

**Bank of Queensland**  
**JP Morgan Investor Conference**  
**New York, USA**  
**September 2008**



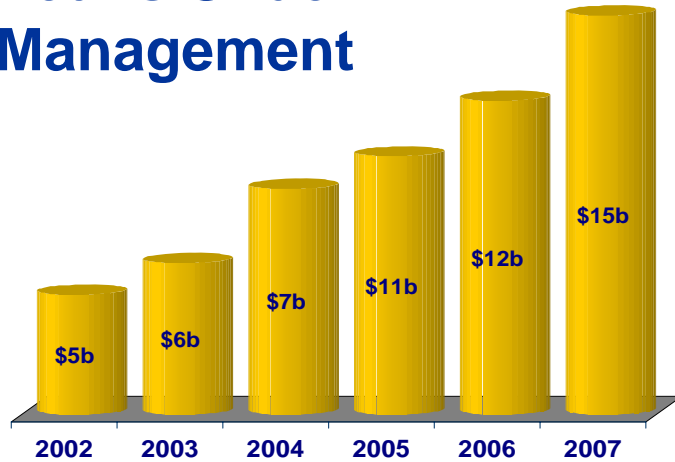
# Bank of Queensland

- ▶ BOQ is a regional retail bank headquartered in Queensland
- ▶ Market capitalisation approximately \$2.3b – assets under management more than \$26b
- ▶ We currently have 283 retail sites in every state and territory in Australia, complemented by 16 business banking centres and 2,600 branded ATMs
- ▶ We've delivered significant above system growth in lending and deposits through the unique Owner Managed Branch (OMB) distribution model – we are leading the banking system in Australia, without using brokers!
- ▶ Strong expansion strategy via OMB model since 2002 supported by niche acquisitions in key markets.
- ▶ Business Bankers are aligned to support this franchised retail approach



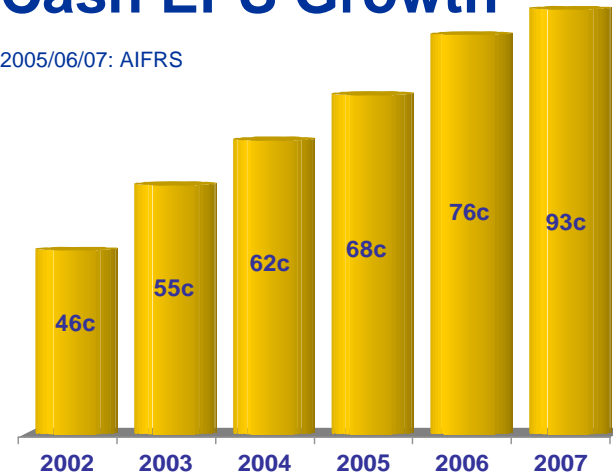
# A growth story....

