Bank of Queensland Limited
ABN 32 009 656 740

Profit announcement for the half-year ended 28 February 2011

The half-year financial report has been subject to an independent review by the external auditor

Released 14 April 2011

Contents

FINANCIAL SUMMARY

	Half-year ended				
	28/02/11	31/08/10	Increase / (Decrease)	28/02/10	Increase / (Decrease)
	$m	$m		$m	
Shareholders' Equity:					
Issued capital	2,122.5	2,057.6	3%	2,037.7	4%
Reserves and retained profits	350.5	344.9	2%	279.0	26%
Total equity	2,473.0	2,402.5	3%	2,316.7	7%
Financial Position:					
Total assets under management	39,308.1	38,784.4	1%	36,106.1	9%
Total loans under management [(1)]	32,595.2	31,991.8	2%	30,335.9	7%
Total assets on balance sheet	39,170.9	38,570.9	2%	35,718.2	10%
Retail deposits	19,201.6	18,083.3	6%	16,930.1	13%
Wholesale deposits	9,812.2	10,005.2	(2%)	8,751.4	12%
Financial Performance:					
Statutory net profit	50.4	88.7	(43%)	90.9	(45%)
Cash underlying profit [(2) (3)]	215.5	189.4	14%	189.8	14%
Normalised profit for the year after tax [(3)]	54.9	97.4	(44%)	93.3	(41%)
Add: Non-cash item tax effected [(4)]	2.7	2.5	1%	3.9	(31%)
Normalised cash net profit after tax	57.6	99.9	42%	97.2	(41%)
Shareholder Performance:					
Market capitalisation at balance date	2,187.7	2,120.3	3%	2,320.7	(6%)
Share price at balance date	$9.85	$9.83	-	$10.87	(9%)
Statutory Ratios:					
Net interest margin	1.65%	1.55%	10bp	1.65%	-
Capital adequacy ratio	11.7%	11.7%	-	11.7%	-
Net tangible assets per ordinary share	$7.67	$7.55	2%	$7.20	7%
Fully franked ordinary dividend per share	$0.26	$0.26	-	$0.26	-
Diluted earnings per share	20.7c	37.1c	(44%)	39.0c	(47%)
Normalised Ratios (cash basis) [(3) (4)]					
Cost to income ratio	45.1%	45.8%	(7bp)	45.1%	-
Dividend payout ratio to ordinary shareholders	100%	57%	-	57%	-
Diluted earnings per share	23.8c	41.6c	(43%)	41.8c	(43%)
Return on average ordinary equity	5.3%	9.6%	-	9.7%	-

(1) Before Collective Provision for impairment.

(2) Underlying profit is profit before impairment on loans and advances and income tax expense.

(3) Excluding significant and non-recurring items (tax effected).

	28/02/11	31/08/10	28/02/10
Hedge ineffectiveness	1.6	(2.9)	2.0
Integration / Due diligence costs	2.2	4.0	0.4
Discount on acquisition of St Andrew's	-	(6.8)	-
ATM transition costs	-	3.1	-
Impairment of IT software assets	-	9.6	-
Tax review items	-	1.7	-
Flood impact	0.7	-	-
Total	4.5	8.7	2.4

(4) Non-cash item relates to amortisation of acquired intangibles.

Rule 4.2A.3

Appendix 4D

Half-year report
For the period ended 28 February 2011

1. Company details and reporting period

Name of entity:	**Bank of Queensland Limited**
ABN:	32 009 656 740
Reporting Period	28 February 2011
Previous corresponding period	28 February 2010

2. Results for announcement to the market

				$m
Revenues from ordinary activities	Up	14%	to	390.7
Profit from ordinary activities after tax attributable to members	Down	45%	to	50.4
Net profit for the period attributable to members	Down	45%	to	50.4

Dividends	Amount per security	Franked amount per security
Interim dividend	26c	100%
Semi-annual dividend on:		
- Perpetual Equity Preference Shares (PEPS)	246c	246c
Previous corresponding period	26c	100%
Semi-annual dividend on:		
- Reset preference shares (RePS)	255c	255c
- Perpetual Equity Preference Shares (PEPS)	216c	216c

Record date for determining entitlements to the:	
- Perpetual Equity Preference Shares (PEPS)	28 March 2011
- Ordinary dividend	9 May 2011

3. Net tangible assets per security

- 28 February 2011 - $7.67;
- 31 August 2010 - $7.55; and
- 28 February 2010 - $7.20.

