BOQ Investor Information 2017

Incorporating the requirements of Appendix 4E

BOQ GROUP - 2017 ANNUAL RESULTS

ASX APPENDIX 4E

For the year ended 31 August 2017

Results for announcement to the market [1]

				$m
Revenues from ordinary activities [2]	Down	1%	to	1,103
Profit from ordinary activities after tax attributable to members [2]	Up	4%	to	352
Profit for the year attributable to members [2]	Up	4%	to	352

Dividends	Paid or payable on	Amounts per security
Ordinary Shares ('BOQ')		
Final ordinary dividend - fully franked [3]	23 November 2017	38 cents
Special dividend - fully franked [3]	23 November 2017	8 cents
Interim dividend - fully franked	17 May 2017	38 cents
Convertible Preference Shares ('CPS') ('BOQPD')		
Final CPS dividend - fully franked [4]	16 October 2017	$2.45
Half-yearly CPS dividend - fully franked	18 April 2017	$2.49
Wholesale Capital Notes ('WCN')		
Final WCN dividend - fully franked [5]	27 November 2017	$220.50
Half-yearly WCN dividend - fully franked	26 May 2017	$220.77

(1) Rule 4.2A.3. Refer to Appendix 4.1 for the cross reference index for ASX Appendix 4E.
(2) On prior corresponding year (twelve months ended 31 August 2016).
(3) The record date for determining entitlements to the final and special dividend is 3 November 2017.
(4) The record date for determining entitlements to the final CPS dividend is 29 September 2017.
(5) The record date for determining entitlements to the final WCN dividend is 19 November 2017.

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OPERATING AND FINANCIAL REVIEW

1. Highlights and 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 and current expectations 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.

BOQ does not undertake to update any forward-looking statements contained in this document, subject to disclosure requirements applicable to it.

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 Operating and Financial Review Appendices for the reconciliation of Statutory Profit to Cash Earnings.

The items excluded from Cash Earnings are consistent with the prior year. Hedge ineffectiveness represents earnings volatility from hedges that are not fully effective under the application of AASB 139 *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 being on a Statutory Profit basis. Unless otherwise stated, all financial comparisons in this document refer to the prior half (to 28 February 2017) and the prior year (to 31 August 2016).

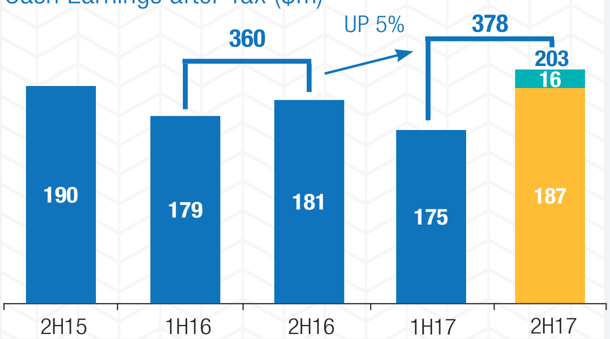
These non-statutory measures have not been subject to review or audit.

Reconciliation of Statutory Profit to Cash Earnings ($m)

BOQ GROUP - 2017 ANNUAL RESULTS

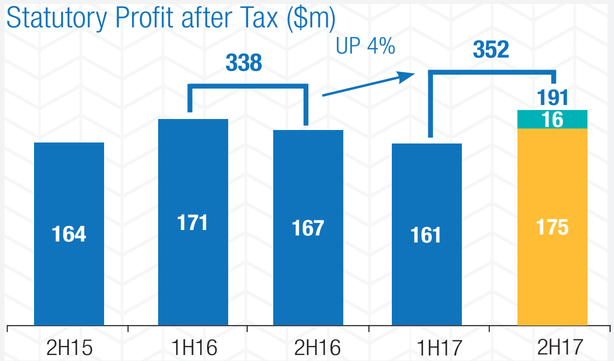
1.2 Group Highlights

Cash Earnings after Tax ($m)



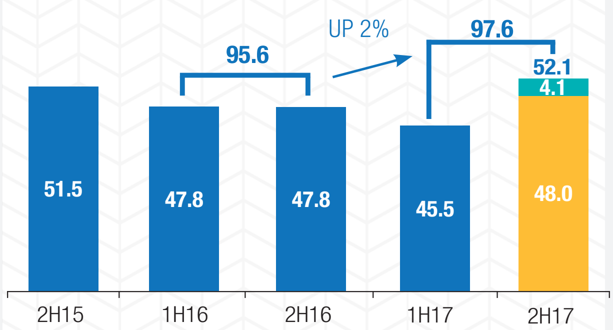
Impact of disposal of vendor finance entity

Statutory Profit after Tax ($m)



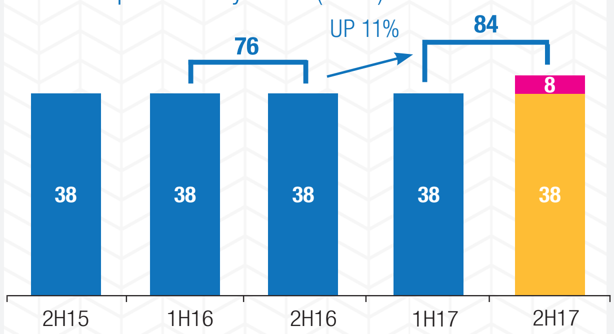
Impact of disposal of vendor finance entity

Cash Basic Earnings per Share (‘EPS’) (cents)



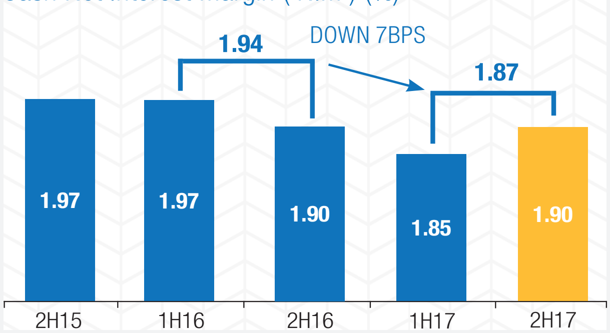
Impact of disposal of vendor finance entity

Dividends per ordinary share (cents)

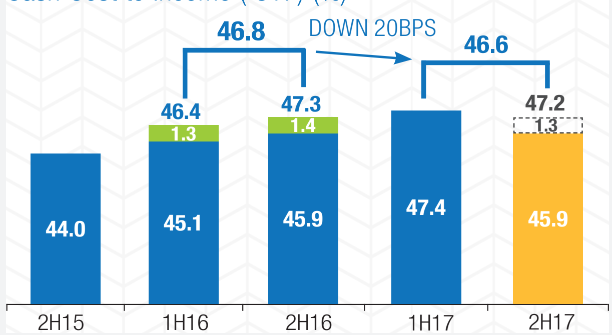


Special dividend

Cash Net Interest Margin (‘NIM’) (%)

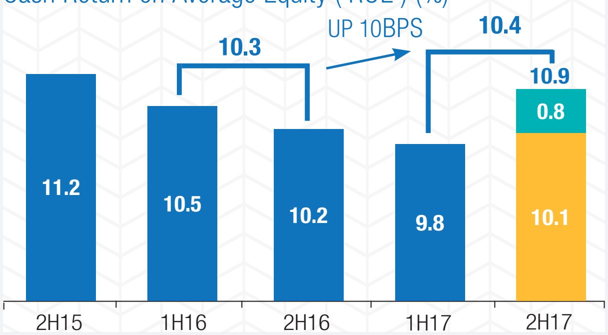


Cash Cost to Income (‘CTI’) (%)



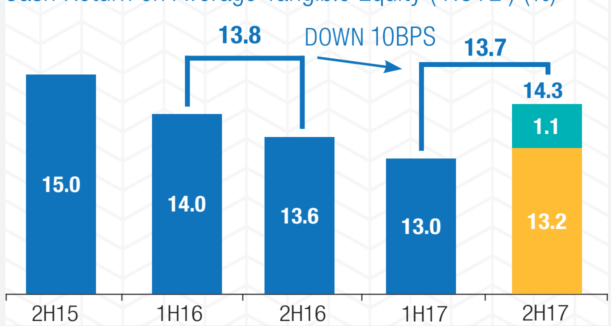
Restructuring Impact of disposal of vendor finance entity

Cash Return on Average Equity (‘ROE’) (%)



Impact of disposal of vendor finance entity

Cash Return on Average Tangible Equity (‘ROTE’) (%)



Impact of disposal of vendor finance entity

BOQ GROUP - 2017 ANNUAL RESULTS

1.2 Group Highlights (continued)

CASH EARNINGS AFTER TAX

$378m

Increased by 5 per cent on the prior year. $362m excluding the impact of the disposal of a vendor finance entity

CASH NET INTEREST MARGIN

1.87%

Down 7bps over the prior year driven by challenging market dynamics, including a lower yield curve and higher funding costs

OPERATING EXPENSES

$513m

1% increase in underlying expense profile while investing in technology and expanding new business lines

LOAN IMPAIRMENT EXPENSE

$48m

Down 5bps to 11bps of lending and a 28 per cent reduction over the prior year

COMMON EQUITY TIER 1

9.39%

Increase of 39bps for the year through strong organic capital generation

DIVIDENDS [1]

FINAL & INTERIM	SPECIAL
$0.76	$0.08

[1] One-off DRP suspension

BOQ delivered a five per cent increase in cash earnings to $378 million and a four per cent increase in Statutory Net Profit after Tax to $352 million for the 2017 financial year. This result was achieved in a difficult operating environment, while a significant transformation of the business was underway.

The first half of the year was characterised by challenges in the external market, which hampered revenue growth through lower asset balances and net interest margin. These headwinds eased in the second half of the year, with improvements in both net interest margin and lending growth. Meanwhile the business continued to focus on managing expenses and risks, which kept underlying expense growth for the year below one per cent and resulted in a further reduction in loan impairment expense.

The result includes a $16 million profit on the disposal of a vendor finance entity in the second half, following the vendor's decision to exercise its contractual option to acquire the business. This disposal effectively brings forward future earnings on the disposed portfolio into BOQ's 2017 financial year and as such is a non-recurring item. The disposal created a capital gain which was sheltered by pre-existing capital losses that had not previously been taken to account.

Lending growth of two per cent or $0.7 billion was achieved in the 2017 financial year. The second half saw a return to growth in the BOQ Commercial and BOQ Finance channels as BOQ's strategy of targeting defined niche sectors delivered positive results. While mortgage growth has been flat for the year, two per cent annualised growth was achieved in the second half as the Virgin Money (Australia) ('VMA' or 'Virgin Money') and BOQ Specialist mortgage offerings continued to produce strong results.

Net interest margin was down seven basis points to 1.87 per cent for the full year, but increased five basis points in the second half to 1.90 per cent. Higher term deposit rates contributed to the fall in margin in the first half, but these rates improved in the second half which provided support to the margin, together with home loan pricing changes.

Operating expenses were down one per cent from the prior year to $513 million, with restructuring costs of $15 million that were incurred in the prior year. Excluding this, operating expenses increased by one per cent. This included a $10 million increase in IT software amortisation expense as BOQ continues to deliver strategic initiatives and pursue its transformation agenda. Since the 2016 announcement of the program to reshape its operating model and organisational structure, BOQ has continued to improve internal processes and deliver efficiency improvements. This has enabled the Bank to invest in new channels, with that investment being absorbed within the cost profile.

Further improvement in asset quality was evident across the portfolio. Loan impairment expense was 28 per cent lower at $48 million in 2017, or a reduction of five basis points to 11 basis points of gross loans and advances. The second half result of ten basis points of gross loans and advances is a particularly strong result. BOQ achieved good results in credit quality metrics across the portfolio as arrears remained stable, while impaired assets were lower.

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') of 39 basis points to 9.39 per cent. Impending changes to the regulatory standard APS120 *Securitisation* (that come into effect on 1 January 2018) and the estimated reduction of the requirement for the Bank's general reserve for credit losses ('GRCL') upon implementation of a new collective provisioning model planned for the first half of 2018, are expected to increase CET1 by a further 20 to 25 basis points. This positions BOQ very well for evolving regulatory capital requirements.

The Board has determined to pay a final dividend of 38 cents per ordinary share fully franked. The total ordinary dividend for the year is 76 cents, flat on the 2016 financial year. The Board has also determined to pay a special dividend of 8 cents per ordinary share fully franked. The dividend reinvestment plan ('DRP') has been suspended for both the final and special dividends and will be reactivated on the next trading day after the payments are made.

BOQ GROUP - 2017 ANNUAL RESULTS

1.3 Strategy

BOQ is a full service financial institution whose primary function is gathering deposits and lending. It is listed on the Australian Securities Exchange ('ASX') and regulated by the Australian Prudential Regulation Authority ('APRA') as an authorised deposit-taking institution ('ADI'). It is one of the top 100 companies by market capitalisation on the ASX.

BOQ was established in 1874 as the first Permanent Building Society in Queensland. It has evolved into a national bank with a network of retail branches, brokers and brands spanning every state and territory in Australia.

BOQ aims 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 niche customer segments that value a more intimate banking relationship than they receive from the major banks. BOQ is one of Australia's leading regional banks, and one of the few not owned by one of the major banks. Most of BOQ's branches are run by local Owner Managers, meaning the person running the branch owns the branch. As small business owners, Owner Managers know what it means to deliver personal service. Through its specialists from niche commercial segments including corporate healthcare & retirement living, hospitality and agribusiness, BOQ provides a level of support to business banking customers rarely offered by the major banks.

BOQ is committed to engaging positively with all stakeholders in a fair and transparent way to create value for customers, employees, investors and the communities in which it operates. For more information on BOQ's approach to sustainability and its key sustainability issues, please visit the sustainability section of its website (http://www.boq.com.au/about-sustainability.htm).

Information on how BOQ continues to address its economic, social, environmental and governance risks can be found in BOQ's Corporate Governance Statement available on the corporate governance page of its website (http://www.boq.com.au/aboutus_corporate_governance.htm).

BOQ's corporate strategy is delivered through its four strategic pillars: Customer in Charge; Grow the Right Way; There's Always a Better Way; and Loved Like No Other.

Customer in Charge is about improving customers' experience and expanding BOQ's avenues for growth by putting customers in charge of when, where and how they choose to engage with BOQ. This is regardless of whether they come into a branch, use online services, call on the phone or buy products through a third party intermediary.

BOQ's products, including Virgin Money home loans, are distributed by more than 7,500 accredited brokers, making the Bank more accessible to customers who prefer to use brokers. In FY17, Virgin Money launched a website that improves customers' digital experience by personalising content. BOQ will roll out a similar upgrade early next calendar year. The Bank also continued to modernise other customer-facing channels by upgrading its branch fleet of ATMs.

