IT'S POSSIBLE to LOVE A BANK

BOQ GROUP
INVESTOR INFORMATION
2014 ANNUAL RESULTS

Incorporating the requirements of Appendix 4E

Bank of Queensland Limited ABN 32 009 656 740. AFSL No. 244616.

APPENDIX 4E

PRELIMINARY FINAL REPORT

For the year ended 31 August 2014

COMPANY DETAILS

Bank of Queensland Limited and subsidiaries
ABN: 32 009 656 740
Reporting period: 31 August 2014
Previous corresponding reporting period: 31 August 2013

RESULTS FOR ANNOUNCEMENT TO THE MARKET [(1)]

				$m
Revenues from ordinary activities [(2)]	Up	10%	to	938.6
Profit from ordinary activities after tax attributable to members [(2)]	Up	40%	to	260.5
Profit for the year attributable to members [(2)]	Up	40%	to	260.5

Dividends	Amount per security
Interim Ordinary Dividend - fully franked (cents per share)	32
Final Ordinary Dividend - fully franked (cents per share)	34
Semi-annual dividend - fully franked (cents per share):	
• Convertible Preference Shares ("CPS") - April 2014	269
• CPS - October 2014	275
Previous corresponding period	
Interim Ordinary Dividend - fully franked (cents per share)	28
Final Ordinary Dividend - fully franked (cents per share)	30
Semi-annual dividend - fully franked (cents per share):	
• Perpetual Equity Preference Shares ("PEPS") - April 2013	179
• PEPS - October 2012	217
• PEPS pro-rated dividend - December 2012	69
• CPS - April 2013	177
• CPS - October 2013	286
Record date for determining entitlements to the:	
• CPS	29 September 2014
• Ordinary dividend	6 November 2014

(1) Rule 4.3A. Refer to Appendix 10.1 for the cross reference index for ASX Appendix 4E.
(2) On prior corresponding year (twelve months ended 31 August 2013).

The final dividend payment will be fully franked and paid on 27 November 2014 to owners of ordinary shares at the close of business on 6 November 2014 (record date). Shares will be quoted ex-dividend on 3 November 2014.

This Appendix 4E - Preliminary Final Report has not been subject to audit and there is no audit report provided. However, a substantial part of the financial information in the preliminary report has been extracted from the BOQ Group 2014 Financial Report which has been audited by KPMG who have issued an unqualified audit report. The audit report forms part of the BOQ Group 2014 Annual Report. The presentation of the BOQ Group 2014 Annual Report will be finalised for lodgement with the Australian Securities Exchange ("ASX") by 28 October 2014.

Dividend reinvestment plan

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. Shares are issued or transferred under the Plan at a discount. On 10 April 2014, the Board resolved that each share issued or transferred under the Plan will be issued or transferred under the Plan at a discount of 1.5% on 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 ASX 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.

Company Secretary
Melissa Grundy

Date

APPENDIX 4E

Disclosure Considerations

Note on Statutory Profit and Cash Earnings

Statutory Profit is prepared in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with International Financial Reporting Standards ("IFRS"). Cash Earnings is a non-Accounting Standards measure commonly used in the banking industry to assist in presenting a clear view of the Bank's underlying earnings. Refer to 10.2 (a) and 10.2 (b) of the Appendices for the reconciliation of Statutory Profit to Cash Earnings.

Figures disclosed in this report are on a Cash Earnings basis unless stated as Statutory Profit basis. Unless otherwise stated, all financial comparisons in this document refer to the prior half (to 28 February 2014) and the prior comparative period (to 31 August 2013).

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

Future performance

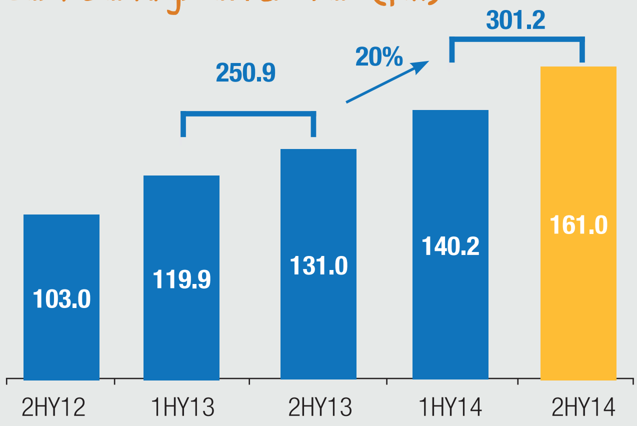
This document contains certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "will", "could", "may", "target", "plan" and other similar expressions within the meaning of securities laws of applicable jurisdictions. The forward looking statements contained in this document involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of BOQ, and may involve significant elements of subjective judgement as to future events which may or may not be correct.

There can be no assurance that actual outcomes will not differ materially from these forward looking statements.

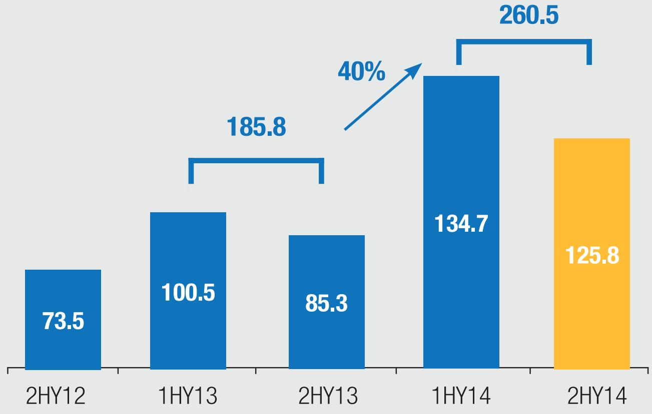
1. GROUP RESULTS HIGHLIGHTS

- Total Shareholder Return of 39.2% for the year ended August 2014

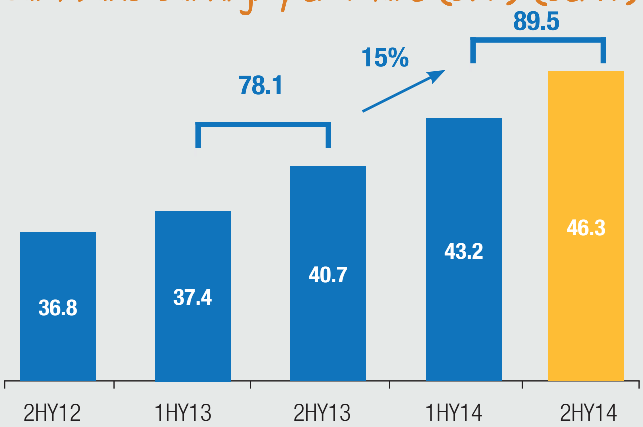
Cash Earnings after Tax ($m)



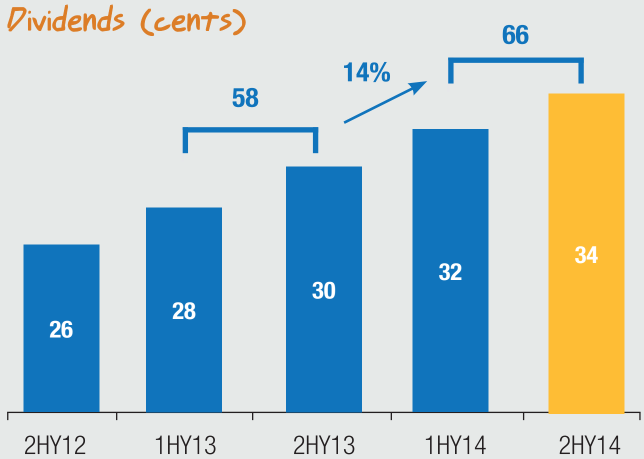
Statutory Profit after Tax ($m)



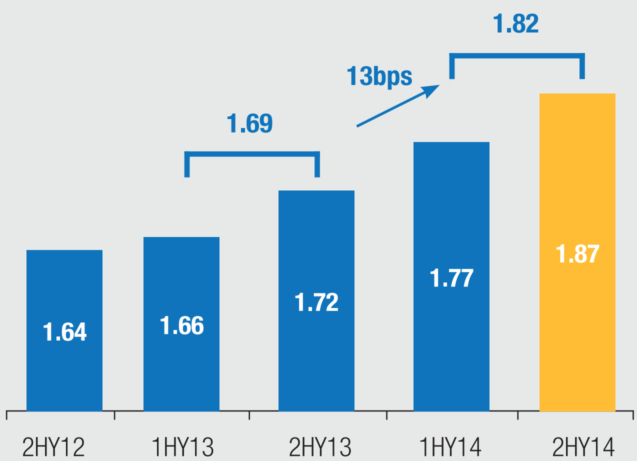
Cash Basic Earnings per Share (EPS) (cents)



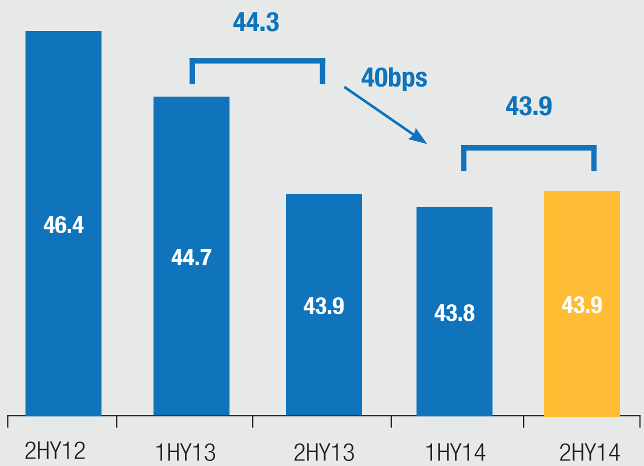
Dividends (cents)



Cash Net Interest Margin (NIM) (%)



Cash Cost-to-Income (%)



1. GROUP RESULTS HIGHLIGHTS (CONTINUED)

CASH EARNINGS **$301.2m** Increased by 20% on the prior year driven by NIM expansion and further improvement in Impairment Expenses	**NET INTEREST MARGIN** **1.82%** Up 13 bps over the prior year reflecting deposit pricing initiatives and improved wholesale funding	**CASH COST TO INCOME RATIO** **43.9%** Continued improvement despite significant reinvestment in frontline capability and one-off occupancy costs
LOAN IMPAIRMENT EXPENSE **$85.7m** (1) Down 8bps to 24bps of lending and 25% reduction over the year	**IMPAIRED ASSETS** **$287.6m** (1) Reduced $94.0m (25%) in the year and halved in the last two years.	**COMMON EQUITY TIER 1** **8.63%** Consistent with the prior year with strong organic capital generation.
CASH BASIC EARNINGS PER SHARE 89.5 CENTS Up 15% on the prior year **DIVIDENDS** **66 cents** Up 14% on the prior year	**RETURN ON AVERAGE TANGIBLE EQUITY** **13.6%** (1) Increase of 170 bps on the prior year	**SUCCESSFUL ACQUISITION OF BOQ SPECIALIST** Provides further portfolio diversification and a specialised offering to a growing market segment

(1) Excluding the impact of BOQ Specialist and associated equity raising.

BOQ posted record cash and statutory results for the financial year to 31 August 2014, with the Bank continuing to make good progress in delivering its strategy and building an organisation that is lower risk, lower volatility and set up for a sustainable future.

Statutory profit after tax was up 40% on the prior year to $260.5 million. Cash Earnings after Tax increased 20% on financial year 2013 to $301.2m, predominantly driven by net interest margin expansion and further improvement in loan impairment expense. Basic cash earnings per share were up 15% on the prior year to 89.5 cents. BOQ's strong financial performance enabled the Board to determine a final dividend of 34 cents per share fully franked, taking the full year dividend to 66 cents per share, an increase of 14% on 2013.

BOQ actively managed its margins, particularly through improving its retail deposit mix, and was able to increase cash net interest margin by 13 basis points on the prior financial year. The expansion in margin has enabled a resetting of our Return on Tangible Equity, which increased by 170 bps to 13.6% for the period (excluding the impact of BOQ Specialist).

Lending assets increased by 9% over the year to $38.4 billion. This included the $2.6 billion in assets acquired as part of the BOQ Specialist acquisition. Ignoring the impact of the acquisition, organic lending growth of $0.6 billion (2%) was achieved which was below system. The Bank's portfolio is heavily weighted to Queensland, where credit growth has been significantly lower than other regions across the country.

Improvement in all key credit metrics reflects macro-economic benefits from the low interest rate environment. In addition, revised risk appetite and focus on embedding heightened risk management processes continues to improve the credit quality of the portfolio. Loan impairment expense and impaired assets levels both reduced by 25% from the prior year. There has been further arrears improvement in the commercial portfolio due to improved early intervention strategies which has contributed to a reduction in the commercial collective provision.

