Bank of Queensland Limited
ABN 32 009 656 740

Profit announcement for the half-year ended 29 February 2012

(including Appendix 4D half-year report)

Released 18 April 2012

This is a half-year financial report. It is to be read in conjunction with the most recent annual financial report.

Contents

FINANCIAL SUMMARY

(Refer to Financial Performance on Page 4)

	Half-year ended 29/02/12 $m	31/08/11 $m	Increase / (Decrease)	28/02/11* $m	Increase / (Decrease)
Shareholders' Equity:					
Issued capital	2,185.6	2,153.3	2%	2,122.5	3%
Reserves and retained profits	255.3	420.3	(39%)	350.5	(27%)
Total equity	2,440.9	2,573.6	(5%)	2,473.0	(1%)
Financial Position:					
Total assets under management	40,084.5	39,900.8	-	39,308.1	2%
Total loans under management (1)	33,756.8	33,356.2	1%	32,595.2	4%
Total assets on balance sheet	40,084.5	39,900.8	-	39,170.9	2%
Retail deposits	21,099.0	20,317.9	4%	19,201.6	10%
Wholesale deposits	8,777.0	9,308.7	(6%)	9,812.2	(11%)
Financial Performance: (2)					
Statutory net profit / (loss)	(90.6)	110.7	(182%)	48.0	(289%)
Less: Significant items (3)	18.2	8.5	114%	9.4	94%
Normalised cash profit / (loss) after tax (3)	(72.4)	119.2	(161%)	57.4	(226%)
Normalised underlying profit before tax (4)	221.9	231.9	(4%)	215.5	3%
Less: Impairment on loans and advances	(327.7)	(66.1)	396%	(134.4)	144%
Normalised cash profit / (loss) before tax	(105.8)	165.8	(164%)	81.1	(230%)
Tax (expense) / benefit (5)	33.4	(46.6)	(172%)	(23.7)	(241%)
Normalised cash profit / (loss) after tax (3)	(72.4)	119.2	(161%)	57.4	(226%)
Shareholder Performance:					
Market capitalisation at balance date	1,685.3	1,686.0	-	2,187.7	(23%)
Share price at balance date	$7.34	$7.48	(2%)	$9.85	25%
Statutory Ratios:					
Net interest margin	1.67%	1.63%	4bp	1.65%	2bp
Capital adequacy ratio	10.8%	11.4%	60bp	11.7%	90bp
Cost to income ratio	49.7%	47.0%	270bp	47.8%	190bp
Dividend payout ratio to ordinary shareholders (6)	n/a	77%	-	120%	-
Net tangible assets per ordinary share	$7.30	$7.95	(8%)	$7.60	(4%)
Fully franked ordinary dividend per share	$0.26	$0.28	(7%)	$0.26	-
Diluted earnings per share	(42.0c)	63.1c	(167%)	19.6c	(314%)
Return on average ordinary equity	(8.0%)	7.2%	-	4.5%	-
Normalised Ratios (cash basis) (4)					
Net interest margin (7)	1.68%	1.65%	3bp	1.65%	3bp
Cost to income ratio	45.0%	44.5%	50bp	45.2%	(20bp)
Dividend payout ratio to ordinary shareholders (6)	n/a	69%	-	100%	-
Diluted earnings per share	(34.0c)	69.8c	(149%)	23.7c	(243%)
Return on average ordinary equity	(6.4%)	8.0%	-	5.3%	-

(1) Before Collective Provision for impairment.

(2) Presentation of financial performance has been changed from prior year so as to provide clear reconciliation of between IFRS and non-IFRS measures

(3) Normalised cash profit / (loss) after tax exclude significant items (tax effected).

	29/02/12	31/08/11	28/02/11
Amortisation of customer contracts	(5.6)	(3.1)	(3.1)
Hedge ineffectiveness	(3.0)	2.6	(1.6)
Integration / Due diligence costs	(1.1)	(1.9)	(2.2)
Government guarantee break fee	-	(4.3)	-
Amortisation of fair value adjustments (acquisition)	(1.9)	(1.7)	(1.8)
Asset Impairment (software)	(6.6)	-	-
Flood impact	-	(0.1)	(0.7)
Total	(18.2)	(8.5)	(9.4)

(4) Normalised underlying profit before tax is profit before impairment on loans and advances, significant items and tax. These significant items are detailed above

(5) Excludes tax impact on significant items

(6) The current period dividend will be paid out of retained profits

(7) Excluding amortisation of fair value adjustments (acquisition)

* Refer to Note 5 for restated figures

Financial Performance

In assessing financial performance, Bank of Queensland Limited (‘the Bank”) discloses the net profit (loss) after tax on both a ‘Statutory basis’ and a ‘Normalised Cash basis’. The Statutory basis is prepared in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS). The Normalised Cash basis is used by Management to present a clear view of the Bank’s underlying operating results. This excludes a number of items that introduce volatility and / or one off distortions of the Bank’s current period performance, and allows for a more effective comparison of the Bank’s performance across reporting periods and against peers. These items, such as amortisation of intangibles from acquisitions, and accounting for economic hedges, are calculated consistently year on year and do not discriminate between positive and negative adjustments. The Bank also uses the measure of ‘Normalised Underlying Profit’, which represents the Normalised Income less Normalised Operating Expenses, to provide users with a view on the underlying growth rate of the business before bad debt and tax expenses, which often carry volatility between periods.

These non-statutory measures have not been subject to review or audit.

Rule 4.2A.3

Appendix 4D

Half-year report
For the period ended 29 February 2012

1. Company details and reporting period

Name of entity:	**Bank of Queensland Limited**
ABN:	32 009 656 740
Reporting Period	29 February 2012
Previous corresponding period	28 February 2011

2. Results for announcement to the market

				$m
Revenues from ordinary activities	Up	2%	to	396.6
Loss from ordinary activities after tax attributable to members	Down	289%	to	(90.6)
Net loss for the period attributable to members	Down	289%	to	(90.6)

Dividends	Amount per security	Franked amount per security
Interim dividend	26c	100%
Semi-annual dividend on: - Perpetual Equity Preference Shares (PEPS)	234c	234c
Previous corresponding period	26c	100%
Semi-annual dividend on: - Perpetual Equity Preference Shares (PEPS)	246c	246c

Record date for determining entitlements to the:	
- Perpetual Equity Preference Shares (PEPS)	22 March 2012
- Ordinary dividend	8 May 2012

3. Net tangible assets per security

- 29 February 2012 - $7.30;
- 31 August 2011 - $7.95; and
- 28 February 2011 - $7.67.

