Bank of Queensland

RBS Regional Banks Conference

19 November 2009

Bank of Queensland

Result highlights

- Strong cash profit growth – beating guidance at 21% growth ($187.4m)
- Continued outperformance of system – achieving 1.8x system lending
- 88% of LUM growth in retail deposits, maintaining record levels of liquidity
- Resilience of OMB model established - NSW consolidation completed
- Asset quality continues to be high with increased provision levels
- Project Pathways initiatives completed:
  1. Efficiency initiatives gaining traction – CTI glide path on guidance
  2. Driving greater focus on Retail & ***S***ME through a single distribution organisation
  3. $340m capital raising to exploit opportunities in the market place
- Phase 2 Efficiency initiatives underway with significant focus on compliance and process efficiency with a major review of the outsourcing arrangements
- Strategic focus on solving the capital intensity of the model by exploiting the unbeatable productivity advantage of the unique OMB distribution model

Strong financial results in tough market

	2008	2009		
Normalised cash NPAT	$155.4m	**$187.4m**	▲	21%
Cash EPS (normalised Fully Diluted)	99.9¢	**98.4¢**	▼	1.5%
Ordinary dividend	73¢	**52¢**	▼	21¢
Loan growth (pcp)	*23%	**10%**		
Retail deposit growth (pcp)	*25%	**16%**		
Net interest margin	1.67%	**1.56%**	▼	11bps
Cost to income ratio (normalised cash)	56.1%	**49.9%**	▼	6.2%

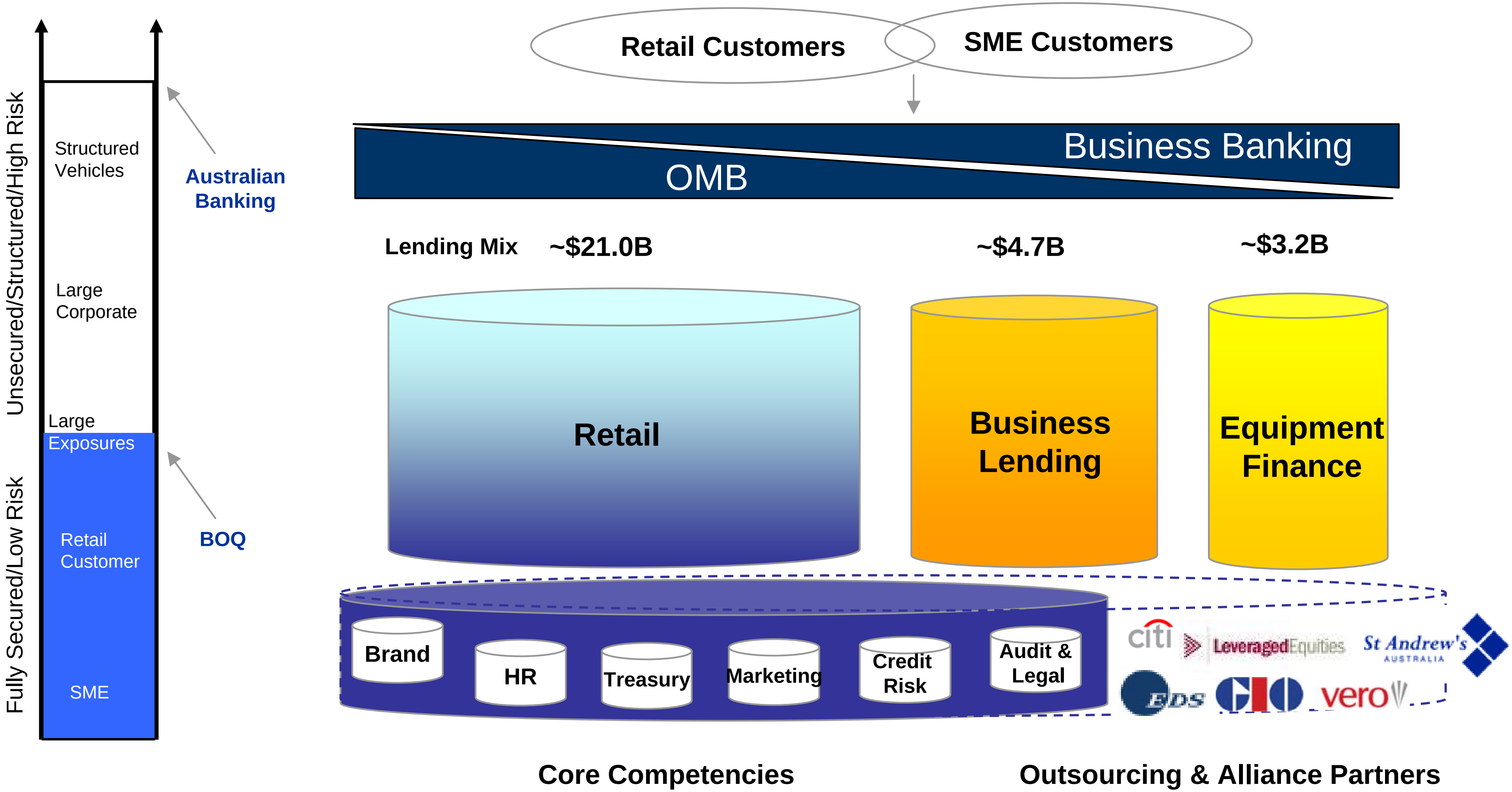
* Excludes contribution from Home Building Society

Prospects for FY10 & beyond

- With $340m of capital raised in Aug-09, management set target ROE of 15% by 2012.
- Focused on small acquisitions to address increasing capital intensity of current model

Headwinds	Tailwinds
Retail cost of funds trending higher again	Cost disciplines holding, sustainable reductions in phase 2 underway
Wholesale markets returning to normal but RMBS and ABS remains expensive	NIM expansion glide path on track but asset repricing opportunities slowing.
Impairment charges expected to peak in FY10	Growth opportunities in Retail and ***S***ME showing signs of strength
Regulatory and compliance burden increasing	Small acquisition opportunities at attractive prices increasing

