BOQ GROUP

INVESTOR INFORMATION 2014 INTERIM RESULTS

INCORPORATING THE REQUIREMENTS OF APPENDIX 4D

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

APPENDIX 4D

HALF YEAR REPORT

For the period ended 28th February 2014

COMPANY DETAILS

Bank of Queensland Limited and subsidiaries

ABN: 32 009 656 740

Reporting period: 28 February 2014

Previous corresponding reporting period: 28 February 2013

RESULTS FOR ANNOUNCEMENT TO THE MARKET (1)

				$m
Revenues from ordinary activities (2)	Up	8%	to	447.1
Profit from ordinary activities after tax attributable to members (2)	Up	34%	to	134.7
Profit for the period attributable to members (2)	Up	34%	to	134.7

Dividends	Amount per security
Interim Ordinary Dividend - fully franked (cents per share)	32
Semi-annual dividend - fully franked (cents per share):	
- Convertible Preference Shares - October 2013	286
- Convertible Preference Shares - April 2014	269
Previous corresponding period	
Interim Ordinary Dividend - fully franked (cents per share)	28
Semi-annual dividend - fully franked (cents per share):	
- Perpetual Equity Preference Shares - April 2013	179
- Convertible Preference Shares - April 2013	177
Record date for determining entitlements to the:	
- Convertible Preference Shares	31 March 2014
- Ordinary dividend	29 April 2014

(1) Rule 4.2A.3. Refer to Appendix 10.1 for the cross reference index for ASX Appendix 4D.

(2) On prior corresponding period (six months ended 28 February 2013).

The interim dividend payment will be fully franked and paid on 23 May 2014 to owners of ordinary shares at the close of business on 29 April 2014 (record date). Shares will be quoted ex-dividend on 24 April 2014.

Dividend reinvestment plan

The Bank of Queensland Dividend Reinvestment Plan provides shareholders with the opportunity to convert all or part of their entitlement to a dividend into new shares. Shares are issued or transferred under the Plan at a discount. On 10 April 2014, the Board resolved that each share issued or transferred under the Plan will be issued or transferred under the Plan at a discount of 1.5% on 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 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 Dividend Reinvestment Plan for 2014 interim dividend is 30 April 2014.

Company Secretary
Melissa Grundy

Date

APPENDIX 4D

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DISCLOSURE CONSIDERATIONS

Changes to Financial Reporting

The Bank's reporting periods cover a different number of days between the first half (181 days) and the second half (184 days). Net Interest Income is earned on a daily basis. In order to more clearly present the underlying growth trends in the Bank's results, the income statement reported in Section 3.3 adjusts the second half 2013 Net Interest Income result to an equivalent day count basis as the current reporting period, being 181 days. All ratios in this document, other than those in Section 3.1 and 3.2, have been completed on this basis. In previous reporting years the Bank has not adjusted for the day count impact.

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"). The Cash Earnings provided is used by Management to present a clear view of the Bank's underlying operating results. This excludes a number of items that introduce volatility and / or one-off distortions of the Bank's current period performance, and allows for a more effective comparison of the Bank's performance across reporting periods. Refer to 10.2 (a) and 10.2 (b) of the Appendices for the reconciliation of Statutory Profit to Cash Earnings.

Figures disclosed in this report are on a Cash Earnings basis unless stated as Statutory basis. Unless otherwise stated, all financial comparisons in this document refer to the prior half (to 31 August 2013) and the prior comparative period (to 28 February 2013).

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

Future performance

This presentation 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 presentation 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.

Subsequent Events

On 11 April 2014, the Bank announced to the Australian Stock Exchange the acquisition of Investec Bank (Australia) Limited's Professional Finance and Asset Finance & Leasing businesses and a high net worth customer deposit book for purchase consideration of $440m.

To fund the acquisition, the Bank has announced a $400m fully underwritten Accelerated Renounceable Entitlement Offer.

At the date of this report the transaction is not yet complete as there are a number of matters such as regulatory and third party approvals which are yet to be finalised. Subject to these matters, completion is expected before the end of the Bank's financial year.

The financial effect of these transactions has not been brought to account in the financial statements for the period ended 28 February 2014.

1. GROUP RESULTS HIGHLIGHTS

CASH EARNINGS	NET INTEREST MARGIN	CASH COST TO INCOME RATIO
$140.2m Increased by 7% on the August half	**177 bps** Up 5 bps for the half reflecting deposit pricing initiatives and improved wholesale funding markets	**43.8%** Cost growth of 1% for the half below inflation despite higher regulatory costs and further investment in the business
LOAN IMPAIRMENT EXPENSE	**IMPAIRED ASSETS**	**COMMON EQUITY TIER 1**
$46.1m Down 5 bps from August half to 26 bps of lending	**$298.4m** Reduced $83.2m (22%) in the half and ~50% in two years. At 85bps of lending, in line with industry levels	**8.84%** Increased 21bps in the half on strong capital generation with lower lending growth
CASH BASIC EARNINGS PER SHARE 43.8 cents (up 12% annualised on the prior half) **DIVIDENDS** 32 cents (up 7% on the half)	**RETURN ON AVERAGE TANGIBLE EQUITY** **13.2%** Increase of 90 bps on the prior half and now in line with 2015 management targets	**RATING UPGRADES** Standard & Poor's A- (September 2013) Moody's A3 (March 2014)

BOQ has delivered a strong first half performance with a 7% increase (14% annualised) in Cash Earnings attributable to ordinary shareholders over the last reported half year period to $140.2m. The increase in Cash Earnings has been achieved whilst maintaining a disciplined approach to credit quality and pricing for risk.

Net Interest Margin increased 5bps from the last reported half. Whilst lending price competition intensified during the period, the Bank benefited from strong margin management through successfully improving the mix of its retail deposit base. Improvement in wholesale funding markets were also beneficial, further amplified by the Bank's improved credit rating profile.

The Cost to Income ratio has improved to 43.8%. This is despite the lower income seasonality from the reduced number of days in the first half compared to the last reported half. Expense growth remains within inflation and management targets despite the increase in regulatory costs and investment in frontline capabilities. The Bank is currently undergoing a significant investment in systems to support the business transformation and underpin future efficiency improvements.

Lending assets were flat over the half with the Bank remaining focussed on quality origination and optimising margin performance. This reflects the Bank's impaired asset run-off (down 22% in the half) and reducing concentration to lower quality lending, including the higher risk Line of Credit product. Excluding impaired asset realisations and the Line of Credit run-off, total lending growth was 3% which is 0.6x system credit growth. The Bank maintains a concentration to the Queensland housing market which has seen values grow 1.8% in the six months to February 2014 against national growth of 5.9% (RP Data-Rismark). Similarly, Queensland mortgage growth of 2.7% for the previous twelve months is running approximately half that of the national average of 5.3% (source: Cannex). With low interest rates and significantly improved property sale turnover rates, particularly in the Queensland property market that was arguably the most impacted by the GFC, customer trends to deleverage have also been evident during the half.

Excluding the impact of impaired asset run-off, the Bank continued to see strong growth in commercial lending of 5.9%, which is 2.4 times higher than the growth in business credit for the system, demonstrating the success of the relationship banking strategy to high quality Business & Agribusiness customers.

The deposit to loan ratio remains consistent with the position at August 2013 at 68%. With lower asset growth, the Bank improved its retail deposit mix, reducing its reliance on the more price sensitive, less 'sticky' deposits. With an enhanced 'A-' rating from Standard & Poor's, new wholesale term funding was undertaken which supported a further repurchase of the remaining Government Guaranteed debt.

The Common Equity Tier One ratio of 8.84% remains the highest in the peer group. The increase from 8.63% at August 2013 demonstrates strong capital generation through improved profitability in an environment of low asset growth.

Cash Basic Earnings per Share ("EPS") increased to 43.8 cents in the half representing a 6% increase on the last half (12% annualised). The Board has determined to pay an interim dividend of 32 cents per share fully franked, an increase of 2 cents per share on the last half (7%) and 4 cents per share on the prior corresponding period (14%). The return on average tangible equity increased to 13.2%, an absolute increase of 90bps, and is now in line with the 2015 management targets.

The Bank's recent credit rating upgrade from Moody's to A3, follows the Standard & Poor's upgrade to A- in September 2013, and provides a platform for further funding diversification and improved balance sheet resilience.

2. STRATEGY AND OUTLOOK

STRATEGY

The Bank's clear and simple strategy is focussed on delivering to its promise that *'It Is Possible to Love a Bank'* by doing the basics well.

The four pillar strategy initiated in recent years of: multichannel optimisation; risk / return balance; operational excellence; and talent, culture and capability is being embedded across the Bank and laying the foundations to become a fit, focussed and different financial services organisation.

Multichannel Distribution

The Bank continues to deliver on diversifying customer acquisition channels. The broker channel continues to gain momentum with 536 brokers accredited at February 2014 and delivering 7% of the Bank's retail applications in that month. The Owner Manager and Corporate Branch Network continues to be an important distribution channel and will provide an environment where BOQ can differentiate to maximise customer experience and return on equity.

Increasing our relevance to customers through enhanced product experience will be further developed through targeted sales training, continued focus on the balanced scorecard reward structure and digital sales channels. Virgin Money will be instrumental in attracting new customers through a strong brand presence, optimised online capabilities and a suite of simplified banking products. BOQ Finance will deliver asset and equipment finance growth in specifically targeted sectors and utilise the branch network to complement the network financial offerings. The Bank continues to expand and improve its Business Banking & Agribusiness capabilities which are now delivering above target growth. St Andrew's continues to build on its core consumer credit and life insurance offerings through the Bank and other corporate partners.

Risk / Return Balance

Risk and return on the balance sheet will be further diversified through initiatives which reduce concentration by geography as well as industry segment. Business Banking is diversifying by widening origination capability across New South Wales, Victoria, Western Australia, as well as Queensland through a targeted customer acquisition strategy. The Bank's presence in the SME market will continue to strengthen through a multi-tiered segmentation model to encourage owner manager introductions, along with new deal origination through the commercial broker network. The Bank will look to further expand its Agribusiness network by selectively targeting customers in the cotton, cropping and domestic livestock sectors. Additionally, the Bank will continue to focus on the appropriate risk management strategies and frameworks in line with regulatory developments, legislative changes and its internal risk appetite limits.