Our Cost to Income ratio showed further improvement to 43.9%. An increase in operating expenses (excluding BOQ Specialist) of 6% over the year was above management's targeted range. There were a number of one-off costs for premises consolidation incurred during the period, including the incremental cost of bridging tenancies, onerous lease provisions on exited premises and lease surrender costs relating to branch closures. Excluding these one-off impacts, the annual expense growth would have been 4.5%. Underlying expense growth reflects the significant investment in frontline capability as we expand our Business Banking team and established a broker support network and mobile banking unit. These initiatives are now generating new business and putting the *'Customer in Charge'* of choosing the channel through which they deal with us. We are in the process of undertaking substantial re-investment in our systems to move from a paper based to a digitised business, and this will provide the platform to harvest future productivity and efficiency benefits.

The balance sheet continues to be conservatively managed. Capital ratios remained stable over the half with a Common Equity Tier One ratio of 8.63%. With the acquisition of BOQ Specialist, the deposits to loan ratio increased to 69%. Our access to new wholesale and middle market counterparties widened following the ratings upgrades from Standard & Poor's to 'A-' and Moody's to 'A3', providing significant improvement in balance sheet resilience.

2. STRATEGY

Our clear and simple strategy continues to be well executed by an experienced management team who are delivering initiatives against four pillars: putting the customer in charge, growing the right way, finding a better way and being loved like no other.

"**Customer in Charge**" is about making it easier for our customers to engage with us on their terms. We are doing this through a range of initiatives including enhancing our Owner Manager and corporate branch capabilities, opening new distribution channels such as broker and digital, and investing in our frontline employee capability. BOQ Finance continues to provide asset and equipment finance solutions in specifically targeted sectors, recent investments in Business Banking and Agribusiness capabilities are driving above system growth, BOQ Specialist and Virgin Money (Australia) ("VMA") offer specialised banking services to targeted customer niches and St Andrew's is building its consumer credit and life insurance offerings through its distribution partnerships.

"**Grow the Right Way**" is about profitable and sustainable growth and meeting customers' needs by putting their interests first. We will continue to further enhance our risk management strategies, building frameworks in line with new prudential requirements. The balance sheet is being further diversified by geography and industry segments. Business Banking has widened its origination capability across all states, supporting targeted customer acquisition, while looking to further engage with the Small and Medium Enterprise ("SME") market. Our Agribusiness team is deepening customer relationships with particular focus in the cotton, cropping and domestic livestock sectors. The recent acquisition of BOQ Specialist will deliver distinctive banking solutions to niche professional market sectors.

"**There's Always a Better Way**" is about enhancing operational excellence and efficiency through initiatives such as back-office automation, improved risk management and channel expansion, with governance of contract delivery and service management becoming a core competency. Our IT strategy, which is about getting the basic rights while building solid foundations to be able to operate effectively in a digitised world, is also integral to this strategic pillar. Recent cost opportunities realised (eg: shared services and back office consolidation) have allowed reinvestment in frontline capabilities in Business Banking, mobile banking and broker support teams. We delivered a record number of projects across the Group in 2014 with further initiatives in the pipeline for coming years.

"Loved Like No Other" is about building a culture that makes BOQ a great place to work and that supports an outcome where our customers love dealing with us. In recent years we have built a pool of talent, and embedded desired corporate behaviours and sales and service disciplines across the Group. Staff engagement increased in 2014, led by positive leadership and development of career pathways across all business areas. This pillar focuses on key fundamentals of diversity, workforce planning, performance, rewards, culture and leadership to support the target of top quartile staff engagement and top customer Net Promoter Score.

Through continued focus on our four strategic pillars, we aim to deliver robust and sustainable financial performance, consistent growth in returns to shareholders and superior service to our customers and the wider community.

3. FINANCIAL PERFORMANCE & KEY METRICS

3.1 INCOME STATEMENT

$ million	Year End Performance Aug-14	Aug-13	Aug 14 vs Aug 13	Half Year Performance Aug-14	Feb-14	Aug 14 vs Feb 14
Net Interest Income	**761.2**	694.4	10%	**399.0**	362.2	10%
Non-Interest Income	**168.4**	162.4	4%	**86.8**	81.6	6%
Total Income	**929.6**	856.8	8%	**485.8**	443.8	9%
Operating Expenses	**(407.9)**	(379.4)	8%	**(213.3)**	(194.6)	10%
Underlying Profit	**521.7**	477.4	9%	**272.5**	249.2	9%
Loan Impairment Expense	**(86.2)**	(114.6)	(25%)	**(40.1)**	(46.1)	(13%)
Profit before Tax	**435.5**	362.8	20%	**232.4**	203.1	14%
Income Tax Expense	**(134.3)**	(111.9)	20%	**(71.4)**	(62.9)	14%
Cash Earnings after Tax	**301.2**	250.9	20%	**161.0**	140.2	15%
PEPS distribution	**-**	(2.7)	n/a	**-**	-	n/a
Cash Earnings after Tax attributable to ordinary shareholders	**301.2**	248.2	21%	**161.0**	140.2	15%
Statutory Net Profit after Tax	**260.5**	185.8	40%	**125.8**	134.7	(7%)

On 31 July 2014, the Bank acquired 100% of BOQ Specialist Bank Limited, formerly known as the Professional Finance and Asset Finance & Leasing businesses of Investec Bank (Australia) Limited ("IBAL"), for consideration of $210 million based upon acquired assets and liabilities. The purchase consideration and the regulatory capital required to support the acquired assets was funded largely through a $400 million fully-underwritten, accelerated renounceable entitlement offer. The Professional Finance business is now known as BOQ Specialist while the Asset Financing and Leasing business is part of BOQ Finance.

BOQ Specialist focuses on providing banking, advisory and investment products and services to a wide range of clients in the medical and professional service sectors. The acquisition has provided enhanced diversification of BOQ's geographic business mix and access to a niche market where BOQ has historically been less represented. Refer to Section 3.3 for detailed BOQ Specialist Income Statement and BOQ key metrics (excluding BOQ Specialist).

3.2 KEY METRICS

Key Metrics		Year End Performance Aug-14	Aug-13	Aug 14 vs Aug 13	Half Year Performance Aug-14	Feb-14	Aug 14 vs Feb 14
Shareholder Returns							
Share Price	($)	**12.58**	9.60	31%	**12.58**	11.99	5%
Market Capitalisation	($ million)	**4,560.3**	3,070.2	49%	**4,560.3**	3,868.0	18%
Dividends per share (fully franked)	(cents)	**66.0**	58.0	14%	**34.0**	32.0	6%
Dividend yield	(%)	**5.25**	6.04	(79bps)	**5.36**	5.38	(2bps)
Grossed-up dividend yield (including franking)	(%)	**7.49**	8.63	(114bps)	**7.66**	7.69	(3bps)
Cash Earnings basis							
Basic Earnings per Share ("EPS") (1)	(cents)	**89.5**	78.1	15%	**46.3**	43.2	7%
Diluted EPS (1)	(cents)	**87.0**	75.1	16%	**45.0**	42.0	7%
Dividend payout ratio	(%)	**75**	73	2%	**77**	74	3%
Statutory basis							
Basic EPS (1)	(cents)	**77.4**	57.6	34%	**36.2**	41.5	(13%)
Diluted EPS (1)	(cents)	**75.9**	56.5	34%	**35.6**	40.4	(12%)
Dividend payout ratio	(%)	**87**	99	(12%)	**98**	77	21%

(1) August 2013 and February 2014 basic and diluted earnings per share have been adjusted for the dilutionary effect of the entitlement offer that occurred during the current financial year as required under Accounting Standard - AASB 133 *Earnings per Share*.

3.2 KEY METRICS - (CONTINUED)

Key Metrics		Year End Performance Aug-14	Aug-13	Aug 14 vs Aug 13	Half Year Performance Aug-14	Feb-14	Aug 14 vs Feb 14
Profitability and efficiency measures							
Cash Earnings basis							
Net Profit After Tax	($ million)	**301.2**	250.9	20%	**161.0**	140.2	15%
Cash Earnings After Tax attributable to ordinary shareholders	($ million)	**301.2**	248.2	21%	**161.0**	140.2	15%
Underlying Profit [1]	($ million)	**521.7**	477.4	9%	**272.5**	249.2	9%
Net Interest Margin	(%)	**1.82**	1.69	13bps	**1.87**	1.77	10bps
Cost to Income Ratio	(%)	**43.9**	44.3	(40bps)	**43.9**	43.8	10bps
Loan Impairment Expense to Gross Loans and Advances ("GLA")	(bps)	**22**	32	(10bps)	**22**	26	(4bps)
Return on Average Equity	(%)	**10.4**	9.4	100bps	**10.4**	10.3	10bps
Return on Average Tangible Equity [2]	(%)	**13.2**	11.9	130bps	**13.2**	13.2	-
Statutory basis							
Net Profit After Tax	($ million)	**260.5**	185.8	40%	**125.8**	134.7	(7%)
Net Profit After Tax attributable to ordinary shareholders	($ million)	**260.5**	183.1	42%	**125.8**	134.7	(7%)
Underlying Profit [1]	($ million)	**469.2**	390.4	20%	**226.0**	243.2	(7%)
Net Interest Margin	(%)	**1.82**	1.69	13bps	**1.87**	1.77	10bps
Cost to Income Ratio	(%)	**50.0**	54.4	(440bps)	**54.0**	45.6	840bps
Loan Impairment Expense to GLA	(bps)	**22**	32	(10bps)	**22**	26	(4bps)
Return on Average Equity	(%)	**9.0**	7.0	200bps	**8.2**	9.9	(170bps)
Return on Average Tangible Equity [2]	(%)	**11.5**	8.9	260bps	**10.4**	12.7	(230bps)
Asset Quality							
30dpd Arrears	($ million)	**455.7**	523.0	(13%)	**455.7**	526.8	(13%)
90dpd Arrears	($ million)	**221.2**	270.8	(18%)	**221.2**	272.4	(19%)
Impaired Assets	($ million)	**292.9**	381.6	(23%)	**292.9**	298.4	(2%)
Specific Provisions to Impaired Assets	(%)	**52.1**	45.8	630bps	**52.1**	50.5	(160bps)
Collective Provisions to Credit Risk Weighted Assets	(%)	**0.61**	0.71	(10bps)	**0.61**	0.69	(8bps)
Capital							
Common Equity Tier 1	(%)	**8.63**	8.63	-	**8.63**	8.84	(21bps)
Total Capital Adequacy Ratio	(%)	**12.02**	12.24	(22bps)	**12.02**	12.41	(39bps)
Risk Weighted Assets ("RWA")	($ million)	**25,031.7**	21,551.7	16%	**25,031.7**	21,717.5	15%

(1) Profit before loan impairment expense and tax.

(2) Based on after tax earnings applied to average shareholders' equity (excluding preference shares and treasury shares) less goodwill and identifiable intangible assets.

3.3 BOQ FINANCIAL PERFORMANCE & KEY METRICS - EXCLUDING IMPACT OF BOQ SPECIALIST

(a) Income statement

The following analysis is provided to assist in clarifying the impact of the BOQ Specialist acquisition in the results for the period.

$ million	Group Aug-14	BOQ Specialist Aug-14	Group excluding BOQ Specialist Aug-14	Year End Performance Aug-13	Year End Performance Aug 14 vs Aug 13	Half Year Performance Aug-14	Half Year Performance Feb-14	Half Year Performance Aug 14 vs Feb 14
Net Interest Income	**761.2**	**8.7**	**752.5**	694.4	8%	**390.3**	362.2	8%
Non-Interest Income	**168.4**	**1.2**	**167.2**	162.4	3%	**85.6**	81.6	5%
Total Income	**929.6**	**9.9**	**919.7**	856.8	7%	**475.9**	443.8	7%
Operating Expenses	**(407.9)**	**(4.9)**	**(403.0)**	(379.4)	6%	**(208.4)**	(194.6)	7%
Underlying Profit	**521.7**	**5.0**	**516.7**	477.4	8%	**267.5**	249.2	7%
Loan Impairment Expense	**(86.2)**	**(0.5)**	**(85.7)**	(114.6)	(25%)	**(39.6)**	(46.1)	(14%)
Profit before Tax	**435.5**	**4.5**	**431.0**	362.8	19%	**227.9**	203.1	12%
Income Tax Expense	**(134.3)**	**(1.4)**	**(132.9)**	(111.9)	19%	**(70.0)**	(62.9)	11%
Cash Earnings after Tax	**301.2**	**3.1**	**298.1**	250.9	19%	**157.9**	140.2	13%
PEPS distribution	**-**	**-**	**-**	(2.7)	n/a	**-**	-	n/a
Cash Earnings after Tax attributable to ordinary shareholders	**301.2**	**3.1**	**298.1**	248.2	20%	**157.9**	140.2	13%

(b) Key Metrics

The following analysis eliminates the impact of the BOQ Specialist acquisition and associated equity raising on a proforma basis.

