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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 2007 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 Chairman Non-Executive Independent Director	68	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, the past President of Queensland Private Enterprise Centre, and a past President of The Brisbane Club. He is the Chairman of the Bank's Remuneration & Nomination Committee.
David Liddy, MBA, SF FIN, MAICD Managing Director Executive Non-Independent Director	57	David Liddy has 39 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 Chairman of the Queensland Museum Foundation, a board member of the Royal Children's Hospital Foundation and a member of the Financial Sector Advisory Council. 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. He is an ex-officio member of all of the Bank's Board sub-committees.
Antony Love, B Com, AAUQ, FAPI, FREI, FAICD Deputy Chairman Non-Executive Independent Director	60	Antony Love is a property consultant with 37 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.
Neil Summerson, B Com, FCA, FAICD, FAIM Non-Executive Independent Director	59	Neil Summerson is a Chartered Accountant with 37 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, Australian Made Campaign Limited, APGL (Palm Beach) Pty Limited, Elderslie Property Limited, Austgrowth Investment Management Pty Limited, Austgrowth Property Syndicates Limited, Moore Stephens (Queensland) Limited and Australia & International Holdings Limited. He is a former Chairman of the Brisbane Water Board and is currently Chairman of PQ Lifestyles Limited, Motorama Holdings Pty Ltd, Australian Property Growth Fund Management 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) Non-Executive Non-Independent Director	45	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 Econ Non-Executive Non-Independent Director	59	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 Non-Executive Independent Director	64	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 and Davidson Recruitment Group. He is a director of Mater Health Services Brisbane Limited, Brisbane Powerhouse Pty Ltd, Rowland Communication Group 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 Non-Executive Independent Director	58	Carmel Gray was appointed a director of the Bank in 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-Metway Limited from 1999 to 2004. Prior to her Suncorp-Metway 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.
David Graham, B Com, B.Econ(Hons), MBA, FCPA Non-Executive Non-Independent Director	65	David Graham has held board positions on companies such as Santos Limited, Crusader Holdings NL, Mincom Limited and Wilson HTM Ltd over the last three decades. He was appointed as a non-executive Director of Bank of Queensland in October 2006. Mr Graham is Executive Chairman of DDH Graham Limited, which manages a number of property funds, operates a successful advisory business and money market operation.

Bruce Phillips retired as a director on 11 October 2006.

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 (1)	
	A	B	A	B	A	B	A	B	A	B	A	B
Neil Roberts	12	12	-	-	-	-	4	4	-	-	4	4
David Liddy (2)	12	12	4	8	1	1	1	4	1	1	4	4
Antony Love	12	12	-	-	-	-	2	4	1	1	-	-
Bruce Phillips (3)	1	1	1	1	-	-	-	-	-	-	-	-
Neil Summerson	12	12	8	8	1	1	-	-	-	-	4	4
Peter Fox	10	12	-	-	-	-	-	-	-	1	-	-
Bill Kelty	12	12	-	-	1	1	-	-	-	-	1	1
John Reynolds	11	12	7	8	1	1	4	4	-	-	2	2
Carmel Gray	11	12	-	-	-	-	-	-	-	-	1	1
David Graham (4)	11	11	6	7	-	-	-	-	1	1	2	2
Total number of meetings held	12		8		1		4		1		4	

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

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

(2) David Liddy is an ex-officio member of all sub-committees.

(3) Bruce Phillips retired as a director on 11 October 2006.

(4) David Graham was appointed as a director on 11 October 2006.

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 2007 increased by 40% to $129.8 million compared with the 2006 result of $92.7 million.

Included in the current after-tax profit is the sale of the Bank's credit card portfolio to Citigroup Pty Limited which realised a pre-tax profit of $41.6 million and an after-tax profit of $29.1 million. Also, included is the after tax costs of $2.8 million incurred in relation to the integration of Pioneer and after tax costs of $0.6 million associated with the proposed merger with Bendigo Bank Limited.

If the above items are excluded from the 2007 result, the net profit would be $104.1 million.

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

The adjusted 2007 profit of $104.1 million is 21% higher than the adjusted prior year net profit after-tax of $86.2 million.

Operating and finance review (continued)

Income

Total income increased by 30% during the current year to $500.0 million. Net interest income for the year ended 31 August 2007 increased by 19% to $321.3 million from the prior period result of $269.8 million.

Other operating income increased by 55% to $178.7 million for the 2007 year from $115.2 million in the prior year. However in the current period other operating income includes the impact of the sale of the Bank's credit card portfolio to Citigroup Pty Limited on 4 June 2007. This sale realised a net profit before tax of $41.6 million. If the impact of this sale is excluded, then total income and other operating income increased by 19% to $137.1 million.

Net interest income

Net interest income increased by 19% to $321.3 million for the 2007 financial year compared to the 2006 result of $269.8 million. This was due to the Bank being able to deliver strong asset growth and maintain margins.

The Bank was able to grow total loans under management by 27% to $19.2 billion from loans under management at 31 August 2006 of $15.1 billion.

The Bank's net interest margin was 1.81% for the 2007 year, which was slightly lower than the margin for the 2006 year of 1.83%.

Other operating income

Other operating income for the financial year ended 31 August 2007 grew by 55% to $178.7 million from the prior financial year result of $115.2 million. As noted above, the current year's result includes the pre-tax gain of $41.6 million relating to the sale of the Bank's credit card portfolio. If the impact of this sale is excluded, then other operating income grew by 19% to $137.1 million.

This growth in other operating income is mainly due to the 52 branches opened in the past two years approaching operational maturity and also the positive impact of the Pioneer acquisition.

Expenses

The Bank's costs increased by 18% to $294.7 million in the current financial year from the previous year's expense of $249.1 million. However, non-operational expenses such as non-recurring Pioneer integration costs amounting to $4.0 million, the costs in the proposed merger with Bendigo Bank Limited of $0.8 million and amortisation of customer contracts costs of $2.7 million are included in the current year's expenses.

If these amounts were excluded, the Bank's expenses in the current year would be $287.2 million, an increase of 15% on the prior financial year. This increase in costs is due to the growth in activity levels and also the expansion of the Bank's distribution network.

Efficiency

The Bank's cost to income ratio has decreased from the 2006 result of 64.7% to 58.9% in the current year. However the current year's result includes the pre-tax profit of $41.6 million relating to the sale of the credit card portfolio. Expenses also include non-recurring Pioneer integration costs amounting to $4.0 million, the costs in the proposed merger with Bendigo Bank Limited of $0.8 million, and amortisation of customer contracts costs of $2.7 million. If the impacts of the above items are excluded, the cost to income ratio would be 62.6%, indicating a steady improvement in efficiency.

Asset quality and provisioning

Impairment on loans and advances

Expenses relating to impairment on loans and advances were $20.9 million for the year ended 31 August 2007. This expense consisted of $19.1 million of specific provision impairment expense and $1.8 million of expense relating to the collective provision.

The impairment expense of $20.9 million for the 2007 financial year has increased by $8.6 million or 70% on the prior period expense of $12.3 million. This increase reflects the substantial growth in the Bank's loan book, particularly in relation to unsecured lending.

Impaired assets

Impaired assets increased in gross terms to $11.4 million at 31 August 2007 from $7.3 million for the prior year. Impaired assets as a percentage of non-securitised loans have increased slightly to 0.09% from 0.07% in the prior year, reinforcing the Bank's strategy of growing strongly but not at the expense of asset quality.

Lending approvals and asset growth

New lending approvals reached a new record of $13.0 billion for the current year, an increase of $3.0 billion over the 2006 result of $10.0 billion.
This increase of 30% is due to the increased points of presence in the retail and business banking network and highlights the effectiveness of the Bank's distribution model.

Operating and finance review (continued)

Lending approvals and asset growth (continued)

This record level of approvals translated into growth in total loans under management of 27% to $19.2 billion from loans under management at 31 August 2006 of $15.1 billion. Of this increase, $342.4 million relates to the acquisition of Pioneer on 5 December 2006. If the impact of the Pioneer acquisition is excluded, loans under management grew by $3.8 billion or 25%.

Of the loans under management balance of $19.2 billion, $17.6 billion are on balance sheet and $1.6 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 grown strongly during the 2007 financial year and have reached $9.2 billion, an increase of $2.3 billion or 33% from $6.9 billion as at 31 August 2006. Of this increase of $2.3 billion, $456.3 million relates to the acquisition of Pioneer on 5 December 2006. If the impact of the Pioneer acquisition is excluded, then retail deposits grew by $1.8 billion or 26% from 31 August 2006.

The introduction of new product offerings and the maturing of recently established interstate Owner-Managed Branches have been the main factors in the strong growth in retail deposits.

Capital management

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 2007 was 11.5% and Tier 1 capital was 8.5%. Reset Preference Shares ("RePS" and "S1RPS"), issued as hybrid capital instruments, comprise 13% of total Tier 1 capital.

Total Tier 1 capital of 8.5% is represented by 7.4% of Core Tier 1 capital and 1.1% of hybrid capital instruments, including preference shares.

On transition to AIFRS on 1 July 2006, the Bank's capital decreased by $110 million, with the primary factor being $86 million of capitalised software at that time being classified as an intangible and therefore a Tier 1 deduction.

The Bank has received transitionary capital relief from APRA to add the $110 million 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 Bank continued with an active capital management program, combining securitisation of housing and leasing assets and the maintenance of the Dividend Reinvestment Plan.

The Bank continues to progress its Basel II implementation program and is currently on schedule to report under Basel II for the March 2008 quarter. The Bank is applying the standardised approach of Basel II and is not expecting a materially adverse impact to its capital adequacy requirements from its implementation.

Branch network expansion

The Bank opened ten branches during the financial year and also has added 10 branches with the Pioneer acquisition to bring total branches to 235 as at 31 August 2007.

Of these 235 branches, 85 are located outside Queensland. The Bank has converted nine corporate branches to Owner-Managed Branches during the financial year.

Shareholder returns

Diluted earnings per share increased 33% from 85.0c in the 2006 year to 112.7c in the current year.

Included in the current after-tax profit is the sale of the Bank's credit card portfolio to Citigroup Pty Limited which realised a pre-tax profit of $41.6m and an after-tax profit of $29.1m. Also included in the current year is the after tax costs of $2.8m incurred in relation to the integration of Pioneer, after-tax costs of $0.6m associated with the proposed merger with Bendigo Bank Limited and after-tax costs of $2.0 million relating to the amortisation of customer contracts. If these items are excluded, the Bank's diluted earnings per share would be 93.0c.

Included in the prior year is a $6.5m tax benefit relating to the disposal of the Bank's former banking platform and after-tax costs of $0.5 million relating to the amortisation of customer contacts. If these items are excluded then the prior period diluted earnings per share would be 79.8c.

On this basis, the current year's diluted earnings per share increased by 17%.

In light of the strong second half performance, the Bank has increased the final dividend to 37c per share fully franked. This brings the total 2007 dividend to 69c, a 21% increase over the 2006 total dividend of 57c.

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 2006				
Declared and paid during the year				
- Final – preference shares (RePS)	257	1.2	100%	16/10/2006
- Final – preference share (S1RPS)	261	1.7	100%	20/10/2006
- Final – ordinary	30	32.8	100%	27/11/2006
• Interim 2007				
Declared and paid during the year				
- Interim – preference shares (RePS)	255	1.2	100%	16/04/2007
- Interim – preference shares (S1RPS)	259	1.7	100%	20/04/2007
- Interim – ordinary	32	35.9	100%	10/05/2007
• Final 2007				
Declared after the end of the year				
- Final – preference shares (RePS)	257	1.2	100%	15/10/2007
- Final – preference share (S1RPS)	261	1.7	100%	22/10/2007
- Final – ordinary	37	41.9	100%	26/11/2007

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 2007, is $26.4 million credit calculated at the 30% tax rate (2006: $20.5 million 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 2006, the Bank acquired 100% of the issued capital of Pioneer Permanent Building Society Limited ("Pioneer").

The Bank also established the following securitisation vehicles in the financial year:

- Series 2006-1E REDS Trust; and
- Series 2007-1E REDS Trust.

Refer to Note 36 of the financial report for further information.

State of affairs (continued)

Disposals

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

- Series 2000-1 REDS Trust;
- Series 2000-2 REDS Trust;
- Series 2001-1 REDS Trust; and
- Series 2003-1 REDS Trust.

Refer to Note 36 of the financial report for further information.

Events subsequent to balance date

On 13 August 2007 the Bank made an offer to purchase 100% of the issued capital of Mackay Permanent Building Society Limited. The acquisition is proposed to be undertaken under a scheme of arrangement which is expected to be completed by December 2007. The deal is subject to shareholder, 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.

On 31 August 2007 the Bank made an offer to purchase 100% of the issued capital of Home Building Society Limited. The acquisition is proposed to be undertaken under a scheme of arrangement which is expected to be completed by January 2008. The deal is subject to shareholder, 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.

Dividends have been declared after 31 August 2007, refer to Note 7.

The financial effect of the above transactions have not been brought to account in the financial statements for the year ended 31 August 2007.

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 have 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 2007 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 Report (continued)

Remuneration Policy - Audited

The Bank recognises that it needs to regularly reshape its remuneration programs to effectively support its business operations, goals, strategies and to enhance shareholder value. 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-based 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.

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)
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)
David Graham	Director (non-executive) (appointed 11 October 2006)

Bruce Phillips retired as a director on 11 October 2006.

Remuneration Report (continued)

Key management personnel - Audited

(ii) Executives:

Robert Hines	Group Executive and Chief Financial Officer
Donna Quinn	Group Executive National Franchise Banking
Len Stone	Treasurer
Bruce Auty	Group Executive Group Risk
Iain Blacklaw	Group Executive and Chief Information Officer (appointed 19 September 2006)
David Marshall	Group Executive Business Financial Services (appointed 3 September 2007)

Jenny Brice resigned as Group Executive Human Resources on 13 March 2007.
Jennifer Heffernan resigned as Group Executive and Chief Operations Officer on 8 August 2007.
Ross Norton resigned as Group Executive Banking on 10 August 2007.

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' Fees

The current fixed component of remuneration for directors is $90,000 plus superannuation per director per year. The Chairman receives remuneration of $225,000 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 $50,000, members $25,000;
- 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 $1,500,000 (inclusive of superannuation) and was approved by shareholders on 7 December 2006.

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.

Remuneration Report (continued)

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 34.

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.

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.

Remuneration Report (continued)

Executives' Remuneration Framework - Audited (continued)

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, i.e. 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.

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 2007.

2007 Financial Year

		Short-term				Post-employment (3)
		Salary and fees $	STI Cash Bonus (1) $	Non-Monetary benefits (2) $	Total $	$
Non-Executive Directors						
Neil Roberts	2007	124,750	-	-	**124,750**	113,022
	2006	103,513	-	-	**103,513**	121,392
Antony Love	2007	104,750	-	-	**104,750**	13,090
	2006	81,750	-	-	**81,750**	14,065
Neil Summerson	2007	79,500	-	-	**79,500**	85,986
	2006	106,000	-	-	**106,000**	15,655
John Reynolds	2007	86,667	-	-	**86,667**	64,721
	2006	110,250	-	-	**110,250**	9,654
Peter Fox	2007	91,500	-	-	**91,500**	9,139
	2006	70,000	-	-	**70,000**	7,955
Bill Kelty	2007	98,500	-	-	**98,500**	9,666
	2006	78,500	-	-	**78,500**	8,532
Carmel Gray	2007	90,000	-	-	**90,000**	8,100
	2006	29,167	-	-	**29,167**	2,625
David Graham	2007	75,985	-	-	**75,985**	7,149
(commenced 11 October 2006)	2006	-	-	-	**-**	-
Executive Directors						
David Liddy	2007	983,446	1,000,000	7,354	**1,990,800**	12,723
Managing Director	2006	814,924	800,000	6,823	**1,621,747**	12,667
Former Directors						
Bruce Phillips	2007	15,004	-	-	**15,004**	1,623
(retired 11 October 2006)	2006	82,500	-	-	**82,500**	12,572

(1) STI cash reflects amount paid or accrued in respect of the year ended 31 August 2007. 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, salary sacrificed benefits and interest which is accrued at the CPI rate on director retirement benefits which ceased at 31 August 2003.

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)			
$	$	$	$	%	%
-	-	-	**237,772**	-	-
-	-	-	**224,905**	-	-
-	-	-	**117,840**	-	-
-	-	-	**95,815**	-	-
-	-	-	**165,486**	-	-
-	-	-	**121,655**	-	-
-	-	-	**151,388**	-	-
-	-	-	**119,904**	-	-
-	-	-	**100,639**	-	-
-	-	-	**77,955**	-	-
-	-	-	**108,166**	-	-
-	-	-	**87,032**	-	-
-	-	-	**98,100**	-	-
-	-	-	**31,792**	-	-
-	-	-	**83,134**	-	-
-	-	-	**-**	-	-
22,158	-	947,843	**2,973,524**	66%	32%
13,367	-	916,658	**2,564,439**	67%	36%
-	-	-	**16,627**	-	-
-	-	-	**95,072**	-	-

(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.

