



Capital Notes Offer

22 November 2017

IMPORTANT NOTICE



Important Notice

This presentation (Presentation) has been prepared by Bank of Queensland Limited ABN 32 009 656 740 (BOQ). This Presentation has been prepared in relation to the proposed offer of Capital Notes (the Offer). The Offer will be made pursuant to a prospectus prepared by BOQ that complies with Part 6D of the Corporations Act 2001 (Cth) (as modified by the Australian Securities and Investments Commission (ASIC)) which was lodged with ASIC on 22 November 2017 (Prospectus). BOQ intends to lodge a replacement Prospectus which will include the Offer size and the Margin, on or around 30 November 2017.

Goldman Sachs Australia Pty Ltd, is the arranger to the Offer. ANZ Securities Limited, Commonwealth Bank of Australia, Morgans Financial Limited and National Australia Bank Limited are the joint lead managers to the Offer (Joint Lead Managers). JBWere Limited and Ord Minnett Limited are the co-managers (Co-Managers).

Summary information

The information in this Presentation is not financial product advice and does not take into account your individual investment objectives, financial situation or needs. You should carefully consider the whole of the Prospectus in light of your particular investment needs, objectives and financial situation (including your taxation situation) and seek professional advice from your stockbroker, solicitor, accountant or other professional adviser before deciding whether to invest in Capital Notes. Any decision by a person to apply for Capital Notes should be made on the basis of information contained in the Prospectus and an independent assessment as to whether to invest, and not in reliance on any information contained in this Presentation.

A copy of the Prospectus is available at www.boq.com.au/capitalnotes. Applications for Capital Notes under the Offer may only be made using an Application Form to be issued with, contained in, or accompanying the replacement Prospectus.

This Presentation is not a prospectus, product disclosure statement, disclosure document or other offer document under Australian law or under any other law. This Presentation is not, and does not constitute, financial product advice, an offer to sell or the solicitation, invitation or recommendation to purchase any securities and neither this Presentation nor anything contained within it will form the basis of any contract or commitment. All reasonable care has been taken in relation to the preparation and collation of this Presentation. If there are any material changes relevant to the Offer, BOQ will lodge the appropriate information with the Australian Securities Exchange (ASX).

No representation or warranty, express or implied, is made as to the accuracy, adequacy or reliability of any statements, estimates or opinions or other information contained in this Presentation. To the maximum extent permitted by law, BOQ, its subsidiaries and their respective directors, officers, employees and agents disclaim all liability and responsibility (including without limitation any liability arising from fault or negligence on the part of BOQ, the arranger, the Joint Lead Managers and their related bodies corporate, affiliates and each of their respective directors, officers, employees and agents) for any direct or indirect loss or damage which may be suffered by any recipient through the use of or reliance on anything contained in or omitted from this Presentation. No recommendation is made as to how investors should make an investment decision in relation to the Offer or BOQ. BOQ reserves the right to withdraw or vary the timetable for the Offer without notice.

The information in this Presentation is for general information only. To the extent that certain statements contained in this Presentation may constitute "forward-looking statements" or statements about "future matters", the information reflects BOQ's intent, belief or expectations at the date of this Presentation. BOQ gives no undertaking to update this information over time (subject to legal or regulatory requirements).

Any forward-looking statements, including projections, guidance on future revenues, earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause BOQ's actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Any forward-looking statements, opinions and estimates in this Presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Neither BOQ, nor any other person, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Presentation will actually occur. In addition, please note that past performance is no guarantee or indication of future performance.

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Further, Capital Notes may not be offered or sold, directly or indirectly, and neither this Presentation nor any other offering material may be distributed or published, in any jurisdiction except under circumstances that will result in compliance with any applicable law or regulations.

To the maximum extent permitted by law, the arranger and the Joint Lead Managers and their respective affiliates, directors, officers, partners, employees, advisers and agents of each of them (each, a Limited Party), make no representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained in this Presentation and accept no responsibility or liability therefore. Further, no Limited Party accepts any fiduciary obligations owed to or relationship with any investor or potential investor in connection with the Offer or otherwise, and by accepting this Presentation each recipient expressly disclaims any fiduciary relationship and agrees that it is responsible for making its own independent judgements with respect to the Offer, and any other transaction or other matter arising in connection with this Presentation.

Capital Notes have not been, and will not be, registered under the United States Securities Act of 1933 (US Securities Act) and may not be offered or sold in the United States (US), except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws. This Presentation may not be distributed or released, in whole or in part, in the United States or to anyone acting as a nominee for a person in the United States.

All amounts are in Australian dollars unless otherwise indicated.

Unless otherwise defined, capitalised terms in this Presentation have the meaning in the Prospectus.

All references to \$ are to AUD unless otherwise specified

AGENDA



Section 1 Offer Summary

Section 2 About BOQ

Section 3 Key Features of Capital Notes

Section 4 Offer Process

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Offer Summary

CAPITAL NOTES OFFER



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Issuer	<ul style="list-style-type: none"> Bank of Queensland Limited (BOQ) <ul style="list-style-type: none"> ASX100 listed company Well-secured balance sheet with approximately 68% of loans under management secured by residential mortgages Approximately \$5bn market capitalisation¹
Offer	<ul style="list-style-type: none"> Fully paid, subordinated, perpetual, unsecured, non-cumulative, mandatorily convertible notes (Capital Notes)
Offer size	<ul style="list-style-type: none"> \$300 million, with the ability to raise more or less
Use of proceeds	<ul style="list-style-type: none"> Proceeds of Capital Notes will be used for BOQ's general corporate and funding purposes, including the partial refinancing of Convertible Preference Shares (CPS) under the Reinvestment Offer
Ranking²	<ul style="list-style-type: none"> In a winding-up of BOQ, Capital Notes will rank ahead of Ordinary Shares, equally among themselves and other equally ranked instruments (including CPS and Wholesale Capital Notes) and behind all senior creditors of BOQ
Term	<ul style="list-style-type: none"> Perpetual (no fixed maturity date) unless Converted, Redeemed or Resold Optional Conversion, Redemption or Resale (subject to APRA's prior written approval³, and provided certain conditions are satisfied) on 15 August 2024 at BOQ's option, or following a Tax Event, Regulatory Event or a Potential Acquisition Event Scheduled Mandatory Conversion into Ordinary Shares on 15 August 2026⁴ if Mandatory Conversion Conditions are satisfied, unless Capital Notes are Redeemed or Converted earlier Acquisition Event results in Conversion of Capital Notes, if certain conditions are satisfied Loss Absorption Event results in required Conversion of Capital Notes into Ordinary Shares and, if not Converted, Written-Off
Distributions	<ul style="list-style-type: none"> Floating rate, quarterly, discretionary, non-cumulative payments subject to no Payment Condition existing Distributions are expected to be fully franked Margin is expected to be in the range of 3.75% to 3.95% per annum over the 3 month Bank Bill Swap Rate
Offer Structure	<ul style="list-style-type: none"> Institutional Offer, Broker Firm Offer, Reinvestment Offer, Securityholder Offer
Arranger	<ul style="list-style-type: none"> Goldman Sachs
Joint Lead Managers	<ul style="list-style-type: none"> ANZ Securities, Commonwealth Bank of Australia, Morgans, National Australia Bank
Quotation	<ul style="list-style-type: none"> BOQ will apply for Capital Notes to be quoted on the ASX under ASX code "BOQPE"

(1) As at 21 November 2017

(2) The ranking of Holders in a winding-up will be adversely affected if Conversion or Write Off occurs – refer to section 4.3.10 of the Prospectus

(3) Holders should not assume that APRA's approval will be given

(4) As this day is not a Business Day it will be postponed to the next Business Day, expected to be 17 August 2026

