

ANNUAL GENERAL MEETING

06

CHAIRMAN'S ADDRESS
AND VOTING RESULTS

THURSDAY, 7 DECEMBER 2006



bank different®



CHAIRMAN'S ADDRESS

THURSDAY, 7 DECEMBER, 2006

It is my privilege to present to you my annual address for 2006.

I would like to begin by calling attention to the merger between Bank of Queensland and Pioneer Building Society, which I believe to be of significance not only



*Bank of Queensland
Chairman Neil Roberts*

for the Bank but for the sector generally, particularly in our home state.

The emphatic endorsement by the Pioneer shareholders of our merger proposal (97% in number and 99% in value) was very pleasing and augers well for the future of the merged organisation.

As you know, Board and Management have for some time now had in place an aggressive growth strategy designed to rapidly increase market share.

The strategy combines rapid organic growth in Queensland and interstate as well as appropriate acquisitions to add to our product range or to increase our customer base.

The merger with Pioneer Building Society is yet another example of a series of acquisitions in recent years which have contributed to the achievement of strong growth and profitability.

In a legal sense the merger process will be completed next week. The task then is to achieve a commercial integration of these two businesses.

That will take some time. There are two reasons to think that we can have confidence that a successful integration will be achieved.

The first is the resounding vote by Pioneer shareholders supporting our merger proposal, and the second is Management's demonstrated track record of successful integrations in recent years.

The period within which Pioneer shareholders must decide whether to take shares in Bank of Queensland or cash expires tomorrow. On the basis of the information currently available, we expect approximately two thirds of Pioneer's issued shares to migrate to our register. I extend a warm welcome to all of our new shareholders from Pioneer.

The significance of this transaction is not limited to the merger itself, although it is expected that the merger will be of lasting benefit to the Bank and will be EPS accretive in the current year.

Beyond that however, a successful integration in this case is seen by Management and the Board as establishing an important option for other non-bank financial service providers if consolidation within the sector continues.

Whilst dealing with acquisitions, it might be appropriate at this point to refer to the announcement of our agreement with HBF, Western Australia's largest health fund. Whilst the agreement is consistent with our rapid growth strategy in that it gives us immediate access to a very large number (900,000) of potential customers in Western Australia, it is in one respect an innovation for the Bank, in that it does not involve any business acquisition: rather it is an arrangement whereby the Bank's products are to be "white labelled" and distributed to HBF's customers through HBF's existing distribution network.

We have never previously included an initiative of this kind within our strategic initiatives, having seen our strength as that of a distributor of banking products manufactured either by ourselves, or by others where we did not have the scale or expertise to do so competitively. If the HBF initiative turns out to be successful, which we all believe it will be, it may be a precursor to similar initiatives in future.

A more conventional acquisition for the Bank was the purchase during the year of the Orix debtor finance business. This acquisition has boosted our debtor finance business and is contributing significantly to our service offering in this expanding segment of the Business Banking marketplace.

The expansion of our product expertise in debtor and equipment finance will contribute to the achievement of our objective of becoming a bank of choice for SMEs in Queensland and elsewhere.

THE FINANCIAL RESULTS FOR 2005/06

Management has again delivered an enviable result this year.

The 21% increase in net profit after tax available for distribution to ordinary shareholders under the new Australian International Financial Reporting Standards (AIFRS) to \$82 million is commendable given the very competitive environment in which we are operating.

Diluted cash earnings per share grew by 12.5% under AIFRS to 76.4 cents per share.

It is pleasing also that margin was maintained during the year and costs continue to be controlled, with the Cost to Income Ratio still coming down (65.8% to 64.5% when the proceeds of sale of ATM Solutions in the previous year are disregarded).

New lending approvals reached record levels again with loan approvals of \$10 billion, an increase of \$2.5 billion (33%) over the previous year. That resulted in growth which, according to one source, was 8% ahead of all the majors.

Business lending grew by 23%, the second fastest growth of all listed Australian banks. Credit card growth off a low base was 32.4%.

The result of our above system lending growth was that, by year end, the Bank had \$15.1 billion in loans under management, an increase of 22%.

On the funding side, the Bank achieved growth of 18% in deposits to \$6.9 billion. That was almost two times system and the fastest growth amongst all of the listed banks.

Overall the result was very satisfying and serves as an endorsement of our rapid growth strategy.

BOQ's dividend was lifted to 57 cents as a result of the favourable result for the year.

It is also satisfying that the Bank last year was able to redress its inability to offer a complete product range to our customers, particularly business customers. The suite of product offerings is now very competitive and includes a new Margin loan, a Web Savings Account, Australia's first Reverse Charges Account, a Gold Mastercard and a new Business Privileges Package.

DISTRIBUTION

A total of 42 new branches were established during the year. All were Owner Managed Branches across six States and Territories. That brought the total number of branches to 215, including 75 outside Queensland. The addition of Pioneer's branches will further improve our distribution capabilities in our home State. Our target by the end of the current year is 240, excluding the Pioneer branches and agencies.

CAPITAL

The Bank's Capital Adequacy Ratio remains at a healthy 12.5%.

