



Bank of Queensland Limited
ABN 32 009 656 740
100 Skyring Terrace, Newstead 4006
GPO Box 898, Brisbane 4001
Telephone (07) 3212 3333
Facsimile (07) 3212 3409
www.boq.com.au

ASX RELEASE

26 May 2015

BANK OF QUEENSLAND LIMITED - ISSUE OF PERPETUAL, SUBORDINATED, UNSECURED, CONVERTIBLE NOTES ("WHOLESALE CAPITAL NOTES") TO RAISE A\$150,000,000

NOTICE UNDER SECTION 708A(12G)(E) OF THE CORPORATIONS ACT 2001 (CTH)

Today Bank of Queensland Limited (**BOQ**) will issue the Wholesale Capital Notes.

The terms and conditions of the Wholesale Capital Notes are set out on pages 33 to 77 of the Schedule to this notice.

BOQ intends to use the proceeds of the Wholesale Capital Notes for general corporate purposes and for the Wholesale Capital Notes to qualify as Additional Tier 1 Capital.

Wholesale Capital Notes may convert into fully paid ordinary shares of BOQ (**Ordinary Shares**) in certain circumstances as described in the Schedule (which includes Conversion on the occurrence of a Non-Viability Event or Capital Trigger Event).

To enable Ordinary Shares issued on Conversion to be sold without disclosure to investors under Chapter 6D.2 of the Corporations Act 2001 (Cth) (**Act**), BOQ has elected to give this notice (including the Schedule) under section 708A(12G)(e) of the Act (as inserted by ASIC Instrument [15-0430]).

The Schedule forms part of this notice. In particular, see the following in "Additional information" on pages 85 to 87 of the Schedule to this notice:

- "Effect on the Issuer of the offer of the Capital Notes" on page 85;
- "Effect on the Issuer of the issue of the Ordinary Shares when the Capital Notes are Converted" on page 85; and
- "Rights and liabilities attaching to the Ordinary Shares" on pages 85 to 86.

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. 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 listed securities, including the Ordinary Shares.

Copies of documents lodged with ASIC can be obtained from, or inspected at, an ASIC office and the BOQ's ASX announcements may be viewed on www.asx.com.au.

Copies of the following documents are available at www.boq.com.au/shareholder and BOQ will provide a copy of any of the following documents free of charge to any person who requests a copy:

- BOQ's most recent half-yearly and annual financial reports; and

- any continuous disclosure notices given by BOQ after the lodgement of BOQ Group's half-yearly financial results for the six months ended 28 February 2015, but before the date of this notice,

in person from, or by request made in writing to, BOQ at:

Address: Level 6, 100 Skyring Terrace, Brisbane QLD 4006

Attention: Investor Relations

E-mail: InvestorRelations@boq.com.au

A copy of BOQ's constitution is available at www.boq.com.au/aboutus_corporate_governance.htm or by request as above.

Words and expressions defined in the Schedule have the same meanings in this notice unless the contrary intention appears.

This notice (including the Schedule) is not a prospectus under the Act. Wholesale Capital Notes are only intended for wholesale investors. This notice does not constitute an offer or invitation for the Wholesale Capital Notes or any Ordinary Shares for issue or sale in Australia. Wholesale Capital Notes are only available for sale to persons in Australia in circumstances where disclosure is not required in accordance with Part 6D.2 and Chapter 7 of the Corporations Act. The securities have not been, and will not be, registered under the Securities Act or the securities laws of any state of the United States or any jurisdiction, and the securities may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons unless an exemption from the registration requirements of the Securities Act is available and the offer and sale is in accordance with all applicable state securities laws of any state of the United States. This notice is not an offer or invitation to any U.S. persons.

For further information please call:

<p>Media: Jamin Smith, Head of Media Relations P: 07 3212 3018 E: jamin.smith@boq.com.au</p>	<p>Analysts: Daniel Ryan, Head of Investor Relations P: 07 3212 3990 E: daniel.ryan@boq.com.au</p>
---	---

Schedule to Cleansing Notice dated 26 May 2015



Information Memorandum

**for the issue of Wholesale Capital Notes to raise
A\$150,000,000 (with the ability to raise a higher or lower
amount)**

Issuer

Bank of Queensland Limited

(ABN 32 009 656 740)

Sole Arranger

National Australia Bank Limited

Joint Lead Managers

National Australia Bank Limited

Deutsche Bank AG, Sydney Branch

Westpac Banking Corporation

The date of this Information Memorandum is 26 May 2015

Contents

	Page
Important Notice	3
Summary	11
About BOQ	20
Risks	22
Terms of the Capital Notes	33
Subscription and Sale	78
Australian Taxation	82
Additional Information	85
Directory	88

Important Notice

Introduction

This Information Memorandum relates solely to the offer by Bank of Queensland Limited (ABN 32 009 656 740) (“**Issuer**” or “**BOQ**”) of perpetual, subordinated, unsecured debt obligations (“**Capital Notes**”) described in this Information Memorandum, to raise A\$150,000,000 (with the ability to raise a higher or lower amount). The Issuer intends to use the net proceeds of the Capital Notes issued under this Information Memorandum for general corporate purposes and for the Capital Notes to qualify as Additional Tier 1 Capital (as described in the prudential standards issued by the Australian Prudential Regulation Authority (“**APRA**”)).

Capitalised expressions which are not otherwise defined in this Information Memorandum have the meanings given in clause 19.2 of the terms of the Capital Notes (“**Terms**”) which are set out in the section entitled “Terms of the Capital Notes” below.

Capital Notes are not:

- deposits or policy liabilities of the Issuer or any other member of the BOQ Group;
- protected accounts for the purposes of the depositor protection provisions of the Banking Act or of the financial claims scheme established under the Banking Act;
- guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction; or
- investments in any superannuation or other fund that may be managed by a member of the BOQ Group.

Issuer's responsibility

This Information Memorandum has been prepared by, and issued with the authority of, the Issuer. The Issuer accepts responsibility for the information contained in this Information Memorandum, other than the information provided by the Sole Arranger, the Agent and the Joint Lead Managers (each as described in the section entitled “Summary” below).

Terms

This Information Memorandum summarises information regarding the issue of Capital Notes in uncertificated registered form in the wholesale debt capital markets in Australia. The Terms are included in this Information Memorandum in the section entitled “Terms of the Capital Notes” below.

The liabilities which are preferred by law to the claim of a Holder in respect of a Capital Note may be substantial and the Terms do not limit the amount of such liabilities which may be incurred or assumed by the Issuer from time to time.

Documents incorporated by reference and ASX announcements

This Information Memorandum is to be read in conjunction with all documents which are deemed to be incorporated into it by reference as set out below. This Information Memorandum shall, unless otherwise expressly stated, be read and construed on the basis that such documents are so incorporated and form part of this Information Memorandum. References to “**Information Memorandum**” are to this Information Memorandum and any other document incorporated by reference and to any of them individually.

The following documents are incorporated in, and taken to form part of, this Information Memorandum:

- all amendments and supplements to this Information Memorandum prepared and issued by the Issuer from time to time;

- the published annual report for the period ended 31 August 2014 of the Issuer, filed with the Australian Securities Exchange operated by ASX Limited (ABN 98 008 624 691) (“**ASX**”) which is also available for downloading from www.boq.com.au/shareholder under the “Financial disclosures” section;
- the half-yearly financial results for the six months ended 28 February 2015 and available for downloading from www.boq.com.au/shareholder under the “Financial disclosures” section; and
- all other documents issued by the Issuer and expressly stated to be incorporated in this Information Memorandum by reference.

Any statement contained in this Information Memorandum or in any of the documents incorporated by reference in, and forming part of, this Information Memorandum, shall be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement.

Except as provided above, no other information, including information on www.boq.com.au or in any document incorporated by reference in any of the documents described above, is incorporated by reference into this Information Memorandum.

Copies of documents incorporated by reference in this Information Memorandum may be obtained from the Issuer and the Registrar (each as defined in the section entitled “Summary” below) on request, including from their respective offices at the addresses set out in the section entitled “Directory” below.

When deciding whether or not to subscribe for, purchase or otherwise deal in any Capital Notes or any rights in respect of any Capital Notes, investors should:

- review, amongst other things, the documents which are incorporated by reference in this Information Memorandum; and
- have regard to the information lodged by the Issuer with ASX including in compliance with its continuous and periodic disclosure obligations (made available at www.asx.com.au), including announcements which may be made by the Issuer after release of this Information Memorandum.

No independent verification

The only role of the Sole Arranger, the Agent and the Joint Lead Managers in the preparation of this Information Memorandum has been to confirm to the Issuer that their respective details in the sections entitled “Summary” and “Directory” below are accurate as at the Preparation Date (as defined below).

Apart from the foregoing, none of the Sole Arranger, the Agent or the Joint Lead Managers, nor their respective related bodies corporate or affiliates, has independently verified the information contained in this Information Memorandum.

Accordingly, no representation, warranty or undertaking, express or implied, is made, and no responsibility is accepted, by any of them as to the accuracy, completeness or currency of this Information Memorandum (except for confirming their respective contact details in the sections entitled “Summary” and “Directory” below) or any further information supplied by the Issuer in connection with the Capital Notes. Each of them expressly disclaims any duty to potential investors in respect of such matters.

The Sole Arranger, the Agent and the Joint Lead Managers, and their respective related bodies corporate and affiliates, expressly do not undertake to review the financial condition or affairs of the Issuer or any of its affiliates at any time or to advise any Holder of a Capital Note of any information coming to their attention with respect to the Issuer or any of its affiliates. Neither the Sole Arranger nor the Agent nor the Joint Lead Managers, nor any of their related bodies corporate or affiliates, make any representation as to the performance of the Issuer or any of its affiliates, its maintenance of capital or any particular rate of return on the Capital Notes, nor do the Sole Arranger, the Agent or the

Joint Lead Managers or any of their related bodies corporate or affiliates guarantee the repayment of capital invested in the Capital Notes.

No offer

This Information Memorandum, and any other information supplied in connection with the Information Memorandum, does not, and is not intended to, constitute an offer or invitation by or on behalf of the Issuer, the Sole Arranger, the Agent or the Joint Lead Managers to any person to subscribe for, purchase or otherwise deal in any Capital Notes. Nor is this Information Memorandum intended to be used for the purpose of offers or invitations to subscribe for, purchase or otherwise deal in any Capital Notes.

Restricted to certain professional and sophisticated investors

Capital Notes may only be subscribed for, purchased by or otherwise dealt in by certain professional or sophisticated investors (see “Subscription and Sale” below). This Information Memorandum is not intended for and should not be distributed to any person other than such professional or sophisticated investors. Its contents may not be reproduced or used in whole or in part for any purpose other than in connection with the issue or sale of the Capital Notes in accordance with this Information Memorandum, nor furnished to any other person without the express written permission of the Issuer.

Selling restrictions and no disclosure

Neither this Information Memorandum nor any other disclosure document (as defined in the Corporations Act) in relation to the Capital Notes has been, or will be, lodged with the Australian Securities and Investments Commission (“ASIC”) or any other government agency. The Information Memorandum is not a prospectus or other disclosure document for the purposes of the Corporations Act. No action has been taken which would permit an offering of the Capital Notes in circumstances that would require disclosure under Parts 6D.2 or 7.9 of the Corporations Act. The distribution and use of this Information Memorandum, including any advertisement or other offering material, and the offer or sale of Capital Notes, may be restricted by law in certain jurisdictions and intending purchasers and other investors should inform themselves about those laws and observe any such restrictions.

Persons into whose possession this Information Memorandum or any Capital Notes come must inform themselves about, and observe, any such restrictions.

See “Subscription and Sale” below for a description of certain restrictions on offers, sales and deliveries of the Capital Notes, and on distribution of this Information Memorandum, or other offering material relating to the Capital Notes.

None of the Issuer, the Agent, the Sole Arranger or the Joint Lead Managers represents that any Capital Notes may be lawfully offered for subscription or purchase or otherwise dealt with in compliance with any applicable law, registration or other requirements in any jurisdiction outside Australia, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such offering or other dealing. In particular, no action has been taken by the Issuer, the Agent, the Sole Arranger or the Joint Lead Managers which would permit a public offering of any Capital Notes in any jurisdiction where action for that purpose is required.

A person may not (directly or indirectly) offer for subscription or purchase, or issue an invitation to subscribe for or buy Capital Notes, nor distribute or publish this Information Memorandum or any other offering material or advertisement relating to the Capital Notes, except if the offer or invitation, or distribution or publication, complies with all applicable laws, regulations and directives.

No registration in the United States

Neither the Capital Notes nor the Ordinary Shares have been, nor will they be, registered under the United States Securities Act 1933 (“U.S. Securities Act”). The Capital Notes may not be offered, sold, delivered or transferred, at any time, within the United States, its territories or possessions or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act

("Regulation S")) except in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act.

Intending purchasers to make independent investment decision and obtain tax advice

This Information Memorandum contains only summary information concerning the Issuer and the Capital Notes. The information contained in this Information Memorandum is not intended to provide the basis of any credit or other evaluation in respect of the Issuer or any Capital Notes and should not be considered or relied upon as a recommendation or a statement of opinion, or a report of either of those things, by any of the Issuer, the Agent, the Sole Arranger or the Joint Lead Managers, or their respective related bodies corporate or affiliates, that any recipient of this Information Memorandum should subscribe for, purchase or otherwise deal in any Capital Notes or any rights in respect of any Capital Notes. Furthermore, this Information Memorandum contains only general information and does not take into account the objectives, financial situation or needs of any potential investor.

Each investor contemplating subscribing for, purchasing or otherwise dealing in any Capital Notes or any rights in respect of any Capital Notes should:

- make and rely upon (and shall be taken to have made and relied upon) its own independent investigation of the terms and conditions of the Capital Notes and the rights and obligations attaching to the Capital Notes and Ordinary Shares and of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the BOQ Group;
- determine for itself the relevance of the information contained in this Information Memorandum;
- consult its own tax advisers concerning the application of any tax laws applicable to its particular situation and consult other appropriate advisers in respect of any other matters upon which it requires advice; and
- base its investment decision solely upon its own independent assessment and such investigation and consultation with advisers and such other investigations as it considers appropriate or necessary.

No advice is given in respect of the legal or taxation treatment of investors or purchasers or any other matter in connection with an investment in any Capital Notes or rights in respect of them and each investor is advised to consult its own professional adviser.

No authorisation

No person has been authorised to give any information or make any representations not contained in or consistent with this Information Memorandum in connection with the Issuer or the issue or sale of the Capital Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Agent, the Sole Arranger or the Joint Lead Managers. The Issuer makes no representation or warranty as to and assumes no responsibility for the authenticity, origin, validity, accuracy or completion of, or any errors or omissions in, any accompanying, previous or subsequent material or presentation, except as expressly set out or stated in such material or presentation.

Distribution arrangements

The Issuer has agreed to pay the Joint Lead Managers a fee in respect of the Capital Notes subscribed by them, to reimburse the Joint Lead Managers for certain expenses incurred in connection with the offer and sale of Capital Notes and indemnify the Joint Lead Managers against certain losses and liabilities in connection with the offer and sale of Capital Notes.

The Issuer, the Sole Arranger and the Joint Lead Managers, and their respective related bodies corporate, affiliates, directors and employees may have pecuniary or other interests in the Capital Notes and may also have interests pursuant to other arrangements and may receive fees, brokerage and commissions and may act as a principal in dealings in the Capital Notes.

The distribution of this Information Memorandum and documents which are deemed to be incorporated by reference in this Information Memorandum and the offer or sale of Capital Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Agent, the Sole Arranger or the Joint Lead Managers, nor their respective related bodies corporate or affiliates, represents that this Information Memorandum or any such document may be lawfully distributed, or that any Capital Notes may be offered, in compliance with the laws of any applicable jurisdiction or other requirements in any such jurisdiction, or under an exemption available in that jurisdiction, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Agent, the Sole Arranger or the Joint Lead Managers nor their respective related bodies corporate or affiliates, which would permit a public offering of any Capital Notes or distribution of this Information Memorandum or any such document in any jurisdiction where action for that purpose is required.

References to credit ratings

There are references in this Information Memorandum to credit ratings. A credit rating is not a recommendation to buy, sell or hold the Capital Notes and may be subject to revision, variation, suspension or withdrawal at any time by the relevant assigning organisation. Each credit rating should be evaluated independently of any other credit rating.

Credit ratings are for distribution only to a person (a) who is not a “retail client” within the meaning of section 761G of the Corporations Act and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Parts 6D.2 or 7.9 of the Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive this Information Memorandum and anyone who receives this Information Memorandum must not distribute it to any person who is not entitled to receive it.

Currencies

In this Information Memorandum references to “**A\$**” or “**Australian dollars**” are to the lawful currency of the Commonwealth of Australia.

Currency of information

The information contained in this Information Memorandum is prepared as of its Preparation Date (as defined below).

Neither the delivery of this Information Memorandum nor any offer, issue or sale made in connection with this Information Memorandum at any time implies that the information contained in it is correct at any time subsequent to the Preparation Date or that any other information supplied in connection with the issue of the Capital Notes is correct as of any time subsequent to the Preparation Date or that there has been no change (adverse or otherwise) in the financial condition, affairs or creditworthiness of the Issuer at any time subsequent to the Preparation Date. In particular, the Issuer is not under any obligation to any person to update this Information Memorandum at any time after an issue of Capital Notes.

In this Information Memorandum, “**Preparation Date**” means:

- in relation to this Information Memorandum, the date indicated on its face or, if this Information Memorandum has been amended or supplemented, the date indicated on the face of that amendment or supplement;
- in relation to annual reports and any financial statements incorporated by reference in this Information Memorandum, the date up to or as at the date on which such reports and financial statements relate; and
- in relation to any other item of information which is to be read in conjunction with this Information Memorandum, the date indicated on its face as being its date of release or effectiveness.

References to website addresses

Any website addresses provided in this Information Memorandum are for reference only and the content of any such internet site is not incorporated by reference into, and does not form part of, this Information Memorandum (unless as expressly provided in this Information Memorandum).

Banking Act

The Issuer is an "authorised deposit-taking institution" ("**ADI**") as the term is defined under the Banking Act. Under sections 13A(3) and 16(2) of the Banking Act and section 86 of the Reserve Bank Act 1959 of Australia ("**Reserve Bank Act**"), certain debts of the Issuer are preferred by law, as follows.

Section 13A(3) of the Banking Act provides that the assets of an ADI in Australia would, in the event of the ADI becoming unable to meet its obligations or suspending payment, be available to meet certain liabilities in priority to all other liabilities of that ADI. The liabilities which have priority, by virtue of section 13A(3) of the Banking Act, to the claims of holders in respect of the Capital Notes will be substantial, as such liabilities include (but are not limited to) liabilities owed to APRA in respect of any payments by APRA to holders of protected accounts held with that ADI under the Banking Act, the costs of APRA in certain circumstances, liabilities in Australia owed to holders of protected accounts held with that ADI, debts due to the Reserve Bank of Australia ("**RBA**") and liabilities under certified industry support contracts. A "**protected account**" is an account or covered financial product that is kept by an account-holder (whether alone or jointly with one or more other accountholders) with an ADI and either:

- is an account, or covered financial product, that is kept under an agreement between the account-holder and the ADI requiring the ADI to pay the accountholder, on demand by the account-holder or at an agreed time by them, the net credit balance of the account or covered financial product at the time of the demand or the agreed time (as appropriate); or
- an account prescribed by regulations for the purposes of section 5(4)(a) of the Banking Act.

For the purposes of section 13(A) of the Banking Act, the assets of the ADI do not include any interest in an asset (or part of an asset) in a cover pool (as defined in the Banking Act) that may have been established for the issuance of any covered bonds.

Under Section 16(2) of the Banking Act, certain other debts due to APRA shall, in a winding-up of an ADI and subject to section 13A(3) of the Banking Act, have priority over all other unsecured debts of the ADI. Further, under section 86 of the Reserve Bank Act 1959 of Australia "**RBA Act**", debts due by an ADI to the RBA shall, in a winding-up of that ADI and subject to section 13A(3) of the Banking Act, have priority over all other debts of that ADI.

The Capital Notes would not constitute deposit liabilities in Australia or protected accounts under such statutory provisions.

U.S. Foreign Account Tax Compliance Act

FATCA was enacted by the United States Congress in March 2010 as part of its efforts to improve compliance with their tax laws. FATCA is aimed at detecting US taxpayers who use accounts with offshore (non-US) financial institutions to conceal income and assets from the US Internal Revenue Service ("**IRS**"). The relevant provisions are contained in the US Internal Revenue Code 1986 and are supplemented by extensive US Treasury Regulations that were issued on 17 January 2013 (and have been subject to subsequent amendment). FATCA started applying from 1 July 2014.

FATCA focuses on reporting by:

- (a) US taxpayers about certain foreign financial accounts and offshore assets; and
- (b) foreign (non-US) financial institutions about financial accounts held by US taxpayers or foreign entities in which US taxpayers hold a substantial ownership interest ("**US Persons**").

The objective of FATCA is the reporting to the IRS of foreign (non-US) financial accounts; withholding at 30 per cent on US source income is the penalty for failure to comply with FATCA. Compliance with FATCA imposes certain due diligence and reporting obligations on foreign (non-US) financial institutions. To avoid being withheld upon, a foreign financial institution must generally register with the IRS, obtain a Global Intermediary Identification Number ("**GIIN**"), undertake due diligence on its customers and report certain information on accounts held by US Persons to the IRS on an annual basis. Where, however, a jurisdiction enters into an Intergovernmental Agreement (a "**FATCA Agreement**") with the US to implement FATCA, the reporting and other compliance burdens on the financial institutions in that jurisdiction may be simplified.

On 28 April 2014 the Treasurer, on behalf of the Australian Government, and the US Ambassador to Australia, on behalf of the US Government, signed a FATCA Agreement. Under the FATCA Agreement between Australia and the United States:

- (a) Reporting Australian Financial Institutions ("**Reporting AFIs**") will report to the Commissioner of Taxation (and not the IRS) and that information will be made available to the IRS by the Commissioner of Taxation;
- (b) Certain Australian financial institutions and accounts will be deemed compliant or exempt from FATCA (e.g. superannuation funds);
- (c) Reporting AFIs, that is, Australian Financial Institutions that are not deemed compliant or exempt, will need to: (1) register with the IRS and obtain a GIIN; and (2) undertake due diligence procedures on accounts existing on 1 July 2014 as well as accounts opened after that date, identify where those accounts are held by US Persons and report certain information on those accounts to the Commissioner of Taxation each year; and
- (d) There will be no withholding on the US source income of Reporting AFIs, unless there is significant non-compliance by a Reporting AFI with its FATCA Agreement obligations, and after following the procedures set out in the FATCA Agreement, the Reporting AFI is treated by the IRS as a non-participating financial institution.

