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Bank of Queensland Convertible Preference Shares (BOQPD)

Fixed Interest

Issue overview

Issuer	Bank of Qld
Issue ASX code	BOQPD
Face value	$100
Estimated offer size	$200m
Bookbuild margin range	5.10-5.30%
Franking	100%
Dividend payments	Half yearly
First dividend payment	15 Apr 2013
Minimum application	$5,000
First optional conversion	15 Apr 2018
Mandatory conversion	15 Apr 2020

Timeline

Lodgement of prospectus	7 Nov 2012
Bookbuild margin	16 Nov 2012
Announcement of margin	19 Nov 2012
Offer opens	19 Nov 2012
AGM to approve issue	13 Dec 2012
Offer closes:	
Shareholder, general	13 Dec 2012
Reinvestment	13 Dec 2012
Broker firm	18 Dec 2012
Issue date	24 Dec 2012
ASX listing (deferred settlement)	27 Dec 2012

Additional Disclosure: Bell Potter Securities Limited is acting as Co-manager to the BOQPD issue and will receive fees for this service.

A huge incentive to tick the BOQPC reinvestment box

The launch of the Bank of Queensland Convertible Preference Shares (BOQPD) offer provides a record high margin range for a financial institution at 5.10-5.30%. The $200m target issue size essentially covers reinvestment of the BOQPC issue.

As BOQ has decided not to redeem BOQPC at the first optional call date on 17 Dec 2012, it is essential for all eligible BOQPC holders to accept the BOQPD Reinvestment offer. Given the BOQPD issue terms reflect prevailing market conditions, we would expect this security will trade close to $100. BOQPC investors that do not accept the Reinvestment Offer will hold a perpetual security which we forecast will trade below $80. BOQPC went ex Reinvestment entitlement on 2 Nov, with a record date of 9 Nov.

BOQPD satisfies APRA's criteria to qualify as Additional Tier 1 capital under the Basel III framework. The structure contains a Common Equity Trigger Event where the security must convert into ordinary shares if the Core Tier 1 ratio falls below 5.125% (BOQ pro forma 8.6% or $736.5m buffer). BOQPD must also be converted under a Non-Viability Trigger Event if APRA views that BOQ would be non-viable in the absence of BOQPD conversion or a public sector injection of capital.

Overall we assess a fair issue margin of 5.15%, which is towards the bottom end of the 5.10-5.30% bookbuild range. This is benchmarked against BOQ's subordinated debt trading at a margin of 3.80% in the wholesale OTC (over-the-counter) market. The additional 1.35% margin reflects the lower ranking preference shares, the extra 2 years to the first call date (Apr 2018 vs May 2016) and the Trigger Events for Common Equity and Non-Viability. A premium 0.50% to the 4.65% SUNPC issue margin also appears fair for BOQPD when considering BOQ June 2013 debt is trading at a 37.5bp margin premium to SUN June 2013 debt (100bp vs 62.5bp) in the wholesale market. The margin for the extra duration to the April 2018 call date is in part offset by the improvement in the ASX listed hybrid market since SUNPC was launched in late Sep.

Figure 1: Trading margins on debt and equity securities

	Ranking	Security	Trading Margin BBSW+	Maturity	First Call
Higher Ranking	Unsubordinated unsecured debt	SUN senior debt (OTC)	62.5bp	Jun 2013	
		BOQ senior debt (OTC)	100bp	Jun 2013	
	Subordinated unsecured debt	BOQ sub debt (OTC)	380bp	May 2021	May 2016
	Preference securities	**BOQPD**	**510-530bp**	**Apr 2020**	**Apr 2018**
Lower Ranking	Equity	Ordinary BOQ shares	700bp	Perpetual	