Grow the Right Way is about building a strong and profitable business by making the right decisions about where and how to grow. This includes focusing on niche customer segments that value an intimate banking relationship. This year, BOQ expanded its offering to niche segments through the acquisition of Centrepoint Alliance Premium Funding Pty Ltd ('BOQF Cashflow Finance') to create a new Cashflow Finance team within BOQ Finance, boosting the Bank's specialist skills. BOQ also further diversified its sources of funding with the launch of the first conditional pass-through covered bond program by an Australian bank. BOQ continued its conservative approach to lending, which has given it a high quality portfolio. As existing franchise agreements expire, BOQ is moving Owner Managers onto a new balanced scorecard agreement that includes a wider range of metrics, such as customer and compliance measures.

There's Always a Better Way is about BOQ's commitment to making systems and processes simpler, faster and smarter. The aim is to improve efficiency, reduce costs and deliver better customer service. This year, BOQ continued to digitise its lending platforms by making improvements to retail, commercial and lease management lending systems. Increased productivity across the Group enabled it to achieve its one per cent underlying expense growth target for FY17. BOQ also introduced investment and change management frameworks that enabled it to respond quickly to emerging opportunities.

Loved Like No Other is about how BOQ maintains positive stakeholder relationships by living its values, creating a place where people love to work and contributing to the communities in which it operates. These are just some of the things BOQ does to prove "It's Possible to Love a Bank".

This year BOQ reinforced its commitment to ethical conduct through an industry leading commitment to the Banking and Finance Oath. The Bank also built on its internal ethics training and conduct reporting, and introduced a range of team based initiatives to embed company values and drive a culture of continuous improvement. It continued to demonstrate its commitment to a diverse and inclusive workforce by making significant progress on its reconciliation journey.

By continuing to focus on the four strategic pillars, BOQ aims to deliver robust and sustainable financial performance, consistent growth in returns to shareholders and superior service to customers and the wider community.

BOQ GROUP - 2017 ANNUAL RESULTS

2. Group Performance Analysis

2.1 Income Statement and Key Metrics

	Year End Performance			Half Year Performance		
$ million	**Aug-17**	Aug-16	Aug-17 vs Aug-16	**Aug-17**	Feb-17	Aug-17 vs Feb-17
Net Interest Income	**926**	937	(1%)	**474**	452	5%
Non-Interest Income	**175**	173	1%	**95**	80	19%
Total Income	**1,101**	1,110	(1%)	**569**	532	7%
Operating Expenses	**(513)**	(520)	(1%)	**(261)**	(252)	4%
Underlying Profit	**588**	590	-	**308**	280	10%
Loan Impairment Expense	**(48)**	(67)	(28%)	**(21)**	(27)	(22%)
Profit before Tax	**540**	523	3%	**287**	253	13%
Income Tax Expense	**(162)**	(163)	(1%)	**(84)**	(78)	8%
Cash Earnings after Tax	**378**	360	5%	**203**	175	16%
Statutory Net Profit after Tax	**352**	338	4%	**191**	161	19%

		Year End Performance			Half Year Performance		
Key Metrics		**Aug-17**	Aug-16	Aug-17 vs Aug-16	**Aug-17**	Feb-17	Aug-17 vs Feb-17
Shareholder Returns							
Share Price	($)	**12.59**	10.55	19%	**12.59**	11.85	6%
Market Capitalisation	($ million)	**4,932**	4,020	23%	**4,932**	4,590	7%
Dividends per ordinary share (fully franked)	(cents)	**76**	76	-	**38**	38	-
Special dividend per ordinary share (fully franked)	(cents)	**8**	-	-	**8**	-	-
Cash Earnings basis							
Basic Earnings per Share ('EPS')	(cents)	**97.6**	95.6	2%	**52.1**	45.5	14%
Diluted EPS	(cents)	**93.9**	90.7	4%	**49.9**	43.7	14%
Dividend payout ratio (excluding special dividend)	(%)	**78.3**	79.9	(160bps)	**73.3**	84.1	(1080bps)
Dividend payout ratio (including special dividend)	(%)	**86.6**	79.9	670bps	**88.8**	84.1	470bps
Statutory basis							
Basic EPS	(cents)	**90.9**	89.8	1%	**49.1**	41.8	17%
Diluted EPS	(cents)	**87.8**	85.5	3%	**47.2**	40.3	17%
Dividend payout ratio (excluding special dividend)	(%)	**84.1**	85.1	(100bps)	**77.9**	91.4	(1350bps)
Dividend payout ratio (including special dividend)	(%)	**93.0**	85.1	(790bps)	**94.3**	91.4	290bps

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2.1 Income Statement and Key Metrics (continued)

		Year End Performance			Half Year Performance		
Key Metrics		**Aug-17**	Aug-16	Aug-17 vs Aug-16	**Aug-17**	Feb-17	Aug-17 vs Feb-17
Profitability and efficiency measures							
Cash Earnings basis							
Net Profit After Tax	($ million)	**378**	360	5%	**203**	175	16%
Underlying Profit [(1)]	($ million)	**588**	590	-	**308**	280	10%
Net Interest Margin ('NIM')	(%)	**1.87**	1.94	(7bps)	**1.90**	1.85	5bps
Cost to Income Ratio	(%)	**46.6**	46.8	(20bps)	**45.9**	47.4	(150bps)
Loan Impairment Expense to Gross Loans and Advances ('GLA')	(bps)	**11**	16	(5bps)	**10**	13	(3bps)
Return on Average Equity	(%)	**10.4**	10.3	10bps	**10.9**	9.8	110bps
Return on Average Tangible Equity [(2)]	(%)	**13.7**	13.8	(10bps)	**14.3**	13.0	130bps
Statutory basis							
Net Profit After Tax	($ million)	**352**	338	4%	**191**	161	19%
Underlying Profit [(1)]	($ million)	**555**	563	(1%)	**294**	261	13%
NIM	(%)	**1.87**	1.93	(6bps)	**1.90**	1.85	5bps
Cost to Income Ratio	(%)	**49.6**	49.6	-	**48.5**	50.9	(240bps)
Loan Impairment Expense to GLA	(bps)	**11**	16	(5bps)	**10**	13	(3bps)
Return on Average Equity	(%)	**9.7**	9.7	-	**10.3**	9.0	130bps
Return on Average Tangible Equity [(2)]	(%)	**12.7**	13.0	(30bps)	**13.5**	11.9	160bps
Asset Quality							
30 days past due ('dpd') Arrears	($ million)	**470**	461	2%	**470**	468	-
90dpd Arrears	($ million)	**257**	234	10%	**257**	217	18%
Impaired Assets	($ million)	**192**	232	(17%)	**192**	210	(9%)
Specific Provisions to Impaired Assets	(%)	**55.1**	50.1	500bps	**55.1**	54.7	40bps
Collective Provisions to Risk Weighted Assets	(%)	**0.42**	0.50	(8bps)	**0.42**	0.49	(7bps)
Capital							
Common Equity Tier 1 Ratio	(%)	**9.39**	9.00	39bps	**9.39**	9.29	10bps
Total Capital Adequacy Ratio	(%)	**12.37**	12.29	8bps	**12.37**	12.57	(20bps)
Risk Weighted Assets ('RWA')	($ million)	**28,644**	28,054	2%	**28,644**	28,014	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).

BOQ GROUP - 2017 ANNUAL RESULTS

2.2 Net Interest Income

	Year End Performance			Half Year Performance		
$ million	**Aug-17**	Aug-16	Aug-17 vs Aug-16	**Aug-17**	Feb-17	Aug-17 vs Feb-17
Net Interest Income	**926**	937	(1%)	**474**	452	5%
Average Interest Earning Assets	**49,397**	48,421	2%	**49,607**	49,237	1%
Net Interest Margin	**1.87%**	1.94%	(7bps)	**1.90%**	1.85%	5bps

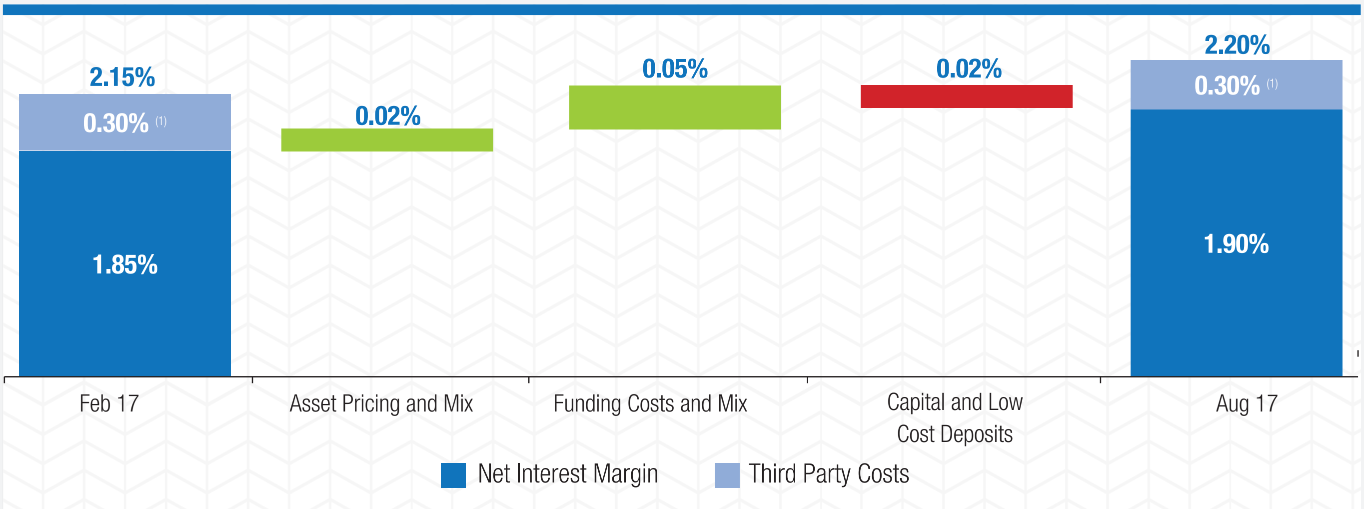
Net Interest Income decreased by one per cent or $11 million from FY16. This was driven by a seven basis point reduction in NIM over the year, which more than offset an increase in average gross loans of two per cent. The margin pressure was most pronounced in the first half, driven primarily by an increase in term deposit funding costs.

The second half performance was much improved, with Net Interest Income increasing by 4.9 per cent. This was due to an increase in average gross loans over the half of 0.8 per cent, a five basis point increase in net interest margin and a 1.6 per cent increase due to a higher number of days in the second half than the first.

The increase in NIM during the second half is largely attributable to improved funding costs, particularly in the term deposit market.

Repricing of lending rates on investor home loans (in both the first and second halves), as well as the August repricing of interest-only home loan rates, supported net interest margin in the second half. More additional flow on benefits are expected in the first half of 2018.

Net Interest Margin - February 2017 To August 2017



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

Underlying movements within the NIM between the first and second halves included the following:

Asset Pricing and Mix: Loan repricing actions contributed positively to NIM by five basis points. Lower rates being offered on new loans and repricing to retain existing customers had a four basis point contractionary effect. The acquisition of the BOQF Cashflow Finance portfolio contributed one basis point to NIM.

Funding Costs and Mix: Funding cost impacts increased NIM by five basis points. The price competition for customer deposits eased, reducing average funding costs and resulted in the majority of the impact in this element of the margin movement for the period. Wholesale funding costs remained flat while the impact of hedging the portfolio remained stable compared to the prior half.

Capital and Low Cost Deposits: The lower interest rate environment reduced the returns on BOQ's $4.2 billion replicating portfolio (covering BOQ's capital and low cost deposits) causing a two basis point reduction in NIM over the half. The ongoing impact should reduce significantly in FY18 to one basis point for the year. The earnings profile is expected to neutralise after that, based on future interest rates implied by the current interest rate curve.

BOQ GROUP - 2017 ANNUAL RESULTS

2.3 Non-Interest Income

	Year End Performance			Half Year Performance		
$ million	**Aug-17**	Aug-16	Aug-17 vs Aug-16	**Aug-17**	Feb-17	Aug-17 vs Feb-17
Banking Income	**96**	99	(3%)	**50**	46	9%
Insurance Income	**21**	26	(19%)	**10**	11	(9%)
Other Income	**51**	30	70%	**33**	18	83%
Trading Income	**7**	18	(61%)	**2**	5	(60%)
Total Non-Interest Income	**175**	173	1%	**95**	80	19%

Non-interest income of $175 million is up one per cent on the prior year. The declining trend in banking income continued to present challenges as customers choose low or no fee products. Changes in the structure of interchange fees and the Bank's outsourced ATM fleet reduced transaction income by $6 million against the prior year. This was offset by increased income from foreign exchange and derivative sales to customers. The increase in banking income in the second half reflected the increase in commercial loan growth and associated fees charged on these products.

Other income increased $21 million during the year, driven mainly by a one-off benefit from the disposal of a vendor finance entity after the vendor partner exercised its option. An improved contribution from the Virgin Money third party product distribution business contributed $5 million to the result this financial year. The business achieved another year of strong growth in credit card receivables, growing 20 per cent on FY16.

The trading income contribution was down on the prior year as the Group held lower levels of traded liquidity instruments.

The St Andrew's Insurance contribution is discussed in detail in section 2.4 below.

2.4 Insurance Overview

	Year End Performance			Half Year Performance		
$ million	**Aug-17**	**Aug-16**	Aug-17 vs Aug-16	**Aug-17**	Feb-17	Aug-17 vs Feb-17
Gross Written Premium (net of refunds)	**70**	62	13%	**35**	35	-
Net Earned Premium	**68**	70	(3%)	**34**	34	-
Underwriting Result	**17**	21	(19%)	**9**	8	13%
Other Insurance Income	**3**	4	(25%)	**1**	2	(50%)
Total Income	**20**	25	(20%)	**10**	10	-
Consolidation Adjustment	**1**	1	-	**-**	1	(100%)
Group Insurance Result	**21**	26	(19%)	**10**	11	(9%)

St Andrew's Insurance contributed $21 million to non-interest income, a $5 million reduction from the prior year.

Gross written premiums were up 13 per cent due to growth in the volume of regular premium policies, particularly from wholesale partnerships. Net earned premiums were down three per cent due to a rise in reinsurance coverage and associated reinsurance premiums.

The underwriting result was down $4 million to $17 million, due to a reduction in net earned premiums, and an increase in commissions and administration fees due to a higher mix of wholesale product volumes. Claims experience improved on the prior year and was in line with expectations.

The change in business mix to an increasing proportion of wholesale products, and the transition of the portfolio from previously more favourable terms with the business' historically largest distribution partner, has seen the earnings profile decline in recent periods. This trend has stabilised, as indicated by the half-on-half performance. Group insurance performance has been consistent across the past three halves, at between $10 million and $11 million per half. The insurance market is undergoing significant change and regulatory scrutiny, with new requirements contributing to an uncertain outlook.

