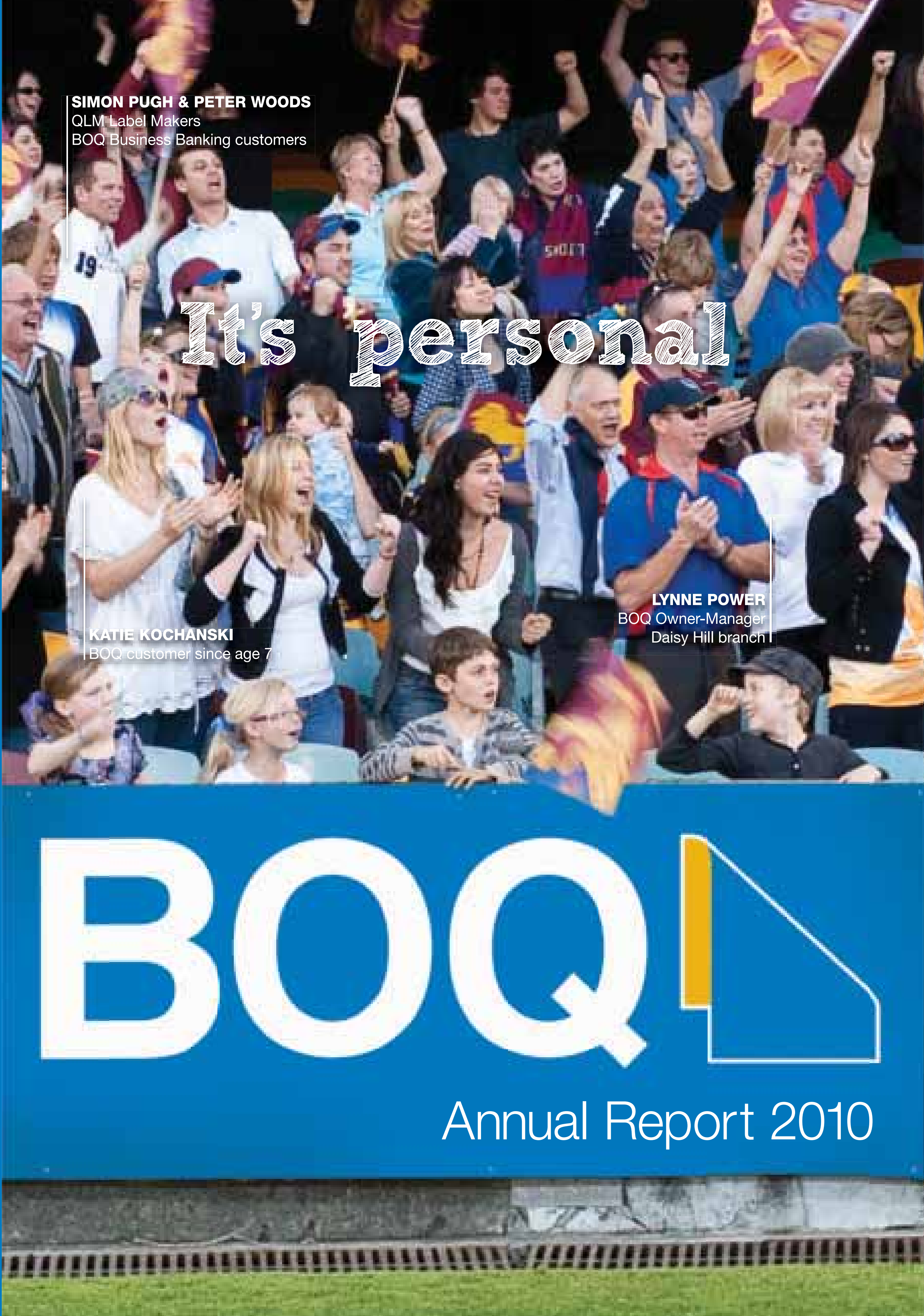
BANK OF QUEENSLAND ANNUAL REPORT 2010




JONAH & AMBER
Community members
SHIRLEY KOLPAK
Shareholder
BOQ

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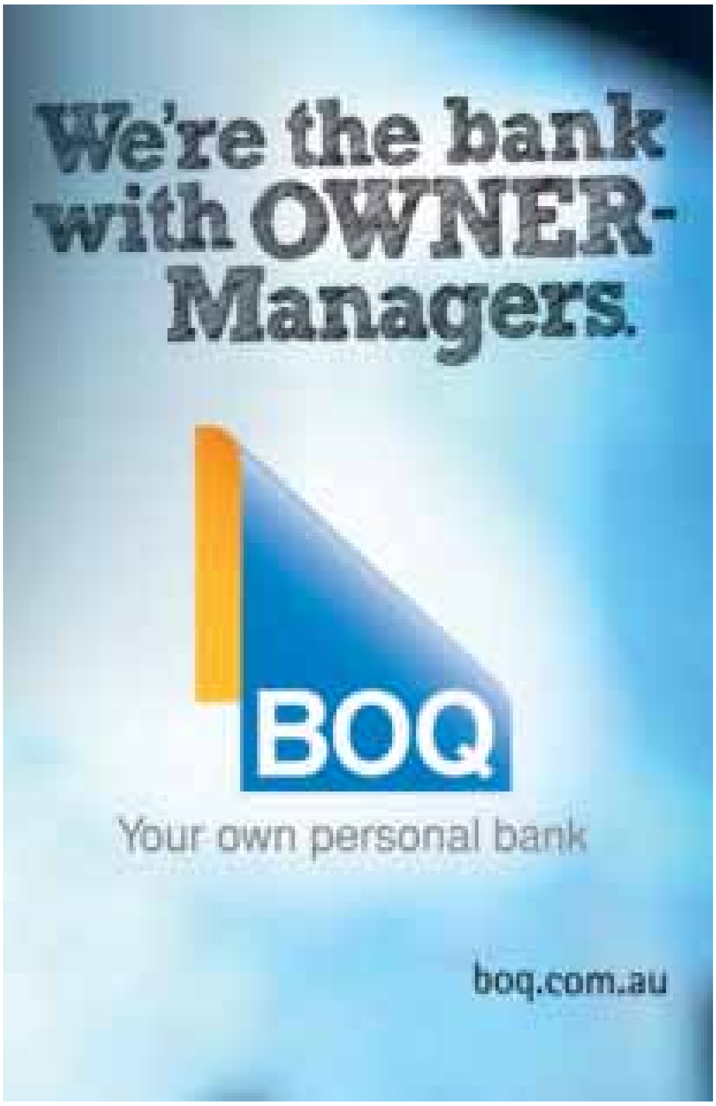


We're the bank with OWNER-Managers.
BOQ
Your own personal bank
boq.com.au

operational overview

BRAND RELAUNCH

In February 2010, BOQ launched a new brand promise:
your own personal bank

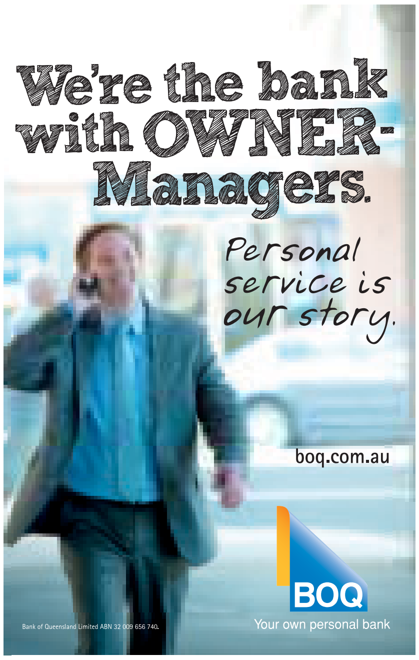
The new brand was the culmination of an 18 month "inside out" brand review, where both staff and customers helped to really define what makes BOQ different to the other banks. The overwhelming response was that for us, it's personal.

And it all started with this simple question. Is there such a thing as a bank that is truly personal?

- A bank that knows your name
- A bank that thinks you're important
- A bank that truly values personal relationships
- A bank you can recommend
- A bank that knows there is a much better way
- Where every customer, big or small, will feel like they own the bank and not that the bank owns them
- For everyone at BOQ, greater pride and commitment
- For our customers, BOQ would be your own personal bank

At BOQ, most of our branches are run by local Owner-Managers. This means they're running a small business, so they get what it means to deliver personal service. So we really can deliver on our promise of being your own personal bank.

The brand relaunch also represented the perfect moment in time to reintroduce ourselves as BOQ, rather than the state-centric name of Bank of Queensland. Over the past decade, we have expanded right across Australia. As BOQ, we hold onto our strong heritage, but at the same time reflect our position as a more progressive and formidable national brand.



Our Owner-Managers featured in our brand relaunch advertising. This is Anthony Walker, Owner-Manager of our Penrith branch in NSW.

AWARDS FOR EXCELLENCE

- BOQ won 'Best Mobile Commerce Application' in the Ambers, an online banking review to recognise excellence in transaction based online services.
- Our Cash Management, Reverse Charges and Business Websavings Accounts have all won CANSTAR CANNEX awards in the past financial year.
- BOQ won the 'Best Value Savings in Australia' award in 2009 from CANSTAR CANNEX.

NEW ONLINE SHARE TRADING

- BOQ announced a partnership with CMC Markets Stockbroking, to provide an online share trading service, to be launched in 2011.

Mairead Hodgson,
Owner-Manager,
Innaloo, WA

acquisitions

We are delivering on our strategy of reducing capital intensity and increasing margins through complementary acquisitions, and this year purchased St Andrew's Insurance (Australia) Pty Ltd and St Andrew's Life Insurance Pty Ltd as well as CIT Group (Australia) Limited and CIT Group (New Zealand) Limited.

George Kapelles, Owner-Manager, Werribee VIC

- St Andrew's Insurance (Australia) Pty Ltd and St Andrew's Life Insurance Pty Ltd (St Andrew's) are leading manufacturers of insurance products with a solid history of partnering with financial institutions to offer these products to their customers.
- Prior to the purchase, BOQ was already a significant customer of St Andrew's and importantly, our staff know how to successfully sell St Andrew's products.
- St Andrew's is being operated as an independent entity, in much the same way as it was profitably operating prior to our purchase.
- The St Andrew's purchase was immediately earnings per share accretive.
- CIT Group (Australia) Limited and CIT Group (New Zealand) Limited (CIT Australia and New Zealand), now BOQ Finance (Aust) Limited, and BOQ Finance (NZ) Limited are one of the foremost providers of vendor based equipment finance and leasing in Australia and New Zealand. It works with manufacturers, dealers and resellers to provide leasing and financing packages to consumers, businesses, government agencies and education providers.
- The CIT Australia and New Zealand business has been combined with BOQ's existing equipment and debtor finance businesses to form BOQ National Finance.
- The CIT acquisition was also immediately earnings per share accretive.

financial highlights

INCREASED NORMALISED CASH PROFIT

BOQ announced an increased normalised cash net profit after tax of $197.1 million for the year ended 31 August 2010, an increase of 5% from 2009. A strong balance sheet, continued expense discipline, and high growth in lending and deposits all contributed to securing such a strong result in what has continued to be a challenging economic environment.

DIVIDEND

A final ordinary dividend of 26 cents per share will be paid, taking the full year dividend to 52 cents per share fully franked, matching the dividend paid in 2009.

CONTINUING TO REDUCE COSTS

Cost initiatives implemented throughout the 2009/10 financial year have created a more efficient and productive organisation, reflected in an improvement in costs relative to income. The Bank was pleased to report at its full year results 2010 that the normalised cash cost-to-income ratio had fallen 4.1% to 45.8%.

LENDING AND DEPOSIT GROWTH

BOQ once again out-performed the Australian banking sector in terms of lending and deposit growth, recording approximately 2.5 times more growth in loans and 1.5 times more growth in deposits than the industry average.

Jason Fraser,
Owner-Manager,
Buderim QLD

financial highlights

STRONG CAPITAL AND LIQUIDITY

The Bank maintained an exceptionally strong level of capital, higher than required by APRA and the Bank's own internal benchmarks, which will enable the Bank to capitalise on growth opportunities that are expected to progressively unfold going forward. This high level of capital was supported by:

- a record $1.6 billion Retail Mortgage Backed Securitisation (RMBS) issue completed in August 2010, which at the time, was the largest issue of its kind completed in Australia since 2007.
- a $150 million issue of Lower Tier 2 Convertible Notes in June 2010.
- in February 2010, BOQ saw strong investor demand for the Series 2010-1 REDS Trust RMBS which resulted in the transaction being upsized from $500 million to $850 million.
- Government guaranteed transactions raising $1.25 billion in December 2009, $250 million in January 2010 and $1 billion in March 2010.
- the 1-for-9 pro-rata non-renounceable Entitlement Offer which was successfully completed in September 2009. The retail component of this offer raised $110 million and followed the completion of an institutional component and placement which raised $230 million.

$ millions (unless otherwise stated)	**2010 $m**	**2009 $m**	**2008 $m**	**2007 $m**	**2006 $m**
FINANCIAL POSITION					
Total assets under management	38,784.4	34,545.8	30,912.5	21,653.3	16,866.7
Total loans under management	31,991.8	28,866.3	26,291.8	19,224.5	15,081.4
Total assets on balance sheet	38,570.9	34,012.0	29,883.2	20,037.3	15,797.1
Retail deposits	18,083.3	16,248.9	13,984.5	9,160.9	6,867.2
FINANCIAL PERFORMANCE					
Normalised cash net profit after tax	197.1	187.4	155.4	106.1	86.7
SHAREHOLDER PERFORMANCE					
Market capitalisation at balance date	2,120.3	2,327.7	2,377.4	2,101.0	1,628.4
Share price at balance date	$9.83	$11.65	$15.86	$18.56	$15.29
Fully franked ordinary dividend per share	$0.52	$0.52	$0.73	$0.69	$0.57
RATIOS					
Net interest margin	1.60%	1.56%	1.67%	1.81%	1.83%
Capital adequacy ratio	11.7%	11.5%	11.0%	11.5%	12.5%
Normalised cash cost-to-income ratio[1, 2]	45.8%	49.9%	56.1%	62.6%	64.5%

(1) Excluding significant and non-recurring items.
(2) Non cash items relate to amortisation of identifiable assets.

Lynne Power
BOQ Owner-Manager Daisy Hill branch

I consider myself a career banker, with 28 years' banking and finance experience at a variety of financial institutions, including Westpac and St George.

I established and managed the successful set up of the largest community bank franchise (four branches) for Bendigo Bank from 2000 to 2004, but was still looking for an opportunity that would let me capitalise on my banking experience and run my own business. So in 2005 I bought the franchise of BOQ at Daisy Hill.

As an Owner-Manager I love helping my customers find banking solutions that are right for them. My customers have my mobile number and know that I am here if they need me. This is the way banking should be.

chairman's
report

Over the past year the global economic recovery from the GFC has been mixed, with some countries, like Australia, seeming to recover easily, but there are many other countries still facing dire economic circumstances.

NORMALISED CASH NET PROFIT AFTER TAX UP 5%

The European Central Bank has extended emergency lending measures for banks and is keeping interests rates unchanged until 2011, in an effort to even out the economic recovery of the 16 nations that use the euro as their currency. Meanwhile, the US Government is trying to stimulate its economy, and tunnel out of its huge trade and budget deficits, by keeping interest rates low, thus allowing the dollar to depreciate and encouraging exports in the process.

Here in Australia, the share market has rallied, we are nearing full employment and the Australian dollar is going from strength to strength, so there are clear and obvious signs of economic improvement.

However, the impact of the GFC lives on in the banking environment - financial institutions are generally cautious on credit, system growth has slowed since June / July 2010, and house prices have stabilised.

New South Wales and Victoria have reported moderate, steady growth and while Queensland has been lagging behind other states on some economic indicators, the Bank believes the outlook is becoming much more positive, supported by growing business investment. The outlook in Western Australia is also upbeat with many major developments underway or planned that will drive growth in the local economy.

BOQ has enjoyed strong growth in these states over the past year, reinforcing the Bank's move to re-brand from the region-specific Bank of Queensland to the more national BOQ.

Pleasingly in the 2010 financial year, the Bank grew loans 2.5 times higher and deposits 1.5 times higher than that of our competitors.

The Bank recorded a full year normalised profit after tax of $197.1 million for the full year 2010, a 5% increase from 2009. A strong balance sheet, cost disciplines and the productivity of our Owner-Managed branch model, assisted to achieve this strong result.

In an effort to conserve our capital strength, the Bank announced a fully franked final dividend of 26 cents per share, taking the full year dividend to 52 cents per share, matching that paid in 2009.

In keeping with our growth strategy to expand in to higher margin and less capital intensive businesses that complement our existing network, the Bank acquired a consumer protection insurance business and a vendor finance business, both of which add to the long-term sustainability of the Bank and help us to remain a viable competitor.

The Bank's focus does remain towards retail mortgages and residentially secured SME lending, resulting in a low risk profile. SMEs are however feeling the delayed effects of the macroeconomic slowdown and this is reflected in bad debts, but we are confident that these losses have peaked and an improvement will be seen over the coming year.

BOARD MATTERS

As part of our process of continual improvement, the Board has recently carried out a full review of all corporate governance policies. There have also been a number of changes to the Board composition, with two directors retiring and a new director appointed.

Mr Anthony Howarth, who joined us following the acquisition of Home Building Society retired in July and Mr David Graham who has been a director for the past four years, retired in October. I am joined by fellow members of the Board in recognising both of their contributions to the Bank and wishing them all the very best for the future.

We were pleased to announce the appointment of Mr David Willis as a non-executive independent Director in February. Mr Willis has over 32 years' experience in financial services in the Asia Pacific, the UK and the US. Mr Willis' extensive experience complements the Board's current skill set and he has been providing vast assistance in strategically driving the Bank's continued growth. Mr Willis has also taken over as Chairman of the Board Remuneration Committee.

chairman's report

UNSOLICITED OFFERS TO BUY YOUR SHARES

Before I conclude, I must warn all shareholders about unsolicited offers to buy your shares.

The Australian Government is taking positive steps to prevent ruthless companies and individuals from offering to buy your shares. The changes to the Corporations Amendment (No 1) Bill 2010 introduced to Federal Parliament in June, will make it harder for individuals and businesses to make unsolicited offers.

Shareholders of all Australian companies should be wary that there may be a spate of unsolicited offers before the legislation becomes effective. An unsolicited offer was made to BOQ shareholders by Direct Share Purchasing in 2010, offering to purchase BOQ shares for significantly less than their market value at that time.

If you do receive an unsolicited offer, shareholders are urged to read the documents carefully, check the current market value of their shares and obtain professional financial advice before taking any action.

OUTLOOK

The global outlook is improving, although it is expected that growth in most advanced economies will remain sluggish over the coming year, while emerging economies will experience much higher levels of growth.

It is probable that the Reserve Bank of Australia will raise interest rates over the coming year.

These higher interest rates and rising costs of living will slightly dampen consumer spending and housing market activity, but not to any extent that it will deter an improvement in GDP.

The Bank is aiming to increase our normalised cash net profit after tax for 2011 to between $220 million to $250 million. In striving to achieve this strong profit, the Bank will continue to look after its staff, excel on customer service, invest in the community and reward our shareholders. The Board is committed to showing gratitude to our shareholders for their support by increasing the 2011 full year dividend by 10% to 20%.

On behalf of the Board, I thank all shareholders for their loyalty over the past year and going forward.

NEIL SUMMERSON
Chairman

Simon Pugh & Peter Woods
QLM Label Makers
qlm.com.au
BOQ Business Banking customers

Our company, QLM Label Makers is a proudly Australian owned business that has grown to become one of Australia's leading label manufacturers. The road our business has taken to become a national brand has had its challenges, but plenty of rewards as well.

In 2008 QLM expanded into Asia with a 50% stake in a company, followed soon after by the complete purchase of another Asian company in 2009. With these acquisitions we were able to combine the strengths of our manufacturing base in Australia with the innovations and potential of Asian markets.

Over the years, BOQ has provided the support to make this expansion possible. Just as we aim to be a solutions partner with our clients, our BOQ Business Banker has worked with us to understand our business and to help us make better banking decisions, so we can keep making great labels.

managing director's report

I am pleased that the Bank was able to announce a record increase in normalised cash net profit after tax of $197.1m for the full year 2010, a 5% increase from 2009, despite expected peak bad debt losses. A strong balance sheet and focus on expense discipline, along with system-beating growth in lending and deposits, all contributed to securing such a strong result.

We have continued to deliver on our commitments to the market in that we are a more efficient and productive organisation, reflected in our normalised cost-to-income ratio reducing by 4.1% to 45.8%.

We outperformed our competitors in both lending and deposit growth (1.5x and 2.5x system respectively) in the 2010 financial year, and have also increased our full year Net Interest Margin, despite funding costs putting pressure on margins.

As per our guidance, we believe bad debt losses peaked in the full year 2010, and investments in collection processes and resources are expected to improve specific portfolio performance going forward.

We have come through the GFC with a much higher capital level and stronger liquidity base. Our Tier 1 capital ratio at the end of FY10 of 8.7% remains well above APRA and internal benchmarks. In August 2010, the Bank completed the nation's biggest sale of Retail Mortgage Backed Securitisation (RMBS) since 2007*, providing room for further growth and bolt-on acquisitions.

DELIVERING ON OUR GROWTH STRATEGY

As part of our growth strategy, this year we purchased an insurance business and a vendor finance business to assist us in diversifying our income sources and reducing the capital intensity of our model.

In March 2010, BOQ signed an agreement with Commonwealth Bank to purchase St Andrew's Insurance (Australia) Pty Ltd and St Andrew's Life Insurance Pty Ltd (collectively "St Andrew's") for $45 million, subject to post-completion adjustments. St Andrew's is a leading Australian manufacturer of consumer credit insurance products with a solid history of partnering with financial institutions to deliver insurance solutions, including the Bank over the past 6 years. The majority of St Andrew's premiums are in credit protection products, addressing a significant customer need that has been growing in light of the GFC.

This acquisition fits within the BOQ growth strategy, including income diversification through businesses with complementary products to our core mortgage distribution. We are operating the St Andrew's business as a stand-alone entity and we are targeting best in class cross selling with BOQ's customer value proposition enhanced.

In July 2010 we also completed the purchase of CIT Group (Australia) Limited and CIT Group (New Zealand) Limited (CIT Australia and New Zealand), paying a combined total for purchase consideration and refinance of debt of $475 million. This vendor finance business works with manufacturers, dealers and resellers to provide leasing and financing packages to consumers, businesses, government agencies and education providers.

We have created a new division, BOQ National Finance, which incorporates our new vendor finance business, as well as our existing equipment finance and debtor finance businesses. We see real synergies across these businesses with further leverage opportunities within our Owner-Managed Branch network.

OWNER-MANAGERS ENSURE PERSONAL SERVICE

In terms of our core retail banking business, which includes our branch network, our business bankers and direct banking, the Owner-Managed Branch (OMB) model remains central to the Bank's distribution strategy. We have had continuing success with the conversion of corporate branches to OMBs throughout the year, and this will continue. Our focus does however remain on sourcing only quality Owner-Managers and we intend to take the necessary time and care to ensure only the best bankers, and business people, become BOQ Owner-Managers.

We have such great confidence in this business model and our Owner-Managers, that in early 2010 we launched a new brand campaign in which our Owner-Managers were featured. We wanted to highlight the personal service that our Owner-Managers provide and fittingly, 'It's personal' was adopted as the guiding philosophy of all BOQ staff.

Going forward, the Bank's operating model will be based on three business lines – the core bank, BOQ National Finance, and St Andrew's insurance. It is the start of our diversification into becoming a wider financial services group, giving us momentum to achieve our goal of becoming the real alternative in Australian financial services.


NORMALISED CASH COST-TO-INCOME RATIO DOWN
4.1%
62.6%
56.1%
49.9%
45.8%
2007
2008
2009
2010

managing director's report

EXECUTIVE TEAM ENHANCEMENTS

Over the past year we have reorganised our Group Executive structure to help us to better realise the strategic opportunities available to the Bank.

Our new Chief Financial Officer, Ewan Cameron is charged with ensuring we remain an efficient organisation that delivers on our promises to the market. The previous incumbent of this role, Ram Kangatharan was appointed to a newly created position of Chief Operating Officer in March 2010 to oversee the day-to-day operations of the Bank, including all three business lines.

Darryl Newton was appointed as the Bank's Chief Risk Officer and he will drive the Bank's significant operational and credit risk initiatives and ensure continual enhancements to our risk management function.

Keith Rodwell, previously the Managing Director of CIT Vendor Finance, Asia Pacific, was appointed to the position of Group Executive, BOQ National Finance with responsibility for vendor finance, equipment finance and debtor finance.

Renato Mazza, the Chief Executive Officer of St Andrew's Australia also joined the Group Executive team following the acquisition of St Andrew's and continues to operate the St Andrew's business.

Jim Stabback, who joined the Bank in 2008, remains in the role of Group Executive, IT & Operations, overseeing the strategic focus of the Bank's IT platform and its service delivery, along with the Bank's important outsourcing relationships with HP and Fiserv.

I am delighted to have this Executive team now in place and have every confidence that we have the necessary skills and experience to grow and enhance our Bank.

OUTLOOK

Many of the issues the Bank faced in 2010 will continue in to 2011, specifically the sustained high funding costs the industry is bearing, and the subsequent squeeze on margins. We also have a significant pipeline of regulatory changes and projects underway. Despite this, the Bank is optimistic about FY11 and has issued the following guidance for investors.

We are aiming to continue to grow 1.5 to 2 times faster than our competitors and our focus will remain on well secured housing and SME lending as we anticipate more growth opportunities in these areas in the near term.

We will be looking to continue to convert corporate branches to OMBs and open new OMBs in high growth areas over the next couple of years. Further bolt-on acquisition opportunities are also emerging.

We will be growing and diversifying the St Andrew's business by improving sales productivity of existing corporate partners and we also intend to acquire new corporate partner relationships. With these changes we are aspiring to double the size of this business line within three to four years.

We see significant growth in the vendor finance market and the CIT acquisition and creation of BOQ National Finance provides an ideal growth platform for BOQ. We are planning to create a best in class finance company and to further develop our offering in the profitable motor vehicle finance sector.

We will be enhancing our product suite over the coming year to help us attract new customers and lower our cost of funding. This will include a new SME Business Privileges Package, a Self Managed Super Fund high interest bearing investment account and a new transaction account. We will also be offering a unique new 'Save To Win' account which will enable deposit-holders with a minimum balance to be automatically entered into a monthly cash prize draw.

In 2011 we will also be launching an online share trading service in partnership with CMC Markets Stockbroking, BOQ Trading, further enhancing customer and shareholder value.

Next year we anticipate that we will reach a profit of between $220 million to $250 million. We will also be looking to increase dividends to ensure we remain a rewarding investment for our shareholders.

DAVID LIDDY
Managing Director & Chief Executive Officer

Jonah & Amber
Community members

My beautiful little boy was born with vocal cord paralysis, a rare medical condition that blocked his airway and forced him to have a tracheostomy put in his throat so he could breathe. This meant that he could not cry, or giggle and needed me to clear his throat up to 40 times a day to keep him alive. I could not leave my baby for a second and the constant worry was overwhelming.

I found a surgeon in Perth who was willing to perform a laryngeal reconstructive surgery. If successful, this meant Jonah would not need the tracheostomy any more and he would be able to breathe normally through his mouth and nose and have a voice! This surgery involves using parts of Jonah's ribs and grafting them to the vocal cords to create an airway. The operation would be life changing; the problem was we couldn't afford the travel expenses involved.

David Liddy heard of our plight and started a campaign at BOQ to get Jonah to Perth for his operation. The employees at BOQ were selling raffle tickets, holding morning teas and other fund raising all in aid of Jonah. They raised $23,000 which was enough for the several trips to Perth for our family, accommodation and other travel expenses. After recovering from the operation, Jonah started to cry and it was so overwhelming. It was the best gift I could have had.

community

BANKING ON OUR KIDS

This year's Banking on our Kids fundraising appeal raised a record $223,000 to help sick kids get better, quicker. The funds raised were given directly to Children's Hospital Foundations Australia (CHFA) to be shared equally between its five hospital partners around Australia and will be used in the areas of greatest need in each hospital, specifically paediatric research initiatives leading to breakthrough treatments and cures for sick and injured kids, vital hospital equipment and patient and family support services that otherwise would not exist.

THE SMITH FAMILY, iTRACK MENTORING PROGRAM

iTrack is an online mentoring program offered to senior high school students from low socioeconomic status areas. By partnering students with active members of the workforce who can offer encouragement, advice and the benefit of their experiences, iTrack helps prepare young adults for post-school life.

DOLLAR-FOR-DOLLAR PROGRAM

By matching BOQ employees' fundraising activities dollar-for-dollar (up to $1,000 per activity), BOQ's Dollar-for-Dollar program helps our people make a real difference in their local communities. In the past financial year, BOQ has matched $40,000 raised by our people and we believe this program is absolutely vital in supporting our people and the communities who support them.

AUSTRALIAN RED CROSS, CENTRE FOR YOUNG PEOPLE

The Red Cross Centre for Young People provides intensive, individualised support to at-risk youth to ensure they receive all the support they need to get back onto a positive life track and achieve their personal goals. The Centre's aim is to help reduce youth homelessness and BOQ is delighted to be involved with such an important and admirable goal.

FINANCIAL BASICS FOUNDATION, ESSI MONEY

Financial literacy is now recognised as almost as important as the other main cogs of education – reading, writing and arithmetic.

BOQ and the Financial Basics Foundation are helping teach our kids about managing their money through a new school based competition called ESSI Money, an online game that gives high school students an opportunity to learn about Earning, Saving, Spending and Investing money in a fun and engaging way.

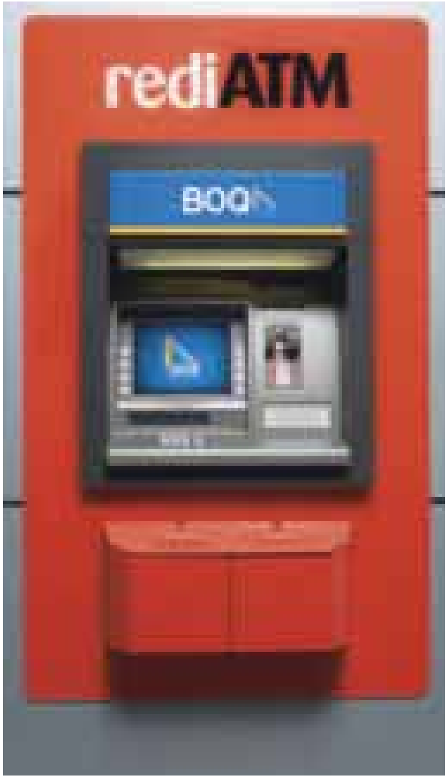
RIGHT PICTURE

Jess is one of the young ambassadors who helped with this year's Banking on our Kids appeal.

LEFT PICTURE

David Liddy spent time with sick kids at the Royal Children's Hospital Brisbane.

customers



- BOQ has formed an alliance with Cuscal Limited to allow BOQ customers to access rediATMs, one of the largest ATM networks in Australia, which provides our customers with greater convenience and accessibility to ATMs. Most importantly, our customers can also access the ATMs on this large network, as well as any BOQ branded ATMs, all free of direct charges.
- We launched a foreign exchange payment facility during the year as an additional Internet Banking feature, making it even easier for customers to create and send international and domestic telegraphic transfers (also known as Real Time Gross Settlement), at their convenience online.
- As part of a pipeline of new products to be launched in the next six months, BOQ announced an innovative, market-leading product, called the Save To Win Account. Customers will earn a small amount of interest on their savings, plus get the chance to enter into a monthly cash draw to win a major prize of at least $20,000 and lots of smaller cash prizes too.

environment

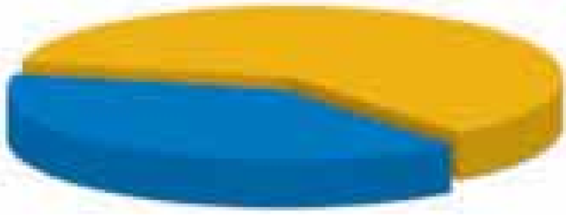
employees

DIVERSITY IN THE WORKFORCE

In order to attract and retain a diverse workforce, the Bank is committed to providing an environment in which all employees are treated fairly and equitably. The Bank recognises that gender diversity is an important component to achieve this goal. Our current objectives and targets to ensure diversity include:

- increasing the representation of women on our Board;
- continuing to grow the number of women in senior roles;
- encouraging the participation of women in leadership programs;
- encouraging the participation of women in our Intern Program;
- ensuring that gender is not a factor in remuneration; and
- maintaining a workforce that reflects the diversity of the Australian population.

2010 GENDER BALANCE SENIOR MANAGEMENT



2010 GENDER BALANCE WORKFORCE

- The Bank underwent an independent carbon impact assessment which captured energy and emissions data from business units, IT applications and assets. The results showed that the Bank has a low carbon footprint, which is well below regulatory reporting thresholds.
- The Bank includes environmental considerations in our supplier evaluation and selection processes.
- 132 tonnes of paper and cardboard were recycled by BOQ this financial year, saving approximately 1,723 trees.
- The Bank has been recycling obsolete mobile phone handsets, Blackberries and computer equipment.
- Vegetable-based inks and recycled paper are used in large printing jobs.
- The Bank works with transport and logistics service providers with a focus on reducing carbon emissions from fleet operations.

executive team

DAVID LIDDY

Managing Director and Chief Executive Officer

David Liddy has over 40 years' experience in banking, including international postings in London and Hong Kong. He was appointed Managing Director of the Bank in April 2001. He has a Masters in Business Administration, is Deputy Chairman of the Australian Bankers' Association Council and Chairman of the Queensland Museum Foundation. He is also a member of the Federal Treasurer's Financial Sector Advisory Council and the Queensland Government's Smart State Council. Mr Liddy is a Senior Fellow of the Financial Services Institute of Australasia and a Fellow of the Australian Institute of Company Directors.

RAM KANGATHARAN

Chief Operating Officer

Ram Kangatharan joined the Bank as Chief Financial Officer in October 2007 and became Chief Operating Officer in March 2010. He is responsible for overseeing the day-to-day operations of the Bank and has accountability for the retail branch network, Business Banking, IT and Operations, Direct Banking, Product, Marketing, Human Resources, Legal, BOQ Insurance and BOQ Finance divisions of the Bank. Ram is a senior finance executive with global corporate experience in a range of industries including banking, consumer goods, IT, telecommunications and investments. He was most recently Vice President Global Strategy and Redesign with EDS (Electronic Data Systems) in the USA.

EWAN CAMERON

Chief Financial Officer

Ewan Cameron was appointed as the Bank's Chief Financial Officer in May 2010. Ewan works with BOQ management and Board to ensure the Bank remains an efficient organisation that delivers on our promises to the market, while also fulfilling the Bank's strategic growth ambitions. Prior to joining BOQ, Ewan held numerous CFO roles both here and overseas for a number of reputable and forward thinking organisations, where he demonstrated strong financial management and successful leadership through M&A activities.

DARRYL NEWTON
Chief Risk Officer

Darryl Newton was appointed Chief Risk Officer in June 2010. Darryl has extensive experience in managing risk for financial services companies, having spent the six years prior to joining BOQ in a variety of senior risk management roles at Westpac Bank. Previously, Darryl was a partner at Ernst & Young where he consulted on risk management issues; he has extensive experience with banking clients including Commonwealth Bank of Australia, AMP Bank, Bank of America and ING Bank.

JIM STABBACK
Group Executive, IT and Operations

Jim Stabback joined BOQ in September 2008 as Group Executive, IT & Operations. In this role, he oversees the strategic focus of the Bank's IT platform and its service delivery, along with the Bank's important outsourcing relationships with HP and Fiserv. Jim has over 20 years' experience managing large scale operations, technology and service delivery management in the financial services and telecommunications industries.

KEITH RODWELL
Group Executive, BOQ National Finance

Keith Rodwell holds the position of Group Executive, BOQ National Finance and has responsibility for vendor finance, equipment finance and debtor finance. Keith has 20 years of lending experience in Australia and Asia for both small and large ticket equipment leasing, property and franchise finance. Prior to joining BOQ he was Managing Director CIT Vendor Finance, Asia Pacific, with responsibility for Australia, New Zealand, China and the rest of Asia. Prior to this, Keith held senior roles with GE Capital and a US based alternative investment fund as well as experience in the telecommunications, oil and insurance industries. Keith has a Master of Commerce from the University of New South Wales and was a past Chairman of the Australian Equipment Lessors Association.