Operational Excellence

The Bank continues to deliver and improve operational excellence through a Bank-wide architectural approach to the information technology landscape. This approach which will see an automated retail lending origination system being delivered through 2014/2015 and further efficiencies in operations will be achieved through a business processing outsourcing technology solution. A continued focus on more effective and efficient processes and effective vendor management will further drive operational excellence. Savings achieved in early identified cost opportunities (eg: shared services, back office consolidation) are being reinvested in frontline capabilities as a priority (eg: Business Banking and Mobile Lending).

Talent, Capability and Culture

Growing and improving the talent across the Bank will be essential in providing the capability to execute defined strategies. Talent and capability will be enhanced with particular focus on developing sales and business capabilities. Effective development pathways have been structured which will continue to provide internal opportunities and succession pathways being recognised. Gender diversity remains a priority and the Bank is on track to exceed its stated goal of 25% of women in senior management by 2015. The success of the Bank's focus on training and culture can be seen in the strong relative Net Promoter Score of +17.5 (source: Roy Morgan Research) and the highest Business Banking Customer Engagement score (source: East & Partners).

These four strategic pillars, combined with robust credit and pricing discipline across the Bank, will deliver solid financial performance and superior customer satisfaction results.

OUTLOOK

Global activity and trade is expected to gradually increase over the next year but it is expected that the current recovery will be modest with domestic growth forecast at 3% over 2015. While growth in employment is being driven by service sectors (including transport, postal, health care, accommodation and food services), the unemployment rate is still expected to increase slightly. There are large variances in the forecasts for the Australian Dollar. If the Australian Dollar further weakens against the US and Euro, this will potentially mitigate downside risks to the Australian economy and ease the transition towards non-mining lead growth in 2014/2015.

Recent increases in national house prices in the last twelve months have been driven principally by Sydney and Melbourne. The recent improvement in the housing market in Australia has been encouraging (triggered by an ongoing low cash rate), though there could be a return to a more normal trend in housing price growth over the longer term. Expectations are that business credit growth will need to be the main driver behind any re-acceleration in overall credit growth beyond 2014, however there is a sense that micro-economic reform will be critical in assisting this growth. The Queensland housing market has significantly lagged the national market with growth less than half that seen nationally, but has shown early signs of emerging growth, evidenced by strong improvement clearance rates. The Bank is well positioned to leverage further improvement in the Queensland economy.

3. FINANCIAL PERFORMANCE & KEY METRICS

3.1 INCOME STATEMENT

$ million	Half Year Performance Feb-14	Aug-13	Feb-13	Feb 14 vs Aug 13	Feb 14 vs Feb 13
Net Interest Income	**362.2**	359.5	334.9	1%	8%
Non-Interest Income	**81.6**	79.9	82.5	2%	(1%)
Total Income	**443.8**	439.4	417.4	1%	6%
Operating Expenses	**(194.6)**	(192.7)	(186.7)	1%	4%
Underlying Profit	**249.2**	246.7	230.7	1%	8%
Loan Impairment Expense	**(46.1)**	(55.1)	(59.5)	(16%)	(23%)
Profit before Tax	**203.1**	191.6	171.2	6%	19%
Income Tax Expense	**(62.9)**	(60.6)	(51.3)	4%	23%
Cash Earnings after Tax	**140.2**	131.0	119.9	7%	17%
Perpetual Equity Preference Shares ("PEPS") distribution	**-**	(0.4)	(2.3)	n/a	n/a
Cash Earnings after Tax attributable to ordinary shareholders	**140.2**	130.6	117.6	7%	19%
Statutory Net Profit after Tax	**134.7**	85.3	100.5	58%	34%

3.2 KEY METRICS

Key Metrics		Half Year Performance Feb-14	Aug-13	Feb-13	Feb 14 vs Aug 13	Feb 14 vs Feb 13
Shareholder Returns						
Share Price	($)	**11.99**	9.60	9.10	25%	32%
Market Capitalisation	($ million)	**3,868.0**	3,070.2	2,847.4	26%	36%
Dividends per share (fully franked)	(cents)	**32.0**	30.0	28.0	7%	14%
Dividend yield	(%)	**5.38**	6.20	6.20	(82bps)	(82bps)
Grossed-up dividend yield (including franking)	(%)	**7.69**	8.86	8.86	(117bps)	(117bps)
Cash Earnings basis						
Basic Earnings per Share ("EPS")	(cents)	**43.8**	41.3	37.9	6%	16%
Diluted EPS	(cents)	**42.6**	39.7	36.1	7%	18%
Dividend payout ratio	(%)	**74**	73	73	1%	1%
Statutory basis						
Basic EPS	(cents)	**42.1**	26.7	31.7	58%	33%
Diluted EPS	(cents)	**41.0**	26.6	30.4	54%	35%
Dividend payout ratio	(%)	**77**	112	87	(31%)	(11%)

3.2 KEY METRICS - CONTINUED

Key Metrics		Half Year Performance Feb-14	Aug-13	Feb-13	Feb 14 vs Aug 13	Feb 14 vs Feb 13
Profitability and efficiency measures						
Cash Earnings basis						
Net Profit After Tax	($ million)	**140.2**	131.0	119.9	7%	17%
Cash Earnings After Tax attributable to ordinary shareholders	($ million)	**140.2**	130.6	117.6	7%	19%
Underlying Profit [(1)]	($ million)	**249.2**	246.7	230.7	1%	8%
Net Interest Margin	(%)	**1.77**	1.72	1.66	5bps	11bps
Cost to Income Ratio	(%)	**43.8**	43.9	44.7	0.1%	0.9%
Loan Impairment Expense to Gross Loans and Advances ("GLA")	(bps)	**26**	31	34	(5bps)	(8bps)
Return on Average Equity	(%)	**10.3**	9.7	9.2	60bps	110bps
Return on Average Tangible Equity [(2)]	(%)	**13.2**	12.3	11.6	90bps	160bps
Statutory basis						
Net Profit After Tax	($ million)	**134.7**	85.3	100.5	58%	34%
Net Profit After Tax attributable to ordinary shareholders	($ million)	**134.7**	84.9	98.2	59%	37%
Underlying Profit [(1)]	($ million)	**243.2**	184.9	205.5	32%	18%
Net Interest Margin	(%)	**1.77**	1.72	1.65	5bps	12bps
Cost to Income Ratio	(%)	**45.6**	58.1	50.5	12.5%	4.9%
Loan Impairment Expense to GLA	(bps)	**26**	31	34	(5bps)	(8bps)
Return on Average Equity	(%)	**9.9**	6.3	7.7	360bps	220bps
Return on Average Tangible Equity [(2)]	(%)	**12.7**	8.0	9.8	470bps	290bps
Assets and Funding						
Total Loans Under Management (net of specific provision)	($ million)	**35,147.4**	35,126.8	34,833.4	-	1%
Retail Deposits	($ million)	**23,769.1**	23,968.0	22,907.6	(1%)	4%
Deposits to Loan Ratio	(%)	**68**	68	65	-	5%
Asset Quality						
30dpd Arrears	($ million)	**526.8**	523.0	657.5	1%	(20%)
90dpd Arrears	($ million)	**272.4**	270.8	354.5	1%	(23%)
Impaired Assets	($ million)	**298.4**	381.6	478.5	(22%)	(38%)
Specific Provisions to Impaired Assets	(%)	**50.5**	45.8	44.7	470bps	580bps
Collective Provisions to Credit Risk Weighted Assets	(%)	**0.69**	0.71	0.78	(2bps)	(9bps)
Capital						
Common Equity Tier 1	(%)	**8.84**	8.63	8.72	21bps	12bps
Total Capital Adequacy Ratio	(%)	**12.41**	12.24	13.08	17bps	(67bps)
Risk Weighted Assets ('RWA')	($ million)	**21,717.5**	21,551.7	21,345.7	1%	2%

(1) Profit before loan impairment expense and tax.

(2) Based on after tax earnings applied to average shareholders' equity (excluding preference shares in Financial Year 2013 and treasury shares) less goodwill and identifiable intangible assets.

3.3 INCOME STATEMENT DAY COUNT ADJUSTED

The Bank's reporting periods cover a different number of days between the first half (181 days) and the second half (184 days). Net Interest Income ("NII"), which is the majority of the Bank's income, is earned on a daily basis. In order to more clearly present the underlying growth trends in the Bank's results, the income statement below adjusts NII for the August 2013 half to an equivalent day count basis as the current reporting period, being 181 days. All ratios are reported on an annualised basis.

Whilst a component of both Non-Interest Income and Operating Expenses will have a seasonal day count influence, any attempt to adjust for this impact would require a degree of subjectivity, unlike Net Interest Income where the adjustment is objective. As such, no day count adjustment has been made to these line items. The same analysis will be applied for the presentation of the second half results where not adjusting for any day count effect in these lines will have the reverse impact.

	Half Year Performance				
$ million	**Feb-14**	Aug-13 (1)	Feb-13	Feb 14 vs Aug 13 (2)	Feb 14 vs Feb 13
Net Interest Income	**362.2**	353.6	334.9	5%	8%
Non-Interest Income	**81.6**	79.9	82.5	4%	(1%)
Total Income	**443.8**	433.5	417.4	5%	6%
Operating Expenses	**(194.6)**	(192.7)	(186.7)	2%	4%
Underlying Profit	**249.2**	240.8	230.7	7%	8%
Loan Impairment Expense	**(46.1)**	(55.1)	(59.5)	(33%)	(23%)
Profit before Tax	**203.1**	185.7	171.2	19%	19%
Income Tax Expense	**(62.9)**	(58.7)	(51.3)	14%	23%
Cash Earnings after Tax	**140.2**	127.0	119.9	21%	17%
PEPS distribution	**-**	(0.4)	(2.3)	n/a	n/a
Cash Earnings after Tax attributable to ordinary shareholders	**140.2**	126.6	117.6	22%	19%

(1) Result has been adjusted to hypothetically reflect Net Interest Income on an equivalent day count basis to the current reporting period of 181 days. Actual result is reflected in Section 3.1.

(2) Percentages have been annualised.

The Bank delivered solid underlying annualised total income growth of 5% (day count adjusted) from the prior half, despite a period of flat lending growth. Strong cost control contained annualised expense growth to 2% annualised over the prior half, delivering positive 'Jaws' on a day count adjusted basis of 3%.

Annualised underlying profit growth of 7% compared to the last reported half demonstrates a consistent profile in comparison to the prior corresponding period of 8%.

Day count adjusted Cash Earnings after Tax attributable to ordinary shareholders grew by 22% over the last reported half and 19% over the prior corresponding period.

