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Chairman's overview

2001 has been a year for new directions.

As a Queensland financial institution for more than 127 years - the Bank has helped grow and shape the economic development of the State and has helped thousands of Queenslanders grow along with it.

Now we are looking towards a new century of opportunity to grow our representation and our products and services, and to establish our position as Queensland’s best regional bank.

We are constantly looking at what we do, how we can do it better, and what else we can offer our customers to ensure they continue to get the exceptional value they expect of us.

This year, we have undertaken a strategic review of operations to help us restructure the Bank for future growth and greater efficiency.

We have farewelled John Dawson, and we thank him for his leadership, management and dedication over the past five years.

We have welcomed David Liddy, who took up the reigns as Managing Director in April 2001. David is clearly focused on refining our strategic direction, and implementing a decisive plan to further develop our strengths and fully realise our capabilities.

I am pleased to report that the Bank has continued to perform well through this period of transformation and of continued strong competition in the banking sector. The Bank has a strong balance sheet with high quality assets and has delivered a profit of $24.1 million for the year, and a dividend rise of 1 cent per share to 28 cents.

Once again, Bank of Queensland has demonstrated it is a well-established and trusted brand, delivering new and competitive product offerings focused on our customers’ needs, combined with excellent people service right across our network.

This year has been one of change and new directions, and I am confident that the benefits resulting from these changes will become evident in the coming year, and beyond.

Managing Director’s overview

The most exciting thing about Bank of Queensland’s future is the Bank’s potential to grow by providing Queenslanders a genuinely differentiated and superior financial services experience. The Bank has a terrific foundation for growth. We have a truly great brand, customer service standards that other banks envy, and a team of people who live and breathe relationship banking.

Since my arrival I have been working with everyone at the Bank from the Board and the Executive team through to branch and agency staff to map out a direction that makes the most of our strengths, and that will give our home state presence and market share.

As a company we’ve thought long and hard about our vision for the future, and have developed strategies to achieve our goals. Winning is about narrowing the gap between strategy and execution, and we will be very focused on the execution of our strategy.

We will be putting greater emphasis on our Queensland brand, and increasing our community presence to become Queensland’s best regional bank. This goes hand-in-hand with growing our branch and agency network. Our stable of products will include some innovations and we will be adding more convenient service options including telephone and Internet banking. We are improving our focus on the business market, and have re-organised our business banking division to develop this side of our business.

Importantly, we are implementing initiatives right now to reduce our operating expenditure and improve our efficiency - particularly through outsourcing some technology and business process functions.

Our customer relationships are our strength. We will keep growing our business through satisfying relationships with our existing customers, as well as growing our new customer base. The people who make it happen are our staff - they are the ones who turn promise into reality, plans into success. Inspiring our staff to achieve personal and organisational goals means we will fulfil our goal of being a dynamic, high performance, customer-focused organisation, and the rest will just fall into place.
Financial highlights 2000-01

- Asset under management growth of 19%
- Net profit after tax and significant items of $124.1 million - up 2.2% from $122.2 million in 2000
- Final dividend of 14 cents per share to bring total dividends to 26 cents per share
- Net operating income $152.5 million
- 19% increase in total deposits
- Achieved record lending volumes of $2.8 billion
- Maintained AA short term and BBB long term rating with Standard and Poor’s;
  and was rated for the first time by Fitch IBCA - achieving F2 / BBB rating.
- Issued $4.0 million in Reset Perpetual Shares (RPS), conducted a $25 million
  off-market ordinary share buy-back
- Repurchased $31 million of convertible notes from Bank of Hawaii and issued
  term subordinated debt to replace it
- Expanded Domestic Medium Term Note programs and Negotiable
  Certificates of Deposit portfolios

Total assets on balance sheet

<table>
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<th>Year</th>
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Total deposits

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Capital and reserves

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Bank of Queensland was one of the fastest growing banks in Australia with assets under
management growing 19% for the year. Growth has been primarily in housing lending and has been achieved without sac-
rificing asset quality. Bank of Queensland’s asset portfolio remains one of the best quality
and best provisioned books of any bank in Australia.

Net interest margin - 2.76%

Due to the predominantly retail funded balance sheet, net inter-
est margin fell as the RBA low-
ered interest rates by 125 basis
points during the year. However, the Bank’s net interest margin
remains among the highest in Australia.

Total loans

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During the year the Bank pur-
se a far more active capital
management program. These
initiatives were designed to provide ongoing value to share-
holders.

As a result of decisions to write
down software development
and a squeeze on interest
rate margin, operating profit
after tax grew by 6% on year.
However, after adjusting for signif-
cant items, profit after tax
increased by 26% to $27.5
million.

This key operational ratio
remained steady during the year
despite significant asset growth
and total operating expenses
adversely affected by the inclu-
sion of the significant item of
software write-downs.