SOURCE: YIELDBROKER, BELL POTTER

Key features

- **Initial gross running yield of at least 8.30% (5.81% fully franked):** Floating rate based on 180BBSW of 3.20% + bookbuild margin of at least 5.10%.
- **Year 5 option to convert, mandatory conversion year 7:** BOQ has option to redeem or convert BOQPD in April 2018, subject to APRA approval.
- **Ordinary dividend restrictions:** Applies on the non payment of BOQPD dividends
- **Automatic conversion under the Capital Trigger / Non-Viability Trigger Events**

Bank of Queensland Convertible Preference Shares

BOQPC Key Dates	Dates
BOQPC Ex Entitlement	2 Nov 2012
BOQPC Record Date	9 Nov 2012
BOQPC Ex Div	7 Dec 2012
BOQPC Div Record Date	13 Dec 2012
Reinvestment Offer Close	13 Dec 2012
BOQPC Div Paid	24 Dec 2012

Reinvestment Offer for BOQPC PEPS holders

As BOQ does not appear to want to reduce its regulatory capital base by funding redemption of BOQPC PEPS (Perpetual Equity Preference Shares) at the first optional call date 17 December 2012, it has instead offered holders the opportunity to reinvest into the new BOQPD security. The advantages of BOQPD is the higher margin (at least 5.10% vs 2.00%), and provision for Mandatory Conversion. Post the 17 Dec 2012 call date, no future call dates have been set. Given BOQPC had been trading at ~10% discount to face value, setting the BOQPD issue terms at prevailing market conditions provides the opportunity for BOQPC holders to realise $100 face value.

BOQPC holders essentially have three options:

- **Option 1: Reinvestment:** For BOQPC securities acquired on or before 1 November 2012, investors are eligible for a 1:1 reinvestment into BOQPD (guaranteed allocation), provided their Personalised Application form is lodged by 13 December 2012. Holders will also receive the a pro rata dividend for 70 days of $0.689 fully franked (i.e 3.13% BBSW + 2.00% margin x 0.7 x 70 days / 365) on 24 December 2012 (ex div 7 Dec, record date 13 Dec). BOQPC holders may also apply for additional securities in BOQPD or elect for partial reinvestment of BOQPC (hold both BOQPC and BOQPD). Reinvestment can also be conducted via the Broker Firm Offer.
- **Option 2: Sell BOQPC on market:** We expect BOQPC sold on market will be at a discount to $100 face value.
- **Option 3: Take no action:** Investors will continue to hold BOQPC, and will continue to receive scheduled half yearly dividends in April and October. These investors will not receive the pro rata dividend payable in December available under the reinvestment offer. As a perpetual security, we expect BOQPC will trade at a moderate discount to face value (potentially below $80).

Status of BOQPC after January 2013

BOQPC will not count as Tier 1 Capital after 1 January 2013. APRA has approved "transitional treatment" of BOQPC under the new Basel III Prudential Standards, which will result in a gradual reduction in the amount of BOQPC that can be classified as Residual Tier 1 Capital over time. The value of BOQPC to BOQ will diminish at a rate yet to be determined by APRA. In addition, BOQ has not announced its intention for when the Tier 1 capital becomes zero. This regulatory uncertainty further adds weight to BOQPC investors accepting the BOQPD Reinvestment offer.

Offers for Broker Firm, Shareholder and General

- **Broker Firm Offer:** This is available to clients of Bell Potter, which is a Syndicate Broker to the BOQPD issue. Broker firm bids are due 11am Friday 16 November and will participate in the Bookbuild to be held that afternoon.
- **Shareholder Offer:** Available to BOQ shareholders registered at the 9 November 2012 Record Date.
- **General Offer:** Open to all residents of Australia and New Zealand.

