

Strong brand strong growth.

The past year saw an escalation of our interstate marketing activity to support our national network expansion. These efforts resulted in increased levels of awareness of our brand in New South Wales and Victoria, where most of our efforts were directed. For example, one out of every three people surveyed in New South Wales now spontaneously mentions Bank of Queensland when asked to name banks they know.



As a consequence of this rising brand awareness, surveys in New South Wales and Victoria identified that nearly one third of intending home loan purchasers would consider Bank of Queensland as their loan supplier, giving the Bank a rating of 8 out of 10 likelihood. Just as importantly, 75% of our customers indicate they would be very likely to recommend Bank of Queensland to others.

Given that we only began building our interstate base three years ago and that our brand was virtually unknown in the New South Wales and Victorian markets, these levels of endorsement and recognition provide a strong base for future customer growth interstate.

In FY 2007, we again achieved the second highest business and retail customer satisfaction ratings of all Australian banks. Significantly, despite our competitors publicising improvement of their satisfaction levels as corporate priorities, our retail banking customer satisfaction rating of 80% was a clear 9% ahead of the average rating accorded to Australia's four majors.

According to the 2007 East & Partners Business Banking Sentiment Survey, Bank of Queensland also holds the second highest customer satisfaction levels for business banking. Again, our rating for this increasingly competitive slice of the Australian banking market was 12% clear of the average rating of the big four banks.

We remain as committed as ever to our goal of achieving Australian banking's highest customer satisfaction rating.



The Everyday Business Account, launched as Australia's first flat-fee transaction account for businesses, offered unlimited withdrawals and unrivalled simplicity and flexibility. And the high-interest Business Websavings Account gave businesses an opportunity to make on-hand cash work for them while still being on-call. At the same time, it bolstered our book with a previously untapped source of deposit funds.

In tandem with the launch of the Business Privileges Package, which uses incentives to encourage businesses to package their entire banking portfolio with the Bank, these products significantly heightened the competitiveness of our market offering to SME customers this year.

In the retail space, the popular Privileges Package for premium customers, was matched this year with the Everyday Banking Package offering additional benefits for customers with everyday financial needs.

While it remains a given that a bank must have quality products and superior customer service levels to remain competitive, the degree of commercial success it achieves is ultimately governed by the strength and scope of its distribution capability.

Over recent years, our overriding goal at Bank of Queensland has been to significantly broaden our market touchpoints. To date our focus has primarily been on growing our branch and ATM networks, along with enhancing our internet banking platform. As at 31 August 2007 Bank of

Queensland's touchpoints throughout Australia totalled 2,600.

In November 2006, the Bank added another important pillar to our distribution strategy through formalising an alliance with Western Australia's largest health insurer HBF. Under this exciting new initiative, HBF will distribute white-labelled home loans and investment home loans, originated from the Bank, and our leading online WebSavings Account to its 900,000 members.

We are committed to striking similar alliances with other organisations possessing strong and established market positions in their respective fields to enhance and grow the Bank's existing distribution capability throughout Australia.

Consistent with our 100% commitment to maximising customer service, in FY 2007 Bank of Queensland led the market in becoming the first bank in Australia to install audible ATMs on its entire branch-based network, improving accessibility to banking services for consumers with blindness or impaired vision.

During the year the Bank harnessed market-leading technology to launch an Enhanced Internet Banking service featuring a unique Transaction Signing token, providing customers with one of the most secure systems in Australia. The improved platform also offered additional features for business customers, a segment actively targeted with new market-leading products this year.

Investing in the community.

The 2007 year was a ground-breaking period for Bank of Queensland's community program, with staff fundraising reaching an all-time high. In particular, our people achieved a fundraising record for the Bank's signature annual charity appeal, *Banking on our Kids*.

Our Owner-Managers also confirmed their commitment to their local communities by sponsoring, donating to and volunteering for hundreds of not-for-profit organisations across the country.

We are proud of our people's dedication and we continued to support and encourage their involvement in the community through the Dollar-for-Dollar Program, Managing Director's Awards for Community Involvement and Workplace Giving Program.

