BOQ

INVESTOR INFORMATION 2016

INCORPORATING THE REQUIREMENTS OF APPENDIX 4E

BOQ
BOQ FINANCE
BOQ SPECIALIST
St Andrew's AUSTRALIA
Virgin money

BOQ GROUP - 2016 ANNUAL RESULTS

ASX APPENDIX 4E

For the year ended 31 August 2016

Results for announcement to the market [1]

				$m
Revenues from ordinary activities [2]	Up	3%	to	1,117
Profit from ordinary activities after tax attributable to members [2]	Up	6%	to	338
Profit for the year attributable to members [2]	Up	6%	to	338
Dividends (distributions)				
Final dividend - fully franked (cents per share)				38
Interim dividend - fully franked (cents per share)				38
Record date for determining entitlements to dividend				28 October 2016

(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 2015).

APPENDIX 4E

1. HIGHLIGHTS & STRATEGY

1.1 DISCLOSURE CONSIDERATIONS

Future performance

This document contains certain 'forward looking statements' about BOQ's business and operations, market conditions, results of operations, and financial condition, capital adequacy and risk management practices which reflect BOQ's views held as at the date of this document.

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.

Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of BOQ and which may cause actual results to differ materially from those expressed or implied in such statements. Readers are cautioned not to place undue reliance on any forward-looking statements. Actual results or performance may vary from those expressed in, or implied by, any forward-looking statements.

Rounding

In accordance with applicable financial reporting regulations and current industry practices amounts in this report have been rounded off to the nearest one million dollars, unless otherwise stated. Any discrepancies between total and sums of components in tables contained in this report are due to rounding.

Note on Statutory Profit and Cash Earnings

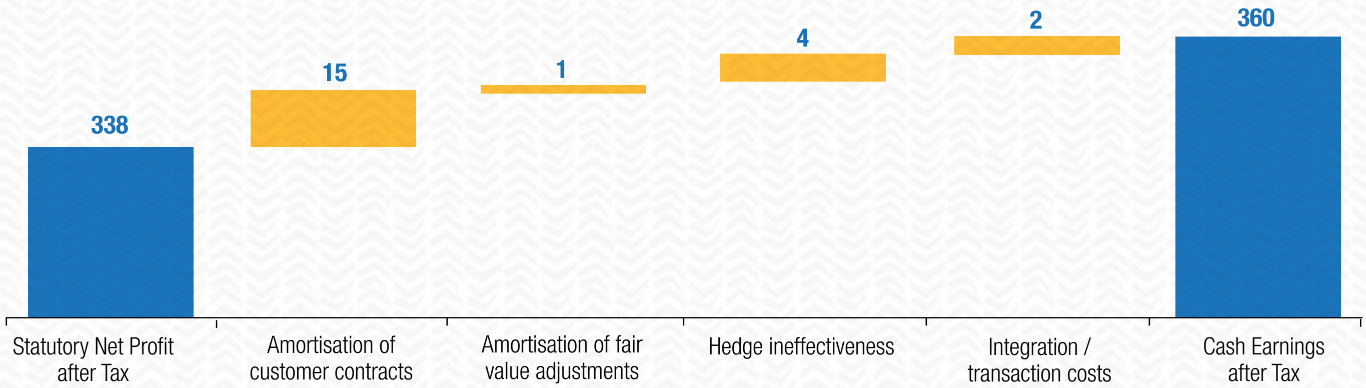
Statutory Profit is prepared in accordance with the *Corporations Act 2001* and the Australian Accounting Standards, which comply with International Financial Reporting Standards ('IFRS'). Cash Earnings is a non-Accounting Standards measure commonly used in the banking industry to assist in presenting 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 year. Integration/Due Diligence costs relate to the acquisition of BOQ Specialist and are in line with guidance provided at acquisition. Hedge ineffectiveness represents earnings volatility from hedges that are not fully effective under the application of AASB 39 *Financial Instruments: Recognition and Measurement* and create a timing difference in reported profit. 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 29 February 2016) and the prior year (to 31 August 2015).

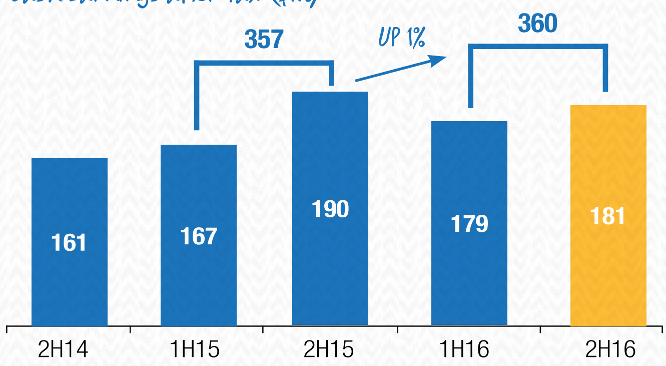
These non-statutory measures have not been subject to review or audit.

RECONCILIATION OF STATUTORY PROFIT TO CASH EARNINGS ($M)

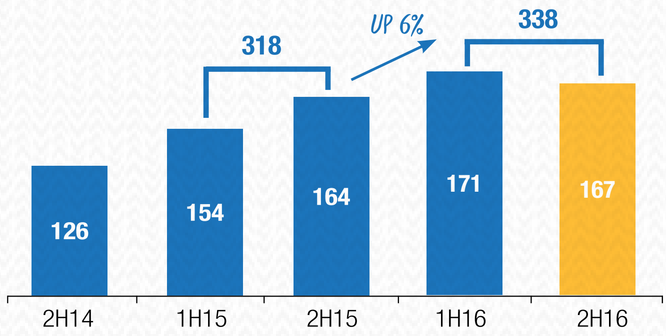


1.2 GROUP HIGHLIGHTS

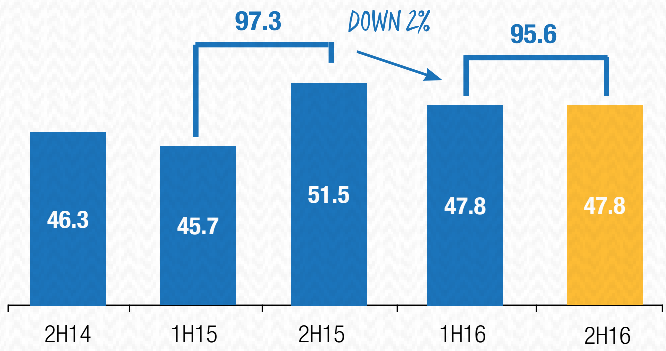
Cash Earnings after Tax ($m)



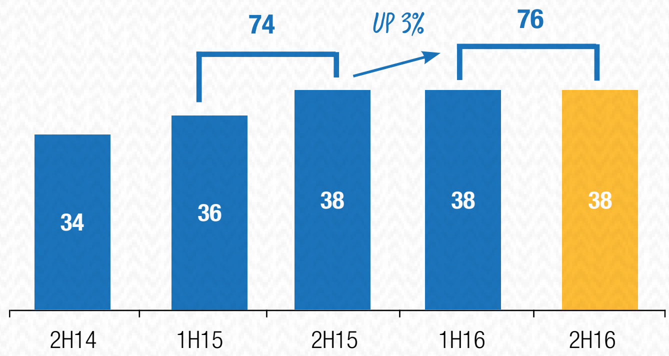
Statutory Profit after Tax ($m)



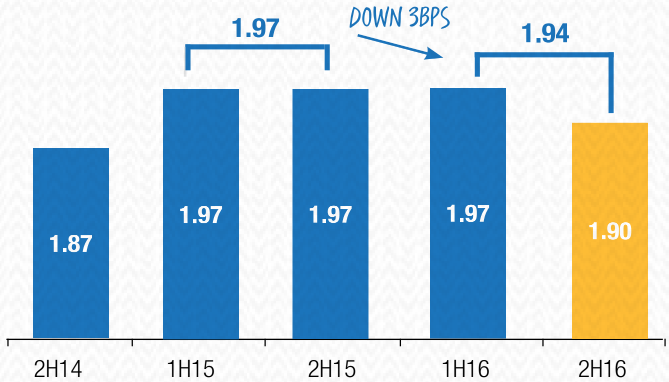
Cash Basic Earnings per Share ('EPS') (cents)



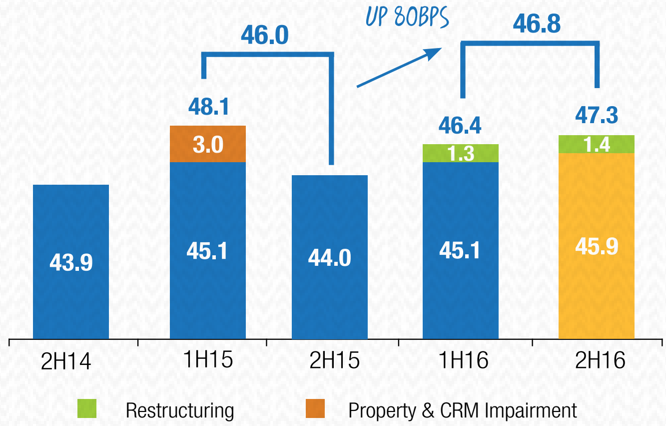
Dividends per share (cents)



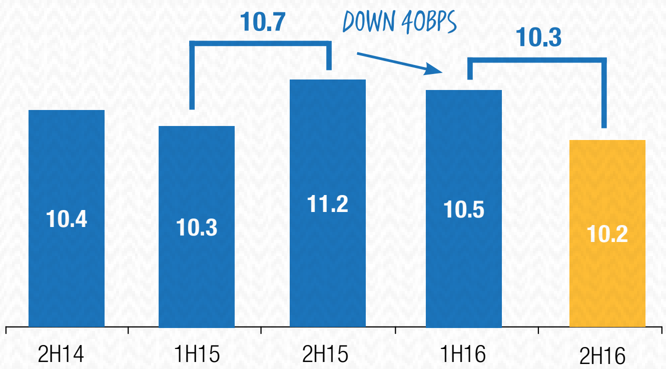
Cash Net Interest Margin ('NIM') (%)



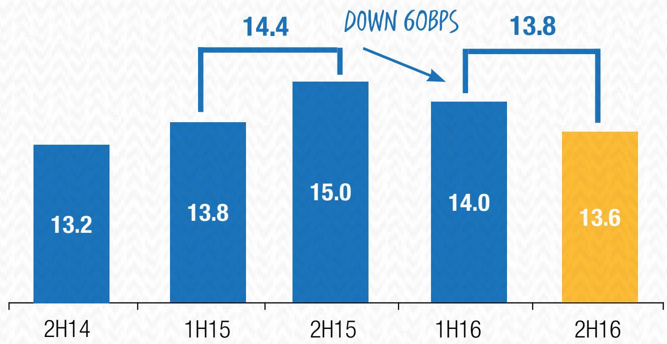
Cash Cost to Income (%)



Cash Return on Average Equity ('ROE') (%)



Cash Return on Average Tangible Equity ('ROTE') (%)



1.2 GROUP HIGHLIGHTS (CONTINUED)

CASH EARNINGS AFTER TAX
$360 million
Increased by 1% on the prior year in a challenging market

STATUTORY PROFIT
$338 million
Increased by 6% on the prior year

DIVIDENDS
$0.76 UP 3%
Dividend yield of 7.2%

CASH NET INTEREST MARGIN
1.94%
Down 3bps over the prior year driven by challenging market dynamics, including a lower yield curve and higher funding costs

CASH COST TO INCOME RATIO
46.8%
4% uplift in underlying expense profile and elevated focus on productivity and efficiency programs

DELIVERING TRANSFORMATION
Key strategic initiatives delivered such as Virgin Money[1] Mortgages, and Retail Lending Program

Evolving to a modern adaptive operating model by reshaping the organisational structure

LOAN IMPAIRMENT EXPENSE
$67 million
Down 2bps to 16bps of lending and 9% reduction over the prior year reflecting the improved portfolio quality

IMPAIRED ASSETS
$232 million
Improved asset quality evidenced by a reduction of $5 million (2%) from the prior year

COMMON EQUITY TIER 1
9.00%
Increase of 20bps in the second half through organic capital generation

(1) Virgin Money (Australia)

BOQ has delivered a 1% uplift in Cash Earnings to $360 million for the 2016 financial year and increased Statutory Net Profit after Tax 6% to $338 million in a competitive environment. This result has been achieved whilst reshaping the organisational structure and delivering a number of key strategic initiatives including the launch of Virgin Money (Australia) ('Virgin Money') mortgages, phase 1 of the Retail Lending Origination Platform and the Commercial Lending Origination Environment ('CLOE').

Over recent years, BOQ's strategic progress, supported by increased reinvestment in the business, has delivered solid financial performance and improved credit quality, positioning the Group well to deliver a sustainable future earnings profile. A revised risk appetite and more diverse business model allows BOQ to respond more effectively to the current challenges of a low interest rate environment and market volatility. The second half saw heightened margin challenges across the sector. In response, BOQ accelerated its investment program to streamline its operating model. The balance sheet and earnings trajectory remain sound and BOQ is well positioned for impending changes in the regulatory agenda as the playing field between advanced and standardised banks appears to be levelling.

Net Interest Margin contracted 3bps over the year to 1.94%, with the second half margin declining to 1.90%. The highly competitive rates in lending and deposits across the industry have translated into reduced new business margins and increased levels of retention repricing of existing customers. Further, the confluence of market dynamics in wholesale funding and hedging costs, and the low yield environment, accelerated the margin decline in the second half.

Further improvement in asset quality was evident across the portfolio. Loan impairment expense reduced by 9% to $67 million in 2016, or a reduction of 2bps to 16bps of gross loans and advances. The second half result of 14bps of gross loans and advances was pleasing. BOQ achieved positive improvements in credit quality metrics across the portfolio compared to the prior year and continues to maintain sector leading provisioning coverage.

Operating expenses increased 4% from the prior year to $520 million. This included a $10 million uplift in amortisation expense as a number of strategic initiatives have been delivered, together with costs associated with the newly launched Virgin Money mortgage offering ($3 million). The benefit of the $15 million investment in organisational operating model changes announced to the ASX in February will be fully realised in line with stated targets, with further opportunities identified. Employee numbers reduced 2% over the year, with the majority of this reduction occurring in the second half.

Lending growth of 5% or $2.2 billion was achieved in the 2016 financial year, though this growth was moderated in the second half with the strategic shift to preserve margin and target deposit acquisition through retail channels. Lending growth was entirely funded by the 8% growth in customer deposits, which resulted in a 2% uplift to the deposit to loan ratio to 68%.

During the year BOQ continued to strengthen its balance sheet with strong capital generation enabling an increase in the Common Equity Tier 1 ratio ('CET1') to 9.0%, which positions it well for evolving regulatory capital requirements.

The Board has determined a final dividend of 38 cents per share fully franked, with the total dividends of 76 cents for the year, an increase of 3% on the 2015 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 ('APRA') as an authorised deposit taking institution ('ADI') and ranked among the top 100 companies by market capitalisation on the ASX. BOQ has 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's Possible to Love a Bank'. BOQ's corporate strategy is to focus on specialised customer segments that value a more intimate customer relationship, beyond what they receive from the major banks. Importantly, BOQ's strategic focus plays to its competitive strengths as a challenger bank in being able to provide customers with personalised relationship management, passionate customer service, focused products and solutions, nimble decision making and problem resolution.

BOQ's strategy is based around four strategic pillars of (i) **Customer in Charge** (ii) **Grow the Right Way** (iii) **There's Always a Better Way**, and (iv) **Loved Like No Other**.