RENATO MAZZA
Group Executive, Insurance and CEO St Andrew's

Renato Mazza has 22 years' experience in the Consumer Credit Insurance (CCI) sector having held senior management positions in Consolidated Insurance Group in London in the early 90s, the UK's then number one niche insurer in this sector. He was part of a team of six who then formed St Andrew's Group in the UK in the mid 1990s which then grew to become one of the UK's major underwriters of CCI under Bank of Scotland and HBOS ownership. Renato moved to Perth in 2005 to help with the development of St Andrew's Australian business, overseeing its integration into CommInsure, CBA's insurance business, following their acquisition of St Andrew's and Bankwest in late 2008, and later integration with BOQ.

NEIL SUMMERSON
B Com, FCA, FAICD, FAIM
Chairman – Age 62

Neil Summerson is a Chartered Accountant with 40 years' experience and is a past Chairman of the Queensland branch of the Institute of Chartered Accountants. He was formerly the Queensland Managing Partner at Ernst & Young. He is a Director of National Resources USA Corporation, Australian Made Campaign Limited, Australian Property Growth Limited and Property Funds Australia Limited. He is a former Chairman of the Brisbane Water Board and is currently Chairman of Motorama Holdings Pty Ltd, IDEC Pty Ltd and Australian Property Growth Fund. Mr Summerson has been a Director of the Bank since December 1996 and was appointed Chairman on 20 August 2008. Mr Summerson is Chair of the Bank's Nomination Committee and a member of the Remuneration, Budget, St Andrew's Remuneration and Audit Committees.

DAVID LIDDY
MBA, FAICD, SF Fin
Managing Director and
Chief Executive Officer – Age 60

David Liddy has over 40 years' experience in banking, including international postings in London and Hong Kong. He was appointed Managing Director of the Bank in April 2001. He has a Masters in Business Administration, is Deputy Chairman of the Australian Bankers' Association Council and Chairman of the Queensland Museum Foundation. He is also a member of the Federal Treasurer's Financial Sector Advisory Council and the Queensland Government's Smart State Council. Mr Liddy is a Senior Fellow of the Financial Services Institute of Australasia and a Fellow of the Australian Institute of Company Directors.

STEVE CRANE
B Com, SF Fin, FAICD, FAIM
Director - Age 58

Steve Crane was appointed a Director of the Bank at the Annual General Meeting on 11 December 2008. He has 40 years' experience in financial markets in Australia, including experience at both AMP and BZW Australia, where he was promoted to Managing Director – Financial Markets in 1995 and became Chief Executive in 1996. In 1998, when ABN AMRO Australia Pty Limited acquired BZW Australia and New Zealand, Steve became Chief Executive and remained in this role until his retirement in June 2003.
Steve is now a member of the Advisory Council of RBS Group (Australia) and a Director of Transfield Services, nib holdings limited, APA Ethane Limited, The Sunnyfield Association, Taronga Conservation Society Australia, and Chairman of Global Valve Technology Limited. Mr Crane is a member of the Bank's Risk Committee and Corporate Governance Committee and Chair of the Budget Committee.

your board

ROGER DAVIS
B Econ (Hons), Masters Philosophy
Director – Age 58

Roger Davis was appointed a Director of the Bank on 20 August 2008. He has 31 years' experience in banking and investment banking in Australia, the US and Japan. He is currently a consulting Director at Rothschild Australia Limited. He was previously a Managing Director at Citigroup where he worked for over 20 years and more recently was a Group Managing Director at ANZ Bank. He is a Director of Chartis, Macquarie Office Management Ltd, Ardent Leisure Management Ltd and Ardent Leisure Ltd, Aristocrat Leisure Ltd, Territory Insurance Office and Trust Ltd. He was formerly Chair of Pengana Hedgefunds Ltd and Esanda, and a Director of ANZ (New Zealand) Limited, CitiTrust in Japan and Citicorp Securities Inc. in the USA. He has a Bachelor of Economics (Hons) degree from the University of Sydney, a Master of Philosophy degree from Oxford and is a Rhodes Scholar. Mr Davis is a member of the Risk Committee and the Nomination Committe.

DAVID GRAHAM
B Com, B Econ (Hons), MBA, FCPA
Former Director – Age 68

David Graham has had extensive experience in the financial sector specialising in capital markets transactions. He was appointed as a non-executive Director of the Bank in October 2006. He has been a non-executive Director of a number of ASX listed companies and he is currently non-executive Director of Bandanna Energy Limited. He is Chairman of DDH Graham Limited, an advisory and funds management company he founded in 1981. David retired as a Director of the Bank on 8 October 2010.

CARMEL GRAY
B Bus
Director – Age 61

Carmel Gray was appointed a Director of the Bank on 6 April 2006. Ms Gray has had an extensive career in IT and Banking. Ms Gray was Group Executive Information Technology at Suncorp from 1999 to 2004. Prior to her Suncorp appointment she was General Manager of Energy Information Solutions Pty Ltd and Managing Director of Logica Pty Ltd. Ms Gray is a member of the Bank's Risk Committee and the Chair of the Audit Committee.

ANTHONY HOWARTH, AO
FAICD, SF Fin
Former Deputy Chairman – Age 58

Tony Howarth was Chairman of Home Building Society Ltd which merged with the Bank in December 2007. He has worked in the banking and finance industry for over 31 years. His work has involved a number of overseas appointments. He has been the Managing Director of Challenge Bank Limited and the CEO of Hartleys Limited. He was a former Chairman of Alinta Limited (retired 24 July 2006) and is currently Chairman of Mermaid Marine Australia Limited and Non-Executive Director of AWB Limited and Wesfarmers Limited. He is also involved with a number of business and community organisations being Chairman of St John of God Health Care Group, President of the Australian Chamber of Commerce and Industry and Chair of the Committee for Perth. In addition, he is a member of the Rio-Tinto WA Future Fund, and is on the University of Western Australia's Senate. Tony retired as a Director of BOQ on 26 August 2010.

your board

BILL KELTY, AC
B Econ
Director – Age: 62

Bill Kelty has over 32 years' experience in industrial relations. He was appointed a Director of the Bank in August 2001 and is currently a Director of the Linfox Group and a Commissioner of the Australian Football League. He is also involved in the Foundation for Rural and Regional Taskforce and was previously Chairman of the Federal Government's Regional Development Taskforce. Mr Kelty was Secretary of the Australian Council of Trade Unions from 1983 to 2000 and a member of the Reserve Bank Board from 1988 to 1996. He is Chair of the Bank's Corporate Governance Committee and a member of the Audit Committee.

JOHN REYNOLDS
B Sc (Hons), Dip Ed, FAICD, FAIM
Director – Age: 67

John Reynolds was appointed a Director of the Bank in April 2003. He has had extensive CEO-level experience at top 100 media and resource companies in Australia and overseas. He was formerly Chairman of Arrow Energy Limited. He is a Director of Mater Health Services Brisbane Limited and an advisor to various private companies and professional organisations. Mr Reynolds is Chairman of the Bank's Risk Committee and a member of the Audit Committee, Remuneration Committee and Nomination Committee. He is Chair of the St Andrew's Remuneration Committee.

DAVID WILLIS
B Com , ACA, ICA
Director – Age: 54

David Willis has over 32 years' experience in financial services in the Asia Pacific, the UK and the US. He is a qualified Accountant in Australia and New Zealand and has had some 17 years' experience working with Australian and foreign banks.
He has held senior executive roles at Westpac, HBOS Australia, Lloyds Bank Australia and Southpac Corporation; a corporate advisory business owned by The National Bank of New Zealand and Lloyds Bank. David is a Director of New Zealand Post and Kiwi Bank together with CBH (A Grain Cooperative in Western Australia).
He was appointed a Director of the Bank in February 2010. He is Chair of the Remuneration Committee, a member of the Corporate Governance Committee and a member of the St Andrew's Remuneration Committee.

Shirley Kolpak
BOQ Shareholder

I have been a shareholder for a very long time. I thought bank stocks paid good dividends and that BOQ's growth profile looked good, so I purchased a relatively small amount of BOQ shares.

I was a bit worried throughout the GFC, but BOQ's share price held up remarkably well and I still received my dividends.

My daughter recently acquired some BOQ shares also. I like to know that she is thinking about her financial security now. I don't want her to have to worry about money when she gets to my age.

shareholder information

financial calendar

2010

ORDINARY SHARES (BOQ)*	
Ex-dividend date	12 November 2010
Record date	18 November 2010
Final dividend payment date	2 December 2010
Annual General Meeting	9 December 2010

2011

ORDINARY SHARES (BOQ)*	
Interim results and interim dividend announcement	14 April 2011
Ex-dividend date	3 May 2011
Record date	9 May 2011
Interim dividend payment date	25 May 2011
Final results and final dividend announcement	13 October 2011
Ex-dividend date	9 November 2011
Record date	15 November 2011
Final dividend payment date	1 December 2011
Annual General Meeting	8 December 2011

PEPS (BOQPC)*	
Announcement date	17 March 2011
Ex-dividend date	22 March 2011
Record date	28 March 2011
Payment date	15 April 2011
Announcement date	15 September 2011
Ex-dividend date	20 September 2011
Record date	26 September 2011
Payment date	17 October 2011

* Dates are subject to change.

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International: +61 2 8280 7626
Facsimile: +61 2 9287 0303
Email: boq@linkmarketservices.com.au
Website: linkmarketservices.com.au

COMPANY DETAILS
Bank of Queensland Limited
Level 17, BOQ Centre
259 Queen Street
Brisbane Qld 4000
Telephone: +61 7 3212 3333
Facsimile: +61 7 3212 3399
Website: boq.com.au
Investor Relations: +61 7 3212 3463

CUSTOMER SERVICE:
1300 55 72 72 (within Australia)
+61 7 3336 2420 (overseas)
ABN 32 009 656 740
ACN 009 656 740

E-COMMUNICATIONS
Register now to receive annual reports, dividend advices and other company information from BOQ by email. By registering for this free service, you can receive significant company announcements as they happen. Furthermore, by reducing printing, there are significant cost savings for the Bank and you are helping to save the Australian environment.

ANNUAL GENERAL MEETING
The 2010 Annual General Meeting will be held at the Sofitel Hotel, 249 Turbot Street, Brisbane on Thursday, 9 December 2010 (registration commences at 9.15am).

financial report

CONTENTS

financial summary

	YEAR ENDED				
	2010 $M	2009 $M	2008 $M	2007 $M	2006 $M
Shareholders' Equity:					
Issued capital	2,057.6	1,903.1	1,439.4	615.7	531.2
Reserves and retained profits	344.9	208.3	251.5	238.6	158.6
Total Equity	2,402.5	2,111.4	1,690.9	854.3	689.8
Financial Position:					
Total assets under management	38,784.4	34,545.8	30,912.5	21,653.3	16,866.7
Total loans under management (1)	31,991.8	28,866.3	26,291.8	19,224.5	15,081.4
Total assets on balance sheet	38,570.9	34,012.0	29,883.2	20,037.3	15,797.1
Retail deposits	18,083.3	16,248.9	13,984.5	9,160.9	6,867.2
Wholesale deposits	10,005.2	7,948.3	6,052.0	3,559.4	3,082.4
Financial Performance:					
Statutory net profit	179.6	141.1	138.7	129.8	92.7
Underlying cash profit (2) (3) (4)	379.2	315.0	250.8	171.2	136.6
Normalised profit for the year after tax (3)	190.7	177.6	148.6	104.1	86.2
Add: Non-cash items (tax effected) (4)	6.4	9.8	6.8	2.0	0.5
Normalised cash net profit after tax	197.1	187.4	155.4	106.1	86.7
Shareholder Performance:					
Market capitalisation at balance date	2,120.3	2,327.7	2,377.4	2,101.0	1,628.4
Share price at balance date	$9.83	$11.65	$15.86	$18.56	$15.29
Statutory Ratios:					
Net interest margin	1.60%	1.56%	1.67%	1.81%	1.83%
Capital adequacy ratio	11.7%	11.5%	11.0%	11.5%	12.5%
Net tangible assets per share	$7.55	$6.62	$6.01	$6.41	$5.45
Fully franked ordinary dividend per share	$0.52	$0.52	$0.73	$0.69	$0.57
Diluted earnings per share	76.1c	74.4c	89.6c	112.7c	85.0c
Normalised Ratios (cash basis): (3) (4)					
Cost to income ratio	45.8%	49.9%	56.1%	62.6%	64.5%
Dividend payout ratio to ordinary shareholders	57%	53%	71%	74%	71%
Diluted earnings per share	83.4c	98.4c	99.9c	93.0c	79.8c
Return on average ordinary equity	9.6%	11.8%	13.0%	15.4%	14.6%

(1) Before Collective Provision for Impairment.

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

(3) Excluding significant and non-recurring items. In the current year after tax profit includes $7.7m profit on acquisition of St Andrews insurance businesses and favourable hedge ineffectiveness, $9.6m impairment of IT software assets, $3.1m ATM transition costs, $4.4m in due diligence costs and $1.7m tax review items. In the prior year after tax profit includes $9.2m impairment primarily on property related equity investments, including those taken on as part of the Home acquisition, $8.2m relating to the NSW distribution restructure, $10.0m of restructuring costs for head office, $9.1m in relation to the integration of Home and other due diligence costs.

(4) Non-cash items relate to amortisation of identifiable intangibles.

corporate governance

OVERVIEW

Directors and Management of the Bank are committed to excellence in corporate governance.

In striving to achieve its objectives, the Bank endeavours to look after its staff, values and services customers, rewards its shareholders and partner with the community.

Corporate governance is not just about compliance, but about our values and our behaviour. We believe in excellence in corporate governance because it is in the best interests of the Bank and all of its stakeholders.

The Board has over many years developed and implemented policies and practices which at the time of publishing this statement are consistent with the applicable ASX Corporate Governance Principles and Recommendations, Second Edition ('Principles') developed by the ASX Corporate Governance Council in 2007, and the corporate governance standards set out in Australian Prudential Standard (APS) 510 "Corporate Governance".

In addition, the Board has adopted a fit and proper policy as required by APS 520 "Fit and Proper", which sets out the requirements for regulated authorised deposit-taking institutions to assess the competencies and fitness for office of persons appointed as directors, senior managers and auditors. During the year, the Bank acquired St Andrew's Insurance (Australia) Pty Ltd and St Andrew's Life Insurance Pty Ltd, which are subject to APRA's prudential supervision as insurance companies and subject to similar Corporate Governance and Fit and Proper standards as those applicable to authorised deposit-taking institutions.

As part of its process of continual improvement, the Bank has carried out a full review of all of its corporate governance policies during the year. You can read these polices in full on its website (www.boq.com.au). The maintenance of corporate governance policies is overseen by the Board's Corporate Governance Committee under its Charter.

The Bank is required to disclose in this report the extent to which it has followed the best practice recommendations in the Principles throughout the 2010 financial year. The Bank has followed those recommendations throughout the year. A summary of the Bank's corporate governance policies and practices, organised in order of the Principles, is set out below.

PRINCIPLE 1: BOARD AND MANAGEMENT

The Board Charter sets out the key governance principles adopted by the Board in governing the Bank. There is a functional difference between the Board's role and responsibilities and that of management which is recognised in the Board Charter.

The responsibilities of the Board include:

- the overall corporate governance of the Bank including:
    - overseeing regulatory compliance;
    - ensuring the Bank observes appropriate ethical standards; and
    - achievement of the Bank's values.
- the overall strategy and direction of the Bank, including approving, monitoring and reviewing strategic, financial and operational plans;
- the appointment of the Managing Director, including the delegation of powers to the Managing Director within authorised discretionary levels; and
- succession planning, including Board and Committee composition.

In order to fulfil these responsibilities, the Board reserves to itself certain powers including:

- reviewing the Bank's strategic plan at least annually, approving budgets and reviewing financial results;
- dealing with matters outside discretions conferred on the Managing Director;
- ensuring that areas of significant business risk are identified and effectively managed;
- setting targets for and assessing the performance of the Managing Director; and
- establishing Board committees.

Certain powers are delegated to management including:

- responsibility for day to day management of the Bank within the overall strategies and frameworks approved by the Board including the following:
    - developing strategy for approval by the Board;
    - financial and capital management and reporting;
    - operations;
    - information technology;
    - marketing the current business of the Bank and acquiring new business;
    - customer relationship service;
    - developing and maintaining key external relationships, including with investors, media, analysts and industry participants;
    - human resources, people development, performance and the creation of a safe and enjoyable workplace; and
    - credit.
- reporting to the Board on the performance of the Bank and its management; and
- performing duties that are delegated by the Board.

The Chairman is available to the Board and to senior executives at any time to discuss Board performance. A performance evaluation for the Board, its committees and directors took place in the reporting period in accordance with the process contained in the Board Performance Review Policy.

The Board undertakes an annual performance review of the Managing Director. Management has a program for annual performance reviews for all levels of management and reviews have been carried out under that program.

The Bank provides an induction program for new Board members.

PRINCIPLE 2: BOARD STRUCTURE

The Board currently has eight Directors (including the Chairman) of whom seven are non-executive Directors and one executive Director (the Managing Director). The skills and experience of the Directors and their length of service, membership of Board committees and record of attendance at meetings, are set out in the Directors' Report.

The Nomination Committee monitors the skills and experience of existing Directors and the balance between experience and new skills, which may lead to consideration of appointments of new Directors. The names and qualifications of those appointed to the Nomination Committee, and number of meetings of the Nomination Committee, during the financial year are set out in the Directors' Report.

All new and existing Directors are subject to assessment of their fitness and propriety to hold that office under the Bank's fit and proper policy established under APS 520 and the equivalent standards GPS 520 and LPS 520 that apply to the Bank's APRA-regulated insurance subsidiaries. This involves an assessment of the Director's qualifications and experience against documented criteria for the competencies required for the office. The assessment includes checks on the Director's propriety such as police checks and insolvency checks.

Every Director and Committee of the Board has the right to seek independent professional advice in connection with carrying out their duties at the expense of the Bank. Prior written approval of the Chairman is required.

The Board has assessed that a majority of the non-executive Directors are "independent". The non-executive Director who was assessed not to be independent during the year is Mr David Graham who is Executive Chairman of DDH Graham Limited which has a commercial relationship with the Bank. Previously, Mr Bill Kelty had been assessed not to be independent because of his association with a substantial shareholder, the Linfox Group. In August 2009, the Linfox Group ceased to be a substantial shareholder so the assessment of Mr Bill Kelty has changed in the 2010 financial year and he is now considered by the Board to be independent.

The Board Charter requires that all Directors bring an independent mind to bear on all matters coming before the Board for consideration.

The basis of the Board's assessment is its independence policy which takes into account whether Directors have relationships with the Bank, its shareholders or advisers which are likely to materially interfere with the exercise of the Director's unfettered and independent judgment, having regard to all the circumstances.

The Bank does not consider that the length of service on the Board of any of the independent Directors is currently a factor affecting the Director's ability to act independently and in the best interests of the Bank. The Board generally judges independence against the ability, integrity and willingness of the Director to act, and places less emphasis on length of service as a matter which impairs independence.

PRINCIPLE 3: ETHICAL AND RESPONSIBLE DECISION-MAKING

Code of Conduct

The Bank's Code of Conduct sets out the principles which all Directors, employees, owner-managers and contractors are expected to uphold in order to promote the interests of the Bank and its shareholders and drive its relationships with employees, customers and the community. Through training and enforcement of the Code, the Bank actively promotes ethical and responsible decision-making within the Bank.

Securities Trading Policy

The Bank's Securities Trading Policy provides a framework to assist Directors, employees, owner-managers, agents and contractors of the Bank to understand their legal obligations with respect to insider trading.

Diversity

As part of its annual corporate governance review, the Board has considered the diversity related recommendations in the June 2010 revision of the Principles. The Bank's Corporate Governance Committee and senior management are working on a group-wide diversity policy to reflect both the Bank's ongoing commitment to diversity and the new ASX recommendations.

In order to attract and retain a diverse workforce, the Bank is committed to providing an environment in which all employees are treated fairly and equitably. The Bank recognises that gender diversity is an important component to achieve this goal, and fully supports the ASX recommendations on diversity.

The Bank's current objectives and targets for diversity include:

- increase the representation of women on its Board;
- continuing to grow the number of women in senior roles, with a target of 25% of women in senior management roles by 2015;
- encourage the participation of women in leadership programs;
- encouraging women to participate in the Bank's Intern Program, to support the development of women in professional and management roles;
- ensure gender is not a factor in remuneration; and
- maintain a workforce that reflects the diversity of the Australian population.

The Bank's Remuneration Committee will annually assess the Bank's progress against diversity targets and objectives, including the representation of women at levels within the organisation.

Gender Balance

The Board and senior management of the Bank have a continued focus on gender diversity, particularly in senior management and leadership roles. Women constitute 61% of the Bank's workforce, with 16% in senior management roles.

The Bank is committed to facilitating the inclusion of women in all ranks within the organisation, and removing barriers that may restrict career progression. To achieve these aims, the Bank promotes part-time work, flexible work arrangements and paid maternity and paternity leave. In 2009, the Bank implemented a leadership training program which is run over a 12 month period. To date, the program has had a female participation rate of 63%, including current enrolments in the program.

PRINCIPLE 4: FINANCIAL REPORTING

The Managing Director and Chief Financial Officer state in writing to the Board that the Bank's financial reports present a true and fair view, in all material respects, of the Bank's financial condition and operational results in accordance with the relevant accounting standards.

The Audit Committee is comprised in accordance with the recommendations in the Principles and the requirements of APS 510, GPS 510 and LPS 510. The Committee operates under the Audit Committee Charter approved by the Board. The Committee is charged with making recommendations to the Board on the adequacy of external audit and the independence of the external auditor, and internal audit procedures.

The Audit Committee comprises non-executive members of the Board with the majority of members being independent directors. The Audit Committee is chaired by an independent director, who is not the Chairman of the Board. The names and qualifications of those appointed to the Audit Committee, and number of meetings of the Audit Committee during the financial year are set out in the Directors' Report.

PRINCIPLE 5: TIMELY AND BALANCED DISCLOSURE

The Market Disclosure Policy provides a framework to assist the Bank in achieving its aims of keeping the market informed of material information and enhancing its communication with the market, thereby ensuring its compliance with legal requirements.

The Bank is committed to creating and maintaining an informed market in its securities and enhancing corporate governance by encouraging a culture of transparency in relation to its corporate activities. The Bank will also provide relevant information to media organisations, to ensure the broadest possible communication with investors and the general market.

The Managing Director and the Company Secretary are responsible for communications with the ASX. Continuous disclosure is a permanent item on the agenda for Board meetings. All announcements made by the Bank to the ASX are accessible via the Bank's website.

PRINCIPLE 6: RESPECT RIGHTS OF SHAREHOLDERS

The Bank's Investor Relations Policy is designed to promote effective communication with shareholders, provide them with ready access to balanced, understandable information about the Bank and simplify their participation at general meetings. This policy is in addition to and designed to enhance the Bank's Market Disclosure Policy.

All information released to the market and the media is available via the Bank's website. Feedback from shareholders is also welcomed through the Bank's branch network or through the 'contact us' page on the Bank's website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Board believes that risk management is a critical part of the Bank's operations and a comprehensive risk management program has been developed. Management of risk is a key function of the Risk Committee under its Charter.

The Risk Committee is a sub-committee of the Board of Directors and assists the Board to discharge its responsibilities to oversee the risk profile and recommend the risk management framework of the Bank to the Board. The Risk Committee is responsible for performing its duties in accordance with its Charter and making recommendations to the Board on the effective discharge of its responsibilities for the key risk areas below and for the management of the Bank's compliance obligations.

The Bank has separate risk management functions in Market Risk, Liquidity Risk, Balance Sheet Risk, Credit Risk, Operational Risk, and Compliance Risk which are reported to the Risk Committee through the Managing Director and the Chief Risk Officer. Employees are trained on important risk management techniques.

The names and qualifications of those appointed to the Risk Committee, and number of meetings of the Risk Committee during the financial year are set out in the Directors' Report.

The Board has received a report from management as to the effectiveness of the Bank's management of its material business risks, that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

PRINCIPLE 8: REMUNERATION

The Remuneration Committee is charged with assisting the Board to discharge its responsibilities regarding the public reporting of remuneration information, appropriate Board composition and other matters. The names and qualifications of those appointed to the Remuneration Committee, and number of meetings of the Remuneration Committee during the financial year are set out in the Directors' Report.

The Board has approved a remuneration policy which is in accordance with the new APRA requirements set out in APS 510 (see the Directors' Report). The remuneration of the Board, the Managing Director and senior management is overseen by the Remuneration Committee. Non-executive Director's remuneration is distinguished from the remuneration of the Managing Director and senior managers.

Directors' retirement benefits were frozen in 2003 and the practice discontinued. Directors are entitled on retirement to their accrued benefit as at 31 August 2003 (increased annually in line with CPI increases).

appendix 4e
preliminary final report

For the year ended 31 August 2010
Rule 4.3A

1. COMPANY DETAILS AND REPORTING PERIOD

Name of entity:	**Bank of Queensland Limited**
ABN:	**32 009 656 740**
Reporting Period:	**31 August 2010**
Previous corresponding period:	**31 August 2009**

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

				$M
Revenues from ordinary activities	Up	13%	to	710.9
Profit from ordinary activities after tax attributable to members	Up	27%	to	179.6
Net profit for the period attributable to members	Up	27%	to	179.6

DIVIDENDS		AMOUNT PER SECURITY	FRANKED AMOUNT PER SECURITY
Final ordinary dividend		26c	26c
Semi-annual dividend on:			
- Reset preference shares (RePS)		257c	257c
- Perpetual Equity Preference Shares (PEPS)		239c	239c
Previous corresponding period			
Final ordinary dividend		26c	26c
Semi-annual dividend on:			
- Reset preference shares (RePS)		257c	257c
- Perpetual Equity Preference Shares (PEPS)		180c	180c
Record date for determining entitlements to the ordinary dividend	18 November 2010		

3. STATEMENTS OF COMPREHENSIVE INCOME WITH NOTES TO THE STATEMENTS

Refer to page 35 of the 2010 Profit Announcement and accompanying notes.

4. BALANCE SHEETS WITH NOTES TO THE STATEMENTS

Refer to page 36 of the 2010 Profit Announcement and accompanying notes.

5. STATEMENTS OF CASH FLOWS WITH NOTES TO THE STATEMENTS

Refer to page 37 of the 2010 Profit Announcement and accompanying notes.

6. DIVIDENDS

Refer to page 57 of the 2010 Profit Announcement and accompanying notes.

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 of 2.5% on the arithmetic or simple average of the daily volume weighted average share prices of the Bank's shares sold on the Australian Securities Exchange during the pricing period. Shares issued are fully paid and rank equally with existing fully paid ordinary shares.

8. STATEMENTS OF CHANGES IN EQUITY

Refer to page 38 of the 2010 Profit Announcement and accompanying notes.

9. NET TANGIBLE ASSETS PER SECURITY

31 August 2010 - $7.55
31 August 2009 - $6.62

10. ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

- Series 2010-1 REDS Trust was established on 9 February 2010;
- Series 2003-2 REDS Trust was closed on 7 May 2010;
- BOQ Finance (Aust) Limited formerly CIT Group (Australia) Limited, was acquired on 30 June 2010;
- BOQ Credit Pty Limited formerly CIT Credit Pty Limited was acquired on 30 June 2010;
- BOQ Funding Pty Limited formerly CIT Funding Pty Limited was acquired on 30 June 2010;
- BOQ Finance (NZ) Limited formerly CIT Group (New Zealand) Limited was acquired on 30 June 2010;
- Equipment Rental Billing Services Pty Limited was acquired on 30 June 2010;
- Hunter Leasing Limited was acquired on 30 June 2010;
- Newcourt Financial (Australia) Pty Limited was acquired on 30 June 2010;
- St Andrew's Life Insurance Pty Ltd was acquired on 1 July 2010;
- St Andrew's Insurance (Australia) Pty Ltd was acquired on 1 July 2010; and
- Series 2010-2 REDS Trust was established on 18 August 2010.

11. ASSOCIATES AND JOINT VENTURE ENTITIES

Refer to page 110 of the 2010 Profit Announcement and accompanying notes.

12. OTHER SIGNIFICANT INFORMATION

Not applicable

13. 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.

14. COMMENTARY ON THE RESULTS FOR THE YEAR

Refer to page 14 of the 2010 Profit Announcement.

15. STATUS OF AUDIT

The attached Statutory Financial report has been audited.

16. DISPUTE OR QUALIFICATIONS IF NOT YET AUDITED

Not applicable

17. DISPUTE OR QUALIFICATIONS IF AUDITED

Not applicable

Stacey Hester

Stacey Hester
Company Secretary
14 October 2010

directors' report

For the year ended 31 August 2010

The directors present their report together with the financial report of Bank of Queensland Limited ("the Bank") and of the Consolidated Entity, being the Bank and its controlled entities for the year ended 31 August 2010 and the auditor's report thereon.

DIRECTORS

The directors of the Bank at any time during or since the end of the financial year are:

NAME, QUALIFICATIONS AND INDEPENDENCE STATUS	AGE	EXPERIENCE, SPECIAL RESPONSIBILITIES AND OTHER DIRECTORSHIPS
Neil Summerson B Com, FCA, FAICD, FAIM Chairman Non-Executive Independent Director	62	Neil Summerson is a Chartered Accountant with 40 years' experience and is a past Chairman of the Queensland branch of the Institute of Chartered Accountants. He was formerly the Queensland Managing Partner at Ernst & Young. He is a Director of National Resources USA Coporation, Australian Made Campaign Limited, Australian Property Growth Limited and Property Funds Australia Limited. He is a former Chairman of the Brisbane Water Board and is currently Chairman of Motorama Holdings Pty Ltd, IDEC Pty Ltd and Australian Property Growth Fund. Mr Summerson has been a Director of the Bank since December 1996 and was appointed Chairman on 20 August 2008. Mr Summerson is Chair of the Bank's Nomination Committee and a member of the Remuneration, Budget, St Andrew's Remuneration and Audit Committees.
David Liddy MBA, FAICD, SF Fin Managing Director & Chief Executive Officer Executive Non-Independent Director	60	David Liddy has over 40 years' experience in banking, including international postings in London and Hong Kong. He was appointed Managing Director of the Bank in April 2001. He has a Masters in Business Administration. He is Deputy Chairman of the Australian Bankers' Association Council and Chairman of the Queensland Museum Foundation. He is also a member of the Federal Treasurer's Financial Sector Advisory Council and the Queensland Government's Smart State Council. Mr Liddy is a Senior Fellow of the Financial Services Institute of Australasia and a Fellow of the Australian Institute of Company Directors.
Steve Crane B Com, SF Fin, FAICD, FAIM Non-Executive Independent Director	58	Steve Crane was appointed a Director of the Bank at the Annual General Meeting on 11 December 2008. He has 40 years' experience in financial markets in Australia, including experience at both AMP and BZW Australia, where he was promoted to Managing Director – Financial Markets in 1995 and became Chief Executive in 1996. In 1998, when ABN AMRO Australia Pty Limited acquired BZW Australia and New Zealand, Steve became Chief Executive and remained in this role until his retirement in June 2003. Steve is now a member of the Advisory Council for RBS Group (Australia) and a Director of Transfield Services, nib holdings limited, APA Ethane Limited, The Sunnyfield Association, Taronga Conservation Society Australia and Chairman of Global Valve Technology Limited. Mr Crane is a member of the Bank's Risk Committee and Corporate Governance Committee and Chair of the Budget Committee.
Roger Davis B.Econ. (Hons), Master of Philosophy Non-Executive Independent Director	58	Roger Davis was appointed a Director of the Bank on 20 August 2008. He has 31 years' experience in banking and investment banking in Australia, the US and Japan. He is currently a consulting Director at Rothschild Australia Limited. He was previously a Managing Director at Citigroup where he worked for over 20 years and more recently was a Group Managing Director at ANZ Bank. He is a Director of Chartis, Macquarie Office Management Ltd, Ardent Leisure Management Ltd and Ardent Leisure Ltd, Aristocrat Leisure Ltd, Territory Insurance Office and Trust Ltd. He was formerly Chair of Pengana Hedgefunds Ltd and Esanda, and a Director of ANZ (New Zealand) Limited, CitiTrust in Japan and Citicorp Securities Inc. in the USA. He has a Bachelor of Economics (Hons) degree from the University of Sydney, a Master of Philosophy degree from Oxford and is a Rhodes Scholar. Mr Davis is a member of the Risk Committee and the Nomination Committee.
Carmel Gray B Bus Non-Executive Independent Director	61	Carmel Gray was appointed a Director of the Bank on 6 April 2006. Ms Gray has had an extensive career in IT and Banking. Ms Gray was Group Executive Information Technology at Suncorp from 1999 to 2004. Prior to her Suncorp appointment she was General Manager of Energy Information Solutions Pty Ltd and Managing Director of Logica Pty Ltd. Ms Gray is a member of the Bank's Risk Committee and the Chair of the Audit Committee.
Bill Kelty, AC B Econ Non-Executive Independent Director	62	Bill Kelty has over 32 years' experience in industrial relations. He was appointed a Director of the Bank in August 2001 and is currently a Director of the Linfox Group and a Commissioner of the Australian Football League. He is also involved in the Foundation for Rural and Regional Taskforce and was previously Chairman of the Federal Government's Regional Development Taskforce. Mr Kelty was Secretary of the Australian Council of Trade Unions from 1983-2000 and a member of the Reserve Bank Board from 1988-1996. He is Chair of the Bank's Corporate Governance Committee and a member of the Audit Committee.

NAME, QUALIFICATIONS AND INDEPENDENCE STATUS	AGE	EXPERIENCE, SPECIAL RESPONSIBILITIES AND OTHER DIRECTORSHIPS
John Reynolds B Sc (Hons), Dip Ed, FAICD, FAIM Non-Executive Independent Director	67	John Reynolds was appointed a Director of the Bank in April 2003. He has had extensive CEO-level experience at top 100 media and resource companies in Australia and overseas. He was formerly Chairman of Arrow Energy Limited. He is a Director of Mater Health Services Brisbane Limited and an advisor to various private companies and professional organisations. Mr Reynolds is Chairman of the Bank's Risk Committee and a member of the Audit Committee, Remuneration Committee and Nomination Committee. He is Chair of the St Andrew's Remuneration Committee.
David Willis B Com, ACA, ICA Non-Executive Independent Director	54	David Willis has over 32 years' experience in financial services in the Asia Pacific, the UK and the US. He is a qualified Accountant in Australia and New Zealand and has had some 17 years experience working with Australian and Foreign Banks. He has held senior executive roles at Westpac, HBOS Australia, Lloyds Bank Australia and Southpac Corporation; a corporate advisory business owned by The National Bank of New Zealand and Lloyds Bank. David is a Director of New Zealand Post and Kiwi Bank together with CBH (A Grain Cooperative in Western Australia). He was appointed a Director of the Bank in February 2010. He is Chair of the Remuneration Committee, a member of the Corporate Governance Committee and a member of the St Andrew's Remuneration Committee.

Peter Fox resigned as a director on 25 November 2009.
Anthony Howarth resigned as a director on 26 July 2010.
David Graham resigned as a Director on 8 October 2010.

COMPANY SECRETARY

Ms Stacey Hester LLB (Hons), LLM, was appointed to the position of Company Secretary on 26 August 2009. The role was held jointly with Mr Brad Edwards LLB until his resignation as Company Secretary on 10 December 2009. Mr Brad Edwards continues as Group General Counsel. Prior to her appointment as company secretary, Ms Hester held various roles within the Bank, including Assistant Company Secretary, Head of Legal and Corporate Solicitor.