4. REVIEW OF EARNINGS PERFORMANCE

- Net Interest Margin increased by 5bps to 1.77% for the half
- Annualised cost growth of 2% on the prior half with increased investment in the business
- Cost to income ratio continues to improve and reduced to 43.8%

4.1 NET INTEREST INCOME

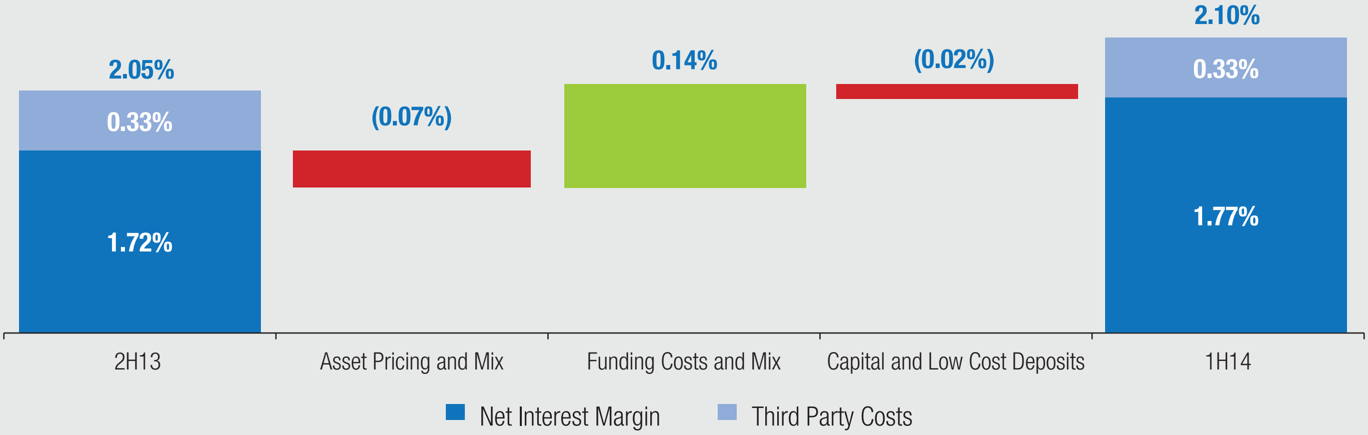
$ million	Half Year Performance Feb-14	Aug-13	Feb-13	Feb 14 vs Aug 13	Feb 14 vs Feb 13
Net Interest Income	**362.2**	359.5	334.9	5% [(1)]	8%
Average Interest Earning Assets	**41,370.6**	41,396.4	40,781.6	-	1%
Net Interest Margin - Cash Earnings	**1.77%**	1.72%	1.66%	5bps	11bps
Net Interest Margin - Statutory	**1.77%**	1.72%	1.65%	5bps	12bps

(1) Percentage has been annualised and day count adjusted. Refer Section 3.3.

Net Interest Income increased over the half to $362.2m, a 5% increase on a day count adjusted basis, benefiting from higher net interest margins. Whilst competition in lending has increased, the Bank has actively managed its liability mix and reduced its reliance on higher cost, less stable segments of the retail deposit market. Wholesale funding has benefited from the improved credit rating and more favourable market conditions.

Average interest earning assets remained stable over the period at $41.4bn (refer Page 26) as the Bank maintained its focus on improved credit quality and pricing disciplines in a competitive lending environment.

NET INTEREST MARGIN - AUGUST 2013 TO FEBRUARY 2014



Net Interest Margin increased by 5bps over the half to 1.77%. This movement was attributed to a number of factors:

Asset Pricing & Mix: The Bank experienced tighter lending spreads attributed to broad-based competition, particularly in housing, combined with customer appetite for lower margin, fixed-rate lending in a low rate environment. A major contributor was the run-off in lesser quality but higher margin lending deemed outside the Bank's revised risk appetite, in particular the Line of Credit product. Note the prior half also saw the margin benefit by approximately 2bps from the market repricing in anticipation of the two Reserve Bank of Australia rate cuts which was not repeated in the current half.

Funding Costs & Mix: Effective management of highly interest rate sensitive retail and institutional deposits significantly improved funding costs. The Bank also experienced continued wholesale funding improvement attributed to the Bank's ratings upgrade, buy back of expensive Government Guaranteed debt and lower hedging costs.

Capital and Low Cost Deposits: The investment return on the capital and low-cost deposit portfolio continues to reduce, in line with the lower interest rate environment.

4.2 NON-INTEREST INCOME

$ million	Half Year Performance Feb-14	Aug-13	Feb-13	Feb 14 vs Aug 13 [1]	Feb 14 vs Feb 13
Banking Income	**47.2**	46.9	48.6	1%	(3%)
Insurance Income	**20.7**	20.7	19.6	-	6%
Other Income	**6.8**	8.3	9.2	(36%)	(26%)
Trading Income	**6.7**	4.2	5.1	120%	31%
Virgin Money (Australia)	**0.2**	(0.2)	-	n/a	n/a
Total Non-Interest Income	**81.6**	79.9	82.5	4%	(1%)

[1] Percentages have been annualised.

Banking Income growth remains challenging as customers migrate to lower fee products. The reduction in Other Income from the prior half periods reflects lower realised residual value gains on end of lease equipment sales across the BOQ Finance operating lease portfolio, due to an increase in customers holding the assets beyond contracted terms. This generates an offsetting increase in renewal income which is recorded in the Net Interest Income line.

Virgin Money (Australia) ("VMA") contributed $0.2m profit before tax for the half with a strong performance in credit cards, travel insurance and superannuation lines along with strong focus on cost management. This represents an achievement that is six months ahead of expectations. Development is underway on widening the current product offering into banking products to capitalise on the unique customer appeal of the brand proposition.

Trading Income increased over the half with successful active management of the liquid asset portfolio. The amended Australian Prudential Standard ("APS") 210 Liquidity standard was finalised in January 2014 and comes into full effect on 1 January 2015. The composition and management of liquid assets will change as a consequence, resulting in a reduction in Trading Income in future periods. An increase in Net Interest Income, which will largely offset the drop in Trading Income is also expected, as transition to the new APS 210 standard occurs.

4.3 INSURANCE OVERVIEW

$ million	Half Year Performance Feb-14	Aug-13	Feb-13	Feb 14 vs Aug 13 [1]	Feb 14 vs Feb 13
Gross Written Premium (net of refunds)	**34.4**	37.0	38.3	(14%)	(10%)
Net Earned Premium	**35.1**	33.9	33.5	7%	5%
Underwriting Result	**16.5**	16.5	15.3	-	8%
Other Insurance Income	**3.4**	3.8	4.0	(21%)	(15%)
Total Income	**19.9**	20.3	19.3	(4%)	3%
Consolidation Adjustment	**0.8**	0.4	0.3	202%	167%
Group Insurance Result	**20.7**	20.7	19.6	-	6%

[1] Percentages have been annualised.

St Andrew's Insurance contributed $20.7m to Non-Interest Income which was in line with the August half and a $1.1m increase on the prior comparative period.

The underwriting result continues to improve, mainly due to higher earned premiums and lower acquisition costs, which was partially offset by higher claims experience. Other Insurance Income reduced with lower yields on the cash based investment portfolio which is consistent with the reduction in deposit rates. Gross Written Premium reduced by 14% annualised over the half due to lower volume of new business sales of single premium policies. However, sales of regular premium policies increased significantly in line with the business's strategy to diversify its product revenue streams. This is reflected in the 7% increase in Net Earned Premium for the half.

4.4 OPERATING EXPENSES

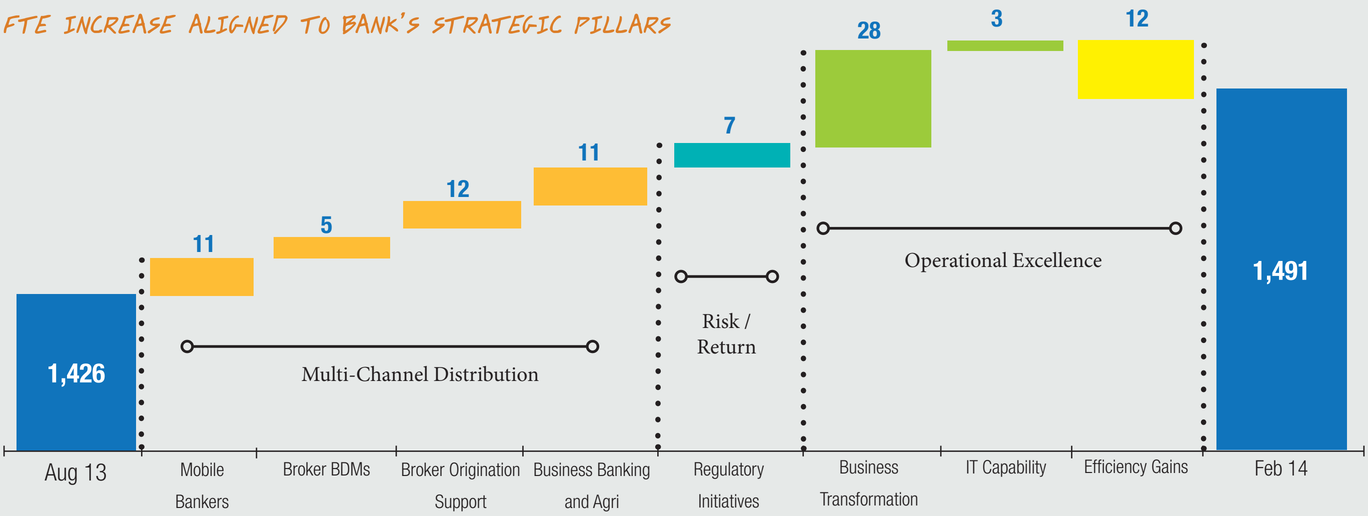
$ million	Half Year Performance Feb-14	Aug-13	Feb-13	Feb 14 vs Aug 13 [1]	Feb 14 vs Feb 13
General Expenses	**44.2**	43.0	43.9	6%	1%
IT Expenses	**38.8**	39.9	38.8	(6%)	-
Occupancy Expenses	**17.5**	16.6	15.1	11%	16%
Employee Expenses	**85.6**	83.3	79.3	6%	8%
Other Expenses	**8.5**	9.9	9.6	(29%)	(11%)
Total Operating Expenses	**194.6**	192.7	186.7	2%	4%
Cost to Income Ratio	**43.8%**	43.9%	44.7%	0.1%	0.9%
Number of employees (FTE) [2]	**1,491**	1,426	1,362	5%	9%

[1] Percentages have been annualised.
[2] FTE numbers and Operating Expenses exclude VMA as the net result is included in Non-Interest Income.

