Bank of Queensland

Half-Year Results
28 February 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

David Liddy, Managing Director

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Result highlights

- Record NPAT up 21%
- Sector leading growth in lending and deposits
- Improving shareholder returns
- Stable margin
- Continuing double digit EPS growth
- Sound credit quality

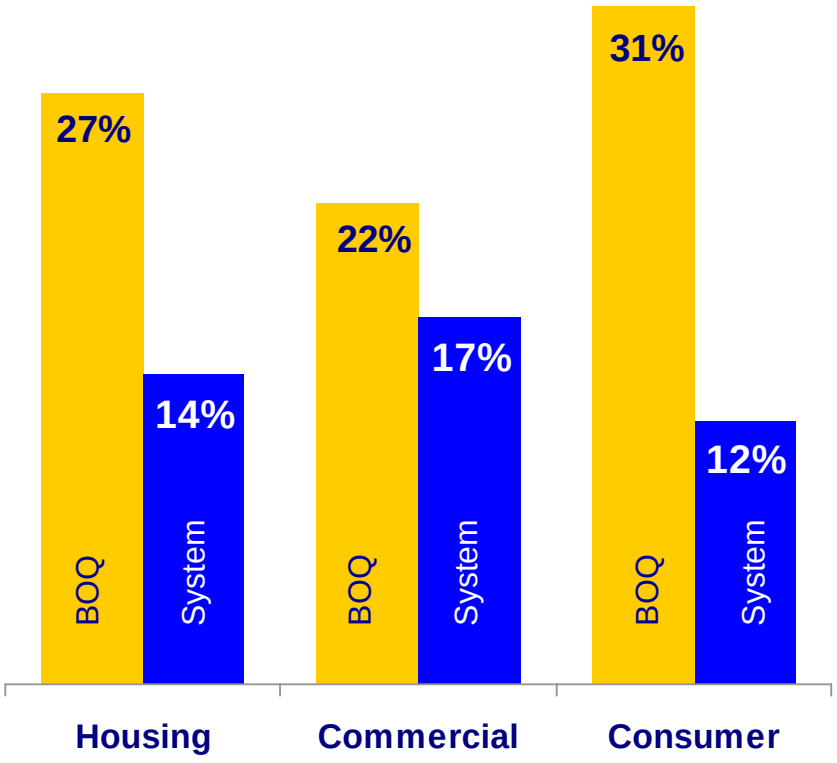
Strong financial results

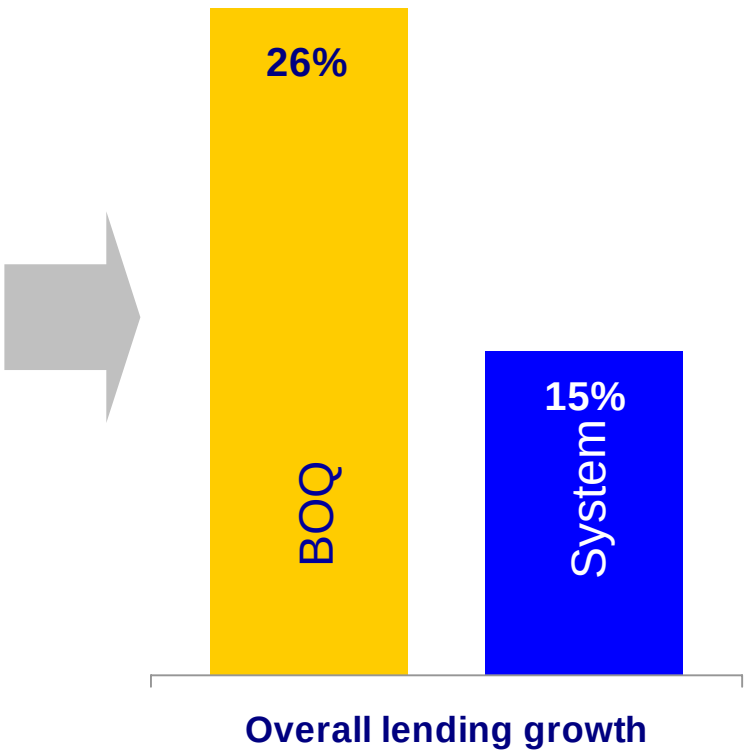
	1H06	**1H07**	
Net profit after tax	$40.0m	**$48.4m**	↑ 21%
Cash distributable earnings	$37.6m	**$45.9m**	↑ 22%
Cash EPS (diluted, distributable earnings)	35.5¢	**40.8¢**	↑ 15%
Ordinary dividend	27¢	**32¢**	↑ 19%
Loan approvals	$4.5b	**$5.6b**	↑ 24%
Loan growth *	19%	**26%**	1.7x system
Retail deposit growth *	18%	**30%**	2.8x system
Net interest margin	1.83%	**1.85%**	+2bps
Cost to income ratio (cash basis)	64%	**64%**	-

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

Continuing strong lending growth

- Strong growth in all areas *
- Overall 1.7x system growth *



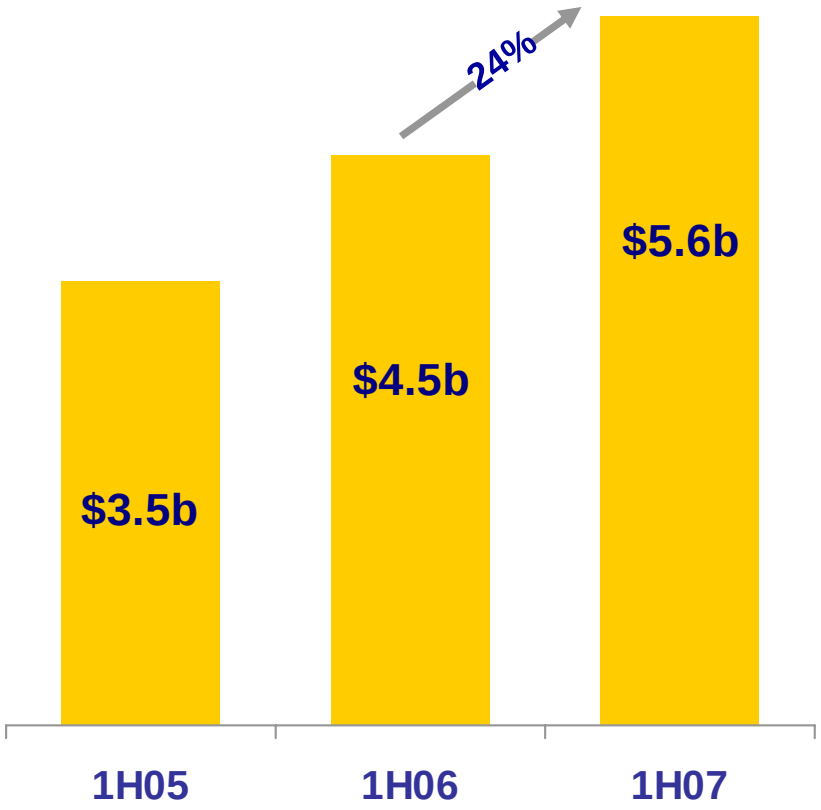


* Includes growth upon the acquisition of Pioneer Permanent Building Society Ltd. If growth upon acquisition excluded overall growth was 23%, 1.5x system, Housing growth 24%, 1.7x system, Commercial 21%. 1.2x system.