CPS REINVESTMENT OFFER



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What are CPS?	<ul style="list-style-type: none">• Convertible preference shares issued by BOQ on 24 December 2012 that trade on ASX under the code "BOQPD"• CPS may be converted (subject to certain conditions being satisfied), redeemed or transferred at BOQ's option on 16 April 2018¹
Eligibility	<ul style="list-style-type: none">• To participate in the Reinvestment Offer, CPS Holders must:<ul style="list-style-type: none">– have been a registered holder of CPS on the CPS Record Date (7:00pm (Sydney time) on 17 November 2017);– be shown on the CPS register as having an address in Australia; and– not be in the US or be acting as a nominee for, or for the account or benefit of, a US Person or not otherwise prevented from receiving the invitation to participate in the Reinvestment Offer or receiving Capital Notes under the laws of any jurisdiction.
Key details	<ul style="list-style-type: none">• Eligible CPS Holders are invited to offer some or all of their CPS held at 7:00pm (Sydney time) on 17 November 2017 for sale to BOQ through a selective buy-back for \$100 each (Buy-Back Price)• The Buy-Back Price will be directly applied to the Application Payment for Capital Notes² (\$100 per Note)• The buy-back of CPS under the Reinvestment Offer is subject to approval by Ordinary Shareholders to be proposed at the BOQ AGM on 30 November 2017<ul style="list-style-type: none">– The Reinvestment Offer will not proceed unless this approval is obtained, in which case all Eligible CPS Holders will continue holding CPS, subject to the CPS terms• BOQ will give priority over participants in the Securityholder Offer to applications received by Eligible CPS Holders to reinvest their CPS under the Reinvestment Offer• Eligible CPS Holders who elect to reinvest all of their existing CPS may also apply for additional Capital Notes
Pro-Rata Dividend	<ul style="list-style-type: none">• Eligible CPS Holders who elect to participate in the Reinvestment Offer will receive a Pro-Rata Dividend on the Reinvestment Date in respect of those Reinvestment CPS to be bought back (subject to the payment tests in the CPS terms)• The Pro-Rata Dividend cannot be reinvested in Capital Notes

(1) The CPS Terms specify this date to be 15 April 2018, but as that date is not a Business Day the scheduled date is adjusted to the next Business Day

(2) Capital Notes and CPS have different rights, benefits and risks. A comparison of the key features is summarised in section 5.5 of the Prospectus

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About BOQ

OVERVIEW OF BOQ



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ASX100 listed company

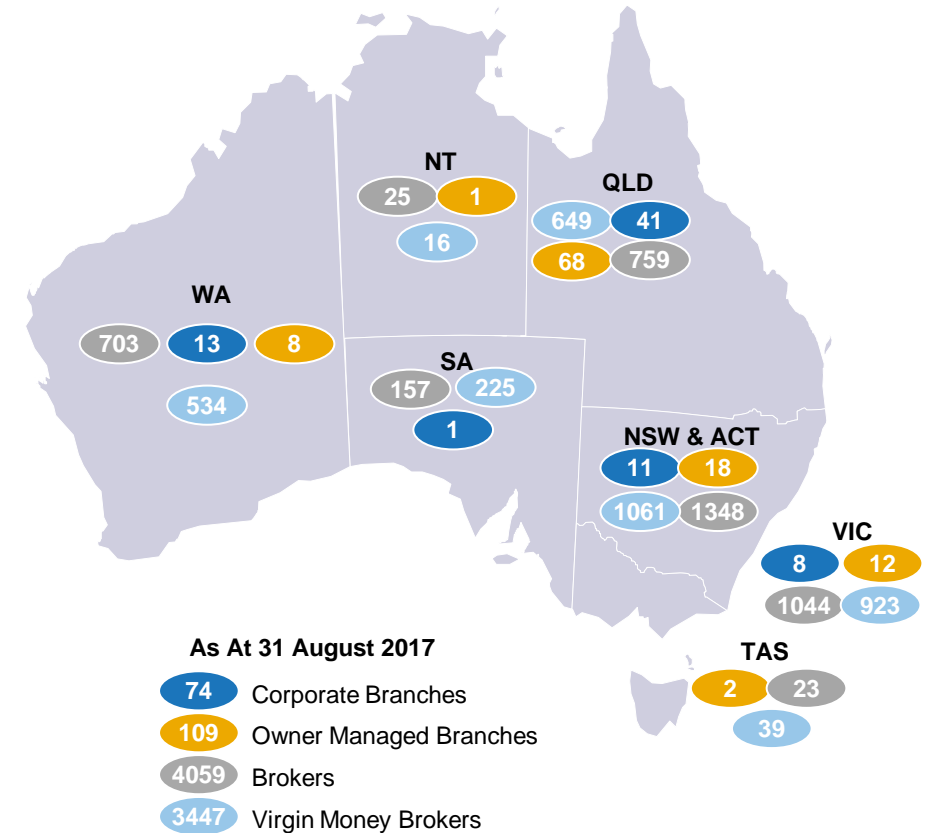
Well-secured balance sheet with approximately 68% of loans under management secured by residential mortgages

Approximately A\$5 billion market capitalisation¹

Unique owner managed branch network

Focus on niche customer segments

GEOGRAPHIC DISTRIBUTION



STRATEGIC FOCUS



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Vision

Our dream is to create AUSTRALIA'S MOST LOVED BANK

Strategy

Focus on niche segments that value a more intimate banking relationship

Brands



Strategic pillar

Customer in charge

Grow the right way

There's always a better way

Loved like no other

Goals

- Achieving minimum digital parity and meeting more of our customers' digital needs
- Delivering a seamless customer experience across channels

- Improving deposit gathering and lifting MFI penetration across all business lines
- Growing assets with pricing based on risk profile and holistic relationship

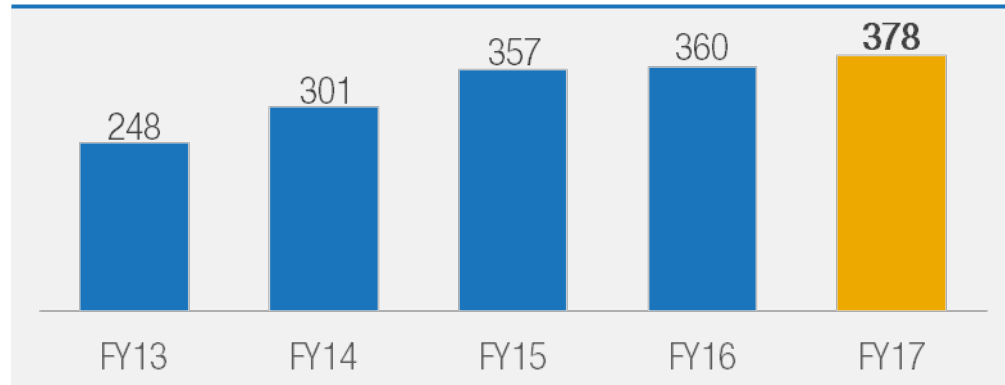
- Overhauling key processes to align to our relationship proposition
- Creating capacity to invest by Bringing the Future Forward

- Delivering a differentiated service offering
- Investing in an engaged and capable team

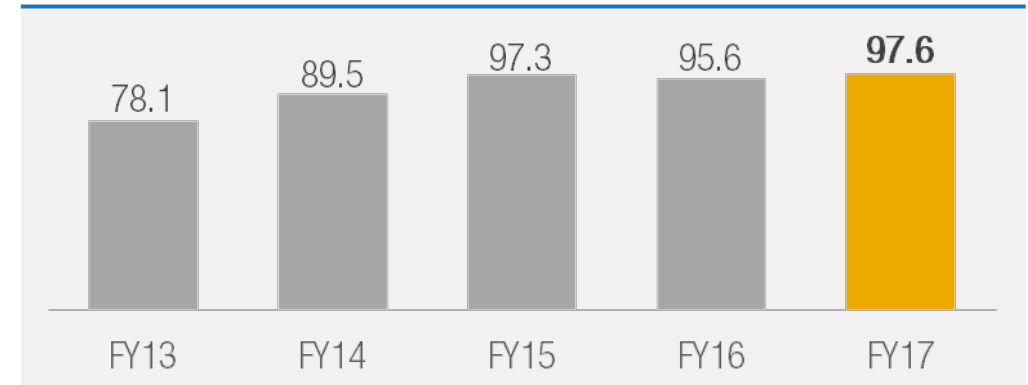
KEY ELEMENTS OF THE FY17 RESULT

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CASH EARNINGS AFTER TAX (\$M)⁽¹⁾



