

Bank of Queensland

2006 First Half Results

6 April 2006

Result Highlights

	1H06	1H05	
AGAAP –Headline Net Profit	\$42.3m	\$35.9m	↑18%
AGAAP –Cash Earnings Available for Ordinary Shareholders	\$39.8m	\$33.2m	↑20%
AIFRS Statutory Net Profit	\$40.0m	\$36.1m	↑11%
AIFRS Distributable Net Profit (NPAT Available for Distribution to Ordinary Shareholders)	\$37.5m	\$32.3m	↑16%
Dividend	27¢	23¢	↑17%

This is BOQ's first reporting period under AIFRS. This presentation has been prepared on a Distributable Net Profit basis, ie where possible, adjustments have been made to 1H05 to include the estimated impact of standards applied for the first time in 1H06.

Result Highlights

	1H06	1H05	
Loan Approvals	\$4.5b	\$3.5b	↑28%
Assets Under Management	\$15.9b	\$13.3b	↑19%
Loans Under Management	\$13.5b	\$11.4b	↑19%
Retail Deposits	\$6.4b	\$5.4b	↑18%

Progress Update for the Half...

Full Year 06 Financial Goals

- ▶ Goal of 1.5x – 2x system growth in lending and retail deposits.
- ▶ Maintain credit quality.
- ▶ EPS growth of 10%-12% (AGAAP guidance).
- ▶ Improve cost to income ratio by 1% pa.

1H06 Progress

- ▶ Annual growth in:
 - ▶ Loans under management of 19% (system 14%)
 - ▶ Retail deposits up 18% (system 9%).
- ▶ Underlying bad debts reduced & low levels of impaired assets maintained.
- ▶ EPS Growth:
 - ▶ 12% – Cash AGAAP.
 - ▶ 16% – AIFRS Statutory NPAT.
 - ▶ 9% – AIFRS Distributable Net Profit.
- ▶ 64% cost to income ratio (>1% improvement over pcp on AGAAP and AIFRS basis).

Progress Update for the Half...

Full Year 06 Operational Goals

- ▶ Continue interstate branch expansion using OMB model.
- ▶ Expand business banking through organic growth and selected acquisitions.

1H06 Progress

- ▶ OMB expansion growing:
 - ▶ 19 interstate branches opened & 1 in Qld.
 - ▶ continuing strong growth from our expansion.
 - ▶ confident of meeting our full year target of 75 branches.
- ▶ Opening new business banking branches.
- ▶ Successful acquisition of Orix Debtor Finance business.

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Profitability

Summary of Results – AIFRS

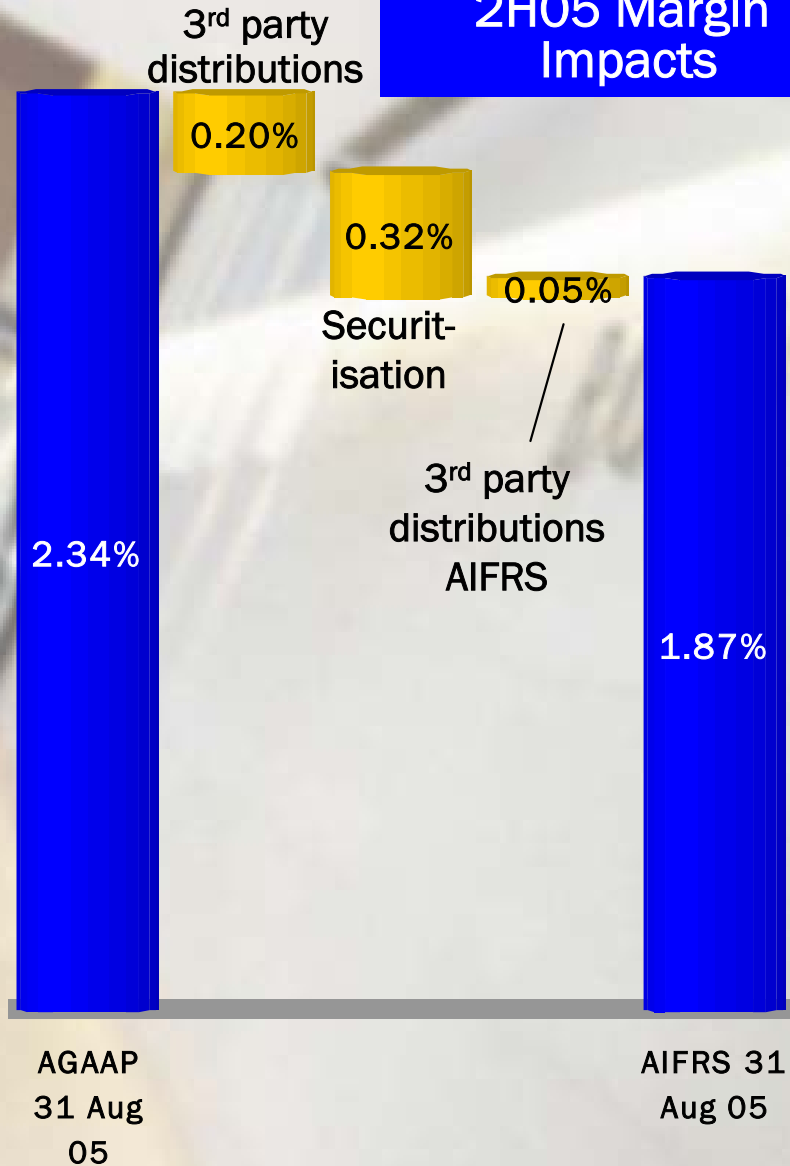
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	1H06 \$m	1H05 \$m	% Change
Net Interest Income	126.9	108.1	17%
Non Interest Income	50.2	52.0	-3%
<i>Total Income</i>	177.1	160.1	11%
Total Expenses	113.5	105.2	8%
<i>Underlying Profit</i>	63.6	54.9	16%
Bad debts	3.4	5.7	-40%
<i>Profit Before Tax</i>	60.2	49.2	22%
Income Tax	20.2	13.1	54%
Net Profit After Tax	40.0	36.1	11%
General Reserve for Credit Losses [1]	2.5		-
Preference share dividends [1]		3.8	-
Distributable Net Profit (NPAT Available for Dist'n to Ordinary Shareholders)	37.5	32.3	16%

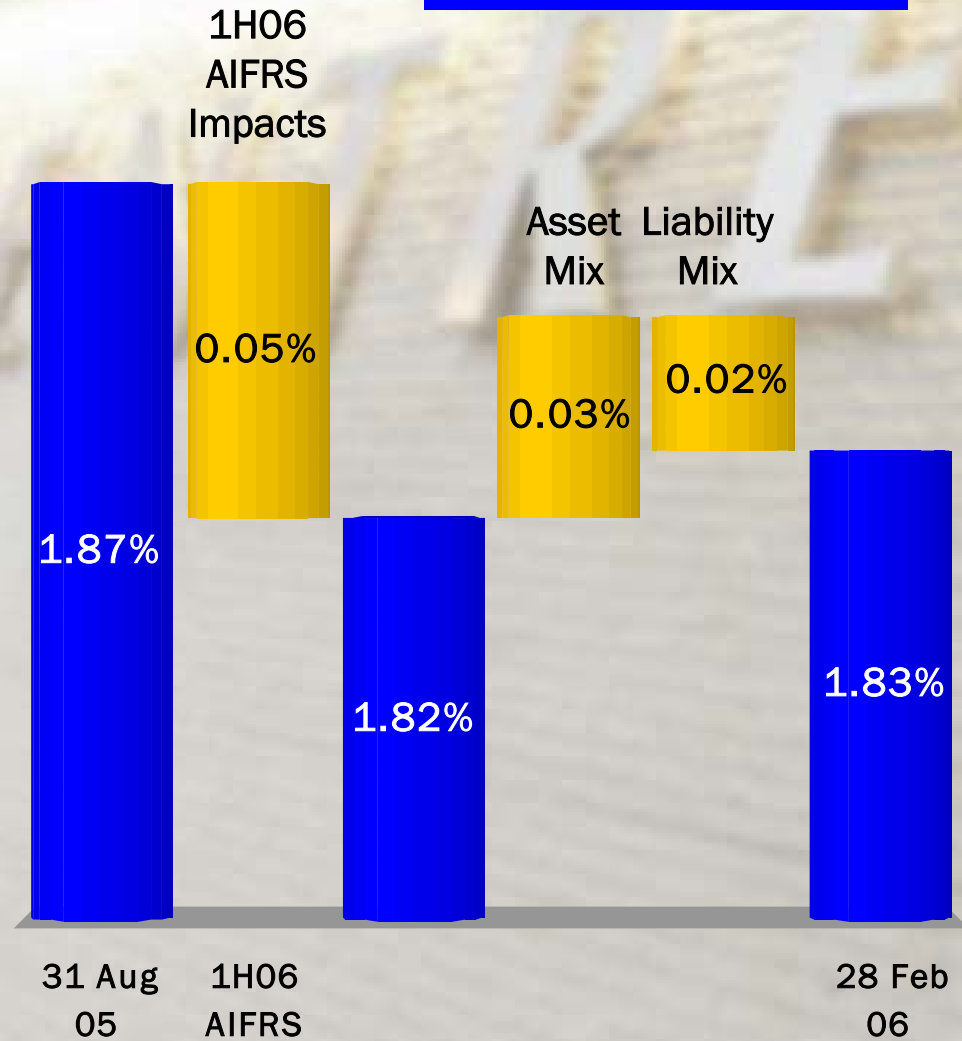
[1] GRCL movement and preference share dividends included to allow a "like for like" comparison at a Distributable Net Profit level.

