RBS Morgans Institutional Conference

15 September 2010

Changing consumer behaviours in today's environment

Your own personal bank

Today's environment post-GFC

Current environment

- Australian economy shown resiliency; stabilised relatively quickly and continues to grow around trend
- Consumer spending has remained relatively modest even as confidence has improved; increased consumer savings and a much more cautious view on riskier assets
- Increased competition for funding sources, increasing funding costs. Banks proactively pricing for risk
- Forecast credit growth next year in Housing 6-7% and SME lending 0/-5%

Our response is to build on competitive advantages

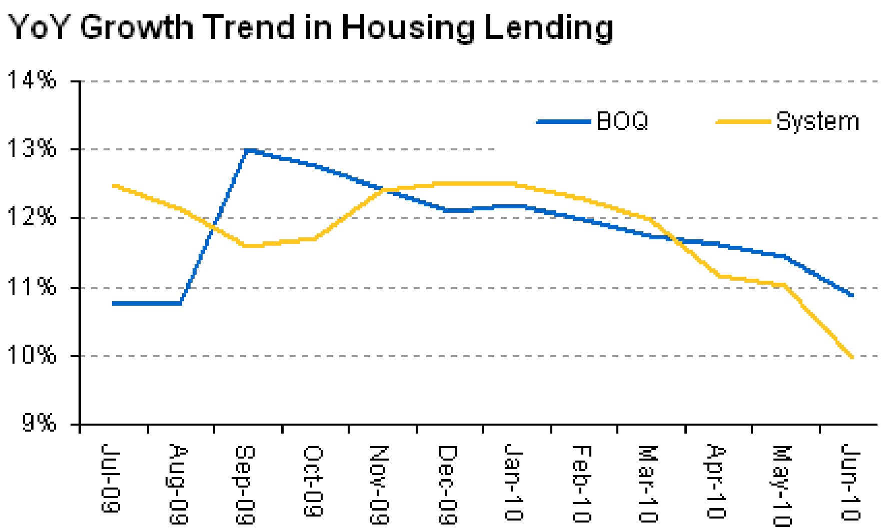
- Our OMB model has continued to be resilient and a productive distribution channel to meet the needs of Retail and SME lending. Returning to organic expansion of OMB model in high growth geographies
- Sticking to our knitting and continuing to avoid high risk Property and Corporate lending opportunities
- Funding concerns have reduced; balance sheet strengthened with surplus of capital and funding
- Key strategic acquisitions complete; capital-lite, higher margin bolt-on acquisitions
- Continuing to meet market commitment on cost-to-income ratio
- One of few organisations that continued lending through the GFC
- Visible in supporting the SME segment throughout the cycle despite higher bad debt charges

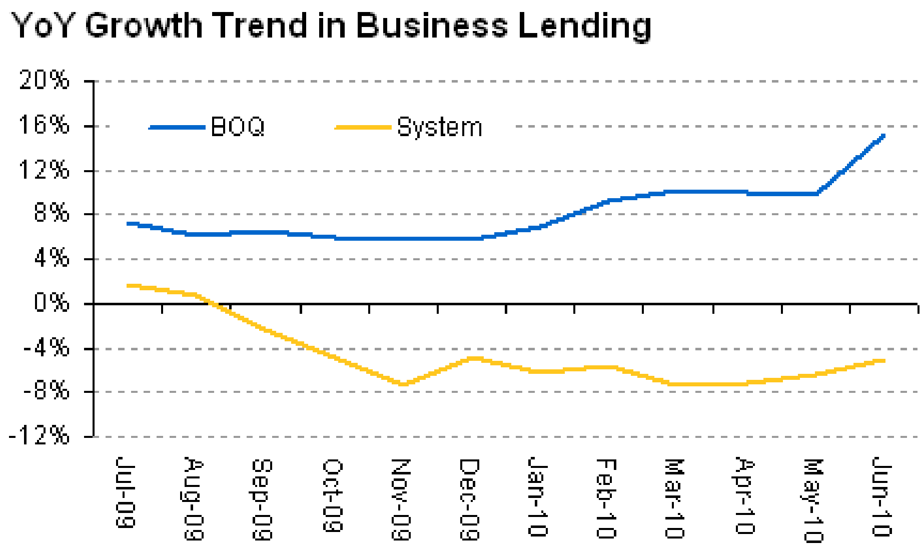
Consumer risk appetite… cautious approach

