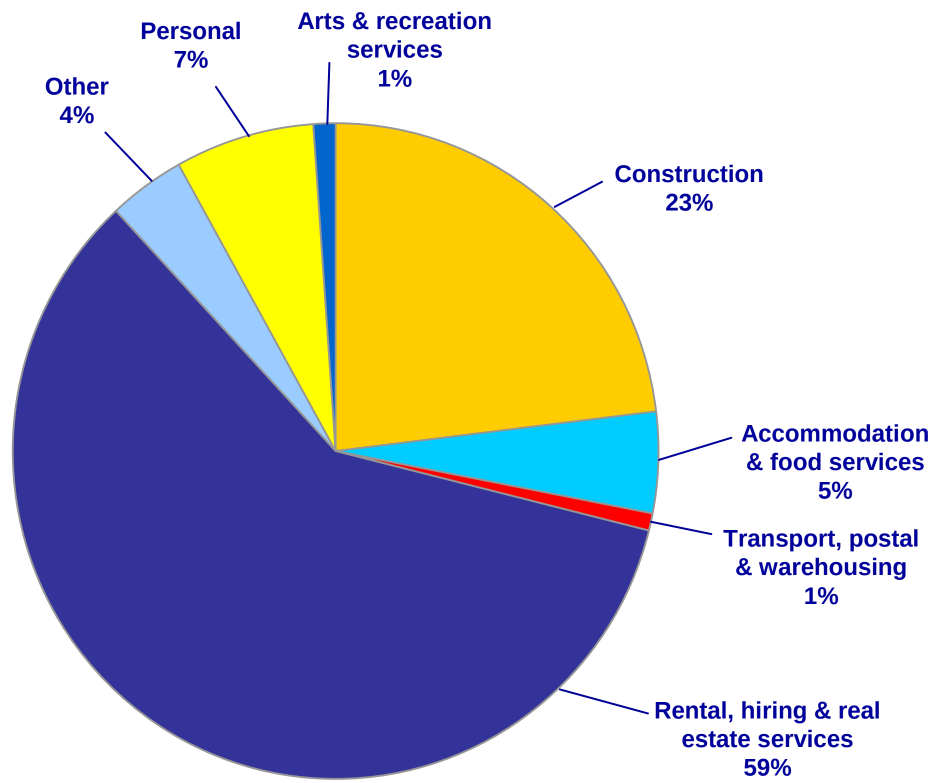


* Collective Provision after tax effecting is added to the GRCL balance to arrive at 50bps of RWA.

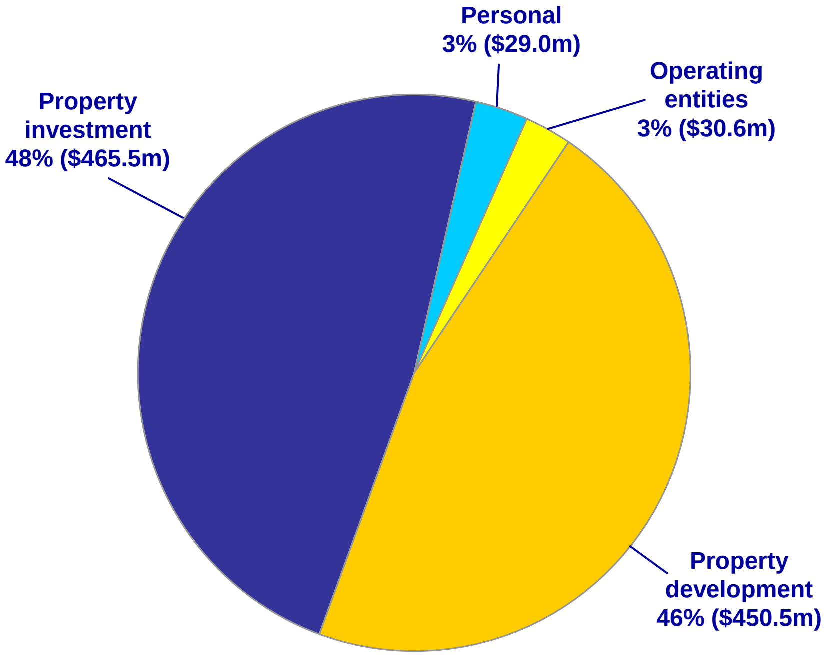
Large exposures

- The Bank has 69 connections with exposures >$10m
- Total commitment exposure $1,769m (drawn balance $1,347m)
- ~6% of total assets under management
- ~52% matures within 1yr
- Large exposures are concentrated in the Property & Construction sectors, accounting for 82% of large exposures