Margin Maintained

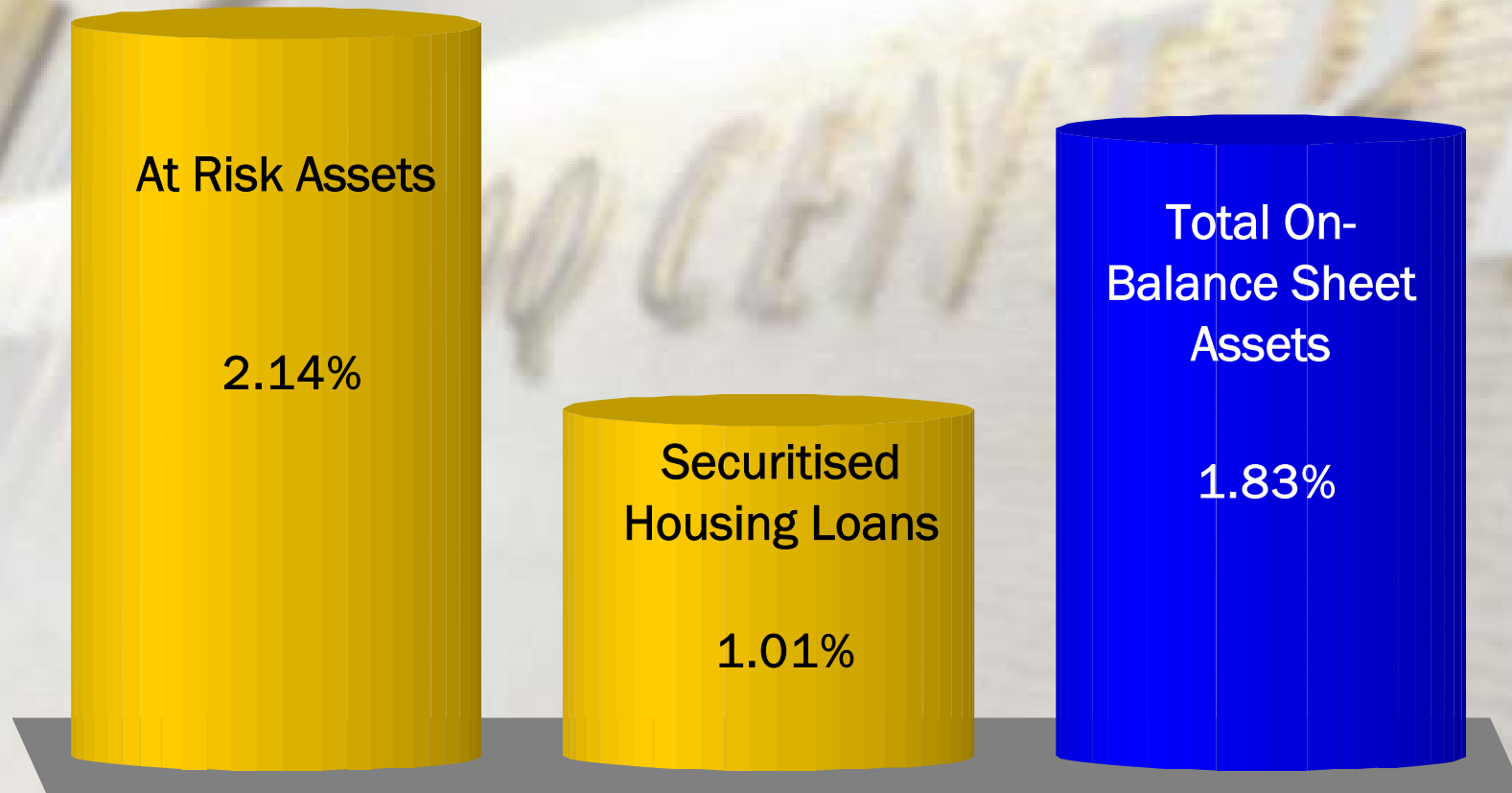
2H05 Margin Impacts



1H06 Margin Movements

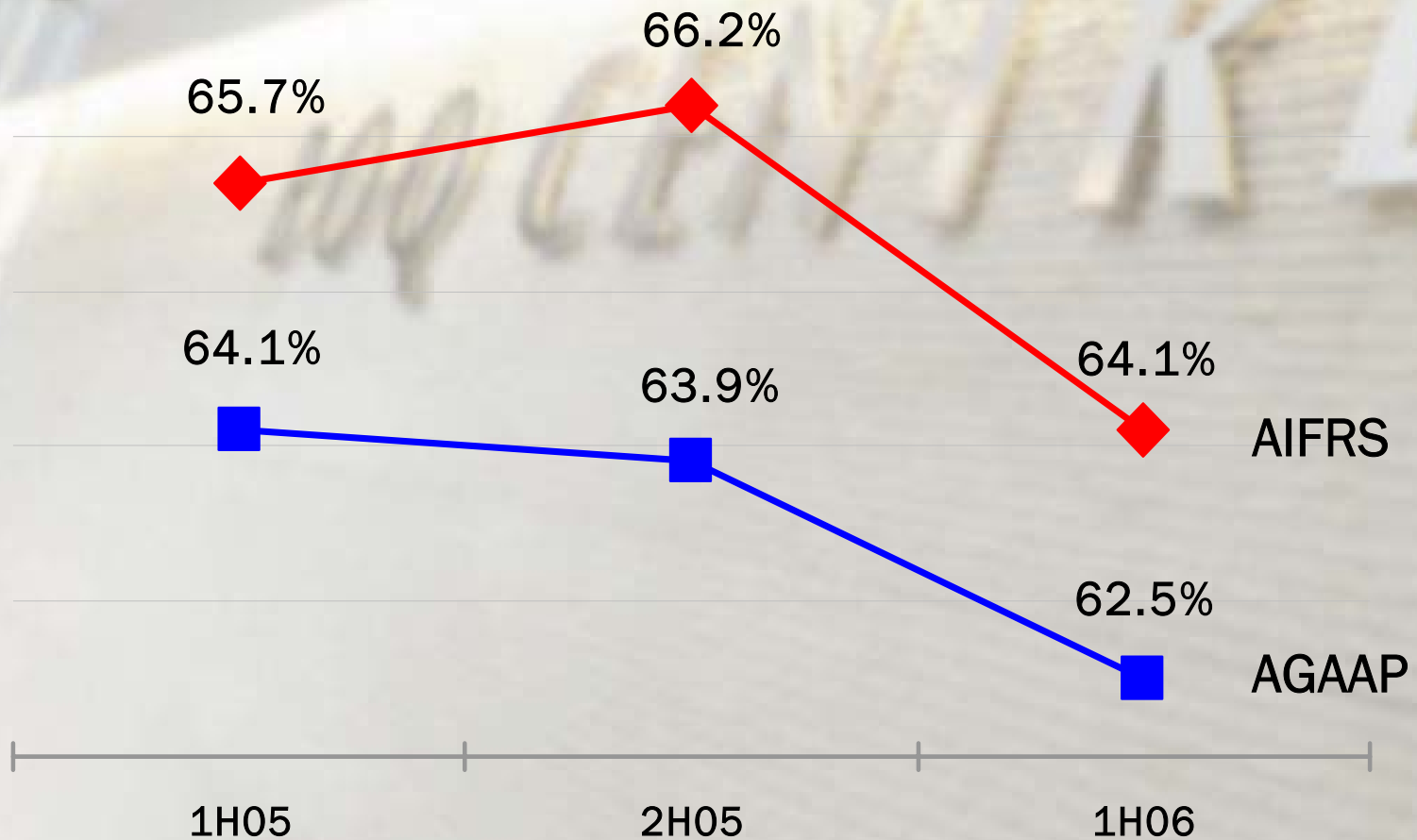


Margin Composition 1H06



Improved Efficiency

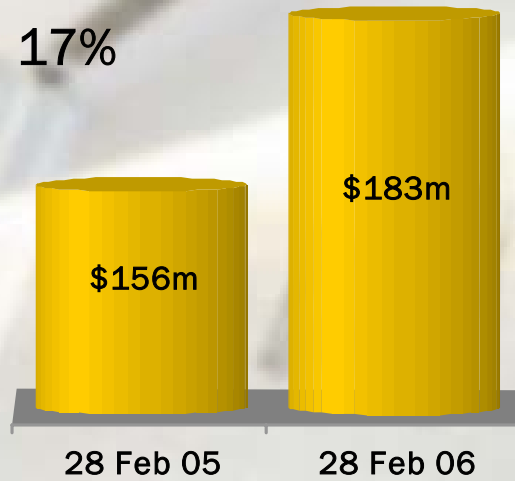
Cost to Income ratio



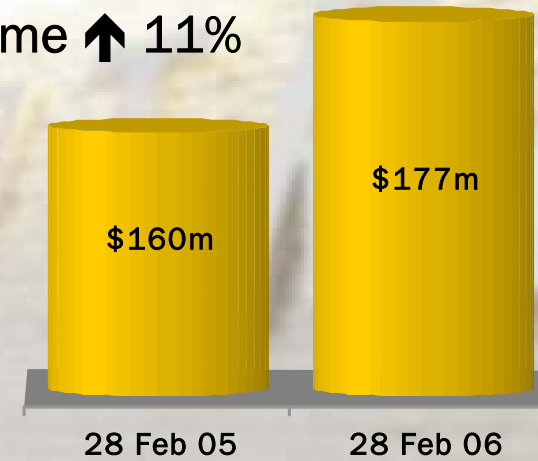
Excludes impact of significant items

Income Increase & Cost Control

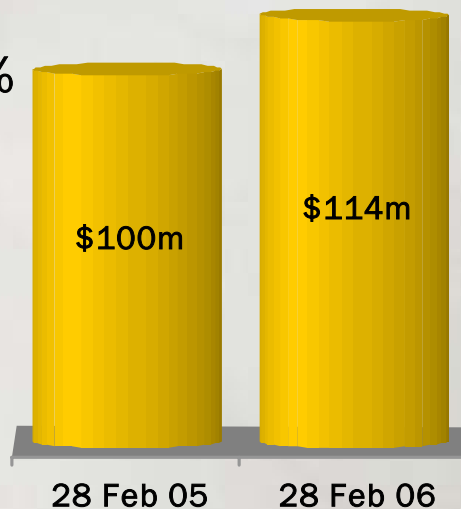
AGAAP