BOQ GROUP - 2017 ANNUAL RESULTS

2.5 Operating Expenses

	Year End Performance			Half Year Performance		
$ million	Aug-17	Aug-16	Aug-17 vs Aug-16	Aug-17	Feb-17	Aug-17 vs Feb-17
Employee Expenses	257	253	2%	131	126	4%
Occupancy Expenses	42	43	(2%)	21	21	-
General Expenses	85	98	(13%)	46	39	18%
IT Expenses	108	92	17%	53	55	(4%)
Other Expenses	21	19	11%	10	11	(9%)
Operating Model	-	15	(100%)	-	-	-
Total Operating Expenses (1)	513	520	(1%)	261	252	4%
Cost to Income Ratio	46.6%	46.8%	(20bps)	45.9%	47.4%	(150bps)
Cost to Income Ratio (excluding one-off costs) (2)	46.6%	45.5%	110bps	45.9%	47.4%	(150bps)
Number of employees (FTE) (1)	2,031	1,959	4%	2,031	1,953	4%

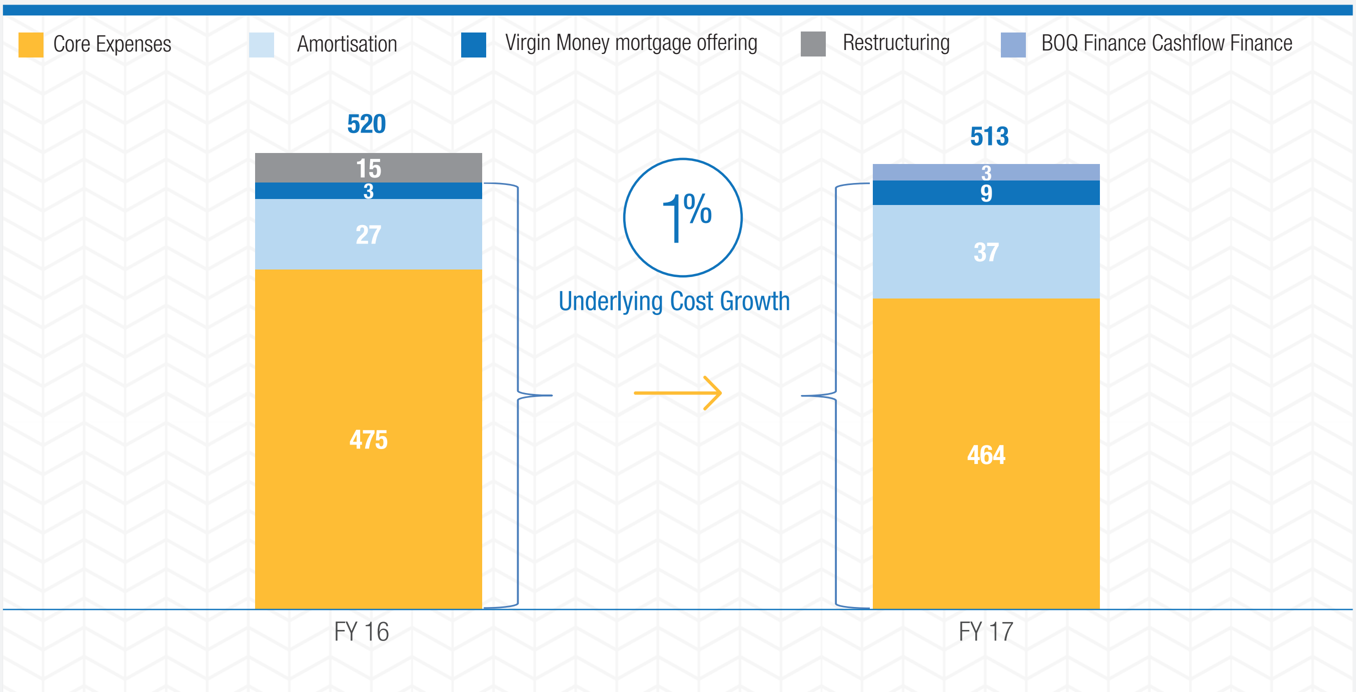
(1) FTE numbers and Operating Expenses exclude Virgin Money third party costs as the net result is included in Non-Interest Income. Expenses relating to the Virgin Money mortgage offering has been included in the above table.

(2) One-off costs are related to operating model restructuring ($15 million) in FY16 .

Operating expenses exclude expenses relating to the white label product distribution activities of Virgin Money, where the net result has been consolidated in non-interest income for the determination of cash earnings. Total expenses for the third party distribution activities of Virgin Money were $15 million for the year which was consistent with the prior period. A reconciliation of cash earnings to statutory profit is set out in section 4.2 (B).

Operating expenses decreased one per cent on the prior period to $513 million. On an underlying basis (excluding non-recurring operating model costs and the expenses related to the newly acquired BOQF Cashflow Finance business), operating expenses increased by one per cent. IT software amortisation expenses associated with the Group's transformation agenda resulted in an additional $10 million being incurred in 2017.

Operating expenses analysis ($m)



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2.5 Operating Expenses (continued)

In 2016, BOQ announced a program to reshape its operating model and organisational structure through a number of productivity initiatives. This program has resulted in the establishment of a mortgage hub as the Group's centre of excellence for mortgage processing. Along with the release of the Retail Loan Origination platform in 2016, this means mortgages can be processed faster and at a lower cost.

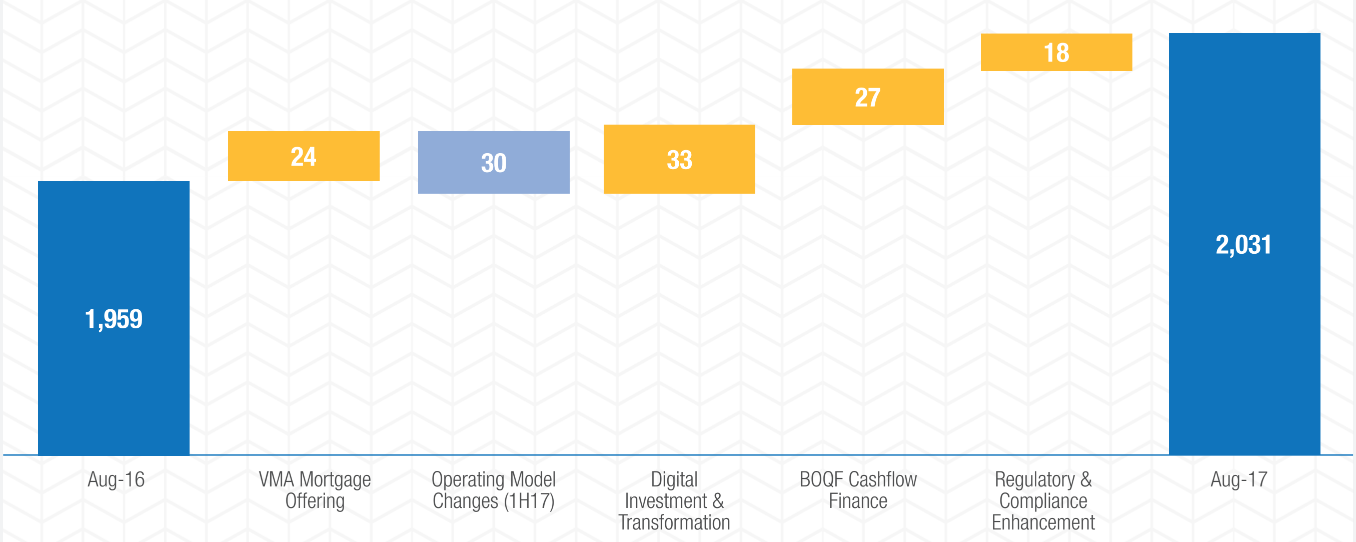
General expenses for 2017 benefited by $6 million compared to the prior year, as a result of changes to the structure of the Bank's outsourced ATM fleet, with a commensurate reduction in Non-Interest Income. The increase in second half general expenses is due to the timing of marketing programs between the first and second half.

IT expenses increased largely due to an increase of $10 million in the amortisation profile following a significant increase in investment spend during recent years.

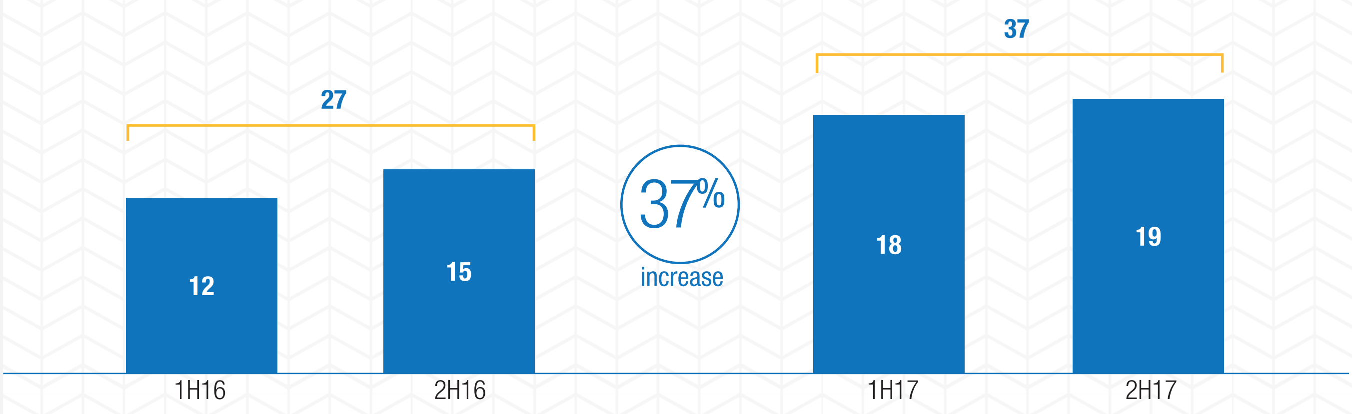
BOQ continues to look for opportunities to improve processes that enhance customer fulfillment and realise efficiencies that can be reinvested in accelerating the Group's digital transformation journey.

BOQ FTE FY17 vs FY16

Employee numbers have increased 4 per cent over the year. Further investment has been made to support the Virgin Money mortgage offering and to support the channel diversification strategy, as well as further BOQ's digital investment & transformation agenda.



IT intangible assets amortisation profile ($m)



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2.6 Capitalised Investment Spend

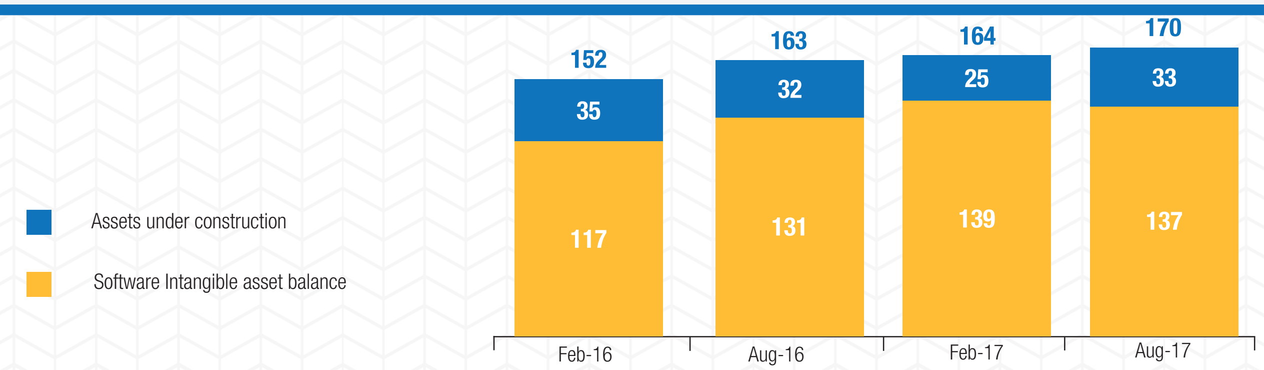
The Group's transformation program, aligned to its four strategic pillars, has required a number of significant investments during the past two years. In 2017, several key initiatives delivered noticeable improvements in fulfillment services and "time to yes" was reduced for both Retail and Business Banking customers. The initiatives include the release of a new Retail Lending Origination platform, a new leasing platform for the BOQ Finance business, and automation of manual, paper based processes as part of the commercial lending origination process. Other initiatives completed included the introduction of e-statements and the foundational implementation of an application programming interface ('API') gateway.

An award winning web experience platform for Virgin Money was launched during FY17. The platform builds on the successful launch of the Virgin Money Home Loan product in the second half of 2016. It has subsequently been released for BOQ Specialist customers and will be rolled out to BOQ branded customers in early calendar year 2018.

Current and future investment will focus on enhancing BOQ Group's core capabilities including the adoption of Australia's New Payments Platform, which will improve efficiency, extend digital banking capabilities, and continue to strengthen the Bank's risk management and control environment.

The transformation program accelerated in the second half with an increase in assets under construction. The rate of growth in the carrying value of IT intangible assets has slowed over time as the annual amortisation charge moves closer to the recent levels of initiative spend.

Carrying value of IT intangible assets ($m)[1]



(1) Prior year balances have been restated to exclude the fair value adjustments for software intangibles recognised on acquisition of subsidiaries.

2.7 Lending

Loan growth improved during the second half despite intense competition for principal and interest loans and a changing regulatory landscape. BOQ continued to balance margin and asset quality during the year, while continuing to focus on deposit acquisition. The strategy of targeting niche customer segments is delivering results with BOQ Specialist, BOQ Finance and niche segments in the BOQ branded commercial portfolio all posting solid growth. The new Virgin Money mortgage offering delivered strong growth over the year. The portfolio has now grown to more than $700 million.

BOQ continues to maintain prudent credit standards, along with robust origination validation requirements. The lending portfolio has low levels of arrears, an improving loan impairment expense profile and reduced impaired asset balances (refer section 3.1 Asset Quality).

	As at				
$ million	**Aug-17**	Feb-17	Aug-16	Aug-17 vs Feb-17[1]	Aug-17 vs Aug-16
Housing Lending	**27,850**	27,058	27,733	6%	-
Housing Lending - APS 120 qualifying securitisation [2]	**2,003**	2,446	2,155	(36%)	(7%)
	29,853	29,504	29,888	2%	-
Commercial Lending	**9,312**	8,906	8,818	9%	6%
BOQ Finance	**4,345**	4,285	4,142	3%	5%
Consumer	**307**	300	304	5%	1%
Gross Loans and Advances	**43,817**	42,995	43,152	4%	2%
Specific and Collective Provisions	**(227)**	(252)	(256)	(20%)	(11%)
Net Loans and Advances	**43,590**	42,743	42,896	4%	2%

(1) Growth rates have been annualised.