'**Customer in Charge**' is about continuing to expand BOQ's sources of originations through growth in new channels including Broker, BOQ Specialist and Virgin Money as well as improvements to digital, online and call centre channels. This makes it easier for customers to deal with the Bank in the way they prefer, further accelerating improvements to geographic diversification outside of Queensland.

To '**Grow the Right Way**' and achieve the right balance between risk and return, BOQ continues to diversify its balance sheet by pursuing niche segments in BOQ Specialist, SME Business Banking and BOQ Finance. In Business Banking, the Bank expanded its presence in the target industries of Medical & Dental, Retirement Living, Hospitality & Tourism, Agribusiness and Franchising with a continued focus on credit quality across the portfolio. The Group's revised risk appetite is evident from the improving metrics in the lending portfolio, which continues to benefit from diversification by geography and customer mix, including high quality BOQ Specialist mortgages and commercial exposures, and the rebalancing of the line of credit mortgage portfolio to industry levels.

'**There's Always a Better Way**' is the pursuit of operational efficiency. The current operating environment has elevated the importance and focus on productivity and efficiency with a number of programs underway. Implementation of BOQ's new digitised mortgage origination platform continues with 30% of mortgage applications benefiting from the new streamlined process and faster time to 'yes' for customers. The next release of the platform is on schedule for the end of the calendar year and will see the majority of mortgage applications processed digitally, resulting in increased lender productivity, improved customer experience and reduced operational risk. The Commercial Lending Origination Environment ('CLOE') that was delivered at the end of the 2016 financial year will deliver similar improvements in the SME / Commercial portfolio. A number of efficiency and digitisation initiatives are underway across the Group to enhance productivity, eliminate duplication and streamline BOQ's operating model.

'**Loved like no Other**' is about building a culture that makes BOQ a great place to work and inspiring passion to deliver exceptional customer outcomes. A number of initiatives are underway across the BOQ Group to implement an innovative and customer centric culture that proves 'It's Possible to Love a Bank', including the '144' culture initiative – which links the Group's vision to be Australia's most loved bank with its 4 Strategic Pillars and 4 Values – Passion, Impact, Collaboration and Integrity.

Through continued focus on these four strategic pillars, supported by embedding the cultural values, BOQ aims to deliver robust and sustainable financial performance, consistent growth in returns to deliver earnings per share outperformance for shareholders and superior service to its customers and the wider community.

2. GROUP PERFORMANCE ANALYSIS

2.1 INCOME STATEMENT & KEY METRICS

$ million	Year End Performance Aug-16	Aug-15	Aug-16 vs Aug-15	Half Year Performance Aug-16	Feb-16	Aug-16 vs Feb-16
Net Interest Income	**937**	907	3%	**470**	467	1%
Non-Interest Income	**173**	180	(4%)	**88**	85	4%
Total Income	**1,110**	1,087	2%	**558**	552	1%
Operating Expenses	**(520)**	(500)	4%	**(264)**	(256)	3%
Underlying Profit	**590**	587	1%	**294**	296	(1%)
Loan Impairment Expense	**(67)**	(74)	(9%)	**(31)**	(36)	(14%)
Profit before Tax	**523**	513	2%	**263**	260	1%
Income Tax Expense	**(163)**	(156)	4%	**(82)**	(81)	1%
Cash Earnings after Tax	**360**	357	1%	**181**	179	1%
Statutory Net Profit after Tax	**338**	318	6%	**167**	171	(2%)

Key Metrics		Year End Performance Aug-16	Aug-15	Aug-16 vs Aug-15	Half Year Performance Aug-16	Feb-16	Aug-16 vs Feb-16
Shareholder Returns							
Share Price	($)	**10.55**	12.67	(17%)	**10.55**	10.55	-
Market Capitalisation	($ million)	**4,020**	4,698	(14%)	**4,020**	3,969	1%
Dividends per share (fully franked)	(cents)	**76**	74	3%	**38**	38	-
Dividend yield	(%)	**7.20**	5.84	136bps	**7.16**	7.24	(8bps)
Grossed-up dividend yield (including franking)	(%)	**10.29**	8.34	195bps	**10.24**	10.35	(11bps)
Cash Earnings basis							
Basic Earnings per Share ('EPS')	(cents)	**95.6**	97.3	(2%)	**47.8**	47.8	-
Diluted EPS (1)	(cents)	**90.7**	94.3	(4%)	**45.4**	45.6	-
Dividend payout ratio	(%)	**79.9**	76.5	340bps	**80.0**	79.9	10bps
Statutory basis							
Basic EPS	(cents)	**89.8**	86.8	3%	**44.2**	45.7	(3%)
Diluted EPS (1)	(cents)	**85.5**	84.7	1%	**42.1**	43.7	(4%)
Dividend payout ratio	(%)	**85.1**	85.7	(60bps)	**86.7**	83.6	310bps

(1) August 2015 has been restated to reflect the correct pro-rata treatment of the Wholesale Capital notes issued on 26 May 2015.

2.1 INCOME STATEMENT & KEY METRICS (CONTINUED)

Key Metrics		Year End Performance Aug-16	Aug-15	Aug-16 vs Aug-15	Half Year Performance Aug-16	Feb-16	Aug-16 vs Feb-16
Profitability and efficiency measures							
Cash Earnings basis							
Net Profit After Tax	($ million)	**360**	357	1%	**181**	179	1%
Underlying Profit [(1)]	($ million)	**590**	587	1%	**294**	296	(1%)
Net Interest Margin	(%)	**1.94**	1.97	(3bps)	**1.90**	1.97	(7bps)
Cost to Income Ratio	(%)	**46.8**	46.0	80bps	**47.3**	46.4	90bps
Loan Impairment Expense to Gross Loans and Advances ('GLA')	(bps)	**16**	18	(2bps)	**14**	17	(3bps)
Return on Average Equity	(%)	**10.3**	10.7	(40bps)	**10.2**	10.5	(30bps)
Return on Average Tangible Equity [(2)]	(%)	**13.8**	14.4	(60bps)	**13.6**	14.0	(40bps)
Statutory basis							
Net Profit After Tax	($ million)	**338**	318	6%	**167**	171	(2%)
Underlying Profit [(1)]	($ million)	**563**	536	5%	**276**	287	(4%)
Net Interest Margin	(%)	**1.93**	1.95	(2bps)	**1.90**	1.97	(7bps)
Cost to Income Ratio	(%)	**49.6**	50.7	(110bps)	**50.0**	48.8	120bps
Loan Impairment Expense to GLA	(bps)	**16**	18	(2bps)	**14**	17	(3bps)
Return on Average Equity	(%)	**9.7**	9.6	10bps	**9.5**	10.0	(50bps)
Return on Average Tangible Equity [(2)]	(%)	**13.0**	12.9	10bps	**12.6**	13.4	(80bps)
Asset Quality							
30 days past due ('dpd') Arrears	($ million)	**461**	478	(4%)	**461**	562	(18%)
90dpd Arrears	($ million)	**234**	257	(9%)	**234**	255	(8%)
Impaired Assets	($ million)	**232**	237	(2%)	**232**	240	(3%)
Specific Provisions to Impaired Assets	(%)	**50.1**	53.3	(320bps)	**50.1**	48.8	130bps
Collective Provisions to Risk Weighted Assets	(%)	**0.50**	0.56	(6bps)	**0.50**	0.54	(4bps)
Capital							
Common Equity Tier 1 Ratio	(%)	**9.00**	8.91	9bps	**9.00**	8.80	20bps
Total Capital Adequacy Ratio	(%)	**12.29**	12.72	(43bps)	**12.29**	12.45	(16bps)
Risk Weighted Assets ('RWA')	($ million)	**28,054**	26,321	7%	**28,054**	27,467	2%

(1) Profit before loan impairment expense and tax.

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

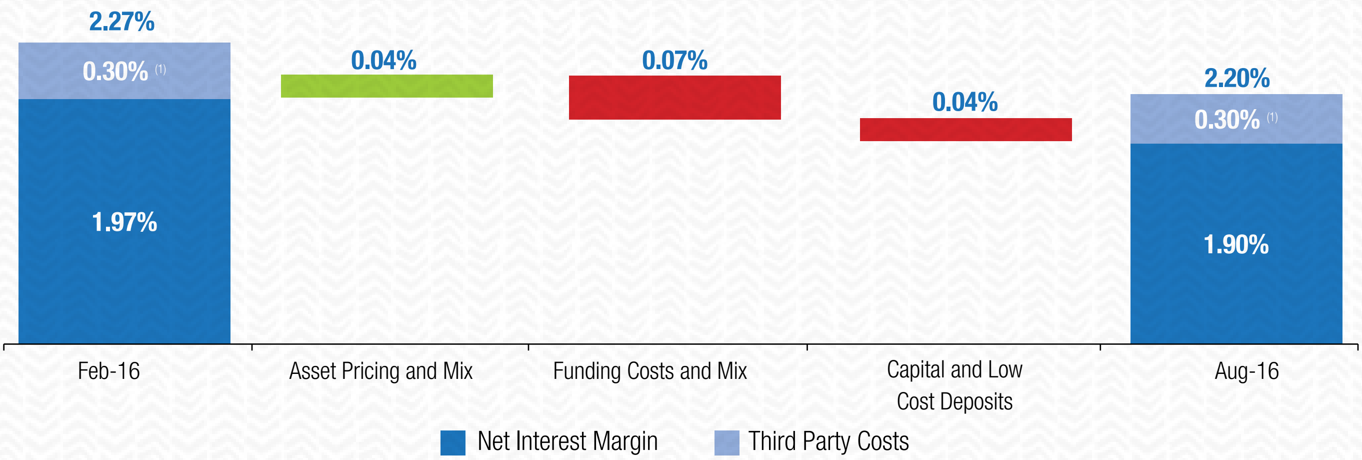
2.2 NET INTEREST INCOME

	Year End Performance			Half Year Performance		
$ million	**Aug-16**	Aug-15	Aug-16 vs Aug-15	**Aug-16**	Feb-16	Aug-16 vs Feb-16
Net Interest Income	**937**	907	3%	**470**	467	1%
Average Interest Earning Assets	**48,421**	46,098	5%	**49,353**	47,506	4%
Net Interest Margin	**1.94%**	1.97%	(3bps)	**1.90%**	1.97%	(7bps)

Net Interest Income grew by 3% over the year to $937 million reflecting the 5% growth in average interest earning assets largely from first half growth through new channels and reduced by lower net interest margin in the second half. Net Interest Income increased to $470 million for the half, representing a 1% uplift on the first half, but was flat adjusting for the higher day count in the second half.

Net Interest Margin compression in this half reflects the heightened competition in lending and deposit markets, global wholesale market volatility and unprecedented low interest rates. The last quarter saw intense competition for retail term deposits with an increase in spreads following the Reserve Bank of Australia ('RBA') rate reductions in May and August.

NET INTEREST MARGIN - FEBRUARY 2016 TO AUGUST 2016



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

Underlying movements within the Net Interest Margin ('NIM') included the following:

Asset Pricing and Mix: Repricing actions during the year positively impacted NIM by 9 basis points. Front to back book repricing impacts and retention repricing activity had a 3 basis point contractionary impact on NIM in the half, similar to the impact in the prior half. A reduction in renewal income in the equipment finance portfolio over the half reduced NIM by a further basis point, however this resulted in higher equipment sales income generated on this portfolio that is reported in other income. A further basis point of NIM degradation was caused by a combination of product mix and the impact of a higher proportion of lower yielding government bonds in BOQ's Liquids portfolio to satisfy APRA's APS 210 *Liquidity Standard* requirements.

Funding Costs and Mix: The competition for funding intensified over the second half at the same time as the yield curve contracted, with a 4 basis point impact to NIM. Half of this impact was evident in retail liabilities as increased competition meant absolute term deposit rates did not fall in line with movements in the yield curve. The majority of this impact emerged in the last quarter. A further 2 basis points of impact occurred in wholesale funding costs. As global market volatility increased, funding costs widened in the domestic wholesale and middle markets. This was coupled with a push by participants to increase duration across all funding segments, in preparation for the impending introduction of the Net Stable Funding Ratio regulatory requirements in January 2018. Hedging costs increased by 3 basis points over the half as flagged at the first half results release. This headwind has largely ceased, assuming no change to current market conditions.

Capital and Low Cost Deposits: The low yield curve continues to impact returns on BOQ's replicating portfolio, covering the investment profile of BOQ's capital and low cost deposits totalling $4.8 billion at year end and causing a 4 basis point reduction in the half.

2.3 NON-INTEREST INCOME

$ million	Year End Performance Aug-16	Aug-15	Aug-16 vs Aug-15	Half Year Performance Aug-16	Feb-16	Aug-16 vs Feb-16
Banking Income	**99**	110	(10%)	**50**	49	2%
Insurance Income	**26**	33	(21%)	**11**	15	(27%)
Other Income	**30**	17	76%	**17**	13	31%
Trading Income	**18**	20	(10%)	**10**	8	25%
Total Non-Interest Income	**173**	180	(4%)	**88**	85	4%

Non-Interest Income of $173 million is down 4% on the prior year. The fall in Banking Income reflects continuing customer preferences for no fee products. Changes to the structure of interchange fees reduced transaction income by $3 million over the year. BOQ Specialist's strategic focus on the new on balance sheet mortgage offering has reduced third party brokerage received by $3 million compared to the prior year.

Other income increased $13 million during the year with a significant portion of this increase attributed to BOQ Finance equipment sales which witnessed increased realisations of $6 million in the portfolio. The prior year included $4 million of one-off unfavourable items which were not repeated. The Virgin Money contribution from third party product distribution is included in Other Income. The business achieved good growth over the year with Virgin Money Credit Card receivables growing by 3% in a flat market.

Trading contribution reduced from the prior year as BOQ finalised the transition to the new APRA APS210 *Liquidity Standard*. However, heightened market volatility in the second half provided opportunities to deliver a strong trading income result in the second half.

The St Andrews' Insurance contribution is discussed in detail in Section 2.4 below.

2.4 INSURANCE OVERVIEW

$ million	Year End Performance Aug-16	Aug-15	Aug-16 vs Aug-15	Half Year Performance Aug-16	Feb-16	Aug-16 vs Feb-16
Gross Written Premium (net of refunds)	**62**	55	13%	**32**	30	7%
Net Earned Premium	**70**	72	(3%)	**35**	35	-
Underwriting Result	**21**	25	(16%)	**9**	12	(25%)
Other Insurance Income	**4**	6	(33%)	**2**	2	-
Total Income	**25**	31	(19%)	**11**	14	(21%)
Consolidation Adjustment	**1**	2	(50%)	**-**	1	(100%)
Group Insurance Result	**26**	33	(21%)	**11**	15	(27%)

St Andrew's Insurance contributed $26 million to Non-Interest Income, a $7 million reduction from the prior year as the business transitions to a new product mix and refreshed corporate alliances.

Gross written premiums increased 13%, with the proportion of customers paying regular premiums over the life of the policy continuing to increase and fewer customers paying single premiums to cover the life of the policy at policy commencement. This is consistent with the business strategy to diversify revenue streams and the extension of the business into providing wholesale lines to business partners. Net Earned Premiums reduced 3%, due to the reduction in single premium policies and an increase in reinsurance premiums, reflecting the changing mix of business.

