IT'S POSSIBLE to LOVE A BANK

BOQ GROUP
2015 HALF YEAR RESULTS

Incorporating the requirements of Appendix 4D

BOQ SPECIALIST

BOQ FINANCE

Virgin money

St Andrew's AUSTRALIA

BOQ

This half year results announcement incorporates the Consolidated Interim Financial Report given to the Australian Securities Exchange (ASX) under Listing Rule 4.2A

ASX APPENDIX 4D

For the half year period ended 28 February 2015

RESULTS FOR ANNOUNCEMENT TO THE MARKET [(1)]

				$m
Revenues from ordinary activities [(2)]	Up	20%	to	537
Profit from ordinary activities after tax attributable to members [(2)]	Up	14%	to	154
Profit for the period attributable to members [(2)]	Up	14%	to	154

(1) Rule 4.2A.3. Refer to Appendix 6.1 for the cross reference index for ASX Appendix 4D.

(2) On prior corresponding period (six months ended 28 February 2014).

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1. ASX ANNOUNCEMENT

26 March 2015

BOQ ACHIEVES SOLID 1H15 RESULT

1H15 KEY POINTS *

- After tax cash earnings of $167 million, up 19% (1H14: $140 million); statutory profit after tax up 14% to $154 million (1H14: $135 million).
- 11% increase in underlying profit (before impairment expense and tax) to $276 million (1H14: $249 million).
- Basic cash earnings per share up to 45.8 cents (1H14: 43.2 cents). ROTE up 60 basis points to 13.8% (1H14: 13.2%); ROE maintained at 10.3% (1H14: 10.3%).
- Lending growth momentum building in the Retail and Business Banks but not at the expense of risk or margins.
- Healthy contribution from BOQ Finance in subdued market conditions.
- BOQ Specialist performing well with cash profit contribution of $19 million, in line with targets.
- Net interest margin up 20 basis points to 1.97% (1H14: 1.77%) as a result of BOQ Specialist and a disciplined approach to growth in a highly competitive market.
- Continued improvement in the credit quality of the Bank's portfolio with loan impairment expense down to 18 basis points of lending (1H14: 26 basis points).
- Higher cost to income ratio of 48.1% (1H14: 43.8%) due largely to one-offs; excluding one-off items, CTI was in line with expectations at 45.1%.
- Robust balance sheet and capital levels position BOQ well for evolving regulatory environment.
- Increased shareholder returns with interim dividend up 13% to 36 cents per share fully franked (1H14: 32 cents).

* Comparisons are to the 1H14 prior comparative period, which did not include BOQ Specialist contributions.

BOQ today announced record interim cash earnings after tax of $167 million for the six months to 28 February 2015, a solid result driven by growing momentum in lending growth, strong Net Interest Margin performance and further asset quality improvements.

Statutory profit after tax rose 14% to $154 million on the prior comparative half.

In its first full half since acquisition in July 2014, BOQ Specialist performed well with highlights including lending growth of $352 million in on-balance sheet mortgages, on track to exceed its target for the full financial year.

BOQ's financial performance enabled the Board to set an interim dividend of 36 cents per share fully franked, an increase of 4 cents or 13% on 1H14.

STEADY EXECUTION OF STRATEGY

Managing Director and CEO Jon Sutton said the result showed BOQ was continuing to make steady progress in delivering its strategy.

"What you see today is a bank that has come a long way in recent years. Strong foundations are now in place and we're well into building a Bank that is lower risk, lower volatility, and set up for sustainable growth," he said.

"This is another solid result which represents a record half year profit for BOQ. I am particularly pleased to see lending growth improve while the Bank's risk settings, margins, balance sheet and capital position are all strengthening."

On a cash basis, BOQ's basic earnings per share were up 6% on the prior half to 45.8 cents, return on average tangible equity increased 60 basis points to 13.8%, and return on average equity was stable at 10.3%.

Other key highlights for the half included:

LENDING GROWTH RETURNING TOWARDS SYSTEM

Lending growth headed back towards system levels as a result of the strategic initiatives BOQ has implemented in recent years, including expansion of the mortgage broker channel and investment in the Business Bank's presence and capabilities.

Retail lending grew at an annualised 6% to $27.3 billion over the February half with $813 million underlying growth. The housing book saw increased diversification with 57% of applications originating from outside of Queensland, largely driven by the broker channel which contributed $420 million of loan growth and accounted for 14% of settlements.

Commercial lending balances continued to exceed system levels, growing by an annualised 10% over the six months to $8.0 billion. A greater presence in New South Wales, Victoria and Western Australia saw the geographic concentration of the portfolio in Queensland reduce further.

In its first full half of contribution, BOQ Specialist's contribution to lending growth exceeded expectations delivering $352 million in on-balance sheet mortgages while maintaining margins and credit quality across the portfolio.

BOQ Finance grew by an annualised 6% over the half to $4.0 billion. This was a healthy result against an industry backdrop of lower volumes due to a slowdown in plant and equipment investment in the broader economy.

"While it was pleasing to see genuine growth momentum across each of our businesses, it was equally important that this wasn't at the expense of our risk fundamentals or margins," Mr Sutton said.

"We believe we can continue to drive growth through our existing strategy especially when you consider we're still below our peers' market share in the broker channel and we have further upside through BOQ Specialist, as well as Virgin Money Australia, where we expect to launch mortgages within 12 months."

MARGIN INCREASED IN A COMPETITIVE MARKET

Despite a highly competitive market, the Bank's Net Interest Margin rose 20 basis points from February 2014 to 1.97% due to an 11 basis point increase from BOQ Specialist as well as ongoing pricing discipline.

"While the market remains incredibly competitive, both in business and home lending, we are growing our book without compromising asset quality or cutting pricing to the bone," Mr Sutton said.

"Even with BOQ Specialist's contribution, this is a very good performance given market conditions."

CAPITAL AND FUNDING STRENGTH

During the half, BOQ continued to strengthen its balance sheet, creating a sustainable funding profile that is able to support growth and deliver internal capital generation.

Fitch Ratings' decision in November 2014 to lift its long-term credit rating from BBB+ to A- followed similar upgrades from other ratings agencies. These changes have improved access to long-term wholesale funding markets and allowed the Bank to actively manage its funding profile by diversifying composition and increasing duration, while reducing cost.

BOQ's Common Equity Tier 1 ratio increased 19 basis points to 8.82% during the half. The Bank's capital position remains the highest of Australia's regional and major banks based on Standard and Poor's risk-adjusted capital approach, positioning it well given the evolving domestic and global regulatory environment.

HIGHER COSTS DUE TO BOQ SPECIALIST AND ONE-OFFS

Cost to Income (CTI) ratio for the half increased to 48.1% due to the inclusion of BOQ Specialist for the entire period as well as one-off costs (property costs and CRM impairment expenses) already flagged to the market. Excluding BOQ Specialist, underlying expense growth was 3% annualised from 2H14.

FURTHER IMPROVEMENT IN ASSET QUALITY & RISK MANAGEMENT

The underlying credit quality of the Bank's portfolio continued to improve in 1H15, reflecting improved credit management practices, favourable realisations in the commercial portfolio and the continuation of Australia's low interest rate environment.

Total loan impairment expense was down 22% on prior comparative period to $36 million (1H14: $46 million). Total impaired assets across retail, commercial and BOQ Finance fell 13% to $259 million (1H14: $298 million).

"Balance sheet and capital strength is an absolute non-negotiable for BOQ and this result sees further improvement in key metrics with impaired asset levels and bad and doubtful debts both continuing to fall." Mr Sutton said.

BOQ POSITIONED WELL FOR THE FUTURE

Mr Sutton said BOQ remained focused on successfully delivering its strategic priorities which were aimed at building sustainable financial performance, consistent growth in returns to shareholders and superior service to customers and the wider community.

More broadly, Mr Sutton said the outlook for the national economy remained uncertain over the short to medium term.

"The economy is currently running at a pace below its long-run trend and, while there are some positive factors emerging, any sustained improvement will require a pick-up in consumer and business confidence," he said.

Mr Sutton said BOQ's balance sheet and capital levels continued to position it well amidst market uncertainty around global and domestic regulatory environments.

"At this stage, no-one can accurately predict the outcome of the Basel Committee and Financial System Inquiry processes," he said.

"Given our robust comparative capital position, we are very comfortable with our position and ability to adjust to any new regulatory requirements.

"We continue to wholeheartedly support the findings of the Financial System Inquiry's final report and urge the Federal Government and regulators to move quickly to create a more level playing field."

RESULTS WEBCAST DETAILS

A briefing covering BOQ's 1H15 results will be held at the Museum of Sydney's AGL Theatre at 11am AEDST (10:00am Brisbane) today.

BRIEFING

Venue:	Museum of Sydney, AGL Theatre
Address:	Corner of Bridge Street and Phillip Street, Sydney

TELECONFERENCE

Dial-in number (Australia):	1800 725 000
Dial-in number (International):	+61 2 8373 3610
Conference ID:	3687407
Webcast address:	http://edge.media-server.com/m/p/cctnx63e

ENDS

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2. HIGHLIGHTS & STRATEGY

2.1 DISCLOSURE CONSIDERATIONS

Changes to financial reporting

This reporting period reflects the first full 6 month contribution for BOQ Specialist since acquisition in July 2014. Section 3.2 provides further details of the contribution for the half.

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"). The Cash Earnings provided is used by Management to present a clear view of the Bank's underlying operating results. This excludes a number of items that introduce volatility and / or one-off distortions of the Bank's current period performance, and allows for a more effective comparison of the Bank's performance across reporting periods. Refer to 6.2 (a) and 6.2 (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 basis. Unless otherwise stated, all financial comparisons in this document refer to the prior half (to 31 August 2014) and the prior comparative period (to 28 February 2014).

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

Future performance

This presentation 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 presentation 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.

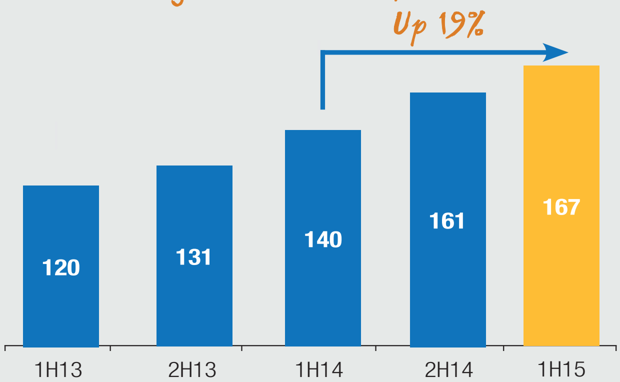
There can be no assurance that actual outcomes will not differ materially from these forward looking statements.

Rounding

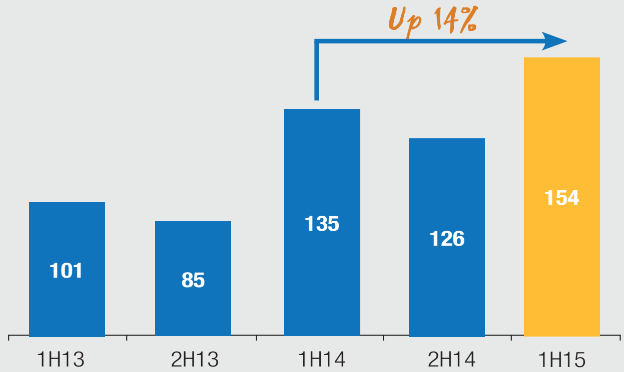
In accordance with applicable financial reporting regulations and current industry practices all amounts in this report have been rounded off to the nearest one million dollars, unless otherwise stated.

2.2 GROUP HIGHLIGHTS

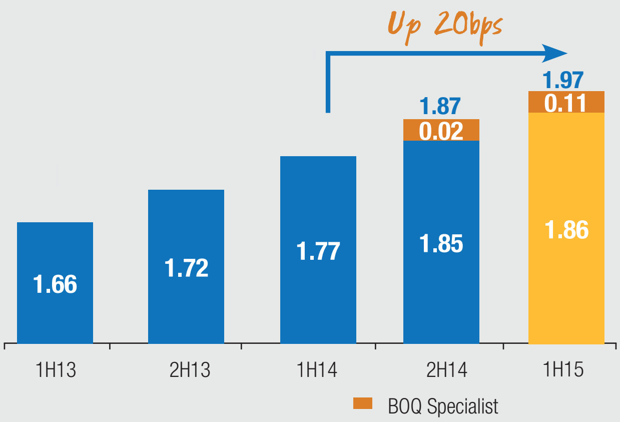
Cash earnings after tax ($m)



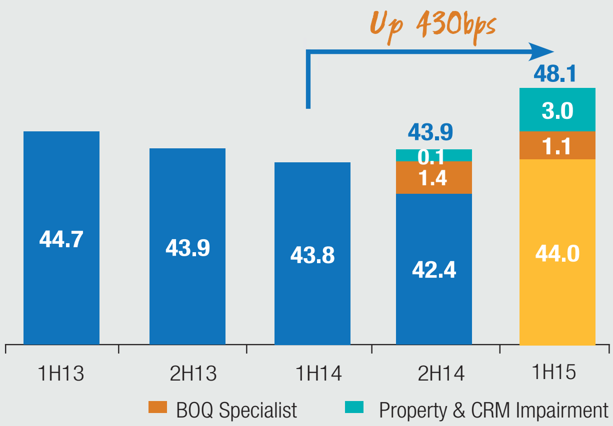
Statutory profit after tax ($m)



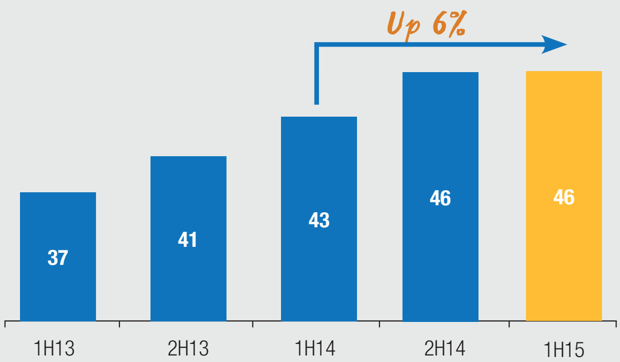
Cash net interest margin (NIM) (%)



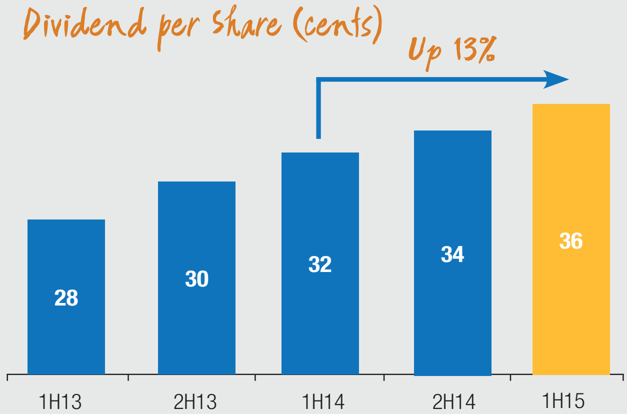
Cash cost to income (%)



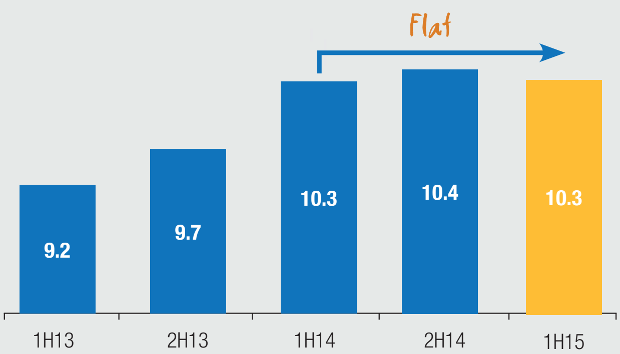
Cash basic earnings per share (EPS) (cents)



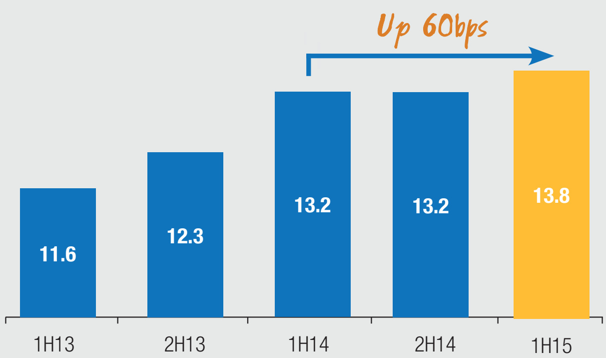
Dividend per Share (cents)



Return on average equity (ROE) (%)



Return on average tangible equity (ROTE) (%)



2.2 GROUP HIGHLIGHTS (CONTINUED)

CASH EARNINGS $167 MILLION Increased by 19% on the prior corresponding period, including first full period of BOQ Specialist contribution	**NET INTEREST MARGIN 1.97%** Up 20 bps on the prior corresponding period reflecting rebasing for the addition of BOQ Specialist, deposit pricing initiatives and improved wholesale funding markets	**CASH COST TO INCOME RATIO 48.1%** Underlying annualised cost growth of 3% on the last reported half(1). Underlying cost / income ratio rebased at 45% for the group post acquisition in FY15
LOAN IMPAIRMENT EXPENSE $36 MILLION Down 8 bps from prior corresponding half to 18 bps of lending **IMPAIRED ASSETS $259 MILLION** Reduced $34 million (12%) in the half	**COMMON EQUITY TIER 1 8.82%** Increased 19bps in the half with organic capital generated supporting asset growth	**LENDING GROWTH** In line with system at 7%. Growth momentum in new channels through "Customer in Charge" strategy

(1) Excluding the impact of BOQ Specialist and one off costs during the half.