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

Nil.

5. Dividends

Refer to page 20 of the attached Statutory Financial Report for the period ended 28 February 2011.

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. The pricing period covers the five trading days commencing on the second trading day after record date. 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 2011 interim dividend is 9 May 2011.

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;
- Satterley Austin Cove Pty Ltd – 4.18% 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 Statutory Financial Report has been reviewed by the independent auditor, KPMG. There is no dispute or qualification to the financial report.

10. Half-year statutory financial report

Refer to page 7 of the attached Profit Announcement for the period ended 28 February 2011.

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

Print name: Stacey Hester

Your own personal bank

BANK OF QUEENSLAND LIMITED
and its Controlled Entities

A.B.N. 32 009 656 740

CONSOLIDATED INTERIM FINANCIAL REPORT

HALF-YEAR ENDED 28 FEBRUARY 2011

CONTENTS

DIRECTORS' REPORT
Half-year ended 28 February 2011

The directors present their report together with the consolidated financial report for the half-year ended 28 February 2011 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
David Liddy Managing Director	Managing Director since April 2001
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 (appointed 22 February 2011)
David Willis	Director since February 2010

David Graham resigned as a director on 8 October 2010

Principal activities

The principal activity of the Consolidated Entity is the provision of financial services 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

Profit after tax for the half year ended 28 February 2011 decreased by 45% to $50.4 million compared with the February 2010 result of $90.9 million. The reduction in profit after tax was largely attributable to significant impairment charges in the current half. These charges are a reflection of general economic conditions and the impact of major floods during the period.

Underlying profit (profit before impairment charges and tax) increased 13% to $205.7m from $182.0m in the prior corresponding period. This is an excellent result reflecting continued cost control and the contribution of recent acquisitions on the Bank's results.

Income

Total income increased by 14% during the period to $390.7 million from $342.9 in the prior corresponding period. The increase in income has been driven by a combination of balance sheet growth and the impact of acquisitions.

Operating and finance review (continued)

Net interest income for the six months ended 28 February 2011 increased by 13% to $310.1 million from the prior comparative period result of $275.0 million. This result was driven by balance sheet growth. Margin has improved over the prior half.

Other operating income excluding insurance income decreased by 10% to $61.2 million compared to the prior comparative period of $67.9 million. This reduction was due to the impact of reductions in dishonour and overdrawn account fees across the industry and the sale of the financial planning business acquired as part of the Home Building Society acquisition.

Expenses

The Bank's costs increased by 15% for the period ended 28 February 2011 to $185.0 million, from the prior comparative period result of $160.9 million. This increase is primarily due to the acquisition of St Andrew's Insurance (Australia) Pty Ltd and St Andrew's Life Insurance Pty Ltd ("St Andrews") and BOQ Finance (Aust) and BOQ Finance (NZ) Limited ("BOQ Finance") last year. Costs attributable to the Bank excluding acquisitions have increased by less than 2% compared with the prior corresponding period.

Efficiency

The Bank's cost to income ratio has increased from the 2010 comparative period of 46.9% to 47.3% in the current period. Adjusted for non cash and non recurring items (refer to Page 3 Financial Summary Footnote 3), the Bank's cost to income ratio has remained steady at 45.1% from the 2010 comparative period.

This result is a reflection of strong cost control continuing across the Bank.

Asset quality and provisioning

Impairment on loans and advances
Expenses relating to impairment on loans and advances were $134.4 million for the period ended 28 February 2011. This expense consisted of $106.7 million of specific provision impairment expense and $27.7 million of expense relating to the collective provision.

The impairment expense of $134.4 million for the six months ended 28 February 2011 has increased by $83.0 million or 161% on the prior period expense of $51.4 million.

Impaired assets
Impaired assets increased in gross terms to $423.2 million as at 28 February 2011 from $147.6 million at 31 August 2010. Impaired assets as a percentage of non-securitised loans have increased to 1.71% at 28 February 2011 from 0.61% at 31 August 2010. Specific provisions have been raised for $139.7 million (33%) of impaired assets.

