Bank of Queensland

Half year results

29 February 2012

BOQ

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Agenda

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

Important notices

Financial amounts

All dollar values are in Australian dollars (A$) and financial data is presented as at the date stated. Pro-forma financial information and past information provided in this Presentation is for illustrative purposes only and is not represented as being indicative of BOQ's views on its future financial condition and/or performance. Past performance, including past trading or share price performance, of BOQ cannot be relied upon as an indicator of (and provides no guidance as to) future BOQ performance including future trading or share price performance.

Future performance

This Presentation contains certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", “will”, "could", "may", "target", "plan" and other similar expressions within the meaning of securities laws of applicable jurisdictions, and include statements regarding outcome and effects of the equity raising announced on 26 March 2012. The forward looking statements contained in this Presentation involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of BOQ, and may involve significant elements of subjective judgement as to future events which may or may not be correct.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.

Financial performance

In assessing financial performance, BOQ discloses the net profit (loss) after tax on both a ‘Statutory basis’ and a ‘Normalised Cash basis’. The Statutory basis is prepared in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS). The Normalised Cash basis is used by Management to present a clear view of BOQ’s underlying operating results. This excludes a number of items that introduce volatility and/or one off distortions of BOQ’s current period performance, and allows for a more effective comparison of BOQ’s performance across reporting periods and against peers. These items, such as amortisation of intangibles from acquisitions, and accounting for economic hedges, are calculated consistently year on year and do not discriminate between positive and negative adjustments. BOQ also uses the measure of ‘Normalised Underlying Profit’, which represents the Normalised Income less Normalised Operating Expenses, to provide users with a view on the underlying growth rate of the business before bad debt and tax expenses, which often carry volatility between periods. Further details of items excluded from statutory profit are provided in the reconciliation of the net profit after tax (“Normalised Cash basis”) in this Presentation.

Result highlights

Stuart Grimshaw

Managing Director and CEO

BOQ

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Result highlights

- Statutory loss of $90.6m as a result of strengthening provision levels to best in market
- Normalised underlying profit up 3% at $222m
- Announced $450m Capital Raising to bring Core Tier 1 to industry-leading level
- NIM improved by 3bps, bucking the industry trend
- Maintaining 45% normalised cash cost-to-income ratio
- Strong Deposit growth above system, fully funding asset growth for the half
- Arrears stabilising and/or falling across the various portfolios
- Continue to maintain conservative liquidity
- Maintaining dividend in line with prior corresponding period
- Balance Sheet positioned for growth

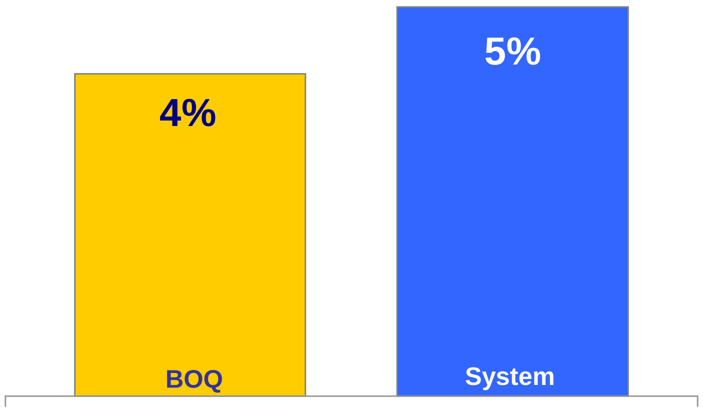
Underlying earnings momentum

	1H11	1H12		
Normalised underlying profit before tax	$215.5m	$221.9m	▲	3%
Normalised cash net profit (loss) after tax	$57.4m	($72.4m)	▼	226%
Statutory net profit (loss) after tax	$48.0m	($90.6m)	▼	289%
Cash EPS (normalised fully diluted)	23.7¢	(34.0¢)	▼	57.7¢
Ordinary dividend	26¢	26¢		-
Loan growth* (pcp)	8%	4%	▼	4pts
Retail deposit growth (pcp)	13%	10%	▼	3pts
Normalised cash net interest margin	1.65%	1.68%	▲	3bps
Cost-to-income ratio (normalised cash)	45.2%	45.0%	▼	0.2%

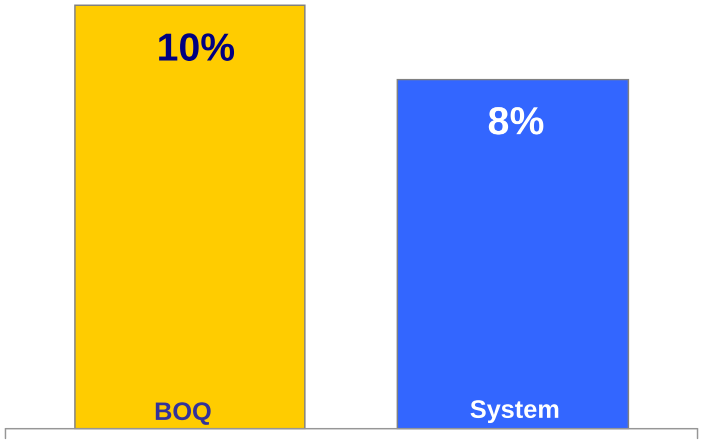
* Loans under management before collective provision.

Strong deposit growth

- Lending growth: ~0.8 x system*
- Deposit growth: ~1.3 x system*



Lending growth

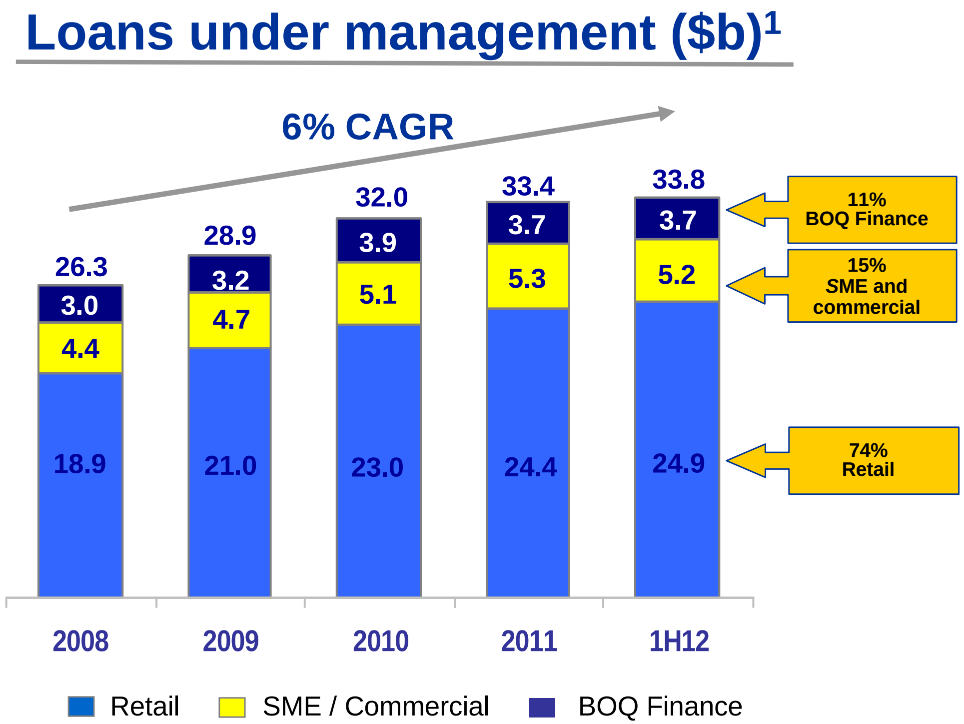


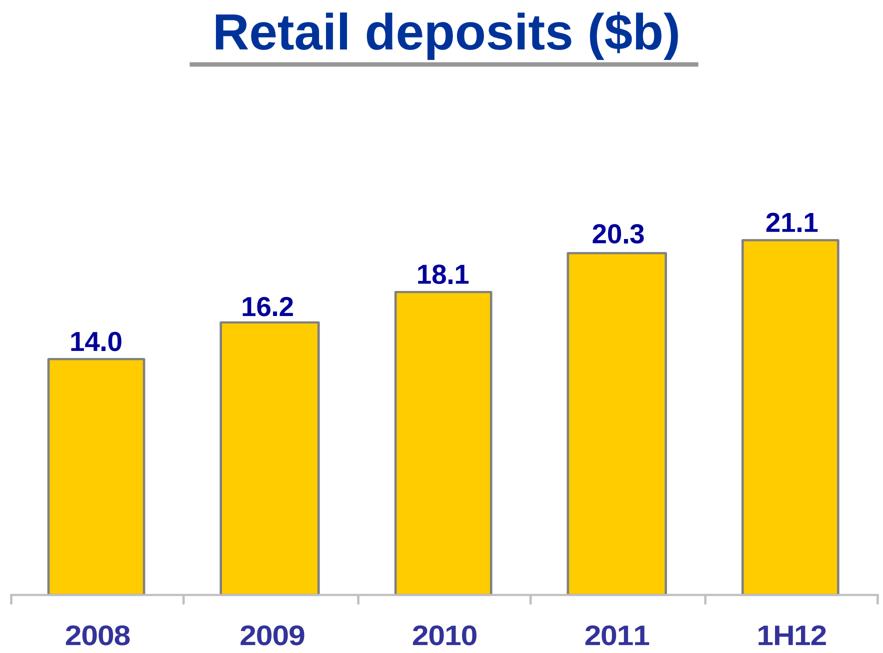
Retail deposit growth

* Last 12 months.
Source: APRA data. System data excludes Heritage Bank data that was included in Dec 2011.

Lending and deposit growth

- Loan growth fully funded by retail deposits in 1H12

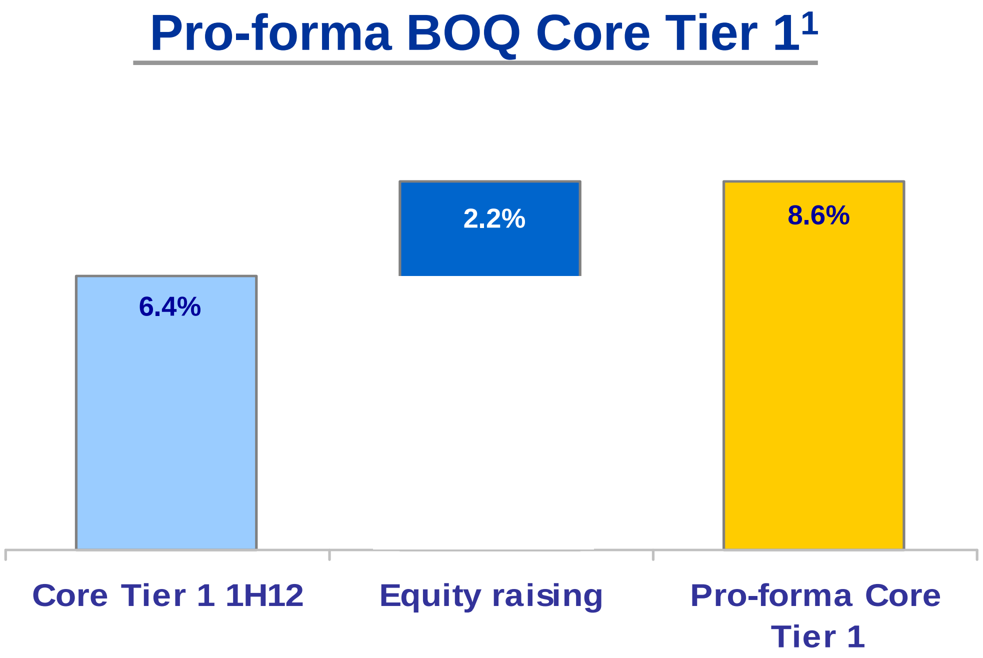




(1) Before collective provision for impairment.

