2014 PRELIMINARY FINAL REPORT

BANK OF QUEENSLAND LIMITED ABN 32 009 656 740. AFSL NO. 244616.

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FINANCIAL INFORMATION

For the year ended 31 August 2014

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INCOME STATEMENTS

For the year ended 31 August 2014

	Section	Consolidated 2014 $m	Consolidated 2013 $m	Bank 2014 $m	Bank 2013 $m
Interest income	2.1	**2,112.0**	2,297.4	**2,026.1**	2,236.6
Less: Interest expense	2.1	**1,351.2**	1,604.3	**1,437.5**	1,711.1
Net interest income	2.1	**760.8**	693.1	**588.6**	525.5
Other operating income	2.1	**136.2**	122.5	**233.9**	218.8
Net banking operating income		**897.0**	815.6	**822.5**	744.3
Premiums from insurance contracts		**70.4**	70.2	**-**	-
Investment revenue		**4.9**	5.8	**-**	-
Less: Claims and policyholder liability expense from insurance contracts		**33.7**	35.7	**-**	-
Net insurance operating income	2.1	**41.6**	40.3	**-**	-
Total operating income	2.1	**938.6**	855.9	**822.5**	744.3
Less: Expenses	2.2	**469.4**	465.5	**421.4**	418.9
Less: Impairment on loans and advances	3.4	**86.2**	114.6	**62.8**	87.2
Profit before income tax		**383.0**	275.8	**338.3**	238.2
Less: Income tax expense	2.3	**122.5**	90.0	**100.7**	68.5
Profit for the year		**260.5**	185.8	**237.6**	169.7
Profit attributable to:					
Equity holders of the parent		**260.5**	185.8	**237.6**	169.7
Basic earnings per share - Ordinary shares (cents)	2.4	**77.4**	57.6		
Diluted earnings per share - Ordinary shares (cents)	2.4	**75.9**	56.5		

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

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 August 2014

	Consolidated		Bank	
	2014 $m	2013 $m	**2014 $m**	2013 $m
Profit for the year	**260.5**	185.8	**237.6**	169.7
Other comprehensive income, net of income tax				
Items that may be reclassified subsequently to profit or loss				
Cash flow hedges:				
Net (losses) / gains taken to equity	**(26.9)**	11.9	**(26.1)**	(3.1)
Net gains transferred to profit and loss	**(0.5)**	(0.9)	**(0.5)**	(0.9)
Foreign currency translation differences on foreign operations	**0.4**	1.6	**-**	-
Net losses on hedge of net investment in foreign operation	**(0.5)**	(1.6)	**-**	-
Change in fair value of assets available for sale	**28.9**	(4.2)	**28.4**	(3.9)
Other comprehensive income / (expense) for the year, net of income tax	**1.4**	6.8	**1.8**	(7.9)
Total comprehensive income for the year	**261.9**	192.6	**239.4**	161.8
Total comprehensive income attributable to:				
Equity holders of the parent	**261.9**	192.6	**239.4**	161.8

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

BALANCE SHEETS

For the year ended 31 August 2014

	Section	Consolidated 2014 $m	Consolidated 2013 $m	Bank 2014 $m	Bank 2013 $m
Assets					
Cash and liquid assets	3.1	**1,033.6**	873.2	**397.0**	242.2
Due from other financial institutions - Term deposits		**92.8**	118.5	**15.0**	23.8
Financial assets available-for-sale	3.3	**3,864.4**	1,066.8	**3,348.9**	1,268.4
Financial assets held for trading	3.3	**2,473.1**	4,334.6	**2,473.1**	4,334.6
Derivative financial assets	3.8	**160.3**	260.4	**131.9**	234.0
Loans and advances at amortised cost	3.4	**38,135.5**	34,989.3	**32,035.2**	31,491.2
Other assets		**131.4**	129.1	**242.5**	276.7
Shares in controlled entities	6.5	**-**	-	**1,527.2**	975.7
Property, plant and equipment		**53.6**	37.8	**40.8**	26.4
Deferred tax assets	2.3	**112.2**	104.5	**101.3**	95.5
Intangible assets	4.1	**827.2**	592.7	**101.5**	71.5
Investments in joint arrangements	6.7	**20.5**	21.4	**-**	-
Total assets		**46,904.6**	42,528.3	**40,414.4**	39,040.0
Liabilities					
Due to other financial institutions - Accounts payable at call		**207.5**	201.1	**207.5**	201.1
Deposits	3.2	**35,935.8**	31,698.7	**34,068.7**	31,785.5
Derivative financial liabilities	3.8	**248.7**	137.4	**207.0**	109.5
Accounts payable and other liabilities		**399.1**	362.0	**336.4**	320.7
Current tax liabilities		**71.5**	23.0	**71.4**	23.1
Provisions	4.2	**104.1**	78.9	**88.2**	68.7
Insurance policy liabilities	5.1	**63.0**	72.5	**-**	-
Borrowings including subordinated notes	3.5	**6,534.4**	7,136.9	**947.9**	1,312.8
Amounts due to controlled entities		**-**	-	**1,224.1**	2,457.5
Total liabilities		**43,564.1**	39,710.5	**37,151.2**	36,278.9
Net assets		**3,340.5**	2,817.8	**3,263.2**	2,761.1
Equity					
Issued capital		**3,020.6**	2,562.6	**3,024.1**	2,564.2
Reserves		**114.4**	111.1	**99.0**	95.3
Retained profits		**205.5**	144.1	**140.1**	101.6
Total Equity		**3,340.5**	2,817.8	**3,263.2**	2,761.1

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 August 2014

Consolidated	Ordinary shares	Employee benefits reserve	Equity reserve for credit losses	Cashflow hedge reserve	Translation reserve	Available-for-sale reserve	Retained profits	Total equity
Year ended 31 August 2014	$m	$m	$m	$m	$m	$m	$m	$m
Balance at beginning of the year	2,562.6	31.4	70.2	0.4	0.6	8.5	144.1	2,817.8
Total comprehensive income for the year								
Profit	-	-	-	-	-	-	260.5	260.5
Other comprehensive income, net of income tax								
Cash flow hedges:								
Net losses taken to equity	-	-	-	(26.9)	-	-	-	(26.9)
Net gains transferred to profit and loss	-	-	-	(0.5)	-	-	-	(0.5)
Net losses on hedge of net investment in foreign operation	-	-	-	-	(0.5)	-	-	(0.5)
Foreign currency translation differences on foreign operations	-	-	-	-	0.4	-	-	0.4
Change in fair value of assets available-for-sale	-	-	-	-	-	28.9	-	28.9
Total other comprehensive income / (expense)	-	-	-	(27.4)	(0.1)	28.9	-	1.4
Total comprehensive income / (expense) for the year	-	-	-	(27.4)	(0.1)	28.9	260.5	261.9
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividend reinvestment plan	65.6	-	-	-	-	-	-	65.6
Dividends to shareholders	-	-	-	-	-	-	(199.1)	(199.1)
Equity settled transactions	-	1.9	-	-	-	-	-	1.9
Treasury Shares (1)	(1.5)	-	-	-	-	-	-	(1.5)
Instutitional entitlement offer (2)	182.6	-	-	-	-	-	-	182.6
Retail entitlement offer (2)	218.0	-	-	-	-	-	-	218.0
Costs of capital issue (2)	(6.7)	-	-	-	-	-	-	(6.7)
Total contributions by and distributions to owners	458.0	1.9	-	-	-	-	(199.1)	260.8
Balance at the end of the year	3,020.6	33.3	70.2	(27.0)	0.5	37.4	205.5	3,340.5

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

(2) As part of the acquisition of BOQ Specialist Bank Limited formerly Investec Bank (Australia) Limited, the Bank issued $393.9 million worth of new shares in two tranches. The institutional and retail tranches were for $182.6 million and $218.0 million respectively.

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

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 August 2014

Consolidated	Ordinary shares	Perpetual Equity Preference shares	Employee benefits reserve	Equity reserve for credit losses	Cashflow hedge reserve	Translation reserve	Available-for-sale reserve	Retained profits	Total equity
Year ended 31 August 2013	$m	$m	$m	$m	$m	$m	$m	$m	$m
Balance at beginning of the year	2,464.4	195.7	33.3	70.2	(10.6)	0.6	12.7	132.9	2,899.2
Total comprehensive income for the year									
Profit	-	-	-	-	-	-	-	185.8	185.8
Other comprehensive income, net of income tax									
Cash flow hedges:									
Net gains taken to equity	-	-	-	-	11.9	-	-	-	11.9
Net gains transferred to profit and loss	-	-	-	-	(0.9)	-	-	-	(0.9)
Net losses on hedge of net investment in foreign operation	-	-	-	-	-	(1.6)	-	-	(1.6)
Foreign currency translation differences on foreign operations	-	-	-	-	-	1.6	-	-	1.6
Change in fair value of assets available-for-sale	-	-	-	-	-	-	(4.2)	-	(4.2)
Total other comprehensive income / (expense)	-	-	-	-	11.0	-	(4.2)	-	6.8
Total comprehensive income / (expense) for the year	-	-	-	-	11.0	-	(4.2)	185.8	192.6
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Exchange to CPS [(1)]	(4.3)	(175.8)	-	-	-	-	-	-	(180.1)
Redemption of Perpetual Preference Shares ("PEPs") [(1)]	-	(19.9)	-	-	-	-	-	-	(19.9)
Dividend reinvestment plan	62.7	-	-	-	-	-	-	-	62.7
Dividends to shareholders	-	-	-	-	-	-	-	(168.7)	(168.7)
Dividends to PEPs	-	-	-	-	-	-	-	(5.9)	(5.9)
Equity settled transactions	-	-	(1.9)	-	-	-	-	-	(1.9)
Treasury Shares [(2)]	7.0	-	-	-	-	-	-	-	7.0
Acquisition of Virgin Money (Australia) Pty Limited [(3)]	32.8	-	-	-	-	-	-	-	32.8
Total contributions by and distributions to owners	98.2	(195.7)	(1.9)	-	-	-	-	(174.6)	(274.0)
Balance at the end of the year	2,562.6	-	31.4	70.2	0.4	0.6	8.5	144.1	2,817.8

(1) On 24 December 2012, 1,801,339 PEPS shares were reinvested into CPS and the remaining 198,661 PEPS shares were redeemed on 15 April 2013.

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

(3) On 30 April 2013, the Bank acquired 100% of Virgin Money (Australia) Pty Limited for consideration of $42.6 million. $30.6 million worth of new shares were issued in two tranches (Tranche 1 - 1,585,353 and Tranche 2 - 1,617,762) as part of the acquisition consideration. Refer to section 3.10(a) for further details.

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

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 August 2014

Bank	Ordinary shares	Employee benefits reserve	Equity reserve for credit losses	Cashflow hedge reserve	Available-for-sale reserve	Retained profits	Total equity
Year ended 31 August 2014	$m	$m	$m	$m	$m	$m	$m
Balance at beginning of the year	2,564.2	31.4	57.3	(2.2)	8.8	101.6	2,761.1
Total comprehensive income for the year							
Profit	-	-	-	-	-	237.6	237.6
Other comprehensive income, net of income tax							
Cash flow hedges:							
Net losses taken to equity	-	-	-	(26.1)	-	-	(26.1)
Net gains transferred to profit and loss	-	-	-	(0.5)	-	-	(0.5)
Change in fair value of assets available-for-sale	-	-	-	-	28.4	-	28.4
Total other comprehensive income / (expense)	-	-	-	(26.6)	28.4	-	1.8
Total comprehensive income / (expense) for the year	-	-	-	(26.6)	28.4	237.6	239.4
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividend reinvestment plan	65.6	-	-	-	-	-	65.6
Dividends to shareholders	-	-	-	-	-	(199.1)	(199.1)
Equity settled transactions	-	1.9	-	-	-	-	1.9
Treasury Shares (1)	0.4	-	-	-	-	-	0.4
Instutitional entitlement offer (2)	182.6	-	-	-	-	-	182.6
Retail entitlement offer (2)	218.0	-	-	-	-	-	218.0
Costs of capital issue (2)	(6.7)	-	-	-	-	-	(6.7)
Total contributions by and distributions to owners	459.9	1.9	-	-	-	(199.1)	262.7
Balance at the end of the year	3,024.1	33.3	57.3	(28.8)	37.2	140.1	3,263.2

(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) As part of the acquisition of BOQ Specialist Bank Limited formerly Investec Bank (Australia) Limited, the Bank issued $393.9 million worth of new shares in two tranches. The institutional and retail tranches were for $182.6 million and $218.0 million respectively.

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

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 August 2014

Bank	Ordinary shares	Perpetual Equity Preference shares	Employee benefits reserve	Equity reserve for credit losses	Cashflow hedge reserve	Available -for-sale reserve	Retained profits	Total equity
Year ended 31 August 2013	$m	$m	$m	$m	$m	$m	$m	$m
Balance at beginning of the year	2,470.3	195.7	33.3	57.3	1.8	12.7	106.5	2,877.6
Total comprehensive income for the year								
Profit	-	-	-	-	-	-	169.7	169.7
Other comprehensive income, net of income tax								-
Cash flow hedges:								-
Net losses taken to equity	-	-	-	-	(3.1)	-	-	(3.1)
Net gains transferred to profit and loss	-	-	-	-	(0.9)	-	-	(0.9)
Change in fair value of assets available-for-sale	-	-	-	-	-	(3.9)	-	(3.9)
Total other comprehensive expense	-	-	-	-	(4.0)	(3.9)	-	(7.9)
Total comprehensive income / (expense) for the year	-	-	-	-	(4.0)	(3.9)	169.7	161.8
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Exchange to CPS (1)	(4.3)	(175.8)	-	-	-	-	-	(180.1)
Redemption of PEPs (1)	-	(19.9)	-	-	-	-	-	(19.9)
Dividend reinvestment plan	62.7	-	-	-	-	-	-	62.7
Dividends to shareholders	-	-	-	-	-	-	(168.7)	(168.7)
Dividends to PEPs	-	-	-	-	-	-	(5.9)	(5.9)
Equity settled transactions	-	-	(1.9)	-	-	-	-	(1.9)
Treasury Shares (2)	2.7	-	-	-	-	-	-	2.7
Acquisition of Virgin Money (Australia) Pty Limited (3)	32.8	-	-	-	-	-	-	32.8
Total contributions by and distributions to owners	93.9	(195.7)	(1.9)	-	-	-	(174.6)	(278.3)
Balance at the end of the year	2,564.2	-	31.4	57.3	(2.2)	8.8	101.6	2,761.1

(1) On 24 December 2012, 1,801,339 PEPS shares were reinvested into CPS and the remaining 198,661 PEPS shares were redeeemed on 15 April 2013.

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

(3) On 30 April 2013, the Bank acquired 100% of Virgin Money (Australia) Pty Limited for consideration of $42.6 million. $30.6 million worth of new shares were issued in two tranches (Tranche 1 - 1,585,353 and Tranche 2 - 1,617,762) as part of the acquisition consideration. Refer to Section 3.10 (a) for further details.