These increases in impaired assets and impairment charges are a reflection of general economic conditions and the impact of major flooding during the period.

Lending approvals and asset growth

Lending approvals for the six months ended 28 February 2011 were $5.6 billion, a decrease of $0.5 billion over the comparative 2010 approval result of $6.1 billion. This decrease of 8% is due to lower system growth as the Australian economy slows. The Bank has however continued to outperform system growth.

The lending approval growth translated into a loans under management balance of $32.6 billion, an increase of $0.6 billion from 31 August 2010 which represents growth of 4% on an annualised basis.

Of the loans under management balance of $32.6 billion, $32.4 billion is on balance sheet and $0.2 billion off balance sheet. The off balance sheet lending relates to certain REDS EHP leasing trusts which are not consolidated for accounting purposes as the residual risk has been sold by the Bank.

Retail deposit growth

Retail deposits have grown for the period ended 28 February 2011 and have reached $19.2 billion, an increase of $1.1 billion from 31 August 2010, which represents growth of 12% on an annualised basis.

The Bank has continued to focus on retail deposit growth in response to the dislocation of wholesale funding markets.

Operating and finance review (continued)
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 28 February 2011 was 11.7% and Tier 1 capital was 8.7%. Perpetual Equity Preference Shares ("PEPS"), issued as hybrid capital instruments, comprise 11.8% of total Tier 1 capital.

Total Tier 1 capital of 8.7% is represented by 7.7% of Core Tier 1 capital and 1% of hybrid capital instruments, including preference shares.

The Bank continued with an active capital management program. The Bank has made no further issues of ordinary capital other than under the dividend reinvestment plan or the Bank's Senior Management Award Rights Plan.

Branch network expansion

The Bank opened 3 branches and closed 1 branch during the period to bring total branches to 269 as at 28 February 2011.

Of these 269 branches, 105 are located outside Queensland. The Bank has converted 1 corporate branch to an owner managed branch during the period.

Shareholder returns

Statutory diluted earnings per share has decreased by 47% to 20.7c for the period ended 28 February 2011, compared to the period ended 28 February 2010 result of 39.0c.

Excluding the impact of non-cash and non-recurring items the Bank's diluted earnings per share would be 23.8c. The 28 February 2010 result also adjusted for non-cash and non-recurring items was 41.8c.

On this basis, the current year's diluted earnings per share decreased by 43%. This decrease is largely a result of the increased loan impairment charges in the current period relative to the prior comparative period.

The Bank has declared an interim dividend of 26 cents per share fully franked. This is at the same level as the 2010 interim dividend of 26 cents.

Subsequent events

Dividends have been declared after 28 February 2011.

The financial effect of the above transaction has not been brought to account in the financial statements for the period ended 28 February 2011.

Other than as disclosed in this report, no matters or circumstances have arisen since the end of the financial half year and up until to 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.

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

The lead auditor's independence declaration is set out on page 31 and forms part of the directors' report for the half-year ended 28 February 2011.

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 fourteenth day of April 2011.

Signed in accordance with a resolution of the directors:

__________________	__________________
Neil Summerson	David Liddy
Chairman	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 28 February 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

John Teer
Partner

Brisbane
14 April 2011

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 28 February 2011

	Note	**28 February 2011 $m**	28 February 2010 $m
Interest income	5	1,314.8	1,003.9
Less: Interest expense	5	1,004.7	728.9
Net interest income		310.1	275.0
Other operating income	5	61.2	67.9
Net banking operating income		371.3	342.9
Premiums from insurance contracts		33.4	-
Investment income		3.8	-
Claims and policyholder liability expense from insurance contracts		(17.8)	-
Net insurance operating income	5	19.4	-
Total operating income	5	390.7	342.9
Less: Expenses	6	185.0	160.9
Profit before impairment on loans and advances and tax		205.7	182.0
Less: Impairment on loans and advances	10	134.4	51.4
Profit before income tax		71.3	130.6
Less: Income tax expense	7	20.9	39.7
Profit for the period		50.4	90.9
Other comprehensive income, net of income tax			
Cash flow hedges:			
Net gains taken to equity		15.2	24.4
Net gains transferred to income statement		3.9	6.6
Foreign currency translation differences on foreign operations		(1.0)	-
Net gain on hedge of net investment in foreign operation		1.0	-
Change in fair value of assets available for sale		(3.8)	4.0
Other comprehensive income for the period, net of income tax		15.3	35.0
Total comprehensive income for the period		65.7	125.9
Profit attributable to:			
Equity holders of the parent		50.4	90.9
Total comprehensive income attributable to:			
Equity holders of the parent		65.7	125.9
Basic earnings per share – Ordinary Shares		20.8	41.3
Diluted earnings per share – Ordinary Shares		20.7	39.0

