

# Bank of Queensland

Full Year Results  
31 August 2006

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# Agenda

- Result snapshot
- Financial result in detail
- Strategy and outlook

# Six main highlights

- Financial performance momentum maintained
- Above-system lending and deposit growth
- Margin maintained
- Continuing strong asset quality
- Expansion targets met
- Increasing shareholder value

# A strong financial performance

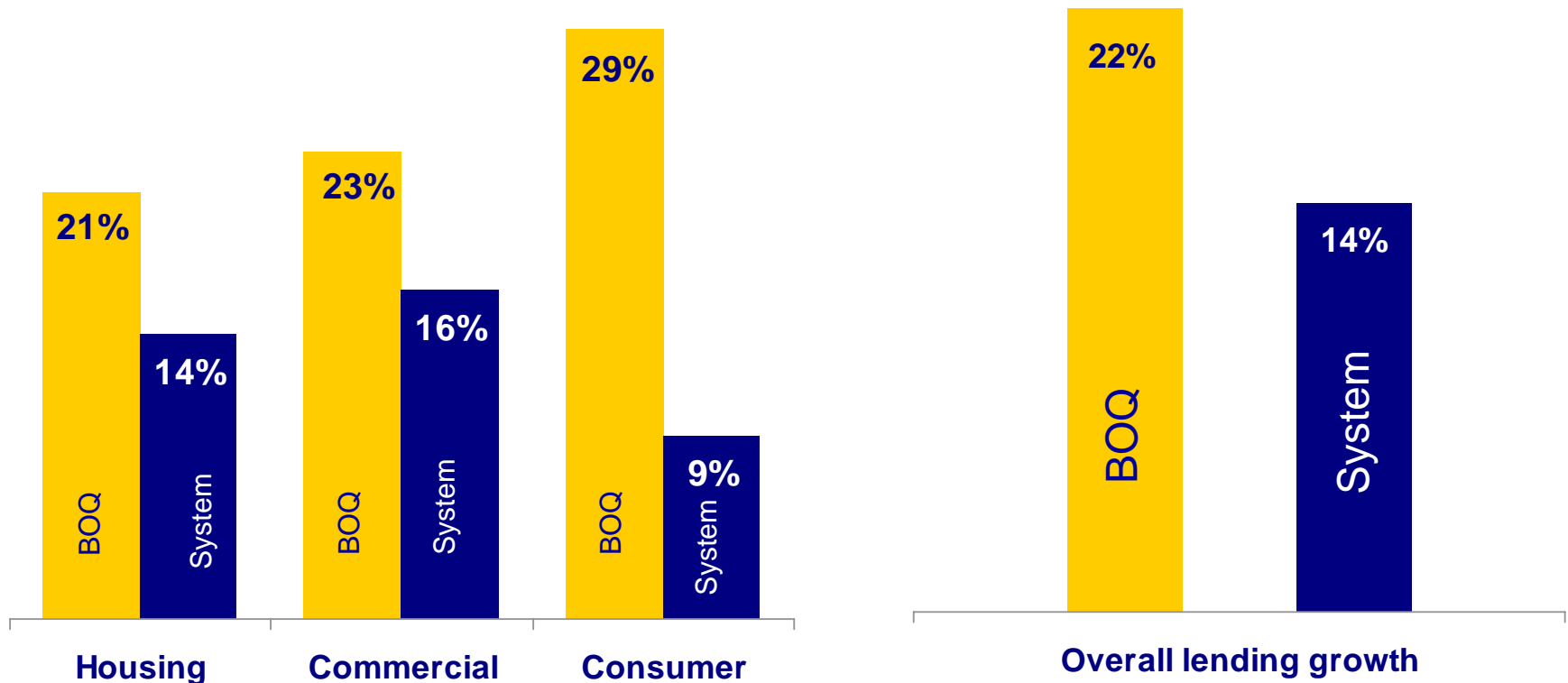
	2005	2006	
<b>Normalised distributable net profit</b>	\$67.5m	<b>\$82.0m</b>	↑ 21%
<b>Normalised cash EPS</b> (Distributable earnings)	67.9¢	<b>76.4¢</b>	↑ 12.5%
<b>Ordinary dividend</b>	48¢	<b>57¢</b>	↑ 19%
<b>Loan approvals</b>	\$7.5b	<b>\$10.0b</b>	↑ 33%
<b>Loan growth</b>	14%	<b>22%</b>	1.6x system
<b>Retail deposit growth</b>	20%	<b>18%</b>	1.8x system
<b>Net interest margin</b>	1.83%	<b>1.83%</b>	-
<b>Cost to income ratio</b> (normalised)	65.8%	<b>64.5%</b>	↓ 1.3%

Normalised Earnings = After tax profit excluding the impact of significant items  
(FY05 – Sale of ATM Solutions \$14.7m, FY06 – Tax benefit \$6.5m,)

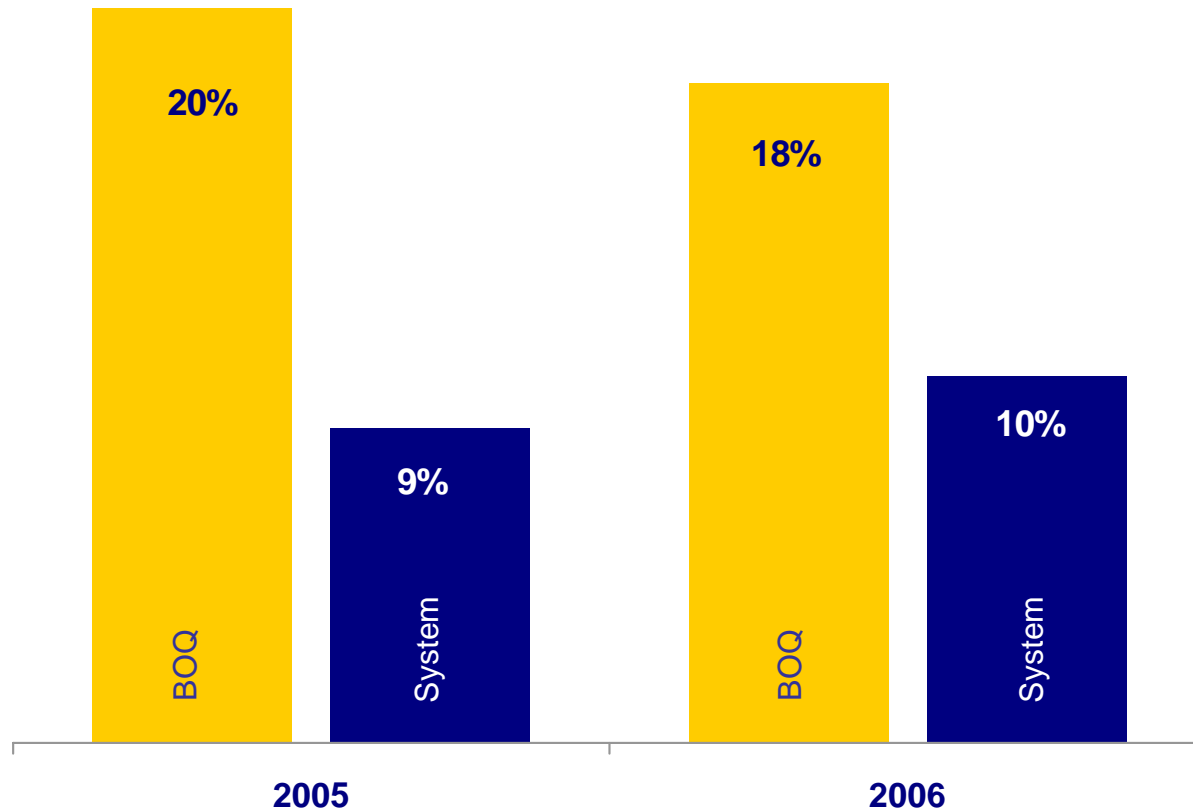
# Lending growth leading system and peers