## Loans Under Management



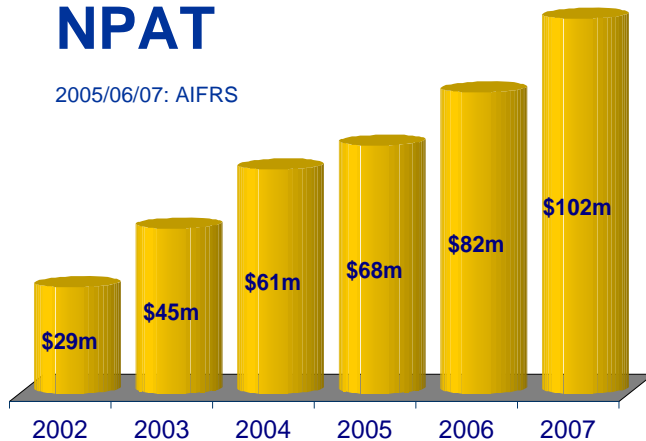
## Cash EPS Growth

2005/06/07: AIFRS

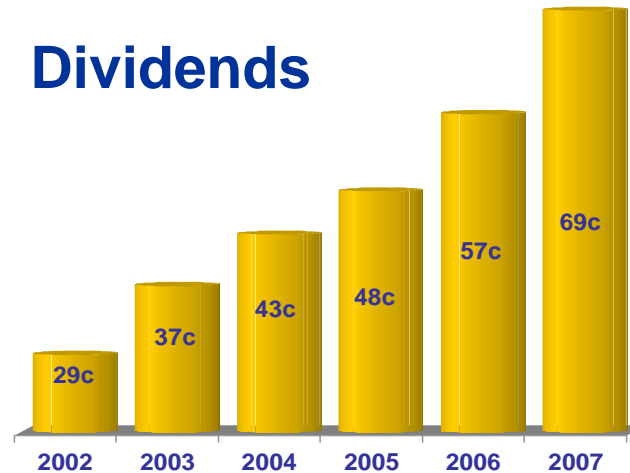


## NPAT

2005/06/07: AIFRS



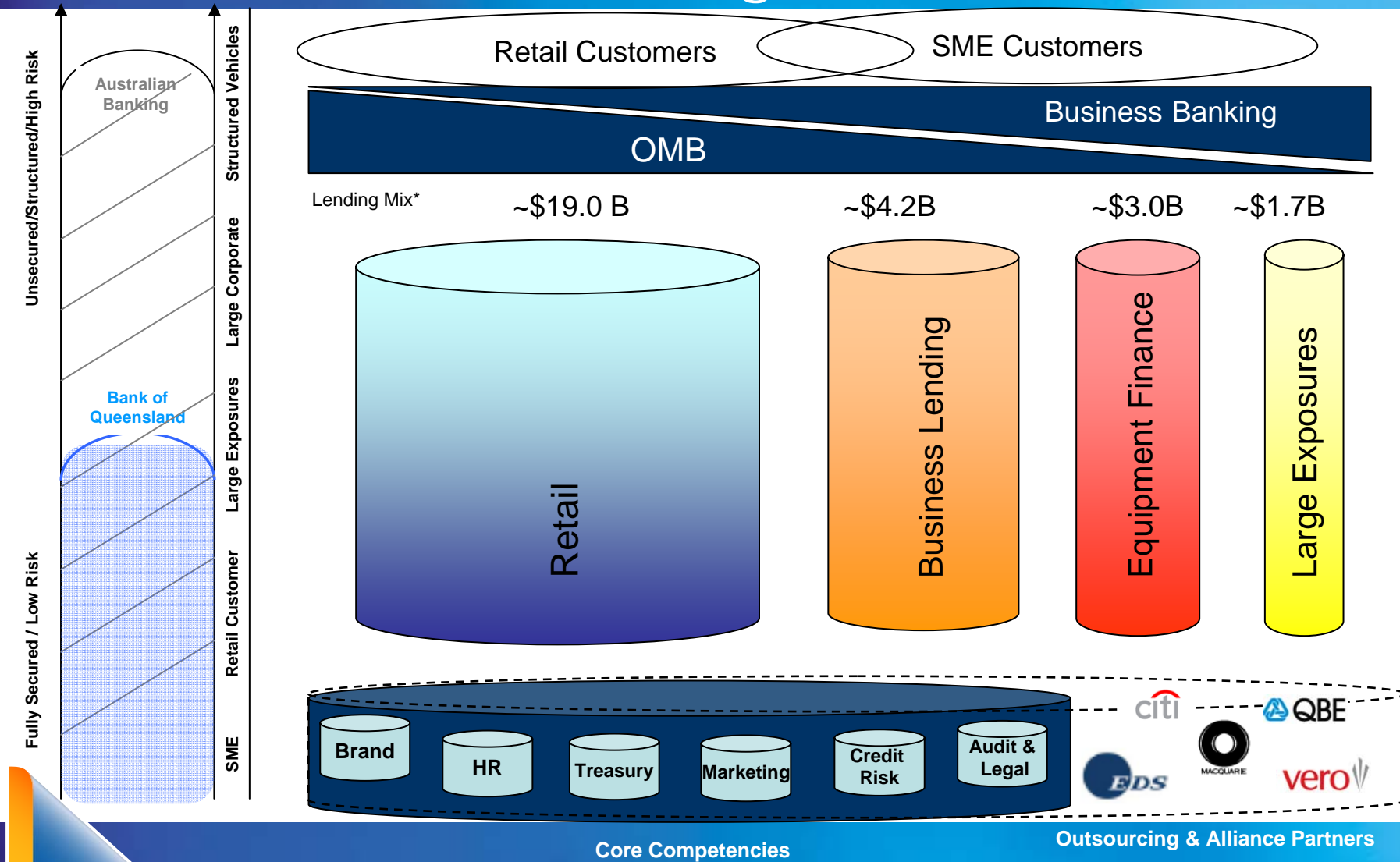
## Dividends



# Differentiated banking model

- ▶ Expansion strategy based on rolling-out the Bank's Owner Managed Branch (OMB) operating franchise model.
- ▶ This is a unique empowered distribution model that provides us with a sustainable competitive advantage. We are differentiating through our service and distribution focus.
- ▶ It combines the benefits of a motivated sales culture with a compliance focused culture.
- ▶ Our expansion strategy:
  - leverages the Bank's investment in infrastructure and its banking license
  - through expansion on a low, variable cost basis
  - attracting the best relationship bankers by rewarding performance
  - underpins the Bank's substantial branch expansion, and
  - whilst creating shareholder value

# Our model ... lower risk, less capital intensive and growth driven

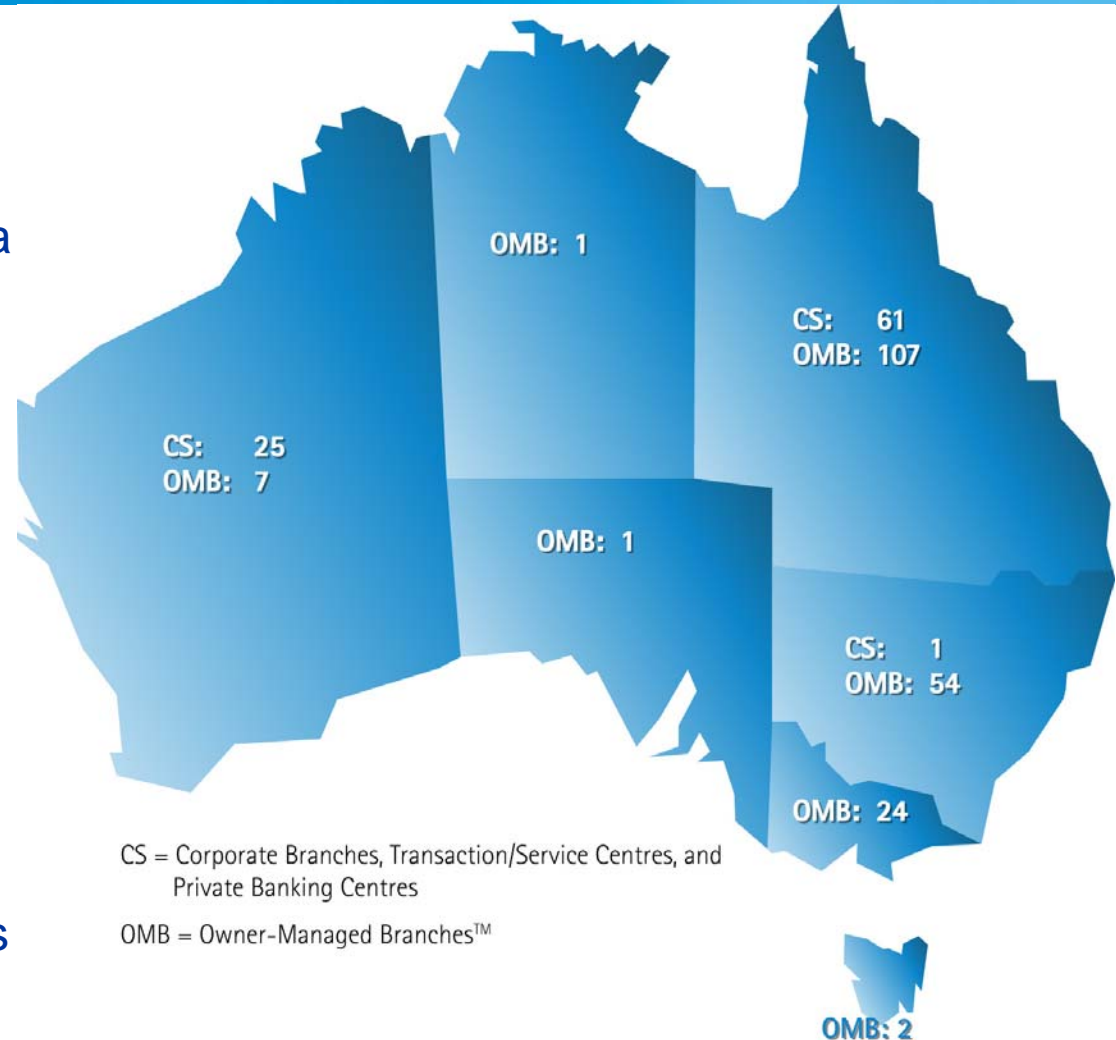


# Evolution of the OMB Model

- ▶ To our customers and the public an Owner Managed Branch has the same appearance as a corporate branch, but offering an enhanced sales and service offering.
- ▶ The Bank has operated this model for over 30 years, initially called Private Agencies.
- ▶ Originally the agent was paid a fee per transaction, however, this did not align with the creation of shareholder value through growing our business.
- ▶ In 2001/2002 the model was completely revised to a franchising model. The focus was to align the return of the Owner Manager to the Bank's goal of growing shareholder value.
- ▶ Now Owner Managers receive a share of the Bank's revenues from operating a branch.

