Bank of Queensland

Full year results

31 August 2010

Your own personal bank

Agenda

- **Result highlights** — **David Liddy**, Managing Director & CEO
- **Financial results & portfolio details** — **Ewan Cameron**, Chief Financial Officer
- **Strategy and outlook** — **David Liddy**, Managing Director & CEO

Result highlights

David Liddy

Managing Director

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Result highlights

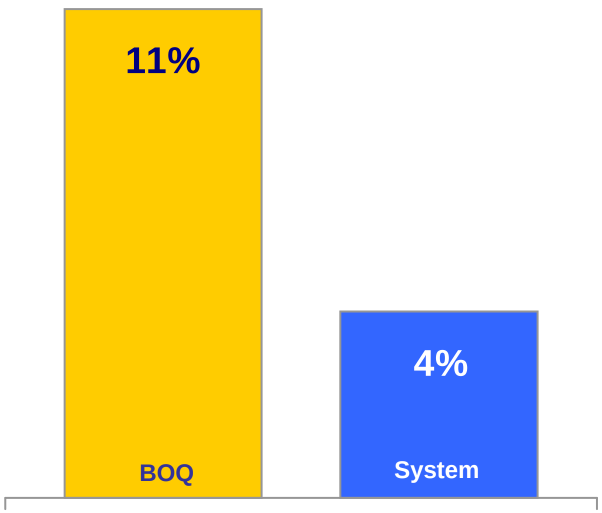
- Increased normalised cash profit despite peak bad debt losses as per guidance
- Expense disciplines continue to improve cost-to-income ratio
- Balance sheet continues to outperform system, achieving ~2.5x system lending and ~1.5x system deposit growth
- Increased funding costs impacting NIM during 2H, but FY NIM increased by 4bps
- Bad debt losses peaking in FY10; investments in collection processes and resources are expected to improve specific portfolio performance
- Increased provisions providing adequate cover for future losses
- Finalised acquisition of CIT Aust. & NZ and St Andrew’s insurance to help start the journey on solving the capital intensity of the model
- Material capital issuance and conservative liquidity position during the year; constraining EPS but providing the room for further growth

Result continues momentum

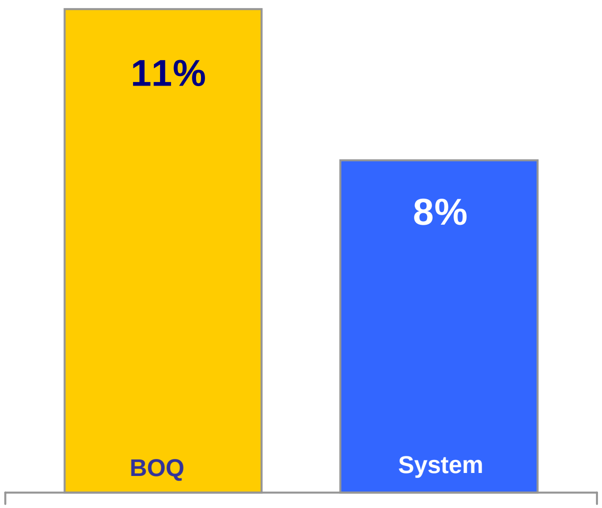
	2009	2010		
Normalised cash NPAT	$187.4m	**$197.1m**	▲	5%
Cash EPS (normalised fully diluted)	98.4¢	**83.4¢**	▼	15¢
Ordinary dividend	52¢	**52¢**		-
Loan growth (pcp)	10%	**11%**		
Retail deposit growth (pcp)	16%	**11%**		
Net interest margin	1.56%	**1.60%**	▲	4bps
Cost-to-income ratio (normalised cash)	49.9%	**45.8%**	▼	4.1%

Growth well ahead of system

- Lending growth: ~2.5x system*
- Deposit growth: ~1.5x system*



Lending growth



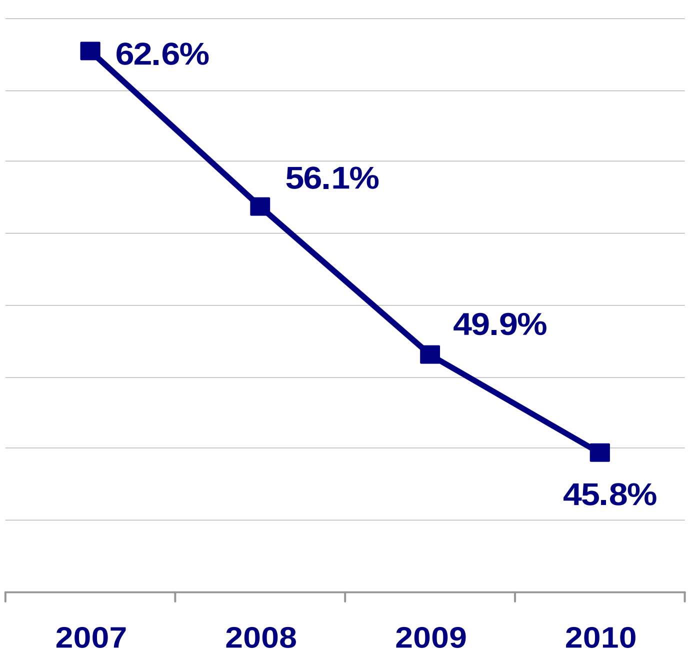
Retail deposit growth

* Last 12 months
Source: APRA data

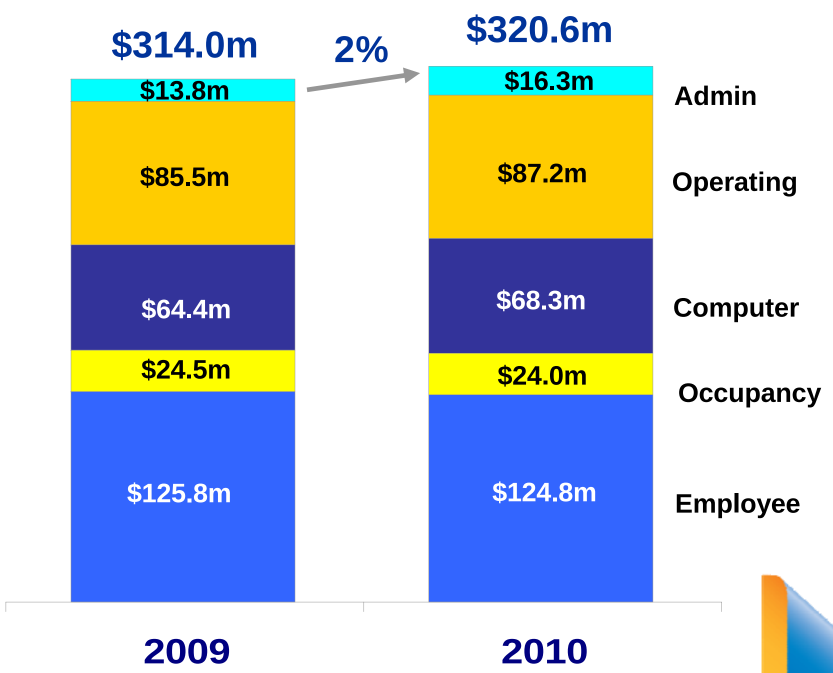
Continued expense management

- Expenses slightly ahead of full year guidance… expense management disciplines delivering a more efficient business

Cost-to-income ratio*



Expenses*



* Based on normalised cash costs, excluding the impacts of normalisation items and amortisation of customer contracts

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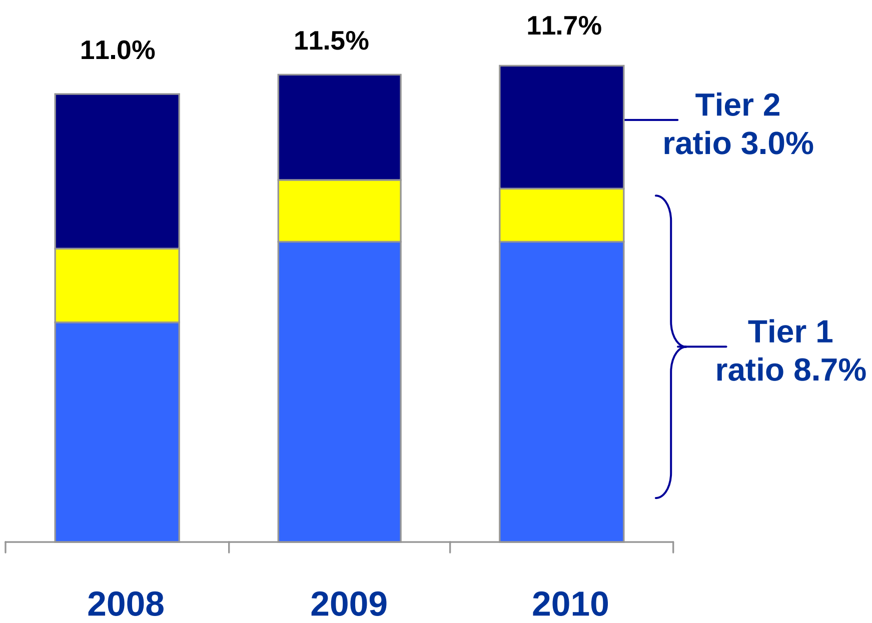
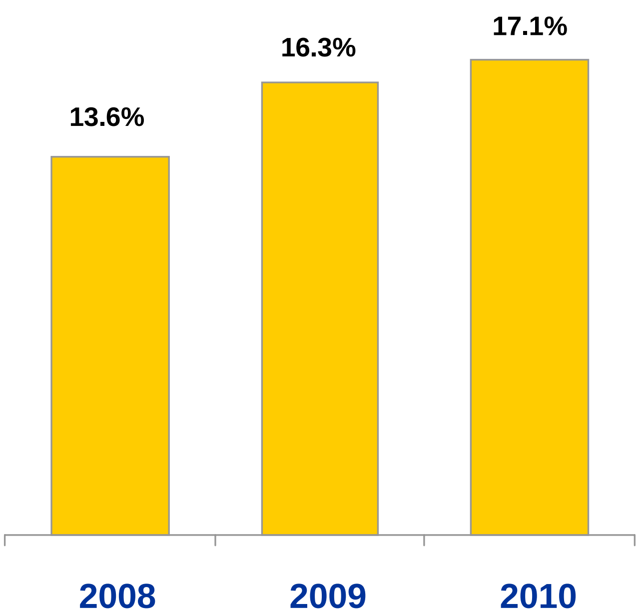
Strong capital base and liquidity

- Tier 1 and total capital levels remain in excess of APRA and internal benchmarks
- Conservative liquidity position maintained during half to ensure smooth completion of recent acquisitions and recently buoyed by record post-GFC securitisation issue

Capital adequacy



Liquidity



Financial results and portfolio details

Ewan Cameron

Chief Financial Officer

BOQ

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Normalisation items

- In line with market practice, a number of non-cash and non-recurring items have been normalised to better illustrate underlying performance
- Summary of normalised income and expense items below