Apart from the Dividend Re-investment Program, which was again strongly supported, and the Bank's Employee Share Plan, no additional capital was raised during the year and in the absence of a major acquisition, it is unlikely that there will be a need to raise capital in the current year other than pursuant to our normal option schemes, the DRP and our employee share plan. In that regard, I am pleased to confirm that APRA has granted the Bank transitional relief from the impact of AIFRS on the treatment of capitalised software.

Securitisation remains an important tool in the Bank's armory in terms of active capital management.

LOOKING AHEAD

The growth outlook for the current year looks to be strong. We continue to grow our loan book well ahead of system, and the downturn in home lending does not appear to have impaired lending levels to any significant degree.

While housing markets have slowed in many areas of the nation, the interstate Owner Managed franchises continue to write profitable business at record levels and in our home state of Queensland, good growth is expected during the next 12 months.

Our growing presence in Western Australia gives us the opportunity to access that State's very bouyant economy.

Overall, Bank of Queensland will continue its policy of strong organic growth, especially interstate, and will continue to look for strategic acquisitions judged to be complementary to the Bank's business.

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THE BOARD OF DIRECTORS

I want to take this opportunity to thank Bruce Phillips, who retired in October after serving on the Bank's Board for 10 years.

Bruce brought a wealth of experience in the finance sector to our Board. He was a member of the Bank's Audit & Risk Committee and Budget Review Committee and his conscientious commitment to the Bank at all times during his tenure deserves to be acknowledged, and I am very pleased to do so on behalf of us all.

I would also like to thank our new Directors, Carmel Gray and David Graham for agreeing to join the Board. Each has different skills to offer which add to the aggregation of skill sets we have accumulated over recent years. I urge shareholders to support their election to office later in the meeting.

Speaking of the Board as a whole, I want to record my view that as shareholders we do have the benefit of a committed group of directors with complementary skills appropriate to a regional bank. The composition of the Board is nonetheless kept under review and it is intended to add one more director to the team.

When that is achieved, I believe we will have the right mix of experience and talent to ensure that we attend to the interests of shareholders as effectively as possible.

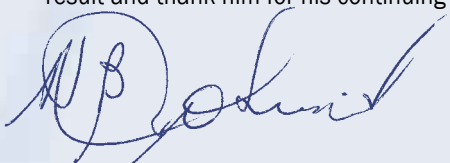
CONCLUSION

I want to conclude by acknowledging the efforts of Management.

This has been a very busy year. Some new appointments have been made to strengthen the Executive team, but I have to say that the business continues to put all of the Executives under a great deal of pressure to which they have all responded magnificently.

The result achieved in the year under review is testament to their individual and collective efforts and I extend to all of them the thanks and recognition of all stakeholders.

Finally, David Liddy deserves special mention. Last year he continued a very successful term as Managing Director of the Bank. He enjoys the loyal support of staff, and the full confidence of the Board. I congratulate him on this year's result and thank him for his continuing commitment.

A handwritten signature in blue ink, appearing to read 'Neil Roberts', is written over a circular stamp. The signature is fluid and cursive, with the first letters being large and prominent.

Neil Roberts
Chairman

RESOLUTION RESULTS

All resolutions were passed by a show of hands from the floor. Proxy votes cast were as follows.

RESOLUTION 2(A): TO RE-ELECT NEIL SUMMERSON AS A DIRECTOR

	Valid Votes	%
For	20,723,950	56.82%
Open	15,610,298	42.80%
Total For & Open	36,334,248	99.62%
Against	140,566	0.38%
Abstain	79,430	—

RESOLUTION 2(D): TO ELECT DAVID D H GRAHAM AS A DIRECTOR

	Valid Votes	%
For	20,261,447	55.60%
Open	15,653,534	42.95%
Total For & Open	35,914,981	98.55%
Against	528,668	1.45%
Abstain	110,595	—

RESOLUTION 2(B): TO RE-ELECT JOHN REYNOLDS AS A DIRECTOR

	Valid Votes	%
For	20,677,318	56.72%
Open	15,621,962	42.84%
Total For & Open	36,299,280	99.56%
Against	161,455	0.44%
Abstain	93,509	—

RESOLUTION 3: NON-EXECUTIVE DIRECTORS' REMUNERATION

	Valid Votes	%
For	17,810,577	77.57%
Open	2,466,653	10.74%
Total For & Open	20,277,230	88.31%
Against	2,683,767	11.69%
Abstain	444,045	—

RESOLUTION 2(C): TO ELECT CARMEL GRAY AS A DIRECTOR

	Valid Votes	%
For	20,630,761	56.60%
Open	15,633,033	42.88%
Total For & Open	36,263,794	99.48%
Against	188,260	0.52%
Abstain	102,190	—

RESOLUTION 4: REMUNERATION REPORT

	Valid Votes	%
For	17,839,058	49.92%
Open	15,692,477	43.92%
Total For & Open	33,531,535	93.84%
Against	2,198,695	6.16%
Abstain	824,014	—

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.

Phone: 1800 779 639 **Fax:** 07 3229 9860 **Address:** GPO Box 523, Brisbane Qld 4001, Australia

Website: www.computershare.com