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

CONSOLIDATED INTERIM BALANCE SHEET
As at 28 February 2011

	Note	**28 February 2011 $m**	31 August 2010 $m
Assets			
Cash and liquid assets		302.5	471.1
Due from other financial institutions		134.7	115.8
Other financial assets		5,483.4	5,348.0
Derivative financial instruments		86.4	148.1
Loans and advances at amortised cost	9	32,377.2	31,725.2
Property, plant and equipment		28.0	25.5
Deferred tax assets		31.3	4.1
Other assets		130.3	129.1
Intangible assets		568.8	574.4
Investments accounted for using the equity method		28.3	29.6
Total assets		39,170.9	38,570.9
Liabilities			
Due to other financial institutions		201.2	138.2
Deposits	11	29,013.8	28,088.5
Derivative financial instruments		190.5	189.1
Accounts payable and other liabilities		421.0	411.7
Current tax liabilities		43.5	76.0
Provisions		30.5	31.1
Insurance policy liabilities		60.8	61.5
Borrowings including subordinated notes	12	6,736.6	7,172.3
Total liabilities		36,697.9	36,168.4
Net assets		2,473.0	2,402.5
Equity			
Issued capital		2,122.5	2,057.6
Reserves		83.9	86.6
Retained profits		266.6	258.3
Total equity		2,473.0	2,402.5

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 28 February 2011

	28 February 2011	28 February 2010
	$m	$m
Cash flows from operating activities		
Interest received	1,327.8	1,004.5
Fees and other income received	55.3	62.6
Dividends received	0.9	0.9
Interest paid	(938.2)	(767.3)
Cash paid to suppliers and employees	(179.9)	(142.2)
Operating income tax paid	(85.1)	(25.5)
	180.8	133.0
Increase in operating assets:		
Loans and advances at amortised cost	(786.4)	(1,661.6)
Other financial assets	(151.5)	(108.2)
Increase in operating liabilities:		
Deposits	1,022.9	1,446.7
Securitisation liabilities	39.9	110.3
Net cash from operating activities	305.7	(79.8)
Cash flows from investing activities		
Payments for property, plant and equipment	(6.2)	(1.4)
Payments for intangible assets - software	(6.6)	(7.4)
Cash distribution received from equity accounted investments	1.3	0.3
Proceeds from sale of property, plant and equipment	0.1	0.1
Net cash from investing activities	(11.4)	(8.4)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	-	114.0
Costs of capital issues	0.7	(4.3)
Proceeds from issue of convertible notes	0.9	-
Proceeds from borrowings and foreign exchange instruments	967.4	1,200.7
Repayment of borrowings	(1,387.2)	(1,194.7)
Payments for treasury shares	(5.1)	(1.3)
Dividends paid	(39.6)	(33.6)
Net cash from financing activities	(462.9)	80.8
Net decrease in cash and cash equivalents	(168.6)	(7.4)
Cash and cash equivalents at beginning of year	471.1	353.8
Cash and cash equivalents at end of half-year	302.5	346.4

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 28 February 2011

	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	258.3	2,402.5
Total comprehensive income for the period									
Profit	-	-	-	-	-	-	-	50.4	50.4
Other comprehensive income, net of income tax									
Foreign currency translation difference									
Cash flow hedges:									
- Net gains taken to equity	-	-	-	-	15.2	-	-	-	15.2
- Net gains 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)	70.2	65.7
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividend reinvestment plan	22.2	-	-	-	-	-	-	-	22.2
Exercise of options	-	-	-	-	-	-	-	-	-
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	266.6	2,473.0