4. Entities over which control has been gained or lost during the period

Nil.

5. Dividends

Refer to page 22 of the attached Statutory Financial Report for the period ended 29 February 2012.

6. Dividend reinvestment plan

The Bank of Queensland Dividend Reinvestment Plan provides shareholders with the opportunity to convert all or part of their entitlement to a dividend into new shares. Shares are issued under the Plan at a discount of 2.5% on the arithmetic average of the daily volume weighted average share prices of the Bank's shares sold on the Australian Securities Exchange during the pricing period. Shares issued are fully paid and rank equally with existing fully paid ordinary shares. The last date for the receipt of an election notice for participation in the Dividend Reinvestment Plan for the 2012 interim dividend is 8 May 2012.

7. Associates and joint venture entities

- Ocean Springs Pty Ltd – 9.31% holding;
- Dalyellup Beach Pty Ltd – 17.08% holding;
- Wanneroo North Pty Ltd – 21.42% holding;
- East Busselton Estate Pty Ltd – 25.00% holding;
- Coastview Nominees Pty Ltd – 5.81% holding;
- Provence 2 Pty Ltd – 25.00% holding; and
- Crestview Asset Pty Ltd – 7.36% holding.

8. Accounting standards used for foreign entities

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

9. Dispute or qualifications if audited

The attached half-year financial report of Bank of Queensland Limited has been reviewed by the independent auditor, KPMG. The half-year financial report comprises the consolidated interim balance sheet as at 29 February 2012, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year period ended on that date, notes 1 to 20 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Consolidated Entity comprising the Bank and the entities it controlled at the half-year's end or from time to time during the half-year period. There is no dispute or qualification to the financial report.

10. Half-year statutory financial report

Refer to page 8 of the attached Profit Announcement for the period ended 29 February 2012.

Sign here: ……………………………………………….
Company Secretary Date

Print name: Stacey Hester

BANK OF QUEENSLAND LIMITED
and its Controlled Entities

A.B.N. 32 009 656 740

CONSOLIDATED INTERIM FINANCIAL REPORT

HALF-YEAR ENDED 29 FEBRUARY 2012

CONTENTS

DIRECTORS' REPORT
Half-year ended 29 February 2012

The directors present their report together with the consolidated financial report for the half-year ended 29 February 2012 and the review report thereon.

Directors
The directors of the Bank of Queensland Limited ("the Bank") at any time during or since the end of the half-year are:

Name	Period of directorship
Neil Summerson Chairman	Director since December 1996 Chairman since August 2008
Stuart Grimshaw Managing Director	Managing Director since November 2011 (appointed 1 November 2011)
Steve Crane	Director since December 2008
Roger Davis	Director since August 2008
Carmel Gray	Director since April 2006
Bill Kelty	Director since August 2001
John Reynolds	Director since April 2003
Michelle Tredenick	Director since February 2011
David Willis	Director since February 2010

David Liddy retired as Managing Director on 31 August 2011

Principal activities

The principal activity of the Consolidated Entity is the provision of financial services and insurance to the community. The Bank has an authority to carry on banking business under the Banking Act 1959 (Commonwealth) (as amended). There were no significant changes during the period in the nature of the activities of the Consolidated Entity.

Operating and finance review

Profitability

A loss after tax was incurred for the half year ended 29 February 2012 of $90.6 million compared with the February 2011 profit after tax of $48.0 million, this is a decrease of $138.6 million (289%) from the prior corresponding period. The reduction in profit after tax was largely attributable to significant impairment charges in the current half.

Profit before impairment charges and tax decreased 1% to $199.6m from $202.2m in the prior corresponding period. The reduction is primarily due to a reduction in other operating income to $53.2m from $61.2m in the prior corresponding period. The reduction was primarily due to a reduction in trading book income due to volatility of financial markets.

Income

Total income increased by 2% during the period to $396.6m from $388.2m in the prior corresponding period. The major driver of the subdued income growth, as referred to above, is the reduction in other operating income, driven by reduced trading book income.

Net interest income for the six months ended 29 February 2012 increased by 5% to $323.5m million from the prior corresponding period result of $307.6 million. This result was driven by balance sheet growth and margin improvement over the prior corresponding period.

Other operating income, excluding insurance income decreased by 14% to $52.9 million compared to the prior corresponding period of $61.2 million. As noted above the reduction was primarily due to a reduction trading book income due to volatility of financial markets.

Operating and finance review (continued)
Insurance income increased 4% to $20.2m from the prior comparative period of $19.4m.

Expenses

The Bank's costs increased by 6% for the period ended 29 February 2012 to $197.0 million, from the prior comparative period result of $186.0 million. This increase is primarily due to an increase in software amortisation and impairment expense of $10.5m in the current period's result.

Efficiency
The Bank's cost to income ratio has increased from the 2011 comparative period of 47.8% to 49.7% in the current period. This is primarily a result of the impact of reduced trading book income and increased impairment charges as noted above.

Asset quality and provisioning
Impairment on loans and advances
Loan impairment expenses were $327.7 million for the period ended 29 February 2012. This expense consisted of $165.7 million of specific provision impairment expense and $162.0 million of expense relating to the collective provision.

The impairment expense of $327.7 million for the six months ended 29 February 2012 has increased by $193.3 million or 144% on the prior period expense of $134.4 million.

The Bank underwent a review of its commercial loans portfolio and provisioning approach increasing specific provisions for the period. The additional specific impairment expense that has arisen has been primarily due to the continued decline in commercial property prices in Queensland.

Collective provisions increased significantly providing greater coverage for potential impairment expenses. This increase included $160 million in overlays created to cover the impact that the decline in property prices may have on loss given default ratios in the collective provisioning model.

Impaired assets
Impaired assets increased in gross terms to $578.7 million as at 29 February 2012 from $444.3 million at 31 August 2011. Impaired assets as a percentage of non-securitised loans have increased to 2.2% at 29 February 2012 from 1.7% at 31 August 2011. Specific provisions have been raised for $578.7 million (100%) of impaired assets.

As noted above, these increases in impaired assets are a result of a review of the Bank's commercial loan portfolio and the continued decline in commercial property prices in Queensland.

