



Your own personal bank

**Bank of Queensland Limited**  
**ABN 32 009 656 740**

**Profit announcement  
for the half-year ended  
29 February 2012**  
**(including Appendix 4D half-year report)**

**Released 18 April 2012**

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

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# BANK OF QUEENSLAND LIMITED and its controlled entities

## FINANCIAL SUMMARY

(Refer to Financial Performance on Page 4)

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

<sup>(1)</sup> Before Collective Provision for impairment.

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

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

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

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

<sup>(5)</sup> Excludes tax impact on significant items

<sup>(6)</sup> The current period dividend will be paid out of retained profits

<sup>(7)</sup> Excluding amortisation of fair value adjustments (acquisition)

\* Refer to Note 5 for restated figures

### ***Financial Performance***

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

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

# Appendix 4D

## Half-year report For the period ended 29 February 2012

### 1. Company details and reporting period

|                               |                                   |
|-------------------------------|-----------------------------------|
| Name of entity:               | <b>Bank of Queensland Limited</b> |
| ABN:                          | 32 009 656 740                    |
| Reporting Period              | 29 February 2012                  |
| Previous corresponding period | 28 February 2011                  |

### 2. Results for announcement to the market

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

| Dividends   | Amount per security | Franked amount per security |
|---|---------------------|-----------------------------|
| Interim dividend  | 26c                 | 100%                        |
| Semi-annual dividend on:<br>- Perpetual Equity Preference Shares (PEPS) | 234c                | 234c                        |
| Previous corresponding period   | 26c                 | 100%                        |
| Semi-annual dividend on:<br>- Perpetual Equity Preference Shares (PEPS) | 246c                | 246c                        |
| Record date for determining entitlements to the:                        |                     |                             |
| - Perpetual Equity Preference Shares (PEPS)                             | 22 March 2012       |                             |
| - Ordinary dividend   | 8 May 2012          |                             |





Your own personal bank

**BANK OF QUEENSLAND LIMITED  
and its Controlled Entities**

**A.B.N. 32 009 656 740**

**CONSOLIDATED INTERIM FINANCIAL REPORT**

**HALF-YEAR ENDED 29 FEBRUARY 2012**

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**DIRECTORS' REPORT**  
**Half-year ended 29 February 2012**

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

**Directors**

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

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

David Liddy retired as Managing Director on 31 August 2011

**Principal activities**

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

**Operating and finance review****Profitability**

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

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

**Income**

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

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

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



### **Operating and finance review (continued)**

Insurance income increased 4% to \$20.2m from the prior comparative period of \$19.4m.

### **Expenses**

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

### **Efficiency**

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

### **Asset quality and provisioning**

#### **Impairment on loans and advances**

Loan impairment expenses were \$327.7 million for the period ended 29 February 2012. This expense consisted of \$165.7 million of specific provision impairment expense and \$162.0 million of expense relating to the collective provision.

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

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

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

#### **Impaired assets**

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

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

### **Lending approvals and asset growth**

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

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

No loans under management are off balance sheet.

### **Retail deposit growth**

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

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

### **Capital management**

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

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

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

### Operating and finance review (continued)

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

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

### **Branch network expansion**

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

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

### **Shareholder returns**

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

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

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

### **Subsequent events**

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

Dividends have been declared after 29 February 2012.

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

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

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

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

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

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

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

### **Rounding of amounts**

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

Dated at Brisbane this eighteenth day of April 2012.

Signed in accordance with a resolution of the directors:

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Neil Summerson  
Chairman

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Stuart Grimshaw  
Managing Director



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

To: the directors of Bank of Queensland Limited

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

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

KPMG

Martin McGrath  
*Partner*

Brisbane  
18 April 2012

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

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

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

**CONSOLIDATED INTERIM BALANCE SHEET  
As at 29 February 2012**

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

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

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

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

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

**BANK OF QUEENSLAND LIMITED and its controlled entities**
**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**
**For the half-year ended 29 February 2012**

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

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

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

**BANK OF QUEENSLAND LIMITED and its controlled entities**
**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)**
**For the half-year ended 29 February 2012**

