



Bank of  
Queensland

# Managing Director's Address

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Annual General  
Meeting 2003

# Launch pad for growth

- **In 2001/02 we commenced building the launch pad:**
  - **Strategic overhaul**
  - **Outsourcing**
  - **Rebranding**
  - **Better equipped people**
  - **Core Systems replacement**
  - **PEP programs**



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Powerful growth

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# 2003 highlights

## A record year



- **Full year profit of \$44.7m**
  - Up 56% on last year
- **Lending**
  - Total approvals of \$5.7b, up 54% on last year
- **Retail deposits**
  - \$3.8b, up 29% over last year
- **Cost to income ratio of 64.9%**
  - Down from 71.3% in 2002
- **Assets Under Management**
  - Up 32% to \$8.7 billion
- **Asset Quality**
  - .07% impaired assets to total average assets

# 2003 highlights

## A record year



(continued)

- **Acquisitions - UFJ Finance and ATM Solutions**
- **Replaced entire ATM system - winning international award for ATM deployment**
- **Opened 22 new branches**
- **Completed the re-design and fit-out of branches**
- **Ranked as one of Asia's top 50 strongest banks by The Asian Banker magazine**
- **Recognised as the Best Regional Bank**

# Goals achieved

Goals	Results Achieved
■ <b>Strong Asset Growth</b>	■ <b>Assets under management up 32%</b>
■ <b>Double digit EPS Growth</b>	■ <b>EPS growth of 46%</b>
■ <b>Cost to Income Ratio of 68%</b>	■ <b>Cost to Income ratio of 64.9%</b>
■ <b>ROE of 14%</b>	■ <b>ROE of 15.4%</b>
■ <b>120 Branches by August 03</b>	■ <b>120 Branches (22 opened this year)</b>

