2015 ANNUAL REPORT

YEAR ENDED 31 AUGUST 2015

IT'S POSSIBLE to LOVE A BANK

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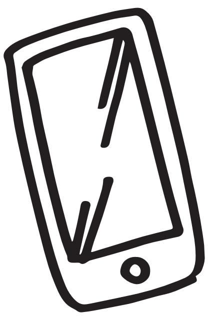


FIND OUT MORE ABOUT HOW WE'RE DELIVERING OUR STRATEGY AT WWW.BOQ.COM.AU/ANNUAL_REPORTS/2015

BOQ DELIVERS RECORD FY15 RESULTS

STATUTORY NET PROFIT AFTER TAX

$318M

UP 22%

CASH EARNINGS

$357M

UP 19%

NET INTEREST MARGIN

1.97%

UP 15BPS

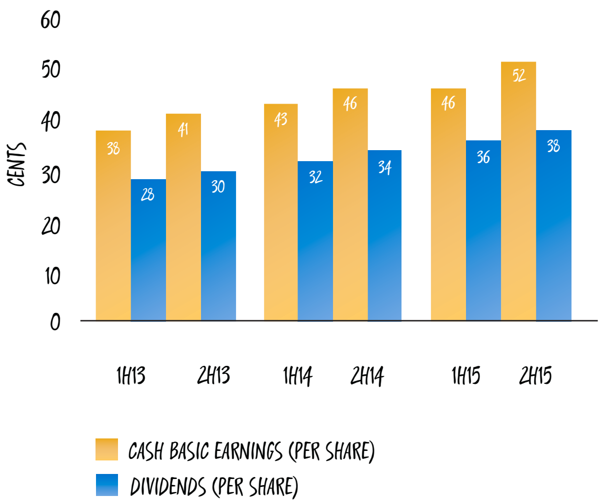
COST TO INCOME

46%

UP 210BPS

CONSISTENT RETURNS TO SHAREHOLDERS

EARNINGS & DIVIDENDS (PER SHARE)



CASH BASIC EARNINGS PER SHARE

97C

UP 9% SINCE FY14

DIVIDEND PER SHARE

74C

UP 12% SINCE FY14

RETURN ON EQUITY

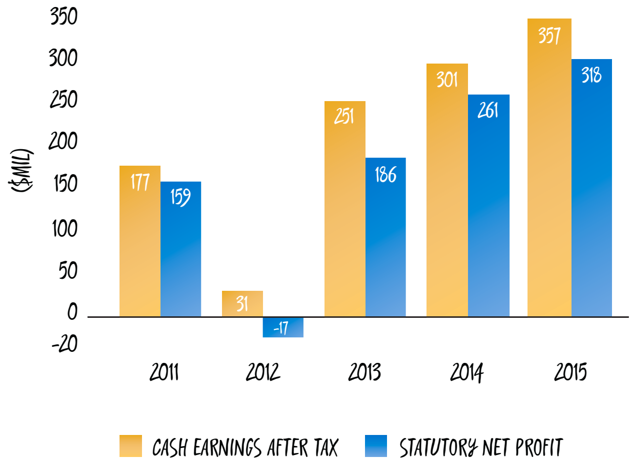
10.7%

RETURN ON TANGIBLE EQUITY

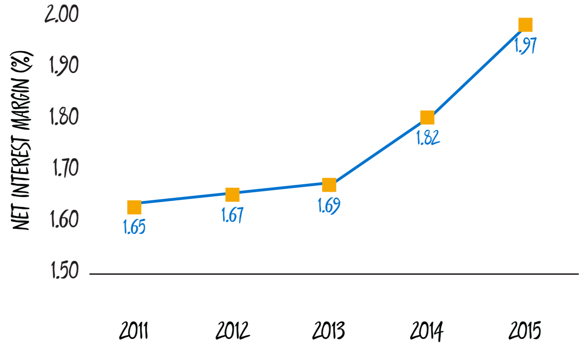
14.4%

BOQ DELIVERS RECORD FY15 RESULTS

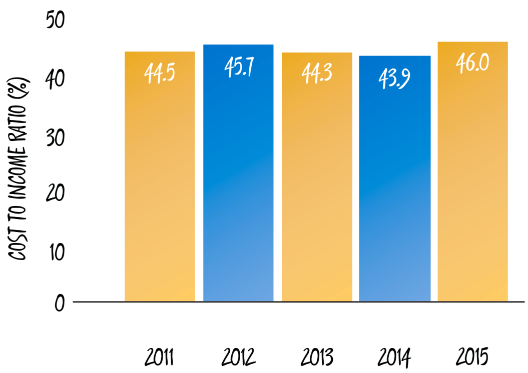
RECORD CASH EARNINGS...



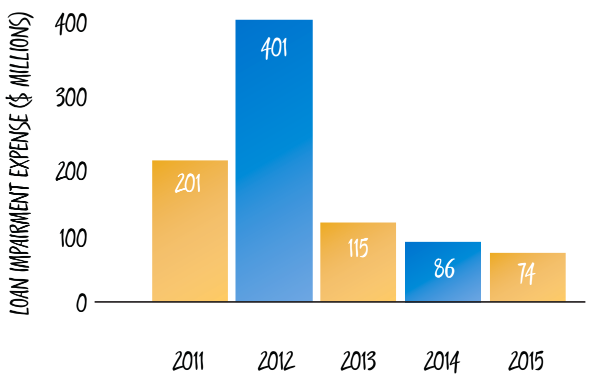
...UNDERPINNED BY STRONG MARGIN MANAGEMENT...



...FOCUS ON COST MANAGEMENT...



...IMPROVED ASSET QUALITY



CHAIRMAN & CEO'S LETTER

Dear Shareholder,

We are pleased to report that our strategy is delivering strong, sustainable growth for our business and shareholders.

Over the last 12 months, we have made significant strategic progress towards transforming our business so we can take advantage of future opportunities and respond to any challenges. Our results for FY15 demonstrate we are on the right path.

For the fifth successive half, we achieved a record financial result. Net profit after tax was up 19% to $357 million while statutory profit after tax increased 22% to $318 million.

Our strategy is also driving improved business performance with key metrics such as growth, margins and asset quality showing improvement. Our strong financial performance has enabled the Board to set a final dividend of 38 cents per share, taking full year dividends to 74 cents per share. This means we have delivered a total return to shareholders of 6.3% during the financial year, the highest return of any listed Australian bank during this period.

During the year we refreshed our strategy to focus on niche segments where customers value a more intimate banking relationship. We are delivering this strategy through four execution pillars: 'Customer in charge; 'Grow the right way'; 'There's always a better way'; and 'Loved like no other'. Our progress in these areas over FY15 is detailed in this report.

Our culture and success are crucial to the success of our strategy – we strive to be a company that our employees love working for and our customers love dealing with and we are happy to say our employee engagement scores are heading in the right direction.

Not surprisingly, this is also contributing to high levels of customer satisfaction. Independent Roy Morgan research comparing customer satisfaction and advocacy among Australia's top banks shows our Main Financial Institution Net Promoter Score has increased by 36.7 points over the last 2.5 years. This is by far the biggest improvement in our sector and puts us within striking distance of the top spot*.

BOQ achieved much over the financial year and shareholders should take comfort from the fact that the Bank is extremely well placed for the future.

Our strategy sets the Bank up for success in a market which continues to see significant regulatory and technology change. At a time when there is some uncertainty around the regulatory environment, we continue to maintain high levels of capital so we are well placed whatever global and local regulators decide to do.

Results like these are achieved through a true team performance – from the executive team right the way through to our front line employees who help customers every day. Thank you to everyone at BOQ for their efforts.

In January, we farewelled long-standing Director Steve Crane when he retired after six years on the Board. Steve's expertise was invaluable and we thank him for his service and wish him the best for the future.

We also thank shareholders for their ongoing support of our company.

Roger Davis
Chairman

Jon Sutton
Managing Director & CEO

IT'S POSSIBLE to LOVE A BANK
BOQ

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

The Directors' present their report together with the financial report of Bank of Queensland Limited ("the Bank") and of the Consolidated Entity, being the Bank and its controlled entities for the year ended 31 August 2015 and the independent auditor's report thereon.

DIRECTORS' DETAILS

The Directors of the Bank at any time during or since the end of the financial year are:

Name, qualifications and independence status	Age	Experience, special responsibilities and other Directorships
Roger Davis B.Econ. (Hons), Master of Philosophy Chairman Non-Executive Independent Director	63	Mr Davis was appointed Chairman on 28 May 2013 and served on the Board of BOQ since August 2008. He has 33 years' experience in banking and investment banking in Australia, the US and Japan. He is currently a consulting Director at Rothschild Australia Limited. He was previously a Managing Director at Citigroup where he worked for over 20 years and more recently was a Group Managing Director at ANZ Bank. He is a Director of AIG Australia Ltd, Argo Investments Limited, Ardent Leisure Management Ltd, Ardent Leisure Ltd and Aristocrat Leisure Ltd. He was formerly Chairman of Charter Hall Office REIT and Esanda, and a Director of ANZ (New Zealand) Limited, CitiTrust in Japan and Citicorp Securities Inc. in the USA. He has a Bachelor of Economics (Hons) degree from the University of Sydney and a Master of Philosophy degree from Oxford. He is a qualified CPA. Mr Davis is Chair of the Nomination & Governance Committee, a member of the Audit and Risk Committees, and an attendee at all other Board Committees.
Jon Sutton Managing Director and Chief Executive Officer Executive Non-Independent Director (Officially appointed 5 January 2015)	52	Mr Sutton was appointed Managing Director and Chief Executive Officer on 5 January 2015 following four months as Acting Chief Executive Officer. Mr Sutton originally joined BOQ in July 2012 as Chief Operating Officer. Mr Sutton has more than 20 years' experience in banking and prior to BOQ was the Managing Director of Bankwest. Before that, as Executive General Manager of Commonwealth Bank Agribusiness, he was central to the establishment of the bank's agribusiness segment which grew strongly under his guidance and leadership. Prior to this, Mr Sutton was General Manager of Client Risk Solutions at CBA, responsible for marketing derivative products including interest rates, commodities and foreign exchange. He was also Head of Resources and Agribusiness and Head of Corporate Risk Management Commodities, charged with marketing and commodity hedging products to Australian institutions within the base metals, precious metals and energy sectors.
Neil Berkett B Com and Admin Non-Executive Independent Director	59	Mr Berkett has served on the Board of BOQ since July 2013. His career spans a range of sectors and geographies in both the consumer and enterprise space with an emphasis on managing significant change. For six years finishing in mid-2013 he was the Chief Executive Officer of Virgin Media, a NASDAC listed company where he oversaw the successful turnaround, differentiation and growth of the UK cable company. Mr Berkett then led the sale of the company to Liberty Global in June 2013. His previous career included senior roles at Lloyds TSB, Prudential, St George Bank in Australia, Citibank and Eastwest Airlines. He is the Chairman of the Guardian Media Group, a Non-Executive Director with the Sage Group plc, and a Trustee for the National Society for the Prevention of Cruelty to Children. Mr Berkett is a member of each of the Human Resources & Remuneration and Information Technology Committees.
Bruce Carter B Econ, MBA, FAICD, FICA Non-Executive Independent Director	57	Mr Carter has served on the BOQ Board since February 2014. Mr Carter was a founding Managing Partner of Ferrier Hodgson South Australia, a corporate advisory and restructuring business, and has worked across a number of industries and sectors in the public and private sectors. He has been involved with a number of state government-appointed restructures and reviews including chairing a task force to oversee the government's involvement in major resource and mining infrastructure projects. Mr Carter had a central role in a number of key government economic papers including the Economic Statement on South Australian Prospects for Growth, the Sustainable Budget Commission, and the Prime Minister's 2012 GST Distribution Review. Before Ferrier Hodgson, Mr Carter was at Ernst & Young for 14 years including four years as Partner in Adelaide. During his time at Ernst & Young he worked across the London, Hong Kong, Toronto and New York offices. Mr Carter is the Chair of Australian Submarine Corporation and a Non-Executive Director of SkyCity Entertainment Group Limited and Genesee & Wyoming Australia Pty Ltd. Mr Carter is Chair of the Risk Committee and a member of the Audit Committee.
Carmel Gray B Bus Non-Executive Independent Director	66	Ms Gray was appointed a Director of BOQ in April 2006. Ms Gray has had an extensive executive career in IT and Banking. She was Group Executive Information Technology at Suncorp from 1999 until 2004 and a member of Suncorp's Group Executive committee during that period. Previously, she held a number of senior roles in the IT Services industry, including General Manager, Energy Information Solutions and Chief Executive, Logica Australia. Past memberships include the Board of the Australian Information Industry Association and the CSIRO Advisory Committee for the IT and Services Sectors. She is a past Chair of Information Technologies Australia and Director of BridgePoint Communications. Ms Gray continues to provide IT and business consultancy services to the SME sector. Ms Gray is a member of each of the Information Technology and Audit Committees.

Name, qualifications and independence status	Age	Experience, special responsibilities and other Directorships
Richard Haire B.Ec, FAICD Non-Executive Independent Director	56	Mr Haire was appointed a Director of the Bank on 18 April 2012. Mr Haire has more than 28 years' experience in the international cotton and agribusiness industry, including 26 years in agricultural commodity trading and banking. He is the Executive Chairman of Webster Limited. He was also formerly a Director of Open Country Dairy (NZ) and New Zealand Farming Systems Uruguay. Mr Haire is Chair of the Audit Committee and a member of the Risk, Information Technology and Investment Committees.
Margaret Seale BA, FAICD Non-Executive Independent Director	55	Margaret (Margie) Seale has served on the BOQ Board since January 2014. Ms Seale has more than 25 years' experience in senior executive roles in Australia and overseas in the global publishing, health and consumer goods industries, and in the transition of traditional business models to adapt and thrive in a digital environment. Most recently she was Managing Director of Random House Australia (with managerial responsibility for Random House New Zealand) and President, Asia Development for Random House Inc., the global company. Amongst other roles prior to that she held national sales and national marketing roles for Oroton and Pan Macmillan respectively. She is a Non-Executive Director of Telstra and member of the Audit & Risk Committee, and a Non-Executive Director of Ramsay Health Care and member of the Risk Committee. She has also served on the boards of the Australian Publishers' Association and the Powerhouse Museum, and on the Council of Chief Executive Women, chairing its Scholarship Committee from 2011 to 2012. She remains a Non-Executive Director of Random House Australia and New Zealand. Ms Seale is a member of the Information Technology and Human Resources & Remuneration Committees.
Michelle Tredenick B Sc, FAICD, F Fin Non-Executive Independent Director	54	Ms Tredenick has served on the Board of BOQ since February 2011. Michelle is an experienced company director and corporate advisor with over 30 years' experience in leading Australian businesses. She is currently a Director of Vocation Limited, Canstar Pty Ltd, and is Chairman of IAG NRMA Corporate Superannuation Trustee Board. She is a member of the Senate of the University of Queensland as well as sitting on the board of the Ethics Centre. She also has her own consulting business advising Boards and CEOs on strategy and technology and the successful management of large investment and transformation programs. Her Executive career included roles on the group executive teams of a number of Australia's largest companies including NAB, MLC and Suncorp. Her experience spans time as CIO with all of these companies as well as Head of Strategy and Marketing and divisional profit and loss roles in Corporate Superannuation, Insurance and Funds Management. Ms Tredenick is Chair of the Information Technology Committee and a member of each of the Human Resources & Remuneration and Risk Committees.
David Willis B Com, ACA, ICA Non-Executive Independent Director	59	Mr Willis has served on the Board of BOQ since February 2010. He has over 33 years' experience in financial services in the Asia Pacific, the UK and the US. He is a qualified Accountant in Australia and New Zealand and has had 17 years' experience working with Australian and foreign banks. Mr Willis is a Director of New Zealand Post, CBH (A Grain Cooperative in Western Australia) and Interflour Holdings, a Singapore based flour milling company. He is also a director of Converga Pty Ltd (a digital solutions company) based in Sydney. Mr Willis founded and chairs a Sydney based Charity "The Horizons Program". With BOQ Mr Willis is Chair of the Human Resources & Remuneration Committee and is a member of the Risk Committee and the Nomination & Governance Committee. He is also a Non-Executive Director of the Bank's insurance subsidiary, St Andrew's.
Steve Crane Retired as a Director on 22 January 2015.		

COMPANY SECRETARY

Michelle Thomsen - Appointed 13 July 2015

LLB/ B Comm

Michelle Thomsen was appointed Company Secretary on 13 July 2015. Prior to this, Ms Thomsen was EGM Associate General Counsel at Suncorp Group Limited and has held a number of in house and private practice roles, including General Counsel positions for two funds listed on the Australian Securities Exchange and she was a partner at SJ Berwin LLP in London (now King & Wood Mallesons), prior to returning to Australia in 2012.

Melissa Grundy - Resigned 13 March 2015
Stacey Hester was acting Company Secretary during the interim period between the resignation of Ms Grundy and the appointment of Ms Thomsen.

DIRECTORS' MEETINGS

The number of meetings of the Bank's Directors (including meetings of Committees of Directors) and the number of meetings attended by each Director during the financial year were:

	Board of Directors		Board of Directors - St Andrews		Risk Committee		Audit Committee		Nomination & Governance Committee		Human Resources & Remuneration Committee - BOQ & St Andrews		Investment Committee (1)		Information Technology Committee		Due Diligence Committee	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Roger Davis (2)	13	13	-	-	7	7	6	6	2	2	5	5	1	1	5	5	-	-
Jon Sutton (3)	12	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Neil Berkett	9	13	-	-	-	-	-	-	-	-	4	5	-	-	3	5	-	-
Bruce Carter	13	13	-	-	6	7	6	6	-	-	-	-	1	1	-	-	-	-
Steve Crane (4)	4	4	-	-	3	3	-	-	1	1	-	-	-	-	-	-	-	-
Carmel Gray	13	13	-	-	-	-	6	6	1	1	-	-	-	-	5	5	-	-
Richard Haire	13	13	-	-	7	7	6	6	-	-	-	-	1	1	5	5	-	-
Margaret Seale	12	13	-	-	-	-	-	-	-	-	5	5	-	-	5	5	-	-
Michelle Tredenick	12	13	-	-	7	7	-	-	1	1	5	5	1	1	4	5	-	-
David Willis (5)	12	13	4	5	5	7	-	-	1	1	5	5	1	1	-	-	-	-
Total number of meetings held	13		5		7		6		2		5		1		5		-	

A - Number of meetings attended

B - Number of meetings held during the time the Director was a member of the Board / Committee during the year

(1) The composition of the Investment Committee is not fixed. Composition and meetings held are set by the Board on an as required basis.
(2) Roger Davis attends the meetings of a number of the Board's sub-committee's, however he is not considered a formal member of these.
(3) Jon Sutton also attended Board meetings before he was officially appoointed as Managing Director and CEO on 5 January 2015.
(4) Steve Crane retired as a Director on 22 January 2015 and as such the details of meetings held and attended are for the period of time in which he was a Director during the financial year.
(5) David Willis is also a member of the Audit & Risk Committee for St Andrew's. During the year he attended all three meetings held.

2015 CORPORATE GOVERNANCE STATEMENT IS ONLINE

BOQ complies with its Constitution, the *Corporations Act 2001* (Cth), the ASX Listing Rules, and the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Third Edition) (ASX Principles), which is reflected in our Corporate Governance Statement. As an APRA-regulated entity, BOQ also complies with the governance requirements prescribed by APRA under Prudential Standard CPS 510 Governance.

Information about BOQ's Board and management, corporate governance policies and practices and Enterprise Risk Management Framework can be found in the 2015 Corporate Governance Statement available at
http://www.boq.com.au/uploadedFiles/AboutUs/Corporate_information/BOQ-Corporate-Governance-2015.pdf.

OPERATING AND FINANCIAL REVIEW

1. HIGHLIGHTS & STRATEGY

1.1 DISCLOSURE CONSIDERATIONS

Changes to Financial Reporting

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

Future performance

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

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

Rounding

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

Note on Statutory Profit and Cash Earnings

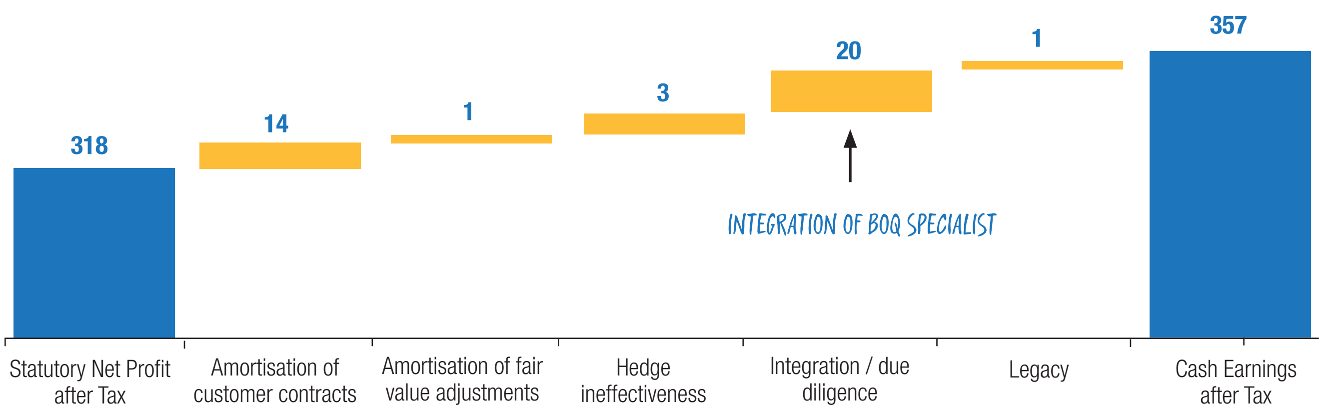
Statutory Profit is prepared in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with International Financial Reporting Standards ('IFRS'). Cash Earnings is a non-Accounting Standards measure commonly used in the banking industry to assist in presenting a clear view of the Bank's underlying earnings. Refer to Section 4.1 for the reconciliation of Statutory Profit to Cash Earnings.

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

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

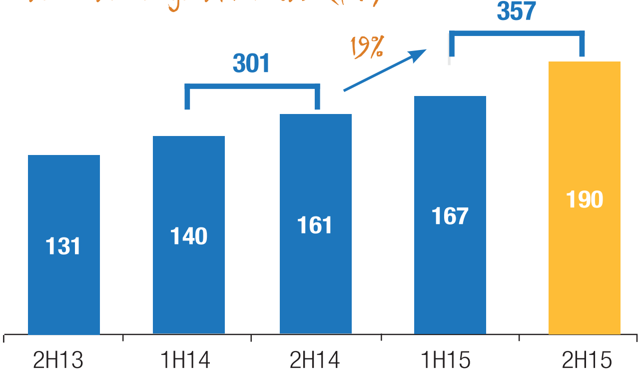
These non-statutory measures have not been subject to review or audit.

RECONCILIATION OF STATUTORY PROFIT TO CASH EARNINGS ($M)

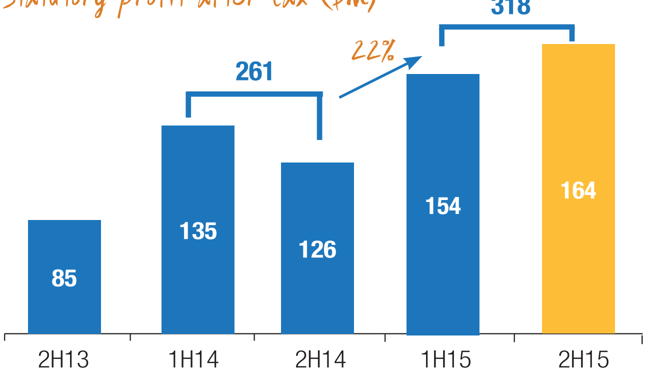


1.2 GROUP HIGHLIGHTS

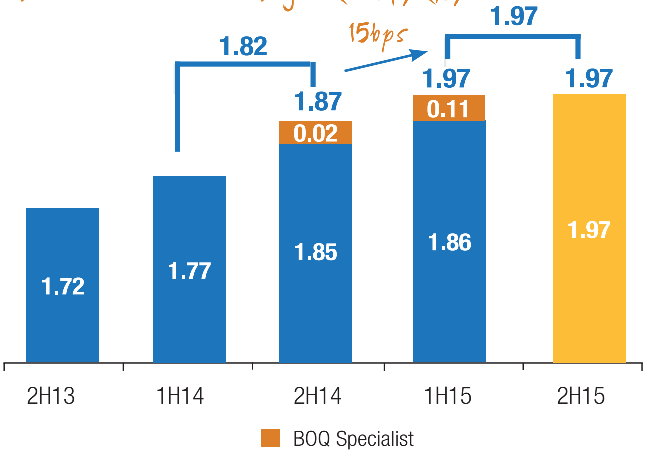
Cash earnings after tax ($m)



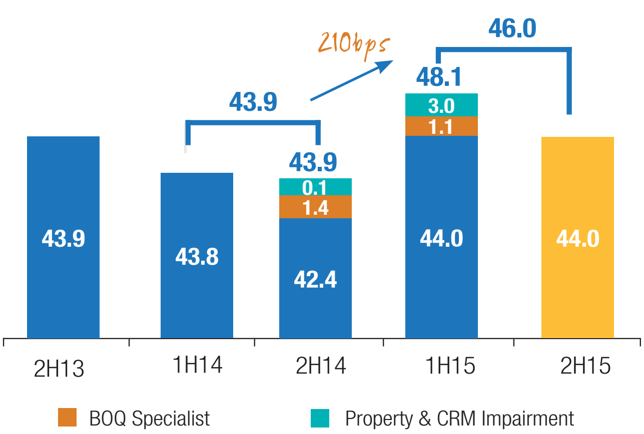
Statutory profit after tax ($m)



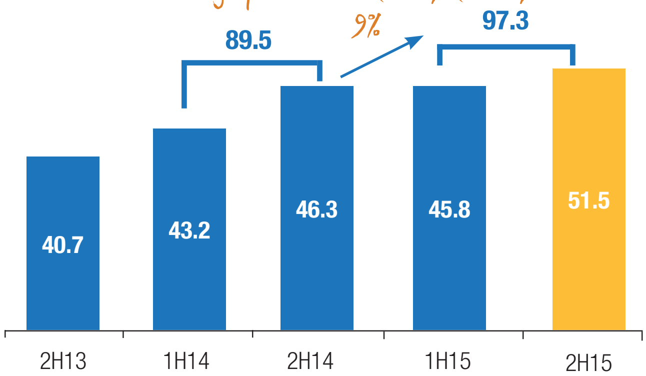
Cash net interest margin ('NIM') (%)



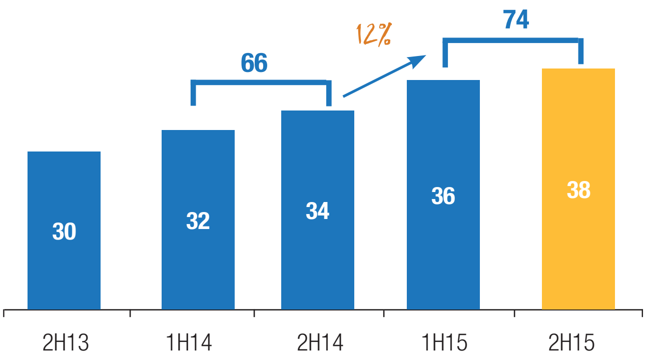
Cash cost to income (%)



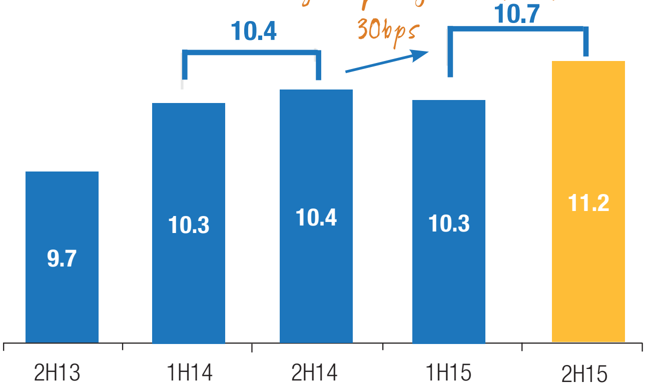
Cash basic earnings per share ('EPS') (cents)



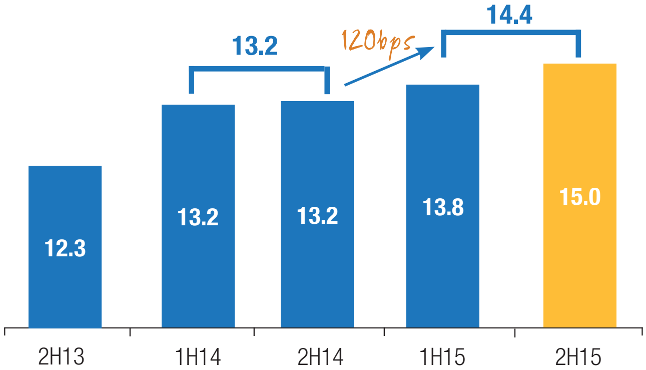
Dividends per share (cents)



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



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



1.2 GROUP HIGHLIGHTS (CONTINUED)

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

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

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

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

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

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

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

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

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

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

1.3 STRATEGY

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

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

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

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

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

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

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

There's Always a Better Way, which is the pursuit of operational efficiency, has seen continued focus on improving processes and systems to reduce the turnaround time on compliant retail and business lending applications. In 2016, we will implement a new digitised mortgage origination process as well as continue to simplify our product suite. A good example of this approach is our simple low cost mortgage offering 'Clear Path' which has been well received by our customers, particularly in the owner occupied segment.

Loved Like No Other is about building a culture that makes BOQ a great place to work and inspires our passion to deliver exceptional customer outcomes. The major brand refresh around 'It's Possible to Love a Bank' resulted in an increase in national unprompted awareness of our brand. We have seen a further increase in our Net Promoter Scores [(1)] from 16.1% in August 2014 to 30.5% in August 2015 placing us second amongst all measured banks (up from 9.9% in August 2013) which demonstrates strong customer satisfaction and advocacy. Our internal Employee Engagement score also saw a significant increase from 43% in July 2014 to 67% in July 2015.

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

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

2. GROUP PERFORMANCE ANALYSIS

2.1 INCOME STATEMENT & KEY METRICS [1]

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

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

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

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

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

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

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

(2) Profit before loan impairment expense and tax.

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

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

2.2 BOQ SPECIALIST

(A) INCOME STATEMENT

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

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

(B) BOQ SPECIALIST FINANCIAL PERFORMANCE

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

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

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

2.2 BOQ SPECIALIST (CONTINUED)

(C) KEY METRICS EXCLUDING IMPACT OF BOQ SPECIALIST

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

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

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

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

2.3 NET INTEREST INCOME

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

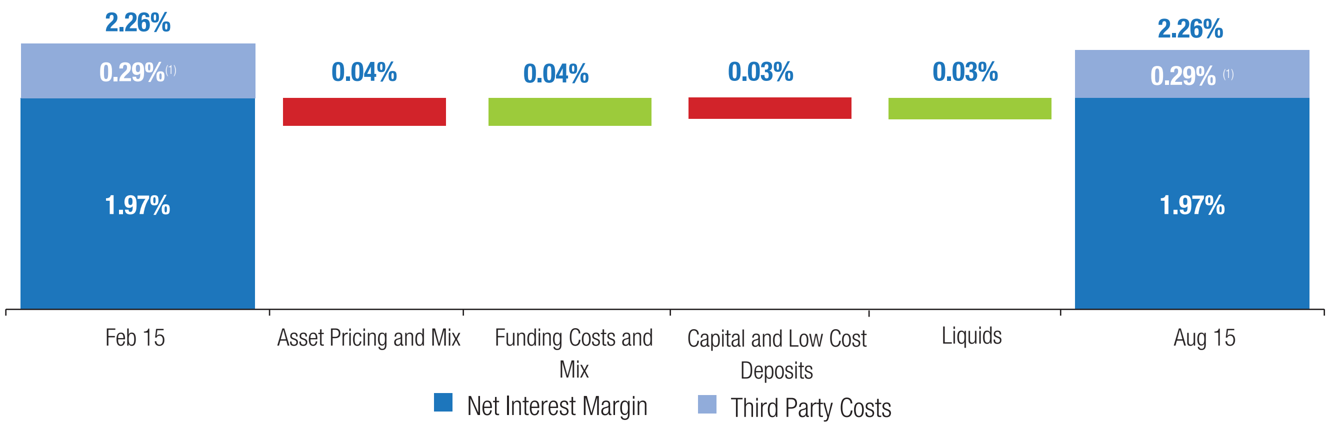
	Year End Performance			Half Year Performance		
$ million	**Aug-15**	Aug-14	Aug 15 vs Aug 14	**Aug-15**	Feb-15	Aug 15 vs Feb 15
Net Interest Income - excluding BOQ Specialist	**778**	752	3%	**391**	387	1%
Net Interest Income - including BOQ Specialist	**907**	761	19%	**459**	448	2%
Average Interest Earning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

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

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

2.3 NET INTEREST INCOME (CONTINUED)

NET INTEREST MARGIN – FEBRUARY 2015 TO AUGUST 2015



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

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

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

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

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

Liquids: A 3bps impact is attributed to a reduction in the liquid assets portfolio following transition to the APS 210 liquidity standard, partially offset by costs associated with maintaining the RBA committed liquidity facility, and a reduction in group liquidity requirements after consolidating the BOQ Specialist banking operations into the Bank's licence.

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

2.4 NON-INTEREST INCOME

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

2.4 NON-INTEREST INCOME (CONTINUED)

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

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

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

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

2.5 INSURANCE OVERVIEW

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

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

Gross Written premiums reduced 19% due to lower volumes of single premium policies, a trend set to continue in coming periods. Sales of regular premium policies continued to increase in line with strategy to diversify product revenue streams with increased sales of term life, funeral and involuntary unemployment insurance. Overall this resulted in an increase in Net Earned Premiums of 3%, however this was more than offset by an increase in commissions reflecting the changing mix of business.

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

2.6 OPERATING EXPENSES

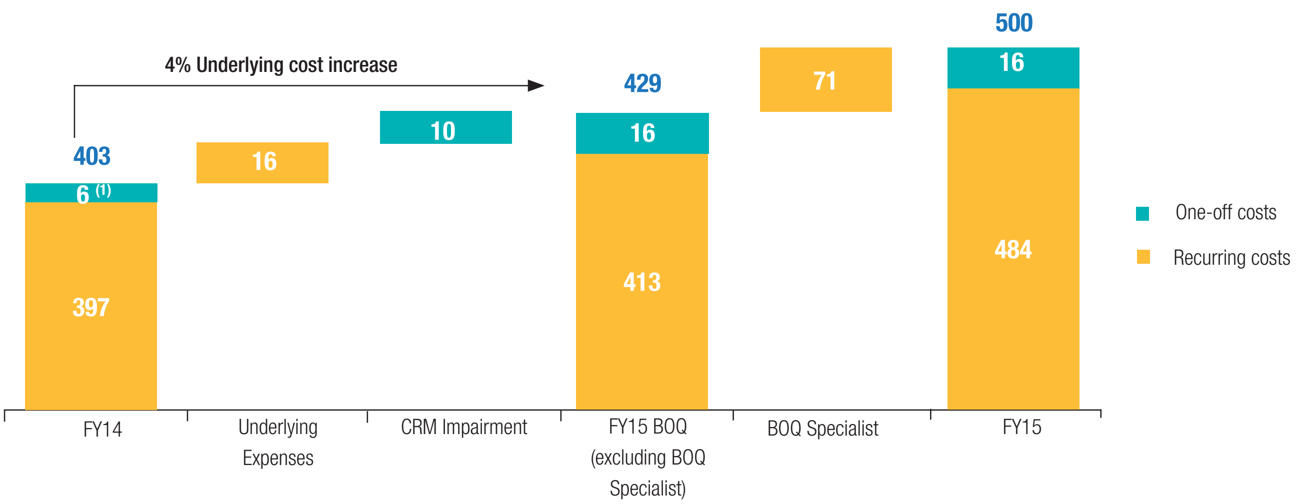
- 4% increase in underlying costs from the prior year
- The below operating expenses include the first full year of BOQ Specialist expenses following acquisition in July 2014

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

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

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

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



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

2.6 OPERATING EXPENSES (CONTINUED)

Operating Expenses exclude costs relating to Virgin Money (Australia) where the net result has been consolidated in Non-Interest Income for presentation of Cash Earnings. The total expenses for Virgin Money (Australia) were $14 million for the half. A reconciliation of Cash Earnings to Statutory Profit is set out in Section 4.1 (b).

