BANK OF QUEENSLAND LIMITED and its controlled entities A.B.N. 32 009 656 740.

Consolidated Interim Financial Report

Half-year ended 28 February 2013

TABLE OF CONTENTS

Directors' Report
Half-year ended 28 February 2013

The Directors present their report together with the consolidated financial report for the half-year ended 28 February 2013 and the independent auditor's 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
Steve Crane	Director since December 2008
Roger Davis	Director since August 2008
Carmel Gray	Director since April 2006
Michelle Tredenick	Director since February 2011
David Willis	Director since February 2010
Richard Haire	Director since April 2012
John Reynolds	Retired as Director on 13 December 2012

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.

Review of Operations and Financial Results

Profitability

Profit after tax for the half-year ended 28 February 2013 of $100.5 million compared with the 29 February 2012 loss after tax of $90.6 million, an increase of $191.1 million. The increase in profit after tax was largely attributable to a reduction in impairment charges to $59.5 million from $327.7 million in the prior corresponding period.

Income

Net interest income increased by 3% to $333.5 million from the prior corresponding period result of $323.5 million. This was driven by asset growth across the retail portfolio offset by reduced net interest margin compared to prior corresponding period. Net interest margin improved over the half compared to the second half of 2012 from 1.63% to 1.65%. (Refer to Note 16).

Other operating income, excluding insurance income, increased by 17% to $61.9 million compared to the prior corresponding period of $52.9 million. The increase was primarily driven by an increase in the net income from financial instruments compared to prior corresponding period.

Review of Operations and Financial Results (continued)

Expenses

Operating expenses increased by 6% for the period to $209.5 million. The increase includes significant restructuring being undertaken to streamline operational processes and investment in frontline systems to improve the customer experience. Restructuring costs totalled $16 million for the period primarily relating to salaries and wages.

Asset quality and provisioning

Impairment expense for the period reduced to $59.5 million, a decrease of $268.2 million or 82% on the prior period expense of $327.7 million. The prior period reflected the bank undergoing a review of its portfolios and provisioning approach which resulted in a significant increase to impairment expense. Impairment expense to 28 February 2013 has improved whilst the bank continues to maintain robust provisioning levels.

Impaired assets decreased in gross terms to $478.5 million as at 28 February 2013 from $525.3 million at 31 August 2012. Impaired assets as a percentage of non-securitised loans have decreased to 1.80% at 28 February 2013 from 2.02% at 31 August 2012. Specific provisions of $213.9 million provides coverage of 45% of impaired assets.

Asset growth

Retail lending grew $0.5 billion for the period with gross loans under management at $35.5 billion. This is consistent with the subdued growth in the Australian economy.

Overall Gross Loans and Advances increased 3% on an annualised basis. Home lending provided much of the growth ($0.5bn) and commercial assets also grew in a flat market environment.

Retail deposit growth

Retail deposits have increased for the period ended 28 February 2013 to $22.9 billion, an increase of $0.6 billion from 31 August 2012. This represents an increase of 6% on an annualised basis as the bank continues to improve its retail deposit mix and reduce reliance on wholesale funding markets, whilst actively managing its net interest margin.

Capital Management

Capital disclosures have been prepared in accordance with the changes to APRA's capital rules (effective 1 January 2013). Total Tier 1 capital of 10.2% is represented by 8.7 % of Common Equity Tier 1 capital and 1.5% of Additional Tier 1 capital, including preference shares. The Total Capital Ratio has increased to 13.1%

In December 2012, the Bank successfully raised approximately $300 million of Convertible Preference Shares ("CPS") including an exchange of approximately $180 million Perpetual Equity Preference Shares ("PEPS") that were reinvested into CPS. The CPS qualify as Additional Tier 1 capital under Basel III capital adequacy framework, which took effect 1 January 2013. The Bank's capital ratio increased from 12.6% in August 2012 to 13.1% at the half year.

On February 2013, the Bank announced its intention to redeem all remaining PEPS on issue on 15 April 2013 in accordance with the PEPS terms of issue. The remaining 198,661 PEPS were redeemed at the redemption price of $100 per PEPS plus the final PEPS dividend paid on 15 April 2013.