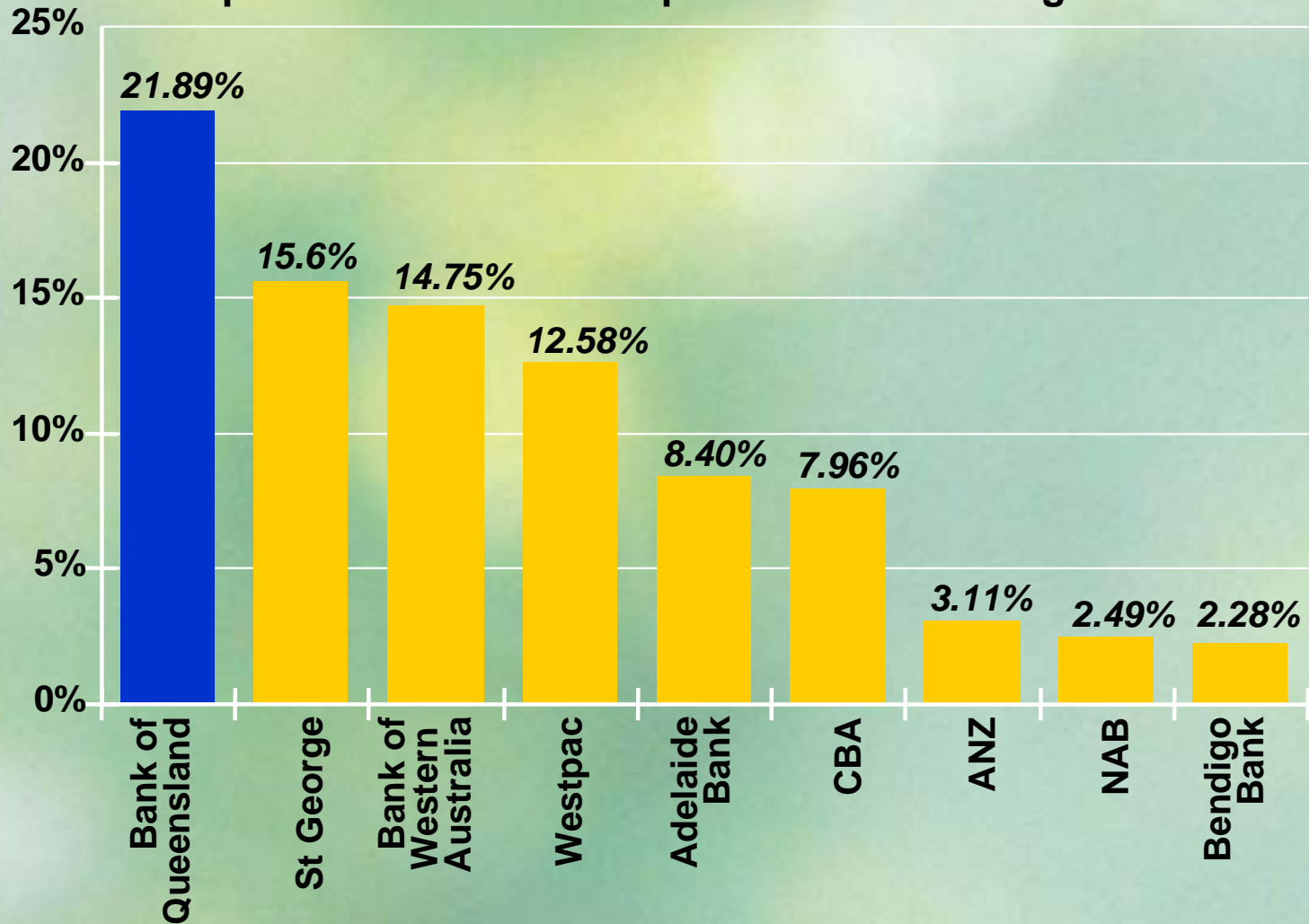
# The 3-year view

- **Growth from the year 2000 to 2003 has shown:**
  - Profits up 101% from \$22.2m (in 2000) to \$44.7m;
  - Assets under management up 99% from \$4.37b (in 2000) to \$8.71b;
  - Retail deposits up 79% from \$2.15b (in 2000) to \$3.85b;
  - Loan approvals up 161% from \$2.17b (in 2000) to \$5.67b;
  - Share price up 67% from \$5.38 at 31 August 2000 to \$9.01 at 31 August 2003;
  - Market Capitalisation has increased 199% from \$347million in 2000 to \$690 million, almost doubling over 3 years;
  - Qld balance sheet market share has grown from 5% to 7.5% with new home lending market share now 13% to 14%.

