BOQ GROUP INVESTOR INFORMATION

2016 HALF YEAR RESULTS

INCORPORATING THE REQUIREMENTS OF APPENDIX 4D

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

ASX APPENDIX 4D

For the half year period ended 29 February 2016

Results for announcement to the market [1]

				$m
Revenues from ordinary activities [2]	Up	4%	to	561
Profit from ordinary activities after tax attributable to members [2]	Up	11%	to	171
Profit for the year attributable to members [2]	Up	11%	to	171

(1) Rule 4.2A.3. Refer to Appendix 5.1 for the cross reference index for ASX Appendix 4D.

(2) On prior corresponding period (six months ended 28 February 2015).

1. HIGHLIGHTS & STRATEGY

1.1 DISCLOSURE CONSIDERATIONS

Future performance

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

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

Rounding

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

Note on Statutory Profit and Cash Earnings

Statutory Profit is prepared in accordance with the *Corporations Act 2001* and the Australian Accounting Standards, which comply with International Financial Reporting Standards ('IFRS'). Cash Earnings is a non-Accounting Standards measure commonly used in the banking industry to assist in presenting a clear view of the Bank's underlying earnings. Refer to Section 5.2 of the Appendices for the Reconciliation of Statutory Profit to Cash Earnings.

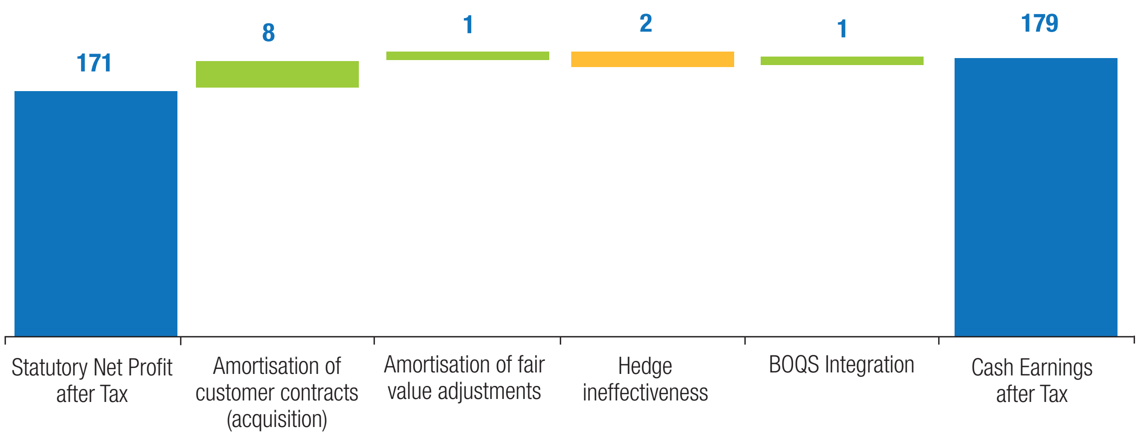
The items excluded from Cash Earnings are consistent with the prior period (Refer to the Reconciliation of Statutory Profit to Cash Earnings chart below). Integration costs relate to the acquisition of BOQ Specialist ('BOQS') and are in line with guidance provided at acquisition with the final Integration projects due to be completed by the end of the current financial year.

Hedge ineffectiveness represents earnings volatility from hedges that are ineffective under the application of IAS 39 *Financial Instruments* and create a timing difference in reported profit, where these hedges remain economically effective.

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

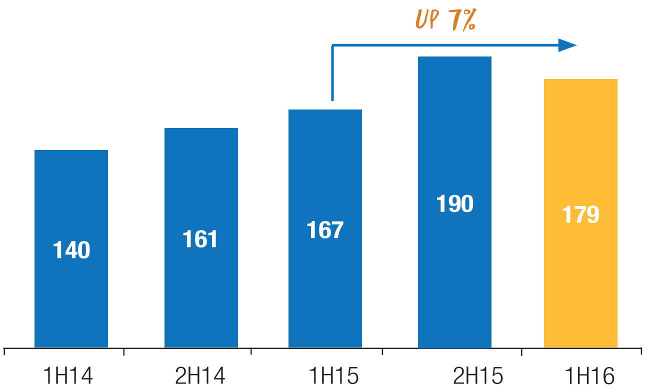
These non-statutory measures have not been subject to review or audit.

RECONCILIATION OF STATUTORY PROFIT TO CASH EARNINGS ($M)

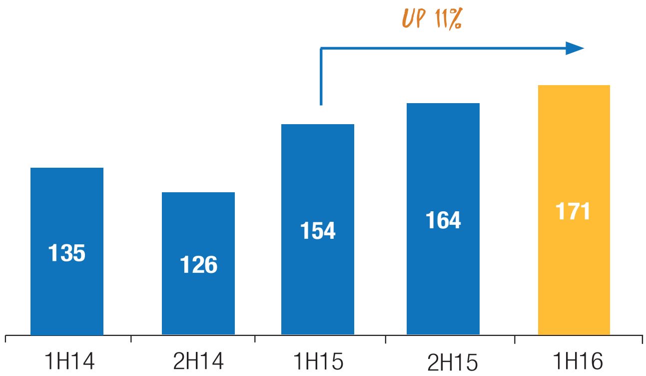


1.2 GROUP HIGHLIGHTS

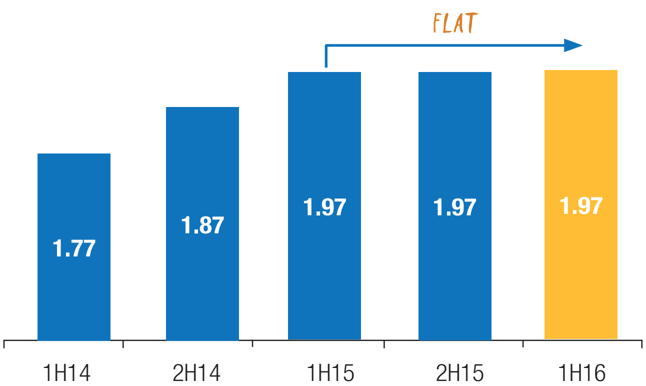
Cash earnings after tax ($m)



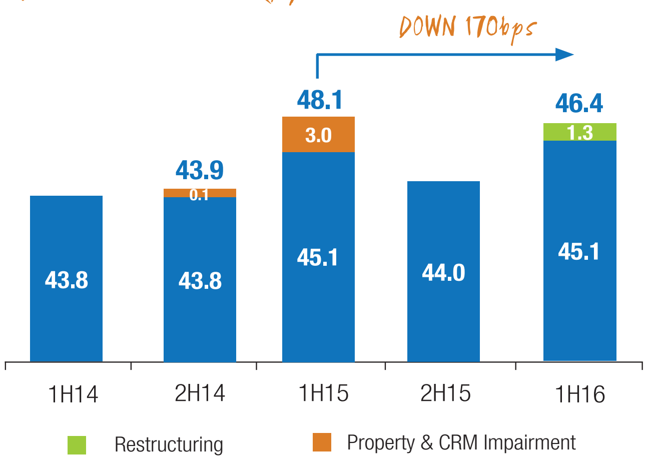
Statutory profit after tax ($m)



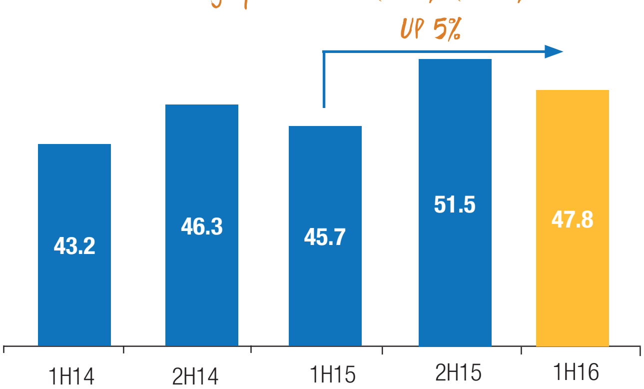
Cash net interest margin ('NIM') (%)



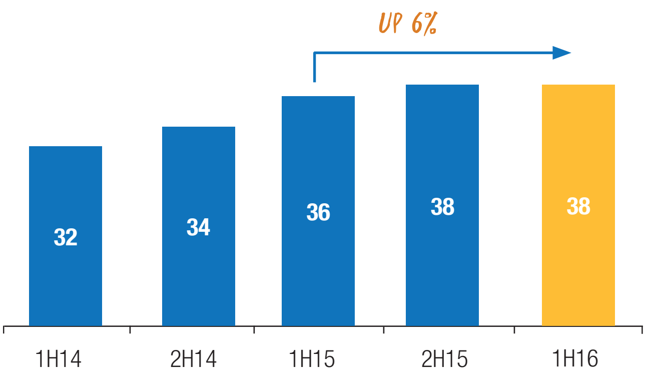
Cash cost to income (%)



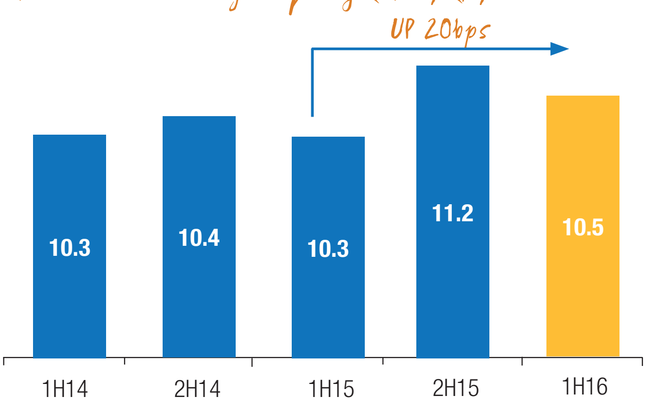
Cash basic earnings per share ('EPS') (cents)



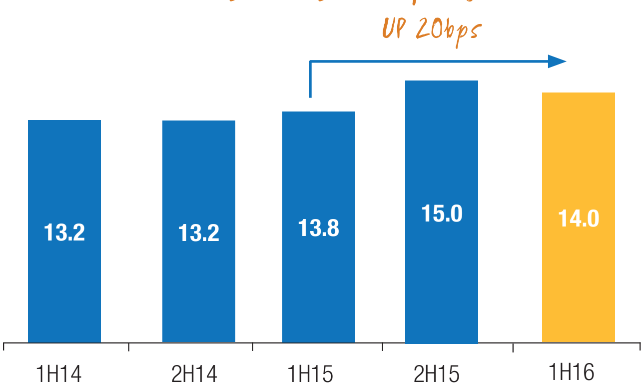
Dividends per share (cents)



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



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



1.2 GROUP HIGHLIGHTS (CONTINUED)

CASH EARNINGS AFTER TAX	LENDING GROWTH	CASH NET INTEREST MARGIN
$179 million Increased 7% on the prior corresponding period	**10% [1] or 1.2x System** Successful penetration of new channels driving above System growth and accelerating balance sheet diversification	**1.97%** NIM maintained in the half in a challenging environment
LOAN IMPAIRMENT EXPENSE	**COMMON EQUITY TIER 1**	**DELIVERING TRANSFORMATION**
$36 million Down 1bp to 17bps of lending	**8.80%** Strong capital position despite heightened first half growth and seasonality	Delivery of key initiatives in the first half including the Retail Lending Program. Virgin Money (Australia) mortgages to be launched in the second half

(1) Growth has been annualised.

BOQ has delivered a good first half result with Cash Earnings of $179 million representing a 7% increase on the prior corresponding half year and Statutory Net Profit after Tax increasing 11% on the prior corresponding period.

Strong new business momentum was achieved this half through the increased maturity of our channel diversification strategy. During the period, significant elements of our investment program to digitise and streamline our business were delivered. The balance sheet and earnings trajectory remain sound and we remain well positioned for potential changes in the regulatory environment.

Lending growth of 10% (annualised) or 1.2x System was a significant improvement over the prior year as we gain further traction with the '**Customer in Charge**' strategy by widening the choice of channels through which our customers can engage with us. We delivered strong penetration of the new channels in BOQ Specialist and Broker, whilst re-igniting growth through the branch network in the second quarter. This was achieved using targeted front book pricing to drive growth in new channels and has accelerated the diversification and de-risking of the balance sheet, especially in reducing the Queensland concentration of the portfolio, which has reduced 1% over the half to 48%. Additionally, this recent customer acquisition across new customer segments provides opportunities to broaden the target customer base over time as new product offerings are extended to these customers.

Net Interest Margin was maintained in the half at 1.97%, in line with the prior two half year periods, against an industry backdrop of funding market volatility and margin challenges. Asset pricing benefits from the industry repricing in the second half of the 2015 calendar year were partially offset by a continuation of front book pricing impacts as loan growth was generated in new channels which will support longer term value creation. Funding spreads and hedging costs both widened significantly during the half and are expected to continue to place pressure on the margin outlook for the second half, with product repricing action taken to address these impacts.

Our Cost to Income ('CTI') ratio during the period was 46.4% including one-off restructuring costs. As announced on 9th February 2016, BOQ has taken the decision to reshape the organisation to more effectively deliver the Group's strategy. Key changes to the business model reflect the expansion into the Broker mortgage distribution channel and BOQ Specialist. The impact of this restructuring during the half was $7 million (pre-tax) which has been included in Cash Earnings. Excluding these one-off costs, the CTI ratio of 45.1% was flat compared to the prior corresponding period, with underlying cost growth of 4% from the prior corresponding half in line with market guidance provided at the end of the 2015 financial year.

We have continued to prioritise a disciplined approach to credit with conservative settings maintained. Loan impairment expense has reduced 5% on the prior half to $36 million, or 17bps (annualised) of gross loans and advances. Further improvements to arrears in the housing portfolio from the prior corresponding period were also evident with lower first half seasonality and we continue to maintain prudent provisioning coverage above industry levels.

The Common Equity Tier 1 ('CET1') ratio reduced 11 basis points over the half to 8.80% reflecting the inherent first half seasonality, timing of securitisation issuance and strong back-ended loan growth.

The Board has determined to pay an interim dividend of 38 cents per share fully franked, which represents a 6% increase on the prior corresponding half whilst maintaining the dividend level of the prior period.

1.3 STRATEGY

BOQ is a full service financial institution, listed on the Australian Securities Exchange ('ASX'), regulated by the Australian Prudential Regulation Authority ('APRA') as an authorised deposit-taking institution ('ADI') and ranked among the top 100 companies by market capitalisation on the ASX. We have grown from being the first Permanent Building Society in Queensland in 1874 to the current day with a network of retail branches, and other points of presence spanning every state and territory in Australia.

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

'**Customer in Charge'** is about continuing to expand our source of originations through growth in the mortgage Broker market as well as improvements to digital, online and call centre channels. In the past half year accredited Brokers rose to more than 3,200 with Broker loan growth now contributing 24% of BOQ branded mortgage originations and accelerating significant improvements to geographic diversification outside of Queensland. BOQ's digital channel has also delivered a material increase in its contribution to growth and the new banking app has seen 85,000 downloads since its launch in December 2015. The planned launch of the Virgin Money (Australia) innovative new mortgage product is on schedule for the second half.

In our Retail network, a new commission model has been introduced for Owner Managed Branches based upon a balanced scorecard approach. The new scorecard balances lending, deposits, cross sales and compliance components which more strongly aligns interests of Owner Managers and the Bank. The new scorecard and commission model forms the basis of a new standardised franchise agreement which is being rolled out on a progressive basis as existing agreements expire. We continue to refine our branch strategy, with eight branches now in the new Icon format, These Icon branches have outperformed traditional branches on key retail banking performance metrics.

To '**Grow the Right Way'** and achieve the right balance of return for risk taken, we continue to diversify our balance sheet by pursuing higher margin segments in BOQ Specialist, SME Business Banking and BOQ Finance. In Business Banking, a tiered approach to origination through our distribution channels has been embedded to reflect deal complexity. Business mix changes reflecting a core focus on credit quality continue to be evident across the Retail portfolio and we have rebalanced the line of credit mortgage portfolio to industry average.

'There's Always a Better Way', which is the pursuit of operational efficiency, has seen continued focus on improving processes and systems to reduce the turnaround time on compliant retail and business lending applications. Implementation of BOQ's new digitised mortgage origination platform continues with almost 30% of mortgage applications to benefit from the new streamlined process in coming months and faster time to 'yes' for customers. The next release of the platform is on schedule for the end of the calendar year and will see up to 70% of mortgage applications processed digitally, resulting in increased lender productivity, improved customer experience and reduced operational risk.