Shareholder returns

Statutory diluted earnings per share has increased to 30.4c for the period ended 28 February 2013, compared to the period ended 29 February 2012 loss of 39.8c.

The increase in diluted earnings per share is largely a result of decreased loan impairment charges and improved underlying performance for the period compared to the prior corresponding period.

The Bank has declared an interim dividend of 28 cents per share fully franked. This is an increase of 8% on the 2012 interim dividend of 26 cents.

Review of Operations and Financial Results (continued)

Subsequent events

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 28 February 2013.

On 10 April 2013, the Bank announced to the Australian Stock Exchange its acquisition of 100% of Virgin Money (Australia) Pty Limited for consideration of $40 million. Approximately $30 million of new shares will be issued as part of the acquisition consideration. Both the purchase price and the value of shares issued are subject to completion adjustments. Completion of the purchase is anticipated for 30 April 2013 and will provide further diversification to the Bank's existing distribution capabilities.

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

The lead auditor's independence declaration is set out on page 6 and forms part of the Directors' Report for the half-year ended 28 February 2013.

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 2013.

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 28 February 2013, 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 2013

Consolidated Interim Income Statement
For the half-year ended 28 February 2013

	Note	28 February 2013 $m	29 February 2012 $m
Interest income	5	1,169.7	1,326.6
Less: Interest expense	5	836.2	1,003.1
Net interest income		333.5	323.5
Other operating income	5	61.9	52.9
Net banking operating income		395.4	376.4
Premiums from insurance contracts		35.7	37.4
Investment revenue		3.0	3.7
Claims and policyholder liability expense from insurance contracts		(19.1)	(20.9)
Net insurance operating income	5	19.6	20.2
Total operating income	5	415.0	396.6
Less: Expenses	6	209.5	197.0
Less: Impairment on loans and advances	10	59.5	327.7
Profit / (loss) before income tax		**146.0**	**(128.1)**
Less: Income tax expense / (benefit)	7	45.5	(37.5)
Profit / (loss) for the period		**100.5**	**(90.6)**
Profit / (loss) attributable to:			
Equity holders of the parent		100.5	(90.6)
Basic earnings per share – Ordinary Shares (cents)		31.7	(39.8)
Diluted earnings per share – Ordinary Shares (cents)		30.4	(39.8)

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

Consolidated Interim Statement of Comprehensive Income

For the half-year ended 28 February 2013

	28 February 2013 $m	29 February 2012 $m
Profit / (loss) for the period	**100.5**	**(90.6)**
Other comprehensive income, net of income tax		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges:		
Net gains / (losses) taken to equity	18.0	(3.9)
Net (gains) / losses transferred to profit and loss	(0.5)	0.7
Foreign currency translation differences on foreign operations	0.5	(0.7)
Net gain / (loss) on hedge of net investment in foreign operation	(0.5)	0.8
Change in fair value of assets available for sale	1.7	(1.6)
Other comprehensive income / (expense) for the period, net of income tax	**19.2**	**(4.7)**
Total comprehensive income / (expense) for the period	**119.7**	**(95.3)**
Total comprehensive income / (expense) attributable to:		
Equity holders of the parent	119.7	(95.3)

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

Consolidated Interim Balance Sheet
As at 28 February 2013

Assets	Note	28 February 2013 $m	31 August 2012 $m
Cash and liquid assets		643.6	670.5
Due from other financial institutions		114.4	119.7
Other financial assets		5,677.0	5,689.4
Derivative financial instruments		217.9	276.1
Loans and advances at amortised cost	9	34,683.1	34,147.2
Current tax assets		-	0.7
Property, plant and equipment		37.2	38.5
Deferred tax assets		105.9	125.7
Other assets		102.9	113.4
Intangible assets		549.1	554.6
Investments accounted for using the equity method		21.3	22.2
Total assets		**42,152.4**	**41,758.0**
Liabilities			
Due to other financial institutions		189.3	177.8
Deposits	11	31,624.6	31,171.9
Derivative financial instruments		206.0	253.0
Accounts payable and other liabilities		373.6	450.4
Current tax liabilities		8.6	-
Provisions		43.0	44.1
Insurance policy liabilities		72.7	73.5
Borrowings including subordinated notes	12	6,850.6	6,688.1
Total liabilities		**39,368.4**	**38,858.8**
Net assets		**2,784.0**	**2,899.2**
Equity			
Issued capital		2,512.1	2,660.1
Reserves		124.3	106.2
Retained profits		147.6	132.9
Total equity		**2,784.0**	**2,899.2**