Total Income ↑ 17%



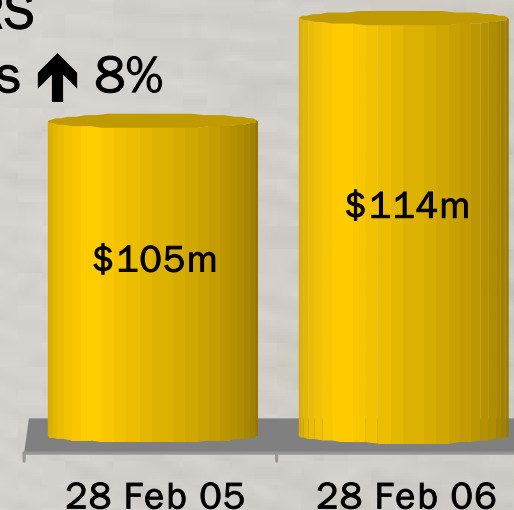
AIFRS
Total Income ↑ 11%



AGAAP
Total Costs ↑ 14%



AIFRS
Total Costs ↑ 8%

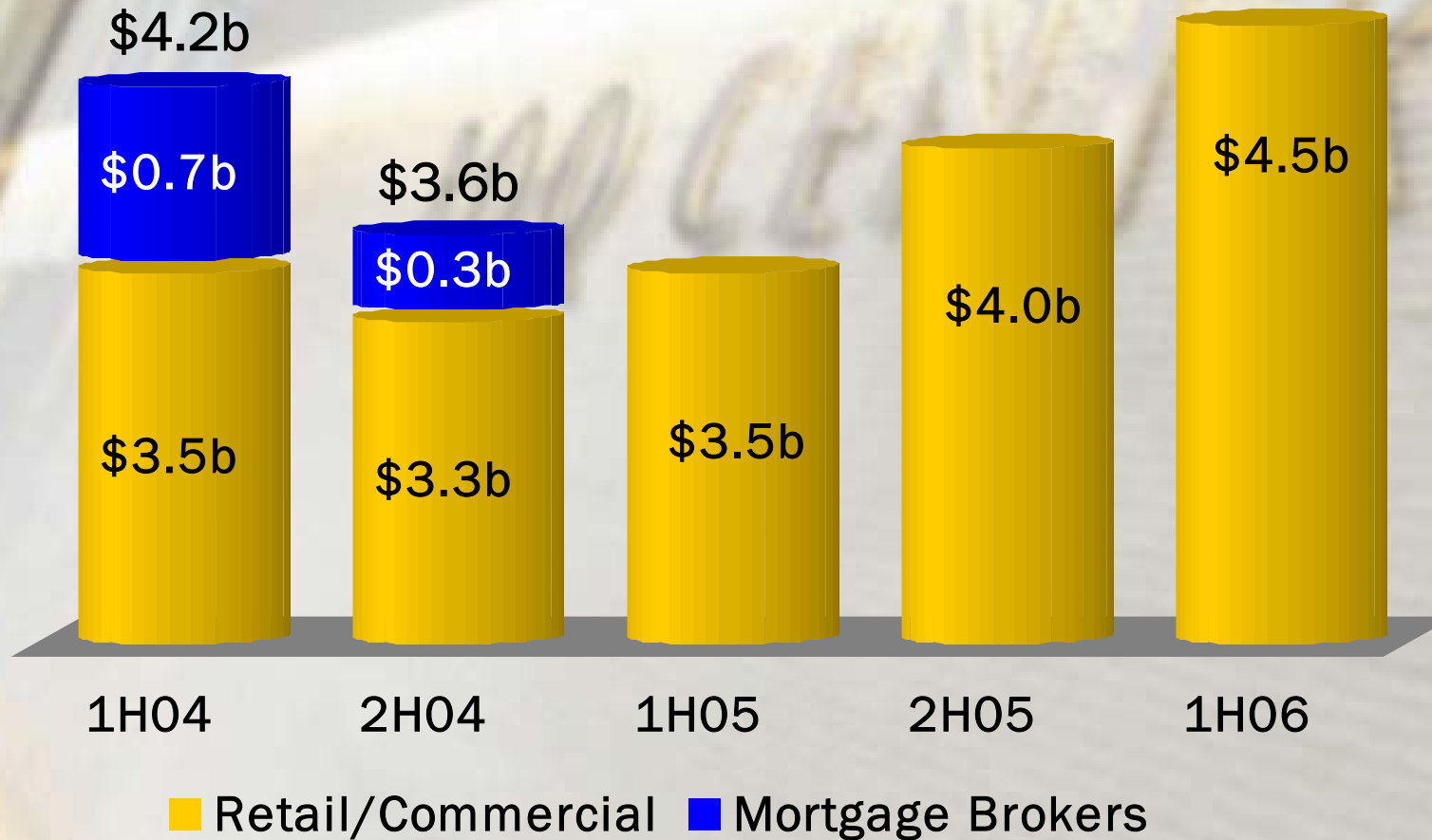


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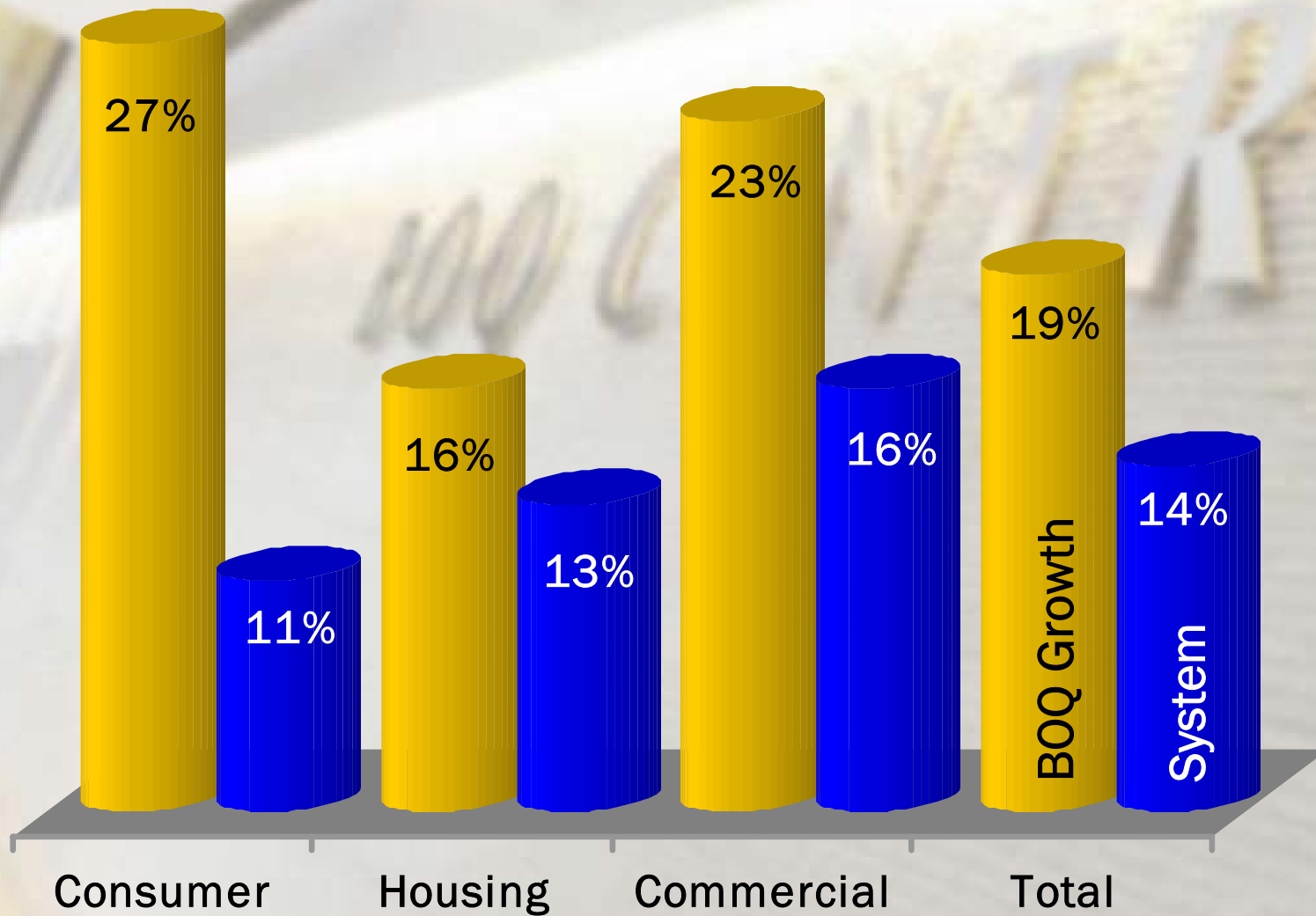
Lending and Deposit Growth

Sales (Loan Approvals)

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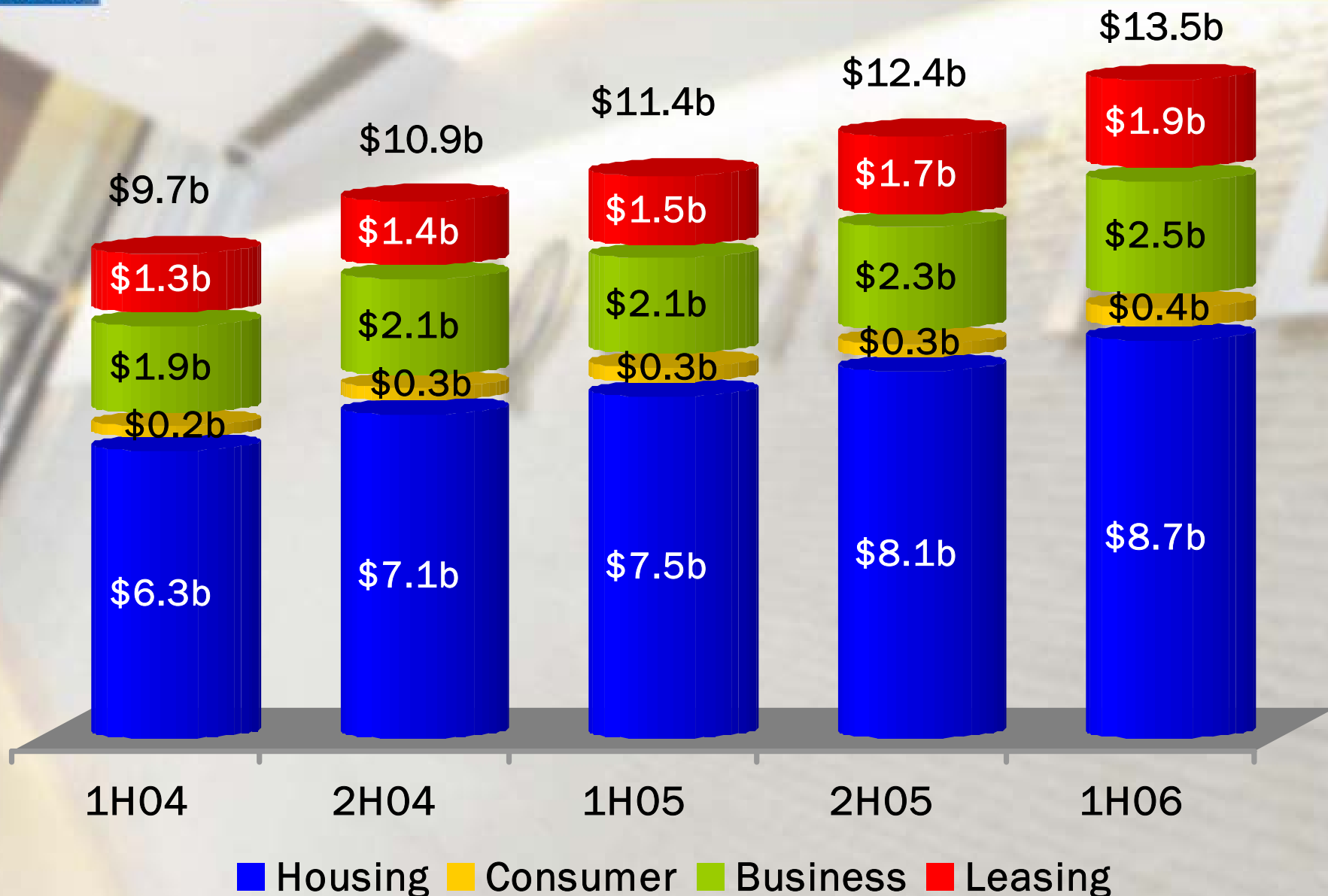