# Building a National Branch Network

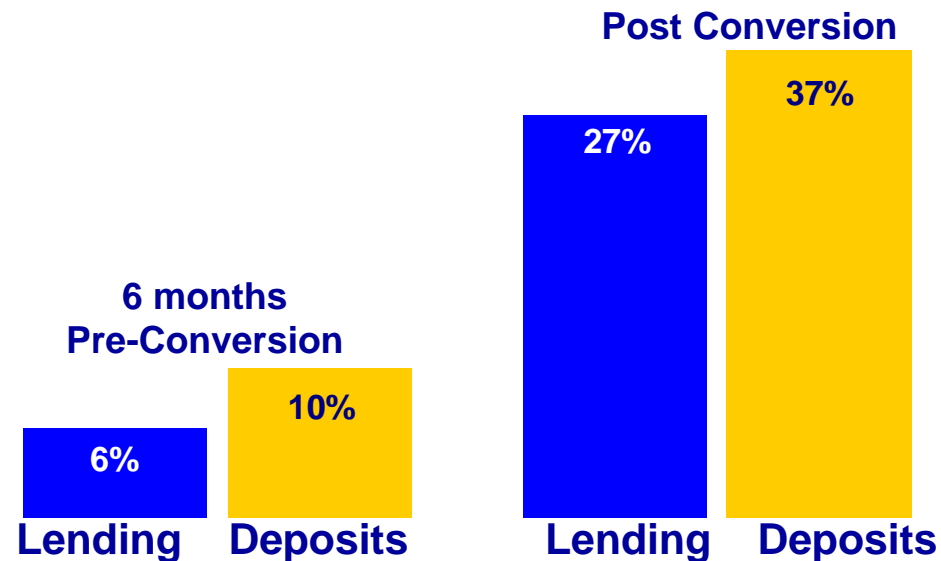
- ▶ The OMB model is a unique empowered distribution model that provides us with a sustainable competitive advantage.
- ▶ From the Bank's perspective it is a low cost expansion strategy. It is a variable model that rewards performance.
- ▶ Since 2001, the Bank has expanded from 93 branches to now having 283 retail sites in each state of Aust.



# Uniquely productive Retail banking network

- ▶ We have now converted 22 corporate branches to OMBs
- ▶ Average monthly settlements have increased **62%** post conversion
- ▶ BoQ has a unique synergy when acquiring any retail branch network ....creates higher affordability and higher accretion

## Annualised growth before and after conversion

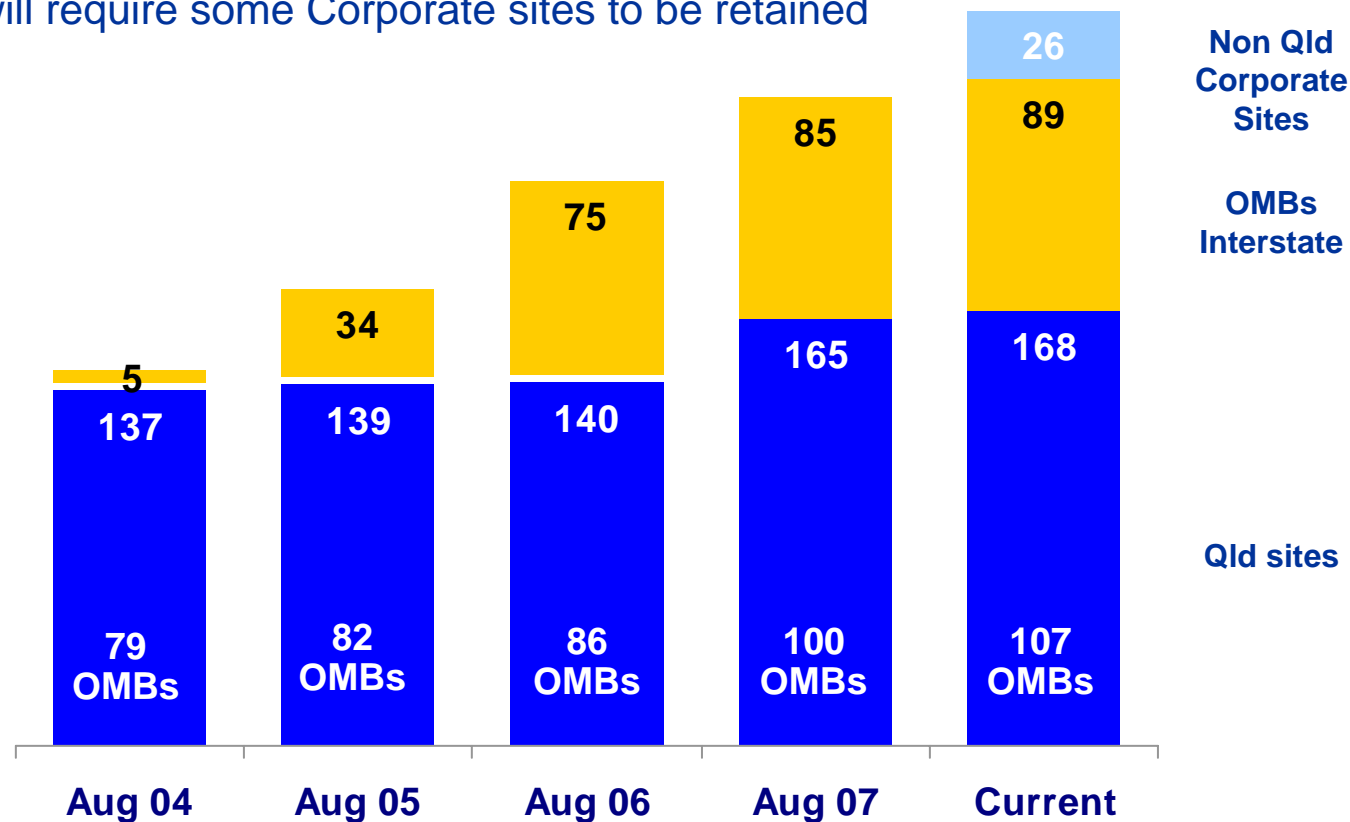


Note: For branches converted with at least 3 months of results since conversion.