To implement the FATCA Agreement between Australia and the United States, Australian domestic legislation in the form of Tax Laws Amendment (Implementation of the FATCA Agreement) Act 2014 (Cth), which received Royal Assent on 30 June 2014, introduces new Division 396 to Schedule 1 to the Taxation Administration Act 1953 (Cth) ("**TAA**").

With effect from 1 July 2014, those amendments require Reporting AFIs to collect and retain information about their customers, conduct ongoing due diligence, and from 2015, provide that information to the Commissioner of Taxation, who will, in turn, provide that information to the IRS. For the 2015 and 2016 calendar years, Reporting AFIs must also give the Commissioner of Taxation information about payments made to "Nonparticipating Financial Institutions."

As a Reporting AFI, the terms of the FATCA Agreement and Division 396 to Schedule 1 of the TAA apply to BOQ accordingly.

If BOQ or any other person is required to withhold amounts under or in connection with FATCA from any payments made in respect of Capital Notes, Holders and beneficial owners of Capital Notes will not be entitled to receive any gross up or additional amounts or to be issued with any further Ordinary Shares to compensate them for such withholding.

Future guidance issued by the ATO or the IRS may affect the application of FATCA to the Capital Notes. For instance, on 13 April 2015, the ATO released updated detailed guidance material on FATCA to assist with compliance.

Common Reporting Standard

The Standard for Automatic Exchange of Financial Account Information in Tax Matters calls on governments to obtain detailed account information from their financial institutions and exchange that information automatically with other jurisdictions on an annual basis utilising a common reporting

standard agreement. The standard, developed at the OECD under a mandate from the G20, was endorsed by G20 Finance Ministers in February 2014, and has been approved by the OECD Council. The Australian Government has announced that it intends to implement the Common Reporting Standard ("**CRS**") in a staged process from 1 January 2017, subject to further consultation with financial institutions and a final Government decision on implementation.

To minimise business and tax administrations' implementation and compliance costs, the CRS draws extensively on the intergovernmental approach to implementing FATCA for due diligence procedures and reporting.

The staged implementation is intended to allow financial institutions to voluntarily implement the CRS from 1 January 2017 and require all financial institutions to implement it by 1 January 2018. The Australian Treasury will be undertaking further consultation with financial institutions and other G20 countries to examine the scope to reduce the CRS' compliance costs prior to the final Australian Government decision on implementation.

Provided that the requirements of the CRS are duly complied with if and when the CRS is implemented in the form that is currently proposed, it is not expected that the CRS should result in a need to withhold from any payments to Holders under the Capital Notes.

Summary

The following is a brief summary only and should be read in conjunction with the rest of this Information Memorandum and, in relation to the Capital Notes, in conjunction with the Deed Poll (as defined below) and the Terms. A term used below but not otherwise defined has the meaning given to it in clause 19.2 of the Terms.

Issuer:	Bank of Queensland Limited (ABN 32 009 656 740)
Sole Arranger:	National Australia Bank Limited (ABN 12 004 044 937)
Joint Lead Managers:	National Australia Bank Limited (ABN 12 004 044 937) Deutsche Bank AG, Sydney Branch (ABN 13 064 165 162) Westpac Banking Corporation (ABN 33 007 457 141)
Registrar:	Austraclear Services Limited (ABN 28 003 284 419) or any other person appointed by the Issuer to maintain the Register from time to time.
Calculation Agent:	Austraclear Services Limited (ABN 28 003 284 419) for the purposes of distribution calculations or any other person appointed by the Issuer from time to time to act as calculation agent for a provision of the Terms. The Issuer may act as its own Calculation Agent and, as at the Preparation Date, does so for the purposes of the conversion calculations.
Agent:	Each Registrar and Calculation Agent and any other person appointed by the Issuer to perform other agency functions in respect of the Capital Notes. The Issuer may appoint additional or other agents or terminate the appointment of an Agent at any time.
Form of Capital Notes:	Capital Notes will take the form of entries in a register. No certificate or other evidence of title will be issued unless the Issuer determines that certificates should be available or it is required to do so pursuant to applicable law.
Deed Poll:	Holders of Capital Notes will have the benefit of a deed poll executed by the Issuer and dated 15 May 2015 (“ Deed Poll ”) in relation to the Capital Notes held by them.
Title:	Entry of the name of a person in the Register in relation to a Capital Note constitutes the obtaining or passing of title and is conclusive evidence that the person whose name is so entered is the registered owner of such Capital Note, subject to correction for fraud or error.
Term of Capital Notes:	Capital Notes are perpetual (i.e. they have no fixed maturity date, subject to Conversion into Ordinary Shares or Redemption or Resale – see “Conversion to Ordinary Shares of the Issuer” and “Redemption or Resale of Capital Notes” below).
Denomination:	Capital Notes will be issued in denominations of A\$10,000, being the Face Value of each Capital Note.
Status and Ranking of the Capital Notes:	Capital Notes are non-cumulative and fully paid and are issued by the Issuer on a perpetual, subordinated and unsecured basis. They are not guaranteed or secured. In a winding-up of the Issuer, if Capital Notes have not been Converted or Written-Off on account of a Non-Viability Trigger Event or Capital Trigger Event, Capital Notes will rank for payment:

- (a) in priority to Ordinary Shares;
- (b) equally among themselves and with all other Equal Ranking Instruments with respect to priority on a winding-up; and
- (c) junior to the claims of all Senior Ranking Creditors of the Issuer, in that all claims of Senior Ranking Creditors (including as to interest) must first be paid in full so that the Holder receives the amount it would have received on a winding-up if it had held a Preference Share.

However, Holders should be aware that if the Issuer is in a winding-up, it is likely that a Non-Viability Trigger Event or Capital Trigger Event will have occurred, following which Holders' Capital Notes will have been either:

- (a) Converted into Ordinary Shares (which Ordinary Shares will rank, on a winding-up of the Issuer, equally with all other Ordinary Shares on issue and behind all creditors of the Issuer); or
- (b) if Conversion is not effected for any reason within 5 Business Days of the Non-Viability Conversion Date or Capital Trigger Conversion Date, Written-Off (which means that all rights of Holders will be terminated).

As at the date of this Information Memorandum, the BOQ CPS are the only Equal Ranking Instruments on issue.

Holdes should refer to clauses 2 and 16 of the Terms which provide for the ranking and subordination of the Capital Notes.

Distributions:

Capital Notes are scheduled to pay half-yearly, floating rate Distributions in arrears on 26 November and 26 May commencing on 26 November 2015 unless Converted, Redeemed, Resold or Written-Off.

The Distribution for each Distribution Period will be calculated as follows:

Distribution = Distribution Rate x A\$10,000 x N / 365 (where "N" means the number of days in the Distribution Period).

The Distribution Rate (expressed as a percentage per annum) is to be calculated according to the following formula:

Distribution Rate = (Bank Bill Rate + Margin) x Franking Adjustment Factor

The Margin is 4.35% per annum.

Payment of Distributions is in the absolute discretion of the Issuer and subject to no Payment Condition existing in respect of the Distribution Payment Date. The Payment Conditions are:

- (a) payment of the Distribution would result in the Issuer or BOQ Group breaching APRA's then current capital adequacy requirements;
- (b) the payment would result in the Issuer becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or
- (c) APRA objecting to the payment.

If a Distribution is not paid in full on a Distribution Payment Date, the Issuer must not without the approval of Holders by a Special Resolution declare, determine to pay or pay a dividend on its Ordinary Shares, or buy-back or reduce capital on any of its Ordinary Shares, until and including the next Distribution Payment Date (unless the relevant Distribution is paid in full within 3 Business Days of the relevant Distribution Payment Date). There are certain exclusions from this restriction which are set out in clause 3.8 of the Terms.

Distributions are non-cumulative, which means that if a Distribution is not paid on a particular Distribution Payment Date, the Issuer has no obligation to pay it on a future Distribution Payment Date.

The Calculation Agent will notify Holders of the Distribution Rate during the Distribution Period once it has determined what the Franking Rate will be. Such notice will be given no later than the Record Date for the relevant Distribution.

Franking:

Distributions are expected to be franked at the same rate as the Issuer's Ordinary Shares. The rate of franking depends on, among other requirements including the availability of profits, the Issuer's level of available franking credits. The Issuer's 2014 final dividend and 2015 interim dividend on Ordinary Shares were fully franked. The level of franking may vary over time and Distributions may be partially, fully or not franked.

The greater the rate of franking of the Distribution, the lower the Distribution Rate and the amount of cash Distribution, reflecting the amount of the franking credit attached to the Distribution.

If Distributions are franked, the ability of Holders to use the franking credits will depend on their individual circumstances.

If Distributions are partially franked, dividend withholding tax at the rate of up to 30% may be applied. Dividend withholding tax should generally not apply to the extent that:

- (a) the Holder is an Australian resident or a non-resident who derives the Distribution in carrying on a business at or through a permanent establishment in Australia;
- (b) the Distribution is franked; or
- (c) the amount of the unfranked part of the Distribution is declared by the Issuer to be conduit foreign income.

The dividend withholding tax rate may also be reduced under an applicable double tax treaty.

If any dividend withholding tax is applicable, the Issuer will not increase the amount of the Distribution to account for that withholding.

For further information, see the section entitled "Australian Taxation" below.

Conversion to Ordinary Shares of the Issuer:

Capital Notes must Convert to Ordinary Shares in the following circumstances:

- (a) on a Mandatory Conversion Date (subject to the Mandatory Conversion Conditions being satisfied);
- (b) on the occurrence of a Capital Trigger Event;
- (c) on the occurrence of a Non-Viability Trigger Event; and
- (d) on the occurrence of an Acquisition Event (unless the Second Mandatory Conversion Condition (as if it referred to 20.21% of the Issue Date VWAP) or the Third Mandatory Conversion Condition (see "Mandatory Conversion Conditions" below) would not be satisfied on the Acquisition Conversion Date if the Acquisition Conversion Date were a Mandatory Conversion Date¹).

The Issuer may also choose to Convert Capital Notes to Ordinary Shares on 26 May 2020 or if a Tax Event, Regulatory Event or Potential Acquisition Event occurs (see "Tax, Regulatory and Potential Acquisition Events" below). Any such Conversion will be subject to APRA's prior written approval. Further, the Issuer may not elect to Convert in these circumstances if:

- (a) *First Optional Conversion Restriction:* the VWAP on the Non-Conversion Test Date is less than or equal to 22.50% of the Issue

¹ The First Optional Conversion Restriction and the Second Optional Conversion Restriction also apply to the giving of an Acquisition Conversion Notice as if it were an Exchange Notice.

Date VWAP; or

- (b) *Second Optional Conversion Restriction*: a Delisting Event applies on the Non-Conversion Test Date.

A Mandatory Conversion Date will be the Scheduled Mandatory Conversion Date (26 May 2022) or any subsequent Distribution Payment Date, provided that the Mandatory Conversion Conditions set out in clause 4 of the Terms are satisfied in relation to that date.

Mandatory Conversion Conditions:

The following conditions must be satisfied for Mandatory Conversion to occur on the potential Mandatory Conversion Date:

- (a) the VWAP on the 25th Business Day immediately preceding (but not including) the First Test Date is greater than 56.00% of the Issue Date VWAP (this is the “First Mandatory Conversion Condition”);
- (b) the VWAP during the Second Test Period is greater than 50.51% of the Issue Date VWAP (this is the “Second Mandatory Conversion Condition”); and
- (c) no Delisting Event applies in respect of the Mandatory Conversion Date (this is the “Third Mandatory Conversion Condition”).

Non-Viability Trigger Event:

Capital Notes must be Converted or Written-Off if a Non-Viability Trigger Event occurs. A Non-Viability Trigger Event occurs upon:

- (a) the issuance of a notice by APRA to the Issuer that the conversion or write-off of Relevant Perpetual Subordinated Instruments is necessary because without that conversion or write-off APRA considers that the Issuer would become non-viable; or
- (b) a determination by APRA notified to the Issuer that without a public sector injection of capital into (or equivalent capital support with respect to) the Issuer, the Issuer would become non-viable.

As Capital Notes are Relevant Perpetual Subordinated Instruments, if a Non-Viability Trigger Event occurs, the Issuer must immediately Convert some or all of the Capital Notes into Ordinary Shares or, if for any reason (including an Inability Event) Conversion is not effected within 5 Business Days of the Non-Viability Conversion Date, the Capital Notes must be Written-Off, which means that all rights of Holders will be irrevocably terminated.

APRA has not given any guidance as to how it would determine non-viability and has indicated that it will not publish further guidance on the parameters used to determine non-viability. The requirement to include non-viability trigger events in capital instruments was introduced only on 1 January 2013. As at the date of this Information Memorandum, APRA has not made a determination of non-viability. Non-viability could be expected to include serious impairment of the Issuer's financial position and solvency, but may not be confined to solvency measures and capital ratios and may include other matters, such as liquidity.

Capital Event Trigger

The Issuer will be required to Convert Capital Notes into Ordinary Shares (or, where that is not possible, Write Off Capital Notes) if the Issuer determines, or APRA notifies the Issuer in writing that it believes, that either or both of the Issuer's Level 1 or Level 2 Group Common Equity Tier 1 Capital Ratio is equal to or less than 5.125%.

Acquisition Event: Acquisition Event means:

- (a) either:
- (i) 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

- (ii) a court approves a scheme of arrangement under Part 5.1 of the Corporation Act which, when implemented, would result in a person having a relevant interest in more than 50% of Ordinary Shares on issue after the scheme is implemented,

- (b) and all regulatory approvals necessary for the acquisition to occur have been obtained.

However, the replacement or proposed replacement of the Issuer as the ultimate holding company of the BOQ Group by an Approved NOHC is not an Acquisition Event.

Redemption or Resale of Capital Notes:

The Issuer has the right (but not an obligation) to Redeem or Resell the Capital Notes on 26 May 2020.

The Issuer may also elect to Redeem or Resell Capital Notes (instead of Converting them) in the case of a Tax Event or Regulatory Event. The Capital Notes may not be Redeemed or Resold on the occurrence of a Non-Viability Trigger Event, a Capital Trigger Event, an Acquisition Event or a Potential Acquisition Event.

Where the Issuer elects to Redeem the Capital Notes, APRA must be satisfied that either:

- (a) the Capital Notes will be replaced concurrently or beforehand with Tier 1 Capital of the same or better quality, and the replacement will be done under conditions that are sustainable for the Issuer's income capacity; or
- (b) having regard to the projected capital position of the BOQ Group, the Issuer does not have to replace the Capital Notes.

Regulatory treatment of Capital Notes:

APRA has provided confirmation that Capital Notes, once issued, will qualify as Additional Tier 1 Capital for the purposes of the Issuer's regulatory capital requirements.

The Issuer may elect to Convert, Redeem or Resell the Capital Notes if a Regulatory Event occurs. See "Tax, Regulatory and Potential Acquisition Events" below.

Tax, Regulatory and Potential Acquisition Events:

Tax Event means broadly that the Directors receive advice that, as a result of a change in law or regulation in Australia on or after the Issue Date (which the Issuer did not expect on the Issue Date) affecting taxation, there is more than an insubstantial risk which the Directors determine to be unacceptable that any Distribution would not be frankable or that the Issuer would be exposed to an increase in its costs (which is not insignificant) in relation to the Capital Notes.

Regulatory Event means broadly that:

- (a) the Directors receive legal advice that, as a result of a change in Australian law or regulation or any requirement of APRA on or after the Issue Date, additional requirements would be imposed on the Issuer in relation to Capital Notes, or there would be a negative impact on the Issuer prejudicial to the Issuer's interests, which in either case the Directors determine to be unacceptable; or
- (b) the Directors determine that APRA objects, or will object, to the BOQ Group treating, or having treated, some or all of the Capital Notes as Additional Tier 1 Capital on a Level 1, 2 or 3 basis (other than because the Issuer has exceeded a limit or other restriction on recognition in

effect or expected on the Issue Date).

A **Potential Acquisition Event** will broadly occur if:

- (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 (without the need that all regulatory approvals necessary for the acquisition 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 which would result in a person having a relevant interest in more than 50% of Ordinary Shares on issue after the scheme is implemented.

However, the proposed replacement of the Issuer as the ultimate holding company of the BOQ Group by an Approved NOHC is not a Potential Acquisition Event.

No set-off in relation to Capital Notes:

The Issuer is not entitled to exercise any right of set-off against a Holder in respect of any claim by that Holder against the Issuer. Holders are also not entitled to exercise any right of set-off against the Issuer in respect of any claim by the Issuer against that Holder.

Alterations to the Terms:

The Issuer may alter the Terms or the Deed Poll without the consent of Holders if the alteration is:

- (a) of a formal, technical or minor nature;
- (b) made to correct any manifest error;
- (c) made to cure any ambiguity or correct or supplement any defective or inconsistent provision and, in the reasonable opinion of the Issuer, is not materially prejudicial to the interests of the Holders as a whole;
- (d) necessary to comply with the provisions of any law, statute or requirements of any statutory authority;
- (e) expedient to enable securities exchange listing or clearing system lodgement of the Capital Notes or their offer for sale or subscription under the laws in any place;
- (f) necessary and appropriate to effect the substitution of the Issuer by an Approved NOHC;
- (g) made to amend any date or time period in connection with any Conversion, Redemption or Resale;
- (h) made to align the Terms with any Relevant Perpetual Subordinated Instrument issued after the Issue Date, or to amend the definition of Relevant Perpetual Subordinated Instruments on account of the issue after the Issue Date of capital instruments of any member of the BOQ Group; or
- (i) in any other case, not materially prejudicial to the interests of the Holders as a whole.

Any other alterations require the approval of Holders by Special Resolution in accordance with the Meetings Provisions, and the Meetings Provisions also provide for the taking of certain other actions binding on all Holders by Special Resolution. Actions not requiring a Special Resolution (except those mentioned in paragraphs (a) to (i) above) may be approved by Holder Resolution.

The quorum requirement for a Special Resolution is Holders present in person or by proxy representing at least 75% (or 50% for a meeting previously adjourned due to lack of quorum) of the aggregate Face Value of the

outstanding Capital Notes when the meeting begins. To pass an Ordinary Resolution, the quorum is Holders present in person or by proxy representing at least 50% (or 25% for a meeting previously adjourned due to lack of quorum) of the aggregate Face Value.

A Special Resolution is one passed by at least 75% of persons voting on a show of hands or, if a poll is duly demanded, by a majority consisting of at least 75% of the votes cast. A Special Resolution may also be passed by written resolution by holders representing at least 75% of the aggregate Face Value of the outstanding Capital Notes. The same provisions as the foregoing apply to a Holder Resolution, except that the required proportion is a majority.

At least 21 days' notice of a meeting (or 10 days' notice for an adjourned meeting) must generally be given to Holders.

Holders should refer to the Meetings Provisions in Schedule 1 to the Deed Poll.

APRA's prior written approval is required for any alteration to the Terms or Deed Poll that may affect the eligibility of the Capital Notes as Additional Tier 1 Capital on a Level 1, Level 2 or (if applicable) Level 3 basis.

Austraclear: Capital Notes may be transacted through the Austraclear System. Capital Notes which are held in the Austraclear System will be registered in the name of Austraclear Limited. Payments through the Austraclear System may only be made in Australian dollars.

Interests in Capital Notes traded in the Austraclear System may be held in Euroclear and/or Clearstream. In these circumstances, entitlements in respect of holdings of interests in Capital Notes in Euroclear would be held in the Austraclear System by a nominee of Euroclear (currently HSBC Custody Nominees (Australia) Limited), while entitlements in respect of holdings of interests in Capital Notes in Clearstream would be held in the Austraclear System by a nominee of J.P. Morgan Chase Bank, N.A. as custodian for Clearstream.

Governing law: The Capital Notes and all related documentation will be governed by the laws of Queensland, Australia.

Use of proceeds: The net proceeds of the Capital Notes will be used for general corporate purposes.

APRA has provided confirmation that Capital Notes, once issued, will qualify as Additional Tier 1 Capital for the purposes of the Issuer's regulatory capital requirements.

Selling Restrictions: The offering, sale and delivery of Capital Notes are subject to the rules, restrictions and operating procedures which may apply in connection with the offering and sale of the Capital Notes. See also "Subscription and Sale" below.

It is the Issuer's expectation that any Ordinary Shares issued on Conversion of Capital Notes will be freely tradeable.

Transfer: Capital Notes may only be transferred in whole but not in part.

Where Capital Notes are not lodged in the Austraclear System, subject to the transfer restriction described below, all applications to transfer Capital Notes must be made by lodging with the Registrar a properly completed transfer and acceptance form in the form approved by the Issuer and the Registrar signed by both the transferor and the transferee. Transfer and acceptance forms are

available from any Registry Office.

Capital Notes which are lodged in the Austraclear System will be transferable only in accordance with the Austraclear Regulations.

Capital Notes may only be transferred:

- (a) pursuant to offers received in Australia if:
 - (i) the aggregate consideration payable at the time of transfer is at least A\$500,000 (disregarding moneys lent by the transferor or its associates) or the transferee and the transfer otherwise do not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act; and
 - (ii) the transfer does not constitute an offer to a “retail client” as defined for the purposes of section 761G of the Corporations Act; or
- (b) between persons in a jurisdiction or jurisdictions other than Australia if the transfer is in compliance with the laws of the jurisdiction in which the transfer takes place and the transfer of the Capital Notes otherwise does not require disclosure to investors in accordance with the laws of the jurisdiction in which the transfer takes place.

A transfer to an unincorporated association is not permitted.

Capital Notes will not be transferable on the Register so long as Austraclear Services Limited is the Registrar and Capital Notes are lodged in the Austraclear System, except:

- (a) for the purposes of any Conversion, Write-off, Redemption, Resale, repurchase or cancellation of a Capital Note, a transfer of that Capital Note from Austraclear to the Issuer may be entered in the Register; and
- (b) if Austraclear exercises or purports to exercise any power it may have under the Austraclear Regulations from time to time for the Austraclear System or the Terms, to require a Capital Note to be transferred on the Register to a member of the Austraclear System, that Capital Note may be transferred on the Register from Austraclear to the member of the Austraclear System.