Return on equity was adversely
affected during the financial year
due to Bank of Hawaii’s share-
holding converting from partly
paid to fully paid shares, and this was partly offset by the
do-off market buy-back of ordinary
shares effected late June 2001.

The excess shares held until the
share buy-back in June 2001
caused a slight fall in the meas-
ure. After adjusting for signif-
cant items this figure increases to
39.2 cents per share - a growth
of 10% on the previous year.

Total deposits

<table>
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</table>

Operational highlights - 2000-01

- Completed strategic review
  of operations
- Developed new strategic and
  business plans to support
  the Bank’s long term growth
- Restructured Business
  Banking division to affect internal service
  and efficiency
- Successfully implemented
  Phase 2 of the new
  banking platform
- Implemented a perform-
  ance enhancement strategy
  to ingrain a culture of
  outstanding performance and
  service delivery

- Restructured business units
  around customer segments
- Launched a major sourcing
  project to deliver our major
  technology & process needs
- Established Performance
  Enhancement Plan to achieve revenue growth
  and expense reduction

- Operated highlights - 2000-01
  - 2001 $2,798,910
  - 2000 $3,176,821

- Total deposits
  - 2001 $3,699,056
  - 2000 $3,082,734

- Total lending approvals
  - 2001 $3,788,123
  - 2000 $3,175,821

- Operational and financial highlights
  Queensland’s Bank achieves

- Financial highlights
  QUEENSLAND’S BANK ACHIEVES

- Operational and financial highlights
  QUEENSLAND’S BANK ACHIEVES
Our vision is to be a great Queensland company and Queensland’s best regional bank. We want to be the bank that looks after our staff, values and serves our customers, rewards our shareholders, and partners with our community.

Our strategic blueprint: Queensland’s best regional bank

Being Queensland’s bank for more than a century, our business is built on knowing Queenslanders and the needs better than any other bank. To grow our business, we plan to expand our reach as Queensland’s best regional bank. This means expanding our regional focus and presence, and cultivating a sense of ownership of each and every one of our Bank of Queensland branches.

We will build on our value advantage as a provider of quality banking and financial services by lowering our costs and e-enabling our organisation. Through this approach, we aim to offer even greater customer choice, convenience and access to our branch network to maintain satisfying customer relationships. By supporting a high achievement, customer and service orientated culture we will achieve our vision of an innovative, dynamic and growing bank capable of meeting Queenslanders’ needs in the 21st century.

Our Five Point Strategic Plan outlines the steps to success, and our Business Strategy gives us the means to achieve our goals.

Five steps to success

1. Organise around where we create value
   To organise around where we create value we must understand our strengths and how we can make the most of them to grow our business. We can develop a real point of differentiation from our competitors by concentrating our efforts on our business division, retail operation, alliances and electronic banking.

2. Being more efficient
   We understand that an important part of any platform for growth is making sure we work efficiently. Finding efficiencies to further reduce our operating costs will enhance our revenue streams and give our customers and our shareholders the benefit of our increased competitive edge. However, we will not seek to reduce our costs at the expense of branch closures. Our efficiencies include revenue enhancement, expense management, sourcing, alliances and our performance enhancement program.

3. Finding new opportunities
   We are always searching for new opportunities to grow our business. We believe we can access new opportunities by widening our reach, increasing our business scope, reconfiguring our business network, and broadening our distribution network.

4. Deepen and broaden customer relationships
   We have set our sights on improving our customer relationships. In addition to attracting new customers, we want to encourage our existing customers to do more business with us. We aim to offer them greater choice and convenience and continue to meet their changing needs. This means strengthening our relationship with them and better understanding their needs.

5. Build the capabilities and culture to succeed
   We need the right people in the right jobs, being motivated by the right rewards. We want the right people in the right jobs, emotional intelligence, understanding our business and superior execution.

Our values

- Teamwork
- Integrity
- Achievement
- Courage
- Passion

Our business strategy

To achieve our growth objectives we will implement the following Business Strategy to breathe life into our Five Point Strategic Plan at an operational level. The elements of our Business Strategy are:

1. Our people
   We want the right people in the right jobs, being motivated by the right rewards.

2. Our processes
   We need to streamline our processes to improve efficiency and help us reduce our cost to income ratio.

3. Systems
   We need to improve our systems, particularly our loan application, consumer finance, general insurance, business lending, credit, and management information systems. This will give our people the information they need to make informed decisions about their business units.

4. Business banking
   We need to strengthen our business banking platform, and we plan to do this by increasing resources, improving new business performance and productivity, and understanding our portfolio segmentation.

5. Sales - Priority Direct and Alliances
   We need to refocus our Priority Direct division on Queensland business, and ensure it is a vehicle for business acquisition, not relationship management. We plan to introduce five key alliances and re-price our current alliance packages. And we also plan to introduce insurance and wealth creation products.