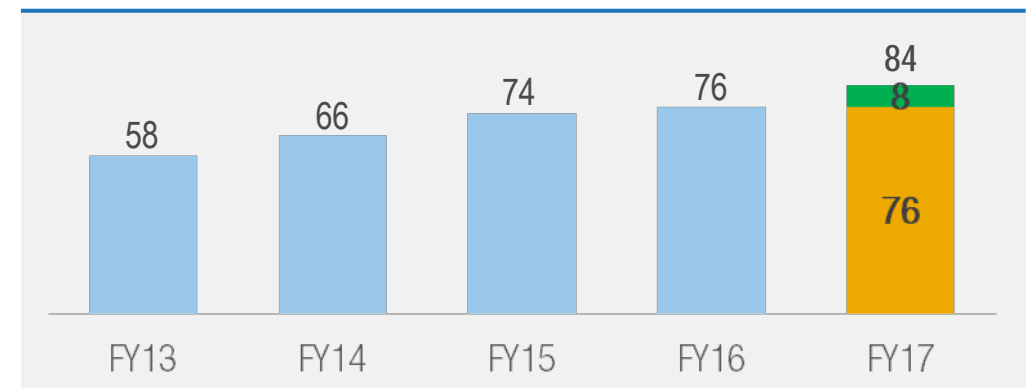
EARNINGS PER ORDINARY SHARE (CENTS)⁽¹⁾



RETURN ON EQUITY (%)⁽¹⁾



DIVIDENDS PER ORDINARY SHARE (CENTS)

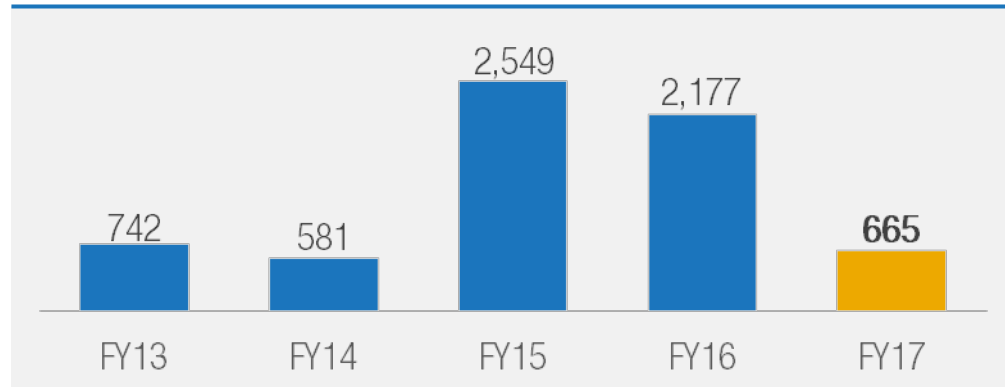


Special dividend

DRIVERS OF THE FY17 RESULT

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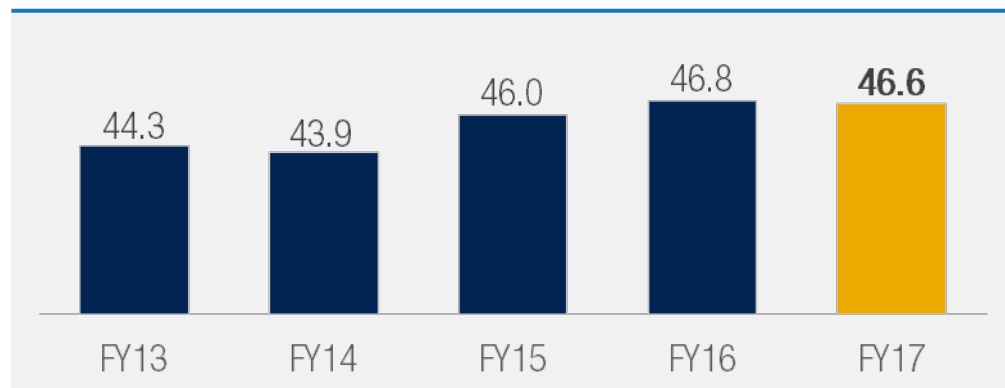
LENDING GROWTH (\$M)



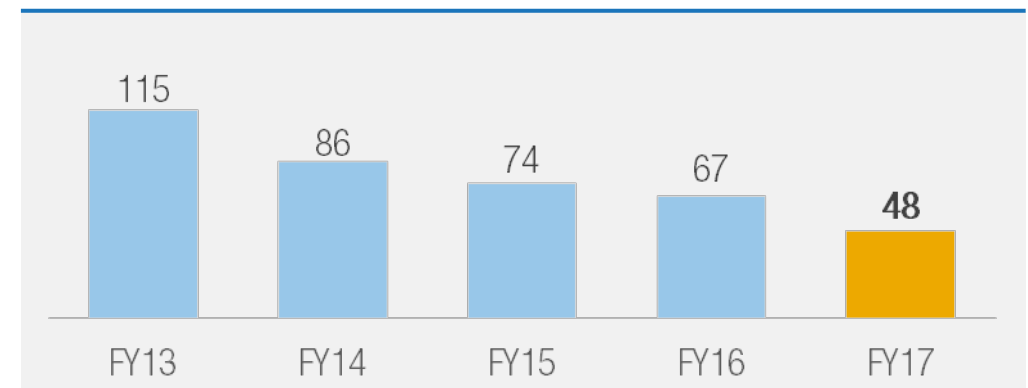
NET INTEREST MARGIN (%)



COST TO INCOME RATIO (%)⁽¹⁾



LOAN IMPAIRMENT EXPENSE (\$M)



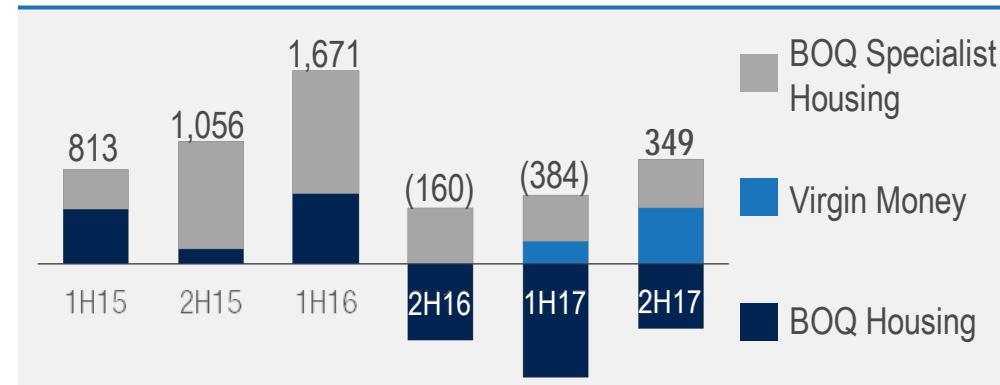
HOUSING LENDING GROWTH

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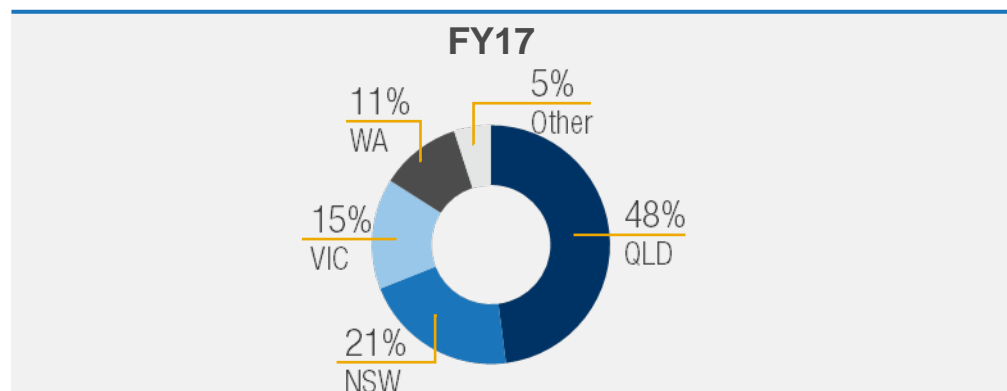
SUMMARY