Lending approvals and asset growth

Lending approvals for the six months ended 29 February 2012 were $5.8 billion, an increase of $0.2 billion over the comparative 2011 approval result of $5.6 billion. This increase of 4% is due to continued subdued system growth.

The lending approval growth translated into a loans under management balance (before collective provision) of $33.8 billion, an increase of $0.4 billion from 31 August 2011 which represents growth of 2% on an annualised basis.

No loans under management are off balance sheet.

Retail deposit growth

Retail deposits have increased for the period ended 29 February 2012 and have reached $21.1 billion, an increase of $0.8 billion from 31 August 2011, which represents an increase of 8% on an annualised basis.

The Bank has continued to focus on retail deposits growth in an effort to improve the funding mix of the balance sheet.

Capital management

The Board has set Tier 1 capital target range to be between 8% and 9% of risk weighted assets and the total capital range to be between 11% and 12% of risk weighted assets. The total capital adequacy ratio at 29 February 2012 was 10.8% and Tier 1 capital was 7.4%.

Perpetual Equity Preference Shares ("PEPS"), issued as hybrid capital instruments, comprise 12.9% of total Tier 1 capital.

Total Tier 1 capital of 7.4% is represented by 6.4% of Core Tier 1 capital and 1.0% of hybrid capital instruments, including preference shares.

Operating and finance review (continued)

Capital levels at 29 February 2012 were beneath the target range set by the Board and as such the Bank is conducting a fully underwritten entitlements offer and institutional placement of approximately $450m.

At the date of this report approximately $288m has been raised through the institutional entitlement offer and placement components of the offer. Refer to the Subsequent events section below for further information.

Branch network expansion

The Bank opened 5 branches and closed 3 branches during the period to bring total branches to 262 as at 29 February 2012.

Of these 262 branches, 109 are located outside Queensland. No corporate branches were converted to an owner managed branch during the period.

Shareholder returns

Statutory diluted earnings per share has decreased by 314% to (42.0c) for the period ended 29 February 2012, compared to the period ended 28 February 2011 result of 19.6c.

The reduction in diluted earnings per share is largely a result of the increased loan impairment charges for the period.

The Bank has declared an interim dividend of 26 cents per share fully franked. This is at the same level as the 2011 interim dividend of 26 cents. This dividend both to existing shares and new shares created through the entitlements offer and institutional placement.

Subsequent events

Other than as disclosed below, no matters or circumstances have arisen since the end of the financial half year and up until the date of this report which significantly affects the operations of the Bank, the results of those operations, or the state of affairs of the Bank in subsequent years.

Dividends have been declared after 29 February 2012.

On 26 March 2012, the Bank announced a capital raising of approximately $450 million ordinary shares, comprising of:

- Institutional Placement of approximately $150 million to institutional investors;
- Accelerated pro-rata non-renounceable entitlement offer of approximately $300 million comprising:
  - an Institutional Entitlement Offer of approximately $135 million; and
  - a Retail Entitlement Offer of approximately $165 million.

The capital raising will result in the issue of approximately 74 million new ordinary shares at $6.05 per share.

On 28 March 2012, the Institutional Placement and Institutional Entitlement Offer raising $288m were completed. The Retail Entitlement Offer opened on 3 April 2012 and is expected to close on 24 April 2012.

The financial effect of the above transactions has not been brought to account in the financial statements for the period ended 29 February 2012.

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001*

The lead auditor's independence declaration is set out on page 11 and forms part of the directors' report for the half-year ended 29 February 2012.

Rounding of amounts

The Bank is a company of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (as amended by Class Order 04/667 dated 15 July 2004) and in accordance with that Class Order, amounts in this financial report and directors' report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

Dated at Brisbane this eighteenth day of April 2012.

Signed in accordance with a resolution of the directors:

____
Neil Summerson
Chairman

____
Stuart Grimshaw
Managing Director

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Bank of Queensland Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 29 February 2012, there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Martin McGrath
Partner

Brisbane
18 April 2012

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 29 February 2012

	Note	**29 February 2012 $m**	28 February 2011 $m
Interest income	6	1,326.6	1,312.3
Less: Interest expense	6	1,003.1	1,004.7
Net interest income		323.5	307.6
Other operating income	6	52.9	61.2
Net banking operating income		376.4	368.8
Premiums from insurance contracts		37.4	33.4
Investment income		3.7	3.8
Claims and policyholder liability expense from insurance contracts		(20.9)	(17.8)
Net insurance operating income	6	20.2	19.4
Total operating income	6	396.6	388.2
Less: Expenses	7	197.0	186.0
Profit before impairment on loans and advances and tax		199.6	202.2
Less: Loan impairment expense	11	327.7	134.4
Profit / (loss) before income tax		(128.1)	67.8
Less: Income tax expense / (benefit)	8	(37.5)	19.8
Profit / (loss) for the period		(90.6)	48.0
Other comprehensive income, net of income tax			
Cash flow hedges:			
Net gains / (losses) taken to equity		(3.9)	15.2
Net losses transferred to income statement		0.7	3.9
Foreign currency translation differences on foreign operations		(0.7)	(1.0)
Net gain / (loss) on hedge of net investment in foreign operation		0.8	1.0
Change in fair value of assets available for sale		(1.6)	(3.8)
Other comprehensive income / (expense) for the period, net of income tax		(4.7)	15.3
Total comprehensive income / (expense) for the period		(95.3)	63.3
Profit / (loss) attributable to:			
Equity holders of the parent		(90.6)	48.0
Total comprehensive income / (expense) attributable to:			
Equity holders of the parent		(95.3)	63.3
Basic earnings per share – Ordinary Shares		(42.0)	19.7
Diluted earnings per share – Ordinary Shares		(42.0)	19.6

The consolidated interim statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED INTERIM BALANCE SHEET
As at 29 February 2012