BOQ's performance in the first half reflects a continuation of the strong trends witnessed in 2014 with Cash Earnings increasing 19% from the prior corresponding half year to $167 million. We continue to make good progress in delivering the strategy, building a more streamlined and lower risk organisation with sustainable income streams based on the Bank's "Customer in Charge" approach.

This is the first full reporting period with a contribution from BOQ Specialist which was acquired in July 2014. The Net Profit After Tax contribution of $19 million was in line with full year maintainable earnings guidance of $38 million provided on announcement of the acquisition. BOQ Specialist is delivering its strategy in providing specialised banking solutions to professional market sectors. The initiative to offer on-balance sheet mortgages to BOQ Specialist customers is performing ahead of targets and is expected to deliver enhanced earnings growth for this business in future periods.

The addition of the higher margin BOQ Specialist business has also rebased Net Interest Margin at a higher level of 1.97%, an increase of 10 basis points on the last half. BOQ Specialist contributed 9 basis points while recent ratings upgrades from Standard Poor's, Moody's and Fitch to the A- equivalent category have allowed us to actively manage our retail and wholesale deposit mix for both margin and diversity.

The Cost to Income ratio increased to 48%, though this was impacted by one-off costs. The pilot Customer Relationship Management (CRM) System was impaired for $10 million this half, whilst premises consolidation costs of $6 million were incurred. Excluding these one-offs and the first full period of BOQ Specialist, underlying expense growth was 3% annualised from the prior half and we are on target to transition to a 45% Cost Income ratio in the second half for the expanded Group. We are continuing the journey of substantial system re-investment to move to a digitised business which will provide a platform to deliver productivity and efficiency benefits, and drive future growth.

Lending growth was in line with APRA system credit growth of 7% as we gained further traction with our 'Customer in Charge' strategy by widening the channels our customers can deal with us. The Broker channel provided 14% of settlements in the half, BOQ Specialist is building a pipeline of business through its new on-balance sheet mortgage offering and BOQ Business continues to grow ahead of system growth through its targeted customer acquisition strategy. The branch network saw further lending growth whilst reducing concentration in lower quality lending sectors, including line of credit exposures.

Portfolio credit quality improvement was evidenced in further reductions in loan impairment expense and further declines in impaired asset levels, which were down 12% over the half. Underlying credit quality continues to improve with the low interest rate environment, but also as a result of the efforts undertaken in revising risk appetite and embedding heightened risk management strategies. Some seasonal increases in arrears occurred towards the end of the reporting period, particularly in the equipment finance portfolio.

We successfully transitioned to the new APS 210 Liquidity framework which improved the composition of our liquid asset portfolio and enabled us to manage a Liquidity Coverage Ratio within the target management range. Deposit ratios have been maintained whilst we termed out our long-term wholesale funding profile deepening the Bank's funding diversity. The Common Equity Tier 1 ratio increased 19 basis points over the half to 8.82%, positioning the business well for future lending growth.

In line with the strong performance this half, the Board has determined to pay an interim dividend of 36 cents per share fully franked, an increase of 4 cents per share on the prior corresponding period.

2.3 STRATEGY

BOQ is a full service financial institution, listed on the Australian Securities Exchange ("ASX"), regulated by the Australian Prudential Regulation Authority as an authorised deposit-taking institution ("ADI") and ranked among the top 100 companies by market capitalisation on the ASX.

We have grown from being the first Permanent Building Society in Queensland in 1874 to the current day with a network of retail branches, and other points of presence spanning every state and territory in Australia.

Our brand positioning "It's Possible to Love a Bank" builds on our long established reputation for superior customer service and supports the Bank's strategic direction, customer proposition and internal cultural transformation. As a challenger bank, our flexibility and responsiveness to customer needs are paramount and our focus on this area complements the progress we are making under the Bank's four strategic pillars – putting the customer in charge; growing the right way; finding a better way; and being loved like no other – and contributes to future growth.

In terms of **Customer in Charge**, we are continuing to expand our source of originations through entry into the mortgage broker market as well as improvements to mobile banking, call centre, online and social media. We have continued expanding our mortgage broker distribution network with accredited brokers servicing customers in New South Wales, Victoria, Western Australia, South Australia and, recently, our home state of Queensland.

Our acquisition of Investec Bank (Australia) Limited's Professional Finance and Asset Finance & Leasing businesses was completed in July 2014. This compelling opportunity gives us access to a high net worth and quality customer base in specialist market niches (primarily medical, dental and accounting professionals). The Professional Finance Business was renamed 'BOQ Specialist' and operates as a separate division of our Business Bank, while Asset Finance and Leasing became part of BOQ Finance.

In our Retail network, a new balanced scorecard is being introduced for Owner Managed Branches. The new scorecard balances lending, deposits, cross sales and compliance components and is aimed at providing greater alignment between the interests of Owner Managers and the Bank. The new scorecard has formed the basis of a new standardised franchise agreement which is being rolled out. There is also significant work underway to optimise branch mix and locations.

To **Grow the Right Way** and achieve the right balance of return for risk taken, we continue to diversify our balance sheet by pursuing higher margin and return on equity segments in Business Banking and Agribusiness. In Business Banking, a tiered approach to origination through our distribution channels has been embedded to reflect deal complexity. A behavioural scorecard for assessing mortgage originations was introduced reflecting our new risk appetite framework. Business mix changes reflecting a core focus on credit quality were evident across the retail portfolio, with the concentration of poorer performing line of credit mortgages being substantially reduced.

There's Always a Better Way, which is the pursuit of operational excellence, has seen continued back office consolidation and a focus on removing administrative tasks from branches. We continue to improve processes and systems, particularly to reduce the turnaround time on compliant retail and business lending applications. This year, we will look to further simplify the product suite to reinvigorate our customer offerings. A good example of this approach is our simple low cost mortgage offering 'Clear Path', launched in September 2013, which has performed particularly strongly.

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. The major brand refresh around "It's Possible to Love a Bank" resulted in an increase in national unprompted awareness of our brand. We have seen an increase in our Net Promoter Scores from 16.1% in August 2014 to 24.4% in February 2015 which demonstrates strong satisfaction.

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. GROUP PERFORMANCE ANALYSIS

3.1 INCOME STATEMENT & KEY METRICS [1]

$ million	Half Year Performance Feb-15	Aug-14	Feb-14	Feb 15 vs Aug 14	Feb 15 vs Feb 14
Net Interest Income	**448**	399	362	12%	24%
Non-Interest Income	**84**	87	82	(3%)	2%
Total Income	**532**	486	444	9%	20%
Operating Expenses	**(256)**	(213)	(195)	20%	31%
Underlying Profit	**276**	273	249	1%	11%
Loan Impairment Expense	**(36)**	(40)	(46)	(10%)	(22%)
Profit before Tax	**240**	233	203	3%	18%
Income Tax Expense	**(73)**	(72)	(63)	1%	16%
Cash Earnings after Tax	**167**	161	140	4%	19%
Statutory Net Profit after Tax	**154**	126	135	22%	14%

Key Metrics		Half Year Performance Feb-15	Aug-14	Feb-14	Feb 15 vs Aug 14	Feb 15 vs Feb 14
Shareholder Returns						
Share Price	($)	**13.96**	12.58	11.99	11%	16%
Market Capitalisation	($ million)	**5,123**	4,560	3,868	12%	32%
Dividends per share (fully franked)	(cents)	**36**	34	32	6%	13%
Dividend yield	(%)	**5.20**	5.36	5.38	(16bps)	(18bps)
Grossed-up dividend yield (including franking)	(%)	**7.43**	7.66	7.69	(23bps)	(26bps)
Cash Earnings basis						
Basic EPS	(cents)	**45.8**	46.3	43.2	(1%)	6%
Diluted EPS	(cents)	**44.8**	45.0	41.8	-	7%
Dividend payout ratio	(%)	**79.1**	76.6	73.7	250bps	540bps
Statutory basis						
Basic EPS	(cents)	**42.3**	36.2	41.5	17%	2%
Diluted EPS	(cents)	**41.6**	35.6	40.4	17%	3%
Dividend payout ratio	(%)	**85.8**	97.8	76.5	large	930bps

[1] The half year performance for February 2015 reflects the first full half year results for BOQ Specialist acquired on 31 July 2014.

3.1 INCOME STATEMENT & KEY METRICS (CONTINUED) [1]

Key Metrics		Half Year Performance Feb-15	Aug-14	Feb-14	Feb 15 vs Aug 14	Feb 15 vs Feb 14
Profitability and efficiency measures						
Cash Earnings basis						
Net Profit After Tax	($ million)	**167**	161	140	4%	19%
Underlying Profit [2]	($ million)	**276**	273	249	1%	11%
Net Interest Margin	(%)	**1.97**	1.87	1.77	10bps	20bps
Cost to Income Ratio	(%)	**48.1**	43.9	43.8	420bps	430bps
Loan Impairment Expense to Gross Loans and Advances ("GLA")	(bps)	**18**	22	26	(4bps)	(8bps)
Return on Average Equity	(%)	**10.3**	10.4	10.3	(10bps)	-
Return on Average Tangible Equity [3]	(%)	**13.8**	13.2	13.2	60bps	60bps
Statutory basis						
Net Profit After Tax	($ million)	**154**	126	135	22%	14%
Underlying Profit [2]	($ million)	**261**	226	243	15%	7%
Net Interest Margin	(%)	**1.94**	1.87	1.77	7bps	17bps
Cost to Income Ratio	(%)	**51.4**	54.0	45.6	(260bps)	580bps
Loan Impairment Expense to GLA	(bps)	**18**	22	26	(4bps)	(8bps)
Return on Average Equity	(%)	**9.5**	8.2	9.9	130bps	(40bps)
Return on Average Tangible Equity [3]	(%)	**12.8**	10.4	12.7	240bps	10bps
Asset Quality						
30 days past due ("dpd") Arrears	($ million)	**533**	456	527	17%	1%
90dpd Arrears	($ million)	**259**	221	272	17%	(5%)
Impaired Assets	($ million)	**259**	293	298	(12%)	(13%)
Specific Provisions to Impaired Assets	(%)	**51.9**	52.1	50.5	(20bps)	140bps
Collective Provisions to Credit Risk Weighted Assets	(%)	**0.60**	0.61	0.69	(1bps)	(9bps)
Capital						
Common Equity Tier 1 Ratio	(%)	**8.82**	8.63	8.84	19bps	(2bps)
Total Capital Adequacy Ratio	(%)	**12.03**	12.02	12.41	1bps	(38bps)
Risk Weighted Assets ("RWA")	($ million)	**26,057**	25,032	21,718	4%	20%

(1) The half year performance for February 2015 reflects the first full half year results for BOQ Specialist acquired on 31 July 2014.

(2) Profit before loan impairment expense and tax.

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

3.2 BOQ SPECIALIST

(a) Income statement

The following analysis provides detail of the BOQ Specialist contribution to the Group result in the period. It also provides a view of underlying results excluding BOQ Specialist to allow a like for like comparison to prior periods.

	Half Year Performance						
$ million	**Group Feb-15**	**BOQ Specialist Feb-15**	**Group excluding BOQ Specialist Feb-15**	Aug-14	Feb-14	Feb 15 vs Aug 14	Feb 15 vs Feb 14
Net Interest Income	**448**	**61**	**387**	390	362	(1%)	7%
Non-Interest Income	**84**	**5**	**79**	86	82	(8%)	(4%)
Total Income	**532**	**66**	**466**	476	444	(2%)	5%
Operating Expenses	**(256)**	**(35)**	**(221)**	(208)	(195)	6%	13%
Underlying Profit	**276**	**31**	**245**	268	249	(9%)	(2%)
Loan Impairment Expense	**(36)**	**(4)**	**(32)**	(40)	(46)	(20%)	(30%)
Profit before Tax	**240**	**27**	**213**	228	203	(7%)	5%
Income Tax Expense	**(73)**	**(8)**	**(65)**	(70)	(63)	(7%)	3%
Cash Earnings after Tax	**167**	**19**	**148**	158	140	(6%)	6%

(b) BOQ Specialist Financial Performance

BOQ Specialist has made a solid contribution to the Group in its first full reporting period since acquisition. The business has driven strong loan growth of $476 million over the first half. The strategic focus on the new on-balance sheet residential mortgage offering has delivered $352 million of this growth and represents 74% of BOQ Specialist loan growth for the half. This is ahead of expectations at the date of acquisition for 50% of originations to be on-balance sheet on a run rate basis by the end of the financial year. Commercial lending growth of $113 million has also been achieved, which is a pleasing annualised growth rate of 11%, particularly as the BOQ Specialist business has a seasonally higher second half growth profile due to an end of tax year spike. BOQ Specialist continues to target niche customer segments in the health and medical profession and with professionals in the accounting industry. It benefits from the higher growth rates of these segments compared to the broader economy. Strong margins and credit quality have been maintained throughout this period.

The business is running at or ahead of targets outlined at the announcement of the acquisition with a half year cash earnings contribution of $19 million on track to deliver the full year maintainable earnings target of $38 million. The strategy to offer on-balance sheet mortgages to BOQ Specialist customers has come at a short term cost to earnings in the early phase of this initiative. The impact to the BOQ Specialist performance for the half year of the difference between the loss of upfront commissions previously received from third party banks on these mortgage originations, compared to the actual Net Interest Income earned, has approximated $1 million after tax. This strategy will deliver enhanced earnings growth for this business in future periods.

3.2 BOQ SPECIALIST (CONTINUED)

(c) Key Metrics Excluding Impact of BOQ Specialist

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

		Half Year Performance				
Key Metrics - Profitability and efficiency measures		**Feb-15**	Aug-14	Feb-14	Feb 15 vs Aug 14	Feb 15 vs Feb 14
Cash Earnings basis						
Net Profit After Tax	($ million)	**148**	158	140	(6%)	6%
Underlying Profit	($ million)	**245**	268	249	(9%)	(2%)
Net Interest Margin	(%)	**1.86**	1.85	1.77	(1bps)	9bps
Cost to Income Ratio	(%)	**47.4**	43.7	43.8	370bps	360bp
Loan Impairment Expense to Gross Loans and Advances (“GLA”)	(bps)	**18**	22	26	(4bps)	(8bps)
Return on Average Equity	(%)	**10.3**	11.0	10.3	(70bps)	-
Return on Average Tangible Equity [1]	(%)	**13.4**	14.1	13.2	(70bps)	20bps

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

Excluding the acquisition of BOQ Specialist, Cash Net Profit after Tax of $148 million was a 6% increase on the prior corresponding period. Excluding the impact of the CRM impairment and one-off property transition costs of $11 million after tax in the half, Cash Earnings growth would have been 14%. This has predominantly been driven by the expansion in Net Interest Margin.

When comparing performance between the first and second half year periods there is a day count difference that needs to be considered, with the first half being 181 days and the second half 184 days. The day count difference equates to approximately $7 million of Net Interest Income, which if adjusted, together with the one-off expenses discussed above, demonstrates an underlying annualised growth rate in Cash Earnings after tax of 9%.

