

Bank of Queensland

Full Year Results
31 August 2007

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Agenda

- **Result highlights**

David Liddy

Managing Director

- **Financial result in detail**

Robert Hines

Chief Financial Officer

- **Strategy and outlook**

David Liddy

Managing Director

Result highlights

- Record NPAT
- Sector leading growth in lending and deposits
- Improving shareholder returns
- Stable margin
- Continuing double digit EPS growth
- Sound credit quality

Financial results

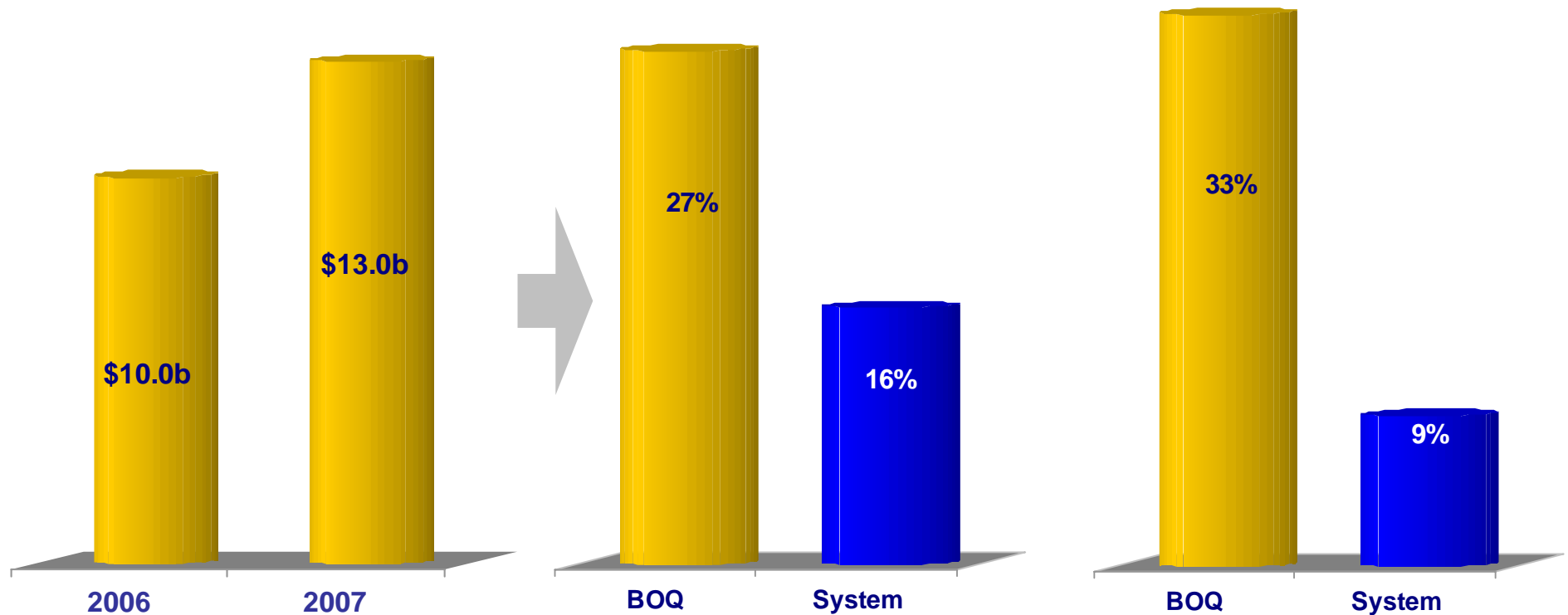
	FY06	FY07	
Headline profit after tax (statutory)	\$92.7m	\$129.8m	↑ 40%
Normalised cash profit after tax	\$86.7m	\$106.1m	↑ 22%
Cash EPS (normalised diluted)	79.8¢	93.0¢	↑ 17%
Ordinary full year dividend	57¢	69¢	↑ 21%
Net interest margin	1.83%	1.81%	↓ 2bps
Cost to income ratio (normalised cash)	64.5%	62.6%	↓ 1.9%pts

Strong lending and deposit growth

■ Loan approvals ↑30%

■ Lending growth 27% *

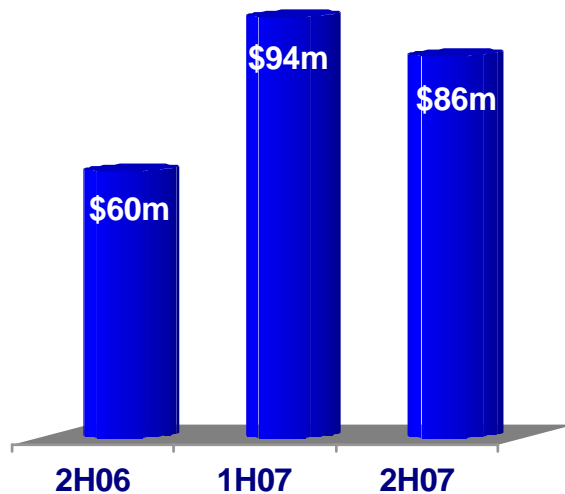
■ Retail deposit growth 33% *



* Includes growth upon the acquisition of Pioneer Permanent Building Society Ltd.