	Note	**29 February 2012 $m**	31 August 2011 $m
Assets			
Cash and liquid assets		604.7	433.2
Due from other financial institutions		121.5	131.9
Other financial assets		4,889.3	5,147.0
Derivative financial instruments		150.3	126.8
Loans and advances at amortised cost	10	33,514.7	33,276.1
Property, plant and equipment		32.6	31.0
Deferred tax assets		121.2	41.7
Other assets		60.6	104.4
Intangible assets		564.2	580.0
Investments accounted for using the equity method		25.4	28.7
Total assets		40,084.5	39,900.8
Liabilities			
Due to other financial institutions		191.7	169.2
Deposits	12	29,876.0	29,626.6
Derivative financial instruments		192.2	264.1
Accounts payable and other liabilities		425.7	429.1
Current tax liabilities		8.0	79.4
Provisions		29.7	30.2
Insurance policy liabilities		74.9	77.6
Borrowings including subordinated notes	13	6,845.4	6,651.0
Total liabilities		37,643.6	37,327.2
Net assets		2,440.9	2,573.6
Equity			
Issued capital		2,185.6	2,153.3
Reserves		112.1	115.4
Retained profits		143.2	304.9
Total equity		2,440.9	2,573.6

The consolidated interim balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For the half-year ended 29 February 2012

	29 February 2012 **$m**	28 February 2011 $m
Cash flows from operating activities		
Interest income received	1,351.5	1,327.8
Fees and other income received	88.9	55.3
Dividends received	0.7	0.9
Interest paid	(1,076.7)	(938.2)
Cash paid to suppliers and employees	(203.6)	(179.9)
Income tax paid	(111.5)	(85.1)
	49.3	180.8
(Increase) / decrease in operating assets:		
Loans and advances at amortised cost	(566.3)	(786.4)
Other financial assets	263.5	(151.5)
Increase in operating liabilities:		
Deposits	268.4	1,022.9
Securitisation liabilities	288.7	39.9
Net cash from operating activities	303.6	305.7
Cash flows from investing activities		
Payments for property, plant and equipment	(7.5)	(6.2)
Payments for intangible assets - software	(10.1)	(6.6)
Cash distribution received from equity accounted investments	3.4	1.3
Proceeds from sale of property, plant and equipment	2.2	0.1
Net cash from investing activities	(12.0)	(11.4)
Cash flows from financing activities		
Cost of capital issues	-	0.7
Proceeds from issue of convertible notes	-	0.9
Proceeds from borrowings and foreign exchange instruments	415.7	967.4
Repayment of borrowings	(496.3)	(1,387.2)
Payments for treasury shares	(4.1)	(5.1)
Dividends paid	(35.4)	(39.6)
Net cash from financing activities	(120.1)	(462.9)
Net increase / (decrease) in cash and cash equivalents	171.5	(168.6)
Cash and cash equivalents at beginning of year	433.2	471.1
Cash and cash equivalents at end of half-year	604.7	302.5

The consolidated interim statement of cash flows should be read in conjunction with the accompanying notes

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the half-year ended 29 February 2012

	Ordinary shares	Perpetual Equity Preference shares	Employee benefits reserve	General reserve for credit losses	Cashflow hedge reserve	Translation Reserve	Available for sale reserve	Retained profits	Total equity
Half-year ended 29 February 2012	$m	$m	$m	$m	$m	$m	$m	$m	$m
Balance at beginning of the period	1,957.6	195.7	33.5	67.0	8.0	0.4	6.5	304.9	2,573.6
Total comprehensive income / (expense) for the period									
Loss	-	-	-	-	-	-	-	(90.6)	(90.6)
Other comprehensive expense, net of income tax									
Cash flow hedges:									
- Net losses taken to equity	-	-	-	-	(3.9)	-	-	-	(3.9)
- Net losses transferred to profit and loss	-	-	-	-	0.7	-	-	-	0.7
Net gain on hedge of net investment in foreign operation	-	-	-	-	-	0.8	-	-	0.8
Foreign currency translation differences on foreign operations	-	-	-	-	-	(0.7)	-	-	(0.7)
Change in fair value of assets available for sale	-	-	-	-	-	-	(1.6)	-	(1.6)
Transfers	-	-	-	3.1	-	-	-	(3.1)	-
Total other comprehensive expense	-	-	-	3.1	(3.2)	0.1	(1.6)	(3.1)	(4.7)
Total comprehensive expense for the period	-	-	-	3.1	(3.2)	0.1	(1.6)	(93.7)	(95.3)
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividend reinvestment plan	32.7	-	-	-	-	-	-	-	32.7
Dividends to shareholders	-	-	-	-	-	-	-	(63.0)	(63.0)
Dividends to PEPs	-	-	-	-	-	-	-	(5.0)	(5.0)
Equity settled transactions	-	-	(1.7)	-	-	-	-	-	(1.7)
Treasury Shares (1)	(0.4)	-	-	-	-	-	-	-	(0.4)
Total contributions by and distributions to owners	32.3	-	(1.7)	-	-	-	-	(68.0)	(37.4)
Balance at the end of the period	1,989.9	195.7	31.8	70.1	4.8	0.5	4.9	143.2	2,440.9

(1) Treasury shares represent the value of shares held by a subsidiary that the Bank is required to include in the Consolidated Entity's financial statements. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

The consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)
For the half-year ended 29 February 2012

	Ordinary shares	Perpetual Equity Preference shares	Employee benefits reserve	General reserve for credit losses	Cashflow hedge reserve	Translation Reserve	Available for sale reserve	Retained profits	Total equity
Half-year ended 28 February 2011	$m	$m	$m	$m	$m	$m	$m	$m	$m
Balance at beginning of the period	1,861.9	195.7	32.9	77.0	(27.7)	-	4.4	260.6	2,404.8
Total comprehensive income for the period									
Profit	-	-	-	-	-	-	-	48.0	48.0
Other comprehensive income, net of income tax									
Cash flow hedges:									
- Net gains taken to equity	-	-	-	-	15.2	-	-	-	15.2
- Net losses transferred to profit and loss	-	-	-	-	3.9	-	-	-	3.9
Net gain on hedge of net investment in foreign operation	-	-	-	-	-	1.0	-	-	1.0
Foreign currency translation differences on foreign operations	-	-	-	-	-	(1.0)	-	-	(1.0)
Change in fair value of assets available for sale	-	-	-	-	-	-	(3.8)	-	(3.8)
Transfers	-	-	-	(19.8)	-	-	-	19.8	-
Total other comprehensive income	-	-	-	(19.8)	19.1	-	(3.8)	19.8	15.3
Total comprehensive income for the period	-	-	-	(19.8)	19.1	-	(3.8)	67.8	63.3
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividend reinvestment plan	22.2	-	-	-	-	-	-	-	22.2
Dividends to shareholders	-	-	-	-	-	-	-	(57.1)	(57.1)
Dividends to PEPs	-	-	-	-	-	-	-	(4.8)	(4.8)
Equity settled transactions	-	-	1.8	-	-	-	-	-	1.8
Treasury Shares [1]	(4.5)	-	-	-	-	-	-	-	(4.5)
Conversion of RePS to ordinary shares	47.2	-	-	-	-	-	-	-	47.2
Total contributions by and distributions to owners	64.9	-	1.8	-	-	-	-	(61.9)	4.8
Balance at the end of the period	1,926.8	195.7	34.7	57.2	(8.6)	-	0.6	266.5	2,472.9