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

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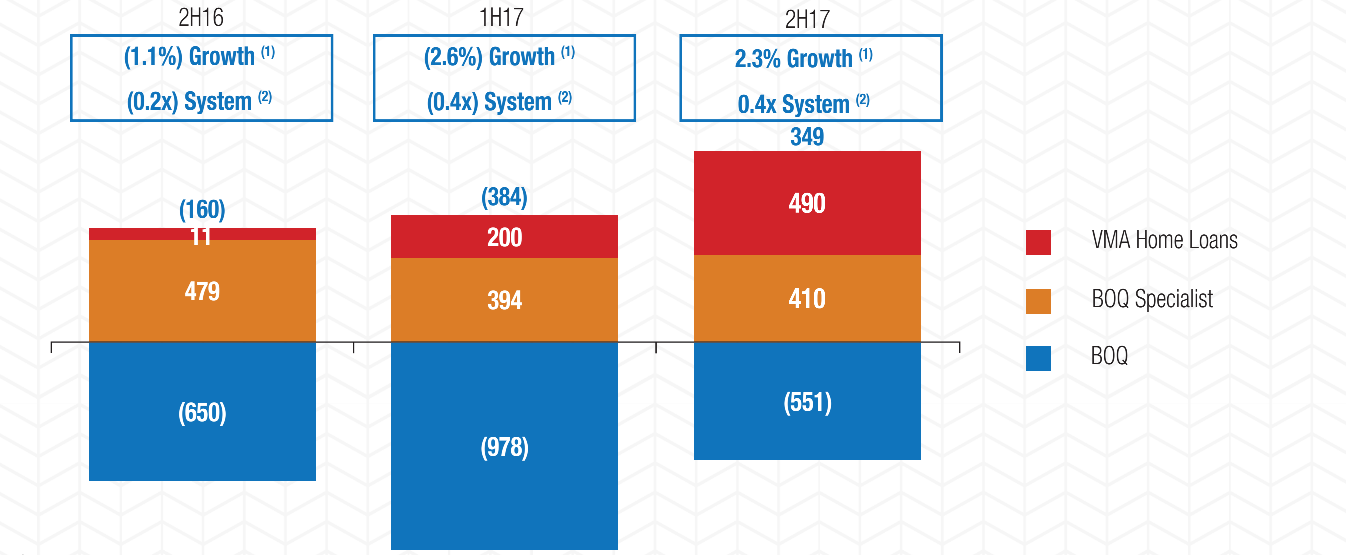
2.7 Lending (continued)

Growth in Gross Loans & Advances

Growth in Housing ($m)



(1) Growth rates have been annualised.

(2) Source: APRA Monthly Banking Statistics.

Housing Lending

Housing lending growth was constrained in 2017 due to competitive market factors and macro-prudential regulation changes. While growth recovered across the housing portfolio in the second half (up two per cent), this was below APRA system growth. BOQ maintained prudent credit settings and took a conservative approach to regulatory compliance, moving much earlier to adopt enhanced servicing, validation and responsible lending practices than many of its competitors. BOQ's relative under-representation in higher growth markets such as Sydney and Melbourne also constrained growth rates. The Bank continues to focus on building service and fulfillment capability through the new Retail Lending Origination platform and has centralised mortgage processing capabilities, which is delivering efficiencies and an improved customer experience.

BOQ Specialist continues to demonstrate strong momentum in mortgage growth to its niche, professional client base. This portfolio provides significant demographic and geographic diversification outside Queensland, and creates opportunities to meet the commercial lending needs of professionals throughout their lives. The first full year of the Virgin Money mortgage offering exceeded expectations and provided another channel for BOQ to engage with a new customer demographic. In the second half, Virgin Money grew by $490 million, taking the portfolio to over $700 million. This growth is supporting the Bank's geographic diversification, with the vast majority of the Virgin Money portfolio based outside of Queensland. Virgin Money continues to expand its broker presence, and next year it plans to complement this with a direct online channel and a broader product offering.

BOQ growth through the broker channel improved in the second half. Broker flows returned as other market participants implemented credit assessment, serviceability and validation practices more closely aligned to those of BOQ. This improved the Group's relative market proposition. The second half saw 28 per cent of mortgage settlements for the Group originate through the intermediary channels enhancing the geographic diversification of the portfolio with over half (52 per cent at the end of August) of the portfolio now comprising customers outside Queensland.

The branch footprint reduced by seven locations in the second half, mainly through branch consolidations. The program to optimise the network is now complete and ongoing refinement will reflect business as usual levels of branch re-alignment. Seven more ICON branches – including a refreshed flagship branch in the Brisbane CBD – were opened during the year, bringing the total to 19 ICON branches.

BOQ continues to build a more efficient network, with higher average footings per branch and stronger risk and compliance foundations. Engagement with the Owner Managers transitioning to the new franchise agreement has been strong. The agreement now covers 74 per cent of all Owner Managers and ensures the network is better aligned with the Bank's strategic objectives.

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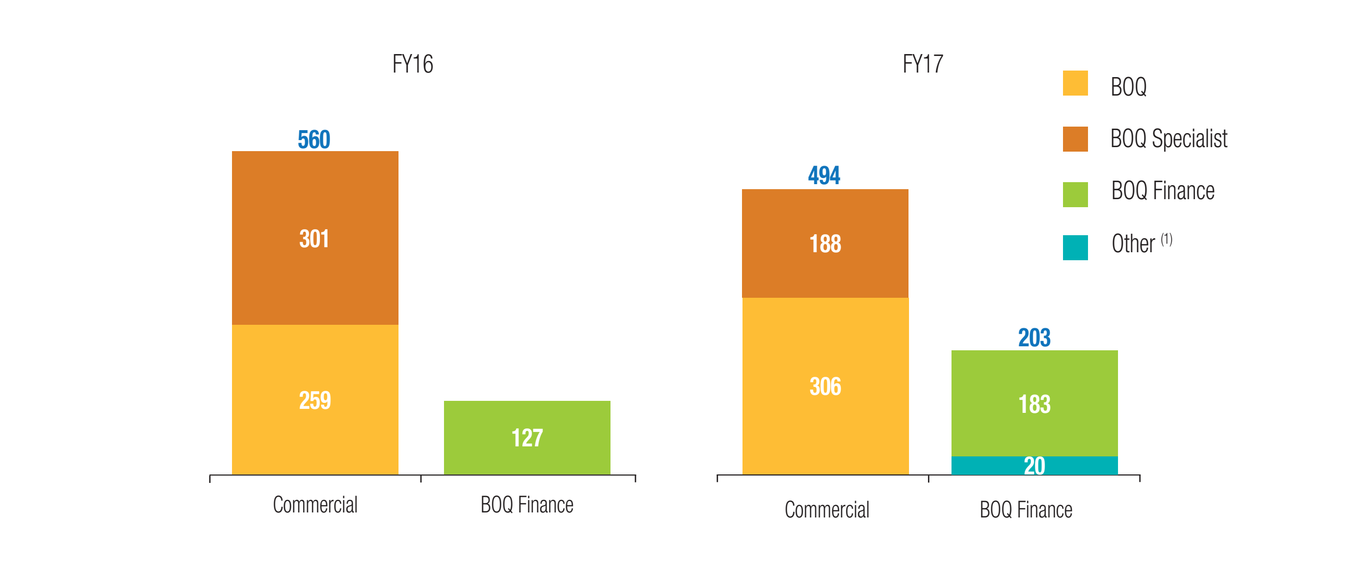
2.7 Lending (continued)

Growth in Commercial & BOQ Finance ($m)



	FY16		FY17	
	Commercial	BOQ Finance	Commercial	BOQ Finance (3)
Growth rate	6.8%	3.2%	**5.6%**	**4.4%**
System growth (2)	8.0%	2.7%	**6.3%**	**4.5%**
Growth vs System	0.8x	1.2x	**0.9x**	**1.0x**

(1) Reflects the impact of the acquisition of the BOQF Cashflow Finance business and the decrease from the disposal of a vendor finance entity.
(2) Based on APRA and AFIA (previously known as AELA) system growth statistics.
(3) Excludes the acquisition of BOQF Cashflow Finance and disposal of a vendor finance entity.

BOQ Business

The commercial lending portfolio grew by six per cent over the year to $9.3 billion. Growth in the second half was significantly stronger across all segments.

BOQ Specialist delivered commercial loan book growth of seven per cent in its core medical segment, maintaining an estimated 22 per cent market share in this segment. Bespoke solutions to medical, dental and veterinary professionals results in building deeper customer relationships from graduation through to retirement. BOQ Specialist has captured a large part of the graduate market and that is expected to sustain growth in the future as the lending requirements of these customers transition through housing and commercial lending needs over time.

BOQ Finance continues to provide strong, profitable asset growth, growing five per cent to $4.3 billion. The extension into a new offering of BOQF Cashflow Finance through the acquisition of Centrepoint Alliance's insurance premium funding business during the year has added a new dimension to the solid organic growth already achieved in this niche market. The BOQ Finance products now offered allow customers to access financing solutions across the supply chain.

The BOQ branded commercial portfolio grew strongly in the second half, by $306 million, following some large customer pay downs in the first half. The Bank's niche segment strategy is delivering, with the segments of corporate healthcare & retirement living, hospitality & tourism and agribusiness all delivering strong levels of new customer acquisition. Diversification has improved significantly, with the Queensland concentration in the commercial book now down to a comfortable level of 38 per cent.

The small business ('SME') lending strategy continued to evolve, with strong referral volumes from the branch network to business bankers delivering good results. The Bank's ongoing investment in the delivery of product and digital fulfillment capability, including the successful delivery of the Commercial Lending Origination Environment ('CLOE') in the first half, resulted in improved processes for customers.

Ongoing investment in developing financial markets services will support both the Bank's SME and commercial offerings in the future.

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3. Business Settings

3.1 Asset Quality

During 2017, improvement in asset quality was evident across the portfolio. Loan impairment expense was down 28 per cent to $48 million, or 11 basis points of gross loans and advances. BOQ achieved improvements in arrears and impairments across all portfolios compared to the prior year and the Bank continues to maintain sector-leading provisioning coverage.

The Bank has originated approximately two thirds of its current housing portfolio during the past four financial years, under its revised risk appetite settings.

		Year End Performance			Half Year Performance		
		Aug-17	Aug-16	Aug-17 vs Aug-16	**Aug-17**	Feb-17	Aug-17 vs Feb-17
Loan Impairment Expense	($ million)	**48**	67	(28%)	**21**	27	(22%)
Loan Impairment Expense / GLA	bps	**11**	16	(5bps)	**10**	13	(3bps)
Impaired Assets	($ million)	**192**	232	(17%)	**192**	210	(9%)
30dpd Arrears	($ million)	**470**	461	2%	**470**	468	-
90dpd Arrears	($ million)	**257**	234	10%	**257**	217	18%
Collective Provision & GRCL / RWA	bps	**83**	91	(8bps)	**83**	90	(7bps)

The table above summarises BOQ's key credit indicators with comparison against August 2016 and February 2017:

- Loan impairment expense reduced by $19 million (28 per cent) to $48 million, reflecting strong credit management practices introduced in prior years. Improvement is evident across all portfolios from the prior year. This result included a large exposure impairment in the commercial portfolio totaling $16 million relating to a Central Queensland property developer and investor. This was a long term customer relationship that was identified as outside of risk appetite in 2012. It has been actively managed since, with limited options for exit. This was the last remaining large exposure of a sizeable cohort of legacy exposures identified in the 2012 asset quality review that has progressively been managed out of the portfolio. The completion of this five year program triggered a review of the adjustment made to the collective provision model that was made following the asset quality review conducted in 2012. This model adjustment was maintained at 2012 levels until a $14 million reduction was booked in the most recent half.
- Impaired assets were down by $40 million (17 per cent) to $192 million for the year. There were two impaired exposures greater than $5 million (three in FY16). The Central Queensland exposure noted above was the one new exposure recognised during this financial year. The other remaining exposure greater than $5 million moved to an unconditional contract awaiting settlement after balance date, in line with carrying value, that will further reduce impaired assets by $11 million.
- Ninety day arrears increased in the second half at a total portfolio level. The housing portfolio showed an increase in the 90 day arrears bucket, due to a continued softening of the economy and residential markets in Central Queensland, as well as some flow on effects from the significant weather event experienced in the region. The aggregate portfolio continued to perform well and the performance of the commercial portfolio was stable. BOQ Finance payment performance was very strong, with 30 day arrears down 39 per cent on the prior year, the lowest level in the past six years.

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3.1 Asset Quality (Continued)

Loan Impairment Expense

	Year End Performance				Half Year Performance			
	Aug-17		Aug-16		**Aug-17**		Feb-17	
	Expense ($m)	**Expense/GLA (bps)**	Expense ($m)	Expense/GLA (bps)	**Expense ($m)**	**Expense/GLA (bps)**	Expense ($m)	Expense/GLA (bps)
Retail Lending	**20**	**7**	16	5	**9**	**6**	11	7
Commercial Lending	**13**	**14**	22	25	**8**	**17**	5	11
BOQ Finance	**13**	**30**	29	70	**2**	**9**	11	51
Underlying Loan Impairment Expense	**46**	**10**	67	16	**19**	**9**	27	13
Large commercial exposure impairment	**16**	**4**	-	-	**16**	**7**	-	-
Collective provision model adjustment	**(14)**	**(3)**	-	-	**(14)**	**(6)**	-	-
Total Loan Impairment Expense	**48**	**11**	67	16	**21**	**10**	27	13

The table above highlights improvement across the Group's portfolios on an underlying basis, excluding the impact of the large commercial exposure impairment and the reduction in the collective provision model adjustment discussed earlier. The BOQ Finance portfolio was the main driver of the reduction in the impairment expense as repayment performance remained strong during the period, resulting in a very low loss experience during the second half. This level of impairment expense in the BOQ Finance portfolio is not expected to be repeatable. The housing portfolio continues to benefit from the record low interest rate environment and a strong residential property market.

Impaired Assets

	As at				
$ million	**Aug-17**	Feb-17	Aug-16	Aug-17 vs Feb-17	Aug-17 vs Aug-16
Retail Lending	**75**	88	91	(15%)	(18%)
Commercial Lending	**95**	88	108	8%	(12%)
BOQ Finance	**22**	34	33	(35%)	(33%)
Total Impaired Assets	**192**	210	232	(9%)	(17%)
Impaired Assets / GLA	**44bps**	49bps	54bps	(5bps)	(10bps)

Impaired assets decreased by $40 million (17 per cent) to $192 million resulting in a 10 basis point improvement in the impaired asset to GLA ratio over the year to 44 basis points. The reduction in Retail and BOQ Finance is due to improved economic conditions combined with prudent risk settings, which led to a lower level of new impairments recognised in the second half. Commercial lending impaired assets decreased over the full year, but increased in the second half, due to one large exposure to a Central Queensland property developer and investor of $29 million that transitioned to impaired status. The commercial portfolio contains the Bank's only two impaired exposures greater than $5 million, with one totaling $11 million moving to unconditional contract after balance date, awaiting settlement. The following graph outlines the movements in impaired assets since August 2016.