Normalisation adjustments	Income ($m) (before tax)	Expenses ($m) (before tax)	After tax
Discount on acquisition of St Andrew's	9.8		6.8
Hedge ineffectiveness	1.3		0.9
Amortization of customer contracts		8.1	(6.4)
Integration and due diligence costs		6.3	(4.4)
Software asset impairment		13.8	(9.6)
ATM partner transition costs		4.5	(3.1)
Prior year tax adjustments / GST refunds		(5.4)	(1.7)
	11.1	27.3	(17.5)

Net normalisation adjustments after tax: ($17.5m)

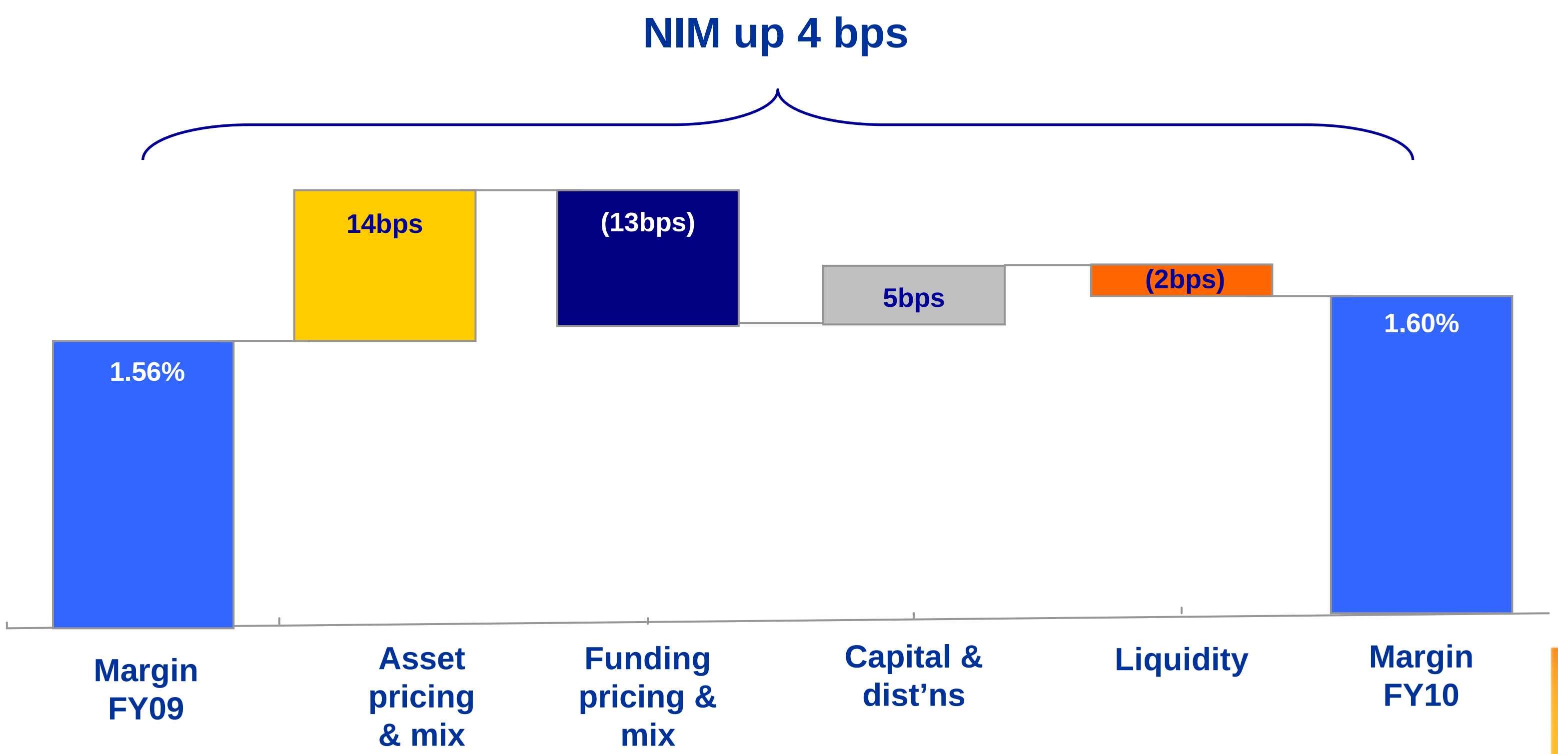
Delivering commitments on income growth and expense management

	2009 $m	2010 $m	% Change vs pcp
Total Income	629.0	710.9	13%
Adj: Normalisation & non-cash items	-	11.1	
Normalised Total Income	**629.0**	**699.8**	**11%**
Expenses	369.8	347.9	-6%
Adj: Normalisation & non-cash items	55.8	27.3	
Normalised expenses	**314.0**	**320.6**	**2%**
Impairment on loans and advances	66.0	104.2	58%
Adj: Normalisation item	7.2	-	
Normalised impairment charges	**58.8**	**104.2**	77%
Normalised cash profit after tax	**187.4**	**197.1**	**5%**
Cash diluted EPS (normalised)	**98.4¢**	**83.4¢**	**-15%**

- Normalised cash NPAT continues to improve through strong growth in operating income and continued expense management
- Impairment charges peaking in FY10 as per guidance
- Excess equity capital diluting EPS, but provides platform for growth

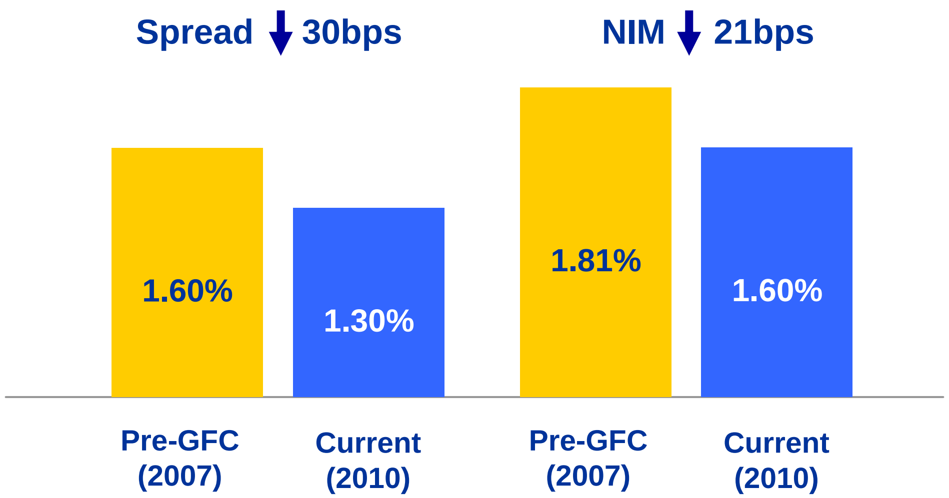
Funding costs impact NIM

- As per 1H guidance, some NIM contraction experienced in 2H as a result of higher funding costs, but full year NIM increased 4bps

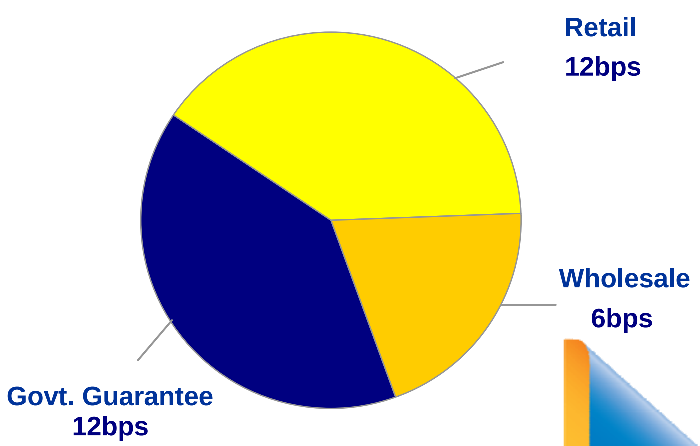


NIM deterioration over GFC

- Increased funding costs and impact of holding increased capital levels having a significant impact on shareholder returns vs pre-GFC
- GG fee $41m in FY10 increasing to $56m in FY11 vs majors paying $22m for GG on a comparative basis
- Carrying additional liquidity post GFC 15/17% vs 12/13% pre GFC

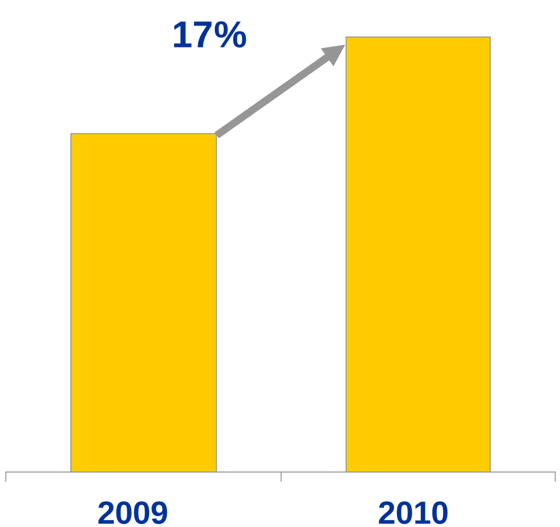


Composition of fall in spread



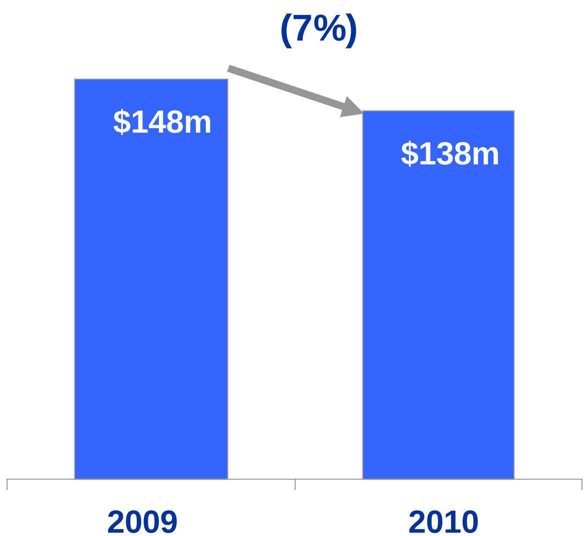
Lending income strong…
Non-interest headwinds as guided

Net Interest Income



- Balance sheet growth in excess of system continues to support NIM
- Increased funding costs impacting NIM as per guidance

Non Interest Income[1]