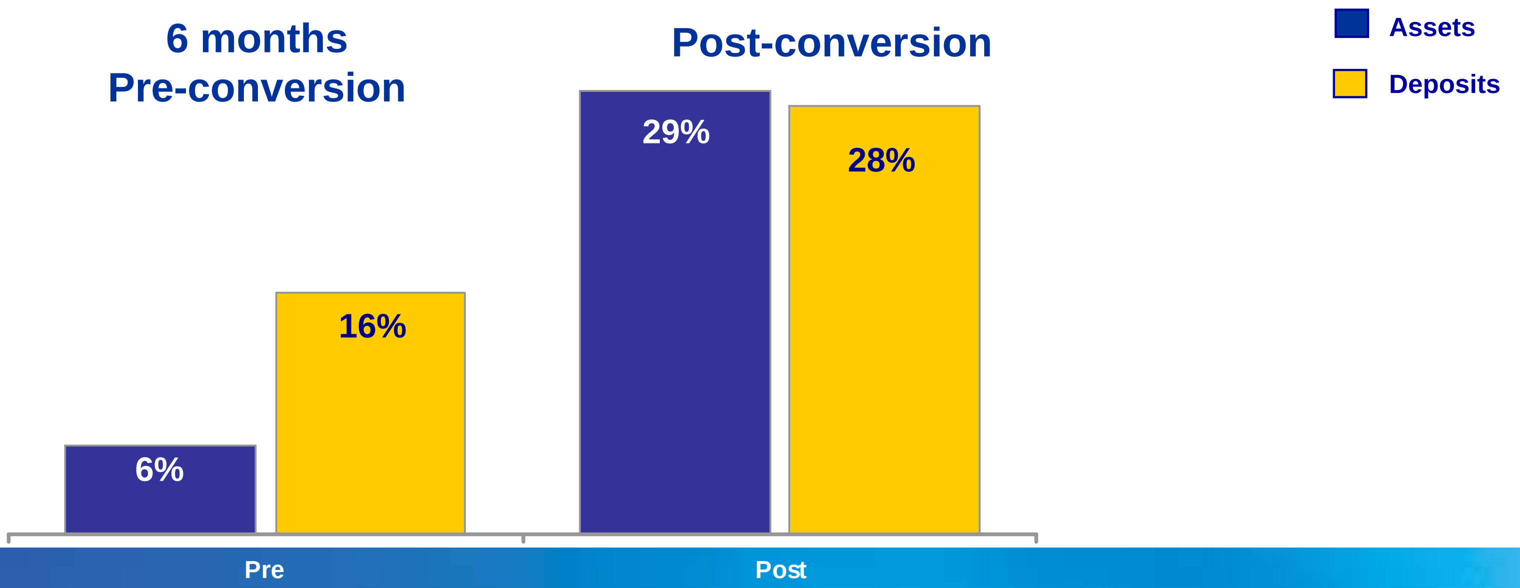
Unique retail banking model



Unique OMB distribution productivity

- Through the GFC the OMB model has continued to demonstrate unmatched productivity… both on the assets and liabilities side
- We have now converted 39 corporate branches to OMBs where average monthly settlements have increased 64% post conversion
- Key to unlocking shareholder value is to exploit this advantage…

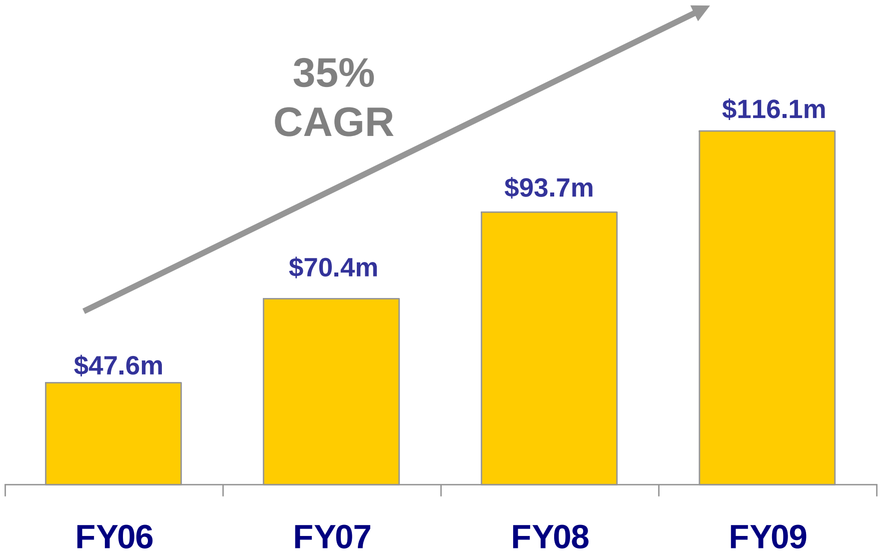
Annualised growth before and after conversion*



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

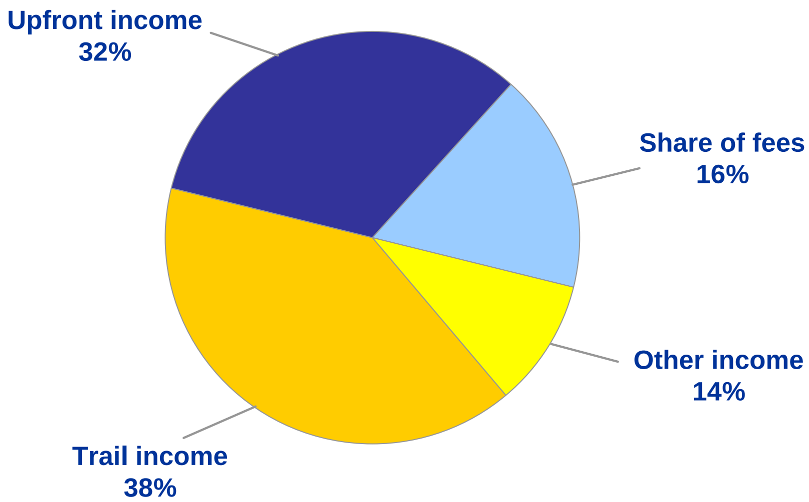
Resilience of the network proven

Total OMB commissions



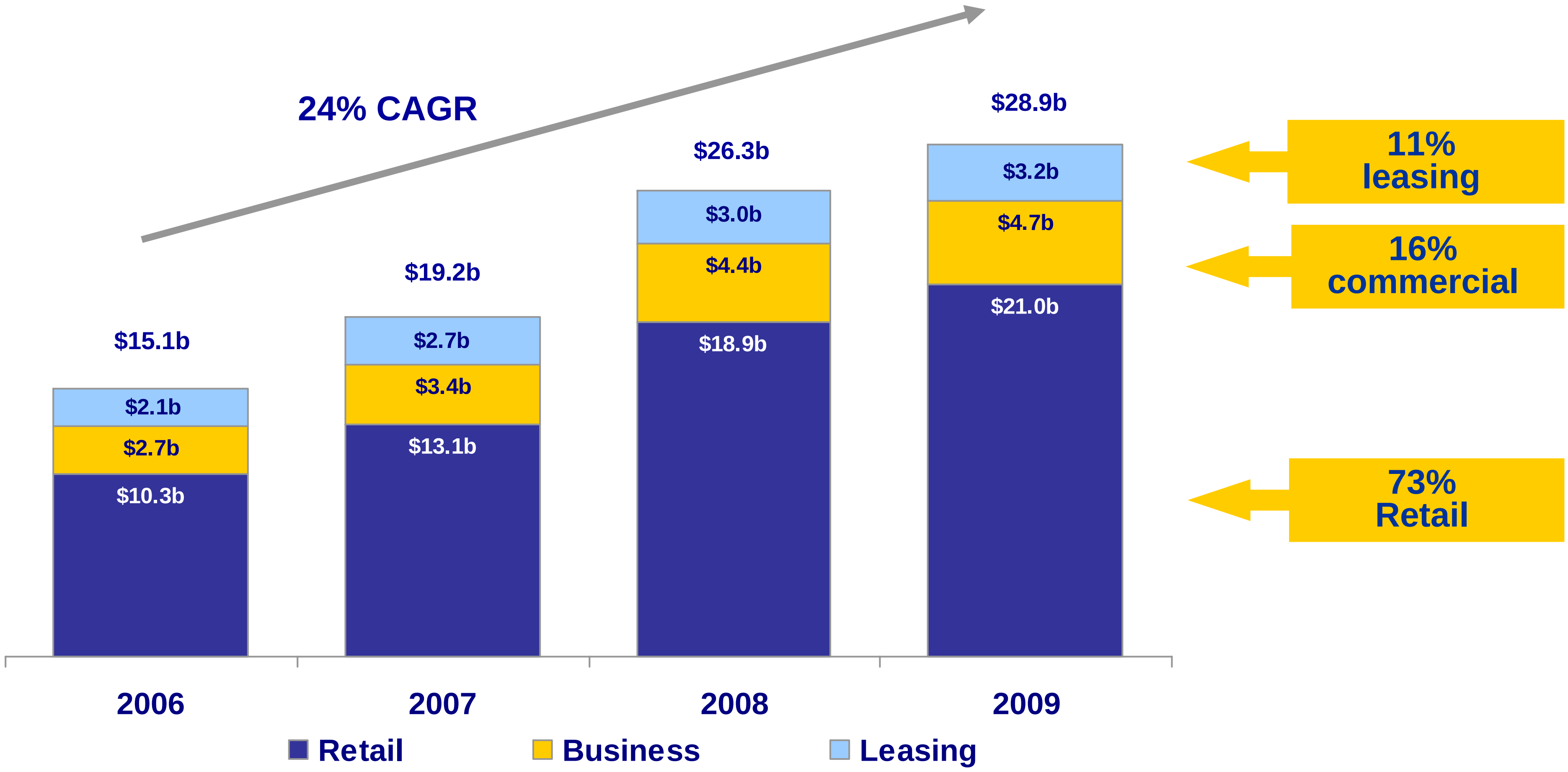
- Total OMB commission payments continue to increase
- Demonstrates resilience of model even in a downturn

