COO's address

Mr Ram Kangatharan

Result highlights

- Normalised underlying profit up 18% at $447m
- Reduction in 2H11 bad debt expense; Collective provisions strengthened with all of 1H Flood & Economic Overlay collective preserved at year end
- Cost-to-income ratio 44.5% beat guidance
- Continued growth above System
- EF business turnaround complete, lowest arrears in two years
- Creation of 2 new divisions with integration of CIT Aust. & NZ and St Andrew's Insurance completed, organic generation of capital enhanced
- Capital and liquidity levels remain strong, $550m GG Debt repaid early
- Dividend growth resumed with 8% increase in Final dividend vs. interim

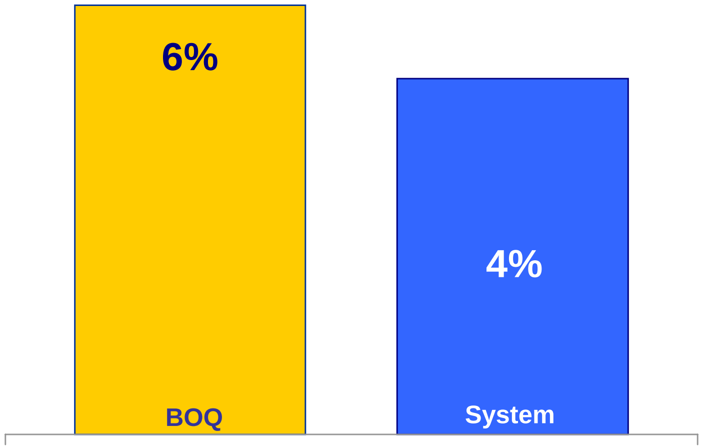
Underlying earnings momentum

	2010	2011		
Normalised Underlying profit	**$379.0m**	**$447.4m**	▲	18%
Normalised cash NPAT	**$197.0m**	**$176.6m**	▼	(10%)
Statutory profit	**$181.9m**	**$158.7m**	▼	(13%)
Cash EPS (normalised fully diluted)	**83.4¢**	**69.8 ¢**	▼	(14¢)
Ordinary dividend	**52¢**	**54¢**	▲	2¢
Loan growth* (pcp)	**11%**	**4%**	▼	(7)pts
Retail deposit growth (pcp)	**11%**	**12%**	▲	1pt
Normalised Net interest margin	**1.60%**	**1.65%**	▲	5bps
Cost-to-income ratio (normalised cash)	**45.8%**	**44.5%**	▲	1.3%

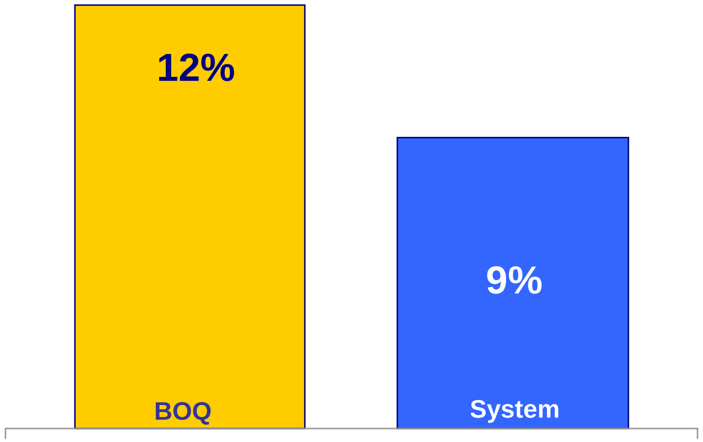
* Loans under management before collective provision.