(1) Treasury shares represent the value of shares held by a subsidiary that the Bank is required to include in the Consolidated Entity's financial statements. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

The consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
Half-year ended 29 February 2012

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half-year ended 29 February 2012

1. Reporting entity

Bank of Queensland Limited ("the Bank") is a company domiciled in Australia. The consolidated interim financial report of the Bank as at and for the half-year ended 29 February 2012 comprises the Bank and its subsidiaries ("the Consolidated Entity") and the Consolidated Entity's interest in equity accounted investments.

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 31 August 2011 is available upon request from the Bank's registered office at Level 17, 259 Queen Street, Brisbane QLD 4000 or at www.boq.com.au.

2. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 31 August 2011.

The consolidated interim financial report was approved by the Board of Directors on 18 April 2012.

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in this financial report and directors' report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

These consolidated interim financial statements are presented in Australian dollars which is the Consolidated Entity's functional currency.

3. Significant accounting policies

The accounting policies applied by the Consolidated Entity in this consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 31 August 2011 other than described below.

(a) Accounting standards applicable from 1 September 2011

The following standard has also been adopted from 1 September 2011 and did not have any material effect on the financial position or performance of the Consolidated Entity.

- AASB 124 *Related Party Disclosures* (revised December 2009) clarifies and simplifies the definition of a related party.

4. Use of estimates and judgements

The preparation of the interim financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparing the consolidated interim financial report, the significant judgements made by management in applying the Consolidated Entity's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at year ended 31 August 2011.

During the six months ended 29 February 2012, management reassessed estimates in respect of the level of the collective provision relating to the commercial and retail loan portfolios. The collective provision increased due to the inclusion of an overlay of $160 million to reflect the recent adverse trends in loss experienced by the Bank and the continuing deterioration in collateral security values that have emerged over the half year. Refer Note 11.

5. Restatement of acquisition accounting adjustments

The prior period statements of comprehensive income and balance sheets were stated using provisional entries for the acquisition of the CIT Group (Australia) Limited and CIT Group (New Zealand) Limited now renamed to BOQ Finance (Aust) Limited and BOQ Finance (NZ) Limited ("BOQ Finance") and the acquisition of St Andrew's Insurance (Australia) Pty Ltd and St Andrew's Life Insurance Pty Ltd ("St Andrew's") in accordance with *AASB 3 Business Combinations.* These provisional entries have now been finalised resulting in restatement of several prior year income statement and balance sheet items.

A summary of these restatements are provided in the table below.

	28 February 2011			
Statement of Comprehensive Income	**Restated $m**	BOQ Finance Increase / (Decrease)	St Andrew's Increase / (Decrease)	Reported $m
Interest Income	1,312.3	(2.5)	-	1,314.8
Expenses	186.0	0.5	0.5	185.0
Income tax expense	19.8	(0.9)	(0.2)	20.9
Profit for the period	48.0	(2.1)	(0.3)	50.4
Balance Sheet				
Assets				
Loans and advances	32,386.0	8.8	-	32,377.2
Other assets	126.3	-	(4.0)	130.3
Intangible assets	582.7	(12.2)	26.1	568.8
Deferred tax assets	33.8	3.3	(0.8)	31.3
Liabilities				
Current tax liabilities	43.9	-	0.4	43.5
Insurance policy liabilities	81.7	-	20.9	60.8
Retained profits	266.5	(0.1)	-	266.6

6. Income

	Consolidated	
	29 February 2012	28 February 2011
	$m	$m
(a) Operating income		
Interest income		
Loans and advances	1,195.3	1,166.3
Securities at fair value	131.3	146.0
Total interest income	1,326.6	1,312.3
Interest expense		
Retail deposits	511.4	457.8
Wholesale deposits and borrowings	491.7	546.9
Total interest expense	1,003.1	1,004.7
Net interest income	323.5	307.6
Income from operating activities		
Other customer fees and charges	52.5	54.3
Share of fee revenue paid to Owner Managed Branches	(7.5)	(7.8)
Securitisation income [(1)]	-	0.4
Net income / (loss) from financial instruments and derivatives at fair value	(2.8)	3.9
Commission – insurance and financial planning	2.7	2.5
Foreign exchange income – customer based	3.8	3.4
Net profit on sale of property, plant and equipment	1.7	2.7
Other income	2.5	1.8
Other operating income	52.9	61.2
Net Insurance operating income	20.2	19.4
Total operating income	396.6	388.2

(b) Total income

Total interest income	1,326.6	1,312.3
Other operating income	52.9	61.2
Premiums from insurance contracts	37.4	33.4
Investment income	3.7	3.8
Total income	1,420.6	1,410.7

[(1)] Represents securitisation income from certain leasing trusts which are not consolidated by the Bank.

7. Expenses

	Consolidated 29 February 2012 $m	28 February 2011 $m
Operating expenses		
Advertising	7.0	6.5
Commissions to Owner Managed Branches	1.5	3.0
Communications and postage	9.3	8.4
Printing and stationery	3.0	2.6
Non-lending losses	0.3	0.3
Processing costs	12.0	11.7
Impairment (1)	-	2.0
Other operating expenses	9.7	10.4
	42.8	44.9
Administrative expenses		
Professional fees	5.8	5.4
Directors' fees	0.8	0.5
Other	3.8	3.3
	10.4	9.2
Computer costs		
Data processing	24.8	24.1
Amortisation and impairment – computer software (intangible)	19.3	8.8
Depreciation – IT equipment	0.7	2.5
	44.8	35.4
Occupancy expenses		
Lease rental	10.4	9.6
Depreciation - plant, furniture, equipment and leasehold improvements	3.9	2.9
Other	1.2	1.0
	15.5	13.5
Employee expenses		
Salaries and wages	63.7	58.6
Superannuation contributions	6.0	5.8
Amounts set aside to provisions for employee entitlements	0.8	1.5
Payroll tax	3.8	3.6
Equity settled transactions	1.9	3.2
Other	2.8	2.7
	79.0	75.4
Other		
Amortisation – acquired intangibles	4.3	4.4
Integration costs (2)	0.2	3.2
	4.5	7.6
Expenses	197.0	186.0

(1) The prior year impairment related to property related equity investments.
(2) This relates to integration cost associated with the acquisition of St Andrew's and BOQ Finance.