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 2013

Cash flows from operating activities	28 February 2013 $m	29 February 2012 $m
Interest received	1,179.9	1,351.5
Fees and other income received	83.9	88.9
Dividends received	1.1	0.7
Interest paid	(858.8)	(1,076.7)
Cash paid to suppliers and employees	(191.6)	(203.6)
Operating income tax paid	(25.1)	(111.5)
	189.4	49.3
(Increase) / decrease in operating assets:		
Loans and advances at amortised cost	(595.4)	(566.3)
Other financial assets	32.2	263.5
Increase/ (decrease) in operating liabilities:		
Deposits	462.8	268.4
Securitisation liabilities	(254.5)	288.7
Net cash from operating activities	**(165.5)**	**303.6**
Cash flows from investing activities		
Payments for property, plant and equipment	(6.3)	(7.5)
Payments for intangible assets	(12.9)	(10.1)
Cash distribution received from equity accounted investments	1.4	3.4
Capital contribution for equity accounted investments	(0.5)	-
Proceeds from sale of property, plant and equipment	2.9	2.2
Net cash from investing activities	**(15.4)**	**(12.0)**
Cash flows from financing activities		
Proceeds from borrowings and foreign exchange instruments	854.0	415.7
Net proceeds from issue of Convertible Preference Shares	112.2	-
Repayment of borrowings	(754.1)	(496.3)
Payments for treasury shares	-	(4.1)
Dividends paid	(58.1)	(35.4)
Net cash from financing activities	**154.0**	**(120.1)**
Net increase / (decrease) in cash and cash equivalents	**(26.9)**	**171.5**
Cash and cash equivalents at beginning of year	**670.5**	**433.2**
Cash and cash equivalents at end of half-year	**643.6**	**604.7**

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 2013

Half-year ended 28 February 2013	Ordinary shares $m	Perpetual Equity Preference shares $m	Employee benefits reserve $m	Equity reserve for credit losses $m	Other reserves $m	Retained profits $m	Total equity $m
Balance at beginning of the period	2,464.4	195.7	33.3	70.2	2.7	132.9	2,899.2
Total comprehensive income for the period							
Profit	-	-	-	-	-	100.5	100.5
Other comprehensive income, net of income tax							
Cash flow hedges:							
- Net gains taken to equity	-	-	-	-	18.0	-	18.0
- Net gains transferred to profit and loss	-	-	-	-	(0.5)	-	(0.5)
Net loss on hedge of net investment in foreign operation	-	-	-	-	(0.5)	-	(0.5)
Foreign currency translation differences on foreign operations	-	-	-	-	0.5	-	0.5
Change in fair value of assets available for sale	-	-	-	-	1.7	-	1.7
Total other comprehensive income	-	-	-	-	19.2	-	19.2
Total comprehensive income for the period	-	-	-	-	19.2	100.5	119.7
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Conversion to Convertible Preference Shares [(1)]	-	(180.1)	-	-	-	-	(180.1)
Dividend reinvestment plan	27.7	-	-	-	-	-	27.7
Dividends to shareholders	-	-	-	-	-	(80.2)	(80.2)
Dividends to PEPs	-	-	-	-	-	(5.6)	(5.6)
Equity settled transactions	-	-	(1.1)	-	-	-	(1.1)
Treasury Shares [(2)]	4.4	-	-	-	-	-	4.4
Total contributions by and distributions to owners	32.1	(180.1)	(1.1)	-	-	(85.8)	(234.9)
Balance at the end of the period	2,496.5	15.6	32.2	70.2	21.9	147.6	2,784.0

(1) On 24 December 2012, 1,801,339 PEPS shares were reinvested into Convertible Preference Shares. Refer to Note 14 and 15 for further details.