Key Metrics		Year End Performance Aug-14	Year End Performance Aug-13	Year End Performance Aug 14 vs Aug 13	Half Year Performance Aug-14	Half Year Performance Feb-14	Half Year Performance Aug 14 vs Feb 14
Cash Earnings basis							
Net Profit After Tax (1)	($ million)	**298.1**	250.9	19%	**157.9**	140.2	13%
Basic Earnings per Share ("EPS") (2) (3) (4)	(cents)	**92.0**	79.2	16%	**48.3**	43.8	10%
Return on Average Equity (2)	(%)	**10.7**	9.4	130bps	**11.0**	10.3	70bps
Return on Average Tangible Equity (2) (4)	(%)	**13.6**	11.9	170bps	**14.1**	13.2	90bps
Loan Impairment Expense to Gross Loans and Advances ("GLA")	(bps)	**24**	32	(8bps)	**22**	26	(4bps)
Risk Weighted Assets ("RWA")	($ million)	**22,135.7**	21,551.7	3%	**22,135.7**	21,717.5	2%
Total Loans under management (net of specific provisions)	($ million)	**35,731.7**	35,126.8	2%	**35,731.7**	35,147.4	2%

(1) Includes the removal of the free funding benefit of the $400m of equity raised through the entitlement offer completed during the period, up to the 31 July 2014 completion date of the BOQ Specialist acquisition, assuming funds received earned the cash rate.

(2) Entitlement offer capital and shares issued eliminated.

(3) FY2013 and February 2014 basic earnings per share are as historically reported and have not been adjusted for the dilutionary effect of the entitlement offer that occurred during the current financial year.

(4) Based on after tax earnings applied to average shareholders' equity (excluding preference shares and treasury shares) less goodwill and identifiable intangible assets.

4. REVIEW OF EARNINGS PERFORMANCE

- Net Interest Margin increased by 13bps to 1.82% for the year
- Cost growth of 6% on the prior year with increased investment in the business
- Cost to income ratio continues to improve and reduced to 43.9%

4.1 NET INTEREST INCOME

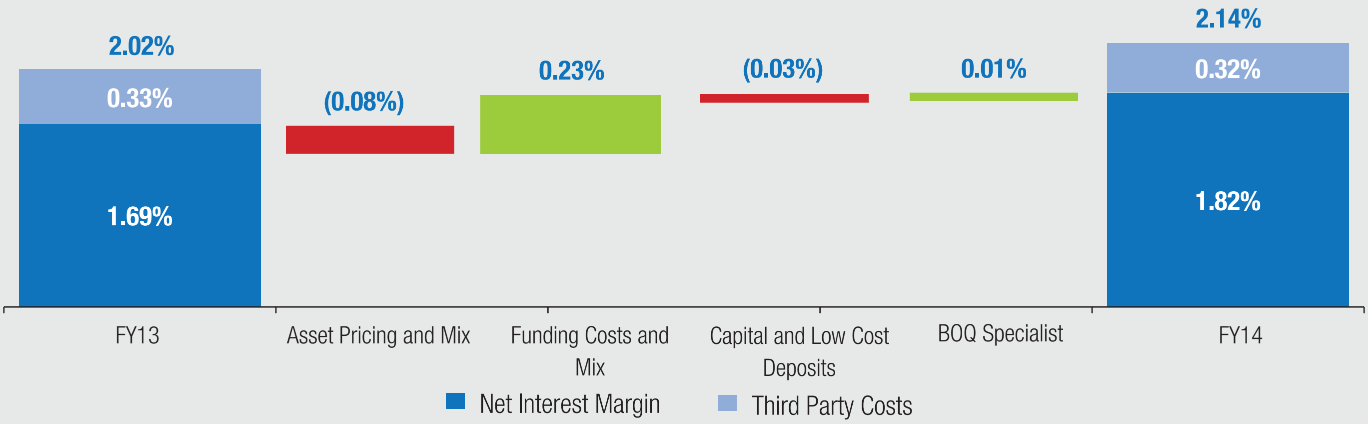
	Year End Performance			Half Year Performance		
$ million	**Aug-14**	Aug-13	Aug 14 vs Aug 13	**Aug-14**	Feb-14	Aug 14 vs Feb 14
Net Interest Income - excluding BOQ Specialist	**752.5**	694.4	8%	**390.3**	362.2	8%
Net Interest Income - including BOQ Specialist	**761.2**	694.4	10%	**399.0**	362.2	10%
Average Interest Earning Assets	**41,911.8**	41,081.9	2%	**42,417.7**	41,370.6	3%
Net Interest Margin	**1.82%**	1.69%	13bps	**1.87%**	1.77%	10bps

Net Interest Income increased by 10% on the prior year to $761.2m. The result was driven by a 13bps increase in net interest margin and growth in average interest earning assets of 2%.

Average Interest Earning Assets

Average interest earning assets increased by $0.8bn over the year to $41.9bn with $0.2bn of this increase attributable to the acquisition of BOQ Specialist. Further lending detail is provided in Section 5.

NET INTEREST MARGIN - AUGUST 2013 TO AUGUST 2014



Net Interest Margin increased by 13bps over the year to 1.82%. This movement was attributable to a number of factors:

Asset pricing and mix – reductions over the year reflect run off of lower quality, higher margin business (e.g. Line of Credit product run-off of $700 million) which has been replaced by lower margin lending such as the new 'Clear Path' mortgage offering. Market conditions have also seen a reduction in new lending spreads.

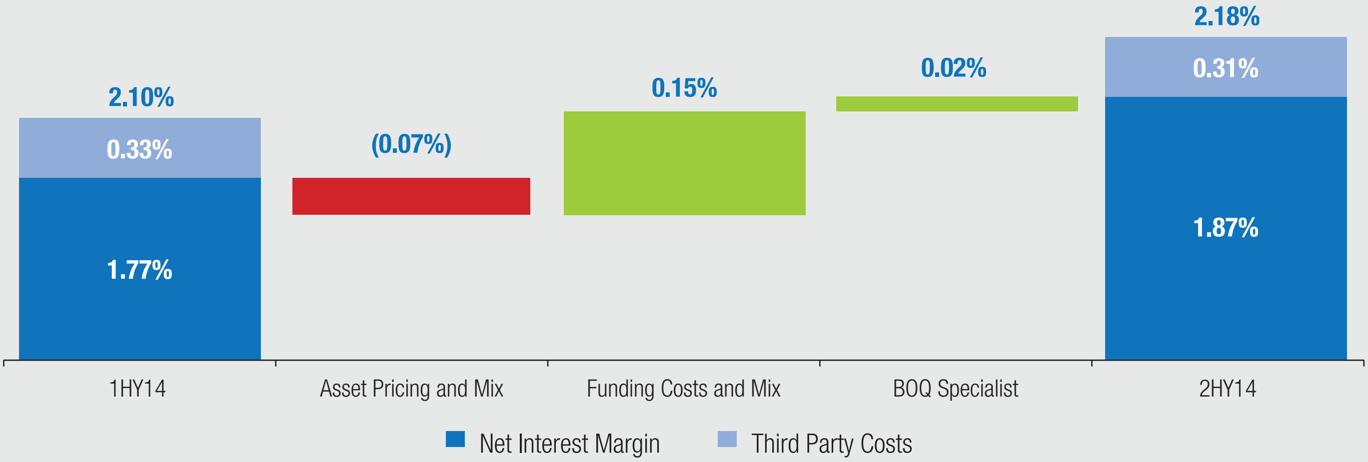
Funding costs and mix – driven by targeted retail deposit mix optimisation initiatives, rollover of wholesale funding at lower credit spreads supported by improved market conditions, recent rating upgrades and ongoing benefits from repurchases of higher cost Government Guaranteed debt in recent periods.

Capital and low cost deposits – the investment return on the capital and low-cost deposit replicating portfolio has reduced in line with the lower interest rate environment. This has been partly offset by interest earned on the capital raised during the year in advance of settlement of the BOQ Specialist acquisition which had an impact of one basis point.

BOQ Specialist – the BOQ Specialist business is a higher margin business, with the one month under BOQ's ownership contributing a little under 1bps to Net Interest Margin over the year.

4.1 NET INTEREST INCOME (CONTINUED)

NET INTEREST MARGIN - FEBRUARY 2014 TO AUGUST 2014



Asset pricing and mix – reduction over the second half as lower quality higher margin business (e.g. Line of Credit $300m run off) which was replaced by lower margin lending such as Clear Path, with a continuance of lower new business spreads.

Funding costs and mix – continued improvement in both retail and wholesale spreads supported by the recent ratings upgrades. The reduction in funding costs enabled the Bank to offer lower spreads on new asset pricing.

Capital and low cost deposits – the investment return on the capital and low-cost deposit replicating portfolio has reduced, in line with the interest rate environment with an impact of 2bps to Net Interest Margin. This reduction in the second half has been offset by the free funding benefit of the entitlement offer announced in April which prefunded the BOQ Specialist acquisition that settled on 31 July 2014.

BOQ Specialist – The BOQ Specialist business Net Interest Margin for the one month it was under BOQ's ownership contributed 2bps to the Net Interest Margin in the second half.

4.2 NON-INTEREST INCOME

	Year End Performance			Half Year Performance		
$ million	**Aug-14**	Aug-13	Aug 14 vs Aug 13	**Aug-14**	Feb-14	Aug 14 vs Feb 14
Banking Income	**95.7**	95.5	-	**48.5**	47.2	3%
Other Income	**14.4**	17.5	(18%)	**7.6**	6.8	12%
Insurance Income	**41.6**	40.3	3%	**20.9**	20.7	1%
Trading Income	**15.4**	9.3	66%	**8.7**	6.7	30%
Virgin Money (Australia)	**0.1**	(0.2)	n/a	**(0.1)**	0.2	n/a
Total Non Interest Income	**167.2**	162.4	3%	**85.6**	81.6	5%
BOQ Specialist	**1.2**	-	n/a	**1.2**	-	n/a
Total Group Non Interest Income	**168.4**	162.4	4%	**86.8**	81.6	6%

Fee income earned on banking products has remained challenged as new product offerings have lower fee structures and customers have continued to migrate to these products. Other Income reduction reflects customers in the BOQ Finance operating lease portfolio continuing to hold assets beyond contracted terms which results in lower realised residual value gains from end of lease equipment sales. This generates an offsetting increase in Net Interest Income as increased renewal income is recorded.

The implementation of the amended Australian Prudential Standard ("APS") 210 Liquidity standard has resulted in a change in the composition of investment securities. A favourable move in credit spreads on the liquid assets portfolio over the year (for example in semi-government securities), provided the main driver of improved trading income performance. This is regarded as a one-off occurrence and should not be expected to be repeated in future periods. This improved Trading Income result has been complimented by increased volumes in the Financial Markets business.

4.2 NON-INTEREST INCOME (CONTINUED)

Virgin Money (Australia) ("VMA") contributed $0.1m profit before tax for the full year with a focus on profitable growth across its existing product set of credit cards, insurance and superannuation. The VMA acquisition included a change to the commission arrangements with Citibank, the credit card provider for both VMA and BOQ branded credit cards. This change resulted in an increase in commissions from the BOQ branded card portfolio that was approximately $2m higher than under the old arrangement. The results from VMA's commission-based product suite are ahead of expectations at the time of acquisition. Development continues on widening the current product and service offering to capitalise on the unique appeal of the brand proposition.

BOQ Specialist income of $1.2m reflects the contribution from one month's earnings and is in line with expectations.

4.3 INSURANCE OVERVIEW

	Year End Performance			Half Year Performance		
$ million	**Aug-14**	Aug-13	Aug 14 vs Aug 13	**Aug-14**	Feb-14	Aug 14 vs Feb 14
Gross Written Premium (net of refunds)	**68.6**	75.3	(9%)	**34.2**	34.4	(1%)
Net Earned Premium	**70.4**	67.4	4%	**35.3**	35.1	1%
Underwriting Result	**33.4**	31.8	5%	**16.9**	16.5	2%
Other Insurance Income	**6.7**	7.8	(14%)	**3.3**	3.4	(3%)
Total Income	**40.1**	39.6	1%	**20.2**	19.9	2%
Consolidation Adjustment	**1.5**	0.7	114%	**0.7**	0.8	(13%)
Group Insurance Result	**41.6**	40.3	3%	**20.9**	20.7	1%

St Andrew's Insurance contributed $41.6m to Non-Interest Income which is a 3% improvement from the prior year.