Strong capital position

- Capital position to be significantly strengthened following the capital raising

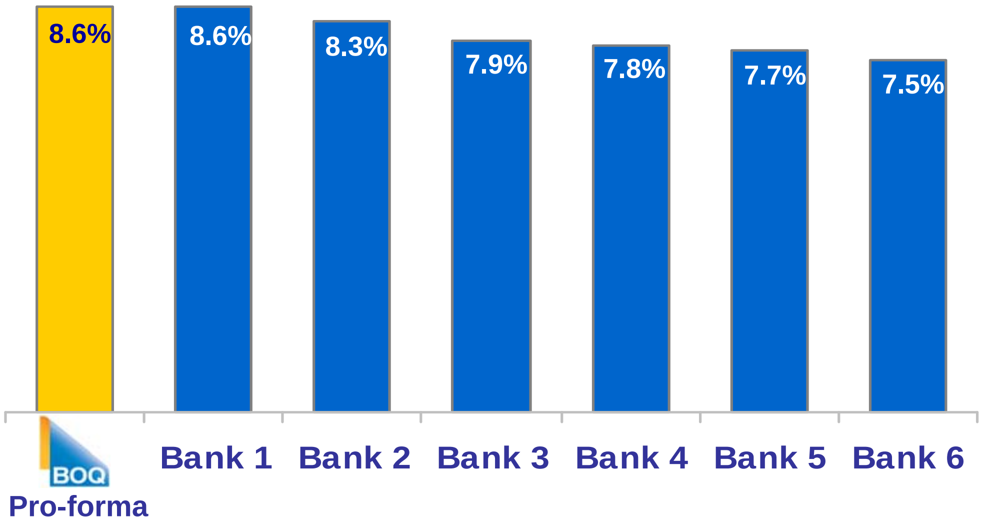


(1) As at 1H12 on a Basel II basis. Estimated 1H12 pro forma Basel III Core Tier 1 of 8.5%.

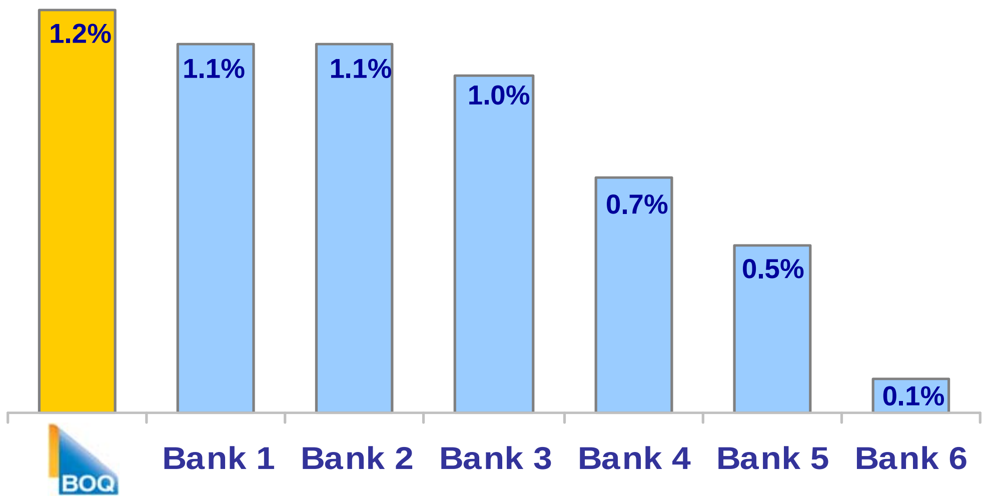
Balance sheet strength

- Equity raising to place BOQ's Core Tier 1 capital position at top end of peer range
- Prudent approach to collective provisioning provides enhanced protection against a further deterioration in the Queensland economy

Core Tier 1 vs. peers[1]



Collective provision vs. peers[2]

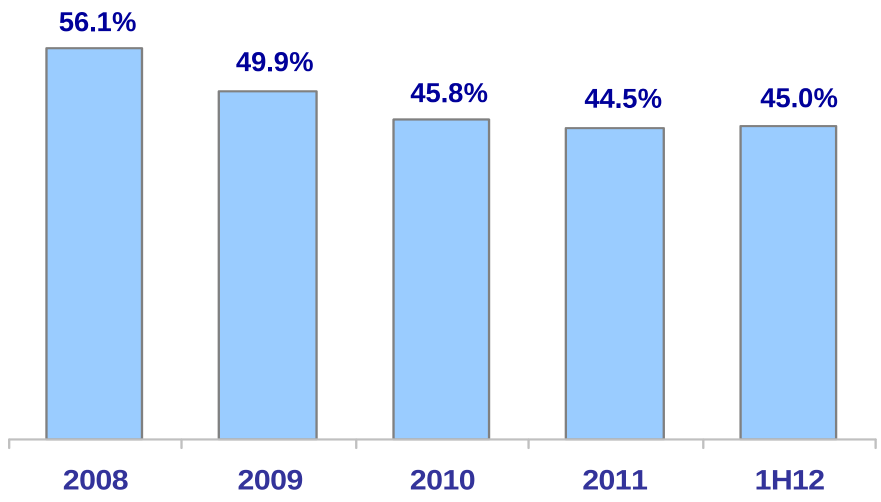


(1) BOQ pro-forma Core Tier 1 ratio as at 1H12 on a Basel II basis. Recent company announcements and APS 330 disclosures. Peer ratios not adjusted for recent capital issuance.
(2) Collective provision as a percentage of RWA. Peer ratios sourced from company financial reports.

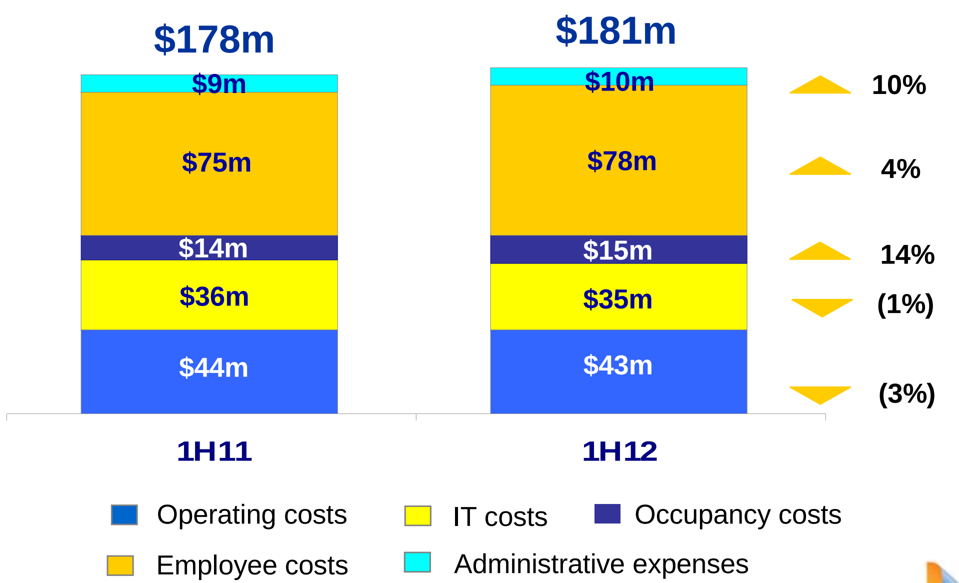
Expense discipline maintained

- Track record of growing balance sheet whilst maintaining expense discipline

Normalised cost-to-income ratio[1]



Expense composition ($m)[1]

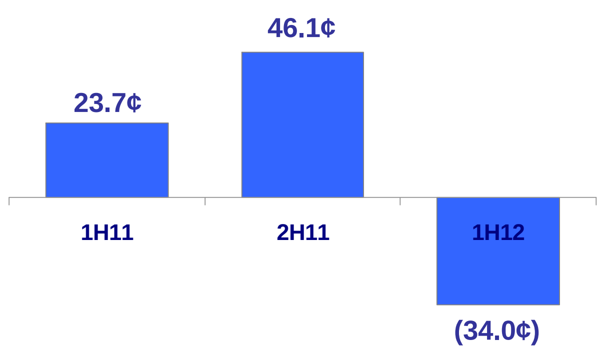


(1) Based on normalised cash costs, excludes impacts of normalisation items and amortisation of customer contracts.

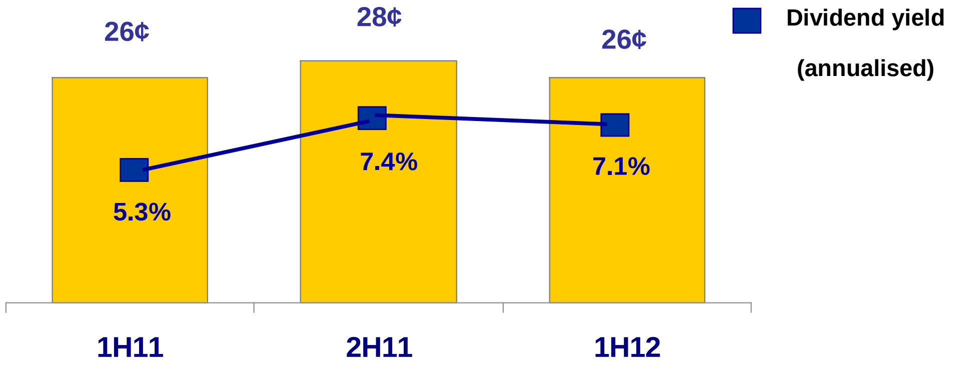
Confidence to maintain dividend

- Despite financial loss during the half, the Board has approved a 26 cent per share dividend, flat with 1H11
- Strengthened balance sheet provides platform to target future dividend growth

Earnings per share*



Dividends



*Normalised diluted cash earnings per share.

Financial results and portfolio details

Ewan Cameron

Chief Financial Officer

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Increased provisions resulting in loss for the half…

	1H11 $m	1H12 $m	% Change vs pcp
Total Income	388.2	396.6	2%
Adj: Normalisation items	4.8	6.7	
Normalised Total Income	**393.0**	**403.3**	3%
Expenses	186.0	197.0	6%
Adj: Normalisation items	(8.5)	(15.6)	
Normalised Operating Expenses	**177.5**	**181.4**	2%
Normalised Underlying Profit Before Tax	**215.5**	**221.9**	3%
Statutory Net Profit / (Loss) After Tax	**48.0**	**(90.6)**	**-289%**
Adj: Normalisation items	9.4	18.2	
Normalised Cash Net Profit / (Loss) after tax	**57.4**	**(72.4)**	**-226%**

- In line with market practice, a number of non-cash and significant items have been normalised to better illustrate underlying performance
- Growth in underlying profit, but increased provisions resulted in loss for the half

*Refer to the Financial Performance section of the Important Notices for a description of non-IFRS profit measures and to 'Normalisation items' slide for further detail of normalised items.