8. Income tax expense

The Consolidated Entity's consolidated effective tax rate for the six months ended 29 February 2012 was 29.3%. The effective tax rate for the year ended 31 August 2011 was 28.4% and for the six months ended 28 February 2011 was 29.3%.

9. Dividends

	Half-year ended			
	29 February 2012		28 February 2011	
	Cents per share	$m	Cents per share	$m
Ordinary shares				
Final 2011 dividend (fully franked) paid 2 December 2011 (2011: 2 December 2010)	28	63.1	26	57.1
Preference shares recognised as liability				
Half-yearly RePS dividend (fully franked) (2011: 15 October 2010)	-	-	257	1.2
Preference shares not recognised as liabilities				
Half-yearly PEPS dividend paid on 17 October 2011 (2011: 15 October 2010)	250	5.0	239	4.8
Dividends not recognised in the balance sheet				
In addition to the above dividends, since half-year end the directors have proposed the following:				
Interim 2012 dividend (fully franked) expected to be paid on 25 May 2012 (2011: 25 May 2011) out of retained profits at 29 February 2012, but not recognised as a liability in the balance sheet [1]	26	79.0	26	57.7
Half-yearly PEPS dividend (fully franked) expected to be paid on 16 April 2012 (2011: 15 April 2011) but not recognised as a liability in the balance sheet	234	4.7	246	4.9
		83.7		62.6

[1] Includes shares expected on record date to be issued as a result of the capital raising announced 26 March 2012. Refer to Note 20 Events subsequent to balance date

10. Loans and advances at amortised cost

	Consolidated	
	29 February 2012 $m	31 August 2011 $m
Residential property loans – secured by mortgages	16,961.5	16,818.3
Securitised residential property loans – secured by mortgages	7,710.8	7,358.7
Personal loans	239.5	272.9
Overdrafts	506.6	521.0
Commercial loans	5,029.1	4,986.0
Leasing finance	4,033.1	4,108.0
Gross loans and advances at amortised cost	34,480.6	34,064.9
Less:		
Unearned lease finance income	(474.5)	(535.0)
Collective provision for impairment	(242.1)	(80.1)
Specific provisions for impairment	(249.3)	(173.7)
Total loans and advances at amortised cost	33,514.7	33,276.1

Loans and advances at amortised cost include the following finance lease receivables for leases of certain property and equipment where the Bank is the lessor:

Gross investment in finance lease receivables:		
Less than one year	627.6	610.5
Between one and five years	3,318.7	3,403.5
More than five years	86.8	94.0
	4,033.1	4,108.0
Unearned finance income	(474.5)	(535.0)
Net investment in finance leases	3,558.6	3,573.0
The net investment in finance leases comprise:		
Less than one year	591.0	558.6
Between one and five years	2,902.0	2,944.1
More than five years	65.6	70.3
	3,558.6	3,573.0

As at 29 February 2012, off balance sheet securitised leases under management amounted to nil (28 February 2011: $137.2m). The leasing assets are held in certain REDS EHP Trusts. The Bank is not exposed to the majority of risk and benefits of these Trusts and the residual income units in the Trusts are held by entities not related to the Bank.

11. Provisions for impairment

	Consolidated	
	29 February 2012 $m	31 August 2011 $m
Specific provision:		
Balance at the beginning of the period	173.7	60.5
Add: Expensed during the period	165.7	173.5
Less: Amounts written off against specific provision	(78.3)	(60.3)
Unwind of discount	(11.8)	-
Balance at the end of the period	249.3	173.7
Collective provision:		
Balance at the beginning of the period	80.1	53.1
Add: Expensed during the period	162.0	27.0
Balance at the end of the period	242.1	80.1
Total provisions for impairment	491.4	253.8

12. Deposits

Deposits at call	7,704.5	8,615.2
Term deposits	15,404.0	13,269.5
Certificates of deposit	6,767.5	7,741.9
Total	29,876.0	29,626.6
Concentration of deposits:		
Retail deposits	21,099.0	20,317.9
Wholesale deposits	8,777.0	9,308.7
Total	29,876.0	29,626.6

Deposits are well-diversified across industries and regions. All retail deposits are sourced in Australia.

13. Borrowings including subordinated notes

The Consolidated Entity recorded the following movements on borrowings including subordinated notes:

	Securitisation liabilities [1]	EMTN Program	ECP Program	Borrowings including subordinated notes [2]	Syndicated Loan	Total
	$m	$m	$m	$m	$m	$m
Half-year ended 29 February 2012						
Balance at the beginning of the period	5,525.6	20.6	378.4	541.2	185.2	6,651.0
Proceeds from issues	1,039.6	22.0	287.7	49.4	-	1,398.7
Repayments	(750.9)	(10.0)	(441.3)	(45.0)	-	(1,247.2)
Deferred establishment costs	2.1	-	-	-	-	2.1
Amortisation of deferred costs	(2.6)	-	-	-	-	(2.6)
Foreign exchange translation	45.6	0.4	(0.9)	-	(1.7)	43.4
Balance at the end of the period	5,859.4	33.0	223.9	545.6	183.5	6,845.4

	Securitisation liabilities [1]	EMTN Program	ECP Program	Borrowings including subordinated notes	Preference shares [3]	Syndicated Loan	Total
	$m	$m	$m	$m	$m	$m	$m
Half-year ended 28 February 2011							
Balance at the beginning of the period	5,776.1	81.7	472.6	494.4	47.2	300.3	7,172.3
Proceeds from issues	717.2	10.9	1,028.9	-	-	-	1,757.0
Repayments	(677.3)	(62.9)	(1,060.6)	-	(47.2)	(263.7)	(2,111.7)
Deferred establishment costs	1.8	-	-	-	-	-	1.8
Amortisation of deferred costs	(3.0)	-	-	-	-	-	(3.0)
Foreign exchange translation	(11.7)	(8.6)	(22.9)	-	-	(36.6)	(79.8)
Balance at the end of the period	5,803.1	21.1	418.0	494.4	-	-	6,736.6

(1) Securitisation liabilities are secured by a floating charge over securitised assets for amounts owing to noteholders and any other secured creditors of the securitisation vehicles.