# Growth Acceleration opportunities...

- ▶ With the Home acquisition, 69 branches are potential candidates for conversion to OMB model
- ▶ Model will require some Corporate sites to be retained



# How does the OMB model work?

- ▶ An Owner Managed Branch is a small business; Operating under a 5 year franchise Agreement with BoQ
- ▶ Owner Manager (OM) pays establishment and operational costs
- ▶ OM shares profits directly flowing from branch business
- ▶ OMBs look the same as a Corporate branch, but have enhanced service
- ▶ BOQ centrally controls:



# It is based on alignment of interests

Individual remuneration together with growing a valuable business has been the key to the success of the model

## The Owner Manager covers:

- ▶ Set-up and ongoing operating costs
- ▶ Salaries for branch staff
- ▶ IT supply, lease payments and premises costs

## The Owner Manager receives:

- ▶ Share of net revenues generated from lending and deposits
- ▶ Share of non-interest and fee income
- ▶ A fee per transaction processed

**The Owner Manager also receives the capital appreciation from any increase in value of the business**

# OMBs are empowered

- ▶ This model delivers on the service excellence promise
- ▶ Superior experience means different things to different people:
  - Recognition/understanding of personal needs
  - Access
  - Price
- ▶ This is achieved profitably as organisational and branch revenue drivers aligned; Transforms the branch network into a powerful sales channel vs. transaction support focus of our competitors
- ▶ Service is tailored to the local market
  - Flexible hours
  - Understanding of local market
  - Use of local business & social networks

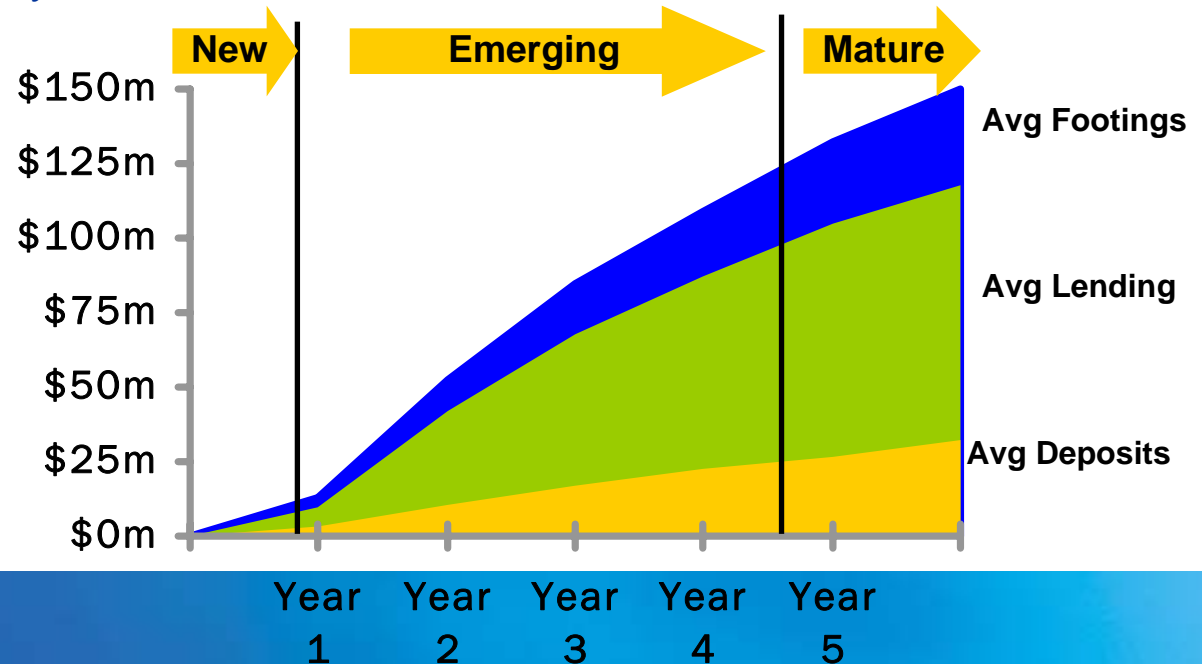
# Benefits of the OMB model

- ▶ The OMB model drives shareholder value through:
  - Superior Sales productivity
  - Rewarding a customer service focus
  - Eliminates branch-startup capex
  - Variable cost structure aligned to performance
- ▶ Franchising offers:
  - The potential to “step-change” sales performance
  - Talent magnet for sales management
  - Stable Management building long term relationships
  - Unleashes entrepreneurial energy
  - Convenience retailing

# Profitability of Expansion

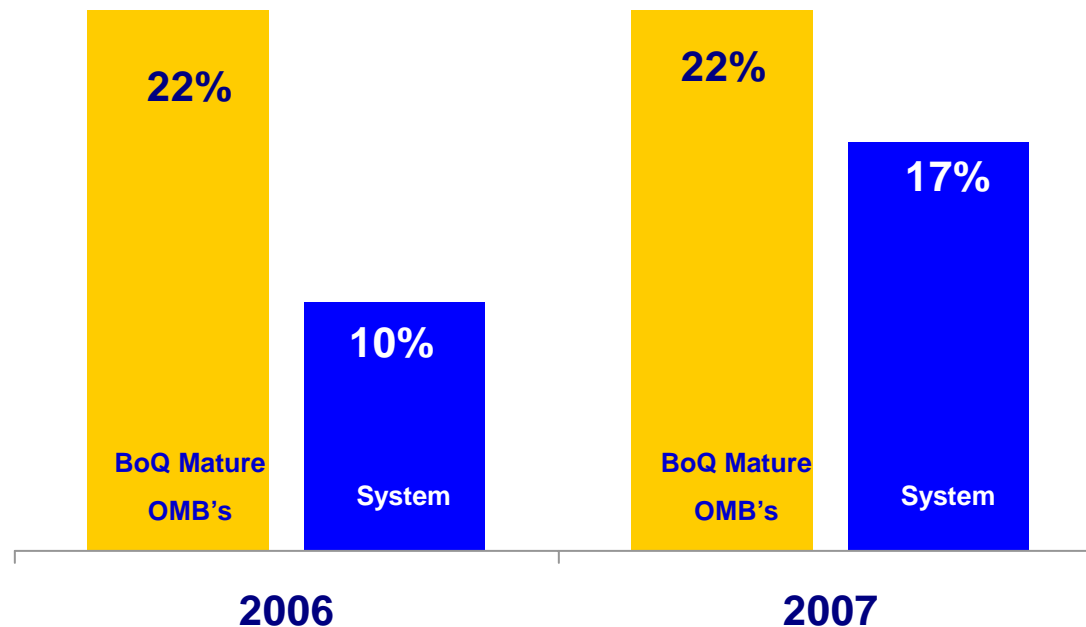
- ▶ Our Owner Managed Branch model has proved to be successful.
- ▶ Generating strong lending and deposit growth from growing a strong customer base.
- ▶ The branches we have opened to date fall into 3 categories:
  - New - opened within last year
  - Emerging - 1 to 4 years old
  - Mature - open for >4 years

Model of the expected performance. Lending growth leads deposit growth.



