

# Delivering Market-Leading Products

While there was heightened competition across all sectors of the banking industry in FY 2005, Bank of Queensland undoubtedly performed above the market. Our ability throughout the year to sustain above system asset growth and to increase deposits at twice system growth not only reflects the success of our highly personalised customer service philosophy, but just as equally, the market's positive response to the raft of new and improved products we launched throughout FY 2005.

## New Banking System Boosts Product Competitiveness

Up until 12 months ago, our ability to introduce legitimate market topping products had to some degree been hamstrung through the inadequacy of our prior central computer systems. Our new \$40 million core banking system, the final stages of which were implemented in May 2004, has provided the armoury to significantly enhance our existing products and to launch what are highly competitive, market-leading, new products. Just as importantly, we now have the capability to bring new products more rapidly to the market than ever before, and the flexibility to quickly adjust our products in response to changing market conditions or levels of competition.

## Distribution Expertise

In all, 10 new Bank of Queensland products were launched in FY 2005, including four developed as new product partnerships with other industry-leading third party organisations. These externally sourced products, which broadened our market offer into insurance, travel currency services and to include margin lending, are consistent with our strategy of capitalising on our ever-expanding branch sales channels to become a specialist distributor of financial products, as opposed to simply a "manufacturer" of them. As an integral part of this strategy, Bank of Queensland will increasingly source product expertise from the market as an alternative to manufacturing all our products "in-house".

## New Banking Products

In October 2005 the Bank launched what is arguably the most revolutionary breakthrough in day-to-day transaction account banking in Australia, with the launch of our new Reverse Charges Account™.

Our Reverse Charges Account™ not only offers a market-leading flat fee rate of \$4 per month for unlimited transactions, but comes with a guaranteed Bank paid rebate of \$2 back to the customer if the account is maintained at a minimum balance of \$2,000.

The new account also offers unlimited withdrawals from Bank of Queensland Branches, Bank of Queensland ATM's, EFTPOS, Internet Banking, Easyphone Banking and cheques written in accordance with maintenance of a \$2,000 minimum monthly balance. As the only

day-to-day transaction account of its type in Australia and one which openly rewards customer loyalty, we are confident our Reverse Charges Account™ will quickly consolidate a position as the benchmark setting deposit account in Australian banking.

Several other new products launched in FY 2005 bolstered our brand strength and market reputation by providing existing customers with more choice, and a decided incentive for new customers to join our ranks. The new products, all of which have proved a resounding market success, include:

- **Low-Rate Credit Card** (launched September 2004) – our new Low-Rate Visa Card was launched in September 2004, offering a highly competitive 9.99% p.a. interest rate. Unlike a number of competitors' cards, this rate does not jump after an introductory period, and offers users up to 44 interest-free days as well as providing the full benefits of the Visa Preferred Services program.
- **Business Investment Account** (launched December 2004) – a high yielding investment account for business customers offering full access and competitive interest rates.
- **Economy Home Loan** (launched October 2004) – a low cost 'no frills' home loan, with the flexibility of a variable rate home loan, but without the extra features.
- **Statutory Trust Accounts** (launched February 2005 in ACT, NSW and VIC) – trust accounts for real estate agents and solicitors developed to support the Bank's expansion interstate.

## Market Enhanced Products

The implementation of the Bank's new core banking system, provided the capability to improve and reposition several existing products to deliver better outcomes for both our customers and the Bank. These included amending the discount tiers on our Home Loan Privileges Package, to reward customers who bundle loans above \$200,000 with increased discounts. The enhanced Home Loan Privileges Package has helped consolidate our existing customer base in Queensland, and proved an invaluable customer acquisition lever in our markets outside Queensland where mortgage and other loan values are typically higher.

We also broadened the availability of our increasingly popular Low-Doc loans by extending access for this product to owner occupiers.

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In line with the growing take-up of Internet Banking, we also offered one of Australia's first on-line redraw facilities to provide our home loan customers who are ahead of their scheduled payments, the convenience of easily drawing-down funds 24 hours a day, 7 days a week.

As a key part of the Bank's deposit building strategy in FY 2005, we also aggressively increased rates for our Cash Management Account. Despite heightened market competition in this area, Bank of Queensland's Cash Management account continued to attract new business throughout the year, with its market profile boosted following being awarded a 5 star rating by Cannex.