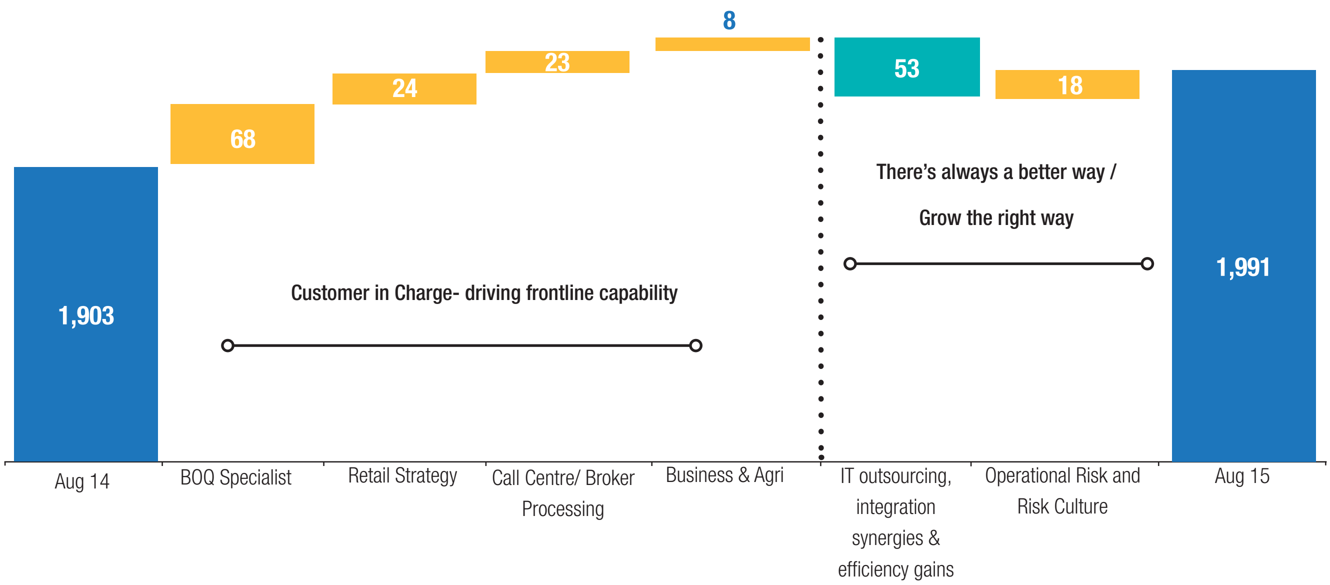
The Group has been investing in a number of key transformational change programs to digitise the Bank and reset key outsourcing arrangements. This investment program will create a significant uplift in the Bank's amortisation profile with the amortisation charge expected to double over the next two years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

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

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

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

BOQ FTE FY15 V FY14



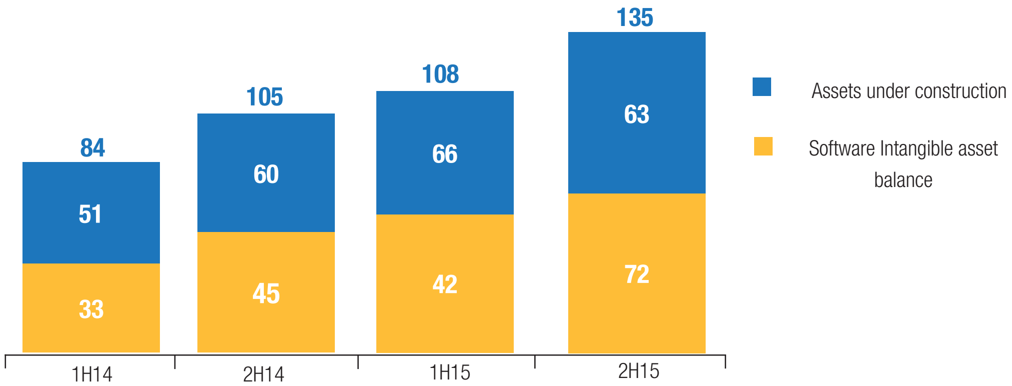
2.7 CAPITALISED INVESTMENT SPEND

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

2.7 CAPITALISED INVESTMENT SPEND (CONTINUED)

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

CARRYING VALUE OF INTANGIBLE ASSETS ($M)



2.8. LENDING

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

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

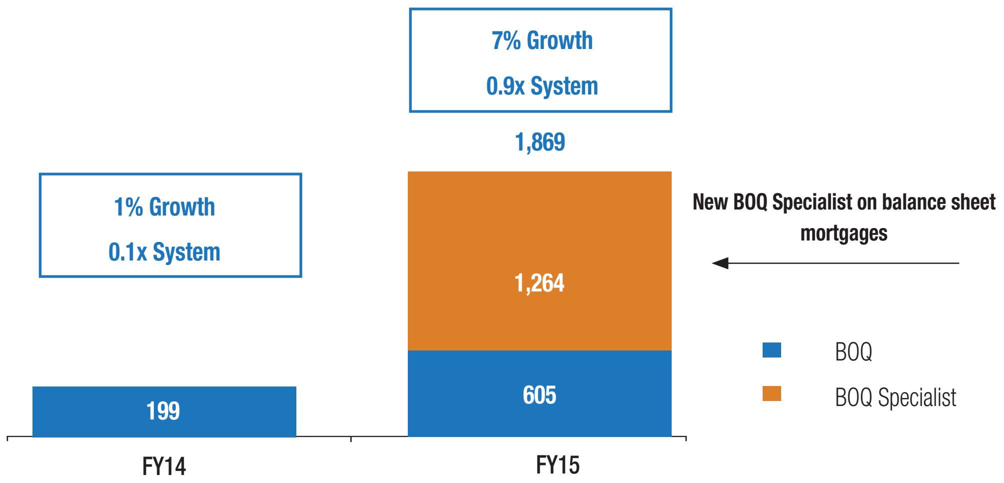
(1) Growth rates have been annualised

(2) Securitised loans subject to capital relief under APRA Prudential Standard APS120 Securitisation

2.8. LENDING (CONTINUED)

GROWTH IN GROSS LOANS & ADVANCES

GROWTH IN HOUSING ($M)



HOUSING LENDING

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

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

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

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

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

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

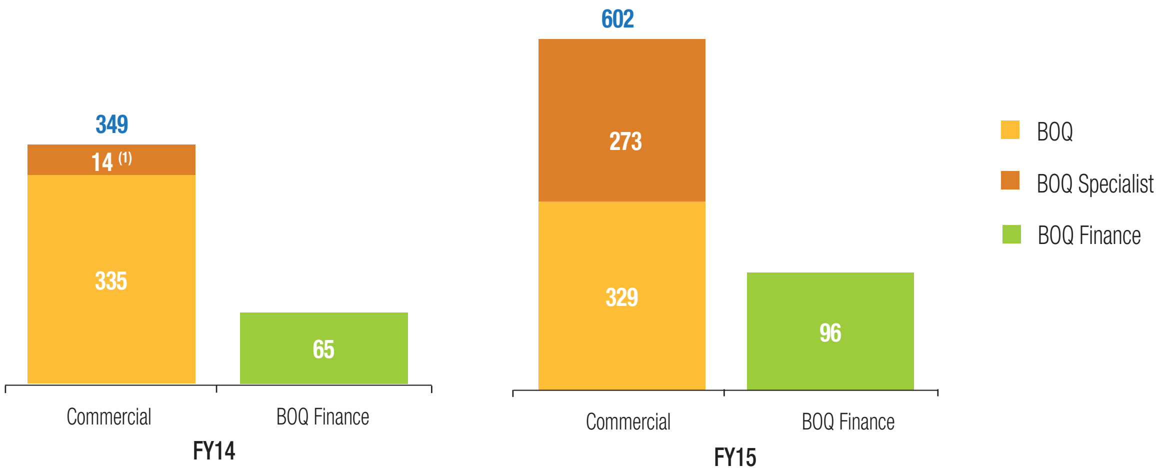
The proprietary channels have generated a 1% increase in settlements year on year despite the impacts of the consolidation of the branch network, which reduced by 18 branches over the last year. This reflects a range of factors including Corporate branch lease expiries in sub-optimal locations and Owner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

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

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

2.8. LENDING (CONTINUED)

GROWTH IN COMMERCIAL & BOQ FINANCE ($M)



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

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

BOQ BUSINESS

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

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

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

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

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

3. BUSINESS SETTINGS

3.1 ASSET QUALITY

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

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

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

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

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

- **Loan impairment expense** has continued to reduce, reflective of strong credit management practices implemented across the business, favourable commercial realisations and continued benefits from the low rate interest environment. The full year impairment expense of $74 million or 18bps/GLA is a $12 million (4bps) improvement on the prior year.
- **Impaired assets** declined by $56 million (19%) to $237 million following a reduction in the volume of new impaired assets and maintaining momentum in realisations. One exposure greater than $10 million transitioned to impaired status in the second half of the year, which is the only exposure greater than $5 million in the impaired portfolio.
- **Past due performance** at a total portfolio level has increased in dollar value slightly but decreased as a percentage of GLA's (refer 'Arrears' Section on Page 28).
- **Collective provisioning** has marginally increased over the prior year to $146 million.

LOAN IMPAIRMENT EXPENSE

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

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

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

3.1 ASSET QUALITY (CONTINUED)

IMPAIRED ASSETS

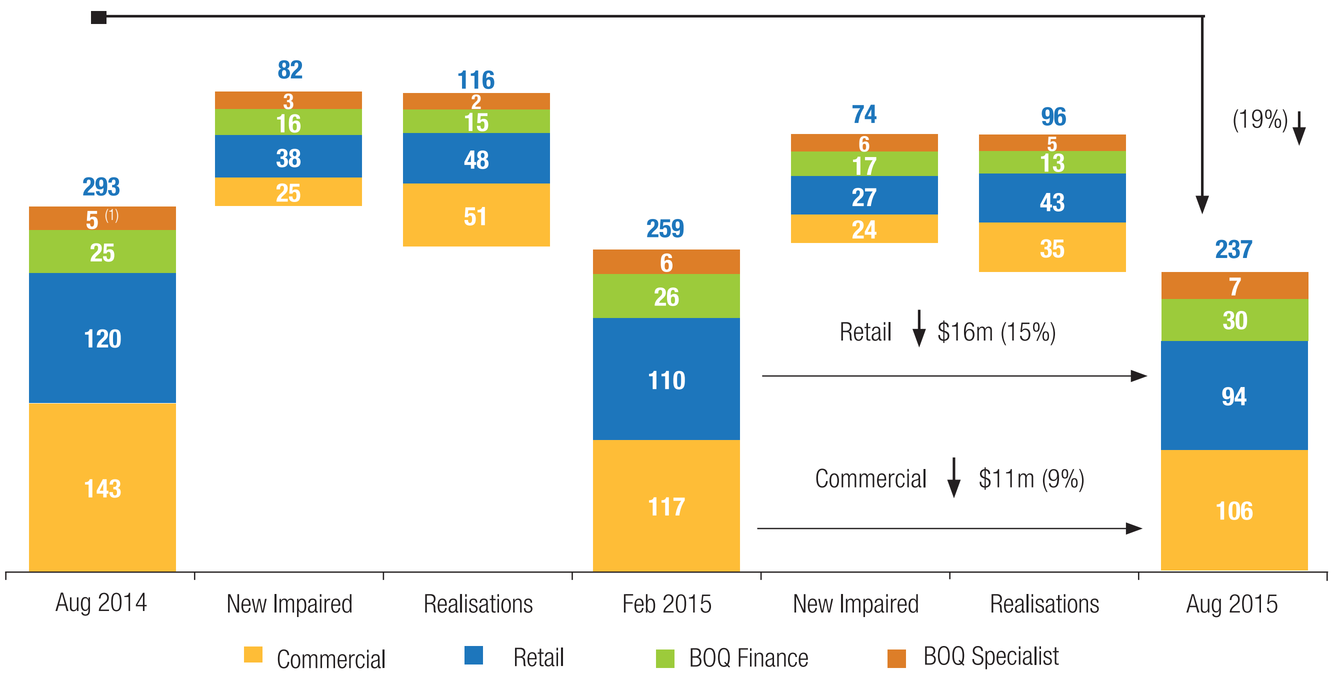
$ million	As at Aug-15	Feb-15 (1)	Aug-14 (1)	Aug 15 vs Feb 15	Aug 15 vs Aug 14
Retail Lending	**94**	110	120	(15%)	(22%)
Commercial Lending	**106**	117	143	(9%)	(26%)
BOQ Finance	**30**	26	25	15%	20%
BOQ Specialist	**7**	6	5	17%	40%
Total Impaired Assets	**237**	259	293	(8%)	(19%)
Impaired Assets / GLA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

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

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

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

IMPAIRED ASSETS ($M)



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

3.1 ASSET QUALITY (CONTINUED)

COMMERCIAL IMPAIRED ASSETS

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

RETAIL IMPAIRED ASSETS

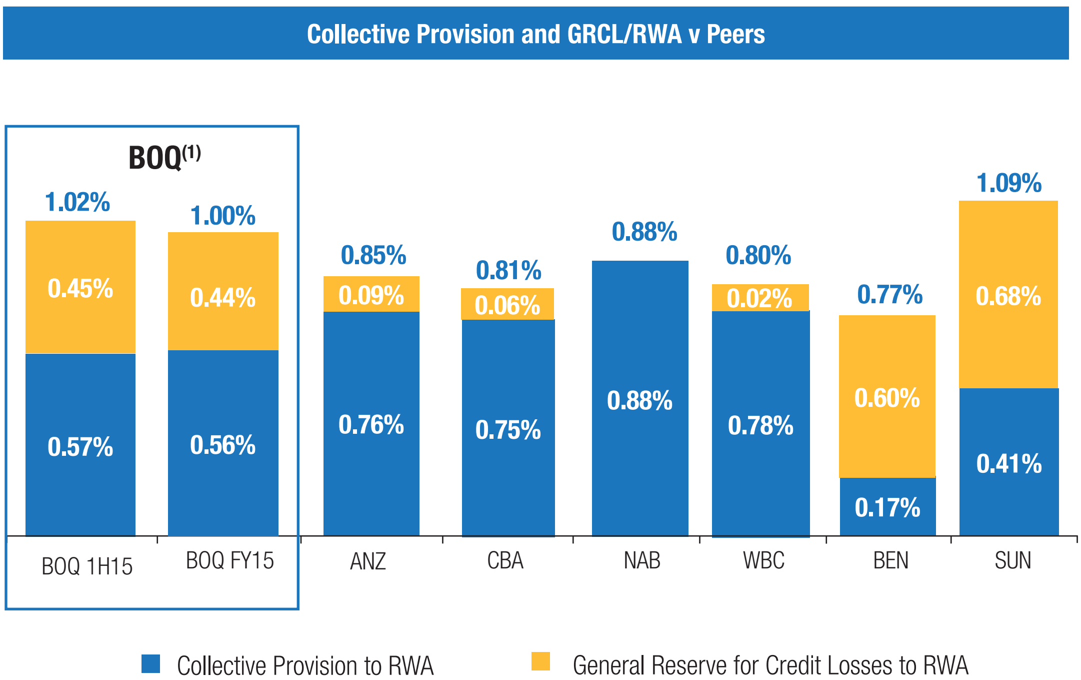
Retail impaired assets reduced $16 million (15%) over the half continuing favourable trends over recent periods. The positive result is driven by the improved security position across those exposures going into default, market conditions for asset realisation and historically low interest rates.

BOQ FINANCE IMPAIRED ASSETS

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

COLLECTIVE PROVISION/ GLA VS PEERS

The graph below shows the Bank's level of collective provisions and GRCL to risk weighted assets against the current peer levels as published in their most recent financial reports. It should be noted that the major banks utilise an advanced approach to the calculation of RWA's which increases their respective coverage ratio in comparison to BOQ and the other standardised banks.



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

3.1 ASSET QUALITY (CONTINUED)

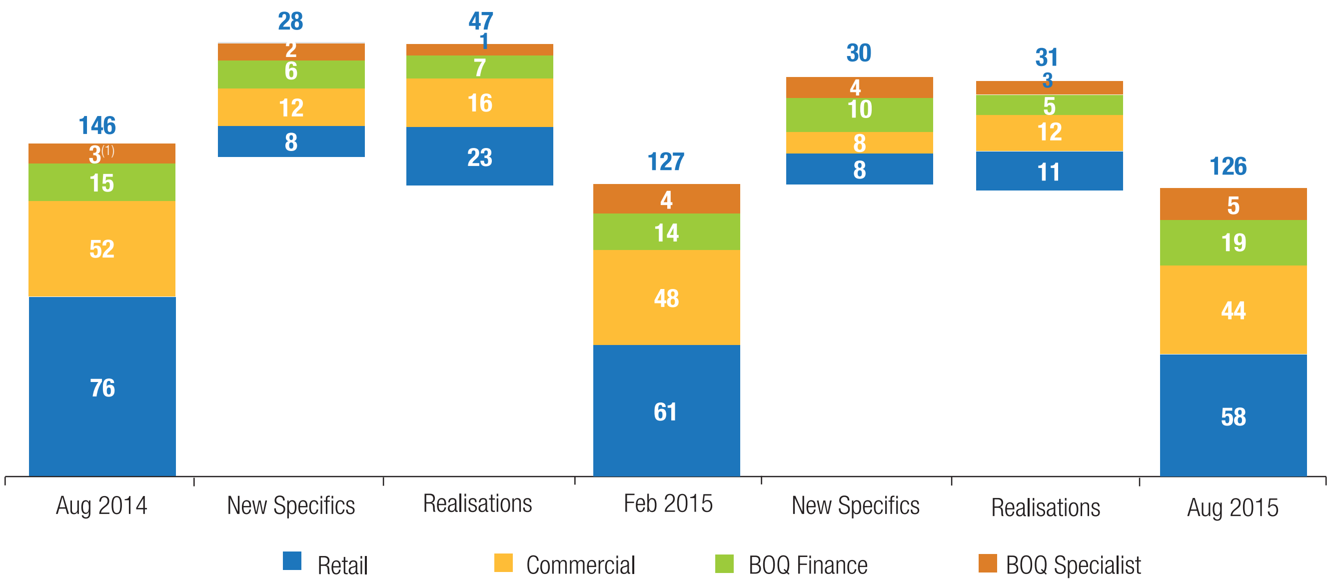
PROVISION COVERAGE

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

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

(1) GRCL gross of tax effect.
(2) Prior periods have been updated with a reclassification of BOQ Specialist provisions

SPECIFIC PROVISIONS ($M)



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

3.1 ASSET QUALITY (CONTINUED)

ARREARS

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

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

RETAIL ARREARS

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

BOQ BUSINESS ARREARS

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

3.2 FUNDING AND LIQUIDITY

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

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

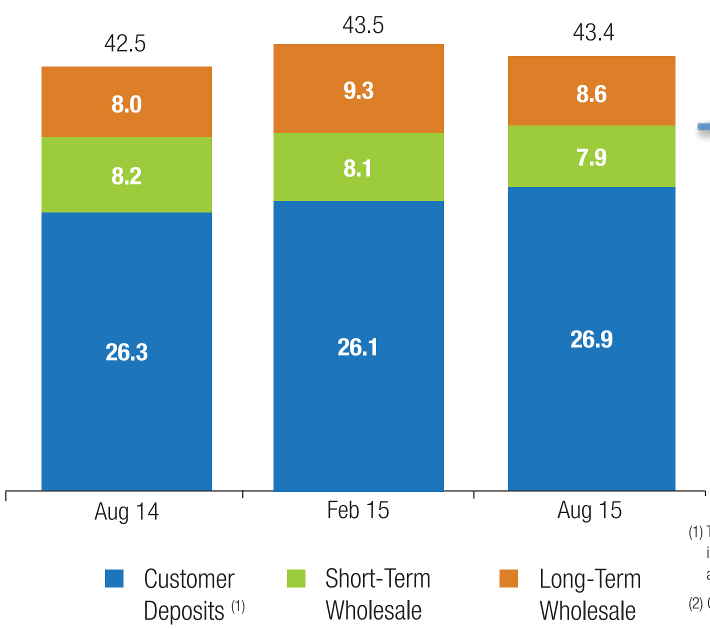
Pleasingly, strong transaction account growth of $260 million, an increase of 14%, was achieved throughout the year. The branch network was critical to this result and benefited from strong gains in customer Net Promoter Scores, with the strongest improvement amongst the measured industry participants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

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

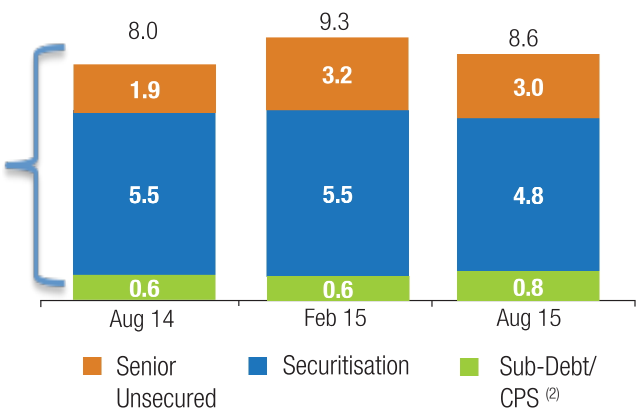
	As at				
$ million	**Aug-15**	Feb-15	Aug-14	Aug 15 vs Feb 15	Aug 15 vs Aug 14 [(1)]
Customer Deposits [(2)]	**26,914**	26,058	26,266	3%	2%
Wholesale Deposits	**7,818**	7,959	7,840	(2%)	-
Total Deposits	**34,732**	34,017	34,106	2%	2%
Borrowings	**8,713**	9,378	8,364	(7%)	4%
Other Liabilities	**1,104**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

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

FUNDING MIX ($B)



LONG-TERM WHOLESALE ($B)



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

(2) Convertible Preference Shares and Wholesale Capital Notes

3.2 FUNDING AND LIQUIDITY (CONTINUED)

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

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

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

FUNDING

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

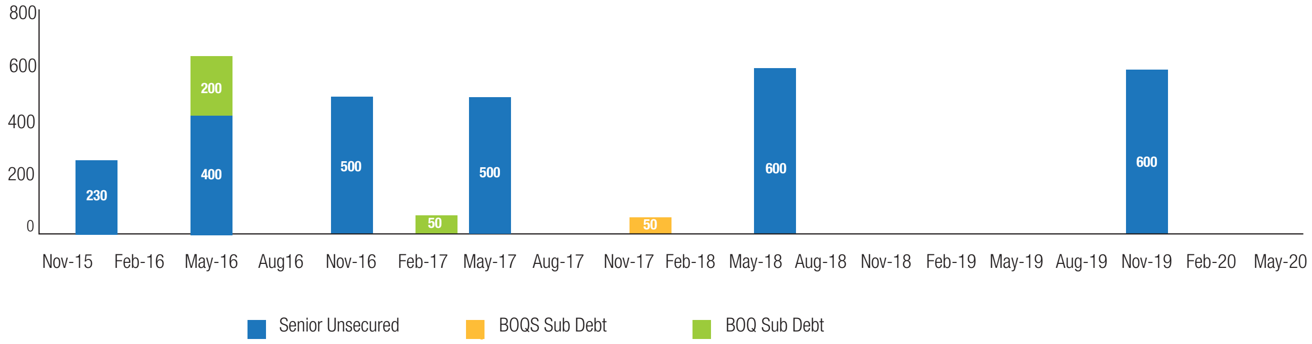
During the financial year the Bank issued $1.7 billion of securitisation funding with the completion of the Series 2014-1 REDS EHP Trust and Series 2015-1 REDS Trust transactions.

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

3.2 FUNDING AND LIQUIDITY (CONTINUED)

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

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



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

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

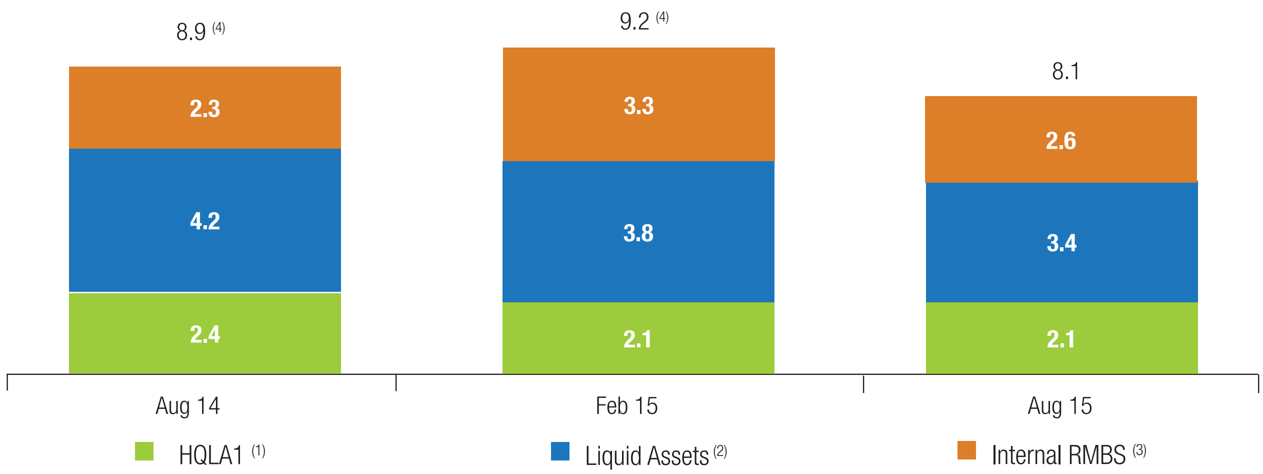
LIQUIDITY

BOQ maintains a portfolio of high quality, diversified liquid assets to facilitate balance sheet liquidity needs and meet internal and regulatory requirements. The Bank was granted a Reserve Bank of Australia ('RBA') Committed Liquidity Facility ('CLF') sufficient to enable the Bank to meet its regulatory minimum of greater than 100% of the Liquidity Coverage Ratio from 1 January 2015.

As at 31 August 2015 the LCR was 125% with liquid assets contributing to the LCR of $5.5 billion. LCR has increased slightly over the past 6 months from 122% at half year to 125% at year end. 2015 saw liquidity management rebased for the new Basel III APS 210 Liquidity Standard. Significant work was undertaken on improving the deposit mix with a focus on products and customer relationships with low liquidity run-off factors under the new standard (refer Section 4.9). As a result, liquid asset holdings were able to be reduced, whilst enabling management within target LCR ranges to be achieved. Liquid Assets have also reduced over the year with the retirement of the BOQ Specialist ADI licence resulting in a material reduction in the level of liquid assets held.

In addition to the liquid assets that contribute to the LCR, as at 31 August 2015 we also held internal securitisation of $2.6 billion which is eligible for repurchase arrangements with the RBA as a source of contingent liquidity in the event of a crisis scenario. Significant further liquidity is also available with a material proportion of the Bank's retail lending assets eligible to be placed as collateral into this structure in a crisis scenario.

LIQUIDITY COMPOSITION – BASEL III ($B)



(1) High Quality Liquid Assets (HQLA1) includes government and semi-government securities, cash held with RBA and notes & coins
(2) Liquid Assets include all unencumbered RBA repurchase eligible liquid assets able to be pledged as collateral to the RBA under the CLF
(3) Internal RMBS are able to be pledged as collateral to the RBA CLF
(4) Prior period figures have been restated to follow LCR categorisation

3.3 CAPITAL MANAGEMENT

CAPITAL ADEQUACY

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

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

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

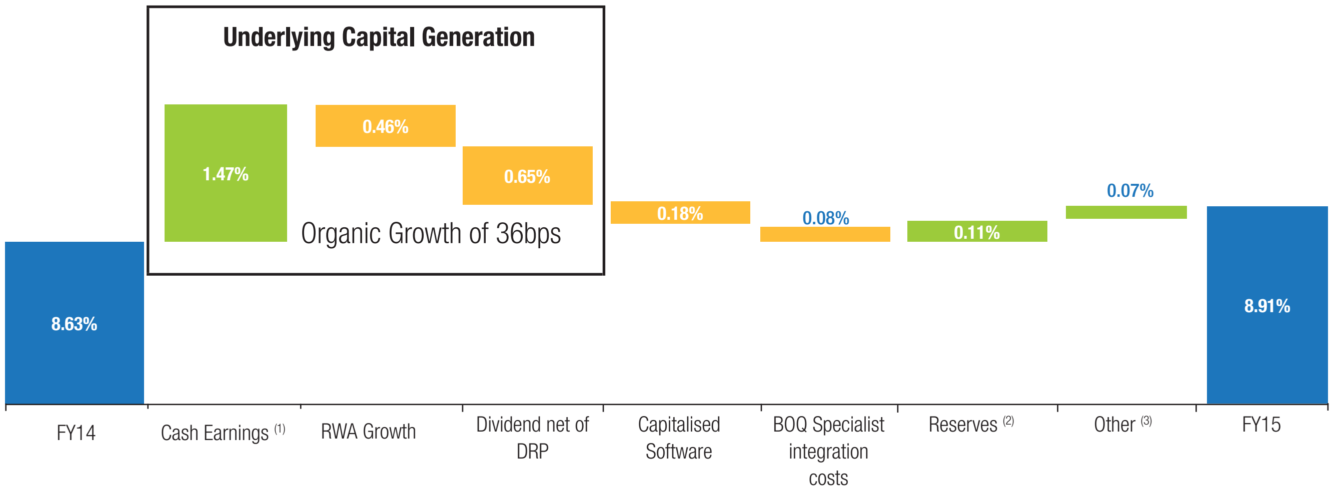
COMMON EQUITY TIER 1 CAPITAL

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

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

3.3 CAPITAL MANAGEMENT (CONTINUED)

FY15 V FY14

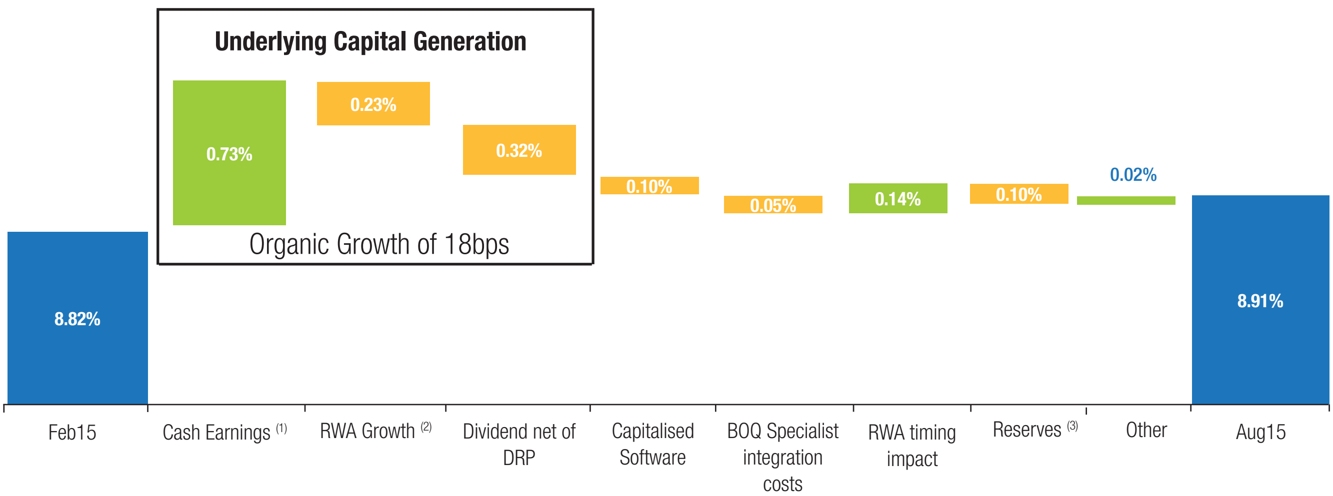


(1) Cash earnings adjusted for one-off non-recurring items.

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

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

2H15 V 1H15



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

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

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

3.4 TAX EXPENSE

Tax expense arising on Cash Earnings for the year amounted to $156 million. This represents an effective tax rate of 30.4%, which is above the corporate tax rate of 30% primarily due to non-deductibility of interest payable on convertible preference shares issued in 2013 and Wholesale Capital Notes issued in 2015.