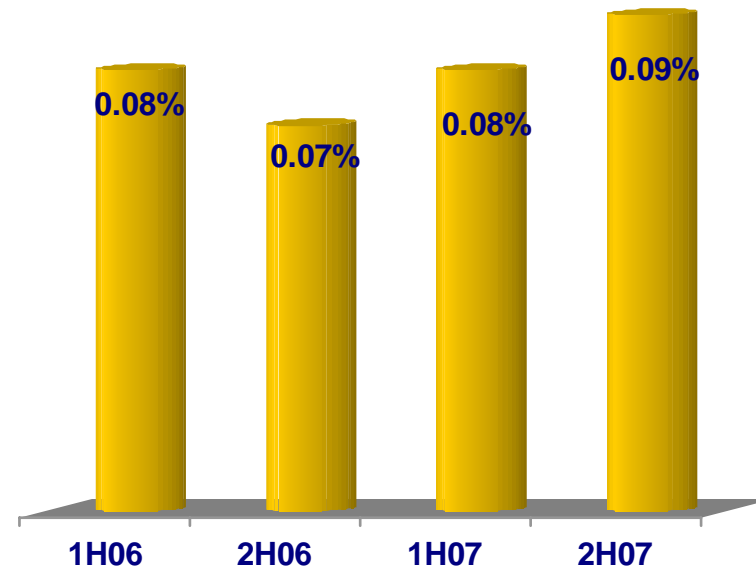
Continuing asset quality

Loans past 90 days due



- Improved 2H07 performance

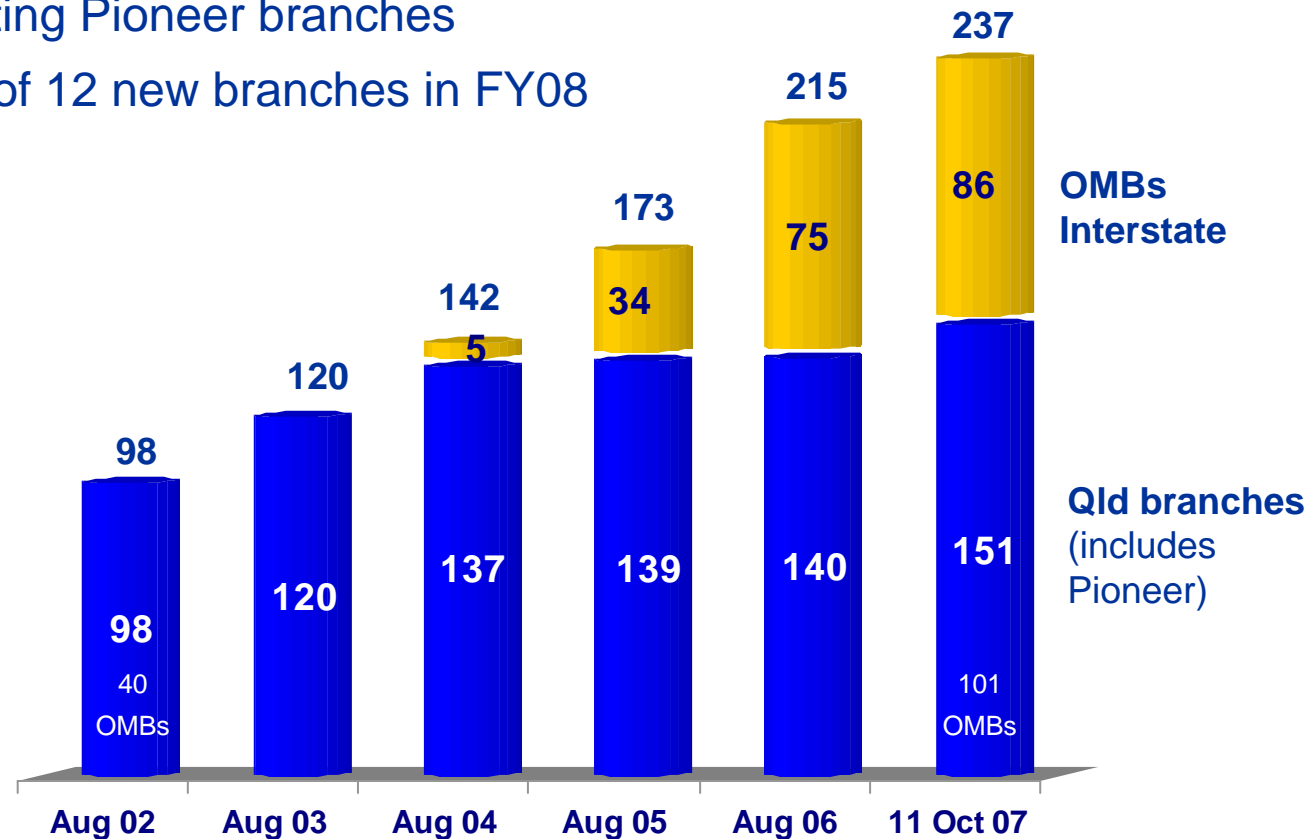
Impaired assets to non-securitised lending



- Continuing growth flowing from expansion, not from compromising asset quality

Growing branch network

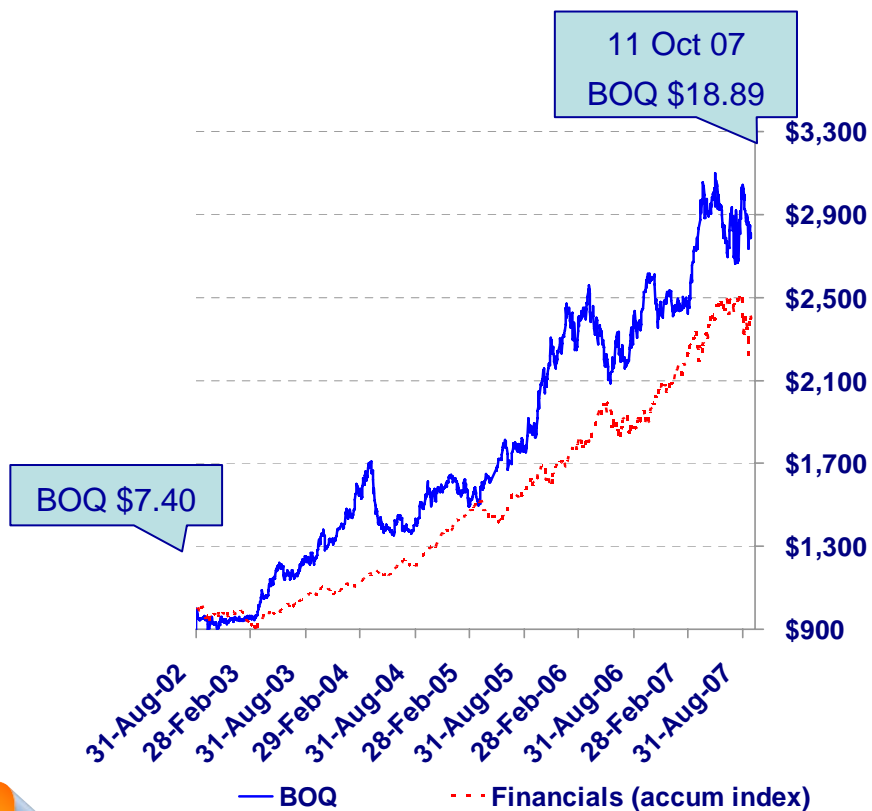
- 11 OMBs and 1 corporate branch opened
- 15 Corporate branch conversions to OMBs
- Integrating Pioneer branches
- Target of 12 new branches in FY08



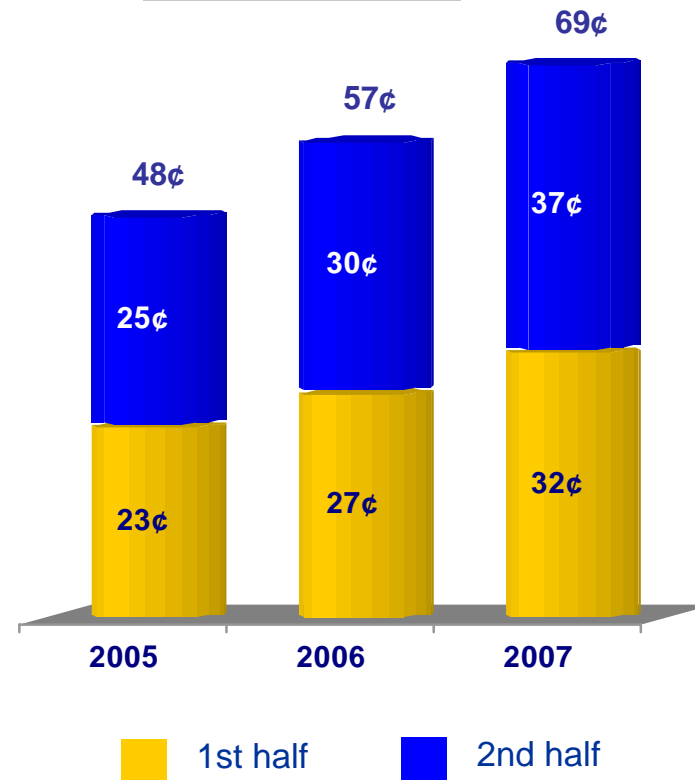
Increasing shareholder returns

- 25% average 5 year annual total shareholder return

BOQ share price v Financials index



Dividends*



* Excludes special dividends, on a cash normalised profit basis

The result in detail

Robert Hines, Chief Financial Officer

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Summary of results

	FY06 \$m	FY07 \$m	% Change vs PCP
Total operating income	385.0	500.0	30%
Total expenses	249.1	294.7	18%
Underlying profit	135.9	205.3	51%
Impairment on loans and advances	12.3	20.9	70%
Profit before tax	123.6	184.4	49%
Income tax	30.9	54.6	77%
Net profit after tax	92.7	129.8	40%
Add: amortisation of customer contracts *	0.5	2.0	-
Cash profit after tax	93.2	131.8	41%
Normalising items *	(6.5)	(25.7)	-
Normalised cash profit after tax	86.7	106.1	22%
Movement in GRCL *	(4.2)	(3.6)	-
Normalised distributable profit after tax	82.5	102.5	24%
Cash diluted EPS (normalised)	79.8¢	93.0¢	17%

