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DIRECTORS' REPORT

Year ended 31 August 2006

The directors present their report together with the financial report of Bank of Queensland Limited ("the Bank") and of the Consolidated Entity, being the Bank and its controlled entities for the year ended 31 August 2006 and the auditor's report thereon.

Directors

The directors of the Bank at any time during or since the end of the financial year are:

Name, qualifications and independence status	Age	Experience, special responsibilities and other directorships
Neil Roberts BA, LLB, FAICD <i>Chairman</i> <i>Non-Executive Independent Director</i>	67	Neil Roberts was formerly the Senior Partner in Queensland of the commercial national law firm Minter Ellison. He has been a director of the Bank since November 1987 and was elected Chairman in June 1995. He is President of the Queensland Library Foundation, a past President of Queensland Private Enterprise Centre, and a former President of The Brisbane Club. He is the Chairman of the Bank's Remuneration & Nomination Committee.
David Liddy MBA, FAIBF, SF Fin, MAICD <i>Managing Director</i> <i>Executive Non-Independent Director</i>	56	David Liddy has 38 years' experience in banking, including international postings in London and Hong Kong. He was appointed Managing Director of the Bank in April 2001. He has a Masters in Business Administration and is a director of the Brisbane Lions Australian Football Club. He is a Trustee of the Queensland Museum Foundation, a Director of the Royal Children's Hospital Foundation and a member of the Brisbane City Council's Urban Futures Brisbane Board. Mr Liddy is also a Senior Fellow of the Financial Services Institute of Australasia, a Member of the Australian Institute of Company Directors and sits on the Australian Bankers' Association Council. Mr Liddy is also a Councillor of the Australian Business Arts Foundation. He is an ex-officio member of all of the Bank's Board sub-committees.
Antony Love B Com, AAUQ, FAPI, FREI, FAICD <i>Deputy Chairman</i> <i>Non-Executive Independent Director</i>	59	Antony Love is a property consultant with 36 years' experience and is a director of McGees Property. He is also a director of AP Eagers Limited and Campbell Brothers Limited. He is Chairman of the Bank's Budget Review Committee and a member of the Remuneration & Nomination Committee. He has been a director since June 1995 and was appointed Deputy Chairman in April 2003.
Bruce Phillips Dip Com, FASA, CPA, SF Fin, FAICD <i>Non-Executive Independent Director</i>	69	Bruce Phillips is a qualified accountant and had an extensive career as a stockbroker with over 40 years' experience. He is a past Chairman of the Brisbane Stock Exchange, and is currently a consultant with ABN AMRO Morgans, and a member of the Queensland Institute of Medical Research Trust. He has been a director since November 1996 and is a member of the Bank's Audit & Risk Committee and Budget Review Committee.
Neil Summerson B Com, FCA, FAICD, FAIM <i>Non-Executive Independent Director</i>	58	Neil Summerson is a Chartered Accountant with 36 years' experience and is a past Chairman of the Queensland branch of the Institute of Chartered Accountants. He was formerly the Queensland Managing Partner at Ernst & Young. He is a director of AmerAlia Inc, The Wesley Research Institute Limited and Australian Made Campaign Limited. He is a former Chairman of the Brisbane Water Board and is currently Chairman of PQ Lifestyles Limited, Motorama Holdings Pty Ltd, Leyshon Corporation Limited and Australian Property Growth Fund. Mr Summerson has been a director of the Bank since December 1996 and is currently Chairman of the Audit & Risk Committee and a member of the Corporate Governance Committee.
Peter Fox B Bus (Hons) <i>Non-Executive Non-Independent Director</i>	44	Peter Fox has been with the Linfox Group for over 20 years. After a diverse career within the organisation, he was appointed, in chronological order, National Fleet Manager, Executive Officer, and director of Linfox Pty Ltd, culminating in his appointment as Executive Chairman of Fox Group Holdings in 1994. Mr Fox was appointed a director of the Bank in May 2001. He is also a director of the Alfred Foundation and a member of the Australian Graduate School of Management Advisory Council (UNSW). He is a member of the Bank's Budget Review Committee.
Bill Kelty B Ec. <i>Non-Executive Non-Independent Director</i>	58	Bill Kelty has over 30 years' experience in industrial relations. He was appointed a director of the Bank in August 2001 and is currently a director of the Linfox Group and a Commissioner of the Australian Football League. He is also involved in the Foundation for Rural and Regional Taskforce and was previously Chairman of the Federal Government's Regional Development Taskforce. Mr Kelty was Secretary of the Australian Council of Trade Unions from 1983-2000 and a member of the Reserve Bank Board from 1988-1996. He is a member of the Bank's Corporate Governance Committee.
John Reynolds B Sc (Hons), B Bus, Dip Ed, FAIM <i>Non-Executive Independent Director</i>	63	John Reynolds was appointed a director of the Bank in April 2003. He has extensive CEO-level experience at Top 100 media and resource companies in Australia and overseas. He is currently Chairman of Arrow Energy Limited, Queensland Cotton Holdings Limited and Swanbank Paper. He is a director of Mater Health Services Brisbane Limited, Brisbane Powerhouse Pty Ltd and holds various university roles. Mr Reynolds is Chairman of the Bank's Corporate Governance Committee and is a member of the Bank's Remuneration & Nomination Committee and Audit & Risk Committee.
Carmel Gray B Bus <i>Non-Executive Independent Director</i>	57	Carmel Gray was appointed a director of the Bank on 6 April 2006. Ms Gray has had an extensive career in IT and Banking. Ms Gray was Group Executive Information Technology and General Manager Information Technology at Suncorp from 1999 to 2004. Prior to her Suncorp appointment she was General Manager of Energy Information Solutions Pty Ltd and Managing Director of Logica Pty Ltd. She is Chair of Information Technologies Australia Pty Ltd.

Company Secretary

Mr Brad Edwards LLB was appointed to the position of company secretary and general counsel in May 2000. Prior to his appointment as company secretary and general counsel, Mr Edwards worked as a solicitor and Partner in several legal firms in private practice.

Directors' meetings

The number of meetings of the Bank's directors (including meetings of Committees of directors) and the number of meetings attended by each director during the financial year were:

	Board of Directors		Audit & Risk Committee		Corporate Governance Committee		Remuneration & Nomination Committee		Budget Committee		Investment Committee**	
	A	B	A	B	A	B	A	B	A	B	A	B
Neil Roberts	12	12	-	-	-	-	3	3	-	-	-	-
David Liddy*	12	12	4	6	-	-	3	3	1	1	1	1
Antony Love	12	12	-	-	-	-	3	3	1	1	1	1
Bruce Phillips	11	12	5	6	-	-	-	-	1	1	-	-
Neil Summerson	12	12	6	6	2	2	-	-	-	-	1	1
Peter Fox	11	12	-	-	-	-	-	-	1	1	-	-
Bill Kelty	12	12	-	-	2	2	-	-	-	-	-	-
John Reynolds	11	12	6	6	2	2	3	3	-	-	-	-
Carmel Gray	6	6	-	-	-	-	-	-	-	-	-	-
Total number of meetings held	12		6		2		3		1		1	

A - Number of meetings attended

B - Number of meetings held during the time the director was a member of the Board/Committee during the year

* David Liddy is an ex-officio member of the above sub-committees.

** The composition of the Investment Committee is not fixed. Composition and meetings held are set by the Board on an as required basis.

Principal activities

The principal activity of the Consolidated Entity is the provision of financial services to the community. The Bank has an authority to carry on banking business under the Banking Act 1959 (Commonwealth) (as amended). There were no significant changes during the year in the nature of the activities of the Consolidated Entity.

Operating and finance review

PROFITABILITY

Profit after tax for the year ended 31 August 2006 increased by 3% to \$92.7m compared with the 2005 result of \$89.9m.

Included in the current profit after tax is a \$6.5m tax benefit relating to the disposal of the Bank's former banking platform. If this one-off item is excluded then the net profit after tax would be \$86.2m.

Included in the prior year is the sale of ATM Solutions Australasia Pty Ltd ("ATM Solutions") which netted a \$14.7m profit after tax. If this item is excluded then the prior year profit after tax would be \$75.2m.

The 2006 profit after tax excluding these items of \$86.2m is then 15% higher than the adjusted previous year net profit after tax of \$75.2m.

However, these results are not directly comparable due to the introduction of AIFRS which results in some of the new standards not being retrospectively applied. In order to enhance comparability, the Bank has calculated a net profit available for distribution to ordinary shareholders. For the 2006 result, the movement in the general reserve for credit losses is tax effected and deducted while for the 2005 result, the net profit is adjusted for the payment of preference dividends. On this basis, the 2006 net profit for distribution to ordinary shareholders is \$82.0m, 21% higher than the 2005 result of \$67.5m.

DIRECTORS' REPORT

Year ended 31 August 2006

Operating and finance review (continued)

INCOME

Total income increased by 5% during the current year to \$385.0m. Net interest income for the year ended 31 August 2006 increased by 16% to \$269.8m from the prior period result of \$232.4m.

Other operating income decreased by 14% to \$115.2m for the 2006 year from \$134.1m in the prior year.

For comparative purposes, the current period income should be adjusted for the application of AIFRS which decreased loan application income by \$19.8m and the prior period income should also be adjusted for the one off income derived from the sale of ATM Solutions, which netted a pre-tax profit of \$22.8m.

On this basis other operating income would be then \$135.0m, 21% higher than the 2005 result of \$111.3m.

NET INTEREST INCOME

Net interest income increased by 16% to \$269.8m for the 2006 year compared to the 2005 result of \$232.4m. This was due to the Bank being able to deliver strong asset growth and maintain margins. The Bank's net interest margin was 1.83% for the 2006 year, which was also the margin for the 2005 year.

OTHER OPERATING INCOME

The current year treatment of loan application fees being deferred and adjusted against yield on an amortised cost basis resulted in no loan application fees being recognised in the current year.

If application fees are included in the current year, then non-interest income would increase by \$19.8m from \$115.2m to \$135m. If the sale proceeds relating to ATM Solutions of \$22.8m are then excluded from the 2005 year, other operating income increased by 21% in the current year.

EXPENSES

The Bank's costs increased by 10% from \$226.8m in 2005 to \$249.1m in the current year. This increase in costs is partially due to the sale of ATM Solutions in July 2005. While ATM Solutions was owned by the Bank, the Bank's interchange expenses were able to be consolidated against ATM Solutions interchange income, giving an overall lower expense. With the sale of ATM Solutions, this is no longer possible and results in higher expenses.

EFFICIENCY

The Bank's cost to income ratio increased from the 2005 result of 61.9% to 64.7% in the current year. However the 2005 result includes the sale proceeds from ATM Solutions. If the \$22.8m received from the sale of ATM Solutions is excluded from income in 2005, the cost to income ratio for 2005 would be 66.0%.

The above mentioned sale of ATM Solutions in 2005 also had a negative impact on this years cost to income ratio.

ASSET QUALITY AND PROVISIONING

Bad and doubtful debts

Total bad debt expense has fallen from \$13.4m last year to \$12.3m this year. However, the current year is the first where the Bank is not required to maintain a general provision and as such is not required to expense movements in this provision. The Bank however has established a collective provision for impairment and general reserve for credit losses, amounting to 0.50% of risk weighted assets (on a tax effective basis) as required by APRA.

If the movement in the general reserve for credit losses is included as a bad debt expense, then total bad debts expense for the year increases by \$6.0m to \$18.3m, compared to \$13.4m for the prior year. This increase is a factor of the Bank's increased lending book.

Impaired assets

Impaired assets increased in gross terms to \$7.3m at 31 August 2006 from \$5.6m for the prior year. Impaired assets as a percentage of non-securitised loans have increased slightly to 0.07% from 0.06% in the prior year, reinforcing the Bank's strategy of growing strongly but not at the expense of asset quality.

Operating and finance review (continued)

LENDING APPROVALS AND ASSET GROWTH

New lending approvals reached a new record of \$10.0 billion for the current year, an increase of \$2.5 billion over the 2005 result of \$7.5 billion. This increase of 33% is due to the increased points of presence in the retail and business banking network and the positive impact of the acquisition of the Orix debtor finance division.

The lending approval growth translated into growth in total loans under management of 22% to \$15.1 billion, with \$14.0 billion of loans on balance sheet and \$1.1 billion off balance sheet. The off balance sheet lending relates to the REDS EHP leasing trusts which are not consolidated for accounting purposes.

RETAIL DEPOSIT GROWTH

Retail deposits have shown strong growth for the 2006 financial year as the Bank has grown more competitive in its product offerings, branch network and customer base. Total retail deposits increased 18% over the prior year to \$6.9 billion.

The introduction of new product offerings and new interstate owner managed branches have been the main factors in the strong growth in retail deposits.

CAPITAL MANAGEMENT

APRA amended its prudential regulations on 1 July 2006 in response to the implementation of AIFRS. The current year capital adequacy numbers have been prepared under AIFRS.

Under AIFRS, the Bank's capital decreased by \$110m, with the primary factor being \$86m of capitalised software classified as an intangible and therefore a Tier 1 deduction.

The Bank has applied to APRA and received transitional capital relief to add the \$110m back to Tier 1 capital for the purposes of calculating regulatory capital. This capital relief will be available until 31 December 2007, which will give the Bank the opportunity to implement plans to manage the impacts of the change in prudential standards.

The Board has set capital targets at 8.0% of risk weighted assets as Tier 1 capital with a minimum of 7.0% provided that total capital does not fall below 10.0%. Furthermore, it was decided that up to 20.0% of Tier 1 capital could consist of hybrid capital instruments. The total capital adequacy ratio at 31 August 2006 was 12.5% and Tier 1 capital was 8.2%. Reset Preference Shares ("RePS" and "S1RPS"), issued as hybrid capital instruments, comprise 17% of total Tier 1 capital.

Total Tier 1 capital of 8.2% is represented by 6.8% of Core Tier 1 capital and 1.4% of hybrid capital instruments, including preference shares.

The Bank continued with an active capital management program, combining securitisation of housing and leasing assets and the maintenance of the Dividend Reinvestment Plan.

BRANCH NETWORK EXPANSION

The Bank has continued its aggressive branch roll-out strategy. During the year the Bank has opened 42 new branches bringing the total branches to 215 at 31 August 2006, an increase of 73 branches over the past two years.

Of these 215 branches, 75 are outside Queensland. The Bank also successfully converted 2 corporate branches into owner managed branches during the year.

SHAREHOLDER RETURNS

Based on statutory AIFRS net profit, diluted earnings per share increased 5.5% from 80.6c in the 2005 year to 85.0c in the current year.

However, on the more comparable net profit available for distribution to ordinary shareholders adjusted for non-recurring items, the 2006 diluted cash earnings per share is 76.4c, a 12.5% increase on the 2005 result of 67.9c.

In light of the strong second half performance, the Bank has increased the final dividend to 30c per share fully franked. This brings the total 2006 dividend to 57c, a 19% increase over the 2005 total dividend (excluding special dividends) of 48c.

DIRECTORS' REPORT

Year ended 31 August 2006

Dividends

Dividends paid or declared by the Bank to members since the end of the previous financial year were:

Type	Cents per share	Total Amount \$m	% franked	Date of Payment
• Final 2005				
<i>Declared and paid during the year</i>				
- Final – preference shares (RePS) *	372c	2.2	100%	17/10/2005
- Final – preference share (S1RPS) *	261c	1.7	100%	20/10/2005
- Final – ordinary	25c	26.2	100%	25/11/2005
- Special – ordinary	15c	15.8	100%	25/11/2005
• Interim 2006				
<i>Paid or declared during the year</i>				
- Interim – preference shares (RePS) *	255c	1.2	100%	17/04/2006
- Interim – preference shares (S1RPS) *	259c	1.7	100%	20/04/2006
- Interim – ordinary	27c	28.6	100%	11/05/2006
• Final 2006				
<i>Declared after the end of the year</i>				
- Final – preference shares (RePS) *	257c	1.2	100%	16/10/2006
- Final – preference share (S1RPS) *	261c	1.7	100%	20/10/2006
- Final – ordinary	30c	31.9	100%	27/11/2006

* In accordance with AIFRS, preference shares dividends are now recorded in interest expense, effective 1 September 2005.

All the franked dividends paid or declared by the Bank since the end of the previous financial year were franked at 30%.

The balance of the Bank of Queensland Limited dividend franking account at the date of this report, after adjusting for franking credits and debits that will arise on payment of income tax and dividends relating to the year ended 31 August 2006 is \$69.1m credit calculated at the 30% tax rate (2005: \$24.4m credit).

It is anticipated, based on these franking account balances, that the Bank will continue to pay fully franked dividends in the foreseeable future.

Environmental regulation

The Consolidated Entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Consolidated Entity is not aware of any breach of environmental requirements as they apply to the Consolidated Entity.

State of affairs

Significant changes in the state of affairs of the Consolidated Entity during the financial year were as follows:

ACQUISITIONS

In December 2005, the Bank acquired the Orix Debtor Finance division. The Bank paid a premium of \$13.1m to acquire the national distribution network which at the time managed \$77m in receivables.

With the adoption of Australian Equivalents to International Financial Reporting Standards on 1 September 2004, the Bank has gained control over the following securitisation vehicles:

- Series 1998-1 REDS Trust;
- Series 1999-1 REDS Trust;
- Series 1999-2 REDS Trust;
- Series 2000-1 REDS Trust;
- Series 2000-2 REDS Trust;
- Series 2001-1 REDS Trust;
- Series 2001-2 REDS Trust;
- Series 2002-1 REDS Trust;
- Series 2002-2 REDS Trust;
- Series 2003-1 REDS Trust;
- Series 2003-2 REDS Trust;
- Series 2004-1 REDS Trust;
- Series 2005-1 REDS Trust;
- Series 2005-2 REDS Trust;
- REDS Warehouse Trust No.1; and
- REDS Warehouse Trust No.2.

DISPOSALS

The following securitisation vehicles were wound up in the financial year.

Symphony Trust No.3

On 15 September 2005, the Symphony Trust No.3 was wound up in accordance with the trust's Master Trust Deed. The assets of the Trust were sold to BOQ Equipment Finance Limited at their current book value.

Series 1999-1 REDS Trust

On 28 February 2006, the Series 1999-1 REDS Trust was wound up in accordance with the trust's Master Trust Deed. The assets of the Trust were sold to REDS Warehouse Trust No.1 at their current book value.

Series 1999-2 REDS Trust

On 26 June 2006, the Series 1999-2 REDS Trust was wound up in accordance with the trust's Master Trust Deed. The assets of the Trust were sold to REDS Warehouse Trust No.1 at their current book value.

Series 2002-2 REDS Trust

On 18 August 2006, the Series 2002-2 REDS Trust was wound up in accordance with the trust's Master Trust Deed. The assets of the Trust were sold to REDS Warehouse Trust No.1 at their current book value.

The Series 1998-1 REDS Trust was wound up in the previous financial year.

Refer to Note 39 of the financial report for further information.

Events subsequent to balance date

On 15 August 2006 the Bank made an offer to purchase 100% of the issued capital of Pioneer Permanent Building Society. The acquisition is proposed to be undertaken under a scheme of arrangement which is expected to be completed by December 2006. The deal is subject to regulatory and court approvals and conditions customary to a transaction of this nature. These conditions had not been met at the time of this report.

The financial effect of this transaction has not been brought to account in the financial statements for the year ended 31 August 2006.

DIRECTORS' REPORT

Year ended 31 August 2006

Likely developments

The Bank will continue to provide a wide range of banking and financial services for the benefit of its customers, expanding and developing these where appropriate. This will require further investment, particularly in systems and information technology.

Further information about likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

Remuneration Report

This is the remuneration report prepared for consideration of shareholders at the 2006 Annual General Meeting of the Bank.

The report sets out:

- The Bank's remuneration policy;
- Key management personnel;
- Non-executive directors remuneration framework;
- Executive director remuneration framework;
- Executives remuneration framework;
- Remuneration disclosures for key management personnel;
- At risk remuneration;
- Option terms;
- Indemnification of officers; and
- Insurance of officers.

REMUNERATION POLICY - AUDITED

The Bank recognises that it needs to regularly reshape its remuneration programs to effectively support its business operations, goals and strategies. The Bank needs to remain competitive in the marketplace and remunerate reasonably and responsibly, helping it to attract, retain, motivate and reward its diverse workforce.

The Remuneration & Nomination Committee, chaired by the Chairman of the Board, is responsible for making recommendations to the Board on remuneration policies and directors' and executives' remuneration (which includes the Company Secretary). This Committee considers remuneration issues at least annually and obtains advice from external independent remuneration specialists to assist in its decisions. The objective is to ensure remuneration packages properly reflect the person's duties and responsibilities and level of performance as well as ensuring that remuneration attracts and motivates people of the highest calibre.

The policies relating to non-executive director remuneration are discussed later in this report in the Non-Executive Directors Remuneration Framework.

Remuneration at all other levels of the organisation can be comprised of 3 main components:

- Fixed Component - salary base pay and benefits
- Short-term incentives - performance based cash bonuses
- Long-term incentives - performance based equity programs

Fixed Component

Executives and senior management are offered a competitive fixed component of pay and rewards that reflect the core performance requirements and expectations of the role. This amount is market tested annually by remuneration specialists to ensure that it remains competitive.

Short-Term Incentives

Payments in cash are provided to executives and senior management once specified quantifiable results are achieved. Linking these short-term incentives to individual and corporate performance ensures that executives and senior management continue to create a performance focused work culture within the Bank. The target award for each executive level participant is stated as a percentage of the executive's total fixed remuneration. Business objectives and Short-Term Incentive Plan design features are revisited annually by the Remuneration and Nomination Committee prior to the commencement of the plan year, but typically may include achievement of financial and non-financial targets for a person, team or division and individual performance criteria.

Remuneration Report (continued)

REMUNERATION POLICY - AUDITED (CONTINUED)

Long Term Incentives - Options

The Senior Management Option Plan ("SMOP") is a shareholder approved equity based program that offers options over Bank of Queensland Limited shares based on the achievement of specific performance hurdles. The purpose of the plan is to provide an incentive to drive continuing improvement in company performance and help to create and sustain long term value for Bank of Queensland Limited shareholders. The ability to exercise options under this plan is conditional upon the Bank achieving specific performance hurdles. Further details of the SMOP are set out later in this report.

Further details of the nature and amount of each of the major elements of the remuneration paid to each director and each executive, including the five most highly paid executive officers of the Bank and the Consolidated Entity, are detailed in this report.

KEY MANAGEMENT PERSONNEL - AUDITED

Key management personnel including directors and executives have authority and responsibility for planning, directing and controlling the activities of the Bank and Consolidated Entity. Key management personnel include the five most highly remunerated S300A directors and executives of the Bank and Consolidated Entity.

(i) Directors:

Neil Roberts	Chairman (non executive)
David Liddy	Managing Director and Chief Executive Officer
Antony Love	Director (non executive)
Bruce Phillips	Director (non executive)
Neil Summerson	Director (non executive)
Peter Fox	Director (non executive)
Bill Kelty	Director (non executive)
John Reynolds	Director (non executive)
Carmel Gray	Director (non executive) (appointed 6 April 2006)

(ii) Executives:

Robert Hines	Group Executive and Chief Financial Officer
Donna Quinn	Group Executive National Franchise Banking
Ross Norton	Group Executive Banking
Bruce Auty	Group Executive Group Risk
Jennifer Heffernan	Group Executive and Chief Operations Officer
Jenny Brice	Group Executive Human Resources
Iain Blacklaw	Group Executive and Chief Information Officer (appointed 19 September 2006)

NON-EXECUTIVE DIRECTORS REMUNERATION FRAMEWORK - AUDITED

Directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee, chaired by the Chairman of the Board. These fees and payments reflect advice given by independent remuneration specialists to ensure market comparability. The Chairman's fees are determined independently to the fees of other directors and again are based upon information provided by independent remuneration specialists about market rates. The Chairman is not present at any discussions relating to determination of his own remuneration.

DIRECTORS' REPORT

Year ended 31 August 2006

Remuneration Report (continued)

NON-EXECUTIVE DIRECTORS REMUNERATION FRAMEWORK - AUDITED (CONTINUED)

Directors' Fees

The current fixed component of remuneration for directors is \$70,000 plus superannuation per director per year. The Chairman receives remuneration of \$183,500 plus superannuation per year. The Chairman receives no additional remuneration for involvement with committees.

Additional remuneration is paid to non-executive directors for committee work:

- Audit and Risk Committee: Chairman \$20,000, members \$12,500;
- Remuneration and Nomination Committee: Chairman \$12,000, members \$8,000;
- Corporate Governance Committee: Chairman \$10,000, members \$7,000.
- Budget Committee: Chairman \$2,250 and members \$1,500 per deliberative meeting; and
- Investment Committee: Chairman \$2,250 and members \$1,500 per deliberative meeting.

Non-executive directors' fees are determined within an aggregate fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$1,000,000 (inclusive of superannuation) and was approved by shareholders on 8 December 2005.

No part of non-executive director remuneration is based on the performance of the director or the Bank or is otherwise at risk. Non-executive directors do not participate in the Bank's plans designed for the remuneration of executives.

Equity Participation

Non-executive directors do not receive shares or share options.

Retirement Benefits

In line with Principle 9 of the ASX Corporate Governance Council's Principles of Good Corporate Governance, non-executive directors are no longer provided with retirement benefits apart from statutory superannuation. The accumulated value of non-executive director retirement benefits was frozen effective from 31 August 2003. The balance of the accrued benefits will be increased annually by the Consumer Price Index.

EXECUTIVE DIRECTOR REMUNERATION FRAMEWORK - AUDITED

Remuneration for the Managing Director is designed to:

- Motivate the Managing Director to pursue the long term growth and success of the Bank within an appropriate control framework;
- Demonstrate a clear relationship between the Managing Director's performance and remuneration; and
- Provide sufficient and reasonable rewards for the time and effort required in this role and to ensure retention of the Managing Director for the key role he undertakes.

The Managing Director, David Liddy, commenced employment with the Bank in April 2001 under an initial 5 year contract term expiring on 8 April 2006. On 14 October 2004, the Bank extended the term of David Liddy's appointment as Managing Director until 31 August 2009 under a new employment agreement.

The remuneration structure is consistent with the Bank's remuneration policy and includes:

- base salary (fixed component);
- short term cash performance incentives that are subject to achievement against targets established annually at the discretion of the Board based on the achievement of specified, quantifiable results including the Bank's performance against budget for profit after tax and cost to income ratio as well as individual performance criteria (short term incentive); and
- the grant of long-term incentives in the form of performance options (long term incentive).

The terms of the contract are directly linked to the Bank's performance as discussed in Note 37.

On 9 December 2004, shareholders approved the issue of 2,000,000 options over unissued ordinary shares of the Bank as a long term equity performance incentive package. The options are subject to continuous employment and performance hurdles which are detailed later in this report.

The contract may be terminated by the Bank at any time by the payment of a termination benefit equal to the lesser of:

- 1.5 times base salary; or
- Unearned base salary for the balance of the contract term.

The termination benefit also applies if the Managing Director resigns after ceasing to be the most senior executive of the Bank (whether at the instigation of the Board or as a result of a merger or takeover), or is removed as a director by shareholders.

Remuneration Report (continued)

EXECUTIVES REMUNERATION FRAMEWORK - AUDITED

The Bank's executive reward structure is designed to:

- Motivate management to pursue the long-term growth and success of the Bank within an appropriate control framework;
- Demonstrate a clear relationship between key executive performance and remuneration; and
- Provide sufficient and reasonable rewards to ensure the Bank attracts and retains suitably qualified and experienced people for key roles within the Bank.

Executive employment contracts are for a fixed term of 3 years with terms and conditions in line with the standards of the Australian banking and finance industry. Total remuneration is a mix of fixed salary in addition to short term incentives and long term incentives under the SMOP.

Payment of termination benefits on early termination by the employer, other than for gross misconduct, equal the lesser of 2 years remuneration or the fixed remuneration payable for the balance of the contract term.

Fixed Component

Executives are offered a competitive fixed component of remuneration that reflects the core performance requirements and expectations of the role. This amount is market tested annually by remuneration specialists to ensure that it remains competitive.

Short-Term Incentive

Payments in cash are provided to executives based on the achievement of specified, quantifiable results. These results include the Bank's performance against the budget for profit after tax, and the Bank's cost to income ratio as well as individual performance criteria. Linking these short-term incentives to individual and corporate performance ensures that executives create a performance-focused work culture within the Bank. Short-Term Incentive Plan design features and business objectives are reviewed annually by the Remuneration and Nomination Committee.

Long Term Incentive

The SMOP was approved by ordinary shareholders on 9 December 2004. It is an equity based program that offers options over Bank of Queensland Limited shares based on the achievement of specific performance objectives. The purpose of the plan is to provide an incentive to drive continuing improvement in performance and help to create and sustain long term value for Bank shareholders. The ability to exercise options under this plan is conditional upon the Bank achieving specific performance hurdles. Details of these financial hurdles and specifics about issues of SMOP options are detailed later in this report.

The SMOP sets out the general terms and conditions attaching to options. Options are exercisable not less than 3 years and not more than 5 years after they are granted to eligible employees. Each option will convert into one ordinary fully paid share on exercise, after payment to the Bank of a strike price. Options which are exercisable, but which have not been exercised, lapse on the first to occur of the following events:

- their expiry date;
- 6 months after the option holder ceases employment because of a Qualifying Reason, ie death, total and permanent disability, redundancy, retirement or other reason determined by the Board;
- the option holder ceasing employment for any reason other than a Qualifying Reason;
- 6 months after a Capital Event (50% or more of the Bank's ordinary shares are acquired by way of takeover or scheme of arrangement, the Bank is wound up or liquidated or another event which the Board considers to be a Capital Event); or
- if the option holder has acted fraudulently, dishonestly or in breach of the option holder's obligations to the Bank.

If an option holder ceases employment because of a Qualifying Reason, then a proportion of unvested options will become exercisable, such proportion being based on the time elapsed in the non-exercise period. The Board may allow more unvested options to become exercisable than the formula allows. If a Capital Event occurs, all unvested options become exercisable.

The Board has a discretion to allow options to become exercisable in circumstances where it would otherwise be unfair to the holder for the options to lapse or not be exercisable.

Option holders do not participate in new issues of securities made by the Bank but adjustments are to be made to the number of shares over which the options exist and/or the exercise price to take into account changes to the capital structure of the Bank that occur by way of pro rata and bonus issues, according to the formula set out in the plan and the ASX Listing Rules. In any capital reconstruction, options will be similarly reconstructed in accordance with the Listing Rules.

DIRECTORS' REPORT

Year ended 31 August 2006

Remuneration Report (continued)

REMUNERATION DISCLOSURES FOR KEY MANAGEMENT PERSONNEL - AUDITED

The following table shows the nature and amount of each major element of the remuneration of all of the directors of the Bank including the five highest paid members of the executive team and other key management personnel, who were officers of the Bank and the Group for the year ended 31 August 2006.