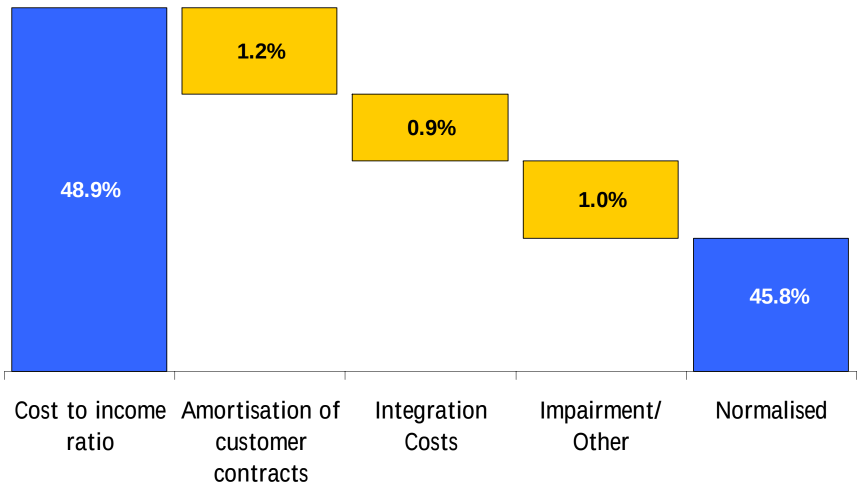
- As guided the headwinds in non-interest income continued to reduce this source of income
- Recent acquisitions will provide a start to the recovery strategy

[1] normalised non-interest income

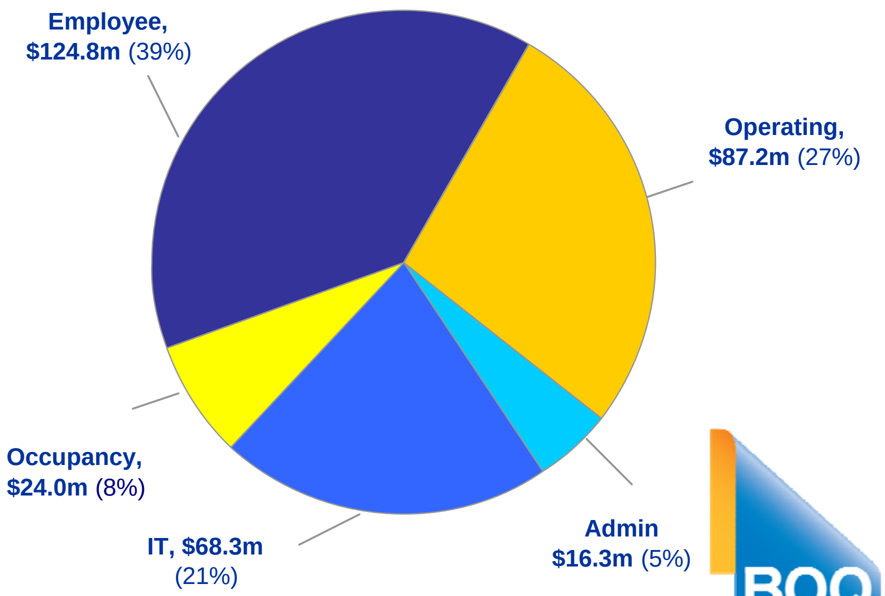
Expense composition

- Cost initiatives implemented have created a more efficient and productive organisation
- Targeting 45% in FY11 (excluding acquisitions)… providing headroom to invest in marketing, brand, technology, compliance and regulatory initiatives

Cost-to-income ratio



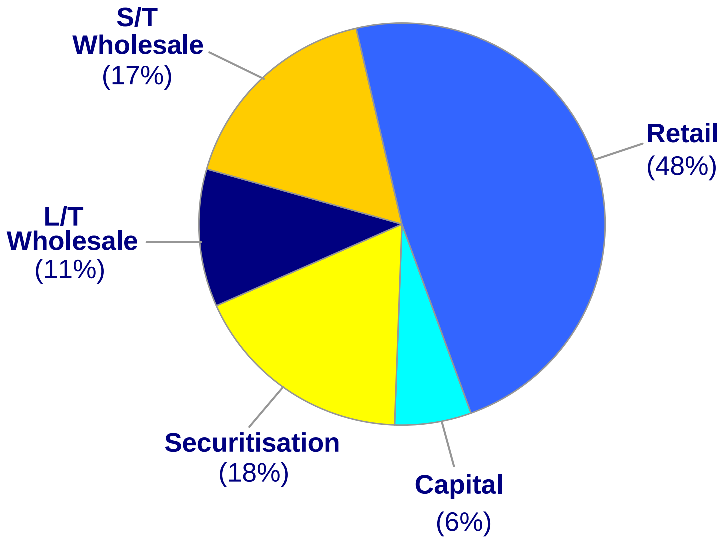
Operating expenses



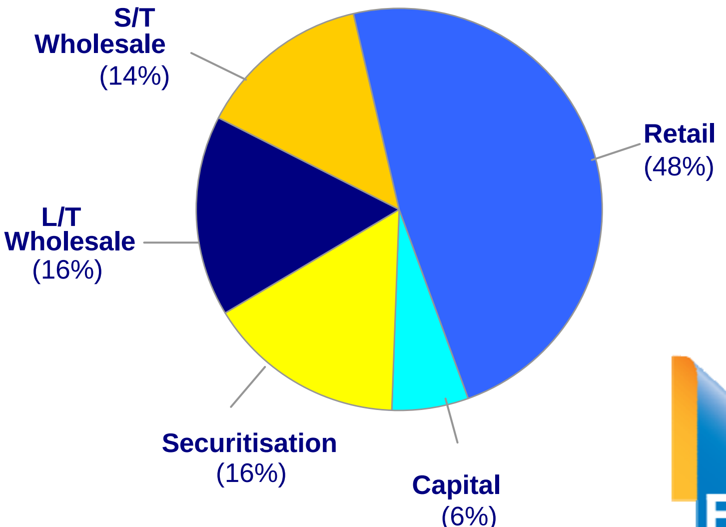
Funding profile

- High liquidity levels enabled more selective funding options
- Opportunistic issuance of L/T debt lengthening funding profile to 2.4 years
- Recent record securitisation issue and significant warehouse capacity providing further room to grow

2009 Funding

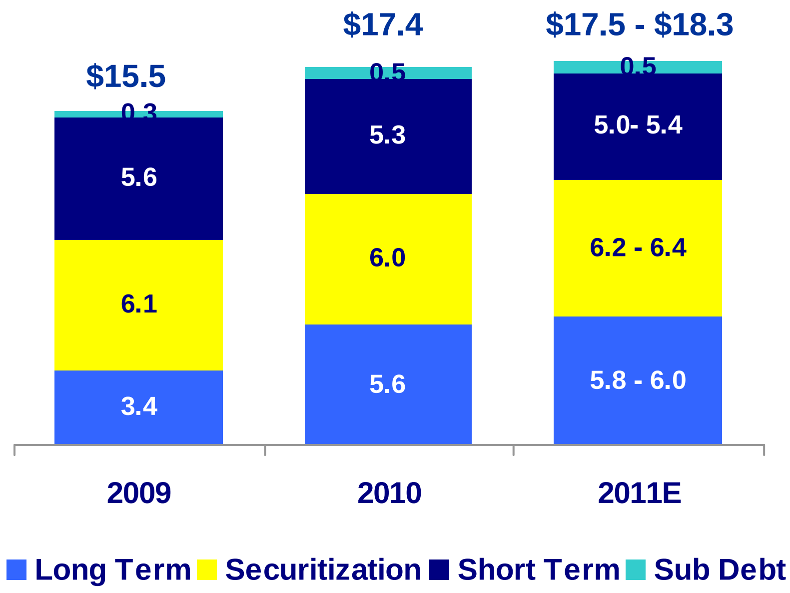


2010 Funding



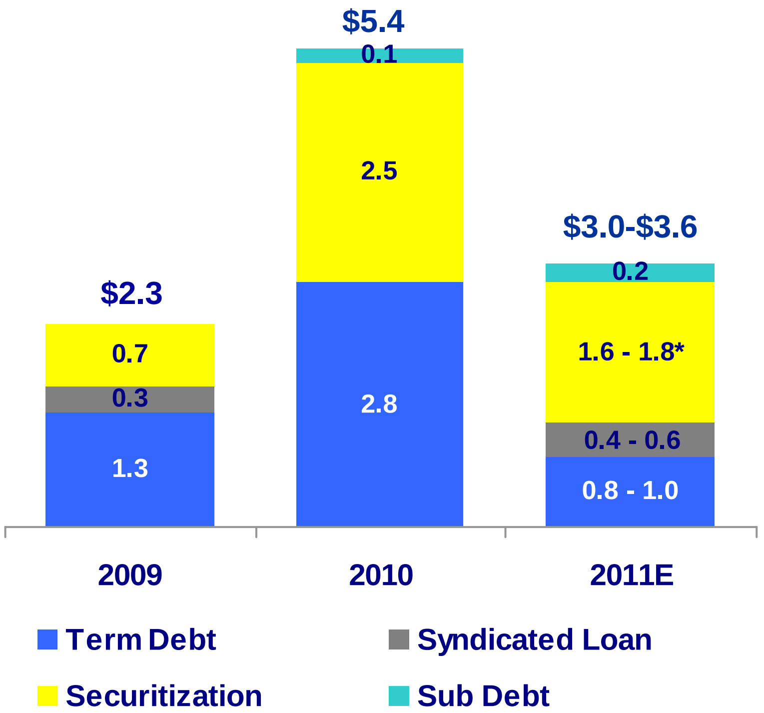
Wholesale funding task manageable

Wholesale Funding ($b)



- Forecasting growth in term debt covering $1b of rollovers
- Oversubscribed $1.6b term securitization in 2010 was record post GFC
- GG debt in place, not rolling off until 2012-2014

Long Term Debt Issuance ($b)

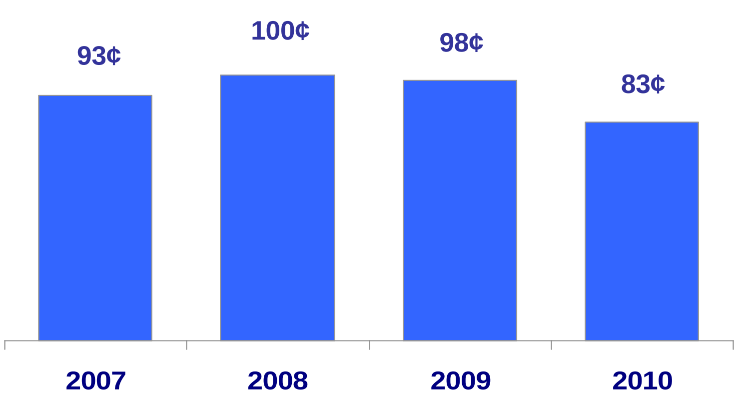


- Level of 2011 issuances below current capacity levels
- * $1.6b available in securitization warehouses
- Term securitization markets continue to develop
- Growing interest in domestic debt program
- Excess liquidity available to fund refinancing and growth