Largest exposures by ANZSIC Group



Top 20 large exposures

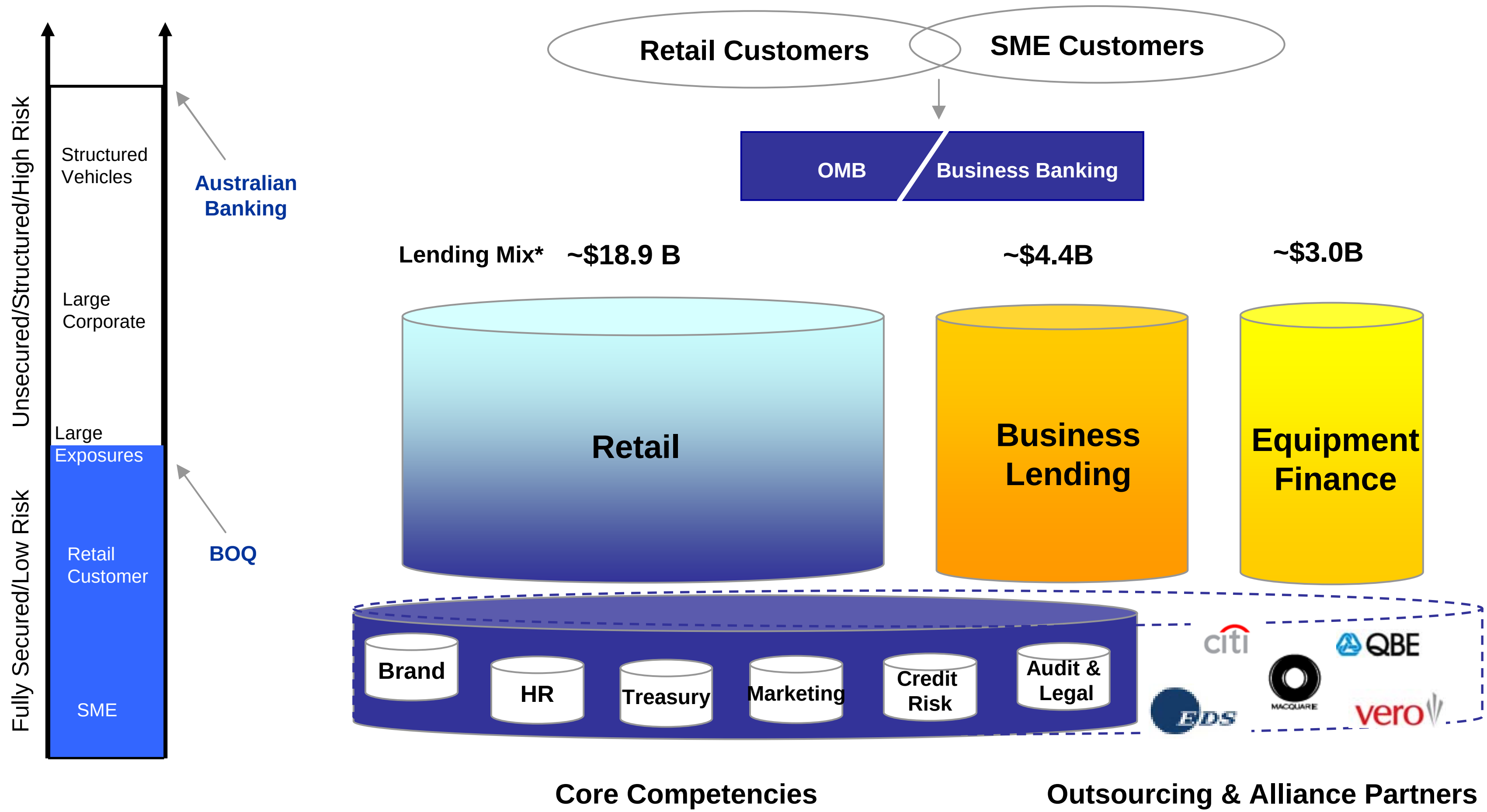


Type	Weighted Average Security Cover
Operating Entities	1.85
Property Development	1.50
Property Investment	1.37
Personal	1.39
Total Cover	**1.45**

Strategy and outlook

David Liddy, Managing Director

Core business – Retail Bank



Our strategy… ‘sticking to the basics’

1. Continue strong organic growth
   - Focus on deposits
   - Focus on margins
   - Focus on risk
   - Focus on efficiency
2. Continue our national distribution expansion in both retail and business banking
   - Focus expansion in Qld and WA
   - Strengthen current channels
3. Continue to target complementary acquisitions
   - We’re a patient, selective strategic buyer
4. And do all this in a ‘bank different way’ – being the real banking alternative
   - We are reinvigorating & investing in our Brand