2006 FINANCIAL YEAR

		Short-term				Post-employment ⁽³⁾
		Salary and fees	STI Cash Bonus ⁽¹⁾	Non-Monetary benefits ⁽²⁾	Total	
		\$	\$	\$	\$	\$
Non-Executive Directors						
Neil Roberts	2006	103,513	-	-	103,513	121,392
	2005	80,417	-	-	80,417	109,098
Antony Love	2006	81,750	-	-	81,750	14,065
	2005	77,500	-	-	77,500	11,065
Neil Summerson	2006	106,000	-	-	106,000	15,655
	2005	77,500	-	-	77,500	10,466
John Reynolds	2006	110,250	-	-	110,250	9,654
	2005	79,583	-	-	79,583	7,191
Bruce Phillips	2006	82,500	-	-	82,500	12,572
	2005	75,000	-	-	75,000	9,888
Peter Fox	2006	70,000	-	-	70,000	7,955
	2005	70,000	-	-	70,000	7,309
Bill Kelty	2006	78,500	-	-	78,500	8,532
	2005	70,000	-	-	70,000	7,195
Carmel Gray (commenced 6 April 2006)	2006	29,167	-	-	29,167	2,625
	2005	-	-	-	-	-
Executive Directors						
David Liddy - Managing Director	2006	814,924	800,000	6,823	1,621,747	12,667
	2005	779,967	800,000	6,823	1,586,790	11,604

(1) STI cash reflects amount paid or accrued in respect of the year ended 31 August 2006. Refer to the earlier section, "Executive director remuneration framework" for a discussion of the Bank's short term incentive arrangement.

(2) The Bank has also paid insurance premiums in respect of Directors' and Officers' Liability Insurance which is not reflected in the above table as there is no appropriate basis for allocation.

(3) This includes superannuation benefits and interest which is accrued at the CPI rate on director retirement benefits which ceased at 31 August 2003.

(4) Comprises annual leave and long service leave accrued or utilised during the financial year.

(5) The fair value of the options is calculated at the date of grant using an industry accepted option pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period.

Other long term ⁽⁴⁾	Termination benefits	Share based payments		Total	S300A (1)(e)(i) Proportion of remuneration performance related	S300A (1)(e)(vi) Value of options as proportion of remuneration
		Options and rights ⁽⁵⁾	Shares and units			
\$	\$	\$	\$	\$	%	%
-	-	-	-	224,905	-	-
-	-	-	-	189,515	-	-
-	-	-	-	95,815	-	-
-	-	-	-	88,565	-	-
-	-	-	-	121,655	-	-
-	-	-	-	87,966	-	-
-	-	-	-	119,904	-	-
-	-	-	-	86,774	-	-
-	-	-	-	95,072	-	-
-	-	-	-	84,888	-	-
-	-	-	-	77,955	-	-
-	-	-	-	77,309	-	-
-	-	-	-	87,032	-	-
-	-	-	-	77,195	-	-
-	-	-	-	31,792	-	-
-	-	-	-	-	-	-
13,367	-	916,658	-	2,564,439	67%	36%
8,776	-	537,871	217,400	2,362,441	57%	23%

DIRECTORS' REPORT

Year ended 31 August 2006

Remuneration Report (continued)

REMUNERATION DISCLOSURES FOR KEY MANAGEMENT PERSONNEL - AUDITED (CONTINUED)

2006 FINANCIAL YEAR

		Short-term				Post-employment ⁽³⁾
		Salary and fees	STI Cash Bonus ⁽¹⁾	Non-Monetary benefits ⁽²⁾	Total	
		\$	\$	\$	\$	\$
Executives						
Robert Hines	2006	373,757	325,000	-	698,757	40,036
	2005	356,763	325,000	-	681,763	40,532
Donna Quinn	2006	323,807	250,000	-	573,807	12,662
	2005	311,384	250,000	-	561,384	11,604
Ross Norton	2006	267,828	225,000	-	492,828	42,517
	2005	257,210	250,000	-	507,210	40,874
Bruce Auty	2006	297,294	200,000	-	497,294	13,051
	2005	296,728	200,000	-	496,728	2,122
Jennifer Heffernan	2006	297,683	150,000	-	447,683	12,662
	2005	286,480	200,000	-	486,480	11,604
Jenny Brice (commenced 4 July 2005)	2006	195,630	150,000	-	345,630	37,129
	2005	27,737	-	-	27,737	1,573
Former executives						
Les Steinke	2006	-	-	-	-	-
(resigned 1 July 2005)	2005	153,868	-	-	153,868	9,764
Sandy Deans	2006	-	-	-	-	-
(resigned 24 December 2004)	2005	64,879	-	-	64,879	19,642
Terry Crawford	2006	-	-	-	-	-
(resigned 1 October 2004)	2005	25,348	-	-	25,348	1,376
Total compensation Key management personnel:	2006	3,232,603	2,100,000	6,823	5,339,426	363,174
	2005	3,090,364	2,025,000	6,823	5,122,187	312,907

(1) STI cash reflects amount paid or accrued in respect of the year ended 31 August 2006. Refer to the earlier section, "Executive remuneration framework" for a discussion of the Bank's short term incentive arrangement.

(2) The Bank has also paid insurance premiums in respect of Directors' and Officers' Liability Insurance which is not reflected in the above table as there is no appropriate basis for allocation.

(3) This includes superannuation benefits.

(4) Comprises annual leave and long service leave accrued or utilised during the financial year.

(5) The fair value of the options is calculated at the date of grant using industry accepted option pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period.

Other long term ⁽⁴⁾	Termination benefits	Share based payments		Total	S300A (1)(e)(i) Proportion of remuneration performance related	S300A (1)(e)(vi) Value of options as proportion of remuneration
		Options and rights ⁽⁵⁾	Shares and units			
\$	\$	\$	\$	\$	%	%
9,362	-	267,701	-	1,015,856	58%	26%
7,439	-	171,940	-	901,674	55%	19%
5,265	-	244,199	-	835,933	59%	29%
3,022	-	174,396	-	750,406	57%	23%
2,144	-	242,694	-	780,183	60%	31%
1,078	-	157,626	-	706,788	58%	22%
1,164	-	264,614	-	776,123	60%	34%
433	-	102,077	-	601,360	50%	17%
4,923	-	229,574	-	694,842	55%	33%
2,851	-	164,218	-	665,153	55%	25%
374	-	56,404	-	439,537	47%	13%
36	-	-	-	29,346	0%	0%
-	-	-	-	-	-	-
-	535,359	-	-	698,991	-	-
-	-	-	-	-	-	-
-	15,305	-	-	99,826	-	-
-	-	-	-	-	-	-
-	25,059	-	-	51,783	-	-
36,599	-	2,221,844	-	7,961,043	-	-
23,635	575,723	1,308,128	217,400	7,559,980	-	-

DIRECTORS' REPORT

Year ended 31 August 2006

Remuneration Report (continued)

REMUNERATION DISCLOSURES FOR KEY MANAGEMENT PERSONNEL AND EXECUTIVES - AUDITED (CONTINUED)

The following factors and assumptions were used in determining the fair value of options on grant date:

Option Type	Grant date	Expiry date	Fair value per option	Exercise price ⁽¹⁾	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
Executives								
SMOP 3	10 November 2003	10 November 2008	\$1.48	\$9.49	\$9.26	20.0%	5.50%	4.1%
SMOP 4	20 December 2004	20 December 2009	\$1.17	\$10.71	\$10.65	17.5%	5.45%	4.0%
SMOP 5	17 October 2005	17 October 2010	\$2.16	\$13.37	\$13.06	20.1%	5.85%	3.7%
Managing Director								
MD Scheme 2 - Tranche 1	24 December 2004	24 December 2008	\$1.65	\$9.49	\$10.65	17.5%	5.45%	4.0%
MD Scheme 2 - Tranche 2	24 December 2004	24 December 2009	\$1.17	\$10.71	\$10.65	17.5%	5.45%	4.0%
MD Scheme 2 - Tranche 3	1 November 2005	20 December 2010	\$2.16	\$13.37	\$13.06	20.1%	5.85%	3.7%

(1) The exercise price is calculated as the volume weighted average price of shares traded over the ten business days immediately after the date of the announcement of the Bank's most recent annual results and requires Board approval.

AT RISK REMUNERATION - NON AUDITED

Short-term incentive

The short term incentive referred to in the previous remuneration table represents 100% of the short term incentive component of "at risk" remuneration in the year for the benefit of the executive director and the executives. Those bonuses were determined on the basis of the Bank's and the individual executive's performance over the financial year ended 31 August 2006 and are therefore deemed to be attributable to that year, although payment will not occur until October 2006. Based on the remuneration policies and practices described in this report there were no short-term incentive bonus amounts attributable to the executive director and executives that are considered to have been forfeited or deferred in the year.

Consequences of performance on shareholder wealth

In considering the Consolidated Entity's performance and benefits for shareholder wealth, the Remuneration and Nomination Committee had regard to the following indices in respect of the current financial year and the previous four financial years:

	2006 AIFRS	2005 AIFRS	2004 AGAAP	2003 AGAAP	2002 AGAAP
Net profit	\$92.7m	\$89.9m	\$64.5m	\$44.7m	\$28.7m
Cash return on average ordinary equity	15.8%	15.9%	14.5%	15.4%	13.3%
Cash diluted earnings per share	85.6c	81.1c	64.5c	55.2c	39.1c
Cost to income ratio	64.7%	61.9%	63.4%	64.9%	71.3%
Change in share price	\$3.64	\$1.93	\$0.71	\$1.48	\$0.98

Net profit and cost to income ratio are considered as targets in setting the short-term incentive. Cash return on average ordinary equity and cash diluted earnings per share are included in the calculation of long term incentives for executives and for the Managing Director's options.

The Remuneration and Nomination Committee considers that the above performance linked remuneration structure is generating the desired outcome. The evidence of this is, first, the growth in profits in recent years, and secondly, the increase in the Bank's share price.

Currently, the performance-linked component of remuneration comprises approximately 55% of total payments made to the Managing Director and executives.

Remuneration Report (continued)

OPTION TERMS - AUDITED

Details of the vesting profile of the options granted as remuneration to each director and executive of the Bank is detailed below:

	Options granted									Value yet to vest	
	Number	Date	% vested during year	Forfeited in year ⁽¹⁾	Financial years in which options vest	Fair value per option at grant date (\$)	Exercise Price per option (\$)	Expiry Date	Min ⁽³⁾ (\$)	Max ⁽⁴⁾ (\$)	
Executive Director											
David Liddy ⁽²⁾ Managing Director	500,000	11 December 2001	100%	-	31 August 2006	1.01	5.97	17 October 2007	Nil	-	
	500,000	24 December 2004	-	-	31 August 2007	1.65	9.49	24 December 2008	Nil	54,375	
	500,000	24 December 2004	-	-	31 August 2008	1.17	10.71	24 December 2009	Nil	259,809	
	500,000	1 November 2005	-	-	31 August 2009	2.16	13.37	20 December 2010	Nil	802,286	
Executives											
Robert Hines	150,000	4 November 2002	100%	-	31 August 2006	1.03	6.99	4 November 2007	Nil	-	
	200,000	10 November 2003	-	-	31 August 2007	1.48	9.49	10 November 2008	Nil	70,744	
	200,000	20 December 2004	-	-	31 August 2008	1.17	10.71	20 December 2009	Nil	136,500	
	200,000	17 October 2005	-	-	31 August 2009	2.16	13.37	17 October 2010	Nil	333,000	
Donna Quinn	150,000	4 November 2002	100%	-	31 August 2006	1.03	6.99	4 November 2007	Nil	-	
	200,000	10 November 2003	-	-	31 August 2007	1.48	9.49	10 November 2008	Nil	70,744	
	200,000	20 December 2004	-	-	31 August 2008	1.17	10.71	20 December 2009	Nil	136,500	
	150,000	17 October 2005	-	-	31 August 2009	2.16	13.37	17 October 2010	Nil	249,750	
Ross Norton	125,000	4 November 2002	100%	-	31 August 2006	1.03	6.99	4 November 2007	Nil	-	
	200,000	10 November 2003	-	-	31 August 2007	1.48	9.49	10 November 2008	Nil	70,744	
	200,000	20 December 2004	-	-	31 August 2008	1.17	10.71	20 December 2009	Nil	136,500	
	150,000	17 October 2005	-	-	31 August 2009	2.16	13.37	17 October 2010	Nil	249,750	
Bruce Auty	200,000	20 December 2004	-	-	31 August 2007	1.48	9.49	10 November 2008	Nil	70,744	
	100,000	20 December 2004	-	-	31 August 2008	1.17	10.71	20 December 2009	Nil	68,250	
	150,000	17 October 2005	-	-	31 August 2009	2.16	13.37	17 October 2010	Nil	249,750	
Jennifer Heffernan	150,000	4 November 2002	100%	-	31 August 2006	1.03	6.99	4 November 2007	Nil	-	
	200,000	10 November 2003	-	-	31 August 2007	1.48	9.49	10 November 2008	Nil	70,744	
	150,000	20 December 2004	-	-	31 August 2008	1.17	10.71	20 December 2009	Nil	102,375	
	150,000	17 October 2005	-	-	31 August 2009	2.16	13.37	17 October 2010	Nil	249,750	
Jenny Brice	120,000	17 October 2005	-	-	31 August 2009	2.16	13.37	17 October 2010	Nil	199,800	
Iain Blacklaw	-	-	-	-	-	-	-	-	-	-	

(1) The % forfeited in the year represents the reduction in number of options available due to cessation of employment.

(2) Under the Managing Director option plan, an additional 500,000 options will not be granted before 1 November 2006.

(3) The minimum value of options yet to vest is \$nil as the performance criteria may not be met and consequently the options may not vest.

(4) Is the residual fair value expense to be recognised in future years assuming all performance criteria are met.

No options have been granted since the end of the financial year. The above options were provided at no cost to the recipients.

DIRECTORS' REPORT

Year ended 31 August 2006

Remuneration Report (continued)

OPTION TERMS - AUDITED (CONTINUED)

During the financial year, the following shares were issued on the exercise of options previously granted as remuneration:

	2006		2005	
	Shares issued (number)	\$ per share paid	Shares issued (number)	\$ per share paid
Executive Director				
David Liddy Managing Director	500,000	\$5.972	300,000	\$5.972
Executives				
Robert Hines	150,000	\$6.99	70,000	\$6.09
Donna Quinn	150,000	\$6.99	100,000	\$6.09
Ross Norton	125,000	\$6.99	-	-
Jennifer Heffernan	150,000	\$6.99	100,000	\$6.09
Les Steinke	50,000	\$6.99	70,000	\$6.09
Sandy Deans	-	-	70,000	\$6.09
	-	-	75,000	\$6.99
	-	-	37,000	\$9.49

Options are issued under the SMOP to executives and senior management on an ongoing basis in line with the Bank's remuneration policy. The performance hurdles are reviewed annually by the Board Remuneration and Nomination Committee.

There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when vested options are exercised. Options may lapse in the event of cessation of employment depending on the circumstances of such cessation.

Managing Director options

The Managing Director, David Liddy has been granted the following options as approved by shareholders at the Annual General Meeting held on 13 December 2001:

Tranche ⁽¹⁾	Number of options	Exercise date	Expiry date	Exercise price	Issue price
3	500,000	Date of release of financial results in October 2005	24 months after exercise date	\$5.972	Nil

On 17 October 2005, David Liddy exercised 500,000 options under Tranche 3 as the performance hurdles required by the Managing Director Option Plan had been met.

(1) Tranche 1 and 2 of the Managing Director Option Plan vested and was exercised in the previous financial year.

Managing Director Option Plan

The Managing Director, David Liddy has been granted the following options as approved by shareholders at the Annual General Meeting held on 9 December 2004:

Tranche	Number of options	Exercise date	Expiry date	Exercise price	Issue price
1	500,000	Date of release of financial results in October 2006	20 December 2008	\$9.49	Nil
2	500,000	Date of release of financial results in October 2007	20 December 2009	\$10.71	Nil
3	500,000	Date of release of financial results in October 2008	20 December 2010	\$13.37	Nil
4	500,000	Date of release of financial results in October 2009	20 December 2011	To be set October / November 2006	Nil

Remuneration Report (continued)

OPTION TERMS - AUDITED (CONTINUED)

Managing Director options (continued)

Tranche 1 and 2 were granted on 24 December 2004. Tranche 3 was granted 1 November 2005 and Tranche 4 will not be granted before 1 November 2006.

The ability to exercise the options is conditional on the Consolidated Entity achieving certain performance hurdles. The performance hurdles for Tranches 1, 2 and 3 are based on diluted cash EPS growth and require the Bank's diluted cash EPS growth to outperform the average diluted cash EPS growth of the Comparison Banks over the relevant performance period (financial years 2005 - 2006 for Tranche 1, financial years 2005 - 2007 for Tranche 2 and financial years 2006 - 2008 for Tranche 3).

To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period:

Percentage range by which cash EPS growth exceeds Comparison banks	Percentage of options to vest
5% and up to but not exceeding 10%	25%
10% and up to but not exceeding 15%	50%
15% and up to but not exceeding 20%	75%
20% or more	100%

Should any Tranche 1 options remain unvested as at November 2007, the EPS test will be applied across financial years 2005, 2006 and 2007.

Should any Tranche 1 options remain unvested as at November 2008, the EPS test will be applied across financial years 2005, 2006, 2007 and 2008.

Should any Tranche 2 options remain unvested as at November 2008, the EPS test will be applied across financial years 2005, 2006, 2007 and 2008.

Should any Tranche 2 options remain unvested as at November 2009, the EPS test will be applied across financial years 2005, 2006, 2007, 2008 and 2009.

Should any Tranche 3 options remain unvested as at November 2009, the EPS test will be applied across financial years 2006, 2007, 2008 and 2009.

Should any Tranche 3 options remain unvested as at November 2010, the EPS test will be applied across financial years 2006, 2007, 2008, 2009 and 2010.

The performance hurdles for Tranche 4 will be set when this tranche of options are issued. If no hurdle is set, the hurdles for Tranche 2 will apply (modified to apply over the appropriate performance periods).

There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the vested options are exercised. Options may lapse in the event of cessation of employment depending on the circumstances of such cessation.

Using industry accepted pricing methodologies, each Tranche 1 option had a value of \$1.65 as at date of granting, each Tranche 2 option had a value of \$1.17 as at date of granting and each Tranche 3 option had a value of \$2.16 as at date of granting.

The market value of shares under the Managing Director Option Plan at 31 August 2006 was \$15.29 (2005: \$11.65).

OPTION TERMS - UNAUDITED

Senior Managers' options

1. Options issued on 23 November 2001 (SMOP 1):

Options originally issued:	1,270,000;
Options lapsed during the year:	Nil;
Options exercised during the year:	145,000;
Options on issue at balance date:	5,000;
Exercise date:	23 November 2004;
Expiry date:	23 November 2006;
Options exercisable at balance date:	5,000;
Issue price:	\$Nil; and
Exercise price:	\$6.09.

These options vested in a previous year as the performance hurdles had been met.

DIRECTORS' REPORT

Year ended 31 August 2006

Remuneration Report (continued)

OPTION TERMS – UNAUDITED (CONTINUED)

Senior Managers' options (continued)

2. Options issued on 4 November 2002 (SMOP2):

Options originally issued:	1,905,000;
Options lapsed during the year:	Nil;
Options exercised during the year:	1,700,000;
Options on issue at balance date:	60,000;
Exercise date:	4 November 2005;
Expiry date:	4 November 2007;
Options exercisable at balance date:	60,000;
Issue price:	\$Nil; and
Exercise price:	\$6.99.

During the year, 1,700,000 options vested under this plan as the performance hurdles had been met.

3. Options issued on 10 November 2003 (SMOP3):

Options originally issued:	3,120,000;
Options issued during the year:	Nil;
Options lapsed during the year:	33,247;
Options exercised during the year:	37,000;
Options on issue at balance date:	2,631,753;
Exercise date:	10 November 2006;
Expiry date:	10 November 2008;
Options exercisable at balance date:	11,753;
Issue price:	\$Nil; and
Exercise price:	\$9.49.

The ability to exercise the options is conditional on the Consolidated Entity achieving certain performance hurdles. To reach the performance hurdle the Consolidated Entity must achieve a minimum return on equity of 14.5% in the financial year immediately preceding the third anniversary of the issue date (31 August 2006). A return on equity of 14.5% will result in 50% of the issued options vesting. Each 0.01% return on equity in excess of 14.5% will result in an additional 1% of options vesting. A return on equity equal to or greater than 15.0% will result in 100% of the issued options vesting.

At the Annual General Meeting on 9 December 2004, ordinary shareholders approved the following change under ASX Listing Rule 6.23.4:

- that should any SMOP 3 options remain unvested as at November 2007, the new earnings per share test will be applied across financial years 2005, 2006 and 2007; and
- should any SMOP 3 options remain unvested as at November 2008, the new earnings per share test will be applied across financial years 2005, 2006, 2007 and 2008.

The new Earnings Per Share ("EPS") test requires the Bank's diluted cash EPS growth to outperform the average diluted cash EPS growth of a group of comparison banks over approximately the same period. The comparison banks are seven peer group banks, being ANZ, National Australia Bank, Commonwealth Bank, Westpac, St George Bank, Adelaide Bank and Bendigo Bank ("Comparison Banks"). The Bank engages an independent analyst to make adjustments to reported EPS figures to ensure they are prepared on a comparable basis. A cap of 20% growth and a floor of 10% decline will be applied to each adjusted EPS growth figure to account for abnormal results of a Comparison Bank.

To reach the EPS performance hurdle the Consolidated Entity must achieve the following:

Percentage range by which cash EPS growth exceeds Comparison banks	Percentage of options to vest
5% and up to but not exceeding 10%	25%
10% and up to but not exceeding 15%	50%
15% and up to but not exceeding 20%	75%
20% or more	100%

Remuneration Report (continued)

OPTION TERMS – UNAUDITED (CONTINUED)

Senior Managers' options (continued)

There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the vested options are exercised. Options may lapse in the event of cessation of employment depending on the circumstances of such cessation.

Using the Black Scholes Model, each option had a value of \$1.48 as at the date of granting. The market value of shares under the Senior Management Option Plan at 31 August 2006 was \$15.29 (2005: \$11.65).

During the year, 48,753 options vested under this plan at the discretion of the directors.

4. Options issued on 20 December 2004 (SMOP4):

Options originally issued:	3,005,000;
Options lapsed during the year:	53,808;
Options exercised during the year:	Nil;
Options on issue at balance date:	2,821,192;
Exercise date:	20 December 2007;
Expiry date:	20 December 2009;
Options exercisable at balance date:	6,192;
Issue price:	\$Nil; and
Exercise price:	\$10.71.

The ability to exercise the options is conditional on the Consolidated Entity achieving certain performance hurdles. The performance hurdles are based on diluted cash EPS growth and require the Bank's diluted cash EPS growth to outperform the average diluted cash EPS growth of the Comparison Banks over the financial years 2005, 2006 and 2007 ("performance period"), as described above.

To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period:

Percentage range by which cash EPS growth exceeds Comparison banks	Percentage of options to vest
5% and up to but not exceeding 10%	25%
10% and up to but not exceeding 15%	50%
15% and up to but not exceeding 20%	75%
20% or more	100%

Should any SMOP 4 options remain unvested as at December 2008, the EPS test will be applied across financial years 2005, 2006, 2007 and 2008.

Should any SMOP 4 options remain unvested as at December 2009, the EPS test will be applied across financial years 2005, 2006, 2007, 2008 and 2009.

Using the Black Scholes Model, each option had a value of \$1.17 as at date of granting. The market value of shares under the Senior Management Option Plan at 31 August 2006 was \$15.29 (2005: \$11.65).

During the year, 6,192 options vested under this plan at the discretion of the directors.

DIRECTORS' REPORT

Year ended 31 August 2006

Remuneration Report (continued)

OPTION TERMS – UNAUDITED (CONTINUED)

Senior Managers' options (continued)

5. Options issued on 17 October 2005 (SMOP5):

Options originally issued:	3,805,000;
Options lapsed during the year:	35,000;
Options exercised during the year:	Nil;
Options on issue at balance date:	3,770,000;
Exercise date:	17 October 2008;
Expiry date:	17 October 2010;
Options exercisable at balance date:	Nil;
Issue price:	\$Nil; and
Exercise price:	\$13.37.

The ability to exercise the options is conditional on the Consolidated Entity achieving certain performance hurdles. The performance hurdles are based on diluted cash EPS growth and require the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the financial years 2006, 2007 and 2008 ("performance period"), as described above.

To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period:

Percentage range by which cash EPS growth exceeds Comparison banks	Percentage of options to vest
5% and up to but not exceeding 10%	25%
10% and up to but not exceeding 15%	50%
15% and up to but not exceeding 20%	75%
20% or more	100%

Should any SMOP 5 options remain unvested as at October 2009, the EPS test will be applied across financial years 2006, 2007, 2008 and 2009.

Should any SMOP 5 options remain unvested as at October 2010, the EPS test will be applied across financial years 2006, 2007, 2008, 2009 and 2010.

Using the trinomial pricing methodology, each option had a value of \$2.16 as at date of granting. The market value of shares under the Senior Management Option Plan at 31 August 2006 was \$15.29 (2005: \$Nil).

INDEMNIFICATION OF OFFICERS - NON AUDITED

The Bank's Constitution provides that all officers of the Bank are indemnified by the Bank against liabilities incurred by them in the capacity of officer to the full extent permitted by the Corporations Act 2001.

INSURANCE OF OFFICERS - NON AUDITED

Since the end of the previous financial year the Bank has paid insurance premiums in respect of a Directors' and Officers' liability insurance contract. The contract insures each person who is or has been a director or executive officer (as defined in the Corporations Act 2001) of the Bank against certain liabilities arising in the course of their duties to the Bank and its controlled entities. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

Directors' interests

Directors' interests as at the date of this report were as follows:

Director	No. of ordinary shares in which relevant interest held	Nature of relevant interest in shares	
Neil Roberts	21,464	21,464	Held beneficially
David Liddy	1,112,387	1,008,744	Held beneficially
		103,643	Held non-beneficially
Antony Love	11,990	6,086	Held beneficially
		5,904	Held non-beneficially
Bruce Phillips	23,835	12,240	Held beneficially
		11,595	Held non-beneficially
Neil Summerson	17,071	3,459	Held beneficially
		13,612	Held non-beneficially
Peter Fox	11,071,671	11,070,671	Held by Linfox Share Investment No.2 Pty Ltd
		1,000	Held beneficially
Bill Kelty	1,000	1,000	Held beneficially
John Reynolds	1,000	1,000	Held beneficially
Carmel Gray	1,000	1,000	Held beneficially

Non-audit services

During the year KPMG, the Bank's auditor, has performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the year by the auditor are in accordance with written advice provided by resolution of the Audit & Risk Committee, and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Bank and have been reviewed by the Audit & Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 Professional Independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Bank, acting as an advocate for the Bank or jointly sharing risks and rewards.

DIRECTORS' REPORT

Year ended 31 August 2006

Non-audit services (continued)

Details of the amounts paid to the auditor of the Bank, KPMG, and its related practices for audit and non-audit services provided during the year are set out below:

	Consolidated		Bank	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Audit services				
Auditors of the Bank – KPMG Australia				
- Audit and review of the financial reports ⁽¹⁾	558.7	449.0	513.7	365.0
- Other regulatory and audit services	40.0	35.5	36.5	32.0
	598.7	484.5	550.2	397.0
Other services – KPMG				
Auditors of the Bank – KPMG Australia				
- Other assurance services ⁽²⁾	230.8	274.9	100.9	149.3
- Taxation advisory services	1.7	1.6	1.7	1.6
	232.5	276.5	102.6	150.9

(1) Fees paid for audit services provided to mortgage securitisation trusts which are now consolidated under AIFRS are included in this balance and the comparative has been adjusted accordingly.

(2) Other assurance services comprise accounting advice and IT Internal Audit reviews. Fees paid for non-audit services provided to mortgage securitisation trusts which are now consolidated under AIFRS are included in this balance and the comparative has been adjusted accordingly.

Fees for audit and non-audit services paid to KPMG which were provided in relation to leasing securitisation trusts which are not consolidated were \$95,400 (2005: \$67,600).

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001


The lead auditor's independence declaration is set out on page 51 and forms part of the directors' report for the year ended 31 August 2006.

ROUNDING OF AMOUNTS

The Bank is a company of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (as amended by Class Order 04/667 dated 15 July 2004) and in accordance with that Class Order, amounts in this financial report and directors' report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

Dated at Brisbane this twelfth day of October 2006.

Signed in accordance with a resolution of the directors:



Neil Roberts
Chairman



David Liddy
Managing Director

LEAD AUDITOR'S INDEPENDENCE DECLARATION

under Section 307C of the Corporations Act 2001



To the directors of Bank of Queensland Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 August 2006 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten version of the KPMG logo in black ink.

KPMG

A handwritten signature in black ink that reads 'Robert S. Jones'.

Robert S Jones

Partner
Brisbane
12 October 2006

KPMG, an Australian partnership, is part of the KPMG International network.
KPMG International is a Swiss cooperative.

INCOME STATEMENTS

For the year ended 31 August 2006

	Note	CONSOLIDATED		BANK	
		2006 \$m	2005 \$m	2006 \$m	2005 \$m
Interest income	4	1,017.0	861.7	987.8	691.7
Less: Interest expense	4	747.2	629.3	761.4	489.9
Net interest income		269.8	232.4	226.4	201.8
Other operating income	4	115.2	134.1	144.5	153.7
Total operating income		385.0	366.5	370.9	355.5
Less: Expenses	5	249.1	226.8	248.0	222.3
Profit before impairment on loans and advances and tax		135.9	139.7	122.9	133.2
Less: Impairment on loans and advances	14	12.3	13.4	8.3	10.3
Profit before tax		123.6	126.3	114.6	122.9
Less: Income tax expense	6	30.9	36.4	28.4	37.1
Profit for the year	27	92.7	89.9	86.2	85.8
Basic earnings per share Ordinary shares	8	88.2c	83.3c		
Diluted earnings per share Ordinary shares	8	85.0c	80.6c		

The above income statements should be read in conjunction with the accompanying notes.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 August 2006

	Note	CONSOLIDATED		BANK	
		2006 \$m	2005 \$m	2006 \$m	2005 \$m
Items of income and expense (net of tax)					
Cash flow hedges:					
Net gains taken to equity	27	5.2	-	5.2	-
Net gains transferred to income statement	27	2.9	-	2.9	-
Change in fair value of assets available for sale	27	0.8	-	0.8	-
Net income recognised directly in equity		8.9	-	8.9	-
Profit for the year		92.7	89.9	86.2	85.8
Total recognised income and expense for the period		101.6	89.9	95.1	85.8
Attributable to:					
Equity holders of the parent		101.6	89.9	95.1	85.8
Effect of change in accounting policy – financial instruments					
Equity holders of the parent	27	(6.9)	-	(6.9)	-

The statements of recognised income and expense should be read in conjunction with the accompanying notes.