Remuneration Report (continued)

Remuneration disclosures for key management personnel - Audited (continued)

2007 Financial Year

		Short-term				Post-employment (3)
		Salary and fees $	STI Cash Bonus (1) $	Non-Monetary benefits (2) $	Total $	$
Executives						
Robert Hines	2007	450,565	400,000	-	850,565	47,519
	2006	373,757	325,000	-	698,757	40,036
Donna Quinn	2007	387,457	200,000	-	587,457	12,723
	2006	323,807	250,000	-	573,807	12,662
Len Stone (6)	2007	306,309	240,000	-	546,309	12,723
	2006	-	-	-	-	-
Bruce Auty	2007	312,681	220,000	-	532,681	34,253
	2006	297,294	200,000	-	497,294	13,051
Iain Blacklaw	2007	281,019	200,000	-	481,019	27,793
(commenced 19 September 2006)	2006	-	-	-	-	-
Former executives						
Jenny Brice	2007	154,215	-	-	154,215	6,708
(resigned 13 March 2007)	2006	195,630	150,000	-	345,630	37,129
Jennifer Heffernan	2007	268,542	-	-	268,542	11,918
(resigned 8 August 2007)	2006	297,683	150,000	-	447,683	12,662
Ross Norton	2007	335,436	-	-	335,436	41,576
(resigned 10 August 2007)	2006	267,828	225,000	-	492,828	42,517
Total compensation Key management personnel:	2007	4,246,326	2,260,000	7,354	6,513,680	520,432
	2006	3,232,603	2,100,000	6,823	5,339,426	363,174

(1) STI cash reflects amount paid or accrued in respect of the year ended 31 August 2007. 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 and salary sacrificed benefits.

(4) Comprises 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.

(6) Len Stone became a member of the key management personnel on 1 September 2006.

Other long-term [4] $	Termination benefits $	Share-based payments Options and rights [5] $	Total $	S300A (1)(e)(i) Proportion of remuneration performance related %	S300A (1)(e)(vi) Value of options as proportion of remuneration %
15,012	-	306,494	1,219,590	58%	25%
9,362	-	267,701	1,015,856	58%	26%
8,463	-	258,821	867,464	53%	30%
5,265	-	244,199	835,933	59%	29%
17,926	-	225,962	802,920	58%	28%
-	-	-	-	-	-
1,687	-	216,762	785,383	56%	28%
1,164	-	264,614	776,123	60%	34%
298	-	41,395	550,505	44%	40%
-	-	-	-	-	-
-	120,000	-	280,923	-	-
374	-	56,404	439,537	47%	13%
-	225,000	449,777	955,237	47%	47%
4,923	-	229,574	694,842	55%	33%
-	360,917	493,630	1,231,559	40%	40%
2,144	-	242,694	780,183	60%	31%
65,544	705,917	2,940,684	10,746,257	-	-
36,599	-	2,221,844	7,961,043	-	-

Remuneration Report (continued)

Remuneration disclosures for key management personnel - 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 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%
SMOP 6	20 November 2006	20 November 2011	$2.13	$16.40	$14.90	15.0%	6.00%	4.5%
Managing Director								
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%
MD Scheme 2 – Tranche 4	1 November 2006	20 November 2011	$2.13	$16.40	$16.37	15.0%	6.00%	4.5%

(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 above 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 2007 and are therefore deemed to be attributable to that year, although payment will not occur until October 2007. 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:

	2007 AIFRS	2006 AIFRS	2005 AIFRS	2004 AGAAP	2003 AGAAP
Normalised cash net profit after tax	$106.1m	$86.7m	$75.6m	$63.4m	$44.7m
Normalised cash diluted earnings per share	93.0c	79.8c	67.7c	61.7c	55.2c
Normalised cash cost to income ratio	62.6%	64.5%	65.8%	64.0%	64.9%
Change in share price	$3.27	$3.64	$1.93	$0.71	$1.48

Normalised cash net profit after tax and normalised cash cost to income are considered as targets in setting the short-term incentive. Normalised cash results exclude one-off, non-recurring amounts and amortisation of customer contracts. Normalised cash diluted earnings per share is 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 53% (2006: 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 (2) ($)	Max (3) ($)
Executive Director										
David Liddy	500,000	24 December 2004	100%	-	31 August 2007	1.65	9.49	24 December 2008	Nil	-
Managing	500,000	24 December 2004	-	-	31 August 2008	1.17	10.71	24 December 2009	Nil	44,735
Director	500,000	1 November 2005	-	-	31 August 2009	2.16	13.37	20 December 2010	Nil	469,029
	500,000	1 November 2006	-	-	31 August 2010	2.13	16.40	20 November 2011	Nil	798,750
Executives										
Robert Hines	200,000	10 November 2003	100%	-	31 August 2007	1.48	9.49	10 November 2008	Nil	-
	200,000	20 December 2004	-	-	31 August 2008	1.17	10.71	20 December 2009	Nil	40,950
	200,000	17 October 2005	-	-	31 August 2009	2.16	13.37	17 October 2010	Nil	225,000
	175,000	20 November 2006	-	-	31 August 2010	2.13	16.40	20 November 2011	Nil	295,094
Donna Quinn	200,000	10 November 2003	100%	-	31 August 2007	1.48	9.49	10 November 2008	Nil	-
	200,000	20 December 2004	-	-	31 August 2008	1.17	10.71	20 December 2009	Nil	40,950
	150,000	17 October 2005	-	-	31 August 2009	2.16	13.37	17 October 2010	Nil	168,750
	125,000	20 November 2006	-	-	31 August 2010	2.13	16.40	20 November 2011	Nil	210,781
Len Stone	200,000	10 November 2003	100%	-	31 August 2007	1.48	9.49	10 November 2008	Nil	-
	150,000	20 December 2004	-	-	31 August 2008	1.17	10.71	20 December 2009	Nil	30,713
	150,000	17 October 2005	-	-	31 August 2009	2.16	13.37	17 October 2010	Nil	168,750
	100,000	20 November 2006	-	-	31 August 2010	2.13	16.40	20 November 2011	Nil	168,625
Bruce Auty	200,000	20 December 2004	100%	-	31 August 2007	1.48	9.49	10 November 2008	Nil	-
	100,000	20 December 2004	-	-	31 August 2008	1.17	10.71	20 December 2009	Nil	20,475
	150,000	17 October 2005	-	-	31 August 2009	2.16	13.37	17 October 2010	Nil	168,750
	100,000	20 November 2006	-	-	31 August 2010	2.13	16.40	20 November 2011	Nil	168,625
Iain Blacklaw	100,000	20 November 2006	-	-	31 August 2010	2.13	16.40	20 November 2011	Nil	168,625

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

(2) 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.

(3) 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.

Remuneration Report (continued)

Option Terms – Audited (continued)

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 (2) ($)	Max (3) ($)
Former Executives										
Jenny Brice	120,000	17 October 2005	-	100%	Not applicable	2.16	13.37	Not applicable	Nil	-
	75,000	20 November 2006	-	100%	Not applicable	2.13	16.40	Not applicable	Nil	-
Jennifer Heffernan	200,000	10 November 2003	100%	-	31 August 2007	1.48	9.49	1 March 2008	Nil	-
	150,000	20 December 2004	100%	-	31 August 2007	1.17	10.71	1 March 2008	Nil	-
	150,000	17 October 2005	100%	-	31 August 2007	2.16	13.37	1 March 2008	Nil	-
	100,000	20 November 2006	28%	72%	31 August 2007	2.13	16.40	1 March 2008	Nil	-
Ross Norton	200,000	10 November 2003	100%	-	31 August 2007	1.48	9.49	1 March 2008	Nil	-
	200,000	20 December 2004	100%	-	31 August 2007	1.17	10.71	1 March 2008	Nil	-
	150,000	17 October 2005	100%	-	31 August 2007	2.16	13.37	1 March 2008	Nil	-
	125,000	20 November 2006	26%	74%	31 August 2007	2.13	16.40	1 March 2008	Nil	-

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

(2) 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.

(3) 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.

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

	2007		2006	
	Shares issued (number)	$ per share paid	Shares issued (number)	$ per share paid
Executive Director				
David Liddy Managing Director	500,000	$9.49	500,000	$5.972
Executives				
Robert Hines	200,000	$9.49	150,000	$6.99
Donna Quinn	200,000	$9.49	150,000	$6.99
Len Stone (1)	200,000	$9.49	-	-
Bruce Auty	200,000	$9.49	-	-
Former Executives				
Jennifer Heffernan	200,000	$9.49	150,000	$6.99
	150,000	$10.71		
	150,000	$13.37		
	27,737	$16.40		
Ross Norton	200,000	$9.49	125,000	$6.99
Les Steinke	-	-	50,000	$6.99

(1) Len Stone became a member of the key management personnel on 1 September 2006.

Remuneration Report (continued)

Option Terms – Audited (continued)

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

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
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 November 2011	$16.40	Nil

Tranche 2 was granted on 24 December 2004, Tranche 3 on 1 November 2005 and Tranche 4 on 1 November 2006.

Tranche 1 vested during the year as the performance hurdles required by the Managing Director Option Plan had been met.

The ability to exercise the options is conditional on the Consolidated Entity achieving certain performance hurdles. The performance hurdles for Tranches 2, 3 and 4 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 - 2007 for Tranche 2, financial years 2006 - 2008 for Tranche 3 and financial years 2007 - 2009 for Tranche 4).

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 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.

Should any Tranche 4 options remain unvested as at November 2010, the EPS test will be applied across financial years 2007, 2008, 2009 and 2010.

Should any Tranche 4 options remain unvested as at November 2011, the EPS test will be applied across financial years 2007, 2008, 2009, 2010 and 2011.

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 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 and Tranche 4 option had a value of $2.13 as at date of granting.

The market value of shares under the Managing Director Option Plan at 31 August 2007 was $18.56 (2006: $15.29).

Remuneration Report (continued)

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:	5,000;
Options on issue at balance date:	Nil;
Exercise date:	23 November 2004;
Expiry date:	23 November 2006;
Options exercisable at balance date:	Nil;
Issue price:	$Nil; and
Exercise price:	$6.09.

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

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:	60,000;
Options on issue at balance date:	Nil;
Exercise date:	4 November 2005;
Expiry date:	4 November 2007;
Options exercisable at balance date:	Nil;
Issue price:	$Nil; and
Exercise price:	$6.99.

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

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

Options originally issued:	3,120,000;
Options lapsed during the year:	Nil;
Options exercised during the year:	2,586,753;
Options on issue at balance date:	45,000;
Exercise date:	10 November 2006;
Expiry date:	10 November 2008;
Options exercisable at balance date:	45,000;
Issue price:	$Nil; and
Exercise price:	$9.49.

During the year, 2,631,753 options vested under this plan as the performance hurdles had been met.

Remuneration Report (continued)

Option Terms – Unaudited (continued)

Senior Managers' options (continued)

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

Options originally issued:	3,005,000;
Options lapsed during the year:	36,428;
Options exercised during the year:	204,764;
Options on issue at balance date:	2,580,000;
Exercise date:	20 December 2007;
Expiry date:	20 December 2009;
Options exercisable at balance date:	265,000;
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 2007 was $18.56 (2006: $15.29).

During the year, 469,764 options vested under this plan at the discretion of the directors.

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

Options originally issued:	3,805,000;
Options lapsed during the year:	327,910;
Options exercised during the year:	167,260;
Options on issue at balance date:	3,274,830;
Exercise date:	17 October 2008;
Expiry date:	17 October 2010;
Options exercisable at balance date:	176,090;
Issue price:	$Nil; and
Exercise price:	$13.37.

Remuneration Report (continued)

Option Terms – Unaudited (continued)

Senior Managers' options (continued)

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 2007 was $18.56 (2006: $15.29).

During the year, 343,550 options vested under this plan at the discretion of the directors.

6. Options issued on 20 November 2006 (SMOP6):

Options originally issued:	3,370,000;
Options lapsed during the year:	478,718;
Options exercised during the year:	27,737;
Options on issue at balance date:	2,863,545;
Exercise date:	20 November 2009;
Expiry date:	20 November 2011;
Options exercisable at balance date:	36,611;
Issue price:	$Nil; and
Exercise price:	$16.40.

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 2007, 2008 and 2009 ("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 6 options remain unvested as at November 2010, the EPS test will be applied across financial years 2007, 2008, 2009 and 2010.

Should any SMOP 6 options remain unvested as at November 2011, the EPS test will be applied across financial years 2007, 2008, 2009, 2010 and 2011.

Using the trinomial pricing methodology, each option had a value of $2.13 as at date of granting. The market value of shares under the Senior Management Option Plan at 31 August 2007 was $18.56.

During the year 64,348 options vested under this plan at the discretion of the directors.

Remuneration Report (continued)

Indemnification of officers

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

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 non-beneficially
David Liddy	1,412,387	1,369,462	Held beneficially
		42,925	Held non-beneficially
Antony Love	11,990	6,086	Held beneficially
		5,904	Held non-beneficially
Neil Summerson	17,731	3,593	Held beneficially
		14,138	Held non-beneficially
Peter Fox	11,294,704	11,293,704	Held by Linfox Share Investment No.2 Pty Ltd
		1,000	Held beneficially
Bill Kelty	1,040	1,040	Held beneficially
John Reynolds	1,000	1,000	Held beneficially
Carmel Gray	1,000	1,000	Held beneficially
David Graham	6,000	6,000	Held beneficially
Bruce Phillips (1)	23,835	12,240	Held beneficially
		11,595	Held non-beneficially

(1) Bruce Phillips retired as a director on 11 October 2006.

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 APES 110 Code of Ethics for Professional Accountants, 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.

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 2007 $000	Consolidated 2006 $000	Bank 2007 $000	Bank 2006 $000
Audit services – KPMG Australia				
- Audit and review of the financial reports	631.8	558.7	537.2	513.7
- Other regulatory and audit services	50.2	40.0	48.2	36.5
	682.0	598.7	585.4	550.2
Audit related services – KPMG Australia				
- Other assurance services (1)	295.8	230.8	67.3	100.9
	295.8	230.8	67.3	100.9
Other services – KPMG Australia				
- Taxation advisory services	-	1.7	-	1.7
- Due diligence services	76.3	-	-	-
	76.3	1.7	-	1.7

(1) Other assurance services comprise accounting advice and non-audit services provided to mortgage securitisation trusts which are consolidated under AIFRS.

Fees for audit and non-audit services paid to KPMG which were provided in relation to leasing securitisation trusts which are not consolidated were $85,785 (2006: $95,400).

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

The lead auditor's independence declaration is set out on page 53 and forms part of the directors' report for the year ended 31 August 2007.

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 eleventh day of October 2007.

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 2007 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.

KPMG

KPMG

John Teer
Partner

Brisbane
11 October 2007

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 2007

	Note	Consolidated 2007 $m	Consolidated 2006 $m	Bank 2007 $m	Bank 2006 $m
Interest income	4	1,311.1	1,017.0	1,250.5	987.8
Less: Interest expense	4	989.8	747.2	1,016.6	761.4
Net interest income		321.3	269.8	233.9	226.4
Other operating income	4	178.7	115.2	249.7	144.5
Total operating income		500.0	385.0	483.6	370.9
Less: Expenses	5	294.7	249.1	285.1	248.0
Profit before impairment on loans and advances and tax		205.3	135.9	198.5	122.9
Less: Impairment on loans and advances	13	20.9	12.3	18.3	8.3
Profit before tax		184.4	123.6	180.2	114.6
Less: Income tax expense	6	54.6	30.9	57.0	28.4
Profit for the year	24	129.8	92.7	123.2	86.2
Basic earnings per share Ordinary shares	8	117.0c	88.2c		
Diluted earnings per share Ordinary shares	8	112.7c	85.0c		

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 2007

	Note	Consolidated 2007 $m	Consolidated 2006 $m	Bank 2007 $m	Bank 2006 $m
Items of income and expense (net of tax)					
Cash flow hedges:					
Net gains taken to equity	24	14.8	5.2	16.2	5.2
Net (gains) / losses transferred to income statement	24	(3.6)	2.9	(3.6)	2.9
Change in fair value of assets available for sale	24	0.8	0.8	0.8	0.8
Net income recognised directly in equity		12.0	8.9	13.4	8.9
Profit for the year		129.8	92.7	123.2	86.2
Total recognised income and expense for the period		141.8	101.6	136.6	95.1
Attributable to:					
Equity holders of the parent		141.8	101.6	136.6	95.1
Effect of change in accounting policy – financial instruments					
Equity holders of the parent	24	-	(6.9)	-	(6.9)

Other movements in equity arising from transactions with owners as owners are set out in Note 24. The amounts recognised directly in equity are disclosed net of tax, refer to Note 6.