Consistent capital management

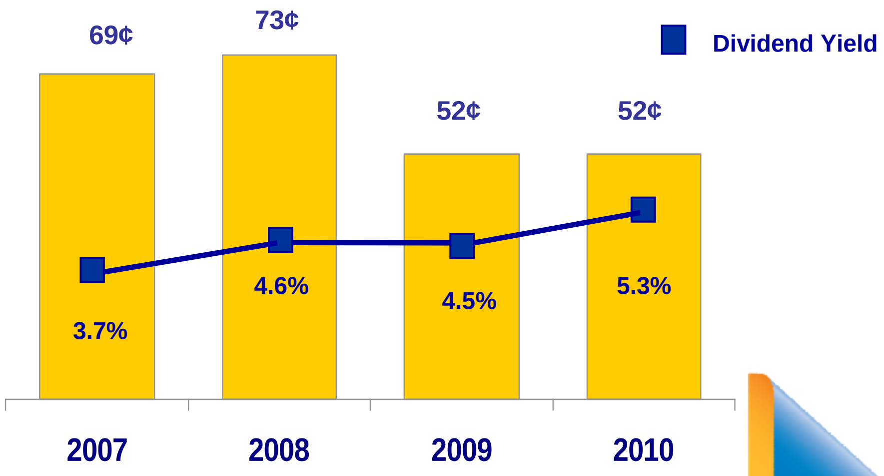
- Dividend policy aimed at preserving capital strength
- Excess equity capital diluted EPS during the period, but provides platform for future growth and bolt-on acquisition opportunities
- A number of proposed regulatory changes in progress that may impact capital position. We are well positioned to maintain adequate capital levels

Earnings per Share*



*Normalised diluted cash earnings per share

Dividends



Acquisition contribution

- CIT and St Andrew's both provided financial contribution for two months in FY10 result
- Summary of their respective contributions is as follows:

	CIT	St Andrew's	Total
Net Interest Income	9.5	0.0	9.5
Non Interest Income	0.8	7.5	8.3
Total Income	**10.3**	**7.5**	**17.8**
Expenses	(6.3)	(3.1)	(9.4)
Underlying Profit	**4.0**	**4.4**	**8.4**
Bad debt expense	(0.1)		(0.1)
Profit before tax	**3.9**	**4.4**	**8.3**
NPAT ($m)	**2.7**	**3.1**	**5.8**

Portfolio Details

Ewan Cameron

Chief Financial Officer

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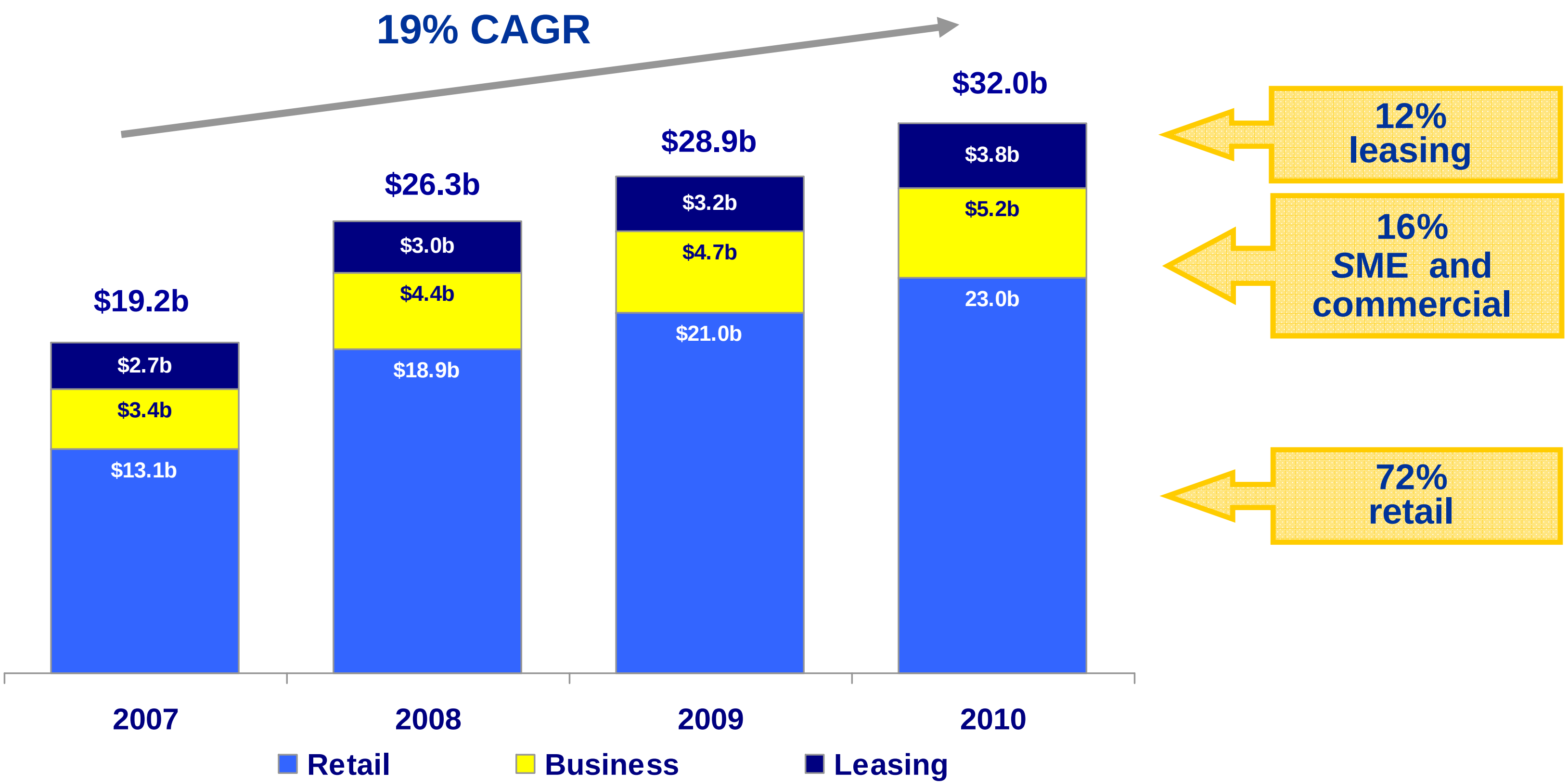
Loans under management by product

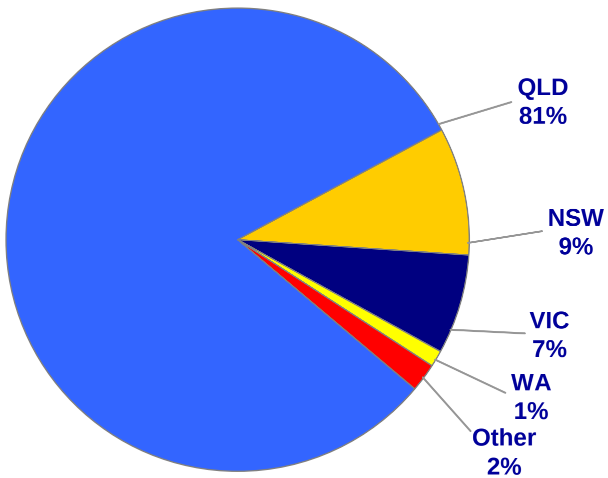


- Focus continues to remain towards retail mortgages and residentially secured ***S***ME lending, resulting in lower risk profile

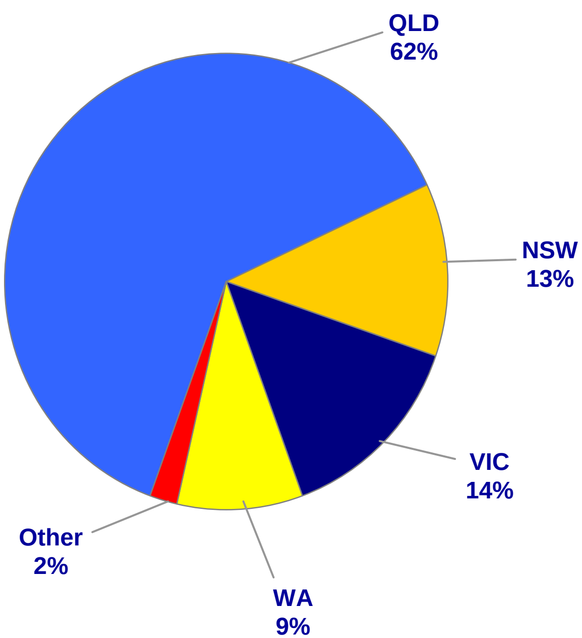
Geographic diversification continues

- Consistent pattern of growing geographic diversity – less reliance on Queensland
- Strongest growth from interstate franchise, particularly VIC and NSW

