

Prospectus and PEPS Reinvestment Offer Information

Bank of Queensland Limited Convertible Preference Shares

Prospectus for the issue of Bank of Queensland Limited Convertible Preference Shares to raise \$250 million with the ability to raise more or less

Issuer

Bank of Queensland Limited ABN 32 009 656 740

Structuring Adviser

Merrill Lynch International (Australia) Limited

Joint Lead Managers

Commonwealth Bank of Australia
Merrill Lynch International (Australia) Limited
National Australia Bank Limited
RBS Morgans Limited

Co-Managers

Bell Potter Securities Limited
Ord Minnett Limited

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IMPORTANT NOTICES

This Prospectus

This Prospectus is dated 19 November 2012 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. This is a replacement prospectus that replaces the prospectus dated and lodged with ASIC on 7 November 2012. The offer contained in this Prospectus is for an issue of Convertible Preference Shares (**CPS**) (**Offer**) by Bank of Queensland Limited (ABN 32 009 656 740) (**Bank of Queensland** or **BOQ**).

This Prospectus expires on the date which is 13 months after 7 November 2012 (**Expiry Date**) and no CPS will be issued on the basis of this Prospectus after the Expiry Date.

BOQ has applied to ASX Limited (**ASX**) for the CPS to be quoted on ASX.

Neither ASIC nor ASX take any responsibility for the content of this Prospectus or the merits of the investment to which this Prospectus relates.

Exposure Period

The Corporations Act prohibits the processing of Applications in the period of seven days after 7 November 2012 (**Exposure Period**), being the date on which the original Prospectus was lodged with ASIC. This Exposure Period may be extended by ASIC by up to a further seven days. The Exposure Period is intended to enable this Prospectus to be examined by market participants prior to the raising of funds. No applications received during the Exposure Period were to be accepted until after the expiry of that period. No preference is given to applications received in the Exposure Period.

Nature of CPS

CPS are non-cumulative, perpetual, convertible, unguaranteed and unsecured preference shares with preferred, discretionary dividends, issued by BOQ. They are an investment in BOQ and may be affected by the ongoing performance, financial position and solvency of BOQ.

An investment in CPS is subject to investment risk including possible loss of income and principal invested. Please see Section 4 "Investment Risks" for further details.

Neither BOQ nor any other person warrants or guarantees the future performance of BOQ, CPS or any return on any investment made pursuant to this Prospectus.

CPS are not deposits or protected accounts and are not guaranteed

Investments in CPS are not deposit liabilities of BOQ and are not protected accounts for the purposes of the depositor protection provisions of Australian banking legislation and they are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction.

No representations other than in this Prospectus

No person is authorised to give any information, or to make any representation, in connection with the Offer described in this Prospectus that is not contained in this Prospectus. Any information or representation that is not in this Prospectus may not be relied on as having been authorised by BOQ or any other person in connection with the Offer.

Prospectus does not include financial product or investment advice - you should seek your own professional investment advice

The information in this Prospectus 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 this 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 CPS.

This Prospectus also contains information in relation to the Reinvestment Offer. Neither BOQ nor any other person is providing any investment advice or making any recommendation to Eligible PEPS Holders in respect of the Reinvestment Offer.

Past financial performance information

Historical financial information in this Prospectus is for information purposes only and is not a forecast of future performance. Past performance or trends should not be relied on as being indicative of future performance or trends.

Financial information and forward looking statements

The pro-forma financial information provided in this Prospectus is for illustrative purposes only and is not represented as being indicative of BOQ's view on its future financial condition and/or performance. The basis of its preparation is set out in Section 3.2.

This Prospectus contains forward looking statements indicated by words such as "may", "could", "believes", "considers", "expects", "estimates" and "intends". Such statements are subject to risks and uncertainties that could cause actual results, performance or achievements to differ materially from the outcomes expressed or implied by the forward looking statements in this Prospectus.

Forward looking statements should be read in conjunction with the risk factors in Section 4 and other information in this Prospectus.

Prospectus availability

Paper copies of this Prospectus can be obtained free of charge by calling the BOQ Offer Information Line on 1800 779 639 (within Australia) or +61 2 8280 7626 (outside Australia) (8:30am to 7:30pm Sydney time Monday to Friday). This Prospectus can be accessed electronically at www.boq.com.au.

If you access the Prospectus in electronic form, the following conditions apply:

- you must access and download the entire Prospectus;
- your Application will only be considered where you have applied on an Application Form (either electronic or paper) that accompanied the complete electronic Prospectus. By making an Application, you declare that you were given access to the complete Prospectus together with the Application Form; and
- the Prospectus is available electronically to residents of Australia and New Zealand accessing and downloading or printing the electronic Prospectus in Australia.

Foreign jurisdictions

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law. If you come into possession of it outside Australia or New Zealand you should seek advice on such restrictions and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Nothing in this Prospectus is to be construed as authorising the distribution of the Prospectus and the making of the Offer in any jurisdiction other than Australia and New Zealand. CPS may be offered in a jurisdiction outside Australia or New Zealand only where such an offer is made in accordance with the laws of that jurisdiction.

CPS 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.

Providing personal information and privacy

You will be asked to provide personal information to BOQ (directly or via the Registry) if you apply for CPS. See Section 10.7 for information on how BOQ (and the Registry on its behalf) collects, holds and uses this personal information.

Diagrams

Diagrams used in the Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

Defined words and expressions

Some words and expressions used in this Prospectus have defined meanings, which are either explained in the Glossary in Appendix B or in the CPS Terms set out in Appendix A of this Prospectus.

A reference to \$, A\$, AUD dollars and cents is to Australian currency, unless otherwise stated. Unless otherwise stated, references to times in this Prospectus are to Sydney time.

Enquiries

If you have any questions in relation to the Offer, please contact your stockbroker, solicitor, accountant or other professional adviser. You may also call the BOQ Offer Information Line on 1800 779 639 (within Australia) or +61 2 8280 7626 (outside Australia) (8:30am to 7:30pm Sydney time Monday to Friday). Applicants in the Broker Firm Offer may also contact their Syndicate Broker.

ASIC guidance for retail investors

ASIC has published guidance which may be relevant to your consideration of CPS – namely, information for retail investors who are considering investing in hybrid securities called “Hybrid securities and notes” (under the heading “Complex investments” at www.moneysmart.gov.au/investing) (**ASIC Guidance**). Free copies of the ASIC Guidance can be obtained from ASIC’s website at www.moneysmart.gov.au/investing or by calling ASIC on 1300 300 630 (from Australia) or + 61 3 5177 3988 (from outside Australia).

Where can I obtain further information about BOQ and CPS?

BOQ is a disclosing entity for the purposes of the Corporations Act and, as a result, is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. In addition, BOQ must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about BOQ that a reasonable person would expect to have a material effect on the price or value of its securities including, once issued, CPS.

Copies of documents lodged by BOQ with ASIC and ASX can be obtained from, or inspected at, an ASIC office and can also be obtained from www.asx.com.au.

Further information about BOQ is available at www.boq.com.au.

Important statement for New Zealand investors

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

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CHAIRMAN'S LETTER

19 November 2012

Dear investor,

On behalf of the Board of Bank of Queensland Limited, I am pleased to offer you the opportunity to invest in Convertible Preference Shares (**CPS**).

BOQ is an Australian ASX listed bank comprising three key business lines: Banking (Retail and Business Banking), BOQ Finance and St Andrew's Insurance.

BOQ intends to raise \$250 million through the offer of CPS with the ability to raise more or less. The proceeds of the CPS will be used for BOQ's general corporate purposes, including effecting the buy-back of BOQ's Perpetual Equity Preference Shares (**PEPS**) under the Reinvestment Offer (see below) and providing BOQ with further capacity for continued growth. This issue of CPS is being made as part of BOQ's capital management strategy. The CPS qualify as regulatory capital of BOQ for Australian Prudential Regulation Authority (**APRA**) prudential purposes.

CPS are fully paid, unsecured, non-cumulative, perpetual, convertible preference shares. They will pay, subject to the issue terms and the directors' discretion, preferred floating rate semi-annual dividends which are expected to be fully franked.

The CPS will Mandatorily Convert into fully paid ordinary shares of BOQ on 15 April 2020 if certain Conversion Conditions are satisfied, unless they are Converted or Redeemed by BOQ earlier. If those Conversion Conditions are not satisfied, then the CPS Mandatorily Convert on the first dividend payment date after 15 April 2020 on which the conditions are satisfied.

The CPS may be Converted, Redeemed or Transferred at the option of BOQ on 15 April 2018 and must Convert if at any time there is a successful takeover of BOQ, in each case Conversion being subject to the Conversion Conditions being satisfied at the time.

Importantly, BOQ must Convert the CPS to ordinary shares if BOQ's Common Equity Tier 1 Capital Ratio is equal to or less than 5.125% on a Level 1 or Level 2 basis or if APRA, the financial services industry regulator, considers that conversion is necessary to prevent BOQ from becoming non-viable. This may adversely affect returns on the CPS.

An application will be made by BOQ for CPS to be quoted on the ASX. The key features of CPS are set out in Section 2 of this Prospectus.

Reinvestment Offer

As part of the CPS offer, registered PEPS Holders as at 9 November 2012 (**Eligible PEPS Holders**) have the opportunity to exchange their PEPS for CPS (**Reinvestment Offer**). Eligible PEPS Holders who elect to participate in the Reinvestment Offer will have their PEPS bought back by BOQ and the proceeds applied to investment in CPS. Eligible PEPS Holders who elect not to participate in the Reinvestment Offer will continue holding PEPS. BOQ has determined not to redeem PEPS on the first optional call date of 17 December 2012.

Details for Eligible PEPS Holders are in Section 5 of the Prospectus.

Shareholder Offer

As part of the CPS offer, Eligible Shareholders of BOQ as at 9 November 2012 have the opportunity to apply for an allocation of CPS in priority to General Applicants. Details are set out in Section 6.5.2 of the Prospectus. No assurance is given that any Shareholder Applicant or General Applicant will receive an allocation of CPS.

Conclusion

The key dates of the CPS offer are summarised on page 5. The offer may close early, so you are encouraged to submit your application as soon as possible after the opening date. The issue of CPS under the offer is subject to certain shareholder approvals to be proposed at the BOQ Annual General Meeting on 13 December 2012, including approval of the CPS Terms and of the buy-back of PEPS under the Reinvestment Offer. The issue of CPS will not proceed unless these approvals are obtained.

On behalf of the Directors, I encourage you to read this Prospectus carefully. The terms of the CPS are more complex than a simple debt instrument or ordinary equity instrument and trading volumes on ASX in instruments such as CPS are typically lower than in BOQ's ordinary shares. In particular, you should consider the risk factors set out in Section 4 before deciding whether to apply for CPS.

If, after reading this Prospectus, you have any questions about the CPS offer or how to apply, please call the BOQ Offer Information Line on 1800 779 639 (within Australia) or +61 2 8280 7626 (outside Australia) (Monday to Friday – 8:30am to 7:30pm Sydney time) or consult your stockbroker, solicitor, accountant or other independent and qualified professional adviser.

On behalf of the Board and management team of BOQ, I invite you to consider this investment opportunity.

Yours sincerely,

Neil Summerson

Chairman

KEY DATES

KEY DATES FOR THE OFFER	DATE
Lodgement of the original Prospectus with ASIC	7 November 2012
Record date for determining Eligible Shareholders for Shareholder Offer	7:00pm, 9 November 2012
Bookbuild	16 November 2012
Announcement of the Margin and lodgement of replacement Prospectus with ASIC	19 November 2012
Opening Date	19 November 2012
Annual General Meeting (approval of CPS issue, CPS Terms and PEPS buy-back)	13 December 2012
Closing Date for the Reinvestment Offer, Shareholder Offer, Broker Firm Offer applications in respect of Reinvested PEPS and General Offer	5:00pm, 13 December 2012
Closing Date for the Broker Firm Offer (excluding applications in respect of Reinvested PEPS)	5:00pm, 18 December 2012
Issue Date	24 December 2012
CPS commence trading on ASX (deferred settlement basis)	27 December 2012
Expected despatch of Holding Statements	28 December 2012
CPS commence trading on ASX (normal settlement basis)	31 December 2012
KEY DATES FOR CPS	DATE
Record Date for first Dividend	27 March 2013
First semi-annual Dividend Payment Date ¹	15 April 2013
Optional Conversion/Redemption Date ²	15 April 2018
Scheduled Mandatory Conversion Date ³	15 April 2020
KEY DATES FOR PEPS HOLDERS	DATE
PEPS Record Date for determining Eligible PEPS Holders for Reinvestment Offer (relevant PEPS must also be held on the Reinvested PEPS Buy-back Date for the Reinvestment Offer)	7:00 pm, 9 November 2012
Opening Date for the Reinvestment Offer	19 November 2012
Closing Date for the Reinvestment Offer	5:00pm, 13 December 2012
Closing Date for the Broker Firm Offer applications in respect of Reinvested PEPS	5:00pm, 13 December 2012
Record date for Pro-Rata Dividend payment for Reinvested PEPS	7:00pm, 13 December 2012
Number of Reinvested PEPS confirmed and announced	18 December 2012
Reinvested PEPS Buy-back Date	24 December 2012
Issue Date for CPS	24 December 2012
Payment despatched for Pro-Rata Dividend for Reinvested PEPS	24 December 2012

DATES MAY CHANGE

These dates are indicative only and are subject to change without notice. References to time are to Sydney time.

BOQ and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice or accepting late Applications, whether generally or in particular cases, at their discretion. BOQ may withdraw the Offer at any time before CPS are issued.

Accordingly, you are encouraged to apply as soon as possible after the Opening Date.

QUOTATION OF CPS ON ASX

BOQ has applied to ASX for CPS to be quoted on ASX and CPS are expected to trade under ASX code "BOQPD". Quotation of CPS is not guaranteed. If ASX does not grant permission for CPS to be quoted, then CPS will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable.

MAKING AN APPLICATION

For information on who is eligible to apply for CPS under the Offer and how to make an Application – see Section 6 for full details.

¹ Dividends are expected to be paid semi-annually subject to certain payment conditions being satisfied (the Dividend Payment Tests) – see Section 2.3.

² CPS Holders should not expect that APRA's prior written approval for any such Conversion, Redemption or Transfer will be given. 15 April 2018 is not currently a Business Day so, under the CPS Terms, an Early Conversion, Redemption or Transfer would be executed on the next Business Day, 16 April 2018.

³ Conversion of CPS to Ordinary Shares on this date is subject to satisfaction of the Conversion Conditions – see Section 2.4.

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INVESTMENT OVERVIEW



1. INVESTMENT OVERVIEW

This Section provides a summary of information that is key to a decision whether to invest in CPS. Further details are provided in other Sections of this Prospectus which you should read in its entirety.

1.1 Key Features of the Offer and CPS

TOPIC	SUMMARY	FURTHER INFORMATION
What is the Offer?	<ul style="list-style-type: none"> The Offer is for the issue of CPS at a Face Value of \$100 each to raise approximately \$250 million with the ability to raise more or less. 	Section 6.1
Who can apply?	<ul style="list-style-type: none"> The Offer is being made to: <ul style="list-style-type: none"> – Institutional Investors; – Broker Firm Applicants; – Eligible PEPS Holders; – Eligible Shareholders; and – General Applicants. 	Section 6.2
Who is the issuer?	<ul style="list-style-type: none"> The issuer is Bank of Queensland Limited. 	Section 3
What are CPS?	<ul style="list-style-type: none"> CPS are fully paid preference shares issued by BOQ that rank in priority to Ordinary Shares for dividends and on winding up. BOQ may issue other securities that rank equally with, or ahead of, CPS for dividends or on winding up (which therefore could take priority over CPS). The CPS Terms are complex and are designed to meet the detailed capital requirements which APRA applies to these instruments. BOQ's ability to pay Dividends, or to optionally Convert, Redeem or Transfer the CPS, are dependent on APRA either not objecting or giving prior approval. BOQ has applied to ASX for CPS to be quoted on ASX. If quoted, CPS can be bought or sold on ASX. There is no guarantee of a liquid market for CPS or the price at which CPS may trade. 	Section 2.1
Why is BOQ issuing CPS?	<ul style="list-style-type: none"> BOQ is issuing CPS to raise funds in a manner that creates regulatory capital that satisfies APRA's prudential capital requirements. The proceeds of the CPS will be used for BOQ's general corporate purposes including effecting the buy-back of PEPS under the Reinvestment Offer and providing BOQ with further capacity for continued growth. 	Section 2.2
No guarantee or security	<ul style="list-style-type: none"> CPS are not guaranteed by BOQ or secured in any way against any asset of BOQ. CPS do not represent a deposit liability of BOQ and are not protected accounts for the purposes of the depositor protection provisions of Australian banking legislation. CPS are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction, or by any other person. 	Section 2.1.10
Will the CPS have a credit rating?	<ul style="list-style-type: none"> BOQ has not sought a credit rating for CPS. 	Section 2.1.9

Regulatory capital treatment

- CPS qualify as Non-Innovative Residual Tier 1 Capital under APRA's current Prudential Standards. Section 2.2.4
- CPS will qualify as Additional Tier 1 Capital from 1 January 2013, which is the date when APRA's Basel III Prudential Standards are expected to become effective.
- The CPS and BOQ's other regulatory capital help to protect BOQ's depositors and other creditors by providing a loss absorbing capital buffer which supports losses that may be incurred on BOQ's assets.

Dividends

- Dividends on CPS are discretionary (which means BOQ does not have to pay them) and are subject to the Dividend Payment Tests being satisfied. These tests include that the Dividend would not result in BOQ breaching APRA's regulatory capital guidelines and APRA not otherwise objecting to the payment of the Dividend. Section 2.3
- Dividends are scheduled to be paid semi-annually in arrears on 15 April and 15 October and are calculated on a floating rate basis using the 180 day bank bill swap rate plus the Margin. The Margin is 5.10% per annum as determined by the Bookbuild.
- Dividends are expected to be fully franked. CPS Holders should be aware that the ability of a CPS Holder to use franking credits will depend on their individual position and that the potential value of franking credits does not accrue at the same time as the cash Dividend is received.
- If any Dividend payment is not fully franked, CPS Holders will be entitled to an additional cash payment to compensate for the unfranked amount.
- Dividends are non-cumulative, which means that if BOQ does not pay a Dividend on a Dividend Payment Date there is no ability to seek payment of that Dividend at a future time and no compensation or event of default arises.
- If BOQ does not pay a Dividend on a Dividend Payment Date, subject to some exceptions, BOQ will be prevented from paying dividends on its Ordinary Shares until the next Dividend Payment Date for CPS.

Will I get my capital back?

- CPS are perpetual and have no maturity date. CPS could remain on issue indefinitely if CPS are not Converted or Redeemed. Section 2.1.6
- What will happen to the CPS is therefore uncertain and depends on a number of factors including whether Mandatory Conversion occurs, whether BOQ elects to Convert, Redeem or Transfer CPS when permitted under the CPS Terms and whether APRA approval is given to any such Conversion, Redemption or Transfer.
- CPS Holders do not have a right to require Conversion, Redemption or Transfer.
- CPS are expected to be quoted on ASX. If quoted on ASX, CPS can be bought or sold on ASX. There is no guarantee of a liquid market for CPS or the price at which CPS may trade and whether CPS Holders will be able to recover their capital by selling on market.

When will my CPS Mandatorily Convert to Ordinary Shares?

- CPS will Mandatorily Convert to Ordinary Shares on 15 April 2020 if the Conversion Conditions are satisfied, unless CPS are Redeemed or Converted earlier in accordance with the CPS Terms. Section 2.5

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1. INVESTMENT OVERVIEW

What are the Conversion Conditions?	<ul style="list-style-type: none"> The Conversion Conditions are based on the price and continuing quotation of Ordinary Shares. The price of the Ordinary Shares needs to be above a certain level for the Conversion Conditions to be satisfied. The Conversion Conditions are intended to protect CPS Holders against receiving on Conversion of CPS a number of Ordinary Shares that would be worth less than \$101.01 per CPS (although, because Ordinary Share prices fluctuate on ASX, by the time any Conversion actually occurs the value of Ordinary Shares received may be more or less than \$101.01). 	Section 2.4.3
When can the CPS be optionally Converted, Redeemed or Transferred?	<ul style="list-style-type: none"> Subject to APRA's prior written approval, BOQ may elect to Convert (subject to the Conversion Conditions being satisfied), Redeem or Transfer (or some combination of these) all or some CPS on the Optional Conversion/ Redemption Date of 15 April 2018. Subject to APRA's prior written approval, BOQ may elect to Convert (subject to the Conversion Conditions being satisfied), Redeem or Transfer all or some CPS if certain events occur. These events include higher tax costs than expected being incurred by BOQ and certain unexpected regulatory changes occurring which have an adverse effect, such as the CPS no longer qualifying as Tier 1 Capital. BOQ must Convert (subject to the Conversion Conditions being satisfied) all CPS following an Acquisition Event, which is a successful takeover of BOQ. When under the CPS Terms BOQ has a choice as to whether to Convert, Redeem or Transfer, that choice will be made by BOQ in its absolute discretion. If BOQ elects to cause the Transfer of CPS to a Nominated Transferee, this will be at the same price that would apply to a Redemption. CPS Holders should not expect that APRA's prior written approval for any such Conversion, Redemption or Transfer will be given. 	Section 2.8 and 2.9
Conversion on a Capital Trigger Event or Non-Viability Trigger Event	<ul style="list-style-type: none"> CPS will Convert to Ordinary Shares if at any time BOQ's ratio of Common Equity Tier 1 Capital (before 1 January 2013, Fundamental Tier 1 Capital) to total risk weighted assets falls to, or below, 5.125%, calculated on a Level 1 or Level 2 basis. At 31 August 2012, BOQ's Fundamental Tier 1 Capital to total risk-weighted assets was 8.5% under the current APRA Prudential Standards. BOQ estimates that, as at 31 August 2012, its Common Equity Tier 1 Capital Ratio would be 8.6% based on APRA's Basel III Prudential Standards⁴, which equates to a surplus of capital of approximately A\$736.5 million above the Capital Trigger Event level of 5.125%. CPS will also Convert to Ordinary Shares if at any time APRA has determined that CPS and other Relevant Tier 1 Capital Instruments (i.e. other Tier 1 Capital instruments which can be converted or written off in a similar way to CPS) must be converted or written off because without conversion, write off or a public sector injection of capital (or equivalent capital support) BOQ would become, in APRA's opinion, non-viable. In each case, Conversion is not subject to the Conversion Conditions being satisfied. The number of Ordinary Shares a CPS Holder will receive is capped at the Maximum Conversion Number. As a result, CPS Holders may receive a number of Ordinary Shares worth significantly less than \$101.01 for each CPS that they held. 	Section 2.6 and 2.7

⁴ BOQ only discloses Common Equity Tier 1 Capital at Level 2. The difference between the calculation at Level 1 and Level 2 is not material.

Write Off of CPS

- If a Capital Trigger Event or Non-Viability Trigger Event occurs and BOQ cannot for any reason Convert CPS within five days after the relevant event, the rights of CPS in respect of dividends and return of capital will be automatically changed. As a result, a CPS Holder would in effect have, in respect of the CPS, the same rights to dividends and capital return as a person holding the number of Ordinary Shares the CPS Holder would have held if the Conversion had occurred.
- In the CPS Terms and this Prospectus, this change is referred to as CPS being **"Written Off"**.

Section 2.6.6 and 2.7.6

Where do CPS rank in a winding up of BOQ?

- In a winding up of BOQ, CPS rank for payment of capital ahead of Ordinary Shares, equally with PEPS and other securities or instruments ranking equally with CPS, but behind all other securities or instruments ranking ahead of CPS, and behind all depositors and other creditors of BOQ.
- If there is a shortfall of funds on a winding up of BOQ to pay all amounts ranking ahead or equally with CPS, CPS Holders will lose all or some of their capital.
- Any return in a winding up may be adversely affected if your CPS have been Converted or Written Off as a result of a Capital Trigger Event or a Non-Viability Trigger Event.
- After Conversion, CPS Holders become holders of Ordinary Shares and will rank equally with all other Ordinary Shareholders in a winding up.
- After a Write Off, the rights of a CPS to any return of capital in a winding up are broadly equivalent to the rights of the Ordinary Shares the CPS Holder would have held if Conversion of the CPS had occurred.

Section 2.10 and 4.2.14

Higher ranking	Illustrative examples	
↑ ↓	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
	Preference securities	CPS, PEPS and any BOQ securities or instruments expressed to rank equally
	Ordinary shares	BOQ Ordinary Shares
Lower ranking		

This diagram and the descriptions are simplified and illustrative only, and do not include every type of security or obligation that may be issued or entered into by BOQ, or every potential claim against BOQ in a winding up. BOQ will from time to time issue additional securities or incur other obligations that rank ahead of, equally with or subordinated to, CPS.

Is Shareholder approval required?

- The Offer is conditional on shareholder approvals to be proposed at the BOQ AGM on 13 December 2012, including approval of the CPS Terms, the issue of the CPS under the ASX Listing Rules and the buy-back of PEPS under the Reinvestment Offer.

Sections 2.11.7 and 2.11.8

1. INVESTMENT OVERVIEW

1.2 BOQ and its Business Model

TOPIC	SUMMARY	FURTHER INFORMATION
Bank of Queensland Limited	<ul style="list-style-type: none"> ■ BOQ provides banking and insurance services primarily to retail customers and small to medium sized business. The principal activities of BOQ and its controlled entities are the provision of a range of personal and business banking services and insurance. Insurance services are provided through St Andrew's Insurance. ■ BOQ's Ordinary Shares and PEPS are quoted on the ASX and BOQ currently ranks among the top 100 companies by market capitalisation on the ASX. ■ BOQ operates retail branches, business banking centres and equipment, debtor and vendor finance centres throughout Australia and New Zealand and distributes insurance. BOQ is a member of the rediATM shared automated teller machine (ATM) network, which operates over 3,300 ATMs throughout Australia. ■ BOQ's operating model incorporates three business lines: Banking (Retail and Business and Agribusiness Banking), BOQ Finance and St Andrew's Insurance. ■ BOQ's retail banking arm offers a comprehensive product offering which encompasses transactional and saving accounts, mortgage and personal lending and credit card products. ■ BOQ's business banking arm specialises in the small to medium enterprise (SME) sector and offers a suite of products including transactional accounts, foreign exchange hedging, merchant services and lending products such as overdrafts, commercial loans and trade finance facilities. ■ BOQ Finance provides equipment and debtor financing. ■ St Andrew's Insurance provides consumer credit insurance and life insurance. ■ Due to increased provisioning during the full year ended 31 August 2012, BOQ incurred a statutory full year loss after tax of \$17.1 million. However for the half year ended 31 August 2012, BOQ recorded a net profit after tax of \$73.5 million. ■ BOQ as at 31 August 2012: <ul style="list-style-type: none"> – Had total assets under management of \$41.8 billion; – Had an estimated Common Equity Tier 1 Capital Ratio of 8.6% based on APRA's Basel III Prudential Standards that are expected to come into effect on 1 January 2013, and a reported Tier 1 Capital Ratio of 9.5% under current Prudential Standards. 	Section 3

1.3 Key Risks Associated with CPS and BOQ

Before applying for CPS, you should consider whether CPS are a suitable investment for you. There are risks associated with an investment in CPS and in BOQ, many of which are outside the control of BOQ and its Directors. The following section is a summary of the key risks. A full description of these and other risks is in Section 4 which you should read in its entirety.

TOPIC	SUMMARY	FURTHER INFORMATION
1.3.1 Key risks associated with an investment in CPS		
Market price of CPS	<ul style="list-style-type: none"> The price at which CPS Holders are able to sell CPS on ASX is uncertain. It is possible that CPS may trade at a market price below their Face Value of \$100. The market price of CPS may fluctuate due to various factors including investor perceptions, general financial market conditions, the availability of better rates of return on other securities and factors that may affect BOQ's financial performance or position. Unlike Ordinary Shares, CPS do not provide exposure to growth in BOQ's business. 	Section 4.2.1
Liquidity	<ul style="list-style-type: none"> There may be no liquid market for CPS and that market may be volatile. CPS Holders who wish to sell their CPS may be unable to do so at an acceptable price, or at all. 	Section 4.2.1
Ranking of Ordinary Shares	<ul style="list-style-type: none"> The Ordinary Shares held as a result of any Conversion will, following Conversion, rank equally with existing Ordinary Shares. Accordingly, the ongoing value of any Ordinary Shares received upon Conversion will depend upon the market price of Ordinary Shares after the date on which CPS are Converted. That market may also be volatile depending on securities markets conditions at that time. 	Section 4.2.2
Fluctuation in Ordinary Share price	<ul style="list-style-type: none"> The market price of Ordinary Shares may fluctuate due to various factors, including investor perceptions, Australian and worldwide economic conditions, BOQ's financial performance and position and transactions affecting the share capital of BOQ. As a result, the value of Ordinary Shares received by CPS Holders may be greater than or less than CPS Holders anticipated. After Conversion of CPS, CPS Holders may wish to sell their Ordinary Shares which may have a negative effect on the trading price of Ordinary Shares. 	Section 4.2.3
Changes in Dividends	<ul style="list-style-type: none"> Dividends will fluctuate (both increasing and decreasing) over time as a result of movements in the Bank Bill Swap Rate. There is a risk that Dividends may become less attractive when compared to the returns available on comparable securities or investments. 	Section 4.2.4

1. INVESTMENT OVERVIEW

Dividends may not be paid	<ul style="list-style-type: none"> ■ There is a risk that Dividends will not be paid on CPS, including where the Directors decide not to pay a Dividend or where APRA objects to the Dividend payment. ■ Dividends are non-cumulative. If BOQ does not pay a scheduled Dividend, a CPS Holder has no entitlement to that Dividend. ■ If for any reason a scheduled Dividend has not been paid in full on the relevant Dividend Payment Date, then, subject to some exceptions, the Distribution Restriction will apply to prevent payment of dividends on Ordinary Shares until a CPS Dividend is next paid. ■ A failure to pay a scheduled Dividend will not constitute an event of default and a CPS Holder has no right to apply for BOQ to be wound up and will have no right of set-off or offsetting rights or claim on BOQ. ■ Restrictions arising under other securities may prevent Dividends being paid on CPS. ■ As the Distribution Restriction on the CPS is less extensive than the corresponding distribution restriction in the PEPS, a failure to make a scheduled payment on CPS may not restrict the making of payments in respect of the PEPS and other instruments that may in the future rank equally with CPS. 	Sections 4.2.5, 4.2.7 and 4.2.8
Dividends may not be fully franked	<ul style="list-style-type: none"> ■ BOQ currently expects Dividends to be fully or substantially franked. However, there is no guarantee that BOQ will have sufficient franking credits in the future to fully frank Dividends. ■ If a Dividend is unfranked or partially franked, the Dividend will be increased to compensate for the unfranked component, subject to the Dividend Payment Tests. ■ The value and availability of franking credits to a CPS Holder will differ depending on the CPS Holder's personal tax circumstances. 	Section 4.2.6
Restrictions on rights and ranking in a winding up of BOQ	<ul style="list-style-type: none"> ■ In a winding up of BOQ, CPS rank for payment of capital ahead of Ordinary Shares, equally with PEPS and other securities or instruments ranking equally with CPS, but behind all securities or instruments ranking ahead of CPS and behind all depositors and other creditors of BOQ. ■ If there is a shortfall of funds on a winding up of BOQ to pay all amounts ranking ahead of or equally with CPS, CPS Holders will lose all or some of their capital. ■ Any return in a winding up may be adversely affected if your CPS have been Converted or Written Off as a result of a Capital Trigger Event or Non-Viability Trigger Event. ■ To understand the potential effect on the assets of BOQ available to meet the claims of a CPS Holder in a winding up of BOQ if there is a replacement of BOQ as the ultimate holding company of the BOQ Group and the successor holding company is an Approved NOHC, see Section 2.11.6. CPS Holders do not have any claim on the assets of an Approved NOHC other than following Conversion as a holder of ordinary shares in the Approved NOHC. 	Section 4.2.9
It is not certain whether and when CPS may be Converted, Redeemed or Transferred	<ul style="list-style-type: none"> ■ There are a number of scenarios in which CPS may be Converted, Redeemed or Transferred. It is uncertain whether and when Conversion, Redemption or Transfer may occur. The timing of any Conversion, Redemption or Transfer may not suit CPS Holders. ■ CPS are perpetual and may not Convert or be Redeemed or Transferred at all. 	Section 4.2.10, 4.2.11, 4.2.12 and 4.2.13

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Mandatory Conversion may not occur on the Scheduled Mandatory Conversion Date	<ul style="list-style-type: none"> There is a risk that Conversion will not occur on the Scheduled Mandatory Conversion Date because the Conversion Conditions are not satisfied. Mandatory Conversion may therefore not occur when scheduled or at all. 	Section 4.2.10
Conversion on account of a Capital Trigger Event or Non-Viability Trigger Event	<ul style="list-style-type: none"> The Conversion Conditions do not apply on a Capital Trigger Event or Non-Viability Trigger Event. If Conversion occurs following such an event, you may receive significantly less than \$101.01 worth of Ordinary Shares per CPS. If on a Capital Trigger Event or Non-Viability Trigger Event, BOQ is prevented from Converting CPS, your CPS will be Written Off. 	Section 4.2.14
Amendment of CPS Terms	<ul style="list-style-type: none"> BOQ may in certain circumstances amend the CPS Terms without the approval of CPS Holders. These include necessary or desirable amendments to dates and time periods to facilitate any Conversion or any other change which BOQ considers not likely to be materially prejudicial to the interests of CPS Holders as a whole. BOQ may also amend the CPS Terms if the amendment has been approved by a Special Resolution. Amendments which may affect the treatment of CPS as Additional Tier 1 Capital require APRA's prior written approval. Amendments under these powers are binding on all CPS Holders despite the fact that a CPS Holder may not agree with the amendment. 	Section 4.2.22

1.3.2 Key risks associated with an investment in BOQ

Market risk	<ul style="list-style-type: none"> Movements in market rates, prices or credit spreads may result in a loss of earnings to BOQ. Over-reliance on a particular funding source, including securitisation, may affect the volatility in the cost or availability to BOQ of funds. BOQ is subject to interest rate risks that arise from a variety of sources, including mismatches between the repricing periods of its financial assets and liabilities. There is a risk of loss of earnings due to adverse movements in foreign exchange rates for BOQ. BOQ's counterparties may be unable to honour their contractual obligations to BOQ and default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. 	Section 4.3.1
Credit and impairment	<ul style="list-style-type: none"> As a financial institution, BOQ is exposed to the risks associated with extending credit to other parties. Credit risk is the risk of financial loss arising from a debtor or counterparty failing to meet their contractual debts and obligations or the failure to recover the recorded value of secured assets. Recent market and economic conditions have led to significantly increased impairment charges for BOQ in 2012, and if these conditions deteriorate further, some customers and counterparties may experience continued higher levels of financial stress. 	Section 4.3.2

1. INVESTMENT OVERVIEW

The real estate market in Australia and Queensland	<ul style="list-style-type: none"> ■ A further decrease in property valuations in Australia, and in Queensland in particular, could decrease the amount of new lending BOQ is able to write or increase the losses that BOQ may experience from existing loans, which, in either case, could materially and adversely impact BOQ's financial condition and results of operations. ■ A continued significant slowdown in the Australian or Queensland housing market could adversely affect BOQ's business, operations and financial condition. 	Section 4.3.3
Liquidity	<ul style="list-style-type: none"> ■ As a result of mismatches in its cash flows from financial transactions BOQ may be unable to meet its financial obligations. ■ Liquidity risk is managed through a series of detailed policies, including the management of cash flow mismatches, the maintenance of a stable, core retail deposits base, the diversification of the funding base and the retention of adequate levels of High Quality Liquid Assets. BOQ's liquidity risk management framework models its ability to fund under both normal conditions and during a crisis situation. ■ However, any uncertainty in the availability of funding from financial markets may increase liquidity risks to BOQ and financial institutions generally under both normal conditions and during a crisis situation. 	Section 4.3.4
Operational risk	<ul style="list-style-type: none"> ■ Operational risk is the risk of loss, other than those captured in the credit and market risk categories, resulting from inadequate or failed internal processes, people or systems, or from external events. ■ BOQ is exposed to a variety of risks including those arising from process error, fraud, technology failure, security and physical protection, franchise agreements entered into with owners of OMBs, customer services, staff skills and performance and product development and maintenance. 	Section 4.3.5
Reliance on external parties	<ul style="list-style-type: none"> ■ BOQ's operations depend on performance by a number of external parties under contractual arrangements with BOQ. ■ As at 31 August 2012, approximately 70% of BOQ's branches are Owner-Managed Branches™ (OMB®). Non-performance of contractual obligations and poor operational performance of OMBs may have an adverse effect on BOQ's business and financial performance. 	Section 4.3.7
Changes in regulation and government policy	<ul style="list-style-type: none"> ■ BOQ is subject to extensive laws and regulations in Australia, and is also supervised by a number of different regulatory authorities (including APRA). Failure to comply with legal and regulatory requirements may have a material adverse effect on BOQ and its reputation among customers and regulators and in the market. ■ Changes to laws, regulations, policies or accounting standards, including changes in interpretation or implementation of laws, regulations, policies or accounting standards, could affect BOQ in substantial and unpredictable ways. 	Section 4.3.8
Mergers and acquisitions	<ul style="list-style-type: none"> ■ BOQ may engage in merger or acquisition activity which facilitates BOQ's strategic direction. Whilst BOQ recognises that benefits may arise from merger or acquisition activities, significant risks exist in both the execution and implementation of such activities. ■ BOQ's failure to adequately manage the risks associated with any mergers or acquisitions could adversely affect BOQ's businesses, financial performance, financial condition and prospects. 	Section 4.3.14

BOQ's growth strategy	<ul style="list-style-type: none"> ■ Risks that relate to BOQ's growth strategy are interrelated and include risk of local market saturation, risks associated with geographical diversification, changes in wholesale funding markets and changes in general economic conditions. ■ Despite the size of the Queensland market, BOQ faces the challenge of maintaining a high penetration rate in that market in order to achieve continued growth. ■ Through a combination of mergers and organic growth in other states, BOQ has expanded its geographical presence and distribution in Australia. This brings challenges to BOQ's management and control systems as it develops as a more geographically diverse organisation. ■ General economic conditions may worsen which could stifle credit growth and restrict BOQ's ability to grow in line with its growth strategy. ■ There is substantial competition for the provision of financial services in the markets in which BOQ operates. The effect of competitive market conditions may adversely impact the earnings and assets of BOQ. 	Sections 4.3.11 and 4.3.13
Reputation	<ul style="list-style-type: none"> ■ Reputation risk may arise through the actions of BOQ and adversely affect perceptions of BOQ held by the public, shareholders, regulators or rating agencies. ■ Damage to BOQ's reputation may have an adverse impact on BOQ's financial performance, capacity to source funding and liquidity, cost of sourcing funding and liquidity and by constraining business opportunities. 	Section 4.3.16
Credit ratings	<ul style="list-style-type: none"> ■ The credit ratings assigned to BOQ by rating agencies are based on an evaluation of a number of factors, including its financial strength. If BOQ fails to maintain its current corporate credit ratings, this could adversely affect its cost of funds and related margins, liquidity, competitive position and access to capital markets. 	Section 4.3.17
Exposure to the broader economy	<ul style="list-style-type: none"> ■ BOQ's business is exposed to changes in economic conditions in Australia and Queensland in particular and other factors such as instability in offshore markets, natural disasters and potential for or actual conflict occurring around the world may also adversely affect domestic and global financial markets. ■ A major systemic shock, similar to that experienced recently in Europe, could occur that causes an adverse impact on the Australian and New Zealand financial systems. 	Sections 4.3.19 and 4.3.23

1. INVESTMENT OVERVIEW

1.4 Reinvestment Offer for PEPS Holders

This Section sets out information for current holders of PEPS, who may be eligible to apply under the Reinvestment Offer to reinvest their PEPS in CPS.

TOPIC	SUMMARY	FURTHER INFORMATION
What are PEPS?	<ul style="list-style-type: none"> PEPS are perpetual equity preference shares issued by BOQ in 2007 that trade on ASX under the code "BOQPC". 	Section 5.1.1
What is the Reinvestment Offer?	<ul style="list-style-type: none"> Under the Reinvestment Offer, Eligible PEPS Holders are invited to offer some or all of their PEPS registered on 9 November 2012 for sale to BOQ through a selective buy-back for \$100 each on 24 December 2012. Buy-back proceeds will be directly applied to the Application Payment for CPS (\$100 per CPS). The reinvestment mechanism is described in Section 5, including steps that Eligible PEPS Holders authorise BOQ to take on their behalf when they apply to reinvest their PEPS. 	Section 5.1.3
What is the purpose of the Reinvestment Offer?	<ul style="list-style-type: none"> PEPS will not fully count as Tier 1 Capital from 1 January 2013. APRA has granted transitional relief so PEPS can be included in Additional Tier 1 Capital on a reducing basis over time. BOQ will not redeem the PEPS on their first optional call date of 17 December 2012. The Board has determined to offer Eligible PEPS Holders the ability to exchange their PEPS for CPS. 	Section 5.6
Who is eligible to participate in the Reinvestment Offer?	<ul style="list-style-type: none"> To participate in the Reinvestment Offer, you must: <ul style="list-style-type: none"> be a registered holder of PEPS on 9 November 2012; be shown on the PEPS register as having an address in Australia or New Zealand; and not be in the United States or be acting as a nominee for a person in the United States, <p>(Eligible PEPS Holder).</p> If you are an Eligible PEPS Holder and elect for any PEPS to be reinvested in CPS (Reinvested PEPS), a holding lock will be placed on those Reinvested PEPS preventing you from dealing with those Reinvested PEPS until the Issue Date for the Offer. You must hold your Reinvested PEPS on the Reinvested PEPS Buy-back Date of 24 December 2012. 	Section 5.1.4

<p>If I am an Eligible PEPS Holder, what are my options?</p>	<ul style="list-style-type: none"> ■ If you are an Eligible PEPS Holder, in addition to reinvesting your PEPS in CPS, you have a number of other choices. ■ If you are an Eligible PEPS Holder you may wish to: <ul style="list-style-type: none"> – reinvest all of the PEPS registered in your name on 9 November 2012 in CPS; – reinvest all of the PEPS registered in your name on 9 November 2012 and apply for additional CPS; – reinvest some, but not all, of the PEPS registered in your name on 9 November 2012 in CPS, in which case you will continue to hold the balance of your PEPS, which BOQ will not redeem on the first optional call date of 17 December 2012; – take no action and continue to hold PEPS, which BOQ will not redeem on the first optional call date of 17 December 2012; or – sell PEPS on market through your broker. ■ Ineligible PEPS Holders are limited to the choices set out in Section 5.2.2. 	<p>Section 5.2</p>
<p>Is there a minimum Application size for the Reinvestment Offer?</p>	<ul style="list-style-type: none"> ■ If you are an Eligible PEPS Holder and own 50 PEPS or fewer, you must apply to reinvest all your PEPS in CPS if you wish to participate in the Reinvestment Offer. ■ If you are an Eligible PEPS Holder and own more than 50 PEPS, you must apply for a minimum number of 50 CPS (\$5,000). ■ You may wish to apply for more CPS than the number of PEPS that you hold – but you will have to make an Application Payment for those additional CPS. 	<p>Section 5.11.1</p>
<p>If I elect to participate in the Reinvestment Offer, what dividends will I receive?</p>	<ul style="list-style-type: none"> ■ If you are an Eligible PEPS Holder and elect for any PEPS to be reinvested in CPS, you will receive a Pro-Rata Dividend on your Reinvested PEPS up to but not including the Reinvested PEPS Buy-back Date. ■ The amount of the Pro-Rata Dividend will be \$0.689 per \$100 being the 70 days dividend which would have accrued at 3.5910% per annum from and including 15 October to and including 23 December 2012 in accordance with the PEPS terms. ■ The Pro-Rata Dividend cannot be reinvested in CPS. 	<p>Section 5.4</p>
<p>Will I receive a guaranteed allocation of CPS?</p>	<ul style="list-style-type: none"> ■ If you are an Eligible PEPS Holder and you apply under the Reinvestment Offer, you are guaranteed an Allocation of one CPS for every Reinvested PEPS. ■ If an Eligible PEPS Holder applies for additional CPS, any Allocation of additional CPS may be scaled back if there is excess demand. 	<p>Section 5.3</p>
<p>What are the risks associated with participating in the Reinvestment Offer?</p>	<ul style="list-style-type: none"> ■ If you are an Eligible PEPS Holder and you apply under the Reinvestment Offer, you may receive an allocation of CPS and as such, you will be subject to the risks associated with an investment in CPS and in BOQ, many of which are outside the control of BOQ and its Directors. 	<p>Section 4</p>
<p>What happens to my PEPS if I do not participate in the Reinvestment Offer?</p>	<ul style="list-style-type: none"> ■ Eligible PEPS Holders who elect not to participate in the Reinvestment Offer in full will continue holding PEPS, or the balance of their PEPS not reinvested, which BOQ will not redeem on the first optional call date of 17 December 2012. 	<p>Section 5.2.1</p>

1. INVESTMENT OVERVIEW

What are the risks of not fully participating in the Reinvestment Offer?