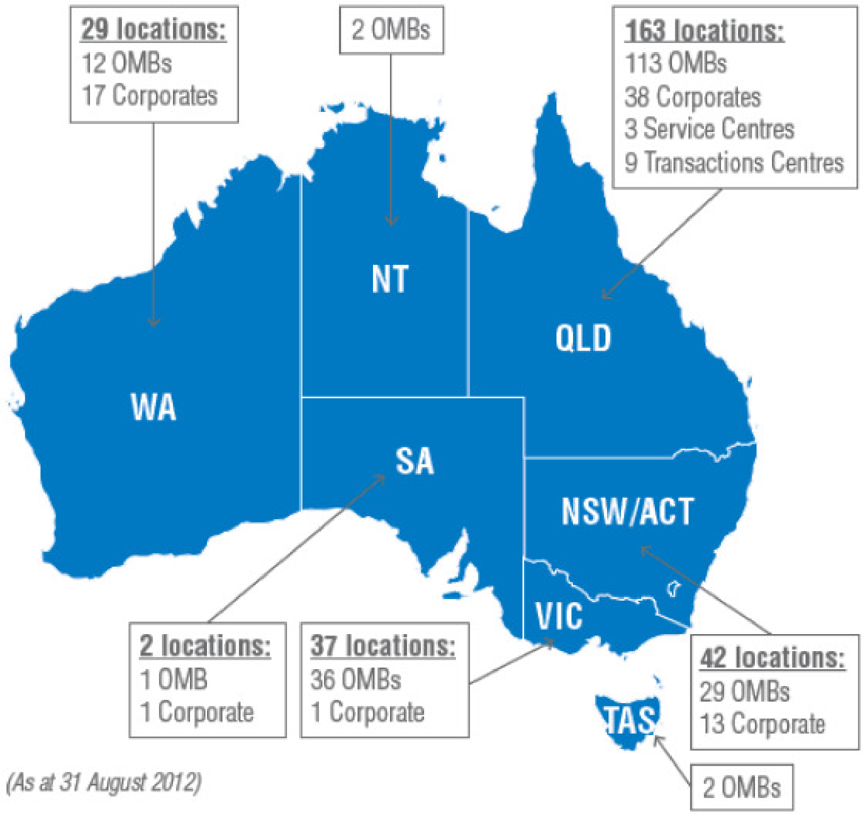
Bank of Queensland Convertible Preference Shares

Bank of Queensland Overview

With a history dating back to 1874, BOQ is today one of Australia's leading regional banks providing banking and insurance services primarily to retail customers and small to medium sized business. Operations span a network of 277 locations throughout Australia, including 195 Owner Manager Branches (OMB), 70 corporate branches owned and operated by BOQ, 3 service centres and 9 transaction centres. BOQ is currently ranked among the top 100 largest ASX listed companies (market cap $2.3bn) and operates four business segments:

- Banking - Retail: Banking and insurance services to households including deposit and lending products and credit cards.
- Banking - Business & Agribusiness: BOQ products include transactional accounts, treasury and foreign exchange risk management services, merchant services and lending products. BOQ is currently seeking growth of its agribusiness customers across Australia.
- BOQ Finance - BOQ is a provider of equipment and debtor financing, boosted by the June 2010 acquisition of CIT Group.
- St Andrew's Insurance - Acquired in July 2010, St Andrew's Insurance provides consumer credit insurance and life insurance.