Normalisation items

- Summary of normalised income and expense items below*

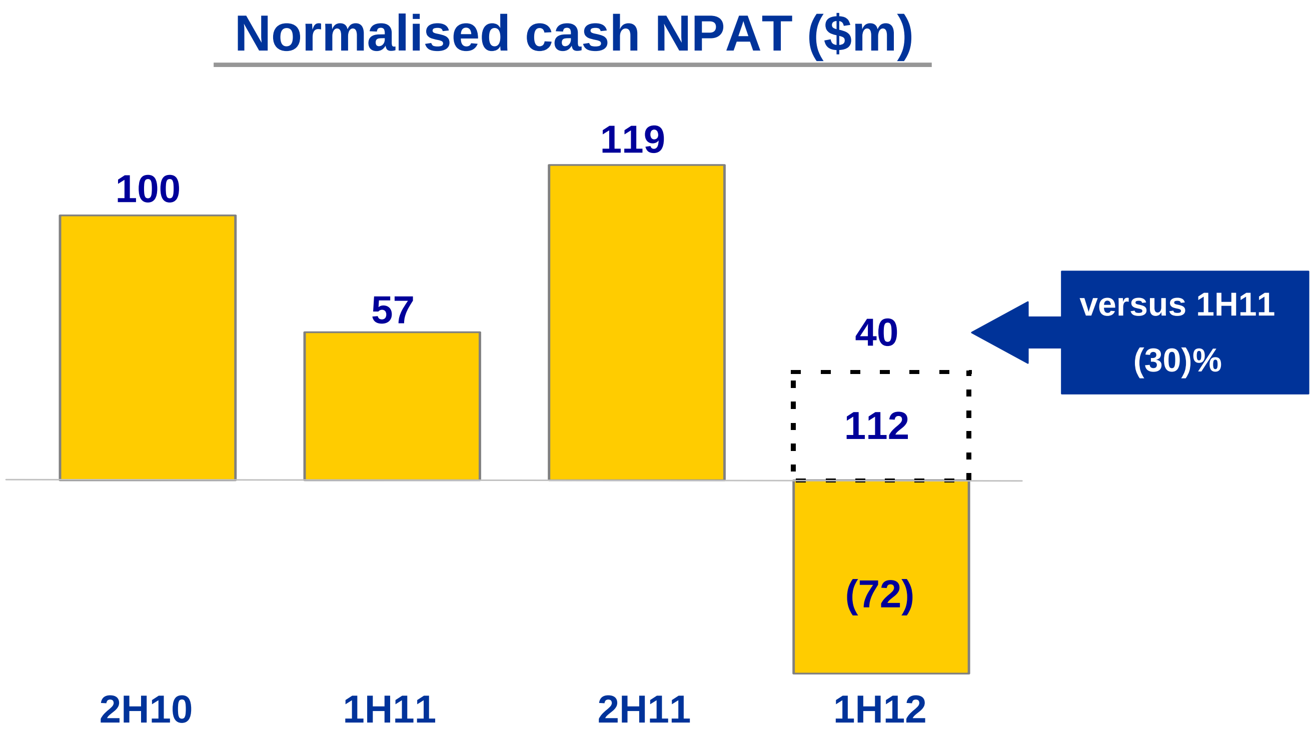
Normalisation adjustments	1H11 Income ($m) (before tax)	1H11 Expenses ($m) (before tax)	1H11 After tax	1H12 Income ($m) (before tax)	1H12 Expenses ($m) (before tax)	1H12 After tax
Amortisation of customer contracts		(4.4)	(3.1)		(4.3)	(5.6)
Integration and due diligence costs		(3.1)	(2.2)		(1.5)	(1.1)
Amortisation of fair value adjustment	(2.6)		(1.8)	(2.5)	(0.2)	(1.9)
Asset Impairment			0.0		(9.6)	(6.6)
Hedge ineffectiveness	(2.3)		(1.6)	(4.2)		(3.0)
Flood impact		(1.0)	(0.7)			
	(4.8)	(8.5)	(9.4)	(6.7)	(15.6)	(18.2)

1H12 Net normalisation adjustments after tax: ($18.2m)

* Amounts may not add due to rounding.

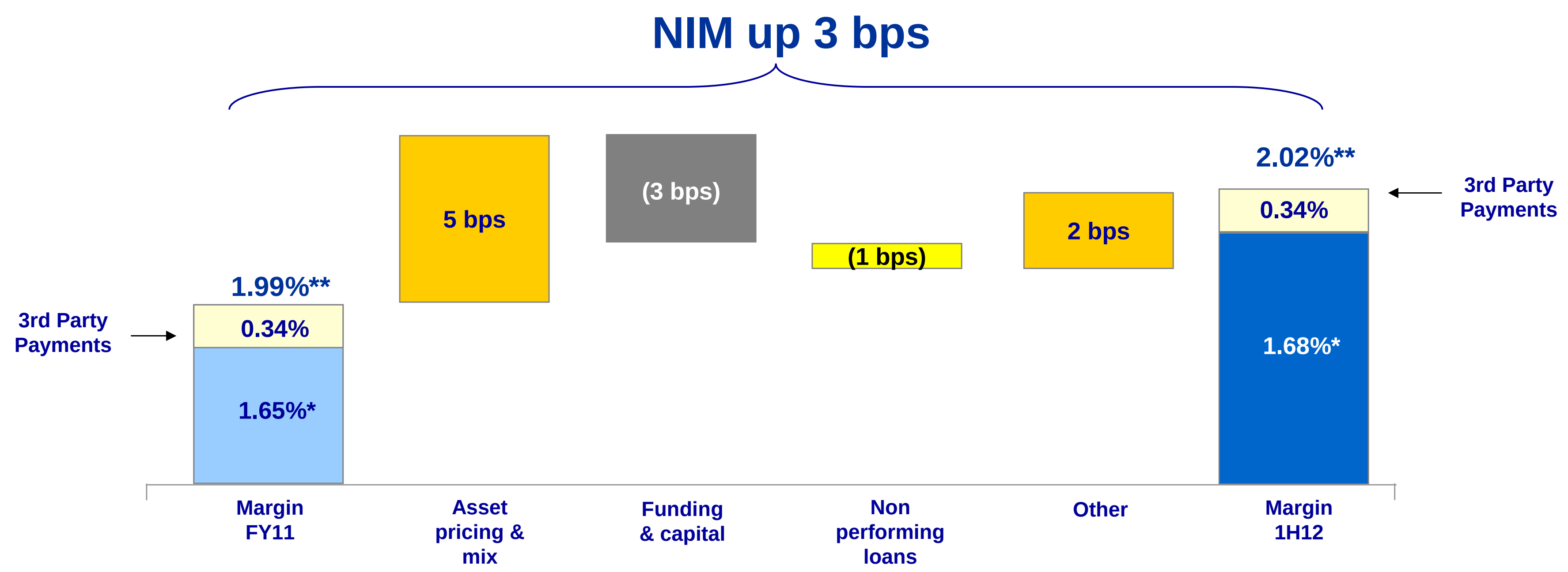
Normalised cash NPAT trend

- Collective Provisions overlay charge of $160m has reduced normalised cash NPAT by $112m, to a loss of $72m
- Adjusted for Collective Provisions changes, Normalised Cash NPAT was $40m



Net interest margin*

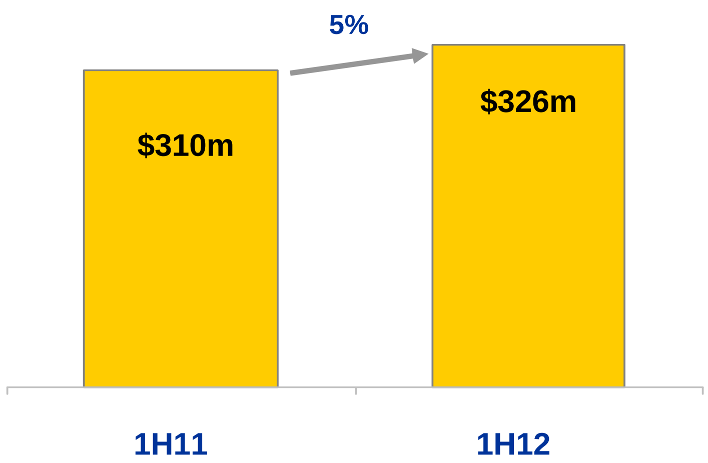
- Strong NIM performance in a tough funding environment



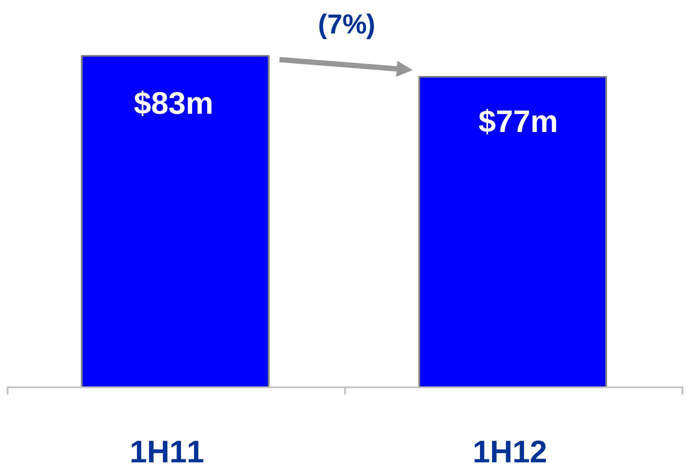
* Normalised net interest margin adjusted to exclude the amortisation of fair value adjustments. NIM on a statutory basis at 1H12 is 1.67%.
** Normalised gross net interest margin.

Subdued income growth in line with balance sheet growth

Normalised Net Interest Income



Normalised Non Interest Income

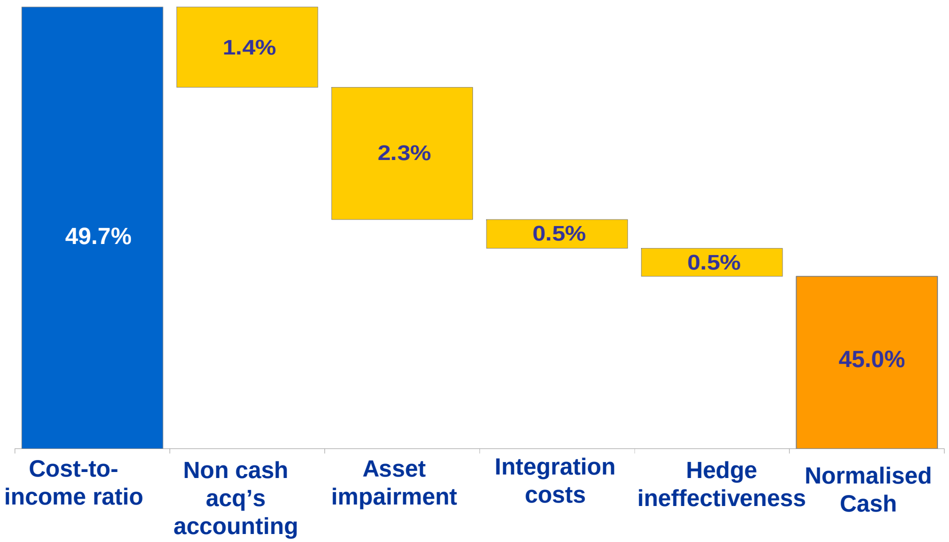


- Improved NIM combined with balance sheet growth offset by drag in non-performing loans
- Reduction in Trading Income of $5m, driven by revaluation of credit holdings in liquids

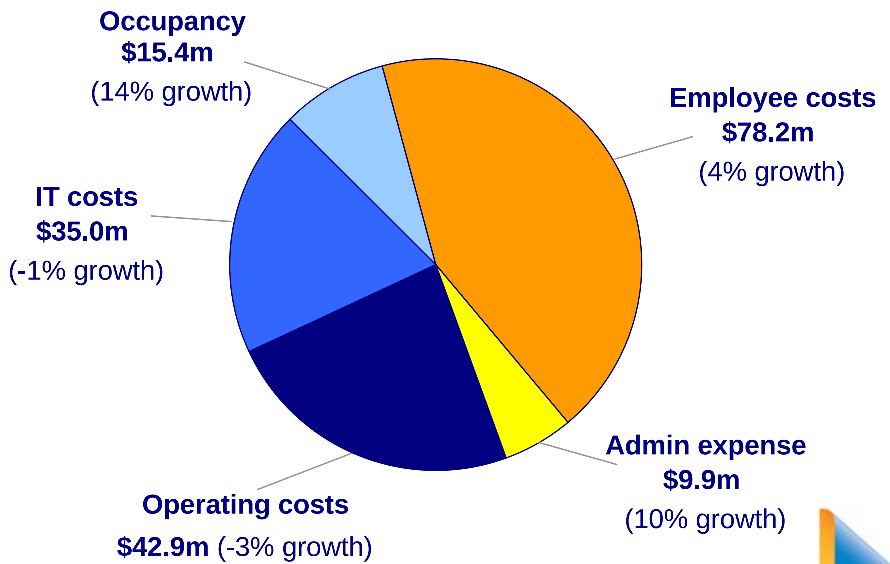
Expense composition

- Normalised cash cost-to-income ratio target of 45% achieved, despite lower income growth levels