BALANCE SHEETS

As at 31 August 2006

	Note	CONSOLIDATED		BANK	
		2006 \$m	2005 \$m	2006 \$m	2005 \$m
Assets					
Cash and liquid assets	9	261.8	571.6	239.7	523.0
Due from other financial institutions	10	45.0	895.6	67.1	895.6
Other financial assets	11				
Investment securities		-	299.4	-	299.4
Trading securities		1,083.3	-	1,083.3	-
Investment securities available for sale		25.6	-	25.6	-
Derivative financial instruments		31.6	-	34.8	-
Loans and advances at amortised cost	12	10,820.6	9,053.3	9,835.5	8,186.6
Securitised loans and advances at amortised cost	13	3,183.1	2,537.8	3,183.1	-
Shares in controlled entities	39	-	-	20.5	20.5
Property, plant and equipment	16	19.6	18.4	19.6	18.5
Deferred tax assets	17	53.9	14.1	-	2.5
Other assets	18	162.9	164.5	95.9	87.3
Intangible assets	19	109.7	95.9	96.8	83.0
Amounts due from controlled entities		-	-	-	889.4
Total assets		15,797.1	13,650.6	14,701.9	11,005.8
Liabilities					
Due to other financial institutions	20	95.6	74.1	95.6	74.1
Deposits	21	9,949.6	8,713.0	9,967.1	8,690.9
Derivative financial instruments		11.5	-	11.5	-
Accounts payable and other liabilities		161.7	123.4	153.3	113.2
Current tax liabilities		54.5	10.9	54.5	10.9
Provisions	22	16.0	14.4	16.0	14.4
Deferred tax liabilities	17	-	-	8.6	-
Securitisation liabilities	23	3,256.5	2,602.5	-	-
Borrowings including subordinated notes	24	1,450.0	1,399.4	1,450.0	1,399.4
Preference shares	25	111.9	-	111.9	-
Amounts due to controlled entities		-	-	2,156.0	-
Total liabilities		15,107.3	12,937.7	14,024.5	10,302.9
Net assets		689.8	712.9	677.4	702.9
Equity					
Issued capital	26	531.2	596.4	531.2	596.4
Reserves	27	61.0	3.7	54.4	3.7
Retained profits	27	97.6	112.8	91.8	102.8
Total equity		689.8	712.9	677.4	702.9

The above balance sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

For the year ended 31 August 2006

	Note	CONSOLIDATED		BANK	
		2006 \$m	2005 \$m	2006 \$m	2005 \$m
Cash flows from operating activities					
Interest received		1,012.7	851.3	990.2	688.3
Fees and other operating income received		99.7	51.8	134.4	128.7
Interest paid		(756.0)	(618.2)	(773.4)	(478.9)
Cash paid to suppliers and employees		(220.8)	(197.2)	(235.5)	(199.3)
Operating income tax paid		(32.8)	(34.2)	(32.8)	(34.8)
Other taxes paid		(0.5)	(0.3)	(0.5)	(0.3)
		102.3	53.2	82.4	103.7
<i>(Increase) / decrease in operating assets:</i>					
Loans and advances at amortised cost		(1,670.5)	(787.5)	(986.4)	(847.8)
Securitised loans and advances at amortised cost		(645.3)	(2,537.8)	(645.3)	-
Trading securities		60.5	-	38.4	-
Investment securities		-	(113.6)	-	(113.6)
Investment securities available for sale		(8.4)	-	(8.4)	-
<i>Increase / (decrease) in operating liabilities:</i>					
Deposits		1,258.1	442.4	1,300.4	467.0
Securitisation liabilities		657.9	2,602.5	-	-
Net cash provided by operating activities	33(ii)	(245.4)	(340.8)	(218.9)	(390.7)
Cash flows from investing activities					
Payments for property, plant and equipment		(7.3)	(18.4)	(7.3)	(7.7)
Payments for intangible assets - software		(16.7)	(11.7)	(16.7)	(11.5)
Proceeds from sale of ATM Solutions Australasia Pty Ltd (net of cash disposed)		-	41.4	-	41.5
Payments for acquisition of Debtor Finance		(66.1)	-	(66.1)	-
Payments for acquisition of network rights		-	(0.8)	-	(0.8)
Proceeds from sale of property, plant and equipment		1.0	0.8	1.0	0.8
Net cash used in investing activities		(89.1)	11.3	(89.1)	22.3
Cash flows from financing activities					
Net increase in subordinated notes		(1,723.3)	(1,012.7)	50.6	581.1
Proceeds from issue of ordinary shares		16.1	57.4	16.1	57.4
Costs of capital issues		-	(0.2)	-	(0.2)
Note issue proceeds		1,773.9	1,593.8	-	-
Dividends paid		(42.0)	(36.2)	(42.0)	(36.2)
Net cash provided by financing activities		24.7	602.1	24.7	602.1
Net increase / (decrease) in cash and cash equivalents		(309.8)	272.6	(283.3)	233.7
Cash and cash equivalents at beginning of year		571.6	299.0	523.0	289.3
Cash and cash equivalents at end of year	33(i)	261.8	571.6	239.7	523.0

The above statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2006

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1. Significant accounting policies

Bank of Queensland Limited (the "Bank") is a company domiciled in Australia. The consolidated financial report of the Bank for the financial year ended 31 August 2006 comprises the Bank and its subsidiaries (together referred to as the "Consolidated Entity").

The condensed consolidated financial report was authorised for issue by the directors on 12 October 2006.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. International Financial Reporting Standards ("IFRSs") form the basis of AASBs adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ("AIFRS") to distinguish from previous Australian GAAP. The consolidated financial statements and notes of the Bank also comply with IFRSs and interpretations adopted by the International Accounting Standards Board. The Bank's financial statements and notes do not comply with IFRSs as the Bank has elected to apply the relief provided to parent entities by AASB 132 *Financial Instruments: Presentation and Disclosure* in respect of certain disclosure requirements.

This is the Consolidated Entity's first financial report prepared in accordance with Australian Accounting Standards being AIFRS and IFRS and AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the Consolidated Entity is provided in Note 3.

(b) Basis of preparation

The financial report is presented in Australian dollars.

The entity has elected to early adopt the following revised accounting standards at transition date:

- UIG 4 *Determining whether an arrangement contains a Lease*; and
- AASB 2005-1 *Amendments to Australian Accounting Standards* (May 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*.

The impact of early adoption is set out in Note 3.

The following standards and amendments were available for early adoption but have not been applied by the Consolidated Entity in these financial statements:

- AASB 7 *Financial Instruments: Disclosure* (August 2005) replacing the disclosure requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007;
- AASB 2005-9 *Amendments to Australian Accounting Standards* (September 2005) requires that liabilities arising from the issue of financial guarantee contracts are recognised in the balance sheet. AASB 2005-9 is applicable for annual reporting periods beginning on or after 1 January 2006; and
- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 101 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7.

The Consolidated Entity plans to adopt AASB 7, AASB 2005-9 and AASB 2005-10 in the 2007 financial year.

The initial application of AASB 7 and AASB 2005-10 is not expected to have an impact on the financial results of the Bank and the Consolidated Entity as the standard and the amendment are concerned only with disclosures.

The initial application of AASB 2005-9 could have an impact on the financial results of the Bank and Consolidated Entity as the amendment could result in liabilities being recognised for financial guarantee contracts that have been provided by the Bank. However, the quantification of the impact is not known or reliably estimable in the current financial year as an exercise to quantify the financial impact has not been undertaken by the Bank to date.

The following standards and amendments have been issued and are available for early adoption at reporting date. However, they have not been early adopted as they are not applicable to the Bank or Consolidated entity and have no impact on their financial results:

- AASB 2006-2 *Amendments to Australian Accounting Standards* (March 2006).
- UIG 6 *Liabilities arising from participating in a Specific Market – Waste Electrical and Electronic Equipment*.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

- derivative financial instruments;
- financial instruments held for trading; and
- financial instruments classified as available-for-sale.

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in this financial report and directors' report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Consolidated Entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in Note 1 (w).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

1. Significant accounting policies (continued)

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to benefit from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases.

(ii) Securitisation

The Bank conducts a loan securitisation program whereby mortgage loans are packaged and sold to the REDS Securitisation and Warehouse Trusts ("Trusts").

Consolidated Entity

These securitised loans are recognised in the Consolidated Entity's Balance Sheet ("Balance Sheet") and Income Statement as the Consolidated Entity is entitled to any residual income of the program after all payments due to investors and associated costs of the program have been met.

The Trusts fund their purchase of the loans by issuing floating-rate pass-through debt securities. The securities are issued by the Trusts. These are represented as other liabilities of the Consolidated Entity, however the Consolidated Entity does not stand behind the capital value or the performance of the securities or the assets of the Trusts. The Consolidated Entity does not guarantee the payment of interest or the repayment of principal due on the securities. The loans subject to the securitisation program have been pledged as security for the securities issued by the Trusts. The Consolidated Entity is not obliged to support any losses that may be suffered by investors and does not intend to provide such support.

The Bank also securitises Hire Purchase, Chattel Mortgages and Finance Leases ("REDS EHP Trusts"), however these trusts are not consolidated as the Consolidated Entity does not meet the conditions associated with control of an entity as defined by AASB 127 *Consolidated and Separate Financial Statements* and the original sale of these assets meets the de-recognition criteria set out in AASB 139.

To the extent that the Consolidated Entity does not substantially transfer all the risk and rewards associated with these assets, the level of the Consolidated Entity's continuing involvement in these assets continues to be recognised.

Bank

Current period policy

The Bank receives the residual income of the Trusts and under AASB 139, interest rate risk from the Trusts is transferred back to the Bank by way of interest rate swaps. Accordingly, effective 1 September 2005, the original sale of the mortgages from the Bank to the Trusts does not meet the de-recognition criteria set out in AASB 139. The Bank continues to reflect the securitised loans in their entirety and also recognises a financial liability to the holders of the notes issued by the Trusts. The interest payable on the intercompany financial asset / liability represents the return on an imputed loan between the Bank and the Trusts and is based on the interest income under the mortgages, the fees payable by the Trusts and the interest income or expense not separately recognised under interest rate and basis swaps transaction between the Bank and the Trusts.

All transactions between the Bank and the Trusts are eliminated on consolidation.

Comparative period policy

Securitised loans are derecognised from the Balance Sheet of the Bank and recognised as loans in the Trusts.

(iii) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows from the assets have expired; or where the Bank has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expired.

(d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the statements of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement.

Where a foreign currency transaction is part of a hedge relationship it is accounted for as above, subject to the Hedge Accounting rules set out in Note 1 (f) Derivative financial instruments and hedging.

1. Significant accounting policies (continued)

(f) Derivative financial instruments and hedging

Current period policy

Derivatives

The Consolidated Entity uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. In accordance with its treasury policy, the Consolidated Entity can hold derivative financial instruments for trading purposes. Also, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value and are subsequently remeasured at fair value at the reporting date. The gain or loss on re-measurement is recognised immediately in the Income Statement. However, when derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship discussed below.

The fair value of interest rate swaps is the estimated amount that the Consolidated Entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

All of the Bank's hedging relationships are designated as cash flow hedges. The Bank has not designated any hedges as fair value hedges.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability of the cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised immediately in the Income Statement. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified into the Income Statement in the same period or periods in which the asset acquired or liability assumed affects the Income Statement (i.e. when interest income or expense is recognised).

When a hedging instrument expires or is sold, terminated or exercised, or the Consolidated Entity revokes designation of the hedge relationship but the hedged forecast transaction still is expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss is recognised immediately in the Income Statement.

Comparative period policy

Derivatives

The Consolidated Entity is exposed to changes in interest rates and foreign exchange rates from its activities. The Consolidated Entity uses the following derivative financial instruments to hedge these risks: interest rate swaps, futures contracts, forward rate agreements, interest rate options, cross currency swaps and forward foreign exchange contracts. Derivative financial instruments are not held for speculative purposes.

Derivative financial instruments designated as hedges are accounted for on the same basis as the underlying exposure.

Interest rate swaps, futures contracts, cross currency swaps and forward rate agreements

Interest payments and receipts under swap contracts and futures contracts, and realised gains and losses on forward rate agreements are recognised on an accruals basis in the Income Statement as an adjustment to interest expense.

Interest rate options

Interest rate options are used to hedge interest rate exposures. The premiums paid on interest rate options and any realised gains or losses on exercise are included in other assets and are amortised to interest expense over the term of the agreement.

Early termination

Gains or losses on interest rate hedges relating to existing financial instruments which are terminated early are deferred and amortised as interest until the underlying financial instrument matures or is repaid. The Bank hedges its interest rate risk on a portfolio basis.

(g) Financial investments

Current period policy

The Bank classifies its financial investments into one of the following two categories upon initial recognition.

(i) Financial assets at fair value through the Income Statement

Financial assets that are classified as held for trading are recorded at fair value through the Income Statement. These assets are valued at fair value each reporting date based on the current bid price. Movements in the fair value are taken immediately through the Income Statement. Interest income on these assets is recorded as net interest income and fair value movements are recorded in other revenue from ordinary activities.

Treasury bills and short positions in securities which have been acquired or incurred principally for the purpose of selling or repurchasing in the near term or are part of a portfolio of identifiable financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking are classified as held-for-trading. All subsequent gains and losses from changes in the fair value of these assets are recognised in the Income Statement within 'trading income' as they arise.

(ii) Available-for-sale

Assets that are intended to be held for an indefinite period of time but which may be sold in response to change in interest rates, exchange rates and liquidity needs are classified as available for sale. These assets are initially measured at fair value with any changes in fair value being recognised in equity until the asset is sold. Interest income received on these assets is recorded as net interest income and any realised gains or losses recorded in other revenue from other activities.

Comparative period policy

Investment securities include government and other debt securities held for liquidity and investment purposes. Investment securities purchased at a discount or at a premium are carried at cost adjusted by pro-rata amortisation to the face value over the period to maturity date, to which they are normally held. Amortised premiums or discounts are reflected in the Income Statement as interest. Changes in market values of investments are not taken into account unless there is considered to be a permanent diminution in value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

1. Significant accounting policies (continued)

(h) Cash and Liquid assets

Cash and liquid assets comprise cash at branches, cash on deposit, balances with the Reserve Bank of Australia and money market deposits at short call.

(i) Receivables due from other Banks

Receivables due from other banks include nostro balances (an account held with a foreign bank usually in a foreign currency) and settlement account balances.

(j) Loans and advances

Current Period Policy

Loans and advances are originated by the Bank and are recognised upon cash being advanced to the borrower. Loans and advances are measured at each reporting date at amortised cost using the effective interest method.

Refer Note 1 (n) for impairment of loans and advances.

Comparative Period Policy

Loans, advances and bills discounted include all forms of lending and direct finance provided to customers, such as overdrafts, term loans, credit card advances, lease finance, commercial bills and other facilities.

Overdrafts, credit cards and term loans are carried at the principal amount outstanding. Finance leases, in which the economic entity is the lessor, are accounted for using the finance method. Unearned income from lease receivables has been calculated using the actuarial method, so that income earned over the term of the contract bears a constant relationship to the funds employed.

(k) Leases

Finance Leases

Finance leases in which the Bank is the lessor, are recorded in the Balance Sheet as loans and advances at amortised cost. They are recorded on the commencement of the lease as the net investment in the lease, being the present value of the minimum lease payments.

The Consolidated Entity does not have finance leases as lessee.

Operating Leases

Operating leases in which the Bank is the lessee, are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property. When an operating lease terminates before the lease period expires, any payment required to be made to the lessor by way of penalty, is recognised as an expense in the period in which termination takes place.

The Consolidated Entity does not have any operating leases as lessor.

(l) Property, plant and equipment

Recognition and initial measurement

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Subsequent Costs

Subsequent additional costs are only capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the assets will flow to the Bank in future years. Where these costs represent separate components, they are accounted for as separate assets and are separately depreciated over their useful lives. Costs that do not meet the criteria for subsequent capitalisation are expensed as incurred.

Subsequent Measurement

The Bank has elected to use the cost model to measure property, plant and equipment after recognition. The carrying value is the initial cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

	Years
• Buildings	50
• IT equipment	3 – 10
• Plant, furniture and equipment	3 – 25
• Leasehold improvements	10
	(or term of lease if less)

The residual value, if not insignificant, is reassessed annually.

Surplus leased premises

A provision is recognised for surplus leased premises where it is determined that no material benefit will be obtained by the Bank for its occupancy. This arises where premises are leased under non-cancellable operating leases and the Bank either:

- currently does not occupy the premises and does not expect to occupy it in the future;
- sublets the premises for lower rentals than it is presently obliged to pay under the original lease; or
- currently occupies the premises which has been assessed to be of no material benefit beyond a known future date.

The provision is calculated on the basis of net future cash outflows.

1. Significant accounting policies (continued)

(m) Intangible Assets

Initial recognition and measurement

Intangible assets are stated at cost less any accumulated amortisation and any impairment losses. Expenditure on internally generated goodwill, research costs and brands is recognised in the Income Statement as an expense as incurred.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Goodwill

Goodwill is the excess of the cost of acquisition over the fair value of the Bank's share of the identifiable net assets of the acquired subsidiary. Any goodwill is tested annually for impairment, with any impairment taken directly to the Income Statement. Refer Note 1 (n).

Amortisation

Current Period Policy

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful life of the intangible asset unless the life of the intangible asset is indefinite.

Where applicable, intangible assets are amortised from the date they are available for use. The amortisation period and method are reviewed on an annual basis. The amortisation rates used in the current and comparative periods are as follows:

	Years
• Software	5-10
• Customer contracts	5

Comparative Period Policy

In the prior period, loan origination costs were deferred, and the amortisation was disclosed as an adjustment to interest expense. These costs were amortised over a period of three years.

(n) Impairment

The Carrying Value of the Bank's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. For goodwill, the recoverable amount is estimated annually.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement unless the asset has previously been revalued in which case the impairment loss is recognised as a reversal to the extent that previous revaluation with any excess being recognised through the Income Statement.

Impairment losses recognised in respect of cash-generating units are allocated firstly to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units), and secondly to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the Income Statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the Income Statement is the difference between the acquisition cost and current fair value, less any impairment loss or financial assets previously recognised in the Income Statement.

Calculation of recoverable amount

Receivables with a short duration are not discounted. The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The unwinding of the discount from initial recognition of impairment through to recovery of the written down amount is recognised through interest income.

Impairment of loans and advances

Current period policy

The Bank uses two methods for calculating impairment.

(i) Specific impairment provisions

Impairment losses on individually assessed loans and advances are determined on a case-by-case basis. If there is objective evidence that an individual loan or advance is impaired, then a specific provision for impairment is raised. The amount of the specific provision is based on the carrying amount of the loan or advance, including the security held against the loan or advance and the present value of expected future cash flows. Any subsequent write-offs are then made against the specific provision for impairment.

The unwinding of the discount from initial recognition of impairment through to recovery of the written down amount is recognised through interest income.

(ii) Collective impairment provisions

Where no evidence of impairment has been identified for loans and advances, these loans and advances are grouped together on the basis of similar credit characteristics for the purpose of calculating a collective impairment loss. Collective impairment provisions are based on historical loss experience adjusted for current observable data. The amount required to bring the collective provision for impairment to its required level is charged to the Income Statement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

1. Significant accounting policies (continued)

(n) Impairment (continued)

Comparative period policy

Bad debts are written off as they emerge. If a specific provision for impairment has been recognised in relation to a loan, write-offs of bad debts are made against the provision. If no provision has previously been recognised, a specific provision for impairment is recognised and a specific write-off is made against the provision.

A general provision is made for doubtful debts on the level of risk weighted assets, past loss experience, the increase in loans and acceptances during the year, current economic conditions and other pertinent factors.

Specific provisions are made for identified doubtful debts. Increases in provisions are made by charges to the Income Statement.

(o) Financial Liabilities

Current period policy

Financial Liabilities including current accounts, deposits, subordinated notes and term deposits are initially recognised at fair value plus transaction costs that are directly attributable to the issue of the financial liability and are subsequently measured at amortised cost using the effective interest method.

Securitisation set-up costs relating to on-balance sheet assets are included with securitisation borrowings and amortisation is recorded as interest expense.

Comparative period policy

Deposits

Current account term deposits and deposits at call are carried at the principal amount owing. Certificates of deposit issued at a discount are carried at cost adjusted by pro rata amortisation to face value over the period to maturity date.

Borrowings and loan capital

Borrowings are short and long term debt issues which do not rank as deposits. Borrowings and loan capital are recorded as liabilities when issued at the amount payable on maturity. Premiums, discounts and associated issue expenses are amortised over the life of the borrowing.

Securitisation costs are classified as other assets with amortisation recorded as an operating expense.

(p) Employee benefits

(i) Wages, Salaries and Annual Leave

Liabilities for employee benefits to wages, salaries and annual leave represents present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Bank expects to pay as at reporting date including related on-costs.

(ii) Long Service Leave

The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made resulting from employee's services provided to reporting date. The provision is calculated using expected future increases in wage and salary rates including related on-costs, and expected settlement dates based on turnover history and is discounted using the rates attached to national government bonds at reporting date which most closely match the terms of maturity of the related liabilities.

(iii) Superannuation plan

The Bank contributes to a number of defined contribution superannuation plans which complies with the Superannuation Contributions Act Legislation. Contributions are charged against income as they are made.

(iv) Share based payments

The Bank operates the following equity-settled compensation plans.

Employee Share Plan ("ESP")

Under the plan all full time and part time employees of the Bank who have completed a prerequisite period of continuous service are offered shares to a market value of \$1,000 at no cost. Shares granted under the ESP vest immediately and the total fair value is recognised in the Income Statement, at grant date with a corresponding increase in equity.

Option Plans

The Bank has the following options plans:

- Managing Director Option Plan ("MD plan"); and
- Senior Management Option Plan ("SMOP").

The above plans allow Bank employees to acquire shares in the Bank. The fair value of options granted is recognised as an employee expense with a corresponding increase to equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using industry accepted option pricing methodologies, taking into account the terms and conditions upon which the options are granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

(q) Provisions

A provision is recognised in the Balance Sheet when the Consolidated Entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

1. Significant accounting policies (continued)

(r) Preference Shares

Current period policy

Preference shares are initially recognised as a liability at fair value and are subsequently measured at amortised cost. Dividends are recognised as interest expense in the Income Statement on an accruals basis.

Comparative period policy

Preference shares are recognised as equity at the principal amount less capital raising costs. Dividends are reflected as distributions to equity holders and are recognised on an accrual basis.

(s) Revenue

Interest income and expense

Current period policy

Interest income and expense for all interest-bearing financial instruments are recognised in the Income Statement using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but not future credit losses. The calculation includes all amounts paid or received by the Bank that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts. Transaction costs include loan acquisition costs such as commissions paid to Owner Managed Branches and other intermediaries.

Interest on impaired financial assets is recognised at the original effective interest rate of the financial asset applied to the carrying amount as reduced by any allowance for impairments.

Comparative period policy

Interest income and expenses are brought to account on an accrual basis.

Non-interest income

Current period policy

Non-yield related lending application fees received are recognised as income when the loan is disbursed or the commitment to lend expires.

Service fees that represent the recoupment of the costs of providing the service are recognised on an accruals basis when the service is provided.

Lending fees that are considered an integral part of the effective interest rate are recognised within interest revenue.

Fair value gains and losses from financial assets held at fair value are recognised in the Income Statement immediately.

Franchise fees received under Owner Managed Branch agreements are recognised as income upon the signing of an unconditional agreement.

Comparative period policy

Fees and commission income are brought to account on an accruals basis, as other revenue for ordinary activities.

(t) Income tax

Income tax on the Income Statement for the periods presented comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the Balance Sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax Consolidation

The Bank is the head entity in the tax consolidated group comprising all the Australian wholly-owned subsidiaries. The implementation date for the tax-consolidated group was 1 September 2004.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using a 'group allocation' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Bank as an equity contribution, or distribution from the subsidiary.

The Bank recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

1. Significant accounting policies (continued)

(t) Income tax (continued)

Nature of tax funding and tax sharing arrangements

The Bank, in conjunction with other members of the tax-consolidated group, has entered into a tax funding agreement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding agreement requires payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the Bank recognising an inter-entity payable (receivable) equal in amount to the tax liability (asset) assumed.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The Bank, in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(u) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the Consolidated Entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares), by the weighted average number of ordinary shares of the Bank, adjusted for any bonus issues.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

(v) Business Combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed by the Group, plus costs directly attributable to the acquisition. The subsidiary's identifiable assets, liabilities and contingent liabilities are measured at their fair values at the acquisition date. If the cost of acquisition is more than the fair value of the Group's share of the identifiable net assets acquired, the excess is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

(w) Accounting estimates and judgements

Management discussed with the Audit & Risk Committee the development, selection and disclosures of the Consolidated Entity's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The Consolidated Entity assesses whether goodwill is impaired annually in accordance with the accounting policy in Note 1 (n). These calculations involve an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. Refer Note 19.

Collective provision for impairment

The Consolidated Entity regularly determines the level of collective provision required over its loans and advances. The estimations are based, in part, on historical write-off experience and internal default experience. The provision is also adjusted for model risk. Refer Note 14.

2. Changes in accounting policies

In the current financial year, the Bank adopted the following standards as a result of the transition to AIFRS:

- AASB 132 *Financial Instruments: Disclosure and Presentation*; and
- AASB 139 *Financial Instruments: Recognition and Measurement*.

The changes in accounting policies have been adopted in accordance with the transitional rules for AIFRS contained within AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 and AASB 139.

A description of the changes in accounting policies from adopting these standards and the adjustments to the opening Balance Sheets at 1 September 2005 are set out in Part B of Note 3.

3. Impact of adopting Australian equivalents to International Financial Reporting Standards

As stated in Note 1 (a), these are the Consolidated Entity's and Bank's first consolidated financial statements covered by the first AIFRS Annual Consolidated Financial Statements prepared in accordance with AIFRS.

The accounting policies in Note 1 have been applied in preparing the consolidated financial statements for the year ended 31 August 2006, the comparative information for the year ended 31 August 2005, the financial statements for the year ended 31 August 2005 and the preparation of an opening AIFRS balance sheet as at 1 September 2004 (the Consolidated Entity's date of transition).

In preparing its opening AIFRS Balance Sheet, comparative information for the financial statements for the year ended 31 August 2005, the Consolidated Entity and Bank has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous AGAAP).

An explanation of how the transition from previous AGAAP to AIFRS has affected the Consolidated Entity's and Bank's Balance Sheet and Income Statement is set out in the following tables and the notes that accompany the tables.

The Bank, as head entity of the Australian tax-consolidated group, had applied UIG 52 for tax consolidation purposes under previous GAAP, resulting in the Bank recognising both current and deferred tax in relation to the wholly-owned subsidiaries in the tax-consolidated group.

Under AIFRS, the Bank as head entity of the Australian tax-consolidated group, has adopted UIG 1052 which requires the subsidiaries to initially recognise both current and deferred taxes before recognising the head entity's assumption of the current tax liability (asset) and deferred tax assets from tax losses. Under AIFRS the subsidiaries are now required to recognise deferred tax assets and liabilities relating to temporary differences, other than for tax losses.

Under previous GAAP, the tax funding arrangements assets and liabilities were recognised as inter-entity tax-related balances whereas tax funding arrangements expenses and revenues were recognised as a component of income tax expense or revenue.

Upon adoption of UIG 1052 under AIFRS, all tax funding arrangements amounts are recognised as inter-entity amounts. The entities in the Australian tax-consolidated group revised the tax funding agreement to address only current tax amounts and deferred tax assets from tax losses/credits. On transition to AIFRS, the entities in the tax-consolidated group have used the exemption available under UIG 1052 and recognised net deferred taxes that were previously recognised as intercompany balances.