3.3 NET INTEREST INCOME

- Net Interest Margin increased by 10bps to 1.97% for the half

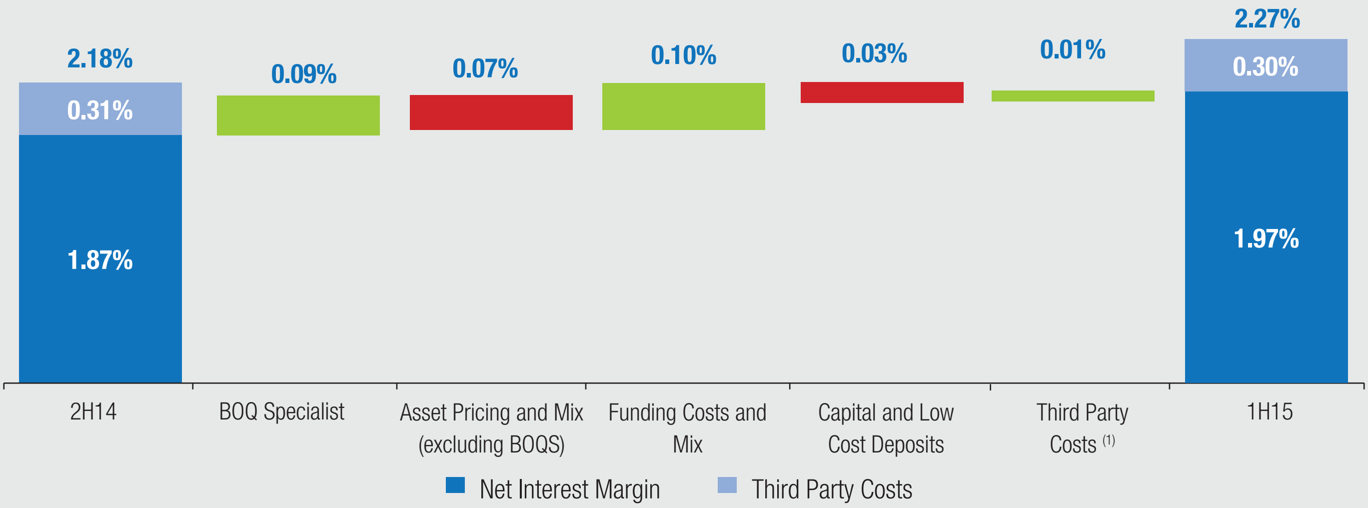
$ million	Half Year Performance Feb-15	Aug-14	Feb-14	Feb 15 vs Aug 14	Feb 15 vs Feb 14
Net Interest Income - excluding BOQ Specialist	**387**	390	362	(1%)	7%
Net Interest Income - including BOQ Specialist	**448**	399	362	12%	24%
Average Interest Earning Assets	**45,924**	42,418	41,371	8%	11%
Net Interest Margin	**1.97%**	1.87%	1.77%	10bps	20bps

Net Interest Income increased to $448 million, a 24% increase on the prior corresponding period. This included the BOQ Specialist contribution, representing 14% of the total result. Whilst competition in lending remains strong, we continue to actively manage our liability mix and reduced our reliance on higher cost, less stable segments of the retail deposit market. This has resulted in a relatively stable margin outcome compared to the last reported half year excluding the BOQ Specialist rebasing and one-off impacts. Net Interest Margin has increased by 20 basis points over the prior corresponding period, with 11bps of this increase reflecting the higher margins achieved in BOQ Specialist.

Average Interest Earning Assets

Average interest earning assets increased over the half as we gain traction in penetration of new channels and benefit from the contribution from BOQ Specialist's new on-balance sheet mortgage offering (refer Section 6.5).

NET INTEREST MARGIN – AUGUST 2014 TO FEBRUARY 2015



(1) Third party costs largely represent commissions to Owner Managers and brokers.

Normalised Net Interest Margin improved 10bps over the half to 1.97%. Movement was attributed to a number of factors:

Asset Pricing & Mix: The reduction of 7bps over the half is due primarily to tighter new business pricing that reflects market pricing movements across the lending portfolio.

Funding Costs & Mix: 10bps improvement was driven by ongoing retail re-pricing initiatives and lower wholesale funding costs.

Capital and low cost deposits: The liquid asset "replicating portfolio" to manage the free funding benefit of capital and the spread on low cost deposits continues to decline in line with the movement in the yield curve. This had an impact of 3bps to Net Interest Margin. In addition, the prior half included a benefit from excess capital held post the capital raising prior to the BOQ Specialist acquisition.

BOQ Specialist: The benefit of a full half year earnings from higher spread business acquired through the acquisition of BOQ Specialist contributed 9bps improvement with 2bps of increase previously realised in the previous half.

Third Party Costs: Acquisition of BOQ Specialist has diluted the proportion of loans and deposits subject to third party commission distributions.

3.4 NON-INTEREST INCOME

$ million	Half Year Performance Feb-15	Aug-14	Feb-14	Feb 15 vs Aug 14	Feb 15 vs Feb 14
Banking Income	**51**	50	47	2%	9%
Other Income	**5**	7	7	(29%)	(29%)
Insurance Income	**17**	21	21	(19%)	(19%)
Trading Income	**10**	9	7	11%	43%
Virgin Money (Australia)	**1**	-	-	n/a	n/a
Total Non-Interest Income	**84**	87	82	(3%)	2%

The trend of customers switching to fee-free packaged products has continued this half with Banking Income relatively flat. The reduction in Other Income from the prior half periods reflects higher returns on joint venture investments in the prior period.

Virgin Money (Australia) ("VMA") contributed $1 million profit before tax for the half. This result was driven by a strong performance in credit card margins, resulting in increased commissions received on the portfolio.

During the period we successfully managed the transition to the new APS 210 Liquidity standard. This resulted in a significant change in the composition of the liquid asset portfolio, with an increased weighting to higher quality assets such as government and semi government securities. Several key structural changes were introduced in the industry through this legislative change. These included requiring 31 days notice for customers to break term deposits (except in circumstances of hardship) and the introduction of the Reserve Bank of Australia's Committed Liquidity Facility. As a result, the Bank's absolute requirement to hold physical liquid assets reduced from the previous period. Profits were realised from some of these liquid assets when they were sold. As such, the Trading Income result should not be considered consistently repeatable.

The St Andrew's result reduced by $4m over the prior corresponding period. This result is discussed in more detail in Section 3.5 below.

3.5 INSURANCE OVERVIEW

$ million	Half Year Performance Feb-15	Aug-14	Feb-14	Feb 15 vs Aug 14	Feb 15 vs Feb 14
Gross Written Premium (net of refunds)	**29**	34	34	(15%)	(15%)
Net Earned Premium	**36**	35	35	3%	3%
Underwriting Result	**13**	17	17	(24%)	(24%)
Other Insurance Income	**3**	3	3	-	-
Total Income	**16**	20	20	(20%)	(20%)
Consolidation Adjustment	**1**	1	1	-	-
Group Insurance Result	**17**	21	21	(19%)	(19%)

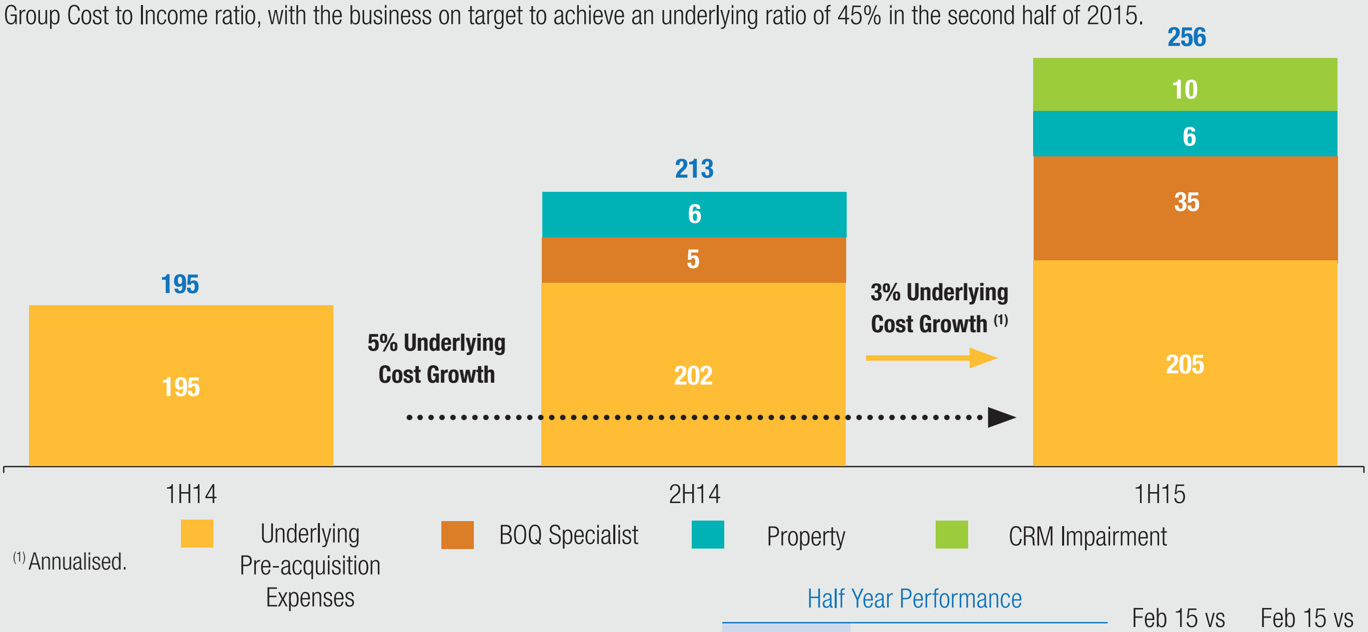
St Andrew's Insurance contributed $17 million to Non-Interest Income, a $4 million reduction from both the August half and the prior comparative period, resulting largely from higher than trend claims experience. In December 2014, St Andrew's extended its Consumer Credit Insurance distribution partnership with Bankwest for a minimum of three years.

Underwriting margins reduced 24% due mostly to a number of larger life insurance claims at or above the business single claims retention cap, following a period during the prior two years in which claims were below long-term trend levels. Changes in the portfolio mix, including an increase in regular premium policies and a shift to direct to consumer channels are evident in the sales results, but had little impact on the underwriting result in the current period with this impact to emerge over the life of the policies (approximately 3 years coverage). Gross Written Premiums reduced 15% due to lower volume of single premium policies, a trend set to continue in coming periods. Sales of regular premium policies continued to increase in line with the strategy to diversify product revenue streams with increased sales of term life, funeral and involuntary unemployment insurance. Overall this resulted in an increase in Net Earned Premiums of 3%, however this was mostly offset by an increase in commissions reflecting the changing mix of business.

3.6 OPERATING EXPENSES

- 3% annualised increase in underlying costs from the prior half
- One-off impacts – $10m impairment of Pilot CRM system & $6m of property expenses

To provide a view of underlying expenses, the following graph breaks out the impact of BOQ Specialist's full half contribution and the one-off impacts of impairments and property transition costs. As previously flagged, the integration of BOQ Specialist into the Group result will rebase the Group Cost to Income ratio, with the business on target to achieve an underlying ratio of 45% in the second half of 2015.



(1) Annualised.

$ million	Feb-15	Aug-14	Feb-14	Feb 15 vs Aug 14	Feb 15 vs Feb 14
	Half Year Performance				
General Expenses	**54**	42	44	29%	23%
IT Expenses	**40**	40	39	-	3%
Occupancy Expenses	**24**	22	17	9%	41%
Employee Expenses	**94**	96	86	(2%)	9%
Other Expenses	**9**	8	9	13%	-
Total Operating Expenses (1)	**221**	208	195	6%	13%
BOQ Specialist	**35**	5	-	n/a	n/a
Total Operating Expenses	**256**	213	195	20%	31%
Cost to Income Ratio (including BOQ Specialist)	**48.1%**	43.9%	43.8%	420bps	430bps
Cost to Income Ratio (excluding BOQ Specialist, CRM and Property)	**44.0%**	42.4%	43.8%	160bps	20bps
Number of employees (FTE) (1)	**1,859**	1,903	1,491	(2%)	25%

(1) FTE numbers and Operating Expenses exclude VMA as the net result is included in Non-Interest Income.

Operating Expenses increased by $43 million to $256 million for the half, primarily due to the inclusion of BOQ Specialist for the entire period. The Cost to Income (CTI) ratio increased to 48.1%, however this included the recognition of one-off costs and a rebasing of the underlying cost to income due to the inclusion of BOQ Specialist.

The pilot CRM system was fully impaired with an impact of $10 million (included in General Expenses) this half. The transition of the Brisbane and Sydney head offices, which have now been finalised, have resulted in $6 million of anticipated and non-recurring one-off costs. The inclusion of BOQ Specialist for the full six months contributed $30 million to the increase from the prior half.

Excluding the impacts of the acquisition and the one-off costs, the expense growth on the last reported half would have been 3% annualised.

Underlying expense growth has been contained in line with expectation notwithstanding the current high level of transformation activity being undertaken as we pursue our *'There's Always a Better Way'* strategy.

Employee expense stabilised over the period and FTE reduced as the branch network was rebalanced. IT expenses have also benefitted from a number of strategic contracts being renegotiated to improve efficiency of IT services across the Group.

The above Operating Expenses exclude 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 $8 million for the half. A reconciliation of Cash Earnings to Statutory Profit is set out in Section 6.2 (b).

3.7 LENDING

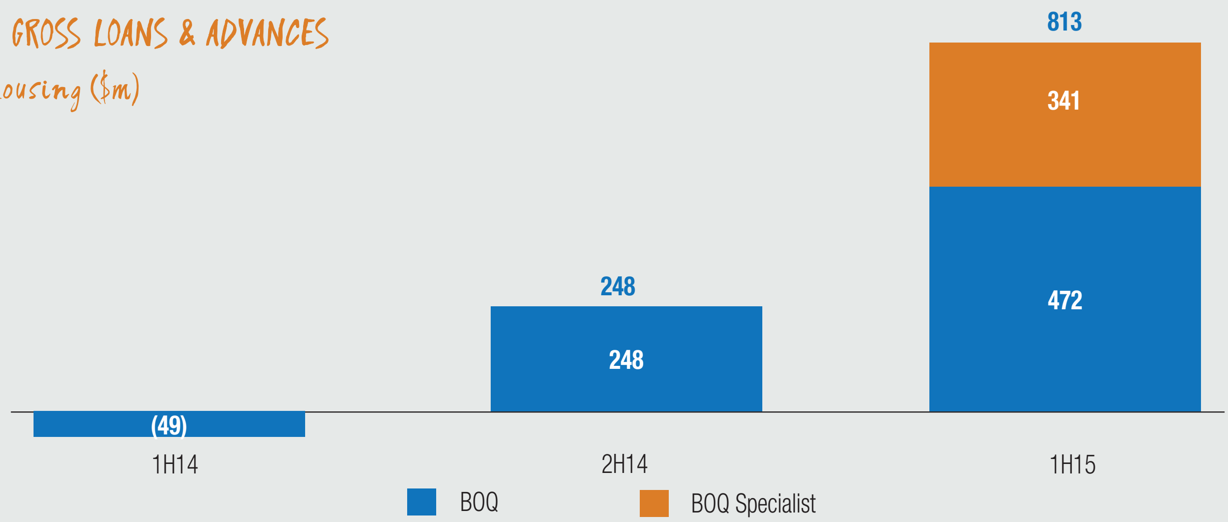
The Group continues to gain traction with its '*Customer in Charge*' strategy and annualised growth for the half of 7% is in line with APRA System (January). The Broker channel contributed 14% of settlements for the half, an increase from 2% for the February 2014 half and this was a key contributor to improving growth towards system levels. We continue to evolve our branch network which continues to show a rise in average footings per branch while managing down exposures in higher risk areas (eg line of credit). Further, BOQ Specialist in its first full half of contribution, grew its portfolio by $476 million over the six months to $3 billion whilst maintaining margins and credit quality across the portfolio. The business launched its new on-balance sheet mortgage product in August 2014 and this provided $352 million of growth through leveraging the existing client base and new customer acquisition. BOQ Business continues to grow above system through its targeted customer acquisition strategy.

	As at				
$ million	**Feb-15**	Aug-14	Feb-14	Feb 15 vs Aug 14 [1]	Feb 15 vs Feb 14
Housing Lending - APRA on-balance sheet	**24,504**	23,548	22,970	8%	7%
Housing Lending - APS 120 qualifying securitisation [2]	**2,818**	2,961	3,130	(10%)	(10%)
	27,322	26,509	26,100	6%	5%
Housing Lending - BOQ Specialist	*501*	*160*	-	*n/a*	*n/a*
Commercial Lending [2] [3]	**8,041**	7,656	5,370	10%	50%
Commercial Lending - BOQ Specialist	*2,120*	*2,007*	-	*11%*	*n/a*
BOQ Finance	**4,029**	3,919	3,660	6%	10%
BOQ Finance - BOQ Specialist	*217*	*204*	-	*13%*	*n/a*
Consumer	**334**	342	168	(5%)	99%
Consumer - BOQ Specialist	*189*	*180*	-	*10%*	*n/a*
Gross Loans and Advances	**39,726**	38,426	35,298	7%	13%
Specific and Collective Provisions	**(275)**	(290)	(285)	(10%)	(4%)
Net Loans and Advances	**39,451**	38,136	35,013	7%	13%

[1] Percentages have been annualised.
[2] Securitised loans subject to capital relief under APRA Prudential Standard APS120 Securitisation.
[3] In the prior reporting period $2.5 billion for BOQ Specialist was reported in Commercial Lending, this has now been allocated across the relevant businesses.