- Consumers and banks had become increasingly levered prior to GFC, largely a result of the availability of inexpensive credit
- The Australian economy has held up well compared to global peers and is currently growing at around its trend
- Consumer confidence has improved, but consumers are taking a more conservative approach – avoiding riskier assets
- Housing credit has been well supported and continues to grow on improving economic conditions
- Commercial credit growth has been softer; core focus of corporate sector to protect bottom line has been expense management
- Business investment has been cautious, but expected to improve with existing capacity constraints and improving global conditions

System credit growth

- Australian economy has proven to be resilient – on track to record its 20th year of continuous growth
- Housing market continues to be well supported, although current trend is slowing post First Home Owners grant & economic uncertainty
- Business credit growth has been negative and business investment relative to GDP has come off recent highs
- Critical that business investment gathers momentum to support GDP growth

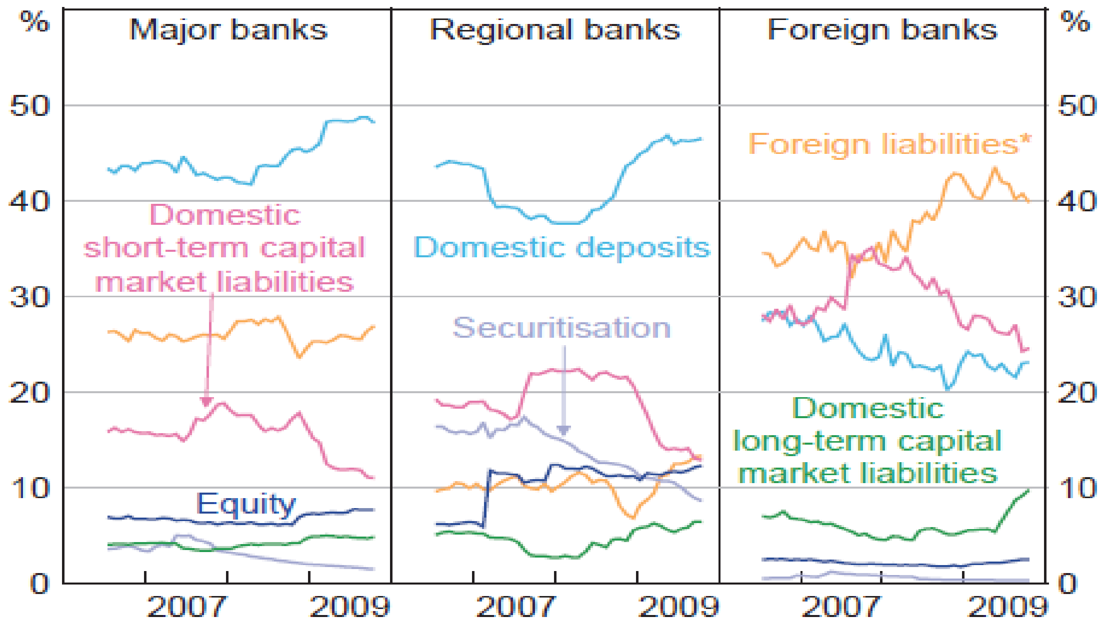




Shift in funding sources

- Liquidity crisis during GFC demonstrated over reliance on short term wholesale funding
- Banks turned towards more stable retail deposits and long term funding sources, including increased capital issuance