Part A – Prior Period Adjustments Reconciliation of Profit for 2005

	Note	CONSOLIDATED Full-year to 31 August 2005 \$m			BANK Full-year to 31 August 2005 \$m		
		Previous AGAAP	Transition Impact	AIFRS	Previous AGAAP	Transition Impact	AIFRS
Interest income	(b)	713.7	148.0	861.7	691.7	-	691.7
Less: interest expense	(b)	497.0	132.3	629.3	489.9	-	489.9
Net interest income		216.7	15.7	232.4	201.8	-	201.8
Other operating income	(b),(e)	140.0	(5.9)	134.1	147.4	6.3	153.7
Total operating income		356.7	9.8	366.5	349.2	6.3	355.5
Less: Expenses	(a),(b),(c),(e)	213.2	13.6	226.8	213.6	8.7	222.3
Profit before impairment on loans and advances, amortisation of intangible assets and tax		143.5	(3.8)	139.7	135.6	(2.4)	133.2
Less: Impairment on loans and advances		13.4	-	13.4	10.3	-	10.3
Profit before amortisation of intangible assets and tax		130.1	(3.8)	126.3	125.3	(2.4)	122.9
Less: Amortisation of intangible assets	(e)	2.1	(2.1)	-	-	-	-
Profit before tax		128.0	(1.7)	126.3	125.3	(2.4)	122.9
Less: Income tax expense	(c)	36.3	0.1	36.4	37.0	0.1	37.1
Profit for the year		91.7	(1.8)	89.9	88.3	(2.5)	85.8

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

3. Impact of adopting Australian equivalents to International Financial Reporting Standards (continued)

Consolidated Balance Sheet reconciliations for 1 September 2004

	Note	CONSOLIDATED As at 1 September 2004 \$m			BANK As at 1 September 2004 \$m		
		Previous AGAAP	Transition Impact	AIFRS	Previous AGAAP	Transition Impact	AIFRS
Assets							
Cash and liquid assets	(b)	299.0	105.1	404.1	289.3	-	289.3
Due from other financial institutions		892.8	-	892.8	892.8	-	892.8
Investment securities		188.6	-	188.6	188.6	-	188.6
Loans and advances at amortised cost	(b)	8,278.4	(104.9)	8,173.5	7,488.1	-	7,488.1
Securitised loans and advances at amortised cost	(b)	-	2,127.0	2,127.0	-	-	-
Shares in controlled entities		-	-	-	38.2	-	38.2
Property, plant and equipment	(d)	115.6	(86.3)	29.3	102.8	(86.1)	16.7
Deferred tax assets	(c)	11.7	1.5	13.2	-	1.0	1.0
Other assets	(b)	87.7	(3.1)	84.6	87.7	-	87.7
Intangible assets	(d)	32.2	86.3	118.5	-	86.1	86.1
Amounts due from controlled entities		-	-	-	738.9	-	738.9
Total assets		9,906.0	2,125.6	12,031.6	9,826.4	1.0	9,827.4
Liabilities							
Due to other financial institutions		0.8	-	0.8	0.2	-	0.2
Deposits		8,302.4	-	8,302.4	8,237.1	-	8,237.1
Accounts payable and other liabilities	(b),(c)	159.2	(58.8)	100.4	152.6	5.0	157.6
Current tax liabilities		7.7	-	7.7	7.3	-	7.3
Provisions		14.4	-	14.4	13.2	-	13.2
Deferred tax liabilities	(c)	-	-	-	0.5	(0.5)	-
Securitisation liabilities	(b)	-	2,188.0	2,188.0	-	-	-
Borrowings including subordinated notes		818.3	-	818.3	818.3	-	818.3
Total liabilities		9,302.8	2,129.2	11,432.0	9,229.2	4.5	9,233.7
Net assets		603.2	(3.6)	599.6	597.2	(3.5)	593.7
Equity							
Issued capital		524.0	-	524.0	524.0	-	524.0
Reserves	(a)	0.2	0.9	1.1	0.2	0.9	1.1
Retained profits	(a),(c)	79.0	(4.5)	74.5	73.0	(4.4)	68.6
Total equity		603.2	(3.6)	599.6	597.2	(3.5)	593.7
Equity Reconciliation							
Equity under previous AGAAP				603.2			597.2
Share based payments	(a)						
- retained profits (on transition)				(0.9)			(0.9)
- reserves				0.9			0.9
Leases	(c)						
- retained profits (on transition)				(5.1)			(5.0)
Tax effect of above adjustments (on transition)	(c)			1.5			1.5
Equity under AIFRS				599.6			593.7

3. Impact of adopting Australian equivalents to International Financial Reporting Standards (continued)

Consolidated Balance Sheet reconciliations for the period to 31 August 2005

	Note	CONSOLIDATED As at 31 August 2005 \$m			BANK As at 31 August 2005 \$m		
		Previous AGAAP	Transition Impact	AIFRS	Previous AGAAP	Transition Impact	AIFRS
Assets							
Cash and liquid assets	(b)	530.2	41.4	571.6	523.0	-	523.0
Due from other financial institutions		895.6	-	895.6	895.6	-	895.6
Investment securities		299.4	-	299.4	299.4	-	299.4
Loans and advances at amortised cost	(b)	9,094.3	(41.0)	9,053.3	8,186.6	-	8,186.6
Securitised loans and advances at amortised cost	(b)	-	2,537.8	2,537.8	-	-	-
Shares in controlled entities		-	-	-	20.5	-	20.5
Property, plant and equipment	(d)	101.4	(83.0)	18.4	101.5	(83.0)	18.5
Deferred tax assets	(c),(f)	12.7	1.4	14.1	12.7	(10.2)	2.5
Other assets	(b)	96.2	68.3	164.5	87.3	-	87.3
Intangible assets	(d),(e)	12.2	83.7	95.9	-	83.0	83.0
Amounts due from controlled entities	(f)	-	-	-	877.8	11.6	889.4
Total assets		11,042.0	2,608.6	13,650.6	11,004.4	1.4	11,005.8
Liabilities							
Due to other financial institutions		74.1	-	74.1	74.1	-	74.1
Deposits		8,713.0	-	8,713.0	8,690.9	-	8,690.9
Accounts payable and other liabilities	(b),(c)	114.7	8.7	123.4	108.6	4.6	113.2
Current tax liabilities		10.9	-	10.9	10.9	-	10.9
Provisions		14.4	-	14.4	14.4	-	14.4
Securitisation liabilities	(b)	-	2,602.5	2,602.5	-	-	-
Borrowings including subordinated notes		1,399.4	-	1,399.4	1,399.4	-	1,399.4
Total liabilities		10,326.5	2,611.2	12,937.7	10,298.3	4.6	10,302.9
Net assets		715.5	(2.6)	712.9	706.1	(3.2)	702.9
Equity							
Issued capital		596.4	-	596.4	596.4	-	596.4
Reserves	(a)	-	3.7	3.7	-	3.7	3.7
Retained profits	(a),(c)	119.1	(6.3)	112.8	109.7	(6.9)	102.8
Total equity		715.5	(2.6)	712.9	706.1	(3.2)	702.9
Equity Reconciliation							
Equity under previous AGAAP				715.5	706.1		
Share based payments	(a)						
- retained profits (on transition)				(0.9)	(0.9)		
- reserves				3.7	3.7		
- Income statement (pre-tax)				(2.8)	(2.8)		
Leases	(c)						
- retained profits (on transition)				(5.1)	(5.0)		
- Income statement (pre-tax)				0.4	0.4		
Goodwill - Income statement (pre-tax)	(e)			0.7	-		
Tax effect of above adjustments	(c)						
- retained profits (on transition)				1.5	1.5		
- Income statement				(0.1)	(0.1)		
Equity under AIFRS				712.9	702.9		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

3. Impact of adopting Australian equivalents to International Financial Reporting Standards (continued)

Notes to reconciliation

(a) Share Based Payments

Shares

Previously, under AGAAP, the Bank did not recognise an expense for shares issued under the Employee Share Plan ("ESP").

Under AIFRS however, AASB 2 *Share-Based Payments* requires the Bank to recognise an expense for shares issued under the ESP. Shares granted under this plan vest immediately and are expensed to the Income Statement. For the financial year ended 31 August 2005 the Consolidated Entity and Bank expensed an amount of \$0.6m was expensed for shares issued under the plan and employee benefits reserves increased by the same amount.

Options

Previously, under AGAAP, the Bank did not recognise an expense for the options issued under the Managing Director Option Plan ("MD Plan") or Senior Management Option Plan ("SMOP").

Under AIFRS however, the fair value of options issued under the above plans are expensed over the vesting period with a corresponding increase to equity.

On transition to AIFRS, the Bank and Consolidated Entity recognised an amount of \$0.9m in the employee benefits reserve and retained profits were decreased by \$0.9m.

For the full-year ended 31 August 2005, the Bank and Consolidated Entity expensed \$2.8m and increased the employee benefits reserve by the same amount.

The Bank has elected under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* not to apply AASB 2 *Share-based Payments* to equity instruments granted before 7 November 2002 and those instruments granted after this date but vested before 1 January 2005.

(b) Consolidation of special purpose vehicles

These Trusts were not consolidated under previous AGAAP. Under AASB 127 *Consolidated and Separate Financial Statements* and UIG 112 *Consolidation – Special Purpose Vehicles* the Consolidated Entity is considered to control the securitisation vehicles, resulting in their consolidation. The Income Statement no longer reports management fees and other fees earned from the special purpose trusts. Instead, the Income Statement reports interest income earned on mortgage loans, interest expense accrued to noteholders, movements in the fair values of derivatives (unless the rules for cash flow hedging are met), and other operating income and expense items of the trusts. The underlying mortgage loans and liabilities to noteholders (along with derivatives) held by the special purpose Trusts are reported on the Consolidated Balance Sheet.

As at 1 September 2004, the consolidation of the Bank's REDS Mortgage Securitisation vehicles ("REDS Trusts") resulted in \$2,127.0m of securitised loans being brought onto the Balance Sheet. The Consolidated Entity also recognised \$105.1m of cash and liquid assets and \$2,188.0m of securitisation liabilities. As a result of the REDS Trusts being part of the Consolidated Group, further adjustments were made to decrease loans and advances at amortised cost by \$104.9m, other assets by \$3.1m and accounts payable and other liabilities by \$63.9m.

As at 31 August 2005, the consolidation of the REDS Trusts resulted in the increases to cash and liquid assets of \$41.4m, securitised loans and advances of \$2,537.8m, other assets of \$68.3m, accounts payable and other liabilities of \$4.0m and securitised liabilities of \$2,602.5m. The consolidation also decreased loans and advances at amortised cost by \$41.0m.

For the year ended 31 August 2005, the consolidation of the REDS Trusts increased interest income by \$148.0m, interest expense increased by \$132.3m, other revenue from operating activities decreased by \$5.1m and expenses from ordinary activities increased by \$10.6m.

The treatment on the consolidated level of the REDS Trusts also resulted in a change to the Banks Income Statement with trust related expenses no longer shown as income. For the year ended 31 August 2005, this resulted in the Bank's other operating income and expenses increasing by \$6.3m.

(c) Leases

Under AASB 117 *Leases*, lease payments under an operating lease are 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. The application of this standard has resulted in changes to the amount of lease expense recognised.

On transition to AIFRS as at 1 September 2004 a lease liability was recognised to reflect the previous years leasing expense not recognised under previous AGAAP. A transition adjustment was made in the Consolidated Entity to recognise \$5.1m (Bank: \$5.0m) of accounts payable and other liabilities and decrease retained profits by \$5.1m (Bank: \$5.0m). The Consolidated Entity also recognised a deferred tax asset of \$1.5m, the Bank raised a Deferred Tax Asset of \$1.0m, reversed a Deferred Tax Liability of \$0.5m, and increased retained earnings by a further \$1.5m (Bank: \$1.5m).

As at 31 August 2005, the Consolidated Entity increased accounts payable and other liabilities by \$4.7m (Bank: \$4.6m) and decreased expenses from ordinary activities by \$0.4m (Bank \$0.4m). A deferred tax balance of \$1.4m (Bank: \$1.4m) was recognised and deferred tax expense increased by \$0.1m (Bank: \$0.1m).

For the year ended 31 August 2005, expenses for the Consolidated Entity and Bank were decreased by \$0.4m with an increase of \$0.1m in income tax expense.

(d) Intangible assets

Under AIFRS, the Consolidated Entities and Bank had software and technology infrastructure assets re-classified from property, plant and equipment to intangible assets. This reclassification adjustment for both the Consolidated Entity results in a decrease in property, plant and equipment and an increase in intangible assets of \$86.3m (Bank: \$86.1m) at 1 September 2004, and \$83.0m (Bank: \$83.0m) at 31 August 2005.

(e) Business Combinations and Goodwill

The Bank has elected under AASB 1 *First Time Adoption of Australian Equivalents to International Reporting Standards* not to restate the classification and accounting treatment of business combinations that occurred prior to the transition date in preparing the opening AIFRS Consolidated Balance Sheet.

Goodwill is stated at the adjusted cost less any accumulated impairment losses. The carrying amount of goodwill will be subject to impairment testing at least annually. Any impairment loss will be recognised immediately in the Consolidated Income Statement. There is no impairment adjustment at 1 September 2004.

Goodwill does not require an amortisation charge, and for AIFRS comparative disclosure purposes, the previous AGAAP goodwill amortisation charge is reversed. This resulted in a decrease in intangible assets expense of \$1.5m for the year ended 31 August 2005.

In July 2005, the Bank sold ATM Solutions Australasia Pty Ltd and realised an after tax profit of \$15.5m under AGAAP. Under AIFRS, goodwill of \$0.8m would not have been included in the Consolidated Entities gain on sale calculation. As a result of re-performing this calculation under AIFRS, the gain on sale reduces by \$0.8m.

Amortisation of other intangible assets has been re-classified to expenses in the Income Statement. For the full year ended 31 August 2005 the amount re-classified was \$0.6m.

3. Impact of adopting Australian equivalents to International Financial Reporting Standards (continued)

Notes to reconciliation (continued)

(f) Impact from adopting UIG 1052

The Urgent Issues Group has released guidance regarding the recognition of tax amounts under the tax consolidation regime in the AIFRS framework. UIG 1052 *Tax Consolidations Accounting* requires wholly-owned subsidiaries in the tax consolidated entity to recognise their own tax balances directly, with the current tax liability or asset to be assumed by the head entity via an intercompany loan, equity contribution or distribution, depending on tax funding arrangements. Historically, the ultimate parent entity recognised all tax balances and charged each subsidiary an allocation of the current tax liability, based up on the subsidiary's contribution to Consolidated Entity profit, and charged the subsidiary's their "notional" tax expense for the period. These charges were recognised as an income tax expense in the subsidiary and an income tax expense recovery in the ultimate parent entity.

In transitioning to this interpretation, UIG 1052 requires that the entity adopt these accounting practices, as if they were in place from the time of the entity's entry into tax consolidation. Accordingly, tax balances have been restated in subsidiary financial statements, and any difference between the current tax liability (if calculated ignoring tax consolidation) and what was previously recharged has been accounted for in equity.

The impact of UIG 1052 on the Bank at 31 August 2005 results in amounts due from controlled entities increasing by \$11.6m and deferred tax assets decreasing by \$11.6m. There will be no impact on the consolidated tax balances.

Part B: Change in Accounting Policies Current Period

Consolidated Balance Sheet reconciliations for the periods from 31 August 2005 to 1 September 2005

	Note	CONSOLIDATED As at 1 September 2005 \$m			BANK As at 1 September 2005 \$m		
		AIFRS 31 August 2005	Transition Impact	AIFRS 1 September 2005	AIFRS 31 August 2005	Transition Impact	AIFRS 1 September 2005
Assets							
Cash and liquid assets	(c)	571.6	(392.3)	179.3	523.0	(392.3)	130.7
Due from other financial institutions	(c)	895.6	(873.0)	22.6	895.6	(873.0)	22.6
Other financial assets							
Investment securities	(c)	299.4	(299.4)	-	299.4	(299.4)	-
Trading securities	(c)	-	1,558.4	1,558.4	-	1,558.4	1,558.4
Investment securities available for sale	(c)	-	16.4	16.4	-	16.4	16.4
Derivative financial instruments	(c)	-	25.7	25.7	-	36.4	36.4
Loans and advances at amortised cost	(a),(c),(e)	9,053.3	36.5	9,089.8	8,186.6	31.5	8,218.1
Securitised loans and advances at amortised cost	(g)	2,537.8	-	2,537.8	-	2,537.8	2,537.8
Shares in controlled entities		-	-	-	20.5	-	20.5
Property, plant and equipment		18.4	-	18.4	18.5	-	18.5
Deferred tax assets	(a),(d),(e)	14.1	(3.4)	10.7	2.5	(2.5)	-
Other assets	(c),(e),(f)	164.5	(26.5)	138.0	87.3	(13.6)	73.7
Intangible assets		95.9	-	95.9	83.0	-	83.0
Amounts due from controlled entities	(g)	-	-	-	889.4	(889.4)	-
Total assets		13,650.6	42.4	13,693.0	11,005.8	1,710.3	12,716.1
Liabilities							
Due to other financial institutions		74.1	-	74.1	74.1	-	74.1
Deposits		8,713.0	-	8,713.0	8,690.9	-	8,690.9
Derivative financial instruments	(c)	-	7.0	7.0	-	7.0	7.0
Accounts payable and other liabilities		123.4	-	123.4	113.2	-	113.2
Current tax liabilities		10.9	-	10.9	10.9	-	10.9
Provisions		14.4	-	14.4	14.4	-	14.4
Deferred tax liabilities	(g)	-	-	-	-	2.7	2.7
Securitisations liabilities	(f)	2,602.5	(5.8)	2,596.7	-	-	-
Borrowings including subordinated notes	(c)	1,399.4	33.6	1,433.0	1,399.4	33.6	1,433.0
Preference shares	(b)	-	123.0	123.0	-	123.0	123.0
Amounts due to controlled entities	(g)	-	-	-	-	1,655.5	1,655.5
Total liabilities		12,937.7	157.8	13,095.5	10,302.9	1,821.8	12,124.7
Net assets		712.9	(115.4)	597.5	702.9	(111.5)	591.4
Equity							
Contributed equity	(b)	596.4	(121.1)	475.3	596.4	(121.1)	475.3
Reserves	(a),(d)	3.7	37.0	40.7	3.7	30.3	34.0
Retained profits	(a),(b),(c),(e)	112.8	(31.3)	81.5	102.8	(20.7)	82.1
Total equity		712.9	(115.4)	597.5	702.9	(111.5)	591.4

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

3. Impact of adopting Australian equivalents to International Financial Reporting Standards (continued)

Part B: Change in Accounting Policies Current Period (continued)

Equity Reconciliation

Note	CONSOLIDATED \$m 1 September 2005	BANK \$m 1 September 2005
Equity under AIFRS	712.9	702.9
Release of general provision for impairment (a)	52.4	45.5
Establishment of collective provision for impairment (a)	(8.5)	(8.3)
Transfer of Preference shares from equity to debt (b)	(121.1)	(121.1)
Establishment of cash flow hedge reserve (d)	(9.7)	(9.7)
Fair value adjustments to financial assets, financial liabilities and derivatives on transition (b),(c)	(8.9)	1.8
Adoption of effective interest rate methodology (e)	(16.2)	(14.5)
Tax effect of above adjustments (a),(c),(d),(e)	(3.4)	(5.2)
Equity under AIFRS	597.5	591.4

Explanation to changes in accounting policies

(a) Loan impairment provisions

Under AIFRS, AASB 139 *Financial Instruments: Recognition and Measurement* requires the Bank to apply an incurred loss approach for loan provisioning and follow specific rules on the measurement of incurred losses. A general provision cannot be carried under AIFRS as it provides for 'expected losses'. A general reserve for credit losses has been created to fulfil APRA requirements that Authorised Deposit taking Institution ("ADI's") maintain a general reserve for credit losses.

Loans not found to be individually impaired are collectively assessed for impairment in pools of loans with similar credit risk characteristics. The size of the provision is estimated on the basis of historical loss experience for assets with credit characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

Specific provisions continue to be raised for losses that have already been incurred on loans that are known to be impaired. The estimated losses on these impaired loans is based on expected future cash flows discounted to their present value and as this discount unwinds, interest is recognised in the Income Statement.

On 1 September 2005, the Consolidated Entity established a collective provision for impairment of \$8.5m (Bank: \$8.3m). The Consolidated Entity also reversed the general provision for impairment of \$52.4m (Bank: \$45.5m) and created a general reserve for credit losses of \$43.9m (Bank: \$37.2m). The collective provision of \$8.5m and general reserve of credit losses of \$43.9m are aggregated for the purpose of satisfying the APRA requirement for a general reserve of 50 basis points of risk-weighted assets on a tax effected basis.

As a result of these changes, at 1 September 2005 the Consolidated Entities loans and advances have increased by \$43.9m (Bank: \$37.2m). There is no change to the specific provision for impairment at 1 September 2005 for the Consolidated Entity or Bank.

The release of the general provision for impairment resulted in a decrease of deferred tax assets for the Consolidated Entity of \$15.8m (Bank: \$13.7m) with a corresponding decrease to retained profits. The raising of the Collective Provision increased the Consolidated Entities deferred tax assets by \$2.6m (Bank: \$2.5m) and increased retained profits by \$2.6m (Bank: \$2.5m).

(b) Debt versus equity classification

Preference shares (Reset Preference Shares ("RePS") and Series 1 Reset Preference Shares ("S1RPS")) were classified as equity under AGAAP. Under AIFRS, the preference shares have been classified as a liability in accordance with AASB 132 *Financial Instruments: Disclosure and Presentation*. All distributions are now classified as interest expense rather than as dividends, which was the previous treatment.

As at 1 September 2005, equity for the Consolidated Entity and Bank was reduced by \$121.1m. Borrowings were increased by \$123.0m, with transaction costs for issuing preference shares of \$1.9m being transferred to retained profits.

(c) Financial instruments

Under AIFRS, the Consolidated Entity and Bank has categorised its financial instruments as required by AASB 139 *Instruments: Recognition and Measurement*. This has resulted in the Consolidated Entity and Bank recognising trading securities of \$1,558.4m and securities available for sale of \$16.4m as at 1 September 2005. These securities are now measured at fair value rather than amortised cost. These values were re-classified from cash and liquid assets - \$392.3m, due from other financial institutions - \$873.0m, investment securities - \$299.4m, loans and advances at amortised cost - \$10.2m and other assets - \$0.5m.

The Consolidated Entity's and Bank's offshore borrowings were also re-valued to the spot rate at transition as these were previously valued at their respective forward rate, which resulted in an increase to borrowings at 1 September 2005 of \$33.6m.

Derivative instruments are also required to be recognised on the Balance Sheet under AIFRS. As at 1 September 2005, the Consolidated Entity recognised derivatives in assets of \$25.7m (Bank: \$36.4m) and derivatives in liabilities of \$7.0m (Bank: \$7.0m) in conjunction with the hedging reserves noted below.

The Consolidated Entity and Bank also expensed deferred losses of \$1.6m and increased deferred tax balances by \$1.3m.

In total, the Consolidated Entity's retained profits were reduced by \$3.0m for the changes in treatment of financial instruments recognised by AIFRS. The Bank's retained profits were increased by \$7.6m.

3. Impact of adopting Australian equivalents to International Financial Reporting Standards (continued)

(d) Hedge Accounting

AIFRS has introduced new rules in relation to hedge accounting. If a hedging instrument fails to meet the hedging rules, then movements in fair values are recorded in the Income Statement.

The Consolidated Entity and Bank has adopted the cash flow hedging approach with qualifying hedges having fair value movements recorded in a cash flow hedging reserve. Any ineffectiveness in the hedge is taken directly to the Income Statement.

As at 1 September 2005, the Consolidated Entity and Bank recognised a debit cash flow hedging reserve of \$6.9m and an increase in deferred tax assets of \$2.9m in relation to the recognition of derivatives noted in (c) above.

(e) Loan establishment income and expenses

Under AGAAP, the Bank had deferred loan origination costs and classified these as intangibles. The Bank had taken loan establishment fees to income as derived, and expenses relating to loan origination to the Income Statement as incurred.

Under AASB 139 *Instruments: Recognition and Measurement*, 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. Upon application of this requirement as at 1 September 2005, the Bank reduced other assets by \$19.0m and increased loans and advances by \$2.8m. This resulted in a reduction to retained profits of \$16.2m for the Consolidated Entity (Bank: \$14.5m).

(f) Mortgage trust securitisation set-up costs

In the previous period, these deferred costs were classified as other assets and the amortisation of these costs were shown as an operating expense. Under AASB 139 *Instruments: Recognition and Measurement*, these deferred costs are now recognised with securitisation liabilities and the amortisation is added to interest paid. This re-classification as at 1 September 2005 decreases other assets by \$5.8m and decreases securitisation liabilities by \$5.8m for the Consolidated Entity.

(g) Securitisation trusts

Under AIFRS, the original sale of the Mortgages from the Bank to the REDs Trusts does not meet the de-recognition criteria set out in AASB 139. This required the Bank to continue to reflect the Securitised Loans in their entirety and also recognises a financial liability to the Trusts.

On 1 September 2005, the de-recognition of the original sale of mortgages results in a increase to both Securitised Loans and advances at amortised cost and amounts due to controlled entities of \$2,537.8m, an increase to other assets of \$7.0m and a decrease to amounts due to controlled entities of \$2,544.9m.

Explanation to material adjustments to the Cash Flow Statement for 2006

The following cash flows have been re-classified to cash flows from operating activities under AASB 107 *Cash Flow Statements*:

- Trading securities;
- Loans and advances at amortised cost;
- Securitised loans and advances at amortised cost;
- Deposits and borrowings;
- Securitisation liabilities; and
- Investment securities.

Cash and cash equivalents at 31 August 2006 is \$392.3m lower for the Consolidated Entity and Bank than the previous period due to deposits at call being classified as trading instruments on application of AASB 139 *Financial Instruments: Recognition and Measurement* as at 1 September 2005.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
4. Operating income				
Interest income				
Loans and advances - Bank	727.2	630.3	702.9	608.3
Loans and advances - securitised	188.2	148.0	188.2	-
Trading and other securities	101.6	83.4	96.7	83.4
Total interest income	1,017.0	861.7	987.8	691.7
Interest expense				
Retail deposits	(279.8)	(223.7)	(279.6)	(223.7)
Wholesale deposits and borrowings	(291.7)	(252.5)	(475.8)	(246.3)
Securitisation funding	(169.7)	(132.3)	-	-
Preference shares	(6.0)	-	(6.0)	-
Loan origination costs:				
- Owner Managed Branches ⁽¹⁾	-	(11.4)	-	(11.4)
- Other intermediaries ⁽¹⁾	-	(9.4)	-	(8.5)
Total interest expense	(747.2)	(629.3)	(761.4)	(489.9)
Net interest income	269.8	232.4	226.4	201.8
Other operating income				
Income from operating activities				
Lending fees ⁽²⁾	-	22.4	-	20.0
Other customer fees and charges (non-securitised)	93.1	79.1	92.8	73.1
Other customer fees and charges (securitised)	1.2	1.0	1.2	-
Securitisation income ⁽³⁾	8.0	4.1	29.9	18.7
Net gain / loss on securities	6.8	0.7	(1.7)	0.7
Commission - insurance and financial planning	2.8	1.4	2.8	1.4
Franchise fees	4.2	2.6	4.2	2.6
Management fee - controlled entities	-	-	15.5	11.8
Bad debts recovered	1.2	1.5	0.8	1.6
ATM Solutions branding royalties	2.0	-	2.0	-
Foreign exchange income - customer based	3.0	3.2	3.1	3.2
Income from outside operating activities				
Profit on sale of non-current assets	0.5	0.3	0.5	0.3
Other income	3.2	2.8	4.2	4.2
Total other revenue from ordinary activities	126.0	119.1	155.3	137.6
Share of fee revenue paid to Owner Managed Branches ⁽⁴⁾	(10.8)	(7.8)	(10.8)	(7.8)
Profit from ATM Solutions Australasia Pty Ltd ⁽⁵⁾	-	22.8	-	23.9
	115.2	134.1	144.5	153.7
Total operating income	385.0	366.5	370.9	355.5

(1) Previously, loan origination costs were classified as intangible assets and amortised, with the expense recognised as interest paid. In the current period origination costs are included in the effective interest calculation and recognised as an adjustment to interest income. Refer Note 1 (s).

(2) Lending fees are now included in the effective interest calculation as an adjustment to interest income. Refer Note 1 (s).

(3) Represents securitisation income from the Bank's leasing trusts which are not consolidated.

(4) Represents the share of fees paid to Owner Managed Branches.

(5) The Bank sold ATM Solutions Australasia Pty Ltd on 31 July 2005 realising an after tax profit of \$14.7m.

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
5. Expenses				
Operating expenses				
Advertising	11.0	7.7	11.0	7.5
Commissions to Owner Managed Branches	6.2	4.8	6.2	4.8
Communications and postage	8.3	7.9	8.3	7.4
Printing and stationery	5.3	5.0	5.3	4.9
Non-lending losses	1.3	1.3	1.3	1.3
Amounts set aside to provision for credit card rewards	4.3	4.6	4.3	4.6
Processing costs	29.6	19.3	29.6	32.2
Other operating expenses	9.7	20.7	9.0	12.4
	75.7	71.3	75.0	75.1
Administrative expenses				
Professional fees	6.9	4.2	6.8	4.1
Directors' fees	0.7	0.6	0.7	0.6
Other	3.4	3.4	3.3	1.8
	11.0	8.2	10.8	6.5
Computer costs				
Data processing	38.5	31.0	38.5	30.9
Amortisation – software (intangible)	12.2	11.6	12.2	11.6
Amortisation – technology infrastructure (intangible)	3.1	3.7	3.1	3.1
Depreciation – IT equipment	2.6	5.3	2.6	3.0
	56.4	51.6	56.4	48.6
Occupancy expenses				
Lease rental – operating lease paid or payable to – other	11.8	12.8	11.8	12.6
Depreciation of plant, furniture, equipment and leasehold improvements	2.6	2.0	2.6	1.9
Other	1.2	1.4	1.2	1.4
	15.6	16.2	15.6	15.9
Employee expenses				
Salaries and wages	67.6	62.7	67.4	60.3
Superannuation contributions	7.2	5.7	7.2	5.5
Fringe benefits tax	1.5	1.6	1.5	1.6
Amounts set aside to provisions for employee entitlements	1.2	0.6	1.2	0.6
Payroll tax	3.8	3.1	3.8	3.0
Equity settled transactions	5.5	2.8	5.5	2.8
Other	2.9	2.4	2.9	2.4
	89.7	78.9	89.5	76.2
Other				
Amortisation – network rights (intangible) ⁽¹⁾	-	0.6	-	-
Amortisation – customer contracts (intangible) ⁽²⁾	0.7	-	0.7	-
	0.7	0.6	0.7	-
Expenses	249.1	226.8	248.0	222.3

(1) Relates to network rights recognised by ATM Solutions Australasia Pty Ltd, which was sold by the Bank on 31 July 2005.

(2) Relates to amortisation of customer contracts recognised upon acquisition of the Orix Debtor Finance business in December 2005.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
6. Income tax expense				
Recognised in the income statement				
Current tax expense				
Current year	87.2	45.2	37.0	37.1
Adjustments for prior years	(8.8)	(2.0)	(10.2)	0.9
	78.4	43.2	26.8	38.0
Deferred tax expense				
Origination and reversal of temporary differences	(45.4)	(6.8)	3.7	(0.9)
Benefit of tax losses recognised	(2.1)	-	(2.1)	-
	(47.5)	(6.8)	1.6	(0.9)
Total income tax expense in Income Statement	30.9	36.4	28.4	37.1
Attributable to:				
Continuing Operations	30.9	36.4	28.4	37.1
Deferred tax recognised in equity				
Equity raising costs	(0.3)	-	(0.3)	-
Cash flow hedge reserve	(3.4)	-	(3.4)	-
Other	-	0.4	-	0.4
	(3.7)	0.4	(3.7)	0.4
Numerical reconciliations between tax expense and pre-tax profit				
Profit before tax-continuing operations	123.6	126.3	114.6	122.9
Profit before tax	123.6	126.3	114.6	122.9
Income tax using the domestic corporation tax rate of 30% (2005: 30%)	37.0	37.9	34.3	36.9
Increase in income tax expense due to:				
Non-deductible expenses	3.3	0.4	3.3	0.4
Depreciation of buildings	-	0.3	-	0.3
Net capital gain	-	7.9	-	8.2
Goodwill amortisation	-	0.5	-	-
Other	-	1.6	-	(8.1)
Decrease in income tax expense due to:				
Research and development expenses	(0.3)	-	(0.3)	-
Employee share scheme	-	(0.2)	-	(0.2)
Non assessable profit on disposal of property, plant and equipment	-	(10.5)	-	-
Tax exempt revenues	(2.0)	-	-	(0.4)
	38.0	37.9	37.3	37.1
Under / (over) provided in prior years	(7.1)	(1.5)	(8.9)	-
Income tax expense on pre-tax net profit	30.9	36.4	28.4	37.1

	BANK					
	2006			2005		
	Cents per share	\$m	Percentage franked %	Cents per share	\$m	Percentage franked %
7. Dividends						
Ordinary shares						
Final 2005 dividend paid 25 November 2005 (2005: 12 November 2004)	25	26.2	100%	22	20.7	100%
Special 2005 dividend paid 25 November 2005 (2005: n/a)	15	15.8	100%	-	-	-
Interim 2006 dividend paid 11 May 2006 (2005: 4 May 2005)	27	28.6	100%	23	23.0	100%
Preference shares recognised as equity						
RePS half-yearly dividend paid n/a (2005: 15 October 2004)	-	-	-	372	2.2	100%
S1RPS half-yearly dividend paid n/a (2005: 20 October 2004)	-	-	-	261	1.7	100%
RePS half-yearly dividend paid n/a (2005: 17 April 2005)	-	-	-	370	2.1	100%
S1RPS half-yearly dividend paid n/a (2005: 20 April 2005)	-	-	-	259	1.7	100%
Preference shares recognised as liabilities						
RePS half-yearly dividend paid 17 October 2005 (2005: n/a)	372	2.2	100%	-	-	-
S1RPS half-yearly dividend paid 20 October 2005 (2005: n/a)	261	1.7	100%	-	-	-
RePS half-yearly dividend paid 17 April 2006 (2005: n/a)	255	1.2	100%	-	-	-
S1RPS half-yearly dividend paid 20 April 2006 (2005: n/a)	259	1.7	100%	-	-	-
		<u>77.4</u>			<u>51.4</u>	

All the franked dividends paid or declared by the Bank since the end of the previous financial year were franked at the prevailing tax rate of 30%.