DIRECTORS' MEETINGS

The number of meetings of the Bank's directors (including meetings of Committees of directors) and the number of meetings attended by each director during the financial year were;

	BOARD OF DIRECTORS		RISK COMMITTEE		AUDIT COMMITTEE		CORPORATE GOVERN-ANCE COMMITTEE		REMUNERA-TION COMMITTEE		NOMINATION COMMITTEE		REMUNERA-TION AND NOMINATION COMMIT-TEE(1)		BUDGET COMMITTEE		INVESTMENT COMMIT-TEE(2)	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Neil Summerson	9	9	-	-	7	7	-	-	3	3	2	2	2	2	1	1	5	5
Anthony Howarth (3)	8	8	5	5	-	-	1	1	3	3	1	1	2	2	-	-	1	1
David Liddy (4)	8	9	6	6	4	7	-	-	2	3	2	2	2	2	1	1	5	5
Steve Crane	9	9	1	1	-	-	1	1	-	-	-	-	-	-	1	1	4	4
Roger Davis	7	9	5	6	-	-	-	-	-	-	1	1	-	-	-	-	3	3
Peter Fox (5)	2	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
David Graham (6)	9	9	-	-	5	7	-	-	-	-	-	-	-	-	1	1	-	-
Carmel Gray	9	9	6	6	7	7	-	-	-	-	-	-	-	-	-	-	-	-
Bill Kelty	9	9	-	-	-	1	1	1	-	-	-	-	-	-	-	-	5	5
John Reynolds	9	9	6	6	7	7	-	-	3	3	2	2	2	2	-	-	1	1
David Willis (7)	6	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total number of meetings held	9		6		7		1		3		2		2		1		5	

A - Number of meetings attended
B - Number of meetings held during the time the director was a member of the Board / Committee during the year
(1) The Remuneration and Nomination Committee was split into two separate committees (Nomination Committee and Remuneration Committee) on 25 November 2009 to meet the new requirements under APRA Prudential Standard APS 510.
(2) The composition of the Investment Committee is not fixed. Composition and meetings held are set by the Board on an as required basis.
(3) Anthony Howarth resigned on 26 July 2010.
(4) David Liddy attends Committee meetings but is not a formal Committee member.
(5) Peter Fox resigned on 25 November 2009.
(6) David Graham resigned on 8 October 2010.
(7) David Willis was appointed on 22 February 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). During the year the Consolidated Entity acquired CIT Group (Australia) Limited and its subsidiaries, CIT Group (New Zealand) Limited, St Andrew's Life Insurance Pty Ltd and St Andrew's Insurance (Australia) Pty Ltd. Outside of these acquisitions there were no significant changes during the year in the nature of the activities of the Consolidated Entity.

OPERATING AND FINANCE REVIEW

Profitability

Profit after tax for the year ended 31 August 2010 increased by 27% to $179.6 million compared with the 2009 result of $141.1 million. Profit after tax in the current year includes non recurring items including the profit on acquisition of the St Andrew's insurance business, impairment of software assets and ATM transition costs. The prior year result was impacted by the one off costs primarily relating to the restructure of NSW distribution and head office under Project Pathways and property related impairment charges.

Cash profit, profit after tax excluding non recurring and non cash items, increased by 5% from $187.4m to $197.1m. This result was achieved through improved margin performance and cost management however these gains were partially eroded by significant increases in loan provisioning.

Income

Total income increased by 13% during the current year to $710.9 million.

Net interest income for the year ended 31 August 2010 increased by 17% to $561.5 million from the prior period result of $481.1 million. This was a result of improved margins and balance sheet growth.

Other operating income excluding Insurance income decreased by 4% to $142.0 million for the 2010 year from $147.9 million in the prior year. Other operating income included $9.8m profit on acquisition of St Andrew's insurance business. Excluding this non recurring item, other operating income decreased 6%. Other income was impacted adversely by the ATM Direct Charge system introduced in March 2009 and recent reductions in exception fees.

Insurance income contributed $7.4m to total income during the 2 months since acquisition.

Expenses

The Bank's costs decreased by 6% to $347.9 million in the current financial year from the previous year's expenses of $369.8 million. Included in expenses are non cash and non-recurring items including due diligence costs of $6.3m, impairment of software assets of $13.8m, ATM transition costs of $4.5m, prior year GST refund of $5.4m and amortisation of customer contracts amounting to $8.1m.
In the prior year non cash and non recurring items included Home integration costs and other due diligence costs amounting to $13.0m, impairment on primarily property related equity investments of $13.2m, restructuring costs for NSW distribution and head office of $18.7m, and amortisation of customer contracts amounting to $10.9m.

If these amounts were excluded, the Bank's expenses would be $320.6 million, an increase of 2% on the prior year of $314.0m. This increase includes operating costs of newly acquired subsidiaries for the period since acquisition and reflects continued effective cost management.

Efficiency

The Bank's cash cost to income ratio has decreased from the 2009 result of 57.1% to 47.8% in the current year.

Adjusting for aforementioned non recurring items, the Bank cash cost to income ratio has decreased from 49.9% in the 2009 year to 45.8% in the current year. This reflects the Bank's continued focus on cost management.

Asset quality and provisioning

Impairment on loans and advances

Expenses relating to impairment on loans and advances were $104.2 million for the year ended 31 August 2010. This expense consisted of $82.5 million of specific provision impairment expense and $21.7 million of expense relating to the collective provision.

The impairment expense of $104.2 million for the 2010 financial year has increased by $38.2 million or 58% on the prior period expense of $66.0 million.

Impaired assets

Impaired assets increased in gross terms to $147.6 million at 31 August 2010 from $117.4 million for the prior year. Impaired assets as a percentage of non-securitised loans have increased to 0.61% from 0.56% in the prior year. Specific provisions have been raised for $60.5m (41%) of impaired assets.

Lending approvals and asset growth

Lending approvals for the year were $12.5 billion, a decrease of $1.1 billion over the comparative 2009 approval result of $13.6 billion. This decrease of 8% is due to lower system growth as the Australian economy slowed. The Bank has however continued to outperform system growth.

The lending approval growth translated into loans under management balance of $32.0 billion, an increase of $3.1 billion from 31 August 2009 which represents growth of 11%.

Of the loans under management balance of $32.0 billion, $31.7 billion is on balance sheet and $0.3 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 strongly during the 2010 financial year and have reached $18.1 billion, an increase of $1.9 billion or 12% from $16.2 billion as at 31 August 2009.

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

Capital management

The Board has set Tier 1 capital target range to be between 8.0% and 9.0% of risk weighted assets and the total capital target range to be between 11.0% and 12.0% of risk weighted assets. The total capital adequacy ratio at 31 August 2010 was 11.7% and Tier 1 capital was 8.7%. Reset Preference Shares ("RePS") and Perpetual Equity Preference Shares ("PEPS"), issued as hybrid capital instruments, comprise 15% of total Tier 1 capital.

Total Tier 1 capital of 8.7% is represented by 7.4% of Core Tier 1 capital and 1.3% of hybrid capital instruments, including preference shares.

The Bank continued with an active capital management program. Given the institutional placements and non renounceable entitlements offer made in August 2009, the Bank has made no further issues of ordinary capital other than under the dividend reinvestment plan or the Bank's Senior Management Option Plan.

Branch network expansion

The Bank opened 1 branch and closed 3 branches during the financial year to bring total branches to 255 as at 31 August 2010.

Of these 255 branches, 103 are located outside Queensland. The Bank has converted 4 corporate branches to owner managed branches during the financial year.

Shareholder returns

Diluted earnings per share increased 2% from 74.4c in the 2009 year to 76.1c in the current year.

Excluding the impact of non-cash and non-recurring items the Bank's diluted earnings per share would be 83.4c. The 2009 result also adjusted for non-cash and non-recurring items was 98.4c.

On this basis, the current year's diluted earnings per share decreased by 15%.

The Bank has declared a final dividend of 26 cents per share fully franked. This is the same as the 2009 dividend. This represents a payout ratio of 57%, an increase from 53% in the prior year on a cash normalised basis.

Dividends

Dividends paid or declared by the Bank to members since the end of the previous financial year were:

TYPE	CENTS PER SHARE	TOTAL AMOUNT $M	% FRANKED	DATE OF PAYMENT
FINAL 2009				
Declared after the end of the year				
Final – preference shares (RePS)	257	1.2	100%	15/10/2009
Final – preference shares (PEPS)	180	3.6	100%	15/10/2009
Final – ordinary	26	54.9	100%	01/12/2009
INTERIM 2010				
Declared and paid during the year				
Interim – preference shares (RePS)	255	1.2	100%	15/04/2010
Interim – preference shares (PEPS)	216	4.3	100%	15/04/2010
Interim – ordinary	26	55.6	100%	18/05/2010
FINAL 2010				
Declared after the end of the year				
Final – preference shares (RePS)	257	1.2	100%	15/10/2010
Final – preference shares (PEPS)	239	4.8	100%	15/10/2010
Final – ordinary	26	56.1	100%	02/12/2010

All the franked dividends paid or declared by the Bank since the end of the previous financial year were franked at the tax rate of 30%.

The balance of the Bank of Queensland Limited dividend franking account at the date of this report, after adjusting for franking credits and debits that will arise on payment of income tax and dividends relating to the year ended 31 August 2010, is $70.6 million credit calculated at the 30% tax rate (2009: $31.1 million credit).

It is anticipated, based on these franking account balances that the Bank will continue to pay fully franked dividends in the foreseeable future.

Environmental regulation

The Consolidated Entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The Board believes that the Consolidated Entity is not aware of any breach of environmental requirements as they apply to the Consolidated Entity.

State of affairs

Significant changes in the state of affairs of the Consolidated Entity during the financial year were as follows:

Acquisitions

The following entities were established or acquired during the financial year:

- Series 2010-1 REDS Trust was established on 9 February 2010;
- BOQ Finance (Aust) Limited formerly known as CIT Group (Australia) Limited acquired on 30 June 2010;
- BOQ Credit Pty Limited formerly known as CIT Credit Pty Limited was acquired on 30 June 2010;
- BOQ Funding Pty Limited formerly known as CIT Funding Pty Limited was acquired on 30 June 2010;
- BOQ Finance (NZ) Limited formerly known as CIT Group (New Zealand) Limited acquired on 30 June 2010;
- Equipment Rental Billing Services Pty Limited was acquired on 30 June 2010;
- Hunter Leasing Limited was acquired on 30 June 2010;
- Newcourt Financial (Australia) Pty Limited was acquired on 30 June 2010;
- St Andrew's Life Insurance Pty Ltd was acquired on 1 July 2010;
- St Andrew's Insurance (Australia) Pty Ltd was acquired on 1 July 2010; and
- Series 2010-2 REDS Trust was established on 18 August 2010.

Refer to Note 33 of the financial report for further information.

Disposals

Series 2003-2 REDS Trust was closed on 7 May 2010.

Refer to Note 33 of the financial report for further information.

Events subsequent to balance date

Dividends have been declared after 31 August 2010, refer to Note 7.

The financial effect of the above transaction has not been brought to account in the financial statements for the year ended 31 August 2010.

On 15 October 2010 the Reset Preference Shares will be converted to ordinary shares.

Likely developments

The Bank will continue to provide a wide range of banking and financial services for the benefit of its customers, expanding and developing these where appropriate.

This will require further investment, particularly in systems and information technology.

Further information about likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years have not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

REMUNERATION REPORT - AUDITED

Introduction

This remuneration report is prepared for consideration by shareholders at the 2010 Annual General Meeting of the Bank.

The report sets out:

- The Bank's remuneration policy;
- Key management personnel;
- Non-executive directors remuneration framework;
- Executive directors remuneration framework;
- Executives remuneration framework;
- Remuneration disclosures for key management personnel;
- At risk remuneration; and
- Award rights and option terms.

Remuneration Policy - Audited

The Bank recognises that it needs to regularly reshape its remuneration programs to effectively support its business operations, goals, strategies and to enhance shareholder value. The Bank needs to remain competitive in the market place and remunerate reasonably and responsibly, helping it to attract, retain, motivate and reward its diverse workforce.

The Remuneration Committee is responsible for making recommendations to the board on remuneration policies and directors' and executives' remuneration (which includes the Company Secretary). These Committees consider remuneration issues at least annually and obtain advice from external independent remuneration specialists to assist in their decisions. The objective is to ensure remuneration packages properly reflect the person's duties and responsibilities and level of performance as well as ensuring that remuneration attracts and motivates people of the highest calibre.

The policies relating to non-executive director remuneration are discussed later in this report in the Non-Executive Directors Remuneration Framework.

Remuneration at all other levels of the organisation can be comprised of 3 main components:

- Fixed Component - salary based pay and benefits
- Short-term incentives – performance based cash bonuses
- Long-term incentives – retention and performance based equity programs

The Bank has guidelines restricting the dealings of directors and executives in Bank securities through its Securities Trading Policy. This policy includes the Board's policies on margin lending and hedging of risk associated with directors' and executives' ownership of Bank securities.

Executives and senior management are offered a competitive fixed component of pay and rewards that reflect the core performance requirements and expectations of the role. This amount is market tested annually by remuneration specialists to ensure that it remains competitive.

Fixed Component

Remuneration Policy - Audited continued

Short-term Incentives

Payments in cash are provided to executives and senior management once specified quantifiable results are achieved within appropriate risk management parameters. Linking these short-term incentives to individual and corporate performance within appropriate risk management parameters ensures that executives and senior management continue to create a prudent performance focused work culture within the Bank that supports the long-term financial soundness of the Bank. The target award for each executive level participant is usually stated as a percentage of the executive's total fixed remuneration. Business objectives and Short-term Incentive Plan design features are revisited annually by the Remuneration Committee prior to the commencement of the plan year, but typically may include achievement of financial and non-financial targets for a person, team or division, individual performance criteria and risk management and compliance benchmarks.

Long-Term Incentives – Award Rights

The Award Rights Plan is a shareholder approved equity based program under which Award Rights are granted as long-term incentives. During the year ended 31 August 2010 and 31 August 2009, the Bank has granted Performance Award Rights ("PARs") and Deferred Award Rights ("DARs") to executives and senior management.

PARs

The grant of PARs is made to Group Executives and other identified key senior managers due to the pivotal role they will play in achieving the longer-term business goals of the Group. The Board believes that part of the rewards for their services to the Bank should be performance-based and at risk and should involve equity interests in the Bank. This approach reflects national and international best practice in executive remuneration and corporate governance. In structuring the terms of the long-term incentives, the Board carefully considered market practice among comparable companies listed on the ASX.

The grant of the long-term incentives to executives and managers align their interests with those of the Bank and its shareholders. This includes encouraging behaviour that supports the risk management framework of the Bank and the long-term financial soundness of the Bank that in turn supports long-term performance. The performance hurdles for the PARs will allow the Board to ensure that the incentives are aligned with the Bank's future strategies and the interest of shareholders.

DARs

DARs are awarded to a broader range of BOQ employees and are designed to promote employee retention and productivity. The number of DARs awarded to an individual employee will depend on their position and relative performance, as determined under the normal performance review and development process that the Bank undertakes for all employees. DARs are performance tensioned and linked to this process by goals (both financial and non-financial, including risk management) which must be achieved to receive DARs.

Long-term Incentives - Options

The Senior Management Option Plan ("SMOP") is a shareholder approved equity based program that offered options over Bank of Queensland Limited shares based on the achievement of specific performance hurdles. The exercise of options previously issued under this plan is conditional upon the Bank achieving specific performance hurdles.

The SMOP was replaced by the Award Rights Plan during the year ended 31 August 2009 as the mechanism for providing long-term incentives.

Further details of the nature and amount of each of the major elements of the remuneration paid to each director and each executive, including the five most highly paid executive officers of the Bank and the Consolidated Entity, are detailed in this report.

Key management personnel – Audited

Key management personnel including directors and executives have authority and responsibility for planning, directing and controlling the activities of the Bank and Consolidated Entity. Key management personnel include the five most highly remunerated S300A directors and executives of the Bank and Consolidated Entity.

(I) DIRECTORS:

Neil Summerson .. .. Chairman (Non-executive)
David Liddy .. .. Managing Director and Chief Executive Officer
Steve Crane .. .. Director (Non-executive)
Roger Davis .. .. Director (Non-executive)
Carmel Gray . .. . Director (Non-executive)
Bill Kelty .. .. Director (Non-executive)
John Reynolds .. .. Director (Non-executive)
David Willis .. .. Director (Non-executive) (appointed 22 February 2010)
Peter Fox . .. . resigned as a Director on 25 November 2009.
Anthony Howarth.. .. .. resigned as a Director on 26 July 2010.
David Graham . .. . resigned as a Director on 8 October 2010.

(II) EXECUTIVES:

Ram Kangatharan .. .. Chief Operating Officer
Ewan Cameron .. .. Chief Financial Officer (appointed 5 July 2010)
Jim Stabback .. .. Group Executive IT and Operations
Darryl Newton. .. .. Chief Risk Officer (appointed 5 July 2010)
Keith Rodwell .. .. Group Executive, National Finance (appointed 30 June 2010)
Renato Mazza . .. . Group Executive, Insurance (appointed 1 July 2010)
Brad Edwards . .. . Group General Counsel resigned as Company Secretary on December 2009.
Daniel Musson .. .. resigned as Group Executive People and Corporate Services on 19 March 2010.
Bruce Auty. .. .. resigned as Group Executive Group Risk on 18 December 2009.
David Marshall .. .. resigned as Group Executive Banking on 13 August 2010.

Non-executive Directors Remuneration Framework - Audited

Directors' fees and payments are reviewed annually by the Remuneration Committee. These fees and payments reflect advice given by independent remuneration specialists to ensure market comparability. The Chairman's fees are determined independently to the fees of other directors and again are based upon information provided by independent remuneration specialists about market rates. The Chairman is not present at any discussions relating to determination of his own remuneration.

Directors' Fees

The current fixed component of remuneration for directors is $135,000 plus superannuation per director per year. The Chairman receives remuneration of $335,000 plus superannuation per year. The Chairman receives no additional remuneration for involvement with committees.

Additional remuneration is paid to non-executive directors for committee work:

- Audit Committee: Chairman $35,000, members $17,500;
- Risk Committee: Chairman $35,000, members $17,500;
- Remuneration Committee: Chairman $15,000, members $10,000;
- Nomination Committee: Members $6,000;
- Corporate Governance Committee: Chairman $15,000, members $10,000;
- Budget Committee: Chairman $2,250 and members $1,500 per deliberative meeting;
- Investment Committee: Chairman $2,250 and members $1,500 per deliberative meeting;
- Due Diligence Committee: Chairman $2,250 and members $1,500 per deliberative meeting;
- Audit Committee Subsidiary Board: Chairman $10,000; and
- Risk Committee Subsidiary Board: Chairman $10,000.

REMUNERATION REPORT - AUDITED continued

Non-executive directors' fees are determined within an aggregate fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $1,500,000 (inclusive of superannuation) and was approved by shareholders on 7 December 2006.

No part of non-executive director remuneration is based on the performance of the director or the Bank or is otherwise at risk. Non-executive directors do not participate in the Bank's plans designed for the remuneration of executives.

Equity Participation

Non-executive directors do not receive shares, award rights or share options.

Retirement Benefits

Non-executive directors are no longer provided with retirement benefits apart from statutory superannuation. The accumulated value of non-executive director retirement benefits was frozen effective from 31 August 2003. The balance of the accrued benefits will be increased annually by the Consumer Price Index.

Executive Director Remuneration Framework - Audited

Remuneration for the Managing Director is designed to:

- Incentivise the Managing Director to pursue the long-term growth and success of the Bank within an appropriate risk control framework;
- Demonstrate a clear relationship between the Managing Director's performance and remuneration; and
- Provide sufficient and reasonable rewards for the time and effort required in this role and to ensure retention of the Managing Director for the key role he undertakes.

The Managing Director, David Liddy, commenced employment with the Bank in April 2001 under an initial 5 year contract term expiring on 8 April 2006. On 14 October 2004, the Bank extended the term of David Liddy's appointment as Managing Director until 31 August 2009 under a new employment agreement. On 20 August 2008, the Bank extended the term of David Liddy's appointment as Managing Director until 31 December 2011 under new employment arrangements.

The remuneration structure is consistent with the Bank's remuneration policy and includes:

- base salary (fixed component);
- short-term cash performance incentives that are subject to achievement against targets established annually at the discretion of the Board based on the achievement of specified, quantifiable results including the Bank's performance against budget for profit after tax and cost to income ratio as well as individual performance criteria (short-term incentive); and
- the grant of long-term incentives in the form of performance options and / or award rights (long-term incentive).

On 9 December 2004, shareholders approved the issue of 2,000,000 options over unissued ordinary shares of the Bank as a long-term equity performance incentive package. On 11 December 2008, shareholders approved the grant by the Bank of 175,072 Performance Award Rights as a long-term equity performance incentive package. The options and Award Rights are subject to continuous employment and performance hurdles which are detailed later in this report.

The existing contract may be terminated by the Bank at any time by the payment of a termination benefit equal to the lesser of:

- 1 times base salary; or
- Unearned base salary for the balance of the contract term.

The termination benefit also applies if the Managing Director resigns after ceasing to be the most senior executive of the Bank (whether at the instigation of the Board or as a result of a merger or takeover), or is removed as a director by shareholders.

Executives' Remuneration Framework - Audited

The Bank's executive reward structure is designed to:

- Incentivise management to pursue the long-term growth and success of the Bank within an appropriate risk control framework;
- Demonstrate a clear relationship between key executive performance and remuneration; and
- Provide sufficient and reasonable rewards to ensure the Bank attracts and retains suitably qualified and experienced people for key roles within the Bank.

The Executive team is on a combination of fixed term contracts and permanent employment contracts. Total remuneration is currently a mix of fixed salary in addition to short-term incentives and long-term incentives under the current Award Rights Plan and previous SMOP.

Payment of termination benefits on early termination by the employer, other than for gross misconduct, equal the lesser of 12 months remuneration or the fixed remuneration payable for the balance of the contract term.

Fixed Component

Executives are offered a competitive fixed component of remuneration that reflects the core performance requirements and expectations of the role. This amount is market tested annually by remuneration specialists to ensure that it remains competitive.

Short-term Incentive

Payments in cash are provided to executives based on the achievement of specified, quantifiable results being normalised cash net profit after tax within an appropriate risk management framework. These results include the Bank's performance against the budget for profit after tax, and the Bank's normalised cash cost to income ratio as well as individual performance criteria. Linking these short-term incentives to individual and corporate performance ensures that executives create a prudent performance-focused work culture within the Bank that supports the long-term financial soundness of the Bank. Short-Term Incentive Plan design features and business objectives are reviewed annually by the Remuneration Committee.

Long-Term Incentives - Award Rights

The Award Rights Plan was approved by shareholders on 11 December 2008. It is an equity based program under which Award Rights are granted as long-term incentives. The two types of award rights currently granted to executives under the plan are PARs and DARs. No amount is payable by employees for the grant or exercise of these award rights.

PARs

PARs have a vesting framework based on Total Shareholder Return (TSR) of the Bank as measured against a Peer Group over a 3 year period. The PARs for the Managing Director vest over a 2 year period.

The Peer Group consists of the S&P / ASX 200 from time to time excluding selected entities in resources, real estate investment trusts, telecommunications (offshore headquartered), energy and utilities and such other inclusions and exclusions as the Board considers appropriate. TSR is a measure of the entire return a shareholder would obtain from holding an entity's securities over a period, taking into account factors such as changes in the market value of the securities and dividends paid over the period.

One half of an employee's PARs will vest if the Bank's TSR performance over the three year period is in the top 50% of the Peer Group. All of the PARs vest if the Bank's TSR performance is in the top 25%. For TSR performance between those targets, a relative proportion of the PARs between one half and 100% would vest.

Vested PARs are generally exercisable within 5 years after they are granted (approximately 2 years after vesting).

DARs

DARs currently on issue vest proportionately over 3 years in the ratio of 20% (end Year 1), 30% (end Year 2) and 50% (end Year 3) or proportionately over 3 years in the ratio of 50% (end Year 1), 30% (end Year 2) and 20% (end Year 3). There are no market performance hurdles or vesting conditions for DARs but the holder must remain an employee of the Bank.

Vested DARs are generally exercisable within 5 years after they are granted (approximately 2 to 4 years after vesting).

Other PARs and DARs terms

PARs and DARs which lapse, do not vest or are not exercised within 5 years after they are granted will expire.

If an employee's employment ceases for serious misconduct involving fraud or dishonesty, their PARs and DARs (whether exercisable or not) will lapse.

If an employee resigns or is terminated for other reasons, vested PARs and DARs may generally be exercised within 90 days of the employee ceasing employment.

PARs and DARs which are not vested may, at the Board's discretion, vest on a pro rata basis and become exercisable if the employment ceases due to a transfer of employment to an Owner Managed Branch, retirement, redundancy, death, total and permanent disablement, or with the Board's consent. Otherwise, PARs and DARs will lapse on cessation of employment.

The shares that are obtained on exercise of the PARs and DARs are initially held by a trustee (appointed by the Board) for the employee's benefit and can remain in the trust for up to 10 years from the date the Award Rights are granted. While the shares are in the trust, they may be forfeited to Bank if the employee's employment ceases for reasons of serious misconduct involving dishonesty or fraud. The shares held by the trustee may be sold for the benefit of the employee or withdrawn from the trust by the employee, with the Board's approval.

Long-term Incentive - Options

The SMOP has been replaced by the Award Rights Plan, but options previously granted under the SMOP remain on issue. The ability to exercise options under this plan is conditional upon the Bank achieving specific performance hurdles. Details of these financial hurdles and specifics about issues of SMOP options are detailed later in this report.

The SMOP sets out the general terms and conditions attaching to options. Options are exercisable not less than 3 years and not more than 5 years after they are granted to eligible employees. Each option will convert into one ordinary fully paid share on exercise, after payment to the Bank of a strike price. Options which are exercisable, but which have not been exercised, lapse on the first to occur of the following events:

- their expiry date;
- 6 months after the option holder ceases employment because of a Qualifying Reason, i.e. death, total and permanent disability, redundancy, retirement or other reason determined by the Board;
- the option holder ceasing employment for any reason other than a Qualifying Reason;
- 6 months after a Capital Event (50% or more of the Bank's ordinary shares are acquired by way of takeover or scheme of arrangement, the Bank is wound up or liquidated or another event which the Board considers to be a Capital Event); or
- if the option holder has acted fraudulently, dishonestly or in breach of the option holder's obligations to the Bank.

If an option holder ceases employment because of a Qualifying Reason, then a proportion of unvested options will become exercisable, such proportion being based on the time elapsed in the non-exercise period. The Board may allow more unvested options to become exercisable than the formula allows. If a Capital Event occurs, all unvested options become exercisable.

The Board has discretion to allow options to become exercisable in circumstances where it would otherwise be unfair to the holder for the options to lapse or not be exercisable.

Option holders do not participate in new issues of securities made by the Bank but adjustments are to be made to the number of shares over which the options exist and/or the exercise price to take into account changes to the capital structure of the Bank that occur by way of pro rata and bonus issues, according to the formula set out in the plan and the ASX Listing Rules. In any capital reconstruction, options will be similarly reconstructed in accordance with the Listing Rules.

REMUNERATION REPORT - AUDITED continued

Remuneration disclosures for key management personnel - Audited

The following table shows the nature and amount of each major element of the remuneration of all of the directors of the Bank including the five highest paid members of the executive team and other key management personnel, who were officers of the Bank and the Group for the year ended 31 August 2010.

2010 FINANCIAL YEAR		SHORT-TERM SALARY AND FEES $	SHORT-TERM STI CASH BONUS [(1)] $	SHORT-TERM NON-MONETARY BENEFITS [(2)] $	SHORT-TERM TOTAL $
Non-Executive Directors					
Neil Summerson	2010	267,500	-	-	267,500
	2009	231,500	-	-	231,500
Steve Crane	2010	130,583	-	-	130,583
	2009	67,500	-	-	67,500
Roger Davis	2010	133,333	-	-	133,333
	2009	112,083	-	-	112,083
Carmel Gray	2010	161,500	-	-	161,500
	2009	135,083	-	-	135,083
Bill Kelty	2010	130,292	-	-	130,292
	2009	97,833	-	-	97,833
John Reynolds	2010	173,833	-	-	173,833
	2009	154,500	-	-	154,500
David Willis	2010	62,083	-	-	62,083
(commenced 22 February 2010)					
Former Director					
Peter Fox	2010	25,310	-	-	25,310
(resigned 25 November 2009)	2009	90,000	-	-	90,000
Anthony Howarth	2010	123,352	-	-	123,352
(resigned 26 July 2010)	2009	117,917	-	-	117,917
David Graham	2010	129,333	-	-	129,333
(resigned 8 October 2010)	2009	155,814	-	-	155,814
Antony Love	2010	-	-	-	-
(resigned 11 December 2008)	2009	33,333	-	-	33,333
Executive Directors					
David Liddy	2010	1,194,366	1,000,000	8,279	2,202,645
Managing Director	2009	1,230,424	1,000,000	7,806	2,238,230

(1) STI cash reflects amount paid or accrued in respect of the year ended 31 August 2010. Refer to "Executive director remuneration framework" for a discussion of the Bank's short-term incentive arrangement.

(2) The Bank has also paid insurance premiums in respect of Directors' and Officers' Liability Insurance which is not reflected in the above table as there is no appropriate basis for allocation.

(3) This includes superannuation benefits, salary sacrificed benefits and interest which is accrued at the CPI rate on director retirement benefits which was frozen effective from at 31 August 2003.

(4) Comprises long service leave accrued or utilised during the financial year.

(5) The fair value of the options and rights is calculated at the date of grant using an industry accepted option pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options and rights allocated to this reporting period.

	POST-EMPLOYMENT (3)	OTHER LONG-TERM (4)		SHARE BASED PAYMENTS		TOTAL	S300A (1)(E)(I) PROPORTION OF REMUNERATION PERFORMANCE RELATED	S300A (1)(E)(VI) VALUE OF OPTIONS AND RIGHTS AS PROPORTION OF REMUNERATION
			TERMINATION BENEFITS	OPTIONS AND RIGHTS (5)	SHARES AND UNITS			
	$	$	$	$	$	$	%	%
	14,584	-	-	-	-	282,084	-	-
	23,217	-	-	-	-	254,717	-	-
	11,753	-	-	-	-	142,336	-	-
	6,075	-	-	-	-	73,575	-	-
	12,000	-	-	-	-	145,333	-	-
	10,088	-	-	-	-	122,171	-	-
	14,106	-	-	-	-	175,606	-	-
	12,158	-	-	-	-	147,241	-	-
	11,726	-	-	-	-	142,018	-	-
	9,416	-	-	-	-	107,249	-	-
	14,584	-	-	-	-	188,417	-	-
	13,924	-	-	-	-	168,424	-	-
	5,588	-	-	-	-	67,671	-	-
	2,278	-	46,748	-	-	74,336	-	-
	8,789	-	-	-	-	98,789	-	-
	11,102	-	-	-	-	134,454	-	-
	10,613	-	-	-	-	128,530	-	-
	11,640	-	-	-	-	140,973	-	-
	14,023	-	-	-	-	169,837	-	-
	-	-	-	-	-	-	-	-
	3,000	-	188,661	-	-	224,994	-	-
	50,141	70,849	-	746,791	350,000	3,420,426	61%	22%
	13,829	56,994	-	979,079	500,000	3,788,132	65%	26%

REMUNERATION REPORT - AUDITED continued

Remuneration disclosures for key management personnel - Audited continued

		SHORT-TERM		
		SALARY AND FEES	STI CASH BONUS [1]	TOTAL
2010 FINANCIAL YEAR		$	$	$
Executives				
Ram Kangatharan	2010	609,149	750,000	1,359,149
	2009	502,837	275,000	777,837
Ewan Cameron	2010	72,442	0	72,442
(commenced 5 July 2010)				
Jim Stabback	2010	385,268	250,000	635,268
	2009	345,260	115,000	460,260
Darryl Newton	2010	61,235	-	61,235
(commenced 5 July 2010)				
Keith Rodwell	2010	71,667	150,000	221,667
(commenced 30 June 2010)				
Renato Mazza	2010	58,300	50,000	108,300
(commenced 1 July 2010)				
Brad Edwards	2010	255,464	250,000	505,464
Former Executives				
Daniel Musson	2010	210,820	-	210,820
(resigned on 19 March 2010)	2009	356,853	100,000	456,853
Bruce Auty	2010	102,630	-	102,630
(resigned on 18 December 2009)	2009	321,944	92,500	414,444
David Marshall	2010	393,810	-	393,810
(resigned on 13 August 2010)	2009	396,425	150,000	546,425
Robert Hines	2010	-	-	-
(resigned on 9 April 2009)	2009	293,658	224,940	518,598
Len Stone	2010	-	-	-
(resigned on 29 May 2009)	2009	230,750	-	230,750

(1) STI cash reflects amount paid or accrued in respect of the year ended 31 August 2010. Refer to "Executive remuneration framework" for a discussion of the Bank's short-term incentive arrangement.

(2) This includes superannuation and salary sacrificed benefits.

(3) Comprises long service leave accrued or utilised during the financial year.

(4) The fair value of the options and rights is calculated at the date of grant using an industry accepted option pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options and rights allocated to this reporting period.

POST-EMPLOYMENT [2]	OTHER LONG-TERM [3]	TERMINATION BENEFITS	SHARE BASED PAYMENTS OPTIONS AND RIGHTS [4]	TOTAL	S300A (1)(E)(I) PROPORTION OF REMUNERATION PERFORMANCE RELATED	S300A (1)(E)(VI) VALUE OF OPTIONS AND RIGHTS AS PROPORTION OF REMUNERATION
$	$	$	$	$	%	%
25,047	3,938	-	567,021	1,955,155	67%	29%
13,829	815	-	247,277	1,039,758	50%	24%
2,271	95	-	-	74,808	-	-
38,104	955	-	178,179	852,506	50%	21%
34,147	388	-	14,476	509,271	25%	3%
2,271	81	-	-	63,587	-	-
6,450	-	-	-	228,117	66%	-
1,267	1,062	-	-	110,629	45%	-
24,655	4,998	-	123,682	658,799	57%	19%

12,935	-	490,672	209,251	923,678	23%	23%
35,293	625	-	143,449	636,220	38%	23%
12,197	-	377,671	115,041	607,539	19%	19%
41,581	4,077	-	236,502	696,604	47%	34%
38,948	-	170,524	3,460	606,742	1%	1%
39,206	747	-	144,549	730,927	40%	20%
-	-	-	-	-	-	-
30,863	-	651,998	476,412	1,677,871	42%	28%
-	-	-	-	-	-	-
49,000	-	734,214	395,791	1,409,755	28%	28%

REMUNERATION REPORT - AUDITED continued

Remuneration disclosures for key management personnel - Audited continued

The following factors and assumptions were used in determining the fair value of options and rights on grant date:

RIGHT TYPE	GRANT DATE	EXPIRY DATE	FAIR VALUE PER RIGHT	EXERCISE PRICE	PRICE OF SHARES ON GRANT DATE	EXPECTED VOLATILITY	RISK FREE INTEREST RATE	DIVIDEND YIELD
Executive Director								
PARs	11 December 2008 (1)	29 June 2014	$5.76	Nil	$10.25	26.7%	4.5	5.2%
Executives								
PARs	29 June 2009	29 June 2014	$4.59	Nil	$8.89	35.1%	4.2	7.2%
DARs	29 June 2009	29 June 2014	$7.59	Nil	$8.89	35.1%	4.2	7.2%
PARs	23 December 2009	23 December 2014	$6.93	Nil	$11.22	36.3%	4.8	4.6%
DARs	23 December 2009	23 December 2014	$10.40	Nil	$11.22	36.3%	4.8	4.6%
DARs	28 May 2010	28 May 2015	$10.11	Nil	$11.19	36.9%	4.6	4.6%
Restricted shares	15 June 2010	1 March 2012	$10.31	Nil	$10.31	-	-	-

(1) The grant date is deemed to be the date the Award Rights were approved at the Annual General Meeting, the rights were issued on 29 June 2009.

At Risk Remuneration - Audited

Short-term incentive

The short-term incentive referred to in the remuneration table represents 100% of the short-term incentive component of “at risk” remuneration in the year for the benefit of the executive director and the executives. Those bonuses were determined on the basis of the Bank’s and the individual executive’s performance over the financial year ended 31 August 2010 and are therefore deemed to be attributable to that year, although payment will not occur until October 2010. Based on the remuneration policies and practices described in this report there were no short-term incentive bonus amounts attributable to the executive director and executives that are considered to have been forfeited or deferred in the year.