In any of those cases, the Note will cease to be held in the Austraclear System.

Taxes: A general description of the Australian taxation consequences of investing in the Capital Notes is set out in the section entitled “Australian Taxation” below. However, investors should obtain their own taxation advice regarding the taxation status of investing in Capital Notes.

Stamp duty: Any stamp duty incurred at the time of issue of the Capital Notes will be for the account of the Issuer. Any stamp duty incurred on a transfer of Capital Notes will be for the account of the relevant investors. As at the date of this Information Memorandum, no Australian stamp duty should be payable on the issue of the Capital Notes or any transfer of Capital Notes.

Withholding tax: If a law requires the Issuer to withhold or deduct an amount in respect of Taxes from a payment in respect of the Capital Notes, the Issuer will deduct the amount for the Taxes. The Issuer is not required to pay any additional amounts to Holders in these circumstances. See the section entitled “Australian Taxation” below.

Listing: The Capital Notes will not be listed on any stock exchange. The Issuer will use all reasonable endeavours to list Ordinary Shares issued upon Conversion on the ASX.

Ratings: The Capital Notes have been rated BB+ by Standard & Poor's.
The Issuer is rated A-/Stable/A2 by Standard & Poor's.

A credit rating is not a recommendation to buy, sell or hold the Capital Notes and may be subject to revision, variation, suspension or withdrawal at any time by the relevant assigning organisation. Each credit rating should be evaluated independently of any other credit rating.

Credit ratings are for distribution only to a person (a) who is not a "retail client" within the meaning of section 761G of the Corporations Act and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Parts 6D.2 or 7.9 of the Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive this Information Memorandum and anyone who receives this Information Memorandum must not distribute it to any person who is not entitled to receive it.

About BOQ

Overview of BOQ

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

BOQ has grown from being the first Permanent Building Society in Queensland in 1874 to the current day with a network of retail branches spanning every state and territory in Australia. BOQ also has business banking representation in New South Wales, Victoria, Queensland, South Australia and Western Australia

BOQ's brand positioning “It's Possible to Love a Bank” builds on its long established reputation for superior customer service and supports its strategic direction, customer proposition and internal cultural transformation. In a competitive market, flexibility and responsiveness to customer needs are paramount and the focus on this area will complement the progress being made under BOQ's four strategic pillars and contribute to future growth.

Principal activities

The principal activity of BOQ is the provision of financial services and insurance to the community. BOQ has an authority to carry on banking business under the Banking Act.

Business strategies and prospects for the future

BOQ continues to focus and deliver under the four strategic pillars of 'Customer in Charge', 'Grow the Right Way', 'There's Always a Better Way', and 'Loved Like No Other'.

In terms of 'Customer in Charge', BOQ is continuing to expand its source of originations through entry into the mortgage broker market as well as improvements to mobile banking, call centre, online and social media. BOQ has expanded its mortgage broker distribution network with accredited brokers servicing customers in New South Wales, Victoria, Western Australia, South Australia and, recently, its home state of Queensland.

BOQ completed its acquisition of Investec Bank (Australia) Limited's Professional Finance and Asset Finance & Leasing businesses in July 2014. This was a compelling opportunity which gives BOQ access to a high net worth and quality customer base in specialist market niches (primarily medical, dental and accounting professionals). The Professional Finance Business was renamed BOQ Specialist. Investec Bank (Australia) Limited was renamed BOQ Specialist Bank Limited and is currently regulated as a separate ADI.

In the Retail network, a new balanced scorecard has been introduced for Owner Managed branches. The new scorecard balances lending, deposits, cross sales and compliance components and is aimed at providing greater alignment between the interests of Owner Managers and BOQ. It is intended that the new scorecard will form the basis of a new standardised franchise agreement being rolled out from March 2015. There is also significant work underway to optimise branch mix and locations.

To 'Grow the Right Way' and achieve the right balance of return for risk taken, BOQ continues to diversify the balance sheet by pursuing higher margin and return on equity segments in Business Banking and Agribusiness. In Business Banking, a tiered approach to origination through BOQ's distribution channels has been embedded to reflect deal complexity. A behavioural scorecard for assessing mortgage origination was introduced reflecting BOQ's new risk appetite framework. Business mix changes reflecting a core focus on credit quality were evident across the retail portfolio, with the concentration of poorer performing line of credit mortgages being substantially reduced.

'There's Always a Better Way', which is the pursuit of operational excellence, has seen continued back office consolidation and a focus on removing administrative tasks from branches. BOQ continues to improve processes and systems, particularly to reduce the turnaround time on compliant retail and business lending applications. BOQ is looking to further simplify the product suite to reinvigorate the customer offering. A simple low cost mortgage offering known as 'Clear Path' launched in September 2013, and has performed particularly strongly.

The major brand refresh around 'It's Possible to Love a Bank' resulted in an increase in national unprompted awareness of the BOQ brand. BOQ has also launched a reward and recognition program titled 'Love Your Work'. This is further re-focussing employees on the right behaviours and particularly collaboration, accountability and openness. This is further reflected in the external 'Net Promoter Score' where BOQ continues to demonstrate strong customer satisfaction.

Through the continued focus on its four strategic pillars, BOQ aims to deliver sustainable growth across its business whilst maintaining credit and pricing discipline and managing expense growth.

Risks

Investors must take or obtain their own advice with respect to investment and other risks.

This Information Memorandum describes only some of the risks of investing in the Capital Notes. It does not describe all the risks of an investment in the Capital Notes. If prospective investors are in any doubt about the risks associated with an investment in the Capital Notes, they should consult their own professional, financial, legal and tax advisers about such risks and the suitability of investing in the Capital Notes in light of their particular circumstances.

Risks associated with BOQ

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

- 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;
- changes in underlying cost structures for labour and service charges;
- 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;
- declines in aggregate investment and economic output in Australia or in key offshore regions;
- 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
- changes in asset values, particularly commercial and residential real estate.

The dislocation in credit and capital markets after the Lehman Brothers collapse and the onset of the global financial crisis in 2008 significantly impacted global economic activity including the Australian economy. This has led to subdued credit growth in Australia and impacted values of commercial and residential real estate in some parts of Australia. The Australian economy has performed well in some industry sectors but has slowed in other sectors. A further downturn in sectors of the Australian economy or in the 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 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.

Share price risk: There are general risks associated with an investment in the share market. As such, the value of Ordinary Shares may rise or fall, depending on the financial position and operating performance of BOQ. Further, broader market factors affecting the price of BOQ 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. Volatility in global credit markets could negatively impact the value of Ordinary Shares.

Changes in regulation and government policy: Changes to laws, prudential requirements, regulations, policies or accounting standards, including changes in interpretation or implementation of laws, prudential requirements, 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. In December 2013, the Commonwealth Government announced the terms of reference for a Financial System Inquiry. The Inquiry is charged with examining how the financial system could be positioned to best meet Australia's evolving needs and support Australia's economic growth. The final report was released in December 2014 and made 44 recommendations for the Australian financial system. These include amending capital requirements to increase the capital levels of Australian ADIs, including raising average internal ratings based mortgage risk weights for credit risk, and implementing a framework for

minimum loss absorbing and recapitalisation capacity in line with emerging international practice. The inquiry has also proposed other measures to improve the resilience, efficiency and fairness of the banking system, with respect to superannuation and retirement, regulatory processes, innovation, payments and data, and measures to improve outcomes for consumers.

The Australian Government is undertaking a further period of consultation in relation to the recommendations with submissions having been due on 31 March 2015. The implementation of any of these recommendations is a matter for the Australian Government regulators to consider relevant to their mandates. The specific impact of the inquiry on the BOQ Group is unclear at this stage.

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

- *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. It is the principal objective of BOQ's asset/liability management process to maximise levels of net interest income whilst limiting the effects of volatile and unpredictable movements in interest rates. To achieve these objectives, BOQ uses derivative financial instruments, principally interest rate swaps, forward rate agreements and futures. The current policy of BOQ seeks to eliminate market risk in the balance sheet where practical and to consciously establish specific positions within conservative limits for changes in value of the residual. Despite these steps, movements in interest rates may adversely affect earnings.
- *Foreign exchange risk* is the risk of loss of earnings due to adverse movements in foreign exchange rates. It is BOQ's policy not to carry material foreign exchange rate exposures. BOQ uses cross currency swaps and foreign exchange forwards to hedge its exchange rate exposures arising from borrowing off-shore in foreign currencies. BOQ uses forward foreign exchange contracts to hedge potential exchange rate exposures created by customer-orientated foreign currency transactions. However, adverse movements in foreign exchange rates may cause a loss of earnings.
- *Counterparty risk* is the risk that a counterparty will be unable to honour its contractual obligations to BOQ as they fall due. A counterparty may default on its obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. Such counterparty risk is more acute in difficult market conditions where the risk of failure of counterparties is higher. Treasury counterparties are limited to investment grade entities but losses may occur if such a counterparty fails.
- *Traded market risk* arises from BOQ's trading activities. Market risks attributable to trading activities are primarily measured using a parametric Value-at-Risk ("VaR") based on historical data. BOQ estimates VaR as the potential loss in earnings from adverse market movements and calculated over a 1-day time horizon to a 99% confidence level using 2 years of historical data. VaR takes account of all material market variables that may cause a change in the value of the trading portfolio. As VaR is a statistical measure and only attempts to cover losses to a 99% confidence level, BOQ supplements this analysis with stress testing. Stress testing attempts to adequately assess the risks inherent in its trading activities by applying appropriate scenario analyses, whilst not addressing the likelihood of those outcomes. Despite these steps, losses may occur as a result of adverse market movements.

Credit and impairment risk: BOQ is exposed to credit risk from lending activities, the leasing of equipment and other assets, the provision of guarantees including letters of credit and commitments to lend, investment in bonds and notes, financial markets transactions and other associated activities. Credit risk is the potential loss arising from the possibility that customers or counterparties fail to meet contractual payment obligations to BOQ as they fall due. BOQ has implemented a structured framework of systems and controls to monitor and manage credit risk comprising:

- documented credit risk management principles which are disseminated to all staff involved with the lending process;

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

Despite these steps, losses may occur, and the financial position and performance of BOQ may be impacted, from customers or counterparties failing to meet contractual payment obligations.

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. Should BOQ's current provisions prove inadequate there may be an adverse impact on BOQ's financial performance and financial position.

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 its business, access to liquid assets and adequate funding. 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 and stress conditions over various time horizons. This approach is designed to ensure that BOQ's funding framework is sufficiently flexible to ensure liquidity under a wide range of market conditions. The availability of funding from uncertain financial markets may increase liquidity risks to financial institutions generally, as discussed above under market risk.

Funding risk: 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 Brother's 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 rating.

Operational risk: Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. BOQ is exposed to a variety of operational risks including those arising from process error, fraud, technology failure, security and physical protection (including cyber attacks on computer systems), staff skills and performance and product development. Operational risk failures could lead to reputational damage, financial loss, breach of law, legal disputes and/or regulatory consequences. These risks are managed through having an appropriate framework in place to define, assess and manage operational risk and that resources are available to support it. BOQ has developed an Operational Risk Management Framework that articulates, assesses and manages operational risks throughout the organisation and its subsidiaries.

This framework consists of the following key elements: Bank-wide policies which require a consistent approach and minimum standards on specific operational risk matters, enterprise and Business Unit Specific Risk profiling; and Risk Self Assessments through the completion of controls attestation questionnaires. In addition, the key objectives of the framework includes: risk identification, analysis and acceptance; execution and monitoring of risk management practices; and reporting and escalation of risk information on a regular and/or exception basis. Although these steps are in place, there is no guarantee that BOQ will not suffer loss as a result of these risks.

Insurance business: St Andrews 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. The insurance entities seek to mitigate this risk by 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.

Reliance on external parties: BOQ's operations depend on performance by a number of external parties under contractual arrangements with BOQ. As at February 2015, approximately 66% of BOQ's branches are owner managed branches (**OMBs**). 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 offers a number of customer facing products issued by third parties 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.

Failure to comply with laws and regulation: 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, the Australian Competition and Consumer Commission, 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. BOQ has compliance frameworks, policies and procedures in place to manage the risk of non-compliance.

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. There is a risk that these platforms, or the services that BOQ Group uses or are dependent upon, might fail.

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.

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.

- *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 in particular.
- *Risk of geographical diversification:* Through the mergers with Pioneer Permanent Building Society (North Queensland) and Home Building Society (Western Australia) in 2006 and 2007

and organic growth in other states, BOQ has expanded its geographical presence and distribution in Australia. The acquisition of Investec Bank (Australia) Limited in 2014 will add to that geographic diversification. This brings challenges to BOQ's management and control systems as it becomes a more geographically diverse organisation.

- *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 Market Risk section above, which details BOQ's funding risks).
- *Effect of economic conditions:* General economic conditions may worsen which could stifle credit growth and restrict BOQ's ability to grow in line with its growth strategy (see Changes in economic conditions section above, which explains risks associated with general economic conditions).

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.

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.

Disputes: In the course of its operations, BOQ may be involved in disputes and possible litigation. 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. BOQ was party to a number of actions in NSW courts commenced by former owners of OMBs. The claims included allegations of misleading and deceptive conduct by BOQ and BOQ was successful in defending those claims. As a franchisor, BOQ may be subject to similar claims in the future. Potential disputes may include regulatory action by ASIC, ACCC or other regulators. BOQ has compliance frameworks, policies and procedures in place to manage the risk of non-compliance and resulting disputes.

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.

Reduction in dividends: If the earnings and cash flows of BOQ are substantially reduced (for example, due to a decline in operating earnings or due to a large one-off or cumulative asset impairment or write-off), BOQ may not be in a position to pay dividends or distributions, which may in turn have an impact on the trading price of BOQ's shares and Capital Notes. In addition, dividends and distributions declared by BOQ are subject to APRA regulation. Holders of ordinary shares rank behind holders of BOQ CPS and Capital Notes for payment of dividends. Failure to pay dividends or distributions on BOQ CPS or Capital Notes may result in restrictions on the future payment of ordinary share dividends.

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 Information Memorandum 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.

Weakening of the real estate market: Residential and commercial property lending constitute important business activities to BOQ. These activities, which include the financing of real estate developments, give rise to a risk exposure to movements in the property prices in specific geographic areas and industry segments.

The performance of the property market has historically been variable and in some locations there are, from time to time, substantially reduced asset values. 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.

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. The accounting policies and methods of BOQ may change from time to time and such changes may have an adverse impact on BOQ.

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.

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.

Tax laws: Australian tax law is frequently being changed, both prospectively and retrospectively. Of particular relevance to the BOQ Group are expected future changes to tax law affecting the financial services industries, following a number of recent Australian Government reviews (including the Henry Review, the Financial System Inquiry, and the expected release of a White Paper on the Reform of Australia's Tax System). Significant recent tax law changes and current proposals for further reforms give rise to risks, as the status and precise scope of many new and proposed tax laws is not yet known.

There are risks that any changes to the tax law, including the current rate of company income tax, may both impact on demand for financial products and services and also impact on shareholder returns and the level of dividend franking.

Risks associated with the Capital Notes

Liquidity

Capital Notes will not be traded on the ASX or any other stock exchange. There is unlikely to be a liquid market for Capital Notes. Holders who wish to sell their Capital Notes may be unable to do so at a price acceptable to them, or at all. The market for BOQ Capital Notes may be less liquid than the market for Ordinary Shares or comparable securities issued by BOQ or other entities.

Distributions may not be paid

Distributions are discretionary and only payable subject to satisfying the Payment Conditions. Distributions are non-cumulative.

Non-payment of a scheduled Distribution will not constitute an event of default and a 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; and
- will have no right of set-off and no offsetting rights or claims on BOQ under the Terms.

Holder have no remedies for failure to pay a Distribution when scheduled except for a limited restriction on discretionary payment of dividends, buy-backs and returns of capital on Ordinary Shares.

Where an Approved NOHC is substituted as the issuer of ordinary shares on Conversion, it must agree to comply with that limited restriction with all appropriate modifications. Apart from observing the terms of such modified restriction, there is no restriction on the Approved NOHC declaring or paying a dividend on, or buying back or reducing capital on, its ordinary shares if BOQ does not pay a Distribution on a Capital Note.

Changes in Distribution Rate

The Distribution Rate fluctuates by reference to the Bank Bill Rate, which is influenced by a number of factors. BOQ does not guarantee any particular rate of return on the Capital Notes.

Distributions may not be fully franked

BOQ expects Distributions to be fully franked. However, there is no guarantee that BOQ will have sufficient franking credits in the future to fully frank Distributions. If a Distribution payment is not fully franked, then the Distribution will be adjusted to reflect the applicable franking rate (see clause 3.1 of the Terms).

Use of franking credits by Holders

The value and availability of franking credits to a Holder will differ depending on the Holder's particular tax circumstances, and if a Distribution is franked the potential value of any franking credits does not accrue at the same time as the receipt of any cash Distribution. Holders should also refer to the 'Australian Taxation' section below and seek professional advice in relation to their tax position.

Market price of Capital Notes and Ordinary Shares

To the extent that Capital Notes may be traded, the price may fluctuate due to various factors, including investor perceptions, Australian and worldwide economic conditions, interest rates, movements in foreign exchange rates, impacts of regulatory change, 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. Capital Notes may trade at a market price below the Face Value.

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 Capital Notes are Converted. The market price of Ordinary Shares is also subject to the factors outlined above and may also be volatile. There may be no liquid market for Ordinary Shares at the time of Conversion (See also Share Price risk above).

The market price of Capital Notes (as well as the Ordinary Shares) may also fluctuate as a result of the information disclosed to the market by BOQ in order to comply with its continuous disclosure requirements.

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. Such changes may adversely affect the market price, liquidity and performance of Capital Notes or Ordinary Shares received on Conversion.

It is not certain whether and when Capital Notes may be Converted, Redeemed or Resold

There are a number of scenarios in which Capital Notes may be Converted, Redeemed or Resold. It is uncertain whether and when a Conversion, Redemption or Resale may occur. The timing of any Conversion, Redemption or Resale may not suit Holders and may be unfavourable in light of then prevailing market conditions or Holders' individual circumstances.

Capital Notes are perpetual instruments and may not be Converted, Redeemed or Resold at all, in which case, Capital Notes have no maturity date.

There are conditions to Conversion (except for a Capital Trigger Event and a Non-Viability Conversion). See "Conversion to Ordinary Shares of the Issuer" above.

Further, the method of Conversion, Redemption or Resale chosen by BOQ may be disadvantageous to Holders and may not coincide with their individual preference in terms of whether they receive Ordinary Shares or cash on the relevant date.

Conversion may not result in the issue of Ordinary Shares with a market value equivalent to the principal amount of the Capital Notes

Upon Conversion, Holders will receive a number of Ordinary Shares based on the VWAP during a period, usually 20 Business Days (which may vary depending on the basis for Conversion), before the Mandatory Conversion Date or other date on which the Capital Notes are Converted. The market price of Ordinary Shares may fluctuate due to various factors.

The VWAP during the relevant period before the date of Conversion that is used to calculate the number of Ordinary Shares that Holders receive may differ from the Ordinary Share price on or after the date of Conversion. The market value of Ordinary Shares received upon Conversion may be less than the Face Value and Holders receiving Ordinary Shares on Conversion may not be able to sell those Ordinary Shares at the price on which the Conversion calculation was based, or at all.

The Conversion Number is subject to the Maximum Conversion Number, which may be adjusted to

reflect certain Reclassifications or a pro rata bonus issue of Ordinary Shares. However, no adjustment will be made to it on account of other transactions which may affect the price of Ordinary Shares, including for example rights issues, returns of capital, buy-backs or special distributions. The Terms do not limit the transactions that BOQ may undertake with respect to its share capital and any such action may increase the risk that Holders receive only the Maximum Conversion Number of Ordinary Shares.

Conversion or Write-off following a Non-Viability Trigger Event or Capital Trigger Event

A Non-Viability Trigger Event or Capital Trigger Event could occur at any time. It could occur on dates not previously contemplated by Holders or which may be unfavourable in light of then prevailing market conditions or Holders' individual circumstances. BOQ has no obligation to take steps to avoid such an event.

On a Conversion following a Non-Viability Trigger Event or Capital Trigger Event, Conversion is not subject to any conditions and the number of Ordinary Shares that a Holder will receive cannot be more than the Maximum Conversion Number. Where Capital Notes are Converted following a Non-Viability Trigger Event or Capital Trigger Event, Holders are likely to receive Ordinary Shares worth significantly less than the aggregate Face Value of the Holder's Capital Notes.

Further, there may be no market in Ordinary Shares received on Conversion and Holders may not be able to sell the Ordinary Shares at the price on which the Conversion calculation was based and as a result may suffer further loss.

If for any reason the Capital Notes are not Converted within 5 Business Days of the Non-Viability Conversion Date or Capital Trigger Conversion Date, they will be Written-Off and all rights of Holders in respect of Capital Notes will be irrevocably terminated.

In relation to Capital Trigger Events, BOQ's Common Equity Tier 1 Capital Ratio may be affected by risks associated with its business and its ability to raise and maintain levels of capital which are outside its control.

In relation to Non-Viability Trigger Events, APRA has not provided guidance as to how it would determine non-viability. Non-viability could 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 confined to solvency or capital measures and APRA's position on these matters may change over time. Non-viability may be significantly impacted by a number of factors, including factors which affect the business, operation and financial condition of BOQ. For instance, systemic and non-systemic macroeconomic, environmental and operational factors, domestically or globally, may affect the viability of BOQ.

Ordinary Shares issued on Conversion may be issued to a Nominee

In certain circumstances, the Ordinary Shares that an investor would receive on Conversion will be issued to a Nominee to sell the shares issued in respect of that investor and pay the cash amount of the net proceeds of sale to the investor. Neither BOQ or the Nominee will have any duty in relation to the price or terms of such a sale and BOQ will have no duty in respect of the Nominee.

Relevant Perpetual Subordinated Instruments will be Converted or Written-Off first

If a Non-Viability Trigger Event or Capital Trigger Event occurs and APRA does not require all capital instruments of BOQ to be converted or written-off, holders of Capital Notes and other Relevant Perpetual Subordinated Instruments will be subject to Conversion or Write-Off ahead of any higher ranking securities which BOQ may issue in future.