Funding composition of banks in Australia

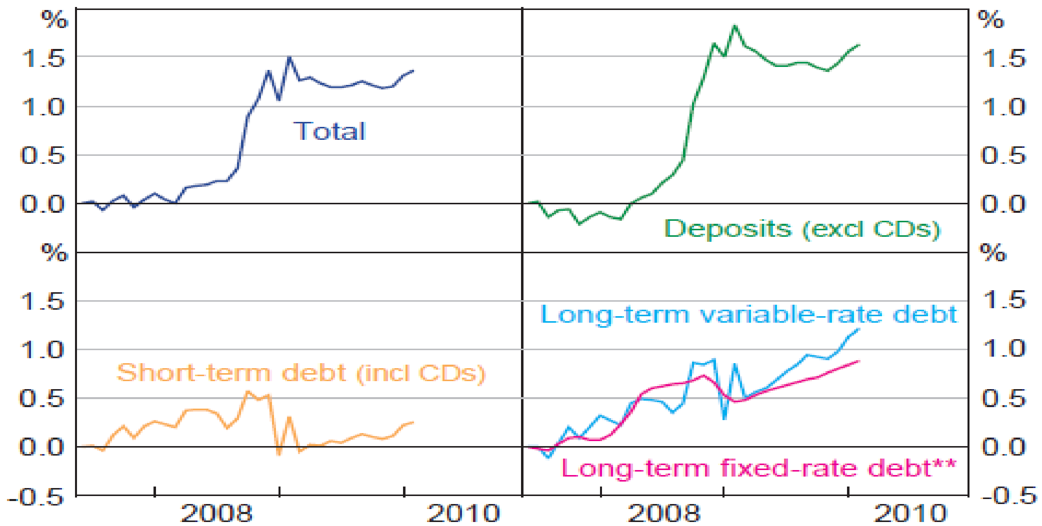


* Adjusted for movements in foreign exchange rates
Sources: APRA; RBA

Increased funding costs

- GFC has had a material impact on the cost and composition of funding sources for all banks
- Liquidity crisis in wholesale markets has substantially increased funding costs, and put renewed focus on more expensive retail deposits and long term funding sources
- Availability of funding and increased costs have been reflected in lending rates, alongside increased move towards ‘pricing for risk’

Funding cost by type

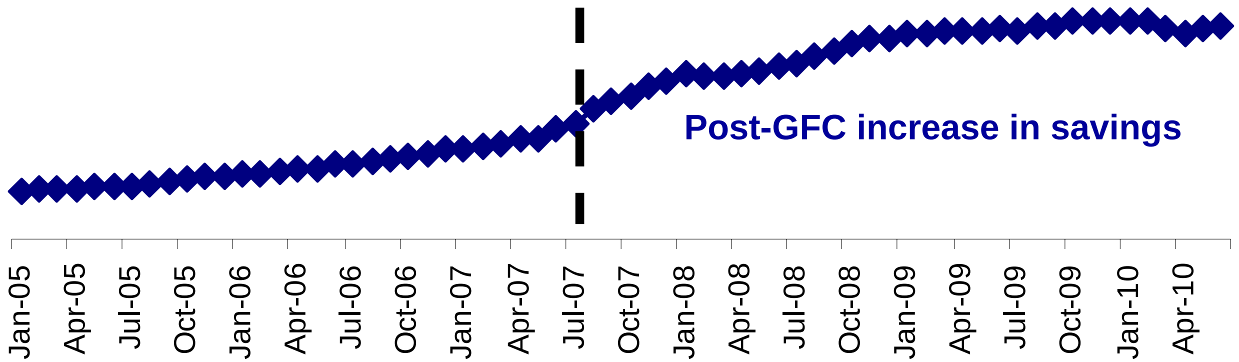


* RBA estimates
** Spread to 3-year average CGS yield
Source: RBA

‘Flight to safety’ trend......

- Post-GFC consumers have generally become more cautious in their financial habits, borrowing less and saving more
- Consumers have generally ‘bunkered down’ to avoid more risk assets and taken a ‘flight to safety’ approach
- Increased competition for retail deposits and growing presence of online ‘special’ accounts has resulted in a more informed and active consumer

Bank deposits: pre- versus post-GFC



Source: RBA

Impact of higher funding costs

- Increased funding costs and deteriorating credit conditions have resulted in margin pressure across the banks
- Funding pressure has led to an increase in lending rates above cash rate movements since the GFC
- During the peak of the GFC, banks were active in repricing their ‘back books’ to more accurately reflect the risks of the exposure
- Changes have generally reflected the risk of an asset class and the ability to reprice as funding rates change
- Housing rates have increased on average by 145bps (fixed and variable) while commercial and personal portfolios have increased by an average of 200bps and 340bps respectively