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

2. GROUP PERFORMANCE ANALYSIS

2.1 INCOME STATEMENT & KEY METRICS

	Half Year Performance				
$ million	**Feb-16**	Aug-15	Feb-15	Feb 16 vs Aug 15	Feb 16 vs Feb 15
Net Interest Income	**467**	459	448	2%	4%
Non-Interest Income	**85**	96	84	(11%)	1%
Total Income	**552**	555	532	(1%)	4%
Operating Expenses	**(256)**	(244)	(256)	5%	-
Underlying Profit	**296**	311	276	(5%)	7%
Loan Impairment Expense	**(36)**	(38)	(36)	(5%)	-
Profit before Tax	**260**	273	240	(5%)	8%
Income Tax Expense	**(81)**	(83)	(73)	(2%)	11%
Cash Earnings after Tax	**179**	190	167	(6%)	7%
Statutory Net Profit after Tax	**171**	164	154	4%	11%

		Half Year Performance				
Key Metrics		**Feb-16**	Aug-15	Feb-15	Feb 16 vs Aug 15	Feb 16 vs Feb 15
Shareholder Returns						
Share Price	($)	**10.55**	12.67	13.96	(17%)	(24%)
Market Capitalisation	($ million)	**3,969**	4,698	5,123	(16%)	(23%)
Dividends per share (fully franked)	(cents)	**38**	38	36	-	6%
Dividend yield	(%)	**7.22**	5.95	5.20	127bps	202bps
Grossed-up dividend yield (including franking)	(%)	**10.32**	8.50	7.43	182bps	289bps
Cash Earnings basis						
Basic EPS	(cents)	**47.8**	51.5	45.7	(7%)	5%
Diluted EPS (1)	(cents)	**45.6**	50.0	44.8	(9%)	2%
Dividend payout ratio	(%)	**79.9**	74.1	79.1	580bps	80bps
Statutory basis (2)						
Basic EPS	(cents)	**45.7**	44.5	42.3	3%	8%
Diluted EPS (1)	(cents)	**43.7**	43.5	41.6	-	5%
Dividend payout ratio	(%)	**83.6**	85.9	85.8	(230bps)	(220bps)

(1) August 2015 has been restated to reflect the correct pro-rata treatment of the Wholesale Capital notes issued on 26 May 2015.
(2) Intangible assets amortisation identified as part of the acquisition accounting for BOQ Specialist is included in 2H15 only, February 2015 has not been restated.

2.1 INCOME STATEMENT & KEY METRICS (CONTINUED)

Key Metrics		Half Year Performance Feb-16	Aug-15	Feb-15	Feb 16 vs Aug 15	Feb 16 vs Feb 15
Profitability and efficiency measures						
Cash Earnings basis						
Net Profit After Tax	($ million)	**179**	190	167	(6%)	7%
Underlying Profit [1]	($ million)	**296**	311	276	(5%)	7%
NIM	(%)	**1.97**	1.97	1.97	-	-
CTI	(%)	**46.4**	44.0	48.1	240bps	(170bps)
Loan Impairment Expense to Gross Loans and Advances ('GLA')	(bps)	**17**	18	18	(1bps)	(1bps)
ROE	(%)	**10.5**	11.2	10.3	(70bps)	20bps
ROTE [3]	(%)	**14.0**	15.0	13.8	(100bps)	20bps
Statutory basis						
Net Profit After Tax [2]	($ million)	**171**	164	154	4%	11%
Underlying Profit [1] [2]	($ million)	**287**	275	261	4%	10%
NIM	(%)	**1.97**	1.96	1.94	1bps	3bps
CTI	(%)	**48.8**	50.0	51.4	(120bps)	(260bps)
Loan Impairment Expense to GLA	(bps)	**17**	18	18	(1bps)	(1bps)
ROE [2]	(%)	**10.0**	9.7	9.5	30bps	50bps
ROTE [2] [3]	(%)	**13.4**	13.0	12.8	40bps	60bps
Asset Quality						
30 days past due ('DPD') Arrears	($ million)	**562**	478	533	18%	5%
90DPD Arrears	($ million)	**255**	257	259	(1%)	(2%)
Impaired Assets	($ million)	**240**	237	259	1%	(7%)
Specific Provisions to Impaired Assets	(%)	**48.8**	53.3	51.9	(450bps)	(310bps)
Collective Provisions to Risk Weighted Assets	(%)	**0.54**	0.56	0.57	(2bps)	(3bps)
Capital						
CET1 Ratio	(%)	**8.80**	8.91	8.82	(11bps)	(2bps)
Total Capital Adequacy Ratio	(%)	**12.45**	12.72	12.03	(27bps)	42bps
Risk Weighted Assets ('RWA')	($ million)	**27,467**	26,321	26,057	4%	5%

(1) Profit before loan impairment expense and tax.
(2) Intangible assets amortisation identified as part of the acquisition accounting for BOQ Specialist is included in 2H15 only, February 2015 has not been restated.
(3) Based on after tax earnings applied to average shareholders' equity (excluding preference shares and treasury shares) less goodwill and identifiable intangible assets (customer related intangibles/ brands and computer software).

2.2 NET INTEREST INCOME

- NIM maintained in a challenging environment
- Front to back book repricing dynamic persisting across the industry
- Funding cost reduction tailwinds of prior periods no longer evident, with elevated funding spreads and significantly increased hedging costs emerging as market volatility heightened

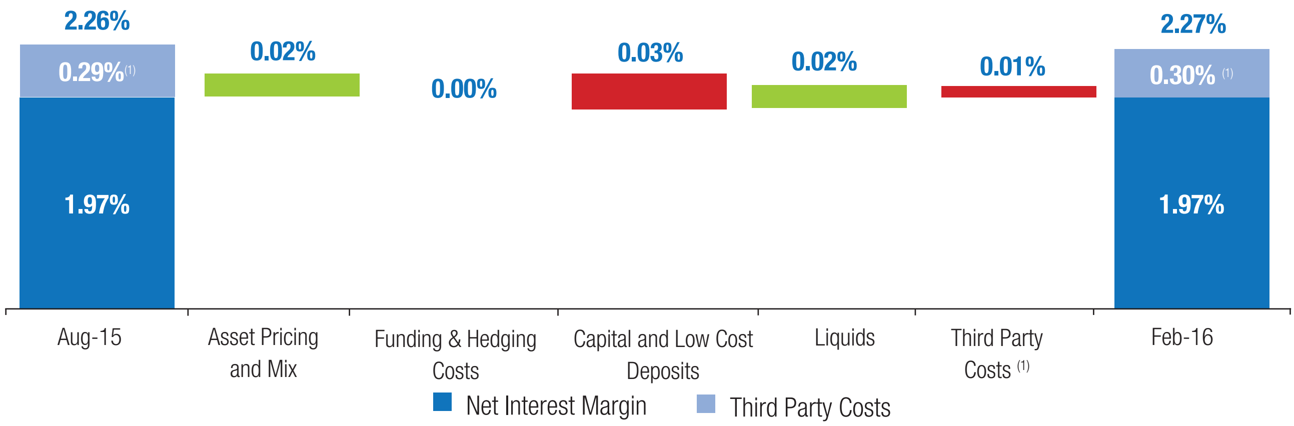
	Half Year Performance				
$ million	**Feb-16**	Aug-15	Feb-15	Feb 16 vs Aug 15	Feb 16 vs Feb 15
Net Interest Income	**467**	459	448	2%	4%
Average Interest Earning Assets	**47,506**	46,272	45,924	3%	3%
Net Interest Margin	**1.97%**	1.97%	1.97%	-	-

Net Interest Income increased to $467 million, representing a 4% uplift on the prior corresponding period. This was driven by growth in Average Interest Earning Assets with the strong first half growth largely back-ended in the period, whilst NIM remained stable at 1.97%.

Asset pricing benefited from the industry-wide repricing initiatives in the second half of the 2015 calendar year, however this was largely eroded by lower front to back book and retention repricing, together with elevated funding spreads and hedging costs. The benefit from reduced funding costs that largely sheltered the asset repricing effects in prior periods was largely not experienced in the period.

The recent volatility in funding markets with elevated funding and balance sheet hedging costs creates a significant headwind to margin in the second half, with product repricing action taken to address the impacts.

NET INTEREST MARGIN – MOVEMENT AUGUST 2015 TO FEBRUARY 2016



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

Underlying movements within the NIM included the following:

Asset Pricing & Mix: The cumulative impact of industry-wide repricing undertaken in August and November last year positively impacted NIM by 6 basis points. Front to back book repricing impacts had a 2 basis point contractionary impact on NIM. A further 1 basis point impact resulted from an elevated level of retention repricing activity to respond to competitor offers to exiting customers. A change in business mix, with stronger growth in lower margin housing lending also reduced NIM by 1 basis point.

Funding & Hedging Costs: The mix and cost impacts of liability funding created a positive contribution to NIM of 2 basis points. However, this represented a significant reduction from the NIM benefit in the prior 2 half years of 4 basis points and 10 basis points respectively. The cost of hedging interest rate risk in the balance sheet increased with an unfavourable impact to NIM of 2 basis points. A further 3 basis points of NIM impact would be expected in the second half if hedging costs continue at these levels.

Capital and Low Cost Deposits: The low yield curve environment continues to reduce returns on the 'replicating portfolio' used to manage low-cost deposits and the free funding benefit of capital. This reduced NIM by 3 basis points. This trend is expected to continue for the forthcoming periods, subject to changes in the yield curve.

Liquids: 2 basis points improvement attributed to a further reduction in the size of the liquid asset portfolio following improved deposit composition and management of APS 210 liquidity requirements. This is largely a 'denominator' effect that does not generate a positive contribution to Net Interest Income.

Third Party Costs: 1 basis point increase in third party costs was a result of the uplift in originations from non-proprietary channels.

2.3 NON-INTEREST INCOME

$ million	Half Year Performance Feb-16	Aug-15	Feb-15	Feb 16 vs Aug 15	Feb 16 vs Feb 15
Banking Income	**49**	59	51	(17%)	(4%)
Insurance Income	**15**	16	17	(6%)	(12%)
Other Income	**13**	11	6	18%	117%
Trading Income	**8**	10	10	(20%)	(20%)
Total Non-Interest Income	**85**	96	84	(11%)	1%

Non-Interest Income of $85 million for the first half of 2016 is 1% higher than the prior corresponding period, though $11 million below the last half. There is some seasonality in fee collection weighted to the second half, particularly in the commercial portfolio. Net lower transaction income has been experienced due to changes in the structure of interchange fees on the credit card portfolios that reduced the result by approximately $3 million from the prior half. The BOQ Specialist strategic focus on the new on-balance sheet residential mortgage offering has impacted the third party brokerage previously earned on the off-balance sheet mortgages and we have seen the impact of customer preferences for reduced fee products, such as our Clear Path mortgage.

Other income for the half benefitted from improved equipment sales realisations in the BOQ Finance portfolio by $2 million. The prior corresponding period included $4 million of one-off unfavourable items which were not repeated. The Virgin Money (Australia) contribution is included in Other Income. The Virgin Money (Australia) credit card business continues to outperform with average net receivables up 18% against the prior corresponding period.

Trading income has reduced by $2 million following two strong consecutive halves. Changes stemming from the APRA *APS210* Liquidity Standard have reduced opportunity for trading contribution from management of the liquids portfolio.

The St Andrews' insurance contribution decreased in the period due to a shift in the business mix and lower returns on investments (see Section 2.4 below).

2.4 INSURANCE OVERVIEW

$ million	Half Year Performance Feb-16	Aug-15	Feb-15	Feb16 vs Aug 15	Feb 16 vs Feb 15
Gross Written Premium (net of refunds)	**30**	26	29	15%	3%
Net Earned Premium	**35**	36	36	(3%)	(3%)
Underwriting Result	**12**	12	13	-	(8%)
Other Insurance Income	**2**	3	3	(33%)	(33%)
Total Income	**14**	15	16	(7%)	(13%)
Consolidation Adjustment	**1**	1	1	-	-
Group Insurance Result	**15**	16	17	(6%)	(12%)

St Andrew's Insurance contributed $15 million to Non-Interest Income, a $1 million reduction from the prior half and a 12% reduction from the prior corresponding period.

Gross Written premiums increased 15% from the August half, as the impact of the reduction in the volume of single premium policies experienced during recent periods began to lessen. Growth in regular premium policies and continuing momentum in the wholesale partnerships, consistent with the business diversification strategy also contributed to the increase. Net Earned Premiums reduced 3% from recent periods. This was caused by a reduction in single premium policies, together with an increase in both reinsurance premiums and commissions paid, reflecting the changing mix of business.

Underwriting margins remained at $12 million, with a $1 million increase in commissions offset by a reduction in life insurance claims that reduced from elevated levels in the prior period. The impact of the shift in the business mix on the net earned premiums and commissions will continue to be a headwind of similar magnitude over each of the next two halves, until the strategy to diversify into newly established wholesale partnership arrangements begins to provide a more meaningful contribution to earnings. Other insurance income reduced due to lower returns on the investment portfolio, backing future obligations to policyholders.

2.5 OPERATING EXPENSES

- Cost to income ratio 45.1% excluding one-offs, flat on the prior corresponding period
- $15 million restructure investment with $7 million incurred in the first half

	Half Year Performance				
$ million	**Feb-16**	Aug-15	Feb-15	Feb 16 vs Aug 15	Feb 16 vs Feb 15
Employee Expenses (1)	**133**	123	118	8%	12%
Occupancy Expenses (2)	**22**	21	26	5%	(15%)
General Expenses (3)	**50**	50	60	-	(17%)
IT Expenses	**42**	40	42	5%	-
Other Expenses	**9**	10	10	(10%)	(10%)
Total Operating Expenses (4)	**256**	244	256	5%	-
Cost to Income Ratio	**46.4%**	44.0%	48.1%	240bps	(170bps)
Cost to Income Ratio (excluding one-off costs) (1) (2) (3)	**45.1%**	44.0%	45.1%	110bps	-
Number of Employees ('FTE') (4)	**1,990**	1,991	1,859	-	7%

(1) One-off costs for the half to February 2016 are related to restructuring ($7 million).
(2) One-off property transition costs of $6 million incurred in 1H15.
(3) One-off Customer Relationship Management ('CRM') Impairment of $10 million in 1H15.
(4) Full Time Employee ('FTE') numbers and Operating Expenses exclude Virgin Money (Australia) as the net result is included in Non-Interest Income.

Operating Expenses exclude costs relating to Virgin Money (Australia) where the net result has been consolidated in Non-Interest Income for presentation of Cash Earnings. The total expenses for Virgin Money (Australia) were $8 million for the half to February 2016 which is consistent with the prior corresponding period. A reconciliation of Cash Earnings to Statutory Profit is set out in Section 5.2 (b).

In February 2016, the Group announced that it was embarking on a program to reshape its organisational structure to better affect the BOQ Group's strategy. To enable these organisational changes to be implemented, an investment in the order of $15 million (pre-tax) is anticipated over the course of the 2016 financial year. It is anticipated that this investment will deliver 100% payback through cost savings within 12 months. During the first half, $7 million of this investment has been incurred and is included in the expenses above. The remaining investment relates to establishing organisational Centres of Excellence, with the mortgage process being a key priority, as well as a number of smaller initiatives such as digitising cheque processing, establishing electronic statement capability and reducing postage and courier costs.

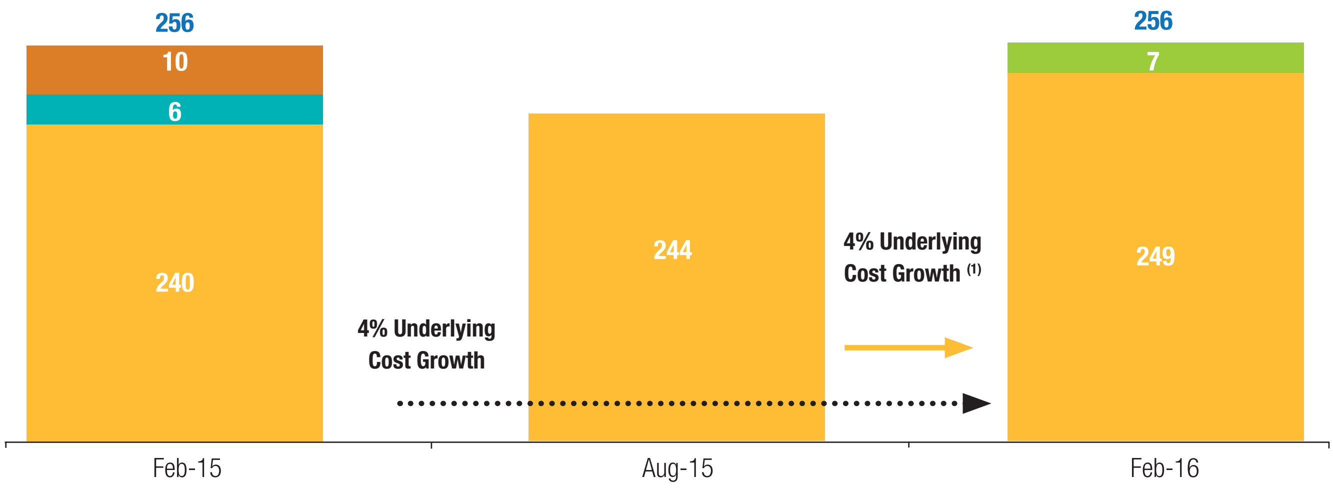
Underlying operating expenses, excluding the impact of one-off items, increased by 3.8% over the prior corresponding period. Additional costs have been incurred in the half through lending support staff and processing costs as a result of the uplift in lending growth, particularly across new channels such as Broker and BOQ Specialist. There has also been an increase in frontline branch costs as we continue to optimise the location and mix of our branch network. Corporate branch numbers have increased by 7 (9%) over the prior corresponding period.

As previously highlighted, we are undertaking a significant reinvestment program and a number of strategic initiatives were delivered this half, including the new retail lending origination platform, aimed at improving the customer experience. This has resulted in an increased amortisation expense in this period of $3 million compared to the prior half. The recent implementation of a strategic IT outsourcing arrangement has mitigated some of this impact. Amortisation expense is expected to increase further in the second half as a full period impact of significant projects delivered in the first half is incurred.

The rollout relating to the residential mortgage market offering under the Virgin Money (Australia) brand has commenced in pilot. Additional expense growth will be incurred from the second half of 2016 with the cost of this expansion expected to add approximately $3 million to the second half expense base.

2.5 OPERATING EXPENSES (CONTINUED)

To provide a view of underlying expenses the following graph demonstrates the impact of one-off impacts of impairment, property transition and restructuring costs.