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

STATEMENTS OF CASH FLOWS

For the year ended 31 August 2014

	Section	Consolidated 2014 $m	Consolidated 2013 $m	Bank 2014 $m	Bank 2013 $m
Cash flows from operating activities					
Interest received		**2,112.7**	2,303.3	**1,861.1**	2,058.8
Fees and other income received		**182.7**	170.0	**217.5**	212.3
Dividends received		**1.3**	1.1	**0.5**	1.1
Interest paid		**(1,341.2)**	(1,604.4)	**(1,436.4)**	(1,701.1)
Cash paid to suppliers and employees		**(387.1)**	(393.0)	**(350.5)**	(367.3)
Operating income tax paid		**(80.0)**	(48.3)	**(77.1)**	(45.8)
		488.4	428.7	**215.1**	158.0
(Increase) / decrease in operating assets:					
Loans and advances at amortised cost		**(723.8)**	(966.9)	**(1,212.9)**	(1,037.1)
Other financial assets		**(243.5)**	280.2	**(55.2)**	150.6
Increase / (decrease) in operating liabilities:					
Deposits		**1,920.5**	543.8	**2,289.7**	509.6
Securitisation liabilities	3.5	**(984.9)**	(65.2)	**-**	-
Net cash from operating activities	3.1	**456.7**	220.6	**1,236.7**	(218.9)
Cash flows from investing activities					
Acquisition of BOQ Specialist Bank Limited		**(210.0)**	-	**(210.0)**	-
Acquisition of Virgin Money (Australia) Pty Limited		**-**	(5.9)	**-**	(5.9)
Cash acquired upon acquisition of BOQ Specialist Bank Limited		**52.0**	-	**-**	-
Payments for property, plant and equipment		**(31.0)**	(17.0)	**(22.3)**	(8.3)
Payments for intangible assets		**(51.7)**	(31.1)	**(47.9)**	(30.7)
Cash distribution received from equity accounted investments		**4.3**	2.4	**-**	-
Capital contribution for equity accounted investments		**(0.2)**	(0.5)	**-**	-
Capital injection in BOQ Specialist Bank Limited		**-**	-	**(330.0)**	-
Proceeds from sale of property, plant and equipment		**4.1**	5.3	**-**	0.5
Net cash from investing activities		**(232.5)**	(46.8)	**(610.2)**	(44.4)
Cash flows from financing activities					
Proceeds from issue of ordinary shares		**400.6**	-	**400.6**	-
Cost of capital issues		**(9.6)**	-	**(9.6)**	-
Proceeds from borrowings and foreign exchange instruments		**719.7**	1,631.2	**719.8**	1,631.0
Net proceeds from issue of Convertible Preference Shares ("CPS")	3.5	**-**	111.8	**-**	111.8
Redemption of PEPS		**-**	(19.9)	**-**	(19.9)
Proceeds from other financing activities		**-**	-	**-**	766.8
Repayment of other financing activities		**-**	-	**(429.7)**	(541.2)
Repayments of borrowings	3.5	**(1,032.7)**	(1,582.3)	**(1,032.5)**	(1,582.1)
Payments for treasury shares		**(8.3)**	-	**(8.3)**	-
Dividends paid		**(133.5)**	(111.9)	**(133.5)**	(111.9)
Dividends received		**-**	-	**21.5**	23.3
Net cash from financing activities		**(63.8)**	28.9	**(471.7)**	277.8
Net increase in cash and cash equivalents		**160.4**	202.7	**154.8**	14.5
Cash and liquid assets at beginning of year		**873.2**	670.5	**242.2**	227.7
Cash and liquid assets at end of year	3.1	**1,033.6**	873.2	**397.0**	242.2

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2014

SECTION 1. BASIS OF PREPARATION

1.1. REPORTING ENTITY

Bank of Queensland Limited (the "Bank") is a company domiciled in Australia. The address of the Bank's registered office is Level 17, 259 Queen Street, Brisbane, QLD, 4000 (+61 7 3336 2420). The consolidated financial report of the Bank for the financial year ended 31 August 2014 comprises the Bank and its subsidiaries (together referred to as the "Consolidated Entity") and the Consolidated Entity's interest in equity accounted investments. The Bank is a for-profit entity primarily involved in retail banking, leasing finance and insurance products.

1.2. BASIS OF ACCOUNTING

(a) Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements and notes thereto also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial report was authorised for issue by the Directors on 8 October 2014.

(b) Basis of measurement

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

- derivative financial instruments;
- financial instruments designated at fair value;
- financial instruments classified as available-for-sale;
- assets and liabilities acquired through business combinations; and
- insurance policy liabilities.

(c) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Bank's functional currency.

(d) Rounding

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in this financial report and Directors' report have been rounded off to the nearest million dollars, unless otherwise stated.

1.3. USE OF ESTIMATES AND JUDGEMENTS

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

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

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

- Provisions for impairment – Section 3.4;
- Financial instruments - Section 3.7;
- Intangible assets - Section 4.1;
- Provisions - Section 4.2;
- Insurance policy liabilities – Section 5.1; and
- Contingent liabilities – Section 6.3.

SECTION 2. FINANCIAL PERFORMANCE

2.1. OPERATING INCOME

	Consolidated		Bank	
	2014 $m	2013 $m	**2014 $m**	2013 $m
Interest income				
Loans and advances	**1,916.6**	2,084.3	**1,603.0**	1,765.0
Securities at fair value	**195.4**	213.1	**423.1**	471.6
Total interest income	**2,112.0**	2,297.4	**2,026.1**	2,236.6
Interest expense				
Retail deposits	**772.3**	897.9	**766.0**	897.9
Wholesale deposits and borrowings	**578.9**	706.4	**671.5**	813.2
Total interest expense	**1,351.2**	1,604.3	**1,437.5**	1,711.1
Net interest income	**760.8**	693.1	**588.6**	525.5
Income from operating activities				
Other customer fees and charges	**101.0**	102.1	**99.4**	101.9
Share of fee revenue paid to Owner Managed Branches	**(12.8)**	(14.2)	**(12.8)**	(14.2)
Securitisation income	**-**	-	**72.5**	55.7
Net income from financial instruments and derivatives at fair value	**10.9**	5.4	**10.6**	3.7
Commission	**23.9**	12.1	**12.7**	11.4
Management fee – controlled entities	**-**	-	**23.7**	24.9
Foreign exchange income – customer based	**8.7**	7.5	**8.6**	7.5
Net profit / (loss) on sale of property, plant and equipment	**(2.4)**	3.2	**(4.8)**	0.1
Other income	**6.9**	6.4	**24.0**	27.8
	136.2	122.5	**233.9**	218.8
Other operating income	**136.2**	122.5	**233.9**	218.8
Net insurance operating income	**41.6**	40.3	**-**	-
Total operating income	**938.6**	855.9	**822.5**	744.3

Revenue - Accounting policy

Interest income and expense

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

Other operating income

Other operating income and expense (e.g. lending fees) that are considered an integral part of the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Non-yield related application and activation lending fee revenue is recognised when the loan is disbursed or the commitment to lend expires. Service fees that represent the recoupment of the costs of providing the service are recognised on an accruals basis when the service is provided.

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

2.2. EXPENSES

	Consolidated		Bank	
	2014 $m	2013 $m	**2014 $m**	2013 $m
Operating expenses				
Advertising	**16.9**	12.4	**13.4**	11.8
Commissions to Owner Managed Branches	**6.8**	8.7	**6.6**	9.2
Communications and postage	**20.1**	22.5	**19.4**	21.3
Printing and stationery	**4.6**	4.0	**4.3**	3.8
Non-lending losses	**33.7**	47.5	**33.6**	47.5
Processing costs	**25.4**	25.0	**25.4**	25.0
Other	**17.3**	15.0	**13.2**	12.2
	124.8	135.1	**115.9**	130.8
Administrative expenses				
Professional fees	**15.5**	20.4	**13.3**	17.9
Directors fees	**2.0**	1.6	**1.8**	1.1
Other	**6.4**	8.3	**10.3**	9.3
	23.9	30.3	**25.4**	28.3
IT expenses				
Data processing	**65.3**	61.1	**60.9**	58.2
Amortisation and impairment – computer software (intangible)	**14.7**	18.6	**12.9**	16.5
Depreciation – IT equipment	**1.3**	1.5	**0.8**	0.8
	81.3	81.2	**74.6**	75.5
Occupancy expenses				
Lease rental	**29.3**	21.9	**25.8**	19.9
Depreciation - plant, furniture, equipment and leasehold improvements	**7.5**	7.7	**7.1**	6.5
Other	**2.9**	2.5	**2.8**	2.4
	39.7	32.1	**35.7**	28.8
Employee expenses				
Salaries and wages	**149.7**	144.5	**129.7**	123.7
Superannuation contributions	**14.0**	11.9	**12.4**	10.5
Amounts set aside to provision for employee entitlements	**4.0**	1.7	**3.1**	1.8
Payroll tax	**10.4**	8.4	**9.0**	7.1
Equity settled transactions	**8.5**	5.2	**7.8**	4.6
Other	**7.2**	7.0	**6.8**	6.4
	193.8	178.7	**168.8**	154.1
Other				
Amortisation – acquired intangibles	**5.9**	8.1	**1.0**	1.4
Expenses	**469.4**	465.5	**421.4**	418.9

2.3. INCOME TAX EXPENSE AND DEFERRED TAX

Income tax expense

The major components of income tax expense for the years ended 31 August 2014 and 2013 along with a reconciliation between pre-tax profit and tax expense are detailed below:

	Consolidated		Bank	
	2014 $m	2013 $m	**2014 $m**	2013 $m
Current tax expense				
Current year	**140.4**	75.3	**112.0**	58.0
Adjustments for prior years	**(8.4)**	(3.2)	**(5.9)**	(1.8)
	132.0	72.1	**106.1**	56.2
Deferred tax expense				
Origination and reversal of temporary differences	**(9.5)**	17.9	**(5.4)**	12.3
	(9.5)	17.9	**(5.4)**	12.3
Total income tax expense	**122.5**	90.0	**100.7**	68.5
Attributable to:				
Continuing operations	**122.5**	90.0	**100.7**	68.5
Deferred tax recognised in equity				
Equity raising costs	**(2.9)**	-	**(2.9)**	-
Cash flow hedge reserve	**(8.9)**	5.1	**(9.5)**	(1.3)
Other	**11.3**	(1.8)	**12.2**	(1.7)
	(0.5)	3.3	**(0.2)**	(3.0)
Numerical reconciliations between tax expense and pre-tax profit				
Profit before tax – continuing operations	**383.0**	275.8	**338.3**	238.2
Profit before tax	**383.0**	275.8	**338.3**	238.2
Income tax using the domestic corporate tax rate of 30% (2013: 30%)	**114.9**	82.7	**101.5**	71.5
Increase in income tax expense due to:				
Non-deductible expenses	**9.5**	8.3	**6.6**	4.8
Decrease in income tax expense due to:				
Other (1)	**(0.9)**	(0.4)	**(6.4)**	(7.3)
	123.5	90.6	**101.7**	69.0
Under / (Over) provided in prior years	**(1.0)**	(0.6)	**(1.0)**	(0.5)
Income tax expense on pre-tax net profit	**122.5**	90.0	**100.7**	68.5

(1) In the Bank, this includes the impact of dividends received from subsidiary Group members which are eliminated at a Group level and franking credits.

2.3. INCOME TAX EXPENSE AND DEFERRED TAX (CONTINUED)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Consolidated	**2014 $m**	2013 $m	**2014 $m**	2013 $m	**2014 $m**	2013 $m
Accruals	**5.3**	5.0	**-**	-	**5.3**	5.0
Capitalised expenditure	**-**	-	**(3.2)**	(11.4)	**(3.2)**	(11.4)
Provision for impairment	**94.5**	104.1	**-**	-	**94.5**	104.1
Other provisions	**22.9**	10.3	**-**	-	**22.9**	10.3
Equity reserves	**-**	-	**(5.9)**	(3.6)	**(5.9)**	(3.6)
Other	**7.4**	7.0	**(8.8)**	(6.9)	**(1.4)**	0.1
Tax assets / (liabilities)	**130.1**	126.4	**(17.9)**	(21.9)	**112.2**	104.5
Bank						
Accruals	**2.3**	3.1	**-**	-	**2.3**	3.1
Capitalised expenditure	**-**	-	**(1.1)**	(9.6)	**(1.1)**	(9.6)
Provision for impairment	**81.5**	91.3	**-**	-	**81.5**	91.3
Other provisions	**19.5**	9.6	**-**	-	**19.5**	9.6
Equity reserves	**-**	-	**(5.3)**	(2.7)	**(5.3)**	(2.7)
Other	**7.9**	6.9	**(3.5)**	(3.1)	**4.4**	3.8
Tax assets / (liabilities)	**111.2**	110.9	**(9.9)**	(15.4)	**101.3**	95.5

Income tax - Accounting policy

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

Current tax is the expected tax payable / receivable on the taxable income / loss for the year and any adjustment to the tax payable / receivable in respect of previous years. It is measured using tax rates enacted or substantially enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Consolidated Entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Tax Consolidation

The Bank is the head entity in the tax consolidated group comprising all the Australian wholly-owned subsidiaries. The implementation date for the tax-consolidated group was 1 September 2003.

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

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

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

2.3. INCOME TAX EXPENSE AND DEFERRED TAX (CONTINUED)

Nature of tax funding and tax sharing arrangements

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

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

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

Taxation of Financial Arrangements ("TOFA")

TOFA began to apply to the tax-consolidated group on 1 July 2010. The regime aims to align the tax and accounting treatment of financial arrangements.

The tax-consolidated group made a transitional election to bring pre-existing arrangements into TOFA. The deferred tax in relation to the transitional adjustment that this created was fully amortised in the 31 August 2014 financial year.

2.4. EARNINGS PER SHARE

Basic Earnings Per Share ("EPS") is calculated by dividing the relevant earnings by the average weighted number of shares on issue. Diluted EPS takes into account the dilutive effect of all outstanding share rights vesting as ordinary shares.

	Consolidated	
	2014 cents	2013 [2] cents
Basic earnings per share - Ordinary shares (cents)	**77.4**	57.6
Diluted earnings per share - Ordinary shares (cents)	**75.9**	56.5
Earnings reconciliation	**$m**	$m
Net profit	**260.5**	185.8
Less other equity instrument dividends [1]	**-**	(2.7)
Basic earnings	**260.5**	183.1
Effect of PEPS [1]	**-**	2.7
Effect of distributions on CPS	**16.4**	11.8
Effect of convertible notes	**-**	0.6
Diluted earnings	**276.9**	198.2

Weighted average number of shares used as the denominator	**2014 Number**	2013 Number
Number for basic earnings per share		
Ordinary shares	**336,579,927**	317,717,540
Number for diluted earnings per share		
Ordinary shares	**336,579,927**	317,717,540
Effect of award rights	**2,930,399**	2,414,842
Effect of PEPS	**-**	7,360,404
Effect of CPS	**25,448,063**	21,988,604
Effect of convertible notes	**-**	1,277,927
	364,958,389	350,759,317

(1) PEPS distribution on an accrual basis.
(2) Comparatives for basic and diluted earnings per share have been adjusted for the effect of the rights issue that occurred during the current financial year.

2.5. DIVIDENDS

	Bank			
	2014		2013	
	Cents per share	**$m**	Cents per share	$m
Ordinary shares				
Final 2013 dividend paid 4 December 2013 (2012: 10 December 2012)	**30**	**95.9**	26	80.2
Interim 2014 dividend paid 23 May 2014 (2013: 27 May 2013)	**32**	**103.2**	28	88.5
		199.1		168.7
Preference shares				
Half-yearly CPS dividend paid on 15 April 2014 (2013: 15 April 2013)	**269**	**8.1**	177	5.3
Half-yearly CPS dividend paid on 15 October 2013 (2013: Nil)	**286**	**8.6**	-	-
Half-yearly PEPS dividend paid on 15 October 2012	**-**	**-**	217	4.3
Prorated PEPS dividend paid on 24 December 2012	**-**	**-**	69	1.3
Half-yearly PEPS dividend paid on 15 April 2013	**-**	**-**	179	0.3
		16.7		11.2

All dividends paid on ordinary and preference shares have been fully franked at 100%.

Since the end of the financial year, the Directors have determined the following dividends:	Cents per share	$m
- CPS half-yearly dividend	275	8.2
- Final – ordinary shares	34	123.3

	Bank	
	2014 $m	2013 $m
30% franking credits available to shareholders of the Bank for subsequent financial years	**131.8**	106.2

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

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

The balance of the Bank of Queensland Limited dividend franking account at the date of this report, after adjusting for franking credits and debits that will arise on payment of income tax and dividends relating to the year ended 31 August 2014, is $131.8 million credit calculated at the 30% tax rate (2013: $106.2 million credit). It is anticipated, based on these franking account balances that the Bank will continue to pay fully franked dividends in the foreseeable future.

Dividend reinvestment plan

As resolved by the Board, The Bank of Queensland Dividend Reinvestment Plan ("DRP") provides shareholders with the opportunity to convert all or part of their entitlement to a dividend into new shares at a discount of 1.5%. The discount applied is 1.5% of the arithmetic average, rounded to four decimal places, of the daily volume weighted average price of:

- all shares sold in the ordinary course of trading on the Australian Securities Exchange automated trading system; and
- where shares are sold on trading platforms of Australian licensed financial markets operated by persons other than ASX, all shares sold in the ordinary course of trading on such of those trading platforms determined by the Board from time to time,

during the 10 trading day period commencing on the second trading day after the record date in respect of the relevant dividend. Shares issued or transferred under the Plan will be fully-paid. If, after this calculation there is a residual balance, that balance will be carried forward (without interest) and added to the next dividend for the purpose of calculating the number of shares secured under the DRP at that time.

The last date for election to participate in the DRP for 2014 final dividend is 7 November 2014.

2.6. SEGMENT REPORTING

Segment information

The Bank determines and presents operating segments based on the information that is provided internally to the Managing Director, who is the Bank's Chief Operating Decision Maker.

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

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Bank has determined and presented the following two segments based on information provided to the Chief Operating Decision Maker.

Banking Retail banking, commercial, personal, small business loans, equipment, debtor finance, treasury, savings and transaction accounts.

Insurance Consumer credit insurance, life insurance, accidental death insurance, funeral insurance and motor vehicle gap insurance.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed within the individual operating segments and thus disclosed this way.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2014 or 2013.

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

The following table presents income and profit and certain asset and liability information regarding the Bank's operating segments.