Subsequent events

Since the end of the financial year, the directors have declared the following dividends:

	Cents per share	\$m %	Percentage franked	Date of payment
- Final - ordinary shares (BOQ)	30	31.9	100%	27 November 2006
- RePS half-yearly dividend (BOQPA)	257	1.2	100%	16 October 2006
- S1RPS half-yearly dividend (BOQPB)	261	1.7	100%	20 October 2006

	BANK	
	2006 \$m	2005 \$m
Dividend franking account		
30% franking credits available to shareholders of the Bank for subsequent financial years	69.1	24.4

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax;
- franking debits that will arise from the payment of dividends subsequent to year-end;
- franking credits that will arise from the receipt of dividends recognised as receivables at the year end; and
- franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

8. Earnings per share

	CONSOLIDATED	
	2006 cents	2005 cents
Basic earnings per share	88.2c	83.3c
Diluted earnings per share	85.0c	80.6c
	2006 \$m	2005 \$m
Earnings reconciliation		
Net profit	92.7	89.9
Distributions to Preference shareholders	-	(7.7)
Basic earnings	92.7	82.2
Effect of distributions on converting preference shares	6.0	7.7
Diluted earnings	98.7	89.9
	2006 Number	2005 Number
Weighted average number of shares used as the denominator		
Number for basic earnings per share		
Ordinary shares	105,071,373	98,675,017
Number for diluted earnings per share		
Ordinary shares	105,071,373	98,675,017
Effect of SMOP ⁽¹⁾	1,985,458	1,245,266
Effect of Managing Director options ⁽²⁾	358,979	324,577
Effects of converting preference shares	8,645,629	11,298,211
	116,061,439	111,543,071

(1) During the year 1,882,000 (2005: 905,000) options were converted into ordinary shares under the Senior Management Option Plan. The diluted EPS calculation includes that portion of these options assumed to be issued for nil consideration weighted with reference to the date of conversion. The weighted average number included is 167,575 (2005: 170,216).

(2) During the year 500,000 (2005: 300,000) options were converted into ordinary shares under the Managing Director Option Plan. The diluted EPS calculation includes that portion of these options assumed to be issued for nil consideration weighted with reference to the date of conversion. The weighted average number included is 37,514 (2005: 48,942).

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
9. Cash and liquid assets				
Notes, coin and cash at bank	213.5	126.8	191.4	78.3
Deposits at call	-	392.3	-	392.3
Bills receivable and remittances in transit	48.3	52.5	48.3	52.4
	261.8	571.6	239.7	523.0
10. Due from other financial institutions				
Negotiable certificates of deposit	-	253.1	-	253.1
Floating rate notes	-	619.9	-	619.9
Term deposits	45.0	22.6	67.1	22.6
	45.0	895.6	67.1	895.6
11. Other financial assets				
Investment securities				
Commonwealth government securities	-	15.3	-	15.3
Semi-government securities	-	36.5	-	36.5
Commercial bills	-	247.6	-	247.6
	-	299.4	-	299.4
Trading securities				
Floating rates notes and bonds	807.8	-	807.8	-
Negotiable certificates of deposit	234.2	-	234.2	-
Deposits at call	40.0	-	40.0	-
Commercial bills	0.6	-	0.6	-
Other	0.7	-	0.7	-
	1,083.3	-	1,083.3	-
Investment securities available for sale				
Unquoted interest bearing securities	25.6	-	25.6	-
	25.6	-	25.6	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
12. Loans and advances at amortised cost				
Residential property loans - secured by mortgages	6,584.3	5,526.7	6,584.3	5,526.7
Personal loans	246.8	190.5	246.8	190.5
Credit Cards	224.3	175.5	224.3	175.5
Overdrafts	265.1	280.1	265.1	280.1
Commercial bills accepted and discounted *	-	10.2	-	10.2
Commercial loans	2,480.1	1,915.9	2,480.1	1,956.9
Leasing finance	1,182.9	1,139.7	49.6	103.8
Gross loans and advances at amortised cost	10,983.5	9,238.6	9,850.2	8,243.7
Less:				
Unearned lease finance income	(149.1)	(129.1)	(3.2)	(8.8)
General provision for impairment	-	(52.4)	-	(45.5)
Collective provision for impairment	(8.1)	-	(7.9)	-
Specific provisions for impairment	(5.7)	(3.8)	(3.6)	(2.8)
Total loans and advances at amortised cost	10,820.6	9,053.3	9,835.5	8,186.6
Product concentration of credit risk for loans and advances at amortised cost (net of specific provisions and unearned income):				
Residential	6,583.9	5,526.7	6,583.9	5,526.7
Consumer	469.7	364.9	469.7	364.9
Commercial	2,743.7	2,205.1	2,743.7	2,246.1
Leases	1,031.4	1,009.0	46.1	94.4
Total before collective provision	10,828.7	9,105.7	9,843.4	8,232.1
Geographical concentration of credit risk for loans and advances at amortised cost (excluding provisions and unearned income):				
Queensland	8,983.7	7,965.6	8,458.8	7,528.9
New South Wales	988.9	722.0	745.5	442.4
Victoria	700.1	322.5	558.8	232.2
Northern Territory	13.5	0.4	13.5	0.4
Australian Capital Territory	119.0	108.1	47.2	39.8
Western Australia	79.5	34.2	26.4	-
South Australia	23.0	-	-	-
International	75.8	85.8	-	-
	10,983.5	9,238.6	9,850.2	8,243.7

*These have been re-classified as trading instruments in the current period.

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
13. Securitised loans and advances at amortised cost				
Residential property loans – secured by mortgages	3,183.1	2,537.8	3,183.1	-
Geographical concentration of credit risk for securitised loans and advances at amortised cost :				
Queensland	2,698.1	2,250.2	2,698.1	-
New South Wales	333.6	233.0	333.6	-
Victoria	127.6	40.0	127.6	-
Australian Capital Territory	21.9	14.6	21.9	-
Western Australia	1.9	-	1.9	-
	3,183.1	2,537.8	3,183.1	-

These securitised assets are recognised on Balance Sheet, refer Note 3 (b), for a discussion of securitised assets not recognised on Balance Sheet, refer below.

Securitisation of leases

The Bank has entered into a securitisation program via the REDS EHP Trusts ("REDS EHP program") whereby the Bank securitises chattel mortgages, hire purchase and finance leases.

These Trusts are not recognised on the balance sheet of the Bank as the original sale of these assets meet the de-recognition criteria set out in AASB 139. The assets of these Trusts are not consolidated under AASB 127 as the Consolidated Entity does not meet the conditions associated with control of an entity.

The following REDS EHP securitisation transactions have occurred to date:

Date	Value securitised \$m
26 November 2003	257.1
16 July 2004	223.0
23 August 2005	473.7
23 June 2006	629.8

The securities issued by the REDS EHP program do not represent deposits or other liabilities of Bank of Queensland Limited or any other member of the Bank of Queensland group. Neither Bank of Queensland Limited nor any other member of the Bank of Queensland group in any way stands behind the capital value or performance of the REDS EHP program. The Bank does however provide the REDS EHP program with arm's length services and facilities including the management of the leases securitised.

As at 31 August 2006, off balance sheet securitised leases under management amounted to \$1,069.6m (2005: \$738m) in leased assets.

The Bank has no right to repurchase any of the securitised leases and no obligation to do so, other than in certain circumstances where there is a breach of warranty within 120 days of the sale or when certain criteria are met under the Clean up Provision per the Trust Deed Supplement.

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
14. Provisions for impairment				
Specific provision:				
Balance at the beginning of the period	3.8	4.2	2.8	3.5
Add: Expensed during the period	12.7	9.8	8.6	6.7
Less: Amounts written off against specific provision	(10.8)	(10.2)	(7.8)	(7.4)
Balance at the end of the period	5.7	3.8	3.6	2.8
Collective provision:				
Adjustment to retained profits on transition to AIFRS	8.5	-	8.2	-
Add: Expensed during the period	(0.4)	-	(0.3)	-
Balance at the end of the period	8.1	-	7.9	-
General provision:				
Balance at the beginning of the period	52.4	48.8	45.5	41.9
Add: Expensed during the period	-	3.6	-	3.6
Adjustment to retained profits on transition to AIFRS	(52.4)	-	(45.5)	-
Balance at the end of the period	-	52.4	-	45.5
Total provisions for impairment	13.8	56.2	11.5	48.3

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

	CONSOLIDATED AND BANK					
	2006			2005		
	Balance \$m	Specific Provision \$m	Expected Realisation \$m	Balance \$m	Specific Provision \$m	Expected Realisation \$m
15. Asset quality						
a) Impaired assets						
Non-accrual loans:						
Without specific provisions	-	-	-	0.2	-	0.2
With specific provisions	7.3	5.7	1.6	5.4	3.8	1.6
	7.3	5.7	1.6	5.6	3.8	1.8

b) Past due loans ⁽¹⁾	60.3	-	60.3	50.5	-	50.5
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(1) Loans which are 90 or more days past due are not classified as impaired assets where the estimated net realisable value of the security is sufficient to cover the repayment of all principal and interest amounts due. No losses are anticipated from these loans as they are adequately secured, for housing products usually by residential mortgage, and are spread across a range of customer and product groups.

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
c) Income received on impaired assets for the period:				
Gross interest receivable	0.5	0.6	0.5	0.6
Less : Interest foregone	(0.5)	(0.6)	(0.5)	(0.6)
Interest taken to account	-	-	-	-

d) Large exposures	
There is no item included in impaired assets which exceeds 5.0% of shareholders' equity (2005: nil).	

16. Property, plant and equipment

2006	Land \$m	Buildings \$m	Leasehold improvements \$m	Plant, furniture and equipment \$m	IT equipment \$m	Capital works in progress \$m	Total \$m
CONSOLIDATED							
Cost							
Balance at the beginning of the financial year	0.1	0.1	9.6	25.6	29.8	0.3	65.5
Additions	-	-	2.6	2.1	2.3	0.3	7.3
Disposals	(0.1)	(0.1)	(0.5)	(3.1)	(0.7)	-	(4.5)
Transfers between categories	-	-	0.2	0.1	0.2	(0.5)	-
Balance at the end of the financial year	-	-	11.9	24.7	31.6	0.1	68.3
Depreciation							
Balance at the beginning of the financial year	-	-	3.3	19.6	24.2	-	47.1
Depreciation charge for the year	-	-	1.5	1.1	2.6	-	5.2
Disposals	-	-	(0.2)	(2.7)	(0.7)	-	(3.6)
Balance at the end of the financial year	-	-	4.6	18.0	26.1	-	48.7
Carrying amounts							
Carrying amount at the beginning of the financial year	0.1	0.1	6.3	6.0	5.6	0.3	18.4
Carrying amount at the end of the financial year	-	-	7.3	6.7	5.5	0.1	19.6
BANK							
Cost							
Balance at the beginning of the financial year	0.1	0.1	9.6	25.7	29.8	0.3	65.6
Additions	-	-	2.6	2.1	2.3	0.3	7.3
Disposals	(0.1)	(0.1)	(0.5)	(3.2)	(0.7)	-	(4.6)
Transfers between categories	-	-	0.2	0.1	0.2	(0.5)	-
Balance at the end of the financial year	-	-	11.9	24.7	31.6	0.1	68.3
Depreciation							
Balance at the beginning of the financial year	-	-	3.3	19.6	24.2	-	47.1
Depreciation charge for the year	-	-	1.5	1.1	2.6	-	5.2
Disposals	-	-	(0.2)	(2.7)	(0.7)	-	(3.6)
Balance at the end of the financial year	-	-	4.6	18.0	26.1	-	48.7
Carrying amounts							
Carrying amount at the beginning of the financial year	0.1	0.1	6.3	6.1	5.6	0.3	18.5
Carrying amount at the end of the financial year	-	-	7.3	6.7	5.5	0.1	19.6

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

16. Property, plant and equipment (continued)

2005	Land \$m	Buildings \$m	Leasehold improvements \$m	Plant, furniture and equipment \$m	IT equipment \$m	Computer software \$m	Infrastructure technology \$m	Capital works in progress \$m	Total \$m
CONSOLIDATED									
Cost									
Balance at the beginning of the financial year	0.2	0.5	6.9	25.4	44.1	92.0	28.6	1.3	199.0
Effect of change in accounting policy	-	-	-	-	-	(92.0)	(28.6)	(0.5)	(121.1)
Additions	-	-	3.1	3.3	11.7	-	-	0.3	18.4
Disposals	(0.1)	(0.4)	(0.5)	(3.1)	(26.7)	-	-	-	(30.8)
Transfers between categories	-	-	0.1	-	0.7	-	-	(0.8)	-
Balance at the end of the financial year	0.1	0.1	9.6	25.6	29.8	-	-	0.3	65.5
Depreciation									
Balance at the beginning of the financial year	-	0.1	2.6	20.7	25.2	30.8	4.0	-	83.4
Effect of change in accounting policy	-	-	-	-	-	(30.8)	(4.0)	-	(34.8)
Depreciation charge for the year	-	-	1.0	1.0	5.3	-	-	-	7.3
Disposals	-	(0.1)	(0.3)	(2.1)	(6.3)	-	-	-	(8.8)
Balance at the end of the financial year	-	-	3.3	19.6	24.2	-	-	-	47.1
Carrying amounts									
Carrying amount at the beginning of the financial year	0.2	0.4	4.3	4.7	18.9	61.2	24.6	1.3	115.6
Carrying amount at the end of the financial year	0.1	0.1	6.3	6.0	5.6	-	-	0.3	18.4
BANK									
Cost									
Balance at the beginning of the financial year	0.2	0.5	6.9	24.4	28.4	91.8	28.6	1.3	182.1
Effect of change in accounting policy	-	-	-	-	-	(91.8)	(28.6)	(0.5)	(120.9)
Additions	-	-	3.1	3.1	1.2	-	-	0.3	7.7
Disposals	(0.1)	(0.4)	(0.5)	(1.8)	(0.5)	-	-	-	(3.3)
Transfers between categories	-	-	0.1	-	0.7	-	-	(0.8)	-
Balance at the end of the financial year	0.1	0.1	9.6	25.7	29.8	-	-	0.3	65.6
Depreciation									
Balance at the beginning of the financial year	-	0.1	2.6	20.4	21.5	30.7	4.0	-	79.3
Effect of change in accounting policy	-	-	-	-	-	(30.7)	(4.0)	-	(34.7)
Depreciation charge for the year	-	-	1.0	0.9	3.0	-	-	-	4.9
Disposals	-	(0.1)	(0.3)	(1.7)	(0.3)	-	-	-	(2.4)
Balance at the end of the financial year	-	-	3.3	19.6	24.2	-	-	-	47.1
Carrying amounts									
Carrying amount at the beginning of the financial year	0.2	0.4	4.3	4.0	6.9	61.1	24.6	1.3	102.8
Carrying amount at the end of the financial year	0.1	0.1	6.3	6.1	5.6	-	-	0.3	18.5

17. Deferred tax assets and liabilities

Recognised tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m	2006 \$m	2005 \$m
CONSOLIDATED						
Accruals	1.9	-	-	-	1.9	-
Capitalised expenditure	-	-	(3.9)	-	(3.9)	-
Deferred expenditure	-	-	(1.0)	-	(1.0)	-
Other investments	5.2	0.6	(2.8)	(14.8)	2.4	(14.2)
Leasing	61.8	12.2	-	-	61.8	12.2
Property, plant and equipment	-	-	(17.8)	(8.1)	(17.8)	(8.1)
Provision for impairment	4.1	15.5	-	-	4.1	15.5
Provisions other	5.9	9.5	-	-	5.9	9.5
Receivables	-	-	(1.6)	(0.8)	(1.6)	(0.8)
Tax value of loss carry-forwards recognised	2.1	-	-	-	2.1	-
Tax assets / (liabilities)	81.0	37.8	(27.1)	(23.7)	53.9	14.1
BANK						
Accruals	1.9	-	-	-	1.9	-
Capitalised expenditure	-	-	(3.8)	-	(3.8)	-
Deferred expenditure	-	-	-	-	-	-
Other investments	3.9	-	(2.8)	(11.8)	1.1	(11.8)
Leasing	0.2	-	-	-	0.2	-
Property, plant and equipment	-	-	(17.9)	(8.1)	(17.9)	(8.1)
Provision for impairment	3.5	14.4	-	-	3.5	14.4
Provisions other	5.9	8.0	-	-	5.9	8.0
Receivables	-	-	(1.6)	-	(1.6)	-
Tax value of loss carry-forwards recognised	2.1	-	-	-	2.1	-
Tax assets / (liabilities)	17.5	22.4	(26.1)	(19.9)	(8.6)	2.5

Unrecognised deferred tax assets

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
Deductible temporary differences	0.6	-	0.6	-
18. Other assets				
Deferred loan origination costs ⁽¹⁾				
At cost	-	46.2	-	46.2
Accumulated amortisation	-	(27.2)	-	(27.2)
Carrying amount at the end of the year	-	19.0	-	19.0
Total deferred expenditure	-	19.0	-	19.0
Accrued interest	32.8	32.9	32.8	25.9
Other debtors and prepayments	130.1	112.6	63.1	42.4
	162.9	164.5	95.9	87.3

(1) In the current period for Consolidation, loan origination commissions are recognised as an adjustment to the interest income of interest bearing loans.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

	CONSOLIDATED				Total \$m
	Goodwill ⁽¹⁾	Customer contracts ⁽¹⁾	Computer software	Technology infrastructure	
	\$m	\$m	\$m	\$m	
19. Intangible assets					
2006					
Cost					
Balance at the beginning of the financial year	12.9	-	103.5	28.6	145.0
Acquisitions through business combinations	8.1	5.0	-	-	13.1
Other acquisitions	-	-	16.7	-	16.7
Disposals	-	-	-	-	-
Balance at the end of the financial year	21.0	5.0	120.2	28.6	174.8
Amortisation and impairment losses					
Balance at the beginning of the financial year	-	-	42.0	7.1	49.1
Amortisation for the year	-	0.7	12.2	3.1	16.0
Disposals	-	-	-	-	-
Balance at the end of the financial year	-	0.7	54.2	10.2	65.1
Carrying amounts					
Carrying amount at the beginning of the financial year	12.9	-	61.5	21.5	95.9
Carrying amount at the end of the financial year	21.0	4.3	66.0	18.4	109.7

(1) The increase in goodwill and the balance of customer contracts is due to the acquisition of the Orix Debtor Finance business in December 2005. As at 31 August 2006, \$12.9m of goodwill relates to BOQ Equipment Finance Limited with the remainder attributable to the Orix debtor finance business.

	CONSOLIDATED				Total \$m
	Goodwill	Network rights	Computer software	Technology infrastructure	
	\$m	\$m	\$m	\$m	
2005					
Cost					
Balance at the beginning of the financial year	32.4	1.5	-	-	33.9
Effect of change in accounting policy	(0.6)	-	92.5	28.6	120.5
Acquisitions through business combinations	-	-	-	-	-
Other acquisitions	-	-	11.6	-	11.6
Disposals	(18.9)	(1.5)	(0.6)	-	(21.0)
Balance at the end of the financial year	12.9	-	103.5	28.6	145.0
Amortisation and impairment losses					
Balance at the beginning of the financial year	1.5	0.2	-	-	1.7
Effect of change in accounting policy	(0.6)	-	30.8	4.0	34.2
Amortisation for the year	-	0.6	11.6	3.1	15.3
Disposals	(0.9)	(0.8)	(0.4)	-	(2.1)
Balance at the end of the financial year	-	-	42.0	7.1	49.1
Carrying amounts					
Carrying amount at the beginning of the financial year	30.9	1.3	-	-	32.2
Carrying amount at the end of the financial year	12.9	-	61.5	21.5	95.9

Goodwill	Customer contracts	BANK		Total
		Computer software	Technology infrastructure	
\$m	\$m	\$m	\$m	\$m
-	-	103.5	28.6	132.1
8.1	5.0	-	-	13.1
-	-	16.7	-	16.7
-	-	-	-	-
8.1	5.0	120.2	28.6	161.9
-	-	42.0	7.1	49.1
-	0.7	12.2	3.1	16.0
-	-	-	-	-
-	0.7	54.2	10.2	65.1
-	-	61.5	21.5	83.0
8.1	4.3	66.0	18.4	96.8

Goodwill	Network rights	BANK		Total
		Computer software	Technology infrastructure	
\$m	\$m	\$m	\$m	\$m
-	-	-	-	-
-	-	92.5	28.6	121.1
-	-	-	-	-
-	-	11.6	-	11.6
-	-	(0.6)	-	(0.6)
-	-	103.5	28.6	132.1
-	-	-	-	-
-	-	30.8	4.0	34.8
-	-	11.6	3.1	14.7
-	-	(0.4)	-	(0.4)
-	-	42.0	7.1	49.1
-	-	-	-	-
-	-	61.5	21.5	83.0

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

19. Intangible assets (continued)

Impairment tests for cash generating units containing goodwill are performed. The following units have significant carrying amounts of goodwill:

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
BOQ Equipment Finance Limited	12.9	12.9	-	-
Debtor finance division	8.1	-	8.1	-
	21.0	12.9	8.1	-

The BOQ Equipment Finance Limited impairment test is based on value in use calculations. These calculations use cash flow projections for the next year based on actual operating results. Cash flows are then extrapolated with no assumption of growth. A pre-tax discount rate of 11.7% has been used in discounting the projected cash flows.

The key assumptions used in determining the value are:

Assumptions

Interest rate margin
Asset growth

How determined

Statistical analysis of prior periods margins adjusted for long-term market trends.
Statistical analysis of prior period growth adjusted for expected approvals levels and run-off.

The debtor finance division has goodwill relating to the acquisition of the Orix debtor finance division in December 2005. The recoverable amount of this unit is based on value in use calculations. These calculations use cash flow projections based on actual operating results. Cash flows are then extrapolated with no factor for growth. A pre-tax discount rate of 11.7% has been used in discounting the projected cash flows.

The key assumptions used in determining the value are:

Assumptions

Interest rate margin
Asset growth

How determined

Statistical analysis of prior periods margins adjusted for long-term market trends.
Statistical analysis of prior period growth adjusted for expected approvals levels and run-off.

20. Due to other financial institutions

Amounts payable – at call

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
Amounts payable – at call	95.6	74.1	95.6	74.1

21. Deposits

Deposits at call
Term deposits
Certificates of deposit
Total

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
Deposits at call	4,341.2	3,596.4	4,358.6	3,611.9
Term deposits	3,199.3	2,805.8	3,199.4	2,768.2
Certificates of deposit	2,409.1	2,310.8	2,409.1	2,310.8
Total	9,949.6	8,713.0	9,967.1	8,690.9

Concentration of deposits:

Retail deposits
Wholesale deposits
Total

Retail deposits	6,867.2	5,843.3	6,884.7	5,858.8
Wholesale deposits	3,082.4	2,869.7	3,082.4	2,832.1
Total	9,949.6	8,713.0	9,967.1	8,690.9

Deposits are well-diversified across industries and regions. All deposits are sourced in Australia.

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
22. Provisions				
Employee benefits	8.3	7.3	8.3	7.3
Directors' retiring allowance ⁽¹⁾	1.1	1.1	1.1	1.1
Credit card rewards scheme	6.0	5.6	6.0	5.6
Surplus lease space ⁽²⁾	0.4	0.3	0.4	0.3
Other	0.2	0.1	0.2	0.1
Total	16.0	14.4	16.0	14.4

(1) The directors' retiring allowance has been frozen as at 31 August 2003 and will only be increased in line with CPI movements.

(2) During the prior year the Bank relocated to a new Head Office which required a provision for surplus lease space.

Movements in provisions

Movements in each class of provision during the year, other than employee benefits, are as follows:

Consolidated and Bank - 2006	Credit card reward scheme \$m	Surplus lease space \$m	Other \$m
Carrying amount at start of year	5.6	0.3	0.1
Additional provision recognised	4.3	0.3	0.2
Payments made	(3.9)	(0.2)	(0.1)
Carrying amount at end of year	6.0	0.4	0.2

Consolidated and Bank - 2005	Credit card reward scheme \$m	Surplus lease space \$m	Other \$m
Carrying amount at start of year	4.5	0.5	0.2
Additional provision recognised	4.6	0.2	1.3
Payments made	(3.5)	(0.4)	(1.4)
Carrying amount at end of year	5.6	0.3	0.1

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
23. Securitisation liabilities				
Securitisation liabilities	3,256.5	2,602.5	-	-

The REDS Trusts fund their activities through the issue of notes to external investors. Neither Bank of Queensland Limited nor any member of the Consolidated Group in any way stands behind the capital value or performance of the REDS Trusts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
24. Borrowings including subordinated notes				
Borrowings:				
Euro medium term notes ⁽¹⁾	787.7	827.5	787.7	827.5
Euro zero coupon notes	-	29.4	-	29.4
Euro commercial paper	317.3	311.5	317.3	311.5
Subordinated notes: ⁽²⁾				
Fixed rate notes due May 2011	-	11.0	-	11.0
Floating rate notes due May 2011	-	25.0	-	25.0
Fixed rate notes due January 2012	5.0	5.0	5.0	5.0
Floating rate notes due January 2012	25.0	25.0	25.0	25.0
Floating rate notes due August 2012	50.0	50.0	50.0	50.0
Floating rate notes due June 2013	20.0	20.0	20.0	20.0
Fixed rate notes due August 2013	17.0	17.0	17.0	17.0
Floating rate notes due August 2013	18.0	18.0	18.0	18.0
Floating rate notes due October 2013	60.0	60.0	60.0	60.0
Floating rate notes due May 2016	150.0	-	150.0	-
Total	1,450.0	1,399.4	1,450.0	1,399.4

(1) Euro medium term notes

Consists of:

- AUD \$25m priced at BBSW plus 11 points, expiring 25 October 2006;
- AUD \$40m priced at BBSW plus 32 points, expiring 11 January 2008;
- AUD \$20m priced at BBSW plus 22 points, expiring 28 July 2008;
- HKD \$38m priced at 2.9%, expiring 28 September 2007;
- SGD \$50m priced at SGDSOR plus 3 basis points, expiring 15 November 2006;
- USD \$250m issue, priced at US dollar Libor plus 37.5 basis points, expiring 20 February 2007; and
- USD \$250m issue, priced at US dollar Libor plus 22.5 basis points, expiring 17 June 2008.

(2) Fixed and floating rate notes

On 23 January 2002, the Bank issued a fixed rate note of \$5m with a coupon rate of 7%p.a. and a floating rate note of \$25m, both maturing on 23 January 2012. The floating rate is set at the 90 day bank bill rate plus 153 basis points. After the 5th anniversary date of 23 January 2007, both notes are set at the 90 day bank bill rate plus 203 basis points. On 23 January 2007 or any subsequent anniversary thereof, the Bank, with the consent of APRA, may redeem the notes.

On 8 August 2002, the Bank issued a floating rate note of \$50m maturing on 8 August 2012. The floating rate is set at the 90 day bank bill rate plus 130 basis points. After the 5th anniversary date of 8 August 2007, the floating rate is set at the 90 day bank bill rate plus 180 basis points. On 8 August 2007 or any subsequent anniversary thereof, the Bank, with the consent of APRA, may redeem the notes.

On 5 June 2003, the Bank issued a floating rate note of \$20m maturing on 5 June 2013. The floating rate is set at the 90 day bank bill rate plus 120 basis points. After the 5th anniversary date of 5 June 2008, the floating rate is set at the 90 day bank bill rate plus 170 basis points. On 5 June 2008 or any subsequent anniversary thereof, the Bank, with the consent of APRA, may redeem the notes.

On 21 August 2003, the Bank issued a fixed rate note of \$17m with a coupon rate of 6.75%p.a. and a floating rate note of \$18m, both maturing on 21 August 2013. The floating rate is set at the 90 day bank bill rate plus 125 basis points. After the 5th anniversary date of 21 August 2008, both notes are set at the 90 day bank bill rate plus 175 basis points. On 21 August 2008 or any subsequent anniversary thereof, the Bank, with the consent of APRA, may redeem the notes.

On 30 October 2003, the Bank issued a floating rate note of \$60m maturing on 30 October 2013. The floating rate is set at the 90 day bank bill rate plus 110 basis points. After the 5th anniversary date of 30 October 2008, the floating rate is set at the 90 day bank bill rate plus 160 basis points. On 30 October 2008 or any subsequent anniversary thereof, the Bank, with the consent of APRA, may redeem the notes.

On 11 May 2006, the Bank issued a floating rate note of \$150m maturing on 11 May 2016. The floating rate is set at the 90 day bank bill rate plus 42 basis points. After the 5th anniversary date of 11 May 2011, the floating rate is set at the 90 day bank bill rate plus 92 basis points. On 11 May 2011 or any subsequent anniversary thereof, the Bank, with the consent of APRA, may redeem the notes.

The above notes form part of the Bank's Tier 2 capital in accordance with capital adequacy guidelines issued by APRA.

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
25. Preference shares				
Reset Preference Shares ("RePS")				
Re-classification from equity on transition to AIFRS 583,488 (2005: nil), fully paid	58.3	-	58.3	-
Shares converted during period – 111,633 (2005: nil), fully paid	(11.1)	-	(11.1)	-
Balance at the end of the period – 471,855 (2005: nil), fully paid	47.2	-	47.2	-

Terms and conditions

The RePS are perpetual non-cumulative preference shares with a current dividend rate of 5.1240% of the face value, subject to Board discretion, legal availability of funds to pay a dividend, and compliance with APRA capital adequacy guidelines.

The Bank or the holder of the RePS may convert the RePS to ordinary shares by providing notice prior to each dividend reset date. The next dividend reset date is 15 October 2010 and this may result in a change to the fixed dividend rate and the conversion of some RePS holdings into ordinary shares. The conversion rate is based on the face value of the RePS and the volume weighted average price of the ordinary shares for the 20 trading days immediately preceding 15 October 2010.

The RePS do not give the holders any voting rights at any general shareholder meetings, except in certain special circumstances. In the event of the winding up of the Bank the holders of these preference shares rank before the holders of ordinary shares and S1RPS in relation to return on capital.

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
Series 1 Reset Preference Shares ("S1RPS")				
Re-classification from equity on transition to AIFRS – 647,417 (2005: nil), fully paid	64.7	-	64.7	-
Balance at the end of the period – 647,417 (2005: nil), fully paid	64.7	-	64.7	-
Total preference shares	111.9	-	111.9	-

Terms and conditions

The S1RPS are perpetual non-cumulative preference shares with an initial dividend rate of 5.1975% of the face value, subject to Board discretion, legal availability of funds to pay a dividend, and compliance with APRA capital adequacy guidelines.

The Bank or the holder of the S1RPS may convert the S1RPS to ordinary shares by providing notice prior to each dividend reset date. The S1RPS dividend reset date is every 5th anniversary from the initial issue date of 20 October 2003. The conversion rate is based on the face value of the S1RPS and the prevailing current market value of the Bank's ordinary shares.