Annual Lending Growth to 1H06



Loans Under Management

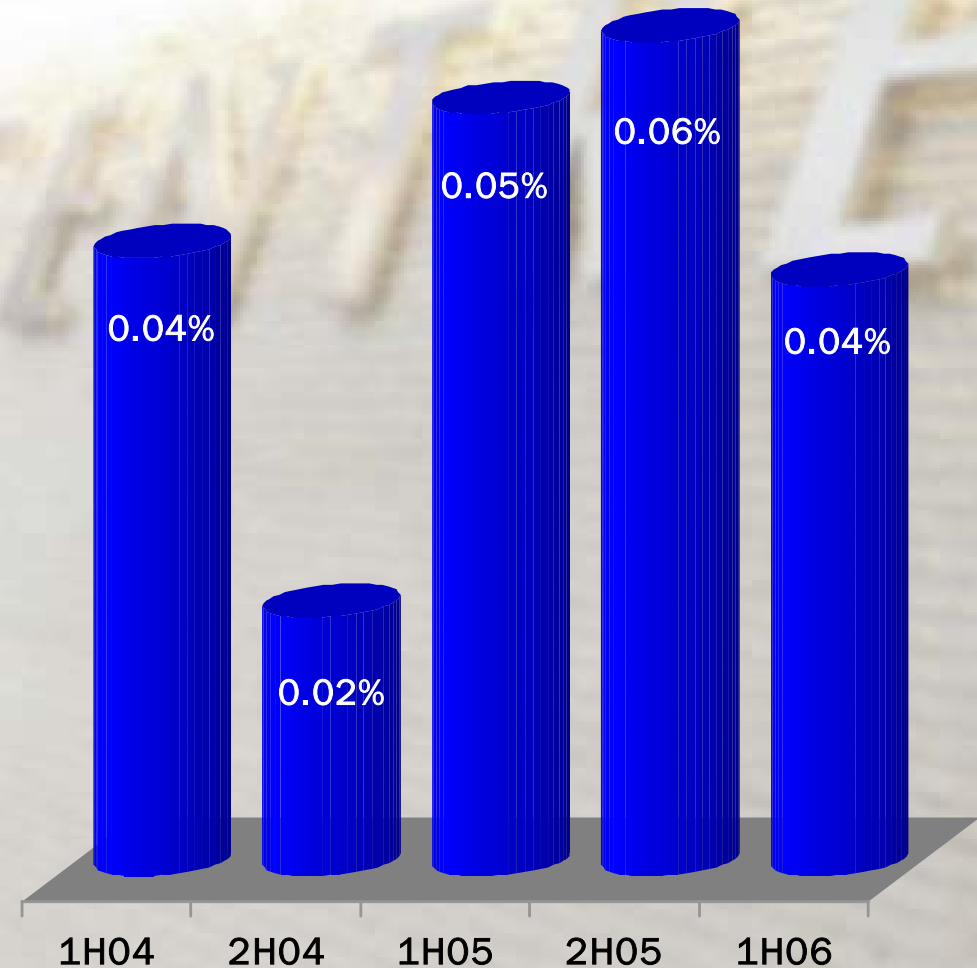
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Asset Quality

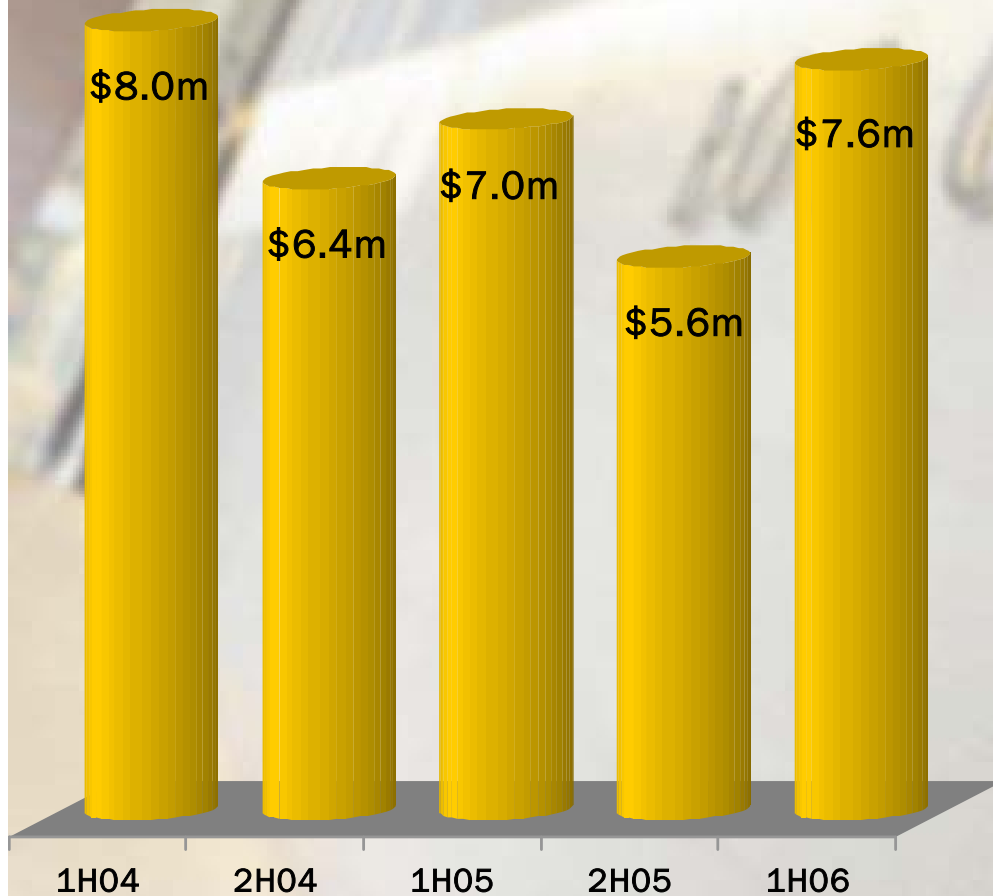
- ▶ Significant growth without compromising asset quality.
- ▶ Minimal levels of low doc loans
 - ▶ \$200m portfolio of low doc loans, approx 2% of housing LUM (approx \$60m securitised).