- There is no guarantee that BOQ will redeem PEPS at a future date and PEPS Holders have no right to require BOQ to redeem PEPS.
- Following the Reinvestment Offer, it is anticipated that the number of PEPS on issue will decline as a result of the buy-back of PEPS. This may lead to a less liquid market for the PEPS that remain outstanding, which could negatively impact the ability for remaining PEPS Holders to sell their PEPS on-market at an acceptable price, or at all.
- If you hold both CPS and PEPS you will hold two securities with different issue terms and different risk profiles.
- If there is an insufficient number and spread of PEPS Holders after completion of the Reinvestment Offer, ASX has discretion to remove PEPS from official quotation.

Section 5.8

What are the tax implications of having my PEPS bought back?

- You should obtain your own tax advice regarding the implications of the buy-back of your PEPS, having regard to your individual circumstances.
- A general description of the Australian taxation consequences for PEPS Holders upon the buy-back of their PEPS is set out in Section 7, including the capital gains tax (CGT) implications for Eligible PEPS Holders of the buy-back of PEPS under the Reinvestment Offer. Selling your PEPS into the Reinvestment Offer may lead to a capital gain or loss or be neutral for CGT purposes depending on the cost base of your PEPS and your personal tax circumstances.

Section 7

Where can I find more information about the Reinvestment Offer?

- If you have any questions in relation to the Reinvestment Offer, please contact your Syndicate Broker or call the BOQ Offer Information Line on 1800 779 639 (within Australia) or +61 2 8280 7626 (outside Australia) (Monday to Friday – 8:30am to 7:30pm Sydney time).

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1.5 What Should You Do?

TOPIC	SUMMARY	FURTHER INFORMATION
Read this Prospectus in full	<ul style="list-style-type: none"> ■ If you are considering applying for CPS under the Offer, this document is important and should be read in its entirety, paying particular attention to the: <ul style="list-style-type: none"> – important notices on the inside front cover; – key features of the CPS in Section 2; – information about BOQ in Section 3; – investment risks in Section 4; and – CPS Terms in Appendix A. ■ A copy of this Prospectus can be: <ul style="list-style-type: none"> – downloaded from the BOQ website at www.boq.com.au; or – for General Applicants – sent to you if you register online to receive a Prospectus on the website above before the Opening Date; or – sent to you if you call the BOQ Offer Information Line (Monday to Friday, 8:30am to 7:30pm Sydney time) on 1800 779 639 (within Australia) or +61 2 8280 7626 (outside Australia); or – obtained from your Syndicate Broker if you are a Broker Firm Applicant. 	Sections 2, 3 and 4, Appendix A
Determine if you are eligible to apply	<ul style="list-style-type: none"> ■ The Offer is being made to: <ul style="list-style-type: none"> – Institutional Investors – through the Institutional Offer; – Australian and New Zealand resident retail and high net worth clients of Syndicate Brokers – through the Broker Firm Offer; – Eligible PEPS Holders on the register as at 9 November 2012 – through the Reinvestment Offer and, where applicable, through the Broker Firm Offer; and – Eligible Shareholders on the register as at 9 November 2012 – through the Shareholder Offer; and – members of the general public who are resident in Australia and New Zealand – through the General Offer. ■ Subject to BOQ's approval, CPS may also be offered (as part of any Offer category) in certain permitted jurisdictions outside Australia or New Zealand where such offer is made, and accepted, in accordance with the laws of such jurisdictions. 	Section 6.2
Consider and consult	<ul style="list-style-type: none"> ■ Consider all risks and other information regarding an investment in CPS in light of your particular investment objectives and financial situation and particular circumstances. ■ If you do not understand any part of this Prospectus, or are in any doubt as to whether to invest in CPS or not, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser before deciding whether to invest. 	Section 4
Complete and submit your Application Form	<ul style="list-style-type: none"> ■ The Application process varies depending on whether you participate in the Institutional Offer, Broker Firm Offer, Reinvestment Offer, Shareholder Offer or General Offer. ■ The Offer may close early so you are encouraged to consider submitting your Application as soon as possible after the Opening Date. 	Section 6.4

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ABOUT CPS



2. ABOUT CPS

2.1 Introductory Description

TOPIC	SUMMARY	FURTHER INFORMATION
2.1.1 Who is the issuer?	<ul style="list-style-type: none"> ■ The issuer is Bank of Queensland Limited. ■ BOQ is listed on the Australian Securities Exchange under the code "BOQ". 	Section 3
2.1.2 What are CPS?	<ul style="list-style-type: none"> ■ CPS are fully paid preference shares issued by BOQ that rank in priority to Ordinary Shares for dividends and on winding up. BOQ may issue other securities that rank equally with, or ahead of, CPS for dividends or on winding up (which therefore could take priority over CPS). ■ CPS will Mandatorily Convert into Ordinary Shares on 15 April 2020 if the Conversion Conditions are satisfied, unless the CPS are Redeemed or Converted earlier in accordance with the CPS Terms. ■ The CPS Terms are complex and are designed to meet the detailed capital requirements which APRA applies to these instruments. BOQ's ability to pay Dividends, or to optionally Convert, Redeem or Transfer the CPS, are dependent on APRA either not objecting or giving prior approval. 	Section 2.5
2.1.3 What is the Offer?	<ul style="list-style-type: none"> ■ The Offer is for the issue of CPS at a Face Value of \$100 each to raise approximately \$250 million with the ability to raise more or less. ■ The Offer consists of: <ul style="list-style-type: none"> – Institutional Offer; – Broker Firm Offer; – Reinvestment Offer; – Shareholder Offer; and – General Offer. 	Section 6.1 and 6.2
2.1.4 What am I required to pay?	<ul style="list-style-type: none"> ■ The Face Value is \$100 per CPS. ■ Applications must be for a minimum of 50 CPS (\$5,000), except for Applications from Eligible PEPS Holders which may be smaller in certain circumstances (see Section 5.11.1). If your Application is for more than 50 CPS, then you must apply in incremental multiples of 10 CPS – that is, for incremental multiples of at least \$1,000. ■ Monies payable on each application are calculated as the number of CPS applied for multiplied by the Face Value (Application Payment). 	Section 6.4
2.1.5 Why is BOQ issuing CPS?	<ul style="list-style-type: none"> ■ BOQ is issuing CPS to raise funds in a manner that creates regulatory capital that satisfies APRA's prudential capital requirements. ■ The proceeds of the CPS will be used for BOQ's general corporate purposes including effecting the buy-back of PEPS under the Reinvestment Offer and providing BOQ with further capacity for continued growth. 	Section 2.2

2. ABOUT CPS

2.1.6 What is the term of CPS?

- CPS are perpetual and have no maturity date.
- However, CPS will Mandatorily Convert to Ordinary Shares on the earlier of:
 - 15 April 2020 if the Conversion Conditions are satisfied, or otherwise on the first Dividend Payment Date after 15 April 2020 on which the Conversion Conditions are satisfied;
 - a Capital Trigger Event occurring at any time;
 - a Non-Viability Trigger Event occurring at any time; or
 - following an Acquisition Event occurring and subject to the Conversion Conditions being satisfied.
- Subject to APRA's prior written approval, BOQ may elect to:
 - Convert (subject to the Conversion Conditions being satisfied), Redeem or Transfer CPS following the occurrence of a Tax Event or Regulatory Event;
 - Convert (subject to the Conversion Conditions being satisfied), Redeem or Transfer CPS at its option on the Optional Conversion/Redemption Date of 15 April 2018; or
 - Convert all of the CPS (subject to the Conversion Conditions being satisfied) following the occurrence of a Potential Acquisition Event.
- If BOQ elects to cause a Transfer of CPS to a Nominated Transferee, this will be at the same price as would apply to a Redemption.

Section 2.4

2.1.7 How do CPS rank in relation to other BOQ instruments?

- For the payment of Dividends, CPS rank ahead of Ordinary Shares, equally with PEPS and other securities or instruments ranking equally with CPS, but behind all securities or instruments ranking ahead of CPS.
- In a winding up of BOQ, CPS rank ahead of Ordinary Shares, equally with PEPS and other securities or instruments ranking equally with CPS, but behind all securities or instruments ranking ahead of CPS, and behind all depositors and other creditors of BOQ.
- If there is a shortfall of funds on a winding up of BOQ to pay all amounts ranking ahead of or equally with CPS, CPS Holders will lose all or some of their capital.
- Any return in a winding up may be adversely affected if the CPS have been Converted or Written Off as a result of a Capital Trigger Event or Non-Viability Trigger Event.
- After Conversion, CPS Holders become holders of Ordinary Shares and will rank equally with all other Ordinary Shareholders in a winding up.
- After a Write Off, the rights of a CPS to any return of capital in a winding up are broadly equivalent to the rights of the Ordinary Shares the CPS Holder would have held if Conversion of the CPS had occurred.

Section 2.10

2.1.8 Will CPS be quoted on ASX?

- BOQ has applied to ASX for CPS to be quoted on ASX and if quoted, CPS are expected to trade under ASX code "BOQPD". Quotation of CPS is not guaranteed. If ASX does not grant permission for CPS to be quoted, then CPS will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable.

Section 6.6.2

2.1.9 Will CPS be rated?	<ul style="list-style-type: none"> BOQ has not sought a credit rating for CPS. 	
2.1.10 Will CPS be guaranteed?	<ul style="list-style-type: none"> CPS do not represent a deposit liability of BOQ and are not protected accounts for the purposes of the depositor protection provisions of Australian banking legislation. CPS are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction, or by any other person. 	Clauses 1 and 9 of the CPS Terms
2.1.11 Are CPS secured?	<ul style="list-style-type: none"> CPS are not secured in any way against any asset of BOQ. 	Clause 1 of the CPS Terms
2.1.12 Are there default events for CPS?	<ul style="list-style-type: none"> BOQ will only be in default under the CPS Terms in the event of a winding up of BOQ. Such winding up will not affect the ranking of the CPS but may affect the amounts received under the CPS. BOQ is not subject to any cross default, negative pledge, restrictive covenant or similar obligation in any other instrument which may trigger early repayment of capital in respect of CPS. 	Clause 8 of the CPS Terms
2.1.13 Do CPS Holders or BOQ have any set-off rights?	<ul style="list-style-type: none"> No. CPS Holders are not entitled to set-off any amounts due to a CPS Holder in respect of CPS against any amount of any nature owed by a CPS Holder to BOQ. BOQ is not entitled to set-off any amount of any nature due to BOQ by a CPS Holder against any amount owed by BOQ to the CPS Holder in respect of CPS. 	Clause 10 of the CPS Terms

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2.2 Regulatory Treatment of CPS

TOPIC	SUMMARY	FURTHER INFORMATION
2.2.1 Who is APRA?	<ul style="list-style-type: none"> ■ APRA is the prudential regulator of the Australian financial services industry. APRA oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance companies, friendly societies, and most members of the superannuation industry. ■ APRA's mission is to establish and enforce Prudential Standards and practices designed to ensure that, under all reasonable circumstances, financial promises made by institutions APRA supervises are met within a stable, efficient and competitive financial system. ■ APRA's website at www.apra.gov.au includes further details of its functions and Prudential Standards. 	
2.2.2 What is regulatory capital?	<ul style="list-style-type: none"> ■ Any business requires capital to support its income generating activities in its chosen industry. ■ APRA's regulatory capital Prudential Standards aim to ensure that authorised deposit-taking institutions (ADI), such as BOQ, maintain adequate capital to support the risks associated with their activities and to protect depositors. APRA has detailed guidelines and restrictions on the types of capital instruments that are permitted to form the capital base. The types of capital deemed eligible for inclusion in the capital base are referred to as regulatory capital. ■ APRA classifies ADIs' regulatory capital into two tiers for its supervisory purposes – referred to as Tier 1 Capital and Tier 2 Capital. Tier 1 Capital is generally considered a higher quality capital than Tier 2 Capital, generally due to features such as longevity and loss absorption. 	
2.2.3 What is Tier 1 Capital?	<ul style="list-style-type: none"> ■ On 28 September 2012, APRA released the Basel III Prudential Standards that will govern the implementation of the Basel III capital framework in Australia and are expected to come into force from 1 January 2013. ■ Under these requirements, Tier 1 Capital is comprised of: <ul style="list-style-type: none"> – Common Equity Tier 1 Capital; and – Additional Tier 1 Capital. ■ These categories will replace the categories of Tier 1 Capital permitted under existing capital standards of Fundamental Tier 1 and Residual Tier 1 Capital. ■ Common Equity Tier 1 Capital is recognised as the highest quality component of capital for BOQ. Common Equity Tier 1 Capital for ADIs (and their non-operating holding companies) will comprise paid-up ordinary shares, retained earnings, other disclosed reserves permitted for inclusion by APRA and certain other items permitted by APRA less regulatory adjustments applied in the calculation of Common Equity Tier 1 Capital. ■ The non-common equity components of Tier 1 Capital which do not satisfy all of the criteria for inclusion in Common Equity Tier 1 Capital are referred to as Additional Tier 1 Capital. These instruments must be able to absorb losses on a going-concern basis, and can include both equity instruments and capital instruments classified as liabilities for accounting purposes. 	

2.2.4 What is the regulatory treatment of CPS?

- APRA has confirmed to BOQ that CPS qualify as being eligible for inclusion in Non-Innovative Residual Tier 1 Capital under its current Prudential Standards.
- APRA has also confirmed to BOQ that CPS will qualify as being eligible for inclusion in Additional Tier 1 Capital from 1 January 2013, which is the date when APRA's Basel III Prudential Standards are expected to become effective.
- The CPS and BOQ's other regulatory capital help to protect BOQ's depositors and other creditors by providing a loss absorbing capital buffer which support losses that may be incurred on BOQ's assets.

2.3 Dividends

TOPIC	SUMMARY	FURTHER INFORMATION
2.3.1 What are Dividends?	<ul style="list-style-type: none"> ■ Dividends on CPS are: <ul style="list-style-type: none"> – preferred; – discretionary; – non-cumulative; – based on a floating rate; – scheduled to be paid semi-annually in arrears on the Dividend Payment Dates; – subject to certain Dividend Payment Tests; and – expected to be fully franked. ■ The value and availability of franking credits to a CPS Holder will differ depending on the CPS Holder's personal tax circumstances. Each CPS Holder will only receive the benefit of the franking credits where those credits are able to be claimed in the CPS Holder's tax return. ■ If any Dividend is not fully franked, then CPS Holders will be entitled to an additional cash payment to compensate for the unfranked amount. This payment will also be subject to the Dividend Payment Tests. ■ Dividends are non-cumulative. If a Dividend or part of a Dividend is not paid on a Dividend Payment Date, CPS Holders have no claim or entitlement in respect of non-payment and no right to receive that Dividend at any later time. ■ A failure to pay a scheduled Dividend will not constitute an event of default and a CPS Holder has no right to apply for BOQ to be wound up and will have no right of set-off or offsetting rights or claim on BOQ. 	Clause 6 of the CPS Terms

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2.3.2 How will the Dividend Rate be calculated?

The Dividend Rate for each semi-annual Dividend is a floating rate of:

Clause 6 of the CPS Terms

$$(\text{BBR} + \text{Margin}) \times (1 - t)$$

where:

- **BBR** is the 180 day Bank Bill Swap Rate (**BBSW**) expressed as a percentage per annum on the first Business Day of the relevant Dividend Period;
- **Margin** is 5.10% per annum as determined under the Bookbuild; and
- **t** is the Australian corporate tax rate applicable to the franking account of BOQ at the relevant Dividend Payment Date.

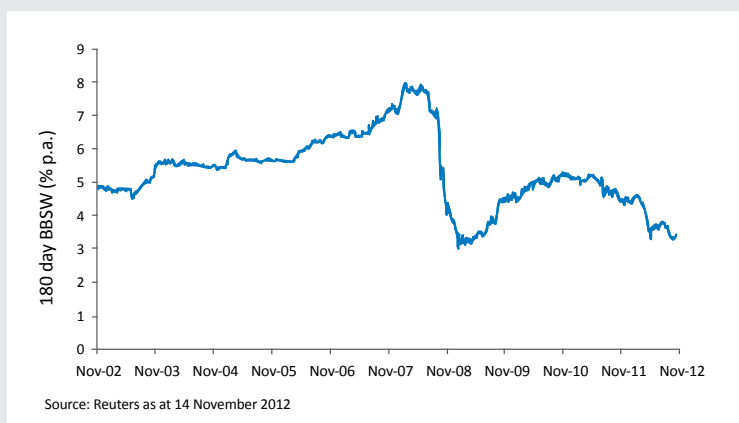
As an example, assuming a BBR of 3.25% per annum and the Margin is 5.10% per annum and t is 30%, then the Dividend Rate for that Dividend Period would be calculated as follows:

BBR	3.25% per annum
plus Margin	5.10% per annum
<hr/>	
Equivalent unfranked Dividend Rate	8.35% per annum
Multiplied by (1 – t)	x 0.70
<hr/>	
Indicative fully franked Dividend Rate	5.8450% per annum

2.3.3 What is the BBR?

Clause 6.2 of the CPS Terms

- The BBR is the 180 day Bank Bill Swap Rate (**BBSW**) which is a reference rate displayed on the Reuter's page BBSW (or any page which replaces that page) on the first Business Day of the relevant Dividend Period.
- The 180 day BBSW rate represents the average interest rate at which institutions on the Australian Financial Markets Association's BBSW panel will trade 180 day Australian dollar bills of exchange accepted by an approved bank.
- The BBSW rate is one of the interest rate benchmarks published daily by the Australian Financial Markets Association and appearing on information services (e.g. Reuters page BBSW). BBSW rates provide references for the pricing, rate-setting and valuation of Australian dollar financial securities.
- The graph below illustrates the movement in BBSW over the last 10 years. The rate on 14 November 2012 was 3.25% per annum.



- The above graph is for illustrative purposes only and does not indicate, guarantee or forecast the actual BBSW. The actual BBSW for the Dividend Periods may be higher or lower than the rates in the above graph.

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2.3.4 How will the Dividend be calculated for each Dividend Period?

- Dividends scheduled to be paid on each Dividend Payment Date will be calculated using the following formula:

Clause 6.1 of the CPS Terms

$$\frac{\text{Dividend Rate} \times \text{Face Value} \times \text{D}}{365}$$

where:

- **Dividend Rate** means the rate (expressed as a percentage per annum) calculated as set out in Section 2.3.2;
- **Face Value** means \$100 per CPS; and
- **D** means the number of days in the Dividend Period calculated as set out in the CPS Terms.

As an example, following the formula above, if the Dividend Rate was 5.8450% per annum, then the Dividend on each CPS for that Dividend Period (if the Dividend Period was 182 days) would be calculated as follows:

Indicative fully franked Dividend Rate	5.8450% per annum
Multiplied by the Face Value	x \$100.00
Multiplied by the number of days in the Dividend Period ⁵	x 182
Divided by 365	÷ 365
Illustrative fully franked Dividend payment per CPS for a Dividend Period of 182 days	\$2.9145

- The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Dividend payment for any Dividend Period. Actual Dividend payments may be higher or lower than this example.

2.3.5 What is the impact of franking credits?

- Dividends are expected, but not guaranteed, to be fully franked. The franking credits represent a CPS Holder's share of tax paid by BOQ on the profits from which the cash Dividend is paid.
- CPS Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Dividend. CPS Holders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each CPS Holder.
- CPS Holders should refer to the Australian taxation summary in Section 7 and seek professional advice in relation to their tax position.

Section 7

2.3.6 When are the Dividend Payment Dates?

- Dividends will be calculated semi-annually and are scheduled to be paid semi-annually in arrears, subject to the Dividend Payment Tests.
- Dividend Payment Dates are 15 April and 15 October each year.
- The first Dividend Payment Date is 15 April 2013.
- If CPS are Converted, Redeemed or Transferred, the date on which that occurs will be a Dividend Payment Date for those CPS. For a Conversion or Redemption that will be the final Dividend Payment Date.
- If any of these dates is not a Business Day, then the Dividend Payment Date will be the next Business Day.

Clauses 6.4 and 20.2(k) of the CPS Terms

⁵ Dividend Periods will generally contain 181 to 184 days with the exception of the first Dividend Period which is expected to contain 112 days.

2.3.7 What is the CPS Dividend Record Date?	<ul style="list-style-type: none"> ■ A Dividend is only payable to those persons registered as CPS Holders on the date which is 11 Business Days before the Dividend Payment Date for that Dividend. 	Clause 6.7 of the CPS Terms
2.3.8 What are the Dividend Payment Tests?	<ul style="list-style-type: none"> ■ Dividends may not always be paid. The payment of each Dividend is subject to the following Dividend Payment Tests being satisfied: <ul style="list-style-type: none"> – the Directors of BOQ, in their absolute discretion, determining that the Dividend is payable; – BOQ being lawfully able to pay the Dividend under the Corporations Act; – the payment of the Dividend not resulting in any breach of APRA's then prevailing capital adequacy standards as they are applied to BOQ at that time (unless APRA otherwise approves in writing); and – APRA not otherwise objecting to the payment of the Dividend. ■ The Directors will not determine a Dividend to be payable if, in their opinion, the payment would result in BOQ becoming, or being likely to become, insolvent for the purposes of the Corporations Act. 	Clause 6.6 of the CPS Terms
2.3.9 What is the Distribution Restriction and when will it apply?	<ul style="list-style-type: none"> ■ If for any reason a Dividend has not been paid on a Dividend Payment Date (Relevant Dividend Payment Date), subject to certain exceptions BOQ must not, until and including the next Dividend Payment Date: <ul style="list-style-type: none"> – declare, determine or pay a dividend or make any distribution on Ordinary Shares; or – buy-back or reduce capital on Ordinary Shares, unless: <ul style="list-style-type: none"> – the Dividend is paid in full within three Business Days of the Relevant Dividend Payment Date; – all CPS have been Converted or Redeemed; or – a Special Resolution of the CPS Holders has been passed approving such action. 	Clauses 6.10 and 6.11 of the CPS Terms

2.4 Conversion, Redemption or Transfer

TOPIC	SUMMARY	FURTHER INFORMATION
2.4.1 What is Conversion?	<ul style="list-style-type: none"> ■ Conversion means the conversion of CPS into a number of Ordinary Shares in accordance with the formula described in Section 2.4.4. ■ Except for Conversion on a Capital Trigger Event or Non-Viability Trigger Event, Conversion may only occur if the Conversion Conditions are satisfied – see Section 2.4.3. 	Sections 2.4.3 and 2.4.4 and Clause 15 of the CPS Terms
2.4.2 Why do CPS have Conversion Conditions?	<ul style="list-style-type: none"> ■ APRA's eligibility requirements for Additional Tier 1 Capital instruments and certain ratings agency considerations require that the number of Ordinary Shares per CPS that CPS Holders are issued on Conversion may not be greater than the Maximum Conversion Number – see Section 2.4.5 - and that the Ordinary Shares received are listed on ASX. 	Clause 13 of the CPS Terms

2.4.3 What are the Conversion Conditions?

- The Conversion Conditions in relation to any possible Conversion Date (except for a Capital Trigger Event or Non-Viability Trigger Event), are as follows:

Clauses 13.2, 13.3, 13.5, 13.6, 13.7 and 15 of the CPS Terms

First Conversion Condition -

- the Test Conversion Number on the 25th Business Day before the Relevant Date is no greater than 90% of the Maximum Conversion Number.

For example, for a Mandatory Conversion with a Relevant Fraction of 0.5, this is equivalent to the VWAP of Ordinary Shares on the 25th Business Day before the relevant Mandatory Conversion Date being equal to or greater than 56.12% of the Pre-Issue VWAP;

Second Conversion Condition -

- the Conversion Number on the Relevant Date is no greater than the Maximum Conversion Number.

For example, for a Mandatory Conversion with a Relevant Fraction of 0.5, this is equivalent to the VWAP of Ordinary Shares during the period of 20 Business Days on which trading in Ordinary Shares takes place before (but not including) the relevant Mandatory Conversion Date being equal to or greater than 50.51% of the Pre-Issue VWAP; and

Third Conversion Condition -

- no Delisting Event applies in respect of the Relevant Date, that is, Ordinary Shares remain listed on ASX and trading has not been suspended for five or more consecutive Business Days before, and the suspension is not continuing on, the Mandatory Conversion Date.

- In general terms, VWAP refers to the average of the daily volume weighted average sale prices of Ordinary Shares sold on ASX during the relevant period. You should refer to clause 15 of the CPS Terms and the definition of VWAP in clause 20.1 of the CPS Terms for a more detailed explanation of how the VWAP is calculated for the purposes of the CPS.
- The **Pre-Issue VWAP** is the VWAP of Ordinary Shares during the 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Issue Date (as adjusted in accordance with the CPS Terms).
- When applicable, the satisfaction of the Conversion Conditions on a possible Conversion Date will depend on the price of Ordinary Shares. For example, if the Pre-Issue VWAP is \$7.50, then, for the Conversion Conditions to be satisfied where the Relevant Fraction is 0.5:
 - the VWAP for the First Conversion Condition would need to be at least \$4.21 (greater than 56.12% of the Pre-Issue VWAP); and
 - the VWAP for the Second Conversion Condition would need to be at least \$3.79 (greater than 50.51% of the Pre-Issue VWAP).
- This example is for illustrative purposes only and does not indicate whether or not the Conversion Conditions will actually be satisfied in respect of a possible Conversion Date.
- See Section 2.4.4 regarding the Conversion Number and Section 2.4.5 regarding the Maximum Conversion Number.
- Other than where a Capital Trigger Event or Non-Viability Trigger Event has occurred, Conversion cannot occur unless all three Conversion Conditions are satisfied. If the Conversion Conditions are not satisfied, CPS Holders will hold their CPS until Conversion subsequently occurs (if at all) or until the CPS are Redeemed or Transferred – see Sections 2.4.6 to 2.4.9.
- Where a Capital Trigger Event or Non-Viability Trigger Event has occurred, Conversion will not be subject to the Conversion Conditions - see Section 2.6 regarding a Capital Trigger Event and Section 2.7 regarding a Non-Viability Trigger Event.

2.4.4 How many Ordinary Shares will I receive if CPS are Converted?

On Conversion, CPS Holders will receive for each CPS a Conversion Number of Ordinary Shares. Clause 15 of the CPS Terms

The Conversion Number is calculated using the following formula:

$$\frac{\text{Face Value}}{\text{Pre-Conversion VWAP} \times (1 - \text{Discount Factor})}$$

Where:

- **Face Value** means \$100 per CPS;
 - **Discount Factor** which is 1% or 0.01, expressed as a decimal;
 - **Pre-Conversion VWAP** means the VWAP of Ordinary Shares traded on ASX for the 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the relevant Conversion Date. On Conversion for an Acquisition Event or Potential Acquisition Event, the VWAP period is shortened if there is less than 20 Business Days on which trading took place between the Acquisition Event or Potential Acquisition Event and the Conversion Date. On Conversion for a Capital Trigger Event or Non-Viability Trigger Event, the VWAP period is the immediately preceding 5 Business Days on which trading in Ordinary Shares took place on ASX.
- The Conversion Conditions generally prevent Conversion from occurring if the number of Ordinary Shares that CPS Holders would receive on Conversion would exceed the Maximum Conversion Number. However, following a Capital Trigger Event or Non-Viability Trigger Event, the Conversion Conditions will not apply and the number of Ordinary Shares that CPS Holders will receive for each CPS will be limited to the Maximum Conversion Number (see Section 2.4.5).
 - Where the total number of Ordinary Shares to be issued to a CPS Holder in respect of all of that CPS Holder's CPS being Converted includes a fraction, that fraction will be disregarded.

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2.4.5 What is the Maximum Conversion Number?	<ul style="list-style-type: none"> ■ The Maximum Conversion Number is calculated (to four decimal places) using the following formula: $\frac{\text{Face Value}}{\text{Relevant Fraction} \times \text{Pre-Issue VWAP}}$ where: <ul style="list-style-type: none"> – Face Value means \$100 per CPS; – Relevant Fraction is: <ul style="list-style-type: none"> • 0.5 if Conversion is occurring on a Mandatory Conversion Date or before 1 January 2013; or • if Conversion is occurring at any other time, 0.2; – Pre-Issue VWAP is the VWAP of Ordinary Shares for the 20 Business Days on which trading in Ordinary Shares took place immediately preceding, but not including, the Issue Date (as adjusted in accordance with the CPS Terms). ■ For example, if the Pre-Issue VWAP is \$7.50 and the Relevant Fraction is 0.5, then the Maximum Conversion Number would be 26.6667 Ordinary Shares per CPS. ■ The Maximum Conversion Number is set to reflect a VWAP of 50% or 20%, as the case requires, of the Pre-Issue VWAP. ■ The Maximum Conversion Number will be adjusted if BOQ makes a bonus issue or where Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities (not involving any cash payment or other distribution to or by Ordinary Shareholders) as set out in clauses 15.5 to 15.7 of the CPS Terms. 	Clauses 13.3 and 15 of the CPS Terms
2.4.6 When can Mandatory Conversion occur?	<ul style="list-style-type: none"> ■ CPS will Mandatorily Convert to Ordinary Shares on the earlier of the occurrence of: <ul style="list-style-type: none"> – a Mandatory Conversion Date – see Section 2.5; – a Capital Trigger Event – see Section 2.6; – a Non-Viability Trigger Event – see Section 2.7; or – an Acquisition Event – see Section 2.8. 	Clauses 13.5 and 13.7 of the CPS Terms
2.4.7 When can Early Conversion, Redemption or Transfer occur?	<ul style="list-style-type: none"> ■ BOQ may elect (subject to APRA's prior written approval) to serve an Early Conversion/Redemption Notice in respect of: <ul style="list-style-type: none"> – Conversion, Redemption or Transfer of some or all of the CPS on the Optional Conversion/Redemption Date; – the Conversion of all (but not some only) of the CPS following the occurrence of a Potential Acquisition Event; or – Conversion, Redemption or Transfer of some or all of the CPS, following the occurrence of a Regulatory Event or Tax Event. ■ CPS Holders should not expect that APRA's prior written approval for any such Conversion, Redemption or Transfer will be given. 	Clauses 13.6 and 13.7 of the CPS Terms

2.4.8 What is Redemption? Clause 14 of the CPS Terms

- redemption; or
 - buy-back (other than an on-market buy-back); or
 - cancellation pursuant to a reduction of capital; or
 - any combination of these.
- If CPS are Redeemed, BOQ will pay CPS Holders the Face Value for each CPS Redeemed plus a Dividend for the Dividend Period ending on the Redemption Date, if BOQ determines to pay such a Dividend (**Redemption Price**).
- If Redemption is to occur by way of buy-back, under the CPS Terms each CPS Holder agrees to accept the buy-back offer on the terms of the Buy-Back Agreement – see clause 14.4 of the CPS Terms.
- If Redemption is to occur by way of capital reduction, each CPS Holder agrees to vote their CPS in favour of the resolution to approve the capital reduction at the relevant time – see clause 14.6 of the CPS Terms.
- The choice of Redemption is subject to the condition that APRA is satisfied that either the CPS the subject of Redemption are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality and the replacement of CPS is done under conditions that are sustainable for BOQ's income capacity, or that the BOQ Group's capital position is well above its minimum capital requirements after BOQ elects to Redeem the CPS.
- Redemption is subject to APRA's prior written approval.

2.4.9 What is Transfer? Clause 16 of the CPS Terms

- If BOQ elects to have the CPS Transferred, BOQ will appoint one or more third parties (**Nominated Transferee**) to purchase from CPS Holders their CPS for the Face Value. On Transfer, CPS Holders will receive \$100 for each CPS from the Nominated Transferee. The date on which Transfer occurs will also be a Dividend Payment Date for those CPS.
- If BOQ appoints more than one Nominated Transferee, all or any of the CPS held by a CPS Holder which are being Transferred may be purchased by any one or any combination of the Nominated Transferees, as determined by BOQ.
- If the Nominated Transferee does not pay the Face Value to CPS Holders on the Relevant Date, or otherwise fails (or is not required to fulfil) its obligations under the Transfer Notice, the Transfer will not proceed and CPS Holders will continue to hold their CPS.
- The Nominated Transferee must have a long term counterparty credit rating from one of Standard & Poor's, Moody's or Fitch of not less than investment grade. The Nominated Transferee may not be BOQ or a related entity of BOQ.

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2.5 Mandatory Conversion on a Mandatory Conversion Date

TOPIC	SUMMARY	FURTHER INFORMATION
2.5.1 What is Mandatory Conversion?	<ul style="list-style-type: none"> CPS Holders will receive Ordinary Shares on Conversion of the CPS on the earliest Mandatory Conversion Date on which the Conversion Conditions are satisfied unless, in accordance with the CPS Terms, the CPS have otherwise been Converted or Redeemed. Upon Conversion on a Mandatory Conversion Date, CPS Holders will receive \$101.01 worth of Ordinary Shares per CPS based on the VWAP during the 20 Business Days on which trading in Ordinary Shares took place before that Mandatory Conversion Date. 	Clauses 13.5 and 15 of the CPS Terms
2.5.2 When is the Mandatory Conversion Date?	<ul style="list-style-type: none"> The Mandatory Conversion Date will be the Scheduled Mandatory Conversion Date of 15 April 2020 provided that the Conversion Conditions are satisfied on that date. If any of the Conversion Conditions are not satisfied on the Scheduled Mandatory Conversion Date, then the Mandatory Conversion Date will be deferred until the next Dividend Payment Date in respect of which all of the Conversion Conditions are satisfied. 	Clause 13.5 of the CPS Terms
2.5.3 Effect of Conversion Conditions	<ul style="list-style-type: none"> The First and Second Conversion Conditions are intended to protect CPS Holders against receiving on Conversion of CPS a number of Ordinary Shares that would be worth less than \$101.01 per CPS (although, because Ordinary Share prices fluctuate on ASX, by the time any Conversion actually occurs the value of Ordinary Shares received may be more or less than \$101.01). The Third Conversion Condition is intended to provide protection for CPS Holders by making Conversion conditional on CPS Holders receiving Ordinary Shares which are capable of being sold on ASX. 	Clause 13.2 of the CPS Terms

2.6 Mandatory Conversion on Capital Trigger Event

TOPIC	SUMMARY	FURTHER INFORMATION
2.6.1 What is a Capital Trigger Event?	<ul style="list-style-type: none"> For CPS to be characterised as Additional Tier 1 Capital under APRA's Basel III Prudential Standards, it is an APRA regulatory requirement that a Conversion is triggered if BOQ's ratio of Common Equity Tier 1 Capital to total risk weighted assets falls to, or below, 5.125%, calculated on a Level 1 or Level 2 basis. This is called a Capital Trigger Event. 	Clause 13.5 of the CPS Terms
2.6.2 What happens after a Capital Trigger Event?	<ul style="list-style-type: none"> If a Capital Trigger Event occurs, the number of CPS required to Convert on a pro rata basis with other Relevant Tier 1 Capital Instruments to cease the Capital Trigger Event will immediately Convert into Ordinary Shares. Such Conversion is not subject to the Conversion Conditions being satisfied. The number of Ordinary Shares received per CPS will be a number based on a VWAP during the 5 Business Days on which trading in Ordinary Shares took place before the Capital Trigger Event, but capped at the Maximum Conversion Number. As a result in these circumstances CPS Holders may receive only the Maximum Conversion Number of Ordinary Shares per CPS which may be worth significantly less than \$101.01 and suffer a loss as a consequence. The Maximum Conversion Number for the Capital Trigger Event is the Face Value (\$100) divided by 20% of the Pre-Issue VWAP of Ordinary Shares (as such number may be adjusted in limited circumstances). See Sections 2.4.4 and 2.4.5. 	Clauses 13.3, 13.5, 13.8, 15 and 20.1 of the CPS Terms

<p>2.6.3 What is the Common Equity Tier 1 Capital Ratio?</p>	<ul style="list-style-type: none"> ■ The Common Equity Tier 1 Capital Ratio is the ratio of Common Equity Tier 1 Capital, to the total risk weighted assets of BOQ, as prescribed by APRA under its Basel III Prudential Standards. The adoption of the Basel III definition of Common Equity Tier 1 Capital replaces Fundamental Tier 1 Capital. ■ At 31 August 2012, BOQ's Fundamental Tier 1 Capital to total risk-weighted assets was 8.5% under the current APRA Prudential Standards. BOQ estimates that, as at 31 August 2012, its Common Equity Tier 1 Capital Ratio would be 8.6% based on APRA's Basel III Prudential Standards⁶, which equates to a surplus of capital of approximately A\$736.5 million above the Capital Trigger Event level of 5.125%. ■ BOQ's estimated Common Equity Tier 1 Capital Ratio of 8.6% is well above the Capital Trigger Event level of Common Equity Tier 1 Capital Ratio of 5.125%, on a Level 1 and Level 2 basis. Based on APRA's Basel III Prudential Standards, BOQ is well in excess of the minimum Common Equity Tier 1 requirement of 4.5% and the Common Equity Tier 1 plus capital conservation buffer minimum of 7.0%, which is expected to formally take effect in 2016. BOQ gives no assurance as to what its Common Equity Tier 1 Capital Ratio will be at any time as it may be significantly impacted by unexpected events affecting its business, operations and financial condition. 	<p>Clauses 13.5, 13.8 and 15.9 of the CPS Terms</p>
<p>2.6.4 When does Conversion on account of a Capital Trigger Event mandatorily occur?</p>	<ul style="list-style-type: none"> ■ Conversion of CPS following the occurrence of a Capital Trigger Event must occur immediately following that event occurring. ■ Conversion may occur automatically without the need for any further act or step by BOQ. In that case, BOQ will recognise CPS Holders as having been issued the Conversion Number of Ordinary Shares. BOQ expects any ASX trades in CPS that have not settled on the date a Capital Trigger Event occurs will continue to settle in accordance with the normal ASX T+3 settlement, although BOQ expects the seller will be treated as having delivered, and the buyer will be treated as having acquired, the Conversion Number of Ordinary Shares into which CPS have been Converted as a result of the occurrence of the Capital Trigger Event. ■ BOQ must make an ASX announcement immediately after becoming aware that a Capital Trigger Event has occurred. 	<p>Clauses 13.5, 13.8 and 15.9 of the CPS Terms</p>
<p>2.6.5 Is Conversion on account of a Capital Trigger Event subject to the Conversion Conditions?</p>	<ul style="list-style-type: none"> ■ No. Conversion following a Capital Trigger Event is not subject to the Conversion Conditions being satisfied. 	<p>Clauses 13.5, 13.8 and 15.9 of the CPS Terms</p>

⁶ BOQ only discloses Common Equity Tier 1 Capital at Level 2. The difference between the calculation at Level 1 and Level 2 is not material.

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2.6.6 How many Ordinary Shares will CPS Holders receive on the Capital Trigger Conversion Date?

- The number of Ordinary Shares a CPS Holder will receive is determined as described in Section 2.4.4 and cannot be more than the Maximum Conversion Number.
- Since Conversion on account of a Capital Trigger Event is not subject to the Conversion Conditions, the number of Ordinary Shares a CPS Holder may receive in this circumstance may be worth significantly less than \$101.01 and a CPS Holder may suffer a loss as a consequence.
- If on the occurrence of a Capital Trigger Event, Conversion of only some CPS on a pro rata basis with other Relevant Tier 1 Capital Instruments is required for BOQ to cease to be subject to a Capital Trigger Event, BOQ must endeavour to treat CPS Holders on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels of CPS and other logistical considerations.
- If on a Capital Trigger Conversion Date, BOQ is prevented by applicable law or order of any court or action of any regulatory authority or any other reason from Converting CPS which would otherwise be Converted (**Inability Event**), and Conversion has not been effected within 5 days after the Capital Trigger Event Conversion Date, to the extent that the Inability Event prevents BOQ from Converting CPS, the rights attached to those CPS in respect of dividends and return of capital become:
 - if a winding up occurs in respect of BOQ, instead of a claim for payment out of the surplus available to shareholders in a winding up of \$100 (plus the amount of any Dividend resolved to be paid but unpaid), the CPS Holder's claim in respect of a CPS is for the sum which would have been paid in respect of the CPS out of the surplus available to shareholders in the winding up if the CPS were the Conversion Number of Ordinary Shares; and
 - instead of the Dividends as described in Section 2.3, if a dividend is paid on Ordinary Shares, a non-cumulative dividend is payable in respect of the CPS in an amount determined as if the CPS were a number of Ordinary Shares equal to the Conversion Number,

in each case with that Conversion Number being finally determined as if the CPS had Converted on occurrence of the Capital Trigger Event (and in any case not exceeding the Maximum Conversion Number). These changes are referred to as CPS being "**Written Off**".