Operating Expenses increased by $1.9m to $194.6m for the period, an annualised increase on the prior half of just under 2%. This supported an improved Cost to Income ratio of 43.8% and underlines the Bank's commitment to disciplined expense management. Efficiency and effectiveness initiatives undertaken in recent periods (eg: shared services, back office consolidation) continue to provide benefits enabling the Bank to pursue investment in frontline capabilities, system and operational transformation and renewing the Branch network.

Employee expenses increased by $2.3m (6% annualised) over the period. This included Enterprise Bargaining Agreement wage increases of 4% in the current half. Staffing levels have increased over the half by 5% as the Bank has reinvested in frontline capability in the Retail, Broker and Business Banking areas. There has also been increased project resourcing requirements as the Bank undertakes considerable investment across a number of regulatory and business transformation initiatives. The graph below shows the FTE investment aligned to the Bank's strategic pillars.

FTE INCREASE ALIGNED TO BANK'S STRATEGIC PILLARS



A significant element of investment is currently underway to meet new regulatory requirements (eg Privacy, Financial Claims, Basel III) and strategic investment focussed on business transformation projects. The strategic project pipeline is designed to improve customer service and efficiency and includes a new retail loan origination platform, a customer relationship management system rollout, business processing systems and moving the organisation from paper based to electronic data and workflow. This strategic investment will result in future increases in technology amortisation and related costs, though this will be offset by the significant operational efficiencies expected from these programs. This upward trend in technology amortisation is expected to commence in the second half as many of these projects become operational and incur a full charge through the course of 2015.

Occupancy Expenses increased 11% to $17.5m as a result of branch takebacks and the consolidation of various divisional head offices in Sydney. Other Expenses decreased by 29% to $8.5m mainly due to a reclassification of trust expenses this half to Net Interest Income to better align with the matching of trust income and expenses.

Note the above Operating Expenses exclude costs relating to VMA where the net result has been consolidated in Non-Interest Income for presentation of Cash Earnings. The total expenses for VMA were $6.5m for the half. A reconciliation of Cash Earnings to Statutory Profit is set out in Section 10.2 (b).

5. LENDING

- Housing growth flat with continued focus on credit quality delivering improved portfolio metrics
- Strong commercial growth excluding impaired asset realisations
- BOQ winner of the Best Relationship Management Bank in Australia (Asia-Pacific Banking & Finance Corporate and Business Banking Awards)

$ million	As at Feb-14	Aug-13	Feb-13	Feb 14 vs Aug 13 (1)	Feb 14 vs Feb 13
Housing Lending	**26,099.5**	26,148.9	25,906.8	-	1%
Commercial Lending	**5,370.3**	5,313.7	5,296.4	2%	1%
BOQ Finance	**3,660.1**	3,658.3	3,641.0	-	1%
Consumer	**168.3**	180.7	203.1	(14%)	(17%)
Gross Loans and Advances	**35,298.2**	35,301.6	35,047.3	-	1%
Specific and Collective Provisions	**(284.8)**	(312.3)	(364.2)	(18%)	(22%)
Net Loans and Advances	**35,013.4**	34,989.3	34,683.1	-	1%

(1) Percentages have been annualised.

The Bank's lending remains concentrated on high quality secured products. Mortgages have traditionally been sourced through the Bank's network of Owner Managed and Corporate branches, though the Bank is building capability to access intermediary and direct channels. Commercial lending is being expanded into new segments, both regionally and by industry, with a further increase of eleven new relationship bankers added this half to provide additional capability.

HOUSING LENDING

Housing lending contracted by approximately $50m over the half. In the low interest rate environment, with competitors discounting heavily to achieve growth in their mortgage portfolios coupled with higher portfolio runoff, the Bank has maintained its focus on quality origination.

The Bank continues to reduce concentration to its Line of Credit portfolio with this declining to 15% of the portfolio from 21% at February 2012 (industry average ~10%). Excluding the Line of Credit reduction, the growth rate in Housing would be 2.3% and 0.4x System. The Bank has significant geographic concentration in Queensland (57%) where mortgage growth of 2.7% is half the national system average (Cannex). Customer deleveraging increased over the half as property turnover rates improved, particularly in Queensland, and as a result of the lower interest rate environment.

The Bank continues to pursue its multi-channel strategy which will support growth rates and geographic diversification of the portfolio. The Mortgage Broker offering has been further refined and has been extended to 536 brokers nationally (as at February 2014) and provided 10% of March 2014 applications with the majority in Western Australia (54%) and New South Wales (29%). The new simplified, low rate housing product 'Clear Path' was launched in the half and has grown to 51% of new settlements over the February quarter. Further, the Bank has revitalised its online platform and invested in a mobile lending unit, which will further broaden the Bank's distribution reach and provide multichannel access for the Bank's customers.

COMMERCIAL LENDING

Commercial lending increased by an annualised 2% over the past six months to $5.4bn. The Bank has continued to run off legacy exposures deemed outside the new risk appetite with a further realisation of $100m in impaired assets during the half. Excluding this, Commercial lending growth was 5.9% or 2.4x System growth.

The Business Banking and Agribusiness division continues to expand its relationship banking capability with a targeted customer acquisition strategy. Cross sell opportunities into financial markets products, leasing and the retail network remain a key focus. Business Banking continues to lead in a number of engagement metrics and was recently named 'Best Relationship Management Bank' by Asia-Pacific Banking & Finance.

BOQ FINANCE

BOQ Finance experienced slight growth over the half whilst the industry contracted (source AELA[1]). During the half there was a targeted reduction in selected debtor finance exposures that whilst impacting growth, provided further portfolio credit quality improvement. The Business maintains leading capability in equipment, debtor, vendor and dealer finance and was a finalist in the Corporate and Business Banking Awards 2014 for 'Best Equipment Finance and Leasing Bank' category. BOQ Finance continues to focus on cross sell through the Retail and Business Banking channels of the Bank and supporting an extensive network of brokers, equipment manufacturers and distributors with equipment and floor plan finance.

(1) Australian Equipment Lessors Association is the national association for the equipment leasing and financing industry.

6. ASSET QUALITY

- Lower impairment expense (26bps/Gross Loans and Advances ("GLAs")) on prior reporting periods
- Impaired asset reduction (22% this half) demonstrating significant improvement in the credit quality of portfolio
- Impaired assets of 85bps of Gross Loans and Advances back in line with industry levels

The improvement in asset quality in the first half of 2014 reflects the Bank's risk appetite framework and significantly enhanced risk capability implemented in 2013. This is evidenced by a continuing trend improvement across all key metrics.

		Half Year Performance				
		Feb-14	Aug-13	Feb-13	Feb 14 vs Aug 13	Feb 14 vs Feb 13
Loan Impairment Expense [(1)]	($ million)	**46.1**	55.1	59.5	(33%)	(23%)
Loan Impairment Expense / GLA	bps	**26**	31	34	(5bps)	(8bps)
Impaired Assets	($ million)	**298.4**	381.6	478.5	(22%)	(38%)
30dpd Arrears	($ million)	**526.8**	523.0	657.5	1%	(20%)
90dpd Arrears	($ million)	**272.4**	270.8	354.5	1%	(23%)
Collective Provision & General Reserve for Credit Losses ("GRCL") / RWA	bps	**108**	110	117	(2bps)	(9bps)

(1) Percentage has been annualised.

The table above summarises the Bank's key credit indicators with comparison against August and February 2013:

- **Loan Impairment** expense continued to improve over the half reflecting the improved credit management practices implemented and a focussed risk appetite framework. The first half Loan Impairment Expense of $46.1m or 26bps/GLA was a $9m (5bps) improvement on the second half of 2013.
- **Impaired assets** reduced by $83.2m (22%) over the half to $298.4m from both a reduction in the rate of new impairments and improved realisation performance. The realisations in the first half included the Bank's two largest impaired exposures at August 2013. Only one exposure greater than $5m transitioned to impaired status in the first half of 2014, which is consistent with the second half 2013 and further demonstrates the improving nature of the portfolio.
- **Past due performance** within the commercial portfolio has also trended favourably in the first half of the year due to successful early workout/exit strategies and improvement in collection practices. Retail arrears are up slightly over the half reflecting second quarter seasonality though the seasonal increase has been lower than experienced in prior periods.
- **Collective provisioning** levels reduced slightly ($3.5m) over the half in line with the improved credit metrics. The Bank has maintained its collective provisioning levels (including GRCL) substantially above its major bank and regional bank competitors, even before allowing for the impact of advanced accreditation that benefit the major banks.

6.1 LOAN IMPAIRMENT EXPENSE

	Half Year Performance				
$ million	**Feb-14**	Aug-13	Feb-13	Feb 14 vs Aug 13 [(1)]	Feb 14 vs Feb 13
New and Movements in Provisions	**(24.0)**	(35.5)	(8.0)	(65%)	200%
Loan Impairment Expense written off Net of Recoveries	**71.8**	99.1	96.0	(56%)	(25%)
Specific Impairment Expense	**47.8**	63.6	88.0	(50%)	(46%)
Collective Impairment Expense	**(1.7)**	(8.5)	(28.5)	(161%)	(94%)
Total Loan Impairment Expense	**46.1**	55.1	59.5	(33%)	(23%)
Loan Impairment Expense: GLA	**26bps**	31bps	34bps	(5bps)	(8bps)

(1) Feb 14 vs Aug 13 percentages have been annualised.