Figure 2: BOQ branch network



SOURCE: COMPANY

Bank of Queensland Convertible Preference Shares

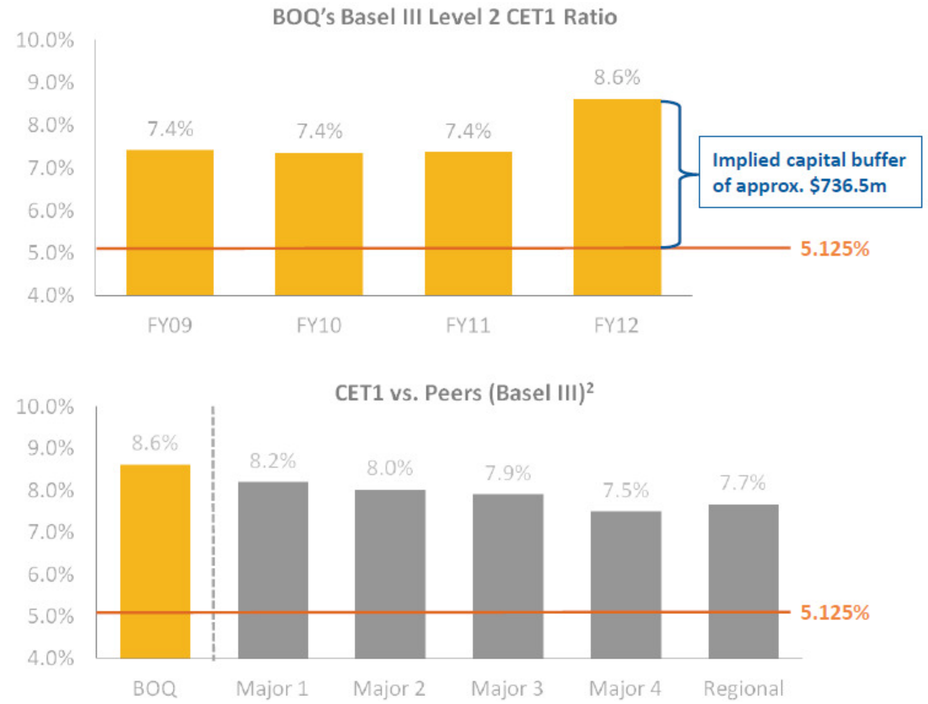
Turning the operating performance around

BOQ reported the first loss for an Australian bank in 20 years after a spike in impairment charges associated with South East Queensland retail and commercial loans. This resulted in its impairment charge jumping from $66m in 2H11 (40bp of loans) to $328m (194bp). With BOQ's impairment charge normalised back to $73m (43bp) in 2H12, the $72.4m net cash loss in 1H12 has improved to a $103m net cash profit in 2H12. Going forward, management is targeting an impairment charge of 28-34bp of loans in FY13.

BOQ has recently improved its funding profile from deposits which has improved from 48% of total funding in 1H10 to 59% in 2H12. Despite this, it still lags its regional peer BEN with 80% of funding from retail deposits. BOQ also has ~$2bn of Government Guaranteed debt (6% of total funding) to refinance by March 2015.

Post the $450m equity raising in March 2012, BOQ now has the highest Common Equity Tier 1 Capital Ratio when compared with its banking peers at 8.6%. This provides a capital buffer of $736.5m to the 5.125% Common Equity Trigger Event.

Figure 3: BOQ capital adequacy



SOURCE: COMPANY

Bank of Queensland Convertible Preference Shares

Record high preference share margin

The record high issue margin is a function of the pricing of the recent issues from CBA (CBAPC issue margin 3.80%), BEN (BENPD issue margin 5.00%) and SUN (SUNPC issue margin 4.65%). A premium is also required for BOQ's weaker operating metrics with its regional bank peers SUN and BEN, and the additional risk the Basel III compliant hybrid securities place on investors.

Figure 4: Issue margins on comparative bank preference

Date of Listing	Issuer	Hybrid Code	Description	Margin over BBSW
13-Jun-08	SUN	SBKPB	Convertible Preference Shares	3.20%
29-Jul-08	WBC	WBCPA	Stapled Preferred Securities	2.40%
1-Oct-08	ANZ	ANZPB	Convertible Preference Shares	2.50%
30-Mar-09	WBC	WBCPB	Stapled Preferred Securities II	3.80%
13-Oct-09	CBA	CBAPA	PERLS V	3.40%
18-Dec-09	ANZ	ANZPA	Convertible Preference Shares 2	3.10%
29-Sep-11	ANZ	ANZPC	Convertible Preference Shares 3	3.10%
26-Mar-12	WBC	WBCPC	Convertible Preference Shares	3.25%
2-May-12	IAG	IAGPC	Convertible Preference Shares	4.00%
18-Oct-12	CBA	CBAPC	PERLS VI	3.80%
1-Nov-12	BEN	BENPD	Convertible Preference Shares	5.00%
7-Nov-12	SUN	SUNPC	Convertible Preference Shares 2	4.65%
27-Dec-12	BOQ	BOQPD	Convertible Preference Shares	5.10-5.30%

SOURCE: COMPANY DATA, BELL POTTER

While BOQPD looks attractive on a gross yield to maturity and trading margin basis, there is the potential for upside if BOQ continues to make progress on strengthening its funding from retail deposits and reducing its impairment expense.