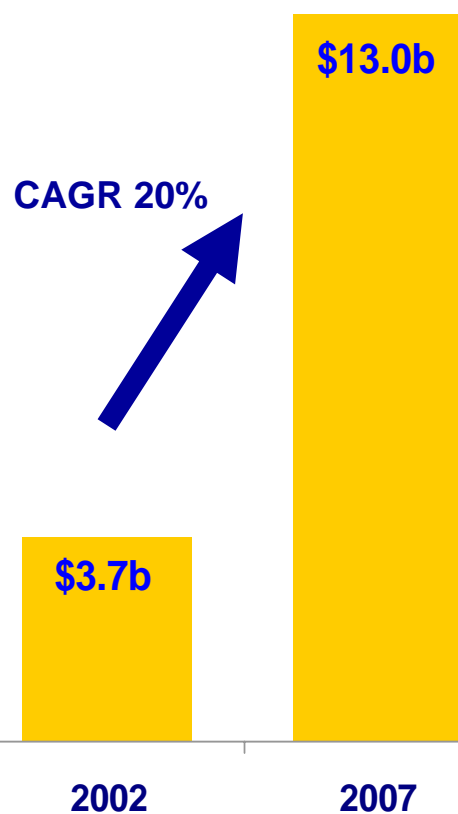
# Sustaining the growth momentum...

- ▶ The exponential growth track record from green field branch openings is proven. However, existing mature Qld network continues to grow well above system, beating the expected return to system growth