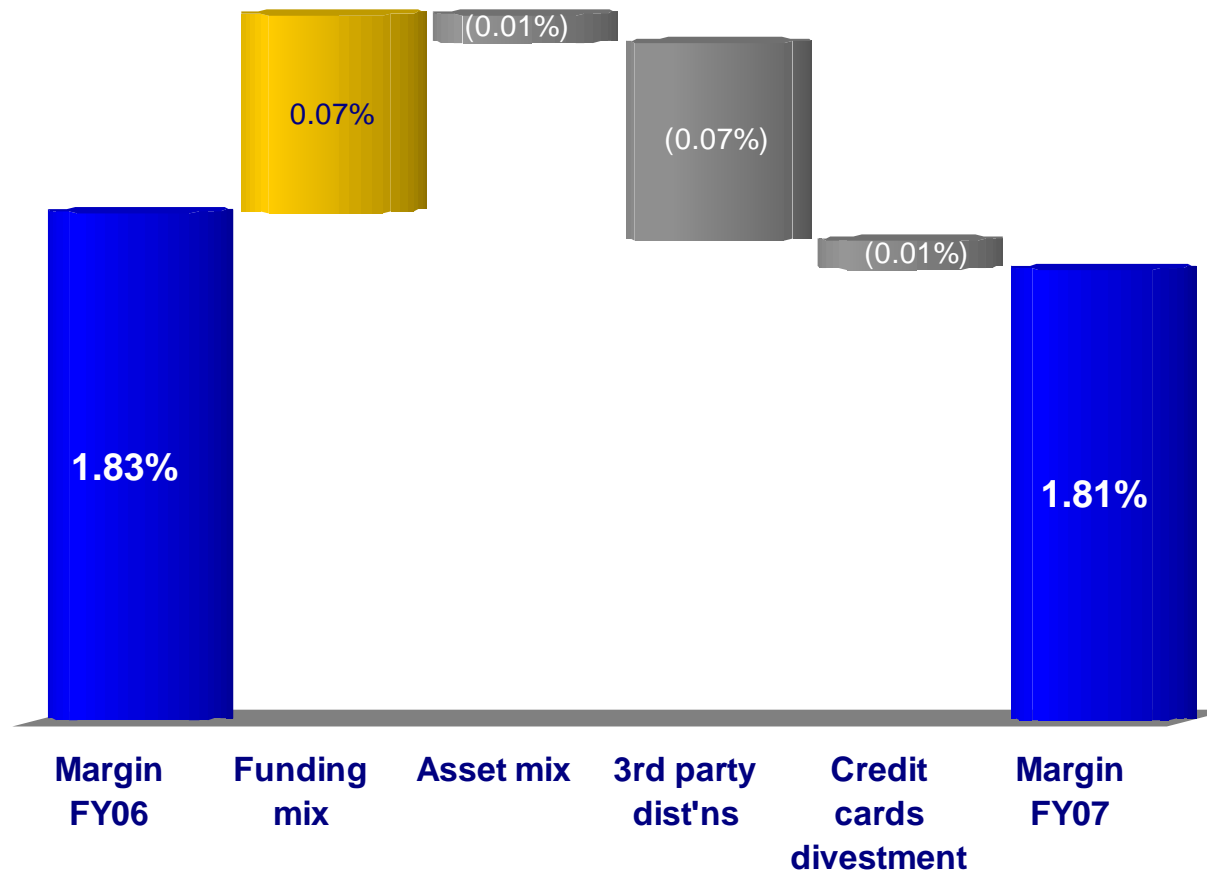
* Tax effected.

Annual Results 2007

Normalising adjustments

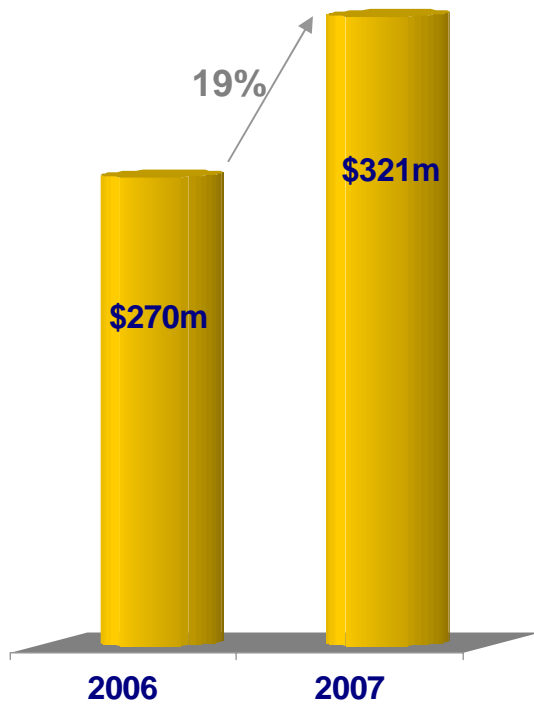
- Gain on sale of credit card business:
 - After tax profit on sale \$29.1m
- Costs of Pioneer Permanent Building Society integration
 - After tax \$2.8m
- Costs of merger proposal with Bendigo Bank
 - After tax \$0.6m