Clauses 13.5, 13.8 and 15 of the CPS Terms

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2.7 Mandatory Conversion on Non-Viability Trigger Event

TOPIC	SUMMARY	FURTHER INFORMATION
2.7.1 What is a Non-Viability Trigger Event?	<ul style="list-style-type: none"> ■ For CPS to be characterised as Additional Tier 1 Capital under APRA's Basel III Prudential Standards, it is an APRA regulatory requirement that a Conversion is triggered if APRA provides a written determination to BOQ that all (or some) CPS and other Relevant Tier 1 Capital Instruments (i.e. other Tier 1 Capital instruments which can be converted or written off in a similar way to CPS) as specified in the determination must be converted or written off: <ul style="list-style-type: none"> – as without conversion or write off, BOQ would become, in APRA's opinion, non-viable; or – as without a public sector injection of capital (or equivalent capital support), BOQ would become, in APRA's opinion, non-viable. ■ This is called a Non-Viability Trigger Event. 	Clause 13.5 of the CPS Terms
2.7.2 What happens after a Non-Viability Trigger Event?	<ul style="list-style-type: none"> ■ If a Non-Viability Trigger Event occurs, the number of CPS required to Convert on a pro rata basis with other Relevant Tier 1 Capital Instruments to cease the Non-Viability Trigger Event will immediately Convert into Ordinary Shares. ■ Such Conversion is not subject to the Conversion Conditions being satisfied. The number of Ordinary Shares received per CPS will be a number based on a VWAP during the 5 Business Days on which trading in Ordinary Shares took place before the Non-Viability Trigger Event, but capped at the Maximum Conversion Number. As a result in these circumstances CPS Holders may receive only the Maximum Conversion Number of Ordinary Shares per CPS which may be worth significantly less than \$101.01 and suffer a loss as a consequence. ■ The Maximum Conversion Number for the Non-Viability Trigger Event is the Face Value (\$100) divided by 20% of the Pre-Issue VWAP of Ordinary Shares (as such number may be adjusted in limited circumstances). See Sections 2.4.4 and 2.4.5. 	Clauses 13.3, 13.5, 13.8, 15.9 and 20.1 of the CPS Terms
2.7.3 What does non-viable mean?	<ul style="list-style-type: none"> ■ APRA has not provided guidance as to how it would determine non-viability. ■ Non-viability would be expected to include serious impairment of BOQ's financial position and insolvency. However it is possible that APRA's definition of non-viable may not necessarily be constrained to solvency measures or capital ratios. ■ APRA may publish further guidance on the parameters used to determine non-viability, however it is possible that it will not provide any further guidance and BOQ has no control over whether it will do so. 	Clause 13.5 of the CPS Terms

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<p>2.7.4 When does Conversion on account of a Non-Viability Trigger Event mandatorily occur?</p>	<ul style="list-style-type: none"> ▪ Conversion of CPS following the occurrence of a Non-Viability Trigger Event, must occur immediately following that event occurring. ▪ Conversion may occur automatically without the need for any further act or step by BOQ. In that case, BOQ will recognise CPS Holders as having been issued the Conversion Number of Ordinary Shares. BOQ expects any ASX trades in CPS that have not settled on the date a Non-Viability Trigger Event occurs will continue to settle in accordance with the normal ASX T+3 settlement, although BOQ expects the seller will be treated as having delivered, and the buyer will be treated as having acquired, the Conversion Number of Ordinary Shares into which CPS have been Converted as a result of the occurrence of the Non-Viability Trigger Event. ▪ BOQ must make an ASX announcement immediately after becoming aware that a Non-Viability Trigger Event has occurred. 	<p>Clauses 13.5, 13.8 and 15.9 of the CPS Terms</p>
<p>2.7.5 Is Conversion on account of a Non-Viability Trigger Event subject to the Conversion Conditions?</p>	<ul style="list-style-type: none"> ▪ No. Conversion following a Non-Viability Trigger Event is not subject to the Conversion Conditions being satisfied. 	<p>Clause 13.5 of the CPS Terms</p>
<p>2.7.6 How many Ordinary Shares will CPS Holders receive on the Non-Viability Conversion Date?</p>	<ul style="list-style-type: none"> ▪ The number of Ordinary Shares a CPS Holder will receive is determined as described in Section 2.4.4 and cannot be more than the Maximum Conversion Number. ▪ Since Conversion on account of a Non-Viability Trigger Event is not subject to the Conversion Conditions, the number of Ordinary Shares a CPS Holder may receive per CPS in this circumstance may be worth significantly less than \$101.01 and a CPS Holder may suffer a loss as a consequence. ▪ If on the occurrence of a Non-Viability Trigger Event Conversion of only some CPS on a pro rata basis with other Relevant Tier 1 Capital Instruments is required for BOQ to cease to be subject to a Non-Viability Trigger Event, BOQ must endeavour to treat CPS Holders on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels of CPS and other logistical considerations. ▪ If on a Non-Viability Conversion Date, there is an Inability Event and Conversion has not been effected within 5 days after the Non-Viability Conversion Date, to the extent that the Inability Event prevents BOQ from Converting CPS, the CPS will be Written Off, that is the rights attached to those CPS in respect of dividends and return of capital become: <ul style="list-style-type: none"> – if a winding up occurs in respect of BOQ, instead of a claim for payment out of the surplus available to shareholders in a winding up of \$100 (plus the amount of any Dividend resolved to be paid but unpaid), the CPS Holder's claim in respect of a CPS is for the sum which would have been paid in respect of the CPS out of the surplus available to shareholders in the winding up if the CPS were the Conversion Number of Ordinary Shares; and – instead of the Dividends as described in Section 2.3, if a dividend is paid on Ordinary Shares, a non-cumulative dividend is payable in respect of the CPS in an amount determined as if the CPS were a number of Ordinary Shares equal to the Conversion Number, <p>in each case with that Conversion Number being finally determined as if the CPS had Converted on the Non-Viability Conversion Date (and in any case not exceeding the Maximum Conversion Number).</p> 	<p>Clauses 13.5, 13.8 and 15 of the CPS Terms</p>

2.8 Mandatory Conversion on Acquisition Event

TOPIC	SUMMARY	FURTHER INFORMATION
2.8.1 What is an Acquisition Event?	<ul style="list-style-type: none"> ■ An Acquisition Event will occur where: <ul style="list-style-type: none"> – a takeover bid is made to acquire all or some of the Ordinary Shares and the offer is, or becomes, unconditional and the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or – a court approves a scheme of arrangement under Part 5.1 of the Corporations Act, which scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented, <p>and all regulatory approvals necessary for the acquisition to occur have been obtained.</p> <ul style="list-style-type: none"> ■ Notwithstanding the foregoing, an Acquisition Event will not have occurred where BOQ is replaced as the ultimate holding company of the BOQ Group by an Approved NOHC – see Section 2.11.6. 	Clauses 13.5, 13.9 and 20.1 of the CPS Terms
2.8.2 When does Conversion on account of an Acquisition Event mandatorily occur?	<ul style="list-style-type: none"> ■ Subject to the Conversion Conditions, BOQ must Convert CPS if an Acquisition Event occurs at any time – see Section 2.4 for more information on the Conversion Conditions. 	Clauses 13.5, 13.7 and 13.9 of the CPS Terms

2.9 Early Conversion, Redemption or Transfer by BOQ

TOPIC	SUMMARY	FURTHER INFORMATION
2.9.1 What is Early Conversion, Redemption or Transfer?	<ul style="list-style-type: none"> ■ Subject to APRA's prior written approval, BOQ may elect to Convert, Redeem or Transfer (or a combination of these) some or all of the CPS: <ul style="list-style-type: none"> – on the Optional Conversion/Redemption Date; or – following the occurrence of a Regulatory Event or Tax Event. ■ Subject to APRA's prior written approval, BOQ may elect to Convert all (but not some only) of the CPS on the occurrence of a Potential Acquisition Event. ■ CPS Holders should not expect that APRA's prior written approval for any such Conversion, Redemption or Transfer will be given. 	<p>Clauses 13.1 and 13.6 of the CPS Terms</p> <p>Section 2.9.4</p>
2.9.2 When is the Optional Conversion/Redemption Date?	<ul style="list-style-type: none"> ■ The Optional Conversion/Redemption Date is 15 April 2018. ■ On the Optional Conversion/Redemption Date and subject to APRA's prior written approval, BOQ may elect to Convert, Redeem or Transfer (or a combination of these) some or all CPS. ■ When under the CPS Terms BOQ has a choice as to whether to Convert, Redeem or Transfer, that choice will be made by BOQ in its absolute discretion. The ability to Convert CPS is subject to the Conversion Conditions being satisfied. ■ If BOQ elects to cause the Transfer of CPS to a Nominated Transferee, this will be at the same price as would apply to Redemption. 	Clauses 6.4, 13.1, 13.6 and 16.1 of the CPS Terms

2.9.3 What are the Conversion Conditions in respect of Early Conversion?	<ul style="list-style-type: none"> ■ The Conversion Conditions apply to Early Conversion. See Sections 2.4.3 to 2.4.5 for a description of the Conversion Conditions and Maximum Conversion Number as they apply to Early Conversion. 	Clauses 13.2 and 13.3, 13.6, 13.7, 13.8 and 15 of the CPS Terms
2.9.4 What is a Potential Acquisition Event?	<ul style="list-style-type: none"> ■ A Potential Acquisition Event occurs where: <ul style="list-style-type: none"> – a takeover bid is made to acquire all or some Ordinary Shares and the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue and the offer is, or becomes, unconditional except that all regulatory approvals necessary for the acquisition to occur have not been obtained; or – a court orders the holding of meetings to approve a scheme of arrangement under Part 5.1 of the Corporations Act and the scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented. ■ A proposed replacement of BOQ as the ultimate holding company of the BOQ Group by an Approved NOHC is not a Potential Acquisition Event – see Section 2.11.6. 	Clauses 13.6 and 20.1 of the CPS Terms
2.9.5 What is a Tax Event?	<ul style="list-style-type: none"> ■ A Tax Event will occur if there is a change, amendment or clarification of laws, treaties or policies (including as a result of a court decision) which is not expected by BOQ at the Issue Date and BOQ receives an opinion from a reputable legal counsel or other tax adviser that there is a more than insubstantial risk that: <ul style="list-style-type: none"> – the BOQ Group will incur more than an insubstantial increase in costs in relation to CPS; or – the BOQ Group will incur more than an insubstantial increase in taxes, duties or government charges in respect of or resulting from the CPS; or – CPS will not be treated as equity interests for Australian taxation purposes or any Dividend will not be frankable or franking debits would be posted to BOQ's franking account. 	Clauses 13.6 and 20.1 of the CPS Terms
2.9.6 What is a Regulatory Event?	<ul style="list-style-type: none"> ■ A Regulatory Event will occur if: <ul style="list-style-type: none"> – BOQ receives advice from a reputable legal counsel that as a result of a change, amendment or clarification of Australian law or regulatory policy after the Issue Date, additional requirements will be imposed on BOQ in relation to CPS, or there would be a negative impact on BOQ, in either case not expected by BOQ before the Issue Date and that BOQ reasonably determines at its sole discretion to be unacceptable; or – BOQ determines, following notice from APRA, that all of the CPS will not be included (in whole or in part) in BOQ's Non-Innovative Residual Tier 1 Capital, or Additional Tier 1 Capital, on a Level 1 or Level 2 basis (other than where such ineligibility is only as a result of any applicable limitation on the amount or composition of BOQ's Tier 1 Capital on a Level 1 or Level 2 basis which is in effect on the Issue Date or is proposed to arise on or from a given date under APRA's Basel III Prudential Standards as at the Issue Date). 	Clauses 13.6 and 20.1 of the CPS Terms
2.9.7 Can CPS Holders require Early Conversion, Redemption or Transfer?	<ul style="list-style-type: none"> ■ CPS Holders do not have a right to require Early Conversion, Redemption or Transfer. 	Clause 13.1 of the CPS Terms

2.10 Ranking and Voting Rights

TOPIC	SUMMARY	FURTHER INFORMATION
2.10.1 Ranking on winding up	<ul style="list-style-type: none"> ■ In a winding up of BOQ, CPS rank ahead of Ordinary Shares, equally with PEPS and other securities or instruments ranking equally with CPS, but behind all securities or instruments ranking ahead of CPS, and behind all depositors and other creditors of BOQ. ■ If there is a shortfall of funds on a winding up of BOQ to pay all amounts ranking senior to and equally with CPS, CPS Holders will lose all or some of their capital. ■ Any return in a winding up may be adversely affected if the CPS have been Converted or Written Off as a result of a Capital Trigger Event or Non-Viability Trigger Event. ■ After Conversion, CPS Holders become holders of Ordinary Shares and will rank equally with all other Ordinary Shareholders in a winding up. ■ After a Write Off, the rights of a CPS to any return of capital in a winding up are broadly equivalent to the rights of the Ordinary Shares the CPS Holder would have held if Conversion of the CPS had occurred. 	Clauses 7.2, 13.8 and 15.9 of the CPS Terms
2.10.2 Ranking for the Payment of Dividends	<ul style="list-style-type: none"> ■ For the payment of Dividends, CPS rank ahead of Ordinary Shares, equally with PEPS and other securities or instruments ranking equally with CPS, but behind all securities or instruments ranking senior to CPS. ■ Any return in the form of dividends may be adversely affected if CPS are Converted or Written Off as a result of a Capital Trigger Event or Non-Viability Trigger Event. 	Clauses 7.1, 13.5, 13.8 and 15.9 of the CPS Terms
2.10.3 What voting rights do CPS carry?	<ul style="list-style-type: none"> ■ CPS Holders have no voting rights at meetings of holders of Ordinary Shares in BOQ except in the following circumstances: <ul style="list-style-type: none"> – during a period in which a Dividend (or part of a Dividend) is in arrears; or – on any proposal: <ul style="list-style-type: none"> • to reduce BOQ's capital (other than a resolution to approve Redemption of CPS); or • that affects rights attached to the CPS; or • to wind-up BOQ; or • to dispose of the whole of the property, business and undertaking of BOQ; or – on any resolution to approve terms of a buy-back agreement (other than a resolution to approve Redemption); or – during the winding up of BOQ; or – in any other circumstances in which the ASX Listing Rules require holders of preference shares to be entitled to vote. 	Clause 12 of the CPS Terms
2.10.4 Do CPS have rights to participate in new share issues or capital reconstructions?	<ul style="list-style-type: none"> ■ CPS do not carry a right for CPS Holders to participate in new issues of, or capital reconstructions affecting, Ordinary Shares or other BOQ securities. 	Clause 11.1 of the CPS Terms

2. ABOUT CPS

2.11 Other

TOPIC	SUMMARY	FURTHER INFORMATION
2.11.1 Can BOQ issue further CPS, or other instruments?	<ul style="list-style-type: none"> BOQ reserves the right to issue further preference shares or other securities which rank behind, equal with or ahead of CPS, whether in respect of dividends, return of capital in a winding up of BOQ or otherwise. CPS do not confer on CPS Holders any right to participate in any new issues of shares in BOQ's capital. 	Clause 11 of the CPS Terms
2.11.2 Can BOQ amend the CPS Terms?	<ul style="list-style-type: none"> Subject to complying with all applicable laws, BOQ may amend the CPS Terms without the approval of CPS Holders or Ordinary Shareholders in certain circumstances. That may include amendments which affect the rights of CPS Holders, including changes to dates or time periods stated, required or permitted in connection with any Conversion in a manner necessary or desirable to facilitate the Conversion. BOQ may make other amendments that are not likely to be materially prejudicial to the interests of CPS Holders as a whole. BOQ may also amend the CPS Terms if the amendment has been approved by a Special Resolution. Amendments which may affect the treatment of CPS as Additional Tier 1 Capital require APRA's prior written approval. 	Clause 18 of the CPS Terms
2.11.3 What are the taxation implications of investing in CPS?	<ul style="list-style-type: none"> The taxation implications of investing in CPS will depend on an investor's individual circumstances. Prospective investors should obtain their own taxation advice. A general outline of the Australian taxation implications is included in the Australian taxation summary in Section 7. 	Section 7
2.11.4 Is brokerage, commission or stamp duty payable?	<ul style="list-style-type: none"> No brokerage, commission or stamp duty is payable on Applications for CPS. CPS Holders may have to pay brokerage on any subsequent transfer of CPS on ASX after quotation. 	Clause 17 of the CPS Terms
2.11.5 What are the ongoing costs?	<ul style="list-style-type: none"> You will generally not be required to pay any ongoing fees or other costs following the issue of CPS. The costs of carrying out the Offer and maintaining an ASX listing for the CPS will be paid by BOQ. 	Clause 17 of the CPS Terms

<p>2.11.6 What may happen if a successor holding company is put in place?</p>	<ul style="list-style-type: none"> ■ If it is proposed that BOQ be replaced as the ultimate holding company of the BOQ Group by an Approved NOHC and the Approved NOHC agrees to: <ul style="list-style-type: none"> – deliver Approved NOHC Shares under all circumstances when BOQ would have otherwise been obliged to deliver Ordinary Shares on Conversion; – comply with the Distribution Restriction; and – use all reasonable endeavours to procure quotation of Approved NOHC Shares issued under the CPS Terms on the stock exchanges on which other Approved NOHC Shares are quoted at the time of a Conversion, then the CPS Terms may (with APRA's prior written approval) be amended to enable the substitution of the Approved NOHC as the issuer of ordinary shares on Conversion (including following a Mandatory Conversion Date). BOQ may specify the proposed amendments to the CPS Terms in an Approved Replacement Notice which, if given, must be given to CPS Holders no later than 10 Business Days before the Approved NOHC replaces BOQ as the ultimate holding company of the BOQ Group. ■ The replacement, or proposed replacement, of BOQ by an Approved NOHC is not an Acquisition Event or Potential Acquisition Event and does not allow BOQ to elect to Convert CPS nor does it entitle CPS Holders to Convert their CPS. However, the replacement of BOQ by a successor holding company which is not an Approved NOHC may constitute an Acquisition Event or Potential Acquisition Event, which may lead to the Conversion of CPS. ■ CPS Holders may not have any right to vote on BOQ's replacement by an Approved NOHC as the ultimate holding company of the BOQ Group. ■ Where BOQ transfers assets to the Approved NOHC or another subsidiary of the Approved NOHC, BOQ may as a result have reduced assets to meet the claims of its creditors and shareholders (including CPS Holders). ■ Following the substitution of an Approved NOHC as issuer of ordinary shares on Conversion (but prior to Conversion occurring) CPS Holders continue to hold preference shares in BOQ which rank for payment of Dividends and in a winding up of BOQ as described in Section 2.10 but which are Convertible into Approved NOHC Shares (i.e. ordinary shares in the Approved NOHC) in the same circumstances in which they would have otherwise been Converted into Ordinary Shares in BOQ. ■ Some of the risks associated with receiving Approved NOHC Shares are discussed in Section 4.2.20. 	<p>Clauses 13.9 and 18.4 to 18.6 of the CPS Terms</p> <p>Sections 4.2.20 and 8.3</p>
<p>2.11.7 Shareholder approval required?</p>	<ul style="list-style-type: none"> ■ The Offer is conditional on: <ul style="list-style-type: none"> – the issue of CPS for the purposes of ASX Listing Rule 7.1 being approved by ordinary resolution of Ordinary Shareholders; – the CPS Terms being approved and incorporated in the Constitution by special resolution of Ordinary Shareholders; and – the selective buy-back of PEPS as part of the Reinvestment Offer being approved by special resolution of Ordinary Shareholders. 	
<p>2.11.8 What happens if the shareholder approvals are not obtained?</p>	<ul style="list-style-type: none"> ■ If all of the shareholder approvals are not obtained, then the Offer will not proceed and all Applicants will have their Application Payments refunded (without interest) as soon as practicable. ■ In such a case, no PEPS will be bought back and PEPS Holders will continue to hold their PEPS. 	

2.12 Comparison of CPS With PEPS

CPS and PEPS have some similarities in that they are both preference shares that qualify as Residual Tier 1 Capital for BOQ under APRA's current capital adequacy standards. However, they do differ considerably in several key respects, including their classification for the purposes of APRA's Basel III Prudential Standards. Section 5.5 includes a table that provides a summary comparison of the CPS and the PEPS.

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ABOUT BOQ

3



3. ABOUT BOQ

3.1 Overview of BOQ

3.1.1 Introduction

BOQ is a full service financial institution, listed on the ASX, regulated by APRA as an ADI and currently ranked among the top 100 companies by market capitalisation on the ASX.

BOQ provides banking and insurance services primarily to retail customers and small to medium sized business. The principal activities of BOQ and its controlled entities are the provision of a range of personal and business banking services and insurance. Insurance services are provided through St Andrew's Insurance.

BOQ operates retail branches, business banking centres, equipment, debtor and vendor finance centres throughout Australia and New Zealand and distributes insurance. BOQ is a member of the rediATM shared automated teller machine (ATM) network, which operates over 3,300 ATMs throughout Australia.

BOQ has its origins in the Brisbane Permanent Benefit Building and Investment Society which was formed in 1874. Brisbane Permanent converted from a building society into a bank in 1887. Following various mergers and acquisitions BOQ was granted a formal commercial banking licence in 1941 and changed its name to Bank of Queensland Limited in 1970.

3.1.2 Results highlights for the year ended 31 August 2012

In line with guidance provided to the market, BOQ confirmed in its full year results announcement a statutory full year loss after tax of \$17.1 million for 2012, due to increased provisions and one-off legacy expense items.

After posting a statutory loss after tax for the first half to 29 February 2012, BOQ returned to profitability in the second half to 31 August 2012, with a net profit after tax of \$73.5 million for that half year.

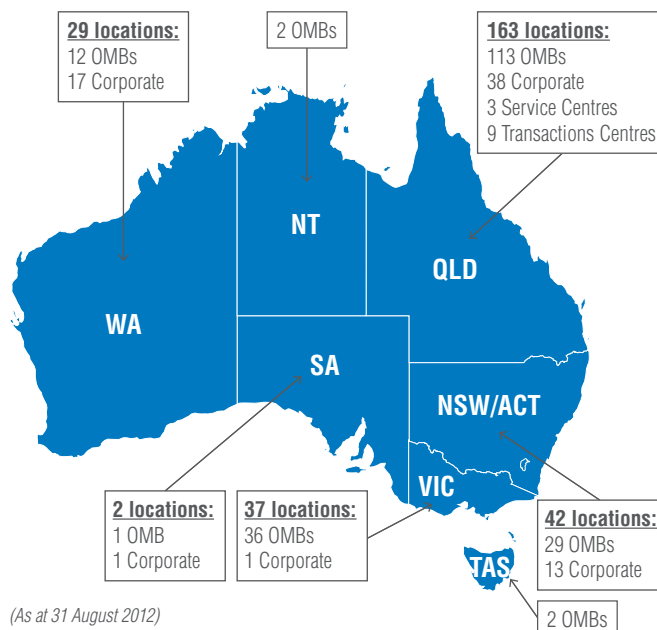
Other highlights of the 2012 financial results include:

- Fully franked final dividend of 26 cents per Ordinary Share, taking the dividends for the full year to 52 cents per share
- Normalised underlying profit before tax of \$443.5 million and normalised cash net profit after tax of \$30.6 million
- Capital base and liquidity maintained – Core Tier 1 Ratio of 8.5%
- Normalised cash Net Interest Margin (NIM) up 2 basis points to 1.67%, despite a competitive, low credit growth environment
- Retail deposit growth of \$1,952.1 million bringing the retail deposit funding mix to 59%.

3.1.3 Presence in Australia and the Owner-Managed Branch (OMB) model

BOQ operates a widespread network of 277 locations throughout Australia (as at 31 August 2012). This includes 195 manager-owned branches using BOQ's OMB model, 70 corporate branches owned and operated by BOQ, 3 service centres and 9 transaction centres.

BOQ has 680 branded and co-branded ATMs and 8,972 branded EFTPOS machines throughout Australia.



The OMB model is a key part of BOQ's distribution capability. The Owner Manager generates retail banking business usually in their local area and then shares in the success of that business through receiving a percentage of the net interest income, upfront and trail commissions as well as sharing in fee and transactional income. BOQ centrally manages brand, credit policy, pricing, compliance and procedures. OMBs are encouraged to build their own business and manage their local market and are full service branches.

3.1.4 Business Model

BOQ's operating model incorporates three business lines: Banking (Retail and Business & Agribusiness), BOQ Finance and St Andrew's Insurance.



Banking – Retail

BOQ Retail Banking provides banking and insurance services to households.

BOQ has a comprehensive product offering which encompasses deposit products such as transactional accounts, saving accounts and term deposits, and lending products including mortgages, overdrafts, personal lending and credit card products. BOQ has diversified operations and branches in each state and territory in Australia and customers have access to rediATMs and BOQ-branded ATMs across Australia.

Banking – Business & Agribusiness

BOQ, with its long history as a fully licensed commercial bank, has for some time had a significant proportion of its lending portfolio in the SME sector. An extensive suite of products is offered to business customers and includes transactional accounts, treasury and foreign exchange risk management services, merchant services and lending products such as overdrafts, commercial loans and trade finance facilities.

3. ABOUT BOQ

BOQ has recently announced to the market that it intends to expand its Business Banking division to target agribusiness customers across Australia.

BOQ Finance

BOQ Finance is an established provider of equipment and debtor financing. On 30 June 2010, BOQ acquired CIT Group (Australia) Limited and CIT Group (New Zealand) Limited, now renamed to BOQ Finance (Aust) Limited and BOQ Finance (NZ) Limited respectively. The integration of the CIT business with BOQ's much larger existing equipment finance and debtor finance businesses creates the BOQ Finance division, and provides BOQ with the opportunity to sell new products into the existing branch network as well as broker, manufacturers, vendor and dealer distribution channels.

St Andrew's Insurance

St Andrew's Insurance provides consumer credit insurance and life insurance. BOQ acquired St Andrew's Insurance (Australia) Pty Ltd and St Andrew's Life Insurance Pty Ltd on 1 July 2010. The acquisition of St Andrew's Insurance has allowed BOQ to expand its non-interest income sources. St Andrew's Insurance is regulated by APRA and although it utilises the shared services of BOQ, this business operates separately and outside of BOQ's extended licensed entity for APRA prudential purposes.

3.1.5 Strategy

BOQ is implementing a strategy to create a successful banking model that is "Fit, Focused and Different" and seeks to offer a compelling alternative to competitor banks with trusted, simple and straight forward banking via a multi-channel platform.

To deliver on this strategy, a number of key initiatives are underway around four key themes:

1. Multi-channel optimisation

- ▶ Branch focus on development of service and sales, including cross sales
- ▶ Online, mobile & social media capability to be developed
- ▶ Call centre optimisation & selective use of brokers (by March 2013)

2. Risk/Return balance

- ▶ Focus on higher margin, higher ROE customers and increased cross sell
- ▶ Business Banking, Agribusiness, Financial Markets, St Andrew's & BOQ Finance
- ▶ Targeting profitable customers/segments

3. Operational excellence

- ▶ End to end lending processes – retail and commercial
- ▶ Removing administrative tasks from the branch & consolidating back office processing
- ▶ Expense growth below inflation

4. Talent, capability & culture

- ▶ New Executive team in place
- ▶ Existing talent being complemented with selected external hires at lower levels
- ▶ Diversity and staff engagement
- ▶ Revitalised culture

In addition to these initiatives, BOQ will examine opportunities, if they arise, to acquire complementary businesses that will contribute to the execution of its strategy.

3.1.6 Directors of BOQ

The Directors of BOQ are:

- ▶ Neil Summerson, Chairman
- ▶ Stuart Grimshaw, Managing Director and Chief Executive Officer
- ▶ Steve Crane
- ▶ Roger Davis
- ▶ Carmel Gray
- ▶ Richard Haire
- ▶ John Reynolds
- ▶ Michelle Tredenick
- ▶ David Willis

The roles and responsibilities of the Directors are set out in the Board Charter. A description of the Board Charter and further information on the Directors is available at www.boq.com.au.

On 4 October 2012, BOQ announced that John Reynolds does not intend to seek re-election at BOQ's AGM on 13 December 2012 and will retire as a Director at that meeting.

3.1.7 Management of the businesses of BOQ

BOQ's executive management team include:

- Stuart Grimshaw, Managing Director and Chief Executive Officer*
- Jon Sutton, Chief Operating Officer*
- Anthony Rose, Chief Financial Officer*
- Peter Deans, Chief Risk Officer*
- Brendan White, Group Executive Business Banking, Agribusiness & Financial Markets*
- Matthew Baxby, Group Executive Retail & Online Banking*
- Renato Mazza, Group Executive Insurance & Chief Executive Officer St Andrew's Insurance
- Hugh Lander, Chief Executive Officer BOQ Finance*

**Appointments since November 2011*

On 1 November 2011, Stuart Grimshaw joined BOQ as Managing Director and Chief Executive Officer. Since his appointment, Stuart has assembled a new management team with significant and broad banking experience.

Further information about BOQ's executive management team is available at www.boq.com.au.

3.1.8 Corporate governance of BOQ

The Directors and Management are committed to excellence in corporate governance and support the Principles of Good Corporate Governance and Best Practice Recommendations as developed by the ASX Corporate Governance Council as the basis for enhancing the credibility and transparency of capital markets.

Further information about BOQ's corporate governance guidelines and practices are available at www.boq.com.au.

3.2 Financial information about BOQ

The summary historical financial information presented in this Section has been extracted from BOQ's audited financial statements for the year ended 31 August 2011 and the year ended 31 August 2012.

The historical financial information presented in this Section has been presented in abbreviated form and does not contain all of the disclosures usually provided in an annual report prepared in accordance with the Corporations Act.

BOQ is a disclosing entity for the purposes of the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These include continuous disclosure obligations.

BOQ's most recent audited financial report was the annual financial report for the year ended 31 August 2012, a copy of which can be obtained from www.boq.com.au and www.asx.com.au.

It is recommended that the annual financial report be read in conjunction with any announcements made by BOQ and its subsidiaries since 31 August 2012 in accordance with BOQ's continuous disclosure obligations.

3.2.1 Consolidated income statement for the year end 31 August 2012

The following table sets out BOQ's audited consolidated income statements for the years ended 31 August 2011 and 31 August 2012.

The notes to the audited consolidated income statements are set out in the annual financial report for the year ended 31 August 2012.

3. ABOUT BOQ

	Consolidated	
	2012	2011
	\$m	\$m
Interest income	2,596.2	2,676.6
Less: Interest expense	1,944.7	2,053.2
Net interest income	651.5	623.4
Other operating income	111.5	132.1
Net insurance operating income	41.3	40.9
Less: Expenses		
Communication, Postage & Processing Costs	42.9	40.0
Operating expenses	59.9	50.3
Professional Fees & Administrative Expenses	27.8	20.7
Data processing	53.1	47.2
Amortisation, Depreciation & Occupancy Expenses	43.9	28.0
Lease rental	20.4	18.9
Employee Related Costs	165.9	154.9
Amortisation – acquired intangibles	8.7	8.4
Integration costs	-	5.7
Profit before impairment on loans and advances and tax	381.7	422.3
Less: Impairment on loans and advances		
Specific Provision Expense	227.8	173.5
Collective Provision Expense	173.2	27.0
Profit/(Loss) before income tax	(19.3)	221.8
Less: Income tax expense/(benefit)	(2.2)	63.1
Profit/(Loss) for the year	(17.1)	158.7

The information in this Section 3.2.1 is historical information and is not a forecast of results to be expected in future periods.

3.2.2 Pro-forma consolidated balance sheet as at 31 August 2012

The following table sets out the consolidated balance sheet of BOQ as at 31 August 2012, and the pro-forma consolidated balance sheet as at 31 August 2012 (**Pro-Forma Balance Sheet**). The notes to the consolidated balance sheet are set out in BOQ's annual financial report for the year ended 31 August 2012. The Pro-Forma Balance Sheet is unaudited and has been prepared using the relevant accounting policies as disclosed in the 31 August 2012 annual financial report and based on the following assumptions:

Pro-forma adjustments prior to the Offer:

- payment of \$4.3 million PEPS dividend on 15 October 2012;
- \$80.3 million final dividend on Ordinary Shares to be paid on 10 December 2012 of which \$24.1 million is assumed to be reinvested into Ordinary Shares pursuant to BOQ's dividend reinvestment plan; and
- redemption of \$60 million Lower Tier 2 Convertible Notes (Tranche 1) at face value made on 12 November 2012.

Pro-forma adjustments related to the Offer:

- \$250 million is assumed to be raised through the Offer net of estimated issue costs of \$4.9 million (after tax). BOQ may raise more or less than this amount through the Offer which would have a corresponding impact on the Pro-forma Balance Sheet; and
- \$150 million existing PEPS are assumed to be bought back at face value and exchanged for CPS in the Reinvestment Offer. This assumption is based on a 75% participation in the Reinvestment Offer which is believed to be reasonable given the significant level of PEPS Holders being clients of the Joint Lead Managers or Co-Managers (or their affiliates) and the higher Margin for CPS than that which applies for PEPS. The actual amount of PEPS exchanged could be more or less than this amount which would have a corresponding impact on the Pro-Forma Balance Sheet. If all PEPS were bought back and exchanged for CPS (with no change in the amount raised under the Offer), then BOQ's pro forma net assets and pro forma total equity as shown in the Pro-Forma Balance Sheet would reduce by \$50 million to \$2,638.7 million.

	Reported 2012 \$m	Pro-forma adjustments prior to the Offer	Pro-forma adjustments related to the Offer	Pro-forma 2012 \$m	Note
Assets					
Cash and liquid assets	670.5	(120.5)	95.1	645.1	1, 2, 5
Due from other financial institutions	119.7			119.7	
Other financial assets	5,689.4			5,689.4	
Derivative financial instruments	276.1			276.1	
Loans and advances at amortised cost	34,147.2			34,147.2	
Current tax assets	0.7			0.7	
Property, plant and equipment	31.0			31.0	
Deferred tax assets	125.7			125.7	
Other assets	120.9			120.9	
Intangible assets	554.6			554.6	
Investments accounted for using the equity method	22.2			22.2	
Total assets	41,758.0	(120.5)	95.1	41,732.6	
Liabilities					
Due to other financial institutions	177.8			177.8	
Deposits	31,171.9			31,171.9	
Derivative financial instruments	253.0			253.0	
Accounts payable and other liabilities	450.4			450.4	
Provisions	44.1			44.1	
Insurance policy liabilities	73.5			73.5	
Borrowings including subordinated notes	6,688.1	(60.0)		6,628.1	5
Convertible Preference Shares	0.0		245.1	245.1	2
Total liabilities	38,858.8	(60.0)	245.1	39,043.9	
Net assets	2,899.2	(60.5)	(150.0)	2,688.7	
Equity					
Issued capital	2,464.4	24.1		2,488.5	3
Perpetual Equity Preference Shares (PEPS)	195.7		(150.0)	45.7	2
Reserves	106.2			106.2	
Retained profits	132.9	(84.6)		48.3	4
Total Equity	2,899.2	(60.5)	(150.0)	2,688.7	

1. Decrease in cash and cash equivalents relates to the payment of the final dividend on Ordinary Shares to be paid on 8 December 2012, the PEPS dividend paid on 15 October 2012 and redemption of Lower Tier 2 Convertible Notes (Tranche 1) made on 12 November 2012.
2. Assumes the issue of \$250 million of CPS with net issue costs of \$4.9 million (after tax), and the buy-back of \$150 million of PEPS at face value and exchanged for CPS.
3. The increase in share capital relates to the anticipated issue of \$24.1 million of Ordinary Shares on 8 December 2012, based on the assumption of 30% participation in BOQ's dividend reinvestment plan.
4. The decrease in retained profits relates to the \$80.3 million final dividend on Ordinary Shares to be paid on 8 December 2012, and the final dividend of \$4.3 million on PEPS paid on 15 October 2012.
5. The decrease in borrowings relates to the Lower Tier 2 Convertible Notes (Tranche 1) that were redeemed on 12 November 2012.

3.3 Capital management strategy and capital ratios

3.3.1 Prudential regulation

APRA is the prudential regulator of the Australian financial services industry. APRA oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance companies, friendly societies and most members of the superannuation industry. APRA's website (www.apra.gov.au) includes further details of its functions and Prudential Standards.

BOQ is regulated by APRA as an ADI. APRA's Prudential Standards aim to ensure that ADIs (including BOQ) remain adequately capitalised to support the risks associated with their activities and generally to protect Australian depositors.

BOQ must currently comply with Basel II which is the common name for a framework issued by the Bank of International Settlements' Basel Committee on Banking Supervision (**Basel Committee**) for the calculation of capital adequacy for banks worldwide. The Basel Committee has released a series of consultation papers which propose changes to the Basel II framework – described below in Section 3.3.2.

3.3.2 Proposed changes to regulatory capital (Basel III)

From 1 January 2013, new Australian regulatory reforms are proposed to be in effect to implement the Basel Committee's proposed changes to the Basel II framework that aim to raise the level and quality of regulatory capital in the global banking system (**Basel III**). On 28 September 2012, APRA released a final set of prudential standards and reporting standards that give effect to major elements of the Basel III capital reforms in Australia. The final prudential standards are expected to come into effect on 1 January 2013.

The key features of the Basel III capital reforms that will apply to ADIs in Australia include:

- a new definition of regulatory capital under which common equity is the predominant form of Tier 1 Capital;
- a stricter approach to regulatory adjustments under which most deductions from capital are to be from Common Equity Tier 1 Capital;
- an increase in the minimum amounts of capital that ADIs must hold against the risks they face: Common Equity Tier 1 Capital must be at least 4.5% of total risk-weighted assets and the Tier 1 Capital ratio at least 6%;
- a new capital conservation buffer of 2.5% that places increasing constraints on capital distributions where an ADI's capital level falls within the buffer range;
- a countercyclical buffer of up to 2.5% that will apply when excessive credit growth and other indicators point to a system-wide build up of risk; and
- leverage ratio to help contain the build up of leverage in the banking system.

APRA is introducing the Basel III minimum capital ratios and regulatory adjustments from 1 January 2013, and the capital conservation buffer and countercyclical buffer from 1 January 2016. Formerly eligible regulatory capital instruments of ADIs that do not comply with Basel III requirements for Additional Tier 1 or Tier 2 Capital will be phased out under transitional arrangements beginning 1 January 2013.

3.3.3 Prudential capital classification

For capital adequacy purposes, a bank's capital base is the sum of Tier 1 Capital and Tier 2 Capital, net of specified deductions:

- Under APRA's current prudential standards, Tier 1 Capital is comprised of Fundamental Tier 1 Capital and Residual Tier 1 Capital.
- From 1 January 2013, Tier 1 Capital will be comprised of Common Equity Tier 1 Capital and Additional Tier 1 Capital.

APRA has provided confirmation that CPS will, once issued, be eligible for inclusion in:

- BOQ's Residual Tier 1 Capital base under the current prudential standards, and
- BOQ's Additional Tier 1 Capital from 1 January 2013.

The effect of the Offer on BOQ's capital adequacy ratio is set out in Section 3.3.6.

3.3.4 Capital management strategy

BOQ's approach to capital management considers the need to balance efficiency, flexibility and adequacy when determining sufficiency of capital and when developing capital management plans. The key objectives are to hold sufficient capital in excess of prudential requirements at levels which support the risks of BOQ and enable BOQ to pursue business opportunities. BOQ aims to optimise shareholder value by managing the level, the composition and use of capital across the business.

3.3.5 Common Equity Tier 1 Capital Ratio

Under APRA's existing Prudential Standards, BOQ's Core Tier 1 Ratio was 8.5% as at 31 August 2012. Under the new Basel III Prudential Standards APRA will replace Fundamental Tier 1 (which forms the numerator of BOQ's Core Tier 1 Ratio) and adopt the Basel Committee Basel III definition of Common Equity Tier 1 Capital. Where APRA's existing capital treatment is more conservative than the Basel Committee Basel III rules, APRA proposes to preserve certain deductions to capital in calculating Common Equity Tier 1 Capital. BOQ estimates that, as at 31 August 2012, its Common Equity Tier 1 Capital Ratio would be 8.6% based on APRA's Basel III Prudential Standards⁷, which equates to a surplus of capital of approximately A\$736.5 million above the Capital Trigger Event level of 5.125%.

⁷ BOQ only discloses Common Equity Tier 1 Capital at Level 2. The difference between the calculation at Level 1 and Level 2 is not material. The Basel III Prudential Standards are expected to come into effect on 1 January 2013.

3.3.6 Pro-Forma consolidated capital adequacy position as at 31 August 2012

The following table sets out the pro-forma capital adequacy position based on BOQ's audited consolidated balance sheet as at 31 August 2012, adjusted for the pro-forma transactions set out in Section 3.2.2, including the issue of \$250 million of CPS as if it was completed as at that date, and assuming \$150 million of PEPS on issue had been exchanged for CPS.

BOQ reported and pro-forma consolidated capital adequacy position

	Reported 2012 \$m	Pro-forma adjustments prior to the offer	Pro-forma adjustments related to the offer	Pro-forma 2012 \$m	Note
Tier 1					
Contributed capital	2,464.6	24.1		2,488.7	1
Available for Sale Reserve					
Retained profits & reserves	150.1	(24.1)		126.0	1
Non-innovative Tier 1 Capital (PEPS)	195.7		(150.0)	45.7	2
Non-innovative Tier 1 Capital (CPS)	0.0		245.1	245.1	2
Less					
Deferred expenditure	(106.8)			(106.8)	
Goodwill & other identifiable intangibles	(541.1)			(541.1)	
Other deductions	(164.4)			(164.4)	
Net Tier 1 Capital	1,998.1	0.0	95.1	2,093.2	
Tier 2					
General reserve for credit losses	184.2			184.2	
Other	8.5			8.5	
Term subordinated debt	499.9	(60.0)		439.9	3
Less					
Tier 2 deductions	(31.5)			(31.5)	
Net Tier 2 Capital	661.1	(60.0)	0.0	601.1	
Total qualifying capital	2,659.2	(60.0)	95.1	2,694.3	
Total risk weighted assets	21,098.1			21,098.1	

1. Increase in share capital relates to the issue of \$24.1 million Ordinary Shares pursuant to the dividend reinvestment plan.
2. Assumes the issue of \$250 million CPS, with net issue costs of \$4.9 million (after tax), adjusted for the redemption of \$150 million of PEPS.
3. The decrease in term subordinated debt relates to the Lower Tier 2 Convertible Notes (Tranche 1) that were redeemed on 12 November 2012.

3. ABOUT BOQ

	Reported 31 August 2012	Pro-forma adjustments ⁸	Pro-forma 31 August 2012
Core Tier 1 Ratio	8.5%	0.0%	8.5%
Tier 1 Capital Ratio	9.5%	0.5%	9.9%
Tier 2 Capital Ratio	3.1%	(0.3)%	2.9%
Total regulatory capital ratio	12.6%	0.2%	12.8%

3.4 Liquidity and funding risk management

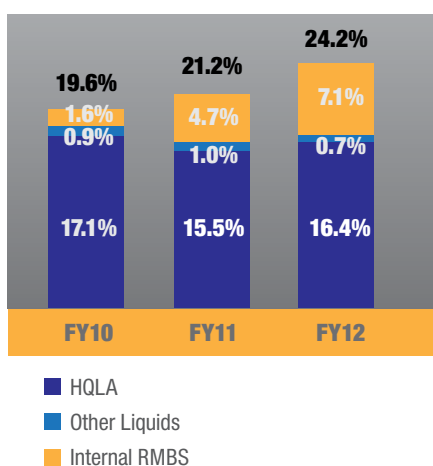
3.4.1 Liquidity risk management

Liquidity risk arises from the possibility of BOQ being unable to meet its financial obligations as they fall due as a result of mismatches in its cash flows from financial transactions. The BOQ liquidity risk management framework is reviewed by BOQ's Asset and Liability Committee, endorsed by the Board's Risk Committee and approved by the Board. BOQ's liquidity risk management framework uses scenario analysis to model its ability to fund under both normal and stressed conditions.

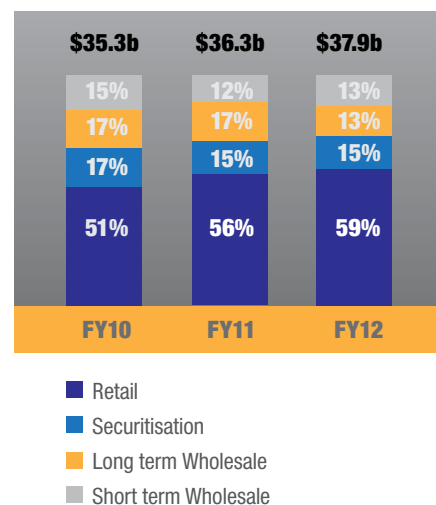
APRA is currently in the process of revising its Liquidity Risk Prudential Standard (APS 210) in line with the Basel III liquidity framework. As at 31 August 2012, BOQ held approximately \$5.5 billion of High Quality Liquid Assets, which is approximately \$1.5 billion in excess of prudential requirements. These High Quality Liquid Assets are all eligible for repurchase agreements with the Reserve Bank of Australia and are readily liquefiable into cash.

BOQ's liquidity holdings as a percentage of total liabilities are represented in the graph below.⁹

Liquidity (%)



Funding mix (%)



⁸ Pro-forma adjustments assume \$250 million worth of CPS, less \$150 million PEPS bought back at face value and exchanged for CPS and less expected offer costs of \$4.9 million (after tax). BOQ may raise more or less than \$250 million through the Offer, and more or less than \$150 million of PEPS may be exchanged for CPS, as such, these figures will be impacted accordingly. Figures do not add due to rounding.

⁹ Internal residential mortgage-backed securities give BOQ the ability to exchange the securities for cash with the RBA to promote liquidity.

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INVESTMENT RISKS

4



4. INVESTMENT RISKS

4.1 Introduction

Before applying for CPS, you should consider whether CPS are a suitable investment for you. You should be aware that there are risks associated with an investment in CPS, many of which are outside the control of BOQ.

There are a number of factors, both specific to BOQ and of a general nature, which may affect the future operating and financial performance of BOQ, its investment returns and the value of its shares. Many of the circumstances giving rise to these risks are beyond the control of BOQ.