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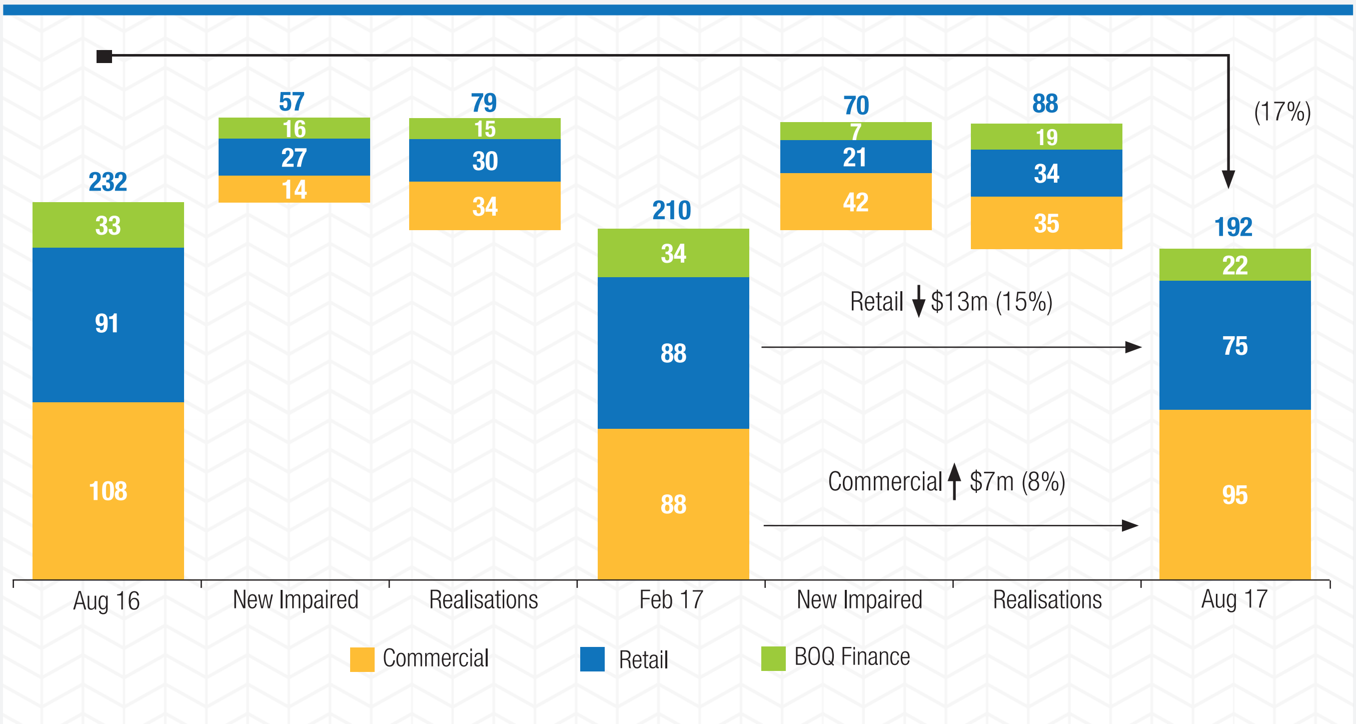
3.1 Asset Quality (Continued)

Impaired Assets ($m)



Provision Coverage

Total provisions decreased by $29 million during the year. Specific provision coverage is at 55 per cent which is up five percentage points on the previous year. Collective provisions reduced over the year. A reduction to the collective provision model adjustment of $14 million was made to reflect the successful completion of a program established in 2012 to exit a cohort of legacy risk exposures that were identified as outside of risk appetite. This is further supported by significant improvement in credit quality.

$ million	As at Aug-17	As at Feb-17	As at Aug-16	Aug-17 vs Feb-17	Aug-17 vs Aug-16
Specific Provision	**106**	115	116	(8%)	(9%)
Collective Provision	**121**	137	140	(12%)	(16%)
Total Provisions	**227**	252	256	(11%)	(13%)
GRCL	**81**	81	81	-	-
Specific Provisions to Impaired Assets	**55%**	55%	50%	-	500bps
Total Provisions and GRCL to Impaired Assets (1)	**179%**	175%	160%	400bps	1900bps
Total Provisions and GRCL to RWA (1)	**1.2%**	1.3%	1.3%	(10bps)	(10bps)

(1) GRCL gross of tax effect.

The Bank has been building a new collective provisioning model that is expected to be implemented in the first half of FY18. The model has been designed to incorporate the requirements of AASB 9 (that covers a number of areas other than provisioning). It will be formally adopted for the 2018 financial year. No material change to collective provisions is expected as a result of this change.

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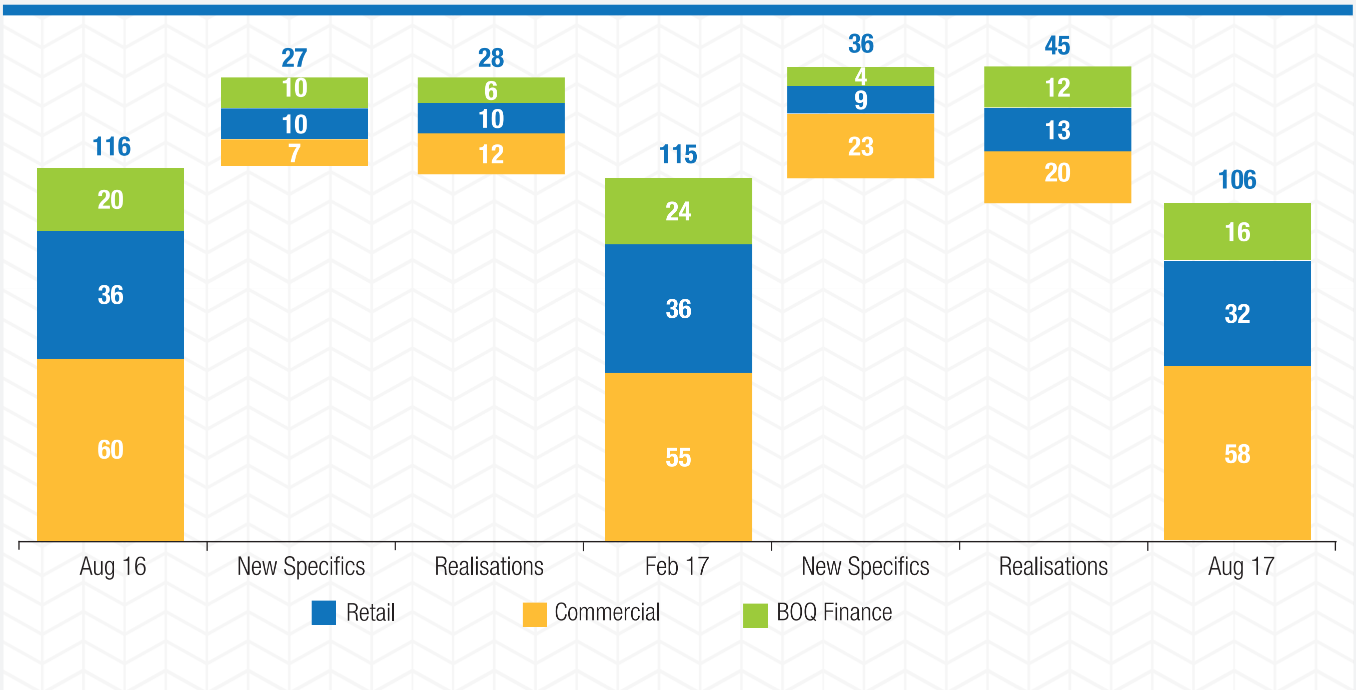
3.1 Asset Quality (Continued)

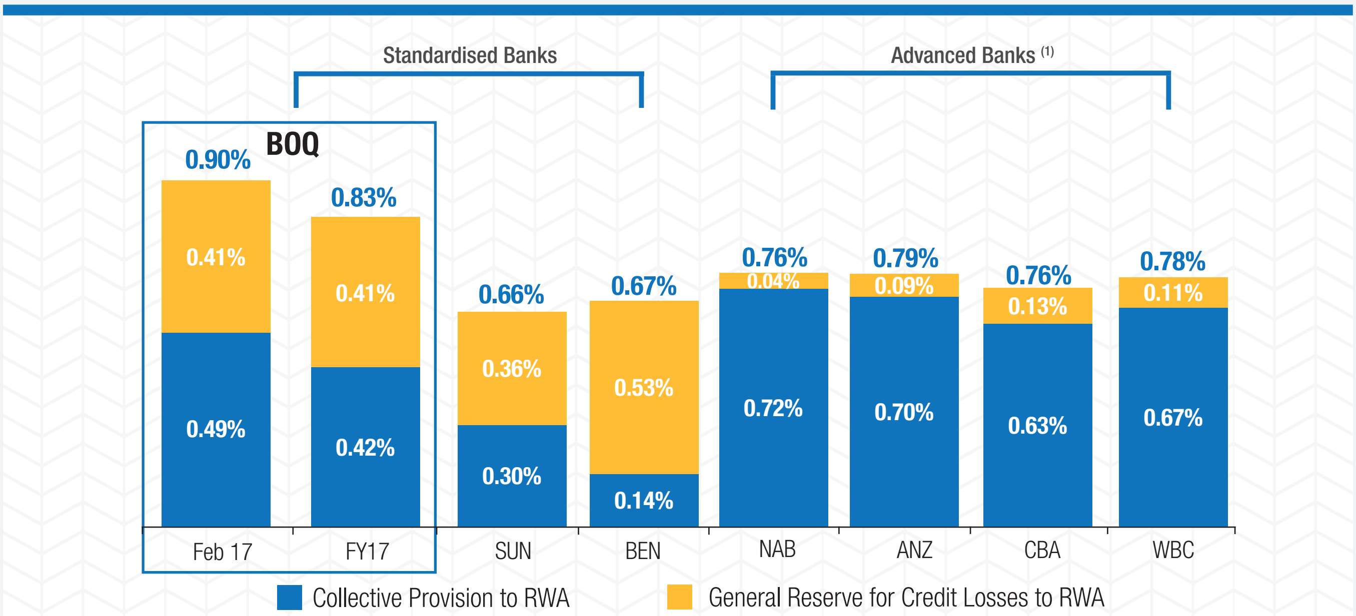
Specific Provisions ($m)



Collective Provision and GRCL/RWA vs Peers

The graph below provides BOQ's level of collective provisions and general reserve for credit losses ('GRCL') to risk weighted assets ('RWA') against the current levels of those of its peers, as published in their most recent financial reports. BOQ's coverage has dropped eight basis points over the year that includes a $14 million reduction in the collective provision model adjustment. BOQ remains prudently provisioned compared to industry peers.

Collective Provision and GRCL/RWA vs Peers



(1) Advanced accredited approach to risk weightings causes coverage to appear higher on a relative basis to the standardised banks.

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3.1 Asset Quality (Continued)

Arrears

Key Metrics	Portfolio Balance ($m) Aug-17	Aug-17	Feb-17	Aug-16	Aug-17 vs Feb-17	Aug-17 vs Aug-16
Total Lending - Portfolio balance ($ million)		**43,817**	42,995	43,152	2%	2%
30 days past due ($ million)		**470**	468	461	-	2%
90 days past due ($ million)		**257**	217	234	18%	10%
		Proportion of Portfolio				
30 days past due: GLAs		**1.07%**	1.09%	1.07%	(2bps)	-
90 days past due: GLAs		**0.59%**	0.50%	0.54%	9bps	5bps
By Product						
30 days past due: GLAs (Housing)	**27,618**	**1.02%**	0.98%	0.98%	4bps	4bps
90 days past due: GLAs (Housing)		**0.50%**	0.41%	0.47%	9bps	3bps
30 days past due: GLAs (Line of Credit)	**2,235**	**2.19%**	2.09%	1.93%	10bps	26bps
90 days past due: GLAs (Line of Credit)		**1.25%**	0.84%	1.02%	41bps	23bps
30 days past due: GLAs (Consumer)	**307**	**1.30%**	2.00%	1.97%	(70bps)	(67bps)
90 days past due: GLAs (Consumer)		**0.98%**	1.00%	1.32%	(2bps)	(34bps)
30 days past due: GLAs (Commercial)	**9,312**	**1.22%**	1.35%	1.23%	(13bps)	(1bps)
90 days past due: GLAs (Commercial)		**0.86%**	0.89%	0.81%	(3bps)	5bps
30 days past due: GLAs (BOQ Finance)	**4,345**	**0.47%**	0.65%	0.75%	(18bps)	(28bps)
90 days past due: GLAs (BOQ Finance)		**0.13%**	0.08%	0.13%	5bps	-

Retail Arrears

Housing arrears performance has remained in line with expectations. Low interest rates and relatively stable employment markets across most of the country continue to benefit mortgage customers. Weakness in the Central Queensland and Western Australian economies with higher under-employment and unemployment levels, as well as the lagged effect of the weather event in Queensland in the second half, had an impact on payment performance.

BOQ Business Arrears

Commercial arrears have been tracking at levels that demonstrate the solid credit characteristics of the portfolio. BOQ Finance arrears have remained low throughout the year, with 30 day arrears at their lowest levels in six years. Ninety day arrears remained low throughout the financial year, resulting in a lower loss experience for the leasing portfolio in the second half.