Stable margin



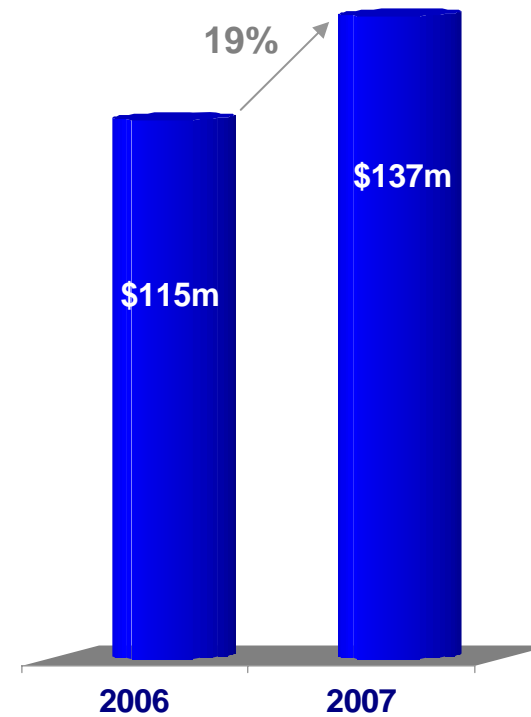
Growing revenues

Net interest income



- Growth off strong lending and deposit performance, whilst maintaining margins

Non interest income*

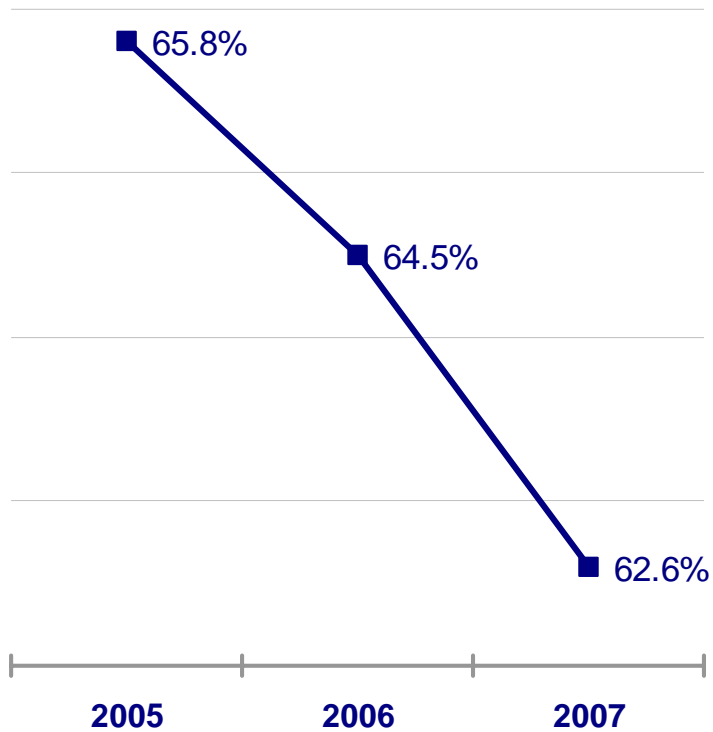


- Increasing customer base and new business driving strong performance

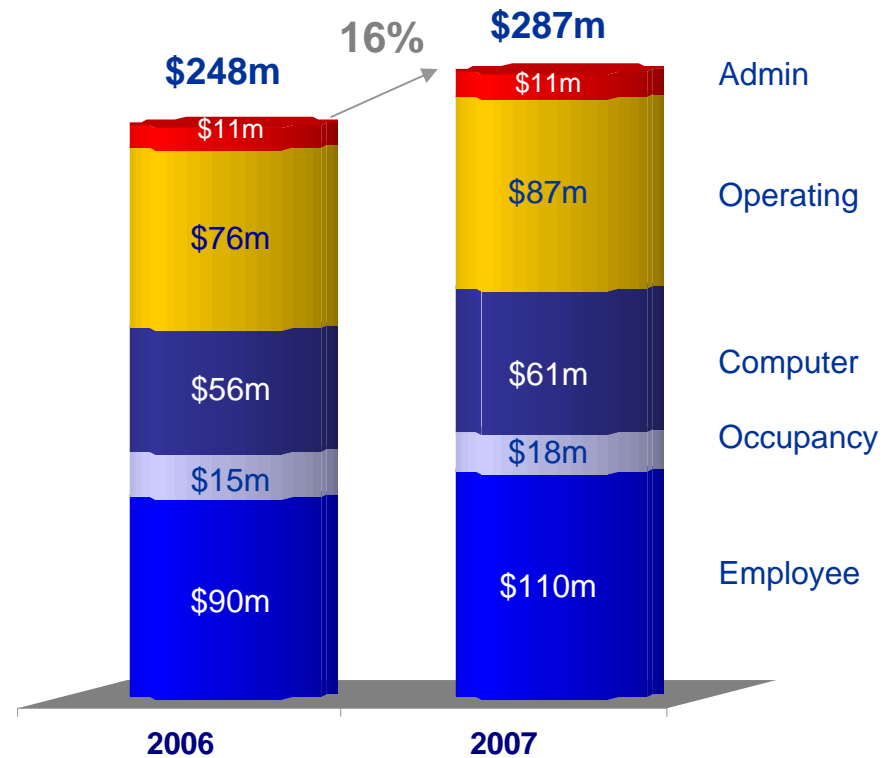
* = Normalised basis

Improving efficiency

Cost to income ratio



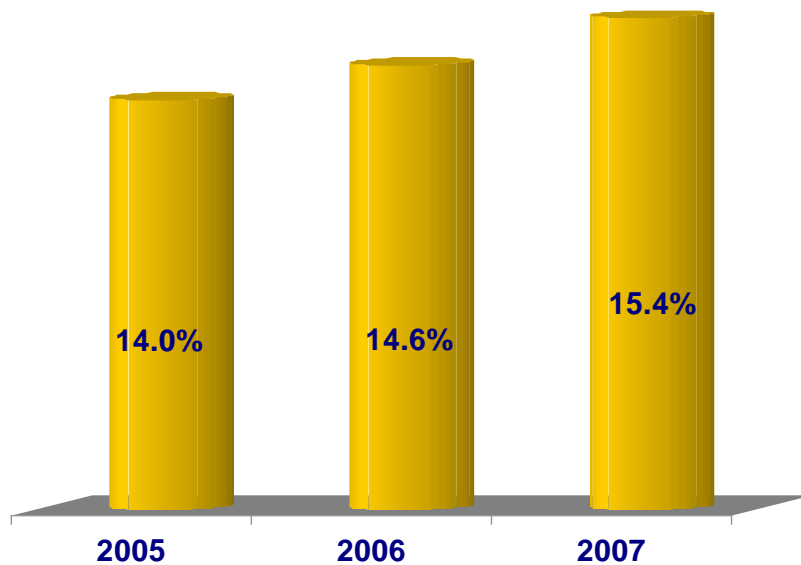
Expenses



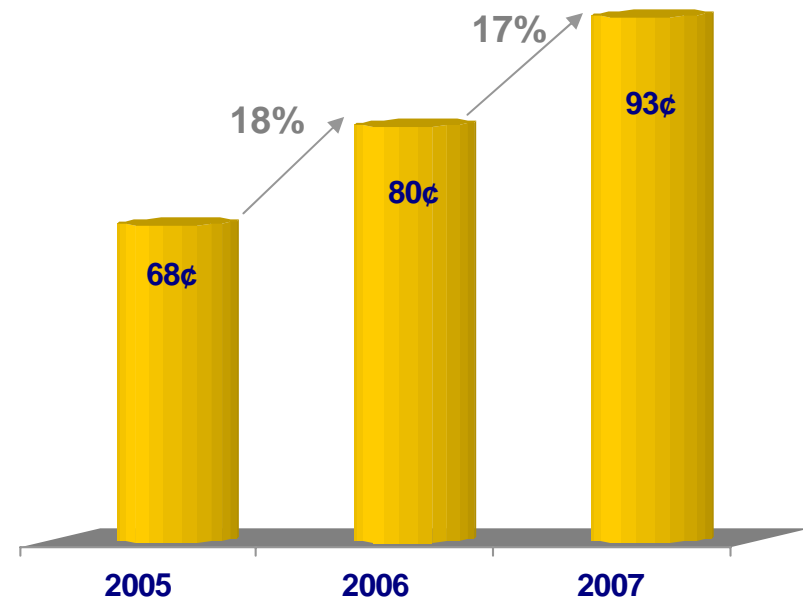
Excludes normalising adjustments and amortisation of customer contracts

