BOQ GROUP INVESTOR INFORMATION

2015 ANNUAL RESULTS

INCORPORATING THE REQUIREMENTS OF APPENDIX 4E

ASX APPENDIX 4E

For the year ended 31 August 2015

Results for announcement to the market [(1)]

				$m
Revenues from ordinary activities [(2)]	Up	16%	to	1,088
Profit from ordinary activities after tax attributable to members [(2)]	Up	22%	to	318
Profit for the year attributable to members [(2)]	Up	22%	to	318
Dividends (distributions)				
Final dividend- fully franked (cents per share)				38
Interim dividend- fully franked (cents per share)				36
Record date for determining entitlements to dividend				2 November 2015

(1) Rule 4.3A. Refer to Appendix 4.1 for the cross reference index for ASX Appendix 4E.

(2) On prior corresponding year (twelve months ended 31 August 2014).

APPENDIX 4E

1. HIGHLIGHTS & STRATEGY

1.1 DISCLOSURE CONSIDERATIONS

Changes to Financial Reporting

This reporting period reflects the first full year contribution for BOQ Specialist since acquisition in July 2014. Section 2.2 provides further details of the contribution for the year.

Future performance

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

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

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.

Note on Statutory Profit and Cash Earnings

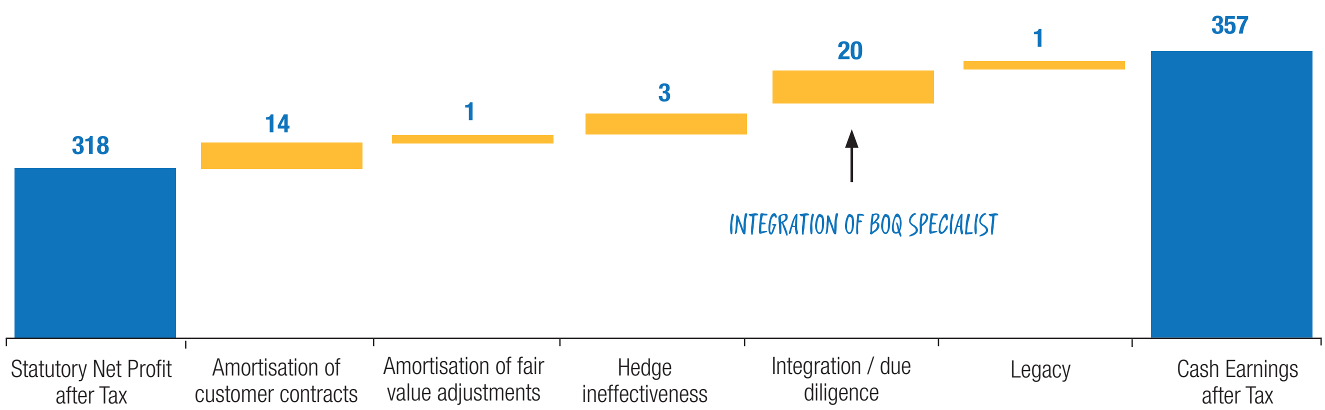
Statutory Profit is prepared in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with International Financial Reporting Standards ('IFRS'). Cash Earnings is a non-Accounting Standards measure commonly used in the banking industry to assist in presenting a clear view of the Bank's underlying earnings. Refer to Section 4.2 of the Appendices for the reconciliation of Statutory Profit to Cash Earnings.

The items excluded from Cash Earnings are consistent with the prior period. Integration/Due Diligence costs relate to the acquisition of BOQ Specialist and are in line with guidance provided at acquisition. The increase in amortisation of customer contracts over the prior year includes recognition of BOQ Specialist customer contracts following purchase price adjustment allocations completed in the latest half year. Hedge ineffectiveness represents earnings volatility from hedges that are partially ineffective under the application of IAS 39 *Financial Instruments* and create a timing difference in reported profit, where these hedges remain economically effective. (Refer to the Reconciliation of Statutory Profit to Cash Earnings chart below).

Figures disclosed in this report are on a Cash Earnings basis unless stated as Statutory Profit basis. Unless otherwise stated, all financial comparisons in this document refer to the prior half (to 28 February 2015) and the prior year (to 31 August 2014).

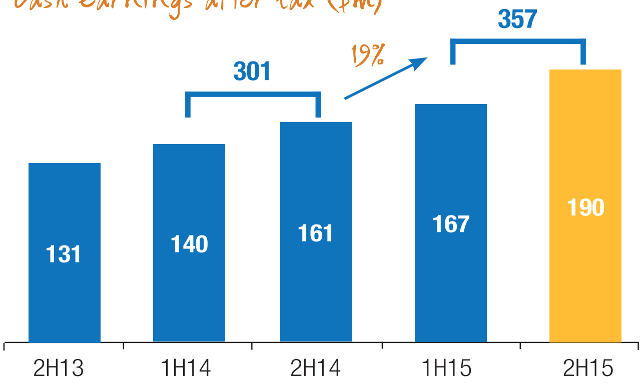
These non-statutory measures have not been subject to review or audit.

RECONCILIATION OF STATUTORY PROFIT TO CASH EARNINGS ($M)

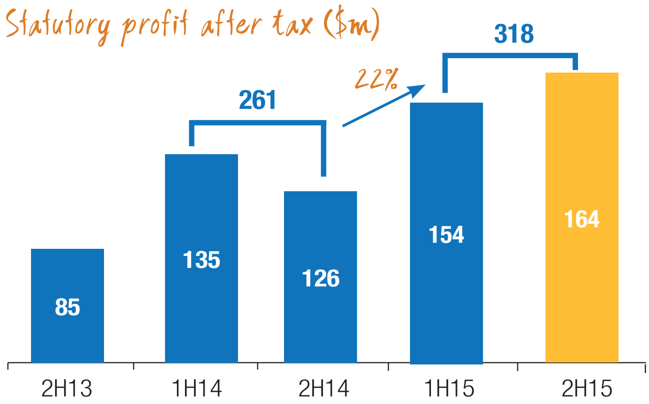


1.2 GROUP HIGHLIGHTS

Cash earnings after tax ($m)

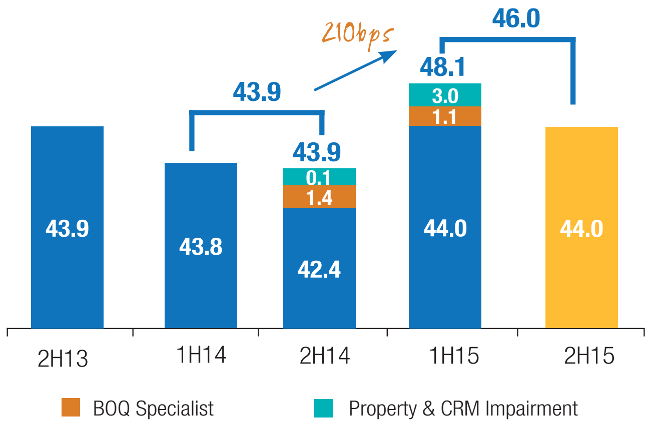


Statutory profit after tax ($m)

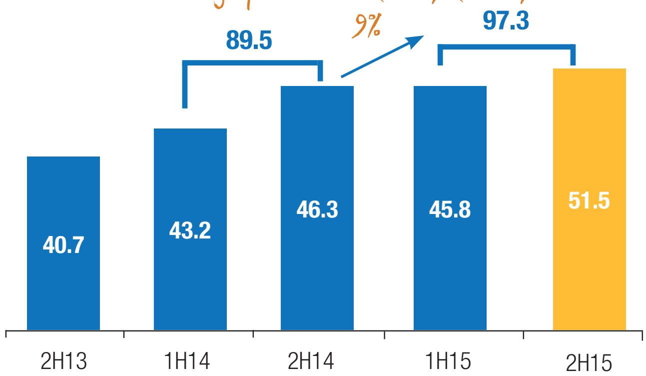


Cash net interest margin ('NIM') (%)

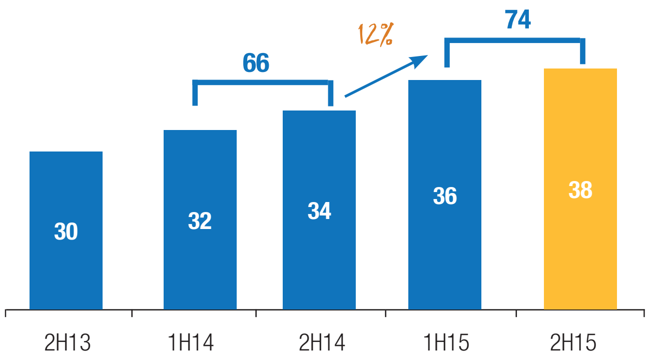
Cash cost to income (%)



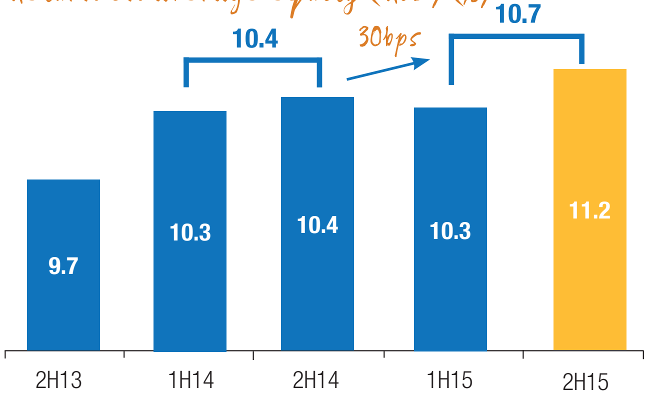
Cash basic earnings per share ('EPS') (cents)



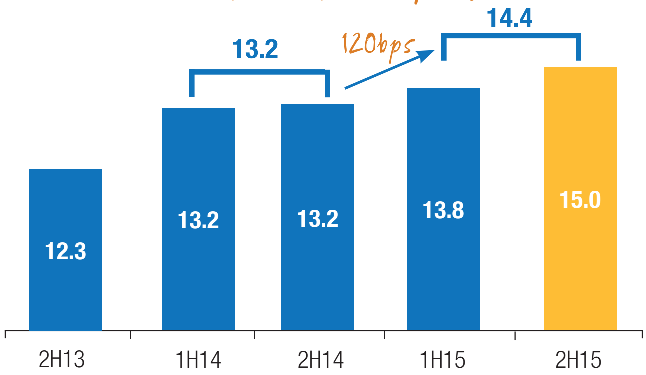
Dividends per share (cents)



Return on average equity ('ROE') (%)



Return on average tangible equity ('ROTE') (%)



1.2 GROUP HIGHLIGHTS (CONTINUED)

CASH EARNINGS	NET INTEREST MARGIN (CASH)	CASH COST TO INCOME RATIO
$357 million Increased by 19% on the prior year $43 million first full year BOQ Specialist contribution 8% earnings growth excluding BOQ Specialist and one-offs [(1)]	1.97% Up 15 bps over the prior year. The inclusion of BOQ Specialist and liability mix initiatives have contributed to the increase	46% 44.5% before one-off costs [(1)]
LOAN IMPAIRMENT EXPENSE	**COMMON EQUITY TIER 1**	**IMPAIRED ASSETS**
$74 million Down 4bps to 18bps of lending and 14% reduction over the prior year	8.91% Capital ratio further strengthened, increasing 28bps over the year	$237 million Reduced $56m (19%) on the prior year

[(1)] Excluding one-off CRM impairment and property costs.

BOQ has delivered a record full year profit with Cash Earnings increasing 19% to $357 million and Statutory Profit after Tax increasing 22% to $318 million. Our clear and simple strategy has delivered improved momentum as we continue to build a more streamlined and lower risk organisation with sustainable earnings growth.

This is the first full financial year following the acquisition of BOQ Specialist which was acquired in July 2014. The contribution of BOQ Specialist to the Group result of $43 million was 13% above the earnings guidance of $38 million provided on announcement of the acquisition. The business has been successfully integrated and is delivering on its strategy to provide specialised banking solutions to a professional market niche.

Net Interest Margin was maintained in the second half at 1.97%, an increase of 15 basis points on the prior year, with an 11 basis point improvement from BOQ Specialist as expected. Whilst the maintenance of the Net Interest Margin in the second half was supported by the impact of lower liquid asset requirements, this was a solid result against a backdrop of contracting industry margins over this period. We continue to target measured growth in a dynamic market which remains highly competitive, maintaining a prudent outlook in the changing economic and regulatory environment.

Our Cost to Income ratio during the year was 46%, which was rebased by the first full year of BOQ Specialist and included a number of one-off costs. These were the impairment of the pilot Customer Relationship Management ('CRM') System for $10 million and $6 million of premises consolidation costs. Excluding these one-off costs, the Cost to Income ratio for the Group was 44.5%, in line with earlier market guidance. Underlying cost growth of 4%, excluding the acquisition of BOQ Specialist and one-off costs, was delivered whilst we continued to build out our front line capability and invest in new channels such as our developing Broker presence.

Lending growth of 7% was a significant improvement over the prior year as we gain further traction with the '**Customer in Charge**' strategy by widening the choice of channels through which our customers can engage with us. We continue to gain penetration through the Broker channel which provided 15% of settlements this year compared to 5% last year. Second half growth was slower as we moved ahead of other industry participants with our pace of implementation in meeting the Australian Prudential Regulatory Authority's ('APRA') required lending serviceability standards. Lending growth through proprietary channels was credible as branch numbers once again moved in response to changes in consumer preferences.

Loan impairment expense reduced by 14% to $74 million in 2015 reflecting underlying improvement in credit quality across the retail and commercial portfolios supported by declining levels of defaults in the lower interest rate environment. The 30 day housing arrears reduced to the lowest level in recent years. We did witness an increase in impairment charge across the BOQ Finance portfolio with defaults of mining related exposures attributable to the subdued economic environment and the impact of the industry downturn. We continue to closely monitor our exposures and did see an improvement in the arrears trend in this portfolio in the last quarter.

As mentioned in the February 2015 results, we have successfully transitioned to the new APRA APS210 Liquidity framework. The new framework and steps taken to improve the resilience of the Bank's liability base, in line with broader industry changes, have been positive to the management of our liquidity requirements. Our recent rating upgrades have allowed us to selectively increase the duration of our wholesale funding profile whilst maintaining our retail deposit funding mix. At year end, our Common Equity Tier 1 ratio was 8.91%, an increase of 28 basis points on the prior year.

The Board has determined to pay a final dividend of 38 cents per share fully franked, with the full year dividend of 74 cents, an increase of 12% on the 2014 financial year.

1.3 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.

