



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth

Snapshot

Bank of Queensland

Business Description

Bank of Queensland Limited (BOQ) is a financial institution offering core banking (commercial/retail) services, equipment finance, wealth management and insurance. BOQ uses its unique concept of the Owner-Managed Branch (OMB), which is a partnership between the Bank of Queensland (franchisor) and experienced bank managers (franchisees) to provide banking services. The bank operates a network of over 280 branches Australia-wide.

Strategy Analysis

Growth is driven by the interstate Owner Management Branches (OMB) rollout program. Total OMBs of 208 include 118 in Queensland. OMBs in NSW peaked at 55 in FY09. In addition BOQ operates 51 corporate branches and 11 transaction centres. The cost to income ratio declined following considerable work on driving down the cost base. BOQ is targeting a medium term cost to income ratio of 45%. Further improvement is expected from increased scale and bolt on acquisitions. BOQ is likely to continue consolidating smaller financial services firms funded by a mixture of cash and scrip. The greatest challenge facing BOQ in the short term is increasing bad debts. Competition for deposits is tough, particularly retail deposits which fund a large majority of loan growth. Bank of Queensland reported NPAT down 14% to \$158.7m for the year ended 31 August 2011. A key driver in the reduction in profit after tax is the increase in impairment charges from \$104.2m in the prior financial year to \$200.5m in the current period. Profit before tax and impairment rose from \$362.3m in the prior financial year to \$422.3m in the current period, an increase of 17%. Revenues from ordinary activities were \$796.4m, up 12% from last year. Diluted EPS was 63.1 cents compared to 77.0 cents last year. Net operating cash flow was \$261.5m compared to \$338.8m last year. The final dividend declared was 28 cents, taking the full year dividend to 54 cents compared with 52 cents last year.

27 January 2012

Recommendation

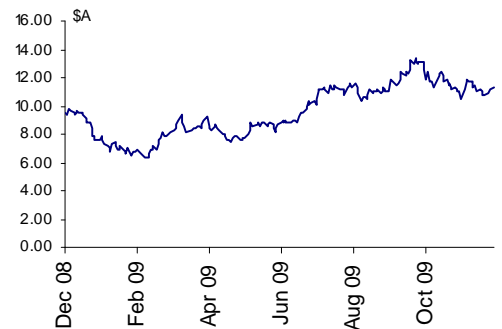
Recommendation: Neutral
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: BOQ
Stock price: \$7.55
Market cap: \$1,733m

Y/E	31/08/2012	2012e	2013e	2014e	2015e
Reported e	\$m	242.1	278.2	307.6	335.8
Adjusted e	\$m	251.5	287.6	317.0	345.2
EPS adjusted	¢	99.7	110.0	116.9	122.9
EPS growth	%	24.7	10.3	6.3	5.1
PE	x	7.6	6.9	6.5	6.1
PE relative	x	0.6	0.7	0.7	0.7
DPS	¢	61.0	69.0	74.0	78.0
Yield	%	8.1	9.1	9.8	10.3
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
Banking	95.0	0.5	25.7	-18.0%	
Insurance	5.1	13.1	64.8	6.0%	
Total	100.1	13.6	90.5	-8.0%	
				5 year	6.0%
				10 year	6.0%
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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