6. Retail banking
   We are looking to stimulate our retail banking results by expanding our retail network including branches, private agencies, business banking centres, ATMs, In Store facilities, kiosks and mobile sales staff. We need to improve productivity by re-assessing our supply chains, we want to focus on training, to provide our staff with the skills they need to provide exceptional service; we need to restructure our product range, to ensure we are meeting our customers’ needs; and we also need to restructure our incentive program, to ensure the right staff are being rewarded.

Executional excellence

Executional excellence means doing the job well. Our strategic plan and business strategy give us the blueprint to grow and improve our business. Winning, however, is about narrowing the gap between strategy and execution. Realising our potential through executional excellence will be our major focus as we move forward over the coming year and beyond.

“The skills required to achieve our goals are strong leadership, effective communication, having the right people in the right jobs, emotional intelligence, understanding our business and superior execution.”
Our products

Queensland’s bank exceeds expectations

Ross Bradley

QBE Glass, Logan City

customer of Shelley Goves at Beenleigh

“There’s always been that feeling that they’ll listen to you. Occasionally, they’ll even pop in to see how you’re going which I don’t think happens that often anymore.”

“I have always referred Bank of Queensland to friends and colleagues that if you’ve got something to offer, they’ll listen to you. You’re actually speaking to a person who will listen to your proposal.”

Because each of our customers’ needs are different, we strive to have the most flexible and competitive range of banking products and services we can possibly offer. This year we introduced our Smart Start Fixed Rate home loan, offering a one year introductory fixed interest rate, and lower mortgage repayments, when they’re needed most - at the start of a loan. And we offered our special interest rate to first home buyers, and to people who are already home owners, and to property investors.

We added the Sunshine Rewards program to our suite of products in March this year - rewarding our credit card customers with offerings on a range of products and services from FlightPoints® to accommodation, shopping and entertainment. The new scheme has enhanced customer loyalty and has increased our number of active credit cardholders by 8%. Cardholder limits and loan amounts have also grown following the introduction of our reward program.

Our business banking portfolio is a major aspect of our growth strategy, and this year we have restructured this division as part of a renewed focus in this area. We substantially increased our specialist business banking managers and added a central support area to provide lending and sales assistance to better cater for our business customers’ needs.

Alliances are another area in which we provide a value advantage to our customers. We plan to continue increasing our scope by broadening the products and services we can offer our customers, as well as generate further business through the reciprocal alliance and customer base available to us. This year we launched our dingo blue, Second Chance and Union Shopper affinity credit cards aimed at our alliance customer base.

To enhance our product offerings through our alliance partnerships, we plan to restructure our business with Royal & Sun Alliance during the year to provide insurance products tailored to our customers’ needs. Also on our agenda is the provision of wealth management services to broaden our menu of products.

Overall we finished the year with a strong performance - delivering sound growth on which to build our business.

Our achievements

- Growth in housing assets of 25.5%
- Achieved 40% growth in our number of active EFT merchants
- Achieved 8% growth of active credit cardholders
- Grew credit card limits by 11%
- Re-segmentation of Business Banking division to provide customers with increased service levels
- Strong sales performance in Retail and Business Banking
- Launched Smart Start 1-Year Introductory Fixed Rate home loan
- Launched credit card rewards program, Sunshine Rewards
- Launched dingo blue, Second Chance, and Union Shopper co-branded affinity credit cards

Our direction

- Deliver telephone banking service to our customers
- Bring Internet banking services on line
- Grow Business Banking from less than 20% of assets to more than 30% of book
- Improve customer product offerings through product development and innovation
- Streamline product offerings for customers through the development of various packages
- Aggressive growth targets for cards and merchants
- Form alliances that will leverage the networks of Bank of Queensland and our potential partners to deliver core services to our customers and extend our market reach
Bank of Queensland has been providing premier financial services to Queenslanders since 1874. The growth of our network over the years has been driven by our ability to constantly find efficiencies and offer greater cost savings and better service to our customers. Today we are still growing, and we aim to be more efficient than ever.

As part of our strategic direction we reviewed our Queensland footprint and drafted plans for a significant expansion of our branch and agency network over the next three years. We have an opportunity to win more customers by creating wider reach and scale right throughout Queensland. Our agency network’s variable cost model gives us the flexibility to expand our network faster than we would otherwise be able — and it means we can service more communities than ever before.

We have worked hard this year to improve our performance, however we recognise that we have more to do to achieve our goal of more efficient and competitive banking services. Expense management is one area receiving total focus. We currently have a cost to income ratio that is above industry average at 73%, and we plan to reduce this significantly.

The Bank established a Performance Enhancement Program to identify and oversee the implementation of group initiatives, including sourcing and procurement projects, to deliver significant improvements in our revenue and reductions in our expenses. A review of our fee income has already been completed and recommendations are currently being implemented.