Underwriting Result reduced by $4 million to $21 million, due to the reduction in Net Earned Premiums and an increase in commissions and administration fees paid on wholesale lines, reflecting the changing mix of business. Claims experience improved over the prior year and was in line with expectations, however, favourable claims experience in the first half was offset by the higher claims in the second half. The net impact of the shift in the business mix has largely now occurred and the contribution from the newly established wholesale partnerships is expected to largely offset the residual impact of the refreshed corporate alliances.

Other insurance income reduced due to lower returns on the investment portfolio with a lower interest rate environment.

2.5 OPERATING EXPENSES

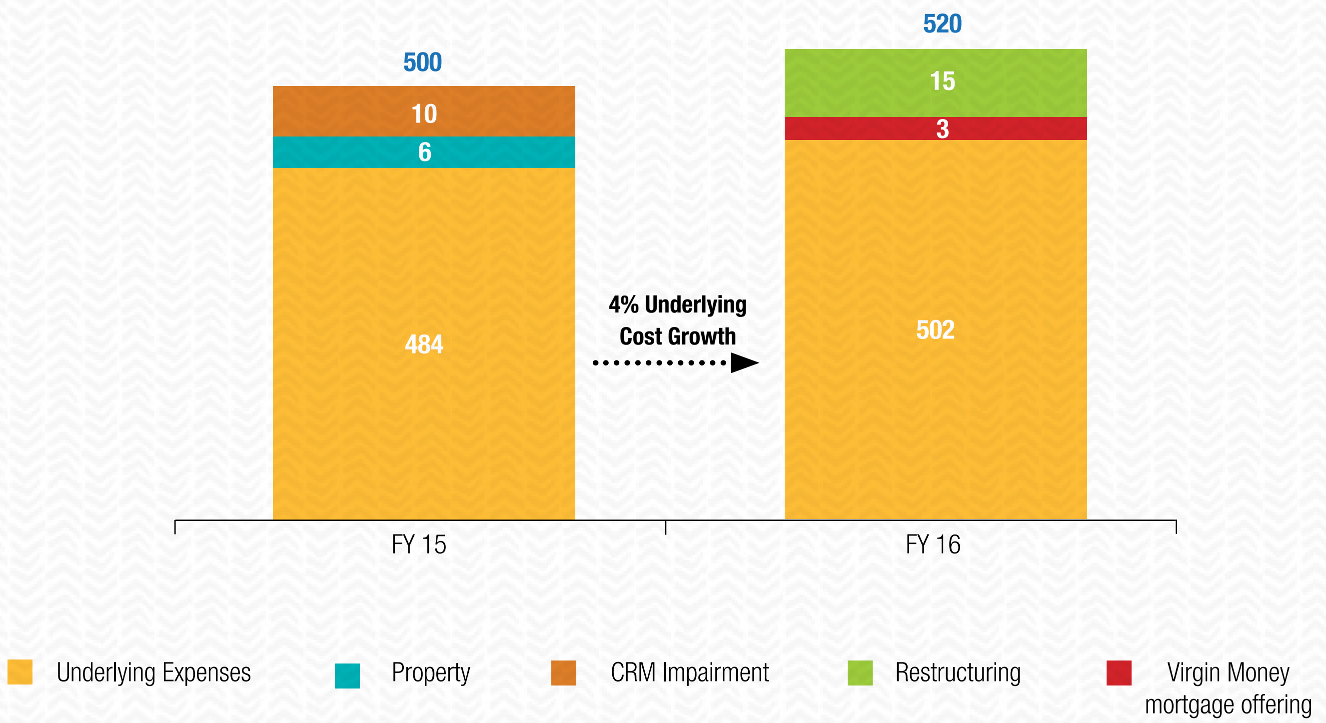
$ million	Year End Performance Aug-16	Aug-15	Aug-16 vs Aug-15	Half Year Performance Aug-16	Feb-16	Aug-16 vs Feb-16
Employee Expenses	**253**	241	5%	**127**	126	1%
Occupancy Expenses	**43**	47	(9%)	**21**	22	(5%)
General Expenses	**98**	110	(11%)	**48**	50	(4%)
IT Expenses	**92**	82	12%	**50**	42	19%
Other Expenses	**19**	20	(5%)	**10**	9	11%
Operating Model	**15**	-	-	**8**	7	14%
Total Operating Expenses (1)	**520**	500	4%	**264**	256	3%
Cost to Income Ratio	**46.8%**	46.0%	80bps	**47.3%**	46.4%	90bps
Cost to Income Ratio (excluding one-off costs) (2)	**45.5%**	44.5%	100bps	**45.9%**	45.1%	80bps
Number of employees (FTE) (1)	**1,959**	1,991	(2%)	**1,959**	1,990	(2%)

(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 related to restructuring ($15 million) in FY16 and Customer Relationship Management ('CRM') Impairment ($10 million) and property transition costs ($6 million) incurred in 1H15.

Operating expenses exclude costs relating to Virgin Money commission based third party product activities where the net result has been consolidated in Non-Interest Income for presentation of Cash Earnings. The total expenses for this element of Virgin Money operations were $15 million for the year which is largely consistent with the prior period. Costs associated with the Virgin Money mortgage offering are in addition to this and treated in line with other Group mortgage lending activities. A reconciliation of Cash Earnings to Statutory Profit is set out in Section 4.2 (b).

Operating expenses have increased 4% on the prior year to $520 million. This includes the cost of the operating model restructuring program of $15 million, with a similar level of one-off expenses in the prior year. The result also includes the uplift in intangible IT asset amortisation ($10 million), as the digitisation program and key strategic initiatives have been delivered. Increased operating costs for the Virgin Money proprietary product mortgage offering have also been incurred totalling $3 million.



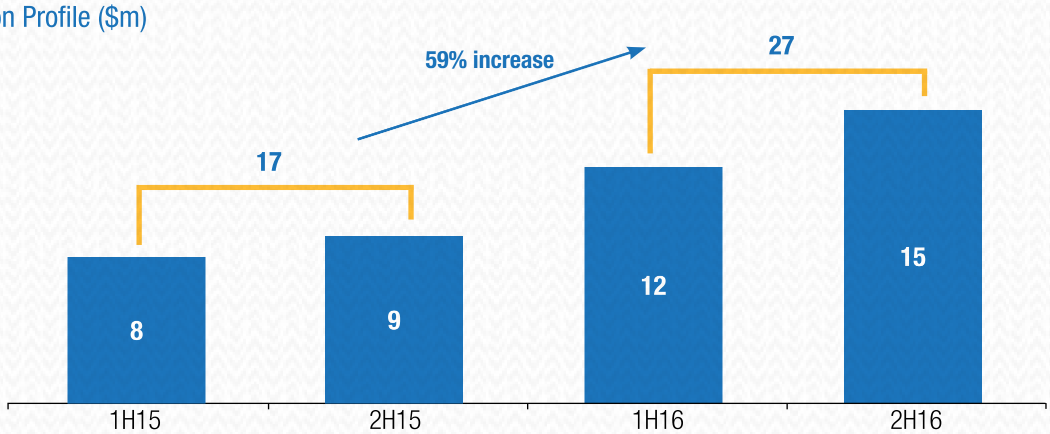
2.5 OPERATING EXPENSES (CONTINUED)

In the first half BOQ announced a program to reshape its operating model and organisational structure through a number of productivity initiatives. The full year investment in the program of $15 million (pre-tax) is in line with the announcement made by the Group in February 2016 and will deliver the planned 100% payback through cost savings within twelve months. Productivity initiatives progressed during the year include digitising cheque processing, deposit analytics and establishing electronic statement capability. Further initiatives have been identified that include the creation of a centralised Lending Hub which will deliver a customer centric and cost effective end to end process for lending services across the broader BOQ Group. Mortgage lending will commence first, with other products to follow progressively. Other initiatives are also being pursed to better leverage shared service centres of excellence across the Group.

Underlying operating expenses, excluding the impact of one-off items, increased by 4% over the year. A number of key strategic initiatives were delivered during 2016 (refer Section 2.6 Capitalised Investment Spend). This has resulted in increased amortisation expense in 2016 of $10 million compared to the prior year as reflected in the graph below and is reported within the IT Expenses category. Excluding this impact, operating expenses have increased 2% on the prior year as the rollout of the channel diversification strategy continues.

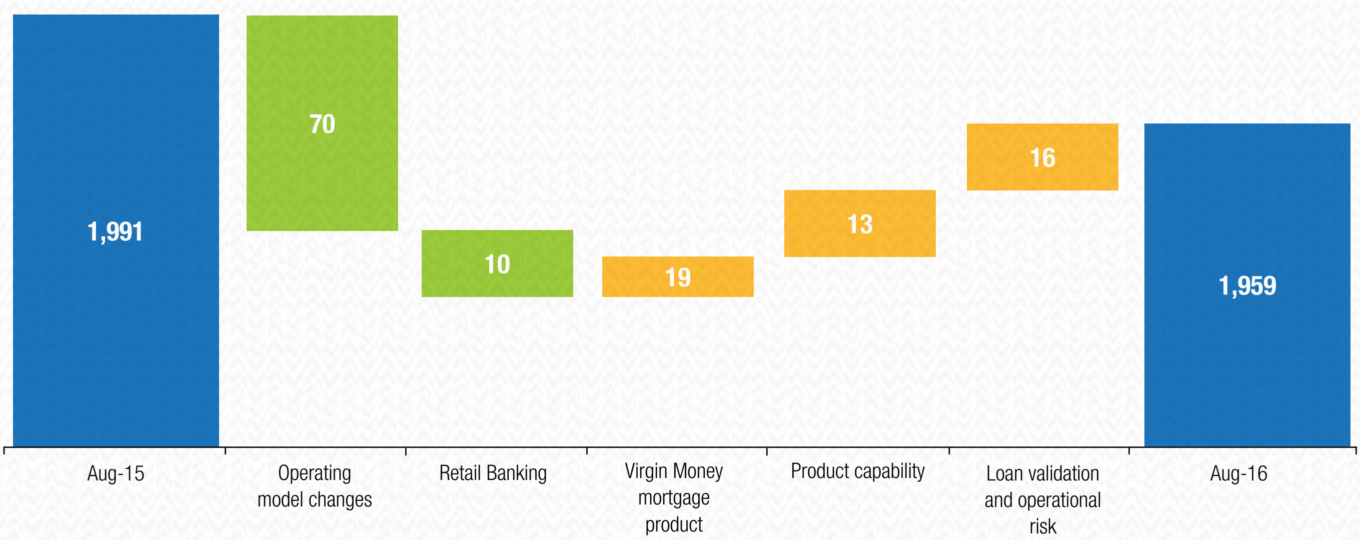
Whilst specific efficiency gains have been achieved, BOQ continues to review the optimal operating model to further extract benefits of digitisation across the Group and target investment to deliver further process improvements.

Amortisation Profile ($m)



BOQ FTE FY16 VS FY15

Employee numbers have decreased 2% over the year as a result of the organisational operating model reshaping. Investment has been made to support the launch of the Virgin Money mortgage product and to support the channel diversification strategy.



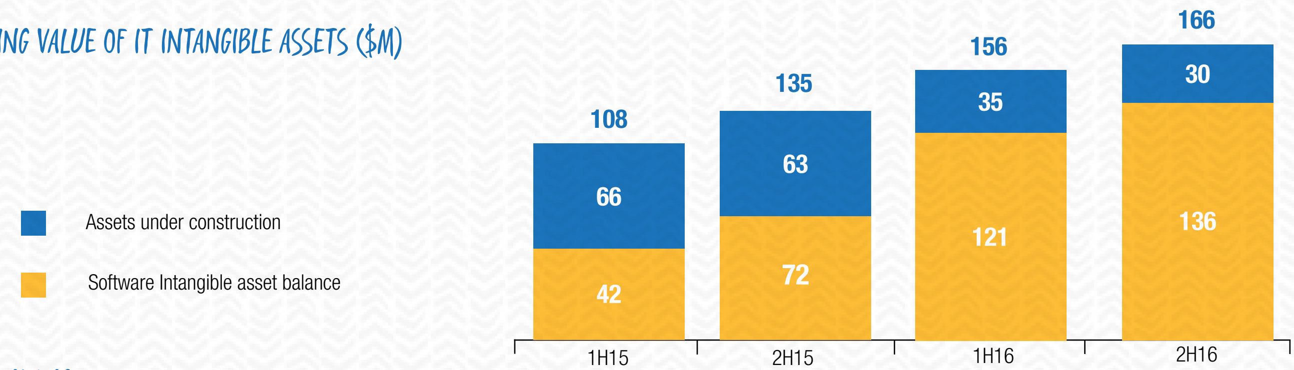
2.6 CAPITALISED INVESTMENT SPEND

The Group's transformation, aligned to its four strategic pillars, has continued during the year with further delivery of a number of key initiatives. Following the release of the Group's new Retail Lending Origination Platform in the first half, the most significant delivery in the second half was the launch of the new Virgin Money home loan product which will enable BOQ to capture a different customer demographic within the highly competitive retail lending market. The Group's Commercial Lending Origination Environment ('CLOE') was also delivered at the end of the financial year, significantly automating a previously manual, paper based process. This system will generate productivity benefits, but importantly will enhance customer experience and provide early data capture to enable better pipeline management of the SME and Commercial segments.

Further investment has continued as BOQ aims to improve customer experience and reduce turnaround times, whilst transitioning from legacy manual processes to a more digitised environment. This includes subsequent releases of the Retail Lending Origination Platform to extend its reach to the majority of applications (currently 30% of all mortgage applications), with the next release on schedule for delivery by the end of the 2016 calendar year. A new investment is underway to transform the Leasing platform for BOQ Finance from more than 20 separate systems into a single market-leading system that will improve the customer experience while reducing legacy costs and risks. The program will be delivered progressively over the 2017 financial year. BOQ is investing in capabilities that support its strategy of focusing on niche areas in the market where specialisation can deliver higher return on equity. A digital application programming interface (API) gateway, in the process of being implemented, will make it easier for BOQ and its partners to quickly and efficiently develop new mobile capabilities for customers.

This continued level of heightened investment is evident in the increased carrying value of intangible assets over the past two years as shown in the graph below. Assets under construction continue to reduce as the Group delivered on its major investments during the year. The rate of growth in the carrying value of IT Intangible Assets is expected to slow over coming periods as the annual amortisation charge converges towards the current level of initiative spend.

CARRYING VALUE OF IT INTANGIBLE ASSETS ($M)



2.7 LENDING

Total lending has increased 5% over the year, at 0.8x System, with gross loans and advances totalling $43.2 billion. Loan growth moderated significantly in the second half in light of heightened competition in key markets, the prudential cap on investment housing and the strategic shift to preserve margin over asset growth with an emphasis on deposit gathering. The strategy of targeting niche customer segments is delivering results with BOQ Specialist, BOQ Finance and niche segments in BOQ Commercial demonstrating solid growth momentum. The Group's maturing broker presence combined with the new Virgin Money mortgage offering, and a more productive branch network, supported by the digitisation investment being progressively rolled out, should continue to deliver success from the multi-channel strategy.