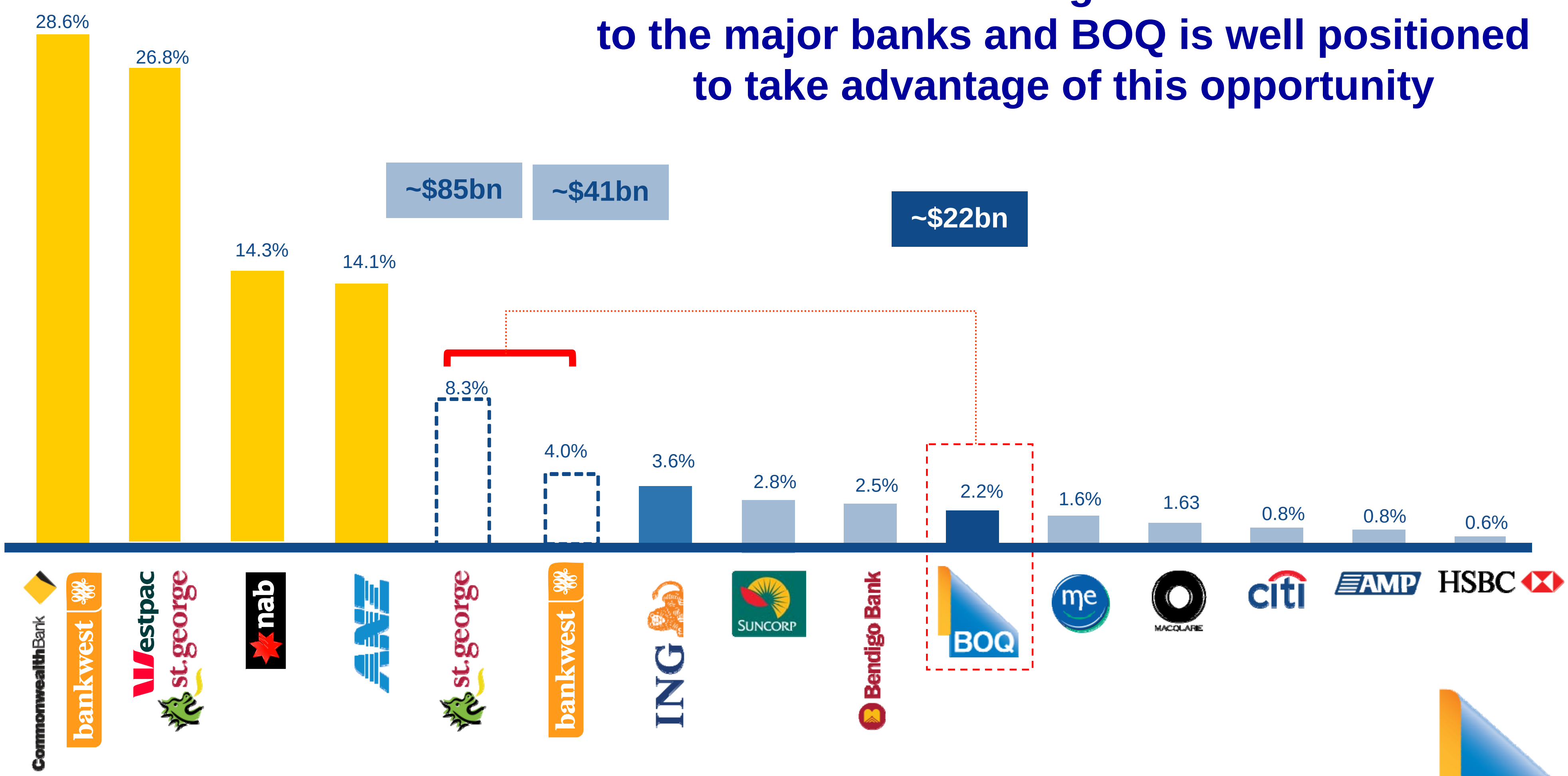
Impact of regulatory reform

- As a result of the GFC, a number of regulatory reforms have been implemented or are being proposed
- Core regulatory reform by the Basel Committee on banking supervision
- Regulators pushing for a banking system that has higher levels of capital with lower leverage, and higher levels of liquid assets
- Increased focus on compliance and risk management systems in the banking sector
- Increased dominance of the Big 4 banks has left the consumer with less choice
- We feel that consumers are ‘crying out’ for an alternative to the major banks; for an organisation that provides a superior service proposition