This Section describes certain specific areas that are believed to be the major risks associated with an investment in BOQ and in CPS. Each of the risks described below could, if they eventuate, have a material adverse effect on BOQ's operating and financial performance and the value of an investment in CPS.

These risks factors are set out below. The risks to which CPS are subject can be categorised as:

- risk associated with investing in CPS;
- risk associated with BOQ; and
- general risks.

The summary of risks below is not exhaustive. You should read this Prospectus in its entirety and consult your stockbroker, solicitor, accountant or other professional adviser before deciding whether to apply for CPS.

4.2 CPS specific risks

Set out below are the risks associated with an investment in CPS.

4.2.1 Market price and liquidity of CPS

The market price of CPS may fluctuate due to various factors, including investor perceptions, Australian and worldwide economic conditions, interest rates, movements in foreign exchange rates, movements in the market price of Ordinary Shares or senior or subordinated debt, the availability of better rates of return on other securities and factors that may affect BOQ's financial performance and position.

CPS may trade at a market price below the Face Value. There is no guarantee that CPS will remain continuously quoted on ASX.

In recent years, securities markets have become more volatile. Volatility risk is the potential for fluctuations in the price of securities, sometimes materially, and over a short period. Investing in volatile conditions usually implies a greater level of volatility risk for investors than an investment in a more stable market.

Although BOQ intends to have the CPS quoted on ASX, there is no guarantee that a liquid market will develop for CPS. The market for the CPS is likely to be less liquid than the market for BOQ's Ordinary Shares. CPS Holders who wish to sell their CPS may be unable to do so at an acceptable price, if at all, if insufficient liquidity exists in the market for CPS.

Where CPS are Converted, there may be no liquid market for Ordinary Shares at the time of Conversion or the market for Ordinary Shares may be less liquid than that for comparable securities issued by other entities at the time of Conversion.

4.2.2 Ranking of Ordinary Shares

The Ordinary Shares held as a result of any Conversion will, following Conversion, rank equally with existing Ordinary Shares. Accordingly, the ongoing value of any Ordinary Shares received upon Conversion will depend upon the market price of Ordinary Shares after the Mandatory Conversion Date or other date on which CPS are Converted. That market is also subject to the factors outlined above and may also be volatile depending on securities markets conditions at that time.

4.2.3 Fluctuation in Ordinary Share price

The number of Ordinary Shares that CPS Holders receive on Conversion is calculated by reference to a VWAP for Ordinary Shares during a period before Conversion. The VWAP may differ from the market price for Ordinary Shares on or after the date of Conversion. This means that the value of Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.

In particular, on Conversion, other than Conversion resulting from a Capital Trigger Event or Non-Viability Trigger Event, CPS Holders will receive \$101.01 worth of Ordinary Shares per CPS based on the VWAP during a period before the Mandatory Conversion Date or other date on which CPS are Converted.

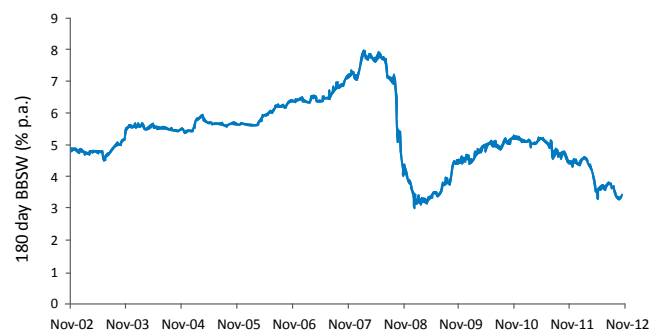
The market price of Ordinary Shares may fluctuate due to various factors, including investor perceptions, Australian and worldwide economic conditions and BOQ's financial performance and position and transactions affecting the share capital of BOQ. As a result, the value of Ordinary Shares received upon Conversion may be greater than or less than \$101.01 per CPS when they are issued or thereafter, and could be less than the Face Value. In relation to Conversion on account of a Capital Trigger Event or a Non-Viability Trigger Event – see further detail in Sections 2.6 and 2.7.

After Conversion, there may be CPS Holders wishing to dispose of their Ordinary Shares issued on Conversion which may have a negative effect on the price at which Ordinary Shares trade on ASX.

4.2.4 Changes in Dividends

The Dividends payable on the CPS are based on a floating rate plus a fixed Margin.

The Dividends will fluctuate in line with movements in the Bank Bill Swap Rate. Refer to the chart below for historical movements in the Bank Bill Swap Rate.



Source: Reuters as at 14 November 2012

Note: Historical levels are not indicative of future performance. The above graph is for illustrative purposes only and does not indicate, guarantee or forecast the actual BBSW. The actual BBSW for the Dividend Periods may be higher or lower than the rates in the above graph.

As Dividends fluctuate, there is a risk that they may become less attractive when compared to the returns available on comparable securities issued by BOQ or other entities or other investments.

4.2.5 Dividends may not be paid

There is a risk that Dividends will not be paid. Dividends will not be paid if the Dividend Payment Tests (set out in Section 2.3.8) are not satisfied. The Dividend Payment Tests require, among other things, that the Directors, in their absolute discretion, resolve to pay a Dividend. There is a risk that one or more elements of the Dividend Payment Tests will not be satisfied and that a Dividend may not be paid in full or at all.

Dividends on the CPS are non-cumulative. Therefore, if a Dividend is not paid in full for any particular Dividend Period, CPS Holders will not be entitled to receive that Dividend and will not receive that Dividend.

Further, if BOQ does not pay a Dividend when scheduled, a CPS Holder:

- has no right to apply for BOQ to be wound up or placed in administration, or to cause a receiver or a receiver and manager to be appointed in respect of BOQ merely on the grounds that BOQ does not pay a Dividend when scheduled; and
- will have no right of set-off and no offsetting rights or claims on BOQ.

If for any reason a Dividend has not been paid on a Relevant Dividend Payment Date, the Distribution Restriction applies under which BOQ must not, until and including the next Dividend Payment Date:

- declare, determine or pay a dividend or make any distribution on Ordinary Shares; or
- buy-back or reduce capital on Ordinary Shares,

unless:

- the Dividend is paid in full within three Business Days of the Relevant Dividend Payment Date;
- all CPS have been Converted or Redeemed; or
- a Special Resolution of the CPS Holders has been passed approving such action.

In addition, BOQ may be prevented from paying a Dividend by the requirements of the Corporations Act which say that, in order to pay a Dividend, BOQ's assets must exceed its liabilities by an amount sufficient for payment of the Dividend, that payment must be fair and reasonable to shareholders as a whole and payment of the Dividend must not materially prejudice BOQ's ability to pay its creditors.

Changes in regulations applicable to BOQ (including the Basel III Prudential Standards as they will apply to BOQ) may impose additional requirements which prevent BOQ from paying a Dividend in additional circumstances.

4.2.6 Dividends may not be fully franked

It is expected that Dividends on CPS will be fully franked. However, it is possible that Dividends paid on the CPS may not be fully franked. If a Dividend is not fully franked, it will be grossed up by a cash amount to compensate for the unfranked amount, subject to the Dividend Payment Tests.

The value and availability of franking credits to a CPS Holder will differ depending on the CPS Holder's particular tax circumstances. CPS Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Dividend. CPS Holders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each CPS Holder. CPS Holders should refer to the Australian taxation summary in Section 7 and seek professional advice in relation to their tax position.

4.2.7 Distributions on CPS may be restricted by the terms of other similar securities

The terms of BOQ's other outstanding and future securities could limit its ability to make payments on CPS. If BOQ does not make payments on other securities, payments may not be permitted to be made in respect of CPS.

The dividend payment dates on BOQ's other securities (including any outstanding PEPS) may differ from the Dividend Payment Dates for CPS. Further, the payment tests applying to other securities (whether currently outstanding or issued in the future) may be different to the Dividend Payment Tests (set out in Section 2.3.8). Accordingly, BOQ may not be permitted to make a payment on another security in circumstances where it would otherwise be permitted to make a payment on CPS. In these circumstances, the distribution restrictions on the other securities may then apply, preventing BOQ from making a payment on CPS. Similarly, BOQ may not be permitted to make a payment on CPS in circumstances where the payment tests on other securities have been passed.

If distribution restrictions for another security apply to payments on CPS, BOQ may not be able to pay Dividends when scheduled to do so under the CPS Terms and may not be able to Redeem CPS. BOQ is not restricted from issuing other securities of this kind or agreeing in the terms of issue of other securities additional or different payment tests or distribution restrictions.

4.2.8 The Distribution Restriction is less restrictive than the PEPS distribution restriction and applies in limited circumstances

The Distribution Restriction is less extensive than the corresponding distribution restriction in the PEPS terms of issue. The Distribution Restriction restricts distributions in respect of Ordinary Shares and not distributions in respect of the PEPS or any future securities ranking equally with or junior to CPS (other than Ordinary Shares). Accordingly, a failure to make a scheduled payment on CPS may not restrict the making of payments in respect of the PEPS and other instruments that may in the future rank equally with CPS. Further, the restriction in CPS only applies until the next Dividend Payment Date. The dates for distribution with respect to Ordinary Shares are determined by BOQ in its discretion and do not bear a fixed relationship to the Dividend Payment Dates for CPS. Accordingly, as soon as the Distribution Restriction ceases to apply (as will be the case if the next scheduled Dividend on CPS is paid) BOQ will not be restricted from paying a distribution on its Ordinary Shares.

4. INVESTMENT RISKS

4.2.9 Ranking of the CPS

CPS do not represent a deposit liability of BOQ and are not protected accounts for the purposes of the depositor protection provisions of Australian banking legislation. CPS are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction. CPS are issued by BOQ on the CPS Terms and CPS Holders have no claim on BOQ in respect of CPS except as provided in those CPS Terms. CPS are not secured.

In the event of a winding up of BOQ, the CPS rank:

- behind all depositors or other creditors;
- behind holders of all securities and instruments of BOQ ranking senior to the CPS in respect of return on capital;
- before Ordinary Shareholders; and
- equal to holders of PEPS and any other securities of BOQ ranking equally to the CPS in respect of return on capital,

for payment in cash out of surplus assets of an amount equal to the Face Value plus any Dividend due but unpaid or such other amount determined as the Liquidation Sum because of a CPS being Written Off, and otherwise do not confer any right to participate in the surplus assets of BOQ on a winding up.

If there is a shortfall of funds on a winding up of BOQ to pay all amounts ranking senior to and equally with CPS, CPS Holders will lose all or some of their investment.

Any return in a winding up may be adversely affected if your CPS are required to be Converted or Written Off on account of a Capital Trigger Event or Non-Viability Trigger Event.

To understand the potential effect on the assets of BOQ available to meet the claims of a CPS Holder in a winding up of BOQ if there is a replacement of BOQ as the ultimate holding company of the BOQ Group and the successor holding company is an Approved NOHC, see Section 2.11.6. CPS Holders do not have any claim on the assets of an Approved NOHC other than following Conversion as a holder of ordinary shares in the Approved NOHC.

4.2.10 CPS are perpetual and Mandatory Conversion may not occur on the Scheduled Mandatory Conversion Date or at all

CPS are scheduled to Convert into Ordinary Shares on 15 April 2020 (subject to the Conversion Conditions being satisfied). However, there is a risk that Conversion will not occur because the Conversion Conditions are not satisfied due to a large fall in the Ordinary Share price relative to the Pre-Issue VWAP, or where a Delisting Event applies. The Ordinary Share price may be affected by transactions affecting the share capital of BOQ, such as rights issues, placements, returns of capital, certain buy-backs and other corporate actions. The Maximum Conversion Number is adjusted only for transactions by way of a reconstruction and pro-rata bonus issues of Ordinary Shares (not involving any cash payment or other distribution to or by Ordinary Shareholders) as described in the CPS Terms and not for other transactions, including rights issues, placements, returns of capital, buy-backs or special dividends. The CPS Terms do not limit the transactions which BOQ may undertake with respect to its share capital and any such

action may affect whether Conversion will occur and may adversely affect the position of CPS Holders.

If Mandatory Conversion does not occur on the Scheduled Mandatory Conversion Date, Mandatory Conversion would then occur on the next Dividend Payment Date on which all of the Conversion Conditions are satisfied unless CPS are otherwise Converted or Redeemed on or before that date. If Mandatory Conversion does not occur on a possible Mandatory Conversion Date and CPS are not otherwise Converted or Redeemed, Dividends may continue to be paid on CPS, subject to the Dividend Payment Tests.

CPS are a perpetual instrument. If the Ordinary Share price deteriorates significantly and never recovers, it is possible that the Conversion Conditions will never be satisfied and, if this occurs, unless CPS are otherwise Converted, CPS will never Convert.

4.2.11 Redemption, Conversion or Transfer at BOQ's initiation

The CPS are perpetual securities and CPS Holders do not have a right to require BOQ to Convert, Redeem or Transfer their CPS. BOQ may, subject to APRA approval, initiate Conversion, Redemption or Transfer under certain circumstances, as set out in Section 2.9. The timing of this may not coincide with your individual preference, which may be disadvantageous in light of market conditions or your individual circumstances at the time.

Where you receive cash on Redemption, the rate of return on which you could re-invest your funds may be lower than the Dividend Rate at the time.

CPS Holders should not expect that APRA will give its approval to any Conversion, Redemption or Transfer.

The choice of Conversion is also subject to the Conversion Conditions, as set out in Section 2.4.3. If the requirements for Conversion Conditions are not satisfied, BOQ will notify ASX and CPS Holders and will not Convert CPS on the Optional Conversion/Redemption Date or other potential Conversion Date.

The choice of Redemption is subject to the condition that APRA is satisfied that either the CPS which are the subject of the Redemption are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality and the replacement of CPS is done under conditions that are sustainable for BOQ's income capacity, or that BOQ's capital position is well above its minimum capital requirements after BOQ elects to Redeem the CPS. BOQ is not permitted to elect to Redeem CPS in respect of a Potential Acquisition Event or following a Capital Trigger Event or Non-Viability Trigger Event.

4.2.12 Conversion on an Acquisition Event

BOQ, the issuer of CPS, is an ASX-listed company and may be affected by merger and acquisition activity, including the possibility of being acquired by, or merged with, another company or group of companies, potentially resulting in a change of control.

Where this corporate activity constitutes an Acquisition Event, as defined in the CPS Terms, subject to certain conditions, BOQ is required to Convert all CPS in accordance with the CPS Terms. Conversion may occur on dates not previously contemplated by CPS Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not

coincide with their individual preference in terms of timing. This also means that the period for which CPS Holders will be entitled to the benefit of the rights attaching to CPS (such as Dividends) is unknown.

In addition, if an Acquisition Event occurs and the Conversion Conditions are not satisfied, and so the CPS do not Convert, CPS Holders may be left holding CPS and Conversion may never occur.

4.2.13 Conditions for Conversion

Except for Conversion on account of a Capital Trigger Event or Non-Viability Trigger Event, if any of the Conversion Conditions are not satisfied, then a Conversion Date will be deferred until the next Dividend Payment Date in respect of which all of the Conversion Conditions are satisfied.

Although one condition to Conversion is that a Delisting Event does not apply, other events and conditions may affect the ability of CPS Holders to trade or dispose of the Ordinary Shares issued on Conversion (e.g. the willingness or ability of ASX to accept the Ordinary Shares issued on Conversion for quotation or any practical issues which affect that quotation), any disruption to the market for the Ordinary Shares or to capital markets generally, the availability of purchasers for Ordinary Shares and any costs or practicalities associated with trading or disposing of Ordinary Shares at that time.

4.2.14 A Capital Trigger Event or Non-Viability Trigger Event may occur

A Capital Trigger Event occurs if the BOQ Group's Common Equity Tier 1 Capital (or until 1 January 2013, Fundamental Tier 1 Capital) to total risk weighted assets (each as determined by BOQ or APRA at any time) falls to, or below, 5.125%, calculated on a Level 1 or Level 2 basis. On such an event, the CPS are Mandatorily Converted.

A Non-Viability Trigger Event occurs when APRA notifies BOQ in writing that it believes conversion or write off of all or some CPS (and other Relevant Tier 1 Capital Instruments specified in the determination) is necessary because:

- without conversion or write off, BOQ would become non-viable; or
- without a public sector injection of capital, or equivalent support, BOQ would become non-viable.

APRA has not provided guidance as to how it would determine non-viability but it would be expected to include serious impairment of BOQ's financial position and insolvency. It is possible that APRA's view of non-viability may not necessarily be constrained to solvency measures or capital ratios and may include funding and liquidity levels.

The general risks set out in Section 4.3 related to BOQ's business may have a bearing on whether APRA forms a view that BOQ is non-viable.

(a) Consequences of a Capital Trigger Event or Non-Viability Trigger Event

Details of the consequences of the occurrence of a Capital Trigger Event or Non-Viability Trigger Event are set out in Sections 2.6 and 2.7. These terms are intended to provide an advanced framework for the treatment of CPS Holders in the event of a Capital Trigger Event or Non-Viability Trigger Event and include a requirement to immediately convert all or some of the CPS.

The Conversion Conditions do not apply in this circumstance so you may receive Ordinary Shares worth significantly less than \$101.01.

(b) Inability Event and Write Off

If BOQ is prevented by applicable law, order of any court or action of any regulatory authority (including regarding the insolvency, winding up or other external administration of BOQ) or any other reason from converting CPS which would otherwise be converted (referred to as an Inability Event), and Conversion has not been effected within 5 days of the relevant Capital Trigger Event or Non-Viability Trigger Event, to the extent that Inability Event prevents BOQ from Converting CPS that would otherwise be Converted, those CPS will not be Converted and their rights will be adjusted resulting in the CPS being Written Off (see Sections 2.6 and 2.7).

This means that the rights of a CPS Holder in respect of dividends and returns of capital in any subsequent winding up of BOQ are broadly equivalent to the rights in respect of dividends and returns of capital of a holder of the number of Ordinary Shares the CPS Holder would have held if the Conversion had occurred. However the CPS in these circumstances are not identical to Ordinary Shares, do not have the voting rights of Ordinary Shares, may not be able to be sold at the same price as the equivalent number of Ordinary Shares or at all, and may be worth much less than your original investment.

The laws under which an Inability Event may arise include laws relating to the insolvency, winding up or other external administration of BOQ. Those laws and the grounds on which a court or government authority may make orders preventing the Conversion of CPS may change and the change may be adverse to the interests of CPS Holders.

(c) Mitigation of the risk of such events

BOQ proactively manages its capital, funding and liquidity positions to avoid experiencing financial difficulty. See Sections 3.3 and 3.4 for further information on BOQ's capital, funding and liquidity positions.

4.2.15 Changes to credit ratings

BOQ's cost of funds, margins, access to capital markets and competitive position and other aspects of its performance may be affected by its credit ratings (including any long-term credit ratings or the ratings assigned to any class of its securities). Credit rating agencies may withdraw, revise or suspend credit ratings or change the methodology by which securities are rated. Even though CPS will not be rated, such changes could adversely affect the market price, liquidity and performance of CPS or Ordinary Shares received on Conversion.

4.2.16 Regulatory classification

APRA has provided confirmation that the CPS qualify as Non-Innovative Residual Tier 1 Capital under current Prudential Standards at the date of this Prospectus and will be eligible for inclusion in Additional Tier 1 Capital from 1 January 2013, which is the date when APRA's Basel III Prudential Standards are expected to become effective. However, if APRA subsequently determines that the CPS are not or will not qualify as those categories of regulatory capital, BOQ may decide that a Regulatory Event has occurred. This will allow Conversion, Redemption or Transfer (subject to APRA's prior written approval) at BOQ's discretion.

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The timing of Conversion, Redemption or Transfer may not coincide with your individual preference, and may be disadvantageous in light of market conditions or your individual circumstances at the time.

4.2.17 Taxation treatment and consequences

A general description of the taxation consequences for an Australian resident of investing in CPS is set out in Section 7. This discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular investor. Accordingly, investors should seek independent advice in relation to their individual tax position.

If there is a change of law, policy or practice that adversely affects the tax position of BOQ, a Tax Event may occur. This may give BOQ the right (subject to APRA's prior written approval) to elect to Convert, Redeem or Transfer CPS.

The timing of Conversion, Redemption or Transfer may not coincide with your individual preference, and may be disadvantageous in light of market conditions or your individual circumstances at the time.

4.2.18 Accounting standards

A change in accounting standards applicable to BOQ's financial reporting may affect the reported earnings and financial position of BOQ in future financial periods. This may adversely affect the ability of BOQ to make Dividend payments with respect to CPS.

4.2.19 Future issues or redemptions of securities by the Issuer

BOQ may in the future issue securities that:

- rank for dividends or payments of capital (including on the winding up of BOQ) equally with, behind or ahead of CPS;
- have the same or different dividend, interest or distribution rates as those for CPS;
- have payment tests and distribution restrictions or other covenants which affect CPS (including by restricting circumstances in which Dividends can be paid or CPS can be Converted, Redeemed or Transferred); or
- have the same or different terms and conditions as CPS.

BOQ may incur further indebtedness and may issue further securities including further Tier 1 Capital securities before, during or after the issue of CPS.

No prediction can be made as to the effect, if any, such future issues of securities by BOQ may have on the market price or liquidity of CPS.

An investment in CPS carries no right to participate in any future issue of securities (whether equity, Tier 1 Capital, subordinated or senior debt or otherwise) by BOQ.

BOQ may redeem or otherwise repay existing securities including existing equal or junior ranking Tier 1 Capital securities before, during or after the issue of CPS. An investment in CPS carries no right to be redeemed or otherwise repaid at the same time as BOQ redeems or otherwise repays other securities (whether equity, Tier 1 Capital, subordinated or senior debt

or otherwise). No prediction can be made as to the effect, if any, which the future redemption or repayment by BOQ of existing securities may have on the market price or liquidity of CPS or on BOQ's financial position or performance.

4.2.20 NOHC Event

Under the CPS Terms, certain events which would otherwise constitute an Acquisition Event are instead treated as NOHC Events. Where a NOHC Event occurs and certain other conditions are satisfied, the NOHC Event will not trigger a Conversion of CPS but will instead allow BOQ to make amendments to substitute the Approved NOHC as the issuer of the ordinary shares issued on Conversion and will permit BOQ to make certain other amendments to the CPS Terms. Accordingly, potential investors should be aware that, if a NOHC Event occurs and a substitution of the issuer of the ordinary shares on Conversion is effected under the CPS Terms, CPS Holders will be obliged to accept the Approved NOHC ordinary shares and will not receive Ordinary Shares on Conversion.

Potential investors should also be aware that CPS Holders may not have a right to vote on any proposal to approve, implement or give effect to a NOHC Event. BOQ has made no formal decision to implement a NOHC structure.

Following a NOHC Event, BOQ would continue to be regulated by APRA. However, depending on the structure of the acquirer following a NOHC Event and the capital framework which APRA determines to apply to it, the composition of BOQ's capital measurement levels may be affected, which in turn may affect the likelihood of BOQ having sufficient available funds to enable Dividends to be paid on CPS.

After a NOHC Event, CPS Holders will remain preference shareholders in BOQ with the same rights to dividends and to payment in a winding up of BOQ as before the NOHC Event, but on Conversion, CPS Holders will receive ordinary shares in the Approved NOHC and not Ordinary Shares in BOQ. CPS are expected to remain quoted on ASX, but BOQ's Ordinary Shares will cease to be quoted.

Where a NOHC Event is accompanied by a transfer of assets from BOQ or a subsidiary to the Approved NOHC or another subsidiary of the Approved NOHC, BOQ may as a result have reduced assets which may affect its credit rating and the likelihood CPS Holders will receive their claims in full if BOQ is wound up. CPS Holders do not have any claim on the assets of the Approved NOHC or any other subsidiary of the Approved NOHC other than following Conversion as a holder of ordinary shares in the Approved NOHC.

4.2.21 Powers of an ADI statutory manager

In certain circumstances APRA may appoint a statutory manager to take control of the business of an ADI, such as BOQ. Those circumstances are defined in the Banking Act to include:

- (a) where the ADI informs APRA that it is likely to become unable to meet its obligations, or is about to suspend payment or becomes unable to meet its obligations or suspends payment;
- (b) where APRA considers that, in the absence of external support the ADI may become unable to meet its obligations, the ADI may suspend payment, it is likely that the ADI will be unable to carry on banking business in Australia consistently with the interests of its depositors or it is likely that the ADI will be unable to carry on banking business in Australia consistently with the stability of the financial system in Australia;

- (c) where, in certain circumstances, the ADI is in default of compliance with a direction by APRA to comply with the Banking Act or regulations made under it and the Federal Court authorises APRA to assume control of the ADI's business.

The powers of an ADI statutory manager include the power to alter an ADI's constitution, to issue, cancel or sell shares (or rights to acquire shares) in the ADI and to vary or cancel rights or restrictions attached to shares in a class of shares in the ADI. The ADI statutory manager is authorised to do so despite the Corporations Act, the ADI's constitution, any contract or arrangement to which the ADI is party or the ASX Listing Rules. In the event that a statutory manager is appointed to BOQ in the future, these broad powers of an ADI statutory manager may be exercised in a way which adversely affects the rights attaching to the CPS and the position of CPS Holders.

4.2.22 Amendment of CPS Terms

BOQ may in certain circumstances amend the CPS Terms without the approval of CPS Holders. These include necessary or desirable amendments to dates and time periods to facilitate any Conversion or any other change which BOQ considers not likely to be materially prejudicial to the interests of CPS Holders as a whole. BOQ may also amend the CPS Terms if the amendment has been approved by a Special Resolution. Amendments which may affect the treatment of CPS as Additional Tier 1 Capital require APRA's prior written approval.

Amendments under these powers are binding on all CPS Holders despite the fact that a CPS Holder may not agree with the amendment.

4.2.23 Exposure to BOQ's financial performance and position

If BOQ's financial performance or position declines, or if market participants anticipate that it may decline, an investment in CPS could decline in value even if CPS have not been Converted. Accordingly, when you evaluate whether to invest in CPS you should carefully evaluate the investment risks associated with an investment in BOQ – see Section 4.3.

4.2.24 Shareholding limits

The Financial Sector (Shareholdings) Act 1998 (Cth) restricts ownership by people (together with their associates) of authorised deposit taking institutions, such as BOQ, to a 15% stake. A shareholder may apply to the Treasurer to extend their ownership beyond 15%, but approval will not be granted unless the Treasurer is satisfied that a holding by that person greater than 15% is in the national interest.

Mergers, acquisitions and divestments of Australian public companies listed on ASX (such as BOQ) are regulated by detailed and comprehensive legislation and the rules and regulations of ASX. These provisions include restrictions on the acquisition and sale of relevant interests in certain shares in an Australian listed company under the Corporations Act and a requirement that acquisitions of certain interests in Australian listed companies by foreign interests are subject to review and approval by the Treasurer. In addition, Australian law also regulates acquisitions which would have the effect, or be likely to have the effect, of substantially lessening competition in a market.

These limits may prevent the CPS of a CPS Holder being Converted and therefore cause them to be Written Off in the event of a Capital Trigger Event or Non Viability Trigger Event.

CPS Holders should take care to ensure that by acquiring any CPS (taking into account any Ordinary Shares into which they may Convert), CPS Holders do not breach any applicable restrictions on ownership.

4.2.25 CPS Holders may be subject to FATCA withholding and information reporting

It is possible that, in order to comply with FATCA, BOQ (or if CPS are held through another financial institution, such other financial institution) may be required (pursuant to an agreement with the US Internal Revenue Service (IRS) or under applicable law) to request certain information from CPS Holders or beneficial owners of CPS, which information may be provided to the IRS, and to withhold US tax on some portion of payments made after 31 December 2016 with respect to CPS if such information is not provided or if payments are made to certain foreign financial institutions that have not entered into a similar agreement with the IRS (and are not otherwise required to comply with the FATCA regime under applicable laws or are otherwise exempt from complying with the requirement to enter into a FATCA agreement with the IRS). If BOQ or any other person is required to withhold amounts under or in connection with FATCA from any payments made in respect of CPS, CPS Holders and beneficial owners of CPS will not be entitled to receive any gross up or additional amounts to compensate them for such withholding. This description is based on guidance issued to date by the IRS, including recently issued proposed regulations. Future guidance may affect the application of FATCA to CPS.

4.3 BOQ Group specific risks

Set out below are the risks associated with an investment in BOQ.

4.3.1 Market risk

Market risk is the risk that movements in market rates, prices and credit spreads will result in a loss of earnings to BOQ.

- (a) *Funding risk* is the risk of over-reliance on a particular funding source, including securitisation, affecting the volatility in the cost or availability to BOQ of funds. Post the Lehman Brothers' collapse and the onset of the global financial crisis in 2008 global and domestic credit and capital markets have generally seen higher wholesale cost of funds and in some cases reduction in the availability of funding sources. BOQ has maintained a well diversified wholesale funding base, preventing overreliance on one funding source. BOQ diversifies wholesale borrowing through the interbank market, securitisation and short and long term senior debt both domestically and offshore.

If BOQ's sources of funding prove to be insufficient or so expensive as to be uncompetitive, it may be forced to seek alternative funding arrangements or curtail its business operations and limit loan growth. The ability for BOQ to secure alternative funding will depend on a variety of factors, including prevailing market conditions, the availability of credit and BOQ's credit ratings.

- (b) *Interest rate risk* arises from a variety of sources, including mismatches between the repricing periods of assets and liabilities. As a result of these mismatches, movements in interest rates may affect earnings or the value of BOQ.

4. INVESTMENT RISKS

(c) *Currency risk* is the risk of loss of earnings due to adverse movements in foreign exchange rates. BOQ's foreign exchange rate exposures are managed through detailed policies set by the Board and monitored by BOQ's Asset and Liability Committee and BOQ's treasury department.

(d) *Counterparty risk* is the risk that BOQ's counterparties are unable to honour their contractual obligations. A counterparty may default on its obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, from entering into swap contracts under which counterparties have obligations to make payments to BOQ executing trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. Such counterparty risk is more acute in difficult market conditions where the risk of failure of counterparties is higher.

BOQ continues to review its pricing model and funding mix in light of market conditions to ensure products are appropriately priced.

4.3.2 Credit and impairment risk

As a financial institution, BOQ is exposed to the risks associated with extending credit to other parties. Credit risk is the risk of financial loss arising from a debtor or counterparty failing to meet their contractual debts and obligations or the failure to recover the recorded value of secured assets.

BOQ's lending activities cover a broad range of sectors, customers and products, including mortgages, consumer loans, commercial loans (including commercial property), equipment finance, vendor finance, debtor finance and other finance products. Less favourable economic or business conditions or deterioration in commercial and residential property markets, whether generally or in a specific industry sector or geographic region, could cause customers to experience an adverse financial situation, thereby exposing BOQ to the increased risk that those customers will fail to meet their obligations in accordance with agreed terms.

Recent market and economic conditions have led to significantly increased impairment charges for BOQ in 2012, and if these conditions deteriorate further, some customers and counterparties may experience continued higher levels of financial stress. As a result, BOQ has experienced an increase in defaults and write-offs and has increased its bad and doubtful debt provisioning. Should these provisions prove inadequate there may be a further adverse impact on BOQ's financial performance and financial position.

4.3.3 A weakening of the real estate market in Australia or Queensland may adversely affect BOQ's business, operations and financial condition

Residential and commercial property lending, together with property finance, including real estate development and investment property finance, constitute important businesses to BOQ. Overall, the performance of the property market has been variable and in some locations there have been substantially reduced asset values over the past one to two years.

A further decrease in property valuations in Australia, and in Queensland in particular, or other markets where BOQ does business could decrease the amount of new lending BOQ is able to write or increase the losses that BOQ may experience from existing loans, which, in either case, could materially and adversely impact BOQ's financial condition and results of operations. A continued significant slowdown in the Australian or Queensland housing market could adversely affect BOQ's business, operations and financial condition.

4.3.4 Liquidity risk

Liquidity risk arises from the possibility of BOQ being unable to meet its financial obligations as they fall due as a result of mismatches in its cash flows from financial transactions. Liquidity risk is managed through a series of detailed policies, including the management of cash flow mismatches, the maintenance of a stable, core retail deposits base, the diversification of the funding base and the retention of adequate levels of High Quality Liquid Assets. In accordance with global regulatory reviews of liquidity, APRA is currently reviewing its regulation of liquidity under Australian Prudential Standard APS 210 - Liquidity, which may require BOQ to alter its liquidity management framework. BOQ's liquidity risk management framework models its ability to fund under both normal conditions and during a crisis situation. This approach is designed to ensure that BOQ's funding framework is sufficiently flexible to ensure liquidity under a wide range of market conditions. Any uncertainty in the availability of funding from financial markets may increase liquidity risks to BOQ and financial institutions generally under both normal conditions and during a crisis situation, as discussed above under Section 4.3.1 (Market risk).

4.3.5 Operational risk

Operational risk is the risk of loss, other than those captured in the credit and market risk categories, resulting from inadequate or failed internal processes, people or systems, or from external events. BOQ is exposed to a variety of risks including those arising from process error, fraud, technology failure, security and physical protection, franchise agreements entered into with owners of OMBs, customer services, staff skills and performance and product development and maintenance. BOQ manages this risk through appropriate reporting lines, defined responsibilities, policies and procedures and an operational risk program incorporating regular risk monitoring and reporting by each business unit. Operational risks are documented in risk databases which provide the basis for business unit and bank-wide risk profiles, the latter being reported to the Board on a regular basis. Although these steps are in place, there is no guarantee that BOQ will not suffer loss as a result of these risks.

BOQ's ability to attract and retain suitably qualified and skilled employees is an important factor in achieving its strategic objectives. BOQ may in the future have difficulty attracting highly qualified people to fill important roles, which could adversely affect its business, operations and financial condition.

4.3.6 Insurance business

St Andrew's Insurance provides consumer credit insurance and life insurance. These insurance contracts involve the acceptance of significant insurance risk including those where the insured benefit is payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness, or involuntary unemployment. The insured benefit is not linked to the market value of the investments held for the purpose of

meeting that benefit and any financial risks are substantially borne by the separately prudentially regulated insurance entities within the BOQ Group, of which BOQ is the ultimate shareholder. This risk is largely mitigated by the insurance entities employing conservative investment strategies with little capital value at risk. Any reduction in the value of those investments and any increase in claims could adversely affect the financial performance and position of the insurance entities and the consolidated BOQ Group. In such an event, BOQ Group's provisions for insurance liabilities may prove inadequate to cover the ultimate liability for claims or other policy benefits, which may adversely affect the financial performance and position of BOQ.

4.3.7 Reliance on external parties

BOQ's operations depend on performance by a number of external parties under contractual arrangements with BOQ. As at 31 August 2012, approximately 70% of BOQ's branches are Owner Managed Branches. Non-performance of contractual obligations and poor operational performance of OMBs may have an adverse effect on BOQ's business and financial performance. In addition, BOQ outsources a number of operational services such as information technology and banking platforms, and a number of customer facing products such as ATMs, credit cards, general insurance products and wealth management services. Although BOQ has taken steps to protect it from the effects of defaults under these arrangements, such defaults may have an adverse effect on BOQ's business continuity and financial performance.

4.3.8 Changes in regulation and government policy

BOQ is subject to substantial regulatory and legal oversight in Australia. The agencies with regulatory oversight of BOQ and its subsidiaries include, among others, APRA, the RBA, ACCC, ASX and ASIC. Failure to comply with legal and regulatory requirements may have a material adverse effect on BOQ and its reputation among customers and regulators and in the market. Changes to laws, regulations, policies or accounting standards, including changes in interpretation or implementation of laws, regulations, policies or accounting standards, could affect BOQ in substantial and unpredictable ways. These may include required levels, or the measurement, of bank liquidity and capital adequacy, limiting the types of financial services and products that can be offered, and/or reducing the fees which banks can charge on their financial services.

4.3.9 Basel III

Basel III is a comprehensive set of reform measures, developed by the Basel Committee, to strengthen the regulation, supervision and risk management of the banking sector globally. The proposed implementation of Basel III initiatives by APRA, particularly with respect to capital adequacy principles, may result in changes to BOQ's capital adequacy ratio. BOQ is working with APRA to determine if any changes to BOQ's business, including funding sources and levels of liquidity, will need to be made in the future to comply with the proposed changes expected to come into effect from 1 January 2013. See Section 3.3.2 for an explanation of the Basel III changes to regulatory capital.

4.3.10 LAGIC

APRA is implementing revised capital standards for general insurers and life insurers, referred to as LAGIC, with final Prudential Standards due to come into effect on 1 January 2013. The intention of LAGIC is to bring greater consistency and risk sensitivity to capital frameworks for general insurers and life insurers. These revised standards may require changes to investment and reinsurance arrangements as well as to the capital held by St. Andrew's Insurance.

4.3.11 Changes in technology

Technology plays an increasingly important role in the delivery of financial services to customers in a cost effective manner. BOQ's ability to compete effectively in the future will, in part, be driven by its ability to maintain an appropriate technology platform for the efficient delivery of its products and services.

4.3.12 Industry competition

There is substantial competition for the provision of financial services in the markets in which BOQ operates. The effect of competitive market conditions may adversely impact the earnings and assets of BOQ. These competitive pressures may occur at other levels, such as the competition for acceptable wholesale funding discussed above.

4.3.13 Risks to BOQ's growth strategy

Risks that relate to BOQ's growth strategy are interrelated and include risk of local market saturation, risks associated with geographical diversification, changes in wholesale funding markets and changes in general economic conditions.

- (a) *Risk of local market saturation:* Despite the size of the Queensland market, BOQ faces the challenge of maintaining a high penetration rate in that market in order to achieve continued growth. In addition, BOQ will continue to be exposed to fluctuations in the Queensland economy and property market in particular.
- (b) *Risk of geographical diversification:* Through the mergers with Pioneer Permanent Building Society (North Queensland) in 2006 and Home Building Society (Western Australia) in 2007 and organic growth in other states, BOQ has expanded its geographical presence and distribution in Australia. This brings challenges to BOQ's management and control systems as it continues to develop as a more geographically diverse organisation.
- (c) *Funding for growth:* Changes in wholesale funding markets may cause an inability to raise sufficient wholesale funds to fund BOQ's asset growth strategies (see Section 4.3.1 (Market risk), which details BOQ's funding risks).
- (d) *Effect of economic conditions:* General economic conditions in Australia and Queensland in particular may worsen which could stifle credit growth and restrict BOQ's ability to grow in line with its growth strategy (see Section 4.4.1, which explains risks associated with general economic conditions).

4. INVESTMENT RISKS

4.3.14 Mergers and acquisitions

BOQ may engage in merger or acquisition activity which facilitates BOQ's strategic direction. Whilst BOQ recognises that benefits may arise from merger or acquisition activities, significant risks exist in both the execution and implementation of such activities.

It is likely that BOQ would raise additional debt or raise equity to finance any major merger or acquisition and this would cause BOQ to face the financial risks and costs associated with additional debt or equity.

Changes in ownership and management may result in impairment of relationships with employees and customers of the acquired businesses. Depending on the type of transaction, it could take a substantial period of time for BOQ to realise the financial benefits of the transaction, if any. During the period immediately following this type of transaction, BOQ's operating results may be adversely affected.

As a target in any future merger or acquisition activity the issues identified above may also be relevant. For a discussion of the consequences of an Acquisition Event or Potential Acquisition Event under the CPS Terms (see Sections 2.8 and 2.9).

BOQ's failure to adequately manage the risks associated with any mergers or acquisitions could adversely affect BOQ's businesses, financial performance, financial condition and prospects.

4.3.15 Disputes

In the course of its operations, BOQ may be involved in disputes and possible litigation. BOQ is party to a number of actions in NSW courts commenced by former owners of OMBs. The claims include allegations of misleading and deceptive conduct by BOQ. BOQ is vigorously defending the actions and counter claiming. The amount of any potential liability BOQ may have is not able to be ascertained at this time but is not presently regarded as material. There is a risk that any material or costly dispute or litigation could adversely affect the value of the assets or future financial performance of BOQ.

Given its franchise model, BOQ is from time to time threatened with, or made a party to, litigation commenced by franchisees. BOQ is, however, not aware of any current matters that may develop into legal proceedings, other than the matters outlined above.

On 22 December 2010, ASIC lodged legal proceedings against parties including BOQ, arising out of the collapse of Storm Financial, which is in liquidation. BOQ is vigorously defending this action. The proceedings are regulatory in nature and no damages have been claimed. Certain parties have brought civil claims against BOQ in relation to BOQ's conduct in making home equity loans to clients of Storm Financial. There are risks associated with these matters, the financial outcomes of which cannot be ascertained at this time. Even if the financial outcomes of those matters are not material, there are risks associated with the reputation of BOQ (see below) or regulatory action and/or further third party civil claims if adverse findings are made against BOQ.

For both specific matters discussed above, trials commenced in September 2012 and are continuing at the date of this Prospectus.

4.3.16 Reputation

Reputation risk may arise through the actions of BOQ and adversely affect perceptions of BOQ held by the public, shareholders, regulators or rating agencies. These issues include appropriately dealing with potential conflicts of interests, legal and regulatory requirements, ethical issues, money laundering laws, trade sanctions legislation, privacy laws, information security policies and sales and trading practices. Damage to BOQ's reputation may have an adverse impact on BOQ's financial performance, capacity to source funding and liquidity, cost of sourcing funding and liquidity and by constraining business opportunities.

4.3.17 Credit ratings

The credit ratings assigned to BOQ by rating agencies are based on an evaluation of a number of factors, including its financial strength. A credit rating downgrade could also be driven by the occurrence of one or more of the other risks discussed in this Prospectus or by other events. If BOQ fails to maintain its current corporate credit ratings, this could adversely affect its cost of funds and related margins, liquidity, competitive position and access to capital markets.

4.3.18 Changes to accounting policies may adversely affect BOQ's business, operations and financial condition

The accounting policies and methods that BOQ applies are fundamental to how it records and reports its financial position and results of operations. Management of BOQ must exercise judgment in selecting and applying many of these accounting policies and methods so that they not only comply with generally accepted accounting principles but they also reflect the most appropriate manner in which to record and report on the financial position and results of operations. However, these accounting policies may be applied inaccurately, resulting in a misstatement of financial position and results of operations.

In some cases, management must select an accounting policy or method from two or more alternatives, any of which might comply with generally accepted accounting principles and is reasonable under the circumstances, yet might result in reporting materially different outcomes than would have been reported under another alternative.

4.3.19 Dependence on the Australian and Queensland economies

BOQ's revenues and earnings are dependent on economic activity and the level of financial services its customers require. In particular, lending is dependent on customer and investor confidence, the state of the economy, the residential lending market and prevailing market interest rates in Australia and in Queensland in particular. These factors are, in turn, impacted by both domestic and international economic and political events, natural disasters and the general state of the global economy.

The ongoing global uncertainty due to increased sovereign risk, slowing global demand and the threat of a return to global recession, has impacted global economic activity. This disruption has led to high levels of uncertainty and volatility, negatively impacting economic growth, credit growth and consumer and business confidence. A further downturn in the Australian or Queensland economy could adversely impact BOQ's results of operations, liquidity, capital resources and financial condition.

Geopolitical instability, such as threats of, potential for, or actual conflict, occurring around the world may also adversely affect global financial markets, general economic and business conditions and, in turn, BOQ's business, operations and financial condition.

Natural disasters such as (but not restricted to) cyclones, floods and earthquakes, and the economic and financial market implications of such disasters on domestic and global conditions can adversely affect BOQ's business, operations and financial condition.

4.3.20 Environmental risk

BOQ and its customers operate businesses and hold assets in a diverse range of geographical locations. Any significant environmental change or external event (including fire, storm, flood, earthquake or pandemic) in any of these locations has the potential to disrupt business activities, impact on BOQ's operations, damage property and otherwise affect the value of assets held in the affected locations and BOQ's ability to recover amounts owing to it. In addition, such an event could have an adverse impact on economic activity, consumer and investor confidence, or the levels of volatility in financial markets, which could adversely affect BOQ's businesses, financial performance, capital resources, financial condition and prospects.