(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 28 February 2011

	Ordinary shares	Perpetual Equity Preference shares	Employee benefits reserve	General reserve for credit losses	Cashflow hedge reserve	Available for sale reserve	Retained profits	Total equity
Half-year ended 28 February 2010	$m	$m	$m	$m	$m	$m	$m	$m
Balance at beginning of the period	1,707.4	195.7	28.2	83.2	(91.4)	(2.6)	190.9	2,111.4
Total comprehensive income for the period								
Profit	-	-	-	-	-	-	90.9	90.9
Other comprehensive income, net of income tax								
Cash flow hedges:								
- Net gains taken to equity	-	-	-	-	24.4	-	-	24.4
- Net gains transferred to profit and loss	-	-	-	-	6.6	-	-	6.6
Net gain on hedge of net investment in foreign operation	-	-	-	-	-	-	-	-
Foreign currency translation differences on foreign operations	-	-	-	-	-	-	-	-
Change in fair value of assets available for sale	-	-	-	-	-	4.0	-	4.0
Transfers	-	-	-	3.3	-	-	(3.3)	-
Total other comprehensive income	-	-	-	3.3	31.0	4.0	(3.3)	35.0
Total comprehensive income for the period	-	-	-	3.3	31.0	4.0	87.6	125.9
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividend reinvestment plan	24.9	-	-	-	-	-	-	24.9
Exercise of options	3.2	-	-	-	-	-	-	3.2
Dividends to shareholders	-	-	-	-	-	-	(54.9)	(54.9)
Dividends to PEPs	-	-	-	-	-	-	(3.6)	(3.6)
Equity settled transactions	-	-	3.3	-	-	-	-	3.3
Treasury Shares (1)	(1.2)	-	-	-	-	-	-	(1.2)
Retail placement and entitlements offer (2)	107.7	-	-	-	-	-	-	107.7
Total contributions by and distributions to owners	134.6	-	3.3	-	-	-	(58.5)	79.4
Balance at the end of the period	1,842.0	195.7	31.5	86.5	(60.4)	1.4	220.0	2,316.7

(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.
(2) The retail placement and entitlements offer was announced on the 19 August 2009 and settled on the 18 September 2009. The entitlement offer was a 1-for-9 accelerated pro rata non-renounceable entitlement offer. The issue price of $10.00 was at an 11.5% discount to the last closing price of BOQ shares on Tuesday, 18 August 2009 and a 9.8% discount to the theoretical ex-rights price. The amount raised is net of costs of $4.3m before tax.

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 28 February 2011

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half-year ended 28 February 2011

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 28 February 2011 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 2010 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 2010.

The consolidated interim financial report was approved by the Board of Directors on 14 April 2011.

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 2010 other than described below.

(a) Segment reporting

The Bank determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Bank's chief operating decision maker.

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components. All operating segments' operating results are regularly reviewed by the Bank's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(b) Accounting standards applicable from 1 September 2010

The following standards have also been adopted from 1 September 2010 and did not have any material effect on the financial position or performance of the Consolidated Entity.

- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions* resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group.
- Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19* clarify the accounting treatment when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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 2010.

5. Operating income

	Consolidated	
	28 February 2011	28 February 2010
	$m	$m
Interest income		
Loans and advances	1,168.8	916.4
Securities at fair value	146.0	87.5
Total interest income	1,314.8	1,003.9
Interest expense		
Retail deposits	457.8	300.4
Wholesale deposits and borrowings	546.9	428.5
Total interest expense	1,004.7	728.9
Net interest income	310.1	275.0
Income from operating activities		
Other customer fees and charges	54.3	58.4
Share of fee revenue paid to Owner Managed Branches	(7.8)	(7.8)
Securitisation income [1]	0.4	1.0
Net income from financial instruments and derivatives at fair value	3.9	6.1
Commission – insurance and financial planning	2.5	4.8
Foreign exchange income – customer based	3.4	2.5
Profit on sale of property, plant and equipment	2.7	-
Other income	1.8	2.9
Other operating income	61.2	67.9
Insurance contracts income	19.4	-
Total operating income	390.7	342.9