Prudent credit and pricing for risk disciplines, along with robust origination validation requirements, are evident in improved portfolio credit quality metrics. (refer Section 3.1 Asset Quality)

	As at				
$ million	**Aug-16**	Feb-16	Aug-15	Aug-16 vs Feb-16 (1)	Aug-16 vs Aug-15
Housing Lending	**27,733**	27,709	25,641	-	8%
Housing Lending - APS 120 qualifying securitisation (2)	**2,155**	2,339	2,737	(16%)	(21%)
	29,888	30,048	28,378	(1%)	5%
Commercial Lending	**8,818**	8,502	8,258	7%	7%
BOQ Finance	**4,142**	4,057	4,015	4%	3%
Consumer	**304**	317	324	(8%)	(6%)
Gross Loans and Advances	**43,152**	42,924	40,975	1%	5%
Specific and Collective Provisions	**(256)**	(265)	(272)	(7%)	(6%)
Net Loans and Advances	**42,896**	42,659	40,703	1%	5%

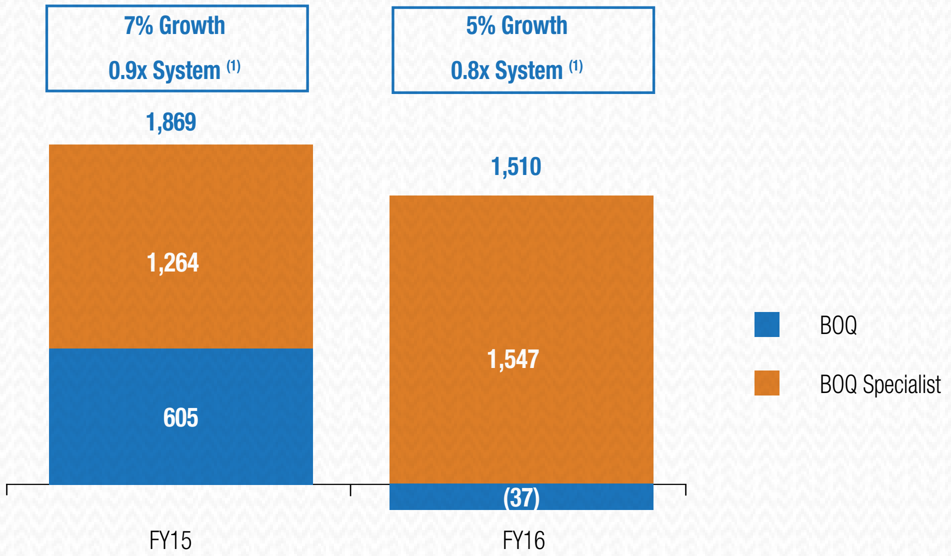
(1) Growth rates have been annualised.

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

2.7 LENDING (CONTINUED)

GROWTH IN GROSS LOANS & ADVANCES

GROWTH IN HOUSING ($M)



(1) Source: APRA Monthly Banking Statistics.

HOUSING LENDING

The housing portfolio grew 5% over the year. Above system growth in the first half was offset by a slight contraction in the second half as the business focused on margin preservation and deposit gathering. Competition intensified through the second half and given the changing economic environment, including higher funding and hedging costs and lower interest rates, BOQ decided not to match the most aggressive rates on offer in the market. BOQ continued to focus on building service and fulfilment capability by improving its time to yes through the progressive rollout of the new mortgage origination platform, with the majority of home loans to be covered by this system following the next stage of implementation at the end of the year. The launch of a new BOQ branded Economy home loan in August is also gaining good traction with customers.

BOQ Specialist continued strong momentum in its on balance sheet mortgage offering to its niche, professional client base. Full year growth of $1.5 billion was achieved, with momentum in the second half reducing in line with the reduction in new business pricing levels. This portfolio provides significant mortgage portfolio diversification both demographically and geographically outside of Queensland. It also provides future cross sell opportunities as BOQ Specialist supports the needs of these customers in commercial lending over their life cycle.

The broker channel continued to expand throughout the year, growing the accredited broker base and aiding BOQ's geographic footprint with 84% of growth in this channel outside of Queensland. Growth through the broker channel moderated in the second half, with greater price sensitivity to new business acquisition pricing compared to other channels. Despite the slower volumes through the second half, the broker network still contributed 23% of total retail housing settlements during the year, albeit with settlement volumes reducing to 19% of total retail housing settlements in the second half.

The launch of the Virgin Money mortgage product in May provides another channel for BOQ to engage with a new customer demographic. The Virgin brand attracts a different customer, more affluent and likely to be metro-based with a strong propensity to engage through digital channels. Virgin Money has engaged with complementary broker groups PLAN and FAST with over 800 brokers now accredited. Virgin Money is about to launch with two additional large broker groups in the coming months.

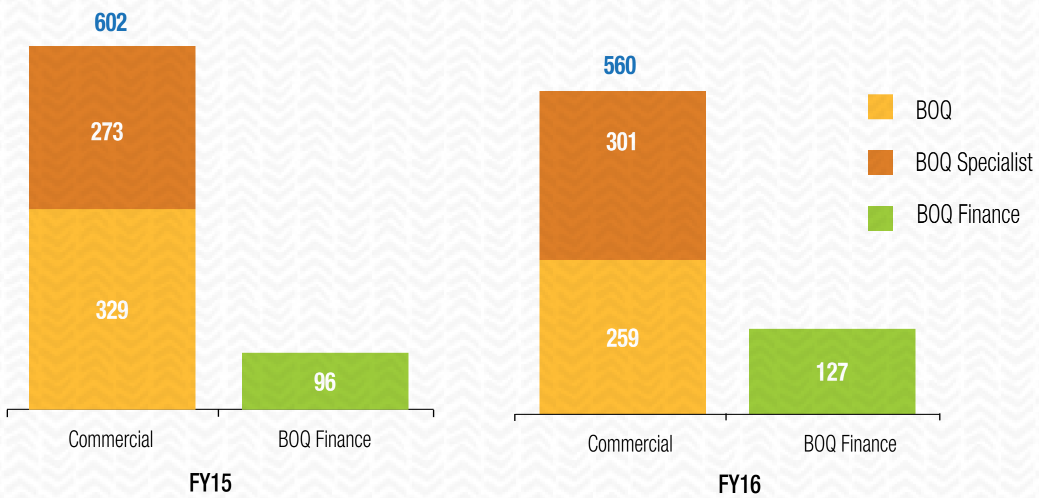
BOQ continued to optimise the branch network with a reduction in the branch footprint of 23 locations across the year to 211 branches, mainly reflecting consolidations and retirements. Whilst some branches have seen higher levels of run-off which has constrained growth, this has accelerated the journey to a more efficient network with higher average footings per branch (an increase of 8% in 2016) and stronger risk and compliance foundations. BOQ has seen strong engagement from the Owner Managers transitioning to the new franchise agreement, now covering 48% of all Owner Managers. The new franchise agreement better aligns the network with the strategic objectives of the Bank and has delivered significant performance improvements in terms of settlements and increased customer fulfilment across the product suite. A further 8 ICON branches were delivered during the year bringing the total to 13, including the first Owner Managed ICON branch.

The Digital and Direct channel continues to support the omni-channel customer experience by being a key avenue for digital lead generation which results in conversion through the branch network. BOQ continues to drive its digital capability with a focus on delivering technology that will enhance the customer experience including the digitised mortgage origination platform, an upgrade of the mobile banking app (both BOQ and Virgin Money), a refresh of the ATM network and the e-statements initiative.

Across the BOQ branded and Virgin Money broker aggregator relationships, the Group has access to approximately 75% of the Australia Broker market.

2.7 LENDING (CONTINUED)

GROWTH IN COMMERCIAL & BOQ FINANCE ($M)



	FY15 Commercial	FY15 BOQ Finance	FY16 Commercial	FY16 BOQ Finance
Growth rate	7.9%	2.4%	**6.8%**	**3.2%**
System growth (1)	9.2%	(0.1%)	**8.0%**	**2.7%**
Growth vs System	0.9x	n/a	**0.8x**	**1.2x**

(1) Based on APRA and AELA system growth statistics.

BOQ BUSINESS

BOQ Commercial loans grew by 7% for the year to $8.8 billion with growth 30% stronger in the second half than the prior half. The updated strategy concentrating on five defined niche target industries in Medical & Dental, Retirement Living, Hospitality & Tourism, Agribusiness and Franchising continues to gain momentum. BOQ's continued focus on credit quality and appropriate pricing for risk, coupled with its relationship banking focus, has yielded improved referrals and new business flow. Market pricing for new customer acquisition improved over the half with an increase in the pipeline of new opportunities that meet target risk versus reward levels. BOQ's diversification by geography is continuing to rebalance its commercial exposures nationally, reducing the previous reliance on the Queensland market.

The BOQ Specialist commercial loan book has maintained strong growth of 13% in a higher margin customer segment in a stronger growth sector of the Australian economy. Despite increasing competitor activity in this higher margin niche, BOQ Specialist maintains a competitive advantage in delivering bespoke solutions to their core medical clients and by building deeper, more meaningful relationships in the broader medical community. BOQ Specialist has increased its customer numbers by 11% over the year to more than 32,000. The success of customer acquisition through the mortgage offering positions BOQ Specialist well for long term sustained growth in commercial lending as the life cycle of these new customers transitions to requiring commercial lending over time.

The SME strategy continues to evolve with further investment in the delivery of product and technical capability through BOQ's Retail branches, business centres and corporate bankers. The successful delivery of the Commercial Lending Origination Environment ('CLOE') has digitised the commercial lending process. BOQ Business has also increased penetration of SME customers originated and managed through the branch network. BOQ has been selective in its risk appetite for residential apartment developments reflecting the Group's dynamic approach to maintaining an appropriately conservative risk appetite.

BOQ Finance grew by 3% to $4.1 billion in a challenging business environment with subdued plant and equipment reinvestment. The repositioning of BOQ Finance as the asset financier of choice and "Proudly Backing Your Business" philosophy has been embraced by a range of business partners including branches, business bankers, brokers, manufacturers, distributors, fleet lessors and specialist finance companies. BOQ has commenced the implementation of a new Leasing platform to simplify and automate processes through the asset funding cycle which should provide a key lever in the continued growth of BOQ Finance. The program is scheduled to be implemented over the course of financial year 2017.

3. BUSINESS SETTINGS

3.1 ASSET QUALITY

Further improvement in asset quality was evident across the portfolio. Loan impairment expense reduced by 9% to $67 million in 2016, or 16bps of gross loans and advances. BOQ achieved improvements in arrears and impairments across all portfolios compared to the prior year and continues to maintain sector leading provisioning coverage. Nearly two thirds of the housing portfolio has now been originated under the revised risk appetite framework established in the 2013 financial year.

		Year End Performance			Half Year Performance		
		Aug-16	Aug-15	Aug-16 vs Aug-15	**Aug-16**	Feb-16	Aug-16 vs Feb-16
Loan Impairment Expense	($ million)	**67**	74	(9%)	**31**	36	(14%)
Loan Impairment Expense / GLA	bps	**16**	18	(2bps)	**14**	17	(3bps)
Impaired Assets	($ million)	**232**	237	(2%)	**232**	240	(3%)
30dpd Arrears	($ million)	**461**	478	(4%)	**461**	562	(18%)
90dpd Arrears	($ million)	**234**	257	(9%)	**234**	255	(8%)
Collective Provision & General Reserve for Credit Losses ('GRCL') / RWA	bps	**91**	100	(9bps)	**91**	96	(5bps)

The table above summarises BOQ's key credit indicators with comparison against August 2015 and February 2016:

- **Loan impairment expense** has continued to reduce, reflective of continued strong credit management practices implemented across the business in prior years. This has driven a significant improvement in the Commercial portfolio metrics over the half and maintained low loss experience through the housing portfolio which continues to benefit from the record low interest rate environment. The full year impairment expense of $67 million or 16bps/GLA is a 2bps improvement on the prior year, with the second half charge reducing to 14bps/GLA.
- **Impaired assets** declined by $5 million (2%) to $232 million for the year with the mix across the portfolio remaining largely in line with the prior year. No exposures greater than $5 million were recognised in the second half, though the impaired asset portfolio still contains three exposures greater than $5 million.
- **Past due performance** has improved at a total portfolio level. The dollar value of arrears has dropped in comparison with the prior year, while GLAs have grown (refer 'Arrears' Section). The housing portfolio continues to show strong payment performance in line with the low interest rate environment. Commercial arrears are at their lowest levels since 2012 with a significant decrease witnessed in both 30dpd (27%) and 90dpd (33%) during the second half.
- **Collective provisioning and GRCL** coverage against risk weighted assets has decreased by 5bps over the half, though BOQ remains prudently provisioned.

LOAN IMPAIRMENT EXPENSE

	Year End Performance			Half Year Performance		
$ million	**Aug-16**	Aug-15	Aug-16 vs Aug-15	**Aug-16**	Feb-16	Aug-16 vs Feb-16
Retail Lending	**16**	22	(27%)	**8**	8	-
Commercial Lending	**22**	21	5%	**8**	14	(43%)
BOQ Finance	**29**	31	(6%)	**15**	14	7%
Total Loan Impairment Expense	**67**	74	(9%)	**31**	36	(14%)
Loan Impairment Expense / GLA	**16bps**	18bps	(2bps)	14bps	17bps	(3bps)

The above table shows the continuing improvement in the Retail portfolio as the main driver for reduction in the impairment expense with the Retail portfolio continuing to be aided by record low interest rates, improved market conditions and faster clearance rates. The Commercial portfolio has increased slightly against the prior year. However, performance in the second half saw strong improvement on the first half, benefiting from fewer new impaired assets, successful resolution of a number of troublesome watchlist accounts that emerged in the first half and improving arrears. BOQ Finance impairment expense has improved slightly against the prior year and is operating in line with long term expectations for this portfolio. Strong credit performance in the vast majority of the portfolio was offset by elevated loss experiences in the exposures relating to the mining and associated sectors of the economy.