# Market reward for strong growth

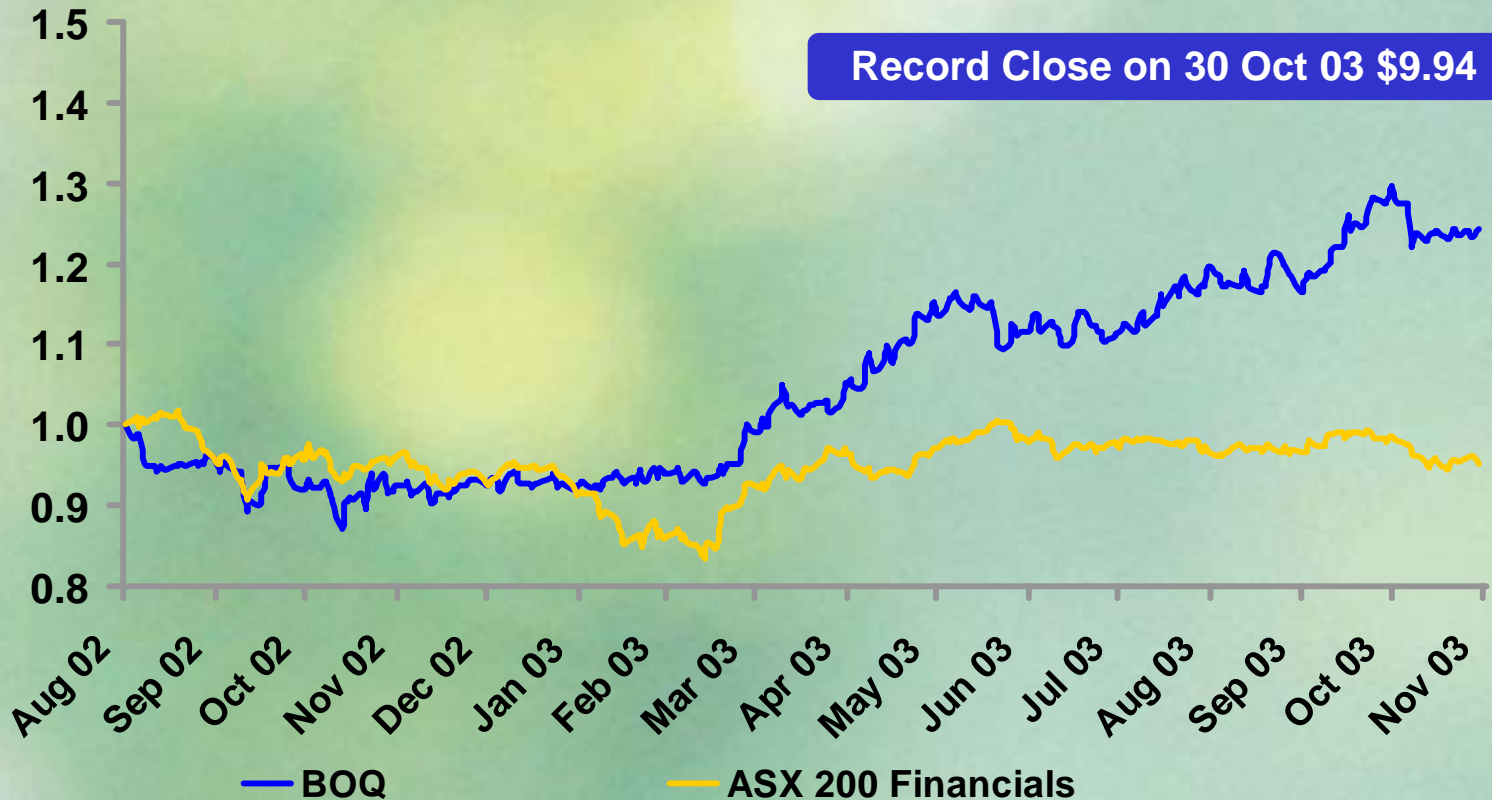


Share price increase from September 2002 to August 2003



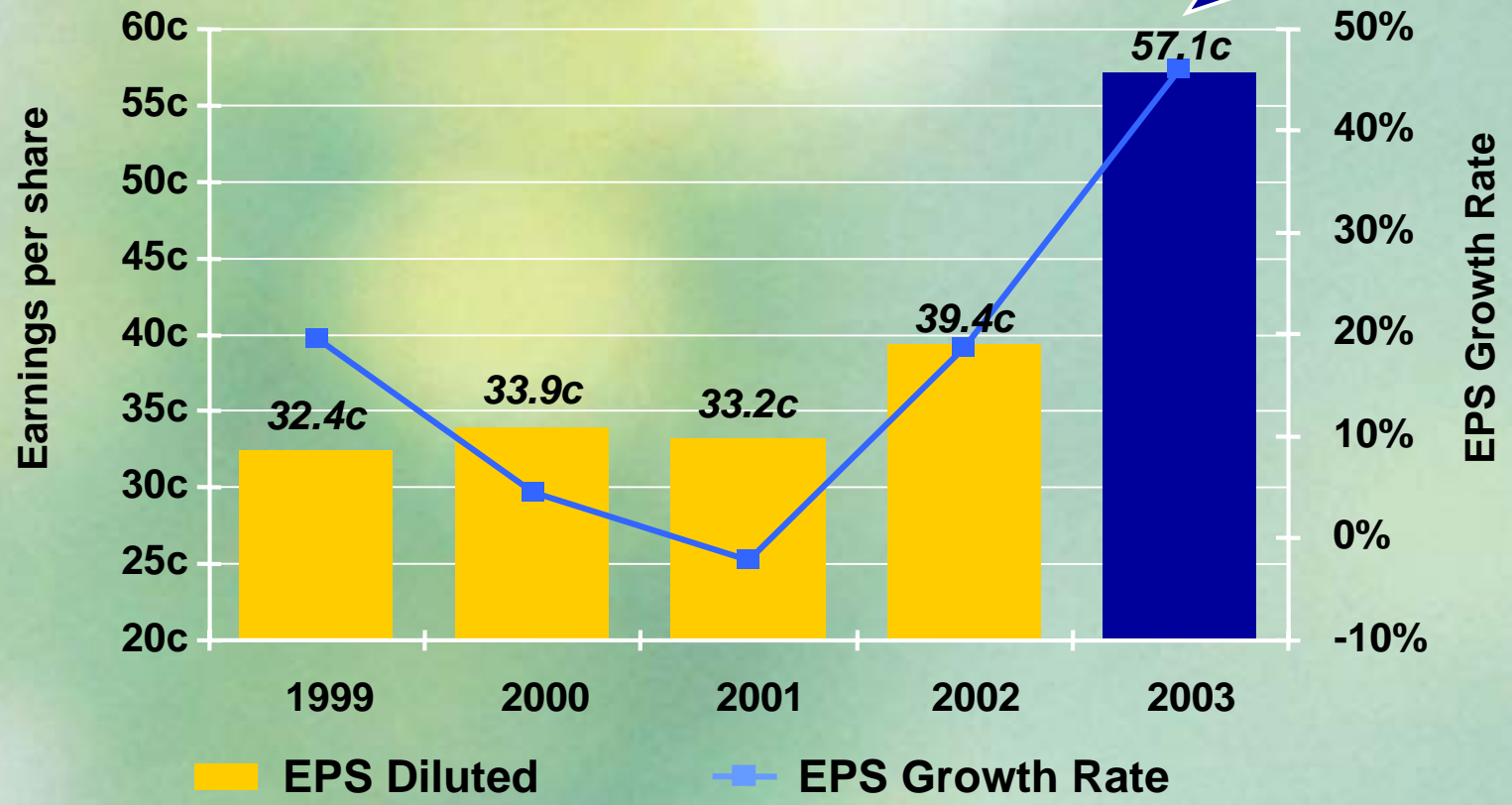
# Share Price Performance

BOQ v ASX 200 Financials Index

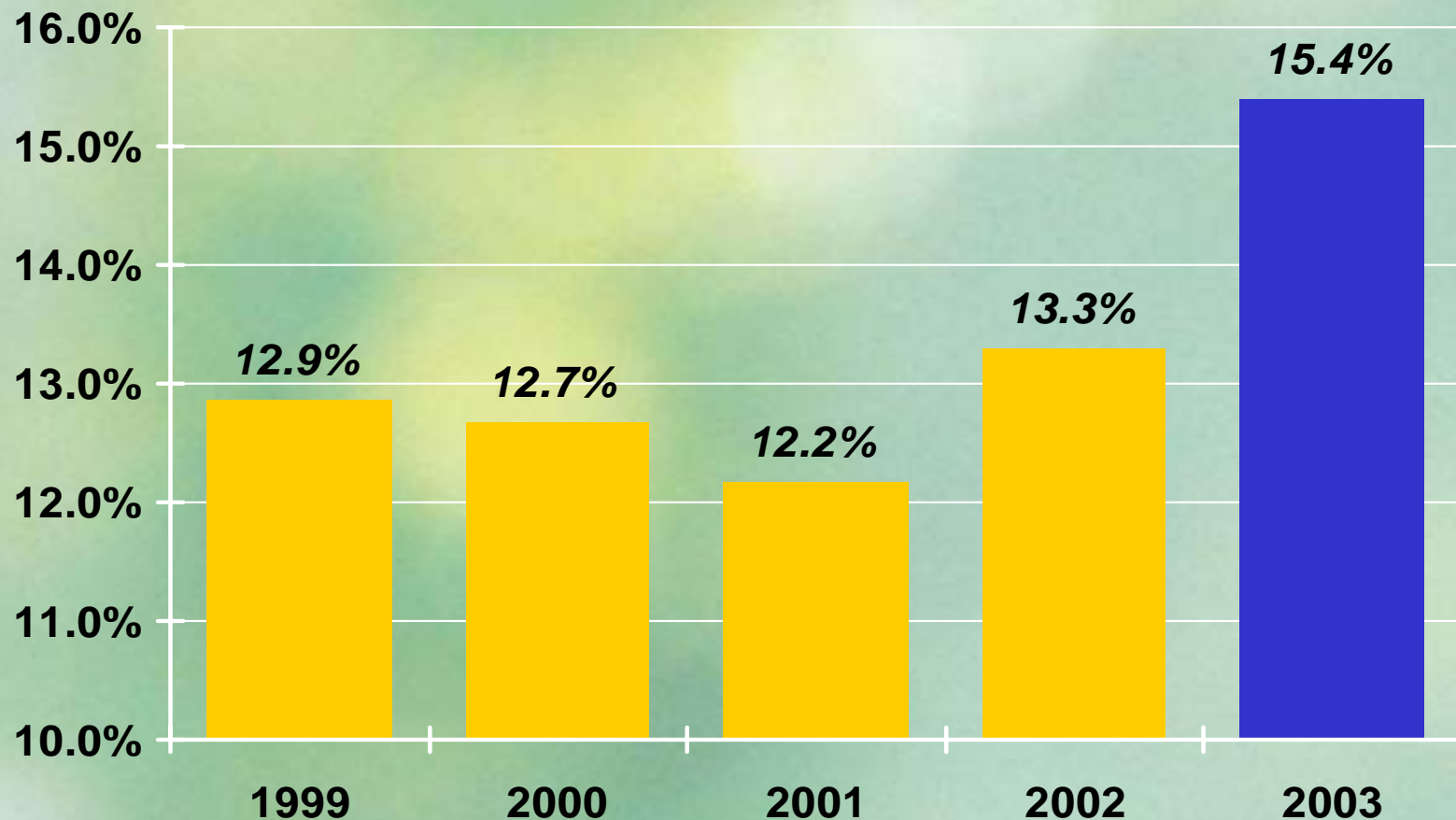


# EPS performance

**EPS growth of 46%  
(35% excl significant items)**



# Return on equity





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# Building a better bank

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# Growing our retail network



- **Opened 22 new branches in 2003 FY**
- **Goal of 120 branches achieved**
  - 58 Corporate Branches
  - 62 Owner-Managed
- **Will reach 130 branches by the end of this month (December)**
  - Eight months ahead of schedule
  - 135 expected by March 2004
- **Announced interstate expansion**

# Business Banking

- **Rapid growth**
  - 30% growth in Business Banking book
- **10 Business Banking centres**
  - Five opened in the last 12 months
- **Perfectly set up to be the Bank of choice for the SME market**
- **Our person2person™ approach has found significant traction in the SME market.**

# Building a strong brand

- **Strong brand growth**
- **New advertising is cutting through**
- **Communication awareness almost doubled**
  - grown from 32% (Nov 02) to 56% (April 03)
- **Building a strong community profile**
  - Inaugural Corporate Charity Event
  - B105 Christmas Appeal
- **Unaided brand awareness has risen from 18% to 32%**



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Platform for growth

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# Performance Enhancement Program (PEP) benefits



Introducing PEP II once the core banking system replacement is complete



(Run-rate per annum benefits)

Revenue Initiatives Cost Savings

# Acquisitions: UFJ Finance



- **Why did we buy it?**
- **How has it gone so far?**
  - **Renamed BOQ Equipment Finance and combined with existing BOQ leasing business;**
  - **First month of performance above expectations;**
  - **Settlements in November (our first month of ownership) were up 90% on the same month last year;**
  - **Sales for UFJ in November were a record for the organisation;**
  - **More than \$2 million in synergy cost savings already achieved.**