Figure 5: Gross yield to maturity margin over BBSW ranking

Issue	ASX Code	Gross Margin Over BBSW	Price 7-Nov-12	Face Value	Mkt Cap $m	Call / Conv Date	Conv Method	Gross Run Yld	Gross Yld to Mat	Trading Margin	Conv Disc
BEN SPS	BENPC	175bp	$91.70	$100	$92	Oct-14	Step-Up	5.42%	10.40%	7.17%	2.5%
BOQ CPS	**BOQPD**	**510bp**	**$100.00**	**$100**	**$200**	**Apr-18**	**Mand Conv**	**8.29%**	**8.29%**	**5.10%**	**1.0%**
BEN PS	BENPB	150bp	$93.00	$100	$84	Jun-15	Step-Up	5.16%	8.31%	5.08%	2.5%
BEN CPS	BENPD	500bp	$100.80	$100	$271	Dec-17	Mand Conv	8.12%	8.20%	5.01%	2.5%
SUN CPS2	SUNPC	465bp	$101.30	$100	$567	Dec-17	Mand Conv	7.77%	7.80%	4.57%	1.0%
IAG CPS	IAGPC	400bp	$100.00	$100	$377	May-17	Mand Conv	7.16%	7.35%	4.16%	1.0%
IAG RES	IANG	400bp	$102.10	$100	$562	Dec-19	Reset	7.15%	7.24%	4.01%	2.5%
CBA PERLS III	PCAPA	105bp	$185.00	$200	$1,079	Apr-16	Step-Up	4.62%	7.06%	3.83%	2.5%
SUN CPS	SBKPB	320bp	$100.80	$100	$741	Jun-13	Mand Conv	6.47%	7.06%	3.83%	1.0%
WBC TPS	WCTPA	100bp	$91.99	$100	$702	Jun-16	Step-Up	4.61%	7.06%	3.83%	2.5%
WBC CPS	WBCPC	325bp	$99.70	$100	$1,186	Mar-18	Mand Conv	6.49%	6.78%	3.59%	1.0%
ANZ CPS3	ANZPC	310bp	$99.90	$100	$1,339	Sep-17	Mand Conv	6.46%	6.74%	3.55%	1.0%
CBA PERLS VI	CBAPC	380bp	$103.10	$100	$2,062	Dec-18	Mand Conv	6.81%	6.65%	3.42%	1.0%
ANZ CPS2	ANZPA	310bp	$100.90	$100	$1,986	Dec-16	Mand Conv	6.35%	6.51%	3.28%	1.0%
ANZ CPS1	ANZPB	250bp	$100.95	$100	$1,091	Jun-14	Mand Conv	5.75%	5.82%	2.59%	2.5%
WBC SPS II	WBCPB	380bp	$103.20	$100	$937	Sep-14	Mand Conv	6.83%	5.79%	2.56%	1.0%
CBA PERLS V	CBAPA	340bp	$203.93	$200	$2,039	Oct-14	Mand Conv	6.48%	5.74%	2.51%	1.0%
WBC SPS	WBCPA	240bp	$100.79	$100	$1,044	Sep-13	Mand Conv	5.60%	5.54%	2.31%	1.0%

Projected running yield and yield to maturity assume BBSW holds at the current level: 90 BBSW 3.23%, 180 BBSW 3.19%

SOURCE: COMPANY DATA, IRESS, BELL POTTER

Bank of Queensland Convertible Preference Shares

Mandatory Conversion Conditions

In order for bank Convertible Preference Shares (CPS) to qualify as Additional Tier 1 capital, APRA has imposed a maximum conversion number in order to limit the dilution of ordinary shares upon conversion.