4.3.21 BOQ is exposed to risks associated with information security, which may adversely impact its business, operations and financial condition

Information security means protecting information and information systems from unauthorised access, use, disclosure, disruption, modification, perusal, inspection, recording or destruction. By its nature, BOQ handles a considerable amount of personal and confidential information about its customers and its own internal operations.

BOQ employs a team of information security experts who are responsible for the development and implementation of BOQ's information security policies. BOQ is conscious that threats to information security are continuously evolving and as such BOQ conducts regular internal and external reviews to ensure new threats are identified, evolving risks are mitigated, policies and procedures are updated and good practice is maintained. However, there is a risk that information may be inadvertently or inappropriately accessed or distributed or illegally accessed or stolen. Any unauthorised use of confidential information could potentially result in breaches of privacy laws, regulatory sanctions, legal action and claims of compensation or erosion to BOQ's competitive market position, which could adversely affect BOQ's financial position and reputation.

4.3.22 Unexpected changes to BOQ's licence to operate in any jurisdiction may adversely affect its business, operations and financial condition

BOQ is licensed to operate in the various states and territories in which it operates. Unexpected changes in the conditions of the licences to operate by governments, administrations or regulatory agencies which prohibit or restrict BOQ from trading in a manner that was previously permitted may adversely impact BOQ's financial results.

4.3.23 Risk of a major systemic shock to the Australian, New Zealand or other financial systems

There is a risk that a major systemic shock, similar to that experienced recently in Europe, could occur that causes an adverse impact on the Australian and New Zealand financial systems.

Recently there has been an increased focus on the potential for sovereign debt defaults and/or significant bank failures in the 17 countries comprising the Eurozone. There can be no assurance that the market disruptions in the Eurozone, including the increased cost of funding for certain Eurozone governments, will not spread, nor can there be any assurance that future assistance packages will be available or sufficiently robust to address any further market contagion in the Eurozone or elsewhere.

Any such market and economic disruptions could have an adverse effect on financial institutions such as BOQ because consumer and business confidence may decrease, unemployment may rise and demand for the products and services BOQ provides may decline, thereby reducing BOQ's earnings. These conditions may also affect the ability of its borrowers to repay their loans, or BOQ's counterparties to meet their obligations, causing it to incur higher credit losses. These events could also result in the undermining of confidence in the financial system, reducing liquidity and impairing BOQ's access to funding and impairing its customers and counterparties and their businesses.

The nature and consequences of any such event are difficult to predict and there can be no guarantee that BOQ could respond effectively to any such event. If BOQ were not to respond effectively, BOQ's businesses, financial performance, financial condition and prospects could be adversely affected.

4.3.24 BOQ may experience challenges in managing its capital base, which could give rise to greater volatility in capital ratios

BOQ's capital base is critical to the management of its businesses and access to funding. BOQ is required by APRA to maintain adequate regulatory capital.

Under current regulatory requirements, risk-weighted assets and expected loan losses increase as a counterparty's risk grade worsens. These additional regulatory capital requirements compound any reduction in capital resulting from increased provisions for loan losses and lower profits in times of stress. As a result, greater volatility in capital ratios may arise and may require BOQ to raise additional capital. There can be no certainty that any additional capital required would be available or could be raised on reasonable terms.

Global and domestic regulators have released proposals, including the Basel III proposals, to strengthen, among other things, the liquidity and capital requirements of banks, funds management entities, and insurance entities.

4. INVESTMENT RISKS

4.3.25 Absence of government-sponsored financial stabilisation

In response to the global financial crisis (**GFC**), a number of government-sponsored financial stabilisation packages (including guarantees of certain bank obligations) were introduced around the world, including in Australia. International capital markets and liquidity conditions improved following the GFC and banks were able to raise non-government guaranteed funds. Many such government-sponsored financial stabilisation packages were withdrawn or phased out, including in relation to wholesale funding. There is no certainty that financial conditions will improve or remain stable, nor that government-sponsored financial stabilisation packages would be re-introduced if conditions deteriorated.

The absence of government-sponsored financial stabilisation schemes may result in stress on the global financial system or regional financial systems, which could adversely impact BOQ and its customers and counterparties. Specifically, it could adversely affect BOQ's ability to access sources of funding and lead to a decrease in BOQ's liquidity position and an increase in its funding costs, negatively affecting BOQ's business, operations and financial condition.

4.4 General risks

4.4.1 Changes in economic conditions

The financial performance of BOQ could be affected by changes in economic conditions in Queensland, Australia and overseas. Such changes include:

- (a) changes in economic growth, unemployment levels and consumer confidence which may lead to a general fall in the demand for BOQ's products and services;
- (b) changes in underlying cost structures for labour and service charges;
- (c) changes in fiscal and monetary policy, including inflation and interest rates, which may impact the profitability of BOQ or a general fall in the demand for BOQ's products and services;
- (d) declines in aggregate investment and economic output in Queensland, Australia or in key offshore regions;
- (e) national or international political and economic instability or the instability of national or international financial markets including as a result of terrorist acts or war; and
- (f) changes in asset values, particularly commercial and residential real estate.

The dislocation in credit and capital markets over the last 3 to 4 years has significantly impacted global economic activity including the Australian economy, with domestic and global economies slowing or in a recession and experiencing rising unemployment. This has led to a decrease in credit growth and the reduction in consumer and business confidence which in turn has impacted values of commercial and residential real estate. The Queensland and Australian economies have performed well in some industry sectors, such as resources and resource related industries and services, but has slowed in other sectors such as some retail sectors and financial services. A further downturn in sectors of the Queensland or Australian economy or in the Queensland or Australian economy generally or slowing of the stronger sectors of the economy may lead to a lower demand for BOQ's products and services, or adversely affect the performance of BOQ's asset portfolio, and therefore could further adversely impact BOQ's financial performance and position.

Although BOQ will have in place a number of strategies to minimise the exposure to economic risk and will engage in prudent management practices to minimise its exposure to risk in the future, such factors may nonetheless have an adverse impact on BOQ's financial performance and position.

4.4.2 Share price risk

There are general risks associated with an investment in the share market. Broader market factors affecting the price of CPS or Ordinary Shares are unpredictable and may be unrelated or disproportionate to the financial or operating performance of BOQ. Such factors may include the economic conditions in Australia and overseas, investor sentiment in the local and international stock markets, consumer sentiment, changes in fiscal, monetary, regulatory and other government policies, national and international political and economic instability or the instability of national and international financial markets, interest and inflation rates and foreign exchange rates. Recent turmoil in global credit markets has negatively affected economies across the globe and led to increased volatility in stock markets, including ASX.

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ABOUT THE REINVESTMENT OFFER

5



5. ABOUT THE REINVESTMENT OFFER

This Section provides information on BOQ's invitation to Eligible PEPS Holders to reinvest their PEPS in CPS and the options available to PEPS Holders. It is important that you read this Prospectus in full before deciding to participate in the Reinvestment Offer and invest in the CPS.

5.1 Overview

5.1.1 What are PEPS?

PEPS are perpetual equity preference shares issued by BOQ in 2007 that trade on ASX under code "BOQPC".

5.1.2 Are PEPS being redeemed?

BOQ will not redeem PEPS on the first optional call date of 17 December 2012 under their terms of issue.

5.1.3 What is the Reinvestment Offer?

Eligible PEPS Holders have the opportunity to reinvest their PEPS in CPS.

Eligible PEPS Holders are invited to offer some or all of their PEPS registered at 7:00pm (Sydney time) on 9 November 2012 (**PEPS Record Date**) for sale to BOQ through a selective buy-back on 24 December 2012 and have the buy-back proceeds (i.e. \$100 per PEPS) automatically reinvested in CPS.

Eligible PEPS Holders will not be required to make a separate Application Payment to the extent that PEPS will be reinvested directly in CPS. However, if more CPS than the number of PEPS registered in your name on the PEPS Record Date are applied for, then an Application Payment in respect of the additional CPS applied for will be necessary. By applying for CPS under the Reinvestment Offer or, where applicable, electing to reinvest PEPS in the Broker Firm Offer you irrevocably authorise BOQ to apply the proceeds of the buy-back of your PEPS in paying the Application Payment for the CPS into which the PEPS are being reinvested. You will not be entitled to receive payment on any Reinvested PEPS except in this way, and so will not receive any cash payment in respect of the buy-back of those Reinvested PEPS.

Eligible PEPS Holders will receive a paper copy of this Prospectus with a personalised Application Form.

Eligible PEPS Holders have a number of other options, in addition to reinvesting PEPS in CPS, which are set out in further detail in Section 5.2.1.

5.1.4 Am I eligible to participate in the Reinvestment Offer?

To participate in the Reinvestment Offer, you must have been a registered holder of PEPS on the PEPS Record Date and shown on the PEPS register as having an address in Australia or New Zealand, and must not be in the US or be acting as a nominee for a person in the US.

If you are an Eligible PEPS Holder and elect for any PEPS to be reinvested in CPS, a holding lock will be placed on those Reinvested PEPS preventing you from dealing with those Reinvested PEPS until the Issue Date of CPS. You must hold your Reinvested PEPS on the Reinvested PEPS Buy-back Date of 24 December 2012.

5.2 What are the options available to PEPS Holders?

This Section sets out the options available to Eligible PEPS Holders and those PEPS Holders who are not eligible to receive the Reinvestment Offer.

5.2.1 What are the options available to Eligible PEPS Holders?

Option	What should Eligible PEPS Holders do?
<p>Option 1 – apply under the Reinvestment Offer, or where applicable, under the Broker Firm Offer for your PEPS to be reinvested in CPS</p>	<ul style="list-style-type: none"> ▪ Eligible PEPS Holders will be guaranteed an Allocation of one CPS for every PEPS reinvested. However, an Eligible PEPS Holder's Application for additional CPS may be scaled back if there is excess demand. ▪ Unless Eligible PEPS Holders apply for more CPS than the number of PEPS held on the PEPS Record Date, Eligible PEPS Holders will not be required to make a separate Application Payment as the proceeds of the buy-back of your PEPS will be reinvested directly into CPS (see Section 5.1.3). ▪ Once you have submitted an Application Form to reinvest your PEPS, a holding lock will be placed on those Reinvested PEPS preventing you from dealing with those Reinvested PEPS until the Issue Date for the Offer. The holding lock will be released from those PEPS not successfully reinvested into CPS as soon as practicable after the Issue Date for the Offer. ▪ For further instructions on how to apply see Section 6.4. <p><i>Option A. Full reinvestment</i></p> <ul style="list-style-type: none"> ▪ Eligible PEPS Holders may apply to reinvest all of the PEPS registered in their name on the PEPS Record Date in CPS. ▪ To choose this option, Eligible PEPS Holders must indicate "full reinvestment" on the personalised Application Form. ▪ If, on the Reinvested PEPS Buy-back Date, an Eligible PEPS Holder holds a greater or lesser number of PEPS than shown on the personalised Application Form, and the Eligible PEPS Holder selects the full reinvestment option, you will be taken to have applied for reinvestment of the lower of the number of PEPS specified on the personalised Application Form and the number of PEPS registered on the Reinvested PEPS Buy-back Date. <p><i>Option B. Apply for additional CPS</i></p> <ul style="list-style-type: none"> ▪ Eligible PEPS Holders who elect full reinvestment may also apply for more CPS than the number of PEPS held on the PEPS Record Date. ▪ To choose this option, Eligible PEPS Holders must reinvest all of the PEPS held on the PEPS Record Date and specify the number of additional CPS they wish to apply for on the personalised paper Application Form. Eligible PEPS Holders will receive a priority allocation of CPS applied for, over Shareholder Applicants and General Applicants, if there is excess demand for CPS. However, an Eligible PEPS Holder's Application for additional CPS may be scaled back if there is excess demand – see Section 5.3 for further details. <p>Eligible PEPS Holders are required to submit an Application Payment for the additional CPS applied for – see Section 6.4.3 for further details.</p> <p><i>Option C. Partial reinvestment</i></p> <ul style="list-style-type: none"> ▪ Eligible PEPS Holders may apply to have only some of those PEPS registered on the PEPS Record Date reinvested in CPS. ▪ To choose this option, Eligible PEPS Holders must specify the number of PEPS to be reinvested on the personalised Application Form (subject to the minimum requirement of 50 PEPS in certain circumstances - see Section 5.11.1). If you do not indicate the number of PEPS to be reinvested you will be taken to have elected to reinvest all of your PEPS. ▪ If, on the Reinvested PEPS Buy-back Date, an Eligible PEPS Holder holds a greater or lesser number of PEPS than shown on the personalised Application Form, you will be taken to have applied for reinvestment of the lower of the number of PEPS specified on the personalised Application Form and the number of PEPS registered on the Reinvested PEPS Buy-back Date.

5. ABOUT THE REINVESTMENT OFFER

Option 2 – apply under the Broker Firm Offer to reinvest your PEPS in CPS

- If you are an Eligible PEPS Holder and are an Australian or New Zealand resident retail or high net worth client of a Syndicate Broker, you may apply to reinvest your PEPS under the Broker Firm Offer.
- You may apply to reinvest all or some of the PEPS registered in your name on the PEPS Record Date in CPS. You may also choose to apply for more CPS if you choose to reinvest all of your PEPS. If making a partial reinvestment, a minimum requirement of 50 PEPS will apply in certain circumstances – see Section 5.11.1.
- Eligible PEPS Holders will not be required to make a separate Application Payment unless more CPS than the number of PEPS registered on the PEPS Record Date are applied for.
- Eligible PEPS Holders should contact your Syndicate Broker for instructions on how to submit an Application Form and, if applicable, an Application Payment.

Option 3 – take no action

- Eligible PEPS Holders are not required to participate in the Reinvestment Offer and as such are not required to take any action.
- If you choose to take no action, you will continue to hold PEPS and BOQ will not redeem those PEPS on their first optional call date of 17 December 2012. You will not receive the Pro-Rata Dividend if you choose to take no action.
- Refer to Section 5.8 for some risks associated with not participating in the Reinvestment Offer.

Option 4 – sell your PEPS on market

- You may choose to sell your PEPS on market through your broker at the prevailing market price.
- Under this option, you may have to pay brokerage and may receive a price greater or less than the face value of \$100 per PEPS.
- If you choose this option, you will no longer be entitled to receive PEPS dividends on the PEPS you sell and you will not receive the Pro-Rata Dividend. In respect of the PEPS you sell, you have the option to use the sale proceeds to subscribe for CPS or you can choose not to.

5.2.2 What are the options available to PEPS Holders who are ineligible to participate in the Offer?

PEPS Holders who have a registered address outside Australia or New Zealand (or other eligible jurisdictions) or do not hold PEPS on the PEPS Record Date are ineligible to participate in the Reinvestment Offer. In these circumstances, PEPS Holders are limited to the following options:

- sell PEPS on market through your broker at the prevailing market price; or
- take no action and continue to hold PEPS.

5.3 Will I receive a priority allocation of CPS under the Reinvestment Offer?

If you are an Eligible PEPS Holder and you apply under the Reinvestment Offer, you are guaranteed an Allocation of one CPS for every Reinvested PEPS.

If an Eligible PEPS Holder applies for additional CPS, any Allocation of additional CPS may be scaled back if there is excess demand.

5.4 If I elect to participate in the Reinvestment Offer, what dividends will I receive?

If you are an Eligible PEPS Holder and elect for any PEPS to be reinvested in CPS, you will receive a Pro-Rata Dividend on the Reinvested PEPS, calculated up to but not including the Reinvested PEPS Buy-back Date. The PEPS terms of issue will be amended by the Board of BOQ to facilitate this.

The amount of Pro-Rata Dividend will be \$0.689 per \$100 (being the 70 days dividend accrued at 3.5910% per annum from and including 15 October 2012 up to and including 23 December 2012 and calculated in accordance with the PEPS terms).

You will not receive a Pro-Rata Dividend on any PEPS that you do not reinvest in CPS. The next franked dividend of \$1.791 on PEPS you retain is expected to be paid on 15 April 2013, in accordance with the PEPS terms.

5.4.1 Can I elect to reinvest the Pro-Rata Dividend in CPS?

No. The Pro-Rata Dividend will be paid to Eligible PEPS Holders in respect of their Reinvested PEPS via direct credit or cheque on the Reinvested PEPS Buy-back Date, in accordance with your existing PEPS payment instructions.

5.5 What are the key differences between CPS and PEPS?

A comparison of the key features of CPS and PEPS is set out in summary form below. These comparisons are not intended to be exhaustive.

	CPS	PEPS
Legal form	Preference share	Preference share
Term	Perpetual, no maturity date but subject to Mandatory Conversion	Perpetual, no maturity date
Issuer	BOQ	BOQ
Issue Date	24 December 2012	17 December 2007
Face Value	\$100 per CPS	\$100 per PEPS
Amount to be issued/ currently on issue	\$250 million with the ability to raise more or less	\$200 million
Quotation on ASX	Yes – expected to trade under “BOQPD”	Yes – “BOQPC”
Nature of dividends	Semi-annual, preferred, discretionary, non-cumulative, subject to Dividend Payment Tests	Semi-annual, preferred, discretionary, non-cumulative, subject to certain payment tests
Dividend rate	Floating rate	Floating rate
Reference rate	180 day BBSW	180 day BBSW
Margin rate	5.10% p.a. as determined by the Bookbuild	2.00% p.a.
Expected to be fully franked	Yes	Yes
Rights if Dividend is not fully franked	Gross up	Gross up
Dividend payment tests	<ul style="list-style-type: none"> ■ The Directors’ discretion ■ BOQ being lawfully able to pay under the Corporations Act ■ The payment not resulting in noncompliance with APRA’s capital adequacy standards (unless APRA consents) ■ No APRA objection 	<ul style="list-style-type: none"> ■ The Directors’ discretion ■ BOQ being lawfully able to pay under the Corporations Act ■ The dividend not exceeding distributable profits (unless APRA consents) ■ The payment not resulting in noncompliance with APRA’s capital adequacy standards (unless APRA consents) ■ APRA prior written approval
Dividend restriction if scheduled dividends not paid	BOQ must, unless approved by special resolution of CPS Holders, not resolve to pay or pay a dividend or distribution on Ordinary Shares or buy-back or reduce the capital on Ordinary Shares until and including the next Dividend Payment Date, unless the scheduled CPS dividend is paid in full within three Business Days.	<p>BOQ must, unless approved by special resolution of PEPS Holders, not resolve to pay, or pay, a dividend or distribution on Ordinary Shares (or securities ranking equally or junior to PEPS) or buy-back or reduce the capital on Ordinary Shares (or securities ranking equally or junior to PEPS) until two consecutive semi-annual dividends have been paid on PEPS or an optional dividend has been paid to PEPS Holders equal to the unpaid amount or all the PEPS have been redeemed or converted, unless the scheduled PEPS dividend is paid in full within three business days.</p> <p>The restriction does not prevent dividends being paid pro-rata on PEPS and equal ranking securities.</p>

5. ABOUT THE REINVESTMENT OFFER

	CPS	PEPS
Mandatory conversion or redemption	<p>CPS will Mandatorily Convert on:</p> <ul style="list-style-type: none"> 15 April 2020 or a Dividend Payment Date after that date on which date the Conversion Conditions are satisfied; The occurrence of a Capital Trigger Event; The occurrence of a Non-Viability Trigger Event; or The occurrence of an Acquisition Event. 	<p>On the occurrence of a change of control event, BOQ must redeem the PEPS for cash, subject to APRA's prior written approval.</p> <p>If APRA does not provide approval for redemption on the occurrence of a change of control event, PEPS will convert to Ordinary Shares on the occurrence of a change of control event (subject to APRA's prior written approval).</p>
Optional conversion or redemption	<p>CPS may be Converted (subject to Conversion Conditions being satisfied), Redeemed or Transferred at BOQ's election, following:</p> <ul style="list-style-type: none"> A Tax Event; A Regulatory Event; or On the Optional Conversion/Redemption Date of 15 April 2018. <p>CPS may be Converted (subject to Conversion Conditions being satisfied), at BOQ's election, following a Potential Acquisition Event.</p> <p>CPS Holders have no right to require Redemption, Conversion or Transfer.</p>	<p>PEPS may be redeemed at BOQ's election following:</p> <ul style="list-style-type: none"> A tax event; A regulatory event; or The fifth anniversary of the issue date (17 December 2012) and on each subsequent dividend payment date. <p>PEPS Holders have no right to require redemption or conversion.</p>
Conversion discount	1.00%	2.50%
Capital Trigger Event	Yes. This is a new feature required by APRA – see Section 2.6	None
Non-Viability Trigger Event	Yes. This is a new feature required by APRA – see Section 2.7	None
Ranking in a winding up	<p>Rank ahead of Ordinary Shares, equally with PEPS and any other equal ranking instruments, but behind all senior ranking securities or instruments, and behind all depositors and other creditors.</p> <p>Return in a winding up may be adversely affected on account of a Capital Trigger Event or a Non-Viability Trigger Event.</p>	Rank ahead of Ordinary Shares, equally with CPS and any other equal ranking instruments, but behind all senior ranking securities or instruments, and all depositors and other creditors.
Voting rights	No right to vote at general meetings of holders of Ordinary Shares, except in limited circumstances.	No right to vote at general meetings of holders of Ordinary Shares, except in limited circumstances.
Regulatory Treatment	<ul style="list-style-type: none"> Current APRA Prudential Standards: Non-Innovative Residual Tier 1 Basel III Prudential Standards: Additional Tier 1 	<ul style="list-style-type: none"> Current APRA Prudential Standards: Non-Innovative Residual Tier 1 Basel III Prudential Standards: Additional Tier 1 with transitional arrangements

5.6 What is the purpose of the Reinvestment Offer?

PEPS will not fully count as Tier 1 Capital from 1 January 2013.

BOQ will not redeem the PEPS on their first optional call date of 17 December 2012. APRA has approved transitional treatment of the PEPS under the new Basel III Prudential Standards, which will result in a gradual reduction in the amount of PEPS that can be counted toward Tier 1 Capital over time.

The Board has determined to offer Eligible PEPS Holders the ability to exchange their PEPS for CPS.

5.7 What are the risks associated with participating in the Reinvestment Offer?

If you are an Eligible PEPS Holder and you apply under the Reinvestment Offer, you may receive an Allocation of CPS. As such, you will be subject to the risks associated with an investment in CPS and in BOQ, many of which are outside the control of BOQ and its Directors. These risks are outlined in Section 4 and should be considered before you apply under the Reinvestment Offer.

5.8 What are the risks associated with not fully participating in the Reinvestment Offer?

If you are an Eligible PEPS Holder and you do not reinvest in full under the Reinvestment Offer, you will continue to hold PEPS, or the balance of your PEPS which are not reinvested. BOQ will not redeem PEPS on their first optional call date of 17 December 2012. The risks associated with this option are that:

- there is no guarantee BOQ will redeem PEPS at a future date and PEPS Holders will have no right to require BOQ to redeem PEPS, as any election to redeem is at the sole discretion of BOQ and is subject to APRA's prior written approval;
- following the Reinvestment Offer, it is anticipated that the number of PEPS on issue will decline as a result of the buy-back of PEPS. This may lead to a less liquid market for the PEPS that remain outstanding, which could negatively impact the ability for remaining PEPS Holders to sell their PEPS on-market at an acceptable price, or at all;
- if you hold both CPS and PEPS, you will hold two securities with different issue terms and different risk profiles; and
- if there is an insufficient number and spread of PEPS Holders after completion of the Reinvestment Offer, ASX has discretion to remove PEPS from official quotation.

5.9 Shareholder approval and conditional agreement

The Offer, including the Reinvestment Offer and the buy-back of PEPS, is conditional on necessary shareholder approval of the buy-back being passed at the BOQ AGM on 13 December 2012 as well as the other approvals required to issue the CPS and approve the CPS terms (see Section 2.11.7). No agreement will be made to buy-back PEPS unless or until all of these shareholder approvals have been obtained and offers to sell PEPS by PEPS Holders applying under the Reinvestment Offer are accepted by BOQ on the Reinvested PEPS Buy-back Date.

5.10 What happens if the Offer does not proceed?

If you have elected to reinvest some or all of your PEPS in CPS and the Offer does not proceed, your PEPS will not be bought back and you will continue to hold PEPS. Any Application Payment in respect of additional CPS will be refunded to you. No interest will be payable on any Application Payment submitted.

5.11 Further information about PEPS and participating in the Reinvestment Offer

5.11.1 Do you need to apply for a minimum number of CPS?

There is no minimum number of PEPS that you must hold to be able to participate in the Reinvestment Offer.

If you are an Eligible PEPS Holder and own 50 PEPS or fewer, you must apply to reinvest all your PEPS in CPS if you wish to participate in the Reinvestment Offer.

If you are an Eligible PEPS Holder and own more than 50 PEPS, you must apply for a minimum number of 50 CPS (\$5,000).

5.11.2 What do you do if you have sold some of your PEPS but wish to apply for CPS?

If you hold fewer PEPS than set out on your personalised Application Form, you may still reinvest in CPS the remaining PEPS registered in your name on the Reinvested PEPS Buy-back Date.

If you wish to apply for more CPS than the number of PEPS registered in your name on the PEPS Record Date, you will need to make a full reinvestment and a separate Application Payment for additional CPS applied for.

You may also apply for partial reinvestment in the manner outlined in Section 5.2.1.

5. ABOUT THE REINVESTMENT OFFER

5.11.3 Can you sell your PEPS after you have completed and returned your Application Form?

If you apply to have your PEPS reinvested in CPS, it is your responsibility to ensure that you do not sell or dispose of any of those PEPS that you wish to reinvest, other than as part of the Reinvestment Offer.

PEPS Holders are taken to agree to a holding lock being placed on those PEPS, pending completion of the Reinvestment – but it is your obligation to ensure that you do not transfer those PEPS. If you do, the number of CPS you may be allocated will be reduced to the extent the required number of PEPS are not available on the Reinvested PEPS Buy-back Date.

Once you have submitted an Application Form to reinvest your PEPS, a holding lock will be placed on those Reinvested PEPS preventing you from dealing with those Reinvested PEPS until the Issue Date for the Offer.

The holding lock will be released from those PEPS not successfully reinvested into CPS as soon as practicable after the Issue Date for the Offer.

5.11.4 What are the tax implications of having your PEPS bought back?

A general outline of the taxation implications for certain investors who are Australian residents for tax purposes investing in the Offer can be found in the Australian taxation summary in Section 7, including the CGT implications for Eligible PEPS Holders of the buy-back of PEPS under the Reinvestment Offer.

Selling your PEPS into the Reinvestment Offer may lead to a capital gain or loss or be neutral for CGT purposes depending on the cost base of your PEPS and your personal tax circumstances.

5.11.5 Can you change your PEPS payment instructions?

If you elect to reinvest some or all of your PEPS in CPS and you wish to change your PEPS payment instructions for the payment of the Pro-Rata Dividend on your Reinvested PEPS you must provide updated instructions to the Registry by the Closing Date for the Reinvestment Offer of 13 December 2012.

5.11.6 Is brokerage or stamp duty payable?

No brokerage or stamp duty is payable on the buy-back of your PEPS or your Application for CPS.

PEPS Holders who choose to sell their PEPS on market through their broker may be required to pay applicable brokerage.

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ABOUT THE OFFER



6. ABOUT THE OFFER

6.1 The Offer

The Offer is for the issue of CPS with a Face Value of \$100 each to raise approximately \$250 million with the ability to raise more or less.

All CPS issued will be allotted under and subject to the disclosures made in this Prospectus.

6.2 Structure of the Offer

The Offer comprises:

- an Institutional Offer made to certain Institutional Investors;
- a Broker Firm Offer made to Australian and New Zealand resident retail and high net worth clients of Syndicate Brokers and, where applicable, Eligible PEPS Holders;
- a Reinvestment Offer made to Eligible PEPS Holders;
- a Shareholder Offer made to Eligible Shareholders; and
- a General Offer made to members of the general public who are resident in Australia or New Zealand.

6.3 Obtaining a Prospectus and Application Form

During the Offer Period, an electronic version of this Prospectus with an Application Form are available through www.boq.com.au and may be available through your Syndicate Broker. You can also request a free paper copy of this Prospectus and an Application Form by calling the BOQ Offer Information Line on 1800 779 639 (within Australia) or +61 2 8280 7626 (outside Australia) Monday to Friday – 8:30am to 7:30pm (Sydney time) or by registering online to receive a Prospectus at www.boq.com.au.

Eligible PEPS Holders and Eligible Shareholders will also have access to download an electronic version of this Prospectus as well as be able to download a personalised Application Form through www.boq.com.au.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, a printed copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Applications will only be considered where Applicants have applied pursuant to an Application Form (either electronic or paper) that was attached to, or accompanied by, a copy of this Prospectus, and have provided an Application Payment, unless the Application is under the Reinvestment Offer in which case no Application Payment is required.

6.3.1 Electronic access to this Prospectus

The following conditions apply if this Prospectus is accessed electronically:

- you must access and download the entire Prospectus;
- your Application will only be considered where you have applied on an Application Form (either electronic or paper) that was attached to or accompanied by a copy of the Prospectus. By making an Application, you declare that you were given access to the complete Prospectus together with the Application Form; and
- the Prospectus is available electronically to you only if you are accessing and downloading or printing the electronic copy of the Prospectus in Australia or New Zealand or if you are an Eligible Shareholder.

6.4 Applying for CPS

6.4.1 Overview

For all Offers (Institutional Offer, Broker Firm Offer, Reinvestment Offer, Shareholder Offer and General Offer), Applications must be for a minimum of 50 CPS (\$5,000) and after that in multiples of 10 CPS (\$1,000).

	Who can apply?	When to apply	How to apply online	How to apply using a paper Application Form
Institutional Offer	Institutional Investor <ul style="list-style-type: none"> ▪ i.e. an investor who is invited by the Joint Lead Managers to bid for CPS in the Bookbuild and who is applying through the Institutional Offer (provided that such investor may not be in the United States or any other ineligible jurisdiction). 	<ul style="list-style-type: none"> ▪ The Bookbuild was conducted on 16 November 2012. 	<ul style="list-style-type: none"> ▪ Application and settlement procedures for Institutional Investors will be advised by the Joint Lead Managers. 	<ul style="list-style-type: none"> ▪ Application and settlement procedures for Institutional Investors will be advised by the Joint Lead Managers.

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	Who can apply?	When to apply	How to apply online	How to apply using a paper Application Form
Broker Firm Offer	<p>Broker Firm Applicant</p> <ul style="list-style-type: none"> ▪ i.e. an Australian or New Zealand resident retail or high net worth client of a Syndicate Broker invited to participate through the Broker Firm Offer; and ▪ Eligible PEPS Holders electing to reinvest in CPS and invited to participate through the Broker Firm Offer. 	<ul style="list-style-type: none"> ▪ Applications will only be accepted during the Offer Period, which opens on 19 November 2012. ▪ The Closing Date for the Broker Firm Offer in relation to Reinvested PEPS is 5:00pm (Sydney time) on 13 December 2012. ▪ The Closing Date for the Broker Firm Offer (excluding Applications in respect of Reinvested PEPS) is 5:00pm (Sydney time) on 18 December 2012. ▪ Your completed Application Form and Application Payment (if any) must be received by your Syndicate Broker in accordance with arrangements made between you and your Syndicate Broker. ▪ If you are a client of a Syndicate Broker, you must contact your broker directly for instructions as to how to participate in the Broker Firm Offer. 	<ul style="list-style-type: none"> ▪ If you are a Broker Firm Applicant you may NOT apply online. ▪ Contact your Syndicate Broker for instructions. 	<ul style="list-style-type: none"> ▪ There are paper Application Forms in the back of this Prospectus that may be used by Broker Firm Applicants (excluding Applications in respect of Reinvested PEPS). ▪ General instructions on how to complete the paper Application Form are set out on the Application Form. ▪ You must contact your Syndicate Broker for their specific instructions on how to submit the paper Application Form and your Application Payment (if any) to your Syndicate Broker. ▪ You must not return your paper Application Form to the Registry. ▪ Your Syndicate Broker must have received your completed paper Application Form and Application Payment (as applicable) in time to arrange settlement on your behalf by the relevant Closing Date for the Broker Firm Offer in respect of Reinvested PEPS being 13 December 2012 or Closing Date for the Broker Firm Offer (excluding Applications in respect of Reinvested PEPS) being 18 December 2012. ▪ Your Syndicate Broker will act as your agent in processing your paper Application Form and providing your Application details and Application Payment to BOQ.

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	Who can apply?	When to apply	How to apply online	How to apply using a paper Application Form
Reinvestment Offer	<p>Reinvestment Applicant</p> <ul style="list-style-type: none"> i.e. an Eligible PEPS Holder who is applying through the Reinvestment Offer. 	<ul style="list-style-type: none"> Applications will only be accepted during the Offer Period, which opens on 19 November 2012. The Closing Date for the Reinvestment Offer, including Applications for Reinvested PEPS under the Broker Firm Offer is 5:00pm (Sydney time) on 13 December 2012. Your completed personalised paper Application Form or online Application Form and Application Payment (if applicable) must be received by the Registry by the Closing Date and time. The options available to Eligible PEPS Holders under the Reinvestment Offer are outlined in Section 5. 	<ul style="list-style-type: none"> Ability to apply online is available to issuer sponsored Eligible PEPS Holders who wish to reinvest their PEPS or apply for additional CPS using BPAY®. Please go to www.boq.com.au and follow instructions to apply online. CHES sponsored Eligible PEPS Holders should seek instructions from their broker or controlling participant as to how to apply. 	<ul style="list-style-type: none"> Follow the instructions to complete the personalised Application Form which will be mailed to you with a copy of this Prospectus on or around 20 November 2012. You can also request a paper copy of the Prospectus and your personalised Application Form by calling the BOQ Offer Information Line on 1800 779 639 (within Australia) or +61 2 8280 7626 (outside Australia) (Monday to Friday 8:30am to 7:30pm Sydney time). If applicable, you will be required to pay your Application Payment by 13 December 2012 by cheque(s) and/or money order(s). You will be required to post your completed personalised Application Form to the address printed on your reply paid envelope so that it reaches that address by the Closing Date and time.

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	Who can apply?	When to apply	How to apply online	How to apply using a paper Application Form
Shareholder Offer	<p>Shareholder Applicant</p> <ul style="list-style-type: none"> i.e. an Eligible Shareholder who is applying through the Shareholder Offer. 	<ul style="list-style-type: none"> Applications will only be accepted during the Offer Period, which opens on 19 November 2012. The Closing Date for the Shareholder Offer is 5:00pm (Sydney time) on 13 December 2012. Your completed personalised paper Application Form or online Application Form and Application Payment must be received by the Registry by the Closing Date and time. If you pay by BPAY® using the details on your personalised Application Form or if you apply online, you will not be required to return a personalised paper Application Form. 	<ul style="list-style-type: none"> Eligible Shareholders that are not also Eligible PEPS Holders will have the ability to apply online. Please go to www.boq.com.au and follow the instructions to apply online. When applying online, you will be required to pay for CPS using BPAY®. Eligible Shareholders that are also Eligible PEPS Holders wishing to participate in the Reinvestment Offer should refer to the instructions on how to apply under the Reinvestment Offer. 	<ul style="list-style-type: none"> Eligible Shareholders will receive a postcard providing details relating to the Shareholder Offer. You can request a paper copy of the Prospectus and your personalised Application Form by calling the BOQ Offer Information Line on 1800 779 639 (within Australia) or +61 2 8280 7626 (outside Australia) (Monday to Friday 8:30am to 7:30pm Sydney time). Instructions on how to complete the paper Application Form are set out on the Application Form. You will be required to pay your Application Payment by 13 December 2012 by cheque(s), money order(s) or BPAY®. If you pay by BPAY® using details on your personalised paper Application Form, you will not be required to return a personalised paper Application Form. If paying by cheque or money order, you will be required to post your completed personalised Application Form and Application Payment so that it is received by the Closing Date for the Shareholder Offer which is 5:00pm (Sydney time) on 13 December 2012. Eligible Shareholders that are also Eligible PEPS Holders wishing to participate in the Reinvestment Offer should refer to the instructions on how to apply under the Reinvestment Offer.

6. ABOUT THE OFFER

	Who can apply?	When to apply	How to apply online	How to apply using a paper Application Form
General Offer	<p>General Applicant</p> <ul style="list-style-type: none"> i.e. a member of the general public who is resident in Australia or New Zealand applying through the General Offer. 	<ul style="list-style-type: none"> Applications will only be accepted during the Offer Period, which opens on 19 November 2012. The Closing Date for the General Offer is 5:00pm (Sydney time) on 13 December 2012. Your completed paper Application Form or online Application Form and Application Payment must be received by the Registry by the Closing Date and time. If you apply online and pay by BPAY®, you will not be required to return a paper Application Form. 	<ul style="list-style-type: none"> All Eligible General Applicants will have the ability to apply online. Please go to www.boq.com.au and follow the instructions to apply online. When applying online, you will be required to pay for CPS using BPAY®. 	<ul style="list-style-type: none"> There are paper Application Forms at the back of this Prospectus that should be used by General Applicants. You can request a paper copy of the Prospectus and paper Application Form by calling the BOQ Offer Information Line on 1800 779 639 (within Australia) or +61 2 8280 7626 (Outside Australia) (Monday to Friday 8:30am to 7:30pm Sydney time). Instructions on how to complete the paper Application Form are set out on the Application Form. If applying using the paper Application Form, you will be required to pay for CPS using cheque(s) and/or money order(s) by 13 December 2012. If you wish to pay by BPAY®, you need to make an online Application. You will be required to post your completed paper Application Form and Application Payment so that it reaches the Registry by the Closing Date for the General Offer which is 5:00pm (Sydney time) on 13 December 2012.

All dates are indicative only and may change without notice. You are encouraged to apply as soon as possible after the Opening Date.

6.4.2 Delivering paper Application Forms

Unless you are applying through the Broker Firm Offer, you should return your completed paper Application Form and Application Payment (if applicable) to one of the addresses below so that they are received by the Registry before the Closing Date and time, which is expected to be 5:00pm (Sydney time) on 13 December 2012. If you are applying through the Broker Firm Offer you should contact your Syndicate Broker for instructions.

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Shareholder Offer Applicants

By mail	or	By hand
BOQ CPS Offer C/- Link Market Services Limited GPO Box 3560 Sydney NSW 2001		BOQ CPS Offer C/- Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138
	BOQ CPS Offer C/- Link Market Services Limited Locked Bag 3415 Brisbane QLD 4001	

Broker Firm Applicants, including Eligible PEPS Holders (where applicable)

Your Application Forms and Application Payment (if applicable) should be sent to your broker or controlling participant. You must not return your paper Application Form to the Registry. Please contact your Syndicate Broker for further instructions.

Reinvestment Offer (non-Broker Firm) and General Applicants

By mail	By hand
BOQ CPS Offer C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235	BOQ CPS Offer C/ – Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138

Please note that paper Application Forms and Application Payments will not be accepted at any other address or office and will not be accepted at BOQ's registered office or any other BOQ office or branch or at other offices or branches of the Registry.

6.4.3 How to pay

	How to pay online	How to pay using a paper Application Form
Institutional Offer	<ul style="list-style-type: none"> ▪ N/A 	<ul style="list-style-type: none"> ▪ N/A
Broker Firm Offer	<ul style="list-style-type: none"> ▪ N/A 	<ul style="list-style-type: none"> ▪ You must contact your Syndicate Broker for information on how to submit the paper Application Form and your Application Payment to your Syndicate Broker.
Reinvestment Offer - application for additional CPS	<ul style="list-style-type: none"> ▪ If you are an issuer sponsored Eligible PEPS Holder and you apply for additional CPS using an online Application Form, you must complete your Application for additional CPS by making a BPAY® payment. ▪ Once you have completed your online Application Form, you will be given a BPAY® biller code and unique Customer Reference Number for that Application. Follow the BPAY® instructions below to complete your Application. ▪ If you do not make a BPAY® payment, your Application will be incomplete and will not be accepted by BOQ. ▪ Your completed online Application Form and Application Payment must be received by the Registry by the Closing Date. ▪ CHESS sponsored Eligible PEPS Holders may NOT apply or make payment online. Please contact your Syndicate Broker for further instructions on how to pay. 	<ul style="list-style-type: none"> ▪ If you apply using your personalised Application Form, an Application Payment is only required if you choose to apply for more CPS than the number of PEPS registered in your name on 9 November 2012. ▪ If you choose to apply for more CPS than the number of PEPS registered in your name on 9 November 2012, your completed Application Form must be accompanied by an Application Payment in the form of cheque(s) and/or money order(s) drawn on an Australian dollar account of an Australian financial institution and made payable to Bank of Queensland Limited. ▪ Cheque(s) should be crossed "Not Negotiable". Cash payments will not be accepted. ▪ You cannot pay by BPAY®. ▪ If your Application indicating full reinvestment is not accompanied by an Application Payment for any additional CPS, you will be taken to have applied for reinvestment of that number of PEPS that you hold on 9 November 2012.

6. ABOUT THE OFFER

	How to pay online	How to pay using a paper Application Form
Shareholder Offer	<ul style="list-style-type: none"> ■ If you apply using an online Application Form, you must complete your Application by making a BPAY® payment. ■ Once you have completed your online Application Form, you will be given a BPAY® biller code and unique Customer Reference Number for that Application. Follow the BPAY® instructions below to complete your Application. ■ If you do not make a BPAY® payment, your Application will be incomplete and will not be accepted by BOQ. ■ Your completed online Application Form and Application Payment must be received by the Registry by the Closing Date and time. 	<ul style="list-style-type: none"> ■ You can complete your Application by: <ul style="list-style-type: none"> – making a BPAY® payment; or – making payment by cheque(s) and/or money order(s). ■ If you are making a BPAY® payment, you do not need to complete or return the personalised Application Form. Simply use the biller code and customer reference number provided on your personalised Application Form and follow the BPAY® instructions. By completing a BPAY® payment, you acknowledge you are applying pursuant to the personalised Application Form. ■ If you do not wish to pay by BPAY®, your completed personalised Application Form must be accompanied by an Application Payment in the form of cheque(s) and/or money order(s) drawn on an Australian dollar account of an Australian financial institution and made payable to 'Bank of Queensland Limited'. ■ Cheque(s) should be crossed 'Not Negotiable'. Cash payments will not be accepted. ■ You will be required to post your completed personalised Application Form so that it reaches the Registry prior to the Closing Date and time only if you intend on paying by cheque(s) or money order(s).
General Offer	<ul style="list-style-type: none"> ■ If you apply using an online Application Form, you must complete your Application by making a BPAY® payment. ■ Once you have completed your online Application Form, you will be given a BPAY® biller code and unique Customer Reference Number for that Application. Follow the BPAY® instructions below to complete your Application. ■ If you do not make a BPAY® payment, your Application will be incomplete and will not be accepted by BOQ. ■ Your completed online Application Form and Application Payment must be received by the Registry by the Closing Date and time. 	<ul style="list-style-type: none"> ■ Your completed Application Form must be accompanied by an Application Payment in the form of cheque(s) and/or money order(s) drawn on an Australian dollar account of an Australian financial institution and made payable to 'Bank of Queensland Limited'. ■ Cheque(s) should be crossed 'Not Negotiable'. Cash payments will not be accepted. ■ You cannot pay by BPAY® if you apply using a paper Application Form. If you wish to pay by BPAY® you need to complete an online Application Form. ■ You will be required to post your completed Application Form and Application Payment so that it reaches the Registry prior to the Closing Date and time only if you intend on paying by cheque(s) or money order(s).

6.4.4 How to use BPAY®

If you apply for CPS using an online Application Form and an Application Payment is required, you must complete your Application by making a BPAY® payment. Applicants will not be required to return a personalised Application Form if paying by BPAY®.