Growing shareholder returns

Cash ROE

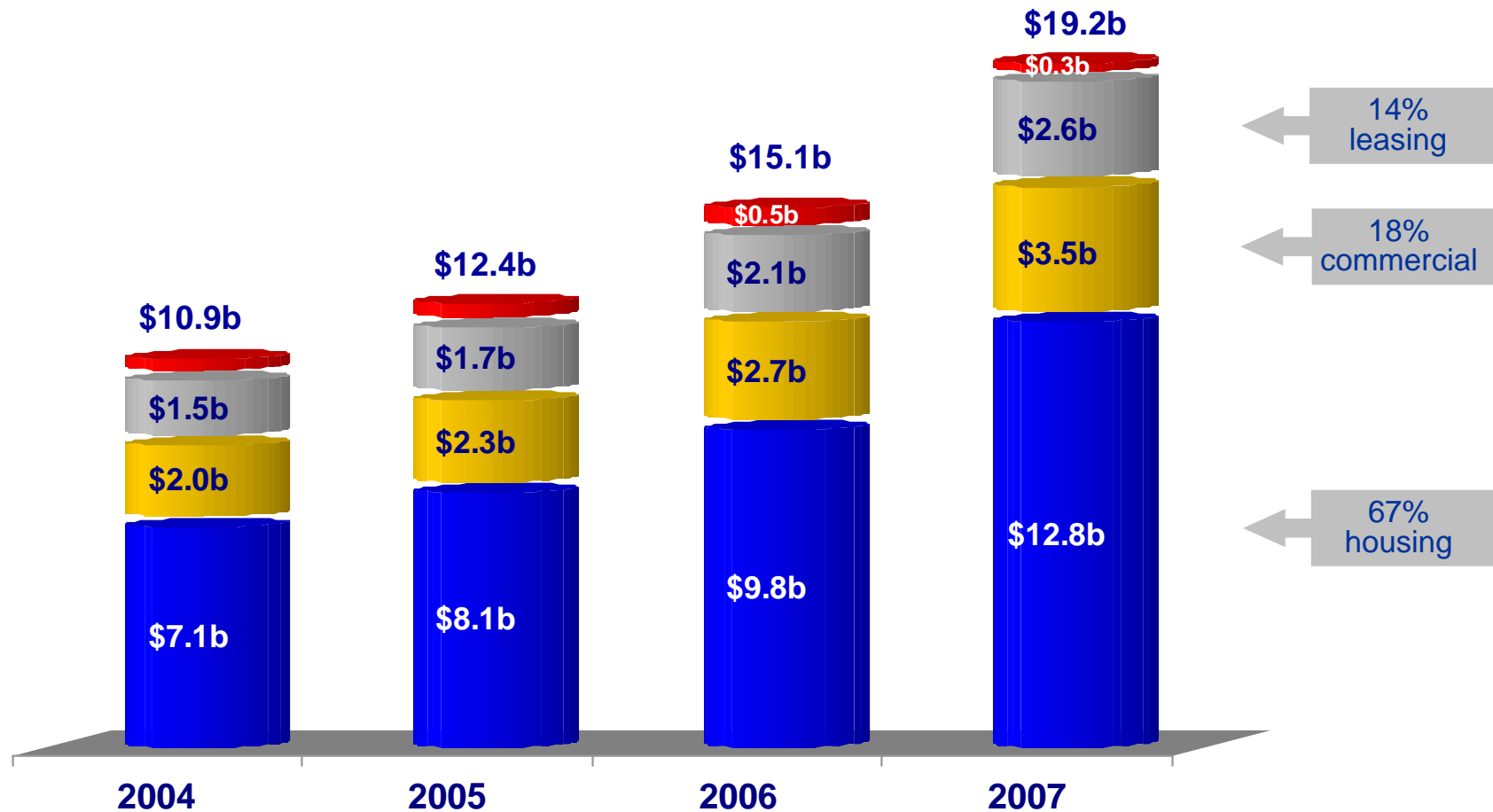


Cash diluted EPS growth



Based on cash normalised earnings = After tax profit excluding the impacts of significant and non-recurring items and amortisation of Customer Contracts

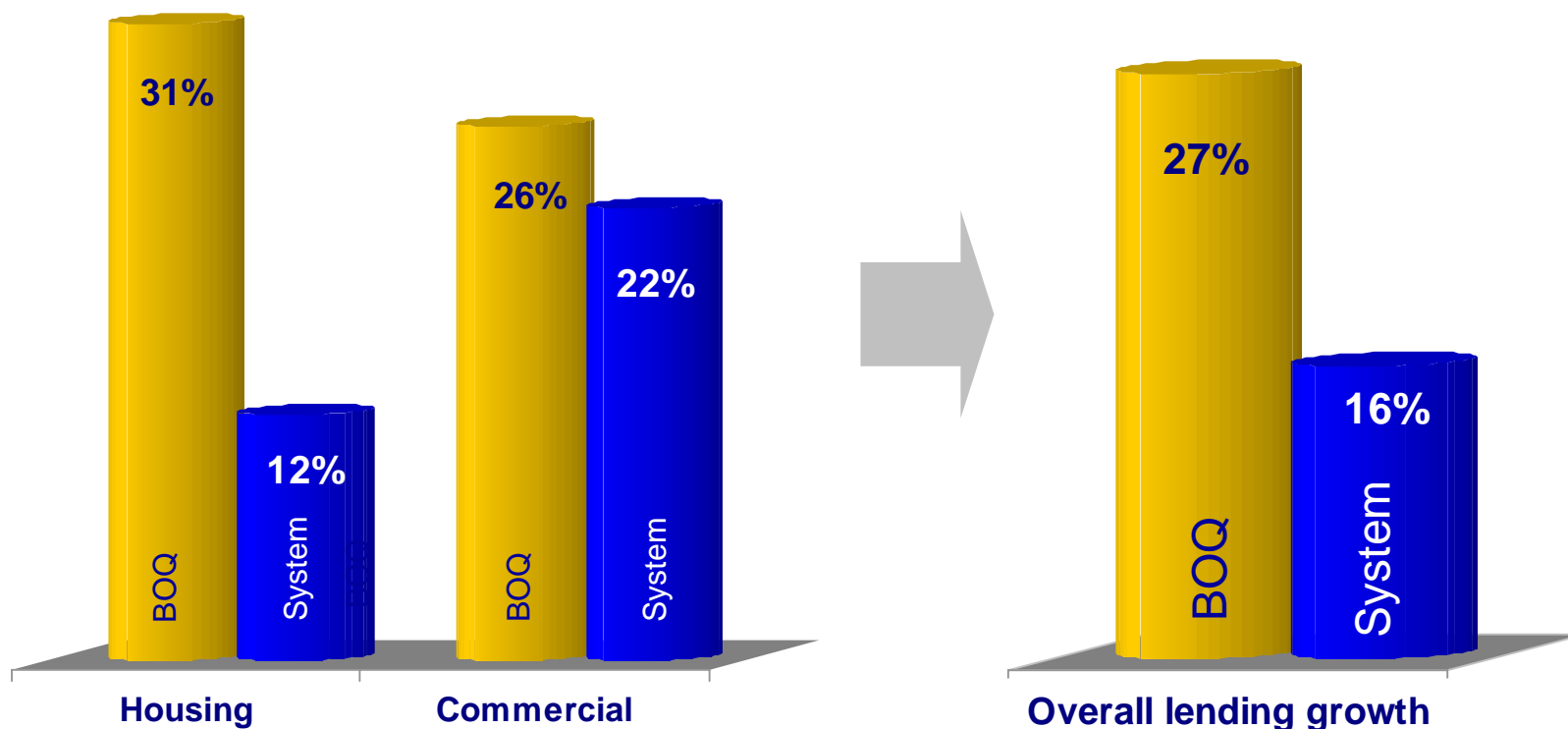
Growing loans under management



Continuing strong lending growth

- Strong growth in lending

- Overall 1.7x system growth *



Market leading retail deposit growth

- Growth in retail deposits funded 56% of growth in loans under management
- Strong growth in Web Savings Account and through launch of SME deposit products