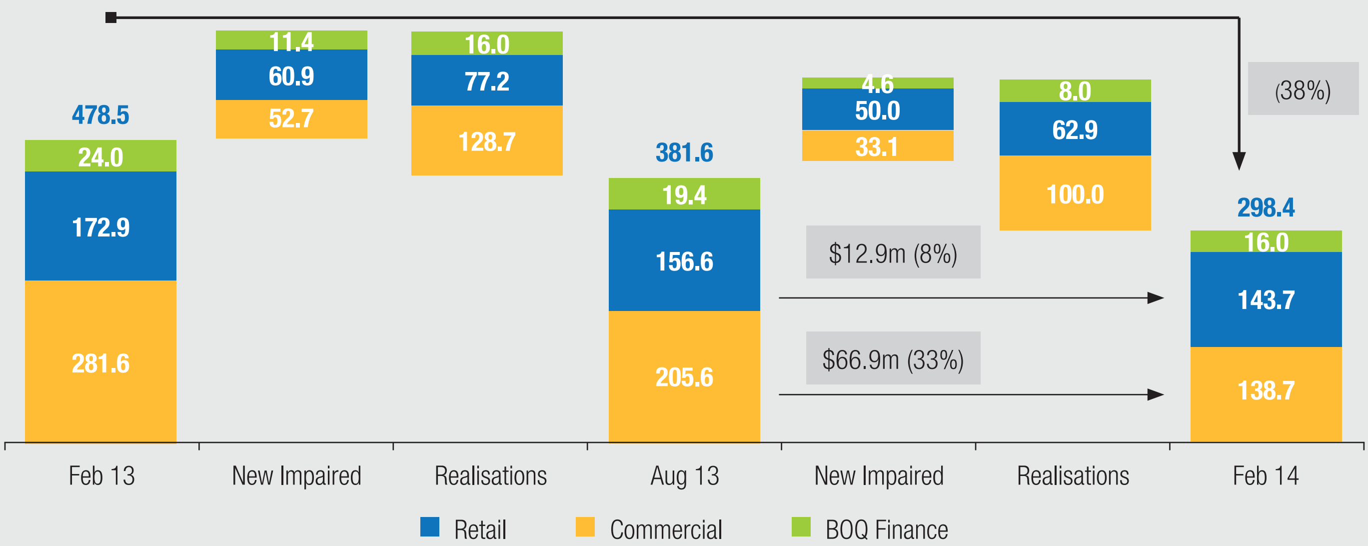
6.2 IMPAIRED ASSETS

$ million	As at Feb-14	Aug-13	Feb-13	Feb 14 vs Aug 13 [1]	Feb 14 vs Feb 13
Retail Lending	**143.7**	156.6	172.9	(17%)	(17%)
Commercial Lending	**138.7**	205.6	281.6	(66%)	(51%)
BOQ Finance	**16.0**	19.4	24.0	(35%)	(33%)
Total Impaired	**298.4**	381.6	478.5	(44%)	(38%)
Impaired Assets: GLA (bps)	**85bps**	108bps	137bps	(23bps)	(52bps)

[1] Percentages have been annualised.

The Bank's impaired assets reduced by $83m (44% annualised) over the half to $298.4m, with only one exposure greater than $5m transitioning to impaired status in the half. Three loans greater than $5m remain impaired at balance date totalling $16m. This reflects the continued improvement in the asset quality of the portfolio and improving conditions for the realisation of underlying property collateral. This reduction in impaired assets was mainly driven by progress in the commercial portfolio which reduced by $67m (66%), with the retail portfolio contributing a further $13m. The below graph shows a reduction in new impaired assets and improved realisations experience in the commercial and retail portfolios between the current and prior half year reporting periods.

IMPAIRED ASSETS ($m)



COMMERCIAL IMPAIRED ASSETS

The Commercial impaired portfolio reduced by $67m or an annualised 66% over the half. There has been a continued downward trend in the emergence of large new impaired assets with only one account greater than $5m moving into impaired status in the half. The realisation of previously impaired assets has been assisted by improvements in the property market.

RETAIL IMPAIRED ASSETS

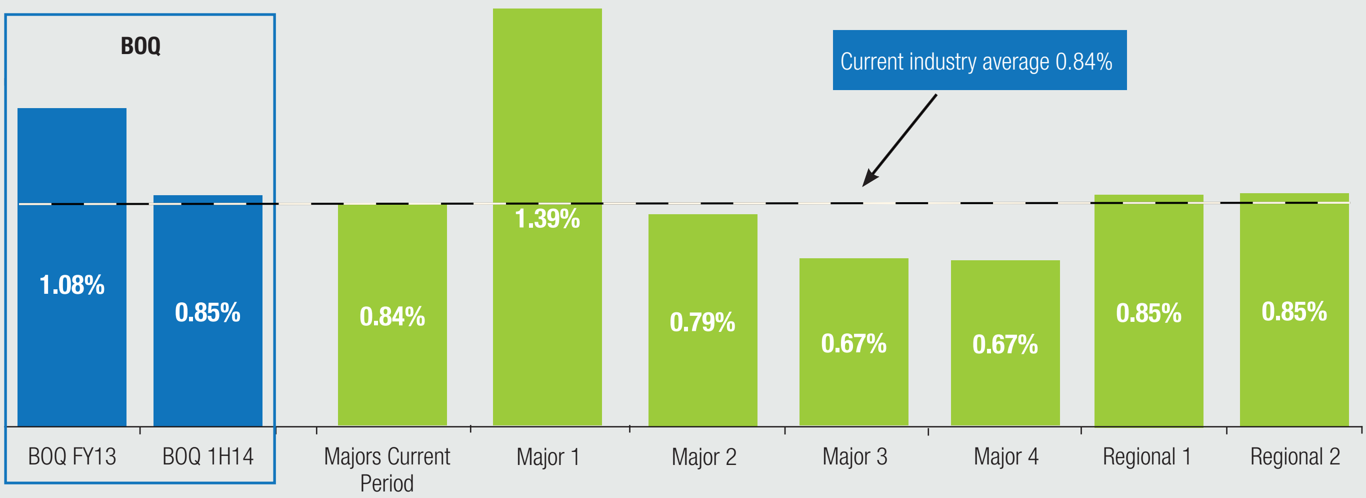
Retail impaired assets reduced 17% annualised in the half reflecting increased realisations as property market conditions have improved and defaults have reduced with the lower interest rate environment. There continues to be higher clearance rates and a shortening of the time required to sell collateral. Although Queensland continues to lag the national market, inventory levels have further declined. Seasonality increase in the first half arrears numbers was lower than in recent years and continuing improvement of the retail portfolio metrics is expected to be sustained into 2014/2015.

BOQ FINANCE IMPAIRED ASSETS

The BOQ Finance portfolio has continued to trend favourably with impaired assets reducing by $3.4m in the first half of 2014. Both the 30+ and 90+ arrears for the Equipment Finance portfolio have decreased since the start of the financial year due to enhanced collection processes and improving market conditions.

IMPAIRED ASSETS / GLAs vs PEERS

The table below shows that the Bank's level of impaired assets has reduced significantly and is now in line with peers at 85bps of gross loans and advances. This represents a halving from the peak level of 170bps over the two years since February 2012. The return to industry levels has been achieved ahead of management expectations.



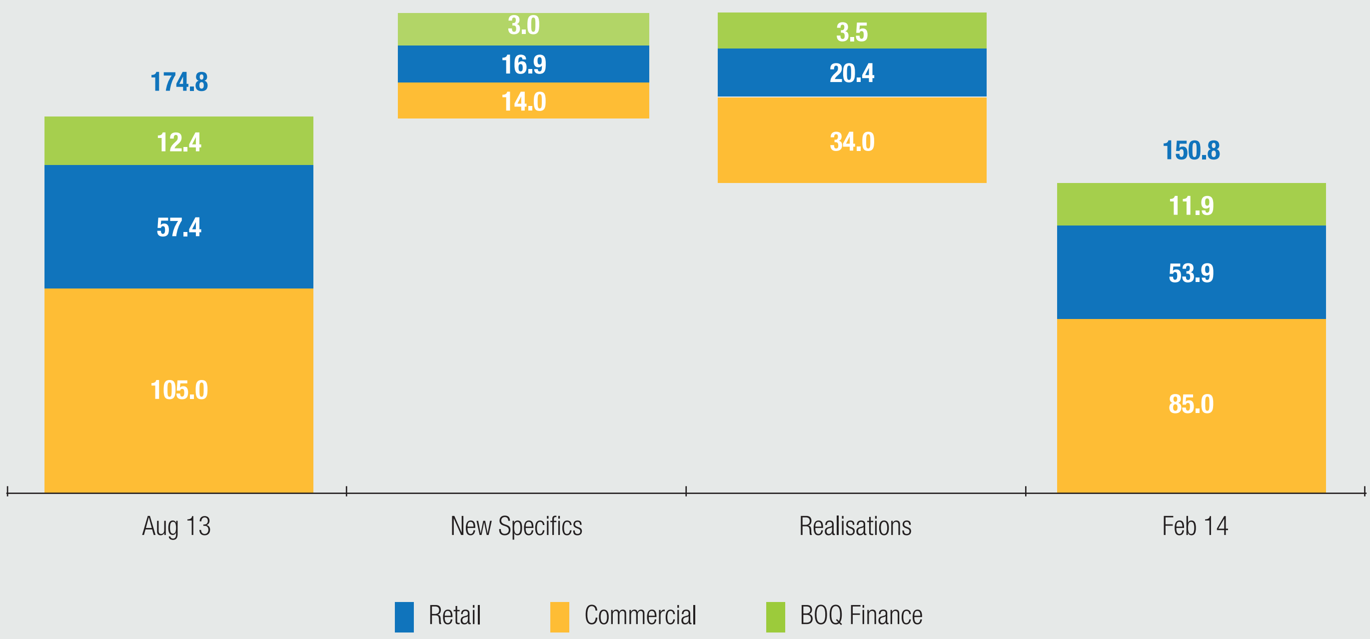
6.3 PROVISION COVERAGE

Total provisions have reduced in line with the reduction in impaired assets. Specific provision coverage of impaired assets has improved to 50.5% at the half (45.8% in August 2013).

$ million	As at Feb-14	As at Aug-13	As at Feb-13	Feb 14 vs Aug 13 [(1)]	Feb 14 vs Feb 13
Specific Provision	**150.8**	174.8	213.9	(28%)	(29%)
Collective Provision	**134.0**	137.5	150.3	(5%)	(11%)
Total Provision	**284.8**	312.3	364.2	(18%)	(22%)
General Reserve for Credit Losses	**70.2**	70.2	70.2	-	-
Specific Provisions to Impaired Assets	**50.5%**	45.8%	44.7%	470bps	580bps
Total Provisions and GRCL to Impaired Assets [(2)]	**129.1%**	108.2%	97.1%	2090bps	3200bps
Total Provisions and GRCL to RWA [(2)]	**1.8%**	1.9%	2.2%	(10bps)	(40bps)

[(1)] Percentages have been annualised.
[(2)] GRCL gross of tax effect.