(2) 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

For the half-year ended 28 February 2013

Half-year ended 29 February 2012	Ordinary shares $m	Perpetual Equity Preference shares $m	Employee benefits reserve $m	Equity reserve for credit losses $m	Other reserves $m	Retained profits $m	Total equity $m
Balance at beginning of the period	1,957.6	195.7	33.5	67.0	14.9	304.9	2,573.6
Total comprehensive income 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	(4.7)	(3.1)	(4.7)
Total comprehensive expense for the period	-	-	-	3.1	(4.7)	(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	10.2	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.

Condensed notes to the Consolidated Interim Financial Statements

Half-year ended 28 February 2013

Condensed Notes to the Consolidated Interim Financial Statements

For the half-year ended 28 February 2013

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 2013 comprises the Bank and its subsidiaries (together referred to as 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 2012 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. Basis of preparation

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 2012.

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (as amended by ASIC Class Order 04/667) and in accordance with that Class Order, amounts contained in this 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.

The consolidated interim financial report was approved by the Board of Directors on 18 April 2013.

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 2012 other than described below.

The following changes in accounting policies are also expected to be reflected in the Consolidated Entity's financial statements as at and for the year ending 31 August 2013.

Presentation of transactions recognised in other comprehensive income

From 1 September 2012 the Consolidated Entity applied amendments to AASB 134 *Interim Financial Reporting* outlined in AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*. The change in accounting policy only relates to disclosures and has had no impact on consolidated earnings per share or net income. The changes have been applied retrospectively and require the Consolidated Entity to separately present those items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss.

4. Use of estimates and judgements

The preparation of the consolidated 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 and for the year ended 31 August 2012.

5. Operating income

	28 February 2013 $m	29 February 2012 $m
Interest income		
Loans and advances	1,058.1	1,195.3
Securities at fair value	111.6	131.3
Total interest income	**1,169.7**	**1,326.6**
Interest expense		
Retail deposits	459.4	511.4
Wholesale deposits and borrowings	376.8	491.7
Total interest expense	836.2	1,003.1
Net interest income	**333.5**	**323.5**
Income from operating activities		
Other customer fees and charges	51.9	52.5
Share of fee revenue paid to Owner Managed Branches	(7.0)	(7.5)
Net income from financial instruments and derivatives at fair value	4.1	(2.8)
Commission	3.4	2.7
Foreign exchange income – customer based	3.6	3.8
Net profit on sale of property, plant and equipment	2.5	1.7
Other income	3.4	2.5
	61.9	**52.9**
Other operating income	**61.9**	**52.9**
Net Insurance operating income	19.6	20.2
Total operating income	**415.0**	**396.6**

6. Expenses

	Consolidated	
	28 February 2013 $m	29 February 2012 $m
Operating expenses		
Advertising	4.4	7.0
Commissions to Owner Managed Branches	4.7	1.5
Communications and postage	11.0	9.3
Printing and stationery	1.9	3.0
Non-lending losses	0.5	0.3
Processing costs	12.2	12.0
Other operating expenses	9.6	9.7
	44.3	42.8
Administrative expenses		
Professional fees	8.3	5.8
Directors' fees	0.8	0.8
Other	4.1	3.8
	13.2	10.4
Computer costs		
Data processing	29.0	24.8
Amortisation and impairment – computer software (intangible)	10.0	19.3
Depreciation – IT equipment	0.7	0.7
	39.7	44.8
Occupancy expenses		
Lease rental	10.1	10.4
Depreciation - plant, furniture, equipment and leasehold improvements	3.8	3.9
Other	1.2	1.2
	15.1	15.5
Employee expenses		
Salaries and wages	75.8	64.5
Superannuation contributions	6.0	6.0
Payroll tax	4.8	3.8
Equity settled transactions	3.3	1.9
Other	2.8	2.8
	92.7	79.0
Other		
Amortisation – acquired intangibles	4.5	4.3
Integration costs	-	0.2
	4.5	4.5
Expenses	209.5	197.0

7. Income tax expense

The Consolidated Entity's consolidated effective tax expense rate for the six months ended 28 February 2013 was 31.2% and for the six months ended 29 February 2012 was a 29.3% benefit.