Using the BPAY® details provided, you need to:

- access your participating BPAY® financial institution either through telephone banking or internet banking;
- select BPAY® and follow the prompts;
- enter the biller code supplied;
- enter the unique Customer Reference Number supplied for each Application;
- enter the total amount to be paid which corresponds to the number of CPS you wish to apply for under each Application (i.e. a minimum of \$5,000 (50 CPS) and incremental multiples of \$1,000 (10 CPS) after that)
- note that your financial institution may apply limits on your use of BPAY® and that you should make enquiry about the limits that apply in your own personal situation;
- select the account you wish your payment to be made from;
- schedule your payment for the same day that you complete your online Application Form since Applications without payment cannot be accepted; and
- record your BPAY® receipt number and date paid. Retain these details for your records.

BPAY® payments must be made from an Australian dollar account of an Australian financial institution. You will need to check with your financial institution in relation to their BPAY® closing times to ensure that your Application Payment will be received prior to the Closing Date and time.

6.4.5 Brokerage, commission and stamp duty

No brokerage, commission or stamp duty is payable on your Application. You may have to pay brokerage, but will not have to pay any stamp duty, on any later sale of your CPS on ASX after CPS have been quoted on ASX.

6.4.6 Application Payments held on trust

All Application Payments received before CPS are issued will be held by BOQ on trust in an account established solely for the purposes of depositing Application Payments received. After CPS are issued to successful Applicants, the Application Payments held on trust will be payable to BOQ.

6.4.7 Refunds

Applicants who are not allotted any CPS, or are allotted fewer CPS than the number applied and paid for as a result of a scale back, will have all or some of their Application Payments (as applicable) refunded (without interest) as soon as practicable after the Issue Date.

In the event that the Offer does not proceed for any reason, all Applicants will have their Application Payments refunded (without interest) as soon as practicable.

If the CPS Offer does not proceed, BOQ will notify Eligible PEPS Holders by an ASX announcement.

Any amount of \$5 or less in aggregate will not be refunded to an Applicant, but instead paid to Children's Hospital Foundations Australia as a donation, within a reasonable time after the Offer Period. More information on Children's Hospital Foundations Australia is available at www.childrenshospitals.org.au.

6.5 Bookbuild and allocation policy

6.5.1 Bookbuild

The Bookbuild is a process that was conducted by the Joint Lead Managers on 16 November 2012 to determine the Margin and firm allocations of CPS to Bookbuild participants (being Syndicate Brokers and certain Institutional Investors). In this process, the Bookbuild participants were invited to lodge bids for a number of CPS. On the basis of those bids, the Joint Lead Managers and BOQ have determined the Margin. The Joint Lead Managers, in consultation with BOQ, have also determined the firm allocations to Syndicate Brokers and to certain Institutional Investors.

BOQ and the Joint Lead Managers may agree to increase or decrease the size of the Offer following the close of the Bookbuild.

6. ABOUT THE OFFER

6.5.2 What is the allocation policy?

Institutional Offer	<ul style="list-style-type: none"> ▪ Allocations to Institutional Investors were agreed by BOQ and the Joint Lead Managers following completion of the Bookbuild.
Broker Firm Offer	<ul style="list-style-type: none"> ▪ Allocations to Syndicate Brokers were agreed by BOQ and the Joint Lead Managers following completion of the Bookbuild. ▪ Allocations to Broker Firm Applicants by a Syndicate Broker are at the discretion of that Syndicate Broker. ▪ Eligible PEPS Holders who apply under the Broker Firm Offer are guaranteed an Allocation of one CPS for every Reinvested PEPS. ▪ Eligible PEPS Holders are taken to agree to a holding lock being placed on those PEPS applied to be reinvested, pending completion of the Reinvestment Offer. If you transfer any PEPS, the number of CPS you may be allocated will be reduced to the extent the required number of PEPS are not available on 24 December 2012.
Reinvestment Offer	<ul style="list-style-type: none"> ▪ If you are an Eligible PEPS Holder and you apply under the Reinvestment Offer, you are guaranteed an Allocation of one CPS for every Reinvested PEPS. ▪ If an Eligible PEPS Holder applies for additional CPS, any Allocation of additional CPS may be scaled back if there is excess demand. No assurance is given that any PEPS Holder Applicant will receive an allocation of additional CPS. ▪ Eligible PEPS Holders are taken to agree to a holding lock being placed on those PEPS applied to be Reinvested, pending completion of the Reinvestment. If you transfer any PEPS, the number of CPS you may be Allocated will be reduced to the extent the required number of PEPS are not available on 24 December 2012.
Shareholder Offer and General Offer	<ul style="list-style-type: none"> ▪ Allocations for the Shareholder Offer and General Offer will be determined by BOQ and the Joint Lead Managers after the relevant Closing Date. ▪ BOQ and the Joint Lead Managers have absolute discretion to determine the method and extent of the Allocations. ▪ If there is excess demand for CPS after Allocations to Reinvestment Applicants, Institutional Investors and Syndicate Brokers, Shareholder Applicants will be given priority over General Applicants. ▪ BOQ and the Joint Lead Managers have absolute discretion to determine the method and extent of the priority Allocation to Shareholder Applicants. ▪ BOQ and the Joint Lead Managers reserve the right to scale back Applications from Shareholder Applicants and General Applicants. Any scale back will be announced on ASX on the day CPS commence trading on a deferred settlement basis – expected to be 27 December 2012. ▪ BOQ and the Joint Lead Managers reserve the right to: <ul style="list-style-type: none"> – Allocate to any Shareholder Applicant or General Applicant all CPS for which they have applied; – reject any Application by a Shareholder Applicant or General Applicant; or – Allocate to any Shareholder Applicant or General Applicant a lesser number of CPS than that applied for, including less than the minimum Application of CPS, or none at all. ▪ No assurance is given that any Shareholder Applicant or General Applicant will receive an Allocation of CPS.

6.5.3 How will the final allocation policy be announced?

Institutional Offer	<ul style="list-style-type: none"> Allocations to Institutional Investors have been advised to those investors under the Bookbuild.
Broker Firm Offer	<ul style="list-style-type: none"> Allocations to Syndicate Brokers have been advised to those brokers under the Bookbuild. Applicants under the Broker Firm Offer will also be able to confirm their firm Allocation through the Syndicate Broker from whom they received their allocation. However, if you sell CPS before receiving a Holding Statement, you do so at your own risk, even if you confirmed your firm allocation through a Syndicate Broker.
Reinvestment Offer	<ul style="list-style-type: none"> After the Issue Date, Applicants in the Reinvestment Offer will be able to call the BOQ Offer Information Line on 1800 779 639 (within Australia) or +61 2 8280 7626 (outside Australia) (Monday to Friday 8:30am to 7:30pm Sydney time) to confirm your allocation. It is expected that this information will be advertised in The Sydney Morning Herald, The Age, The Australian, The Australian Financial Review, The Courier Mail and The West Australian on or about 27 December 2012. However, if you sell CPS before receiving a Holding Statement, you do so at your own risk, even if you obtained details of your holding from the BOQ Offer Information Line on 1800 779 639 (within Australia) or +61 2 8280 7626 (outside Australia) (Monday to Friday 8:30am to 7:30pm Sydney time).
Shareholder Offer and General Offer	<ul style="list-style-type: none"> After the Issue Date, Applicants in the Shareholder Offer or General Offer will be able to call the BOQ Offer Information Line on 1800 779 639 (within Australia) or +61 2 8280 7626 (outside Australia) (Monday to Friday 8:30am to 7:30pm Sydney time) to confirm your Allocation. It is expected that this information will be advertised in The Sydney Morning Herald, The Age, The Australian, The Australian Financial Review, The Courier Mail and The West Australian on or about 27 December 2012. However, if you sell CPS before receiving a Holding Statement, you do so at your own risk, even if you obtained details of your holding by calling the BOQ Offer Information Line on 1800 779 639 (within Australia) or +61 2 8280 7626 (outside Australia) (Monday to Friday 8:30am to 7:30pm Sydney time).

6.6 Other information

6.6.1 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, CPS or the Offer or otherwise to permit a public offering of CPS in any jurisdiction outside Australia and New Zealand.

The distribution of this Prospectus (including an electronic copy) outside Australia may be restricted by law. If you come into possession of this Prospectus outside Australia or New Zealand, then you should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may violate securities laws. This Prospectus does not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

This Prospectus (including an electronic copy) may not be distributed or released, in whole or in part, in the US. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Neither the CPS nor the Ordinary Shares have been or will be registered under the US Securities Act and may not be offered or sold in the US except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws. Any offer, sale or resale of CPS in the US by a dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act.

Subject to BOQ approval, CPS may be offered in certain permitted jurisdictions outside Australia under the Institutional Offer where such offer is made, and accepted, in accordance with the laws of such jurisdictions (see Section 10.6 for foreign selling restrictions).

Each person submitting an Application Form will be deemed to have acknowledged that they are aware of the restrictions referred to in this Section 6.6.1 and to have represented and warranted that they are able to apply for and acquire CPS in compliance with those restrictions.

6.6.2 Application to ASX for quotation of CPS

BOQ has applied to ASX for CPS to be quoted on ASX within seven days after the date of this Prospectus. If ASX does not grant permission for CPS to be quoted within three months after the date of this Prospectus (or any longer period permitted by law), CPS will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable.

6.6.3 CHES and issuer sponsored holdings

BOQ has applied for CPS to participate in CHES. No certificates will be issued for CPS. BOQ expects that Holding Statements for issuer sponsored holders and confirmations for CHES holders will be despatched to successful Applicants by 28 December 2012.

6. ABOUT THE OFFER

6.6.4 Deferred settlement trading and selling CPS on market

It is expected that CPS will begin trading on ASX on a deferred settlement basis on 27 December 2012 under ASX code "BOQPD". Trading is expected to continue on that basis until 31 December 2012, when it is anticipated that trading of CPS will begin on a normal settlement basis. Deferred settlement will occur as a consequence of trading which takes place before Holding Statements are despatched to successful Applicants.

You are responsible for confirming your holding before trading in CPS. If you are a successful Applicant and sell your CPS before receiving your Holding Statement, you do so at your own risk.

You may call the BOQ Offer Information Line on 1800 779 639 (within Australia) or +61 2 8280 7626 (outside Australia) (Monday to Friday 8:30am to 7:30pm Sydney time) or your Syndicate Broker, after the Issue Date to enquire about your allocation.

6.6.5 Provision of bank account details for Dividends

BOQ's current policy is that CPS Holders with a registered address in Australia and New Zealand will be paid Dividends by direct credit into nominated Australian or New Zealand financial institution accounts (excluding credit card accounts) and for all other CPS Holders, payments will be made by Australian dollar cheque.

6.6.6 Provision of TFN or ABN for Australian tax residents

If you are a Shareholder Applicant or a General Applicant who has not already quoted your TFN or ABN and are issued any CPS, then you may be contacted in relation to quoting your TFN or ABN.

The collection and quotation of TFNs and ABNs are authorised, and their use and disclosure is strictly regulated, by tax laws and the Privacy Act 1988 (Cth).

Successful Applicants who do not have an address in Australia registered with the Registry, or who direct the payment of any Dividend to an address outside of Australia, may have an amount deducted for Australian withholding tax from any Dividend paid, to the extent that the Dividend is not fully franked.

6.6.7 Discretion regarding the Offer

BOQ reserves the right not to proceed with, and may withdraw, the Offer at any time before the issue of CPS to successful Applicants.

If the Offer, or any part of it, does not proceed, all relevant Application Payments will be refunded (without interest).

BOQ and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer CPS than applied or bid for. This is at BOQ's and the Joint Lead Managers' discretion, and neither BOQ nor the Joint Lead Managers are under any obligation to exercise that discretion in any particular case.

Investors should also note that no cooling off rights (whether by law or otherwise) apply to an investment in CPS. This means that, in most circumstances, Applicants may not withdraw their Applications once submitted.

6.7 Enquiries

6.7.1 Reinvestment Applicants, Shareholder Applicants and General Applicants

You can call the BOQ Offer Information Line on 1800 779 639 (within Australia) or +61 2 8280 7626 (outside Australia) Monday to Friday – 8:30am to 7:30pm (Sydney time) if you:

- have further questions on how to apply for CPS;
- require assistance to complete your Application Form;
- require additional copies of this Prospectus and Application Forms; or
- have any other questions about the Offer.

If you are unclear in relation to any matter relating to the Offer or are uncertain whether CPS are a suitable investment for you, you should consult your stockbroker, solicitor, accountant or other independent and qualified professional adviser.

6.7.2 Broker Firm Applicants

If you have further questions about the Offer or your Application under the Broker Firm Offer, call your Syndicate Broker.

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AUSTRALIAN TAXATION SUMMARY





Tax
 10 Shelley Street
 Sydney NSW 2000

 P O Box H67
 Australia Square 1213
 Australia

ABN: 51 194 660 183
 Telephone: +61 2 9335 7000
 Facsimile: +61 2 9335 7001
 DX: 1056 Sydney
 www.kpmg.com.au

The Directors
 Bank of Queensland Limited
 259 Queen Street
 Brisbane QLD 4000

19 November 2012

Dear Directors

Bank of Queensland Convertible Preference Shares (CPS) Australian Tax Summary

We have been requested by Bank of Queensland Limited (**BOQ**) to prepare an Australian tax summary for inclusion in the Prospectus dated 19 November 2012 in relation to the Offer to subscribe for CPS.

Our summary provides a general overview of the Australian income tax, goods and services tax (GST) and stamp duty consequences for certain investors that acquire CPS through initial subscription under this Prospectus (including by way of the Reinvestment Offer for Eligible PEPS Holders).

Unless otherwise stated, capitalised terms used in this summary are as defined in this Prospectus.

1 Scope

This summary has been prepared for inclusion in the Prospectus and should be read in conjunction with the Prospectus. We have based our summary on the information set out elsewhere in the Prospectus, including the CPS Terms as attached to the Prospectus.

This summary is only intended for CPS Holders who:

- are Australian residents for tax purposes;
- hold their CPS on capital account;
- are not subject to the Taxation of Financial Arrangements (**TOFA**) rules; and
- acquire CPS through the initial subscription under the Prospectus (including by way of the Reinvestment Offer for Eligible PEPS Holders).

This summary provides a general overview of the Australian tax consequences arising for CPS Holders. In particular, this summary does not cover the tax consequences which may arise for CPS Holders who intend to hold their CPS as trading stock or revenue assets. It also does not

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apply to non-residents. As such, all CPS Holders should seek independent tax advice about their own specific circumstances.

2 **Anticipated ATO class ruling**

BOQ has applied to the Australian Tax Office (ATO) for a public class ruling (**Class Ruling**) confirming certain income tax issues discussed below.

Class rulings are public rulings that enable the Commissioner of Taxation to provide binding confirmation about the application of tax law to a specific class of persons, in relation to a particular scheme.

In accordance with usual practice, a class ruling will only be issued sometime after the public announcement of a transaction and will not become operative until it is published in the Government Gazette.

When issued, it is expected that the Class Ruling will only apply to CPS Holders referred to in the scope above.

When the Class Ruling is published, it will be available for downloading from BOQ's website (www.boq.com.au) and from the ATO's website (www.ato.gov.au).

3 **Tax consequences for certain Australian resident CPS Holders**

3.1 **Dividends on CPS**

CPS should be characterised as "equity interests" for income tax purposes.

Accordingly, a CPS Holder must include Dividends paid in respect of CPS in their assessable income in the income year in which the Dividend is paid.

Provided a CPS Holder is a "qualified person" (discussed below), they must also include any franking credits attached to the Dividends in their assessable income and they will be entitled to obtain a tax offset for the amount of franking credits attached to the Dividends.

A person is a "qualified person" if, generally speaking, they satisfy the "holding period" rule and the "related payments" rule.

The "holding period" rule requires CPS to have been continuously held "at risk" for a period of at least 90 days (excluding the day of acquisition and the day of disposal, and any days on which the CPS Holder has materially diminished risks of loss or opportunities for gain in respect of the CPS) in the period beginning on the day after the day on which CPS are acquired and ending on the 90th day after the day on which CPS become ex-dividend.

The "related payments" rule applies where the taxpayer or an associate has made, is under an obligation to make, or is likely to make, a related payment in respect of the dividend and requires the shares to have been continuously held "at risk" for a period of at least 90 days (excluding the day of acquisition and the day of disposal, and any days on which the CPS Holder has materially diminished risks of loss or opportunities for gain in respect of CPS) in the period beginning on the 90th day before and ending on the 90th day after the day on which CPS become ex-dividend.



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A CPS Holder will be “at risk” where positions taken by the taxpayer do not materially diminish the risk or opportunities in respect of holding CPS.

CPS Holders who have total franking tax offsets below \$5,000 in a year (from all sources) will automatically be “qualified persons” in respect of CPS unless they are subject to the “related payments” rule.

3.2 *Anti-avoidance rule*

Section 177EA of the *Income Tax Assessment Act 1936* is an anti-avoidance provision that applies to schemes where one of the purposes (other than an incidental purpose) is to obtain an imputation benefit. Where Section 177EA applies, the Commissioner may make a written determination with the effect of either:

- imposing franking debits on BOQ’s franking account; or
- denying the imputation benefit on the distribution that flowed directly or indirectly to CPS Holders.

Based on our discussions with the ATO, and other class rulings which have recently been issued for similar instruments, we expect that the Commissioner will confirm in the Class Ruling that there will be no determination made under Section 177EA to deny the whole, or any part, of the imputation benefits received by CPS Holders in relation to the Dividends.

3.3 *Acquisition date and cost base for Capital Gains Tax (CGT)*

Each CPS will be taken to have been acquired for CGT purposes on the date BOQ issues CPS (which is expected to be 24 December 2012).

The cost base (or reduced cost base) for each CPS will include \$100 (being the Face Value of CPS). The cost base (or reduced cost base) should also include any incidental costs (e.g. adviser or broker fees) associated with the acquisition or disposal of CPS. The cost base (or reduced cost base) is relevant for determining the amount of any capital gain (or capital loss) resulting on a subsequent disposal of CPS.

3.4 *Sale of CPS*

CPS Holders selling their CPS on the Australian Securities Exchange (**ASX**) will make a capital gain when the sale proceeds exceed the cost base and will make a capital loss when the reduced cost base exceeds the sale proceeds. A capital gain (net of capital losses) will be included in the CPS Holder’s assessable income. A capital loss may be applied against the CPS Holder’s other capital gains or potentially carried forward for future years.

Where the CPS have been held for at least 12 months prior to the sale (excluding the day of acquisition and the day of disposal) and the CPS Holder is an individual, trustee of a trust, or a complying superannuation fund, they may be eligible to apply a CGT discount to reduce the amount of the taxable capital gain. Individuals and trusts are entitled to a 50% CGT discount and complying superannuation funds are entitled to a 33¹/₃% CGT discount. Companies are generally not entitled to the CGT discount.

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3.5 Redemption of CPS

If the Bank Redeems the CPS, they will be redeemed, bought back (off-market) or cancelled pursuant to a reduction of capital, or a combination of these methods. The tax consequences of any Redemption depends on the method of the Redemption. It is expected that further information about the tax implications of a Redemption would be provided to the CPS Holders by BOQ prior to any Redemption of CPS.

3.6 Conversion of CPS into Ordinary Shares in BOQ

The Conversion of each CPS into an Ordinary Share, and the allotment of any additional Ordinary Shares, will not result in a CGT event for CGT purposes which would give rise to a capital gain or capital loss at the time of Conversion.

The allotment of any additional Ordinary Shares will not be assessable as a dividend or as ordinary income in the hands of the CPS Holders.

Each Ordinary Share received as a result of the Conversion will be taken to have been acquired for CGT purposes on the date BOQ issues CPS (which is expected to be 24 December 2012).

As a result of the Conversion, CPS Holders will apportion the original cost base (or reduced cost base) of CPS across all of the Ordinary Shares held by the CPS Holder (ie CPS converted into an ordinary share and any additional ordinary shares). The cost base (or reduced cost base) is relevant for determining the amount of any capital gain (or capital loss) resulting on a disposal of the Ordinary Shares.

3.7 Conversion of CPS into Ordinary Shares in a NOHC

In the event an Approved NOHC replaces BOQ as the ultimate holding company of the Group, the CPS Terms may be amended to effect the issue of Approved NOHC Shares to CPS Holders in substitution for Ordinary Shares upon Conversion of CPS.

The CPS Holders will not make a capital gain or loss as a result of the amendment to the CPS Terms, provided they do not receive any proceeds (and do not incur any incidental costs) as a result.

Where there is a Conversion subsequent to the interposition of an Approved NOHC, a capital gain or loss will not arise for CPS Holders due to the operation of special rules in the CGT provisions (ie where, on Conversion, the CPS Holder receives Approved NOHC Shares in substitution for Ordinary Shares).

Each Approved NOHC Share received as a result of Conversion will be taken to have been acquired for CGT purposes on the date of Conversion (ie not on the date BOQ issues the CPS).

3.8 Write Off

CPS may be Written Off (rather than converted) in certain circumstances following a Capital Trigger Event or a Non-Viability Trigger Event. If CPS are Written Off, there is a variation of the rights attaching to CPS with respect to dividends and returns of capital. CPS Holders will



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continue to hold their CPS. The variation will not result in a CGT event for the CPS Holders for CGT purposes which would give rise to a capital gain or capital loss.

4 **Reinvestment Offer - PEPS**

Eligible PEPS Holders may fund the acquisition of CPS by electing to participate in the selective buy-back of their PEPS, with the proceeds being used to subscribe for CPS (in accordance with the Reinvestment Offer).

The selective buy-back of PEPS will result in a disposal of PEPS for the buy-back price, being their \$100 face value. Participating Eligible PEPS Holders will make a capital gain where the buy-back price is greater than the cost base of their PEPS. Participating Eligible PEPS Holders will make a capital loss where the buy-back price is lower than the reduced cost base of their PEPS. As the buy-back price is equal to the face value of PEPS on issuance, Eligible PEPS Holders that acquired their PEPS on initial subscription should not incur a capital gain as a result of electing to participate in the selective buy back of their PEPS.

If Eligible PEPS Holders derive a capital gain on the selective buy-back of their PEPS (eg as a result of acquiring PEPS on market for less than \$100 face value), the CGT discount discussed above regarding the sale of CPS may also be available.

Eligible PEPS Holders that reinvest in CPS will receive a Pro Rata Dividend on their Reinvested PEPS, to be paid on the Reinvested PEPS Buy-back Date. Such a dividend will be assessable income to the Eligible PEPS Holder in accordance with the principles set out above in Section 3.1.

5 **Goods and Services Tax (GST)**

CPS Holders should not be liable for GST at the time of acquiring, converting or disposing of their CPS (or as a result of having their PEPS bought back).

CPS Holders who are registered for GST are unlikely to be entitled to an input tax credit in respect of GST on costs associated with the acquisition of CPS.

6 **Stamp duty**

Stamp duty should not be payable on an Application, including the acquisition of CPS and the disposal of PEPS through the selective buy-back.

* * * * *

Our tax opinion is based on current taxation law as at the date our advice is provided. You will appreciate that the tax law is frequently being changed, both prospectively and retrospectively. A number of key tax reform measures have been implemented, a number of other key reforms have been deferred and the status of some key reforms remains unclear at this stage.

Unless special arrangements are made, this advice will not be updated to take account of subsequent changes to the tax legislation, case law, rulings and determinations issued by the

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Australian Commissioner of Taxation or other practices of taxation authorities. It is your responsibility to take further advice, if you are to rely on our advice at a later date.

We are, of course, unable to give any guarantee that our interpretation will ultimately be sustained in the event of challenge by the Australian Commissioner of Taxation.

KPMG's Tax practice is not licensed to provide financial product advice under the Corporations Act and taxation is only one of the matters that must be considered when making a decision on a financial product. You should consider taking advice from an Australian Financial Services Licence holder before making any decision on a financial product.

Yours faithfully

A handwritten signature in black ink that reads 'KPMG.' with a period at the end.

KPMG

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SUMMARY OF IMPORTANT DOCUMENTS

8



8. SUMMARY OF IMPORTANT DOCUMENTS

This Section contains summary of important documents relating to the Offer.

8.1 Overview of rights and liabilities attaching to CPS

Rights attaching to CPS are contained in the CPS Terms in Appendix A which are explained further in Section 2.

Some of the rights attaching to CPS are linked with rights arising under other documents, for example, CPS may be Converted into Ordinary Shares in certain circumstances. The rights attaching to Ordinary Shares are set out in BOQ's Constitution, the ASX Listing Rules and the Corporations Act.

For a summary of important rights attaching to the Ordinary Shares - see Section 8.2.

8.2 Rights and liabilities attaching to Ordinary Shares

Ordinary Shares may be issued to you if your CPS are Converted into Ordinary Shares under the CPS Terms. Any Ordinary Shares issued on Conversion will be fully paid and will rank equally with the Ordinary Shares already on issue.

The rights attaching to Ordinary Shares are contained in the Constitution and, in certain circumstances, are regulated by the Corporations Act, the ASX Listing Rules, the ASX Operating Settlement Rules and the general law.

BOQ proposes that at the AGM on 13 December 2012, Ordinary Shareholders adopt a new constitution to replace the current Constitution. The new constitution will provide for a number of changes in law and Listing Rules since the Constitution was last comprehensively reviewed in 1995 and include a number of updated corporate administrative practices, including taking account of changes in communications technology. It is not proposed to alter the rights attaching to Ordinary Shares. The summary below will apply equally if the new constitution is adopted.

Ordinary Shareholders:

- (a) are entitled to receive all notices of, and to attend, general meetings of BOQ and to receive all notices, accounts and other documents required to be sent to Ordinary Shareholders under the Constitution, the Corporations Act or the ASX Listing Rules;
- (b) are entitled to be present in person or by proxy, attorney or representative at a meeting of Ordinary Shareholders, to one vote on a show of hands and, on a poll, to one vote for every fully paid Ordinary Share held, and a proportionate vote for every partly paid Ordinary Share, registered in that Ordinary Shareholder's name on BOQ's share register;
- (c) are entitled to receive dividends on the Ordinary Shares declared or determined by the Board; and
- (d) may transfer shares by a market transfer according to any computerised or electronic system established or recognised by ASX or the Corporations Act for the purpose of facilitating transfers in Ordinary Shares or by an instrument in writing in a form approved by ASX, in any other usual form or in any form approved by the Directors.

BOQ currently has two classes of shares on issue - PEPS and Ordinary Shares. Following a successful completion of the Offer, CPS will also be on issue. The transfer procedures referred to in (d) above are applicable to all shares on issue.

On a winding up, once all the liabilities of BOQ are satisfied, any surplus must then be used to return the capital represented by the CPS and the PEPS (ranking equally) and then the return of capital represented by the Ordinary Shares, in that order. Ordinary Shareholders are entitled to any surplus on winding up after the return of capital.

A liquidator may, with the authority of a special resolution of Ordinary Shareholders, divide the whole or any part of the remaining assets of BOQ among the Ordinary Shareholders at the time. The liquidator may, with the sanction of a special resolution of the Ordinary Shareholders, vest the whole or any part of the assets in trust for the benefit of Ordinary Shareholders as the liquidator thinks fit. However, no Ordinary Shareholder can be compelled to accept any shares or other securities in respect of which there is any liability.

The Constitution may be amended only by a special resolution passed by Ordinary Shareholders.

The Directors may (subject to the restrictions on the allotment of shares imposed by the Constitution, the ASX Listing Rules and the Corporations Act) allot or otherwise dispose of further Ordinary Shares or other securities on such terms and conditions as they see fit.

A copy of the current Constitution and the proposed new constitution are available online at the BOQ website - www.boq.com.au.

8.3 Rights and liabilities attaching to Approved NOHC Shares

If there is a NOHC Event and the CPS Terms are amended to enable substitution of the NOHC as the issuer of ordinary shares on Conversion (including Mandatory Conversion), the rights and liabilities of the Approved NOHC Shares are not expected to be materially different to the rights and liabilities of Ordinary Shares in BOQ. The Approved NOHC will be obliged to use all reasonable endeavours to obtain quotation of the Approved NOHC Shares issued on Conversion.

8.4 Summary of the Offer Management Agreement

8.4.1 Overview

BOQ and the Joint Lead Managers signed the Offer Management Agreement on 7 November 2012. Under the Offer Management Agreement, BOQ appointed Commonwealth Bank of Australia, Merrill Lynch International (Australia) Limited, National Australia Bank Limited and RBS Morgans Limited as Joint Lead Managers of the Offer. The following is a summary of the principal provisions of the Offer Management Agreement.

Under the Offer Management Agreement, the Joint Lead Managers have agreed to manage the Offer, conduct the Bookbuild process and, together with BOQ, determine the Margin. The Joint Lead Managers have agreed to, in consultation with BOQ, determine Allocations of CPS to Bookbuild participants. The Joint Lead Managers have agreed to provide settlement support for the settlement obligations of successful Applicants under the Broker Firm Offer. Merrill Lynch and RBS Morgans have agreed to provide settlement support for the settlement obligations of successful Applicants under the Institutional Offer.

8.4.2 Fees

The estimated aggregate fees payable by BOQ under the Offer Management Agreement are set out in Section 9.2. The actual amount payable will not be known until the allocation of CPS under the Offer.

In addition, BOQ must reimburse each Joint Lead Manager for reasonable expenses, including reasonable legal and travel costs, incurred by the Joint Lead Managers in relation to the Offer.

8.4.3 Representations, warranties and undertakings

BOQ gives various representations, warranties and undertakings to the Joint Lead Managers, including that the documents issued or published by or on behalf of BOQ in respect of the Offer comply with all applicable laws, including the Corporations Act and the ASX Listing Rules.

With the exception of the CPS issue, BOQ has also agreed that it will not (and will ensure that its subsidiaries do not), without the Joint Lead Manager's prior written consent, allot, agree to allot, announce an issue of, indicate any way that it may or will allot or otherwise authorise the issue of, any ASX listed hybrid or preference securities in Australia with Tier 1 Capital status at any time after the date of the Offer Management Agreement and before the expiration of 90 days after the settlement date of the Offer Management Agreement (other than pursuant to the Offer, an employee share or option plan, a bonus share plan, a dividend reinvestment plan or an underwriting of a dividend reinvestment plan, a share purchase plan or underwriting of a share purchase plan or in accordance with the terms of issue of securities or financial products on issue on the date of the Offer Management Agreement).

8.4.4 Indemnity

BOQ agrees to indemnify the Joint Lead Managers, their affiliates and the officers, directors, employees, partners, agents, advisers and representatives of the Joint Lead Managers and their affiliates against all claims, demands, damages, losses, costs, expenses, liabilities, or actions incurred by them in connection with the Offer (subject to limited exclusions).

8.4.5 Termination events

Until 5:00pm on the settlement date of the Offer Management Agreement, each Joint Lead Manager may terminate its obligations under the Offer Management Agreement on the occurrence of a number of customary termination events, including (among others) if:

- ASIC issues a stop order in relation to the Offer;
- ASX refuses to quote CPS on ASX;

- BOQ's Ordinary Shares are delisted, removed from quotation or suspended from quotation on the ASX (other than at the request of BOQ and with the prior approval of the Joint Lead Managers);
- any person (other than a Joint Lead Manager) withdraws their consent to be named in the Prospectus;
- BOQ withdraws or notifies of an intention to withdraw the Prospectus or the Offer;
- a supplementary prospectus is, in the reasonable opinion of a Joint Lead Manager, required under section 719 of the Corporations Act or required to comply with section 257G of the Corporations Act;
- a credit rating assigned to the BOQ Group at the date of the Offer Management Agreement by Standard & Poor's is downgraded, withdrawn, or placed on credit watch negative;
- confirmations received from ASIC, ASX and APRA in connection with the Offer are withdrawn;
- the S&P ASX 200, the All Ordinaries Index of ASX or the Dow Jones Industrial Average:
 - closes on any 3 consecutive Business Days at a level that is 10% or more below the level of that index as at the close of business on the Business Day prior to the date of the Offer Management Agreement (Starting Level); or
 - closes at a level that is 10% or more below the Starting Level at any time during the 2 Business Days prior to the settlement date of the Offer Management Agreement; or
 - closes at a level that is 15% or more below the Starting Level; and
- an adverse change occurs or becomes known in the assets, liabilities, financial position or performance, profits, losses or prospects of BOQ or its subsidiaries.

Certain of these events will only give rise to a right to terminate if the Joint Lead Manager reasonably believes that the event or a series of events together has or is likely to have a material adverse effect on the Offer or that the Joint Lead Manager or its affiliates has or is likely to contravene, be involved in a contravention of, or incur a liability under the Corporations Act or any other applicable law or regulation as a result of the event or the series of events. If this occurs, the Joint Lead Manager who terminates will no longer be a lead manager and will be relieved of its obligations under the Offer Management Agreement.

Under the Offer Management Agreement, if one Joint Lead Manager terminates, each other Joint Lead Manager may elect to take up the rights and obligations of the terminating Joint Lead Manager in proportions to be agreed with the other remaining Joint Lead Managers, or elect to terminate its obligations under the Offer Management Agreement.

In addition, the Joint Lead Managers may terminate the Offer Management Agreement if a condition precedent to the agreement or to settlement is not satisfied or waived by the relevant time, including but not limited to the Australian Taxation Office issuing (and not withdrawing) a favourable draft class ruling in relation to the tax treatment of the CPS in a form satisfactory to the Joint Lead Managers by 21 December 2012.

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KEY PEOPLE, INTERESTS AND BENEFITS



9. KEY PEOPLE, INTERESTS AND BENEFITS

9.1 Interests of Directors

Other than as set out in this Section or elsewhere in this Prospectus, no Director or proposed director of BOQ holds at the date of this Prospectus, or has held in the 2 years before the date of this Prospectus, an interest in:

- the formation or promotion of BOQ;
 - the Offer; or
 - any property acquired or proposed to be acquired by BOQ in connection with its formation or promotion or with the Offer,
- nor has any amount been paid or agreed to be paid, or benefit given or agreed to be given, to any Director or proposed director of BOQ:
- to induce him or her to become, or to qualify him or her as, a director of BOQ; or
 - for services provided by him or her in connection with the formation or promotion of BOQ or with the Offer.

9.1.1 Interests in BOQ securities

The Directors' interests in Ordinary Shares and performance award rights of BOQ as at the date of this Prospectus are as follows:

Name	Ordinary Shares	Performance award rights
Neil Edwin Summerson	45,599	Nil
Stuart Ian Grimshaw	10,825	121,619
Steven Crane	25,678	Nil
Roger Andrew Davis	4,896	Nil
Carmel Therese Gray	10,946	Nil
Richard George Andrew Haire	4,000	Nil
John Reynolds	5,217	Nil
Michelle Tredenick	2,433	Nil
David Stephen Willis	1,414	Nil

None of the Directors has an interest in PEPS.

9.1.2 Directors' remuneration

The Directors are paid fees in accordance with the Constitution as determined by the Board subject to a maximum aggregate amount determined by resolution of Shareholders, which is currently \$2,200,000. The Managing Director and Chief Executive Officer's remuneration are fixed by the Board and may consist of salary, bonuses or other elements but must not be a commission on or percentage of profits or operating revenue. Details of Directors' remuneration are set out in the remuneration report contained in BOQ's annual financial report for the year ended 31 August 2012, which was lodged with ASX on 18 October 2012 and is available at www.boq.com.au or see Section 10.1 for further details about accessing this and other documents lodged by BOQ.

9.1.3 Participation in the Offer

The Directors and certain related persons may acquire CPS offered under this Prospectus subject to a collective limit of 0.2% of the CPS offered - see relevant ASX waivers described in Section 10.4.

9.2 Interests of experts and advisers

Commonwealth Bank of Australia, Merrill Lynch International (Australia) Limited, National Australia Bank Limited and RBS Morgans Limited are acting as Joint Lead Managers for the Offer, in respect of which they will receive fees from BOQ. The estimated aggregate fees payable by BOQ to the Joint Lead Managers (and other Syndicate Brokers) are approximately \$5.4 million (exclusive of GST), making certain assumptions as to the allocations of CPS between the Broker Firm Offer, Institutional Offer, Reinvestment Offer, Shareholder Offer and General Offer. The aggregate fees include an institutional selling fee split equally between Merrill Lynch International (Australia) Limited and RBS Morgans Limited and broker firm selling and stamping fees payable to the Syndicate Brokers in accordance with the Offer Management Agreement. Merrill Lynch International (Australia) Limited has also acted as Structuring Adviser and is entitled to a structuring fee in relation to that role.

KPMG has acted as tax adviser for BOQ and prepared the taxation letter in Section 7. BOQ estimates that fees of approximately \$95,000 (excluding disbursements and GST) will be payable to KPMG for this work up to the date of lodgement of this Prospectus. KPMG may receive further fees for any additional work done in accordance with its normal time based charges.

KPMG Transaction Services (a division of KPMG Financial Advisory Services (Australia) Pty Ltd) has provided due diligence services on certain financial disclosures in relation to the Offer. BOQ estimates that fees of approximately \$60,000 (excluding disbursements and GST) will be payable to KPMG Transaction Services for this work up to the date of lodgement of this Prospectus. KPMG Transaction Services may receive further fees for any additional work done in accordance with its normal time based charges.

Clayton Utz has acted as legal adviser to BOQ and has provided a range of legal services in connection with the Offer. BOQ estimates that fees of approximately \$450,000 (excluding disbursements and GST) will be payable to Clayton Utz for this work up to the date of lodgement of this Prospectus. Clayton Utz may receive further fees for any additional work done in accordance with its normal time based charges.

Other than as set out above or elsewhere in this Prospectus:

- no person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- nor any promoter of BOQ or underwriter to the Offer;
- nor any financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds at the date of this Prospectus, or has held in the 2 years before the date of this Prospectus, any interests in:

- the formation or promotion of BOQ;
- the Offer; or
- any property acquired or proposed to be acquired by BOQ in connection with its formation or promotion or with the Offer,

nor has any amount been paid or agreed to be paid, or benefit given or agreed to be given, to any of them for services provided by them in connection with the formation or promotion of BOQ or with the Offer.

9.3 Expenses of the Offer

The expenses of the Offer (which include offer management, structuring, advisory, legal, accounting, tax, listing and administrative fees as well as printing, advertising and other expenses incurred in preparing and issuing this Prospectus) are, at the date of this Prospectus, estimated to be approximately \$4.9 million (after tax) and are to be paid by BOQ.

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ADDITIONAL INFORMATION

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10. ADDITIONAL INFORMATION

This Section provides information about a number of other matters not covered elsewhere in this Prospectus.

10.1 Disclosing entity information and/or incorporation by reference information

As a disclosing entity for the purposes of the Corporations Act and the ASX Listing Rules, BOQ is subject to regular reporting and continuous disclosure obligations. These obligations include compliance with the requirements of the Corporations Act and the ASX Listing Rules concerning notification of information to the market operated by ASX. Subject to limited exceptions for certain categories of confidential information set out in the ASX Listing Rules, BOQ must notify ASX immediately of any information concerning it which it is, or becomes aware of, and which a reasonable person would expect to have a material effect on the price or value of its listed securities. That information is kept on public file with ASX and ASIC. BOQ must also prepare and lodge with ASIC full year and half yearly financial statements accompanied by a Directors' statement and report, and an audit or review report.

Copies of these and other documents lodged with ASIC may be obtained from or inspected at an ASIC office.

BOQ will provide a copy of any of the following documents free of charge to any person who requests a copy during the Offer Period in relation to this Prospectus:

- the financial statements of BOQ for the year ended 31 August 2012 (being the most recent annual financial report lodged with ASIC before the lodgement of this Prospectus); and
- any document lodged by BOQ under the continuous disclosure reporting requirements in the period after the lodgement of its last annual financial report and before the lodgement of the Prospectus.

Copies of the above documents may be obtained in person or in writing from BOQ at:

Bank of Queensland Limited
Level 17, 259 Queen Street
BRISBANE QLD 4000

Copies of these documents are also available online via the BOQ website at www.boq.com.au

10.2 Restrictions on ownership for BOQ

The Financial Sector (Shareholdings) Act 1998 (Cth) restricts the aggregate voting power of a person and their associates in an Australian authorised deposit-taking institution to 15%. A shareholder may apply to the Treasurer to extend its stake beyond 15%, however approval cannot be granted unless the Treasurer is satisfied that it is in the national interest to approve a holding of greater than 15%.

Acquisitions of interests in shares in Australian companies by foreign persons are subject to review and approval by the Treasurer under the Foreign Acquisitions and Takeovers Act 1975 (Cth) in certain circumstances. Potential investors should consult their professional advisers to determine whether the Foreign Acquisitions and Takeovers Act may affect their holding or ownership of CPS or Ordinary Shares.

10.3 Consents to be named / to include statements

Each of the entities below (each a **Consenting Party**):

- has given its written consent to be named in this Prospectus, and at the date of lodgement of this Prospectus with ASIC, has not withdrawn that consent;
- has not authorised or caused the issue of this Prospectus;
- does not make, or purport to make, any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, other than a statement or report included in this Prospectus as specified in the paragraphs below; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus, other than the reference to its name in the form and context in which it is named.

The Consenting Parties are:

- Commonwealth Bank of Australia;
- Merrill Lynch International (Australia) Limited;
- National Australia Bank Limited;
- RBS Morgans Limited;
- Bell Potter Securities Limited;
- Ord Minnett Limited;
- KPMG, which has also given, and at the date of lodgement of this Prospectus with ASIC, has not withdrawn, its consent to the inclusion of the taxation letter in Section 7 in the Prospectus in the form and context in which it is included;
- KPMG Transaction Services;
- Clayton Utz; and
- Link Market Services Limited.

10.4 ASX waivers and confirmations

BOQ has obtained the following confirmations and waivers from ASX:

- a confirmation that the CPS are equity securities for ASX Listing Rule purposes;
- a confirmation that the terms of the CPS are appropriate and equitable for the purposes of ASX Listing Rule 6.1;
- a waiver from ASX Listing Rules 6.3.2 in relation to the right to cast votes of CPS Holders in relation to a Redemption under the CPS Terms;
- a confirmation that the CPS Terms satisfy the requirements of ASX Listing Rule 6.5;
- a confirmation that the CPS Terms confer an entitlement to a return of capital in preference to holders of ordinary securities on winding up or end of the company for the purposes of ASX Listing Rule 6.6;

10. ADDITIONAL INFORMATION

- a confirmation that ASX Listing Rules 6.10 and 6.12 do not apply to the Distribution Restriction or to Redemption or Conversion of CPS under the CPS Terms;
- a confirmation that the conversion rate for the CPS for the purposes of ASX Listing Rule 7.1B.1 will be taken to be the market price of Ordinary Shares at the close of trading on the Business Day immediately before the date of the Prospectus;
- a waiver from ASX Listing Rule 10.11 to permit the Directors and their associates to be issued with CPS under the Offer without the approval of Ordinary Shareholders, provided that collectively those issues do not exceed 0.2% of the CPS issued under the Offer, the participation of those persons in the Offer is on the same terms and conditions as other subscribers, the terms of the waiver are disclosed in this Prospectus and BOQ announces to the market the aggregate number of CPS issued to those persons;
- a confirmation that ASX considers an issue of ordinary securities on conversion of CPS to directors and their related parties will not require shareholder approval in accordance with ASX Listing Rule 10.12, exception 7; and
- a waiver of ASX Listing Rule 14.11 to the extent necessary to permit BOQ to omit from the voting exclusion statement in the notice of meeting relating to the approval of the issue of CPS for the purposes of ASX Listing Rule 7.1, holders acting solely in a fiduciary, nominee or custodial capacity (**Nominee Holders**) on behalf of beneficiaries who did not participate in the Offer where such Nominee Holders may have participated in the Offer themselves or for other beneficiaries.

In relation to the Reinvestment Offer, ASX has confirmed that:

- the amendments to the PEPS terms of issue are appropriate and equitable for the purposes of ASX Listing Rule 6.1; and
- the early Pro-Rata Dividend payment is permitted under Listing Rule 6.10.

10.5 ASIC relief

ASIC relief has been obtained to enable BOQ to issue a “transaction specific” prospectus that complies with section 713 of the Corporations Act in relation to the Offer.

10.6 Foreign selling restrictions

This Prospectus does not constitute an offer of CPS in any jurisdiction in which it would be unlawful. CPS may not be offered or sold in any country outside Australia or New Zealand except to the extent permitted below.