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

6. Expenses	Consolidated 28 February 2011 $m	Consolidated 28 February 2010 $m
Operating expenses		
Advertising	6.5	6.3
Commissions to Owner Managed Branches	3.0	3.5
Communications and postage	8.4	7.0
Printing and stationery	2.6	1.8
Non-lending losses	0.3	5.8
Processing costs	11.7	14.0
Amortisation – securitisation set up costs	0.4	0.3
Impairment	2.0	-
Other operating expenses	10.0	7.6
	44.9	46.3
Administrative expenses		
Professional fees	5.4	4.9
Directors' fees	0.5	0.6
Other	3.3	2.6
	9.2	8.1
Computer costs		
Data processing	24.1	21.8
Amortisation – computer software (intangible)	8.5	10.5
Depreciation – IT equipment	2.5	0.7
	35.1	33.0
Occupancy expenses		
Lease rental	9.6	8.5
Depreciation - plant, furniture, equipment and leasehold improvements	2.9	2.4
Other	1.0	1.0
	13.5	11.9
Employee expenses		
Salaries and wages	58.6	44.9
Superannuation contributions	5.8	3.8
Amounts set aside to provisions for employee entitlements	1.5	0.2
Payroll tax	3.6	2.3
Equity settled transactions	3.2	3.3
Other	2.7	2.8
	75.4	57.3
Other		
Amortisation – acquired intangibles	3.7	4.3
Integration costs [(1)]	3.2	-
	6.9	4.3
Expenses	185.0	160.9

[(1)] The current period relates to integration cost associated with the acquisition of St Andrew's and BOQ Finance.

7. Income tax expense

The Consolidated Entity's consolidated effective tax rate for the six months ended 28 February 2011 was 29.3%. The effective tax rate for the year ended 31 August 2010 was 30.6% and for the six months ended 28 February 2010 was 30.4%.

8. Dividends

	Half-year ended			
	28 February 2011		28 February 2010	
	Cents per share	$m	Cents per share	$m
Ordinary shares				
Final 2010 dividend (fully franked) paid 2 December 2010 (2010: 1 December 2009)	26	57.1	26	54.9
Preference shares recognised as liability				
Half-yearly RePS dividend (fully franked) paid 15 October 2010 (2010: 15 October 2009)	257	1.2	257	1.2
Preference shares not recognised as liabilities				
Half-yearly PEPS dividend paid on 15 October 2010 (2010: 15 October 2009)	239	4.8	180	3.6
Dividends not recognised in the balance sheet				
In addition to the above dividends, since half-year end the directors have proposed the following:				
Interim 2011 dividend (fully franked) expected to be paid on 25 May 2011 (2010: 18 May 2010) out of retained profits at 28 February 2011, but not recognised as a liability in the balance sheet	26	57.7	26	55.5
Half-yearly PEPS dividend (fully franked) expected to be paid on 15 April 2011 (2010: 15 April 2010) but not recognised as a liability in the balance sheet	246	4.9	216	4.3
Dividends recognised in the balance sheet				
Half-yearly RePS dividend (fully franked) paid in the prior year (2010: 15 April 2010) and recognised as a liability in the balance sheet	-	-	255	1.2
		62.6		61.0

	Consolidated	
9. Loans and advances at amortised cost	**28 February 2011 $m**	31 August 2010 $m
Residential property loans – secured by mortgages	15,723.3	15,151.7
Securitised residential property loans – secured by mortgages	7,684.7	7,518.6
Personal loans	306.0	321.1
Overdrafts	526.7	501.3
Commercial loans	4,865.7	4,774.1
Leasing finance	4,047.6	4,160.8
Gross loans and advances at amortised cost	33,154.0	32,427.6
Less:		
Unearned lease finance income	(556.3)	(588.8)
Collective provision for impairment	(80.8)	(53.1)
Specific provisions for impairment	(139.7)	(60.5)
Total loans and advances at amortised cost	32,377.2	31,725.2

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	444.0	504.6
Between one and five years	3,498.9	3,534.9
More than five years	104.7	121.3
	4,047.6	4,160.8
Unearned finance income	(556.3)	(588.8)
Net investment in finance leases	3,491.3	3,572.0
The net investment in finance leases comprise:		
Less than one year	393.6	452.8
Between one and five years	3,019.7	3,028.3
More than five years	78.0	90.9
	3,491.3	3,572.0

As at 28 February 2011, off balance sheet securitised leases under management amounted to $137.2m (28 February 2010: $387.9m). 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.