We are re-organising internal processes to improve our efficiency and reduce our costs, and we have initiated a significant outsourcing project to help us improve the Bank’s information technology and back-end processes. Benchmarks suggest that savings of 15–20% of prospective costs are achievable through the outsourcing of these key processes alone.

Outsourcing will particularly give the Bank access to technologies and expertise on a scale exceeding what we can achieve independently. This course will enable us to leverage greater value from our information systems, which will in turn increase our capability to provide better products and services to our customers.

We have also identified and implemented major efficiency measures right across the Bank’s operations, streamlining internal and external processes to provide us with significant cost savings. We amalgamated four operational units into one single operations group to maximise synergies and remove duplication, and we commenced a full review of our procurement to ensure that the Bank is using its buying power effectively. Our Quick Wins program has been enormously successful at cutting administrative red tape and reducing back office costs, and we will be building on these early successes next year.

Our achievements
- Restructured business units around customer segments
- Established a focused Distribution and Productivity Division
- Launched a major sourcing project to deliver our major technology and business process needs
- Commenced a review of our procurement to effect cost efficiencies
- Established a Performance Enhancement Program to significantly improve revenue and reduce expenses
- Reviewed our fee income
- Completed plans to significantly expand our customer touch points over the next three years

Our direction
- Implement our Performance Enhancement Program during 2001–02 to deliver $12 million in annualised revenue improvements and expense reductions, including:
  - Finalise our sourcing project with implementation to commence during the first half of calendar 2002
  - Fully implement our Procurement Review to achieve annualised savings estimated at $2 million
  - Start roll out of our customer touch point expansion - at least 10 new sites in 2001–02
  - Expand our regional network to complete our coverage of the Queensland market
  - Deliver Phases 2 and 3 of our Quick Wins program
  - Enhance project management disciplines for all major projects to deliver on time superior execution

The new banking platform installed this year is taking us forward — by helping our tellers give better customer service at the counter and speeding up loan processing through our Loan Administration Centres.

We have a lot more loan authority at branch level than ever before, too. This means we can give customers a yes or no decision in a lot of cases and eliminate trips to the Head Office. That makes the service we offer our customers.

Quick Wins is our buzz-word for modernising back office processing. This has eliminated a lot of unnecessary clerical work and freed up our branch staff to do more customer-oriented interface.

"We’ve taken big strides in the last year to modernise our banking technologies and bring in new electronic banking initiatives. We’re about to pilot test phone banking here at the Branch, and Internet banking’s on the way."

Blake and Elaine Andrews
Private Agents, Stafford Branch
Our service is our business, so looking after their needs has always been our priority.

We are not like other banks. We know our customers on a personal basis because we see and talk to them at our branches. And they can pick up the phone and talk directly to us about their banking and finance needs - they don’t have to go through a computerised call centre.

Our business is as much about our relationship with the people that matter most - our customers - as it is about looking out for their dollars and cents. Which is not to say that we don’t look after the dollars and cents too.

Because we understand our customers’ needs, we are able to offer them the products and services that are relevant to them. This means cost effective and flexible banking and finance products, such as our Smart Start Fixed Rate home loans, but it also means providing the little extras, such as our Sunshine Rewards program.

The installation of our new banking platform during the year has improved counter service and efficiency by enabling tellers in the branches to perform a greater number of functions at the counter, with increased efficiency. This means less waiting time for our customers and the ability to conduct transactions and answer customer queries instantaneously.

We also plan to expand our reach by extending our branch and agency network and introducing more customer touch points such as ATMs, In Store banking, banking kiosks and customer convenience models, including 24-hour banking facilities. Through our technology enhancement program, we aim to provide round-the-clock convenience and flexibility to customers like never before. Our unique voice recognition telephone banking system is on track for full implementation by the end of 2001, and the introduction of our Internet banking facility is on track for a 2002 launch.

Our extended trading hours also mean greater convenience to customers. A number of our agencies already provide longer opening times - such as Thursday night and Saturday trading - and we plan to expand this in the future according to customer demand.