The S1RPS do not give the holders any voting rights at any general shareholder meetings, except in certain special circumstances. In the event of the winding up of the Bank the holders of these preference shares rank before the holders of ordinary shares in relation to return on capital.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

	Note	CONSOLIDATED		BANK	
		2006 \$m	2005 \$m	2006 \$m	2005 \$m
26. Issued capital					
Issued and paid up capital					
Ordinary Shares, fully paid	(a)	531.2	475.3	531.2	475.3
Reset Preference Shares, fully paid	(b)	-	58.0	-	58.0
Series 1 Reset Preference Shares, fully paid	(c)	-	63.1	-	63.1
Balance at end of year		531.2	596.4	531.2	596.4
(a) Ordinary shares					
Movements during the year					
Balance at the beginning of the year – 101,100,189 (2005: 93,536,542), fully paid		475.3	402.9	475.3	402.9
Dividend reinvestment plan – 2,008,225 shares (2005: 1,461,591)		28.1	15.3	28.1	15.3
Shares issued to the Managing Director, David Liddy – nil shares (2005: 20,000) ⁽¹⁾		-	-	-	-
Share Issue – nil shares ⁽²⁾ (2005: 4,820,608)		-	50.0	-	50.0
Costs in relation to share issues		-	(0.2)	-	(0.2)
Exercise of options – 2,382,000 shares ⁽³⁾ (2005: 1,205,000)		16.1	7.3	16.1	7.3
Employee share plan – 52,942 shares (2005: 56,448)		-	-	-	-
Shares issued on conversion of RePS – 925,789 (2005: nil)		11.2	-	11.2	-
Tax adjustment for prior issue costs		0.5	-	0.5	-
Balance at the end of the year – 106,469,145 (2005: 101,100,189), fully paid		531.2	475.3	531.2	475.3

(1) In the prior year David Liddy was issued 20,000 shares on 20 December 2004 as approved by shareholders at the Annual General Meeting held on 11 December 2001.

(2) The following share issue was completed in the previous year:

- Share purchase plan commencing on 12 November 2004 and closing on 6 December 2004. Existing shareholders as at 8 November 2004 were eligible to purchase shares from a minimum of \$1,000 to a maximum of \$5,000. The issue price of these shares was the lesser of \$10.37 or the volume weighted average market price in the five business days after the close of the offer. 4,820,608 shares were issued under this plan at an issue price of \$10.37.

(3) Refer to Note 37 (c) for further information.

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Bank, ordinary shareholders rank after RePS and S1RPS shareholders and creditors and are fully entitled to any proceeds of liquidation.

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
(b) Reset Preference Shares ("RePS")				
Movements during the year				
Balance at the beginning and end of the period – 583,488 (2005: 583,488), fully paid	58.0	58.0	58.0	58.0
Re-classification to debt on transition to AIFRS	(58.0)	-	(58.0)	-
Balance at the end of the period – nil (2005: 583,488), fully paid	-	58.0	-	58.0
(c) Series 1 Reset Preference Shares ("S1RPS")				
Movements during the year				
Balance at the beginning of the period – 647,417 (2005: 647,417), fully paid	63.1	63.1	63.1	63.1
Re-classification to debt on transition to AIFRS	(63.1)	-	(63.1)	-
Balance at the end of the period – nil (2005: 647,417), fully paid	-	63.1	-	63.1

27. Reserves and retained profits

	Employee Benefits reserves	General Reserve for credit losses	Cashflow hedge reserve	Available for sale reserve	Asset revaluation reserve	Total reserves	Retained profits
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Consolidated							
2006							
Balance at the beginning of the financial year	3.7	-	-	-	-	3.7	112.8
Net effect of initial adoption of AIFRS	-	43.8	(6.9)	-	-	36.9	(31.3)
Total recognised income and expense	-	-	8.1	0.8	-	8.9	92.7
Dividends to shareholders	-	-	-	-	-	-	(70.6)
Equity settled transactions	5.5	-	-	-	-	5.5	-
Transfers	-	6.0	-	-	-	6.0	(6.0)
Balance at the end of the financial year	9.2	49.8	1.2	0.8	-	61.0	97.6
2005							
Balance at the beginning of the financial year	-	-	-	-	0.2	0.2	79.0
Net effect of initial adoption of AIFRS	0.9	-	-	-	-	0.9	(4.5)
Net effect of initial adoption of AASB 1020 <i>Income Taxes</i> (AGAAP)	-	-	-	-	-	-	(0.4)
Total recognised income and expense	2.8	-	-	-	-	2.8	89.9
Dividends to shareholders	-	-	-	-	-	-	(51.4)
Transfers	-	-	-	-	(0.2)	(0.2)	0.2
Balance at the end of the financial year	3.7	-	-	-	-	3.7	112.8
Bank							
2006							
Balance at the beginning of the financial year	3.7	-	-	-	-	3.7	102.8
Net effect of initial adoption of AIFRS	-	37.2	(6.9)	-	-	30.3	(20.6)
Total recognised income and expense	-	-	8.1	0.8	-	8.9	86.2
Dividends to shareholders	-	-	-	-	-	-	(70.6)
Equity settled transactions	5.5	-	-	-	-	5.5	-
Transfers	-	6.0	-	-	-	6.0	(6.0)
Balance at the end of the financial year	9.2	43.2	1.2	0.8	-	54.4	91.8
2005							
Balance at the beginning of the financial year	-	-	-	-	0.2	0.2	73.0
Net effect of initial adoption of AIFRS	0.9	-	-	-	-	0.9	(4.4)
Net effect of initial adoption of AASB 1020 <i>Income Taxes</i> (AGAAP)	-	-	-	-	-	-	(0.4)
Total recognised income and expense	2.8	-	-	-	-	2.8	85.8
Dividends to shareholders	-	-	-	-	-	-	(51.4)
Transfers	-	-	-	-	(0.2)	(0.2)	0.2
Balance at the end of the financial year	3.7	-	-	-	-	3.7	102.8

28. Segment reporting

Business segments

The Consolidated Entity comprises one segment, this being the provision of banking services and products. This determination is based on the risks involved with the provision of these services and products and the Consolidated Entity's management reporting system.

Geographical segments

The Consolidated Entity's business segment operates principally in Australia, with the majority of customers being in Queensland, with the exception of leasing assets which are spread throughout Australia and New Zealand.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

29. Average balances and margin analysis

	CONSOLIDATED 2006			CONSOLIDATED 2005		
	Average Balance \$m	Interest \$m	Average Rate %	Average Balance \$m	Interest \$m	Average Rate %
Interest earning assets						
Gross loans and advances at amortised cost *	12,979.2	915.4	7.05	11,149.7	778.3	6.98
Investments and other securities *	1,767.6	101.6	5.75	1,575.9	83.4	5.29
Total interest earning assets	14,746.8	1,017.0	6.90	12,725.6	861.7	6.77
Non-interest earning assets						
Property, plant and equipment	18.3			28.4		
Other assets	277.9			317.9		
Provision for doubtful debts	(13.1)			(56.2)		
Total non-interest earning assets	283.1			290.1		
Total assets	15,029.9			13,015.7		
Interest bearing liabilities						
Retail deposits *	6,420.3	279.8	4.36	5,480.1	223.7	4.08
Wholesale deposits and borrowings *	7,803.8	467.4	5.99	6,734.1	384.9	5.72
Third party commissions						
- Owner Managed Branches	-	-	-	-	11.4	-
- Other intermediaries	-	-	-	-	9.4	-
Total interest bearing liabilities	14,224.1	747.2	5.25	12,214.2	629.4	5.15
Non-interest bearing liabilities	159.0			136.0		
Total liabilities	14,383.1			12,350.2		
Shareholders' funds	646.8			665.5		
Total liabilities and shareholders' funds	15,029.9			13,015.7		
Interest margin and interest spread						
Interest earning assets	14,746.8	1,017.0	6.90	12,725.6	861.7	6.77
Interest bearing liabilities	14,224.1	747.2	5.25	12,214.2	629.4	5.15
Net interest spread ⁽¹⁾			1.65			1.62
Net interest margin - on average interest earning assets	14,746.8	269.8	1.83	12,725.6	232.4	1.83
Net interest margin - on average opening and closing total assets	14,712.6	269.8	1.83	12,841.1	232.4	1.81

* Calculated on average daily balances

(1) Net interest spread is calculated after taking into account third party commissions.

30. Maturity analysis of financial assets and liabilities

Consolidated

	At call \$m	Overdraft \$m	0 to 3 months \$m	3 to 12 months \$m	1 to 5 years \$m	Over 5 years \$m	Unspecified \$m	Total \$m
2006								
Financial assets								
Due from other financial institutions	45.0	-	-	-	-	-	-	45.0
Trading securities	40.0	-	248.1	49.7	740.0	4.8	0.7	1,083.3
Available for sale securities	-	-	-	1.6	24.0	-	-	25.6
Loans and advances (net of provisions and unearned income)	2,511.5	307.5	997.6	869.9	1,881.0	4,261.2	(8.1)	10,820.6
Securitised loans and advances (net of provisions)	-	-	12.6	38.8	233.2	2,898.5	-	3,183.1
Financial liabilities								
Due to other financial institutions	-	-	95.6	-	-	-	-	95.6
Deposits	4,293.5	-	3,568.4	1,115.1	972.4	0.2	-	9,949.6
Securitisations liabilities	-	-	86.0	38.8	233.2	2,898.5	-	3,256.5
Borrowings including subordinated notes	-	-	170.0	619.9	660.1	-	-	1,450.0
Preference shares	-	-	-	-	-	-	111.9	111.9
2005								
Financial assets								
Due from other financial institutions	-	-	238.2	153.9	503.5	-	-	895.6
Investment securities	-	-	247.6	10.4	41.4	-	-	299.4
Loans and advances (net of provisions and unearned income)	1,806.6	280.1	819.1	747.6	1,636.6	3,815.7	(52.4)	9,053.3
Securitised loans and advances (net of specific provisions)	-	-	10.8	33.2	206.7	2,287.1	-	2,537.8
Financial liabilities								
Due to other financial institutions	74.1	-	-	-	-	-	-	74.1
Deposits	3,477.8	-	3,024.8	1,345.3	853.7	11.4	-	8,713.0
Securitisations liabilities	-	-	75.5	33.2	206.7	2,287.1	-	2,602.5
Borrowings including subordinated notes	-	-	287.3	180.6	931.5	-	-	1,399.4

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

30. Maturity analysis of financial assets and liabilities (continued)

Bank

	At call \$m	Overdraft \$m	0 to 3 months \$m	3 to 12 months \$m	1 to 5 years \$m	Over 5 years \$m	Unspecified \$m	Total \$m
2006								
Financial assets								
Due from other financial institutions	67.1	-	-	-	-	-	-	67.1
Trading securities	40.0	-	248.1	49.7	740.0	4.8	0.7	1,083.3
Available for sale securities	-	-	-	1.6	24.0	-	-	25.6
Loans and advances (net of provisions and unearned income)	2,513.6	307.5	908.8	635.5	1,233.9	4,244.1	(7.9)	9,835.5
Securitised loans and advances (net of provisions)	-	-	12.6	38.8	233.2	2,898.5	-	3,183.1
Financial liabilities								
Due to other financial institutions	-	-	95.6	-	-	-	-	95.6
Deposits	4,311.0	-	3,568.4	1,115.1	972.4	0.2	-	9,967.1
Securitisations liabilities	-	-	-	-	-	-	-	-
Borrowings including subordinated notes	-	-	170.0	619.9	660.1	-	-	1,450.0
Preference shares	-	-	-	-	-	-	111.9	111.9
2005								
Financial assets								
Due from other financial institutions	-	-	238.2	153.9	503.5	-	-	895.6
Investment securities	-	-	247.6	10.4	41.4	-	-	299.4
Loans and advances (net of provisions and unearned income)	1,807.6	280.1	771.7	500.6	1,062.1	3,810.0	(45.5)	8,186.6
Securitised loans and advances (net of specific provisions)	-	-	-	-	-	-	-	-
Financial liabilities								
Due to other financial institutions	74.1	-	-	-	-	-	-	74.1
Deposits	3,455.7	-	3,024.8	1,345.3	853.7	11.4	-	8,690.9
Securitisations liabilities	-	-	-	-	-	-	-	-
Borrowings including subordinated notes	-	-	287.3	180.6	931.5	-	-	1,399.4

31. Risk management

The Bank is exposed to a number of forms of risk in its day to day operations.

(a) Market risk

Market risk is the risk that movements in market rates and prices will result in profits or losses to the Bank.

(i) Interest rate risk management

The management of interest rate market risk is separated into traded market risk and balance sheet (non-traded) market risk.

Balance sheet (non-traded) market risk

The operations of the Bank are subject to the risk of interest rate fluctuations as a result of mismatches in the timing of the repricing of interest rates on the Bank's assets, liabilities and derivative financial instruments.

It is the principal objective of the Bank's asset/liability management process to maximise levels of net interest income whilst limiting the effects of volatile and unpredictable movements in interest rates. To achieve these objectives, the Bank uses derivative financial instruments, principally interest rate swaps, forward rate agreements and futures.

While it is impossible to fully hedge the Bank's interest rate risk, the current policy of the Bank is to eliminate market risk in the balance sheet where practical and to consciously establish specific positions within conservative limits for changes in value of the residual risk.

Traded market risk

Traded market risk is primarily measured and monitored using a value-at-risk ("VaR") analysis. VaR is a statistical technique that estimates the potential losses that could occur on risk positions taken due to movements in market rates and prices over a specified holding period and to a given level of confidence. The Bank uses a 1-day holding period and a 99% confidence level.

As VaR is a statistical measure and only attempts to cover losses to a 99% confidence level, the Bank supplements this analysis with stress testing. Stress testing attempts to adequately assess the risks inherent in its trading activities by applying appropriate scenario analyses.

31. Risk management (continued)

(a) Market risk (continued)

(i) Interest rate risk management (continued)

The VaR for the Bank's trading portfolio for the year was as follows:

Trading VaR	2006 \$m	2005 \$m
Average	0.18	n/a
Maximum	0.53	n/a
Minimum	0.04	n/a

The Bank did not have a trading book in the comparative year.

(ii) Foreign exchange risk

It is the Bank's policy not to carry material foreign exchange rate exposures.

The Bank uses cross currency swaps and foreign exchange forwards to hedge its exchange rate exposures arising from borrowing off-shore in foreign currencies.

The Bank uses forward foreign exchange contracts to hedge potential exchange rate exposures created by customer-originated foreign currency transactions.

(b) Credit risk

Credit risk arises in the business from lending activities, the provision of guarantees including letters of credit and commitments to lend, investment in bonds and notes, financial market transactions and other associated activities. Credit risk is the potential loss arising from the possibility that customers or counterparties fail to meet contractual payment obligations to the Bank as they fall due.

The Board of Directors has implemented a structured framework of systems and controls to monitor and manage credit risk comprising:

- documented credit risk management principles which are disseminated to all staff involved with the lending process;
- comprehensive policies;
- a process for approving risk based on tiered delegated approval authorities, whereby the largest exposures are jointly assessed by the Chief Executive Officer and the Group Executive Group Risk;
- risk grading the Bank's commercial exposures for facilities greater than \$100,000 based on items inclusive of financial performance and stability, organisational structure, industry segment and security support. Exposures within this segment of the portfolio are generally subject to annual review including reassessment of the assigned risk grade;
- an automated scorecard approval model for the Bank's retail portfolio inclusive of home loans, personal loans, lines of credit and credit cards. This model is supported by experienced Risk Assessment Managers; and
- a comprehensive series of management reporting detailing industry concentrations, counterparty concentrations, loan grades and security strength ratings.

(c) Liquidity risk

Liquidity risk arises from the possibility that the Bank is unable to meet its financial obligations as they fall due. Liquidity risk is managed through a series of detailed policies, including the management of cash flow mismatches, the maintenance of a stable, core retail deposits base, the diversification of the funding base and the retention of adequate levels of high quality liquid assets.

(d) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational risk is managed by the Bank through appropriate reporting lines, defined responsibilities, policies and procedures and an operation risk program which incorporates quarterly risk monitoring and reporting by each Business unit. Operational Risks and their mitigants are documented in the Business unit risk registers. These provide the basis for the business unit and bank-wide risk profile. The Bankwide risk profile is reported to the Board on a regular basis.

32. Financial instruments

(a) Derivative financial instruments

The Consolidated Entity and Bank used derivative financial instruments for both hedging and trading purposes in the current year. In the prior period, derivatives were only used for hedging purposes.

Refer to Note 31 for an explanation of the Consolidated Entity's and Bank risk management framework.

The following table summarises the notional and credit equivalent amounts of the Bank's commitments to derivative financial instruments at 31 August 2006. Notional amounts do not represent amounts exchanged by the transaction counterparties, and thus, are not a measure of the exposure of the Bank through its use of derivatives. Net fair value in relation to derivative financial instruments is calculated using the quoted market price less transaction costs. Credit equivalent amounts give an indication of the estimated potential loss if the counterparty were to default and are based on the APRA's capital adequacy guidelines.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

32. Financial instruments (continued)

(a) Derivative financial instruments (continued)

	CONSOLIDATED AND BANK					
	Notional Amount		Net Fair Value Asset / (Liability)		Credit Equivalent	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m	2006 \$m	2005 \$m
Interest rate contracts:						
Swaps	6,450.7	4,791.1	13.4	(13.7)	36.5	14.3
Forward rate agreements	1,000.0	200.0	-	(0.1)	-	-
Futures	7,310.1	1,672.8	(0.6)	0.1	-	-
EHP Swaps	1,126.2	757.9	(9.2)	1.5	-	-
Foreign exchange:						
Swaps	725.9	700.5	18.2	23.7	39.4	58.9
Foreign exchange forwards	371.8	293.9	(1.7)	(0.7)	8.1	6.2

(b) Interest rate risk disclosure 2006

The Consolidated Entity's exposure to interest rate risk showing the contractual or repricing dates, whichever is the earlier, for classes of assets and liabilities is shown below:

Description	0 to 1 month \$m	1 to 3 months \$m	3 to 6 months \$m	6 to 12 months \$m	1 to 5 years \$m	Over 5 years \$m	Non- interest bearing \$m	Total \$m	Weighted average rate %
Assets									
Cash & liquid assets	261.8	-	-	-	-	-	-	261.8	-
Due from other financial institutions	45.0	-	-	-	-	-	-	45.0	5.85%
Other financial assets - trading securities	425.2	330.9	25.2	-	296.4	5.0	0.6	1,083.3	6.13%
Other financial assets - securities available for sale	-	-	1.6	-	24.0	-	-	25.6	9.17%
Loans and advances at amortised cost	7,163.5	330.2	254.8	712.0	2,257.5	97.9	4.7	10,820.6	7.56%
Securitised loans and advances at amortised cost	2,494.2	35.0	55.0	77.5	521.4	-	-	3,183.1	7.01%
Derivative financial instruments	-	-	-	-	-	-	31.6	31.6	-
Property, plant and equipment	-	-	-	-	-	-	19.6	19.6	-
Deferred tax assets	-	-	-	-	-	-	53.9	53.9	-
Other assets	-	-	-	-	-	-	162.9	162.9	-
Intangible assets	-	-	-	-	-	-	109.7	109.7	-
Total assets	10,389.7	696.1	336.6	789.5	3,099.3	102.9	383.0	15,797.1	-
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	(95.6)	(95.6)	-
Deposits	(7,385.3)	(1,290.0)	(690.3)	(310.1)	(112.5)	(161.4)	-	(9,949.6)	5.17%
Derivative financial instruments	-	-	-	-	-	-	(11.5)	(11.5)	-
Provisions	-	-	-	-	-	-	(70.5)	(70.5)	-
Other liabilities	-	-	-	-	-	-	(161.7)	(161.7)	-
Securitisation liabilities	(3,256.5)	-	-	-	-	-	-	(3,256.5)	6.34%
Borrowings including subordinated notes	(87.7)	(353.8)	(1,008.5)	-	-	-	-	(1,450.0)	6.52%
Preference shares	-	-	-	-	(111.9)	-	-	(111.9)	5.28%
Total liabilities	(10,729.5)	(1,643.8)	(1,698.8)	(310.1)	(224.4)	(161.4)	(339.3)	(15,107.3)	-
Shareholders Equity									
Issued capital	-	-	-	-	-	-	(531.2)	(531.2)	-
Reserves	-	-	-	-	-	-	(61.0)	(61.0)	-
Retained profits	-	-	-	-	-	-	(97.6)	(97.6)	-
Total equity	-	-	-	-	-	-	(689.8)	(689.8)	-
Net mismatch	(339.8)	(947.7)	(1,362.2)	479.4	2,874.9	(58.5)	(646.1)	-	-
Cumulative mismatch	(339.8)	(1,287.5)	(2,649.7)	(2,170.3)	704.6	646.1	-	-	-

32. Financial instruments (continued)

Interest rate disclosure 2005

The Consolidated Entity's exposure to interest rate risk showing the contractual or repricing dates, whichever is the earlier, for classes of assets and liabilities is shown below:

Description	0 to 1 month \$m	1 to 3 months \$m	3 to 6 months \$m	6 to 12 months \$m	1 to 5 years \$m	Over 5 years \$m	Non-interest bearing \$m	Total \$m	Weighted average rate %
Assets									
Cash & liquid assets	571.6	-	-	-	-	-	-	571.6	2.03%
Receivables from other financial institutions	341.4	529.4	-	11.9	12.9	-	-	895.6	5.78%
Investment securities	257.7	-	-	8.3	33.4	-	-	299.4	5.44%
Loans and advances at amortised cost	6,496.2	423.3	188.5	447.8	1,463.9	33.6	-	9,053.3	7.34%
Securitised loans and advances at amortised cost	2,144.1	23.5	22.3	39.6	308.3	-	-	2,537.8	6.87%
Property, plant and equipment	-	-	-	-	-	-	18.4	18.4	-
Deferred tax assets	-	-	-	-	-	-	14.1	14.1	-
Intangible assets	-	-	-	-	-	-	95.9	95.9	-
Other assets	-	-	-	-	-	-	164.5	164.5	-
Total assets	9,811.0	976.2	210.8	507.6	1,818.5	33.6	292.9	13,650.6	-
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	(74.1)	(74.1)	-
Deposits	(5,781.5)	(1,887.8)	(627.7)	(268.0)	(147.7)	(0.3)	-	(8,713.0)	4.81%
Provisions	-	-	-	-	-	-	(25.3)	(25.3)	-
Other liabilities	-	-	-	-	-	-	(123.4)	(123.4)	-
Securitisation liabilities	(2,602.5)	-	-	-	-	-	-	(2,602.5)	5.58%
Borrowings and loan capital	(224.7)	(290.1)	(884.6)	-	-	-	-	(1,399.4)	6.13%
Total liabilities	(8,608.7)	(2,177.9)	(1,512.3)	(268.0)	(147.7)	(0.3)	(222.8)	(12,937.7)	-
Shareholders Equity									
Issued capital	-	-	-	-	-	-	(596.4)	(596.4)	-
Reserves	-	-	-	-	-	-	(3.7)	(3.7)	-
Retained profits	-	-	-	-	-	-	(112.8)	(112.8)	-
Total equity	-	-	-	-	-	-	(712.9)	(712.9)	-
Off-balance sheet items									
Swaps	847.0	1,600.2	(104.0)	(312.5)	(2,015.7)	(15.0)	-	-	-
Forward rate agreements	200.0	-	(200.0)	-	-	-	-	-	-
Futures	(72.2)	(617.4)	557.0	175.0	(42.4)	-	-	-	-
Total off balance sheet items	974.8	982.8	253.0	(137.5)	(2,058.1)	(15.0)	-	-	-
Net mismatch	2,177.1	(218.9)	(1,048.5)	102.1	(387.3)	18.3	(642.8)	-	-
Cumulative mismatch	2,177.1	1,958.2	909.7	1,011.8	624.5	642.8	-	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

32. Financial Instruments (continued)

(c) Net fair value

Where an active and liquid market exists for a financial instrument, net fair value is calculated using the quoted market price adjusted for any transaction costs of disposal.

Where there is no market for a financial instrument, or an illiquid market exists, estimates of net fair value have been made using net present value techniques. If such a financial instrument has no specific maturity or is at call, and the interest rate is either discretionary or will reprice in the short term, the historical cost or face value is used to approximate net fair value.

Net fair values which are based on estimates and which rely on information current at only one point in time are subjective, change continuously and are not necessarily representative of the underlying value of the financial instrument to the economic entity.

Fair values of financial instruments at balance date are as follows:

	CONSOLIDATED ENTITY			
	Carrying value		Net fair value	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
Assets				
Cash and liquid assets	261.8	571.6	261.8	571.6
Due from other financial institutions	45.0	895.6	45.0	901.0
Investment securities	-	299.4	-	300.7
Trading securities	1,083.3	-	1,083.3	-
Investment securities available for sale	25.6	-	26.3	-
Loans and advances at amortised cost	10,820.6	9,053.3	10,820.6	9,053.3
Securitised loans and advances at amortised cost	3,183.1	2,537.8	3,183.1	2,537.8
Liabilities				
Balances due to other banks	(95.6)	(74.1)	(95.6)	(74.1)
Deposits	(9,949.6)	(8,713.0)	(9,953.5)	(8,717.9)
Securitisation liabilities	(3,256.5)	-	(3,256.5)	-
Borrowings including subordinated notes	(1,450.0)	(1,399.4)	(1,464.8)	(1,406.5)
Preference shares	(111.9)	-	(111.9)	-
BANK				
Assets				
Cash and liquid assets	239.7	523.0	239.7	523.0
Due from other financial institutions	67.1	895.6	67.1	895.6
Investment securities	-	299.4	-	299.4
Trading securities	1,083.3	-	1,083.3	-
Investment securities available for sale	25.6	-	26.3	-
Loans and advances at amortised cost	9,835.5	8,186.6	9,835.5	8,186.6
Securitised loans and advances at amortised cost	3,183.1	-	3,183.1	-
Liabilities				
Balances due to other banks	(95.6)	(74.1)	(95.6)	(74.1)
Deposits	(9,967.1)	(8,690.9)	(9,967.1)	(8,690.9)
Borrowings including subordinated notes	(1,450.0)	(1,399.4)	(1,464.8)	(1,406.5)
Preference shares	(111.9)	-	(111.9)	-

The fair value of derivative financial instruments can be found in Note 32 (a). The estimated net fair values disclosed do not include the assets and liabilities that are not considered financial instruments.

33. Notes to the statements of cash flows

(i) Reconciliation of cash and cash equivalents

For the purposes of the statements of cash flows, cash includes cash, deposits at call, bills receivable and remittances in transit. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the Balance Sheet (refer Note 9) as follows:

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
Notes, coin and cash at bank	213.5	126.8	191.4	78.3
Deposits at call	-	392.3	-	392.3
Bills receivable and remittances in transit	48.3	52.5	48.3	52.4
	261.8	571.6	239.7	523.0
(ii) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities				
Profit from ordinary activities after income tax	92.7	89.9	86.2	85.8
Add / (less) items classified as investing / financing activities or non cash items				
Depreciation	5.2	7.3	5.2	4.9
Payment for Autocash	-	-	-	0.8
Amortisation	0.7	1.3	0.7	-
Software amortisation	15.3	15.3	15.3	14.7
Asset writedowns	0.4	0.3	0.4	0.1
Share based payments	9.1	2.8	9.1	2.8
Sale of ATM Solutions Australasia Pty Ltd	-	20.9	-	0.1
Property, plant & equipment	-	(0.2)	0.1	-
Profit on sale of property, plant and equipment	(0.5)	(0.3)	(0.5)	(0.3)
Profit on sale of ATM Solutions Australasia Pty Ltd	-	(22.8)	-	(23.9)
Increase in due from other financial institutions	(22.4)	(2.8)	(44.5)	(2.8)
(Increase) / decrease in other financial assets	74.5	(110.8)	74.5	(110.8)
Increase in loans and advances at amortised cost	(1,678.1)	(778.1)	(1,563.6)	(701.4)
Increase in securitised loans and advances at amortised cost	(645.3)	(2,537.8)	(645.3)	-
Decrease in derivatives	6.2	-	13.7	-
Increase in provision for impairment	1.4	3.2	0.4	2.9
(Increase) / decrease in deferred tax asset	(26.3)	(3.0)	29.5	(17.1)
(Increase) / decrease in other assets	(26.0)	(76.0)	(23.4)	0.4
Increase / (decrease) in amounts due from controlled entities	-	-	489.0	(138.9)
Increase in due to other financial institutions	21.5	73.3	21.5	73.9
Increase in deposits	1,236.6	410.6	1,276.2	453.8
Increase / (decrease) in accounts payable and other liabilities	4.6	(41.3)	6.6	(44.1)
Increase in current tax liabilities	43.8	3.2	43.8	3.7
Increase in provisions	1.4	-	1.4	1.2
Increase / (decrease) in deferred tax liabilities	(20.1)	1.7	(15.2)	3.5
Increase in securitisation liabilities	659.9	2,602.5	-	-
Net cash provided by operating activities	(245.4)	(340.8)	(218.9)	(390.7)

(iii) Cash flows presented on a net basis

Cash flows from the following activities are presented on a net basis in the statements of cash flows:

- Sales and purchases of investment securities;
- Customer deposits in and withdrawals from deposit accounts; and
- Loan drawdowns and repayments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

	CONSOLIDATED		BANK	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
34. Auditors' remuneration				
Audit services				
Auditors of the Bank – KPMG Australia				
- Audit and review of the financial reports ⁽¹⁾	558.7	449.0	513.7	365.0
- Other regulatory and audit services	40.0	35.5	36.5	32.0
	598.7	484.5	550.2	397.0
Other services – KPMG				
Auditors of the Bank – KPMG Australia				
- Other assurance services ⁽²⁾	230.8	274.9	100.9	149.3
- Taxation advisory services	1.7	1.6	1.7	1.6
	232.5	276.5	102.6	150.9

(1) Fees paid for audit services provided to mortgage securitisation trusts which are now consolidated under AIFRS are included in this balance and the comparative has been adjusted accordingly.

(2) Other assurance services comprise accounting advice and IT Internal Audit reviews. Fees paid for non-audit services provided to mortgage securitisation trusts which are now consolidated under AIFRS are included in this balance and the comparative has been adjusted accordingly.

Fees for audit and non-audit services paid to KPMG which were provided in relation to leasing securitisation trusts which are not consolidated were \$95,400 (2005: \$67,600).

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
35. Contingent liabilities				
Guarantees	106.9	87.4	106.9	87.4
Letters of credit	17.3	11.3	17.3	11.3

Guarantees, indemnities and letters of credit

There are contingent liabilities arising in the normal course of business for which there are equal and opposite contingent assets and against which no loss is anticipated. Guarantees are provided to third parties on behalf of customers. The credit risks of such facilities are similar to the credit risks of loans and advances.

36. Commitments

(a) Lease commitments

Future rentals in respect of operating leases (principally in respect of premises) not provided for in these financial statements comprise amounts payable:

Within 1 year	22.2	17.7	22.2	17.7
Between 1 year and 5 years	47.3	38.9	47.3	38.9
Later than 5 years	13.4	15.1	13.4	15.1
	82.9	71.7	82.9	71.7

(b) Customer funding commitments

Loans to customers approved but not drawn at year end	721.2	618.6	358.6	279.3
Amounts undrawn against lines of credit	582.4	546.0	581.9	540.4
	1,303.6	1,164.6	940.5	819.7

In the normal course of business the Bank makes commitments to extend credit to its customers. Most commitments either expire if not taken up within a specified time or can be cancelled by the Bank within one year. Credit risk is significantly less than the notional amount and does not crystallise until a commitment is funded.