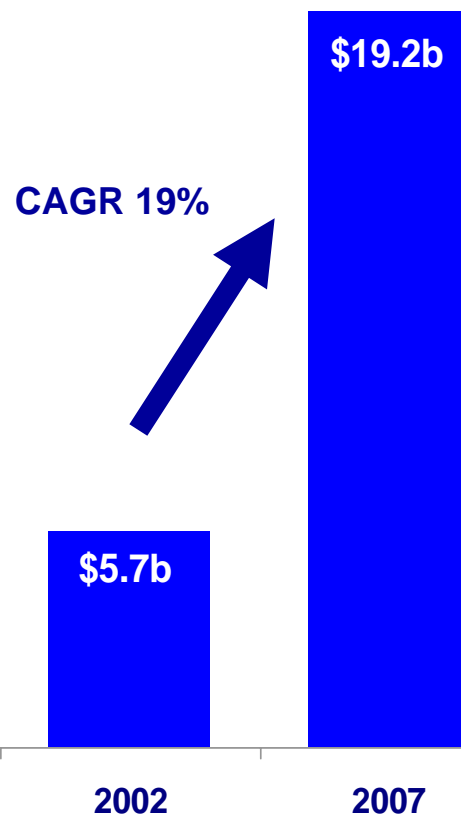


# Track record of superior growth...

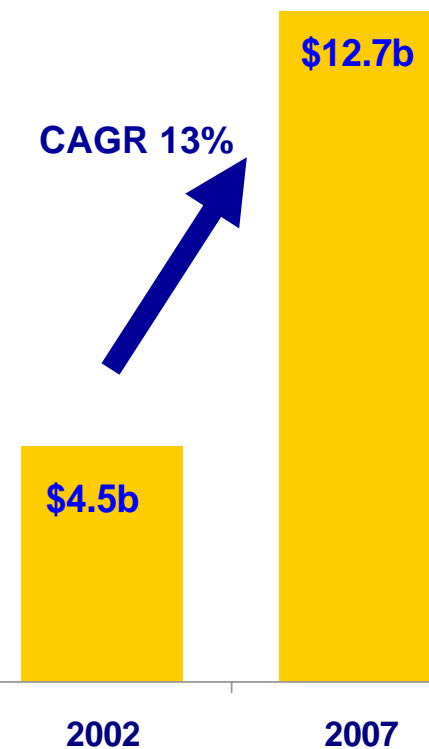
## Loan Approvals



## LUM



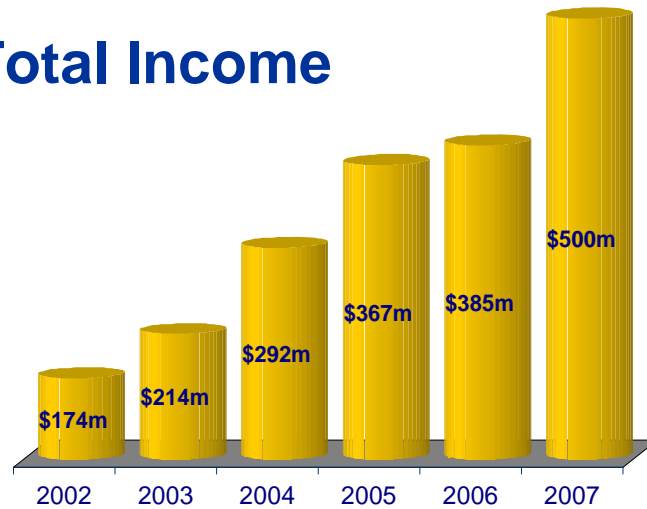
## Retail Deposits



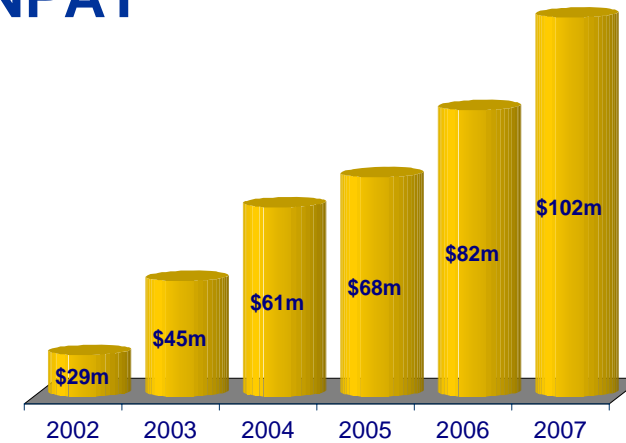


# Resulting in exceptional results...

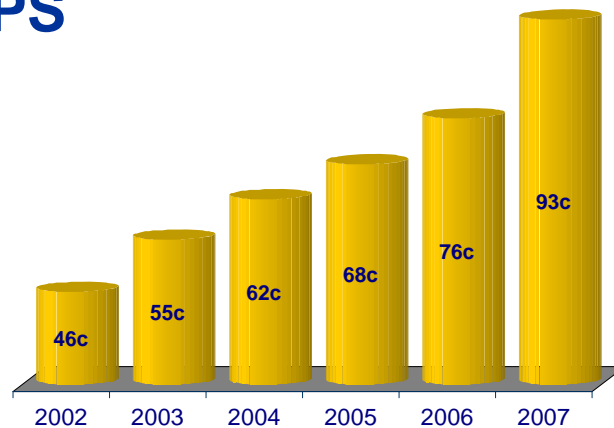
## Total Income



## NPAT



## EPS

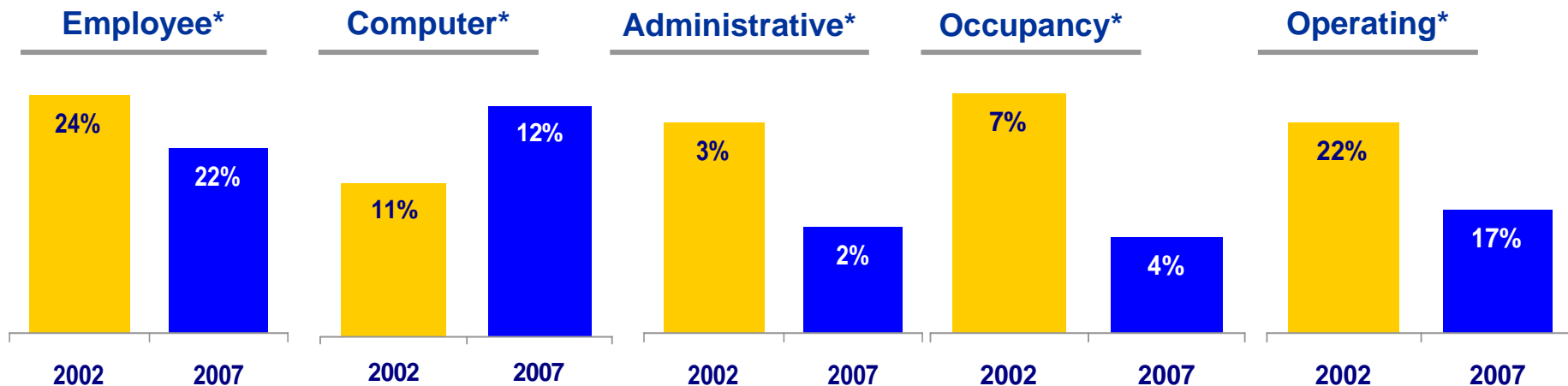


## Cost-to-Income Ratio



# Expense discipline

- ▶ Cost disciplines introduced to offset volatile markets without compromising the long term potential of the brand or our unique distribution model
- ▶ Adjusting for amortisation of customer contracts, major expense categories have been flat/declining relative to income growth

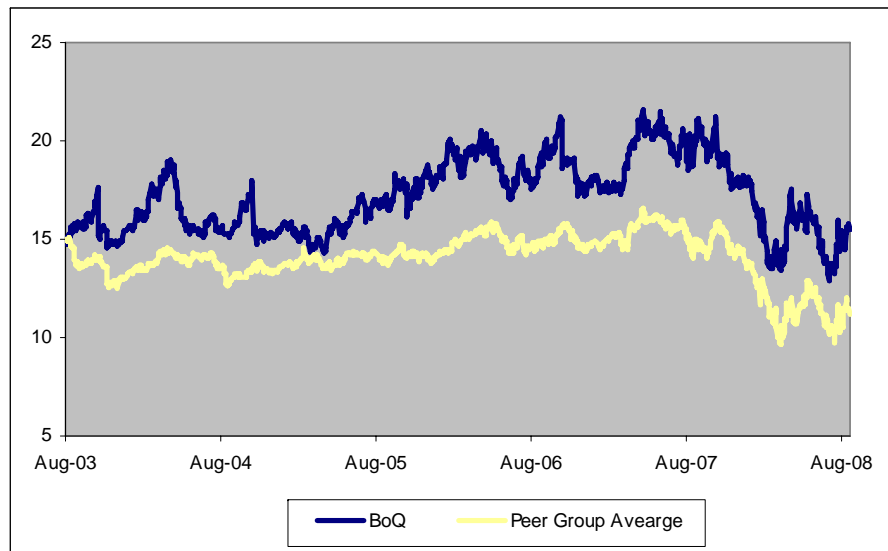


\* Expressed as a percentage of total income

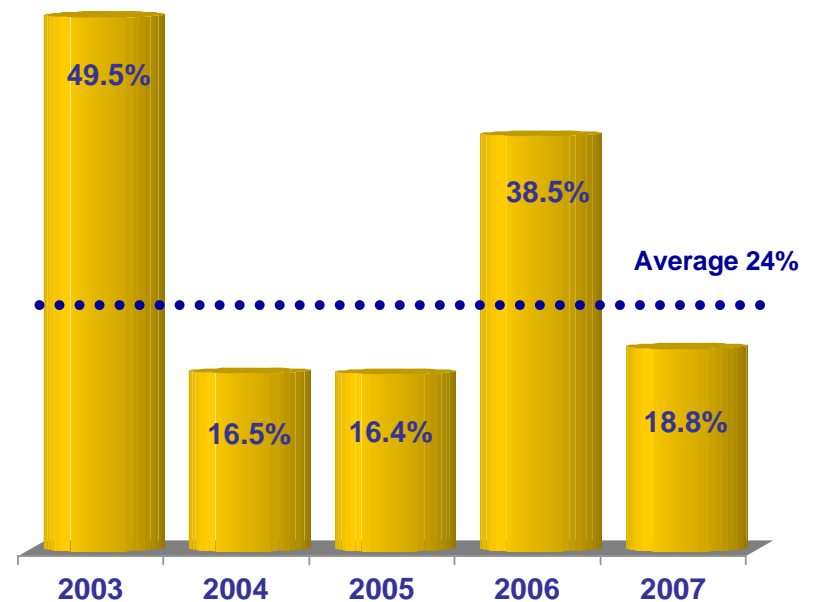
# Shareholder returns

- ▶ BOQ has a strong track record of maintaining share price premium even in difficult times and delivering exceptional shareholder returns