Underlying Bad Debts to Non-Securitised Lending

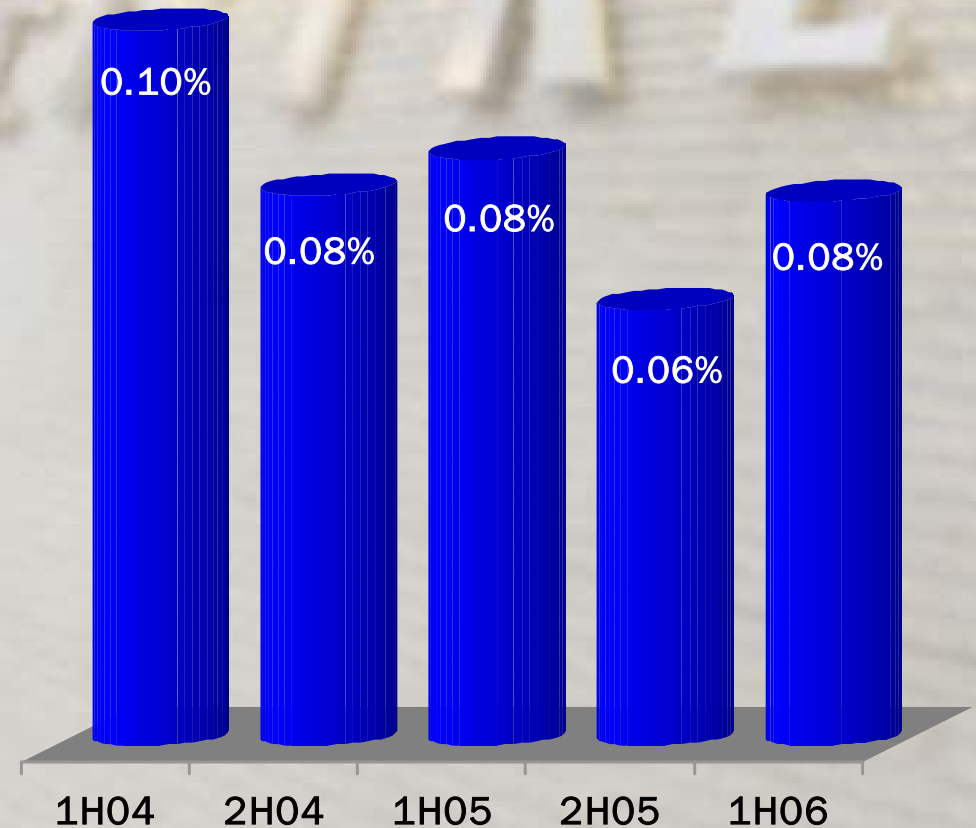


Asset Quality Maintained

Impaired Assets

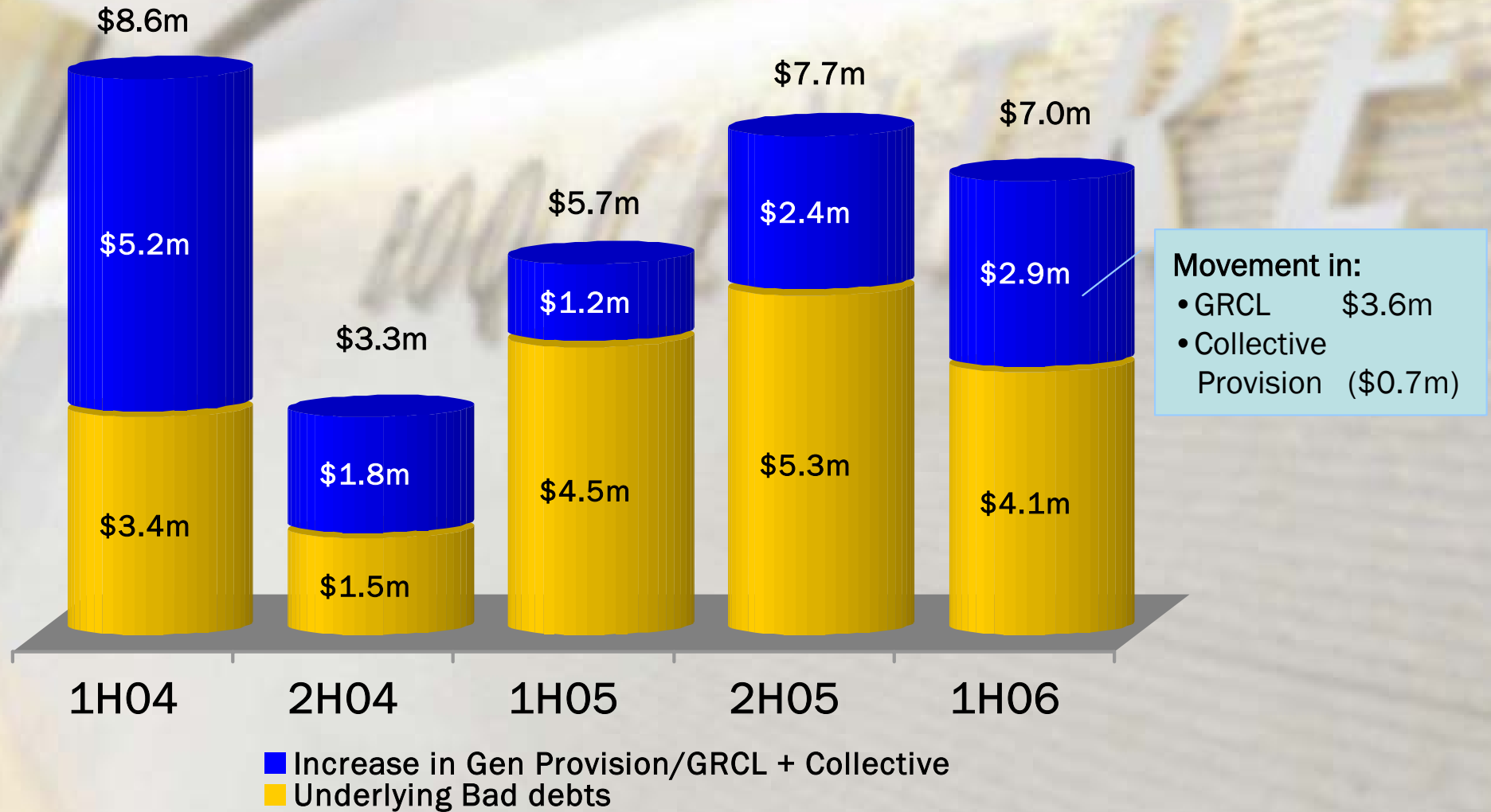


Impaired Assets to Non-Securitised Lending



Bad Debts Expense

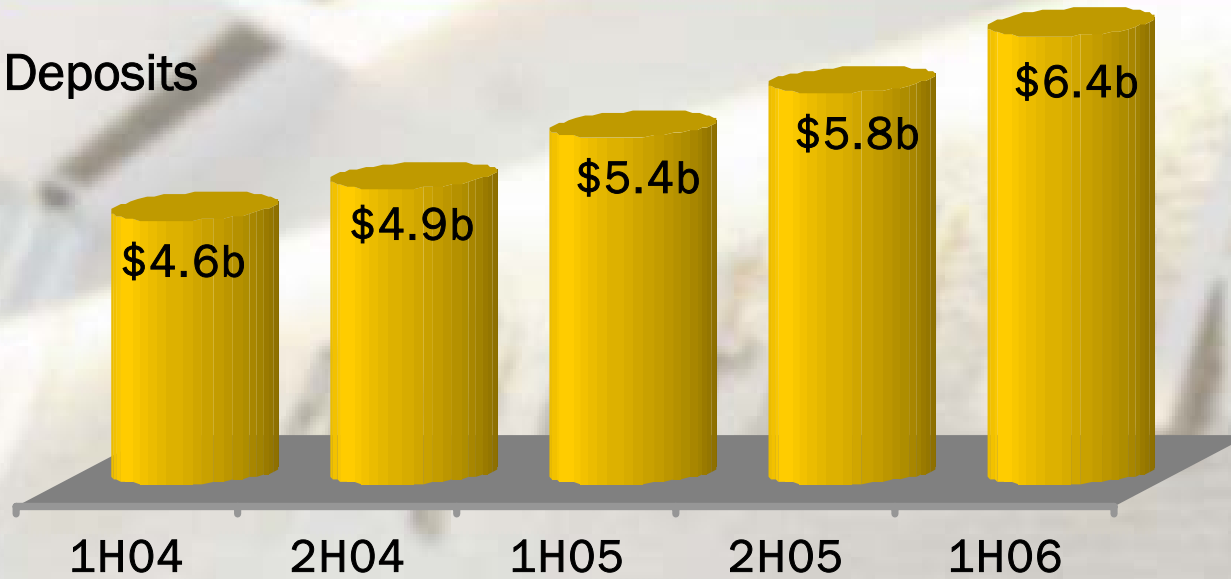
Total Bad Debts



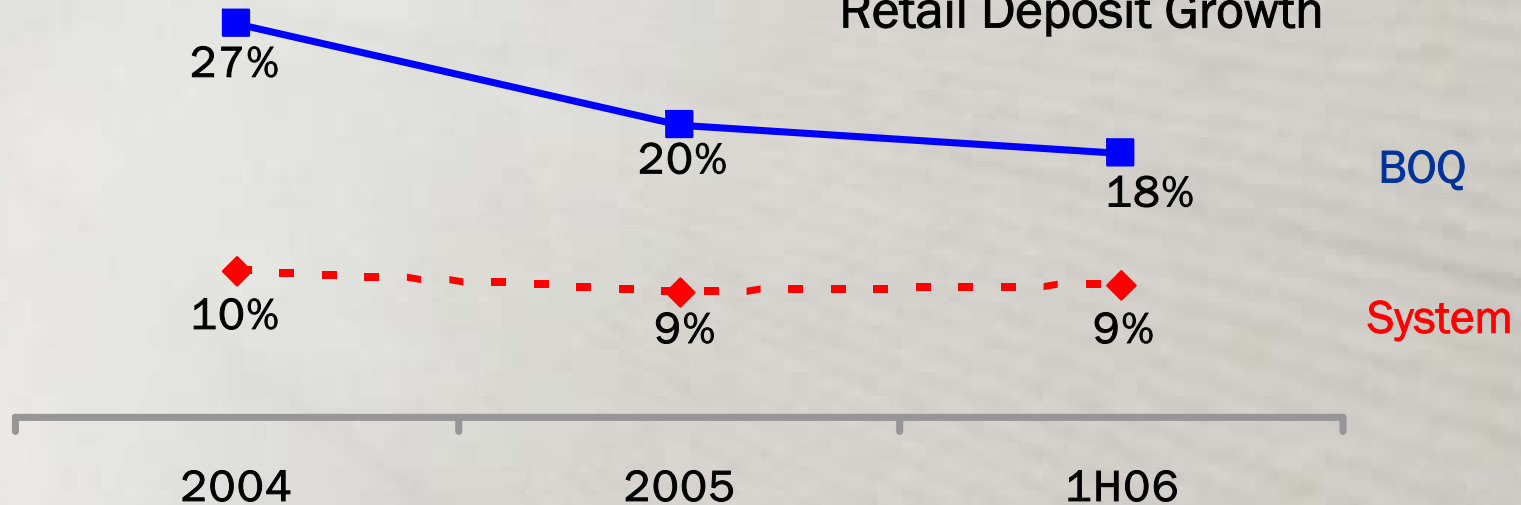
Retail Deposit Growth

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Retail Deposits



Retail Deposit Growth

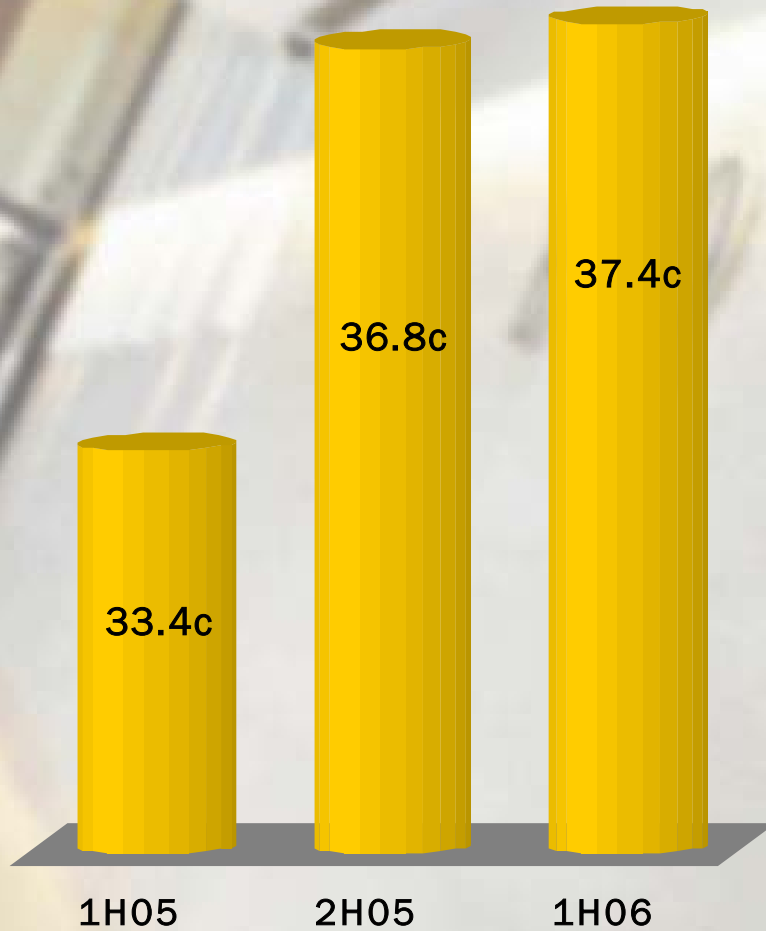


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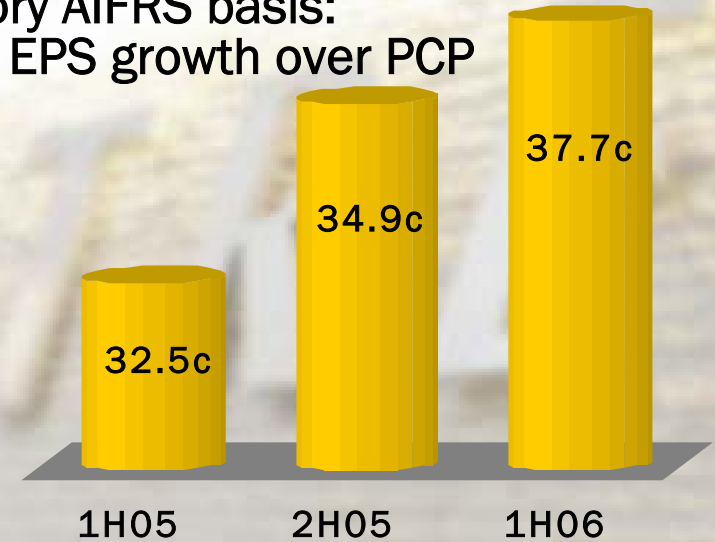
Shareholder Returns