Bank of Queensland customers also benefited from our policy of broadly holding back fee increases during the year, particularly in relation to day to day transaction banking.

### New Partnerships Broaden Market Offer

As outlined above, we intend to increasingly supplement our existing range of "in-house" banking offers, with an expanding range of other financial services products "manufactured" by third party specialists. Under this alliance strategy, in FY 2005 our customers were able to access a range of new services covering their risk, investment and transactional requirements, including:

- **Consumer Credit Insurance** – as an added service to our personal and home loan customers, in April 2005 the Bank released a new Consumer Credit Insurance product following a partnership struck with the leading insurer, St Andrews Insurance (Australia) Pty Ltd (St Andrews). The range of products offered provide our loan customers protection of their debt in the event of illness, accident or permanent incapacitation. This new offer has generated an exceptionally strong response from our home loan customer base.
- **Term Life** – under our relationship with St Andrews, our customers also now have access to a simple, self-completing term life product.

- **Personal Insurance** – we now offer Home, Motor, Landlord and Travel Insurance cover via an agreement with Vero Insurance Limited.
- **Commercial Insurance** – through a new relationship cemented between Bank of Queensland and the leading commercial insurers, CGU & OAMPS provides a range of risk products tailored to meet the needs of our business banking customers is now offered.
- **Margin Lending Facility** – with margin lending now the fastest growing form of personal lending in Australia, a relationship between Bank of Queensland and Citigroup Wealth Advisors will shortly result in a new product launched to help mitigate our property investor customers' exposure to cyclical market movements.
- **Foreign Currency Exchange** – in FY 2005, the Bank finalised an agreement with the international currency expert, Travelex, to supply travel money services as an extension of its traditional banking services. Under this arrangement, our customers can access foreign cash and travellers cheques from key Bank branches. Another product offered is Cash Passport, which enables customers cash access anywhere in the world via an ATM network supported by Visa.
- **Wealth Management** – a successful three month pilot which commenced in September 2005 of an alliance with Genesys Wealth Advisers to provide a range of wealth management products and advice in 10 branches and business banking in Queensland. As a result of the successful pilot program, both private and business customers can now access a comprehensive range of wealth management and risk management products including retirement planning, superannuation planning, personal and business insurance and managed and retail funds.

In the coming year we will further capitalise on our proven distribution expertise by finalising additional product alliances with established producers, with margin lending and non-conforming loan products high on our agenda of potential new offers.

# Putting the Customer First

**The significant advancements made by Bank of Queensland across all areas of our operations in recent years are attributed in no small part to the continued progress and success of our employees.**

**Our principle goal is to be an employer of choice in the financial services industry, or put simply, to be the bank where people want to work. Throughout the year we have concentrated on consolidating our desired employer position and working towards providing a dynamic and rewarding environment for all our employees.**

## Upgraded Premises

Over the past year Bank of Queensland's physical working environment was significantly improved through the relocation of all head office employees to new, modern, open plan premises in the heart of the financial district in Brisbane's CBD. Our on-going branch refurbishment program also continued to be rolled out around the country, with the majority of our employees now enjoying fresh, vibrant workplaces.

To remain competitive and to ensure that we are sourcing the best employees possible, in FY 2005, we introduced a dedicated Recruitment Manager to our Human Resource structure and refined our recruitment processes, including the introduction of e-recruiting via the Bank's corporate website. This process has been used successfully to recruit over 360 new employees to the Bank in the past year. A process will be introduced in the coming year to allow our employees to more easily search and apply for internal vacancies as part of our commitment to career development.