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

BALANCE SHEETS

As at 31 August 2007

	Note	Consolidated 2007 $m	Consolidated 2006 $m	Bank 2007 $m	Bank 2006 $m
Assets					
Cash and liquid assets	9	479.1	261.8	228.8	239.7
Due from other financial institutions	10	46.8	45.0	93.9	67.1
Other financial assets	11	1,606.9	1,108.9	1,513.6	1,108.9
Derivative financial instruments		35.3	31.6	35.3	34.8
Loans and advances at amortised cost	12	17,600.8	14,003.7	16,309.0	13,018.6
Shares in controlled entities	36	-	-	80.6	20.5
Property, plant and equipment	15	19.7	19.6	16.6	19.6
Deferred tax assets	16	-	53.9	-	-
Other assets	17	120.5	162.9	135.6	95.9
Intangible assets	18	128.2	109.7	86.0	96.8
Total assets		20,037.3	15,797.1	18,499.4	14,701.9
Liabilities					
Due to other financial institutions	19	121.5	95.6	121.5	95.6
Deposits	20	12,720.3	9,949.6	12,331.1	9,967.1
Derivative financial instruments		58.1	11.5	61.1	11.5
Accounts payable and other liabilities		233.4	161.7	204.5	153.3
Current tax liabilities		21.2	54.5	21.2	54.5
Provisions	21	12.7	16.0	12.3	16.0
Deferred tax liabilities	16	11.6	-	19.5	8.6
Borrowings including subordinated notes	22	6,004.2	4,818.4	1,628.4	1,561.9
Amounts due to controlled entities		-	-	3,263.1	2,156.0
Total liabilities		19,183.0	15,107.3	17,662.7	14,024.5
Net assets		854.3	689.8	836.7	677.4
Equity					
Issued capital	23	615.7	531.2	615.7	531.2
Reserves	24	87.6	61.0	80.7	54.4
Retained profits	24	151.0	97.6	140.3	91.8
Total equity		854.3	689.8	836.7	677.4

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

STATEMENTS OF CASH FLOWS

For the year ended 31 August 2007

	Note	Consolidated 2007 $m	Consolidated 2006 $m	Bank 2007 $m	Bank 2006 $m
Cash flows from operating activities					
Interest received		1,304.7	1,012.7	1,243.7	990.2
Fees and other income received		178.0	100.8	182.6	135.5
Interest paid		(962.8)	(756.0)	(1,001.5)	(773.4)
Cash paid to suppliers and employees		(295.5)	(220.8)	(317.2)	(235.5)
Operating income tax paid		(25.8)	(32.8)	(25.7)	(32.8)
Other taxes paid		(0.6)	(0.5)	(0.6)	(0.5)
		198.0	103.4	81.8	83.5
(Increase) / decrease in operating assets:					
Loans and advances at amortised cost		(3,526.5)	(2,315.8)	(2,505.0)	(1,631.7)
Other financial assets		(364.5)	52.1	(429.7)	30.0
Increase in operating liabilities:					
Deposits		2,384.3	1,258.1	2,433.5	1,300.4
Securitisation liabilities	22	1,122.7	657.9	-	-
Net cash from operating activities	30(ii)	(186.0)	(244.3)	(419.9)	(217.8)
Cash flows from investing activities					
Payments for property, plant and equipment		(4.7)	(7.3)	(4.6)	(7.3)
Payments for intangible assets - software		(13.4)	(16.7)	(13.4)	(16.7)
Payments for acquisition of Pioneer Permanent Building Society Limited	36 (b)	(7.2)	-	(23.4)	-
Payments for acquisition of Debtor Finance	36 (b)	-	(67.2)	-	(67.2)
Proceeds from sale of credit card portfolio		325.8	-	325.8	-
Proceeds from sale of property, plant and equipment		2.9	1.0	2.9	1.0
Net cash from investing activities		303.4	(90.2)	287.3	(90.2)
Cash flows from financing activities					
Proceeds from issue of ordinary shares	23	34.6	16.1	34.6	16.1
Proceeds from borrowings	22	1,897.8	2,580.0	1,897.8	2,580.0
Repayment of borrowings	22	(1,785.2)	(2,529.4)	(1,768.7)	(2,529.4)
Dividends paid		(47.3)	(42.0)	(42.0)	(42.0)
Net cash from financing activities		99.9	24.7	121.7	24.7
Net increase / (decrease) in cash and cash equivalents		217.3	(309.8)	(10.9)	(283.3)
Cash and cash equivalents at beginning of year		261.8	571.6	239.7	523.0
Cash and cash equivalents at end of year	30(i)	479.1	261.8	228.8	239.7

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Year ended 31 August 2007

1. Reporting entity

Bank of Queensland Limited (the "Bank") is a company domiciled in Australia. The address of the Bank's registered office is Level 17, 259 Queen Street, Brisbane, QLD, 4000. The consolidated financial report of the Bank for the financial year ended 31 August 2007 comprises the Bank and its subsidiaries (together referred to as the "Consolidated Entity").

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs" – including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The financial statements and notes of the Consolidated Entity and Bank also comply with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board.

The consolidated financial report was authorised for issue by the directors on 11 October 2007.

(b) Basis of measurement

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.

(c) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Bank's functional currency and the functional currency of the majority of the Consolidated Entity.

(d) Rounding

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.

(e) Use of estimates and judgements

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.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Intangible assets - Note 18;
- Provisions - Note 21;
- Financial instruments - Note 29;
- Employee benefits – Note 34; and
- Controlled entities - Note 36.

3. Significant accounting policies

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, and will require extensive additional disclosures with respect to the Bank's financial instruments and share capital;
- 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*;*

3. Significant accounting policies (continued)

- AASB 8 *Operating Segments* replaces the presentation requirements of segment reporting in AASB 114 *Segment Reporting.* AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Bank as the standard is only concerned with disclosures;
- AASB 101 *Presentation of Financial Statements* is applicable for annual reporting periods beginning on or after 1 January 2007. The standard prescribes the basis for presentation of general purpose financial reports, to ensure comparability with the Bank's financial reports of previous periods. To achieve this objective, this Standard sets out overall requirements for the presentation of financial reports, guidelines for their structure and minimum requirements for their content. This standard is not expected to have an impact on the financial results of the Bank as the standard is only concerned with disclosures;
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations,* AASB 6 *Exploration for and Evaluation of Mineral Resources,* AASB 102 *Inventories,* AASB 107 *Cash Flow Statements,* AASB 119 *Employee Benefits,* AASB 127 *Consolidated and Separate Financial Statements,* AASB 134 *Interim Financial Reporting,* AASB 136 *Impairment Assets,* AASB 1023 *General Insurance Contracts and* AASB 1038 *Life Insurance Contracts.* AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 *Operating Segments.* This standard is only expected to impact disclosures contained within the Bank's financial reports; and
- AASB 2007-4 *Amendments to the Australian Accounting Standards arising from ED 151 and Other Amendments* and AASB 2007-7 *Amendments to Australian Accounting Standards* are both applicable for reporting periods beginning on or after 1 July 2007. The standards make a number of consequential amendments, including inserting the option to use the indirect method for presenting cash flow statements under AASB 107 *Cash Flow Statements*. AASB 2007-4 and 2007-7 are only expected to impact disclosures contained within the Bank's financial reports.

The initial application of these standards is not expected to have a material impact on the financial results of the Bank or Consolidated Entity. Most of these standards will only impact disclosures in the financial reports.

Except as described in the subsequent notes, the accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report, and have been applied consistently across the Consolidated Entity.

In the prior financial year the Consolidated Entity adopted AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement* in accordance with the transitional rules of AASB 1 *First-time Adoption of Australian Equivalent to International Financial Reporting Standards*. This change has been accounted for by adjusting the opening balance of retained profits and reserves at 1 September 2005, as disclosed in the Reconciliation of movements in reserves (Note 24).

(a) 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. In the Bank's financial statements, investments in subsidiaries are carried at cost.

(ii) Securitisation

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

The Bank also Securitises Hire Purchase, Chattel Mortgages and Finance Leases which are packaged and sold to REDS EHP Securitisation Trusts ("REDS EHP Trusts").

Consolidated Entity

The Consolidated Entity receives the residual income distributed by the RMBS Trusts after all payments due to investors and associated costs of the program have been met and as a result the Consolidated Entity is considered to control the Trusts and they are treated as controlled entities.

The RMBS Trusts fund their purchase of the loans by issuing floating-rate pass-through debt securities. The securities are issued by the RMBS 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 RMBS 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 RMBS 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 to the 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, as the residual income units in these trusts are held by external investors.

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.

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

Bank

Interest rate risk from the RMBS Trusts is transferred back to the Bank by way of interest rate swaps. Accordingly, under AASB 139 the original sale of the mortgages from the Bank to the RMBS 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 RMBS Trusts. The interest payable on the intercompany financial asset / liability represents the return on an imputed loan between the Bank and the RMBS Trusts and is based on the interest income under the mortgages, the fees payable by the RMBS Trusts and the interest income or expense not separately recognised under interest rate and basis swaps transactions between the Bank and the RMBS Trusts.

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

(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.

(b) 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 3 (c) Derivative financial instruments and hedging.

(c) Derivative financial instruments and hedging

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.

3. Significant accounting policies (continued)

(c) Derivative financial instruments and hedging (continued)

Financial investments

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.

(d) 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.

(e) 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.

(f) Loans and advances at amortised cost

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 3 (j) for impairment of loans and advances.

(g) 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.

(h) 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.

3. Significant accounting policies (continued)

(h) Property, plant and equipment (continued)

Depreciation

Deprecation 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	40
• 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.

(i) 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 3 (j).

Amortisation

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	3-5
• Technology Infrastructure	12

(j) 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 of 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.

3. Significant accounting policies (continued)

(j) Impairment (continued)

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 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

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.

(k) Financial Liabilities

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.

(l) 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")

In the prior year, 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.

3. Significant accounting policies (continued)

(l) Employee benefits (continued)

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 the Employee Benefits Reserve. 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.

(m) 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.

(n) Preference Shares

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.

(o) Revenue

Interest income and expense

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, agents 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.

Non-interest income

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 on an effective interest rate basis.

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.

(p) 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.

3. Significant accounting policies (continued)

(p) Income tax (continued)

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.

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.

(q) 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.

(r) 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.

(s) Business Combinations

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

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 Consolidated Entity, 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 Consolidated Entity'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.

3. Significant accounting policies (continued)

(t) General reserve for credit losses

The Bank is required by the Australian Prudential Regulation Authority ("APRA") to maintain a general provision for credit losses at 50 basis points of risk weighted assets. As the Bank is unable to hold a general provision under current accounting standards, the Bank has created a general reserve for credit losses. The general reserve for credit losses and collective provision for impairment are aggregated for the purpose of satisfying the APRA requirements for a general reserve of 50 basis points of risk-weighted assets.

	Consolidated		Bank	
	2007 $m	2006 $m	2007 $m	2006 $m
4. Operating income				
Interest income				
Loans and advances	1,200.6	915.4	1,156.9	891.1
Trading and other securities	110.5	101.6	93.6	96.7
Total interest income	1,311.1	1,017.0	1,250.5	987.8
Interest expense				
Retail deposits	407.4	279.8	392.5	279.6
Wholesale deposits and borrowings	582.4	467.4	624.1	481.8
Total interest expense	989.8	747.2	1,016.6	761.4
Net interest income	321.3	269.8	233.9	226.4
Income from operating activities				
Other customer fees and charges	111.8	94.3	108.5	94.0
Securitisation income (1)	10.3	8.0	64.5	29.9
Net income from financial instruments at fair value	5.0	6.8	5.0	(1.7)
Commission – insurance and financial planning	4.3	2.8	4.2	2.8
Franchise fees	1.8	4.2	1.8	4.2
Management fee – controlled entities	-	-	20.0	15.5
Bad debts recovered	1.0	1.2	0.8	0.8
ATM Solutions branding royalties	2.1	2.0	2.1	2.0
Foreign exchange income – customer based	4.2	3.0	4.2	3.1
Income from outside operating activities				
Profit on sale of non-current assets	0.9	0.5	0.9	0.5
Other income	5.4	3.2	5.8	4.2
Share of fee revenue paid to Owner Managed Branches (2)	(9.7)	(10.8)	(9.7)	(10.8)
Total other revenue from ordinary activities	137.1	115.2	208.1	144.5
Individually significant item				
Profit from sale of credit card portfolio (3)	41.6	-	41.6	-
Other operating income	178.7	115.2	249.7	144.5
Total operating income	500.0	385.0	483.6	370.9

(1) At a consolidated level represents securitisation income from the Bank's leasing trusts which are not consolidated.

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

(3) The Bank sold its Credit Card portfolio to Citigroup Pty Limited on 4 June 2007 realising an after tax profit of $29.1m.

5. Expenses

	Consolidated 2007 $m	Consolidated 2006 $m	Bank 2007 $m	Bank 2006 $m
Operating expenses				
Advertising	11.3	11.0	11.3	11.0
Commissions to Owner Managed Branches	10.0	6.2	10.0	6.2
Communications and postage	10.4	8.3	10.2	8.3
Printing and stationery	4.4	5.3	4.4	5.3
Non-lending losses	3.1	1.3	3.1	1.3
Amounts set aside to provision for credit card rewards	4.7	4.3	4.7	4.3
Processing costs	31.7	29.6	31.3	29.6
Amortisation - securitisation setup costs	1.6	1.4	1.2	1.3
Other operating expenses	10.0	8.3	9.1	7.7
	87.2	75.7	85.3	75.0
Administrative expenses				
Professional fees	7.0	6.9	6.5	6.8
Directors' fees	0.8	0.7	0.8	0.7
Other	3.5	3.4	3.4	3.3
	11.3	11.0	10.7	10.8
Computer costs				
Data processing	42.9	28.5	42.8	38.5
Amortisation – software (intangible)	13.6	12.2	13.6	12.2
Amortisation – technology infrastructure (intangible)	2.2	3.1	2.2	3.1
Depreciation – IT equipment	2.2	2.6	1.9	2.6
	60.9	56.4	60.5	56.4
Occupancy expenses				
Lease rental	13.6	11.8	13.1	11.8
Depreciation of plant, furniture, equipment and leasehold improvements	3.0	2.6	2.9	2.6
Other	1.6	1.2	1.5	1.2
	18.2	15.6	17.5	15.6
Employee expenses				
Salaries and wages	85.1	67.6	81.3	67.4
Superannuation contributions	9.1	7.2	8.9	7.2
Fringe benefits tax	1.1	1.5	1.1	1.5
Amounts set aside to provision for employee entitlements	0.8	1.2	0.8	1.2
Payroll tax	4.5	3.8	4.3	3.8
Equity settled transactions	6.9	5.5	6.9	5.5
Other	2.9	2.9	2.8	2.9
	110.4	89.7	106.1	89.5
Other				
Amortisation – customer contracts (intangible) (1)	2.7	0.7	1.0	0.7
Pioneer integration costs (2)	4.0	-	4.0	-
	6.7	0.7	5.0	0.7
Expenses	294.7	249.1	285.1	248.0

(1) *Increase from prior period relates to the amortisation of customer contracts recognised upon acquisition of the Pioneer Permanent Building Society Limited on 5 December 2006.*

(2) *Relates to non-recurring integration costs associated with the acquisition of Pioneer Permanent Building Society Limited.*

6. Income tax expense

	Consolidated 2007 $m	Consolidated 2006 $m	Bank 2007 $m	Bank 2006 $m
Recognised in the Income Statement				
Current tax expense				
Current year	46.0	87.2	55.0	37.0
Adjustments for prior years	(52.7)	(8.8)	(2.9)	(10.2)
	(6.7)	78.4	52.1	26.8
Deferred tax expense				
Origination and reversal of temporary differences	61.3	(45.4)	4.9	3.7
Benefit of tax losses recognised	-	(2.1)	-	(2.1)
	61.3	(47.5)	4.9	1.6
Total income tax expense in Income Statement	54.6	30.9	57.0	28.4
Attributable to:				
Continuing Operations	54.6	30.9	57.0	28.4
Deferred tax recognised in equity				
Equity raising costs	-	(0.3)	-	(0.3)
Cash flow hedge reserve	(5.2)	(3.4)	(5.2)	(3.4)
Other	(0.2)	-	(0.8)	-
	(5.4)	(3.7)	(6.0)	(3.7)
Numerical reconciliations between tax expense and pre-tax profit				
Profit before tax-continuing operations	184.4	123.6	180.2	114.6
Profit before tax	184.4	123.6	180.2	114.6
Income tax using the domestic corporation tax rate of 30% (2006: 30%)	55.3	37.0	54.1	34.3
Increase in income tax expense due to:				
Non-deductible expenses	4.1	3.3	4.1	3.3
Decrease in income tax expense due to:				
Research and development expenses	-	(0.3)	-	(0.3)
Tax exempt revenues	(2.4)	(2.0)	(0.5)	-
	57.0	38.0	57.7	37.3
Over provided in prior years	(2.4)	(7.1)	(0.7)	(8.9)
Income tax expense on pre-tax net profit	54.6	30.9	57.0	28.4

	BANK					
	2007			2006		
	Cents per share	$m	Percentage franked %	Cents per share	$m	Percentage franked %
7. Dividends						
Ordinary shares						
Final 2006 dividend paid 27 November 2006 (2006: 25 November 2005)	30	32.8	100%	25	26.2	100%
Special 2005 dividend paid 25 November 2005	-	-	-	15	15.8	100%
Interim 2007 dividend paid 10 May 2007 (2006: 11 May 2006)	32	35.9	100%	27	28.6	100%
Preference shares recognised as liabilities						
RePS half-yearly dividend paid 16 October 2006 (2006: 17 October 2005)	257	1.2	100%	372	2.2	100%
S1RPS half-yearly dividend paid 20 October 2006 (2006: 20 October 2005)	261	1.7	100%	261	1.7	100%
RePS half-yearly dividend paid 16 April 2007 (2006: 17 April 2006)	255	1.2	100%	255	1.2	100%
S1RPS half-yearly dividend paid 20 April 2007 (2006: 20 April 2006)	259	1.7	100%	259	1.7	100%
		74.5			77.4	

On 13 December 2006, Pioneer paid a dividend of $5.3m to shareholders. This dividend was announced to those shareholders of Pioneer prior to the acquisition of 100% of the capital of Pioneer by the Bank on 5 December 2006. This dividend was paid out of Pioneer's earnings up to 5 December 2006.