4.1 RECONCILIATION OF STATUTORY PROFIT TO CASH EARNINGS

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

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

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

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

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

(B) NON-CASH EARNINGS RECONCILING ITEMS

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

4.2 OPERATING CASH EXPENSES (EXCLUDING BOQ SPECIALIST)

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

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

Employee Expenses

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

Occupancy Expenses

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

General Expenses

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

It Expenses

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

Other Expenses

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

4.3 PROPERTY PLANT & EQUIPMENT (CONSOLIDATED)

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

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

4.4 CASH EPS CALCULATIONS

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

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

4.5 ISSUED CAPITAL

ORDINARY SHARES

	Consolidated	
	2015 Number	2015 $m
Movements during the year		
Balance at the beginning of the year – fully paid	**362,516,835**	3,052
Issue of ordinary shares - October 2014 at $12.29 (1)	**900,000**	11
Dividend reinvestment plan - November 2014 at $12.06	**3,565,212**	43
Dividend reinvestment plan - May 2015 at $13.06	**3,786,729**	49
Balance at the end of the year – fully paid	**370,768,776**	3,155

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

4.6 AVERAGE BALANCE SHEET AND MARGIN ANALYSIS

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

4.6 AVERAGE BALANCE SHEET AND MARGIN ANALYSIS (CONTINUED)

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

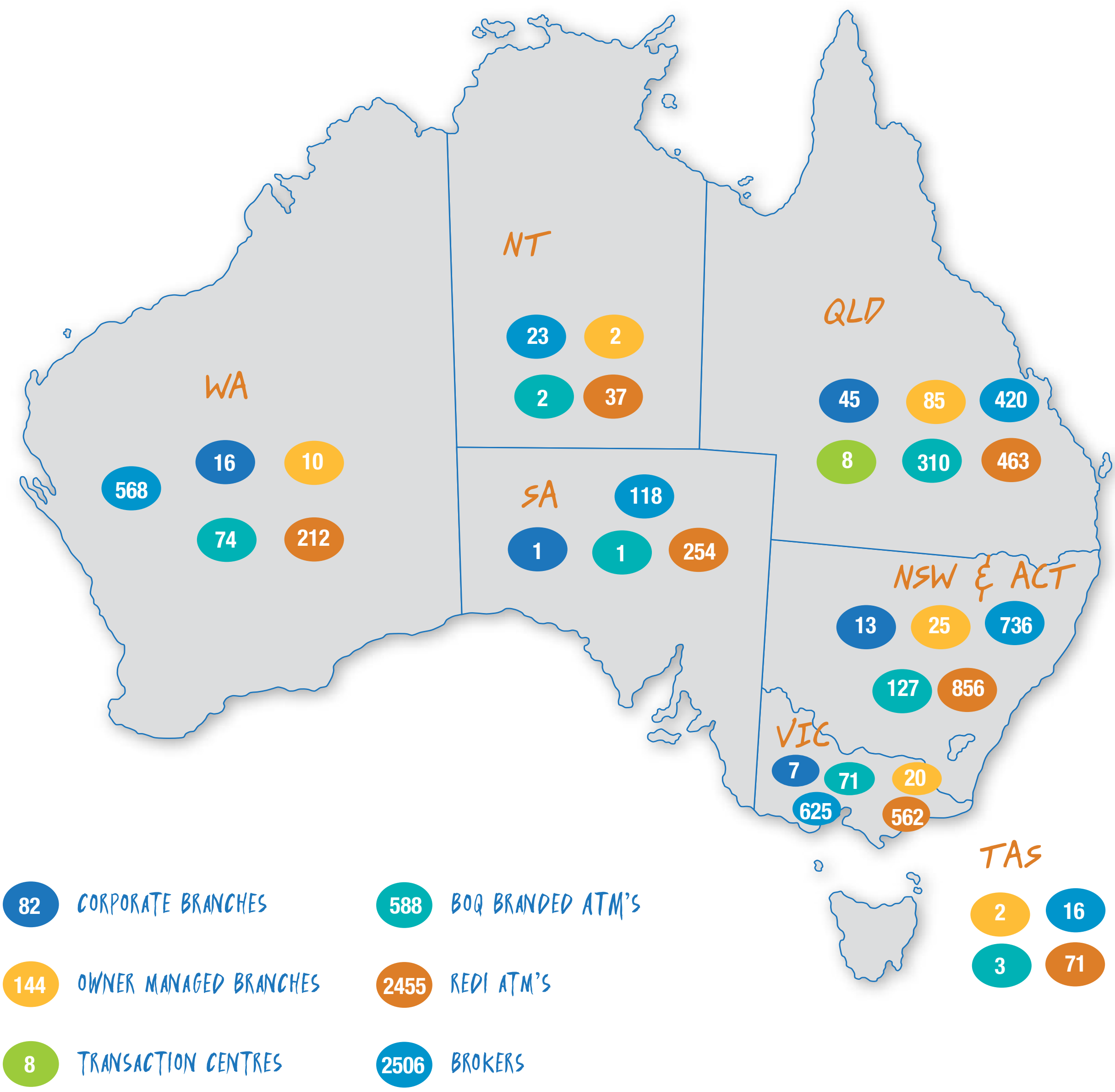
4.7 DISTRIBUTION FOOTPRINT

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

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

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

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

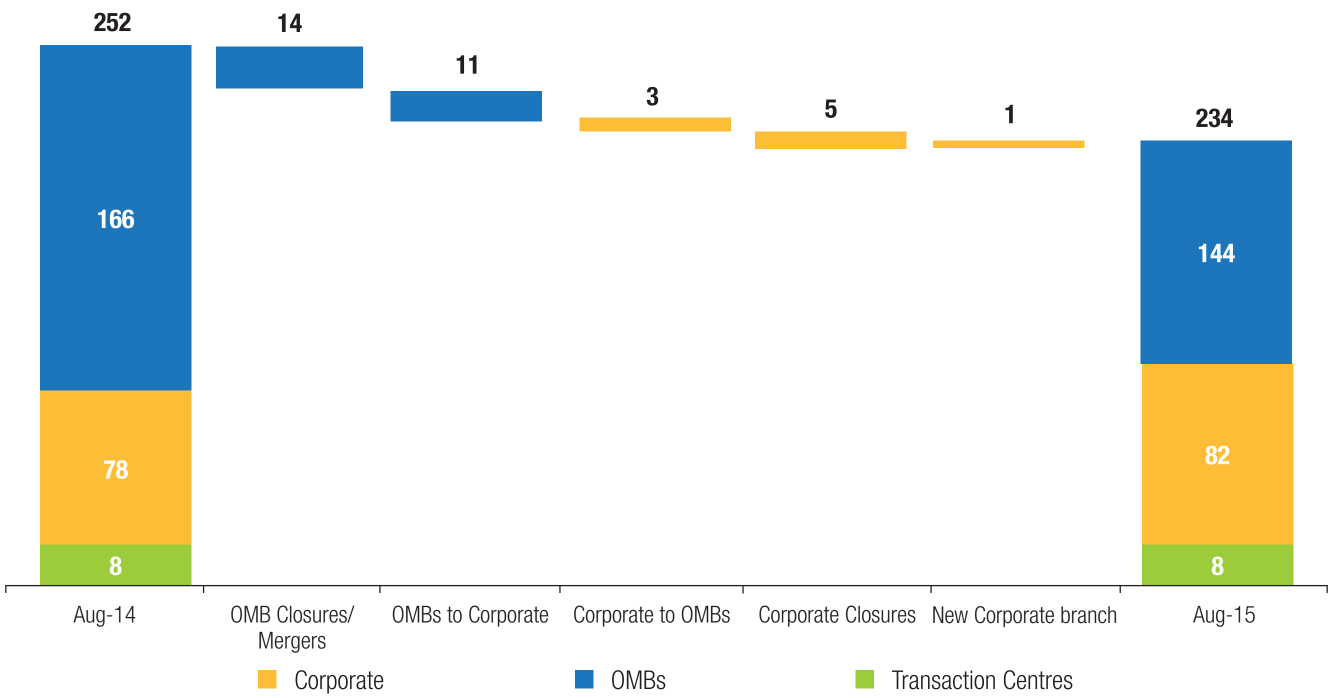


4.7 DISTRIBUTION FOOTPRINT (CONTINUED)

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

As at Aug-14	QLD	NSW / ACT	VIC	WA	NT	TAS	SA	Total
Corporate Branches	41	14	6	16	-	-	1	78
Owner managed branches	98	25	27	12	2	2	-	166
Transaction Centres	8	-	-	-	-	-	-	8
	147	**39**	**33**	**28**	**2**	**2**	**1**	**252**

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



4.8 CREDIT RATING

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

Our current long-term debt ratings are shown below.

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

4.9 LIQUIDITY COVERAGE RATIO

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

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

There are three broad categories of eligible liquid assets.

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

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

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

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

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

The key liquidity management initiatives that have been undertaken include:

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

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

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

4.9 LIQUIDITY COVERAGE RATIO (CONTINUED)

	Total Unweighted Value (Q415 average) $m	Total Weighted Value (Q415 average) $m
Liquid Assets, of which		
High-quality liquid assets ('HQLA')	n/a	2,066
Alternative liquid assets ('ALA')	n/a	2,991
Total Liquid Assets		**5,057**
Cash Outflows		
Customer deposits and deposits from small branch customers, of which	12,185	1,258
stable deposits	*5,697*	*285*
less stable deposits	*6,488*	*973*
Unsecured wholesale funding, of which	3,848	2,479
non-operational deposits	*3,006*	*1,637*
unsecured debt	*842*	*842*
Secured wholesale funding	n/a	63
Additional requirements, of which	385	303
outflows related to derivatives exposures and other collateral requirements	*299*	*299*
credit and liquidity facilities	*86*	*4*
Other contractual funding obligations	347	45
Other contingent funding obligations	7,486	548
Total Cash Outflows	**24,251**	**4,696**
Cash Inflows		
Inflows from fully performing exposures	684	363
Other cash inflows	474	474
Total Cash Inflows	**1,158**	**837**
Total Net Cash Outflows	**23,093**	**3,859**
Total Liquid Assets	n/a	**5,057**
Total Net Cash Outflows	n/a	**3,859**
Liquidity Coverage Ratio (%)	n/a	**131%**

REMUNERATION REPORT

YEAR ENDED 31 AUGUST 2015

Dear Shareholder

Please find attached the 2015 Remuneration Report.

Following your feedback we have again sought to make the information provided more readable and easier to understand. We have also listened to your feedback concerning the short term incentive (STI) plan and provided more information concerning the measures which are set at the beginning and scored at the end of the financial year.

Our core Remuneration principals have remained in place for the 2015 financial year:

- We do not make cash payments for Executives on commencement with BOQ;
- The Board holds the right to defer and/or clawback unvested short term and long term incentives (LTI);
- The Bank's LTI is awarded on the basis of the current share price (face value) and not a risk adjusted value (fair value);
- Fixed and total remuneration for each key management personnel (KMP) is benchmarked to the market each remuneration round;
- Total remuneration for KMP is structured at approximately one third fixed pay, one third STI and one third LTI;
- Key performance measures are required and agreed for all Executives, covering both financial and non-financial targets; and
- The Board has discretion on all remuneration outcomes.

The only change of any significance during the 2015 financial year was the removal of cash net profit after tax (NPAT) as a gateway measure to the STI Plan and its replacement with cash earnings per share (EPS). This change was signalled last year and reflects shareholder feedback which favoured an EPS measure as it is believed to be closer to the creation of shareholder value than NPAT.

Last year we also signalled an addition to the vesting measure used for the LTI Plan. Previously there had been a single measure based on total shareholder return (TSR) relative to a basket of other listed companies. Again, following your feedback we will add a second vesting measure of cash EPS for the 2015 Performance Award Rights (PARs) allocations, with a weighting of 20%.

In January 2015 we appointed Jon Sutton as Managing Director & Chief Executive Officer (MD) of the Bank. Jon had been acting in the role whilst we undertook an extensive search for a new MD. We were fortunate to attract a number of quality candidates and ultimately determined Jon's appointment was in the best interests of shareholders. We are delighted to have been able to select the best candidate internally, confirming our succession planning process.

Jon's remuneration has been disclosed publicly and follows the principals outlined above. The Human Resources and Remuneration Committee (HR & Remuneration Committee) took external advice before concluding the negotiations and his package is less than that of the previous MD.

As part of the 2015 remuneration process all employees, including KMP and Responsible Persons (RPs), were assessed against their key performance indicators (KPIs) agreed at the beginning of the financial year. For the majority of employees, except KMP, remuneration recommendations relating to fixed pay, STI and LTI were proposed by management and moderated by the BOQ Senior Executive team. With regard to KMP, the MD assessed each Executive's performance and made recommendations; and for the MD, the Board Chair undertook the performance review and made recommendations concerning his remuneration.

The HR & Remuneration Committee considered the overall Bank wide fixed pay increase, the Bank wide STI pools and the specific recommendations for the MD, KMP and RPs.

In undertaking this role, the HR & Remuneration Committee considered the year's performance overall including the makeup of the result, the distribution of performance ratings and remuneration outcomes and the TSR created. We took external advice concerning market comparatives for each KMP and RP role. We also ensured that any deficiencies in risk behavior were reflected in the outcomes.

In recommending MD, KMP and RPs outcomes to the BOQ Board for approval, the HR & Remuneration Committee made a number of changes and were influenced by several factors, including a desire for more work on internal systems and processes, primarily technology related, financial services sector leading TSR, a 19% improvement in cash earnings, and higher staff engagement and customer satisfaction.

Overall fixed pay increases for the 2015 year were limited to 2.5% and STI awards on average fell 10%. Total LTI which is awarded on the basis of retention and potential decreased by 4.7%.

Your Board has accepted the HR & Remuneration Committees recommendations as serving the best interests of shareholders in the short and medium term.

Yours sincerely

DAVID WILLIS

CHAIRMAN OF THE HUMAN RESOURCES & REMUNERATION COMMITTEE

2015 REMUNERATION REPORT - AUDITED

This Remuneration Report is prepared for consideration by shareholders at the 2015 Annual General Meeting of the Bank. It outlines the overall remuneration strategy, framework and practices adopted by the Consolidated Entity for the period 1 September 2014 to 31 August 2015 and has been prepared in accordance with Section 300A of the *Corporations Act 2001* and its regulations.

Contents

1. KEY MANAGEMENT PERSONNEL (KMP)

KMP include those Directors and Executives who have authority and responsibility for planning, directing and controlling the activities of the Bank and the Consolidated Entity.

The KMP for the financial year ended 31 August 2015 were as follows:

(i) Directors

Current

Roger Davis	Chairman (Non-executive)
Jon Sutton	Managing Director and Chief Executive Officer (Appointed 5 January 2015)
Neil Berkett	Director (Non-executive)
Bruce Carter	Director (Non-executive)
Carmel Gray	Director (Non-executive)
Richard Haire	Director (Non-executive)
Margaret Seale	Director (Non-executive)
Michelle Tredenick	Director (Non-executive)
David Willis	Director (Non-executive)

Former

Steve Crane	Director (Non-executive) (Resigned 22 January 2015)

(ii) Senior Executives (KMP)

Current

Matthew Baxby	Group Executive, Retail Banking
Peter Deans	Chief Risk Officer
Karyn Munsie	Group Executive, Corporate Affairs, Investor Relations & Government Relations
Anthony Rose	Chief Financial Officer
Michelle Thomsen	General Counsel and Company Secretary (Appointed 13 July 2015)
Donna-Maree Vinci	Group Executive Enterprise Solutions (Appointed 27 July 2015)
Brendan White	Group Executive Business Banking

Former

Julie Bale	Chief Information Officer (Until 15 May 2015)
Brian Bissaker	Chief Executive Officer, Virgin Money Australia (Until 13 March 2015)

2. REMUNERATION GOVERNANCE

The HR & Remuneration Committee makes recommendations to the Board on remuneration policies, Directors' and executives' remuneration and broader HR matters. This Committee considers remuneration and HR issues regularly and obtains advice from external independent remuneration specialists to assist in its deliberations.

Under the Consolidated Entity's HR & Remuneration Committee Charter, the Committee undertakes to do the following:

- Conduct regular (at least biennial) reviews of the Consolidated Entity's Remuneration Policy to ensure compliance with the Consolidated Entity's objectives and risk management framework;
- Review and provide recommendations to the Board on remuneration, recruitment, retention and termination policies for Senior Executives;
- Review and provide annual recommendations to the Board on the individual remuneration arrangements for Senior Executives (i.e. Managing Director and Chief Executive Officer and his direct reports) and all other Responsible Persons (as defined by the Australian Prudential Regulation Authority Prudential Standard CPS 520);
- Review and provide annual recommendations to the Board on the remuneration principles for employees in Group Risk, Finance and Legal functions, on a group basis;
- Review and provide recommendations to the Board on the remuneration for all remaining groups of employees not otherwise specified; and
- Consider and recommend Non-Executive Director (NED) remuneration, including ensuring that the structure of NED remuneration is clearly distinguished from that of Senior Executives.

The HR & Remuneration Committee generally meets around six times per year and, in the 2015 financial year, five meetings were held.

2.1 Use of external advisors and remuneration consultants

Where necessary, the Board seeks advice from independent experts and advisors, including remuneration consultants. Remuneration consultants are engaged by, and report directly to, the HR & Remuneration Committee which ensures, upon engagement, that the appropriate level of independence exists from the Consolidated Entity's Management. Where the consultant's engagement requires a recommendation, the recommendation is provided to, and discussed directly with the Chairman of the HR & Remuneration Committee.

During the year, the Board paid an amount of $65,373 to Egan & Associates in respect of remuneration advice covering a number of remuneration-related issues, including benchmarking and determination of pay for the Senior Executives. Egan & Associates provided no advice directly to Management in the 2015 year. The Board is satisfied that remuneration advice provided by external advisers during the year was free from undue influence by members of the Senior Executive to whom the advice related.

3. REMUNERATION POLICY

The Consolidated Entity's executive reward policy is designed to balance five objectives:

- Incentivise executives to pursue the short and long-term goals of the Consolidated Entity within an appropriate risk control framework;
- Demonstrate a clear relationship between executive performance and remuneration;
- Align the interest of management with those of the shareholders;
- Provide sufficient rewards to ensure the Consolidated Entity attracts and retains suitably qualified and experienced executives; and
- Ensure that an element of these rewards is deferred to assist in appropriate risk-based decision-making and behaviour.

The HR & Remuneration Committee monitors and reshapes remuneration programs to support these underlying objectives, responds to proposed and enacted legislation and regulatory initiatives, and adjusts to changes in the business cycle.

4. EXECUTIVE REMUNERATION FRAMEWORK

The remuneration structure in place for the Senior Executives and Responsible Persons (RPs) is consistent with the Consolidated Entity's Remuneration Policy, and is based on a total remuneration approach comprising an appropriate mix of fixed (salary and benefits) and variable (at-risk) pay in the form of cash and equity-based incentives.

4.1 Current remuneration framework

Total remuneration for the Senior Executives consists of the following three components:

- Fixed remuneration;
- Short term incentives - at-risk remuneration consisting of cash and deferred equity; and
- Long term incentives - at-risk equity remuneration, where the equity is offered on the basis of face value, not fair value.

4.2 Fixed remuneration

All employees are offered a competitive fixed component of their reward to reflect the core performance requirements and expectations of their roles.

Senior Executives and RPs fixed remuneration is approved by the Board and reviewed at least annually. It is referenced to market data provided by remuneration consultants, to ensure that it has regard to remuneration within the financial services sector. The fixed remuneration for Senior Executives is set out in Table 11 of this report.

4.3 Short term incentive - At-risk remuneration

The STI links individual performance with that of the Consolidated Entity. It is designed to ensure that the participants have a performance-focused work environment, whilst exercising an appropriate level of risk.

In 2015, Senior Executives and RPs participated in the STI Plan under which the participants receive payments dependent upon the achievement of specified, quantifiable results and within appropriate risk management parameters.

Senior Executive KPIs and the STI Plan design features are reviewed annually by the HR & Remuneration Committee prior to the commencement of the plan. As in previous years, once any STI payment exceeds $100,000, 50% of the total amount awarded is deferred. For Senior Executives, the deferral is into restricted shares for a period of two years. Restricted shares provide an additional incentive to act in the shareholders' longer-term interests over the two year deferral period. The decision to release deferred STI will be at the discretion of the Board, which consults with the Chief Risk Officer (CRO) in making this decision.

Table 1	BOQ Senior Executive STI Plan (For KMP)
Overview	The Senior Executive STI Plan is an incentive plan under which participants have the opportunity to receive amounts in cash and equity, having regard for quantifiable results achieved within appropriate risk management parameters.
Participants	Senior Executives, being those individuals who have the ability to directly influence achievement of the Board's objectives.
STI opportunity	The STI opportunity for each participant is stated as a percentage of total fixed remuneration (TFR). For the Senior Executive STI Plan, the STI opportunity ranges are as follows:
Link between performance and award	For 2015, reflecting feedback from investors, the gateway hurdle was changed from NPAT to EPS. As a gateway hurdle, achievement of a threshold of 90% of target EPS is required for payments under the STI Plan to occur. If performance does not meet the gateway EPS threshold, payment of any STI is at the discretion of the Board. In exercising this discretion the Board will have regard for a range of factors as outlined in Section 4.5. The performance measures are: • The Consolidated Entity's performance against target cash EPS; • The Consolidated Entity's performance against target cash NPAT; • The Consolidated Entity's cash cost to income ratio (CTI ratio); • Individual performance criteria; and • Adherence with the Consolidated Entity's risk framework and expected behaviours.

STI opportunity ranges:

Managing Director & Chief Executive Officer	0 - 150% of TFR
Group Executive (GE) Business Banking, GE Retail Banking	0 - 140% of TFR
Chief Financial Officer, Chief Risk Officer, GE Corporate Affairs, Investor Relations & Government Relations, GE Enterprise Solutions, and General Counsel and Company Secretary	0 - 100% of TFR

Performance measures:

Measure	Weighting	Rationale for use of this measure	How does this measure operate?
EPS	20%	In response to feedback from investors. Also, the EPS measure is a direct and transparent measure of the financial performance of the Consolidated Entity as it is believed to be more closely related to share price than NPAT.	As a measure where, 'exceptional' performance can deliver to the maximum of this measure's weighting.

Link between performance and award (continued)

Measure	Weighting	Rationale for use of this measure	How does this measure operate?
NPAT	20%	The NPAT measure is included as a direct and transparent measure of the financial performance of the Consolidated Entity.	As the level of NPAT increases, the quantum of STI payable in respect of the NPAT component increases, up to the maximum potential of this measure's weighting.
CTI ratio	10%	The CTI ratio is included as a measure within the STI Plan to assist in driving efficiency and aligning participants with the financial growth of the Consolidated Entity. This measure directly aligns with the operational excellence component of the Consolidated Entity's strategy.	Participants receive a percentage of the STI payment if the Consolidated Entity achieves its budgeted CTI ratio, increasing on a sliding scale as the ratio improves and decreasing as performance deteriorates.
Individual performance criteria including BOQ strategic initiatives	50%	These measures are selected to reflect the Consolidated Entity's short-term and long-term objectives.	Personal performance measures are agreed annually and are role specific. Individual performance criteria consider multiple factors including individual behaviours, the business results and/or strategic accomplishments of the business or function, and people management, together with adherence to risk criteria.

Performance measurement framework

The measurement framework for each of the four measures noted above has four levels of performance, i.e. threshold, target, superior and exceptional (as detailed below).

Threshold	Target	Superior	Exceptional
This is a point below the target (i.e budget - which still represents an improvement on the prior year) and is considered a satisfactory performance for the year.	Target is defined by the business budget which is approved by the Board and must reflect the full set of financial and non-financial strategic measures.	Superior is when, on top of the approved Target, 'stretch' goals are delivered. Stretch goals are also approved by the Board.	When the individual and Consolidated Entity's performance is deemed exceptional across the board, the maximum of the STI range may apply.

Performance period

Performance will be assessed over the financial year. Payments under the STI will generally be made in October, following assessment of performance over the relevant performance period.

Change of control

In the event of a change of control, all STIs will either remain on foot or be paid out on a pro rata basis or in full (depending on the circumstances). The restriction on deferred STI (restricted shares) will either remain on foot or be lifted depending on the circumstances of the change in control. Any such decision will be at the Board's discretion.

Dividends

Senior Executives who hold restricted shares as part of deferred STI receive dividends when they become payable.

Deferral	As noted earlier, any STI payment exceeding $100,000 has 50% of the total amount awarded deferred as restricted shares (ordinary BOQ shares held by a trustee on behalf of participants and subject to disposal restrictions). The restricted shares will be released to the individual at the end of the deferral period subject to continued employment and the Board determining that no "forfeiture" events have occurred. The Board retains discretion to determine what constitutes a "clawback" event but such events can include breaches of risk KPIs, departure to a direct competitor and instances where there has been a material misstatement in the financial statements.
Forfeiture	The STI award and / or any deferred component will only be awarded to Senior Executives who are employed by the Consolidated Entity at the relevant STI payment date and who have not given notice of resignation prior to this date. Once awarded, restricted shares remain subject to disposal restrictions and will be forfeited where the participant: 1. Resigns in order to take up employment with a defined competitor; 2. Takes up employment with a direct competitor within three months of ceasing employment; 3. Ceases employment by reason of summary dismissal or for reasons associated with a breach of their Agreement or other employment terms or any policy of the Company or a related Company; and 4. Is deemed by the Board to have committed an act of fraud, material misstatement, financial mismanagement, gross misconduct or a serious breach of their duties and obligations in relation to the Company's affairs. The deferred portion of a Senior Executives' STI award may also be forfeited where the Board determines that risk conditions have not been met during the deferral period. Advice may be sought from the CRO in making this determination.

4.3.1 Performance against STI awarded

The Board reviewed the Consolidated Entity's performance (Table 2) and the performance of each Senior Executive against the measures outlined for 2015 STI Plan, in order to determine the appropriate payment under the STI Plan.

The key financial and non-financial objectives for the Senior Executives in the 2015 financial year, with commentary on key highlights, are provided below in Table 3.

Table 2 - Consolidated Entity performance (last 5 years)

	2015	2014	2013	2012	2011
Statutory net profit/(loss) after tax	$318m	$261m	$186m	$(17m)	$159m
Cash net profit after tax (1)	$357m	$301m	$251m	$31m	$177m
Cash diluted earnings per share (1)	92.2c	87.0c	75.1c	7.9c	66.7c
Cash cost to income ratio (1)	46.0%	43.9%	44.3%	45.7%	44.5%
Share price	$12.67	$12.58	$9.60	$7.55	$7.48
Dividends paid	$272m	$216m	$180m	$152m	$126m

(1) Non-statutory measures are not subject to audit.

Table 3 - 2015 STI performance commentary for Senior Executives

Measure	Weighting	Commentary/Results
EPS	20%	For the period ending August 31, 2015, the EPS figure increased 6% to 92.2 cents which was deemed to be within the Eligible target performance range.
NPAT	20%	For the period ending August 31, 2015, the NPAT figure increased by 19% to $357 million which was determined to be within the Eligible target performance range.
CTI ratio	10%	For the period ending August 31, 2015, the CTI ratio increased by 2.1% to 46% which was assessed within the Eligible target performance range.

Table 3 - 2015 STI performance commentary for Senior Executives (continued)

Measure	Weighting	Commentary/Results

Individual Performance Objectives including BOQ strategic initiatives	50%	The BOQ strategy has four pillars, Loved Like No Other, Grow the Right Way, There's always a Better Way and Customer in Charge - we're seeing the impact of this through improved growth, employee engagement, customer satisfaction and increased risk awareness and compliance. Some examples of Target goals for individual Senior Executives include:
		• *Customer in Charge*
		  • Growth in Retail and Business Banking - relative to system
		  • Promote channel diversity through growth in new channels
		  • Enhanced divisional product growth
		• *Grow the Right Way*
		  • Improvement in bad & doubtful debts
		  • Effective balance between margin and growth
		  • Manage liquidity and effective transition to APS210 - *Liquidity*
		• *There's Always a Better Way*
		  • Improvement in branch audits
		  • Reduction in external reporting times
		  • Delivery of the product remediation program
		• *Loved Like No Other*
		  • Improvement in employee engagement scores
		  • Improvement in customer net promoter scores
		  • Reduction in number of lost time injuries

Overall, the individual performances of Senior Executives was judged to be in the range of Target to Superior. Based on this level of organisational and individual performance reported for the 2015 financial year, the Board approved Senior Executive payments at between 47% and 73% of their STI opportunity. Refer to Table 5 for disclosure of individual STI payments.

4.4 Long-term incentive remuneration

The Board considers the granting of equity remuneration to Senior Executives to be an important component in aligning their interests to those of shareholders. This includes encouraging behaviour that supports the risk management framework and the long-term financial soundness of the Consolidated Entity.

The Board reviews the structure and quantum of the long-term incentives on an annual basis to ensure their effectiveness, and recognise the potential impact of participants on the Consolidated Entity's future performance.

Senior Executives participated in the 2015 Award Rights Plan under which the participants receive rights to acquire shares at no cost, subject to achievement of performance and service conditions. No amount is payable by employees for the grant or exercise of these award rights. The Award Rights Plan was approved by shareholders on 11 December 2008 and further ratified at the AGM's of 2011 and 2014.

There are two types of award rights that can be granted under the plan - Performance Award Rights (PARs) and Deferred Award Rights (DARs). Eligibility, quantum and mix of PARs and DARs varies based upon a participant's accountabilities, contribution, potential and seniority. As per the Board's 2014 decision, DARs are no longer awarded to Senior Executives.

Grants of PARs are made to Senior Executives and other identified key senior managers due to the important role they play in achieving the longer-term business goals of the Consolidated Entity. PARs have performance hurdles which will allow the Board to ensure that incentives are aligned with the Consolidated Entity's future strategies and the interests of shareholders.

DARs are awarded to a broader group of employees below Senior Executives to promote employee retention and productivity. The number of DARs awarded to an individual employee depends on their position, performance and potential, as determined under the normal performance review cycle undertaken for all employees. The range for the number of DARs allocated per employee is governed by the Board.

PARs are awarded to Senior Management (including KMP) to promote alignment with long term performance. The number of PARs awarded to a Senior Executive depends on their position, performance and potential, as determined under the normal performance review cycle undertaken for all employees. The Board govern the LTI award range for Senior Executives.

The allocations for KMP are a maximum of 100% of fixed remuneration, based on a face value grant (not 'fair' or discounted value).

There are no voting or dividend rights attached to unvested PARs and DARs. Upon exercise of Award Rights, participants receive BOQ ordinary shares to which voting and dividend rights are attached. As noted earlier, in the event of a change of control, all LTI awards will either remain on foot or vest on a pro rata basis or in full (depending on the circumstances). Table 4 provides an overview of the PARs and DARs Plans for 2015.

Of those allocated, the 2009 PARs tested in October 2012 vested at 54%, the 2010 PARs tested in October 2013 vested at 52%, while the 2011 PARs, tested in October 2014 vested at 100%.

4.4.1 Vesting of LTI in FY2015

PARs and DARs that were granted under the LTI Plan in prior years vested during the current financial year, in line with the relevant Award Rights plans. Details are shown in Section 6.

Table 4	Performance Award Rights (PARs)	Deferred Award Rights (DARs)
Participants	Senior Executives and other identified key senior managers.	From 2014 onwards, Senior Executives no longer receive DARs.
Link between performance and award	In prior years, only TSR was used as a performance measure. Under the updated LTI Plan rules, in 2015 80% of PARs vest based on the Consolidated Entity's TSR performance measured against a Peer Group over a three year period. The confirmation of the comparator groups and the vesting calculation is undertaken independently. TSR is a measure of the entire return a shareholder would derive from holding an entity's securities over a period, taking into account factors such as changes in the market value of the securities and dividends paid over the period. The Board chose relative TSR performance as a measure because it reflects the returns made to shareholders relative to other comparable securities and provides a meaningful reward for Executives where the Company outperforms peers. The Peer Group consists of the S&P / ASX 200 companies, excluding: • all entities in the resources sector; • all real estate investment trusts; • all entities in the energy and utilities sectors; and • telecommunications companies whose headquarters are offshore. Additionally, the Board may add or exclude such other companies as it considers appropriate. No such exclusions or inclusions have been made to this group since implementation of the scheme in 2008, other than to reflect companies moving in to, or out of, the ASX 200 or being delisted. The remaining 20% of PARs vest based on the Consolidated Entity's EPS performance, measured against a Financial Services Peer Group over a three year period.	DARs are linked with continued employment and adherence to risk management principles with the intent of focussing employees on the Consolidated Entity's performance and potential. The vesting conditions for DARs include continued employment with the Consolidated Entity and meeting risk parameters.
Vesting schedule	In prior years 50% of PARs vested at the peer group median and 50% at the top 25th percentile. From 2015, the vesting criteria remains the same for the TSR measured PARs (80% of total as per above). That is, all eighty percent of the TSR-measured PARs vest if the Consolidated Entity's TSR performance is in the top 25%. For TSR performance between those targets, a pro-rata of the PARs between forty percent and eighty percent would vest. Ten percent of the EPS measured PARs, vest if the Consolidated Entity's EPS performance over the three year holding period is in the top 40% of the Financial Services Peer Group (the four major banks and Bendigo & Adelaide Bank). All twenty percent of the EPS-measured PARs vest if the Consolidated Entity's EPS performance is in the top 10% against the Peer Group. For EPS performance between those targets, a pro-rata of the PARs between ten percent and twenty percent would vest. None of the PARs vest if the Consolidated Entity's TSR performance is in the bottom 50% or EPS performance is in the bottom 60% of the respective Peer Groups.	DARs granted to other senior managers during FY 2015 vest proportionately over three years in the ratio of 20% (at the end of Year 1), 30% (at the end of Year 2) and 50% (at the end of Year 3). This is subject to continued employment at BOQ.
Performance period	The performance period is three years.	Not applicable.

4.4.1 Vesting of LTI in FY2015 (continued)

Table 4	Performance Award Rights (PARs)	Deferred Award Rights (DARs)
Forfeiture - all participants excluding Senior Executives	If an employee ceases employment for serious misconduct involving fraud or dishonesty, their PARs (whether exercisable or not) will lapse. If an employee resigns or is terminated for other reasons, vested PARs may, at the Board's discretion, be exercised within 90 days of the employee ceasing employment. PARs which have not vested may, at the Board's discretion, vest on a pro rata basis and become exercisable if the employment ceases for reasons including a transfer of employment to an Owner-Managed Branch ("OMB"), retirement, redundancy, death or total and permanent disablement.	If an employee ceases employment for serious misconduct involving fraud or dishonesty, their DARs (whether exercisable or not) will lapse. If an employee resigns or is terminated for other reasons, vested DARs may generally be exercised within 90 days of the employee ceasing employment. DARs which have not vested may, at the Board's discretion, vest on a pro rata basis and become exercisable if the employment ceases for reasons including a transfer of employment to an OMB, retirement, redundancy, death or total and permanent disablement. Otherwise, unvested DARs will lapse on cessation of employment.
Forfeiture - Senior Executive	In line with changes proposed in 2014, the Board has amended the forfeiture arrangements for Senior Executives. Previously, the Board had discretion over the accelerated vesting of these equities. Under the new arrangements, instead of accelerated vesting on departure, some or all unvested PARs may remain on foot at the Board's discretion for their full vesting period and only vest in accordance with the plan rules and performance hurdles.	

4.5 Application of discretion in the management of Senior Executive Remuneration

Whilst the performance of Senior Executives is assessed against a range of performance measures, the Board and the HR & Remuneration Committee recognise that there remain a range of factors which should be taken into account when considering overall remuneration outcomes. The HR & Remuneration Committee may make discretionary adjustments to the outcomes for Senior Executives that may impact their remuneration negatively or positively. Through this process, remuneration outcomes have been adjusted both positively and negatively in the last three years.

Criteria used by the HR & Remuneration Committee to apply discretionary adjustments include:

- factors either not known or relevant at the beginning of a financial year, which can impact performance positively or negatively during the course of the financial year;
- the degree of 'stretch' implicit in the measures and targets and the context in which the targets were set;
- whether the operating environment during the financial year was materially different than forecast;
- comparison with the performance of the Group relative to its competitors;
- the emergence of any major positive or negative risk or reputational issues;
- the quality of the financial result as shown by its composition and consistency;
- whether leadership behaviours and BOQ's CANDO values have been consistently demonstrated throughout the year; and
- any other matters that the Board and the HR & Remuneration Committee deemed to be relevant and which are not outlined above.

At the end of the year the HR & Remuneration Committee reviews performance against objectives and applies any adjustments it considers appropriate. The HR & Remuneration Committee then recommends STI outcomes for each Senior Executive to the Board for approval, thereby ensuring the Board retains oversight of final awards.

5. NON-EXECUTIVE DIRECTOR REMUNERATION

Remuneration Framework

Non-Executive Directors' (NEDs) fees are set based upon the need to attract and retain individuals of appropriate calibre. Fees are reviewed annually by the HR & Remuneration Committee having regard to advice provided by independent remuneration specialists to ensure market comparability.

The Chairman's fees are determined independently to the fees of other Directors and are also based upon information provided by independent remuneration specialists. The Chairman is not present at any discussions relating to the determination of his own remuneration.

In order to maintain independence and impartiality, NEDs do not receive any performance-related remuneration.

Fee Pool

NED fees are determined within an aggregate fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $2,600,000 (inclusive of superannuation) and was approved by shareholders on 27 November 2013. The increase in the fee pool was made principally to allow the Board flexibility in dealing with changes to the size and composition of the Board as a means of ensuring that an appropriate mix of skills and experience is maintained and to be market competitive when making those changes. During the course of the 2015 year one Director resigned from the Board, bringing the Board membership to nine.

The NED fees were last increased during the 2014 financial year (the first increase since 2010), in line with recommendations made by the independent remuneration specialist. The fees for the 2015 financial year are set out in the table below.

Directors' Annual Fees

The current NEDs' fees comprise:

Directors' Annual Fees	01/09/14 - 31/08/15 Chairman / Committee Chair $	01/09/14 - 31/08/15 Directors / Committee Members $
Fixed component of remuneration for Directors (1)	-	150,000
Chairman (1) (2)	400,000	
Additional remuneration is paid to Non-Executive Directors for committee work:		
St Andrews Board of Directors (2)	-	45,000
Audit Committee	45,000	22,500
Risk Committee	45,000	22,500
Nomination & Governance Committee	15,000	10,000
Human Resources and Remuneration Committee	35,000	17,500
Investment Committee (3)	2,250	2,250
Due Diligence Committee (4)	2,250	2,250
Information Technology Committee	35,000	17,500

(1) Committee members received one fee for serving on Bank and subsidiary committees with a seperate fee received for St Andrew's committees.
(2) David willis is also a member of the St Andrew's Board of Directors.
(3) The Chairman receives no additional remuneration for involvement with Committees.
(4) Per deliberative meeting.

Remuneration Framework

Equity Participation

NEDs do not receive shares, award rights or share options.

Retirement Benefits

NEDs are no longer provided with retirement benefits apart from statutory superannuation. The balance of the accrued benefits is nil as at 31 August 2015 (2014: Nil).

6. REMUNERATION DISCLOSURES

Senior Executives receive a mix of cash, deferred equity and long term incentives that are tested over the following two and three years, depending on service and performance. To assist shareholders in understanding the actual amount of remuneration an executive received in the 2015 financial year, the Board has again included a number of non-statutory disclosure tables.

The statutory disclosures for the 2015 financial year are provided in Tables 7 to 10 and may differ to the non-statutory disclosures.

6.1 Non-Statutory disclosures

Tables 5 and 6 set out:

- variable cash remuneration (split between the portion of the 2015 STI paid in October 2015 and the portion of the STI deferred until FY 2016 and FY 2017);
- fixed remuneration (base remuneration, fringe benefits and employer superannuation contributions);
- other benefits and termination benefits; and
- the value of previous years' long term incentive awards and short term deferrals that vested during the 2015 financial year.