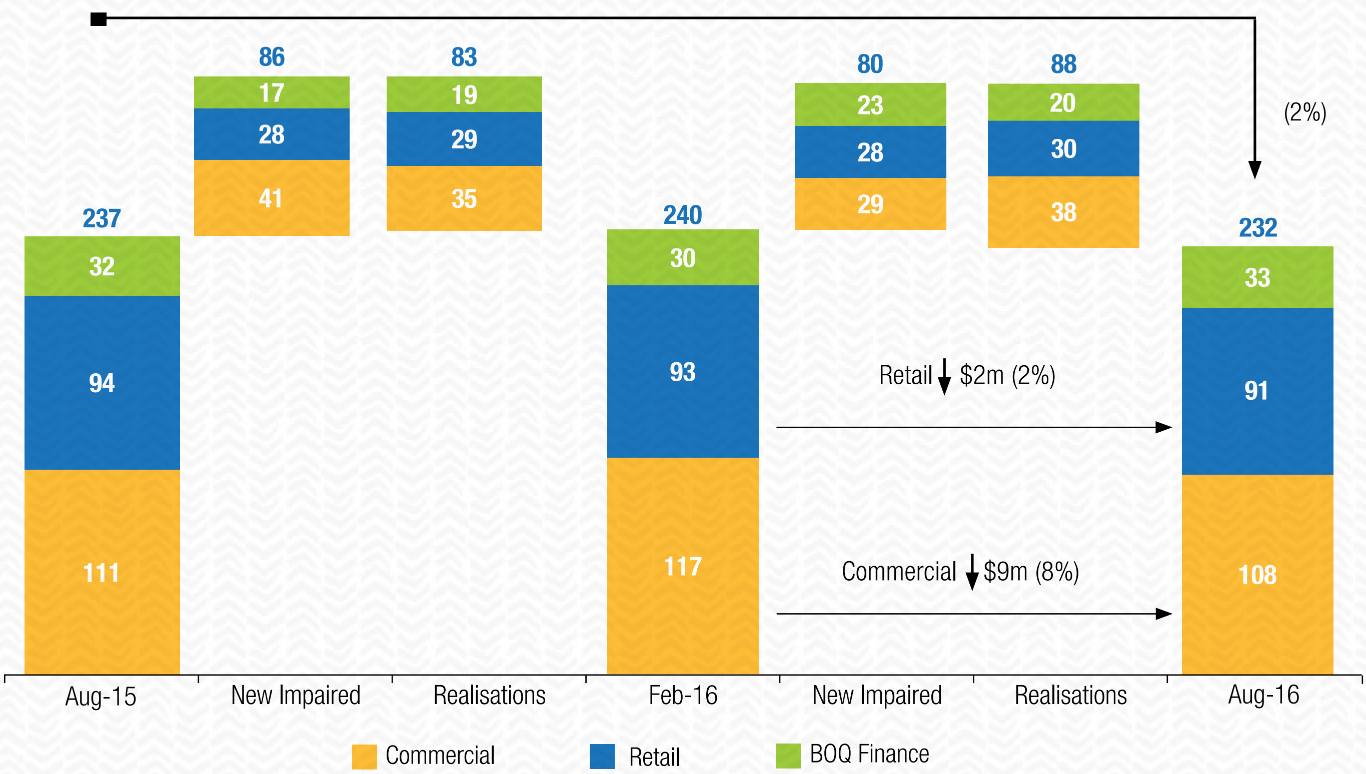
3.1 ASSET QUALITY (CONTINUED)

IMPAIRED ASSETS

$ million	As at Aug-16	As at Feb-16	As at Aug-15	Aug-16 vs Feb-16	Aug-16 vs Aug-15
Retail Lending	**91**	93	94	(2%)	(3%)
Commercial Lending	**108**	117	111	(8%)	(3%)
BOQ Finance	**33**	30	32	10%	3%
Total Impaired Assets	**232**	240	237	(3%)	(2%)
Impaired Assets / GLA	**54bps**	56bps	58bps	(2bps)	(4bps)

Impaired assets have decreased by $5 million (2%) to $232 million resulting in an improvement of the impaired asset to GLA ratio by 4bps over the year to 54bps. The asset mix is largely in line with the prior year, with reductions in both Retail and Commercial impaired balances. BOQ Finance increased over the half and full year due to a small number of exposures that transitioned into the portfolio associated with broader commercial lending facilities which have longer workout timeframes than the traditional nature of leasing impairments. The graph below outlines the movements in impaired assets since August 2015.

IMPAIRED ASSETS ($M)



3.1 ASSET QUALITY (CONTINUED)

RETAIL IMPAIRED ASSETS

Retail impaired assets reduced $3 million (3%) over the year. The housing portfolio continues to show strong performance through improved default metrics. There has been a lowering of the specific provision coverage ratio as the security position of the exposures entering default status has been stronger than earlier in the cycle.

COMMERCIAL IMPAIRED ASSETS

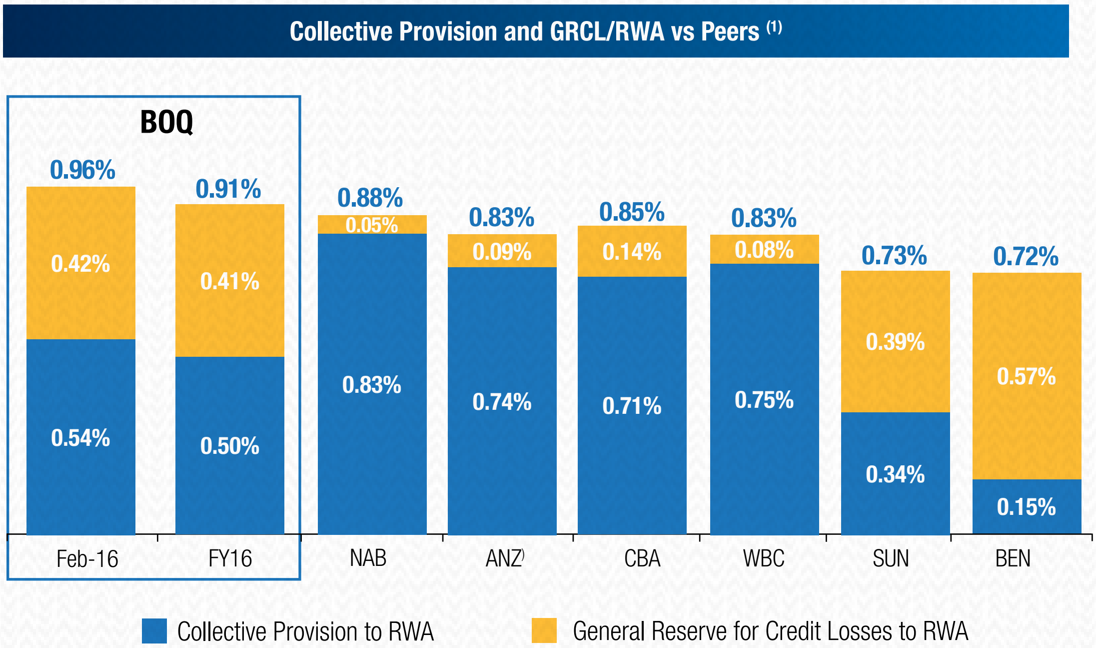
Commercial impaired assets decreased by $3 million (3%) during the year after a slight increase in the first half. There were no new impaired exposures greater than $5 million recognised over the half, and the portfolio contains three exposures greater than $5 million which relate to different sectors of the economy.

BOQ FINANCE IMPAIRED ASSETS

BOQ Finance impaired assets increased by $1 million (3%) over the full year. An increase in arrears in the first half translated into an increase in impaired assets in the third quarter of the financial year. This trend reversed in the fourth quarter as arrears metrics ended below the position at half year and were largely in line with the prior year position.

COLLECTIVE PROVISION AND GRCL/RWA VS PEERS

The graph below shows BOQ's level of collective provisions and GRCL to RWA against the current peer levels as published in their most recent financial reports. BOQ's coverage has dropped 4bps over the half as collective provisions decreased by $8 million (5%). BOQ remains prudently provisioned and continue to be at the upper end of industry coverage ratio's.



(1) Major banks on advanced approach accredited by APRA risk weightings are lower causing coverage to appear higher on a relative basis to the standardised banks.

3.1 ASSET QUALITY (CONTINUED)

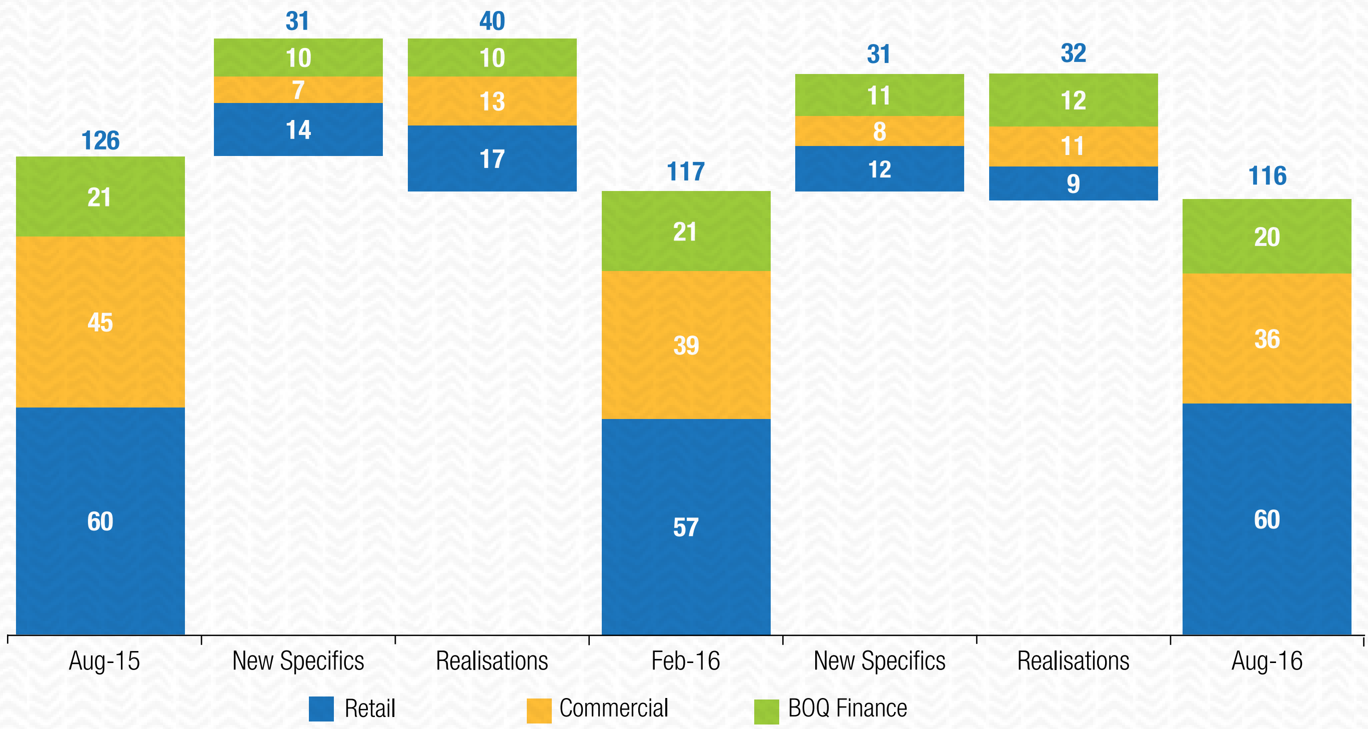
PROVISION COVERAGE

Total provisions decreased by $16 million during the year. Specific provision coverage still remains at 50% as the impaired balance has also decreased for the year. Collective provisions decreased over the year aided by some good success in early intervention in working with some larger troublesome watchlist exposures that emerged in the first half to effective workout, without incurring loss.

	As at				
$ million	**Aug-16**	Feb-16	Aug-15	Aug-16 vs Feb-16	Aug-16 vs Aug-15
Specific Provision	**116**	117	126	(1%)	(8%)
Collective Provision	**140**	148	146	(5%)	(4%)
Total Provisions	**256**	265	272	(3%)	(6%)
GRCL	**81**	81	81	-	-
Specific Provisions to Impaired Assets	**50%**	49%	53%	100bps	(300bps)
Total Provisions and GRCL to Impaired Assets [1]	**160%**	159%	164%	100bps	(400bps)
Total Provisions and GRCL to RWA [1]	**1.3%**	1.4%	1.5%	(10bps)	(20bps)

(1) GRCL gross of tax effect.

SPECIFIC PROVISIONS ($M)



3.1 ASSET QUALITY (CONTINUED)

ARREARS

Key Metrics	Portfolio Balance $m Aug-16	Aug-16	Feb-16	Aug-15	Aug-16 vs Feb-16	Aug-16 vs Aug-15
Total Lending - Portfolio balance ($ million)		**43,152**	42,924	40,975	1%	5%
30 days past due ($ million)		**461**	562	478	(18%)	(4%)
90 days past due ($ million)		**234**	255	257	(8%)	(9%)
		Proportion of Portfolio				
30 days past due: GLAs		**1.07%**	1.31%	1.17%	(24bps)	(10bps)
90 days past due: GLAs		**0.54%**	0.59%	0.63%	(5bps)	(9bps)
By Product						
30 days past due: GLAs (Housing)	**27,248**	**0.98%**	1.10%	1.02%	(12bps)	(4bps)
90 days past due: GLAs (Housing)		**0.47%**	0.40%	0.55%	7bps	(8bps)
30 days past due: GLAs (Line of Credit)	**2,640**	**1.93%**	2.70%	1.61%	(77bps)	32bps
90 days past due: GLAs (Line Of Credit)		**1.02%**	1.18%	0.74%	(16bps)	28bps
30 days past due: GLAs (Consumer)	**304**	**1.97%**	1.89%	1.85%	8bps	12bps
90 days past due: GLAs (Consumer)		**1.32%**	0.95%	0.93%	37bps	39bps
30 days past due: GLAs (Commercial)	**8,818**	**1.23%**	1.68%	1.63%	(45bps)	(40bps)
90 days past due: GLAs (Commercial)		**0.81%**	1.20%	1.06%	(39bps)	(25bps)
30 days past due: GLAs (BOQ Finance)	**4,142**	**0.75%**	0.89%	0.79%	(14bps)	(4bps)
90 days past due: GLAs (BOQ Finance)		**0.13%**	0.17%	0.13%	(4bps)	-

RETAIL ARREARS

Housing arrears improved by 12bps for the half in 30dpd following the usual seasonal uptick in February, though deteriorated slightly in 90dpd with an increase of 7bps from a very strong half year position. While 90dpd increased over the half, it is still 8bps lower than the prior year as the mortgage portfolio continues to benefit from lower interest rate environment.

Line of Credit arrears decreased over the half as anticipated, with the first half impacted by seasonality and unwound as expected. The portfolio balance continued to decrease as it was largely originated prior to 2012. The portfolio was progressively repriced during the year to better reflect its underlying riskier profile.

BOQ BUSINESS ARREARS

Commercial arrears improved substantially over the full year in both 30dpd and 90dpd. The benefits of the new risk appetite and credit practices established in 2012 are evident. Improved asset prices and low interest rates assisted in rectifying troubled accounts and BOQ's improved risk management capability has been successful in driving early identification and intervention in stressed exposures.

3.2 FUNDING AND LIQUIDITY

The funding strategy and risk appetite reflects the Group's business strategy, current economic environment, and allowance for potential scenarios that could impact the funding position. Over the year, BOQ increased customer deposits adding $2.2 billion, an increase of 8% that fully funded lending growth for 2016. This increased BOQ's Deposit to Loan Ratio by 2% to 68% as at August 2016.

The increase in long term wholesale funding of $500 million over the year was created predominantly through senior unsecured debt issuance, highlighting the Group's ability to build additional capacity in both domestic and offshore markets following credit rating upgrades in prior years.

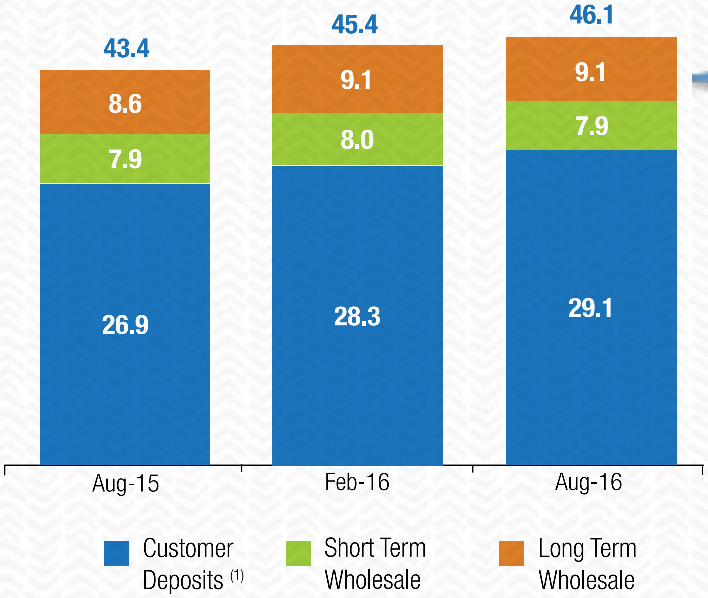
The combination of growth in customer deposits and long term wholesale funding strengthened the core stable funding profile of the Bank.