- Strong growth in all areas

- Overall 1.6x system growth

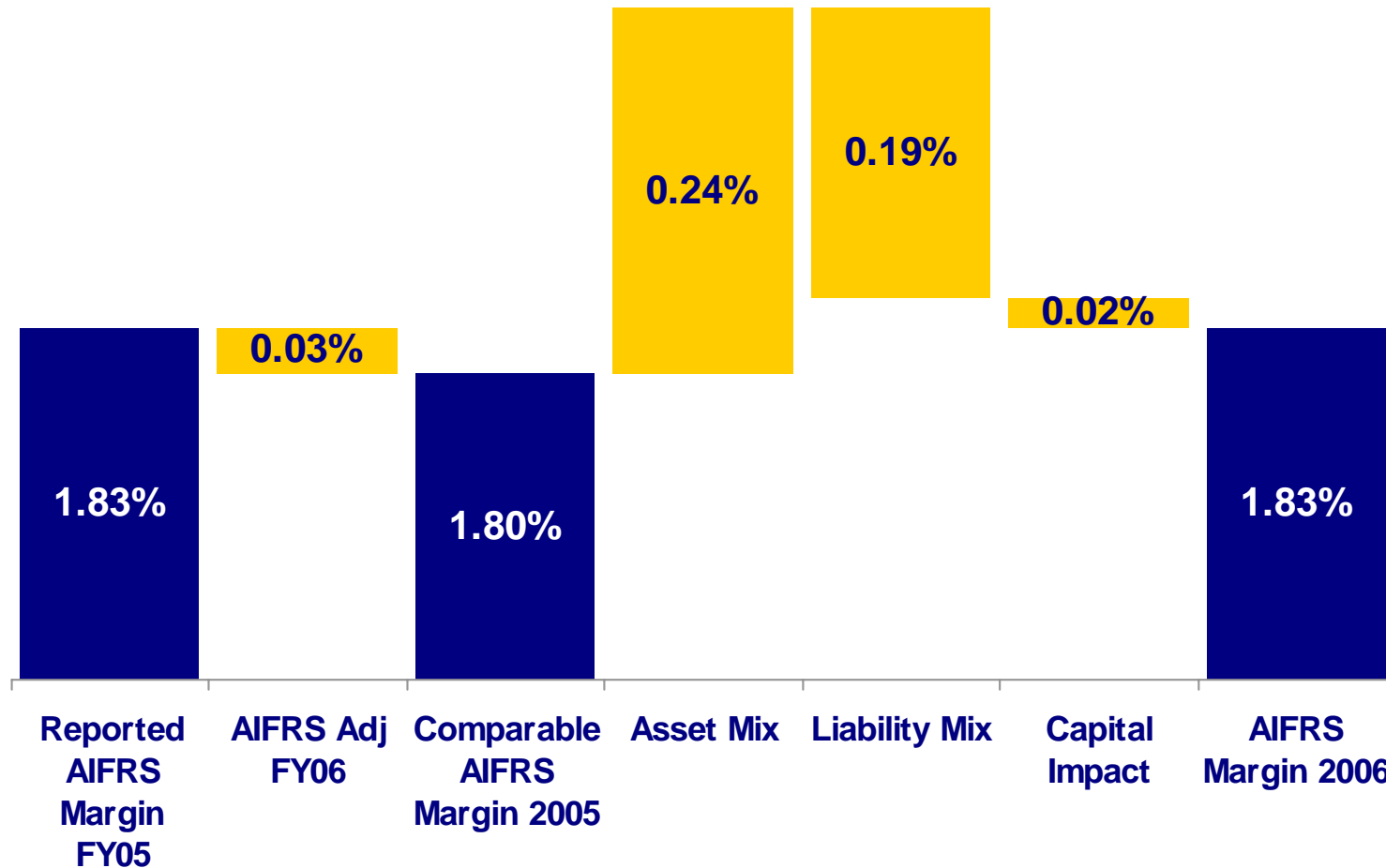


# Retail deposit growth leading system and peers



System = APRA monthly statistics, household deposits

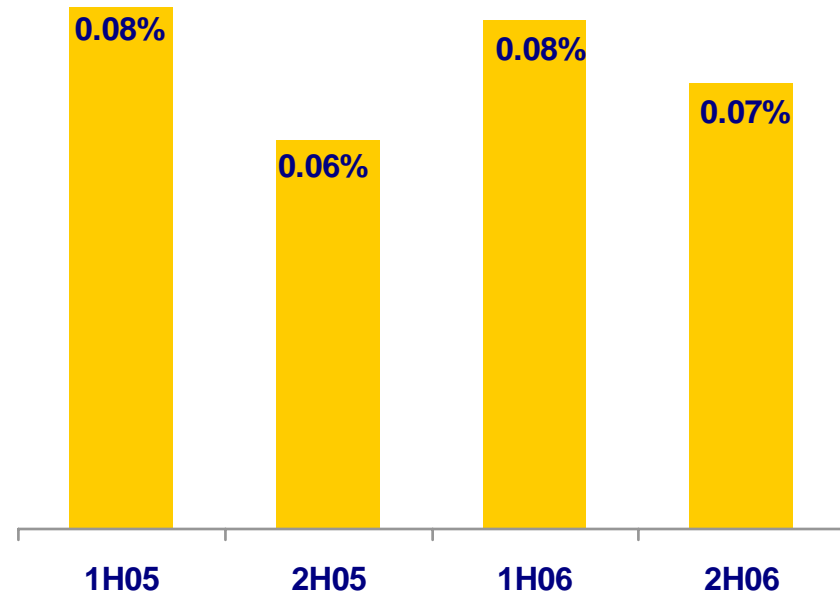
# Margin held steady



# Continuing strong asset quality

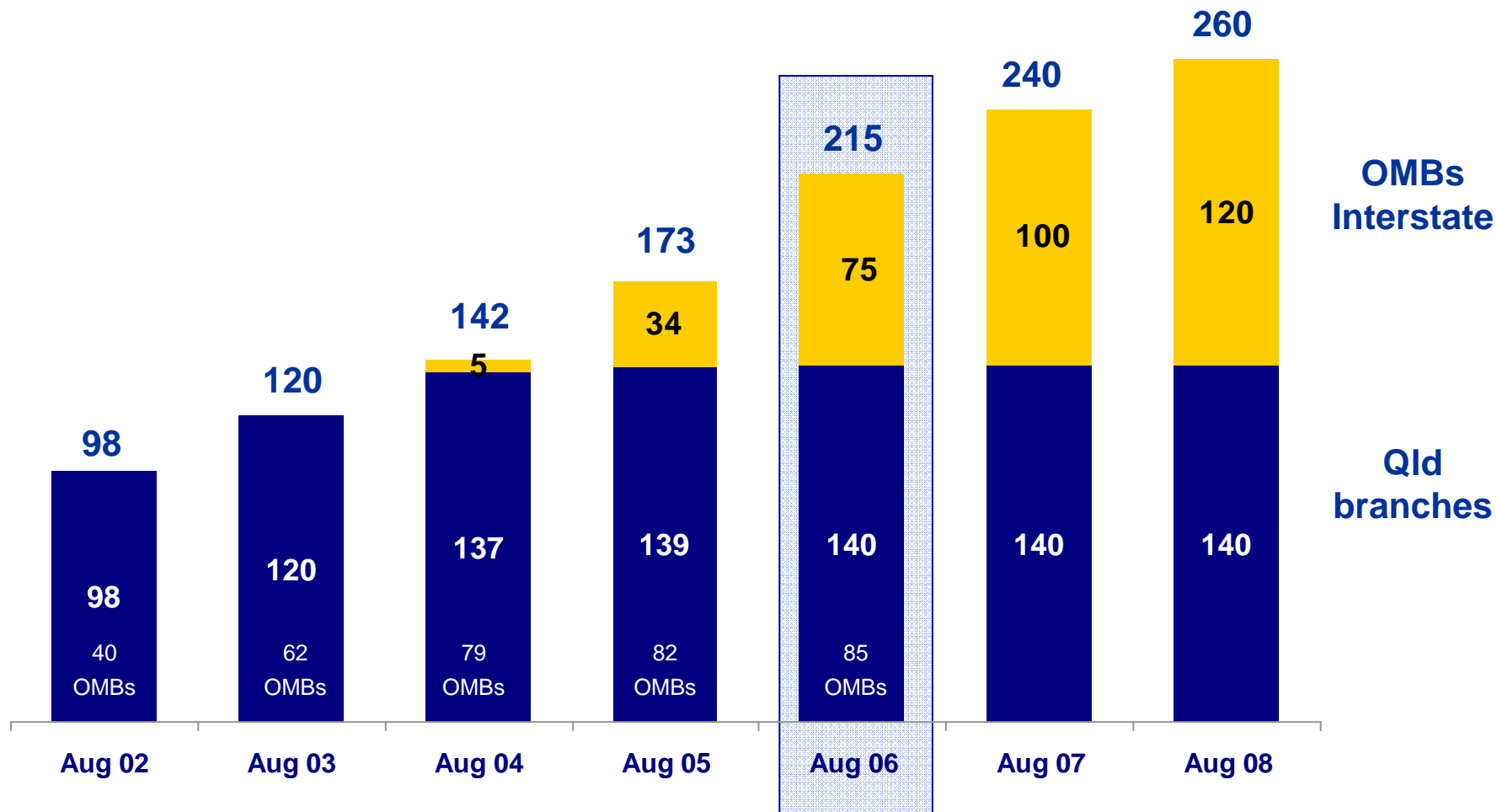
- Continuing growth flowing from expansion, not from compromising asset quality
- Minimal levels of low doc loans:
  - \$304m portfolio of low doc loans, approx 3% of housing LUM

## Impaired Assets to Non-Securitised Lending



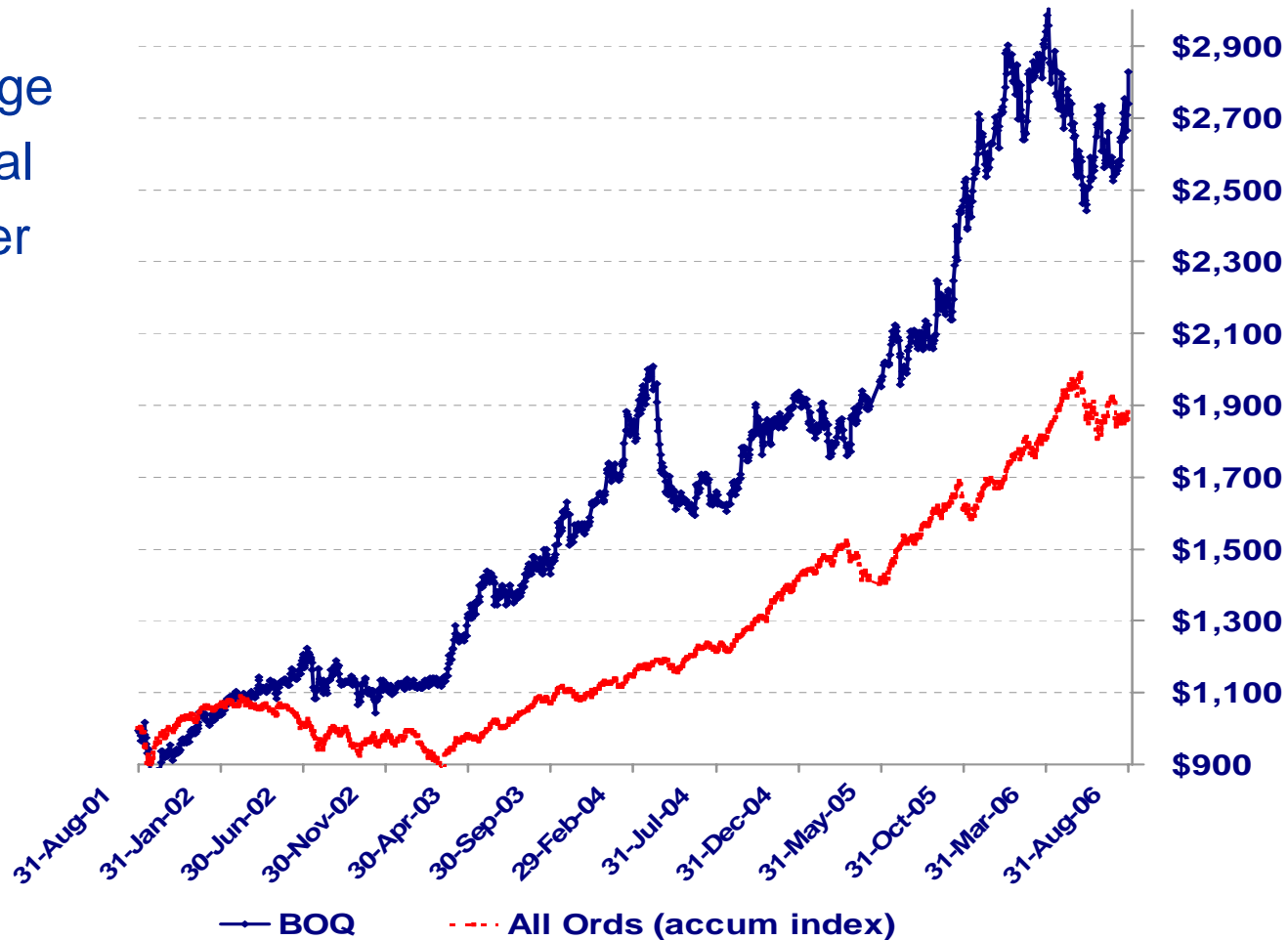


# Achieved target of 75 interstate branches

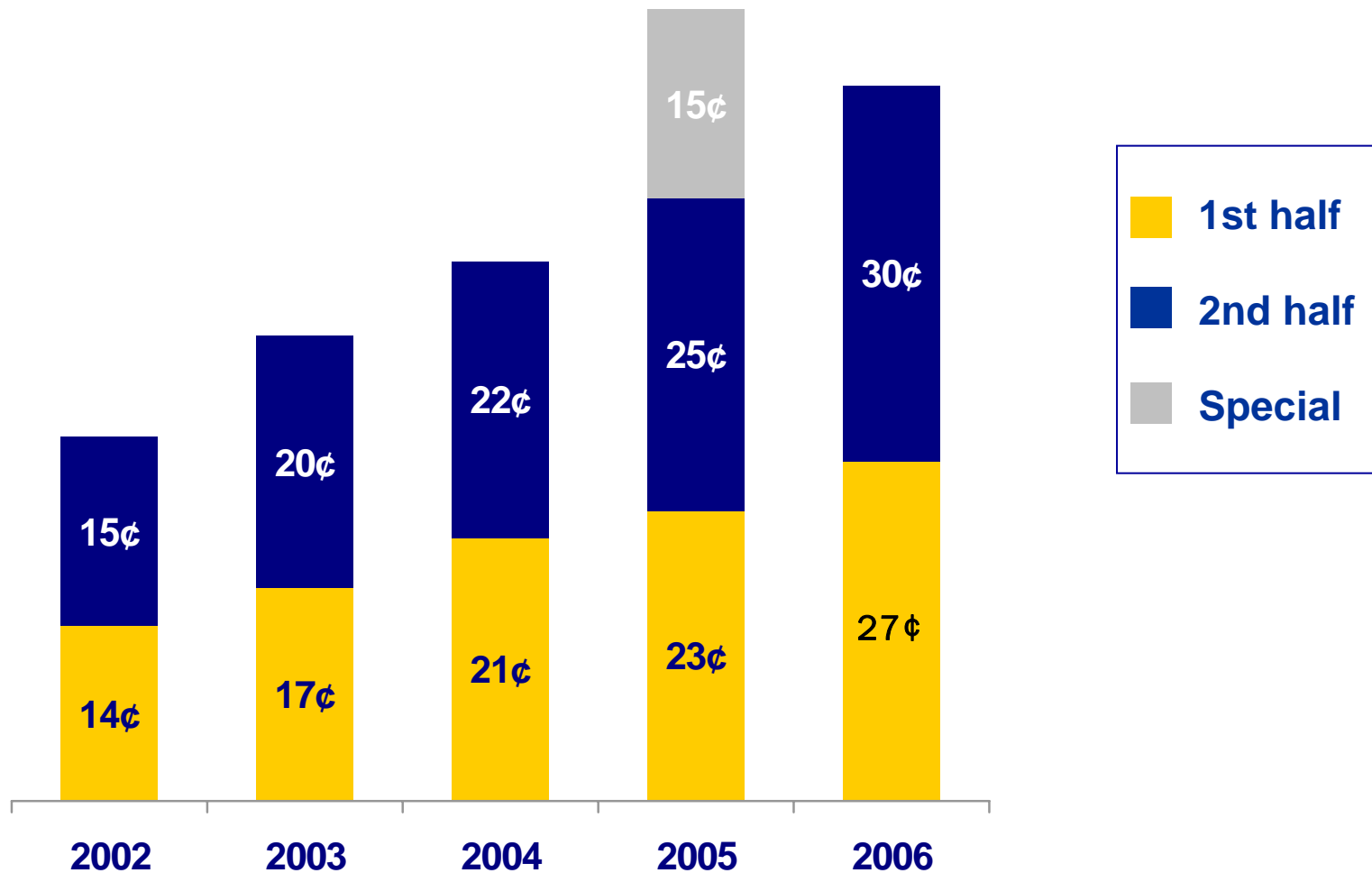


# Growing shareholder value

23% average  
annual Total  
Shareholder  
Return



# Increasing dividends



# The result in detail

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# Summary of normalised results