Table 5 - STI received by current and former Senior Executives

	Maximum STI Potential (1)	STI Paid (2)	STI Deferred (3)	Total STI Paid (4)
	%	$	$	%
Current				
Jon Sutton	150%	600,000	600,000	96%
Matthew Baxby	140%	235,000	235,000	83%
Peter Deans	100%	235,000	235,000	70%
Karyn Munsie	100%	160,000	160,000	73%
Anthony Rose	100%	235,000	235,000	72%
Michelle Thomsen	100%	92,500 (5)	92,500 (5)	47%
Donna-Maree Vinci	100%	-	-	-
Brendan White	140%	305,000	305,000	95%
Former				
Julie Bale	100%	-	-	-
Brian Bissaker	140%	-	-	-

Additional information – Non Statutory Remuneration Methodology

(1) The maximum STI is represented as a percentage of fixed remuneration. The minimum STI potential is zero.
(2) This is 50% of the 2015 STI for performance during the 12 months to 31 August 2015 (payable October 2015).
(3) This represents 50% of the 2015 STI award that is deferred until 1 October 2016 (50%) and 1 October 2017 (50%). The deferred awards are subject to Board review at the time of payment and are deferred into restricted shares subject to vesting conditions.
(4) Total STI paid as a percentage of fixed remuneration.
(5) This is a contractual obligation for the first year of employment.

6. REMUNERATION DISCLOSURES (CONTINUED)

Table 6 - Cash remuneration received by current and former Senior Executives

				Previous Years' Awards that Vested during 2015 [3]
	Base plus superannuation $ [1]	2015 STI Performance $ [2]	Total Cash Payments in relation to the 2015 year $	Deferred Equity Awards $
Current				
Jon Sutton	1,176,689	600,000	1,776,689	231,912
Matthew Baxby	569,733	235,000	804,733	155,930
Peter Deans	682,894	235,000	917,894	142,372
Karyn Munsie	456,878	160,000	616,878	78,507
Anthony Rose	663,499	235,000	898,499	144,690
Michelle Thomsen	48,292	92,500 [4]	140,792	-
Donna-Maree Vinci	47,369	-	47,369	-
Brendan White	667,364	305,000	972,364	181,119
Former				
Julie Bale	301,782	-	301,782	76,922
Brian Bissaker	291,756	-	291,756	39,202

(1) Base Remuneration and Superannuation make up an Executive's fixed remuneration.
(2) This is 50% of the 2015 STI for performance during the 12 months to 31 August 2015 (payable October 2015). The remaining 50% is deferred into restricted shares, 50% released at 12 months and 50% released at 24 months subject to approval of the Board.
(3) The value of all deferred cash (to be paid in October 2015) and / or equity awards (closing share price on vesting date) that vested during 2015 financial year. This includes the value of the award that vested, plus any interest and / or dividends accrued during the vesting period. This excludes deferred equity awards granted in previous years which have not vested in FY15.
(4) This is a contractual obligation only for the first year of employment.

6.2 Statutory disclosures

The following tables include details of the nature and amount of each major element of the remuneration of each Director and Senior Executive of the Consolidated Entity, calculated in accordance with accounting standards. The amounts shown in Table 7 to Table 10 below may differ from those shown above in Table 5 and Table 6.

Table 7 - Director's remuneration

Details of the nature and amount of each major element of the remuneration of each Director of the Consolidated Entity are as outlined in the table below.

		Short-term				
		Salary and fees $	STI at risk $	Non-monetary benefits (1) $	Other short term benefits $	Total $
Executive Director						
Jon Sutton - Managing Director & Chief Executive Officer	**2015**	**1,157,897**	**600,000**	**-**	**49,808**	**1,807,705**
	2014	691,556	400,000	-	49,808	1,141,364
Non-Executive Directors - Current						
Roger Davis	**2015**	**400,000**	**-**	**-**	**-**	**400,000**
	2014	362,500	-	-	-	362,500
Neil Berkett	**2015**	**178,333**	**-**	**-**	**-**	**178,333**
	2014	177,875	-	-	-	177,875
Bruce Carter	**2015**	**208,125**	**-**	**-**	**-**	**208,125**
	2014	95,083	-	-	-	95,083
Carmel Gray	**2015**	**194,167**	**-**	**-**	**-**	**194,167**
	2014	192,500	-	-	-	192,500
Richard Haire	**2015**	**235,000**	**-**	**-**	**-**	**235,000**
	2014	219,583	-	-	-	219,583
Margaret Seale	**2015**	**185,000**	**-**	**-**	**-**	**185,000**
	2014	99,353	-	-	-	99,353
Michelle Tredenick	**2015**	**230,833**	**-**	**-**	**-**	**230,833**
	2014	189,583	-	-	-	189,583
David Willis	**2015**	**260,000**	**-**	**-**	**-**	**260,000**
	2014	213,333	-	-	-	213,333
Non-Executive Directors - Former						
Steve Crane	**2015**	**76,667**	**-**	**-**	**-**	**76,667**
	2014	209,750	-	-	-	209,750

(1) The Bank has also paid insurance premiums in respect of Directors' and Officers' Liability Insurance which is not reflected in the above table as there is no appropriate basis for allocation.
(2) This includes superannuation benefits and interest which is accrued at the CPI rate on Director retirement benefits which was frozen effective from 31 August 2003.
(3) Comprises long service leave accrued or utilised during the financial year.
(4) The fair value of the rights is calculated at the date of grant using an industry accepted option pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the rights allocated to this period.
(5) Represents restricted shares awarded through deferred STI payments.

Post-employment (2)	Other long-term (3)	Termination benefits	Share based payments		Total	Proportion of remuneration performance related	Value of options and rights as proportion of remuneration
			Rights(4)	Shares and units (5)			
$	$	$	$	$	$	%	%
18,792	**11,735**	**-**	**466,094**	**477,917**	**2,782,243**	**51%**	**17%**
17,861	3,126	-	393,782	366,915	1,923,048	48%	20%
18,871	**-**	**-**	**-**	**-**	**418,871**	**-**	**-**
17,717	-	-	-	-	380,217	-	-
14,250	**-**	**-**	**-**	**-**	**192,583**	**-**	**-**
12,781	-	-	-	-	190,656	-	-
19,772	**-**	**-**	**-**	**-**	**227,897**	**-**	**-**
8,876	-	-	-	-	103,959	-	-
18,871	**-**	**-**	**-**	**-**	**213,038**	**-**	**-**
17,943	-	-	-	-	210,443	-	-
18,871	**-**	**-**	**-**	**-**	**253,871**	**-**	**-**
17,943	-	-	-	-	237,526	-	-
17,575	**-**	**-**	**-**	**-**	**202,575**	**-**	**-**
9,267	-	-	-	-	108,620	-	-
21,929	**-**	**-**	**-**	**-**	**252,762**	**-**	**-**
17,630	-	-	-	-	207,213	-	-
18,871	**-**	**-**	**-**	**-**	**278,871**	**-**	**-**
17,943	-	-	-	-	231,276	-	-
7,826	**-**	**-**	**-**	**-**	**84,493**	**-**	**-**
17,943	-	-	-	-	227,693	-	-

Table 8 - Senior Executive remuneration

Details of the nature and amount of each major element of the remuneration of each Senior Executive of the Consolidated Entity are as outlined in the table below.

		Short-term			
		Salary and fees $	STI at risk [1] $	Other short term benefits $	Total $
Executives - Current					
Matthew Baxby	**2015**	**550,941**	**235,000**	**-**	**785,941**
	2014	508,269	275,000	-	783,269
Peter Deans	**2015**	**664,102**	**235,000**	**49,808**	**948,910**
	2014	620,800	250,000	49,808	920,608
Karyn Munsie	**2015**	**438,086**	**160,000**	**-**	**598,086**
	2014	424,960	165,000	-	589,960
Anthony Rose	**2015**	**644,707**	**235,000**	**-**	**879,707**
	2014	580,290	257,500	-	837,790
Michelle Thomsen	**2015**	**46,147**	**92,500** [6]	**-**	**138,647**
Donna-Maree Vinci	**2015**	**44,699**	**-**	**-**	**44,699**
Brendan White	**2015**	**648,572**	**305,000**	**-**	**953,572**
	2014	579,118	340,000	-	919,118
Executives - Former					
Julie Bale	**2015**	**288,036**	**-**	**-**	**288,036**
	2014	376,486	100,000	-	476,486
Brian Bissaker	**2015**	**281,249**	**-**	**-**	**281,249**
	2014	566,010	180,000	-	746,010

(1) STI at risk reflects 50% of the amounts paid or accrued in respect of the year ended 31 August 2015. Refer to Section 4.3 "Executive remuneration framework" for a discussion of the Bank's short-term incentive arrangements.
(2) This includes superannuation and salary sacrificed benefits.
(3) Comprises long service leave accrued or utilised during the financial year.
(4) The fair value of the rights is calculated at the date of grant using an industry accepted option pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options and rights allocated to this reporting period.
(5) Represents restricted shares awarded through deferred STI payments.
(6) This is a contractual obligation only for the first year of employment.

Post-employment (2)	Other long-term (3)	Termination benefits	Share based payments		Total	Proportion of remuneration performance related	Value of options and rights as proportion of remuneration
			Rights(5)	Shares and units (5)			
$	$	$	$	$	$	%	%
18,792	**3,840**	**-**	**367,023**	**253,825**	**1,429,421**	**50%**	**26%**
17,861	2,393	-	298,028	217,896	1,319,447	48%	23%
18,792	**4,548**	**-**	**370,913**	**237,242**	**1,580,405**	**46%**	**23%**
17,861	3,241	-	237,092	192,063	1,370,865	44%	17%
18,792	**1,816**	**-**	**191,718**	**158,853**	**969,265**	**50%**	**20%**
17,861	1,266	-	94,421	129,015	832,523	47%	11%
18,792	**4,168**	**-**	**424,638**	**240,833**	**1,568,139**	**47%**	**27%**
17,861	2,755	-	330,779	196,354	1,385,539	45%	24%
2,145	**81**	**-**	**-**	**38,542**	**179,415**	**-**	**-**
2,670	**85**	**-**	**-**	**-**	**47,454**	**-**	**-**
18,792	**4,421**	**-**	**391,589**	**316,642**	**1,685,016**	**51%**	**23%**
17,861	2,831	-	345,428	261,396	1,546,634	50%	22%
13,746	**-**	**350,392**	**(74,529)**	**73,183**	**650,828**	**12%**	**(11%)**
17,861	1,176	-	91,891	80,277	667,691	38%	14%
10,507	**-**	**412,500**	**(50,998)**	**118,061**	**771,319**	**14%**	**(7%)**
17,861	1,404	-	121,662	110,917	997,854	41%	12%

6.3 Equity held by Senior Executives

The movement during the 2015 financial year in the number of rights over ordinary shares held by each Senior Executive as part of their remuneration, are as follows:

Table 9 - Movement in rights held by Senior Executives during FY 2015

				Movements during the 2015 Financial Year						
Senior Executive	Type	Grant Date	Share Price at Grant Date $	Balance at 1 September 2014	Granted (1)	Exercised	Lapsed	Balance at 31 August 2015 (1) (2)	Vested during the year (%) (3)	Forfeited during the year (%)
Current										
Jon Sutton	2012 PARs	26/02/2012	7.48	74,627	-	-	-	74,627	-	-
	2012 DARs	18/12/2012	7.26	5,608	-	2,103	-	3,505	30%	-
	2012 PARs	18/12/2012	7.26	56,075	-	-	-	56,075	-	-
	2013 PARs	16/12/2013	11.43	60,189	-	-	-	60,189	-	-
	2013 DARs	16/12/2013	11.43	9,028	-	1,805	-	7,223	20%	-
	Restricted shares	16/12/2013	11.43	31,599	-	15,800	-	15,799	50%	-
	2014 PARs	16/12/2014	11.70	-	58,084	-	-	58,084	-	-
	Restricted Shares	16/12/2014	11.70	-	33,191	-	-	33,191	-	-
Matthew Baxby	2012 PARs	01/02/2012	7.44	73,964	-	-	-	73,964	-	-
	2012 DARs	18/12/2012	7.26	4,206	-	1,577	-	2,629	30%	-
	2012 PARs	18/12/2012	7.26	42,056	-	-	-	42,056	-	-
	2013 PARs	16/12/2013	11.43	45,142	-	-	-	45,142	-	-
	2013 DARs	16/12/2013	11.43	5,079	-	1,015	-	4,064	20%	-
	Restricted shares	16/12/2013	11.43	21,320	-	10,660	-	10,660	50%	-
	2014 PARs	16/12/2014	11.70	-	43,563	-	-	43,563	-	-
	Restricted shares	16/12/2014	11.70	-	22,819	-	-	22,819	-	-
Peter Deans	2012 PARs	10/05/2012	6.89	69,061	-	-	-	69,061	-	-
	2012 DARs	18/12/2012	7.26	6,173	-	3,086	-	3,087	30%	-
	2012 PARs	18/12/2012	7.26	48,064	-	-	-	48,064	-	-
	2013 PARs	16/12/2013	11.43	51,591	-	-	-	51,691	-	-
	2013 DARs	16/12/2013	11.43	5,804	-	1,160	-	4,644	20%	-
	Restricted shares	16/12/2013	11.43	18,138	-	9,069	-	9,069	50%	-
	2014 PARs	16/12/2014	11.70	-	53,935	-	-	53,935	-	-
	Restricted shares	16/12/2014	11.70	-	20,744	-	-	20,744	-	-
Karyn Munsie	2013 PARs	16/12/2013	11.43	37,833	-	-	-	37,833	-	-
	2013 DARs	16/12/2013	11.43	5,675	-	1,135	-	4,540	20%	-
	Restricted shares	16/12/2013	11.43	11,083	-	5,542	-	5,541	50%	-
	2014 PARs	16/12/2014	11.70	-	36,510	-	-	36,510	-	-
	Restricted Shares	16/12/2014	11.70	-	13,691	-	-	13,691	-	-
Anthony Rose	2012 PARs	29/02/2012	7.34	75,075	-	-	-	75,075	-	-
	2012 DARs	18/12/2012	7.26	5,007	-	1,878	-	3,129	30%	-
	2012 PARs	18/12/2012	7.26	50,067	-	-	-	50,067	-	-
	2013 PARs	16/12/2013	11.43	53,740	-	-	-	53,740	-	-
	2013 DARs	16/12/2013	11.43	6,046	-	1,209	-	4,837	20%	-
	Restricted shares	16/12/2013	11.43	18,379	-	9,190	-	9,189	50%	-
	2014 PARs	16/12/2014	11.70	-	51,860	-	-	51,860	-	-
	Restricted shares	16/12/2014	11.70	-	21,366	-	-	21,366	-	-

(1) This represents the maximum number of award rights that may vest to each Executive.
(2) No amounts at 31 August 2015 are vested and exercisable.
(3) Percentage of initial rights granted.

6.3 Equity held by Senior Executives (continued)

Table 9 - Movement in rights held by Senior Executives during FY 2015 (continued)

				Movements during the 2015 Financial Year						
Senior Executive	Type	Grant Date	Share Price at Grant Date $	Balance at 1 September 2014	Granted (1)	Exercised	Lapsed	Balance at 31 August 2015 (1) (2)	Vested during the year (%) (3)	Forfeited during the year (%)
Current										
Brendan White	2012 PARs	10/02/2012	7.33	67,476	-	-	-	67,476	-	-
	2012 DARs	18/12/2012	7.26	6,258	-	3,129	-	3,129	30%	-
	2012 PARs	18/12/2012	7.26	50,067	-	-	-	50,067	-	-
	2013 PARs	16/12/2013	11.43	51,591	-	-	-	51,591	-	-
	2013 DARs	16/12/2013	11.43	5,804	-	1,160	-	4,644	20%	-
	Restricted shares	16/12/2013	11.43	24,708	-	12,354	-	12,354	50%	-
	2014 PARs	16/12/2014	11.70	-	49,786	-	-	49,786	-	-
	Restricted Shares	16/12/2014	11.70	-	28,212	-	-	28,212	-	-
Former										
Julie Bale	2013 May DARs	18/12/2012	7.26	6,408	-	2,403	4,005	-	30%	50%
	2013 PARs	16/12/2013	11.43	30,095	-	-	30,095	-	-	100%
	2013 DARs	16/12/2013	11.43	3,386	-	677	2,709	-	20%	80%
	Restricted shares	16/12/2013	11.43	6,810	-	3,405	-	3,405	50%	-
	2014 PARs	16/12/2014	11.70	-	29,042	-	29,042	-	-	100%
	Restricted shares	16/12/2014	11.70	-	8,298	-	-	8,298	-	-
Brian Bissaker	2013 May PARs	14/05/2013	9.68	31,748	-	-	7,511	24,237	-	24%
	2013 PARs	16/12/2013	11.43	47,291	-	-	47,291	-	-	100%
	2013 DARs	16/12/2013	11.43	3,547	-	709	2,838	-	20%	80%
	Restricted shares	16/12/2013	11.43	5,241	-	2,621	-	2,620	50%	-
	2014 PARs	16/12/2014	11.70	-	33,191	-	33,191	-	-	100%
	Restricted shares	16/12/2014	11.70	-	14,936	-	-	14,936	-	-

(1) This represents the maximum number of award rights that may vest to each Executive.
(2) No amounts at 31 August 2015 are vested and exercisable.
(3) Percentage of initial rights granted.

6.3 Equity held by Senior Executives (continued)

The table below shows the total value of any rights that were granted, exercised or lapsed to Senior Executives.

Table 10 - Value of rights held by Senior Executives during FY 2015

Senior Executive	Grant	Grant Date	Fair value per right at grant date $	Value at grant date $ [1]	Exercise Date	Share price at exercise date $ [2]	Value at Exercise Date $ [3]	Expiry / Lapsing Date	Value at Expiry / Lapsing Date $
Current									
Jon Sutton	2012 DARs	26/02/2012	6.60	413,734	01/05/2013	9.93	311,246	05/05/2017	-
					07/05/2014	11.95	374,549	05/05/2017	-
	2012 PARs	26/02/2012	5.18	386,568	-	-	-	16/12/2017	-
	Restricted shares	26/02/2012	6.70	700,000	05/01/2013	7.61	227,166	09/01/2014	-
					07/07/2013	8.88	397,611	09/01/2014	-
					05/01/2014	12.23	365,078	09/01/2014	-
	2012 DARs	18/12/2012	6.20	43,456	05/02/2014	10.84	15,187	18/12/2017	-
					02/01/2015	12.20	25,657	18/12/2017	-
	2012 PARs	18/12/2012	1.74 [4]	97,571	-	-	-	18/12/2017	-
	2013 PARs	16/12/2013	7.63	459,242	-	-	-	16/12/2018	-
	2013 DARs	16/12/2013	10.38	93,711	02/01/2015	12.20	22,021	16/12/2018	-
	Restricted shares	16/12/2013	11.43	361,177	16/12/2014	11.70	184,860	16/12/2015	-
	2014 PARs	16/12/2014	6.13	356,055	-	-	-	16/12/2019	-
	Restricted shares	16/12/2014	11.70	388,335	-	-	-	16/12/2024	-
Matthew Baxby	2012 DARs	01/02/2012	6.60	244,081	30/10/2013	11.96	221,152	05/05/2017	-
					09/07/2014	12.15	224,666	05/05/2017	-
	2012 PARs	01/02/2012	5.18	383,134	-	-	-	16/12/2017	-
	2012 DARs	18/12/2012	6.20	32,593	09/07/2014	12.15	12,770	18/12/2017	-
					30/12/2014	12.20	19,239	18/12/2017	-
	2012 PARs	18/12/2012	1.74 [4]	73,177	-	-	-	18/12/2017	-
	2013 PARs	16/12/2013	7.63	344,433	-	-	-	16/12/2018	-
	2013 DARs	16/12/2013	10.38	52,720	30/12/2014	12.20	12,383	16/12/2018	-
	Restricted shares	16/12/2013	11.43	243,688	16/12/2014	11.70	124,722	16/12/2015	-
	2014 PARs	16/12/2014	6.13	267,041	-	-	-	16/12/2019	-
	Restricted Shares	16/12/2014	11.70	266,982	-	-	-	16/12/2024	-
Peter Deans	2012 PARs	10/05/2012	3.70	255,526	-	-	-	16/12/2017	-
	2012 DARs	18/12/2012	6.20	38,273	30/10/2014	12.66	15,622	18/12/2017	-
					28/01/2015	12.37	22,909	18/12/2017	-
	2012 PARs	18/12/2012	1.74 [4]	83,631	-	-	-	18/12/2017	-
	2013 PARs	16/12/2013	7.63	393,639	-	-	-	16/12/2018	-
	2013 DARs	16/12/2013	10.38	60,246	28/01/2015	12.37	14,349	16/12/2018	-
	Restricted shares	16/12/2013	11.43	207,317	16/12/2014	11.70	106,107	16/12/2015	-
	2014 PARs	16/12/2014	6.13	330,622	-	-	-	16/12/2019	-
	Restricted shares	16/12/2014	11.70	242,705	-	-	-	16/12/2024	-

(1) Represents rights held at 1 September 2014 or granted during the 2015 financial year.
(2) Closing share price on exercise date of rights that have a nil exercise price.
(3) Closing share price on exercise date multiplied by the number of rights exercised during the year.
(4) The fair value as based on a valuation period from 18 October 2012 to grant date. The Bank's total shareholder return over this period was below the peer group, decreasing the vesting probability and reducing the fair value calculation.

6.3 Equity held by Senior Executives (continued)

Table 10 - Value of rights held by Senior Executives during FY 2015 (continued)

Senior Executive	Grant	Grant Date	Fair value per right at grant date $	Value at grant date $ (1)	Exercise Date	Share price at exercise date $ (2)	Value at Exercise Date $ (3)	Expiry / Lapsing Date	Value at Expiry / Lapsing Date $
Current									
Karyn Munsie	2013 PARs	16/12/2013	7.63	288,666	-	-	-	16/12/2018	-
	2013 DARs	16/12/2103	10.38	58,907	22/12/2014	12.16	13,802	16/12/2018	-
	Restricted shares	16/12/2013	11.43	126,679	16/12/2014	11.70	68,841	16/12/2015	-
	2014 PARs	16/12/2014	6.13	223,806	-	-	-	16/12/2019	-
	Restricted shares	16/12/2014	11.70	160,185	-	-	-	16/12/2024	-
Anthony Rose	2012 DARs	29/02/2012	6.60	198,198	30/10/2013	11.96	179,579	05/05/2017	-
					25/07/2014	12.57	188,739	05/05/2017	-
	2012 PARs	29/02/2012	5.18	388,888	-	-	-	16/12/2017	-
	2012 DARs	18/12/2012	6.20	38,800	15/01/2014	11.89	14,874	18/12/2017	-
					08/01/2015	11.94	22,423	18/12/2017	-
	2012 PARs	18/12/2012	1.74 (4)	87,117	-	-	-	18/12/2017	-
	2013 PARs	16/12/2013	7.63	410,036	16/12/2014	11.70	107,523	16/12/2018	-
	2013 DARs	16/12/2013	10.38	62,757	08/01/2015	11.94	14,435	16/12/2018	-
	Restricted shares	16/12/2013	11.43	210,072	-	-	-	16/12/2015	-
	2014 PARs	16/12/2014	6.13	317,902	-	-	-	16/12/2019	-
	Restricted shares	16/12/2014	11.70	249,982	-	-	-	16/12/2024	-
Brendan White	2012 DARs	10/02/2012	6.60	498,788	01/05/2013	9.93	375,225	05/05/2017	-
					03/06/2014	12.00	453,444	05/05/2017	-
	2012 PARs	10/02/2012	5.18	349,526	-	-	-	16/12/2017	-
	2012 DARs	18/12/2012	6.20	38,800	23/12/2014	12.08	37,798	18/12/2017	-
	2012 PARs	18/12/2012	1.74 (4)	87,117	-	-	-	18/12/2017	-
	2013 PARs	16/12/2013	7.63	393,639	-	-	-	16/12/2018	-
	2013 DARs	16/12/2013	10.38	60,246	23/12/2014	12.08	14,013	16/12/2018	-
	Restricted shares	16/12/2013	11.43	282,412	16/12/2014	11.70	144,542	16/12/2015	-
	2014 PARs	16/12/2014	6.13	305,188	-	-	-	16/12/2019	-
	Restricted shares	16/12/2014	11.70	330,080	-	-	-	16/12/2024	-
Former									
Julie Bale	2012 DARs	18/12/2012	6.20	49,662	17/01/2014	12.28	19,673	15/05/2015	52,946
					22/12/2014	12.16	29,220	15/05/2015	-
	2013 PARs	16/12/2013	7.63	229,625	-	-	-	15/05/2015	397,856
	2013 DARs	16/12/2013	10.38	35,147	22/12/2014	12.16	8,232	15/05/2015	35,813
	Restricted shares	16/12/2013	11.43	77,838	16/12/2014	11.70	39,839	16/12/2015	-
	2014 PARs	16/12/2014	6.13	178,027	-	-	-	15/05/2015	383,935
	Restricted shares	16/12/2014	11.70	97,087	-	-	-	16/12/2024	-
Brian Bissaker	2013 May PARs	14/05/2013	2.39	75,878	-	-	-	13/03/2015	106,130
	2013 PARs	16/12/2013	7.63	360,830	-	-	-	13/03/2015	668,222
	2013 DARs	16/12/2013	10.38	36,818	29/12/2014	12.33	8,742	13/03/2015	40,101
	Restricted shares	16/12/2013	11.43	59,905	16/12/2014	11.70	30,666	16/12/2015	-
	2014 PARs	16/12/2014	6.13	203,461	-	-	-	13/03/2015	468,989
	Restricted shares	16/12/2014	11.70	174,751	-	-	-	16/12/2024	-

(1) Represents rights held at 1 September 2014 or granted during the 2015 financial year.
(2) Closing share price on exercise date of rights that have a nil exercise price.
(3) Closing share price on exercise date multiplied by the number of rights exercised during the year.
(4) The fair value as based on a valuation period from 18 October 2012 to grant date. The Bank's total shareholder return over this period was below the peer group, decreasing the vesting probability and reducing the fair value calculation.

6.4. Equity Instruments - holdings and movements

Movement in shares

The number of shares held directly, indirectly or beneficially by each Director or Senior Executive is as follows:

Ordinary shares	Held at 1 September 2014	Purchases / (Sales)	Received on exercise of award rights / restricted shares	Held at 31 August 2015
Executive Director				
Jon Sutton	72,372	(19,708)	19,708	72,372
Directors - Current				
Roger Davis	17,281	346	-	17,627
Neil Berkett	23,265	655	-	23,920
Bruce Carter	6,854	6,553	-	13,407
Carmel Gray	12,209	-	-	12,209
Richard Haire	4,347	-	-	4,347
Margaret Seale	9,543	-	-	9,543
Michelle Tredenick	10,635	-	-	10,635
David Willis	1,770	100	-	1,870
Directors - Former				
Steve Crane	28,642	(28,642)	-	-
Executives - Current				
Matt Baxby	38,033	(30,091)	13,252	21,194
Peter Deans	2,093	-	13,315	15,408
Karyn Munsie	1,279	(6,677)	6,677	1,279
Anthony Rose	35,279	(31,281)	12,277	16,275
Brendan White	3,330	(16,643)	16,643	3,330
Executives - Former				
Julie Bale	-	(6,485)	6,485	-
Brian Bissaker	-	(709)	3,330	2,621

7. TRANSACTIONS WITH DIRECTORS AND SENIOR EXECUTIVES

Loan transactions

Loans to Directors and Senior Executives are provided in the ordinary course of business. Normal terms and conditions are applied to all loans and any discounts are the same as those available to all employees of the Consolidated Entity. There have been no write downs or amounts recorded as provisions during the financial year 2015.

Details of loans outstanding at the reporting date to Senior Executives, where the individual's aggregate loan balance exceeded $100,000 at any time in the reporting period, are as follows:

	2015			
	Balance at 1 September 2014 $	Interest paid and payable during the year $	Balance at 31 August 2015 $	Highest balance during the year $
Executives				
Matthew Baxby	1,198,641	40,866	1,030,868	1,315,988
Michelle Thomsen	-	1,837	892,500	892,500
Brendan White	271,367	21,238	604,862	604,862

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the economic entity to all Senior Executives and their related parties, and the number of individuals in each group are as follows:

	Balance at 1 September 2014 $	Balance at 31 August 2015 $	Interest paid and payable $	Number in group at 31 August 2015 #
Directors	-	-	-	-
Executives	1,479,341	2,535,397	63,941	4

Other transactions

Transactions between the Consolidated Entity and Directors and Senior Executives other than loans and shares during the financial year related to personal banking, investment and deposit transactions. All transactions were on normal commercial terms and conditions and are trivial or domestic in nature.

On 26 May 2015, the Bank issued 15,000 Wholesale Capital Notes at a price of $10,000 per note. Details of those notes issued to BOQ Directors are set out below:

	Balance at 31 August 2015 $	Interest receivable $	Highest balance during the year $
Roger Davis	200,000	2,452	202,452
David Willis	70,000	858	70,858
Total	**270,000**	**3,310**	**273,310**

Transactions between the Consolidated Entity and other related parties of Directors and Senior Executives relate to loans on normal commercial terms and conditions. Details of loans outstanding at the reporting date to other related parties of Directors and Senior Executives are as follows:

	2015			
	Balance at 1 September 2014 $	Interest paid and payable during the year $	Balance at 31 August 2015 $	Highest balance during the year $
Richard Haire Related Party	191,000	9,148	191,000	191,777
Jon Sutton Related Party	-	3,023	147,448	150,000
Total	**191,000**	**12,171**	**338,448**	**341,777**

8. EXECUTIVE CONTRACTS

The remuneration and terms of Senior Executives are formalised in their employment agreements. Each of these employment agreements provide for the payment of fixed and performance-based remuneration, superannuation and other benefits such as statutory leave entitlements.

Table 11 - Senior Executives Notice Periods

KMP	Term of agreement	Fixed annual remuneration $	Notice period by executive	Notice period by the Consolidated Entity	Termination payment
Jon Sutton	Open	1,250,000	3 months	3 months	9 months base pay (including notice period)
Julie Bale	Open	400,000	3 months	3 months	9 months base pay (including notice period)
Matthew Baxby	Open	565,000	3 months	3 months	9 months base pay (including notice period)
Brian Bissaker	Open	550,000	3 months	3 months	9 months base pay (including notice period)
Peter Deans	Open	675,000	3 months	3 months	6 months base pay (including notice period)
Karyn Munsie	Open	440,000	3 months	3 months	9 months base pay (including notice period)
Anthony Rose	Open	650,000	3 months	3 months	9 months base pay (including notice period)
Michelle Thomsen	Open	395,000	3 months	3 months	9 months base pay (including notice period)
Donna-Maree Vinci	Open	570,000	3 months	3 months	9 months base pay (including notice period)
Brendan White	Open	640,000	3 months	3 months	9 months base pay (including notice period)

Indemnification of officers

The Bank's Constitution provides that all officers of the Bank are indemnified by the Bank against liabilities incurred by them in the capacity of officer to the full extent permitted by the *Corporations Act 2001*.

Insurance of officers

Since the end of the previous financial year the Bank has paid insurance premiums in respect of a Directors' and Officers' liability insurance contract. The contract insures each person who is or has been a Director or Executive officer (as defined in the *Corporations Act 2001*) of the Bank against certain liabilities arising in the course of their duties to the Bank and its controlled entities. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

Directors' interests

Directors' interests as at the date of this report were as follows:

Roger Davis	17,627
Jon Sutton	72,372
Neil Berkett	23,920
Bruce Carter	13,407
Carmel Gray	12,209
Richard Haire	4,347
Margaret Seale	9,543
Michelle Tredenick	10,635
David Willis	1,770

Audit and Non-audit services

During the year KPMG, the Bank's auditor, has performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the year by the auditor are in accordance with written advice provided by resolution of the Audit Committee, and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Bank and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor's independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Bank, acting as an advocate for the Bank or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Bank, KPMG and its related practices for audit and non-audit services provided during the year are set out below:

	Consolidated		Bank	
	2015 $000	2014 $000	**2015 $000**	2014 $000
Audit services – KPMG Australia				
- Audit and review of the financial reports	**1,118**	1,011	**441**	681
- Other regulatory and audit services	**364**	401	**167**	203
	1,482	1,412	**608**	884
Audit-related services – KPMG Australia				
- Other assurance services	**445**	225	**445**	169
- Regulatory assurance services	**167**	-	**167**	-
	612	225	**612**	169
Non-audit services – KPMG Australia				
- Taxation services	**372**	188	**372**	143
- Due diligence services	**-**	234	**-**	234
- Other	**37**	-	**37**	-
	409	422	**409**	377

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 69 and forms part of the Directors' report for the year ended 31 August 2015.

Director and Management changes

Jon Sutton was officially appointed as Managing Director and Chief Executive Officer (CEO) on 5 January 2015 after being appointed to the role of acting CEO in August 2014.

During the year, Michelle Thomsen (General Counsel and Company Secretary) and Donna-Maree Vinci (Group Executive Enterprise Solutions) were appointed to the Executive Team.

Steve Crane resigned from his position as a Non-Executive Director on 22 January 2015. Brian Bissaker and Melissa Grundy ceased employment respectively from the positions of Chief Executive Officer of Virgin Money (Australia) and Company Secretary on 13 March 2015, and Julie Bale ceased employment as Chief Information Officer on the 15 May 2015.

Management attestation

The Board has been provided with a written statement from the Group's Chief Executive Officer and Chief Financial Officer, confirming the accompanying financial statements and notes are in accordance with the *Corporations Act 2001* and they present a true and fair view in all material respects of the Group's financial position and performance as at and for the year ending 31 August 2015.

The Directors' declaration can be found on page 137 of the financial statements.

Environmental regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The Board confirms that the Group is not aware of any breach of environmental requirements.

Subsequent events

Dividends have been determined after 31 August 2015. The financial effect of the above transaction has not been brought to account in the financial statements for the year ended 31 August 2015. Further details with respect to the dividend amount per share, payment date and dividend re-investment plan can be obtained from Section 2.4 Dividends.

No matters or circumstances have arisen since the end of the financial 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.

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. This represents a change from the 31 August 2014 reporting period whereby amounts were rounded to the nearest hundred thousand dollars. This change is in accordance with Class Order 98/100 and has not had a material impact on the financial report.

Signed in accordance with a resolution of the Directors:

Roger Davis
Chairman
7 October 2015

Jon Sutton
Managing Director
7 October 2015

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 audit for the financial year ended 31 August 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Martin McGrath
Partner

Sydney

7 October 2015

INCOME STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2015

	Section	Consolidated 2015 $m	Consolidated 2014 $m	Bank 2015 $m	Bank 2014 $m
Interest income	2.1	**2,227**	2,112	**2,072**	2,026
Less: Interest expense	2.1	**1,327**	1,351	**1,430**	1,437
Net interest income	2.1	**900**	761	**642**	589
Other operating income	2.1	**155**	136	**252**	234
Net banking operating income		**1,055**	897	**894**	823
Premiums from insurance contracts		**72**	71	**-**	-
Investment revenue		**4**	5	**-**	-
Less: Claims and policyholder liability expense from insurance contracts		**43**	34	**-**	-
Net insurance operating income	2.1	**33**	42	**-**	-
Total operating income before impairment and operating expenses	2.1	**1,088**	939	**894**	823
Less: Expenses	2.2	**552**	470	**442**	422
Less: Impairment on loans and advances	3.4	**74**	86	**43**	63
Profit before income tax		**462**	383	**409**	338
Less: Income tax expense	2.3	**144**	122	**117**	100
Profit for the year		**318**	261	**292**	238
Profit attributable to:					
Equity holders of the parent		**318**	261	**292**	238
Basic earnings per share - Ordinary shares (cents)	2.6	**86.8**	77.4		
Diluted earnings per share - Ordinary shares (cents)	2.6	**82.8**	75.9		

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

	Consolidated		Bank	
	2015 $m	2014 $m	**2015 $m**	2014 $m
Profit for the year	**318**	261	**292**	238
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	**(73)**	(27)	**(72)**	(26)
Net gains / (losses) transferred to profit and loss	**2**	(1)	**2**	(1)
Foreign currency translation differences on foreign operations	**-**	1	**-**	-
Net losses on hedge of net investment in foreign operation	**-**	(1)	**-**	-
Change in fair value of assets available for sale	**35**	29	**35**	28
Other comprehensive (expense) / income for the year, net of income tax	**(36)**	1	**(35)**	1
Total comprehensive income for the year	**282**	262	**257**	239
Total comprehensive income attributable to:				
Equity holders of the parent	**282**	262	**257**	239

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

BALANCE SHEETS

AS AT 31 AUGUST 2015

	Section	Consolidated 2015 $m	Consolidated 2014[1] $m	Bank 2015 $m	Bank 2014 $m
Assets					
Cash and liquid assets	3.1	**1,103**	1,034	**553**	397
Due from other financial institutions - Term deposits		**91**	93	**19**	15
Financial assets available-for-sale	3.3	**2,827**	3,864	**2,996**	3,349
Financial assets held for trading	3.3	**1,940**	2,473	**1,940**	2,473
Derivative financial assets	3.8	**225**	160	**162**	132
Loans and advances at amortised cost	3.4	**40,703**	38,136	**36,830**	32,035
Other assets		**113**	131	**240**	242
Shares in controlled entities	6.5	**-**	-	**1,543**	1,527
Property, plant and equipment		**61**	51	**52**	41
Deferred tax assets	2.3	**89**	114	**74**	101
Intangible assets	4.1	**848**	828	**133**	102
Investments in joint arrangements	6.7	**18**	21	**-**	-
Total assets		**48,018**	46,905	**44,542**	40,414
Liabilities					
Due to other financial institutions - Accounts payable at call		**259**	207	**259**	207
Deposits	3.2	**34,732**	34,106	**35,378**	32,357
Derivative financial liabilities	3.8	**297**	249	**283**	207
Accounts payable and other liabilities		**390**	399	**345**	337
Current tax liabilities		**55**	72	**55**	71
Provisions	4.2	**62**	104	**50**	88
Insurance policy liabilities	5.1	**41**	63	**-**	-
Borrowings including subordinated notes	3.5	**8,713**	8,364	**3,896**	2,660
Amounts due to controlled entities		**-**	-	**907**	1,224
Total liabilities		**44,549**	43,564	**41,173**	37,151
Net assets		**3,469**	3,341	**3,369**	3,263
Equity					
Issued capital		**3,122**	3,021	**3,128**	3,024
Reserves		**90**	114	**75**	98
Retained profits		**257**	206	**166**	141
Total Equity		**3,469**	3,341	**3,369**	3,263

(1) The prior year balances have been restated. Refer to Section 1.4.