BOQ aspires to build a differentiated position in the Australian financial services sector by demonstrating to customers that "It is Possible to Love a Bank." BOQ's corporate strategy is to focus on niche customer segments that value a more intimate banking relationship beyond what they receive from the major banks. Importantly, BOQ's strategic focus plays to its competitive strengths as a small challenger bank of being able to provide customers with personalised relationship management, passionate customer service, focused products and solutions, and nimble decision-making and problem resolution. The strategy is executed through BOQ's four strategic pillars: (i) **Customer in Charge** (ii) **Grow the Right Way** (iii) **There's Always a Better Way**, and (iv) **Loved Like No Other**.

In terms of **Customer in Charge**, we are continuing to expand our source of originations through growth in the mortgage broker market as well as improvements to digital, online and call centre channels. We have further expanded our mortgage broker distribution network with accredited brokers servicing customers in New South Wales, Victoria, Western Australia, South Australia and, more recently, our home state of Queensland.

The successful integration of BOQ Specialist (formerly Investec Bank (Australia) Limited's Professional Finance and Asset Finance & Leasing businesses) has provided BOQ with unique access to a compelling and expanding customer base of high net worth medical, dental and accounting professionals served through a high touch, specialist banking proposition.

In our Retail network, a new commission model has been introduced for Owner Managed Branches based upon a balanced scorecard approach. The new scorecard balances lending, deposits, cross sales and compliance components and strongly aligns interests of Owner Managers and the Bank. The new scorecard and commission model forms the basis of a new standardised franchise agreement which is being rolled out on a progressive basis as existing agreements expire. There is also significant work underway to optimise branch mix and locations, particularly across our Corporate-owned branches.

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 segments in Business Banking, Agribusiness and Asset Leasing. In Business Banking, a tiered approach to origination through our distribution channels has been embedded to reflect deal complexity. 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 efficiency, has seen continued focus on improving processes and systems to reduce the turnaround time on compliant retail and business lending applications. In 2016, we will implement a new digitised mortgage origination process as well as continue to simplify our product suite. A good example of this approach is our simple low cost mortgage offering 'Clear Path' which has been well received by our customers, particularly in the owner occupied segment.

Loved Like No Other is about building a culture that makes BOQ a great place to work and inspires our passion to deliver exceptional customer outcomes. 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 a further increase in our Net Promoter Scores (1) from 16.1% in August 2014 to 30.5% in August 2015 placing us second amongst all measured banks (up from 9.9% in August 2013) which demonstrates strong customer satisfaction and advocacy. Our internal Employee Engagement score also saw a significant increase from 43% in July 2014 to 67% in July 2015.

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.

(1) Roy Morgan Research, MFI customers aged 14+, 6 month averages, competitors exclude mutual banks. Net promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld.

2. GROUP PERFORMANCE ANALYSIS

2.1 INCOME STATEMENT & KEY METRICS (1)

	Year End Performance			Half Year Performance		
$ million	**Aug-15**	Aug-14	Aug 15 vs Aug 14	**Aug-15**	Feb-15	Aug 15 vs Feb 15
Net Interest Income	**907**	761	19%	**459**	448	2%
Non-Interest Income	**180**	169	7%	**96**	84	14%
Total Income	**1,087**	930	17%	**555**	532	4%
Operating Expenses	**(500)**	(408)	23%	**(244)**	(256)	(5%)
Underlying Profit	**587**	522	12%	**311**	276	13%
Loan Impairment Expense	**(74)**	(86)	(14%)	**(38)**	(36)	6%
Profit before Tax	**513**	436	18%	**273**	240	14%
Income Tax Expense	**(156)**	(135)	16%	**(83)**	(73)	14%
Cash Earnings after Tax	**357**	301	19%	**190**	167	14%
Statutory Net Profit after Tax	**318**	261	22%	**164**	154	6%

		Year End Performance			Half Year Performance		
Key Metrics		**Aug-15**	Aug-14	Aug 15 vs Aug 14	**Aug-15**	Feb-15	Aug 15 vs Feb 15
Shareholder Returns							
Share Price	($)	**12.67**	12.58	1%	**12.67**	13.96	(9%)
Market Capitalisation	($ million)	**4,698**	4,560	3%	**4,698**	5,123	(8%)
Dividends per share (fully franked)	(cents)	**74**	66	12%	**38**	36	6%
Dividend yield	(%)	**5.84**	5.25	59bps	**5.95**	5.20	75bps
Grossed-up dividend yield (including franking)	(%)	**8.34**	7.49	85bps	**8.50**	7.43	107bps
Cash Earnings basis							
Basic Earnings per Share ('EPS') (2)	(cents)	**97.3**	89.5	9%	**51.5**	45.8	12%
Diluted EPS	(cents)	**92.2**	87.0	6%	**48.9**	44.8	9%
Dividend payout ratio	(%)	**76.5**	75.0	150bps	**74.1**	79.1	(500bps)
Statutory basis							
Basic EPS	(cents)	**86.8**	77.4	12%	**44.5**	42.3	5%
Diluted EPS	(cents)	**82.8**	75.9	9%	**42.6**	41.6	2%
Dividend payout ratio	(%)	**85.7**	86.9	(120bps)	**85.9**	85.8	10bps

(1) Includes the first full year of results for BOQ Specialist acquired on 31 July 2014

(2) Intangible assets amortisation identified as part of the acquisition accounting for BOQ Specialist is included in 2H15 only, prior half has not been restated.

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

		Year End Performance			Half Year Performance		
Key Metrics		**Aug-15**	Aug-14	Aug 15 vs Aug 14	**Aug-15**	Feb-15	Aug 15 vs Feb 15
Profitability and efficiency measures							
Cash Earnings basis							
Net Profit After Tax [1]	($ million)	**357**	301	19%	**190**	167	14%
Underlying Profit [2]	($ million)	**587**	522	12%	**311**	276	13%
Net Interest Margin	(%)	**1.97**	1.82	15bps	**1.97**	1.97	-
Cost to Income Ratio	(%)	**46.0**	43.9	210bps	**44.0**	48.1	(410bps)
Loan Impairment Expense to Gross Loans and Advances ('GLA')	(bps)	**18**	22	(4bps)	**18**	18	-
Return on Average Equity	(%)	**10.7**	10.4	30bps	**11.2**	10.3	90bps
Return on Average Tangible Equity [4]	(%)	**14.4**	13.2	120bps	**15.0**	13.8	120bps
Statutory basis							
Net Profit After Tax [3]	($ million)	**318**	261	22%	**164**	154	6%
Underlying Profit [2] [3]	($ million)	**536**	469	14%	**275**	261	5%
Net Interest Margin	(%)	**1.95**	1.82	13bps	**1.96**	1.94	2bps
Cost to Income Ratio	(%)	**50.7**	50.0	70bps	**50.0**	51.4	(140bps)
Loan Impairment Expense to GLA	(bps)	**18**	22	(4bps)	**18**	18	-
Return on Average Equity [3]	(%)	**9.6**	9.0	60bps	**9.7**	9.5	20bps
Return on Average Tangible Equity [3] [4]	(%)	**12.9**	11.5	140bps	**13.0**	12.8	20bps
Asset Quality							
30 days past due ('dpd') Arrears	($ million)	**478**	456	5%	**478**	533	(10%)
90dpd Arrears	($ million)	**257**	221	16%	**257**	259	(1%)
Impaired Assets	($ million)	**237**	293	(19%)	**237**	259	(8%)
Specific Provisions to Impaired Assets	(%)	**53.3**	52.1	120bps	**53.3**	51.9	140bps
Collective Provisions to Risk Weighted Assets	(%)	**0.56**	0.55	1bps	**0.56**	0.57	(1bps)
Capital							
Common Equity Tier 1 Ratio	(%)	**8.91**	8.63	28bps	**8.91**	8.82	9bps
Total Capital Adequacy Ratio	(%)	**12.72**	12.02	70bps	**12.72**	12.03	69bps
Risk Weighted Assets ('RWA')	($ million)	**26,321**	25,032	5%	**26,321**	26,057	1%

(1) Includes the first full year results for BOQ Specialist acquired on 31 July 2014.

(2) Profit before loan impairment expense and tax.

(3) Intangible assets amortisation identified as part of the acquisition accounting for BOQ Specialist is included in 2H15 only, prior half has not been restated.

(4) Based on after tax earnings applied to average shareholders' equity (excluding preference shares and treasury shares) less goodwill and identifiable intangible assets (customer related intangibles/ brands and computer software).

2.2 BOQ SPECIALIST

(A) INCOME STATEMENT

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

	Year End Performance					Half Year Performance		
$ million	Group Aug-15	BOQ Specialist Aug-15	Group excluding BOQ Specialist Aug-15	Aug-14	Aug 15 vs Aug 14	Aug-15	Feb-15	Aug 15 vs Feb 15
Net Interest Income	**907**	**129**	**778**	752	3%	**391**	387	1%
Non-Interest Income	**180**	**12**	**168**	168	-	**89**	79	13%
Total Income	**1,087**	**141**	**946**	920	3%	**480**	466	3%
Operating Expenses	**(500)**	**(71)**	**(429)**	(403)	6%	**(208)**	(221)	(6%)
Underlying Profit	**587**	**70**	**517**	517	-	**272**	245	11%
Loan Impairment Expense	**(74)**	**(8)**	**(66)**	(86)	(23%)	**(34)**	(32)	6%
Profit before Tax	**513**	**62**	**451**	431	5%	**238**	213	12%
Income Tax Expense	**(156)**	**(19)**	**(137)**	(133)	3%	**(72)**	(65)	11%
Cash Earnings after Tax	**357**	**43**	**314**	298	5%	**166**	148	12%

(B) BOQ SPECIALIST FINANCIAL PERFORMANCE

BOQ Specialist has made a significant contribution to the annual results of the Group in its first full financial year since acquisition. Strong loan growth of $1.6 billion has been delivered while maintaining solid margins and sound credit quality. The strategic focus on the new on-balance sheet residential mortgage offering has delivered $1.3 billion of this growth. Total mortgage originations including off-balance sheet third party lending is $1.9 billion for the year, which is up 54% up on the prior year. This business initiative is performing well ahead of the expectations we had upon acquisition, targeting half of mortgage originations to be on-balance sheet by the end of FY15.

Commercial lending growth of $0.3 billion has also been achieved representing a growth rate of 14% which is approximately double APRA System growth. BOQ Specialist continues to target niche customer segments in the health, medical and accounting professions and continues to benefit from the higher growth rates of these segments compared to the broader economy.

The business has delivered $43 million of earnings for the financial year, well exceeding the maintainable earnings guidance outlined at the announcement of the acquisition of $38 million. This has provided both earnings per share and return on equity accretion to our overall Group result, with the FY16 expected EPS accretion of 4% announced upon acquisition, has largely been delivered in the 2015 year. The significant uplift in mortgage originations over the year contributed to a 26% increase in Cash Earnings this period to $24 million. The on-balance sheet mortgage strategy is yet to deliver enhanced earnings relative to the previous third party distribution model. The full year outcome was $1 million lower as a result, with this impact occurrin in the first half and neutralising in the second half. This strategy should deliver enhanced earnings growth for this business in future years.

2.2 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.

		Year End Performance			Half Year Performance		
Key Metrics		**Aug-15**	Aug-14	Aug 15 vs Aug 14	**Aug-15**	Feb-15	Aug 15 vs Feb 15
Cash Earnings basis							
Net Profit After Tax	($ million)	**314**	298	5%	**166**	148	12%
Underlying Profit	($ million)	**517**	517	-	**272**	245	11%
Net Interest Margin	(%)	**1.87**	1.81	6bps	**1.87**	1.86	1bps
Cost to Income Ratio	(%)	**45.3**	43.9	140bps	**43.3**	47.4	(410bps)
Loan Impairment Expense to Gross Loans and Advances ('GLA')	(bps)	**18**	24	(6bps)	**18**	18	-
Return on Average Equity	(%)	**10.9**	10.7	20bps	**11.4**	10.3	110bps
Return on Average Tangible Equity [1]	(%)	**14.0**	13.6	40bps	**14.5**	13.4	110bps

(1) Based on after tax earnings applied to average shareholders' equity (excluding preference shares and treasury shares) less goodwill and identifiable intangible assets (customer related intangibles/ brands and computer software).

Excluding the impact of BOQ Specialist, Cash Earnings of $314 million represented a 5% increase on the prior year. Excluding the CRM impairment this year and elevated property costs that were incurred in both years, underlying Cash Earnings growth was 8%.

2.3 NET INTEREST INCOME

- Net Interest Margin increased by 15bps to 1.97% for the year

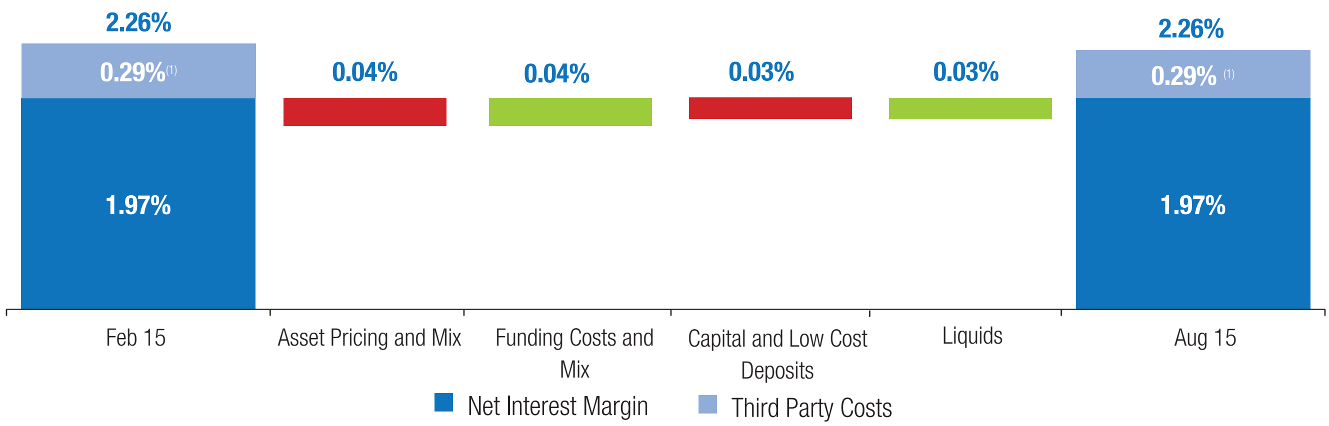
	Year End Performance			Half Year Performance		
$ million	**Aug-15**	Aug-14	Aug 15 vs Aug 14	**Aug-15**	Feb-15	Aug 15 vs Feb 15
Net Interest Income - excluding BOQ Specialist	**778**	752	3%	**391**	387	1%
Net Interest Income - including BOQ Specialist	**907**	761	19%	**459**	448	2%
Average Interest Earning Assets	**46,098**	41,912	10%	**46,272**	45,924	1%
Net Interest Margin	**1.97%**	1.82%	15bps	**1.97%**	1.97%	-

Net Interest Income increased by 19% on the prior year to $907 million including the full year contribution from BOQ Specialist. The increase in Net Interest Margin of 15bps over the prior year included the contribution of the higher margin BOQ Specialist business which added 11bps of margin as anticipated. Through active management of the liability mix we increased pre-acquisition Net Interest Margin over the prior year, which contributed a further 4 basis points. Net Interest Margin of 1.97% in the second half was consistent with the first half. The second half result benefited by approximately 3bps from the impact of lower liquid asset levels as a result of consolidating BOQ Specialist under the Bank's licence and the maturing of the Bank's implementation of APRA's APS 210 liquidity framework.