8. Dividends

	Half-year ended			
	28 February 2013		29 February 2012	
	Cents per share	$m	Cents per share	$m
Ordinary shares				
Final dividend (fully franked) paid 8 December 2012 (2011: 2 December 2011)	26	80.2	28	63.1
Preference shares not recognised as liabilities				
Half-yearly PEPS dividend paid on 15 October 2012 (2011: 17 October 2011)	217	4.3	250	5.0
Pro-rated PEPS dividend paid on 24 December 2012 (2011: nil)	69	1.3	-	-
Total		**5.6**		**5.0**
Dividends not recognised in the balance sheet				
In addition to the above dividends, since half-year end the Directors have proposed the following:				
Interim dividend (fully franked) expected to be paid on 27 May 2013 (2012: 25 May 2012) out of retained profits at 28 February 2013, but not recognised as a liability in the balance sheet	28	87.6	26	79.0
Half-yearly PEPS dividend (fully franked) expected to be paid on 15 April 2013 (2012: 16 April 2012) but not recognised as a liability in the balance sheet	179	0.4	234	4.7
Half-yearly CPS dividend (fully franked) expected to be paid on 15 April 2013 (2012: nil) of which $3.2 million has been recognised as a liability in the balance sheet	177	5.3	-	-
		93.3		83.7

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. On 17 April 2013, the Board resolved to change the discount to 1.5% 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 ten trading day period commencing on the second trading day after the Record Date. All shares issued in comparative periods were at discount of 2.5%. Shares issued are fully paid and rank equally with existing fully paid ordinary shares. The last date for election to participate in the Dividend Reinvestment Plan for the 2013 interim dividend is 14 May 2013.

9. Loans and advances at amortised cost

	Consolidated	
	28 February 2013 $m	31 August 2012 $m
Residential property loans – secured by mortgages	17,754.7	17,324.9
Securitised residential property loans – secured by mortgages	8,152.0	8,115.2
Total residential property loans - secured by mortgages	25,906.7	25,440.1
Personal loans	203.1	224.3
Overdrafts	435.8	473.9
Commercial loans	5,014.0	4,935.9
Leasing finance	3,904.4	3,930.0
Gross loans and advances at amortised cost	35,464.0	35,004.2
Less:		
Unearned lease finance income	(416.7)	(444.1)
Collective provision for impairment	(150.3)	(192.6)
Specific provisions for impairment	(213.9)	(220.3)
Total loans and advances at amortised cost	34,683.1	34,147.2
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	1,572.7	1,520.2
Between one and five years	2,303.5	2,386.4
More than five years	28.2	23.4
	3,904.4	3,930.0
Unearned finance income	(416.7)	(444.1)
Net investment in finance leases	3,487.7	3,485.9
The net investment in finance leases comprise:		
Less than one year	1,365.0	1,300.7
Between one and five years	2,097.2	2,163.7
More than five years	25.5	21.5
	3,487.7	3,485.9

10. Provisions for impairment

	Consolidated	
	28 February 2013 $m	31 August 2012[1] $m
Specific provision:		
Balance at the beginning of the period	220.3	249.3
Add: Expensed during the period	88.0	62.1
Less: Amounts written off against specific provision	(96.0)	(114.9)
Transfers from collective provision	10.2	34.8
Unwind of discount	(8.6)	(11.0)
Balance at the end of the period	213.9	220.3
Collective provision:		
Balance at the beginning of the period	192.6	242.1
Add: Expensed / (released) during the period	(28.5)	11.2
Impairment losses written off	(3.6)	(25.9)
Transfers to specific provision	(10.2)	(34.8)
Balance at the end of the period	150.3	192.6
Total provisions for impairment	**364.2**	**412.9**

(1) Six months to 31 August 2012.