SPECIFIC PROVISIONS ($m)



6.4 ARREARS

	Portfolio Balance $m	As at				
	Feb-14	**Feb-14**	Aug-13	Feb-13	Feb 14 vs Aug 13	Feb 14 vs Feb 13
By Product						
30 days past due: GLAs (Housing)	**22,241.6**	**1.17%**	1.06%	1.42%	11bps	(25bps)
90 days past due: GLAs (Housing)		**0.52%**	0.46%	0.67%	6bps	(15bps)
30 days past due: GLAs (LOC)	**3,857.9**	**2.15%**	2.15%	2.68%	-	(53bps)
90 days past due: GLAs (LOC)		**1.03%**	1.16%	1.61%	(13bps)	(58bps)
30 days past due: GLAs (Consumer)	**168.3**	**3.04%**	3.14%	4.13%	(10bps)	(109bps)
90 days past due: GLAs (Consumer)		**1.61%**	1.82%	2.31%	(21bps)	(70bps)
30 days past due: GLAs (Commercial)	**5,370.3**	**2.84%**	3.21%	3.62%	(37bps)	(78bps)
90 days past due: GLAs (Commercial)		**2.02%**	2.14%	2.43%	(12bps)	(41bps)
30 days past due: GLAs (BOQ Finance)	**3,660.1**	**0.72%**	0.67%	0.87%	5bps	(15bps)
90 days past due: GLAs (BOQ Finance)		**0.15%**	0.14%	0.12%	1bps	3bps
Total Lending						
30 days past due ($ million)	**35,298.2**	**526.8**	523.0	657.5	1%	(20%)
90 days past due ($ million)		**272.4**	270.8	354.5	1%	(23%)
30 days past due: GLAs		**1.5%**	1.5%	1.9%	-	(40bps)
90 days past due: GLAs		**0.8%**	0.8%	1.0%	-	(20bps)

RETAIL ARREARS

Retail arrears have increased slightly over the half, but this increase is consistent with post Christmas period seasonality. Enhanced collection and recovery practices have improved performance, which is also benefiting from the low interest rate environment assisting mortgage serviceability levels.

COMMERCIAL ARREARS

Commercial arrears have trended favourably over the half with 90+ arrears improving 12bps and 30+ arrears improving 37bps, however trading conditions for small business remains mixed. Early identification of deteriorating loans has provided improved success in managing emerging problem accounts.

7. FUNDING AND LIQUIDITY

- Standard & Poor's upgrade of BOQ's long-term credit rating from "BBB+" to "A-" (September 2013) and Moody's upgrade of BOQ's long-term credit rating from "Baa1" to "A3" (March 2014)
- Active management of funding mix to maximise benefits from credit upgrade (eg Government Guaranteed Debt repurchase)
- Focus on improving retail deposit composition reducing reliance on high cost, less 'sticky' deposits

In the prior two years there was significant progress made in strengthening the balance sheet, creating a sustainable funding profile and improving capital generation. This progress has been reflected in the current period with ratings agency Standard & Poor's upgrading BOQ's long-term credit rating from "BBB+" to "A-" and Moody's upgrading BOQ's long-term credit rating from "Baa1" to "A3".

The Bank intends to take advantage of opportunities to enhance and diversify its funding sources. Significant value has been achieved in the half through a focus on deposit quality, with strategies targeted at reducing the Bank's reliance on the high cost, most price sensitive segments of the retail deposit market. Continued improvement in term funding markets and the credit rating upgrades has allowed the Bank to utilise term issuance to further optimise the cost of funds. The Bank has also seen increased activity from middle market customers as the recent upgrades widen its eligibility across investment portfolios.

	As at				
$ million	**Feb-14**	Aug-13	Feb-13	Feb 14 vs Aug 13 [1]	Feb 14 vs Feb 13
Retail Deposits	**23,769.1**	23,968.0	22,907.6	(2%)	4%
Wholesale Deposits	**8,198.9**	7,730.7	8,717.0	12%	(6%)
Total Deposits	**31,968.0**	31,698.7	31,624.6	2%	1%
Borrowings	**6,755.0**	7,136.9	6,850.6	(11%)	(1%)
Other Liabilities	**825.7**	874.9	893.2	(11%)	(8%)
Total Liabilities	**39,548.7**	39,710.5	39,368.4	(1%)	-
Shareholders' Equity	**2,880.8**	2,817.8	2,768.4	5%	4%
Preference Shares	**-**	-	15.6	n/a	n/a
Total Equity	**2,880.8**	2,817.8	2,784.0	5%	3%
Total Liabilities and Equity	**42,429.5**	42,528.3	42,152.4	-	1%

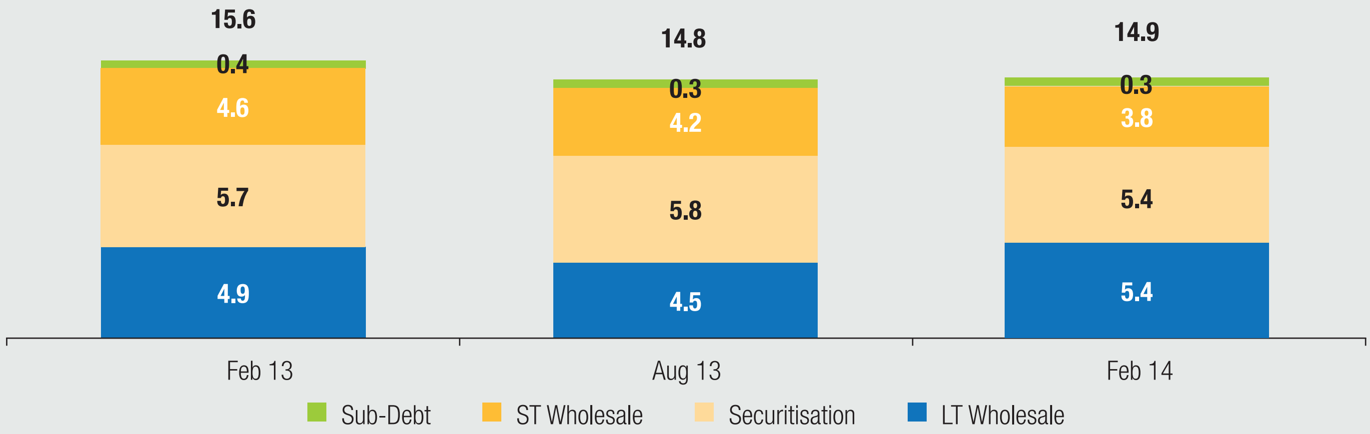
[1] Percentages have been annualised.

	As at				
	Feb-14	Aug-13	Feb-13	Feb 14 vs Aug 13	Feb 14 vs Feb 13
Retail deposit funding	**74%**	76%	72%	(2%)	2%
Wholesale deposit funding	**26%**	24%	28%	2%	(2%)
Total Loans Under Management (net of specific provision) ($'m)	**35,147.4**	35,126.8	34,833.4	-	1%
Deposits to Lending Ratio	**68%**	68%	65%	-	3%

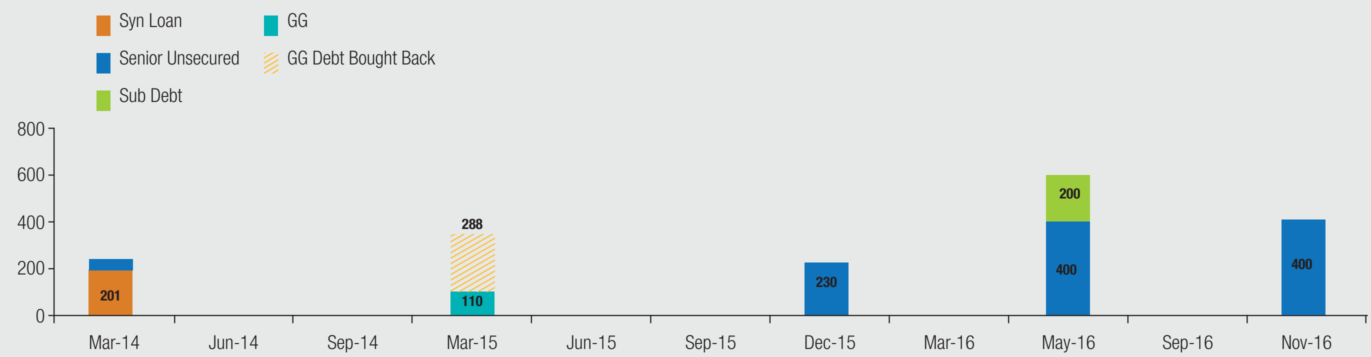
WHOLESALE FUNDING MIX ($bn)

In line with the recent ratings upgrades and market conditions being supportive of term issuance, the Bank increased its term wholesale funding over the half. The Bank repurchased a majority of the outstanding Government Guaranteed debt in November 2013 (leaving only $110m of the $3.8bn originally issued) and repaid a US$200m syndicated facility in March 2014.

The Bank has no significant maturity towers in its wholesale liquidity profile to May 2016.



MAJOR MATURITIES ($m)



LIQUIDITY

	As at			Feb 14 vs Aug 13	Feb 14 vs Feb 13
	Feb-14	Aug-13	Feb-13		
High Quality Liquid Assets Ratio	**15.2%**	15.2%	15.9%	-	(70bps)

The Bank maintains a high quality, diversified liquid asset portfolio to support regulatory and internal requirements. The transition of the liquid asset portfolio to meet the new Basel III Prudential Standard APS 210 Liquidity rules scheduled for 1 January 2015 is well advanced. The Bank is also well advanced on establishing its eligibility for the Reserve Bank of Australia Committed Liquidity Facility which begins on 1 January 2015.

Total liquid holdings at February 2014 were $5.3bn and in line with those held at August 2013. In addition, the Bank holds $2.4bn of internal securitisation as at February 2014 that is eligible for repurchase agreements with the Reserve Bank of Australia as a source of contingent liquidity in the event of a market dislocation. This can be supplemented as necessary with a large portion of the Bank's retail lending assets eligible to be placed as collateral into the structure.