Average interest earning assets increased over the second half as we achieved further penetration in new distribution channels through Broker networks and BOQ Specialist's on-balance sheet mortgage offering (refer Section 2.8).

2.3 NET INTEREST INCOME (CONTINUED)

NET INTEREST MARGIN – FEBRUARY 2015 TO AUGUST 2015



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

Normalised Net Interest Margin remained flat over the half at 1.97%. Underlying movements within the Net Interest Margin included the following:

Asset pricing: This half saw a 4bps decline in asset pricing reflecting competitive pricing on new business.

Funding Costs and Mix: Further benefits of 4bps in the half were achieved through continued success in improving the liability mix.

Capital: The 3bps reduction this half was due to the declining yield curve environment which continues to reduce the return on the liquid asset 'replicating portfolio' used to manage the free funding benefit of capital and low cost deposits.

Liquids: A 3bps impact is attributed to a reduction in the liquid assets portfolio following transition to the APS210 liquidity standard, partially offset by costs associated with maintaining the RBA committed liquidity facility, and a reduction in group liquidity requirements after consolidating the BOQ Specialist banking operations into the Bank's licence.

Competition in the banking market is currently going through a dynamic phase with pricing levels in certain portfolio segments moving in different directions. Portfolio margins are in transition as the industry adjusts to changes in regulatory capital resulting from the Financial System Inquiry and macro prudential actions targeted towards the residential investment market. There are many factors driving the outlook for margins in the year ahead given the changing regulatory environment, with all banks positioning for global industry change under the '*Basel IV*' framework expected to be introduced in coming years. It appears that capital measures and regulatory risk weighted asset rules are converging, both across jurisdictions and between advanced and standardised banks. The potential reduction in the significant capital advantage enjoyed by advanced accredited banks should be a positive to BOQ's competitive position and relative return performance.

2.4 NON-INTEREST INCOME

	Year End Performance			Half Year Performance		
$ million	**Aug-15**	Aug-14	Aug 15 vs Aug 14	**Aug-15**	Feb-15	Aug 15 vs Feb 15
Banking Income	**110**	97	13%	**59**	51	16%
Insurance Income	**33**	42	(21%)	**16**	17	(6%)
Trading Income	**20**	16	25%	**10**	10	-
Other Income	**17**	14	21%	**11**	6	83%
Total Non-Interest Income	**180**	169	7%	**96**	84	14%

2.4 NON-INTEREST INCOME (CONTINUED)

Non-Interest Income increased this year with the additional contribution from BOQ Specialist. Excluding this impact, a reduced contribution from the St Andrews' Insurance business was offset by improvements in the Banking result. The second half result saw a $10 million positive improvement over the first half. Approximately $4 million of this movement reflected some lumpy items that impacted the first half result and were not repeated. The remaining $6 million increase occurred through improved contribution from the Group's investment in its financial markets offering, some seasonality around timing of collection of commercial lending fees and underlying growth in activity levels.

Trading income of $20 million for the year was a strong result and towards the upper end of the range of our expectations.

The Virgin Money (Australia) contribution is included in Other Income and contributed $2 million to the year's result. The business continues to demonstrate strong customer acquisition, with a 38% increase in new credit cards over the year demonstrating the power of the brand. We are well progressed to commence offering Virgin Money branded mortgages in 2016.

The St Andrews' result reduced this year due to higher claims experience and reduced profitability as one of the business' key partner distribution relationships was successfully renewed, but on current market commercial terms that are less favourable than the previous arrangement. The result is discussed in more detail in Section 2.5 below.

2.5 INSURANCE OVERVIEW

	Year End Performance			Half Year Performance		
$ million	**Aug-15**	Aug-14	Aug 15 vs Aug 14	**Aug-15**	Feb-15	Aug 15 vs Feb 15
Gross Written Premium (net of refunds)	**55**	68	(19%)	**26**	29	(10%)
Net Earned Premium	**72**	70	3%	**36**	36	-
Underwriting Result	**25**	34	(26%)	**12**	13	(8%)
Other Insurance Income	**6**	6	-	**3**	3	-
Total Income	**31**	40	(23%)	**15**	16	(6%)
Consolidation Adjustment	**2**	2	-	**1**	1	-
Group Insurance Result	**33**	42	(21%)	**16**	17	(6%)

St Andrew's Insurance contributed $33 million to Non-Interest Income, a $9 million reduction from the prior year.

Gross Written premiums reduced 19% due to lower volumes of single premium policies, a trend set to continue in coming periods. Sales of regular premium policies continued to increase in line with 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 more than offset by an increase in commissions reflecting the changing mix of business.

Underwriting margins reduced by $9 million (26%), due to a $6 million increase in claims expenses with the remaining $3 million reflecting other impacts of the changing mix of business. The impact of the shift in the business mix will continue to be a headwind of similar magnitude over each of the next 2 years, until the strategy to diversify into newly established wholesale partnership arrangements begins to provide a more meaningful contribution to earnings. Claims loss ratios on key life products have been below the long-term trend levels of 42-45% in recent years, but this reversed in FY15, increasing from 34% in the prior year to 49%.

2.6 OPERATING EXPENSES

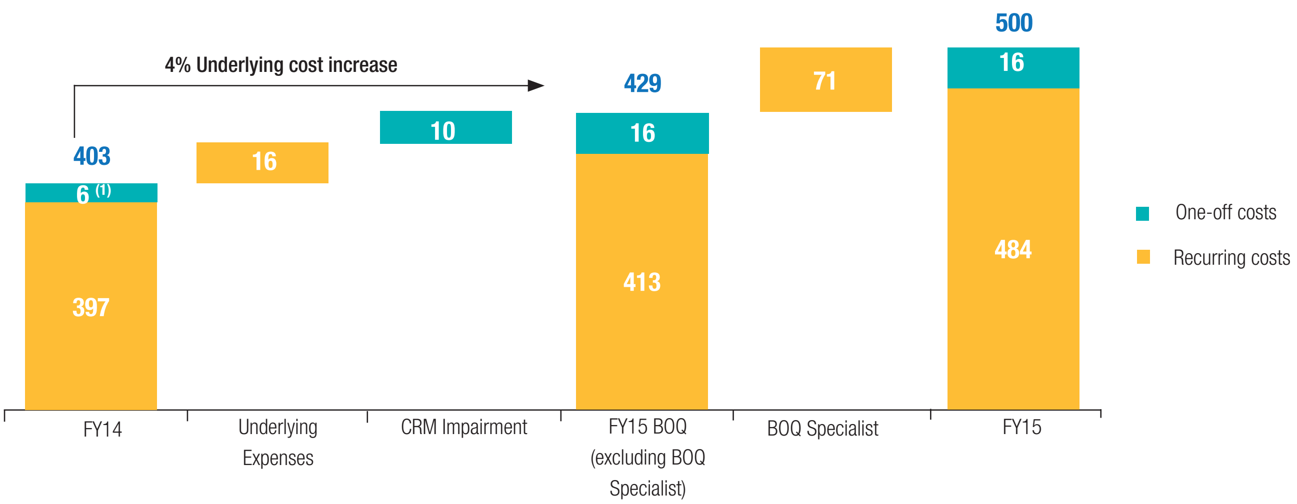
- 4% increase in underlying costs from the prior year
- The below operating expenses include the first full year of BOQ Specialist expenses following acquisition in July 2014

	Year End Performance			Half Year Performance		
$ million	**Aug-15**	Aug-14	Aug 15 vs Aug 14	**Aug-15**	Feb-15	Aug 15 vs Feb 15
Employee Expenses	**189**	182	4%	**95**	94	1%
Occupancy Expenses	**42**	39	8%	**18**	24	(25%)
General Expenses	**100**	86	16%	**46**	54	(15%)
IT Expenses	**79**	79	-	**39**	40	(3%)
Other Expenses	**19**	17	12%	**10**	9	11%
Total Operating Expenses (1)	**429**	403	6%	**208**	221	(6%)
BOQ Specialist	**71**	5	n/a	**36**	35	3%
Total Operating Expenses	**500**	408	23%	**244**	256	(5%)
Cost to Income Ratio (including BOQ Specialist)	**46.0%**	43.9%	210bps	**44.0%**	48.1%	(410bps)
Cost to Income Ratio (excluding one-off costs) (2)	**44.5%**	43.2%	130bps	**44.0%**	45.1%	(110bps)
Number of employees (FTE) (1)	**1,991**	1,903	5%	**1,991**	1,859	7%

(1) FTE numbers and Operating Expenses exclude Virgin Money (Australia) as the net result is included in Non-Interest Income.
(2) One-off costs are CRM Impairment of $10 million in 1H15 and $6 million property transition costs incurred in both the 2H14 and 1H15 periods.

Operating expenses increased to $500 million in 2015, including the first full year of BOQ Specialist. This drove the 23% increase at the Group level and rebased the Cost to Income ratio to 44.5% (excluding one-off costs) which was in line with previous guidance. The first half also included non-recurring costs due to the impairment of the CRM system and costs associated with the transition of Brisbane and Sydney head offices.

To provide a view of underlying expenses the following graph breaks out the impact of BOQ Specialist's full year contribution and the one-off impacts of impairment and property transition costs.



(1) Property transition costs were experienced equally in both the FY14 and FY15 years.

2.6 OPERATING EXPENSES (CONTINUED)

Operating Expenses exclude costs relating to Virgin Money (Australia) where the net result has been consolidated in Non-Interest Income for presentation of Cash Earnings. The total expenses for Virgin Money (Australia) were $14 million for the half. A reconciliation of Cash Earnings to Statutory Profit is set out in Section 4.2 (b).

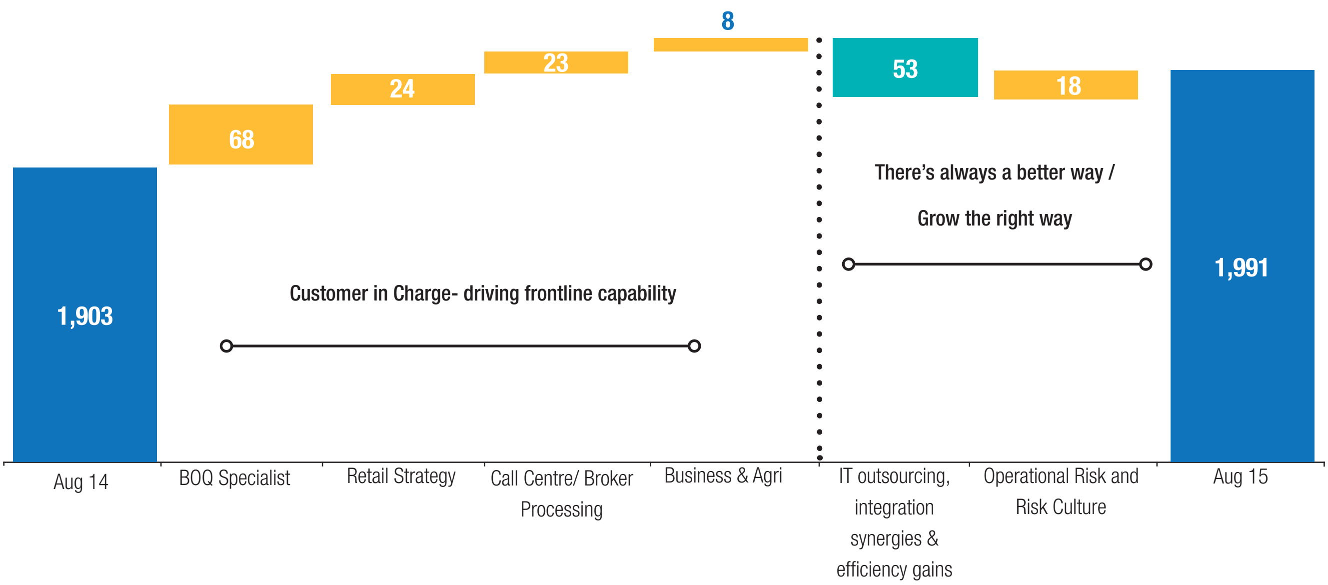
The Group has been investing in a number of key transformational change programs to digitise the Bank and reset key outsourcing arrangements. This investment program will create a significant uplift in the Bank's amortisation profile with the amortisation charge expected to double over the next two years from the $17 million charge in the current financial year (refer Section 2.7). Whilst the benefits being generated from the revised outsourcing arrangements will help to shelter some of this impact, net underlying cost growth is likely to be elevated above inflation estimates in 2016 before the benefits of the investment program begin to be fully realised.

Following the BOQ Specialist acquisition the Group's underlying cost to income ratio has been reset to 45%. Whilst the longer term outlook for a reduction in the cost to income ratio towards the low 40s remains, the pace of that improvement will be dependent on the cost leverage provided by our digitisation program currently underway. Further operating cost uplift will occur as the Virgin Money (Australia) mortgage product is brought to market with the cost to income profile of that initiative being consistent with the profile of new business originations on the Bank's existing mortgage operations.

The number of staff over the full year has increased 5% (refer Graph below). Whilst staff numbers reduced in the first half as we rebalanced the corporate branch network and implemented the evolved IT outsourcing operating model, the second half did see an increase in investment in frontline capability with the focus on supporting the broker network, including the opening of a second customer contract centre on the Gold Coast, transition of Owner Managed Branches to Corporate run branches, and the new mortgage servicing support for the BOQ Specialist mortgage channel. Whilst the net number of Corporate branches increased by 4 over the year, following a contraction in the first half, there was an increase of 7 branches in the second half.

The Group continues to enhance its investment in risk practices, with operational risk and risk culture being a particular focus in the current year.

