



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth

Snapshot

Bank of Queensland

Business Description

Bank of Queensland Limited (BOQ) is a Queensland-based financial institution. BOQ has its unique concept of Owner-Managed Branch (OMB), which is a partnership between the Bank of Queensland and experienced bank managers to provide banking services. Principal activities include the provision of home mortgage loans, business loans, deposit facilities, credit card facilities, leasing, equipment finance, corporate and international services. In December 2007 BOQ acquired the Home Building Society.

Strategy Analysis

Growth is driven by the interstate Owner Management Branches (OMB) rollout program. Total OMBs now exceed 230. In FY07 11 new OMBs were rolled with 12 more expected in FY08. This does not include the 25 branches and agencies acquired through the Pioneermerger. The cost to income ratio is still among the highest relative to listed peers which makes synergies from smaller acquisitions important. BOQ is likely to continue consolidating smaller building societies and credit unions, funded by a mixture of cash and scrip given the significant market premium relative to other banks. The greatest challenge facing BOQ in the short term is deposit competition, particularly retail deposits which fund a large majority of loan growth. Bank of Queensland reported NPAT up 2% to \$141.1m for the year ended 31 August 2009. Profit after tax in the current year was impacted by the one off costs recognised in the interim result primarily relating to the restructure of NSW distribution and head office under Project Pathways and property related impairment charges. Revenues from ordinary activities were \$629.0m, up 10% from last year. Diluted EPS was 74.4 cents compared to 89.6 cents last year. The net operating cash outflow was \$172.4m compared to an outflow of \$109.8m in the pcp. The final dividend declared was 26 cents, taking the full year dividend to 52 cents compared with cents last year.

08 September 2010

Recommendation

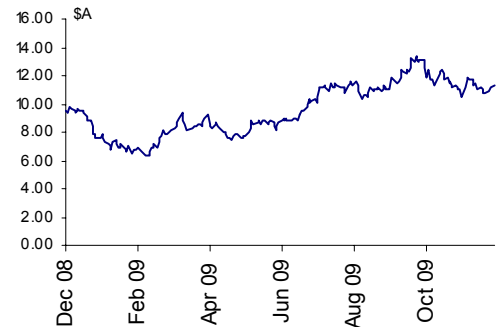
Recommendation: Outperform
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: BOQ
Stock price: \$10.50
Market cap: \$2,265m

| Y/E | 31/08/2010 | 2010e | 2011e | 2012e | 2013e |
|--------------|------------|-------|-------|-------|-------|
| Reported e | \$m | 200.7 | 275.2 | 303.2 | 329.3 |
| Adjusted e | \$m | 213.2 | 283.8 | 311.8 | 332.2 |
| EPS adjusted | ¢ | 89.7 | 116.6 | 125.0 | 130.0 |
| EPS growth | % | 1.3 | 30.0 | 7.2 | 4.0 |
| PE | x | 11.7 | 9.0 | 8.4 | 8.1 |
| PE relative | x | 0.9 | 0.8 | 0.8 | 0.8 |
| DPS | ¢ | 53.0 | 67.0 | 72.0 | 74.7 |
| Yield | % | 5.0 | 6.4 | 6.9 | 7.1 |
| Franking | % | 100.0 | 100.0 | 100.0 | 100.0 |

Share Price



Source: ASX and Company accounts

Segment Performance

| Results by Industry | Revenue (%) | Return on Sales (%) | Return on Assets (%) | Annual Shareholders' Return | |
|------------------------------------|--------------|---------------------|----------------------|-----------------------------|--------|
| | | | | 1 year | 3 year |
| Retail Banking Services & Products | 100.0 | 100.0 | 100.0 | -8.0% | -10.0% |
| Total | 100.0 | 100.0 | 100.0 | 1.0% | 12.0% |
| Results by Geography | | | | Dividend Reinvestment Plan | |
| Australia | 100.0 | 100.0 | 100.0 | Shareholder | Yes |
| Total | 100.0 | | | Discounts | No |

Company contact details:

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Disclosure: In accordance with Section 849 of the Corporations Law, Macquarie Equities Limited states that The Macquarie Group acted as Underwriter to Bank of Queensland's (BOQ:ASX) Dividend Reinvestment Plan in respect of the 2008 Final Dividend as announced 17 November 2008.

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