Consequences of performance on shareholder wealth

In considering the Consolidated Entity’s performance and benefits for shareholder wealth, the Remuneration Committee had regard to the following indices in respect of the current financial year and the previous four financial years:

	2010	2009	2008	2007	2006
Normalised cash net profit after tax	$197.1m	$187.4m	$155.4m	$106.1m	$86.7m
Normalised cash diluted earnings per share	83.4c	98.4c	99.9c	93.0c	79.8c
Normalised cash cost to income ratio	45.8%	49.9%	56.1%	62.6%	64.5%
Share price	$9.83	$11.65	$15.86	$18.56	$15.29

Normalised cash net profit after tax and normalised cash cost to income ratio are considered as targets in setting the short-term incentive. Normalised cash results exclude one-off, non-recurring amounts and amortisation of customer contracts. Normalised cash diluted earnings per share is included in the calculation of current long-term incentives for executives and for the Managing Director’s options.

Currently, the average performance-linked component of remuneration comprises approximately 44% (2009: 49%) of total payments made to the Managing Director and executives.

REMUNERATION REPORT - AUDITED continued

Options and Rights Terms – Audited

Details of the vesting profile of the options over and rights to ordinary shares in the Bank granted as remuneration to each key management person of the Bank at 31 August 2010 are detailed below:

		OPTIONS OR RIGHTS GRANTED				
		NUMBER	DATE	% VESTED DURING YEAR	NUMBER VESTED DURING YEAR	NUMBER EXERCISED DURING YEAR
Executive Director						
David Liddy	Options	500,000 (2)	1 November 2005	-	-	-
Managing Director	Options	500,000	1 November 2006	100%	500,000	-
	2008 PARs	175,072	11 December 2008	-	-	-
Executives						
Ram Kangatharan	Options	350,000	1 November 2007	-	-	-
	Restricted shares (3)	108,000	15 June 2010	-	-	-
	2008 DARs	8,550	29 June 2009	20%	1,710	-
	2008 PARs	45,600	29 June 2009	-	-	-
	2009 DARs	27,480	23 December 2009	-	-	-
	2009 PARs	38,700	23 December 2009	-	-	-
Jim Stabback	2008 DARs	7,410	29 June 2009	20%	1,482	-
	2008 PARs	22,800	29 June 2009	-	-	-
	2009 DARs	13,940	23 December 2009	-	-	-
	2009 PARs	15,480	23 December 2009	-	-	-
Brad Edwards	Options	75,000	1 November 2007	-	-	-
	2008 DARs	3,420	29 June 2009	20%	684	-
	2008 PARs	5,700	29 June 2009	-	-	-
	2009 DARs	8,520	23 December 2009	-	-	-
	2009 PARs	7,740	23 December 2009	-		-
Former Executives						
Daniel Musson	Options	200,000	1 November 2007	79%	158,577	-
	2008 DARs	6,270	29 June 2009	49%	3,096	3,096
	2008 PARs	28,500	29 June 2009	31%	8,945	8,945
	2009 DARs	14,320	23 December 2009	100%	14,320	14,320
	2009 PARs	11,610	23 December 2009	8%	971	971
Bruce Auty	Options	150,000 (2)	17 October 2005	-	-	-
		100,000	20 November 2006	100%	100,000	-
		100,000	1 November 2007	71%	70,894	-
	2008 DARs	5,700	29 June 2009	53%	2,994	2,994
	2008 PARs	13,680	29 June 2009	35%	4,760	4,760
	2009 DARs	4,644	23 December 2009	3%	146	146
David Marshall	Options	200,000	1 November 2007	-	-	-
	2008 DARs	6,840	29 June 2009	20%	1,368	-
	2008 PARs	30,210	29 June 2009	-	-	-
	2009 DARs	17,030	23 December 2009	-	-	-
	2009 PARs	15,480	23 December 2009	-	-	-

(1) The % forfeited in the year represents the reduction in number of options or rights available due to cessation of employment.

(2) The options vested in financial year 2009.

(3) The restricted shares were valued at the share price at the time of grant. The shares will vest on 1 March 2012 based on meeting certain service conditions.

(4) Remaining DARs will vest 30% in financial year 2011 and 50% in financial year 2012.

(5) The DARs will vest 50% in financial year 2011, 30% in financial year 2012 and 20% in financial year 2013.

No options or rights have been granted since the end of the financial year. The above options or rights were provided at no cost to the recipients.

% FORFEITED IN YEAR [1]	FINANCIAL YEARS IN WHICH OPTIONS OR RIGHTS VEST	FAIR VALUE PER OPTION OR RIGHT AT GRANT DATE	EXERCISE PRICE PER OPTION ($)	EXPIRY DATE ($)	VALUE OF OPTIONS / RIGHTS
-	31 August 2009	2.16	13.23	20 December 2010	1,080,000
-	31 August 2010	2.13	16.26	20 December 2011	1,065,000
-	31 August 2011	5.76	Nil	29 June 2014	1,008,415
-	31 August 2011	2.57	19.11	1 November 2012	899,500
-	31 August 2012	10.31	Nil	1 March 2012	1,113,748
-	31 August 2012 [4]	7.59	Nil	29 June 2014	64,895
-	31 August 2012	4.59	Nil	29 June 2014	209,304
-	31 August 2013 [5]	10.40	Nil	24 December 2014	285,792
-	31 August 2013	6.93	Nil	24 December 2014	268,191
-	31 August 2012 [4]	7.59	Nil	29 June 2014	56,242
-	31 August 2012	4.59	Nil	29 June 2014	104,652
-	31 August 2013 [5]	10.40	Nil	24 December 2014	144,976
-	31 August 2013	6.93	Nil	24 December 2014	107,276
-	31 August 2011	2.57	19.11	1 November 2010	192,750
-	31 August 2012 [4]	7.59	Nil	29 June 2014	25,958
-	31 August 2012	4.59	Nil	29 June 2014	26,163
-	31 August 2013 [5]	10.40	Nil	24 December 2014	88,608
-	31 August 2013	6.93	Nil	24 December 2014	53,638
21%	31 August 2011	2.57	19.11	18 June 2010	514,000
51%	31 August 2012 [4]	7.59	Nil	18 June 2010	47,589
69%	31 August 2012	4.59	Nil	18 June 2010	130,815
-	31 August 2013 [5]	10.40	Nil	18 June 2010	148,928
92%	31 August 2013	6.93	Nil	18 June 2010	80,457
-	31 August 2009	2.16	13.23	17 October 2010	324,000
-	31 August 2010	2.13	16.26	30 November 2010	213,000
29%	31 August 2011	2.57	19.11	30 November 2010	257,000
47%	31 August 2012 [4]	7.59	Nil	24 March 2010	43,263
65%	31 August 2012	4.59	Nil	24 March 2010	62,791
97%	31 August 2013 [5]	10.40	Nil	24 March 2010	48,298
100%	31 August 2011	2.57	19.11	1 November 2012	514,000
80%	31 August 2012 [4]	7.59	Nil	11 November 2010	51,916
100%	31 August 2012	4.59	Nil	29 June 2014	138,664
100%	31 August 2013 [5]	10.40	Nil	24 December 2014	177,112
100%	31 August 2013	6.93	Nil	24 December 2014	107,276

REMUNERATION REPORT - AUDITED continued

Options and Rights Terms - Audited continued

Award rights and options have been granted under the Award Rights Plan or SMOP to executives and senior management on an ongoing basis in line with the Bank's remuneration policy. The performance hurdles are reviewed annually by the Board Remuneration Committee.

There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when vested award rights or options are exercised. Award rights or options may lapse in the event of cessation of employment depending on the circumstances of such cessation.

Managing Director's options and rights

The Managing Director, David Liddy, has been granted the following PARs as approved by shareholders at the Annual General Meeting held on 11 December 2008:

NUMBER OF PARS	VESTING DATE	EXPIRY DATE	EXERCISE PRICE	ISSUE PRICE
175,072	Date of release of financial results in October 2010	29 June 2014	Nil	Nil

The ability to exercise the PARs is conditional on the Bank achieving certain market performance hurdles. The performance hurdles for vesting of the PARs to be granted to Mr Liddy are:

- the Total Shareholder Return (TSR) of the Bank relative to a Peer Group (based on the S&P/ASX 200 and constituted of the same entities as the Peer Group for the PARs of other executives as outlined above in this report) over a 2 year period (instead of the 3 year period applicable to the PARs of other executives); and
- for the first $500,000 of PARs, the Board must have deermined that the Managing Director has fulfilled his special responsibilities as Managing Director and Chief Executive Officer as agreed with the Board, including to have managed the process of succession planning for those positions, to the satisfaction of the Board.

The PARs granted to Mr Liddy under the Award Righs Plan are otherwise granted on the same terms outlined above in this report as apply to the other executives of the Bank.

Using industry accepted pricing methodologies, each PAR had a value of $5.76 as at date of grant.

The market value of shares at 31 August 2010 was $9.83 (2009: $11.65).

Options

The Managing Director Tranche 4 vested during the year as the performance hurdles required by the Managing Director Option Plan had been met.

TRANCHE	NUMBER OF OPTIONS	EXPIRY DATE	EXERCISE PRICE	ISSUE PRICE
4	500,000	20 November 2011	$16.26	Nil

Details of all options and rights on issue at 31 August 2010, are set out below:

Senior Managers' options and rights

1. Options issued on 20 December 2004 (SMOP 4):

Options originally issued:	3,005,000;
Options lapsed during the year:	75,000;
Options exercised during the year:	302,000;
Options on issue at balance date:	Nil;
Exercise date:	20 December 2007;
Expiry date:	20 December 2009;
Options exercisable at balance date:	Nil;
Issue price:	$Nil; and
Exercise price: (1)	$10.57.

2. Options issued on 17 October 2005 (SMOP 5):

Options originally issued:	3,805,000;
Options lapsed during the year:	610,000;
Options exercised during the year:	Nil;
Options on issue at balance date:	1,778,740;
Exercise date:	17 October 2008;
Expiry date:	17 October 2010;
Options exercisable at balance date:	1,778,740;
Issue price:	$Nil; and
Exercise price: (1)	$13.23.

3. Options issued on 20 November 2006 (SMOP 6):

Options originally issued:	3,370,000;
Options lapsed during the year:	578,025;
Options exercised during the year:	Nil;
Options on issue at balance date:	1,481,934;
Exercise date:	20 November 2009;
Expiry date:	20 November 2011;
Options exercisable at balance date:	1,481,934;
Issue price:	$Nil; and
Exercise price: (1)	$16.26.

During the year, 1,503,855 options vested under this plan as the performance hurdles had been met.

4. Options issued on 1 November 2007 (SMOP 7):

Options originally issued:	3,999,000
Options lapsed during the year:	886,688;
Options exercised during the year	Nil;
Options on issue at balance date:	2,186,894;
Exercise date:	1 November 2010
Expiry date:	1 November 2012
Options exercisable at balance date:	70,894;
Issue Price:	$Nil; and
Exercise Price: (1)	$19.11.

(1) The exercise price was adjusted due to the entitlements offer as required under the plan rules.

The ability to exercise the options is conditional on the Consolidated Entity achieving certain performance hurdles.

The performance hurdles are based on diluted cash EPS growth and require the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the financial years 2008, 2009 and 2010 ("performance period"), as described above.

To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period:

PERCENTAGE RANGE BY WHICH CASH EPS GROWTH EXCEEDS COMPARISON BANKS	PERCENTAGE OF OPTIONS TO VEST
5% and up to but not exceeding 10%	25%
10% and up to but not exceeding 15%	50%
15% and up to but not exceeding 20%	75%
20% or more	100%

Should any SMOP 7 options remain unvested as at November 2011, the EPS test will be applied across financial years 2008, 2009, 2010 and 2011.

Should any SMOP 7 options remain unvested as at November 2012, the EPS test will be applied across financial years 2008, 2009, 2010, 2011 and 2012.

Using the trinomial pricing methodology, each option had a value of $2.57 as at date of granting. The market value of shares at 31 August 2010 was $9.83 (2009: $11.65).

During the year 234,261 options vested under this plan at the discretion of the directors, as permitted under the terms of the option plan.

REMUNERATION REPORT - AUDITED continued

Options and Rights Terms - Audited continued

5. PARs issued on 29 June 2009:

PARs originally granted:	429,292;
PARs lapsed during the year:	58,685;
PARs exercised during the year:	14,408;
PARs on issue at balance date:	351,202;
Vesting date:	Date of release of financial results in October 2011;
Expiry date:	29 June 2014;
Issue Price:	$Nil; and
Exercise Price:	$Nil.

The ability to exercise the PARs is conditional on the Bank achieving certain market performance hurdles. Refer to "Executives Remuneration Framework" for further details.

Using the Monte Carlo simulation approach, each PAR had a value of $4.59 as at date of grant. The market value of shares at 31 August 2010 was $9.83 (2009: $11.65).

During the year 13,705 PARs vested under the Award Rights Plan at the discretion of the directors, as permitted under the terms of the plan.

6. DARs issued on 29 June 2009:

DARs originally granted:	269,072;
DARs lapsed during the year:	20,740;
DARs exercised during the year:	25,786;
DARs on issue at balance date:	213,234;
Vesting date:	17 December 2009 (20%), 16 December 2010 (30%), 15 December 2011 (50%);
Expiry date:	29 June 2014;
Issue Price:	$Nil; and
Exercise Price:	$Nil.

The ability to exercise the DARs is conditional on a qualifying service period. Refer to "Executive Remuneration Framework" for further details.

Using the Monte Carlo simulation approach, each DAR had a value of $7.59 as at date of grant. The market value of shares at 31 August 2010 was $9.83 (2009: $11.65).

During the year 55,270 DARs vested under the Award Rights Plan at the discretion of the directors, as permitted under the terms of the plan.

7. PARs issued on 23 December 2009:

PARs originally granted:	192,810;
PARs lapsed during the year:	26,119;
PARs exercised during the year:	971;
PARs on issue at balance date:	165,720;
Vesting date:	Date of release of financial results in October 2012;
Expiry date:	23 December 2014;
Issue Price:	$Nil; and
Exercise Price:	$Nil.

The ability to exercise the PARs is conditional on the Bank achieving certain market performance hurdles. Refer to "Executives Remuneration Framework" for further details.

Using the Monte Carlo simulation approach, each PAR had a value of $6.93 as at date of grant. The market value of shares at 31 August 2010 was $9.83 (2009: $11.65).

During the year 971 PARs vested under the Award Rights Plan at the discretion of the directors, as permitted under the terms of the plan.

8. DARs issued on 23 December 2009:

DARs originally granted:	403,294;
DARs lapsed during the year:	28,628;
DARs exercised during the year:	14,466;
DARs on issue at balance date:	360,200;
Vesting date:	16 December 2010 (50%), 15 December 2011 (30%), 20 December 2012 (20%);
Expiry date:	23 December 2014;
Issue Price:	$Nil; and
Exercise Price:	$Nil.

The ability to exercise the DARs is conditional on a qualifying service period. Refer to "Executive Remuneration Framework" for further details.

Using the Monte Carlo simulation approach, each DAR had a value of $10.40 as at date of grant. The market value of shares at 31 August 2010 was $9.83 (2009: $11.65).

During the year 14,466 DARs vested under the Award Rights Plan at the discretion of the directors, as permitted under the terms of the plan.

9. DARs issued on 28 May 2010:

DARs originally granted:	41,809;
DARs lapsed during the year:	886;
DARs exercised during the year:	Nil;
DARs on issue at balance date:	40,923;
Vesting date:	2 May 2011 (20%), 7 May 2012 (30%), 6 May 2013 (50%);
Expiry date:	28 May 2015;
Issue Price:	$Nil; and
Exercise Price:	$Nil.

The ability to exercise the DARs is conditional on a qualifying service period. Refer to "Executive Remuneration Framework" for further details.

Using the Monte Carlo simulation approach, each DAR had a value of $10.11 as at date of grant. The market value of shares at 31 August 2010 was $9.83 (2009: $11.65).

During the year no DARs vested under the Award Rights Plan at the discretion of the directors, as permitted under the terms of the plan.

Indemnification of officers

The Bank's Constitution provides that all officers of the Bank are indemnified by the Bank against liabilities incurred by them in the capacity of officer to the full extent permitted by the *Corporations Act 2001*.

Insurance of officers

Since the end of the previous financial year the Bank has paid insurance premiums in respect of a Directors' and Officers' liability insurance contract. The contract insures each person who is or has been a director or executive officer (as defined in the Corporations Act 2001) of the Bank against certain liabilities arising in the course of their duties to the Bank and its controlled entities. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

Directors' interests

Directors' interests as at the date of this report were as follows:

DIRECTOR	ORDINARY SHARES
Neil Summerson	26,241
David Liddy [(1)]	1,058,325
Steve Crane	12,224
Roger Davis	3,541
Carmel Gray	5,899
Bill Kelty	1,220
John Reynolds	1,000
David Willis (Appointed 22 February 2010)	1,022

(1) Includes 28,239 restricted shares

Peter Fox resigned as Director on 25 November 2009.

Anthony Howarth resigned as Director on 26 July 2010.

David Graham resigned as a Director on 8 October 2010

REMUNERATION REPORT - AUDITED continued

Audit and Non–audit services

During the year KPMG, the Bank's auditor, has performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the year by the auditor are in accordance with written advice provided by resolution of the Audit Committee, and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Bank and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor's independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Bank, acting as an advocate for the Bank or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Bank, KPMG and its related practices for audit and non-audit services provided during the year are set out below:

	CONSOLIDATED		BANK	
	2010 $000	**2009 $000**	**2010 $000**	**2009 $000**
Audit services – KPMG Australia				
- Audit and review of the financial reports	794.2	613.8	582.0	555.3
- Other regulatory and audit services	181.5	177.2	116.0	99.9
	975.7	791.0	698.0	655.2
Audit related services – KPMG Australia				
- Other assurance services (1)	264.4	278.3	-	95.1
	264.4	278.3	-	95.1
Other services – KPMG Australia				
- Tax advisory services	220.2	27.7	220.2	21.5
- Other	7.0	-	7.0	-
	227.2	27.7	227.2	21.5
Other services – KPMG Australia				
- Due diligence services	688.7	436.9	-	53.8
	688.7	436.9	-	53.8

(1) Other assurance services comprise accounting opinions, and audit related services provided in relation to mortgage securitisation trusts.

Fees for audit and non-audit services paid to KPMG which were provided in relation to leasing securitisation trusts which are not consolidated by the Bank were $54,993 (2009: $86,677).

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 34 and forms part of the director's report for the year ended 31 August 2010.

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 director's report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

Dated at Brisbane this fourteenth day of October 2010.

Signed in accordance with a resolution of the directors:

Neil Summerson
Chairman

David Liddy
Managing Director

KPMG

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 audit for the financial year ended 31 August 2010 there have been:

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

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

KPMG

KPMG

John Teer

John Teer
Partner

Brisbane
14 October 2010

statements
of comprehensive income

For the year ended 31 August 2010

	NOTE	CONSOLIDATED 2010 $M	CONSOLIDATED 2009 $M	BANK 2010 $M	BANK 2009 $M
Interest income	4	2,237.6	2,031.2	2,210.0	1,963.1
Less: Interest expense	4	1,676.1	1,550.1	1,780.0	1,588.7
Net interest income		561.5	481.1	430.0	374.4
Other operating income	4	142.0	147.9	221.8	215.6
Net Banking operating income		703.5	629.0	651.8	590.0
Premiums from insurance contracts		10.7	-	-	-
Investment (expense)/revenue		1.2	-	-	-
Claims and policyholder liability expense from insurance contracts		(4.5)	-	-	-
Net insurance operating income	4	7.4	-	-	-
Total operating income	4	710.9	629.0	651.8	590.0
Less: Expenses	5	347.9	369.8	331.5	339.4
Profit before impairment on loans and advances and tax		363.0	259.2	320.3	250.6
Less: Impairment on loans and advances	13	104.2	66.0	57.6	49.1
Profit before income tax		258.8	193.2	262.7	201.5
Less: Income tax expense	6	79.2	52.1	75.8	60.9
Profit for the year		179.6	141.1	186.9	140.6
Other comprehensive income, net of income tax					
Cash flow hedges:					
Net gains / (losses) taken to equity		56.2	(68.1)	51.7	(70.8)
Net losses / (gains) transferred to profit and loss		7.5	(5.6)	7.5	(5.6)
Foreign currency translation differences on foreign operations		(0.8)	-	-	-
Net gain on hedge of net investment in foreign operation		0.8	-	-	-
Change in fair value of assets available for sale		7.0	(1.4)	6.1	(2.3)
Other comprehensive income for the year, net of income tax		70.7	(75.1)	65.3	(78.7)
Total comprehensive income for the year		250.3	66.0	252.2	61.9
Profit attributable to:					
Equity holders of the parent		179.6	141.1	186.9	140.6
Total comprehensive income attributable to:					
Equity holders of the parent		250.3	66.0	252.2	61.9
Basic earnings per share					
- Ordinary shares	8	80.6c	75.9c		
Diluted earnings per share					
- Ordinary shares	8	76.1c	74.4c		

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

balance sheets

As at 31 August 2010

	NOTE	CONSOLIDATED 2010 $M	CONSOLIDATED 2009 $M	BANK 2010 $M	BANK 2009 $M
Assets					
Cash and liquid assets	9	471.1	353.8	276.1	250.3
Due from other financial institutions	10	115.8	74.6	24.7	74.6
Other financial assets	11	5,348.0	4,423.3	5,439.4	4,536.4
Derivative financial instruments	26	148.1	88.5	148.1	58.7
Loans and advances at amortised cost	12	31,725.2	28,310.8	28,195.2	25,694.4
Shares in controlled entities	33	-	-	933.1	680.8
Property, plant and equipment	14	25.5	24.5	21.6	24.5
Deferred tax assets	15	4.1	13.3	5.1	12.1
Other assets	16	129.1	104.3	252.1	221.3
Intangible assets	17	574.4	587.8	74.6	96.1
Investments accounted for using the equity method	39	29.6	31.1	-	-
Total assets		38,570.9	34,012.0	35,370.0	31,649.2
Liabilities					
Due to other financial institutions	18	138.2	192.7	138.2	192.7
Deposits	19	28,088.5	24,197.2	28,362.9	24,413.5
Derivative financial instruments	26	189.1	205.0	114.5	205.0
Accounts payable and other liabilities		411.7	277.6	360.8	246.5
Current tax liabilities		76.0	24.4	76.0	24.4
Provisions	20	31.1	20.9	23.7	13.8
Insurance policy liabilities	37	61.5	-	-	-
Borrowings including subordinated notes	21	7,172.3	6,982.8	1,392.3	1,369.0
Amounts due to controlled entities		-	-	2,536.7	3,118.0
Total liabilities		36,168.4	31,900.6	33,005.1	29,582.9
Net assets		2,402.5	2,111.4	2,364.9	2,066.3
Equity					
Issued capital		2,057.6	1,903.1	2,063.4	1,903.4
Reserves		86.6	17.4	61.7	(4.3)
Retained profits		258.3	190.9	239.8	167.2
Total Equity		2,402.5	2,111.4	2,364.9	2,066.3

The above balance sheets should be read in conjunction with the accompanying notes.

statements of cash flows

For the year ended 31 August 2010

	NOTE	CONSOLIDATED 2010 $M	CONSOLIDATED 2009 $M	BANK 2010 $M	BANK 2009 $M
Cash flows from operating activities					
Interest received		2,229.5	2,006.1	2,034.4	1,816.8
Fees and other income received		134.3	171.2	162.2	239.1
Dividends received		0.9	1.3	0.9	0.6
Interest paid		(1,668.5)	(1,538.4)	(1,772.9)	(1,566.6)
Cash paid to suppliers and employees		(274.2)	(350.0)	(244.4)	(203.5)
Operating income tax paid		(41.3)	(29.3)	(40.5)	(29.3)
		380.7	260.9	139.7	257.1
Increase in operating assets:					
Loans and advances at amortised cost		(3,293.2)	(3,133.0)	(2,706.8)	(5,497.7)
Other financial assets		(852.6)	(1,156.7)	(1,082.2)	(1,499.4)
Increase / (decrease) in operating liabilities:					
Deposits		3,836.1	4,250.5	3,895.6	6,576.0
Securitisation liabilities	21	267.8	(394.1)	-	-
Net cash from operating activities	27	338.8	(172.4)	246.3	(164.0)
Cash flows from investing activities					
Payments for property, plant and equipment		(3.7)	(9.2)	(3.7)	(9.2)
Payments for intangible assets – software		(15.3)	(25.6)	(15.3)	(25.6)
Cash distribution received from equity accounted investments		1.5	1.7	-	-
Payments for acquisition of CIT Group (Australia) Limited and CIT Group (New Zealand) Limited	33(b)	(236.7)	-	(252.3)	-
Payments for acquisition of St Andrew's Life Insurance Pty Ltd and St Andrew's Insurance (Australia) Pty Ltd	33(b)	(17.5)	-	-	-
Proceeds from sale of property, plant and equipment		0.5	2.4	0.5	2.1
Net cash from investing activities		(271.2)	(30.7)	(270.8)	(32.7)
Cash flows from financing activities					
Proceeds from issue of ordinary shares		114.0	374.5	114.0	374.5
Cost of capital issues		(4.3)	(8.6)	(4.4)	(8.6)
Proceeds from issue of convertible notes		150.0	-	150.0	-
Proceeds from borrowings and foreign exchange instruments	21	2,600.6	1,416.0	2,595.8	1,462.4
Repayments of borrowings	21	(2,735.8)	(1,539.0)	(2,735.8)	(1,539.0)
Payments for treasury shares		(6.7)	(0.3)	(1.2)	-
Dividends paid		(68.1)	(85.2)	(68.1)	(85.2)
Net cash from financing activities		49.7	157.4	50.3	204.1
Net increase / (decrease) in cash and cash equivalents		117.3	(45.7)	25.8	7.4
Cash and cash equivalents at beginning of year		353.8	399.5	250.3	242.9
Cash and cash equivalents at end of year	9	471.1	353.8	276.1	250.3

The above statements of cash flows should be read in conjunction with the accompanying notes.

statements
changes in equity

For the year ended 31 August 2010

CONSOLIDATED **Year ended 31 August 2010**	**ORDINARY SHARES $M**	**PERPETUAL EQUITY PREFERENCE SHARES $M**	**EMPLOYEE BENEFITS RESERVE $M**	**GENERAL RESERVE FOR CREDIT LOSSES $M**	**CASHFLOW HEDGE RESERVE $M**	**TRANSLATION RESERVE $M**	**AVAILABLE FOR SALE RESERVE $M**	**RETAINED PROFITS $M**	**TOTAL EQUITY $M**
Balance at beginning of the year	1,707.4	195.7	28.2	83.2	(91.4)	-	(2.6)	190.9	2,111.4
Total comprehensive income for the year									
Profit	-	-	-	-	-	-	-	179.6	179.6
Other comprehensive income, net of income tax									
Foreign currency translation differences									
Cash flow hedges:									
- Net gains taken to equity	-	-	-	-	56.2	-	-	-	56.2
- Net gains transferred to profit and loss	-	-	-	-	7.5	-	-	-	7.5
Net gain on hedge of net investment in foreign operation	-	-	-	-	-	0.8	-	-	0.8
Foreign currency translation differences	-	-	-	-	-	(0.8)	-	-	(0.8)
Change in fair value of assets available for sale	-	-	-	-	-	-	7.0	-	7.0
Transfers	-	-	-	(6.2)	-	-	-	6.2	-
Total other comprehensive income	-	-	-	(6.2)	63.7	-	7.0	6.2	70.7
Total comprehensive income for the year	-	-	-	(6.2)	63.7	-	7.0	185.8	250.3
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividend reinvestment plan	50.3	-	-	-	-	-	-	-	50.3
Exercise of options	3.2	-	-	-	-	-	-	-	3.2
Dividends to shareholders	-	-	-	-	-	-	-	(110.5)	(110.5)
Dividends to PEPs	-	-	-	-	-	-	-	(7.9)	(7.9)
Equity settled transactions	-	-	4.7	-	-	-	-	-	4.7
Treasury Shares (1)	(6.7)	-	-	-	-	-	-	-	(6.7)
Retail placement and entitlements offer (2)	107.7	-	-	-	-	-	-	-	107.7
Total contributions by and distributions to owners	154.5	-	4.7	-	-	-	-	(118.4)	40.8
Balance at the end of the year	1,861.9	195.7	32.9	77.0	(27.7)	-	4.4	258.3	2,402.5

(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 statements of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED Year ended 31 August 2009	ORDINARY SHARES $M	PERPETUAL EQUITY PREFERENCE SHARES $M	EMPLOYEE BENEFITS RESERVE $M	GENERAL RESERVE FOR CREDIT LOSSES $M	CASHFLOW HEDGE RESERVE $M	AVAILABLE FOR SALE RESERVE $M	RETAINED PROFITS $M	TOTAL EQUITY $M
Balance at beginning of the year	1,243.7	195.7	21.3	57.9	(17.7)	(1.2)	191.2	1,690.9
Total comprehensive income for the year								
Profit	-	-	-	-	-	-	141.1	141.1
Other comprehensive income, net of income tax								
Cash flow hedges:								
- Net losses taken to equity	-	-	-	-	(68.1)	-	-	(68.1)
- Net gains transferred to profit and loss	-	-	-	-	(5.6)	-	-	(5.6)
Change in fair value of assets available for sale	-	-	-	-	-	(1.4)	-	(1.4)
Transfers	-	-	-	25.3	-	-	(25.3)	-
Total other comprehensive income	-	-	-	25.3	(73.7)	(1.4)	(25.3)	(75.1)
Total comprehensive income for the year	-	-	-	25.3	(73.7)	(1.4)	115.8	66.0
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividend reinvestment plan	30.9	-	-	-	-	-	-	30.9
Shares issued under an Underwriting Agreement	36.6	-	-	-	-	-	-	36.6
Exercise of options	0.3	-	-	-	-	-	-	0.3
Conversion of Series 1 reset preference shares (S1RPS) to ordinary shares	64.7	-	-	-	-	-	-	64.7
Share purchase plan and placement	106.7	-	-	-	-	-	-	106.7
Treasury Shares	(0.6)	-	-	-	-	-	-	(0.6)
Dividends to shareholders	-	-	-	-	-	-	(103.7)	(103.7)
Institutional placement and entitlement offer	225.1	-	-	-	-	-	-	225.1
Dividends to PEPs	-	-	-	-	-	-	(12.4)	(12.4)
Equity settled transactions	-	-	6.9	-	-	-	-	6.9
Total contributions by and distributions to owners	463.7	-	6.9	-	-	-	(116.1)	354.5
Balance at the end of the year	1,707.4	195.7	28.2	83.2	(91.4)	(2.6)	190.9	2,111.4

The statements of changes in equity should be read in conjunction with the accompanying notes.

BANK Year ended 31 August 2010	ORDINARY SHARES $M	PERPETUAL EQUITY PREFERENCE SHARES $M	EMPLOYEE BENEFITS RESERVE $M	GENERAL RESERVE FOR CREDIT LOSSES $M	CASHFLOW HEDGE RESERVE $M	AVAILABLE FOR SALE RESERVE $M	RETAINED PROFITS $M	TOTAL EQUITY $M
Balance at beginning of the year	1,707.7	195.7	28.2	65.6	(96.5)	(1.6)	167.2	2,066.3
Total comprehensive income for the year								
Profit	-	-	-	-	-	-	186.9	186.9
Other comprehensive income, net of income tax								
Cash flow hedges:								
- Net losses taken to equity	-	-	-	-	51.7	-	-	51.7
- Net gains transferred to profit and loss	-	-	-	-	7.5	-	-	7.5
Change in fair value of assets available for sale	-	-	-	-	-	6.1	-	6.1
Transfers	-	-	-	(4.0)	-	-	4.0	-
Total other comprehensive income	-	-	-	(4.0)	59.2	6.1	4.0	65.3
Total comprehensive income for the year	-	-	-	(4.0)	59.2	6.1	190.9	252.2
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividend reinvestment plan	50.3	-	-	-	-	-	-	50.3
Exercise of options	3.2	-	-	-	-	-	-	3.2
Treasury Shares	(1.2)	-	-	-	-	-	-	(1.2)
Dividends to shareholders	-	-	-	-	-	-	(110.4)	(110.4)
Institutional placement and entitlement offer	107.7	-	-	-	-	-	-	107.7
Dividends to PEPs	-	-	-	-	-	-	(7.9)	(7.9)
Equity settled transactions	-	-	4.7	-	-	-	-	4.7
Total contributions by and distributions to owners	160.0	-	4.7	-	-	-	(118.3)	46.4
Balance at the end of the year	1,867.7	195.7	32.9	61.6	(37.3)	4.5	239.8	2,364.9

The statements of changes in equity should be read in conjunction with the accompanying notes.

BANK Year ended 31 August 2009	ORDINARY SHARES $M	PERPETUAL EQUITY PREFERENCE SHARES $M	EMPLOYEE BENEFITS RESERVE $M	GENERAL RESERVE FOR CREDIT LOSSES $M	CASHFLOW HEDGE RESERVE $M	AVAILABLE FOR SALE RESERVE $M	RETAINED PROFITS $M	TOTAL EQUITY $M
Balance at beginning of the year	1,243.7	195.7	21.3	44.3	(20.1)	0.7	164.0	1,649.6
Total comprehensive income for the year								
Profit	-	-	-	-	-	-	140.6	140.6
Other comprehensive income, net of income tax								
Cash flow hedges:								
- Net losses taken to equity	-	-	-	-	(70.8)	-	-	(70.8)
- Net gains transferred to profit and loss	-	-	-	-	(5.6)	-	-	(5.6)
Change in fair value of assets available for sale	-	-	-	-	-	(2.3)	-	(2.3)
Transfers	-	-	-	21.3	-	-	(21.3)	-
Total other comprehensive income	-	-	-	21.3	(76.4)	(2.3)	(21.3)	(78.7)
Total comprehensive income for the year	-	-	-	21.3	(76.4)	(2.3)	119.3	61.9
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividend reinvestment plan	30.9	-	-	-	-	-	-	30.9
Shares issued under an Underwriting Agreement	36.6	-	-	-	-	-	-	36.6
Exercise of options	0.3	-	-	-	-	-	-	0.3
Conversion of Series 1 reset preference shares (S1RPS) to ordinary shares	64.7	-	-	-	-	-	-	64.7
Share purchase plan and placement	106.7	-	-	-	-	-	-	106.7
Treasury Shares	(0.3)	-	-	-	-	-	-	(0.3)
Dividends to shareholders	-	-	-	-	-	-	(103.7)	(103.7)
Institutional placement and entitlement offer	225.1	-	-	-	-	-	-	225.1
Dividends to PEPs	-	-	-	-	-	-	(12.4)	(12.4)
Equity settled transactions	-	-	6.9	-	-	-	-	6.9
Total contributions by and distributions to owners	464.0	-	6.9	-	-	-	(116.1)	354.8
Balance at the end of the year	1,707.7	195.7	28.2	65.6	(96.5)	(1.6)	167.2	2,066.3

The statements of changes in equity should be read in conjunction with the accompanying notes.

notes
to and forming part of the financial statements
Year ended 31 August 2010

1. REPORTING ENTITY

Bank of Queensland Limited (the "Bank") is a company domiciled in Australia. The address of the Bank's registered office is Level 17, 259 Queen Street, Brisbane, QLD, 4000. The consolidated financial report of the Bank for the financial year ended 31 August 2010 comprises the Bank and its subsidiaries (together referred to as the "Consolidated Entity") and the Consolidated Entity's interest in equity accounted investments.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs" – including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The financial statements and notes of the Consolidated Entity and Bank also comply with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board.

The consolidated financial report was authorised for issue by the directors on 14 October 2010.

(b) Basis of measurement

The financial report is prepared on the historical cost basis with the exception of the following assets and liabilities which are stated at their fair value:

- derivative financial instruments;
- financial instruments designated at fair value;
- financial instruments classified as available-for-sale; and
- insurance policy liabilities.

(c) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Bank's functional currency and the functional currency of the majority of the Consolidated Entity.

(d) Rounding

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.

(e) Use of estimates and judgements

The preparation of a 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. These accounting policies have been consistently applied by each entity in the Consolidated Entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Provisions for impairment – Note 13;
- Intangible assets - Note 17;
- Provisions - Note 20;
- Financial instruments - Note 26;
- Insurance policy liabilities – Note 37; and
- Controlled entities - Note 33 (b).