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

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

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



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

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

**1. Reporting entity**

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

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

**2. Statement of compliance**

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

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

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

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

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

**3. Significant accounting policies**

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

(a) Accounting standards applicable from 1 September 2011

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

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

## BANK OF QUEENSLAND LIMITED and its controlled entities

### 4. Use of estimates and judgements

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

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

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

### 5. Restatement of acquisition accounting adjustments

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

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

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

## BANK OF QUEENSLAND LIMITED and its controlled entities

| 6. Income  | Consolidated               |                            |
|--|----------------------------|----------------------------|
|  | 29 February<br>2012<br>\$m | 28 February<br>2011<br>\$m |
| <b>(a) Operating income</b>  |                            |                            |
| <b>Interest income</b>   |                            |                            |
| Loans and advances   | 1,195.3                    | 1,166.3                    |
| Securities at fair value   | 131.3                      | 146.0                      |
| Total interest income  | 1,326.6                    | 1,312.3                    |
| <b>Interest expense</b>  |                            |                            |
| Retail deposits  | 511.4                      | 457.8                      |
| Wholesale deposits and borrowings  | 491.7                      | 546.9                      |
| Total interest expense   | 1,003.1                    | 1,004.7                    |
| <b>Net interest income</b>   | 323.5                      | 307.6                      |
| <b>Income from operating activities</b>                                      |                            |                            |
| Other customer fees and charges  | 52.5                       | 54.3                       |
| Share of fee revenue paid to Owner Managed Branches                          | (7.5)                      | (7.8)                      |
| Securitisation income <sup>(1)</sup>   | -                          | 0.4                        |
| Net income / (loss) from financial instruments and derivatives at fair value | (2.8)                      | 3.9                        |
| Commission – insurance and financial planning                                | 2.7                        | 2.5                        |
| Foreign exchange income – customer based                                     | 3.8                        | 3.4                        |
| Net profit on sale of property, plant and equipment                          | 1.7                        | 2.7                        |
| Other income   | 2.5                        | 1.8                        |
| <b>Other operating income</b>  | 52.9                       | 61.2                       |
| Net Insurance operating income   | 20.2                       | 19.4                       |
| <b>Total operating income</b>  | 396.6                      | 388.2                      |
| <b>(b) Total income</b>  |                            |                            |
| Total interest income  | 1,326.6                    | 1,312.3                    |
| Other operating income   | 52.9                       | 61.2                       |
| Premiums from insurance contracts  | 37.4                       | 33.4                       |
| Investment income  | 3.7                        | 3.8                        |
| <b>Total income</b>  | 1,420.6                    | 1,410.7                    |

<sup>(1)</sup> Represents securitisation income from certain leasing trusts which are not consolidated by the Bank.

**BANK OF QUEENSLAND LIMITED and its controlled entities**

| 7. Expenses   | Consolidated               |                            |
|---|----------------------------|----------------------------|
|   | 29 February<br>2012<br>\$m | 28 February<br>2011<br>\$m |
| <b>Operating expenses</b>   |                            |                            |
| Advertising   | 7.0                        | 6.5                        |
| Commissions to Owner Managed Branches                                 | 1.5                        | 3.0                        |
| Communications and postage  | 9.3                        | 8.4                        |
| Printing and stationery   | 3.0                        | 2.6                        |
| Non-lending losses  | 0.3                        | 0.3                        |
| Processing costs  | 12.0                       | 11.7                       |
| Impairment <sup>(1)</sup>   | -                          | 2.0                        |
| Other operating expenses  | 9.7                        | 10.4                       |
|   | <u>42.8</u>                | <u>44.9</u>                |
| <b>Administrative expenses</b>  |                            |                            |
| Professional fees   | 5.8                        | 5.4                        |
| Directors' fees   | 0.8                        | 0.5                        |
| Other   | 3.8                        | 3.3                        |
|   | <u>10.4</u>                | <u>9.2</u>                 |
| <b>Computer costs</b>   |                            |                            |
| Data processing   | 24.8                       | 24.1                       |
| Amortisation and impairment – computer software (intangible)          | 19.3                       | 8.8                        |
| Depreciation – IT equipment   | 0.7                        | 2.5                        |
|   | <u>44.8</u>                | <u>35.4</u>                |
| <b>Occupancy expenses</b>   |                            |                            |
| Lease rental  | 10.4                       | 9.6                        |
| Depreciation - plant, furniture, equipment and leasehold improvements | 3.9                        | 2.9                        |
| Other   | 1.2                        | 1.0                        |
|   | <u>15.5</u>                | <u>13.5</u>                |
| <b>Employee expenses</b>  |                            |                            |
| Salaries and wages  | 63.7                       | 58.6                       |
| Superannuation contributions  | 6.0                        | 5.8                        |
| Amounts set aside to provisions for employee entitlements             | 0.8                        | 1.5                        |
| Payroll tax   | 3.8                        | 3.6                        |
| Equity settled transactions   | 1.9                        | 3.2                        |
| Other   | 2.8                        | 2.7                        |
|   | <u>79.0</u>                | <u>75.4</u>                |
| <b>Other</b>  |                            |                            |
| Amortisation – acquired intangibles                                   | 4.3                        | 4.4                        |
| Integration costs <sup>(2)</sup>                                      | 0.2                        | 3.2                        |
|   | <u>4.5</u>                 | <u>7.6</u>                 |
| <b>Expenses</b>   | <u>197.0</u>               | <u>186.0</u>               |

<sup>(1)</sup> The prior year impairment related to property related equity investments.