P/E Ratio – BOQ v Peer Group Average



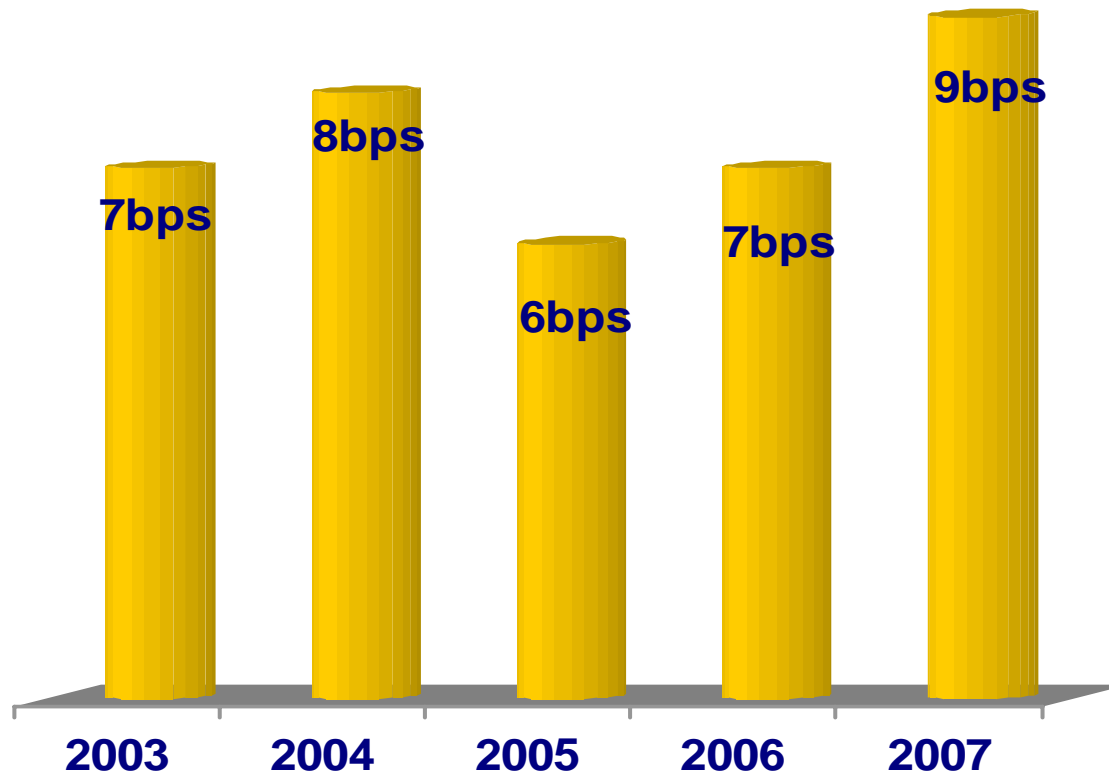
BOQ Historical TSR



# Continuing asset quality

- ▶ The exponential growth has been driven by the expansion of a highly productive network, not at the expense of asset quality...

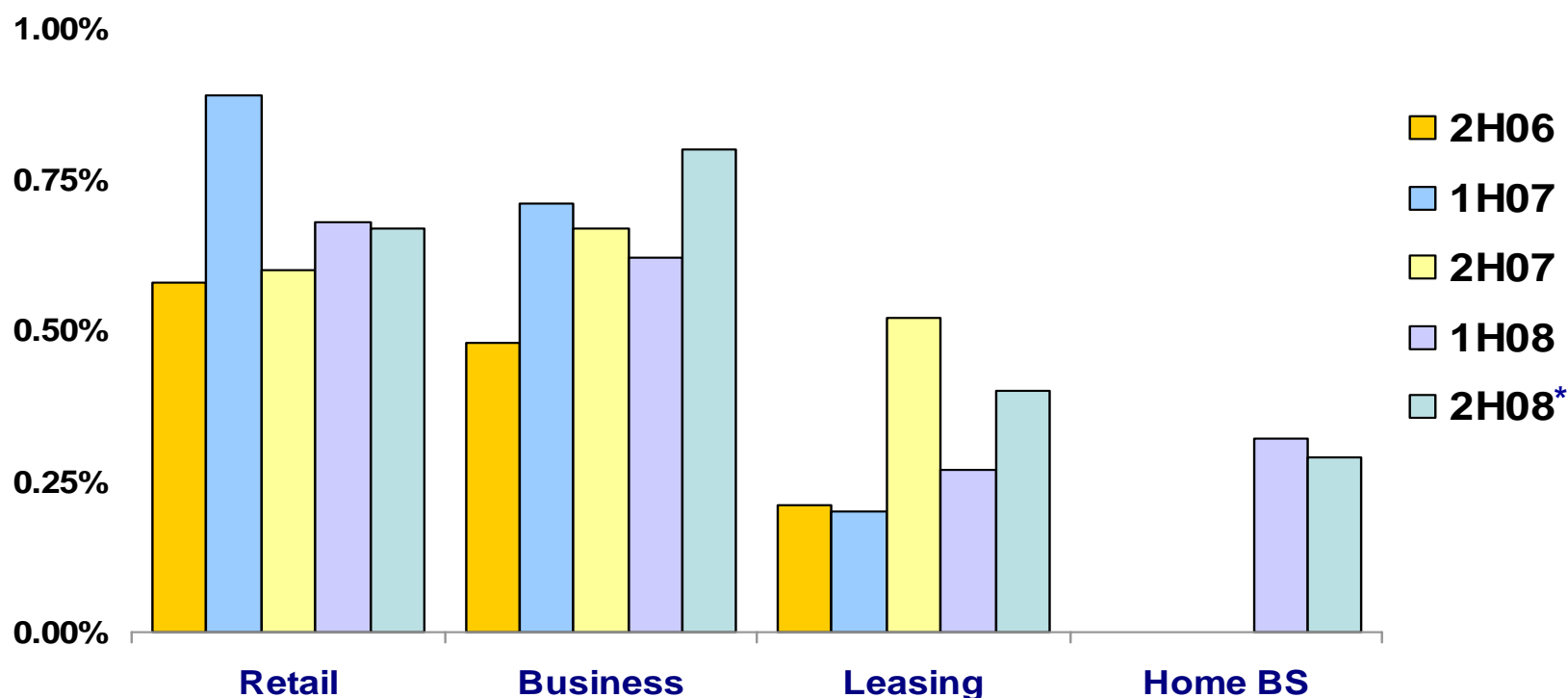
## Impaired assets to non-securitised lending