OMB income split FY09



- Majority OMB income comes from existing balance sheet with less reliance on upfronts
- Sales capability now starting to focus on deposits & cross sales

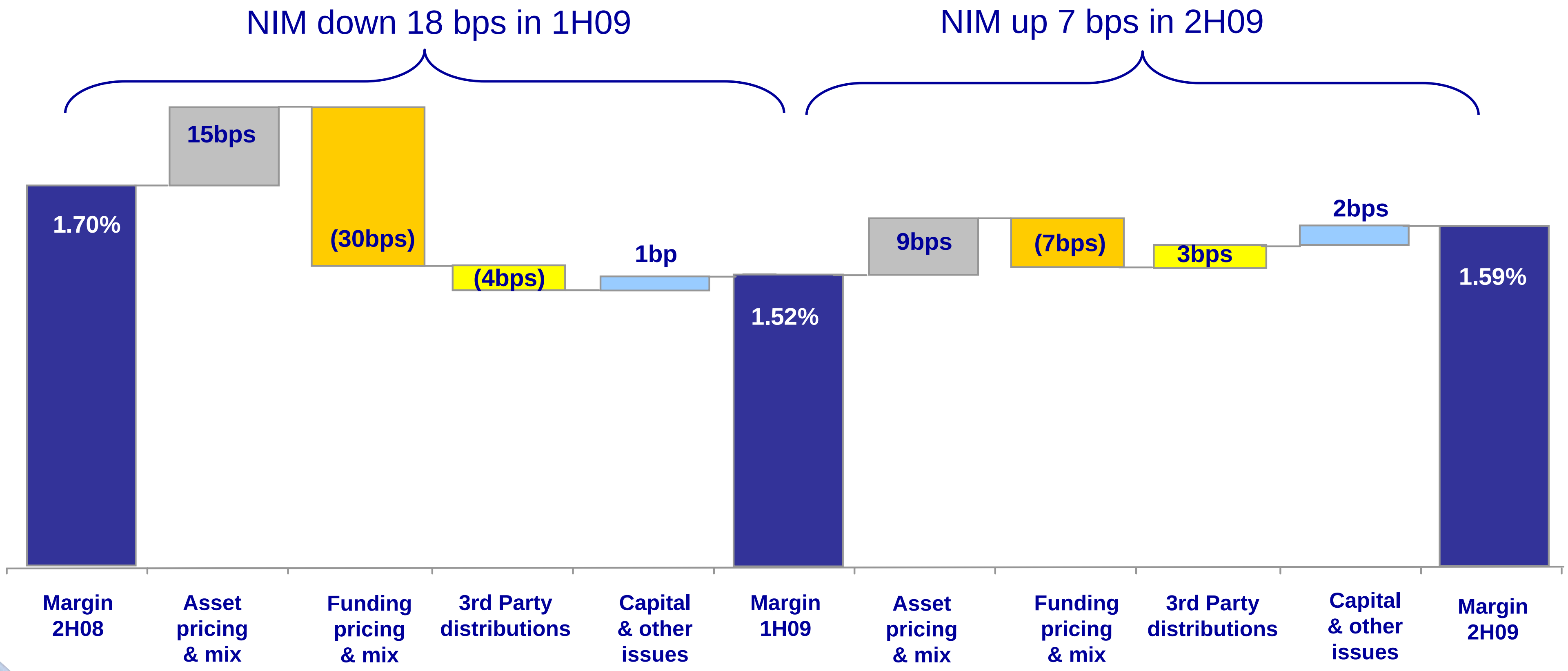
Loans under management growth



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

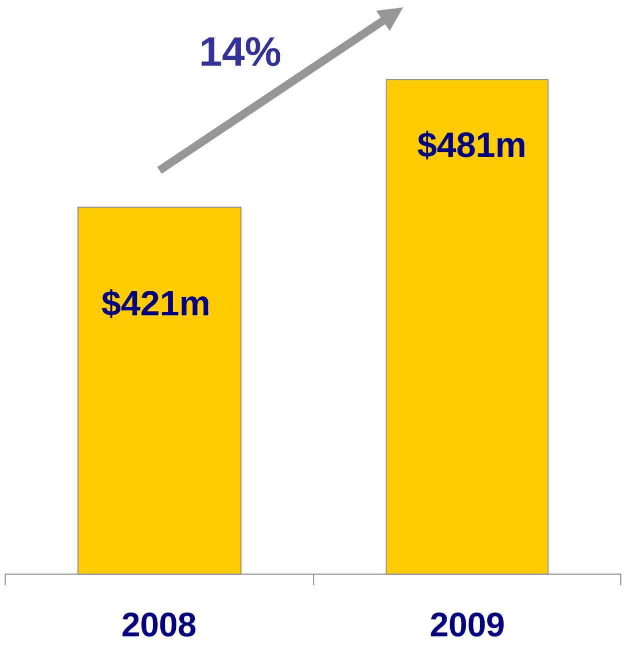
Margin improvement in 2H09

- Increasing term and retail funding costs have impacted NIM
- Similar trend to FY08, albeit increased retail funding costs reduced quantum of NIM recovery in 2H09