11. Deposits

	Consolidated	
	28 February 2013 $m	31 August 2012 $m
Deposits at call	9,488.0	8,134.9
Term deposits	16,563.9	16,753.6
Certificates of deposit	5,572.7	6,283.4
Total	**31,624.6**	**31,171.9**
Concentration of deposits:		
Retail deposits	22,907.6	22,270.0
Wholesale deposits	8,717.0	8,901.9
Total	**31,624.6**	**31,171.9**

12. Borrowings including subordinated notes

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

Half-year ended 28 February 2013	Securitisation liabilities [(1)] $m	EMTN Program $m	ECP Program $m	Borrowings including subordinated notes $m	Convertible Preference Shares [(3)] $m	Syndicated Loan $m	Total $m
Balance at the beginning of the period	5,792.6	33.0	169.6	500.1	-	192.8	6,688.1
Proceeds from issues	1,584.3	16.0	828.8	-	300.0	-	2,729.1
Repayments	(1,835.1)	-	(693.9)	(60.2)[(2)]	-	-	(2,589.2)
Deferred establishment costs	(3.7)	-	-	-	(7.7)	-	(11.4)
Amortisation of deferred costs	2.6	-	-	-	0.1	0.4	3.1
Foreign exchange translation	20.7	0.1	9.4	-	-	0.7	30.9
Balance at the end of the period	5,561.4	49.1	313.9	439.9	292.4	193.9	6,850.6

Half-year ended 29 February 2012	Securitisation liabilities [(1)] $m	EMTN Program $m	ECP Program $m	Borrowings including subordinated notes $m	Syndicated Loan $m	Total $m
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)[(2)]	-	(1,247.2)
Deferred establishment costs	(2.1)	-	-	-	-	(2.1)
Amortisation of deferred costs	2.6	-	-	-	-	2.6
Foreign exchange translation	44.6	0.4	(0.9)	-	(1.7)	42.4
Balance at the end of the period	5,859.4	33.0	223.9	545.6	183.5	6,845.4

(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) Convertible Notes were issued 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 2 and Tranche 3 have been redeemed during the prior financial year and Tranche 1 in the current period.

(3) 3,000,000 Convertible Preference Shares (CPS) were issued on 24 December 2012. CPS are fully-paid, perpetual, convertible, unguaranteed and unsecured preference shares with preferred, discretionary, non-cumulative dividends. CPS will mandatorily convert into ordinary shares on 15 April 2020. The Bank is entitled to convert, redeem or transfer some or all of the CPS on the optional conversion / redemption date of 15 April 2018 subject to the prior written approval from the Australian Prudential Regulation Authority ("APRA"). The Bank is also entitled to convert, redeem or transfer some or all of the CPS on the occurrence of a regulatory event or tax event and in addition, conversion of the CPS into ordinary shares must occur immediately following the occurrence of a capital trigger event or a non-viability trigger event. CPS rank for payment of capital ahead of ordinary shareholders, equally with PEPS and other securities or instruments ranking equally with CPS, but behind all other securities or instruments ranking ahead of CPS, and behind all depositors and other creditors.

13. Issued capital

	Consolidated	
	28 February 2013 Number	29 February 2012 Number
(a) Ordinary shares		
Movements during the period		
Balance at the beginning of the period	308,797,525	225,369,848
Dividend reinvestment plan	4,081,695	4,228,782
Balance at the end of the period	312,879,220	229,598,630
Treasury shares (included in ordinary shares above)		
Balance at the beginning of the period	867,293	906,311
Movements during the period	(443,618)	201,354
Balance at the end of the period	423,675	1,107,665

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 preference shareholders, depositors and creditors and are fully entitled to any residual proceeds of liquidation.

	Consolidated	
	28 February 2013 Number	29 February 2012 Number
(b) Perpetual Equity Preference Shares ("PEPS")		
Balance at the beginning of period	2,000,000	2,000,000
Conversion to Convertible Preference Shares	(1,801,339)	-
Balance at the end of the period	198,661	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 Regulation 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.

On February 2013, the Bank announced its intention to redeem all remaining PEPS on issue on 15 April 2013 in accordance with the PEPS terms of issue. The remaining 198,661 PEPS were redeemed at the redemption price of $100 per PEPS plus the final PEPS dividend paid on 15 April 2013.