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%.

Since the end of the financial year, the directors have declared the following dividends:	Cents per share	$m	Percentage franked %	Date of payment
- RePS half-yearly dividend (BOQPA)	257	1.2	100%	15 October 2007
- S1RPS half-yearly dividend (BOQPB)	261	1.7	100%	22 October 2007
- Final - ordinary shares (BOQ)	37	41.9	100%	26 November 2007

	Bank	
	2007 $m	2006 $m
Dividend franking account		
30% franking credits available to shareholders of the Bank for subsequent financial years	26.4	20.5 (1)

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

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends subsequent to year-end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the year end; and

(d) 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.

(1) The 2006 balance of $69.1m has been re-stated due to an estimated upfront tax payment of $48.6m that did not subsequently eventuate.

8. Earnings per share

	Consolidated 2007 cents	Consolidated 2006 cents
Basic earnings per share	117.0c	88.2c
Diluted earnings per share	112.7c	85.0c

	2007 $m	2006 $m
Earnings reconciliation		
Net profit	129.8	92.7
Basic earnings	129.8	92.7
Effect of distributions on converting preference shares	5.9	6.0
Diluted earnings	135.7	98.7

Weighted average number of shares used as the denominator	Consolidated 2007 Number	Consolidated 2006 Number
Number for basic earnings per share		
Ordinary shares	110,944,471	105,071,373
Number for diluted earnings per share		
Ordinary shares	110,944,471	105,071,373
Effect of SMOP [1]	2,003,932	1,985,458
Effect of Managing Director options [2]	317,484	358,979
Effects of converting preference shares	7,096,040	8,645,629
	120,361,927	116,061,439

(1) *During the year 3,051,514 (2006: 1,882,000) 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 448,723 (2006: 167,575).*

(2) *During the year 500,000 (2006: 500,000) 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 45,358 (2006: 37,514).*

	Consolidated 2007 $m	Consolidated 2006 $m	Bank 2007 $m	Bank 2006 $m
9. Cash and liquid assets				
Notes, coin and cash at bank	447.7	213.5	197.3	191.4
Bills receivable and remittances in transit	31.4	48.3	31.5	48.3
	479.1	261.8	228.8	239.7
10. Due from other financial institutions				
Term deposits	46.8	45.0	93.9	67.1
	46.8	45.0	93.9	67.1

	Consolidated		Bank	
	2007 $m	2006 $m	2007 $m	2006 $m
11. Other financial assets				
Trading securities				
Floating rates notes and bonds	811.5	807.8	811.5	807.8
Negotiable certificates of deposit	257.7	234.2	224.5	234.2
Deposits at call	110.8	40.0	63.1	40.0
Commercial bills	195.6	0.6	183.2	0.6
Semi-government securities	24.9	-	24.9	-
Promissory notes	73.9	-	73.9	-
Other	-	0.7	-	0.7
	1,474.4	1,083.3	1,381.1	1,083.3
Investment securities available for sale				
Unquoted interest bearing securities	132.5	25.6	132.5	25.6
Total other financial assets	1,606.9	1,108.9	1,513.6	1,108.9
12. Loans and advances at amortised cost				
Residential property loans - secured by mortgages (1)	8,591.5	6,584.3	8,344.0	6,584.3
Securitised residential property loans - secured by mortgages	4,218.8	3,183.1	4,218.8	3,183.1
Personal loans (1)	336.6	246.8	320.7	246.8
Credit Cards (2)	0.4	224.3	0.4	224.3
Overdrafts (1)	328.3	265.1	328.3	265.1
Commercial loans (1)	3,135.5	2,480.1	3,091.7	2,480.1
Leasing finance	1,167.6	1,182.9	17.0	49.6
Gross loans and advances at amortised cost	17,778.7	14,166.6	16,320.9	13,033.3
Less:				
Unearned lease finance income	(164.0)	(149.1)	(0.7)	(3.2)
Collective provision for impairment	(7.7)	(8.1)	(6.6)	(7.9)
Specific provisions for impairment	(6.2)	(5.7)	(4.6)	(3.6)
Total loans and advances at amortised cost	17,600.8	14,003.7	16,309.0	13,018.6

(1) On 5 December 2006, the Bank acquired Pioneer Permanent Building Society Limited which resulted in the following increase of gross loans on acquisition date totalling $342.4m (refer Note 36):

- Residential property loans - $270.3m;

- Personal loans - $12.9m;

- Overdrafts - $25.0m; and

- Commercial loans - $34.2m.

(2) On 4 June 2007, the Bank sold its credit card portfolio realising a pre-tax gain of $41.6m and an after-tax gain of $29.1m. The remaining balance of $0.4m represents cards excluded from the sale agreement.

12. Loans and advances at amortised cost (continued)

	Consolidated		Bank	
	2007 $m	2006 $m	2007 $m	2006 $m
Product concentration of credit risk for loans and advances at amortised cost (net of specific provisions and unearned income):				
Residential	12,809.6	9,767.0	12,562.1	9,767.0
Consumer [1]	335.4	469.7	319.6	469.7
Commercial	3,461.5	2,743.7	3,417.8	2,743.7
Leases	1,002.0	1,031.4	16.1	46.1
Total before collective provision	17,608.5	14,011.8	16,315.6	13,026.5

(1) On 4 June 2007, the Bank sold its credit card portfolio realising a pre-tax gain of $41.6m and an after-tax gain of $29.1m.

	Consolidated		Bank	
	2007 $m	2006 $m	2007 $m	2006 $m
Geographical concentration of credit risk for loans and advances at amortised cost (before provisions and unearned income):				
Queensland	13,904.4	11,681.8	13,226.9	11,156.9
New South Wales	1,971.2	1,322.5	1,687.5	1,079.1
Victoria	1,343.8	827.7	1,127.6	686.4
Northern Territory	36.1	13.5	36.1	13.5
Australian Capital Territory	201.3	140.9	116.4	69.1
Western Australia	195.9	81.4	118.8	28.3
South Australia	31.9	23.0	7.6	-
International	94.1	75.8	-	-
	17,778.7	14,166.6	16,320.9	13,033.3

Securitisation of leases

The Bank has entered into a securitisation program via the REDS EHP Trusts ("REDS EHP program") whereby the Bank securitises chattel, 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 residual income units of the REDS EHP Trusts are held by external investors.

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
10 August 2007	1,000.0

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 and servicing of the leases securitised. As at 31 August 2007, off balance sheet securitised leases under management amounted to $1,616.0m (2006: $1,069.6m) 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.

13. Provisions for impairment

	Consolidated		Bank	
	2007 $m	2006 $m	2007 $m	2006 $m
Specific provision:				
Balance at the beginning of the year	5.7	3.8	3.6	2.8
Add: Expensed during the year	19.1	12.7	16.6	8.6
Add: Acquired during the year (1)	0.2	-	-	-
Less: Amounts written off against specific provision	(18.0)	(10.8)	(14.8)	(7.8)
Less: Release on sale of credit card portfolio (2)	(0.8)	-	(0.8)	-
Balance at the end of the year	6.2	5.7	4.6	3.6
Collective provision:				
Balance at the beginning of the year	8.1	-	7.9	-
Adjustment to retained profits on transition to AIFRS	-	8.5	-	8.2
Add: Expensed during the year	1.8	(0.4)	1.7	(0.3)
Add: Acquired during the year (1)	0.8	-	-	-
Less: Release on sale of credit card portfolio (2)	(3.0)	-	(3.0)	-
Balance at the end of the year	7.7	8.1	6.6	7.9
General provision:				
Balance at the beginning of the year	-	52.4	-	45.5
Adjustment to retained profits on transition to AIFRS	-	(52.4)	-	(45.5)
Balance at the end of the year	-	-	-	-
Total provisions for impairment	13.9	13.8	11.2	11.5

(1) Provisions acquired relate to the acquisition of the Pioneer Permanent Building Society Limited on 5 December 2006.

(2) The Bank sold its credit card portfolio to Citigroup Pty Limited on 4 June 2007. The release of the provisions is included in the pre-tax gain of $41.6m.

	Consolidated and Bank					
	2007			2006		
	Balance $m	Specific Provision $m	Expected Realisation $m	Balance $m	Specific Provision $m	Expected Realisation $m
14. Asset quality						
a) Impaired assets						
Non-accrual loans:						
Without specific provisions	-	-	-	-	-	-
With specific provisions	11.4	6.2	5.2	7.3	5.7	1.6
	11.4	6.2	5.2	7.3	5.7	1.6
b) Past due loans [1]	85.8	-	85.8	60.3	-	60.3

(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	
	2007 $m	2006 $m	2007 $m	2006 $m
c) Income received on impaired assets for the period:				
Gross interest receivable	0.5	0.5	0.5	0.5
Less : Interest foregone	(0.5)	(0.5)	(0.5)	(0.5)
Interest taken to account	-	-	-	-

d) Large exposures

There is no item included in impaired assets which exceeds 5.0% of shareholders' equity (2006: nil).

15. Property, plant and equipment

2007	Land	Buildings	Leasehold improvements	Plant, furniture and equipment	IT equipment	Capital works in progress	Total
	$m	$m	$m	$m	$m	$m	$m
Consolidated							
Cost							
Balance at the beginning of the financial year	-	-	11.9	24.7	31.6	0.1	68.3
Acquired during the period (1)	1.1	1.3	0.5	2.2	2.7	-	7.8
Additions	-	-	1.8	1.0	1.1	0.8	4.7
Disposals	-	-	(2.6)	(5.3)	(3.9)	-	(11.8)
Transfers between categories	-	-	-	-	0.1	(0.1)	-
Write-off associated with sale of credit card portfolio (2)	-	-	-	-	(0.1)	-	(0.1)
Balance at the end of the financial year	1.1	1.3	11.6	22.6	31.5	0.8	68.9
Depreciation							
Balance at the beginning of the financial year	-	-	4.6	18.0	26.1	-	48.7
Acquired during the period (1)	-	-	0.3	1.5	1.9	-	3.7
Depreciation charge for the year	-	-	1.8	1.2	2.2	-	5.2
Disposals	-	-	(1.3)	(4.3)	(2.7)	-	(8.3)
Write-off associated with sale of credit card portfolio (2)	-	-	-	-	(0.1)	-	(0.1)
Balance at the end of the financial year	-	-	5.4	16.4	27.4	-	49.2
Carrying amounts							
Carrying amount at the beginning of the financial year	-	-	7.3	6.7	5.5	0.1	19.6
Carrying amount at the end of the financial year	1.1	1.3	6.2	6.2	4.1	0.8	19.7

(1) The increase in property, plant and equipment is due to the acquisition of Pioneer Permanent Building Society Limited on 5 December 2006.

(2) The Bank sold its Credit Card portfolio to Citigroup Pty Limited on 4 June 2007 and all related credit card assets were written-off. These write-offs are included in the pre-tax gain of $41.6m.

2007	Land	Buildings	Leasehold improvements	Plant, furniture and equipment	IT equipment	Capital works in progress	Total
Bank							
Cost							
Balance at the beginning of the financial year	-	-	11.9	24.7	31.6	0.1	68.3
Additions	-	-	1.8	1.0	1.0	0.8	4.6
Disposals	-	-	(2.1)	(3.7)	(2.8)	-	(8.6)
Transfers between categories	-	-	-	-	0.1	(0.1)	-
Write-off associated with sale of credit card portfolio (1)	-	-	-	-	(0.1)	-	(0.1)
Balance at the end of the financial year	-	-	11.6	22.0	29.8	0.8	64.2

15. Property, plant and equipment (continued)

2007	Land	Buildings	Leasehold improvements	Plant, furniture and equipment	IT equipment	Capital works in progress	Total
	$m	$m	$m	$m	$m	$m	$m
Bank							
Depreciation							
Balance at the beginning of the financial year	-	-	4.6	18.0	26.1	-	48.7
Depreciation charge for the year	-	-	1.8	1.1	1.9	-	4.8
Disposals	-	-	(1.0)	(3.1)	(1.7)	-	(5.8)
Write-off associated with sale of credit card portfolio (1)	-	-	-	-	(0.1)	-	(0.1)
Balance at the end of the financial year	-	-	5.4	16.0	26.2	-	47.6
Carrying amounts							
Carrying amount at the beginning of the financial year	-	-	7.3	6.7	5.5	0.1	19.6
Carrying amount at the end of the financial year	-	-	6.2	6.0	3.6	0.8	16.6

(1) The Bank sold its Credit Card portfolio to Citigroup Pty Limited on 4 June 2007 and all related credit card assets were written-off. These write-offs are included in the pre-tax gain of $41.6m.

2006	Land	Buildings	Leasehold improvements	Plant, furniture and equipment	IT equipment	Capital works in progress	Total
	$m	$m	$m	$m	$m	$m	$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

15. Property, plant and equipment (continued)

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

16. Deferred tax assets and liabilities

Recognised tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2007 $m	2006 $m	2007 $m	2006 $m	2007 $m	2006 $m
Consolidated						
Accruals	2.7	1.9	-	-	2.7	1.9
Capitalised expenditure	-	-	(14.4)	(3.6)	(14.4)	(3.6)
Intangibles	-	-	(2.5)	(1.3)	(2.5)	(1.3)
Other investments	1.9	5.2	-	(2.3)	1.9	2.9
Leasing	8.0	61.8	-	-	8.0	61.8
Property, plant, equipment and software	0.4	-	(15.5)	(17.8)	(15.1)	(17.8)
Provision for impairment	4.2	4.1	-	-	4.2	4.1
Provisions other	6.3	5.9	-	-	6.3	5.9
Receivables	-	-	(1.6)	(1.6)	(1.6)	(1.6)
Tax value of loss carry-forwards recognised	-	2.1	-	-	-	2.1
Unrealised trading gains	-	-	(0.7)	-	(0.7)	-
Unrealised trading losses	5.6	-	-	-	5.6	-
Equity reserves	-	-	(6.0)	(0.5)	(6.0)	(0.5)
Tax assets / (liabilities)	29.1	81.0	(40.7)	(27.1)	(11.6)	53.9

16. Deferred tax assets and liabilities (continued)

	Assets		Liabilities		Net	
	2007 $m	2006 $m	2007 $m	2006 $m	2007 $m	2006 $m
Bank						
Accruals	2.7	1.9	-	-	2.7	1.9
Capitalised expenditure	-	-	(11.9)	(2.5)	(11.9)	(2.5)
Intangibles	-	-	(1.0)	(1.3)	(1.0)	(1.3)
Other investments	1.6	3.9	-	(2.3)	1.6	1.6
Leasing	-	0.2	-	-	-	0.2
Property, plant, equipment and software	-	-	(15.5)	(17.9)	(15.5)	(17.9)
Provision for impairment	3.4	3.5	-	-	3.4	3.5
Provisions other	6.3	5.9	-	-	6.3	5.9
Receivables	-	-	(1.6)	(1.6)	(1.6)	(1.6)
Tax value of loss carry-forwards recognised	-	2.1	-	-	-	2.1
Unrealised trading gains	-	-	(0.7)	-	(0.7)	-
Unrealised trading losses	3.7	-	-	-	3.7	-
Equity reserves	-	-	(6.5)	(0.5)	(6.5)	(0.5)
Tax assets / (liabilities)	17.7	17.5	(37.2)	(26.1)	(19.5)	(8.6)

	Consolidated		Bank	
	2007 $m	2006 $m	2007 $m	2006 $m
Unrecognised deferred tax assets				
Deductible temporary differences	-	0.6	-	0.6

17. Other assets

Accrued interest	40.0	32.8	39.5	32.8
Other debtors and prepayments	80.5	130.1	96.1	63.1
	120.5	162.9	135.6	95.9

18. Intangible assets

	Consolidated				
	Goodwill [1]	Customer contracts [1]	Computer software	Technology infrastructure	Total
	$m	$m	$m	$m	$m
2007					
Cost					
Balance at the beginning of the financial year	21.0	5.0	120.2	28.6	174.8
Acquisitions through business combinations [1]	24.0	7.0	-	-	31.0
Other acquisitions	-	-	13.4	-	13.4
Write-off associated with sale of credit card portfolio [2]	-	-	(1.7)	(10.6)	(12.3)
Balance at the end of the financial year	45.0	12.0	131.9	18.0	206.9
Amortisation and impairment losses					
Balance at the beginning of the financial year	-	0.7	54.2	10.2	65.1
Amortisation for the year	-	2.7	13.6	2.2	18.5
Write-off associated with sale of credit card portfolio [2]	-	-	(0.7)	(4.2)	(4.9)
Balance at the end of the financial year	-	3.4	67.1	8.2	78.7
Carrying amounts					
Carrying amount at the beginning of the financial year	21.0	4.3	66.0	18.4	109.7
Carrying amount at the end of the financial year	45.0	8.6	64.8	9.8	128.2

(1) The increase in goodwill and customer contracts is due to the acquisition of Pioneer Permanent Building Society Limited on 5 December 2006. Refer Note 36.