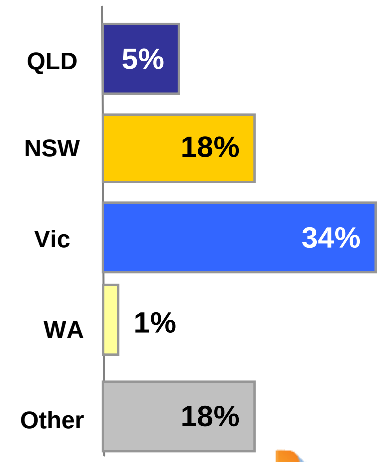
2006



2010



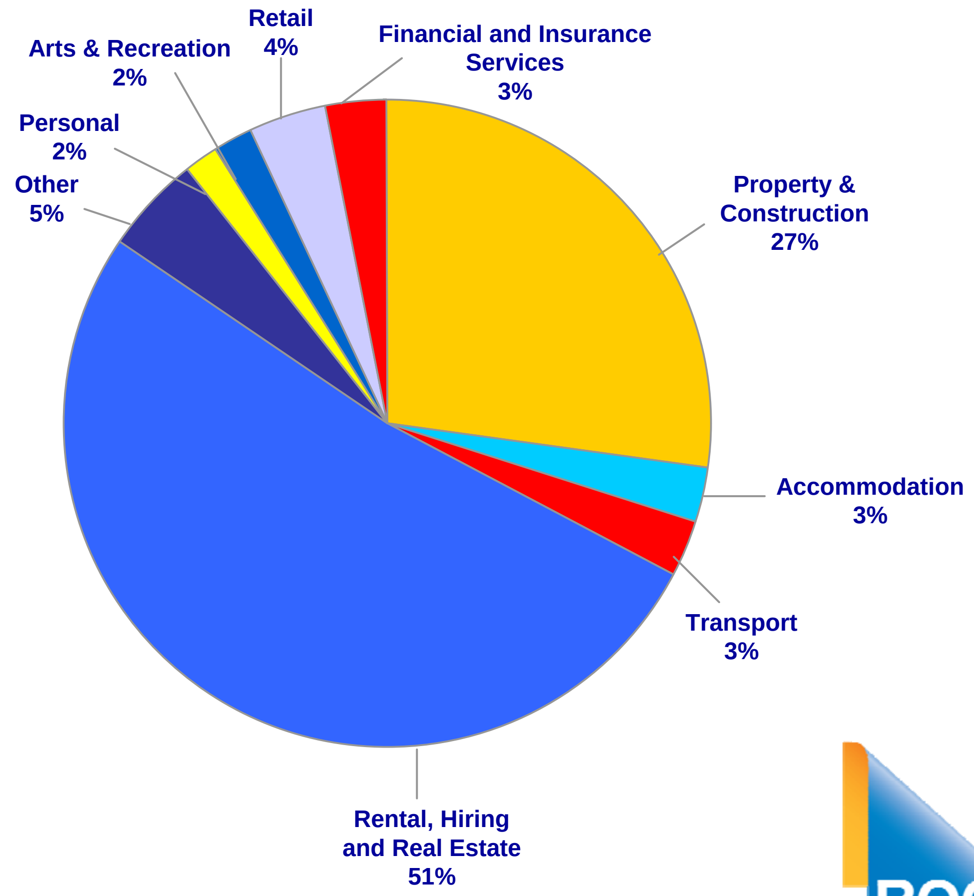
FY10 – Growth rate %



Large exposures

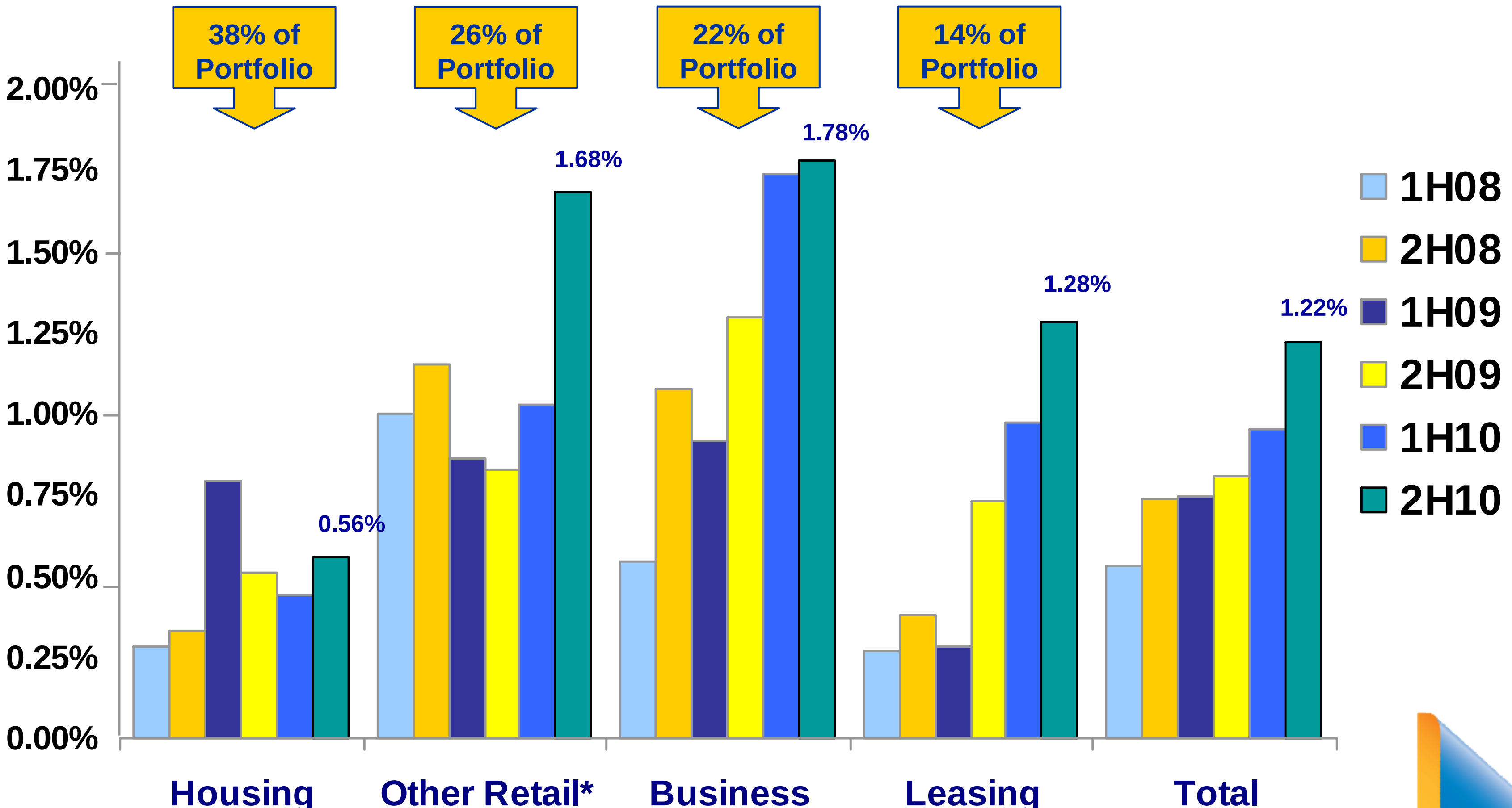
- The Bank has 25 connections with exposures >$20m
- Total commitment exposure $796m (drawn balance $691m)
- 2.5% of total loans under management
- 35% matures within 1yr
- Large exposures are concentrated in the Property & Construction sectors, accounting for ~ 78% of large exposures

Largest exposures by ANZSIC Group



Portfolio quality

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

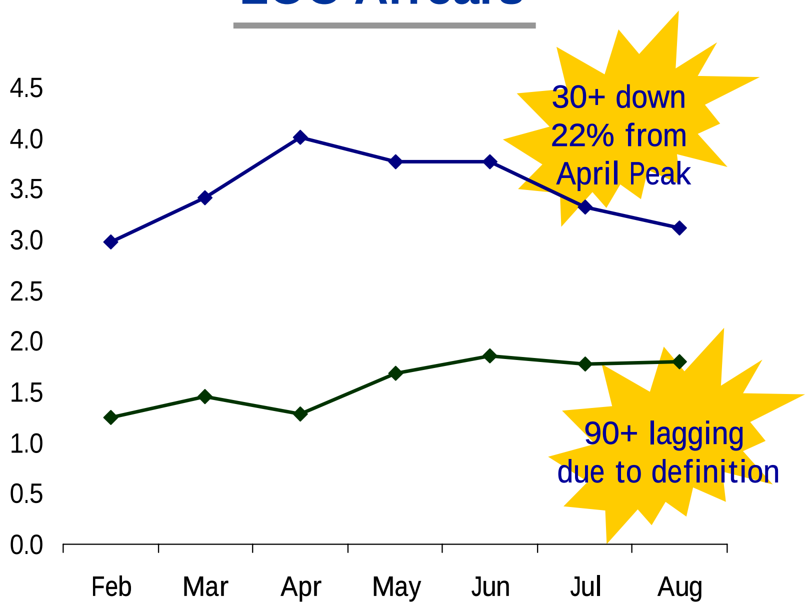


*Other Retail includes Lines of Credit ($5.7b) and Personal Loans ($0.3b)

Lines of Credit portfolio

- Majority of "other retail" is Lines of Credit, secured by residential property
- Very low risk portfolio with good security, resulting in negligible bad debt
- Increase in arrears a definition issue rather than any material credit issue

LOC Arrears

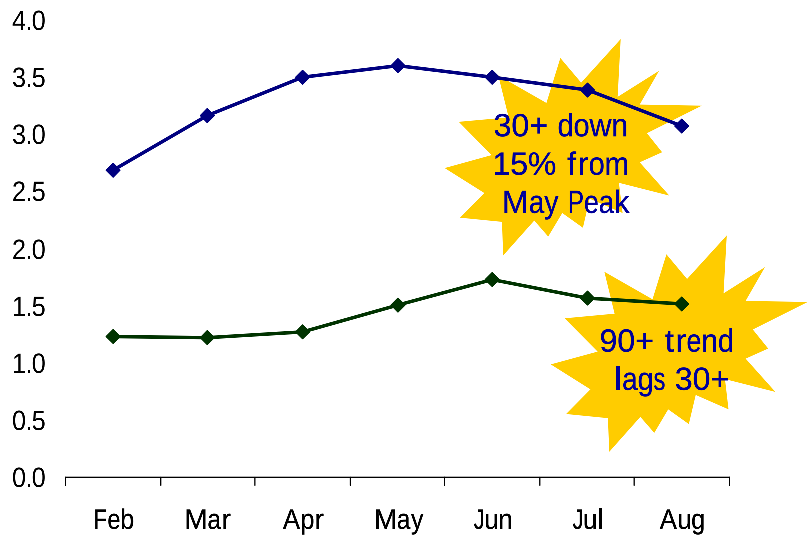


Portfolio Metrics	2H'09	1H'10	2H'10
Portfolio Size ($b)	5.6	5.8	5.9
Impaired ($m)	3.2	11.3	7.0
Impaired %	0.06%	0.20%	0.12%
BDD Expense ($m)	0.9	1.7	2.7
BDD / Portfolio	0.02%	0.03%	0.05%
Provisions ($m)	1.1	2.6	4.3
Provision Coverage	0.02%	0.05%	0.07%

Equipment Finance Leasing portfolio

- Slight deterioration in 30+ delinquent from February, peaking in May
- Doubled collection team to enable more active monitoring and communication with customers in arrears - 15% reduction in 3 months
- Portfolio is well provisioned and bad debts in line with SME Leasing portfolio over the cycle, with 90+ trending down from June peak

EF Arrears

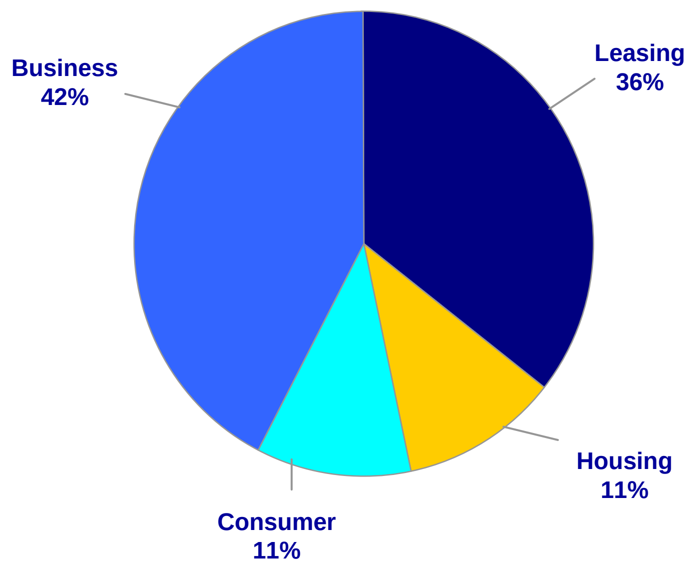


Portfolio Metrics	2H'09	1H'10	2H'10
Portfolio Size ($b)	2.6	3.0	3.1
Collectors	5	5	10
Accounts / Collector	368	347	170
Impaired %	0.62%	0.73%	0.77%
BDD Expense ($m)	12.4	17.2	31.0
BDD / Portfolio	0.51%	0.61%	1.02%
Provision Coverage	0.30%	0.64%	1.05%