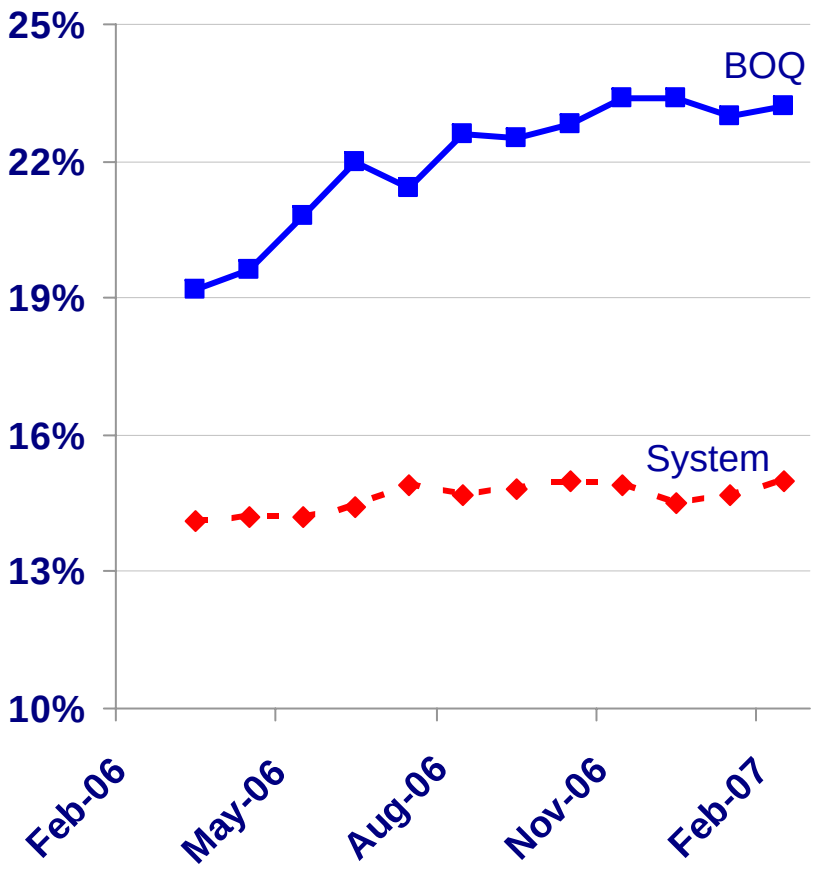
Source: RBA, rolling 12 months

Increasing sales flowing through to growth

Loan approvals



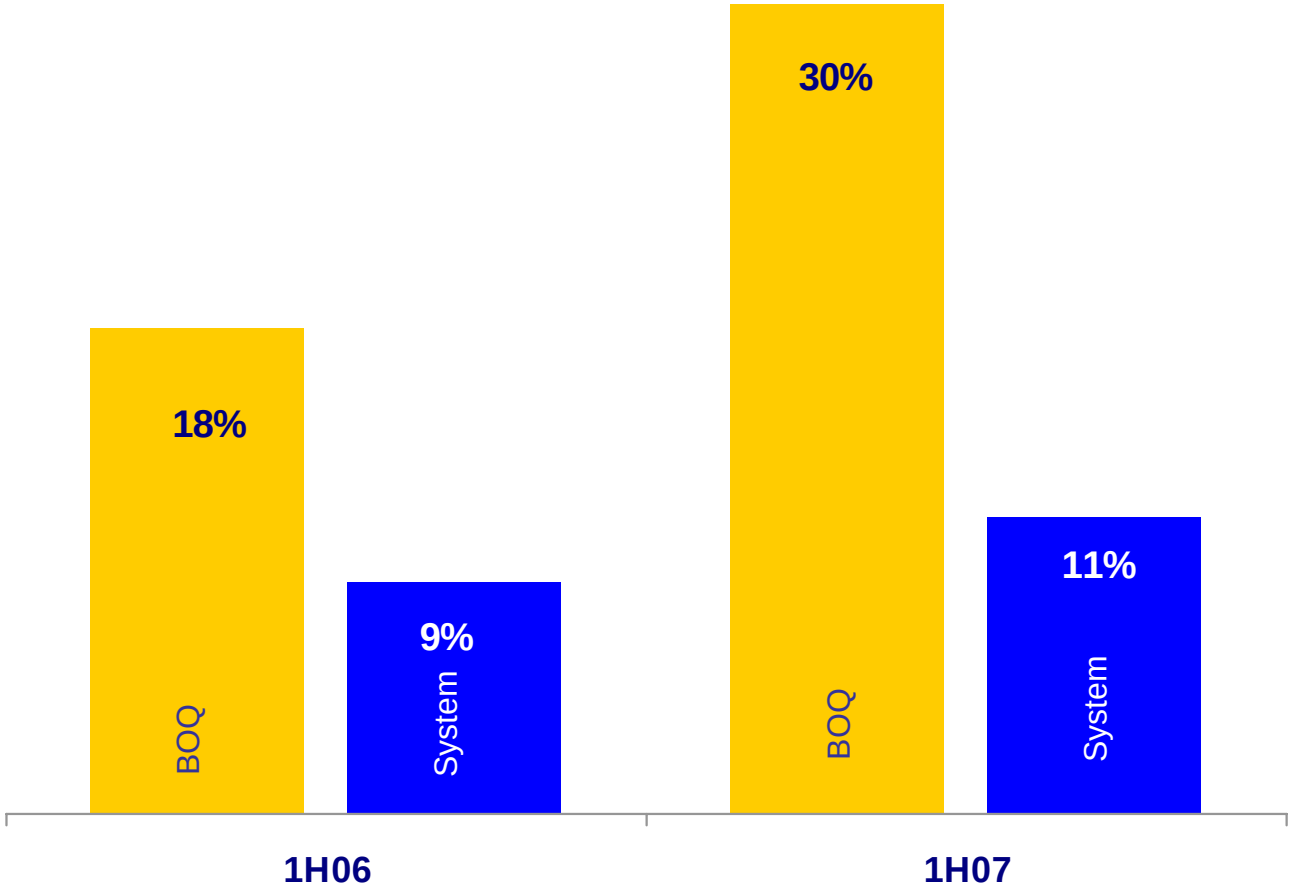
Lending growth exceeding system*



Source: RBA

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

Excellent retail deposit growth

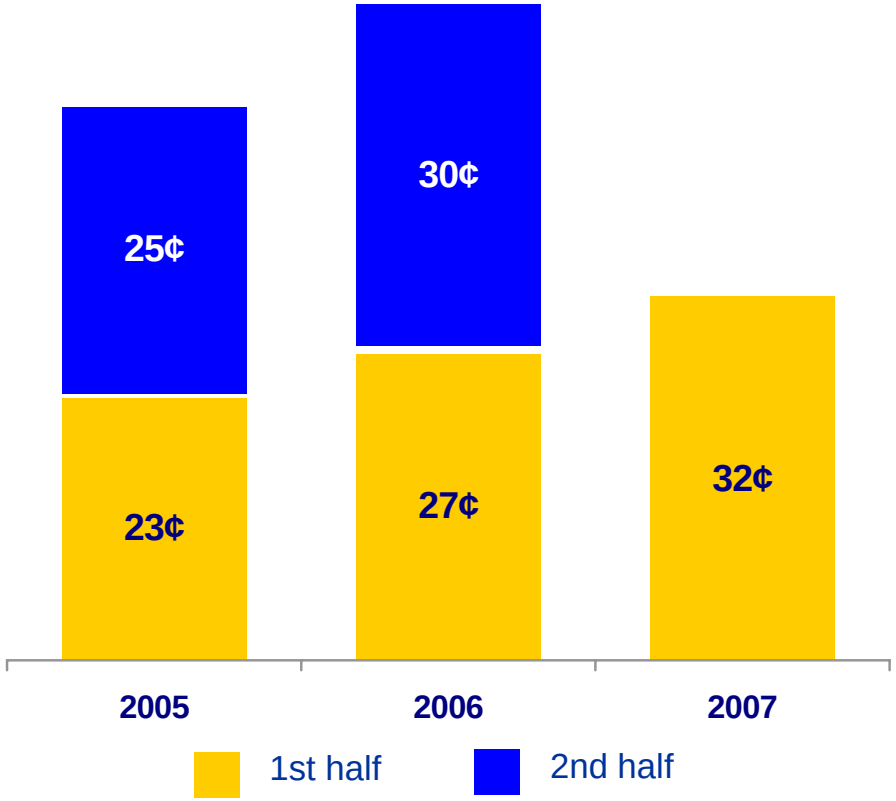


System: APRA monthly statistics, household deposits

* Includes growth upon the acquisition of Pioneer Permanent Building Society Ltd. If growth upon acquisition excluded overall growth was 23%, 2.1x system,

Increasing shareholder returns

- 24% average 5 year annual total shareholder return



	2005	2006	2007
1H payout ratio*	**72%**	**75%**	**78%**

* Excludes special dividends, on a cash distributable earnings basis

The result in detail

Robert Hines, Chief Financial Officer

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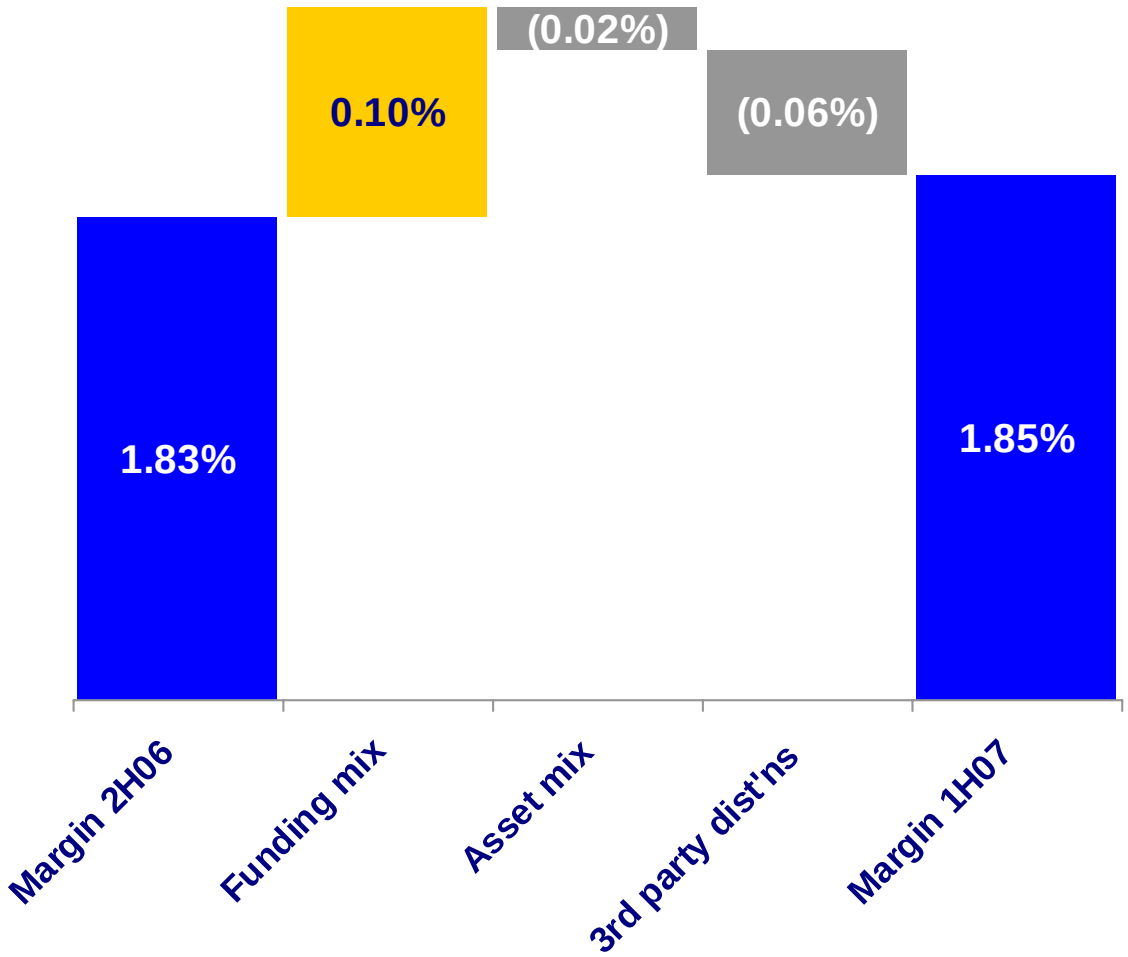
Summary of results

	1H06 $m	1H07 $m	% Change vs PCP
Total operating income	177.1	**219.6**	24%
Total expenses	113.5	**141.7**	25%
Underlying profit	63.6	**77.9**	22%
Impairment on loans and advances	3.4	**9.3**	174%
Profit before tax	60.2	**68.6**	14%
Income tax	20.2	**20.2**	0%
Net profit after tax	40.0	**48.4**	21%
Movement in GRCL *	2.5	**3.4**	36%
Distributable earnings	37.5	**45.0**	20%
Add: Amortisation of customer contracts *	0.1	**0.9**	-
Cash distributable earnings	37.6	**45.9**	22%
Cash dliuted EPS (distributable)	35.5¢	**40.8¢**	15%

* Tax effected.