(2) The Bank sold its Credit Card portfolio to Citigroup Pty Limited on 4 June 2007 and all related credit card software and technology assets were written-off. These write-offs are included in the pre-tax gain of $41.6m.

	Consolidated				
	Goodwill [1]	Customer contracts [1]	Computer software	Technology infrastructure	Total
	$m	$m	$m	$m	$m
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.

Goodwill $m	Customer contracts $m	Bank Computer software $m	Technology infrastructure $m	Total $m
8.1	5.0	120.2	28.6	161.9
-	-	-	-	-
-	-	13.4	-	13.4
-	-	(1.7)	(10.6)	(12.3)
8.1	5.0	131.9	18.0	163.0
-	0.7	54.2	10.2	65.1
-	1.0	13.6	2.2	16.8
-	-	(0.7)	(4.2)	(4.9)
-	1.7	67.1	8.2	77.0
8.1	4.3	66.0	18.4	96.8
8.1	3.3	64.8	9.8	86.0

Goodwill $m	Customer contracts $m	Bank Computer software $m	Technology infrastructure $m	Total $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

18. Intangible assets (continued)

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

	Consolidated		Bank	
	2007 $m	2006 $m	2007 $m	2006 $m
BOQ Equipment Finance Limited	12.9	12.9	-	-
Orix debtor finance division	8.1	8.1	8.1	8.1
Pioneer Permanent Building Society Limited	24.0	-	-	-
	45.0	21.0	8.1	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 10.6% has been used in discounting the projected cash flows.

The key assumptions used in determining the value are:

Assumptions	How determined
Interest rate margin	Statistical analysis of prior periods margins adjusted for long-term market trends.
Asset growth	Statistical analysis of prior period growth adjusted for expected approvals levels and run-off.

The Orix 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 10.6% has been used in discounting the projected cash flows.

The key assumptions used in determining the value are:

Assumptions	How determined
Interest rate margin	Statistical analysis of prior periods margins adjusted for long-term market trends.
Asset growth	Statistical analysis of prior period growth adjusted for expected approvals levels and run-off.

The Pioneer Permanent Building Society 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 10.6% has been used in discounting the projected cash flows.

The key assumptions used in determining the value are:

Assumptions	How determined
Interest rate margin	Statistical analysis of prior periods margins adjusted for long-term market trends.
Asset growth	Statistical analysis of prior period growth adjusted for expected approvals levels and run-off.
Liability growth	Statistical analysis of prior period growth adjusted for expected levels.

	Consolidated		Bank	
	2007 $m	2006 $m	2007 $m	2006 $m
19. Due to other financial institutions				
Amounts payable – at call	121.5	95.6	121.5	95.6

20. Deposits

	Consolidated 2007 $m	Consolidated 2006 $m	Bank 2007 $m	Bank 2006 $m
Deposits at call (1)	6,148.4	4,341.2	6,010.5	4,358.6
Term deposits (1)	3,740.9	3,199.3	3,482.0	3,199.4
Certificates of deposit	2,831.0	2,409.1	2,838.6	2,409.1
Total	12,720.3	9,949.6	12,331.1	9,967.1
Concentration of deposits:				
Retail deposits	9,160.9	6,867.2	8,764.1	6,884.7
Wholesale deposits	3,559.4	3,082.4	3,567.0	3,082.4
Total	12,720.3	9,949.6	12,331.1	9,967.1

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

(1) On 5 December 2006, the Bank acquired Pioneer Permanent Building Society Limited which resulted in an increase of $179.3m of deposits at call and $277.0m of term deposits as at acquisition date. Refer Note 36.

	Consolidated		Bank	
	2007 $m	2006 $m	2007 $m	2006 $m
21. Provisions				
Employee benefits	9.2	8.3	8.8	8.3
Directors' retiring allowance (1)	1.0	1.1	1.0	1.1
Credit card rewards scheme (2)	-	6.0	-	6.0
Surplus lease space	0.1	0.4	0.1	0.4
Restructuring (3)	1.6	-	1.6	-
Other	0.8	0.2	0.8	0.2
Total	12.7	16.0	12.3	16.0

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

(2) Released on the sale of the credit card portfolio. This release is included in the pre-tax gain on sale of $41.6m.

(3) Provision relates to integration costs associated with the acquisition of Pioneer Permanent Building Society Limited.

21. Provisions (continued)

Movements in provisions

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

Consolidated and Bank - 2007	Credit card reward scheme $m	Surplus lease space $m	Restructuring [1] $m	Other $m
Carrying amount at beginning of year	6.0	0.4	-	0.2
Additional / (release) provision recognised	4.7	(0.3)	4.0	0.8
Acquired during the period [2]	-	0.2	-	-
Payments made	(4.1)	(0.2)	(2.4)	(0.2)
Release on sale of credit card portfolio [3]	(6.6)	-	-	-
Carrying amount at end of year	-	0.1	1.6	0.8

Consolidated and Bank - 2006	Credit card reward scheme $m	Surplus lease space $m	Other $m
Carrying amount at beginning 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

(1) Provision relates to integration costs associated with the acquisition of Pioneer Permanent Building Society Limited.

(2) Provision acquired relates to the acquisition of the Pioneer permanent Building Society Limited on 5 December 2006.

(3) Released on the sale of the credit card portfolio. This release is included in the pre-tax gain on sale of $41.6m.

22. Borrowings including subordinated notes

The consolidated entity recorded the following movements on borrowings including subordinated notes:

	Securitisation liabilities [1] $m	EMTN Program $m	Borrowings including subordinated notes $m	Preference shares $m	Total $m
Year ended 31 August 2007					
Balance at beginning of year	3,256.5	1,105.0	345.0	111.9	4,818.4
Proceeds from issues	2,401.2	1,897.8	-	-	4,299.0
Repayments	(1,278.5)	(1,688.7)	(80.0)	-	(3,047.2)
Deferred establishment costs	(5.8)	-	-	-	(5.8)
Amortisation of deferred costs	2.0	-	-	-	2.0
Foreign exchange translation	0.4	(62.6)	-	-	(62.2)
Balance at end of the year	4,375.8	1,251.5	265.0	111.9	6,004.2

(1) Securitisation liabilities are secured by a floating charge over securitised assets for amounts owing to noteholders and any other secured creditors of the securitisation vehicles.

22. Borrowings including subordinated notes (continued)

The Consolidated Entity recorded the following movements on borrowings including subordinated notes:

	Securitisation liabilities	EMTN Program	Borrowings including subordinated notes	Preference shares	Total
	$m	$m	$m	$m	$m
Year ended 31 August 2006					
Balance at beginning of year	2,602.5	1,168.4	231.0	-	4,001.9
Opening AIFRS reclassification	(5.8)	33.6	-	123.0	150.8
Proceeds from issues	1,773.9	2,383.1	149.7	47.2	4,353.9
Repayments	(1,116.0)	(2,473.7)	(35.7)	(47.2)	(3,672.6)
Deferred establishment costs	(1.5)	-	-	-	(1.5)
Amortisation of deferred costs	3.4	-	-	-	3.4
Foreign exchange translation	-	(6.4)	-	-	(6.4)
Conversion to ordinary shares	-	-	-	(11.1)	(11.1)
Balance at end of the year	3,256.5	1,105.0	345.0	111.9	4,818.4

The Bank recorded the following movements on borrowings including subordinated notes:

	EMTN Program	Borrowings including subordinated notes	Preference shares	Total
	$m	$m	$m	$m
Year ended 31 August 2007				
Balance at beginning of year	1,105.0	345.0	111.9	1,561.9
Proceeds from issues	1,897.8	-	-	1,897.8
Repayments	(1,688.7)	(80.0)	-	(1,768.7)
Foreign exchange translation	(62.6)	-	-	(62.6)
Balance at end of the year	1,251.5	265.0	111.9	1,628.4

	EMTN Program	Borrowings including subordinated notes	Preference shares	Total
	$m	$m	$m	$m
Year ended 31 August 2006				
Balance at beginning of year	1,168.4	231.0	-	1,399.4
Opening AIFRS reclassification	33.6	-	123.0	156.6
Proceeds from issues	2,383.1	149.7	47.2	2,580.0
Repayments	(2,473.7)	(35.7)	(47.2)	(2,556.6)
Foreign exchange translation	(6.4)	-	-	(6.4)
Conversion to ordinary shares	-	-	(11.1)	(11.1)
Balance at end of the year	1,105.0	345.0	111.9	1,561.9

23. Issued capital

	Note	Consolidated 2007 $m	Consolidated 2006 $m	Bank 2007 $m	Bank 2006 $m
Issued and paid up capital					
Ordinary Shares, fully paid	(a)	615.7	531.2	615.7	531.2
Reset Preference Shares, fully paid	(b)	-	-	-	-
Series 1 Reset Preference Shares, fully paid	(c)	-	-	-	-
Balance at end of year		615.7	531.2	615.7	531.2

(a) Ordinary shares

	Consolidated 2007 $m	Consolidated 2006 $m	Bank 2007 $m	Bank 2006 $m
Movements during the year				
Balance at the beginning of the year – 106,469,145 (2006: 101,100,189), fully paid	531.2	475.3	531.2	475.3
Dividend reinvestment plan – 1,687,641 shares (2006: 2,008,225)	26.7	28.1	26.7	28.1
Exercise of options – 3,551,514 shares [1] (2006: 2,382,000)	34.6	16.1	34.6	16.1
Employee share plan - nil shares (2006: 52,942)	-	-	-	-
Shares issued on conversion of RePS – nil shares (2006: 925,789)	-	11.2	-	11.2
Pioneer Acquisition – 1,479,923 shares (2006: nil)	23.2	-	23.2	-
Tax adjustment for prior issue costs	-	0.5	-	0.5
Balance at the end of the year – 113,188,223 (2006: 106,469,145), fully paid	615.7	531.2	615.7	531.2

(1) Refer to Note 34 (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 2007 $m	Consolidated 2006 $m	Bank 2007 $m	Bank 2006 $m
(b) Reset Preference Shares ("RePS")				
Movements during the year				
Balance at beginning of year – nil (2006: 583,488), fully paid	-	58.0	-	58.0
Re-classification to debt on transition to AIFRS	-	(58.0)	-	(58.0)
Balance at end of the year – nil (2006: nil), fully paid	-	-	-	-
(c) Series 1 Reset Preference Shares ("S1RPS")				
Movements during the year				
Balance at beginning of year – nil (2006: 647,417), fully paid	-	63.1	-	63.1
Re-classification to debt on transition to AIFRS	-	(63.1)	-	(63.1)
Balance at end of the year – nil (2006: nil), fully paid	-	-	-	-

24. Reserves and retained profits

	Employee Benefits reserve	General Reserve for credit losses	Cashflow hedge reserve	Available for sale reserve	Total Reserves	Retained profits
	$m	$m	$m	$m	$m	$m
Consolidated						
2007						
Balance at beginning of year	9.2	49.8	1.2	0.8	61.0	97.6
Total recognised income and expense	-	-	11.2	0.8	12.0	129.8
Dividends to ordinary shareholders	-	-	-	-	-	(68.7)
Equity settled transactions	6.9	-	-	-	6.9	-
Transfers	-	7.7	-	-	7.7	(7.7)
Balance at end of year	16.1	57.5	12.4	1.6	87.6	151.0
2006						
Balance at beginning of 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 ordinary shareholders	-	-	-	-	-	(70.6)
Equity settled transactions	5.5	-	-	-	5.5	-
Transfers	-	6.0	-	-	6.0	(6.0)
Balance at end of year	9.2	49.8	1.2	0.8	61.0	97.6
Bank						
2007						
Balance at beginning of year	9.2	43.2	1.2	0.8	54.4	91.8
Total recognised income and expense	-	-	12.6	0.8	13.4	123.2
Dividends to ordinary shareholders	-	-	-	-	-	(68.7)
Equity settled transactions	6.9	-	-	-	6.9	-
Transfers	-	6.0	-	-	6.0	(6.0)
Balance at end of year	16.1	49.2	13.8	1.6	80.7	140.3
2006						
Balance at beginning of 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 ordinary shareholders	-	-	-	-	-	(70.6)
Equity settled transactions	5.5	-	-	-	5.5	-
Transfers	-	6.0	-	-	6.0	(6.0)
Balance at end of year	9.2	43.2	1.2	0.8	54.4	91.8

25. 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.

26. Average balances and margin analysis

	Consolidated 2007			Consolidated 2006		
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Interest earning assets						
Gross loans and advances at amortised cost *	16,078.0	1,200.6	7.47	12,979.2	915.4	7.05
Investments and other securities *	1,721.2	110.5	6.42	1,767.6	101.6	5.75
Total interest earning assets	17,799.2	1,311.1	7.37	14,746.8	1,017.0	6.90
Non-interest earning assets						
Property, plant and equipment	20.8			18.3		
Other assets	355.2			277.9		
Provision for impairment	(13.8)			(13.1)		
Total non-interest earning assets	362.2			283.1		
Total assets	18,161.4			15,029.9		
Interest bearing liabilities						
Retail deposits *	8,161.1	407.4	4.99	6,420.3	279.8	4.36
Wholesale deposits and borrowings *	9,016.3	582.4	6.46	7,803.8	467.4	5.99
Total interest bearing liabilities	17,177.4	989.8	5.76	14,224.1	747.2	5.25
Non-interest bearing liabilities	201.0			159.0		
Total liabilities	17,378.4			14,383.1		
Shareholders' funds	783.0			646.8		
Total liabilities and shareholders' funds	18,161.4			15,029.9		
Interest margin and interest spread						
Interest earning assets	17,799.2	1,311.1	7.37	14,746.8	1,017.0	6.90
Interest bearing liabilities	17,177.4	989.8	5.76	14,224.1	747.2	5.25
Net interest spread (1)			1.61			1.65
Net interest margin - on average interest earning assets	17,799.2	321.3	1.81	14,746.8	269.8	1.83

* *Calculated on average daily balances*

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

27. Maturity analysis of financial assets and liabilities

Consolidated

2007	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
Financial assets								
Due from other financial institutions	-	-	-	-	46.8	-	-	46.8
Other financial assets	-	-	727.5	63.0	816.4	-	-	1,606.9
Loans and advances at amortised cost (net of provisions and unearned income)	3,553.0	386.7	867.8	1,019.7	2,203.1	9,578.2	(7.7)	17,600.8
Financial liabilities								
Due to other financial institutions	-	-	121.5	-	-	-	-	121.5
Deposits	6,165.5	-	4,363.4	1,254.3	937.1	-	-	12,720.3
Borrowings including subordinated notes	-	-	337.9	593.2	1,105.8	3,967.3	-	6,004.2
2006								
Financial assets								
Due from other financial institutions	-	-	-	-	45.0	-	-	45.0
Other financial assets	40.0	-	248.1	51.3	764.0	4.8	0.7	1,108.9
Loans and advances at amortised cost (net of provisions and unearned income)	2,511.5	307.5	1,010.2	908.7	2,114.2	7,159.7	(8.1)	14,003.7
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
Borrowings including subordinated notes	-	-	256.0	658.7	893.3	2,898.5	111.9	4,818.4

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

Bank

2007	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
Financial assets								
Due from other financial institutions	-	-	-	-	93.9	-	-	93.9
Other financial assets	-	-	634.2	63.0	816.4	-	-	1,513.6
Loans and advances at amortised cost (net of provisions and unearned income)	3,553.0	386.7	1,163.3	1,215.0	2,193.8	7,803.8	(6.6)	16,309.0
Financial liabilities								
Due to other financial institutions	-	-	121.5	-	-	-	-	121.5
Deposits	6,165.5	-	4,077.5	1,155.9	932.2	-	-	12,331.1
Borrowings including subordinated notes	-	-	279.8	542.4	806.2	-	-	1,628.4
2006								
Financial assets								
Due from other financial institutions	-	-	-	-	67.1	-	-	67.1
Other financial assets	40.0	-	248.1	51.3	764.0	4.8	0.7	1,108.9
Loans and advances at amortised cost (net of provisions and unearned income)	2,513.6	307.5	921.4	674.3	1,467.1	7,142.6	(7.9)	13,018.6
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
Borrowings including subordinated notes	-	-	170.0	619.9	660.1	-	111.9	1,561.9

28. 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.

28. Risk management (continued)

(a) Market risk (continued)

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.

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

Trading VaR	2007 $m	2006 $m
Average	0.18	0.18
Maximum	0.47	0.53
Minimum	0.06	0.04

(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 databases. 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.

29. 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 28 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 2007. 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.