This maximum conversion number represents the face value of the preference share divided by 50% of the volume weighted average price (VWAP) of the issuer on the 20 business days preceding the issue date (Issue Date VWAP). For example, if BOQ's 20 day VWAP was $7.46 before the issue date, the maximum exchange number would be 26.8097 BOQ shares per BOQPD security (i.e. $100 / (50% x $7.46)).

To protect BOQPD holders from receiving less than face value at mandatory exchange, there are Mandatory Conversion Conditions which investors need to be aware of:

- First: VWAP of ordinary shares on the 25th business day before a possible Mandatory Conversion Date must be above 56.12% of the Issue Date VWAP. Using the BOQ price on 7 Nov 2012 of $7.46 x 56.12% = $4.19.
- Second: VWAP of ordinary shares during the 20 business days immediately preceding a possible Mandatory Exchange Date must be greater than 50.51% of the BOQPD Issue Date VWAP (i.e. $3.77).
- Third: No Delisting Event (i.e. BOQ shares delisted or suspended from ASX trading) applies to ordinary shares in respect of a Mandatory Conversion Date, which may prevent converted shares being sold on the ASX.

If Mandatory Conversion Conditions are not satisfied, mandatory conversion will not occur. In the event mandatory conversion does not occur, the security will remain on issue and continue to pay dividends at the same margin. Mandatory Conversion Conditions will be tested on each subsequent future half yearly dividend date.

Figure 6: Mandatory Conversion Conditions

	BOQPD	ANZPA	ANZPB	ANZPC	BENPD	CBAPA	CBAPC	IAGPC	MQCPA	SBKPB	SUNPC	WBCPA	WBCPB	WBCPC
Date of Hybrid Issue	24-Dec-12	18-Dec-09	1-Oct-08	29-Sep-11	1-Nov-12	13-Oct-09	17-Oct-12	1-May-12	8-Jul-08	13-Jun-08	6-Nov-12	29-Jul-08	30-Mar-09	23-Mar-12
Mandatory Conversion Date	15-Apr-20	15-Dec-16	16-Jun-14	1-Sep-17	13-Dec-19	15-Oct-14	15-Dec-20	1-May-19	30-Jun-13	14-Jun-13	17-Dec-19	26-Sep-13	30-Sep-14	30-Mar-20
Conversion Discount	1.0%	1.0%	2.5%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Issue Date VWAP	$7.46	$21.80	$17.35	$19.53	$7.98	$50.49	$56.08	$3.46	$48.79	$14.38	$9.49	$20.09	$17.51	$20.83
50% Dilution Cap	$3.73	$10.90	$8.68	$9.77	$3.99	$25.25	$28.04	$1.73	$24.40	$7.19	$4.75	$10.05	$8.76	$10.42
Max Conversion No (Face Value/Dilution Cap)	26.81	9.17	11.53	10.24	25.06	7.92	3.57	57.80	4.10	13.91	21.07	9.95	11.42	9.60
Conversion Test 1 - % Issue Date VWAP	56.12%	56.00%	56.00%	56.00%	57.50%	56.00%	56.00%	57.50%	55.56%	55.56%	55.00%	55.56%	55.56%	55.56%
Conversion Test 1 Security Price	$4.19	$12.21	$9.72	$10.94	$4.59	$28.28	$31.41	$1.99	$27.11	$7.99	$5.22	$11.16	$9.73	$11.57
Conversion Test 2 - % Issue Date VWAP	50.51%	50.51%	51.28%	51.28%	51.28%	50.51%	50.51%	50.51%	50.51%	50.51%	50.51%	50.51%	50.51%	50.51%
Conversion Test 2 Security Price	$3.77	$11.01	$8.90	$10.01	$4.09	$25.50	$28.33	$1.75	$24.64	$7.26	$4.79	$10.15	$8.84	$10.52
Conversion Test 3 - Continuous Trading	Yes	Yes	Yes	Yes	Yes	n/a	n/a	Yes	Yes	Yes	Yes	n/a	n/a	n/a
Parent Share Price - 7 November 2012	$7.46	$25.51	$25.51	$25.51	$7.95	$57.80	$57.80	$3.37	$31.74	$9.36	$9.36	$25.86	$25.86	$25.86
Prem/Disc to Dilution Cap	100.0%	134.0%	194.1%	161.2%	99.2%	128.9%	106.1%	94.8%	30.1%	30.2%	97.3%	157.4%	195.4%	148.3%
Prem/Disc to Exchange Test 1	78.2%	109.0%	162.6%	133.2%	73.3%	104.4%	84.0%	69.4%	17.1%	17.2%	79.3%	131.7%	165.8%	123.4%