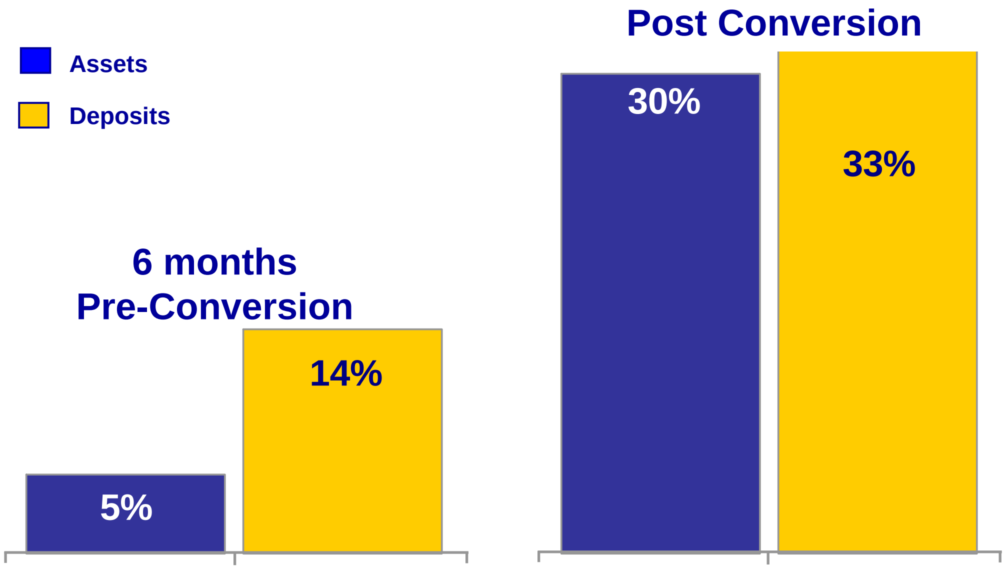
We will keep adjusting our execution in response to the changing market conditions, with the aim of continuing to be a rewarding investment for our shareholders

Strong organic growth

1

- Strong organic growth will continue, however our focus on deposits, margin and risk will be the priority
- Our OMB productivity gives us the edge in growth