(2) The Convertible Notes issued were in three tranches of $60 million (“Tranche 1”), $45 million (“Tranche 2”) and $45 million (“Tranche 3”), and are cumulative, convertible, subordinated notes due June 2020, and pay, subject to a solvency condition, a monthly coupon equal to the 30 day bank bill rate plus 400 basis points. The Convertible Notes are unlisted. Tranche 3 was redeemed during the current financial period. The Convertible Notes for Tranche 1 (after extension) and Tranche 2 (after extension) convert into a variable number of BOQ ordinary shares on 10 November 2012 and 10 August 2012 respectively, or each monthly interest payment date thereafter, at the holders’ option, or earlier following the occurrence of certain events. The Convertible Notes will be redeemable for Tranche 1 and Tranche 2 at the option of the holder and also BOQ.

(3) The bank converted the RePS into fully paid ordinary shares on 15 October 2010.

14. Issued capital

	Consolidated	
	29 February 2012 Number	28 February 2011 Number
(a) ***Ordinary shares***		
Movements during the period		
Balance at the beginning of the period	225,369,848	215,685,428
Dividend reinvestment plan	4,228,782	2,028,134
Conversion of RePS to ordinary shares	-	4,359,696
Balance at the end of the period	229,598,630	222,073,258
Treasury shares (included in ordinary shares above)		
Balance at the beginning of the period	906,311	583,080
Movements during the period	201,354	456,707
Balance at the end of the period	1,107,665	1,039,787

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Bank, ordinary shareholders rank after PEPS shareholders and creditors and are fully entitled to any residual proceeds of liquidation.

	Consolidated	
	29 February 2012 Number	28 February 2011 Number
(b) Perpetual Equity Preference Shares ("PEPS")		
Balance at the beginning of period	2,000,000	2,000,000
Balance at the end of the period	2,000,000	2,000,000

Terms and conditions

The PEPS are fully paid, redeemable, perpetual, non-cumulative preference shares. Dividends are non-cumulative and payable semi-annually at the discretion of directors and subject to certain conditions being met, such as sufficient distributable profit. The Bank is entitled to redeem, buy-back or cancel the preference shares on a call date (5 years from issue date) and each subsequent dividend payment date, subject to the prior written approval from the Australian Prudential Regulatory Authority ("APRA"). The Bank is also entitled to redeem the preference shares on the occurrence of a regulatory event, tax event or a control event. The preference shareholders have no right to demand redemption of the preference shares but they are entitled to receive a liquidation amount being equal to the issue price plus all dividends due but unpaid. PEPS are subordinate to all creditors and depositors, and rank ahead of ordinary shareholders for return of capital on liquidation.

15. Capital management

The Bank and Consolidated Entity's capital management strategy aims to ensure that the Consolidated Entity maintains adequate capital to act as a buffer against risks associated with activities whilst maximising returns to shareholders. The Bank's capital is measured and managed in line with Prudential Standards issued by APRA. This regulatory capital differs from statutory capital in that certain liabilities such as preference shares are considered capital from a regulatory perspective and certain assets including goodwill and other intangibles are considered a deduction from regulatory capital.

The Bank and Consolidated Entity have a capital management plan, consistent with their overall business plans, for managing capital levels on an ongoing basis. This plan sets out:

(i) the strategy for maintaining adequate capital over time including the capital target, how the target level is to be met and the means available for sourcing additional capital when required; and

(ii) the actions and procedures for monitoring compliance with minimum regulatory capital adequacy requirements, including trigger ratios to alert management to, and avert, potential breaches of these requirements.

The capital management plan is updated at least annually and submitted to the Board for approval. Current and projected capital positions are reported to the Board and APRA on a monthly basis.

The Board has set Tier 1 capital target range to be between 8% and 9% of risk weighted assets and the total capital range to be between 11% and 12% of risk weighted assets. The total capital adequacy ratio at 29 February 2012 was 10.8% and Tier 1 capital was 7.4%.

Perpetual Equity Preference Shares ("PEPS"), issued as hybrid capital instruments, comprise 12.9% of total Tier 1 capital.

Total Tier 1 capital of 7.4% is represented by 6.4% of Core Tier 1 capital and 1.0% of hybrid capital instruments, including preference shares.

Capital levels at 29 February 2012 were beneath the target range set by the Board and as such the Bank is conducting a fully underwritten entitlements offer and institutional placement of approximately $450m (refer Note 20 Events subsequent to balance date for further details).

15. Capital management (continued)

A summary of the consolidated capital position is shown in the table below.

	Consolidated	
Qualifying capital	**29 February 2012 $m**	31 August 2011 $m
Tier 1		
Fundamental Tier 1		
Ordinary Share Capital	1,990.2	1,957.9
Reserves	38.2	33.5
Retained profits [1]	115.5	288.4
	2,143.9	2,279.8
Residual Tier 1		
Non Innovative (PEPS)	195.7	195.7
	195.7	195.7
Tier 1 Deductions		
Deferred Expenditure	(106.9)	(105.1)
Goodwill and other identifiable intangibles	(546.3)	(557.9)
Other deductions	(166.9)	(94.3)
	(820.1)	(757.3)
Net Tier 1 Capital	1,519.5	1,718.2
Tier 2		
Upper Tier 2		
General Reserve for Credit Losses	197.6	123.1
Other	3.2	4.2
	200.8	127.3
Lower Tier 2		
Term subordinated debt	544.9	539.6
Tier 2 Deductions	(39.7)	(40.8)
Net Tier 2 Capital	706.0	626.1
Capital Base	2,225.5	2,344.3
Risk Weighted Assets	20,671.4	20,524.6
Capital Adequacy Ratio	10.8%	11.4%

[1] For the calculation of capital adequacy, retained profits includes current year's profit less accrual of expected dividends net of expected dividend reinvestment.

16. Operating segments

The Bank has determined and presented the following three segments based on information provided to the Managing Director.

These operating segments are as follows:

Segment	**Activities**
Banking	Retail banking, commercial, personal, small business loans, savings and transaction accounts, and treasury.
BOQ Finance	Equipment finance, vendor finance and debtor financing
Insurance	Life insurance and income protection insurance.