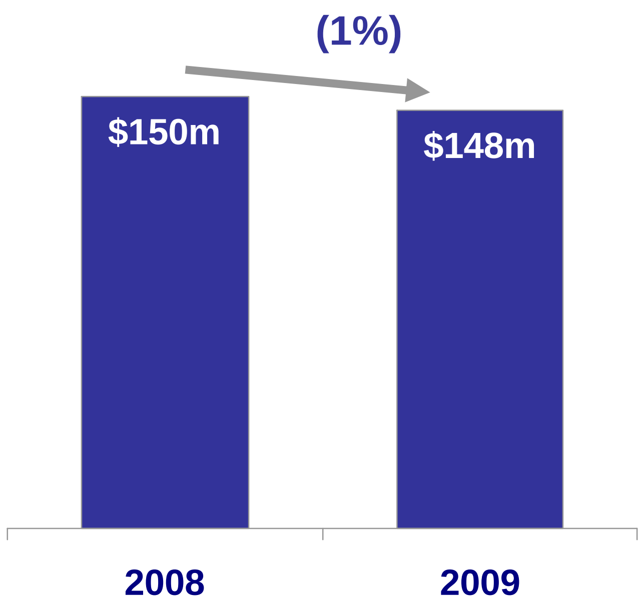


Lending income strong... other income flat

Net Interest Income



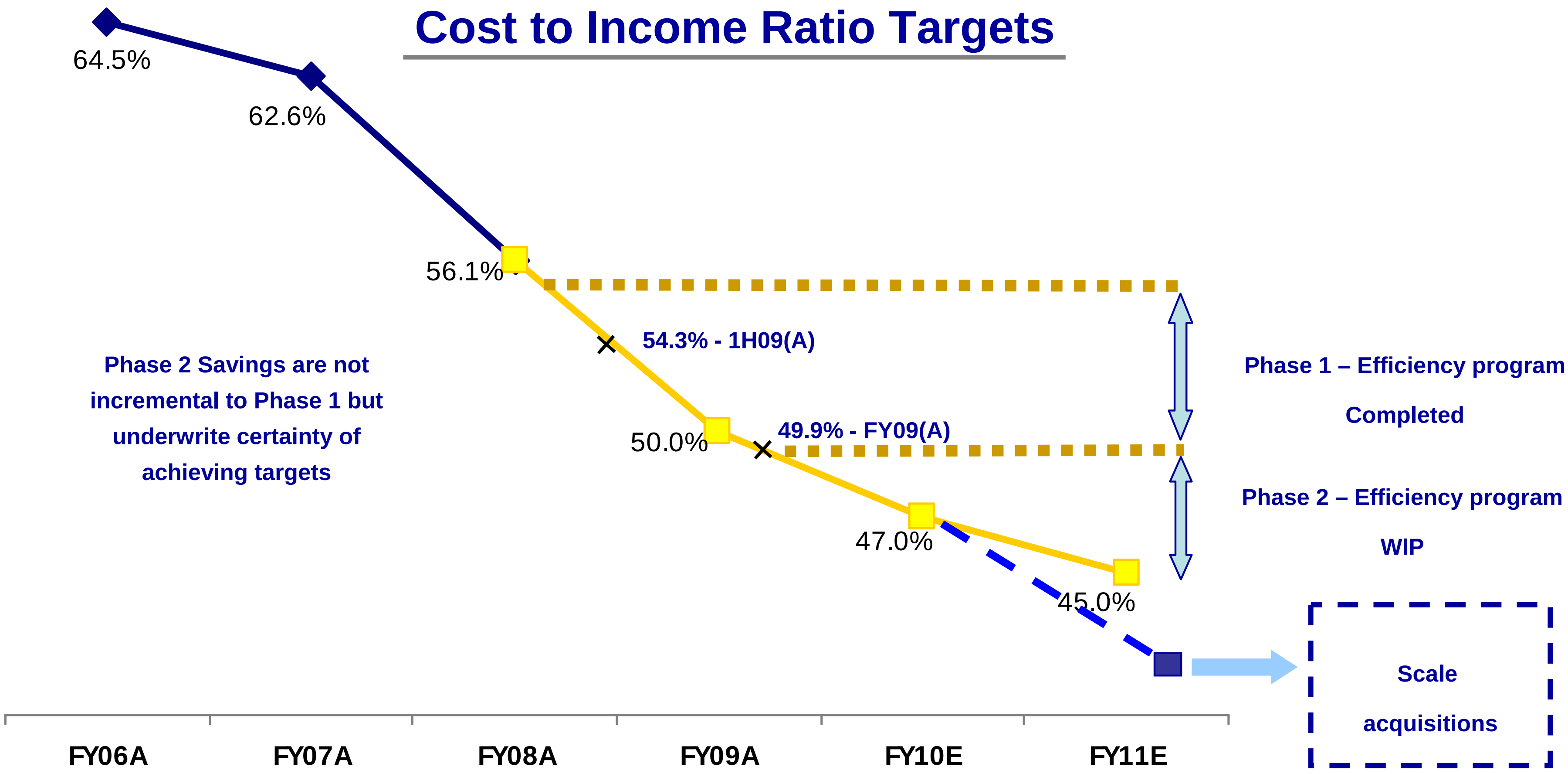
Non Interest Income



- NII continues to grow with balance sheet growth above system and margin improvement in 2H09
- Strong underlying customer fee income growth was offset by impact of direct charging and reduction in non-core fee income

Expense initiatives gaining traction

- Meeting previous guidance with cost to income ratio of 49.9%
- Expect further improvements as efficiencies continue to gain traction

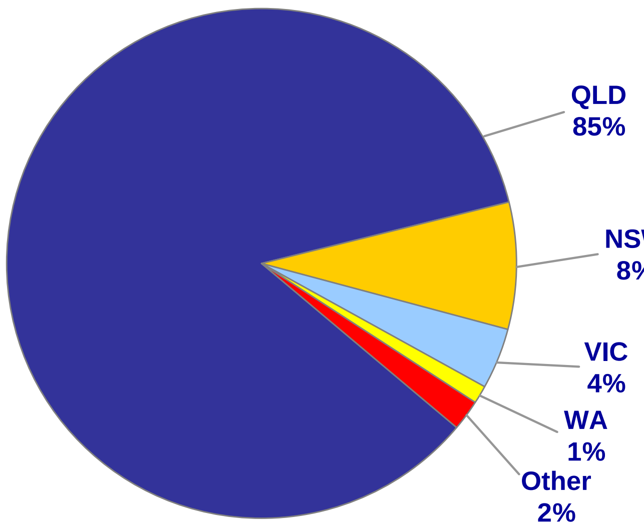


* Forecast cost-to-income targets are dependent on achievement of revenue and cost forecasts