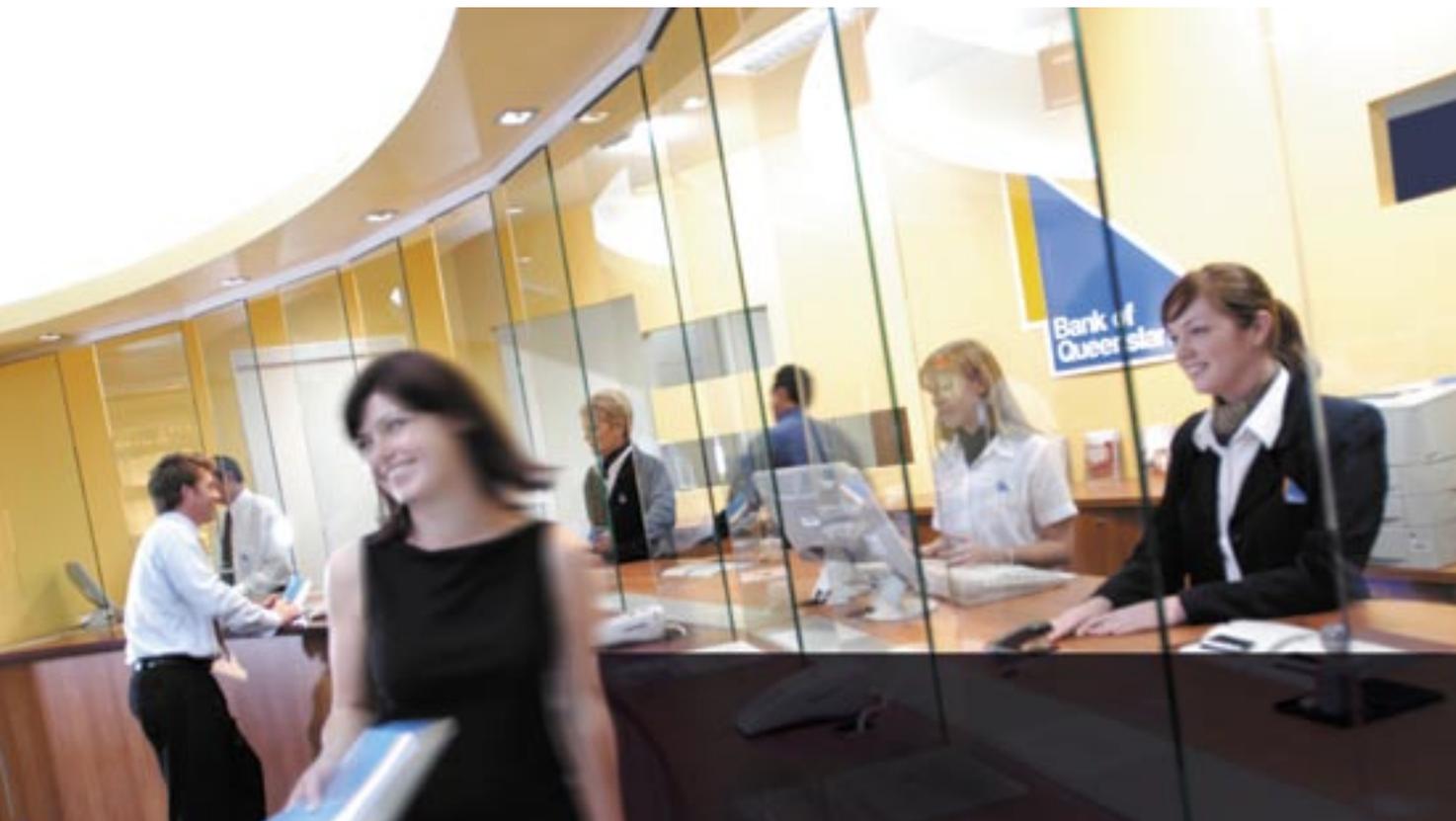
## Enhancing Service Standards

In response to the major regulatory changes impacting on Australia's banking and business environment, our training needs over the past two years have focused squarely on compliance matters. With much of this work now completed, we are now making a significant investment in training programs designed to enhance the skills and service delivery capabilities of our employees. All customer facing employees now attend a dedicated two-week induction program which provides them with a complete overview of all Bank of Queensland products and services, and equips them with the skills necessary to enter the workforce "job ready".

Research conducted to date clearly confirms that we have succeeded in differentiating our brand and the service experienced by our customers from our competitors. To elevate the service our customers experience to an even higher plane, in FY 2005 we launched a new Bank-wide initiative, "CustomerFirst". Designed to drive our longer-term sales and growth higher, "CustomerFirst" is both an external service philosophy and a training and behavioural blueprint which we are confident



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will elevate Bank of Queensland to the undisputed No. 1 service provider within the Australian banking industry.

Under intensive “CustomerFirst” training courses which commenced in April 2005, our employees, including all new inductees, are learning how to provide customer solutions matched to customers’ critical needs. Under “CustomerFirst” training, employees are working to improve their existing service standards through implementing our customer service priorities of accuracy, responsiveness, courtesy and partnership.

