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

# **Profit announcement for the half-year ended 28 February 2010**

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

**Released 15 April 2010**

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**FINANCIAL SUMMARY**

	Half-year ended				
	28/02/10	31/08/09	Increase / (Decrease)	28/02/09	Increase / (Decrease)
	\$m	\$m		\$m	
<b>Shareholders' Equity:</b>					
Issued capital	2,037.7	1,903.1	7%	1,640.0	24%
Reserves and retained profits	279.0	208.3	34%	81.1	244%
Total equity	2,316.7	2,111.4	10%	1,721.1	35%
<b>Financial Position:</b>					
Total assets under management	36,106.1	34,545.8	5%	33,454.5	8%
Total loans under management <sup>(1)</sup>	30,335.9	28,866.3	5%	27,515.4	10%
Total assets on balance sheet	35,718.2	34,012.0	5%	32,666.9	9%
Retail deposits	16,930.1	16,248.9	4%	16,057.1	5%
Wholesale deposits	8,751.4	7,948.3	10%	6,578.2	33%
<b>Financial Performance:</b>					
Statutory net profit	90.9	94.8	(4%)	46.3	96%
Cash underlying profit <sup>(2) (3)</sup>	189.8	176.1	8%	138.9	37%
Normalised profit for the year after tax <sup>(3)</sup>	93.3	97.1	(4%)	80.5	16%
Add: Non-cash item tax effected <sup>(4)</sup>	3.9	6.1	(36%)	3.7	5%
Normalised cash net profit after tax	97.2	103.2	(6%)	84.2	15%
<b>Shareholder Performance:</b>					
Market capitalisation at balance date	2,320.7	2,327.7	-	1,196.1	94%
Share price at balance date	\$10.87	\$11.65	(7%)	\$6.95	56%
<b>Statutory Ratios:</b>					
Net interest margin	1.65%	1.59%	6bp	1.52%	13bp
Capital adequacy ratio	11.7%	11.5%	2bp	10.8%	9bp
Net tangible assets per ordinary share	\$7.20	\$6.62	9%	\$5.39	34%
Fully franked ordinary dividend per share	\$0.26	\$0.26	-	\$0.26	-
Diluted earnings per share	39.0c	50.7c	(23%)	23.7c	65%
<b>Normalised Ratios (cash basis) <sup>(3) (4)</sup></b>					
Cost to income ratio	45.1%	45.8%	(7bp)	54.3%	(9bp)
Dividend payout ratio to ordinary shareholders	57%	53%	-	53%	-
Diluted earnings per share	41.8c	52.5c	(20%)	45.9c	(9%)
Return on average ordinary equity	9.7%	12.2%	-	11.3%	-

(1) Before Collective Provision for impairment.

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

(3) Excluding significant and non-recurring items. In the current period after tax profit includes hedge ineffectiveness of \$2.0m and due diligence costs of \$0.4m. In the prior comparative period after tax profit includes \$9.2m impairment primarily on property related equity investments, including those taken on as part of the Home acquisition, \$8.2m relating to the NSW distribution restructure, \$10.0m of restructuring costs for head office, \$6.8m in relation to the integration of Home and other due diligence costs.

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

# Appendix 4D

## Half-year report For the period ended 28 February 2010

**1. Company details and reporting period**

Name of entity:	<b>Bank of Queensland Limited</b>
ABN:	32 009 656 740
Reporting Period	28 February 2010
Previous corresponding period	28 February 2009

**2. Results for announcement to the market**

				<b>\$m</b>
Revenues from ordinary activities	Up	13%	to	342.9
Profit from ordinary activities after tax attributable to members	Up	96%	to	90.9
Net profit for the period attributable to members	Up	96%	to	90.9

<b>Dividends</b>	Amount per security	Franked amount per security
Interim dividend	26c	100%
Semi-annual dividend on:		
- Reset preference shares (RePS)	255c	255c
- Perpetual Equity Preference Shares (PEPS)	216c	216c
Previous corresponding period	26c	100%
Semi-annual dividend on:		
- Reset preference shares (RePS)	255c	255c
- Perpetual Equity Preference Shares (PEPS)	265c	265c
Record date for determining entitlements to the:		
- Reset preference shares (RePS)	26 March 2010	
- Perpetual Equity Preference Shares (PEPS)	26 March 2010	
- Ordinary dividend	4 May 2010	





Your own personal bank

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

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

**CONSOLIDATED INTERIM FINANCIAL REPORT  
HALF-YEAR ENDED 28 FEBRUARY 2010**

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**DIRECTORS' REPORT**  
**Half-year ended 28 February 2010**

The directors present their report together with the consolidated financial report for the half-year ended 28 February 2010 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 Chairman	Director since December 1996. Chairman since August 2008.
Anthony Howarth Deputy Chairman	Director since December 2007. Deputy Chairman since August 2008.
David Liddy Managing Director	Managing Director since April 2001.
Steve Crane	Director since December 2008.
Roger Davis	Director since August 2008.
David Graham	Director since October 2006.
Carmel Gray	Director since April 2006.
Bill Kelty	Director since August 2001.
John Reynolds	Director since April 2003.
David Willis	Appointed 22 February 2010.