	AIFRS 2005 \$m	AIFRS 2006 \$m	% Change vs PCP
Total operating income	366.5	385.0	5%
Total expenses	226.8	249.1	10%
<b>Underlying profit</b>	139.7	135.9	-3%
Impairment on loans and advances	13.4	12.3	-8%
<b>Profit before tax</b>	126.3	123.6	-2%
Income tax	36.4	30.9	-15%
<b>Statutory profit for the year</b>	89.9	92.7	3%
Preference share dividends	7.7	-	-
Movement in GRCL (tax effected)	-	4.2	-
<b>Profit Including Significant Items</b>	82.2	88.5	8%
Less Significant Items	14.7	6.5	-
<b>Normalised Distributable Earnings</b>	67.5	82.0	21%
<b>Distributable Cash EPS *</b>	67.9¢	76.4¢	12.5%

Normalised Earnings = After tax profit excluding the impact of significant items (FY05 – Sale of ATM Solutions \$14.7m, FY06 – Tax benefit \$6.5m,)

\* = Excludes amortisation of Customer Contracts

# Significant items

## FY05

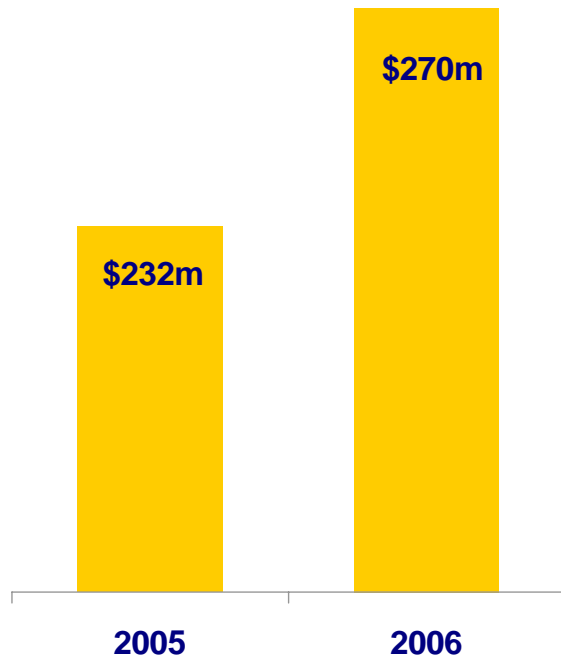
- Sale of ATM Solutions provided an after tax gain of \$14.7m

## FY06

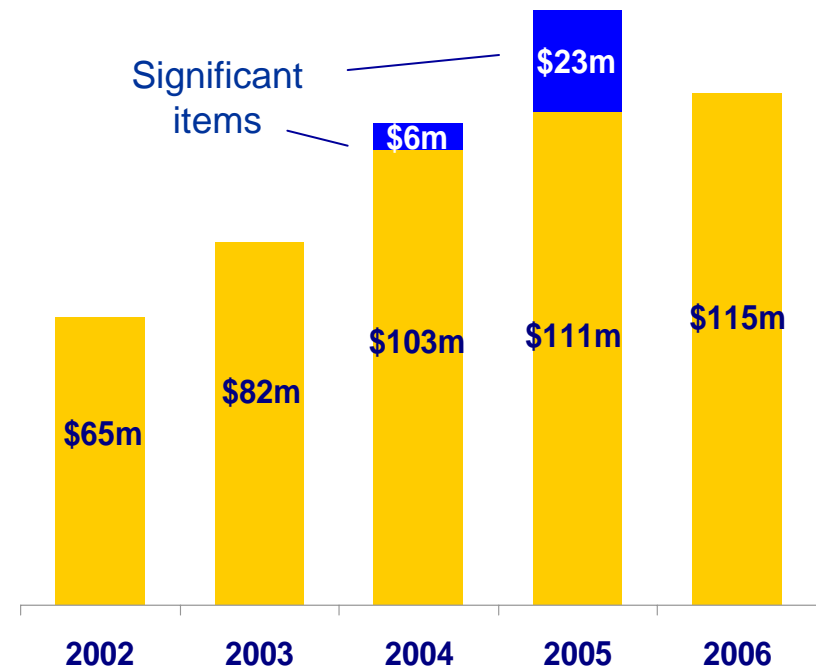
- One-off reduction to tax expense of \$6.5m
- Capital loss arose from the abandonment of the previous core banking system
- Latest core banking system implemented in FY04 and previous system was effectively abandoned in FY05
- BOQ has lodged an amended tax return to this effect

# Growing income

- 16% growth in net interest income

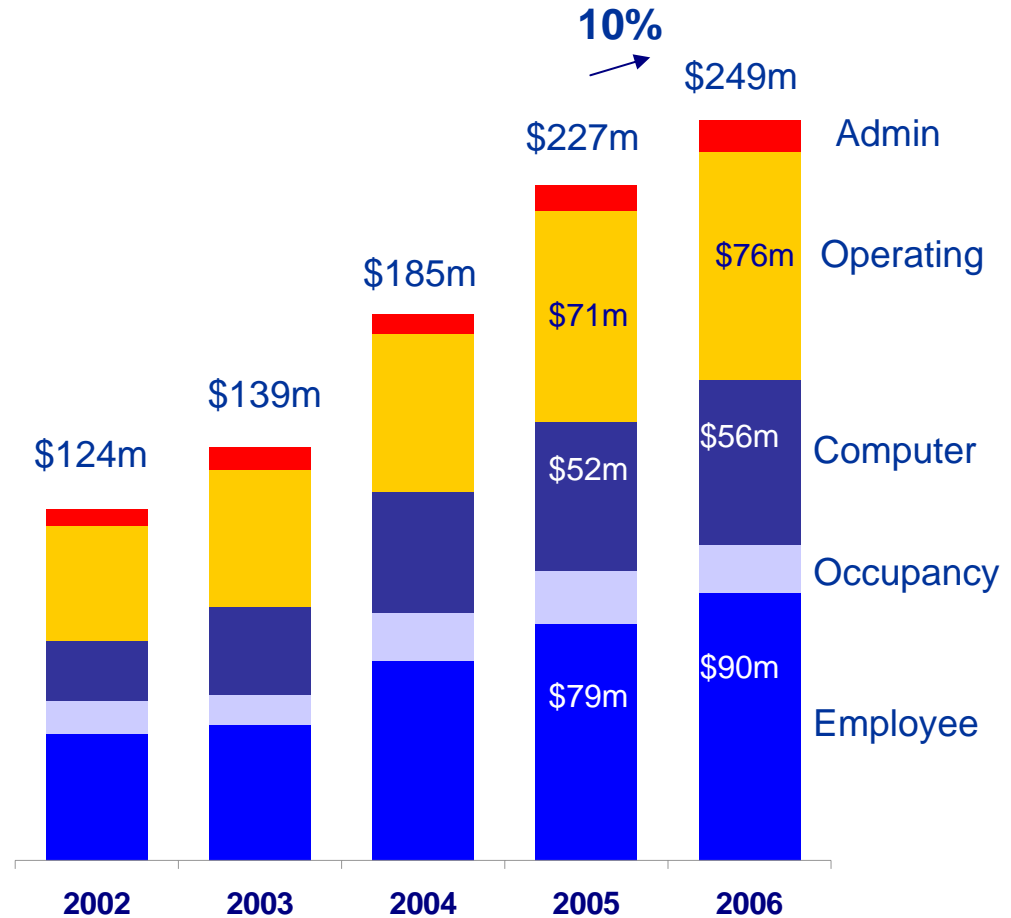
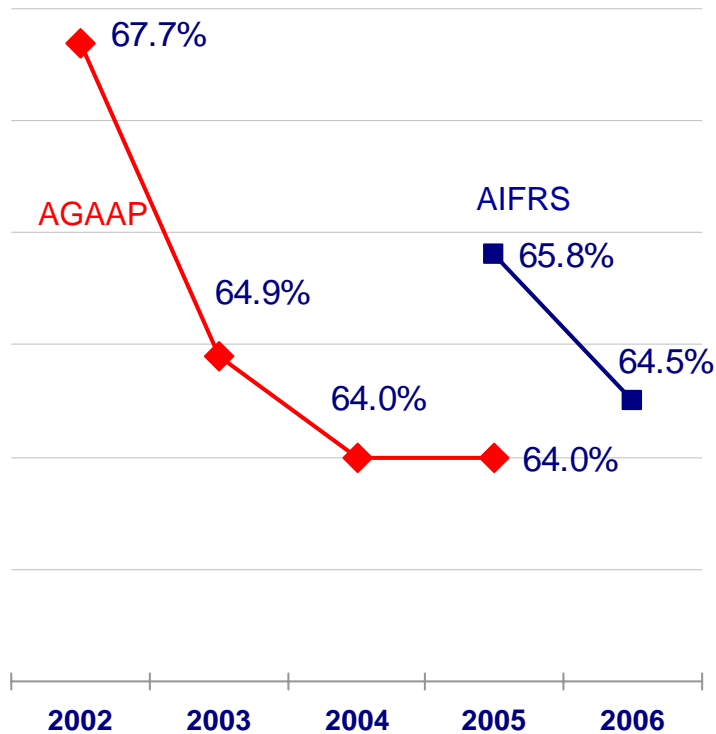


- Increasing customer base and new business driving improved non-interest income growth



# Improved efficiency

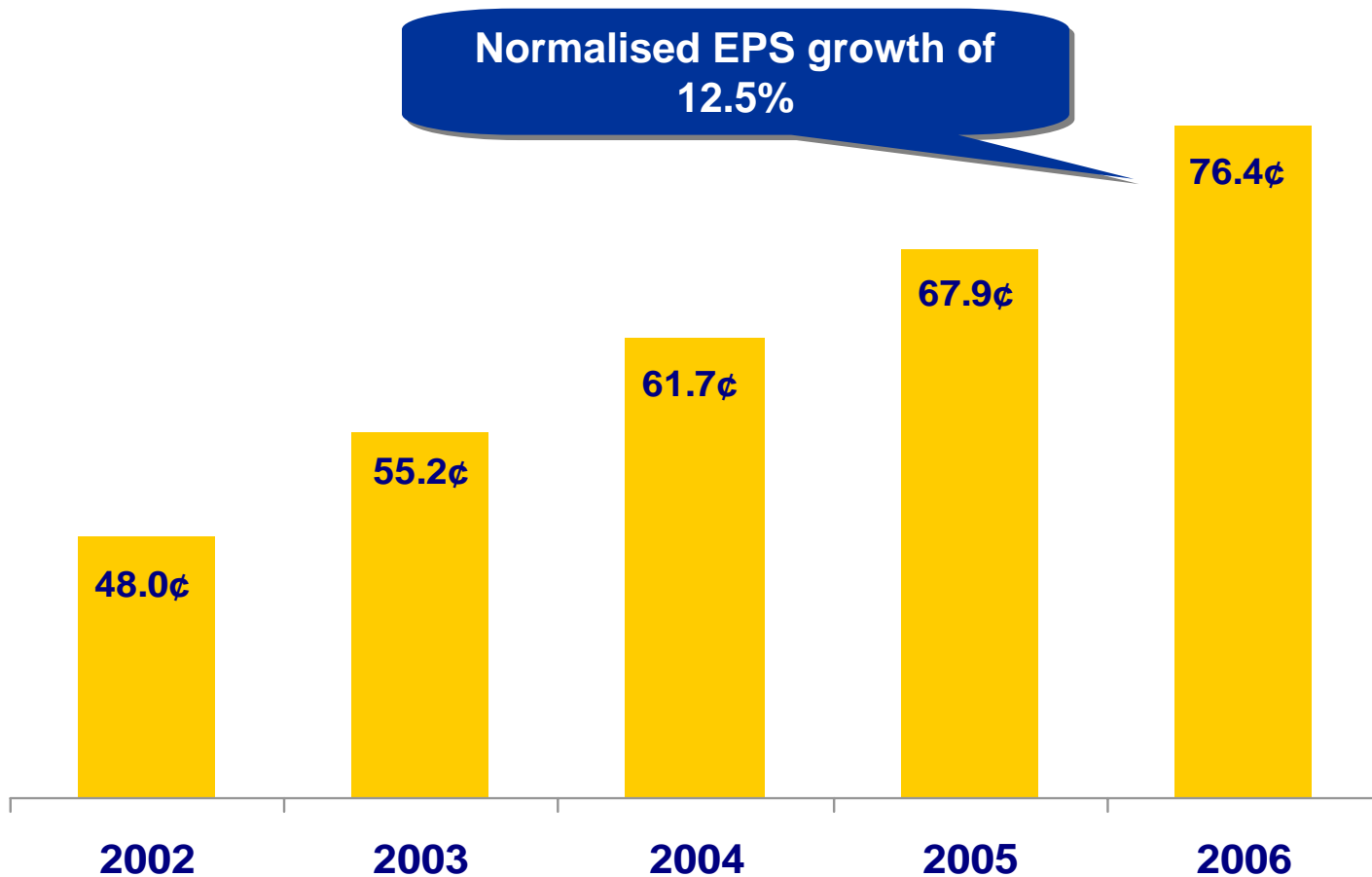
## Cost to Income Ratio



Based on Normalised Earnings = After tax profit excluding the impacts of significant items & excluded amortisation of Customer Contracts