10. Provisions for impairment

	Consolidated	
	28 February 2011 $m	31 August 2010 $m
Specific provision:		
Balance at the beginning of the period	60.5	29.4
Add: Expensed during the period	106.7	82.5
Acquired during the period	-	0.6
Less: Amounts written off against specific provision	(27.5)	(52.0)
Balance at the end of the period	139.7	60.5
Collective provision:		
Balance at the beginning of the period	53.1	21.7
Add: Expensed during the period	27.7	21.7
Acquired during the period	-	9.7
Balance at the end of the period	80.8	53.1
Total provisions for impairment	220.5	113.6

11. Deposits

Deposits at call	9,316.7	9,397.7
Term deposits	11,718.3	10,907.5
Certificates of deposit	7,978.8	7,783.3
Total	29,013.8	28,088.5
Concentration of deposits:		
Retail deposits	19,201.6	18,083.3
Wholesale deposits	9,812.2	10,005.2
Total	29,013.8	28,088.5

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

12. 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	Preference shares [2]	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

	Securitisation liabilities	EMTN Program	ECP Program	Borrowings including subordinated notes	Preference shares	Syndicated Loan	Total
	$m	$m	$m	$m	$m	$m	$m
Half-year ended 28 February 2010							
Balance at the beginning of the period	5,613.8	493.0	164.4	345.7	47.2	318.7	6,982.8
Proceeds from issues	881.9	70.7	1,191.9	-	-	-	2,144.5
Repayments	(771.6)	(461.7)	(733.0)	-	-	-	(1,966.3)
Deferred establishment costs	(3.8)	-	-	-	-	-	(3.8)
Amortisation of deferred costs	3.0	-	-	-	-	-	3.0
Foreign exchange translation	(80.7)	(16.9)	(2.9)	-	-	(18.8)	(119.3)
Balance at the end of the period	5,642.6	85.1	620.4	345.7	47.2	299.9	7,040.9

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

13. Issued capital

	Consolidated 28 February 2011 Number	Consolidated 28 February 2010 Number
(a) *Ordinary shares*		
Movements during the period		
Balance at the beginning of the period	215,685,428	199,789,947
Retail placement and entitlements offer	-	11,080,536
Dividend reinvestment plan	2,028,134	2,308,229
Exercise of options	-	302,000
Conversion of RePS to ordinary shares	4,359,696	-
Balance at the end of the period	222,073,258	213,480,712
Treasury shares (included in ordinary shares above)		
Balance at the beginning of the period	583,080	25,412
Movements during the period	456,707	89,129
Balance at the end of the period	1,039,787	114,541

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 28 February 2011 Number	Consolidated 28 February 2010 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. BOQ 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 APRA. BOQ 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.

14. Capital management

The Bank and Group'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 Australian Prudential Regulation Authority ("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 Group 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 28 February 2011 was 11.7% and Tier 1 capital was 8.7%. Perpetual Equity Preference Shares ("PEPS"), issued as hybrid capital instruments, comprise 11.8% of total Tier 1 capital.

Total Tier 1 capital of 8.7% is represented by 7.7% of Core Tier 1 capital and 1.0% of hybrid capital instruments, including preference shares.

14. Capital management (continued)

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

	Consolidated	
Qualifying capital	**28 February 2011 $m**	31 August 2010 $m
Tier 1		
Fundamental Tier 1		
Ordinary Share Capital	1,927.1	1,861.9
Reserves	34.7	32.9
Retained profits [1]	249.3	239.5
	2,211.1	2,134.3
Residual Tier 1		
Non Innovative (PEPS)	195.7	195.7
Innovative (RePS)	-	47.2
	195.7	242.9
Tier 1 Deductions		
Deferred Expenditure	(102.0)	(100.5)
Goodwill and other identifiable intangibles	(568.8)	(574.4)
Other deductions	(76.8)	(45.3)
	(747.6)	(720.2)
Net Tier 1 Capital	1,659.2	1,657.0
Tier 2		
Upper Tier 2		
General Reserve for Credit Losses	113.6	114.2
Other	0.5	3.2
	114.1	117.4
Lower Tier 2		
Term subordinated debt	491.5	490.5
Tier 2 Deductions	(41.8)	(41.9)
Net Tier 2 Capital	563.8	566.0
Capital Base	2,223.0	2,223.0
Risk Weighted Assets	18,946.3	19,001.4
Capital Adequacy Ratio	11.7%	11.7%