GROWTH IN GROSS LOANS & ADVANCES

Growth in housing ($m)



	1H14	2H14	1H15
Growth rate [1]	(0.4%)	1.9%	**6.2%**
System growth [1] [2]	6.0%	6.6%	**7.4%**
Growth vs System [2]	n/a	0.3x	**0.8x**

[1] Percentages have been annualised.
[2] 1H15 represents latest available APRA system growth annualised for 5 months to January 2015.

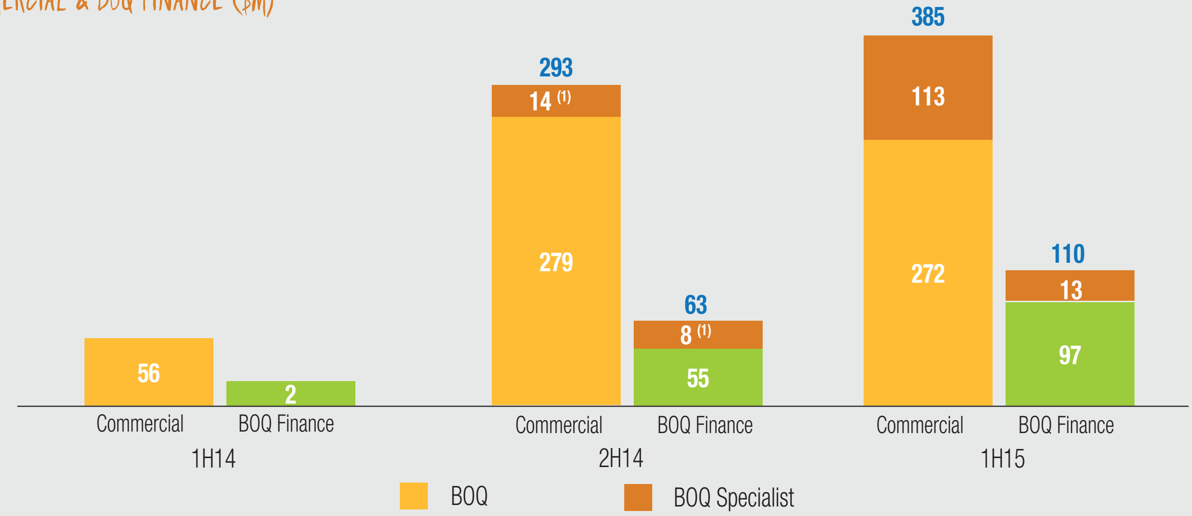
3.7. LENDING (CONTINUED)

Housing lending

Housing lending grew at an annualised 6% to $27.3 billion over the February half. Growth of $0.8 billion was offset by further reduced concentration in the line of credit portfolio of $0.3 billion.

The BOQ brand housing book experienced increasing diversification with 57% of applications being originated outside of Queensland this half. This was largely driven by our expanding broker channel which contributed $420 million of loan growth and accounted for 18% of applications. This half saw our expansion into the Queensland market with 285 accredited brokers which is supported by our strong brand resonance in our home state. We have also increased our broker footprint across the country with a total of 1,932 brokers nationally and remain on target to accredit 2,500 brokers by the end of the financial year.

GROWTH IN COMMERCIAL & BOQ FINANCE ($M)



	1H14 Commercial	1H14 BOQ Finance	2H14 Commercial	2H14 BOQ Finance	1H15 Commercial	1H15 BOQ Finance
Growth rate	2.1%	-	11.0%	0.9%	**10.1%**	**5.7%**
System growth [2] [3]	2.5%	0.2%	5.3%	(0.4%)	**8.1%**	**(2.8%)**
Growth vs System [3]	0.8x	n/a	2.1x	n/a	**1.2x**	**n/a**

[1] Growth from Acquisition for the month of August 2014

[2] Percentages have been annualised.

[3] Represents latest available APRA system growth - January 2015.

BOQ Business

Commercial lending balances grew by an annualised 10% over the six months to $8 billion. The first half saw a continued focus on penetration into New South Wales, Victoria and Western Australia with a further reduction in Queensland geographic concentration.

The Corporate and Business Banking strategy is based on differentiation through deep customer relationships, accessibility and nimble decisioning. A dedicated Subject Matter Expert specialist team has also been established to support SME customers managed through the branch network and improve performance of that portfolio which has been relatively stagnant since risk appetite was changed in 2012.

The BOQ Finance portfolio grew by an annualised 6% over the six months to $4 billion which is a strong result against an industry backdrop of lower volumes with a slowdown in plant and equipment investment in the broader economy. A number of larger vendor programs have been introduced over the half across the Vendor and Dealer businesses that should support growth in future periods.

BOQ Specialist annualised growth in the commercial portfolio of the Professional Finance business was 11%, which is consistent with expectations, particularly given the business traditionally has higher growth in the second half due to a seasonal spike in June.

4. BUSINESS SETTINGS

4.1 ASSET QUALITY

- Lower impairment expense (18bps/GLAS) on prior reporting periods
- Impaired asset reduction (12% this half) demonstrating further improvement in the credit quality of portfolio

		Half Year Performance				
		Feb-15	Aug-14	Feb-14	Feb 15 vs Aug 14	Feb 15 vs Feb 14
Loan Impairment Expense [(1)]	($ million)	**36**	40	46	(10%)	(22%)
Loan Impairment Expense / GLA [(1)]	bps	**18**	22	26	(4bps)	(8bps)
Impaired Assets	($ million)	**259**	293	298	(12%)	(13%)
30dpd Arrears	($ million)	**533**	456	527	17%	1%
90dpd Arrears	($ million)	**259**	221	272	17%	(5%)
Collective Provision & General Reserve for Credit Losses ("GRCL") / RWA	bps	**99**	100	108	(1bps)	(9bps)

[(1)] The prior period includes one month's loan impairment expense for BOQ Specialist.

The table above summarises the Bank's key credit indicators with comparison against August 2014 and February 2014:

- **Loan impairment expense** has continued to improve, reflecting the improved credit management practices, favourable realisations in the commercial portfolio and benefits from the continued low interest rate environment. The first half loan impairment expense of $36 million or 18bps/GLA was a $4 million (4bps) improvement on the second half of 2014.
- **Impaired assets** reduced by $34 million (12%) over the half through favourable realisations in the retail and commercial portfolios. The realisations in the first half included our two largest impaired exposures at August 2014 as full recovery was achieved on these assets. One exposure greater than $5 million transitioned to impaired status in the first half of 2015, which is the only exposure greater than $5 million in the portfolio.
- **Past due performance** within all portfolios increased over the half reflecting second quarter seasonality, although 90 day arrears are tracking favourably compared to the prior year comparative periods, particularly in Commercial Lending, with the 30 day arrears marginally unfavourable.
- **Collective provisioning** has slightly increased over the half and we have maintained collective provisioning levels (inclusive of GRCL) at a premium relative to peers.

LOAN IMPAIRMENT EXPENSE

	Half Year Performance				
$ million	**Feb-15**	Aug-14	Feb-14	Feb 15 vs Aug 14	Feb 15 vs Feb 14
Expense by Product					
Retail Lending	**12**	16	17	(25%)	(29%)
Commercial Lending	**7**	10	21	(30%)	(67%)
BOQ Finance	**13**	13	8	-	63%
BOQ Specialist [(1)]	**4**	1	-	300%	n/a
Total	**36**	40	46	(10%)	(22%)
Loan Impairment Expense / GLA [(1)]	**18bps**	22bps	26bps	(4bps)	(8bps)

[(1)] The prior period includes one month's loan impairment expense for BOQ Specialist.

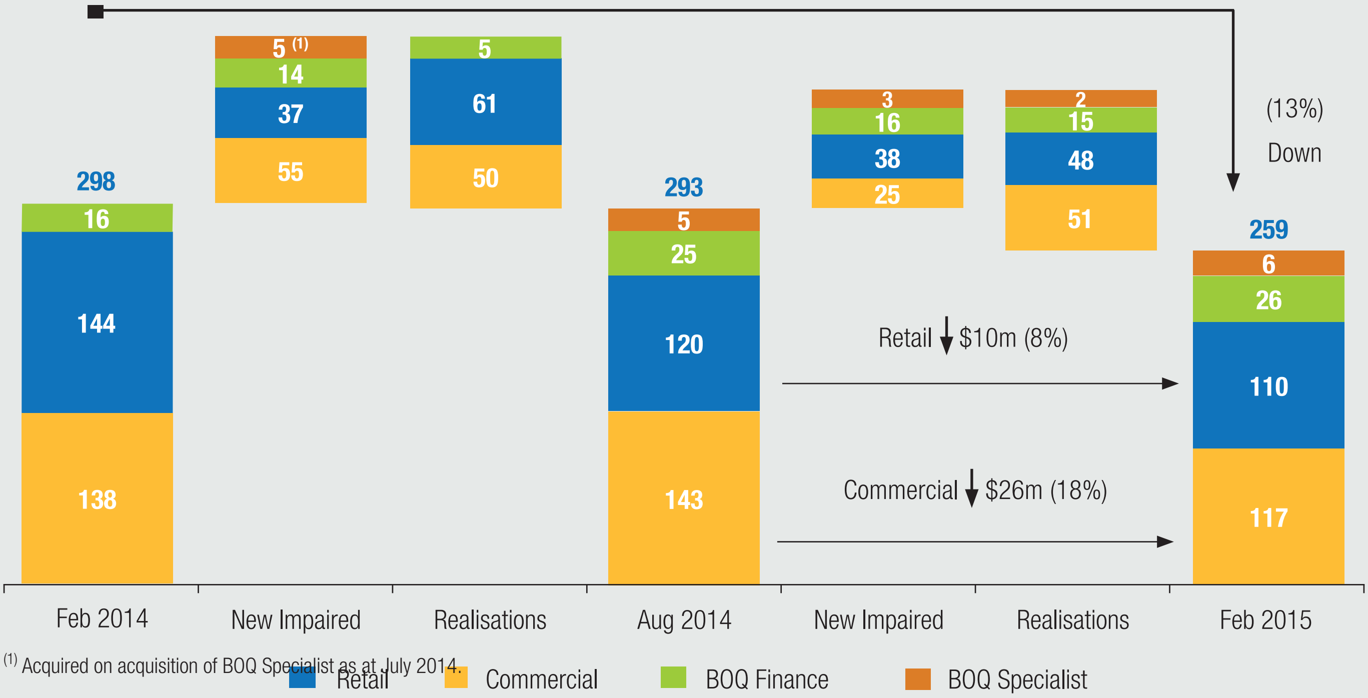
4.1 ASSET QUALITY (CONTINUED)

IMPAIRED ASSETS

$ million	As at Feb-15	 Aug-14	 Feb-14	Feb 15 vs Aug 14	Feb 15 vs Feb 14
Retail Lending	**110**	120	144	(8%)	(24%)
Commercial Lending	**117**	143	138	(18%)	(15%)
BOQ Finance	**26**	25	16	4%	63%
BOQ Specialist	**6**	5	-	20%	n/a
Total Impaired Assets	**259**	293	298	(12%)	(13%)
Impaired Assets / GLA	**65bps**	76bps	85bps	(11bps)	(20bps)

Impaired assets reduced by 12% over the half with a reduction of over $200 million in just 24 months. This demonstrates the significant improvement in the credit quality of the portfolio following the changes to risk appetite and risk management practices since 2012. This result is reflective of the low interest rate environment and higher clearance rates for realisations of the underlying security property. The graph below shows a reduction in new impaired assets and improved realisations experienced in the commercial and retail portfolios between the current and prior half year reporting periods.

Impaired Assets ($m)



(1) Acquired on acquisition of BOQ Specialist as at July 2014.

4.1 ASSET QUALITY (CONTINUED)

COMMERCIAL IMPAIRED ASSETS

The commercial impaired portfolio reduced by $26 million or 18% over the half. Commercial impaired assets also benefitted this half due to the realisations of the two largest impaired assets at the end of 2014.

RETAIL IMPAIRED ASSETS

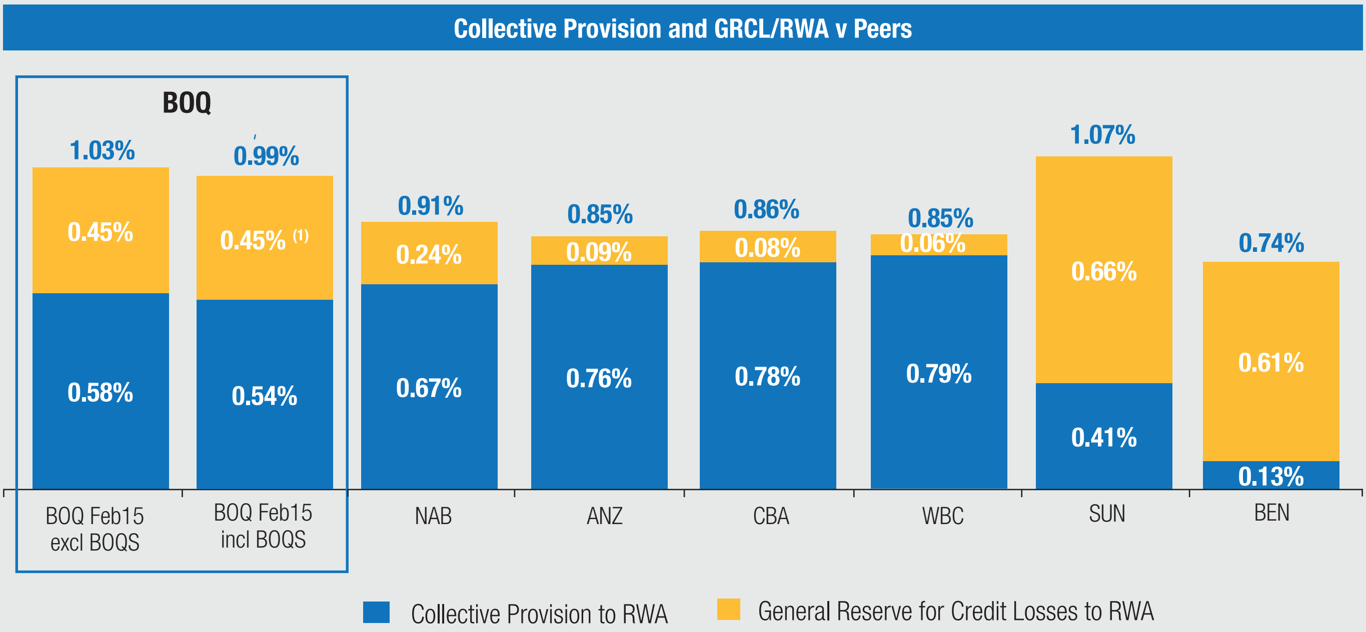
Retail impaired assets reduced by $10 million or 8% over the half continuing the favourable trend over recent periods. This reflected improved security position across the delinquent portfolio, favourable property market conditions and record low interest rates. There continues to be higher asset clearance reflecting the improvement in residential prices across the country.

BOQ FINANCE IMPAIRED ASSETS

BOQ Finance impaired assets experienced a marginal increase which is directly attributable to one large exposure of $4 million. Although there was a minimal increase, specific provisions have decreased which indicates better security held against the delinquent portfolio than what has previously been experienced over the prior periods.

IMPAIRED ASSETS / GLAS VS PEERS

The graph below shows the Bank's level of collective provisions and GRCL to risk weighted assets against the current peer levels as published in their most recent financial reports. Coverage has dropped by 4bps over the half due to the inclusion of BOQ Specialist RWA's following the acquisition on 31 July 2014. It should be noted that the majors utilise an advanced approach to RWA's which increases their respective coverage ratio in comparison.



(1) This is the expected GRCL % upon finalisation of business combination acquisition accounting entries for BOQ Specialist that will be completed in the second half.