# Portfolio quality

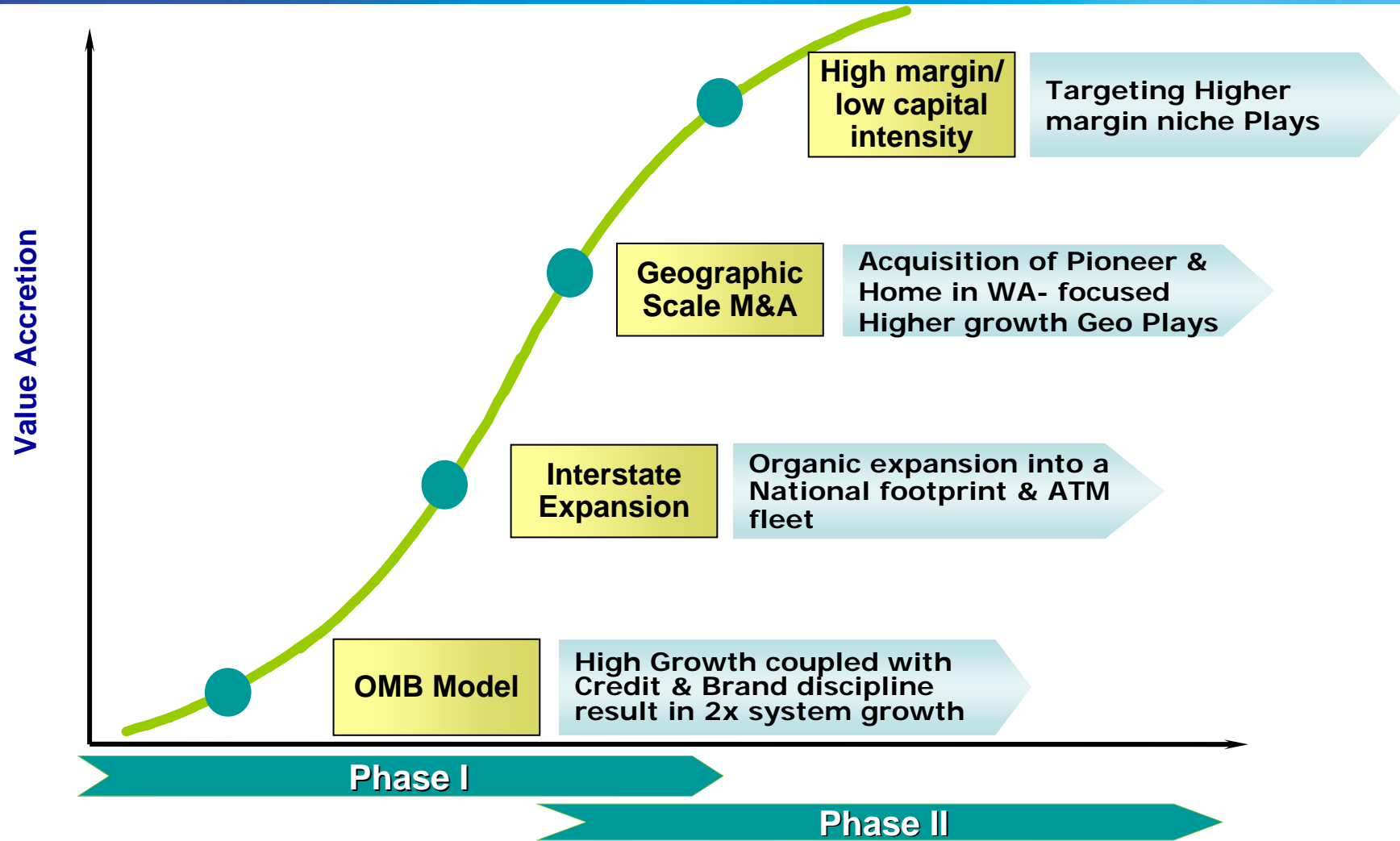
- ▶ Lead indicators on asset quality continue to flag the advantages of our predominant exposure to the Queensland and WA economies

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

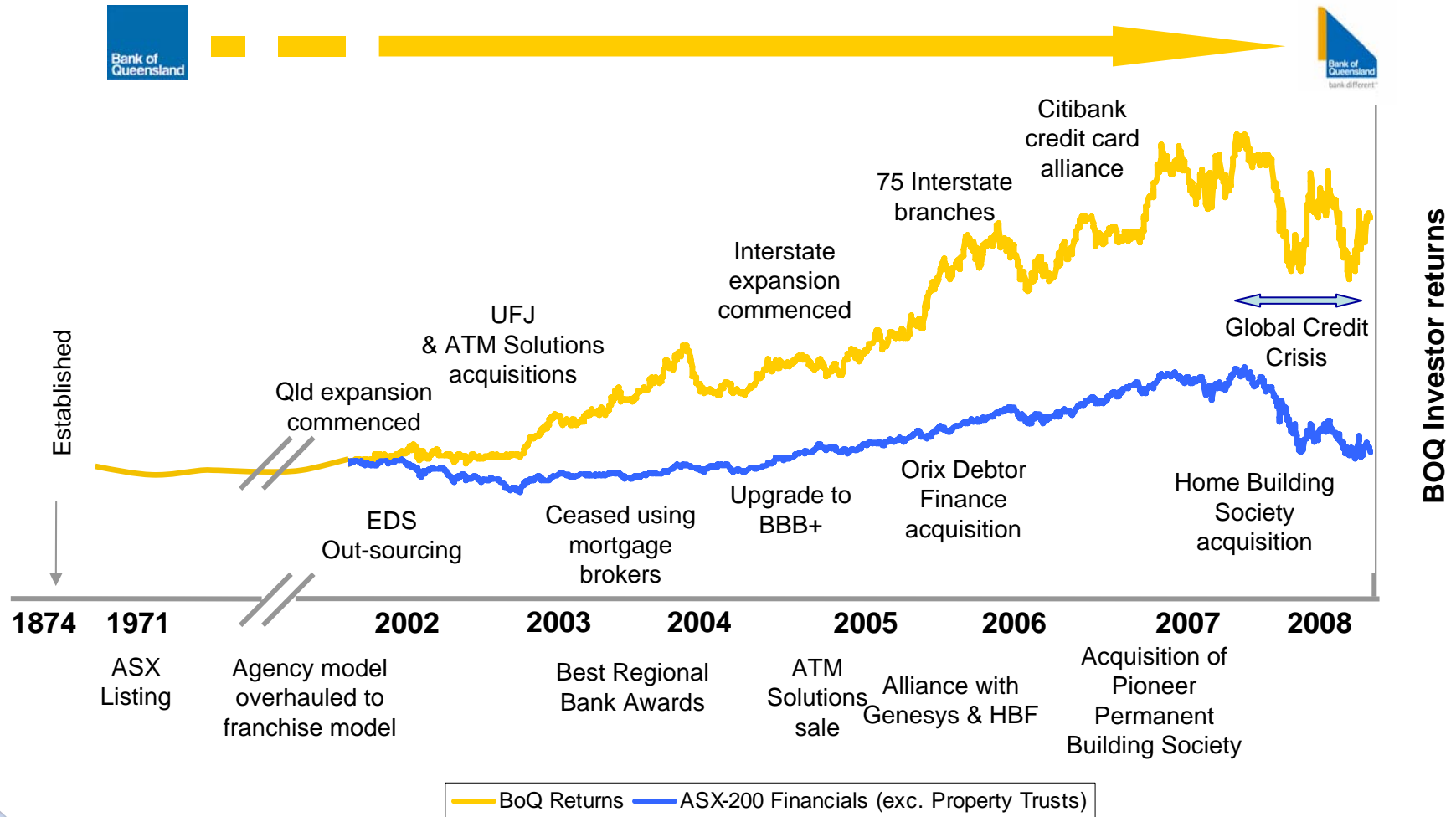


\* As at end of May 2008

# Evolution of our Strategy



# BOQ's recent journey....



# Confident outlook

- ▶ The underlying BOQ business is in a strong position:
  - Established retail and commercial national distribution points
  - Growing strongly and profitably. Inorganic growth as consolidator of choice.
  - Leveraging our strong base of a healthy Queensland and Western Australian economy
  - No significant corporate exposures, CDO's, sub-prime exposure – we are a pure retail bank
- ▶ Our financial goals for the 2008 financial year:
  - Above system growth within funding capacity
  - Maintain credit quality
  - Build on track record of delivering value to all stake holders



# Summing up our value proposition

bank different<sup>®</sup>



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