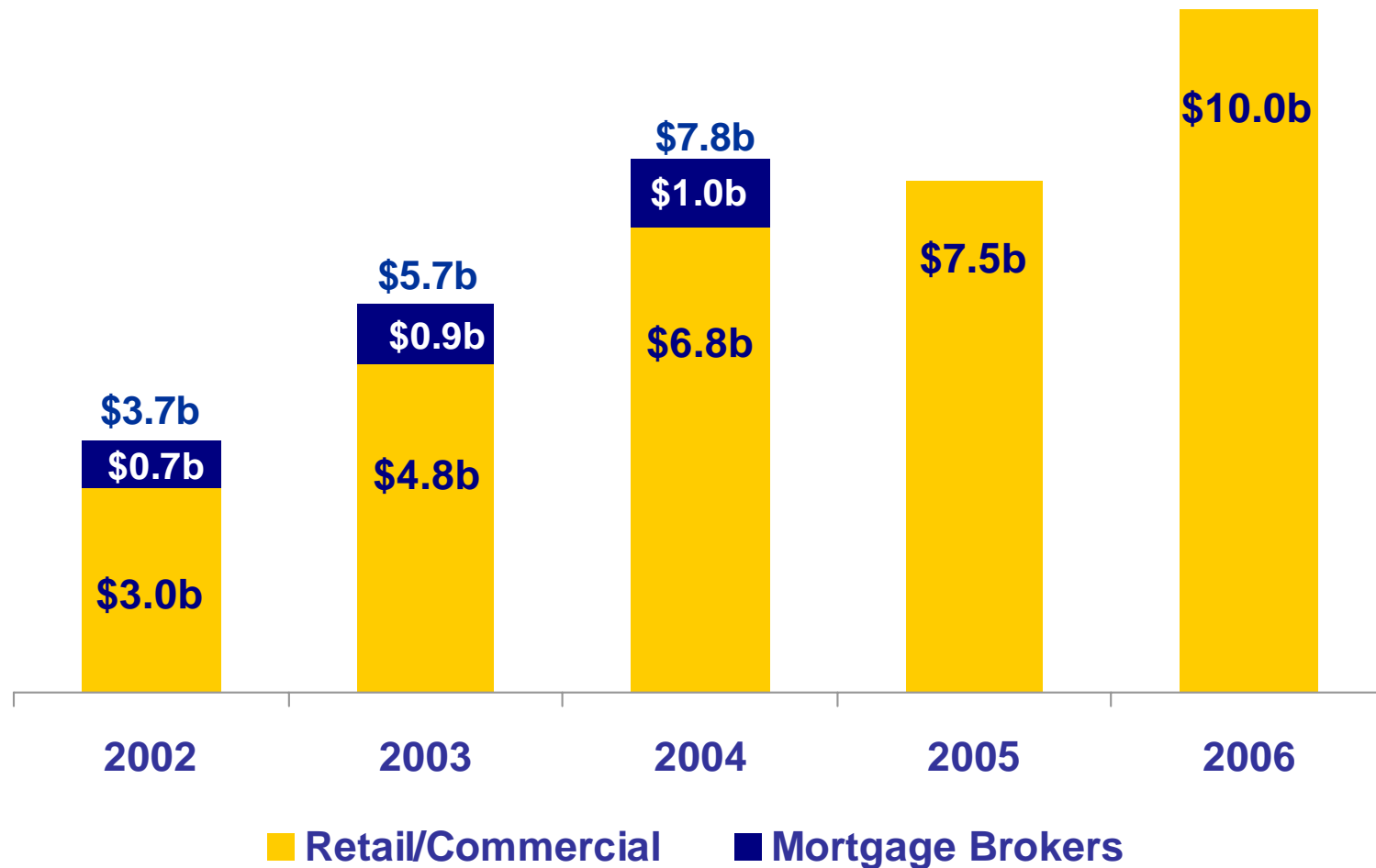


# Increasing cash diluted EPS growth

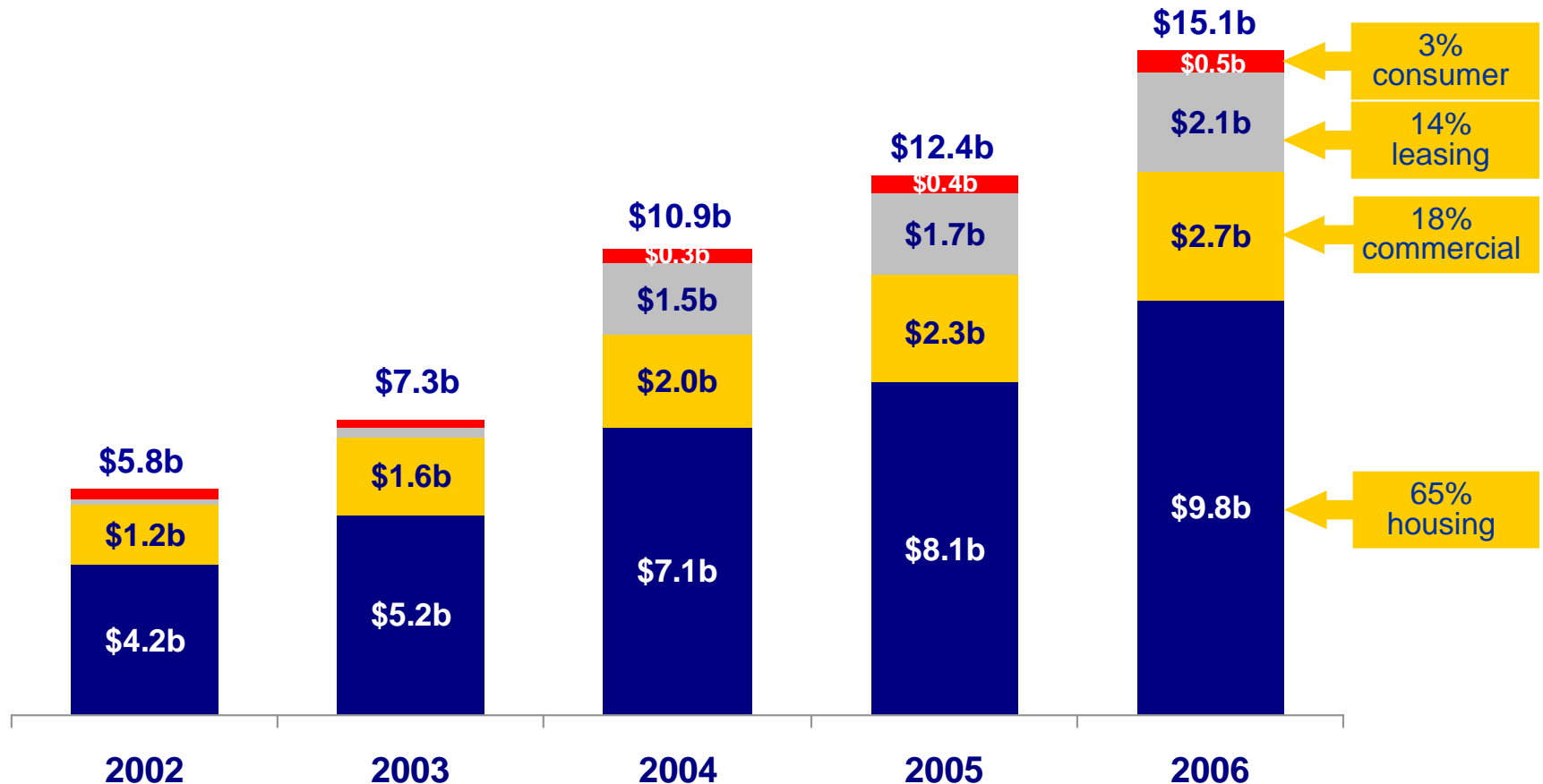


Based on Normalised Earnings = After tax profit excluding the impacts of significant items & excluded amortisation of Customer Contracts