Changing banking landscape

Housing loans (June 2010)[1]

The consumer is looking for a 'real' alternative to the major banks and BOQ is well positioned to take advantage of this opportunity



Source : APRA statistics as at June 2010

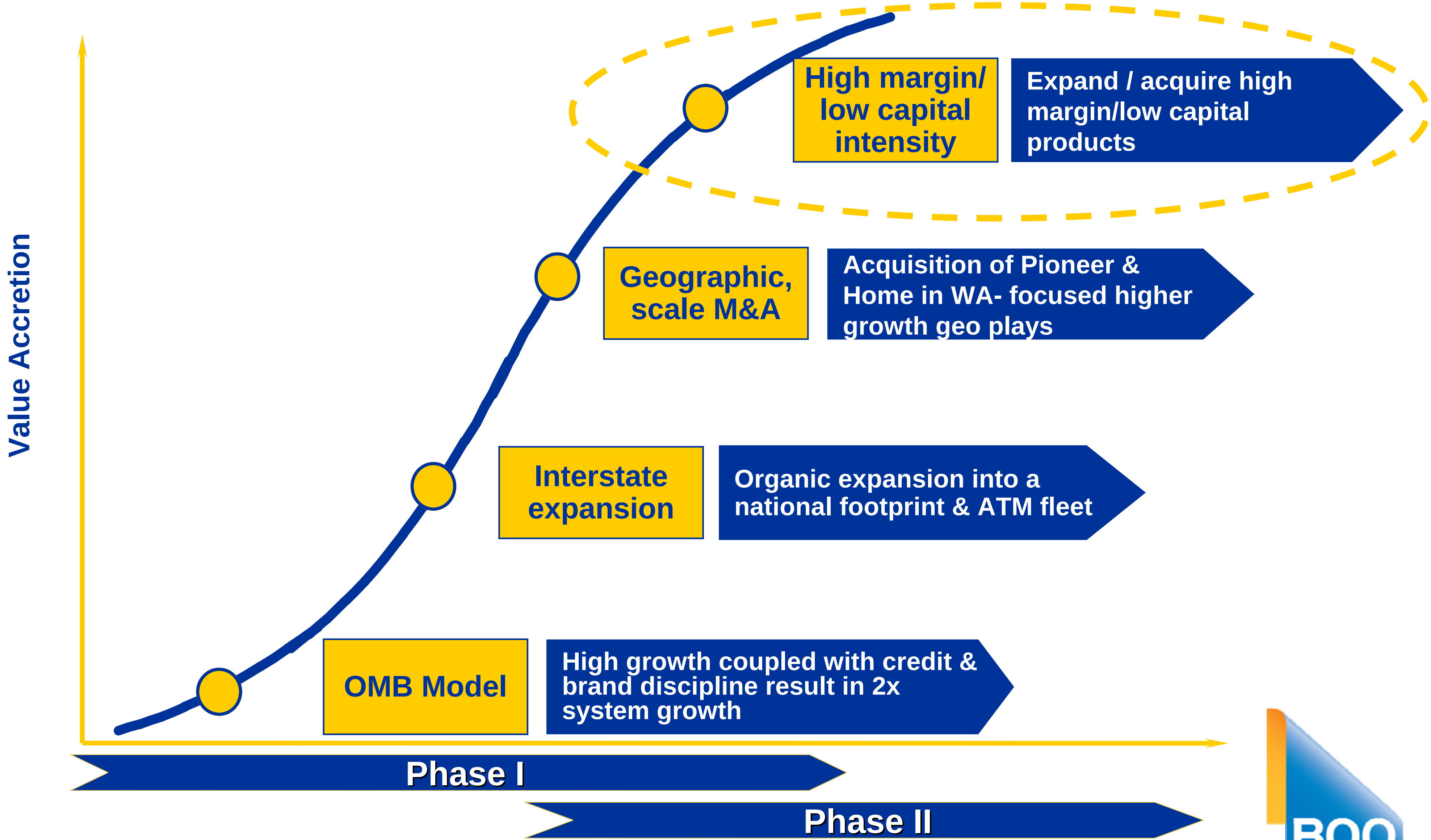
BOQ opportunity

- The takeovers of BankWest and St George by major banks has left a void of real alternatives for small business finance in Australia
- The OMB model is uniquely qualified and productive in growing our lending platform and successfully leveraging our personal service proposition
- Business customer satisfaction with the major banks continues to decline and is likely to accelerate as the acquired regional banks are integrated into the big bank model
- Our ability to take a more customised and localised approach to small business banking using a more productive distribution channel is key to unlocking the differentiated value proposition
- BOQ has a unique opportunity to enhance its small business product offering by growing Equipment Finance and Debtor Finance

BOQ as the real alternative

- Organisation changes made through the GFC have embedded the 'small bank' differentiated culture and processes
- Focused distribution channel recognises the target segment of retail customers and SME customers; not at the corporate end of town
- Market beating value proposition – personal service dealing directly with an experienced banker, while having all of the self directed service options available at any bank (for example telephone or internet)
- Our products and processes to support the end-to-end customer value proposition needs enhancement and investment
- We have proven that we can preserve the personal service proposition while improving efficiency and compliance with better technology and processes
- Recent acquisitions of CIT & St Andrews demonstrate our commitment to pursue scale and strategic growth opportunities

Evolution of our strategy



BOQ

Outlook for FY10 and beyond

- BOQ has emerged from the GFC as a stronger organisation - kept a disciplined approach of 'sticking to our knitting'
- Our OMB model has continued to grow and demonstrate its resilience, further establishing its credibility as a branch distribution model
  - Our target customers are those who are dissatisfied with the major banks – we expect this market to increase regardless of system growth
- Our focus on efficiency will continue (cost to income ratio has reduced from 64% in 2007 to 45% 1H10), however not at the same step change rate
  - Enabling investment in regulatory and technology projects in FY11-12, and investment in our brand and marketing