- Virgin Money Australia made a significant contribution to growth
- BOQ Specialist continuing to deliver strong growth
- Branch network momentum improved in 2H17
- 52% of housing loan portfolio now comprising customers outside of Queensland

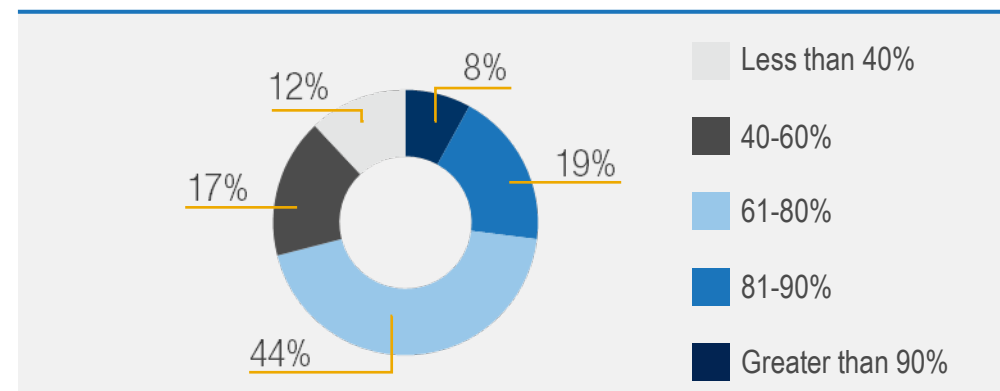
HOUSING LOAN GROWTH (\$M)



HOUSING LOAN GEOGRAPHIC MIX



HOUSING PORTFOLIO LVR BANDS



SOUND CREDIT QUALITY

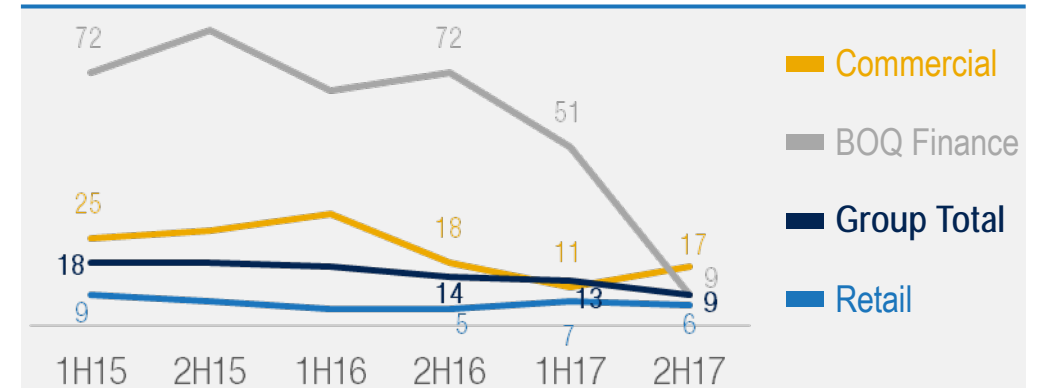


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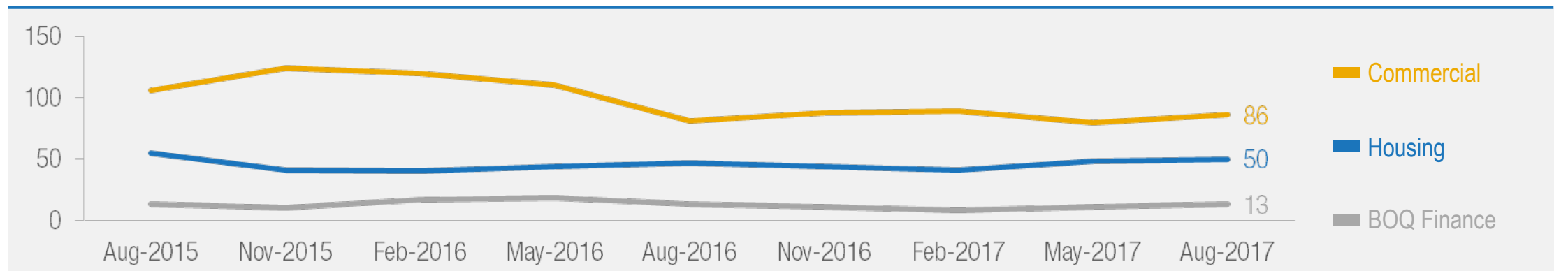
SUMMARY

- Loan impairment expense down to 11bps of GLA² in FY17
- Commercial arrears remain stable
- Housing portfolio continues to perform well
- BOQ Finance arrears to revert to longer term average

LOAN IMPAIRMENT EXPENSE BY PRODUCT (bps) ⁽¹⁾



LOW AND STABLE ARREARS – 90 DAYS PAST DUE (bps)



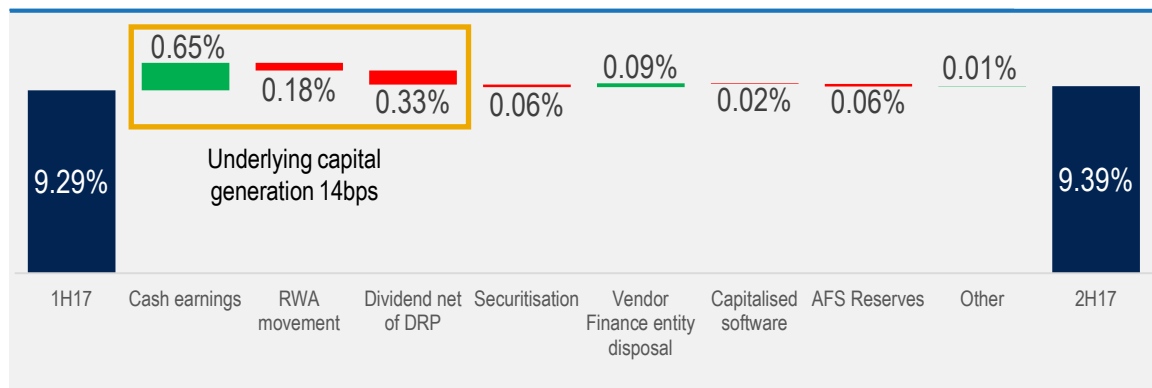
CAPITAL POSITION

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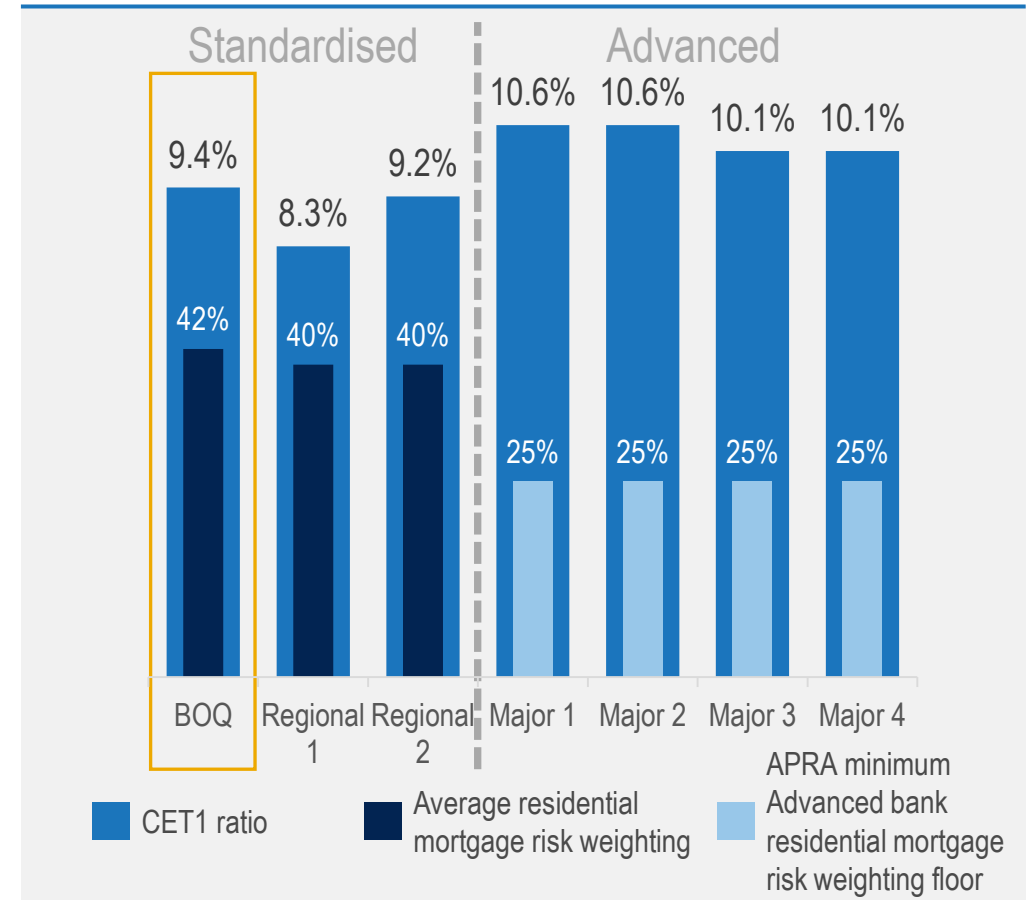
SUMMARY