Growth continued ahead of system

- Lending growth: ~1.4 system*
- Deposit growth: ~1.5x system



Lending growth



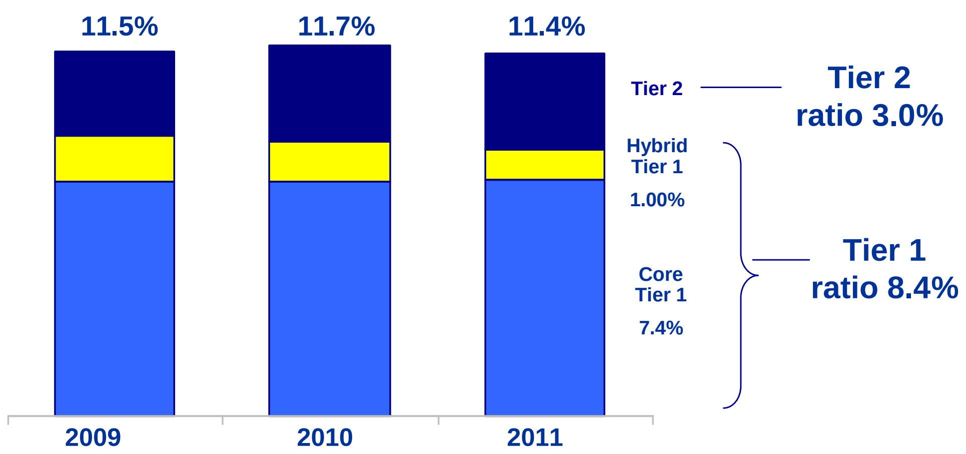
Retail deposit growth

* Last 12 months
Source: APRA data (GLA + Val of HL Securitised). Excludes Leasing (-$220m).

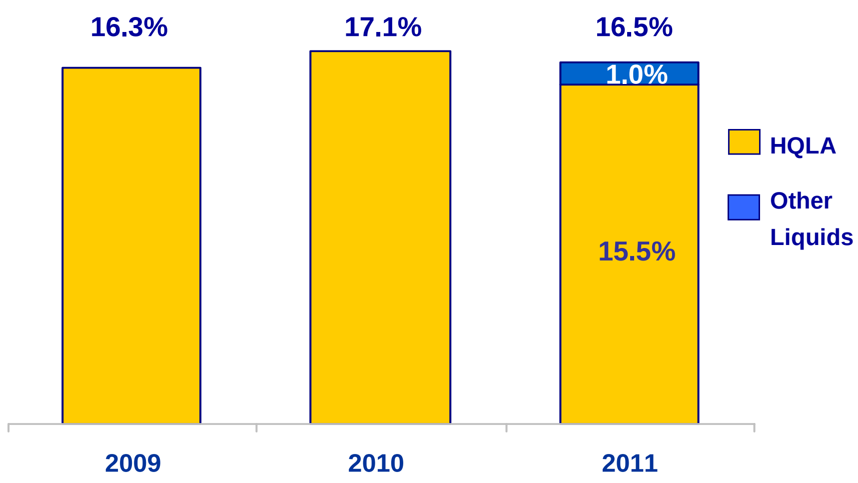
Strong capital base and liquidity

- Tier 1 and total capital levels remain in excess of APRA and internal benchmarks, whilst absorbing impact of securitised assets coming back on balance sheet
- Conservative liquidity maintained above 15%, whilst paying down $550m GG Debt