	Banking		Insurance		Segment Total	
	2014 $m	2013 (1) $m	**2014 $m**	2013 (1) $m	**2014 $m**	2013 (1) $m
Income						
External	**897.4**	816.5	**41.2**	39.4	**938.6**	855.9
Inter-segment	**4.5**	5.7	**(1.5)**	(0.7)	**3.0**	5.0
Total operating income	**901.9**	822.2	**39.7**	38.7	**941.6**	860.9
Segment profit before income tax	**351.8**	248.7	**31.2**	27.1	**383.0**	275.8
Income tax expense	**113.1**	81.9	**9.4**	8.1	**122.5**	90.0
Segment profit after income tax	**238.7**	166.8	**21.8**	19.0	**260.5**	185.8
Results						
Interest income	**2,112.0**	2,297.4	**-**	-	**2,112.0**	2,297.4
Interest expense	**1,351.2**	1,604.3	**-**	-	**1,351.2**	1,604.3
Depreciation and amortisation	**23.5**	27.8	**-**	-	**23.5**	27.8
Impairment losses	**86.2**	114.6	**-**	-	**86.2**	114.6
Assets	**46,834.4**	42,438.1	**125.8**	122.9	**46,960.2**	42,561.0
Liabilities	**43,528.9**	39,657.4	**86.1**	82.7	**43,615.0**	39,740.1

(1) The prior year has been restated so that the amounts are comparable to the current year.

2.6. SEGMENT REPORTING (CONTINUED)

The following table sets out the reconciliation between the operating segments and the consolidated entity:

	2014 $m	2013 [1] $m	**2014 $m**	2013 [1] $m
	Revenue		Profit before tax	
Segment total	**941.6**	861.6	**383.0**	275.8
Elimination of inter-segment revenue	**(3.0)**	(5.7)	**-**	-
Consolidated total	**938.6**	855.9	**383.0**	275.8
	Assets		Liabilities	
Segment total	**46,960.2**	42,561.0	**43,615.0**	39,740.1
Elimination of inter-segment bank accounts	**(55.1)**	(33.9)	**(55.1)**	(33.9)
Adjustment for other consolidation eliminations	**(0.5)**	1.2	**4.2**	4.3
Consolidated total	**46,904.6**	42,528.3	**43,564.1**	39,710.5

(1) The prior year has been restated so that the amounts are comparable to the current year.

SECTION 3. CAPITAL AND BALANCE SHEET MANAGEMENT

3.1. CASH AND LIQUID ASSETS

	Consolidated		Bank	
	2014 $m	2013 $m	**2014 $m**	2013 $m
Notes, coins and cash at bank	**904.8**	712.8	**268.2**	81.8
Remittances in transit	**128.8**	160.4	**128.8**	160.4
	1,033.6	873.2	**397.0**	242.2

Notes to the statements of cash flows

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

Profit from ordinary activities after income tax	**260.5**	185.8	**237.6**	169.7
Add / (less) items classified as investing / financing activities or non-cash items				
Depreciation	**16.9**	16.1	**7.9**	7.3
Amortisation	**11.3**	16.0	**1.0**	1.4
Dividends received from subsidiaries	**-**	-	**(21.5)**	(23.3)
Software amortisation	**14.7**	18.6	**12.9**	16.5
Investments equity accounted	**(3.2)**	1.1	**-**	-
Equity settled transactions	**8.5**	5.2	**7.8**	4.6
(Profit) / loss on sale of property, plant and equipment	**2.4**	(3.2)	**4.8**	(0.1)
(Increase) / decrease in due from other financial institutions	**25.7**	1.2	**8.8**	(0.3)
(Increase) / decrease in financial assets	**(269.2)**	288.0	**(97.3)**	174.0
Increase in loans and advances at amortised cost	**(619.8)**	(741.6)	**(499.6)**	(741.5)
(Increase) / decrease in derivatives	**45.3**	(25.4)	**40.0**	(25.3)
Decrease in provision for impairment	**(22.4)**	(100.5)	**(44.4)**	(95.1)
(Increase) / decrease in deferred tax asset	**12.7**	41.4	**(1.7)**	23.1
(Increase) / decrease in other assets	**10.9**	(16.7)	**32.2**	(1.8)
Decrease in amounts due from controlled entities	**-**	-	**(772.2)**	(212.3)
Increase in due to other financial institutions	**6.4**	23.3	**6.4**	23.3
Increase in deposits	**1,914.2**	518.3	**2,283.3**	488.2
Decrease in accounts payable and other liabilities	**(17.3)**	(75.2)	**(12.9)**	(75.3)
Increase in current tax liabilities	**48.5**	23.3	**28.1**	24.3
Increase in provisions	**25.2**	35.9	**19.5**	35.2
Decrease in deferred tax liabilities	**(17.8)**	(18.8)	**(4.0)**	(11.5)
Decrease in insurance policy liabilities	**(9.5)**	(1.0)	**-**	-
Increase / (decrease) in borrowings including subordinated notes	**(986.5)**	28.8	**-**	-
Net cash from operating activities	**456.7**	220.6	**1,236.7**	(218.9)

Accounting policy

Cash and liquid assets comprise cash at branches, cash on deposit and balances with the Reserve Bank of Australia. Cash flows from the following activities are presented on a net basis in the statements of cash flows:

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

3.2. DEPOSITS

	Consolidated		Bank	
	2014 $m	2013 $m	**2014 $m**	2013 $m
Deposits at call	**10,885.4**	10,252.1	**10,936.6**	10,306.3
Term deposits	**19,631.0**	16,857.9	**17,835.4**	16,890.5
Certificates of deposit	**5,419.4**	4,588.7	**5,296.7**	4,588.7
Total	**35,935.8**	31,698.7	**34,068.7**	31,785.5
Concentration of deposits:				
Retail deposits	**26,614.7**	23,968.0	**24,811.3**	24,022.2
Wholesale deposits	**9,321.1**	7,730.7	**9,257.4**	7,763.3
Total	**35,935.8**	31,698.7	**34,068.7**	31,785.5

3.3. FINANCIAL ASSETS

	Consolidated		Bank	
	2014 $m	2013 $m	**2014 $m**	2013 $m
Held for trading				
Floating rate notes and bonds	**949.5**	931.8	**949.5**	931.8
Negotiable certificates of deposit	**1,448.7**	2,812.3	**1,448.7**	2,812.3
Deposits at call	**-**	176.0	**-**	176.0
Bank accepted bills	**-**	377.6	**-**	377.6
Promissory notes	**74.9**	36.9	**74.9**	36.9
	2,473.1	4,334.6	**2,473.1**	4,334.6
Available-for-sale				
Debt instruments	**3,854.8**	1,057.0	**3,339.4**	1,258.6
Unlisted equity instruments	**9.6**	9.8	**9.5**	9.8
	3,864.4	1,066.8	**3,348.9**	1,268.4
Total financial assets	**6,337.5**	5,401.4	**5,822.0**	5,603.0

3.4. LOANS AND ADVANCES AT AMORTISED COST

	Consolidated		Bank	
	2014 $m	2013 $m	**2014 $m**	2013 $m
Residential property loans – secured by mortgages	**19,284.5**	18,577.0	**19,124.9**	18,577.0
Securitised residential property loans – secured by mortgages	**7,224.1**	7,571.9	**7,223.3**	7,571.9
Total residential property loans – secured by mortgages	**26,508.6**	26,148.9	**26,348.2**	26,148.9
Personal loans	**288.2**	180.7	**161.6**	180.7
Overdrafts	**330.2**	387.3	**330.2**	387.3
Commercial loans	**7,174.2**	5,079.4	**5,425.7**	5,049.3
Credit cards	**53.6**	-	**-**	-
Leasing finance	**4,527.0**	3,909.6	**-**	-
Gross loans and advances at amortised cost	**38,881.8**	35,705.9	**32,265.7**	31,766.2
Less:				
Unearned lease finance income	**(456.3)**	(404.3)	**-**	-
Specific provision for impairment	**(152.7)**	(174.8)	**(127.6)**	(162.7)
Collective provision for impairment	**(137.3)**	(137.5)	**(102.9)**	(112.3)
Total loans and advances at amortised cost	**38,135.5**	34,989.3	**32,035.2**	31,491.2

Accounting policy

Loans and advances at amortised cost

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

Provision for impairment

	Consolidated		Bank	
	2014 $m	2013 $m	**2014 $m**	2013 $m
Specific provision:				
Balance at the beginning of the year	**174.8**	220.3	**162.7**	204.3
Add: Expensed during the year	**93.5**	151.6	**69.6**	122.6
Acquired during the year	**7.6**	-	**-**	-
Less: Bad debts written off net of recoveries	**(115.7)**	(195.1)	**(97.6)**	(162.8)
Transfers from collective provision	**2.5**	14.5	**2.5**	14.5
Unwind of discount	**(10.0)**	(16.5)	**(9.6)**	(15.9)
Balance at the end of the year	**152.7**	174.8	**127.6**	162.7
Collective provision:				
Balance at the beginning of the year	**137.5**	192.6	**112.3**	165.8
Add: Released during the year	**(7.3)**	(37.0)	**(6.8)**	(35.4)
Acquired during the year	**6.9**	-	**-**	-
Impairment losses provided for / (written off)	**2.7**	(3.6)	**(0.1)**	(3.6)
Transfers to specific provision	**(2.5)**	(14.5)	**(2.5)**	(14.5)
Balance at the end of the year	**137.3**	137.5	**102.9**	112.3
Total provisions for impairment	**290.0**	312.3	**230.5**	275.0

3.4. LOANS AND ADVANCES AT AMORTISED COST (CONTINUED)

Transfer of financial assets

The Bank conducts a loan securitisation program whereby mortgage loans are packaged and sold to the REDS Securitisation and Warehouse Trusts ("RMBS Trusts"). The Bank also securitises Hire Purchase, Chattel Mortgages and Finance Leases which are packaged and sold to REDS EHP Securitisation Trusts ("REDS EHP Trusts"). Refer to Section 6.10 (a)(ii) for further information.

The following table sets out the transferred financial assets that did not qualify for derecognition and associated liabilities from conducting the securitisation program.

	Consolidated		Bank	
	2014 $m	2013 $m	**2014 $m**	2013 $m
Transferred financial assets				
Loans and advances at amortised cost	**4,751.6**	4,564.5	**4,250.1**	4,564.5
Lease receivables	**613.2**	899.1	**-**	-
	5,364.8	5,463.6	**4,250.1**	4,564.5
Associated financial liabilities				
Securitisation liabilities - external investors	**5,516.3**	5,836.0	**-**	-
Amounts due to controlled entities	**-**	-	**4,367.9**	4,865.8
	5,516.3	5,836.0	**4,367.9**	4,865.8
For those liabilities that have recourse only to transferred assets:				
Fair value of transferred assets	**5,378.5**	5,497.3	**4,259.0**	4,575.5
Fair value of associated liabilities	**(5,516.3)**	(5,836.0)	**(4,367.9)**	(4,865.8)
Net Position	**(137.8)**	(338.7)	**(108.9)**	(290.3)

Lease receivables

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

	Consolidated		Bank	
	2014 $m	2013 $m	**2014 $m**	2013 $m
Gross investment in finance lease receivables:				
Less than one year	**1,679.3**	1,572.6	**-**	-
Between one and five years	**2,758.9**	2,312.1	**-**	-
More than five years	**88.8**	24.9	**-**	-
	4,527.0	3,909.6	**-**	-
Unearned lease finance income	**(456.3)**	(404.3)	**-**	-
Net investment in finance leases	**4,070.7**	3,505.3	**-**	-
The net investment in finance leases comprise:				
Less than one year	**1,478.6**	1,370.0	**-**	-
Between one and five years	**2,539.4**	2,112.6	**-**	-
More than five years	**52.7**	22.7	**-**	-
	4,070.7	3,505.3	**-**	-

3.5. BORROWINGS INCLUDING SUBORDINATED NOTES

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

	Securitisation liabilities (1) $m	EMTN Program $m	ECP Program $m	Borrowings including subordinated notes $m	Convertible Preference Shares (2) $m	Syndicated Loan $m	Total $m
Year ended 31 August 2014							
Balance at beginning of year	5,824.1	96.3	430.4	270.2	292.8	223.1	7,136.9
Acquired during the year (3)	667.2	-	-	76.8	-	-	744.0
Proceeds from issues	759.6	65.1	628.0	-	-	-	1,452.7
Repayments	(1,744.5)	(93.8)	(717.9)	(0.4)	-	(220.6)	(2,777.2)
Deferred establishment costs	(1.5)	-	-	-	-	-	(1.5)
Amortisation of deferred costs	7.1	-	-	-	1.6	0.4	9.1
Foreign exchange translation	(2.1)	(3.0)	(21.6)	-	-	(2.9)	(29.6)
Balance at end of the year	**5,509.9**	**64.6**	**318.9**	**346.6**	**294.4**	**-**	**6,534.4**

	Securitisation liabilities (1) $m	EMTN Program $m	ECP Program $m	Borrowings including subordinated notes $m	Convertible Preference Shares (2) $m	Syndicated Loan $m	Total $m
Year ended 31 August 2013							
Balance at beginning of year	5,792.6	33.0	169.6	500.1	-	192.8	6,688.1
Proceeds from issues	3,395.8	63.8	1,535.6	-	119.9	-	5,115.1
Exchange to CPS	-	-	-	-	180.1	-	180.1
Repayments	(3,461.0)	(11.0)	(1,341.4)	(229.9)	-	-	(5,043.3)
Deferred establishment costs	(8.6)	-	-	-	(8.1)	-	(16.7)
Amortisation of deferred costs	5.5	-	-	-	0.9	0.8	7.2
Foreign exchange translation	99.8	10.5	66.6	-	-	29.5	206.4
Balance at end of the year	5,824.1	96.3	430.4	270.2	292.8	223.1	7,136.9

(1) Securitisation liabilities are secured by a floating charge over securitised assets for amounts owing to noteholders and any other secured creditors of the securitisation vehicles.

(2) 3,000,000 Convertible Preference Shares (CPS) were issued on 24 December 2012. CPS are fully-paid, perpetual, convertible, unguaranteed and unsecured preference shares with preferred, discretionary, non-cumulative dividends. CPS will mandatorily convert into ordinary shares on 15 April 2020. The Bank is entitled to convert, redeem or transfer some or all of the CPS on the optional conversion / redemption date of 15 April 2018 subject to the prior written approval from the Australian Prudential Regulation Authority ("APRA"). The Bank is also entitled to convert, redeem or transfer some or all of the CPS on the occurrence of a regulatory event or tax event and in addition, conversion of the CPS into ordinary shares must occur immediately following the occurrence of a capital trigger event or a non-viability trigger event. CPS rank for payment of capital ahead of ordinary shareholders, equally with other securities or instruments ranking equally with CPS, but behind all other securities or instruments ranking ahead of CPS, and behind all depositors and other creditors.

(3) Borrowings acquired during the year relate to the acquisition of BOQ Specialist Bank Limited formerly Investec Bank (Australia) Limited.

3.5. BORROWINGS INCLUDING SUBORDINATED NOTES (CONTINUED)

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

	EMTN Program $m	ECP Program $m	Borrowings including subordinated notes (1) $m	Convertible Preference Shares(2) $m	Syndicated Loan $m	Total $m
Year ended 31 August 2014						
Balance at beginning of year	96.3	430.4	270.2	292.8	223.1	1,312.8
Proceeds from issues	65.1	628.0	-	-	-	693.1
Repayments	(93.8)	(717.9)	(0.2)	-	(220.6)	(1,032.5)
Amortisation of deferred costs	-	-	-	1.6	0.4	2.0
Foreign exchange translation	(3.0)	(21.6)	-	-	(2.9)	(27.5)
Balance at end of the year	**64.6**	**318.9**	**270.0**	**294.4**	**-**	**947.9**

	EMTN Program $m	ECP Program $m	Borrowings including subordinated notes (1) $m	Convertible Preference Shares(2) $m	Syndicated Loan $m	Total $m
Year ended 31 August 2013						
Balance at beginning of year	33.0	169.6	499.9	-	192.8	895.3
Proceeds from issues	63.8	1,535.6	-	119.9	-	1,719.3
Exchange to CPS	-	-	-	180.1	-	180.1
Repayments	(11.0)	(1,341.4)	(229.7)	-	-	(1,582.1)
Deferred establishment costs	-	-	-	(8.1)	-	(8.1)
Amortisation of deferred costs	-	-	-	0.9	0.8	1.7
Foreign exchange translation	10.5	66.6	-	-	29.5	106.6
Balance at end of the year	96.3	430.4	270.2	292.8	223.1	1,312.8

(1) Convertible Notes were issued in three tranches of $60 million ("Tranche 1"), $45 million ("Tranche 2") and $45 million ("Tranche 3"), and are cumulative, convertible, subordinated notes due June 2020, and pay, subject to a solvency condition, a monthly coupon equal to the 30 day bank bill rate plus 400 basis points. The Convertible Notes are unlisted with the final Tranche being Tranche 1, redeemed during the prior financial year.