<sup>(2)</sup> This relates to integration cost associated with the acquisition of St Andrew's and BOQ Finance.

## BANK OF QUEENSLAND LIMITED and its controlled entities

### 8. Income tax expense

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

| 9. Dividends  | Half-year ended     |             |                     |             |
|---|---------------------|-------------|---------------------|-------------|
|   | 29 February<br>2012 |             | 28 February<br>2011 |             |
|   | Cents per<br>share  | \$m         | Cents per<br>share  | \$m         |
| <i>Ordinary shares</i>  |                     |             |                     |             |
| Final 2011 dividend (fully franked) paid 2 December 2011<br>(2011: 2 December 2010)   | 28                  | 63.1        | 26                  | 57.1        |
| <i>Preference shares recognised as liability</i>  |                     |             |                     |             |
| Half-yearly RePS dividend (fully franked)<br>(2011: 15 October 2010)  | -                   | -           | 257                 | 1.2         |
| <i>Preference shares not recognised as liabilities</i>  |                     |             |                     |             |
| Half-yearly PEPS dividend paid on 17 October 2011<br>(2011: 15 October 2010)  | 250                 | 5.0         | 239                 | 4.8         |
| <i>Dividends not recognised in the balance sheet</i>  |                     |             |                     |             |
| In addition to the above dividends, since half-year end the directors have proposed the following:  |                     |             |                     |             |
| Interim 2012 dividend (fully franked) expected to be paid on 25 May 2012<br>(2011: 25 May 2011) out of retained profits at 29 February 2012, but not<br>recognised as a liability in the balance sheet <sup>(1)</sup> | 26                  | 79.0        | 26                  | 57.7        |
| Half-yearly PEPS dividend (fully franked) expected to be paid on 16 April<br>2012 (2011: 15 April 2011) but not recognised as a liability in the balance<br>sheet   | 234                 | 4.7         | 246                 | 4.9         |
|   |                     | <u>83.7</u> |                     | <u>62.6</u> |

<sup>(1)</sup> Includes shares expected on record date to be issued as a result of the capital raising announced 26 March 2012. Refer to Note 20  
Events subsequent to balance date

## BANK OF QUEENSLAND LIMITED and its controlled entities

| 10. Loans and advances at amortised cost                      | Consolidated               |                          |
|---|----------------------------|--------------------------|
|   | 29 February<br>2012<br>\$m | 31 August<br>2011<br>\$m |
| Residential property loans – secured by mortgages             | 16,961.5                   | 16,818.3                 |
| Securitised residential property loans – secured by mortgages | 7,710.8                    | 7,358.7                  |
| Personal loans  | 239.5                      | 272.9                    |
| Overdrafts  | 506.6                      | 521.0                    |
| Commercial loans  | 5,029.1                    | 4,986.0                  |
| Leasing finance   | 4,033.1                    | 4,108.0                  |
| Gross loans and advances at amortised cost                    | 34,480.6                   | 34,064.9                 |
| Less:   |                            |                          |
| Unearned lease finance income                                 | (474.5)                    | (535.0)                  |
| Collective provision for impairment                           | (242.1)                    | (80.1)                   |
| Specific provisions for impairment                            | (249.3)                    | (173.7)                  |
| Total loans and advances at amortised cost                    | 33,514.7                   | 33,276.1                 |

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

Gross investment in finance lease receivables:

|                                  |         |         |
|----------------------------------|---------|---------|
| Less than one year               | 627.6   | 610.5   |
| Between one and five years       | 3,318.7 | 3,403.5 |
| More than five years             | 86.8    | 94.0    |
|                                  | 4,033.1 | 4,108.0 |
| Unearned finance income          | (474.5) | (535.0) |
| Net investment in finance leases | 3,558.6 | 3,573.0 |