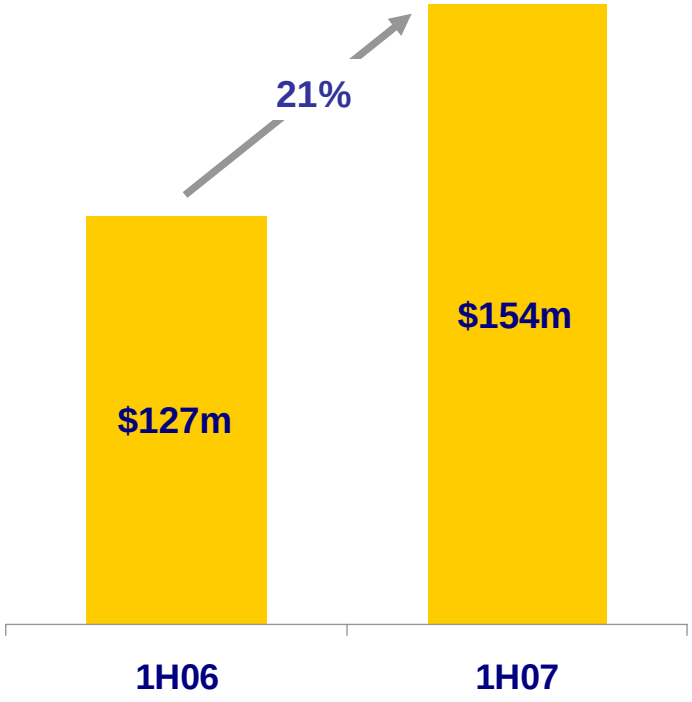
Margin improvement



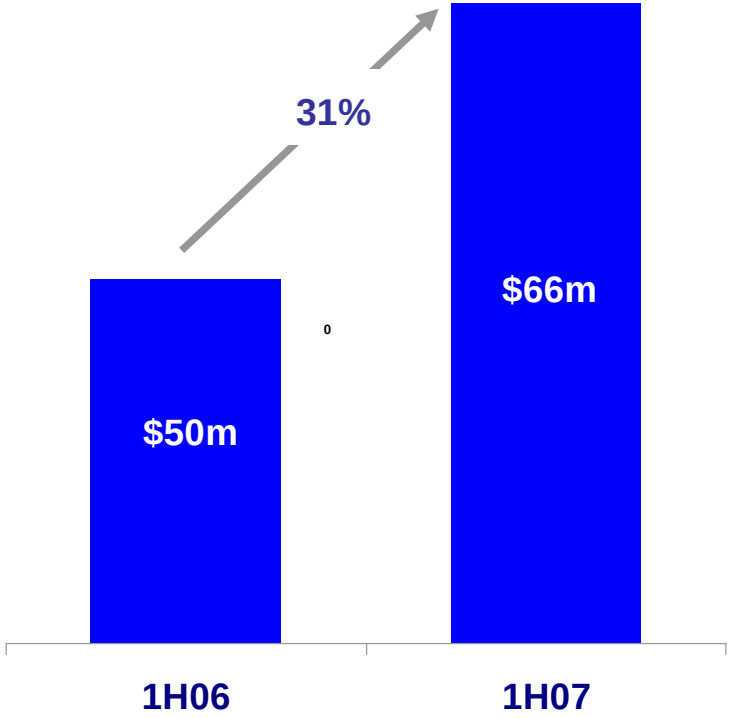
Growing income

- Strong growth flowing through to total income, up 24%

Net interest income

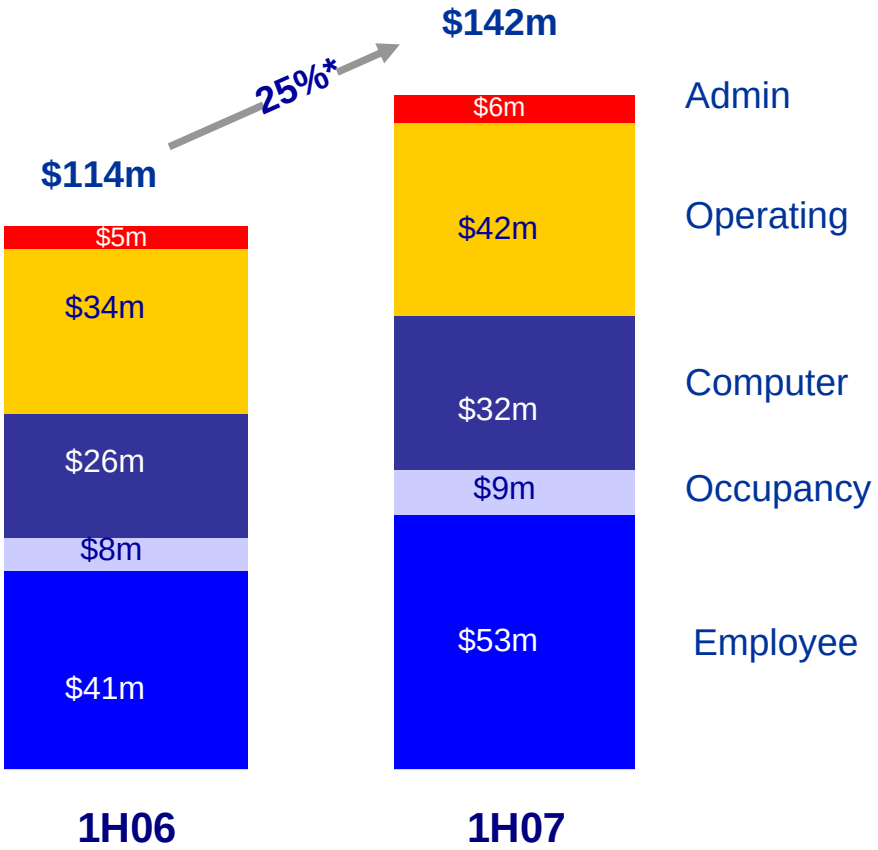


Non interest income

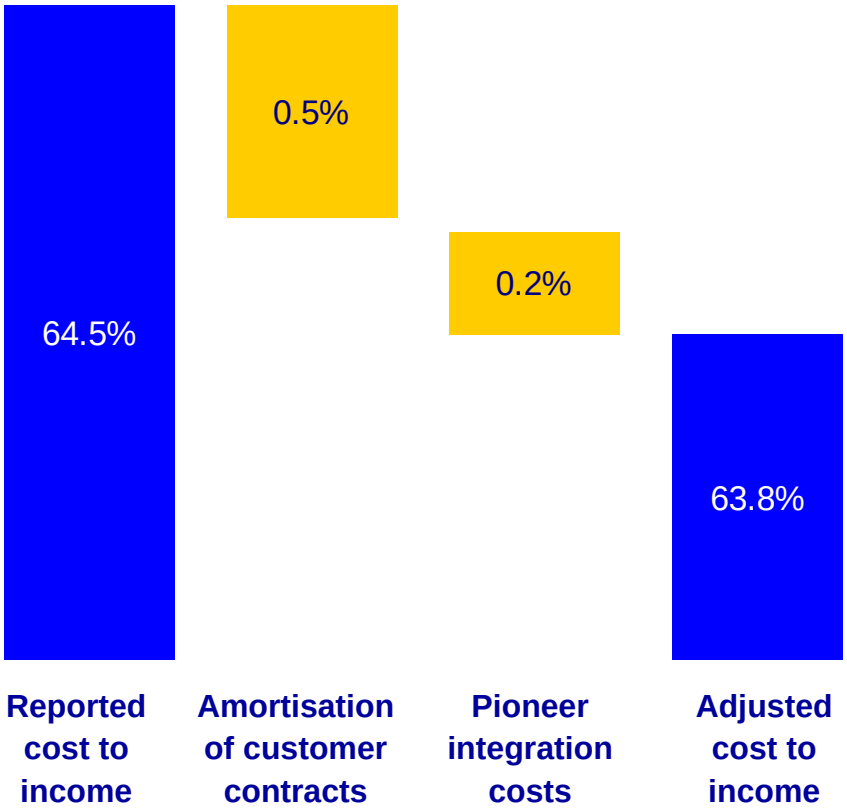


Expenses

Expenses



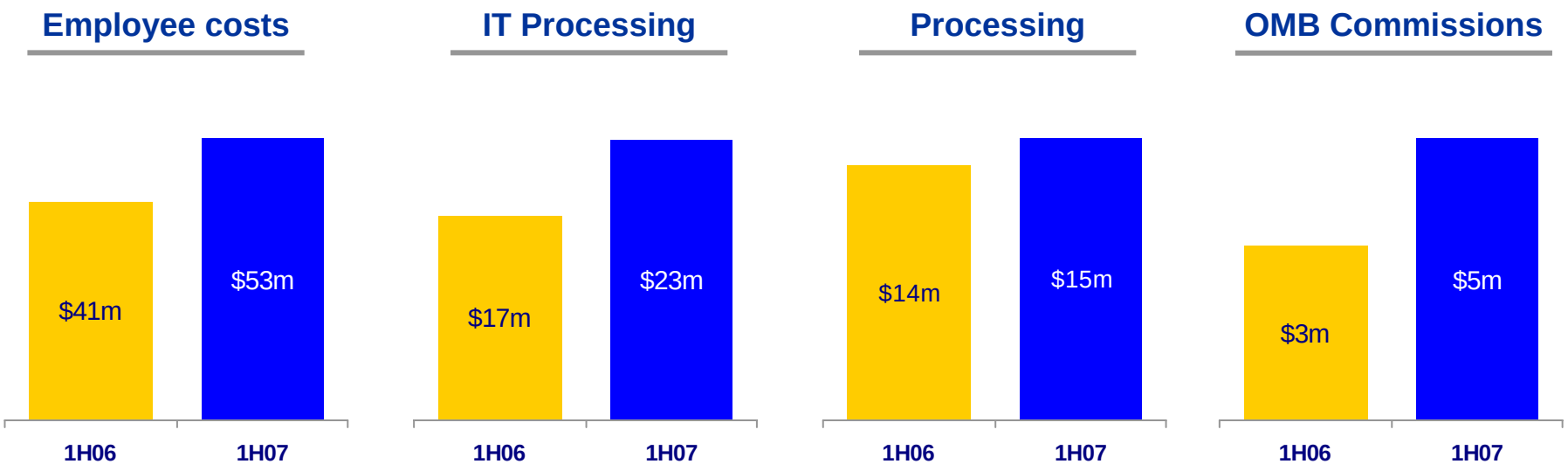
Cost to income ratio