There has been further improvements in the underwriting result from higher earned premiums, lower claims and lower acquisition costs. Other Insurance Income continues to be challenged with lower yields on the cash based investment portfolio which is consistent with the reduction in deposit rates. Gross Written Premium reduced by 9% due to lower volume of single premium policies. However, sales of regular premium policies increased significantly in line with the strategy to diversify product revenue streams, a trend set to continue in the coming year. In particular, new direct to consumer channels contributed an increase in sales of term life, funeral and involuntary unemployment insurance.

4.4 OPERATING EXPENSES

	Year End Performance			Half Year Performance		
$ million	**Aug-14**	Aug-13	Aug 14 vs Aug 13	**Aug-14**	Feb-14	Aug 14 vs Feb 14
Operating Expenses	**86.6**	86.9	-	**42.4**	44.2	(4%)
IT Expenses	**79.0**	78.7	-	**40.2**	38.8	4%
Occupancy Expenses	**39.1**	31.7	23%	**21.6**	17.5	23%
Employee Expenses	**181.6**	162.6	12%	**96.0**	85.6	12%
Other Expenses	**16.7**	19.5	(14%)	**8.2**	8.5	(4%)
Total Operating Expenses (1)	**403.0**	379.4	6%	**208.4**	194.6	7%
BOQ Specialist	**4.9**	-	n/a	**4.9**	-	n/a
Total Operating Expenses	**407.9**	379.4	8%	**213.3**	194.6	10%
Cost to Income Ratio (including BOQ Specialist)	**43.9%**	44.3%	(40bps)	**43.9%**	43.8%	10bps
Cost to Income Ratio (excluding BOQ Specialist)	**43.9%**	44.3%	(40bps)	**44.0%**	43.8%	20bps
Number of employees (FTE) (1)	**1,903**	1,426	33%	**1,903**	1,491	28%

(1) FTE numbers and Operating Expenses exclude VMA, refer Section 10.2 (b) for detail.

4.4 OPERATING EXPENSES (CONTINUED)

While the Cost to Income ratio improved to 43.9%, operating expenses increased by 6% to $403m for the full year. While we continue to actively manage the expense base, we have reinvested in the business by bolstering our frontline capability to support the '*Customer in Charge*' strategy.

There were a number of one-off costs for premises consolidation incurred during the period as staff were consolidated in one location in Sydney, and as we transition to our new Brisbane head office that will be completed before the end of 2014. This has resulted in an increase in premises costs of 33%. These costs include the incremental cost of bridging tenancies and onerous lease provisions on exited premises, while lease surrender costs relating to branch closures were also incurred. Excluding these impacts that totalled $6.4m, the annual expense growth would have been 4.5%. A similar level of one-off costs are expected in the 2015 financial year with the completion of the Brisbane head office move and further anticipated branch rationalisation.

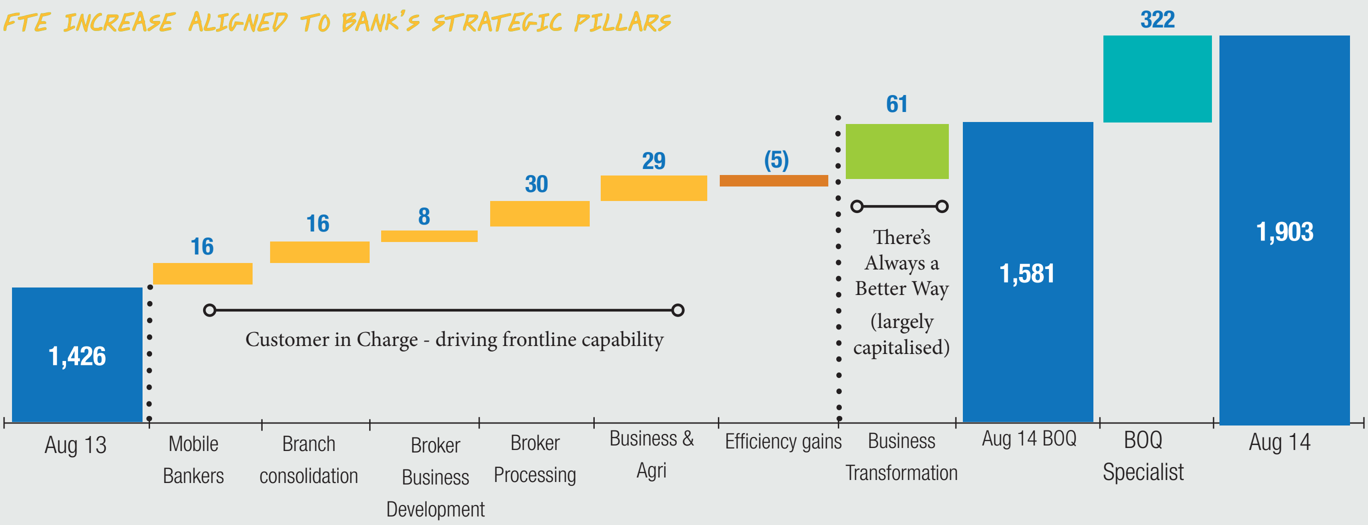
The Group is undertaking a strategic transformation of operational infrastructure to digitise the organisation requiring significant investment. The underlying expense growth profile, which is above inflation, reflects the current stage of this evolution.

The strategic project pipeline is designed to improve the customer experience while generating front and back office efficiency and includes a new retail lending platform, business processing systems and will result in a move from legacy manual paper based processes to electronic data with workflow management capability. We have also announced a significant restructure of our IT service delivery model and entered into a new IT outsourcing agreement with Hewlett-Packard after a competitive tender process. The new agreement will bring a substantial lift in capability and an improved cost profile compared to the previous ten year agreement. The new agreement is for five years with an option to extend for a further two years.

The Bank will experience an upward trend in technology amortisation in coming years as the project pipeline is completed. This uplift should be sheltered by the lower cost profile of the new IT outsourcing model and agreement. We would expect the cost to income ratio to remain stable over the 2015 year (excluding the impact of BOQ Specialist), after which we expect costs to return to an inflationary profile given delivery of key pipeline projects which are well progressed. This is expected to deliver a continuation of a reduction in our cost to income ratio from the 2016 year towards our low 40s target.

Employee expenses increased by 12% which included an Enterprise Bargaining Agreement wage increase of 4%. The graph below shows this investment is largely in frontline capability and our drive to enhance retail and business banking capability to better serve our customers.

FTE INCREASE ALIGNED TO BANK'S STRATEGIC PILLARS



Note the total Operating Expenses excludes costs relating to VMA where the net result has been consolidated in Non-Interest Income for presentation of Cash Earnings. The total expenses for VMA were $13.7m for the year. A reconciliation of Cash Earnings to Statutory Profit is set out in Section 10.2(b).

5. LENDING

- Acquisition of BOQ Specialist providing $2.6bn in lending assets
- Housing growth flat with continued focus on credit quality delivering improved portfolio metrics
- Strong commercial growth excluding impaired asset realisations

		As at				
$ million		**Aug-14**	Feb-14	Aug-13	Aug 14 vs Feb 14	Aug 14 vs Aug 13
Housing Lending - APRA on balance sheet		**23,388.0**	22,969.8	22,870.6	2%	2%
Housing Lending - APS 120 qualifying securitisation [(1)]		**2,960.2**	3,129.7	3,278.3	(5%)	(10%)
		26,348.2	26,099.5	26,148.9	1%	1%
Commercial Lending - excluding BOQ Specialist	5,649.7					
- BOQ Specialist	2,551.4	**8,201.1**	5,370.3	5,313.7	53%	54%
BOQ Finance		**3,714.6**	3,660.1	3,658.3	1%	2%
Consumer		**161.6**	168.3	180.7	(4%)	(11%)
Gross Loans and Advances		**38,425.5**	35,298.2	35,301.6	9%	9%
Specific and Collective Provisions		**(290.0)**	(284.8)	(312.3)	(2%)	(7%)
Net Loans and Advances		**38,135.5**	35,013.4	34,989.3	9%	9%

[(1)] Securitised loans subject to capital relief under APRA Prudential Standard APS120 Securitisation.

Gross loans and Advances of $38.4bn increased 9% over the year primarily due to the $2.6 billion in loans acquired as part of the BOQ Specialist acquisition. Excluding the impact of the acquisition, we achieved 2% growth over the year, which was below system growth of 6%. The retail lending market has become increasingly competitive as banks pursue growth in a concentrated market. We continue to look to 'Grow the Right Way' to ensure portfolio quality is not compromised.

HOUSING LENDING

Housing lending grew by $199 million or 1% over the year. We continue to reduce concentration in the Line of Credit portfolio which reduced by $700m over the year and now represents 13% of the portfolio, down from 21% in February 2012. We remain significantly weighted to Queensland where mortgage growth remains less than half the national average (Source: Canstar). The national average has been driven by strong growth concentrated in Sydney and Melbourne where BOQ is under-represented.

A new simplified, low rate housing product 'Clear Path' was launched in the first half and contributed $2.3bn of new originations to the end of the financial year. The transparency of the 'Clear Path' mortgage has resonated with customers in an increasingly complex market and this was recognised by winning the 'AB&F Innovative Mortgage Product of the Year'.

Significant inroads were achieved in the year through diversifying origination channels. We have built capability in the mortgage broker market after commencing a pilot in WA in April 2013, and progressively expanding in NSW and VIC. The broker channel provided 14% of our housing applications in August 2014 and with expansion having just commenced in Queensland, significant growth in this channel is expected. We extended the broker network to 1,186 active brokers at the end of financial year, predominantly in Western Australia, New South Wales, and Victoria, which will drive further geographic diversification of the lending portfolio.

COMMERCIAL LENDING

Commercial lending grew 41% to $7.2 billion bolstered by the acquisition of BOQ Specialist. Excluding the impact of the acquisition, lending was up 6% over the year to $5.6 billion. Continued success was achieved in targeted reductions of legacy exposures deemed outside of risk appetite with approximately $150m in impaired and watchlist exposures being either reduced to within appetite, refinanced, or realised through asset workout activities. Excluding this, growth was 9% or 1.7x system. This was achieved by continuing to build on our strategy of delivering close customer relationships and nimble decisioning, superior to our peers. SME specialists, appointed to support the branch network, are expected to deliver success in future periods.

In the Business Bank, we continue to outperform our peers in customer satisfaction surveys, leading the pack in the East & Partners Business Banking Index for six years running, recently achieving a record high and extending the significant gap to our closest competitor.

BOQ FINANCE

The BOQ Finance leasing portfolio increased marginally over the year. Despite the industry contracting, organic growth offset a targeted reduction in selected debtor finance exposures which provided further portfolio credit quality improvement. The business maintains leading capability in equipment, debtor, vendor and dealer finance. The recent acquisition of BOQ Specialist has delivered a complementary asset and finance leasing portfolio providing commercial rental, lease and loan solutions for a broad range of equipment types.

6. ASSET QUALITY

- Significant reduction in impairment expense to 24 bps of Gross Loans and Advances (excluding BOQ Specialist)
- Continued success in impaired asset reduction - down 25% (excluding BOQ Specialist)
- Commercial arrears down more than 40% over the year

		BOQ Group	BOQ Specialist	Group excluding BOQ Specialist Aug-14	Aug-13	Aug 14 vs Aug 13	Aug-14	Feb-14	Aug 14 vs Feb 14
Loan impairment expense	($ million)	86.2	0.5	85.7	114.6	(25%)	39.6	46.1	(14%)
Loan Impairment Expense to GLA	bps	22	n/a	24	32	(8bps)	22	26	(4bps)
Impaired Assets	($ million)	292.9	5.3	287.6	381.6	(25%)	287.6	298.4	(4%)
30dpd Arrears	($ million)	455.7	6.6	449.1	523.0	(14%)	449.1	526.8	(15%)
90dpd Arrears	($ million)	221.2	1.5	219.7	270.8	(19%)	219.7	272.4	(19%)
Collective Provision & General Reserve for Credit Losses ("GRCL") / RWA	bps	95	n/a	103	110	(7bps)	103	108	(5bps)

- Loan Impairment expense continued to reduce, reflecting the improved credit management practises accompanied by a tighter risk appetite framework, as well as macro-economic benefits from the low interest rate environment. The full year impairment expense of $85.7m (excluding BOQ Specialist), or 24bps/GLA, was a $28.9m (8bps) improvement from the prior year.
- Impaired assets for the year reduced by $88.7m (23%) primarily in our commercial portfolio which benefitted from the realisations of the two largest impaired exposures held at August 2013. In the second half, for the first time since the Asset Quality Review in 2012, no exposures greater than $5m transitioned to impaired status, which further demonstrates the improving nature of the portfolio.
- Arrears performance within the commercial portfolio has trended favourably for the year, reducing by over 40% in both 30 and 90 day arrears, due to continued early workout/exit activities, troublesome accounts transitioning to impaired status and improvement in collections. Retail arrears have decreased over the half as anticipated, as first half arrears were impacted by seasonality.