Capital adequacy



Liquidity



Key achievements since GFC

Key considerations

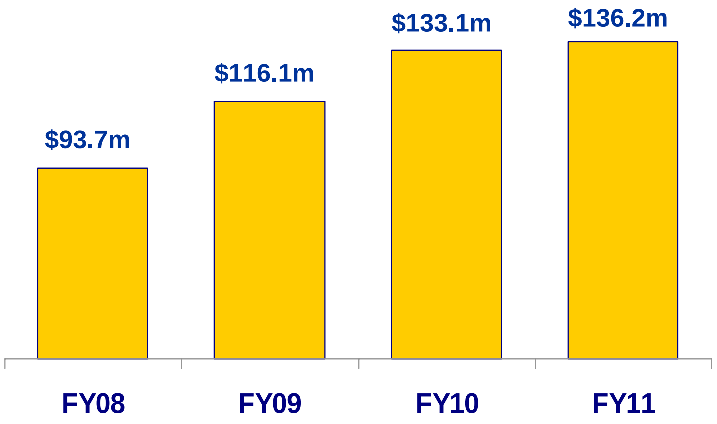
- Franchise resilience
  - successful OMB model turned towards retail deposits and cross sales
- Efficiency
  - challenging the major banks' cost income ratio
- Risk positioning
  - geographic diversification
  - significantly lower appetite for property lending and general tightening of lending standards
- Funding, liquidity and capital
  - target for 60% of funding mix to be comprised of retail deposits (up from 43% in 2007) by FY2015
  - more conservative capital and liquidity targets and position
- Acquisitions & new operating model
  - St Andrew's and CIT – 2 divisions > 15% ROE
  - $70m/$105m paid back in 14 months

Key statistics

	2007	2011
% of loan book in Queensland	75	62
Loan growth (previous 4 years)	28.1	15.4
Cost/income (%)	62.6	44.5
Deposits/total funding (%)	43	52
Secured funding/total funding (%)	28	14
Liquid assets/total assets (%)	7.3	13.4
Tier 1 capital target (%)	7-8	8-9

OMB Network resilience grows…

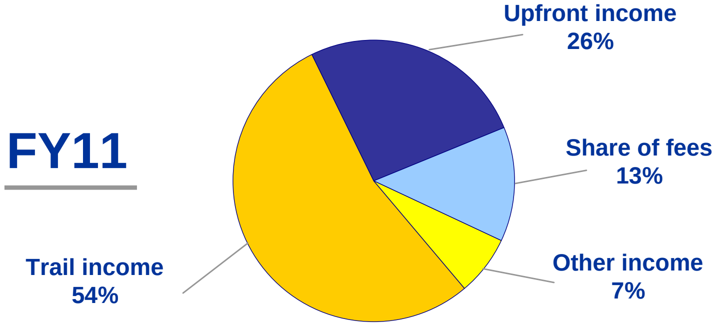
Total OMB commissions



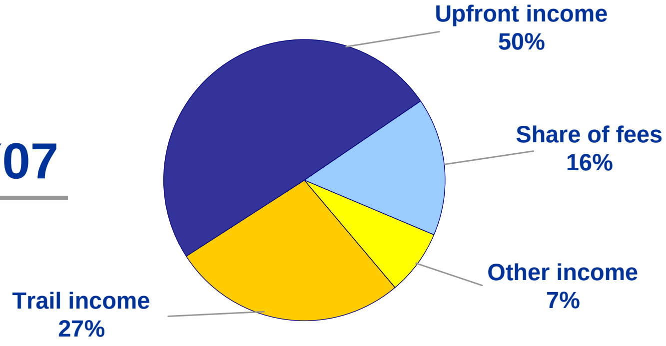
- Total OMB commission payments continue to increase, driven by existing balance sheet
- OMB network originations well diversified and performing well

OMB income split

FY11



FY07

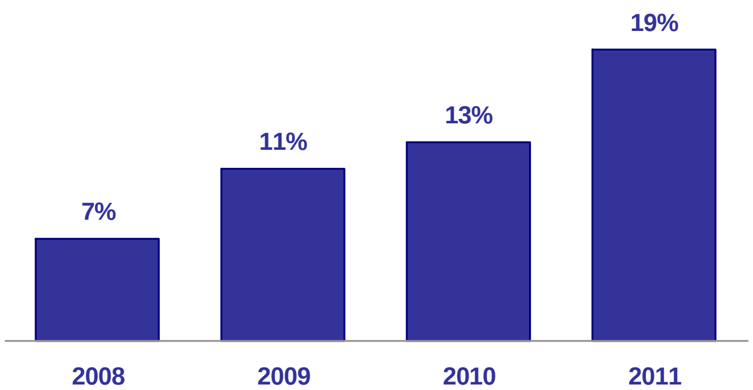


Distribution platform broadening

- In a lower credit growth environment, the OMB model is being repositioned to continue its lending outperformance, but also to drive cross sales:
  - Low cost sticky deposits ➔ New Day 2 Day Plus account performing well
  - Mortgage protection ➔ St Andrew's Premiums increase 31% vs FY10;