The work of our people is a key component of the Bank's Community Investment Strategy, through which we partner a range of organisations working for the health and development of young Australians. We encourage not only staff but shareholders to follow our lead.

Staff Involvement in the Community

The *Banking on our Kids* appeal, where BOQ staff and Owner-Managers raised \$90,000 – more than three times the national target – for Children's Hospital Foundations Australia, capped off an outstanding fundraising year.

Applications from staff across the network and around the country for BOQ to match funds they had raised for charity doubled over the past 12 months to more than \$60,000, a figure happily matched by BOQ to bring the total amount raised to \$120,000.

The most noteworthy dollar-matching applications included staff helping BOQ:

- raise \$53,000 for the Leukaemia Foundation's World's Greatest Shave, putting BOQ in the top 30 fundraisers nationally;
- grant four wishes for seriously ill children through the Starlight Children's Foundation's Wishgranting program;

- raise nearly \$14,000 for National and State Cancer Councils;
- become the highest fundraising team in the MS Society of Queensland's Brissie to the Bay charity bike ride and its MoonWalk event;
- raise \$10,000 from a charity golf day for Student Care Welfare Queensland, an organisation providing counselling and support for abused and disadvantaged children; and
- raise \$9,000 for the Royal Blind Foundation during Crazy Shades Day.

The Managing Director's Awards for Community Involvement again recognised outstanding individual efforts from employees participating in their communities. Gold Award winner Rob Anderson, Owner-Manager of the Coffs Harbour OMB, received \$20,000 for his chosen charity, Camp Quality, and five Silver Award recipients each earned \$5,000 for organisations as diverse as Our Kids children's

100%
support for communities

health fund, the State Emergency Service, surf lifesavers, community radio station 4EB and programs to build an orphanage in Sri Lanka and establish medical clinics in Africa.

And staff continued to contribute generously to the Bank's Workplace Giving program, donating close to \$10,500 to charities directly from their pay. That is a 43% increase on 2006 and represents an average of \$30 per participating employee each month.

Community Partnerships

During the year, we reviewed our Community Investment Strategy partnerships, established in early 2005, to ensure our funds and effort deliver the greatest benefit to our target beneficiaries.

The strategy focuses on assisting organisations and young people in health, education, welfare, the arts and the environment with two-year partnerships, thus ensuring we can develop meaningful, beneficial relationships with these organisations and maximise the involvement of our people.

The review not only strengthened links with our existing partners, but forged new relationships with:

- Starlight Children's Foundation Australia, which grants wishes and provides support services for seriously ill children;
- Oz GREEN's Youth LEAD program, which fosters in young people the motivation and skills to lead the way to a sustainable future; and
- Centsational Harry and the Balance of Life, a play by Ethical Investor magazine to educate primary school students about managing money.

Financial education was a major focus of our community activities, based on our view that Bank of Queensland and other major financial institutions have a responsibility to educate young people about sound financial management.

Our support of the Financial Basics Foundation saw Operation Financial Literacy, a free teaching resource for Australian high school students, adopted by more than 1,000 schools and an innovative online game, ESSI Money, launched to help students understand the basics of financial management.

We also renewed our partnership with Flying Arts Inc., which offers young people in regional and rural areas unique opportunities to experience the visual arts, such as through travelling art workshops and exhibitions.

Our support of the Australian Red Cross' Night Café in Brisbane helped them provide food and other important services to homeless and disadvantaged young people for three rather than two nights a week. More than 2,000 young people access the Café each year. BOQ is continuing its support in the coming financial year to ensure further innovations can be realised.

Bank of Queensland also continued community partnerships with the Queensland Museum Foundation, the Royal Children's Hospital Foundation and Guides Queensland and New South Wales.

Shareholder Initiatives

In the past year, BOQ encouraged and assisted shareholders to donate nearly \$30,000 to children's hospitals around Australia through the innovative Investing in Hope program. BOQ was the first public company in Australia to introduce the program, which makes it easy for shareholders to donate part or all of their dividend to Children's Hospital Foundations Australia.

We sincerely thank our participating shareholders for their continued generosity.

\$90,000
for hospitalised kids.