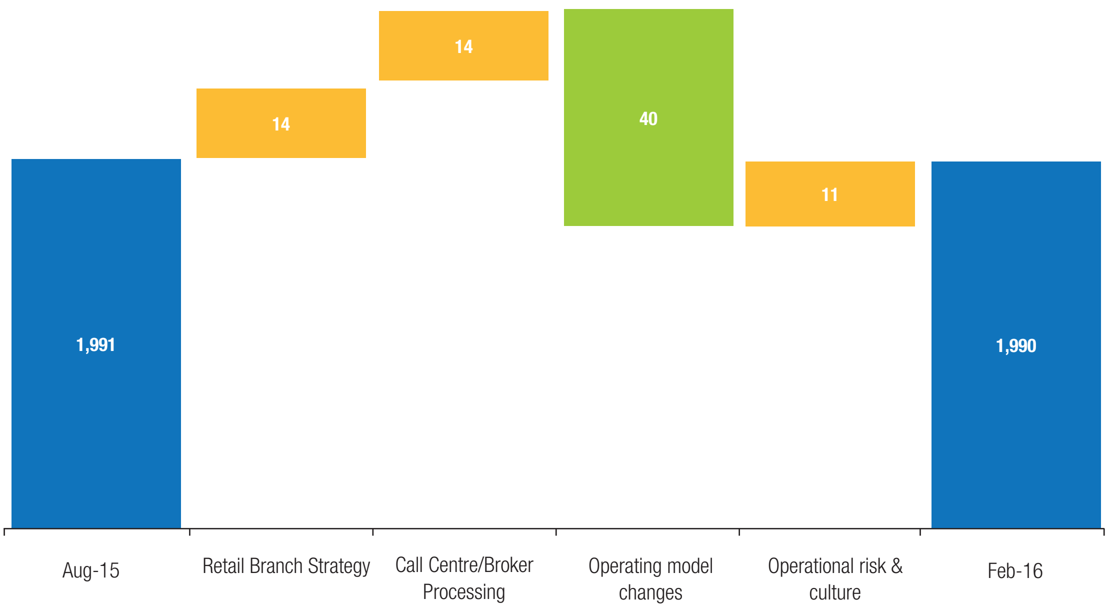


(1) Annualised.

BOQ FTE 1H16 V 2H15

Employee numbers over the half remained relatively flat. There has been an uplift in frontline staff to supplement the increase in loan volumes with further resourcing for the newly established Gold Coast Customer Contact centre that is providing excellent operational support to the primary Perth based Customer Contact Centre. There has been an uplift in Branch staff, whilst we implement the retail strategy to optimise the Branch network and we continue to ensure our risk capability is robust as we transition into new growth channels. We have taken a conservative approach to ensuring the quality of the business we originate is maintained, with independent validation of all lending applications that has resulted in additional cost. This will alleviate as the lending process is digitised and with the move to a mortgage processing centre of excellence approach.

There has been a significant focus on improving the operational risk and compliance practices of BOQ over the recent reporting periods with approximately 40 additional staff added over the last eighteen months. These resources are dedicated to activities that drive organisation-wide focus on ensuring practices are operating at levels consistent with the Group's risk appetite framework. Branch audits are a good indicator of the improvement being delivered, where there has been a material lift in the quality of lending and compliance audit outcomes to now be within accepted levels. The phase one impacts of the operating model restructure resulted in 40 staff exiting the Group before balance date.



2.6 CAPITALISED INVESTMENT

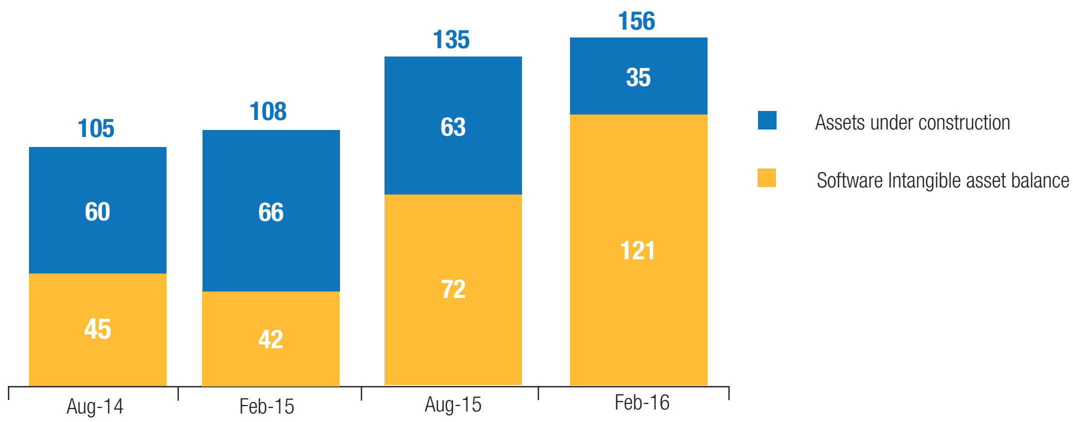
• Delivery of the transformation pipeline well progressed

The Group's transformation, aligned to our strategic pillars such as '**There's Always a Better Way**' and '**Customer in Charge**', has continued during the first half with the delivery of a number of key initiatives and a series of digital customer experience releases. The most significant initiative in the first half was the initial release of the Group's new retail lending origination platform to digitally process approximately 30% of the Bank's mortgage origination application volumes in the coming months.

The investment pipeline is largely aimed at improving the customer experience and reducing turnaround times, whilst transitioning from legacy manual processes to a digitised environment. This investment rollout will continue during the second half of the financial year. This includes the launch of the new Virgin Money (Australia) home loan product early in the second half and the subsequent releases of the lending origination platform as its reach is extended to cover up to 70% of all mortgage applications by the end of the calendar year.

This heightened level of investment is evident in the increased carrying value of intangible assets over the last two years as shown in the graph below. Assets under construction have reduced as a significant number of key projects were delivered during the half.

CARRYING VALUE OF INTANGIBLE ASSETS ($M)



2.7 LENDING

The first half saw above APRA System loan growth of $2 billion (1.2x System) delivered as part of the multi-channel strategy. BOQ's competitive mortgage pricing position taken over the half delivered stronger penetration through new channels in BOQ Specialist and Broker, and reignited the branch network in the second quarter. This targeted front book pricing to drive growth in these new channels has accelerated the diversification of the portfolio and improved the risk profile of the balance sheet. Asset growth will continue to be supported by our maturing Broker presence, continued high growth rates in BOQ Specialist market niches and improved performance from a more productive branch network, together with the Virgin Money (Australia) offering that will be launched in the second half. Asset growth will be managed in line with the Group's funding and capital generation capacity.

While there has been above APRA System growth in our Investment Housing portfolio, with annual growth rates lifting from 3.5% to 7.8% over the half, we remain within APRA's 10% growth cap for this asset class. Repricing steps have been taken that are expected to moderate growth from the strong volumes generated in the second quarter of the financial year. There has not been any material re-classification between our Housing Owner-Occupied and Investor portfolios which has been evident in wider industry reporting.

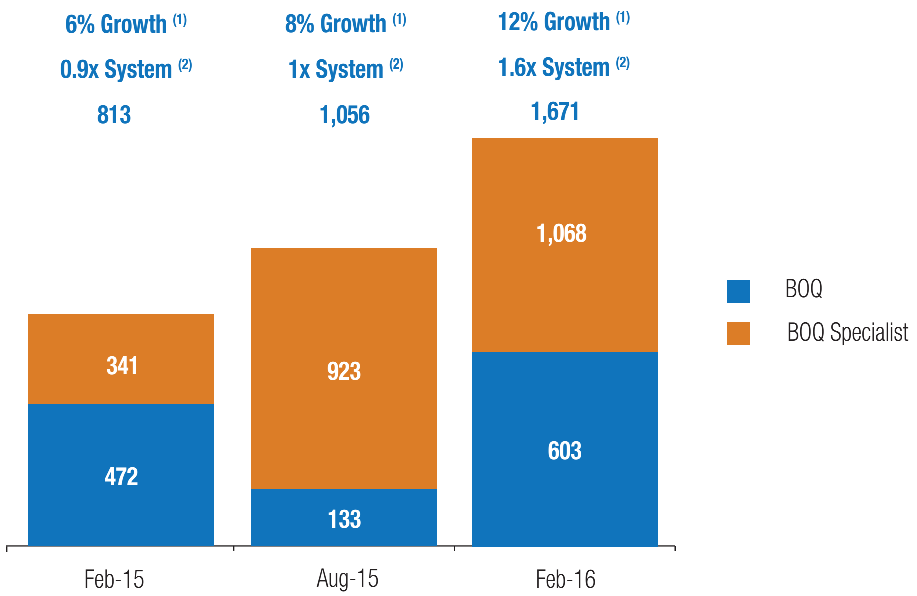
We continue to maintain prudent credit and serviceability criteria and strong origination validation requirements to ensure the improved portfolio credit quality metrics continue to trend favourably.

	As at				
$ million	**Feb-16**	Aug-15	Feb-15	Feb 16 vs Aug 15 [1]	Feb 16 vs Feb 15
Housing Lending - APRA on-balance sheet	**27,709**	25,641	24,504	16%	13%
Housing Lending - APS 120 qualifying securitisation [2]	**2,339**	2,737	2,818	(29%)	(17%)
	30,048	28,378	27,322	12%	10%
Commercial Lending	**8,502**	8,258	8,041	6%	6%
BOQ Finance	**4,057**	4,015	4,029	2%	1%
Consumer	**317**	324	334	(4%)	(5%)
Gross Loans and Advances ('GLA')	**42,924**	40,975	39,726	10%	8%
Specific and Collective Provisions	**(265)**	(272)	(275)	(5%)	(4%)
Net Loans and Advances	**42,659**	40,703	39,451	10%	8%

(1) Growth rates have been annualised.

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

GROWTH IN HOUSING ($M)



(1) Growth rates have been annualised.

(2) Represents latest available APRA System growth statistics as at February 2016.

2.7 LENDING (CONTINUED)

HOUSING LENDING

We delivered above System growth this half in our core housing products with mortgage growth for the half of $1.7 billion (1.6x System) driven by strong growth through BOQ Specialist and the Broker network, and strong growth through the branch network in the second quarter.

BOQ Specialist continued building on the 2015 result with its on-balance sheet mortgage offering to its niche, professional client base and achieved growth of $1.1 billion in the first half. The growth of BOQ Specialist has accelerated mortgage portfolio diversification outside of Queensland. This growing professional customer base will also provide further cross sell opportunities in future years as we partner with these customers in their future endeavours.

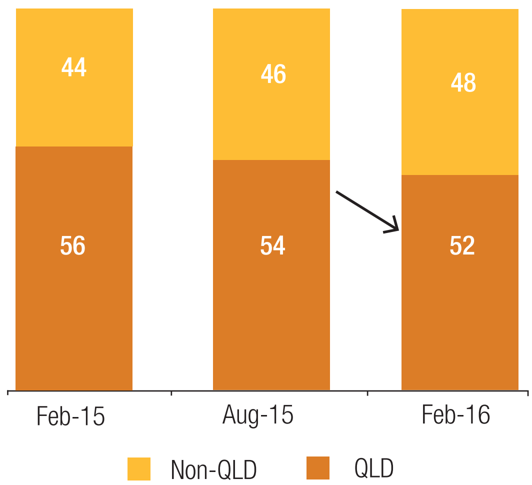
The Retail Bank has realigned its strategy to changing customer preferences by enhancing our multi-channel offering through expanding our Broker distribution, optimising our branch network through Icon branch rollout and branch consolidations, the forthcoming Virgin Money (Australia) mortgage offering and executing on our digital roadmap capabilities to drive an improved customer experience.

Growth in the Retail Bank for the half was $0.6 billion, driven by strong growth in the Broker network which has expanded to over 3,200 accredited Brokers nationally, with 84% located outside of Queensland. The Broker network grew $0.7 billion for the half and accounted for 26% of BOQ branded housing settlements over this period. This is still well below industry levels where nearly half of industry originations are sourced via third party channels.

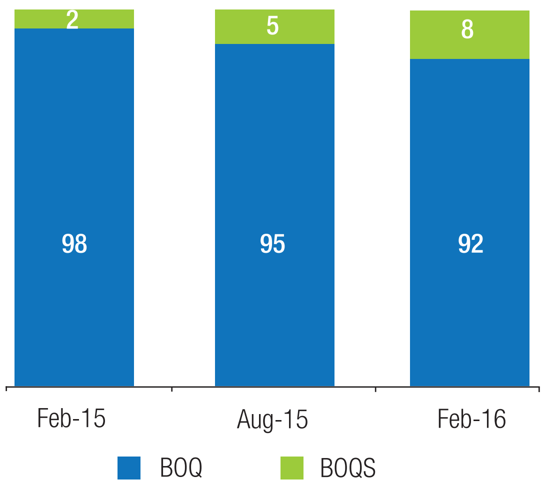
The growth this period has also accelerated the diversification of the housing portfolio, reducing Queensland concentration of the Group housing portfolio to 52%. We have also seen growth in the Pay As You Go ('PAYG') portfolio weighting, reduced exposure to regional concentrations with new growth in the Sydney and Melbourne metropolitan areas, and reduced line of credit exposures to 10% of portfolio which is now in line with industry levels.

Housing settlements outside of the Bank's traditional footings in Queensland have also continued to increase and nearly two thirds of originations are now from outside the state. This reflects the strong BOQ Specialist and Broker presence in southern states combined with a growing digital presence.

HOUSING PORTFOLIO CONCENTRATIONS QLD VS NON-QLD (%)

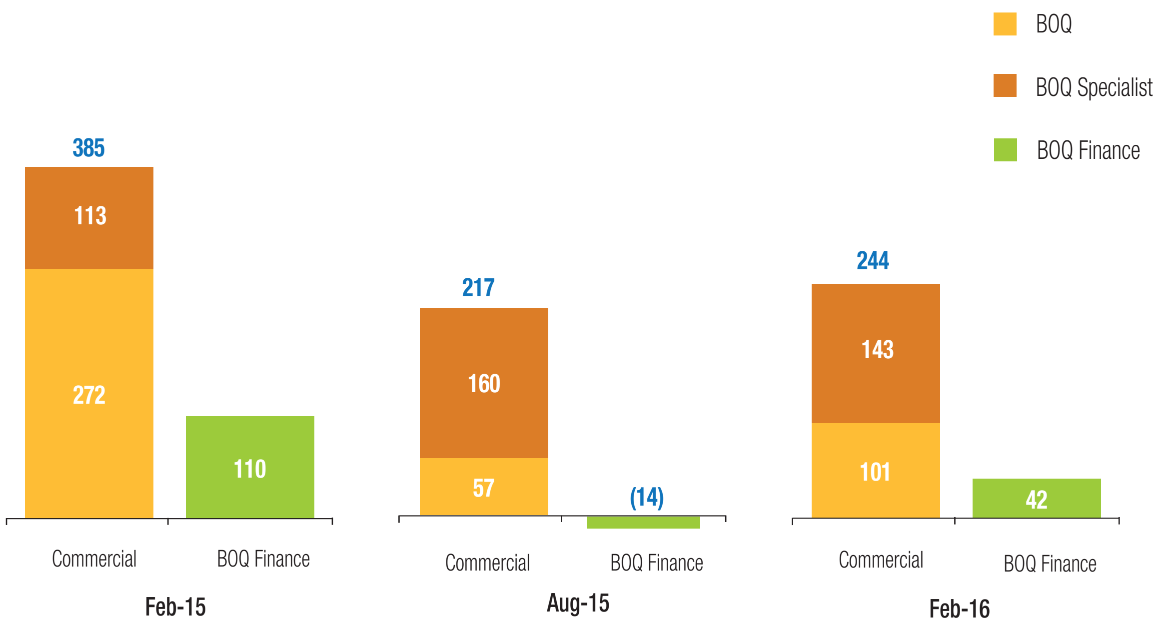


HOUSING PORTFOLIO BY BRAND (%)



2.7 LENDING (CONTINUED)

GROWTH IN COMMERCIAL & BOQ FINANCE ($M)



	Commercial	BOQ Finance	Commercial	BOQ Finance	Commercial	BOQ Finance
Growth rate (1)	10.1%	5.6%	5.4%	(0.7%)	**5.9%**	**2.1%**
System growth (1) (2)	9.4%	(2.8%)	9.2%	(0.1%)	**11.0%**	**3.5%**
Growth vs System (2)	1.1x	n/a	0.6x	n/a	**0.5x**	**0.6x**

(1) Growth rates have been annualised.

(2) Represents latest available APRA and AELA System growth statistics as at February 2016.