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

Consolidated	Ordinary shares	Employee benefits reserve	Equity reserve for credit losses	Cashflow hedge reserve	Translation reserve	Available-for-sale reserve	Retained profits	Total equity
Year ended 31 August 2015	$m	$m	$m	$m	$m	$m	$m	$m
Balance at beginning of the year	3,021	33	70	(27)	1	37	206	3,341
Total comprehensive income for the year								
Profit	-	-	-	-	-	-	318	318
Other comprehensive income, net of income tax								
Cash flow hedges:								
Net losses taken to equity	-	-	-	(73)	-	-	-	(73)
Net gains / (losses) transferred to profit and loss	-	-	-	10	-	(8)	-	2
Net losses on hedge of net investment in foreign operation	-	-	-	-	-	-	-	-
Foreign currency translation differences on foreign operations	-	-	-	-	-	-	-	-
Change in fair value of assets available-for-sale	-	-	-	-	-	35	-	35
Transfers to equity reserve for credit losses	-	-	11	-	-	-	(11)	-
Total other comprehensive income / (expense)	-	-	11	(63)	-	27	(11)	(36)
Total comprehensive income / (expense) for the year	-	-	11	(63)	-	27	307	282
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Issues of ordinary shares (1)	11	-	-	-	-	-	-	11
Dividend reinvestment plan	93	-	-	-	-	-	-	93
Dividends to shareholders	-	-	-	-	-	-	(256)	(256)
Equity settled transactions	-	1	-	-	-	-	-	1
Treasury Shares (2)	(3)	-	-	-	-	-	-	(3)
Total contributions by and distributions to owners	101	1	-	-	-	-	(256)	(154)
Balance at the end of the year	3,122	34	81	(90)	1	64	257	3,469

(1) On 24 October 2014, the Bank issued 900,000 ordinary shares at $12.29 to the trustee of the BOQ Employee Share Plans Trust to satisfy the exercise of award rights and issue of shares under the Award Rights Plan and issue of shares under the BOQ Restricted Share Plan and BOQ Employee Share Plan.
(2) Treasury shares represent the value of shares held by a subsidiary that the Bank is required to include in the Consolidated Entity's financial statements. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 AUGUST 2015

Consolidated	Ordinary shares	Employee benefits reserve	Equity reserve for credit losses	Cashflow hedge reserve	Translation reserve	Available-for-sale reserve	Retained profits	Total equity
Year ended 31 August 2014	$m	$m	$m	$m	$m	$m	$m	$m
Balance at beginning of the year	2,563	31	70	1	1	8	144	2,818
Total comprehensive income for the year								
Profit	-	-	-	-	-	-	261	261
Other comprehensive income, net of income tax								
Cash flow hedges:								
Net losses taken to equity	-	-	-	(27)	-	-	-	(27)
Net gains transferred to profit and loss	-	-	-	(1)	-	-	-	(1)
Net losses on hedge of net investment in foreign operation	-	-	-	-	(1)	-	-	(1)
Foreign currency translation differences on foreign operations	-	-	-	-	1	-	-	1
Change in fair value of assets available-for-sale	-	-	-	-	-	29	-	29
Total other comprehensive income / (expense)	-	-	-	(28)	-	29	-	1
Total comprehensive income / (expense) for the year	-	-	-	(28)	-	29	261	262
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividend reinvestment plan	66	-	-	-	-	-	-	66
Dividends to shareholders	-	-	-	-	-	-	(199)	(199)
Equity settled transactions	-	2	-	-	-	-	-	2
Treasury Shares (1)	(2)	-	-	-	-	-	-	(2)
Instutitional entitlement offer (2)	183	-	-	-	-	-	-	183
Retail entitlement offer (2)	218	-	-	-	-	-	-	218
Costs of capital issue (2)	(7)	-	-	-	-	-	-	(7)
Total contributions by and distributions to owners	458	2	-	-	-	-	(199)	261
Balance at the end of the year	3,021	33	70	(27)	1	37	206	3,341

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

(2) As part of the acquisition of BOQ Specialist Bank Limited formerly Investec Bank (Australia) Limited during the 2014 year, the Bank issued $394 million (net of transaction costs) worth of new shares in two tranches. The institutional and retail tranches were for $183 million and $218 million respectively.

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

Bank	Ordinary shares	Employee benefits reserve	Equity reserve for credit losses	Cashflow hedge reserve	Available-for-sale reserve	Retained profits	Total equity
Year ended 31 August 2015	$m	$m	$m	$m	$m	$m	$m
Balance at beginning of the year	3,024	33	57	(29)	37	141	3,263
Total comprehensive income for the year							
Profit	-	-	-	-	-	292	292
Other comprehensive income, net of income tax							
Cash flow hedges:							
Net losses taken to equity	-	-	-	(72)	-	-	(72)
Net gains transferred to profit and loss	-	-	-	10	(8)	-	2
Change in fair value of assets available-for-sale	-	-	-	-	35	-	35
Transfers to equity reserve for credit losses	-	-	11	-	-	(11)	-
Total other comprehensive income / (expense)	-	-	11	(62)	27	(11)	(35)
Total comprehensive income / (expense) for the year	-	-	11	(62)	27	281	257
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issues of ordinary shares [(1)]	11	-	-	-	-	-	11
Dividend reinvestment plan	93	-	-	-	-	-	93
Dividends to shareholders	-	-	-	-	-	(256)	(256)
Equity settled transactions	-	1	-	-	-	-	1
Total contributions by and distributions to owners	104	1	-	-	-	(256)	(151)
Balance at the end of the year	3,128	34	68	(91)	64	166	3,369

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

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 AUGUST 2015

Bank	Ordinary shares	Employee benefits reserve	Equity reserve for credit losses	Cashflow hedge reserve	Available-for-sale reserve	Retained profits	Total equity
Year ended 31 August 2014	$m	$m	$m	$m	$m	$m	$m
Balance at beginning of the year	2,564	31	57	(2)	9	102	2,761
Total comprehensive income for the year							
Profit	-	-	-	-	-	238	238
Other comprehensive income, net of income tax							
Cash flow hedges:							
Net losses taken to equity	-	-	-	(26)	-	-	(26)
Net gains transferred to profit and loss	-	-	-	(1)	-	-	(1)
Change in fair value of assets available-for-sale	-	-	-	-	28	-	28
Total other comprehensive income / (expense)	-	-	-	(27)	28	-	1
Total comprehensive income / (expense) for the year	-	-	-	(27)	28	238	239
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividend reinvestment plan	66	-	-	-	-	-	66
Dividends to shareholders	-	-	-	-	-	(199)	(199)
Equity settled transactions	-	2	-	-	-	-	2
Instutitional entitlement offer (1)	183	-	-	-	-	-	183
Retail entitlement offer (1)	218	-	-	-	-	-	218
Costs of capital issue (1)	(7)	-	-	-	-	-	(7)
Total contributions by and distributions to owners	460	2	-	-	-	(199)	263
Balance at the end of the year	3,024	33	57	(29)	37	141	3,263

(1) As part of the acquisition of BOQ Specialist Bank Limited formerly Investec Bank (Australia) Limited during the 2014 financial year, the Bank issued $394 million (net of transaction costs) worth of new shares in two tranches. The institutional and retail tranches were for $183 million and $218 million respectively.

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

		Consolidated		Bank	
	Section	2015 $m	2014 $m	2015 $m	2014 $m
Cash flows from operating activities					
Interest received		**2,228**	2,113	**1,928**	1,861
Fees and other income received		**128**	183	**203**	218
Dividends received		**2**	1	**2**	1
Interest paid		**(1,325)**	(1,341)	**(1,425)**	(1,437)
Cash paid to suppliers and employees		**(516)**	(388)	**(416)**	(351)
Operating income tax paid		**(133)**	(80)	**(131)**	(77)
		384	488	**161**	215
(Increase) / decrease in operating assets:					
Loans and advances at amortised cost		**(2,621)**	(724)	**(4,571)**	(1,213)
Other financial assets		**1,593**	(244)	**892**	(55)
Increase / (decrease) in operating liabilities:					
Deposits		**691**	1,921	**3,085**	2,290
Securitisation liabilities	3.5	**(757)**	(984)	**-**	-
Net cash inflow/(outflow) from operating activities	3.1	**(710)**	457	**(433)**	1,237
Cash flows from investing activities					
Acquisition of BOQ Specialist Bank Limited		**-**	(210)	**-**	(210)
Cash acquired upon acquisition of BOQ Specialist Bank Limited		**-**	52	**-**	-
Payments for property, plant and equipment		**(36)**	(31)	**(26)**	(22)
Payments for intangible assets		**(59)**	(52)	**(55)**	(48)
Cash distribution received from equity accounted investments		**3**	4	**-**	-
Capital injection in BOQ Specialist Bank Limited		**-**	-	**(15)**	(330)
Proceeds from sale of property, plant and equipment		**6**	4	**1**	-
Net cash outflow from investing activities		**(86)**	(233)	**(95)**	(610)
Cash flows from financing activities					
Proceeds from issue of ordinary shares		**11**	401	**11**	401
Cost of capital issues		**-**	(10)	**-**	(10)
Proceeds from borrowings and foreign exchange instruments		**1,473**	694	**1,522**	694
Proceeds from foreign exchange instruments		**30**	26	**30**	26
Repayment of other financing activities		**-**	-	**(398)**	(430)
Proceeds from issue of capital notes		**148**	-	**148**	
Repayments of borrowings	3.5	**(623)**	(1,033)	**(483)**	(1,033)
Payments for treasury shares		**(11)**	(8)	**(11)**	(8)
Dividends paid		**(163)**	(133)	**(163)**	(134)
Dividends received		**-**	-	**28**	22
Net cash inflow/(outflow) from financing activities		**865**	(63)	**684**	(472)
Net increase in cash and cash equivalents		**69**	161	**156**	155
Cash and liquid assets at beginning of year		**1,034**	873	**397**	242
Cash and liquid assets at end of year	3.1	**1,103**	1,034	**553**	397

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

SECTION 1. BASIS OF PREPARATION

1.1. Reporting entity

Bank of Queensland Limited (the "Bank") is a company domiciled in Australia. The address of the Bank's registered office is Level 6, 100 Skyring Terrace, Newstead, QLD, 4006 (+ 61 7 3212 3333). The consolidated financial report of the Bank for the financial year ended 31 August 2015 comprises the Bank and its subsidiaries (together referred to as the "Consolidated Entity") and the Consolidated Entity's interest in equity accounted investments. The Bank is a for profit entity primarily involved in providing retail banking, leasing finance, and insurance products, to its customers.

1.2. Basis of accounting

(a) Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The consolidated financial statements and notes thereto also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial report was authorised for issue by the Directors on 7 October 2015.

(b) Basis of measurement

The financial report is prepared on the historical cost basis with the exception of the following assets and liabilities which are stated at their fair value:

- derivative financial instruments;
- financial instruments designated at fair value;
- financial instruments classified as available-for-sale; and
- assets and liabilities acquired through business combinations.

(c) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Bank's functional currency.

(d) Rounding

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 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.

1.3. Use of estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management 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 results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Consolidated Entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

- Provisions for impairment - Section 3.4;
- Financial instruments - Section 3.7;
- Intangible assets - Section 4.1;
- Provisions - Section 4.2;
- Insurance policy liabilities - Section 5.1; and
- Contingent liabilities - Section 6.3.

SECTION 1. BASIS OF PREPARATION (CONTINUED)

1.4. Restatement of acquisition accounting adjustments

The prior period consolidated balance sheet was stated using provisional entries for the acquisition of BOQ Specialist Bank Limited (now BOQ Specialist (Aust) Limited) in accordance with AASB 3 *Business Combinations*. These provisional entries have now been finalised resulting in the restatement of the 31 August 2014 consolidated balance sheet (refer to Section 6.5(c)). A summary of these restatements are provided below:

	Consolidated		
	2014 Reported $m	Increase / (Decrease) $m	2014 Restated $m
Property, plant and equipment	54	(3)	51
Deferred tax assets	112	2	114
Intangible assets			
- Customer related intangibles and brands	23	23	46
- Computer software	100	5	105
- Other	2	-	2
- Goodwill	702	(27)	675
Total intangible assets	827	1	828
Provisions for impairment			
- Specific	(153)	7	(146)
- Collective	(137)	(7)	(144)
Total Provisions for impairment	(290)	-	(290)

SECTION 2. FINANCIAL PERFORMANCE

2.1. Operating income

	Consolidated		Bank	
	2015 $m	2014 $m	**2015 $m**	2014 $m
Interest income				
Loans and advances	**2,038**	1,917	**1,634**	1,603
Securities at fair value	**189**	195	**438**	423
Total interest income	**2,227**	2,112	**2,072**	2,026
Interest expense				
Retail deposits	**729**	772	**678**	766
Wholesale deposits and borrowings	**598**	579	**752**	671
Total interest expense	**1,327**	1,351	**1,430**	1,437
Net interest income	**900**	761	**642**	589
Income from operating activities				
Other customer fees and charges	**111**	101	**101**	99
Share of fee revenue paid to Owner Managed Branches	**(12)**	(13)	**(12)**	(13)
Securitisation income	**-**	-	**78**	72
Net income from financial instruments and derivatives at fair value	**15**	11	**14**	11
Commission	**28**	24	**13**	13
Management fee – controlled entities	**-**	-	**22**	24
Foreign exchange income – customer based	**9**	9	**11**	9
Net profit / (loss) on sale of property, plant and equipment	**1**	(3)	**(5)**	(5)
Other income	**3**	7	**30**	24
Other operating income	**155**	136	**252**	234
Net insurance operating income	**33**	42	**-**	-
Total operating income	**1,088**	939	**894**	823

Interest income and expense

Interest income and expense for all interest bearing financial instruments are recognised in the profit or loss using the effective interest rates of the financial assets or financial liabilities to which they relate.

Other operating income

Other operating income and expense (e.g. lending fees) that are considered an integral part of the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Non-yield related application and activation lending fee revenue is recognised when the loan is disbursed or the commitment to lend expires. Service fees that represent the recoupment of the costs of providing the service are recognised on an accruals basis when the service is provided.

Dividends are recognised when control of a right to receive consideration is established.

2.2. Expenses

	Consolidated		Bank	
	2015 $m	2014 $m	**2015 $m**	2014 $m
Operating expenses				
Advertising	**23**	17	**14**	13
Commissions to Owner Managed Branches	**7**	7	**6**	7
Communications and postage	**21**	20	**19**	19
Printing and stationery	**5**	5	**4**	4
Non-lending losses	**-**	34	**-**	34
Processing costs	**24**	25	**24**	25
Other (1)	**42**	17	**37**	14
	122	125	**104**	116
Administrative expenses				
Professional fees	**17**	16	**13**	13
Directors fees	**2**	2	**2**	2
Other	**5**	6	**8**	10
	24	24	**23**	25
IT expenses				
Data processing	**67**	65	**60**	61
Amortisation – computer software (intangible)	**17**	15	**15**	13
Depreciation – IT equipment	**1**	1	**1**	1
	85	81	**76**	75
Occupancy expenses				
Lease rental	**38**	29	**30**	26
Depreciation - plant, furniture, equipment and leasehold improvements	**9**	8	**9**	7
Other	**3**	3	**3**	3
	50	40	**42**	36
Employee expenses				
Salaries and wages	**203**	150	**154**	130
Superannuation contributions	**20**	14	**14**	12
Amounts set aside to provision for employee entitlements	**3**	4	**3**	3
Payroll tax	**13**	10	**10**	9
Equity settled transactions	**10**	9	**8**	8
Other	**8**	7	**6**	7
	257	194	**195**	169
Other				
Amortisation – acquired intangibles	**14**	6	**2**	1
Expenses	**552**	470	**442**	422

(1) The current year balance includes the impairment expense for the pilot Customer Relationship Management system.

2.3. Income tax expense and deferred tax

Income tax expense

The major components of income tax expense for the years ended 31 August 2015 and 2014 along with a reconciliation between pre-tax profit and tax expense are detailed below:

	Consolidated		Bank	
	2015 $m	2014 $m	**2015 $m**	2014 $m
Current tax expense				
Current year	**130**	140	**111**	112
Adjustments for prior years	**(17)**	(8)	**(14)**	(6)
	113	132	**97**	106
Deferred tax expense				
Origination and reversal of temporary differences	**31**	(10)	**20**	(6)
	31	(10)	**20**	(6)
Total income tax expense	**144**	122	**117**	100
Attributable to:				
Continuing operations	**144**	122	**117**	100
Deferred tax recognised in equity				
Equity raising costs	**-**	(3)	**-**	(3)
Cash flow hedge reserve	**(17)**	(9)	**(17)**	(10)
Other	**12**	11	**12**	12
	(5)	(1)	**(5)**	(1)
Numerical reconciliations between tax expense and pre-tax profit				
Profit before tax – continuing operations	**462**	383	**409**	338
Profit before tax	**462**	383	**409**	338
Income tax using the domestic corporate tax rate of 30% (2014: 30%)	**139**	115	**123**	101
Increase in income tax expense due to:				
Non-deductible expenses	**9**	9	**6**	6
Decrease in income tax expense due to:				
Other (1)	**(3)**	(1)	**(11)**	(6)
	145	123	**118**	101
Over provided in prior years	**(1)**	(1)	**(1)**	(1)
Income tax expense on pre-tax net profit	**144**	122	**117**	100

(1) In the Bank, this includes the impact of dividends received from subsidiary Group members which are eliminated at a Group level and franking credits.

2.3. Income tax expense and deferred tax (continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Consolidated	**2015 $m**	2014[1] $m	**2015 $m**	2014 $m	**2015 $m**	2014 [1] $m
Accruals	**6**	5	**-**	-	**6**	5
Capitalised expenditure	**-**	-	**(6)**	(3)	**(6)**	(3)
Provision for impairment	**82**	95	**-**	-	**82**	95
Other provisions	**23**	25	**-**	-	**23**	25
Equity reserves	**-**	-	**-**	(6)	**-**	(6)
Other	**6**	7	**(22)**	(9)	**(16)**	(2)
Tax assets / (liabilities)	**117**	132	**(28)**	(18)	**89**	114
Bank						
Accruals	**3**	2	**-**	-	**3**	2
Capitalised expenditure	**-**	-	**(3)**	(1)	**(3)**	(1)
Provision for impairment	**66**	81	**-**	-	**66**	81
Other provisions	**22**	20	**-**	-	**22**	20
Equity reserves	**-**	-	**-**	(5)	**-**	(5)
Other	**5**	8	**(19)**	(4)	**(14)**	4
Tax assets / (liabilities)	**96**	111	**(22)**	(10)	**74**	101

(1) The prior year balances have been restated. Refer to Section 1.4.

Unrecognised deferred tax assets

Deferred tax assets have not been brought to account for the following items as realisation of the benefit is not regarded as probable:

	2015 $m	2014 [1] $m
Gross income tax losses [2]	**30**	32
Gross capital gains tax losses	**92**	92

(1) Tax losses were not disclosed in the prior year on the basis that the analysis confirming the quantum of these losses was not finalised.
(2) Income tax losses are subject to utilisation over an expected 10-15 year period.

Accounting for income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss in the Income Statement except to the extent that it relates to items recognised directly in equity, or other comprehensive income.

Current tax is the expected tax payable / receivable on the taxable income / loss for the year and any adjustment to the tax payable / receivable in respect of previous years. It is measured using tax rates enacted or substantially enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Consolidated Entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

2.3. Income tax expense and deferred tax (continued)

Tax Consolidation

The Bank is the head entity in the tax consolidated group comprising all the Australian wholly-owned subsidiaries. The implementation date for the tax-consolidated group was 1 September 2003.

Current tax expense / income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using a 'group allocation' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable / (receivable) to / (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Bank as an equity contribution, or distribution from the subsidiary.

Any subsequent period amendments to deferred tax assets arising from unused tax losses as a result of a revised assessment of the probability of recoverability is recognised by the head entity only.

Nature of tax funding and tax sharing arrangements

The Bank, in conjunction with other members of the tax-consolidated group, has entered into a tax funding agreement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding agreement requires payments to / from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the Bank recognising an inter-entity payable (receivable) equal in amount to the tax liability (asset) assumed.

Contributions to fund the current tax liabilities are payable as per the Tax Funding Arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The Bank, in conjunction with other members of the tax-consolidated group, has also entered into a Tax Sharing Agreement ("TSA"). The TSA provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the TSA is considered remote.

Taxation of Financial Arrangements ("TOFA")

TOFA began to apply to the tax-consolidated group on 1 July 2010. The regime aims to align the tax and accounting treatment of financial arrangements.

The tax-consolidated group made a transitional election to bring pre-existing arrangements into TOFA. The deferred tax in relation to the transitional adjustment that this created was fully amortised in the 31 August 2014 financial year.

2.4. Dividends

	Bank			
	2015		2014	
	Cents per share	**$m**	Cents per share	$m
Ordinary shares				
Final 2014 dividend paid 27 November 2014 (2013: 4 December 2013)	**34**	**124**	30	96
Interim 2015 dividend paid 12 May 2015 (2014: 23 May 2014)	**36**	**132**	32	103
		256		199
Convertible preference shares				
Final CPS dividend paid on 15 October 2014 (2013: 15 October 2013)	**275**	**8**	286	9
Half-yearly CPS dividend paid on 15 April 2015 (2014: 15 April 2014)	**273**	**8**	269	8
		16		17

All dividends paid on ordinary and preference shares have been fully franked at 100%.

Since the end of the financial year, the Directors have determined the following dividends:	Cents per share	$m
- Final CPS dividend	258	8
- Final – ordinary shares	38	141

The final dividend payment will be fully franked and paid on 24 November 2015 to owners of ordinary shares at the close of business on 2 November 2015 (record date). Shares will be quoted ex-dividend on 29 October 2015.

	Bank	
	2015 $m	2014 $m
30% franking credits available to shareholders of the Bank for subsequent financial years	**121**	132

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

All the franked dividends paid or declared by the Bank since the end of the previous financial year were franked at the tax rate of 30%.

The balance of the Bank of Queensland Limited dividend franking account at the date of this report, after adjusting for franking credits and debits that will arise on payment of income tax and dividends relating to the year ended 31 August 2015, is $121 million credit calculated at the 30% tax rate (2014: $132 million credit). It is anticipated, based on these franking account balances that the Bank will continue to pay fully franked dividends in the foreseeable future.

Dividend reinvestment plan

As resolved by the Board, the Bank of Queensland Dividend Reinvestment Plan ("DRP") provides shareholders with the opportunity to convert all or part of their entitlement to a dividend into new shares at a discount of 1.5%. The discount applied is 1.5% of the arithmetic average, rounded to four decimal places, of the daily volume weighted average price of:

- all shares sold in the ordinary course of trading on the Australian Securities Exchange ("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 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 Plan will be fully-paid. If, after this calculation there is a residual balance, that balance will be carried forward (without interest) and added to the next dividend for the purpose of calculating the number of shares secured under the DRP at that time.

The last date for election to participate in the DRP for the 2015 final dividend is 4 November 2015.

2.5. Operating segments

Segment information

The Bank determines and presents operating segments based on the information that is provided internally to the Managing Director, who is the Bank's Chief Operating Decision Maker.

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components. All operating segments' operating results are regularly reviewed by the Bank's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Bank has determined and presented the following two segments based on information provided to the 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.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed within the individual operating segments and thus disclosed this way.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2015 or 2014.

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

The following table presents income and profit and certain asset and liability information regarding the Bank's operating segments.

	Banking		Insurance		Segment Total	
	2015 $m	2014 $m	**2015 $m**	2014 $m	**2015 $m**	2014 $m
Income						
External	**1,055**	897	**33**	42	**1,088**	939
Inter-segment	**4**	5	**(2)**	(2)	**2**	3
Total operating income	**1,059**	902	**31**	40	**1,090**	942
Segment profit before income tax	**439**	352	**23**	31	**462**	383
Income tax expense	**137**	113	**7**	9	**144**	122
Segment profit after income tax	**302**	239	**16**	22	**318**	261
Results						
Interest income	**2,227**	2,112	**-**	-	**2,227**	2,112
Interest expense	**1,327**	1,351	**-**	-	**1,327**	1,351
Depreciation and amortisation	**27**	24	**-**	-	**27**	24
Impairment losses on loans and advances	**74**	86	**-**	-	**74**	86
Assets	**47,954**	46,834	**112**	126	**48,066**	46,960
Liabilities	**44,522**	43,529	**70**	86	**44,592**	43,615

2.5. Operating segments (continued)

The following table sets out the reconciliation between the operating segments and the consolidated entity:

	2015 $m	2014 $m	2015 $m	2014 $m
	Revenue		Profit before tax	
Segment total	**1,090**	942	**462**	383
Elimination of inter-segment revenue	**(2)**	(3)	**-**	-
Consolidated total	**1,088**	939	**462**	383
	Assets		Liabilities	
Segment total	**48,066**	46,960	**44,592**	43,615
Elimination of inter-segment bank accounts	**(47)**	(55)	**(47)**	(55)
Adjustment for other consolidation eliminations	**(1)**	-	**4**	4
Consolidated total	**48,018**	46,905	**44,549**	43,564

2.6. Earnings per share

Basic Earnings Per Share ("EPS") is calculated by dividing the relevant earnings by the average weighted number of shares on issue. Diluted EPS takes into account the dilutive effect of all outstanding share rights vesting as ordinary shares.

	Consolidated	
	2015 $m	2014 $m
Earnings reconciliation		
Net profit	**318**	261
Basic earnings	**318**	261
Effect of distributions on CPS	**16**	16
Effect of capital notes	**2**	-
Diluted earnings	**336**	277
Weighted average number of shares used as the denominator	2015 Number	2014 Number
Number for basic earnings per share		
Ordinary shares	**366,666,774**	336,579,927
Number for diluted earnings per share		
Ordinary shares	**366,666,774**	336,579,927
Effect of award rights	**3,293,389**	2,930,399
Effect of CPS	**23,978,515**	25,448,063
Effect of capital notes	**12,304,413**	-
	406,243,091	364,958,389
Basic earnings per share - Ordinary shares (cents)	**86.8**	77.4
Diluted earnings per share - Ordinary shares (cents)	**82.8**	75.9

SECTION 3. CAPITAL AND BALANCE SHEET MANAGEMENT

3.1. Cash and liquid assets

Components of cash and liquid assets

Cash and liquid assets comprise cash at branches, cash on deposit and balances with the Reserve Bank of Australia. Cash flows from the following activities are presented on a net basis in the statements of cash flows:

- Sales and purchases of trading securities;
- Customer deposits in and withdrawals from deposit accounts; and
- Loan drawdowns and repayments.

	Consolidated		Bank	
	2015 $m	2014 $m	**2015 $m**	2014 $m
Notes, coins and cash at bank	**917**	905	**367**	268
Remittances in transit	**186**	129	**186**	129
Total	**1,103**	1,034	**553**	397

Notes to the statements of cash flows

Reconciliation of profit for the year to net cash provided by operating activities.

	Consolidated 2015 $m	Consolidated 2014 $m	Bank 2015 $m	Bank 2014 $m
Profit from ordinary activities after income tax	**318**	261	**292**	238
Add / (less) items classified as investing / financing activities or non-cash items				
Depreciation	**20**	17	**10**	8
Amortisation	**14**	11	**2**	1
Dividends received from subsidiaries	**-**	-	**(28)**	(22)
Software amortisation and impairment	**27**	15	**25**	13
Investments equity accounted	**-**	(3)	**-**	-
Equity settled transactions	**10**	9	**8**	8
(Profit) / loss on sale of property, plant and equipment	**(1)**	2	**5**	5
(Increase) / decrease in due from other financial institutions	**2**	26	**(4)**	9
(Increase) / decrease in financial assets	**1,592**	(269)	**907**	(97)
Increase in loans and advances at amortised cost	**(2,549)**	(619)	**(4,784)**	(500)
(Increase) / decrease in derivatives	**(20)**	45	**(14)**	40
Decrease in provision for impairment	**(18)**	(22)	**(11)**	(44)
(Increase) / decrease in deferred tax asset	**(10)**	13	**(1)**	(2)
Decrease in other assets	**17**	11	**4**	32
(Increase) / decrease in amounts due from controlled entities	**-**	-	**112**	(772)
Increase in due to other financial institutions	**52**	6	**52**	6
Increase in deposits	**640**	1,914	**3,033**	2,283
Increase / (decrease) in accounts payable and other liabilities	**(2)**	(18)	**15**	(13)
Increase / (decrease) in current tax liabilities	**(17)**	48	**(16)**	28
Increase / (decrease) in provisions	**(42)**	25	**(38)**	20
Increase / (decrease) in deferred tax liabilities	**42**	(18)	**(2)**	(4)
Decrease in insurance policy liabilities	**(22)**	(10)	**-**	-
Decrease in borrowings including subordinated notes	**(763)**	(987)	**-**	-
Net cash inflow/(outflow) from operating activities	**(710)**	457	**(433)**	1,237

3.2. Deposits

	Consolidated		Bank	
	2015 $m	2014 $m	2015 $m	2014 $m
Deposits at call	**11,814**	10,886	**12,415**	10,937
Term deposits	**17,838**	19,631	**17,883**	17,835
Certificates of deposit [1]	**5,080**	3,589	**5,080**	3,585
Total	**34,732**	34,106	**35,378**	32,357
Concentration of deposits:				
Customer deposits	**26,914**	26,266	**27,514**	24,462
Wholesale deposits [1]	**7,818**	7,840	**7,864**	7,895
Total	**34,732**	34,106	**35,378**	32,357

(1) The Bank has reclassified its Transferable Deposits ("TD's") from Wholesale deposits for 31 August 2015 and has also reflected this in the 31 August 2014 comparative figures. The TD's have been reclassified to Borrowings to better reflect the underlying substance of the balances with contractual terms being on average greater than twelve months.

3.3. Financial assets

	Consolidated		Bank	
	2015 $m	2014 $m	2015 $m	2014 $m
Available-for-sale				
Debt instruments	**2,818**	3,855	**2,987**	3,340
Unlisted equity instruments	**9**	9	**9**	9
	2,827	3,864	**2,996**	3,349
Held for trading				
Floating rate notes and bonds	**595**	949	**595**	949
Negotiable certificates of deposit	**1,345**	1,449	**1,345**	1,449
Promissory notes	**-**	75	**-**	75
	1,940	2,473	**1,940**	2,473
Total financial assets	**4,767**	6,337	**4,936**	5,822

3.4. Loans and advances at amortised cost

Loans and advances at amortised cost

Loans and advances are originated by the Bank and are recognised upon cash being advanced to the borrower. Loans and advances are 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. Refer to the table below for impairment of loans and advances.

	Consolidated		Bank	
	2015 $m	2014 $m	**2015 $m**	2014 $m
Residential property loans – secured by mortgages	**21,029**	19,285	**21,029**	19,125
Securitised residential property loans – secured by mortgages	**7,349**	7,224	**7,349**	7,223
Total residential property loans – secured by mortgages	**28,378**	26,509	**28,378**	26,348
Personal loans	**260**	288	**260**	162
Overdrafts	**277**	330	**277**	330
Commercial loans	**7,786**	7,174	**7,790**	5,426
Credit cards	**64**	54	**64**	-
Leasing finance	**4,626**	4,527	**322**	-
Gross loans and advances at amortised cost	**41,391**	38,882	**37,091**	32,266
Less:				
Unearned lease finance income	**(416)**	(456)	**(41)**	-
Specific provision for impairment	**(126)**	(146)	**(106)**	(128)
Collective provision for impairment	**(146)**	(144)	**(114)**	(103)
Total loans and advances at amortised cost (1)	**40,703**	38,136	**36,830**	32,035

Provision for impairment

	Consolidated		Bank	
	2015 $m	2014 $m	**2015 $m**	2014 $m
Specific provision:				
Balance at the beginning of the year	**146**	175	**128**	163
Add: Expensed during the year	**72**	93	**38**	70
Acquired during the year	**-**	1	**-**	-
Less: Bad debts written off net of recoveries	**(84)**	(115)	**(52)**	(98)
Transfers from collective provision	**-**	2	**-**	3
Unwind of discount	**(8)**	(10)	**(8)**	(10)
Balance at the end of the year	**126**	146	**106**	128
Collective provision:				
Balance at the beginning of the year	**144**	137	**103**	112
Add: Expensed / (Released) during the year	**2**	(7)	**5**	(7)
Acquired during the year	**-**	16	**-**	-
Transfer from BOQ Specialist (Aust) Limited (1)	**-**	-	**6**	-
Transfers to specific provision	**-**	(2)	**-**	(2)
Balance at the end of the year	**146**	144	**114**	103
Total provisions for impairment	**272**	290	**220**	231

(1) On 1 June 2015 BOQ Specialist (Aust) Limited (formerly known as the Professional Finance and Asset Finance & Leasing businesses of Investec Bank (Australia) Limited) surrendered its Authorised Deposit-taking Institutions license following its acquisition on 31 July 2014. Subsequently all loans and advances and provisions for impairment for BOQ Specialist Pty Ltd were transferred to the Bank.

3.4. Loans and advances at amortised cost (continued)

Transfer of financial assets

The Bank conducts a loan securitisation program whereby mortgage loans are packaged and sold to the REDS Securitisation and Warehouse Trusts ("RMBS Trusts"). The Bank also securitises Hire Purchase, Chattel Mortgages and Finance Leases which are packaged and sold to REDS EHP Securitisation Trusts ("REDS EHP Trusts") and the Nyala and Impala Securitisation Trusts. Refer to Section 6.10 (a)(ii) for further information.

The following table sets out the transferred financial assets that did not qualify for derecognition and associated liabilities from conducting the securitisation program.

	Consolidated		Bank	
	2015 (1) $m	2014 $m	2015 (1) $m	2014 $m
Transferred financial assets				
Loans and advances at amortised cost	**3,639**	4,752	**3,739**	4,250
Lease receivables	**750**	613	**-**	-
	4,389	5,365	**3,739**	4,250
Associated financial liabilities				
Securitisation liabilities - external investors	**4,819**	5,516	**-**	-
Amounts due to controlled entities	**-**	-	**4,120**	4,368
	4,819	5,516	**4,120**	4,368
For those liabilities that have recourse only to transferred assets:				
Fair value of transferred assets	**4,415**	5,379	**3,754**	4,259
Fair value of associated liabilities	**(4,819)**	(5,516)	**(4,120)**	(4,368)
Net Position	**(404)**	(137)	**(366)**	(109)

(1) On 1 June 2015 BOQ Specialist (Aust) Limited (formerly known as the Professional Finance and Asset Finance & Leasing businesses of Investec Bank (Australia) Limited) surrendered its Authorised Deposit-taking Institutions license following its acquisition on 31 July 2014. At this time the securitisation trusts and the associated assets and liabilities transferred to being under control of the Bank, as such these have been included within the transfer of financial assets note for the 2015 financial year.