Our achievements
- Installed a new banking platform to improve customer service within the branch
- Began pilot of our voice recognition telephone banking system
- Substantially increased staff numbers in our customer service centre

Our direction
- Communicate more with our customers and keep them informed of our product and service menu
- Conduct specific customer satisfaction survey to more clearly pinpoint customers’ needs
- Increase our service touch points through ATMs, branches, and the agency network to provide greater customer convenience
- Extend trading hours in some new agencies to mirror those in a number of existing agencies
- Form alliances that will leverage the networks of Bank of Queensland and our potential partners to deliver core services to our customers and extend our market reach
- Re-design processes to streamline and improve customer service and service efficiency
- Offer more convenient service options such as telephone and Internet banking

Doug Jones
CLAYTON UTZ SYDNEY
CUSTOMER OF DICK NORTON AT GLADSTONE

“I’ve banked with BoQ since I commenced professional life as an article clerk in Brisbane in 1969. In my life with the Bank I’ve only ever dealt with three people, the most recent of which is Dick. I’ve dealt with Dick now for at least 14 years or so. The relationship I’ve had with the Bank has been with a single point of contact. It’s been a fantastic relationship. Dick and I have a level of service and continuity that’s just been fantastic. I value the relationship and put that slightly ahead of the cost of funds. But that’s not to say the Bank doesn’t have the products I’m looking for. The Bank has matched my changing needs over time. They have funded most of my New South Wales investments - they’re prepared to go that extra mile.”

Peter O’Beirne and Neville Allen
KESWICK TAVERN, NORTH ROCKHAMPTON
CUSTOMERS OF MIKE MEYNELL AT MACKAY

“We joined Bank of Queensland about ten years ago. Nitty and I had decided we wanted to own our first hotel by the age of thirty, and the Bank helped us with the finance for this. We’ve stuck with them because of the service. It really is an unbelievable service.”

They’re really approachable and when you ring the Bank you always know who you’re speaking to. And you can ring the Bank and talk to people not to computers. We like that sort of personal service which you either lose if you go to a big bank. We’ve run a small business for a number of years and we like to deal with a small bank that’s growing all the time.”

Our achievements
- Installed a new banking platform to improve customer service within the branch
- Began pilot of our voice recognition telephone banking system
- Substantially increased staff numbers in our customer service centre

Our direction
- Communicate more with our customers and keep them informed of our product and service menu
- Conduct specific customer satisfaction survey to more clearly pinpoint customers’ needs
- Increase our service touch points through ATMs, branches, and the agency network to provide greater customer convenience
- Extend trading hours in some new agencies to mirror those in a number of existing agencies
- Form alliances that will leverage the networks of Bank of Queensland and our potential partners to deliver core services to our customers and extend our market reach
- Re-design processes to streamline and improve customer service and service efficiency
- Offer more convenient service options such as telephone and Internet banking

Doug Jones
CLAYTON UTZ SYDNEY
CUSTOMER OF DICK NORTON AT GLADSTONE

“I’ve banked with BoQ since I commenced professional life as an article clerk in Brisbane in 1969. In my life with the Bank I’ve only ever dealt with three people, the most recent of which is Dick. I’ve dealt with Dick now for at least 14 years or so. The relationship I’ve had with the Bank has been with a single point of contact. It’s been a fantastic relationship. Dick and I have a level of service and continuity that’s just been fantastic. I value the relationship and put that slightly ahead of the cost of funds. But that’s not to say the Bank doesn’t have the products I’m looking for. The Bank has matched my changing needs over time. They have funded most of my New South Wales investments - they’re prepared to go that extra mile.”

Peter O’Beirne and Neville Allen
KESWICK TAVERN, NORTH ROCKHAMPTON
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We value our people because the strength of our success depends on the strength of their success. We won’t settle for being just an employer – we want to be an employer of choice.

Our philosophy is about expanding the professional horizons of all employees, by both challenging and supporting their growth and experience. At a macro level, we are currently working with a specialist human resources consultancy to drive our individual and collective performance to new heights, and to align our performance strategies and corporate culture with that of high achievers around the world.

At a micro level, our employees and agents have successfully completed over 20,000 modules of our on-line Open Learning system, which provides employees with the opportunity to train in their branch at any suitable time, at their own speed.

Of course it is our aim to reward our employees for their success. This year we have implemented a new Certified Agreement following extensive consultation with employees, management and the Finance Sector Union, and have reviewed the current employee reward scheme to include more performance-based rewards.

We take it as a sign of faith that three-quarters of our staff are shareholders through the employee share scheme.

Our achievements
- Implemented a performance enhancement strategy to ingrain a culture of outstanding performance and service delivery
- 74% of staff are shareholders through the employee share scheme, holding a minimum of 145 shares each
- 22% of our employees received salary increases or bonuses following our most recent Performance Development Assessment
- Conducted a staff survey to review Social Club activities, to restructure and to reinvigorate participation by ensuring activities appeal to a cross-section of staff
- Hooked up a staff hotline direct to the Managing Director to enable open communication across all staffing levels

Our direction
- Conduct a Managing Director’s roadshow of staff presentations informing staff of the Bank’s new strategies and direction
- Increase the number of staff who are shareholders
- Release at least three new Open Learning modules
- Conduct a comprehensive staff survey and develop an action plan to address issues raised
- Update our Intranet to improve its effectiveness as a communications tool
- Foster a sales culture through the provision of active sales training for staff, particularly focusing on those frontline staff who interact with customers on a daily basis

“\nIn the end, what it boils down to is that I really enjoy my job. We create a positive work environment built around teamwork, and the job really is about people - our staff and our customers.\n\n\nTrevor Creeley
Branch Manager, Stockland Cairns
Bank of Queensland Branch of the Year\n
I moved around a bit, from Strathpine to Noosa to Cleveland and finally here to Cairns. The experience I gained along the way has been invaluable. While accepting the position as Manager of the Cleveland branch was a big step, I was confident in the fact that support was available to me from my senior management as well as my own branch staff.