	Notional Amount		Net Fair Value Asset / (Liability)		Credit Equivalent	
	2007 $m	2006 $m	2007 $m	2006 $m	2007 $m	2006 $m
Consolidated						
Interest rate contracts:						
Swaps	8,359.4	7,756.9	21.2	4.2	135.1	121.0
Forward rate agreements	300.0	1,000.0	-	-	-	-
Futures	10,695.0	7,310.1	5.8	(0.6)	-	-
Foreign exchange:						
Swaps	2,165.9	725.9	(48.0)	18.2	100.4	39.4
Foreign exchange forwards	498.3	371.8	(1.8)	(1.7)	9.0	8.1
Bank						
Interest rate contracts:						
Swaps	8,359.4	7,756.9	21.2	4.2	135.1	121.0
Forward rate agreements	300.0	1,000.0	-	-	-	-
Futures	10,695.0	7,310.1	5.8	(0.6)	-	-
Foreign exchange:						
Swaps	878.4	725.9	(50.9)	18.2	32.1	39.4
Foreign exchange forwards	498.3	371.8	(1.8)	(1.7)	9.0	8.1

29. Financial instruments (continued)

(b) Interest rate risk disclosure 2007

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	479.1	-	-	-	-	-	-	479.1	-
Due from other financial institutions	46.8	-	-	-	-	-	-	46.8	6.45%
Other financial assets	871.2	461.0	-	-	272.2	-	2.5	1,606.9	6.73%
Derivative financial instruments	-	-	-	-	-	-	35.3	35.3	-
Loans and advances at amortised cost	11,332.1	394.1	462.8	1,188.1	4,050.8	172.9	-	17,600.8	7.82%
Property, plant and equipment	-	-	-	-	-	-	19.7	19.7	-
Deferred tax assets	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	120.5	120.5	-
Intangible assets	-	-	-	-	-	-	128.2	128.2	-
Total assets	**12,729.4**	**855.1**	**462.8**	**1,188.1**	**4,323.0**	**172.9**	**306.2**	**20,037.3**	**-**
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	(121.5)	(121.5)	-
Deposits	(9,127.9)	(2,173.8)	(644.5)	(450.0)	(246.8)	(77.3)	-	(12,720.3)	5.70%
Derivative financial instruments	-	-	-	-	-	-	(58.1)	(58.1)	-
Accounts payable and other liabilities	-	-	-	-	-	-	(233.4)	(233.4)	-
Provisions	-	-	-	-	-	-	(33.9)	(33.9)	-
Deferred tax liabilities	-	-	-	-	-	-	(11.6)	(11.6)	-
Borrowings including subordinated notes	(4,178.3)	(1,572.6)	(124.4)	(17.0)	(111.9)	-	-	(6,004.2)	6.91%
Total liabilities	**(13,306.2)**	**(3,746.4)**	**(768.9)**	**(467.0)**	**(358.7)**	**(77.3)**	**(458.5)**	**(19,183.0)**	**-**
Shareholders Equity									
Issued capital	-	-	-	-	-	-	(615.7)	(615.7)	-
Reserves	-	-	-	-	-	-	(87.6)	(87.6)	-
Retained profits	-	-	-	-	-	-	(151.0)	(151.0)	-
Total equity	**-**	**-**	**-**	**-**	**-**	**-**	**(854.3)**	**(854.3)**	**-**
Net mismatch	**(577.0)**	**(2,891.3)**	**(306.1)**	**721.1**	**3,964.3**	**95.6**	**(1,006.6)**	**-**	**-**
Cumulative mismatch	**(577.0)**	**(3,468.3)**	**(3,774.4)**	**(3,053.3)**	**911.0**	**1,006.6**	**-**	**-**	**-**

29. Financial instruments (continued)

(b) Interest rate risk disclosure 2006 (continued)

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	425.2	330.9	26.8	-	320.4	5.0	0.6	1,108.9	6.20%
Derivative financial instruments	-	-	-	-	-	-	31.6	31.6	-
Loans and advances at amortised cost	9,657.7	365.2	309.8	789.5	2,778.9	97.9	4.7	14,003.7	7.43%
Property, plant and equipment	-	-	-	-	-	-	19.6	19.6	-
Deferred tax assets	-	-	-	-	-	-	53.9	53.9	-
Intangible assets	-	-	-	-	-	-	162.9	162.9	-
Other 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)	-
Accounts Payable and other liablities	-	-	-	-	-	-	(161.7)	(161.7)	-
Provisions	-	-	-	-	-	-	(70.5)	(70.5)	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Borrowings including subordinated notes	(3,344.2)	(1,118.4)	(169.2)	(51.3)	(135.3)	-	-	(4,818.4)	6.37%
Total liabilities	**(10,729.5)**	**(2,408.4)**	**(859.5)**	**(361.4)**	**(247.8)**	**(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)**	**(1,712.3)**	**(522.9)**	**428.1**	**2,851.5**	**(58.5)**	**(646.1)**	**-**	**-**
Cumulative mismatch	**(339.8)**	**(2,052.1)**	**(2,575.0)**	**(2,146.9)**	**704.6**	**646.1**	**-**	**-**	**-**

29. 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	
	2007 $m	2006 $m	2007 $m	2006 $m
Assets				
Cash and liquid assets	479.1	261.8	479.1	261.8
Due from other financial institutions	46.8	45.0	46.8	45.0
Other financial assets	1,606.9	1,108.9	1,606.9	1,109.6
Loans and advances at amortised cost	17,600.8	14,003.7	17,600.8	14,003.7
Liabilities				
Balances due to other banks	(121.5)	(95.6)	(121.5)	(95.6)
Deposits	(12,720.3)	(9,949.6)	(12,720.4)	(9,953.5)
Borrowings including subordinated notes	(6,004.2)	(4,818.4)	(6,006.4)	(4,833.2)
	Bank			
Assets				
Cash and liquid assets	228.8	239.7	228.8	239.7
Due from other financial institutions	93.9	67.1	93.9	67.1
Other financial assets	1,513.6	1,108.9	1,513.6	1,109.6
Loans and advances at amortised cost	16,309.0	13,018.6	16,309.0	13,018.6
Liabilities				
Balances due to other banks	(121.5)	(95.6)	(121.5)	(95.6)
Deposits	(12,331.1)	(9,967.1)	(12,331.2)	(9,967.1)
Borrowings including subordinated notes	(1,628.4)	(1,561.9)	(1,630.6)	(1,576.7)

The fair value of derivative financial instruments can be found in Note 29 (a). The estimated net fair values disclosed do not include the assets and liabilities that are not considered financial instruments.

30. 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	
	2007 $m	2006 $m	2007 $m	2006 $m
Notes, coin and cash at bank	447.7	213.5	197.3	191.4
Bills receivable and remittances in transit	31.4	48.3	31.5	48.3
	479.1	261.8	228.8	239.7
(ii) Reconciliation of profit from ordinary activities after Income tax to net cash provided by operating activities				
Profit from ordinary activities after income tax	129.8	92.7	123.2	86.2
Add / (less) items classified as investing / financing activities or non cash items				
Depreciation	5.2	5.2	4.8	5.2
Amortisation	2.7	0.7	1.0	0.7
Software amortisation	15.8	15.3	15.8	15.3
Loss on sale / asset writedowns	1.5	0.4	0.9	0.4
Share based payments	6.9	9.1	6.9	9.1
Property, plant & equipment	0.1	-	(0.1)	0.1
Sale of credit card portfolio	(269.1)	-	(269.1)	-
Purchase of Pioneer Permanent Building Society Limited	(4.8)	-	-	-
Profit on sale of property, plant and equipment	(0.9)	(0.5)	(0.9)	(0.5)
Profit on sale of credit card portfolio	(49.3)	-	(49.3)	-
Increase in due from other financial institutions	(1.8)	(22.4)	(26.8)	(44.5)
(Increase) / decrease in other financial assets	(496.2)	74.5	(402.9)	74.5
Increase in loans and advances at amortised cost	(3,597.2)	(2,323.4)	(3,290.1)	(2,208.9)
(Increase) / decrease in derivatives	58.2	6.2	(16.1)	13.7
Increase / (decrease) in provision for impairment	0.1	1.4	(0.3)	0.4
(Increase) / decrease in deferred tax asset	53.9	(26.3)	-	29.5
(Increase) / decrease in other assets	42.4	(24.9)	(39.7)	(22.3)
Increase in amounts due from controlled entities	-	-	1,114.0	489.0
Increase in due to other financial institutions	25.9	21.5	25.9	21.5
Increase in deposits	2,770.7	1,236.6	2,364.0	1,276.2
Increase in accounts payable and other liabilities	71.7	4.6	50.6	6.6
Increase / (decrease) in current tax liabilities	(33.3)	43.8	(33.2)	43.8
Increase / (decrease) in provisions	2.0	1.4	(3.7)	1.4
Increase / (decrease) in deferred tax liabilities	6.5	(20.1)	5.2	(15.2)
Increase in borrowings including subordinated notes	1,073.2	659.5	-	-
Net cash from operating activities	(186.0)	(244.3)	(419.9)	(217.8)

(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.

31. Auditors' remuneration

	Consolidated		Bank	
	2007 $000	2006 $000	2007 $000	2006 $000
Audit services - KPMG Australia				
- Audit and review of the financial reports	631.8	558.7	537.2	513.7
- Other regulatory and audit services	50.2	40.0	48.2	36.5
	682.0	598.7	585.4	550.2
Audit related services – KPMG Australia				
- Other assurance services	298.5	230.8	67.3	100.9
	298.5	230.8	67.3	100.9
Other services – KPMG Australia				
- Taxation advisory services	-	1.7	-	1.7
- Due diligence services	76.3	-	-	-
	76.3	1.7	-	1.7

(1) Other assurance services comprise accounting advice and non-audit services provided to mortgage securitisation trusts which are consolidated under AIFRS.

Fees for audit and non-audit services paid to KPMG which were provided in relation to leasing securitisation trusts which are not consolidated were $85,785 (2006: $95,400).

32. Contingent liabilities

	Consolidated		Bank	
	2007 $m	2006 $m	2007 $m	2006 $m
Guarantees	130.9	106.9	130.9	106.9
Letters of credit	24.0	17.3	24.0	17.3

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.

33. 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:

	Consolidated 2007 $m	Consolidated 2006 $m	Bank 2007 $m	Bank 2006 $m
Within 1 year	20.0	22.2	20.0	22.2
Between 1 year and 5 years	46.7	47.3	46.7	47.3
Later than 5 years	8.0	13.4	8.0	13.4
	74.7	82.9	74.7	82.9

(b) Customer funding commitments

	Consolidated 2007 $m	Consolidated 2006 $m	Bank 2007 $m	Bank 2006 $m
Loans to customers approved but not drawn at year end	928.8	721.2	925.3	358.6
Amounts undrawn against lines of credit	315.9	582.4	314.4	581.9
	1,244.7	1,303.6	1,239.7	940.5

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.

34. Employee benefits

(a) Superannuation commitments

The Consolidated Entity 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 Consolidated Entity's contributions are also based on various percentages of the employees' gross salaries.

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

During the year the Consolidated Entity made employer contributions of $9,147,745 (2006: $7,231,465).

(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 nil (2006: 52,753) shares were issued (Fair value 2006: $732,802). In the prior year, 743 employees were eligible to participate in the plan. Since the commencement of the plan 841,953 shares have been issued. At 31 August 2007, these shares were valued at $15,626,648 (2006: $12,873,461) 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.

(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
Options granted 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
Options granted 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

(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.

34. Employee benefits (continued)

(c) Share based payments (continued)

Grant date / employee entitled	Number of instruments	Vesting conditions	Contractual life of options
Options granted to key management at 4 November 2002 – SMOP 2	1,905,000 (1)	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
Options granted to key management at 10 November 2003 – SMOP 3	3,120,000 (2)	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 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%	5 years

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

(2) These options vested in the 2007 financial year.

34. Employee benefits (continued)

(c) Share based payments (continued)

Grant date / employee entitled	Number of instruments	Vesting conditions	Contractual life of options
Options granted to Managing Director at 24 December 2004	500,000 (1)	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) 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 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.	4 years
	500,000	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) 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 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.	5 years
Options granted to key management at 20 December 2004 – SMOP 4	3,005,000	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. 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.	5 years

(1) These options vested in the 2007 financial year.

34. Employee benefits (continued)

(c) Share based payments (continued)

Grant date / employee entitled	Number of instruments	Vesting conditions	Contractual life of options
Options granted to key management at 17 October 2005 - SMOP 5	3,805,000	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 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.	5 years
Options granted to Managing Director at 1 November 2005	500,000	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) 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 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.	5 years
Options granted to Managing Director at 1 November 2006	500,000	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 2007 – 2009) 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 options remain unvested as at November 2010, the EPS test will be applied across financial years 2007, 2008, 2009 and 2010. Should any options remain unvested as at November 2011, the EPS test will be applied across financial years 2007, 2008, 2009, 2010 and 2011.	5 years

34. Employee benefits (continued)

(c) Share based payments (continued)

Grant date / employee entitled	Number of instruments	Vesting conditions	Contractual life of options
Options granted to key management at 20 November 2006 - SMOP 6	3,370,000	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 2007, 2008 and 2009 ("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 6 options remain unvested as at November 2010, the EPS test will be applied across financial years 2007, 2008, 2009 and 2010. Should any SMOP 6 options remain unvested as at November 2011, the EPS test will be applied across financial years 2007, 2008, 2009, 2010 and 2011.	5 years

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 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%
SMOP 6	20 November 2006	20 November 2011	$2.13	$16.40	$14.90	15.0%	6.00%	4.5%
Managing Director								
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%
MD Scheme 2 – Tranche 4	1 November 2006	20 November 2011	$2.13	$16.40	$16.37	15.0%	6.00%	4.5%

(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.

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

	Weighted average exercise price 2007	Number of options 2007 '000	Weighted average exercise price 2006	Number of options 2006 '000
Outstanding at the beginning of the period	$11.39	10,788	$9.21	8,987
Forfeited during the period	$14.98	(843)	$10.46	(122)
Exercised during the period	$9.75	(3,552)	$6.76	(2,382)
Granted during the period	$16.40	3,870	$13.37	4,305
Outstanding at the end of the period	$13.55	10,263	$11.39	10,788
Exercisable at the end of the period		523		90

The options outstanding at 31 August 2007 have an exercise price in the range of $10.00 to $17.00 and a weighted average contractual life of 3.2 years (2006: 3.3 years).

During the year 3,551,514 options were exercised (2006: 2,382,000). The weighted average share price at the date of exercise was $15.66 (2006: $13.63).

35. 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	Executives	
• Neil Roberts (Chairman)	• Robert Hines	Group Executive and Chief Financial Officer
• Antony Love (Deputy Chairman)	• Donna Quinn	Group Executive National Franchise Banking
• Neil Summerson	• Len Stone	Treasurer
• Peter Fox	• Bruce Auty	Group Executive Group Risk
• Bill Kelty	• Iain Blacklaw	Group Executive and Chief Information Officer (appointed 19 September 2006)
• John Reynolds	**Former Executives**	
• Carmel Gray	• Jenny Brice	General Executive Human Resources (resigned 13 March 2007)
• David Graham (appointed 11 October 2006)	• Jennifer Heffernan	Group Executive and Chief Operations Officer (resigned 8 August 2007)
Former non-executive directors	• Ross Norton	Group Executive Banking (resigned on 10 August 2007)
• Bruce Phillips (retired on 11 October 2006)		
Executive directors		
• David Liddy (Managing Director)		

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	Consolidated and Bank	
	2007 $	2006 $
Short-term employee benefits	6,513,680	5,339,426
Post-employment benefits	520,432	363,174
Long term employee benefits	65,544	36,599
Termination benefits	705,917	-
Share based employment benefits	2,940,684	2,221,844
	10,746,257	7,961,043

35. Key management personnel disclosures (continued)

(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 2006	Granted as remuneration	Exercised (1)	Other changes (2)	Held at 31 August 2007	Vested at 31 August 2007	Vested and exercisable at 31 August 2007
Managing Director option plan:							
David Liddy	1,500,000	500,000	(500,000)	-	1,500,000	500,000	-
SMOP:							
Executives							
Robert Hines	600,000	175,000	(200,000)	-	575,000	200,000	-
Donna Quinn	550,000	125,000	(200,000)	-	475,000	200,000	-
Len Stone (3)	500,000	100,000	(200,000)	-	400,000	200,000	-
Bruce Auty	450,000	100,000	(200,000)	-	350,000	200,000	-
Iain Blacklaw	-	100,000	-	-	100,000	-	-
Former Executives							
Jenny Brice	120,000	75,000	-	(195,000)	-	-	-
Jennifer Heffernan	500,000	100,000	(527,737)	(72,263)	-	527,737	-
Ross Norton	550,000	125,000	(200,000)	(92,945)	382,505	582,505	382,505

(1) Options exercised had an exercise price of $9.49, $10.71, $13.37 and $16.40.

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

(3) Len Stone became a member of the key management personnel on 1 September 2006.

	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.

35. 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 2006	Purchases (Sales)	Received on exercise of options	Granted as compensation	Held at 31 August 2007
Directors of Bank of Queensland Limited					
Neil Roberts	21,464	-	-	-	21,464
David Liddy	1,112,387	(200,000)	500,000	-	1,412,387
Antony Love	11,990	-	-	-	11,990
Neil Summerson	17,071	660	-	-	17,731
Peter Fox	11,071,671	223,033	-	-	11,294,704
Bill Kelty	1,000	40	-	-	1,040
John Reynolds	1,000	-	-	-	1,000
Carmel Gray	1,000	-	-	-	1,000
David Graham	-	6,000	-	-	6,000
Former Directors					
Bruce Phillips	23,835	-	-	-	23,835
Executives					
Robert Hines	296,160	(148,161)	200,000	-	347,999
Donna Quinn	251,195	(283,470)	200,000	-	167,725
Len Stone (1)	107,000	(57,000)	200,000	-	250,000
Bruce Auty	10,000	(10,000)	200,000	-	200,000
Iain Blacklaw	-	-	-	-	-
Former Executives					
Jennifer Heffernan	250,284	(260,284)	527,737	-	517,737
Ross Norton	127,869	(127,869)	200,000	-	200,000

(1) Len Stone became a member of the key management personnel on 1 September 2006.