A new incentive scheme implemented in Dec 2010 has seen a dramatic improvement in a range of performance metrics, including cross sales ➔

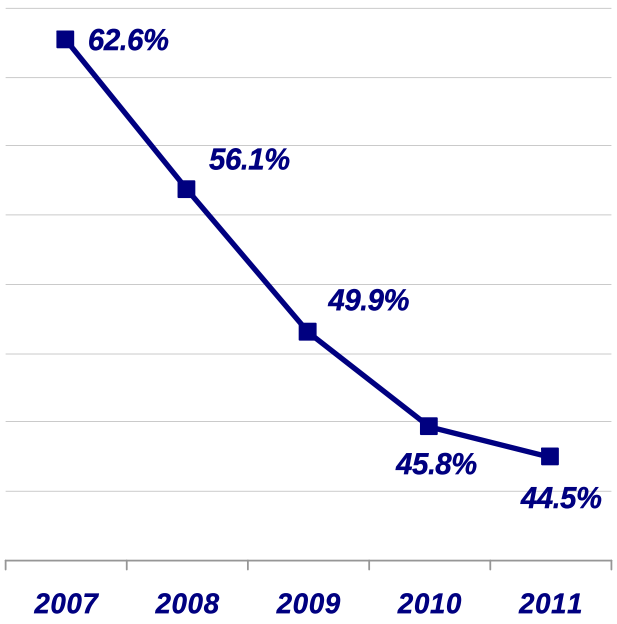
Mortgage protection strike rate



- Annuity streams and exit values being enhanced

Efficiency drive completed as forecast

Normalised Cost-to-income ratio*



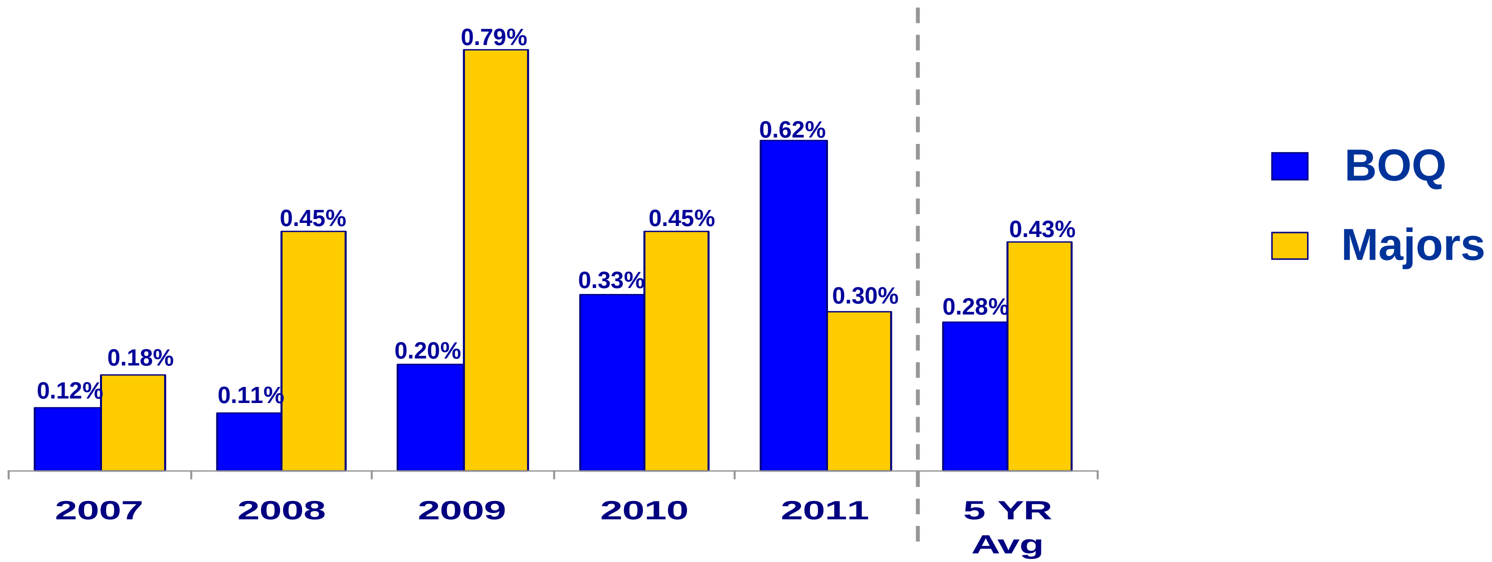
- Cost disciplines maintained and now embedded in operations
- Investments were made to reinvigorate acquired businesses without putting significant drag on CTI
- No further step changes planned