Lease receivables

Loans and advances at amortised cost include the following finance lease receivables for leases of certain property and equipment where the Bank is the lessor.

	Consolidated		Bank	
	2015 $m	2014 $m	2015 (1) $m	2014 $m
Gross investment in finance lease receivables:				
Less than one year	**1,714**	1,679	**15**	-
Between one and five years	**2,814**	2,759	**254**	-
More than five years	**98**	89	**53**	-
	4,626	4,527	**322**	-
Unearned lease finance income	**(416)**	(456)	**(41)**	-
Net investment in finance leases	**4,210**	4,071	**281**	-
The net investment in finance leases comprise:				
Less than one year	**1,532**	1,479	**15**	-
Between one and five years	**2,593**	2,539	**223**	-
More than five years	**85**	53	**43**	-
	4,210	4,071	**281**	-

(1) On 1 June 2015 BOQ Specialist (Aust) Limited (formerly known as the Professional Finance and Asset Finance & Leasing businesses of Investec Bank (Australia) Limited) surrendered its Authorised Deposit-taking Institutions license following its acquisition on 31 July 2014. Subsequently all finance lease receivables for BOQ Specialist Pty Ltd were transferred to the Bank.

3.5. Borrowings including subordinated notes

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

	Securitisation liabilities (1) $m	EMTN Program $m	ECP Program $m	Borrowings including subordinated notes $m	Transferable Certificates of Deposit (2) $m	Convertible Preference Shares (3) $m	Capital Notes (4) $m	Syndicated Loan $m	Total $m
Year ended 31 August 2015									
Balance at beginning of year	5,510	64	319	347	1,830	294	-	-	8,364
Proceeds from issues	2,284	29	88	-	1,356	-	150	-	3,907
Repayments	(3,041)	(18)	(355)	(22)	(228)	-	-	-	(3,664)
Deferred establishment costs	(5)	-	-	-	-	-	(2)	-	(7)
Amortisation of deferred costs	5	-	-	-	-	1	-	-	6
Foreign exchange translation	59	6	42	-	-	-	-	-	107
Balance at end of the year	**4,812**	**81**	**94**	**325**	**2,958**	**295**	**148**	**-**	**8,713**

	Securitisation liabilities (1) $m	EMTN Program $m	ECP Program $m	Borrowings including subordinated notes $m	Transferable Certificates of Deposit $m	Convertible Preference Shares (3) $m	Syndicated Loan $m	Total $m
Year ended 31 August 2014								
Balance at beginning of year	5,824	96	430	271	1,059	293	223	8,196
Acquired during the year (5)	667	-	-	76	118	-	-	861
Proceeds from issues	760	65	628	-	741	-	-	2,194
Repayments	(1,744)	(94)	(718)	-	(88)	-	(221)	(2,865)
Deferred establishment costs	(2)	-	-	-	-	-	-	(2)
Amortisation of deferred costs	7	-	-	-	-	1	1	9
Foreign exchange translation	(2)	(3)	(21)	-	-	-	(3)	(29)
Balance at end of the year	**5,510**	**64**	**319**	**347**	**1,830**	**294**	**-**	**8,364**

(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) The Bank has reclassified its Transferable Deposits ("TD's") from Wholesale deposits for 31 August 2015 and has also reflected this in the 31 August 2014 comparative figures. The TD's have been reclassified to Borrowings to better reflect the underlying substance of the balances with contractual terms being on average greater than twelve months.

(3) 3,000,000 Convertible Preference Shares (CPS) were issued on 24 December 2012. CPS are fully-paid, perpetual, convertible, unguaranteed and unsecured preference shares with preferred, discretionary, non-cumulative dividends. CPS will mandatorily convert into ordinary shares on 15 April 2020. 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 subject to the prior written approval from the Australian Prudential Regulation Authority ("APRA"). The Bank is also entitled to convert, redeem or transfer some or all of the CPS on the occurrence of a regulatory event or tax event and in addition, conversion of the CPS into ordinary shares must occur immediately following the occurrence of a capital trigger event or a non-viability trigger event. CPS rank for payment of capital ahead of ordinary shareholders, equally with other securities or instruments ranking equally with CPS, but behind all other securities or instruments ranking ahead of CPS, and 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.

(5) Borrowings acquired during the 2014 year relate to the acquisition of BOQ Specialist Bank Limited formerly Investec Bank (Australia) Limited.

3.5. Borrowings including subordinated notes (continued)

The Bank recorded the following movements on borrowings including subordinated notes:

	EMTN Program $m	ECP Program $m	Borrowings including subordinated notes (1) $m	Transferable Certificates of Deposit (2) $m	Convertible Preference Shares(3) $m	Capital Notes (4) $m	Syndicated Loan $m	Total $m
Year ended 31 August 2015								
Balance at beginning of year	64	319	271	1,712	294	-	-	2,660
Proceeds from issues	29	88	-	1,356	-	150	-	1,623
Transfers from BOQ Specialist	-	-	49	-	-	-	-	49
Repayments	(18)	(355)	-	(110)	-	-	-	(483)
Deferred establishment costs	-	-	-	-	-	(2)	-	(2)
Amortisation of deferred costs	-	-	-	-	1	-	-	1
Foreign exchange translation	6	42	-	-	-	-	-	48
Balance at end of the year	**81**	**94**	**320**	**2,958**	**295**	**148**	**-**	**3,896**

	EMTN Program $m	ECP Program $m	Borrowings including subordinated notes (1) $m	Transferable Certificates of Deposit $m	Convertible Preference Shares(3) $m	Syndicated Loan $m	Total $m
Year ended 31 August 2014							
Balance at beginning of year	96	430	271	1,059	293	223	2,372
Proceeds from issues	65	628	-	741	-	-	1,434
Repayments	(94)	(718)	-	(88)	-	(221)	(1,121)
Amortisation of deferred costs	-	-	-	-	1	1	2
Foreign exchange translation	(3)	(21)	-	-	-	(3)	(27)
Balance at end of the year	**64**	**319**	**271**	**1,712**	**294**	**-**	**2,660**

(1) Convertible Notes were issued in 2014 in three tranches of $60 million ("Tranche 1"), $45 million ("Tranche 2") and $45 million ("Tranche 3"), and are cumulative, convertible, subordinated notes due June 2020, and pay, subject to a solvency condition, a monthly coupon equal to the 30 day bank bill rate plus 400 basis points. The Convertible Notes are unlisted with the final Tranche being Tranche 1, redeemed during the prior financial year.

(2) The Bank has reclassified its Transferable Deposits ("TD's") from Wholesale deposits for 31 August 2015 and has also reflected this in the 31 August 2014 comparative figures. The TD's have been reclassified to Borrowings to better reflect the underlying substance of the balances with contractual terms being on average greater than twelve months.

(3) 3,000,000 Convertible Preference Shares (CPS) were issued on 24 December 2012. CPS are fully-paid, perpetual, convertible, unguaranteed and unsecured preference shares with preferred, discretionary, non-cumulative dividends. CPS will mandatorily convert into ordinary shares on 15 April 2020. 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 subject to the prior written approval from the Australian Prudential Regulation Authority ("APRA"). The Bank is also entitled to convert, redeem or transfer some or all of the CPS on the occurrence of a regulatory event or tax event and in addition, conversion of the CPS into ordinary shares must occur immediately following the occurrence of a capital trigger event or a non-viability trigger event. CPS rank for payment of capital ahead of ordinary shareholders, equally with other securities or instruments ranking equally with CPS, but behind all other securities or instruments ranking ahead of CPS, and 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.

3.6. Risk management

The Consolidated Entity adopts a "managed risk" approach to its banking and insurance activities. As such, the articulation of a risk aware culture is prevalent throughout the Consolidated Entity's credit, liquidity, market, operational, insurance risk and compliance policies and procedures. The Board has adopted policies in relation to the assessment, management and monitoring of these risks and ownership of the frameworks within which these risks are managed reside with the Chief Risk Officer.

The Chief Risk Officer contributes towards the achievement of the Consolidated Entity's corporate objectives through the operationalisation and progressive development of the Bank's risk management function. In particular, improvement of the risk management function is focussed in a number of areas:

1. the efficiency and effectiveness of the Consolidated Entity's credit, liquidity, market, operational risk and compliance management process controls and policies to support improved competitive advantage, support growth and enable improved cost controls;
2. to provide management and the Board with risk reporting that contributes to the further development of sound corporate governance standards;
3. to maintain regulatory compliance in line with regulators' expectations;
4. to provide a sound basis from which the Bank can progress to the required compliance level under the Basel II accord; and
5. to contribute to the Consolidated Entity achieving risk based performance management.

Group Risk is an independent function and is responsible for providing the framework, policies and procedures for managing credit, liquidity, market, operational risk and compliance throughout the Group. Policies are set in line with the governing strategy and risk guidelines set by the Board.

Monitoring

The Consolidated Entity's enterprise risk management framework incorporates active management and monitoring of a range of risks including (but not limited to):

1. Market
2. Credit
3. Liquidity
4. Insurance

(a) Market risk

Market risk is the risk that movements in market rates and prices will result in profits or losses to the Bank. The objective of market risk management is to manage and control market risk.

(i) Interest Rate Risk management

The operations of the Consolidated Entity are subject to the risk of interest rate fluctuations as a result of mismatches in the timing of the repricing of interest rates on the Consolidated Entity's assets and liabilities.

The figures in the table below indicate the potential increase in net interest income for an ensuing 12 month period of a 1% parallel shock increase to the yield curve. A 1% decrease in the yield curve has an equal but opposite impact.

	2015 %	2014 %	**2015 $m**	2014 $m
Exposure at the end of the year	**0.68**	1.16	**6**	9
Average monthly exposure during the year	**(0.03)**	1.19	**-**	9
High month exposure during the year	**1.73**	2.16	**16**	16
Low month exposure during the year	**(1.17)**	(0.03)	**(11)**	-

(ii) Foreign exchange risk

It is the Bank's policy not to carry material foreign exchange rate exposures. At balance date there are no material foreign exchange rate exposures.

The Bank uses cross currency swaps and foreign exchange forwards to hedge its exchange rate exposures arising from borrowing off-shore in foreign currencies. The Bank uses forward foreign exchange contracts to hedge potential exchange rate exposures created by customer-originated foreign currency transactions.

The Bank's investment in its New Zealand subsidiary is hedged by forward foreign exchange contracts which mitigate the currency risk arising from the subsidiary's net assets.

3.6. Risk management (continued)

(iii) Traded market risk

Market risks attributable to trading activities are primarily measured using a parametric Value-at-Risk ("VaR") model based on historical data. The Bank estimates VaR as the potential loss in earnings from adverse market movements and is calculated over a 1-day time horizon to a 99% confidence level using 2 years of historical data. VaR takes account of all material market variables that may cause a change in the value of the trading portfolio. Although an important tool for the measurement of market risk, the assumptions underlying the model have some limitations:

- VaR typically understates the losses that may occur beyond the 99% confidence level;
- the reliance on historical data may prove insufficient to predict the severity of possible future outcomes; and
- a 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. For certain illiquid assets or in certain market situations this might not be possible.

As VaR is a statistical measure and only attempts to cover losses to a 99% confidence level, the Bank supplements this analysis with stress testing. Stress testing attempts to adequately assess the risks inherent in its trading activities by applying appropriate scenario analyses, whilst not addressing the likelihood of those outcomes.

As an overlay, the individual market risks of interest rate, foreign exchange, credit and equity sensitivities are monitored and measured against limits delegated by the Asset-Liability Committee ("ALCO") and approved by the Board Risk Committee.

The portfolio (interest rate, foreign exchange, credit and equity) VaR for the Bank's trading portfolio for the year was as follows:

Trading VaR	2015 $m	2014 $m
Average	0.71	0.65
Maximum	1.61	1.33
Minimum	0.23	0.28

(b) Credit risk

Credit risk arises in the business from lending activities, the provision of guarantees including letters of credit and commitments to lend, investment in bonds and notes, financial market transactions and other associated activities. Credit risk is the potential loss arising from the possibility that customers or counterparties fail to meet contractual payment obligations to the Bank as they fall due.

The Board of Directors have implemented a structured framework of systems and controls to monitor and manage credit risk comprising:

- documented credit risk management principles which are disseminated to all staff involved with the lending process;
- documented policies;
- a process for approving risk, based on tiered delegated approval authorities, whereby the largest exposures are assessed by a committee consisting of Group Executives and senior risk managers chaired by the Chief Risk Officer;
- risk grading the Bank's commercial exposures for facilities greater than $100,000 based on items inclusive of financial performance and stability, organisational structure, industry segment and security support. Exposures within this segment of the portfolio are generally subject to annual review including reassessment of the assigned risk grade;
- an automated scorecard approval model for the Bank's retail portfolio inclusive of home loans, personal loans, and lines of credit. This model is supported by experienced Risk Assessment Managers; and
- a series of management reports detailing industry concentrations, counterparty concentrations, loan grades and security strength ratings.

The Consolidated Entity uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. In accordance with its treasury policy, the Consolidated Entity can hold derivative financial instruments for trading purposes. Credit risk on derivative contracts used for these purposes is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Maximum exposure to credit risk

The amounts disclosed are the maximum exposure to credit risk, before taking account of any collateral held or other credit enhancements. For financial assets recognised on the Balance Sheet, the exposure to credit risk equals their carrying amount. For customer commitments, the maximum exposure to credit risk is the full amount of the committed facilities as at the reporting date.

3.6. Risk management (continued)

(b) Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

The carrying amount of the Consolidated Entity's and Bank's financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Consolidated		Bank	
	2015 $m	2014 $m	**2015 $m**	2014 $m
Cash and liquid assets	**1,103**	1,034	**553**	397
Due from other financial institutions	**91**	93	**19**	15
Other financial assets (including accrued interest)	**4,826**	6,399	**4,993**	5,882
Derivative financial instruments	**225**	160	**162**	132
Financial assets other than loans and advances	**6,245**	7,686	**5,727**	6,426
Gross loans and advances at amortised cost	**41,391**	38,882	**37,091**	32,266
Total financial assets	**47,636**	46,568	**42,818**	38,692
Customer commitments[(1)]	**1,498**	1,898	**624**	1,024
Total potential exposure to credit risk	**49,134**	48,466	**43,442**	39,716

(1) Refer to Note Section 6.2 for full details of customer commitments.

Distribution of financial assets by credit quality

	Consolidated		Bank	
	2015 $m	2014 $m	**2015 $m**	2014 $m
Neither past due or impaired				
Gross loans and advances at amortised cost	**40,056**	37,459	**35,899**	31,004
Financial assets other than loans and advances	**6,245**	7,686	**5,727**	6,426
Past due but not impaired				
Gross loans and advances at amortised cost	**1,098**	1,130	**987**	999
Impaired				
Gross loans and advances at amortised cost	**237**	293	**205**	263
	47,636	46,568	**42,818**	38,692

There is no individual exposure included in impaired assets which exceeds 5% of shareholders' equity (2014: nil).

The Bank holds collateral against loans and advances to customers in the form of mortgage interest over property, other registered securities over assets and guarantees and mortgage insurance. To mitigate credit risk, the Bank can take possession of the security held against the loans and advances as a result of customer default. To ensure reduced exposure to losses, the collateral held by the Bank as mortgagee in possession is realised promptly.

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. An estimate of the collateral held against past due but not impaired and impaired loans and advances at amortised cost is outlined below. It is not practical to determine the fair value of collateral held against performing loans.

	Consolidated		Bank	
	2015 $m	2014 $m	**2015 $m**	2014 $m
Held against past due but not impaired assets	**1,482**	1,593	**1,415**	1,486
Held against impaired assets	**159**	202	**142**	186

3.6. Risk management (continued)

(b) Credit risk (continued)

(ii) Credit quality

The credit quality of financial assets has been determined based on Standard and Poors credit ratings, APRA risk weightings and the Bank's standard risk grading.

The table below presents an analysis of the credit quality of financial assets:

Consolidated

	2015 $m				2014 $m			
	Gross loans and advances				Gross loans and advances			
	Retail	Commercial	Total loans and advances	Financial assets other than loans and advances	Retail	Commercial	Total loans and advances	Financial assets other than loans and advances
High Grade	23,736	3,346	27,082	6,236	22,771	2,980	25,751	7,677
Satisfactory	4,461	7,771	12,232	-	3,540	7,368	10,908	-
Weak	404	1,316	1,720	9	412	1,367	1,779	9
Unrated [(1)]	314	43	357	-	404	40	444	-
	28,915	12,476	41,391	6,245	27,127	11,755	38,882	7,686

Bank

	2015 $m				2014 $m			
	Gross loans and advances				Gross loans and advances			
	Retail	Commercial	Total loans and advances	Financial assets other than loans and advances	Retail	Commercial	Total loans and advances	Financial assets other than loans and advances
High Grade	23,736	2,634	26,370	5,549	22,611	1,540	24,151	6,294
Satisfactory	4,461	4,911	9,372	108	3,413	3,255	6,668	81
Weak	404	588	992	70	412	591	1,003	51
Unrated [(1)]	314	43	357	-	404	40	444	-
	28,915	8,176	37,091	5,727	26,840	5,426	32,266	6,426

(1) Loans and advances which have been classified as unrated are not secured, however these are not deemed to be weak. All other loans and advances have been included in the appropriate category.

3.6. Risk management (continued)

(b) Credit risk (continued)

(iii) Loans and advances which were past due but not impaired

Loans which are 90 or more days past due are not classified as impaired assets where the estimated net realisable value of the security is sufficient to cover the repayment of all principal and interest amounts due.

		Consolidated		Bank	
		2015 $m	2014 $m	**2015 $m**	2014 $m
Less than 30 days	- Retail	**385**	445	**385**	445
	- Commercial	**235**	229	**156**	130
31 to 90 days	- Retail	**148**	174	**148**	174
	- Commercial	**73**	60	**47**	34
More than 90 days	- Retail	**163**	146	**163**	146
	- Commercial	**94**	76	**88**	70
		1,098	1,130	**987**	999

(iv) Concentration of exposure for gross loans and advances at amortised cost

Concentration of credit risk exists when a number of counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors and have similar economic characteristics so that their ability to meet contractual obligations is similarly affected by changes in economic, political or other conditions.

The Bank monitors concentrations of credit risk by geographical location for loans and advances. An analysis of these concentrations of credit risk at the reporting date is shown below:

	Consolidated		Bank	
Geographical concentration of credit risk for loans and advances at amortised cost (before provisions and unearned income):	**2015 $m**	2014 $m	**2015 $m**	2014 $m
Queensland	**20,954**	20,912	**19,524**	18,900
New South Wales	**8,253**	6,904	**7,091**	4,949
Victoria	**6,608**	6,185	**5,683**	4,854
Northern Territory	**306**	260	**301**	255
Australian Capital Territory	**315**	314	**280**	241
Western Australia	**4,040**	3,519	**3,671**	2,778
South Australia	**481**	370	**355**	111
Tasmania	**192**	183	**186**	178
International (New Zealand)	**242**	235	**-**	-
	41,391	38,882	**37,091**	32,266

3.6. Risk management (continued)

(c) Liquidity risk

Liquidity risk arises from the possibility that the Bank is unable to meet its financial obligations as they fall due. Liquidity risk is managed through a series of detailed policies, including the management of cash flow mismatches, the maintenance of a stable, core retail deposits base, the diversification of the funding base and the retention of adequate levels of high quality liquid assets.

The Consolidated Entity manages liquidity risk by maintaining adequate reserves and facilities by continuously monitoring forecast and actual cash flows, matching maturity profiles of financial assets and liabilities and liquidity scenario analysis.

Consolidated 2015	Carrying amount $m	At Call $m	3 mths or less $m	3 to 12 mths $m	1 to 5 years $m	Over 5 years $m	Policyholder $m	Total contractual cash flows $m
Financial liabilities								
Due to other financial institutions	259	259	-	-	-	-	-	259
Deposits	34,732	11,984	12,406	9,794	990	12	-	35,186
Derivative financial instruments (1)	21	-	9	7	10	2	-	28
Accounts payable and other liabilities	390	-	390	-	-	-	-	390
Securitisation liabilities (2)	4,812	-	311	1,343	2,667	931	-	5,252
Borrowings including subordinated notes	3,901	-	40	1,083	3,112	-	-	4,235
Insurance policy liabilities	41	-	-	-	-	-	41	41
Total	44,156	12,243	13,156	12,227	6,779	945	41	45,390
Derivative financial instruments (hedging relationship)								
Contractual amounts payable	-	-	447	559	757	339	-	2,102
Contractual amounts receivable	-	-	(438)	(534)	(666)	(313)	-	(1,951)
	86	-	9	25	91	26	-	151
Off balance sheet positions								
Guarantees, indemnities and letters of credit	-	287	-	-	-	-	-	287
Customer funding commitments	-	1,211	-	-	-	-	-	1,211
	-	1,498	-	-	-	-	-	1,498

Consolidated 2014	Carrying amount $m	At Call $m	3 mths or less $m	3 to 12 mths $m	1 to 5 years $m	Over 5 years $m	Policyholder $m	Total contractual cash flows $m
Financial liabilities								
Due to other financial institutions	207	207	-	-	-	-	-	207
Deposits	34,106	11,297	13,958	8,210	1,215	17	-	34,697
Derivative financial instruments (1)	5	-	2	2	2	-	-	6
Accounts payable and other liabilities	399	-	399	-	-	-	-	399
Securitisation liabilities (2)	5,510	-	933	1,693	2,549	871	-	6,046
Borrowings including subordinated notes	2,854	-	85	508	2,426	-	-	3,019
Insurance policy liabilities	63	-	-	-	-	-	63	63
Total	43,144	11,504	15,377	10,413	6,192	888	63	44,437

(1) Derivative financial instruments other than those designated in a cashflow hedge relationship.
(2) Repayment of securitisation bonds is forecast based on the expected repayment profile of the underlying assets of the Trusts.

3.6. Risk management (continued)

(c) Liquidity risk (continued)

Consolidated 2014	Carrying amount $m	At Call $m	3 mths or less $m	3 to 12 mths $m	1 to 5 years $m	Over 5 years $m	Policyholder $m	Total contractual cash flows $m
Derivative financial instruments (hedging relationship)								
Contractual amounts payable	-	-	420	774	827	396	-	2,417
Contractual amounts receivable	-	-	(408)	(737)	(725)	(321)	-	(2,191)
	113	-	12	37	102	75	-	226
Off balance sheet positions								
Guarantees, indemnities and letters of credit	-	252	-	-	-	-	-	252
Customer funding commitments	-	1,646	-	-	-	-	-	1,646
	-	1,898	-	-	-	-	-	1,898

Bank 2015	Carrying amount $m	At Call $m	3 mths or less $m	3 to 12 mths $m	1 to 5 years $m	Over 5 years $m	Total contractual cash flows $m
Financial liabilities							
Due to other financial institutions	259	259	-	-	-	-	259
Deposits	35,378	12,626	12,406	9,794	990	12	35,828
Derivative financial instruments (1)	21	-	9	7	10	2	28
Accounts payable and other liabilities	345	-	345	-	-	-	345
Borrowings including subordinated notes	3,896	-	40	1,083	3,112	-	4,235
Amounts due to controlled entities	907	907	-	-	-	-	907
Total	40,806	13,792	12,800	10,884	4,112	14	41,602
Derivative financial instruments (hedging relationship)							
Contractual amounts payable	-	-	437	447	660	162	1,706
Contractual amounts receivable	-	-	(431)	(433)	(577)	(75)	(1,516)
	135	-	6	14	83	87	190
Off balance sheet positions							
Guarantees, indemnities and letters of credit	-	287	-	-	-	-	287
Customer funding commitments	-	337	-	-	-	-	337
	-	624	-	-	-	-	624

(1) Derivative financial instruments other than those designated in a cashflow hedge relationship.

3.6. Risk management (continued)

(c) Liquidity risk (continued)

Bank 2014	Carrying amount $m	At Call $m	3 mths or less $m	3 to 12 mths $m	1 to 5 years $m	Over 5 years $m	Total contractual cash flows $m
Financial liabilities							
Due to other financial institutions	207	207	-	-	-	-	207
Deposits	32,357	11,330	12,914	7,544	988	-	32,776
Derivative financial instruments [(1)]	5	-	2	2	2	-	6
Accounts payable and other liabilities	337	-	337	-	-	-	337
Borrowings including subordinated notes	2,660	-	84	485	2,366	-	2,935
Amounts due to controlled entities	1,224	1,224	-	-	-	-	1,224
Total	36,790	12,761	13,337	8,031	3,356	-	37,485
Derivative financial instruments (hedging relationship)							
Contractual amounts payable	-	-	310	709	697	208	1,924
Contractual amounts receivable	-	-	(315)	(678)	(618)	(117)	(1,728)
	100	-	(5)	31	79	91	196
Off balance sheet positions							
Guarantees, indemnities and letters of credit	-	227	-	-	-	-	227
Customer funding commitments	-	797	-	-	-	-	797
	-	1,024	-	-	-	-	1,024

(1) Derivative financial instruments other than those designated in a cashflow hedge relationship.

3.6. Risk management (continued)

(d) Insurance risk

(i) Risk management objectives and policies for risk mitigation

Insurance risks are controlled through the use of underwriting procedures, adequate premium rates and policy charges and sufficient reinsurance arrangements, all of which are approved through a Board approved governance structure. Controls are also maintained over claims management practices to assure the correct and timely payment of insurance claims.

(ii) Strategy for managing insurance risk

Portfolio of risks

The Bank's insurance subsidiaries issue consumer credit insurance, term life insurance, funeral insurance, accidental death insurance and motor vehicle gap insurance contracts. The performance of the Bank's insurance subsidiaries and its continuing ability to write business depends on its ability to pre-empt and control risks. The Bank's insurance subsidiaries have a risk management strategy which has been approved by their respective Boards. It summarises the approach to risk and risk management.

Risk strategy

In compliance with contractual and regulatory requirements, a strategy is in place to ensure that the risks underwritten satisfy objectives whilst not adversely affecting the Consolidated Entity's ability to pay benefits and claims when due. The strategy involves the identification of risks by type, impact and likelihood, the implementation of processes and controls to mitigate the risks, and continuous monitoring and improvement of the procedures in place to minimise the chance of an adverse compliance or operational risk event occurring. Included in this strategy is the process for underwriting and product pricing to ensure products are appropriately priced. Capital management is also a key aspect of the Consolidated Entity's risk management strategy. Capital requirements take account of all of the various regulatory reporting requirements to which the Consolidated Entity is subject.

Prudential capital requirements

Prudential capital requirements established by the APRA are in place to safeguard policyholders' interests, which are primarily the ability to meet future claim payments to policyholders. These require the Company's Capital Base to exceed the Prudential Capital Requirement throughout the year, not just at year end. The level of capital requirements also take into account specific risks faced by the Bank's insurance subsidiaries.

(iii) Methods to limit or transfer insurance risk exposures

Reinsurance

The insurance subsidiaries use reinsurance arrangements to pass on or cede to reinsurers, risks that are outside of the subsidiary's risk appetite.

Underwriting procedures

Strategic underwriting decisions are put into effect using the underwriting procedures detailed in the Bank's insurance subsidiaries Underwriting Policy. Such procedures include limits to delegated authorities and signing powers.

Claims management

Strict claims management procedures ensure timely and correct payment of claims in accordance with policy conditions.

Asset and liability management techniques

Assets are allocated to different classes of business using a risk based approach. The Bank's insurance subsidiaries have a mix of short and long term business and invests accordingly. Market risk is managed through investing in cash and deposits and bank issued commercial bills. No more than 35% of shareholder funds and funds backing insurance policy liabilities can be invested with any one counterparty subject to counterparty credit ratings.

(e) Concentration of insurance risk

(i) Insurance risks associated with human life events

The Bank's insurance subsidiaries aim to maintain a stable age profile and mix of the sexes within its portfolio of policyholders. This policy maintains a balance between the current and future profitability of the life business, and exposure to the significant external events. Despite the inevitable growth in policyholders at the age of retirement, the age profile and mix of sexes within the population of policyholders is sufficiently spread so that the risk concentration in relation to any particular age group is minimal.

3.7. Financial instruments

(a) Financial instrument classifications

In addition to Loans and Advances and financial liabilities at amortised cost the Bank classifies its financial instruments into one of the following four categories upon initial recognition:

(i) Financial assets held for trading

Financial assets that are held as part of the Bank's Trading Book (refer Section 3.3) are designated at fair value through the profit and loss. The Bank manages such financial assets and makes purchase and sale decisions based on their fair value in accordance with the Bank's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss in the Income Statement when incurred. Financial instruments at fair value through the profit and loss are measured at fair value, and changes therein are recognised in profit or loss in the Income Statement.

(ii) Available-for-sale financial assets

Assets that are intended to be held for an indefinite period of time but which may be sold in response to changes in interest rates, exchange rates and liquidity needs are classified as available-for-sale. These assets are initially measured at fair value plus any directly attributable transaction costs, with any changes in fair value other than impairment losses (refer section 3.4), being recognised in other comprehensive income and accumulated in reserves in equity until the asset is sold. Interest income received on these assets is recorded as net interest income and any realised gains or losses recorded in other income in the Income Statement.

(iii) Receivables due from other financial institutions

Receivables due from other financial institutions are recognised and measured at amortised cost and include nostro balances (an account held with a foreign bank usually in a foreign currency) and settlement account balances.

(iv) Derivative financial instruments

The Consolidated Entity uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. Refer to Section 3.8 for further information on Derivative Financial Instruments.

(b) Fair value of financial instruments

The financial assets and liabilities listed below are recognised and measured at fair value and therefore their carrying value equates to their fair value:

- Available-for-sale financial assets;
- Financial assets and liabilities designated at fair value through the profit and loss; and
- Derivatives.

The fair value estimates for instruments carried at amortised cost are based on the following methodologies and assumptions:

Cash and liquid assets, due from and to other financial institutions, accounts payable and other liabilities

The fair value approximates their carrying value as they are short term in nature or are receivable or payable on demand.

Loans and advances

Loans and advances are net of specific and collective provisions for doubtful debts and unearned income. The fair values of loans and advances that reprice within six months of year end are assumed to equate to the carrying value. The fair values of all other loans and advances are calculated using discounted cash flow models based on the maturity of the loans and advances. The discount rates applied are based on the current interest rates at the reporting date for similar types of loans and advances, if the loans and advances were performing at the reporting date. The differences between estimated fair values of loans and advances and carrying value reflect changes in interest rates and creditworthiness of borrowers since loan or advance origination.

Deposits

The fair value of non-interest bearing, call and variable rate deposits and fixed rate deposits repricing within six months is the carrying value. The fair value of other term deposits is calculated using discounted cash flow models based on the deposit type and its related maturity.

Borrowings including subordinated notes

The fair values are calculated based on a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instruments.

3.7. Financial instruments (continued)

(c) Comparison of fair value to carrying amounts

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

		Consolidated Entity			
		Carrying value		Fair value	
	Section	**2015 $m**	2014 $m	**2015 $m**	2014 $m
Assets carried at amortised cost					
Loans and advances at amortised cost	3.4	**40,703**	38,136	**40,829**	38,197
		40,703	38,136	**40,829**	38,197
Liabilities carried at amortised cost					
Deposits	3.2	**(34,732)**	(34,106)	**(34,769)**	(34,120)
Borrowings including subordinated notes	3.5	**(8,713)**	(8,364)	**(8,715)**	(8,369)
		(43,445)	(42,470)	**(43,484)**	(42,489)

		Bank			
		Carrying value		Fair value	
		2015 $m	2014 $m	**2015 $m**	2014 $m
Assets carried at amortised cost					
Loans and advances at amortised cost	3.4	**36,830**	32,035	**36,893**	32,068
		36,830	32,035	**36,893**	32,068
Liabilities carried at amortised cost					
Deposits	3.2	**(35,378)**	(32,357)	**(35,415)**	(32,252)
Borrowings including subordinated notes	3.5	**(3,896)**	(2,660)	**(3,897)**	(2,783)
		(39,274)	(35,017)	**(39,312)**	(35,035)

The estimated fair values disclosed do not include the assets and liabilities that are not financial instruments.

3.7. Financial instruments (continued)

(d) Fair value hierarchy

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

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

The table below analyses financial instruments carried at fair value, by valuation method. The fair value hierarchy classification of instruments in Section 3.7 (c) is Loans and advances level 3, Deposits and Borrowings including subordinated notes level 2.

There were no material movements in Level 3 during the year.

	2015			
Consolidated Entity	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

	2014			
Consolidated Entity	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Instruments carried at fair value				
Available-for-sale financial assets	1,893	1,962	9	3,864
Financial assets designated at fair value through profit and loss	-	2,473	-	2,473
Derivative financial assets	-	160	-	160
	1,893	4,595	9	6,497
Derivative financial liabilities	-	(249)	-	(249)
	1,893	4,346	9	6,248

	2015			
Bank	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Instruments carried at fair value				
Available-for-sale financial assets	1,149	1,838	9	2,996
Financial assets designated at fair value through profit and loss	-	1,940	-	1,940
Derivative financial assets	-	162	-	162
	1,149	3,940	9	5,098
Derivative financial liabilities	-	(283)	-	(283)
	1,149	3,657	9	4,815

3.7. Financial instruments (continued)

(d) Fair value hierarchy (continued)

Bank	2014 Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Instruments carried at fair value				
Available-for-sale financial assets	1,255	2,085	9	3,349
Financial assets designated at fair value through profit and loss	-	2,473	-	2,473
Derivative financial assets	-	132	-	132
	1,255	4,690	9	5,954
Derivative financial liabilities	-	(207)	-	(207)
	1,255	4,483	9	5,747

(e) Master netting or similar arrangements

There have been no financial assets or financial liabilities offset in the balance sheets. The Consolidated Entity has netting arrangements in place with counter parties on Derivative Financial Instruments and the effects of these netting arrangements if they were to be applied in the balance sheets has been disclosed at Section 3.8(b).

(f) Impairment of financial instruments policy

Financial assets other than loans and advances at amortised cost

The Consolidated Entity assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets, not carried at fair value through profit and loss, is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flow of that asset that can be estimated reliably. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss in the Income Statement - is reclassified from equity and recognised in profit or loss in the Income Statement as a reclassification adjustment. Impairment losses recognised in profit or loss in the Income Statement on equity instruments classified as available-for-sale are not reversed through the profit or loss in the Income Statement.

For available-for-sale debt securities, if any increase in the fair value can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit of loss in the Income Statement.

Loans and advances and other assets at amortised cost

If there is evidence of impairment for any of the Consolidated Entity’s financial assets carried at amortised cost, the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset’s original effective interest rate. The loss is recognised in profit or loss in the Income Statement.

(i) Specific impairment provisions

Impairment losses on individually assessed loans and advances are determined on a case-by-case basis. If there is objective evidence that an individual loan or advance is impaired, then a specific provision for impairment is raised. The amount of the specific provision is based on the carrying amount of the loan or advance, including the security held against the loan or advance and the present value of expected future cash flows. Any subsequent write-offs for bad debts are then made against the specific provision for impairment.

(ii) Collective impairment provisions

Where no evidence of impairment has been identified for loans and advances, these loans and advances are grouped together on the basis of similar credit characteristics for the purpose of calculating a collective impairment loss. Collective impairment provisions are based on historical loss experience adjusted for current observable data. The amount required to bring the collective provision for impairment to its required level is charged to profit or loss in the Income Statement.

3.8. Derivative Financial Instruments

(a) Accounting for derivatives

The Consolidated Entity and Bank used derivative financial instruments for both hedging and trading purposes in the current year. Refer to Section 3.6(a) for an explanation of the Consolidated Entity's and Bank's risk management framework.The Consolidated Entity uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. In accordance with its Treasury policy, the Consolidated Entity can hold derivative financial instruments for trading purposes. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at trade date fair value and are subsequently remeasured at fair value at the reporting date. The gain or loss on re-measurement is recognised immediately in profit or loss in the Income Statement. However, when derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship as discussed below.

The fair value of interest rate swaps is the estimated amount that the Consolidated Entity would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price. The fair value of futures contracts is their quoted market price.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability of the cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income and accumulated in reserves in equity. The ineffective portion of any gain or loss is recognised immediately in profit or loss in the Income Statement. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in other comprehensive income are reclassified into profit or loss in the Income Statement in the same period or periods in which the asset acquired or liability assumed affects the Income Statement (i.e. when interest income or expense is recognised).

When a hedging instrument expires or is sold, terminated or exercised, or the Consolidated Entity revokes designation of the hedge relationship but if the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss is recognised immediately in profit or loss in the Income Statement.