* Excluding Pioneer expenses in1H07 and excluding amortisation of customer contracts expenses grew 22%.

Expenses

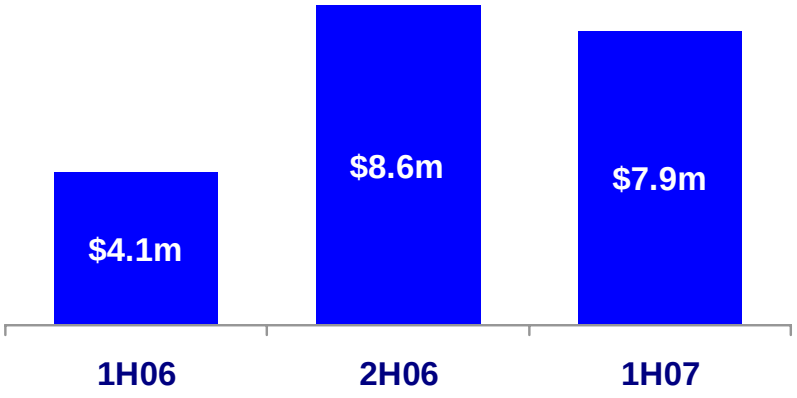
- Expense growth impacted by growth and volume of new business:



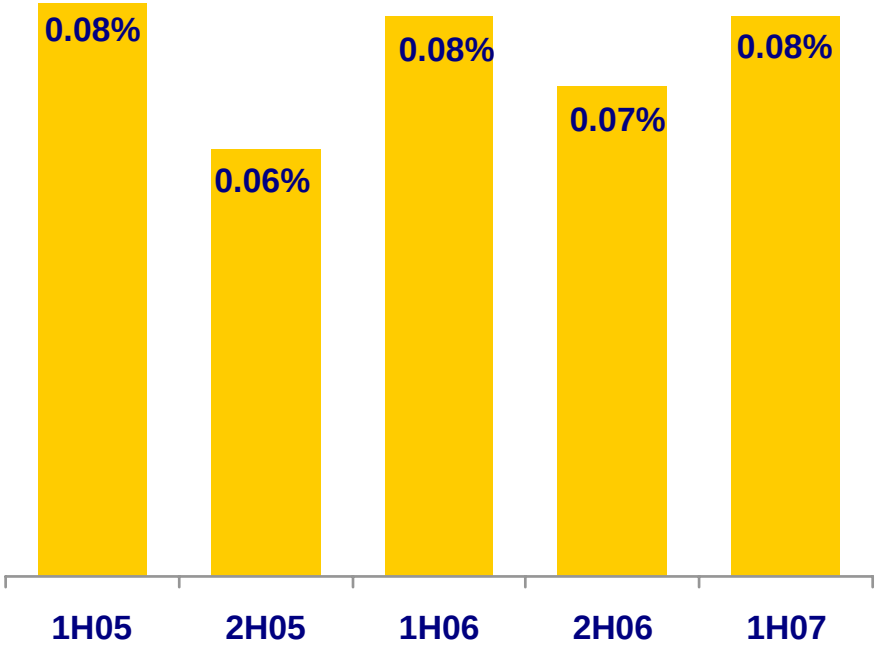
Continuing strong asset quality

- Focus remains on well secured housing and SME lending
- Minimal levels of low doc loans:
  - $0.4b of low doc loans, 3.6% of housing LUM