(2) 3,000,000 Convertible Preference Shares (CPS) were issued on 24 December 2012. CPS are fully-paid, perpetual, convertible, unguaranteed and unsecured preference shares with preferred, discretionary, non-cumulative dividends. CPS will mandatorily convert into ordinary shares on 15 April 2020. The Bank is entitled to convert, redeem or transfer some or all of the CPS on the optional conversion / redemption date of 15 April 2018 subject to the prior written approval from the Australian Prudential Regulation Authority ("APRA"). The Bank is also entitled to convert, redeem or transfer some or all of the CPS on the occurrence of a regulatory event or tax event and in addition, conversion of the CPS into ordinary shares must occur immediately following the occurrence of a capital trigger event or a non-viability trigger event. CPS rank for payment of capital ahead of ordinary shareholders, equally with other securities or instruments ranking equally with CPS, but behind all other securities or instruments ranking ahead of CPS, and behind all depositors and other creditors.

3.6. RISK MANAGEMENT

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

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

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

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

3.6. RISK MANAGEMENT (CONTINUED)

Monitoring

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

1. Market
2. Credit
3. Liquidity
4. Insurance

(a) Market risk

Market risk is the risk that movements in market rates and prices will result in profits or losses to the Bank. The objective of market risk management is to manage and control market risk.

(i) Interest Rate Risk management

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

The figures in the table below indicate the potential increase in net interest income for an ensuing 12 month period of a 1% parallel shock increase to the yield curve. A 1% decrease in the yield curve has an equal but opposite impact.

	2014 %	2013 %	**2014 $m**	2013 $m
Exposure at the end of the year	**1.16**	0.90	**8.6**	6.2
Average monthly exposure during the year	**1.19**	0.78	**8.8**	5.4
High month exposure during the year	**2.16**	1.41	**15.9**	9.7
Low month exposure during the year	**(0.03)**	0.16	**(0.2)**	1.1

(ii) Foreign exchange risk

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

The Bank uses cross currency swaps and foreign exchange forwards to hedge its exchange rate exposures arising from borrowing off-shore in foreign currencies. The Bank uses forward foreign exchange contracts to hedge potential exchange rate exposures created by customer-originated foreign currency transactions.

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

(iii) Traded market risk

Market risks attributable to trading activities are primarily measured using a parametric Value-at-Risk ("VaR") based on historical data. The Bank estimates VaR as the potential loss in earnings from adverse market movements and is calculated over a 1-day time horizon to a 99% confidence level using 2 years of historical data. VaR takes account of all material market variables that may cause a change in the value of the trading portfolio. Although an important tool for the measurement of market risk, the assumptions underlying the model have some limitations:

- VaR typically understates the losses that may occur beyond the 99% confidence level;
- The reliance on historical data may prove insufficient to predict the severity of possible outcomes; and
- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. For certain illiquid assets or in certain market situations this might not be possible.

3.6. RISK MANAGEMENT (CONTINUED)

(iii) Traded market risk (continued)

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

As an overlay, the individual market risks of interest rate, foreign exchange, credit and equity sensitivities are monitored and measured against limits delegated by the Asset-Liability Committee ("ALCO").

The portfolio (interest rate, foreign exchange, credit and equity) VaR for the Bank's trading portfolio for the year was as follows:

Trading VaR	**2014 $m**	2013 $m
Average	**0.65**	0.80
Maximum	**1.33**	1.67
Minimum	**0.28**	0.35

(b) Credit risk

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

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

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

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

Maximum exposure to credit risk

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

3.6. RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Maximum exposure to credit risk (continued)

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

	Consolidated		Bank	
	2014 $m	2013 $m	**2014 $m**	2013 $m
Cash and liquid assets	**1,033.6**	873.2	**397.0**	242.2
Due from other financial institutions	**92.8**	118.5	**15.0**	23.8
Other financial assets (including accrued interest)	**6,398.7**	5,462.5	**5,881.9**	5,662.6
Derivative financial instruments	**160.3**	260.4	**131.9**	234.0
Financial assets other than loans and advances	**7,685.4**	6,714.6	**6,425.8**	6,162.6
Gross loans and advances at amortised cost	**38,881.8**	35,705.9	**32,265.7**	31,766.2
Total financial assets	**46,567.2**	42,420.5	**38,691.5**	37,928.8
Customer commitments [(1)]	**1,897.9**	1,470.3	**1,024.4**	921.7
Total potential exposure to credit risk	**48,465.1**	43,890.8	**39,715.9**	38,850.5

(1) Refer to Note Section 6.2 for full details of customer commitments.

Distribution of financial assets by credit quality

	Consolidated		Bank	
	2014 $m	2013 $m	**2014 $m**	2013 $m
Neither past due or impaired				
Gross loans and advances at amortised cost	**37,459.1**	33,958.4	**31,003.7**	30,134.1
Financial assets other than loans and advances	**7,685.4**	6,714.6	**6,425.8**	6,162.6
Past due but not impaired				
Gross loans and advances at amortised cost	**1,129.8**	1,365.9	**999.0**	1,269.7
Impaired				
Gross loans and advances at amortised cost	**292.9**	381.6	**263.0**	362.4
	46,567.2	42,420.5	**38,691.5**	37,928.8

There is no individual exposure included in impaired assets which exceeds 5% of shareholders' equity (2013: nil).

The Bank holds collateral against loans and advances to customers in the form of mortgage interest over property, other registered securities over assets and guarantees and mortgage insurance. To mitigate credit risk, the Bank can take possession of the security held against the loans and advances as a result of customer default. To ensure reduced exposure to losses, the collateral held by the Bank as mortgagee in possession is realised promptly.

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. An estimate of the collateral held against past due but not impaired and impaired loans and advances at amortised cost is outlined below. It is not practicable to determine the fair value of collateral held against performing loans.

	Consolidated		Bank	
	2014 $m	2013 $m	**2014 $m**	2013 $m
Held against past due but not impaired assets	**1,593.2**	1,679.0	**1,485.8**	1,608.1
Held against impaired assets	**202.3**	260.4	**186.0**	252.1

3.6. RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Credit quality

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

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

	Consolidated							
	2014 $m				2013 $m			
	Gross loans and advances				Gross loans and advances			
	Retail	**Commercial**	**Total loans and advances**	**Financial assets other than loans and advances**	Retail	Commercial	Total loans and advances	Financial assets other than loans and advances
High Grade	**22,770.8**	**2,980.0**	**25,750.8**	**7,675.8**	22,172.9	2,231.4	24,404.3	6,704.8
Satisfactory	**3,539.6**	**7,367.6**	**10,907.2**	**-**	3,618.4	5,173.0	8,791.4	-
Weak	**412.4**	**1,366.8**	**1,779.2**	**9.6**	457.4	1,553.4	2,010.8	9.8
Unrated (1)	**404.2**	**40.4**	**444.6**	**-**	468.3	31.1	499.4	-
	27,127.0	**11,754.8**	**38,881.8**	**7,685.4**	26,717.0	8,988.9	35,705.9	6,714.6

	Bank							
	2014 $m				2013 $m			
	Gross loans and advances				Gross loans and advances			
	Retail	**Commercial**	**Total loans and advances**	**Financial assets other than loans and advances**	Retail	Commercial	Total loans and advances	Financial assets other than loans and advances
High Grade	**22,610.5**	**1,540.0**	**24,150.5**	**6,293.9**	22,172.9	1,525.3	23,698.2	5,932.1
Satisfactory	**3,412.9**	**3,254.9**	**6,667.8**	**80.8**	3,618.3	2,783.7	6,391.7	142.3
Weak	**412.4**	**590.4**	**1,002.8**	**51.1**	457.4	709.2	1,208.0	88.2
Unrated (1)	**404.2**	**40.4**	**444.6**	**-**	468.3	31.1	468.3	-
	26,840.0	**5,425.7**	**32,265.7**	**6,425.8**	26,716.9	5,049.3	31,766.2	6,162.6

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

Loans and advances which were past due but not impaired

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

		Consolidated		Bank	
		2014 $m	2013 $m	**2014 $m**	2013 $m
Less than 30 days	- Retail	**445.3**	611.4	**445.3**	611.4
	- Commercial	**228.8**	231.5	**129.7**	159.8
31 to 90 days	- Retail	**174.2**	176.2	**174.2**	176.2
	- Commercial	**60.3**	76.0	**34.2**	56.5
More than 90 days	- Retail	**145.6**	152.2	**145.7**	152.2
	- Commercial	**75.6**	118.6	**69.9**	113.6
		1,129.8	1,365.9	**999.0**	1,269.7

3.6. RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Concentration of exposure for gross loans and advances at amortised cost

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

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

	Consolidated		Bank	
Geographical concentration of credit risk for loans and advances at amortised cost (before provisions and unearned income):	**2014 $m**	2013 $m	**2014 $m**	2013 $m
Queensland	**20,911.8**	20,580.5	**18,899.3**	19,169.4
New South Wales	**6,903.8**	5,387.8	**4,948.9**	4,517.2
Victoria	**6,185.2**	5,659.0	**4,854.0**	4,849.3
Northern Territory	**260.4**	237.2	**255.6**	231.7
Australian Capital Territory	**313.8**	347.2	**241.2**	227.0
Western Australia	**3,519.3**	2,885.1	**2,778.0**	2,458.7
South Australia	**369.7**	213.8	**110.7**	120.3
Tasmania	**182.9**	196.9	**178.0**	192.6
International (New Zealand)	**234.9**	198.4	**-**	-
	38,881.8	35,705.9	**32,265.7**	31,766.2

3.6. RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

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

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

Consolidated 2014	Carrying amount $m	At Call $m	3 mths or less $m	3 to 12 mths $m	1 to 5 years $m	Over 5 years $m	Policyholder $m	Total contractual cash flows $m
Financial liabilities								
Due to other financial institutions	207.5	207.5	-	-	-	-	-	207.5
Deposits	35,935.8	12,301.2	12,969.3	8,371.0	2,917.8	16.8	-	36,576.1
Derivative financial instruments (1)	5.0	-	1.9	1.8	2.0	-	-	5.7
Accounts payable and other liabilities	399.1	-	399.1	-	-	-	-	399.1
Securitisation liabilities (2)	5,509.9	-	932.7	1,692.6	2,549.4	871.4	-	6,046.1
Borrowings including subordinated notes	1,024.5	-	69.7	347.6	723.7	-	-	1,141.0
Insurance policy liabilities	63.0	-	-	-	-	-	63.0	63.0
Total	43,144.8	12,508.7	14,372.7	10,413.0	6,192.9	888.2	63.0	44,438.5
Derivative financial instruments (hedging relationship)								
Contractual amounts payable	-	-	419.7	774.3	826.7	396.2	-	2,416.9
Contractual amounts receivable	-	-	(408.3)	(737.3)	(724.8)	(321.4)	-	(2,191.8)
	112.6	-	11.4	37.0	101.9	74.8	-	225.1
Off balance sheet positions								
Guarantees, indemnities and letters of credit	-	252.2	-	-	-	-	-	252.2
Customer funding commitments	-	1,645.7	-	-	-	-	-	1,645.7
	-	1,897.9	-	-	-	-	-	1,897.9

Consolidated 2013	Carrying amount $m	At Call $m	3 mths or less $m	3 to 12 mths $m	1 to 5 years $m	Over 5 years $m	Policyholder $m	Total contractual cash flows $m
Financial liabilities								
Due to other financial institutions	201.1	201.1	-	-	-	-	-	201.1
Deposits	31,698.7	10,310.4	13,627.5	6,601.0	1,657.9	-	-	32,196.8
Derivative financial instruments (1)	3.4	-	1.4	1.2	1.1	-	-	3.7
Accounts payable and other liabilities	362.0	-	362.0	-	-	-	-	362.0
Securitisation liabilities (2)	5,824.1	-	868.4	1,087.7	3,379.9	1,227.7	-	6,563.7
Borrowings including subordinated notes	1,312.8	-	313.7	474.5	672.6	-	-	1,460.8
Insurance policy liabilities	72.5	-	-	-	-	-	72.5	72.5
Total	39,474.6	10,511.5	15,173.0	8,164.4	5,711.5	1,227.7	72.5	40,860.6

(1) Derivative financial instruments other than those designated in a cashflow hedge relationship.
(2) Repayment of securitisation bonds is forecast based on the expected repayment profile of the underlying assets of the Trusts.

3.6. RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

Consolidated 2013	Carrying amount $m	At Call $m	3 mths or less $m	3 to 12 mths $m	1 to 5 years $m	Over 5 years $m	Policyholder $m	Total contractual cash flows $m
Derivative financial instruments (hedging relationship)								
Contractual amounts payable	-	-	485.7	772.4	620.0	224.0	-	2,102.1
Contractual amounts receivable	-	-	(533.7)	(802.1)	(582.0)	(225.6)	-	(2,143.4)
	(103.3)	-	(48.0)	(29.7)	38.0	(1.6)	-	(41.3)
Off balance sheet positions								
Guarantees, indemnities and letters of credit	-	235.7	-	-	-	-	-	235.7
Customer funding commitments	-	1,234.6	-	-	-	-	-	1,234.6
	-	1,470.3	-	-	-	-	-	1,470.3

Bank 2014	Carrying amount $m	At Call $m	3 mths or less $m	3 to 12 mths $m	1 to 5 years $m	Over 5 years $m	Total contractual cash flows $m
Financial liabilities							
Due to other financial institutions	207.5	207.5	-	-	-	-	207.5
Deposits	34,068.7	12,333.8	11,925.3	7,705.7	2,690.9	-	34,655.7
Derivative financial instruments (1)	5.0	-	1.9	1.8	2.0	-	5.7
Accounts payable and other liabilities	336.4	-	336.4	-	-	-	336.4
Borrowings including subordinated notes	947.9	-	68.3	324.2	663.8	-	1,056.3
Amounts due to controlled entities	1,224.1	1,224.1	-	-	-	-	1,224.1
Total	36,789.6	13,765.4	12,331.9	8,031.7	3,356.7	-	37,485.7
Derivative financial instruments (hedging relationship)							
Contractual amounts payable	-	-	309.7	709.2	696.5	207.9	1,923.3
Contractual amounts receivable	-	-	(314.8)	(677.8)	(618.1)	(116.8)	(1,727.5)
	100.3	-	(5.1)	31.4	78.4	91.1	195.8
Off balance sheet positions							
Guarantees, indemnities and letters of credit	-	227.7	-	-	-	-	227.7
Customer funding commitments	-	796.7	-	-	-	-	796.7
	-	1,024.4	-	-	-	-	1,024.4

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

3.6. RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

Bank 2013	Carrying amount $m	At Call $m	3 mths or less $m	3 to 12 mths $m	1 to 5 years $m	Over 5 years $m	Total contractual cash flows $m
Financial liabilities							
Due to other financial institutions	201.1	201.1	-	-	-	-	201.1
Deposits	31,785.5	10,397.2	13,627.5	6,601.0	1,657.9	-	32,283.6
Derivative financial instruments [(1)]	3.4	-	1.4	1.2	1.1	-	3.7
Accounts payable and other liabilities	320.7	-	320.7	-	-	-	320.7
Borrowings including subordinated notes	1,312.8	-	313.7	474.5	672.6	-	1,460.8
Amounts due to controlled entities	2,457.5	2,457.5	-	-	-	-	2,457.5
Total	36,081.0	13,055.8	14,263.3	7,076.7	2,331.6	-	36,727.4
Derivative financial instruments (hedging relationship)							
Contractual amounts payable	-	-	457.3	699.8	420.3	18.2	1,595.6
Contractual amounts receivable	-	-	(507.8)	(738.5)	(418.5)	(11.4)	(1,676.2)
	(101.6)	-	(50.5)	(38.7)	1.8	6.8	(80.6)
Off balance sheet positions							
Guarantees, indemnities and letters of credit	-	235.7	-	-	-	-	235.7
Customer funding commitments	-	686.0	-	-	-	-	686.0
	-	921.7	-	-	-	-	921.7

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

3.6. RISK MANAGEMENT (CONTINUED).

(d) Insurance risk

(i) Risk management objectives and policies for risk mitigation

Insurance risks are controlled through the use of underwriting procedures, adequate premium rates and policy charges and sufficient reinsurance arrangements, all of which are approved through a Board approved governance structure. Controls are also maintained over claims management practices to assure the correct and timely payment of insurance claims.

(ii) Strategy for managing insurance risk

Portfolio of risks

The Bank's insurance subsidiaries issue consumer credit insurance, term life insurance, group life insurance, accidental death insurance and motor vehicle gap insurance contracts. The performance of the Bank's insurance subsidiaries and its continuing ability to write business depends on its ability to pre-empt and control risks. The Bank's insurance subsidiaries have a risk management strategy which has been approved by their respective Board's. It summarises the approach to risk and risk management.

Risk strategy

In compliance with contractual and regulatory requirements, a strategy is in place to ensure that the risks underwritten satisfy objectives whilst not adversely affecting the Consolidated Entity's ability to pay benefits and claims when due. The strategy involves the identification of risks by type, impact and likelihood, the implementation of processes and controls to mitigate the risks, and continuous monitoring and improvement of the procedures in place to minimise the chance of an adverse compliance or operational risk event occurring. Included in this strategy is the process for underwriting and product pricing to ensure products are appropriately priced. Capital management is also a key aspect of the Consolidated Entity's risk management strategy. Capital requirements take account of all of the various regulatory reporting requirements to which the Consolidated Entity is subject.