The net investment in finance leases comprise:

|                            |         |         |
|----------------------------|---------|---------|
| Less than one year         | 591.0   | 558.6   |
| Between one and five years | 2,902.0 | 2,944.1 |
| More than five years       | 65.6    | 70.3    |
|                            | 3,558.6 | 3,573.0 |

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

**BANK OF QUEENSLAND LIMITED and its controlled entities**

| 11. Provisions for impairment                        | Consolidated               |                          |
|--|----------------------------|--------------------------|
|  | 29 February<br>2012<br>\$m | 31 August<br>2011<br>\$m |
| <i>Specific provision:</i>                           |                            |                          |
| Balance at the beginning of the period               | 173.7                      | 60.5                     |
| Add: Expensed during the period                      | 165.7                      | 173.5                    |
| Less: Amounts written off against specific provision | (78.3)                     | (60.3)                   |
| Unwind of discount                                   | (11.8)                     | -                        |
| Balance at the end of the period                     | <u>249.3</u>               | <u>173.7</u>             |
| <i>Collective provision:</i>                         |                            |                          |
| Balance at the beginning of the period               | 80.1                       | 53.1                     |
| Add: Expensed during the period                      | 162.0                      | 27.0                     |
| Balance at the end of the period                     | <u>242.1</u>               | <u>80.1</u>              |
| Total provisions for impairment                      | <u>491.4</u>               | <u>253.8</u>             |

**12. Deposits**

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

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



# BANK OF QUEENSLAND LIMITED and its controlled entities

## 13. Borrowings including subordinated notes

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

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

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

<sup>(1)</sup> 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.

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

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

## BANK OF QUEENSLAND LIMITED and its controlled entities

| 14. Issued capital   | Consolidated       |                    |
|--|--------------------|--------------------|
|  | 29 February        | 28 February        |
|  | 2012               | 2011               |
|  | Number             | Number             |
| <b>(a) Ordinary shares</b>                                 |                    |                    |
| <b>Movements during the period</b>                         |                    |                    |
| Balance at the beginning of the period                     | 225,369,848        | 215,685,428        |
| Dividend reinvestment plan                                 | 4,228,782          | 2,028,134          |
| Conversion of RePS to ordinary shares                      | -                  | 4,359,696          |
| Balance at the end of the period                           | <u>229,598,630</u> | <u>222,073,258</u> |
| <b>Treasury shares (included in ordinary shares above)</b> |                    |                    |
| Balance at the beginning of the period                     | 906,311            | 583,080            |
| Movements during the period                                | <u>201,354</u>     | <u>456,707</u>     |
| Balance at the end of the period                           | <u>1,107,665</u>   | <u>1,039,787</u>   |

### Terms and conditions

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

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

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

### Terms and conditions

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

### **15. Capital management**

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

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

- (i) the strategy for maintaining adequate capital over time including the capital target, how the target level is to be met and the means available for sourcing additional capital when required; and
- (ii) the actions and procedures for monitoring compliance with minimum regulatory capital adequacy requirements, including trigger ratios to alert management to, and avert, potential breaches of these requirements.

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

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

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

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

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

## BANK OF QUEENSLAND LIMITED and its controlled entities

### 15. Capital management (continued)

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

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

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

## BANK OF QUEENSLAND LIMITED and its controlled entities

### 16. Operating segments

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

These operating segments are as follows:

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

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

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

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

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

**BANK OF QUEENSLAND LIMITED and its controlled entities**
**17. Average balances and margin analysis**

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

<sup>(1)</sup> Calculated on average daily balances

<sup>(2)</sup> Interest spread is calculated after taking into account third party and Owner Managed Branch commissions

### **18. Related parties**

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

### **19. Contingent liabilities**

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

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

### **20. Events subsequent to balance date**

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

Dividends have been declared after 29 February 2012.

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

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

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

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

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

**DIRECTORS' DECLARATION**

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

- (a) the financial statements and accompanying notes, set out on pages 12 to 31 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the Consolidated Entity as at 29 February 2012 and of its performance, for the half-year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable.

Dated at Brisbane this eighteenth day of April 2012.

Signed in accordance with a resolution of the directors:

\_\_\_\_\_  
Neil Summerson  
Chairman

\_\_\_\_\_  
Stuart Grimshaw  
Managing Director





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

### *Report on the financial report*

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

### *Directors' responsibility for the half-year financial report*

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

### *Auditor's responsibility*

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

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

### *Independence*

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

### *Conclusion*

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

- (a) giving a true and fair view of the Group's financial position as at 29 February 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Martin McGrath  
*Partner*  
Brisbane  
18 April 2012