

Delivering
more



**Bank of
Queensland**

**CHAIRMAN'S
ADDRESS**

**ANNUAL GENERAL
MEETING 2003**

Chairman's address

Ladies and Gentlemen,
it is my privilege now to
present to you the results
of the Bank's operations
during 2003.



Neil Roberts

It is not my intention to
revisit the numbers in
great detail. I am sure
you have all accessed
the Annual Report for the
information you regard

as important to you, in addition to which, our Managing
Director David Liddy will follow me with a presentation which
will include a certain amount of financial information as he
outlines management's plans for the future.

Rather, I will, with your permission confine my attention to
some important matters of policy and principle which will
shape our Bank as we go forward.

Before I do that though, I have decided that this year I
should break with tradition. In previous years I paid a
tribute to management and staff at the end of my address,
almost, as it were, as a postscript. Given the outstanding
performance of the Bank during 2002/2003, I believe you
would want me to do so at the very beginning of my address
on this occasion.

We in Bank of Queensland are privileged to have a
strongly committed and highly skilled professional team
of Executives leading a great team of staff members. On
behalf of you all, and on behalf of the Board, I congratulate
them for having achieved such an enviable result last year
and for positioning this Bank for an exciting future.

During the last two years, Bank of Queensland has grown faster than any other bank. It is still growing at a rate well above system.

Two years ago, this Bank's assets under management were \$5.2 billion. At the end of the 2003 financial year assets under management stood at \$8.7 billion. They now exceed \$10 billion with the acquisition of UFJ Finance.

The Bank's asset growth was not simply the unplanned result of a strong and sustained home lending market although that has certainly been a contributor. It was the result of management's ability to deliver rapid branch expansion in our core geographical market, Queensland, using the innovative and successful Owner Managed Branch model to deliver superior personal service to our traditional and our new customer base. It was also the result of a strong management focus on building our commercial lending by recruiting a team of experienced commercial lending officers to improve access in the important small to medium business market.

That of course is not the end of it. We all now stand at the threshold of an important new era for the Bank, having announced our intention to access interstate markets. We will hear more about that from David later.

Put shortly, growth remains an important strategic objective.

But growth for growth's sake has never been our objective. Growth is only virtuous if it is accompanied by, or put more accurately, if it results in increased shareholder wealth. That translates into increases in profit, earnings per share, dividend and share price. Management of this Bank has delivered in spades on those objectives.

Profit

The strong competitive market resulted in a slight diminution of margin compared with the previous year. That was counterbalanced by major gains on the other side of the profit contributor — expenses.

Management has driven the Bank's cost to income ratio down to a record low of 64.9% from 71% last year — a very commendable result. In the end, management has delivered a record profit of \$44.7 million, up 56%.

Earnings per share

Managing the capital requirements of the Bank in the context of exceptionally strong growth was a challenge.

That challenge has certainly been met. The result was a record 46% growth in earnings per share.

Dividend and share price

In the result, the Bank was able to pay an increased dividend of 37 cents per share and the share price has increased significantly for the benefit of all shareholders.

Acquisitions

Organic growth has to be supplemented by acquisitions if we are to achieve our objective of becoming Australia's Best Regional Bank, (although it is worth mentioning that earlier this year we were judged by our peers in the industry to have already earned that accolade).

We are very pleased with the implementation of that policy thus far. I am pleased to report that both acquisitions, UFJ Finance Australia Limited and ATM Solutions Australasia are proceeding in accordance with our expectations.

These initiatives are important, because they give us our first genuine presence outside Queensland.

UFJ had a \$1 billion leasing book and more than 15,000 customers. In addition to its significant Queensland operations, it has major offices in Sydney and Melbourne as well as in the rest of the country and in Auckland.

It is a major asset for our Business Banking division and its acquisition is a significant strategic milestone in this Bank's development.

It will facilitate growth of our business banking outside Queensland by providing access to a new customer pool, specialist Equipment Finance staff, and the ability to cross sell into the expanded customer base our other business banking products. When combined with our existing equipment leasing portfolio, the purchase gives Bank of Queensland an Equipment Finance business with assets exceeding \$1.2 billion.

ATM Solutions Australasia was also a strategic purchase for the Bank. Prior to its purchase we had less than 100 ATMs in Queensland. We now possess a national fleet of more than 1300 ATMs, and a geographical footprint which includes 600 machines in the key markets of New South Wales and Victoria. All of this fits neatly with our expansionary interstate designs.

Capital Management

The Bank continues to implement a policy of active capital management. During the last few years, there has from time to time been some shareholder criticism arising from a perception that the Bank had a bias in favour of the wholesale markets when it required capital. It was never my view that this criticism was justified.

The truth is that the Board's policy is to ensure that the desire of shareholders to participate in the growth of the Bank and to share in the benefits of that growth should be reflected in the maintenance of an appropriate balance between raising capital from both the wholesale and retail markets. The Bank has raised approximately \$190 million in equity capital over the last 18 months.

Of this, almost 60% has been raised by issues directed to the retail shareholding base of the Bank. These issues included such initiatives as the recent Renounceable Rights Issue, which raised \$62.2 million, June's Share Purchase Plan which raised \$24.7 million and the Dividend Reinvestment Plan which had a participation rate of 48% in the last financial year.

Corporate Governance

Good corporate governance is now, rightly, a central tenet of every well-managed public company.

You are all aware of recent public scrutiny in this area and of the Principles of Good Corporate Governance promulgated by the Australian Stock Exchange earlier this year.

Bank of Queensland had already substantially complied with those Principles. The Board's Corporate Governance Committee is well advanced in its review of existing policies to ensure that they are and will remain wholly consistent with them.

Outlook

The Board is confident that stakeholders will benefit from the implementation of the Bank's policy of strongly growing its market share both in Queensland and nationally.

Of course, a quantum leap of the kind to which we are committed does involve increased risk, both operational, regulatory and otherwise.

Those risks have been very well managed by our executive team so far and the Board has absolute confidence that they will continue to be well managed.

The external interest rate environment is a key factor in any bank's fortunes.

However, even if the much vaunted likelihood of higher rates in the next period is realised, that, in our view, is unlikely to prevent the Bank from achieving our objectives.

Conclusion

I would like to thank my fellow Directors for their dedication and counsel over the year, and also to thank all of you, our shareholders for your ongoing support, and your endorsement of the strategies of the Board and management of what we all hope will shortly be Australia's Best Regional Bank.

The next few years will be nothing if not exciting for the stakeholders of our company. Last year was a splendid endorsement of the skills of a superb management team and, as I said at the outset, they deserve our congratulations. Those skills and a real commitment to the achievement of our objectives will drive our Bank forward. I hope you all stay with us for the ride.

A handwritten signature in blue ink, appearing to read 'Neil Roberts', with a large circular flourish on the left side.

Neil Roberts

Chairman

Share registry

Bank of Queensland's Share Registry is Computershare Investor Services Pty Limited.

Computershare Investor Services Pty Limited can be contacted for all matters relating to Bank of Queensland shares, including the Dividend Reinvestment Plan and Share Purchase Plan.

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