Cost-to-income ratio



Operating expenses*

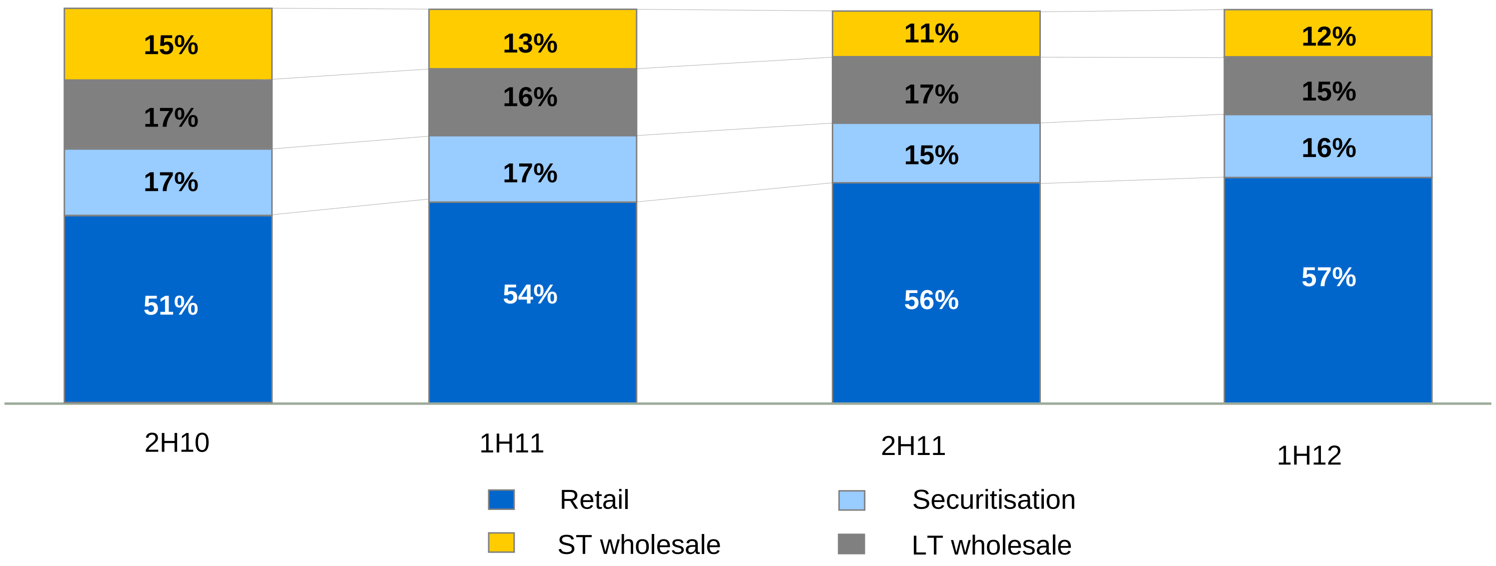


(*) Normalised operating expenses.

Funding mix

- Continued focus on growing retail funding base, goal to exceed 63%
- Diversified wholesale funding channels domestic and offshore

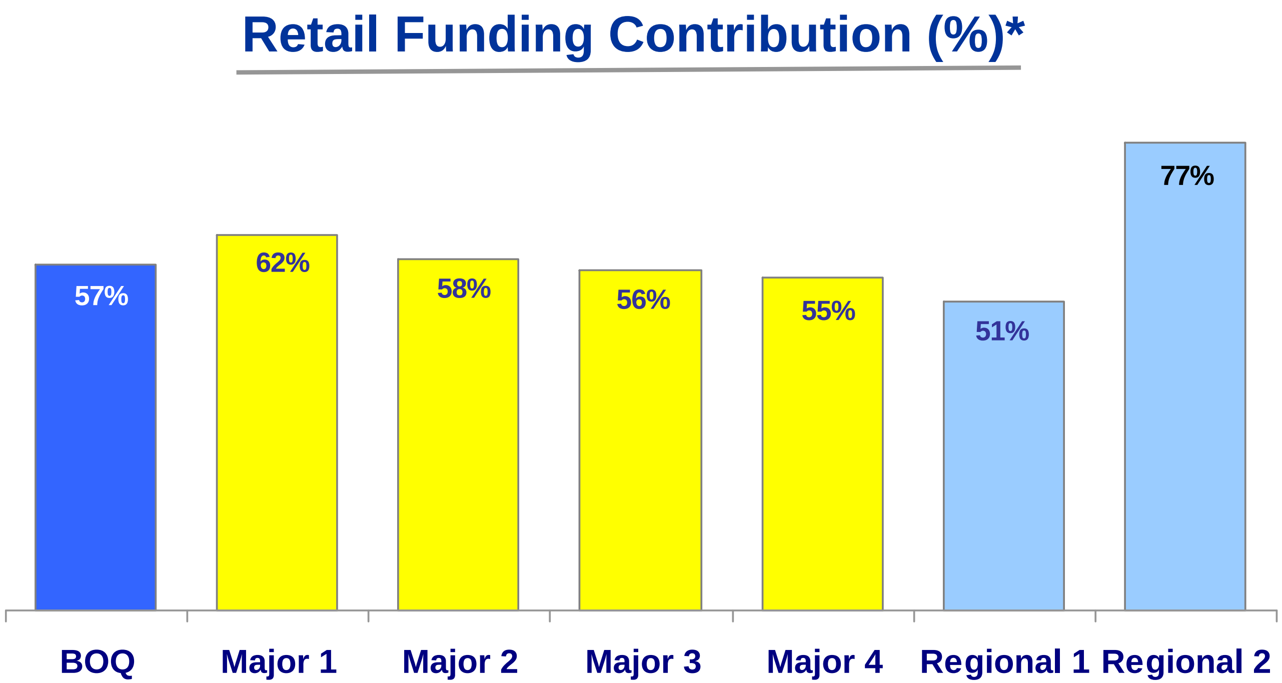
Funding mix (%)*



* Retail deposits as a % of total funding (excluding capital).

Growing retail base comparable to majors

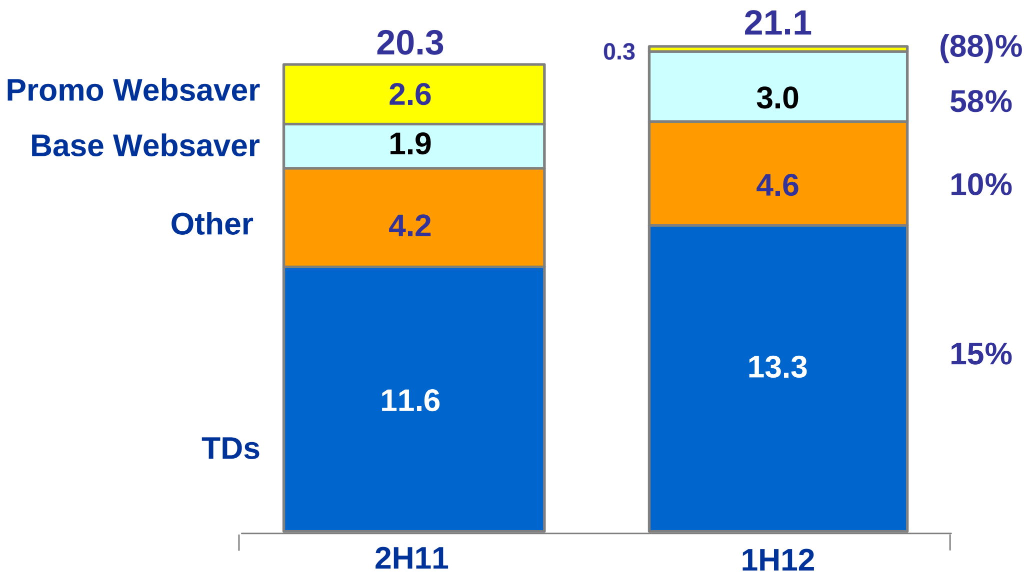
- 6pt increase in 18 months; now in line with market
- Achieving target of 63% will position well against peers
- Focus on sustainable deposits



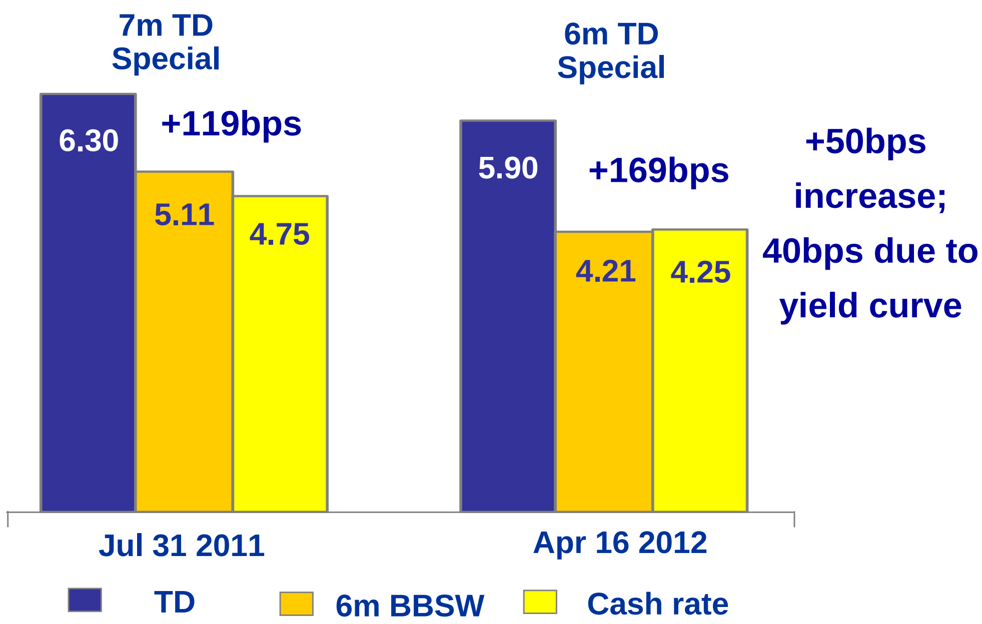
(*) Most recent public Accounts – retail deposits as a % total funding (excluding capital).