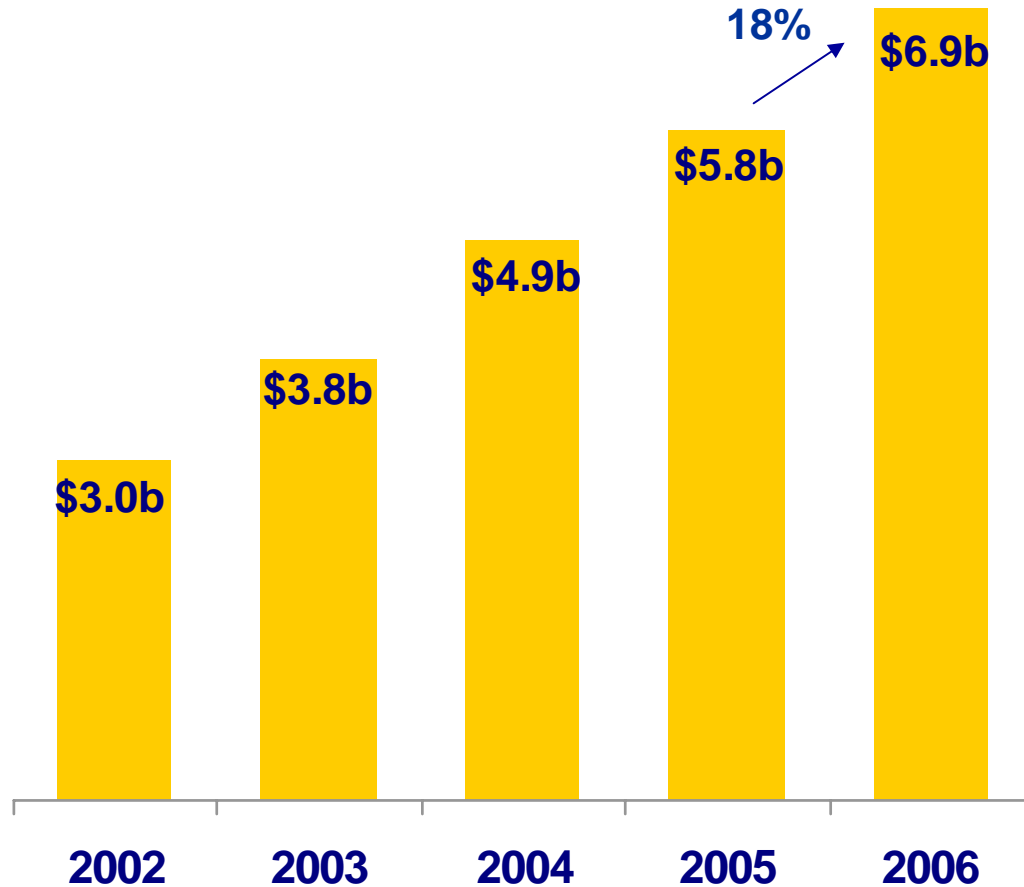
# 33% increase in loan approvals



# Growing loans under management

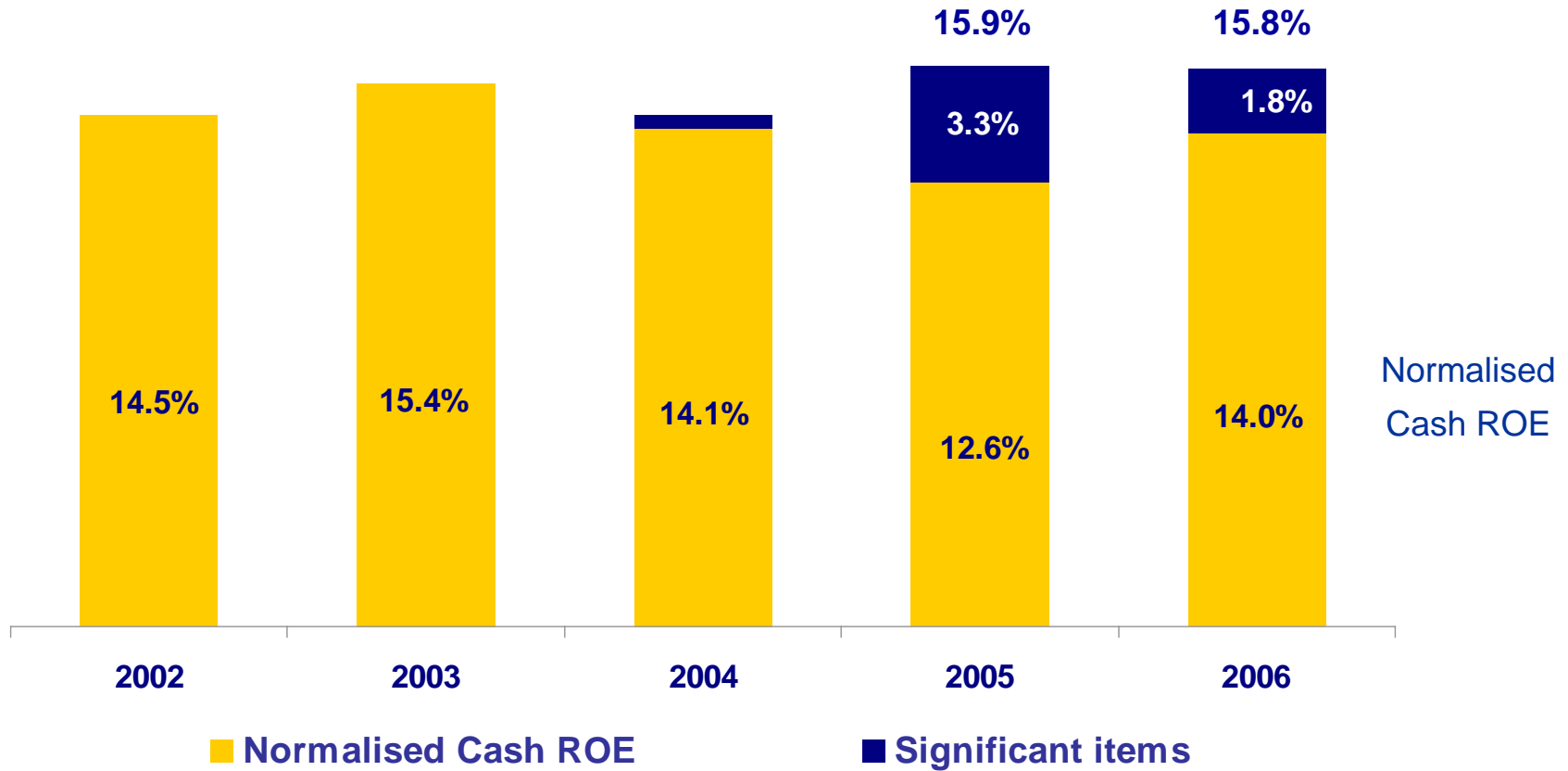


# Strong retail deposit growth



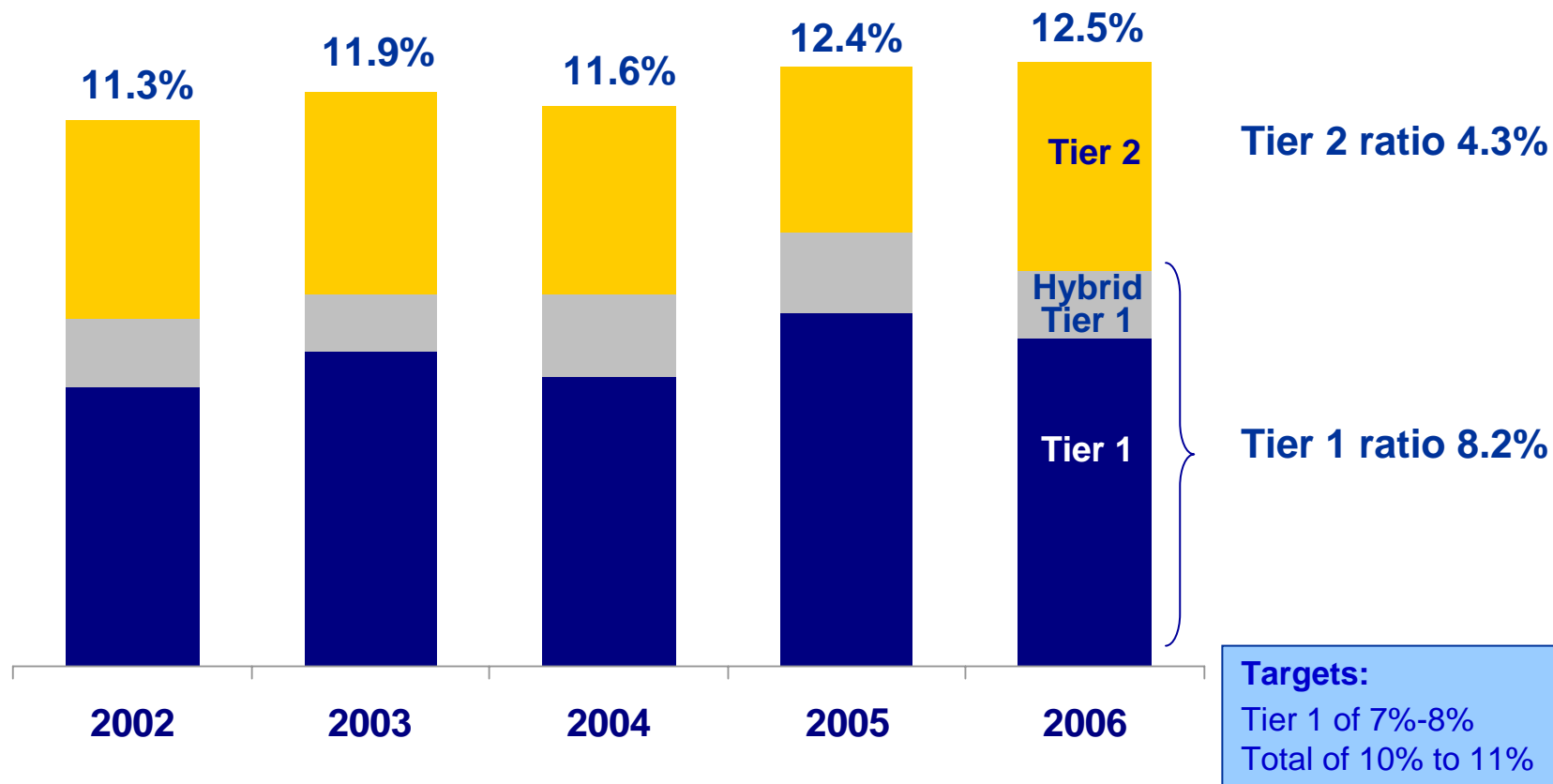
System = APRA monthly statistics, household deposits

# Return on equity



Excludes amortisation of customer contracts

# Managing capital adequacy ratio



# Strategy and outlook

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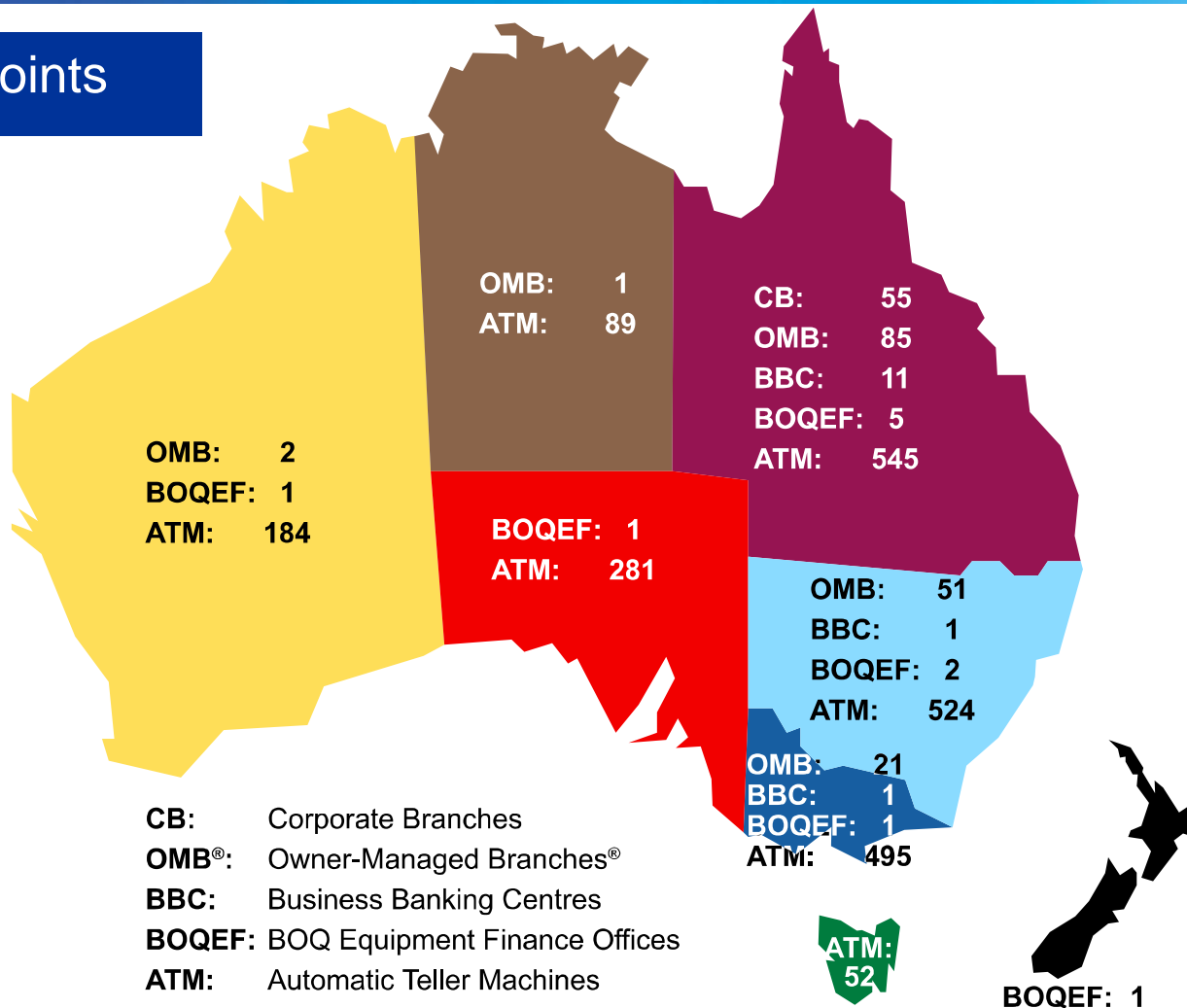
# We have expanded our breadth and reach

- In FY06 we have focussed on:
  - Expanding our branch footprint
  - Expanding our business banking presence
  - Expanding our product range through both Bank-manufactured product and alliances to capitalise on our distribution expansion