10.6.1 Hong Kong

WARNING: This Prospectus has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the “Companies Ordinance”), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the “SFO”). No action has been taken in Hong Kong to authorise or register this Prospectus or to permit the distribution of this document or any documents issued in connection with it. Accordingly, CPS have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO).

No advertisement, invitation or document relating to CPS has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to CPS that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted CPS may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

10.6.2 Singapore

This Prospectus and any other materials relating to the CPS have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of CPS, may not be issued, circulated or distributed, nor may the CPS be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (**SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of BOQ's shares, (ii) an “institutional investor” (as defined in the SFA) or (iii) a “relevant person” (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the CPS being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire CPS. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

10.6.3 United States

This Prospectus may not be released or distributed in the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

10.7 Privacy Statement

By making an Application for CPS, you are providing personal information to BOQ through BOQ's service provider, Link Market Services Limited, which is contracted by BOQ to manage Applications. BOQ, and the Registry on its behalf, collect, hold and use that personal information to process your Application, service your needs as a CPS Holder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested, BOQ and the Registry may not be able to process or accept your Application. By submitting an Application, each Applicant agrees that BOQ and the Registry may use the information provided by an Applicant (including in an Application Form) for the purposes set out in this privacy disclosure statement and may disclose it in accordance with BOQ's privacy policy for those purposes to BOQ, and to its related bodies corporate, the Joint Lead Managers, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and other regulatory authorities.

The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- The Registry (or another service provider) for ongoing administration of the shareholder register;
- Printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- Market research companies for the purpose of analysing BOQ's shareholder base and for product development and planning; and
- Legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, BOQ's securities and for associated actions.

If an Applicant becomes a CPS Holder, the Corporations Act requires BOQ to include information about the shareholder (including name, address and details of the CPS held) in its public register of members. The information contained in BOQ's register of members must remain there even if that person ceases to be a shareholder.

Information contained in BOQ's register of members is also used to facilitate dividend payments and corporate communications (including BOQ's financial results, annual reports and other information that BOQ may wish to communicate to its shareholders) and compliance by BOQ with legal and regulatory requirements. An Applicant has a right to gain access to the information that BOQ and the Registry hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to the Registry, details of which are disclosed in the Corporate Directory. Applicants can obtain a copy of BOQ's privacy policy by visiting the BOQ website - www.boq.com.au.

10.8 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications are governed by the laws applicable in Queensland and each Applicant submits to the exclusive jurisdiction of the courts of Queensland.

10.9 Authorisation of this Prospectus

Each Director has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC.

ATM

BOQ

APPENDIX A – CPS TERMS

For personal use only

APPENDIX A – CPS TERMS

1. Description

The following are the terms and conditions of fully-paid, unsecured, perpetual preference shares, paying discretionary, floating rate non-cumulative dividends (the **BOQ CPS**). The BOQ CPS may be Converted, Redeemed or Transferred according to these Terms of Issue.

2. Issuer

The BOQ CPS will be issued by Bank of Queensland Limited ABN 32 009 656 740 (**Bank**) under the Constitution and on the terms and conditions set out in these Terms of Issue.

3. Denomination

The denomination of each BOQ CPS will be the Face Value. Each BOQ CPS will be issued as fully paid.

4. Face Value

The Face Value of each BOQ CPS will be \$100.

5. Maturity

The BOQ CPS are perpetual and have no maturity date.

6. Dividends

6.1 Calculation

Subject to these Terms of Issue, the BOQ CPS will pay a cash dividend on each relevant Dividend Payment Date (each a **Dividend**). The Dividend is calculated as:

$$\text{Dividend} = \frac{\text{Dividend Rate} \times \text{Face Value} \times \text{D}}{365}$$

where:

D is the number of days in the period from (and including):

(a) for the first Dividend Payment Date, the Issue Date until (but not including) the first Dividend Payment Date; and

(b) for any subsequent Dividend Payment Date, the preceding Dividend Payment Date until (but not including) the relevant Dividend Payment Date,

(each such period a **Dividend Period**);

Dividend Rate has the meaning given in clause 6.2;

Face Value has the meaning given in clause 4.

6.2 Dividend Rate

The Dividend Rate (expressed as a percentage rate per annum) is:

$$(\text{BBR} + \text{Margin}) \times (1-t)$$

where:

BBR means the Bank Bill Swap Rate (expressed as a percentage per annum) on the first Business Day of the Dividend Period;

Margin means the margin (expressed as a percentage per annum) determined under the Bookbuild;

t is the Australian corporate tax rate applicable to the franking account of the Bank at the relevant Dividend Payment Date, expressed as a decimal.

APPENDIX A – CPS TERMS

6.3 Gross-up for partly franked dividends

If any Dividend is not franked to 100% under Part 3-6 of the Tax Act (or any provisions that revise or replace that Part), the Dividend will be adjusted in accordance with the following formula:

$$\text{Dividend} = \frac{d}{1 - [t \times (1 - f)]}$$

where:

d – is the Dividend calculated under clause 6.1;

t – has the meaning given in clause 6.2; and

f – is the franking percentage (within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that Part) applicable to the franking account of the Bank at the relevant Dividend Payment Date, expressed as a decimal.

6.4 Dividend Payment Date

Dividends will be payable on the BOQ CPS in arrears on each Dividend Payment Date, with the first Dividend Payment Date being on 15 April 2013 and thereafter semi-annually on each 15 April and 15 October until the BOQ CPS are Converted or Redeemed (in which case the Conversion Date or Redemption Date, as the case may be, will be the final Dividend Payment Date). In the event that BOQ CPS are Transferred, the Transfer Date will be a Dividend Payment Date for those BOQ CPS (but will not be the final Dividend Payment Date for those BOQ CPS).

6.5 Non-cumulative

- (a) Dividends are non-cumulative. If all or any part of a Dividend is not paid because of the provisions of these Terms of Issue or because of any applicable law, the Bank will have no liability to pay, and the Holders will have no right to be paid, any amount in respect of that Dividend.
- (b) The Holders will have no claim or entitlement (including without limitation on winding up of the Bank) in respect of such non-payment, and such non-payment will not constitute an event of default or give Holders any right to apply for the winding-up or administration of the Bank, or cause a receiver, or receiver and manager, to be appointed in respect of the Bank.
- (c) No interest accrues on any unpaid Dividend and the Holder has no claim or entitlement in respect of interest on any unpaid Dividend.

6.6 Conditions to dividend payments

The payment of a Dividend (including on Conversion, Redemption or Transfer) is subject to:

- (a) the Directors, in their absolute discretion, determining that the Dividend is payable;
- (b) the Bank being lawfully able to pay the Dividend under the Corporations Act;
- (c) payment of the Dividend not resulting in any breach of APRA's then prevailing capital adequacy standards and guidelines as they are applied to the Group at the time, unless otherwise approved by APRA; and
- (d) APRA not otherwise objecting to the payment on the relevant Dividend Payment Date.

Without limiting clause 6.6(a), the Directors will not determine a Dividend to be payable if, in their opinion, making the payment would result in the Bank becoming, or being likely to become, insolvent for the purposes of the Corporations Act.

6.7 Record date for Dividends

A Dividend is only payable to those persons registered as Holders on the date which is 11 Business Days before the Dividend Payment Date for that Dividend, or such other date as may be required by the ASX from time to time and adopted by the Bank.

6.8 Deductions

The Bank may deduct or withhold from any Dividend or amount payable on Redemption (or upon or with respect to the issuance of any Ordinary Shares upon any Conversion), the amount of any withholding or other tax, duty, assessment, levy, government charge or other amount, as required by applicable law or any agreement with a governmental authority. If any such deduction or withholding has been made and paid over or accounted for by the Bank to the relevant governmental authority and the balance of the Dividend or other amount payable has been paid (or, in the case of a Conversion, Ordinary Shares have been issued) to the Holder concerned, then the full amount payable to such Holder (or, in the case of a Conversion, the Conversion Number of Ordinary Shares) will be taken to have been duly paid and satisfied (or, in the case of a Conversion, issued) by the Bank. The Bank shall pay the full amount required to be deducted or withheld to the relevant governmental authority within the time allowed for such payment without incurring any penalty under applicable law and must, if requested by the relevant Holder, deliver to that Holder confirmation of that payment without delay after it is received by the Bank from the relevant governmental authority.

6.9 Means of payment

- (a) The Bank may pay a person entitled to any Dividend or other moneys payable in respect of a BOQ CPS by:
- (i) cheque made payable to the person and sent to:
 - A. the address of that person in the register of BOQ CPS;
 - B. if the BOQ CPS is jointly held, the address of the first named joint holder in the register of BOQ CPS; or
 - C. such other address which that person has notified in writing;
 - (ii) crediting an account nominated in writing by that person; or
 - (iii) such other means for the payment of money determined by the Directors.
- (b) The despatch of payment by the Bank to any Holder or any one of joint Holders or otherwise in accordance with this clause 6.9 will be taken to discharge the Bank's liability in respect of the payment.
- (c) If the Bank determines to make a payment by electronic or other means determined under clause 6.9(a)(ii) or 6.9(a)(iii) and an account is not nominated by the Holder or joint Holder, the Bank may hold the amount payable in a separate account of the Bank until the Holder or a joint Holder nominates an account, without any obligation to pay interest to such Holder, and the amount so held is to be taken as having been paid to the Holder or joint Holders at the time it is credited to that separate account of the Bank.
- (d) All amounts payable but unclaimed may be invested by the Bank as it determines for the benefit of the Bank until claimed or until required to be dealt with in accordance with any law relating to unclaimed moneys.
- (e) The Bank, in its absolute discretion, may withhold payment to a Holder where it is required to do so under any applicable law, including any law prohibiting dealings with terrorist organisations or money laundering, or any other type of sanction, or where it has reasonable grounds to suspect that the Holder may be subject to such law or sanction or involved in acts of terrorism or money laundering, and may deal with the payment and the Holder's BOQ CPS in accordance with that applicable law or the requirements of any relevant governmental authority or regulatory body. The Bank is not liable for any costs or loss suffered by a Holder in exercising the Bank's discretion under this clause 6.9(e), even where a Holder later demonstrates that they were not subject to the applicable law or sanction.

6.10 Restrictions in the case of non-payment

Subject to clause 6.11, if for any reason a Dividend has not been paid in full on a Dividend Payment Date (**Relevant Dividend Payment Date**), the Bank must not until and including the next Dividend Payment Date:

- (a) declare, determine or pay any dividends or distributions on any Ordinary Shares; or
- (b) buy back or reduce capital on any Ordinary Shares,

unless:

- (i) the Dividend is paid in full within 3 Business Days of the Relevant Dividend Payment Date;
- (ii) all BOQ CPS have been Converted or Redeemed; or
- (iii) a Special Resolution of the Holders has been passed approving such action.

6.11 Exception to restrictions

The restrictions in clause 6.10 do not apply to:

- (a) repurchases (including buy backs), redemptions or other acquisitions of shares of the Bank in connection with:
 - (i) any employment contract, employee share scheme, award rights plan, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors, consultants or contractors (including contractor's employees) of the Bank or of any member of the Group;
 - (ii) a dividend reinvestment plan, bonus option plan, bonus share plan, shareholder share purchase plan or top-up facility or shareholder sale facility or disposal plan; or
 - (iii) the issue of shares in the Bank, or securities convertible into or exercisable for such shares, as consideration in an acquisition transaction entered into before the occurrence of the failure to pay the Dividend on the relevant Dividend Payment Date;

- (b) an exchange, redemption or conversion of any class or series of the Bank's shares, or any shares of a member of the Group, for any class or series of the Bank's shares, or of any class or series of the Bank's indebtedness for any class or series of the Bank's shares;
- (c) the purchase of fractional interests in shares of the Bank under the conversion or exchange provisions of the shares or the security being converted or exchanged;
- (d) any payment or declaration of a dividend in connection with any shareholders' rights plan, or the issue of rights, shares or other property under any shareholders' rights plan, or the redemption or repurchase of rights pursuant to the plan; or
- (e) a capital raising by way of a rights or entitlement issue made to holders of one or more capital instruments of the Bank.

Nothing in these Terms of Issue prohibits the Bank or any member of the Group from purchasing shares in the Bank (or an interest therein) in connection with transactions for the account of customers of the Bank or of a Group member or, with the prior written approval of APRA, in connection with the distribution or trading of shares in the Bank in the ordinary course of business. This includes:

- (a) taking security over shares in the Bank in the ordinary course of business; and
- (b) acting as trustee for another person where neither the Bank nor any member of the Group has a beneficial interest in the trust (other than a beneficial interest that arises from a security given for the purposes of a transaction entered into in the ordinary course of business).

7. Ranking

7.1 Ranking with respect to Dividends

For payment of Dividends, the BOQ CPS rank:

- (a) senior to Ordinary Shares; and
- (b) equally among themselves and with BOQ PEPS and any other securities or instruments of the Bank that rank equally with the BOQ CPS in respect of dividends or distributions; and
- (c) junior to any securities or instruments of the Bank that rank senior to the BOQ CPS in respect of dividends or distributions.

7.2 Liquidation preference

In a winding-up or liquidation of the Bank, the BOQ CPS rank:

- (a) senior to Ordinary Shares;
- (b) equally among themselves and with BOQ PEPS and any other securities or instruments of the Bank that rank equally with the BOQ CPS in respect of return of capital in a winding-up;
- (c) junior to all the Bank's debts and liabilities to its creditors (including depositors), both unsubordinated and subordinated, other than indebtedness that by its terms ranks equally with, or junior to, the BOQ CPS in a winding-up; and
- (d) junior to any securities or instruments of the Bank that rank senior to the BOQ CPS in respect of return of capital in a winding-up,

for payment in cash of an amount out of surplus assets equal to the Face Value plus any Dividend due but unpaid or such other amount as determined under clause 15.9 (**Liquidation Sum**), and otherwise do not confer any right to participate in the surplus assets of the Bank on a winding-up.

8. Default

The Bank will only be in default under these Terms of Issue in the event of a winding-up of the Bank and such winding-up will not affect the ranking of the BOQ CPS and amounts payable under clause 7.2.

9. Not deposit liabilities

BOQ CPS do not represent a deposit liability of the Bank and are not protected accounts for the purposes of the depositor protection provisions of Australian banking legislation and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction.

10. Set-off

10.1 Holders have no set-off

A Holder is not entitled to set-off any amounts due to a Holder in respect of BOQ CPS against any amount of any nature owed by the Holder to the Bank.

10.2 Holders have no offsetting claims

A Holder will have no offsetting rights or claims on the Bank if the Bank does not pay any Dividend.

10.3 Bank has no set-off

The Bank is not entitled to set-off any amounts of any nature due to the Bank against any amount owed by the Bank to the Holder in respect of BOQ CPS.

11. Other issues of securities

11.1 No rights to participate

Holders do not have a right, as a result of holding the BOQ CPS, to participate in issues of securities to, or capital reconstructions affecting, holders of Ordinary Shares or other securities in the Bank's capital.

11.2 Other issues not to vary class rights

The Bank reserves the right to issue further preference shares or other securities (whether redeemable or not) which rank senior to, equally with or behind BOQ CPS, whether in respect of dividends (whether cumulative or not), return of capital on a winding-up or otherwise.

Such issues of preference shares or other securities do not constitute a variation or abrogation of the rights attached to the then existing BOQ CPS, nor does any buy-back, redemption or return or distribution of capital in respect of any security or instrument other than a BOQ CPS (whether that security or instrument ranks equally, senior or junior with BOQ CPS).

12. Voting, notice and reports

12.1 Voting

Holders will not be entitled to vote at any general meeting of the Bank except that they may vote:

- (a) if at the time of the meeting, a Dividend (or part of a Dividend) is due and payable but has not been paid in full by the relevant dividend payment date;
- (b) on a proposal:
 - (i) to reduce the Bank's share capital (other than in connection with a Redemption of BOQ CPS);
 - (ii) that affects rights attached to the BOQ CPS;
 - (iii) to wind up the Bank; or
 - (iv) for the disposal of the whole of the Bank's property, business and undertaking (other than in connection with a Redemption of BOQ CPS);
- (c) on a resolution to approve the terms of a buy-back agreement (other than in connection with a Redemption of BOQ CPS);
- (d) during the winding-up of the Bank; and
- (e) in any other circumstances in which the ASX Listing Rules require holders of preference shares to be entitled to vote, in which case Holders will be entitled:
 - (f) on a show of hands, to exercise one vote;
 - (g) on a poll, to exercise one vote for each BOQ CPS held by them.

12.2 Notice and meetings

Holders of BOQ CPS will be entitled to:

- (a) receive notice of and attend (but not vote, except in accordance with clause 12.1) at any general meeting of the Bank;
- (b) receive all reports and audited accounts of the Bank which are sent by the Bank to holders of Ordinary Shares.

Failure by the Bank to give a Holder any notice, report or other document to which that Holder is entitled under this paragraph will not affect the validity of any meeting (or any proceedings at any meeting), transaction or document which relates to the document which was not received by the Holder.

13. Conversion, Redemption or Transfer

13.1 Conversion, Redemption or Transfer of BOQ CPS

- (a) A Holder has no right to require a Conversion, Redemption or Transfer of BOQ CPS and the Bank is not obliged to Convert, Redeem or arrange a Transfer of the BOQ CPS in any circumstances other than as set out in these Terms of Issue.
- (b) Subject to these Terms of Issue, BOQ CPS will mandatorily Convert to Ordinary Shares:
 - (i) on a Mandatory Conversion Date in accordance with clause 13.5; or
 - (ii) following a Capital Trigger Event, Non-Viability Trigger Event or Acquisition Event in accordance with clause 13.5.
- (c) Subject to these Terms of Issue, the Bank may Convert the BOQ CPS:
 - (i) following the occurrence of a Tax Event or Regulatory Event in accordance with clause 13.6 or 13.7;
 - (ii) on the Optional Conversion/Redemption Date in accordance with clause 13.6 or 13.7; or
 - (iii) following a Potential Acquisition Event in accordance with clause 13.6 or 13.7.
- (d) Subject to these Terms of Issue, the Bank may Redeem or Transfer the BOQ CPS:
 - (i) following the occurrence of a Tax Event or Regulatory Event in accordance with clause 13.6; or
 - (ii) on the Optional Conversion/Redemption Date in accordance with clause 13.6.

13.2 Conversion Conditions

- (a) Where indicated in these Terms of Issue, Conversion is subject to the satisfaction of the **Conversion Conditions**, which are that:
 - (i) the Test Conversion Number on the 25th Business Day before the Relevant Date is no greater than 90% of the Maximum Conversion Number (**First Conversion Condition**);
 - (ii) the Conversion Number calculated under clause 15.2(a) (and to avoid doubt, disregarding clause 15.2 (b)) on the Relevant Date is no greater than the Maximum Conversion Number (**Second Conversion Condition**); and
 - (iii) no Delisting Event applies in respect of the Relevant Date (**Third Conversion Condition**).
- (b) **Relevant Date** means:
 - (i) for a mandatory Conversion in respect of a Mandatory Conversion Date, the relevant Mandatory Conversion Date contemplated in clause 13.5(c);
 - (ii) for a mandatory Conversion in respect of an Acquisition Event, the Acquisition Event Conversion Date; or
 - (iii) for a Conversion the subject of an Early Conversion/Redemption Notice, the relevant Conversion Date notified in the Early Conversion/Redemption Notice under clause 13.6(g).

13.3 Test Conversion Number and Maximum Conversion Number

- (a) The **Test Conversion Number** means the Conversion Number calculated under clause 15.2(a) (and to avoid doubt, disregarding clause 15.2(b)) using the Test Reference Period and assuming that:
 - (i) for a mandatory Conversion in respect of a Mandatory Conversion Date or Acquisition Event, the Relevant Date is the Mandatory Conversion Date or Acquisition Event Conversion Date; and
 - (ii) for a Conversion the subject of an Early Conversion/Redemption Notice, the Relevant Date is the Conversion Date notified in the Early Conversion/Redemption Notice under clause 13.6(g).

- (b) Subject to any adjustments under clauses 15.4 to 15.6, the **Maximum Conversion Number** is equal to the number of Ordinary Shares calculated (to four decimal places) using the following formula:

$$\text{Maximum Conversion Number} = \frac{\text{Face Value}}{\text{Relevant Fraction} \times \text{Pre - Issue VWAP}}$$

where:

Pre-Issue VWAP means the VWAP during the period of 20 Business Days on which Ordinary Shares were traded on ASX immediately preceding, but not including, the Issue Date;

Relevant Fraction means:

- (i) if Conversion is occurring before 1 January 2013 or on a Mandatory Conversion Date, 0.5; or
- (ii) if Conversion is occurring at any other time, 0.2.

13.4 Announcement of Maximum Conversion Number

The Bank must make an announcement to ASX to notify Holders of the Maximum Conversion Number within a reasonable period after the Issue Date.

13.5 Mandatory Conversion

- (a) Subject to this clause 13.5 and clauses 13.6, 13.7, 13.8 and 13.9, on the earlier of the Mandatory Conversion Date, the Capital Trigger Event Conversion Date (if any), the Non-Viability Conversion Date (if any) and the Acquisition Event Conversion Date (if any), the Bank must Convert all BOQ CPS on issue at that date into Ordinary Shares under clause 15.
- (b) The Bank will make an announcement to ASX and notify APRA in writing immediately after becoming aware of a Capital Trigger Event, Non-Viability Trigger Event or Acquisition Event occurring.
- (c) Subject to clause 13.8, the **Mandatory Conversion Date** will be the first of the following dates:
 - (i) 15 April 2020 (**Scheduled Mandatory Conversion Date**);
 - (ii) a Dividend Payment Date after the Scheduled Mandatory Conversion Date, on which date the Conversion Conditions are satisfied.
- (d) If, on any Relevant Date for a mandatory Conversion in respect of a Mandatory Conversion Date, the First Conversion Condition is not satisfied, the Bank will make an announcement to ASX not less than 21 Business Days before the Relevant Date notifying Holders that mandatory Conversion will not proceed on the Relevant Date.
- (e) The **Capital Trigger Event Conversion Date** will be the date the Capital Trigger Event occurs.
- (f) Conversion on the Capital Trigger Event Conversion Date will not be subject to the Conversion Conditions.
- (g) The **Non-Viability Conversion Date** will be the date the Non-Viability Trigger Event occurs.
- (h) Conversion on the Non-Viability Conversion Date will not be subject to the Conversion Conditions.
- (i) Subject to any relevant determination by APRA, the number of BOQ CPS that are required to be Converted in respect of a Capital Trigger Event or Non-Viability Trigger Event is the number that the Bank or APRA is satisfied will be required for the Bank to cease to be subject to the Capital Trigger Event or Non-Viability Trigger Event (as the case may be), as determined by Conversion of the BOQ CPS on a pro rata basis with the conversion or write-off in accordance with their terms of all other Relevant Tier 1 Capital Instruments (on a Level 1 or Level 2 basis as applicable).
- (j) If only some of the BOQ CPS are to be Converted in respect of a Capital Trigger Event or Non-Viability Trigger Event, the Bank may determine which BOQ CPS are Converted. In making that determination, the Bank must endeavour to treat Holders on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels and other logistical considerations.
- (k) On a Capital Trigger Event Conversion Date or Non-Viability Conversion Date, subject to clauses 13.8(d) and 15.9:
 - (i) the BOQ CPS or relevant number of BOQ CPS will Convert, or be treated as having been Converted; and
 - (ii) the entry of the corresponding BOQ CPS, or relevant number of BOQ CPS, in each Holder's holding in the register of BOQ CPS will constitute a record of the holding of that Holder to the Conversion Number of Ordinary Shares (and, if applicable, any remaining balance of BOQ CPS), and the Bank will recognise the Holder as having been issued the relevant Ordinary Shares for all purposes, in each case without the need for any further act or step by the Bank or the Holder or any other person,

and the Bank will, as soon as practicable thereafter and without delay on the part of the Bank, take any appropriate procedural steps to record such Conversion, including updating the registers of BOQ CPS and Ordinary Shares.

- (l) The **Acquisition Event Conversion Date** will be the Business Day before the date reasonably determined by the Bank to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned or such earlier date as the Bank may reasonably determine having regard to the timing for implementation of the bid or scheme concerned or such later date as APRA may require.
- (m) Conversion on the Acquisition Event Conversion Date is subject to the Conversion Conditions.

13.6 Early Conversion, Redemption or Transfer

- (a) Subject to APRA's prior written approval, the Bank may serve an Early Conversion/Redemption Notice:
 - (i) in respect of some or all of the BOQ CPS, following the occurrence of a Tax Event or Regulatory Event;
 - (ii) in respect of all (but not some only) of the BOQ CPS, following the occurrence of a Potential Acquisition Event; and
 - (iii) in respect of some or all of the BOQ CPS, in respect of the Optional Conversion/Redemption Date.
- (b) The Bank must notify Holders of the occurrence of a Potential Acquisition Event by announcement to ASX as soon as practicable after becoming aware of the occurrence of that event.
- (c) If the Bank serves an Early Conversion/Redemption Notice, the Bank must include in that notice which, or which combination, of the following it intends to do in respect of BOQ CPS the subject of the notice:
 - (i) Convert BOQ CPS into Ordinary Shares under clause 15; or
 - (ii) Redeem BOQ CPS in accordance with clause 14 on the relevant Redemption Date, in which case the Early Conversion/Redemption Notice must also specify the intended type of Redemption under clause 14.1; or
 - (iii) Transfer BOQ CPS in accordance with clause 16 on the relevant Transfer Date.
- (d) The Bank may only apply the mechanisms in clause 13.6(c) if APRA has given its prior written approval to such mechanisms being applied. *Holders should not expect that APRA's prior written approval will be given.*
- (e) The Bank:
 - (i) may only apply the mechanism in clause 13.6(c)(i) (Conversion) if the Conversion Conditions are satisfied;
 - (ii) must not apply the mechanism in clause 13.6(c)(ii) (Redemption) or 13.6(c)(iii) (Transfer) in respect of a Potential Acquisition Event; and
 - (iii) may only apply the mechanism in clause 13.6(c)(ii) (Redemption) if APRA is satisfied that either:
 - A. BOQ CPS the subject of the Redemption are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality and the replacement of the instrument is done under conditions that are sustainable for the Bank's income capacity; or
 - B. the Group's capital position is well above its minimum capital requirements after the Bank elects to Redeem the BOQ CPS.

(f) An Early Conversion/Redemption Notice cannot be given in the period of 20 Business Days preceding (but not including) a Relevant Date for a mandatory Conversion in respect of a Mandatory Conversion Date where the First Conversion Condition has been met in respect of that Relevant Date.

(g) If the Bank serves an Early Conversion/Redemption Notice under clause 13.6, the Conversion Date, Redemption Date or Transfer Date (as appropriate) is the date stated in the Early Conversion/Redemption Notice provided that:

- (i) the Conversion Date, Redemption Date or Transfer Date (as applicable) in the case of a notice under clause 13.6(a)(i), is the last Business Day of the month following the month in which the Early Conversion/Redemption Notice is given by the Bank unless the Bank determines an earlier Conversion Date, having regard to the best interests of the Holders as a whole and the relevant event;
- (ii) the Conversion Date in the case of a notice under clause 13.6(a)(ii), is the Business Day before the date reasonably determined by the Bank to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned or such earlier date as the Bank may reasonably determine having regard to the timing for implementation of the bid or scheme concerned or such later date as APRA may require (**Potential Acquisition Event Conversion Date**); and
- (iii) the Conversion Date, Redemption Date or Transfer Date (as applicable) in the case of a notice under clause 13.6(a)(iii), is the Optional Conversion/Redemption Date, which must fall:
 - A. no earlier than:
 - 1) 25 Business Days, where Conversion is proposed; or
 - 2) 15 Business Days, where Redemption or Transfer is proposed; and
 - B. no later than 50 Business Days, after the date of the Early Conversion/Redemption Notice.

- (h) If the Bank serves an Early Conversion/Redemption Notice to Convert, Redeem or Transfer only some BOQ CPS, the Bank must endeavour to treat Holders on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels and other logistical considerations.

13.7 If Conversion Conditions are not satisfied

If any of the Conversion Conditions is not satisfied in respect of the Relevant Date for a Conversion under clause 13.5 (in respect of an Acquisition Event only) or under clause 13.6:

- (a) if the First Conversion Condition is not satisfied, the Bank will make an announcement to ASX not less than 21 Business Days before the Relevant Date (or in the case of a Conversion in respect of an Acquisition Event or Potential Acquisition Event, the later of 21 Business Days and as early as practicable before the Relevant Date) notifying Holders that the Conversion will not proceed on the Relevant Date;
- (b) if the First Conversion Condition is satisfied but either of the Second Conversion Condition or Third Conversion Condition is not satisfied, the Bank will make an announcement to ASX as soon as practicable that the Conversion will not (or, as the case may be, did not) proceed on the Relevant Date; and
- (c) notwithstanding clauses 13.2(b), 13.5(l) and 13.6:
 - (i) the relevant Conversion Date will be deferred until the first Dividend Payment Date on which the Conversion Conditions would be satisfied if that Dividend Payment Date were a Relevant Date for the purposes of clause 13.2 (**Deferred Conversion Date**);
 - (ii) the Bank must Convert the BOQ CPS on the Deferred Conversion Date, unless those BOQ CPS have been earlier Converted or Redeemed in accordance with these Terms of Issue;
 - (iii) until the Deferred Conversion Date, all rights attaching to the BOQ CPS will continue as if the relevant Acquisition Event Conversion Date had not occurred or the relevant Early Conversion/Redemption Notice had not been given;
 - (iv) if the First Conversion Condition would not be satisfied on a Dividend Payment Date if that Dividend Payment Date were a Relevant Date for the purposes of clause 13.2, and as a result the Dividend Payment Date is not a Deferred Conversion Date, clause 13.7(a) will apply as if the Dividend Payment Date were a Relevant Date for the purposes of clause 13.7(a); and
 - (v) if the First Conversion Condition is satisfied on a Dividend Payment Date under clause 13.7(c)(iv) but either of the Second Conversion Condition or Third Conversion Condition would not be satisfied if that Dividend Payment Date were a Relevant Date for the purposes of clause 13.2, and as a result the Dividend Payment Date is not a Deferred Conversion Date, the Bank will make an announcement to ASX as soon as practicable that the Conversion will not (or, as the case may be, did not) proceed on that Dividend Payment Date.

To avoid doubt, this clause 13.7 does not apply to a Conversion in respect of a Mandatory Conversion Date, Capital Trigger Event Conversion Date or Non-Viability Conversion Date under clause 13.5.

13.8 Priority of Conversion, Redemption, Transfer, Write Off and Winding up

- (a) Subject to clause 13.7 and this clause 13.8, an Early Conversion/Redemption Notice given by the Bank under clause 13.6 is irrevocable and may include any other information that the Bank considers necessary or appropriate to effect the Conversion, Redemption or Transfer in an orderly manner.
- (b) On the occurrence of a Capital Trigger Event or Non-Viability Trigger Event, any Early Conversion/Redemption Notice then on issue will immediately become void.
- (c) Subject to clauses 13.8(d) and 15.9, Conversion required on account of:
 - (i) a Capital Trigger Event takes place on the date and in the manner required by clause 13.5, notwithstanding any other provision for Conversion, Redemption or Transfer in these Terms of Issue (other than on account of a Non-Viability Trigger); and
 - (ii) a Non-Viability Trigger Event takes place on the date and in the manner required by clause 13.5, notwithstanding any other provision for Conversion, Redemption or Transfer in these Terms of Issue.
- (d) If on the Capital Trigger Event Conversion Date or Non-Viability Conversion Date an Inability Event subsists, then to the extent such event prevents the Bank from Converting BOQ CPS, Conversion on account of the Capital Trigger Event or Non-Viability Trigger Event will not occur and clause 15.9 shall apply.
- (e) If before Conversion an order is made by a court, or an effective resolution is passed, for the winding-up of the Bank, then Conversion will not occur and clause 7.2 shall apply, except where Conversion is required in respect of a Capital Trigger Event or Non-Viability Trigger Event in which case Conversion will proceed in accordance with clause 13.5 subject to clause 15.9.

13.9 Issue of ordinary shares of an Approved NOHC

Where there is a replacement of the Bank as the ultimate holding company of the Group and the successor holding company is an Approved NOHC, no Acquisition Event or Potential Acquisition Event will occur and no Conversion of the BOQ CPS will be triggered as a consequence of the Replacement. Instead, these Terms of Issue will be amended as required for the substitution of the Approved NOHC in accordance with clause 18.4.

13.10 Takeovers and schemes of arrangement

If:

- (a) a takeover bid is made for Ordinary Shares, acceptance of which is recommended by the Directors; or
- (b) the Directors recommend a scheme of arrangement in respect of the Ordinary Shares of the Bank which will result in a person other than the Bank having a relevant interest in more than 50% of the Ordinary Shares,

in each case which would result in an Acquisition Event then, if the Directors consider that the Bank will not be permitted to elect to Convert the BOQ CPS in accordance with clause 13.6, or the Second Conversion Condition or Third Conversion Condition will not be satisfied in respect of the Conversion Date relating to an Acquisition Event in accordance with clause 13.7, the Directors will use all reasonable endeavours to procure that:

- (c) takeover offers are made to Holders which, in respect of each BOQ CPS, are for a consideration at least equal to the Redemption Price of that BOQ CPS; or
- (d) Holders are entitled to participate in the scheme of arrangement or a similar transaction.

14. Mechanics of Redemption

14.1 Meaning of Redemption

Redemption, in respect of a BOQ CPS, means the BOQ CPS is redeemed, bought back (other than by an on-market buy-back) or cancelled pursuant to a reduction of capital (or any combination of these) for an amount of cash equal to the Redemption Price, as the case may be. Subject to APRA's prior written approval of the Redemption, if the Bank elects to Redeem BOQ CPS, the provisions of this clause 14 apply.

14.2 Effect of Early Conversion/Redemption Notice

Once a Holder has been given an Early Conversion/Redemption Notice that notifies an intention to Redeem any or all of a Holder's BOQ CPS, that Holder must not deal with, transfer, dispose of or otherwise encumber the BOQ CPS the subject of the proposed Redemption and must do all things reasonably required to give effect to the Redemption of the relevant BOQ CPS in accordance with these Terms of Issue.

14.3 Redemption of BOQ CPS

If the Bank determines to Redeem any BOQ CPS by redemption, to effect the Redemption of the BOQ CPS specified in the Early Conversion/Redemption Notice, the Bank shall pay the Redemption Price to the relevant Holders on the relevant Redemption Date. Upon payment of the Redemption Price, all other rights conferred, or restrictions imposed, by those BOQ CPS under these Terms of Issue will no longer have effect.

14.4 Buy-back of BOQ CPS

If the Bank determines to Redeem any BOQ CPS by buy-back, each Holder agrees to accept the buy-back offer for their relevant BOQ CPS to which the Early Conversion/Redemption Notice relates and will be deemed to have sold to the Bank those BOQ CPS free of all Encumbrances on the terms of the Buy-Back Agreement.

For the avoidance of doubt, no agreement arises under this clause 14.4 until the later of:

- (a) the date the Early Conversion/Redemption Notice is sent to Holders; and
- (b) the date all relevant consents (if any) to the buy-back have been obtained from the Bank's shareholders or any regulatory authority or other person, pursuant to, and in the manner required by, any applicable law or the ASX Listing Rules (subject to any applicable modifications and waivers of such laws or ASX Listing Rules); and
- (c) immediately after payment of the final Dividend to be paid as may be determined by the Directors in their absolute discretion and identified in the Early Conversion/Redemption Notice.

14.5 Cancellation of BOQ CPS

If the Bank:

- (a) determines to Redeem any BOQ CPS by cancellation;
- (b) obtains all consents (if any) to the cancellation which are required to be obtained from the Bank's shareholders or any regulatory authority or other person, pursuant to and in the manner required by any applicable law or the ASX Listing Rules; and
- (c) gives an Early Conversion/Redemption Notice to the relevant Holders notifying them of the Bank's determination to cancel the BOQ CPS identified in the Early Conversion/Redemption Notice,

then subject to these Terms of Issue, the Bank will, on the relevant Redemption Date, cancel every BOQ CPS that the Bank has determined to cancel and identified in the Early Conversion/Redemption Notice. For each BOQ CPS that is cancelled, an amount equal to the Redemption Price will be paid by the Bank to the relevant Holders on the relevant Redemption Date in respect of the cancellation.

14.6 Further assurances

If required by the Bank, where the Terms of Issue provide that the Bank is entitled to Redeem any BOQ CPS, including a Redemption by buy-back or cancellation, the Holder must to the extent permitted by law:

- (a) vote in favour (subject to compliance with the law and to the extent the Holder is entitled to do so) or otherwise abstain from any required resolution;
- (b) provide all documentation and execute or provide any authorisation or power necessary; and
- (c) take all other action necessary or desirable,

to effect the Redemption of those BOQ CPS.

14.7 Power of attorney and agency

Each Holder irrevocably:

- (a) appoints the Bank, each of its authorised officers and any liquidator, administrator or statutory manager of the Bank (each **Relevant Person**) severally to be the attorney of the Holder and the agent of the Holder with power in the name and on behalf of the Holder to do all such acts and things including by exercising any voting rights attached to the BOQ CPS held by the Holder and signing all documents and transfers as may, in the opinion of the Relevant Person, be necessary or desirable to be done in order for the Holder to observe or perform the Holder's obligations under these Terms of Issue, including:
 - (i) to effect, record or perfect the Transfer or Redemption (or transactions contemplated by the Transfer or Redemption) of the BOQ CPS held by the Holder when required or permitted in accordance with these Terms of Issue;
 - (ii) acting as the agent and/or attorney of each Holder to facilitate the buy back or cancellation of the BOQ CPS held by the Holder under clause 14.4 or 14.5; or
 - (iii) as otherwise contemplated under these Terms of Issue; and
- (b) authorises and directs the Bank to make such entries in the register of BOQ CPS (including any amendments and additions to the register) which the Bank considers necessary or desirable to record the Transfer or Redemption of the BOQ CPS in accordance with these Terms of Issue and to record the cessation of the Holder's registration as the holder of the BOQ CPS upon such Transfer or Redemption.

The power of attorney and agency appointment given in this clause is irrevocable and given for valuable consideration to secure the performance by the Holder of its obligations under these Terms of Issue.

15. Mechanics of Conversion

15.1 Meaning of Conversion

A BOQ CPS, on any Conversion, confers all of the rights attaching to one Ordinary Share but these rights do not take effect until 5.00pm (Brisbane time) on the date of Conversion. At that time:

- (a) all other rights or restrictions conferred on BOQ CPS under these Terms of Issue will no longer have any effect (except for any rights relating to a Dividend payable on or before the Conversion Date and any rights to any allotment of additional Ordinary Shares to be issued upon Conversion under clause 15.2); and
- (b) the Ordinary Share resulting from Conversion will rank equally with all other Ordinary Shares then on issue and the Bank will issue a statement that the holder of those shares holds a share so ranking.

The variation of the status of, and the rights attaching to, a BOQ CPS under this clause 15.1 and any issue of additional Ordinary Shares under clause 15.2 is, for the purposes of these Terms of Issue, together termed 'Conversion'. Conversion does not constitute redemption, buy-back, cancellation or termination of a BOQ CPS or an issue, allotment or creation of a new share (other than the additional Ordinary Shares issued under clause 15.2).

15.2 Effect of Conversion

- (a) On the Conversion Date in respect of any Conversion:
- (i) each BOQ CPS being Converted will Convert into one Ordinary Share; and
 - (ii) subject to this clause 15.2, each Holder will be issued an additional number of Ordinary Shares for each BOQ CPS being Converted equal to one less than the following number calculated to four decimal places:

$$= \frac{\text{Face Value}}{\text{Pre - Conversion VWAP} \times (1 - \text{Discount Factor})}$$

where:

Discount Factor (expressed as a decimal) means 0.01;

Pre-Conversion VWAP means the VWAP during the Pre-Conversion VWAP Period (provided that if for a Conversion in respect of an Acquisition Event or Potential Acquisition Event there is no trading in Ordinary Shares after the Acquisition Event or Potential Acquisition Event (as the case may be), the Pre-Conversion VWAP will be the offer price for Ordinary Shares under the relevant Acquisition Event or Potential Acquisition Event).

- (iii) **Pre-Conversion VWAP Period** means:

- A. for the Test Conversion Number, the period of trading in the Ordinary Shares on ASX on the 25th Business Day before the Relevant Date (or if trading in Ordinary Shares did not occur on that date, the period of trading on the last Business Day before that date on which trading in Ordinary Shares occurred) (Test Reference Period);
 - B. for Conversion in respect of an Acquisition Event or Potential Acquisition Event, the lesser of:
 - 1) the 20 Business Days on which trading in the Ordinary Shares took place immediately preceding, but not including, the relevant Conversion Date; and
 - 2) the number of Business Days that Ordinary Shares are quoted for trading on ASX or the principal securities exchange on which Ordinary Shares are then quoted, following the occurrence of the Acquisition Event or Potential Acquisition Event (as the case may be) and preceding, but not including, the relevant Conversion Date;
 - C. for Conversion in respect of a Capital Trigger Event or Non-Viability Trigger Event, the period of 5 Business Days on which trading in the Ordinary Shares took place immediately preceding, but not including, the date of the Capital Trigger Event or Non-Viability Event, as the case may be;
 - D. in all other cases, the period of 20 Business Days on which trading in the Ordinary Shares took place immediately preceding, but not including, the relevant Conversion Date.
- (b) If the number of Ordinary Shares that a Holder would be entitled to receive for each BOQ CPS calculated in accordance with clause 15.2(a) would exceed the Maximum Conversion Number, the Holder will instead receive a number of Ordinary Shares equal to the Maximum Conversion Number for each BOQ CPS.

15.3 Fractions on Conversion

Where the total number of Ordinary Shares that a Holder is entitled to in respect of the total number of BOQ CPS being Converted at that time includes a fraction, that fraction will be disregarded.

15.4 Adjustment to VWAP for dividends, distributions and other entitlements, and for divisions and similar transactions

For the purposes of calculating VWAP in these Terms of Issue (including the Pre-Issue VWAP under clause 13.3):

- (a) where, on some or all of the Business Days in the period for which VWAP is determined (**VWAP Period**), Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and BOQ CPS will Convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend, distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend, cum distribution or cum entitlement shall be reduced by an amount (**Cum Value**) equal to in the case of:
 - (i) a dividend or other distribution, the amount of that dividend or distribution including, if the dividend or distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or other distribution who is a natural person resident in Australia under the Tax Act;
 - (ii) an entitlement that is not a dividend or other distribution under clause 15.4(a)(i) and which is traded on ASX on any of those Business Days, the volume weighted average price of all such entitlements sold on ASX during the VWAP Period on the Business Days on which those entitlements were traded; or
 - (iii) an entitlement that is not a dividend or other distribution under clause 15.4(a)(i) and which is not traded on ASX during the VWAP Period, the value of the entitlement as reasonably determined by the Directors;

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- (b) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement, and BOQ CPS will Convert into Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement shall be increased by the Cum Value; and
- (c) where during the relevant VWAP Period the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities (not involving any cash payment or other distribution to or by Ordinary Shareholders) (**Reconstruction**), in calculating the VWAP for that VWAP Period the daily VWAP applicable on each day in the relevant VWAP Period which falls before the date on which trading in Ordinary Shares is conducted on a post Reconstruction basis shall be adjusted by multiplying the daily VWAP by the following formula:

$$\frac{RD}{RN}$$

where:

RD means the aggregate number of Ordinary Shares immediately before the Reconstruction; and

RN means the aggregate number of Ordinary Shares immediately after the Reconstruction.

Any adjustment made by the Bank under this paragraph (c) will constitute an alteration to these Terms of Issue and will be binding on all Holders and these Terms of Issue will be construed accordingly.