Prudential capital requirements

Prudential capital requirements established by the APRA are in place to safeguard policyholders' interests, which are primarily the ability to meet future claim payments to policyholders. These require the Company's Capital Base to exceed the Prudential Capital Requirement throughout the year, not just at year end. The level of capital requirements also take into account specific risks faced by the Bank's insurance subsidiaries.

(iii) Methods to limit or transfer insurance risk exposures

Reinsurance

The insurance subsidiary uses reinsurance arrangements to pass on or cede to reinsurers, risks that are outside of the subsidiary's risk appetite.

Underwriting procedures

Strategic underwriting decisions are put into effect using the underwriting procedures detailed in the Bank's insurance subsidiary's Underwriting Policy. Such procedures include limits to delegated authorities and signing powers.

Claims management

Strict claims management procedures ensure timely and correct payment of claims in accordance with policy conditions.

Asset and liability management techniques

Assets are allocated to different classes of business using a risk based approach. The Bank's insurance subsidiary has a mix of short and long term business and invests accordingly. Market risk is managed through investing in cash and deposits, bank issued commercial bills, cash management trusts and managed income funds. No more than 35% of shareholder funds and funds backing insurance policy liabilities can be invested with any one counterparty subject to counterparty credit ratings.

(v) Concentration of insurance risk

Insurance risks associated with human life events

The Bank's insurance subsidiary aims to maintain a stable age profile and mix of the sexes within its portfolio of policyholders. This policy maintains a balance between the current and future profitability of the life business, and exposure to the significant external events. Despite the inevitable growth in policyholders at the age of retirement, the age profile and mix of sexes within the population of policyholders is sufficiently spread so that the risk concentration in relation to any particular age group is minimal.

3.7. FINANCIAL INSTRUMENTS

(a) Financial instrument classifications

In addition to Loans and Advances and financial liabilities at amortised cost the Bank classifies its financial instruments into one of the following four categories upon initial recognition:

(i) Financial assets held for trading

Financial assets that are held as part of the Bank's Trading Book (refer Section 3.3) are designated at fair value through the profit and loss. The Bank manages such financial assets and makes purchase and sale decisions based on their fair value in accordance with the Bank's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss in the Income Statement when incurred. Financial instruments at fair value through the profit and loss are measured at fair value, and changes therein are recognised in profit or loss in the Income Statement.

(ii) Available-for-sale financial assets

Assets that are intended to be held for an indefinite period of time but which may be sold in response to changes in interest rates, exchange rates and liquidity needs are classified as available-for-sale. These assets are initially measured at fair value plus any directly attributable transaction costs, with any changes in fair value other than impairment losses (refer section 3.4), being recognised in other comprehensive income and accumulated in reserves in equity until the asset is sold. Interest income received on these assets is recorded as net interest income and any realised gains or losses recorded in other income in the Income Statement.

(iii) Receivables due from other financial institutions

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

(iv) Derivative financial instruments

The Consolidated Entity uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. Refer to Section 3.8 for further information on Derivative Financial Instruments.

(b) Fair value of financial instruments

The financial assets and liabilities listed below are recognised and measured at fair value and therefore their carrying value equates to their face value:

- Available-for-sale financial assets;
- Financial assets and liabilities designated at fair value through the profit and loss;
- Derivatives; and
- Insurance policy liabilities.

The fair value estimates for instruments carried at amortised cost are based on the following methodologies and assumptions:

Cash and liquid assets, due from and to other financial institutions, accounts payable and other liabilities

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

Loans and advances

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

Deposits

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

Borrowings including subordinated notes

The fair values are calculated based on a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instruments.

3.7. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Comparison of fair value to carrying amounts

The table below discloses the fair value of financial instruments where their carrying value is not a reasonable approximation of their fair value :

		Consolidated Entity			
		Carrying value		Fair value	
	Section	**2014 $m**	2013 $m	**2014 $m**	2013 $m
Assets carried at amortised cost					
Loans and advances at amortised cost	3.4	**38,135.5**	34,989.3	**38,197.2**	35,104.7
		38,135.5	34,989.3	**38,197.2**	35,104.7
Liabilities carried at amortised cost					
Deposits	3.2	**(35,935.8)**	(31,698.7)	**(35,950.1)**	(31,766.7)
Borrowings including subordinated notes	3.5	**(6,534.4)**	(7,136.9)	**(6,539.0)**	(7,168.7)
		(42,470.2)	(38,835.6)	**(42,489.1)**	(38,935.4)

		Bank			
		Carrying Value		Fair Value	
		2014 $m	2013 $m	**2014 $m**	2013 $m
Assets carried at amortised cost					
Loans and advances at amortised cost	3.4	**32,035.2**	31,491.2	**32,068.2**	31,540.8
		32,035.2	31,491.2	**32,068.2**	31,540.8
Liabilities carried at amortised cost					
Deposits	3.2	**(34,068.7)**	(31,785.5)	**(34,083.0)**	(31,853.5)
Borrowings including subordinated notes	3.5	**(947.9)**	(1,312.8)	**(952.2)**	(1,344.6)
		(35,016.6)	(33,098.3)	**(35,035.2)**	(33,198.1)

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

Interest rates used for determining fair values

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

	2014	2013
Derivatives, deposits and borrowings including subordinated notes	**2.53% - 3.95%**	2.51% - 4.58%
Leases	**6.12% - 20.3%**	6.24% - 13.5%
Loans and advances at amortised cost	**4.65% - 7.30%**	4.75% - 6.85%

3.7. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value hierarchy

The Consolidated Entity measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within level 1 that are observable either directly or indirectly.
- Level 3: inputs that are unobservable i.e. there is no observable market data.

The table below analyses financial instruments carried at fair value, by valuation method. There were no material movements in Level 3 during the year.

	2014			
Consolidated Entity	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Instruments carried at fair value				
Available-for-sale financial assets	1,893.0	1,961.8	9.6	3,864.4
Financial assets designated at fair value through profit and loss	-	2,473.1	-	2,473.1
Derivative assets	-	160.3	-	160.3
	1,893.0	4,595.2	9.6	6,497.8
Derivative liabilities	-	(248.7)	-	(248.7)
	1,893.0	4,346.5	9.6	6,249.1

	2013			
Consolidated Entity	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Instruments carried at fair value				
Available-for-sale financial assets	426.2	630.8	9.8	1,066.8
Financial assets designated at fair value through profit and loss	134.2	4,200.4	-	4,334.6
Derivative assets	-	260.4	-	260.4
	560.4	5,091.6	9.8	5,661.8
Derivative liabilities	-	(137.4)	-	(137.4)
	560.4	4,954.2	9.8	5,524.4

The fair value hierarchy classification of instruments in Section 3.7 (c) is Loans and advances level 3, Deposits and Borrowings including subordinated notes level 2.

3.7. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value hierarchy (continued)

	2014			
Bank	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Instruments carried at fair value				
Available-for-sale financial assets	1,254.6	2,084.8	9.5	3,348.9
Financial assets designated at fair value through profit and loss	-	2,473.1	-	2,473.1
Derivative assets	-	131.9	-	131.9
	1,254.6	4,689.8	9.5	5,953.9
Derivative liabilities	-	(207.0)	-	(207.0)
	1,254.6	4,482.8	9.5	5,746.9

	2013			
Bank	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Instruments carried at fair value				
Available-for-sale financial assets	426.2	832.4	9.8	1,268.4
Financial assets designated at fair value through profit and loss	134.2	4,200.4	-	4,334.6
Derivative assets	-	234.0	-	234.0
	560.4	5,266.8	9.8	5,837.0
Derivative liabilities	-	(109.5)	-	(109.5)
	560.4	5,157.3	9.8	5,727.5

(e) Master netting or similar arrangements

There have been no financial assets or financial liabilities offset in the balance sheets. The Consolidated Entity has netting arrangements in place with counter parties on Derivative Financial Instruments and the effects of these netting arrangements if they were to be applied in the balance sheets has been disclosed at Section 3.8(c).

(f) Impairment of financial instruments policy

Financial assets other than loans and advances at amortised cost

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

For available-for-sale debt securities, if any increase in the fair value can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit of loss in the income statement.

Loans and advances and other assets at amortised cost

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

(i) Specific impairment provisions

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

3.7. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Impairment of financial instruments policy (continued)

(ii) Collective impairment provisions

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

3.8. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Accounting for derivatives

The Consolidated Entity and Bank used derivative financial instruments for both hedging and trading purposes in the current year. Refer to Section 3.6(a) for an explanation of the Consolidated Entity's and Bank's risk management framework.

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

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

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

Cash flow hedges

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

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

Net investment hedge

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

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Income Statement and are included in other income. The Bank has not designated any hedges as fair value hedges.

(b) Fair value of derivatives

The following table summarises the notional and fair value of the Consolidated Entity's and Bank's commitments to derivative financial instruments at reporting date. Fair value in relation to derivative financial instruments is estimated using net present value techniques. The table on the following page set out the fair values of the derivative financial instruments at 31 August 2014.

3.8. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value of derivatives (continued)

	Consolidated					
	2014			2013		
	Notional Amount	**Fair Value Asset / (Liability)**		Notional Amount	Fair Value Asset / (Liability)	
	$m	**Asset $m**	**Liability $m**	$m	Asset $m	Liability $m
Derivatives at fair value through income statement						
Interest Rate Swaps	**21,491.2**	**23.9**	**(11.4)**	18,519.9	18.8	(2.5)
Foreign Exchange Forwards	**261.3**	**1.0**	**(1.3)**	72.4	1.5	(0.9)
Futures	**12,720.0**	**4.6**	**-**	8,300.0	5.8	-
	34,472.5	**29.5**	**(12.7)**	26,892.3	26.1	(3.4)
Derivatives held as cash flow hedges						
Interest Rate Swaps	**29,512.5**	**99.3**	**(173.7)**	22,857.4	143.6	(94.6)
Cross Currency Swaps	**577.6**	**29.7**	**(44.3)**	914.5	57.4	(38.5)
Foreign Exchange Forwards	**387.1**	**1.5**	**(17.9)**	455.6	33.1	(0.9)
	30,477.2	**130.5**	**(235.9)**	24,227.5	234.1	(134.0)
Derivatives designated as net investment hedges						
Foreign Exchange Forwards	**17.4**	**0.3**	**-**	15.5	0.2	-
	64,967.1	**160.3**	**(248.7)**	51,135.3	260.4	(137.4)

	Bank					
	2014			2013		
	Notional Amount	**Fair Value Asset / (Liability)**		Notional Amount	Fair Value Asset / (Liability)	
	$m	**Asset $m**	**Liability $m**	$m	Asset $m	Liability $m
Derivatives at fair value through income statement						
Interest Rate Swaps	**20,915.8**	**23.9**	**(3.7)**	18,519.9	18.8	(2.5)
Foreign Exchange Forwards	**422.8**	**2.3**	**(1.3)**	87.9	1.7	(0.9)
Futures	**12,720.0**	**4.6**	**-**	8,300.0	5.8	-
	34,058.6	**30.8**	**(5.0)**	26,907.8	26.3	(3.4)
Derivatives held as cash flow hedges						
Interest Rate Swaps	**29,512.5**	**99.3**	**(173.8)**	22,857.4	143.6	(94.6)
Cross Currency Swaps	**159.0**	**0.3**	**(10.3)**	377.3	31.0	(10.6)
Foreign Exchange Forwards	**387.1**	**1.5**	**(17.9)**	455.6	33.1	(0.9)
	30,058.6	**101.1**	**(202.0)**	23,690.3	207.7	(106.1)
	64,117.2	**131.9**	**(207.0)**	50,598.1	234.0	(109.5)

3.8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(c) Master netting or similar arrangements

The Consolidated Entity enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. Amounts owed by each counterparty are aggregated into a single net amount that is payable by one party to another. The Consolidated Entity has not offset these amounts in the Balance Sheets and the following table sets out the effect of netting arrangements on derivative financial assets and derivative financial liabilities if they were to be applied. The Consolidated Entity normally settles on a net basis or realises the derivative assets and liabilities simultaneously.

The Consolidated Entity receives and gives collateral in the form of cash in respect of derivatives and such collateral is subject to standard industry terms.

	2014			
	Gross amounts as presented in the Balance Sheets	Net amounts of recognised assets and liabilities offset	Cash collateral	Net amounts if offsetting applied in the balance sheets
Derivative financial assets	160.3	(84.0)	-	76.3
Derivative financial liabilities	(248.7)	84.0	51.2	(113.5)

	2013			
	Gross amounts as presented in the Balance Sheets	Net amounts of recognised assets and liabilities offset	Cash collateral	Net amounts if offsetting applied in the balance sheets
Derivative financial assets	260.4	(71.5)	-	188.9
Derivative financial liabilities	(137.4)	71.5	-	(65.9)

3.9. CAPITAL MANAGEMENT

The Bank and Consolidated Entity's capital management strategy aims to ensure adequate capital levels are maintained to protect deposit holders and to maximise shareholder return. The Bank's capital is measured and managed in line with Prudential Standards issued by APRA. The capital management plan is updated annually and submitted to the Board for approval. The approval process is designed to ensure the plan is consistent with the overall business plan and for managing capital levels on an ongoing basis.

The Board has set the Common Equity Tier 1 capital target range to be between 8.0% and 9.0% of risk weighted assets and the total capital range to be between 11.5% and 12.5% of risk weighted assets. As at August 2014:

- Common Equity Tier 1 capital was 8.6%; and
- Total capital adequacy ratio was 12.0%.

	Consolidated	
Qualifying capital	**2014 $m**	2013 $m
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	**3,020.6**	2,562.6
Reserves	**58.0**	41.7
Retained profits, including current year profits	**207.0**	149.6
Total Common Equity Tier 1 Capital	**3,285.6**	2,753.9
Regulatory adjustments		
Deferred expenditure	**(122.1)**	(124.5)
Goodwill and intangibles	**(824.6)**	(586.8)
Other deductions	**(177.6)**	(182.0)
Total Regulatory adjustments	**(1,124.3)**	(893.3)
Net Common Equity Tier 1 Capital	**2,161.3**	1,860.6
Additional Tier 1 Capital	**300.0**	300.0
Net Tier 1 Capital	**2,461.3**	2,160.6
Tier 2 Capital		
Tier 2 Capital	**340.2**	270.0
General Reserve for Credit Losses	**207.4**	207.7
Net Tier 2 Capital	**547.6**	477.7
Capital Base	**3,008.9**	2,638.3
Risk Weighted Assets	**25,031.7**	21,551.7
Capital Adequacy Ratio	**12.0%**	12.2%

Prepared in accordance with APS 110.

3.10. CAPITAL AND RESERVES

(a) Ordinary Shares

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Treasury shares

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

	Consolidated		Bank	
	2014 Number	2013 Number	**2014 Number**	2013 Number
Movements during the year				
Balance at the beginning of the year – fully paid	**319,810,294**	308,797,525	**319,810,294**	308,797,525
Dividend reinvestment plan	**5,437,296**	7,809,654	**5,437,296**	7,809,654
Virgin Money (Australia) Pty Limited acquisition (1)	**-**	3,203,115	**-**	3,203,115
BOQ Specialist Bank Limited (2)	**37,269,245**	-	**37,269,245**	-
Balance at the end of the year – fully paid	**362,516,835**	319,810,294	**362,516,835**	319,810,294
Treasury shares (included in ordinary shares above)				
Balance at the beginning of the year	**162,371**	867,293	**29,851**	304,580
Net acquisitions and disposals during the year	**135,208**	(704,922)	**(29,851)**	(274,729)
Balance at the end of the year	**297,579**	162,371	**-**	29,851

(1) In the prior year, the Bank acquired 100% of Virgin Money (Australia) Pty Limited for $42.6m. $30.6 million of new shares were issued in two tranches (Tranche 1 - 1,585,353 and Tranche 2 - 1,617,762) as part of the acquisition consideration. Fair value of the ordinary shares issued was based on the listed share price of BOQ at 30 April 2013 of $10.24 per share.

(2) On 31 July 2014, the Bank acquired 100% of BOQ Specialist Bank Limited formerly Investec Bank (Australia) Limited. $210 million of the consideration was financed through the issue of new shares by way of Institutional Entitlement and Retail Entitlement offers.

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as determined from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Bank, ordinary shareholders rank after preference shareholders and creditors and are fully entitled to any residual proceeds of liquidation.

(b) Perpetual Equity Preference Shares ("PEPS")

Preference shares

Preference share capital is classified as equity if it is non-redeemable. Dividends thereon are recognised as distributions within equity upon declaration by the Directors.

Preference share capital is classified as a financial liability if it is redeemable on a specific date. Dividends thereon are recognised as interest expense in the Income Statement as accrued.