EPS Growth

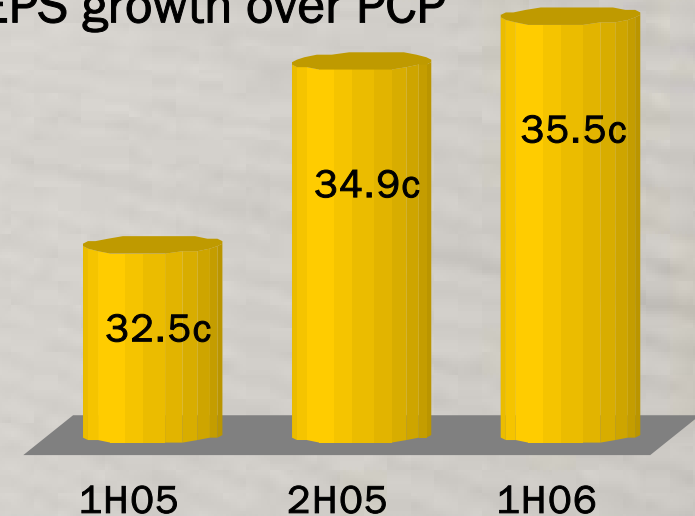
Cash AGAAP basis:
12% Cash Diluted EPS growth over PCP



Statutory AIFRS basis:
16% Diluted EPS growth over PCP



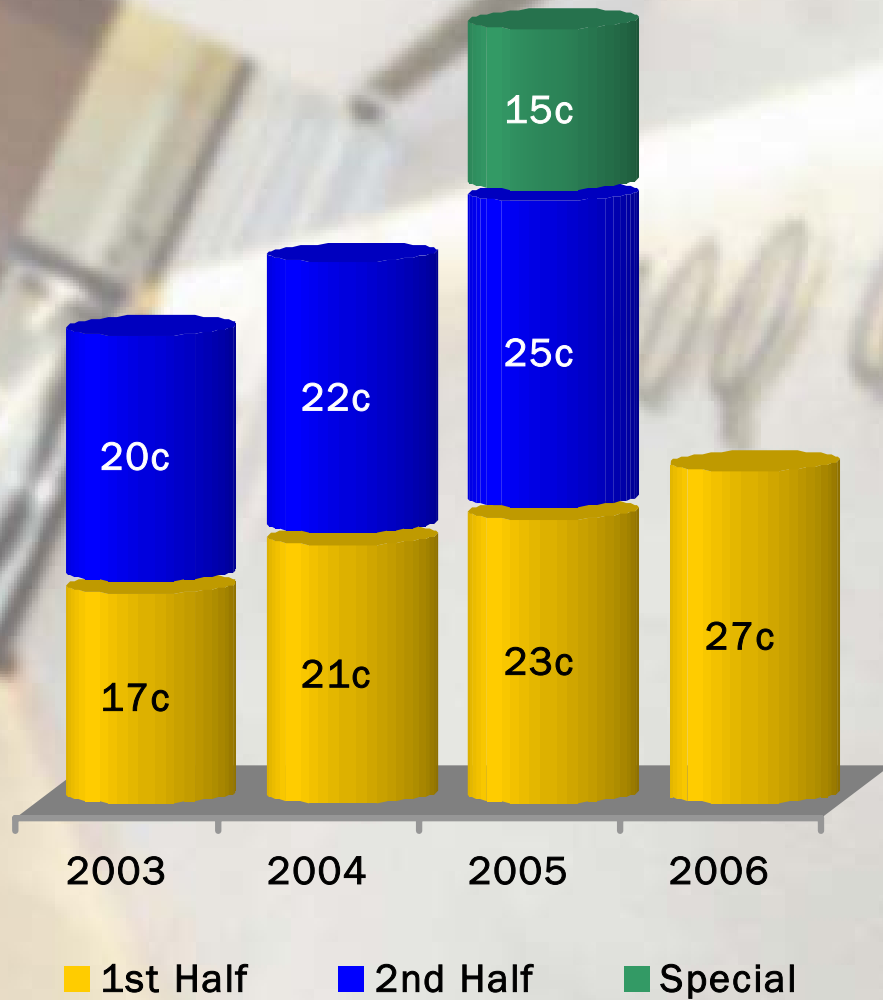
Distributable Net Profit basis:
9% Diluted EPS growth over PCP



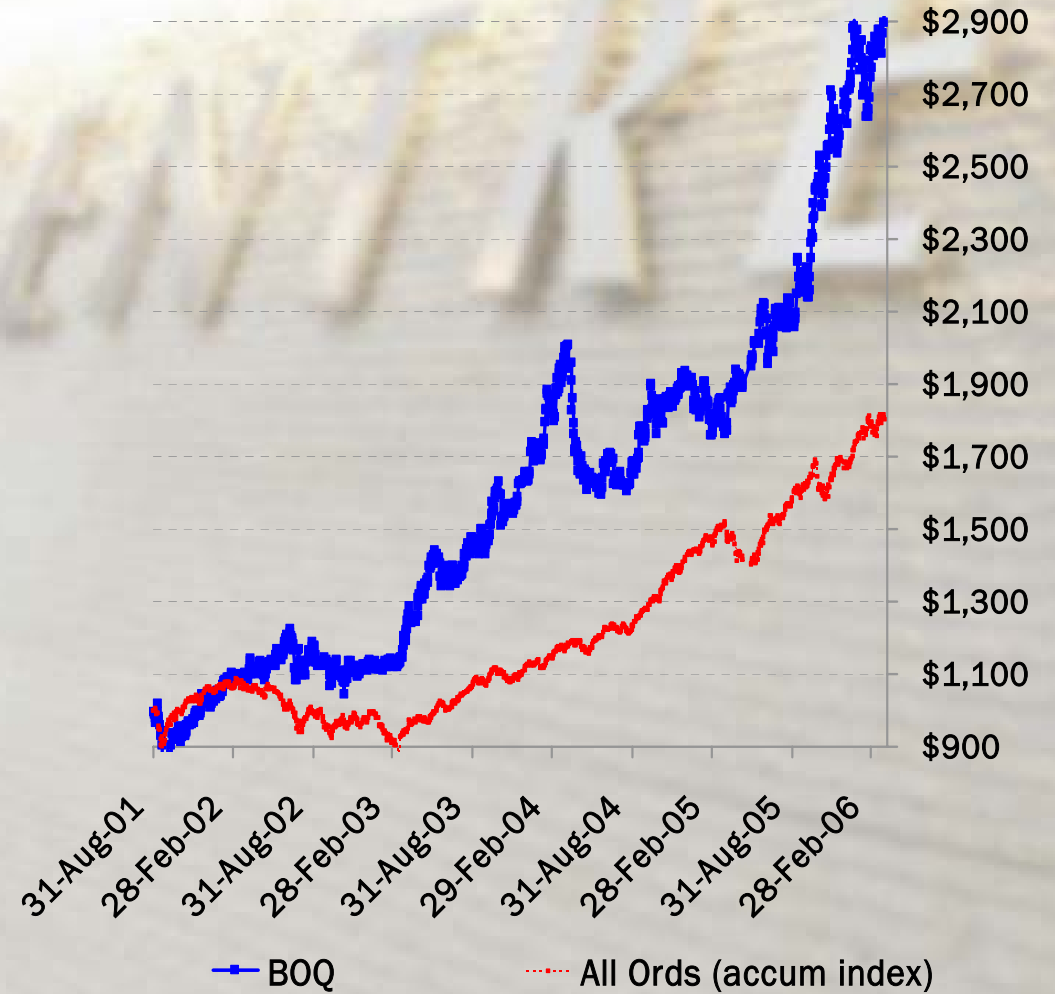
Excludes impact of significant items

Growing Shareholder Value

Dividends



Total Shareholder Return
28% Average Annual TSR

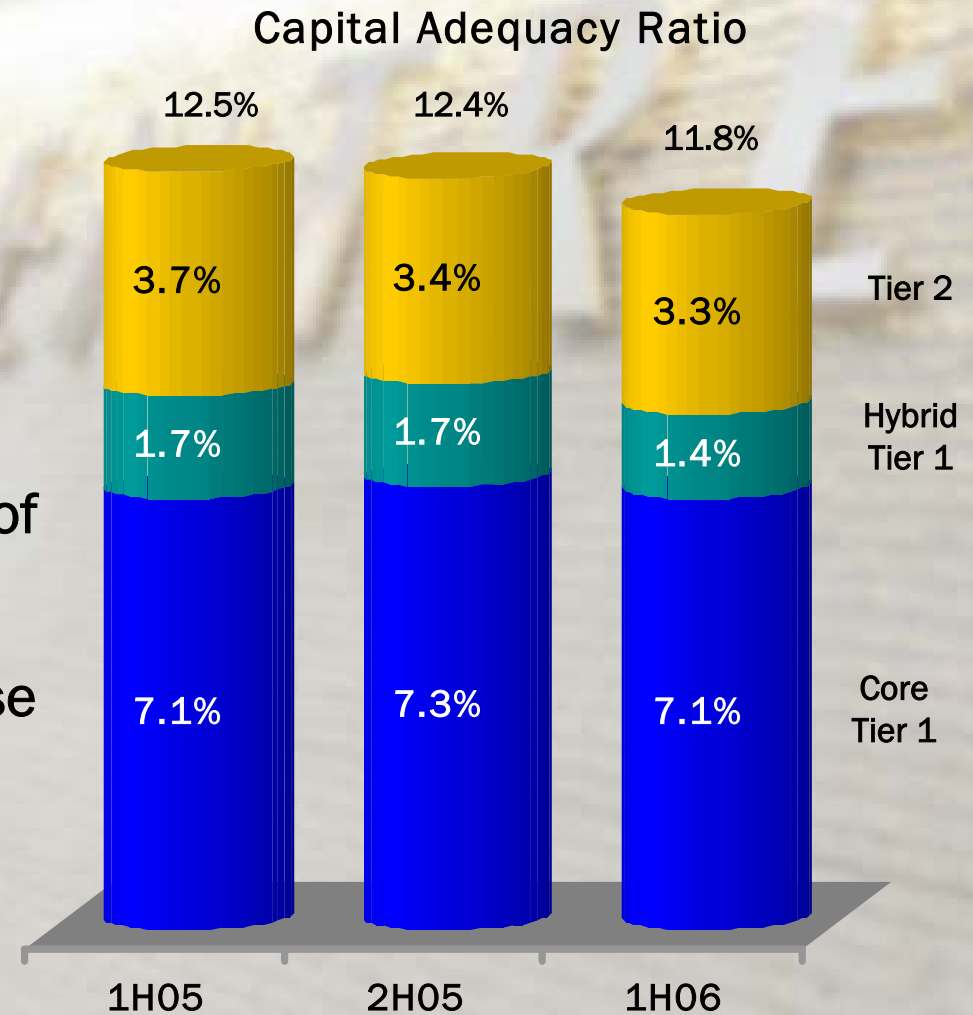


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Capital

Regulatory Capital

- ▶ Proposed Capital Issuance:
 - ▶ Other than DRP, no further capital issuance forecast for FY06.
- ▶ Successfully rolled RePS hybrid in October 2005 at a lower cost.
- ▶ Ongoing capital required for regulatory requirements, target range of 10%-11% of RWA (Tier 1 of 7%-8%).
- ▶ New \$1b warehouse (\$2b in warehouse facilities now).
- ▶ Securitisation continues to provide capital management benefits.