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

15. Operating segments

On 30 June 2010, the Bank acquired CIT Group (Australia) Limited and CIT Group (New Zealand) Limited now renamed to BOQ Finance (Aust) and BOQ Finance (NZ) Limited and on 1 July 2010, the Bank acquired St Andrew's Insurance (Australia) Pty Ltd and St Andrew's Life Insurance Pty Ltd. From 1 September 2010 the Bank has determined and presented the following two 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, equipment and debtor finance, savings and transaction accounts, and treasury.
Insurance	Life insurance and income protection insurance.

	6 Months to 28 February 2011		
	Banking	**Insurance**	**Total Segments**
	$m	**$m**	**$m**
Revenue from outside the group	371.3	19.4	390.7
Inter-segment revenue	2.7	-	2.7
Total segment revenue	374.0	19.4	393.4
Segment profit after tax	42.3	8.1	50.4
Total Assets	39,050.2	120.7	39,170.9

As a result of the acquisition, the composition of the Bank's operating segments has changed from 1 September 2010. The comparative information has not been restated. In the prior year the Consolidated Entity had one reportable segment, this being the provision of retail banking services and products.

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.

16. Average balances and margin analysis

	6 Months to 28 February 2011			6 Months to 31 August 2010		
	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]	32,273.5	1,168.8	7.30	30,959.6	1,094.9	7.02
Investments and other securities [1]	5,549.7	146.0	5.31	5,649.9	138.9	4.88
Total interest earning assets	37,823.2	1,314.8	7.01	36,609.5	1,233.8	6.68
Non-interest earning assets						
Property, plant and equipment	25.6			30.3		
Other assets	963.9			829.4		
Provision for impairment	(148.1)			(94.0)		
Total non-interest earning assets	841.4			765.7		
Total assets	38,664.6			37,375.2		
Interest bearing liabilities						
Retail deposits [1]	18,357.0	457.8	5.03	17,495.9	416.1	4.72
Wholesale deposits and borrowings [1]	17,123.0	546.9	6.44	16,943.0	531.3	6.22
Total interest bearing liabilities	35,480.0	1,004.7	5.71	34,438.9	947.4	5.46
Non-interest bearing liabilities	721.9			574.2		
Total liabilities	36,201.9			35,013.1		
Shareholders' funds	2,462.7			2,362.1		
Total liabilities and shareholders' funds	38,664.6			37,375.2		
Interest margin and interest spread						
Interest earning assets	37,823.2	1,314.8	7.01	36,609.9	1,233.8	6.68
Interest bearing liabilities	35,480.0	1,004.7	5.71	34,438.9	947.4	5.46
Net interest spread [2]			1.30			1.23
Net interest margin - on average interest earning assets	37,823.2	310.1	1.65	36,609.5	286.4	1.55

(1) Calculated on average daily balances

(2) Interest spread is calculated after taking into account third party and Owner Managed Branch commissions.

17. Related parties

Arrangements for related parties are consistent with those disclosed in the 31 August 2010 Annual Report.

18. Contingent liabilities

Other than as outlined below, there have been no material changes in contingent liabilities since 31 August 2010.

As at 22 December 2010, ASIC released a statement announcing that it has lodged legal proceedings against parties including Bank of Queensland, seeking compensation for investors arising out of the collapse of Storm Financial. The Bank's intention is to defend this action vigorously. However, no damages have been claimed at this stage and no estimate can be made.

19. Events subsequent to balance date

Dividends have been declared after 28 February 2011 (refer note 8).

Other than as disclosed in this report, no matters or circumstances have arisen since the end of the financial half year and up until to 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.

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 11 to 29 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 28 February 2011 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 fourteenth day of April 2011.

Signed in accordance with a resolution of the directors:

____
Neil Summerson
Chairman

____
David Liddy
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 balance sheet as at 28 February 2011, 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 19 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.

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 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 28 February 2011 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 200*1.

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 is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Consolidated Entity's financial position as at 28 February 2011 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

John Teer
Partner
Brisbane
14 April 2011