# Acquisitions: ATM Solutions



- **Why did we buy it?**
- **How has it performed so far?**
  - **Number of active ATMs has increased from 1022 to 1260 in the first quarter of the 2004 FY.**
  - **Increase of 20% in number of ATMs in three months.**
  - **Total transactions have surged in the first quarter of the 2004 FY.**
  - **An increase of 52% in transactions in three months.**



# BOQ - a modern bank

- **March 31 2004 implementation of new Core System for the entire bank**
- **Phase II upgrades for Internet banking**
- **State-of-the-art ATM system the most modern in Australia**
- **Voice-recognition phone banking**
- **Branches have been refitted and upgraded**
- **Outsourcing is delivering benefits**
- **New products and services**



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Our person2person™ approach  
is winning

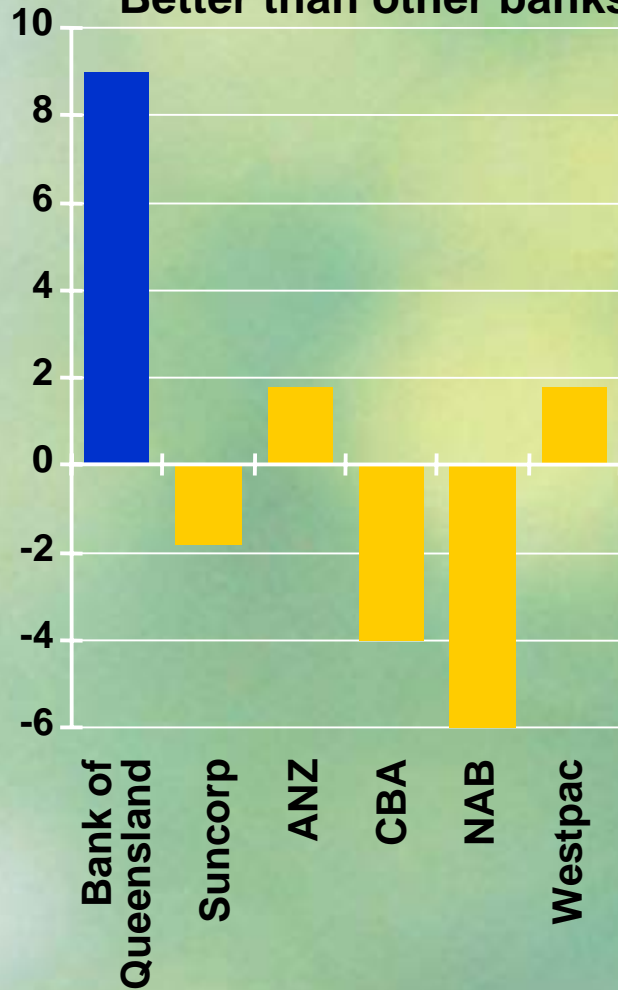
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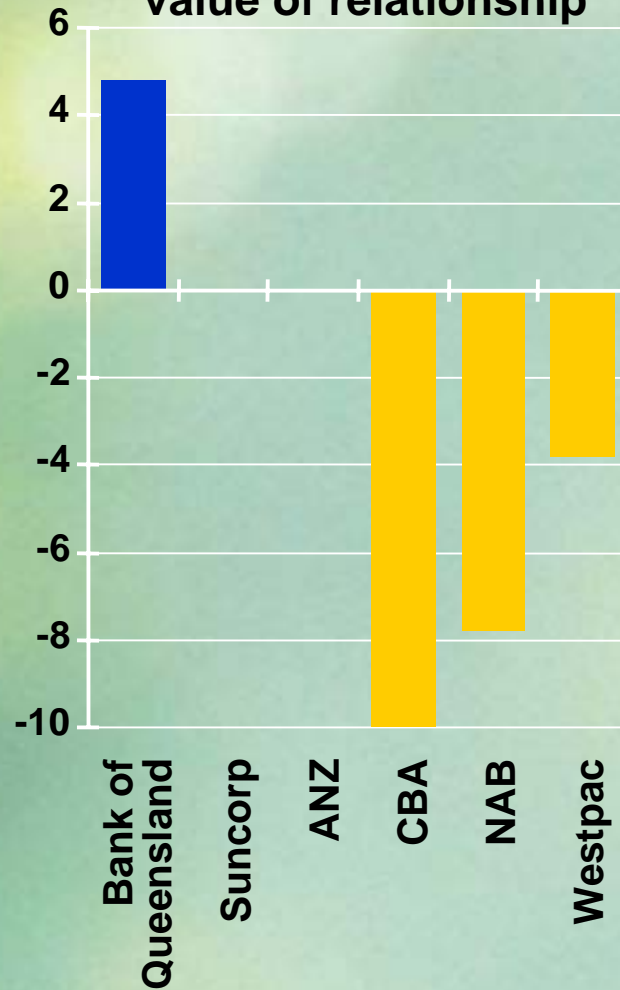
# Customer Relationship Survey