The following credit analysis (Sections 6.1 to 6.4) excludes the impact of BOQ Specialist to enhance comparability to prior reporting periods.

6.1 LOAN IMPAIRMENT EXPENSE

	Year End Performance			Half Year Performance		
$ million	Aug-14	Aug-13	Aug 14 vs Aug 13	Aug-14	Feb-14	Aug 14 vs Feb 14
Expense by Product (excluding BOQ Specialist)						
Retail Lending	33.8	36.7	(8%)	16.5	17.3	(5%)
Commercial Lending	31.2	51.3	(39%)	10.0	21.2	(53%)
BOQ Finance	20.7	26.6	(22%)	13.1	7.6	72%
Total	85.7	114.6	(25%)	39.6	46.1	(14%)
Loan Impairment Expense to GLA (excluding BOQ Specialist)						
Retail Lending (bps)	13	14	(1bps)	12	13	(1bps)
Commercial Lending (bps)	55	97	(42bps)	35	79	(44bps)
BOQ Finance (bps)	56	73	(17bps)	71	42	29bps
Total (bps)	24	32	(8bps)	22	26	(4bps)

6.1 LOAN IMPAIRMENT EXPENSE (CONTINUED)

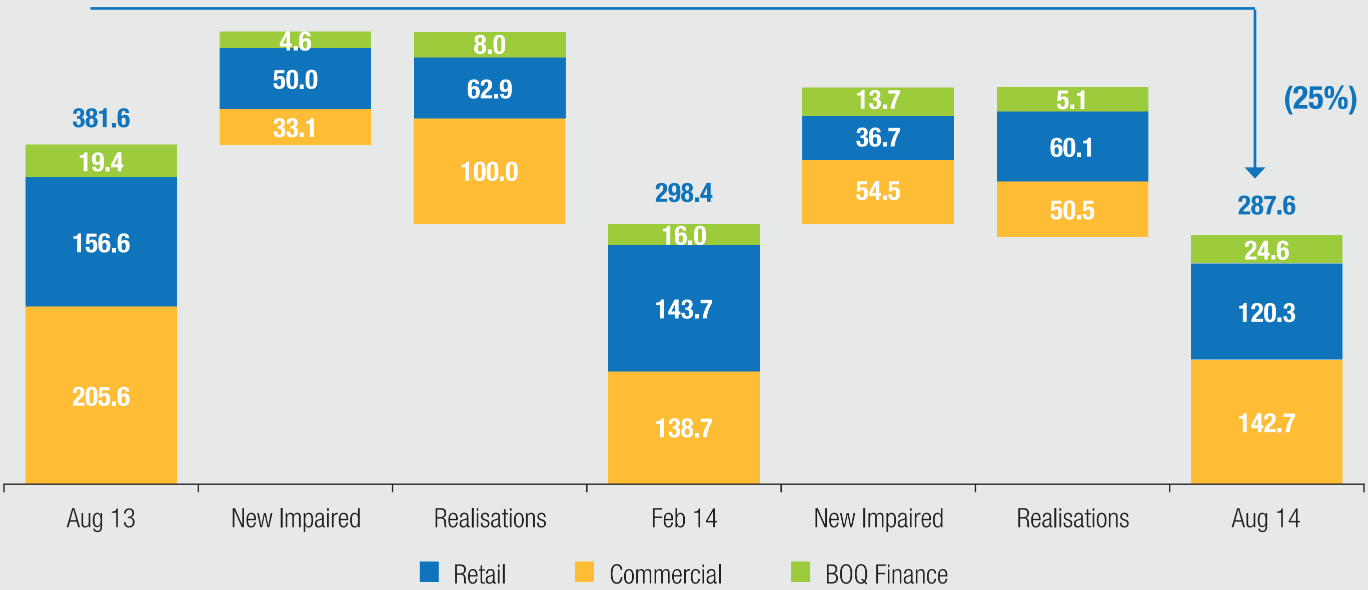
The table above shows the continued improving trend across the retail portfolio. The Commercial portfolio reset at a lower base in line with expectations. BOQ Finance achieved a good result for the year, driven by a lower first half outcome than long term and industry experience. There was a return to expected loss rates in the second half due to a small number of larger exposures, with the remainder of the portfolio performing well.

6.2 IMPAIRED ASSETS

$ million	As at Aug-14	Feb-14	Aug-13	Aug 14 vs Feb 14	Aug 14 vs Aug 13
Retail Lending	**120.3**	143.7	156.6	(16%)	(23%)
Commercial Lending	**142.7**	138.7	205.6	3%	(31%)
BOQ Finance	**24.6**	16.0	19.4	54%	27%
Total Impaired	**287.6**	298.4	381.6	(4%)	(25%)
Impaired Assets: GLA (bps)	**80bps**	85bps	108bps	(5bps)	(28bps)

We continue to see improvement in impaired assets which reduced by 25% over the full year. The current balance of $288m is now less than half the level of February 2012 ($579m) which reinforces the improvement in the credit quality of the portfolio over the last two years. The graph below outlines the continued progress in the reduction of impaired assets throughout 2014.

IMPAIRED ASSETS ($m)



COMMERCIAL IMPAIRED ASSETS

Commercial impaired assets decreased 31% over the full year, though marginally increased by $4m (3%) over the half. No exposure greater than $5m transitioned to impaired status in the second half of the financial year. Significant reductions in commercial arrears in the second half, particularly in 30 days arrears, should produce positive momentum in commercial impaired assets going forward.

RETAIL IMPAIRED ASSETS

Retail impaired assets reduced 16% over the half and 23% for the full year due to the improved security position on delinquencies and record low interest rates slowing the rate of new impaired assets. There continues to be shortened impaired asset duration reflecting the improved market and faster housing market clearance rates. In addition, the reduction in the arrears (largely in the Line of Credit product) has led to a reduction in Mortgage in Possession properties held over the financial year.

BOQ FINANCE IMPAIRED ASSETS

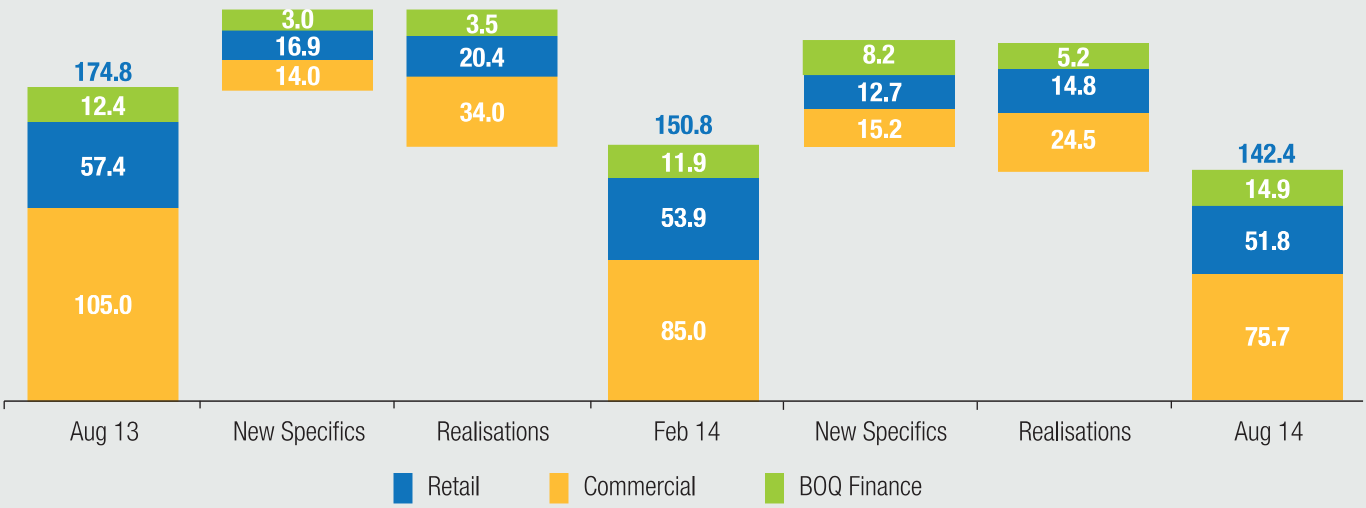
BOQ Finance impaired assets increased $8.6m (54%) over the half. The majority of the increase was in the Equipment Finance portfolio, with a small number of larger exposures transitioning to impaired status.

6.3 PROVISION COVERAGE

	As at				
$ million	**Aug-14**	Feb-14	Aug-13	Aug 14 vs Feb 14	Aug 14 vs Aug 13
Specific Provision	**142.4**	150.8	174.8	(6%)	(19%)
Collective Provision	**127.8**	134.0	137.5	(5%)	(7%)
Total Provision	**270.2**	284.8	312.3	(5%)	(13%)
GRCL	**70.2**	70.2	70.2	-	-
Specific Provisons to Impaired Assets	**49.5%**	50.5%	45.8%	(100bps)	370bps
Total Provisions and GRCL to Impaired Assets (1)	**128.8%**	129.1%	108.2%	(30bps)	2060bps
Total Provisions and GRCL to RWA (1)	**1.7%**	1.8%	1.9%	(10bps)	(20bps)

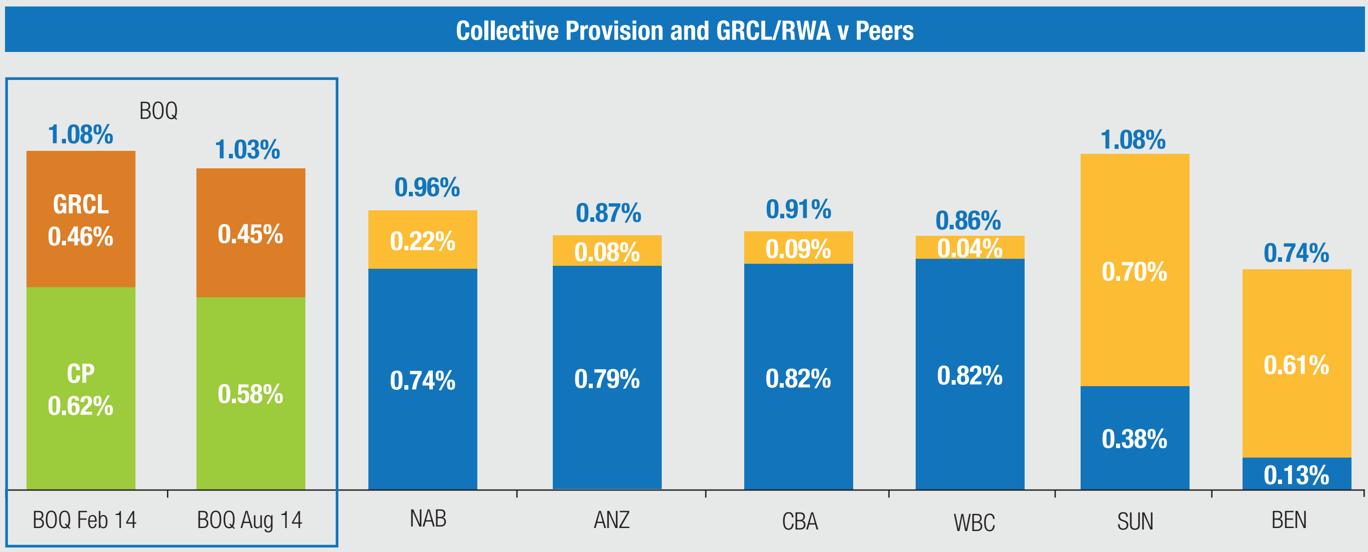
(1) GRCL gross of tax effect.

SPECIFIC PROVISIONS ($m)



COLLECTIVE PROVISION AND GRCL/RWA v PEERS

The graph below shows the Bank's level of collective provisions and GRCL to risk weighted assets compared against the current peer levels as published in their most recent financial reports. It is important to note that the four major banks have proportionally lower risk weighted assets than the regional banks due to their advanced accreditation regulatory status. On an equivalent basis, the regional bank ratios on the graph below would be materially higher than presented.