3. SIGNIFICANT ACCOUNTING POLICIES

- The following standards and amendments have been identified as those which may impact the Bank and were available for early adoption at 31 August 2010 but have not been applied in these financial statements.
- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Consolidated Entity's 31 August 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 31 August 2012 or earlier. The Consolidated Entity has not determined the potential effect of the standard.
- AASB 124 *Related Party Disclosures* (revised December 2009) is effective for the Consolidated Entity's 31 August 2012 financial statements and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and is not expected to have a significant impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES continued

- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions*. The amendments confirm that an entity receiving goods or services in a Consolidated Entity share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the Consolidated Entity settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the Consolidated Entity share-based payment arrangement should be measured, that is, whether it is measured as equity or a cash-settled transaction. The Consolidated Entity will apply these amendments retrospectively for the 31 August 2011 financial statements.
- Interpretation 19 *Extinguishing financial liabilities with equity instruments* clarifies the accounting 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. Interpretation 19 will become mandatory for the Consolidated Entity's 31 August 2011 financial statements with retrospective application required. The Consolidated Entity has not yet determined the potential effect of the interpretation.
- AASB 1053 *Application of Tiers of Australian Accounting Standards* establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements. AASB 1053 is available for early adoption and is mandatory for the Consolidated Entity's 31 August 2014 financial statements. The Consolidated Entity will be classified as a Tier 1 entity and therefore adoption of the standard will have no significant impact.

The following standards have been adopted from 1 September 2009 and did not have any material effect on the financial position or performance of the Consolidated Entity:

- AASB 3 *Revised Business Combinations*. (Revised March 2008).
- AASB 8 *Operating Segments*.
- AASB 101 *Revised Presentation of Financial Statements*. (Revised September 2007).

Except as described in the subsequent notes, the accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report, and have been applied consistently across the Consolidated Entity.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to benefit from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases. In the Bank's financial statements, investments in subsidiaries are carried at cost.

(ii) Securitisation

The Bank conducts a loan securitisation program whereby mortgage loans are packaged and sold to the REDS Securitisation and Warehouse Trusts ("RMBS Trusts").

The Bank also securitises Hire Purchase, Chattel Mortgages and Finance Leases which are packaged and sold to REDS EHP Securitisation Trusts ("REDS EHP Trusts").

Consolidated Entity

The Consolidated Entity receives the residual income distributed by the RMBS Trusts after all payments due to investors and associated costs of the program have been met and as a result the Consolidated Entity is considered to control the RMBS Trusts and they are treated as controlled entities.

The RMBS Trusts fund their purchase of the loans by issuing floating-rate pass-through debt securities.
The securities are issued by the RMBS Trusts. These are represented as other liabilities of the Consolidated Entity, however the Consolidated Entity does not stand behind the capital value or the performance of the securities or the assets of the RMBS Trusts.
The Consolidated Entity does not guarantee the payment of interest or the repayment of principal due on the securities. The loans subject to the securitisation program have been pledged as security for the securities issued by the RMBS Trusts.
The Consolidated Entity is not obliged to support any losses that may be suffered by investors and does not intend to provide such support.

The Bank also securitises Hire Purchase, Chattel Mortgages and Finance Leases to the REDS EHP Trusts. Where the residual income units in these trusts are held by external investors the trusts are not consolidated as the Consolidated Entity does not meet the conditions associated with control of an entity as defined by AASB 127 *Consolidated and Separate Financial Statements* and the original sale of these assets meets the de-recognition criteria set out in AASB 139.

To the extent that the Consolidated Entity does not substantially transfer all the risk and rewards associated with these assets, the level of the Consolidated Entity's continuing involvement in these assets continues to be recognised.

Bank

Interest rate risk from the RMBS Trusts is transferred back to the Bank by way of interest rate swaps. Accordingly, under AASB 139 the original sale of the mortgages from the Bank to the RMBS Trusts does not meet the de-recognition criteria set out in AASB 139. The Bank continues to reflect the securitised loans in their entirety and also recognises a financial liability to the RMBS Trusts. The interest payable on the intercompany financial asset / liability represents the return on an imputed loan between the Bank and the RMBS Trusts and is based on the interest income under the mortgages, the fees payable by the RMBS Trusts and the interest income or expense not separately recognised under interest rate and basis swaps transactions between the Bank and the RMBS Trusts.

All transactions between the Bank and the RMBS Trusts are eliminated on consolidation.

(iii) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows from the assets have expired, or where the Bank has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership, or where control is not retained. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expired.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss.

Where a foreign currency transaction is part of a hedge relationship it is accounted for as above, subject to the Hedge

Accounting rules set out in Note 3 (c) Derivative financial instruments and hedging.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve.

(c) Derivatives, financial investments and hedging

Treasury shares

Ordinary shares of the Bank may be purchased from time to time by a subsidiary of the Bank authorised to do so under the Bank's Award Rights Plan. Where these shares remain unvested to employees they are treated as treasury shares and deducted from capital as required by AASB 132 Financial Instruments: Presentation and Disclosure. No profit or loss is recorded on purchase, sale, issue or cancellation of these shares.

Derivatives

The Consolidated Entity uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. In accordance with its treasury policy, the Consolidated Entity can hold derivative financial instruments for trading purposes. Also, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at trade date fair value and are subsequently remeasured at fair value at the reporting date. The gain or loss on re-measurement is recognised immediately in the profit and loss. However, when derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship discussed below.

The fair value of interest rate swaps is the estimated amount that the Consolidated Entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price. The fair value of futures contracts is their quoted market price.

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability of the cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. The ineffective part of any gain or loss is recognised immediately in the profit and loss. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in other comprehensive income are reclassified into the profit and loss in the same period or periods in which the asset acquired or liability assumed affects the profit and loss (i.e. when interest income or expense is recognised).

When a hedging instrument expires or is sold, terminated or exercised, or the Consolidated Entity revokes designation of the hedge relationship but the hedged forecast transaction still is expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss is recognised immediately in the profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES continued

(c) Derivatives, financial investments and hedging continued

(ii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any foreign currency gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. To the extent the hedge is ineffective, a portion is recognised immediately in profit or loss within other income or other expenses.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income.

The Bank has not designated any hedges as fair value hedges.

Financial investments

The Bank classifies its financial investments into one of the following two categories upon initial recognition:

(i) Financial assets at fair value through the profit and loss

Financial assets that are held as part of the Bank's Trading Book (refer Note 11) are designated at fair value through the profit and loss. The Bank manages such financial assets and makes purchase and sale decisions based on their fair value in accordance with the Bank's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in the profit and loss when incurred. Financial instruments at fair value through the profit and loss are measured at fair value, and changes therein are recognised in the profit and loss.

(ii) Available-for-sale

Assets that are intended to be held for an indefinite period of time but which may be sold in response to changes in interest rates, exchange rates and liquidity needs are classified as available for sale. These assets are initially measured at fair value with any changes in fair value, other than impairment losses, being recognised in other comprehensive income until the asset is sold. Interest income received on these assets is recorded as net interest income and any realised gains or losses recorded in other income.

(d) Cash and Liquid assets

Cash and liquid assets comprise cash at branches, cash on deposit and balances with the Reserve Bank of Australia.

(e) Receivables due from other Banks

Receivables due from other banks are recognised and measured at amortised cost and include nostro balances (an account held with a foreign bank usually in a foreign currency) and settlement account balances.

(f) Loans and advances at amortised cost

Loans and advances are originated by the Bank and are recognised upon cash being advanced to the borrower. Loans and advances are initially recognised at fair value plus incremental direct transaction costs and subsequently measured at each reporting date at amortised cost using the effective interest method. Refer Note 3 (j) for impairment of loans and advances.

(g) Leases

Finance Leases

Finance leases in which the Bank is the lessor, are recorded in the Balance Sheet as loans and advances at amortised cost. They are recorded on the commencement of the lease as the net investment in the lease, being the present value of the minimum lease payments.

The Consolidated Entity does not have finance leases as lessee.

Operating Leases

Operating leases in which the Bank is the lessee, are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property. When an operating lease terminates before the lease period expires, any payment required to be made to the lessor by way of penalty, is recognised as an expense in the period in which termination takes place.

(h) Property, plant and equipment

Recognition and initial measurement

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Subsequent Costs

Subsequent additional costs are only capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the assets will flow to the Bank in future years. Where these costs represent separate components, they are accounted for as separate assets and are separately depreciated over their useful life. Costs that do not meet the criteria for subsequent capitalisation are expensed as incurred.

Subsequent Measurement

The Bank has elected to use the cost model to measure property, plant and equipment after recognition. The carrying value is the initial cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation is charged to profit and loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful life in the current and comparative periods are as follows:

	YEARS
Buildings	40
IT equipment	3 – 10
Plant, furniture and equipment	3 – 25
Leasehold improvements	10
	(or term of lease if less)

The residual value, if not insignificant, is reassessed annually.

(i) Intangible Assets

Initial recognition and measurement

Intangible assets are stated at cost less any accumulated amortisation and any impairment losses. Expenditure on internally generated goodwill, research costs and brands is recognised in profit and loss as an expense as incurred.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Goodwill

Goodwill is the excess of the cost of acquisition over the fair value of the Bank's share of the identifiable net assets of the acquired subsidiary. Any goodwill is tested annually for impairment, with any impairment taken directly to profit and loss. Refer Note 3 (j).

Consideration transferred included the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquired, and equity interests issued by the group.

Amortisation

Amortisation is charged to profit and loss on a straight-line basis over the estimated useful life of the intangible asset unless the life of the intangible asset is indefinite. Where applicable, intangible assets are amortised from the date they are available for use. The amortisation period and method are reviewed on an annual basis.

The amortisation rates used in the current and comparative periods are as follows:

	YEARS
Software	5-10
Customer related intangibles and brands	3-10
Technology Infrastructure	12

(j) Impairment

Financial assets

Financial assets other than loans and advances at amortised cost

The Consolidated Entity assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets, not carried at fair value through profit and loss, is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flow of that asset that can be estimated reliably. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity and recognised in profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

Loans and advances and other assets at amortised cost

If there is evidence of impairment for any of the Consolidated Entity's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

The Bank uses two methods for calculating impairment of loans and advances:

(i) Specific impairment provisions

Impairment losses on individually assessed loans and advances are determined on a case-by-case basis. If there is objective evidence that an individual loan or advance is impaired, then a specific provision for impairment is raised. The amount of the specific provision is based on the carrying amount of the loan or advance, including the security held against the loan or advance and the present value of expected future cash flows. Any subsequent write-offs for bad debts are then made against the specific provision for impairment.

The unwinding of the discount from initial recognition of impairment through to recovery of the written down amount is recognised through interest income.

(ii) Collective impairment provisions

Where no evidence of impairment has been identified for loans and advances, these loans and advances are grouped together on the basis of similar credit characteristics for the purpose of calculating a collective impairment loss. Collective impairment provisions are based on historical loss experience adjusted for current observable data. The amount required to bring the collective provision for impairment to its required level is charged to profit and loss.

Non-financial assets

Non-financial assets other than deferred tax assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For goodwill, and intangible assets with an indefinite life, the recoverable amount is estimated each year at the same time.

The Bank conducts an annual internal review of non-financial asset values to assess for any indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised in profit and loss for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). This grouping is subject to an operating segment ceiling test. Non-financial assets, other than goodwill, that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. An impairment loss in respect of goodwill is not reversed.

Calculation of recoverable amount

The recoverable amount of non-financial asset of cash-generating unit is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. SIGNIFICANT ACCOUNTING POLICIES continued

(k) Financial Liabilities

Financial liabilities including current accounts, deposits, subordinated and convertible notes and term deposits are initially recognised at fair value plus transaction costs that are directly attributable to the issue of the financial liability and are subsequently measured at amortised cost using the effective interest method.

Securitisation set-up costs relating to on-balance sheet assets are included with securitisation borrowings and amortisation is recorded as interest expense.

(l) Employee benefits

(i) Wages, Salaries and Annual Leave

Liabilities for employee benefits to wages, salaries and annual leave represents present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Bank expects to pay as at reporting date including related on-costs.

(ii) Long Service Leave

The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made resulting from employee's services provided to reporting date. The provision is calculated using expected future increases in wage and salary rates including related on-costs, and expected settlement dates based on turnover history and is discounted using the rates attached to national government bonds at reporting date which most closely match the terms of maturity of the related liabilities.

(iii) Superannuation plan

The Bank contributes to a number of defined contribution superannuation plans which comply with the Superannuation Contributions Act Legislation. Contributions are charged to profit and loss as they are made.

(iv) Share based payments

The Bank operates the following equity-settled compensation plans:

- Managing Director Option Plan ("MD plan");
- Senior Management Option Plan ("SMOP"); and
- Award Rights Plan.

The above plans allow Bank employees to acquire shares in the Bank. The fair value of options and rights granted is recognised as an employee expense with a corresponding increase to the Employee Benefits Reserve. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options and rights. The fair value of the options and rights granted is measured using industry accepted option pricing methodologies, taking into account the terms and conditions upon which the options and rights are granted. The fair value of the options and rights is expensed over the vesting period. Where options and rights do not vest due to failure to meet a non market condition (e.g. employee service period) the expense is reversed. Where options and rights do not vest due to failure to meet a market condition (e.g. Total Shareholder Return test) the expense is not reversed.

(m) Provisions

A provision is recognised in the Balance Sheet when the Consolidated Entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(n) Preference Shares

Preference share capital is classified as equity if it is non-redeemable or redeemable only at the Bank's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon declaration by the directors.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit and loss as accrued.

(o) Revenue

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised in the profit and loss using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but not future credit losses. The calculation includes all amounts paid or received by the Bank that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts. Transaction costs include loan acquisition costs such as commissions paid to Owner Managed Branches and other intermediaries.

Interest on impaired financial assets is recognised at the original effective interest rate of the financial asset applied to the carrying amount as reduced by any allowance for impairments.

Non-interest income

Non-yield related lending application fees received are recognised as income when the loan is disbursed or the commitment to lend expires.

Service fees that represent the recoupment of the costs of providing the service are recognised on an accruals basis when the service is provided.

Lending fees that are considered an integral part of the effective interest rate are recognised within interest revenue on an effective interest rate basis.

Fair value gains and losses from financial assets held at fair value are recognised in profit and loss immediately.

Dividend income

Dividends are recognised when control of a right to receive consideration is established.

(p) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss except to the extent that it relates to business combination, or items recognised directly in equity, or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the Balance Sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax Consolidation

The Bank is the head entity in the tax consolidated group comprising all the Australian wholly-owned subsidiaries. The implementation date for the tax-consolidated group was 1 September 2004.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using a 'group allocation' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Bank as an equity contribution, or distribution from the subsidiary.

The Bank recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding and tax sharing arrangements

The Bank, in conjunction with other members of the tax-consolidated group, has entered into a tax funding agreement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding agreement requires payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the Bank recognising an inter-entity payable (receivable) equal in amount to the tax liability (asset) assumed.

Contributions to fund the current tax liabilities are payable as per the Tax Funding Arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The Bank, in conjunction with other members of the tax-consolidated group, has also entered into a Tax Sharing Agreement ("TSA"). The TSA provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the TSA is considered remote.

(q) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the statements of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(r) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the Consolidated Entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares), by the weighted average number of ordinary shares of the Bank, adjusted for any bonus issues.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

3. SIGNIFICANT ACCOUNTING POLICIES continued

(s) Business Combinations

Change in accounting policy

The Group has adopted revised AASB 3 Business Combinations (2008) and amended AASB 127 Consolidated and Separate Financial Statements (2008) for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no material impact on earnings per share.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Contingent Liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Transactions Costs

Transaction costs that the Group incurs in connection with a business combination, such as a finders fee, legal fees, due diligence fees and other professional and consulting fees are expensed as incurred.

(t) General reserve for credit losses

The Bank is required by the Australian Prudential Regulation Authority ("APRA") to maintain a general provision for credit losses. As the Bank is unable to hold a general provision under current accounting standards, the Bank has created a general reserve for credit losses. The general reserve for credit losses and collective provision for impairment are aggregated for the purpose of satisfying the APRA requirement for a general reserve for credit losses.

(u) Investment in jointly controlled operations

The Bank has interests in joint ventures that are part of jointly controlled operations. The Bank's investments in jointly controlled joint venture entities are accounted for under the equity method of accounting in the consolidated financial statements. These are entities in which the Bank has joint control over all operational decisions and activities.

Under the equity method, the investments in joint ventures are recognised at the cost of acquisition and the carrying value is subsequently adjusted by the Bank's share of the joint venture entity's profit or loss and movement in post-acquisition reserves, after adjusting to align the accounting policies with that of the Bank.

The Bank's share of the joint venture entity's net profit or loss is calculated based on the sale of land, together with any tax expense, and is brought to account based on the proportion of settled land sales contracts.

(v) Life Insurance Business

Principles for life insurance business

The life insurance operations are conducted within separate funds as required by the Life Insurance Act 1995 and are reported in aggregate with the Shareholders' Fund in the Statement of Comprehensive Income, Balance Sheet and Statement of Cash Flows. The life insurance operations comprise the selling and administration of life insurance contracts.

Life insurance contracts involve the acceptance of significant insurance risk. Insurance risk is defined as significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). Insurance contracts include those where the insured benefit is payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness. The insured benefit is not linked to the market value of the investments held by the Consolidated Entity, and the financial risks are substantially borne by the Consolidated Entity.

Revenue recognition

Premiums in respect of life insurance contracts are recognised as revenue in the Statement of Comprehensive Income from the date of attachment of risk. Premiums with no due date are recognised as revenue on a received basis. Premiums with a regular due date are recognised as revenue on an accruals basis. Unpaid premiums are only recognised as revenue during the days of grace or where secured by the surrender value of the policy and are included in the Balance Sheet.

Life insurance liabilities and profit

Profits of the insurance contract business are brought to account on a Margin on Services ("MoS") basis in accordance with guidance provided by LPS 1.04: Valuation of Policy Liabilities as determined by Australian Prudential Regulation Authority ("APRA"). Under MoS, profit is recognised as fees are received and services are provided to policyholders. When fees are received but the service has not been provided, the profit is deferred. Losses are expensed when identified.

Consistent with the principle of deferring unearned profit is the requirement to defer expenditure associated with the deferred profit. MoS permits costs associated with the acquisition of policies to be charged to the Statement of Comprehensive Income over the period that the policy will generate profits. Costs may only be deferred to the extent that a policy is expected to be profitable.

Profit arising from policies comprising non investment-linked business is based on actuarial assumptions, and calculated as the excess of premiums and investment earnings less claims, operating expenses and the amortisation of acquisition costs that will be incurred over the estimated life of the policies. The profit is systematically recognised over the estimated time period the policy will remain in force.

Under MoS, insurance contract liabilities may be valued using an accumulation approach where this does not result in a material difference to the projection approach. The accumulation approach is deemed appropriate by the directors and the appointed actuary. Under this approach, premiums received are deferred and earned in accordance with the underlying incidence of risk. Costs of acquiring insurance contracts, both direct and indirect, are deferred to the extent that related product groups are expected to be profitable. Where a related product group is not expected to be profitable, the insurance contract liability is increased by the excess of the present value of future expenses over future revenues.

Deferred acquisition costs

The fixed and variable costs of acquiring new life insurance business are deferred to the extent that such costs are deemed recoverable from future premiums or policy charges. These costs include commission, policy issue and underwriting costs, certain advertising costs and other sales costs.

Acquisition costs deferred are limited to the lesser of the actual costs incurred and the allowance for the recovery of such costs in the premium or policy charges. The actual acquisition costs incurred are recorded in the Statement of Comprehensive Income of the Consolidated Entity. The value and future recovery of these costs are assessed in determining policy liabilities. This has the effect that acquisition costs are deferred within the policy liability balance and amortised over the period that they will be recovered from premiums or policy charges.

(w) Presentation of financial statements

The consolidated entity applies revised AASB 101 Presentation of Financial Statements (2007), which became effective 1 January 2009. As a result, the Consolidated Entity presents in the statements of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statements of comprehensive income.

Comparative information has been re-presented so that is also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

4. OPERATING INCOME

	CONSOLIDATED		BANK	
	2010 $M	**2009 $M**	**2010 $M**	**2009 $M**
Interest income				
Loans and advances	2,011.3	1,835.2	1,733.3	1,721.2
Securities at fair value	226.3	196.0	476.7	241.9
Total interest income	2,237.6	2,031.2	2,210.0	1,963.1
Interest expense				
Retail deposits	716.4	722.6	716.4	713.2
Wholesale deposits and borrowings	959.7	827.5	1,063.6	875.5
Total interest expense	1,676.1	1,550.1	1,780.0	1,588.7
Net interest income	561.5	481.1	430.0	374.4
Income from operating activities				
Other customer fees and charges	116.5	122.4	116.6	122.2
Securitisation income (1)	1.6	3.3	55.5	48.5
Net income / (loss) from financial instruments and derivatives at fair value	10.8	8.6	11.1	8.7
Commission – insurance and financial planning	8.2	8.9	7.6	7.0
Franchise fees	2.0	2.9	2.0	2.9
Management fee – controlled entities	-	-	27.3	26.9
Foreign exchange income – customer based	5.6	5.3	6.4	5.3
Income from outside operating activities				
Profit on sale of property, plant and equipment	0.8	0.5	0.1	0.5
Other income (2)	3.3	10.0	11.8	7.6
Share of fee revenue paid to Owner Managed Branches	(16.6)	(14.0)	(16.6)	(14.0)
	132.2	147.9	221.8	215.6
Individually significant item				
Profit on acquisition of St Andrew's (refer Note 33 (b))	9.8	-	-	-
	9.8	-	-	-
Other operating income	142.0	147.9	221.8	215.6
Insurance contracts income	7.4	-	-	-
Total operating income	710.9	629.0	651.8	590.0

(1) At a consolidated level represents securitisation income from the certain leasing trusts which are not consolidated.

(2) The prior period includes bad debts recovered, the current period bad debts recovered is included in impairment on loans and advances.

5. EXPENSES

	CONSOLIDATED 2010 $M	CONSOLIDATED 2009 $M	BANK 2010 $M	BANK 2009 $M
Operating expenses				
Advertising	13.5	11.8	13.4	11.8
Commissions to Owner Managed Branches	7.6	6.8	7.6	6.8
Communications and postage	14.7	13.8	14.5	13.6
Printing and stationery	4.2	4.0	4.1	3.9
Non-lending losses	7.6	3.4	7.6	3.3
Processing costs	24.6	30.7	24.6	30.7
Amortisation – securitisation setup costs	0.5	1.8	-	0.5
Impairment (1)	13.8	13.2	13.8	7.8
Other operating expenses	13.2	13.1	12.3	12.6
	99.7	98.6	97.9	91.0
Administrative expenses				
Professional fees	14.1	9.8	14.2	9.5
Directors' fees	1.3	1.3	1.3	1.3
Other	4.6	5.0	5.1	4.3
	20.0	16.1	20.6	15.1
Computer costs				
Data processing	43.8	44.5	41.7	44.5
Amortisation – computer software (intangible)	20.3	16.9	20.3	16.9
Amortisation – technology infrastructure (intangible)	1.5	1.5	1.5	1.5
Depreciation – IT equipment	1.5	1.5	1.4	1.5
	67.1	64.4	64.9	64.4
Occupancy expenses				
Lease rental	17.4	17.4	16.7	17.2
Depreciation of plant, furniture, equipment and leasehold improvements	4.7	5.1	4.7	5.1
Other	1.3	2.0	1.3	1.9
	23.4	24.5	22.7	24.2
Employee expenses				
Salaries and wages	98.2	99.2	94.4	96.0
Superannuation contributions	8.7	9.5	8.3	9.2
Fringe benefits tax	0.8	1.7	0.8	1.5
Amounts set aside to provision for employee entitlements	1.7	0.6	1.3	0.4
Payroll tax	5.5	6.0	5.2	5.7
Equity settled transactions	5.5	4.9	5.5	4.9
Other	4.7	3.9	4.5	3.9
	125.1	125.8	120.0	121.6
Other				
Amortisation – acquired intangibles	8.1	10.9	0.9	1.1
Home integration costs (2)	-	10.8	-	3.3
Restructuring expenses (3)	4.5	18.7	4.5	18.7
Expenses	347.9	369.8	331.5	339.4

(1) The current year relates to impairment of software. In the prior year, impairment primarily related to property related equity investments.

(2) The prior year includes non-recurring integration costs associated with the acquisition of Home Building Society Ltd.

(3) The current year includes ATM transition costs and the prior year includes the provision raised for the NSW distribution restructure and head office restructure.

6. INCOME TAX EXPENSE

	CONSOLIDATED 2010 $M	CONSOLIDATED 2009 $M	BANK 2010 $M	BANK 2009 $M
Current tax expense				
Current year	96.0	50.5	98.6	59.2
Adjustments for prior years	(3.8)	(2.4)	(9.3)	(2.5)
	92.2	48.1	89.3	56.7
Deferred tax expense				
Origination and reversal of temporary differences	(13.0)	4.0	(13.5)	4.2
	(13.0)	4.0	(13.5)	4.2
Total income tax expense	79.2	52.1	75.8	60.9
Attributable to:				
- Continuing Operations	79.2	52.1	75.8	60.9
Deferred tax recognised in equity				
Equity raising costs	(1.3)	(2.6)	(1.3)	(2.6)
Cash flow hedge reserve	21.1	(23.5)	19.2	(24.9)
Other	2.9	(0.6)	2.6	(1.0)
	22.7	(26.7)	20.5	(28.5)
Numerical reconciliations between tax expense and pre-tax profit				
Profit before tax - continuing operations	258.8	193.2	262.7	201.5
Profit before tax	258.8	193.2	262.7	201.5
Income tax using the domestic corporate tax rate of 30% (2009 30%)	77.6	57.9	78.8	60.4
Increase in income tax expense due to:				
- Non-deductible expenses	1.7	5.3	1.0	3.3
Decrease in income tax expense due to:				
- Tax exempt revenues	(0.5)	(2.8)	-	-
- Investment allowance	(0.7)	(4.8)	-	-
	78.1	55.6	79.8	63.7
Under / (Over) provided in prior years	1.1	(3.5)	(4.0)	(2.8)
Income tax expense on pre-tax net profit	79.2	52.1	75.8	60.9

7. DIVIDENDS	BANK 2010 CENTS PER SHARE	2010 $M	2010 PERCENTAGE FRANKED %	2009 CENTS PER SHARE	2009 $M	2009 PERCENTAGE FRANKED %
Ordinary shares						
Final 2009 dividend paid 1 December 2009 (2009: 24 November 2008)	26	54.9	100%	38	58.9	100%
Interim 2010 dividend paid 18 May 2010 (2009: 19 May 2009)	26	55.6	100%	26	44.8	100%
		110.5			103.7	
Preference shares recognised as liabilities						
RePS half-yearly dividend paid 15 October 2009 (2009: 15 October 2008)	257	1.2	100%	257	1.2	100%
S1RPS half-yearly dividend (2009: 20 October 2008)	-	-	-	261	1.7	100%
RePS half-yearly dividend paid 15 April 2010 (2009: 15 April 2009)	255	1.2	100%	255	1.2	100%
		2.4			4.1	
Preference shares not recognised as liabilities						
Half-yearly PEPS dividend paid on 15 October 2009 (2009: 15 October 2008)	180	3.6	100%	353	7.1	100%
Half-yearly PEPS dividend paid on 15 April 2010 (2009: 15 April 2009)	216	4.3	100%	265	5.3	100%
		7.9			12.4	

Since the end of the financial year, the directors have declared the following dividends:

	CENTS PER SHARE	$M	PERCENTAGE FRANKED %	DATE OF PAYMENT
- RePS half-yearly dividend (BOQPA)	257	1.2	100%	15 October 2010
- PEPs half-yearly dividend (BOQPC)	239	4.8	100%	15 October 2010
- Final - ordinary shares (BOQ)	26	56.1	100%	2 December 2010

DIVIDEND FRANKING ACCOUNT	BANK 2010 $M	2009 $M
30% franking credits available to shareholders of the Bank for subsequent financial years	70.6	31.1

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking debits that will arise from the refund of the amount of the current tax assets and franking credits arising from the payment of current tax liabilities;

(b) franking debits that will arise from the payment of dividends subsequent to year-end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the year end; and

(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

All the franked dividends paid or declared by the Bank since the end of the previous financial year were franked at the tax rate of 30%.

The balance of the Bank of Queensland Limited dividend franking account at the date of this report, after adjusting for franking credits and debits that will arise on payment of income tax and dividends relating to the year ended 31 August 2010, is $70.6 million credit calculated at the 30% tax rate (2009: $31.1 million credit).

It is anticipated, based on these franking account balances that the Bank will continue to pay fully franked dividends in the foreseeable future.

8. EARNINGS PER SHARE

	CONSOLIDATED 2010 CENTS	CONSOLIDATED 2009 CENTS
Basic earnings per share	80.6c	75.9c
Diluted earnings per share	76.1c	74.4c

	2010 $M	2009 $M
Earnings reconciliation		
Net profit	179.6	141.1
Less other equity instrument dividends	(7.9)	(12.4)
Basic earnings	171.7	128.7
Effect of distributions on convertible preference shares	10.3	15.3
Diluted earnings	182.0	144.0

	CONSOLIDATED 2010 NUMBER	CONSOLIDATED 2009 NUMBER
Weighted average number of shares used as the denominator		
Number for basic earnings per share		
Ordinary shares	213,031,780	169,662,278
Number for diluted earnings per share		
Ordinary shares	213,031,780	169,662,278
Effect of options and award rights (1)	522,775	81
Effects of converting preference shares	25,716,766	23,746,231
	239,271,321	193,408,590

(1) During the year 302,000 (2009: 31,000) options were converted into ordinary shares under the Senior Management Option Plan. The diluted EPS calculation includes that portion of these options assumed to be issued for nil consideration weighted with reference to the date of conversion. The weighted average number included is 522,775 (2008: 81).

The convertible notes issued on 30 June 2010 were not dilutive.

	CONSOLIDATED		BANK	
9. CASH AND LIQUID ASSETS	**2010 $M**	**2009 $M**	**2010 $M**	**2009 $M**
Notes, coin and cash at bank	353.6	256.7	158.6	153.2
Remittances in transit	117.5	97.1	117.5	97.1
	471.1	353.8	276.1	250.3
10. DUE FROM OTHER FINANCIAL INSTITUTIONS				
Term deposits	115.8	74.6	24.7	74.6
	115.8	74.6	24.7	74.6
11. OTHER FINANCIAL ASSETS				
At fair value through profit and loss				
Floating rates notes and bonds	1,344.4	936.0	1,344.0	936.0
Negotiable certificates of deposit	1,858.9	2,071.6	1,858.9	2,071.6
Deposits at call	135.1	275.1	135.1	275.1
Bank accepted bills	322.0	399.3	322.0	399.3
Promissory notes	859.9	370.5	859.9	370.5
	4,520.3	4,052.5	4,519.9	4,052.5
Investment securities available for sale				
Debt instruments	813.5	354.5	903.0	467.6
Unlisted equity instruments	14.2	16.3	16.5	16.3
	827.7	370.8	919.5	483.9
Total other financial assets	5,348.0	4,423.3	5,439.4	4,536.4
12. LOANS AND ADVANCES AT AMORTISED COST				
Residential property loans - secured by mortgages	15,151.7	13,706.3	15,151.7	13,713.1
Securitised residential property loans - secured by mortgages	7,518.6	6,929.8	7,518.6	6,929.8
Personal loans	321.1	360.1	321.1	360.1
Overdrafts	501.3	486.7	502.1	487.6
Commercial loans	4,774.1	4,247.0	4,774.1	4,247.0
Leasing finance	4,160.8	3,083.6	0.1	0.2
Gross loans and advances at amortised cost	32,427.6	28,813.5	28,267.7	25,737.8
Less:				
Unearned lease finance income	(588.8)	(451.6)	-	-
Collective provision for impairment	(53.1)	(21.7)	(21.5)	(17.8)
Specific provisions for impairment	(60.5)	(29.4)	(51.0)	(25.6)
Total loans and advances at amortised cost	31,725.2	28,310.8	28,195.2	25,694.4

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:

	CONSOLIDATED		BANK	
	2010 $M	2009 $M	2010 $M	2009 $M
Gross investment in finance lease receivables:				
Less than one year	504.6	179.3	0.1	0.2
Between one and five years	3,534.9	2,824.6	-	-
More than five years	121.3	79.7	-	-
	4,160.8	3,083.6	0.1	0.2
Unearned finance income	(588.8)	(451.6)	-	-
Net investment in finance leases	3,572.0	2,632.0	0.1	0.2
The net investment in finance leases comprise:				
Less than one year	452.8	174.4	0.1	0.2
Between one and five years	3,028.3	2,399.7	-	-
More than five years	90.9	57.9	-	-
	3,572.0	2,632.0	0.1	0.2

The securities issued under the REDS programs do not represent deposits or other liabilities of Bank of Queensland Limited or any other member of the Bank of Queensland group. Neither Bank of Queensland Limited nor any other member of the Bank of Queensland group in any way stands behind the capital value or performance of the REDS programs. The Bank does however provide the REDS programs with arm's length services and facilities including the management and servicing of the leases securitised.

The Bank has no right to repurchase any of the securitised leases and no obligation to do so, other than in certain circumstances where there is a breach of warranty within 120 days of the sale or when certain criteria are met under the Clean up Provision per the Trust Deed Supplement.

Securitisation of leases

The Bank has entered into a securitisation program via the REDS EHP Trusts ("REDS EHP program") whereby the Bank securitises hire purchase, chattel mortgages, and finance leases.

Where the residual income units of the REDS EHP Trusts are held by external investors, these Trusts are not recognised on the balance sheet of the Bank as the original sale of these assets meet the de-recognition criteria set out in AASB 139 Financial Instruments: Recognition and Measurement. The assets of these Trusts are not consolidated under AASB 127 Consolidated and Separate Financial Statements as the Consolidated Entity does not meet the conditions associated with control of an entity. As at 31 August 2010, off balance sheet securitised leases under management amounted to $213.5m (2009: $533.8m).

13. PROVISIONS FOR IMPAIRMENT	CONSOLIDATED 2010 $M	CONSOLIDATED 2009 $M	BANK 2010 $M	BANK 2009 $M
Specific provision:				
Balance at the beginning of the year	29.4	18.7	25.6	11.7
Add: Expensed during the year	82.5	60.0	53.9	46.4
Acquired during the year (1)	0.6	-	-	-
Less: Amounts written off against specific provision	(52.0)	(49.3)	(28.5)	(35.8)
Transferred in from subsidiary	-	-	-	3.3
Balance at the end of the year	60.5	29.4	51.0	25.6
Collective provision:				
Balance at the beginning of the year	21.7	15.7	17.8	9.8
Add: Expensed during the year	21.7	6.0	3.7	2.7
Acquired during the year (1)	9.7	-	-	-
Transferred in from subsidiary	-	-	-	5.3
Balance at the end of the year	53.1	21.7	21.5	17.8
Total provisions for impairment	113.6	51.1	72.5	43.4

(1) Provisions acquired in the current year relate to the acquisition of BOQ Finance (Aust) Limited and BOQ Finance (NZ) Limited.