Peter Fox retired 25 November 2009.

**Principal activities**

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

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

Profit after tax for the half year ended 28 February 2010 increased by 96% to \$90.9 million compared with the February 2009 result of \$46.3 million. Profit after tax for the current period was impacted by non-recurring items being \$2.0 million for hedge ineffectiveness and \$0.4 million for due diligence costs. The prior comparative period was impacted by the one off costs recognised in the interim result primarily relating to the restructure of NSW distribution and head office under Project Pathways and property related impairment charges.

Cash profit after tax excluding the above non recurring items and non cash items, increased by 15% from \$84.2 million to \$97.2 million. This result benefitted from the efficiency measures undertaken last financial year and increased net interest income.

During the period the ordinary capital of the Bank increased from \$1,707.4 million to \$1,842.0 million.

***Income***

Total income increased by 13% during the period to \$342.9 million.

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

Net interest income for the six months ended 28 February 2010 increased by 21% to \$275.0 million from the prior comparative period result of \$226.6 million. This was a result of the Bank's ability to reprice assets and still deliver asset growth.

Other operating income decreased by 12% to \$67.9 million compared to the prior comparative period of \$77.4 million. Other income was impacted adversely by the ATM Direct Charge system introduced in March 2009.

### **Expenses**

The Bank's costs decreased by 24% for the period ended 28 February 2010 to \$160.9 million, from the prior comparative period result of \$212.1 million. The prior comparative period result includes a number of one off costs primarily due to the restructuring and impairment charges. Adjusting for non cash and non recurring costs, the Bank's costs were \$156.0 million, a decrease of 6% from the prior comparative period result of \$165.3 million.

### **Efficiency**

The Bank's cash cost to income ratio has decreased from the 2009 comparative period of 68.0% to 45.7% in the current period. Adjusted for non recurring items as described above, the Bank's cost to income ratio decreased from 54.3% in the prior comparative period to 45.1% in the current period.

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

### **Asset quality and provisioning**

#### Impairment on loans and advances

Expenses relating to impairment on loans and advances were \$51.4 million for the period ended 28 February 2010. This expense consisted of \$44.6 million of specific provision impairment expense and \$6.8 million of expense relating to the collective provision.

The impairment expense of \$51.4 million for the six months ended 28 February 2010 has increased by \$23.8 million or 86% on the prior period expense of \$27.6 million.

#### Impaired assets

Impaired assets increased in gross terms to \$152.8 million as at 28 February 2010 from \$117.4 million at 31 August 2009. Impaired assets as a percentage of non-securitised loans have increased to 0.68% at 28 February 2010 from 0.56% at 31 August 2009. Specific provisions have been raised for \$56.7 million (37%) of impaired assets.

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

Lending approvals for the six months ended 28 February 2010 were \$6.1 billion, a decrease of \$0.3 billion over the comparative 2009 approval result of \$6.4 billion. This decrease of 5% is due to lower system growth as the Australian economy slows. The Bank has however continued to outperform system growth.

The lending approval growth translated into a loans under management balance of \$30.3 billion, an increase of \$1.4 billion from 31 August 2009 which represents growth of 10% on an annualised basis.

Of the loans under management balance of \$30.3 billion, \$29.9 billion is on balance sheet and \$0.4 billion off balance sheet. The off balance sheet lending relates to certain REDS EHP leasing trusts which are not consolidated for accounting purposes as the residual risk has been sold by the Bank.

### **Retail deposit growth**

Retail deposits have grown for the period ended 28 February 2010 and have reached \$16.9 billion, an increase of \$0.7 billion from 31 August 2009, which represents growth of 9% on an annualised basis.

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

### **Capital management**

The Board has set capital targets at 8.0% of risk weighted assets as Tier 1 capital with a minimum of 7.0% provided that total capital does not fall below 10.0%. The total capital adequacy ratio at 28 February 2010 was 11.7% and Tier 1 capital was 9.2%. Reset Preference Shares ("RePS") and Perpetual Equity Preference Shares ("PEPS"), issued as hybrid capital instruments, comprise 15% of total Tier 1 capital.