Future issues or redemptions of securities by BOQ

Capital Notes do not restrict BOQ from issuing further securities or incurring further indebtedness. BOQ's obligations under Capital Notes rank subordinate and junior in a winding up to BOQ's obligations to holders of senior ranking securities and instruments, and all creditors, including subordinated creditors (other than any creditors whose claims are subordinated so as to rank equally with Capital Notes). Accordingly, BOQ's obligations under Capital Notes will not be satisfied unless it can satisfy in full all of its other obligations ranking senior to Capital Notes. BOQ may in the future issue securities that:

- rank for distributions or payments of capital (including on the winding up of BOQ) equal with, behind or ahead of Capital Notes;

- have the same or different dividend, interest or distribution rates as those for Capital Notes;
- have payment tests and distribution restrictions or other covenants which affect Capital Notes (including by restricting circumstances in which Distributions can be paid or Capital Notes can be Redeemed or Resold); or
- have the same or different terms and conditions as Capital Notes.

BOQ may incur further indebtedness and may issue further securities including further Tier 1 Capital securities before, during or after the issue of Capital Notes. An investment in Capital Notes carries no right to participate in any future issue of securities (whether equity, Tier 1 Capital, subordinated or senior debt or otherwise) by BOQ.

No prediction can be made as to the effect, if any, which the future issue of securities by BOQ may have on the market price or liquidity of Capital Notes or of the likelihood of BOQ making payments on Capital Notes. Similarly, Capital Notes do not restrict any member of the BOQ Group from redeeming, buying back or undertaking a reduction of capital or otherwise repaying its other securities (whether existing securities or those that may be issued in the future).

An investment in Capital Notes carries no right to be redeemed or otherwise repaid at the same time as BOQ redeems, or otherwise repays, holders of other securities (whether equity, Tier 1 Capital, subordinated or senior debt or otherwise).

Restrictions on a winding-up of BOQ

Capital Notes are perpetual, unsecured, subordinated obligations of BOQ and are not deposits, protected accounts or policy liabilities of any member of the BOQ Group. In a winding-up of BOQ, if Capital Notes have not been Redeemed, Converted or Resold and are not required to be Written-Off due to a Non-Viability Trigger Event or Capital Trigger Event (in which event the Holder's investment will lose all value and the Holder will not receive any Ordinary Shares or compensation), Capital Notes will rank equally with all Equal Ranking Instruments, but behind all Senior Ranking Creditors of BOQ (including any Tier 2 Capital instruments or subordinated debt which BOQ may issue in future). If there is a shortfall of funds on a winding-up of BOQ to pay all amounts ranking higher or equally with the Capital Notes, Holders will not receive some or all of the Face Value of their Capital Notes.

Risks in acquiring Ordinary Shares on Conversion

There are provisions of Australian law that are relevant to the ability of any person to acquire interests in BOQ beyond the limits prescribed by those laws. The sale of Ordinary Shares in BOQ may be restricted by such provisions and as a result investors may suffer loss. Holders of Capital Notes should take care to ensure that by acquiring any Capital Notes which may be Converted to Ordinary Shares, they do not breach any applicable restrictions on the ownership of interests in BOQ.

If the acquisition or Conversion of Capital Notes by the Holder or a Nominee would breach any applicable restrictions on the ownership of interests in BOQ then, in addition to other sanctions for these breaches under applicable law, BOQ may be prevented from Converting such Capital Notes and where Conversion is required such Capital Notes may be required to be Written-Off.

Where Capital Notes are held in Austraclear, for the purposes of determining the person entitled to be issued Ordinary Shares, or the person to whom the Nominee referred to above is to pay the net proceeds of sale, BOQ will treat the relevant Participant (as defined in the Austraclear Regulations) as the holder of the Capital Notes.

For a summary of the rights attached to Ordinary Shares, see below under "Additional Information – Rights and liabilities attaching to the Ordinary Shares".

Approved NOHC

In the event that an Approved NOHC were to become the ultimate holding company of the BOQ Group, BOQ would continue to be regulated by APRA. However, depending on the structure of the acquirer 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 BOQ's ability to pay Distributions on Capital Notes.

Where the addition of an Approved NOHC 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 Holders will receive their

claims in full if BOQ is wound up. 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.

Regulatory classification and prudential supervision

APRA's current treatment of the Capital Notes may change and that may give rise to a Regulatory Event entitling BOQ, with APRA's approval and subject to conditions, to Convert, Redeem or Resell the Capital Notes.

APRA has power under applicable law to direct BOQ or members of the BOQ Group which APRA may exercise in a manner adverse to Holders. The power includes power to direct BOQ not to make payments to Holders.

APRA may, in certain circumstances, require BOQ to transfer all or part of its business to another entity. Such a transfer overrides anything in any contract or agreement to which BOQ is party and thus may have an adverse effect on BOQ's ability to comply with its obligations under Capital Notes and the position of Holders.

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. 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. The statutory manager may also dispose of the whole or part of an ADI's business. 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 Capital Notes and the position of Holders.

Australian taxation

The summary of the taxation treatment for certain Holders may not apply in the circumstances of particular Holders, and the tax laws on which it is based may change. Changes in tax law may be unfavourable for Holders. In particular, they may affect the taxation of Distributions, the return of the amount invested or Ordinary Shares issued on Conversion. They may also affect BOQ so as to give rise to a Tax Event, entitling BOQ, with APRA's approval and subject to further conditions, to Convert, Redeem or Resell the Capital Notes.

Amendment of Terms

BOQ may, with APRA's prior written approval where required, amend the Terms and the Capital Notes Deed Poll without the approval of Holders. Amendments under these powers are binding on all Holders despite the fact that a Holder may not agree with the amendment. APRA's prior written approval to amend the Terms is required only where the amendment may affect the eligibility of Capital Notes as Additional Tier 1 Capital.

Holders may be subject to FATCA information reporting and withholding

It is possible that, in order to comply with FATCA, BOQ (or if Capital Notes are held through another financial institution, such other financial institution) may be required to request certain information from Holders or beneficial owners of Capital Notes, which information may be provided to the ATO, who in turn provides that information to the IRS, and to withhold US tax on some portion of payments made. If BOQ or any other person is required to withhold amounts under or in connection with FATCA from any payments made in respect of Capital Notes, Holders and beneficial owners of Capital Notes will not be entitled to receive any gross up or additional amounts or to be issued with any further Ordinary Shares to compensate them for such withholding. Future guidance issued by the ATO or the IRS may affect the application of FATCA to the Capital Notes.

Terms of the Capital Notes

The following are the Terms of the Capital Notes. Each Holder, and any person claiming through or under a Holder, is deemed to have notice of and is bound by these Terms, the Deed Poll (as defined in these Terms) and this Information Memorandum. Copies of each of these documents are available for inspection by the holder of any Note at the offices of BOQ and the Registrar at each of their respective addresses set out in the section entitled "Directory" below.

1 Form of Capital Notes

1.1 Constitution under Deed Poll

Bank of Queensland Capital Notes (the **Capital Notes**) are perpetual, subordinated, unsecured debt obligations of the Issuer constituted by, and owing under, the Deed Poll.

1.2 Form

The Capital Notes are issued in registered form by entry in the Register.

1.3 Face Value and restriction on issue

- (a) The Capital Notes have a Face Value of A\$10,000 and are issued fully paid.
- (b) No person shall subscribe for the Capital Notes in Australia unless:
 - (i) the aggregate consideration payable to the Issuer by the subscriber is at least A\$500,000 (disregarding moneys lent for the purposes of the subscription by the Issuer or its associates) or if the Capital Notes are otherwise issued in a manner which does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act; and
 - (ii) the offer or invitation from which the issue results does not constitute an offer to a "retail client" as defined for the purposes of section 761G of the Corporations Act.

1.4 Currency

The Capital Notes are denominated in Australian dollars.

1.5 No certificates

No certificates will be issued to Holders unless the Issuer determines that certificates should be available or are required by any applicable law.

1.6 No other rights

The Capital Notes confer no rights on a Holder:

- (a) to vote at any meeting of shareholders of the Issuer;
 - (b) to subscribe for new securities or to participate in any bonus issues of securities of the Issuer; or
 - (c) to otherwise participate in the profits or property of the Issuer,
- except as expressly set out in these Terms and the Deed Poll.

2 Status and ranking

2.1 Status and ranking of Distributions

The Capital Notes constitute direct and unsecured subordinated obligations of the Issuer, ranking for payment of Distributions:

- (a) ahead of dividends or like distributions on Ordinary Shares;
- (b) equally among themselves and with all dividends or distributions on Equal Ranking Instruments; and
- (c) behind the claims of Senior Ranking Creditors.

2.2 Not liabilities of Bank of Queensland Limited

The Notes are not:

- (a) deposits with, nor deposit liabilities of, Bank of Queensland (ABN 32 009 656 740) or any other member of the BOQ Group for the purposes of the Banking Act;
- (b) protected accounts for the purposes of the depositor protection provisions of the Banking Act or the financial claims scheme established under the Banking Act;
- (c) guaranteed or insured by the Australian Government or under any compensation scheme of the Australian Government, or by any other government, under any other compensation scheme or by any government agency or any other party; nor
- (d) investments in any superannuation or other fund managed by a member of the BOQ Group.

3 Distributions

3.1 Distributions

Subject to these Terms, each Capital Note entitles the Holder on a Record Date to receive, on the relevant Distribution Payment Date, a cash distribution (“**Distribution**”) on its Face Value calculated according to the following formula:

$$\text{Distribution} = \frac{\text{Distribution Rate} \times \text{A\$10,000} \times \text{N}}{365}$$

where:

Distribution Rate (expressed as a percentage per annum) is calculated according to the following formula:

$$\text{Distribution Rate} = (\text{Bank Bill Rate} + \text{Margin}) \times \text{Franking Adjustment Factor}$$

where:

Bank Bill Rate (expressed as a percentage per annum) means, for the Distribution Period ending with the relevant Distribution Payment Date, the average mid-rate for bills of a term of 180 days which average mid-rate is displayed on Reuters page BBSW (or any page which replaces that page) on the first Business Day of the Distribution Period or, if there is a manifest error in the calculation of that average mid-rate or that average mid-rate is not displayed by 10:16am (Sydney time) on that date, the rate specified in good faith by the Issuer at or around 10:30am on that date having regard, to the extent possible, to:

- (a) the rates otherwise bid and offered for bills of a term of 180 days or for funds of that tenor displayed on Reuters page BBSW (or any page which replaces that page) at or around that time on that date; or
- (b) if bid and offer rates for bills of a term of 180 days are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time on that date;

Franking Adjustment Factor means:

$$\frac{(1 - T)}{1 - [T \times (1 - F)]}$$

where:

- (a) F means the Franking Rate; and
- (b) T means the Tax Rate;

Margin (expressed as a percentage per annum) means 4.35%; and

N means in respect of:

- (a) the first Distribution Payment Date, the number of days from (and including) the Issue Date until (but not including) the first Distribution Payment Date; and
- (b) each subsequent Distribution Payment Date, the number of days from (and including) the preceding Distribution Payment Date until (but not including) the relevant Distribution Payment Date.

3.2 Payment of a Distribution

The payment of any Distribution on a Distribution Payment Date is subject to:

- (a) the absolute discretion of the Issuer and the Issuer may elect to pay some or none of a Distribution; and
- (b) no Payment Condition existing in respect of the relevant Distribution Payment Date.

The Issuer will notify the Registrar and the Holders as soon as practicable after it determines not to pay a Distribution.

3.3 Distributions are discretionary and non-cumulative

- (a) Payments of Distributions are within the absolute discretion of the Issuer and are non-cumulative. If all or any part of a Distribution is not paid because of clause 3.2 or this clause 3.3 or because of any other reason:
 - (i) the Issuer has no liability to pay the unpaid amount of the Distribution;
 - (ii) Holders have no claim or entitlement in respect of such non-payment (including, without limitation, on a winding-up of the Issuer); and
 - (iii) such non-payment does not constitute an event of default.
- (b) No interest accrues on any unpaid Distributions and Holders have no claim or entitlement in respect of interest on any unpaid Distributions.

3.4 Distribution Payment Dates

Subject to this clause 3, Distributions will be payable in arrears in respect of a Capital Note on the following dates (each a **Distribution Payment Date**):

- (a) each 26 November and 26 May commencing on 26 November 2015 until (but not including) the date on which the Capital Note is Converted, Redeemed or Resold in accordance with these Terms; and
- (b) each date on which a Conversion, Redemption or Resale of the Capital Note occurs, in each case, in accordance with these Terms.

If a Distribution Payment Date is a day which is not a Business Day, then the Distribution Payment Date becomes the next day which is a Business Day.

3.5 Record Dates

A Distribution is only payable on a Distribution Payment Date to those persons registered as Holders on the Record Date for that Distribution.

3.6 Notification of Distribution, Distribution Rate and other items

For each Distribution Period, the Issuer must procure that the Calculation Agent notifies the Registrar (where the Calculation Agent is not the Registrar) and the Holders of:

- (a) the sum of the Bank Bill Rate and the Margin as soon as practicable but in any event no later than the fourth Business Day of the Distribution Period; and
- (b) the Distribution Rate and the expected Distribution payable no later than the Record Date for that Distribution Period.

3.7 Restrictions in the case of non-payment of a Distribution

Subject to clause 3.8, if for any reason a Distribution has not been paid in full on a Distribution Payment Date (the **Relevant Distribution Payment Date**), the Issuer must not, without the approval of a Special Resolution, until and including the next Distribution Payment Date:

- (a) declare, determine to pay or pay an Ordinary Share Dividend; or
- (b) undertake any Buy Back or Capital Reduction,

unless the Distribution is paid in full within 3 Business Days of the Relevant Distribution Payment Date.

3.8 Exclusions from restrictions in case of non-payment

The restrictions in clause 3.7 do not apply to:

- (a) repurchases (including buy backs), redemptions or other acquisitions of shares of the Issuer 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 Issuer or of any member of the BOQ Group; or
 - (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;
- (b) an exchange, redemption or conversion of any class or series of the Issuer's shares, or any shares of a member of the BOQ Group, for any class or series of the Issuer's

shares, or of any class or series of the Issuer's indebtedness for any class or series of the Issuer's shares;

- (c) the purchase of fractional interests in shares of the Issuer 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 Issuer; or
- (f) the payment of an Ordinary Share Dividend or completion of a Buy Back or Capital Reduction which the Issuer had become legally obliged to pay or complete at the time the relevant Distribution was not paid on the relevant Distribution Payment Date.

Nothing in these Terms prohibits the Issuer or any Controlled Entity of the Issuer from purchasing (or arranging for the purchase of) Bank of Queensland Shares (or an interest therein) in connection with a transaction for the account of a customer of the Issuer or a customer of a Controlled Entity of the Issuer or in connection with the distribution or trading of Bank of Queensland Shares in the ordinary course of business. This includes:

- (g) taking security over Bank of Queensland Shares in the ordinary course of business;
- (h) acting as trustee for another person where neither the Issuer nor any Controlled Entity of the Issuer 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); and
- (i) where a Controlled Entity of the Issuer is a life insurance company and acquires Bank of Queensland Shares in respect of a statutory fund which are allocated to policyholder liabilities in accordance with the Life Insurance Act and other applicable law.

4 Mandatory Conversion

4.1 Mandatory Conversion

Subject to clauses 5, 6 and 7, on the Mandatory Conversion Date the Issuer must Convert all (but not some) of the Capital Notes on issue at that date into Ordinary Shares in accordance with clause 8 and this clause 4.

4.2 Mandatory Conversion Date

The **Mandatory Conversion Date** will be the first to occur of the following dates (each a **Relevant Date**) on which the Mandatory Conversion Conditions are satisfied:

- (a) 26 May 2022 (the **Scheduled Mandatory Conversion Date**); and
- (b) a Distribution Payment Date after the Scheduled Mandatory Conversion Date (a **Subsequent Mandatory Conversion Date**).

4.3 Mandatory Conversion Conditions

The Mandatory Conversion Conditions for each Relevant Date are:

- (a) the VWAP on the 25th Business Day immediately preceding (but not including) the Relevant Date (the **First Test Date**, provided that if no trading in Ordinary Shares took place on that date, the First Test Date is the first Business Day before the 25th Business Day immediately preceding (but not including) the Relevant Date on which

trading in Ordinary Shares took place) is greater than 56% of the Issue Date VWAP (the **First Mandatory Conversion Condition**);

- (b) the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Relevant Date (the **Second Test Period**) is greater than 50.51% of the Issue Date VWAP (the **Second Mandatory Conversion Condition**); and
- (c) no Delisting Event applies in respect of the Relevant Date (the **Third Mandatory Conversion Condition** and together with the First Mandatory Conversion Condition and the Second Mandatory Conversion Condition, the **Mandatory Conversion Conditions**).

4.4 Non-Conversion Notices

If:

- (a) the First Mandatory Conversion Condition is not satisfied in relation to a Relevant Date, the Issuer will give notice to Holders between the 25th and the 21st Business Day before the Relevant Date; or
- (b) the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition is not satisfied in relation to a Relevant Date, the Issuer will give notice to Holders on or as soon as practicable after the Relevant Date,

that Mandatory Conversion will not (or, as the case may be, did not) occur on the Relevant Date (each such notice a **Non-Conversion Notice**) and all rights attaching to the Capital Notes will continue until the Capital Notes are Converted or Redeemed.

5 Conversion on Non-Viability Trigger Event or Capital Trigger Event

5.1 Non-Viability Trigger Event or Capital Trigger Event

- (a) A **Non-Viability Trigger Event** occurs upon:
 - (i) the issuance of a notice, in writing, by APRA to the Issuer that the conversion to Ordinary Shares or write-off of Relevant Perpetual Subordinated Instruments in accordance with their terms or by operation of law is necessary because without the conversion to Ordinary Shares or write-off, APRA considers that the Issuer would become non-viable; or
 - (ii) a determination by APRA, notified in writing to the Issuer, that without a public sector injection of capital into, or equivalent capital support with respect to, the Issuer, the Issuer would become non-viable.

A notice given or determination made by APRA under this clause 5.1(a) is a **Non-Viability Determination**.

- (b) A **Capital Trigger Event** occurs upon:
 - (i) the Issuer determining; or
 - (ii) APRA notifying the Issuer in writing that it believes,

that a Level 1 or Level 2 Common Equity Tier 1 Capital Ratio is equal to or less than 5.125%.

The Issuer must notify APRA immediately in writing if it determines that a Capital Trigger Event has occurred.

- (c) If a Non-Viability Trigger Event occurs, the Issuer must convert to Ordinary Shares or write-off:
 - (i) unless paragraph (ii) applies, all Relevant Perpetual Subordinated Instruments; or
 - (ii) where clause 5.1(a)(i) applies, a lesser amount of the Relevant Perpetual Subordinated Instruments that APRA is satisfied will be sufficient to ensure that the Issuer does not become non-viable.
- (d) If a Capital Trigger Event occurs, the Issuer must convert to Ordinary Shares or write-off:
 - (i) unless paragraph (ii) applies, all Relevant Perpetual Subordinated Instruments; or
 - (ii) a lesser amount of the Relevant Perpetual Subordinated Securities that APRA is satisfied will have the result that each Common Equity Tier 1 Capital Ratio is at a percentage above 5.125% determined by the Issuer for that ratio.

5.2 Consequences of a Non-Viability Trigger Event or Capital Trigger Event

- (a) If a Non-Viability Trigger Event or Capital Trigger Event occurs:
 - (i) on the date of such occurrence, whether or not that day is a Business Day (the **Non-Viability Conversion Date** or **Capital Trigger Conversion Date**), the Issuer must immediately determine:
 - (A) in accordance with clause 5.1, the amount of Capital Notes that will be Converted and the amount of other Relevant Perpetual Subordinated Instruments which will be converted into Ordinary Shares or written-off; and
 - (B) the identity of the Holders whose Capital Notes will Convert at the time that the Conversion is to take effect and in making that determination the Issuer may make any decisions with respect to the identity of the Holders at that time as may be necessary or desirable to ensure Conversion occurs in an orderly manner, including disregarding any transfers of Capital Notes that have not been registered at that time;
 - (ii) subject only to clause 8.13 and despite any other provision in these Terms, on the Non-Viability Conversion Date or Capital Trigger Conversion Date the relevant amount of Capital Notes will be Converted, and the relevant amount of other Relevant Perpetual Subordinated Instruments will be converted or written-off, in each case immediately and irrevocably; and
 - (iii) the Issuer must give notice of:
 - (A) the Non-Viability Trigger Event (a **Non-Viability Trigger Event Notice**) to Holders as soon as practicable after Conversion has occurred which notice must state the Non-Viability Conversion Date, the amount of Capital Notes Converted and the relevant amount of Relevant Perpetual Subordinated Instruments converted or written-off; or
 - (B) the Capital Trigger Event (a **Capital Trigger Event Notice**) to Holders as soon as practicable after Conversion has occurred which notice must state the Capital Trigger Conversion Date, the amount of

Capital Notes Converted and the relevant amount of Relevant Perpetual Subordinated Instruments converted or written-off.

- (b) Subject to any relevant determination by APRA, the amount of Capital Notes that are required to be Converted in accordance with clause 5.1 will be determined on a pro rata basis with the conversion or write-off in accordance with their terms of all other Relevant Perpetual Subordinated Instruments (on a Level 1 or Level 2 basis as applicable).
- (c) If the Issuer is permitted, in accordance with this clause 5, to convert into Ordinary Shares some (but not all) Capital Notes, the Issuer 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.
- (d) None of the following shall prevent, impede or delay the Conversion of Capital Notes as required by this clause 5.2:
 - (i) any failure or delay in the conversion or write-off of any other Relevant Perpetual Subordinated Instruments;
 - (ii) any failure or delay in giving a Non-Viability Trigger Event Notice or Capital Trigger Event Notice;
 - (iii) any failure or delay in quotation of the Ordinary Shares to be issued on Conversion;
 - (iv) any decision as to the identity of Holders whose Capital Notes are to be Converted in accordance with clause 5.2(a)(i)(B); or
 - (v) any requirement to treat Holders and holders of other Relevant Perpetual Subordinated Instruments as required by clause 5.2(b).
- (e) From the Non-Viability Conversion Date or Capital Trigger Conversion Date, subject to clause 8.13 and clause 17.1(b), the Issuer shall treat the Holder in respect of the Capital Notes as the holder of the Conversion Number of Ordinary Shares and will take all such steps, including updating any of its registers, required to record the Conversion.