Shift towards more sustainable retail funding

Retail Funding ($b)



Term Deposit Pricing (%)



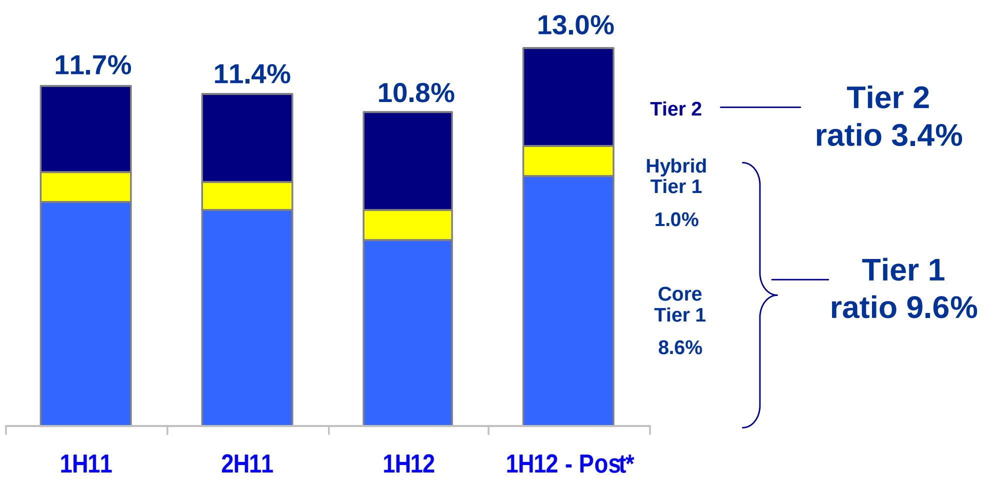
- Ran-off "Hot Money" promotional websaver specials in favour of Term Deposits
- Positions for Basel III liquidity measures

- Inversion in yield curve driving short term margin pressure; until yield curve normalises
- Hedging costs trending higher ~25bps

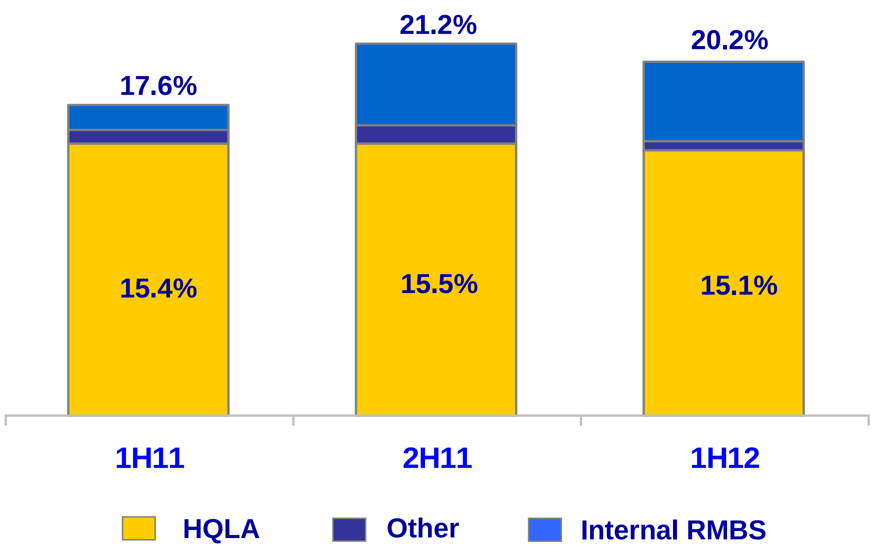
Strong capital base and liquidity

- Tier 1 and total capital levels will increase to market leading levels post recent capital raising
- Conservative liquidity maintained throughout period

Capital adequacy



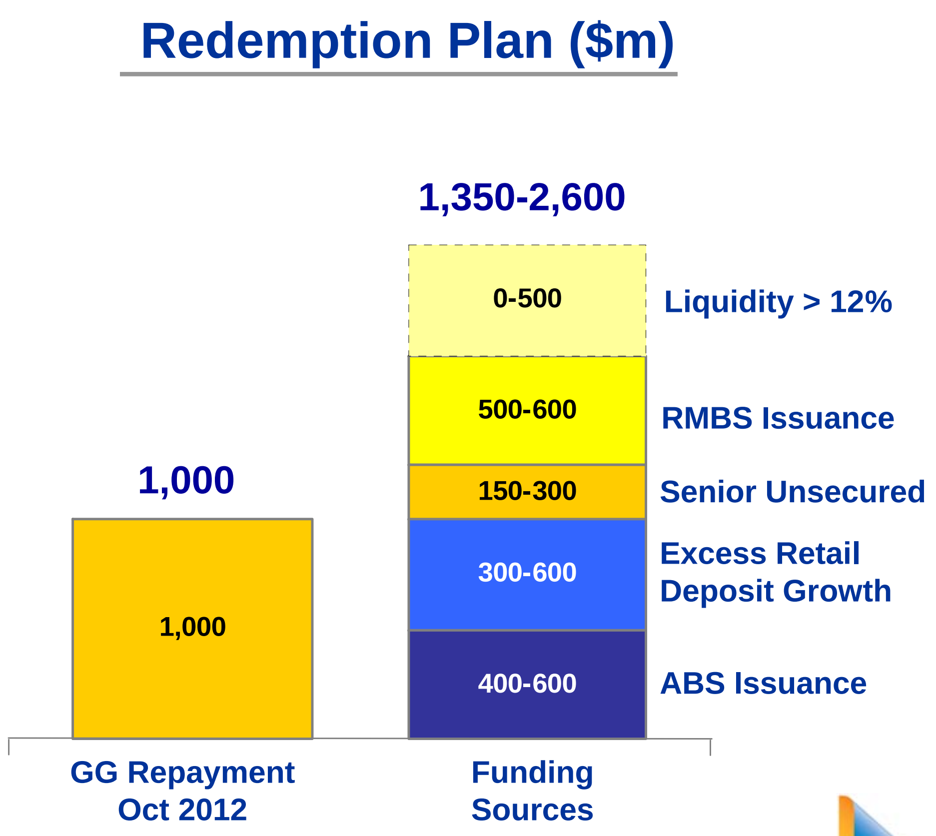
Liquidity



* Post capital raising.

On track for GG Debt Maturity in October

- Primarily aiming to issue in RMBS / ABS markets; strong appetite from domestic & overseas investors
- Excess Retail deposit growth over loan growth of $50m-$80m per month
- Continue to monitor senior unsecured markets for improvement
- Surplus liquidity available – significant excess over 12% requirement; Internal RMBS capacity as further back-up
- Current market rates indicates NIM improvement from maturity



Portfolio Details

Ewan Cameron

Chief Financial Officer

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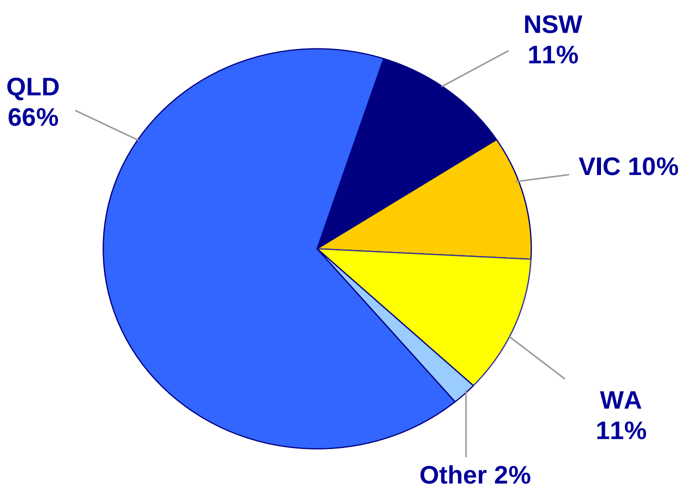
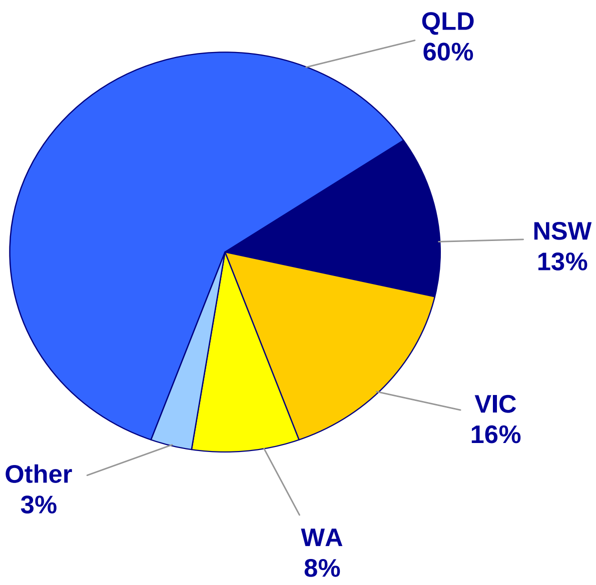
Geographic diversification continues

- Consistent trend of growing geographic diversity – less reliance on Queensland
- Subdued growth across all states

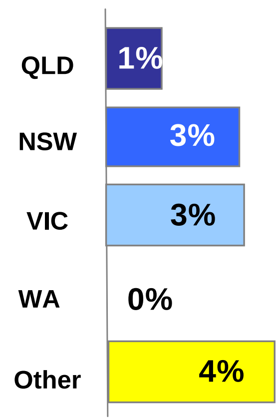
1H09*



1H12*



1H12 – Growth rate %

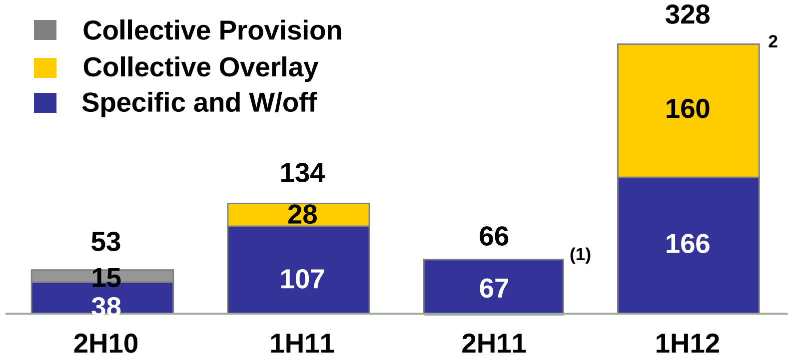


* Loans under management.

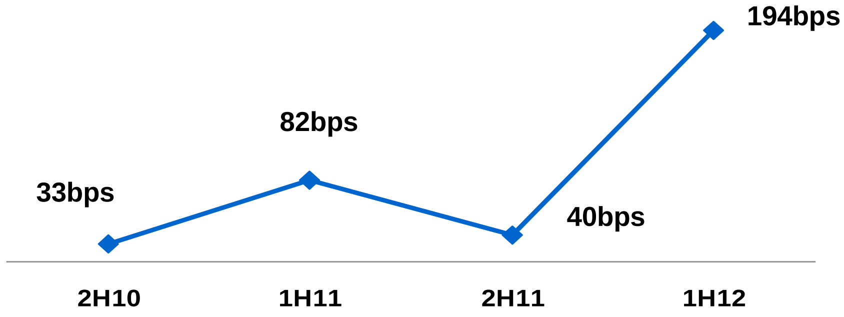
Increased impairment charges coupled with $160 million collective provision overlay

- Commercial review of portfolio resulted in an increased specific charge for the period
- The additional impairment expense that has arisen has been primarily due to the continued decline in commercial property prices in Queensland
- $162 million collective provisions include overlay for both retail and commercial portfolios
- BOQ's collective coverage ahead of other Australian banks

Specific and collective expense ($m)



Annualised impairment charge to gross loans (bps)[1]

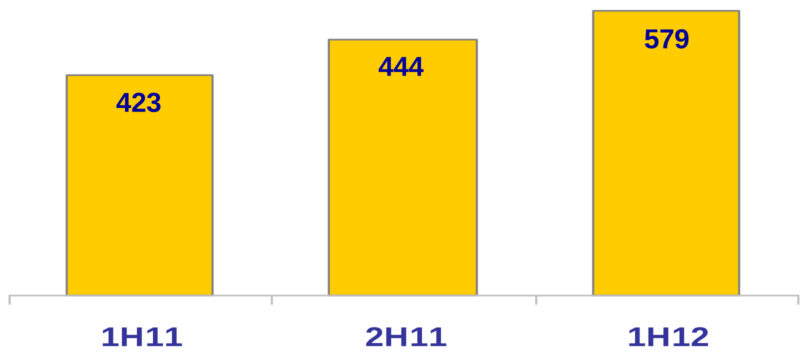


Note: Numbers may not add due to rounding.
(1) Net of specific provision.