8. CAPITAL MANAGEMENT

CAPITAL ADEQUACY

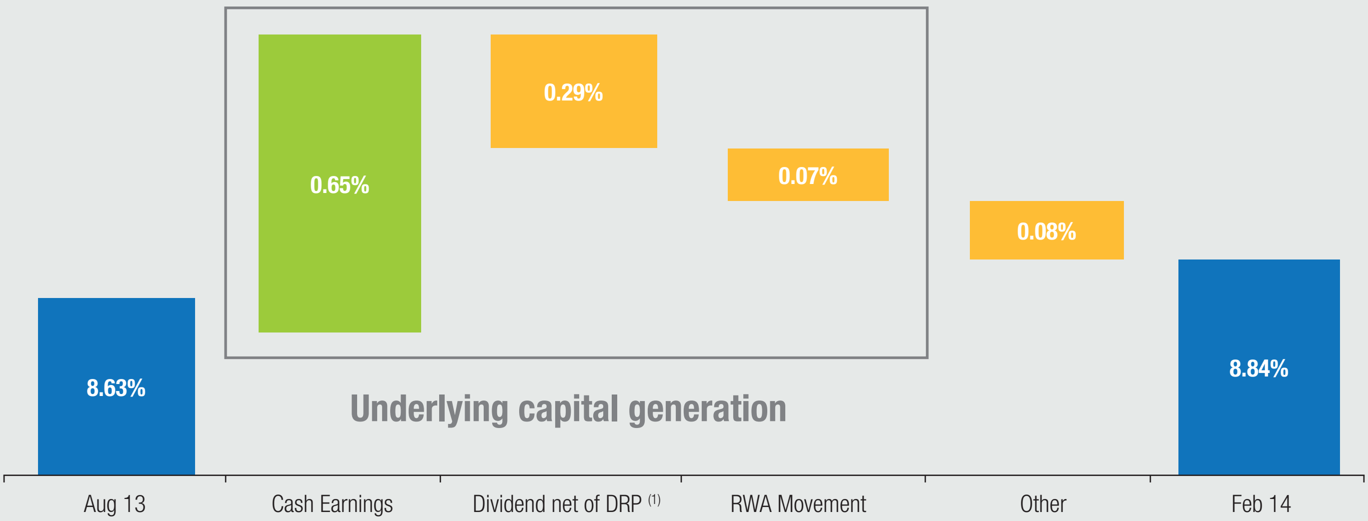
$ million	As at Feb-14	Aug-13	Feb-13	Feb 14 vs Aug 13 [1]	Feb 14 vs Feb 13
Common Equity Tier 1	**1,920.2**	1,860.6	1,860.8	6%	3%
Additional Tier 1 Capital	**300.0**	300.0	314.0	-	(4%)
Total Tier 2	**474.4**	477.7	616.5	(1%)	(23%)
Total Capital Base	**2,694.6**	**2,638.3**	**2,791.3**	**4%**	**(3%)**
Total RWA	**21,717.3**	21,551.7	21,345.7	2%	2%
Common Equity Tier 1 Ratio	**8.84%**	8.63%	8.72%	21bps	12bps
Total Capital Adequacy Ratio	**12.41%**	**12.24%**	**13.08%**	**17bps**	**(67bps)**

[1] Percentages have been annualised.

The Bank holds industry leading levels of capital with a Common Equity Tier 1 ratio of 8.84%, which increased 21 bps during the half. The Bank's improved Cash Earnings and low risk weighted asset growth generated surplus organic capital. The half also saw an 8bps reduction in other items due to an increased investment in technology and non-cash items which was partially offset by a reduction in the net deferred tax asset due to realisation of provisioning.

The increased capital generation supports the increase in the interim dividend of 2 cents to 32 cents declared for the half. The level of organic capital generation was higher than sustainable levels due to the subdued balance sheet growth. Capital and dividend levels will be determined in light of the Bank's expected earnings and risk weighted asset growth in future periods.

COMMON EQUITY TIER 1 RATIO



(1) DRP participation level in the 2013 full year dividend was 35%.

9. TAX EXPENSE

Tax expense arising on Cash Earnings for the half amounted to $62.9m. This represents an effective tax rate of 31%, which is above the corporate tax rate of 30% primarily due to non-deductibility of interest on the convertible preference shares issued in 2013.

10. APPENDICES

10.1 ASX APPENDIX 4D

Cross Reference Index	Page
Details of reporting period and previous period (Rule 4.2A.3 Item No. 1)	Inside front cover
Results for Announcement to the Market (Rule 4.2A.3 Item No. 2)	Inside front cover
Net tangible assets per security (Rule 4.2A.3 Item No. 3)	22
Details of entities over which control has been gained or lost (Rule 4.2A.3 Item No. 4)	Consolidated Interim Financial Report Page 25
Dividends (Rule 4.2A.3 Item No. 5)	Consolidated Interim Financial Report Page 16
Dividends dates (Rule 4.2A.3 Item No. 5)	Inside front cover
Dividend Reinvestment Plan (Rule 4.2A.3 Item No. 6)	Inside front cover
Details of associated and joint venture entities (Rule 4.2A.3 Item No. 7)	22
Foreign Entities (Rule 4.2A.3 Item No. 8)	Not applicable

Details of associated and joint venture entities (Rule 4.2A.3 Item No. 7) (1)	Ownership interest held (%)
Ocean Springs Pty Ltd	9.31%
Dalyellup Beach Pty Ltd	17.08%
Wanneroo North Pty Ltd	21.42%
East Busselton Estate Pty Ltd	25.00%
Coastview Nominees Pty Ltd	5.81%
Provence 2 Pty Ltd	25.00%

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

	As at		
Net tangible assets per security (Rule 4.2A.3 Item No. 3)	**Feb-14**	Aug-13	Feb-13
Net tangible assets per ordinary share ($) (1)	**7.06**	6.96	7.08

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

10.2 RECONCILIATION OF STATUTORY PROFIT TO CASH EARNINGS

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

There has been a significant increase in the Bank's Statutory Profit and closer alignment to reported Cash Earnings. In the August 2013 half, the Bank took a large provision for one-off Product Remediation costs. The Bank had also previously excluded restructuring costs from Cash Earnings.

(a) Reconciliation of Cash Earnings to Statutory Net Profit after tax

	Half Year Performance				
$ million	**Feb-14**	Aug-13	Feb-13	Feb 14 vs Aug 13 [1]	Feb 14 vs Feb 13
Cash Earnings after Tax	**140.2**	131.0	119.9	14%	17%
Amortisation of customer contracts (acquisition)	**(2.5)**	(4.2)	(4.9)	(82%)	(49%)
Amortisation of fair value adjustments (acquisition)	**-**	-	(1.0)	n/a	n/a
Hedge ineffectiveness	**(0.8)**	3.1	(0.7)	(254%)	14%
Government Guarantee break fee	**(1.4)**	(5.2)	-	(147%)	n/a
Integration / due diligence costs	**-**	(3.4)	(0.3)	n/a	n/a
Legacy items	**(0.8)**	(36.0)	(1.5)	(197%)	(47%)
Restructuring costs	**-**	-	(11.0)	n/a	n/a
Statutory Net Profit after Tax	**134.7**	85.3	100.5	117%	34%

[1] Percentages have been annualised.

(b) Non-Cash Earnings Reconciling items

$ million	**Cash Earnings Feb-14**	VMA	Amortisation of customer contracts (acquisition)	Hedge ineffectiveness	Government Guarantee break fee	Legacy items & Integration / due diligence	**Statutory Net Profit Feb-14**
Net Interest Income	**362.2**	-	-	-	-	-	362.2
Non-Interest Income	**81.6**	6.5	-	(1.2)	(2.0)	-	84.9
Total Income	**443.8**	6.5	-	(1.2)	(2.0)	-	447.1
Operating Expenses	**(194.6)**	(6.5)	(1.7)	-	-	(1.1)	(203.9)
Underlying Profit	**249.2**	-	(1.7)	(1.2)	(2.0)	(1.1)	243.2
Loan Impairment Expense	**(46.1)**	-	-	-	-	-	(46.1)
Profit before Tax	**203.1**	-	(1.7)	(1.2)	(2.0)	(1.1)	197.1
Income Tax Expense	**(62.9)**	-	(0.8)	0.4	0.6	0.3	(62.4)
Profit after Tax	**140.2**	-	(2.5)	(0.8)	(1.4)	(0.8)	134.7

(c) Operating Cash Expenses

	Half Year Performance				
	Feb-14	Aug-13	Feb-13	Feb 14 vs Aug 13 [1]	Feb 14 vs Feb 13
General expenses					
Advertising	**5.1**	7.9	4.4	(71%)	16%
Commissions to Owner Managed Branches	**3.4**	4.0	4.7	(30%)	(28%)
Communications and postage	**10.3**	11.6	10.7	(23%)	(4%)
Printing and stationery	**2.2**	2.1	1.9	10%	16%
Non-lending losses	**0.9**	1.0	0.5	(20%)	80%
Processing costs	**12.5**	12.7	12.3	(3%)	2%
Other operating expenses	**9.8**	3.7	9.4	332%	4%
	44.2	43.0	43.9	6%	1%
Other expenses					
Professional fees	**5.2**	5.0	4.6	8%	13%
Directors' fees	**0.9**	0.8	0.8	25%	13%
Other	**2.4**	4.1	4.2	(84%)	(43%)
	8.5	9.9	9.6	(29%)	(11%)
IT expenses					
Data processing	**30.7**	30.4	28.3	2%	8%
Amortisation and impairment – computer software (intangible)	**7.4**	8.6	9.9	(28%)	(25%)
Depreciation – IT equipment	**0.7**	0.9	0.6	(45%)	17%
	38.8	39.9	38.8	(6%)	-
Occupancy expenses					
Lease rental	**12.3**	11.5	10.1	14%	22%
Depreciation - plant, furniture, equipment and leasehold improvements	**3.8**	3.8	3.8	-	-
Other	**1.4**	1.3	1.2	16%	17%
	17.5	16.6	15.1	11%	16%
Employee expenses					
Salaries and wages	**67.8**	68.3	63.0	(1%)	8%
Superannuation contributions	**6.4**	5.8	6.0	21%	7%
Payroll tax	**4.6**	3.4	4.2	71%	10%
Equity settled transactions	**3.9**	1.9	3.3	212%	18%
Other	**2.9**	3.9	2.8	(52%)	4%
	85.6	83.3	79.3	6%	8%
Total Operating Expenses	**194.6**	192.7	186.7	2%	4%

[1] Percentages have been annualised.

10.3 EARNINGS PER SHARE ("EPS") CALCULATIONS

	Half Year Performance				
	Feb-14	Aug-13	Feb-13	Feb 14 vs Aug 13	Feb 14 vs Feb 13
Reconciliation of Cash Earnings for EPS					
Cash Earnings after Tax	**140.2**	131.0	119.9	7%	17%
Less: PEPS Dividend [1]	**-**	(0.4)	(2.3)	-	-
Cash Earnings available for ordinary shareholders	**140.2**	130.6	117.6	7%	19%
Add: PEPS Dividend	**-**	-	2.3	n/a	n/a
Add: Convertible Preference Shares ("CPS") Dividend	**8.6**	8.6	3.2	-	(169%)
Add: Convertible Notes [2]	**-**	-	0.6	n/a	n/a
Cash Diluted Earnings available for ordinary shareholders	**148.8**	139.2	123.7	7%	20%
Weighted Average Number of Shares ("WANOS")					
Basic WANOS	**320.1**	316.8	310.2	1%	3%
Add: Effect of award rights	**2.7**	2.2	2.3	23%	17%
Add: Effect of PEPS	**-**	-	14.7	n/a	n/a
Add: Effect of CPS	**26.5**	32.1	12.9	(17%)	105%
Add: Effect of convertible notes [2]	**-**	-	2.8	n/a	n/a
Diluted WANOS for Cash Earnings EPS	**349.3**	351.1	342.9	1%	2%

(1) PEPS are treated as equity whereas CPS are treated as debt for accounting purposes.