	Consolidated		Bank	
	2014 Number	2013 Number	**2014 Number**	2013 Number
Balance at beginning of the year – fully paid	**-**	2,000,000	**-**	2,000,000
Balance at end of the year – fully paid	**-**	-	**-**	-

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

3.10. CAPITAL AND RESERVES (CONTINUED)

(c) Nature and purpose of reserves

Employee benefits reserve

The employee equity benefits reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Section 6.1 for further details of these plans.

Equity reserve for credit losses

Refer to significant accounting policies Section 6.10 (h).

Available-for-sale reserve

Changes in the fair value of investments, such as bonds and floating rate notes classified as available-for-sale financial assets, are recognised in other comprehensive income as described in Section 3.7 (a)(ii) and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

Cash flow hedge reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in Section 3.8 (a). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

SECTION 4. OTHER ASSETS AND LIABILITIES

4.1. INTANGIBLE ASSETS

	Consolidated					Bank				
	Goodwill $m	Customer related intangibles and brands $m	Computer software $m	Other $m	Total $m	Goodwill $m	Customer contracts $m	Computer software $m	Other $m	Total $m
Cost										
Balance as at 1 September 2012	444.4	107.4	203.8	7.4	763.0	8.1	5.0	191.0	2.1	206.2
Additions	43.6	-	29.0	2.1	74.7	-	-	28.6	2.1	30.7
Disposals	-	-	(2.0)	-	(2.0)	-	-	(0.6)	-	(0.6)
Balance as at 31 August 2013	488.0	107.4	230.8	9.5	835.7	8.1	5.0	219.0	4.2	236.3
Balance as at 1 September 2013	488.0	107.4	230.8	9.5	835.7	8.1	5.0	219.0	4.2	236.3
Additions	213.7	-	50.7	1.0	265.4	-	-	46.9	1.0	47.9
Disposals	-	-	(5.4)	-	(5.4)	-	-	(4.1)	-	(4.1)
Balance as at 31 August 2014	**701.7**	**107.4**	**276.1**	**10.5**	**1,095.7**	**8.1**	**5.0**	**261.8**	**5.2**	**280.1**
Amortisation and impairment losses										
Balance as at 1 September 2012	-	60.7	144.2	3.5	208.4	-	5.0	140.5	1.4	146.9
Amortisation for the year	-	14.6	18.6	1.4	34.6	-	-	16.5	1.4	17.9
Balance as at 31 August 2013	-	75.3	162.8	4.9	243.0	-	5.0	157.0	2.8	164.8
Balance as at 1 September 2013	-	75.3	162.8	4.9	243.0	-	5.0	157.0	2.8	164.8
Amortisation for the year	-	10.3	14.7	1.0	26.0	-	-	12.9	1.0	13.9
Disposals	-	-	(0.5)	-	(0.5)	-	-	(0.1)	-	(0.1)
Balance as at 31 August 2014	**-**	**85.6**	**177.0**	**5.9**	**268.5**	**-**	**5.0**	**169.8**	**3.8**	**178.6**
Carrying amounts										
Carrying amount as at 1 September 2012	444.4	46.7	59.6	3.9	554.6	8.1	-	50.5	0.7	59.3
Carrying amount as at 31 August 2013	488.0	32.1	68.0	4.6	592.7	8.1	-	62.0	1.4	71.5
Carrying amount as at 31 August 2014	**701.7**	**21.8**	**99.1**	**4.6**	**827.2**	**8.1**	**-**	**92.0**	**1.4**	**101.5**

4.1. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of the cash generating units containing goodwill

	Consolidated		Bank	
The aggregate carrying amounts of goodwill are:	**2014 $m**	2013 $m	**2014 $m**	2013 $m
BOQ Equipment Finance Limited	**12.9**	12.9	**-**	-
Orix debtor finance division	**8.1**	8.1	**8.1**	8.1
Pioneer Permanent Building Society Limited	**24.0**	24.0	**-**	-
Home Building Society Ltd	**399.4**	399.4	**-**	-
Virgin Money (Australia) Pty Ltd	**43.0**	43.6	**-**	-
BOQ Specialist Bank Limited	**214.3**	-	**-**	-
	701.7	488.0	**8.1**	8.1

Goodwill on acquisition of all of the above entities has been allocated to the Banking cash generating unit ("CGU"). The impairment test for goodwill is performed by comparing the CGU's carrying amount with its recoverable amount. The recoverable amount is based on the CGU's value in use for both CGU's. The excess of the recoverable amount over the carrying amount was $640.9 million (2013: $1,297.3 million).

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

- cash flows based on the banking segment's 3 year projections (2013: 3 years);
- a medium term growth rate of 9% (2013: 9%) for the 7 years (2013: 7 years) subsequent to these projections;
- a terminal value at year 10 based on a long term growth rate of 3% (2013: 3%) and a terminal price earnings multiple of 11.7 (2013: 13.6) times earnings; and
- a pre tax discount rate of 15.8% (2013: 14.8%).

The values assigned to the key assumptions represent management's assessments of future trends in banking and are based on both external and internal sources. In assessing the volatility of these assumptions management has identified two key assumptions that if a reasonably possible change occurred could cause the carrying amount of the Banking CGU to exceed the recoverable amount. The two assumptions identified are set out below along with the amount by which each would need to change in order for the estimated recoverable amount to be equal to the carrying amount.

	2014 %	2013 %
Pre tax discount rate	**18.0**	18.7
Medium term growth rate	**6.0**	3.7

Accounting policy

Initial recognition and measurement

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

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Consideration transferred included the fair values of the assets transferred, liabilities incurred by the Consolidated Entity to the previous owners of the acquired entity, and equity interests issued by the Consolidated Entity.

Goodwill

Goodwill is the excess of the cost of acquisition over the fair value of the Bank's share of the identifiable net assets of the acquired subsidiary. Any goodwill is tested annually for impairment, with any impairment taken directly to the profit or loss in the Income Statement.

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

Amortisation

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

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

	Years
Computer software	3-10
Customer related intangibles and brands	3-10

4.2. PROVISIONS

	Consolidated		Bank	
	2014 $m	2013 $m	**2014 $m**	2013 $m
Employee benefits [(1)]	**21.5**	15.4	**15.3**	13.1
Leases	**5.3**	0.8	**3.1**	0.4
Product Review [(2)]	**36.4**	44.6	**36.4**	44.6
Provision for non-lending loss [(3)]	**34.0**	10.6	**33.4**	10.6
Other [(4)]	**6.9**	7.5	**-**	-
Total	**104.1**	78.9	**88.2**	68.7

(1) Employee benefits provisions consist of annual leave and long service leave entitlements for employees.
(2) Product review provision for customer refunds and review costs.
(3) Included within the Non-lending losses provision is $31.5m in respect of the Storm Financial settlement. On 22 September 2014, the Bank announced an agreement to settle the outstanding Storm Financial proceedings which had been brought against the Bank by the Australia Securities and Investment Commission (ASIC) and a class action on behalf of borrowers advised by Storm Financial. Timing of settlement is unknown and subject to court approval of the agreed settlement provisions.
(4) Other provisions include provision for non-lending losses and in the Consolidated Entity, insurance claims reserves.

Movements in provisions

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

	Consolidated				Bank			
2014	Leases $m	Product Review $m	Non-lending loss	Other $m	Leases $m	Product Review $m	Non-lending loss	Other $m
Carrying amount at beginning of year	0.8	44.6	10.6	7.5	0.4	44.6	10.6	-
Additional provision recognised	5.6	-	33.0	(0.6)	3.6	-	32.5	-
Amounts utilised during the year	(1.1)	(8.2)	(9.6)	-	(0.9)	(8.2)	(9.7)	-
Carrying amount at end of year	**5.3**	**36.4**	**34.0**	**6.9**	**3.1**	**36.4**	**33.4**	**-**

Accounting policy

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

SECTION 5. INSURANCE BUSINESS

5.1. INSURANCE BUSINESS

(a) Basis of preparation

The effective date of the actuarial report on life insurance policy liabilities and regulatory capital requirements, is 31 August 2014. The actuarial report was prepared by Mr Wayne Kenafacke, Fellow of the Institute of Actuaries of Australia. This report indicates that Mr Kenafacke is satisfied as to the accuracy of the data upon which policy liabilities have been determined.

The amount of policy liabilities have been determined in accordance with methods and assumptions disclosed in this financial report and the requirements of applicable accounting standards. Specifically, policy liabilities for life insurance contracts are determined in accordance with AASB 1038 Life Insurance Contracts and LPS: 340 Valuation of Policy Liabilities. These require policy liabilities to be calculated in a way which allows for the systematic release of planned margins as services are provided to policyholders and premiums are received.

Accumulation methods have been used to estimate the policy liabilities, as the provision for unearned premium reserve less a deferred acquisition cost component. Outstanding claims liabilities and Incurred But Not Reported (IBNR) liabilities are included in provisions.

Premium earning pattern

For single premium products, the Unearned Premium Reserve ("UPR") is based on a premium earning pattern that is similar to the pattern of expected future claim payments. The future claim payments are based on an assessment of the future sum insured (e.g. outstanding loan balances for mortgage and loan protection) and future claims frequencies. Past experience is used to set these assumptions. This earning pattern is also used to recognise commissions incurred.

For regular premium products, the UPR is based on the unearned proportion of premium for the given premium payment frequency.

Mortality and morbidity

Mortality and morbidity assumptions used in determining IBNR, pending and continuing claims provisions have been based on the experience of similar products issued by the Company and recent experience. The disputed claims provision is based on individual claim estimates and an assumed 50% probability of disputed claims being incurred.

(b) Processes used to determine actuarial assumptions

Sensitivity analysis

As a result of using an accumulation approach in the determination of policy liabilities, changes of assumptions will not affect the policy liabilities in the current period. As at 31 August 2014, no Related Product Groups were in loss recognition. Changes in the underlying variables and assumptions will give rise to a difference in the emergence of profit margins in the future.

Changes in assumptions relating to claims provisions would affect policy liabilities in the current period.

Variable	Impact of movement in underlying variable
Mortality rates	For contracts providing death benefits, greater mortality rates would lead to higher levels of claims occurring sooner than anticipated, increasing associated claims cost and therefore reducing profit and shareholder equity.
Morbidity rates	The cost of disability related claims depends on both the incidence of policyholders becoming disabled and the duration which they remain so. Higher than expected incidence and duration would be likely to increase claim costs, reducing profit and shareholder's equity.

5.1. INSURANCE BUSINESS (CONTINUED)

(c) Reconciliation of movements

	2014 $m	2013 $m
Reconciliation of movements in insurance policy liabilities		
Life Insurance contract policy liabilities		
Gross life insurance contract liabilities at the beginning of the financial year	**60.7**	62.6
Decrease in life insurance contract policy liabilities (i)	**(8.8)**	(1.9)
Gross life insurance contract liabilities at the end of the financial year	**51.9**	60.7
Liabilities ceded under reinsurance		
Opening balance at the beginning of the financial year	**(2.3)**	(2.8)
Decrease in life reinsurance assets (ii)	**0.4**	0.5
Closing balance at the end of the financial year	**(1.9)**	(2.3)
Net life policy liabilities at the end of the financial year	**50.0**	58.4
(i) plus (ii) = change in life insurance contract liabilities reflected in the Income Statement	**(8.4)**	(1.4)
Components of net life insurance contract liabilities		
Future policy benefits	**75.9**	81.4
Future charges for acquisition costs	**(25.9)**	(23.0)
Total net life insurance contract policy liabilities	**50.0**	58.4
Components of general insurance liabilities		
Unearned Premium Liability	**12.1**	13.3
Outstanding Claims Liability	**0.9**	0.8
	13.0	14.1
Total Insurance Policy Liabilities	**63.0**	72.5

Note: Future policy benefits include the unearned premium components of the liability. The accumulation method has been used to calculate policy liabilities and components relating to expenses and profits are not separately calculated.

(d) Life Insurance Regulatory Capital requirements

The regulatory capital requirement of each fund and for the subsidiary in total is the amount required to be held in accordance with LPS 110: Capital Adequacy. These are amounts required to meet the prudential standards prescribed by the Life Insurance Act 1995 to provide protection against the impact of fluctuations and unexpected adverse circumstances on the life company.

The methodology and bases for determining the Capital Base and regulatory capital requirements are in accordance with relevant Prudential Requirements.

5.1. INSURANCE BUSINESS (CONTINUED)

(d) Life Insurance Regulatory Capital requirements (continued)

	2014 Statutory Fund No. 1 $m	2014 Shareholders' Fund $m
Capital Base		
Net Assets	**29.0**	**0.9**
Add / (subtract) regulatory adjustments to Net Assets	**(8.7)**	**-**
Total capital base	**20.3**	**0.9**
Asset risk charge	**1.3**	**-**
Operational risk charge	**1.9**	**-**
Total prescribed capital amount	**3.2**	**-**
Assets in excess of prescribed capital amount	**17.1**	**0.9**
Capital adequacy multiple	**6.5**	**88.2**

	2014 $m	2013 $m
Composition of capital Base		
Common equity tier 1 capital	**29.9**	**33.4**
Subtract regulatory adjustments to common equity tier 1 capital	**(8.7)**	**(11.6)**
Total capital base	**21.2**	**21.8**
Prescribed Capital Amount		
Statutory Fund No. 1	**3.2**	**3.4**
Additional amount to meet company minimum	**6.8**	**6.6**
Total prescribed capital amount	**10.0**	**10.0**
Assets in excess of prescribed capital amount	**11.2**	**11.8**
Capital adequacy multiple	**2.1**	**2.2**

5.1. INSURANCE BUSINESS (CONTINUED)

(d) Life Insurance Regulatory Capital requirements (continued)

Disaggregated information life insurance (before consolidation adjustments)

Summarised Statement of Profit and Loss and Other Comprehensive Income	**2014 $m**	2013 $m
Revenue		
Life insurance premium revenue	**56.2**	62.3
Investment income	**3.6**	4.4
Net life insurance revenue	**59.8**	66.7
Expenses		
Net claims and other liability expense from insurance contracts	**26.6**	35.0
Other expenses	**5.5**	7.4
	32.1	42.4
Profit before income tax	**27.7**	24.3
Income tax expense	**(8.3)**	(7.3)
Profit after income tax	**19.4**	17.0
Statement of Sources of Profit for Statutory Funds		
Operating profit after income tax arose from:		
Components of profit related to movement in life insurance liabilities:		
Planned margins of revenues over expenses released	**16.7**	15.3
Difference between actual and assumed experience	**1.2**	(0.1)
Investment earnings on assets in excess of life insurance policy liabilities and provision	**1.4**	1.2
Summarised Balance Sheet		
Assets		
Investment assets	**99.0**	98.5
Other assets	**1.7**	2.1
	100.7	100.6
Liabilities		
Net life insurance liabilities	**46.8**	50.2
Liabilities other than life insurance liabilities	**24.0**	16.9
	70.8	67.1
Issued capital, reserves and retained profits		
Directly attributable to shareholders	**29.9**	33.4
	29.9	33.4

The life insurance business has no life investment contracts.

Accounting policy

Principles for life insurance

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

Life insurance contracts involve the acceptance of significant insurance risk. Insurance risk is defined as significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

5.1. INSURANCE BUSINESS (CONTINUED)

Accounting policy (continued)

Any products sold that do not meet the definition of a life insurance contract are classified as life investment contracts. Insurance contracts include those where the insured benefit is payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness. The insured benefit is either not linked or only partly linked to the market value of the investments held by the Consolidated Entity, and the financial risks are substantially borne by the Consolidated Entity.

Monies held in the statutory fund are subject to distribution and transfer restrictions and other requirements of the Life Insurance Act 1995.

Under AASB 1038, the financial statements must include all assets, liabilities, revenues, expenses and equity, irrespective of whether they are designated as relating to shareholders or policy owners. Therefore, the Consolidated Entity's financial statements comprise the total of all statutory funds and the Shareholders' Fund.

Insurance contract liability

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

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

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

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

Revenue Recognition

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

Investment income is recognised on an accruals basis. Realised and unrealised gains and losses are included in the Income Statement as investment income.

Claims expense – insurance contracts

Claims incurred all relate to the provision of services, including the bearing of risks, and are treated as expenses.

Claims are recognised when the liability to the policyholder under the policy contract has been established. Claims recognition is based upon:

- cost estimates for losses reported to the close of the financial year; and
- estimated incurred, but not reported losses, based upon past experience.

Deferred acquisition costs - Life insurance contracts

The fixed and variable costs of acquiring new life insurance business are deferred to the extent that such costs are deemed recoverable from future premiums or policy charges. These costs include commission, policy issue and underwriting costs, certain advertising costs and other sales costs. Acquisition costs deferred are limited to the lesser of the actual costs incurred and the allowance for the recovery of such costs in the premium or policy charges. The actual acquisition costs incurred are recorded in profit or loss in the Income Statement. The value and future recovery of these costs are assessed in determining policy liabilities. This has the effect that acquisition costs are deferred within the policy liability balance and amortised over the period that they will be recovered from premiums or policy charges.

Critical Accounting Judgements and Estimates:

The Consolidated Entity's insurance subsidiary makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where critical accounting judgements and estimates are applied are noted below.