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

Asset quality should return to industry trend

- High level of 2011 losses as a result of flood and economic overlays and 3 large exposures
- Overall level of bad debts well below major banks through the cycle

BDD / GLA performance*

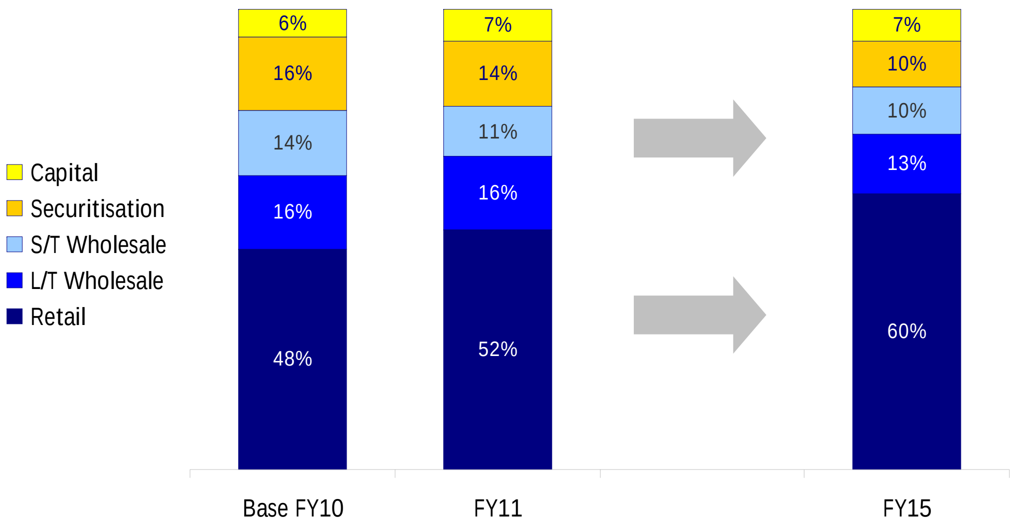


* Source – Morgan Stanley Research. BOQ calculations prepared on same basis.