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

Total Tier 1 capital of 9.2% is represented by 7.8% of Core Tier 1 capital and 1.4% of hybrid capital instruments, including preference shares.

The Bank continued with an active capital management program, including dividend reinvestment program and a non renounceable entitlements offer. Securitisation markets have begun to provide opportunities for capital efficient issues albeit at higher costs than prior to the global financial crisis.

### ***Branch network expansion***

The Bank closed 2 branches during the financial year to bring total branches to 254 as at 28 February 2010.

Of these 254 branches, 102 are located outside Queensland. The Bank has converted 1 corporate branch to an owner managed branch during the period.

### ***Shareholder returns***

Statutory diluted earnings per share has increased by 65% to 39.0c for the period ended 28 February 2010, compared to the period ended 28 February 2009 result of 23.7c.

Excluding the impact of non-cash and non-recurring items the Bank's diluted earnings per share would be 41.8c. The 28 February 2009 result also adjusted for non-cash and non-recurring items was 45.9c.

On this basis, the current year's diluted earnings per share decreased by 9%. This decrease is largely a result of the increased loan impairment charges in the current period relative to the prior comparative period.

The Bank has declared an interim dividend of 26 cents per share fully franked. This is at the same level as the 2009 interim dividend of 26 cents.

### ***Subsequent events***

Dividends have been declared after 28 February 2010.

The Bank signed an agreement to purchase St Andrew's Insurance (Australia) Pty Ltd and St Andrew's Life Insurance Pty Ltd on 26 March 2010. The transaction is expected to complete around July 2010 after the sale conditions, which include regulatory and government approvals, completion of a transfer under Part 9 of the Life Insurance Act of some policy portfolios which are not being acquired, and other commercial conditions, are satisfied.

Other than as disclosed in this report, 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.

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

The lead auditor's independence declaration is set out on page 10 and forms part of the directors' report for the half-year ended 28 February 2010.

### ***Rounding of amounts***

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

Dated at Brisbane this fifteenth day of April 2010.

Signed in accordance with a resolution of the directors:

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Neil Summerson  
Chairman

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David Liddy  
Managing Director



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

To the directors of Bank of Queensland Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 28 February 2010 there have been:

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

KPMG

John Teer  
*Partner*

Brisbane  
15 April 2010

**CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**For the half-year ended 28 February 2010**

	Note	28 February 2010 \$m	28 February 2009 \$m
Interest income	5	1,003.9	1,098.3
Less: Interest expense	5	728.9	871.7
Net interest income		275.0	226.6
Other operating income	5	67.9	77.4
Total operating income		342.9	304.0
Less: Expenses	6	160.9	212.1
Profit before impairment on loans and advances and tax		182.0	91.9
Less: Impairment on loans and advances	10	51.4	27.6
<b>Profit before income tax</b>		130.6	64.3
Less: Income tax expense	7	39.7	18.0
<b>Profit for the period</b>		90.9	46.3
<b>Other comprehensive income, net of income tax</b>			
Cash flow hedges:			
Net gains / (losses) taken to equity		24.4	(157.4)
Net gains transferred to income statement		6.6	0.2
Change in fair value of assets available for sale		4.0	3.7
<b>Other comprehensive income / (expense) for the period, net of income tax</b>		35.0	(153.5)
<b>Total comprehensive income / (expense) for the period</b>		125.9	(107.2)
Basic earnings per share – Ordinary Shares <sup>(1)</sup>		41.3	24.0
Diluted earnings per share – Ordinary Shares <sup>(1)</sup>		39.0	23.7

<sup>(1)</sup> The prior year comparatives for basic and diluted earnings per share have been adjusted for the effect of the rights issue that occurred during the current period.