2.7 LENDING (CONTINUED)

COMMERCIAL LENDING

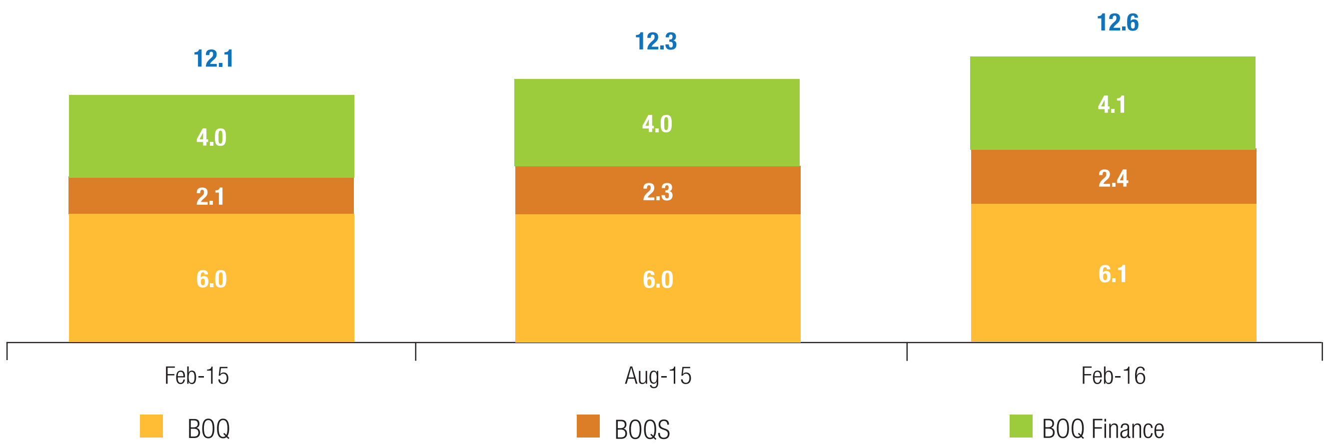
BOQ Commercial growth was 6% for the half as we maintained a focus on credit quality and appropriate pricing for risk in a sector continuing to exhibit strong competition for quality exposures. A larger pipeline of opportunities that meet acceptable risk versus return hurdles has built over the period as market segments have emerged with more rational pricing than in the previous half. The BOQ Business Bank has also benefited from it's re-focussed strategy concentrating on five defined niche target industries which are Healthcare, Retirement & Aged Care, Hospitality & Tourism, Agribusiness and Franchising. This strategy is supported by specialised credit assessment capability critical to success in penetrating these niche markets.

The BOQ Specialist commercial loan book has grown 14% annualised to $2.4 billion. This is another strong period of growth in a higher margin customer segment that is benefiting from exposure to a higher growth element of the Australian economy. This also demonstrates the success of our niche strategy that resonates very strongly with BOQ Specialist's customer base.

The SME strategy continues to evolve with further investment undertaken to lift business banking capability and tools to support our Retail branch network. Continued development in the Group's Financial Market's capability has also seen an improvement in our ability to provide more comprehensive risk management solutions to our clients.

Over the first half, the BOQ Finance portfolio grew by 2.1%. Business conditions remain challenging in general plant and equipment markets, however good progress has been made in diversifying origination sources in specialised channels with a number of new financing programs coming on line. A key focus for BOQ Finance continues to be the simplification and automation of business processes through the asset funding life cycle.

COMMERCIAL PORTFOLIO COMPOSITION ($B)



3. BUSINESS SETTINGS

3.1 ASSET QUALITY

- Stable loan impairment expense (17bps/GLAs)
- Continued improvement in seasonally adjusted housing credit quality metrics
- BOQ Finance impairment expense of 67bps reduced to levels consistent with 'through the cycle' expectations
- Commercial credit metrics reflect the transitionary state of the economy, but remain within expectations

Key Metrics		Half Year Performance Feb-16	Aug-15	Feb-15	Feb 16 vs Aug 15	Feb 16 vs Feb 15
Loan Impairment Expense	($ million)	**36**	38	36	(5%)	-
Loan Impairment Expense / GLA	bps	**17**	18	18	(1bp)	(1bp)
Impaired Assets	($ million)	**240**	237	259	1%	(7%)
30DPD Arrears	($ million)	**562**	478	533	18%	5%
90DPD Arrears	($ million)	**255**	257	259	(1%)	(2%)
Collective Provision & General Reserve for Credit Losses ('GRCL') (1) / RWA	bps	**96**	100	102	(4bps)	(6bps)

(1) GRCL gross of tax effect.

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

- **Loan impairment expense** is $36 million (17bps/GLA) for the first half. While the expense is in line with the prior corresponding period, lending growth has improved this ratio by 1bp. This result was aided by continued improvements in Retail, lower levels of BOQ Finance impairment expense, offset by an uplift in Commercial impairments;
- **Impaired assets** have increased slightly over the half with three commercial exposures over $5 million transitioning to impaired status during the period;
- **Past due** balances increased due to seasonality in 30DPD, but remains in line with prior corresponding period at 1.3%. 90DPD has improved against the prior half and prior corresponding period due to low levels of Retail arrears which continues to be aided by a low interest rate environment, stable employment indicators and a strong residential property market; and
- **Collective provisioning** and GRCL coverage against risk weighted assets has decreased by 4bps over the half, due to strong lending growth predominantly in the low loss experience housing portfolio, with the Collective provisions actually increasing slightly over the half. We remain prudently provisioned and compare favourably in comparison with other industry participants.

LOAN IMPAIRMENT EXPENSE

Key Metrics	Half Year Performance Feb-16 Expense ($m)	Feb-16 Expense/ GLA (bps)	Aug-15 Expense ($m)	Aug-15 Expense/ GLA (bps)	Feb-15 Expense ($m)	Feb-15 Expense/ GLA (bps)
Retail Lending	**8**	**5**	10	7	12	8
Commercial Lending	**14**	**32**	11	27	10	25
BOQ Finance	**14**	**67**	17	84	14	71
Total	**36**	**17**	38	18	36	18

The above table shows the continued improvement in the Retail portfolio which is aided by the low interest rate environment and a reduction in the rate of new impaired assets recognised. The uplift in Commercial impairment expense is due to the impact of three larger impaired exposures and a lower level of specific provisions write-backs on realisations compared to prior halves. In BOQ Finance, the prior half had been impacted by increased impairment expenses as a result of the downturn in the mining sector. Whilst the transition of the economy away from mining construction continues to contribute to impairment expense in this portfolio, impairment expense reduced in the half to levels consistent with 'through the cycle' expectations.

3.1 ASSET QUALITY (CONTINUED)

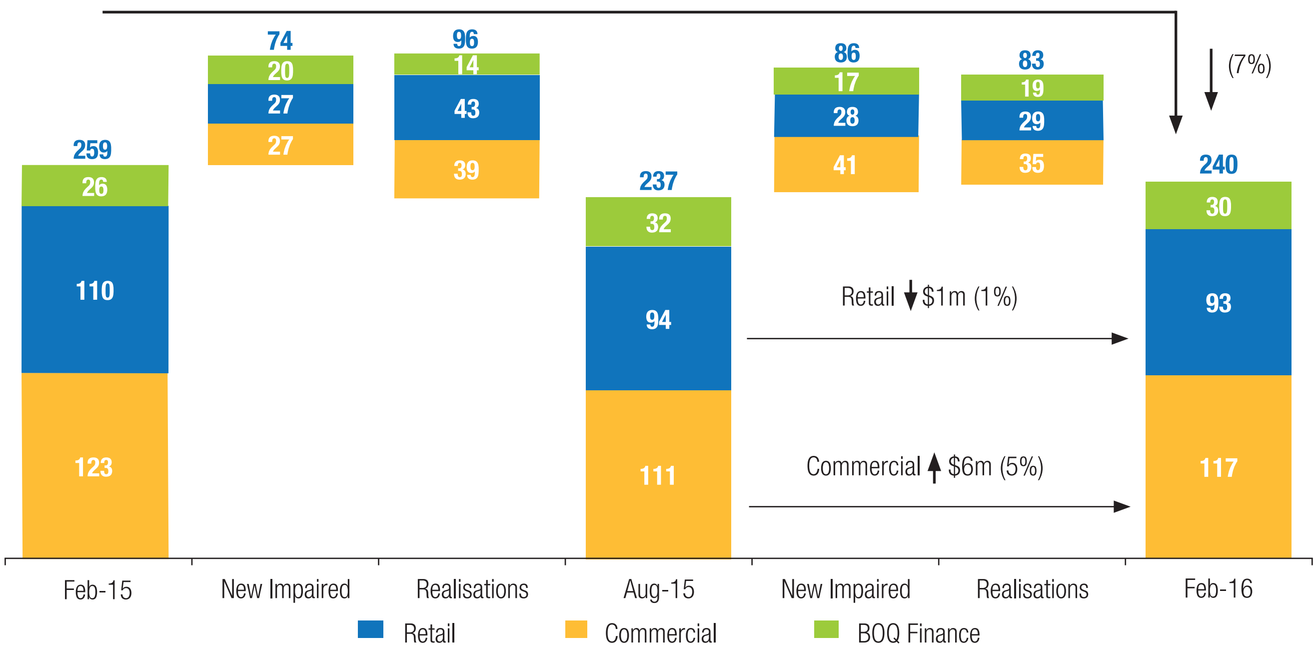
IMPAIRED ASSETS

$ million	As at Feb-16	Aug-15	Feb-15	Feb 16 vs Aug 15	Feb 16 vs Feb 15
Retail Lending [1]	**93**	94	110	(1%)	(15%)
Commercial Lending [1]	**117**	111	123	5%	(5%)
BOQ Finance [1]	**30**	32	26	(6%)	15%
Total Impaired Assets	**240**	237	259	1%	(7%)
Impaired Assets / GLA	**56bps**	58bps	65bps	(2bps)	(9bps)

(1) Prior periods have been restated to include impaired assets for BOQ Specialist.

Impaired assets have increased over the half by $3 million (1%) to $240 million. Whilst there has been an uptick in impaireds, the impaired assets to GLA ratio has improved by 2bps to 56bps with strong lending growth achieved for the half. Retail impaired assets have remained stable which is reflective of the low interest rate environment and consistent with the improvement in impairment expense for the half. Commercial impaired assets increased by $6 million (5%) over the half due largely to three exposures greater than $5 million transitioning to impaired status. BOQ Finance impaired assets have improved against the prior half by $2 million (6%). The graph below outlines the movement in impaired assets since February 2015.

IMPAIRED ASSETS ($M)



3.1 ASSET QUALITY (CONTINUED)

COMMERCIAL IMPAIRED ASSETS

Commercial impaired assets have increased over the half by $6 million (5%). The balance has been impacted by three larger exposures greater than $5 million transitioning to impaired during the period. Within the Commercial impaired portfolio there are now four exposures greater than $5 million which relate to different sectors of the economy and are not indicators of any systemic issues or portfolio deterioration.

RETAIL IMPAIRED ASSETS

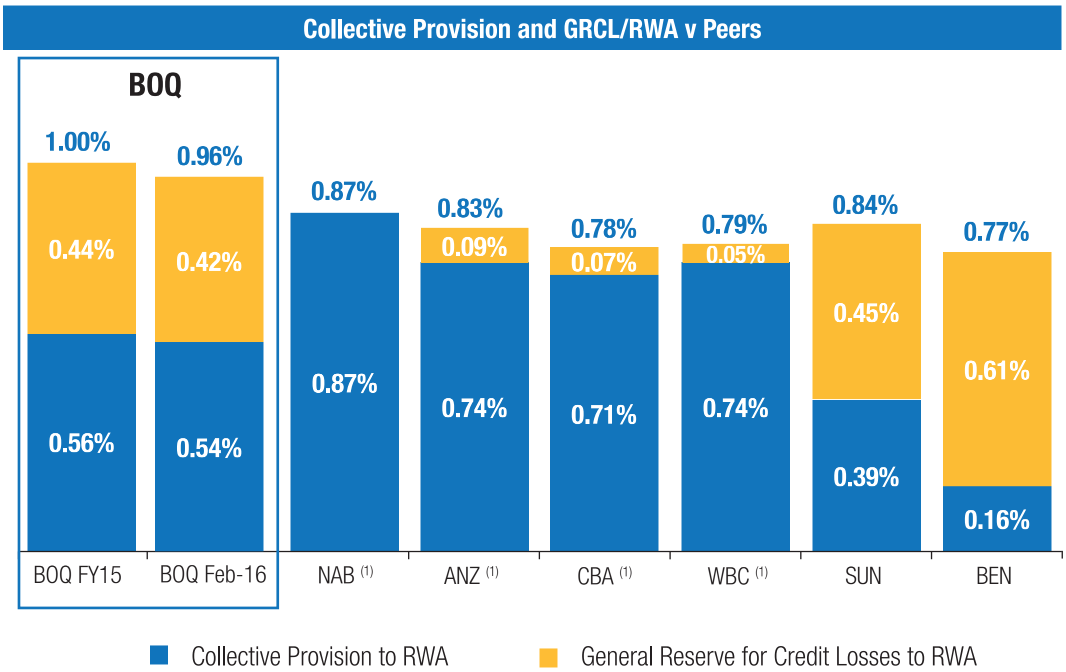
Retail impaired assets have reduced $1 million (1%) over the half. Default metrics on the housing portfolio continue to show solid improvement with an increasing proportion of the portfolio (~60%) originated under the new risk appetite credit settings established in 2012.

BOQ FINANCE IMPAIRED ASSETS

BOQ Finance impaired assets have reduced by $2 million (6%). The increase in the prior half relating to an uplift in impairments within the mining and mining-related industries in Queensland and Western Australia returned to more moderate levels in the current reporting period.

COLLECTIVE PROVISION/ GLA VS PEERS

The graph below shows the Bank's level of collective provisions and GRCL to risk weighted assets ('RWA') against the current peer levels as published in their most recent financial reports. BOQ's coverage has dropped 4bps over the half reflecting the strong asset growth with collective provisions actually increasing slightly. It should be noted that the major banks utilise an advanced approach to the calculation of RWAs which increases their respective coverage ratio in comparison to BOQ and the other standardised banks.



(1) Major banks' on the advanced approach accredited by APRA risk weightings are lower causing coverage to appear higher on a relative basis to the standardised banks. Major banks' ratios will reduce on 1 July 2016 following the introduction of APRA's 25% RWA floor on housing exposure.

3.1 ASSET QUALITY (CONTINUED)

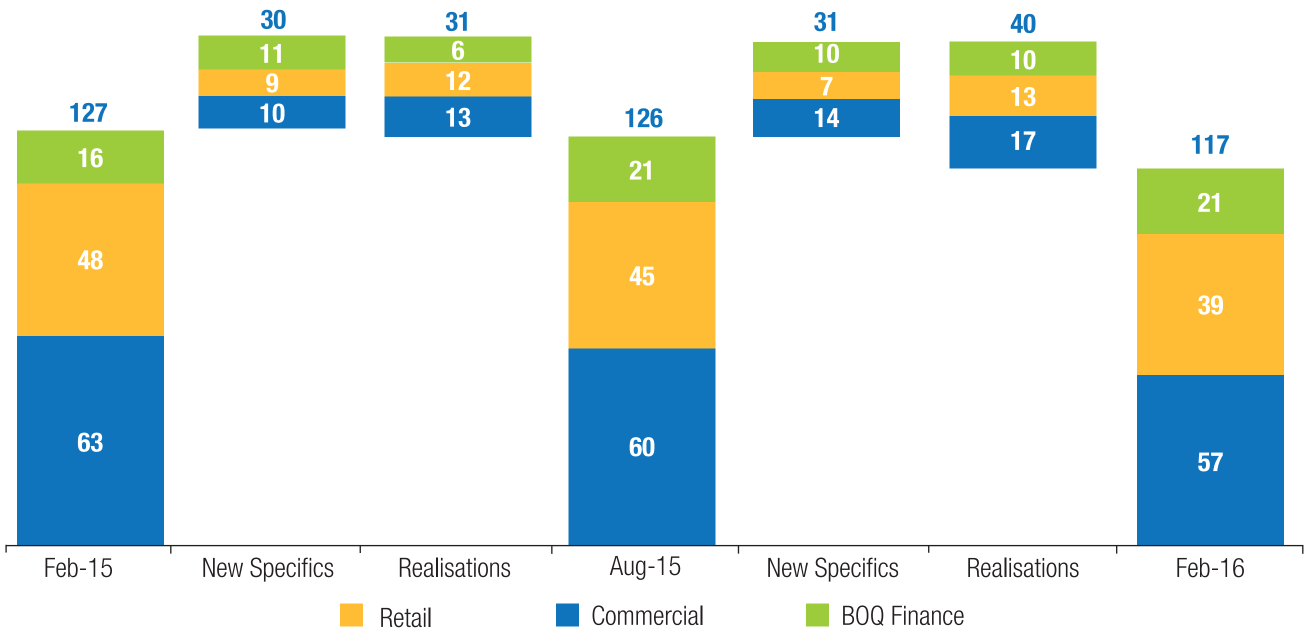
PROVISION COVERAGE

Total provisions have decreased by $7 million over the half to $265 million with the reduction represented in lower specific provision levels. This reflects the improved state of loans entering impaired status than in previous periods, thus requiring lower provisioning coverage.

	As at				
$ million	**Feb-16**	Aug-15	Feb-15	Feb 16 vs Aug 15	Feb 16 vs Feb 15
Specific Provision	**117**	126	127	(7%)	(8%)
Collective Provision	**148**	146	148	1%	-
Total Provisions	**265**	272	275	(3%)	(4%)
GRCL	**81**	81	70	-	16%
Specific Provisions to Impaired Assets	**49%**	53%	49%	(400bps)	-
Total Provisions and GRCL to Impaired Assets (1)	**159%**	164%	145%	(500bps)	1400bps
Total Provisions and GRCL to RWA (1)	**1.4%**	1.5%	1.4%	(10bps)	-

(1) GRCL gross of tax effect.