## Better than other banks



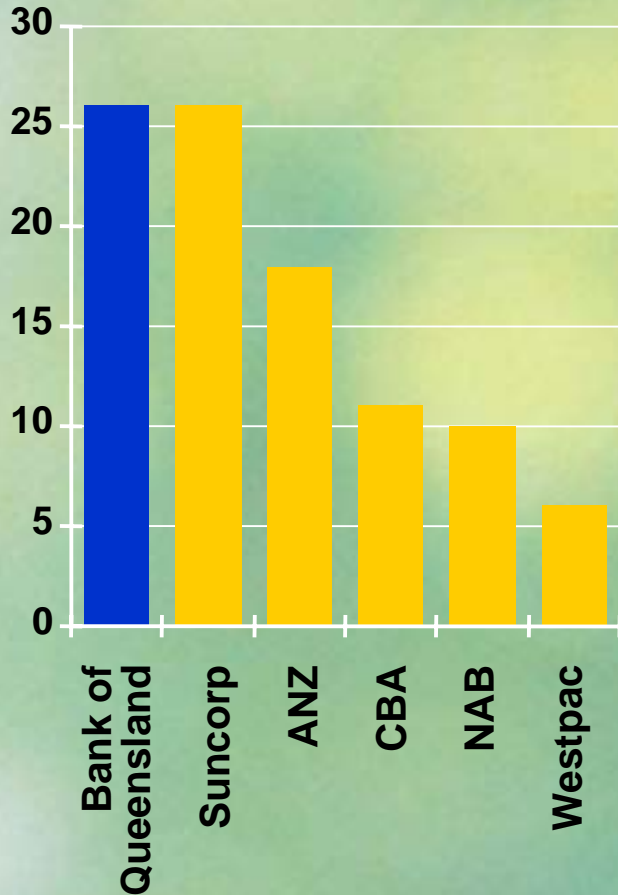
## Understands the value of relationship