SOURCE: COMPANY DATA, BELL POTTER

Bank of Queensland Convertible Preference Shares

Early Exchange Events: Capital Trigger Events

The fallout from the Global Financial Crisis has seen the Basel Committee on Banking Supervision establish new capital reforms to be phased in between 1 Jan 2013 and 1 Jan 2019. The key objective of these new reforms is to ensure banks are adequately capitalised in the event of future crises. APRA has responded to these Basel III capital reforms by publishing a discussion paper in March 2012 on adopting an accelerated timetable for implementation. Under Basel III, APRA requires Australian banks to hold a minimum Common Equity Tier 1 Capital Ratio of 4.5% on 1 Jan 2013, increasing by the 2.5% capital conservation buffer to 7.0% on 1 Jan 2016.

APRA's Basel III requirements for the issue of Tier 1 securities include two Capital Trigger Events: a Common Equity Trigger Event, and a Non-Viability Trigger Event. Under these Trigger Events, securities such as BOQPD must be converted into ordinary equity if the financial position of BOQ requires an immediate injection of capital.

Common Equity Trigger Event

A Common Equity Trigger Event occurs when either BOQ determines, or when APRA notifies that it believes BOQ's Common Equity Tier 1 Capital Ratio is equal to or less than 5.125%. Under this Trigger, BOQ must immediately Convert enough BOQPD securities to boost the Common Equity Tier 1 Capital Ratio above 5.125%. BOQ's Basel III Common Equity Tier 1 Capital Ratio at 31 August 2012 stood at 8.6%, providing a buffer of $736.5m. If we include BOQ's 2H12 cash net profit of $103m, a breach of this Capital Trigger requirement appears low, particularly as BOQ has options such as cutting ordinary dividends and undertaking equity raisings.

Non-Viability Trigger Event

In addition, BOQPD will be Exchanged if APRA determines that BOQ would be non-viable in the absence of an exchange or a public sector injection of capital. We note there are currently no precedents for a Non-Viability Trigger Event. BOQ believes the types of situations in which APRA may become concerned about non-viability include significant capital losses, prolonged difficulties in raising funding or maintaining sufficient liquidity.

No Mandatory Exchange Conditions under Early Exchange

Exchange resulting from a Capital Trigger Event or a Non-Viability Trigger Event will be done at the VWAP of BOQ shares traded on the 5 Business Days immediately preceding the Exchange Date. While this is not subject to the Mandatory Exchange Conditions, it is still subject to the Maximum Exchange Number, which represents the face value of the preference share dividend by 20% of the issue date VWAP. If BOQ's issue date VWAP was $7.46, the maximum exchange number would be 67.0241 BOQ shares per BOQPD security (i.e. $100 / (20% x $7.46)).