Fair value hedges

Where an effective hedge relationship is established, fair value gains or losses on the hedging instrument are recognised in profit or loss. The hedged item attributable to the hedged risk is carried at fair value with the gain or loss recognised in profit or loss. When a hedge relationship no longer meets the criteria for hedge accounting, the hedged item is accounted for under the effective interest method from that point and any accumulated adjustment to the carrying value of the hedged item from when it was effective is released to profit or loss over the period to when the hedged item will mature.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any foreign currency gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. To the extent the hedge is ineffective, a portion is recognised immediately in the Income Statement within other income or other expenses.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Income Statement and are included in other income. The Bank has not designated any hedges as fair value hedges.

(b) Master netting or similar arrangements

The Consolidated Entity enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. Amounts owed by each counterparty are aggregated into a single net amount that is payable by one party to another. The Consolidated Entity receives and gives collateral in the form of cash in respect of derivatives and such collateral is subject to standard industry terms. The Consolidated Entity has not offset these amounts in the Balance Sheets as their ISDA agreements do not meet the criteria to do so. The Consolidated Entity has no current legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events. The Consolidated Entity normally settles on a net basis or realises the derivative assets and liabilities simultaneously.

The following table sets out the effect of netting arrangements on derivative financial assets and derivative financial liabilities if they were to be applied.

	2015			
Consolidated	Gross amounts as presented in the Balance Sheets	Net amounts of recognised assets and liabilities if offset	Cash collateral	Net amounts if offsetting applied in the balance sheets
Derivative financial assets	225	(102)	(10)	113
Derivative financial liabilities	(297)	102	162	(33)

3.8. Derivative Financial Instruments (continued)

(b) Master netting or similar arrangements (continued)

	2014			
Consolidated	Gross amounts as presented in the Balance Sheets	Net amounts of recognised assets and liabilities if offset	Cash collateral	Net amounts if offsetting applied in the balance sheets
Derivative financial assets	160	(84)	-	76
Derivative financial liabilities	(249)	84	51	(114)

	2015			
Bank	**Gross amounts as presented in the Balance Sheets**	**Net amounts of recognised assets and liabilities if offset**	**Cash collateral**	**Net amounts if offsetting applied in the balance sheets**
Derivative financial assets	**162**	**(102)**	**(10)**	**50**
Derivative financial liabilities	**(283)**	**102**	**162**	**(19)**

	2014			
Bank	Gross amounts as presented in the Balance Sheets	Net amounts of recognised assets and liabilities if offset	Cash collateral	Net amounts if offsetting applied in the balance sheets
Derivative financial assets	132	(85)	-	47
Derivative financial liabilities	(207)	83	51	(73)

(c) Fair value of derivatives

The following table summarises the notional and fair value of the Consolidated Entity's and Bank's commitments to derivative financial instruments at reporting date. Fair value in relation to derivative financial instruments is estimated using net present value techniques. The table below sets out the fair values of the derivative financial instruments at 31 August 2015.

	Consolidated					
	2015			2014		
	Notional Amount	**Fair Value Asset / (Liability)**		Notional Amount	Fair Value Asset / (Liability)	
	$m	**Asset $m**	**Liability $m**	$m	Asset $m	Liability $m
Derivatives at fair value through income statement						
Interest Rate Swaps	**16,023**	**22**	**(15)**	21,491	24	(11)
Foreign Exchange Forwards	**249**	**7**	**(6)**	261	1	(2)
Futures	**15,331**	**6**	**-**	12,720	5	-
	31,603	**35**	**(21)**	34,472	30	(13)
Derivatives held as cash flow hedges						
Interest Rate Swaps	**35,243**	**111**	**(125)**	29,513	99	(174)
Cross Currency Swaps	**421**	**70**	**(15)**	578	30	(44)
Foreign Exchange Forwards	**344**	**9**	**-**	387	1	(18)
	36,008	**190**	**(140)**	30,478	130	(236)

3.8. Derivative Financial Instruments (continued)

(c) Fair value of derivatives (continued)

Consolidated

	2015			2014		
	Notional Amount	Fair Value Asset / (Liability)		Notional Amount	Fair Value Asset / (Liability)	
	$m	Asset $m	Liability $m	$m	Asset $m	Liability $m
Derivatives designated as fair value hedges						
Interest Rate Swaps	835	-	(136)	-	-	-
Derivatives designated as net investment hedges						
Foreign Exchange Forwards	29	-	-	17	-	-
	68,475	225	(297)	64,967	160	(249)

Bank

	2015			2014		
	Notional Amount	Fair Value Asset / (Liability)		Notional Amount	Fair Value Asset / (Liability)	
	$m	Asset $m	Liability $m	$m	Asset $m	Liability $m
Derivatives at fair value through income statement						
Interest Rate Swaps	16,023	22	(15)	20,916	24	(4)
Foreign Exchange Forwards	278	7	(6)	423	2	(1)
Futures	15,331	6	-	12,720	5	-
	31,632	35	(21)	34,059	31	(5)
Derivatives held as cash flow hedges						
Interest Rate Swaps	34,877	110	(119)	29,513	99	(174)
Cross Currency Swaps	153	8	(7)	159	-	(10)
Foreign Exchange Forwards	344	9	-	387	2	(18)
	35,374	127	(126)	30,059	101	(202)
Derivatives designated as fair value hedges						
Interest Rate Swaps	835	-	(136)	-	-	-
	67,841	162	(283)	64,118	132	(207)

3.9. 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 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. As at August 2015:

- Common Equity Tier 1 capital was 8.9%; and
- Total capital adequacy ratio was 12.7%.

	Consolidated	
Qualifying capital	**2015 $m**	2014 $m
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	**3,122**	3,021
Reserves	**36**	58
Retained profits, including current year profits	**254**	207
Total Common Equity Tier 1 Capital	**3,412**	3,286
Regulatory adjustments		
Goodwill and intangibles	**(848)**	(825)
Deferred expenditure	**(142)**	(122)
Other deductions	**(76)**	(178)
Total Regulatory adjustments	**(1,066)**	(1,125)
Net Common Equity Tier 1 Capital	**2,346**	2,161
Additional Tier 1 Capital	**450**	300
Net Tier 1 Capital	**2,796**	2,461
Tier 2 Capital		
Tier 2 Capital	**324**	340
General Reserve for Credit Losses	**227**	208
Net Tier 2 Capital	**551**	548
Capital Base	**3,347**	3,009
Risk Weighted Assets	**26,321**	25,032
Capital Adequacy Ratio	**12.7%**	12.0%

Prepared in accordance with APS 110.

3.10. Capital and reserves

(a) Ordinary shares

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share rights are recognised as a deduction from equity, net of any tax effects.

Treasury shares

Ordinary shares of the Bank may be purchased from time to time by a subsidiary of the Bank authorised to do so under the Bank's Award Rights Plan. Where these shares remain unvested to employees they are treated as treasury shares and deducted from capital as required by AASB 132 *Financial Instruments: Presentation and Disclosure*. No profit or loss is recorded on purchase, sale, issue or cancellation of these shares.

	Consolidated		Bank	
	2015 Number	2014 Number	**2015 Number**	2014 Number
Movements during the year				
Balance at the beginning of the year – fully paid	**362,516,835**	319,810,294	**362,516,835**	319,810,294
Dividend reinvestment plan	**7,351,941**	5,437,296	**7,351,941**	5,437,296
BOQ Specialist Bank Limited (1)	**-**	37,269,245	**-**	37,269,245
Issues of ordinary shares (2)	**900,000**	-	**900,000**	-
Balance at the end of the year – fully paid	**370,768,776**	362,516,835	**370,768,776**	362,516,835
Treasury shares (included in ordinary shares above)				
Balance at the beginning of the year	**297,579**	162,371	**-**	29,851
Net acquisitions and disposals during the year	**191,936**	135,208	**-**	(29,851)
Balance at the end of the year	**489,515**	297,579	**-**	-

(1) In the prior year, the Bank acquired 100% of BOQ Specialist Bank Limited formerly Investec Bank (Australia) Limited. $210 million of the consideration was financed through the issue of new shares by way of Institutional Entitlement and Retail Entitlement offers.
(2) On 24 October 2014, the Bank issued 900,000 ordinary shares at $12.29 to the trustee of the BOQ Employee Share Plans Trust to satisfy the exercise of award rights and issue of shares under the Award Rights Plan and issue of shares under the BOQ Restricted Share Plan and BOQ Employee Share Plan.

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as determined from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Bank, ordinary shareholders rank after preference shareholders and creditors and are fully entitled to any residual proceeds of liquidation.

(b) Nature and purpose of reserves

Employee benefits reserve

The employee equity benefits reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Section 6.1 for further details of these plans.

Equity reserve for credit losses

Refer to significant accounting policies Section 6.10 (g).

Available-for-sale reserve

Changes in the fair value of investments, such as bonds and floating rate notes classified as available-for-sale financial assets, are recognised in other comprehensive income as described in Section 3.7 (a)(ii) and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

Cash flow hedge reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in Section 3.8 (a). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

SECTION 4. OTHER ASSETS AND LIABILITIES

4.1. Intangible assets

	Consolidated					Bank				
	Goodwill $m	Customer related intangibles and brands $m	Computer software $m	Other $m	Total $m	Goodwill $m	Customer contracts $m	Computer software $m	Other $m	Total $m
Cost										
Balance as at 1 September 2013	488	107	231	9	835	8	5	219	4	236
Additions [(1)]	187	23	56	1	267	-	-	47	1	48
Disposals	-	-	(5)	-	(5)	-	-	(4)	-	(4)
Balance as at 31 August 2014	675	130	282	10	1,097	8	5	262	5	280
Balance as at 1 September 2014	675	130	282	10	1,097	8	5	262	5	280
Additions	-	-	59	3	62	-	-	55	3	58
Disposals	-	-	(31)	-	(31)	-	-	(29)	-	(29)
Balance as at 31 August 2015	**675**	**130**	**310**	**13**	**1,128**	**8**	**5**	**288**	**8**	**309**
Amortisation and impairment losses										
Balance as at 1 September 2013	-	74	163	6	243	-	5	157	3	165
Amortisation for the year	-	10	15	2	27	-	-	13	1	14
Disposals	-	-	(1)	-	(1)	-	-	(1)	-	(1)
Balance as at 31 August 2014	-	84	177	8	269	-	5	169	4	178
Balance as at 1 September 2014	-	84	177	8	269	-	5	169	4	178
Amortisation for the year	-	11	17	2	30	-	-	15	2	17
Disposals	-	-	(29)	-	(29)	-	-	(29)	-	(29)
Impairment	-	-	10	-	10	-	-	10	-	10
Balance as at 31 August 2015	**-**	**95**	**175**	**10**	**280**	**-**	**5**	**165**	**6**	**176**
Carrying amounts										
Carrying amount as at 1 September 2013	488	33	68	3	592	8	-	62	1	71
Carrying amount as at 31 August 2014	675	46	105	2	828	8	-	93	1	102
Carrying amount as at 31 August 2015	**675**	**35**	**135**	**3**	**848**	**8**	**-**	**123**	**2**	**133**

(1) Prior year balances have been restated. Refer to Section 1.4.

Initial recognition and measurement

Intangible assets are stated at cost less any accumulated amortisation and any impairment losses. Expenditure on internally generated goodwill, research costs and brands is recognised in the Income Statement as an expense as incurred.

4.1. Intangible assets (continued)

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Consideration transferred included the fair values of the assets transferred, liabilities incurred by the Consolidated Entity to the previous owners of the acquired entity, and equity interests issued by the Consolidated Entity.

Amortisation

Except for Goodwill, amortisation is charged to profit and loss in the income statement on a straight-line basis over the estimated useful life of the intangible asset unless the life of the intangible asset is indefinite. Where applicable, intangible assets are amortised from the date they are available for use. The amortisation period and method are reviewed on an annual basis. The amortisation rates used in the current and comparative periods are as follows:

	Years
Computer software	3-15
Customer related intangibles and brands	3-12

Impairment

As part of the Bank's periodic assessment of the carrying value of intangible assets, impairment indicators were identified with respect to specific internally generated software development projects. These projects focused on customer relationship management with the impairment indicators identified being the failure of the projects to meet operational and regulatory requirements. As a result, detailed reviews were conducted and the recoverable amounts ascertained were lower than the carrying amount.

The recoverable amount of nil was determined at an individual asset level and based on value in use. The Bank has subsequently raised an impairment of $10 million, which has been recognised in the profit and loss in the current reporting period.

Goodwill

Goodwill is the excess of the cost of acquisition over the fair value of the Bank's share of the identifiable net assets of the acquired subsidiary. Any goodwill is tested annually for impairment, with any impairment taken directly to the profit or loss in the Income Statement.

Consideration transferred included the fair values of the assets transferred, liabilities incurred by the Consolidated Entity to the previous owners of the acquired entity, and equity interests issued by the Consolidated Entity. The aggregate carrying amounts of goodwill are:

	Consolidated		Bank	
	2015 $m	2014 (1) $m	**2015 $m**	2014 $m
BOQ Equipment Finance Limited	**13**	13	**-**	-
Orix debtor finance division	**8**	8	**8**	8
Pioneer Permanent Pty Ltd	**24**	24	**-**	-
BOQ Home Limited	**400**	400	**-**	-
Virgin Money (Australia) Pty Limited	**43**	43	**-**	-
BOQ Specialist (Aust) Limited (formerly BOQ Specialist Bank Limited) (1)	**187**	187	**-**	-
	675	675	**8**	8

(1) Prior year balances have been restated. Refer to Section 1.4.

Impairment testing of the cash generating units containing goodwill

Goodwill on acquisition of all of the above entities has been allocated to the Banking cash generating unit ("CGU"). The impairment test for goodwill is performed by comparing the CGU's carrying amount with its recoverable amount. The recoverable amount is based on the CGU's value in use. The excess of the recoverable amount over the carrying amount was $1,231 million (2014: $641 million).

Value in use was determined by discounting the future cash flows generated from the continued use of the CGU. The values assigned to the key assumptions represent management's assessments of future trends in retail banking and are based on both external and internal sources. Below are the key assumptions used in determining value in use:

- Cash flows were initially based on the banking segment's 5 year projections (2014: 3 years);
- Subsequent cash flows were extrapolated beyond the 5 year projections at a medium term growth rate of 5% (2014: 9%);
- An exit value has been calculated at the end of year 10 based on a terminal earnings multiple of 12.0 (2014: 11.7) and a long term growth rate of 3% (2014: 3%); and
- A pre-tax discount rate of 14.3% (2014: 15.8%) was used.

4.2. Provisions

A provision is recognised in the Balance Sheet when the Consolidated Entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The carrying amounts of the provisions recognised are:

	Consolidated		Bank	
	2015 $m	2014 $m	**2015 $m**	2014 $m
Employee benefits (1)	**23**	22	**20**	15
Leases	**3**	5	**2**	3
Product Review (2)	**3**	36	**3**	36
Provision for non-lending loss (3)	**25**	34	**25**	34
Other (4)	**8**	7	**-**	-
Total	**62**	104	**50**	88

(1) Employee benefits provisions consist of annual leave and long service leave entitlements for employees.
(2) Product review provision for customer refunds and review costs.
(3) Included within the Non-lending losses provision is $21.4m (2014: $31.5m) in respect of the Storm Financial settlement. On 22 September 2014, the Bank announced an agreement to settle the outstanding Storm Financial proceedings which had been brought against the Bank by the Australia Securities and Investment Commission (ASIC) and a class action on behalf of borrowers advised by Storm Financial. On 16 December 2014 the Federal Court approved the deed of settlement between the Bank and the lead applicants. This settlement concluded the legal proceedings of both the outstanding Storm Financial proceedings against the Bank. The Bank has commenced the payment of settlement amounts during the financial year.
(4) Other provisions relate to insurance claims reserves.

Movements in provisions

Movements in each class of provision during the year, other than employee benefits, are as follows:

	Consolidated				Bank			
2015	Leases $m	Product Review $m	Non-lending loss	Other $m	Leases $m	Product Review $m	Non-lending loss	Other $m
Carrying amount at beginning of year	5	36	34	7	3	36	33	-
Additional provision recognised	3	-	4	2	2	-	4	1
Amounts utilised during the year	(5)	(33)	(13)	(1)	(3)	(33)	(13)	(1)
Transfers from BOQ Specialist Limited	-	-	-	-	-	-	1	-
Carrying amount at end of year	**3**	**3**	**25**	**8**	**2**	**3**	**25**	**-**

SECTION 5. INSURANCE BUSINESS

5.1. Insurance business

(a) Basis of preparation

The effective date of the actuarial report on life insurance policy liabilities and regulatory capital requirements is 31 August 2015. The actuarial report was prepared by Mr Wayne Kenafacke, Fellow of the Institute of Actuaries of Australia. This report indicates that Mr Kenafacke is satisfied as to the accuracy of the data upon which policy liabilities have been determined.

The amount of policy liabilities have been determined in accordance with methods and assumptions disclosed in this financial report and the requirements of applicable accounting standards. Specifically, policy liabilities for life insurance contracts and general insurance contracts are determined in accordance with AASB 1038 *Life Insurance Contracts* and AASB 1023 *General Insurance Contracts* respectively, and LPS: 340 *Valuation of Policy Liabilities*. These require policy liabilities to be calculated in a way which allows for the systematic release of planned margins as services are provided to policyholders and premiums are received.

Accumulation methods have been used to estimate the policy liabilities, as the provision for unearned premium reserve less a deferred acquisition cost component. Outstanding claims liabilities and Incurred But Not Reported (IBNR) liabilities are included in provisions.

Premium earning pattern

For single premium products, the Unearned Premium Reserve ("UPR") is based on a premium earning pattern that is similar to the pattern of expected future claim payments. The future claim payments are based on an assessment of the future sum insured (e.g. outstanding loan balances for mortgage and loan protection) and future claims frequencies. Past experience is used to set these assumptions. This earning pattern is also used to recognise commissions incurred.

For regular premium products, the UPR is based on the unearned proportion of premium for the given premium payment frequency.

Mortality and morbidity

Mortality and morbidity assumptions used in determining IBNR, pending and continuing claims provisions have been based on the experience of similar products issued by the Company and recent experience. The disputed claims provision is based on individual claim estimates and an assumed 50% probability of disputed claims being incurred.

(b) Processes used to determine actuarial assumptions

Sensitivity analysis

As a result of using an accumulation approach in the determination of policy liabilities, changes of assumptions will not affect the policy liabilities in the current period. As at 31 August 2015, no Related Product Groups were in loss recognition. Changes in the underlying variables and assumptions will give rise to a difference in the emergence of profit margins in the future.

Changes in assumptions relating to claims provisions would affect policy liabilities in the current period.

Variable	Impact of movement in underlying variable
Mortality rates	For contracts providing death benefits, greater mortality rates would lead to higher levels of claims occurring sooner than anticipated, increasing associated claims cost and therefore reducing profit and shareholder's equity.
Morbidity rates	The cost of disability related claims depends on both the incidence of policyholders becoming disabled and the duration which they remain so. Higher than expected incidence and duration would be likely to increase claim costs, reducing profit and shareholder equity.

5.1. Insurance business (continued)

(c) Reconciliation of movements

	2015 $m	2014 $m
Reconciliation of movements in insurance policy liabilities		
Life Insurance contract policy liabilities		
Gross life insurance contract liabilities at the beginning of the financial year	**52**	61
Decrease in life insurance contract policy liabilities (i)	**(20)**	(9)
Gross life insurance contract liabilities at the end of the financial year	**32**	52
Liabilities ceded under reinsurance		
Opening balance at the beginning of the financial year	**(2)**	(2)
Decrease in life reinsurance assets (ii)	**1**	-
Closing balance at the end of the financial year	**(1)**	(2)
Net life policy liabilities at the end of the financial year	**31**	50
(i) plus (ii) = change in life insurance contract liabilities reflected in the Income Statement	**(19)**	(9)
Components of net life insurance contract liabilities		
Future policy benefits	**55**	76
Future charges for acquisition costs	**(24)**	(26)
Total net life insurance contract policy liabilities	**31**	50
Components of general insurance liabilities		
Unearned Premium Liability	**8**	12
Outstanding Claims Liability	**2**	1
	10	13
Total Insurance Policy Liabilities	**41**	63

Note: Future policy benefits include the unearned premium components of the liability. The accumulation method has been used to calculate policy liabilities and components relating to expenses and profits are not separately calculated.

5.1. Insurance business (continued)

(d) Life Insurance Regulatory Capital requirements (continued)

The regulatory capital requirement of each fund and for the subsidiary in total is the amount required to be held in accordance with LPS 110: Capital Adequacy. These are amounts required to meet the prudential standards prescribed by the *Life Insurance Act 1995* to provide protection against the impact of fluctuations and unexpected adverse circumstances on the life company.

The methodology and bases for determining the Capital Base and regulatory capital requirements are in accordance with relevant Prudential Requirements.

	2015		2014	
	Statutory Fund No. 1 $m	**Shareholders' Fund $m**	**Statutory Fund No. 1 $m**	**Shareholders' Fund $m**
Capital Base				
Net Assets	**28**	**1**	29	1
Add / (subtract) regulatory adjustments to Net Assets	**(9)**	**-**	(9)	-
Total capital base	**19**	**1**	20	1
Asset risk charge	**1**	**-**	1	-
Operational risk charge	**2**	**-**	2	-
Total prescribed capital amount	**3**	**-**	3	-
Assets in excess of prescribed capital amount	**16**	**1**	17	1
Capital adequacy multiple	**6**	**60**	7	88

	2015 $m	2014 $m
Composition of capital Base		
Common equity tier 1 capital	**29**	30
Subtract regulatory adjustments to common equity tier 1 capital	**(9)**	(9)
Total capital base	**20**	21
Prescribed Capital Amount		
Statutory Fund No. 1	**3**	3
Additional amount to meet company minimum	**7**	7
Total prescribed capital amount	**10**	10
Assets in excess of prescribed capital amount	**10**	11
Capital adequacy multiple	**2**	2

5.1. Insurance business (continued)

(d) Life Insurance Regulatory Capital requirements (continued)

Disaggregated information life insurance (before consolidation adjustments)

Summarised Statement of Profit and Loss and Other Comprehensive Income	2015 $m	2014 $m
Revenue		
Life insurance premium revenue	41	56
Investment income	3	4
Net life insurance revenue	44	60
Expenses		
Net claims and other liability expense from insurance contracts	18	27
Other expenses	5	5
	23	32
Profit before income tax	21	28
Income tax expense	(6)	(9)
Profit after income tax	15	19
Statement of Sources of Profit for Statutory Funds		
Operating profit after income tax arose from:		
Components of profit related to movement in life insurance liabilities:		
Planned margins of revenues over expenses released	15	17
Difference between actual and assumed experience	(1)	1
Investment earnings on assets in excess of life insurance policy liabilities and provision	1	1
Summarised Balance Sheet		
Assets		
Investment assets	82	99
Other assets	3	2
	85	101
Liabilities		
Net life insurance liabilities	28	47
Liabilities other than life insurance liabilities	28	24
	56	71
Issued capital, reserves and retained profits		
Directly attributable to shareholders	29	30
	29	30

The life insurance business has no life investment contracts.

5.1. Insurance business (continued)

(e) Accounting policy

The life insurance operations of the Consolidated Entity are conducted within separate funds as required by the *Life Insurance Act 1995* and is reported in aggregate with the Shareholders' Fund in the Income Statement, Balance Sheet and Statement of Cash Flows of the Consolidated Entity. The life insurance operations of the Consolidated Entity comprise the selling and administration of life insurance contracts.

Life insurance contracts involve the acceptance of significant insurance risk. Insurance risk is defined as significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

Any products sold that do not meet the definition of a life insurance contract are classified as life investment contracts. Insurance contracts include those where the insured benefit is payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness. The insured benefit is either not linked or only partly linked to the market value of the investments held by the Consolidated Entity, and the financial risks are substantially borne by the Consolidated Entity.

Monies held in the statutory fund are subject to distribution and transfer restrictions and other requirements of the *Life Insurance Act 1995*.

Under AASB 1038, the financial statements must include all assets, liabilities, revenues, expenses and equity, irrespective of whether they are designated as relating to shareholders or policy owners. Therefore, the Consolidated Entity's financial statements comprise the total of all statutory funds and the Shareholders' Fund.

Insurance contract liability

Profits of the insurance contract business are brought to account on a Margin on Services ("MoS") basis in accordance with guidance provided by LPS 340: *Valuation of Policy Liabilities* as determined by APRA. Under MoS, profit is recognised as fees are received and services are provided to policyholders. When fees are received but the service has not been provided, the profit is deferred. Losses are expensed when identified.

Consistent with the principle of deferring unearned profit is the requirement to defer expenditure associated with the deferred profit. MoS permits costs associated with the acquisition of policies to be charged to profit or loss in the Income Statement over the period that the policy will generate profits. Costs may only be deferred to the extent that a policy is expected to be profitable.

Profit arising from life insurance is based on actuarial assumptions, and calculated as the excess of premiums and investment earnings less claims, operating expenses and the amortisation of acquisition costs that will be incurred over the estimated life of the policies. The profit is systematically recognised over the estimated time period the policy will remain in force.

Under MoS, insurance contract liabilities may be valued using an accumulation approach where this does not result in a material difference to the projection approach. The accumulation approach is deemed appropriate by the Directors and the appointed actuary. Under this approach, premiums received are deferred and earned in accordance with the underlying incidence of risk. Costs of acquiring insurance contracts, both direct and indirect, are deferred to the extent that related product groups are expected to be profitable. Where a related product group is not expected to be profitable, the insurance contract liability is increased by the excess of the present value of future expenses over future revenues.

Revenue Recognition

Premiums in respect of life insurance contracts are recognised as revenue in the Income Statement from the date of attachment of risk. Premiums with no due date are recognised as revenue on a cash basis. Premiums with a regular due date are recognised as revenue on an accruals basis. Unpaid premiums are only recognised as revenue during the days of grace or where secured by the surrender value of the policy and are included in the intergroup balance in the Balance Sheet.

Investment income is recognised on an accruals basis. Realised and unrealised gains and losses are included in the Income Statement as investment income.

Claims expense – insurance contracts

Claims incurred all relate to the provision of services, including the bearing of risks, and are treated as expenses.

Claims are recognised when the liability to the policyholder under the policy contract has been established. Claims recognition is based upon:

- cost estimates for losses reported to the close of the financial year; and
- estimated incurred, but not reported losses, based upon past experience.

Deferred acquisition costs - Life insurance contracts

The fixed and variable costs of acquiring new life insurance business are deferred to the extent that such costs are deemed recoverable from future premiums or policy charges. These costs include commission, policy issue and underwriting costs, certain advertising costs and other sales costs. Acquisition costs deferred are limited to the lesser of the actual costs incurred and the allowance for the recovery of such costs in the premium or policy charges. The actual acquisition costs incurred are recorded in profit or loss in the Income Statement. The value and future recovery of these costs are assessed in determining policy liabilities. This has the effect that acquisition costs are deferred within the policy liability balance and amortised over the period that they will be recovered from premiums or policy charges.

5.1. Insurance business (continued)

(e) Accounting policy (continued)

Critical Accounting Judgements and Estimates:

The Consolidated Entity's insurance subsidiaries make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where critical accounting judgements and estimates are applied are noted below.

Policy liabilities

Policy liabilities for life insurance contracts are computed using statistical or mathematical methods, which are expected to give approximately the same results as if an individual liability was calculated for each contract. The computations are made by suitably qualified personnel on the basis of recognised actuarial methods, with due regard to relevant actuarial principles. The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written. The key factors that affect the estimation of these liabilities and related assets are:

- The cost of providing benefits and administering these insurance contracts;
- Mortality and morbidity experience on life insurance products, including enhancements to policyholder benefits; and
- Discontinuance experience, which affects the Bank's ability to recover the cost of acquiring new business over the lives of the contracts.

In addition, factors such as regulation, competition, interest rates, taxes, securities market conditions and general economic conditions affect the level of these liabilities.

SECTION 6. OTHER NOTES

6.1. Employee benefits

(a) Superannuation commitments

Superannuation plan

The Bank contributes to a number of defined contribution superannuation plans which comply with the *Superannuation Industry (Supervision) Act 1993*. Contributions are charged to profit or loss in the Income Statement as they are made.

Basis of contributions

Employee superannuation contributions are based on various percentages of employees' gross salaries. The Consolidated Entity's contributions are also based on various percentages of employees' gross salaries.

The Consolidated Entity is under no legal obligation to make superannuation contributions except for the minimum contributions required under the Superannuation Guarantee Legislation.

During the year, employer contributions were made, refer to Section 2.2.

(b) Share based payments

The Consolidated Entity currently operates an Award Rights Plan for equity-settled compensation. The plan allows Consolidated Entity employees to acquire shares in the Bank. The fair value of rights granted is recognised as an employee expense with a corresponding increase to the Employee Benefits Reserve. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the rights. The fair value of the rights granted is measured using industry accepted pricing methodologies, taking into account the terms and conditions upon which the rights are granted. The fair value of the rights is expensed over the vesting period. Where rights do not vest due to failure to meet a non market condition (e.g. employee service period) the expense is reversed. Where rights do not vest due to failure to meet a market condition (e.g. Total Shareholder Return test) the expense is not reversed.

(i) Description of share based payments

Long-Term Incentives - Award Rights

The Award Rights Plan was approved by shareholders on 11 December 2008. It is an equity based program under which Award Rights are granted as long-term incentives. The two types of award rights currently granted to executives under the plan are PARs and DARs. No amount is payable by employees for the grant or exercise of these award rights.

PARs

PARs have a vesting framework based on TSR of the Bank as measured against a Peer Group over a 2 to 3 year period. That Peer Group consists of the S&P / ASX 200 from time to time excluding selected entities in resources, real estate investment trusts, telecommunications (offshore headquartered), energy and utilities and such other inclusions and exclusions as the Board considers appropriate. TSR is a measure of the entire return a shareholder would obtain from holding an entity's securities over a period, taking into account factors such as changes in the market value of the securities and dividends paid over the period.

One half of an employee's PARs will vest if the Bank's TSR performance over the three year period is in the top 50% of the Peer Group. All of the PARs vest if the Bank's TSR performance is in the top 25%. For TSR performance between those targets, a relative proportion of the PARs between 50% and 100% would vest.

Vested PARs are generally exercisable within 5 years after they are granted (approximately 2 years after vesting).

DARs

There are no market performance hurdles or vesting conditions for DARs but the holder must remain an employee of the Bank. Vested DARs are generally exercisable within 5 years after they are granted (approximately 2 to 4 years after vesting).

Restricted Shares

The Consolidated Entity has used shares with restrictions on disposal as a non-cash, share based component of both short term and long term incentive awards.

(ii) Award rights on issue

The number of award rights and restricted shares on issue is as follows:

	Deferred Award Rights		Performance Award Rights		Restricted Shares	
	2015 '000	2014 '000	**2015 '000**	2014 '000	**2015 '000**	**2014 '000**
Balance at beginning of the year	**941**	1,029	**2,198**	1,462	**197**	29
Granted during the year	**621**	408	**809**	904	**163**	198
Forfeited / expired during the year	**(122)**	(39)	**(223)**	(90)	**-**	-
Exercised during the year	**(354)**	(457)	**(271)**	(78)	**(98)**	(30)
Outstanding at the end of the year	**1,086**	941	**2,513**	2,198	**262**	197

6.1. Employee benefits (continued)

(b) Share based payments (continued)

(iii) Measurement of fair values

The fair value of the PARs and DARs has been measured using the trinomial pricing methodology.

Restricted shares have been valued based on the volume weighted average price of ordinary shares in BOQ sold on the ASX during a 10 day trading period. The shares vest on the respective expiry dates and meeting certain service conditions.

The weighted average of the inputs used in the measurements at grant date of the long-term incentive award rights were as follows:

	Deferred award rights		Performance award rights		Restricted shares	
	2015	2014	**2015**	2014	**2015**	2014
Fair value at grant date	**$9.28**	$7.64	**$5.28**	$5.00	**$11.65**	$11.43
Share price at grant date	**$10.57**	$8.82	**$10.11**	$9.08	**$11.65**	$11.43
Expected volatility	**30.4%**	36.5%	**28.1%**	31.7%	**23.8%**	25.2%
Risk free interest rate	**2.7%**	2.9%	**2.8%**	2.9%	**2.7%**	2.8%
Dividend yield	**6.3%**	7.1%	**5.8%**	6.2%	**5.0%**	5.0%

6.2. Commitments

	Consolidated		Bank	
	2015 $m	2014 $m	**2015 $m**	2014 $m
(a) Lease commitments				
Future rentals in respect of operating leases (principally in respect of premises) not provided for in these financial statements comprise amounts payable:				
Within 1 year	**39**	40	**39**	35
Between 1 year and 5 years	**81**	91	**81**	87
Later than 5 years	**90**	99	**90**	99
	210	230	**210**	221
(b) Customer funding commitments				
Guarantees, indemnities and letters of credit	**287**	252	**287**	227
Customer funding commitments	**1,211**	1,646	**337**	797
	1,498	1,898	**624**	1,024

In the normal course of business the Bank makes commitments to extend credit to its customers. Most commitments either expire if not taken up within a specified time or can be cancelled by the Bank within one year. Credit risk is significantly less than the notional amount and does not crystallise until a commitment is funded. Guarantees are provided to third parties on behalf of customers. The credit risks of such facilities are similar to the credit risks of loans and advances.

6.3. Contingent liabilities

While no proceedings have been brought against the Bank, there is the potential that proceedings may be brought against the Bank arising from 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 any proceedings as no proceedings have been brought against the Bank.

6.4. Related parties information

(a) Controlled entities

Details of interests in material controlled entities are set out in Section 6.5.

During the year there have been transactions between the Bank and all of its controlled entities. The Bank conducted normal banking business with its operating controlled entities. Amounts owing to or from controlled entities do not attract interest, except in respect of BOQ Equipment Finance Limited, St Andrew's Australia Services Pty Ltd, BOQ Finance (Aust) Ltd, BOQ Finance (NZ) Ltd, Dell Financial Services Pty Ltd, and Virgin Money (Australia) Pty Limited where interest is charged on normal terms and conditions.

The Bank receives management fees from B.Q.L. Management Pty. Ltd. and BOQ Equipment Finance Limited.

The Bank has a related party relationship with equity accounted joint ventures, refer to Section 6.7.

(b) Key management personnel compensation

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Bank and the Consolidated Entity, including Directors and other executives.

Key management personnel compensation included in 'administrative expenses' and 'employee expenses' (refer to Section 2.2) is as follows:

	Consolidated and Bank	
	2015 $	2014 $
Short-term employee benefits	**8,694,677**	9,599,506
Post-employment benefits	**298,656**	298,792
Long term employee benefits	**30,694**	25,703
Termination benefits	**762,892**	-
Share based employment benefits	**4,001,545**	5,192,081
	13,788,464	15,116,082

Individual Directors and executives compensation disclosures

Information regarding individual Directors and executives compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' report.

Apart from the details disclosed in the Remuneration Report, no Director has entered into a material contract with the Bank since the end of the previous financial year and there were no material contracts involving Directors' interest existing at year end.

6.4. Related parties information (continued)

(c) Other financial instrument transactions with key management personnel and personally-related entities

A number of key management personnel or their related parties hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Financial instrument transactions with key management personnel and personally-related entities during the financial year arise out of the provision of banking services, the acceptance of funds on deposit, the granting of loans and other associated financial activities. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available on similar transactions to non-Director related entities on an arm's length basis.

The following are transactions undertaken between the Consolidated Entity and key management personnel as at 31 August 2015:

	Balance as at		For the period (1)			
	1 September 2014 (2) $	31 August 15 $	Total Loan Repayments $	Total Loan Redraws / Further Advances $	Total Loan / Overdraft interest $	Total Fees on Loans / Overdraft $
Term Products (Loans / Advances)	**(1,479,341)**	**(2,535,149)**	**1,177,622**	**1,278,465**	**62,105**	**360**

	Balance as at		For the period (1)			
	1 September 2013 $	31 August 14 $	Total Loan Repayments $	Total Loan Redraws / Further Advances $	Total Loan / Overdraft interest $	Total Fees on Loans / Overdraft $
Term Products (Loans / Advances)	(2,292,172)	(3,619,345)	791,954	(1,965,439)	(153,368)	(320)

(1) Amounts are included only for the period that the Director / Executive is classified as a member of the key management personnel.
(2) Balance as at 1 September 2014 will not equal 31 August 2014 closing balance due to changes in key management personnel during the year.