4.1 ASSET QUALITY (CONTINUED)

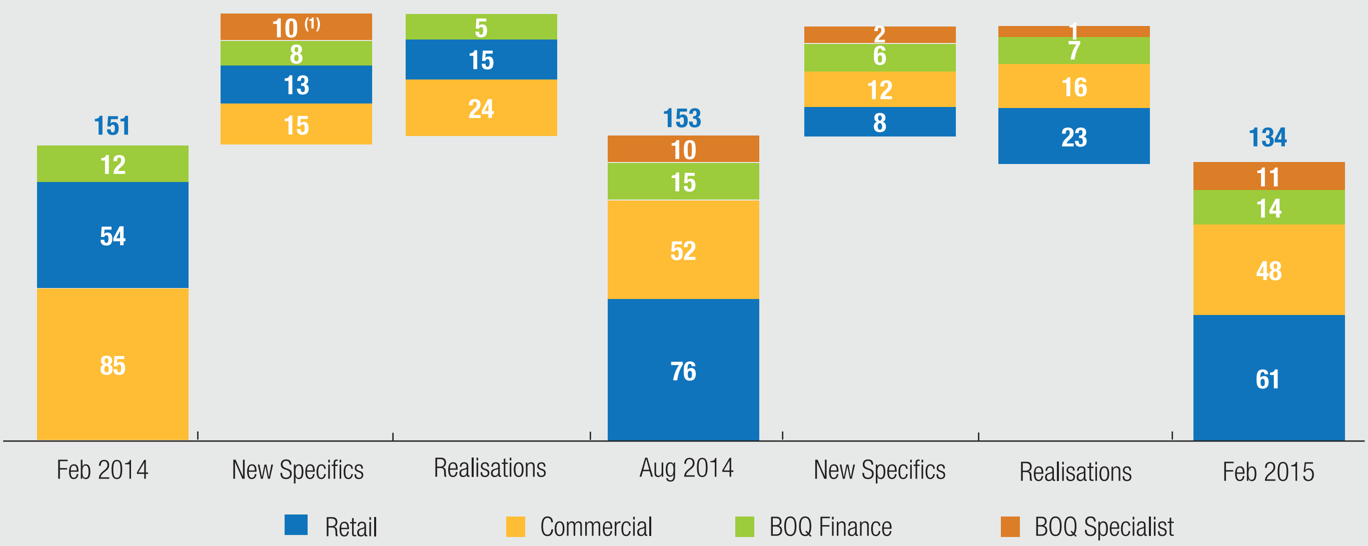
PROVISION COVERAGE

Total provisions have reduced in line with the reduction in impaired assets. Specific provisions coverage of impaired assets remain at 52% emphasising our conservative approach to provisioning.

	As at				
$ million	**Feb-15**	Aug-14	Feb-14	Feb 15 vs Aug 14	Feb 15 vs Feb 14
Specific Provision	**134**	153	151	(12%)	(11%)
Collective Provision	**141**	137	134	3%	5%
Total Provisions	**275**	290	285	(5%)	(4%)
GRCL	**70**	70	70	-	-
Specific Provisions to Impaired Assets	**52%**	52%	51%	-	100bps
Total Provisions and GRCL to Impaired Assets [(1)]	**145%**	133%	129%	1200bps	1600bps
Total Provisions and GRCL to RWA [(1)]	**1.4%**	1.6%	1.8%	(20bps)	(40bps)

[(1)] GRCL gross of tax effect.

Specific Provisions ($m)



[(1)] Acquired on acquisition of BOQ Specialist as at July 2014.

4.1 ASSET QUALITY (CONTINUED)

ARREARS

	Portfolio Balance $m	As at				
	Feb-15	Feb-15	Aug-14 [1]	Feb-14	Feb 15 vs Aug 14	Feb 15 vs Feb 14
By Product						
30 days past due: GLAs (Housing)	**23,991**	**1.27%**	1.10%	1.17%	17bps	10bps
90 days past due: GLAs (Housing)		**0.56%**	0.48%	0.52%	8bps	4bps
30 days past due: GLAs (LOC)	**3,331**	**2.18%**	1.73%	2.15%	45bps	3bps
90 days past due: GLAs (LOC)		**1.01%**	0.88%	1.03%	13bps	(2bps)
30 days past due: GLAs (Consumer)	**334**	**1.61%**	1.79%	3.04%	(18bps)	(143bps)
90 days past due: GLAs (Consumer)		**0.74%**	0.97%	1.61%	(23bps)	(87bps)
30 days past due: GLAs (Commercial)	**8,041**	**1.41%**	1.42%	2.84%	(1bps)	(143bps)
90 days past due: GLAs (Commercial)		**1.04%**	0.93%	2.02%	11bps	(98bps)
30 days past due: GLAs (BOQ Finance)	**4,029**	**0.89%**	0.68%	0.72%	21bps	17bps
90 days past due: GLAs (BOQ Finance)		**0.13%**	0.11%	0.15%	2bps	(2bps)
Total Lending						
30 days past due ($ million)	**39,726**	**533**	456	527	17%	1%
90 days past due ($ million)		**259**	221	272	17%	(5%)
30 days past due: GLAs		**1.3%**	1.2%	1.5%	10bps	(20bps)
90 days past due: GLAs		**0.7%**	0.6%	0.8%	10bps	(10bps)

[1] August 2014 numbers have been updated to include BOQ Specialist which were previously excluded from the Asset Quality section.

RETAIL ARREARS

Retail arrears in 30+ and 90+ days past due both increased over the half. This increase is consistent with prior comparative periods seasonal trends and in line with our expectations. Improvement in the retail arrears is anticipated to occur in the March to June collections cycle as previously seen in 2014.

CONSUMER ARREARS

Consumer arrears have significantly improved over the half due to BOQ Specialist increasing the consumer portfolio balance by $189 million which has had a dilutive effect on both ratios.

BOQ BUSINESS ARREARS

Commercial arrears have deteriorated by 11bps in the 90+ arrears due predominantly to a couple of large commercial accounts dropping into the 90+ bucket. It is anticipated the 90+ arrears will improve in the coming months as workout strategies with these problematic accounts are implemented.

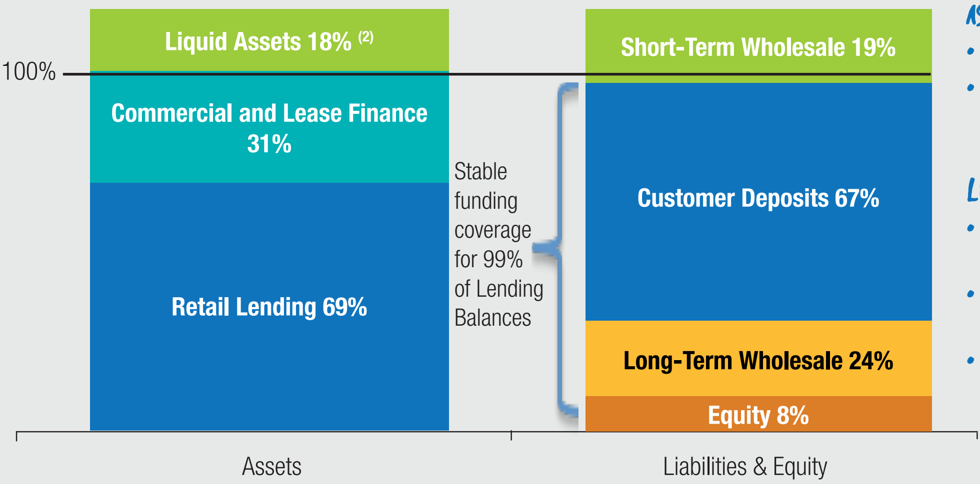
BOQ Finance arrears have increased over the half most notably in the 30+ delinquency bucket which increased by 21bps. This included two large accounts totalling $2 million which were cured in March, although mining and related services exposure represents a small part of the portfolio, signs of stress in this portfolio are evident in the arrears and loss experience.

4.2 FUNDING AND LIQUIDITY

- The transition to Basel III Liquidity standards has materially changed the composition of our liquid assets
- Fitch joined Standard and Poor's and Moody's by lifting BOQ's long-term credit rating from (BBB+) to (A–) in November 2014
- Proactive pricing and risk management strategies have resulted in a deposit profile that has yielded a better quality and composition of deposits at reduced cost

We continue to strengthen the balance sheet, creating an economically sustainable funding profile that is able to support balance sheet growth and deliver internal capital generation, as evidenced by the recent long term credit rating upgrade by Fitch from (BBB+) to (A-). The rating upgrades, combined with improved access to long-term wholesale funding markets, have allowed us to actively shape the funding profile through further diversifying funding composition, increasing the duration and reducing the cost of funds. Pricing strategies have been implemented to reduce the reliance on price sensitive higher cost deposits and attract more sticky customer deposits, improving the overall portfolio stability and reducing funding costs as evidenced by the improvement in Net Interest Margin.

BALANCE SHEET COMPOSITION (1)



ASSETS
- 69% of lending is home loans
- Cash and highly liquid securities held equate to 18% of all lending

LIABILITIES
- 67% funding comes from customer deposits
- Lending is 99% funded by stable funding sources
- Short Term wholesale funding is primarily used to fund highly liquid assets and trading securities

(1) Balance Sheet calibrated to total lending assets
(2) Represents the Bank's total liquid assets available

	As at				
$ million	**Feb-15**	Aug-14	Feb-14	Feb 15 vs Aug 14 (1)	Feb 15 vs Feb 14
Retail Deposits	**26,506**	26,615	23,769	(1%)	12%
Wholesale Deposits (2)	**7,511**	7,491	7,010	1%	7%
Total Deposits	**34,017**	34,106	30,779	(1%)	11%
Borrowings (2)	**9,378**	8,364	7,944	24%	18%
Other Liabilities	**1,102**	1,094	826	1%	33%
Total Liabilities	**44,497**	43,564	39,549	4%	13%
Total Shareholders' Equity	**3,403**	3,341	2,881	4%	18%
Total Liabilities and Equity	**47,900**	46,905	42,430	4%	13%

(1) Percentages have been annualised.
(2) There has been a reclassification of Transferable Certificates of Deposits from Wholesale Deposits for August 2014 and February 2014 to Borrowings to better reflect the underlying substance with contractual terms being on average greater than twelve months.

4.2 FUNDING AND LIQUIDITY (CONTINUED)

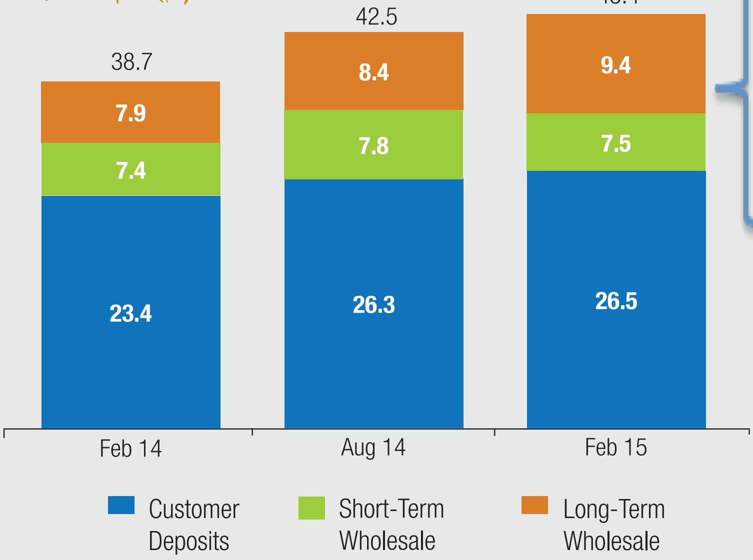
	As at			Feb 15 vs Aug 14	Feb 15 vs Feb 14
	Feb-15	Aug-14	Feb-14		
Retail deposit funding	**78%**	78%	77%	-	1%
Wholesale deposit funding	**22%**	22%	23%	-	(1%)
Total GLA's (net of specific provision) ($ million)	**39,592**	38,277	35,147	3%	13%
Deposit to Loan Ratio	**67%**	69%	68%	(2%)	(1%)

FUNDING

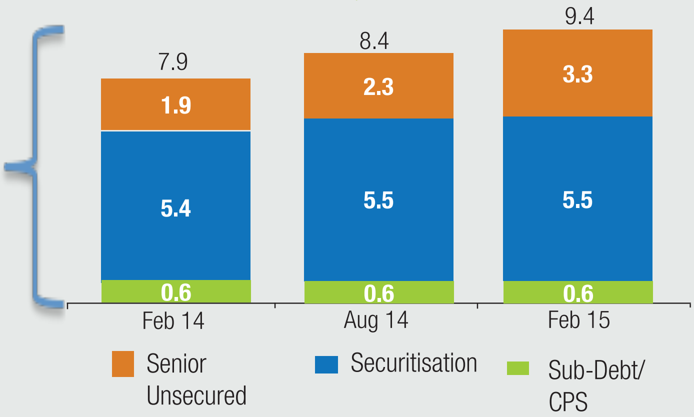
During the period, we continued to focus on building out our long-term wholesale funding profile and increasing senior unsecured debt issuance. This increase in long-term wholesale funding has strengthened the funding profile by reducing reliance on short-term wholesale funding and less sticky, price sensitive retail deposits.

In an environment of measured balance sheet growth, we further improved the quality and composition of the customer funding mix. Pricing strategies have been implemented to attract lower run off and more stable customer deposits which have enhanced overall portfolio stability.

FUNDING MIX ($B)



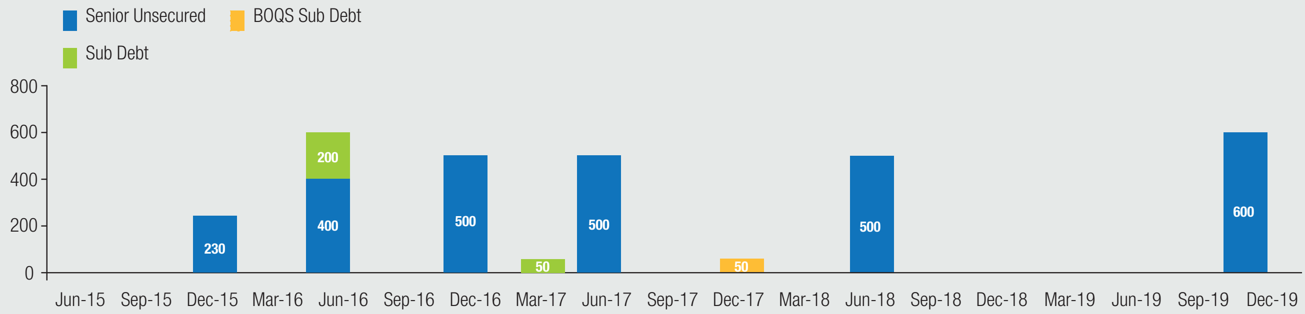
LONG-TERM WHOLESALE ($B)



4.2 FUNDING AND LIQUIDITY (CONTINUED)

MAJOR MATURITIES ($M) (1) (2)

Following recent upgrades and with the favourable credit market environment, BOQ took the opportunity to execute some senior issuance to term out the wholesale funding profile as shown below. This has strengthened the senior unsecured curve, providing more transparent market pricing for investors.



(1) Maturities equal to or greater than $50 million shown

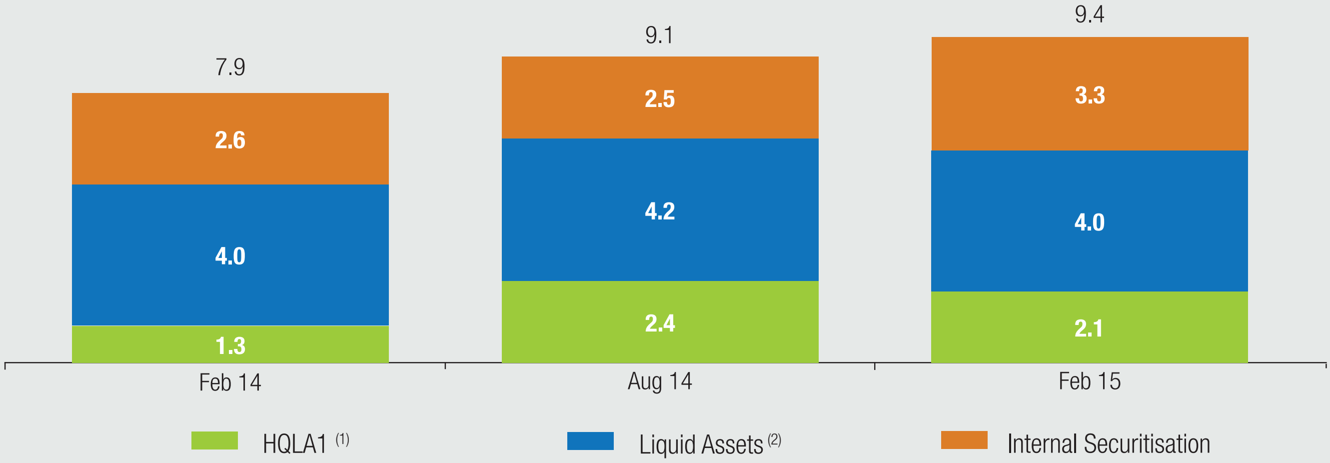
(2) March 2015 included the maturity of the last tranches of the government guaranteed debt

LIQUIDITY

The transition of the liquid asset portfolio for the new Basel III APS 210 Liquidity Standard has been completed and we continue to maintain a high quality, diversified liquid asset portfolio to support internal and regulatory requirements. The Bank was granted a Reserve Bank of Australia ("RBA") Committed Liquidity Facility ("CLF") sufficient to enable the Bank to meet its regulatory minimum of greater than 100% of the Liquidity Coverage Ratio from 1 January 2015.