AIFRS Impacts on Capital

- ▶ On the adoption of AIFRS, the impact on the capital adequacy ratio is a reduction of 0.2% (excluding capitalised software).
- ▶ The impact of Capitalised Software is approx a further 1% reduction in the capital adequacy ratio (1H06 \$85m in capitalised software).
- ▶ Capitalised software:
 - ▶ APRA has announced its treatment of capitalised software in the event that it is treated as an intangible for accounting purposes.
 - ▶ Awaiting final details from APRA on the transitional arrangements.
 - ▶ Does not result in the need to raise capital in the current financial year.

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Vision, Strategy and Execution

Strategic Focus

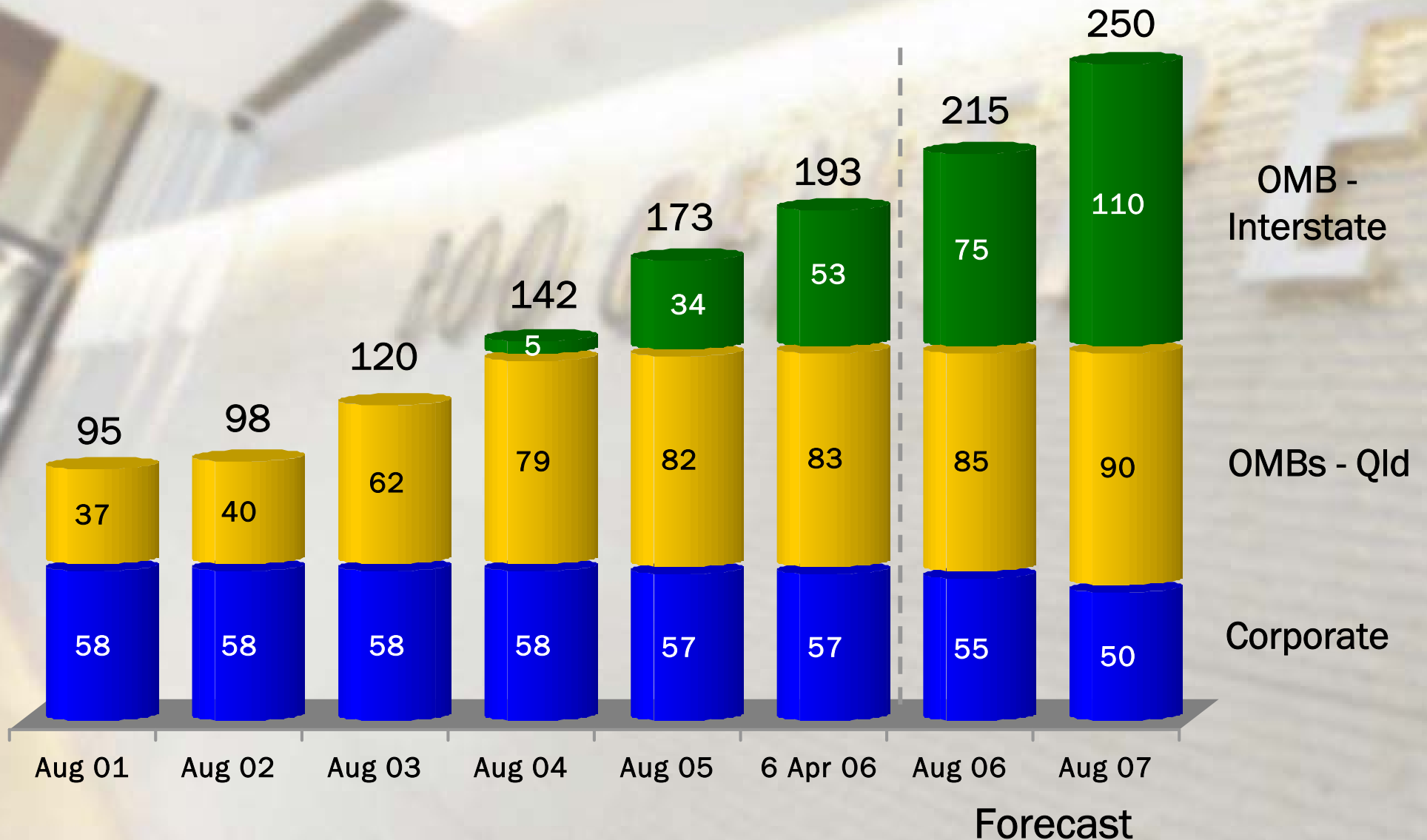
- ▶ Strategy remains unchanged: to differentiate through our service and distribution focus.
- ▶ Expanding retail distribution through Interstate Expansion, business banking following.
- ▶ National distribution presence.
- ▶ Improving electronic delivery channels.
- ▶ Completing product enhancements and filling product gaps.
- ▶ Ongoing product aggregation.
- ▶ Leveraging the capacity of our new core banking system to generate revenue.
- ▶ Focused on improving customer experience.

National Distribution

- ▶ With the recent opening of our new Equipment Finance Centres in Adelaide and Cairns, we are progressing towards a national distribution presence.
- ▶ We have:
 - ▶ 193 branches, just opened in NT & opening in WA.
 - ▶ 2,220 BOQ branded ATMs across all States & Territories.
 - ▶ 13 Business Banking Centres and 11 BOQEF branches across Eastern States, SA and WA, including Debtor Finance specialists in several locations.
 - ▶ a BOQEF branch in New Zealand.

Interstate Expansion

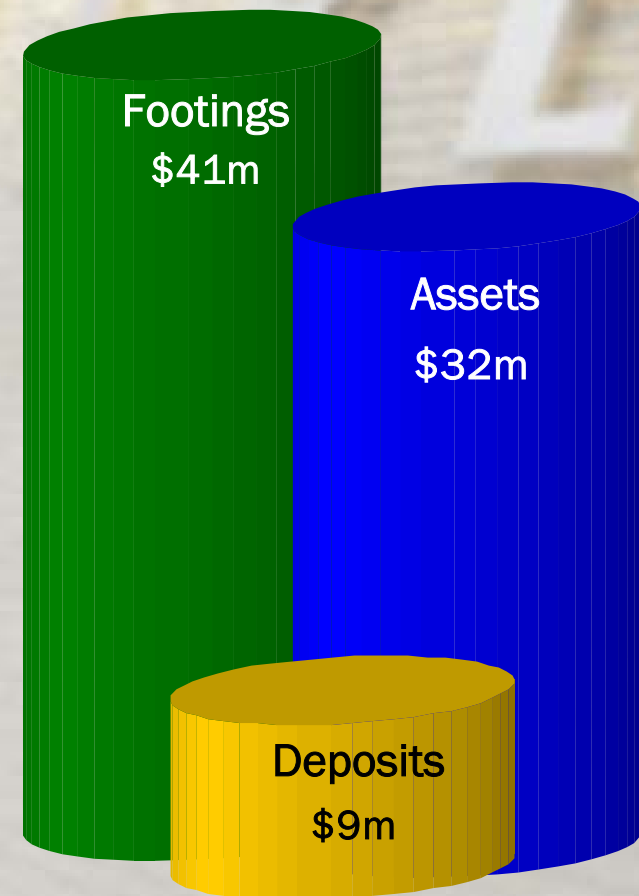
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Success of Interstate Branches

- ▶ After a 6 month establishment period our target is for a new branch to generate monthly new lending of \$3m and new deposits of \$1m.
- ▶ Interstate branches have achieved this.
- ▶ Broadening and deepening our expansion:
 - ▶ Opened our first branch in the Northern Territory.
 - ▶ Late in April opening our first OMB in WA.
 - ▶ Continuing to expand our presence along the Eastern States.

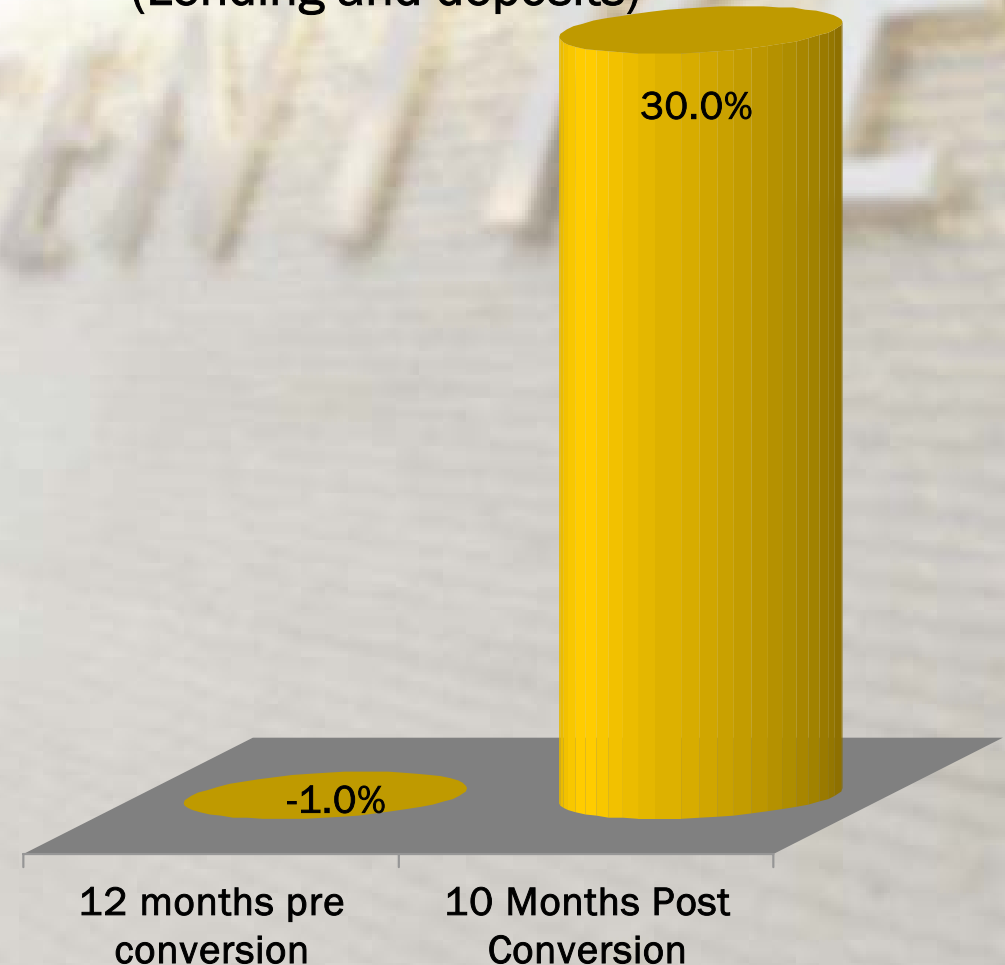
Average per Interstate Branch,
(for all 20 branches open at
least 12 months)