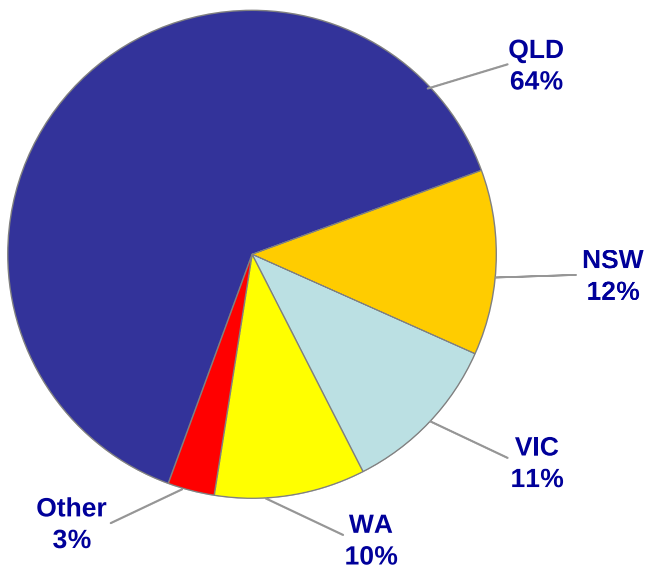
Geographic diversification growing

- BOQ historically has had most of its business in Queensland
- As a result of interstate OMB expansion and acquisition of Home there has been a material and growing geographic diversification trend

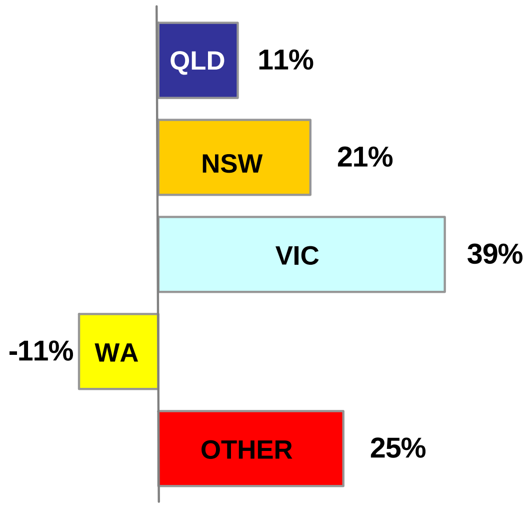
2005



2009



FY09 – Growth Rate %

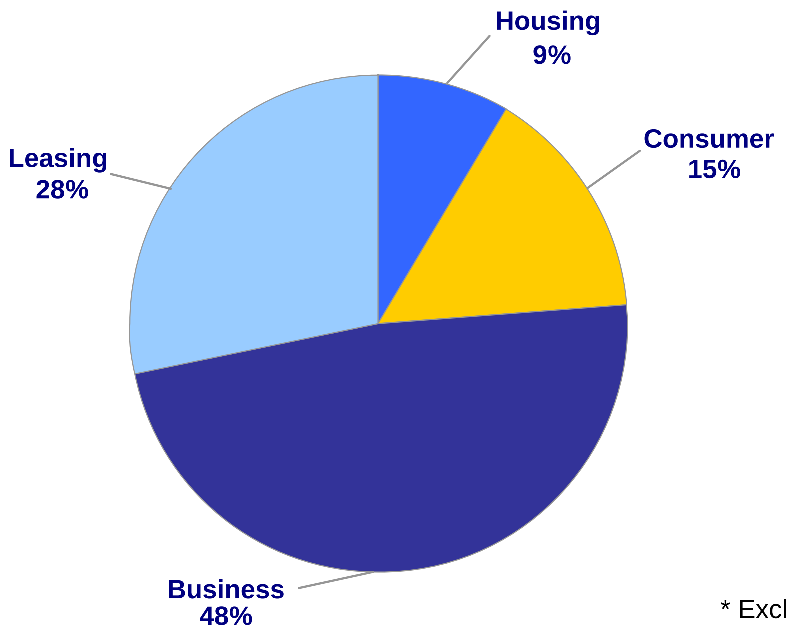


- Material change in mix of loan portfolio – greater distribution across all states ex WA. In WA after exiting broker channel organic growth backfilling

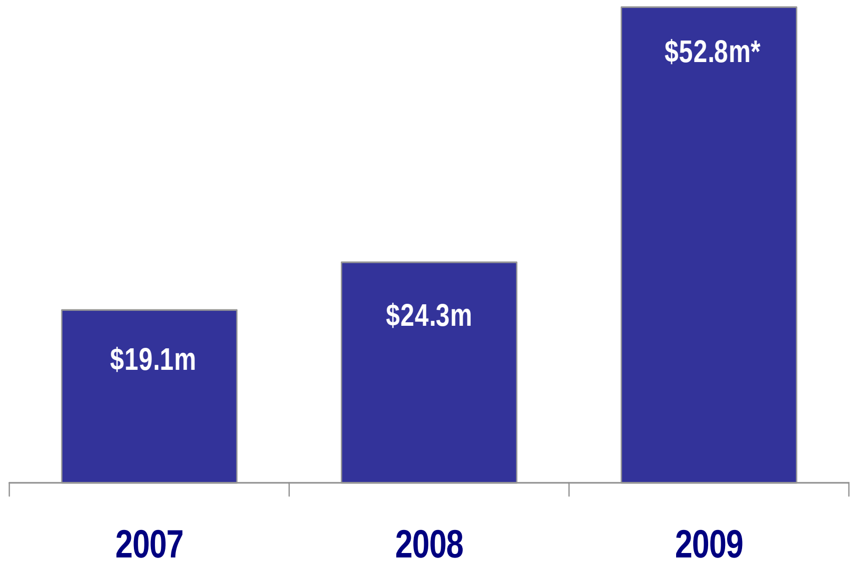
Bad debt peaking in FY10

- Bad debts continue to increase, but tracking well below majors with early signs of improvement in housing as economy shows signs of improvement
- Leasing and commercial portfolios showed increased stress in 2H09
- Expect to hit peak bad debts in FY10

Bad debts by product



Underlying bad debts

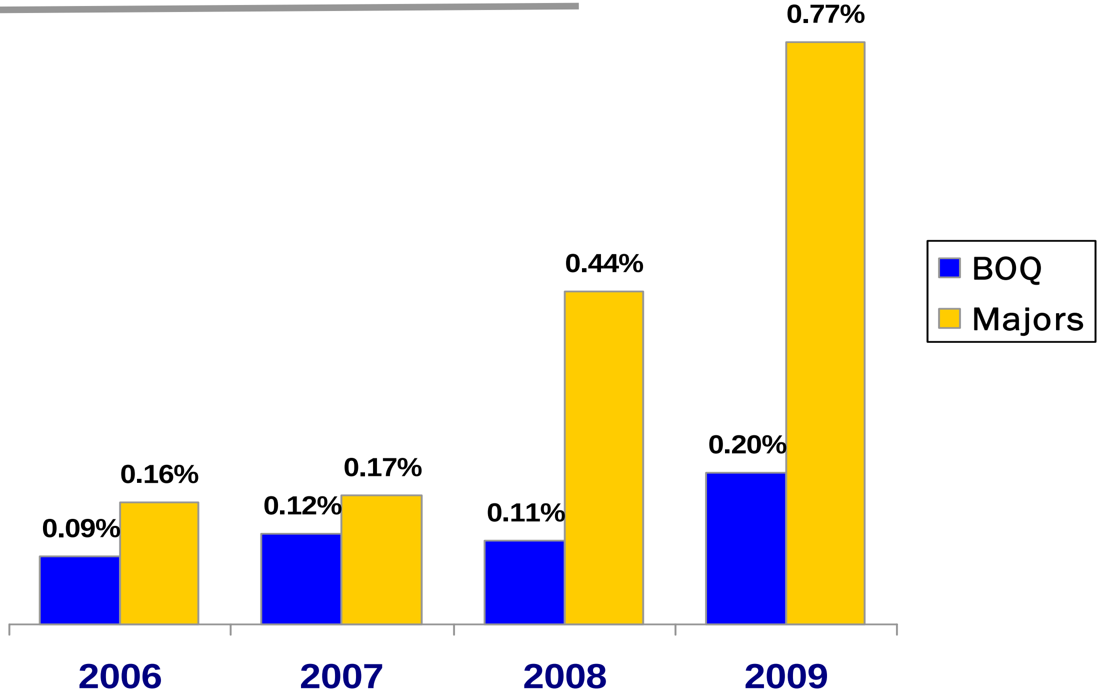


* Excludes the impairment charges of $7.2m made in 1H09 for the NSW distribution restructure