Our total physical liquid holdings of $6.1 billion provides a material buffer in the event of a market dislocation. In addition, we have increased our internal securitisation capacity to $3.3 billion 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 a material proportion of the Bank's retail lending assets eligible to be placed as collateral into this structure.

LIQUIDITY COMPOSITION – BASEL III ($B)



(1) High Quality Liquid Assets (HQLA1) includes government and semi-government securities, cash held with RBA and notes & coins.
(2) Liquid Assets include all unencumbered RBA repurchase eligible liquid assets able to be pledged as collateral to the RBA CLF.

4.3 CAPITAL MANAGEMENT

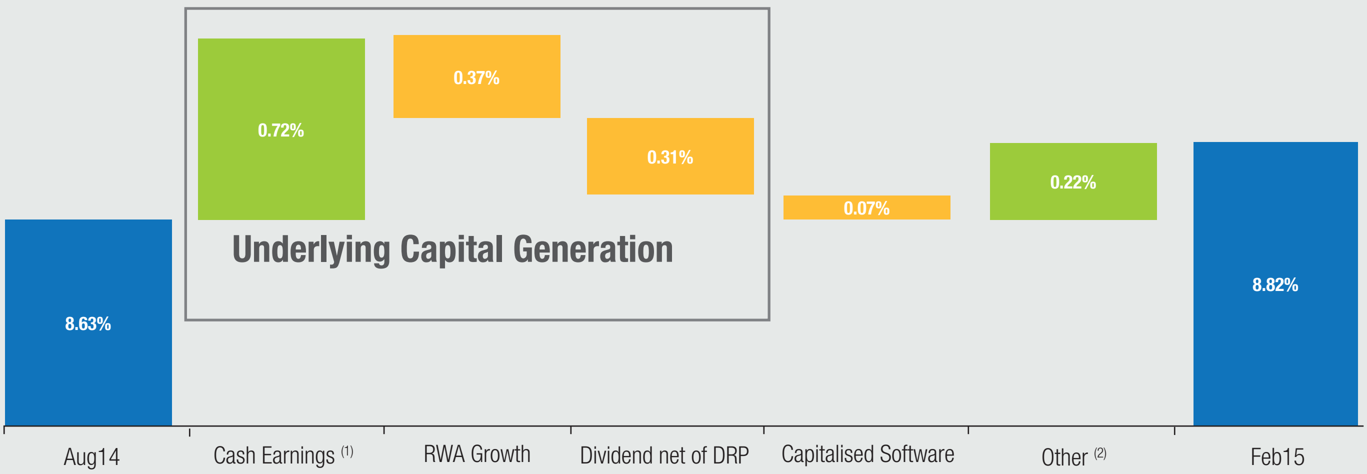
CAPITAL ADEQUACY

$ million	Feb-15	Aug-14	Feb-14	Feb 15 vs Aug 14 [1]	Feb 15 vs Feb 14
	As at				
Common Equity Tier 1	**2,298**	2,161	1,920	13%	20%
Additional Tier 1 Capital	**300**	300	300	-	-
Total Tier 2	**536**	548	474	(4%)	13%
Total Capital Base	**3,134**	3,009	2,694	8%	16%
Total RWA	**26,057**	25,032	21,717	8%	20%
Common Equity Tier 1 Ratio	**8.82%**	8.63%	8.84%	19bps	(2bps)
Total Capital Adequacy Ratio	**12.03%**	12.02%	12.41%	1bps	(38bps)

(1) Percentages have been annualised.

Common Equity Tier 1 has increased 19bps to 8.82% in the half. Underlying cash earnings in the half was more than enough to support loan growth of $1.3 billion in the half and a 2 cent increase in the interim dividend, generating 4bps of surplus capital as shown below.

COMMON EQUITY TIER 1 CAPITAL



(1) Cash net profit after tax adjusted for CRM system impairment.

(2) Other includes a reduction in deferred tax assets largely relating to the reduction in the product remediation provision, normalisation adjustments to determine cash earnings and favourable market movements on liquid assets held in the banking book.

4.4 TAXATION

Tax expense arising on Cash Earnings for the half amounted to $73 million. This represents an effective tax rate of 30.4%, which is above the corporate tax rate of 30% primarily due to non-deductibility of interest on the convertible preference shares issued in 2013.

5. CONSOLIDATED INTERIM FINANCIAL REPORT

DIRECTORS' REPORT

Half-year ended 28 February 2015

The Directors present their report together with the consolidated interim financial report for the half-year ended 28 February 2015 and the independent auditor's review report thereon.

Directors

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

Name	Period of Directorship
Roger Davis	Director since August 2008 / Chairman since May 2013
Jon Sutton	Managing Director and Chief Executive Officer since 5 January 2015.
Carmel Gray	Director since April 2006
Steve Crane	Director since December 2008 - Resigned 22 January 2015
David Willis	Director since February 2010
Michelle Tredenick	Director since February 2011
Richard Haire	Director since April 2012
Neil Berkett	Director since July 2013
Margaret Seale	Director since January 2014
Bruce Carter	Director since February 2014

Principal activities

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

Review of operations and financial results

Continuing the strong trends witnessed in 2014, the Bank has recorded a statutory profit after tax of $154 million for the half-year ended 28 February 2015. This performance represents a $19 million or 14% improvement on the after tax statutory profit achieved for the 28 February 2014 half year. The February 2015 period represents the first full period of results to include BOQ Specialist following its acquisition in July 2014 and the business contributed $13 million to the statutory profit after tax. The Bank also continued to witness lower loan impairment expense, which is down 22% from the prior corresponding period.

Total operating income has increased by 20% to $537 million. This increase was driven largely by growth in net interest income which reflected the impact of the BOQ Specialist acquisition and improvement in Net Interest Margin, which increased by 20 basis points over the prior corresponding period, with 9bps of this increase reflecting the higher margins achieved in the BOQ Specialist portfolio. Further to this the Bank continues to manage its liability mix and reduce its reliance on higher cost, less stable segments of the retail deposit market.

Operating expenses increased by 35% on the prior comparative period to $276 million. The increase in expenses of $72 million is primarily attributable to the inclusion of BOQ Specialist combined with a number of one-off property transition and software impairment charges.

Review of operations and financial results (continued)

Statutory diluted earnings per share increased to 41.6 cents for the period ended 28 February 2015 (Feb 2014: 40.4 cents). In line with the strong performance this period, the Board has determined to pay an interim dividend of 36 cents per share fully franked, an increase of 4 cents per share over the prior corresponding period.

Further analysis of the Group's operations and results for the 28 February 2015 period is detailed in the Highlights & Strategy, Group Performance Analysis and Business Settings sections.

Other matters

Director and Management changes

Jon Sutton was officially appointed as Managing Director and Chief Executive Officer (CEO) on 5 January 2015 after being appointed to the role of acting CEO in August 2014. Steve Crane resigned from his position as a Non-Executive Director on 22 January 2015, while Brian Bissaker and Melissa Grundy ceased employment respectively from the positions of Chief Executive Officer of Virgin Money (Australia) and Company Secretary on 13 March 2015.

Subsequent events

No matters or circumstances have arisen since the end of the financial half year and up until the date of this report which significantly affects the operations of the Bank, the results of those operations, or the state of affairs of the Bank in subsequent years. The Bank has declared an interim dividend to be paid in May 2015. Further details with respect to the dividend amount per share, payment date and dividend re-investment plan can be obtained from Section 2.2.

Management attestation

The Board has been provided with a written statement from the Group's Chief Executive Officer and Chief Financial Officer, confirming the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and they present a true and fair view in all material respects of the Group's financial position and performance as at and for the half-year ending 28 February 2015.

The Directors' declaration can be found on page 50 of the financial statements.

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

The lead auditor's independence declaration is set out on page 33 and forms part of the Directors' Report for the half-year ended 28 February 2015.

Rounding of amounts

The Bank is a company of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (as amended by Class Order 04/667 dated 15 July 2004) and in accordance with that Class Order, amounts in this financial report and Director's Report have been rounded off to the nearest million dollars, unless otherwise stated. This represents a change from previous reporting periods whereby amounts were rounded to the nearest hundred thousand dollars. This change is in accordance with Class Order 98/100 and has not had a material impact on the financial report.

Dated this twenty-fifth day of March 2015.

Signed in accordance with a resolution of the Directors:

Roger Davis
Chairman

Jon Sutton
Managing Director and CEO

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

To the directors of Bank of Queensland Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 28 February 2015, there have been:

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

KPMG

Martin McGrath
Partner

Sydney
25 March 2015

CONSOLIDATED INCOME STATEMENT

For the half-year ended 28 February 2015

	Section	28 February 2015 $m	28 February 2014 $m
Interest income		**1,141**	1,040
Less: Interest expense		**698**	678
Net interest income		**443**	362
Other operating income		**77**	64
Net banking operating income		**520**	426
Premiums from insurance contracts		**36**	35
Investment revenue		**2**	3
Less: Claims and policyholder liability expense from insurance contracts		**(21)**	(17)
Net insurance operating income		**17**	21
Total operating income		**537**	447
Less: Expenses		**276**	204
Less: Impairment on loans and advances		**36**	46
Profit before income tax		**225**	197
Less: Income tax expense	2.1	**71**	62
Profit for the period		**154**	135
Profit attributable to: Equity holders of the parent		**154**	135
Basic earnings per share – Ordinary Shares (cents)		**42.3**	41.5
Diluted earnings per share – Ordinary Shares (cents)		**41.6**	40.4

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 28 February 2015

	28 February 2015 $m	28 February 2014 $m
Profit for the period	**154**	135
Other comprehensive income, net of income tax		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges:		
Net losses taken to equity	**(54)**	(4)
Net gains transferred to profit and loss	**1**	-
Change in fair value of assets available for sale	**37**	(2)
Other comprehensive expense for the period, net of income tax	**(16)**	(6)
Total comprehensive income for the period	**138**	129
Total comprehensive income attributable to:		
Equity holders of the parent	**138**	129

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

CONSOLIDATED BALANCE SHEET

As at 28 February 2015

	Section	28 February 2015 $m	31 August 2014 $m
Assets			
Cash and liquid assets		**1,104**	1,034
Due from other financial institutions		**93**	93
Financial assets available for sale	3.3	**3,448**	3,864
Financial assets held for trading	3.3	**2,388**	2,474
Derivative financial assets	3.3	**292**	160
Loans and advances at amortised cost	3.3	**39,451**	38,136
Other assets		**113**	130
Property, plant and equipment		**67**	54
Deferred tax assets		**93**	112
Intangible assets		**832**	827
Investments in joint arrangements		**19**	21
Total assets		**47,900**	46,905
Liabilities			
Due to other financial institutions		**174**	207
Deposits	3.3	**34,017**	34,106
Derivative financial liabilities	3.3	**361**	249
Accounts payable and other liabilities		**388**	399
Current tax liabilities		**28**	72
Provisions		**98**	104
Insurance policy liabilities		**53**	63
Debt issues including subordinated notes	3.5	**9,378**	8,364
Total liabilities		**44,497**	43,564
Net assets		**3,403**	3,341
Equity			
Issued capital		**3,071**	3,021
Reserves		**96**	114
Retained profits		**236**	206
Total equity		**3,403**	3,341

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 28 February 2015

	Ordinary shares	Employee benefits reserve	Equity reserve for credit losses	Other reserves	Retained profits	Total equity
Half-year ended 28 February 2015	$m	$m	$m	$m	$m	$m
Balance at beginning of the period	3,021	33	70	11	206	3,341
Total comprehensive income for the period						
Profit	-	-	-	-	154	154
Other comprehensive income, net of income tax						
Cash flow hedges:						
- Net losses taken to equity	-	-	-	(54)	-	(54)
- Net gains transferred to profit and loss	-	-	-	1	-	1
Change in fair value of assets available for sale	-	-	-	37	-	37
Total other comprehensive expense	-	-	-	(16)	-	(16)
Total comprehensive income/(expense) for the period	-	-	-	(16)	154	138
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issues of ordinary shares	11	-	-	-	-	11
Dividend reinvestment plan	43	-	-	-	-	43
Dividends to shareholders	-	-	-	-	(124)	(124)
Equity settled transactions	-	(2)	-	-	-	(2)
Treasury Shares (1)	(4)	-	-	-	-	(4)
Total contributions by and distributions to owners	50	(2)	-	-	(124)	(76)
Balance at the end of the period	3,071	31	70	(5)	236	3,403

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the half-year ended 28 February 2015

	Ordinary shares	Employee benefits reserve	Equity reserve for credit losses	Other reserves	Retained profits	Total equity
Half-year ended 28 February 2014	$m	$m	$m	$m	$m	$m
Balance at beginning of the period	2,563	31	70	10	144	2,818
Total comprehensive income for the period						
Profit	-	-	-	-	135	135
Other comprehensive income, net of income tax						
Cash flow hedges:						
- Net losses taken to equity	-	-	-	(4)	-	(4)
- Net gains transferred to profit and loss	-	-	-	-	-	-
Change in fair value of assets available for sale	-	-	-	(2)	-	(2)
Total other comprehensive expense	-	-	-	(6)	-	(6)
Total comprehensive income/(expense) for the period	-	-	-	(6)	135	129
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividend reinvestment plan	34	-	-	-	-	34
Dividends to shareholders	-	-	-	-	(96)	(96)
Equity settled transactions	-	(1)	-	-	-	(1)
Treasury Shares (1)	(3)	-	-	-	-	(3)
Total contributions by and distributions to owners	31	(1)	-	-	(96)	(66)
Balance at the end of the period	2,594	30	70	4	183	2,881

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 28 February 2015

	28 February 2015 $m	28 February 2014 $m
Cash flows from operating activities		
Interest received	**1,145**	1,057
Fees and other income received	**77**	93
Dividends received	**2**	1
Interest paid	**(731)**	(702)
Cash paid to suppliers and employees	**(240)**	(196)
Income tax paid	**(93)**	(34)
	160	219
(Increase) / decrease in operating assets:		
Loans and advances at amortised cost	**(1,351)**	(70)
Other financial assets	**547**	(5)
Increase / (decrease) in operating liabilities:		
Deposits	**(99)**	285
Securitisation liabilities	**(51)**	(413)
Net cash from operating activities	**(794)**	16
Cash flows from investing activities		
Payments for property, plant and equipment	**(29)**	(16)
Payments for intangible assets	**(28)**	(22)
Cash distribution received from equity accounted investments	**2**	-
Proceeds from sale of property, plant and equipment	**3**	1
Net cash from investing activities	**(52)**	(37)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	**11**	-
Proceeds from borrowings and foreign exchange instruments	**1,288**	433
Repayment of borrowings	**(291)**	(412)
Payments for treasury shares	**(11)**	(8)
Dividends paid	**(81)**	(62)
Net cash from financing activities	**916**	(49)
Net decrease in cash and cash equivalents	**70**	(70)
Cash and cash equivalents at beginning of year	**1,034**	873
Cash and cash equivalents at end of half-year	**1,104**	803

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

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half-year ended 28 February 2015

SECTION 1. BASIS OF PREPARATION

1.1. REPORTING ENTITY

Bank of Queensland Limited ("the Bank") is a company domiciled in Australia. The consolidated interim financial report of the Bank as at and for the half-year ended 28 February 2015 comprises the Bank and its subsidiaries (together referred to as the "Consolidated Entity") and the Consolidated Entity's interest in equity accounted joint arrangements. The Bank is primarily involved in providing retail banking, commercial and leasing finance, and insurance products to its customers.

1.2. BASIS OF ACCOUNTING

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The consolidated interim financial report does not include all the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 31 August 2014, which is available upon request from the Bank's registered office at Level 6, 100 Skyring Terrace, Newstead QLD 4006 or at www.boq.com.au.