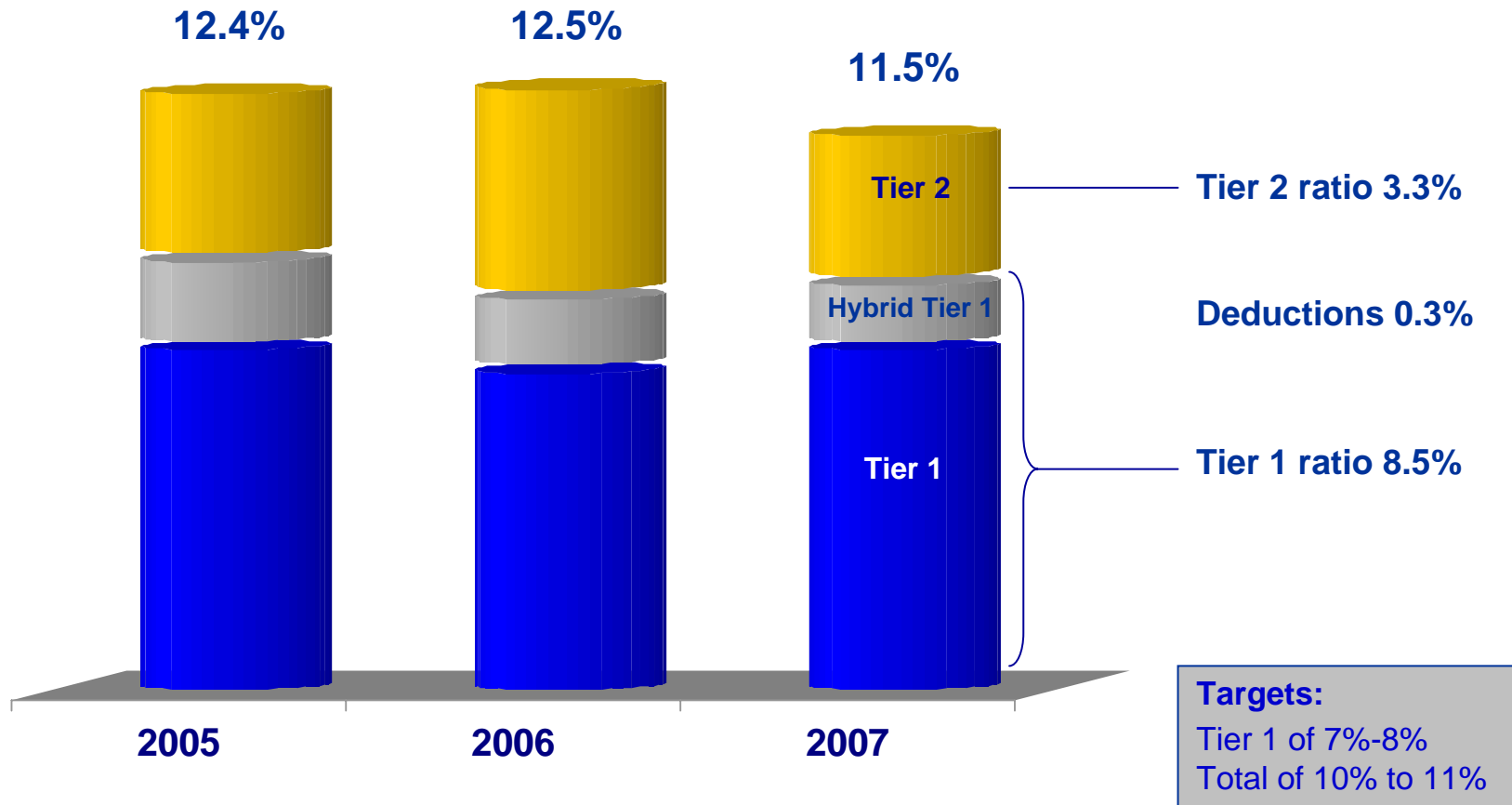


System = APRA monthly statistics, household deposits

Funding and liquidity

- Key to BOQ's funding philosophy has been and will remain, diversification of funding sources
- BOQ is still issuing senior debt domestically and in offshore markets
 - Credit spreads have increased by around 10bp in the short end and 25bp in longer term paper
- Securitisation Markets
 - Access to securitisation warehouse funding is still available
 - Primary securitisation markets are starting to return
 - Credit spreads have increased by approximately 25bp
- Liquidity
 - Currently holding 12.5% liquidity with 85% of securities held either in cash or securities eligible for RBA repurchase agreements

Capital adequacy



Capital initiatives

Non-innovative hybrid capital issue

- \$150m issue (with ability to accept over subscriptions)
- Non-cumulative preference share structure with the view to being accepted by APRA as Non-Innovative residual Tier 1 Capital
- Fully franked dividends based on a margin over 180 day BBSW
- Existing BOQ shareholders and holders of existing preference shares will be given priority in allocation
- Issued via prospectus, expected to be lodged in the next few weeks and proposed to be underwritten
- Intention to list on ASX

Other capital initiatives

- Intending to underwrite DRP with respect to the final dividend for FY07

Basel II

- Progressing towards completion of standardised approach, will be ready to report in 2008
- Preliminary calculations indicate Basel II will be essentially capital neutral for BOQ
- AIFRS transitional relief expires in January 2008

Strategy and outlook

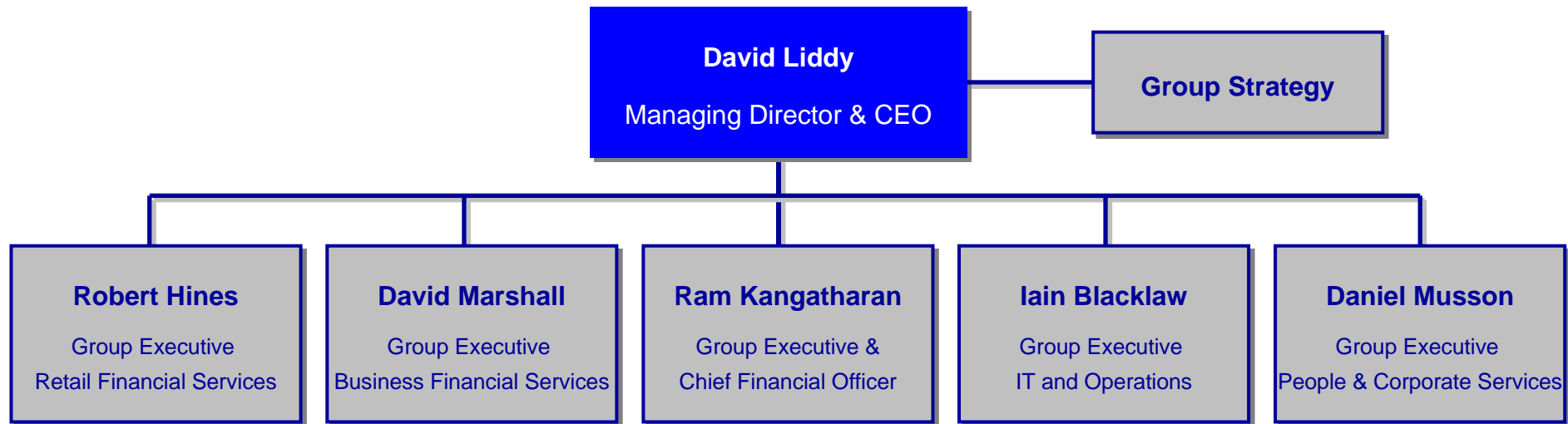
David Liddy, Managing Director

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New team for a new growth phase

- We have a new team to meet the opportunities and challenges ahead
- Better alignment, more focus