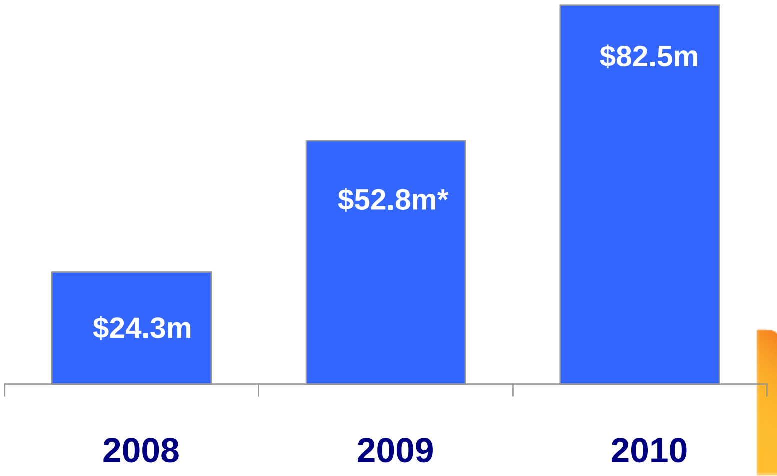
Bad debt analysis

- As per guidance peak bad debts in FY10 – commercial and EF portfolios increased write-offs … all portfolios now showing signs of improvement vs peak
- Retail portfolio remains well secured resulting in minimal bad debts

Underlying bad debts by product



Underlying bad debts

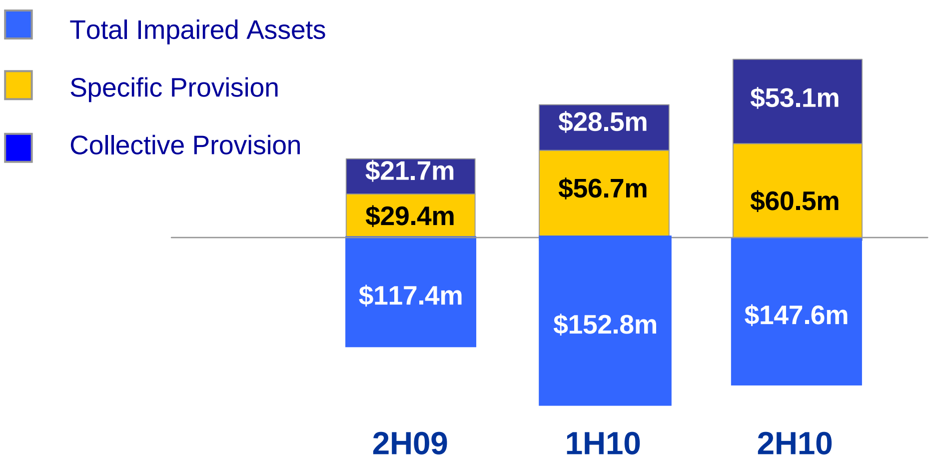


* Excludes the impairment charges of $7.2m made in 1H09 for the NSW distribution restructure

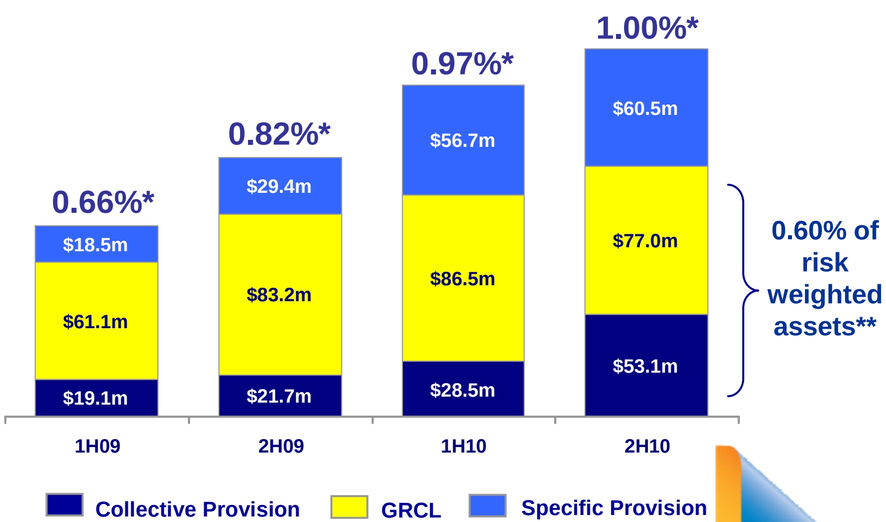
Increased provision coverage

- Total provisions increase in line with peak loss expectations in FY10
- Level of impaired assets has reduced in 2H10 whilst increasing provisions
- Focus remains on well secured housing and SME lending

Impaired assets vs Collective & specific provisions



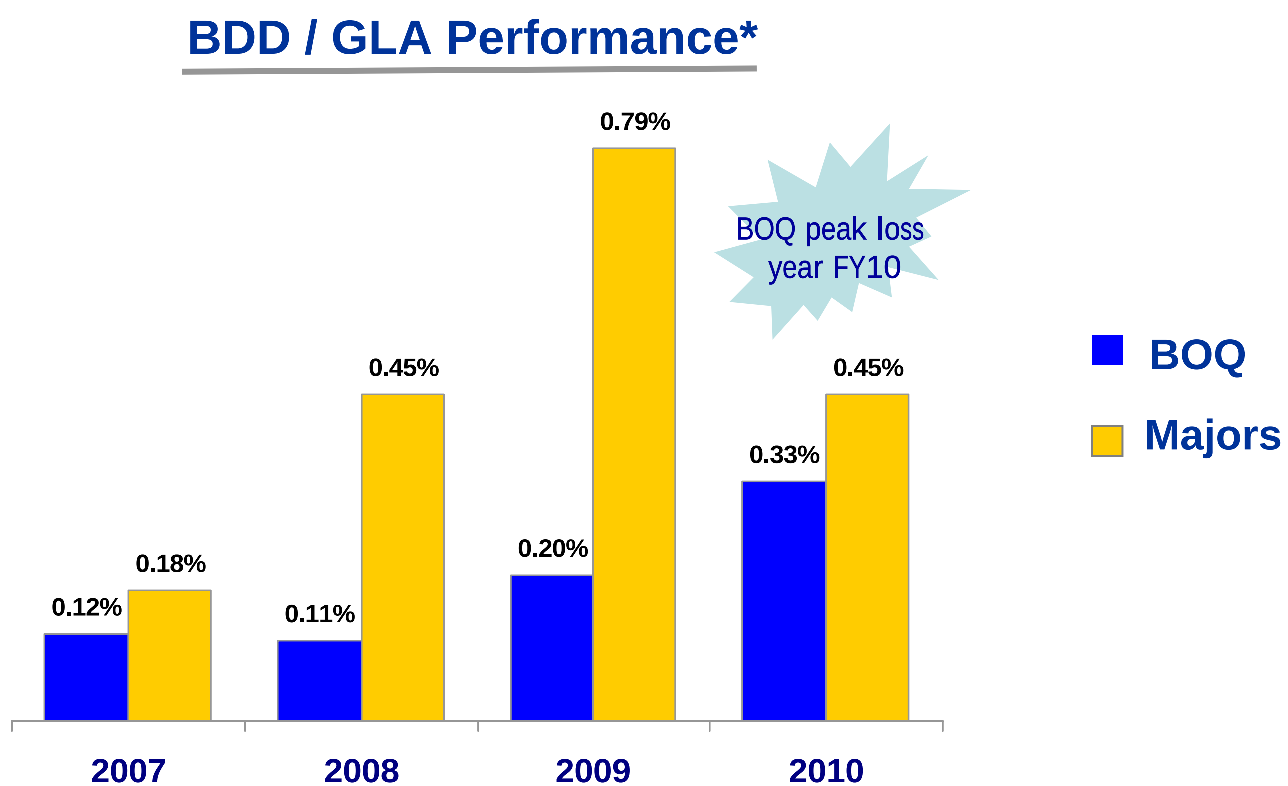
Total provisions



* Total provisions / RWA. ** Collective Provision after tax effecting is added to the GRCL balance to arrive at 60bps of RWA.

Strong asset quality

- As per guidance we believe FY10 will be the peak loss year, but BOQ focus remains on well secured housing and SME lending



* Source – GS Research. BOQ calculations prepared on same basis

Strategy and outlook

David Liddy

Managing Director

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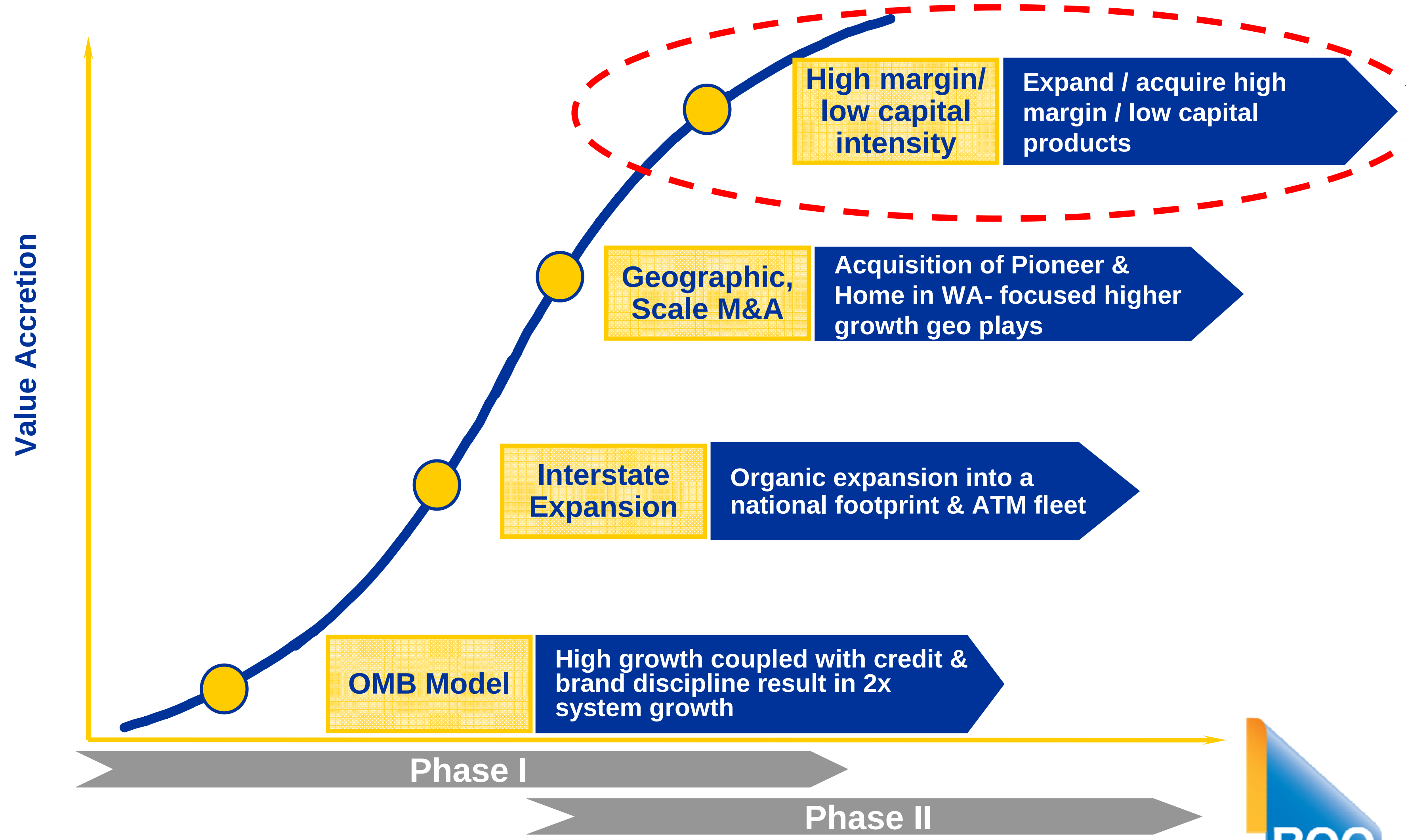
Sticking to the plan