5.3 Priority of Conversion obligations

- (a) Conversion on account of the occurrence of a Non-Viability Trigger Event or Capital Trigger Event is not subject to the Mandatory Conversion Conditions.
- (b) A Conversion required on account of a Non-Viability Trigger Event or Capital Trigger Event takes place on the date, and in the manner, required by clause 5.2 notwithstanding anything in clauses 4.1, 6, 7 or 16.
- (c) In the event of the simultaneous occurrence of a Non-Viability Trigger Event and a Capital Trigger Event as provided for under clauses 5.1(c) and 5.1(d), clause 5.1(c) prevails.
- (d) If for any reason (including, without limitation, an Inability Event), a Non-Viability Conversion or Capital Trigger Conversion has not been effected with respect to a Capital Note within five Business Days of the Non-Viability Conversion Date or Capital Trigger Conversion Date:
 - (i) Conversion of that Capital Note will not occur; and
 - (ii) clause 8.13 shall apply.

6 Optional Exchange by the Issuer

6.1 Optional Exchange by the Issuer

The Issuer may, with APRA's prior written approval, by notice to Holders (an **Exchange Notice**) elect to Exchange:

- (a) all or some Capital Notes on an Exchange Date following the occurrence of a Tax Event or a Regulatory Event;
- (b) all (but not some only) Capital Notes on an Exchange Date following the occurrence of a Potential Acquisition Event; or
- (c) all or some Capital Notes on the Optional Exchange Date.

An Exchange Notice under this clause 6:

- (i) cannot be given in the period of 20 Business Days preceding (and not including) a Relevant Date where the First Mandatory Conversion Condition has been met in respect of that Relevant Date; and
- (ii) once given is irrevocable.

6.2 Contents of Exchange Notice

An Exchange Notice must specify:

- (a) where clause 6.1(a) or clause 6.1(b) applies, the details of the Tax Event, Regulatory Event or Potential Acquisition Event to which the Exchange Notice relates;
- (b) the date on which Exchange is to occur (the **Exchange Date**), which:
 - (i) in the case of an Exchange in connection with a Potential Acquisition Event, is the Business Day prior to the date reasonably determined by the Issuer to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned or such other earlier date as the Issuer may reasonably determine having regard to the timing for implementation of the bid or scheme concerned or such later date as APRA may require;
 - (ii) in the case of a Tax Event, a Regulatory Event or clause 6.1(c), is a Business Day or, in the case of clause 6.1(c), is the Optional Exchange Date, which must fall:
 - (A) no earlier than:
 - (a) 25 Business Days, where the Exchange Method elected is Conversion; or
 - (b) 15 Business Days, where the Exchange Method elected is Redemption or Resale; and
 - (B) in any case no later than 45 Business Days,after the date on which the Exchange Notice is given; and
 - (iii) in the case of a Tax Event or a Regulatory Event, is a Business Day which must fall no earlier than 60 Business Days prior to the Issuer being exposed to the requirements, effects or costs contemplated in the definition of Tax Event or Regulatory Event (as applicable);

- (c) the Exchange Method in accordance with clause 6.3;
- (d) if less than all Capital Notes are subject to Exchange, the proportion of the Capital Notes that are to be Exchanged;
- (e) if the Exchange Notice provides that any Capital Notes are to be Resold, the identity of the Nominated Purchaser or Nominated Purchasers for that Resale; and
- (f) whether any Distribution will be paid in respect of the Capital Notes to be Exchanged on the Exchange Date.

6.3 Exchange Method

- (a) If the Issuer wishes to elect to Exchange Capital Notes in accordance with clause 6.1, it must, subject to clauses 6.3(b), 6.4 and 6.5 and subject to APRA's prior written approval, elect in the Exchange Notice which of the following it intends to do in respect of Capital Notes (the **Exchange Method**):
 - (i) Convert Capital Notes into Ordinary Shares in accordance with clause 8;
 - (ii) Redeem Capital Notes in accordance with clause 9; or
 - (iii) Resell Capital Notes in accordance with clause 10.

Holders should not expect that APRA's approval will be given for any Exchange of Capital Notes under these Terms.

- (b) If the Issuer elects to Exchange only some Capital Notes, the Issuer 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.

6.4 Restrictions on election by the Issuer of Redemption or Resale as Exchange Method

The Issuer may elect to Exchange Capital Notes with Redemption or Resale specified in the Exchange Notice as the Exchange Method in respect of an Exchange under this clause 6:

- (a) on the Optional Exchange Date; and
- (b) in the case of a Tax Event or Regulatory Event,

but not in any other case of Exchange and provided in all cases where the Issuer elects Redemption that APRA is satisfied that either:

- (i) Capital Notes 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 Issuer's income capacity; or
- (ii) having regard to the projected capital position of the BOQ Group, the Issuer does not have to replace the Capital Notes the subject of the Redemption.

6.5 Restrictions on election by the Issuer of Conversion as Exchange Method

The Issuer may not elect to Exchange Capital Notes with Conversion specified as the Exchange Method under this clause 6 if:

- (a) on the second Business Day before the date on which an Exchange Notice is to be sent by the Issuer (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) (the

Non-Conversion Test Date) the VWAP on that date is less than or equal to 22.50% of the Issue Date VWAP (the **First Optional Conversion Restriction**); or

- (b) a Delisting Event applies in respect of the Non-Conversion Test Date (the **Second Optional Conversion Restriction** and together with the **First Optional Conversion Restriction**, the **Optional Conversion Restrictions**).

6.6 Conditions to Conversion occurring once elected by the Issuer

If the Issuer has given an Exchange Notice in which it has elected Conversion as the Exchange Method but, if the Exchange Date were a Relevant Date for the purposes of clause 4, either the Second Mandatory Conversion Condition (as if it referred to 20.21% of the Issue Date VWAP) or the Third Mandatory Conversion Condition would not be satisfied in respect of that date, then, notwithstanding any other provision of these Terms:

- (a) the Exchange Date will be deferred until the first Distribution Payment Date (under clause 3.4(a)) on which the Mandatory Conversion Conditions would be satisfied if that Distribution Payment Date were a Relevant Date for the purposes of clause 4 (with those conditions applied as if the percentage of the Issue Date VWAP were 22.50% for the First Mandatory Conversion Condition and 20.21% for the Second Mandatory Conversion Condition) (the **Deferred Conversion Date**);
- (b) the Issuer must Convert the Capital Notes on the Deferred Conversion Date (unless the Capital Notes are Exchanged earlier in accordance with these Terms); and
- (c) until the Deferred Conversion Date, all rights attaching to the Capital Notes will continue as if the Exchange Notice had not been given.

The Issuer will notify Holders on or as soon as practicable after an Exchange Date in respect of which this clause 6.6 applies that Conversion did not occur on that Exchange Date (a **Deferred Conversion Notice**).

7 Conversion on Acquisition Event

7.1 Notice of Acquisition Event

The Issuer must notify Holders of the occurrence of an Acquisition Event as soon as practicable after becoming aware of that event (an **Acquisition Event Notice**).

7.2 Conversion on occurrence of Acquisition Event

If an Acquisition Event occurs, subject to clause 7.4 and clause 7.5 the Issuer must give notice to Holders (an **Acquisition Conversion Notice**) and Convert all (but not some only) Capital Notes on the Acquisition Conversion Date in accordance with this clause 7 and clause 8.

7.3 Contents of Acquisition Conversion Notice

An Acquisition Conversion Notice must specify:

- (a) the details of the Acquisition Event to which the Acquisition Conversion Notice relates;
- (b) the date on which Conversion is to occur (the **Acquisition Conversion Date**), which must be:
 - (i) the Business Day prior to the date reasonably determined by the Issuer to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned or such other earlier date as the Issuer may reasonably determine having regard to the timing for implementation of the bid or scheme concerned; or

- (ii) such later date as APRA may require; and
- (c) whether any Distribution will be paid in respect of the Capital Notes on the Acquisition Conversion Date.

7.4 Where Acquisition Conversion Notice not required

Notwithstanding any provision of clause 7.2 or clause 7.3, the Issuer is not required to give an Acquisition Conversion Notice if either or both of the Optional Conversion Restrictions would apply if the Acquisition Conversion Notice were an Exchange Notice under clause 6 and in this case the provisions of clause 7.5 will apply.

7.5 Deferred Conversion on Acquisition Event

If clause 7.4 applies or the Issuer has given an Acquisition Conversion Notice but, if the Acquisition Conversion Date were a Relevant Date for the purposes of clause 4.2, either the Second Mandatory Conversion Condition (as if it referred to 20.21% of the Issue Date VWAP) or the Third Mandatory Conversion Condition would not be satisfied in respect of that date, then notwithstanding any other provision of these Terms (but without limitation to the operation of clause 5.3):

- (a) the Acquisition Conversion Notice, if given, is taken to be revoked and Conversion will not occur on the Acquisition Conversion Date specified in the Acquisition Conversion Notice;
- (b) the Issuer will notify Holders as soon as practicable that Conversion will not (or, as the case may be, did not) occur (a **Deferred Acquisition Conversion Notice**); and
- (c) the Issuer must, unless clause 7.4 then applies, give an Acquisition Conversion Notice (or, as the case may be, a new Acquisition Conversion Notice) on or before the 25th Business Day prior to the immediately succeeding Distribution Payment Date which is at least 25 Business Days after the date on which the Deferred Acquisition Conversion Notice was given.

The Acquisition Conversion Notice given in accordance with paragraph (c) above must comply with the requirements in clause 7.3.

If this clause 7.5 applies but:

- (a) clause 7.4 applies in respect of the Distribution Payment Date referred to in paragraph (c) such that no Acquisition Conversion Notice (or, as the case may be, no new Acquisition Conversion Notice) is given under this clause 7.5; or
- (b) an Acquisition Conversion Notice (or, as the case may be, a new Acquisition Conversion Notice) is given under this clause 7.5 but, if the Acquisition Conversion Date specified in the Acquisition Conversion Notice were a Relevant Date for the purposes of clause 4.2, either the Second Mandatory Conversion Condition (as if it referred to 20.21% of the Issue Date VWAP) or the Third Mandatory Conversion Condition would not be satisfied in respect of that date,

then this clause 7.5 will be reapplied in respect of each subsequent Distribution Payment Date until a Conversion occurs.

8 Conversion mechanics

8.1 Conversion

If the Issuer elects to Convert Capital Notes (with APRA's prior written approval) or must Convert Capital Notes in accordance with these Terms, then, subject to this clause 8, the following provisions shall apply:

- (a) each Capital Note that is being Converted will Convert into the Conversion Number of Ordinary Shares. The Conversion Number will be calculated by the Issuer in accordance with the following formula:

$$\text{Conversion Number} = \frac{\text{Face Value}}{99\% \times \text{VWAP}}$$

subject always to the Conversion Number being no greater than the Maximum Conversion Number.

where:

VWAP (expressed in dollars and cents) means the VWAP during the VWAP Period;

Maximum Conversion Number means a number calculated according to the following formula:

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

Where **Relevant Number** means:

- (i) if Conversion is occurring on a Mandatory Conversion Date, 0.5; and
 - (ii) if Conversion is occurring at any other time, 0.2;
- (b) each Holder's rights in relation to each Capital Note that is being Converted will be immediately and irrevocably terminated (but without limiting the Issuer's discretion to pay Distributions on the Mandatory Conversion Date, the Exchange Date or the Acquisition Conversion Date (as the case may be), in accordance with and subject to clause 3) for an amount equal to the Face Value and the Issuer will apply the Face Value of each Capital Note by way of payment for the subscription for the Ordinary Shares to be allotted and issued under clause 8.1(a). Each Holder is taken to have irrevocably directed that any amount payable under this clause 8.1 is to be applied as provided for in this clause 8.1 and Holders do not have any right to payment in any other way; and
- (c) if the total number of Ordinary Shares to be allotted and issued in respect of a Holder's aggregate holding of Capital Notes upon Conversion includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded.

8.2 Adjustments to VWAP generally

For the purposes of calculating the VWAP in these Terms:

- (a) where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and Capital Notes will Convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement shall be reduced by an amount (the **Cum Value**) equal to:
- (i) in the case of a dividend or other distribution, the amount of that dividend or other distribution including, if the dividend or other 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 Legislation;

- (ii) in the case of any entitlement that is not a dividend or other distribution for which adjustment is made under clause 8.2(a)(i) and which is traded on ASX on any of those Business Days, the volume weighted average sale price of all such entitlements sold on ASX during the VWAP Period on the Business Days on which those entitlements were traded (excluding trades of the kind that would be excluded in determining VWAP under the definition of that term); or
 - (iii) any other entitlement that is not a dividend or other distribution under clause 8.2(a)(i) and which is not traded on ASX during the VWAP Period, the value of the entitlement as reasonably determined by the Issuer; and
- (b) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted on ASX as ex dividend or ex any other distribution or entitlement, and Capital Notes will Convert into Ordinary Shares in respect of which the relevant dividend or other distribution or entitlement would be payable, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement shall be increased by the Cum Value.

8.3 Adjustments to VWAP for capital reconstruction

- (a) Where during the relevant VWAP Period there is a change in the number of Ordinary Shares on issue because the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number (in a manner not involving any cash payment or other distribution or compensation to or by holders of Ordinary Shares) (**Reclassification**), the daily VWAP for each day in the VWAP Period which falls before the date on which trading in Ordinary Shares is conducted on a post Reclassification basis will be adjusted by multiplying the daily VWAP by the following formula:

$$\frac{A}{B}$$

where:

- A** means the aggregate number of Ordinary Shares immediately before the Reclassification; and
- B** means the aggregate number of Ordinary Shares immediately after the Reclassification.

- (b) An adjustment in accordance with clause 8.3(a) will be determined by the Calculation Agent and will be effective and binding on Holders under these Terms and these Terms will be construed accordingly. Any such adjustment must be promptly notified to all Holders.

8.4 Adjustments to Issue Date VWAP generally

For the purposes of determining the Issue Date VWAP, adjustments to the VWAP will be made by the Calculation Agent in accordance with clauses 8.2 and 8.3 during the VWAP Period for the Issue Date VWAP. On and from the Issue Date, adjustments to the Issue Date VWAP:

- (a) may be made by the Calculation Agent in accordance with clauses 8.5 to 8.7 (inclusive); and
- (b) if so made, will correspondingly:
 - (i) affect the application of the Mandatory Conversion Conditions and the Optional Conversion Restrictions; and

- (ii) cause an adjustment to the Maximum Conversion Number.

8.5 Adjustments to Issue Date VWAP for bonus issues

- (a) Subject to clauses 8.5(b) and 8.5(c), if at any time after the Issue Date the Issuer makes a pro rata bonus issue of Ordinary Shares to holders of Ordinary Shares generally (in a manner not involving any cash payment to or by holders of Ordinary Shares), the Issue Date VWAP will be adjusted immediately in accordance with the following formula:

$$V = V_o \times \frac{RD}{RD + RN}$$

where:

V means the Issue Date VWAP applying immediately after the application of this formula;

V_o means the Issue Date VWAP applying immediately prior to the application of this formula;

RD means the number of Ordinary Shares on issue immediately prior to the allotment of new Ordinary Shares pursuant to the bonus issue; and

RN means the number of Ordinary Shares issued pursuant to the bonus issue.

- (b) For the avoidance of doubt, clause 8.5(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 a dividend reinvestment plan.
- (c) For the purposes of clause 8.5(a), an issue will be regarded as a pro rata bonus issue notwithstanding that the Issuer does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia, provided that in so doing the Issuer is not in contravention of the ASX Listing Rules.
- (d) No adjustments to the Issue Date VWAP will be made under this clause 8.5 for any offer of Ordinary Shares not covered by clause 8.5(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 except as covered by clause 8.5(a) shall not in any way restrict the Issuer from issuing Ordinary Shares at any time on such terms as it sees fit nor be taken to constitute a modification or variation of rights or privileges of Holders or otherwise requiring any consent or concurrence of the Holders.

8.6 Adjustment to Issue Date VWAP for capital reconstruction

- (a) If at any time after the Issue Date there is a change in the number of Ordinary Shares on issue as a result of a Reclassification (in a manner not involving any cash payment or other distribution or compensation to or by holders of Ordinary Shares) into a lesser or greater number, the Issue Date VWAP will be adjusted by multiplying the Issue Date VWAP applicable on the Business Day immediately before the date of any such Reclassification by the following formula:

$$\frac{A}{B}$$

where:

- A** means the aggregate number of Ordinary Shares immediately before the Reclassification; and
 - B** means the aggregate number of Ordinary Shares immediately after the Reclassification.
- (b) Any adjustment made by the Issuer in accordance with clause 8.6(a) will be effective and binding on Holders under these Terms and these Terms will be construed accordingly.
 - (c) Each Holder acknowledges that the Issuer may consolidate, divide or reclassify securities so that there is a lesser or greater number of Ordinary Shares at any time in its absolute discretion without any such action constituting a modification or variation of rights or privileges of Holders or otherwise requiring any consent or concurrence.

8.7 No adjustment to Issue Date VWAP in certain circumstances

Despite the provisions of clauses 8.5 and 8.6, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than one percent of the Issue Date VWAP then in effect.

8.8 Announcement of adjustments to Issue Date VWAP

The Issuer will notify Holders (an **Adjustment Notice**) of any adjustment to the Issue Date VWAP under this clause 8 within 10 Business Days of the Issuer determining the adjustment. The adjustment set out in the Adjustment Notice will be final and binding.

8.9 Ordinary Shares

- (a) Each Ordinary Share issued upon Conversion will rank equally with all other fully paid Ordinary Shares provided that the rights attaching to the Ordinary Shares issued on Conversion do not take effect until 5.00pm Sydney time on the Mandatory Conversion Date, Exchange Date or Acquisition Conversion Date or in the case of the Non-Viability Conversion Date or Capital Trigger Conversion Date, the time at which such Conversion occurs on that date.
- (b) The Issuer shall use all reasonable endeavours to list the Ordinary Shares issued upon Conversion of Capital Notes on ASX.

8.10 Information for Conversion

Where a Capital Note is required to be Converted under these Terms, a Holder wishing to receive Ordinary Shares must in a Holder Details Notice to be given:

- (a) in the case of a Conversion on account of a Non-Viability Trigger Event or Capital Trigger Event, no later than the Non-Viability Conversion Date or Capital Trigger Conversion Date; and
- (b) in any other case, no later than 15 Business Days before the Mandatory Conversion Date, Exchange Date or Acquisition Conversion Date (as the case may be),

have provided to the Issuer:

- (i) its name and address (or the name and address of any person in whose name it directs the Ordinary Shares to be issued) for entry into any register of title and receipt of any certificate or holding statement in respect of any Ordinary Shares;
- (ii) the security account details in CHESS or such other account to which the Ordinary Shares may be credited; and

- (iii) such other information as is reasonably requested by the Issuer for the purposes of enabling it to issue the Conversion Number of Ordinary Shares to such Holder.

The Issuer has no duty to seek or obtain such information.

8.11 Issue to Nominee

If a Capital Note is required to be Converted and:

- (a) the Holder has notified the Issuer that it does not wish to receive Ordinary Shares as a result of the Conversion (whether entirely or to the extent specified in the notice), which notice may be given at any time no less than 15 Business Days before the Mandatory Conversion Date, Exchange Date, Acquisition Conversion Date, Capital Trigger Conversion Date or Non-Viability Conversion Date;
- (b) the Holder is a person who:
 - (i) has an address shown on the Register, or, where Capital Notes are lodged in the Austraclear System, in the records of the Austraclear System as outside Australia;
 - (ii) the Issuer otherwise believes may not be a resident of Australia; or
 - (iii) is in the United States or is a U.S. person or is acting for the account or benefit of a U.S. person,(a **Foreign Holder**); or
- (c) for any reason (whether or not due to the fault of the Holder) the Issuer has not received the information required by clause 8.10 by the time specified in that clause,

then, on the Mandatory Conversion Date, Exchange Date, Acquisition Conversion Date, Capital Trigger Conversion Date or Non-Viability Conversion Date (as the case may be):

- (d) where clause 8.11(a) or clause 8.11(b) applies, the Issuer shall issue the Ordinary Shares to the Holder only to the extent (if at all) that:
 - (i) where clause 8.11(a) applies, the Holder Details Notice has specified that the Holder wishes to receive them;
 - (ii) where clause 8.11(b) applies, the Issuer is satisfied that the laws of both the Commonwealth of Australia and the Foreign Holder's country of residence permit the issue of Ordinary Shares to the Foreign Holder (but as to which the Issuer is not bound to enquire), either unconditionally or after compliance with conditions which the Issuer in its absolute discretion regards as acceptable and not unduly onerous,

and, to the extent the Issuer is not obliged to issue Ordinary Shares to the Holder, the Issuer will issue the balance of the Ordinary Shares to a competent duly authorised entity (which may not be a Related Entity of the Issuer) (the **Nominee**) to deal with the Ordinary Shares, and, where applicable, their Proceeds in accordance with clause 8.11(e); and

- (e) otherwise, subject to applicable law, the Issuer will issue the balance of Ordinary Shares in respect of the Capital Notes of the relevant Holder to the Nominee and will promptly notify such Holder of the name of and contact information for the Nominee and the number of Ordinary Shares issued to the Nominee in respect of its holding of Capital Notes and, subject to applicable law:

- (i) the Nominee, subject to clause 8.11(e)(ii), will as soon as reasonably possible after issue of the Ordinary Shares sell those Ordinary Shares and pay a cash amount equal to the Proceeds to the Holder; and
 - (ii) where clause 8.11(c) applies, the Nominee will hold such Ordinary Shares and will transfer Ordinary Shares to such Holder promptly after such Holder provides the Nominee with the information required to be provided by such Holder under clause 8.10 (as if a reference in clause 8.10(b)(iii) to the Issuer is a reference to the Nominee and a reference to the issue of Ordinary Shares is a reference to the transfer of Ordinary Shares) but only where such information is provided to the Nominee within 30 days of the date on which Ordinary Shares are issued to the Nominee upon Conversion of such Capital Note and failing which the Nominee will sell the Ordinary Shares as soon as reasonably possible after the end of that period and pay an amount equal to the Proceeds to such Holder in accordance with clause 8.11(e)(i); and
- (f) nothing in this clause 8.11 shall affect the Conversion of the Capital Notes of a Holder who is not a person to which any of 8.11(a) to (c) (inclusive) applies.