6.4 ARREARS

%	Portfolio Balance $m Aug-14	As at Aug-14	Feb-14	Aug-13	Aug 14 vs Feb 14	Aug 14 vs Aug 13
By Product						
30 days past due: GLAs (Housing)	**22,768.6**	**1.11%**	1.17%	1.06%	(6bps)	5bps
90 days past due: GLAs (Housing)		**0.49%**	0.52%	0.46%	(3bps)	3bps
30 days past due: GLAs (LOC)	**3,579.6**	**1.73%**	2.15%	2.15%	(42bps)	(42bps)
90 days past due: GLAs (LOC)		**0.88%**	1.03%	1.16%	(15bps)	(28bps)
30 days past due: GLAs (Consumer)	**161.6**	**3.21%**	3.04%	3.14%	17bps	7bps
90 days past due: GLAs (Consumer)		**1.81%**	1.61%	1.82%	20bps	(1bps)
30 days past due: GLAs (Commercial)	**5,649.7**	**1.84%**	2.84%	3.21%	(100bps)	(137bps)
90 days past due: GLAs (Commercial)		**1.24%**	2.02%	2.14%	(78bps)	(90bps)
30 days past due: GLAs (BOQ Finance)	**3,714.6**	**0.68%**	0.72%	0.67%	(4bps)	1bps
90 days past due: GLAs (BOQ Finance)		**0.11%**	0.15%	0.14%	(4bps)	(3bps)
Total Lending						
30 days past due ($ million)	**35,874.1**	**449.1**	526.8	523.0	(15%)	(14%)
90 days past due ($ million)		**219.7**	272.4	270.8	(19%)	(19%)
30 days past due: GLAs		**1.3%**	1.5%	1.5%	(20bps)	(20bps)
90 days past due: GLAs		**0.6%**	0.8%	0.8%	(20bps)	(20bps)

RETAIL ARREARS

Retail has seen an expected improvement in both the 30+ and 90+ arrears over the half against February 2014 arrears numbers due to post Christmas period seasonality.

COMMERCIAL ARREARS

Commercial arrears have seen a considerable improvement over the half with 30+ and 90+ arrears both reducing by over 40% or 100bps and 78bps respectively. The favourable result has been driven by the early identification of deteriorating loan accounts and the implementation of early workout/exit strategies.

7. FUNDING AND LIQUIDITY

- Standard & Poor's upgrade of BOQ's long-term credit rating from "BBB+" to "A-" (September 2013) and Moody's upgrade of BOQ's long-term credit rating from "Baa1" to "A3" (March 2014)
- Proactive management of the liability mix has provided margin benefits and reduced reliance on high cost, less 'sticky' deposits

As evidenced by recent credit upgrades from both Standard & Poor's ('A-') and Moody's ('A3'), there has been significant progress in strengthening the Balance Sheet, creating a sustainable funding profile and improving internal capital generation.

The recent upgrades, supported by improvement in term funding markets, have provided opportunities to further diversify funding sources and manage the liability mix to maximise interest margins, that has been a key driver of income growth. Significant value was achieved over the year as we continue to reduce reliance on high cost, price sensitive segments of the retail deposit market. We have also deepened our penetration of middle market customers as the recent upgrades widen our eligibility and limits across ratings sensitive investment portfolios.

The recent acquisition of BOQ Specialist has improved the Deposit to Loan Ratio at 69% and provides further opportunity to optimise management of funding and liquidity.

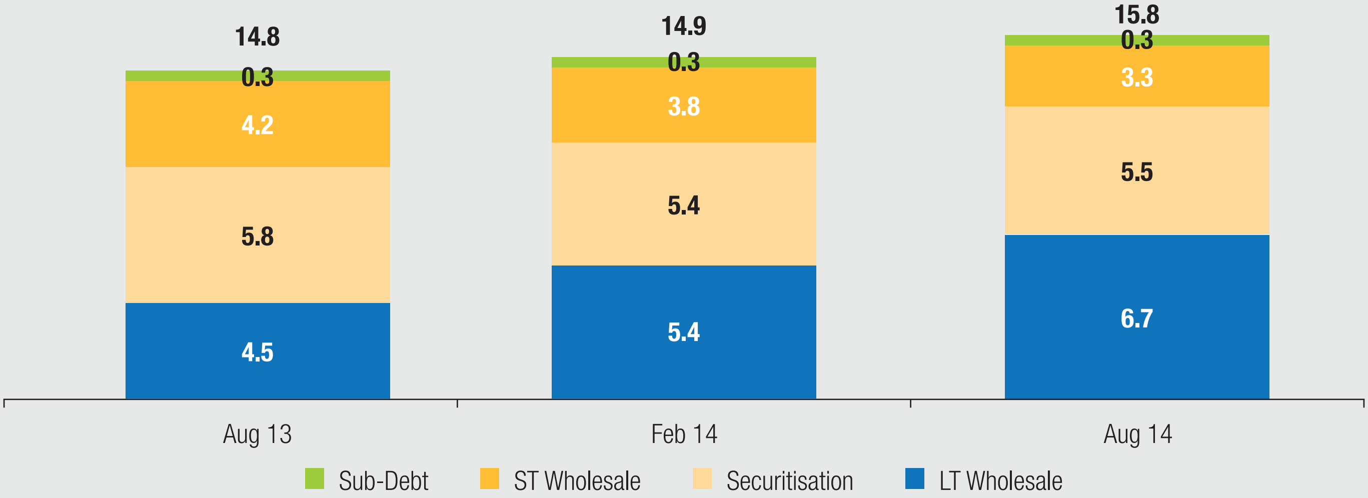
	As at						
$ million	**Group excluding BOQ Specialist Aug-14**	**BOQ Specialist** (1)	**Group Aug-14**	Feb-14	Aug-13	Aug 14 vs Feb 14	Aug 14 vs Aug 13
Retail Deposits	**24,421.9**	**2,192.8**	**26,614.7**	23,769.1	23,968.0	12%	11%
Wholesale Deposits	**9,203.4**	**117.7**	**9,321.1**	8,198.9	7,730.7	14%	21%
Total Deposits	**33,625.3**	**2,310.5**	**35,935.8**	31,968.0	31,698.7	12%	13%
Borrowings	**5,818.6**	**715.8**	**6,534.4**	6,755.0	7,136.9	(3%)	(8%)
Other Liabilities	**1,063.4**	**30.5**	**1,093.9**	825.7	874.9	32%	25%
Total Liabilities	**40,507.3**	**3,056.8**	**43,564.1**	39,548.7	39,710.5	10%	10%
Total Shareholders' Equity	**3,337.5**	**3.0**	**3,340.5**	2,880.8	2,817.8	16%	19%
Total Liabilities and Equity	**43,844.8**	**3,059.8**	**46,904.6**	42,429.5	42,528.3	11%	10%

(1) Includes BOQ Specialist provisional fair value acquisition entries.

	As at				
	Aug-14	Feb-14	Aug-13	Aug 14 vs Feb 14	Aug 14 vs Aug 13
Retail deposit funding	**74%**	74%	76%	-	(2%)
Wholesale deposit funding	**26%**	26%	24%	-	2%
Total Gross Loans and Advances (net of specific provision) ($'m)	**38,276.8**	35,147.4	35,126.8	9%	9%
Deposit to Loan Ratio	**69%**	68%	68%	1%	1%

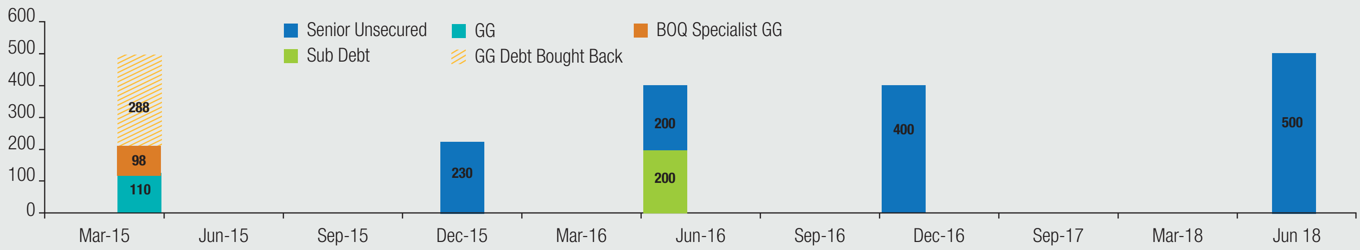
WHOLESALE FUNDING MIX ($bn)

As a result of the recent ratings upgrades and market conditions being supportive of term issuance, we focussed on rebuilding our term wholesale funding over 2014 with a three year $400m issue in November 2013 and a four year $500m issue in June 2014. The credit rating upgrades allowed us to target diversity in funding source, investor type and offshore participation. BOQ will also continue to diversify through residential and asset backed security issuances. This replaced expensive Government Guaranteed debt recently repurchased (leaving only $110m of the $3.8bn originally issued pre-BOQ Specialist) and funded the repayment of a US$200m syndicated debt facility in March 2014.



MAJOR MATURITIES ($m)

The Bank has no significant maturity towers in its wholesale funding profile to May 2016.



LIQUIDITY

	As at				
	Aug-14	Feb-14	Aug-13	Aug 14 vs Feb 14	Aug 14 vs Aug 13
High Quality Liquid Assets Ratio	**16.2%**	15.2%	15.2%	100bps	100bps

We maintain a high quality, diversified liquid asset portfolio to support regulatory and internal requirements. The transition of the liquid asset portfolio to meet the new Basel III Prudential Standard *APS 210 Liquidity* rules has been completed well in advance of the 1 January 2015 implementation date. Further, eligibility for the Reserve Bank of Australia ('RBA') Committed Liquidity Facility has been finalised and will begin on 1 January 2015.

Our total liquidity holdings of $6.4 billion represents a substantial excess over short term funding levels and provides a material buffer in the event of a market dislocation. In addition, $2.4 billion of internal securitisation capacity is held which is eligible for repurchase arrangements with the RBA as a source of contingent liquidity in the event of a crisis scenario. Significant further liquidity is also available with the majority of the Bank's retail lending assets eligible to be placed as collateral into this structure.

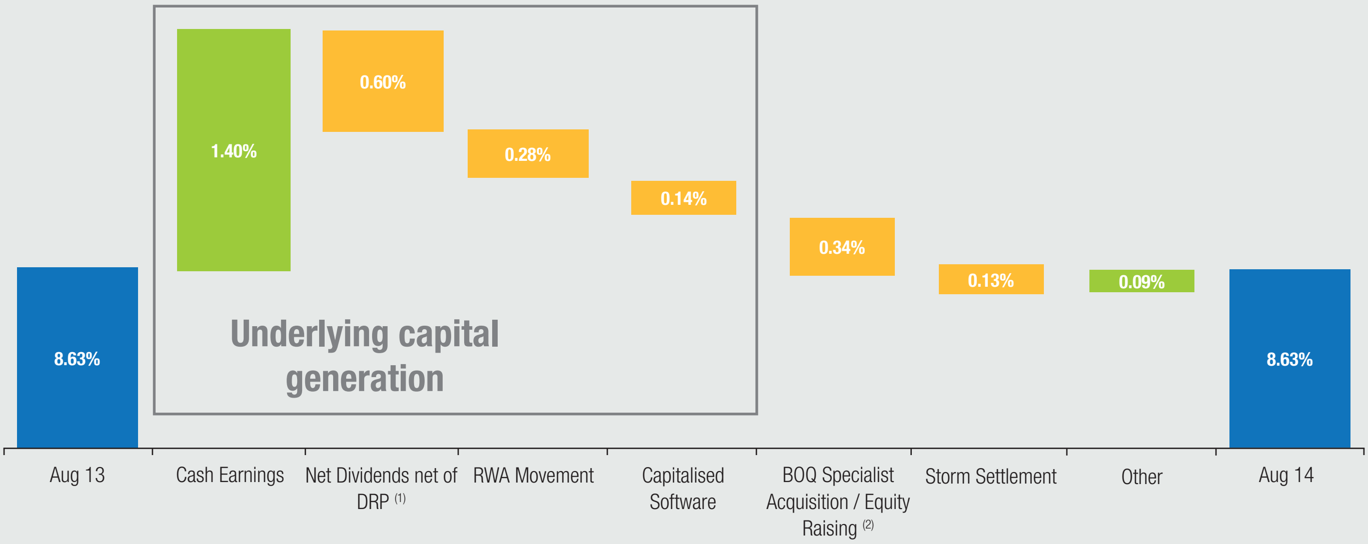
8. CAPITAL MANAGEMENT INCLUDING BOQ SPECIALIST

CAPITAL ADEQUACY

$ million	As at Aug-14	Feb-14	Aug-13	Aug 14 vs Feb 14	Aug 14 vs Aug 13
Common Equity Tier 1	**2,161.3**	1,920.2	1,860.6	13%	16%
Additional Tier 1 Capital	**300.0**	300.0	300.0	-	-
Tier 2 Capital	**547.6**	474.4	477.7	15%	15%
Total Capital Base	**3,008.9**	2,694.6	2,638.3	12%	14%
Total RWA	**25,031.7**	21,717.5	21,551.7	15%	16%
Common Equity Tier 1 Ratio	**8.63%**	8.84%	8.63%	(21bps)	-
Total Capital Adequacy Ratio	**12.02%**	12.41%	12.24%	(39bps)	(22bps)

We maintained a strong Capital position over the course of the year with Common Equity Tier 1 remaining at 8.63%. During the year, we raised $400 million in capital to fund the acquisition of BOQ Specialist. The improved cash earnings, coupled with lower lending growth, enabled underlying capital generation of 38 basis points of Common Equity Tier 1. This was used to part fund the capital requirements of the BOQ Specialist acquisition.