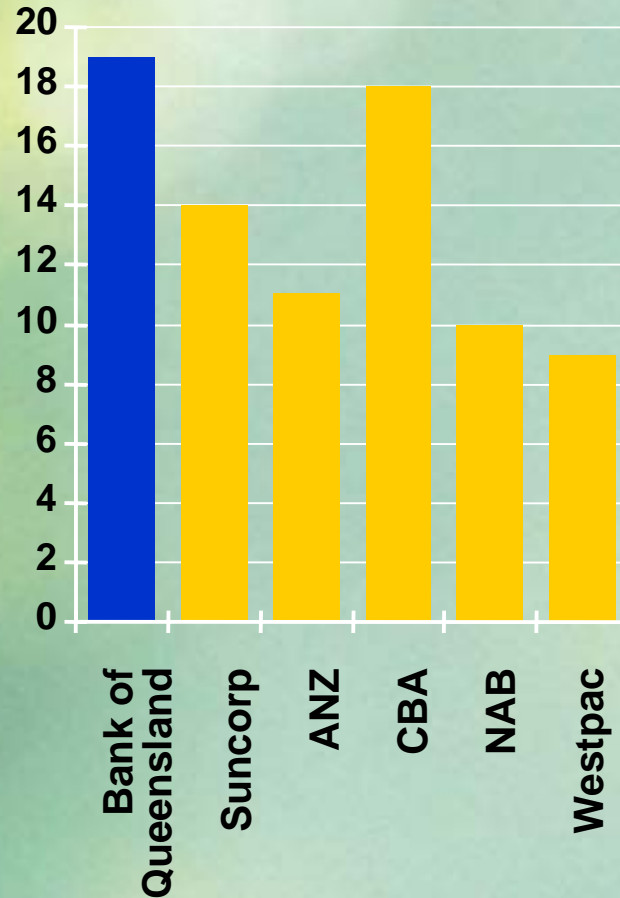
# Customer Relationship Survey



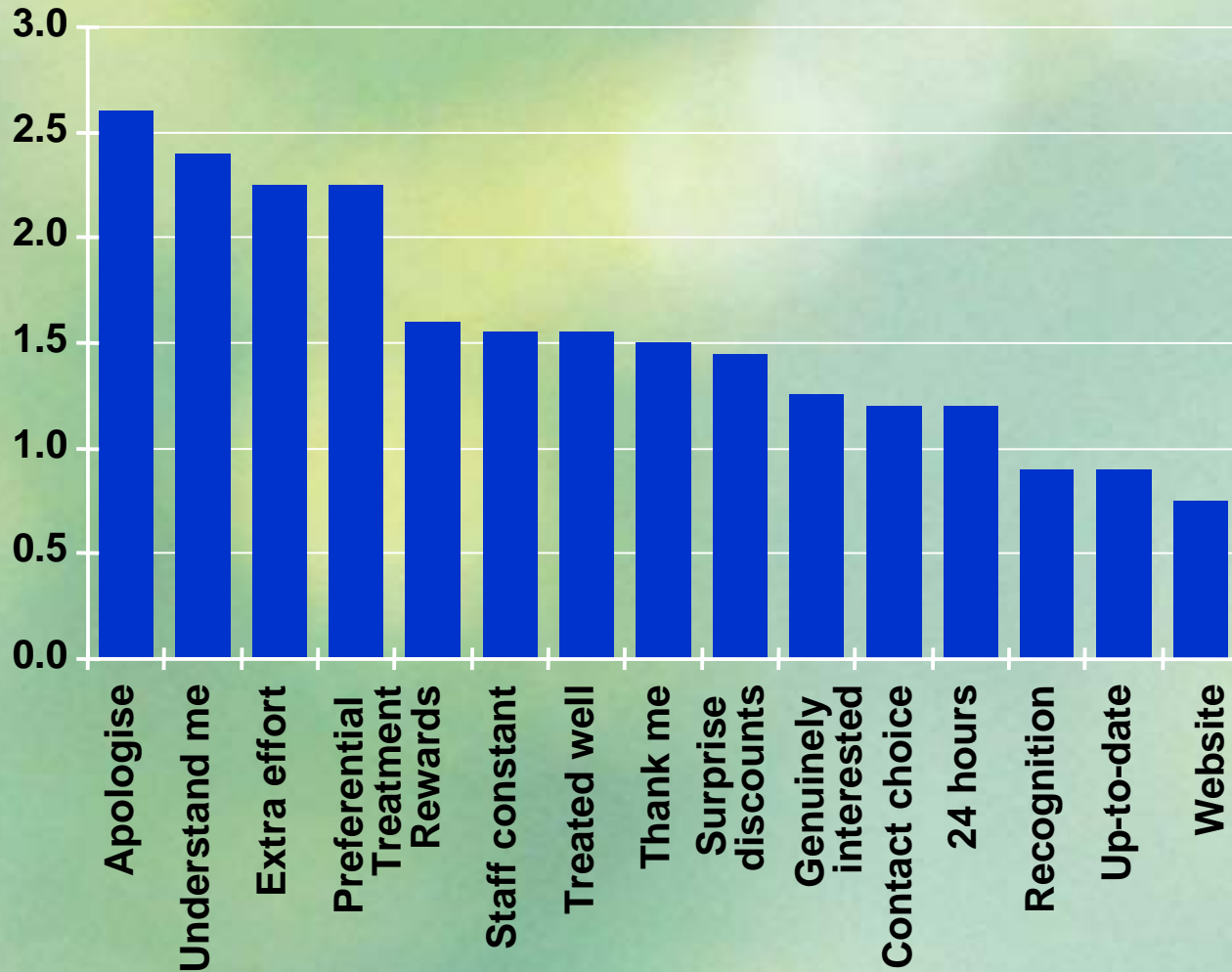
**A bank I would recommend to others**



**A bank you can trust more than others**



# What customers want

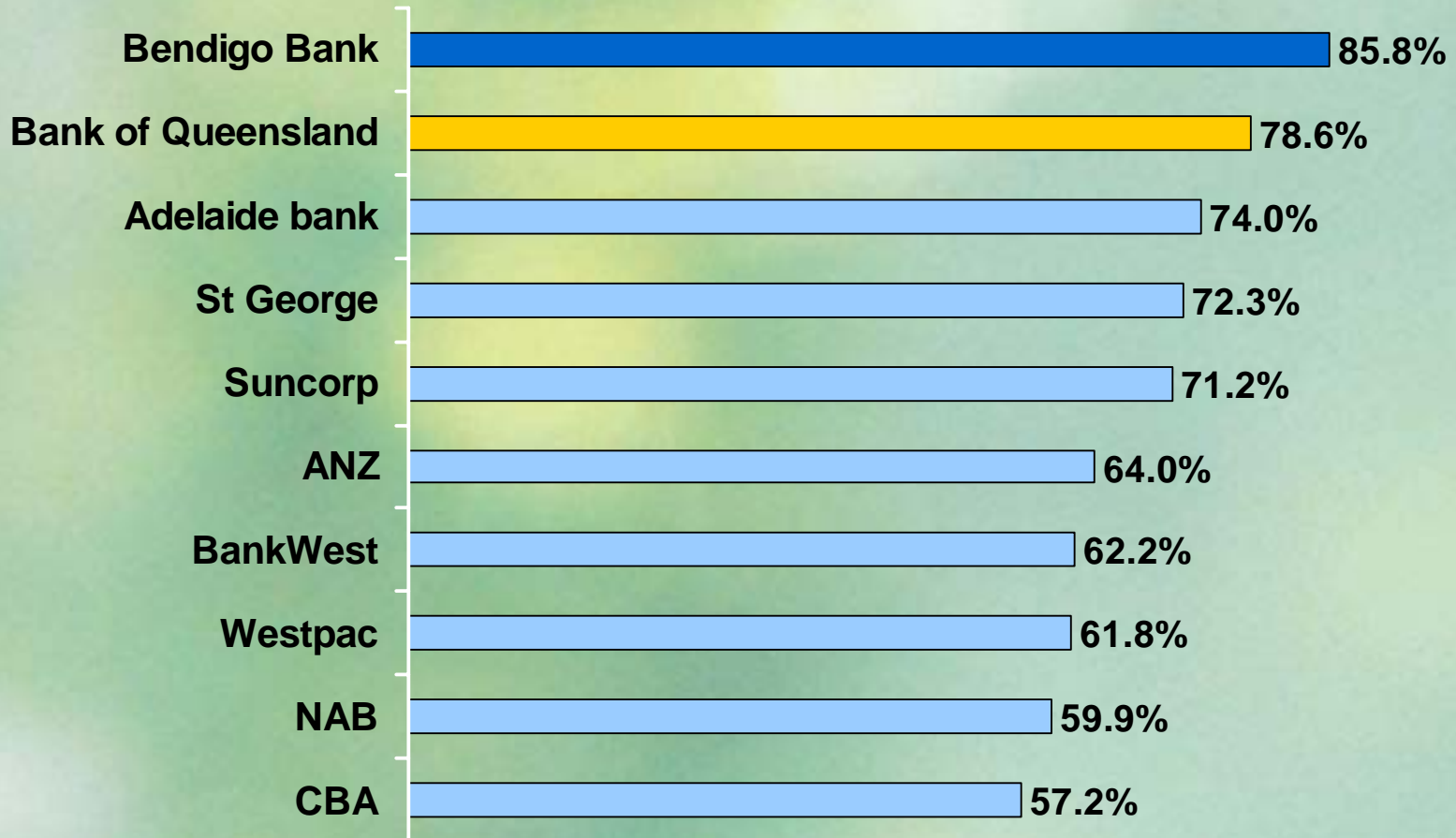


# Customer Satisfaction



## Proportion of customers who are very or fairly satisfied

Year ended June 2003



Source: Roy Morgan Research



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The future looks bright....

**“Big Small Bank”**

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# Consolidate our Qld position

- **Increase branch network**
- **Stronger Business Banking presence**
- **Greater focus SME market**
- **Stronger deposit focus**
- **Broader insurance capability**
- **Financial services capability**
- **Better products**

# Interstate expansion

- **Interstate expansion will be the cornerstone of our growth strategy**
- **By 31 August 2004 we will have commenced our interstate expansion**
- **By 31 August 2006 we are targeting a minimum of 100 branches across New South Wales and Victoria**
- **Our recent acquisitions complement this strategy**

# Our strategic focus

- Expanding strongly whilst maintaining expense control and credit quality
- Investing in our future
- Our person2person™ banking program
- Broader reach and scale
- Target to be writing 5% of national home loan market share within 3-5 years
- Key provider to the SME market

**Aim: To be a big small bank,  
not a small big bank**

# 2004

## New challenges



- **BOQ faces new challenges, including:**
  - Weakening housing market;
  - Expansion without sacrificing expense management;
  - Driving synergies from our acquisitions;
  - Realising benefits from new core banking system and PEP II;
  - Basel II;
  - Interstate expansion
  - Capital and funding to support growth

# 2004

## The platform



- **BOQ has implemented and undertaken a long-term strategy for growth.**
- **Infrastructure will be in place by March, 2004, including:**
  - **New IT platform through CSM**
  - **Qld base of 135 branches**
  - **Strong business banking arm**
  - **Interstate ATM and equipment finance platforms**