- We will continue expansion in areas that increase margin and reduce our capital intensity
  - We will continue to diversify our income
  - We have a core competency in leasing and we will focus on this and consumer finance
  - Targeting best in class credit protection cross sales and offering the B2B credit protection model to all players in the industry

Disclaimer

This presentation has been prepared by Bank of Queensland Limited (BOQ) and is supplied on the following conditions which are expressly accepted and agreed to by each interested party (Recipient).

This presentation does not constitute any form of advice and does not purport to contain all the necessary information required to evaluate BOQ. The Recipient and its advisers should conduct their own independent review, investigations and analysis of BOQ, and of the information contained or referred to in this presentation.

None of BOQ or their associated companies or businesses, their respective officers, employees or advisers (collectively, the Beneficiaries) make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information contained in this presentation or subsequently provided to the Recipient or its advisers by any of the Beneficiaries, including, without limitation, any historical financial information, the estimates and projections and any other financial information derived there from, and nothing contained in this presentation is, or shall be relied upon, as a promise or representation, whether as to the past or the future. Past performance is not a reliable indicator of future performance. The information in this presentation has not been the subject of complete due diligence nor has all such information been the subject of proper verification by the Beneficiaries.

Any forward looking statements contained in this presentation involve significant elements of subjective judgement and analysis, and are based on assumptions, that may or may not be correct. No representation is made by any of the Beneficiaries that any forward looking statement contained in this presentation will be achieved or proved to be the case.

The Recipient acknowledges and agrees that, to the maximum extent permitted by law, the Beneficiaries disclaim all liability for any loss or damage suffered by any person acting or relying on any part of the information contained in this presentation. The Recipient expressly waives any right that it may have to rely on the information contained in this presentation and it will not rely on that information for any purpose.

BOQ

Your own personal bank