COMMON EQUITY TIER 1 RATIO



(1) DRP participation level in the 2014 half year dividend was 31%.

(2) The loan book acquired as at 31 August was $215m higher than the book reflected at announcement. This growth, coupled with a small increase in goodwill due to fair value adjustments, has resulted in consumption of excess capital of 34 basis points rather than the 25 basis points ($54m) presented in the February 2014 proforma announcement. Post completion, organic capital generation of the acquired business is available to fund its RWA growth.

9. TAX EXPENSE

Tax expense arising on Cash Earnings for the year amounted to $134.3m. This represents an effective tax rate of 30.8%, which is above the corporate tax rate of 30% primarily due to non-deductibility of interest payable on Convertible Preference Shares, intangibles amortisation expenses and BOQ Specialist acquisition costs.

10. APPENDICES

10.1 ASX APPENDIX 4E

Details of associated and joint venture entities (Rule 4.2A.3 Item No. 7) (1)	Ownership interest held (%)
Ocean Springs Pty Ltd	9.31%
Dalyellup Beach Pty Ltd	17.08%
Wanneroo North Pty Ltd	21.42%
East Busselton Estate Pty Ltd	25.00%
Coastview Nominees Pty Ltd	5.81%
Provence 2 Pty Ltd	25.00%

(1) The principal activity of the joint venture entities is land subdivision, development and sale. These investments were acquired as part of the Home Building Society acquisition in 2007.

	As at		
Net tangible assets per security (Rule 4.2A.3 Item No. 3)	**Aug-14**	Feb-14	Aug-13
Net tangible assets per ordinary shares ($) (1)	**6.93**	7.06	6.96

(1) Represents net assets excluding intangible assets, preference shares and other equity instruments divided by ordinary shares on issue at the end of the period.

10.2 RECONCILIATION OF STATUTORY PROFIT TO CASH EARNINGS

The Cash Earnings provided is used by Management to present a clear view of our underlying operating results. This excludes a number of items that introduce volatility and / or one-off distortions of the current year performance, and allows for a more effective comparison of BOQ's performance across reporting periods.

There has been a decrease in the difference between the Bank's Statutory Profit and its Cash Earnings from the prior year. The following provides explanation of the key movements:

Integration/due diligence costs – increase reflects costs relating to the acquisition of BOQ Specialist. 2013 included the acquisition of Virgin Money (Australia).

Government guaranteed break fee – includes costs relating to repurchase of Government guaranteed debt.

Legacy items – principally a provision for settlement of the outstanding Storm Financial proceedings. Also includes legal costs relating to court proceedings brought by former NSW Owner Managers which found in favour of BOQ in February 2014. 2013 included the Product Remediation Review.

Restructuring costs – 2013 included a number of costs relating to significant restructuring activities undertaken in 2013 as we implemented the four pillar strategy.

(a) Reconciliation of Cash Earnings to Statutory Net Profit after tax

	Year End Performance			Half Year Performance		
$ million	**Aug-14**	Aug-13	Aug 14 vs Aug 13	**Aug-14**	Feb-14	Aug 14 vs Feb 14
Cash Earnings after Tax	**301.2**	250.9	20%	**161.0**	140.2	15%
Amortisation of customer contracts (acquisition)	**(6.8)**	(9.1)	(25%)	**(4.3)**	(2.5)	72%
Amortisation of fair value adjustments (acquisition)	**-**	(1.0)	n/a	**-**	-	-
Hedge ineffectiveness	**(1.7)**	2.4	(171%)	**(0.9)**	(0.8)	13%
Government guarantee break fee	**(1.4)**	(5.2)	(73%)	**-**	(1.4)	n/a
Integration / due diligence costs	**(7.6)**	(3.7)	105%	**(7.6)**	-	n/a
Legacy items	**(23.2)**	(37.5)	(38%)	**(22.4)**	(0.8)	n/a
Restructuring costs	**-**	(11.0)	n/a	**-**	-	-
Statutory Net Profit after Tax	**260.5**	185.8	40%	**125.8**	134.7	(7%)

(b) Non-Cash Earnings Reconciling items

$ million	**Cash Earnings Aug-14**	VMA	Amortisation of customer contracts (acquisition)	Hedge ineffectiveness	Government Guarantee break fee	Integration / due diligence	Legacy items	**Statutory Net Profit Aug-14**
Net Interest Income	**761.2**	-	-	-	-	(0.4)	-	**760.8**
Non-Interest Income	**168.4**	13.7	-	(2.3)	(2.0)	-	-	**177.8**
Total Income	**929.6**	13.7	-	(2.3)	(2.0)	(0.4)	-	**938.6**
Operating Expenses	**(407.9)**	(13.7)	(5.9)	-	-	(8.7)	(33.2)	**(469.4)**
Underlying Profit	**521.7**	-	(5.9)	(2.3)	(2.0)	(9.1)	(33.2)	**469.2**
Loan Impairment Expense	**(86.2)**	-		-	-	-	-	**(86.2)**
Profit before Tax	**435.5**	-	(5.9)	(2.3)	(2.0)	(9.1)	(33.2)	**383.0**
Income Tax Expense	**(134.3)**	-	(0.9)	0.6	0.6	1.5	10.0	**(122.5)**
Profit after Tax	**301.2**	-	(6.8)	(1.7)	(1.4)	(7.6)	(23.2)	**260.5**

(c) Operating Cash Expenses (excluding BOQ Specialist)

	Year End Performance			Half Year Performance		
	Aug-14	Aug-13	Aug 14 vs Aug 13	**Aug-14**	Feb-14	Aug 14 vs Feb 14
General expenses						
Advertising	**12.4**	12.3	1%	**7.3**	5.1	43%
Commissions to Owner Managed Branches	**6.8**	8.7	(22%)	**3.4**	3.4	-
Communications and postage	**20.1**	22.3	(10%)	**9.8**	10.3	(5%)
Printing and stationery	**4.5**	4.0	13%	**2.3**	2.2	5%
Non-lending losses	**2.2**	1.5	47%	**1.3**	0.9	44%
Processing costs	**25.4**	25.0	2%	**12.9**	12.5	3%
Other	**15.2**	13.1	16%	**5.4**	9.8	(45%)
	86.6	86.9	-	**42.4**	44.2	(4%)
Other expenses						
Professional fees	**9.9**	9.6	3%	**4.7**	5.2	(10%)
Directors' fees	**1.9**	1.6	19%	**1.0**	0.9	11%
Other	**4.9**	8.3	(41%)	**2.5**	2.4	4%
	16.7	19.5	(14%)	**8.2**	8.5	(4%)
IT expenses						
Data processing	**62.9**	58.7	7%	**32.2**	30.7	5%
Amortisation and impairment – computer software (intangible)	**14.7**	18.5	(21%)	**7.3**	7.4	(1%)
Depreciation – IT equipment	**1.4**	1.5	(7%)	**0.7**	0.7	-
	79.0	78.7	-	**40.2**	38.8	4%
Occupancy expenses						
Lease rental	**28.7**	21.6	33%	**16.4**	12.3	33%
Depreciation - plant, furniture, equipment and leasehold improvements	**7.5**	7.6	(1%)	**3.7**	3.8	(3%)
Other	**2.9**	2.5	16%	**1.5**	1.4	7%
	39.1	31.7	23%	**21.6**	17.5	23%
Employee expenses						
Salaries and wages	**143.3**	131.3	9%	**75.5**	67.8	11%
Superannuation contributions	**13.4**	11.8	14%	**7.0**	6.4	9%
Payroll tax	**9.7**	7.6	28%	**5.1**	4.6	11%
Equity settled transactions	**8.3**	5.2	60%	**4.4**	3.9	13%
Other	**6.9**	6.7	3%	**4.0**	2.9	38%
	181.6	162.6	12%	**96.0**	85.6	12%
Total Operating Expenses	**403.0**	379.4	6%	**208.4**	194.6	7%

General Expenses

Advertising expenses increased over the half reflecting seasonal marketing campaigns. The reduction in Commissions paid to Owner managed branches is due to commission guarantees paid in 2013 which were not repeated in 2014. Communications savings are a result of re-negotiations of our data line contract during the year and consolidation of support centres. The fall in Other expenses over the second half is due to timing differences on receipt of indirect tax credits.

Other Expenses

The increase in Directors fees is due to increasing the number of Directors from eight to ten. Other includes the reclassification of Securitisation Trust expenses to Net Interest Income to match the income stream.

IT Expenses

Data processing costs increased over the half due to compliance upgrades, website refresh and disaster recovery enhancement. The reduction in amortisation costs over the year reflects the number of larger and more strategic projects that have longer implementation timeframes currently underway.

Occupancy Expenses

The increase in lease rental includes the one off impacts of the Sydney Support Centre consolidation during the year, increased rental costs for the Brisbane head office ahead of the transition to new premises before the end of 2014 and lease surrender costs incurred in relation to branch consolidation completed throughout the year. This increase also includes the annual rent uplifts across the branch network and support centres.

Employee Expenses

Increase in salaries includes investment in frontline capability across Business Banking, broker support and mobile teams. Equity settled transactions reflects first half issues and share price increase relative to prior year.

10.3 PROPERTY PLANT & EQUIPMENT (Consolidated)

	Leasehold improvements $m	Plant furniture and equipment $m	IT equipment $m	Capital works in progress $m	Assets under Operating Lease $m	Total $m
Cost						
Balance as at 1 September 2013	37.8	32.4	34.4	2.3	20.3	127.2
Acquired through BOQ Specialist	-	-	3.0	-	-	3.0
Additions	11.5	1.6	0.2	9.2	8.7	31.2
Disposals	(5.7)	(2.1)	(0.9)	-	(0.2)	(8.9)
Transfers between categories	0.9	0.1	-	(1.0)	-	-
Balance as at 31 August 2014	**44.5**	**32.0**	**36.7**	**10.5**	**28.8**	**152.5**
Amortisation and impairment losses						
Balance as at 1 September 2013	25.1	21.6	30.8	-	11.9	89.4
Depreciation for the year	5.3	2.2	1.4	-	8.0	16.9
Disposals	(5.2)	(1.3)	(0.9)	-	-	(7.4)
Balance as at 31 August 2014	**25.2**	**22.5**	**31.3**	**-**	**19.9**	**98.9**
Carrying amount as at 31 August 2013	**12.7**	**10.8**	**3.6**	**2.3**	**8.4**	**37.8**
Carrying amount as at 31 August 2014	**19.3**	**9.5**	**5.4**	**10.5**	**8.9**	**53.6**

10.4 EARNINGS PER SHARE ("EPS") CALCULATIONS

	Year End Performance			Half Year Performance		
	Aug-14	Aug-13	Aug 14 vs Aug 13	**Aug-14**	Feb-14	Aug 14 vs Feb 14
Reconciliation of Cash Earnings for EPS						
Cash Earnings after Tax	**301.2**	250.9	20%	**161.0**	140.2	15%
Less: PEPS Dividend (1)	**-**	(2.7)	n/a	**-**	-	-
Cash Earnings available for ordinary shareholders	**301.2**	248.2	21%	**161.0**	140.2	15%
Add: PEPS Dividend	**-**	2.7	n/a	**-**	-	-
Add: CPS Dividend	**16.4**	11.8	39%	**8.3**	8.1	2%
Add: Convertible Notes (2)	**-**	0.6	n/a	**-**	-	-
Cash Diluted Earnings available for ordinary shareholders	**317.6**	263.3	21%	**169.3**	148.3	14%
Weighted Average Number of Shares ("WANOS") (3)						
- Basic WANOS	**336.6**	317.7	6%	**347.9**	324.4	7%
Add: Effect of award rights	**2.9**	2.4	21%	**3.1**	2.7	15%
Add: Effect of PEPS	**-**	7.4	n/a	**-**	-	-
Add: Effect of CPS	**25.4**	22.0	15%	**25.4**	26.5	(4%)
Add: Effect of convertible notes (2)	**-**	1.3	n/a	**-**	-	-
- Diluted WANOS for Cash Earnings EPS	**364.9**	350.8	4%	**376.4**	353.6	6%

(1) PEPS are treated as equity whereas CPS are treated as debt for accounting purposes.