37. Employee benefits

(a) Superannuation commitments

The Bank contributes to any defined contribution superannuation plan which complies with the Superannuation Contributions Act legislation.

Basis of contributions

Employee superannuation contributions are based on various percentages of the employees' gross salaries. The Bank's contributions are also based on various percentages of the employees' gross salaries.

The Bank is under no legal obligation to make superannuation contributions except for the minimum contributions required under the Superannuation Guarantee Legislation.

During the year the Bank made employer contributions of \$7,231,465 (2005: \$5,527,532).

(b) Employee share plan

The Bank's Employee Share Plan ("ESP") was originally approved by shareholders on 5 December 1996 and is re-approved every three years. Under the plan all full time and part time employees of the Bank who have completed a prerequisite period of continuous service are offered shares to a market value of \$1,000 at no cost. Only one offer is made in each financial year. Shares issued under the plan cannot be sold for three years or until the employee leaves the Bank and rank equally with other fully paid ordinary shares.

During the year 52,753 (2005: 56,448) shares were issued with a fair value of \$732,802 (2005: \$666,086). 743 (2005: 672) employees were eligible to participate in the plan. Since the commencement of the plan 841,953 shares have been issued. At 31 August 2006, these shares were valued at \$12,873,461 (2005: \$9,191,978) under the terms of the plan.

The aggregate number of shares issued under the plan or any other employee share plan during any five year period must not exceed 5% of the total issued capital of the Bank at the end of that five year period.

There were no other shares issued under the ESP as at 31 August 2006.

(c) Share based payments

The Consolidated Entity has two options plans. The Managing Director option plan, which was established in 2001 and the Senior Management Option Plan ("SMOP"), which was established in 2001.

For options issued before 7 November 2002, the recognition and measurement principles in AASB 2 have not been applied to these grants in accordance with the transitional provisions in AASB 1.

The terms and conditions of options granted under the above plans are as follows, whereby all options are settled by physical delivery of shares:

Grant date / employee entitled	Number of instruments	Vesting conditions	Contractual life of options
Option grant to key management at 23 November 2001 – SMOP 1	1,270,000 ⁽¹⁾	To reach the performance hurdle the Consolidated Entity must achieve a minimum return on equity of 13.5% in the financial year immediately preceding the third anniversary of the issue date (31 August 2004). A return on equity of 13.5% will result in 50% of the issued options vesting. Each 0.01% return on equity in excess of 13.5% will result in an additional 1% of options vesting. A return on equity equal to or greater than 14.0% will result in 100% of the issued options vesting.	5 years
Option grant to Managing Director at 13 December 2001	200,000 ⁽²⁾	To reach the performance hurdle the Consolidated Entity must achieve a minimum return on equity of 13.05% in the 2003 financial year. A return on equity of 13.05% will result in 50% of the issued options vesting. Each 0.01% return on equity in excess of 13.05% will result in an additional 1% of options vesting. A return on equity equal to or greater than 13.55% will result in 100% of the issued options vesting	4 years
	300,000 ⁽¹⁾	To reach the performance hurdle the Consolidated Entity must achieve a minimum return on equity of 13.50% in the 2004 financial year. A return on equity of 13.50% will result in 50% of the issued options vesting. Each 0.01% return on equity in excess of 13.50% will result in an additional 1% of options vesting. A return on equity equal to or greater than 14.00% will result in 100% of the issued options vesting	5 years
	500,000 ⁽³⁾	To reach the performance hurdle the Consolidated Entity must achieve a minimum return on equity of 14.00% in the 2005 financial year. A return on equity of 14.00% will result in 50% of the issued options vesting. Each 0.01% return on equity in excess of 14.00% will result in an additional 1% of options vesting. A return on equity equal to or greater than 14.50% will result in 100% of the issued options vesting.	6 years
Option grant to key management at 4 November 2002 – SMOP 2	1,905,000 ⁽³⁾	To reach the performance hurdle the Consolidated Entity must achieve a minimum return on equity of 14.0% in the financial year immediately preceding the third anniversary of the issue date (31 August 2005). A return on equity of 14.0% will result in 50% of the issued options vesting. Each 0.01% return on equity in excess of 14.5% will result in an additional 1% of options vesting. A return on equity equal to or greater than 14.5% will result in 100% of the issued options vesting.	5 years

(1) These options vested in the 2005 financial year.

(2) These options vested in the 2004 financial year.

(3) These options vested in the 2006 financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

37. Employee benefits (continued)

(c) Share based payments (continued)

Grant date / employee entitled	Number of instruments	Vesting conditions	Contractual life of options										
Option grant to key management at 10 November 2003 – SMOP 3	3,120,000	<p>To reach the performance hurdle the Consolidated Entity must achieve a minimum return on equity of 14.5% in the financial year immediately preceding the third anniversary of the issue date (31 August 2006). A return on equity of 14.5% will result in 50% of the issued options vesting. Each 0.01% return on equity in excess of 14.5% will result in an additional 1% of options vesting. A return on equity equal to or greater than 15.0% will result in 100% of the issued options vesting.</p> <p>At the Annual General Meeting on 9 December 2004, ordinary shareholders approved the following change under ASX Listing Rule 6.23.4:</p> <ul style="list-style-type: none"> that should any SMOP 3 options remain unvested as at November 2007, the new earnings per share test will be applied across financial years 2005, 2006 and 2007; and should any SMOP 3 options remain unvested as at November 2008, the new earnings per share test will be applied across financial years 2005, 2006, 2007 and 2008. <p>The new Earnings Per Share ("EPS") test requires the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of a group of comparison banks over approximately the same period. The comparison banks are seven peer group banks, being ANZ, National Australia Bank, Commonwealth Bank, Westpac, St George Bank, Adelaide Bank and Bendigo Bank ("Comparison Banks"). The Bank engages an independent analyst to make adjustments to reported EPS figures to ensure they are prepared on a comparable basis. A cap of 20% growth and a floor of 10% decline will be applied to each adjusted EPS growth figure to account for abnormal results of a Comparison Bank.</p> <p>To reach the EPS performance hurdle the Consolidated Entity must achieve the following:</p> <table border="1"> <thead> <tr> <th>Percentage range by which cash EPS growth exceeds Comparison banks</th> <th>Percentage of options to vest</th> </tr> </thead> <tbody> <tr> <td>5% and up to but not exceeding 10%</td> <td>25%</td> </tr> <tr> <td>10% and up to but not exceeding 15%</td> <td>50%</td> </tr> <tr> <td>15% and up to but not exceeding 20%</td> <td>75%</td> </tr> <tr> <td>20% or more</td> <td>100%</td> </tr> </tbody> </table>	Percentage range by which cash EPS growth exceeds Comparison banks	Percentage of options to vest	5% and up to but not exceeding 10%	25%	10% and up to but not exceeding 15%	50%	15% and up to but not exceeding 20%	75%	20% or more	100%	5 years
Percentage range by which cash EPS growth exceeds Comparison banks	Percentage of options to vest												
5% and up to but not exceeding 10%	25%												
10% and up to but not exceeding 15%	50%												
15% and up to but not exceeding 20%	75%												
20% or more	100%												
Option grant to Managing Director at 24 December 2004	500,000	<p>The performance hurdle is based on diluted cash EPS growth and requires the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the relevant performance period (financial years 2005 – 2006).</p> <p>To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period:</p> <table border="1"> <thead> <tr> <th>Percentage range by which cash EPS growth exceeds Comparison banks</th> <th>Percentage of options to vest</th> </tr> </thead> <tbody> <tr> <td>5% and up to but not exceeding 10%</td> <td>25%</td> </tr> <tr> <td>10% and up to but not exceeding 15%</td> <td>50%</td> </tr> <tr> <td>15% and up to but not exceeding 20%</td> <td>75%</td> </tr> <tr> <td>20% or more</td> <td>100%</td> </tr> </tbody> </table> <p>Should any options remain unvested as at November 2007, the EPS test will be applied across financial years 2005, 2006 and 2007. Should any options remain unvested as at November 2008, the EPS test will be applied across financial years 2005, 2006, 2007 and 2008.</p>	Percentage range by which cash EPS growth exceeds Comparison banks	Percentage of options to vest	5% and up to but not exceeding 10%	25%	10% and up to but not exceeding 15%	50%	15% and up to but not exceeding 20%	75%	20% or more	100%	4 years
Percentage range by which cash EPS growth exceeds Comparison banks	Percentage of options to vest												
5% and up to but not exceeding 10%	25%												
10% and up to but not exceeding 15%	50%												
15% and up to but not exceeding 20%	75%												
20% or more	100%												
	500,000	<p>The performance hurdle is based on diluted cash EPS growth and requires the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the relevant performance period (financial years 2005 – 2007).</p> <p>To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period:</p> <table border="1"> <thead> <tr> <th>Percentage range by which cash EPS growth exceeds Comparison banks</th> <th>Percentage of options to vest</th> </tr> </thead> <tbody> <tr> <td>5% and up to but not exceeding 10%</td> <td>25%</td> </tr> <tr> <td>10% and up to but not exceeding 15%</td> <td>50%</td> </tr> <tr> <td>15% and up to but not exceeding 20%</td> <td>75%</td> </tr> <tr> <td>20% or more</td> <td>100%</td> </tr> </tbody> </table> <p>Should any options remain unvested as at November 2008, the EPS test will be applied across financial years 2005, 2006, 2007 and 2008. Should any options remain unvested as at November 2009, the EPS test will be applied across financial years 2005, 2006, 2007, 2008 and 2009.</p>	Percentage range by which cash EPS growth exceeds Comparison banks	Percentage of options to vest	5% and up to but not exceeding 10%	25%	10% and up to but not exceeding 15%	50%	15% and up to but not exceeding 20%	75%	20% or more	100%	5 years
Percentage range by which cash EPS growth exceeds Comparison banks	Percentage of options to vest												
5% and up to but not exceeding 10%	25%												
10% and up to but not exceeding 15%	50%												
15% and up to but not exceeding 20%	75%												
20% or more	100%												

37. Employee benefits (continued)

(c) Share based payments (continued)

Grant date / employee entitled	Number of instruments	Vesting conditions	Contractual life of options										
Option grant to key management at 20 December 2004 – SMOP 4	3,005,000	<p>The ability to exercise the options is conditional on the Consolidated Entity achieving certain performance hurdles. The performance hurdles are based on diluted cash EPS growth and require the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the financial years 2005, 2006 and 2007 ("performance period"), as described above.</p> <p>To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period:</p> <table border="1"> <thead> <tr> <th>Percentage range by which cash EPS growth exceeds Comparison banks</th> <th>Percentage of options to vest</th> </tr> </thead> <tbody> <tr> <td>5% and up to but not exceeding 10%</td> <td>25%</td> </tr> <tr> <td>10% and up to but not exceeding 15%</td> <td>50%</td> </tr> <tr> <td>15% and up to but not exceeding 20%</td> <td>75%</td> </tr> <tr> <td>20% or more</td> <td>100%</td> </tr> </tbody> </table> <p>Should any SMOP 4 options remain unvested as at November 2008, the EPS test will be applied across financial years 2005, 2006, 2007 and 2008. Should any SMOP 4 options remain unvested as at November 2009, the EPS test will be applied across financial years 2005, 2006, 2007, 2008 and 2009.</p>	Percentage range by which cash EPS growth exceeds Comparison banks	Percentage of options to vest	5% and up to but not exceeding 10%	25%	10% and up to but not exceeding 15%	50%	15% and up to but not exceeding 20%	75%	20% or more	100%	5 years
Percentage range by which cash EPS growth exceeds Comparison banks	Percentage of options to vest												
5% and up to but not exceeding 10%	25%												
10% and up to but not exceeding 15%	50%												
15% and up to but not exceeding 20%	75%												
20% or more	100%												
Option grant to key management at 17 October 2005 – SMOP 5	3,805,000	<p>The ability to exercise the options is conditional on the Consolidated Entity achieving certain performance hurdles. The performance hurdles are based on diluted cash EPS growth and require the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the financial years 2006, 2007 and 2008 ("performance period"), as described above.</p> <p>To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period:</p> <table border="1"> <thead> <tr> <th>Percentage range by which cash EPS growth exceeds Comparison banks</th> <th>Percentage of options to vest</th> </tr> </thead> <tbody> <tr> <td>5% and up to but not exceeding 10%</td> <td>25%</td> </tr> <tr> <td>10% and up to but not exceeding 15%</td> <td>50%</td> </tr> <tr> <td>15% and up to but not exceeding 20%</td> <td>75%</td> </tr> <tr> <td>20% or more</td> <td>100%</td> </tr> </tbody> </table> <p>Should any SMOP 5 options remain unvested as at November 2009, the EPS test will be applied across financial years 2006, 2007, 2008 and 2009. Should any SMOP 5 options remain unvested as at November 2010, the EPS test will be applied across financial years 2006, 2007, 2008, 2009 and 2010.</p>	Percentage range by which cash EPS growth exceeds Comparison banks	Percentage of options to vest	5% and up to but not exceeding 10%	25%	10% and up to but not exceeding 15%	50%	15% and up to but not exceeding 20%	75%	20% or more	100%	5 years
Percentage range by which cash EPS growth exceeds Comparison banks	Percentage of options to vest												
5% and up to but not exceeding 10%	25%												
10% and up to but not exceeding 15%	50%												
15% and up to but not exceeding 20%	75%												
20% or more	100%												
Option grant to Managing Director at 1 November 2005 (continued)	500,000	<p>The performance hurdle is based on diluted cash EPS growth and requires the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the relevant performance period (financial years 2006 – 2008).</p> <p>To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period:</p> <table border="1"> <thead> <tr> <th>Percentage range by which cash EPS growth exceeds Comparison banks</th> <th>Percentage of options to vest</th> </tr> </thead> <tbody> <tr> <td>5% and up to but not exceeding 10%</td> <td>25%</td> </tr> <tr> <td>10% and up to but not exceeding 15%</td> <td>50%</td> </tr> <tr> <td>15% and up to but not exceeding 20%</td> <td>75%</td> </tr> <tr> <td>20% or more</td> <td>100%</td> </tr> </tbody> </table> <p>Should any options remain unvested as at November 2009, the EPS test will be applied across financial years 2006, 2007, 2008 and 2009. Should any options remain unvested as at November 2010, the EPS test will be applied across financial years 2006, 2007, 2008, 2009 and 2010.</p>	Percentage range by which cash EPS growth exceeds Comparison banks	Percentage of options to vest	5% and up to but not exceeding 10%	25%	10% and up to but not exceeding 15%	50%	15% and up to but not exceeding 20%	75%	20% or more	100%	5 years
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10% and up to but not exceeding 15%	50%												
15% and up to but not exceeding 20%	75%												
20% or more	100%												
	500,000	These options will not be granted before 1 November 2006.	5 years										

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

37. Employee benefits (continued)

(c) Share based payments (continued)

The number and weighted average exercise price of share options is as follows:

	Weighted average exercise price 2006	Number of options 2006 '000	Weighted average exercise price 2005	Number of options 2005 '000
Outstanding at the beginning of the period	\$9.21	8,987	\$7.78	6,375
Forfeited during the period	\$10.46	(122)	\$9.64	(388)
Exercised during the period	\$6.76	(2,382)	\$6.06	(1,205)
Granted during the period	\$13.37	4,305	\$10.39	4,205
Outstanding at the end of the period	\$11.39	10,788	\$9.21	8,987
Exercisable at the end of the period		90		150

The options outstanding at 31 August 2006 have an exercise price in the range of \$6.00 to \$9.00 and \$9.00 to \$14.00 and a weighted average contractual life of 3.3 years (2005: 3.3 years).

During the year 2,382,000 options were exercised (2005: 1,205,000). The weighted average share price at the date of exercise was \$13.63 (2005: \$10.92).

38. Key management personnel disclosures

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Bank and the Consolidated Entity, including directors and other executives. Key management personnel include the five most highly remunerated S300A directors and executives for the Bank and Consolidated Entity.

The following were key management personnel of the Consolidated Entity at any time during the current and prior reporting periods and unless indicated were key management personnel for the entire period:

Non-executive directors

- Neil Roberts (Chairman)
- Antony Love (Deputy Chairman)
- Bruce Phillips
- Neil Summerson
- Peter Fox
- Bill Kelty
- John Reynolds
- Carmel Gray (appointed 6 April 2006)

Executive directors

- David Liddy (Managing Director)

Executives

- Robert Hines Group Executive and Chief Financial Officer
- Donna Quinn Group Executive Retail Banking
- Ross Norton Group Executive Business Banking
- Bruce Auty Group Executive Group Risk
- Jennifer Heffernan Group Executive and Chief Operations Officer
- Jenny Brice Group Executive Human Resources

Former Executives

- Terry Crawford General Manager Financial Services (resigned 1 October 2004)
- Sandy Deans General Manager People and Performance (resigned 24 December 2004)

38. Key management personnel disclosures (continued)

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	CONSOLIDATED AND BANK	
	2006 \$	2005 \$
Short-term employee benefits	5,339,426	5,122,187
Long term employee benefits	36,599	23,635
Post- employment benefits	363,174	312,907
Share based employment benefits	2,221,844	1,525,528
Termination benefits	-	575,723
	7,961,043	7,559,980

(b) Equity Instruments - holdings and movements

The movement during the reporting period in the number of options over ordinary shares in Bank of Queensland Limited held, directly, indirectly or beneficially, by key management personnel, including their personally related entities, is as follows:

Managing Director and Senior Management Option Plans ("SMOP")

All options issued under the Managing Director option plan and SMOP refer to options over ordinary shares of Bank of Queensland Limited, which are exercisable on a one-for-one basis.

During the reporting period, the following options over ordinary shares were granted to executives under the SMOP:

	Held at 1 September 2005	Granted as remuneration	Exercised	Other changes ⁽¹⁾	Held at 31 August 2006	Vested at 31/8/06	Vested and exercisable at 31 August 2006
Managing Director option plan:							
David Liddy	1,500,000	500,000 ⁽²⁾	(500,000) ⁽³⁾	-	1,500,000	500,000	-
SMOP:							
Executives							
Robert Hines	550,000	200,000	(150,000) ⁽⁴⁾	-	600,000	150,000	-
Donna Quinn	550,000	150,000	(150,000) ⁽⁴⁾	-	550,000	150,000	-
Ross Norton	525,000	150,000	(125,000) ⁽⁴⁾	-	550,000	125,000	-
Bruce Auty	300,000	150,000	-	-	450,000	-	-
Jennifer Heffernan	500,000	150,000	(150,000) ⁽⁴⁾	-	500,000	150,000	-
Jenny Brice	-	120,000	-	-	120,000	-	-

(1) Other changes represent options that expired or were forfeited during the year.

(2) Under the Plan, an additional 500,000 options (Tranche 4) will not be issued before 1 November 2006. Refer Directors' Report.

(3) Options exercised had an exercise price of \$5.972.

(4) Options exercised had an exercise price of \$6.99.

	Held at 1 September 2004	Granted as remuneration	Exercised	Other changes ⁽¹⁾	Held at 31 August 2005	Vested at 31/8/05	Vested and exercisable at 31 August 2005
Managing Director option plan:							
David Liddy	800,000	1,000,000 ⁽²⁾	(300,000) ⁽³⁾	-	1,500,000	300,000	-
SMOP:							
Executives							
Robert Hines	420,000	200,000	(70,000) ⁽⁴⁾	-	550,000	70,000	-
Donna Quinn	450,000	200,000	(100,000) ⁽⁴⁾	-	550,000	100,000	-
Ross Norton	325,000	200,000	-	-	525,000	-	-
Bruce Auty	-	300,000	-	-	300,000	-	-
Jennifer Heffernan	450,000	150,000	(100,000) ⁽⁴⁾	-	500,000	100,000	-
Jenny Brice	-	-	-	-	-	-	-
Terry Crawford ⁽⁵⁾	200,000	-	-	(200,000)	-	-	-
Sandy Deans ⁽⁵⁾	245,000	-	-	(63,000)	182,000	70,000	70,000

(1) Other changes represent options that expired or were forfeited during the year.

(2) Under the Plan, an additional 500,000 options (Tranche 3) will not be issued before 1 November 2005 and a further 500,000 options (Tranche 4) will not be issued before 1 November 2006. Refer Directors' Report.

(3) Options exercised had an exercise price of \$5.972.

(4) Options exercised had an exercise price of \$6.09.

(5) Sandy Deans resigned 24 December 2004 and Terry Crawford resigned 1 October 2004.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

38. Key management personnel disclosures (continued)

(b) Equity Instruments - holdings and movements (continued)

The number of shares held by key management personnel, (including their personally related entities) is as follows:

Ordinary shares	Held at 1 September 2005	Purchases (Sales)	Received on exercise of options	Granted as compensation	Held at 31 August 2006
Directors of Bank of Queensland Limited					
Neil Roberts	20,851	613	-	-	21,464
David Liddy	613,255	(868)	500,000	-	1,112,387
Antony Love	11,990	-	-	-	11,990
Bruce Phillips	48,881	(25,046) ⁽⁴⁾	-	-	23,835
Neil Summerson	16,284	787	-	-	17,071
Peter Fox	10,873,060	198,611	-	-	11,071,671
Bill Kelty	1,000	-	-	-	1,000
John Reynolds	1,000	-	-	-	1,000
Carmel Gray	-	1,000	-	-	1,000
Executives					
Robert Hines	146,160	-	150,000	-	296,160
Donna Quinn	101,139	56	150,000	-	251,195
Ross Norton	2,869	-	125,000	-	127,869
Bruce Auty	10,000	-	-	-	10,000
Jennifer Heffernan	100,284	-	150,000	-	250,284
Jenny Brice	-	-	-	-	-

Ordinary shares	Held at 1 September 2004	Purchases (Sales)	Received on exercise of options	Granted as compensation ⁽¹⁾	Held at 31 August 2005
Directors of Bank of Queensland Limited					
Neil Roberts	17,597	3,254	-	-	20,851
David Liddy	291,770	1,485	300,000	20,000	613,255
Antony Love	11,024	966	-	-	11,990
Bruce Phillips	24,959	23,922 ⁽⁴⁾	-	-	48,881
Neil Summerson	14,662	1,622	-	-	16,284
Peter Fox	10,873,060	-	-	-	10,873,060
Bill Kelty	1,000	-	-	-	1,000
John Reynolds	1,000	-	-	-	1,000
Executives					
Robert Hines	75,677	483	70,000	-	146,160
Donna Quinn	1,090	49	100,000	-	101,139
Ross Norton	2,869	-	-	-	2,869
Bruce Auty	10,000	-	-	-	10,000
Jennifer Heffernan	284	-	100,000	-	100,284
Sandy Deans ⁽²⁾	884	39	-	-	923
Terry Crawford ⁽²⁾	-	-	-	-	-
Jenny Brice ⁽³⁾	-	-	-	-	-

(1) David Liddy was issued 20,000 shares on 20 December 2004 as approved by shareholders at the Annual General Meeting held on 11 December 2001. The Bank's closing share price on the date of the issue was \$10.87. Under the terms of the resolution passed, these shares could not be disposed of prior to 8 April 2006.

(2) Sandy Deans resigned 24 December 2004 and Terry Crawford resigned 1 October 2004.

(3) Jenny Brice commenced at the Bank on 4 July 2005.

(4) 22,473 shares acquired as co-executor of a deceased estate were transferred to beneficiaries during 2006.

38. Key management personnel disclosures (continued)

(c) Loans to key management personnel disclosures

Details of loans outstanding at the reporting date to key management personnel, where the individual's aggregate loan balance exceeded \$100,000 at any time in the reporting period, are as follows:

	2006				2005			
	Balance at 1 September 2005	Interest paid and payable during the year	Balance at 31 August 2006	Highest balance during the year	Balance at 1 September 2004	Interest paid and payable during the year	Balance at 31 August 2005	Highest balance during the year
	\$	\$	\$	\$	\$	\$	\$	\$
Directors:								
Bill Kely	325,782	21,958	325,782	325,782	325,782	21,469	325,782	325,792
Antony Love	339,000	24,583	320,000	339,000	397,000	26,411	339,000	397,000
Executives:								
Robert Hines	983,022	74,667	1,122,107	1,209,284	949,964	67,547	983,022	1,012,888
Donna Quinn	1,286,867	50,216	941,367	1,286,051	1,294,952	80,299	1,286,867	1,299,457
Ross Norton	898,215	61,571	1,351,123	1,828,487	22,253	29,816	898,215	1,266,629
Jennifer Heffernan	1,271,081	88,541	1,269,274	1,276,154	1,615,077	104,732	1,271,081	1,631,713
Terry Crawford ⁽¹⁾	-	-	-	-	651,416	157,142	2,098,061	2,659,458

All loans with key management personnel are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

(1) Terry Crawford resigned 1 October 2004.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the economic entity to all key management personnel and their related parties, and the number of individuals in each group are as follows:

	Balance at 1 September 2005	Balance at 31 August 2006	Interest paid and payable	Number in group at 31 August 2006
	\$	\$	\$	#
Directors:	664,782	645,782	46,541	2
Executives:	4,439,185	4,683,871	274,995	4

(d) Other financial instrument transactions with key management personnel and personally-related entities

Financial instrument transactions with key management personnel and personally-related entities during the financial year arise out of the provision of banking services, the acceptance of funds on deposit, the granting of loans and other associated financial activities. These transactions were conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. Included in these transactions are certain loans made to the Linfox Group. At 31 August 2006 these facilities totalled \$31.5m (2005: \$47.6m).

Other non financial instrument transactions with key management personnel

Neil Summerson was a consultant during part of the prior financial year to the firm Ernst & Young, which from time to time renders professional services to the Bank and its controlled entities in the ordinary course of business. Fees paid to the firm by the Bank and its controlled entities in the prior financial year amounted to \$48,590.

Antony Love is a director of McGees Property which from time to time renders services to the Bank and its controlled entities in the ordinary course of business. Fees paid to the firm by the Bank and its controlled entities during the financial year amounted to \$29,555 (2005: \$33,798).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

38. Key management personnel disclosures (continued)

(d) Other financial instrument transactions with directors, executives and personally-related entities (continued)

Peter Fox and Bill Kelty are directors of Linfox Proprietary Limited of which Linfox Armaguard Pty Ltd is a subsidiary. The Bank has paid \$1,045,257 (2005: \$3,716,208) to Linfox Armaguard Pty Ltd in the ordinary course of business for cash delivery services. The directors in question have no involvement in the contract negotiation nor the provision of these services.

Other transactions with directors, executives and their personally-related entities are conducted on an arm's length basis and are deemed trivial or domestic in nature.

Liabilities recognised at reporting date arising from the above transactions were:

- Accounts payable and other liabilities - \$103,993

The following are transactions undertaken between the Consolidated Entity and key management personnel as at 31 August 2006.

	Total as at 01/09/05	Total at 31/08/06	Total Loan Repayments	Total Loan Redraws / Further Advances	Total Loan / Overdraft interest	Total Fees on Loans / Overdraft	
	\$	\$	\$	\$	\$	\$	
Term Products (Loans / Advances)	(5,103,967)	(5,358,715)	2,371,005	(2,258,730)	(322,537)	(13,353)	
	Total as at 01/09/05	Total at 31/08/06	Total Deposits / Card Repayments	Total Withdrawals / Card Purchases	Total Account / Card Fees	Total Card Interest	Total Deposit Interest
	\$	\$	\$	\$	\$	\$	\$
Transaction Products (Deposits / Credit Cards)	1,117,435	2,123,550	7,147,065	(6,201,714)	(1,614)	(782)	63,160

	PARENT ENTITY'S INTEREST		AMOUNT OF INVESTMENT (AT COST)	
	2006	2005	2006 \$m	2005 \$m
39. Controlled Entities				
(a) Particulars in relation to controlled entities				
Controlled entities:				
B.Q.L. Management Pty Ltd	100%	100%	-	-
B.Q.L. Nominees Pty Ltd	100%	100%	5.0	5.0
B.Q.L. Properties Limited	100%	100%	-	-
Queensland Electronic Switching Pty Ltd	100%	100%	0.1	0.1
BQ Bank Pty Ltd ⁽¹⁾	100%	100%	-	-
BOQ Equipment Finance Limited	100%	100%	15.4	15.4
Electronic Financial Solutions Pty Ltd	100%	100%	-	-
NZ ATM Services Ltd	-	50%	-	-
Symphony Trust No.3	-	100%	-	-
Series 1998-1 REDS Trust	-	100%	-	-
Series 1999-1 REDS Trust	-	100%	-	-
Series 1999-2 REDS Trust	-	100%	-	-
Series 2000-1 REDS Trust	100%	100%	-	-
Series 2000-2 REDS Trust	100%	100%	-	-
Series 2001-1 REDS Trust	100%	100%	-	-
Series 2001-2 REDS Trust	100%	100%	-	-
Series 2002-1 REDS Trust	100%	100%	-	-
Series 2002-2 REDS Trust	-	100%	-	-
Series 2003-1 REDS Trust	100%	100%	-	-
Series 2003-2 REDS Trust	100%	100%	-	-
Series 2004-1 REDS Trust	100%	100%	-	-
Series 2005-1 REDS Trust	100%	100%	-	-
Series 2005-2 REDS Trust	100%	100%	-	-
REDS Warehouse Trust No.1	100%	100%	-	-
REDS Warehouse Trust No.2	100%	100%	-	-
			20.5	20.5

All companies within the economic entity had their principal areas of operation in Australia, and were incorporated in Australia with the exception of NZ ATM Services Ltd which was incorporated and operated in New Zealand.

(1) Previously BOQ Wealth Management Pty Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2006

39. Controlled Entities (continued)

(b) Acquisition/disposal of controlled entities

The following controlled entities were acquired or disposed of during the financial year:

Acquisition of entities

During the financial year ended 31 August 2006, the Bank did not acquire any entities.

However on 22 December 2005, the Bank purchased the Debtor Finance division of Orix Australia Corporation Limited. In the eight months to 31 August 2006, the acquired Debtor Finance division contributed net profit after tax of \$2.0m.

If the acquisition had occurred on 1 September 2005, net profit after tax would have been \$3.0m.

Details of the acquisition are below:

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
Consideration	66.1	-	66.1	-
Cash acquired	-	-	-	-
Outflow of cash	66.1	-	66.1	-
Fair value of net assets of entity acquired:				
Debtor finance receivables	77.7	-	77.7	-
Employee provisions	(0.1)	-	(0.1)	-
Payables	(23.5)	-	(23.5)	-
Costs associated with acquisitions	(1.1)	-	(1.1)	-
	53.0	-	53.0	-
Customer Contracts	5.0	-	5.0	-
Goodwill on acquisition	8.1	-	8.1	-
Consideration (cash)	66.1	-	66.1	-

Control

As a result of adopting AIFRS, control has been recognised for the following securitisation vehicles:

- Series 1998-1 REDS Trust;
- Series 1999-1 REDS Trust;
- Series 1999-2 REDS Trust;
- Series 2000-1 REDS Trust;
- Series 2000-2 REDS Trust;
- Series 2001-1 REDS Trust;
- Series 2001-2 REDS Trust;
- Series 2002-1 REDS Trust;
- Series 2002-2 REDS Trust;
- Series 2003-1 REDS Trust;
- Series 2003-2 REDS Trust;
- Series 2004-1 REDS Trust;
- Series 2005-1 REDS Trust;
- Series 2005-2 REDS Trust;
- REDS Warehouse Trust No.1; and
- REDS Warehouse Trust No.2.