SPECIFIC PROVISIONS ($M)



3.1 ASSET QUALITY (CONTINUED)

ARREARS

Key Metrics	Portfolio Balance $m Feb-16	Feb-16	Aug-15	Feb-15	Feb 16 vs Aug 15	Feb 16 vs Feb 15
Total Lending - Portfolio balance ($ million)		**42,924**	40,975	39,726	5%	8%
30 days past due ($ million)		**562**	478	533	18%	5%
90 days past due ($ million)		**255**	257	259	(1%)	(2%)
		Proportion of Portfolio				
30 days past due: GLAs		**1.31%**	1.17%	1.30%	14bps	1bp
90 days past due: GLAs		**0.59%**	0.63%	0.70%	(4bps)	(11bps)
By Product						
30 days past due: GLAs (Housing)	**27,159**	**1.10%**	1.02%	1.27%	8bps	(17bps)
90 days past due: GLAs (Housing)		**0.40%**	0.55%	0.56%	(15bps)	(16bps)
30 days past due: GLAs (Line of Credit)	**2,889**	**2.70%**	1.61%	2.18%	109bps	52bps
90 days past due: GLAs (Line of Credit)		**1.18%**	0.74%	1.01%	44bps	17bps
30 days past due: GLAs (Consumer)	**317**	**1.89%**	1.85%	1.61%	4bps	28bps
90 days past due: GLAs (Consumer)		**0.95%**	0.93%	0.74%	2bps	21bps
30 days past due: GLAs (Commercial)	**8,502**	**1.68%**	1.63%	1.41%	5bps	27bps
90 days past due: GLAs (Commercial)		**1.20%**	1.06%	1.04%	14bps	16bps
30 days past due: GLAs (BOQ Finance)	**4,057**	**0.89%**	0.79%	0.89%	10bps	-
90 days past due: GLAs (BOQ Finance)		**0.17%**	0.13%	0.13%	4bps	4bps

RETAIL ARREARS

Housing arrears of 30DPD have increased by 8bps while decreasing by 15bps in the 90DPD over the half. The increase in 30DPD is consistent with seasonal impacts post-holiday period while 90DPD continues to improve due to strengthened credit quality, low interest rates and a strong residential property market. Approximately 60% of the portfolio has now been originated under the significantly more conservative credit risk appetite framework introduced in 2012.

The increase in Line of Credit arrears over the prior corresponding period is largely driven by a 13% decrease in the portfolio balance together with an underlying increase in the arrears value of $6 million in 30DPD, an increase of 8%. This portfolio was predominantly originated prior to 2012, and it continues to demonstrate lower quality asset selection. The portfolio has been repriced to better reflect the underlying risk profile.

COMMERCIAL ARREARS

Commercial arrears have increased over the half in both 30DPD and 90DPD buckets by 5bps and 14bps respectively. The increase in 30DPD is driven by seasonal arrears from BOQ Specialist. The deterioration in 90DPD is driven by one account totalling $11 million which is expected to be resolved in the second half.

BOQ Finance has seen increases in 30DPD arrears which is in line with the seasonal impact experienced in the prior corresponding period. The 4bps increase in 90DPD is represented by an increase in the balance by $1.4 million.

3.2 FUNDING AND LIQUIDITY

- Continued refinement and improvement to our liquidity and funding profile under the Basel III APS 210 liquidity standard
- 8% Growth in customer deposits over prior corresponding period to support lending growth

We have maintained our funding base over the half with customer deposit growth of $1.3 billion resulting in a stable deposit to loan ratio of 66%. We continue to maintain the liquidity and funding profile and take all reasonable steps to reduce reliance on the Committed Liquidity Facility ('CLF') through sustainable and economic initiatives that reduce net cash outflows under APRA's APS 210 *Liquidity Standard*. We have deepened relationships with the customer deposit base focusing on stable deposits, selective long-term wholesale funding and lengthening the maturity of short term wholesale funding.

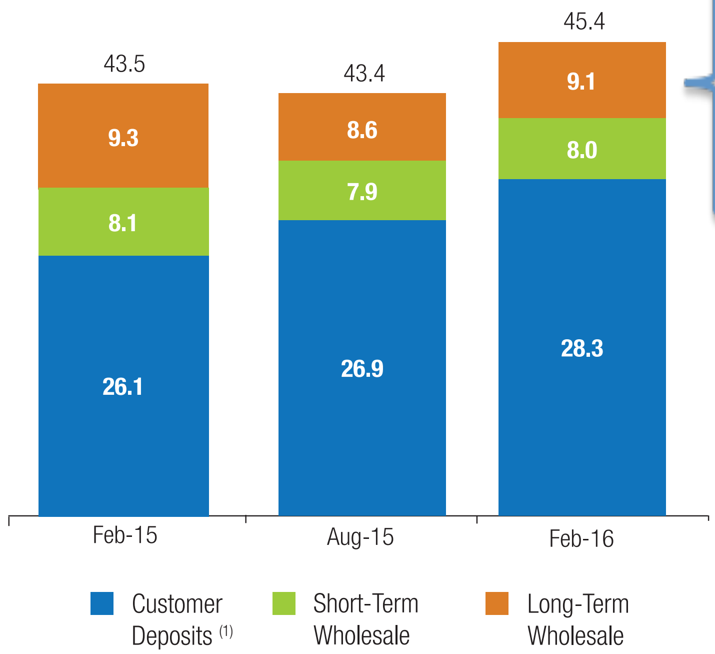
At the half year, the Liquidity Coverage Ratio ('LCR') was 123% which provided a healthy buffer to both internal and prudential limits throughout the period. Net Cash Outflows have only seen a modest increase of $180 million over the half despite the strong asset growth and enabled a $600 million reduction in the CLF, demonstrating the Bank's robust funding base.

Credit quality of the Liquid Asset portfolio was improved with the allocation to High Quality Liquid Assets ('HQLA1') (i.e. Government and Semi-Government securities) increasing by 33% this half and now representing 50% of the physical liquid asset portfolio, which is in line with regulatory frameworks.

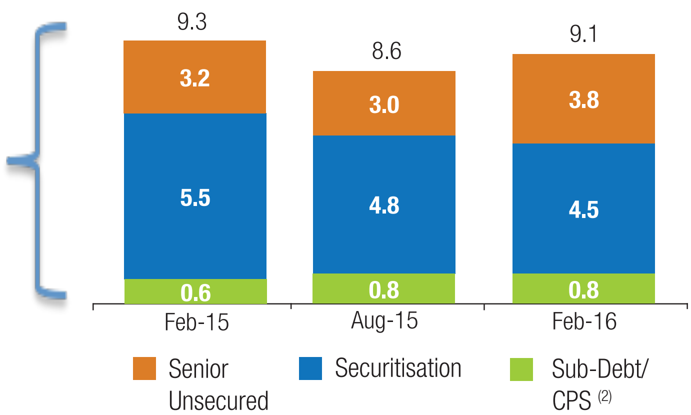
	As at				
$ million	**Feb-16**	Aug-15	Feb-15	Feb 16 vs Aug 15 (1)	Feb 16 vs Feb 15
Customer Deposits (2)	**28,260**	26,914	26,058	10%	8%
Wholesale Deposits	**7,820**	7,818	7,959	-	(2%)
Total Deposits	**36,080**	34,732	34,017	8%	6%
Borrowings	**9,204**	8,713	9,378	11%	(2%)
Other Liabilities	**1,032**	1,104	1,102	(13%)	(6%)
Total Liabilities	**46,316**	44,549	44,497	8%	4%

(1) Growth rates have been annualised.
(2) The classification of customer deposits is defined as all deposits excluding those from financial institutions as defined under APS210 *Liquidity Standard*..

FUNDING MIX ($B)



LONG-TERM WHOLESALE ($B)



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

(2) Convertible Preference Shares ('CPS') and Wholesale Capital Notes.

3.2 FUNDING AND LIQUIDITY (CONTINUED)

Whilst global funding markets have been punctuated by increasing volatility, we have maintained a stable funding profile providing a balanced and diversified mix of both retail and wholesale funding sources. We have continued to build on the strategy To **'Grow the Right Way'** by selectively lengthening our wholesale funding profile with long-term wholesale debt issuance, which has aided in secondary market liquidity and investor price discovery by creating an observable funding curve. This improved funding curve transparency provides enhanced resilience to deal with any short-term market volatility that may emerge from time to time.

	As at				
Key Metrics	**Feb-16**	Aug-15	Feb-15	Feb 16 vs Aug 15	Feb 16 vs Feb 15
Customer deposit funding [(1)]	**78%**	77%	77%	100bps	100bps
Wholesale deposit funding	**22%**	23%	23%	(100bps)	(100bps)
Total GLA's (net of specific provision) ($'million)	**42,807**	40,849	39,592	5%	8%
Deposit to Loan Ratio	**66%**	66%	66%	-	-

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

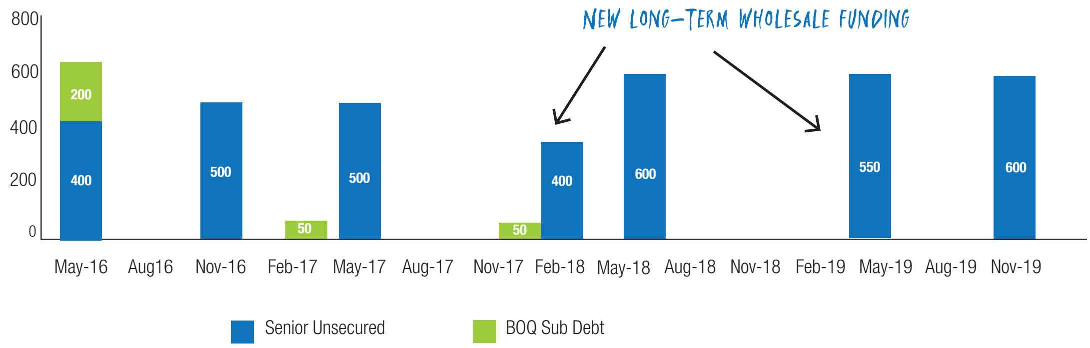
FUNDING

Through the issuance of new long-term wholesale funding deals of $1.8 billion during the half year, we were able to continue to build out our senior unsecured curve. The issuance was made up of two new benchmark term senior debt issues totalling $950 million and Real Estate Debt Securities Equipment Hire Purchase funding of $636 million. The outstanding balance of long-term wholesale funding is net of maturities and includes additional various term senior unsecured private placements. The total level of long-term wholesale funding has remained stable year-on-year with securitisation funding run-off replaced by senior unsecured and capital transactions.

3.2 FUNDING AND LIQUIDITY (CONTINUED)

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

BOQ continues to build out its long-term wholesale funding curve, providing additional pricing points on the senior unsecured curve to promote a more transparent market pricing for investors. It also upholds the core values of our funding strategy which are centred on building capacity, diversity and resilience of the wholesale funding base.



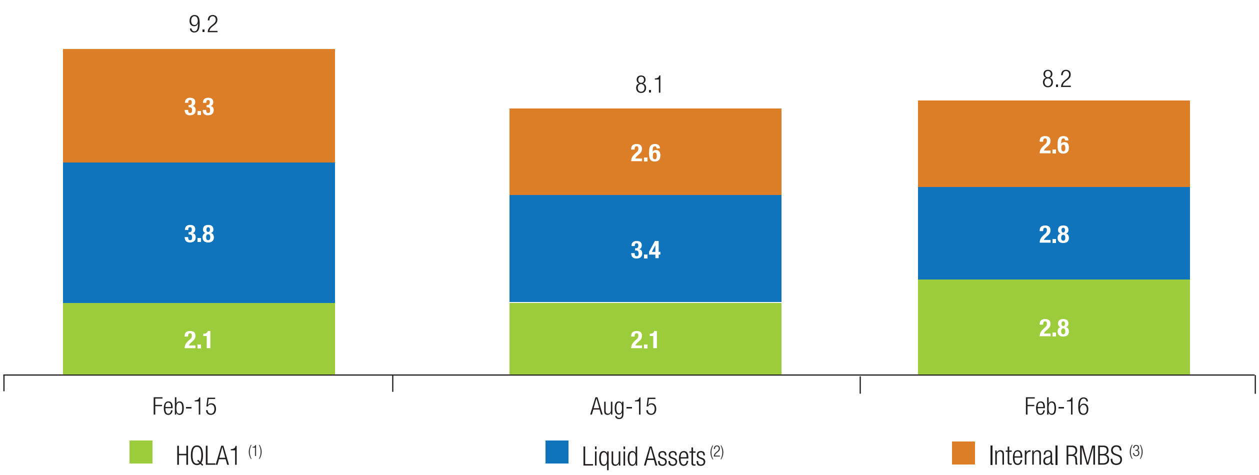
(1) Maturities equal to or greater than $50 million shown.

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

LIQUIDITY

BOQ maintains a portfolio of high quality, diversified liquid assets to facilitate balance sheet liquidity needs and meet internal and regulatory requirements. The Bank was granted a Reserve Bank of Australia ('RBA') Committed Liquidity Facility of $2.6 billion which is more than adequate to meet the regulatory minimum of greater than 100% of the Liquidity Coverage Ratio from 1 January 2016. The LCR remained relatively stable over the half at 123%. In addition to the liquid assets that contribute to the LCR, as at 29 February 2016 we also held internal Residential Backed Mortgage Securities ('RMBS') of $2.6 billion which are eligible for repurchase arrangements with the RBA as a source of contingent liquidity in the event of a crisis scenario. Significant additional liquidity is also available with a material proportion of the Bank's retail lending assets eligible to be placed as collateral into the internal RMBS structure.

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

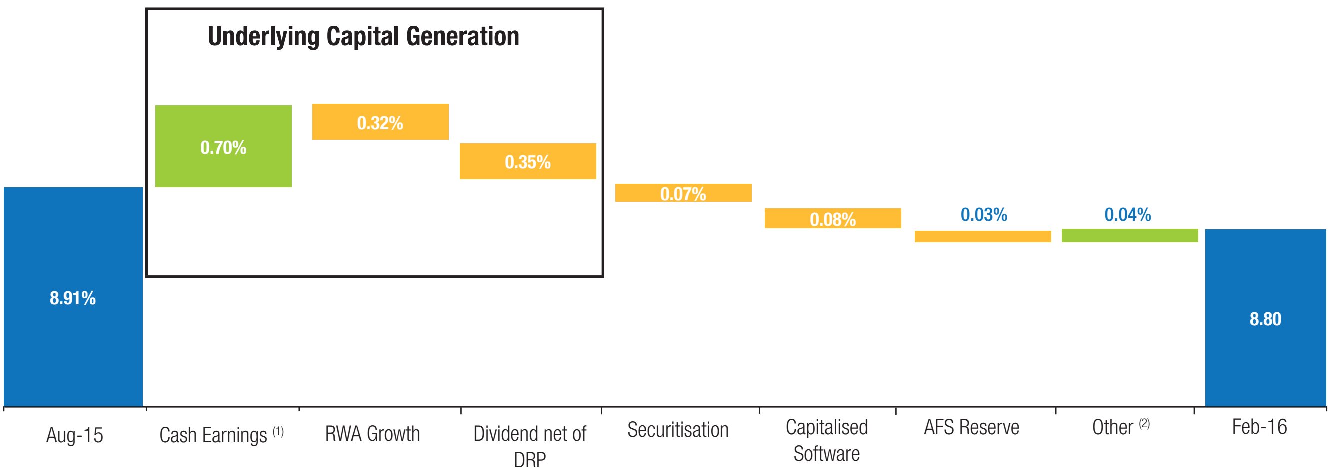
CAPITAL ADEQUACY

$ million	Feb-16 (As at)	Aug-15 (As at)	Feb-15 (As at)	Feb 16 vs Aug 15 (1)	Feb 16 vs Feb 15
Common Equity Tier 1 ('CET1')	**2,416**	2,346	2,298	6%	5%
Additional Tier 1 Capital	**450**	450	300	-	50%
Total Tier 2	**554**	551	536	1%	3%
Total Capital Base	**3,420**	3,347	3,134	4%	9%
Total RWA	**27,467**	26,321	26,057	9%	5%
Common Equity Tier 1 Ratio	**8.80%**	8.91%	8.82%	(11bps)	(2bps)
Total Capital Adequacy Ratio	**12.45%**	12.72%	12.03%	(27bps)	42bps

(1) Growth rates have been annualised.

BOQ's Common Equity Tier One ratio of 8.80% at the half represented an 11bps decline from the August year end. There is a seasonality impact on the first half from reduced profit generation and the ratio is impacted by the timing of capital efficient securitisation term issuance of which no issues were undertaken in the half. This half was also impacted by strong back-ended loan growth, heightened IT investment and a reduction in the available for sale ('AFS') reserve that was a significant tailwind in the prior year. Refer to the below graph.

FEBRUARY 2016 VS AUGUST 2015 MOVEMENT



(1) Cash earnings adjusted for one-off non-recurring items which in this half represents the impact of the restructuring costs of $7 million before tax.

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

3.4 TAX EXPENSE

Tax expense arising on Cash Earnings for the period amounted to $81 million. This represents an effective tax rate of 31.2%, which is above the corporate tax rate of 30% primarily due to non-deductibility of interest payable on convertible preference shares issued in 2013 and Wholesale Capital Notes issued in 2015.

4. CONSOLIDATED INTERIM FINANCIAL REPORT

DIRECTORS' REPORT

HALF-YEAR ENDED 29 FEBRUARY 2016

The Directors present their report together with the consolidated interim financial report for the half-year ended 29 February 2016 and the independent auditor's review report thereon.

DIRECTORS

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

Name	Period of Directorship
Roger Davis	Director since August 2008 / Chairman since May 2013
Jon Sutton	Managing Director and Chief Executive Officer since January 2015
Carmel Gray	Director since April 2006 - Retired November 2015
David Willis	Director since February 2010
Michelle Tredenick	Director since February 2011
Richard Haire	Director since April 2012
Neil Berkett	Director since July 2013
Margaret Seale	Director since January 2014
Bruce Carter	Director since February 2014
Karen Penrose	Director since November 2015
John Lorimer	Director since January 2016

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONAL AND FINANCIAL RESULTS

BOQ has delivered a good first half result with Statutory Net Profit after Tax increasing 11% on the 28 February 2015 half year.