In FY 2005 greater deployment of our training resources has also seen the roll-out of supervisory development courses, and extensive work being undertaken in the design and development of specific training initiatives, tailored to the Bank’s requirements and policies.

### Employee Recognition

The contribution that our employees make to our business does not go unrecognised. Throughout the year efforts are rewarded through a number of formal and informal

recognition programmes, which provide financial and non-financial reward to our top performers; including:

**WOW Awards** – for demonstration of outstanding customer service;

**Top Achievers’ Conference** – an annual event recognising the individual contributions of our top 100 achievers across the group; and

**Competitive Reward Programmes** – which reward not only on achievement of quantitative measures, but also on the demonstration of behaviours which support our mission and vision.

### Bank - wide Communication

As the Bank grows it is important that we do not lose touch with our employees, and we have continued to use a variety of methods to communicate throughout the organisation to ensure consistency of our messages. Our staff magazine, *The Queenslander* is a key means of communicating our key corporate messages, as well as providing a tool to

foster social interaction and celebrate our successes. The Managing Director’s Staff Hotline continues to be an effective channel through which employees can discuss any aspects of the Bank’s operations with the Managing Director. Bi-annual Managing Director’s Roadshows are held to update all staff on the Bank’s strategy and progress, as well as providing an opportunity to meet with staff around the country.

The re-launch of the Bank’s intranet has also provided us with more opportunities to communicate with our employees, as well as providing a consolidated information source, which is current, consistent, and easily accessible for all.

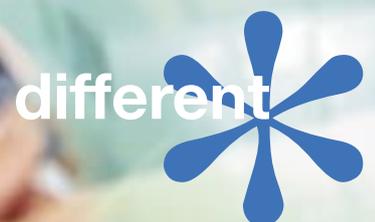
By clearly enunciating what we as an organisation want to achieve and equipping and inspiring our people to take us there, we are fostering an environment where innovation, excellence, leadership and a focus on customer service are celebrated and which clearly differentiates us from the remainder of Australia’s banking field.

After a 33 year career in banking, David Liddy wanted to inject some different ideas into the industry. Since taking the reins of Bank of Queensland as Managing Director in April 2001, David immediately stamped his point of difference by bucking the trend of big banks to shut branches, and opening 84 new branches throughout Queensland, New South Wales, Victoria and ACT over the last four years. As an avowed advocate of personalised banking and face-to-face customer service, David practises what he preaches by dedicating time out of every hectic working month to serve as a teller in one of the Banks' local branches.

Dismissing suggestions that the head of one of Australia's fastest growing banks should be applying his skills at a more strategic level, David retorts that a bank can only be as good as its front line service staff are. "These few hours a month are probably the most critical insight I get of what our customers really want, and of how the Bank needs to react to their needs. As I say to all our staff, if we continue to understand and respond to our customers needs, there's no limits to how far this bank can go."

**David Liddy**  
*Managing Director  
Bank of Queensland*

customer service all the way  
from the very top down



# Investing in the Community

**The Bank has reinforced its commitment to the community in the past year by launching a comprehensive new community investment strategy.**

**The strategy, which is based on a broad social approach, has three main elements: community partnerships, staff initiatives and shareholder initiatives.**

## Community Partnerships

Our community partnerships are focused on developing and supporting young people across the main philanthropic areas of health, education, welfare, the arts and the environment. In the spirit of true partnerships, we have committed to each of our partners for a minimum of two years.

Our major educational partnership is with Financial Basics Foundation, a not-for-profit organisation which helps young people become more financially literate. Our support has enabled the production and free distribution of a high school teaching resource, "Operation Financial Literacy". As the only resource of its kind in Australia, it covers topics such as credit, budgeting, saving and financial planning; and can be incorporated into a number of teaching areas such as maths and business studies. "Operation Financial Literacy" is currently being used by more than 500 high schools in Australia.

Our primary welfare community partnership is with the alcohol and drug rehabilitation agency, DRUG ARM, and it has enabled the agency to extend its services to the Gold Coast for the first time. We have purchased a van to help establish a local Street Outreach Service (SOS), and are funding their operations for the next year. The SOS van operates every Thursday and Friday night from 7pm until early morning, offering food, drinks, clothing, blankets, transport, referrals and support to young people who are either homeless, or at risk of becoming homeless.