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3.2 Funding and Liquidity

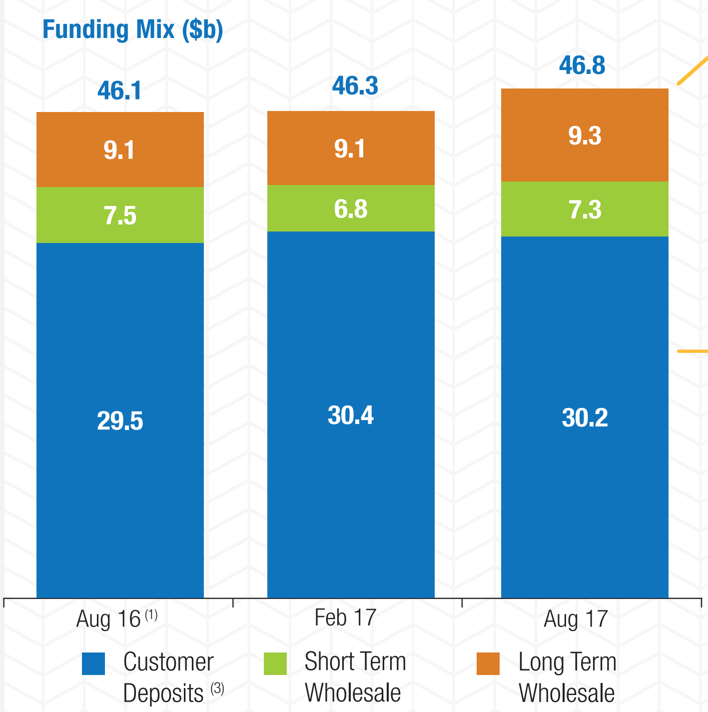
The funding strategy and risk appetite reflects the Group's business strategy and the current economic environment, and is managed to allow for scenarios that could impact the funding position. During the year, BOQ grew customer deposits by $0.6 billion, an increase of 2.2 per cent that materially, fully funded lending growth for 2017. BOQ's deposit to loan ratio rose by one percentage point to 69 per cent as at August 2017.

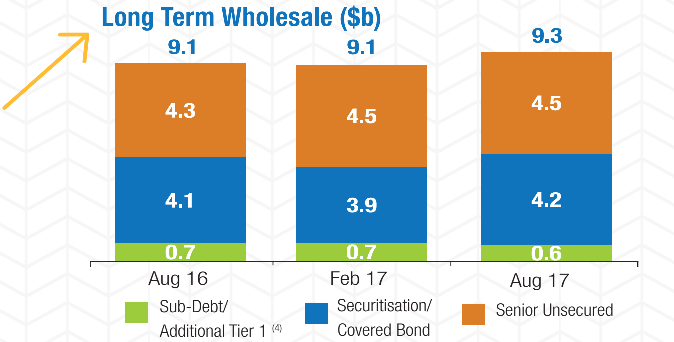
As part of an industry wide sector downgrade action, BOQ's Standard & Poor's ('S&P') credit rating was downgraded in May to BBB+. This reduced demand and increased the pricing required to maintain the Bank's funding position in the more rating sensitive segments of the wholesale and larger retail deposit markets. Moody's Investors Service undertook similar industry-wide downgrade action in June, however BOQ's A3 rating was retained. Following the positive Moody's outcome, active work with BOQ's funding counterparties in the wholesale and more rating sensitive elements of the retail deposit market re-established limits to levels largely equal to those pre-dating the S&P action.

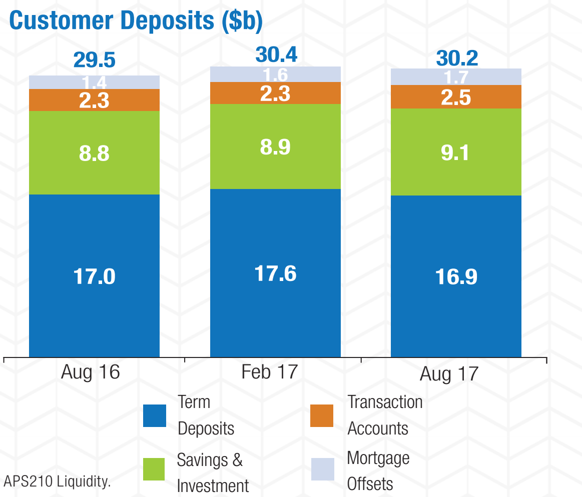
The increase in long-term wholesale funding of $200 million during the year was created predominantly through senior unsecured debt issuance and the inaugural covered bond issue, highlighting the Group's ability to build additional capacity, diversity and resilience into its funding programs in both domestic and offshore markets.

The combination of growth in customer deposits and long-term wholesale funding strengthened the Bank's core stable funding profile ahead of the net stable funding ratio ('NSFR') implementation at the start of 2018.

	As at				
$ million	Aug-17	Feb-17	Aug-16 (1)	Aug-17 vs Feb-17 (2)	Aug-17 vs Aug-16
Customer Deposits (2)	**30,190**	30,375	29,550	(1%)	2%
Wholesale Deposits	**6,979**	6,721	7,170	8%	(3%)
Total Deposits	**37,169**	37,096	36,720	-	1%
Borrowings	**9,651**	9,218	9,398	9%	3%
Other Liabilities	**1,049**	951	1,148	20%	(9%)
Total Liabilities	**47,869**	47,265	47,266	3%	1%







(1) August 2016 customer and wholesale deposits have been restated to reflect a reclassification to align to industry practice.

(2) Growth rates have been annualised.

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

(4) Additional Tier 1 securities consist of Convertible Preference Shares ('CPS') and Wholesale Capital Notes.

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3.2 Funding and Liquidity (continued)

BOQ's liquidity strategy and risk appetite are 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, giving the Bank 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 2017, the liquidity coverage ratio ('LCR') was 132 per cent and the average for the quarter was 133 per cent, with an appropriate buffer held against prudential limits.

The Group's NSFR averaged 107 per cent during the period, positioning BOQ well to have a prudent buffer in place by 1 January 2018 when the regulatory standard comes into place. BOQ continues to take all reasonable steps to reduce its reliance on the committed liquidity facility ('CLF') and strengthen the NSFR by growing stable sources of funding, including customer deposits and long-term wholesale funding.

BOQ continues to diversify its holdings of Tier 1 high quality liquid assets ('HQLA1'), including deposits with central banks, and Australian Commonwealth Government and Semi-Government securities.

	As at				
	Aug-17	Feb-17	Aug-16	Aug-17 vs Feb-17	Aug-17 vs Aug-16
Customer deposit funding	**81%**	82%	79%	(1%)	2%
Wholesale deposit funding	**19%**	18%	21%	1%	(2%)
Total GLA's (net of specific provision) ($ million)	**43,711**	42,880	43,036	2%	2%
Deposit to Loan Ratio	**69%**	71%	68%	(2%)	1%

Funding

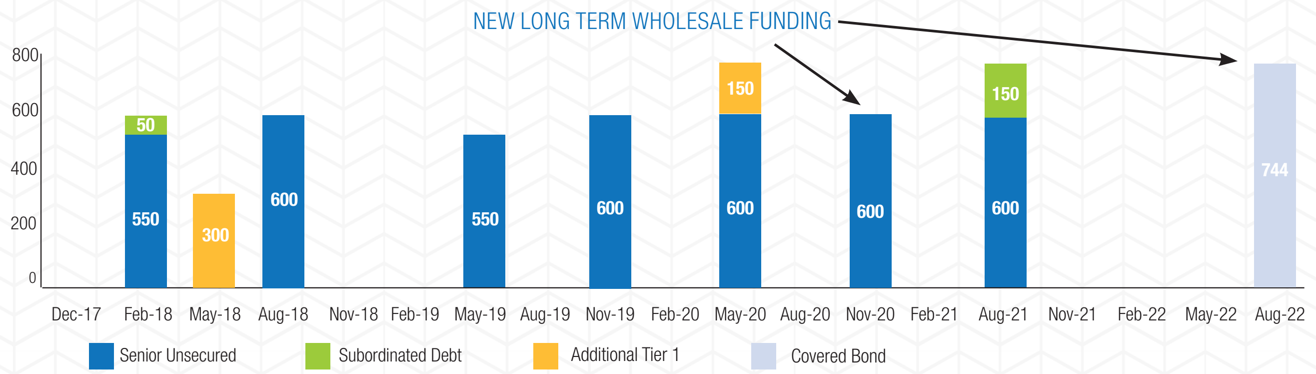
BOQ has increased the long-term wholesale funding portfolio over the year using a variety of wholesale debt products. The Bank focuses on three main elements to meet its objectives – capacity growth, resilience and diversity – while minimising the cost of funds and maintaining its ability to take advantage of opportunities in the most appropriate markets.

A new AUD $3.25 billion Conditional Pass-Through Covered Bond program was established in May 2017. It will complement all aspects of BOQ's wholesale debt funding strategy. The inaugural EUR500 million, five year transaction was settled in July.

Major Maturities

During the past year, BOQ maintained its senior unsecured credit curve with a new three-year issue in May 2017, this was in addition to the four-year transaction executed in the first half. BOQ also took advantage of the private placement market, raising additional funding both domestically and through its Euro Medium Term Note program. The five-year covered bond transaction extended the tenor of the wholesale portfolio while offering diversification benefits. The Bank also accessed the residential mortgage-backed securities ('RMBS') markets in February 2017, issuing a $1 billion capital relief transaction.

Major Maturities ($m) (1) (2) (3)



(1) Any transaction issued in a currency other than AUD is shown in the applicable AUD equivalent hedged amount.

(2) Senior unsecured maturities greater than or equal to $50 million shown, excludes private placements.

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

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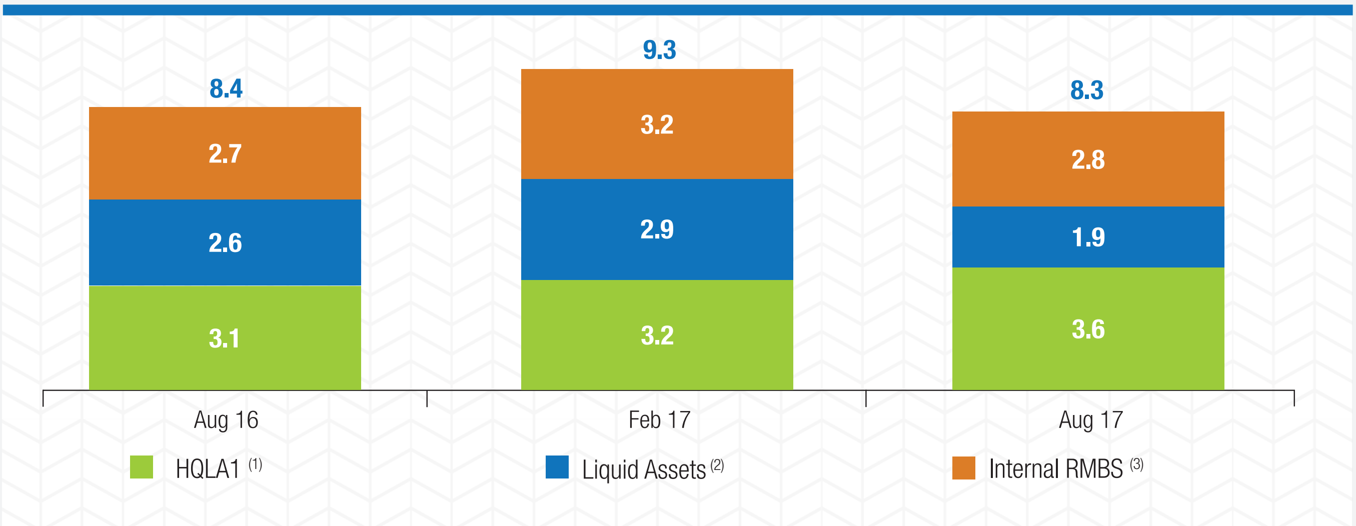
3.2 Funding and Liquidity (continued)

BOQ maintains a portfolio of repurchase agreement eligible, diversified and marketable high quality liquid assets ('HQLA1') to facilitate balance sheet liquidity and meet internal and external requirements. The credit quality of the liquid asset portfolio continued to improve through 2017 as the Bank's HQLA1 holdings increased.

BOQ was granted a $2.5 billion RBA Committed Liquidity Facility for the 2017 calendar year, enabling it to meet its minimum regulatory requirement of greater than 100 per cent 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

$ million	As at Aug-17	Feb-17	Aug-16	Aug-17 vs Feb-17	Aug-17 vs Aug-16
Common Equity Tier 1 ('CET1')	**2,690**	2,602	2,524	3%	7%
Additional Tier 1 Capital	**450**	450	450	-	-
Total Tier 2	**402**	469	474	(14%)	(15%)
Total Capital Base	**3,542**	3,521	3,448	1%	3%
Total RWA	**28,644**	28,014	28,054	2%	2%
Common Equity Tier 1 Ratio	**9.39%**	9.29%	9.00%	10bps	39bps
Total Capital Adequacy Ratio	**12.37%**	12.57%	12.29%	(20bps)	8bps

The Group's CET1 ratio increased by 39 basis points during the year to 9.39 per cent. Underlying capital generation of 45 basis points is shown on the following graph. This is a very strong level of capital generation, however, reflects the lower asset growth over the year. Reserve movements, reduced second half securitisation activity, the acquisition of BOQF Cashflow Finance and expenditure on capitalised software drove the remaining capital utilisation during the year.