BOQ FTE FY15 V FY14



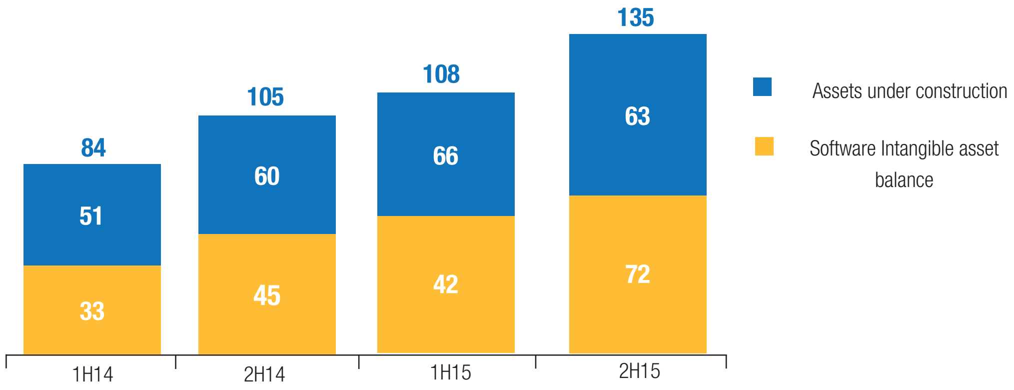
2.7 CAPITALISED INVESTMENT SPEND

To drive our operational excellence strategy **'There's Always A Better Way'**, we are currently undertaking a strategic transformation in our operational infrastructure requiring significant reinvestment. The strategic project pipeline is aimed at improving the customer experience and reducing turnaround times, while generating front and back office efficiency. This includes a new retail lending origination platform, business process systems and transitioning from legacy manual processes to a digitised environment with full workflow management capability.

2.7 CAPITALISED INVESTMENT SPEND (CONTINUED)

We expect the amortisation profile to double over the coming years with approximately 75% of this uplift expected to occur in the 2016 year. This heightened level of investment is evident in the increased carrying value of intangible assets over the last two years, though this should peak over the next financial year based on current deliverables and timing of key projects.

CARRYING VALUE OF INTANGIBLE ASSETS ($M)



2.8. LENDING

We achieved higher lending growth of $2.6 billion (7%) in FY15 after the low growth experienced in the prior year, with gross loans and advances now totalling $40.9 billion. This was marginally below system growth and reflected the contribution from new channels in BOQ Specialist and the broker networks. A key strategic pillar is **'Grow the Right Way'** and we have continued to maintain strong credit and pricing for risk disciplines to ensure portfolio quality is not compromised.

	As at				
$ million	**Aug-15**	Feb-15	Aug-14	Aug 15 vs Feb 15 (1)	Aug 15 vs Aug 14
Housing Lending - APRA on-balance sheet	**25,641**	24,504	23,548	9%	9%
Housing Lending - APS 120 qualifying securitisation (2)	**2,737**	2,818	2,961	(6%)	(8%)
	28,378	27,322	26,509	8%	7%
Housing Lending - BOQ Specialist	*1,424*	*501*	*160*	*365%*	*790%*
Commercial Lending	**8,258**	8,041	7,656	5%	8%
Commercial Lending - BOQ Specialist	*2,280*	*2,120*	*2,007*	*15%*	*14%*
BOQ Finance	**4,015**	4,029	3,919	(1%)	2%
BOQ Finance - BOQ Specialist	*222*	*217*	*204*	*5%*	*9%*
Consumer	**324**	334	342	(6%)	(5%)
Consumer - BOQ Specialist	*191*	*189*	*180*	*2%*	*6%*
Gross Loans and Advances	**40,975**	39,726	38,426	6%	7%
Specific and Collective Provisions	**(272)**	(275)	(290)	(2%)	(6%)
Net Loans and Advances	**40,703**	39,451	38,136	6%	7%

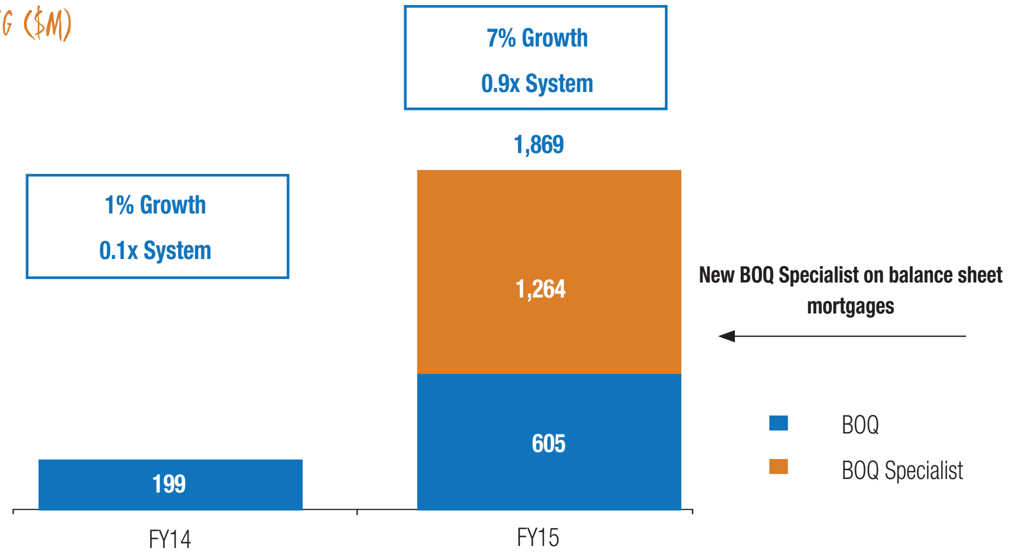
(1) Growth rates have been annualised

(2) Securitised loans subject to capital relief under APRA Prudential Standard APS 120 Securitisation

2.8. LENDING (CONTINUED)

GROWTH IN GROSS LOANS & ADVANCES

GROWTH IN HOUSING ($M)



HOUSING LENDING

The housing portfolio grew $1.9 billion or 7% (0.9x System) for the full year with the newly acquired BOQ Specialist book generating $1.3 billion of growth and the Retail Bank channels contributing the remaining $600 million.

Whilst broker volumes generated the bulk of the growth in the Retail Bank and represented 15% of housing settlements in 2015, growth momentum in this channel was lower than the first half.

In November 2014, APRA released the *Prudential Practice Guide APG 223- Residential Mortgage Lending* relating to enhancing industry-wide mortgage lending and serviceability practices. We had been progressively implementing improvements in our lending standards and serviceability practices and made further revisions following APRA's release. In a highly competitive market at the time, it is clear that the practices of other industry participants lagged some of the changes we had made and meant we were well below other ADIs in the assessment of the maximum loan amounts we were willing to offer our customers.

Mortgage growth across all BOQ branded channels in the third quarter was negative. Following a benchmarking exercise undertaken by APRA, changes in competitor lending standards emerged in April, after which customer considerations and new business pipelines returned toward their previous levels.

The broker channel was extended into the Queensland market in 2014, where we have our strongest brand recognition. BOQ now has Business Development Managers supporting the 2,500 accredited Brokers located in every state across the country with an anticipated 4,000 Brokers expected by the end of FY16. The opening of our new Gold Coast customer contact centre in March provides the support for increasing volumes in this channel.

The increased originations through the broker and BOQ Specialist channels has improved portfolio diversification with an increasing presence in the NSW and WA markets as well as increasing the weighting of the portfolio to owner occupied and PAYG borrowers.

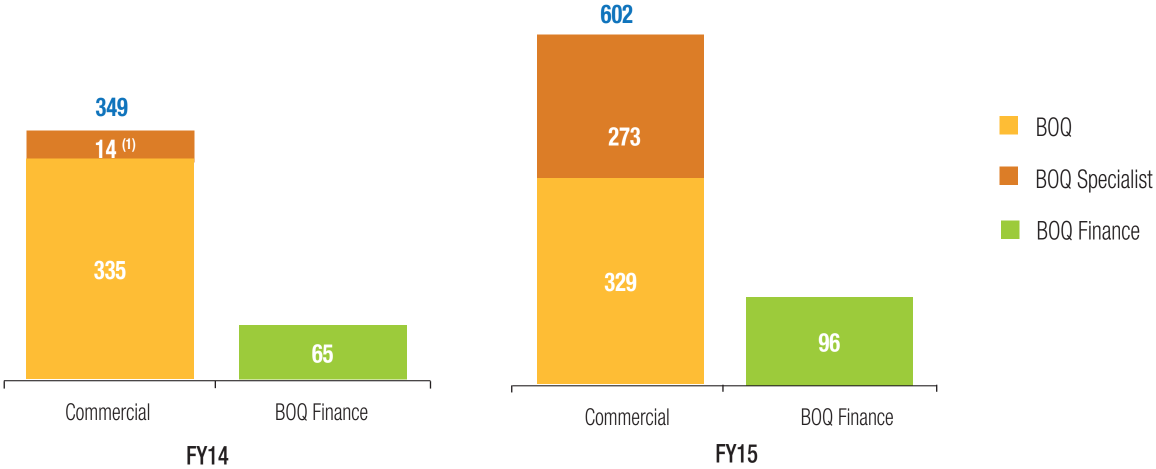
The proprietary channels have generated a 1% increase in settlements year on year despite the impacts of the consolidation of the branch network, which reduced by 18 branches over the last year. This reflects a range of factors including Corporate branch lease expiries in sub-optimal locations and Owner Manager retirements and consolidations. Approximately 20% of the branch network was impacted through closures, repositioning and consolidation of customer portfolios. These impacted branches have experienced higher customer run-off that has been a headwind to portfolio growth. A similar sized program is anticipated in the coming year with this wave of targeted network optimisation expected to be completed in the next 12 months.

Growth in these channels has been further impacted by the continuing runoff of the Line of Credit portfolio ($460 million) and the acceleration of customer repayments in line with the low interest rate environment.

BOQ continues to invest in enhancing its Digital and online presence across all brands in the BOQ group together with digitising loan processing, which will provide a quicker 'time to yes', improve the customer experience and provide productivity gains to the Bank, with these benefits expected to be most evident in the 2017 financial year. Enabling customers to choose how they deal with the Bank, whether online, in a branch, via a broker or the contact centre is the key to putting the '**Customer in Charge**' and ensuring BOQ is '**Loved like no Other**'.

2.8. LENDING (CONTINUED)

GROWTH IN COMMERCIAL & BOQ FINANCE ($M)



	FY14 Commercial	FY14 BOQ Finance	FY15 Commercial	FY15 BOQ Finance
Growth rate	6.6%	1.8%	**7.9%**	**2.4%**
System growth	5.3%	(0.2%)	**9.2%**	**(0.1%)**
Growth vs System	1.2x	n/a	**0.9x**	**n/a**

(1) Growth from Acquisition for the month of August 2014

BOQ BUSINESS

The BOQ Business Banking team continues to execute on its strategy to differentiate by geography, industry sector and asset class whilst deepening customer relationships through a focus on reliability and responsiveness. For the seventh consecutive year, BOQ has achieved the number 1 position on the East & Partners Business Banking Index.

Overall, the commercial lending balances have grown 8% to $8.3 billion. The Corporate Banking, Property Finance and Private Bank teams experienced solid growth over the year but had a slower second half. Strong competition in both pricing and credit terms was evident in areas of the market where the business had previously achieved solid new business growth at sound risk versus return metrics. Not compromising on our '**Grow the Right Way**' strategy, the team looked to successfully retain customer relationships and focus on other areas of the market for profitable growth with new business pipelines improving along with growth outlook.

BOQ Specialist commercial increased 14% to $2.4 billion which continues the strong growth profile and validates the success of the integration of the business.

During the year, a specialist lending team was established to support SME customers being originated and managed through the branch network. This initiative, along with process improvements, credit decisioning enhancements and a renewed focus on SME banking has improved momentum. We expect to see an uplift in performance moving into the next financial year. In addition to this, the Group's Financial Markets capability has been bolstered to increase the product set for targeted business banking customers and has begun to show positive revenue momentum.

The BOQ Finance portfolio grew by 2% to $4.0 billion. This was a solid result in an operating environment that has seen slowing small business investment in plant and equipment. BOQ Finance's strategy of expanding its third party origination sources while continuing to support the Business and Retail Bank networks' growth has assisted in delivering this result and positioned the business well in a challenging environment.

3. BUSINESS SETTINGS

3.1 ASSET QUALITY

- *Lower impairment expense (18bps/GLAs) on prior year*
- *Impaired asset reduction (19% on prior year) demonstrating further improvement in the credit quality of portfolio*

		Year End Performance			Half Year Performance		
		Aug-15	Aug-14 [1]	Aug 15 vs Aug 14	**Aug-15**	Feb-15	Aug 15 vs Feb 15
Loan impairment expense	($ million)	**74**	86	(14%)	**38**	36	6%
Loan Impairment Expense / GLA	bps	**18**	22	(4bps)	**18**	18	-
Impaired Assets	($ million)	**237**	293	(19%)	**237**	259	(8%)
30dpd Arrears	($ million)	**478**	456	5%	**478**	533	(10%)
90dpd Arrears	($ million)	**257**	221	16%	**257**	259	(1%)
Collective Provision & General Reserve for Credit Losses ('GRCL') / RWA [2]	bps	**100**	95	5bps	**100**	102	(2bps)

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

(2) The first half of 2015 has been restated following completion of the Acquisition accounting for BOQ Specialist.

The table above summarises the Bank's key credit indicators with comparison against August 2014 and February 2015:

- **Loan impairment expense** has continued to reduce, reflective of strong credit management practices implemented across the business, favourable commercial realisations and continued benefits from the low rate interest environment. The full year impairment expense of $74 million or 18bps/GLA is a $12 million (4bps) improvement on the prior year.
- **Impaired assets** declined by $56 million (19%) to $237 million following a reduction in the volume of new impaired assets and maintaining momentum in realisations. One exposure greater than $10 million transitioned to impaired status in the second half of the year, which is the only exposure greater than $5 million in the impaired portfolio.
- **Past due performance** at a total portfolio level has increased in dollar value slightly but decreased as a percentage of GLA's (refer 'Arrears' Section on Page 23).
- **Collective provisioning** has marginally increased over the prior year to $146 million.

LOAN IMPAIRMENT EXPENSE

	Year End Performance			Half Year Performance		
$ million	**Aug-15**	Aug-14 [1]	Aug 15 vs Aug 14	**Aug-15**	Feb-15	Aug 15 vs Feb 15
Expense by Product						
Retail Lending	**22**	33	(33%)	**10**	12	(17%)
Commercial Lending	**21**	31	(32%)	**11**	10	10%
BOQ Finance	**31**	21	48%	**17**	14	21%
Total	74	86	(14%)	38	36	6%
Loan Impairment Expense / GLA	**18bps**	22bps	(4bps)	18bps	18bps	-

(1) The prior year includes one month's loan impairment expense for BOQ Specialist

The table above shows the continued improving trend across the Retail and Commercial portfolios with significant reductions in impairment expense. The Retail portfolio is aided by record low interest rates, improved market conditions and faster clearance rates. The Commercial portfolio has benefitted from several favourable writebacks following workouts of previously provisioned exposures, fewer new impaired assets recognised and continued momentum in the time taken to realise impaired assets. BOQ Finance impairment expense has increased significantly on the prior year, which is attributable to larger provisions and write-offs in the second half, impacted predominantly by the downturn in the mining industry and related sectors of the economy.