# 2004

## Our goals



- **Key objectives for our 2004 FY are to:**
  - **Consolidate our branch network and expanded business banking capability in Queensland. ;**
  - **Combat any housing slowdown through geographical expansion, product diversity, and growing revenue streams;**
  - **Continue strong asset growth whilst maintaining credit quality;**
  - **Achieve the cost and revenue synergies from acquisitions;**
  - **Leverage infrastructure investment, particularly the core banking system replacement; and**
  - **Commence our interstate expansion.**

# 2004

## Strong growth continues



- **First quarter 2004 results show strong growth continuing, including:**
  - Lending approvals have doubled on the same quarter last year, and increased 21% on the last quarter 2003FY.
- **Asset growth ahead of plan**
- **Strong liability growth**
- **Re-affirming our full-year forecasts:**
  - EPS growth of 10%-12% on a cash basis.
  - Cost to income ratio of 64%.
  - ROE target of >14%.

# Our new vision



**“To be Australia’s leading regional bank, providing innovative personal and business financial solutions and offering the best customer service experience.”**



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# Our Management team

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# Our Management team



**Donna Brown**  
General Manager,  
Retail



**Ross Norton**  
General Manager,  
Business Banking



**Terry Crawford**  
General Manager,  
Financial Services,  
Direct Channels and  
Marketing



**Robert Hines**  
Chief Financial Officer



**Jennifer Heffernan**  
Chief Operations  
Officer



**David Saville**  
General Manager,  
Distribution and  
Productivity



**Les Steinke**  
General Manager,  
Credit



**Sandy Deans**  
General Manager,  
Human Resources



**Len Stone**  
Treasurer

The logo for the Bank of Queensland features a stylized 'Q' shape. The left vertical bar of the 'Q' is orange, and the rest of the shape is blue. The text 'Bank of Queensland' is written in white, bold, sans-serif font within the blue portion of the 'Q'.

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New ideas in banking