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

**CONSOLIDATED INTERIM BALANCE SHEET  
As at 28 February 2010**

	Note	28 February 2010 \$m	31 August 2009 \$m
<b>Assets</b>			
Cash and liquid assets		346.4	353.8
Due from other financial institutions		49.6	74.6
Other financial assets		4,571.3	4,423.3
Derivative financial instruments		95.6	88.5
Loans and advances at amortised cost	9	29,919.5	28,310.8
Property, plant and equipment		22.6	24.5
Deferred tax assets		11.9	13.3
Other assets		90.3	104.3
Intangible assets		580.2	587.8
Investments accounted for using the equity method		30.8	31.1
<b>Total assets</b>		<b>35,718.2</b>	<b>34,012.0</b>
<b>Liabilities</b>			
Due to other financial institutions		144.0	192.7
Deposits	11	25,681.5	24,197.2
Derivative financial instruments		189.2	205.0
Accounts payable and other liabilities		280.6	277.6
Current tax liabilities		46.8	24.4
Provisions		18.5	20.9
Borrowings including subordinated notes	12	7,040.9	6,982.8
<b>Total liabilities</b>		<b>33,401.5</b>	<b>31,900.6</b>
<b>Net assets</b>		<b>2,316.7</b>	<b>2,111.4</b>
<b>Equity</b>			
Issued capital		2,037.7	1,903.1
Reserves		59.0	17.4
Retained profits		220.0	190.9
<b>Total equity</b>		<b>2,316.7</b>	<b>2,111.4</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 28 February 2010**

	<b>28 February 2010</b>	28 February 2009
	<b>\$m</b>	\$m
<b>Cash flows from operating activities</b>		
Interest received	1,004.5	1,103.5
Fees and other income received	62.6	93.1
Dividends received	0.9	0.5
Interest paid	(767.3)	(829.2)
Cash paid to suppliers and employees	(142.2)	(188.8)
Operating income tax paid	(25.5)	(15.1)
	<u>133.0</u>	<u>164.0</u>
<i>Increase in operating assets:</i>		
Loans and advances at amortised cost	(1,661.6)	(1,491.7)
Other financial assets	(108.2)	(1,013.0)
<i>Increase / (decrease) in operating liabilities:</i>		
Deposits	1,446.7	2,641.5
Securitisation liabilities	110.3	(406.4)
<b>Net cash from operating activities</b>	<u>(79.8)</u>	<u>(105.6)</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(1.4)	(4.6)
Payments for intangible assets - software	(7.4)	(15.1)
Cash distribution received from equity accounted investments	0.3	0.3
Proceeds from sale of property, plant and equipment	0.1	0.9
<b>Net cash from investing activities</b>	<u>(8.4)</u>	<u>(18.5)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares	114.0	120.3
Costs of capital issues	(4.3)	(2.1)
Proceeds from borrowings and foreign exchange instruments	1,200.7	995.1
Repayment of borrowings	(1,194.7)	(948.9)
Payments for treasury shares	(1.3)	-
Dividends paid	(33.6)	(48.3)
<b>Net cash from financing activities</b>	<u>80.8</u>	<u>116.1</u>
<b>Net decrease in cash and cash equivalents</b>	(7.4)	(8.0)
<b>Cash and cash equivalents at beginning of year</b>	<u>353.8</u>	<u>399.5</u>
<b>Cash and cash equivalents at end of half year</b>	<u><u>346.4</u></u>	<u><u>391.5</u></u>

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

**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**For the half-year ended 28 February 2010**

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

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

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

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

**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)**  
**For the half-year ended 28 February 2010**

	Ordinary shares	Perpetual Equity Preference shares	Employee benefits reserve	General reserve for credit losses	Cashflow hedge reserve	Available for sale reserve	Retained profits	Total equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<i>Half-year ended 28 February 2009</i>								
Balance at beginning of the period	1,243.7	195.7	21.3	57.9	(17.7)	(1.2)	191.2	1,690.9
<b>Total comprehensive income for the period</b>								
Profit	-	-	-	-	-	-	46.3	46.3
<b>Other comprehensive income, net of income tax</b>								
Cash flow hedges:								
Net losses taken to equity	-	-	-	-	(157.4)	-	-	(157.4)
Net gains transferred to income statement	-	-	-	-	0.2	-	-	0.2
Change in fair value of assets available for sale	-	-	-	-	-	3.7	-	3.7
Transfers	-	-	-	3.2	-	-	(3.2)	-
Total other comprehensive income	-	-	-	3.2	(157.2)	3.7	(3.2)	(153.5)
Total comprehensive income for the period	-	-	-	3.2	(157.2)	3.7	43.1	(107.2)
<b>Transactions with owners, recorded directly in equity</b>								
<b>Contributions by and distributions to owners</b>								
Dividend reinvestment plan	17.7	-	-	-	-	-	-	17.7
Shares issued under an Underwriting Agreement	11.8	-	-	-	-	-	-	11.8
Exercise of options	0.2	-	-	-	-	-	-	0.2
Conversion of Series 1 reset preference shares (S1RPS) to ordinary shares	64.7	-	-	-	-	-	-	64.7
Share purchase plan and placement	106.2	-	-	-	-	-	-	106.2
Dividends to shareholders	-	-	-	-	-	-	(58.9)	(58.9)
Dividends to PEPs	-	-	-	-	-	-	(7.1)	(7.1)
Equity settled transactions	-	-	2.8	-	-	-	-	2.8
Total contributions by and distributions to owners	200.6	-	2.8	-	-	-	(66.0)	137.4
Balance at the end of the period	1,444.3	195.7	24.1	61.1	(174.9)	2.5	168.3	1,721.1