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (as amended by ASIC Class Order 04/667) and in accordance with that Class Order, amounts contained in this report have been rounded off to the nearest million dollars, unless otherwise stated.

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

The consolidated interim financial report was approved by the Board of Directors on 25 March 2015.

1.3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Consolidated Entity in this consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated annual financial report as at and for the year ended 31 August 2014.

The following changes in accounting policies are also expected to be reflected in the Consolidated Entity's financial statements as at and for the year ending 31 August 2015.

Changes in accounting policies

The Consolidated Entity has reclassified its Transferable Certificates of Deposit to debt issues including subordinated notes. These balances were previously classified as deposits and further details in respect of the basis and financial effect of this reclassification have been provided in Section 3.5.

The Consolidated Entity has also adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 September 2014.

- AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (refer (a))*
- AASB 2013-3 *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-financial Assets (refer (b))*
- AASB 2013-4 *Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting (refer (c))*
- AASB 2013-7 *Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders (refer (d)).*
- AASB 1031 *Materiality (refer (e)).*

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half-year ended 28 February 2015

1.3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The nature and effect of the changes are further explained below.

(a) 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 Bank has reviewed the amendment and the clarifications within and determined that no disclosure changes are required.

(b) Recoverable Amount Disclosures for Non-financial Assets

This amendment includes additional disclosure requirements with respect to impaired assets measured based on their fair value less costs of disposal. The Group has recognised an impairment loss during the period in relation to internally generated software. Further details have been disclosed in Section 4.1.

(c) Novation of Derivatives and Continuation of Hedge Accounting

This amendment permits the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. There have been no derivatives novated by the Bank during the period and as such the introduction of this amendment has not impacted the Bank.

(d) Consolidation and Interests of Policyholders

This amendment removes the specific requirements in relation to consolidation from AASB 1038, which leaves AASB 10 as the sole source for consolidation requirements applicable to life insurer entities. The Bank has reviewed the impact of this amendment on its consolidation requirements for St Andrews and determined there have been no changes.

(e) Materiality

The revised AASB 1031 is an interim standard that cross-references to other standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all standards and interpretations have been removed. These amendments are effective from 1 July 2014. This new standard did not have a material impact on the Consolidated Entity.

1.4. USE OF ESTIMATES AND JUDGEMENTS

In preparing the consolidated interim financial report, management has been required 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 significant judgements made by management in applying the Consolidated Entity's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial report as at and for the year ended 31 August 2014, with the exception of the changes outlined in 1.3 (a) to (e) above.

SECTION 2. FINANCIAL PERFORMANCE

2.1. INCOME TAX EXPENSE

The Consolidated Entity's effective tax expense rate for the six months ended 28 February 2015 was 31.5% and for the six months ended 28 February 2014 was 31.5%. This is above the corporate tax rate of 30% and is primarily attributable to the non-deductibility of interest on the convertible preference shares (refer to Section 3.5 for details).

2.2. DIVIDENDS

	Half-year ended			
	28 February 2015		28 February 2014	
	Cents per share	**$m**	Cents per share	$m
Ordinary shares				
Final 2014 dividend paid 27 November 2014 (2013: 4 December 2013)	**34**	**124**	30	96
Preference shares				
Final CPS dividend paid on 15 October 2014 (2013: 15 October 2013)	**275**	**8**	286	9

Since the end of the period, the Directors' have determined the following dividends:

	Cents per share	$m
- Interim CPS dividend	273	8
- Interim dividend	36	132

The interim dividend payment will be fully franked and paid on 12 May 2015 to owners of ordinary shares at the close of business on 20 April 2015 (record date). Shares will be quoted ex-dividend on 16 April 2015.

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 DRP 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 2015 interim dividend is 21 April 2015.

2.3. OPERATING SEGMENTS

The Bank has determined and presented the following two segments based on information provided to the Chief Operating Decision Maker, being the Managing Director and CEO.

Banking	Retail banking, commercial, personal, small business loans, equipment and debtor finance, treasury, savings and transaction accounts.
Insurance	Customer credit insurance, life insurance, accidental death insurance, funeral insurance and motor vehicle gap insurance.

	6 Months to 28 February 2015			
	Banking $m	Insurance $m	Consolidation adjustments $m	Total Segments $m
Revenue from outside the group	**520**	**17**	**-**	**537**
Inter-segment revenue	**2**	**(1)**	**(1)**	**-**
Total segment revenue	**522**	**16**	**(1)**	**537**
Expenses	**272**	**4**	**-**	**276**
Impairment on loans and advances	**36**	**-**	**-**	**36**
Segment profit before income tax	**214**	**12**	**(1)**	**225**
Income tax expense	**67**	**4**	**-**	**71**
Segment profit after income tax	**147**	**8**	**(1)**	**154**

	6 Months to 28 February 2014			
	Banking $m	Insurance $m	Consolidation adjustments $m	Total Segments $m
Revenue from outside the group	426	21	-	447
Inter-segment revenue	2	(2)	-	-
Total segment revenue	428	19	-	447
Expenses	200	4	-	204
Impairment on loans and advances	46	-	-	46
Segment profit before income tax	182	15	-	197
Income tax expense	58	4	-	62
Segment profit after income tax	124	11	-	135

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

SECTION 3. CAPITAL AND BALANCE SHEET MANAGEMENT

3.1. 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 Australian Prudential Regulation Authority ("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.

	Consolidated	
Qualifying capital	28 February 2015 $m	31 August 2014 $m
Common equity tier 1 capital		
Paid-up ordinary share capital	**3,071**	3,021
Reserves	**54**	58
Retained profits, including current year profits	**229**	207
Total common equity tier 1 capital	**3,354**	3,286
Regulatory adjustments		
Goodwill and intangibles	**(830)**	(825)
Deferred expenditure	**(130)**	(122)
Other deductions	**(96)**	(177)
Total regulatory adjustments	**(1,056)**	(1,124)
Net common equity tier 1 capital	**2,298**	2,162
Additional tier 1 capital	**300**	300
Net tier 1 capital	**2,598**	2,462
Tier 2 capital		
Tier 2 capital	**325**	340
General reserve for credit losses	**211**	207
Net tier 2 capital	**536**	547
Capital base	**3,134**	3,009
Risk weighted assets	**26,057**	25,032
Capital adequacy ratio	**12.0%**	12.0%

3.2. ISSUED CAPITAL

	Consolidated	
	28 February 2015 Number	28 February 2014 Number
Movements during the period		
Balance at the beginning of the period	**362,516,835**	319,810,294
Issues of ordinary shares [(1)]	**900,000**	-
Dividend reinvestment plan	**3,565,212**	2,756,588
Balance at the end of the period	**366,982,047**	322,566,882
Treasury shares (included in ordinary shares above)		
Balance at the beginning of the period	**297,579**	162,371
Movements during the period	**305,181**	302,606
Balance at the end of the period	**602,760**	464,977

(1) On 24 October 2014, 900,000 ordinary shares were issued at $12.29 to the trustee of the BOQ Employee Share Plans Trust to satisfy the exercise of award rights and issue of shares under the Award Rights Plan and issue of shares under the BOQ Restricted Share Plan and BOQ Employee Share Plan.

3.3. FINANCIAL INSTRUMENTS

(a) Carrying amounts versus fair values

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

	28 February 2015		31 August 2014	
	Carrying Amount $m	Fair Value $m	Carrying Amount $m	Fair Value $m
Assets carried at amortised cost				
Loans and advances at amortised cost	**39,451**	**39,592**	38,136	38,197
	39,451	**39,592**	38,136	38,197
Liabilities carried at amortised cost				
Deposits	**(34,017)**	**(34,059)**	(34,106)	(34,119)
Debt issues including subordinated notes	**(9,378)**	**(9,399)**	(8,364)	(8,370)
	(43,395)	**(43,458)**	(42,470)	(42,489)

(b) Master netting or similar arrangements

The Consolidated Entity enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting arrangements. Amounts owed by each counterparty are aggregated into a single net amount that is payable by one party to another. The Consolidated Entity normally settles on a net basis or realises the derivative assets and liabilities simultaneously. The Consolidated Entity has not offset these amounts in the Consolidated Balance Sheet.

3.3. FINANCIAL INSTRUMENTS (CONTINUED)

(c) 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 financial instruments classified as Level 3 in the fair value hierarchy.

	28 February 2015			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Instruments carried at fair value				
Financial assets available for sale	**1,228**	**2,210**	**10**	**3,448**
Financial assets held for trading	**-**	**2,388**	**-**	**2,388**
Derivative financial assets	**-**	**292**	**-**	**292**
	1,228	**4,890**	**10**	**6,128**
Derivative financial liabilities	**-**	**(361)**	**-**	**(361)**
	1,228	**4,529**	**10**	**5,767**

	31 August 2014			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Instruments carried at fair value				
Financial assets available for sale	1,892	1,962	10	3,864
Financial assets held for trading	-	2,474	-	2,474
Derivative financial assets	-	160	-	160
	1,892	4,596	10	6,498
Derivative financial liabilities	-	(249)	-	(249)
	1,892	4,347	10	6,249

Valuation techniques used to derive level 2 and level 3 fair values

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data where it is available and rely as little as possible on the entity specific estimates.

If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities. Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

3.4. PROVISIONS FOR IMPAIRMENT

	Consolidated	
	28 February 2015 $m	31 August 2014 $m(1)
Specific provision:		
Balance at the beginning of the period	**153**	151
Add: Expensed during the period	**31**	45
Add: BOQ Specialist provisions acquired	**-**	8
Less: Amounts written off against specific provision	**(47)**	(48)
Transfers from collective provision	**1**	1
Unwind of present value discount	**(4)**	(4)
Balance at the end of the period	**134**	153
Collective provision:		
Balance at the beginning of the period	**137**	134
Additions/(Releases) during the period	**5**	(3)
Add: BOQ Specialist provisions acquired	**-**	7
Transfers to specific provision	**(1)**	(1)
Balance at the end of the period	**141**	137
Total provisions for impairment	**275**	290

(1) Six months to 31 August 2014.

3.5. DEBT ISSUES INCLUDING SUBORDINATED NOTES

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

	Securitisation liabilities [(1)]	Debt issues [(2)]	Borrowings including subordinated notes	Convertible Preference Shares [(3)]	Syndicated Loan	Total
	$m	$m	$m	$m	$m	$m
Half-year ended 28 February 2015						
Balance at the beginning of the period	**5,510**	**2,213**	**347**	**294**	**-**	**8,364**
Proceeds from issues	**1,252**	**1,284**	**-**	**-**	**-**	**2,536**
Repayments	**(1,302)**	**(269)**	**(22)**	**-**	**-**	**(1,593)**
Deferred establishment costs	**(2)**	**-**	**-**	**-**	**-**	**(2)**
Amortisation of deferred costs	**2**	**-**	**-**	**1**	**-**	**3**
Foreign exchange translation	**30**	**40**	**-**	**-**	**-**	**70**
Balance at the end of the period	**5,490**	**3,268**	**325**	**295**	**-**	**9,378**

	Securitisation liabilities [(1)]	Debt issues [(2)]	Borrowings including subordinated notes	Convertible Preference Shares [(3)]	Syndicated Loan	Total
	$m	$m	$m	$m	$m	$m
Half-year ended 28 February 2014						
Balance at the beginning of the period	5,824	1,587	270	293	223	8,197
Proceeds from issues	471	914	-	-	-	1,385
Repayments	(883)	(789)	-	-	-	(1,672)
Deferred establishment costs	(2)	-	-	-	-	(2)
Amortisation of deferred costs	4	-	-	-	1	5
Foreign exchange translation	28	3	-	-	-	31
Balance at the end of the period	5,442	1,715	270	293	224	7,944

(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) Debt issues consists of the Euro Medium Term Notes and European Commercial Paper programs along with the Group's Transferable Certificates of Deposit (TCD's). The Group has reclassified its TCD's from deposits to debt issues in order to better reflect the underlying substance and nature of these balances, with contractual terms being on average greater than twelve months. The effect of this change for the current period is an increase to total debt issues including subordinated notes of $3.1 billion (Aug 2014: $1.8 billion) with a corresponding reduction in deposits. Further to this, proceeds from issues and repayments have increased by $1.3 billion (Aug 2014: $914 million) and $269 million (Aug 2014: $789 million) respectively, as the Bank took advantage of recent credit upgrades and favourable markets to term out its wholesale funding profile.

(3) On 24 December 2012 the Bank issued 3,000,000 Convertible Preference Shares ("CPS"). Each CPS is a fully-paid, perpetual, convertible, unguaranteed and unsecured preference share with preferred, discretionary, non-cumulative dividends. Subject to prior written approval of APRA 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. This entitlement also arises on the occurrence of a regulatory or tax event, otherwise the CPS will mandatorily convert into ordinary shares on 15 April 2020. CPS rank for payment of capital ahead of ordinary shareholders but behind all depositors and other creditors.

SECTION 4. OTHER NOTES

4.1. INTANGIBLE ASSETS

As part of the Bank's periodic assessment of the carrying value of intangible assets, impairment indicators were identified with respect to specific internally generated software development projects. These projects focused on customer relationship management with the impairment indicators identified being the failure of the projects to meet operational and regulatory requirements and the Bank has raised an impairment of $10 million.

As a result, detailed reviews were conducted and the recoverable amounts ascertained were lower than the carrying amount. The subsequent impairment loss was recognised in the profit and loss in the current reporting period.

The Group has not identified any cash generating units for which the carrying amount of Goodwill exceeds the recoverable amount and as such there have been no impairments of Goodwill recognised for the period.

4.2. RELATED PARTIES

Arrangements for related parties are consistent with those disclosed in the 31 August 2014 Consolidated Annual Financial Report.

4.3. CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 28 February 2015.

As at 31 August 2014 the Group disclosed a contingent liability in respect of the ongoing Storm Financial proceedings. 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. On 16 December 2014 the Federal Court approved the deed of settlement between the Bank and the lead applicants. This settlement concludes both of the outstanding Storm Financial proceedings against the Bank.

The financial effect of this was brought to account in the Consolidated Annual Financial Report for the year ended 31 August 2014.

4.4. EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial half year and up until the date of this report which significantly affect the operations of the Bank, the results of those operations, or the state of affairs of the Bank in subsequent years. The Bank has declared an interim dividend to be paid in May 2015. Further details with respect to the dividend amount per share, payment date and dividend re-investment plan can be obtained from Section 2.2.

Directors' Declaration

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

(a) the consolidated interim financial statements and accompanying notes, set out on pages 34 to 49 are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of the Consolidated Entity as at 28 February 2015 and of its performance, for the half-year ended on that date; and

  (ii) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001.

(b) there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable.

Dated this twenty-fifth day of March 2015.

Signed in accordance with a resolution of the Directors:

Roger Davis
Chairman

Jon Sutton
Managing Director and CEO

KPMG

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

Report on the financial report

We have reviewed the accompanying consolidated interim financial report of Bank of Queensland Limited, which comprises the Consolidated Balance Sheet as at 28 February 2015, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the half-year ended on that date, Condensed Notes to the Consolidated Interim Financial Statements (Section 1.1 to 4.4) comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the Group, comprising the Bank of Queensland Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated interim financial report based on our review. We conducted our review in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the consolidated interim financial report is free from material misstatement.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 28 February 2015 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

KPMG

Martin McGrath

Partner
Sydney

25 March 2015

6. APPENDICES

6.1 ASX APPENDIX 4D

Cross Reference Index	Page
Details of reporting period and previous period (Rule 4.2A.3 Item No. 1)	Inside front cover
Results for Announcement to the Market (Rule 4.2A.3 Item No. 2)	Inside front cover
Net tangible assets per security (Rule 4.2A.3 Item No. 3)	52
Details of entities over which control has been gained or lost (Rule 4.2A.3 Item No. 4)	52
Dividends (Rule 4.2A.3 Item No. 5)	Consolidated Interim Financial Report Page 42
Dividends dates (Rule 4.2A.3 Item No. 5)	Consolidated Interim Financial Report Page 42
Dividend Reinvestment Plan (Rule 4.2A.3 Item No. 6)	Consolidated Interim Financial Report Page 42
Details of associated and joint venture entities (Rule 4.2A.3 Item No. 7)	52
Foreign Entities (Rule 4.2A.3 Item No. 8)	Not applicable

Details of entities over which control has been gained or lost (Rule 4.2A.3 Item No. 4). There were no entities over which the Bank gained or lost control during the period.

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%

	As at		
Net tangible assets per security (Rule 4.2A.3 Item No. 3)	**Feb-15**	Aug-14	Feb-14
Net tangible assets per ordinary share ($) (2)	**7.01**	6.93	7.06

(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.