14. 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 its 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.

For capital adequacy purposes, a bank's capital base is the sum of Tier 1 Capital and Tier 2 Capital, net of specified deductions;

- Under APRA's previous prudential standards, Tier 1 Capital is comprised of Fundamental Tier 1 Capital and Residual Tier 1 Capital.
- Effective 1 January 2013, Tier 1 Capital will be comprised of Common Equity Tier 1 Capital and Additional Tier 1 Capital.

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 8.5% and 10% of risk weighted assets and the total capital range to be between 11.5% and 13% of risk weighted assets. The total capital adequacy ratio at 28 February 2013 was 13.1% and Net Tier 1 capital was 10.2%.

Net Tier 1 capital of 10.2% is represented by 8.7% of Net Common Equity Tier 1 capital and 1.5% of additional Tier 1 capital.

From 1 January 2013 Basel III became effective. The key features of Basel III are:

- a new definition of regulatory capital under which common equity is the predominant form of Tier 1 Capital;
- a stricter approach to regulatory adjustments under which most deductions from capital are to be from Common Equity Tier 1 Capital; and
- an increase in the minimum amounts of capital that ADIs must hold. Common Equity Tier 1 Capital must be at least 4.5% of total risk-weighted assets and the Tier 1 Capital ratio at least 6%.

14. Capital management (continued)

Qualifying capital	Consolidated[1] 28 February 2013 $m	Consolidated[1] 31 August 2012 $m
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	2,496.5	2,464.6
Reserves	61.5	33.3
Retained profits, including current year profits	160.5	116.8
Total Common Equity Tier 1 Capital	2,718.5	2,614.7
Regulatory adjustments		
Goodwill and intangibles	(539.9)	(541.1)
Deferred Expenditure	(121.4)	(106.8)
Other deductions	(196.4)	(164.4)
Total regulatory adjustments	(857.7)	(812.3)
Net Common Equity Tier 1 Capital	1,860.8	n/a
Additional Tier 1 Capital	314.0	195.7
Net Tier 1 Capital	2,174.8	1,998.1
Tier 2 Capital		
Tier 2 Capital	396.0	499.9
General Reserve for Credit Losses	220.5	184.2
Other	n/a	8.5
Tier 2 regulatory adjustments	n/a	(31.5)
Net Tier 2 Capital	616.5	661.1
Capital Base	2,791.3	2,659.2
Risk Weighted Assets	21,345.7	21,098.1
Capital Adequacy Ratio	13.1%	12.6%

(1) Basel III came into effect from 1 January 2013. The standard amendments have resulted in changes to terminology and the calculation of capital. The above table reflects the terminology used under the new framework for February 2013. The August 2012 comparative balances have been compared with the most appropriate line under the new framework.

15. Operating segments

The Bank has determined and presented the following two segments based on information provided to the Chief Operating Decision Maker.

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 2013			
	Banking $m	Insurance $m	Consolidation Adjustments $m	Total Segments $m
Revenue from outside the group	395.8	19.2	-	415.0
Inter-segment revenue	3.0	-	(3.0)	-
Total segment revenue	398.8	19.2	(3.0)	415.0
Expenses	205.1	7.4	(3.0)	209.5
Impairment on loans and advances	59.5	-	-	59.5
Segment profit before tax	134.2	11.8	-	146.0
Tax	42.0	3.5	-	45.5
Segment profit after tax	92.2	8.3	-	100.5
Total Assets	42,039.7	161.7	(49.0)	42,152.4

	6 Months to 29 February 2012 (1)			
	Banking $m	Insurance $m	Consolidation Adjustments $m	Total Segments $m
Revenue from outside the group	376.7	20.2	-	396.9
Inter-segment revenue	3.2	-	(3.2)	-
Total segment revenue	379.9	20.2	(3.2)	396.9
Expenses	192.4	8.1	(3.2)	197.3
Impairment on loans and advances	327.7	-	-	327.7
Segment profit / (loss) before tax	(140.2)	12.1	-	(128.1)
Tax	(41.5)	4.0	-	(37.5)
Segment profit / (loss) after tax	(98.7)	8.1	-	(90.6)
Total Assets	39,951.0	154.8	(21.3)	40,084.5

Information provided to the Chief Operating Decision Maker no longer includes the BOQ Finance segment separately from Banking and Insurance. Therefore, the BOQ Finance segment has been removed.