Total operating income has increased by 4% to $561 million and was largely driven by the increase in Net Interest Income. Net Interest Margin increased in the half to 1.97%, against an industry backdrop of funding market volatility and margin challenges.

Operating expenses decreased marginally to $274 million on the prior comparative period which included a number of one-off property transition and software impairment charges. Our Cost to Income ('CTI') ratio during the period was 48.8% including one-off restructuring costs. As announced on 9th February 2016, BOQ has taken the decision to reshape the organisation to more effectively deliver the Group's strategy. Key changes to the business model reflect the expansion into the Broker mortgage distribution channel and BOQ Specialist. The impact of this restructuring during the half was $7 million (pre-tax) which has been included in Cash Earnings.

We have continued to prioritise a disciplined approach to credit with conservative settings maintained. Loan impairment expense has reduced 5% on the prior half to $36 million, or 17bps (annualised) of gross loans and advances.

REVIEW OF OPERATIONAL AND FINANCIAL RESULTS (continued)

The Common Equity Tier 1 ('CET1') ratio reduced 11 basis points over the half to 8.80% reflecting the inherent first half seasonality, timing of securitisation issuance and strong back-ended loan growth.

The Board has determined to pay an interim dividend of 38 cents per share fully franked, which represents a 6% increase on the prior corresponding period.

Further analysis of the Group's operations and results for the 29 February 2016 period is detailed in the Highlights & Strategy, Group Performance Analysis and Business sections.

OTHER MATTERS

Director and Management changes

On 26 November 2015, Karen Penrose was appointed as a Non-Executive Director. Carmel Gray retired from her position as a Non-Executive Director on 26 November 2015. John Lorimer was appointed as a Non-Executive Director on 29 January 2016.

During the half, Vimpi Juneja (Group Executive Product and Strategy) and Belinda Jefferys (Group Executive People and Communications) were appointed to the Executive Team and Karyn Munsie ceased employment as Group Executive Corporate Affairs, Investor Relations and Government Relations.

Subsequent events

No matters or circumstances have arisen since the end of the financial half year and up until the date of this report which significantly affect the operations of the Bank, the results of those operations, or the state of affairs of the Bank in subsequent years. The Bank has determined an interim dividend to be paid in May 2016. Further details with respect to the dividend amount per share, payment date and dividend re-investment plan can be obtained from Note 4.2.2.

Management attestation

The Board have been provided with a written statement from the Group's Chief Executive Officer and Chief Financial Officer, confirming the accompanying consolidated interim financial report is in accordance with the *Corporations Act 2001* and it presents a true and fair view in all material respects of the Group's financial position and performance as at and for the half-year ended 29 February 2016.

The Directors' declaration can be found on page 47 of this document.

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

The lead auditor's independence declaration is set out on page 30 and forms part of the Directors' Report for the half-year ended 29 February 2016.

Rounding of amounts

The Bank is a company of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (as amended by Class Order 04/667 dated 15 July 2004) and in accordance with that Class Order, amounts in this financial report and Directors' Report have been rounded off to the nearest million dollars, unless otherwise stated.

Dated this sixth day of April 2016.

Signed in accordance with a resolution of the Directors:

Roger Davis
Chairman

Jon Sutton
Managing Director and CEO

KPMG

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

To the directors of Bank of Queensland Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 29 February 2016, there have been:

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

KPMG

Martin McGrath
Partner

Sydney
6 April 2016

CONSOLIDATED INCOME STATEMENT

For the half-year ended 29 February 2016

	Note	Feb-16 $m	Feb-15 $m
Interest income		**1,067**	1,141
Less: Interest expense		**601**	698
Net interest income		**466**	443
Other operating income		**80**	77
Net banking operating income		**546**	520
Premiums from insurance contracts		**35**	36
Investment revenue		**1**	2
Less: Claims and policyholder liability expense from insurance contracts		**21**	21
Net insurance operating income		**15**	17
Total operating income before impairment and operating expenses		**561**	537
Less: Expenses		**274**	276
Less: Impairment on loans and advances		**36**	36
Profit before income tax		**251**	225
Less: Income tax expense	4.2.1	**80**	71
Profit for the period		**171**	154
Profit attributable to:			
Equity holders of the parent		**171**	154
Basic earnings per share – Ordinary Shares (cents)		**45.7**	42.3
Diluted earnings per share – Ordinary Shares (cents)		**43.7**	41.6

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 29 February 2016

	Feb-16 $m	Feb-15 $m
Profit for the period	**171**	154
Other comprehensive income, net of income tax		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges:		
Net losses taken to equity	**(25)**	(54)
Net gains transferred to profit and loss	**3**	1
Foreign currency translation differences on foreign operations	**(1)**	-
Change in fair value of assets available-for-sale	**(5)**	37
Other comprehensive expense for the period, net of income tax	**(28)**	(16)
Total comprehensive income for the period	**143**	138
Total comprehensive income attributable to:		
Equity holders of the parent	**143**	138

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

CONSOLIDATED BALANCE SHEET

As at 29 February 2016

	Note	Feb-16 $m	Aug-15 $m
Assets			
Cash and liquid assets		**846**	1,103
Due from other financial institutions - Term deposits		**80**	91
Financial assets available-for-sale	4.3.3	**3,472**	2,827
Financial assets held for trading	4.3.3	**1,487**	1,940
Derivative financial assets	4.3.3	**149**	225
Loans and advances at amortised cost	4.3.4	**42,659**	40,703
Other assets		**119**	113
Property, plant and equipment		**60**	61
Deferred tax assets		**88**	89
Intangible assets		**865**	848
Investments in joint arrangements		**16**	18
Total assets		**49,841**	48,018
Liabilities			
Due to other financial institutions - Accounts payable at call		**181**	259
Deposits	4.3.3	**36,080**	34,732
Derivative financial liabilities	4.3.3	**356**	297
Accounts payable and other liabilities		**387**	390
Current tax liabilities		**30**	55
Provisions		**46**	62
Insurance policy liabilities		**32**	41
Borrowings including subordinated notes	4.3.5	**9,204**	8,713
Total liabilities		**46,316**	44,549
Net assets		**3,525**	3,469
Equity			
Issued capital		**3,190**	3,122
Reserves		**48**	90
Retained profits		**287**	257
Total equity		**3,525**	3,469

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 29 February 2016

	Ordinary shares	Employee benefits reserve	Equity reserve for credit losses	Other reserves	Retained profits	Total equity
Half-year ended 29 February 2016	$m	$m	$m	$m	$m	$m
Balance at beginning of the period	3,122	34	81	(25)	257	3,469
Total comprehensive income for the period						
Profit	-	-	-	-	171	171
Other comprehensive income, net of income tax						
Cash flow hedges:						
- Net losses taken to equity	-	-	-	(25)	-	(25)
- Net gains transferred to profit and loss	-	-	-	3	-	3
Foreign currency translation differences on foreign operations	-	-	-	(1)	-	(1)
Change in fair value of assets available-for-sale	-	-	-	(5)	-	(5)
Total other comprehensive income	-	-	-	(28)	-	(28)
Total comprehensive income for the period	-	-	-	(28)	171	143
Transactions with owners, recorded directly in equity Contributions by and distributions to owners						
Issues of ordinary shares (1)	20	-	-	-	-	20
Dividend reinvestment plan	51	-	-	-	-	51
Dividends to shareholders	-	-	-	-	(141)	(141)
Equity settled transactions	-	(14)	-	-	-	(14)
Treasury Shares (2)	(3)	-	-	-	-	(3)
Total contributions by and distributions to owners	68	(14)	-	-	(141)	(87)
Balance at the end of the period	3,190	20	81	(53)	287	3,525

(1) On 26 October 2015, 1,130,000 ordinary shares were issued at $13.79 and on 9 February 2016, 374,000 ordinary shares were issued at $12.63 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) Treasury shares represent the value of shares in the Bank held by a subsidiary that the Bank is required to include in the Consolidated Entity's interim financial report. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the half-year ended 29 February 2016

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

(1) On 20 October 2014, 900,000 ordinary shares were issued at $12.29 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) Treasury shares represent the value of shares in the Bank held by a subsidiary that the Bank is required to include in the Consolidated Entity's interim financial report. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 29 February 2016

	Feb-16 $m	Feb-15 $m
Cash flows from operating activities		
Interest received	**1,068**	1,145
Fees and other income received	**71**	77
Dividends received	**1**	2
Interest paid	**(623)**	(731)
Cash paid to suppliers and employees	**(267)**	(240)
Income tax paid	**(94)**	(93)
	156	160
(Increase) / decrease in operating assets:		
Loans and advances at amortised cost	**(1,992)**	(1,351)
Other financial assets	**(121)**	547
Increase / (decrease) in operating liabilities:		
Deposits	**1,269**	(99)
Securitisation liabilities	**(316)**	(51)
Net cash from operating activities	**(1,004)**	(794)
Cash flows from investing activities		
Payments for property, plant and equipment	**(8)**	(29)
Payments for intangible assets	**(35)**	(28)
Cash distribution received from equity accounted investments	**2**	2
Proceeds from sale of property, plant and equipment	**6**	3
Net cash from investing activities	**(35)**	(52)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	**20**	11
Proceeds from borrowings and foreign exchange instruments	**1,121**	1,288
Repayment of borrowings	**(248)**	(291)
Payments for treasury shares	**(20)**	(11)
Dividends paid	**(91)**	(81)
Net cash from financing activities	**782**	916
Net decrease in cash and cash equivalents	**(257)**	70
Cash and cash equivalents at beginning of year	**1,103**	1,034
Cash and cash equivalents at end of half-year	**846**	1,104

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

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL REPORT

For the half-year ended 29 February 2016

4.1 BASIS OF PREPARATION

4.1.1 REPORTING ENTITY

Bank of Queensland Limited ("the Bank") is a company domiciled in Australia. The consolidated interim financial report of the Bank as at and for the half-year ended 29 February 2016 comprises the Bank and its subsidiaries (together referred to as the "Consolidated Entity") and the Consolidated Entity's interest in equity accounted joint arrangements. The Bank is primarily involved in providing retail banking, commercial and leasing finance, and insurance products to the community.

4.1.2 BASIS OF ACCOUNTING

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The consolidated interim financial report does not include all the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 31 August 2015, which is available upon request from the Bank's registered office at Level 6, 100 Skyring Terrace, Newstead QLD 4006 or at http://www.boq.com.au.

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

The consolidated interim financial report is presented in Australian dollars which is the Consolidated Entity's functional currency.

The consolidated interim financial report was approved by the Board of Directors on 6 April 2016.

4.1.3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Consolidated Entity in this consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 31 August 2015.

Changes in accounting policies

The Consolidated Entity has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 September 2015. These changes in accounting policies are also expected to be reflected in the Consolidated Entity's financial statements as at and for the year ending 31 August 2016.

- AASB 2013-9 *Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments (refer (a))*
- AASB 2014-1 *Part A Annual Improvements to IFRS's 2010-2012 Cycle (refer (b))*

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

(a) Conceptual Framework, Materiality and Financial Instruments

This standard contains three main parts and makes amendments to a number of Standards and Interpretations. The key amendments arising from this standard are the updating of references to the Framework for the Preparation and Presentation of Financial Statements, the deleting of references to AASB 1031 and the incorporation of Chapter 6 Hedge Accounting into AASB 9 *Financial Instruments*. The Bank has reviewed this standard and determined there to be no material impact on the Consolidated Entity.

4.1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Annual Improvements to IFRS's 2010 -2012 Cycle

This standard sets out amendments to various Australian Accounting Standards in order to address the following items:

- AASB 2 *Share-based Payment* - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition';
- AASB 3 *Business Combinations* - Clarifies the classification requirements for contingent consideration in a business combination;
- AASB 8 *Operating Segments* - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segment assets to the entity's total assets;
- AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts;
- AASB 124 *Related Party Disclosure* - Defines a management entity providing KMP services as a related party of the reporting entity and sets out that payments made to a management entity in respect of KMP services should be separately disclosed; and
- AASB 13 *Fair Value Measurement* - Contains guidance relating to the measurement of short-term receivables and payables with no stated interest rate at invoice amounts.

The Bank has reviewed the impact of the above and determined there to be no material impact on the Consolidated Entity.

4.1.4 USE OF ESTIMATES AND JUDGEMENTS

In preparing the consolidated interim financial report, management has been required to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The significant judgements made by management in applying the Consolidated Entity's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 August 2015, with the exception of the changes outlined in 4.1.3 above.

4.2 FINANCIAL PERFORMANCE

4.2.1 INCOME TAX EXPENSE

The Consolidated Entity's effective tax expense rate for the six months ended 29 February 2016 was 31.9% and for the six months ended 28 February 2015 was 31.5%. This is above the corporate tax rate of 30% and is primarily attributable to the non-deductibility of interest payable on convertible preference shares issued in 2013 and wholesale capital notes issued in May 2015 (refer to note 4.3.5 for details).

4.2.2 DIVIDENDS

	Half-year ended			
	Feb-16		Feb-15	
	Cents per share	**$m**	Cents per share	$m
Ordinary shares				
Final 2015 dividend paid on 24 November 2015 (2014: 27 November 2014)	**38**	**141**	34	124
Preference shares				
Second half 2015 CPS dividend paid on 15 October 2015 (2014: 15 October 2014)	**258**	**8**	275	8

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

	Cents per share	$m
- First half 2016 CPS dividend	257	8
- Interim 2016 ordinary share dividend	38	143

The first half CPS payment will be fully franked and paid out of current period profits on 15 April 2016 to owners of convertible preference shares at the close of business on 31 March 2016 (record date). Shares will be quoted ex-dividend on 30 March 2016.

The interim ordinary share dividend payment will be fully franked and paid out of current period profits on 19 May 2016 to owners of ordinary shares at the close of business on 29 April 2016 (record date). Shares will be quoted ex-dividend on 28 April 2016.

Dividend Reinvestment Plan

The Bank of Queensland Dividend Reinvestment Plan ("DRP") provides shareholders with the opportunity to reinvest all or part of their entitlement to a dividend into new shares at a discount rate of 1.5%.

The discount rate of 1.5% is the arithmetic average, rounded to four decimal places, of the daily volume weighted average price of:

- all shares sold in the ordinary course of trading on the Australian Securities Exchange ("ASX") automated trading system; and
- where shares are sold on trading platforms of Australian licensed financial markets operated by persons other than ASX, all shares sold in the ordinary course of trading on such of those trading platforms as determined by the Board from time to time, during the 10 trading day period commencing on the second trading day after the record date in respect of the relevant dividend.

Shares issued or transferred under the DRP will be paid in full. If, after this calculation there is a residual balance, that balance will be carried forward (without interest) and added to the next dividend for the purpose of calculating the number of shares secured under the DRP at that time.

The last date for election to participate in the DRP for 2016 interim dividend is 2 May 2016.

4.2.3 OPERATING SEGMENTS

The Bank determines and presents operating segments based on the information that is provided internally to the Managing Director and CEO, who is the Bank's chief operating decision maker.

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

	6 Months to Feb-16			
	Banking $m	Insurance $m	Consolidation adjustments $m	Total Segments $m
Revenue from outside the group	**546**	**15**	**-**	**561**
Inter-segment revenue	**2**	**(1)**	**(1)**	**-**
Total segment revenue	**548**	**14**	**(1)**	**561**
Expenses	**270**	**4**	**-**	**274**
Impairment on loans and advances	**36**	**-**	**-**	**36**
Segment profit before income tax	**242**	**10**	**(1)**	**251**
Income tax expense	**77**	**3**	**-**	**80**
Segment profit after income tax	**165**	**7**	**(1)**	**171**

	6 Months to Feb-15			
	Banking $m	Insurance $m	Consolidation adjustments $m	Total Segments $m
Revenue from outside the group	520	17	-	537
Inter-segment revenue	2	(1)	(1)	-
Total segment revenue	522	16	(1)	537
Expenses	272	4	-	276
Impairment on loans and advances	36	-	-	36
Segment profit before income tax	214	12	(1)	225
Income tax expense	67	4	-	71
Segment profit after income tax	147	8	(1)	154

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

4.3 CAPITAL AND BALANCE SHEET MANAGEMENT

4.3.1 CAPITAL MANAGEMENT

The Bank and Consolidated Entity's capital management strategy aims to ensure adequate capital levels are maintained to protect deposit holders and to maximise shareholder return. The Bank's capital is measured and managed in line with Prudential Standards issued by Australian Prudential Regulation Authority ("APRA"). The capital management plan is updated annually and submitted to the Board for approval. The approval process is designed to ensure the plan is consistent with the overall business plan and for managing capital levels on an ongoing basis.

The Board has set the Common Equity Tier 1 capital target range to be between 8.0% and 9.0% of risk weighted assets and the total capital range to be between 11.5% and 12.5% of risk weighted assets.