- 9.39% Common Equity Tier 1 (CET1) ratio
- Strong capital generation
- Expect 1H18 impact of +20-25bps (from APS 120¹ & GRCL² reduction)

COMMON EQUITY TIER 1 MOVEMENTS



CET1 CAPITAL VS PEERS (%)



(1) Australian Prudential Standard 120: Securitisation.

(2) General Reserve for Credit Losses

Note: BOQ figures are as at 31 August 2017. Peer figures are most recent half-yearly reported; APRA has applied a risk-weight minimum of 25% on performing Australian Advanced bank residential mortgages. Some Advanced peer banks are subject to floors higher than 25%

IMPROVED FUNDING MIX

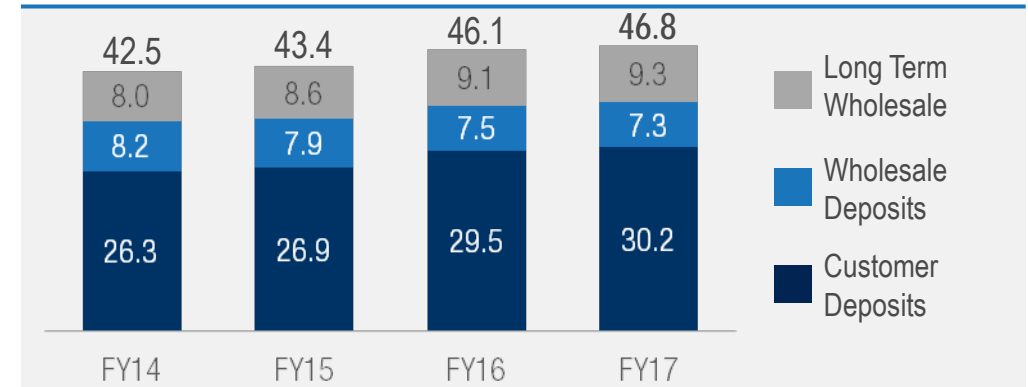


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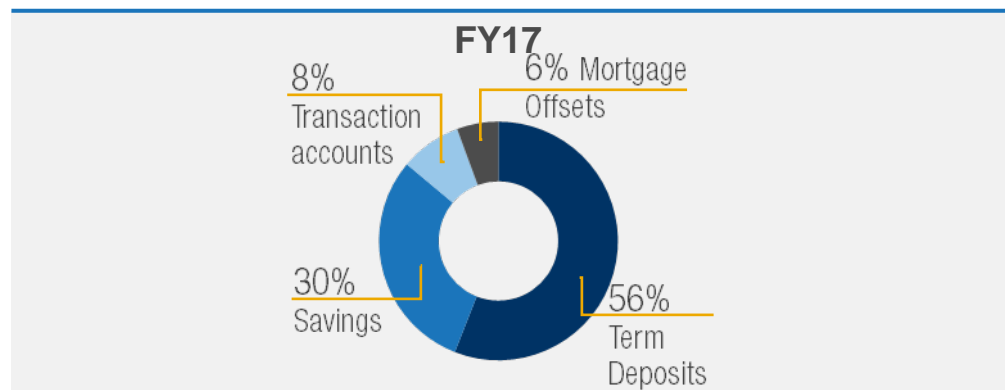
SUMMARY

- Customer Deposit growth fully funded lending growth
- Deposit to Loan ratio of 69%
- Focus on growing transaction accounts – 10% FY17 growth or 15% including Mortgage Offsets
- Wholesale funding suite enhanced with inaugural Covered Bond issuance

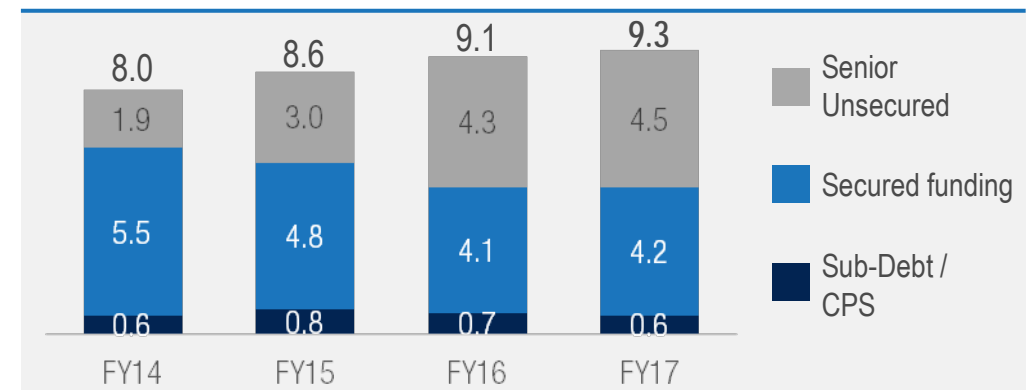
OVERALL FUNDING MIX (\$B)



CUSTOMER DEPOSIT MIX



LONG TERM WHOLESALE FUNDING (\$B)





Key Features of Capital Notes

SUMMARY



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Issuer	<ul style="list-style-type: none">Bank of Queensland Limited (BOQ)
Offer	<ul style="list-style-type: none">Fully paid, subordinated, perpetual, unsecured, non-cumulative, mandatorily convertible notes (Capital Notes)
Offer size	<ul style="list-style-type: none">\$300 million, with the ability to raise more or less
Ranking¹	<ul style="list-style-type: none">In a winding-up of BOQ, Capital Notes will rank ahead of Ordinary Shares, equally among themselves and other equally ranked instruments (including CPS and Wholesale Capital Notes) and behind all senior creditors of BOQ
Term	<ul style="list-style-type: none">Perpetual (no fixed maturity date) unless Converted, Redeemed or ResoldOptional Conversion, Redemption or Resale (subject to APRA's prior written approval², and provided certain conditions are satisfied) on 15 August 2024 at BOQ's option, or following a Tax Event, Regulatory Event or a Potential Acquisition EventScheduled Mandatory Conversion into Ordinary Shares on 15 August 2026³ if Mandatory Conversion Conditions are satisfied, unless Notes are Redeemed or Converted earlierAcquisition Event results in Conversion of Capital Notes, if certain conditions are satisfiedLoss Absorption Event results in required Conversion of Capital Notes into Ordinary Shares and, if not Converted, Written Off
Distributions	<ul style="list-style-type: none">Floating rate, quarterly, discretionary, non-cumulative payments subject to no Payment Condition existingDistributions are expected to be fully frankedMargin is expected to be in the range of 3.75% to 3.95% per annum over the 3 month Bank Bill Swap Rate
Distribution Payment Dates	<ul style="list-style-type: none">The first Distribution payment date is 15 February 2018Distribution Payment Dates are 15 February, 15 May, 15 August and 15 November each year


(1) The ranking of Holders in a winding-up will be adversely affected if Conversion or Write Off occurs – refer to section 4.3.10 of the Prospectus