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) (1)	-	-	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

(1) 22,473 shares acquired as co-executor of a deceased estate were transferred to beneficiaries during 2006.

35. 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 individuals aggregate loan balance exceeded $100,000 at any time in the reporting period, are as follows:

	2007				2006			
	Balance at 1 September 2006	Interest paid and payable during the year	Balance at 31 August 2007	Highest balance during the year	Balance at 1 September 2005	Interest paid and payable during the year	Balance at 31 August 2006	Highest balance during the year
	$	$	$	$	$	$	$	$
Directors:								
Bill Kelty	325,782	23,488	325,782	325,782	325,782	21,958	325,782	325,782
Antony Love	320,000	22,868	278,800	320,000	339,000	24,583	320,000	339,000
David Graham	-	143,461	4,147,107	4,261,107	-	-	-	-
Executives:								
Robert Hines	1,122,107	50,202	3,132,176	3,793,054	983,022	74,667	1,122,107	1,209,284
Donna Quinn	941,367	62,437	1,049,629	1,052,951	1,286,867	50,216	941,367	1,286,051
Len Stone (1)	1,044,625	55,617	1,085,203	1,715,899	-	-	-	-
Iain Blacklaw	-	29,942	530,863	541,101	-	-	-	-
Former Executives:								
Jennifer Heffernan	1,269,274	78,790	1,486,570	1,846,013	1,271,081	88,541	1,269,274	1,276,154
Ross Norton	1,351,123	92,428	1,269,510	1,274,487	898,215	61,571	1,351,123	1,828,487

(1) Len Stone became a member of the key management personnel on 1 September 2006.

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.

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 2006 (1)	Balance at 31 August 2007	Interest paid and payable	Number in group at 31 August 2007
	$	$	$	#
Directors:	645,782	4,751,689	189,817	3
Executives:	5,728,496	8,553,951	369,416	6

	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

(1) Balance as at 1 September 2006 will not equal 31 August 2006 closing balance due to new key management personnel additions.

35. Key management personnel disclosures (continued)

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

A number of key management persons or their related parties hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those 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. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis. Included in these transactions are certain loans made to the Linfox Group. At 31 August 2007 these facilities totalled $33.1m (2006: $31.5m).

Other non financial instrument transactions with key management personnel

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 $45,345 (2006: $29,555).

Peter Fox and Bill Kelty are directors of Linfox Proprietary Limited of which Linfox Armaguard Pty Ltd is a subsidiary. The Bank has paid $1,499,419 (2006: $1,045,257) 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.

The Bank of Queensland has entered into a rolling five year contract with DDH Graham Limited, of which David Graham is the Executive Chairman. Under this contract, DDH Graham Limited provides funding to the Bank through introduced customer money market deposit accounts, and in turn the Bank pays DDH Graham Limited a commission based on the value of deposited funds held with the bank. Commission is paid on a monthly basis for the duration of the contract. The existing contract expires in 2011. Commission amounts for these services were billed based on normal market rates and were due and payable under normal payment terms. Commission payments paid to the firm by the Bank during the financial year amounted to $3,334,326.

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

- Accounts payable and other liabilities - $592,864 (2006: $103,993)

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.

35. Key management personnel disclosures (continued)

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

The following are transactions undertaken between the Consolidated Entity and key management personnel as at 31 August 2007.

	Balance as at		For the period (1)			
	01/09/06 (2)	31/08/07	Total Loan Repayments	Total Loan Redraws / Further Advances	Total Loan / Overdraft interest	Total Fees on Loans / Overdraft
	$	$	$	$	$	$
Term Products (Loans / Advances)	(6,374,278)	(13,305,640)	6,587,470	(10,894,910)	(559,234)	(30,795)

	Balance as at		For the period (1)			
	01/09/05	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)

	Balance as at		For the period (1)				
	01/09/06 (2)	31/08/07 (3)	Total Deposits / Card Repayments	Total Withdrawals / Card Purchases	Total Account / Card Fees	Total Card Interest	Total Deposit Interest
	$	$	$	$	$	$	$
Transaction Products (Deposits / Credit Cards)	2,117,493	1,439,540	17,174,644	(18,163,585)	(4,267)	(1,663)	170,621

	Balance as at		For the period (1)				
	01/09/05	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

(1) Amounts are included only for the period that the director / executive are classified as a member of the key management personnel.

(2) Balance as at 1 September 2006 will not equal 31 August 2006 closing balance due to new key management personnel additions.

(3) Excludes credit card balances as the Bank's credit card portfolio was sold to Citigroup Pty Limited on 4 June 2007.

36. Controlled entities

(a) Particulars in relation to controlled entities

	Parent entity's interest		Amount of Investment (at cost)	
	2007	2006	2007 $m	2006 $m
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
BOQ Wealth Management Pty Ltd (1)	100%	100%	-	-
BOQ Equipment Finance Limited	100%	100%	15.4	15.4
Electronic Financial Solutions Pty Ltd	100%	100%	-	-
Series 2000-1 REDS Trust	-	100%	-	-
Series 2000-2 REDS Trust	-	100%	-	-
Series 2001-1 REDS Trust	-	100%	-	-
Series 2001-2 REDS Trust	100%	100%	-	-
Series 2002-1 REDS Trust	100%	100%	-	-
Series 2003-1 REDS Trust	-	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%	-	-
Series 2006-1E REDS Trust	100%	-	-	-
Series 2007-1E REDS Trust	100%	-	-	-
Pioneer Permanent Building Society Limited	100%	-	60.1	-
			80.6	20.5

(1) Previously BQ Bank Pty Ltd.

(b) Acquisition/disposal of controlled entities

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

Acquisition of entities

Current period

On 5 December 2006, the Bank acquired all the shares of Pioneer Permanent Building Society Limited ("Pioneer") for $46.6 million in a combination of cash and ordinary shares in the Bank. Pioneer is a provider of financial services and in the 9 months to 31 August 2007 contributed an after tax profit of $2.4m. If the acquisition had occurred on 1 September 2006, management estimates that consolidated total operating income would have been $503.7 million and consolidated profit would have been $133.0 million for the year ended 31 August 2007.

36. Controlled entities (continued)

(b) Acquisition/disposal of controlled entities (continued)

The acquisition had the following effect on the consolidated entity's assets and liabilities:

	Recognised values on acquisition $m	Fair value adjustments $m	Pre-acquisition carrying amounts $m
Cash	16.2	-	16.2
Loans and advances	341.4	-	341.4
Other financial assets	133.5	-	133.5
Property, plant and equipment	4.2	-	4.2
Other assets	4.8	-	4.8
Deferred tax assets	0.8	0.7	0.1
Intangible assets	-	(2.0)	2.0
Deposits	(456.3)	-	(456.3)
Borrowings including subordinated notes	(16.6)	-	(16.6)
Current tax liabilities	(0.1)	-	(0.1)
Accounts payable and other liabilities	(6.2)	-	(6.2)
Provisions	(6.1)	-	(6.1)
Net identifiable assets and liabilities	15.6	(1.3)	16.9
Customer contracts recognised on acquisition	7.0		
Goodwill on acquisition	24.0		
Total Consideration	46.6		
Consideration paid, satisfied in Bank ordinary shares	23.2		
Consideration paid, satisfied in cash *	23.4		
Cash acquired	(16.2)		
Net cash outflow	7.2		

* *Includes cash of $21.1 million and incidental costs of $2.3 million.*

36. Controlled entities (continued)

(b) Acquisition/disposal of controlled entities (continued)

Prior period

During the comparative period, the Bank acquired the Debtor Finance division of Orix Australia Corporation Limited on 22 December 2005.

Details of the acquisition were as follows:

	Recognised values on acquisition $m	Fair value adjustments $m	Pre-acquisition carrying amounts $m
Debtor finance receivables	77.7	0.6	77.1
Accounts payable and other liabilities	(23.5)	-	(23.5)
Provisions	(0.1)	-	(0.1)
Net identifiable assets and liabilities	54.1	0.6	53.5
Customer contracts recognised on acquisition	5.0		
Goodwill on acquisition	8.1		
Consideration paid, satisfied in cash*	67.2		
Cash acquired	-		
Net cash outflow	67.2		

* *Includes incidental costs of $1.1 million.*

Control

In the current year, the bank established the following securitisation vehicles:

- Series 2006-1E REDS Trust; and
- Series 2007-1E REDS Trust.

During the prior financial year, control was 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.

36. Controlled entities (continued)

(b) Acquisition/disposal of controlled entities (continued)

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.

Series 2000-1 REDS Trust

On 25 September 2006, the Series 2000-1 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 2000-2 REDS Trust

On 19 February 2007, the Series 2000-2 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 2001-1 REDS Trust

On 20 August 2007, the Series 2001-1 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 2003-1 REDS Trust

On 7 March 2007, the Series 2003-1 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.

During the prior financial year, the following Trusts were wound up.

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.

37. Related parties information

Controlled entities

Details of interests in controlled entities are set out at Note 36.

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 Pioneer Permanent Building Society Limited 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.

38. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' reports.

- B.Q.L. Properties Limited;
- BOQ Equipment Finance Limited.

It is a condition of the Class Order that the Bank and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Bank guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Bank will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Bank is wound up.

The subsidiaries to the Deed are:

- B.Q.L. Properties Limited;
- BOQ Equipment Finance Limited;
- B.Q.L. Management Pty Ltd;
- Queensland Electronic Switching Pty Ltd;
- B.Q.L. Nominees Pty Ltd;
- Electronic Financial Solutions Pty Ltd; and
- BOQ Wealth Management Pty Ltd.

A consolidated Income Statement and consolidated Balance Sheet, comprising the Bank and its controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 August 2007 is set out as follows:

SUMMARISED INCOME STATEMENT AND RETAINED PROFITS

	Consolidated	
	2007 $m	2006 $m
Profit before tax	182.1	116.1
Less: Income tax expense	54.0	28.7
Profit for the year	128.1	87.4
Retained profits at beginning of year	99.8	89.0
Dividends to shareholders	(68.7)	(70.6)
Equity settled transactions	(7.2)	(6.0)
Retained profits at end of year	152.0	99.8
Attributable to:		
Equity holders of the parent	128.1	87.4
Profit for the year	128.1	87.4

38. Deed of cross guarantee (continued)

BALANCE SHEET

As at 31 August 2007

	Consolidated 2007 $m	Consolidated 2006 $m
Assets		
Cash and liquid assets	227.2	239.8
Due from other financial institutions	93.9	67.1
Other financial assets	1,506.0	1,108.9
Derivative financial instruments	35.2	34.8
Loans and advances at amortised cost	17,294.6	14,003.7
Shares in controlled entities	60.1	-
Property, plant and equipment	16.6	19.6
Deferred tax assets	-	52.9
Other assets	144.2	93.4
Intangible assets	98.9	109.7
Total assets	19,476.7	15,729.9
Liabilities		
Due to other financial institutions	121.5	95.6
Deposits	12,304.5	9,949.6
Derivative financial instruments	61.0	11.5
Accounts payable and other liabilities	210.3	160.2
Current tax liabilities	21.2	54.5
Provisions	12.3	16.0
Deferred tax liabilities	14.7	-
Borrowings including subordinated notes	1,621.1	1,558.0
Amounts due to controlled entities	4,253.8	3,192.5
Total liabilities	18,620.4	15,037.9
Net assets	856.3	692.0
Equity		
Issued capital	615.7	531.2
Reserves	88.0	61.0
Retained profits	152.6	99.8
Total equity	856.3	692.0

39. Events subsequent to balance date

On 13 August 2007 the Bank made an offer to purchase 100% of the issued capital of Mackay Permanent Building Society Ltd. The acquisition is proposed to be undertaken under a scheme of arrangement which is expected to be completed by December 2007. The deal is subject to shareholder, 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.

On 31 August 2007 the Bank made an offer to purchase 100% of the issued capital of Home Building Society Ltd. The acquisition is proposed to be undertaken under a scheme of arrangement which is expected to be completed by January 2008. The deal is subject to shareholder, 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.

Dividends have been declared after 31 August 2007, refer to Note 7.

The financial effect of these transactions has not been brought to account in the financial statements for the year ended 31 August 2007.

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 30 to 114, 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 2007 and of their performance, for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2 (a).

(c) 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.

(d) 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 36 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 2007.

Signed in accordance with a resolution of the directors:

Neil Roberts	**David Liddy**
Chairman	Managing Director

Dated at Brisbane this eleventh day of October 2007

INDEPENDENT AUDIT REPORT

to members of Bank of Queensland Limited

KPMG

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Bank of Queensland Limited (the "Bank"), which comprises the Balance Sheets as at 31 August 2007, and the Income Statements, Statements of Recognised Income and Expense and Cash Flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 39 and the directors' declaration set out on pages 54 to 115 of the Consolidated Entity comprising the Bank and the entities it controlled at the year's end or from time to time during the 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 under the heading "remuneration report" on pages 35 to 47 of the directors' report and not in the financial report. We have audited these remuneration disclosures. The Remuneration report also contains information that is designated as un-audited, not required by Australian Accounting standard AASB 124, which is not subject to our audit.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the Bank are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2 (a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Consolidated Entity and the Bank, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the Bank are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Bank's and the Consolidated Entity's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

KPMG International is a Swiss cooperative.

INDEPENDENT AUDIT REPORT

to members of Bank of Queensland Limited

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Bank of Queensland Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Bank's and the Consolidated Entity's financial position as at 31 August 2007 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the Consolidated Entity also complies with International Financial Reporting Standards as disclosed in note 2 (a).

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained on pages 35 to 47 of the directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures.

KPMG

KPMG

John Teer

Partner

Brisbane, 11 October 2007

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

KPMG International is a Swiss cooperative.

CAPITAL ADEQUACY DETAILS

		Consolidated 2007 $m	Consolidated 2006 $m
Capital adequacy			
Qualifying capital			
Tier 1			
Issued Capital		615.7	531.2
Employee benefits reserve		16.1	9.2
Retained Profits		151.0	97.6
Add: Hybrids (RePS and S1RPS)		111.9	111.9
Add: Upfront fee income		1.6	2.2
Less: Dividends not accrued		(20.9)	(16.0)
Add: Estimated participation in dividend reinvestment plan		6.9	7.5
Less: Deferred expenditure		(35.0)	(27.2)
Less: Non consolidated entities for capital reporting		(2.6)	(1.5)
Less: Equity investments in non-subsidiary entities exceeding prescribed limits		(0.8)	-
Less: Excess deferred tax assets		-	(53.9)
Less: Intangibles		(128.2)	(109.6)
Add: APRA transitional relief		111.9	110.0
Total Tier 1 capital		827.6	661.4
Tier 2			
Unrealised gains on cashflow hedge reserve		12.4	1.2
General reserve net of tax effect		45.6	40.6
Term subordinated debt		265.0	331.4
Total Tier 2 capital		323.0	373.2
Deductions: Credit support of a capital nature (REDS EHP Trusts)		(31.0)	(25.6)
Total qualifying capital		1,119.6	1,009.0
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%	31.6	222.2
Loans secured by residential real estate	50%	4,480.0	3,429.2
Other loans	100%	4,492.6	3,980.7
Other assets	100%	140.1	88.0
Total risk adjusted assets		9,144.3	7,720.1
Risk adjusted Market Risk Charge		164.3	-
Risk adjusted off-balance sheet exposures		388.2	386.5
Total risk weighted assets		9,696.8	8,106.6
Risk-weighted capital ratios			
Tier 1 – Core		7.4%	6.8%
Tier 1 – Hybrid (RePS)		1.1%	1.4%
Total Tier 1		8.5%	8.2%
Tier 2		3.3%	4.6%
Deductions		(0.3%)	(0.3%)
Total		11.5%	12.5%

SHAREHOLDING DETAILS

As at 28 September 2007, the following shareholding details applied:

1. Twenty largest ordinary shareholders

Shareholder	No. of ordinary shares	%
Linfox Share Investment No2 Pty Ltd (1)	11,293,704	9.94
Milton Corporation Limited	4,582,333	4.03
JP Morgan Nominees Australia Limited	4,495,410	3.96
HSBC Custody Nominees (Australia) Limited	4,022,095	3.54
National Nominees Limited	2,354,703	2.07
Citicorp Nominees Pty Limited	1,752,232	1.54
Mr David Paul Liddy	1,412,387	1.25
ANZ Nominees Limited	1,251,510	1.10
Australian Executor Trustees Limited	1,152,480	1.01
Washington H Soul Pattinson and Company Limited	918,035	0.81
Choiseul Investments Limited	812,208	0.72
UBS Wealth Management Australia Nominees Pty Ltd	810,732	0.71
Cogent Nominees Pty Limited	748,031	0.66
HSBC Custody Nominees (Australia) Limited	484,963	0.43
Fleet Nominees Pty Limited	449,510	0.40
UBS Nominees Pty Ltd	429,742	0.38
Ms Jennifer Mary Heffernan	427,127	0.38
Warbont Nominees Pty Ltd	397,872	0.35
Abned Nominees Pty Limited	372,725	0.33
The Manly Hotels Pty Limited	369,797	0.33
Total	38,537,596	33.94

(1) Fox Group Holdings Pty Ltd

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.