15.5 Adjustments to Maximum Conversion Number for bonus issues

- (a) Subject to clauses 15.5(b) and 15.5(c), if the Bank makes a bonus issue (being a pro rata issue) of Ordinary Shares to Ordinary Shareholders generally, the Maximum Conversion Number will be adjusted immediately under the following formula:

$$CN = \frac{CNo \times (RD + RN)}{RD}$$

where:

CN means the Maximum Conversion Number applying immediately after the application of this formula;

CNo means the Maximum Conversion Number applying immediately before the application of this formula;

RD means the number of Ordinary Shares on issue immediately before the issue of new Ordinary Shares under the bonus issue; and

RN means the number of Ordinary Shares issued under the bonus issue;

- (b) Clause 15.5(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or dividend reinvestment plan.
- (c) For the purpose of this clause 15.5, a bonus issue will be regarded as a pro rata issue notwithstanding that the Bank does not make the issue to some or all Ordinary Shareholders with registered addresses outside Australia, provided that in so doing the Bank is not in contravention of the ASX Listing Rules.
- (d) No adjustments to the Maximum Conversion Number will be made under this clause 15.5 for any offer of Ordinary Shares not covered by clause 15.5(a), including a rights issue or other essentially pro rata issue.
- (e) The fact that no adjustment is made for an issue of Ordinary Shares other than as covered by clause 15.5(a) shall not in any way restrict the Bank from issuing Ordinary Shares on terms as it sees fit nor be taken to constitute a modification or variation of rights or privileges of Holders otherwise requiring any consent or concurrence.

15.6 Adjustments to Maximum Conversion Number for divisions and similar transactions

Where the Ordinary Shares are the subject of a Reconstruction, the Maximum Conversion Number shall be adjusted in the same ratio in which the Ordinary Shares have been Reconstructed.

15.7 Announcement of adjustments

The Bank will make an announcement to ASX of any adjustment to the VWAP or Maximum Conversion Number under this clause 15 within 10 Business Days after determining the adjustment and the adjustment will be final and binding.

15.8 Foreign Holders

Where BOQ CPS held by a Foreign Holder are to be Converted, unless the Bank is satisfied that the laws of the Foreign Holder's country of residence permit the issue of Ordinary Shares to the Foreign Holder (but as to which the Bank is not bound to enquire), either unconditionally or after compliance with conditions which the Bank in its absolute discretion regards as acceptable and not unduly onerous, the Ordinary Shares which the Foreign Holder is obliged to accept will be issued to a nominee who will sell those Ordinary Shares and pay a cash amount equal to the net proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to the Foreign Holder accordingly. The nominee must be independent of the Bank and not be an entity controlled (as defined by the Corporations Act) by the Bank.

15.9 Write Off

Where on the Capital Trigger Event Conversion Date or Non-Viability Conversion Date, as applicable, an Inability Event subsists and Conversion has not been effected within five days after the Capital Trigger Event Conversion Date or the Non-Viability Conversion Date (as the case may be), to the extent such Inability Event prevents the Bank from Converting BOQ CPS which would otherwise be Converted, those BOQ CPS will be Written Off.

In this clause 15.9, **Written Off** means that, in respect of a BOQ CPS and a Capital Trigger Event Conversion Date or a Non-Viability Conversion Date:

- (a) the BOQ CPS will not be Converted on that date and will not be Converted, Redeemed or Transferred under these Terms of Issue on any subsequent date;
- (b) on and from the sixth day after the Capital Trigger Event Conversion Date or the Non-Viability Conversion Date (as the case may be), without the need for Holder or Ordinary Shareholder approval:
 - (i) in a winding-up of the Bank, the Liquidation Sum is the sum which would have been paid in respect of the BOQ CPS out of the surplus available to shareholders in the winding-up if the BOQ CPS were the Conversion Number of Ordinary Shares (and such sum will be treated as the amount paid up on the BOQ CPS); and
 - (ii) subject to clauses 6.5, 6.6 and 6.8, a non-cumulative dividend is payable in respect of the BOQ CPS if and when a dividend is paid on Ordinary Shares, in an amount determined as if the BOQ CPS were a number of Ordinary Shares equal to the Conversion Number, in each case with that Conversion Number being finally determined as if those BOQ CPS had Converted on the Capital Trigger Event Conversion Date or the Non-Viability Conversion Date (as the case may be) (and subject always to such number not exceeding the Maximum Conversion Number); and
- (c) on and from the sixth day after the Capital Trigger Event Conversion Date or the Non-Viability Conversion Date (as the case may be), clauses 4, 6.1, 6.2, 6.3, 6.4, 6.10 (and consequentially 6.11), 13 (other than clause 13.8(d)), 14, 15 (other than this clause 15.9 and any provisions in clause 15 required to give effect to this clause 15.9), 16, 18.4 and 18.5 will no longer apply to those BOQ CPS.

16. Mechanics of Transfer

16.1 Transfer process

- (a) If the Bank elects to Transfer BOQ CPS under clause 13.6(c)(iii), the provisions of this clause 16 apply in respect of those BOQ CPS.
- (b) The Bank must appoint one or more third parties selected in its absolute discretion (**Nominated Transferee**) to acquire the BOQ CPS for cash for the amount of the Face Value per BOQ CPS and otherwise on such terms as may be agreed between the Bank and the Nominated Transferees. If the Bank appoints more than one Nominated Transferee in respect of a Transfer, all or any of the BOQ CPS held by a Holder which are being Transferred may be purchased by any one or any combination of the Nominated Transferees, as determined by the Bank.
- (c) An Early Conversion/Redemption Notice given in accordance with clause 13.6(c)(iii) shall bind Holders in accordance with its terms, including as an irrevocable offer to Transfer BOQ CPS the subject of the notice to the Nominated Transferees on the Transfer Date for the price in clause 16.1(b).
- (d) On the Transfer Date, subject to payment by the relevant Nominated Transferee of the price in clause 16.1(b) to the relevant Holders, all right, title and interest in the relevant BOQ CPS (excluding the right to any Dividend payable on that date) will be transferred to the relevant Nominated Transferee free from Encumbrances.

16.2 Nominated Transferee

- (a) A Nominated Transferee:
- (i) may not be a related entity (as defined by the APRA Guidelines) of the Bank; and
 - (ii) must have a long term counterparty credit rating from one of Standard & Poor's, Moody's or Fitch of not less than investment grade.
- (b) The Bank must not appoint a Nominated Transferee if it believes in good faith that there is a more than insubstantial risk that the Nominated Transferee will be unable (or will otherwise not be required) to fulfil its obligations under the Transfer or that the Transfer to the Nominated Transferee would otherwise not occur.
- (c) If a Nominated Transferee fails (or is otherwise not required) to fulfil its obligations under a Transfer (**Defaulting Transferee**), then the transfer to the Defaulting Transferee will not occur and Holders will continue to hold their BOQ CPS referable to that Defaulting Transferee until they are otherwise Converted, Redeemed or Transferred in accordance with these Terms of Issue.

17. Transfers of BOQ CPS

The BOQ CPS are transferable at the Holder's option in accordance with the Constitution and Corporations Act and, if they are quoted on ASX, the ASX Listing Rules, ASTC Settlement Rules and any other applicable requirements flowing from quotation.

18. Amendments to the Terms of Issue

18.1 Amendments without consent

Subject to complying with all applicable laws, the Bank may without the authority, assent or approval of Holders or Ordinary Shareholders amend or add to these Terms of Issue if such amendment or addition is, in the opinion of the Bank:

- (a) of a formal, minor or technical nature;
- (b) made to cure any ambiguity or correct a manifest error;
- (c) expedient for the purpose of enabling BOQ CPS to be listed or to remain listed on a securities exchange (including, without limitation, in connection with any change in the principal securities exchange on which Ordinary Shares are listed) or lodged in a clearing system or to remain lodged in a clearing system or to be offered for sale or for subscription under the laws for the time being in force in any place;
- (d) necessary to comply with the provisions of any statute or the requirements of any regulatory authority;
- (e) made in accordance with the Bank's adjustment rights in clause 15;
- (f) an amendment of any date or time period stated, required or permitted in connection with any Conversion in a manner necessary or desirable to facilitate the Conversion; or
- (g) is not likely (taken as a whole and in conjunction with all other modifications, if any, to be made contemporaneously with that modification) to be materially prejudicial to the interests of the Holders of the BOQ CPS as a whole.

18.2 Amendment with consent

Without limiting clause 18.1, the Bank may, amend these Terms of Issue if the amendment has been approved by a Special Resolution.

18.3 Amendment with approval of APRA

Notwithstanding anything in this clause 18, the Bank must seek and obtain APRA's written approval before making any amendment to the Terms of Issue under this clause 18 that may affect the eligibility of the BOQ CPS to qualify as Additional Tier 1 Capital.

18.4 Amendment without consent for Approved NOHC

If:

- (a) it is proposed that the Bank be replaced as the ultimate holding company of the Group by an Approved NOHC (**Replacement**); and
- (b) the Approved NOHC agrees for the benefit of Holders:
 - (i) to deliver Approved NOHC Shares under all circumstances when the Bank would have otherwise been obliged to deliver Ordinary Shares on a Conversion, subject to the same terms and conditions of these Terms of Issue as amended by this clause 18.4;
 - (ii) to comply with the restriction in clause 6.10 (with all appropriate modifications) of these Terms of Issue; and
 - (iii) to use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation of the Approved NOHC Shares issued under these Terms of Issue on the stock exchanges on which the other Approved NOHC Shares are quoted at the time of a Conversion,

the Bank may, with APRA's prior written approval, but without the authority, assent or approval of Holders, give a notice (an **Approved Replacement Notice**) to Holders (which, if given, must be given as soon as practicable before the Replacement and in any event no later than 10 Business Days before the Replacement occurs) specifying the amendments to these Terms of Issue which will be made in accordance with this clause 18.4 to effect the substitution of an Approved NOHC as the issuer of ordinary shares on Conversion (the **Approved Replacement Terms**). An Approved Replacement Notice, once given, is irrevocable.

18.5 Effect of Approved Replacement notice

If the Bank gives an Approved Replacement Notice to Holders in accordance with clause 18.4, the Approved Replacement Terms:

- (a) will have effect on and from the date specified in the Approved Replacement Notice; and
- (b) may:
 - (i) amend the definition of Conversion in these Terms of Issue such that, with APRA's prior written approval, on the date on which the BOQ CPS are to be Converted:
 - A. each BOQ CPS that is being Converted will be automatically transferred by each Holder free from Encumbrances to the Approved NOHC (or another member of the Group) (the **Transferee**) on the date the Conversion is to occur;
 - B. each Holder will be issued a number of Approved NOHC Shares equal to the Conversion Number (which is calculated using the formula in clause 15.2 as though references in that clause to Ordinary Shares are references to Approved NOHC Shares); and
 - C. as between the Bank and the Transferee:
 - 1) each BOQ CPS held by the Transferee as a result of the transfer will be automatically Converted into an Ordinary Share; and
 - 2) an additional number of Ordinary Shares will be issued to the Transferee,
 - such that the total number of Ordinary Shares held by the Transferee by reason of sub-paragraphs 1) and 2) increases by the number which equals the number of Approved NOHC Shares issued by the Approved NOHC to Holders on Conversion; and
 - (ii) make such other amendments as in the Bank's reasonable opinion are necessary and appropriate to effect the substitution of an Approved NOHC, including without limitation to clause 15.9, as the provider of the ordinary shares on Conversion in the manner contemplated by these Terms of Issue.

18.6 General provisions

- (a) Where an amendment under clause 18.4 results in Approved NOHC Shares being issued to Holders, each Holder agrees to become a member of the Approved NOHC immediately before the issue of the Approved NOHC Shares and appoints the Bank as its attorney as contemplated under clause 14.7 to do all things necessary or desirable to give effect to clauses 18.4 and 18.5.
- (b) Nothing in clause 18.4 or 18.5 prevents the Bank from proposing, or limits, any scheme of arrangement or other similar proposal that may be put to Holders or other members of the Bank.

19. Governing law

These Terms of Issue are governed by the law of Queensland, Australia.

20. Interpretation

20.1 Definitions

In these Terms of Issue, the following expressions have the following meanings:

Acquisition Event means:

- (a) a takeover bid is made to acquire all or some Ordinary Shares and the offer is, or becomes, unconditional and the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or
- (b) a court approves a scheme of arrangement under Part 5.1 of the Corporations Act which scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented,

and all regulatory approvals necessary for the acquisition to occur have been obtained.

Notwithstanding the foregoing, the replacement or proposed replacement of the Bank as the ultimate holding company of the Group at the initiation of the Directors acting as a board shall not constitute an Acquisition Event if:

- (c) the proposed successor holding company complies with all applicable legal requirements and obtains any necessary regulatory approvals (including APRA's prior written approval as a "non-operating holding company" within the meaning of the Banking Act);
- (d) the proposed successor holding company agrees to take any necessary action to give effect to an amendment to the Terms of Issue as contemplated in clauses 18.4 and 18.5;
- (e) the ordinary shares of the proposed successor holding company are to be listed on an Australian stock exchange; and
- (f) the proposed replacement of the Bank and the events described in paragraphs (c) to (e) would not, in the reasonable opinion of the Bank, otherwise adversely affect the interests of Holders.

Acquisition Event Conversion Date has the meaning given in clause 13.5(l).

Additional Tier 1 Capital means that term as defined by APRA from time to time.

Administrative Action means any judicial decision, official administrative pronouncement or action, published or private ruling, interpretative decision, regulatory procedure or policy, application of a regulatory procedure or policy and any notice or announcement (including any notice or announcement of intent to adopt or make any of those things).

Approved NOHC means a holding company that, at the initiation of the Directors acting as a board, replaces, or is proposed to replace, the Bank as the ultimate holding company of the Group and that satisfies the requirements under paragraphs (c) to (f) of the definition of Acquisition Event.

Approved NOHC Share means a fully paid ordinary share in the capital of the Approved NOHC.

Approved Replacement Notice has the meaning given in clause 18.4.

Approved Replacement Terms has the meaning given in clause 18.4.

APRA means the Australian Prudential Regulation Authority.

APRA Guidelines means prudential standards, guidelines, practice guides, policy statements and practice notes or other equivalent statements of APRA which are applicable to the Bank.

ASX means the licensed market operated by ASX Limited ABN 98 008 624 691.

ASX Listing Rules means the listing rules of the ASX from time to time with any modifications or waivers applicable to the Bank.

Australian Basel III Rules means the final form of prudential rules applied by APRA resulting from the introduction of Basel III for Australian ADIs, comprised of APRA Prudential Standards APS 001, APS 110, APS 111 and APS 222 and Reporting Standards ARS 110.0 and ARS 111.0 released by APRA on 28 September 2012.

Bank of Queensland or the **Bank** means Bank of Queensland Limited ABN 32 009 656 740.

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Bank Bill Swap Rate means the average mid-rate for bills of a term of 180 days which average rate is displayed on Reuters page BBSW (or any page which replaces that page) at 10:30am (Sydney time) on the relevant date, or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10:30am (Sydney time) on that date, or if the relevant date relates to a Dividend Period which is expected to be less than 180 days, the rate specified by the Bank in good faith at or around that time on the relevant date having regard, to the extent possible, to:

- (a) the rate otherwise bid and offered for bills of 180 days, or for funds of a tenor most closely corresponding to the period to which the rate will apply, displayed on that page BBSW (or replacement page) at that time on the date; and
- (b) if bid and offer rates for bills of a term of 180 days or of that other tenor are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time on that date.

Banking Act means the Banking Act 1959 (Cth).

Bookbuild means the process conducted prior to the opening of the Offer whereby certain investors lodge bids for BOQ CPS and, on the basis of those bids, the Bank and the joint lead managers to the Offer determine the Margin.

BOQ CPS has the meaning given in clause 1.

BOQ PEPS means the perpetual equity preference shares in the class first issued under the Constitution by the Bank in December 2007.

Business Day has the meaning given in the ASX Listing Rules.

Buy-Back Agreement means an agreement under which the Bank buys back BOQ CPS in the form contained in Schedule 1 to these Terms of Issue.

Capital Trigger Event means the ratio of the Group's Common Equity Tier 1 Capital (or until 1 January 2013, Fundamental Tier 1 Capital) to total risk weighted assets (each as determined by the Bank or APRA at any time) falls to, or below, 5.125%, calculated on a Level 1 or Level 2 basis.

Capital Trigger Event Conversion Date has the meaning given in clause 13.5(e).

Common Equity Tier 1 Capital means that term as defined by APRA from time to time.

Constitution means the constitution of the Bank.

Conversion has the meaning given in clause 15.1 (including the issue of additional Ordinary Shares under clause 15.2) and includes mandatory Conversion under clause 13.5 or 13.7, and **Convert** and **Converted** have a corresponding meaning.

Conversion Conditions has the meaning given in clause 13.2.

Conversion Date means the Mandatory Conversion Date, the Capital Trigger Event Conversion Date, the Non-Viability Conversion Date, the Acquisition Event Conversion Date or, for a Conversion the subject of an Early Conversion/Redemption Notice, the date on which Conversion is to occur as notified in the Early Conversion/Redemption Notice under clause 13.6(g), as the context requires.

Conversion Number means the aggregate of the number of Ordinary Shares into which a BOQ CPS Converts and the number of additional Ordinary Shares which are to be issued to the holder on Conversion of a BOQ CPS, under clause 15.2.

Corporations Act means the Corporations Act 2001 (Cth).

Cum Value has the meaning given in clause 15.4(a).

Deferred Conversion Date has the meaning given in clause 13.7(c)(i).

Delisting Event means, in respect of a date, that:

- (a) Ordinary Shares ceased to be listed or admitted to trading on ASX on or before that date (and where the cessation occurred before that date, Ordinary Shares continue not to be listed or admitted to trading on that date);
- (b) trading of Ordinary Shares on ASX is suspended for a period of consecutive days which includes:
 - (i) at least five consecutive Business Days before that date; and
 - (ii) that date; or
- (c) an Inability Event subsists.

Directors means the directors of the Bank.

Dividend has the meaning given in clause 6.1.

Dividend Payment Date means a date on which a Dividend is payable under clause 6.4 (or would be payable but for clause 6.6), whether or not a Dividend is, or is able to be, paid on that date.

Dividend Period has the meaning given in clause 6.1.

Dividend Rate has the meaning given in clause 6.2.

Early Conversion/Redemption Notice means a notice given by the Bank to a Holder under clause 13.6 specifying that their BOQ CPS will be Converted, Redeemed or Transferred (or a combination), as the case may be.

Encumbrance means any mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, title retention, preferential right or trust arrangement, any other security agreement or security arrangement (including any security interest under the Personal Property Securities Act 2009 (Cth)) and any other arrangement of any kind having the same effect as any of the foregoing other than liens arising by operation of law.

Face Value has the meaning given in clause 4.

First Conversion Condition has the meaning given in clause 13.2(a).

Fundamental Tier 1 Capital means that term as defined by APRA from time to time.

Foreign Holder means a Holder whose address in the register of BOQ CPS is a place outside Australia or who the Bank otherwise believes may not be a resident of Australia.

Group means the Bank and its controlled entities, or where the context requires, refers to the Bank and such other controlled or related entities as are required to be consolidated on a Level 1 or Level 2 basis (as applicable).

Holders means the persons whose names are for the time being registered in the register of BOQ CPS as a holder of BOQ CPS.

Inability Event means the Bank is prevented by applicable law or order of any court or action of any regulatory authority (including regarding the insolvency, winding-up or other external administration of the Bank) or any other reason from Converting the BOQ CPS.

Issue Date means the date on which the BOQ CPS are issued.

Level 1, Level 2 and Level 3 means those terms as defined by APRA from time to time.

Liquidation Sum has the meaning given in clause 7.2.

Mandatory Conversion Date has the meaning given in clause 13.5(c).

Margin has the meaning given in clause 6.2.

Maximum Conversion Number has the meaning in clause 13.3(b).

Nominated Transferee has the meaning given in clause 16.

Non-Viability Conversion Date has the meaning given in clause 13.5(g).

Non-Viability Trigger Event means that APRA has provided a written determination to the Bank that all (or some) BOQ CPS and other Relevant Tier 1 Capital Instruments (as specified in the determination) must be converted or written off:

- (a) as without the conversion or write-off the Bank would become, in APRA's opinion, non-viable; or
- (b) as without a public sector injection of capital, or equivalent capital support, the Bank would become, in APRA's opinion, non-viable.

Non-Innovative Residual Tier 1 Capital means that term as defined by APRA from time to time.

Offer means the invitation made under the Prospectus made by the Bank for persons to subscribe for BOQ CPS.

Optional Conversion/Redemption Date means 15 April 2018.

Ordinary Share means a fully paid ordinary share in the capital of the Bank.

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Potential Acquisition Event means:

- (a) an event within paragraphs (a) or (b) of the definition of Acquisition Event occurs (without the need that all regulatory approvals necessary for the acquisition to occur have been obtained); or
- (b) a court orders the holding of meetings to approve a scheme of arrangement under Part 5.1 of the Corporations Act and the scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented.

Notwithstanding the foregoing, the proposed replacement of the Bank as the ultimate holding company of the Group shall not constitute a Potential Acquisition Event if the proposed replacement is an Approved NOHC.

Potential Acquisition Event Conversion Date has the meaning given in clause 13.6(g)(ii).

Pre-Conversion VWAP has the meaning given in clause 15.2.

Pre-Conversion VWAP Period has the meaning given in clause 15.2.

Pre-Issue VWAP has the meaning given in clause 13.3(b).

Prospectus means the prospectus for the Offer including these Terms of Issue.

Reconstruction has the meaning given in clause 15.4(c).

Redemption has the meaning given in clause 14.1, and **Redeem** and **Redeemed** have corresponding meanings.

Redemption Date means the date on which Redemption is to occur as notified in the Early Conversion/Redemption Notice under clause 13.6(g).

Redemption Price means in respect of Redemption by redemption or cancellation, the sum of:

- (a) the Face Value; and
- (b) the Dividend for the Dividend Period ended on the Redemption Date if the Directors determine to pay such a Dividend in accordance with these Terms of Issue.

Regulatory Event means:

- (a) receipt by the Bank of advice from a reputable legal counsel to the effect that, as a result of:
 - (i) any amendment to, clarification of, or change in, the laws or regulations of Australia; or
 - (ii) any Administrative Action or any amendment to, clarification of, or change in an Administrative Action,

in each case, by any legislative body, court, governmental authority or regulatory body (irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known), which amendment, clarification, change or Administrative Action is effective or Administrative Action is announced on or after the Issue Date:
 - (iii) additional requirements would be imposed on the Bank in relation to the BOQ CPS; or
 - (iv) there would be a negative impact on the Bank which is prejudicial to the interests of the Bank, which were not expected by the Bank before the Issue Date and that the Bank reasonably determines to be unacceptable; or
- (b) the determination by the Bank, following receipt of a notice from APRA to that effect, that all of the BOQ CPS will not be included (in whole or in part) in the Bank's Non-Innovative Residual Tier 1 Capital, or Additional Tier 1 Capital, on a Level 1 or Level 2 basis (except where the non-inclusion results by reason only of any applicable limitation on the amount or composition of the Bank's Tier 1 Capital on a Level 1 or Level 2 basis which is in effect on the Issue Date or is proposed to arise on or from a given date under APRA's Australian Basel III Rules as at the Issue Date).

Relevant Date has the meaning given in clause 13.2(b).

Relevant Fraction has the meaning given in clause 13.3(b).

Relevant Tier 1 Capital Instruments means Tier 1 Capital instruments (including BOQ CPS) that, in accordance with their terms or by operation of law, are capable of being converted or written off where a Capital Trigger Event or Non-Viability Trigger Event (as may be the case) occurs.

Replacement has the meaning given in clause 18.4.

Scheduled Mandatory Conversion Date has the meaning given in clause 13.5(c).

Second Conversion Condition has the meaning given in clause 13.2(a).

Special Resolution means:

- (a) a resolution passed at a meeting of Holders by a majority of at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution; or
- (b) the written approval of Holders holding at least 75% of the BOQ CPS.

Tax Act means:

- (a) the Income Tax Assessment Act 1936 (Cth) and the Income Tax Assessment Act 1997 (Cth) (as the case may be and a reference to any section of the Income Tax Assessment Act 1936 includes a reference to that section as rewritten in the Income Tax Assessment Act 1997), or any act which replaces either of them;
- (b) any other law setting the rate of income tax payable; and
- (c) any regulation made under such laws.

Tax Event means:

- (a) any amendment to, clarification of, or change (including any announced prospective change), in the laws or treaties (or any regulations made under such laws or treaties) of any jurisdiction or any political subdivision or taxing authority of the jurisdiction;
- (b) any Administrative Action or any amendment to, clarification of, or change in, an Administrative Action,

in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known, which amendment, clarification, change or Administrative Action is effective, or which Administrative Action is announced, on or after the Issue Date (and was not expected by the Bank before the Issue Date), where the Bank has received an opinion from a reputable legal counsel or other reputable tax adviser experienced in such matters to the effect that, as a result of such amendment, clarification, change or Administrative Action (or amendment, clarification or change in respect of an Administrative Action), there is more than an insubstantial risk (and that risk is materially greater than it was at the Issue Date) that:

- (c) the Group would be exposed to a more than *de minimis* increase in costs in relation to the BOQ CPS; or
- (d) there would be more than a *de minimis* increase in the taxes, duties or government charges imposed on the Group in respect of or resulting from the BOQ CPS; or
- (e) BOQ CPS would not be treated as equity interests for Australian taxation purposes or any Dividend would not be a frankable distribution within the meaning of Division 202 of the Tax Act or franking debits would be posted to the Bank's franking account.

Terms of Issue means these terms of issue for the BOQ CPS, including the Schedule.

Test Conversion Number has the meaning given in clause 13.3(a).

Test Reference Period has the meaning given in clause 15.2(a).

Third Conversion Condition has the meaning given in clause 13.2(a).

Tier 1 Capital means the tier 1 capital of the Group (on a Level 1 basis) or the Group (on a Level 2 basis or, if applicable, a Level 3 basis) as defined by APRA from time to time.

Transfer means a sale of the BOQ CPS under clause 16 following the giving of an Early Conversion/Redemption Notice under clause 13.6(c)(iii), and **Transfer** and **Transferred** have corresponding meanings.

Transfer Date means the date on which Transfer is to occur as notified in the Early Conversion/Redemption Notice under clause 13.6(g).

Transferee has the meaning given in clause 18.5.

VWAP means, subject to any adjustments under these Terms of Issue, the amount (expressed in dollars and cents and rounded to the nearest full cent) that is the average of the daily volume weighted average sale prices of Ordinary Shares sold on ASX during the relevant period, but does not include any "crossing" transacted outside the "Open Session State" or any "special crossing" transacted at any time (as those terms are defined in the ASX Market Rules), or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

Written Off has the meaning given in clause 15.9, and **Write Off** has a corresponding meaning.

20.2 Interpretation

Unless the context otherwise requires or unless otherwise specified:

- (a) if there is any inconsistency between the provisions of these Terms of Issue and the Constitution then, to the maximum extent permitted by law, the provisions of these Terms of Issue will prevail;
- (b) the Directors of the Bank may exercise all powers of the Bank under these Terms of Issue as are not, by the Corporations Act or by the Constitution, required to be exercised by the company in general meeting;
- (c) notices may be given by the Bank to a Holder in the manner prescribed by the Constitution for the giving of notices to members of the Bank and the relevant provisions of the Constitution apply with all necessary modification to notices to Holders;
- (d) a reference to a clause is a reference to a clause of these Terms of Issue;
- (e) if a calculation is required under these Terms of Issue, unless the contrary intention is expressed, the calculation will be rounded to four decimal places. For the purposes of making payment to any person, any fraction of a cent will be disregarded;
- (f) definitions and interpretation under the Constitution will also apply to these Terms of Issue subject to clause 20.2(a);
- (g) a reference to a body (including APRA or any other institute, association or authority but excluding the Bank or a Holder), whether statutory or not:
 - (i) which ceases to exist; or
 - (ii) whose powers or functions are transferred to another body,
 is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (h) any provisions which refer to the requirements of APRA or any other prudential regulatory requirements will apply to the Bank only if the Bank is an entity, or the holding company of an entity, subject to regulation and supervision by APRA at the relevant time;
- (i) the terms takeover bid, relevant interest and scheme of arrangement when used in these terms have the meaning given in the Corporations Act;
- (j) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (k) if an event under these terms, including payment of a Dividend, must occur on a stipulated day which is not a Business Day, then the stipulated day for that event will be taken to be the next Business Day; and
- (l) if the principal securities exchange on which the BOQ CPS are quoted is other than ASX, unless the context otherwise requires a reference to ASX shall be read as a reference to that principal securities exchange and a reference to the ASX Listing Rules or any term defined in any such rules, shall be read as a reference to the corresponding rules of that exchange or corresponding defined term in such rules (as the case may be).

Schedule 1

BOQ CPS Buy-Back Agreement Bank of Queensland Limited (ABN 32 009 656 740)

1. Effective date

- (a) This agreement is entered into between the Bank and the Holders and shall come into force and effect upon the later of:
- (i) the date the Early Conversion/Redemption Notice is sent to the relevant Holders from whom the Bank has determined to buy back BOQ CPS;
 - (ii) the date all relevant consents (if any) to the Buy-Back have been obtained from the Bank's shareholders or any regulatory authority or other person, pursuant to, and in the manner required by, any applicable law or the ASX Listing Rules (subject to any applicable modifications and waivers of such laws or ASX Listing Rules); and
 - (iii) immediately after payment of the final Dividend to be paid as may be determined by the Directors in their absolute discretion and identified in the Early Conversion/Redemption Notice.
- (b) The terms and conditions set out in this agreement are of no force and effect unless and until this agreement has become effective under clause 1(a).

2. Buy-Back

Each Holder agrees to sell to the Buyer the Buy-Back Shares free of all Encumbrances on the terms set out in this agreement.

3. Buy-Back Price

The Buyer will pay the Buy-Back Price for each Buy-Back Share bought back from a Holder under this agreement.

4. Completion

Completion of the Buy-Back will be effected on the Redemption Date, on which date:

- (a) the Buyer will pay the amount determined under clause 3 to the relevant Holder; and
- (b) the Holder will deliver to the Buyer a duly executed transfer of the Buy-Back Shares.

5. Appointment of attorney

By virtue of its holding of the Buy-Back Shares, each Holder irrevocably appoints any director or officer or duly authorised attorney of the Bank (each an **Attorney**) as the true and lawful attorney of the Holder to execute a transfer to the Buyer in registrable form of the Buy-Back Shares (or such other document by which title to the Buy-Back Shares may be vested in the Buyer) and to give any necessary direction to any other person or take any other action which may be required to facilitate the transfer to the Buyer of the Buy-Back Shares, and agrees that in exercising this power of attorney, the Bank or any Attorney shall be entitled to act in the interests of the Bank (or a nominee) as the Buyer of the Buy-Back Shares.

6. Further assurance

The Holders will do all things necessary or desirable to give effect to the provisions of this agreement and the transactions contemplated by it.

7. Definitions and interpretation

In this agreement, the following expressions have the following meanings:

Buy-Back means, in relation to the BOQ CPS, the purchase of BOQ CPS from the Holder pursuant to this agreement.

Buy-Back Price means the Redemption Price determined under the Terms of Issue.

Buy-Back Shares means the BOQ CPS referred to in the Early Conversion/Redemption Notice which are the subject of the Buy-Back under this agreement.

Buyer means the Bank.

Early Conversion/Redemption Notice means a notice given by the Bank to Holders from time to time under clause 13.6 of the Terms of Issue under which the Bank elects to buy back any BOQ CPS under clause 14.4 of the Terms of Issue.

Holder means each Holder from time to time to whom the Bank gives an Early Conversion/Redemption Notice which indicates that BOQ CPS are to be bought back by the Bank.

Redemption Date means the date specified in the Early Conversion/Redemption Notice as the date for completion of the Buy-Back, determined in accordance with the Terms of Issue.

All other words and expressions used in this agreement which are defined in the Terms of Issue have the same meaning in this agreement.

APPENDIX B – GLOSSARY

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APPENDIX B – GLOSSARY

ABN means Australian business number.

ACCC means the Australian Competition and Consumer Commission.

Additional Tier 1 Capital means additional tier 1 capital as defined by APRA from time to time under the Basel III Prudential Standards.

ADI means an authorised deposit-taking institution which is authorised under the Banking Act to take deposits from customers.

AGM means annual general meeting.

A-IFRS means Australian equivalents of the International Financial Reporting Standards.

Allocation means the number of CPS allocated under the Offer to:

- Applicants at the end of the Offer Period; and
- Syndicate Brokers and Institutional Investors under the Bookbuild, and **Allocate** and **Allocated** have the corresponding meanings.

Allotment means the issue of CPS to Applicants on the Issue Date under their Allocation. **Allotted** and **Allot** have the corresponding meanings.

Applicant means a person who submits an Application in accordance with the Prospectus.

Application means a valid application made under this Prospectus by using the relevant Application Form to apply for a specified number of CPS.

Application Form means the application form (including the Applications Forms for the Shareholder Offer, the Broker Firm Offer, the Reinvestment Offer and the General Offer) attached to or accompanying this Prospectus, or an online version of the Application Form, upon which an Application may be made.

Application Payment means the monies payable on Application, calculated as the number of CPS applied for multiplied by the Face Value.

APRA means the Australian Prudential Regulation Authority.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or the market operated by it, as the context requires.

ASX Listing Rules means the listing rules of ASX from time to time with any modifications or waivers in their application to BOQ, which ASX may grant.

ASX Operating Rules means the market operating rules of ASX as amended, varied or waived (whether in respect of BOQ or generally) from time to time.

ATM means an automated teller machine.

Banking Act means Banking Act 1959 (Cth).

Basel Committee means the Bank for International Settlements' Basel Committee on Banking Supervision.

Basel III means the proposed revised framework being developed by the Basel Committee for the calculation of capital adequacy for banks.

Basel III Prudential Standards means APRA Prudential Standards APS 001, APS 110, APS 111 and APS 222 and Reporting Standards ARS 110.0 and ARS 111.0 released by APRA on 28 September 2012 and expected to come into force on 1 January 2013.

BBSW means the Bank Bill Swap Rate as defined in the CPS Terms.

Bookbuild means the process described in Section 6.5 that determined the Margin.

BOQ means Bank of Queensland Limited (ABN 32 009 656 740).

BOQ Group or **Group** means BOQ and each of its controlled entities.

Broker Firm Applicant means an Australian or New Zealand resident retail or high net worth client of a Syndicate Broker invited to participate through the Broker Firm Offer.

Broker Firm Application Form means the invitation made to Australian or New Zealand resident retail clients of the Syndicate Brokers to apply for a broker firm Allocation from the relevant Syndicate Broker under this Prospectus.

Broker Firm Offer means the offer of CPS under this Prospectus to retail and high net worth clients of Syndicate Brokers who have received a broker firm allocation from their Syndicate Broker.

CGT means capital gains tax.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

Closing Date means the last day on which Applications will be accepted, which is:

- for the Reinvestment Offer, Shareholder Offer and General Offer, 5:00pm (Sydney time) on 13 December 2012;
- for the Broker Firm Offer applications in respect of Reinvested PEPS, 5:00pm (Sydney time) on 13 December 2012; and
- for the Broker Firm Offer (excluding applications in respect of Reinvested PEPS), 5:00pm (Sydney time) on 18 December 2012.

Common Equity Tier 1 Capital means common equity tier 1 capital as defined by APRA from time to time under the Basel III Prudential Standards.

Common Equity Tier 1 Capital Ratio means the ratio of BOQ's Common Equity Tier 1 Capital to its total risk weighted assets as defined by APRA from time to time.

Core Tier 1 Ratio means the ratio of BOQ's Fundamental Tier 1 Capital to its total risk weighted assets, as defined by APRA from time to time.

CPS means the Convertible Preference Shares to be issued by BOQ according to the CPS Terms.

CPS Holder means a person whose name is for the time being registered in the register of CPS as a holder of CPS.

CPS Terms means the terms of issue of CPS as set out in Appendix A.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of BOQ as at the date of this Prospectus.

Distribution Restriction means the restrictions summarised in Section 2.3.9 and set out in clauses 6.10 and 6.11 of the CPS Terms.

Dividend Payment Tests means the tests that must be satisfied before a Dividend would be paid as explained in Section 2.3.8.

Early Conversion means the optional conversion of CPS to Ordinary Shares which BOQ may elect to occur on the Optional Conversion/Redemption Date or following a Regulatory Event, Tax Event or Potential Acquisition Event unless the Conversion Conditions are not satisfied or, in accordance with the CPS Terms, the CPS have otherwise been Converted or Redeemed.

Eligible PEPS Holder means a PEPS holder who is:

- a registered holder of PEPS on the PEPS Record Date;
- shown on the PEPS register as having an address in Australia or New Zealand; and
- not in the US or acting as a nominee for a person in the US.

Eligible Shareholder means an Ordinary Share or PEPS holder who is:

- a registered holder of Ordinary Shares or PEPS (as applicable) at 7:00pm (Sydney time) on 9 November 2012;
- shown on the applicable register as having an address in Australia or New Zealand; and
- not in the US or acting as a nominee for a person in the US.

Expiry Date means the date this Prospectus expires.

Exposure Period means the seven day period after 7 November 2012, being the date on which the original Prospectus was lodged with ASIC during which the Corporations Act prohibits the processing of Applications.

Face Value means the issue price for CPS, being \$100 per CPS.

FATCA means sections 1471 to 1474 of the US Internal Revenue Code of 1986, as amended.

Fundamental Tier 1 Capital means fundamental tier 1 capital as defined by APRA from time to time.

General Applicant means a member of the general public who is an Australian or New Zealand resident and who applies under the General Offer.

General Offer means the invitation to members of the general public who are resident in Australia or New Zealand to apply for CPS under this Prospectus.

High Quality Liquid Assets means assets which qualify as high quality liquid assets under APRA Prudential Standard 210 including unencumbered cash, securities eligible for repurchase transactions with the RBA, certain bank bills issued by other ADIs, deposits (at call and any other deposits readily convertible into cash within two business days) held with other ADIs net of placements by the other ADIs and any other securities approved by APRA.

Holding Statement means a statement issued to CPS Holders by the Registry which sets out details of CPS Allotted to them under the Offer.

Institutional Investor means an investor to whom offers or invitations in respect of CPS can be made without the need for a lodged Prospectus (or other formality, other than a formality which BOQ is willing to comply with), including in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act and who has been invited by the Joint Lead Managers to bid for CPS in the Bookbuild, provided that such investor may not be in the United States.

Institutional Offer means the invitation by the Joint Lead Managers to Institutional Investors to bid for CPS in the Bookbuild.

Issue Date means the date CPS are issued, expected to be 24 December 2012.

Joint Lead Managers means Merrill Lynch International (Australia) Limited, RBS Morgans Limited, Commonwealth Bank of Australia and National Australia Bank Limited.

Mandatory Conversion means the mandatory conversion of CPS to Ordinary Shares which occurs in respect of a Mandatory Conversion Date or an Acquisition Event, unless the Conversion Conditions are not satisfied or, in accordance with the CPS Terms, on a Capital Trigger Event or Non-Viability Trigger Event. **Mandatorily Convert** has a corresponding meaning.

NOHC means the ultimate holding company of BOQ after any NOHC Event which must be a “non-operating holding company” within the meaning of the Banking Act.

NOHC Event means an event which:

- is initiated by the Directors, acting as a Board; and
- would otherwise be an Acquisition Event,

but the result of which would be that the person who would be the ultimate holding company of BOQ would be a NOHC.

Non-Innovative Residual Tier 1 Capital means non-innovative residual tier 1 capital as defined by APRA from time to time.

Offer means the invitation made pursuant to this Prospectus for investors to offer to subscribe for CPS and includes the Institutional Offer, Broker Firm Offer, Shareholder Offer, Reinvestment Offer and General Offer.

Offer Period means the period from (and including) the Opening Date to (and including) the Closing Date.

Opening Date is 19 November 2012.

OMB means Owner-Managed Branch™.

Ordinary Share means a fully paid ordinary share in BOQ.

Ordinary Shareholder means a registered holder of Ordinary Shares from time to time.

PEPS means the BOQ Perpetual Equity Preference Shares issued by BOQ in 2007 that trade on ASX under the code “BOQPC”.

PEPS Holder means a registered holder of PEPS from time to time.

PEPS Record Date means 7:00pm (Sydney time) on 9 November 2012.

Pro-Rata Dividend means the dividend accrued over the period from (and including) 15 October 2012 to (but excluding) the Reinvested PEPS Buy-back Date, in respect of each PEPS on issue, expected to be paid on the Reinvested PEPS Pro-Rata Dividend Payment Date.

Prospectus means this prospectus as lodged with ASIC (including any copy of this prospectus accessed electronically from BOQ's website) and any supplementary or replacement prospectus in relation to it.

Prudential Standard means a prudential standard issued by APRA under its powers in the Banking Act.

RBA means the Reserve Bank of Australia.

Register means the official register of Ordinary Shares, PEPS and CPS (if issued) maintained by BOQ or on BOQ's behalf, and includes any sub-register established and maintained under CHESS.

Registry means Link Market Services Limited (ABN 54 083 214 537) or any other registry that BOQ appoints to maintain the Register.

Reinvestment Applicant means an Eligible PEPS Holder who applies under the Reinvestment Offer.

Reinvestment Offer means the invitation to Eligible PEPS Holders to reinvest their PEPS in CPS under this Prospectus in accordance with Section 5.

Reinvested PEPS means the PEPS held by an Eligible PEPS Holder that are reinvested in CPS, under the terms of the Reinvestment Offer.

Reinvested PEPS Buy-back Date is 24 December 2012.

Residual Tier 1 Capital means residual tier 1 capital as defined by APRA from time to time.

Shareholder Applicant means an Eligible Shareholder who applies under the Shareholder Offer.

Shareholder Offer means the invitation to Eligible Shareholders to apply for CPS under this Prospectus.

SME means small and medium enterprises.

Syndicate Brokers means any of the Joint Lead Managers (or their affiliated retail brokers) and any other participating broker in the Offer.

TFN means tax file number.

Tier 1 Capital means tier 1 capital as defined by APRA from time to time.

Tier 1 Capital Ratio means the ratio of BOQ's Tier 1 Capital to its total risk weighted assets, as defined by APRA from time to time.

Tier 2 Capital means tier 2 capital as defined by APRA from time to time.

Tier 2 Capital Ratio means the ratio of BOQ's Tier 2 Capital to its total risk weighted assets, as defined by APRA from time to time.

Treasurer means the Treasurer of the Commonwealth of Australia.

United States or US means the United States of America.

US Person has the meaning given in Regulation S under the US Securities Act.

US Securities Act means the United States Securities Act of 1933, as amended.

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APPLICATION FORM

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CORPORATE DIRECTORY

Registered Office and Head Office

Bank of Queensland Limited
Level 17, BOQ Centre
259 Queen Street
Brisbane QLD 4000

Website: www.boq.com.au

Directors of Bank of Queensland Limited

Neil Summerson (Chairman)
Stuart Grimshaw (Managing Director)
Steven Crane
Roger Davis
Carmel Gray
Richard Haire
John Reynolds
Michelle Tredenick
David Willis

Legal Adviser

Clayton Utz
Level 28, Riparian Plaza
71 Eagle Street
Brisbane QLD 4000

Tax Adviser

KPMG
10 Shelley Street
Sydney NSW 2000

Structuring Adviser

Merrill Lynch International (Australia) Limited
Level 38, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Joint Lead Managers

Commonwealth Bank of Australia
Ground Floor
Tower 1, 201 Sussex Street
Sydney NSW 2000

Merrill Lynch International (Australia) Limited
Level 38, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

National Australia Bank Limited
Level 25
225 George Street
Sydney NSW 2000

RBS Morgans Limited
Level 29
123 Eagle Street
Brisbane QLD 4000

Co-Managers

Bell Potter Securities Limited
Level 38, Aurora Place
88 Phillip Street
Sydney NSW 2000

Ord Minnett Limited
Level 8, NAB House
255 George Street
Sydney NSW 2000

Share Registry

Link Market Services Limited
Level 15
324 Queen Street
Brisbane QLD 4000

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