(2) Holders should not assume that APRA's approval will be given

(3) As this day is not a Business Day it will be postponed to the next Business Day, expected to be 17 August 2026

RANKING OF CAPITAL NOTES IN A WINDING UP

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	Type	Illustrative Examples
<p style="text-align: center;">Higher Ranking</p>  <p style="text-align: center;">Lower Ranking</p>	Preferred and secured debt	Liabilities in Australia in relation to protected accounts (generally savings accounts and term deposits), liabilities preferred by law including employee entitlements and secured creditors
	Unsubordinated and unsecured debt	Unsubordinated and unsecured bonds and notes, trade and general creditors
	Subordinated and unsecured debt	Subordinated and unsecured debt obligations
	Capital notes and preference securities	Capital Notes and other Equal Ranking Instruments (including CPS and Wholesale Capital Notes)
	Ordinary Shares	BOQ Ordinary Shares

DISTRIBUTIONS



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Distributions	<ul style="list-style-type: none">• Distributions are floating rate, quarterly, discretionary, non-cumulative payments subject to no Payment Condition existing• Distributions are expected to be fully franked• Margin is expected to be in the range of 3.75% to 3.95% per annum over the 3 month Bank Bill Swap Rate
Payment Dates	<ul style="list-style-type: none">• Distribution Payment Dates are 15 February, 15 May, 15 August and 15 November each year• The first Distribution Payment Date is 15 February 2018
Distribution Rate	<ul style="list-style-type: none">• Distribution rate is $(\text{Bank Bill Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$• Bank Bill Rate is the 3-month Bank Bill Swap Rate (BBSW) expressed as a percentage per annum on the first Business Day of the relevant Distribution Period• Margin is to be determined through the bookbuild and is expected to be between 3.75% to 3.95% per annum
Payment Conditions	<ul style="list-style-type: none">• Distributions may not be paid in certain circumstances where there is a Payment Condition or BOQ elects not to pay a Distribution• A Payment Condition is considered to exist on a Distribution on a Distribution Date if any of the following applies:<ul style="list-style-type: none">– paying the Distribution would result in BOQ or the Group not complying with APRA's then current Prudential Capital Requirements;– unless APRA otherwise approves in writing, the payment of Distributions would result in BOQ or the Group exceeding any limit on distributions of earnings applicable under (and calculated in accordance with) APRA's then current capital conservation requirements as they are applied to BOQ or the Group (as the case may be) at the time;– APRA otherwise objects to the payment of the Distribution; or– paying the Distribution would result in BOQ becoming, or being likely to become, insolvent for the purposes of the Corporations Act
Distribution Restriction	<ul style="list-style-type: none">• If a Distribution is not paid in full within three business days of the relevant Distribution Date, then subject to certain exclusions in the Capital Notes terms, BOQ may not:<ul style="list-style-type: none">– declare, determine or pay any Ordinary Share Dividend; or– undertake any Buy-Back or Capital Reduction• Distributions are non-cumulative and BOQ has no liability to pay the unpaid amounts• Failure to pay is not considered an event of default

OPTIONAL CONVERSION, REDEMPTION OR RESALE



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Conversion, Redemption or Resale by BOQ	<ul style="list-style-type: none">• Subject to prior written approval by APRA, BOQ may elect to:<ul style="list-style-type: none">- Convert, Redeem or Resell all or some Capital Notes on 15 August 2024- Convert, Redeem or Resell all or some Capital Notes after a Tax Event or a Regulatory Event- Convert all (but not some only) Capital Notes following a Potential Acquisition Event
Conversion	<ul style="list-style-type: none">• Conversion is subject to a number of conditions• If the Conversion occurs, Holders will receive a number of BOQ Ordinary Shares worth, on a VWAP basis, \$101.01 per Capital Note
Redemption and Resale	<ul style="list-style-type: none">• If a Redemption or Resale occurs, a Holder will receive the Face Value (\$100) in cash for each Capital Note that it holds
Holder rights	<ul style="list-style-type: none">• Holders do not have a right to request Conversion, Redemption or Resale

MANDATORY CONVERSION



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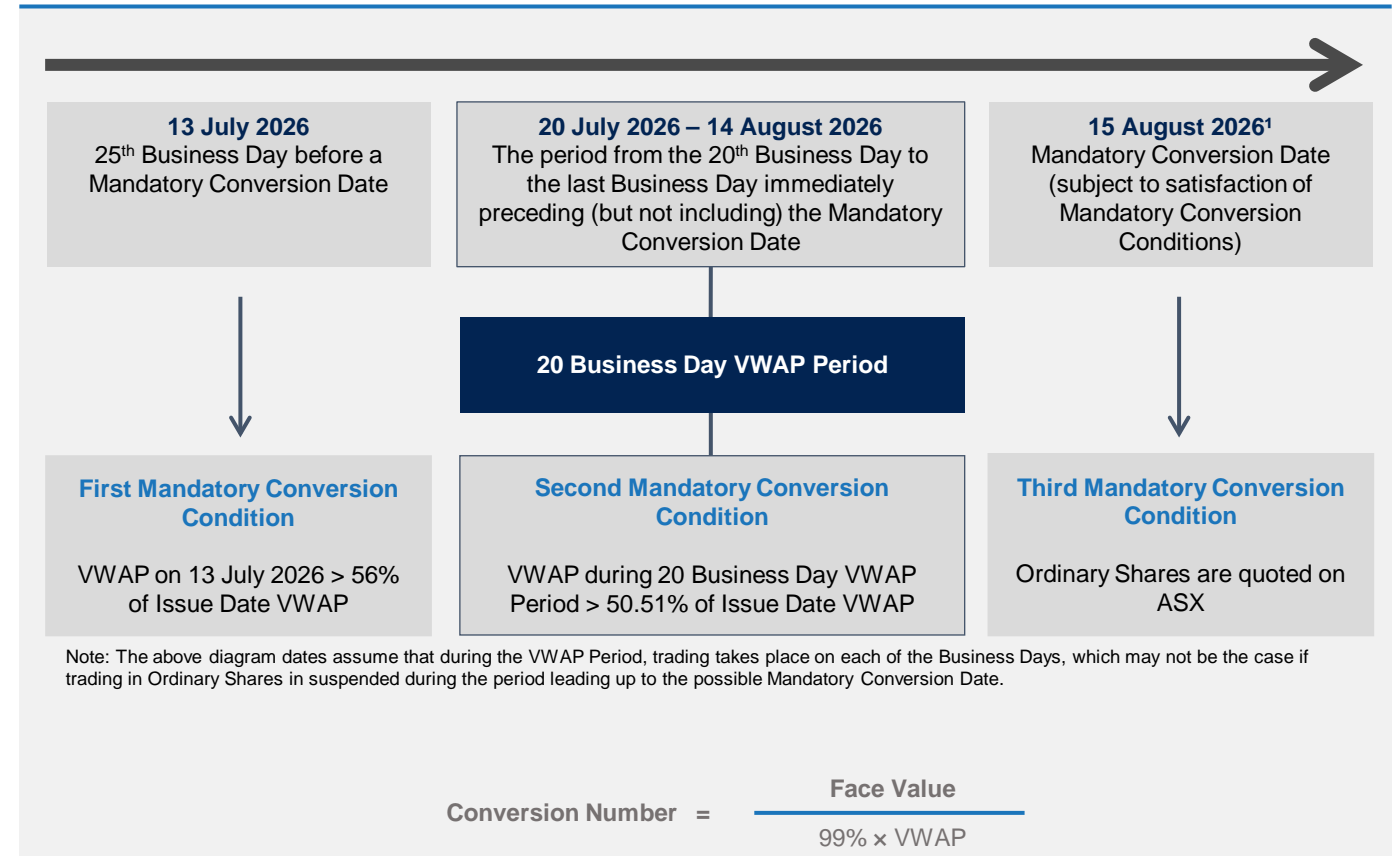
SCHEDULED