In the 18 months I have been Manager at Stockland Cairns, the branch has shown significant growth. This has been built on the back of the quality staff we have in this office and the support I have received from Regional Management and staff throughout all areas of our Bank in general."
As Queensland’s own bank we are a partner to our local community. Our staff are Queenslanders, our customers are Queenslanders, and we support Queensland causes with genuine community spirit.

The Bank is involved, through a variety of sponsorship and fundraising activities, with the arts, sport, medical research and education in Queensland.

Bank of Queensland Reds
Bank of Queensland’s sponsorship of the Bank of Queensland Reds is the biggest sponsorship ever undertaken by the Bank. We are proud of our involvement with the Reds, as it contributes to the entertainment and sporting achievement of our State. Our hearts get thumping too when the maroons take to the field - we see it as one great Queensland team supporting another.

Rugby Juniors
We do understand, however, that talented rugby players aren’t just born that way. Their talent is usually the result of years of training, of countless mornings being driven by Mum and Dad to the football field to give it their best. For this reason, we are also proud to sponsor the Rugby Juniors competition. They are the Reds of the future.

QUT Corporate Partners in Excellence
But we are not just interested in supporting athletes. We also understand the value of academia and that’s why we are involved with QUT’s Corporate Partners in Excellence program. Our support of this program enables us to offer talented young Queenslanders an opportunity to further their studies in business. In short, it gives us the chance to support the business leaders of the future.

Starlight Children’s Foundation
In August 2001, Bank of Queensland staff, with the Bank’s support, donated $4000 to the Starlight Children’s Foundation to make a sick child’s wish come true. This special child knew exactly what he wanted - a big, red cubby house with a sandpit underneath. So Bank of Queensland made that wish come true.

Mater Children’s Hospital Easter Appeal
At Easter 2001 Bank of Queensland staff donated money, and a small mountain of Easter eggs, toys, books and other gifts for children who spent Easter stuck in hospital.

The Smith Family Christmas Hamper Packing
Our staff donated their own time to pack hampers for the Smith Family 2000 Christmas Appeal - and helped create a brighter Christmas for those less fortunate.

B105 Christmas Appeal
Bank staff raised money for the B105’s Christmas Appeal aimed at raising much needed funds for new equipment at the Royal Children’s Hospital. The Bank was pleased to match staff donations dollar-for-dollar.

Juvenile Diabetes Walk for a Cure
In November 2000, Bank of Queensland staff joined in the Walk for a Cure to raise money to fund research into finding a cure for juvenile diabetes.

Leukaemia Foundation Shave for a Cure
Bank of Queensland and staff generously supported the Leukaemia Foundation’s Shave for a Cure to raise money for research into a cure for leukaemia.

Mikayla Appeal
Bank of Queensland staff united to contribute donations in support of a girl severely burnt in a house fire.

Second Chance Program
The Bank forged an association with the Second Chance Program, to generate a regular source of funds to provide more facilities for homeless women. The Second Chance program supports the Anglican Women’s Hostel, which is Brisbane’s only accommodation for homeless women without children under their care.

Our Purple Visa Card was created through this association, giving concerned community members a hassle-free opportunity to support the struggle against women’s homelessness. When a customer takes out a Purple Card, an initial donation is paid to the Second Chance program. An ongoing monthly donation is then paid as a percentage of all purchases made on the card.

"Apart from our corporate sponsorships and donations, for every charitable campaign supported by Bank of Queensland staff, the Bank has a policy to match staff donations dollar-for-dollar. This means staff can choose to support the charities that matter most to them and to their community - rather than the Bank deciding where every charitable dollar will be spent. The added bonus is that our support is spread right across the State, to a wide range of charities and causes so that each campaign receives a fair share."
Our Executive Team

David Liddy
Managing Director

David Liddy was appointed Managing Director of Queensland’s Bank in April 2001, bringing 33 years’ experience in banking to the role. His experience includes international postings in London and Hong Kong, and a three year posting in Queensland between 1996 and 1998.

Donna Brown
General Manager, Retail

Donna Brown was appointed General Manager of the Bank’s Retail division in May this year – taking responsibility for all branch and agency business. Prior to joining the Bank, Donna spent six months as an advisor to the Greek Government and Greek banks with regard to the 2004 Athens Olympic Games. Donna has over 20 year experience in banking.