Asset quality remains strong

- Impaired assets have increased in line with deteriorating economy, but BOQ focus remains on well secured housing and ***S***ME lending
- We expect BDD / GLA to remain materially lower than 4 major banks

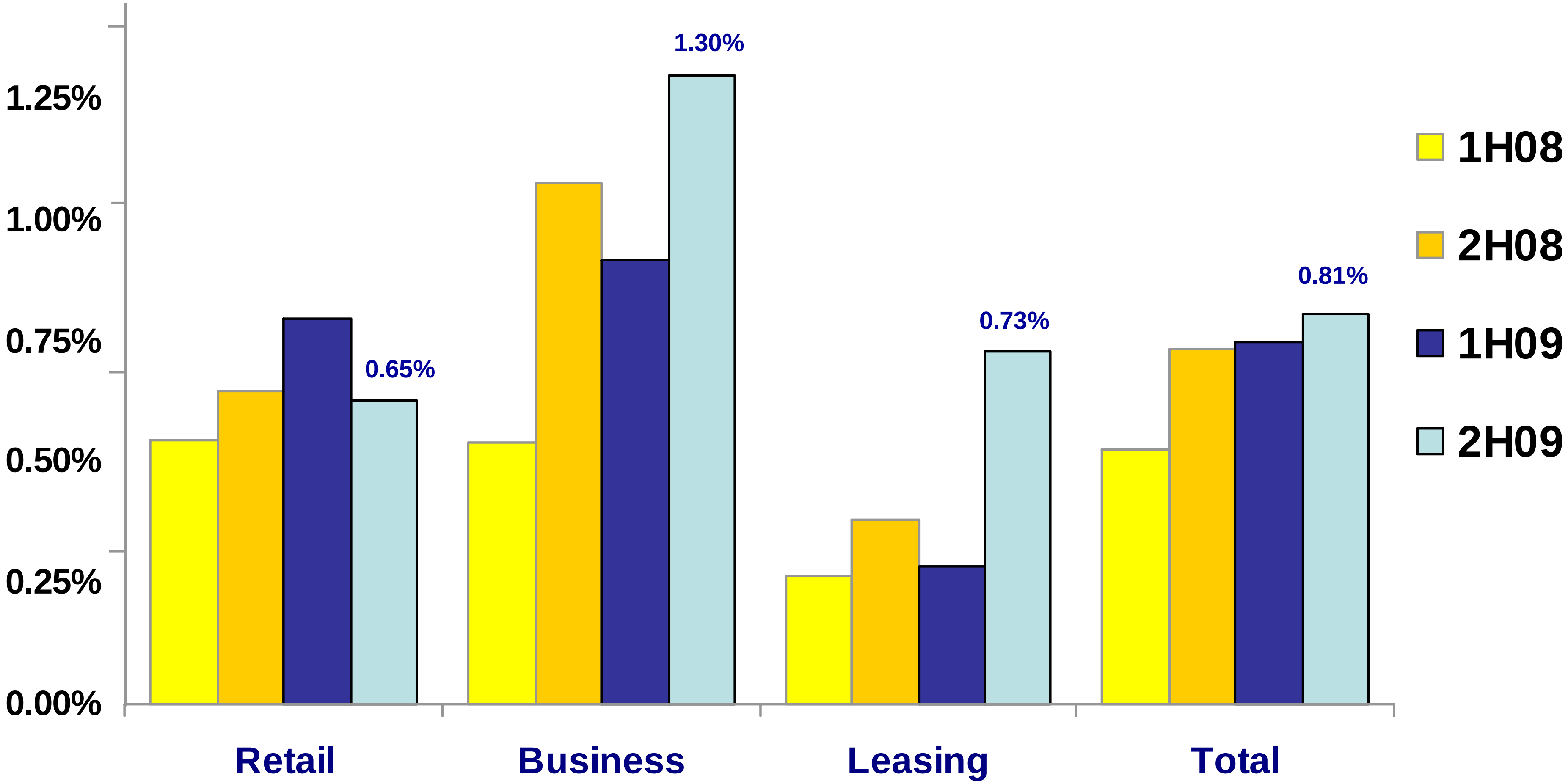
BDD / GLA Performance*



* Source – UBS Investment Research. BOQ calculations prepared on same basis

Portfolio quality

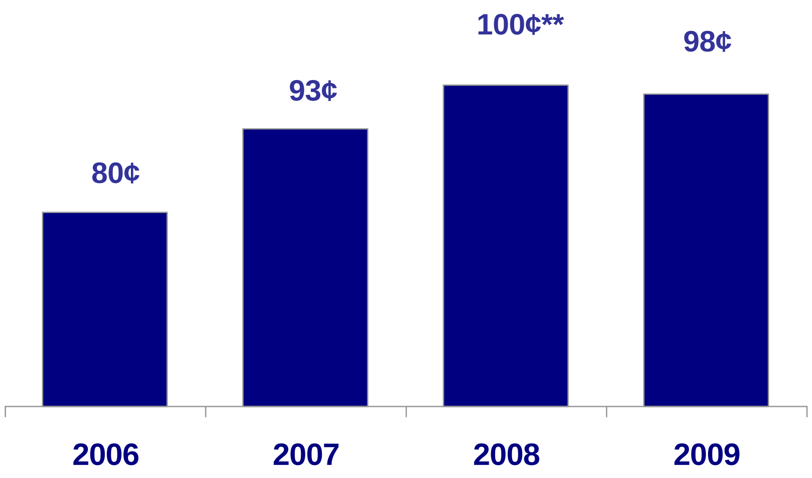
Arrears 90+ days (% of portfolio, excluding securitised loans)



Prudent capital management

- Final dividend per guidance provides for greater organic capital generation
- Conclusion of Project Pathways delivering continued distribution and efficiency gains to improve earning base for organic capital generation
- Strategic focus on solving the capital intensity of the model provides greater confidence in future dividend growth