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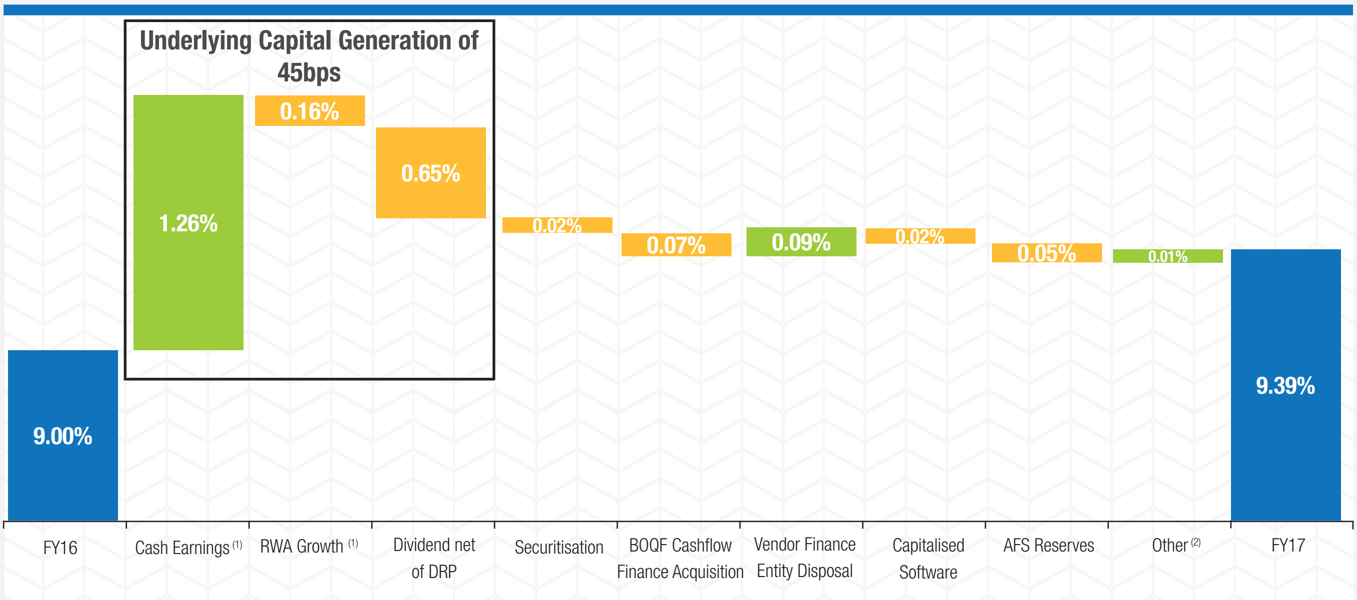
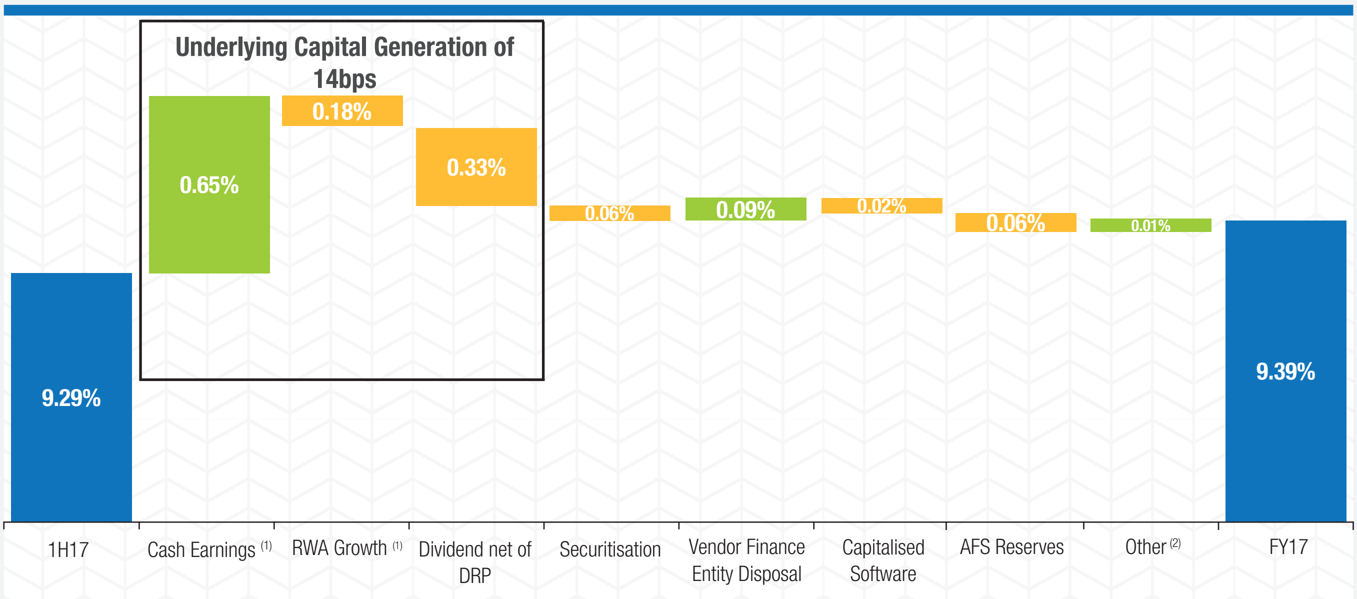
3.3 Capital Management (continued)

Common Equity Tier 1 FY17 V FY16



(1) Excludes impact of vendor finance entity disposal.
(2) Other items include the positive impact of reduced deferred tax balances, reduced securitisation deductions and dividends received from entities outside the capital group.

Common Equity Tier 1 2H17 V 1H17



(1) Excludes impact of vendor finance entity disposal.
(2) Other items include the positive impact of reduced deferred tax balances and securitisation reductions. Offsetting these benefits were non-recurring expenses and deferred acquisition costs.

3.4 Tax Expense

Tax expense arising on cash earnings for the year amounted to $162 million. This represented an effective tax rate of 30.0 per cent. The non-deductible interest payable on convertible preference shares issued in FY13 and Wholesale Capital Notes issued in FY15, together with non-deductible accounting amortisation would typically lead to the inherent effective tax rate being higher than 31 per cent (31.2 per cent in the prior year). In the current year, this rate has been offset by the utilisation of previously unrecognised capital losses against the profit on the disposal of a vendor finance entity.

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4. APPENDICES

4.1 ASX Appendix 4E

Cross Reference Index	Page
Details of reporting period and previous period (Rule 4.3A Item No. 1)	Inside front cover
Statement of Audit (Rule 4.3A Item No. 15)	Annual Report - Page 144-147
Results for Announcement to the Market (Rule 4.3A Item No. 2)	Inside front cover
Income Statement and Statement of Comprehensive Income (Rule 4.3A Item No. 3)	Annual Report - Page 78-79
Balance Sheet (Rule 4.3A Item No. 4)	Annual Report - Page 80
Statement of Cash Flows (Rule 4.3A Item No. 5)	Annual Report - Page 85
Statement of Changes in Equity (Rule 4.3A Item No. 6)	Annual Report - Pages 81-84
Notes to the Financial Statement	Annual Report - Pages 87-142
Dividends and Dividend dates (Rule 4.3A Item No. 7)	Annual Report - Page 93
Dividend Reinvestment Plan (Rule 4.3A Item No. 8)	Annual Report - Page 93
Net tangible assets per security (Rule 4.3A Item No. 9)	Page 26
Details of entities over which control has been gained or lost (Rule 4.3A Item No. 10)	Annual Report- Page 133-135
Details of associated and joint venture entities (Rule 4.3A Item No. 11)	Page 26
Foreign Entities (Rule 4.3A Item No. 13)	Not applicable
Earnings per share (Rule 4.3A Item No. 14.1)	Page 8, 30
Return to shareholders (Rule 4.3A Item No. 14.2)	Page 8-9
Commentary on performance (Rule 4.3A Item No. 14.3, 14.5, 14.6)	Page 6
Results of segments (Rule 4.3A Item No. 14.4)	Annual Report - Page 94-95

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 Item No. 9)	**Aug-17**	Feb-17	Aug-16
Net tangible assets per ordinary shares ($) (1)	**7.44**	7.28	7.13

(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.

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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 exclusions relate to the continued amortisation of acquisition fair value adjustments.

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

	Year End Performance			Half Year Performance		
$ million	**Aug-17**	Aug-16	Aug-17 vs Aug-16	**Aug-17**	Feb-17	Aug-17 vs Feb-17
Cash Earnings after Tax	**378**	360	5%	**203**	175	16%
Amortisation of acquisition fair value adjustments	**(13)**	(16)	(19%)	**(7)**	(6)	(17%)
Hedge ineffectiveness	**(9)**	(4)	125%	**(4)**	(5)	(20%)
Integration / transaction costs	**(1)**	(2)	(50%)	**-**	(1)	(100%)
Legacy items	**(3)**	-	-	**(1)**	(2)	(50%)
Statutory Net Profit after Tax	**352**	338	4%	**191**	161	19%

(B) NON-CASH EARNINGS RECONCILING ITEMS

$ million	**Cash Earnings Aug-17**	Virgin Money	Amortisation of customer contracts (acquisition)	Hedge ineffectiveness	Integration/ transaction costs	Legacy items	**Statutory Net Profit Aug-17**
Net Interest Income	**926**	-	-	-	-	-	**926**
Non-Interest Income	**175**	15	-	(12)	-	(1)	**177**
Total Income	**1,101**	15	-	(12)	-	(1)	**1,103**
Operating Expenses	**(513)**	(15)	(15)	-	(1)	(4)	**(548)**
Underlying Profit	**588**	-	(15)	(12)	(1)	(5)	**555**
Loan Impairment Expense	**(48)**	-	-	-	-	-	**(48)**
Profit before Tax	**540**	-	(15)	(12)	(1)	(5)	**507**
Income Tax Expense	**(162)**	-	2	3	-	2	**(155)**
Profit after Tax	**378**	**-**	**(13)**	**(9)**	**(1)**	**(3)**	**352**

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4.3 Operating Cash Expenses

	Year End Performance			Half Year Performance		
	Aug-17	Aug-16	Aug-17 vs Aug-16	**Aug-17**	Feb-17	Aug-17 vs Feb-17
Employee expenses						
Salaries	**208**	200	4%	**107**	101	6%
Superannuation contributions	**20**	20	-	**10**	10	-
Payroll tax	**12**	13	(8%)	**5**	7	(29%)
Employee Share Programs	**11**	11	-	**6**	5	20%
Other	**6**	9	(33%)	**3**	3	-
	257	253	2%	**131**	126	4%
Occupancy expenses						
Lease expense	**30**	31	(3%)	**14**	16	(13%)
Depreciation of Fixed Assets	**9**	9	-	**5**	4	25%
Other	**3**	3	-	**2**	1	100%
	42	43	(2%)	**21**	21	-
General expenses						
Marketing	**16**	17	(6%)	**11**	5	120%
Commissions to Owner Managed Branches	**6**	7	(14%)	**3**	3	-
Communications and postage	**20**	21	(5%)	**10**	10	-
Printing and stationery	**4**	4	-	**2**	2	-
Impairment	**1**	1	-	**-**	1	(100%)
Processing costs	**10**	20	(50%)	**6**	4	50%
Other operating expenses	**28**	28	17%	**14**	14	-
	85	98	(13%)	**46**	39	18%
IT expenses						
Data processing	**70**	64	9%	**33**	37	(11%)
Amortisation of Intangible Assets	**37**	27	37%	**19**	18	6%
Depreciation of Fixed Assets	**1**	1	-	**1**	-	-
	108	92	17%	**53**	55	(4%)
Other expenses						
Professional fees	**13**	12	8%	**6**	7	(14%)
Directors' fees	**2**	2	-	**1**	1	-
Other	**6**	5	20%	**3**	3	-
	21	19	11%	**10**	11	(9%)
Restructuring expenses (1)	**-**	15	100%	**-**	-	-
Total Operating Expenses	**513**	520	1%	**261**	252	4%

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

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4.3 Operating Cash Expenses (continued)

Employee Expenses

Employee costs grew two per cent on FY16. The benefits from reshaping the operating model and organisation structure through a number of productivity initiatives, which began in 2016, has enabled the group to expand the Virgin Money mortgage offering, invest in technology programs and reconfigure the branch network within a low cost growth profile.

Occupancy Expenses

Occupancy costs remained relatively flat compared to the prior period.

General Expenses

Contract outcomes led to a permanent reduction in processing costs compared to prior periods. More marketing campaign activity is usually carried out in the second half which results in a higher second half cost profile.

IT Expenses

A number of key initiatives were implemented in prior years which has led to in an increase in the amortisation profile of $10 million this year.

4.4 Property, Plant & Equipment (Consolidated)

$ million	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 31 August 2016	71	33	31	1	24	160
Additions	5	1	3	4	5	18
Disposals	(3)	(1)	(1)	-	(11)	(16)
Transfers between categories	1	-	-	(1)	-	-
Balance as at 31 August 2017	**74**	**33**	**33**	**4**	**18**	**162**
Depreciation and loss on disposal / impairment						
Balance as at 31 August 2016	33	23	29	-	15	100
Depreciation for the year	8	1	1	-	6	16
Disposals	(3)	(1)	(1)	-	(9)	(14)
Balance as at 31 August 2017	**38**	**23**	**29**	**-**	**12**	**102**
Carrying amount as at 31 August 2016	**38**	**10**	**2**	**1**	**9**	**60**
Carrying amount as at 31 August 2017	**36**	**10**	**4**	**4**	**6**	**60**

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4.5 Cash EPS Calculations

		Year End Performance			Half Year Performance		
		Aug-17	Aug-16	Aug-17 vs Aug-16	**Aug-17**	Feb-17	Aug-17 vs Feb-17
Basic EPS	(cents)	**97.6**	95.6	2%	**52.1**	45.5	15%
Diluted EPS	(cents)	**93.9**	90.7	4%	**49.9**	43.7	14%
Reconciliation of Cash Earnings for EPS							
Cash Earnings available for ordinary shareholders	($ million)	**378**	360	5%	**203**	175	16%
Add: CPS Dividend	($ million)	**15**	16	(6%)	**7**	8	(13%)
Add: Wholesale Capital Notes	($ million)	**7**	7	-	**4**	3	33%
Cash Diluted Earnings available for ordinary shareholders	($ million)	**400**	383	4%	**214**	186	15%
Weighted Average Number of Shares ('WANOS')							
Basic WANOS	(million)	**387**	376	3%	**389**	384	1%
Add: Effect of award rights	(million)	**2**	1	100%	**2**	1	100%
Add: Effect of CPS	(million)	**25**	30	(17%)	**25**	27	(7%)
Add: Effect of Wholesale Capital Notes	(million)	**12**	15	(20%)	**12**	13	(8%)
Diluted WANOS for Cash Earnings EPS	(million)	**426**	422	1%	**428**	425	1%

4.6 Issued Capital

Ordinary shares

	Consolidated	
	2017 Number	2017 $m
Movements during the year		
Balance at the beginning of the year – fully paid	**380,995,702**	3,279
Issue of ordinary shares – 21 October 2016 (1)	**1,050,000**	12
Dividend reinvestment plan – 22 November 2016 (2)	**5,278,750**	53
Dividend reinvestment plan – 17 May 2017 (2)	**4,415,277**	52
Balance at the end of the year – fully paid	**391,739,729**	3,396

(1) On 21 October 2016, 1,050,000 ordinary shares were issued at $11.15 to the trustee of the Bank of Queensland Limited Employee Share Plans Trust to satisfy the exercise of award rights and issue of shares under the Award Rights Plan and issue of shares under the BOQ Restricted Share Plan and BOQ Employee Share Plan.

(2) 37 per cent was taken up by shareholders on 22 November 2016 and 35 per cent on 17 May 2017 as part of the Dividend Reinvestment Plan.