3.1 ASSET QUALITY (CONTINUED)

IMPAIRED ASSETS

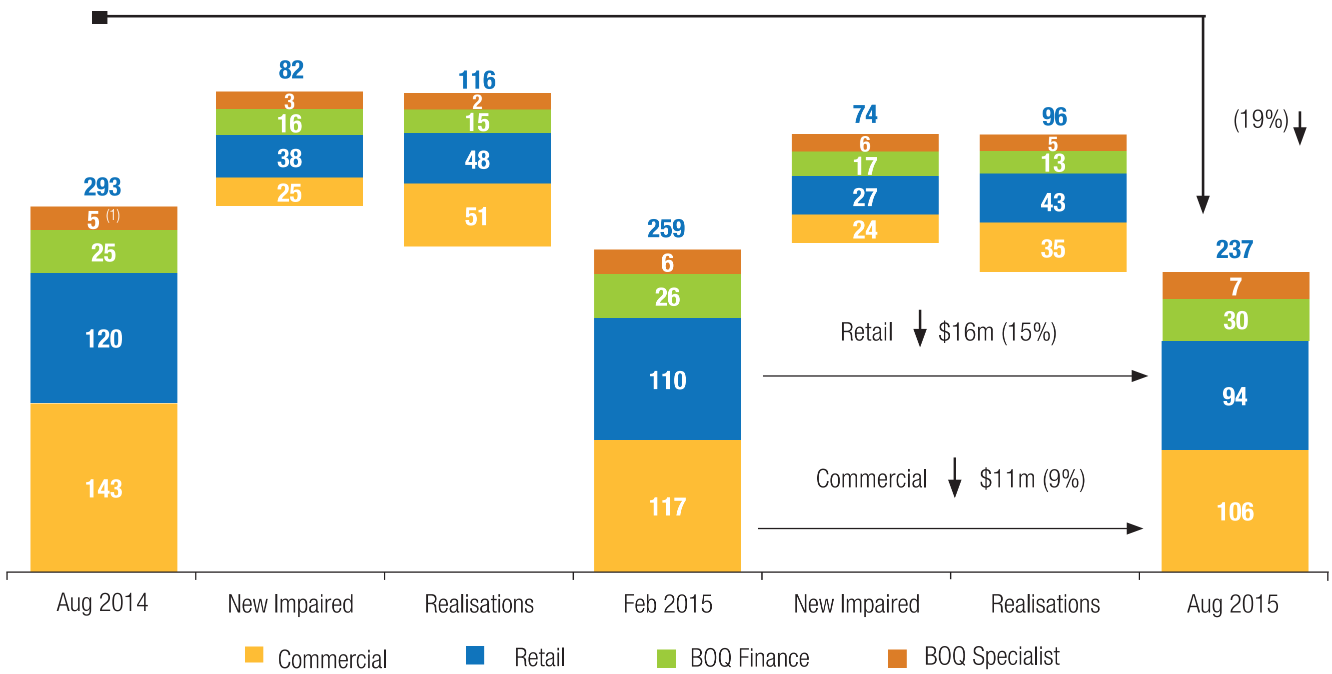
$ million	As at Aug-15	Feb-15 (1)	Aug-14 (1)	Aug 15 vs Feb 15	Aug 15 vs Aug 14
Retail Lending	**94**	110	120	(15%)	(22%)
Commercial Lending	**106**	117	143	(9%)	(26%)
BOQ Finance	**30**	26	25	15%	20%
BOQ Specialist	**7**	6	5	17%	40%
Total Impaired Assets	**237**	259	293	(8%)	(19%)
Impaired Assets / GLA	**58bps**	65bps	76bps	(7bps)	(18bps)

(1) Prior periods have been restated following completion of the Acquisition accounting for BOQ Specialist.

The Bank's impaired assets have reduced by 19% over the full year. This has been driven by a continued reduction in Commercial and Retail impaired assets. The impact has however been offset by increased levels of impaired assets in BOQ Finance's equipment finance portfolio, reflecting the effect of the downturn in the mining industry and related sectors. Over the full year, Retail impaired assets fell by $26 million (22%), Commercial portfolio reduced by $37 million (26%) and BOQ Finance increased by $5 million (20%).

The graph below outlines the continued progress in the reduction of impaired assets throughout 2015.

IMPAIRED ASSETS ($M)



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

3.1 ASSET QUALITY (CONTINUED)

COMMERCIAL IMPAIRED ASSETS

Commercial impaired assets have significantly reduced by $37 million (26%) throughout the year showing the continued decline in large new impaired assets. The first half of the year was superior to the second half in terms of reduction, $26 million versus $11 million, due to the impact of the only impaired asset over $5 million being recognised in the second half totalling $11 million.

RETAIL IMPAIRED ASSETS

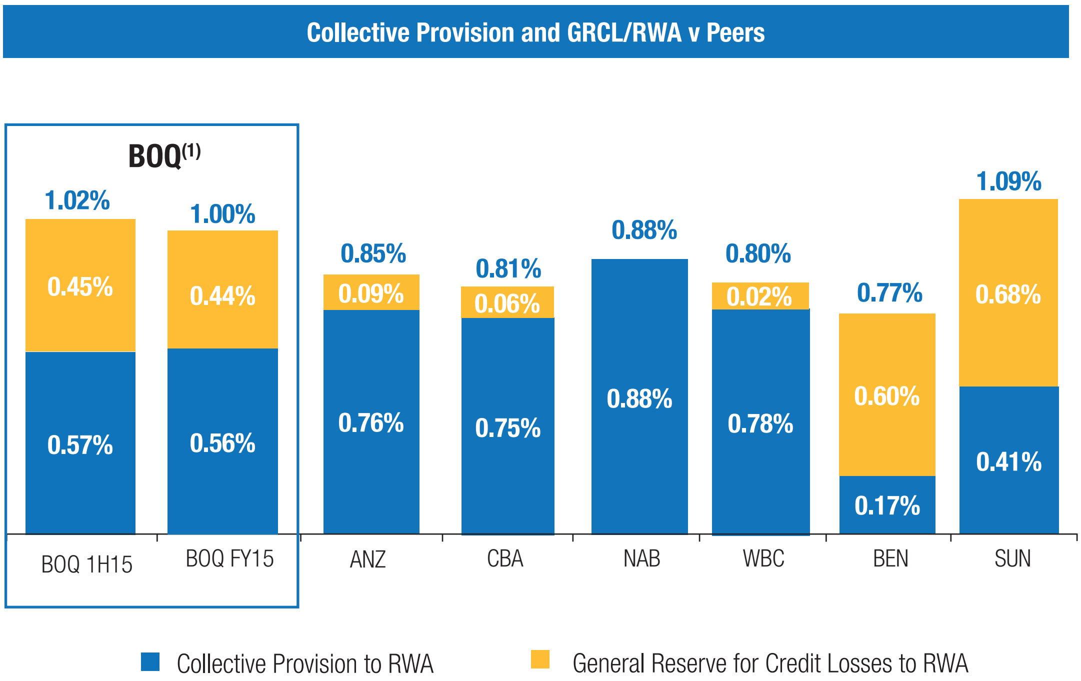
Retail impaired assets reduced $16 million (15%) over the half continuing favourable trends over recent periods. The positive result is driven by the improved security position across those exposures going into default, market conditions for asset realisation and historically low interest rates.

BOQ FINANCE IMPAIRED ASSETS

BOQ Finance impaired assets have experienced an uplift over the half of $4 million (15%) along with an increase in specific provisions and write-offs, particularly within the Equipment Finance portfolio, reflecting the current economic stress within industries relating to mining and mining related services. This is particularly evident geographically in both WA and QLD. A rise in the 30 day arrears occurred towards the end of the first half that continued through the third quarter. This trend reversed in the fourth quarter with 30 day arrears ending below the position at the half year.

COLLECTIVE PROVISION/ GLA 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. It should be noted that the major banks utilise an advanced approach to the calculation of RWA's which increases their respective coverage ratio in comparison to BOQ and the other standardised banks.



(1) Includes restatement following completion of Acquisition accounting for BOQ Specialist.

3.1 ASSET QUALITY (CONTINUED)

PROVISION COVERAGE

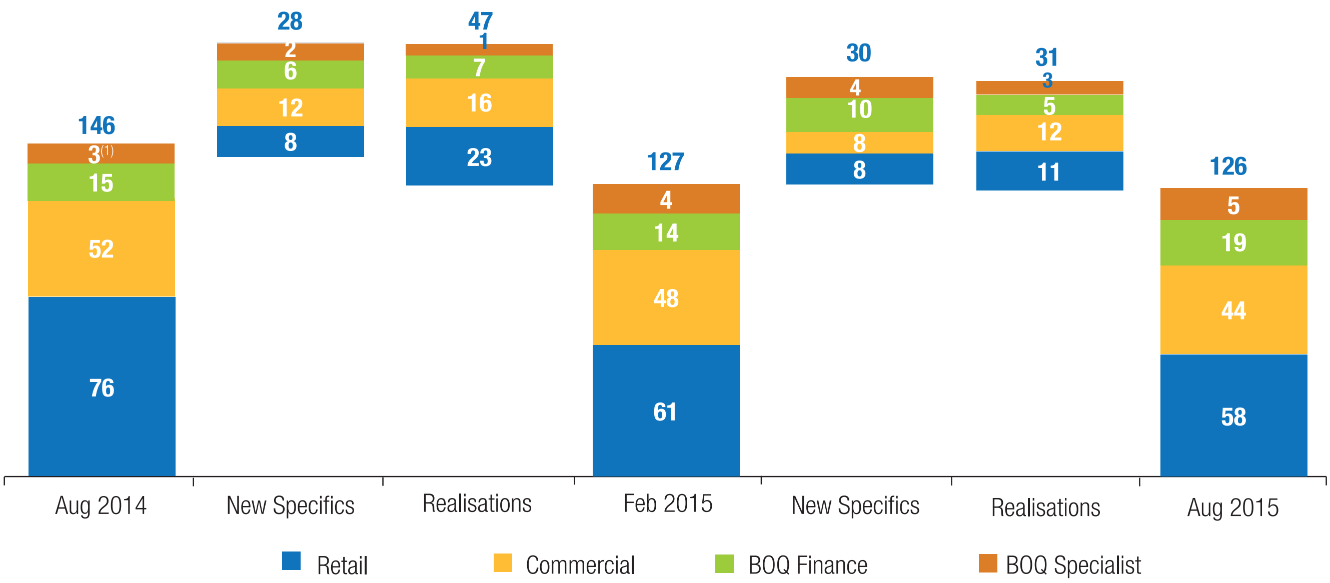
In line with the increased realisations and in tandem with the reduced volume of new impaired assets, BOQ has reduced its specific provisions over the year by 14%. Specific provision coverage to impaired assets has increased to 53%. The GRCL has been increased to allow for asset growth and the finalisation of the purchase price allocation entries relating to BOQ Specialist.

	As at				
$ million	**Aug-15**	Feb-15 (2)	Aug-14 (2)	Aug 15 vs Feb 15	Aug 15 vs Aug 14
Specific Provision	**126**	127	146	(1%)	(14%)
Collective Provision	**146**	148	144	(1%)	2%
Total Provisions	**272**	275	290	(1%)	(6%)
GRCL	**81**	70	70	16%	16%
Specific Provisions to Impaired Assets	**53%**	49%	50%	400bps	300bps
Total Provisions and GRCL to Impaired Assets (1)	**164%**	145%	133%	1900bps	3100bps
Total Provisions and GRCL to RWA (1)	**1.5%**	1.4%	1.6%	10bps	(10bps)

(1) GRCL gross of tax effect.

(2) Prior periods have been updated with a reclassification of BOQ Specialist provisions

SPECIFIC PROVISIONS ($M)



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

3.1 ASSET QUALITY (CONTINUED)

ARREARS

	Portfolio Balance $m	Proportion of Portfolio (%)				
	Aug-15	Aug-15	Feb-15	Aug-14 [1]	Aug 15 vs Feb 15	Aug 15 vs Aug 14
By Product						
30 days past due: GLAs (Housing)	**25,272**	**1.02%**	1.27%	1.10%	(25bps)	(8bps)
90 days past due: GLAs (Housing)		**0.55%**	0.56%	0.48%	(1bps)	7bps
30 days past due: GLAs (LOC)	**3,106**	**1.61%**	2.18%	1.73%	(57bps)	(12bps)
90 days past due: GLAs (LOC)		**0.74%**	1.01%	0.88%	(27bps)	(14bps)
30 days past due: GLAs (Consumer)	**324**	**1.85%**	1.61%	1.79%	24bps	6bps
90 days past due: GLAs (Consumer)		**0.93%**	0.74%	0.97%	19bps	(4bps)
30 days past due: GLAs (Commercial)	**8,258**	**1.63%**	1.41%	1.42%	22bps	21bps
90 days past due: GLAs (Commercial)		**1.06%**	1.04%	0.93%	2bps	13bps
30 days past due: GLAs (BOQ Finance)	**4,015**	**0.79%**	0.89%	0.68%	(10bps)	11bps
90 days past due: GLAs (BOQ Finance)		**0.13%**	0.13%	0.11%	-	2bps
Total Lending						
30 days past due ($ million)	**40,975**	**478**	533	456	(10%)	5%
90 days past due ($ million)		**257**	259	221	(1%)	16%
30 days past due: GLAs		**1.2%**	1.3%	1.2%	(10bps)	-
90 days past due: GLAs		**0.6%**	0.7%	0.6%	(10bps)	-

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

RETAIL ARREARS

As anticipated, Retail arrears have improved in both 30DPD and 90DPD over the half as post Christmas period seasonality has unwound as expected. The reduction in arrears reflects improved credit quality, driven largely by the low interest rate environment and a strong residential property market.

BOQ BUSINESS ARREARS

Commercial arrears have seen a deterioration over the half with 30DPD and 90DPD increasing 22bps and 2bps respectively. An increase in BOQ Finance 30DPD arrears late in the first half continued through the third quarter of the financial year, however reduced in the fourth quarter as the levels of defaults moderated.

3.2 FUNDING AND LIQUIDITY

- We successfully managed the transition to the new Basel III liquidity coverage ratio
- Fitch joined Standard and Poors and Moody's by lifting BOQ's long-term credit rating from (BBB+) to (A-) in November 2014
- Proactive pricing and liquidity management initiatives further strengthened the liquidity and funding profile providing a more diverse and stable funding composition

During 2015 customer deposits grew $0.8 billion to $26.9 billion, resulting in a deposit to loan ratio of 66%. The BOQ Specialist business was more than fully funded by retail deposits, a significant portion being at higher cost. In line with the strategy announced at the date of acquisition, these deposits were repriced at expiry to BOQ Group levels at materially lower spreads. Despite the lower spreads paid, the Bank was able to raise sufficient retail funding through the channel to fund the additional asset growth achieved.