Structural changes to funding profile

5 year plan

Funding mix ($bn)



- Good progress in year 1 – acceleration opportunities
- Goal to make the Balance Sheet more attractive with 10% in securitisation vs. majors with 8% in covered bonds

Acquisitions & operating model

- St Andrew's and CIT now fully transitioned and operating as stand-alone businesses
- BOQ is running three key business lines, 2 new divisions driving capital-lite & higher margin business

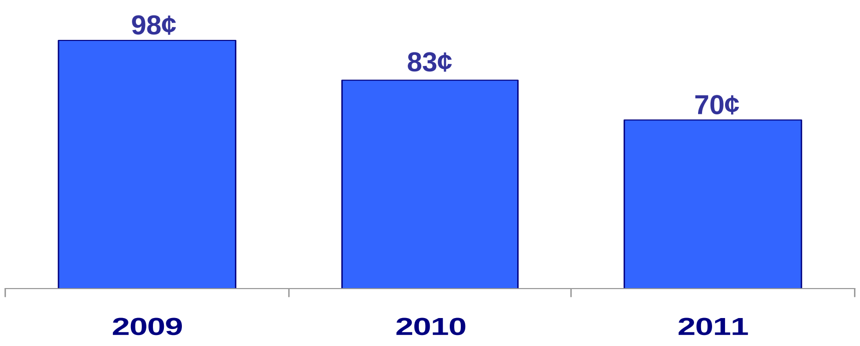
Banking	Finance	Insurance

- Combined ROE for the acquired businesses is ~35% vs. forecast of 25%; ~$70m of $105m of deployed capital paid back in the first 14 months
- FY12 focus on completing the build out of the BOQ Finance business, diversifying the St Andrew's business organically and further enhancing our Banking cross sale capability

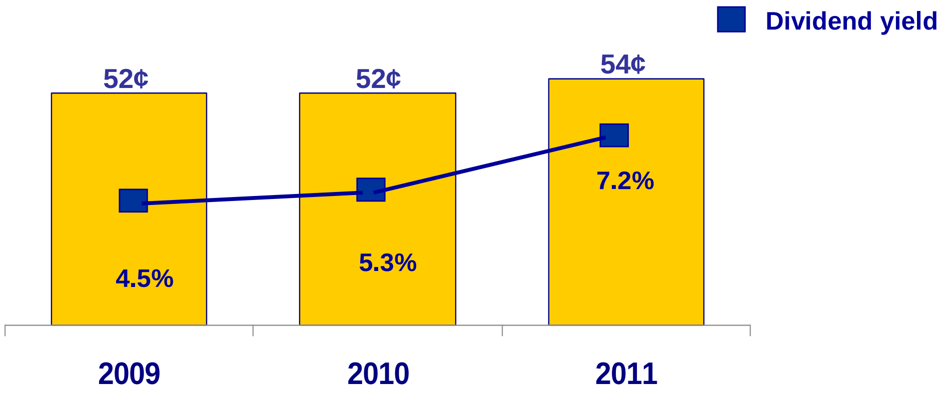
Restarting dividend growth…

- Final dividend of 28¢ up 2¢ (or 8%) from pcp, bringing the full year dividend up to 54¢
- Spike in bad debts dilutes EPS during the period, but better organic capital generation provides platform for future dividend growth

Earnings per share*



Dividends



*Normalised diluted cash earnings per share.

Summary

- FY11 strong underlying result, despite challenging economic climate & weather events
- FY12 is a turnaround year for BOQ Group
  - Growth of 1.5x system; with good risk/reward disciplines
  - BOQ Finance positioned for expansion maintaining 15% ROE returns
  - Cost disciplines now part of the DNA, but no step change planned
  - OMB Network quality origination and growth track record proven
  - Acquisitions in July '10 expected to be fully paid back in FY12 and organic capital generation sufficient for expected growth and small bolt-ons
  - Provisions coverage strengthened to cope with adverse market conditions
  - Confidence in the underlying earnings momentum…. Returning to dividend growth

Sustainable returns as BOQ transforms

Relative share price performance

Securitisation enabled a high return on:

- Single brand (BOQ)
- Single channel (OMB)
- Single product (Mortgages)

Takeover speculation

Loss of Securitisation & higher capital

- Efficient, customer centric Bank with sub-45% CTI
- Capital-lite Insurance company
- High margin specialist asset finance company
- Targeting multi channel / product for higher returns

(Source: IRESS / Macquarie Capital)