- On 15 August 2026¹, subject to satisfaction of the Mandatory Conversion Conditions illustrated below, BOQ must Convert all (but not some) Capital Notes to a variable number of Ordinary Shares at a 1% discount to the 20 Business Day VWAP unless previously Converted, Redeemed or Written-Off
- If any of the Mandatory Conversion Conditions are not satisfied, the Mandatory Conversion Date will be deferred until the next Distribution Payment Date on which all of those conditions are satisfied. Capital Notes may remain on issue indefinitely if those conditions are not satisfied

ACQUISITION EVENT

- If an Acquisition Event (as defined by the terms of the Capital Notes) occurs, BOQ must Convert all Capital Notes on issue to Ordinary Shares worth on a VWAP basis approximately \$101 per Capital Note (subject to satisfying certain other terms)

OVERVIEW



(1) As this day is not a Business Day it will be postponed to the next Business Day, expected to be 17 August 2026

(2) VWAP means, subject to any adjustments under clause 7 of the Capital Note Terms, the average of the daily volume weighted average sale prices (such average being rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days but does not include any "Crossing" transacted outside the "Open Session State" or any "Special Crossing" transacted at any time, each as defined in the ASX Operating Rules, or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

LOSS ABSORPTION CONVERSION



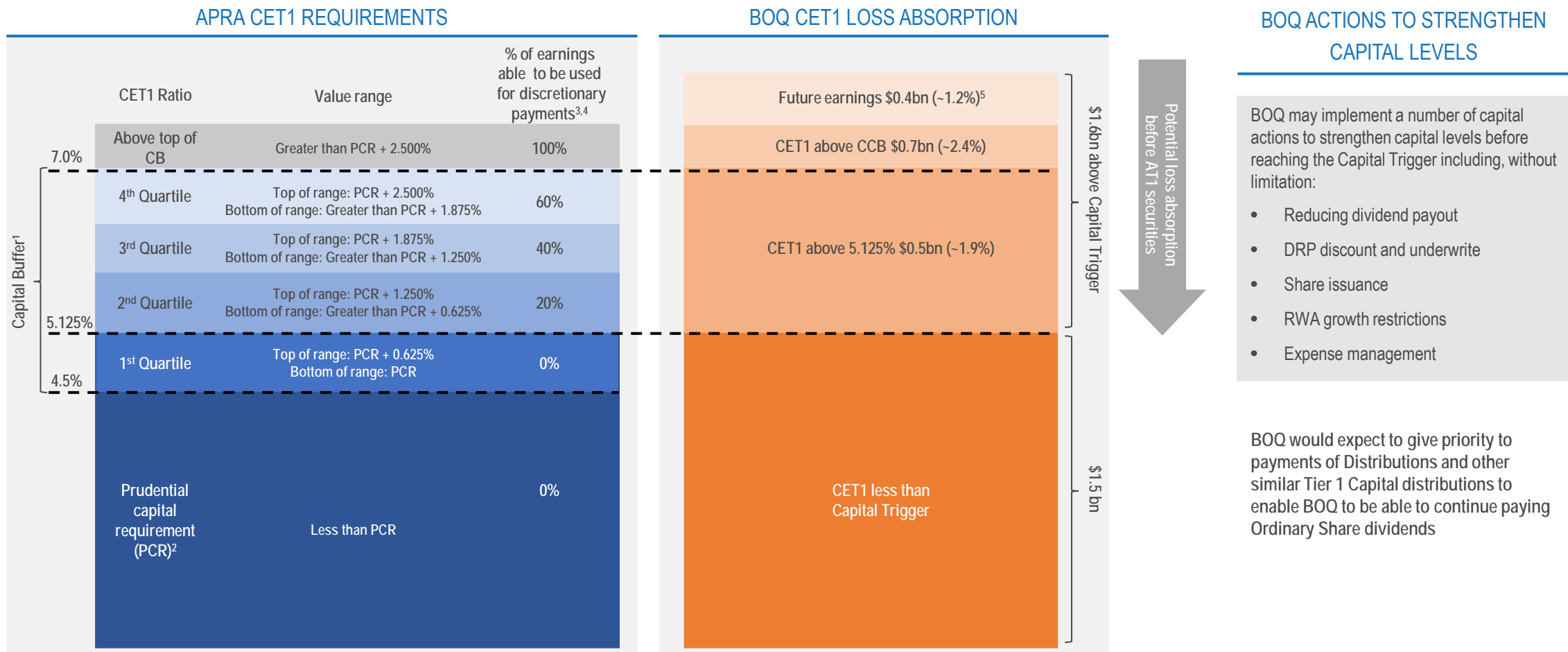
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Loss Absorption Event	<ul style="list-style-type: none">A Loss Absorption Event is each of a Common Equity Capital Trigger Event or a Non-Viability Trigger Event
Common Equity Capital Trigger Event	<ul style="list-style-type: none">A Common Equity Capital Trigger Event will occur when the Common Equity Tier 1 ratio as determined by BOQ or APRA at any time is equal to or less than 5.125%
Non-Viability Trigger Event	<ul style="list-style-type: none">A Non-Viability Trigger Event occurs where APRA provides a written determination to BOQ that the Conversion to Ordinary Shares or Write Off of Relevant Securities (including Capital Notes) in accordance with their terms or by operation of law is necessary because without conversion, write off or a public sector injection of capital (or equivalent support), APRA considers that BOQ would become non-viable
Conversion following a Loss Absorption Event	<ul style="list-style-type: none">Upon a Loss Absorption Event BOQ may be required to Convert a number of Capital Notes into Ordinary Shares immediatelyIf Conversion has not been effected within 5 Business Days after the Loss Absorption Event Conversion Date for any reason (including an Inability Event), the Capital Notes will be Written Off with effect on and from the Loss Absorption Event Conversion Date and a Holder will suffer loss as a consequence
Maximum Conversion Number	<ul style="list-style-type: none">The number of Ordinary Shares a Holder receives upon Conversion is calculated using the formula on the previous page, but is not subject to any conditions and is capped at the Maximum Conversion NumberThe Maximum Conversion Number is calculated as $\text{Face Value} / (\text{Issue Date VWAP} \times 0.2)$This means that, depending on the market price of Ordinary Shares at the relevant time, a Holder is likely to receive significantly less than \$101.01 worth of Ordinary Shares per Note and is likely to suffer a loss as a consequence

CET1 CAPITAL AND FUTURE EARNINGS ABSORBS LOSSES BEFORE ADDITIONAL TIER 1 SECURITIES



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BOQ ACTIONS TO STRENGTHEN CAPITAL LEVELS

- BOQ may implement a number of capital actions to strengthen capital levels before reaching the Capital Trigger including, without limitation:
- Reducing dividend payout
 - DRP discount and underwrite
 - Share issuance
 - RWA growth restrictions
 - Expense management

BOQ would expect to give priority to payments of Distributions and other similar Tier 1 Capital distributions to enable BOQ to be able to continue paying Ordinary Share dividends

(1) Example assumes that the total capital buffer (CB) is 2.5% comprised of Capital Conservation Buffer (CCB) of 2.5% and on this basis BOQ is not a D-SIB and the countercyclical buffer (CCyB) is 0%. In January 2017, APRA announced that the CCyB for Australian exposures will remain at 0%. The Group has limited exposures to those offshore jurisdictions in which a CCyB in excess of 0% has been imposed.
 (2) 4.5% minimum plus any amount required by APRA.

(3) Discretionary payments include ordinary share dividends, Tier 1 Capital distributions and staff bonuses.
 (4) APRA has provided guidance to the industry (30-Aug-2016) that an ADI can apply to APRA to make discretionary payments in excess of the constraints imposed by the CCB regime.
 (5) Note that "Future earnings" is not a forecast. Based on the prior 12 months of Statutory NPAT (FY17 Statutory NPAT).