	As at				
$ million	**Aug-16**	Feb-16	Aug-15	Aug-16 vs Feb-16 (1)	Aug-16 vs Aug-15
Customer Deposits (2)	**29,122**	28,260	26,914	6%	8%
Wholesale Deposits	**7,598**	7,820	7,818	(6%)	(3%)
Total Deposits	**36,720**	36,080	34,732	4%	6%
Borrowings	**9,398**	9,204	8,713	4%	8%
Other Liabilities	**1,148**	1,032	1,104	23%	4%
Total Liabilities	**47,266**	46,316	44,549	4%	6%

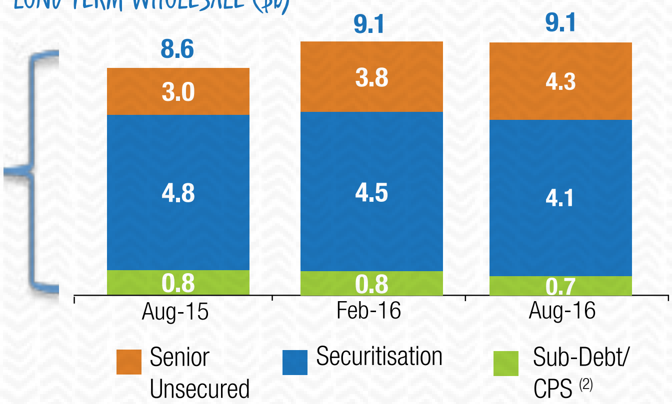
(1) Growth rates have been annualised.

(2) The classification of customer deposits is defined as all deposits excluding those from financial institutions as defined under APS210 Liquidity Standard

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 APS210.

(2) Convertible Preference Shares and Wholesale Capital Notes.

3.2 FUNDING AND LIQUIDITY (CONTINUED)

BOQ's liquidity strategy and risk appetite is designed to ensure it has the ability to meet payment obligations as and when they fall due. To manage liquidity risk BOQ maintains a portfolio of unencumbered high quality liquid assets, including a buffer to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources.

As at 31 August 2016 the Liquidity Coverage Ratio ('LCR') was 122% and the average for the quarter was 129%, with an appropriate buffer held against prudential limits. In addition, based upon the information available, the Group's Net Stable Funding Ratio is above the regulatory minimum. BOQ is well positioned to have a prudent buffer in place by 1 January 2018 once the regulatory standard is finalised over the coming year.

BOQ continues to take all reasonable steps to reduce its reliance on the Committed Liquidity Facility ('CLF') and strengthen the Net Stable Funding Ratio by continuing to grow stable sources of funding, namely customer deposits and long term wholesale funding.

BOQ continues to diversify and increase its allocation to Tier One High Quality Liquid Assets ('HQLA1') consisting of deposits with central banks, Australian Commonwealth Government and Semi-Government securities which now represents 70% of Net Cash Ouflows.

	As at				
	Aug-16	Feb-16	Aug-15	Aug-16 vs Feb-16	Aug-16 vs Aug-15
Customer deposit funding	**79%**	78%	77%	1%	2%
Wholesale deposit funding	**21%**	22%	23%	(1%)	(2%)
Total GLA's (net of specific provision) ($ million)	**43,036**	42,807	40,849	1%	5%
Deposit to Loan Ratio	**68%**	66%	66%	2%	2%

FUNDING

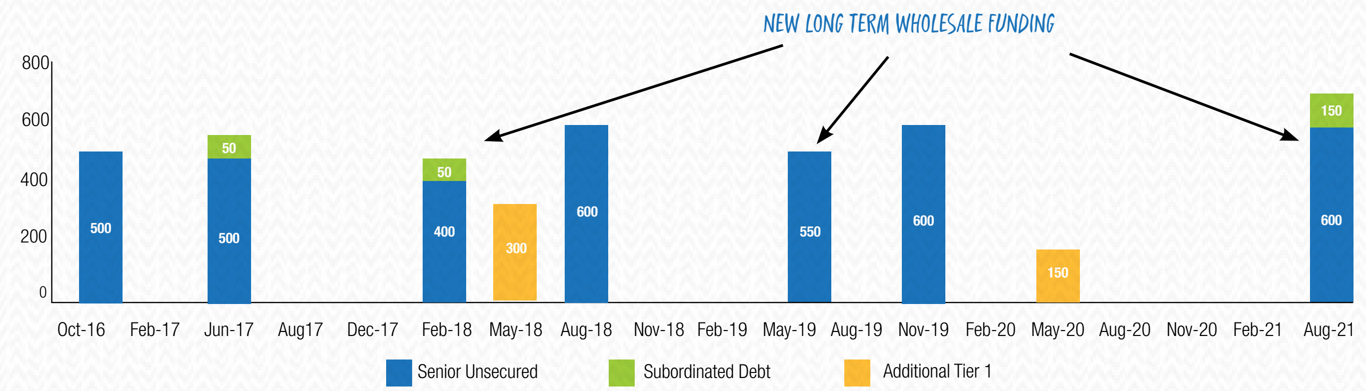
BOQ has increased the long term wholesale funding portfolio over the year against a backdrop of challenging economic and market conditions.

In addition to the two benchmark senior unsecured transactions executed in the first half, BOQ continued to extend its funding curve with the execution of a new five year senior unsecured transaction in May. BOQ also took advantage of the private placement market raising additional funding both domestically and via BOQ's Euro Medium Term Note programme. BOQ will continue exploring other funding markets that will further increase its funding capability and diversity.

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

Over the past year, BOQ continued to evolve its long term wholesale funding profile into a mature state with numerous pricing points on the senior unsecured curve to promote more transparent pricing for investors. BOQ built further capacity into its wholesale funding profile, ensuring maturities are balanced to limit refinancing risk and assist with liability and liquidity management.

Term issuance over the year included a $750 million securitisation transaction, $150 million subordinated debt issue and $1.9 billion worth of senior unsecured issues (including domestic and offshore private placements).



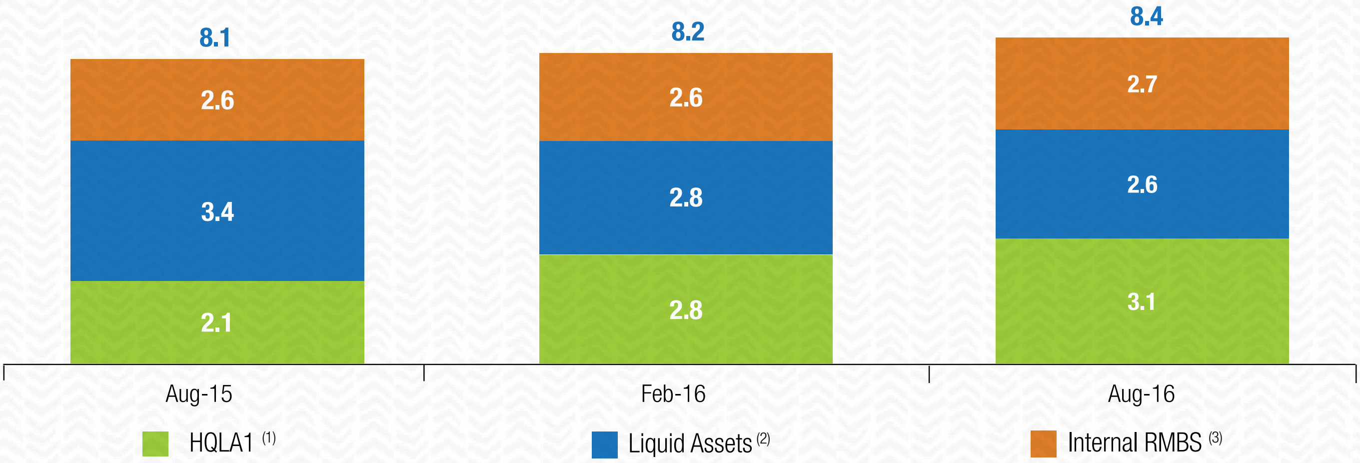
(1) Senior unsecured maturities greater than $100 million shown, excludes private placements.

(2) Redemption of Subordinated Debt Notes and Additional Tier 1 instruments at the scheduled call date is to BOQ's option and is subject to obtaining prior written approval from APRA.

3.2 FUNDING AND LIQUIDITY (CONTINUED)

BOQ maintains a portfolio of repo eligible, diversified, marketable High Quality Liquid Assets to facilitate balance sheet liquidity and meet internal and external requirements. The credit quality of the liquid asset portfolio continued to improve through an increase in HQLA1 holdings over the year to $3.1 billion. BOQ was granted a $2.6 billion RBA Committed Liquidity Facility for the 2016 calendar year, sufficient to enable BOQ to meet its minimum regulatory requirement of greater than 100% LCR.

LIQUIDITY COMPOSITION - BASEL III ($B)



(1) 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.

3.3 CAPITAL MANAGEMENT

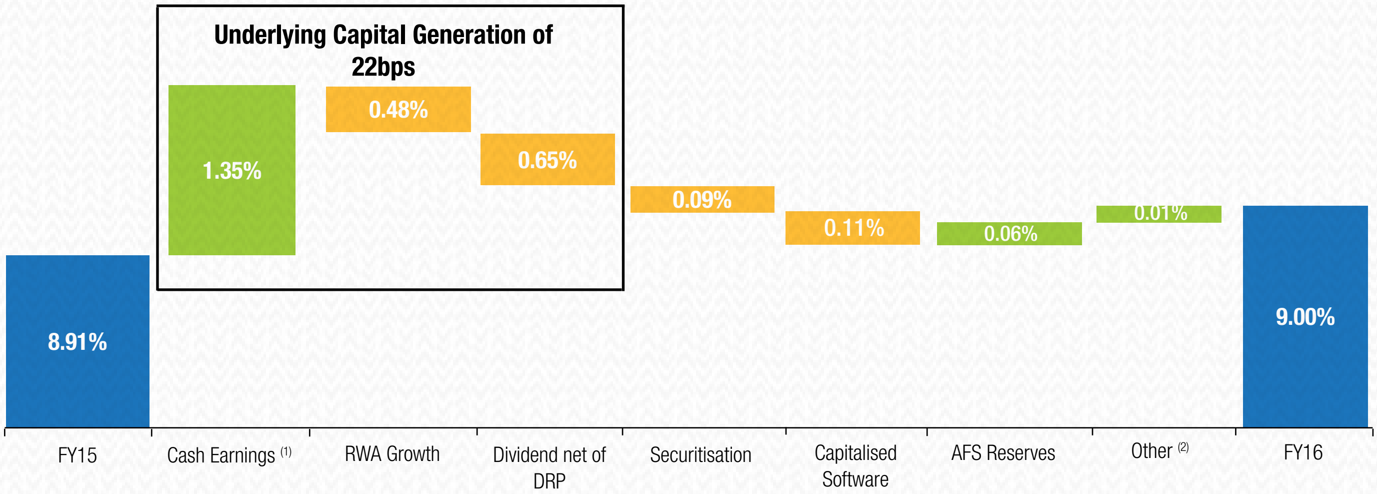
CAPITAL ADEQUACY

	As at				
$ million	**Aug-16**	Feb-16	Aug-15	Aug-16 vs Feb-16	Aug-16 vs Aug-15
Common Equity Tier 1 ('CET1')	**2,524**	2,416	2,346	5%	8%
Additional Tier 1 Capital	**450**	450	450	-	-
Total Tier 2	**474**	554	551	(14%)	(14%)
Total Capital Base	**3,448**	3,420	3,347	1%	3%
Total RWA	**28,054**	27,467	26,321	2%	7%
Common Equity Tier 1 Ratio	**9.00%**	8.80%	8.91%	20bps	9bps
Total Capital Adequacy Ratio	**12.29%**	12.45%	12.72%	(16bps)	(43bps)

The Group further strengthened its capital ratios during the year with the Common Equity Tier 1 ('CET1') ratio increasing 9bps to 9.00%. The second half saw a 20bps increase in CET1 reflecting underlying cash earnings and a strong dividend reinvestment participation rate which more than compensated for the moderated loan growth in the second half. The half also saw a favourable movement in the available for sale reserve which offset the impact of an increase in capitalised software reflecting the heightened reinvestment being undertaken.

3.3 CAPITAL MANAGEMENT (CONTINUED)

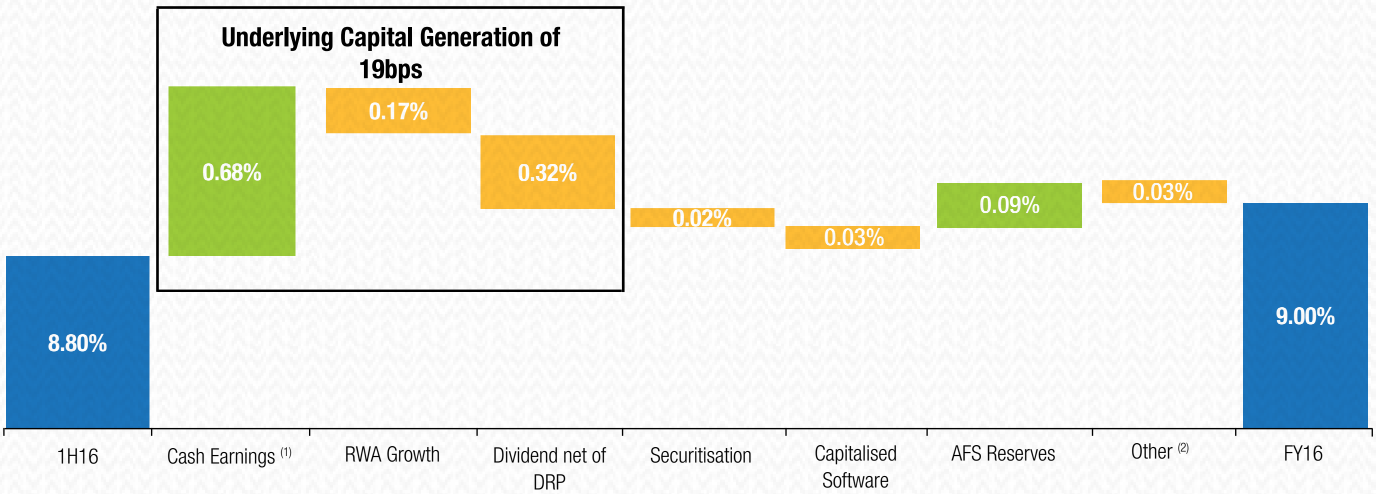
COMMON EQUITY TIER 1 FY16 V FY15



(1) Cash earnings adjusted for one-off non-recurring items which represents the impact of the restructuring costs of $15 million before tax.

(2) Other items include the positive impact of reduced deferred tax balances and dividends received from entities outside the capital group, net against non-recurring items and deferred acquisition costs.

COMMON EQUITY TIER 1 2H16 V 1H16



(1) Cash earnings adjusted for one-off non-recurring items which represents the impact of the restructuring costs of $8 million before tax.

(2) Other items includes capitalised deferred acquisition costs and non-recurring items offset by positive impact of a reduced deferred tax asset.

3.4 TAX EXPENSE

Tax expense arising on Cash Earnings for the year amounted to $163 million. This represents an effective tax rate of 31.2%, 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
Income Statement and Statement of comprehensive income (Rule 4.3A.3 Item No. 3)	Annual Report - Page 70-71
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 79-134
Dividends and Dividend dates (Rule 4.3A.3 Item No. 7)	Annual Report - Page 85
Dividend Reinvestment Plan (Rule 4.3A.3 Item No. 8)	Annual Report - Page 85
Net tangible assets per security (Rule 4.3A.3 Item No. 9)	Page 26
Details of entities over which control has been gained or lost (Rule 4.3A.3 Item No. 10)	Annual Report- Page 124-126
Details of associated and joint venture entities (Rule 4.3A.3 Item No. 11)	Page 26
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 86-87

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-16**	Feb-16	Aug-15
Net tangible assets per ordinary shares ($) (1)	**7.13**	7.07	7.07

(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 BOQ's 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 excluded this year relate to the amortisation of customer contracts. The BOQ Specialist integration was finalised during the year and has been completed within previously advised guidance.