# Strengthening our national distribution presence

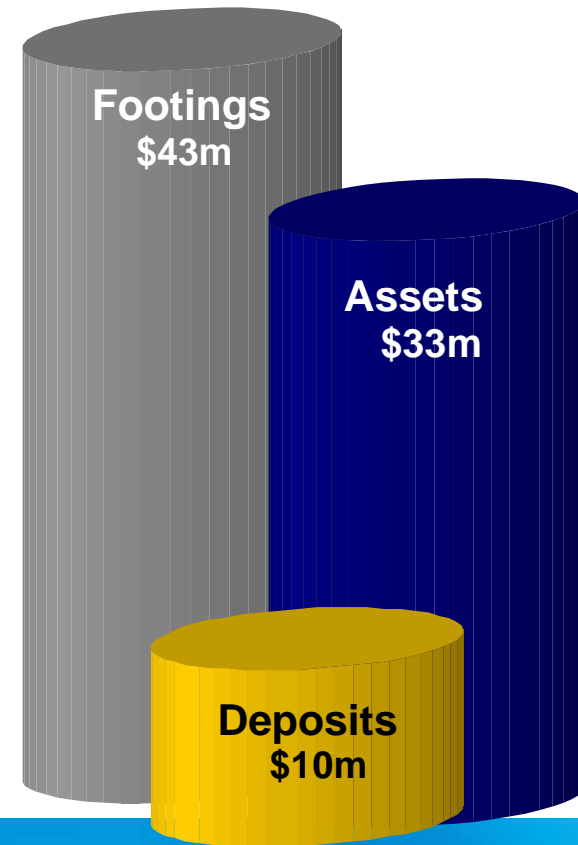
2,409 touchpoints



# Success of interstate branches

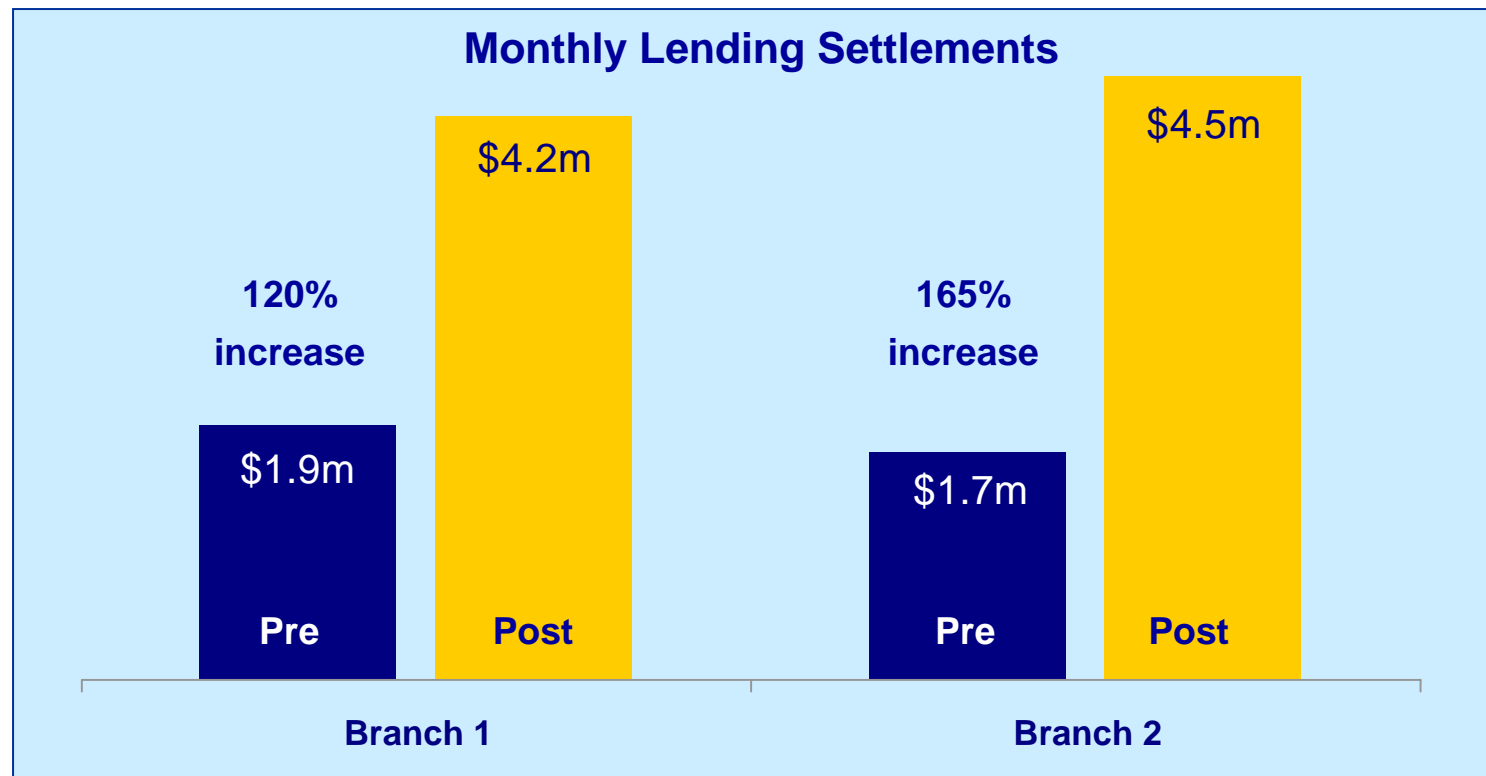
- Continuing to achieve our monthly targets
- Overall the footings are in line with expectations
- Continuing to expand our presence along the Eastern States

Average per interstate branch,  
(for all 33 branches  
open at least 12 months)



# Increased productivity from franchising

- Now converted 3 corporate branches to OMBs (one only recently)
- Improvement in monthly settlements, pre and post conversion:



# Growing our business banking presence

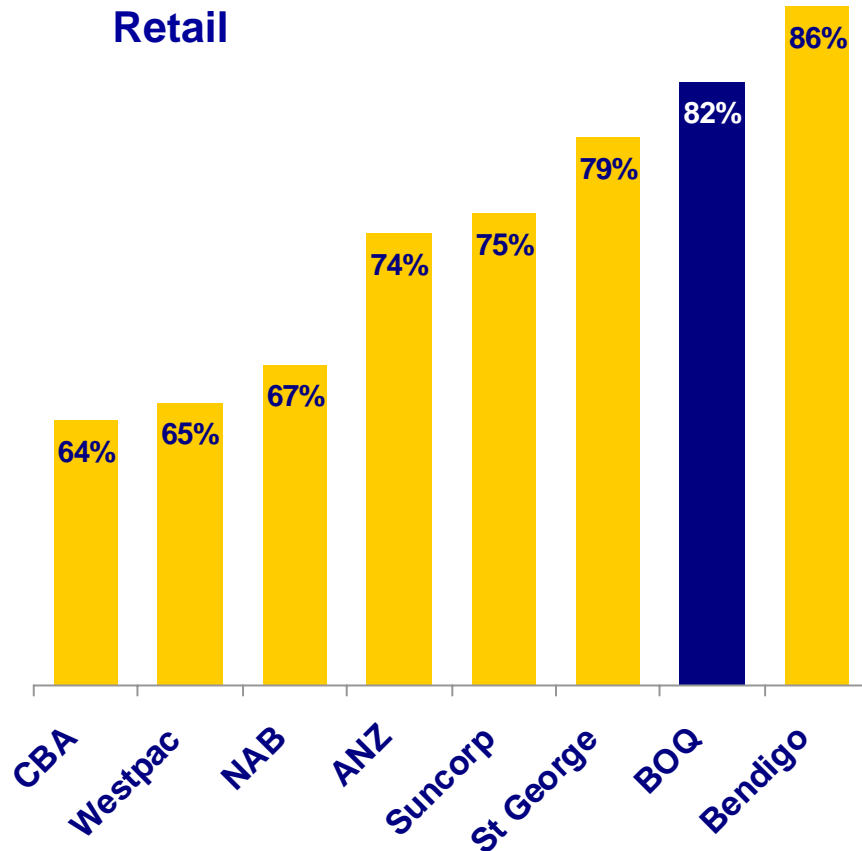
- Now have 13 business banking centres
- Overall strategy is to achieve SME dominance in chosen segments in Queensland
- Strong growth in equipment/debtor finance
  - Equipment Finance
    - receivables now in excess of \$2.1b, more than doubling the book since acquisition 3 years ago
    - achieving more than \$1bn in settlements for the year
  - Debtor finance
    - continuing growth, completed integration of Orix Debtor Finance business acquired in December 05

# Enhancing our product range

- In FY06 we have introduced:
  - A wealth management alliance (Genesys)
  - A non-conforming loan product (Challenger)
  - A margin lending product (Macquarie)
  - Consumer Credit Insurance (St Andrews)
  - Commercial insurance (CGU)
  - An improved merchant terminal offering (Keycorp)
- We also launched the following new BOQ products in FY06:
  - Reverse Charges Account and Web Savings Account
  - Gold Credit Card
  - Business Cash Management Account

