

Strategy
+ Execution
+ Passion

100%
Success

100%

CHAIRMAN'S ADDRESS

THURSDAY, 6 DECEMBER 2007

It is, as always, a privilege to have the opportunity to present to you a high level review of the year's achievements, before our Managing Director takes us into the year's events in greater detail.

Like many previous years, 2007 has been a remarkable and very successful year for the Bank.

There have been many highs and only a few lows. Overall, we are very pleased with the progress we have made in delivering against our strategic objectives.

We believe we can look forward to the future with confidence.

A five year snapshot

Six years ago we decided that the Bank's future success lay in gaining more scale. We needed to grow faster than we had been if we were to satisfy, in a highly competitive market, the needs of our customers and our shareholders.

The period of strong organic growth started.

We focussed first on growth in our natural market – Queensland.

Then we launched our interstate expansion plans, utilising the successful Owner-Managed Branch model developed by our executive team.

We now have branches in every State, 16 Business Banking Centres and access to more than 2,400 ATMs with BOQ branding.

Strong organic growth remains a key strategy for the Bank, but as you all know, we decided four years ago to add strategic acquisitions to our organic growth strategy, to strengthen and expand the range and reach of our product offerings. This delivered to us the UFJ equipment finance and the Orix debtor finance businesses, as well as the ATM Solutions fleet of BOQ-branded ATMs across Australia.



That brings me to 2007, the year under review, when we moved into the role of an aggregator of similar businesses in the retail banking sector as consolidation started to take hold in our markets.

It is in this area that we see the Bank playing an important role in the period ahead, whilst we continue to drive growth in the other areas I have mentioned.

Two weeks ago we successfully completed the integration of Pioneer Building Society in Mackay.

Had it not been for the fact that Wide Bay Building Society increased its offer for Mackay Permanent Building Society beyond what we in Bank of Queensland considered appropriate for us, there was a good chance that our proposed merger with Mackay Permanent Building Society (which had the support of the Society's board) would have been consummated as well.

Last Friday, David Liddy and I were in Perth when the proposed merger of our Bank with Home Building Society, the largest building society in Western Australia, was voted upon by Home's shareholders. There was overwhelming shareholder support for the merger. We already had operations in the west, but the completion of the merger with Home will see us enjoy a 5% share of market in home lending in that State.

During the year, as you all know, we endeavoured to bring about a merger with Bendigo Bank. That did not succeed because we were unable to persuade the directors of Bendigo Bank to support the proposition we brought to the table. We continue to believe that a great opportunity for the stakeholders of both banks has been foregone as a result of the failure of those negotiations, but we have accepted the decision of the Bendigo board and have moved on.

Bank of Queensland will continue to seek to play a leading role in the future consolidation of the retail banking sector.

Financial results 2006/2007

Management has again delivered a market leading set of results this year.

A record headline profit of \$129.8m was achieved, an increase of 40% year on year. Significantly, the Bank exceeded \$100m in profit for the first time in its history, even when adjusted by the removal of one-off items, which produced a normalised net profit result of \$106.1m for the year, an increase of 22%.

Loans Under Management grew by 27% during the year, and retail deposits by 33%. We remain the fastest growing bank in Australia, which is precisely where we want to be.

As a result of management's achievements during the year, shareholders have enjoyed a 17% growth in normalised Earnings Per Share (93 cents) and a record full year fully franked dividend of 69 cents, an increase of 12 cents, or 21% compared with last year.

Funding and capital

Late in the year, we saw the emergence of the sub-prime problems in the United States, and the global repercussions arising from those problems. Management is keeping a very close eye on these developments to ensure that issues such as liquidity, capital adequacy, and cost of funds are managed prudently. I am pleased to say that liquidity is well within prudential limits, and is being carefully managed to ensure it remains so. Our capital position is strong, and whilst pricing in the wholesale markets will continue to be an issue, it is being closely and appropriately managed.

Whilst there has been upward movement in bad debt write-offs during the year, the Bank has remained very well provisioned and the overall quality of its book remains strong.

Our current underwritten hybrid capital issue seeks to raise at least \$150m. It has been well received and is likely to be over-subscribed. The instrument is a perpetual non-cumulative preference share paying fully franked dividends. Ordinary shareholders and holders of SIRPS and RePS are being given priority in this issue.

There has also again been strong participation in the Bank's Dividend Re-investment Plan (approximately 44.5% of ordinary shares participating).

Looking ahead

I have already mentioned the fall-out from the sub-prime problems in the US.

That aside, the political uncertainty of an impending election is now behind us, the Australian and Queensland economies remain buoyant, and the Bank continues to write record business.

All in all, I believe we are correct in approaching the current year with enthusiasm and optimism.

Board and management

I am sure you will all want to join me in congratulating David Liddy and his Executive team on the excellent result achieved last financial year. It is particularly important to recognise that the result was generated by some very committed and experienced banking executives, only some of whom are still with us following the recent management restructure.


To those of our executives who have left the Bank to make way for the new team, I say thank you on behalf of all stakeholders, and I wish you all well in the extension of your careers outside the Bank. To the new team, I can only say you have a tough task if you are to emulate the success of your predecessors but I know you are eminently capable of doing so.

I again extend my thanks to the members of the Bank board for their individual and collective support and advice during another very successful year.

Finally, I think it appropriate as I close this year's Annual Address, to tell you that after 12 years as Chairman of the Bank's Board I intend to retire as a Director during the next twelve months.

The exact date remains a matter for the Board to decide and will be announced at the appropriate time. It is important that my successor be given the opportunity to see out David Liddy's term of office, negotiate any extension of that term, or deal with the appointment of his successor if his current term is not extended.

I will leave the Bank in the knowledge that it is in excellent hands and in great shape as an important and growing Queensland institution. I have been extremely privileged to have had the opportunity to serve as the Chairman of its Board for the last 12 years.



Neil Roberts
Chairman