As such, BOQPD investors may exposed to receiving less than face value if BOQPD is exchanged at less than $1.49. In practice this will only occur in the unlikely scenario that the issuer suffers severe impairment losses and does not raise equity to absorb those losses.

Bank of Queensland Convertible Preference Shares

Inability Event

One additional risk is an Inability Event if BOQ is not able to issue ordinary shares from Conversion under a Capital Trigger Event (i.e. Common Equity Trigger Event or Non-Viability Trigger). Scenarios under which this may occur include BOQ being prevented from issuing ordinary shares by circumstances outside of its control, including an applicable law or order of any court, or action of any Government authority from issuing shares.

Under an Inability Event, the rights attached to BOQPD from the intended Capital Event Conversion Date will be amended. BOQPD holders will lose priority ranking over ordinary equity and the economic interest will be effectively limited to the dividends payable on the number of ordinary shares BOQPD holders would have receive on conversion.

The capital value under of BOQPD under an Inability Event will most likely be significantly reduced as BOQPD will become an investment which may not be able to be sold on the ASX. In the event of a winding up, BOQPD holders claim relates to the surplus available to ordinary shareholders on the basis that BOQPD was converted into ordinary shares (i.e. proportionate claim to the enlarged ordinary equity base).

Other investment risks

Key security risks include:

- BOQPD is not a bank deposit protected by the Government guarantee scheme.
- As preferred equity, BOQPD ranks behind deposits, senior debt and subordinated debt in BOQ.
- BOQPD dividends are at BOQ's discretion and are non-cumulative.
- BOQPD dividend payments must not exceed BOQ's Distributable Profits (unless APRA provides approval), must not result in a breach of BOQ's capital requirements under APRA's prudential standards, or payment must not result in BOQ becoming insolvent.
- Adverse movement in credit spreads as a result of a tightening in the availability and cost of credit.
- New issues may offer more attractive issue terms and margins, placing downward pressure on the security price.
- Adverse change in BOQ's and financial performance which combined with a major bad debt event could lead to the Common Equity Tier 1 Capital Ratio falling below 5.125%, resulting in automatic conversion under the Common Equity Trigger Event. Automatic conversion may also be required under a Non -Viability Trigger Event.
- Under an Inability Event, BOQPD will lose most of its value if BOQ is not able to convert BOQPD into ordinary shares under a Capital Trigger Event.
- Conversion of BOQPD at the April 2020 Mandatory Conversion Date requires BOQ's share price at the time of Mandatory Conversion to be above certain thresholds. If these thresholds are not met in April 2020 or at future half yearly dividend payment dates, BOQPD may remain on issue indefinitely.

Bank of Queensland Convertible Preference Shares

Other investment risks

Key Business Risks of BOQ include:

- A material deterioration in global capital markets and the Australian economy.
- Adverse regulatory changes.
- Operational risks and trading errors.
- Increasing competition.
- Credit rating downgrades.
- Losses associated with counterparty exposures.
- Poor performance of acquired businesses.

Refer page 55 of the prospectus for further information on risks.

Additional investment risk:

ASIC "Be wary of the risks" warning: Money Smart website

The ASIC publication should be used as guidance which may be relevant to your consideration of BOQPD – namely, information for retail investors who are considering investing in hybrid securities.

Copies of the ASIC Guidance can be obtained from ASIC's website at:

www.moneysmart.gov.au/investing/complex-investments/hybrid-securities-and-notes

Basically, hybrid securities (including subordinated notes and convertible preference shares) may be from well-known companies but they are very different from 'normal' corporate bonds.

Some hybrid securities make investors take on 'equity-like' risks. Some also have terms and conditions that allow the issuer to exit the deal or suspend interest payments when they choose. Some are very long-term investments (for example, more than 20 years).

Hybrid securities may be unsuitable for you if you need steady returns or capital security typically from a bank term deposit style of investment.

Fixed Income

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Additional disclosure:

Bell Potter Securities Limited is acting as Co-manager to the BOQPD issue and will receive fees for this service.