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

	Year End Performance			Half Year Performance		
$ million	**Aug-16**	Aug-15	Aug-16 vs Aug-15	**Aug-16**	Feb-16	Aug-16 vs Feb-16
Cash Earnings after Tax	**360**	357	1%	**181**	179	1%
Amortisation of customer contracts (acquisition)	**(15)**	(14)	7%	**(7)**	(8)	(13%)
Amortisation of Fair Value adjustments (acquisition)	**(1)**	(1)	-	**-**	(1)	(100%)
Hedge ineffectiveness	**(4)**	(3)	33%	**(6)**	2	n/a
Integration / transaction costs	**(2)**	(20)	(90%)	**(1)**	(1)	-
Legacy items	**-**	(1)	(100%)	**-**	-	-
Statutory Net Profit after Tax	**338**	318	6%	**167**	171	(2%)

(B) NON-CASH EARNINGS RECONCILING ITEMS

$ million	**Cash Earnings Aug-16**	Virgin Money	Amortisation of customer contracts (acquisition)	Amortisation of fair value adjustments	Hedge ineffectiveness	Integration/ transaction costs	Legacy items	**Statutory Net Profit Aug-16**
Net Interest Income	**937**	-	-	-	-	(1)	-	**936**
Non-Interest Income	**173**	15	-	-	(6)	-	(1)	**181**
Total Income	**1,110**	15	-	-	(6)	(1)	(1)	**1,117**
Operating Expenses	**(520)**	(15)	(17)	(1)	-	(2)	1	**(554)**
Underlying Profit	**590**	-	(17)	(1)	(6)	(3)	-	**563**
Loan Impairment Expense	**(67)**	-	-	-	-	-	-	**(67)**
Profit before Tax	**523**	-	(17)	(1)	(6)	(3)	-	**496**
Income Tax Expense	**(163)**	-	2	-	2	1	-	**(158)**
Profit after Tax	**360**	-	(15)	(1)	(4)	(2)	-	**338**

4.3 OPERATING CASH EXPENSES

	Year End Performance			Half Year Performance		
	Aug-16	Aug-15	Aug-16 vs Aug-15	**Aug-16**	Feb-16	Aug-16 vs Feb-16
Employee expenses						
Salaries	**200**	195	3%	**100**	100	-
Superannuation contributions	**20**	20	-	**10**	10	-
Payroll tax	**13**	12	8%	**6**	7	(14%)
Employee Share Programs	**11**	7	57%	**6**	5	20%
Other	**9**	7	29%	**5**	4	25%
	253	241	5%	**127**	126	1%
Occupancy expenses						
Lease expense	**31**	34	(9%)	**15**	16	(6%)
Depreciation of Fixed Assets	**9**	9	-	**4**	5	(20%)
Other	**3**	4	(25%)	**2**	1	100%
	43	47	(9%)	**21**	22	(5%)
General expenses						
Marketing	**17**	19	(11%)	**10**	7	43%
Commissions to Owner Managed Branches	**7**	7	-	**4**	3	33%
Communications and postage	**21**	20	5%	**11**	10	10%
Printing and stationery	**4**	5	(20%)	**2**	2	-
Impairment	**1**	9	(89%)	**1**	-	-
Processing costs	**20**	24	(17%)	**8**	12	(33%)
Other operating expenses	**28**	26	7%	**12**	16	(25%)
	98	110	(11%)	**48**	50	(4%)
IT expenses						
Data processing	**64**	64	-	**34**	30	13%
Amortisation of Intangible Assets	**27**	17	59%	**15**	12	25%
Depreciation of Fixed Assets	**1**	1	-	**1**	-	-
	92	82	12%	**50**	42	19%
Other expenses						
Professional fees	**12**	12	-	**6**	6	-
Directors' fees	**2**	2	-	**1**	1	-
Other	**5**	6	(17%)	**3**	2	50%
	19	20	(5%)	**10**	9	11%
Restructuring expenses [1]	**15**	-	-	**8**	7	14%
Total Operating Expenses	**520**	500	4%	**264**	256	3%

(1) The 2016 restructuring expenses mainly consist of employee costs.

4.3 OPERATING CASH EXPENSES (CONTINUED)

Employee Expenses

Employee share program costs increased over the year. This included allocation of long term award incentives to BOQ Specialist staff that were previously covered by transitional retention arrangements following acquisition in July 2014. Customer acquisition through new channels has impacted salary costs with an increase in sales and support staff required.

Occupancy Expenses

The prior year included $6 million of costs associated with the transition of Brisbane and Sydney head offices.

General Expenses

The decrease from the prior year reflected the impairment of the pilot CRM system ($10 million) in 2015.

IT Expenses

The delivery of a number of key initiatives during the year resulted in an uplift in the amortisation profile of $10 million. BOQ has continued to invest in areas that improve the overall customer experience, productivity and efficiency.

4.4 PROPERTY, PLANT & EQUIPMENT (CONSOLIDATED)

	Leasehold improvements $m	Plant furniture and equipment $m	IT equipment $m	Capital works in progress $m	Assets under Operating Lease $m	Total $m
Cost						
Balance as at 1 September 2015	69	32	32	1	25	159
Additions	6	1	-	1	10	18
Disposals	(4)	(1)	(1)	-	(11)	(17)
Transfers between categories	-	1	-	(1)	-	-
Balance as at 31 August 2016	**71**	**33**	**31**	**1**	**24**	**160**
Amortisation and loss on disposal / impairment						
Balance as at 1 September 2015	30	22	29	-	17	98
Depreciation for the year	7	2	1	-	8	18
Disposals	(4)	(1)	(1)	-	(10)	(16)
Balance as at 31 August 2016	**33**	**23**	**29**	**-**	**15**	**100**
Carrying amount as at 31 August 2015	**39**	**10**	**3**	**1**	**8**	**61**
Carrying amount as at 31 August 2016	**38**	**10**	**2**	**1**	**9**	**60**

4.5 CASH EPS CALCULATIONS

		Year End Performance			Half Year Performance		
		Aug-16	Aug-15 [2]	Aug-16 vs Aug-15	**Aug-16**	Feb-16	Aug-16 vs Feb-16
Basic EPS	(cents)	**95.6**	97.3	(2%)	**47.8**	47.8	-
Diluted EPS	(cents)	**90.7**	94.3	(4%)	**45.4**	45.6	-
Reconciliation of Cash Earnings for EPS							
Cash Earnings available for ordinary shareholders	($ million)	**360**	357	1%	**181**	179	1%
Add: CPS Dividend	($ million)	**16**	16	-	**8**	8	-
Add: Wholesale Capital Notes [1]	($ million)	**7**	2	250%	**3**	4	(25%)
Cash Diluted Earnings available for ordinary shareholders	($ million)	**383**	375	2%	**192**	191	1%
Weighted Average Number of Shares ('WANOS')							
Basic WANOS	(million)	**376**	367	2%	**378**	373	1%
Add: Effect of award rights	(million)	**1**	3	(67%)	**1**	2	(50%)
Add: Effect of CPS	(million)	**30**	24	25%	**30**	27	11%
Add: Effect of Wholesale Capital Notes [1]	(million)	**15**	3	400%	**15**	14	7%
Diluted WANOS for Cash Earnings EPS	(million)	**422**	397	6%	**424**	416	2%

(1) On 26 May 2015, the Bank issued 15,000 Wholesale Capital Notes at a price of $10,000 per note.

(2) August 2015 has been restated to reflect the correct pro-rata treatment of the Wholesale capital notes, issued 26 May 2015.

4.6 ISSUED CAPITAL

ORDINARY SHARES

	Consolidated	
	2016 Number	2016 $m
Movements during the year		
Balance at the beginning of the year – fully paid	**370,768,776**	3,155
Issue of ordinary shares - 26 October 2015 [1]	**1,130,000**	15
Issue of ordinary shares - 9 February 2016 [1]	**374,000**	5
Dividend reinvestment plan - 24 November 2015 [2]	**3,893,309**	51
Dividend reinvestment plan - 19 May 2016 [2]	**4,829,617**	53
Balance at the end of the year – fully paid	**380,995,702**	3,279

(1) On 26 October 2015, 1,130,000 ordinary shares were issued and on 9 February 2016, 374,000 ordinary shares were issued to the trustee of the Bank of Queensland Limited Employee Share Plan Trust. This was 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.

(2) 36% was taken up by shareholders on 24 November 2015 and 38% on 19 May 2016 as part of the Dividend Reinvestment Plan.

4.7 AVERAGE BALANCE SHEET AND MARGIN ANALYSIS

	August 2016 (Full Year)			August 2015 (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	**42,571**	**2,001**	**4.70**	39,713	2,037	5.13
Investments & other securities	**5,850**	**155**	**2.65**	6,385	190	2.98
Total interest earning assets	**48,421**	**2,156**	**4.45**	46,098	2,227	4.83
Non-interest earning assets						
Property, plant & equipment	**61**			61		
Other assets	**1,558**			1,599		
Provision for impairment	**(268)**			(280)		
Total non-interest earning assets	**1,351**			1,380		
Total Assets	**49,772**			47,478		
Interest bearing liabilities						
Retail deposits	**28,255**	**661**	**2.34**	26,595	726	2.73
Wholesale deposits & Borrowings	**17,124**	**558**	**3.26**	16,593	594	3.58
Total Interest bearing liabilities	**45,379**	**1,219**	**2.68**	43,188	1,320	3.06
Non-interest bearing liabilities	**869**			885		
Total Liabilities	**46,248**			44,073		
Shareholders' funds	**3,524**			3,405		
Total liabilities & shareholders' funds	**49,772**			47,478		
Interest margin & interest spread						
Interest earning assets	**48,421**	**2,156**	**4.45**	46,098	2,227	4.83
Interest bearing liabilities	**45,379**	**1,219**	**2.68**	43,188	1,320	3.06
Net interest spread			**1.77**			1.77
Benefit of net interest-free assets, liabilities and equity			**0.17**			0.20
Net interest margin - on average interest earning assets	**48,421**	**937**	**1.94**	46,098	907	1.97

4.7 AVERAGE BALANCE SHEET AND MARGIN ANALYSIS (CONTINUED)

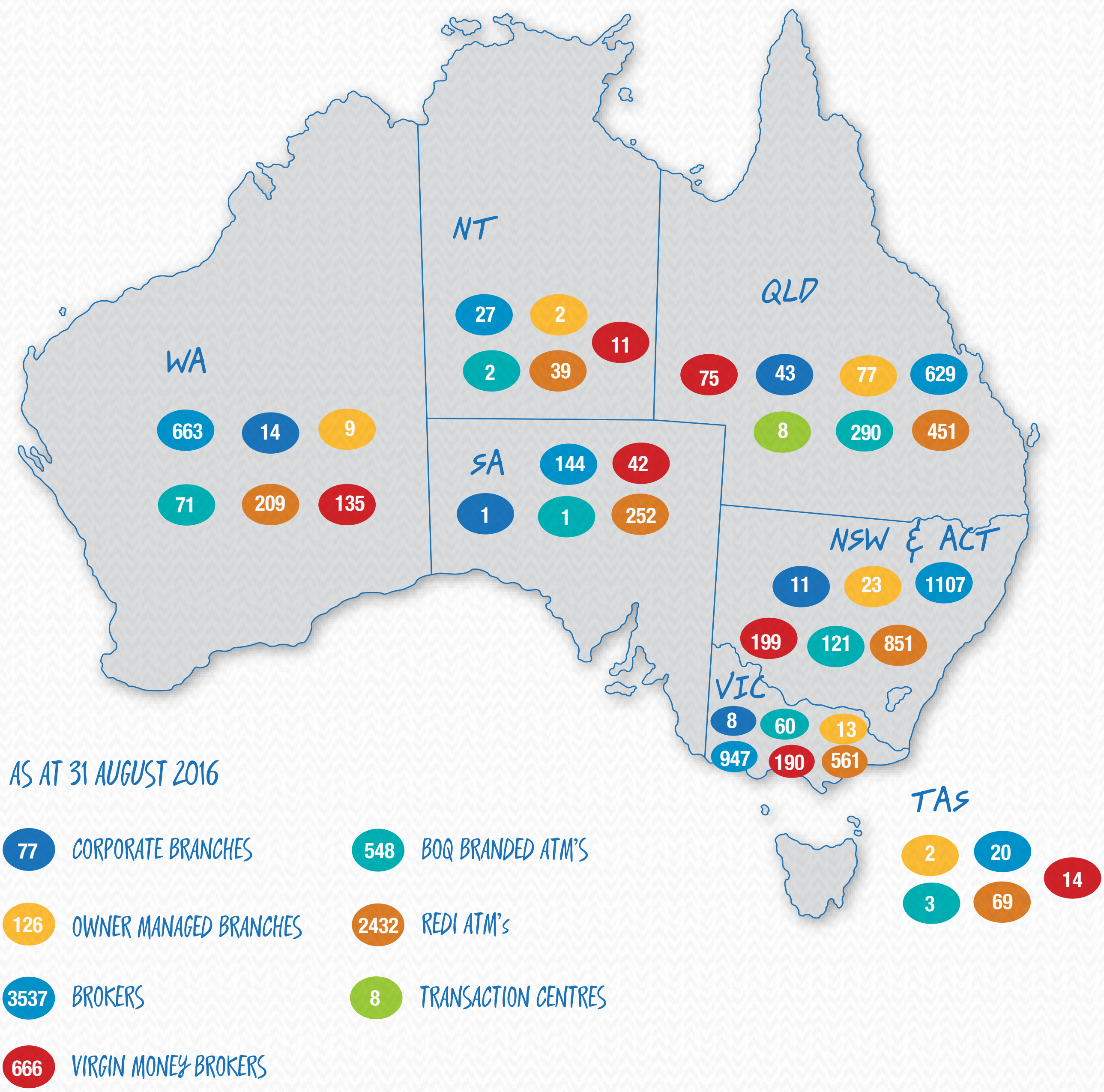
	August 2016 (Six month period)			February 2016 (Six month period)		
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Interest earning assets						
Gross loans & advances at amortised cost	**43,354**	**1,011**	**4.64**	41,837	990	4.76
Investments & other securities	**5,999**	**78**	**2.59**	5,669	77	2.71
Total interest earning assets	**49,353**	**1,089**	**4.39**	47,506	1,067	4.52
Non-interest earning assets						
Property, plant & equipment	**60**			61		
Other assets	**1,551**			1,553		
Provision for impairment	**(264)**			(270)		
Total non-interest earning assets	**1,347**			1,344		
Total Assets	**50,700**			48,850		
Interest bearing liabilities						
Retail deposits	**28,690**	**339**	**2.35**	27,821	323	2.33
Wholesale deposits & Borrowings	**17,569**	**280**	**3.17**	16,690	277	3.34
Total Interest bearing liabilities	**46,259**	**619**	**2.66**	44,511	600	2.71
Non-interest bearing liabilities	**885**			847		
Total Liabilities	**47,144**			45,358		
Shareholders' funds	**3,556**			3,492		
Total liabilities & shareholders' funds	**50,700**			48,850		
Interest margin & interest spread						
Interest earning assets	**49,353**	**1,089**	**4.39**	47,506	1,067	4.52
Interest bearing liabilities	**46,259**	**619**	**2.66**	44,511	600	2.71
Net interest spread			**1.73**			1.81
Benefit of net interest-free assets, liabilities and equity			**0.17**			0.16
Net interest margin - on average interest earning assets	**49,353**	**470**	**1.90**	47,506	467	1.97

4.8 DISTRIBUTION FOOTPRINT

BOQ has continued to develop its 'Customer in Charge' strategy to allow customers to engage through their channel of choice. This includes a preferred broker (aligned to BOQ or Virgin Money) or directly with BOQ through BOQ's Owner Managed and Corporate branches, online via digital, social media or mobile banking or on the telephone to BOQ's award winning Perth and Gold Coast Customer Contact Centres.