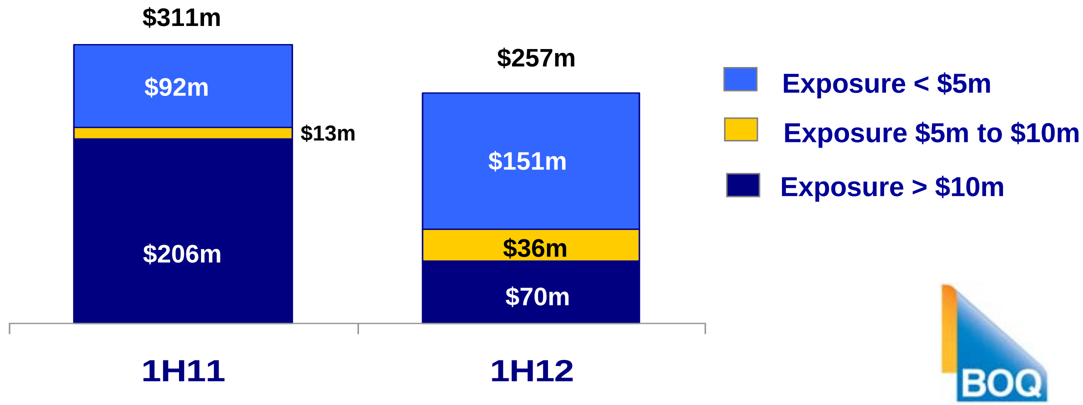
Impaired loans increasing by 30%

- $135 million increase due to a combination of retail and commercial loans
- SE Queensland exposures were particularly prevalent

Total impaired loans ($m)



New individual impaired loans

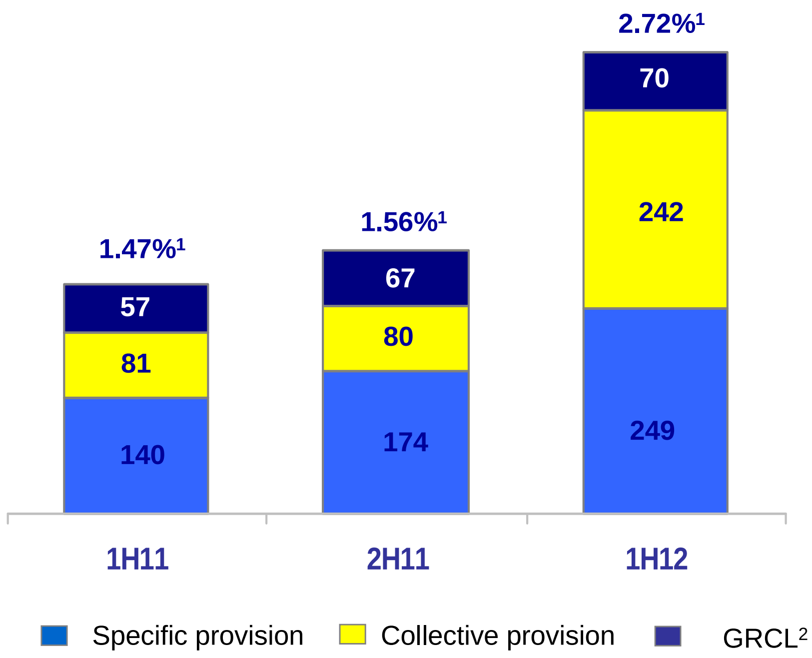


Strengthening and protecting the balance sheet

- Significantly improved specific and collective provision coverage
- Collective provision boosted by $160m in overlays plus $2m in provision changes

Portfolio metrics	1H11	2H11	1H12
Specific / Impaired	33%	39%	43%
Collective / RWA	43bps	39bps	117bps
GRCL[2] / RWA	30bps	33bps	34bps

Provision coverage ($m / %)

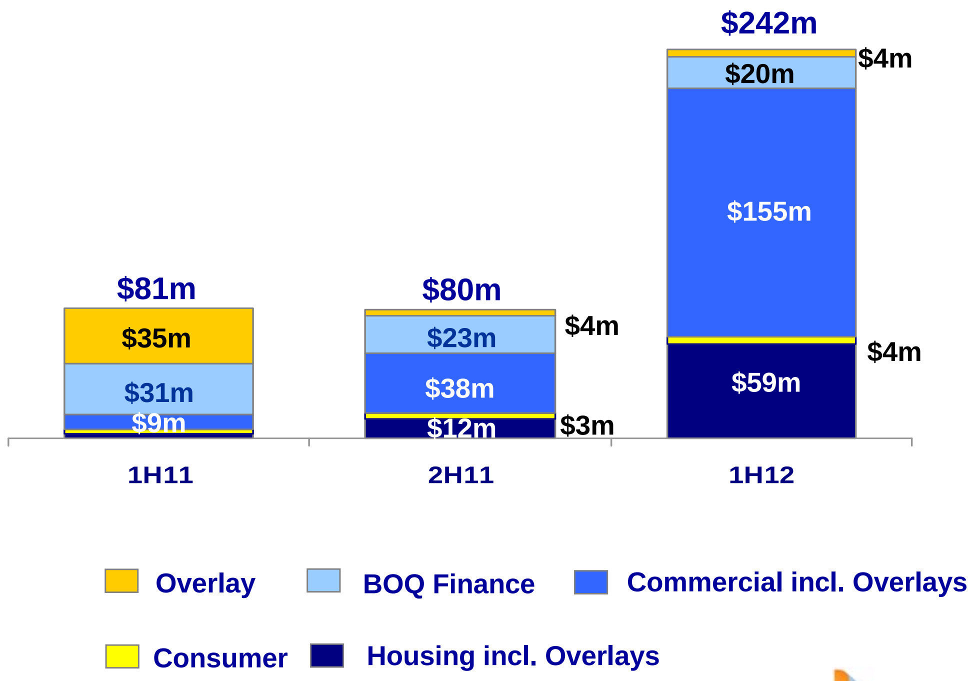


(1) Total provisions + GRCL / Risk Weighted Assets (RWA).
(2) General reserve for credit losses.

More robust collective coverage

- Significant strengthening of Commercial Collective through overlays to provide coverage against downside risk of lower property values across portfolio
- Housing Collective strengthened to reflect higher loss rates currently being experienced, in particular the Gold Coast area

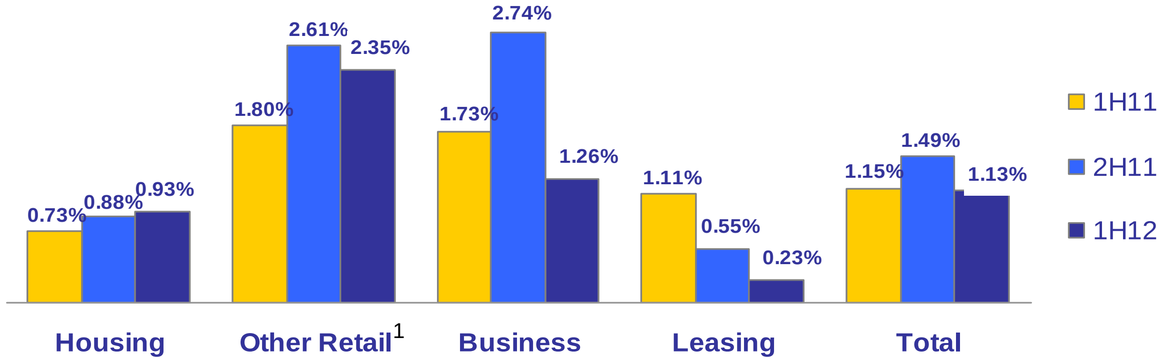
Collective provision



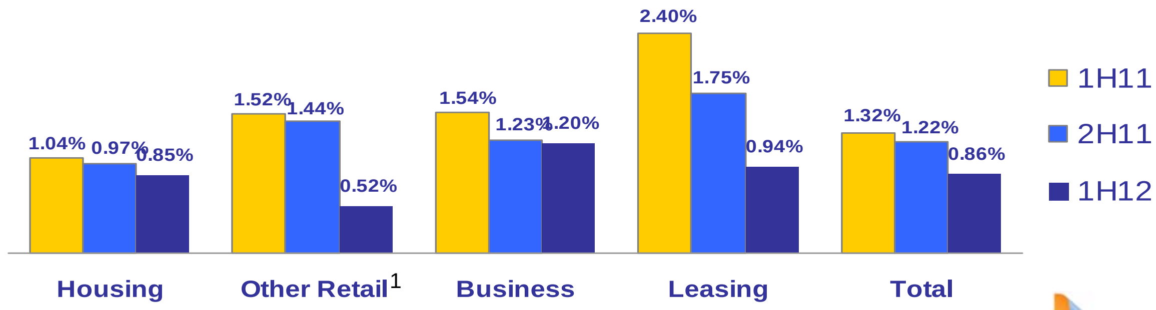
Arrears management

- Home loan arrears saw an small uptick in line with seasonal trends
- New Commercial and Other Retail helped by shift to impaireds
- New arrears 30 – 89 days reduced across all products

Arrears 90 days + by product



Arrears 30-89 days by product



(1) Other Retail includes Lines of Credit.

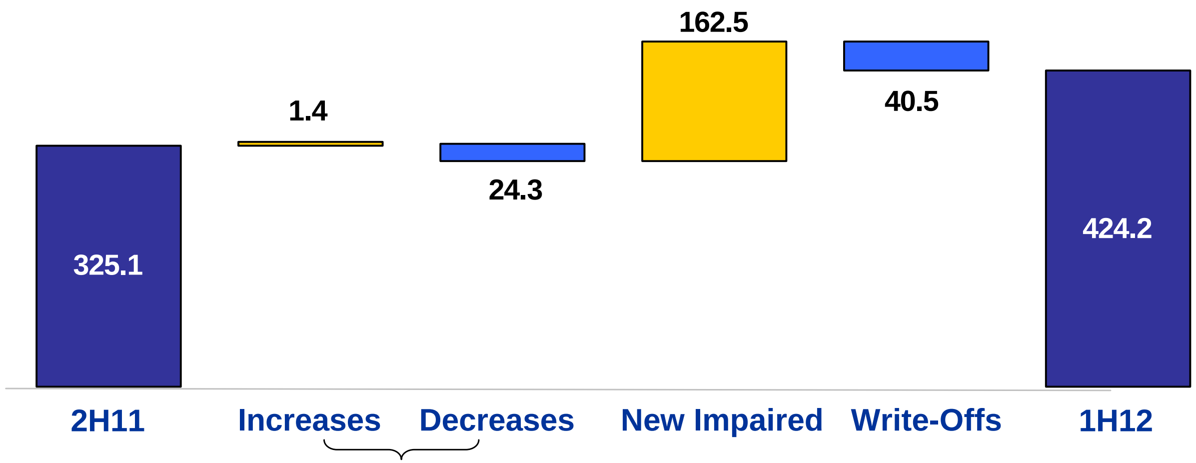
Asset quality review

- A comprehensive review of BOQ's Commercial Loan Portfolio was undertaken during March 2012
- The review was undertaken using external professional firms and comprised teams of experienced bankers, insolvency personnel, and real estate restructuring specialists
- A detailed assessment was made of the higher risk exposures and segments
- $2.1bn (approximately 35%) of the Commercial Loan Portfolio was reviewed

Commercial impaired & provision walk

- Increased Provisions coverage of Impaired Accounts from 42% to 58% through combination of specific provisions and $47m increase to valuation overlay
- New Impaired specific coverage of 45%
- Exit of impaired gathering momentum; 20% of 2H11 balance reduced to written-off during half

Commercial Impaired Asset Walk ($m)