Policy liabilities

Policy liabilities for life insurance contracts are computed using statistical or mathematical methods, which are expected to give approximately the same results as if an individual liability was calculated for each contract. The computations are made by suitably qualified personnel on the basis of recognised actuarial methods, with due regard to relevant actuarial principles. The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written. The key factors that affect the estimation of these liabilities and related assets are:

- The cost of providing benefits and administering these insurance contracts;
- Mortality and morbidity experience on life insurance products, including enhancements to policyholder benefits; and
- Discontinuance experience, which affects the Bank's ability to recover the cost of acquiring new business over the lives of the contracts.

In addition, factors such as regulation, competition, interest rates, taxes, securities market conditions and general economic conditions affect the level of these liabilities.

SECTION 6. OTHER NOTES

6.1. EMPLOYEE BENEFITS

(a) Superannuation commitments

The Consolidated Entity contributes to defined contribution superannuation plans which comply with the Superannuation Industry (Supervision) Act 1993.

Basis of contributions

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

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

During the year, employer contributions were made, refer to Section 2.2.

(b) Share based payments

(i) Description of share based payments

Long-Term Incentives - Award Rights

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

PARs

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

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

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

DARs

There are no market performance hurdles or vesting conditions for DARs but the holder must remain an employee of the Bank. Vested DARs are generally exercisable within 5 years after they are granted (approximately 2 to 4 years after vesting).

Restricted Shares

The Consolidated Entity has used shares with restrictions on disposal as a non-cash, share based component of both short term and long term incentive awards.

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

	Deferred Award Rights		Performance Award Rights		Restricted Shares	
	2014 '000	2013 '000	**2014 '000**	2013 '000	**2014 '000**	2013 '000
Balance at beginning of the year	1,029	1,112	1,462	1,099	29	204
Granted during the year	408	515	904	756	198	-
Forfeited / expired during the year	(39)	(136)	(90)	(352)	-	-
Exercised during the year	(457)	(462)	(78)	(41)	(30)	(175)
Outstanding at the end of the year	941	1,029	2,198	1,462	197	29

(ii) Measurement of fair values

The fair value of the PARs and DARs has been measured using the trinomial pricing methodology.

Restricted shares have been valued based on the volume weighted average price of ordinary shares in BOQ sold on the ASX during a 10 day trading period. The shares vest on the respective expiry dates and meeting certain service conditions.

6.1. EMPLOYEE BENEFITS (CONTINUED)

(b) Share based payments (continued)

The weighted average of the inputs used in the measurements at grant date of the long-term incentive award rights were as follows:

	Deferred Award Rights		Performance Award Rights		Restricted Shares	
	2014	2013	**2014**	2013	**2014**	2013
Fair value at grant date	$7.64	$7.63	$5.00	$4.75	$11.43	$6.84
Share price at grant date	$8.82	$8.50	$9.08	$8.61	$11.43	$7.30
Expected volatility	36.5%	36.7%	31.7%	35.7%	25.2%	-
Risk free interest rate	2.9%	3.5%	2.9%	3.5%	2.8%	-
Dividend yield	7.1%	6.4%	6.2%	6.2%	5.0%	-

6.2. COMMITMENTS

	Consolidated		Bank	
	2014 $m	2013 $m	**2014 $m**	2013 $m
(a) Lease commitments				
Future rentals in respect of operating leases (principally in respect of premises) not provided for in these financial statements comprise amounts payable:				
Within 1 year	**39.8**	39.0	**34.9**	37.1
Between 1 year and 5 years	**91.4**	65.6	**87.3**	61.7
Later than 5 years	**98.9**	0.3	**98.9**	0.3
	230.1	104.9	**221.1**	99.1
(b) Customer funding commitments				
Loans to customers approved but not drawn at year end	**1,375.7**	1,021.5	**680.2**	564.5
Amounts undrawn against lines of credit	**522.2**	448.8	**344.2**	357.2
	1,897.9	1,470.3	**1,024.4**	921.7

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

6.3. CONTINGENT LIABILITIES

	Consolidated		Bank	
	2014 $m	2013 $m	**2014 $m**	2013 $m
Guarantees	**239.9**	227.3	**215.4**	227.3
Letters of credit	**12.3**	8.4	**12.3**	8.4
	252.2	235.7	**227.7**	235.7

Guarantees, indemnities and letters of credit

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

Legal proceedings

On 13 February 2014 judgement was given in favour of the Bank for proceedings involving the Bank by a number of former Owner-Managers in NSW. An appeal has been filed in relation to this judgement. At this stage no estimate of any potential liability can be made.

6.4. RELATED PARTIES INFORMATION

(a) Controlled entities

Details of interests in material controlled entities are set out in Section 6.5.

During the year there have been transactions between the Bank and all of its controlled entities. The Bank conducted normal banking business with its operating controlled entities. Amounts owing to or from controlled entities do not attract interest, except in respect of BOQ Equipment Finance Limited, St Andrew's Australia Services Pty Ltd, BOQ Finance (Aust) Ltd, BOQ Finance (NZ) Ltd and Virgin Money (Australia) Pty Limited where interest is charged on normal terms and conditions.

The Bank receives management fees from B.Q.L. Management Pty Ltd and BOQ Equipment Finance Limited.

The Bank has a related party relationship with equity accounted joint ventures, refer to Section 6.7.

(b) Key management personnel compensation

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Bank and the Consolidated Entity, including Directors and other executives.

Key management personnel compensation included in 'administrative expenses' and 'employee expenses' (refer to Section 2.2) is as follows:

	Consolidated and Bank	
	2014 $	2013 $
Short-term employee benefits	**9,599,506**	9,343,008
Post-employment benefits	**298,792**	263,992
Long term employee benefits	**25,703**	11,446
Termination benefits	**-**	755,978
Share based employment benefits	**5,192,081**	3,554,972
	15,116,082	13,929,396

Individual Directors and executives compensation disclosures

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

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

6.4. RELATED PARTIES INFORMATION (CONTINUED)

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

A number of key management personnel or their related parties hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Financial instrument transactions with key management personnel and personally-related entities during the financial year arise out of the provision of banking services, the acceptance of funds on deposit, the granting of loans and other associated financial activities. The terms and conditions of the transactions with management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available on similar transactions to non-Director related entities on an arm's length basis.

The following are transactions undertaken between the Consolidated Entity and key management personnel as at 31 August 2014:

	Balance as at		For the period [1]			
	01/09/13 $	31/08/14 $	Total Loan Repayments $	Total Loan Redraws / Further Advances $	Total Loan / Overdraft interest $	Total Fees on Loans / Overdraft $
Term Products (Loans / Advances)	**(2,292,172)**	**(3,619,345)**	**791,954**	**(1,965,439)**	**(153,368)**	**(320)**

	Balance as at		For the period [1]			
	01/09/12 [2] $	31/08/13 $	Total Loan Repayments $	Total Loan Redraws / Further Advances $	Total Loan / Overdraft interest $	Total Fees on Loans / Overdraft $
Term Products (Loans / Advances)	(1,210,036)	(2,292,172)	493,850	(2,603,395)	(91,740)	(113)

(1) Amounts are included only for the period that the Director / Executive is classified as a member of the key management personnel.

(2) Balance as at 1 September 2012 will not equal 31 August 2012 closing balance due to changes in key management personnel during the year.

Other transactions

Transactions between the Consolidated Entity and Key Management Personnel (other than loans/advances and shares) during the financial year related to personal banking, investment and deposit transactions. These transactions are considered trivial or domestic in nature, were on normal commercial terms and conditions and in the ordinary course of business.

Transactions between the Consolidated Entity and other related parties of Key Management Personnel relate to loans on normal commercial terms and conditions. Details of loans outstanding at the reporting date to other related parties of Directors and Senior Executives are as follows:

	2014			
	Balance at 1 September 2013 $	Interest paid and payable during the year $	Balance at 31 August 2014 $	Highest balance during the year $
Richard Haire Related Party	191,000	9,148	191,000	191,777

6.5. CONTROLLED ENTITIES

(a) Particulars in relation to material controlled entities

The Group's principal subsidiaries at 31 August 2014 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group. The Bank owns 100% of all subsidiaries with nil ownership interest held by non-controlling interests. The country of incorporation or registration is also their principal place of business.

	Place of business/ country of incorporation	Parent entity's interest		Amount of Investment (at cost)		Principal activities
Controlled entities:		**2014**	2013	**2014 $m**	2013 $m	
B.Q.L. Management Pty Ltd	Australia	**100%**	100%	**-**	-	Trust management
B.Q.L. Nominees Pty Ltd	Australia	**100%**	100%	**-**	-	Dormant
B.Q.L. Properties Limited	Australia	**100%**	100%	**5.0**	5.0	Dormant
Queensland Electronic Switching Pty Ltd	Australia	**100%**	100%	**-**	-	Dormant
BOQ Equipment Finance Limited	Australia	**100%**	100%	**0.1**	0.1	Asset Finance & Leasing
St Andrew's Australia Services Pty Ltd	Australia	**100%**	100%	**15.4**	15.4	Insurance
Series 2005-2 REDS Trust	Australia	**-**	100%	**-**	-	Securitisation
REDS Warehouse Trust No.1	Australia	**100%**	100%	**-**	-	Securitisation
REDS Warehouse Trust No.2	Australia	**100%**	100%	**-**	-	Securitisation
Series 2006-1E REDS Trust	Australia	**100%**	100%	**-**	-	Securitisation
Series 2007-1E REDS Trust	Australia	**100%**	100%	**-**	-	Securitisation
Series 2007-2 REDS Trust	Australia	**100%**	100%	**-**	-	Securitisation
Series 2008-1 REDS Trust	Australia	**100%**	100%	**-**	-	Securitisation
Series 2008-2 REDS Trust	Australia	**100%**	100%	**-**	-	Securitisation
Series 2009-1 REDS Trust	Australia	**100%**	100%	**-**	-	Securitisation
REDS Warehouse Trust No.3	Australia	**100%**	100%	**-**	-	Securitisation
Series 2010-1 REDS Trust	Australia	**100%**	100%	**-**	-	Securitisation
Series 2010-2 REDS Trust	Australia	**100%**	100%	**-**	-	Securitisation
Series 2012-1E EHP REDS Trust	Australia	**100%**	100%	**-**	-	Securitisation
Series 2012-1E REDS Trust	Australia	**100%**	100%	**-**	-	Securitisation
Series 2013-1 EHP REDS Trust	Australia	**100%**	100%	**-**	-	Securitisation
Series 2013-1 REDS Trust	Australia	**100%**	100%	**-**	-	Securitisation
Pioneer Permanent Limited	Australia	**100%**	100%	**60.1**	60.1	Dormant
BOQ Home Limited (1)	Australia	**100%**	100%	**600.2**	600.2	Dormant
Home Financial Planning Pty Ltd	Australia	**100%**	100%	**-**	-	Dormant
Home Credit Management Ltd	Australia	**100%**	100%	**-**	-	Investment holding entity
Statewest Financial Services Ltd	Australia	**100%**	100%	**-**	-	Dormant
Statewest Financial Planning Pty Ltd	Australia	**100%**	100%	**-**	-	Dormant
BOQ Share Plans Nominee Pty Ltd	Australia	**100%**	100%	**-**	-	Trust management
Bank of Queensland Limited Employee Share Plans Trust	Australia	**100%**	100%	**-**	-	Trust management
St Andrew's Life Insurance Pty Ltd	Australia	**100%**	100%	**-**	-	Life Insurance
St Andrew's Insurance (Australia) Pty Ltd	Australia	**100%**	100%	**-**	-	General Insurance
BOQ Finance (Aust) Limited	Australia	**100%**	100%	**230.2**	230.2	Asset Finance & Leasing
BOQ Funding Pty Ltd	Australia	**100%**	100%	**-**	-	Financing and credit
BOQ Credit Pty Limited	Australia	**100%**	100%	**-**	-	Asset Finance & Leasing
BOQ Funding Pty Limited	Australia	**100%**	100%	**-**	-	Asset Finance & Leasing

(1) Entity was formerly known as Pioneer Permanent Building Society Limited.
(2) Entity was formerly known as Home Building Society Ltd.

6.5. CONTROLLED ENTITIES (CONTINUED)

(a) Particulars in relation to material controlled entities (continued)

Controlled entities:	Place of business/ country of incorporation	Parent entity's interest 2014	Parent entity's interest 2013	Amount of Investment (at cost) 2014 $m	Amount of Investment (at cost) 2013 $m	Principal activities
BOQ Finance (NZ) Limited	New Zealand	**100%**	100%	**22.1**	22.1	Asset Finance & Leasing
Equipment Rental Billing Services Pty Ltd	Australia	**100%**	100%	**-**	-	Dormant
Hunter Leasing Ltd	Australia	**100%**	100%	**-**	-	Dormant
Newcourt Financial (Australia) Pty Limited	Australia	**100%**	100%	**-**	-	Dormant
Virgin Money (Australia) Pty Limited	Australia	**100%**	100%	**42.6**	42.6	Financial services
Virgin Money Home Loans Pty Limited	Australia	**100%**	100%	**-**	-	Dormant
Virgin Money Financial Services Pty Ltd	Australia	**100%**	100%	**-**	-	Financial services
BOQ Specialist Bank Limited	Australia	**100%**	-	**551.5**	-	Professional Finance and Asset Finance & Leasing
BOQ Specialist Pty Ltd	Australia	**100%**	-	**-**	-	Professional Finance
BOQ Asset Finance and Leasing Pty Ltd	Australia	**100%**	-	**-**	-	Asset Finance & Leasing
				1,527.2	975.7	

(b) Significant restrictions

In accordance with Prudential Standard APS 222, the Bank and its subsidiaries that form part of the Extended Licensed Entities are restricted from having unlimited exposures to related entities, including general guarantees. These related entities are as follows:

- Virgin Money (Australia) Pty Limited;
- Virgin Money Home Loans Pty Limited;
- Virgin Money Financial Services Pty Ltd;
- St Andrews Australia Services Pty Ltd;
- St Andrews Life Insurance Pty Ltd
- St Andrews Insurance (Australia) Pty Ltd;
- BOQ Specialist Bank Limited;
- BOQ Specialist Pty Ltd; and
- BOQ Asset Finance and Leasing Pty Ltd.

(c) Disposal of controlled entities

Series 2005-2 REDS Trust was closed on 12 June 2014.

(d) Acquisition of controlled entities

On 31 July 2014, the Bank acquired 100% of BOQ Specialist Limited formerly known as the Professional Finance and Asset Finance & Leasing businesses of Investec Bank (Australia) Limited (Investec) for consideration of $210 million. The purchase was funded through a $400 million fully-underwritten, renounceable entitlement offer, as well as excess capital.

BOQ Specialist Limited focuses on providing banking, advisory and investment products and services to a wide range of private, corporate and institutional clients. The Bank purchased BOQ Specialist Limited for further diversification of the business and for the access to a niche market in Professional Finance.

In the period from 1 August 2014 to 31 August 2014 BOQ Specialist Bank Limited contributed a profit after tax of $3.1 million.

The effect of the provisional accounting on the Consolidated Entity's assets and liabilities is set out on the following page.

(d) Acquisition of controlled entities (continued)

The provisional acquisition accounting had the following effect on the consolidated entity's assets and liabilities:

	Recognised values on acquisition $m	Pre-acquisition carrying amounts $m
Assets		
Cash and liquid assets	52.0	52.0
Other financial assets	544.5	544.4
Loans and advances at amortised cost	2,504.1	2,507.8
Other assets	13.2	13.2
Property, plant & equipment	3.0	3.0
Deferred tax assets	1.8	-
Total assets	3,118.6	3,120.4
Liabilities		
Deposits	(2,328.1)	(2,325.6)
Derivative financial instruments	(7.6)	(7.6)
Accounts payable and other liabilities	(42.6)	(42.6)
Borrowings including subordinated notes	(744.0)	(744.0)
Deferred tax liabilities	(0.6)	(0.6)
Total liabilities	(3,122.9)	(3,120.4)
Net identifiable assets and liabilities	(4.3)	-
Goodwill and other identifiable assets on acquisition	214.3	
Total Consideration	210.0	
Consideration paid, satisfied in cash	210.0	
Cash acquired	(52.0)	
Net cash outflow	158.0	

At 31 August 2014, the acquisition accounting balances were provisional due to ongoing work related to various matters which will impact the acquisition accounting entries.

6.6. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 19 August 2005, certain wholly-owned subsidiaries are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

It is a condition of the Class Order that the Bank and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Bank guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Bank will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Bank is wound up.