Branch numbers reduced by 23 during the 2016 financial year as BOQ looked to optimise its points of presence. Nearly half of BOQ's Owner Managers have transitioned to the new franchise proposition which better aligns the network with the strategic objectives of the Bank and has delivered significant performance improvements in terms of settlements and fulfilment of broader customer needs. A further 8 ICON branches were delivered during the year including the first Owner Managed ICON branch at Kippa-Ring in Brisbane.

The broker strategy expansion accelerated over 2016 with the total BOQ accredited brokers now exceeding 3,500. The launch of Virgin Money mortgages this half has resulted in a further 800 brokers being accredited with the scheduled onboarding of two major aggregators in October. Across the BOQ branded and Virgin Money broker aggregator relationships, the Group now has access to approximately 75% of the Australia Broker market. The majority of accredited brokers are situated outside of Queensland which will further accelerate the geographic diversification of the portfolio.

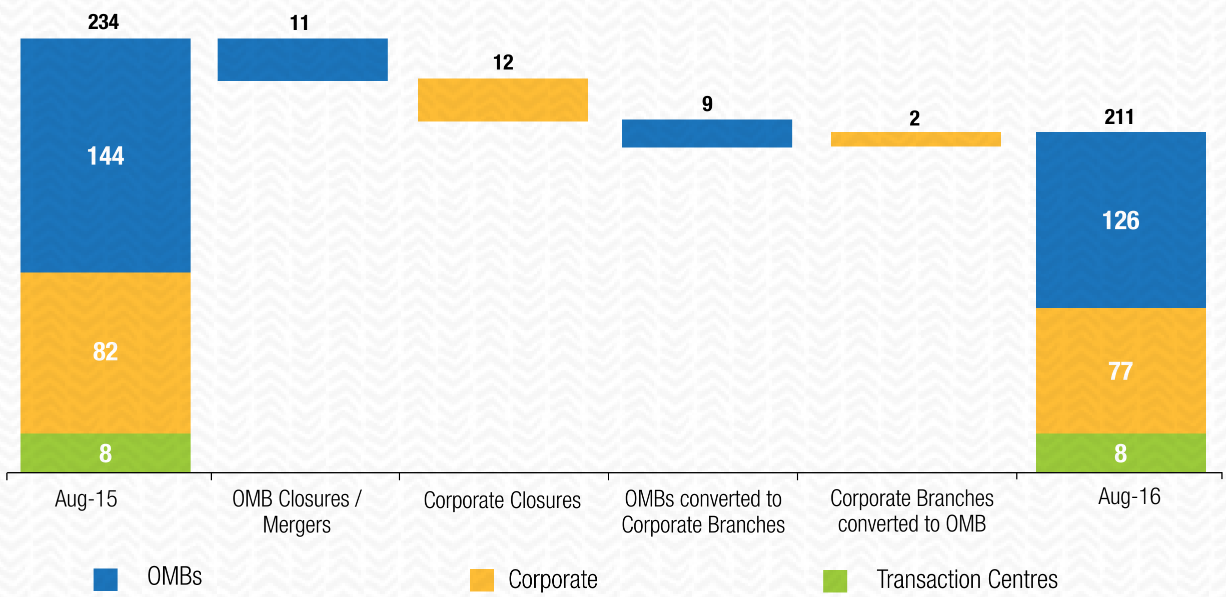


4.8 DISTRIBUTION FOOTPRINT (CONTINUED)

As at Aug-16	QLD	NSW / ACT	VIC	WA	NT	TAS	SA	Total
Corporate Branches	43	11	8	14	-	-	1	77
Owner Managed Branches	77	23	13	9	2	2	-	126
Transaction Centres	8	-	-	-	-	-	-	8
	128	**34**	**21**	**23**	**2**	**2**	**1**	**211**

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**

CORPORATE, OWNER MANAGED BRANCHES ('OMB') & TRANSACTION CENTRES



4.9 CREDIT RATING

The progress made over recent years in strengthening the balance sheet and embedding a revised risk appetite has been recognised with the major credit agencies of Standard & Poor's, Moody's and Fitch having reaffirmed BOQ's credit ratings during the course of the year.

BOQ's 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

APRA requires ADIs to maintain a minimum 100% LCR. The LCR requires sufficient High Quality Liquid Assets to meet net cash outflows over a 30 day period, under a regulator defined liquidity stress scenario. BOQ manages its LCR on a daily basis with a buffer above the regulatory minimum in line with the BOQ prescribed risk appetite and management ranges. BOQ's average LCR remained consistent over the August quarter at 129% (31 May 2016 quarter: 129%). The following table presents detailed information in respect of the average LCR composition for the two quarters.

BOQ maintains a portfolio of high quality, diversified liquid assets to facilitate balance sheet liquidity needs and meet internal and regulatory requirements. Liquid assets comprise HQLA (cash, Australian Semi-Government and Commonwealth Government securities) and alternate liquid assets covered by the CLF from the Reserve Bank of Australia. Assets eligible for the CLF include senior unsecured bank debt, covered bonds and residential mortgage backed securities ('RMBS') that are repo eligible with the Reserve Bank of Australia.

BOQ has a stable, diversified and resilient deposit and funding base that mitigates the chance of a liquidity stress event across various funding market conditions. BOQ utilises a range of funding tools including customer deposits, securitisation, short term and long term wholesale debt instruments. BOQ has increased customer funding over the period as part of its overall funding strategy. Bank lending is predominantly funded from stable funding sources with short term wholesale funding primarily used to manage timing mismatches and fund liquid assets.

The liquid assets composition has changed over the combined quarters with the allocation to HQLA increasing, now making up 72% of net cash outflows (29 February 2016: 64%). Across the combined quarters net cash outflows have increased in line with balance sheet growth.

BOQ does not have significant derivative exposures or currency exposures that could adversely affect its LCR.

4.10 LIQUIDITY COVERAGE RATIO (CONTINUED)

	Average Quarterly Performance			
	August Quarter		May Quarter	
	Total Unweighted Value $m	Total Weighted Value $m	Total Unweighted Value $m	Total Weighted Value $m
Liquid Assets, of which				
High quality liquid assets	n/a	2,982	n/a	3,014
Alternative liquid assets	n/a	2,385	n/a	2,375
Total Liquid Assets		**5,367**		**5,389**
Cash Outflows				
Customer deposits and deposits from small branch customers, of which	13,497	1,239	13,444	1,325
stable deposits	*6,863*	*343*	*6,419*	*321*
less stable deposits	*6,634*	*896*	*7,025*	*1,004*
Unsecured wholesale funding, of which	4,322	2,721	4,211	2,756
non-operational deposits	*3,279*	*1,678*	*3,116*	*1,661*
unsecured debt	*1,043*	*1,043*	*1,095*	*1,095*
Secured wholesale funding	n/a	56	n/a	65
Additional requirements, of which	394	333	423	324
outflows related to derivatives exposures and other collateral requirements	*330*	*330*	*319*	*319*
credit and liquidity facilities	*64*	*3*	*104*	*5*
Other contractual funding obligations	324	16	369	53
Other contingent funding obligations	9,105	609	8,528	598
Total Cash Outflows	**27,642**	**4,974**	**26,975**	**5,121**
Cash Inflows				
Inflows from fully performing exposures	723	413	750	433
Other cash inflows	395	395	515	515
Total Cash Inflows	**1,118**	**808**	**1,265**	**948**
Total Net Cash Outflows	**26,524**	**4,166**	**25,710**	**4,173**
Total Liquid Assets	n/a	**5,367**	n/a	**5,389**
Total Net Cash Outflows	n/a	**4,166**	n/a	**4,173**
Liquidity Coverage Ratio (%)	n/a	**129%**	n/a	**129%**

GLOSSARY OF TERMS

Term	Description
Alternative Liquid Asset ('ALA')	Qualifying Collateral for the Committed Liquid Facility comprising of all assets eligible for repurchase transactions with the RBA under normal market conditions and any other assets nominated by the RBA.
APRA Prudential Standard ('APS')	Prudential Standards issued by APRA applicable to ADIs.
Australian Accounting Standards ('AASB')	A series of technical pronouncements that set out the measurement and recognition requirements when accounting for particular types of transactions and events, along with the preparation and presentation requirements of an entity's financial statements.
Australian Equipment Lessors Association ('AELA')	AELA is the national association for the equipment leasing and financing industry.
Australian Prudential Regulation Authority ('APRA')	APRA is the prudential regulator of banks, insurance companies and superannuation funds, credit unions, building societies and friendly societies.
Australian Securities Exchange ('ASX')	Australian Securities Exchange or ASX Limited ABN 98 008 624 691 and the market operated by ASX Limited.
Authorised Deposit-Taking Institution ('ADI')	A corporations which is authorised under the *Banking Act 1959* and includes banks, building societies and credit unions.
Available for Sale ('AFS')	Available for sale is an accounting term used to classify financial assets. AFS assets represent securities and other financial investments that are neither held for trading, nor held to maturity. Under IFRS, AFS assets are defined as being all financial assets that do not fall into one of the other IFRS financial asset classifications.
Average Interest Earning Assets	Average balance over the period for a bank's assets that accrue interest income.
Bank of Queensland Limited ('the Bank') ('BOQ')	The Bank is a for profit entity primarily involved in providing retail banking, leasing finance, and insurance products, to its customers.
BASEL III	A global regulatory framework to improve the regulation, supervision and risk management within the banking system developed by the Basel Committee on Banking Supervision.
Basis points ('bps')	One per cent of one per cent (0.01%)
Cash Earnings	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
Committed Liquidity Facility ('CLF')	The Reserve Bank provides a CLF as part of Australia's implementation of the Basel III liquidity reforms. The facility, which is required because of the limited amount of government debt in Australia, is designed to ensure that participating ADIs have enough access to liquidity to respond to an acute stress scenario, as specified under the relevant APS.
Common Equity Tier 1 ('CET1')	Capital that is recognised as the highest quality component of capital under APRA Prudential Standards.
Common Equity Tier 1 ratio ('CET1 ratio)	CET1 capital divided by total risk-weighted assets calculated in accordance with relevant APS.
Consolidated Entity ('the Group')	The Bank and its' subsidiaries.
Convertible Preference Shares ('CPS')	CPS are fully paid, non-cumulative, perpetual, convertible, unguaranteed and unsecured preference shares with preferred, discretionary dividends, issued by companies.
Cost to Income ratio	Operating expenses divided by net operating income.
Days past due ('dpd')	A loan or lease payment that has not been made by a customer by the due date.
Dividend Payout ratio	Dividends paid on ordinary shares divided by earnings per share.
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 current plan discount of 1.5%.
Dividend Yield	Dividend as a percentage of the share price.
Earnings per Share ('EPS')	Measures of earnings attributed to each equivalent ordinary share over a twelve month period. Calculated by dividing the company's earnings by the weighted average number of shares on issue in accordance with AASB 133 *Earnings per share*.
Equipment Hire Purchase ('EHP')	EHP trust under the REDS securitisation program, issuing ABS to the term market.
Effective tax rate	Income tax expense divided by profit before tax.
Full Time Equivalent ('FTE')	A calculation based on number of hours worked by full and part time employees as part of their normal duties.

GLOSSARY OF TERMS

Term	Description
General Reserve for Credit Losses ('GRCL')	An estimate of the reasonable and prudent expected credit losses over the remaining life of the portfolio and on non-defaulted assets, not covered by provisions for impairment.
Gross Loans and Advances ('GLA')	Initially recognised at fair value plus incremental direct transaction costs and subsequently measured at each reporting date at amortised cost using the effective interest method.
High Quality Liquid Asset ('HQLA1')	Comprises of the Bank's notes and coins and marketable securities representing claims on or guaranteed by the Australian Government or Semi-Government authorities.
Impaired Assets	Exposures that have deteriorated to the point where full collection of principal and interest is in doubt.
Interest bearing liabilities	The bank's liabilities that accrue interest expense.
International Accounting Standard ('IAS')	A set of accounting standards developed by the International Accounting Standards Board stating how particular types of transactions and other events should be reflected in financial statements. These standards are currently being phased out and replaced by IFRS (see below)
International Financial Reporting Standards ('IFRS')	International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.
Issued Capital	Value of securities allotted in a company to its shareholders.
Line of Credit ('LOC')	A flexible facility that allows a customer to draw down on their approved available credit at any time, as long as the customer does not exceed the approved credit limit.
Liquid assets	All unencumbered RBA repurchase eligible liquid assets including HQLA1 and assets able to be pledged as collateral to the RBA under the CLF.
Liquidity Coverage Ratio ('LCR')	The ratio of high quality liquid assets that can be converted into cash easily and immediately in private markets, to total net cash flows required to meet the Group's liquidity needs for a 30 day calendar liquidity stress scenario as determined in accordance with APRA's prudential standards.
Net Interest Margin ('NIM')	Net interest income divided by average interest-earning assets.
Net Tangible Assets ('NTA')	Net tangible assets are calculated as the total assets of a company minus any intangible assets such as goodwill, less all liabilities and the par value of preferred stock.
Non-interest earning assets	The bank's assets that do not accrue interest income.
Owner Managed Branch ('OMB')	A branch which is run locally by a franchisee and delivers personal service to their customers.
Real Estate Debt Securities ('REDS')	An acronym to describe the BOQ securitisation programs.
Residential Mortgage Backed Securities ('RMBS')	A reference to a financial debt security that is secured by a pool of mortgages on residential property. Mortgages with varying credit ratings are grouped together and sold in tranches to investors by issuers as a source of funding.
Return on Average Equity ('ROE')	Net Profit attributable to the owners of the company divided by average ordinary equity.
Return on Average Tangible Equity ('ROTE')	Net profit attributable to the owners of the company divided by average ordinary equity less goodwill and identifiable intangible assets.
Risk Weighted Assets ('RWA')	A quantitative measure of various risks including credit, operational, market and securitisation as defined by APRA's prudential standards.
Share Capital	Company's issued and paid-up capital.
Total Capital Adequacy Ratio	Total capital divided by total risk-weighted assets calculated in accordance with relevant APS.
Treasury shares	Shares that the Bank has issued but are held by a trust included within the Bank's consolidated results. Treasury shares are not considered shares outstanding and are not included in 'per share' calculations.
Virgin Money (Australia) ('Virgin Money')	Virgin Money (Australia) Pty Ltd and its subsidiaries. The Virgin Money entities are subsidiaries of the Group that engages in the provision of financial services (e.g. insurance, superannuation and home lending) on behalf of business partners, including BOQ.
Weighted Average Number of Shares ('WANOS')	Calculated in accordance with AASB 133 *Earnings per Share*.
Wholesale Capital Notes ('WCN')	WCNs are similar to CPS as the notes may convert into common shares in certain circumstances as described in the offer documentation of the notes.