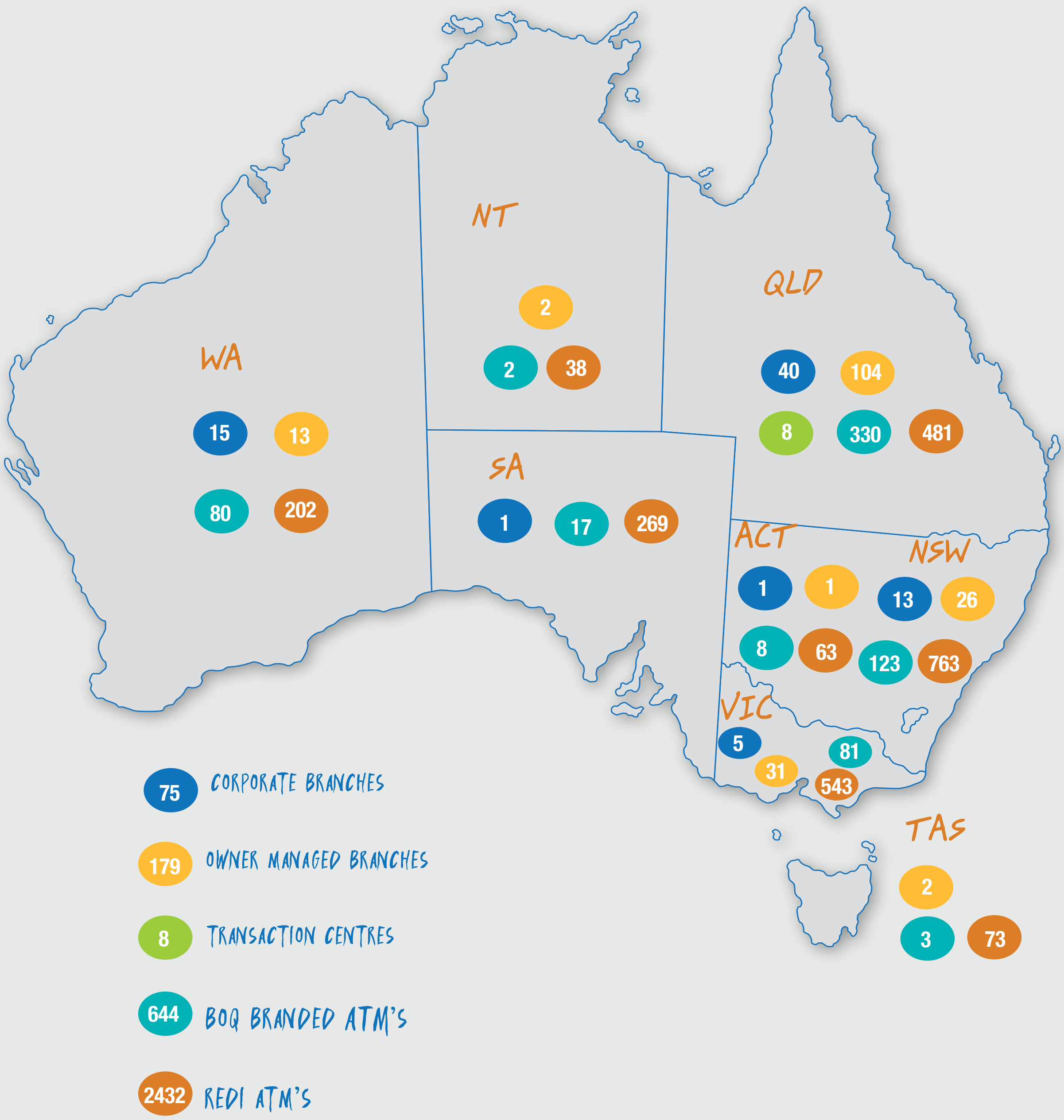
(2) Part period impact of Tier 2 bridge redeemed during this period.

10.4 AVERAGE BALANCE SHEET AND MARGIN ANALYSIS

	February 2014			August 2013		
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Interest earning assets						
Gross loans & advances at amortised cost	**35,264.5**	**946.9**	**5.41**	35,323.4	1,026.1	5.77
Investments & other securities	**6,106.1**	**93.6**	**3.09**	6,073.0	101.5	3.31
Total interest earning assets	**41,370.6**	**1,040.5**	**5.07**	41,396.4	1,127.6	5.40
Non-interest earnings assets						
Property, plant & equipment	**40.0**			36.9		
Other assets	**1,344.9**			1,362.6		
Provision for impairment	**(305.2)**			(344.4)		
Total non-interest earning assets	**1,079.7**			1,055.1		
Total assets	**42,450.3**			42,451.5		
Interest bearing liabilities						
Retail deposits	**24,086.7**	**393.3**	**3.29**	23,420.6	438.5	3.71
Wholesale deposits & borrowings	**14,869.4**	**285.0**	**3.87**	15,533.0	329.6	4.21
Total interest bearing liabilities	**38,956.1**	**678.3**	**3.51**	38,953.6	768.1	3.91
Non-interest bearing liabilities	**646.3**			688.4		
Total Liabilities	**39,602.4**			39,642.0		
Shareholder's funds	**2,847.9**			2,809.5		
Total liabilities & shareholder's funds	**42,450.3**			42,451.5		
Interest margin & interest spread						
Interest earning assets	**41,370.6**	**1,040.5**	**5.07**	41,396.4	1,127.6	5.40
Interest bearing liabilities	**38,956.1**	**678.3**	**3.51**	38,953.6	768.1	3.91
			1.56			1.49
Net interest margin - on average interest earning assets	**41,370.6**	**362.2**	**1.77**	41,396.4	359.5	1.72

10.5 DISTRIBUTION FOOTPRINT

In line with the Bank's multi-channel optimisation strategy, the Bank has rationalised its branch network by eight locations during the half mostly through branch mergers. The Bank made a concerted effort to optimise site locations for the ATM network.

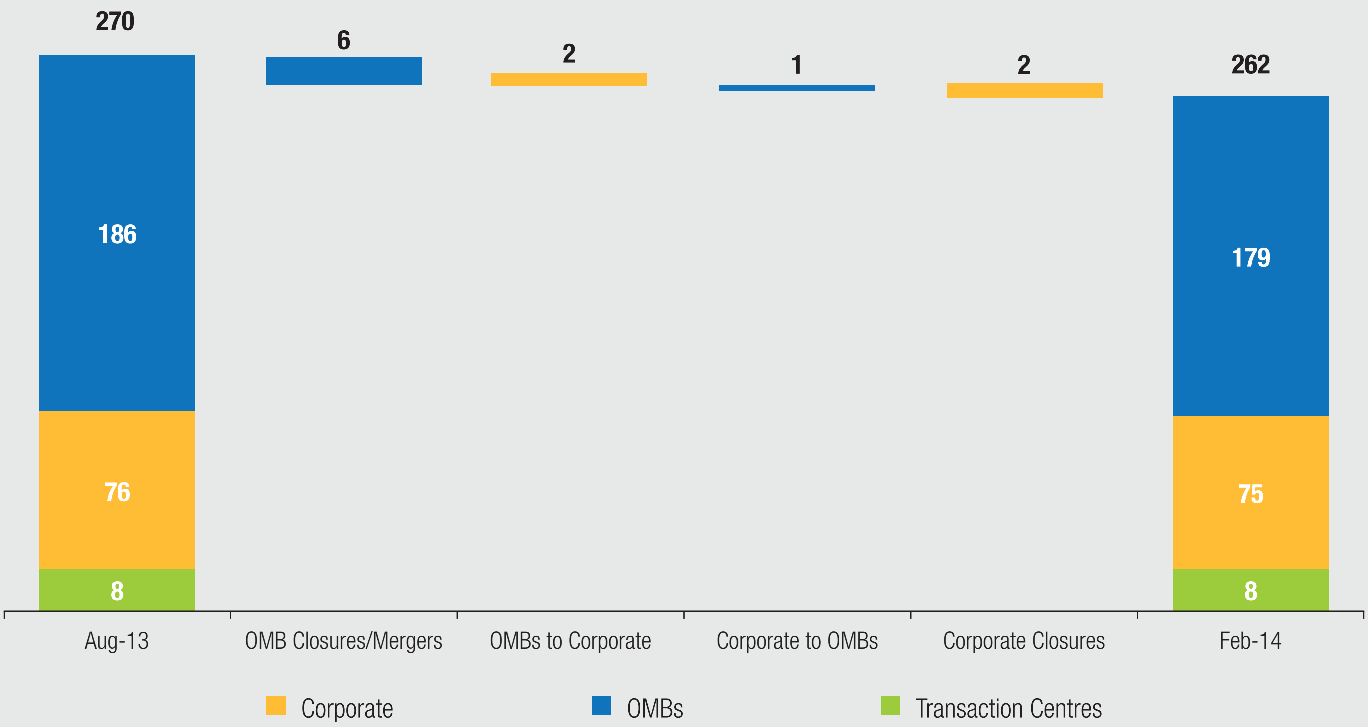


10.5 DISTRIBUTION FOOTPRINT (continued)

As at Feb-14	QLD	NSW / ACT	VIC	WA	NT	TAS	SA	Total
Corporate Branches	40	14	5	15	-	-	1	75
Owner managed branches	104	27	31	13	2	2	-	179
Transaction Centres	8	-	-	-	-	-	-	8
	152	41	36	28	2	2	1	262

As at Aug-13	QLD	NSW / ACT	VIC	WA	NT	TAS	SA	Total
Corporate Branches	40	14	5	16	-	-	1	76
Owner managed branches	108	28	32	13	2	2	1	186
Transaction Centres	8	-	-	-	-	-	-	8
	156	42	37	29	2	2	2	270

Corporate, Owner Managed Branches ("OMB") & Transaction centres



10.6 CREDIT RATING

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

The Bank's current long-term debt ratings are shown below. Two rating agencies revised their long term debt ratings for the Bank in the half. Standard & Poor's upgraded their rating to A- and Moody's upgraded to A3. Both noted the improved balance sheet and capital strength of the Bank in recent reporting periods.

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

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