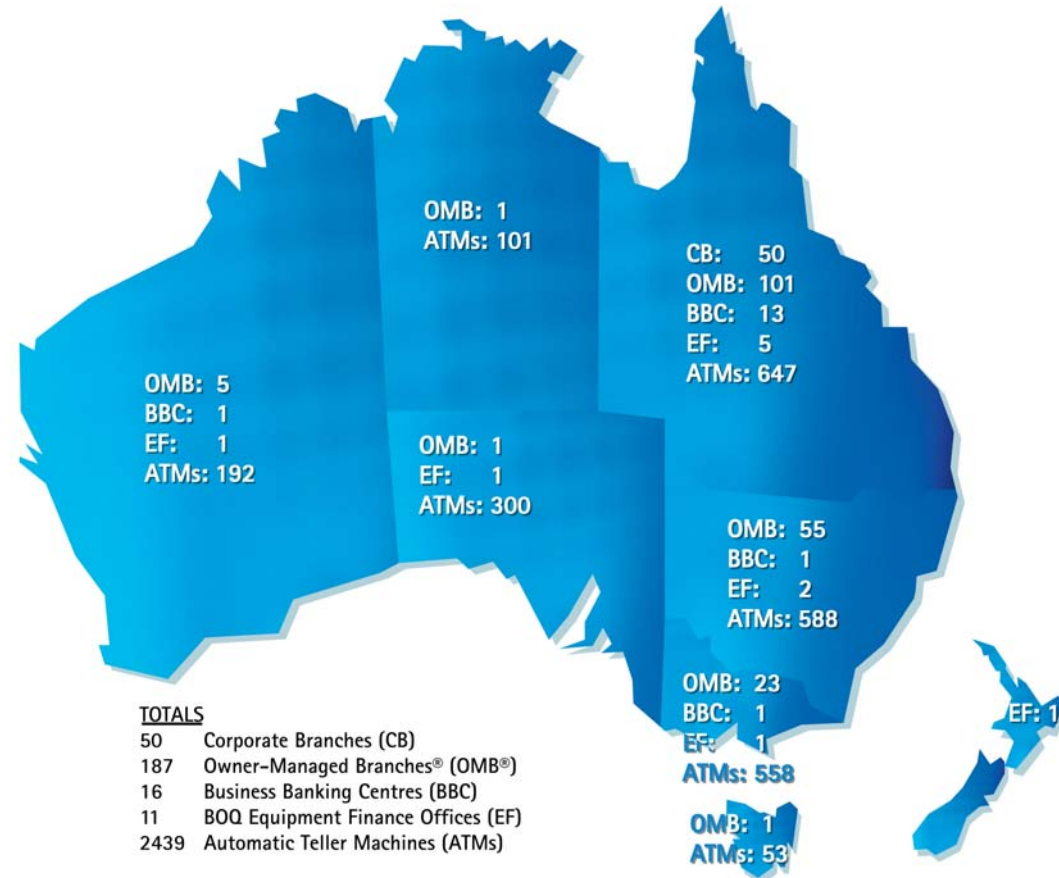


Strategic intent

- Understanding and growing our core, maximising our adjacencies
 - Core capability is distribution
- Be the 'real' banking alternative – the 'other bank'
- National distribution – but “big small bank not a small big bank” approach
- Aggressive customer acquisition – service led, not by price or lower credit quality
- Market out-performance across all sectors
- Target complementary acquisitions
- Integration of cost management with growth leadership

Growing national presence

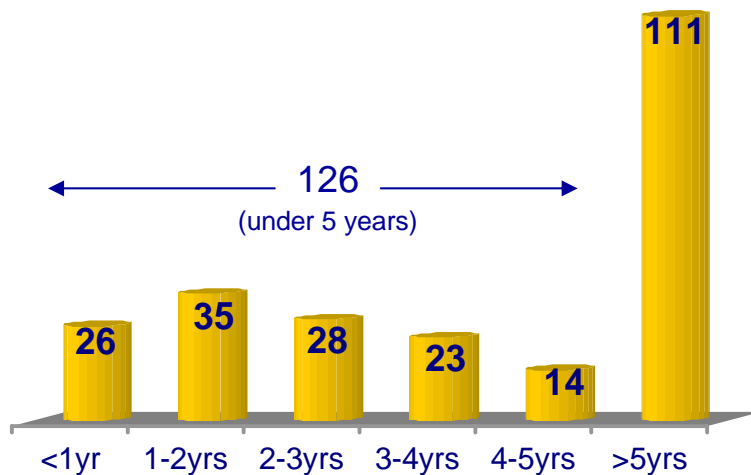
- Over 2,600 'touchpoints'
- Growing branch network, complemented by acquisitions
- Home acquisition to boost branch numbers to a critical mass in WA >30 branches



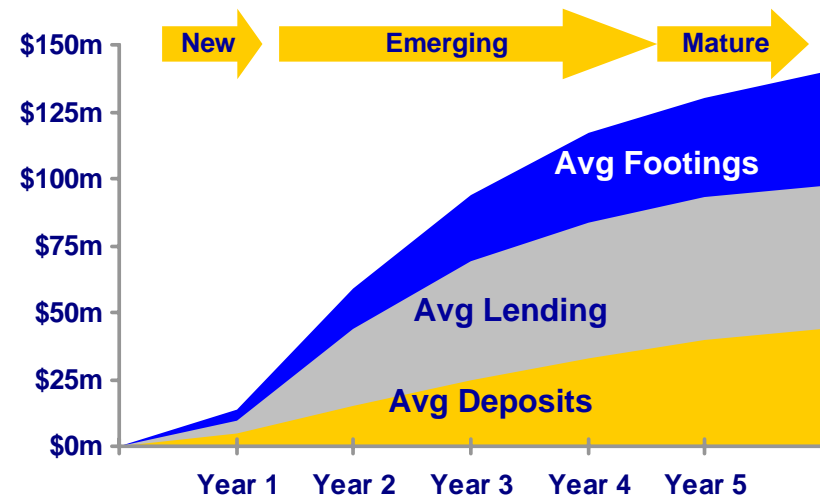
Strong organic growth to continue

- Continuing retail distribution expansion
- Growth to flow from branches moving into the 'emerging' phase

Branch maturity (237 branches)



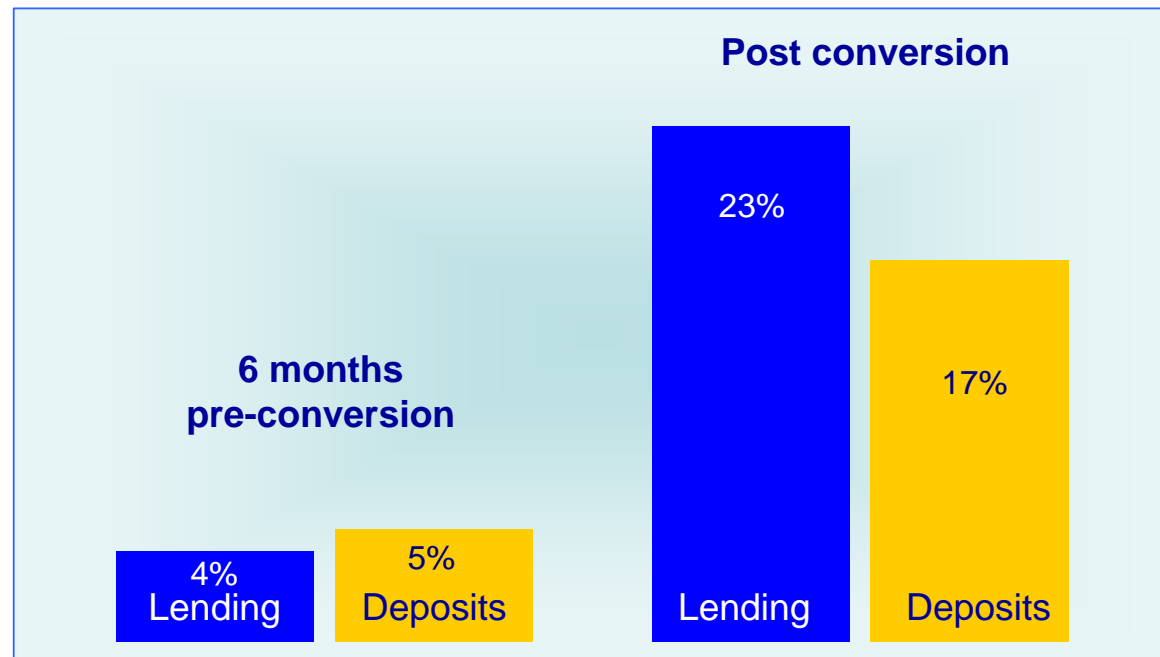
OMB maturity



Increased productivity from OMBs

- Now converted 18 corporate branches to OMBs, 15 in this year
- Monthly fundings have increased significantly driving lending growth of 23%
- Positive outcome from each:

Annualised growth before and after conversion



Growing our business banking presence

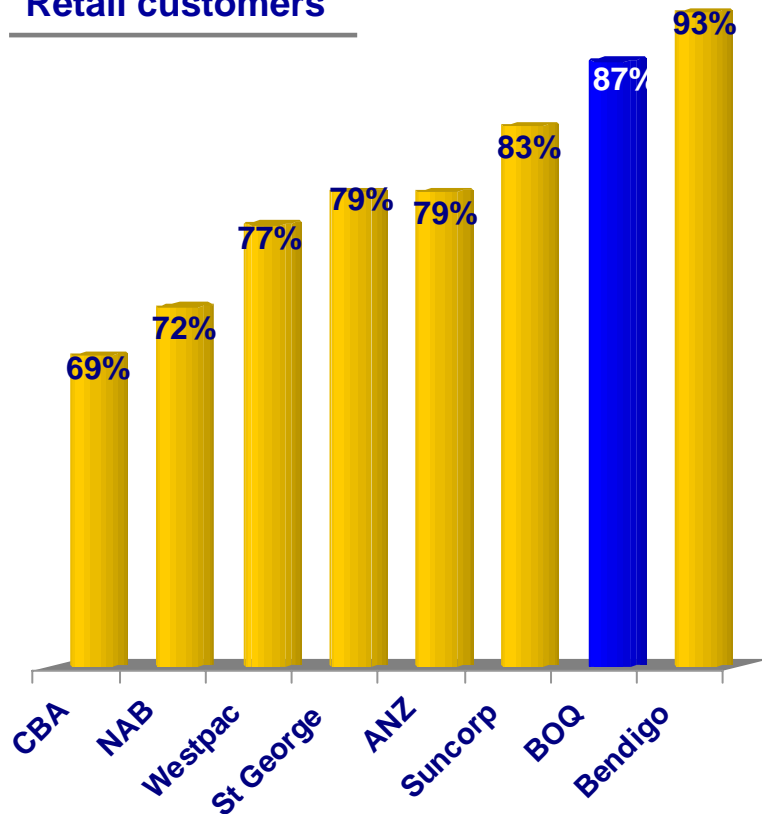
- Overall strategy is to achieve SME dominance in chosen segments in Queensland and leverage branches outside Queensland
- Our target market is Middle Market and SME customers - not institutional
- Our dedicated long established property finance business continues to grow strongly
- Now have 16 business banking centres and 11 equipment finance centres

Opportunities:

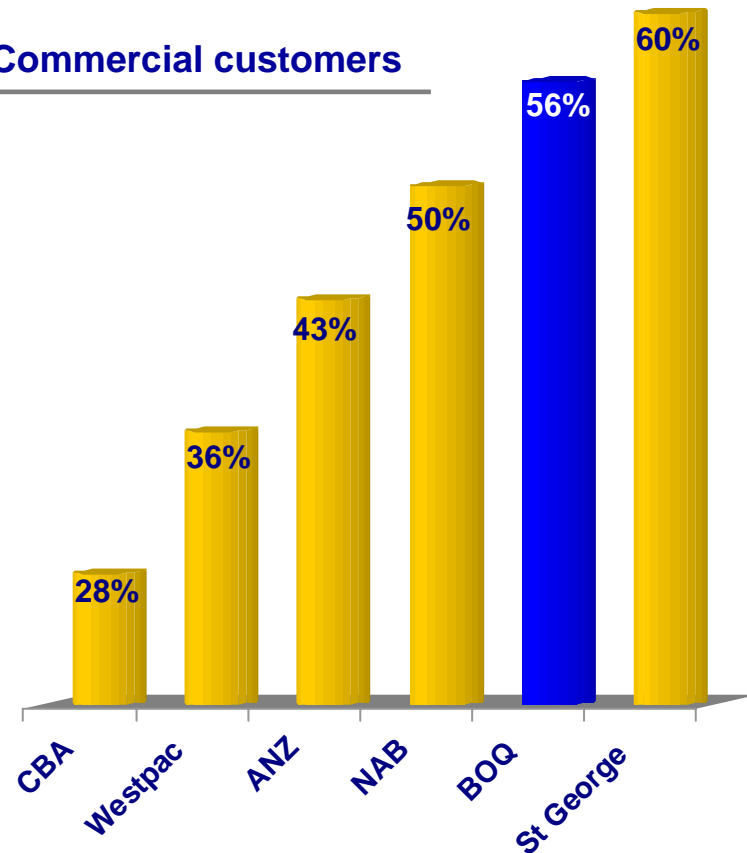
- to leverage the OMB network to drive SME business
- drive increased sales productivity through coaching, reward and recognition programs
- grow Equipment Finance and Debtor Finance business both organically and through acquisition, off the back of strong growth in receivables now in excess of \$2.6b

Customer satisfaction

Retail customers



Commercial customers



August 2007 QLD MFI Customer Satisfaction - 6 months to August 2007

August 07 East & Partners Business Banking Sentiment

Proposed mergers

Home Building Society

- Proposal values Home at \$600m¹
- Proceeding towards completion by the end of the year
- Great opportunity to expand upon Home's WA footprint
- Expect to be cash EPS accretive in FY10



Home
building society

29 branches

\$2.4b loans under mgmt

\$2.2b retail deposits

\$21m in FY07 normalised NPAT

Mackay Permanent Building Society

- Proposal values Mackay Permanent at \$53m²
- Proceeding towards completion by the end of the year
- Further leverages BOQ's strong position in North Queensland
- Expect to be cash EPS accretive in FY09



MACKAY
PERMANENT
BUILDING SOCIETY LTD
"Simply better banking"

14 branches

\$0.3b loans under mgmt

\$0.3b retail deposit

\$2m in FY07 normalised NPAT

Credit card alliance and portfolio sale

- Sale announced in April 2007 and settled July 2007
- 12 month migration process for BOQ cards across to Citigroup platform
- Credit cards to be provided by Citigroup through a “white labelled” distribution arrangement
- Customers to benefit through greater support, a better product range and more extensive systems
- BOQ can leverage Citigroup’s manufacturing expertise
- Obviates the need for significant further investments in credit card technology

Strong growth outlook

- Financial goals
 - 1.5x – 2x system growth for lending and deposits
 - Diversify revenue
 - Normalised cash EPS growth of 10% - 12%
 - Maintain credit quality
 - Continue reduction in cost to income ratio
- Operational goals
 - Higher productivity from maturing branch network
 - Geographic expansion – two fastest growing economies
 - Three mergers
 - Further acquisitive opportunities
 - CustomerFirst process redesign

Our priorities

- Successful execution of acquisitions
- Continued distribution expansion
- More brand investment
- 'Red carpet' retail and business banking delivery
- Sound capital/liquidity management
- To be the consolidator of choice



The big small bank

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A graphic element consisting of a white-outlined shape that resembles a folded corner of a document. The top-left corner is rounded and colored orange. The rest of the shape is dark blue with a white border. The text "Bank of Queensland" is written in white inside the dark blue area.

**Bank of
Queensland**

Additional information

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Hybrid capital

Proposed Non-innovative capital issue - PEPS

- \$150m issue (with ability to accept over subscriptions)
- Non-cumulative preference share structure with a view to being accepted by APRA as Non-Innovative residual Tier 1 Capital
- Fully franked semi-annual dividends based on a margin over 180 day BBSW and face value of \$100 (gross up if not fully franked)
- Dividends discretionary, preferred, non-cumulative, subject to dividend tests; ordinary and S1RPS dividend stopper if PEPS dividend not paid
- BOQ redemption option at 5th anniversary and at subsequent dividend payment dates, or on regulatory or tax events
- Ranking: senior to ordinary shares, equal with S1RPS and junior to RePS

Hybrid capital

Proposed non-innovative capital issue - PEPS (cont'd)

- To be issued via prospectus - expected to be lodged within a few weeks
- Offer intended to be underwritten
- Intention to list PEPS on ASX
- Existing BOQ shareholders and holders of existing S1RPS and RePS will be given priority in allocation
- Joint Lead Managers appointed: ABN AMRO Rothschild and Macquarie Equity Capital Markets

Other capital initiatives

- Intending to underwrite DRP with respect to the final dividend for FY07