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

**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**Half-year ended 28 February 2010**

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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
For the half-year ended 28 February 2010**

**1. Reporting entity**

Bank of Queensland Limited ("the Bank") is a company domiciled in Australia. The consolidated interim financial report of the Bank as at and for the half-year ended 28 February 2010 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 2009 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 2009.

The consolidated interim financial report was approved by the Board of Directors on 15 April 2010.

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 2009 other than described below.

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

- AASB 3 *Revised Business Combinations*.
- AASB 8 *Operating Segments*.
- AASB 101 *Revised Presentation of Financial Statements*.

**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. These accounting policies have been consistently applied by each entity in the Consolidated Entity.

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

## BANK OF QUEENSLAND LIMITED and its controlled entities

5. Operating income	Consolidated	
	28 February 2010 \$m	28 February 2009 \$m
<b>Interest income</b>		
Loans and advances	916.4	981.1
Securities at fair value	87.5	117.2
Total interest income	1,003.9	1,098.3
<b>Interest expense</b>		
Retail deposits	(300.4)	(422.0)
Wholesale deposits and borrowings	(428.5)	(449.7)
Total interest expense	(728.9)	(871.7)
<b>Net interest income</b>	275.0	226.6
<b>Income from operating activities</b>		
Other customer fees and charges	58.4	63.5
Securitisation income <sup>(1)</sup>	1.0	1.9
Net income from financial instruments and derivatives at fair value	6.1	7.0
Commission – insurance and financial planning	4.8	4.3
Franchise fees	1.0	1.1
Foreign exchange income – customer based	2.5	2.9
<b>Income from outside operating activities</b>		
Profit on sale of property, plant and equipment	-	0.2
Other income <sup>(2)</sup>	1.9	3.4
Share of fee revenue paid to Owner Managed Branches	(7.8)	(6.9)
<b>Other operating income</b>	67.9	77.4
<b>Total operating income</b>	342.9	304.0

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

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

6. Expenses	Consolidated	
	28 February 2010 \$m	28 February 2009 \$m
<b>Operating expenses</b>		
Advertising	6.3	7.2
Commissions to Owner Managed Branches	3.5	3.5
Communications and postage	7.0	6.6
Printing and stationery	1.8	2.1
Non-lending losses	5.8	1.6
Processing costs	14.0	18.0
Amortisation – securitisation set up costs	0.3	1.1
Impairment <sup>(1)</sup>	-	13.2
Other operating expenses	7.6	7.1
	<u>46.3</u>	<u>60.4</u>
<b>Administrative expenses</b>		
Professional fees	4.9	5.3
Directors' fees	0.6	0.6
Other	2.6	2.6
	<u>8.1</u>	<u>8.5</u>
<b>Computer costs</b>		
Data processing	21.8	22.0
Amortisation – computer software (intangible)	9.8	7.8
Amortisation – technology infrastructure (intangible)	0.7	0.7
Depreciation – IT equipment	0.7	0.8
	<u>33.0</u>	<u>31.3</u>
<b>Occupancy expenses</b>		
Lease rental	8.5	9.3
Depreciation of plant, furniture, equipment and leasehold improvements	2.4	2.5
Other	1.0	1.0
	<u>11.9</u>	<u>12.8</u>
<b>Employee expenses</b>		
Salaries and wages	44.0	49.8
Superannuation contributions	3.8	6.5
Fringe benefits tax	0.7	0.8
Amounts set aside to provisions for employee entitlements	1.1	0.7
Payroll tax	2.3	3.5
Equity settled transactions	3.3	2.8
Other	2.1	2.8
	<u>57.3</u>	<u>66.9</u>
<b>Other</b>		
Amortisation – acquired intangibles	4.3	5.2
Home integration costs <sup>(2)</sup>	-	8.3
Restructuring expense <sup>(3)</sup>	-	18.7
	<u>4.3</u>	<u>32.2</u>
<b>Expenses</b>	<u>160.9</u>	<u>212.1</u>

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

<sup>(2)</sup> The prior period relates to non-recurring integration costs associated with the acquisition of Home Building Society Ltd.

<sup>(3)</sup> The prior period relates to the provision raised for the NSW distribution restructure and head office restructure.