	6 Months to 29 February 2012				
	Banking $m	**BOQ Finance $m**	**Insurance $m**	**Consolidation Adjustments $m**	**Total Segments $m**
Revenue from outside the group	298.9	77.8	20.2	-	396.9
Inter-segment revenue	3.2	-	-	(3.2)	-
Total segment revenue	302.1	77.8	20.2	(3.2)	396.9
Expenses	164.9	27.5	8.1	(3.2)	197.3
Impairment on loans and advances	313.3	14.4	0.0	-	327.7
Segment profit /(loss) before tax	(176.1)	35.9	12.1	-	(128.1)
Tax	(52.3)	10.8	4.0	-	(37.5)
Segment profit/(loss) after tax	(123.8)	25.1	8.1	-	(90.6)
Total Assets	36,236.0	3,721.3	127.2	-	40,084.5

	6 Months to 28 February 2011				
	Banking $m	BOQ Finance $m	Insurance $m	Consolidation Adjustments $m	Total Segments $m
Revenue from outside the group	290.3	78.5	19.4	-	388.2
Inter-segment revenue	2.8	-	-	(2.8)	-
Total segment revenue	293.1	78.5	19.4	(2.8)	388.2
Expenses	155.3	25.9	7.6	(2.8)	186.0
Impairment on loans and advances	112.1	22.3	0.0	-	134.4
Segment profit /(loss) before tax	25.7	30.3	11.8	-	67.8
Tax	7.1	9.1	3.6	-	19.8
Segment profit/(loss) after tax	18.6	21.2	8.2	-	48.0
Total Assets	35,448.9	3,622.5	120.7	-	39,192.1

Information provided to the chief operating decision maker ("CODM") now includes the BOQ Finance segment separately from Banking and Insurance. Therefore, the addition of the BOQ Finance segment has been included.

The Consolidated Entity's business segments operate principally in Australia, with the majority of customers being in Queensland, with the exception of leasing assets and insurance which are spread throughout Australia and New Zealand.

17. Average balances and margin analysis

	6 Months to 29 February 2012			6 Months to 31 August 2011		
	Average Balance	**Interest**	**Average Rate**	Average Balance	Interest	Average Rate
	$m	**$m**	**%**	$m	$m	%
Interest earning assets						
Gross loans and advances at amortised cost (1)	33,736.3	1,195.3	7.11%	33,070.0	1,216.8	7.30%
Investments and other securities (1)	5,150.3	131.3	5.11%	5,470.9	147.5	5.35%
Total interest earning assets	38,886.6	1,326.6	6.84%	38,540.9	1,364.3	7.02%
Non-interest earning assets						
Property, plant and equipment	31.6			29.6		
Other assets	1,035.4			975.8		
Provision for impairment	(246.3)			(232.1)		
Total non-interest earning assets	820.7			773.2		
Total assets	39,707.3			39,314.2		
Interest bearing liabilities						
Retail deposits (1)	20,556.3	511.4	4.99%	19,469.9	519.9	5.30%
Wholesale deposits and borrowings (1)	15,816.4	491.7	6.23%	16,571.1	528.6	6.33%
Total interest bearing liabilities	36,372.7	1,003.1	5.53%	36,041.0	1,048.5	5.77%
Non-interest bearing liabilities	746.2			754.3		
Total liabilities	37,118.9			36,795.3		
Shareholders' funds	2,597.3			2,518.5		
Total liabilities and shareholders' funds	39,716.2			39,313.8		
Interest margin and interest spread						
Interest earning assets	38,886.6	1,326.6	6.84%	38,540.9	1,364.3	7.02%
Interest bearing liabilities	36,372.7	1,003.1	5.53%	36,041.0	1,048.5	5.77%
Net interest spread (2)			1.31%			1.25%
Net interest margin - on average interest earning assets	38,886.6	323.5	1.67%	38,540.9	315.8	1.63%

(1) Calculated on average daily balances
(2) Interest spread is calculated after taking into account third party and Owner Managed Branch commissions

18. Related parties

Arrangements for related parties are consistent with those disclosed in the 31 August 2011 Annual Report.

19. Contingent liabilities

There have been no material changes in contingent liabilities since 31 August 2011.

On 22 December 2010, the Australian Securities and Investment Commission (ASIC) lodged legal proceedings against parties including Bank of Queensland, arising out of the collapse of Storm Financial. The Bank's intention is to defend this action vigorously. The proceedings are regulatory in nature and no damages have been claimed. At this stage no estimate of any potential liability can be made.

20. Events subsequent to balance date

Other than as disclosed below, no matters or circumstances have arisen since the end of the financial half year and up until the date of this report which significantly affects the operations of the Bank, the results of those operations, or the state of affairs of the Bank in subsequent years.

Dividends have been declared after 29 February 2012.

On 26 March 2012, the Bank announced a capital raising of approximately $450 million ordinary shares, comprising of:

- Institutional Placement of approximately $150 million to institutional investors;
- Accelerated pro-rata non-renounceable entitlement offer of approximately $300 million comprising:
  - an Institutional Entitlement Offer of approximately $135 million; and
  - a Retail Entitlement Offer of approximately $165 million.

The capital raising will result in the issue of approximately 74 million new ordinary shares at $6.05 per share.

On 28 March 2012, the Institutional Placement and Institutional Entitlement Offer raising $288m were completed. The Retail Entitlement Offer opened on 3 April 2012 and is expected to close on 24 April 2012.

The financial effect of the above transactions has not been brought to account in the financial statements for the period ended 29 February 2012.

DIRECTORS' DECLARATION

In the opinion of the directors of Bank of Queensland Limited ("the Bank"):

(a) the financial statements and accompanying notes, set out on pages 12 to 31 are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position of the Consolidated Entity as at 29 February 2012 and of its performance, for the half-year ended on that date; and

  (ii) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

(b) there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable.

Dated at Brisbane this eighteenth day of April 2012.

Signed in accordance with a resolution of the directors:

____
Neil Summerson
Chairman

____
Stuart Grimshaw
Managing Director

Independent auditor's review report to the members of Bank of Queensland Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of Bank of Queensland Limited which comprises the consolidated interim statement of financial position as at 29 February 2012, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year period ended on that date, notes 1 to 20 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Bank are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on *Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 29 February 2012 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.* As auditor of Bank of Queensland Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Bank of Queensland Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 29 February 2012 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

KPMG

Martin McGrath
Partner
Brisbane
18 April 2012