	Consolidated	
Qualifying capital	**Feb-16 $m**	Aug-15 $m
Common equity tier 1 capital		
Paid-up ordinary share capital	**3,190**	3,122
Reserves	**(9)**	36
Retained profits, including current year profits	**290**	254
Total common equity tier 1 capital	**3,471**	3,412
Regulatory adjustments		
Goodwill and intangibles	**(865)**	(848)
Deferred expenditure	**(148)**	(142)
Other deductions	**(42)**	(76)
Total regulatory adjustments	**(1,055)**	(1,066)
Net common equity tier 1 capital	**2,416**	2,346
Additional tier 1 capital (1)	**450**	450
Total tier 1 capital	**2,866**	2,796
Tier 2 capital		
Tier 2 capital (1)	**323**	324
General reserve for credit losses	**231**	227
Total tier 2 capital	**554**	551
Capital base	**3,420**	3,347
Risk weighted assets	**27,467**	26,321
Common equity tier 1 ratio	**8.8%**	8.9%
Total capital adequacy ratio	**12.5%**	12.7%

Prepared in accordance with APS 110 *Capital Adequacy.*

(1) APRA APS 330 Capital Instrument Disclosures are available on the Regulatory Disclosures section of the Group's website.

4.3.2 ISSUED CAPITAL

	Consolidated Feb-16 Number	Consolidated Feb-15 Number
Movements during the period		
Balance at the beginning of the period - fully paid	**370,768,776**	362,516,835
Issues of ordinary shares (1) (2)	**1,504,000**	900,000
Dividend reinvestment plan	**3,893,309**	3,565,212
Balance at the end of the period	**376,166,085**	366,982,047
Treasury shares (included in ordinary shares above)		
Balance at the beginning of the period	**489,515**	297,579
Net acquisitions and disposals during the period	**157,126**	305,181
Balance at the end of the period	**646,641**	602,760

(1) On 26 October 2015, 1,130,000 ordinary shares were issued at $13.79 and on 9 February 2016, 374,000 ordinary shares were issued at $12.63 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) On 20 October 2014, 900,000 ordinary shares were issued at $12.29 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.

4.3.3 FINANCIAL INSTRUMENTS

(a) Carrying amounts versus fair values

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

	Feb-16		Aug-15	
	Carrying Amount $m	Fair Value $m	Carrying Amount $m	Fair Value $m
Assets carried at amortised cost				
Loans and advances at amortised cost	**42,659**	**42,769**	40,703	40,829
	42,659	**42,769**	40,703	40,829
Liabilities carried at amortised cost				
Deposits	**(36,080)**	**(36,095)**	(34,732)	(34,769)
Borrowings including subordinated notes	**(9,204)**	**(9,214)**	(8,713)	(8,715)
	(45,284)	**(45,309)**	(43,445)	(43,484)

4.3.3 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value hierarchy

The Consolidated Entity measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within level 1 that are observable either directly or indirectly.
- Level 3: inputs that are unobservable, i.e. there is no observable market data.

Loans and advances, deposits and borrowings including subordinated notes are all carried at amortised cost, the table below analyses financial instruments carried at fair value, by valuation method. There were no material movements in financial instruments classified as Level 3 in the fair value hierarchy.

	Feb-16			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Instruments carried at fair value				
Available-for-sale financial assets	**1,549**	**1,914**	**9**	**3,472**
Financial assets designated at fair value through profit and loss	**-**	**1,487**	**-**	**1,487**
Derivative financial assets	**-**	**149**	**-**	**149**
	1,549	**3,550**	**9**	**5,108**
Derivative financial liabilities	**-**	**(356)**	**-**	**(356)**
	1,549	**3,194**	**9**	**4,752**

	Aug-15			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Instruments carried at fair value				
Available-for-sale financial assets	1,149	1,669	9	2,827
Financial assets designated at fair value through profit and loss	-	1,940	-	1,940
Derivative financial assets	-	225	-	225
	1,149	3,834	9	4,992
Derivative financial liabilities	-	(297)	-	(297)
	1,149	3,537	9	4,695

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

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

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

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

4.3.4 LOANS AND ADVANCES AT AMORTISED COST

	Consolidated	
	Feb-16 $m	Aug-15 $m [1]
Gross loans and advances at amortised cost	**43,329**	41,391
Less:		
Unearned lease finance income	**405**	416
Provisions for impairment	**265**	272
Total loans and advances at amortised cost	**42,659**	40,703
Specific provision:		
Balance at the beginning of the period [2]	**126**	127
Add: Expensed during the period	**32**	41
Less: Amounts written off against specific provision	**41**	37
Transfers from collective provision	**2**	(1)
Unwind of present value discount	**(2)**	(4)
Balance at the end of the period	**117**	126
Collective provision:		
Balance at the beginning of the period [2]	**146**	148
Additions/(Releases) during the period	**4**	(3)
Transfers to specific provision	**(2)**	1
Balance at the end of the period	**148**	146
Total provisions for impairment	**265**	272

(1) Six months to 31 August 2015.

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

4.3.5 BORROWINGS INCLUDING SUBORDINATED NOTES

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

	Securitisation liabilities (1)	Debt issues (2)	Borrowings including subordinated notes	Convertible Preference Shares (3)	Capital Notes (4)	Total
	$m	$m	$m	$m	$m	$m
Half-year ended 29 February 2016						
Balance at the beginning of the period	**4,812**	**3,133**	**325**	**295**	**148**	**8,713**
Proceeds from issues	**698**	**1,061**	**-**	**-**	**-**	**1,759**
Repayments	**(1,013)**	**(248)**	**-**	**-**	**-**	**(1,261)**
Deferred establishment costs	**(2)**	**(1)**	**-**	**-**	**-**	**(3)**
Amortisation	**2**	**-**	**(2)**	**2**	**-**	**2**
Foreign exchange translation	**(1)**	**(5)**	**-**	**-**	**-**	**(6)**
Balance at the end of the period	**4,496**	**3,940**	**323**	**297**	**148**	**9,204**

	Securitisation liabilities (1)	Debt issues (2)	Borrowings including subordinated notes	Convertible Preference Shares (3)	Capital Notes (4)	Total
	$m	$m	$m	$m	$m	$m
Half-year ended 28 February 2015						
Balance at the beginning of the period	5,510	2,213	347	294	-	8,364
Proceeds from issues	1,252	1,284	-	-	-	2,536
Repayments	(1,302)	(269)	(22)	-	-	(1,593)
Deferred establishment costs	(2)	-	-	-	-	(2)
Amortisation	2	-	-	1	-	3
Foreign exchange translation	30	40	-	-	-	70
Balance at the end of the period	5,490	3,268	325	295	-	9,378

(1) Securitisation liabilities are secured by a floating charge over securitised assets for amounts owing to noteholders and any other secured creditors of the securitisation vehicles.

(2) Debt issues consists of the Euro Medium Term Notes and European Commercial Paper programs along with the Group's Transferable Certificates of Deposit (TCD's).

(3) On 24 December 2012 the Bank issued 3,000,000 Convertible Preference Shares ("CPS"). Each CPS is a fully-paid, perpetual, convertible, unguaranteed and unsecured preference share with preferred, discretionary, non-cumulative dividends. Subject to prior written approval of APRA the Bank is entitled to convert, redeem or transfer some or all of the CPS on the optional conversion / redemption date of 15 April 2018. This entitlement also arises on the occurrence of a regulatory or tax event, otherwise the CPS will mandatorily convert into ordinary shares on 15 April 2020. CPS rank for payment of capital ahead of ordinary shareholders but behind all depositors and other creditors.

(4) On 26 May 2015, the Bank issued 15,000 Wholesale Capital Notes ("WCN") at a price of $10,000 per note. WCN are non-cumulative and fully paid and are issued by the Bank on a perpetual, subordinated and unsecured basis. They are not guaranteed or secured. In a winding up of the Bank, if capital notes have not been converted or written-off on account of a non-viability trigger event or capital trigger event, WCN will rank for payment of capital ahead of ordinary shareholders, equally with other securities or instruments ranking equally with WCN, but behind all other securities or instruments ranking ahead of WCN, and behind all senior creditors. The WCN may covert to ordinary shares of the Bank in certain circumstances, which include the occurrence of a non-viability event or a capital trigger event.

4.4 OTHER NOTES

4.4.1 INTANGIBLE ASSETS

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

4.4.2 RELATED PARTIES

Arrangements for related parties are consistent with those disclosed in the 31 August 2015 Annual Report.

4.4.3 CONTINGENT LIABILITIES

On 11 March 2016, the Bank was served with class action proceedings commenced in the New South Wales Registry of the Federal Court. The proceedings have been commenced by Petersen Superannuation Fund Pty Ltd (the Applicant) on behalf of an open class against Bank of Queensland Limited and DDH Graham Limited and relate to the affairs of the Sherwin group of companies, including Wickham Securities Limited (in Liquidation), Sherwin Financial Planners Pty Ltd (in Liquidation), DIY Superannuation Services Pty Ltd (in Liquidation) and certain of their related entities, with respect to the operation of some of the Bank's Money Market Deposit Accounts. It is currently not practicable for the Bank to provide an estimate of any liability in relation to the proceedings.

4.4.4 EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial half year and up until the date of this report which significantly affects the operations of the Bank, the results of those operations, or the state of affairs of the Bank in subsequent years. The Bank has determined an interim dividend to be paid in May 2016. Further details with respect to the dividend amount per share, payment date and dividend re-investment plan can be obtained from note 4.2.2.

Directors' Declaration

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

(a) the consolidated interim financial report and accompanying notes, set out on pages 31 to 46 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position of the Consolidated Entity as at 29 February 2016 and of its performance, for the half-year ended on that date; and

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

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

Dated this sixth day of April 2016.

Signed in accordance with a resolution of the Directors:

Roger Davis
Chairman

Jon Sutton
Managing Director and CEO

KPMG

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

Report on the consolidated interim financial report

We have reviewed the accompanying consolidated interim financial report of Bank of Queensland Limited, which comprises the Consolidated Balance Sheet as at 29 February 2016, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the half-year ended on that date, Condensed Notes 4.1 to 4.4 comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the Group, comprising the Bank of Queensland Limited and the entities it controlled (the "Consolidated Entity") at the half-year's end or from time to time during the half-year.

Directors' responsibility for the consolidated interim financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* ("ASRE 2410"), in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the consolidated interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 29 February 2016 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Bank of Queensland Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 29 February 2016 and of its performance for the half-year ended on that date; and

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

KPMG

Martin McGrath
Partner
Sydney
6 April 2016

Robert Warren
Partner
Sydney
6 April 2016

5. APPENDICES

5.1 ASX APPENDIX 4D

Cross Reference Index	Page
Details of reporting period and previous period (Rule 4.2A.3 Item No. 1)	Inside front cover
Results for Announcement to the Market (Rule 4.2A.3 Item No. 2)	Inside front cover
Net tangible assets per security (Rule 4.2A.3 Item No. 3)	Page 49
Details of entities over which control has been gained or lost (Rule 4.2A.3 Item No. 4)	Page 49
Dividends and Dividend dates (Rule 4.2A.3 Item No. 5)	Page 39
Dividend Reinvestment Plan (Rule 4.2A.3 Item No. 6)	Page 39
Details of associated and joint venture entities (Rule 4.2A.3 Item No. 7)	Page 49
Foreign Entities (Rule 4.2A.3 Item No. 8)	Not applicable

Details of entities over which control has been gained or lost (Rule 4.2A.3 Item No. 4). The Series 2006-1E REDS Trust was closed during the half year period. There were no other entities over which the Bank gained or lost control during the period.

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

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

	As at		
Net tangible assets per security (Rule 4.2A.3 Item No. 3)	**Feb-16**	Aug-15	Feb-15
Net tangible assets per ordinary shares ($) (1)	**7.07**	7.07	7.01

(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.

5.2 RECONCILIATION OF STATUTORY PROFIT TO CASH EARNINGS

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

The main costs incurred during the period relate to the continued amortisation of customer contracts. Further BOQ Specialist integration costs have been incurred, however the integration is largely finalised and has been completed within previously advised guidance.

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

$ million	Half Year Performance				
	Feb-16	Aug-15 [(1)]	Feb-15	Feb 16 vs Aug 15	Feb 16 vs Feb 15
Cash Earnings after Tax	**179**	190	167	(6%)	7%
Amortisation of customer contracts (acquisition)	**(8)**	(9)	(5)	(11%)	60%
Amortisation of Fair Value adjustments (acquisition)	**(1)**	(1)	-	-	n/a
Hedge ineffectiveness	**2**	(4)	1	n/a	100%
BOQ Specialist Integration	**(1)**	(12)	(8)	(92%)	(88%)
Legacy items	**-**	-	(1)	-	n/a
Statutory Net Profit after Tax	**171**	164	154	4%	11%

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

(B) NON-CASH EARNINGS RECONCILING ITEMS

$ million	**Cash Earnings Feb-16**	VMA [(1)]	Amortisation of customer contracts (acquisition)	Amortisation of fair value adjustments	Hedge ineffectiveness	BOQ Specialist Integration	Legacy items	**Statutory Net Profit Feb-16**
Net Interest Income	**467**	-	-	-	-	(1)	-	**466**
Non-Interest Income	**85**	8	-	-	3	-	(1)	**95**
Total Income	**552**	8	-	-	3	(1)	(1)	**561**
Operating Expenses	**(256)**	(8)	(9)	(1)	-	(1)	1	**(274)**
Underlying Profit	**296**	-	(9)	(1)	3	(2)	-	**287**
Loan Impairment Expense	**(36)**	-	-	-	-	-	-	**(36)**
Profit before Tax	**260**	-	(9)	(1)	3	(2)	-	**251**
Income Tax Expense	**(81)**	-	1	-	(1)	1	-	**(80)**
Profit after Tax	**179**	-	(8)	(1)	2	(1)	-	**171**

(1) Virgin Money (Australia)

5.3 OPERATING CASH EXPENSES

$ million	Half Year Performance Feb-16 (1)	Aug-15	Feb-15	Feb 16 vs Aug 15	Feb 16 vs Feb 15
Employee expenses					
Salaries	**106**	101	94	5%	13%
Superannuation contributions	**10**	10	10	-	-
Payroll tax	**7**	6	6	17%	17%
Employee Share Programs	**5**	3	4	67%	25%
Other	**5**	3	4	67%	25%
	133	123	118	8%	12%
Occupancy expenses					
Lease expense	**16**	14	20	14%	(20%)
Depreciation of Fixed Assets	**5**	5	4	-	25%
Other	**1**	2	2	(50%)	(50%)
	22	21	26	5%	(15%)
General expenses					
Marketing	**7**	11	8	(36%)	(13%)
Commissions to Owner Managed Branches	**3**	4	3	(25%)	-
Communications and postage	**10**	10	10	-	-
Printing and stationery	**2**	2	3	-	(33%)
Impairment	**-**	-	9	-	(100%)
Processing costs	**12**	11	13	9%	(8%)
Other operating expenses	**16**	12	14	33%	14%
	50	50	60	-	(17%)
IT expenses					
Data processing	**30**	31	33	(3%)	(9%)
Amortisation of Intangible Assets	**12**	9	8	33%	50%
Depreciation of Fixed Assets	**-**	-	1	-	(100%)
	42	40	42	5%	-
Other expenses					
Professional fees	**6**	6	6	-	-
Directors' fees	**1**	1	1	-	-
Other	**2**	3	3	(33%)	(33%)
	9	10	10	(10%)	(10%)
Total Operating Expenses	**256**	244	256	5%	-

(1) The February 2016 half year includes $7 million of restructuring costs, mainly in employee costs.

5.3 OPERATING CASH EXPENSES (CONTINUED)

Employee Expenses
Growth in employee costs over the half is due to recognition of organisational redesign costs of $7 million in the half and additional lending support staff to facilitate uplift in growth.

Occupancy Expenses
Occupancy costs relatively flat on the half with some out of cycle lease costs incurred for branch transitions.

General Expenses
General expenses have reduced from the previous half due to the timing of marketing campaign activity traditionally more heavily weighted to the second half. Higher processing costs have been incurred as a result of higher lending growth during the half.

IT Expenses
A number of key strategic initiatives have been completed during the period resulting in significant benefits to the group and an uplift in the amortisation profile. This uplift has been partly absorbed through the realisation of reduced costs through the newly negotiated Information Technology outsourcing agreement.

5.4 CASH EPS CALCULATIONS

Key Metrics		Half Year Performance Feb-16	Aug-15	Feb-15	Feb 16 vs Aug 15	Feb 16 vs Feb 15
Basic EPS	**(cents)**	**47.8**	51.5	45.7	(7%)	5%
Diluted EPS [2]	**(cents)**	**45.6**	50.0	44.8	(9%)	2%
Reconciliation of Cash Earnings for EPS						
Cash Earnings available for ordinary shareholders	**($ million)**	**179**	190	167	(6%)	7%
Add: CPS Dividend	**($ million)**	**8**	8	8	-	-
Add: Wholesale Capital Notes [1]	**($ million)**	**4**	2	-	100%	-
Cash Diluted Earnings available for ordinary shareholders	**($ million)**	**191**	200	175	(5%)	9%
Weighted Average Number of Shares ('WANOS')						
Basic WANOS	**(million)**	**373**	369	365	1%	2%
Add: Effect of award rights	**(million)**	**2**	3	3	(33%)	(33%)
Add: Effect of CPS	**(million)**	**27**	24	23	13%	17%
Add: Effect of Wholesale Capital Notes [1] [2]	**(million)**	**14**	3	-	367%	-
Diluted WANOS for Cash Earnings EPS	**(million)**	**416**	399	391	4%	6%

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

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

5.5 ISSUED CAPITAL

ORDINARY SHARES

	Consolidated 2016 Number	2016 $m
Movements during the year		
Balance at the beginning of the year – fully paid	**370,768,776**	3,155
Issue of ordinary shares - 26 October 2015 [1]	**1,130,000**	15
Issue of ordinary shares- 9 February 2016 [1]	**374,000**	5
Dividend reinvestment plan - 24 November 2015 [2]	**3,893,309**	51
Balance at the end of the year – fully paid	**376,166,085**	3,226

(1) On 26 October 2015, 1,130,000 ordinary shares were issued at $13.79 and on 9 February 2016, 374,000 ordinary shares were issued at $12.63 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) 36% was taken up by shareholders on 24 November 2015 as part of the Dividend Reinvestment Plan.