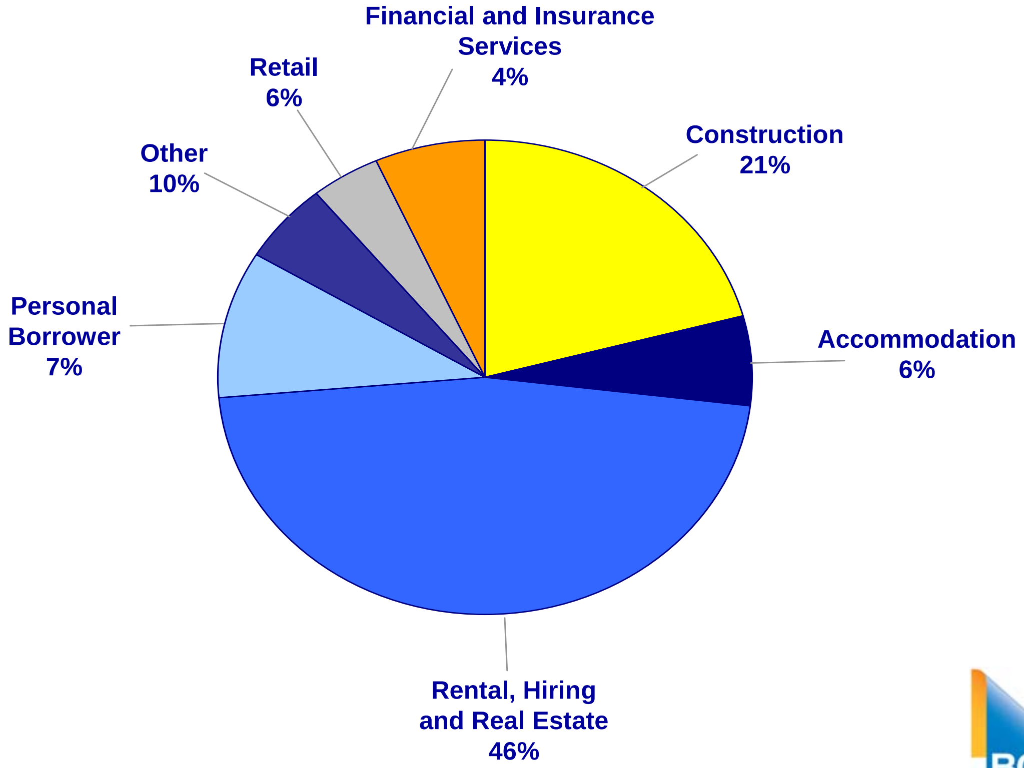
	2H11	Increases / Decreases	New Impaired	Write-Offs		1H12
Specific BDD Expense		32.8	73.5	2.2	=	108.5
Collective Overlay Expense[1]		47.0			=	47.0
Provision Coverage[2]	42%		45%			58%

(1) Valuation Overlay to cover potential valuation reductions across impaired accounts booked as a Collective Provision.
(2) Provision Coverage of impaired including $187.9m specific provisions and $60m valuation overlay.

Large exposures

- The Bank has 24 relationships with exposures greater than $20m. Up 3 from 21 at FY11
- No new customers; increased lending on sub-$20m exposures
- Total commitment exposure $882m (drawn balance $659m)
- 2% of total loans under management
- Large exposures are concentrated in the Property & Construction sectors, accounting for 67% of large exposures. No new impaireds

Largest exposures by Industry group



Strategy & outlook

Stuart Grimshaw

Managing Director and CEO

BOQ

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Global themes

- Developed markets austerity and deleveraging
- Increased liquidity in global markets
- Stabilising global macroeconomic outlook but uncertainties remain
- Emerging markets driving global growth
- Regulatory environment continuing to evolve
- Digitisation

Australian themes

- Solid economic outlook for Australia but risks remain
- Strong and robust Australian banking system
- Moderate credit growth environment
- Large and rapidly growing funds management industry
- Expected shift in super allocation towards cash and fixed interest assets

Strategic rationale

What?

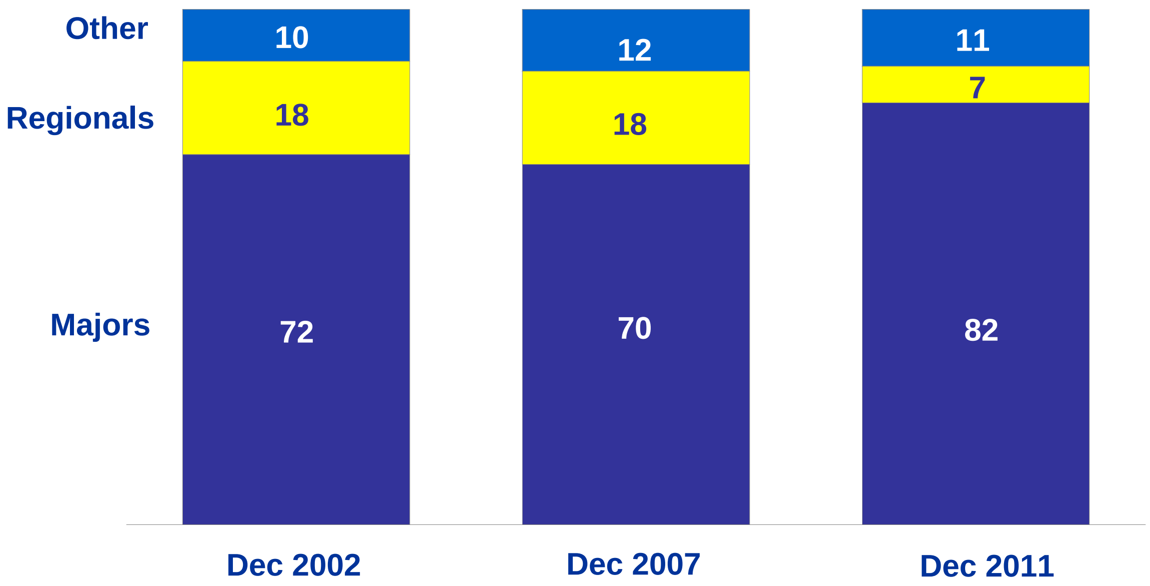
- Create a successful banking model that is:
  - Fit
  - Focused
  - Different

Why?

- There has been little differentiation amongst the competitors
- Customers want something different from their banks
- New models are starting to emerge around the world
- BOQ has a real opportunity to do something different

Majors increasing dominance

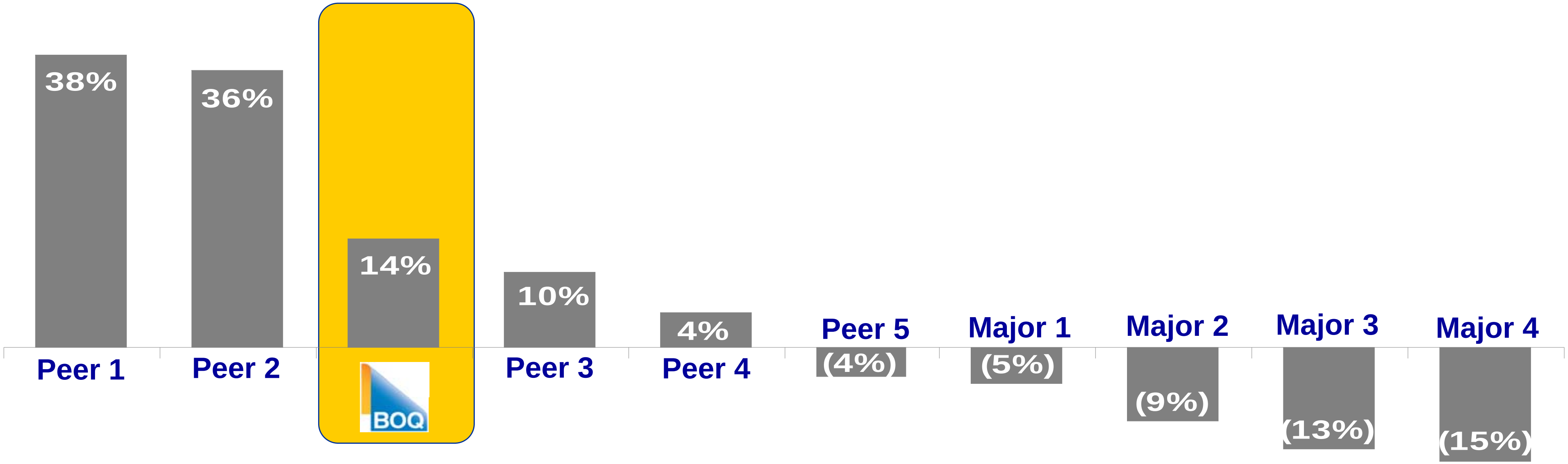
- Australian Banking share of Footings (Non-Financial & Household Lending and Deposits) %



Source: APRA Monthly Banking Statistics, BOQ Analysis

Major bank customers not net promoters

National Customer Advocacy
Net Promoter Score



Source Roy Morgan Consumer Finance Survey 12 months to December 2011. Net Promoter Score is calculated by subtracting the detractors (scores of 1 to 6) from Promoters (scores of 9 or 10). Net Promoter is a customer loyalty metric developed by (and a registered trademark of) Fred Reichheld, Bain & Company, and Satmetrix.

New models emerging in response

- New models starting to emerge globally are based around five main principles

	WHAT THIS MEANS FOR CUSTOMERS:
1. LOCAL AND GLOBAL	Friendly local service **and** global, mobile connectivity
2. CONTROL AND ADVICE	Individuals want control of their finances **and** to take advice when needed
3. TRANSPARENCY	No hidden extras or fees and penalties
4. SIMPLICITY	A few, simple, flexible products and simple easy to use channels
5. VALUE FOR MONEY	Don't mind paying when there is value: Prepared to pay higher prices for enhanced customer experience, excellent service and enjoy two-way loyalty (but don't want to be ripped off or taken advantage of)

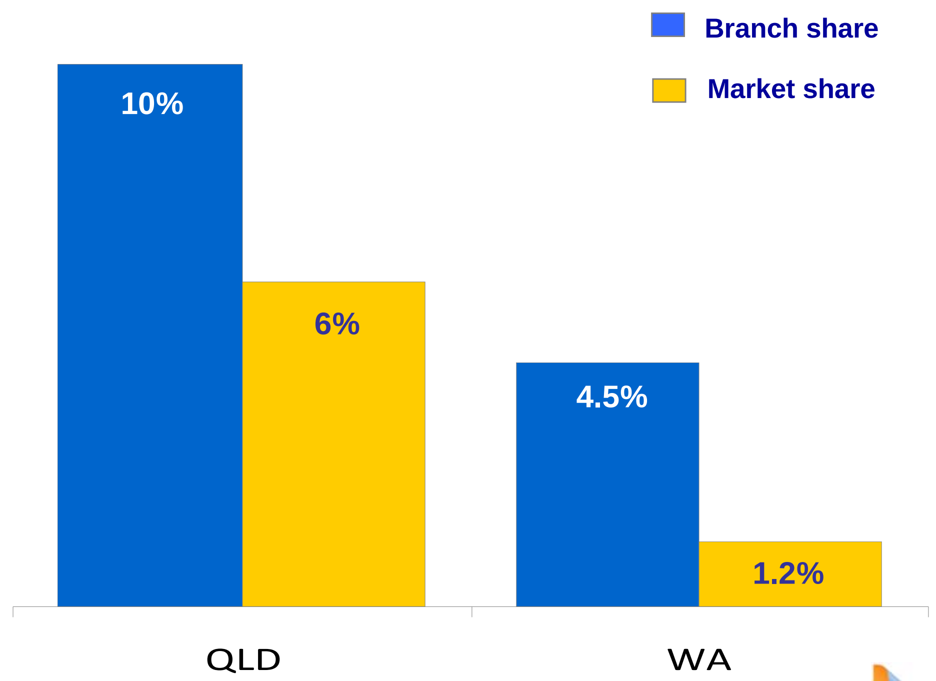
BOQ's opportunity

BOQ OMB model positions for unique growth and customer experience

- Managers motivated to grow their own business by serving new customers
- Unmatched longevity in the branch, motivation to serve customers for the long term
- Local connection with the community, local understanding of the community
- Model designed to promote network growth
- Managers incentivised to invest in local marketing
- Managers incentivised to continuously improve the customer experience and share innovation to build strength in the network

BOQ distribution outstrips share

% of market



How we will do it

- We will re-invent our challenger business and explore long term breakout options

1. A more disciplined and focused organisation

- Leadership & culture – new leaders appointed, cultural change kicked off with key leaders
- Accountability, delivery and performance – clearly defined roles & responsibilities
- Process efficiency and cost effectiveness – Performance Improvement Program underway
- OMB engagement, performance and risk – refinement of OMB model structure & incentives

2. Commitment to being a real challenger

- Target attractive niches – relationship segments (SME, agri & traditional)
- Offer a compelling alternative to traditional Majors – as above
- Simple, straight-forward banking – simplified products & processes
- Multi-channel – OMB, Brokers, online & telephone (on customers' terms)

3. Explore breakout options

- Partnering – scaleable technology partnerships
- New technologies
- New business models – flexible and innovative technology & operating models

Short term priorities

- In the short term, we have some key themes and actions

Area of work	What is being looked at / changed:
Quick wins	• Opening up mortgage broker channel • Expand telephone banking hours & scope
Core process redesign	• Internal process efficiency improvement (benchmarking to competitors, customer experience) • Doing the work in the right place (get maintenance out of branches, redesign OM-BOQ responsibilities)
Leadership & accountability	• Key leadership appointments, setting role definitions and behavioural expectations • De-layer, re-organise to localise decision making
OMB: Engagement, incentives, risk	• Leverage off the existing strong OMB distribution network • Improve cross sell • Adjustments to incentives to reward appropriate risk behaviour
Building a winning business bank	• Development and implementation of SME offer, channel strategy and branding • Development and implementation of specific offers, channel strategy, branding for >SME market
Challenger business model concept	• Scoping options for challenger business model: based on product/pricing innovations, branding and channel strategies to support them • Identify key product gaps e.g. fixed income retail products, wealth, life insurance etc.