8.12 No duty on sale

For the purposes of clause 8.11:

- (a) the issue of Ordinary Shares to the Nominee satisfies the obligation of the Issuer to issue Ordinary Shares in connection with the Conversion and on and from the issue of those Ordinary Shares, the rights of a Holder the subject of clause 8.11 in respect of those Ordinary Shares are limited to its rights in respect of the Proceeds as provided in clause 8.11; and
- (b) neither the Issuer nor the Nominee owes any obligations or duties to the Holders in relation to the price for which, or other terms on which, Ordinary Shares are sold and has no liability for any loss suffered by a Holder as a result of the sale of Ordinary Shares made in accordance with the Nominee's obligations as contemplated by clause 8.11.

8.13 Write-Off

- (a) Notwithstanding any other provisions of these Terms, if for any reason (including, without limitation, an Inability Event) a Non-Viability Conversion or Capital Trigger Conversion has not been effected with respect to a Capital Note within five Business Days of the Non-Viability Conversion Date or Capital Trigger Conversion Date, then Conversion of that Capital Note will not occur but instead the relevant Holder's rights (including to Distributions and payment of Face Value) in relation to that Capital Note, and to be issued with Ordinary Shares in respect of that Capital Note, are immediately and irrevocably written-off and terminated (**Written-Off**) with effect on and from the Non-Viability Conversion Date or Capital Trigger Conversion Date.
- (b) The Issuer may, but is not required to, seek advice from reputable legal counsel as to whether an Inability Event has occurred and is subsisting. An Inability Event is taken to have occurred and subsist if the Issuer receives advice to that effect from such counsel. The seeking of advice by the Issuer under this clause 8.13(b) shall not delay or impede the Write-Off of the Capital Notes when required under clause 8.13(a).
- (c) The Issuer must give notice to Holders if Conversion has not occurred by operation of this clause 8.13 but failure to give that notice shall not affect the operation of this clause 8.13.

9 Redemption mechanics

9.1 Redemption mechanics to apply to Redemption

If, subject to APRA's prior written approval and compliance with the conditions in clause 6.3(a)(ii), the Issuer elects to Redeem Capital Notes in accordance with these Terms, the provisions of this clause 9 apply to that Redemption.

Holders should not expect that APRA's approval will be given for any Redemption of Capital Notes under these Terms.

9.2 Redemption

- (a) A Capital Note will be Redeemed by payment on the Exchange Date of the Face Value to the relevant Holder.
- (b) Redemption may occur even if the Issuer, in its absolute discretion, does not pay a Distribution for the final Distribution Period.

9.3 Effect of Redemption on Holders

On the Exchange Date, the only right Holders will have in respect of Capital Notes that are Redeemed will be to obtain the Face Value payable in accordance with these Terms and upon payment of the Face Value, all other rights conferred, or restrictions imposed, by those Capital Notes will no longer have effect (except for rights relating to a Distribution which is payable but has not been paid on or before a date when Conversion is required that is not a Non-Viability Conversion Date or Capital Trigger Conversion Date, which will continue).

10 Resale mechanics

10.1 Resale mechanics

If the Issuer elects to Resell Capital Notes in accordance with these Terms, the provisions of this clause 10 apply to that Resale.

Holders should not expect that APRA's approval will be given for any Resale of Capital Notes under these Terms.

10.2 Appointment of Nominated Purchaser

The Issuer must appoint one or more Nominated Purchasers for the Resale on such terms as may be agreed between the Issuer and the Nominated Purchasers. If the Issuer appoints more than one Nominated Purchaser in respect of a Resale, all or any of the Capital Notes held by a Holder which are being Resold may be purchased by any one or any combination of the Nominated Purchasers, as determined by the Issuer, for the Resale Price.

The obligation of a Nominated Purchaser to pay the Resale Price on the Exchange Date may be subject to such conditions as the Issuer may reasonably determine.

Any terms of the appointment or of the Resale which would or may affect the eligibility of the Capital Notes as Additional Tier 1 Capital on a Level 1, Level 2 or (if applicable) Level 3 basis are subject to the prior written consent of APRA.

10.3 Identity of Nominated Purchasers

The Issuer may not appoint a person as a Nominated Purchaser unless that person:

- (a) has undertaken on such terms and subject to such conditions as the Issuer reasonably determines for the benefit of each Holder to acquire each Capital Note from each Holder for the Resale Price on the Exchange Date;

- (b) has a long term counterparty credit rating from one of Standard & Poor's, Moody's or Fitch of not less than investment grade; and
- (c) is not the Issuer or a Related Entity of the Issuer.

10.4 Irrevocable offer to sell Capital Notes

Each Holder on the Exchange Date is taken irrevocably to offer to sell Capital Notes the subject of a Resale to the Nominated Purchaser or Nominated Purchasers on the Exchange Date for the Resale Price.

10.5 Effect of Resale

On the Exchange Date, subject to payment by the Nominated Purchaser of the Resale Price to the Holders, all right, title and interest in such Capital Notes (excluding the right to any Distribution payable on that date) will be transferred to the Nominated Purchaser free from Encumbrances.

10.6 Effect of failure by Nominated Purchaser or Nominated Purchasers to pay

If a Nominated Purchaser does not pay the Resale Price to the Holders on the Exchange Date (a **Defaulting Nominated Purchaser**) (whether as a result of a condition to purchase not being satisfied or otherwise):

- (a) the Exchange Notice as it relates to the Defaulting Nominated Purchaser will be void;
- (b) Capital Notes will not be transferred to the Defaulting Nominated Purchaser on the Exchange Date; and
- (c) Holders will continue to hold the Capital Notes referable to the Defaulting Nominated Purchaser until they are otherwise Redeemed, Converted or Resold in accordance with these Terms.

10.7 Payment of Resale Price

Clause 14 applies to payment of the Resale Price by the Nominated Purchaser or Nominated Purchaser as if that person was the Issuer and a reference in that clause to the Face Value was a reference to the Resale Price. If payment of the Resale Price to a particular Holder is not made on the Exchange Date because of any error by or on behalf of a Nominated Purchaser, the relevant Capital Notes of that Holder will not be transferred until payment is made but the transfer of all other relevant Capital Notes will not be affected by the failure.

11 General rights

11.1 Power of attorney

- (a) Each Holder appoints each of the Issuer, its officers and any External Administrator of the Issuer (each an **Attorney**) severally to be the attorney of the Holder with power in the name and on behalf of the Holder to sign all documents and transfers and do any other thing as may in the Attorney's opinion be necessary or desirable to be done in order for the Holder to observe or perform the Holder's obligations under these Terms including, but not limited to, effecting any Conversion, Redemption or Resale, making any entry in the Register or in the register of any Ordinary Shares, exercising any voting power in relation to any consent or approval required for Conversion, Redemption or Resale or in respect of any Approved NOHC Event or the transfer of Capital Notes to an Approved NOHC as contemplated by clauses 18.1 and 18.2.
- (b) The power of attorney given in this clause 11.1 is given for valuable consideration and to secure the performance by the Holder of the Holder's obligations under these Terms and is irrevocable.

11.2 Consent to receive Ordinary Shares and other acknowledgements

Each Holder irrevocably:

- (a) upon receipt of the Conversion Number of Ordinary Shares following Conversion of Capital Notes, consents to becoming a member of the Issuer and agrees to be bound by the constitution of the Issuer, in each case in respect of Ordinary Shares issued on Conversion or where an Approved Replacement Notice has been given, consents to becoming a member of that Approved NOHC and agrees to be bound by its constitution;
- (b) acknowledges and agrees that an Approved NOHC may be substituted for the Issuer as provider of ordinary shares on Conversion and that if such a substitution is effected on the terms provided by the amendments in accordance with clauses 18.1 and 18.2, the Holder is obliged to accept ordinary shares in that Approved NOHC on a Conversion, and will not receive Ordinary Shares;
- (c) acknowledges and agrees that any amendment made in accordance with clauses 18.1 and 18.2 to effect the substitution of an Approved NOHC as the issuer of ordinary shares on Conversion does not require the consent of Holders;
- (d) acknowledges and agrees that subject to clause 8.11, it is obliged to accept Ordinary Shares on Conversion notwithstanding anything that might otherwise affect a Conversion of Capital Notes including:
 - (i) any change in the financial position of the Issuer or any member of the BOQ Group since the Issue Date;
 - (ii) any disruption to the market or potential market for Ordinary Shares or capital markets generally; or
 - (iii) in the case of a Non-Viability Conversion or Capital Trigger Conversion, any breach by the Issuer of any obligation in connection with the Capital Notes;
- (e) acknowledges and agrees that:
 - (i) where clause 5.2 applies:
 - (A) there are no other conditions to a Non-Viability Conversion or Capital Trigger Conversion occurring as and when provided in clauses 5.1 to 5.3 (inclusive);
 - (B) Conversion must occur immediately on the Non-Viability Conversion Date or Capital Trigger Conversion Date and that Conversion or Write-Off may result in disruption or failures in trading or dealings in Capital Notes;
 - (C) it will not have any rights to vote in respect of any Non-Viability Conversion or Capital Trigger Conversion; and
 - (D) the Ordinary Shares issued on Non-Viability Conversion or Capital Trigger Conversion may not be quoted at the time of issue, or at all;
 - (ii) the only conditions to a Mandatory Conversion are the Mandatory Conversion Conditions;
 - (iii) the only conditions to a Conversion on account of an Exchange under clause 6 or a Conversion under clause 7 are the conditions expressly applicable to such Conversion as provided in clauses 6 and 7 of these Terms and no other conditions or events will affect Conversion; and

- (iv) clause 8.13 is a fundamental term and where clause 8.13 applies, no other conditions or events will affect the operation of that clause and it will not have any rights to vote in respect of any Write-Off;
- (f) agrees to provide to the Issuer any information necessary to give effect to a Conversion and, if applicable, surrender any certificate relating to the Capital Notes on the occurrence of the Conversion; and
- (g) acknowledges and agrees that:
 - (i) a Holder has no right to request a Conversion, Redemption or Resale of any Capital Note or to determine the Exchange Method;
 - (ii) a Holder has no right to apply for the Issuer to be wound up, or placed in administration, or to cause a receiver, or a receiver and manager, to be appointed in respect of the Issuer in any jurisdiction merely on the grounds that the Issuer does not or is or may become unable to pay a Distribution when scheduled in respect of Capital Notes;
 - (iii) these Terms contain no events of default. Accordingly (but without limitation) failure to pay in full, for any reason, a Distribution on a scheduled Distribution Payment Date will not constitute an event of default; and
 - (iv) it has no remedy on account of a failure by the Issuer to issue Ordinary Shares to a Holder or a nominee in accordance with these Terms other than (and subject always to clause 8.13) to seek specific performance of the obligation to issue Ordinary Shares.

12 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 Issuer which will result in a person other than the Issuer 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:

- (c) the Issuer will not be permitted to Convert the Capital Notes in accordance with clause 6 or clause 7; or
- (d) the Second Mandatory Conversion Condition (as if it referred to 20.21% of the Issue Date VWAP) or the Third Mandatory Conversion Condition will not be satisfied in respect of the Acquisition Conversion Date in accordance with clause 7,

the Directors will use all reasonable endeavours to procure that:

- (e) takeover offers are made to Holders which, in respect of each Capital Note, are for a consideration at least equal to the Face Value of that Capital Note; or
- (f) Holders are entitled to participate in the scheme of arrangement or a similar transaction.

13 Title and transfer of Capital Notes

13.1 Title

Title to a Capital Note passes when details of the transfer are entered in the Register.

13.2 Effect of entries in Register

Each entry in the Register in respect of a Capital Note constitutes a separate and independent acknowledgment to the relevant Holder of the obligations of the Issuer to the relevant Holder.

13.3 Register conclusive as to ownership

Entries in the Register in relation to a Capital Note constitute conclusive evidence that the person so entered is the absolute owner of the Capital Note subject to correction for fraud or error.

13.4 Non-recognition of interests

- (a) Except as required by law, the Issuer and the Registrar must treat the person whose name is entered in the Register as the holder of a Capital Note as the absolute owner of that Capital Note. This clause 13.4 applies whether or not payment has been made as scheduled in respect of a Capital Note and despite any notice of ownership, trust or interest in the Capital Note.
- (b) No notice of any trust, Encumbrance or other interest in, or claim to any Note will be entered in the Register.
- (c) Neither the Issuer nor the Registry need take notice of any trust, Encumbrance or other interest in, or claim to, any Capital Note, except as ordered by a court of competent jurisdiction or required by law, and no trust, Encumbrance or other interest in, or claim to, any Capital Note will in any way affect any provision of these Terms.

13.5 Joint holders

Where two or more persons are entered in the Register as the joint holders of a Capital Note then they are taken to hold the Capital Note as joint tenants with rights of survivorship, but the Registrar is not bound to register more than four persons as joint holders of any Capital Note.

13.6 Austraclear

- (a) If Capital Notes are lodged in the Austraclear System, the Registrar will enter Austraclear in the Register as the Holder of those Capital Notes. While those Capital Notes remain in the Austraclear System, all dealings (including transfers and payments) in relation to those Capital Notes within the Austraclear System will be governed by the regulations for the Austraclear System (but without affecting any Term which may cause APRA to object to the eligibility of the Capital Notes as Additional Tier 1 Capital on a Level 1, Level 2 or (if applicable) Level 3 basis.
- (b) Where Austraclear is recorded in the Register as the Holder, each person in whose Security Record (as defined in the Austraclear Regulations) a Capital Note is recorded is deemed to acknowledge in favour of the Registrar and Austraclear that:
 - (i) the Registrar's decision to act as the Registrar of the Capital Note does not constitute a recommendation or endorsement by the Registrar or Austraclear in relation to the Capital Note but only indicates that such Capital Note is considered by the Registrar to be compatible with the performance by it of its obligations as Registrar under its agreement with the Issuer to act as Registrar of the Capital Note; and
 - (ii) the Holder does not rely on any fact, matter or circumstance contrary to clause 13.6(b)(i).

13.7 Transfers in whole

Capital Notes may be transferred in whole but not in part.

13.8 Transfer

- (a) Where Capital Notes are not lodged in the Austraclear System, subject to Condition 13.9, all applications to transfer Capital Notes must be made by lodging with the Registrar a properly completed transfer and acceptance form in the form approved by the Issuer and the Registrar signed by both the transferor and the transferee. Transfer and acceptance forms are available from any Registry Office.
- (b) Capital Notes lodged in the Austraclear System will be transferable only in accordance with the Austraclear Regulations.

13.9 Limit on Transfer

- (a) The Capital Notes may only be transferred pursuant to offers received in Australia if:
 - (i) the aggregate consideration payable at the time of transfer is at least A\$500,000 (disregarding moneys lent by the transferor or its associates) or the transferee and the transfer otherwise do not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act; and
 - (ii) the transfer does not constitute an offer to a “retail client” as defined for the purposes of section 761G of the Corporations Act.
- (b) Capital Notes may only be transferred between persons in a jurisdiction or jurisdictions other than Australia if the transfer is in compliance with the laws of the jurisdiction in which the transfer takes place and the transfer of the Capital Notes otherwise does not require disclosure to investors in accordance with the laws of the jurisdiction in which the transfer takes place.
- (c) A transfer to an unincorporated association is not permitted.

13.10 Austraclear Services Limited as Registrar

If Austraclear Services Limited is the Registrar and Capital Notes are lodged in the Austraclear System, despite any other provision of these Terms, those Capital Notes are not transferable on the Register, and the Issuer may not, and must procure that the Registrar does not, register any transfer of those Capital Notes issued by it and no member of the Austraclear System has the right to request any registration of any transfer of the relevant Capital Notes, except:

- (a) for the purposes of any Conversion, Write-Off, Redemption, Resale, repurchase or cancellation of the relevant Capital Note, a transfer of the relevant Capital Note from Austraclear to the Issuer may be entered in the Register; and
- (b) if Austraclear exercises or purports to exercise any power it may have under the Austraclear Regulations from time to time for the Austraclear System or these Terms, to require the relevant Capital Note to be transferred on the Register to a member of the Austraclear System, the relevant Capital Note may be transferred on the Register from Austraclear to the member of the Austraclear System.

In any of these cases, the relevant Capital Note will cease to be held in the Austraclear System.

13.11 Delivery of instrument and evidence

If an instrument is used to transfer Capital Notes according to clause 13.8(a), it must be delivered to the Registrar, together with such evidence (if any) as the Registrar reasonably

requires to prove the title of the transferor to, or right of the transferor to transfer, the Capital Notes.

13.12 Refusal to register

The Issuer may only refuse to register a transfer of any Capital Notes if such registration would contravene or is forbidden by law or by Austraclear Regulations or the Terms.

If the Issuer refuses to register a transfer, the Issuer must give the lodging party notice of the refusal and the reasons for it within five Business Days after the date on which the transfer was delivered to the Registrar.

13.13 Transferor to remain Holder until registration

A transferor of a Capital Note remains the Holder in respect of that Capital Note until the transfer is registered and the name of the transferee is entered in the Register.

13.14 Effect of transfer

Upon registration and entry of the transferee in the Register the transferor ceases to be entitled to future benefits under the Deed Poll and these Terms in respect of the transferred Capital Notes and the transferee becomes so entitled.

13.15 No charge on transfer

Transfers will be registered without charge provided Taxes (if any) imposed in relation to the transfer have been paid by the Holder.

13.16 Estates

A person becoming entitled to a Capital Note as a consequence of the death or bankruptcy of a Holder or of a vesting order or a person administering the estate of a Holder may, upon producing such evidence as to that entitlement or status as the Registrar considers sufficient, transfer the Capital Note or, if so entitled, become registered as the holder of the Capital Note.

13.17 Transfer of unidentified Capital Notes

Where the transferor executes a transfer of less than all Capital Notes registered in its name, and the specific Capital Notes to be transferred are not identified, the Registrar may register the transfer in respect of such of the Capital Notes registered in the name of the transferor as the Registrar thinks fit, provided the aggregate of the Face Value of all the Capital Notes registered as having been transferred equals the aggregate of the Face Value of all the Capital Notes expressed to be transferred in the transfer.

14 Payments

14.1 Payments subject to law

All payments are subject to applicable law, but without prejudice to the provisions of clause 15.

14.2 Payments on Business Days

If a payment in respect of a Capital Note:

- (a) is due on a day which is not a Business Day then the due date for payment will be postponed to the first following day that is a Business Day; or
- (b) is to be made to an account on a Business Day on which banks are not open for general banking business in the place in which the account is located, then the due date for payment to that Holder will be the first following day on which banks are open for general banking business in that place and the Holder is not entitled to any additional payment in respect of that delay.

Nothing in this clause applies to any payment referred to in clause 8.1(b), which occurs on the Conversion Date as provided in clause 8.1.

14.3 Payment of Face Value

Payments of the Face Value pursuant to these Terms are only payable to those persons registered as Holders at 10:00 am on the payment date.

14.4 Payment of Distribution

Payments of Distributions are only payable on a Distribution Date to those persons registered as Holders at the close of business on the Record Date for that Distribution payment.

14.5 Payments to accounts

Monies payable by the Issuer to a Holder in respect of a Capital Note may be paid:

- (a) if the Capital Notes are in the Austraclear System, by crediting on the relevant date for payment the amount then due to the account of the Holder in accordance with the Austraclear Regulations; or
- (b) if the Capital Notes are not in the Austraclear System, in any manner in which cash may be paid as the Issuer decides, including by any method of direct credit determined by the Issuer to the Holder or Holders shown on the Register or to such person or place directed by them.

14.6 Payments by cheque

The Issuer may decide that payments in respect of a Capital Note will be made by cheque sent by prepaid post on the payment date, at the risk of the registered Holder, to the Holder (or to the first named joint holder of the Capital Note) at its address appearing in the Register at the close of business on the Record Date. Cheques sent to the nominated address of a Holder will be taken to have been received by the Holder on the payment date and, no further amount will be payable by the Issuer in respect of the Capital Notes as a result of the Holder not receiving payment on the due date.

14.7 Unsuccessful attempts to pay

Subject to applicable law, where the Issuer:

- (a) decides that an amount is to be paid to a Holder by a method of direct credit and the Holder has not given a direction as to where amounts are to be paid by that method;
- (b) attempts to pay an amount to a Holder by direct credit, electronic transfer of funds or any other means and the transfer is unsuccessful;
- (c) has made reasonable efforts to locate a Holder but is unable to do so; or
- (d) has issued a cheque which has not been presented within six months of its date, then the Issuer may cancel such cheque,

then, in each case, the amount is to be held by the Issuer for the Holder in a non-interest bearing deposit with a bank selected by the Issuer until the Holder or any legal personal representative of the Holder claims the amount or the amount is paid by the Issuer according to the legislation relating to unclaimed moneys.

14.8 Payment to joint Holders

A payment to any one of joint Holders will discharge the Issuer's liability in respect of the payment.

14.9 No interest accrues

No interest accrues on any unpaid amount in respect of any Capital Note.

14.10 Time limit for claims

A claim against the Issuer for a payment under a Capital Note is void unless made within 10 years (in the case of Face Value) or five years (in the case of Distributions and other amounts) from the date on which payment first became due.

15 Taxation

15.1 No set-off, counterclaim or deductions

All payments in respect of the Capital Notes must be made in full without set-off or counterclaim, and without any withholding or deduction in respect of Taxes, unless prohibited by law or these Terms.

15.2 Withholding tax

- (a) If a law requires the Issuer to withhold or deduct an amount in respect of Taxes from a payment in respect of the Capital Notes such that the Holder would not actually receive on the due date the full amount provided for under the Capital Notes, then the Issuer agrees to deduct the amount for the Taxes.
- (b) If any deduction is required, the Issuer must pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring a penalty under the applicable law.
- (c) If:
 - (i) a deduction is made;
 - (ii) the amount of the deduction is accounted for by the Issuer to the relevant revenue authority; and
 - (iii) the balance of the amount payable has been paid to the Holder,

then the Issuer's obligation to make the payment to the Holder is taken to have been satisfied in full by the Issuer.

15.3 FATCA

The Issuer may withhold or make deductions from payments or from the issue of Ordinary Shares to a Holder where it is required to do so under or in connection with FATCA, or where it has reasonable grounds to suspect that the Holder or a beneficial owner of Notes may be subject to FATCA, and may deal with such payment, and any Ordinary Shares, in accordance with FATCA. If any withholding or deduction arises under or in connection with FATCA, the Issuer will not be required to pay any further amounts and the Issuer will not be required to issue any further Ordinary Shares on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Holder or a beneficial owner of Capital Notes for or in respect of any such withholding or deduction. A dealing with such payment and any Ordinary Shares in accordance with FATCA satisfies the Issuer's obligations to that Holder to the extent of the amount of that payment or issue of Ordinary Shares.