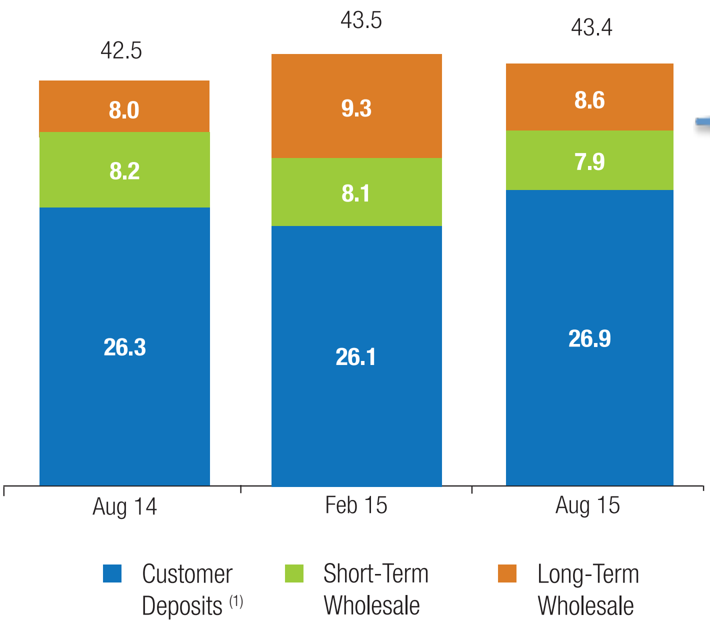
Pleasingly, strong transaction account growth of $260 million, an increase of 14%, was achieved throughout the year. The branch network was critical to this result and benefited from strong gains in customer Net Promoter Scores, with the strongest improvement amongst the measured industry participants (refer Section 1.3).

The Bank successfully integrated the BOQ Specialist operations during the year with the return of its banking licence occurring at the end of May. This, together with significant work on improving the deposit mix under the evolution of the new Basel III APS 210 Liquidity Standard, allowed the physical holding of liquid assets to be reduced by approximately $1 billion. The year end Liquidity Coverage Ratio ('LCR') was 125%. The improvement in the retail deposit mix reduced reliance on more price sensitive, higher cost and less stable deposits.

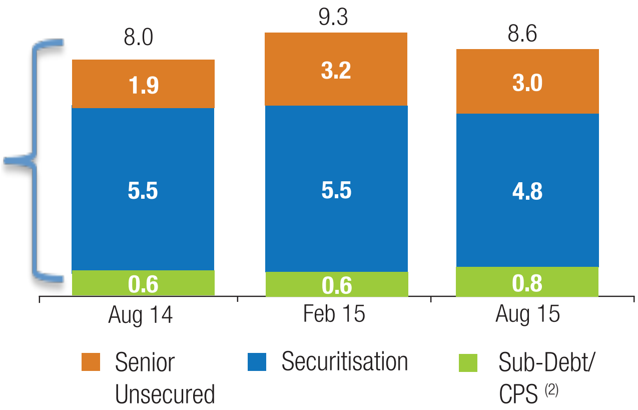
	As at				
$ million	**Aug-15**	Feb-15	Aug-14	Aug 15 vs Feb 15	Aug 15 vs Aug 14 (1)
Customer Deposits (2)	**26,914**	26,058	26,266	3%	2%
Wholesale Deposits	**7,818**	7,959	7,840	(2%)	-
Total Deposits	**34,732**	34,017	34,106	2%	2%
Borrowings	**8,713**	9,378	8,364	(7%)	4%
Other Liabilities	**1,104**	1,102	1,094	-	1%
Total Liabilities	**44,549**	44,497	43,564	-	2%

(1) There has been a reclassification of Transferable Deposits from Wholesale Deposits for August 2014 to Borrowings to better reflect the underlying substance with contractual terms being on average greater than twelve months.
(2) The classification of customer deposits is defined as all deposits excluding those from financial institutions as defined under the Liquidity Prudential Standard APS210. Prior years have been amended.

FUNDING MIX ($B)



LONG-TERM WHOLESALE ($B)



(1) The classification of customer deposits is defined as all deposits excluding those from financial institutions as defined under the Liquidity Prudential Standard APS210. Prior years have been amended.

(2) Convertible Preference Shares and Wholesale Capital Notes

3.2 FUNDING AND LIQUIDITY (CONTINUED)

BOQ has maintained a strong customer deposit to loan ratio at 66% and has continued to build out the long-term wholesale funding profile, creating more liquid and transparent market pricing for investors.

	As at				
	Aug-15	Feb-15 (1)	Aug-14 (1)	Aug 15 vs Feb 15	Aug 15 vs Aug 14
Customer deposit funding	**77%**	77%	77%	-	-
Wholesale deposit funding	**23%**	23%	23%	-	-
Total GLA's (net of specific provision) ($'million)	**40,849**	39,592	38,277	3%	7%
Deposit to Loan Ratio	**66%**	66%	69%	-	(3%)

(1) The classification of customer deposits is defined as all deposits excluding those from financial institutions as defined under the Liquidity Prudential Standard APS 210. Prior years have been amended.

FUNDING

Over the financial year we have continued to strengthen our customer deposit base, maintained our short-term funding in line with previous periods, and have continued to build out our long-term wholesale funding profile with additional long-term wholesale issuance of $3.1 billion. This includes two new benchmark term senior debt issues being a $600 million 5 year issue in November 2014 and a $500 million 2.25 year issue in February 2015. This has further extended the Bank's domestic debt yield curve. The balance of long-term wholesale funding came through securitisation issues, various term senior debt private placements and additional issuance into current senior term debt lines.

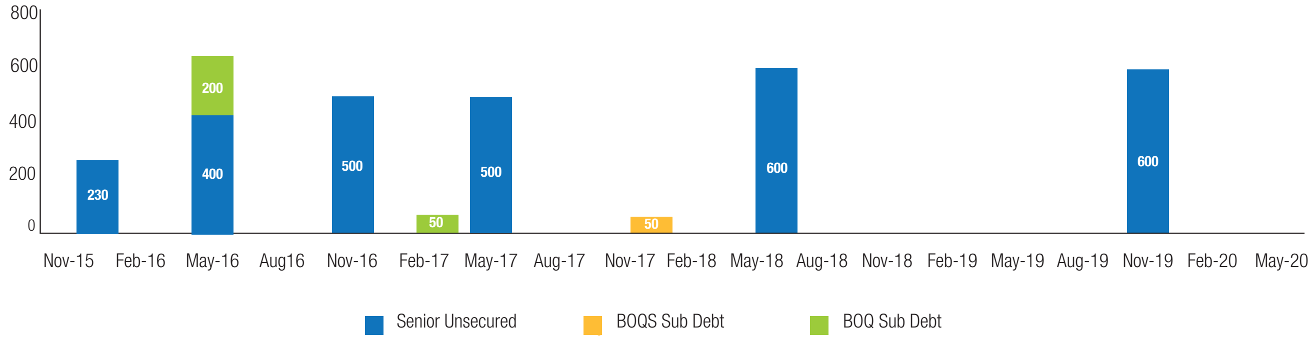
During the financial year the Bank issued $1.7 billion of securitisation funding with the completion of the Series 2014-1 REDS EHP Trust and Series 2015-1 REDS Trust transactions.

The total level of long term wholesale funding has slightly decreased year on year due to securitisation run-off. Post balance date, the overall long-term wholesale funding balance has been maintained with a $750 million REDS EHP transaction in September 2015, replacing the securitisation run-off.

3.2 FUNDING AND LIQUIDITY (CONTINUED)

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

Following the ratings upgrades BOQ continued to build out its long-term wholesale funding curve with the issuance of two additional benchmark maturities totalling $1.1 billion. Strengthening the senior unsecured curve has provided more transparent market pricing for investors and promotes the core values of our funding strategy which are centred around building capacity, diversity and resilience of the wholesale funding base.



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

(2) Redemption of Sub Debt Notes at the scheduled call date is to BOQ's option and is subject to obtaining prior written approval from APRA.

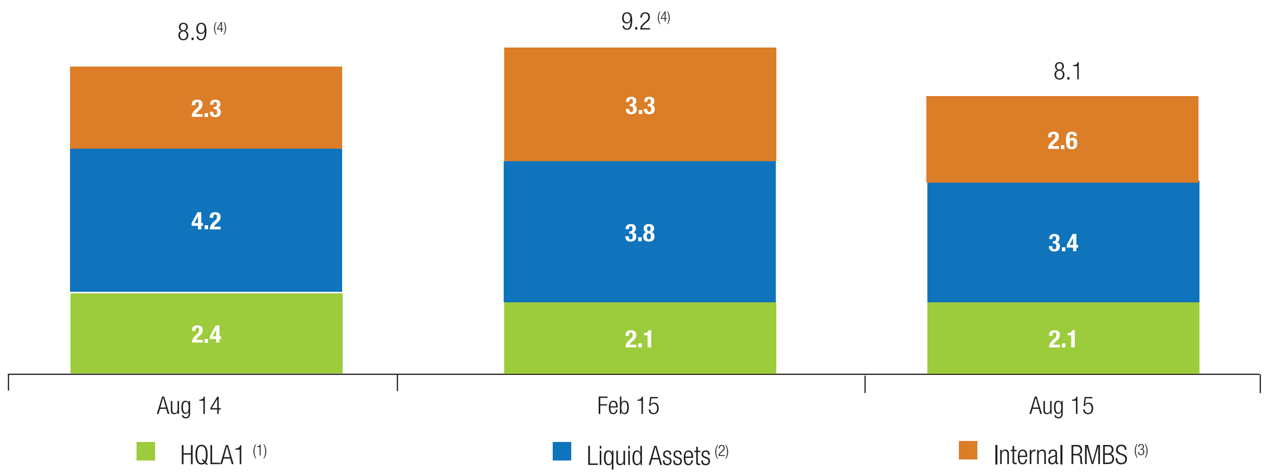
LIQUIDITY

BOQ maintains a portfolio of high quality, diversified liquid assets to facilitate balance sheet liquidity needs and meet 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.

As at 31 August 2015 the LCR was 125% with liquid assets contributing to the LCR of $5.5 billion. LCR has increased slightly over the past 6 months from 122% at half year to 125% at year end. 2015 saw liquidity management rebased for the new Basel III APS 210 Liquidity Standard. Significant work was undertaken on improving the deposit mix with a focus on products and customer relationships with low liquidity run-off factors under the new standard (refer Section 4.10). As a result, liquid asset holdings were able to be reduced, whilst enabling management within target LCR ranges to be achieved. Liquid Assets have also reduced over the year with the retirement of the BOQ Specialist ADI licence resulting in a material reduction in the level of liquid assets held.

In addition to the liquid assets that contribute to the LCR, as at 31 August 2015 we also held internal RMBS of $2.6 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 in a crisis scenario.

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 under the CLF

(3) Internal RMBS are able to be pledged as collateral to the RBA CLF

(4) Prior period figures have been restated to follow LCR categorisation

3.3 CAPITAL MANAGEMENT

CAPITAL ADEQUACY

$ million	As at Aug-15	As at Feb-15	As at Aug-14	Aug 15 vs Feb 15	Aug 15 vs Aug 14
Common Equity Tier 1 ('CET1')	**2,346**	2,298	2,161	2%	9%
Additional Tier 1 Capital	**450**	300	300	50%	50%
Total Tier 2	**551**	536	548	3%	1%
Total Capital Base	**3,347**	3,134	3,009	7%	11%
Total RWA	**26,321**	26,057	25,032	1%	5%
Common Equity Tier 1 Ratio	**8.91%**	8.82%	8.63%	9bps	28bps
Total Capital Adequacy Ratio	**12.72%**	12.03%	12.02%	69bps	70bps

We have further strengthened the Group's capital ratios during the year with the Common Equity Tier 1 ratio increasing 28bps to 8.91%. The second half saw an increase in Common Equity Tier 1 as underlying cash earnings were sufficient to support 7% annualised loan growth and a 2 cent increase in the final dividend, generating 18bps of surplus capital.

Additional Tier 1 Capital was increased following the issuance in May 2015 of $150 million in Wholesale Capital Notes.

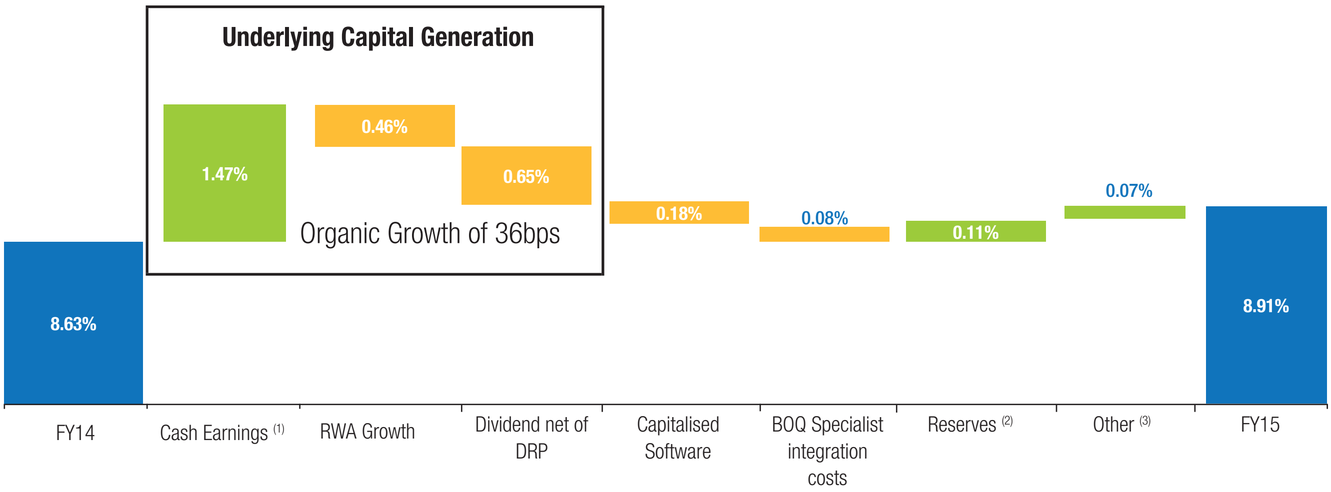
COMMON EQUITY TIER 1 CAPITAL

We delivered underlying capital generation of 36 basis points over the year. The increase in capitalised software, as we invest in the Bank's digitisation program, reduced CET1 by 18 basis points. This rate of capital strain is expected to reduce as the amortisation tail increases and the project portfolio matures. The BOQ Specialist integration and transaction costs consumed 8 basis points of capital, with that program now materially completed. The impact of net movements in reserves contributed 11 basis points of CET1, with a strong first half partially reversing in the second half. The AFS Reserve, representing the mark to market movements in liquid asset holdings not taken to profit and loss, was the most significant contributor to this movement. The reduction in deferred tax assets, largely associated with reduced provisions for impaired assets, product remediation and legacy items, caused a 7 basis point impact over the year.

There was a timing difference between the first and second half result where concessional risk weighted asset treatment for BOQ Specialist mortgages was only established in the second half. Prior to this change, these assets were recorded as 100% risk weighted.