The Consolidated Entity's business segments operate principally in Australia.

(1) The prior periods numbers have been restated so that they are comparable to the current period.

16. Average balances and margin analysis

	6 Months to 28 February 2013			6 months to 31 August 2012		
	Average Balance $m	Interest $m	Average Rate $m	Average Balance $m	Interest $m	Average Rate $m
Interest earning assets						
Gross loans and advances at amortised cost	34,783.6	1,058.1	6.13%	34,375.5	1,149.8	6.63%
Investments and other securities	5,998.0	111.6	3.75%	5,564.6	119.7	4.27%
Total interest earning assets	**40,781.6**	**1,169.7**	**5.78%**	**39,940.1**	**1,269.5**	**6.30%**
Non-interest earning assets						
Property, plant and equipment	36.7			32.3		
Other assets	1,368.5			1,198.7		
Provision for impairment	(406.3)			(473.6)		
Total non-interest earning assets	998.9			757.4		
Total assets	**41,780.5**			**40,697.5**		
Interest earning assets						
Interest bearing liabilities						
Retail deposits	22,363.7	459.4	4.14%	21,315.7	514.4	4.79%
Wholesale deposits and borrowings	15,833.1	376.8	4.80%	15,878.4	427.2	5.34%
Total interest bearing liabilities	38,196.8	836.2	4.41%	37,194.1	941.6	5.02%
Non-interest bearing liabilities	726.4			748.4		
Total liabilities	38,923.2			37,942.5		
Shareholders' funds	2,855.9			2,759.6		
Total liabilities and shareholders' funds	**41,779.1**			**40,702.1**		
Interest margin and interest spread						
Interest earning assets	40,781.6	1,169.7	5.78%	39,940.1	1,269.5	6.30%
Interest bearing liabilities	38,196.8	836.2	4.41%	37,194.1	941.6	5.02%
Net interest spread (1)			1.37%			1.28%
Net interest margin – on average interest earning assets	**40,781.6**	**333.5**	**1.65%**	**39,940.1**	**327.9**	**1.63%**

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

17. Related parties

During the period control was gained for Series 2012-1E REDS Trust. The trust was opened on 9 November 2012.

Arrangements for related parties are consistent with those disclosed in the 31 August 2012 Annual Report.

18. Contingent liabilities

There have been no material changes in contingent liabilities since 31 August 2012.

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. One proceeding has been heard and the Bank is awaiting judgment. The proceedings are regulatory in nature. At this stage no estimate of any potential liability can be made.

On 6 December 2012 a class action was commenced against the Bank, also arising out of the collapse of Storm Financial. The Bank's intention is to defend this action vigorously. At this stage no estimate of any potential liability can be made.

The trials of the proceedings involving the Bank by a number of former Owner-Managers in NSW commenced in the Supreme Court of New South Wales on 17 September 2012. These trials are continuing.

19. 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 28 February 2013. Refer Note 8.

On 10 April 2013, the Bank announced to the Australian Stock Exchange its acquisition of 100% of Virgin Money (Australia) Pty Limited for consideration of $40 million. Approximately $30 million of new shares will be issued as part of the acquisition consideration. Both the purchase price and the value of shares issued are subject to completion adjustments. Completion of the purchase is anticipated for 30 April 2013 and will provide further diversification to the Bank's existing distribution capabilities.

Directors' Declaration

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

(a) the consolidated financial statements and accompanying notes, set out on pages 5 to 26 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 2013 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 2013.

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 balance sheet as at 28 February 2013, consolidated interim income statement, consolidated interim statements of comprehensive income, changes in equity and cash flows for the half-year 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 Group comprising the Bank 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 28 February 2013 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 28 February 2013 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 2013