16 Winding-up and Subordination

16.1 Winding-up

If an order is made by a court of competent jurisdiction in Australia (other than an order successfully appealed or permanently stayed within 30 days), or an effective resolution is

passed, for the winding-up of the Issuer in Australia (a **Winding-up Event**), the Issuer is liable to Redeem each Capital Note for its Face Value in accordance with, and subject to, this clause 16.

16.2 Ranking in a winding-up

- (a) In a winding-up of the Issuer in Australia, a Capital Note confers upon the Holder, subject to clauses 5.2 and 8.13, the right to payment in cash of the Face Value on a subordinated basis in accordance with clause 16.2(b), but no further or other claim on the Issuer in the winding-up of the Issuer in Australia.
- (b) Holders will rank for payment of the Face Value in a winding-up of the Issuer in Australia:
 - (i) in priority to Ordinary Shares;
 - (ii) equally among themselves and with all Equal Ranking Instruments with respect to priority of payment on a winding-up; and
 - (iii) junior to the claims of all Senior Ranking Creditors with respect to priority of payment on a winding-up in that:
 - (A) all claims of Senior Ranking Creditors must be paid in full (including in respect of any entitlement to interest under section 563B of the Corporations Act) before the claims of the Holders are paid; and
 - (B) until the Senior Ranking Creditors have been paid in full, the Holders must not claim in the winding-up of the Issuer in competition with the Senior Ranking Creditors so as to diminish any distribution, dividend or payment which, but for that claim, the Senior Ranking Creditors would have been entitled to receive,

so that the Holder receives, for the Capital Note, an amount equal to the amount it would have received if, in the winding-up of the Issuer, it had held an issued and fully paid Preference Share.

16.3 Agreements of Holders as to subordination

Each Holder irrevocably agrees:

- (a) that clause 16.2 is a debt subordination for the purposes of section 563C of the Corporations Act;
- (b) that it does not have, and waives to the maximum extent permitted by law, any entitlement to interest under section 563B of the Corporations Act to the extent that a holder of a Preference Share would not be entitled to such interest;
- (c) that it shall not have, and is taken to have waived, to the fullest extent permitted by law, any right to prove in a winding-up of the Issuer as a creditor in respect of the Capital Notes so as to diminish any distribution, dividend or payment that any Senior Ranking Creditor would otherwise receive;
- (d) not to exercise any voting rights as a creditor in the winding-up of the Issuer in a manner to defeat the subordination provided for by this clause;
- (e) that it must pay or deliver to the liquidator any amount or asset received on account of its claim in the winding-up of the Issuer in respect of the Capital Notes in excess of its entitlement under clause 2 and clause 16.2;

- (f) that the debt subordination effected by clause 16.2 is not affected by any act or omission of any person which might otherwise affect it at law or in equity; and
- (g) that it has no remedy for the recovery of the Face Value other than to prove in the winding-up in accordance with this clause 16.

16.4 No further rights

A Capital Note does not confer on the Holders any further right to participate in the winding-up of the Issuer beyond payment of the Face Value.

16.5 No set-off

A Holder:

- (a) is not entitled to exercise any right of set-off against the Issuer in respect of any claim by the Issuer against that Holder; and
- (b) will have no offsetting rights or claims on the Issuer if the Issuer does not pay a Distribution when scheduled under these Terms.

The Issuer may not exercise any right of set-off against a Holder in respect of any claim by that Holder against the Issuer.

16.6 No consent of Senior Ranking Creditors

Nothing in clause 2 or this clause 16 shall be taken:

- (a) to require the consent of any Senior Ranking Creditor to any amendment of these Terms; or
- (b) to create a charge or security interest over any right of a Holder.

17 General

17.1 Voting

- (a) The Deed Poll contains provisions for convening meetings of the Holders to consider any matter affecting their interests including certain variations of these Terms which require the consent of the Holders.
- (b) A Holder has no right to attend or vote at any general meeting of the shareholders of the Issuer.

17.2 Alterations without consent

At any time and from time to time, but subject to compliance with the Corporations Act and all other applicable laws and clause 17.4, the Issuer may, without the consent of the Holders, alter these Terms or the Deed Poll if in the reasonable opinion of the Issuer such alteration is:

- (a) of a formal, technical or minor nature;
- (b) made to correct any manifest error;
- (c) made to cure any ambiguity or correct or supplement any defective or inconsistent provision and, in the reasonable opinion of the Issuer, is not materially prejudicial to the interests of the Holders as a whole;
- (d) necessary or expedient to comply with any law, the provisions of any statute or the requirements of any statutory authority;

- (e) expedient for the purpose of enabling the Capital Notes to be listed on a securities exchange 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;
- (f) necessary and appropriate to effect the substitution under clauses 18.1 and 18.2;
- (g) made to amend any date or time period stated, required or permitted in connection with any Conversion, Redemption or Resale (including, without limitation, when the proceeds of Redemption are to be reinvested in a new security by the Issuer or a member of the BOQ Group);
- (h) made to align the Terms with any Relevant Perpetual Subordinated Instrument issued after the Issue Date, or to amend the definition of Relevant Perpetual Subordinated Instruments on account of the issue after the Issue Date of capital instruments of any member of the BOQ Group; or
- (i) in any other case, not materially prejudicial to the interests of the Holders as a whole.

For the purposes of determining whether an alteration is not materially prejudicial to the interests of Holders as a whole, the taxation and regulatory capital consequences to a Holder (or any class of Holders) and other special consequences or circumstances which are personal to a Holder (or any class of Holders) do not need to be taken into account.

17.3 Alterations with consent

Without limiting clauses 17.2, 18.1 or 18.2 but subject to clause 17.4, the Issuer may alter these Terms with the approval of the Holders by Special Resolution.

17.4 APRA approval

No alteration to these Terms or the Deed Poll is permitted without APRA's prior written approval if such alteration would or may affect the eligibility of the Capital Notes as Additional Tier 1 Capital on a Level 1, Level 2 or (if applicable) Level 3 basis.

17.5 Interpretation

In this clause 17, “alter” includes modify, cancel, amend, waive or add to, and “alteration” has a corresponding meaning.

17.6 Notices

(a) Notices to Holders

All notices and other communications by the Issuer to a Holder must be in writing and sent by fax or prepaid post (airmail if appropriate) to or left at the address of the Holder (as shown in the Register at the close of business on the day which is three Business Days before the date of the notice or communication) or sent by email or electronic message to the electronic address (if any) nominated by that person and may also be given:

- (i) by an advertisement published in The Australian Financial Review, The Australian or any other newspaper of national circulation in Australia;
- (ii) where Capital Notes are lodged in the Austraclear System, by delivery to the Austraclear System for communication by the Austraclear System to the persons shown in its records as having interests therein.

(b) Delivery of certain notices

Notwithstanding clause 17.6(a), a notice under clause 3.6 of the Terms, a Non-

Conversion Notice, a Non-Viability Trigger Event Notice, Capital Trigger Event Notice, an Exchange Notice, a Deferred Conversion Notice, an Acquisition Event Notice, an Acquisition Conversion Notice, a Deferred Acquisition Conversion Notice, a notice under clause 8.3 of the Terms, an Adjustment Notice, a notice under clause 8.13(c) of the Terms, and a notice of change of Specified Office may each be given to Holders and the Registrar by the Issuer publishing the notice on the BOQ Group's website and announcing the publication of the notice on the ASX.

(c) **Notices**

All notices and other communications to the Issuer, the Registrar or any other person (other than Holders) must be in writing and may be sent by fax or electronic messages to the electronic address (if any) of the addressee or by prepaid post (airmail if appropriate) to or may be left at the Specified Office of the Issuer, the Registrar or such other person.

(d) **When effective**

Notices and other communications the subject of this clause 17.6 take effect from the time they are taken to be received unless a later time is specified in them. Nothing in this clause 17.6 affects the operation of clause 8.13.

(e) **Receipt – publication in newspaper or via Austraclear System**

If published in a newspaper, a notice or other communication is taken to be received on the first date that publication has been made in all the required newspapers or, where Capital Notes are lodged in the Austraclear System, on the fourth Business Day after delivery to the Austraclear System.

(f) **Deemed receipt – postal, fax or email**

(i) If sent by post, notices or other communications the subject of this clause 17.6 are taken to be received three days after posting (or seven days after posting if sent to or from a place outside Australia).

(ii) If sent by fax, notices or other communications the subject of this clause 17.6 are taken to be received at the time shown in the transmission report as the time that the whole fax was sent.

(iii) If sent by email, notices or other communications the subject of this clause 17.6 are taken to be received when:

(A) the sender receives an automated message confirming delivery; or

(B) four hours after the time sent (as recorded on the device from which the sender sent the email), provided that the sender does not receive an automated message within those four hours that the email has not been delivered.

(g) **Deemed receipt - general**

Despite clause 17.6(f), if notices or other communications the subject of this clause 17.6 are received after 5.00 pm in the place of receipt or on a non-Business Day, they are taken to be received at 9.00 am on the next Business Day in the place of receipt.

17.7 Further issues

(a) The Issuer may from time to time, without the consent of any Holder, issue any securities ranking equally with the Capital Notes (on the same terms or otherwise) or

ranking in priority or junior to the Capital Notes, or incur or guarantee any indebtedness upon such terms as it may think fit in its sole discretion.

- (b) Nothing in these Terms prevents the Issuer from issuing securities of any kind or, except as provided in clause 3.7, redeeming, buying back, returning capital on or converting any securities, other than the Capital Notes.

17.8 Purchase by agreement

Subject to APRA's prior written approval, the Issuer or any member of the BOQ Group may purchase Capital Notes at any time and at any price. Any Capital Note purchased by or on behalf of the Issuer shall be cancelled.

17.9 Governing law

These Terms and the Capital Notes are governed by the laws in force in Queensland.

17.10 Rounding

For the purposes of any calculations required under these Terms:

- (a) all percentages resulting from the calculations must be rounded, if necessary, to the nearest ten-thousandth of a percentage point (with 0.00005% being rounded up to 0.0001%);
- (b) all figures must be rounded to four decimal places (with 0.00005 being rounded up to 0.0001); and
- (c) all amounts that are due and payable must be rounded to the nearest one Australian cent (with 0.5 of a cent being rounded up to 1 cent).

18 Approved NOHC and Replacement

18.1 Amendment without consent for Approved NOHC

If:

- (a) it is proposed that the Issuer be replaced as the ultimate holding company of the BOQ 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 Issuer would have otherwise been obliged to deliver Ordinary Shares on a Conversion, subject to the same terms and conditions of these Terms as amended by this clause 18.1;
 - (ii) to comply with the restriction in clause 3.7 (with all appropriate modifications) of these Terms; 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 (with all necessary modifications) on the stock exchanges on which the other Approved NOHC Shares are quoted at the time of a Conversion,

the Issuer 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 which will be made in accordance with this clause 18.1 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.

18.2 Effect of Approved Replacement Notice

If the Issuer gives an Approved Replacement Notice to Holders in accordance with clause 18.1, 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 such that, with APRA's prior written approval, on the date on which the Capital Notes are to be Converted:
 - (A) each Capital Note that is being Converted will be automatically transferred by each Holder free from Encumbrances to the Approved NOHC (or another member of the BOQ Group) (the **Transferee**) on the date the Conversion is to occur;
 - (B) each Holder (or in the circumstances contemplated in clause 8.11, the Nominee) will be issued a number of Approved NOHC Shares equal to the Conversion Number; and
 - (C) as between the Issuer and the Transferee:
 - (aa) each Capital Note held by the Transferee as a result of the transfer will be automatically Converted into an Ordinary Share; and
 - (ab) 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 (aa) and (ab) 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 Issuer's reasonable opinion are necessary and appropriate to effect the substitution of an Approved NOHC as the provider of the ordinary shares on Conversion in the manner contemplated by these Terms, including without limitation:
 - (A) amendments and additions to the definitions of "Acquisition", "BOQ Group", "Capital Trigger Event", "Franking Rate", "Non-Viability Trigger Event", "Regulatory Event" and "Tax Event";
 - (B) amendments to the mechanics for adjusting the Conversion Number; and
 - (C) any term defining the rights of Holders if the Conversion is not effected which is appropriate for the Capital Notes to remain as Tier 1 Capital.

18.3 General provisions

- (a) Where an amendment under clauses 18.1 and 18.2 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 Issuer as its attorney as contemplated under clause 11.1 to do all things necessary or desirable to give effect to clauses 18.1 and 18.2.

- (b) Nothing in clause 18.1 and 18.2 prevents the Issuer from proposing, or limits, any scheme of arrangement or other similar proposal that may be put to Holders or other members of the Issuer.

19 Interpretation and definitions

19.1 Interpretation

In these Terms, except where the context otherwise requires:

- (a) the singular includes the plural and vice versa, and a gender includes other genders;
- (b) another grammatical form of a defined word or expression has a corresponding meaning;
- (c) a reference to a document includes all schedules or annexes to it;
- (d) a reference to a clause or paragraph is to a clause or paragraph of these Terms;
- (e) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- (f) a reference to “**Australia**” includes any political sub-division or territory in the Commonwealth of Australia;
- (g) a reference to “**Australian dollars**”, “**A\$**” or “**Australian cent**” is a reference to the lawful currency of Australia;
- (h) a reference to time is to Sydney, Australia time;
- (i) other than:
 - (i) in relation to a Non-Viability Trigger Event, Capital Trigger Event and a Conversion or Write-off, in each case on account of a Non-Viability Trigger Event or Capital Trigger Event; and
 - (ii) where a contrary intention is expressed,if an event under these Terms must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day;
- (j) a reference to a person includes a reference to the person’s executors, administrators, successors and permitted assigns and substitutes;
- (k) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- (l) a reference to a statute, ordinance, code, rule, directive or law (however described) includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (m) the meaning of general words is not limited by specific examples introduced by “including”, “for example” or similar expressions;

- (n) any agreement, representation or warranty by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;
- (o) headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of these Terms;
- (p) if the principal securities exchange on which Ordinary Shares are listed becomes 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, the operating rules of ASTC or any term defined in any such rules, shall be read as a reference to the corresponding rules of that exchange or corresponding defined terms in such rules (as the case may be);
- (q) any provisions which refer to the requirements of APRA or any other prudential regulatory requirements will apply to the Issuer only if the Issuer is an entity subject to regulation and supervision by APRA at the relevant time;
- (r) a reference to any term defined by APRA (including "Additional Tier 1 Capital", "Common Equity Tier 1 Capital", "Level 1", "Level 2", "Level 3", "Tier 1 Capital" and "Related Entity") shall, if that term is replaced or superseded in any of APRA's applicable prudential regulatory requirements or standards, be taken to be a reference to the replacement or equivalent term;
- (s) any provisions which require APRA's consent or approval (written or otherwise) will apply only if APRA requires that such consent or approval be given at the relevant time; and
- (t) any provisions in these Terms requiring the prior approval of APRA for a particular course of action to be taken by the Issuer do not imply that APRA has given its consent or approval to the particular action as of the Issue Date or that it will at any time give its consent or approval to the particular action.

19.2 Definitions

In these Terms, these meanings apply unless the contrary intention appears:

Acquisition Conversion Date has the meaning given in clause 7.3.

Acquisition Conversion Notice has the meaning given in clause 7.2.

Acquisition Event means:

- (a) either:
 - (i) 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
 - (ii) 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 Ordinary Shares that will be on issue after the scheme is implemented,
- (b) and all regulatory approvals necessary for the acquisition to occur have been obtained.

Notwithstanding the foregoing, the replacement or proposed replacement of the Issuer as the ultimate holding company of the BOQ Group at the initiation of the Directors 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 as contemplated in clauses 18.1 and 18.2;
- (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 Issuer and the events described in paragraphs (c) to (e) would not, in the reasonable opinion of the Issuer, otherwise adversely affect the interests of Holders.

Acquisition Event Notice has the meaning given in clause 7.1.

Additional Tier 1 Capital means additional tier 1 capital as defined by APRA from time to time.

Adjustment Notice has the meaning given in clause 8.8.

APRA means the Australian Prudential Regulation Authority or any successor body responsible for prudential regulation.

Approved NOHC means a holding company that, at the initiation of the Directors, replaces, or is proposed to replace, the Issuer as the ultimate holding company of the BOQ 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 18.1.

Approved Replacement Terms has the meaning given in clause 18.1.

ASTC means the ASX Settlement Pty Limited (ABN 49 008 504 532).

ASX means ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires.

ASX Listing Rules means the listing rules of ASX.

ASX Operating Rules means the market operating rules of ASX as amended, varied or waived (whether in respect of the Issuer or generally) from time to time.

Attorney has the meaning given in clause 11.1.

Austraclear means Austraclear Limited (ABN 94 002 060 773).

Austraclear Participant means a Participant as defined in the Austraclear Regulations.

Austraclear Regulations means the regulations known as the 'Austraclear Regulations' established by Austraclear (as amended from time to time) to govern the use of the Austraclear System.

Austraclear Services Limited means Austraclear Services Limited (ABN 28 003 284 419).

Austraclear System means the system operated by Austraclear for holding securities and the electronic recording and settling of transactions in those securities between participants of that system.

Bank of Queensland Shares means Ordinary Shares or any other shares in the capital of the Issuer.

Banking Act means the Banking Act 1959 (Cth).

BOQ CPS means convertible preference shares, being fully paid preference shares issued by the Issuer on 24 December 2012.

BOQ Group means the Issuer and its Controlled Entities.

BOQ Level 1 Group means the Issuer and those of its controlled entities included by APRA from time to time in the calculation of the Issuer's capital ratios on a Level 1 basis.

BOQ Level 2 Group means the Issuer together with each Related Entity included by APRA from time to time in the calculation of the Issuer's capital ratios on a Level 2 basis.

Business Day means:

- (a) a day which is a business day within the meaning of the ASX Listing Rules; and
- (b) for the purposes of calculation or payment of Distributions or any other amount, a day on which banks are open for business in Sydney, New South Wales and Brisbane, Queensland.

Buy Back means a transaction involving the acquisition by the Issuer of Ordinary Shares pursuant to an offer made at the Issuer's discretion in any way permitted by the provisions of Part 2J of the Corporations Act.

Calculation Agent means:

- (a) for the purposes of clause 3, Austraclear Services Limited; and
- (b) for the purposes of clause 8, the Issuer,

or, in each case, such other person as the Issuer may from time to time appoint to act as calculation agent for the purposes of a provision of these Terms.

Capital Trigger Conversion means the Conversion of Capital Notes to Ordinary Shares on the Capital Trigger Conversion Date in accordance with clause 5.2.

Capital Trigger Conversion Date has the meaning given in clause 5.2.

Capital Trigger Event has the meaning given in clause 5.1.

Capital Trigger Event Notice has the meaning given in clause 5.2.

Capital Reduction means a reduction in capital initiated by the Issuer in its discretion in respect of Ordinary Shares in any way permitted by the provisions of Part 2J of the Corporations Act.

CHES means the Clearing House Electronic Sub-register System operated by ASTC or any other applicable securities trading and/or clearing system on which Capital Notes are lodged and traded.

Common Equity Tier 1 Capital Ratio means:

- (a) in respect of the BOQ Level 1 Group, the ratio of Common Equity Tier 1 Capital to risk weighted assets of the BOQ Level 1 Group; and
- (b) in respect of the BOQ Level 2 Group, the ratio of Common Equity Tier 1 Capital to risk weighted assets of the BOQ Level 2 Group,

in each case as prescribed by APRA from time to time.

Control has the meaning given in the Corporations Act.

Controlled Entity means, in respect of the Issuer, an entity the Issuer Controls.

Conversion means, in relation to a Capital Note, to convert the Capital Note into a number of Ordinary Shares in accordance with and subject to clause 8 as it may be amended. “**Convert**”, “**Converting**” and “**Converted**” have corresponding meanings.

Conversion Number has the meaning given in clause 8.1.

Corporations Act means the Corporations Act 2001 (Cth).

Cum Value has the meaning given in clause 8.2(a).

Deed Poll means the Bank of Queensland Capital Notes Deed Poll dated 15 May 2015.

Defaulting Nominated Purchaser has the meaning given in clause 10.6.

Deferred Acquisition Conversion Notice has the meaning given in clause 7.5.

Deferred Conversion Date has the meaning given in clause 6.6.

Deferred Conversion Notice has the meaning given in clause 6.6.

Delisting Event means, in respect of a date, that:

- (a) the Issuer has ceased to be listed or Ordinary Shares have ceased to be quoted on ASX on or before that date (and where the cessation occurred before that date, the Issuer or the Ordinary Shares continue not to be listed or quoted (as applicable) 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 prior to that date; and
 - (ii) that date; or
- (c) an Inability Event subsists preventing the Issuer from Converting Capital Notes of Holders generally.

Directors means some of all of the directors of the Issuer acting as a board.

Distribution has the meaning given in clause 3.1.

Distribution Payment Date has the meaning given in clause 3.4.

Distribution Period means in respect of:

- (a) the first Distribution Period, the period from (and including) the Issue Date until (but not including) the first Distribution Payment Date after the Issue Date; and

- (b) each subsequent Distribution Period, the period from (and including) the preceding Distribution Payment Date until (but not including) the next Distribution Payment Date.

Distribution Rate has the meaning given in clause 3.1.

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.

Equal Ranking Instruments means, in respect of the payment of distributions or the return of capital in a winding-up:

- (a) BOQ CPS; and
- (b) any securities or other instruments that rank or are expressed to rank in respect of distributions or for the return of capital in a winding-up (as the case may be) equally with the BOQ CPS and the Capital Notes.

Exchange means:

- (a) Conversion in accordance with and subject to clause 8;
- (b) Redemption in accordance with and subject to clause 9;
- (c) Resale in accordance with clause 10; or
- (d) a combination of two or more of Conversion, Redemption or Resale in accordance with clause 6.3(b),

and **Exchanged** has a corresponding meaning.

Exchange Date has the meaning given in clause 6.2(b).

Exchange Method has the meaning given in clause 6.3.

Exchange Notice has the meaning given in clause 6.1.

External Administrator means, in respect of a person:

- (a) a liquidator, a provisional liquidator, an administrator or a statutory manager of that person; or
- (b) a receiver, or a receiver and manager, in respect of all or substantially all of the assets and undertakings of that person,

or in either case any similar official.

Face Value means the principal amount of a Capital Note, being A\$10,000.