3.3 CAPITAL MANAGEMENT (CONTINUED)

FY15 V FY14

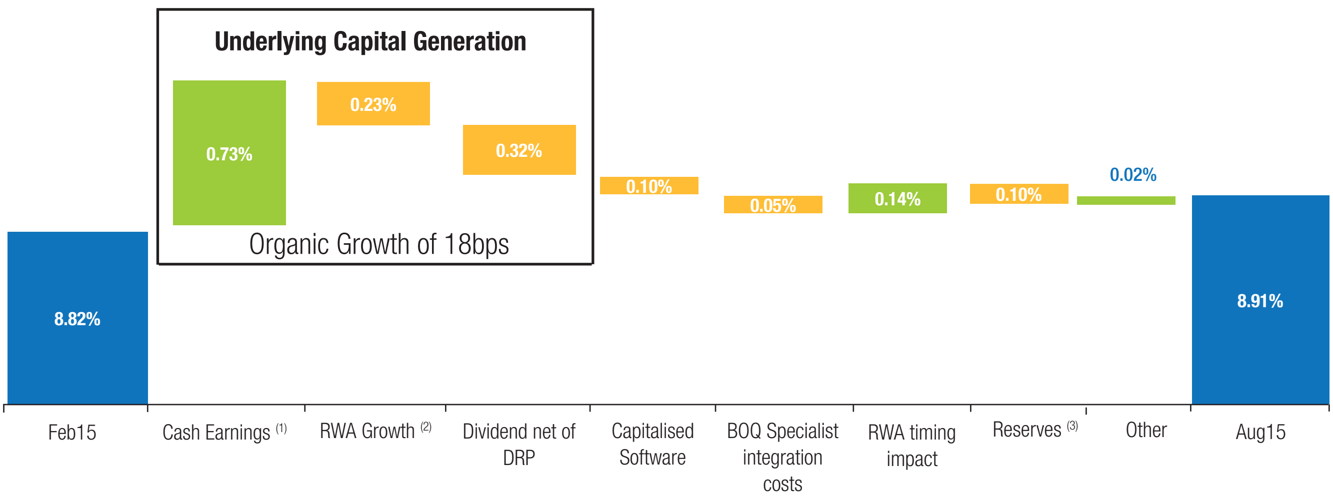


(1) Cash earnings adjusted for one-off non-recurring items.

(2) Reserves includes the impact of movements in the Equity Reserve for Credit Loss and the AFS Reserve.

(3) Other items are largely positive due to a reduction in the net DTA as a result of lower specific provisions as well as reducing remediation/ legacy provisions.

2H15 V 1H15



(1) Cash earnings adjusted for one-off non-recurring items.

(2) Underlying RWA growth excludes the one-off impacts of APS210 transition benefit as well as the benefit of lower risk weights on BOQ Specialist housing loans upon transition, correcting an opposite timing difference in the first half result.

(3) Reserves includes the impact of the movement in the Equity Reserve for Credit Loss and the AFS Reserve.

3.4 TAX EXPENSE

Tax expense arising on Cash Earnings for the year amounted to $156 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 payable on convertible preference shares issued in 2013 and Wholesale Capital Notes issued in 2015.

4. APPENDICES

4.1 ASX APPENDIX 4E

Cross Reference Index	Page
Details of reporting period and previous period (Rule 4.3A.3 Item No. 1) and statement of audit (Rule 4.3A.3 Item No. 15)	Inside front cover
Results for Announcement to the Market (Rule 4.3A.3 Item No. 2)	Inside front cover
Statement of comprehensive income (Rule 4.3A.3 Item No. 3)	Annual Report - Page 71
Balance Sheet (Rule 4.3A.3 Item No. 4)	Annual Report - Page 72
Statement of cash flows (Rule 4.3A.3 Item No. 5)	Annual Report - Page 77
Statement of changes in equity (Rule 4.3A.3 Item No. 6)	Annual Report - Pages 73-76
Notes to the Financial Statement	Annual Report- Pages 78-136
Dividends and Dividend dates (Rule 4.3A.3 Item No. 7)	Annual Report - Page 86
Dividend Reinvestment Plan (Rule 4.3A.3 Item No. 8)	Annual Report - Page 86
Net tangible assets per security (Rule 4.3A.3 Item No. 9)	Page 29
Details of entities over which control has been gained or lost (Rule 4.3A.3 Item No. 10)	Annual Report- Page 128
Details of associated and joint venture entities (Rule 4.3A.3 Item No. 11)	Page 29
Foreign Entities (Rule 4.3A.3 Item No. 13)	Not applicable
Earnings per share (Rule 4.3A.3 Item No. 14.1)	Page 8
Return to shareholders (Rule 4.3A.3 Item No. 14.2)	Page 8
Commentary on performance (Rule 4.3A.3 Item No. 14.3, 14.5, 14.6)	Page 6
Results of segments (Rule 4.3A.3 Item No. 14.4)	Annual Report - Page 87

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%
East Busselton Estate Pty Ltd	25.00%
Coastview Nominees Pty Ltd	5.81%
Provence 2 Pty Ltd	25.00%

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

	As at		
Net tangible assets per security (Rule 4.3A.3 Item No. 9)	**Aug-15**	Feb-15	Aug-14
Net tangible assets per ordinary shares ($) (1)	**7.07**	7.01	6.93

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

4.2 RECONCILIATION OF STATUTORY PROFIT TO CASH EARNINGS

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

The main costs incurred this year relate to the BOQ Specialist integration and transaction costs, which are in line with market guidance and the finalisation of the purchase price allocation entries for the acquisition of BOQ Specialist. Amortisation of customer contracts and fair value adjustments increased as a result. The prior year reflects the provision for the settlement of the Storm Financial proceedings.

(A) RECONCILIATION OF CASH EARNINGS TO STATUTORY NET PROFIT AFTER TAX

	Year End Performance			Half Year Performance		
$ million	**Aug-15**	Aug-14	Aug 15 vs Aug 14	**Aug-15**	Feb-15	Aug 15 vs Feb 15
Cash Earnings after Tax	**357**	301	19%	**190**	167	14%
Amortisation of customer contracts (acquisition) [(1)]	**(14)**	(6)	133%	**(9)**	(5)	80%
Amortisation of Fair Value adjustments (acquisition) [(1)]	**(1)**	-	100%	**(1)**	-	100%
Hedge ineffectiveness	**(3)**	(2)	50%	**(4)**	1	(500%)
Government Guarantee break fee	-	(1)	(100%)	-	-	-
Integration / transaction costs	**(20)**	(8)	150%	**(12)**	(8)	50%
Legacy items	**(1)**	(23)	(96%)	**-**	(1)	(100%)
Statutory Net Profit after Tax	**318**	261	22%	**164**	154	6%

(1) The second half of 2015 includes 12 months amortisation of intangibles recognised following the completion of the Acquisition accounting for BOQ Specialist.

(B) NON-CASH EARNINGS RECONCILING ITEMS

$ million	**Cash Earnings Aug-15**	VMA	Amortisation of customer contracts (acquisition)	Amortisation of fair value adjustments	Hedge ineffectiveness	Integration/ transaction costs	Legacy items	**Statutory Net Profit Aug-15**
Net Interest Income	**907**	-	-	-	-	(7)	-	**900**
Non-Interest Income	**180**	14	-	-	(5)	-	(1)	**188**
Total Income	**1,087**	14	-	-	(5)	(7)	(1)	**1,088**
Operating Expenses	**(500)**	(14)	(15)	(1)	-	(21)	(1)	**(552)**
Underlying Profit	**587**	-	(15)	(1)	(5)	(28)	(2)	**536**
Loan Impairment Expense	**(74)**	-	-	-	-	-	-	**(74)**
Profit before Tax	**513**	-	(15)	(1)	(5)	(28)	(2)	**462**
Income Tax Expense	**(156)**	-	1	-	2	8	1	**(144)**
Profit after Tax	**357**	-	(14)	(1)	(3)	(20)	(1)	**318**

4.3 OPERATING CASH EXPENSES (EXCLUDING BOQ SPECIALIST)

	Year End Performance			Half Year Performance		
	Aug-15	Aug-14	Aug 15 vs Aug 14	**Aug-15**	Feb-15	Aug 15 vs Feb 15
Employee expenses						
Salaries	**150**	144	4%	**76**	74	3%
Superannuation contributions	**15**	13	15%	**7**	8	(13%)
Payroll tax	**10**	10	-	**5**	5	-
Employee Share Programs	**8**	8	-	**4**	4	-
Other	**6**	7	(14%)	**3**	3	-
	189	182	4%	**95**	94	1%
Occupancy expenses						
Lease expense	**30**	28	7%	**12**	18	(33%)
Depreciation of Fixed Assets	**9**	8	13%	**5**	4	25%
Other	**3**	3	-	**1**	2	(50%)
	42	39	8%	**18**	24	(25%)
General expenses						
Marketing	**14**	12	17%	**8**	6	33%
Commissions to Owner Managed Branches	**7**	6	17%	**4**	3	33%
Communications and postage	**19**	20	(5%)	**10**	9	11%
Printing and stationery	**4**	5	(20%)	**2**	2	-
Impairment	**10**	-	n/a	**-**	10	n/a
Processing costs	**24**	26	(8%)	**11**	13	(15%)
Other operating expenses	**22**	15	47%	**11**	11	-
	100	86	16%	**46**	54	(15%)
IT expenses						
Data processing	**62**	63	(2%)	**31**	31	-
Amortisation of Intangible Assets	**16**	14	14%	**8**	8	-
Depreciation of Fixed Assets	**1**	2	(50%)	**-**	1	(100%)
	79	79	-	**39**	40	(3%)
Other expenses						
Professional fees	**12**	10	20%	**7**	5	40%
Directors' fees	**2**	2	-	**1**	1	-
Other	**5**	5	-	**2**	3	(33%)
	19	17	12%	**10**	9	11%
Total Operating Expenses	**429**	403	6%	**208**	221	6%

4.3 OPERATING CASH EXPENSES (EXCLUDING BOQ SPECIALIST) (CONTINUED)

Employee Expenses

Growth in employee costs over the year has been driven by staff supporting the broker channel and the transition of Owner Managed Branches to corporate run.

Occupancy Expenses

Property lease costs have rebased at a lower value in the second half as the transition costs of the Brisbane and Sydney head office relocations ceased.

General Expenses

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

IT Expenses

IT expenses were flat for the full year with early stage benefits realised from the recently renegotiated IT outsourcing agreement.

Other Expenses

Slight increase in professional fees in the half as a result of CEO and executives recruitment fees.

4.4 PROPERTY PLANT & EQUIPMENT (CONSOLIDATED)

	Leasehold improvements $m	Plant furniture and equipment $m	IT equipment $m (1)	Capital works in progress $m	Assets under Operating Lease $m	Total $m
Cost						
Balance as at 1 September 2014	44	32	34	10	26	146
Additions	20	1	2	1	9	33
Disposals	(2)	(4)	(4)	-	(10)	(20)
Transfers between categories	7	3	-	(10)	-	-
Balance as at 31 August 2015	**69**	**32**	**32**	**1**	**25**	**159**
Amortisation and impairment losses						
Balance as at 1 September 2014	25	22	31	-	17	95
Depreciation for the year	7	2	1	-	10	20
Disposals	(2)	(2)	(3)	-	(10)	(17)
Balance as at 31 August 2015	**30**	**22**	**29**	**-**	**17**	**98**
Carrying amount as at 31 August 2014	**19**	**10**	**3**	**10**	**9**	**51**
Carrying amount as at 31 August 2015	**39**	**10**	**3**	**1**	**8**	**61**

(1) Opening balances have been restated to reflect the impact of the finalisation of the Acquisition accounting for BOQ Specialist

4.5 CASH EPS CALCULATIONS

		Year End Performance			Half Year Performance		
		Aug-15	Aug-14	Aug 15 vs Aug 14	**Aug-15**	Feb-15	Aug 15 vs Feb 15
Basic EPS	**(cents)**	**97.3**	89.5	9%	**51.5**	45.8	13%
Diluted EPS	**(cents)**	**92.2**	87.0	6%	**48.9**	44.8	9%
Reconciliation of Cash Earnings for EPS							
Cash Earnings available for ordinary shareholders	**($ million)**	**357**	301	19%	**190**	167	14%
Add: CPS Dividend	**($ million)**	**16**	16	-	**8**	8	-
Add: Wholesale Capital Notes (1)	**($ million)**	**2**	**-**	**-**	**2**	**-**	**-**
Cash Diluted Earnings available for ordinary shareholders	**($ million)**	**375**	317	18%	**200**	175	14%
Weighted Average Number of Shares ('WANOS')							
Basic WANOS	**(million)**	**367**	337	9%	**369**	365	1%
Add: Effect of award rights	**(million)**	**3**	3	2%	**3**	3	-
Add: Effect of CPS	**(million)**	**24**	25	(6%)	**24**	23	4%
Add: Effect of Wholesale Capital Notes (1)	**(million)**	**12**	**-**	**-**	**12**	**-**	**-**
Diluted WANOS for Cash Earnings EPS	**(million)**	**406**	365	11%	**409**	391	(2%)

(1) On 26 May 2015, the Bank issued 150,000 Wholesale Capital Notes at a price of $10,000 per note

4.6 ISSUED CAPITAL

ORDINARY SHARES

	Consolidated	
	2015 Number	2015 $m
Movements during the year		
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
Dividend reinvestment plan - May 2015 at $13.06	**3,786,729**	49
Balance at the end of the year – fully paid	**370,768,776**	3,155

(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.