Annualised growth before and after conversion

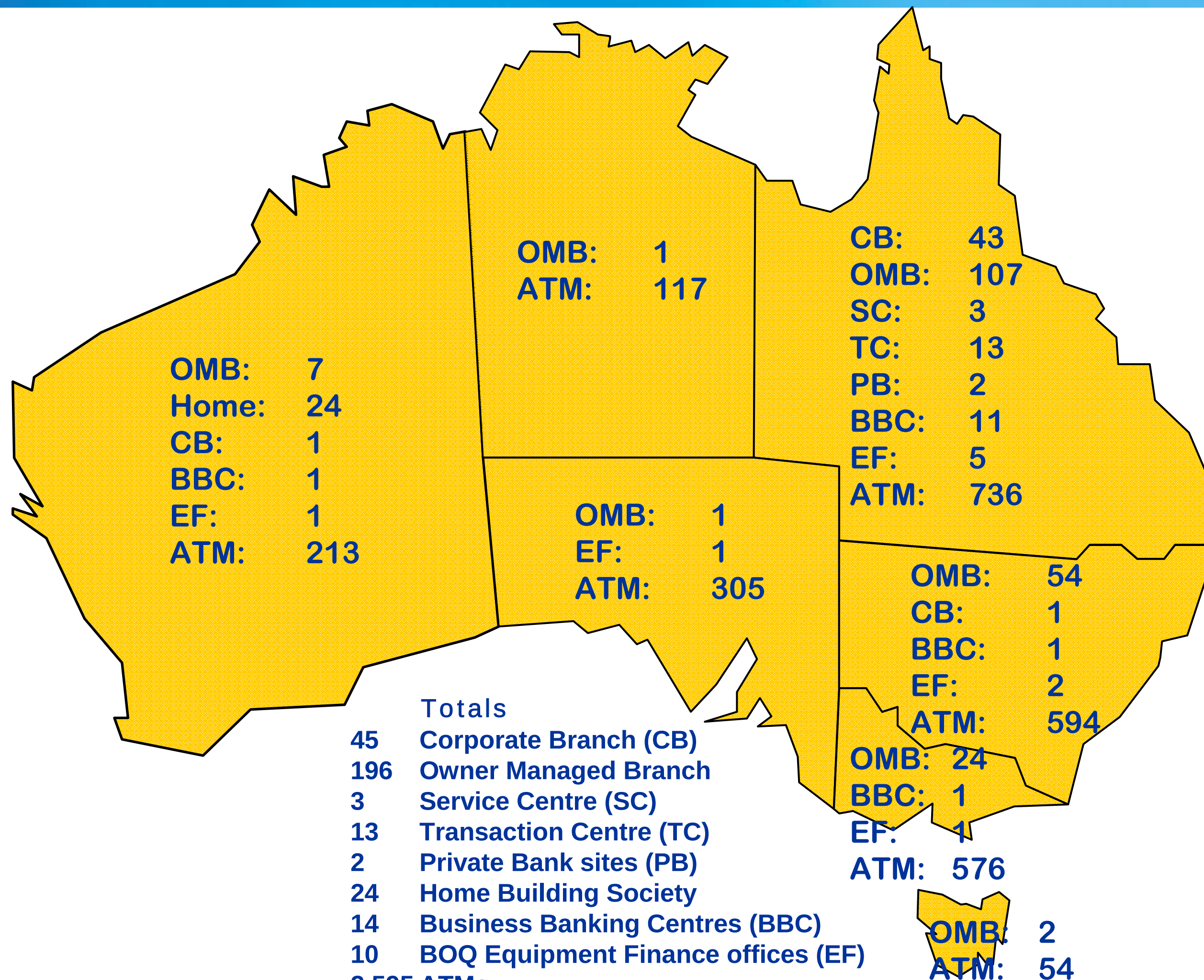


- We have now converted 22 corporate branches to OMBs
- Average monthly settlements have increased **65%** post conversion

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

2 Continue our national expansion

- Over 2,900 touch points
- 12 new sites opened this financial year
- 10 corporate conversions completed this year
- Focussing on WA and Qld in FY09 – converting Home branches and Qld corporate branches



Totals

45	Corporate Branch (CB)
196	Owner Managed Branch
3	Service Centre (SC)
13	Transaction Centre (TC)
2	Private Bank sites (PB)
24	Home Building Society
14	Business Banking Centres (BBC)
10	BOQ Equipment Finance offices (EF)
2,595	ATMs

* As at 31 August 2008

2 Continue our national expansion

- We will also strengthen our current distribution channels:

Retail Financial Services	Business Financial Services	Direct Channels
OMBs, corporate branches, Private Bank	Business Banking, BOQEF, debtor & trade finance	Internet banking, telephone banking, mobile banking

Retail Financial Services

- iTAPS (international transfers & payments system) platform launched
- Local area marketing tool deployed in FY08

Business Financial Services

- BOQEF restructure to focus on customer groups rather than geography
- Portfolio of initiatives to gain traction in SME segment via OMBs

Direct Channels

- Market-leading mobile phone banking launched

3

Disciplined acquisitions

- We will look at opportunistically buying in the retail banking, equipment finance, and debtor finance space
- Our focus for 1H09 will be to bed down the Home Building Society acquisition
  - Successful IT integration occurred 20th/21st September – all Home customers are now full BOQ customers
  - All Home branches have been refurbished to reflect BOQ's interior fit-out
  - Achieved brand awareness level of 36% in WA post-brand launch (higher brand awareness than Home ever achieved)
  - The revised synergy benefits target for FY08 was $4m - synergy benefits realised in FY08 were $5.67m
  - Synergy target for FY09 upgraded to $15m (from $10m), and FY10 synergies expected to be $30m (from $20m)

4 ‘bank different’ – being the real banking alternative

- Extensive research on what ‘bank different’ means to staff and customers has been completed
- We are investing in an internal and external campaign that will be noticed!

Market guidance

- The model is proving its resilience and productivity in the toughest of conditions
- We expect to continue to grow profitably all aspects of our business ahead of our competitors whilst maintaining pricing and credit disciplines
- Gaining greater confidence in our ability to manage costs and accelerate our efficiency drive
- Despite market turmoil, BOQ is still able to access diverse funding sources
- Cost of term debt and retail deposits continues to reprice at current market
- Bad debts likely to track FY08 levels, which will be well below peers
- The RBA's 100bps rate cut is likely to ease the consumer burden
- Expect greater fiscal stimulus from the Federal Government
- Believe the volatility makes EPS guidance impractical but confident of continuing to add significant shareholder value

Summary

- Strong performance given current economic climate
- Continued access to funding – albeit more expensive
- Strong business momentum
- Sound portfolio benefiting from Queensland and WA
- Strong credit and cost disciplines
- Sticking to the basics with ever increasing discipline
- Cautiously confident

bank different®

Bank of Queensland