Bolt-on Acquisitions

- CIT Aust. & NZ and St Andrew's acquisitions completed 30 June and 1 July respectively
- 100% of existing management team and 100% of key staff transitioned
- Business momentum maintained and enhanced through the purchase process
- Transition and integration projects underway - completion expected January 2011
- Total capital paid / deployed $106m, with pro forma FY11 ROE of 25% - 30%, including higher expenses
- Discount on acquisition of $10m normalised out from normalised cash NPAT results

Creating BOQ National Finance

	BOQ Distribution: Branches	BOQ Distribution: EF brokers	BOQ Distribution: Structured sales	BOQ Distribution: Direct / CIT Distribution: Direct	CIT Distribution: Vendors	CIT Distribution: Dealers
BOQ Products						
Equipment loans	✓	✓	✓	●	●	
Equipment leases	✓	✓	✓	●	●	
Receivables finance	✓	●		●	●	
CIT Products						
Automated consumer finance					✓	✓
Automated commercial leases		●			✓	
Technology Leasing		●	✓	●	✓	
Managed Services					✓	
Inventory Finance				●		✓

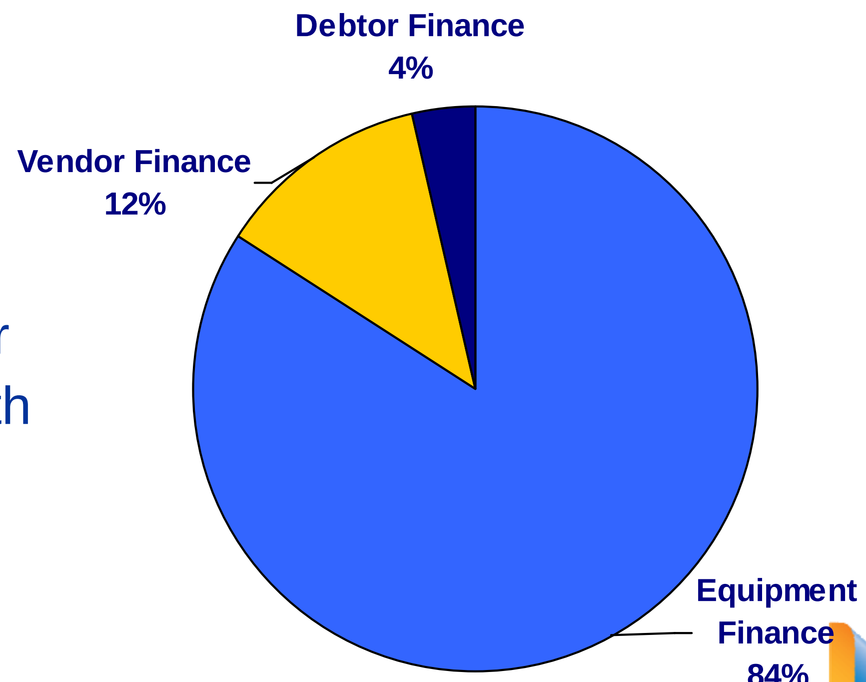
✓ Existing markets

● New Opportunities

BOQ National Finance

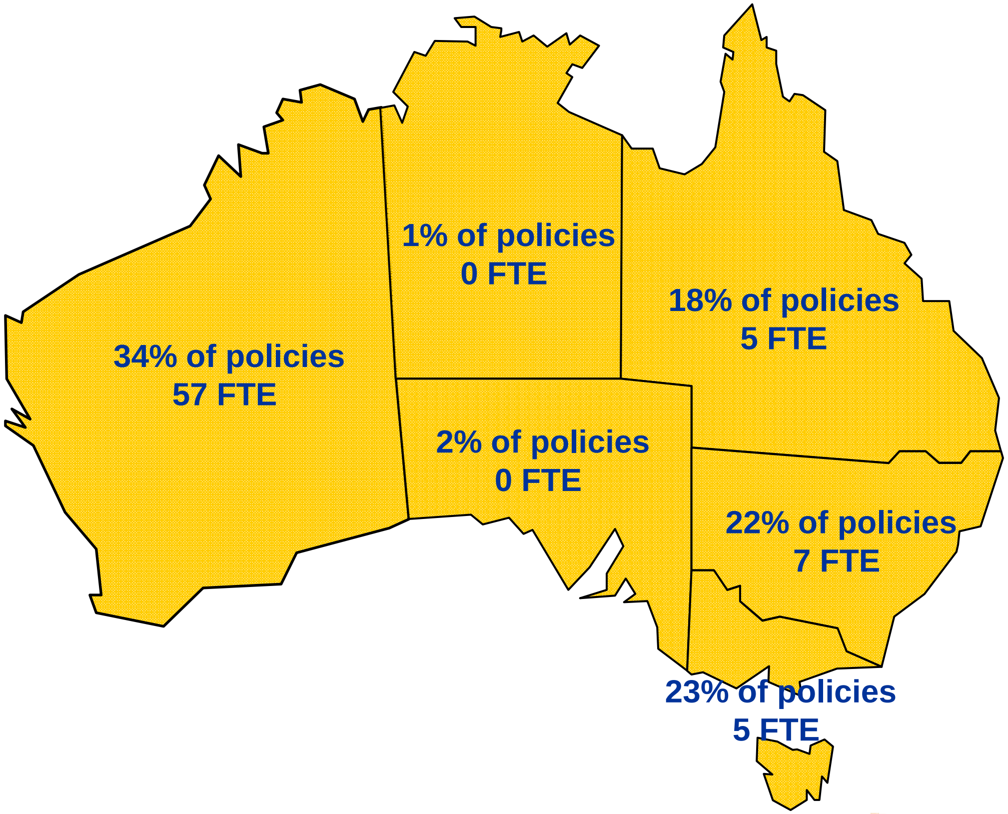
- Creation of a best in class finance company
- Ex-CIT management team is now responsible for ~$3.9bn of assets including BOQ Equipment Finance and Debtor Finance
- Majority of customers have their primary banking relationship with a major
- Planning to enhance Motor Vehicle Finance proposition
- Targeting ROE in excess of 15%

Loans Under Management by segment



St Andrew's acquisition

- Life and general insurer underwriting personal lines focussed on consumer credit
- Capital-lite, high ROE business overcoming headwinds in banking non-interest income
- B2B distribution model through consumer finance organisations with national reach
- Core capabilities:
  - Speed to market and flexibility
  - Proactive sales management
  - Service proposition
  - Single integrated product admin system



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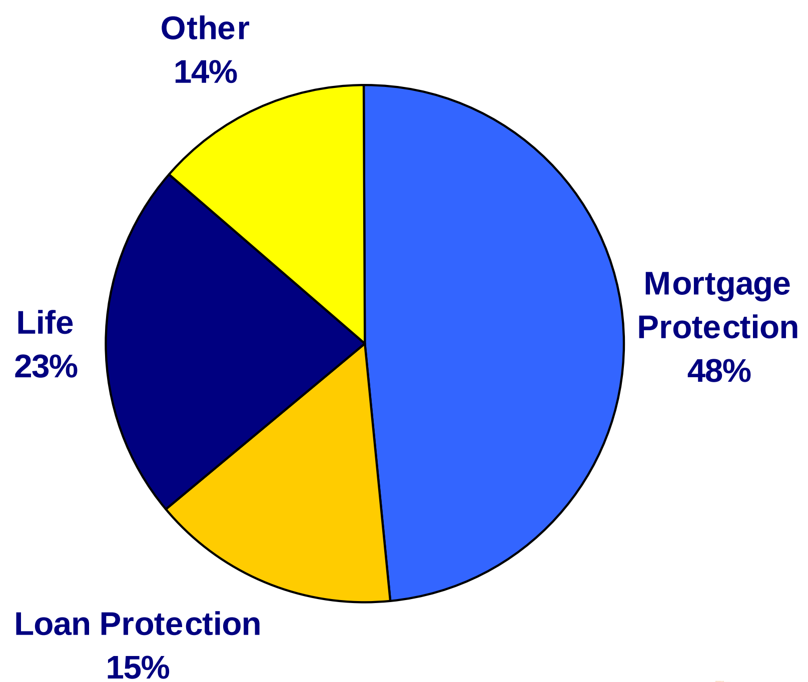
Strategic opportunities in Insurance

- Grow and diversify the business through:
  - Improving sales productivity of existing Corporate Partners
  - Acquiring new Corporate Partner relationships
  - Developing complementary product lines
  - Developing a direct market for consumer credit
- Aspiring to double the size of the business within three to four years

Product mix by underwritten product *



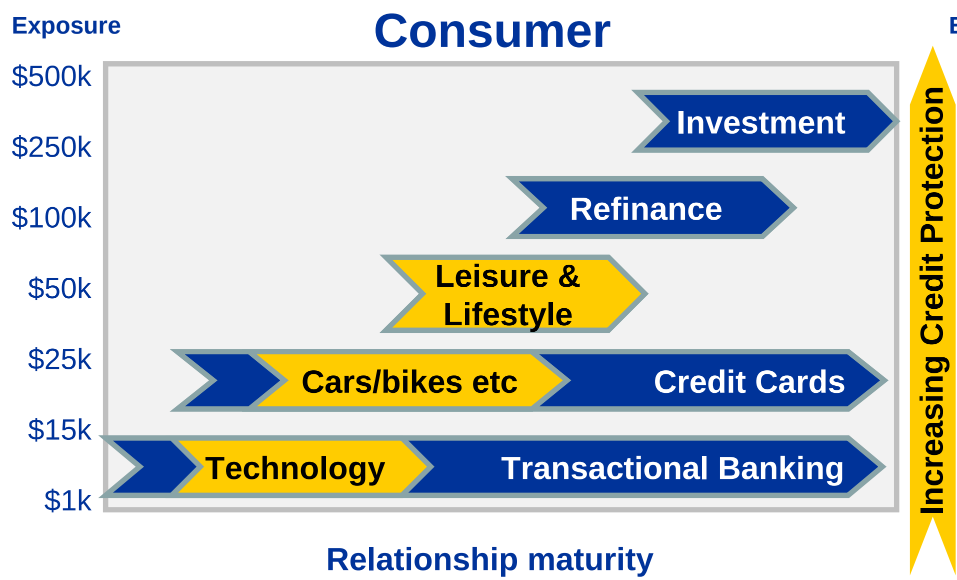
* Product mix based on FY10 gross written premiums