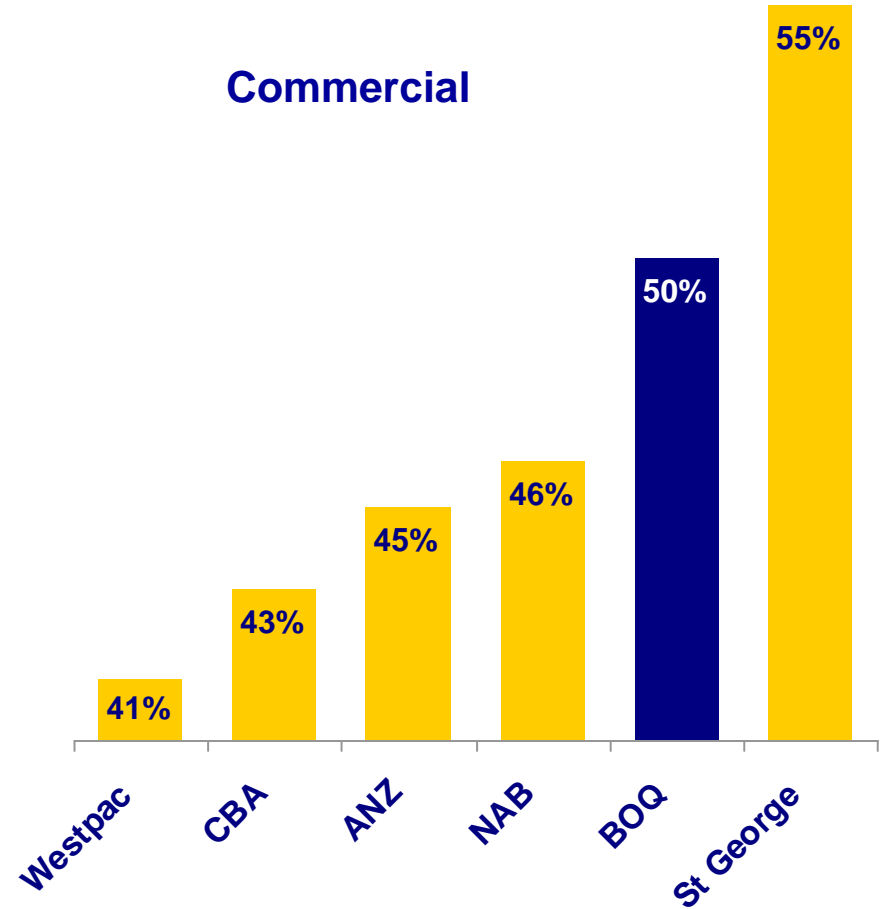
# Satisfied customers

## Retail



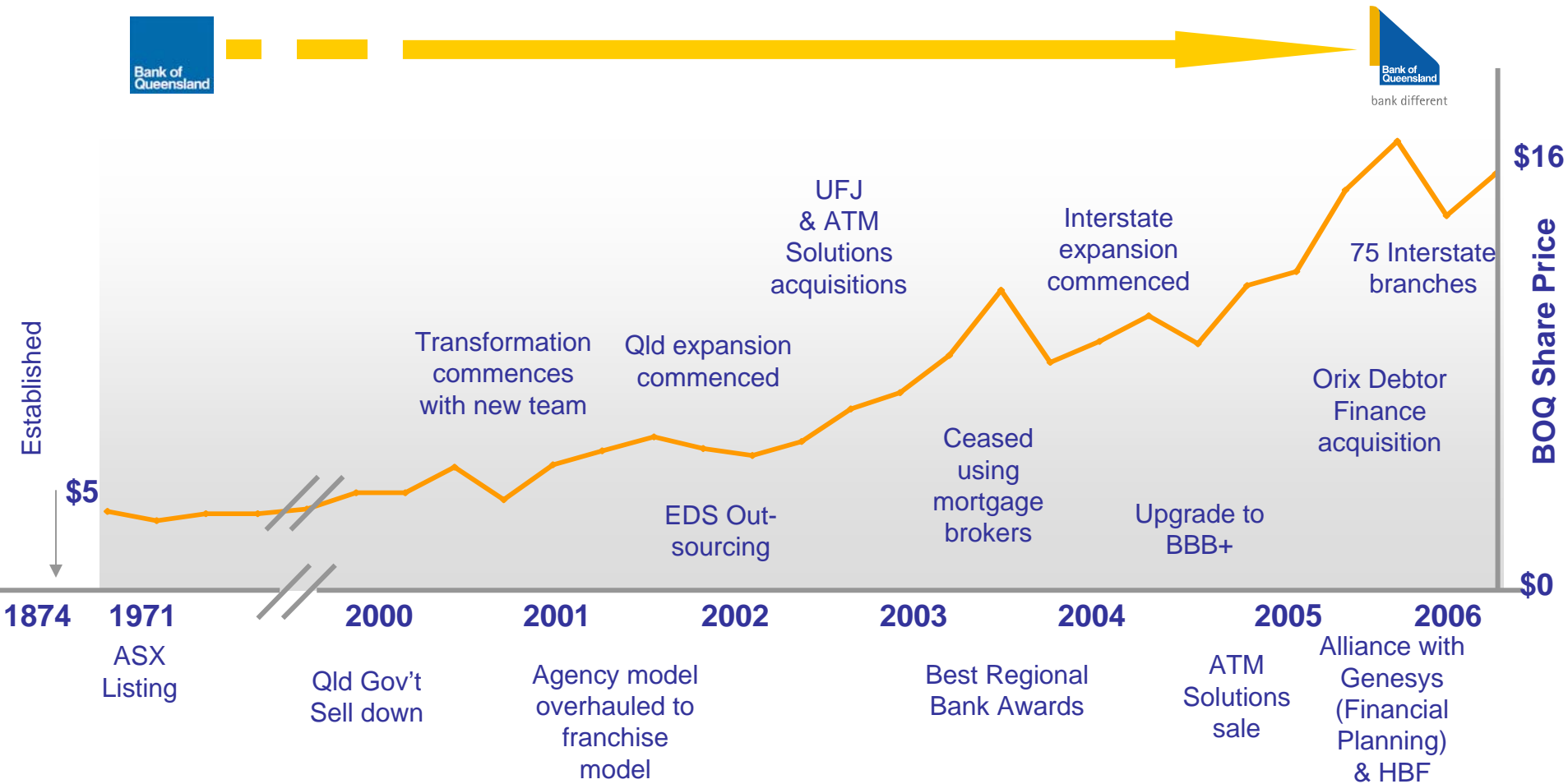
July 06 Roy Morgan Research Queensland Customer Satisfaction

## Commercial



July 06 East & Partners Business Banking Sentiment

# A five year transformation is complete



# We have a strong growth platform

- Our key objectives are to:
  - Continued national footprint expansion
  - Growth through aggressive customer acquisition
  - Continue to outperform the market and deliver strong growth across all businesses
  - Become the #1 banking alternative
  - Consolidate in Queensland with the Pioneer merger, and continue to expand interstate with the OMB model and business banking capability
  - Aggregation of selective products/services
  - Drive revenue enhancement and expense reductions through PEP



# Growing our revenue streams

- We entered into an alliance with HBF this year, Western Australia's largest health insurer
- We will be providing a range of BOQ-manufactured, HBF-branded banking products to their 900,000+ members
- This alliance allows us to leverage our core banking platform and EDS processing capability

# Update on Pioneer Building Society merger

- BOQ proceeding with merger with Pioneer Building Society, subject to approval of Scheme of Arrangement
- Offer is for 100% of Pioneer Permanent Building Society's issued capital at a value of \$4.78 per share
- Values Pioneer at \$49.6 million and is to be implemented via a scheme of arrangement
- Assets of approx \$500m, 100% retail funded
- Subject to regulatory, court and shareholder approval before completion in early December
- Benefits for BOQ:
  - Strengthened footprint in central/northern Queensland
  - EPS accretive acquisition

# Confident outlook

- National expansion supported by Queensland leverage
- Queensland economy very strong - national economy slower
- Competition is intense
- Our footprint will continue to expand
- Targeting complementary strategic acquisitions
- Positioned for continued strong growth
- Financial goals for 2007 financial year:
  - 1.5x – 2x system lending and deposit growth
  - Maintain credit quality
  - EPS growth of 10% - 12% on a AIFRS Distributable Net Profit basis

# Summing up our value proposition



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# Full Year Results 31 August 2006

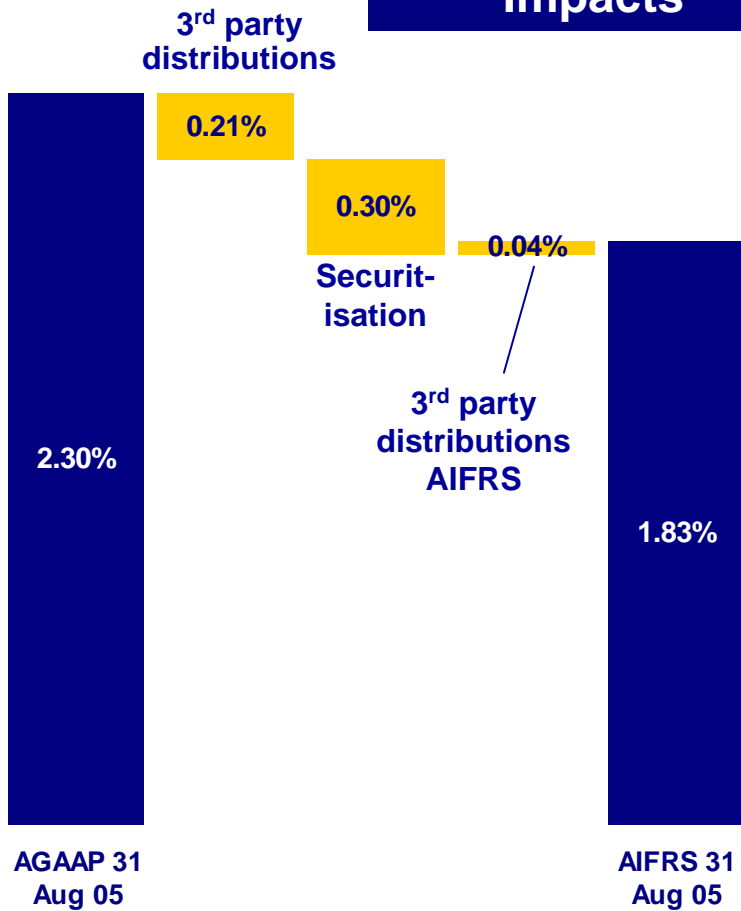
## Further Detailed Information

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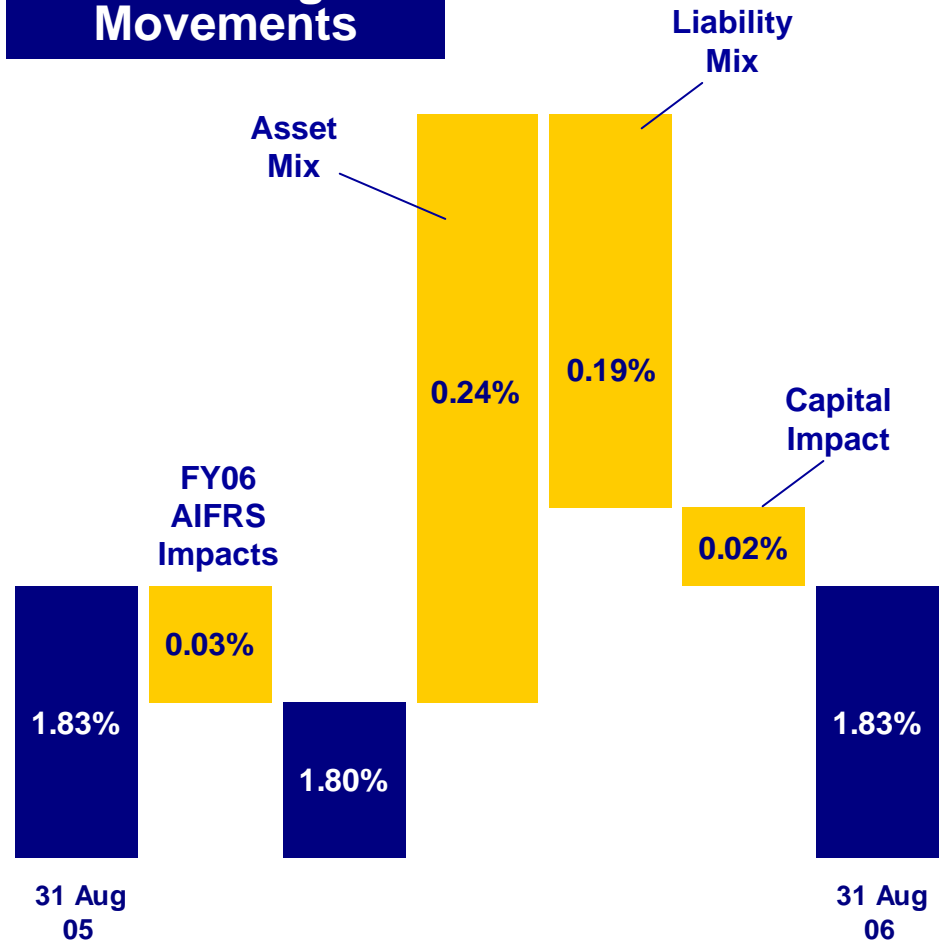


# Margin Maintained

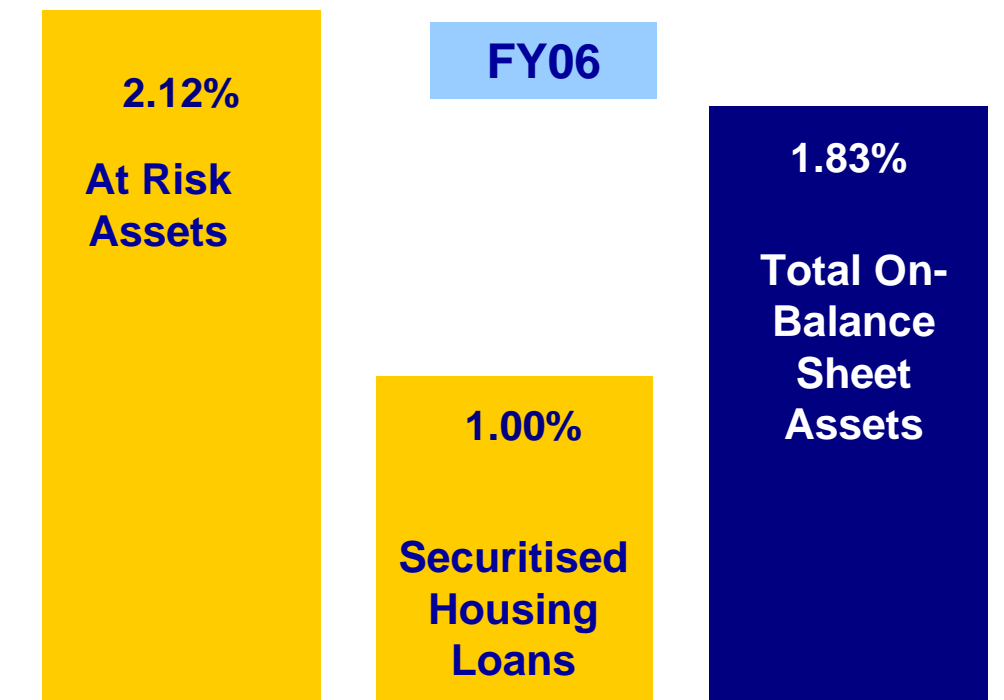
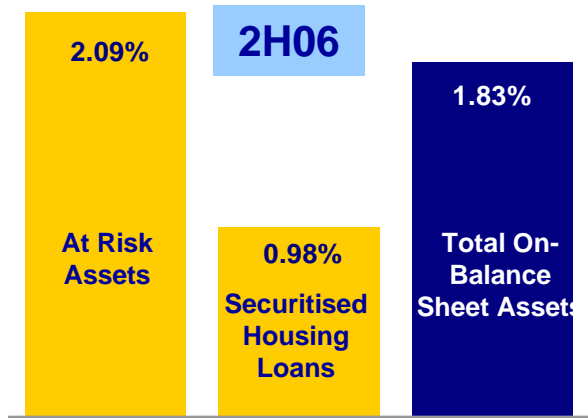
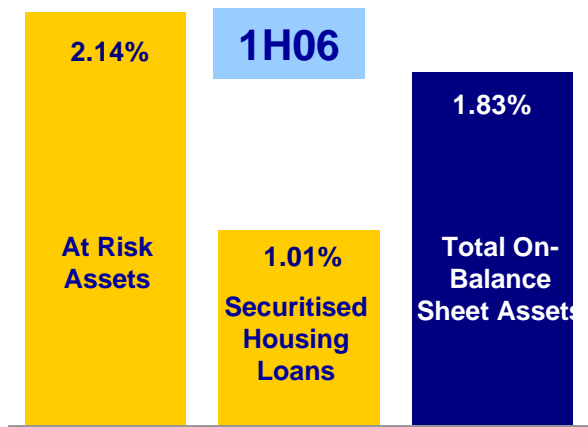
## FY05 Margin Impacts