14. PROPERTY, PLANT AND EQUIPMENT

2010 CONSOLIDATED	LEASEHOLD IMPROVEMENTS $M	PLANT, FURNITURE AND EQUIPMENT $M	IT EQUIPMENT $M	CAPITAL WORKS IN PROGRESS $M	TOTAL $M
Cost					
Balance at the beginning of the financial year	20.4	24.7	29.1	0.1	74.3
Additions	1.6	0.7	0.4	1.0	3.7
Acquired during the year as part of business combinations	3.0	0.7	0.3	-	4.0
Disposals	(1.1)	(0.4)	(0.1)	-	(1.6)
Transfers between categories	0.1	-	-	(0.1)	-
Balance at the end of the financial year	24.0	25.7	29.7	1.0	80.4
Depreciation					
Balance at the beginning of the financial year	8.8	15.3	25.7	-	49.8
Depreciation charge for the year	3.1	1.6	1.5	-	6.2
Disposals	(0.8)	(0.2)	(0.1)	-	(1.1)
Balance at the end of the financial year	11.1	16.7	27.1	-	54.9
Carrying amounts					
Carrying amount at the beginning of the financial year	11.6	9.4	3.4	0.1	24.5
Carrying amount at the end of the financial year	12.9	9.0	2.6	1.0	25.5
BANK					
Cost					
Balance at the beginning of the financial year	20.4	24.7	29.1	0.1	74.3
Additions	1.6	0.7	0.4	1.0	3.7
Disposals	(1.1)	(0.4)	(0.1)	-	(1.6)
Transfers between categories	0.1	-	-	(0.1)	-
Balance at the end of the financial year	21.0	25.0	29.4	1.0	76.4
Depreciation					
Balance at the beginning of the financial year	8.8	15.3	25.7	-	49.8
Depreciation charge for the year	3.1	1.6	1.4	-	6.1
Disposals	(0.8)	(0.2)	(0.1)	-	(1.1)
Balance at the end of the financial year	11.1	16.7	27.0	-	54.8
Carrying amounts					
Carrying amount at the beginning of the financial year	11.6	9.4	3.4	0.1	24.5
Carrying amount at the end of the financial year	9.9	8.3	2.4	1.0	21.6

14. PROPERTY, PLANT AND EQUIPMENT continued

2009 CONSOLIDATED	LEASEHOLD IMPROVEMENTS $M	PLANT, FURNITURE AND EQUIPMENT $M	IT EQUIPMENT $M	CAPITAL WORKS IN PROGRESS $M	TOTAL $M
Cost					
Balance at the beginning of the financial year	16.4	27.8	28.7	1.1	74.0
Additions	6.4	1.4	1.3	0.1	9.2
Disposals	(3.4)	(4.6)	(0.9)	-	(8.9)
Transfers between categories	1.0	0.1	-	(1.1)	-
Balance at the end of the financial year	20.4	24.7	29.1	0.1	74.3
Depreciation					
Balance at the beginning of the financial year	7.4	16.3	24.9	-	48.6
Depreciation charge for the year	3.3	1.8	1.5	-	6.6
Disposals	(1.9)	(2.8)	(0.7)	-	(5.4)
Balance at the end of the financial year	8.8	15.3	25.7	-	49.8
Carrying amounts					
Carrying amount at the beginning of the financial year	9.0	11.5	3.8	1.1	25.4
Carrying amount at the end of the financial year	11.6	9.4	3.4	0.1	24.5
BANK					
Cost					
Balance at the beginning of the financial year	14.6	22.9	27.8	1.1	66.4
Transferred from subsidiary	1.8	4.9	0.9	-	7.6
Additions	6.4	1.4	1.3	0.1	9.2
Disposals	(3.4)	(4.6)	(0.9)	-	(8.9)
Transfers between categories	1.0	0.1	-	(1.1)	-
Balance at the end of the financial year	20.4	24.7	29.1	0.1	74.3
Depreciation					
Balance at the beginning of the financial year	7.2	16.1	24.8	-	48.1
Transferred from subsidiary	0.2	0.2	0.1	-	0.5
Depreciation charge for the year	3.3	1.8	1.5	-	6.6
Disposals	(1.9)	(2.8)	(0.7)	-	(5.4)
Balance at the end of the financial year	8.8	15.3	25.7	-	49.8
Carrying amounts					
Carrying amount at the beginning of the financial year	7.4	6.8	3.0	1.1	18.3
Carrying amount at the end of the financial year	11.6	9.4	3.4	0.1	24.5

15. DEFERRED TAX ASSETS AND LIABILITIES

Recognised tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET	
CONSOLIDATED	**2010 $M**	**2009 $M**	**2010 $M**	**2009 $M**	**2010 $M**	**2009 $M**
Accruals	3.6	0.7	-	-	3.6	0.7
Capitalised expenditure	-	-	(33.9)	(30.7)	(33.9)	(30.7)
Intangibles	-	2.0	(0.1)	(0.4)	(0.1)	1.6
Leasing	-	4.2	(1.4)	-	(1.4)	4.2
Property, plant, equipment and software	-	-	(11.1)	(14.5)	(11.1)	(14.5)
Provision for impairment	34.0	15.3	-	-	34.0	15.3
Provisions other	10.2	9.6	-	-	10.2	9.6
Receivables	-	-	(1.1)	(0.3)	(1.1)	(0.3)
Unrealised trading gains	-	-	(2.7)	(4.4)	(2.7)	(4.4)
Unrealised trading losses	0.3	4.2	-	-	0.3	4.2
Other	7.5	7.3	(7.8)	(6.0)	(0.3)	1.3
Equity reserves	8.0	32.0	(1.4)	(5.7)	6.6	26.3
Tax assets / (liabilities)	63.6	75.3	(59.5)	(62.0)	4.1	13.3
BANK						
Accruals	0.1	0.7	-	-	0.1	0.7
Capitalised expenditure	-	-	(30.0)	(27.5)	(30.0)	(27.5)
Intangibles	-	-	(0.1)	(0.4)	(0.1)	(0.4)
Property, plant, equipment and software	-	-	(11.1)	(14.5)	(11.1)	(14.5)
Provision for impairment	21.8	13.0	-	-	21.8	13.0
Provisions other	9.9	7.5	-	-	9.9	7.5
Receivables	-	-	(1.1)	(0.3)	(1.1)	(0.3)
Unrealised trading gains	-	-	(2.7)	(4.4)	(2.7)	(4.4)
Unrealised trading losses	0.3	2.4	-	-	0.3	2.4
Other	7.6	7.5	(0.1)	(0.1)	7.5	7.4
Equity reserves	11.9	33.9	(1.4)	(5.7)	10.5	28.2
Tax assets / (liabilities)	51.6	65.0	(46.5)	(52.9)	5.1	12.1

16. OTHER ASSETS

	CONSOLIDATED		BANK	
	2010 $M	**2009 $M**	**2010 $M**	**2009 $M**
Accrued interest	57.6	48.0	56.6	48.0
Other debtors and prepayments	67.3	56.3	195.5	173.3
Operating lease assets	4.2	-	-	-
	129.1	104.3	252.1	221.3

17. INTANGIBLE ASSETS

2010	CONSOLIDATED GOODWILL $M	CONSOLIDATED CUSTOMER RELATED INTANGIBLES AND BRANDS $M	CONSOLIDATED COMPUTER SOFTWARE $M	CONSOLIDATED TECHNOLOGY INFRASTRUCTURE $M	CONSOLIDATED TOTAL $M	BANK GOODWILL $M	BANK CUSTOMER CONTRACTS $M	BANK COMPUTER SOFTWARE $M	BANK TECHNOLOGY INFRASTRUCTURE $M	BANK TOTAL $M
Cost										
Balance at the beginning of the financial year	444.4	78.6	176.6	18.0	717.6	8.1	5.0	176.6	18.0	207.7
Acquisitions through business combinations (1)	15.1	-	0.1	-	15.2	-	-	-	-	-
Other acquisitions	-	-	15.3	-	15.3	-	-	15.3	-	15.3
Disposals (2)	-	-	(40.6)	-	(40.6)	-	-	(40.6)	-	(40.6)
Balance at the end of the financial year	459.5	78.6	151.4	18.0	707.5	8.1	5.0	151.3	18.0	182.4
Amortisation and impairment losses										
Balance at the beginning of the financial year	-	22.0	96.6	11.2	129.8	-	3.8	96.6	11.2	111.6
Amortisation for the year	-	8.0	20.3	1.5	29.8	-	0.9	20.3	1.5	22.7
Disposals (2)	-	-	(26.5)	-	(26.5)	-	-	(26.5)	-	(26.5)
Balance at the end of the financial year	-	30.0	90.4	12.7	133.1	-	4.7	90.4	12.7	107.8
Carrying amounts										
Carrying amount at the beginning of the financial year	444.4	56.6	80.0	6.8	587.8	8.1	1.2	80.0	6.8	96.1
Carrying amount at the end of the financial year	459.5	48.6	61.0	5.3	574.4	8.1	0.3	60.9	5.3	74.6

(1) Provisionally accounted as per Note 33 (b).

(2) Refer to Note 5 for further details on impairment.

2009	CONSOLIDATED GOODWILL $M	CONSOLIDATED CUSTOMER RELATED INTANGIBLES AND BRANDS $M	CONSOLIDATED COMPUTER SOFTWARE $M	CONSOLIDATED TECHNOLOGY INFRASTRUCTURE $M	CONSOLIDATED TOTAL $M	BANK GOODWILL $M	BANK CUSTOMER CONTRACTS $M	BANK COMPUTER SOFTWARE $M	BANK TECHNOLOGY INFRASTRUCTURE $M	BANK TOTAL $M
Cost										
Balance at the beginning of the financial year	443.5	78.6	151.8	18.0	691.9	8.1	5.0	151.4	18.0	182.5
Acquisitions through business combinations	0.9	-	-	-	0.9	-	-	-	-	-
Transferred from subsidiary	-	-	-	-	-	-	-	0.4	-	0.4
Other acquisitions	-	-	25.6	-	25.6	-	-	25.6	-	25.6
Disposals	-	-	(0.8)	-	(0.8)	-	-	(0.8)	-	(0.8)
Balance at the end of the financial year	444.4	78.6	176.6	18.0	717.6	8.1	5.0	176.6	18.0	207.7
Amortisation and impairment losses										
Balance at the beginning of the financial year	-	11.1	80.5	9.7	101.3	-	2.7	80.3	9.7	92.7
Transferred from subsidiary	-	-	-	-	-	-	-	0.2	-	0.2
Amortisation for the year	-	10.9	16.9	1.5	29.3	-	1.1	16.9	1.5	19.5
Disposals	-	-	(0.8)	-	(0.8)	-	-	(0.8)	-	(0.8)
Balance at the end of the financial year	-	22.0	96.6	11.2	129.8	-	3.8	96.6	11.2	111.6
Carrying amounts										
Carrying amount at the beginning of the financial year	443.5	67.5	71.3	8.3	590.6	8.1	2.3	71.1	8.3	89.8
Carrying amount at the end of the financial year	444.4	56.6	80.0	6.8	587.8	8.1	1.2	80.0	6.8	96.1

17. INTANGIBLE ASSETS continued

Impairment testing of the cash generating unit containing goodwill

The aggregate carrying amounts of goodwill are:

	CONSOLIDATED		BANK	
	2010 $M	2009 $M	2010 $M	2009 $M
BOQ Equipment Finance Limited	12.9	12.9	-	-
Orix debtor finance division	8.1	8.1	8.1	8.1
Pioneer Permanent Building Society Limited	24.0	24.0	-	-
Home Building Society Ltd	399.4	399.4	-	-
BOQ Finance (Aust) Limited and BOQ Finance (NZ) Limited	15.1	-	-	-
	459.5	444.4	8.1	8.1

The cash generating unit ("CGU") to which all goodwill has been allocated is the Consolidated Entity's primary segment, retail banking.

The impairment test for goodwill is performed by comparing the CGU's carrying amount with its recoverable amount. The recoverable amount is based on the CGU's value in use.

Value in use was determined by discounting the future cash flows generated from the continued use of the CGU and was based on the following assumptions:

- cash flows based on the Consolidated Entity's 3 year projections;
- a medium term growth rate of 10% for the 7 years subsequent to these projections;
- a terminal value at year 10 based on a long term growth rate of 2.5% and a terminal price earnings multiple of 11.4 times earnings; and
- a pre tax discount rate of 16.0%.

The values assigned to the key assumptions represent management's assessments of future trends in retail banking and are based on both external sources and internal sources. Underperformance by the Consolidated Entity of its 3 year projections by approximately 30% would result in the carrying value for the CGU exceeding its recoverable amount.

18. DUE TO OTHER FINANCIAL INSTITUTIONS

	CONSOLIDATED		BANK	
	2010 $M	2009 $M	2010 $M	2009 $M
Amounts payable – at call	138.2	192.7	138.2	192.7

19. DEPOSITS

	CONSOLIDATED 2010 $M	CONSOLIDATED 2009 $M	BANK 2010 $M	BANK 2009 $M
Deposits at call	9,397.7	8,979.2	9,672.1	9,210.9
Term deposits	10,907.5	9,598.3	10,907.5	9,582.9
Certificates of deposit	7,783.3	5,619.7	7,783.3	5,619.7
Total	28,088.5	24,197.2	28,362.9	24,413.5
Concentration of deposits:				
Retail deposits	18,083.3	16,248.9	17,415.3	16,481.8
Wholesale deposits	10,005.2	7,948.3	10,947.6	7,931.7
Total	28,088.5	24,197.2	28,362.9	24,413.5

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

20. PROVISIONS

	CONSOLIDATED		BANK	
	2010 $M	2009 $M	2010 $M	2009 $M
Employee benefits	13.9	10.6	11.5	10.6
Directors' retiring allowance [1]	0.2	0.3	0.2	0.3
Leases	0.4	0.5	0.4	0.5
Restructuring [2]	4.5	1.1	4.5	1.1
Other	12.1	8.4	7.1	1.3
Total	31.1	20.9	23.7	13.8

(1) The directors' retiring allowance has been frozen as at 31 August 2003 and will only be increased in line with CPI movements.

Movements in provisions

Movements in each class of provision during the year, other than employee benefits, are as follows:

2010	CONSOLIDATED			BANK		
	LEASES $M	RESTRUCTURING [2] $M	OTHER $M	LEASES $M	RESTRUCTURING [2] $M	OTHER $M
Carrying amount at beginning of year	0.5	1.1	8.4	0.5	1.1	1.3
Additional / (release) provision recognised	(0.2)	4.5	4.9	(0.2)	4.5	7.3
Payments made	(0.2)	(1.1)	(7.5)	(0.2)	(1.1)	(1.5)
Acquired during the year [3]	0.3	-	6.3	0.3	-	-
Carrying amount at end of year	0.4	4.5	12.1	0.4	4.5	7.1

2009	CONSOLIDATED			BANK		
	LEASES $M	RESTRUCTURING [2] $M	OTHER $M	LEASES $M	RESTRUCTURING [2] $M	OTHER $M
Carrying amount at beginning of year	1.3	-	2.1	0.1	-	1.3
Transferred in from subsidiary	-	-	-	0.4	-	-
Additional provision recognised	0.2	18.7	7.1	0.2	18.7	0.3
Payments made	(1.0)	(17.6)	(0.8)	(0.2)	(17.6)	(0.3)
Carrying amount at end of year	0.5	1.1	8.4	0.5	1.1	1.3

(2) The current year includes ATM transition costs and the prior year includes the provision raised for the NSW distribution restructure and head office restructure.

(3) Provisions acquired during the year relate to the acquisition of BOQ Finance (Aust) Limited and BOQ Finance (NZ) Limited on 30 June 2010 and St Andrew's Life Insurance Pty Ltd on 1 July 2010.

21. BORROWINGS INCLUDING SUBORDINATED NOTES

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

	SECURITISATION LIABILITIES (1) $M	EMTN PROGRAM $M	ECP PROGRAM $M	BORROWINGS INCLUDING SUBORDINATED NOTES $M	PREFERENCE SHARES (2) $M	SYNDICATED LOAN $M	TOTAL $M
Year ended 31 August 2010							
Balance at beginning of year	5,613.8	493.0	164.4	345.7	47.2	318.7	6,982.8
Acquired during the year (3)	-	-	-	3.9	-	-	3.9
Proceeds from issues	2,149.4	81.7	2,568.9	147.7	-	-	4,947.7
Repayments	(1,881.6)	(476.2)	(2,256.7)	(2.9)	-	-	(4,617.4)
Deferred establishment costs	(7.8)	-	-	-	-	-	(7.8)
Amortisation of deferred costs	5.9	-	-	-	-	-	5.9
Foreign exchange translation	(103.6)	(16.8)	(4.0)	-	-	(18.4)	(142.8)
Balance at end of the year	5,776.1	81.7	472.6	494.4	47.2	300.3	7,172.3

	SECURITISATION LIABILITIES (1) $M	EMTN PROGRAM $M	ECP PROGRAM $M	BORROWINGS INCLUDING SUBORDINATED NOTES $M	PREFERENCE SHARES (2) $M	SYNDICATED LOAN $M	TOTAL $M
Year ended 31 August 2009							
Balance at beginning of year	6,018.7	464.4	558.8	425.7	111.9	-	7,579.5
Proceeds from issues	1,628.7	15.5	1,048.7	-	-	311.7	3,004.6
Repayments	(2,022.8)	-	(1,459.0)	(80.0)	(64.7)	-	(3,626.5)
Deferred establishment costs	(5.8)	-	-	-	-	-	(5.8)
Amortisation of deferred costs	5.6	-	-	-	-	-	5.6
Foreign exchange translation	(10.6)	13.1	15.9	-	-	7.0	25.4
Balance at end of the year	5,613.8	493.0	164.4	345.7	47.2	318.7	6,982.8

The Bank recorded the following movements on borrowings including subordinated notes:

	EMTN PROGRAM $M	ECP PROGRAM $M	BORROWINGS INCLUDING SUBORDINATED NOTES $M	PREFERENCE SHARES (2) $M	SYNDICATED LOAN $M	TOTAL $M
Year ended 31 August 2010						
Balance at beginning of year	493.0	164.4	345.7	47.2	318.7	1,369.0
Proceeds from issues	81.7	2,568.9	147.7	-	-	2,798.3
Repayments	(476.2)	(2,256.7)	(2.9)	-	-	(2,735.8)
Foreign exchange translation	(16.8)	(4.0)	-	-	(18.4)	(39.2)
Balance at end of the year	81.7	472.6	490.5	47.2	300.3	1,392.3

(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) Reset Preference Shares ("RePS") do not give the holders any voting rights at any general shareholder meetings, except in certain special circumstances. In the event of the winding up of the Bank the holders of these preference shares rank before the holders of ordinary shares in relation to return on capital.

(3) Borrowings acquired in the current year relate to the acquisition of BOQ Finance (Aust) Limited.

The Bank recorded the following movements on borrowings including subordinated notes:

	EMTN PROGRAM $M	ECP PROGRAM $M	BORROWINGS INCLUDING SUBORDINATED NOTES $M	PREFERENCE SHARES [2] $M	SYNDICATED LOAN $M	TOTAL $M
Year ended 31 August 2009						
Balance at beginning of year	464.4	558.8	379.0	111.9	-	1,514.1
Proceeds from issues	15.5	1,048.7	46.7	-	311.7	1,422.6
Repayments	-	(1,459.0)	(80.0)	(64.7)	-	(1,603.7)
Foreign exchange translation	13.1	15.9	-	-	7.0	36.0
Balance at end of the year	493.0	164.4	345.7	47.2	318.7	1,369.0

22. CAPITAL AND RESERVES

	CONSOLIDATED		BANK	
	2010 NUMBER	2009 NUMBER	2010 NUMBER	2009 NUMBER
(a) Ordinary shares				
Movements during the year				
Balance at the beginning of the year – fully paid	199,789,947	149,947,719	199,789,947	149,947,719
Dividend reinvestment plan	4,512,945	3,389,282	4,512,945	3,389,282
Share issued under an Underwriting Agreement	-	4,259,053	-	4,259,053
Exercise of options	302,000	31,000	302,000	31,000
Conversion of Series 1 reset preference shares (S1RPS) to ordinary shares	-	5,069,360	-	5,069,360
Share purchase plan and placement	-	14,177,758	-	14,177,758
Institutional placement and entitlements offer	11,080,536	22,915,775	11,080,536	22,915,775
Balance at the end of the year – fully paid	215,685,428	199,789,947	215,685,428	199,789,947
Treasury shares (included in ordinary shares above)				
Balance at the beginning of the year	25,412	-	-	-
Net acquisitions and disposals during the year	557,668	25,412	108,000	-
Balance at the end of the year	583,080	25,412	108,000	-

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 RePS and PEPS shareholders and creditors and are fully entitled to any proceeds of liquidation.

	CONSOLIDATED		BANK	
	2010 NUMBER	2009 NUMBER	2010 NUMBER	2009 NUMBER
(b) Perpetual Equity Preference Shares ("PEPS")				
Balance at beginning of the year – fully paid	2,000,000	2,000,000	2,000,000	2,000,000
Balance at end of the year – fully paid	2,000,000	2,000,000	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, holders of RePS, and rank ahead of ordinary shareholders for return of capital on liquidation.

22. CAPITAL AND RESERVES continued

(c) Nature and purpose of reserves

Employee benefits reserve

The employee equity benefits reserve is used to record the value of share based payments provided to employees, including KMP, as part of their remuneration. Refer to Note 31 for further details of these plans.

General reserve for credit losses

Refer to significant accounting policies Note 3 (t).

Available-for-sale reserve

Changes in the fair value of investments, such as bonds and floating rate notes classified as available-for-sale financial assets, are recognised in other comprehensive income as described in Note 3(c) and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

Cash flow hedge reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in Note 3(c). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the movement in fair value of derivatives that hedge the Bank's net investment in a foreign subsidiary.

23. SEGMENT REPORTING

Business segments

The Consolidated Entity comprises one reportable segment, this being the provision of retail banking services and products. This determination is based on the risks involved with the provision of these services and products and the Consolidated Entity's management reporting system. In the current year, the recently acquired insurance business is not considered to be a reportable segment.

Geographical segments

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

24. RISK MANAGEMENT

The Bank adopts a "managed risk" approach to its banking and trading activities. As such, the articulation of a risk aware culture is prevalent throughout the Bank's credit, liquidity, market, operational risk and compliance policies and procedures. The Board has adopted policies in relation to the assessment, management and monitoring of these risks and ownership of the frameworks within which these risks are managed, reside with the Chief Risk Officer.

The Chief Risk Officer contributes towards the achievement of the Bank's corporate objectives through the operationalisation and progressive development of the group's risk management function. In particular, improvement of the risk management function is focussed in a number of areas:

1. the efficiency and effectiveness of the Bank's credit, liquidity, market, operational risk and compliance management process controls and policies to support improved competitive advantage, support growth and enable improved cost controls;
2. to provide management and the Board with risk reporting that contributes to the further development of sound corporate governance standards;
3. to maintain regulatory compliance in line with regulators' expectations;
4. to provide a sound basis from which the Bank can progress to the required compliance level under the Basel II accord; and
5. to contribute to the Bank achieving risk based performance management.

Group Risk is an independent function and is responsible for providing the framework, policies and procedures for managing credit, liquidity, market, operational risk and compliance throughout the Bank. Policies are set in line with the governing strategy and risk guidelines set by the Board.

Monitoring

The Bank's enterprise risk management framework incorporates active management and monitoring of a range of risks including (but not limited to):

1. Market
2. Credit
3. Operational

(a) Market risk

Market risk is the risk that movements in market rates and prices will result in profits or losses to the Bank.

(i) Interest rate risk management

The management of interest rate market risk is separated into balance sheet (non-traded) and traded market risk.

Balance sheet (non-traded) market risk

The operations of the Bank are subject to the risk of interest rate fluctuations as a result of mismatches in the timing of the repricing of interest rates on the Bank's assets and liabilities.

It is the principal objective of the Bank's asset/liability management process to maximise levels of net interest income whilst limiting the effects of volatile and unpredictable movements in interest rates. To achieve these objectives, the Bank uses derivative financial instruments, principally interest rate swaps, forward rate agreements and futures.

The current policy of the Bank is to eliminate market risk in the balance sheet where practical and to consciously establish specific positions within conservative limits for changes in value of the residual risk.

A 1% parallel shock in the yield curve is used to determine the potential adverse change in net interest income in the ensuing 12 month period. This is a standard risk quantification measure used by the Bank. A number of supplementary scenarios comprising variations in size and duration of interest rate moves together with changes in the balance sheet size and mix are also used to provide a range of net interest income outcomes.

The figures in the table below indicate the potential decrease in net interest income for an ensuing 12 month period. The change is expressed as a percentage and dollar impact of expected net interest earnings based on a 1% parallel adverse shock.

CONSOLIDATED AND BANK	2010 %	2009 %	2010 $M	2009 $M
Exposure at the end of the year	2.06	3.37	14.6	20.6
Average monthly exposure during the year	1.56	1.79	11.1	11.0
High month exposure during the year	3.06	3.87	21.7	23.7
Low month exposure during the year	0.31	0.48	2.2	2.9

Traded market risk

Traded market risk is primarily measured and monitored using a value-at-risk ("VaR") analysis. VaR is a statistical technique that estimates the potential losses that could occur on risk positions taken due to movements in market rates and prices over a specified holding period and to a given level of confidence. The Bank uses a 1-day holding period and a 99% confidence level.

As VaR is a statistical measure and only attempts to cover losses to a 99% confidence level, the Bank supplements this analysis with stress testing. Stress testing attempts to adequately assess the risks inherent in its trading activities by applying appropriate scenario analyses, whilst not addressing the likelihood of those outcomes.

As an overlay, the individual market risks of interest rate and credit sensitivities are monitored and measured against limits delegated by ALCO.

The VaR for the Bank's trading portfolio for the year was as follows:

Trading VaR	2010 $M	2009 $M
Average	0.32	0.45
Maximum	0.89	0.85
Minimum	0.07	0.12

(ii) Foreign exchange risk

It is the Bank's policy not to carry material foreign exchange rate exposures. At balance date there are no material foreign exchange rate exposures.

The Bank uses cross currency swaps and foreign exchange forwards to hedge its exchange rate exposures arising from borrowing off-shore in foreign currencies.

The Bank uses forward foreign exchange contracts to hedge potential exchange rate exposures created by customer-originated foreign currency transactions.

The Bank's investment in its New Zealand subsidiary is hedged by forward foreign exchange contracts which mitigate the currency risk arising from the subsidiary's net assets.

(b) Credit risk

Credit risk arises in the business from lending activities, the provision of guarantees including letters of credit and commitments to lend, investment in bonds and notes, financial market transactions and other associated activities. Credit risk is the potential loss arising from the possibility that customers or counterparties fail to meet contractual payment obligations to the Bank as they fall due.

The Board of Directors have implemented a structured framework of systems and controls to monitor and manage credit risk comprising:

- documented credit risk management principles which are disseminated to all staff involved with the lending process;
- documented policies;
- a process for approving risk, based on tiered delegated approval authorities, whereby the largest exposures are jointly assessed by the Managing Director and the General Manager Credit;
- risk grading the Bank's commercial exposures for facilities greater than $100,000 based on items inclusive of financial performance and stability, organisational structure, industry segment and security support. Exposures within this segment of the portfolio are generally subject to annual review including reassessment of the assigned risk grade;
- an automated scorecard approval model for the Bank's retail portfolio inclusive of home loans, personal loans, and lines of credit. This model is supported by experienced Risk Assessment Managers; and
- a series of management reports detailing industry concentrations, counterparty concentrations, loan grades and security strength ratings.

The Bank has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Consolidated Entity uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. In accordance with its treasury policy, the Consolidated Entity can hold derivative financial instruments for trading purposes. Credit risk on derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Maximum exposure to credit risk

The amounts disclosed are the maximum exposure to credit risk, before taking account of any collateral held or other credit enhancements. For financial assets recognised on the balance sheet, the exposure to credit risk equals their carrying amount. For customer commitments, the maximum exposure to credit risk is the full amount of the committed facilities as at reporting date.

24. RISK MANAGEMENT continued

(b) Credit risk continued

The carrying amount of the Consolidated Entity's and Bank's financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	CONSOLIDATED		BANK	
	2010 $M	2009 $M	2010 $M	2009 $M
Cash and liquid assets	471.1	353.8	276.1	250.3
Due from other financial institutions	115.8	74.6	24.7	74.6
Other assets	5,405.6	4,471.3	5,496.0	4,584.4
Derivative financial instruments	148.1	88.5	148.1	58.7
Financial assets other than loans and advances	6,140.6	4,988.2	5,944.9	4,968.0
Gross loans and advances at amortised cost	32,427.6	28,813.5	28,267.7	25,737.8
Total financial assets	38,568.2	33,801.7	34,212.6	30,705.8
Customer commitments (1)	1,253.3	1,175.4	812.6	722.7
Total potential exposure to credit risk	39,821.5	34,977.1	35,025.2	31,428.5

(1) Refer to Note 30 for full details of customer commitments.

Distribution of financial assets by credit quality

	CONSOLIDATED		BANK	
	2010 $M	2009 $M	2010 $M	2009 $M
Neither past due or impaired				
- Gross loans and advances at amortised cost	30,610.8	27,503.6	26,691.8	24,590.7
- Financial assets other than loans and advances	6,140.6	4,988.2	5,944.9	4,968.0
Past due but not impaired				
- Gross loans and advances at amortised cost	1,669.2	1,192.5	1,453.5	1,045.8
Impaired				
- Gross loans and advances at amortised cost	147.6	117.4	122.4	101.3
	38,568.2	33,801.7	34,212.6	30,705.8

There is no item included in impaired assets which exceeds 5.0% of shareholders' equity (2009: nil).

The Bank holds collateral against loans and advances to customers in the form of mortgage interest over property, other registered securities over assets and guarantees and mortgage insurance. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. An estimate of the collateral held against past due but not impaired and impaired loans and advances at amortised cost was:

	CONSOLIDATED		BANK	
	2010 $M	2009 $M	2010 $M	2009 $M
Held against past due but not impaired assets	2,060.0	1,236.1	1,852.1	1,090.1
Held against impaired assets	104.3	88.0	87.5	75.7

Credit quality

The credit quality of financial assets has been determined based on Standard and Poors credit ratings, APRA risk weightings and the Bank's standard risk grading.

The table below presents an analysis of the credit quality of financial assets:

	CONSOLIDATED							
	2010 $M				2009 $M			
	GROSS LOANS AND ADVANCES				GROSS LOANS AND ADVANCES			
	RETAIL	COMMERCIAL	TOTAL LOANS AND ADVANCES	FINANCIAL ASSETS OTHER THAN LOANS AND ADVANCES	RETAIL	COMMERCIAL	TOTAL LOANS AND ADVANCES	FINANCIAL ASSETS OTHER THAN LOANS AND ADVANCES
High Grade	19,123.6	1,963.8	21,087.4	6,119.1	17,175.5	1,610.5	18,786.0	4,954.9
Satisfactory	3,289.0	5,929.4	9,218.4	2.1	3,162.7	4,802.8	7,965.5	5.1
Weak	440.0	1,041.7	1,481.7	19.4	457.2	917.3	1,374.5	28.2
Unrated (1)	640.1	-	640.1	-	687.5	-	687.5	-
	23,492.7	8,934.9	32,427.6	6,140.6	21,482.9	7,330.6	28,813.5	4,988.2

	BANK							
	2010 $M				2009 $M			
	GROSS LOANS AND ADVANCES				GROSS LOANS AND ADVANCES			
	RETAIL	COMMERCIAL	TOTAL LOANS AND ADVANCES	FINANCIAL ASSETS OTHER THAN LOANS AND ADVANCES	RETAIL	COMMERCIAL	TOTAL LOANS AND ADVANCES	FINANCIAL ASSETS OTHER THAN LOANS AND ADVANCES
High Grade	19,123.6	1,718.7	20,842.3	5,860.7	17,175.5	1,495.7	18,671.2	4,873.3
Satisfactory	3,289.0	2,803.3	6,092.3	2.1	3,170.4	2,547.1	5,717.5	5.1
Weak	440.0	252.2	692.2	82.1	457.2	204.4	661.6	89.6
Unrated (1)	640.9	-	640.9	-	687.5	-	687.5	-
	23,493.5	4,774.2	28,267.7	5,944.9	21,490.6	4,247.2	25,737.8	4,968.0

(1) Those items that remain unrated for retail gross loans and advances represent mainly personal loans and advances, which although are not secured, are not determined to be weak. Any loans which have been rated, have been included in the appropriate category.

Restructured / Renegotiated Loans

Generally, the terms of consumer loans are primarily renegotiated on a temporary basis in the event of customer hardship. Should temporary hardship conditions need to be extended, some examples of assistance offered include:

- Concessional interest rates;
- Restructured loans to extend the period of repayment; and
- Repayment holidays.

The carrying value of loans that would otherwise be past due or impaired whose terms have been re-negotiated is considered immaterial.

24. RISK MANAGEMENT continued

(b) Credit risk continued

Loans and advances which were past due but not impaired

Loans which are 90 or more days past due are not classified as impaired assets where the estimated net realisable value of the security is sufficient to cover the repayment of all principal and interest amounts due.

	CONSOLIDATED		BANK	
	2010 $M	2009 $M	2010 $M	2009 $M
Less than 30 days	1,071.7	762.1	964.1	672.4
31 to 90 days	270.1	238.4	209.5	200.0
More than 90 days	327.4	192.0	279.9	173.4
	1,669.2	1,192.5	1,453.5	1,045.8

Concentration of exposure for gross loans and advances at amortised cost

Concentration of credit risk exists when a number of counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors and have similar economic characteristics so that their ability to meet contractual obligations is similarly affected by changes in economic, political or other conditions.

The Bank monitors concentrations of credit risk by geographical location for loans and advances. An analysis of these concentrations of credit risk at balance sheet date is shown below:

	CONSOLIDATED		BANK	
Geographical concentration of credit risk for loans and advances at amortised cost (before provisions and unearned income):	2010 $M	2009 $M	2010 $M	2009 $M
Queensland	20,107.0	18,575.7	18,592.7	17,428.4
New South Wales	4,054.3	3,481.9	3,247.4	2,947.0
Victoria	4,446.8	3,230.4	3,468.4	2,490.1
Northern Territory	101.1	75.3	93.1	71.9
Australian Capital Territory	417.5	354.4	188.7	181.2
Western Australia	2,839.4	2,760.5	2,466.2	2,482.1
South Australia	208.7	147.7	77.7	48.4
Tasmania	136.3	92.7	133.5	88.7
International (New Zealand)	116.5	94.9	-	-
	32,427.6	28,813.5	28,267.7	25,737.8

(c) Liquidity risk

Liquidity risk arises from the possibility that the Bank is unable to meet its financial obligations as they fall due. Liquidity risk is managed through a series of detailed policies, including the management of cash flow mismatches, the maintenance of a stable, core retail deposits base, the diversification of the funding base and the retention of adequate levels of high quality liquid assets.

The Consolidated Entity manages liquidity risk by maintaining adequate reserves and facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

CONSOLIDATED 2010	CARRYING AMOUNT $M	AT CALL $M	3 MTHS OR LESS $M	3 TO 12 MTHS $M	1 TO 5 YEARS $M	OVER 5 YEARS $M	POLICY HOLDER $M	TOTAL CONTRAC-TUAL CASH FLOWS $M
Financial liabilities								
Due to other financial institutions	138.2	138.2	-	-	-	-	-	138.2
Deposits	28,088.5	9,715.0	9,961.9	5,919.0	4,571.1	-	-	30,167.0
Derivative financial instruments (1)	0.7	(0.1)	1.3	2.0	0.1	-	-	3.3
Accounts payable and other liabilities	411.7	-	411.7	-	-	-	-	411.7
Securitisation liabilities (2)	5,776.1	-	495.9	1,916.9	2,852.3	1,600.8	-	6,865.9
Borrowings including subordinated notes	1,349.0	-	383.5	736.5	313.4	-	-	1,433.4
Preference shares	47.2	-	48.4	-	-	-	-	48.4
Insurance policy liabilities	61.5	-	-	-	-	-	61.5	61.5
Total	35,872.9	9,853.1	11,302.7	8,574.4	7,736.9	1,600.8	61.5	39,129.4
Derivative financial instruments (hedging relationship)								
Contractual amounts payable	-	(74.0)	(537.2)	(874.1)	(391.7)	(11.0)	-	(1,888.0)
Contractual amounts receivable	-	74.9	497.5	889.7	394.0	14.3	-	1,870.4
	45.9	0.9	(39.7)	15.6	2.3	3.3	-	(17.6)
Off balance sheet positions								
Guarantees, indemnities and letters of credit	-	149.0	-	-	-	-	-	149.0
Customer funding commitments	-	1,253.3	-	-	-	-	-	1,253.3
	-	1,402.3	-	-	-	-	-	1,402.3

CONSOLIDATED 2009	CARRYING AMOUNT $M	AT CALL $M	3 MTHS OR LESS $M	3 TO 12 MTHS $M	1 TO 5 YEARS $M	OVER 5 YEARS $M	TOTAL CONTRAC-TUAL CASH FLOWS $M
Financial liabilities							
Due to other financial institutions	192.7	192.7	-	-	-	-	192.7
Deposits	24,197.2	8,350.5	9,888.7	3,916.5	2,532.4	-	24,688.1
Derivative financial instruments (1)	1.6	0.1	0.6	0.9	-	-	1.6
Accounts payable and other liabilities	277.6	-	277.6	-	-	-	277.6
Securitisation liabilities (2)	5,613.8	-	357.4	2,749.0	1,977.0	727.5	5,810.9
Borrowings including subordinated notes	1,321.8	-	168.9	521.8	721.2	-	1,411.9
Preference shares	47.2	-	1.2	1.2	48.4	-	50.8
Total	31,651.9	8,543.3	10,694.4	7,189.4	5,279.0	727.5	32,433.6

(1) Derivative financial instruments other than those designated in a cashflow hedge relationship.