Ian Whittle
General Manager, Business

Ian Whittle’s current focus is the Bank’s Small Business Banking portfolio, which includes Equipment Finance and Business Finance (factoring). Ian joined the Bank in March 1995 as General Manager, Leasing after the Bank’s purchase of his Equipment Finance business. He is currently driving the Bank’s focus on Business Banking. He was appointed General Manager, Business in 2001.

Mark Neumann
General Manager, Sales

Mark Neumann is in charge of the Bank’s Priority Direct and Alliance business focus, and has responsibility for creating a mobile consumer sales force. Mark also has responsibility for sales training across the Bank and the development of appropriate sales training for frontline staff. Mark joined the Bank as General Manager Sales in 1996, bringing 23 years’ experience working in retail banking with Australia’s largest retail bank.

Robert Hines
Chief Financial Officer

Robert Hines was appointed Chief Financial Officer in February 2000 and oversees executive management of the Bank’s credit, audit and legal functions, as well as its CFOs across administering Finance and Treasury. Robert has substantial banking experience having worked in retail and investment banking in London, Sydney and Brisbane.

Jennifer Heffernan
General Manager, Operations and Information Technology

Jennifer was appointed General Manager, Operations and Information Technology in May 2001, and manages all of the Bank’s operational and information technology functions including all branch and electronic operations and processing. She has executive responsibility for delivering the Bank’s new telephone and internet banking facilities. Jennifer has extensive experience in management of retail banking operations and technology for multiple channels, including branches and call centres.

David Saville
Chief Manager Distribution and Productivity

David Saville was appointed Chief Manager, Distribution and Productivity in May 2001 and is responsible for developing the Bank’s retail distribution strategy including ATMs, e-commerce and card services. David also has responsibility for managing the Bank’s property functions, and is the key executive developing and managing the Bank’s efficiency initiatives. David brings 23 years’ banking experience to the role.

Bruce Phillips
Group CEO, FCA, FIB, MIA, FMB, FFC

Director - age 51

Mr Phillips is a consultant to Credit Suisse First Boston Australia Private Limited. He is a director of Queensland Aluminium Superfund Pty Ltd and Chairman of RODS Mehta Limited. He has been a director of the Bank since 26 November 1996, and is currently a member of the Bank’s Remuneration Committee.

Peter Fox
Executive Chairman

Director - age 59

Mr Fox is Executive Chairman of the Fox Group Holdings and joined the board in May 2001. He is also director of the Alfred Foundation and a member of the Foundation for Rural and Regional Development Taskforce. Mr Kelly was Secretary of the Australian Council of Trade Unions from 1983-2000 and a member of the Reserve Bank Board from 1986-1996.

Present Directors

Neil Roberts
Chairman - age 47

Mr Roberts has been a Director of the Bank since 26 November 1987 and was appointed Chairman on 16 June 1995. He is a consultant with Meritor Gilson and a Director of the Brisbane Club. He is the Chairman of the Bank’s Remuneration Committee and a member of the Bank’s Audit Committee.

David Liddy
Managing Director - age 51

Mr Liddy was appointed Managing Director of the Bank on 1 April 2001. He has a Masters in Business Administration, is a Director of the Brisbane Institute Limited, a fellow of the Australian Institute of Banking and Finance, and is a Member of the Australian Institute of Company Directors. He is an ex-officio Member of the Bank’s Remuneration Committee, Credit Committee, Remuneration Committee and Budget Review Committee.

Ben Macdonald
Deputy Chairman - age 58

Mr Macdonald has been a Director of the Bank since 19 July 1992 and is a member of the Bank’s Remuneration and Budget Review Committee. He is a member of the Bank’s Audit Committee.

Antony Love
Director - age 54

Mr Love is a property consultant with 22 years’ experience and is a director of McNab National Property Consultants. He is also a director of All Eagles Limited and Compass Brothers Limited and Group. He is the Chairman of the Bank’s Audit Committee and has been a Director of the Bank since 15 June 1994.

Peter Fox
Executive Chairman

Director - age 59

Mr Fox is Executive Chairman of the Fox Group Holdings and joined the board in May 2001. He is also director of the Alfred Foundation and a member of the Foundation for Rural and Regional Development Taskforce. Mr Kelly was Secretary of the Australian Council of Trade Unions from 1983-2000 and a member of the Reserve Bank Board from 1986-1996.

Retired Directors

Darryl McDonough
Retired - age 64

Mr McDonough was a member of the Board from 1984 to 1996 and retired from the Board on 31 August 2001. Mr McDonough has been a Practitioner Solicitor and Partner and Partner with Clayton Utz. He is Deputy Chairman of Queensland Competition Authority, a trustee of Brisbane Cricket Ground Trust and a director of Griffith University Limited.