**7. Income tax expense**

The Consolidated Entity's consolidated effective tax rate for the six months ended 28 February 2010 was 30.4%. The effective tax rate for the year ended 31 August 2009 was 27.0% and for the six months ended 28 February 2009 was 28.0%.

<b>8. Dividends</b>	Half-year ended			
	<b>28 February 2010</b>		28 February 2009	
	<b>\$m</b>		<b>\$m</b>	
	Cents per share	\$m	Cents per share	\$m
<i>Ordinary shares</i>				
Final 2009 dividend (fully franked) paid 1 December 2009 (2009: 24 November 2008)	26	54.9	38	58.9
		<u>          </u>		<u>          </u>
<i>Preference shares recognised as liability</i>				
Half-yearly RePS dividend (fully franked) paid 15 October 2009 (2009: 15 October 2008)	257	1.2	257	1.2
Half-yearly S1RPS dividend (fully franked) (2009: 20 October 2008)	-	-	261	1.7
		<u>          </u>		<u>          </u>
		1.2		2.9
<i>Preference shares not recognised as liabilities</i>				
Half-yearly PEPS dividend paid on 15 October 2009 (2009: 15 October 2008)	180	3.6	353	7.1
		<u>          </u>		<u>          </u>
<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 2010 dividend (fully franked) expected to be paid on 18 May 2010 (2009: 19 May 2009) out of retained profits at 28 February 2010, but not recognised as a liability in the balance sheet	26	55.5	26	44.8
Half-yearly PEPS dividend (fully franked) expected to be paid on 15 April 2010 (2009: 15 April 2009) but not recognised as a liability in the balance sheet	216	4.3	265	5.3
<i>Dividends recognised in the balance sheet</i>				
Half-yearly RePS dividend (fully franked) expected to be paid on 15 April 2010 (2009: 15 April 2009) and recognised as a liability in the balance sheet	255	1.2	255	1.2
		<u>          </u>		<u>          </u>
		61.0		51.3
		<u>          </u>		<u>          </u>

## BANK OF QUEENSLAND LIMITED and its controlled entities

9. Loans and advances at amortised cost	Consolidated	
	28 February	31 August
	2010	2009
	\$m	\$m
Residential property loans – secured by mortgages	14,434.9	13,706.3
Securitised residential property loans – secured by mortgages	7,213.9	6,929.8
Personal loans	330.6	360.1
Overdrafts	485.5	486.7
Commercial loans	4,547.4	4,247.0
Leasing finance	3,492.9	3,083.6
Gross loans and advances at amortised cost	30,505.2	28,813.5
Less:		
Unearned lease finance income	(500.5)	(451.6)
Collective provision for impairment	(28.5)	(21.7)
Specific provisions for impairment	(56.7)	(29.4)
Total loans and advances at amortised cost	29,919.5	28,310.8

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	180.7	179.3
Between one and five years	3,182.9	2,767.3
More than five years	129.3	137.0
	3,492.9	3,083.6
Unearned finance income	(500.5)	(451.6)
Net investment in finance leases	2,992.4	2,632.0

The net investment in finance leases comprise:

Less than one year	176.1	174.4
Between one and five years	2,719.8	2,355.0
More than five years	96.5	102.6
	2,992.4	2,632.0

As at 28 February 2010, off balance sheet securitised leases under management amounted to \$387.9m (28 February 2009: \$787.6m). 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**

<b>10. Provisions for impairment</b>	Consolidated	
	<b>28 February 2010 \$m</b>	<b>31 August 2009 \$m</b>
<i>Specific provision:</i>		
Balance at the beginning of the period	29.4	18.7
Add: Expensed during the period	44.6	60.0
Less: Amounts written off against specific provision	(17.3)	(49.3)
Balance at the end of the period	<u>56.7</u>	<u>29.4</u>
<i>Collective provision:</i>		
Balance at the beginning of the period	21.7	15.7
Add: Expensed during the period	6.8	6.0
Balance at the end of the period	<u>28.5</u>	<u>21.7</u>
Total provisions for impairment	<u>85.2</u>	<u>51.1</u>

**11. Deposits**

Deposits at call	8,780.1	8,979.2
Term deposits	9,955.8	9,598.3
Certificates of deposit	6,945.6	5,619.7
Total	<u>25,681.5</u>	<u>24,197.2</u>
Concentration of deposits:		
Retail deposits	16,930.1	16,248.9
Wholesale deposits	8,751.4	7,948.3
Total	<u>25,681.5</u>	<u>24,197.2</u>