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

6.2 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. In alignment with industry practice, we exclude those items that introduce volatility and distort current period performance to allow for a more effective comparison of performance across reporting periods.

The key movement in the difference between the Bank's Statutory Profit and its Cash Earnings reflects the 2014 provision for settlement of the outstanding Storm Financial proceedings included in the August 2014 half. Integration costs following the acquisition of BOQ Specialist continued to be incurred this half and are in line with market guidance provided on acquisition to this point of integration.

(a) Reconciliation of cash earnings to statutory net profit after tax

	Half Year Performance				
$ million	**Feb-15**	Aug-14	Feb-14	Feb 15 vs Aug 14	Feb 15 vs Feb 14
Cash Earnings after Tax	**167**	161	140	4%	19%
Amortisation of customer contracts (acquisition)	**(5)**	(4)	(2)	25%	150%
Hedge ineffectiveness	**1**	(1)	(1)	n/a	n/a
Government Guarantee break fee	**-**	-	(1)	-	n/a
Integration / due diligence costs	**(8)**	(8)	-	-	n/a
Legacy items	**(1)**	(22)	(1)	(95%)	-
Statutory Net Profit after Tax	**154**	126	135	22%	14%

(b) Non-cash earnings reconciling items

$ million	**Cash Earnings Feb-15**	VMA	Amortisation of customer contracts (acquisition)	Hedge ineffectiveness	Integration	Legacy items	**Statutory Net Profit Feb-15**
Net Interest Income	**448**	-	-	-	(5)	-	**443**
Non-Interest Income	**84**	8	-	2	-	-	**94**
Total Income	**532**	8	-	2	(5)	-	**537**
Operating Expenses	**(256)**	(8)	(5)	-	(6)	(1)	**(276)**
Underlying Profit	**276**	-	(5)	2	(11)	(1)	**261**
Loan Impairment Expense	**(36)**	-	-	-	-	-	**(36)**
Profit before Tax	**240**	-	(5)	2	(11)	(1)	**225**
Income Tax Benefit/(Expense)	**(73)**	-	-	(1)	3	-	**(71)**
Profit after Tax	**167**	-	(5)	1	(8)	(1)	**154**

6.2 RECONCILIATION OF STATUTORY PROFIT TO CASH EARNINGS (CONTINUED)

(c) Operating cash expenses (excluding BOQ Specialist)

	Half Year Performance				
	Feb-15	Aug-14	Feb-14	Feb 15 vs Aug 14	Feb 15 vs Feb 14
General expenses					
Advertising	**6**	7	5	(14%)	20%
Commissions to Owner Managed Branches	**3**	3	3	-	-
Communications and postage	**9**	10	10	(10%)	(10%)
Printing and stationery	**2**	2	2	-	-
Non-lending losses	**1**	1	1	-	-
Processing costs	**13**	13	13	-	-
Other operating expenses	**20**	5	10	n/a	100%
	54	42	44	29%	23%
Other expenses					
Professional fees	**5**	5	5	-	-
Directors' fees	**1**	1	1	-	-
Other	**3**	2	3	50%	-
	9	8	9	13%	-
IT expenses					
Data processing	**31**	32	31	(3%)	-
Amortisation and impairment – computer software (intangible)	**8**	7	7	14%	14%
Depreciation – IT equipment	**1**	1	1	-	-
	40	40	39	-	3%
Occupancy expenses					
Lease rental	**18**	16	12	13%	50%
Depreciation - plant, furniture, equipment and leasehold improvements	**4**	4	4	-	-
Other	**2**	2	1	-	100%
	24	22	17	9%	41%
Employee expenses					
Salaries and wages	**74**	76	68	(3%)	9%
Superannuation contributions	**8**	7	6	14%	33%
Payroll tax	**5**	5	5	-	-
Equity settled transactions	**4**	4	4	-	-
Other	**3**	4	3	(25%)	-
	94	96	86	(2%)	9%
Total Operating Expenses	**221**	208	195	6%	13%

6.2 RECONCILIATION OF STATUTORY PROFIT TO CASH EARNINGS (CONTINUED)

(c) Operating Cash Expenses (excluding BOQ Specialist)

General Expenses

The increase from the prior period reflected impairment of the pilot CRM system for $10 million. Other operating expenses were lower last half due to receipts of indirect tax credits relating to prior years.

Other Expenses

Professional and director fees have remained flat over the current and prior reported periods.

IT Expenses

Expenses reduced slightly from the prior half as savings from the new IT outsourcing agreement were realised, the full benefits should be seen in future reporting periods.

Occupancy Expenses

The increase in property expenses includes the one-off impact for the consolidation of the Brisbane Support Centre this half, increased rental costs during the transition to the new premises at Newstead and onerous leases provisions.

Employee Expenses

Salaries are consistent with prior half and reflect the investment in frontline capability across Business Banking, broker support and mobile teams last year.

6.3 CASH EPS CALCULATIONS

		Half Year Performance				
		Feb-15	Aug-14	Feb-14	Feb 15 vs Aug 14	Feb 15 vs Feb 14
Basic EPS	(cents)	**45.8**	46.3	43.2	(1%)	6%
Diluted EPS	(cents)	**44.8**	45.0	41.8	-	7%
Reconciliation of Cash Earnings for EPS						
Cash Earnings available for ordinary shareholders	($ million)	**167**	161	140	4%	19%
Add: Convertible Preference Shares ("CPS") Dividend	($ million)	**8**	8	8	-	-
		175	169	148	4%	18%
Weighted Average Number of Shares ("WANOS")[(1)]						
Basic WANOS	($ million)	**365**	348	324	5%	13%
Add: Effect of award rights	($ million)	**3**	3	3	-	-
Add: Effect of CPS	($ million)	**23**	25	27	(8%)	(15%)
Diluted WANOS	($ million)	**391**	376	354	4%	10%

[(1)] February 2014 basic earnings per share have been adjusted for the effect of the entitlement offer that occurred during the financial year and rounding adjustments.

6.4 ISSUED CAPITAL

Ordinary shares

	Consolidated	
	2015 Number	$m
Movements during the period		
Balance at the beginning of the year – fully paid	**362,516,835**	3,052
Issue of ordinary shares - October 2014 at $12.29 [1]	**900,000**	11
Dividend reinvestment plan - November 2014 at $12.06	**3,565,212**	43
Balance at the end of the period – fully paid	**366,982,047**	3,106

[1] On 24 October 2014, 900,000 ordinary shares were issued to the trustee of the BOQ Employee Shares Plans Trust to satisfy the exercise of award rights and issue of shares under the Award Rights Plan and issue of shares under the BOQ Restricted Share Plan and BOQ Employee Share Plan.

6.5 AVERAGE BALANCE SHEET AND MARGIN ANALYSIS

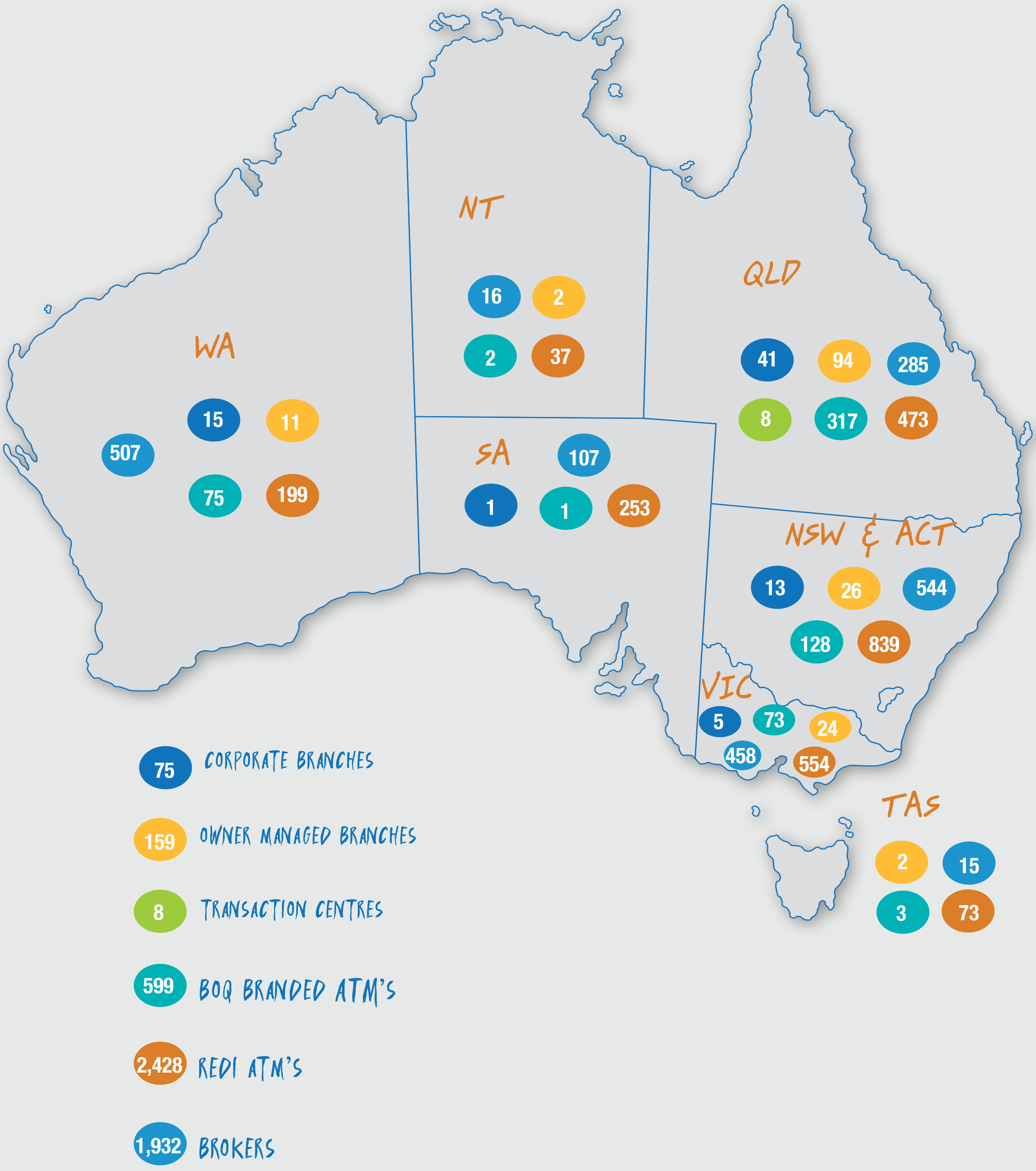
	February 2015			August 2014		
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Interest earning assets						
Gross loans & advances at amortised cost	**39,083**	**1,034**	**5.34**	36,027	970	5.34
Investments & other securities	**6,841**	**107**	**3.15**	6,391	102	3.17
Total interest earning assets	**45,924**	**1,141**	**5.01**	42,418	1,072	5.01
Non-interest earnings assets						
Property, plant & equipment	**58**			47		
Other assets	**1,580**			1,376		
Provision for impairment	**(286)**			(285)		
Total non-interest earning assets	**1,352**			1,138		
Total assets	**47,276**			43,556		
Interest bearing liabilities						
Retail deposits	**26,343**	**383**	**2.93**	24,219	379	3.10
Wholesale deposits & borrowings	**16,674**	**310**	**3.75**	15,445	294	3.78
Total interest bearing liabilities	**43,017**	**693**	**3.25**	39,664	673	3.37
Non-interest bearing liabilities	**886**			723		
Total Liabilities	**43,903**			40,387		
Shareholders' funds	**3,373**			3,169		
Total liabilities & shareholders' funds	**47,276**			43,556		
Interest margin & interest spread						
Interest earning assets	**45,924**	**1,141**	**5.01**	42,418	1,072	5.01
Interest bearing liabilities	**43,017**	**693**	**3.25**	39,664	673	3.37
Net interest spread			**1.76**			1.64
Benefit of net interest-free assets, liabilities and equity			**0.21**			0.23
Net interest margin on average interest earning assets	**45,924**	**448**	**1.97**	42,418	399	1.87

6.6 DISTRIBUTION FOOTPRINT

We continue to optimise our *'Customer in Charge'* strategy to respond to an evolving market place and allow customers to engage with us through the medium of their choice. This includes face to face in our Owner Managed or Corporate branches, with mobile bankers and brokers, through digital and mobile channels, via social media or on the telephone to our award winning Perth based customer service centre or our recently opened Gold Coast customer service centre.

Branch numbers reduced by ten in the half which included a number of consolidations. Branch productivity continues to increase, rising 2.1% to $194 million at February 2015.

Broker channel expansion further accelerated this period with another 746 brokers to take the total accredited to 1,932 brokers at February 2015. The majority of these brokers are providing portfolio diversification outside of Queensland, however this half saw the addition of 262 brokers in Queensland which should be supported by the strong brand appeal in our home state.

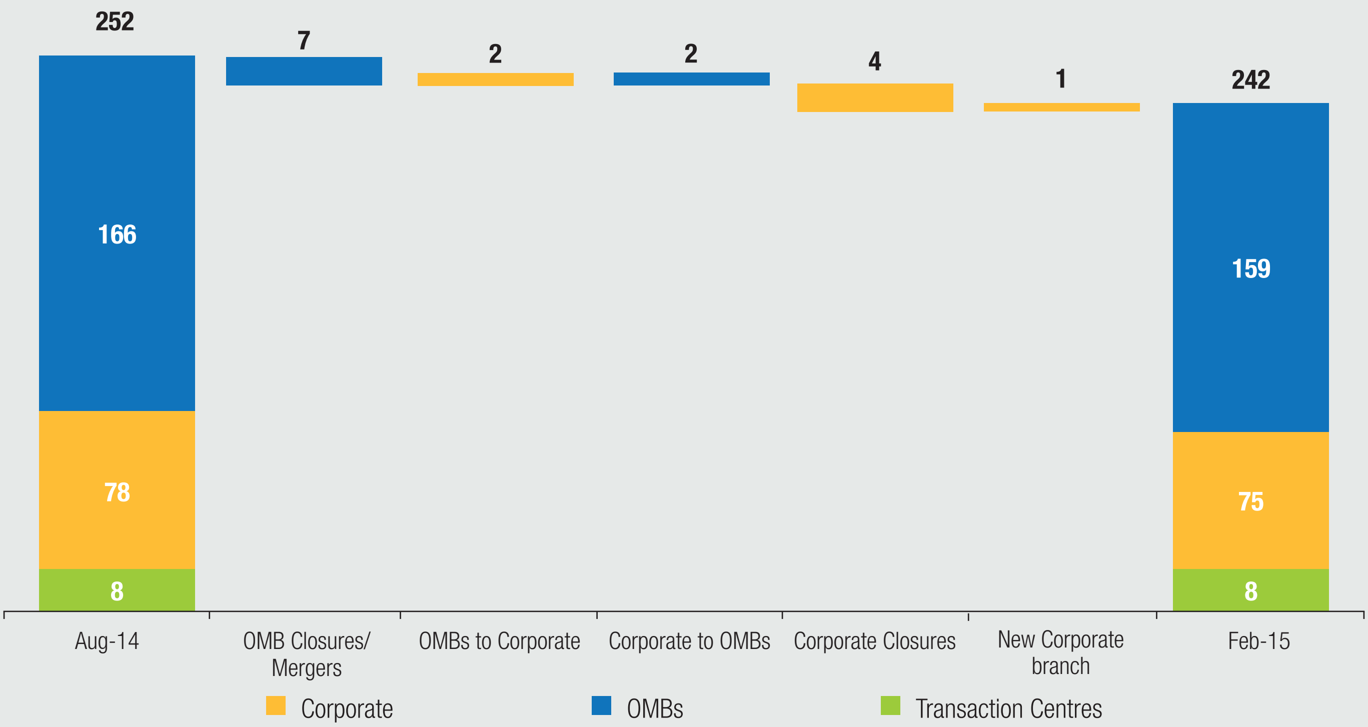


6.6 DISTRIBUTION FOOTPRINT (CONTINUED)

As at Feb-15	QLD	NSW / ACT	VIC	WA	NT	TAS	SA	Total
Corporate Branches	41	13	5	15	-	-	1	75
Owner Managed branches	94	26	24	11	2	2	-	159
Transaction Centres	8	-	-	-	-	-	-	8
	143	39	29	26	2	2	1	242

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

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



6.7 CREDIT RATING

The Bank monitors rating agency developments closely. Entities in the Group are rated by Standard and Poor's, Moody's Investor Service ("Moody's") and Fitch Ratings.

Our current long-term debt ratings are shown below. During the period Fitch changed its long-term debt rating from BBB+ to A- and outlook from Positive to Stable.

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