Disposals of entities

The following securitisation vehicles have been wound up during the year in accordance with the trusts' Master Trust Deed. The assets of the trusts were sold to the Consolidated Entity at their current book value.

- Symphony Trust No. 3;
- Series 1999-1 REDS Trust;
- Series 1999-2 REDS Trust; and
- Series 2002-2 REDS Trust.

During the prior financial year, the Series 1998-1 REDS Trust was wound up.

39. Controlled Entities (continued)

Acquisition/disposal of controlled entities (continued)

Disposals of entities (continued)

During the prior financial year, the Bank disposed of all of the ordinary shares of ATM Solutions Australasia Pty Ltd.

Details of the disposal are as follows:

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
Consideration (cash)	-	42.0	-	42.0
Carrying amount of disposal	-	(18.8)	-	(17.7)
Costs incurred in disposal	-	(0.4)	-	(0.4)
Profit on disposal	-	22.8	-	23.9
Net asset of entities disposed of				
Cash	-	0.1	-	0.1
Intangibles	-	1.5	-	1.5
Property, plant and equipment	-	21.5	-	21.5
Other assets	-	6.7	-	6.7
Creditors and borrowings	-	(28.3)	-	(28.3)
	-	1.5	-	1.5
	%		%	
Interest held after disposal	-		-	

During the prior financial year, the Bank disposed of all of the ordinary shares of NZ ATM Services Ltd.

Details of the disposal are as follows:

	CONSOLIDATED		BANK	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
Consideration (cash)	-	-	-	-
Carrying amount of disposal	-	-	-	-
Costs incurred in disposal	-	-	-	-
Profit on disposal	-	-	-	-
Net asset of entities disposed of	-	-	-	-
	-	-	-	-
	%		%	
Interest held after disposal	-		-	

40. Related parties information

Controlled entities

Details of interests in controlled entities are set out at Note 39.

During the year there have been transactions between the Bank and all its controlled entities. The Bank conducted normal banking business with its operating controlled entities. Amounts owing to or from controlled entities do not attract interest, except in respect of Queensland Electronic Switching Pty Ltd, BOQ Equipment Finance Limited and ATM Solutions (sold 31 July 2005) where interest is charged on normal terms and conditions.

The Bank receives management fees from B.Q.L. Management Pty Ltd, B.Q.L. Properties Limited and BOQ Equipment Finance Limited.

41. Events subsequent to balance date


On 15 August 2006 the Bank made an offer to purchase 100% of the issued capital of Pioneer Permanent Building Society. The acquisition is proposed to be undertaken under a scheme of arrangement which is expected to be completed by December 2006. The deal is subject to regulatory and court approvals and conditions customary of a transaction of this nature. These conditions had not been met at the time of this report.

The financial effect of this transaction has not been brought to account in the financial statements for the year ended 31 August 2006.

DIRECTORS' DECLARATION

- 1 In the opinion of the directors of Bank of Queensland Limited ("the Bank"):
 - (a) the financial statements and notes, including the remuneration disclosures that are designated as audited and are contained in the Remuneration report of the Directors' report, set out on pages 28 to 111, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Bank and Consolidated Entity as at 31 August 2006 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) the remuneration disclosures that are designated as audited and are contained in the Remuneration report of the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosure.
 - (c) there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable.
- 2 There are reasonable grounds to believe that the Bank and the Controlled Entities identified in Note 39 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Controlled Entities pursuant to ASIC Class Order 98/1418.
- 3 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 31 August 2006.

Signed in accordance with a resolution of the directors:



Neil Roberts

Chairman



David Liddy

Managing Director

Dated at Brisbane this twelfth day of October 2006

INDEPENDENT AUDIT REPORT

to members of Bank of Queensland Limited

Scope

The financial report, remuneration report and directors' responsibility

The financial report comprises the income statements, statements of recognised income and expense, balance sheets, statements of cash flows, accompanying notes to the financial statements and the directors' declaration for both the Bank of Queensland Limited (the "Bank") and the Bank of Queensland Limited and its controlled entities (the "Consolidated Entity") for the year ended 31 August 2006. The Consolidated Entity comprises both the Bank and the entities it controlled during that financial year.

As permitted by the Corporations Regulations 2001, the Bank has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting standard AASB 124 *Related Party Disclosures*, that are designated as audited and are contained in the Remuneration report and not in the financial report. The Remuneration report also contains information that is designated as unaudited, not required by Australian Accounting standard AASB 124 which is not subject to our audit.

The directors of the Bank are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting standard AASB1 *First-time Adoption of Australian equivalents to International Financial Reporting standards*. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Bank. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and that the remuneration disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Bank's and Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Australian Accounting Standard AASB 124.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Audit opinion

1. In our opinion, the financial report of Bank of Queensland Limited is in accordance with:
 - a) the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Bank and Consolidated Entity's financial position as at 31 August 2006 and of their performance for the financial year ended on that date; and
 - ii. complying with Australian Accounting standards, and the Corporations Regulations 2001; and
 - b) other mandatory financial reporting requirements in Australia.
2. The remuneration disclosures that are designated as audited and are contained in the Remuneration report of the Directors' Report comply with Australian Accounting standard AASB 124 *Related Party Disclosures*.

KPMG

Robert S Jones

Partner

Brisbane, 12 October 2006

KPMG, an Australian partnership, is part of the KPMG International network.
KPMG International is a Swiss cooperative.

CAPITAL ADEQUACY DETAILS

	CONSOLIDATED	
	AIFRS 2006 \$m	AGAAP 2005 \$m
Capital adequacy		
Qualifying capital		
Tier 1		
Issued capital	531.2	596.4
Employee benefits reserve	9.2	-
Retained profits	97.6	119.1
Add: Hybrid (RePS and S1RPS)	111.9	-
Add: Upfront fee income	2.2	-
Less: Dividends not accrued	(16.0)	(44.4)
Add: Estimated participation in dividend reinvestment plan	7.5	14.4
Less: Deferred expenditure	(27.2)	(21.0)
Less: Non consolidated entities for capital reporting	(1.5)	(0.9)
Less: Excess deferred tax assets	(53.9)	-
Less: Intangibles	(109.6)	(12.2)
Add: APRA transitional relief	110.0	-
Total Tier 1 capital	661.4	651.4
Tier 2		
Unrealised gains on cashflow hedge reserve	1.2	-
General provision for doubtful debts net of tax effect	40.6	36.8
Term subordinated debt	331.4	231.0
Total Tier 2 capital	373.2	267.8
Deductions: Credit support of a capital nature (REDS EHP Trusts)	(25.6)	(16.4)
Total qualifying capital	1,009.0	902.8
Risk adjusted assets and off-balance sheet exposures		
Risk adjusted assets	RISK WEIGHT	
Cash, balances with RBA, and Commonwealth and State government securities maturing within 12 months	0%	-
Claims on local governments, public sector entities, Australian and OECD banks	20%	222.2
Loans secured by residential real estate	50%	3,429.2
Other loans	100%	3,980.7
Other assets	100%	88.0
Total risk adjusted assets		7,720.1
Risk adjusted off-balance sheet exposures		386.5
Total risk weighted assets		8,106.6
Risk-weighted capital ratios		
Tier 1 – Core	6.8%	7.3%
Tier 1 – Hybrid (RePS)	1.4%	1.7%
Total Tier 1	8.2%	9.0%
Tier 2	4.6%	3.6%
Deductions	(0.3%)	(0.2%)
Total	12.5%	12.4%

SHAREHOLDING DETAILS

As at 6 October 2006, the following shareholding details applied:

1. Twenty largest ordinary shareholders

Shareholder	No. of ordinary shares	%
Linfox Share Investment No2 Pty Limited ⁽¹⁾	11,070,671	10.40
Milton Corporation Limited	4,547,333	4.27
JP Morgan Nominees Australia Limited	3,385,565	3.18
National Nominees Limited	2,043,094	1.92
Westpac Custodian Nominees Limited	2,015,589	1.89
Abned Nominees Pty Limited ⁽²⁾	1,386,091	1.30
Australian Executor Trustees Limited	1,240,772	1.17
Citicorp Nominees Pty Limited	1,150,906	1.08
Washington H Soul Pattinson and Company Limited	918,035	0.86
Choiseul Investments Limited	812,208	0.76
UBS Wealth Management Australia Nominees Pty Ltd	800,333	0.75
Queensland Investment Corporation	689,831	0.65
Mr David Paul Liddy	612,387	0.58
Citicorp Nominees Pty Limited ⁽³⁾	555,670	0.52
Citicorp Nominees Pty Limited ⁽⁴⁾	490,594	0.46
Cogent Nominees Pty Limited ⁽⁵⁾	479,550	0.45
Argo Investments Limited	460,147	0.43
ANZ Nominees Limited	412,952	0.39
Cogent Nominees Pty Limited	392,560	0.37
The Manly Hotels Pty Limited	369,797	0.35
Total	33,834,085	31.78

(1) Fox Group Holdings Pty Ltd

(2) Includes part of the holdings of the Bank's managing director, Mr David Liddy

(3) CFS Future Leaders Fund Account

(4) CFSIL CFS WS Small Comp Account

(5) SMP Accounts

Voting rights

On a show of hands every person present who is a holder of ordinary shares or a duly appointed representative of a holder of ordinary shares has one vote, and on a poll each member present in person or by proxy or attorney has one vote for each share that person holds.

SHAREHOLDING DETAILS

2. Twenty largest RePS shareholders

Shareholder	No. of REPS shares	%
ANZ Nominees Limited	28,083	5.95
Milton Corporation Limited	15,598	3.31
Questor Financial Services Limited	8,012	1.70
Argo Investments Limited	7,500	1.59
M F Custodians Ltd	6,166	1.31
Sandhurst Trustees Ltd	6,050	1.28
Brencorp No11 Pty Limited	5,750	1.22
Choiseul Investments Limited	5,000	1.06
JP Morgan Nominees Australia Limited	3,844	0.81
General Packaging Pty Ltd	3,150	0.67
Mrs Eily Dawn Campbell	3,000	0.64
Ms Joan Sorrell Norris	3,000	0.64
Trustees of the Diocese of Tasmania	2,962	0.63
Mr Alan Muir Greenfield Et Mrs Dawn Marjorie Greenfield	2,800	0.59
Brencorp No 11 Pty Limited	2,500	0.53
Driscoll Securities Pty Ltd	2,500	0.53
The Invergowrie Foundation	2,385	0.51
Hisave Pty Limited	2,276	0.48
Citicorp Nominees Pty Limited	2,226	0.47
Fabego Pty Ltd	2,200	0.47
Total	115,002	24.39

Voting rights

The RePS do not give the holders any voting rights at any general shareholders meetings, except in certain circumstances.

3. Twenty largest S1RPS shareholders

Shareholder	No. of S1RPS shares	%
J P Morgan Nominees Australia Limited	219,050	33.83
J P Morgan Nominees Australia Limited	90,000	13.90
Invia Custodian Pty Limited ⁽¹⁾	70,000	10.81
Alliancebernstein Australia Limited	50,000	7.72
Citicorp Nominees Pty Limited	42,019	6.49
RBC Dexia Investor Services Australia Nominees Pty Limited	35,000	5.41
Invia Custodian Pty Limited ⁽²⁾	16,590	2.56
The Australian National University	15,000	2.32
Goldman Sachs JBWere Capital Markets Ltd	14,999	2.32
Hampton Pty Ltd	10,000	1.54
M F Custodians Ltd	5,246	0.81
ANZ Nominees Limited	5,000	0.77
Argo Investments Limited	5,000	0.77
Bennelong Group Pty Ltd	5,000	0.77
Brencorp No 11 Pty Limited	5,000	0.77
Cambooya Pty Limited	5,000	0.77
J G Johnson Investments Pty Ltd	5,000	0.77
Brencorp Pty Limited	2,500	0.39
Cambooya Pty Limited ⁽³⁾	2,500	0.39
Mr Kevin James Driscoll	2,500	0.39
Total	605,404	93.50

⁽¹⁾ Wilson Investment Fund Ltd Account

⁽²⁾ WAM Capital Limited Account

⁽³⁾ Foundation Account

Voting rights

The S1RPS do not give the holders any voting rights at any general shareholders meetings, except in certain circumstances.

4. Distribution of equity security holders

Category	ORDINARY SHARES		REPS		S1RPS	
	2006	2005	2006	2005	2006	2005
1 - 1,000	22,479	19,728	1,221	1,373	76	68
1,001 - 5,000	14,753	14,735	51	64	17	17
5,001 - 10,000	1,548	1,482	5	6	2	1
10,001 - 100,000	774	742	2	3	8	9
100,001 - and over	52	39	-	-	1	1
Total	39,606	36,726	1,279	1,446	104	96

The number of ordinary shareholders holding less than a marketable parcel is 2,197.

The number of reset preference shareholders holding less than a marketable parcel is nil.

The number of series 1 reset preference shareholders holding less than a marketable parcel is nil.

5. Partly Paid Shares

There are no partly paid shares.

6. The names of substantial shareholders in the Bank and the number of shares in which each has an interest as disclosed in substantial shareholder notices given to the Bank are:

Substantial shareholders	No. of ordinary shares in which interest is held (at date of notification)	Date of notification
Linfox Share Investment No.2 Pty Ltd	11,070,671	19 May 2004

7. Stock exchange listing

The shares of Bank of Queensland Limited ("BoQ"), RePS ("BOQPA") and S1RPS ("BOQPB") are quoted by the Australian Stock Exchange Limited.

8. Options

At 31 August 2006 there were options over 10,787,945 (2005: 8,977,000) unissued ordinary shares. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

9. On market buy-back

There is no current on market buy-back.

10. Other information

The Bank of Queensland Limited is a publicly listed company limited by shares and is incorporated and domiciled in Australia.

BRANCH NETWORK

QUEENSLAND

115 Queen Street	<i>Craig Henderson</i>	07 3212 3111	Deception Bay	<i>Robert Rodie</i>	07 3204 2600
167 Eagle Street	<i>Sandy Lyddy</i>	07 3005 7655	Earlville	<i>Helen Bashford</i>	07 4033 5388
255 Queen Street	<i>Shon Griffiths</i>	07 3000 2030	Elanora	<i>Anthony Shipman</i>	07 5569 7280
Acacia Ridge	<i>Gavin Pingel</i>	07 3336 1000	Fairfield	<i>Neil Pennell</i>	07 3846 3488
Aitkenvale	<i>Tony Castrejana</i>	07 4762 7900	Forest Lake	<i>David Armstrong</i>	07 3372 4855
Albany Creek	<i>Daryl Hermann</i>	07 3264 4244	Fortitude Valley	<i>Robert Van Kan</i>	07 3252 3630
Alexandra Hills	<i>Glen Findlay</i>	07 3824 5544	Garden City	<i>Scott Gold</i>	07 3343 2244
Algester	<i>Shane Nolan</i>	07 3711 6144	Geebung	<i>TBA</i>	07 3216 2688
Arana Hills	<i>Albin Buchner</i>	07 3851 1996	Gladstone	<i>Rod Mannell</i>	07 4972 7321
Ashgrove	<i>John Paul</i>	07 3366 2142	Goodna	<i>Neville Kerr</i>	07 3818 0799
Ashmore	<i>Duncan Plastow</i>	07 5597 2911	Gympie	<i>Mark Stokes</i>	07 5482 7222
Aspley	<i>Greg Brady</i>	07 3263 5190	Hamilton	<i>Ross MacNeil</i>	07 3000 4200
Beaudesert	<i>Steve Gode</i>	07 5542 1111	Harbour Town	<i>David Allsopp</i>	07 5528 8838
Beenleigh	<i>Michael Stephen</i>	07 3287 5377	Hervey Bay	<i>Glenn Jansz</i>	07 4125 9620
Beerwah	<i>Jeff Willis</i>	07 5439 0622	Indooroopilly	<i>Peter Hartley</i>	07 3878 3500
Benowa	<i>John Shillington</i>	07 5597 2122	Ipswich	<i>Peter Hyett</i>	07 3202 1022
Biloela	<i>David Dann</i>	07 4992 0222	Jimboomba	<i>Nigel Faulkner</i>	07 5548 6655
Birkdale	<i>Ramesh Singh</i>	07 3822 9755	Kallangur	<i>Mike Armit</i>	07 3886 1227
Booval	<i>Paddy Mutu</i>	07 3812 1550	Kawana Waters	<i>TBA</i>	07 5444 0880
Bribie Island	<i>Allan Coe</i>	07 3410 1600	Kenmore	<i>Glen Halliday</i>	07 3378 0362
Broadbeach	<i>Wendy Kawan</i>	07 5527 5666	Keperra	<i>Chris McKeown</i>	07 3351 8655
Brookside	<i>Gavin Watts</i>	07 3855 1088	Kin Kora	<i>Andrew Bauer</i>	07 4978 2199
Browns Plains	<i>Jason Wilson</i>	07 3800 4344	Kingaroy	<i>Ian MacAlpine</i>	07 4162 7533
Buderim	<i>Robert McMillan</i>	07 5445 6150	Kippa Ring	<i>Lynne Calam</i>	07 3284 0888
Bulimba	<i>Michael Rose</i>	07 3906 1000	Kirwan	<i>Darren Wall</i>	07 4723 2552
Bundaberg	<i>Mark Salisbury</i>	07 4153 2055	Logan Central	<i>Bob Bridge</i>	07 3290 1000
Bundaberg West	<i>Rachelle Hyne</i>	07 4153 1566	Loganholme	<i>Daria Krstic</i>	07 3801 2922
Burleigh Heads	<i>Lisa O'Brien</i>	07 5535 6799	Lutwyche	<i>TBA</i>	07 3857 7722
Cairns	<i>Franco Fantin</i>	07 4048 0530	Mackay	<i>Melissa Green</i>	07 4951 4200
Cairns Central	<i>David McGregor</i>	07 4031 3365	Maleny	<i>Brad Platz</i>	07 5499 9855
Caloundra	<i>Alan Porter</i>	07 5491 6877	Manly	<i>Jon Hui</i>	07 3893 0500
Caneland	<i>Melissa Starr</i>	07 4957 2720	Maroochydore	<i>TBA</i>	07 5443 2711
Cannon Hill	<i>Roger Willis</i>	07 3390 6393	Maryborough	<i>Brett Small</i>	07 4123 3011
Capalaba	<i>Alice Tait</i>	07 3390 1066	Mermaid Waters	<i>Kelly Lawn</i>	07 5426 6411
Carina	<i>Ken Hayes</i>	07 3843 0166	Mooloolaba	<i>Brenden Brial</i>	07 5478 0522
Carindale	<i>Sofia Sauvao</i>	07 3405 8730	Moorooka	<i>Bob Barkla</i>	07 3848 7250
Castletown	<i>David Leonardi</i>	07 4760 1000	Morayfield	<i>Jason Lenske</i>	07 5495 4800
Chancellor Park	<i>Janet Brennan</i>	07 5456 1822	Mt Gravatt	<i>Kevin Farquhar</i>	07 3247 1700
Chermside	<i>Peta Vale</i>	07 3359 9142	Mt Ommaney	<i>John Lynch</i>	07 3376 1168
Cleveland	<i>Darren Hinds</i>	07 3286 1855	Mudgeeraba	<i>John Forrester</i>	07 5569 5060
Clifford Gardens	<i>Barry Fagg</i>	07 4633 3122	Murgon	<i>Ian MacAlpine</i>	07 4169 5555
Coolangatta	<i>John Elsworthy</i>	07 5536 9266	Nambour	<i>Douglas Cook</i>	07 5476 2003
Coolum	<i>Wendy Wiles</i>	07 5446 5455	Narangba	<i>David Honeywood</i>	07 3886 8700
Coorparoo	<i>Brett Davies</i>	07 3397 9033	Nerang	<i>Gary Stimpson</i>	07 5596 3277
Currimundi	<i>Lee Priem</i>	07 5493 1305	New Farm	<i>Tony Woodbridge</i>	04 3131 5000
Daisy Hill	<i>Lynne Power</i>	07 3209 4183	Noosa Heads	<i>TBA</i>	07 5473 8888
			Noosaville	<i>Karen Hartley</i>	07 5474 0755

North Lakes	<i>Mukesh Raj</i>	07 3491 9311
North Rockhampton	<i>Michael Polkinghorne</i>	07 4924 1111
North Shore	<i>Darren Spence</i>	07 5453 1600
North Ward	<i>Declan Carnes</i>	07 4760 2050
Nundah	<i>Jim Georgiou</i>	07 3000 1730
Oxenford	<i>Handley Jones</i>	07 5580 6855
Paddington	<i>Liza Schmidt</i>	07 3369 0833
Palm Beach	<i>Trent Williams</i>	07 5534 6444
Redbank Plains	<i>Kelby Williams</i>	07 3814 5188
Redbank Plaza	<i>Stephen Casey</i>	07 3288 5944
Redcliffe	<i>Steven Quailey</i>	07 3283 4922
Redland Bay	<i>Daniel Connor</i>	07 3829 1696
Robina	<i>Danae Kirwan</i>	07 5578 9355
Rockhampton	<i>TBA</i>	07 4927 3433
Royal Brisbane Hospital	<i>Tracey Murrin</i>	07 3000 5777
Runaway Bay	<i>Garry Holden</i>	07 5537 7292
Sanctuary Cove	<i>Don Evans</i>	07 5577 8123
Sandgate	<i>Gordon Muir</i>	07 3269 3236
Sherwood	<i>Tony Rimon</i>	07 3379 5058
Smithfield	<i>Janette Twomey</i>	07 4038 2422
South Bank	<i>Sean Ryan</i>	07 3033 4000
Southport	<i>Ian Smith</i>	07 5532 8844
Spring Hill	<i>Philip Boston</i>	07 3005 1200
Springfield	<i>Kym Wickstein</i>	07 3437 8844
Springwood	<i>Tony Ambrose</i>	07 3808 4994
Stafford	<i>Lee Andrews</i>	07 3356 0322
Stones Corner	<i>TBA</i>	07 3397 1527
Strathpine	<i>Romye Pepi</i>	07 3205 6544
Sunnybank	<i>Roger Taylor</i>	07 3345 9111
Sunnybank Hills	<i>Shane Nolan</i>	07 3273 7155
Surfers Paradise	<i>Wayne Sippel</i>	07 5558 2080
Taigum	<i>Paul O'Leary</i>	07 3633 0856
Tewantin	<i>Rod Pertot</i>	07 5442 4300
The Gap	<i>Shermice Khuu</i>	07 3300 1044
Toombul	<i>Donna Visini</i>	07 3000 1750
Toowong	<i>Claire Duffy</i>	07 3371 3988
Toowoomba	<i>Greg Droney</i>	07 4615 3270
Townsville	<i>Kevin Gallagher</i>	07 4772 1799
Victoria Point	<i>Ross O'Shea</i>	07 3207 6133
Warner	<i>Rick Webb</i>	07 3882 5100
West Burleigh	<i>Philip Imhoff</i>	07 5593 7173
West End	<i>Paul Cluff</i>	07 3844 8750
Wilsonton	<i>Charlie Aston</i>	07 4633 7477
Windsor	<i>Tony Arnold</i>	07 3861 0922
Winston Glades	<i>Marty Branigan</i>	07 3288 0111
Wynnum	<i>Andrew Brown</i>	07 3396 9277
Yeppoon	<i>Ian Scott</i>	07 4933 8133

PRIVATE BANK

259 Queen Street (Brisbane) *Elsewerth Ephraums* 07 3212 3507

NSW/ACT

10 Spring Street	<i>Peter Kitson-Crowe</i>	02 9329 7280
136 Castlereagh Street	<i>TBA</i>	02 8255 6580
Ballina	<i>Louise Gooding</i>	02 6626 8430
Bankstown	<i>TBA</i>	02 9205 4888
Bathurst	<i>Russel Gardner</i>	02 6339 5877
Belconnen	<i>Meena Jinna</i>	02 6209 4888
Blacktown	<i>Rahul Jethi</i>	02 8808 8686
Bondi Junction	<i>Scott McCoy</i>	02 9298 6288
Bowral	<i>Chris Benton</i>	02 4860 4244
Burwood	<i>David Kwong</i>	02 9714 9688
Byron Bay	<i>Shelley Copeland</i>	02 6639 7600
Campbelltown	<i>Penny Jeffery</i>	02 4633 2000
Campsie	<i>Norman Nuyda</i>	02 9784 7950
Carlingford Court	<i>Angela Jones</i>	02 8855 0000
Castle Hill	<i>Brian Trinh</i>	02 9865 7130
Charlestown	<i>John Wheeler</i>	02 4974 4430
Chatswood	<i>Daniel Pang</i>	02 9448 3113
City Walk Canberra City	<i>Ross Liddle</i>	02 6209 1840
Coffs Harbour	<i>Rob Anderson</i>	02 6648 3880
Cronulla	<i>Steven Jemmeson</i>	02 9531 3700
Dee Why	<i>Patrick Chew</i>	02 9941 3560
Erina	<i>Stewart Gall</i>	02 4367 4255
Grafton	<i>Peter Gibbons</i>	02 6641 4120
Hamilton - Newcastle	<i>Ken Banning</i>	02 4908 5660
Hornsby	<i>Ron Johnson</i>	02 9450 7200
Hurstville	<i>TBA</i>	02 8512 2260
Kellyville	<i>Patrick Bridge</i>	02 8884 8999
Kensington	<i>Greg Mackie</i>	02 9697 3800
Kingscliff	<i>David Pearce</i>	02 6674 1700
Lismore	<i>Peter Warren</i>	02 6626 4280
Maroubra Junction	<i>TBA</i>	02 8374 1050
Marrickville	<i>Donald Nguyen</i>	02 8512 1055
Menai	<i>Michael Zacharia</i>	02 9541 0711
Miranda	<i>Stephen Sargent</i>	02 9545 8100
Newtown	<i>Mark Ely</i>	02 8512 8088
North Parramatta	<i>Graham O'Kell</i>	02 8855 5050
North Sydney	<i>John Dickson</i>	02 9242 2733
Penrith	<i>Anthony Walker</i>	02 4723 7650
Punchbowl	<i>Ahmed Hage-Ali</i>	02 9205 4740
Rhodes	<i>Shauna Geraghty</i>	02 9739 6044
Rialto Square, Manly NSW	<i>Jodie O'Mullane</i>	02 9976 3599
Rockdale	<i>Milad Faeeh</i>	02 9582 2610
Rouse Hill	<i>Tony Monteiro</i>	02 8814 5977

BRANCH NETWORK

NSW/ACT (CONTINUED)

St Ives	<i>George Markos</i>	02 9470 7080
Sydney Markets, Flemington	<i>Queenie Cheng</i>	02 8736 1888
Tamworth	<i>Warren Grills</i>	02 6701 9088
Toronto	<i>Jeff Jones</i>	02 4974 5880
Tuggerah	<i>Paul Van Dyk</i>	02 4356 9055
Tuggeranong	<i>Stan Jordan</i>	02 6209 0550
Tweed Heads South	<i>Craig Tuckwell</i>	07 5569 4230
World Square, Haymarket	<i>Antonio Chan</i>	02 8276 7500

VICTORIA

1 Queens Rd	<i>Mark Nicholas</i>	03 9204 8028
100 Exhibition Street	<i>Josephine Tan</i>	03 8633 5555
163 Bourke St	<i>Richard Chan</i>	03 9299 4050
455 Bourke Street	<i>Tom Tancredi</i>	03 9206 2300
Abbotsford	<i>Ben Pham</i>	03 9201 0310
Armada	<i>Darren Rogers</i>	03 9856 8100
Doncaster East	<i>Tony Cardamone</i>	03 9842 7433
Essendon	<i>Paul Clarke</i>	03 9299 5450
Footscray	<i>Vagano Hang</i>	03 8379 6000
Frankston	<i>John Hicks</i>	03 9293 7500
Geelong	<i>Les Warden</i>	03 5225 9840
Hampton	<i>Kate Merta</i>	03 9597 3100
Mt Waverley	<i>Sean Van Cuylenberg</i>	03 9802 0011
Preston	<i>Emmanuel Samuel</i>	03 9954 6255
Richmond	<i>Nellie Dicks</i>	03 9201 0530
Ringwood	<i>Karen Myers</i>	03 9298 4000
South Melbourne	<i>Elizabeth Amendolia</i>	03 8699 3700
South Morang	<i>Joe Ciorra</i>	03 9404 4300
Station St, Fairfield	<i>Nicholas Azar</i>	03 9241 7000
Werribee	<i>George Kapelles</i>	03 9731 5000
Yarraville	<i>Frank Filippone</i>	03 9932 5180

WESTERN AUSTRALIA / NORTHERN TERRITORY

Applecross (WA)	<i>Dean Stonehouse</i>	08 9464 3244
Darwin	<i>Cameron Blair</i>	08 8936 8111
Subiaco (WA)	<i>Tania Watton</i>	08 9287 9288

BUSINESS BANKING CENTRES

Brisbane CBD	<i>Sean O'Donnell</i>	07 3212 3386
Stones Corner	<i>Mark Yourell</i>	07 3324 5118
Geebung	<i>Robert Franklin</i>	07 3131 3000
Gold Coast	<i>Carl Clasen</i>	07 5592 4688
Sunshine Coast	<i>Glen Goldspink</i>	07 5459 8830
Toowoomba	<i>Martin Brady</i>	07 4516 3254
Rockhampton	<i>Mark Fewtrell</i>	07 4931 6110
Mackay	<i>Mike Meynell</i>	07 4944 1829
Townsville	<i>Kevin Ryan</i>	07 4772 1892
Cairns	<i>Dan Carmody</i>	07 4041 6230
Gladstone	<i>Dick Norton</i>	07 4972 7321
Sydney	<i>Lee Clarke</i>	02 9352 4400
Melbourne	<i>Rob Castersen</i>	03 9865 4005

BANK OF QUEENSLAND EQUIPMENT FINANCE OFFICES

Townsville	<i>Gus Pinches</i>	07 4759 3111
Rockhampton	<i>John Bell</i>	07 4931 6111
Mackay	<i>Steve Burchill</i>	07 4952 5746
Brisbane	<i>Mark Sydes</i>	07 3324 5905
Sydney	<i>Brad Fishburn</i>	02 9352 4450
Canberra	<i>Neil Temby</i>	02 6283 7800
Melbourne	<i>Terry Tzivakis</i>	03 9613 6000
Perth	<i>Norman Haswell</i>	08 9421 6999
Auckland	<i>Matthew Mooney</i>	+ 64 9359 7441

PROPERTY FINANCE

Brisbane	<i>Arch Caithness</i>	07 3212 3938
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