Underlying bad debts

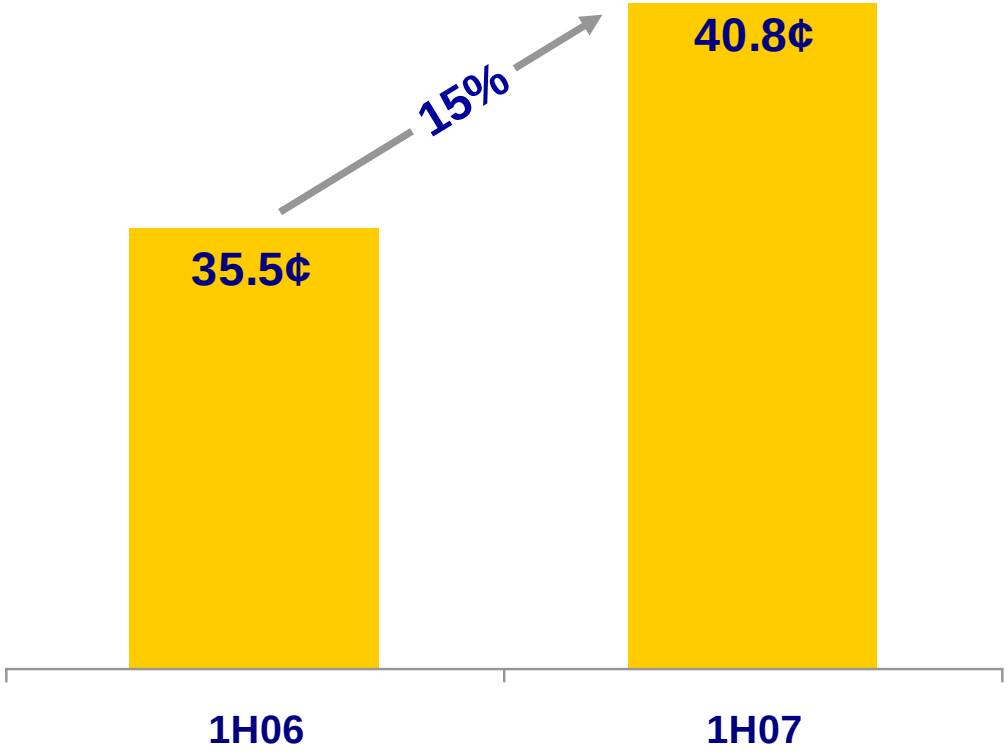


Impaired assets to non-securitised lending

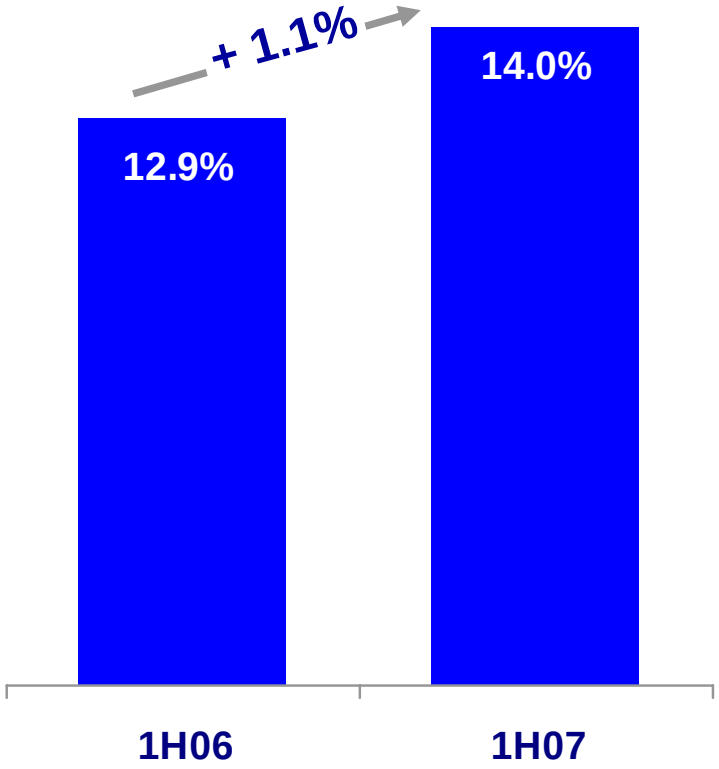


Increasing shareholder returns

Cash EPS growth*



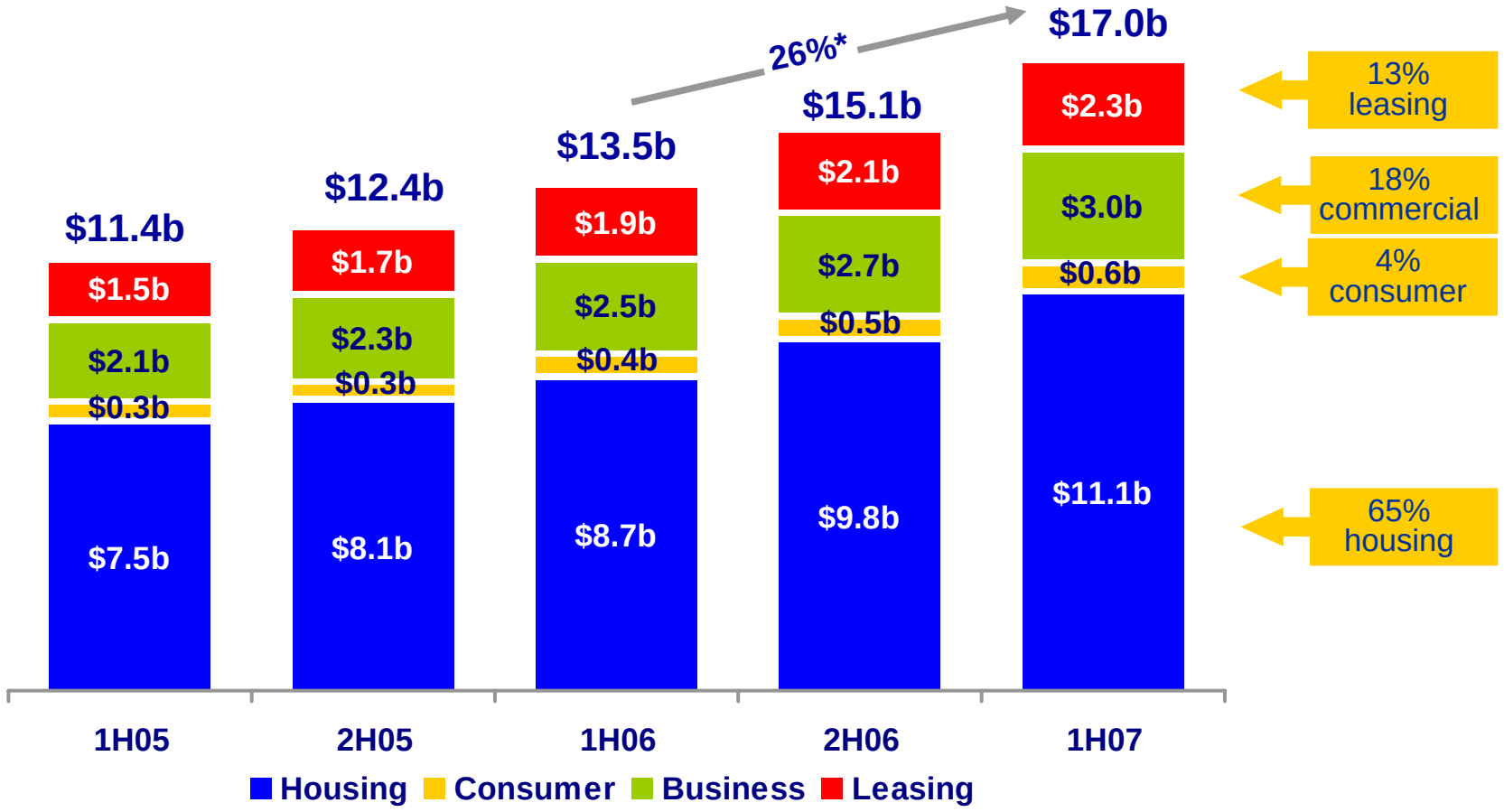
Cash return on equity**



* Diluted EPS cash distributable earnings

** Cash distributable earnings, weighted average basis

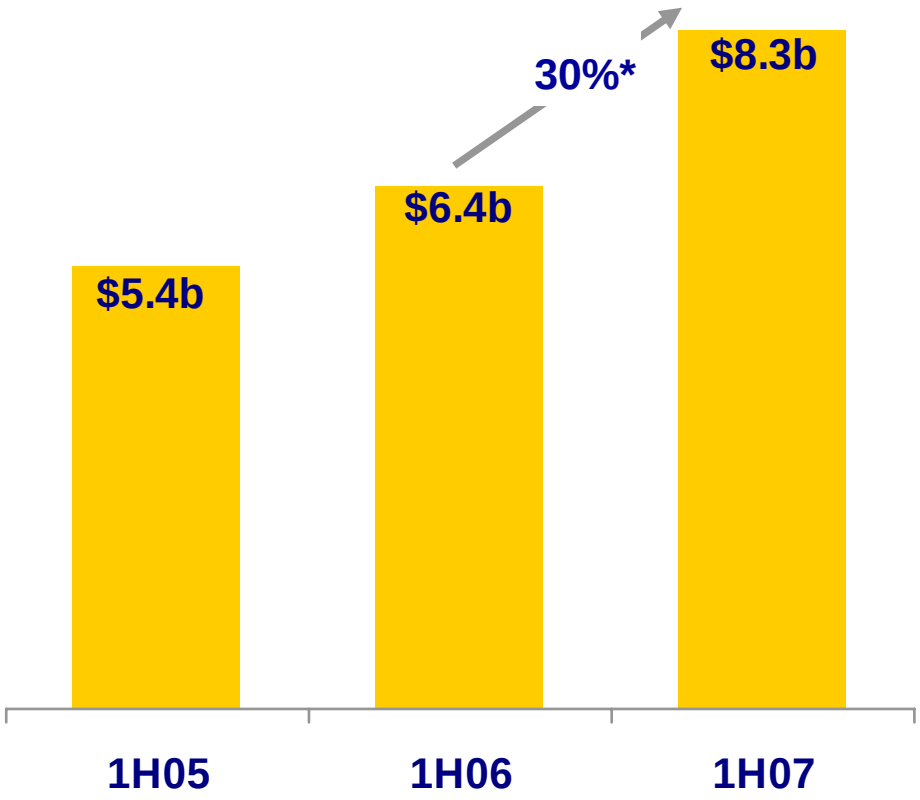
Growing loans under management



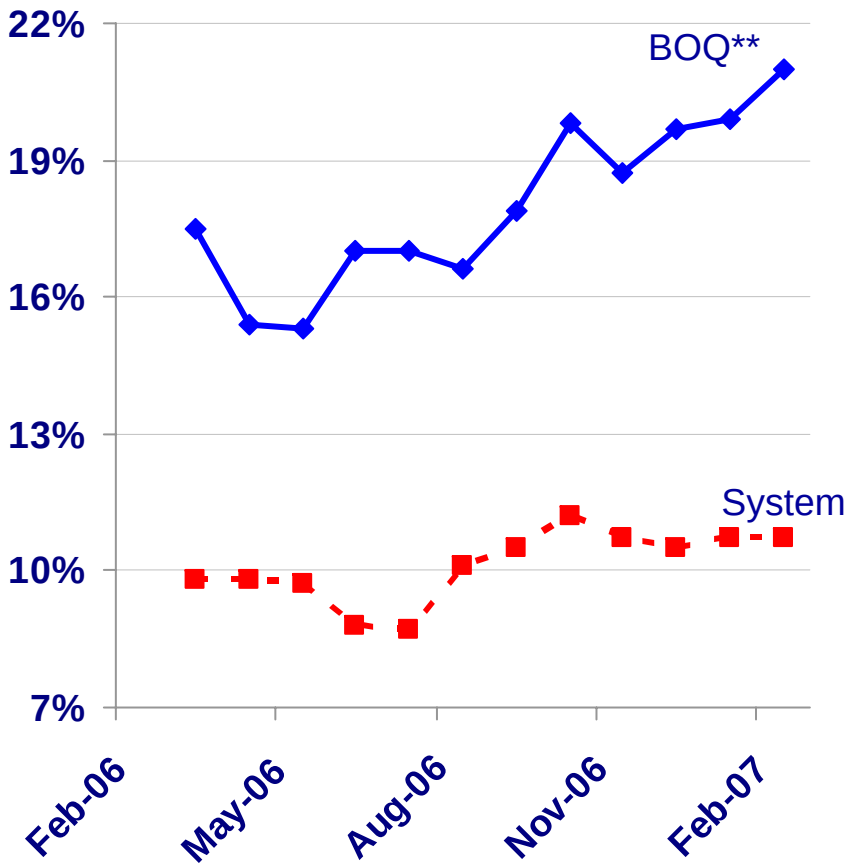
* 23% growth if loans acquired through the acquisition of Pioneer Permanent Building Society Ltd are excluded.