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

## BANK OF QUEENSLAND LIMITED and its controlled entities

### 12. 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	Preference shares <sup>(2)</sup>	Syndicated Loan	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Half-year ended 28 February 2010</b>							
Balance at the beginning of the period	5,613.8	493.0	164.4	345.7	47.2	318.7	6,982.8
Proceeds from issues	881.9	70.7	1,191.9	-	-	-	2,144.5
Repayments	(771.6)	(461.7)	(733.0)	-	-	-	(1,966.3)
Deferred establishment costs	(3.8)	-	-	-	-	-	(3.8)
Amortisation of deferred costs	3.0	-	-	-	-	-	3.0
Foreign exchange translation	(80.7)	(16.9)	(2.9)	-	-	(18.8)	(119.3)
Balance at the end of the period	5,642.6	85.1	620.4	345.7	47.2	299.9	7,040.9
<b>Half-year ended 28 February 2009</b>							
Balance at the beginning of the period	6,018.7	464.4	558.8	425.7	111.9	-	7,579.5
Proceeds from issues	209.6	-	601.4	-	-	311.7	1,122.7
Repayments	(616.0)	-	(879.0)	(59.9)	(64.7)	-	(1,619.6)
Deferred establishment costs	(1.9)	-	-	-	-	-	(1.9)
Amortisation of deferred costs	2.8	-	-	-	-	-	2.8
Foreign exchange translation	154.3	153.8	79.5	-	-	101.1	488.7
Balance at the end of the period	5,767.5	618.2	360.7	365.8	47.2	412.8	7,572.2

<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 Reset Preference Shares ("RePS") do not give the holders any voting rights at any general shareholder meetings, except in certain special circumstances. In the event of the winding up of the Bank the holders of these preference shares rank before the holders of ordinary shares in relation to return on capital. In the prior year, series 1 reset preference shares (S1RPS) were converted to ordinary shares.

## BANK OF QUEENSLAND LIMITED and its controlled entities

13. Issued capital	Consolidated	
	28 February 2010 Number	28 February 2009 Number
<b>(a) Ordinary shares</b>		
<b>Movements during the period</b>		
Balance at the beginning of the period	199,789,947	149,947,719
Retail placement and entitlements offer	11,080,536	-
Dividend reinvestment plan	2,308,229	1,769,016
Share issued under an Underwriting Agreement	-	1,165,000
Exercise of options	302,000	21,000
Conversion of Series 1 reset preference shares (S1RPS) to ordinary shares	-	5,069,360
Share purchase plan and placement	-	14,177,758
Balance at the end of the period	213,480,712	172,149,853
<b>Treasury shares (included in ordinary shares above)</b>		
Balance at the beginning of the period	25,412	-
Movements during the period	89,129	-
Balance at the end of the period	114,541	-

### Terms and conditions

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

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

(b) Perpetual Equity Preference Shares ("PEPS")	Consolidated	
	28 February 2010 Number	28 February 2009 Number
Balance at the beginning of period	2,000,000	2,000,000
Balance at the end of the period	2,000,000	2,000,000

### Terms and conditions

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

### **14. Capital management**

The Bank and Consolidated Entity's capital management strategy aims to ensure that the Consolidated Entity maintains adequate capital to act as a buffer against risks associated with 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 capital targets at 8.0% of risk weighted assets as Tier 1 capital with a minimum of 7.0% and a total capital target of 11.0% with a minimum of 10.0% to be held at all times. The total capital adequacy ratio at 28 February 2010 was 11.7% and Tier 1 capital was 9.2%. Reset Preference Shares ("RePS" and "PEPS"), issued as hybrid capital instruments, comprise 15% of net Tier 1 capital.

Total Tier 1 capital of 9.2% is represented by 7.8% of Core Tier 1 capital and 1.4% of hybrid capital instruments, including preference shares.