(2) Part period impact of Tier 2 bridge redeemed during this period.

(3) FY2013 and February 2014 basic earnings per share have been adjusted for the effect of the entitlement offer that occurred during the current financial year.

10.5 ISSUED CAPITAL

(a) Ordinary shares

	Consolidated	
	2014 Number	$m
Movements during the year		
Balance at the beginning of the year – fully paid	**319,810,294**	2,585.5
Dividend reinvestment plan - December 2013 at $12.25	**2,756,588**	33.8
Dividend reinvestment plan - May 2014 at $11.87	**2,680,708**	31.8
Institutional placement and entitlement offer - April 2014 at $10.75	**16,994,024**	182.6
Retail entitlement offer - May 2014 at $10.75	**20,275,221**	218.0
Balance at the end of the year – fully paid	**362,516,835**	3,051.7

On 31 July 2014, the Bank acquired 100% of Investec Bank (Australia) Limited which has been renamed BOQ Specialist Bank Limited. The capital required to support the acquisition was financed through the issue of new shares by way of institutional and retail entitlement offers.

10.6 AVERAGE BALANCE SHEET AND MARGIN ANALYSIS

	August 2014			August 2013		
	Average Balance $m	Interest [1] $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Interest earning assets						
Gross loans & advances at amortised cost	**35,654.7**	**1,916.6**	**5.38**	35,054.1	2,085.6	5.95
Investments & other securities	**6,257.1**	**195.4**	**3.12**	6,027.8	213.1	3.54
Total interest earning assets	**41,911.8**	**2,112.0**	**5.04**	41,081.9	2,298.7	5.60
Non-interest earnings assets						
Property, plant & equipment	**43.3**			36.8		
Other assets	**1,366.2**			1,367.8		
Provision for impairment	**(294.2)**			(376.3)		
Total non-interest earning assets	**1,115.3**			1,028.3		
Total Assets	**43,027.1**			42,110.2		
Interest bearing liabilities						
Retail deposits	**24,168.6**	**771.9**	**3.19**	22,890.9	897.9	3.92
Wholesale deposits & Borrowings	**15,151.5**	**578.9**	**3.82**	15,677.4	706.4	4.51
Total Interest bearing liabilities	**39,320.1**	**1,350.8**	**3.44**	38,568.3	1,604.3	4.16
Non - interest bearing liabilities	**688.7**			705.4		
Total Liabilities	**40,008.8**			39,273.7		
Shareholder's funds	**3,018.3**			2,836.5		
Total liabilities & shareholders funds	**43,027.1**			42,110.2		
Interest margin & interest spread						
Interest earning assets	**41,911.8**	**2,112.0**	**5.04**	41,081.9	2,298.7	5.60
Interest bearing liabilities	**39,320.1**	**1,350.8**	**3.44**	38,568.3	1,604.3	4.16
			1.60			1.44
Net interest margin - on average interest earning assets	**41,911.8**	**761.2**	**1.82**	41,081.9	694.4	1.69

[1] Net Interest Income includes the impact of BOQ Specialist $8.7m.

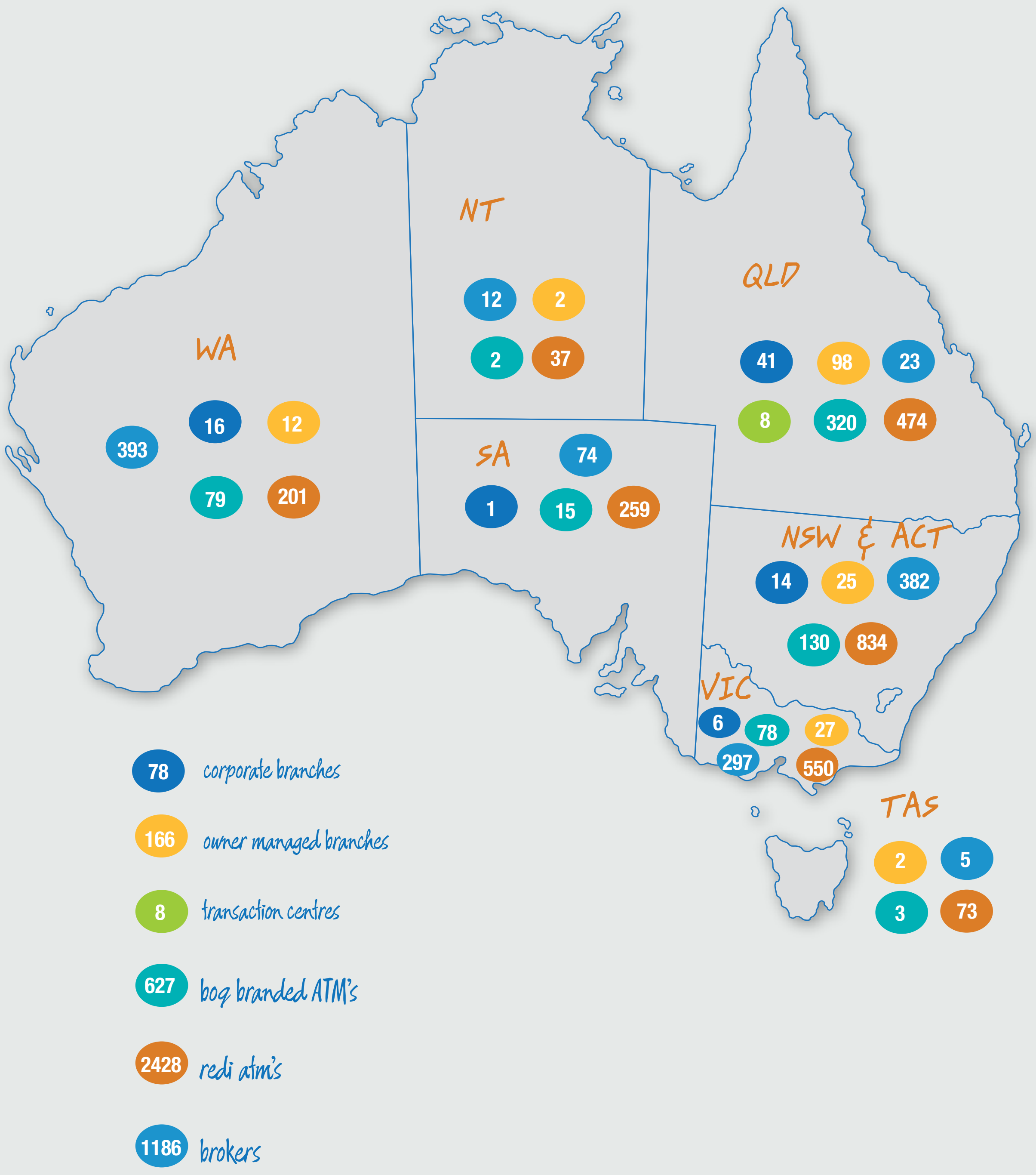
10.7 DISTRIBUTION FOOTPRINT

In line with our 'Customer in charge' strategy, we have significantly enhanced our distribution capability to respond to changing market trends and to ensure customers can interact with the Bank when and how it suits them. Customers can choose to deal with us face to face in branches or with mobile bankers and brokers; through digital and mobile channels; via social media; or on the telephone with our Perth-based call centre.

Owner managed branches reduced by 20 mainly through consolidation of existing branches and retirements after a number of years in the network. There was a small increase in Corporate branch numbers, which included the new 'Icon' branches being piloted in Macquarie Centre, Sydney and Toowong, Brisbane. An increase in branch productivity has seen a rise in average footings per branch of 9% to $190m at August 2014.

The broker strategy progressed well throughout the year with the number of active brokers up to 1,186 at 31 August 2014. While increasing BOQ's exposure into this faster growing mortgage origination segment, we are also deepening portfolio diversification outside of Queensland as most brokers are located in WA (33%), NSW and ACT (32%) and Victoria (25%). We are also widening our reach with strategic broker partners, which now include AFG, Vow, and Mortgage Specialists.

The BOQ branded ATM network has reduced 6% to 627 due to further optimisation and customers increasingly transacting through retail outlets.

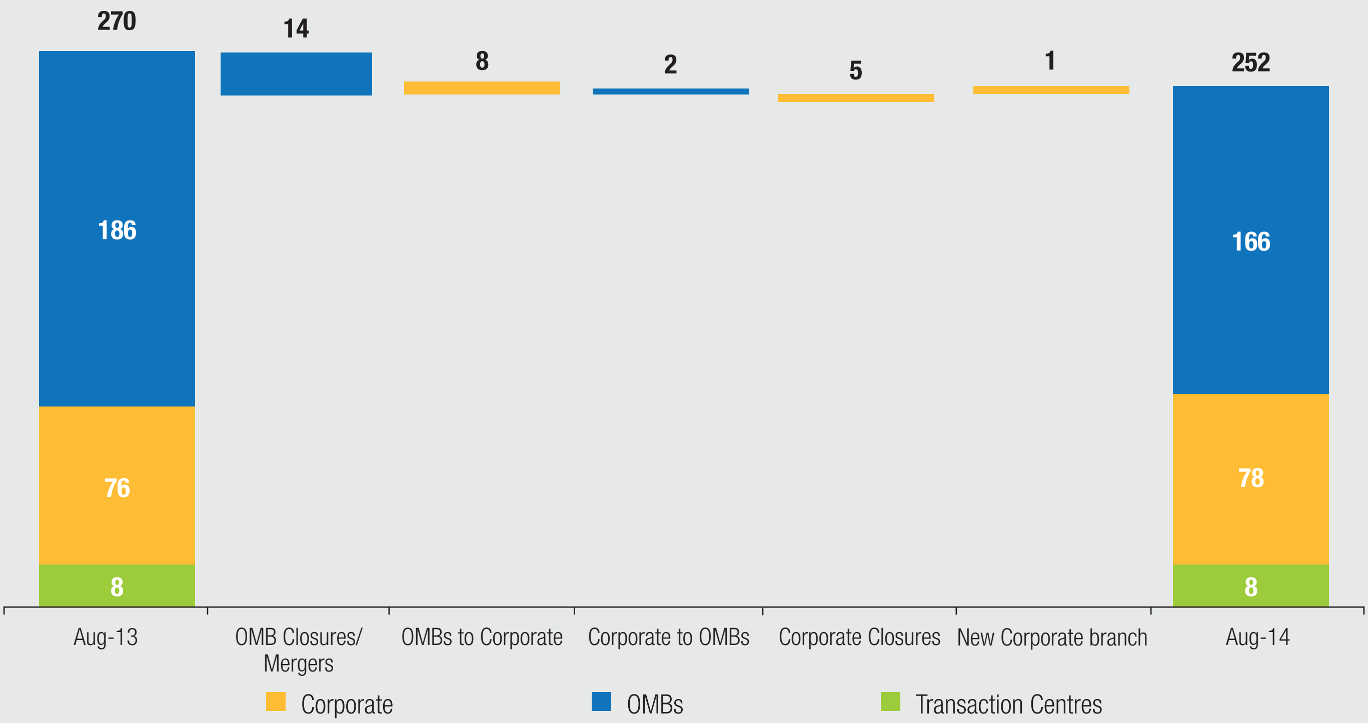


10.7 DISTRIBUTION FOOTPRINT (continued)

As at Aug-14	QLD	NSW / ACT	VIC	WA	NT	TAS	SA	Total
Corporate Branches	41	14	6	16	-	-	1	78
Owner managed branches	98	25	27	12	2	2	-	166
Transaction Centres	8	-	-	-	-	-	-	8
	147	39	33	28	2	2	1	252

As at Aug-13	QLD	NSW / ACT	VIC	WA	NT	TAS	SA	Total
Corporate Branches	40	14	5	16	-	-	1	76
Owner managed branches	108	28	32	13	2	2	1	186
Transaction Centres	8	-	-	-	-	-	-	8
	156	42	37	29	2	2	2	270

Corporate, Owner Managed Branches ("OMB") & Transaction centres



10.8 CREDIT RATING

Entities in the Group are rated by Standard and Poor's, Moody's Investor Service and Fitch Ratings.

The Bank's current long-term debt ratings are shown below. Two rating agencies revised their long term debt ratings for the Bank during the year. Standard & Poor's upgraded their rating to A- and Moody's Investor Service upgraded to A3. Both noted the improved Balance Sheet and capital strength of the Bank in recent reporting periods.

Rating Agency	Short Term	Long Term	Outlook
Standard & Poor's	A2	A-	Stable
Fitch	F2	BBB+	Positive
Moody's	P2	A3	Stable

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