5.6 AVERAGE BALANCE SHEET AND MARGIN ANALYSIS

	Half Year Performance					
	Feb-16			Aug-15		
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Interest earning assets						
Gross loans & advances at amortised cost	41,837	990	4.76	40,343	1,003	4.93
Investments & other securities	5,669	77	2.71	5,929	83	2.78
Total interest earning assets	47,506	1,067	4.52	46,272	1,086	4.66
Non-interest earnings assets						
Property, plant & equipment	61			64		
Other assets	1,553			1,618		
Provision for impairment	(270)			(274)		
Total non-interest earning assets	1,344			1,408		
Total Assets	48,850			47,680		
Interest bearing liabilities						
Retail deposits	27,821	323	2.33	26,847	343	2.53
Wholesale deposits & Borrowings	16,690	277	3.34	16,512	284	3.41
Total Interest bearing liabilities	44,511	600	2.71	43,359	627	2.87
Non - interest bearing liabilities	847			884		
Total Liabilities	45,358			44,243		
Shareholder's funds	3,492			3,437		
Total liabilities & shareholders funds	48,850			47,680		
Interest margin & interest spread						
Interest earning assets	47,506	1,067	4.52	46,272	1,086	4.66
Interest bearing liabilities	44,511	600	2.71	43,359	627	2.87
Net interest spread			1.81			1.79
Benefit of net interest-free assets, liabilities and equity			0.16			0.18
Net interest margin - on average interest earning assets	47,506	467	1.97	46,272	459	1.97

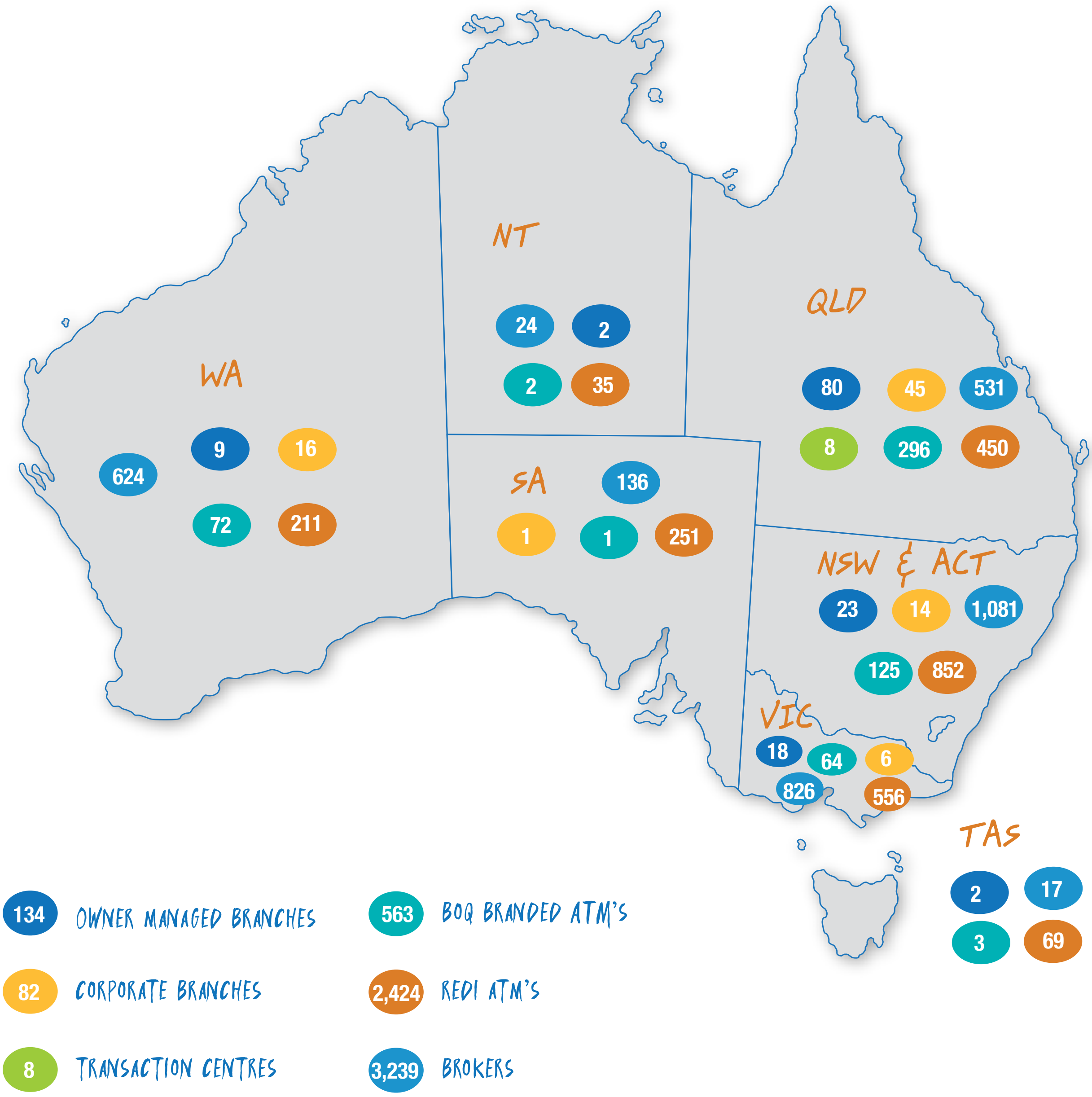
5.7 DISTRIBUTION FOOTPRINT

We have continued to refine our '**Customer in Charge**' strategy which allows our customers to engage with us through the channel of their choice. This includes our BOQ Owner Managed branches, Corporate branches including our unique Icon branches, their preferred Broker, online, via digital or social media and on the telephone to our award winning Perth and Gold Coast Customer Contact Centres.

BOQ Specialist's core focus is on delivering distinctive baking products and services for medial professionals, using in depth knowledge of the markets in which it operates. BOQ Specialist has a total of 71 Commercial and 85 Residential bankers across 5 states. These bankers are supported by 164 Operations and Support staff that are situated mainly in New South Wales.

We are currently implementing our retail distribution strategy ensuring our branch network is optimised and aligned with customer preferences. Whilst Corporate branches remain stable, Owner Managed branches reduced by ten over the period due to mergers, retirements and actions taken to address the underperforming elements of the network. We have seen an increasing number of Owner Managers transition to the new franchise proposition (43 as at February 2016) and this is contributing to improved branch productivity and an uplift in average footings per branch.

The Broker strategy further accelerated this half with relationships now with nine aggregator groups and over 3,200 accredited Brokers, 84% of which are situated outside of Queensland. We continue to execute on our digital roadmap focusing on Digital enablement capabilities to drive an improved customer experience and a new web experience and online origination platform is currently being developed.



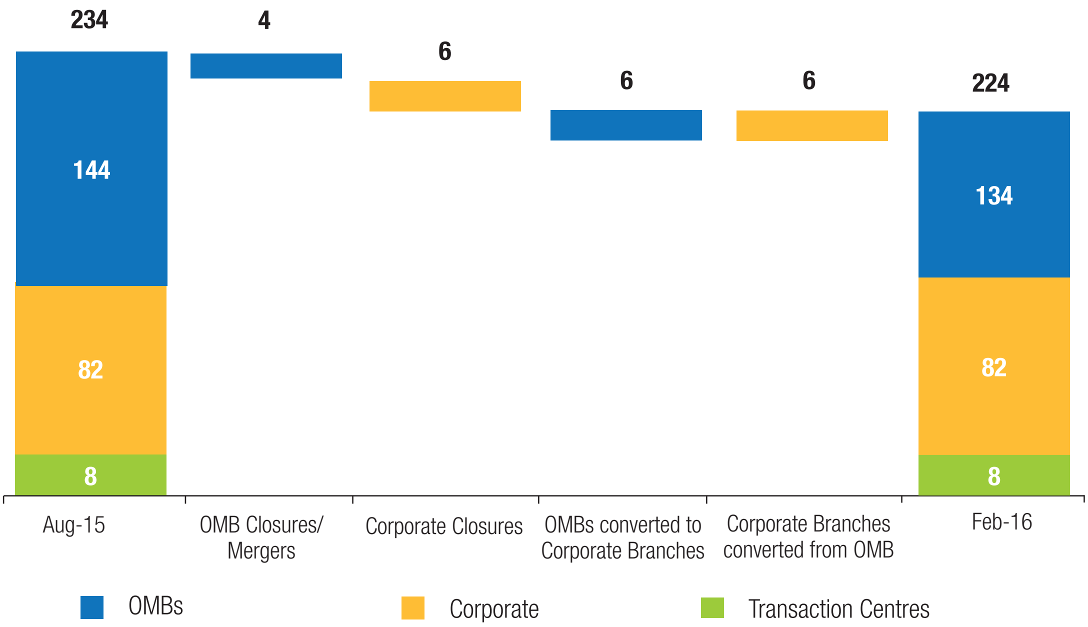
5.7 DISTRIBUTION FOOTPRINT (CONTINUED)

As at Feb-16	QLD	NSW / ACT	VIC	WA	NT	TAS	SA	Total
Corporate Branches	45	14	6	16	-	-	1	82
Owner Managed Branches	80	23	18	9	2	2	-	134
Transaction Centres	8	-	-	-	-	-	-	8
	133	**37**	**24**	**25**	**2**	**2**	**1**	**224**

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

CORPORATE, OWNER MANAGED BRANCHES & TRANSACTION CENTRES

Branch movement during the half resulted in the closure of 4 Owner Managed Branches and 6 Corporate Branches. 6 OMBs were converted to Corporate branches during the period.



5.8 CREDIT RATING

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

Our current long-term debt ratings are shown below.

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

5.9 LIQUIDITY COVERAGE RATIO

APRA requires ADIs to maintain a minimum 100% Liquidity Coverage Ratio. This is calculated as the ratio of high quality liquid assets to a 30 day net cash outflow projected under a prescribed stress scenario.

The Bank has managed liquidity with appropriate buffers to the regulatory minimum. The LCR decreased over the past 3 months from 136% to 123% at the period end with an average across the quarter of 129%, materially in line with the previous quarterly average of 131%. Net cash outflows have increased modestly over the quarter, broadly in line with balance sheet growth.

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

BOQ maintains a portfolio of high quality, diversified liquid assets to facilitate balance sheet liquidity needs and meet internal and regulatory requirements. During this period, the CLF was reduced by $600 million from $3.2 billion to $2.6 billion on 1 January 2016 as part of the annual CLF application process.

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

5.9 LIQUIDITY COVERAGE RATIO (CONTINUED)

	Average Quarterly Performance (1)	
$ million	Total Unweighted Value Feb-16	Total Weighted Value Feb-16
Liquid Assets, of which		
High-quality liquid assets ('HQLA1')	n/a	2,548
Alternative liquid assets ('ALA')	n/a	2,609
Total Liquid Assets		5,157
Cash Outflows		
Customer deposits and deposits from small business customers, of which	13,069	1,336
stable deposits	*6,128*	*306*
less stable deposits	*6,941*	*1,030*
Unsecured wholesale funding, of which	3,976	2,513
non-operational deposits	*3,142*	*1,679*
unsecured debt	*834*	*834*
Secured wholesale funding	n/a	63
Additional requirements, of which	441	348
outflows related to derivatives exposures and other collateral requirements	*343*	*343*
credit and liquidity facilities	*98*	*5*
Other contractual funding obligations	350	45
Other contingent funding obligations	8,152	572
Total Cash Outflows	25,988	4,877
Cash Inflows		
Inflows from fully performing exposures	646	341
Other cash inflows	538	538
Total Cash Inflows	1,184	879
Total Net Cash Outflows	24,804	3,998
Total Liquid Assets	n/a	5,157
Total Net Cash Outflows	n/a	3,998
Liquidity Coverage Ratio (%)	n/a	129%

(1) Quarter 2 2016 represents the period December 2015 to February 2016.

5.10 REGULATORY DISCLOSURES

The APS 330 Common Disclosure 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

GLOSSARY OF TERMS

Term	Description
Authorised Deposit-Taking Institution ('ADI')	A corporations which is authorised under the *Banking Act 1959* and includes banks, building societies and credit unions.
Australian Equipment Lessors Association ('AELA')	AELA is the national association for the equipment leasing and financing industry.
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.
Alternative Liquid Asset ('ALA')	Qualifying Collateral for the Committed Liquid Facility comprising of all assets eligible for repurchase transactions with the RBA under normal market conditions and any other assets nominated by the RBA.
Asset Backed Securities ('ABS')	A financing technique that involves conversion of relatively illiquid assets (e.g. leases) with predictable cash flows (i.e. interest and principal) into marketable securities used by issuers for funding purposes.
Australian Prudential Regulation Authority ('APRA')	APRA is the prudential regulator of banks, insurance companies and superannuation funds, credit unions, building societies and friendly societies.
APRA Prudential Standard ('APS')	Prudential Standards issued by APRA applicable to ADIs.
Average Interest Earning Assets	Average balance over the period for a bank's assets that accrue interest income.
Australian Securities Exchange ('ASX')	Australian Securities Exchange is part of the ASX Group which is a multi-asset class, vertically integrated exchange group that functions as a market operator, clearing house and payments system facilitator. It oversees compliance with its operating rules, promotes standards of corporate governance among Australia's listed companies and helps educate retail investors.
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	Refer to Page 5 Disclosure considerations for the definition of cash earnings.
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 capital divided by total risk-weighted assets calculated in accordance with relevant APS.
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.
Consolidated Entity ('the Group')	The Bank and its subsidiaries.
Cost to Income ratio	Operating expenses divided by net operating income.
Convertible Preference Shares ('CPS')	CPS are fully paid, non-cumulative, perpetual, convertible, unguaranteed and unsecured preference shares with preferred, discretionary dividends, issued by BOQ.
Days past due ('DPD')	A loan or lease payment that has not been made by a customer by the due date.
Dividend reinvestment plan ('DRP')	Provides shareholders with the opportunity to convert all or part of their entitlement to a dividend into new shares at a current plan discount of 1.5%.
Dividend Yield	Dividend shown as a percentage of the last traded sales price of securities.
Dividend Payout ratio	Dividends paid on ordinary shares divided by earnings per share.
Effective tax rate	Income tax expense divided by profit before tax.
Equipment Hire Purchase ('EHP')	EHP trust under the REDS securitisation program, issuing ABS to the term market.
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*.
Full Time Equivalent ('FTE')	A calculation based on number of hours worked by full and part time employees as part of their normal duties.
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 OF TERMS (CONTINUED)

Term	Description
General Reserve for Credit Losses ('GRCL')	An estimate of the reasonable and prudent expected credit losses over the remaining life of the portfolio and on non-defaulted assets, not covered by provisions for impairment.
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.
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')	A new set of standards being developed by the International Accounting Standards Board since 2001 to replace IAS.
Interest bearing liabilities	The bank's liabilities that accrue interest expense.
Impaired Assets	Exposures that have deteriorated to the point where full collection of principal and interest is in doubt.
Issued Capital	Value of securities allotted in a company to its shareholders.
Liquidity Coverage Ratio ('LCR')	The ratio of high quality liquid assets that can be converted into cash easily and immediately in private markets, to total net cash flows required to meet the Group's liquidity needs for a 30 day calendar liquidity stress scenario as determined in accordance with APRA's prudential standards.
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.
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.
Loan-To-Value ratio ('LVR')	A lending risk assessment ratio that financial institutions and other lenders examine before approving a mortgage. It is calculated as the loan amount to the value of the asset being purchased.
Net Interest Margin ('NIM')	Net interest income divided by average interest-earning assets.
Non-interest earning assets	The bank's assets that do not accrue interest income.
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.
Owner Managed Branch ('OMB')	A branch which is run locally by a franchisee and delivers personal service to their customers.
Real Estate Debt Securities ('REDS')	An acronym to describe the BOQ securitisation programs.
Residential Mortgage Backed Securities ('RMBS')	A reference to a financial debt security that is secured by a pool of mortgages on residential property. Mortgages with varying credit ratings are grouped together and sold in tranches to investors by issuers as a source of funding.
Return on Average Equity ('ROE')	Net Profit attributable to the owners of BOQ divided by average ordinary equity.
Return on Average Tangible Equity ('ROTE')	Net profit attributable to the owners of BOQ divided by average ordinary equity less goodwill and identifiable intangible assets.
Total Risk Weighted Assets ('RWA')	A quantitative measure of various risks including credit, operational, market and securitisation as defined by APRA's prudential standards.
Share Capital	Company's issued and paid-up capital.
Total Capital Adequacy Ratio	Total capital divided by total risk-weighted assets calculated in accordance with relevant APS.
Treasury shares	Shares that the Bank has issued but that are held until such time as the bank releases them. Treasury shares are not considered shares outstanding and are not included in 'per share' calculations.
Virgin Money (Australia) ('VMA')	Virgin Money (Australia) Pty Ltd and its subsidiaries. The VMA entities are subsidiaries of the Group that engages in the provision of financial services (e.g: insurance, superannuation and home lending) on behalf of business partners, including BOQ.
Weighted Average Number of Shares ('WANOS')	Calculated in accordance with AASB 133 *Earnings per Share*.
Wholesale Capital Notes ('WCN')	WCNs are similar to CPS as the notes may convert into common shares in certain circumstances as described in the offer documentation of the notes.