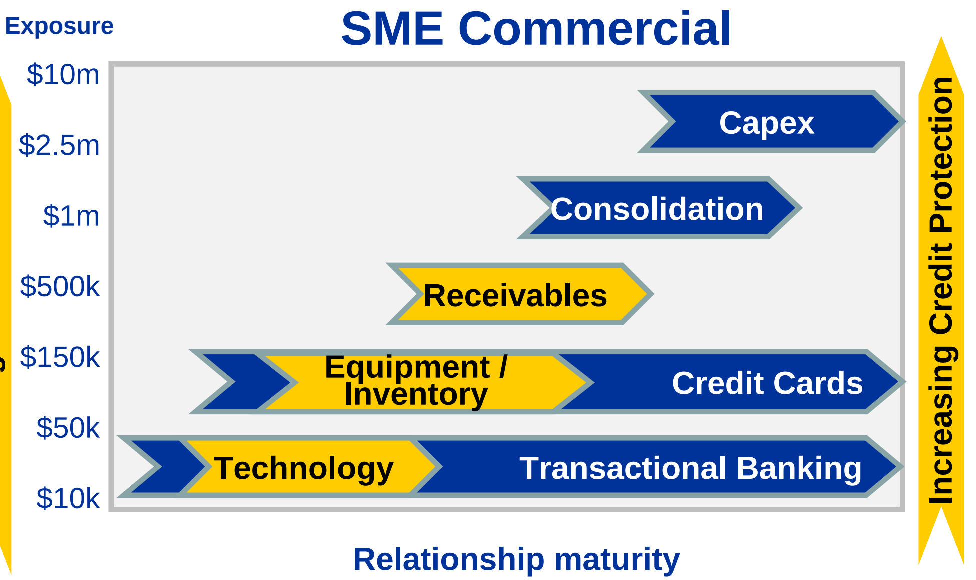
Operating business model

		Customers	Segment	Value proposition
BOQ Your own personal bank	Banking	Retail ***S***ME	Housing 71% of total lending Ave loan size: ~ $250k Ave LVR: low 60s ~33% securitised ***S***ME ~ 16% of total lending ~40% secured by residential property	Your own personal bank Relationship based service model – ie. Owner Managers
BOQ Your own personal bank	National Finance	Third parties and Direct	**EF** 84% of total lending Ave txn size: $70k ~8% securitised **VF** 12% of total lending Ave txn size: $12k **DF** 4% of total lending Ave txn size: ~$300k	Best in class specialist financier
St Andrew's AUSTRALIA	Insurance	Third parties and Direct	**MP:** 48% of portfolio[1] Ave premium ~$5k **LP:** 15% of portfolio[1] Avg premium ~$1k **Life:** 23% of portfolio[1] Ave premium ~$0.5k **Other:** 14% of portfolio[1] Ave premium ~$0.2k	Your insurance business partner through customised solutions, proactive sales management and service

[1] Portfolio mix measures on a FY10 gross written premium

Unique relationship based personal service platform





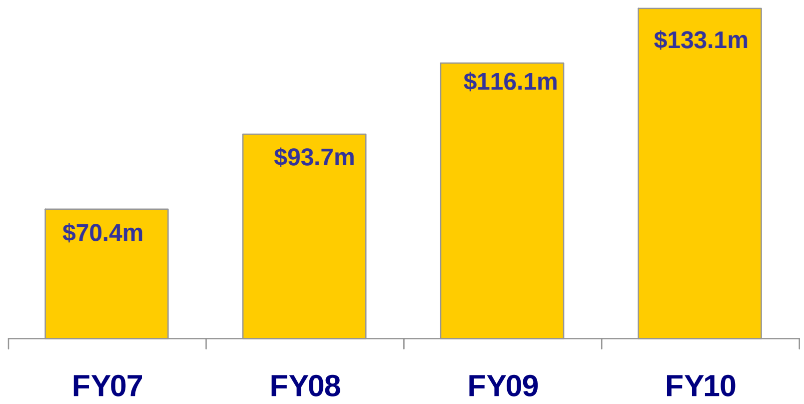
National Finance acquires customers through vendors, dealers and other third party sources…with Consumer Credit Protection

…Transitions to OMB's through direct marketing and cross sell with Credit Protection

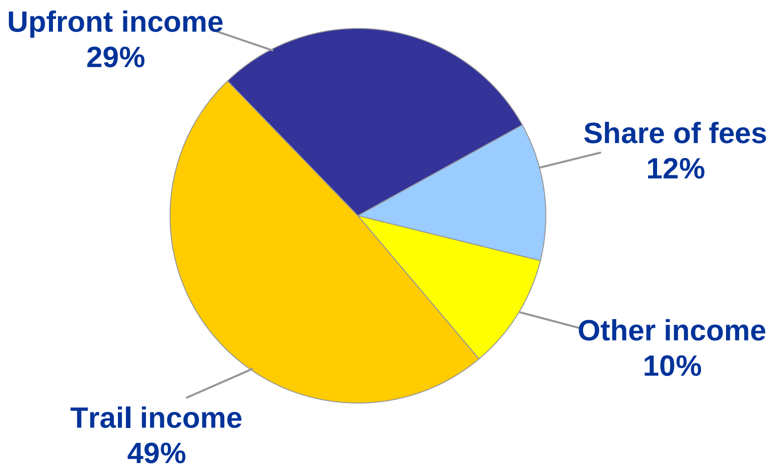
Leverage early funding needs into lifetime customer relationships… Banking the other banks' customers

Network continuing to grow and diversify earnings stream

Total OMB commissions



OMB income split FY10



- Total OMB commission payments continue to increase
- Demonstrates resilience of model even as credit growth has slowed

- Majority OMB income comes from existing balance sheet with less reliance on upfronts
- Upfronts now making up less than 30% of total commissions

Targeting customer growth and lower cost funding

PRODUCT INNOVATION

- 'Lottery' style account which enables deposit-holders with a minimum balance to be automatically entered into a monthly prize draw (launch November 2010)
  - Increase sticky deposits
- SME Business Privileges Package

FILLING PRODUCT SUITE GAPS

- Online share trading service in partnership with CMC Markets Stockbroking (launch first qtr 2011)
  - Increase non-interest income, diversify revenue
- SMSF high interest bearing investment account (launch first qtr 2011)
  - Increase retail funding
- New transaction account (launch first qtr 2011)
  - Positioning us for another wave of customer growth and low cost funding
- Integrated EFTPOS (launch end 2010)

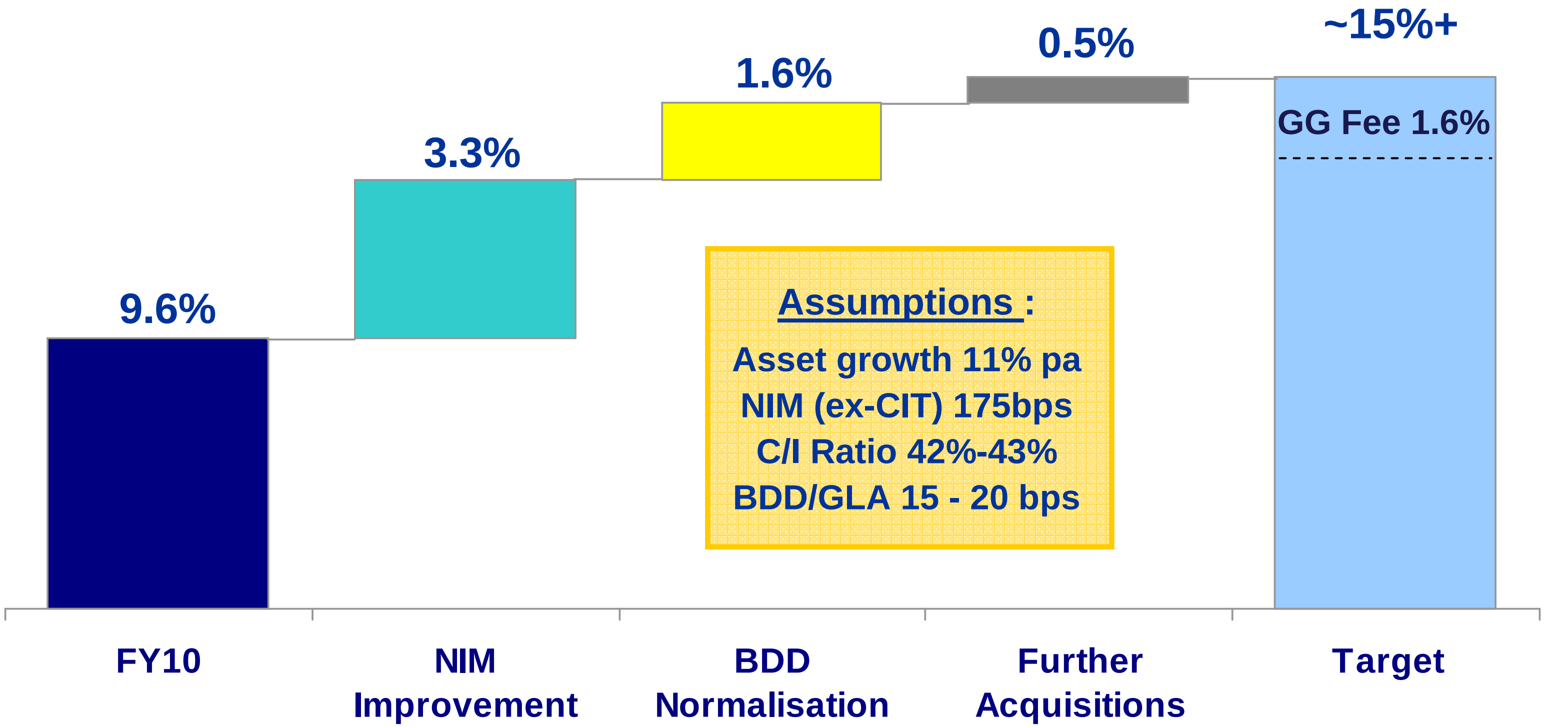
FY11 guidance

GROWTH	CASH NPAT (normalised)
Maintain 1.5 – 2x system growth	$220m - $250m

DIVIDEND GROWTH	EFFICIENCY
10% - 20%	45% cost to income (excluding acquisitions)

Pathway to 15% ROE

- Strategic plan to support ROE guidance – some dependencies include NIM & BDD improvement, continued incremental efficiency gains
- Growth in 2010 bolt-on acquisitions embedded in forecasts



Summary

- Another strong result, despite economic conditions and bad debts peaking

Headwinds	Tailwinds
• Margin pressure still present • Funding costs still high • Significant regulatory and technology spend • Ongoing payment of GG term debt costs at 1.50%	• 2010 acquisitions performing better than pro-forma • Growth opportunities in our model in our 3 business lines • Cost disciplines holding • Suite of new products targeting customer growth and lower cost funding • Further bolt-on acquisition opportunities emerging

BOQ

Your own personal bank