Other transactions

Transactions between the Consolidated Entity and key management personnel (other than loans/advances and shares) during the financial year related to personal banking, investment and deposit transactions. These transactions are considered trivial or domestic in nature, were on normal commercial terms and conditions and in the ordinary course of business.

On 26 May 2015, the Bank issued 15,000 Wholesale Capital Notes at a price of $10,000 per note. Details of those notes issued to BOQ Directors are set out below:

	Balance at 31 August 2015 $	Interest receivable $	Highest balance during the year $
Roger Davis	200,000	2,452	202,452
David Willis	70,000	858	70,858
Total	**270,000**	**3,310**	**273,310**

Transactions between the Consolidated Entity and other related parties of key management personnel relate to loans on normal commercial terms and conditions. Details of loans outstanding at the reporting date to other related parties of Directors and Senior Executives are as follows:

	2015				2014			
	Balance at 1 September 2014 $	**Interest paid and payable during the year $**	**Balance at 31 August 2015 $**	**Highest balance during the year $**	Balance at 1 September 2013 $	Interest paid and payable during the year $	Balance at 31 August 2014 $	Highest balance during the year $
Richard Haire Related Party	**191,000**	**9,149**	**191,000**	**191,777**	191,000	9,148	191,000	191,777
Jon Sutton Related Party	**-**	**3,023**	**147,448**	**150,000**	-	-	-	-

6.5. Controlled Entities

(a) Particulars in relation to material controlled entities

The Group's principal subsidiaries at 31 August 2015 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group. The Bank owns 100% of all subsidiaries with nil ownership interest held by non-controlling interests. The country of incorporation or registration is also their principal place of business.

	Place of business/country of incorporation	Parent entity's interest		Amount of investment (at cost)		Principal activities
Controlled entities:		2015 %	2014 %	2015 $m	2014 $m	
B.Q.L. Management Pty. Ltd.	Australia	100%	100%	-	-	Trust management
B.Q.L. Nominees Pty. Ltd.	Australia	100%	100%	5	5	Dormant
B.Q.L. Properties Pty Ltd (1)	Australia	100%	100%	-	-	Dormant
Queensland Electronic Switching Pty Ltd	Australia	100%	100%	-	-	Dormant
BOQ Equipment Finance Limited	Australia	100%	100%	15	15	Asset Finance & Leasing
St Andrew's Australia Services Pty Ltd	Australia	100%	100%	-	-	Insurance
REDS Warehouse Trust No.1	Australia	-	100%	-	-	Securitisation
REDS Warehouse Trust No.2	Australia	-	100%	-	-	Securitisation
Series 2006-1E REDS Trust	Australia	100%	100%	-	-	Securitisation
Series 2007-1E REDS Trust	Australia	100%	100%	-	-	Securitisation
Series 2007-2 REDS Trust	Australia	100%	100%	-	-	Securitisation
Series 2008-1 REDS Trust	Australia	100%	100%	-	-	Securitisation
Series 2008-2 REDS Trust	Australia	100%	100%	-	-	Securitisation
Series 2009-1 REDS Trust	Australia	100%	100%	-	-	Securitisation
REDS Warehouse Trust No.3	Australia	100%	100%	-	-	Securitisation
Series 2010-1 REDS Trust	Australia	100%	100%	-	-	Securitisation
Series 2010-2 REDS Trust	Australia	100%	100%	-	-	Securitisation
Series 2012-1E EHP REDS Trust	Australia	-	100%	-	-	Securitisation
Series 2012-1E REDS Trust	Australia	100%	100%	-	-	Securitisation
Series 2013-1 EHP REDS Trust	Australia	100%	100%	-	-	Securitisation
Series 2013-1 REDS Trust	Australia	100%	100%	-	-	Securitisation
Pioneer Permanent Pty Ltd (2)	Australia	100%	100%	60	60	Dormant
BOQ Home Pty Ltd (3)	Australia	100%	100%	600	600	Investment holding entity
Home Financial Planning Pty Ltd	Australia	100%	100%	-	-	Dormant
Home Credit Management Pty Ltd (4)	Australia	100%	100%	-	-	Investment holding entity
Statewest Financial Services Pty Ltd (5)	Australia	100%	100%	-	-	Dormant
Statewest Financial Planning Pty Ltd	Australia	100%	100%	-	-	Dormant
BOQ Share Plans Nominee Pty Ltd	Australia	100%	100%	-	-	Trust management
Bank of Queensland Limited Employee Share Plans Trust	Australia	100%	100%	-	-	Trust management
St Andrew's Life Insurance Pty Ltd	Australia	100%	100%	-	-	Life Insurance
St Andrew's Insurance (Australia) Pty Ltd	Australia	100%	100%	-	-	General Insurance
BOQ Finance (Aust) Limited	Australia	100%	100%	230	230	Asset Finance & Leasing
BOQ Credit Pty Limited	Australia	100%	100%	-	-	Asset Finance & Leasing
BOQ Funding Pty Limited	Australia	100%	100%	-	-	Asset Finance & Leasing
BOQ Finance (NZ) Limited	New Zealand	100%	100%	22	22	Asset Finance & Leasing
Newcourt Financial (Australia) Pty Limited	Australia	100%	100%	-	-	Dormant

(1) Entity was formerly known as B.Q.L Properties Limited.
(2) Entity was formerly known as Pioneer Permanent Limited.
(3) Entity was formerly known as BOQ Home Limited.
(4) Entity was formerly known as Home Credit Management Limited.
(5) Entity was formerly known as Statewest Financial Services Limited.

6.5. Controlled Entities (continued)

(a) Particulars in relation to material controlled entities (continued)

Controlled entities:	Place of business/ country of incorporation	Parent entity's interest 2015 %	Parent entity's interest 2014 %	Amount of investment (at cost) 2015 $m	Amount of investment (at cost) 2014 $m	Principal activities
Dell Financial Services Pty Ltd (1)	Australia	100%	100%	-	-	Asset Finance & Leasing
Hunter Leasing Pty Ltd (2)	Australia	100%	100%	-	-	Dormant
Virgin Money (Australia) Pty Limited	Australia	100%	100%	43	43	Financial services
Virgin Money Home Loans Pty Limited	Australia	100%	100%	-	-	Dormant
Virgin Money Financial Services Pty Ltd	Australia	100%	100%	-	-	Financial services
BOQ Specialist (Aust) Limited (3)	Australia	100%	100%	567	552	Professional Finance and Asset Finance & Leasing
BOQ Specialist Pty Ltd	Australia	100%	100%	1	-	Professional Finance
BOQ Asset Finance and Leasing Pty Ltd	Australia	100%	100%	-	-	Asset Finance & Leasing
Impala Trust No. 1	Australia	100%	100%	-	-	Securitisation
Nyala Funding Trust CMBS 2013-1	Australia	100%	100%	-	-	Securitisation
Nyala Funding Trust No.1	Australia	-	100%	-	-	Securitisation
Series 2014-1 EHP REDS Trust	Australia	100%	-	-	-	Securitisation
Series 2015-1 REDS Trust	Australia	100%	-	-	-	Securitisation
				1,543	1,527	

(1) Entity was formerly known as Equipment Rental Billing Services Pty Ltd.
(2) Entity was formerly known as Hunter Leasing Limited.
(3) Following the surrender of its Authorised Deposit-taking Institution license on 1 June 2014, this entity was renamed from BOQ Specialist Bank Limited to BOQ Specialist (Aust) Limited.

(b) Significant restrictions

In accordance with Prudential Standard APS 222 *Associations with related entities*, the Bank and its subsidiaries that form part of the Extended Licensed Entities are restricted from having unlimited exposures to related entities, including general guarantees. These related entities are as follows:

- Virgin Money (Australia) Pty Limited;
- Virgin Money Home Loans Pty Limited;
- Virgin Money Financial Services Pty Ltd;
- St Andrew's Australia Services Pty Ltd;
- St Andrew's Life Insurance Pty Ltd;
- St Andrew's Insurance (Australia) Pty Ltd;
- BOQ Specialist (Aust) Limited (Formerly BOQ Specialist Bank Limited);
- BOQ Specialist Pty Ltd; and
- BOQ Asset Finance and Leasing Pty Ltd.

(c) Acquisition of controlled entities

(i) Accounting for business combinations

Acquisitions on or after 1 July 2009

The Consolidated Entity has adopted revised AASB 3 *Business Combinations (2008*) for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. The Consolidated Entity has also adopted AASB 10 *Consolidated Financial Statements (2013)* which has superseded AASB 127 *Consolidated and Separate Financial Statements (as amended in 2008)*. For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee.

Contingent Liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Transactions Costs

Transaction costs that the Group incurs in connection with a business combination, such as a finders fee, legal fees, due diligence fees and other professional and consulting fees are expensed as incurred.

6.5. Controlled Entities (continued)

(c) Acquisition of controlled entities (continued)

(ii) Entities acquired during the prior year

On 31 July 2014, the Bank acquired 100% of BOQ Specialist Bank Limited formerly known as the Professional Finance and Asset Finance & Leasing businesses of Investec Bank (Australia) Limited (Investec) for consideration of $210 million. The purchase was funded through a $400 million fully-underwritten, renounceable entitlement offer, as well as excess capital.

BOQ Specialist (Aust) Limited (formerly BOQ Specialist Bank Limited) focuses on providing banking, advisory and investment products and services to a wide range of private, corporate and institutional clients. The Bank purchased BOQ Specialist (Aust) Limited for further diversification of the business and for the access to a niche market in Professional Finance.

The net assets recognised in the 31 August 2014 Group financial statements were based on a provisional assessment of their fair value, while the Group finalised various matters impacting the acquisition accounting entries.

Finalisation of provisional accounting resulted in the restatement of comparatives, which have been detailed at Section 1.4.

	Recognised values on acquisition $m	Pre-acquisition carrying amounts $m
Assets		
Cash and liquid assets	52	52
Other financial assets	545	544
Loans and advances at amortised cost	2,504	2,508
Other assets	13	13
Property, plant & equipment	-	3
Intangible assets	29	-
Deferred tax assets	11	1
Total assets	3,154	3,121
Liabilities		
Deposits	(2,328)	(2,326)
Derivative financial instruments	(8)	(8)
Accounts payable and other liabilities	(43)	(43)
Borrowings including subordinated notes	(744)	(744)
Deferred tax liabilities	(8)	-
Total liabilities	(3,131)	(3,121)
Net identifiable assets and liabilities	23	-
Goodwill and other identifiable assets on acquisition	187	
Total Consideration	210	
Consideration paid, satisfied in cash	210	
Cash acquired	(52)	
Net cash outflow	158	

BOQ Specialist (Aust) Limited (formerly BOQ Specialist Bank Limited) contributed $3.1 million to profit after tax of the Consolidated Entity for the financial year ended 2014.

The following entities were established during the financial year:

- Series 2014-1 EHP Reds Trust was opened on 18 September 2014; and
- Series 2015-1 Reds Trust was opened on 19 March 2015.

(d) Disposal of controlled entities

The following entities were closed during the financial year:

- REDS Warehouse Trust No.2 was closed on 4 December 2014;
- Series 2012-1E EHP REDS Trust was closed on 13 April 2015;
- REDS Warehouse Trust No.1 was closed on 23 April 2015; and
- Nyala Funding Trust No. 1 was closed on 15 June 2015.

6.6. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 19 August 2005, certain wholly-owned subsidiaries are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

It is a condition of the Class Order that the Bank and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Bank guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Bank will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Bank is wound up.

During the year management undertook a review of those subsidiaries to the Deed, to ensure they were consistent with those included within the Extended License Entity. The result of this review was the removal of the following entities by way of a revocation deed on 1 March 2015:

- B.Q.L. Nominees Pty. Ltd.;
- B.Q.L. Properties Pty Ltd (Formerly known as B.Q.L Properties Limited);
- B.Q.L. Management Pty. Ltd.;
- BOQ Home Pty Ltd (Formerly known as BOQ Home Limited);
- BOQ Share Plans Nominee Pty Ltd;
- Dell Financial Services Pty Ltd (Formerly known as Equipment Rental Billing Services Pty Ltd);
- Home Credit Management Pty Ltd (Formerly known as Home Credit Management Limited);
- Hunter Leasing Pty Ltd (Formerly known as Hunter Leasing Limited);
- Newcourt Financial (Australia) Pty Limited;
- Pioneer Permanent Pty Ltd (Formerly known as Pioneer Permanent Limited);
- Queensland Electronic Switching Pty Ltd;
- StateWest Financial Services Pty Ltd (Formerly known as Statewest Financial Services Limited); and
- St Andrew's Australia Services Pty Ltd.

Subsequent to the removal of the subsidiaries listed above, the remaining subsidiaries to the Deed are as follows:

- BOQ Credit Pty Limited;
- BOQ Equipment Finance Limited;
- BOQ Finance (Aust) Limited; and
- BOQ Funding Pty Limited.

A summarised consolidated Income Statement and consolidated Balance Sheet, comprising the Bank and its controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 August 2015 is set out as follows:

Summarised income statement and retained profits

	Consolidated	
	2015 $m	2014 $m
Profit before tax	**433**	368
Less: Income tax expense	**(126)**	(110)
Profit for the year	**307**	258
Retained profits at beginning of year	**203**	144
Removal of entities revoked from Deed (1)	**(83)**	-
Dividends to shareholders	**(256)**	(199)
Transfers to equity reserve for credit losses	**(11)**	-
Retained profits at end of year	**160**	203
Profit attributable to:		
Equity holders of the parent	**307**	258
Profit for the year	**307**	258

(1) Represents the retained profits balances as at 1 March 2015 of those entities revoked from the Deed.

6.6. Deed of cross guarantee (continued)

Balance Sheet

	Consolidated	
Assets	**2015 $m**	2014 $m
Cash and liquid assets	**561**	431
Due from other financial institutions	**19**	-
Financial assets available-for-sale	**1,940**	2,473
Financial assets held for trading	**2,996**	3,349
Derivative assets	**162**	132
Loans and advances at amortised cost	**40,491**	35,591
Other assets	**237**	253
Shares in controlled entities	**608**	646
Property, plant and equipment	**52**	41
Deferred tax assets	**90**	112
Intangible assets	**422**	564
Investments in joint arrangements	**9**	21
Total assets	**47,587**	43,613
Liabilities		
Due to other financial institutions - Accounts payable at call	**258**	233
Deposits	**34,791**	33,648
Derivative liabilities	**290**	207
Accounts payable and other liabilities	**374**	373
Current tax liabilities	**56**	71
Provisions	**51**	95
Borrowings including subordinated notes	**4,282**	942
Amounts due to controlled entities	**4,435**	4,712
Total liabilities	**44,537**	40,281
Net assets	**3,050**	3,332
Equity		
Issued capital	**2,810**	3,018
Reserves	**80**	111
Retained profits	**160**	203
Total equity	**3,050**	3,332

6.7. Investments in joint arrangements

The Consolidated Entity holds interests in a number of collectively and individually immaterial joint ventures that are accounted for using the equity method. The principal activity of the joint venture entities is land subdivision, development and sale.

(a) Accounting for joint arrangements

The Consolidated Entity's investments in joint venture entities are accounted for under the equity method of accounting in the consolidated financial statements. These are entities in which the Consolidated Entity has joint control over all operational decisions and activities.

Under the equity method, the investments in joint ventures are recognised at the cost of acquisition and the carrying value is subsequently adjusted by the Consolidated Entity's share of the joint venture entity's profit or loss and movement in post-acquisition reserves, after adjusting to align the accounting policies with that of the Consolidated Entity's.

The Consolidated Entity's share of the joint venture entity's net profit or loss is calculated based on the sale of land, together with any tax expense, and is brought to account based on the proportion of settled land sales contracts.

(b) Joint venture details

Set out below are the joint ventures of the Consolidated Entity as at 31 August 2015 which, in the opinion of the directors, are immaterial to the Consolidated Entity. Australia is the place of business and also the country of incorporation for all joint ventures. The proportion of ownership interest is the same as the proportion of voting rights held.

	Ownership Interest		Carrying amount	
	2015 (%)	2014 (%)	**2015 $m**	2014 $m
Ocean Springs Pty Ltd (Brighton)	**9.31**	9.31	**9**	12
Dalyellup Beach Pty Ltd (Dalyellup)	**17.08**	17.08	**9**	9
East Busselton Estate Pty Ltd (Provence)	**25.00**	25.00	**-**	-
Coastview Nominees Pty Ltd (Margaret River)	**5.81**	5.81	**-**	-
Provence 2 Pty Ltd (Provence 2)	**25.00**	25.00	**-**	-
Total equity accounted investments			**18**	21

Summary financial information for equity accounted joint ventures, not adjusted for the percentage of ownership held by the consolidated entity and fair value adjustments on acquisition, is contained below:

	2015 $m	2014 $m
Profit from continuing operations	**26**	40
Post-tax profit from discontinued operations	**-**	-
Other comprehensive income	**-**	-
Total comprehensive income	**26**	40

6.8. Auditor's remuneration

	Consolidated		Bank	
	2015 $000	2014 $000	**2015 $000**	2014 $000
Audit services – KPMG Australia				
- Audit and review of the financial reports	**1,118**	1,011	**441**	681
- Other regulatory and audit services	**364**	401	**167**	203
	1,482	1,412	**608**	884
Audit related services – KPMG Australia				
- Other assurance services	**445**	225	**445**	169
- Regulatory assurance services	**167**	-	**167**	-
	612	225	**612**	169
Non-audit services – KPMG Australia				
- Taxation services	**372**	188	**372**	143
- Due diligence services	**-**	234	**-**	234
- Other	**37**	-	**37**	-
	409	422	**409**	377

6.9. Events subsequent to balance date

The Directors are not aware of any matters or circumstance that have arisen in the interval between the end of the financial year and the date of this report, or any item, event or transaction which significantly affects, or may significantly affect the operations of the consolidated entity in future financial years.

6.10. Significant accounting policies & new accounting standards

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report, and have been applied consistently across the Consolidated Entity.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to benefit from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases. In the Bank's financial statements, investments in subsidiaries are carried at cost.

(ii) Securitisation

The Bank conducts a loan securitisation program whereby mortgage loans are packaged and sold to the REDS Securitisation and Warehouse Trusts ("RMBS Trusts") and the Nyala and Impala Trusts. The Bank also securitises Hire Purchase, Chattel Mortgages and Finance Leases which are packaged and sold to REDS EHP Securitisation Trusts ("REDS EHP Trusts").

Consolidated Entity

The Consolidated Entity receives the residual income distributed by the RMBS and REDS EHP Trusts after all payments due to investors and associated costs of the program have been met and as a result the Consolidated Entity is considered to retain the risks and rewards of the RMBS Trusts and as a result do not meet the de-recognition criteria of AASB 139 *Financial Instruments: Recognition and Measurement.*

The RMBS Trusts fund their purchase of the loans by issuing floating-rate debt securities. The securities are issued by the RMBS Trusts. These are represented as borrowings of the Consolidated Entity however the Consolidated Entity does not stand behind the capital value or the performance of the securities or the assets of the RMBS Trusts. The Consolidated Entity does not guarantee the payment of interest or the repayment of principal due on the securities. The loans subject to the securitisation program have been pledged as security for the securities issued by the RMBS Trusts. The Consolidated Entity is not obliged to support any losses that may be suffered by investors and does not intend to provide such support.

The Bank does however provide the securitisation programs with arm's length services and facilities including the management and servicing of the leases securitised. The Bank has no right to repurchase any of the securitised assets and no obligation to do so, other than in certain circumstances where there is a breach of warranty within 120 days of the sale or when certain criteria are met under the Clean up Provision per the Trust Deed Supplement.

The transferred assets are equitably assigned to the securitisation trusts. The investors in the securities issued by the Trusts have full recourse to the assets transferred to the Trusts. The Bank receives the residual income distributed by the Trusts after all payments due to investors and associated costs of the program have been met and as a result the Bank is considered to retain the risks and rewards of the Trusts.

Bank

Interest rate risk from the RMBS and REDS EHP Trusts is transferred back to the Bank by way of interest rate and basis swaps. Accordingly, under AASB 139 the original sale of the mortgages from the Bank to the RMBS Trusts does not meet the de-recognition criteria set out in AASB 139. The Bank continues to reflect the securitised loans in their entirety and also recognises a financial liability to the RMBS Trusts. The interest payable on the intercompany financial asset / liability represents the return on an imputed loan between the Bank and the Trusts and is based on the interest income under the mortgages, the fees payable by the Trusts and the interest income or expense not separately recognised under the interest rate and basis swaps transactions between the Bank and the Trusts.

All transactions between the Bank and the Trusts are eliminated on consolidation.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows from the assets have expired, or where the Bank has transferred its contractual rights to receive the cash flows of the financial assets and substantially all the risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expired.

6.10. Significant accounting policies & new accounting standards (continued)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Australian dollars at the foreign exchange rate ruling at that date. Non-monetary items in a foreign currency that are measured at historical cost are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss.

Where a foreign currency transaction is part of a hedge relationship it is accounted for as above, subject to the Hedge Accounting rules set out in Section 3.8, Derivative financial instruments.

(ii) Foreign operations

The consolidated entity has no foreign operations, all overseas activities are carried out through non-incorporated branches.

(c) New accounting standards

The following, are the amendments to standards and interpretations applicable for the first time to the current year:

- **AASB 2012-3** ***Amendments to Australian Accounting Standards: Offsetting financial assets and financial liabilities*** **-** This amendment adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132. The Bank has reviewed the amendment and the clarifications within and determined that no disclosure changes are required.
- **AASB 2013-3** ***Amendments to AASB 136: Recoverable amount disclosures for non-financial assets*** **-** This amendment includes additional disclosure requirements with respect to impaired assets measured based on their fair value less costs of disposal. The Group has recognised an impairment loss during the period in relation to internally generated software, refer to Section 4.1 for further details.
- **AASB 2013-4** ***Amendments to Australian Accounting Standards: Novation of derivatives and continuation of hedge accounting*** **-** This amendment permits the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. There have been no derivatives novated by the Bank during the period and as such the introduction of this amendment has not impacted the Bank.
- **AASB 2013-7** ***Amendments to AASB 1038: Arising from AASB 10 in relation to consolidation and interests of policyholders*** **-** This amendment removes the specific requirements in relation to consolidation from AASB 1038, which leaves AASB 10 as the sole source for consolidation requirements applicable to life insurer entities. The Bank has reviewed the impact of this amendment on its consolidation requirements for St Andrew's and determined there have been no changes.

All other amendments to standards applicable for the 2015 year end do not impact the Consolidated Entity.

The following standards and amendments have been identified as those which may impact the Consolidated Entity and the majority were available for early adoption at 31 August 2015 but have not been applied in these financial statements.

- **AASB 1031** ***Materiality*** **-** The revised AASB 1031 is an interim standard that cross-references to other standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all standards and interpretations have been removed. These amendments are effective from 1 July 2014. This new standard did not have a material impact on the Consolidated Entity.
- **AASB 9** ***Financial Instruments*** **-** This standard introduces changes in the classification and measurement of financial assets and financial liabilities, including a new expected credit loss model for impairment. The standard also introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. This standard becomes mandatory for the Consolidated Entity's 31 August 2018 financial statements. The potential effects on adoption of the amendments are yet to be determined.
- **AASB 15** ***Revenue from contracts with customers*** **-** The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The potential effects of this standard is yet to be determined.

(d) Impairment of non-financial assets

Non-financial assets other than deferred tax assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For goodwill, and intangible assets with an indefinite life, the recoverable amount is estimated each year at the same time.

The Bank conducts an annual internal review of non-financial asset values to assess for any indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets - Cash Generating Units ("CGU"). An impairment loss is recognised in profit or loss in the Income Statement for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

6.10. Significant accounting policies & new accounting standards (continued)

(d) Impairment of non-financial assets (continued)

This grouping is subject to an operating segment ceiling test. Non-financial assets, other than goodwill, that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. An impairment loss in respect of goodwill is not reversed.

(i) Calculation of recoverable amount

The recoverable amount of a non-financial asset or CGU is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(e) Leases

(i) Finance leases

Finance leases in which the Bank is the lessor, are recorded in the Balance Sheet as loans and advances at amortised cost. They are recorded on the commencement of the lease as the net investment in the lease, being the present value of the minimum lease payments.

The Consolidated Entity does not have finance leases as lessee.

(ii) Operating leases

Operating leases in which the Bank is the lessee, are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property. When an operating lease terminates before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (“GST”), except where the amount of GST incurred is not recoverable from the Australian Tax Office (“ATO”). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Statements of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(g) Equity reserve for credit losses

The Bank is required by APRA to maintain a general provision for credit losses. As the Bank is unable to hold a general provision under current accounting standards, the Bank has created an equity reserve for credit losses. The equity reserve for credit losses and the eligible component of the collective provision for impairment are aggregated for the purpose of satisfying the APRA requirement for a general reserve for credit losses.

(h) Employee benefits

(i) Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave represents present obligations resulting from employees’ services provided up to the reporting date, calculated at discounted amounts based on remuneration wage and salary rates that the Bank expects to pay as at reporting date including related on-costs.

(ii) Long service leave

The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees’ services provided to reporting date. The provision is calculated using expected future increases in wage and salary rates including related on-costs, and expected settlement dates based on turnover history and is discounted using the rates attached to national government bonds at reporting date which most closely match the terms of maturity of the related liabilities. The Bank has assessed the impact of using a high quality corporate bond rate when discounting its long service leave obligations, which resulted in a materially consistent balance to the carrying amount in the balance sheets.

6.10. Significant accounting policies & new accounting standards (continued)

(i) Property, plant & equipment

(i) Recognition and initial measurement

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

(ii) Subsequent costs

Subsequent additional costs are only capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the assets will flow to the Bank in future years. Where these costs represent separate components, they are accounted for as separate assets and are separately depreciated over their useful lives. Costs that do not meet the criteria for subsequent capitalisation are expensed as incurred.

(iii) Subsequent measurement

The Bank has elected to use the cost model to measure property, plant and equipment after recognition. The carrying value is the initial cost less accumulated depreciation and any accumulated impairment losses.

(iv) Depreciation

Depreciation is charged to the profit or loss in the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

	Years
IT Equipment	3-10
Plant, furniture and equipment	3-20
Leasehold improvements (1)	12

(1) Or term of lease if less.

The residual value if not significant, is reassessed annually.

DIRECTORS' DECLARATION

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

(a) the consolidated financial statements and notes and the remuneration report included within the Directors' report set out on pages 44 to 136, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the Bank and Consolidated Entity as at 31 August 2015 and of their performance, for the year ended on that date; and

(ii) complying with Australian Accounting Standards 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.

2. There are reasonable grounds to believe that the Bank and the Controlled Entities identified in Section 6.5 (a) will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Bank and those Controlled Entities pursuant to ASIC Class Order 98/1418.

3. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 August 2015.

4. The Directors draw attention to Section 1.2 (a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Roger Davis
Chairman

7 October 2015

Jon Sutton
Managing Director and CEO

7 October 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BANK OF QUEENSLAND LIMITED

KPMG

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Bank of Queensland Limited (the 'Bank'), which comprises the Balance Sheets as at 31 August 2015 and the Income Statements, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year ended on that date, Sections 1 to 6 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Bank and the Consolidated Entity comprising the Bank and the entities it controlled at the year's end or from time to time during the financial year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the Bank are responsible for the preparation of the 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 financial report that is free from material misstatement whether due to fraud or error. In Section 1.2 (a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Bank and the Consolidated Entity comply with International Financial Reporting Standards.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Bank's and the Consolidated Entity's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENCE

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

AUDITOR'S OPINION

In our opinion:

(a) the financial report of Bank of Queensland Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Bank's and the Consolidated Entity's financial position as at 31 August 2015 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report of the Bank and the Consolidated Entity also complies with International Financial Reporting Standards as disclosed in Section 1.2 (a).

KPMG

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included on pages 44 to 66 of the directors' report for the year ended 31 August 2015. The directors of the Bank are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

AUDITOR'S OPINION

In our opinion, the remuneration report of Bank of Queensland Limited for the year ended 31 August 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

M McGrath

Martin McGrath
Partner

Sydney
7 October 2015

SHAREHOLDING DETAILS

As at Monday 28 September 2015, the following shareholding details applied:

1. TWENTY LARGEST ORDINARY SHAREHOLDERS

Shareholder	No. of ordinary shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	71,534,800	19.29%
J P MORGAN NOMINEES AUSTRALIA LIMITED	35,751,649	9.64%
NATIONAL NOMINEES LIMITED	30,735,052	8.29%
CITICORP NOMINEES PTY LIMITED	22,116,915	5.97%
MILTON CORPORATION LIMITED	7,306,078	1.97%
BNP PARIBAS NOMS PTY LTD	6,294,904	1.70%
CITICORP NOMINEES PTY LIMITED	2,395,088	0.65%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	2,304,137	0.62%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,978,282	0.53%
AMP LIFE LIMITED	1,797,600	0.48%
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	1,344,347	0.36%
JBWERE (NZ) NOMINEES LTD	1,157,171	0.31%
AVANTEOS INVESTMENTS LIMITED	909,865	0.25%
KARATAL HOLDINGS PTY LTD	843,011	0.23%
BKI INVESTMENT COMPANY LIMITED	810,000	0.22%
CARLTON HOTEL LIMITED	767,873	0.21%
NATIONAL NOMINEES LIMITED	714,580	0.19%
THE MANLY HOTELS PTY LIMITED	655,540	0.18%
UBS NOMINEES PTY LTD	647,956	0.17%
PRUDENTIAL NOMINEES PTY LTD	560,400	0.15%
Total	190,625,248	51.41%

Voting rights

On a show of hands every person present who is a holder of ordinary shares or a duly appointed representative of a holder of ordinary shares has one vote, and on a poll each member present in person or by proxy or attorney has one vote for each share that person holds.

As at Monday 28 September 2015, the following shareholding details applied:

2. TWENTY LARGEST CPS SHAREHOLDERS

Shareholder	No. of ordinary shares	%
J P MORGAN NOMINEES AUSTRALIA LIMITED	72,940	2.43%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	55,155	1.84%
MILTON CORPORATION LIMITED	50,000	1.67%
NATIONAL NOMINEES LIMITED	44,483	1.48%
NAVIGATOR AUSTRALIA LTD	40,445	1.35%
NULIS NOMINEES (AUSTRALIA) LIMITED	35,526	1.18%
DOMER MINING CO PTY LTD	32,200	1.07%
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	32,130	1.07%
LAWRENCES MOTORS PTY LTD	21,000	0.70%
THE TRUST COMPANY SUPERANNUATION LIMITED	17,167	0.57%
BNP PARIBAS NOMS PTY LTD	16,700	0.56%
WENTHOR PTY LTD	15,000	0.50%
MR JOHN HARRISON VALDER & MRS KAY ORMONDE VALDER	13,000	0.43%
EASTCOTE PTY LTD	10,000	0.33%
THE AUSTRALIAN NATIONAL UNIVERSITY	10,000	0.33%
SOUTHERN METROPOLITAN CEMETERIES	10,000	0.33%
F & B INVESTMENTS PTY LIMITED	10,000	0.33%
BCITF (QLD)	10,000	0.33%
JILLIBY PTY LTD	9,500	0.32%
JILRIFT NO 2 PTY LTD	9,482	0.32%
Total	514,728	18.32%

Voting rights

The CPS do not give the holders any voting rights at any general shareholders meetings, except in certain circumstances.

3. DISTRIBUTION OF EQUITY SECURITY HOLDERS

	Ordinary Shares		CPS	
Category	**2015**	2014	**2015**	2014
1 - 1,000	**57,787**	56,165	**6,099**	6,214
1,001 - 5,000	**27,587**	26,067	**340**	355
5,001 - 10,000	**5,051**	4,847	**23**	19
10,001 - 100,000	**2,500**	2,463	**13**	11
100,000 - and over	**71**	71	**-**	1
Total	**92,996**	89,613	**6,475**	6,600

The number of ordinary shareholders holding less than a marketable parcel is 3,321.

The number of convertible preference shareholders holding less than a marketable parcel is nil.

4. PARTLY PAID SHARES

There are no partly paid shares.

5. THE NAMES OF SUBSTANTIAL SHAREHOLDERS IN THE BANK AND THE NUMBER OF SHARES IN WHICH EACH HAS AN INTEREST AS DISCLOSED IN SUBSTANTIAL SHAREHOLDER NOTICES GIVEN TO THE BANK ARE:

Substantial shareholders	No. of ordinary shares in which interest is held (at date of notification)	Date of notification
AXA Group	18,560,287	9 September 2015

6. STOCK EXCHANGE LISTING

The shares of Bank of Queensland Limited ("BOQ") and CPS ("BOQPD") are quoted on the Australian Securities Exchange.

7. OPTIONS

At 31 August 2015 there were no options over unissued ordinary shares.

8. ON MARKET BUY-BACK

There is no current on market buy-back.

9. OTHER INFORMATION

Bank of Queensland Limited is a publicly listed company limited by shares and is incorporated and domiciled in Australia.

SHARE REGISTRY

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CUSTOMER SERVICE

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+61 7 3336 2420 (overseas)

ABN 32 009 656 740
CAN 009 656 740

KEY SHAREHOLDER DATES

Dividend dates for ordinary shares only

2015

Final ex-dividend date	29 October 2015
Final dividend record date	2 November 2015
Final dividend payment date	24 November 2015
Annual General Meeting	26 November 2015

2016

Financial half year end	29 February 2016
Interim results and dividend announcement	7 April 2016
Interim ex-dividend date	28 April 2016
Interim dividend record date	29 April 2016
Interim dividend payment date	19 May 2016
Financial full year end	31 August 2016
Full year results and dividend announcement	6 October 2016
Final ex-dividend date	27 October 2016
Final dividend record date	28 October 2016
Final dividend payment date	22 November 2016
Annual General Meeting	30 November 2016

5 YEAR FINANCIAL SUMMARY

$ millions (unless otherwise stated)	2015 $m	2014 $m	2013 $m	2012 $m	2011 $m
Financial performance					
Net interest income	**907**	761	695	656	628
Non interest income	**180**	169	163	161	178
Total income	**1,087**	930	858	817	806
Operating expenses	**(500)**	(408)	(380)	(373)	(359)
Underlying profit before tax (1)	**587**	522	478	444	447
Loan impairment expense	**(74)**	(86)	(115)	(401)	(200)
Cash earnings before tax	**513**	436	363	43	247
Cash earnings after tax attributable to ordinary shareholders (2)	**357**	301	248	21	167
Statutory net profit (loss) after tax	**318**	261	186	(17)	159
Financial position (3)					
Gross loans and advances (4)	**40,975**	38,426	35,302	34,560	33,530
Total assets	**48,018**	46,905	42,528	41,758	39,901
Customer deposits	**26,914**	26,266	23,968	22,270	20,318
Total liabilities	**44,549**	43,564	39,711	38,859	37,327
Total equity	**3,469**	3,341	2,817	2,899	2,574
Shareholder performance					
Market capitalisation at balance date	**4,698**	4,560	3,070	2,331	1,686
Share price at balance date ($)	**12.67**	12.58	9.60	7.55	7.48
Basic cash earnings per share (5)	**97.3c**	89.5c	78.1c	7.9c	71.3c
Diluted cash earnings per share (5)	**92.2c**	87c	75.1c	7.9c	66.7c
Fully franked ordinary dividend per share	**74c**	66c	58c	52c	54c
Dividend payout ratio to ordinary shareholders	**77%**	87%	99%	n/a	77%
Cash earnings ratios (6)					
Net interest margin (7)	**1.97%**	1.82%	1.69%	1.67%	1.65%
Cost-to-income ratio	**46.0%**	43.9%	44.3%	45.7%	44.5%
Return on average ordinary equity	**10.7%**	10.4%	9.4%	1.3%	8.0%
Capital adequacy					
Common equity tier 1 ratio (8)	**8.91%**	8.63%	8.63%	8.58%	8.37%
Total capital adequacy ratio	**12.72%**	12.02%	12.24%	12.56%	11.40%

(1) Underlying profit before tax is profit before impairment on loans and advances, significant items and tax.
(2) Cash earnings after tax exclude significant items (tax effected).
(3) Includes BOQ Specialist (Aust) Limited.
(4) Before specific and collective provisions.
(5) Basic and diluted earnings per share for FY12 and FY13 have been adjusted for the effect of the rights issue that occurred during the current financial year.
(6) Excludes impact of significant items.
(7) Excluding amortisation of fair value adjustments (acquisitions).
(8) This was the tier 1 capital ratio pre-2012.

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