4.7 AVERAGE BALANCE SHEET AND MARGIN ANALYSIS

	August 2015 (Full Year)			August 2014 (Full Year)		
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Interest earning assets						
Gross loans & advances at amortised cost	**39,713**	**2,037**	**5.13**	35,655	1,917	5.38
Investments & other securities	**6,385**	**190**	**2.98**	6,257	195	3.12
Total interest earning assets	**46,098**	**2,227**	**4.83**	41,912	2,112	5.04
Non-interest earnings assets						
Property, plant & equipment	**61**			43		
Other assets	**1,599**			1,366		
Provision for impairment	**(280)**			(294)		
Total non-interest earning assets	**1,380**			1,115		
Total Assets	**47,478**			43,027		
Interest bearing liabilities						
Retail deposits	**26,595**	**726**	**2.73**	24,169	772	3.19
Wholesale deposits & Borrowings	**16,593**	**594**	**3.58**	15,151	579	3.82
Total Interest bearing liabilities	**43,188**	**1,320**	**3.06**	39,320	1,351	3.44
Non - interest bearing liabilities	**885**			689		
Total Liabilities	**44,073**			40,009		
Shareholder's funds	**3,405**			3,018		
Total liabilities & shareholders funds	**47,478**			43,027		
Interest margin & interest spread						
Interest earning assets	**46,098**	**2,227**	**4.83**	41,912	2,112	5.04
Interest bearing liabilities	**43,188**	**1,320**	**3.06**	39,320	1,351	3.44
Net interest spread			**1.77**			1.60
Benefit of net interest-free assets, liabilities and equity			**0.20**			0.22
Net interest margin - on average interest earning assets	**46,098**	**907**	**1.97**	41,912	761	1.82

4.7 AVERAGE BALANCE SHEET AND MARGIN ANALYSIS (CONTINUED)

	August 2015 (Six month period)			February 2015 (Six month period)		
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Interest earning assets						
Gross loans & advances at amortised cost	**40,343**	**1,003**	**4.93**	39,083	1,034	5.34
Investments & other securities	**5,929**	**83**	**2.78**	6,841	107	3.15
Total interest earning assets	**46,272**	**1,086**	**4.66**	45,924	1,141	5.01
Non-interest earnings assets						
Property, plant & equipment	**64**			58		
Other assets	**1,618**			1,580		
Provision for impairment	**(274)**			(286)		
Total non-interest earning assets	**1,408**			1,352		
Total Assets	**47,680**			47,276		
Interest bearing liabilities						
Retail deposits	**26,847**	**343**	**2.53**	26,343	383	2.93
Wholesale deposits & Borrowings	**16,512**	**284**	**3.41**	16,674	310	3.75
Total Interest bearing liabilities	**43,359**	**627**	**2.87**	43,017	693	3.25
Non - interest bearing liabilities	**884**			886		
Total Liabilities	**44,243**			43,903		
Shareholder's funds	**3,437**			3,373		
Total liabilities & shareholders funds	**47,680**			47,276		
Interest margin & interest spread						
Interest earning assets	**46,272**	**1,086**	**4.66**	45,924	1,141	5.01
Interest bearing liabilities	**43,359**	**627**	**2.87**	43,017	693	3.25
Net interest spread			**1.79**			1.76
Benefit of net interest-free assets, liabilities and equity			**0.18**			0.21
Net interest margin - on average interest earning assets	**46,272**	**459**	**1.97**	45,924	448	1.97

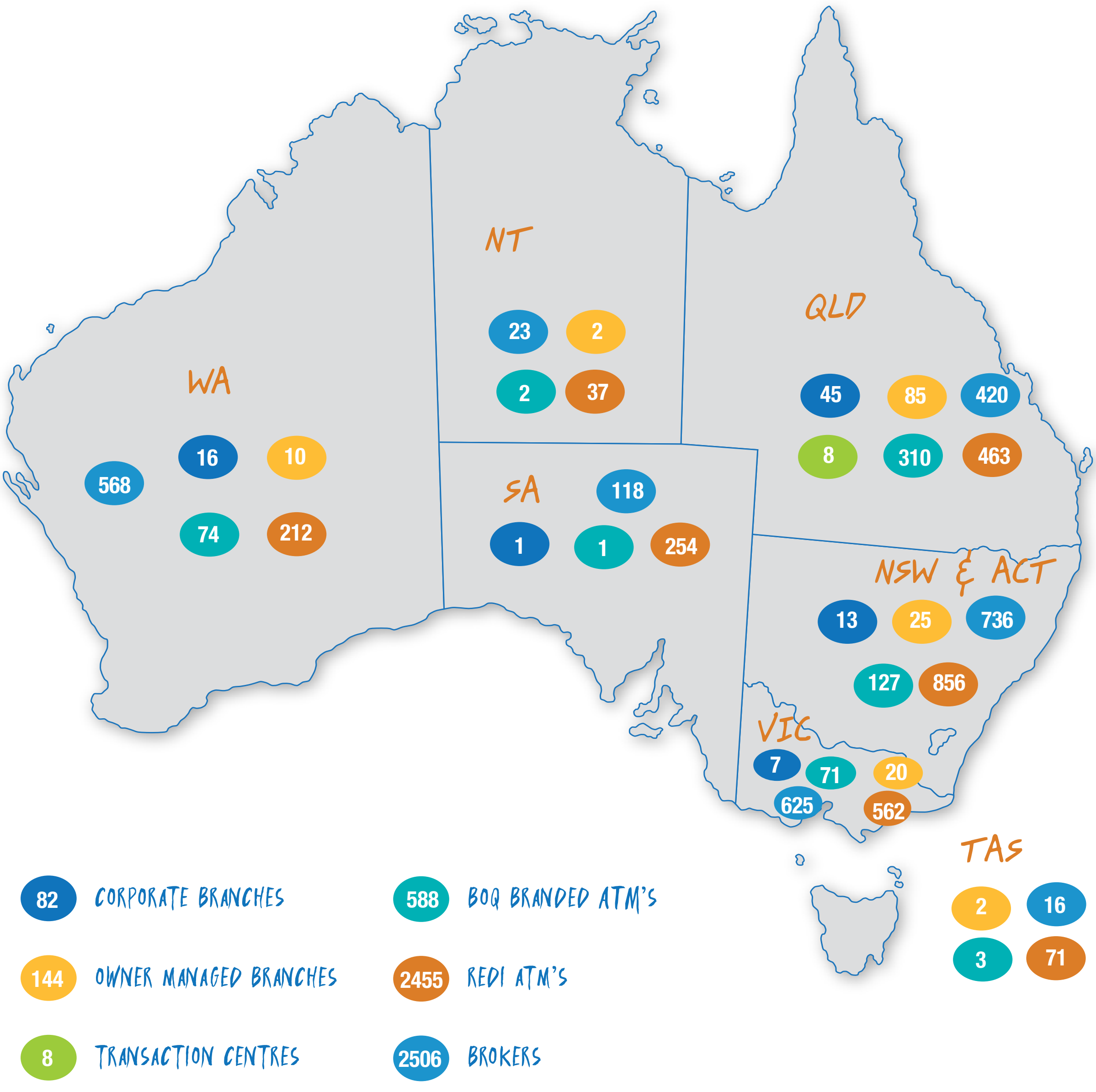
4.8 DISTRIBUTION FOOTPRINT

We have continued to develop our '**Customer in Charge**' strategy to allow our customers to engage with us through the channel of their choice. This includes the traditional face to face in our Owner Managed or Corporate branches, their preferred broker, online via digital, mobile or social media and on the telephone to our award winning Perth based customer service centre or our newly opened Gold Coast customer service centre.

Branch numbers reduced by 18 over the year which included a number of consolidations across the Owner Managed network. The increase in the Corporate Network included new 'icon' branches in Charlestown, Sydney and the head office Newstead branch located in Brisbane. We continue to see improving branch productivity and an increase in average footings per branch.

The network has been focussed on driving productivity initiatives including the Fit 4 Biz program which promotes the Bank's sales and service culture. These initiatives have resulted in an increase in applications and settlement volumes across the network this financial year and looks to ensure that BOQ is '**Loved like no Other**'.

Broker channel expansion accelerated in 2015 with the total accredited more than doubling to 2,506. The majority of these are based outside of Queensland (83%), further diversifying the portfolio. The second half saw sizeable inroads into the Queensland Broker market to leverage our strong brand appeal in our home state and this grew to 420 brokers by year end. The number of Broker aggregators was also widened with the inclusion of Finsure, Loan Market and Beagle Finance.

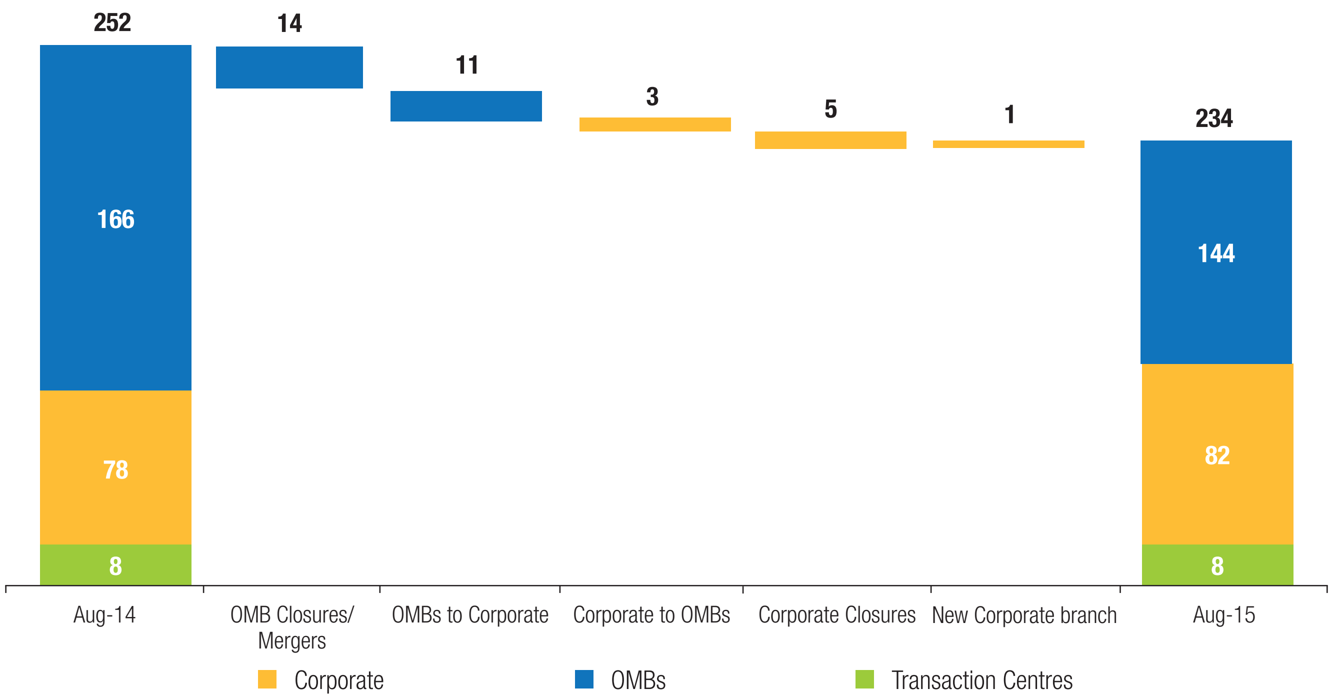


4.8 DISTRIBUTION FOOTPRINT (CONTINUED)

As at Aug-15	QLD	NSW / ACT	VIC	WA	NT	TAS	SA	Total
Corporate Branches	45	13	7	16	-	-	1	82
Owner managed branches	85	25	20	10	2	2	-	144
Transaction Centres	8	-	-	-	-	-	-	8
	138	**38**	**27**	**26**	**2**	**2**	**1**	**234**

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



4.9 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.

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

4.10 LIQUIDITY COVERAGE RATIO

As at 1 January 2015, following the introduction of APS 210, APRA requires ADIs to maintain a minimum 100% Liquidity Coverage Ratio ('LCR'). This is calculated as the ratio of high quality liquid assets to a 30 day net cash outflow projected under a prescribed stress scenario. A revision to prudential standard *APS330 Public Disclosures* introduced requirements for an ADI to provide disclosure information in respect of the LCR for reporting periods after 1 July 2015. Publication of data related to reporting periods prior to this date is not required.

Liquid Assets have reduced during the quarter with the retirement of the BOQ Specialist ADI licence resulting in a material reduction in the volume of liquid assets required to be held.

There are three broad categories of eligible liquid assets.

1. HQLA 1: cash, Australian government and semi-government securities

Assets eligible under the Committed Liquidity Facility ('CLF') provided by the Reserve Bank of Australia ('RBA'):

2. Negotiable certificates of deposit, bank bills, bank term securities and asset-backed securities that are eligible for repurchase arrangements with the RBA
3. Internal RMBS, being mortgages that have been securitised but retained by the Bank, that also qualify for repurchase with the RBA

The objective of the Bank's funding profile is to create a stable, diverse and resilient funding structure that mitigates the chance of a liquidity stress event across various funding market conditions. The Bank utilises a range of funding tools including customer deposits, securitisation, short term and long term wholesale debt instruments. Bank lending is predominantly funded from stable funding sources with short term wholesale funding primarily used to fund highly liquid assets and trading securities.

Quantitative disclosures are calculated as simple averages of daily observations over the previous quarter. The reported period covers 92 days of data which includes 64 business day observations. The following table outlines the key components and resulting LCR. BOQ maintains a portfolio of high quality, diversified liquid assets to facilitate balance sheet liquidity needs and meet internal and regulatory requirements. The LCR has increased slightly over the past 3 months from 122% to 125% at the period end with an average across the quarter of 131%. Net cash outflows have been reduced over the last year as Basel III liquidity management initiatives were successfully implemented, resulting in lower levels of liquid assets required for a similar LCR.

The key liquidity management initiatives that have been undertaken include:

- The introduction of a 31 day right to break deposit product reducing the sensitivity of the Bank to a short term liquidity stress event;
- Lengthening the weighted average term of deposit products through targeted pricing;
- Continuing to build out the Bank's senior unsecured funding curve through regular issuances of consistent size across multiple tenors. This has enhanced depth of market liquidity and price discovery as well as a reduction on the reliance of short-term wholesale funding;
- Targeting "stable" and "less stable" deposit sources with lower LCR cash outflow impacts through strengthening relationships with customers; and,
- Managing the Bank's maturity profile of both assets and liabilities to reduce the volatility of the LCR through time.

The main sources of LCR volatility relate to the short-term maturity profile which continues to be actively managed. BOQ does not have significant derivative exposures or currency exposures that could adversely affect the Bank's cash flows.

The Common Disclosure and Regulatory Capital reconciliation documents appear in the Regulatory Disclosure section of the Bank's website at the following address: http://www.boq.com.au/regulatroy_disclosures.htm

4.10 LIQUIDITY COVERAGE RATIO (CONTINUED)

	Total Unweighted Value (Q415 average) $m	Total Weighted Value (Q415 average) $m
Liquid Assets, of which		
High-quality liquid assets ('HQLA')	n/a	2,066
Alternative liquid assets ('ALA')	n/a	2,991
Total Liquid Assets		**5,057**
Cash Outflows		
Customer deposits and deposits from small branch customers, of which	12,185	1,258
stable deposits	*5,697*	*285*
less stable deposits	*6,488*	*973*
Unsecured wholesale funding, of which	3,848	2,479
non-operational deposits	*3,006*	*1,637*
unsecured debt	*842*	*842*
Secured wholesale funding	n/a	63
Additional requirements, of which	385	303
outflows related to derivatives exposures and other collateral requirements	*299*	*299*
credit and liquidity facilities	*86*	*4*
Other contractual funding obligations	347	45
Other contingent funding obligations	7,486	548
Total Cash Outflows	**24,251**	**4,696**
Cash Inflows		
Inflows from fully performing exposures	684	363
Other cash inflows	474	474
Total Cash Inflows	**1,158**	**837**
Total Net Cash Outflows	**23,093**	**3,859**

Total Liquid Assets	n/a	**5,057**
Total Net Cash Outflows	n/a	**3,859**
Liquidity Coverage Ratio (%)	n/a	**131%**