Flying Arts Inc, the Bank's major community partner in the arts sector, flies artists to communities throughout the state to ensure every Queenslanders has access to innovative arts opportunities. Our support ranges across projects such as the "Experience The Arts" workshops which bring regional students to Brisbane for a week, school workshops, the web-based course "Visual Arts On-line", as well as a youth encouragement prize in the Regional Art awards.

Rather than having a major health partnership, the Bank runs a major fundraising appeal for children's health charities in June each year. "Banking On Our Kids" follows on from 2004's inaugural "Banking On Queensland Kids" appeal, and this year raised over \$30,000 for the children's hospitals in Queensland, NSW and Victoria, Variety Clubs, and the Juvenile Diabetes Research Foundation.

In the environment sector our major partnership is with the "BOQ River-lutionists", a group of eight Year 11 students from Warwick who act as our ambassadors on river health and water management. Our support enables these passionate students to help raise awareness and educate local communities about the deteriorating condition of our rivers, and how we can all play a part in ensuring ongoing river health. In the past year the Bank has helped the "River-lutionists" attend the International Youth River Congress in India, speak at various forums, and we will be publishing to Bank customers later this year the River-lutionists' tips on water preservation.

Other community partnerships include the "Making A Difference" program with the Cooloola Institute of TAFE, a program teaching life skills (including money management) to disadvantaged teenagers on the Sunshine Coast; the Queensland Museum Foundation; the Royal Children's Hospital Foundation through our ongoing support of the B105 Christmas Appeal; the Royal Brisbane & Women's Research Foundation; and the Red Cross's "Night Café", which offers refuge and support for homeless youth in Brisbane's CBD.

## Staff Initiatives

The second element of the Bank's new community investment strategy – staff initiatives – has included the development of the popular Dollar-for-Dollar Program, and the introduction of several new initiatives.

Under the Dollar-for-Dollar program which matches employee fundraising for charities on a dollar for dollar basis, over the past year the \$60,000 plus raised by employees has been effectively doubled by the Bank's contribution. Among the beneficiaries supported in FY 2005 were:



- Leukaemia Foundation's "World's Greatest Shave For A Cure"
- Juvenile Diabetes Research Foundation's "Walk For A Cure"
- Queensland Cancer Fund "World's Biggest Morning Tea"
- Surf Live Saving Foundation's "Up The Tower"
- Childhood Cancer Support
- The Salvation Army
- Royal Children's Hospital Foundation
- Guide Dogs Queensland
- CanTeen

A new staff initiative introduced in FY 2005 was the inaugural Managing Director's Awards for Community Involvement. The Awards recognise outstanding individual efforts from employees in local community causes, with the Gold Award winner receiving \$20,000 for their supported charity, and five Silver Award recipients receiving \$5,000 for their causes.

The inaugural Gold Award winner was Caloundra Branch Manager, Gina Van Wezel, for her tireless work with Sunshine

Coast sexual abuse charity Laurel House. The Silver Award recipients included Rockhampton Business Banking Manager Mark Fewtrell for his involvement with the Capricorn Helicopter Rescue Service; Biloela Owner-Manager David Dann for his work with the Apex Club of Biloela; Human Resources Officer Kerry Hardy for her support of Karuna Hospice Services in Brisbane; Coorparoo Customer Service Officer Shirley Bearer for her involvement with the Batting for Battens Foundation; and Relieving Branch Manager Charles Fisher for his contribution to the Central ASA Junior Rugby League Club.

A workplace giving program, which will allow staff to donate to charities of their choice directly from their pre-tax pay each fortnight, and a corporate volunteering program will be introduced to Bank employees in late 2005.

### Shareholder Initiatives

The Bank continued its involvement with the "Investing In Hope" campaign in 2005, which allows Bank of Queensland shareholders to donate all or part of their

cash dividends to Children's Hospitals Australia (formerly the National Children's Medical Research Fund). In the past year, Bank shareholders have donated more than \$10,000 to Australia's paediatric hospitals. Bank of Queensland is proud to be the first public company in Australia to adopt this innovative campaign.

In addition to the introduction of our new community investment program, the Bank continues to support communities and causes in times of disaster or emergency. In response to the devastating tsunami in South East Asia late last year, we donated \$50,000 to CARE Australia's appeal, and collected in excess of \$150,000 for the aid organisation throughout our branches. Bank staff also rose to the occasion raising over \$20,000 in a dress-down day across the network and Sunshine Coast staff collected truckloads of clothes, blankets and toys for victims on behalf of Mercy Ships Australia.