2. Twenty largest RePS shareholders

Shareholder	No. of REPS shares	%
ANZ Nominees Limited	39,353	8.34
Milton Corporation Limited	15,598	3.31
Argo Investments Limited	7,500	1.59
Questor Financial Services Limited	6,732	1.43
National Nominees Limited	6,050	1.28
Citicorp Nominees Pty Limited	5,775	1.22
Choiseul Investments Limited	5,000	1.06
General Packaging Pty Ltd	3,150	0.67
Mrs Eily Dawn Campbell	3,000	0.64
Laidlaw Family Investments Pty Ltd	3,000	0.64
Ms Joan Sorrell Norris	3,000	0.64
Trustees of the Diocese of Tasmania	2,962	0.63
Trust Company Superannuation Services Ltd	2,850	0.60
Mr Alan Muir Greenfield & Mrs Dawn Marjorie Greenfield	2,800	0.59
Citicorp Nominees Pty Limited	2,734	0.58
Driscoll Securities Pty Ltd	2,500	0.53
United Church in Australia Property Trust (WA)	2,500	0.53
The Invergowrie Foundation	2,385	0.51
N & S Cohen Pty Limited	2,276	0.48
Fabego Pty Limited	2,200	0.47
Total	121,365	25.74

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	204,725	31.62
J P Morgan Nominees Australia Limited	90,000	13.90
Invia Custodian Pty Limited (1)	70,000	10.81
Citicorp Nominees Pty Limited	49,516	7.65
RBC Dexia Investor Services Australia Nominees Pty Limited	35,000	5.41
Alliancebernstein Australia Limited	29,600	4.57
Citicorp Nominees Pty Limited (2)	20,026	3.09
Invia Custodian Pty Limited (3)	16,590	2.56
The Australian National University	15,000	2.32
Goldman Sachs JBWere Capital Markets Ltd	14,924	2.31
ANZ Nominees Limited	10,000	1.54
M F Custodians Ltd	10,000	1.54
Netwealth Investments Limited (4)	9,942	1.54
Netwealth Investments Limited (5)	8,200	1.27
National Nominees Limited	7,000	1.08
Argo Investments Limited	5,000	0.77
Cambooya Pty Limited	5,000	0.77
M & J Superannuation Fund Pty Ltd	5,000	0.77
Elise Nominees Pty Limited	4,950	0.76
Cambooya Pty Limited(6)	2,500	0.39
Total	612,973	94.67

(1) Wilson Investment Fund Ltd Account

(2) CFSIL CFS WS ENH Yield Account

(3) WAM Capital Limited Account

(4) Super Services Account

(5) Wrap Services Account

(6) 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

	Ordinary shares		RePs		S1RPS	
Category	2007	2006	2007	2006	2007	2006
1 - 1,000	24,181	22,479	1,182	1,221	76	76
1,001 - 5,000	14,669	14,753	48	51	10	17
5,001 – 10,000	1,574	1,548	4	5	5	2
10,001 – 100,000	792	774	2	2	9	8
100,001 – and over	54	52	-	-	1	1
Total	41,270	39,606	1,236	1,279	101	104

The number of ordinary shareholders holding less than a marketable parcel is 2,816.

The number of reset preference shareholders holding less than a marketable parcel is 26.

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

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	11,293,704	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 2007 there were options over 10,263,375 (2006: 10,787,945) 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

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

Queensland

115 Queen Street	*Chris Mann*	07 3212 3111
167 Eagle Street	*Leigh Skedgwell*	07 3005 7655
255 Queen Street	*Jamie Hall*	07 3000 2030
420 George Street	*Claire Duffy*	07 3008 4160
Acacia Ridge	*Sue Baillie*	07 3336 1000
Aitkenvale	*Tony Castrejana*	07 4762 7900
Albany Creek	*Greg Brady*	07 3264 4244
Alexandra Hills	*Glen Findlay*	07 3824 5544
Algester	*Helen Nolan*	07 3711 6144
Arana Hills	*Albin Buchner*	07 3851 1996
Ashgrove	*John Paul*	07 3366 2142
Ashmore	*Duncan Plastow*	07 5597 2911
Aspley	*Greg Brady*	07 3263 5190
Beaudesert	*Steve Gode*	07 5542 1111
Beenleigh	*Brad Dalton*	07 3287 5377
Beerwah	*Jeff Willis*	07 5439 0622
Benowa	*John Shillington*	07 5597 2122
Biloela	*David Dann*	07 4992 0222
Birkdale	*Ramesh Singh*	07 3822 9755
Booval	*Paddy Mutu*	07 3812 1550
Bribie Island	*Allan Coe*	07 3410 1600
Broadbeach	*David Lynch*	07 5558 2730
Brookside	*Glen Halliday*	07 3855 1088
Browns Plains	*Helen Bashford*	07 3800 4344
Buderim	*Judy McMilan*	07 5445 6150
Bulimba	*Michael Rose*	07 3906 1000
Bundaberg	*Robert Collins*	07 4153 2055
Bundaberg West	*Rachelle Hyne*	07 4131 4180
Burleigh Heads	*Les Pearce*	07 5535 6799
Cairns	*Franco Fantin*	07 4048 0530
Caloundra	*Alan Porter*	07 5491 6877
Caneland	*Deana Meredith*	07 4957 2720
Cannon Hill	*Roger Willis*	07 3390 6393
Capalaba	*Alice Tait*	07 3843 8600
Carina	*Ken Hayes*	07 3843 0166
Carindale	*Michael Stephens*	07 3405 8730
Castletown	*David Leonardi*	07 4760 1000
Chancellor Park	*Janet Brennan*	07 5456 1822
Chermside	*Scott McPherson*	07 3359 9142
Cleveland	*Darren Hindes*	07 3286 1855
Clifford Gardens	*Barry Fagg*	07 4633 3122
Coolangatta	*John Elsworthy*	07 5536 9266
Coolum	*Raylene Bent*	07 5446 5455
Coorparoo	*Brett Davies*	07 3397 9033
Currimundi	*Lee Priem*	07 5493 1305
Daisy Hill	*Lynne Power*	07 3209 4183
Deception Bay	*Robert Rodie*	07 3204 2600
Earlville	*Jason McKell*	07 4033 5388
Elanora	*Anthony Shipman*	07 5569 7280
Fairfield	*Binh Tran*	07 3846 3488
Forest Lake	*David Armstrong*	07 3372 4855
Fortitude Valley	*Robert Van Kan*	07 3252 3630
Garden City	*Benjamin Johnson*	07 3343 2244
Geebung	*TBA*	07 3216 2688
Gladstone Central	*Andrew Bauer*	07 4979 6280
Gladstone	*Rod Mannell*	07 4972 7321
Goodna	*Neville Kerr*	07 3818 0799
Gympie	*Mark Stokes*	07 5482 7222
Hamilton	*Kelly Hennesssy*	07 3000 4200
Harbour Town	*David Allsopp*	07 5528 8838
Hervey Bay	*Wade Lineburg*	07 4125 9620
Indooroopilly	*Shernice Khuu*	07 3878 3500
Ipswich	*Peter Hyett*	07 3202 1022
Jimboomba	*Nigel Faulkner*	07 5548 6655
Kallangur	*Mike Armit*	07 3886 1227
Kawana Waters	*Jason Fraser*	07 5444 0880
Kenmore	*Monica Culey*	07 3378 0362
Keperra	*Chris McKeown*	07 3351 8655
Kingaroy	*Ian MacAlpine*	07 4162 7533
Kippa Ring	*Matthew Beswick*	07 3284 0888
Kirwan	*Charles Fisher*	07 4723 2552
Logan Central	*Bob Bridge*	07 3290 1000
Loganholme	*Christian Eze*	07 3801 2922
Lutwyche	*Ryan Murray*	07 3857 7722
Mackay	*Melissa Green*	07 4967 4200
Maleny	*Stephen Dittmann*	07 5499 9855
Manly	*Jon Hui*	07 3893 0500
Maroochydore	*Laurie Clarke*	07 5443 2711
Maryborough	*Brent Terrett*	07 4123 3011
Mermaid Waters	*Kelly Lawn*	07 5426 6411
Mooloolaba	*Brenden Brial*	07 5478 0522
Moorooka	*Bob Barkla*	07 3848 7250
Morayfield	*Mitchell Cunningham*	07 5495 4800
Mount Sheridan	*Glen Fuchs*	07 4036 3539
Mt Gravatt	*Kevin Farquhar*	07 3247 1700
Mt Ommaney	*Peter Lynch*	07 3376 1168
Mudgeeraba	*John Forrester*	07 5569 5060
Murgon	*Ian MacAlpine*	07 4169 5555
Nambour	*Gina Van Wezel*	07 5476 2003
Narangba	*David Honeywood*	07 3886 8700
Nerang	*Gary Stimpson*	07 5596 3277
New Farm	*Peter Lamb*	04 3131 5000
Noosa Heads	*Scott Armitage*	07 5473 8888
Noosaville	*Larissa Reid*	07 5474 0755

North Lakes	*Jeff Walls*	07 3491 9311
North Rockhampton	*Michael Polkinghorne*	07 4924 1111
North Shore	*Darren Spence*	07 5453 1600
North Ward	*Declan Carnes*	07 4760 2050
Nundah	*Jim Georgiu*	07 3000 1730
Oxenford	*Handley Jones*	07 5580 6855
Paddington	*Tony Rimon*	07 3369 0833
Palm Beach	*Trent Williams*	07 5534 6444
Redbank Plains	*Kelby Williams*	07 3814 5188
Redbank Plaza	*Stephen Casey*	07 3288 5944
Redcliffe	*Steven Quailey*	07 3283 4922
Redland Bay	*Daniel Connor*	07 3829 1696
Robina	*Danae Kirwan*	07 5578 9355
Rockhampton	*Sharon Mahon*	07 4924 1780
Royal Brisbane Hospital	*Tracey Murrin*	07 3000 5777
Runaway Bay	*Garry Holden*	07 5537 7292
Sanctuary Cove	*Don Evans*	07 5577 8123
Sandgate	*Craig Henderson*	07 3269 3236
Sherwood	*Tony Rimon*	07 3379 5058
Smithfield	*Phil McGee*	07 4038 2422
South Bank	*Sean Ryan*	07 3033 4000
Southport	*Lisa O'Brien*	07 5558 5055
Spring Hill	*Philip Boston*	07 3005 1200
Springfield	*Kym Wickstein*	07 3437 8844
Springwood	*Tony Ambrose*	07 3808 4994
Stafford	*Blake Andrews*	07 3352 1000
Stones Corner	*Leon Bernie*	07 3397 1527
Strathpine	*Ronnye Pepi*	07 3205 6544
Sunnybank	*Craig Broderick*	07 3345 9111
Sunnybank Hills	*Shane Nolan*	07 3273 7155
Surfers Paradise	*Wayne Sippel*	07 5558 2080
Taigum	*Paul O'Leary*	07 3633 0856
Tewantin	*Rod Pertot*	07 5442 4300
The Gap	*Justin Rule*	07 3300 1044
Toombul	*Donna Visini*	07 300 1750
Toowong	*Peter Hartley*	07 3371 3988
Toowoomba	*Greg Droney*	07 4615 3270
Townsville	*Kevin Gallagher*	07 4772 1799
Victoria Point	*Daniel Connor*	07 3207 6133
Warner	*Rick Webb*	07 3882 5100
West Burleigh	*Philip Imhoff*	07 5593 7173
West End	*Paul Cluff*	07 3844 8750
Wilsonton	*Charlie Aston*	07 4633 7477
Windsor	*Tony Arnold*	07 3861 0922
Winston Glades	*Marty Branigan*	07 3288 0111
Wynnum	*Richard Irish*	07 3131 2200
Yeppoon	*Ian Scott*	07 4933 8133

NSW/ACT

10 Spring Street	*Peter Kitson-Crowe*	02 9329 7280
136 Castlereagh Street	*Sonia Tamarua*	02 8255 6580
Ballina	*Louise Gooding*	02 6626 8430
Bankstown	*Harunur Chowdhury*	02 9205 4888
Bathurst	*Carolyn Laws*	02 6339 5877
Belconnen	*Meena Jinna*	02 6209 4888
Blacktown	*Rahul Jethi*	02 8808 8686
Bondi Junction	*Penny Jeffery*	02 9298 6288
Bowral	*Chris Benton*	02 4860 4244
Burwood	*David Kwong*	02 9714 9688
Byron Bay	*Shelley Copeland*	02 6639 7600
Campbelltown	*Malcolm Chyla*	02 4633 2000
Campsie	*TBA*	02 9784 7950
Carlingford Court	*Angela Jones*	02 8855 0000
Castle Hill	*Margret Rowntree*	02 9865 7130
Charlestown	*John Wheeler*	02 4974 4430
Chatswood	*Daniel Pang*	02 9448 3113
City Walk, Canberra City	*Ross Liddle*	02 6209 1840
Coffs Harbour	*Rob Anderson*	02 6648 3880
Cronulla	*Steven Jemmeson*	02 9531 3700
Dee Why	*Patrick Chew*	02 9941 3560
Dubbo	*Kevin Parker*	02 6841 2600
Erina	*Stewart Gall*	02 4367 4255
Grafton	*Peter Gibbons*	02 6641 4120
Hamilton (Newcastle)	*Sue Honeysett*	02 4908 5660
Hornsby	*Ron Johnson*	02 9450 7200
Hurstville	*Leslie Xu*	02 8512 2260
Kellyville	*Patrick Bridge*	02 8884 8999
Kensington	*Christopher Alexandrou*	02 9697 3800
Kingscliff	*Allison Pearce*	02 6674 1700
Lismore	*Peter Warren*	02 6626 4280
Maroubra Junction	*TBA*	02 8374 1050
Marrickville	*Donald Nguyen*	02 8512 1055
Menai	*Michael Zacharia*	02 9541 0711
Merrylands	*Claire Chalouhi*	02 9204 3333
Miranda	*Stephen Sargent*	02 9545 8100
Newtown	*Yogini Patel*	02 8512 8088
North Parramatta	*Graham O'Kell*	02 8855 5050
North Sydney	*John Dickson*	02 9242 2733
Penrith	*Anthony Walker*	02 4723 7650
Port Macquarie	*David Meidling*	02 6588 3011
Punchbowl	*Ahmed Hage-Ali*	02 9205 4740
Rhodes	*Shauna Geraghty*	02 9739 6044
Rialto Square, Manly	*Drew Johnson*	02 9976 3599
Rockdale	*Milad Faeeh*	02 9582 2610
Rouse Hill	*Harley Cohen*	02 8814 5977

BRANCH NETWORK

St Ives	*George Markos*	02 9470 7080
Sydney Markets, Flemington	*Queenie Cheng*	02 8736 1888
Tamworth	*Peter Balding*	02 6701 9088
Toronto	*Jeff Jones*	02 4974 5880
Tuggerah	*Steve Killian*	02 4356 9055
Tuggeranong	*Stan Jordan*	02 6209 0550
Tweed Heads South	*Craig Tuckwell*	07 5569 4230
Wollongong	*Steve Yildiz*	02 4251 2477
World Square, Haymarket	*Winson Chang*	02 8276 7500

Victoria

1 Queens Rd	*Mark Nicholas*	03 9204 8028
100 Exhibition Street	*Josephine Tan*	03 8633 5555
163 Bourke Street	*Su Wei Thang*	03 9299 4050
455 Bourke Street	*Frank Filippone*	03 9206 2300
Abbotsford	*Ben Pham*	03 9201 0310
Armadale	*Darren Rogers*	03 9856 8100
Doncaster East	*Tony Cardamone*	03 9842 7433
Essendon	*Jacob Thomas*	03 9299 5450
Fairfield	*Nicholas Azar*	03 9241 7000
Footscray	*Vagano Hang*	03 8379 6000
Frankston	*John Hicks*	03 9293 7500
Geelong	*Les Warden*	03 5225 9840
Hampton	*Kate Merta*	03 9597 3100
Hawthorn	*Shaun Huntington*	03 9920 5711
Mt Waverley	*Robert Mucci*	03 9802 0011
Pakington St (Newtown)	*Mark Ellis*	03 5224 8088
Preston	*Immanuel Shmuel*	03 9954 6255
Richmond	*Nellie Dicks*	03 9201 0530
Ringwood	*Adriaan Wilson*	03 9298 4000
South Melbourne	*Elizabeth Amendolia*	03 8699 3700
South Morang	*Joe Ciorra*	03 9404 4300
Werribee	*George Kapelles*	03 9731 5000
Yarraville	*Tom Tancredi*	03 9932 5180

Western Australia

577 Wellington Street	*Greg Righton*	08 9229 2222
Applecross	*Dean Stonehouse*	08 9464 3244
Joondalup	*Derek Joy*	08 9233 1688
Subiaco	*Tania Watton*	08 9287 9288

South Australia

151 Pirie Street	*Christopher Roper*	08 8402 4155

Tasmania

Launceston	*Tony Barnard*	03 6324 1333

Northern Territory

Darwin	*Cameron Blair*	08 8936 08111