COMPARISON OF INVESTMENTS IN BOQ



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	Standard Term Deposit	CPS	Capital Notes	Ordinary Shares
Issuer	<ul style="list-style-type: none"> • BOQ 	<ul style="list-style-type: none"> • BOQ 	<ul style="list-style-type: none"> • BOQ 	<ul style="list-style-type: none"> • BOQ
Legal Form	<ul style="list-style-type: none"> • Bank Deposit 	<ul style="list-style-type: none"> • Preference share 	<ul style="list-style-type: none"> • Unsecured, subordinated debt 	<ul style="list-style-type: none"> • Ordinary share
Maturity	<ul style="list-style-type: none"> • Up to five years 	<ul style="list-style-type: none"> • Perpetual 	<ul style="list-style-type: none"> • Perpetual 	<ul style="list-style-type: none"> • Perpetual
Ranking in Winding-up¹	<ul style="list-style-type: none"> • Senior to general unsecured creditors 	<ul style="list-style-type: none"> • Senior to ordinary shares • Equal with Capital Notes and Wholesale Capital Notes • Junior to senior ranking creditors 	<ul style="list-style-type: none"> • Senior to ordinary shares • Equal with CPS and Wholesale Capital Notes • Junior to senior ranking creditors 	<ul style="list-style-type: none"> • Junior to all creditors
Protection Under Financial Claims Scheme	<ul style="list-style-type: none"> • Yes (up to \$250k in aggregate) 	<ul style="list-style-type: none"> • No 	<ul style="list-style-type: none"> • No 	<ul style="list-style-type: none"> • No
Transferable on Market	<ul style="list-style-type: none"> • Not listed 	<ul style="list-style-type: none"> • Yes (quoted on ASX) 	<ul style="list-style-type: none"> • Yes (quoted on ASX) 	<ul style="list-style-type: none"> • Yes (quoted on ASX)
Distribution Rate	<ul style="list-style-type: none"> • Interest is fixed 	<ul style="list-style-type: none"> • Floating (BBSW + 5.1%) 	<ul style="list-style-type: none"> • Floating (BBSW + margin) 	<ul style="list-style-type: none"> • Variable dividends
Distribution Frequency	<ul style="list-style-type: none"> • Variable 	<ul style="list-style-type: none"> • Semi-annual 	<ul style="list-style-type: none"> • Quarterly 	<ul style="list-style-type: none"> • Semi-annual
Distribution Discretionary	<ul style="list-style-type: none"> • No 	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • Yes
Distribution Cumulative	<ul style="list-style-type: none"> • Interest payments cannot be waived or deferred 	<ul style="list-style-type: none"> • Non-cumulative 	<ul style="list-style-type: none"> • Non-cumulative 	<ul style="list-style-type: none"> • Non-cumulative
Restriction on Ordinary Share Dividends if Distribution Not Paid	<ul style="list-style-type: none"> • No 	<ul style="list-style-type: none"> • Yes, until next Distribution Payment Date 	<ul style="list-style-type: none"> • Yes, until next Distribution Payment Date 	<ul style="list-style-type: none"> • n/a
Franking	<ul style="list-style-type: none"> • Not franked 	<ul style="list-style-type: none"> • Expected to be fully franked 	<ul style="list-style-type: none"> • Expected to be fully franked 	<ul style="list-style-type: none"> • Expected to be fully franked
Non-viability Conversion or Write Off	<ul style="list-style-type: none"> • No 	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • No
Treated by APRA as Regulatory Capital	<ul style="list-style-type: none"> • No 	<ul style="list-style-type: none"> • Yes, Additional Tier 1 	<ul style="list-style-type: none"> • Yes, Additional Tier 1 	<ul style="list-style-type: none"> • Yes, CET1
Mandatory Conversion to Ordinary Shares (if still outstanding)	<ul style="list-style-type: none"> • No 	<ul style="list-style-type: none"> • Yes on 15 April 2020 	<ul style="list-style-type: none"> • Yes on 15 August 2026 	<ul style="list-style-type: none"> • n/a

(1) The ranking of Holders in a winding-up will be adversely affected if Conversion or Write Off occurs – refer to section 4.3.10 of the Prospectus

KEY RISKS ASSOCIATED WITH AN INVESTMENT IN CAPITAL NOTES



- Capital Notes are not deposit liabilities of BOQ, are not protected accounts under the Banking Act, and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction, or by any other person
- The price Holders are able to sell Capital Notes on the ASX is uncertain
- Unlike Ordinary Shares, Capital Notes do not provide exposure to growth in BOQ's business
- There may be no liquid market for Capital Notes and the market for Capital Notes may be volatile and less liquid than the market for Ordinary Shares or other securities issued by BOQ
- The market price of Capital Notes may fluctuate due to various factors
- Distributions are discretionary and are only payable subject to no Payment Condition existing
- There is a risk that Distributions will not be paid on Capital Notes, including where BOQ decides not to pay a Distribution or where a Payment Condition exists
- Distributions will fluctuate (both increasing and decreasing) over time as a result of movements in the BBSW Rate. The Distribution Rate will also fluctuate if there is a change in the Tax Rate
- It is uncertain whether and when Conversion, Redemption or Resale may occur
- Holders have no right to request that their Capital Notes be Converted, Redeemed or Resold. Unless their Capital Notes are Converted, Redeemed or Resold, in order to realise their investment, Holders would need to sell their Capital Notes on the ASX at the prevailing market price. That price may be less than the Face Value, and there may be no liquid market for Capital Notes
- In the event of a Conversion following a Loss Absorption Event, depending on the market price of Ordinary Shares at the relevant time, Holders are likely to receive Ordinary Shares that are worth significantly less than \$101.01 for each Capital Note they hold and may suffer a loss as a consequence
- If, following the occurrence of a Loss Absorption Event, Capital Notes are not Converted when required, those Capital Notes are Written-Off and all obligations are terminated. In this scenario, Holders will likely be worse off than holders of CPS or Ordinary Shares
- In a winding up of BOQ, Capital Notes rank for payment of capital ahead of Ordinary Shares, equally with CPS, Wholesale Capital Notes and other Equal Ranking instruments, but behind the claims of all Senior Ranking Creditors (including depositors and unsubordinated and subordinated creditors)
- See sections 1.3, 4.2 and 4.3 of the Prospectus for more information on risks associated with Capital Notes
- See section 4.4 of the Prospectus for more information on risks associated with the BOQ Group



Offer Process

OFFER STRUCTURE



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Institutional Offer	<ul style="list-style-type: none">• Offer to certain institutional investors
Broker Firm Offer	<ul style="list-style-type: none">• Offer to Australian resident retail and high net worth clients of Syndicate Brokers
Reinvestment Offer	<ul style="list-style-type: none">• Offer to Eligible CPS Holders to apply for some or all of their CPS held at 7:00pm (Sydney time) on 17 November 2017 to be bought back by BOQ and the proceeds applied to the acquisition of Capital Notes
Securityholder Offer	<ul style="list-style-type: none">• Offer to Eligible Securityholders of BOQ as at 7:00pm (Sydney time) on 17 November 2017 to apply for an allocation of Capital Notes

KEY DATES¹



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KEY DATES FOR THE OFFER	DATE
Record Date for determining Eligible Securityholders for Securityholder Offer	7:00pm ³ , 17 November 2017
Lodgement of the original Prospectus with ASIC	22 November 2017
Bookbuild	29 November 2017
Announcement of the Margin	29 November 2017
Annual General Meeting (seek approval of CPS buy-back under the Reinvestment Offer)	30 November 2017
Lodgement of replacement Prospectus with ASIC	30 November 2017
Opening Date of Offer	30 November 2017
Closing Date for the Reinvestment Offer, Securityholder Offer, Broker Firm Offer applications in respect of Reinvestment CPS	5:00pm³, 15 December 2017
Closing Date for the Broker Firm Offer (excluding applications in respect of Reinvestment CPS)	10:00am³, 21 December 2017
Issue Date (and payment date for Pro-Rata Dividend (subject to the payment tests in the CPS Terms))	28 December 2017
Capital Notes commence trading on ASX (deferred settlement basis)	29 December 2017
Expected despatch of Holding Statements	29 December 2017
Capital Notes commence trading on ASX (normal settlement basis)	3 January 2018
KEY DATES FOR CAPITAL NOTES	DATE
First quarterly Distribution Payment Date	15 February 2018
Optional Conversion / Redemption / Resale Date	15 August 2024
Scheduled Mandatory Conversion Date ²	15 August 2026

(1) Subject to change

(2) As this day is not a Business Day it will be postponed to the next Business Day, expected to be 17 August 2026

(3) Sydney time

KEY CONTACTS



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