(2) Repayment of securitisation bonds is forecast based on the expected repayment profile of the underlying assets of the trusts.

24. RISK MANAGEMENT continued

(c) Liquidity risk continued

CONSOLIDATED 2009	CARRYING AMOUNT $M	AT CALL $M	3 MTHS OR LESS $M	3 TO 12 MTHS $M	1 TO 5 YEARS $M	OVER 5 YEARS $M	TOTAL CONTRACTUAL CASH FLOWS $M
Derivative financial instruments (hedging relationship)							
Contractual amounts payable	-	(0.5)	(303.8)	(702.6)	(634.2)	(2.9)	(1,644.0)
Contractual amounts receivable	-	0.9	347.4	836.7	746.7	5.5	1,937.2
	119.1	0.4	43.6	134.1	112.5	2.6	293.2
Off balance sheet positions							
Guarantees, indemnities and letters of credit	-	140.7	-	-	-	-	140.7
Customer funding commitments	-	1,175.4	-	-	-	-	1,175.4
	-	1,316.1	-	-	-	-	1,316.1

BANK 2010	CARRYING AMOUNT $M	AT CALL $M	3 MTHS OR LESS $M	3 TO 12 MTHS $M	1 TO 5 YEARS $M	OVER 5 YEARS $M	TOTAL CONTRACTUAL CASH FLOWS $M
Financial liabilities							
Due to other financial institutions	138.2	138.2	-	-	-	-	138.2
Deposits	28,362.9	9,989.4	9,961.9	5,919.0	4,571.1	-	30,441.4
Derivative financial instruments (1)	0.7	(0.1)	1.3	2.0	0.1	-	3.3
Accounts payable and other liabilities	360.8	-	360.8	-	-	-	360.8
Borrowings including subordinated notes	1,345.1	-	383.0	735.0	311.6	-	1,429.6
Preference shares	47.2	-	48.4	-	-	-	48.4
Amounts due to controlled entities	2,536.7	2,536.7	-	-	-	-	2,536.7
Total	32,791.6	12,664.2	10,755.4	6,656.0	4,882.8	-	34,958.4
Derivative financial instruments (hedging relationship)							
Contractual amounts payable	-	(74.0)	(537.2)	(874.1)	(391.7)	(11.0)	(1,888.0)
Contractual amounts receivable	-	74.9	497.5	889.7	394.0	14.3	1,870.4
	(28.7)	0.9	(39.7)	15.6	2.3	3.3	(17.6)
Off balance sheet positions							
Guarantees, indemnities and letters of credit	-	149.0	-	-	-	-	149.0
Customer funding commitments	-	812.6	-	-	-	-	812.6
	-	961.6	-	-	-	-	961.6

(1) Derivative financial instruments other than those designated in a cashflow hedge relationship.

BANK 2009	CARRYING AMOUNT $M	AT CALL $M	3 MTHS OR LESS $M	3 TO 12 MTHS $M	1 TO 5 YEARS $M	OVER 5 YEARS $M	TOTAL CONTRACTUAL CASH FLOWS $M
Financial liabilities							
Due to other financial institutions	192.7	192.7	-	-	-	-	192.7
Deposits	24,413.5	8,566.7	9,888.7	3,916.5	2,532.4	-	24,904.3
Derivative financial instruments [(1)]	1.6	0.1	0.6	0.9	-	-	1.6
Accounts payable and other liabilities	246.5	-	246.5	-	-	-	246.5
Borrowings including subordinated notes	1,321.8	-	168.9	521.8	721.2	-	1,411.9
Preference shares	47.2	-	1.2	1.2	48.4	-	50.8
Amounts due to controlled entities	3,118.0	3,118.0	-	-	-	-	3,118.0
Total	29,341.3	11,877.5	10,305.9	4,440.4	3,302.0	-	29,925.8
Derivative financial instruments (hedging relationship)							
Contractual amounts payable	-	(0.5)	(303.8)	(702.6)	(634.2)	(2.9)	(1,644.0)
Contractual amounts receivable	-	0.9	347.4	836.7	746.7	5.5	1,937.2
	148.9	0.4	43.6	134.1	112.5	2.6	293.2
Off balance sheet positions							
Guarantees, indemnities and letters of credit	-	140.7	-	-	-	-	140.7
Customer funding commitments	-	722.7	-	-	-	-	722.7
	-	863.4	-	-	-	-	863.4

(1) Derivative financial instruments other than those designated in a cashflow hedge relationship.

(d) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk failures could lead to reputational damage, financial loss or regulatory consequences.

Group Risk are responsible for ensuring an appropriate framework exists to define, assess and manage operational risk and that resources are available to support it.

Bank of Queensland has developed a Operational Risk Management Framework ("ORMF") which is designed to articulate, assess and manage operational risks throughout the Bank and its subsidiaries. The key objectives of the framework are as follows:

- Risk identification, analysis and acceptance
- Execution and monitoring of risk management practices
- Reporting and escalation of risk information on a regular and/or exception basis

The ORMF consists of the following mandatory elements:

- Bankwide policies which require a consistent approach and minimum standards on specific operational risk matters
- Enterprise and business unit specific risk profiling
- Risk Self Assessments through the completion of various controls attestation questionnaires

These provide the basis for the business unit and Bank wide risk profiles. The Bank wide risk profile is reported to the Board and Risk Committee on a regular basis.

25. 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 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.

25. CAPITAL MANAGEMENT continued

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 8.0% and 9.0% of risk weighted assets and the total capital range to be between 11.0% and 12.0% of risk weighted assets. The total capital adequacy ratio at 31 August 2010 was 11.7% and Tier 1 capital was 8.7%. Reset Preference Shares ("RePS") and Perpetual Equity Preference Shares ("PEPS"), issued as hybrid capital instruments, comprise 15% of total Tier 1 capital.

Total Tier 1 capital of 8.7% is represented by 7.4% of Core Tier 1 capital and 1.3% of hybrid capital instruments, including preference shares.

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

	CONSOLIDATED	
Qualifying capital	**2010 $M**	**2009 $M**
Tier 1		
Fundamental Tier 1		
Ordinary Share Capital	1,861.9	1,707.4
Reserves	32.9	28.2
Retained profits (1)	239.5	176.1
	2,134.3	1,911.7
Residual Tier 1		
Non Innovative (PEPS)	195.7	195.7
Innovative (RePS)	47.2	47.2
	242.9	242.9
Tier 1 Deductions		
Deferred Expenditure	(100.5)	(82.1)
Goodwill and other identifiable intangibles	(574.4)	(587.8)
Other deductions	(45.3)	(24.1)
	(720.2)	(694.0)
Net Tier 1 Capital	1,657.0	1,460.6
Tier 2		
Upper Tier 2		
General Reserve for Credit Losses	114.2	98.5
Other	3.2	-
	117.4	98.5
Lower Tier 2		
Term subordinated debt	490.5	346.0
	490.5	346.0
Tier 2 Deductions	(41.9)	(24.1)
	(41.9)	(24.1)
Net Tier 2 Capital	566.0	420.4
Capital Base	2,223.0	1,881.0
Risk Weighted Assets	19,001.4	16,360.1
Capital Adequacy Ratio	11.7%	11.5%

(1) For calculation of capital adequacy retained profits includes current year's profit less accrual of expected dividends net of expected dividend reinvestment.

26. FINANCIAL INSTRUMENTS

Derivative financial Instruments

The Consolidated Entity and Bank used derivative financial instruments for both hedging and trading purposes in the current year. Refer to Note 24 for an explanation of the Consolidated Entity and Bank's risk management framework.

The following table summarises the notional and net fair value of the Bank's commitments to derivative financial instruments at 31 August 2010. Notional amounts do not represent amounts exchanged by the transaction counterparties, and thus, are not a measure of the exposure of the Bank through its use of derivatives. Net fair value in relation to derivative financial instruments is calculated using the quoted market price less transaction costs. Where the instrument does not have a quoted market price, the net fair value is estimated using the net present value techniques.

	CONSOLIDATED					
	2010			2009		
	NOTIONAL AMOUNT $M	NET FAIR VALUE ASSET / (LIABILITY) ASSET $M	LIABILITY $M	NOTIONAL AMOUNT $M	NET FAIR VALUE ASSET / (LIABILITY) ASSET $M	LIABILITY $M
Derivatives held for trading						
Interest Rate Swaps	6,400.0	2.0	-	679.4	0.1	(0.6)
Forward Rate Agreements	2,000.0	-	(0.2)	-	-	-
Foreign Exchange Forwards	40.4	0.3	(0.5)	51.7	1.1	(1.0)
Futures	2,631.7	2.9	-	3,481.0	3.0	-
	11,072.1	5.2	(0.7)	4,212.1	4.2	(1.6)
Derivatives held as cash flow hedges						
Interest Rate Swaps	24,514.7	137.8	(92.4)	15,062.7	46.3	(158.6)
Cross Currency Swaps	999.0	1.3	(89.4)	1,775.4	37.9	(38.5)
Foreign Exchange Forwards	498.5	3.4	(6.6)	169.9	0.1	(6.3)
	26,012.2	142.5	(188.4)	17,008.0	84.3	(203.4)
Derivatives designated as net investment hedges						
Foreign Exchange Forwards	20.9	0.4	-	-	-	-
	37,105.2	148.1	(189.1)	21,220.1	88.5	(205.0)

	BANK					
	2010			2009		
	NOTIONAL AMOUNT $M	NET FAIR VALUE ASSET / (LIABILITY) ASSET $M	LIABILITY $M	NOTIONAL AMOUNT $M	NET FAIR VALUE ASSET / (LIABILITY) ASSET $M	LIABILITY $M
Derivatives held for trading						
Interest Rate Swaps	6,400.0	2.0	-	679.4	0.1	(0.6)
Forward Rate Agreements	2,000.0	-	(0.2)	-	-	-
Foreign Exchange Forwards	61.3	0.7	(0.5)	51.7	1.1	(1.0)
Futures	2,631.7	2.9	-	3,481.0	3.0	-
	11,093.0	5.6	(0.7)	4,212.1	4.2	(1.6)
Derivatives held as cash flow hedges						
Interest Rate Swaps	24,514.7	137.8	(92.5)	15,062.7	46.3	(158.6)
Cross Currency Swaps	455.1	1.3	(14.7)	904.8	8.1	(38.5)
Foreign Exchange Forwards	498.5	3.4	(6.6)	169.9	0.1	(6.3)
	25,468.3	142.5	(113.8)	16,137.4	54.5	(203.4)
	36,561.3	148.1	(114.5)	20,349.5	58.7	(205.0)

26. FINANCIAL INSTRUMENTS continued

(b) Other financial instruments

The fair value estimates for specific instruments are based on the following methodologies and assumptions:

Cash and liquid assets, due from and to other financial institutions and other financial assets

The fair value approximates their carrying value as they are short term in nature or are receivable or payable on demand

Loans and advances

Loans and advances are net of specific and collective provisions for doubtful debts and unearned income. The fair values of loans and advances that reprice within six months of year end are assumed to equate to the carrying value. The net fair values of all other loans and advances are calculated using discounted cash flow models based on the maturity of the loans and advances. The discount rates applied are based on the current interest rates at 31 August of similar types of loans and advances, if the loans and advances were performing at balance date. The differences between estimated fair values of loans and advances and carrying value reflect changes in interest rates and creditworthiness of borrowers since loan or advance origination

Deposits

The fair value of non-interest-bearing, call and variable rate deposits and fixed rate deposits repricing within six months is the carrying value. The fair value of other term deposits is calculated using discounted cash flow models based on the deposit type and its related maturity.

Borrowings including subordinated notes and other debt issues

The fair values are calculated based on a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instruments. Fair values of financial instruments at balance date are as follows:

		CONSOLIDATED ENTITY			
		CARRYING VALUE		NET FAIR VALUE	
	NOTE	2010 $M	2009 $M	2010 $M	2009 $M
Assets carried at fair value					
Available for Sale financial assets	11	827.7	370.8	827.7	370.8
Financial assets designated at fair value through profit and loss	11	4,520.3	4,052.5	4,520.3	4,052.5
Derivative assets	26	148.1	88.5	148.1	88.5
		5,496.1	4,511.8	5,496.1	4,511.8
Assets carried at amortised cost					
Cash and liquid assets	9	471.1	353.8	471.1	353.8
Due from other financial institutions	10	115.8	74.6	115.8	74.6
Loans and advances at amortised cost	12	31,725.2	28,310.8	31,728.6	28,321.4
		32,312.1	28,739.2	32,315.5	28,749.8
Liabilities carried at fair value					
Derivative liabilities	26	(189.1)	(205.0)	(189.1)	(205.0)
Insurance policy liabilities	37	(61.5)	-	(61.5)	-
		(250.6)	(205.0)	(250.6)	(205.0)
Liabilities carried at amortised cost					
Balances due to other financial institutions	18	(138.2)	(192.7)	(138.2)	(192.7)
Deposits	19	(28,088.5)	(24,197.2)	(28,167.7)	(24,167.5)
Borrowings including subordinated notes	21	(7,172.3)	(6,982.8)	(7,198.4)	(6,952.5)
Accounts payable and other liabilities		(411.7)	(277.6)	(411.7)	(277.6)
		(35,810.7)	(31,650.3)	(35,916.0)	(31,590.3)

	NOTE	BANK			
		CARRYING VALUE		NET FAIR VALUE	
		2010 $M	2009 $M	2010 $M	2009 $M
Assets carried at fair value					
Available for Sale financial assets	11	919.5	483.9	919.5	483.9
Financial assets designated at fair value through profit and loss	11	4,519.9	4,052.5	4,519.9	4,052.5
Derivative assets	26	148.1	58.7	148.1	58.7
		5,587.5	4,595.1	5,587.5	4,595.1
Assets carried at amortised cost					
Cash and liquid assets	9	276.1	250.3	276.1	250.3
Due from other financial institutions	10	24.7	74.6	24.7	74.6
Loans and advances at amortised cost	12	28,195.2	25,694.4	28,204.1	25,705.0
		28,496.0	26,019.3	28,504.9	26,029.9
Liabilities carried at fair value					
Derivative liabilities	26	(114.5)	(205.0)	(114.5)	(205.0)
Liabilities carried at amortised cost					
Balances due to other financial institutions	18	(138.2)	(192.7)	(138.2)	(192.7)
Deposits	19	(28,362.9)	(24,413.5)	(28,442.1)	(24,383.8)
Borrowings including subordinated notes	21	(1,392.3)	(1,369.0)	(1,418.4)	(1,338.7)
Accounts payable and other liabilities		(360.8)	(246.5)	(360.8)	(246.5)
		(30,254.2)	(26,221.7)	(30,359.5)	(26,161.7)

The estimated net fair values disclosed do not include the assets and liabilities that are not considered financial instruments.

Interest rates used for determining fair values

The interest rates used to discount estimated cash flows, when applicable, are based on the banks yield curve at the reporting date plus an adequate credit spread, and were as follows:

	2010	2009
Derivatives, deposits and borrowings including subordinated notes	4.6% - 5.34%	3.04% - 6.15%
Leases	8.19% - 15.32%	7.49% - 10.1%
Loans and advances at amortised cost	6.89% - 8.65%	5.64% - 7.69%

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no maternal movements in Level 3 during the year.

26. FINANCIAL INSTRUMENTS continued

(b) Other financial instruments continued

CONSOLIDATED ENTITY	2010 LEVEL 1 $M	2010 LEVEL 2 $M	2010 LEVEL 3 $M	2010 TOTAL $M
Instruments carried at fair value				
Available for Sale financial assets	372.6	440.9	14.2	827.7
Financial assets designated at fair value through profit and loss	32.6	4,487.7	-	4,520.3
Derivative assets	-	148.1	-	148.1
	405.2	5,076.7	14.2	5,496.1
Derivative liabilities	-	(189.1)	-	(189.1)
	405.2	4,887.6	14.2	5,307.0

CONSOLIDATED ENTITY	2009 LEVEL 1 $M	2009 LEVEL 2 $M	2009 LEVEL 3 $M	2009 TOTAL $M
Instruments carried at fair value				
Available for Sale financial assets	160.0	194.5	16.3	370.8
Financial assets designated at fair value through profit and loss	91.9	3,960.6	-	4,052.5
Derivative assets	-	88.5	-	88.5
	251.9	4,243.6	16.3	4,511.8
Derivative liabilities	-	(205.0)	-	(205.0)
	251.9	4,038.6	16.3	4,306.8

BANK	2010 LEVEL 1 $M	2010 LEVEL 2 $M	2010 LEVEL 3 $M	2010 TOTAL $M
Instruments carried at fair value				
Available for Sale financial assets	372.6	530.4	16.5	919.5
Financial assets designated at fair value through profit and loss	32.2	4,487.7	-	4,519.9
Derivative assets	-	148.1	-	148.1
	404.8	5,166.2	16.5	5,587.5
Derivative liabilities	-	(114.5)	-	(114.5)
	404.8	5,051.7	16.5	5,473.0

BANK	2009 LEVEL 1 $M	2009 LEVEL 2 $M	2009 LEVEL 3 $M	2009 TOTAL $M
Instruments carried at fair value				
Available for Sale financial assets	160.0	307.6	16.3	483.9
Financial assets designated at fair value through profit and loss	91.9	3,960.6	-	4,052.5
Derivative assets	-	58.7	-	58.7
	251.9	4,326.9	16.3	4,595.1
Derivative liabilities	-	(205.0)	-	(205.0)
	251.9	4,121.9	16.3	4,390.1

27. NOTES TO THE STATEMENTS OF CASH FLOWS

Reconciliation of profit for the year to net cash provided by operating activities.

	CONSOLIDATED		BANK	
	2010 $M	2009 $M	2010 $M	2009 $M
Profit from ordinary activities after income tax	179.6	141.1	186.9	140.6
Add / (less) items classified as investing / financing activities or non cash items				
Depreciation	6.9	6.6	6.1	6.6
Amortisation	8.1	10.9	1.0	1.1
Joint venture distribution	-	(0.7)	-	-
Software amortisation	21.8	18.4	21.8	18.4
Loss on sale / asset writedowns	14.2	1.6	14.2	1.6
Share based payments	4.7	6.9	4.7	6.9
Profit on sale of property, plant and equipment	(0.8)	(0.5)	(0.1)	(0.5)
Increase / (decrease) in due from other financial institutions	50.9	(17.7)	49.9	(17.7)
Increase in other financial assets	(905.6)	(1,137.3)	(883.9)	(1,334.9)
Increase in loans and advances at amortised cost	(3,248.6)	(3,080.7)	(2,529.9)	(5,046.8)
Increase in derivatives	(95.2)	(17.9)	(60.9)	(8.3)
Increase in provision for impairment	62.6	16.7	29.1	21.9
Increase in deferred tax asset	(0.2)	(45.3)	(0.1)	(1.9)
(Increase) / decrease in other assets	(6.1)	46.5	(25.2)	34.9
(Increase) / decrease in investments accounted for using the equity method	-	5.6	-	-
Decrease in amounts due from controlled entities	-	-	(586.0)	(584.7)
Increase / (decrease) in due to other financial institutions	(54.5)	57.1	(54.5)	57.1
Increase in deposits	3,891.3	4,160.7	3,949.4	6,493.4
Increase / (decrease) in accounts payable and other liabilities	115.0	(18.9)	92.8	23.6
Increase in current tax liabilities	26.0	23.6	21.1	24.6
Increase in provisions	1.1	3.9	9.9	1.0
Increase / (decrease) in deferred tax liabilities	3.1	41.1	-	(0.9)
Decrease in insurance policy liabilities	(3.3)	-	-	-
Increase / (decrease) in borrowings including subordinated notes	267.8	(394.1)	-	-
Net cash from operating activities	338.8	(172.4)	246.3	(164.0)

Cash flows from the following activities are presented on a net basis in the statements of cash flows:

- Sales and purchases of investment securities;
- Customer deposits in and withdrawals from deposit accounts; and
- Loan drawdowns and repayments.

28. AUDITORS' REMUNERATION	CONSOLIDATED 2010 $000	CONSOLIDATED 2009 $000	BANK 2010 $000	BANK 2009 $000
Audit services – KPMG Australia				
- Audit and review of the financial reports	794.2	613.8	582.0	555.3
- Other regulatory and audit services	181.5	177.2	116.0	99.9
	975.7	791.0	698.0	655.2
Audit related services – KPMG Australia				
- Other assurance services (1)	264.4	278.3	-	95.1
	264.4	278.3	-	95.1
Other services – KPMG Australia				
- Tax advisory services	220.2	27.7	220.2	21.5
- Other	7.0	-	7.0	-
	227.2	27.7	227.2	21.5
Other services – KPMG Australia				
- Due diligence services	688.7	436.9	-	53.8
	688.7	436.9	-	53.8

(1) Other assurance services comprise accounting opinions, and audit related services provided in relation to mortgage securitisation trusts which are consolidated under Australian International Financial Reporting Standards.

Fees for audit and non-audit related services paid to KPMG which were provided in relation to leasing securitisation trusts which are not consolidated were $54,993 (2009: $86,677).

29. CONTINGENT LIABILTIES	CONSOLIDATED 2010 $M	CONSOLIDATED 2009 $M	BANK 2010 $M	BANK 2009 $M
Guarantees	140.4	125.8	140.4	125.8
Letters of credit	8.6	14.9	8.6	14.9

Guarantees, indemnities and letters of credit

There are contingent liabilities arising in the normal course of business for which there are equal and opposite contingent assets and against which no loss is anticipated. Guarantees are provided to third parties on behalf of customers. The credit risks of such facilities are similar to the credit risks of loans and advances.

As at 30 September 2010 Bank of Queensland has around 261 customers who were associated with Storm Financial Ltd (a financial planning firm that went into liquidation on 26 March 2009) and is currently the subject of an ASIC investigation. All loans are home equity loans secured by residential property. The Bank has approved 84 hardship applications and 46 concessional waivers covering 199 loans as at 30 September 2010 from affected Storm Financial customers with a total exposure of $44.8m. The Bank has received two formal legal proceedings in respect of former Storm Financial customers. The claims are not considered financially material to the Bank.

30. COMMITMENTS

	CONSOLIDATED 2010 $M	CONSOLIDATED 2009 $M	BANK 2010 $M	BANK 2009 $M
(a) Lease commitments				
Future rentals in respect of operating leases (principally in respect of premises) not provided for in these financial statements comprise amounts payable:				
- Within 1 year	37.6	37.2	35.5	37.2
- Between 1 year and 5 years	99.0	96.7	92.4	96.7
- Later than 5 years	8.8	8.7	6.9	8.7
	145.4	142.6	134.8	142.6
(b) Customer funding commitments				
Loans to customers approved but not drawn at year end	923.3	885.8	524.7	433.1
Amounts undrawn against lines of credit	330.0	289.6	287.9	289.6
	1,253.3	1,175.4	812.6	722.7

In the normal course of business the Bank makes commitments to extend credit to its customers. Most commitments either expire if not taken up within a specified time or can be cancelled by the Bank within one year. Credit risk is significantly less than the notional amount and does not crystallise until a commitment is funded.

31. EMPLOYEE BENEFITS

(a) Superannuation commitments

The Consolidated Entity contributes to defined contribution superannuation plans which comply with the Superannuation Contributions Act legislation.

Basis of contributions

Employee superannuation contributions are based on various percentages of employees' gross salaries. The Consolidated Entity's contributions are also based on various percentages of employees' gross salaries.

The Consolidated Entity is under no legal obligation to make superannuation contributions except for the minimum contributions required under the Superannuation Guarantee Legislation.

During the year employer contributions were made, refer Note 5.

31. EMPLOYEE BENEFITS continued

(b) Share based payments

The Consolidated Entity has two options plans. The Managing Director option plan, which was established in 2001 and the Senior Management Option Plan ("SMOP"), which was established in 2001.

The terms and conditions of options granted under the above plans are as follows, whereby all options are settled by physical delivery of shares:

GRANT DATE / EMPLOYEE ENTITLED	NUMBER OF INSTRUMENTS	VESTING CONDITIONS		CONTRACTUAL LIFE OF OPTIONS
Options granted to key management at 20 December 2004 – SMOP 4	3,005,000 [1]	The ability to exercise the options is conditional on the Consolidated Entity achieving certain performance hurdles. The performance hurdles are based on diluted cash EPS growth and require the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the financial years 2005, 2006 and 2007 ("performance period"), as described above.		5 years
		To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period:		
		Percentage range by which cash EPS growth exceeds Comparison banks	Percentage of options to vest	
		5% and up to but not exceeding 10%	25%	
		10% and up to but not exceeding 15%	50%	
		15% and up to but not exceeding 20%	75%	
		20% or more	100%	
		Should any SMOP 4 options remain unvested as at December 2008, the EPS test will be applied across financial years 2005, 2006, 2007 and 2008. Should any SMOP 4 options remain unvested as at December 2009, the EPS test will be applied across financial years 2005, 2006, 2007, 2008 and 2009.		

(1) These options vested in the 2008 financial year.

<table>
<tr><th>GRANT DATE / EMPLOYEE ENTITLED</th><th>NUMBER OF INSTRUMENTS</th><th>VESTING CONDITIONS</th><th>CONTRACTUAL LIFE OF OPTIONS</th></tr>
<tr><td>Options granted to key management at 17 October 2005 - SMOP 5</td><td>3,805,000 (1)</td><td>The ability to exercise the options is conditional on the Consolidated Entity achieving certain performance hurdles. The performance hurdles are based on diluted cash EPS growth and require the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the financial years 2006, 2007 and 2008 ("performance period"), as described above.

To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period:

Percentage range by which cash EPS growth exceeds Comparison banks — Percentage of options to vest
5% and up to but not exceeding 10% — 25%
10% and up to but not exceeding 15% — 50%
15% and up to but not exceeding 20% — 75%
20% or more — 100%

Should any SMOP 5 options remain unvested as at November 2009, the EPS test will be applied across financial years 2006, 2007, 2008 and 2009. Should any SMOP 5 options remain unvested as at November 2010, the EPS test will be applied across financial years 2006, 2007, 2008, 2009 and 2010.</td><td>5 years</td></tr>
<tr><td>Options granted to Managing Director at 1 November 2005 (continued)</td><td>500,000 (1)</td><td>The performance hurdle is based on diluted cash EPS growth and requires the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the relevant performance period (financial years 2006 – 2008)

To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period:

Percentage range by which cash EPS growth exceeds Comparison banks — Percentage of options to vest
5% and up to but not exceeding 10% — 25%
10% and up to but not exceeding 15% — 50%
15% and up to but not exceeding 20% — 75%
20% or more — 100%

Should any options remain unvested as at November 2009, the EPS test will be applied across financial years 2006, 2007, 2008 and 2009. Should any options remain unvested as at November 2010, the EPS test will be applied across financial years 2006, 2007, 2008, 2009 and 2010.</td><td>5 years</td></tr>
</table>

(1) These options vested in the 2009 financial year.

31. EMPLOYEE BENEFITS continued

(b) Share based payments

GRANT DATE / EMPLOYEE ENTITLED	NUMBER OF INSTRUMENTS	VESTING CONDITIONS	CONTRACTUAL LIFE OF OPTIONS
Options granted to Managing Director at 1 November 2006 (continued)	500,000	The performance hurdle is based on diluted cash EPS growth and requires the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the relevant performance period (financial years 2007 – 2009) To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period: Percentage range by which cash EPS growth exceeds Comparison banks — Percentage of options to vest 5% and up to but not exceeding 10% — 25% 10% and up to but not exceeding 15% — 50% 15% and up to but not exceeding 20% — 75% 20% or more — 100% Should any options remain unvested as at November 2010, the EPS test will be applied across financial years 2007, 2008, 2009 and 2010. Should any options remain unvested as at November 2011, the EPS test will be applied across financial years 2007, 2008, 2009, 2010 and 2011.	5 years
Options granted to key management at 20 November 2006 - SMOP 6	3,370,000	The ability to exercise the options is conditional on the Consolidated Entity achieving certain performance hurdles. The performance hurdles are based on diluted cash EPS growth and require the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the financial years 2007, 2008 and 2009 ("performance period"), as described above. To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period: Percentage range by which cash EPS growth exceeds Comparison banks — Percentage of options to vest 5% and up to but not exceeding 10% — 25% 10% and up to but not exceeding 15% — 50% 15% and up to but not exceeding 20% — 75% 20% or more — 100% Should any SMOP 6 options remain unvested as at November 2010, the EPS test will be applied across financial years 2007, 2008, 2009 and 2010. Should any SMOP 6 options remain unvested as at November 2011, the EPS test will be applied across financial years 2007, 2008, 2009, 2010 and 2011.	5 years

GRANT DATE / EMPLOYEE ENTITLED	NUMBER OF INSTRUMENTS	VESTING CONDITIONS	CONTRACTUAL LIFE OF OPTIONS
Options granted to key management at 1 November 2007 - SMOP 7	3,999,000	The ability to exercise the options is conditional on the Consolidated Entity achieving certain performance hurdles. The performance hurdles are based on diluted cash EPS growth and require the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the financial years 2008, 2009 and 2010 ("performance period"), as described above. To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period: Percentage range by which cash EPS growth exceeds Comparison banks — Percentage of options to vest 5% and up to but not exceeding 10% — 25% 10% and up to but not exceeding 15% — 50% 15% and up to but not exceeding 20% — 75% 20% or more — 100% Should any SMOP 7 options remain unvested as at November 2011, the EPS test will be applied across financial years 2008, 2009, 2010 and 2011. Should any SMOP 7 options remain unvested as at November 2012, the EPS test will be applied across financial years 2008, 2009, 2010, 2011 and 2012.	5 years

Long-Term Incentives - Award Rights

The Award Rights Plan was approved by shareholders on 11 December 2008. It is an equity based program under which Award Rights are granted as long-term incentives. The two types of award rights currently granted to executives under the plan are PARs and DARs. No amount is payable by employees for the grant or exercise of these award rights.

PARs

PARs have a vesting framework based on Total Shareholder Return (TSR) of the Bank as measured against a Peer Group over a 2 to 3 year period. That Peer Group consists of the S&P / ASX 200 from time to time excluding selected entities in resources, real estate investment trusts, telecommunications (offshore headquartered), energy and utilities and such other inclusions and exclusions as the Board considers appropriate. TSR is a measure of the entire return a shareholder would obtain from holding an entity's securities over a period, taking into account factors such as changes in the market value of the securities and dividends paid over the period.

One half of an employee's PARs will vest if the Bank's TSR performance over the three year period is in the top 50% of the Peer Group. All of the PARs vest if the Bank's TSR performance is in the top 25%. For TSR performance between those targets, a relative proportion of the PARs between one half and 100% would vest.

Vested PARs are generally exercisable within 5 years after they are granted (approximately 2 years after vesting).

DARs

There are no market performance hurdles or vesting conditions for DARs but the holder must remain an employee of the Bank.

Vested DARs are generally exercisable within 5 years after they are granted (approximately 2 to 4 years after vesting).

31. EMPLOYEE BENEFITS continued

(b) Share based payments

The following factors and assumptions were used in determining the fair value of options or rights on grant date:

OPTION OR RIGHT TYPE	GRANT DATE	EXPIRY DATE	FAIR VALUE PER OPTION OR RIGHT	EXERCISE PRICE (1)	PRICE OF SHARES ON GRANT DATE	EXPECTED VOLATILITY	RISK FREE INTEREST RATE	DIVIDEND YIELD
Executives - Options								
SMOP 4	20 December 2004	20 December 2009	$1.17	$10.57	$10.65	17.5%	5.45%	4.0%
SMOP 5	17 October 2005	17 October 2010	$2.16	$13.23	$13.06	20.1%	5.85%	3.7%
SMOP 6	20 November 2006	20 November 2011	$2.13	$16.26	$14.90	15.0%	6.00%	4.5%
SMOP 7	1 November 2007	1 November 2012	$2.57	$19.11	$19.44	14.0%	6.50%	4.3%
Restricted Shares (2)	15 June 2010	1 March 2012	$10.31	-	$10.31	-	-	-
Managing Director - Options								
MD Scheme 2 – Tranche 2	24 December 2004	24 December 2009	$1.17	$10.57	$10.65	17.5%	5.45%	4.0%
MD Scheme 2 – Tranche 3	1 November 2005	20 December 2010	$2.16	$13.23	$13.06	20.1%	5.85%	3.7%
MD Scheme 2 – Tranche 4	1 November 2006	20 November 2011	$2.13	$16.26	$16.37	15.0%	6.00%	4.5%
Executive Director - Rights								
PARs	11 December 2008 (3)	29 June 2014	$5.76	Nil	$10.25	26.7%	4.49%	5.2%
Executives - Rights								
PARs	29 June 2009	29 June 2014	$4.59	Nil	$8.89	35.1%	4.2%	7.2%
DARs	29 June 2009 (4)	29 June 2014	$7.59	Nil	$8.89	35.1%	4.2%	7.2%
PARs	23 December 2009	23 December 2014	$6.93	Nil	$11.22	36.3%	4.8	4.6%
DARs	23 December 2009 (5)	23 December 2014	$10.40	Nil	$11.22	36.3%	4.8	4.6%
DARs	28 May 2010 (6)	28 May 2015	$10.11	Nil	$11.19	36.9%	4.6	4.6%

(1) The exercise price is calculated as the volume weighted average price of shares traded over the ten business days immediately after the date of the announcement of the Bank's most recent annual results and requires Board approval. The exercise price was adjusted due to the entitlements offer as required under the plan rules.

(2) The restricted shares were valued at the share price at the time of grant. The shares will vest on 1 March 2012 based on meeting certain service conditions.

(3) The grant date is deemed to be the date the Award Rights were approved at the Annual General Meeting, the rights were issued on 29 June 2009.

(4) Remaining DARs will vest 30% in financial year 2011 and 50% in financial year 2012.

(5) The DARs will vest 50% in financial year 2011, 30% in financial year 2012 and 20% in financial year 2013.

(6) The DARs will vest 20% in financial year 2011, 30% in financial year 2012 and 20% in financial year 2013.

The number and weighted average exercise price of share options is as follows:

	WEIGHTED AVERAGE EXERCISE PRICE 2010	NUMBER OF OPTIONS 2010 '000	WEIGHTED AVERAGE EXERCISE PRICE 2009	NUMBER OF OPTIONS 2009 '000
Outstanding at the beginning of the year	$16.16	8,899	$16.25	9,987
Forfeited during the year	$16.38	(2,150)	$17.20	(1,057)
Exercised during the year	$10.57	(302)	$10.32	(31)
Outstanding at the end of the year	$16.16	6,447	$16.16	8,899
Exercisable at the end of the year		4,332		3,701

The options outstanding at 31 August 2010 have an exercise price in the range of $13.00 to $19.50 and a weighted average contractual life of 1.2 years (2009: 2.2 years).

During the year 302,000 options were exercised (2009: 31,000). The weighted average share price at the date of exercise was $11.61 (2009: $12.80).

The number of award rights and restricted shares is as follows:

	NUMBER OF RIGHTS 2010 '000	NUMBER OF RIGHTS 2009 '000
Balance at beginning of the year	684	-
Granted during the year (1)	746	698
Forfeited during the year	(135)	(14)
Exercised during the year	(56)	-
Outstanding at the end of the year	1,239	684

The weighted average share price at the date of exercise was $11.64 (2009: nil).

(1) Includes restricted shares

32. KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Bank and the Consolidated Entity, including directors and other executives. Key management personnel include the five most highly remunerated S300A directors and executives for the Bank and Consolidated Entity.

(a) Key management personnel compensation

Key management personnel compensation included in 'administrative expenses' and 'employee expenses' (refer Note 5) is as follows:

	CONSOLIDATED AND BANK 2010 $	CONSOLIDATED AND BANK 2009 $
Short-term employee benefits	6,705,085	6,838,960
Post-employment benefits	298,992	369,051
Long term employee benefits	76,979	63,646
Termination benefits	1,085,615	1,574,873
Share based employment benefits	2,169,743	3,137,535
	10,336,414	11,984,065

32. KEY MANAGEMENT PERSONNEL DISCLOSURES continued

(a) Key management personnel compensation continued

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the directors' report.