The subsidiaries to the Deed are:

- B.Q.L. Properties Limited;
- BOQ Equipment Finance Limited;
- B.Q.L. Management Pty Ltd;
- St Andrew's Australia Services Pty Ltd;
- B.Q.L. Nominees Pty Ltd;
- Queensland Electronic Switching Pty Ltd;
- BOQ Share Plans Nominee Pty Ltd;
- Pioneer Permanent Limited;
- BOQ Home Limited;
- Home Credit Management Ltd;
- StateWest Financial Services Limited;
- BOQ Finance (Aust) Limited;
- BOQ Credit Pty Limited;
- BOQ Funding Pty Limited;
- Equipment Rental Billing Services Pty Ltd;
- Hunter Leasing Ltd; and
- Newcourt Financial (Australia) Pty Limited.

A summarised consolidated Income Statement and consolidated Balance Sheet, comprising the Bank and its controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 August 2014 is set out as follows:

SUMMARISED INCOME STATEMENT AND RETAINED PROFITS

	Consolidated	
	2014 $m	2013 $m
Profit before tax	**368.3**	273.3
Less: Income tax expense	**(110.7)**	(80.7)
Profit for the year	**257.6**	192.6
Retained profits at beginning of year	**144.2**	138.2
Dividends to shareholders	**(199.1)**	(174.6)
Retained profits at end of year	**202.7**	156.2
Profit attributable to:		
Equity holders of the parent	**257.6**	192.7
Profit for the year	**257.6**	192.7

6.6. DEED OF CROSS GUARANTEE (CONTINUED)

BALANCE SHEET

	Consolidated	
Assets	**2014 $m**	2013 $m
Cash and liquid assets	**430.9**	350.9
Due from other financial institutions - Term Deposits	**-**	1.9
Financial assets available-for-sale	**2,472.6**	4,333.6
Financial assets held for trading	**3,348.9**	1,268.4
Derivative assets	**131.9**	234.0
Loans and advances at amortised cost	**35,592.4**	34,992.4
Other assets	**252.8**	284.2
Shares in controlled entities	**645.9**	92.4
Property, plant and equipment	**41.6**	29.6
Deferred tax assets	**111.5**	104.5
Intangible assets	**564.0**	543.6
Investments in joint arrangements	**20.5**	21.4
Total assets	**43,613.0**	42,256.9
Liabilities		
Due to other financial institutions - Accounts Payable at call	**233.2**	201.1
Deposits	**33,648.0**	31,705.3
Derivative liabilities	**207.0**	109.5
Accounts payable and other liabilities	**372.7**	348.9
Current tax liabilities	**71.4**	23.0
Provisions	**94.9**	73.9
Borrowings including subordinated notes	**941.6**	1,300.9
Amounts due to controlled entities	**4,712.2**	5,666.6
Total liabilities	**40,281.0**	39,429.2
Net assets	**3,332.0**	2,827.7
Equity		
Issued capital	**3,017.8**	2,562.6
Reserves	**111.5**	108.9
Retained profits	**202.7**	156.2
Total equity	**3,332.0**	2,827.7

6.7. INVESTMENTS IN JOINT ARRANGEMENTS

The consolidated entity holds interests in a number of collectively and individually immaterial joint ventures that are accounted for using the equity method. The principal activity of the joint venture entities is land subdivision, development and sale. Set out below are the joint ventures of the Consolidated Entity as at 31 August 2014 which, in the opinion of the directors, are immaterial to the Consolidated Entity. Australia is the place of business and also the country of incorporation for all joint ventures. The proportion of ownership interest is the same as the proportion of voting rights held.

	Percentage Ownership Interest		Carrying amount	
	2014 (%)	2013 (%)	**2014 $m**	2013 $m
Ocean Springs Pty Ltd (Brighton)	**9.31**	9.31	**11.6**	12.6
Dalyellup Beach Pty Ltd (Dalyellup)	**17.08**	17.08	**8.4**	8.5
Wanneroo North Pty Ltd (The Grove)	**-**	21.42	**-**	-
East Busselton Estate Pty Ltd (Provence)	**25.00**	25.00	**0.4**	0.2
Coastview Nominees Pty Ltd (Margaret River)	**5.81**	5.81	**0.1**	0.1
Provence 2 Pty Ltd (Provence 2)	**25.00**	25.00	**-**	-
Total equity accounted investments			**20.5**	21.4

Summary financial information for equity accounted joint ventures, not adjusted for the percentage of ownership held by the consolidated entity and fair value adjustments on acquisition, is contained below:

	2014 $m	2013 $m
Profit from continuing operations	**39.6**	26.0
Post-tax profit from discontinued operations	**-**	-
Other comprehensive income	**-**	-
Total comprehensive income	**39.6**	26.0

Accounting policy

The Consolidated Entity's investments in joint venture entities are accounted for under the equity method of accounting in the consolidated financial statements. These are entities in which the Consolidated Entity has joint control over all operational decisions and activities.

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

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

6.8. AUDITOR'S REMUNERATION

	Consolidated		Bank	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Audit services – KPMG Australia				
- Audit and review of the financial reports	**1,010.9**	919.8	**681.1**	595.9
- Other regulatory and audit services	**400.8**	342.2	**202.6**	182.2
	1,411.7	1,262.0	**883.7**	778.1
Audit related services – KPMG Australia				
- Other assurance services [1]	**224.8**	230.2	**168.8**	-
	224.8	230.2	**168.8**	-
Non-audit services – KPMG Australia				
- Taxation services	**188.4**	225.1	**143.2**	225.1
- Compliance services	**-**	249.2	**-**	249.2
- Other	**-**	88.7	**-**	72.6
- Due diligence services	**234.4**	64.5	**234.4**	64.5
	422.8	627.5	**377.6**	611.4

(1) Other assurance services comprise audit related services provided in relation to mortgage securitisation trusts which are consolidated under Australian Accounting Standards.

6.9. EVENTS SUBSEQUENT TO BALANCE DATE

Other than as disclosed below, no matters or circumstances have arisen since the end of the financial 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 determined after 31 August 2014, refer to Section 2.5.

The financial effect of the above transaction has not been brought to account in the financial statements for the year ended 31 August 2014.

On 22 September 2014, the Bank announced an agreement to settle the outstanding Storm Financial proceedings which had been brought against the Group by the Australian Securities and Investment Commission (ASIC) and a class action on behalf of borrowers advised by Storm Financial. Refer to Section 4.2 for further details.

6.10. SIGNIFICANT ACCOUNTING POLICIES & NEW ACCOUNTING STANDARDS

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

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Securitisation

The Bank conducts a loan securitisation program whereby mortgage loans are packaged and sold to the REDS Securitisation and Warehouse Trusts ("RMBS Trusts"). The Bank also securitises Hire Purchase, Chattel Mortgages and Finance Leases which are packaged and sold to REDS EHP Securitisation Trusts ("REDS EHP Trusts").

Consolidated Entity

The Consolidated Entity receives the residual income distributed by the RMBS and REDS EHP Trusts after all payments due to investors and associated costs of the program have been met and as a result the Consolidated Entity is considered to retain the risks and rewards of the RMBS Trusts and as a result do not meet the de-recognition criteria of *AASB 139 Financial Instruments: Recognition and Measurement*.

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

The Bank does however provide the securitisation programs with arm's length services and facilities including the management and servicing of the leases securitised. The Bank has no right to repurchase any of the securitised assets and no obligation to do so, other than in certain circumstances where there is a breach of warranty within 120 days of the sale or when certain criteria are met under the Clean up Provision per the Trust Deed Supplement.

The transferred assets are equitably assigned to the securitisation trusts. The investors in the securities issued by the Trusts have full recourse to the assets transferred to the Trusts. The Bank receives the residual income distributed by the Trusts after all payments due to investors and associated costs of the program have been met and as a result the Bank is considered to retain the risks and rewards of the Trusts.

Bank

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

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

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

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

(iv) Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows from the assets have expired, or where the Bank has transferred its contractual rights to receive the cash flows of the financial assets and substantially all the risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expired.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Australian dollars at the foreign exchange rate ruling at that date. Non-monetary items in a foreign currency that are measured at historical cost are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss.

Where a foreign currency transaction is part of a hedge relationship it is accounted for as above, subject to the Hedge Accounting rules set out in Section 3.8, Derivative financial instruments.

Foreign operations

The consolidated entity has no foreign operations, all overseas activities are carried out through non-incorporated branches.

(c) New accounting standards

The following, are the amendments to standards and interpretations applicable for the first time to the current year:

- *AASB 10 Consolidated Financial Statements* - Establishes a new control model and broadens the situations when an entity is considered to be controlled. The standard replaces the guidance on control and consolidation of *AASB 127 Consolidated and Separate and Separate Financial Statements*. This new standard did not have a material impact on the Consolidated Entity, as assessments made identified that there are no new entities under the new control model which were not previously consolidated.

6.10. SIGNIFICANT ACCOUNTING POLICIES & NEW ACCOUNTING STANDARDS (CONTINUED)

(c) New accounting standards (continued)

- *AASB 11 Joint Arrangements* - This standard replaces *AASB 131 Interests in Joint Ventures* and introduces a principles based approach to joint arrangements accounting. The standard uses the principle of control in AASB 10 to define joint control. Accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the joint arrangement. This new standard did not have a material impact on the Consolidated Entity.
- *AASB 12 Disclosure of Interests in Other Entities* - This standard includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The Consolidated Entity has assessed all of its interests in subsidiaries and joint arrangements and has adequately disclosed the details of these in the financial statements. This new standard did not have a material impact on the Consolidated Entity.
- *AASB 13 Fair Value Measurement* - Establishes a new single framework for measuring fair value and making disclosures about fair value measurement. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. The Consolidated Entity has recorded additional fair value hierarchy disclosures in the financial statements regarding financial assets and liabilities and level 3 assets and liabilities.
- *AASB 119 Employee Benefits* - The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. The standard also changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. From 1 July 2013 the Consolidated Entity changed the basis for determining the classification of annual leave between 'short-term employee benefits' and 'other long-term employee benefits'. This change did not result in a material impact to the Consolidated Entity.
- *AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures: Offsetting Financial Assets and Financial Liabilities* - Amends *AASB 7 Financial Instruments: Disclosures* to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met. The result of these amendments has been an expansion to the Consolidated Entitiy's disclosures with respect to the offsetting of financial assets and financial liabilities in Sections 3.6 and 3.7.

All other amendments to standards applicable for the 2014 year end do not impact the Consolidated Entity.

The following standards and amendments have been identified as those which may impact the Bank and the majority were available for early adoption at 31 August 2014 but have not been applied in these financial statements.

- *AASB 9 Financial Instruments* was issued and introduces changes in the classification and measurement of financial assets and financial liabilities. The standard also introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. This standard becomes mandatory for the Consolidated Entity's 31 August 2018 financial statements. The potential effects on adoption of the amendments are yet to be determined.
- *AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities* - This amendment adds application guidance to *AASB 132 Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132. The potential effects on adoption of the amendments are yet to be determined.

(d) Business combinations

Acquisitions on or after 1 July 2009

The Consolidated Entity has adopted revised AASB 3 Business Combinations (2008) for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. The Consolidated Entity has also adopted *AASB 10 Consolidated Financial Statements (2013)* which has superseded *AASB 127 Consolidated and Separate Financial Statements (2018).*

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee.

Contingent Liabilities

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

Transactions Costs

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

(e) Impairment of non-financial assets

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

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets - Cash Generating Units ("CGU"). An impairment loss is recognised in profit or loss in the Income Statement for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

This grouping is subject to an operating segment ceiling test. Non-financial assets, other than goodwill, that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. An impairment loss in respect of goodwill is not reversed.

6.10. OTHER ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of non-financial assets (continued)

Calculation of recoverable amount

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

(f) Leases

Finance Leases

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

The Consolidated Entity does not have finance leases as lessee.

Operating Leases

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

(g) Goods and services tax

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

(h) Equity reserve for credit losses

The Bank is required by APRA to maintain a general provision for credit losses. As the Bank is unable to hold a general provision under current accounting standards, the Bank has created an equity reserve for credit losses. The equity reserve for credit losses and the eligible component of the collective provision for impairment are aggregated for the purpose of satisfying the APRA requirement for a general reserve for credit losses. Receivables and payables are stated with the amount of GST included.

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

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

(i) Employee benefits

(i) Wages, Salaries and Annual Leave

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

(ii) Long Service Leave

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

(iii) Superannuation plan

The Bank contributes to a number of defined contribution superannuation plans which comply with the Superannuation Industry (Supervision) Act 1993. Contributions are charged to profit or loss in the Income Statement as they are made.

(iv) Share based payments

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

(j) Property, plant & equipment

Recognition and initial measurement

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

Subsequent Costs

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

Subsequent Measurement

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

6.10. OTHER ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant & equipment (continued)

Depreciation

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

The estimated useful lives are as follows:

	Years
IT Equipment	3-10
Plant, furniture and equipment	3-25
Leasehold improvements	11 (or term of lease if less)

The residual value if not significant, is reassessed annually.

SHAREHOLDING DETAILS

As at 29 September 2014, the following shareholding details applied:

1. **Twenty largest ordinary shareholders**

Shareholder	No. of ordinary shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	57,813,903	15.95%
J P MORGAN NOMINEES AUSTRALIA LIMITED	43,879,856	12.10%
NATIONAL NOMINEES LIMITED	34,845,406	9.61%
CITICORP NOMINEES PTY LIMITED	16,986,153	4.69%
BNP PARIBAS NOMS PTY LTD	7,922,624	2.19%
MILTON CORPORATION LIMITED	7,306,078	2.02%
AMP LIFE LIMITED	5,302,490	1.46%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,178,799	0.60%
CITICORP NOMINEES PTY LIMITED	2,007,172	0.55%
QIC LIMITED	1,533,621	0.42%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,410,327	0.39%
NATIONAL NOMINEES LIMITED	1,349,324	0.37%
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	1,344,347	0.37%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,246,233	0.34%
JBWERE (NZ) NOMINEES LTD	1,095,257	0.30%
KARATAL HOLDINGS PTY LTD	843,011	0.23%
BKI INVESTMENT COMPANY LIMITED	810,000	0.22%
CARLTON HOTEL LIMITED	767,873	0.21%
UBS NOMINEES PTY LTD	702,446	0.19%
THE MANLY HOTELS PTY LIMITED	655,540	0.18%
Total	190,000,460	52.39%

Voting rights

On a show of hands every person present who is a holder of ordinary shares or a duly appointed representative of a holder of ordinary shares has one vote, and on a poll each member present in person or by proxy or attorney has one vote for each share that person holds.

SHAREHOLDING DETAILS (CONTINUED)

As at 29 September 2014, the following shareholding details applied:

2. **Twenty largest CPS shareholders**

Shareholder	No. of ordinary shares	%
J P MORGAN NOMINEES AUSTRALIA LIMITED	102,078	3.40%
MILTON CORPORATION LIMITED	50,000	1.67%
NATIONAL NOMINEES LIMITED	44,738	1.49%
NAVIGATOR AUSTRALIA LTD	42,231	1.41%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	41,858	1.40%
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	37,542	1.25%
DOMER MINING CO PTY LTD	32,200	1.07%
NULIS NOMINEES (AUSTRALIA) LIMITED	25,746	0.86%
MR JOHN HARRISON VALDER & MRS KAY ORMONDE VALDER	19,500	0.65%
BNP PARIBAS NOMS PTY LTD	16,400	0.55%
WENTHOR PTY LTD	15,000	0.50%
CITICORP NOMINEES PTY LIMITED	11,393	0.38%
F & B INVESTMENTS PTY LIMITED	10,000	0.33%
EASTCOTE PTY LTD	10,000	0.33%
THE AUSTRALIAN NATIONAL UNIVERSITY	10,000	0.33%
SOUTHERN METROPOLITAN CEMETERIES	10,000	0.33%
JILLIBY PTY LTD	9,500	0.32%
CANTALA PTY LTD	9,150	0.31%
BCITF (QLD)	8,800	0.29%
BAPTIST INVESTMENTS AND FINANCE LTD	8,546	0.28%
Total	514,682	17.96%

Voting rights

The CPS do not give the holders any voting rights at any general shareholders meetings, except in certain circumstances.

3. **Distribution of equity security holders**

	Ordinary Shares		CPS	
Category	2014	2013	2014	2013
1 - 1,000	56,165	56,120	6,214	6,332
1,001 - 5,000	26,067	24,722	355	355
5,001 - 10,000	4,847	4,164	19	22
10,001 - 100,000	2,463	2,134	11	15
100,000 - and over	71	77	1	-
Total	89,613	87,217	6,600	6,724

The number of ordinary shareholders holding less than a marketable parcel is 3,246.

The number of convertible preference shareholders holding less than a marketable parcel is nil.

SHAREHOLDING DETAILS (CONTINUED)

4. Partly Paid Shares

There are no partly paid shares.

5. There are currently no substantial shareholders in the Bank.

6. Stock exchange listing

The shares of Bank of Queensland Limited ("BoQ") and CPS ("BOQPD") are quoted on the Australian Securities Exchange.

7. Options

At 31 August 2014 there were no options over unissued ordinary shares.

8. On market buy-back

There is no current on market buy-back.

9. Other information

Bank of Queensland Limited is a publicly listed company limited by shares and is incorporated and domiciled in Australia.