# BANK OF QUEENSLAND LIMITED and its controlled entities

## 14. Capital management (continued)

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

Qualifying capital	Consolidated	
	28 February 2010 \$m	31 August 2009 \$m
<b>Tier 1</b>		
Fundamental Tier 1		
Ordinary Share Capital	1,842.0	1,707.4
Reserves	31.5	28.2
Retained profits <sup>(1)</sup>	202.5	176.1
	<u>2,076.0</u>	<u>1,911.7</u>
Residual Tier 1		
Non Innovative (PEPS)	195.7	195.7
Innovative (RePS)	47.2	47.2
	<u>242.9</u>	<u>242.9</u>
Tier 1 Deductions		
Deferred Expenditure	(88.2)	(82.1)
Goodwill and other identifiable intangibles	(580.2)	(587.8)
Other deductions	(19.6)	(24.1)
	<u>(688.0)</u>	<u>(694.0)</u>
Net Tier 1 Capital	<u>1,630.9</u>	<u>1,460.6</u>
<b>Tier 2</b>		
Upper Tier 2		
General Reserve for Credit Losses	108.0	98.5
	<u>108.0</u>	<u>98.5</u>
Lower Tier 2		
Term subordinated debt	346.0	346.0
	<u>346.0</u>	<u>346.0</u>
Tier 2 Deductions	(19.6)	(24.1)
	<u>(19.6)</u>	<u>(24.1)</u>
Net Tier 2 Capital	<u>434.4</u>	<u>420.4</u>
Capital Base	2,065.3	1,881.0
Risk Weighted Assets	17,651.1	16,360.1
Capital Adequacy Ratio	11.7%	11.5%

<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

### 15. Operating segments

The Consolidated Entity has one reportable segment, being the provision of banking services and products. This determination is based on the risks involved with the provision of these services and products and the information that is internally provided to the CEO, who is the Bank's chief operating decision maker.

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

### 16. Average balances and margin analysis

	6 Months to 28 February			6 Months to 31 August		
	2010			2009		
	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 *	29,182.5	916.4	6.33	27,546.2	854.1	6.15
Investments and other securities *	4,395.8	87.5	4.01	4,277.7	78.8	3.65
Total interest earning assets	33,578.3	1,003.9	6.03	31,823.9	932.9	5.82
<b>Non-interest earning assets</b>						
Property, plant and equipment	23.7			25.0		
Other assets	836.2			973.7		
Provision for impairment	(71.4)			(46.9)		
Total non-interest earning assets	788.5			951.8		
Total assets	34,366.8			32,775.7		
<b>Interest bearing liabilities</b>						
Retail deposits *	16,057.3	300.4	3.77	16,042.4	300.6	3.72
Wholesale deposits and borrowings *	15,539.4	428.5	5.56	14,387.9	377.8	5.21
Total interest bearing liabilities	31,596.7	728.9	4.65	30,430.3	678.4	4.42
Non-interest bearing liabilities	510.8			525.0		
Total liabilities	32,107.5			30,955.3		
Shareholders' funds	2,259.3			1,820.4		
Total liabilities and shareholders' funds	34,366.8			32,775.7		
<b>Interest margin and interest spread</b>						
Interest earning assets	33,578.3	1,003.9	6.03	31,823.9	932.9	5.82
Interest bearing liabilities	31,596.7	728.9	4.65	30,430.3	678.4	4.42
Net interest spread <sup>(1)</sup>			1.38			1.40
Net interest margin - on average interest earning assets	33,578.3	275.0	1.65	31,823.9	254.5	1.59

\* Calculated on average daily balances

<sup>(1)</sup> Interest spread is calculated after taking into account third party and OMB commissions.

### 17. Related parties

Arrangements for related parties are consistent with those disclosed in the 31 August 2009 Annual Report.

**18. Contingent liabilities**

There have been no material changes in contingent liabilities since 31 August 2009.

**19. Events subsequent to balance date**

Dividends have been declared after 28 February 2010 (refer note 8).

The Bank signed an agreement to purchase St Andrew's Insurance (Australia) Pty Ltd and St Andrew's Life Insurance Pty Ltd on 26 March 2010. The transaction is expected to complete around July 2010 after the sale conditions, which include regulatory and government approvals, completion of a transfer under Part 9 of the Life Insurance Act of some policy portfolios which are not being acquired, and other commercial conditions, are satisfied.

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

**DIRECTORS' DECLARATION**

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

- (a) the financial statements and accompanying notes, set out on pages 11 to 28 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the Consolidated Entity as at 28 February 2010 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 fifteenth day of April 2010.

Signed in accordance with a resolution of the directors:

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

\_\_\_\_\_  
David Liddy  
Managing Director



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

We have reviewed the accompanying interim financial report of Bank of Queensland Limited, which comprises the consolidated interim balance sheet as at 28 February 2010, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cashflows for the half-year period ended on that date, a statement of accounting policies and other explanatory notes 1 to 19 and the directors' declaration of the Consolidated Entity comprising the Bank and the entities it controlled at the half-year's end or from time to time during the interim period.

### *Directors' responsibility for the interim financial report*

The directors of the Bank are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports 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 interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 28 February 2010 and its performance for the interim period 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 an interim 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 interim 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 Consolidated Entity's financial position as at 28 February 2010 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

John Teer  
*Partner*

Brisbane

15 April 2010