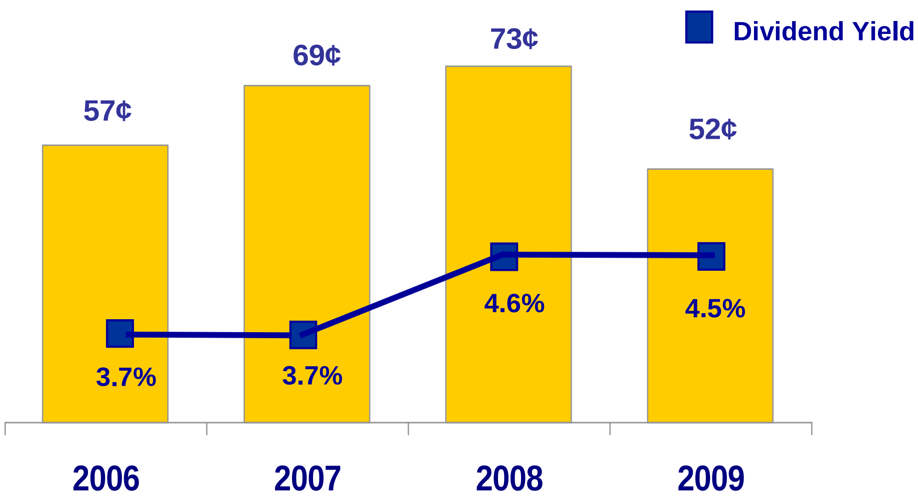
Earnings per Share*



*Normalised diluted cash earnings per share

** 2008 EPS restated for dilutive impact of entitlements & other capital issues

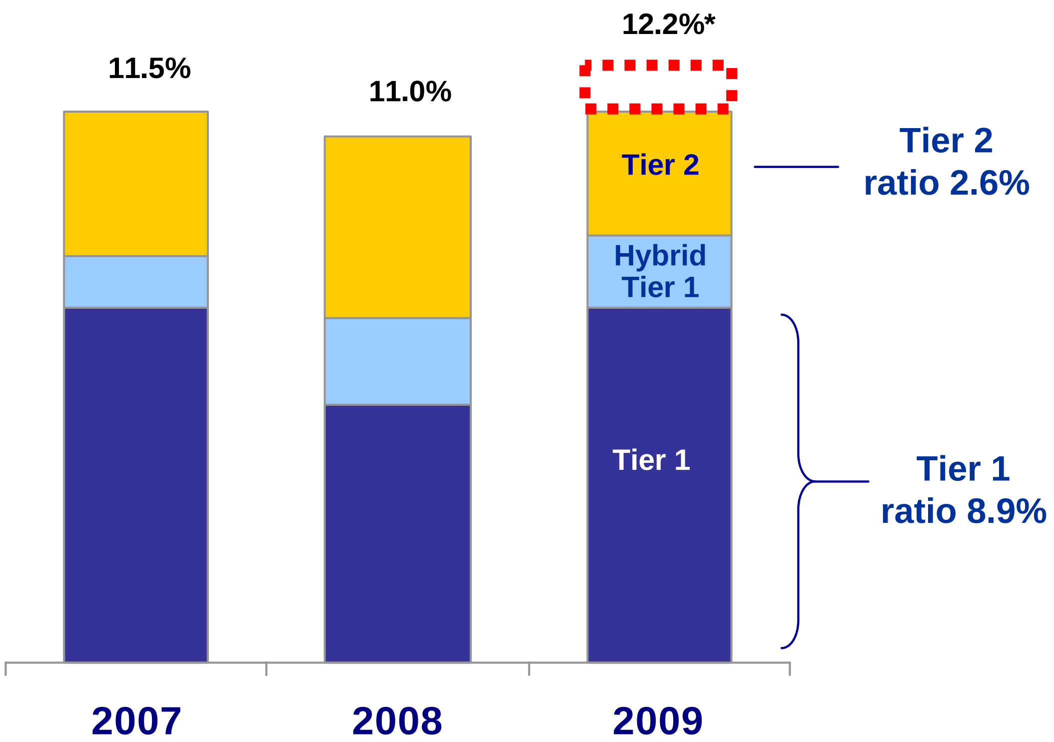
Dividends



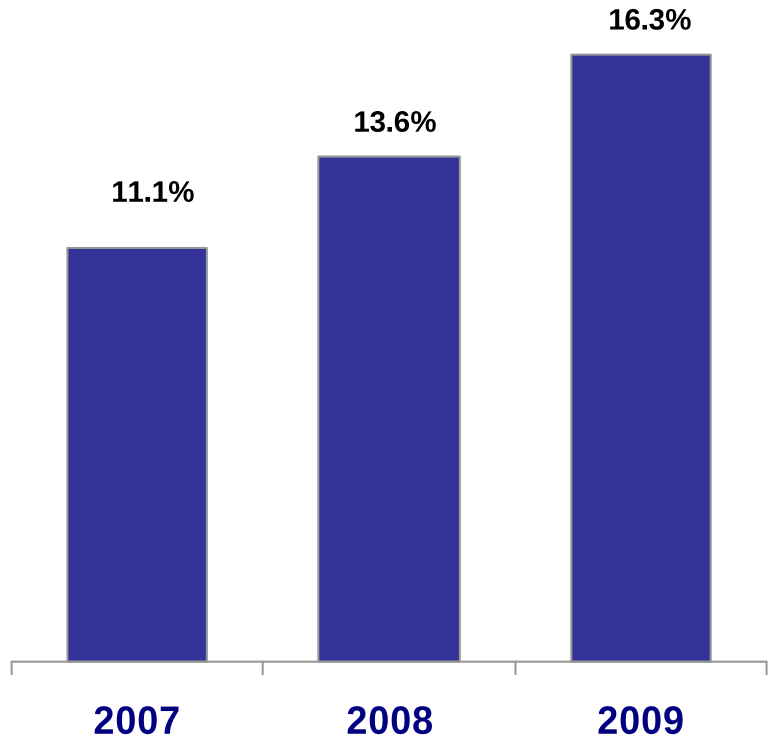
Strong capital base and liquidity

- Tier 1 capital improved 1.7% to 8.9%, or 9.6% including retail entitlement
- High liquidity levels remain well in excess of APRA and internal benchmarks