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4.7 Average Balance Sheet and Margin Analysis

$ million	August 2017 (Full Year) Average Balance $m	Interest $m	Average Rate %	August 2016 (Full Year) Average Balance $m	Interest $m	Average Rate %
Interest earning assets						
Gross loans & advances at amortised cost	**43,208**	**1,899**	**4.40**	42,571	2,001	4.70
Investments & other securities	**6,189**	**147**	**2.37**	5,850	155	2.65
Total interest earning assets	**49,397**	**2,046**	**4.14**	48,421	2,156	4.45
Non-interest earning assets						
Property, plant & equipment	**58**			61		
Other assets	**1,525**			1,558		
Provision for impairment	**(253)**			(268)		
Total non-interest earning assets	**1,330**			1,351		
Total Assets	**50,727**			49,772		
Interest bearing liabilities						
Retail deposits	**29,841**	**611**	**2.05**	28,255	661	2.34
Wholesale deposits & Borrowings	**16,427**	**509**	**3.10**	17,124	558	3.26
Total Interest bearing liabilities	**46,268**	**1,120**	**2.42**	45,379	1,219	2.68
Non-interest bearing liabilities	**783**			869		
Total Liabilities	**47,051**			46,248		
Shareholders' funds	**3,676**			3,524		
Total Liabilities & Shareholders' Funds	**50,727**			49,772		
Interest margin & interest spread						
Interest earning assets	**49,397**	**2,046**	**4.14**	48,421	2,156	4.45
Interest bearing liabilities	**46,268**	**1,120**	**2.42**	45,379	1,219	2.68
Net interest spread			**1.72**			1.77
Benefit of net interest-free assets, liabilities and equity			**0.15**			0.17
Net Interest Margin - on average interest earning assets	**49,397**	**926**	**1.87**	48,421	937	1.94

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4.7 Average Balance Sheet and Margin Analysis (Continued)

	August 2017 (Six month period)			February 2017 (Six month period)		
$ million	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Interest earning assets						
Gross loans & advances at amortised cost	**43,376**	**960**	**4.39**	43,011	939	4.40
Investments & other securities	**6,231**	**75**	**2.39**	6,226	72	2.33
Total interest earning assets	**49,607**	**1,035**	**4.14**	49,237	1,011	4.14
Non-interest earning assets						
Property, plant & equipment	**57**			59		
Other assets	**1,535**			1,500		
Provision for impairment	**(250)**			(255)		
Total non-interest earning assets	**1,342**			1,304		
Total Assets	**50,949**			50,541		
Interest bearing liabilities						
Retail deposits	**30,134**	**298**	**1.96**	29,625	313	2.13
Wholesale deposits & Borrowings	**16,344**	**263**	**3.19**	16,463	246	3.01
Total Interest bearing liabilities	**46,478**	**561**	**2.39**	46,088	559	2.45
Non-interest bearing liabilities	**749**			817		
Total Liabilities	**47,227**			46,905		
Shareholders' funds	**3,722**			3,636		
Total Liabilities & Shareholders' Funds	**50,949**			50,541		
Interest margin & interest spread						
Interest earning assets	**49,607**	**1,035**	**4.14**	49,237	1,011	4.14
Interest bearing liabilities	**46,478**	**561**	**2.39**	46,088	559	2.45
Net interest spread			**1.75**			1.69
Benefit of net interest-free assets, liabilities and equity			**0.15**			0.16
Net Interest Margin - on average interest earning assets	**49,607**	**474**	**1.90**	49,237	452	1.85

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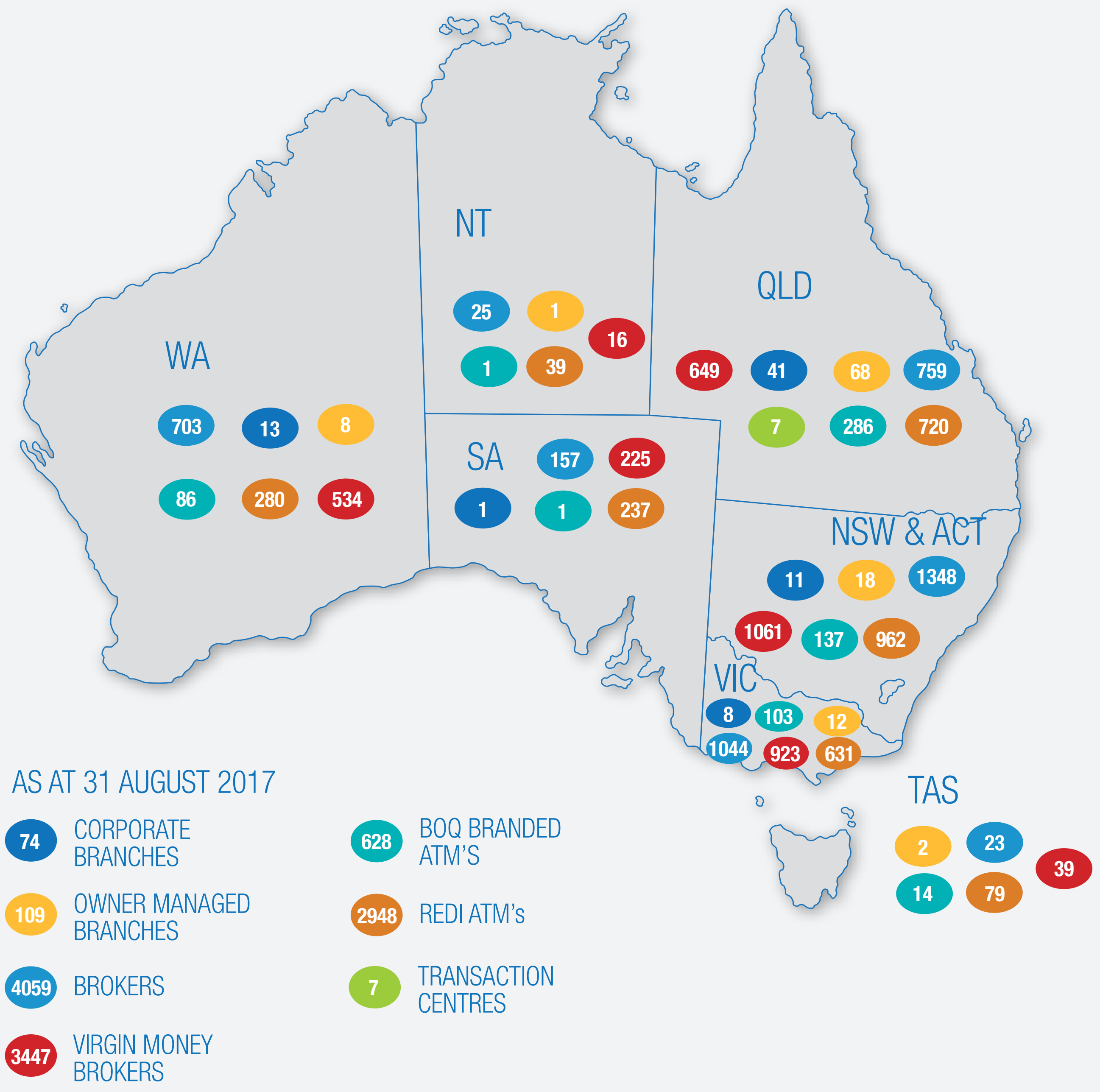
4.8 Distribution Footprint

BOQ has continued to develop its 'Customer in Charge' strategic pillar to allow customers to engage through their channel of choice. This could be through a preferred broker (aligned to BOQ or Virgin Money), directly with BOQ through its Owner Managed and Corporate branches, online via digital, social media, mobile banking, or on the phone to BOQ's Customer Contact Centres.

Branch numbers reduced by 21 over the year as BOQ continues to optimise its points of presence. The majority of BOQ's Owner Managers (74 per cent) 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. A further seven ICON branches have been delivered this year bringing the total to 19.

The broker strategy expansion continued to accelerate during the year, with 28 per cent of settlements in the second half originated through accredited brokers across the BOQ and Virgin Money brands. Most accredited brokers are located outside of Queensland, which will continue to accelerate the geographic diversification of the portfolio and provide deeper access to the Sydney and Melbourne markets, where the Group has traditionally been under represented.



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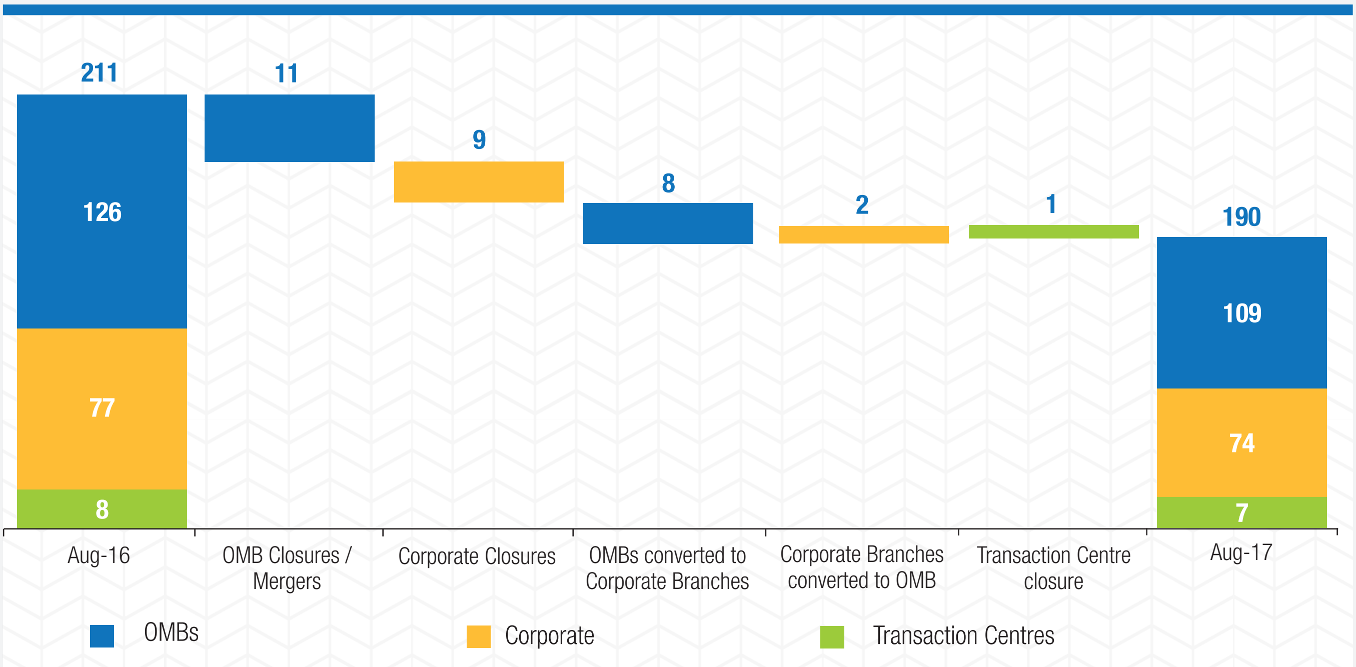
4.8 Distribution Footprint (Continued)

As at Aug-17	QLD	NSW / ACT	VIC	WA	NT	TAS	SA	Total
Corporate Branches	41	11	8	13	-	-	1	74
Owner Managed Branches	68	18	12	8	1	2	-	109
Transaction Centres	7	-	-	-	-	-	-	7
	116	**29**	**20**	**21**	**1**	**2**	**1**	**190**

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**

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 S&P, Moody's Investor Service and Fitch Ratings.

BOQ's current long term debt ratings are shown below.

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

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4.10 Regulatory Disclosures

The APS 330 Capital Disclosure Template and Regulatory Capital reconciliation (included in the relevant Pillar 3 Disclosures document) and the Capital Instruments Disclosures are available at the Regulatory Disclosures section of the Bank's website at the following address:

http://www.boq.com.au/regulatory_disclosures.htm

4.11 Liquidity Coverage Ratio

APRA requires ADIs to maintain a minimum 100 per cent LCR. The LCR requires sufficient HQLA1 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 was slightly elevated over the August quarter at 136 per cent (31 May 2017 quarter: 133 per cent) due to the settlement of the covered bond. The following table presents detailed information on the average LCR composition for the two quarters.

BOQ maintains a portfolio of high quality, diversified liquid assets to facilitate balance sheet liquidity and meet internal and regulatory requirements. Liquid assets comprise HQLA1 (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 RMBS that are eligible for repurchase 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 uses a range of funding tools including customer deposits, securitisation, short term and long term wholesale debt instruments. The Group increased customer funding during the period as part of its overall funding strategy. Bank lending is predominantly funded from stable funding sources; short term wholesale funding is primarily used to manage timing mismatches and fund liquid assets.

The liquid assets composition has changed over the combined quarters with the allocation to HQLA1 increasing, now making up 81 per cent of net cash outflows (28 February 2017: 79 per cent). Across the combined quarters net cash outflows have increased in line with balance sheet growth.

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

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4.11 Liquidity Coverage Ratio (continued)

	Average Quarterly Performance			
	August Quarter		May Quarter	
$ million	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	3,311	n/a	3,234
Alternative liquid assets	n/a	2,236	n/a	2,281
Total Liquid Assets		**5,547**		**5,515**
Cash Outflows				
Customer deposits and deposits from small branch customers, of which	14,201	1,337	13,683	1,281
stable deposits	*7,073*	*354*	*6,867*	*343*
less stable deposits	*7,128*	*983*	*6,816*	*938*
Unsecured wholesale funding, of which	4,110	2,462	4,156	2,515
non-operational deposits	*3,170*	*1,522*	*3,207*	*1,566*
unsecured debt	*940*	*940*	*949*	*949*
Secured wholesale funding	n/a	37	n/a	34
Additional requirements, of which	613	542	439	378
outflows related to derivatives exposures and other collateral requirements	*538*	*538*	*375*	*375*
credit and liquidity facilities	*75*	*4*	*64*	*3*
Other contractual funding obligations	634	303	548	220
Other contingent funding obligations	10,719	670	10,553	681
Total Cash Outflows	**30,277**	**5,351**	**29,379**	**5,109**
Cash Inflows				
Inflows from fully performing exposures	881	550	673	345
Other cash inflows	708	708	607	607
Total Cash Inflows	**1,589**	**1,258**	**1,280**	**952**
Total Net Cash Outflows	**28,688**	**4,093**	**28,099**	**4,157**
Total Liquid Assets	n/a	**5,547**	n/a	**5,515**
Total Net Cash Outflows	n/a	**4,093**	n/a	**4,157**
Liquidity Coverage Ratio (%)	n/a	**136%**	n/a	**133%**

Glossary

Term	Description
APRA Prudential Standard ('APS')	Prudential standards issued by APRA which are 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 corporation 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 the Bank.
Cost to Income ratio ('CTI')	Operating expenses divided by net operating income.
Corporations Act 2001	The *Corporations Act 2001* (Cth)
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.
Dividend Yield	Dividend shown 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 asset backed securities 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.
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.

Glossary

Term	Description
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 APS.
Net Interest Margin ('NIM')	Net interest income divided by average interest-earning assets.
Net Stable Funding Ratio ('NSFR')	The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 100% on an on-going basis. "Available stable funding" is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of such stable funding required of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet (OBS) exposures.
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 by a franchisee.
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 Bank divided by average ordinary equity.
Return on Average Tangible Equity ('ROTE')	Net profit attributable to the owners of the Bank 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 APS.
Share capital	Consolidated Entity's issued and paid-up capital.
Total capital adequacy ratio	Total capital divided by total RWA 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 ('VMA')	Virgin Money (Australia) Pty Ltd and its subsidiaries. The VMA entities are subsidiaries of the Group that engage 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.