Strong retail deposit growth

Retail Deposit Growth



Deposit growth exceeding system



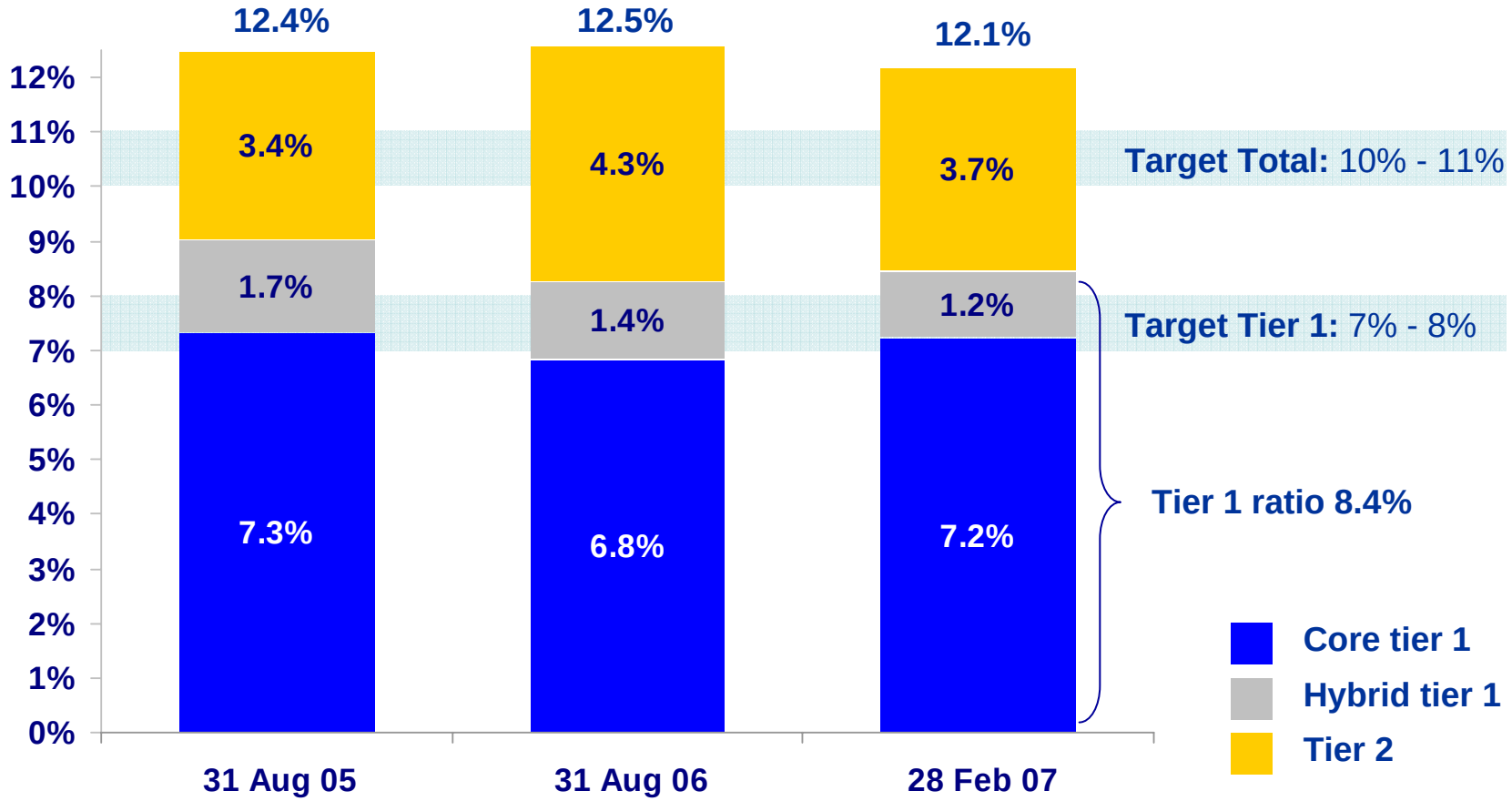
* 23% growth if deposits acquired through the acquisition of Pioneer Permanent Building Society Ltd are excluded.

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

System: APRA monthly banking statistics, household deposits.

Managing capital adequacy ratio

- Projected to be under the 15% innovative capital limit by 1 January 2008
- Remaining limit of 10% is available for the issue of non-innovative capital



Strategy and outlook

David Liddy, Managing Director

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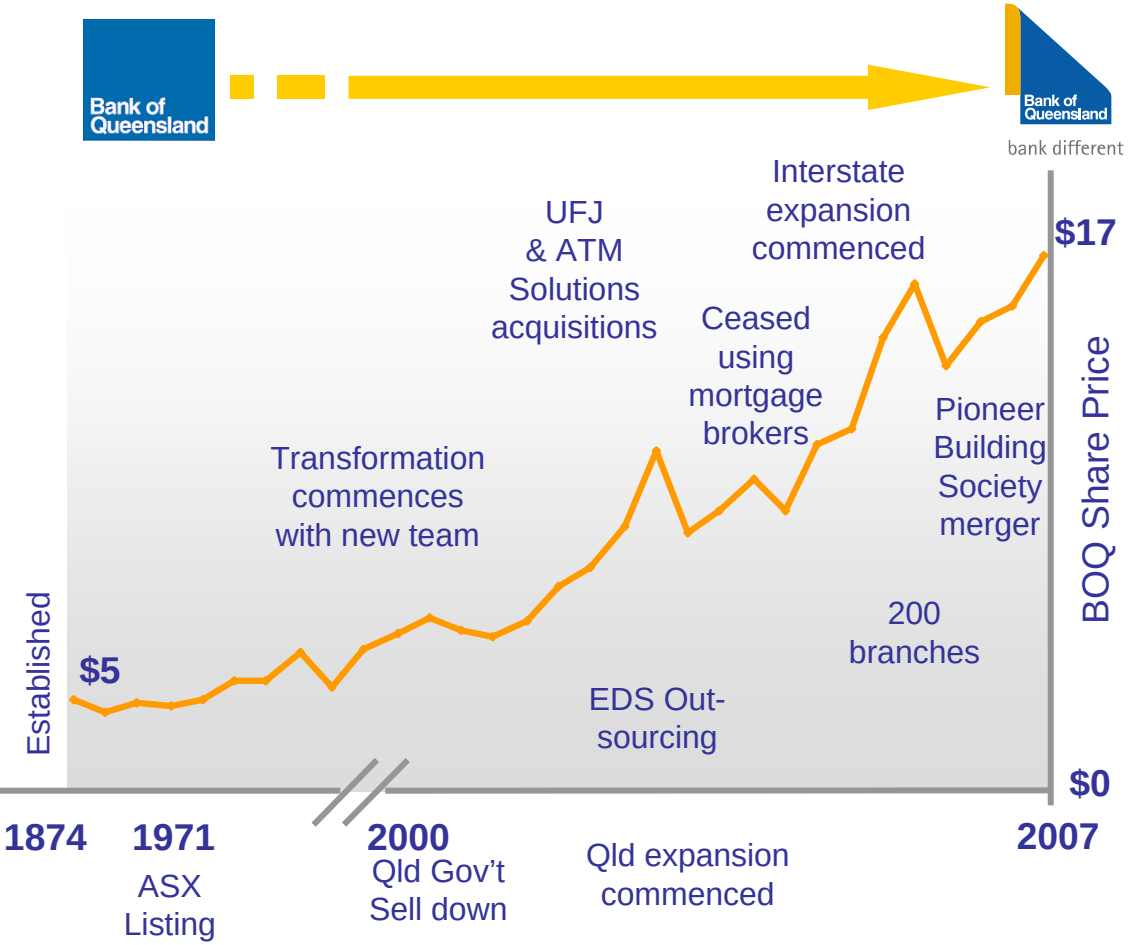
Six year transformation, a platform for growth

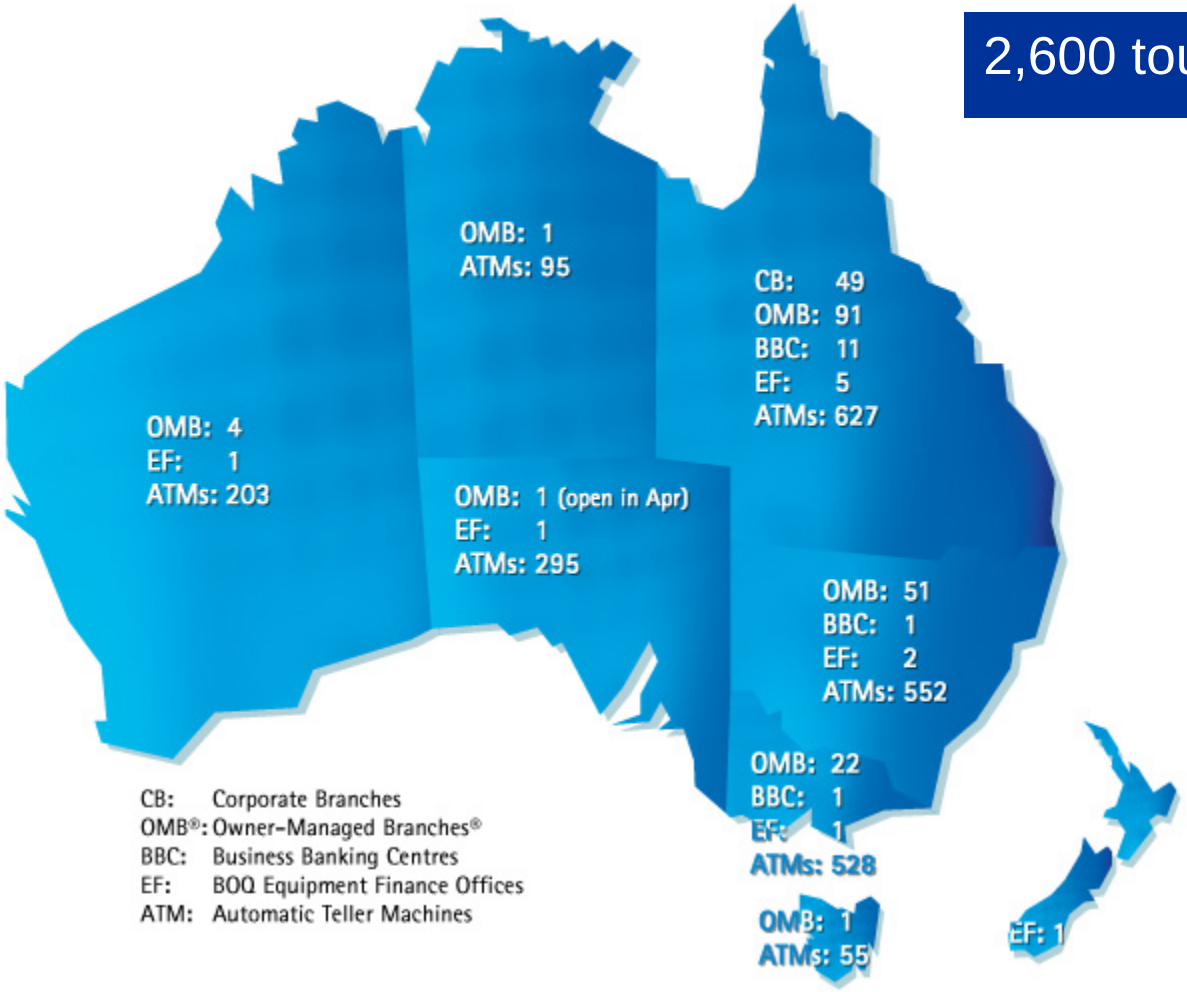


The next phase:

- Leverage our platform for growth
- Seek growth opportunities
- Further expansion, proposed merger with Bendigo Bank
- Outsourcing of credit card business
- Leverage increased scale, reach and range of merged company

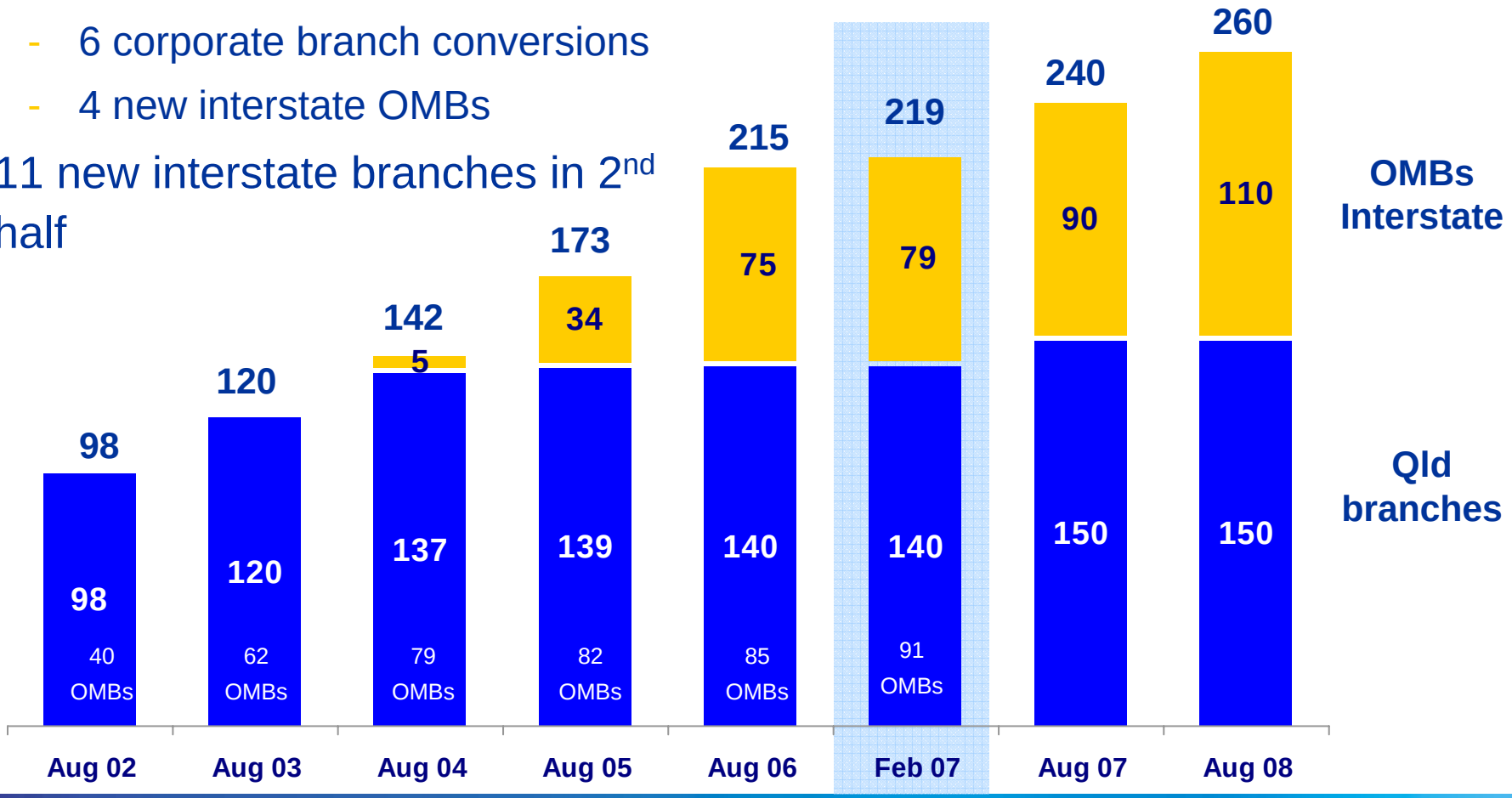
Building a national distribution presence

2,600 touchpoints



Continuing branch expansion

- This half:
  - 6 corporate branch conversions
  - 4 new interstate OMBs
- 11 new interstate branches in 2nd half

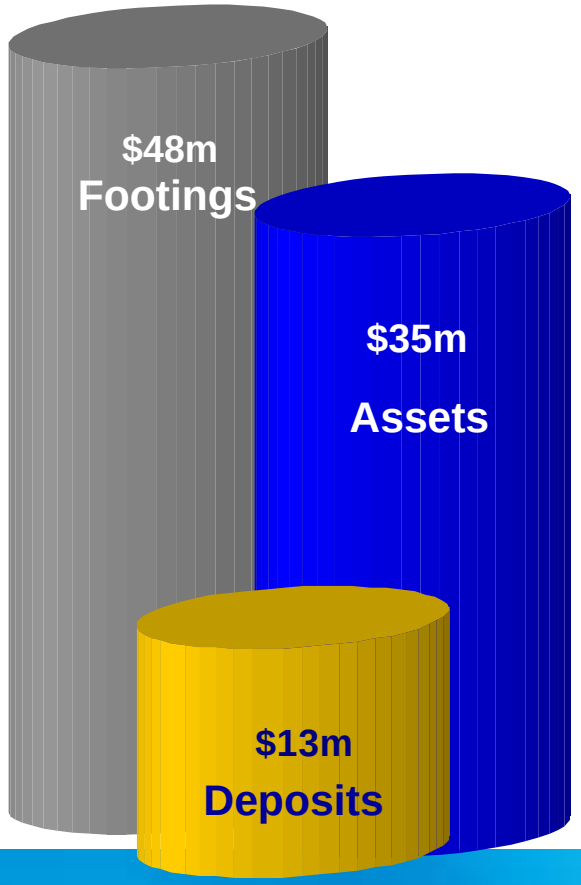


Excludes the Pioneer branches currently under integration.

Success of OMBs outside Queensland

- Consolidating our presence across all States
- 79 branches outside Queensland (33 open less than 12 months)
- Providing platform for sustained future growth
- Overall growth levels and success of our OMBs proves the value of this unique model

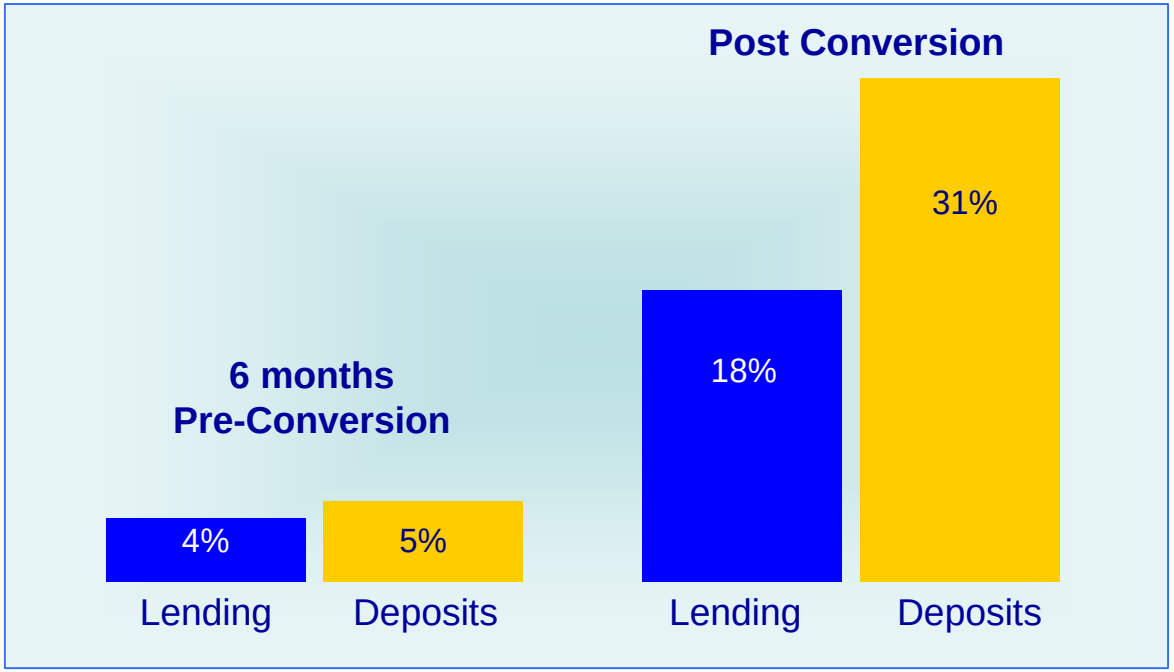
Average per interstate branch,
(for all 46 branches
open at least 12 months)



Increased productivity from OMBs

- Now converted 10 corporate branches to OMBs (6 during this half)
- Positive outcomes from each:

Annualised growth before and after conversion *

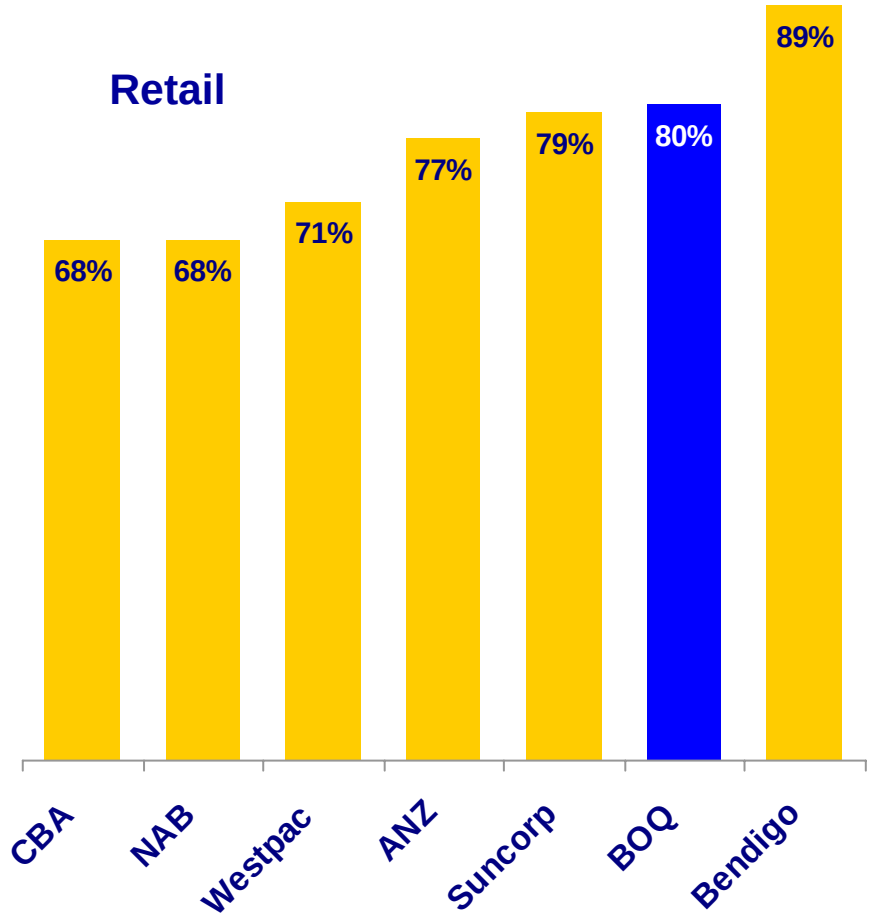


* For the 8 branches converted with at least 3 months of results since conversion.

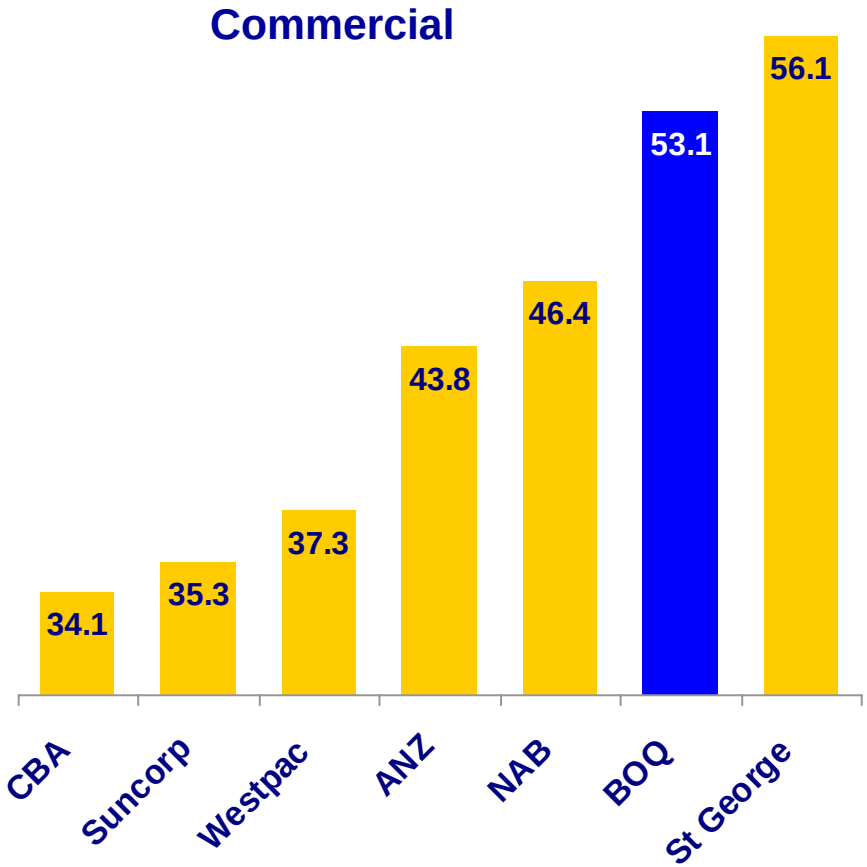
Growing our business banking presence

- Overall strategy continues to be to achieve SME dominance in chosen segments in Queensland
- Roll out of enhanced internet banking platform with additional features for SME customers
- Introduction of market competitive Small Business Package
- Strong growth in equipment/debtor finance
  - Equipment Finance
    - receivables now in excess of $2.3b ($1.9b at 1H06, up 21%)
    - ranked no.1 nationally by East & Partners survey of Equipment Finance market and no.1 in Victoria by Finance Brokers Association of Victoria
  - Debtor finance
    - continuing growth (39% increase in receivables on pcp)
    - maintained and grown in our home market and built upon the Orix Debtor Finance business acquired in December 2005

Satisfied customers



February 2007 Roy Morgan Research Queensland Customer Satisfaction



February 2007 East & Partners Business Banking Sentiment

Pioneer Building Society merger

- Scheme of arrangement was approved, ownership effective from 5 December 2006
- Integration commenced immediately, major milestone will be migration onto BOQ systems by end of calendar year
- Increase in customer numbers and business
- This is delivering:
  - A strengthened footprint in central/northern Queensland, and
  - EPS accretion in year 1 (excluding integration costs)

Proposed merger with Bendigo Bank
Deal Outline

Scrip and cash proposal	Scrip offer on exchange ratio of 0.748 BOQ shares and $5.50 in cash per BEN share (value of $18.47)[1]
Value	Exchange ratio is calculated based on 1 month VWAP trading prices for BEN and BOQ EPS positive impact for year ended August 2009 for both BOQ and BEN shareholders
Implied premium **(based on BOQ 1 month VWAP of $15.62 to 16 Mar 07)**	30% premium to BEN closing share price as at 16 March 2007 of $13.21 25% premium to BEN 1 month VWAP in the period to 16 March of $13.74
Implied premium **(based on BOQ closing share price of $17.34 on 3 Apr 07)**	40% premium to BEN closing share price as at 16 March 2007 of $13.21 34% premium to BEN 1 month VWAP in the period to 16 March of $13.74
Board (post merger)	5 BEN Board members to be invited to enlarged BOQ Board
Integration to combine management strengths	David Liddy (MD of BOQ) to be MD of enlarged Group and manage integration "Best of both" approach to choosing senior management
Mechanism to effect merger	BEN scheme of arrangement – vote by BEN shareholders
Conditions	BEN Board to recommend merger proposal Regulatory approvals Conditions typical for public offer

(1) Value based on BOQ closing share price of $17.34 as at 3 April 2007; exchange ratio will be adjusted to reflect BOQ entitlement issue

Two natural allies vs the big banks

- ✓ Potential **value enhancement to BOQ and BEN shareholders** (driven by potential pre-tax synergies of $70 million p.a.)
- ✓ **Enhanced banking proposition** for regional and community banking in Australia
- ✓ **Significantly improved distribution platform** … the merged entity will have over 575 branches (significantly more than St George Bank & approaching Westpac)
- ✓ **Facilitates creation of "big small bank"**, assisting to foster underlying growth in both banks and strengthens regional banking in Australia
- ✓ **Increased financial and operational scale**
- ✓ **Better position to compete** – efficiencies will assist the merged entity to move towards larger peers' cost to income ratios
- ✓ Creation of an **S&P / ASX 100**[(1)] company
- ✓ Two very **complementary** businesses with similar commitment to branch based Community banking and OMB models and superior customer service
- ✓ Provides **employee opportunities** and strengthens the performance culture

(1) Based on closing share prices as at 16 March 2007 the Merged Group ranks in the top 70 companies by market capitalisation on ASX

Status of merger discussions

- Proposal announced 19 March 2007
- BOQ funding in place
- Bendigo Bank Board stated willingness to engage
- Next steps, if the proposal proceeds, would be:
  - a Merger Implementation Agreement
  - due diligence
- Presentation to Bendigo Bank Board and management next week

Addressing market issues

Integration

- Both banks experienced in integration
- Retention of broad management experience in both banks – 'Best of Breed'
- Specialised and experienced Integration team
- EDS IT expertise and commitment

Cultural

- Both focused on 'shop front'
- Both embraced regional banking successfully
- Continuation of BEN's community enterprises
- Culturally aligned – two small regional banks
- Top two banks in regards to customer satisfaction

Operating Models

- ABSOLUTE commitment to retain HQ in Bendigo and Brisbane
- ABSOLUTE commitment to retain and grow Community banks & OMB's
- Similar business models :
    - Customer centric
    - Reward growth in the customer base
- Minimal geographic overlap

Why BOQ/Why now?

- ✓ Attractive premium with post merger upside
- ✓ Similar business cultures and strong community focus
- ✓ Natural progression for Australia's two leading regional banks
- ✓ We have been jointly discussing the merits of merging for two years
- ✓ Preserve Bendigo Bank head office/Bendigo Bank brands/Bendigo Bank community branch model
- ✓ Status quo not in the best interests of shareholders, customers and the communities we serve

MERGER BEST OPTION FOR BOTH BANKS TO THRIVE

Outlook

- Underlying BOQ business in a strong position:
  - Established retail and commercial national distribution points
  - Growing strongly and profitably
  - Healthy Queensland economy and expanding into other growth States
- Bendigo Bank merger to leverage this position
- Confirm financial goals for 2007 financial year:
  - 1.5x – 2x system lending and deposit growth
  - Maintain credit quality
  - EPS* growth of 10% - 12%

* On a diluted cash distributable earnings basis

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