How we will measure operational success

1. **Share of wallet ➔** means stronger relationships
2. **Share of markets ➔** equals higher income
3. **Share of channels ➔** opportunities to serve customers
4. **Net Promoter Score[1] ➔** delivers more customers
5. **Franchisee and staff engagement ➔** how we get things done

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Long term opportunities

- Footprint vs. market share gaps offer significant opportunities for long term upside

Metric		Where we are today	Best in class competitor
1.1	Share of wallet[1]	• Banking: 59% • Wealth: 0%	• Banking: 58% • Wealth: 7%
2.1	Retail market share[2]	• QLD: 6.0% • WA: 1.2%	• QLD: 18.2% • WA: 20.4%
2.2	SME market share[3]	• QLD: 4.8% • WA: 1.3%	• ~26%
3.1	Share of broker channel	• 0%	• ~30%
3.2	Points of presence (branches only)	• QLD: 149 / 10.0% • WA: 30 / 4.5%	• QLD: 205 / 13.7% • WA: 118 / 17.8%
4.1	Net promoter score	• 14%	• Majors: -5% • Banks: 36% • Overall: 38%
5.1	Franchisee and staff engagement	• Franchisee NPS +10% • Staff engagement 75% (2010)	• Franchise sector avg +39% • Staff engagement >80%

(1) Banking includes Cards, Loans, Accounts; Wealth includes Managed Investments, Personal Super (Work Super excluded).
(2) All household lending (loans and cards).
(3) Share of business loans under $5M.
Source: Annual Reports, APRA, BOQ analysis, Canstar Market Share, Roy Morgan Research, Franchise Relationships Institute

Outlook

- High exchange rate and weakened confidence has created a difficult economic environment, particularly notable in SE Queensland
- Credit growth has been subdued. We expect this to continue through to 2H12
- We see opportunities in our core geographical markets (extractive industry, downstream small business, logistics, etc) of Queensland and Western Australia
- We will focus on our relationship based businesses of business banking, agribusiness and our core retail customers
- We will target growth above system over the long term whilst maintaining costs at or under inflation
- We will focus on productivity improvements and being there for our customers when they need us

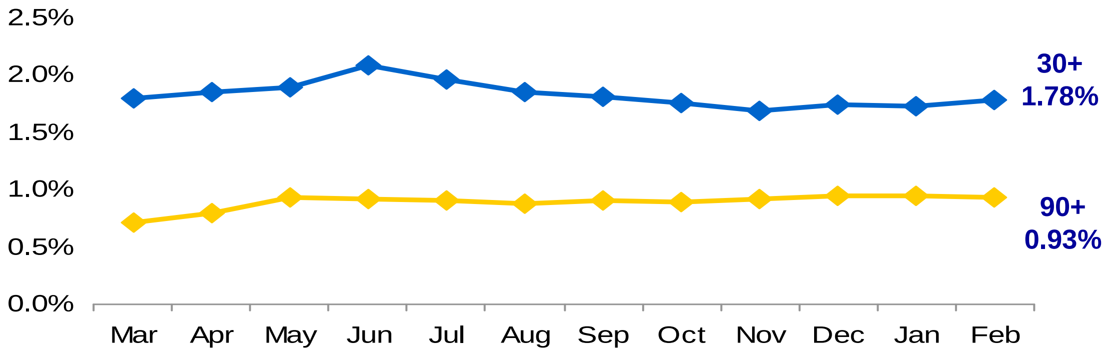
Appendix:
Portfolio information

BOQ
Your own personal bank

Home Loan portfolio

- Home loan arrears stabilised
- Impaireds up due to increased repossession activity, resulting in higher specific bad debt expense
- Losses driven by Gold Coast loss experience, in particular $1m+ exposures
- Gold Coast exposure in 90+ arrears of $48m (Home Loan & Line of Credit); 28% loss rate applied for collective overlay purposes

Housing arrears 30 / 90 Days

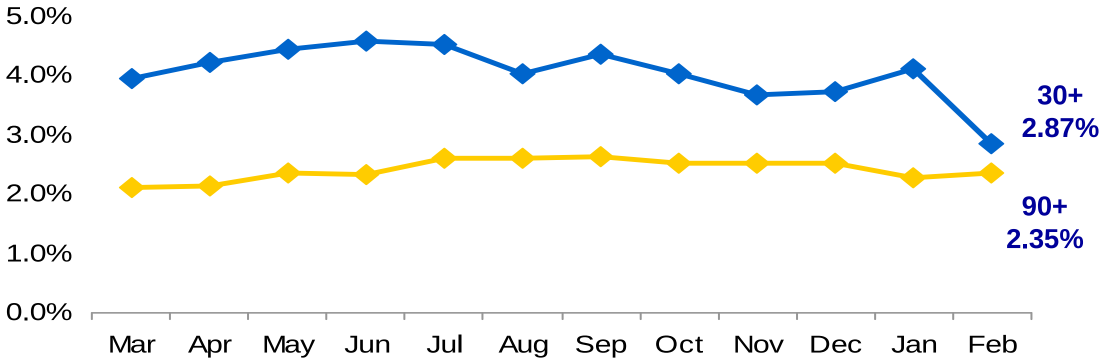


Portfolio metrics	1H11	2H11	1H12
Portfolio size ($b)	17.5	18.4	19.4
Impaired ($m)	59.1	61.6	88.6
Impaired %	0.34%	0.34%	0.46%
Specific BDD expense ($m)	10.3	10.7	20.3
Specific BDD / Portfolio (%Ann)	0.12%	0.12%	0.21%
Specific provisions ($m)	12.3	16.9	27.6
Collective provisions ($m)	2.0	6.5	37.9
Total provision coverage	0.08%	0.13%	0.34%

Lines of Credit portfolio

- 30 Day arrears showing positive trends until November as a result of increased collection activity
- Seasonal impact during December and January; February lower due to 29 day month
- Impact of Gold Coast driving increased specific provisions and increased collective
- Uplift in Provision Coverage to 80bps

Line of Credit 30 / 90 days

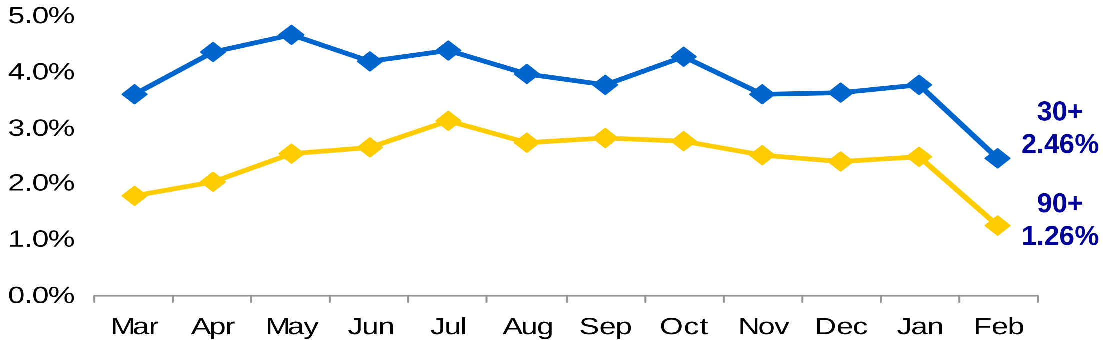


Portfolio metrics	1H11	2H11	1H12
Portfolio size ($b)	5.7	5.5	5.2
Impaired ($m)	23.5	27.7	45.5
Impaired %	0.41%	0.50%	0.87%
Specific BDD expense ($m)	4.8	7.5	16.7
Specific BDD / Portfolio (%Ann)	0.17%	0.27%	0.64%
Specific provisions ($m)	5.3	10.7	19.1
Collective provisions ($m)	1.0	5.4	22.8
Total provision coverage	0.11%	0.29%	0.80%

Commercial portfolio

- February improvement in Commercial Arrears driven by increased impaireds
- $99m increase in impaired loans driven by the reduction in collateral security values
- Specific impaired coverage increasing from 38% to 44%
- Overall provision coverage significantly uplifted to 6.5%

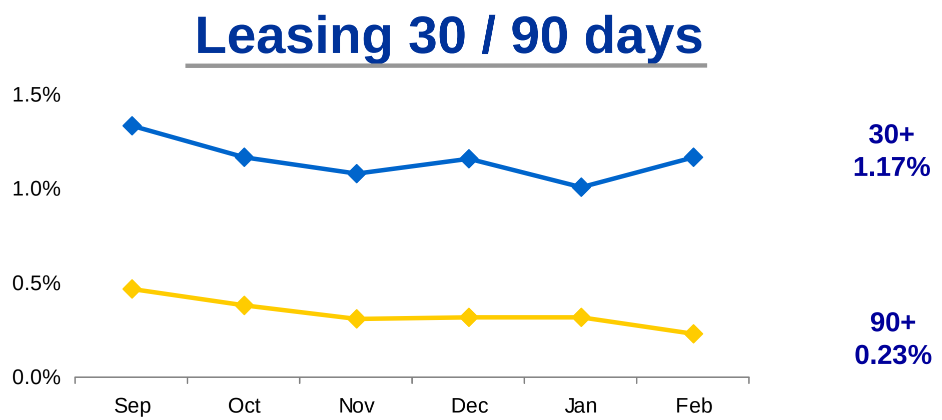
Commercial 30 / 90 days



Portfolio metrics	1H11	2H11	1H12
Portfolio size ($b)	5.2	5.4	5.3
Impaired ($m)	337.1	325.0	424.2
Impaired %	6.42%	6.05%	8.04%
Specific BDD expense ($m)	70.8	26.9	108.5
Specific BDD / Portfolio (%Ann)	2.70%	1.00%	4.11%
Specific provisions ($m)	91.3	125.0	187.9
Collective provisions ($m)	9.3	24.8	156.6
Total provision coverage	1.92%	2.79%	6.53%

Leasing portfolio continues to improve

- Improvements in asset quality trends holding; arrears at long term low levels
- Impaired loans running down from Aug 2011 peak of $28m
- Maintaining strong collective provision against arrears accounts



Portfolio metrics (in Debtor Fin)	1H11	2H11	1H12
Portfolio size ($b)	3.6	3.6	3.7
Impaired ($m)	15.7	28.4	19.7
Impaired %	0.43%	0.80%	0.53%
Specific BDD expense ($m)	19.0	23.5	20.3
Specific BDD / Portfolio (%Ann)	1.05%	1.32%	1.10%
Specific provisions ($m)	10.9	19.3	13.9
Collective provisions ($m)	31.1	22.8	20.3
Total provision coverage	1.16%	1.18%	0.92%

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