Capital adequacy



Liquidity

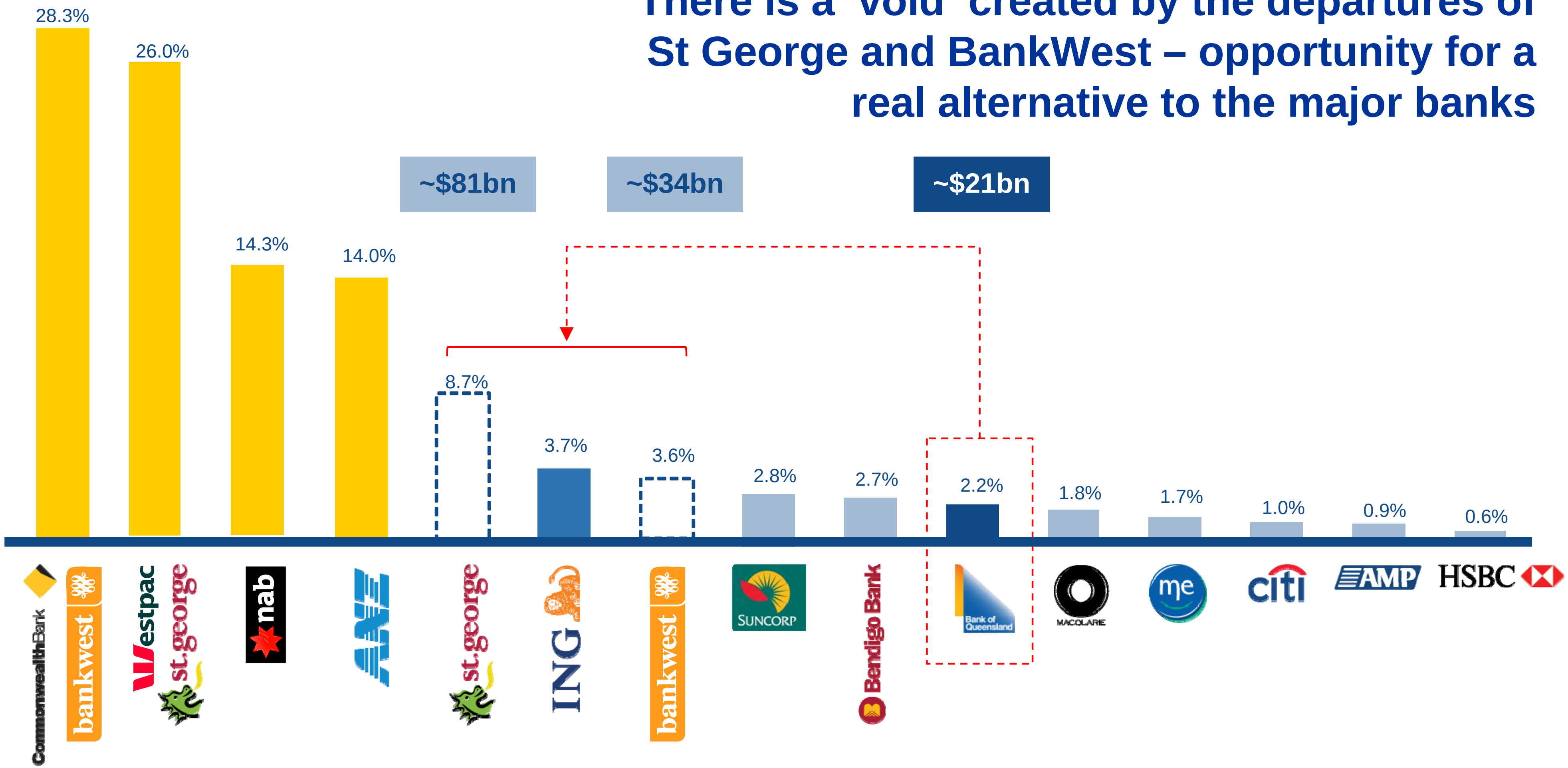


*Includes issue of $110.8m under the Retail Entitlement Offer which settled on 18th Sep 09

The new banking landscape… transformational opportunities exist

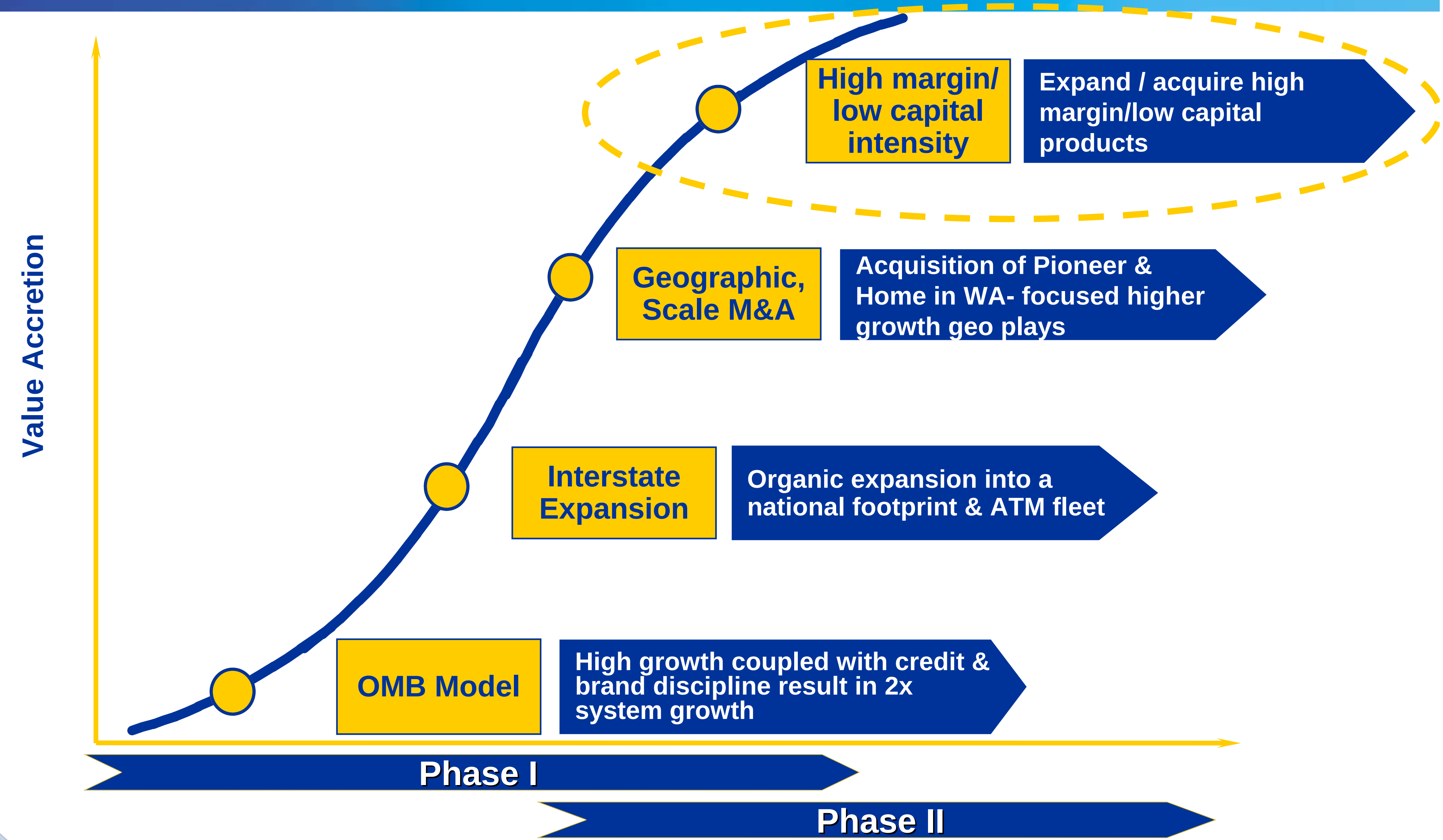
Housing loans (August 2009)[1]

There is a 'void' created by the departures of St George and BankWest – opportunity for a real alternative to the major banks



Source: APRA statistics (Housing loans including securitised) as at August 2009

Evolution of existing strategy equally attractive



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