Donald Harvey
Retired - age 67

Mr Harvey was chairman of the Reserve Bank of Australia, 1991-1996 and a member of the Reserve Bank Board from 1986-1996. He is a director of United Speedway Trading Company Limited.
The Board of Directors is responsible for the overall corporate governance of Bank of Queensland. Throughout the financial year the Board has adopted the following set of corporate governance principles. These principles, together with the following committee, establish the framework of how the Board carries out its obligations on behalf of our shareholders.

Responsible of the Board
The Board guides and monitors the business and affairs of the Bank to ensure the interests of shareholders are protected. The main responsibilities of the Board are:
- reporting to shareholders and the market
- ensuring regulatory compliance
- ensuring that areas of significant business risk are identified and effectively managed
- setting targets for and assessing the performance of the Managing Director and senior management
- approving monitoring and reviewing business, operating and strategic plans
- approving annual budgets
- reviewing financial results
- reviewing budgetary control
- establishing a number of committees including an Audit Committee, Credit Committee, Remuneration Committee, and Budget Review Committee.

Board composition
The composition of the Board is determined in accordance with the following established guidelines:
- the Bank’s constitution provides for the number of directors to be no more than eight
- the Board determines the criteria for Board membership and reviews the composition of the Board, nomination of directors and the terms and conditions of appointment to the Board
- the constitution provides that one-third of the Bank’s non-executive directors (except the Managing Director) are required to retire by rotation at each AGM, with each director being eligible for re-election
- the Bank’s constitution also governs the appointment and removal of the Bank’s Managing Director and its non-executive directors

At the date of this statement, Bank of Queensland’s board consists of seven non-executive directors (including the Chairman) and the Bank’s Managing Director. The qualifications and experience of each individual director are set out on page 19.

Seeking independent professional advice
Every director or committee of the Board has the right to seek independent professional advice in connection with carrying out their duties and at the Bank’s expense. Prior written approval of the Chairman is required.

Directors and Board Meetings
Bank of Queensland’s non-executive directors meet monthly with the Bank’s Managing Director and Company Secretary and other members of management as required. The Board has also established an Audit Committee, a Credit Committee, a Remuneration Committee and a Budget Review Committee to assist in the execution of its responsibilities. The Board composition includes the following guidelines:
- setting targets for and assessing the performance of the Managing Director and senior management
- approving monitoring and reviewing business, operating and strategic plans
- approving annual budgets
- reviewing financial results
- reviewing budgetary control
- establishing a number of committees including an Audit Committee, Credit Committee, Remuneration Committee, and Budget Review Committee.

Credit Committee
The Credit Committee is a committee of the Board comprising any two directors. The Committee considers loan applications beyond management’s discretion to approve.

Remuneration Committee
The Remuneration Committee is comprised of three directors. The Committee’s main responsibility is to review and make recommendations to the Board on remuneration of the Bank’s directors and executives. Details of Bank of Queensland’s remuneration policy, fees and other entitlements paid to non-executive directors, executive directors and the top five senior executives are set out in full in the Directors’ Report. Remuneration Committee members are Neil Roberts, Ben Macdonald, and Donald Harvey.

Budget Review Committee
The Budget Review Committee is comprised of two directors. The Committee reviews the annual budget prior to the submission of the budget to the Board. Budget Review Committee members are Ben Macdonald and Neil Summerson.

Employees
The Bank has a policy of employment taking into account programs relating to equity, diversity and equal opportunity. The Bank complies with legislation relating to occupational health and safety and has established policies and procedures to assist all employees to carry out their obligations.

Risk Identification and management
The Bank has comprehensive written policies and procedures to address risk management in all treasury functions. The policies and procedures cover:
- objectives and policies of the treasury and risk management functions
- delegation of authorities
- limits to be applied to various activities
- a summary of the procedures and controls which operate in the treasury and risk management areas.

The Board receives a report on treasury activities from management at each Board meeting and reviews the policies and procedures annually.

Insurance
Management, in conjunction with its insurance broker, reviews on an annual basis the risks and the adequacy of any insurance taken out to cover those risks. Management’s review is in turn reviewed and approved by the Board.

Internal control
The Board has a comprehensive internal control system incorporating:
- written procedures, policies and guidelines
- organisational structures that provide an appropriate division of responsibility
- an internal audit program
- the careful selection and training of qualified personnel

A summary report of internal audits conducted by internal audit staff is provided to the Audit Committee for consideration.

Legal compliance
The Board receives a quarterly report on the status of compliance with relevant laws and standards. The Board also receives a report at each of its meetings detailing any significant developments.

Ethical standards
The Bank has an Ethical and Legal Compliance Manual which is provided to each employee. The manual lists legal and ethical standards with which employees are required to comply, and details the consequences of breaching any of those standards. The Board, management and staff are expected to perform their duties with integrity, honesty and in a professional manner.