Apart from the details disclosed in the note, no director has entered into a material contract with the Bank since the end of the previous financial year and there were no material contracts involving directors' interest existing at year end.

(b) Equity Instruments - holdings and movements

The movement during the reporting period in the number of options and rights over ordinary shares in Bank of Queensland Limited held, directly, indirectly or beneficially, by key management personnel, including their personally related entities, is as follows:

Managing Director, Senior Management Option Plans ("SMOP") and Award rights

All options issued under the Managing Director option plan, SMOP and Award rights refer to options and rights over ordinary shares of Bank of Queensland Limited, which are exercisable on a one-for-one basis.

During the reporting period, the following options and rights over ordinary shares were granted to executives under the SMOP and Award Rights:

		HELD AT 1 SEP 2009	GRANTED AS REMUNERATION	EXERCISED	FORFEITED	HELD AT 31 AUG 2010	VESTED DURING THE YEAR	VESTED AND EXERCISABLE AT 31 AUG 2010
Managing Director								
David Liddy	Options	1,000,000	-	-	-	1,000,000	500,000	1,000,000
	Rights	175,072	-	-	-	175,072	-	-
Executives								
Ram Kangatharan	Options							
	Restricted Shares	350,000	108,000	-	-	350,000	-	-
	Rights	54,150	66,180	-	-	108,000	1,710	1,710
Jim Stabback	Rights	30,210	29,420	-	-	59,630	1,482	1,482
Former Executives								
Bruce Auty	Options	350,000	-	-	29,106	320,894	170,894	320,894
	Rights	19,380	4,644	7,900	16,124	-	7,900	-
Daniel Musson	Options	200,000	-	-	200,000	-	158,577	-
	Rights	34,770	25,930	27,332	33,368	-	27,332	-
David Marshall	Options	200,000	-	-	200,000	-	-	-
	Rights	37,050	32,510	-	68,192	1,368	1,368	1,368

		HELD AT 1 SEP 2008	GRANTED AS REMUNERA-TION	EXERCISED	FORFEITED	HELD AT 31 AUG 2009	VESTED DURING THE YEAR	VESTED AND EXERCIS-ABLE AT 31 AUG 2009
Managing Director								
David Liddy	Options	1,000,000	-	-	-	1,000,000	500,000	500,000
	Rights	-	175,072	-	-	175,072	-	-
Executives								
Ram Kangatharan	Options	350,000	-	-	-	350,000	-	-
	Rights	-	54,150	-	-	54,150	-	-
David Marshall	Options	200,000	-	-	-	200,000	-	-
	Rights	-	37,050	-	-	37,050	-	-
Daniel Musson	Options	200,000	-	-	-	200,000	-	-
	Rights	-	34,770	-	-	34,770	-	-
Jim Stabback	Rights	-	30,210	-	-	30,210	-	-
Bruce Auty	Options	350,000	-	-	-	350,000	150,000	150,000
	Rights	-	19,380	-	-	19,380	-	-
Former Executives								
Robert Hines	Options	750,000	-	-	(120,392)	629,608	429,608	629,608
Len Stone	Options	380,000	-	-	(52,701)	327,299	327,299	327,299

32. KEY MANAGEMENT PERSONNEL DISCLOSURES continued

(b) Equity Instruments - holdings and movements continued

Movement in shares

The number of shares held directly, indirectly or beneficially by each key management person is as follows:

ORDINARY SHARES	HELD AT 1 SEP 2009	PURCHASES / (SALES)	RECEIVED ON EXERCISE OF AWARD RIGHTS	HELD AT 31 AUG 2010
Directors of Bank of Queensland Limited				
Neil Summerson	22,550	3,691	-	26,241
David Liddy	916,246	142,079	-	1,058,325
Steve Crane	11,000	1,224	-	12,224
Roger Davis	3,116	425	-	3,541
Carmel Gray	5,309	590	-	5,899
Bill Kelty	1,165	55	-	1,220
John Reynolds	1,000	-	-	1,000
David Willis	-	1,022	-	1,022
Former Director				
Peter Fox (1)	1,775,499	-	-	-
Anthony Howarth (2)	41,862	6,852	-	-
David Graham (3)	8,618	958	-	9,576
Former Executives				
Bruce Auty	1,309	-	-	-
Daniel Musson	-	-	27,332	-

(1) Peter Fox resigned as a Director on 25 November 2009.

(2) Anthony Howarth resigned as a Director on 26 July 2010.

(3) David Graham resigned as a Director on 8 October 2010.

ORDINARY SHARES	HELD AT 1 SEP 2008	PURCHASES / (SALES)	RECEIVED ON EXERCISE OF OPTIONS	HELD AT 31 AUG 2009
Directors of Bank of Queensland Limited				
Neil Summerson	18,528	4,022	-	22,550
Anthony Howarth	37,819	4,043	-	41,862
David Liddy	1,616,565	(700,319)	-	916,246
Steve Crane	-	11,000	-	11,000
Roger Davis	2,909	207	-	3,116
Peter Fox	11,801,257	(10,025,758)	-	1,775,499
Carmel Gray	4,000	1,309	-	5,309
Bill Kelty	1,088	77	-	1,165
John Reynolds	1,000	-	-	1,000
Former Director				
Antony Love (1)	11,990	-	-	-
David Graham (2)	6,000	2,618	-	8,618
Executive				
Bruce Auty	100,000	(98,691)	-	1,309
Former Executives				
Robert Hines	197,999	-	-	-
Len Stone	12,500	-	-	-

CONVERTIBLE PREFERENCE SHARES	HELD AT 1 SEP 2008	PURCHASES / (SALES)	HELD AT 31 AUG 2009
Directors of Bank of Queensland Limited			
Former Director			
Antony Love (1)	500	-	-

(1) Antony Love retired as a Director on 11 December 2008.

(2) David Graham resigned as a Director on 8 October 2010.

32. KEY MANAGEMENT PERSONNEL DISCLOSURES continued

(c) Loans to key management personnel disclosures

Details of loans outstanding at the reporting date to key management personnel, where the individuals aggregate loan balance exceeded $100,000 at any time in the reporting period, are as follows:

	2010				2009			
	BALANCE AT 1 SEP 2009 $	INTEREST PAID AND PAYABLE DURING THE YEAR $	BALANCE AT 31 AUG 2010 $	HIGHEST BALANCE DURING THE YEAR $	BALANCE AT 1 SEP 2008 $	INTEREST PAID AND PAYABLE DURING THE YEAR $	BALANCE AT 31 AUG 2009 $	HIGHEST BALANCE DURING THE YEAR $
Directors:								
Neil Summerson	421,910	30,391	439,608	514,744	416,335	26,717	421,910	444,325
David Liddy	-	-	-	-	-	89,558	-	3,010,069
Bill Kelty	325,782	21,306	325,782	325,782	325,782	17,166	325,782	653,533
Former Director:								
Anthony Howarth	-	-	-	-	332,148	3,803	-	332,505
Antony Love	-	-	-	-	217,750	6,191	-	219,705
David Graham	4,109,261	244,183	4,242,163	4,530,135	4,109,430	134,528	4,109,261	4,872,672
Executives:								
Ram Kangatharan	-	90,235	2,285,412	2,311,433	-	-	-	-
Former Executives:								
Daniel Musson	1,843,198	24,611	-	1,020,812	1,815,807	50,644	1,843,198	2,479,049
David Marshall	-	34,492	-	1,105,938	-	-	-	-
Robert Hines	-	-	-	-	3,880,380	168,897	-	4,877,972
Len Stone	-	-	-	-	521,068	27,995	-	524,204

All loans with key management personnel are conducted on an arm's length basis in the normal course of business and on terms and conditions as available to all employees of the Bank.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the economic entity to all key management personnel and their related parties, and the number of individuals in each group are as follows:

	BALANCE AT 1 SEP 2009 $	BALANCE AT 31 AUG 2010 $	INTEREST PAID AND PAYABLE $	NUMBER IN GROUP AT 31 AUG 2010 #
Directors:	4,856,953	5,007,553	295,880	3
Executives:	1,843,198	2,285,412	149,338	1

	BALANCE AT 1 SEP 2008 $	BALANCE AT 31 AUG 2009 $	INTEREST PAID AND PAYABLE $	NUMBER IN GROUP AT 31 AUG 2009 #
Directors:	5,401,445	4,856,953	277,963	6
Executives:	6,217,255	1,843,198	247,536	4

(d) Other financial instrument transactions with key management personnel and personally-related entities

A number of key management personnel or their related parties hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Financial instrument transactions with key management personnel and personally-related entities during the financial year arise out of the provision of banking services, the acceptance of funds on deposit, the granting of loans and other associated financial activities. The terms and conditions of the transactions with management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis. DDH Preferred Income Fund (a fund managed by DDH Graham Limited) is a noteholder in the Series 2007-1 REDS Trust holding an investment of 10,000 units at $53.48 totalling $534,828 (2009: 10,000 units at $90.85 totalling $908,533). A guarantee of $500,000 was provided to DDH Graham Limited for regulatory purposes by Bank of Queensland at the request of its directors, including David Graham and supported by them.

Other non financial instrument transactions with key management personnel

Bill Kelty is a director of Linfox Proprietary Limited of which Linfox Armaguard Pty Ltd is a subsidiary. The Bank has paid $2,135,435 (2009: $2,404,762) to Linfox Armaguard Pty Ltd in the ordinary course of business for cash delivery services. The directors in question have no involvement in the contract negotiation nor the provision of these services.

The Bank of Queensland has entered into a rolling contract with a 2 year termination clause with DDH Graham Limited, of which David Graham is the Chairman. Under this contract, DDH Graham Limited provides funding to the Bank through introduced customer money market deposit accounts, and in turn the Bank pays DDH Graham Limited a commission based on the value of deposited funds held with the bank. Commission is paid on a monthly basis for the duration of the contract. Commission amounts for these services were billed based on normal market rates and were due and payable under normal payment terms. Commission payments paid to the firm by the Bank during the financial year amounted to $4,642,237 (2009: $4,539,186).

Liabilities recognised at reporting date arising from the above transactions were:

- Accounts payable and other liabilities - $843,497 (2009: $633,569)

Other transactions with directors, executives and their personally-related entities are conducted on an arm's length basis and are deemed trivial or domestic in nature.

32. KEY MANAGEMENT PERSONNEL DISCLOSURES continued

The following are transactions undertaken between the Consolidated Entity and key management personnel as at 31 August 2010:

	BALANCE AS AT		FOR THE PERIOD (1)			
	01/09/09 $	31/08/10 $	TOTAL LOAN REPAYMENTS $	TOTAL LOAN REDRAWS / FURTHER ADVANCES $	TOTAL LOAN / OVERDRAFT INTEREST $	TOTAL FEES ON LOANS / OVERDRAFT $
Term Products (Loans / Advances)	(6,700,151)	(7,292,965)	3,551,207	(6,306,028)	(445,218)	(6,813)

	BALANCE AS AT		FOR THE PERIOD (1)			
	01/09/08 $	31/08/09 $	TOTAL LOAN REPAYMENTS $	TOTAL LOAN REDRAWS / FURTHER ADVANCES $	TOTAL LOAN / OVERDRAFT INTEREST $	TOTAL FEES ON LOANS / OVERDRAFT $
Term Products (Loans / Advances)	(11,618,700)	(6,700,151)	7,671,091	(7,769,658)	(508,754)	(17,702)

	BALANCE AS AT		FOR THE PERIOD (1)			
	01/09/09 $	31/08/10 $	TOTAL DEPOSITS $	TOTAL WITHDRAWALS $	TOTAL ACCOUNT FEES $	TOTAL DEPOSIT INTEREST $
Transaction Products (Deposits)	4,647,223	3,877,229	28,406,040	(29,046,605)	(2,879)	185,408

	BALANCE AS AT		FOR THE PERIOD (1)			
	01/09/098 $	31/08/09 $	TOTAL DEPOSITS $	TOTAL WITHDRAWALS $	TOTAL ACCOUNT $	TOTAL DEPOSIT INTEREST $
Transaction Products (Deposits)	2,224,558	4,647,223	24,147,893	(19,752,323)	(3,666)	253,766

(1) Amounts are included only for the period that the director / executive are classified as a member of the key management personnel.

33. CONTROLLED ENTITIES

	PARENT ENTITY'S INTEREST		AMOUNT OF INVESTMENT (AT COST)	
	2010	2009	2010 $M	2009 $M
(a) Particulars in relation to controlled entities				
Controlled entities:				
B.Q.L. Management Pty Ltd	100%	100%	-	-
B.Q.L. Nominees Pty Ltd	100%	100%	5.0	5.0
B.Q.L. Properties Limited	100%	100%	-	-
Queensland Electronic Switching Pty Ltd	100%	100%	0.1	0.1
BOQ Equipment Finance Limited	100%	100%	15.4	15.4
St Andrew's Australia Services Pty Ltd formerly Electronic Financial Solutions Pty Ltd	100%	100%	-	-
Series 2003-2 REDS Trust	-	100%	-	-
Series 2004-1 REDS Trust	100%	100%	-	-
Series 2005-1 REDS Trust	100%	100%	-	-
Series 2005-2 REDS Trust	100%	100%	-	-
REDS Warehouse Trust No.1	100%	100%	-	-
REDS Warehouse Trust No.2	100%	100%	-	-
Series 2006-1E REDS Trust	100%	100%	-	-
Series 2007-1E REDS Trust	100%	100%	-	-
Series 2007-2 REDS Trust	100%	100%	-	-
Series 2008-1 REDS Trust	100%	100%	-	-
Series 2008-2 REDS Trust	100%	100%	-	-
Series 2008-1E EHP REDS Trust	100%	100%	-	-
Series 2009-1 REDS Trust	100%	100%	-	-
REDS Warehouse Trust No.3	100%	100%	-	-
Series 2010-1 REDS Trust	100%	-	-	-
Series 2010-2 REDS Trust	100%	-	-	-
Pioneer Permanent Building Society Limited	100%	100%	60.1	60.1
Home Building Society Ltd	100%	100%	600.2	600.2
Home Financial Planning Pty Ltd	100%	100%	-	-
Home Credit Management Ltd	100%	100%	-	-
Statewest Financial Services Ltd	100%	100%	-	-
Statewest Financial Planning Pty Ltd	100%	100%	-	-
BOQ Share Plans Nominee Pty Ltd	100%	100%	-	-
Bank of Queensland Limited Employee Share Plans Trust	100%	100%	-	-
St Andrew's Life Insurance Pty Ltd	100%	-	-	-
St Andrew's Insurance (Australia) Pty Ltd	100%	-	-	-
BOQ Finance (Aust) Limited formerly CIT Group (Australia) Ltd	100%	-	230.2	-
BOQ Credit Pty Limited formerly CIT Credit Pty Limited	100%	-	-	-
BOQ Funding Pty Limited formerly CIT Funding Pty Limited	100%	-	-	-
BOQ Finance (NZ) Limited formerly CIT Group (New Zealand) Limited	100%	-	22.1	-
Equipment Rental Billing Services Pty Ltd	100%	-	-	-
Hunter Leasing Ltd	100%	-	-	-
Newcourt Financial (Australia) Pty Limited	100%	-	-	-
			933.1	680.8

33. CONTROLLED ENTITIES continued

(b) Acquisition of controlled entities continued

The following controlled entities were acquired during the year:

Acquisition of entities

On 30 June 2010, the Bank acquired all the shares of CIT Group (Australia) Limited and CIT Group (New Zealand) Limited now renamed to BOQ Finance (Aust) Limited and BOQ Finance (NZ) Limited for $252.3 million cash. CIT Group (Australia) Limited and CIT Group (New Zealand) Limited engage in finance activities in particular in the provision of short and medium term finance and leasing of equipment and other assets, and in the period from 30 June 2010 to 31 August 2010 contributed profit after tax of $2.7 million. If the acquisition had occurred on 1 September 2009, management estimates that consolidated total operating income would have been $770.3 million and consolidated profit would have been $192.7 million for the year ended 31 August 2010.

The provisional acquisition accounting has had the following effect on the consolidated entity's assets and liabilities:

	RECOGNISED VALUES ON ACQUISITION $M	PRE-ACQUISITION CARRYING AMOUNTS $M
Cash	15.6	15.6
Loans and advances at amortised cost	451.8	453.3
Property, plant and equipment	4.0	4.0
Current tax assets	2.2	2.2
Deferred tax assets	6.8	6.8
Other assets	9.2	9.2
Intangible assets	0.1	0.1
Deferred tax liabilities	(6.7)	(6.7)
Borrowings including subordinated notes	(6.9)	(6.9)
Amounts due to controlling entities	(227.2)	(227.2)
Accounts payable and other liabilities	(10.1)	(10.1)
Provisions	(1.6)	(1.6)
Net identifiable assets and liabilities	237.2	238.7
Goodwill and other identifiable assets on acquisition	15.1	
Total Consideration	252.3	
Consideration paid, satisfied in cash		
Equity purchase consideration	252.3	
Cash acquired	(15.6)	
Net cash outflow	236.7	

At 31 August 2010, the acquisition accounting balances were provisional due to ongoing work obtaining valuations and tax related matters which will impact the acquisition accounting entries.

On 1 July 2010, the Bank acquired all the shares of St Andrew's Insurance (Australia) Pty Ltd and St Andrew's Life Insurance Pty Ltd for $49.8 million in a combination of cash and ordinary shares in the Bank. St Andrew's Insurance principal activity is the provision of personal lines insurance products to the consumer credit market and St Andrew's Life insurance principal activities is the manufacture and distribution of life insurance products, and in the period from 1 July 2010 to 31 August 2010 contributed profit of $3.1 million. If the acquisition had occurred on 1 September 2009, management estimates that consolidated total operating income would have been $755.3 million and consolidated profit would have been $195.4 million for the year ended 31 August 2010.

The provisional acquisition accounting has had the following effect on the consolidated entity's assets and liabilities:

	RECOGNISED VALUES ON ACQUISITION $M	PRE-ACQUISITION CARRYING AMOUNTS $M
Cash	32.3	32.3
Due from other financial institutions	92.1	92.1
Other assets	9.5	9.5
Insurance policy liabilities	(64.8)	(64.8)
Accounts payable and other liabilities	(2.0)	(2.0)
Provisions	(7.5)	(7.5)
Net identifiable assets and liabilities	59.6	59.6
Discount on acquisition	(9.8)	
Consideration paid, satisfied in cash	49.8	
Cash acquired	(32.3)	
Net cash outflow	17.5	

At 31 August 2010, the acquisition accounting balances were provisional due to ongoing work, obtaining valuations and tax related matters which will impact the acquisition accounting entries.

34. RELATED PARTIES INFORMATION

Controlled entities

Details of interests in controlled entities are set out in Note 33.

During the year there have been transactions between the Bank and all of its controlled entities. The Bank conducted normal banking business with its operating controlled entities. Amounts owing to or from controlled entities do not attract interest, except in respect of BOQ Equipment Finance Limited, St Andrew's Australia Services Pty Ltd, BOQ Finance (Aust) Ltd and BOQ Finance (NZ) Ltd where interest is charged on normal terms and conditions.

The Bank receives management fees from B.Q.L. Management Pty Ltd and BOQ Equipment Finance Limited.

The Bank has a related party with equity accounted investees, refer to Note 39.

35. AVERAGE BALANCES AND MARGIN ANALYSIS	CONSOLIDATED 2010 AVERAGE BALANCE $M	CONSOLIDATED 2010 INTEREST $M	CONSOLIDATED 2010 AVERAGE RATE %	CONSOLIDATED 2009 AVERAGE BALANCE $M	CONSOLIDATED 2009 INTEREST $M	CONSOLIDATED 2009 AVERAGE RATE %
Interest earning assets						
Gross loans and advances at amortised cost *	30,076.3	2,011.3	6.69	26,830.5	1,835.2	6.84
Investments and other securities *	5,032.1	226.3	4.50	4,107.5	196.0	4.77
Total interest earning assets	35,108.4	2,237.6	6.37	30,938.0	2,031.2	6.57
Non-interest earning assets						
Property, plant and equipment	26.7			25.5		
Other assets	831.4			1,044.0		
Provision for impairment	(81.9)			(40.8)		
Total non-interest earning assets	776.2			1,028.7		
Total assets	35,884.6			31,966.7		
Interest bearing liabilities						
Retail deposits *	16,764.7	716.4	4.27	15,512.6	722.6	4.66
Wholesale deposits and borrowings *	16,264.7	959.7	5.90	14,218.1	827.5	5.82
Total interest bearing liabilities	33,029.4	1,676.1	5.07	29,730.7	1,550.1	5.21
Non-interest bearing liabilities	544.5			497.5		
Total liabilities	33,573.9			30,228.2		
Shareholders' funds	2,310.7			1,738.5		
Total liabilities and shareholders' funds	35,884.6			31,966.7		
Interest margin and interest spread						
Interest earning assets	35,108.4	2,237.6	6.37	30,938.0	2,031.2	6.57
Interest bearing liabilities	33,029.4	1,676.1	5.07	29,730.7	1,550.1	5.21
Net interest spread [1]			1.30			1.36
Net interest margin - on average interest earning assets	35,108.4	561.5	1.60	30,938.0	481.1	1.56

* Calculated on average monthly balances

(1) Interest spread is calculated after taking into account third party and OMB commissions.

36. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, certain wholly-owned subsidiaries are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' reports.

It is a condition of the Class Order that the Bank and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Bank guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Bank will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Bank is wound up.

The subsidiaries to the Deed are:

- B.Q.L. Properties Limited;
- BOQ Equipment Finance Limited;
- B.Q.L. Management Pty Ltd;
- St Andrew's Australia Services Pty Ltd;
- B.Q.L. Nominees Pty Ltd;
- Queensland Electronic Switching Pty Ltd;
- BOQ Share Plans Nominee Pty Ltd;
- Pioneer Permanent Building Society Limited;
- Home Building Society Ltd;
- Home Credit Management Ltd; and
- StateWest Financial Services Limited.

A consolidated statement of comprehensive income and consolidated Balance Sheet, comprising the Bank and its controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 August 2010 is set out as follows:

	CONSOLIDATED	
SUMMARISED STATEMENT OF COMPREHENSIVE INCOME AND RETAINED PROFITS	**2010 $M**	**2009 $M**
Profit before tax	258.0	188.6
Less: Income tax expense	(76.0)	(52.2)
Profit for the year	182.0	136.4
Retained profits at beginning of year	188.3	192.8
Dividends to shareholders	(118.4)	(116.1)
Equity settled transactions and transfers	(3.8)	(24.8)
Retained profits at end of year	248.1	188.3
Attributable to:		
Equity holders of the parent	182.0	136.4
Profit for the year	182.0	136.4

36. DEED OF CROSS GUARANTEE continued

BALANCE SHEET

As at 31 August	CONSOLIDATED 2010 $M	CONSOLIDATED 2009 $M
Assets		
Cash and liquid assets	291.0	250.6
Due from other financial institutions	24.7	74.6
Other financial assets	5,439.4	4,535.1
Derivative financial instruments	50.3	58.7
Loans and advances at amortised cost	31,283.8	28,310.9
Shares in controlled entities	302.2	-
Property, plant and equipment	21.6	24.5
Deferred tax assets	10.6	13.6
Other assets	247.4	220.4
Intangible assets	559.2	587.8
Investments in accounted for using the equity method	29.6	31.1
Total assets	38,259.8	34,107.3
Liabilities		
Due to other financial institutions	138.2	192.7
Deposits	28,329.1	24,402.8
Derivative financial instruments	16.6	205.0
Accounts payable and other liabilities	378.2	254.7
Current tax liabilities	75.9	24.2
Provisions	24.4	20.8
Borrowings including subordinated notes	1,379.3	1,358.1
Amounts due to controlled entities	5,533.7	5,544.9
Total liabilities	35,875.4	32,003.2
Net assets	2,384.4	2,104.1
Equity		
Issued capital	2,057.3	1,903.1
Reserves	79.0	12.7
Retained profits	248.1	188.3
Total equity	2,384.4	2,104.1

37. INSURANCE BUSINESS

	2010 $M	2009 $M
Reconciliation of movements in insurance policy liabilities		
Life Insurance contract policy liabilities		
Gross life insurance contract liabilities at 1 July 2010	46.6	-
Decrease in life insurance contract policy liabilities (i)	(0.5)	-
Gross life insurance contract liabilities at 31 August	46.1	-
Liabilities ceded under reinsurance		
Opening balance at 1 July	(2.1)	-
Increase in life reinsurance assets (ii)	-	-
Closing balance at 31 August	(2.1)	-
Net life policy liabilities at 31 August	44.0	-
(i) plus (ii) = decrease in net life insurance contract liabilities reflected in the statement of comprehensive income	(0.5)	-
Components of net life insurance contract liabilities		
Future policy benefits	69.3	-
Future charges for acquisition costs	(25.3)	-
Total net life insurance contract policy liabilities	44.0	-
Components of general insurance liabilities		
Unearned Premium Liability	16.9	-
Outstanding Claims Liability	0.6	-
	17.5	-
Total Insurance Policy Liabilities	61.5	-

Note: Future policy benefits include the unearned premium components of the liability. The accumulation method has been used to calculate policy liabilities and components relating to expenses and profits are not separately calculated.

37. INSURANCE BUSINESS continued

(c) Life Insurance Solvency requirements

The solvency requirement of each statutory fund is the amount required to be held in accordance with LPS 2.04: Solvency Standard. These are amounts required to meet the prudential standards prescribed by the Life Insurance Act 1995 to provide protection against the impact of fluctuations and unexpected adverse circumstances on the life company.

The methodology and bases for determining solvency requirements are in accordance with the requirements of LPS 2.04: Solvency Standard.

	2010 $M	2009 $M
Life Insurance solvency requirement *	71.9	-
Total assets less assets arising from reinsurance contracts	86.1	-
Assets in excess of solvency requirement	14.2	-

The minimum level of assets required to be held by the life insurance business as prescribed in LPS 2.04: Solvency Standard

(d) Disaggregated information life insurance (before consolidation adjustments)

Summarised statement of comprehensive income

	2010 $M	2009 $M
Revenue		
Life insurance premium revenue	8.8	-
Investment income	0.8	-
Net life insurance premium revenue	9.6	-
Expenses		
Net claims and other liability expense from insurance contracts	(3.7)	-
Other expenses	(1.2)	-
	(4.9)	-
Profit before income tax	4.7	-
Income tax expense	(1.4)	-
Profit after income tax	3.3	-

Summarised balance sheet

	2010 $M	2009 $M
Assets		
Investment assets	72.5	-
Other assets	26.0	-
	98.5	-
Liabilities		
Life insurance liabilities	44.0	-
Liabilities other than life insurance liabilities	14.0	-
	58.0	-
Retained earnings		
Directly attributable to shareholders	40.5	-
	40.5	-

The life insurance business has no life investment contracts

38. EVENTS SUBSEQUENT TO BALANCE DATE

Dividends have been declared after 31 August 2010, refer to Note 7.

The financial effect of the above transactions have not been brought to account in the financial statements for the year ended 31 August 2010.

On 15 October 2010 the Reset Preference Shares will be converted to ordinary shares.

39. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Consolidated Entity's share of profit in its equity accounted investees for the year was nil (2009: $0.7m).

The principal activity of the joint venture entities is land subdivision, development and sale. Details of material interest in joint ventures are as follows:

	PERCENTAGE OWNERSHIP INTEREST	
	2010 %	**2009 %**
Ocean Springs Pty Ltd (Brighton)	9.31	9.31
Dalyellup Beach Pty Ltd (Dalyellup)	17.08	17.08
Wanneroo North Pty Ltd (The Grove)	21.42	21.42
East Busselton Estate Pty Ltd (Provence)	25.00	25.00
Coastview Nominees Pty Ltd (Margaret River)	5.81	5.81
Satterlley Austin Cove Pty Ltd (Austin Cove)	4.18	4.18
Provence 2 Pty Ltd (Provence 2)	25.00	25.00
Crestview Asset Pty Ltd (Beacham Road)	7.36	7.36

The above companies are proprietary companies incorporated in Australia. There are no material capital commitments relating to the joint ventures.

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the consolidated entity and fair value adjustments on acquisition, is contained in the table below:

	2010 $M	**2009 $M**
Balance Sheet		
Current assets	112.1	127.6
Non-current assets	174.5	180.4
Total assets	286.6	308.0
Current liabilities	80.6	81.5
Non-current liabilities	16.1	6.1
Total liabilities	96.7	87.6
Net assets	189.9	220.4
Profit and Loss		
Revenues	61.8	55.1
Expenses	(33.4)	(37.7)
Profit	28.4	17.4

director's declaration

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

(a) the financial statements and notes, including the remuneration disclosures that are contained in the Remuneration report of the Directors' report set out on pages 19 to 31, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the Bank and Consolidated Entity as at 31 August 2010 and of their performance, for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(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.

2 There are reasonable grounds to believe that the Bank and the Controlled Entities identified in Note 36 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Bank and those Controlled Entities pursuant to ASIC Class Order 98/1418.

3 The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 August 2010.

4 The directors draw attention to note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Neil Summerson
Chairman

David Liddy
Managing Director

Dated at Brisbane this fourteenth day of October 2010

independent auditor's report

to members of Bank of Queensland Limited

KPMG

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Bank of Queensland Limited (the "Bank"), which comprises the Balance Sheets as at 31 August 2010, and, Statements of Comprehensive Income, Statements of Cash Flows and Statements of Changes in Equity for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 39 and the directors' declaration of the Consolidated Entity comprising the Bank and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Bank are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2 (a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Consolidated Entity and the Bank, comprising the financial statements and notes, comply with International Financial Reporting Standards.

The directors of the Bank are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Bank's and the Consolidated Entity's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

(a) The financial report of Bank of Queensland Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Bank's and the Consolidated Entity's financial position as at 31 August 2010 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) The financial report of the Consolidated Entity and Bank also comply with International Financial Reporting Standards as disclosed in note 2 (a).

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 19 to 31 of the directors' report for the year ended 31 August 2010. The directors of the Bank are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A for the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Bank of Queensland Limited for the year ended 31 August 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

John Teer
Partner

14 Octber 2010

shareholding details

As at 24 September 2010, the following shareholding details applied:

1. Twenty largest ordinary shareholders

SHAREHOLDER	NO. OF ORDINARY SHARES	%
HSBC Custody Nominees (Australia) Limited	36,655,777	17.00
National Nominees Limited	23,448,414	10.87
J P Morgan Nominees Australia Limited	16,748,397	7.77
Citicorp Nominees Pty Limited	5,536,642	2.57
UBS Nominees Pty Ltd	5,236,933	2.43
Milton Corporation Limited	4,793,051	2.22
Cogent Nominees Pty Limited	2,919,284	1.35
RBC Dexia Investor Services Australia Nominees Pty Limited	1,911,851	0.89
AMP Life Limited	1,781,455	0.83
Queensland Investment Corporation	1,437,025	0.67
Washington H Soul Pattinson and Company Limited	1,310,907	0.61
ANZ Nominees Limited	1,100,870	0.51
UBS Nominees Pty Ltd	1,019,531	0.47
Invia Custodian Pty Limited	1,011,735	0.47
Choiseul Investments Limited	916,900	0.43
Linfox Share Investment No.2 Pty Ltd	777,467	0.36
Mr David Paul Liddy (1)	766,016	0.36
ARGO Investments Limited	510,147	0.24
BOQ Share Plans Nominee Pty Ltd	477,907	0.22
JP Morgan Nominees Australia Limited	475,849	0.22
Total	108,836,158	50.49

(1) Including shares held beneficially Mr David Paul Liddy holds 1,058,325 as at 24 September 2010.

Voting rights

On a show of hands every person present who is a holder of ordinary shares or a duly appointed representative of a holder of ordinary shares has one vote, and on a poll each member present in person or by proxy or attorney has one vote for each share that person holds.

2. Twenty largest RePS shareholders

SHAREHOLDER	NO. OF REPS SHARES	%
UBS Nominees Pty Ltd	49,975	10.59
ANZ Nominees Limited	29,261	6.20
Milton Corporation Limited	15,598	3.31
National Nominees Limited	11,460	2.43
Buttonwood Nominees Pty Ltd	10,281	2.18
Argo Investments Limited	7,500	1.59
Citicorp Nominees Pty Limited	6,494	1.38
Edsgear Pty Ltd	6,250	1.32
The Synod of the Diocese of Adelaide of the Anglican Church of Australia Inc	5,380	1.14
Choiseul Investments Limited	5,000	1.06
Questor Financial Services Limited	4,526	0.96
RBC Dexia Investor Services Australia Nominees Pty Limited	4,218	0.89
Paticoa Nominees Pty Ltd	3,825	0.81
Mr Kevin Joseph Troy & Mrs Dawn Troy	3,495	0.74
Mrs Eily Dawn Campbell	3,000	0.64
Miss Joan Sorrell Norris	3,000	0.64
Baker Custodian Corporation	3,000	0.64
The Trustees of the Diocese of Tasmania	2,962	0.63
Australian Executor Trustees Limited	2,949	0.62
Mr Alan Muir Greenfield	2,800	0.59
Total	180,974	38.36

Voting rights

The RePS do not give the holders any voting rights at any general shareholders meetings, except in certain circumstances.

3. Twenty largest PEPS shareholders

SHAREHOLDER	NO. OF PEPS SHARES	%
J P Morgan Nominees Australia Limited	194,310	9.72
RBC Dexia Investor Services Australia Nominees Pty Limited	61,722	3.09
Milton Corporation Limited	50,000	2.5
Domer Mining Co Pty Ltd	32,200	1.61
RBC Dexia Investor Services Australia Nominees Pty Limited	29,671	1.48
P Ilhan Investments Pty Ltd	26,100	1.31
Count Financial Limited	18,000	0.9
Cogent Nominees Pty Limited	18,000	0.9
National Nominees Limited	16,000	0.8
Australian Executor Trustees Limited	13,766	0.69
Citicorp Nominees Pty Limited	11,507	0.58
ABN AMRO Clearing Sydney Nominees Pty Ltd	10,959	0.55
Eastcote Pty Ltd	10,000	0.5
Mr Walter John Hall & Mrs Hilary Mary Hall	10,000	0.5
Presbyterian Church of Victoria Trusts	10,000	0.5
F & B Investments Pty Limited	10,000	0.5
The Baptist Union of Queensland	10,000	0.5
Corlette Holdings Pty Ltd	10,000	0.5
Equity Trustees Limited	9,100	0.46
Baptist Investments and Finance Ltd	8,546	0.43
Total	559,881	28.02

Voting rights

The PEPS do not give the holders any voting rights at any general shareholders meetings, except in certain circumstances.

4. Distribution of equity security holders

CATEGORY	ORDINARY SHARES 2010	ORDINARY SHARES 2009	REPS 2010	REPS 2009	PEPS 2010	PEPS 2009
1 - 1,000	60,569	60,821	956	1,089	4,016	4,027
1,001 - 5,000	19,787	19,937	42	52	172	158
5,001 – 10,000	2,392	2,340	4	6	20	24
10,001 – 100,000	1,066	1,094	5	2	11	11
100,001 – and over	59	68	-	-	1	1
Total	83,873	84,260	1,007	1,149	4,220	4,221

The number of ordinary shareholders holding less than a marketable parcel is 2,493.

The number of reset preference shareholders holding less than a marketable parcel is 1.

The number of perpetual equity preference shareholders holding less than a marketable parcel is nil.

5. Partly Paid Shares

There are no partly paid shares.

6. The names of substantial shareholders in the Bank and the number of shares in which each has aninterest as disclosed in substantial shareholder notices given to the Bank are:

SUBSTANTIAL SHAREHOLDERS	NO. OF ORDINARY SHARES IN WHICH INTEREST IS HELD (AT DATE OF NOTIFICATION)	DATE OF NOTIFICATION
BRED Banque Et Populaire	27,315,821	18 December 2009

7. Stock exchange listing

The shares of Bank of Queensland Limited ("BoQ"), RePS ("BOQPA"), and PEPS ("BOQPC") are quoted on the Australian Securities Exchange.

8. Options

At 31 August 2010 there were options over 6,447,568 (2009: 8,899,281) unissued ordinary shares.There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

9. On market buy-back

There is no current on market buy-back.

10. Other information

Bank of Queensland Limited is a publicly listed company limited by shares and is incorporated and domiciled in Australia.

BANK OF QUEENSLAND ANNUAL REPORT 2010

BOQ

Your own personal bank

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