Conversion to OMBs

- ▶ Converted a North Qld branch to an OMB.
- ▶ Successful, with an immediate lift in performance.
- ▶ Currently undertaking another conversion.
- ▶ Conversions will be selectively undertaken in the future, our main focus remains on expansion.

Annualised
Growth in Footings
(Lending and deposits)



Business Banking Expansion

- ▶ Clear strategy of following in after initial interstate OMBs.
- ▶ Focus on SME lending.
- ▶ Continued growth in Queensland.
- ▶ Revitalised merchant services offering.
- ▶ Selective acquisitions:
 - ▶ Orix debtor finance business acquired in December 2005.
 - ▶ \$75m portfolio, retained employees and customers, and integration is progressing well.
- ▶ Leasing specialisation
 - ▶ Evolving our leasing expertise.
 - ▶ Opportunity to improve our retail branch performance in selling leasing products.

Performance Enhancement Program

- ▶ Continuing implementation of PEP 2 initiatives from last year, with benefits flowing through to income and expense lines.
- ▶ New focus of PEP on customer facing processes:
 - ▶ Enhancing customer experience, and
 - ▶ Removing inefficiencies,
- ▶ CustomerFirst process redesign project has identified 87 process improvements.

New Products & Alliances

- ▶ Reverse Charges & WebSavings Account.
- ▶ Gold Credit Card.
- ▶ Non-conforming loan – provided by Challenger.
- ▶ Margin loan – branded BOQ, supported by Macquarie infrastructure.
- ▶ Piloted wealth management successfully with Genesys, launching into the remainder of the branch network and business banking in April 2006.
- ▶ Signed a Memorandum of Understanding with HBF, Western Australia's largest health fund, it's an exciting opportunity to :
 - ▶ Supply white labelled lending & deposit products, and
 - ▶ Leverage our core banking system and EDS processing capability.

Outlook & Goals

- ▶ Outlook:
 - ▶ Our focus remains on strong organic growth and selected niche acquisitions to support strategy.
 - ▶ The highly competitive environment will continue.
- ▶ Financial goals for full year 2006:
 - ▶ Substantially above system (1.5x–2x system) asset and deposit growth.
 - ▶ Maintain credit quality.
 - ▶ EPS growth of 10%-12% (now on a AIFRS Distributable Net Profit basis).
 - ▶ Reduction in Cost to Income ratio of 1%.

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Supplementary Slides AIFRS Transition

AIFRS to AGAAP 1H06

		\$m
AIFRS Distributable Net Profit 1H06		37.5
Add: GRCL movement (Tax effected)		<u>2.5</u>
AIFRS Statutory Net Profit After Tax		40.0
Less: Goodwill amortisation	0.4	
Straight-lining leases	1.0	
General Provision	<u>2.4</u>	
		3.8
Add: Options expense	2.0	
Preference Distributions	3.1	
Effective interest rate	0.3	
Financial instruments & Other	<u>0.7</u>	
		<u>6.1</u>
AGAAP Profit 1H06		<u><u>42.3</u></u>

1H06 AGAAP to AIFRS

	AGAAP	AIFRS Adjustments (\$m)								AIFRS	
	\$m	Share Based Payments AASB 2 (1)	Consolidation AASB 127 (2)	Leases AASB 117 (3)	Impairment AASB 136 (4)	Impairment of loans AASB 139 (5)	Preference Shares AASB 139 (6)	Effective Interest Rates AASB 139 (7)	Sec'n Set-up costs AASB 139 (8)	Financial Instruments & Other (9)	\$m
Interest income	386.7		86.1					(0.6)			472.2
Less: Interest expense	266.4		75.5				3.1	(6.4)	5.3	1.4	345.3
Net interest income	120.3	-	10.6	-	-	-	(3.1)	5.8	(5.3)	(1.4)	126.9
Other revenue	62.7		(7.5)					(9.6)	3.4	1.2	50.2
Net income	183.0	-	3.1	-	-	-	(3.1)	(3.8)	(1.9)	(0.2)	177.1
Less: Expenses											
- Operating	36.6		2.5					(3.4)	(1.9)	0.6	34.4
- Administrative	4.1		0.6								4.7
- Computer	26.9			(1.4)							25.5
- Occupancy	7.5										7.5
- Employee	39.2	2.0									41.2
- Other – Goodwill amortisation	0.4				(0.4)						-
- Other – Intangibles amortisation	0.2										0.2
Total expenses	114.9	2.0	3.1	(1.4)	(0.4)	-	-	(3.4)	(1.9)	0.6	113.5
Profit before impairment on loans and advances and tax expense	68.1	(2.0)	-	1.4	0.4	-	(3.1)	(0.4)	-	(0.8)	63.6
Impairment on loans and advances	7.0					(3.6)					3.4
Profit before tax expense	61.1	(2.0)	-	1.4	0.4	3.6	(3.1)	(0.4)	-	(0.8)	60.2
Income tax expense	18.8			0.4		1.1				(0.1)	20.2
Net profit after tax expense	42.3	(2.0)	-	1.0	0.4	2.5	(3.1)	(0.4)	-	(0.7)	40.0
Less: Preference dividends	3.1										-
Less: GRCL movement (Tax effected)											2.5
Add: Goodwill/intangibles amortisation	0.6										-
Cash Earnings Available for Ordinary Shareholders	39.8	(2.0)	-	1.0	0.4	2.5	(3.1)	(0.4)	-	(0.7)	37.5

Explanations

1. Share based payment

The Bank has issued options under the Managing Director Option Plan and the Senior Management Option Plan. Under the previous Australian Generally Accepted Accounting Policies (“AGAAP”), no expense was recognised for options or shares issued to employees. Under AIFRS, the fair value of the options or shares granted is recognised as an employee benefit expense with a corresponding increase in equity.

2. Consolidation

The Bank securitises mortgage loans (“REDS Mortgage Trusts”) and hire purchase and chattel mortgages (“REDS EHP Trusts”). Under AGAAP, the Bank was considered not to control the securitisation vehicles and accordingly the assets and liabilities of the trusts were not included in the Consolidated Balance Sheet.

REDS Mortgage Trusts

Under AIFRS, the REDS Mortgage Trusts will be considered to be controlled by the Bank and accordingly have been consolidated. This has resulted in the assets and liabilities of the REDS Mortgage Trusts being brought onto the Consolidated Balance Sheet and the income and expenses of the Trusts being brought into the Consolidated Income Statement.

REDS EHP Trusts

Under AIFRS, the REDS EHP Trusts will not be consolidated as the Bank is not considered to have control. Accordingly, the assets and liabilities of the REDS EHP Trusts will not be reflected in the Consolidated Balance Sheet. The difference in the treatment of the REDS Mortgage Trusts and REDS EHP Trusts is due to different ownership structures in regards to residual income units.

Explanations

3. Leases

Under AGAAP, expenses for operating leases are expensed as incurred. Under AIFRS, lease payments under an operating lease shall be recognised as an expense on a straight-line basis unless another systematic basis is more representative of the time pattern of the user's benefit. This impacts the Bank's operating leases over premises and also the Information Technology ("IT") aspect of the EDS outsourcing contract. The operating leases over premises have been adjusted to a straight-line basis. The EDS IT contract is being expensed on a "units of use" basis that results in a greater expense in later years as the Bank's use of units increases with the expected increase in branches and volumes.

4. Impairment of assets

Previously under AGAAP, goodwill was required to be amortised on a straight-line basis over no more than 20 years. Under AIFRS, goodwill is not required to be amortised, however the carrying value must be tested for impairment on at least an annual basis.

5. Impairment of loans

Under AGAAP the Bank maintained a general provision for impairment. This provision was based on expected losses. AIFRS adopts an approach known as "incurred losses" for loan provisioning. Provisions are raised for losses that have already been incurred but not yet reported. Under this approach, the Bank will not carry a general provision for impairment. However, it will raise a Collective Provision and a General Reserve for Credit Losses ("GRCL"). To meet APRA requirements, the sum of the Collective Provision and the GRCL will be maintained at 0.5% of risk weighted assets (tax effected).

Explanations

6. Preference shares

Under AGAAP the Bank's preference shares were classified as equity with distributions taking the form of dividends. Under AIFRS, these instruments will be treated as liabilities and the distributions treated as interest expense.

7. Effective interest rates

Under AIFRS, loan establishment income and direct external expenses relating to the loan origination are deferred and recognised as an adjustment to the yield on loans and disclosed as interest income. This results in a decrease to loan applications fees, OMB payments and EDS operating costs. The net effect of deferring these items and recognising them as yield is a decrease to interest income.

8. Securitisation set-up costs

Under AIFRS, amortisation of securitisation set-up costs relating to the REDS mortgage securitisation vehicles are recorded as interest expense rather than operating expenses. This is due to the amortisation being considered part of the overall yield relating to securitisation funding. The Bank is also required to gross up interest expense for payments to OMBs for securitised loans which also increases securitisation income prior to consolidation of the REDS securitisation vehicles.

9. Financial instruments and hedge accounting

Under AIFRS, the Bank categorised a number of treasury related instruments as trading securities. These instruments are now fair valued with movements recorded directly to the profit and loss as Other Income. Under AGAAP these instruments were previously accounted for under the accrual method. The Bank also expensed costs associated with the set-up of borrowing facilities. Costs related to yield are included in interest expense while non-yield related costs are recorded in operating expenses.