



Dear Shareholder,

I am pleased to be writing to you on the back of a successful six months for BOQ. Despite ongoing challenges posed by global and domestic economic instability, it is apparent the new strategy we embarked upon last year is beginning to bear fruit.

For the six months to 28 February 2013, BOQ reported an underlying cash profit of \$119.9 million, an increase of 16% from the prior half. The statutory result was \$100.5 million, up 37% on the prior half. Importantly, all of the key financial indicators around the Bank's performance are heading in the right direction with basic earnings per share, cash net interest margin and return on tangible equity all increasing and our cost to income ratio and impairment expenses decreasing.

The strength of the Bank's underlying performance and the Board's confidence in its future prospects allowed us to increase the 1H13 dividend to 28 cents per share fully franked. The discount applied to the Dividend Reinvestment Plan was reduced from 2.5% to 1.5%, bringing it in line with current market practice. Shareholders will continue to be able to acquire shares without brokerage, commission, stamp duty or other transaction costs.

Having re-established BOQ's business fundamentals, we are now beginning to focus on sustainable and profitable growth. Our new mortgage broker pilot in Western Australia is delivering promising results while the Business Bank has a healthy new business pipeline in segments that fit within our strict risk guidelines.

We recently announced the acquisition of Virgin Money Australia, a deal which will greatly enhance the Bank's distribution footprint and online capabilities and was conservatively funded through the issue of new shares.

Capital and funding continue to be strengths of the Bank, thanks in part to those shareholders who participated in the Convertible Preference Share issue during the half. BOQ's Common Equity Tier 1 ratio is one of the strongest in the industry at 8.7% and our lending growth over the half was fully funded by retail deposits, which now represent 60% of our funding base.

During the half, long-standing director John Reynolds retired from the Board. I would like to again acknowledge John's invaluable contribution over the nine years he served as a director. We look forward to welcoming a new Board member from the Virgin Group following our acquisition of Virgin Money Australia.

To support BOQ's revitalisation and the cultural change that is underway, BOQ is about to reposition its brand around a fundamental truth: the positive relationships we form with our customers. To that end, we're going to show the market BOQ believes it is in fact 'possible to love a bank'. I wanted to give shareholders the first opportunity to preview this initiative through the presentation of this letter. Over the next days and weeks you will hear much more about our plans for the BOQ brand.

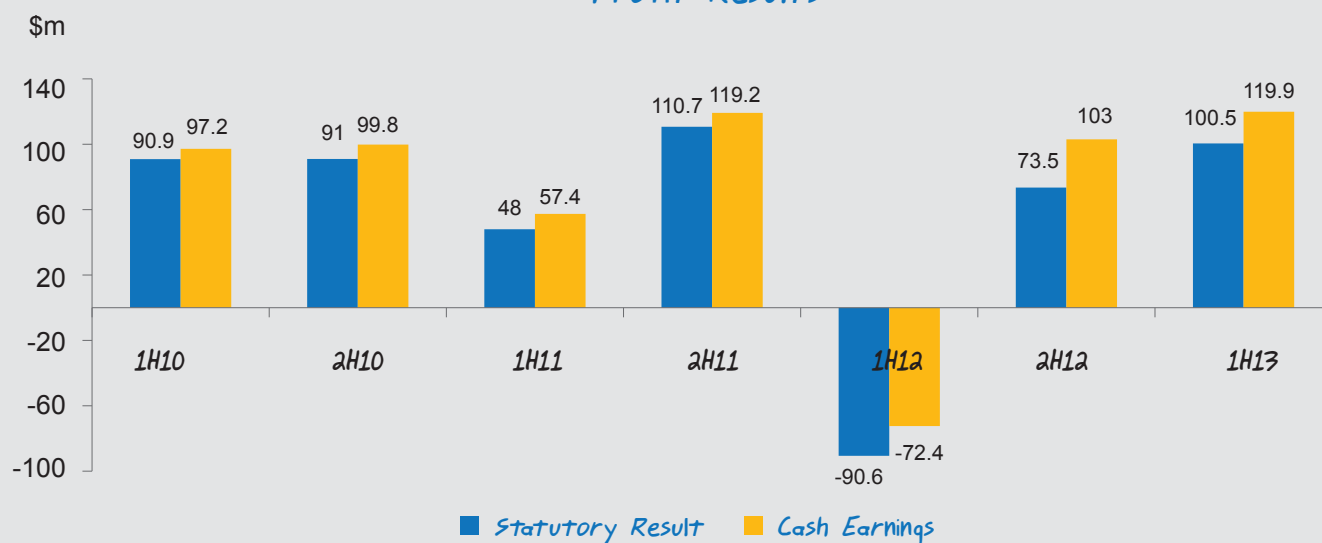
Though economic headwinds do remain, we have the right team in place to continue our momentum and achieve our strategic objectives. I would like to thank Stuart Grimshaw, his executive team and BOQ employees for their collective efforts over the past 18 months – our first half result clearly demonstrates this company is heading in the right direction. I would also like to thank you for your ongoing support of the company.

Yours sincerely,

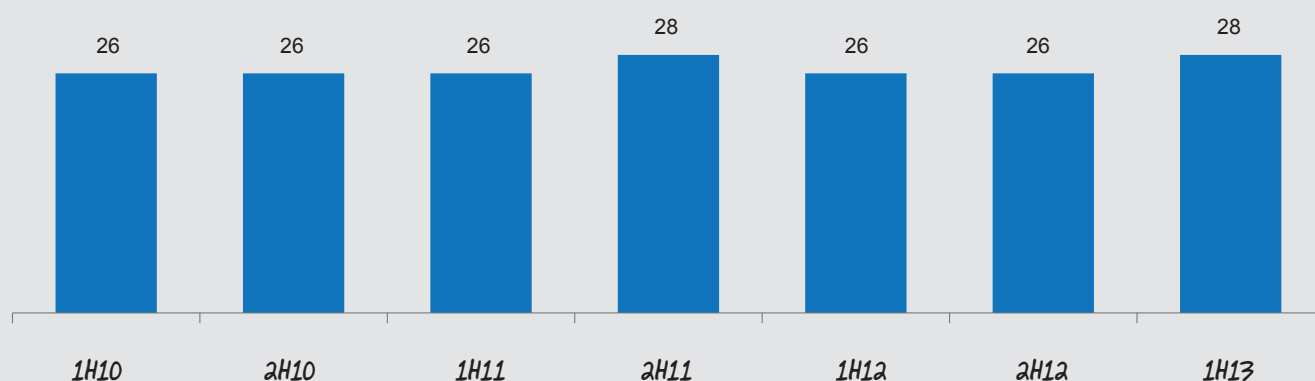
Neil Summerson
Chairman

Shareholder Information

Profit Results



Consistent Dividends (cents per share)



Key Dates

ORDINARY SHARES*	
Full year results and dividend announcement	10 October 2013
Ex-dividend date	7 November 2013
Record date	13 November 2013
Annual General Meeting	27 November 2013
Final dividend payment date	4 December 2013

CONVERTIBLE PREFERENCE SHARES*	
Full year dividend announcement	18 September 2013
Ex-dividend date	23 September 2013
Record date	27 September 2013
Final dividend payment date	15 October 2013

* Dates are subject to change.