## FY06 Margin Movements

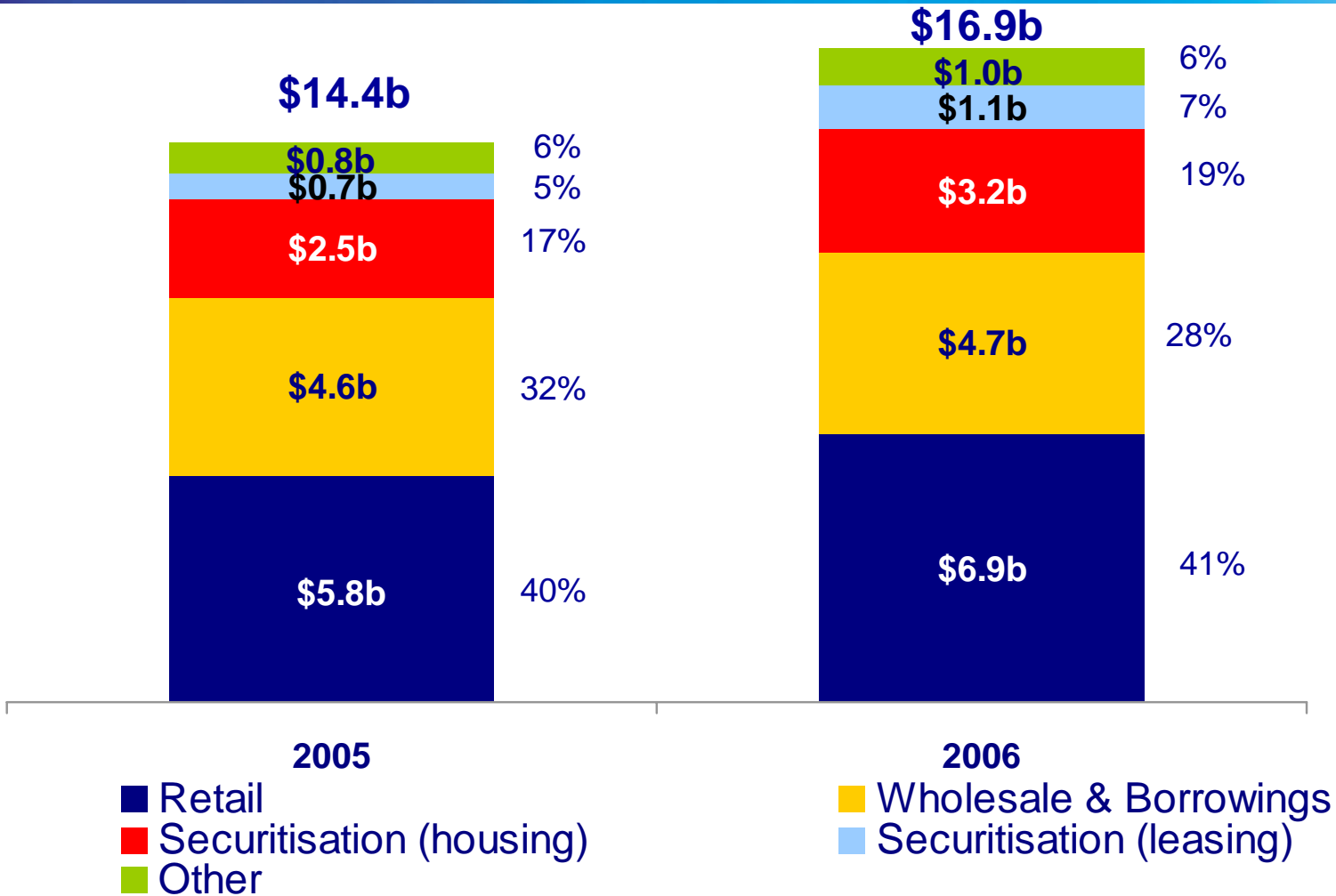


# Margin Composition FY06



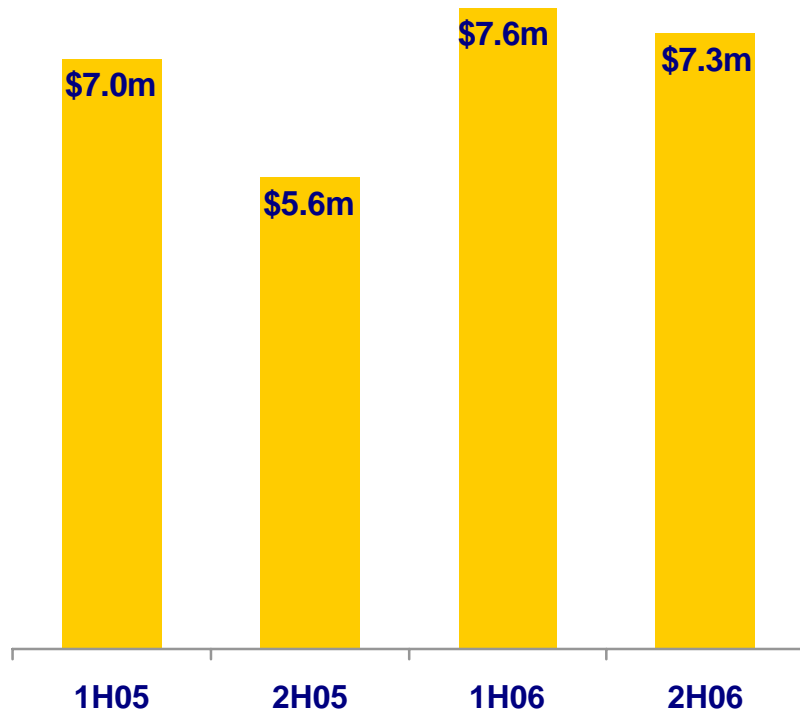


# Overall Funding Mix

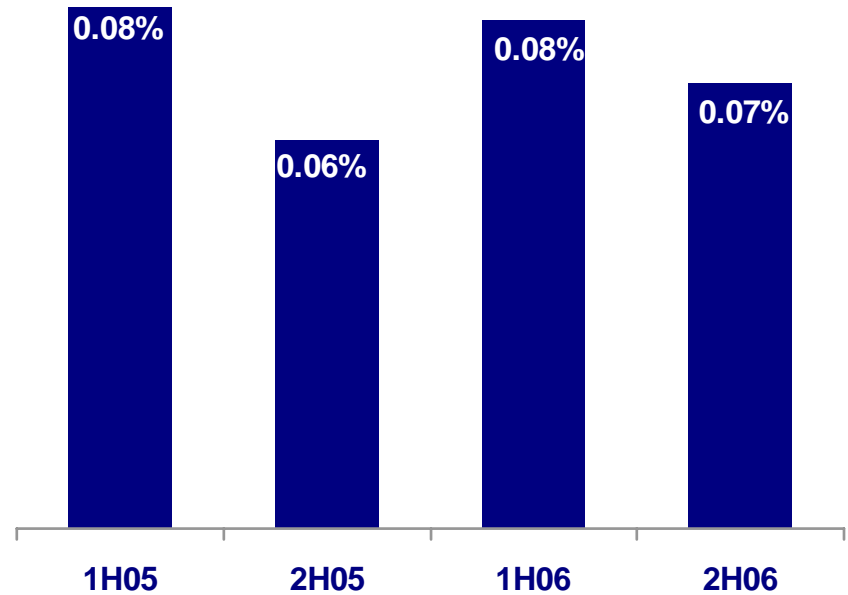


# Continuing Strong Asset Quality

## Impaired Assets

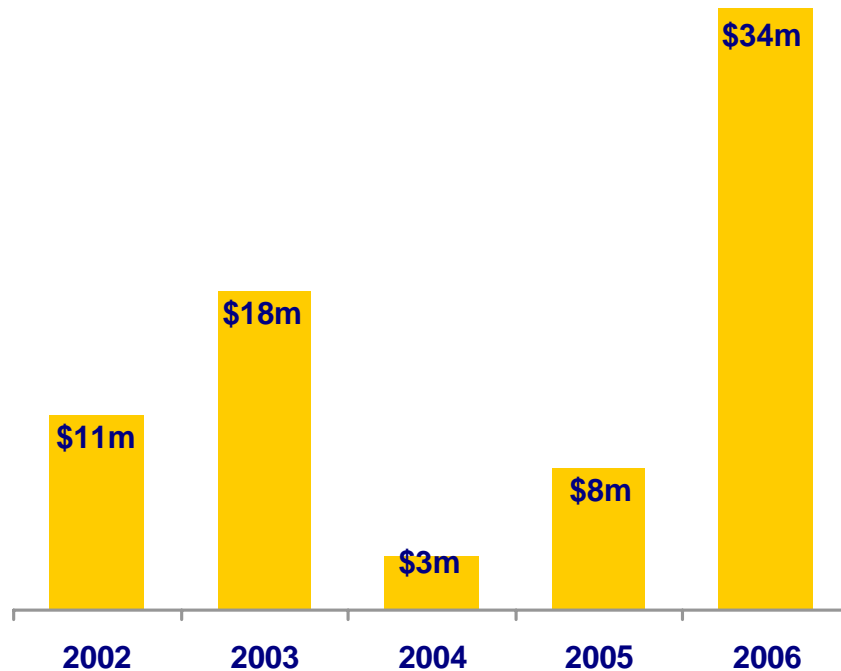


## Impaired Assets to Non-Securitised Lending

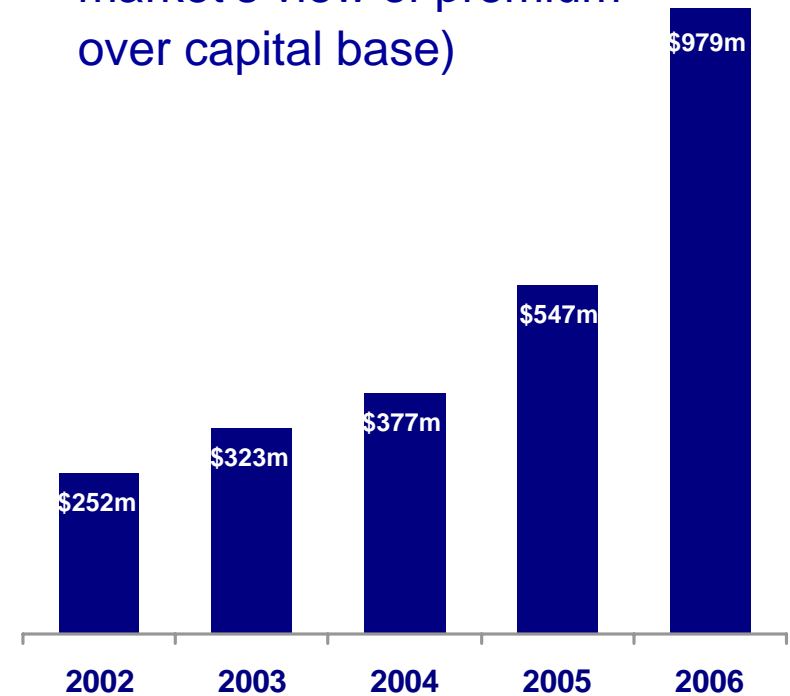


# Growing Shareholder Value

- EVA<sup>©</sup> = Return over and above the cost of capital (Measure of shareholder value created)



- MVA = market cap - equity capital (MVA is the market's view of premium over capital base)



© = Copyright Stern Stewart, excludes significant items

# Success of Interstate Branches

- Continuing to expand our presence along the Eastern States.
- Continuing to achieve average monthly targets for new lending, after allowing for initial ramp-up.
- Overall the footings are in line with expectations.