FATCA means the *Foreign Account Tax Compliance Act* provisions, sections 1471 through 1474 of the United States Internal Revenue Code (including any regulations or official interpretations issued, agreements entered into or non-US laws enacted with respect to those provisions).

First Mandatory Conversion Condition has the meaning given in clause 4.3.

First Optional Conversion Restriction has the meaning given in clause 6.5.

First Test Date has the meaning given in clause 4.3.

Foreign Holder has the meaning given in clause 8.11.

Franking Adjustment Factor has the meaning given in clause 3.1.

Franking Rate (expressed as a decimal) means the franking percentage (within the meaning of Part 3-6 of the Tax Legislation or any provisions that revise or replace that Part) applicable to the franking account of the Issuer at the relevant Distribution Payment Date.

Holder means, in respect of a Capital Note:

- (a) for the purposes of determining the person entitled to be treated as the holder of Ordinary Shares or to be allotted and issued Ordinary Shares under these Terms and purposes incidental thereto (including, without limitation, for the purposes of clauses 5.2(e), 8.1, 8.10, 8.11 and 11.2), or where Ordinary Shares are to be issued to the Nominee, the Proceeds of sale of Ordinary Shares and the amount of their entitlements, for so long as a Capital Note is held in the Austraclear System and Ordinary Shares are not able to be lodged in the Austraclear System, a person who is the relevant Austraclear Participant; and
- (b) for all other purposes, the person whose name is entered on the Register as the holder of that Capital Note.

Holder Details Notice means a notice in the form available from the Registrar from time to time.

Inability Event means the Issuer is prevented by applicable law, or order of any court, or action of any government authority (including regarding the insolvency, winding-up or other external administration of the Issuer), or for any other reason, from Converting the Capital Notes.

Information Memorandum means the Information Memorandum dated 26 May 2015 relating to the offering and issuance of the Capital Notes.

Issue Date means the date on which the issue of Capital Notes to successful applicants is completed, in accordance with these Terms.

Issue Date VWAP means the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Issue Date, as adjusted in accordance with clauses 8.4 to 8.7 (inclusive).

Issuer means Bank of Queensland Limited (ABN 32 009 656 740).

Level 1, Level 2 and Level 3 mean those terms as defined by APRA from time to time.

Life Insurance Act means the Life Insurance Act 1995 (Cth).

Mandatory Conversion means the mandatory conversion of Capital Notes to Ordinary Shares on the Mandatory Conversion Date in accordance with clause 4.

Mandatory Conversion Conditions has the meaning given in clause 4.3.

Mandatory Conversion Date has the meaning given in clause 4.2.

Margin has the meaning given in clause 3.1.

Maximum Conversion Number has the meaning given in clause 8.1.

Meetings Provisions means the provisions for meetings of, and passing of resolutions by, the Holders set out in schedule 1 to the Deed Poll.

Nominated Purchasers means, subject to clause 10.3, one or more third parties selected by the Issuer in its absolute discretion.

Nominee has the meaning given in clause 8.11(d).

Non-Conversion Notice has the meaning given in clause 4.4.

Non-Conversion Test Date has the meaning given in clause 6.5.

Non-Viability Conversion means the Conversion of Capital Notes to Ordinary Shares on the Non-Viability Conversion Date in accordance with clause 5.

Non-Viability Conversion Date has the meaning given in clause 5.2.

Non-Viability Trigger Event has the meaning given in clause 5.1.

Non-Viability Trigger Event Notice has the meaning given in clause 5.2.

Optional Conversion Restrictions has the meaning given in clause 6.5.

Optional Exchange Date means 26 May 2020.

Ordinary Share means a fully paid ordinary share in the capital of the Issuer.

Ordinary Share Dividend means any interim, final or special dividend payable in accordance with the Corporations Act and the Issuer's constitution in relation to Ordinary Shares.

Payment Condition means, with respect to the payment of a Distribution on the Capital Notes on a Distribution Payment Date:

- (a) payment of the Distribution would result in the Issuer (on a Level 1 basis) or the BOQ Group (on a Level 2 or, if applicable, Level 3 basis) breaching APRA's then current capital adequacy requirements;
- (b) the payment would result in the Issuer becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or
- (c) APRA objecting to the payment.

Potential Acquisition Event means:

- (a) an event within paragraph (a) 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 Issuer as the ultimate holding company of the BOQ Group shall not constitute a Potential Acquisition Event if the proposed replacement is an Approved NOHC.

Preference Share means a notional preference share in the capital of the Issuer conferring a claim in the winding-up of the Issuer equal to the Face Value and ranking in respect of return

of capital in the winding-up ahead only of Ordinary Shares and equally with each of the preference shares which is an Equal Ranking Instrument in respect of payment on a winding-up.

Proceeds means the net proceeds of a sale of Ordinary Shares attributable to the Holder actually received by the nominee calculated after deduction of any applicable brokerage, stamp duty and other taxes and charges (including the nominee's reasonable out of pocket costs, expenses and charges properly incurred by it or on its behalf in connection with such sale) from the sale price of the Ordinary Shares.

Reclassification has the meaning given in clause 8.3(a).

Record Date means, for payment of a Distribution, the date which is eight calendar days before the Distribution Payment Date for that Distribution.

Redemption means the redemption of a Capital Note in accordance with clause 9 and the words **Redeem** and **Redeemed** have corresponding meanings.

Register means the register, including any branch register, of Holders established and maintained by or on behalf of the Issuer under the Registry Agreement.

Registrar means Austraclear Services Limited or any other person appointed by the Issuer to maintain the Register and perform any payment and other duties as specified in that agreement.

Registry Agreement means the agreement entitled "ASX Austraclear Registry and IPA Services Agreement" dated 12 May 2015 between Bank of Queensland Limited and Austraclear Services Limited (ABN 28 003 284 419).

Registry Office means the office of the Registrar as specified in the Registry Agreement or such other office which is notified by the Issuer to Holders from time to time.

Regulatory Event means:

(a) the receipt by the Directors of an opinion from a reputable legal counsel that, as a result of any amendment to, clarification of or change (including any announcement of a change that will be introduced) in any law or regulation applicable in the Commonwealth of Australia or any State or Territory of Australia or any directive, order, standard, requirement, guideline or statement of APRA (whether or not having the force of law), which applies to the Issuer (a **Regulation**) or any official administrative pronouncement or action or judicial decision interpreting or applying such Regulation, which amendment, clarification or change is effective, or pronouncement, action or decision is announced, on or after the Issue Date (and which the Issuer does not expect, as at the Issue Date, may come into effect) (a **Change in Law**):

(i) additional requirements would be imposed on the Issuer in relation to or in connection with Capital Notes; or

(ii) there would be a negative impact on the Issuer which is prejudicial to the interests of the Issuer,

which were not expected by the Issuer before the Issue Date and which the Directors determine, in their absolute discretion, to be unacceptable; or

(b) following a notification from, or announcement or determination by, APRA, the Directors determine in their absolute discretion that APRA objects, or will object, to the BOQ Group treating, or having treated, some or all of the Capital Notes as Additional Tier 1 Capital on a Level 1, Level 2 or (if applicable) Level 3 basis (except where the reason the Issuer is not entitled to treat all Capital Notes as Additional Tier 1 Capital is

because the Issuer has exceeded a limit or other restriction on the recognition of Additional Tier 1 Capital which was in effect on the Issue Date or which on the Issue Date is expected by the Issuer to come into effect).

Related Entity has the meaning given to it by APRA from time to time in Prudential Standard APS 111 (or any successor to that prudential standard).

Relevant Date has the meaning given in clause 4.2.

Relevant Distribution Payment Date has the meaning given in clause 3.7.

Relevant Number has the meaning given in clause 8.1.

Relevant Perpetual Subordinated Instrument means, where a Capital Trigger Event or Non-Viability Trigger Event occurs, a Tier 1 Capital instrument (whether in the form of a note, preference share or other security or obligation) of the Issuer (on a Level 1 or Level 2 basis) (including the Capital Notes) that, in accordance with its terms or by operation of law, is capable of being converted into Ordinary Shares or written-off where that event occurs.

Replacement has the meaning given in clause 18.1.

Resale means the sale of a Capital Note to a Nominated Purchaser in accordance with clause 10, and **Resold** and **Resell** have corresponding meanings.

Resale Price means, for a Capital Note, a cash amount equal to its Face Value.

Scheduled Mandatory Conversion Date has the meaning given in clause 4.2.

Second Mandatory Conversion Condition has the meaning given in clause 4.3.

Second Optional Conversion Restriction has the meaning given in clause 6.5.

Second Test Period has the meaning given in clause 4.3.

Senior Ranking Creditors means all creditors of the Issuer (present and future), including all depositors, whose claims are:

- (a) entitled to be admitted in a winding-up of the Issuer; and
- (b) not in respect of an Equal Ranking Instrument; and
- (c) not expressed to rank subordinate to the claims of a Holder.

Special Resolution means:

- (a) a resolution passed at a meeting of the Holders duly called and held under the Meetings Provisions:
 - (i) by at least 75% of the persons voting on a show of hands (unless paragraph (ii) below applies); or
 - (ii) if a poll is duly demanded, then by a majority consisting of at least 75% of the votes cast; or
- (b) a resolution passed by written resolution under the Meetings Provisions by Holders representing (in aggregate) at least 75% of the aggregate Face Value of the outstanding Capital Notes.

Specified Office means the office specified in the Information Memorandum as the address of the relevant party or person or any other address notified to Holders from time to time.

Taxes means taxes, levies, imposts, charges and duties (including stamp and transaction duties) imposed by any authority together with any related interest, penalties, fines and expenses in connection with them, except if imposed on, or calculated having regard to, the net income of the Holder.

Tax Event means the receipt by the Directors of an opinion from a reputable legal counsel or other tax adviser in Australia, experienced in such matters to the effect that, as a result of:

- (a) any amendment to, clarification of, or change (including any announcement of a change that will be introduced), in the laws or treaties or any regulations of Australia or any political subdivision or taxing authority of Australia affecting taxation;
- (b) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) affecting taxation (**Administrative Action**); or
- (c) any amendment to, clarification of, or change in an Administrative Action that provides for a position that differs from the current generally accepted position,

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 pronouncement or decision is announced, on or after the Issue Date and which is not expected by the Issuer on the Issue Date, there is more than an insubstantial risk which the Directors determine (having received all approvals they consider in their absolute discretion to be necessary (including from APRA)) at their absolute discretion to be unacceptable that:

- (i) any Distribution would not be a frankable distribution within the meaning of Division 202 of the Tax Legislation; or
- (ii) the Issuer would be exposed to more than a de minimis adverse tax consequence or increase in its costs (including without limitation through the imposition of any taxes, duties, assessments or other charges) in relation to Capital Notes.

Tax Legislation means:

- (a) the Income Tax Assessment Act 1936 (Cth), the Income Tax Assessment Act 1997 (Cth) or the Taxation Administration Act 1953 (Cth) (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 1997);
- (b) any other law setting the rate of income tax payable; and
- (c) any regulation made under such laws.

Tax Rate (expressed as a decimal) means the Australian corporate tax rate applicable to the franking account of the Issuer at the relevant Distribution Payment Date.

Terms means these terms and conditions.

Third Mandatory Conversion Condition has the meaning given in clause 4.3.

Tier 1 Capital means tier 1 capital as defined by APRA from time to time.

Transferee has the meaning given in clause 18.2.

VWAP means the average of the daily volume weighted average sale prices (as such daily prices may be adjusted under clause 8 and such average being rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant day or days but does not include any "Crossing" transacted outside the "Open Session State" or any "Special Crossing" transacted at any time, each as defined in the ASX Operating Rules, or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

VWAP Period means:

- (a) in the case of a Conversion resulting from a Potential Acquisition Event or an Acquisition Event, the lesser of:
 - (i) 20 Business Days on which trading in Ordinary Shares takes place; and
 - (ii) the number of Business Days on which trading in Ordinary Shares takes place that the Ordinary Shares are quoted for trading on ASX after:
 - (A) in the case of a Potential Acquisition Event, the Issuer has given an Exchange Notice in respect of that Potential Acquisition Event; or
 - (B) in the case of an Acquisition Event, the Issuer has given an Acquisition Conversion Notice,

in each case immediately preceding (but not including) the Business Day before the Exchange Date or Acquisition Conversion Date in respect of that event (as the case may be);

- (b) in the case of a Conversion resulting from a Non-Viability Trigger Event or Capital Trigger Event, the period of five Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the date of the Non-Viability Trigger Event or Capital Trigger Event;
- (c) in the case of any other Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the date on which Conversion is to occur in accordance with these Terms; or
- (d) otherwise, the period for which VWAP is to be calculated in accordance with these Terms.

Winding-up Event has the meaning given in clause 16.1.

Written-Off has the meaning given in clause 8.13 and **Write-Off** has a corresponding meaning.

Subscription and Sale

Pursuant to the Dealer Agreement dated 13 May 2015 (“**Dealer Agreement**”), Capital Notes will be offered by the Issuer through the Joint Lead Managers. The Issuer will have the sole right to accept any such offers to purchase Capital Notes and may reject any such offer in whole or (subject to the terms of such offer) in part. A Joint Lead Manager will have the right to reject any offer to purchase Capital Notes made to it in whole or (subject to the terms of such offer) in part.

Each Joint Lead Manager has acknowledged that no action has been or will be taken in any jurisdiction which would permit a public offering of Capital Notes, or possession or distribution of any offering material in relation to Capital Notes, in any jurisdiction where action for that purpose is required.

Each Joint Lead Manager will be required to agree that it will observe all laws and regulations relevant to it in any jurisdiction to which it is subject, for the purchaser, subscription, offer or sale or delivery of Capital Notes and that it will not directly or indirectly offer, sell, resell, re-offer or deliver Capital Notes in any country or jurisdiction except in accordance with the Dealer Agreement and the selling restrictions set out in this Information Memorandum and otherwise under circumstances that will result in compliance with all applicable laws and regulations of that country or jurisdiction.

1 General

No action has been taken in any jurisdiction that would permit a public offering of any of the Capital Notes, or possession or distribution of the Information Memorandum or any other offering material, in any country or jurisdiction where action for that purpose is required.

Persons into whose hands this Information Memorandum comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell, resell, reoffer or deliver Capital Notes or have in their possession or distribute or publish the Information Memorandum or other offering material and to obtain any authorisation, consent, approval or permission required by them for the purchase, offer, sale, reoffer, resale or delivery by them of any Capital Notes under the applicable law, directive or regulation in force in any jurisdiction to which they are subject or in which they make such purchases, offers, sales, reoffers, resales or deliveries, in all cases at their own expense, and neither the Issuer nor any Joint Lead Manager has responsibility for such matters. In accordance with the above, any Capital Notes purchased by any person which it wishes to offer for sale or resale may not be offered in any jurisdiction in circumstances which would result in the Issuer or any Joint Lead Manager being obliged to register any further prospectus or corresponding document relating to the Capital Notes in such jurisdiction.

In particular, there are restrictions on the distribution of this Information Memorandum and the offer or sale of Capital Notes in Australia, Hong Kong, Singapore and Japan as set out below.

2 Australia

No prospectus or other disclosure document (as defined in the Corporations Act) in relation to the issue and sale of Capital Notes has been, or will be, lodged with ASIC. Each Joint Lead Manager has agreed that it:

- (a) has not made or invited, and will not make or invite, an offer of the Capital Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published and will not distribute or publish, the Information Memorandum or any other offering material or advertisement relating to the Capital Notes in Australia,

unless:

- (i) the aggregate consideration payable by each offeree is a minimum of A\$500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation does not otherwise require disclosure to investors under Parts 6D.2 or 7.9 of the Corporations Act;
- (ii) the offer or invitation does not constitute an offer to a “**retail client**” as defined for the purposes of section 761G of the Corporations Act;
- (iii) such action complies with all applicable laws and directives (including, without limitation, the licensing requirements of Chapter 7 of the Corporations Act); and
- (iv) such action does not require any document to be lodged with ASIC.

3 Hong Kong

Each Joint Lead Manager has agreed that:

- (a) this document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, 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**”);
- (b) no action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it;
- (c) the Capital Notes have not been authorised by the Hong Kong Securities and Futures Commission;
- (d) accordingly, the Notes have not been and must not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO and any rules made under the SFO);

Each Joint Lead Manager has represented and agreed that:

- (a) it has not offered, sold, delivered or transferred, and will not offer, sell, deliver or transfer in Hong Kong Capital Notes, by means of any document, any Capital Notes other than to “professional investors” within the meaning of the SFO and any rules made under the SFO; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue, or have in its possession for the purpose of issue, (in each case, whether in Hong Kong or elsewhere) any advertisement, invitation or other offering material or other document relating to the Capital Notes, which 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 Capital Notes which are, or are intended to be, disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the SFO and any rules made under the SFO.

No person allotted Capital Notes 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 document 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.

4 Singapore

This Information Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore ("SFA").

Accordingly, each Joint Lead Manager has agreed that this Information Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Capital Notes, has not been and will not be circulated or distributed by it nor have the Capital Notes been, nor will Capital Notes be, offered or sold by it, or be made the subject of an invitation for subscription or purchase by it, whether directly or indirectly, to persons in Singapore other than pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA. The Joint Lead Managers have agreed that any such person in Singapore must be either:

- (a) an institutional investor (as defined in the SFA) under the SFA;
- (b) a relevant person (pursuant to Section 275(1) of the SFA) or to any other person pursuant to Section 275(1A) the SFA, and in accordance with the conditions specified in 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 Capital Notes or the underlying ordinary shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Capital Notes and the underlying ordinary shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

5 Japan

The Capital Notes and the underlying ordinary shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder) and, accordingly, each Joint Lead Manager has agreed, that it has not offered or sold, and will not offer or sell any Capital Notes, directly or indirectly in Japan or to, or for the account or benefit of, any Japanese Person other than Qualified Institutional Investors and that any Qualified Institutional Investor who acquires Notes or the underlying ordinary shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and that an acquisition by any such person of Capital Notes must be conditional upon the execution of an agreement to that effect. For the purposes of this paragraph, "**Japanese Person**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Regulation S; Category 2

Neither the Capital Notes nor the Ordinary Shares have been, nor will they be, registered under the U.S. Securities Act, the securities laws of any state of the United States or the securities laws of any other jurisdiction and the Capital Notes may not be offered, sold, pledged, delivered, transferred or otherwise disposed of, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in transactions not subject to, the registration requirements of the U.S. Securities Act. Terms used in the preceding sentence and the following two paragraphs, have the meaning given to them by Regulation S under the U.S. Securities Act.

Each Joint Lead Manager has represented and agreed that it has not entered and will not enter into any contractual arrangement with respect to the distribution or delivery of the Capital Notes, except with its affiliates or with the prior consent of the Issuer.

Each Joint Lead Manager has represented and agreed that it will not offer, sell or deliver any Capital Notes, (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date of the Capital Notes (**Distribution Compliance Period**), within the United States or to, or for the account or benefit of, U.S. persons. Each Joint Lead Manager has agreed that it will send to each further dealer to which it sells any Capital Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Capital Notes within the United States or to, or for the account or benefit of, U.S. persons. In addition, during the Distribution Compliance Period, an offer or sale of any Capital Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in reliance upon an applicable exemption from the registration requirements under the U.S. Securities Act.

Australian Taxation

The following is a summary of the Australian income tax, capital gains tax (**CGT**), goods and services tax (**GST**) and stamp duty implications for Australian tax residents, who hold their Capital Notes on capital account for tax purposes, who are not subject to the Taxation of Financial Arrangements (**TOFA**) rules, and who acquire Capital Notes through the initial subscription under this Information Memorandum (**Capital Notes Holder**).

The following is general in nature and should be treated with appropriate caution. The summary provides a general overview of the Australian tax consequences for prospective Capital Notes Holders. It is not exhaustive and, in particular, does not cover the tax consequences which may arise for Capital Notes Holders who intend to hold their Capital Notes as trading stock or revenue assets. This summary does not apply to non-residents for taxation purposes. Prospective Capital Notes Holders who are in any doubt as to their tax position should consult their professional advisers on the tax implications of an investment in the Capital Notes for their particular circumstances. This summary should not be read as constituting advice to any particular Capital Notes Holder.

1. Tax consequences for certain Capital Note Holders

1.1. Distributions on Capital Notes

The Capital Notes should be characterised as “equity interests” for income tax purposes.

Distributions on the Capital Notes are frankable distributions and may carry franking credits. Distributions are expected to be franked at the same rate as BOQ’s Ordinary Shares. The rate of franking depends on BOQ’s level of available franking credits. The previously announced proposal to reduce the corporate tax rate from 30% to 28.5% may impact on BOQ’s ability to frank Distributions. The terms of these proposed measures should be monitored.

Distributions should be treated as non-share dividends and not as interest income for income tax purposes. Accordingly, a Capital Note Holder should include Distributions paid in respect of the Capital Notes in their assessable income in the income year in which the Distribution is paid.

Provided the Capital Notes Holder is a “qualified person” (as discussed below), they must also include any franking credits attached to the Distributions in their assessable income and they will be entitled to obtain a tax offset equal to the total amount of franking credits attached to the Distribution.

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

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

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 Capital Notes Holder has materially diminished risks of loss or opportunities for gain in respect of the Capital Notes) in the period beginning on the 90th day before and ending on the 90th day after the day on which Capital Notes become ex-dividend.

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

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

We note for completeness that the Commissioner of Taxation may also apply anti-avoidance rules to deny the benefit of franking credits to Capital Notes Holders in limited circumstances.

1.2. Acquisition date and cost base for CGT

Each Capital Note will be taken to have been acquired for CGT purposes on the date BOQ issues the Capital Notes.

The cost base (or reduced cost base) of each Capital Note will include \$10,000 (being the face value of each Capital Note). 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 Capital Notes. 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 Capital Notes.

1.3. Sale of Capital Notes

Capital Notes Holders selling their Capital Notes will make a capital gain if the sale proceeds exceed the cost base of the Capital Notes and will make a capital loss if the reduced cost base of the Capital Notes exceeds the sale proceeds. A capital gain (net of capital losses) will be included in the Capital Notes Holder's assessable income. A capital loss may be applied against the Capital Notes Holder's other capital gains, or potentially carried forward for future years.

Where the Capital Notes have been held for at least 12 months prior to the sale (excluding the days of acquisition and disposal) and the Capital Notes 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 not entitled to the CGT discount.

1.4. Redemption of Capital Notes

A Redemption of the Capital Notes should constitute a disposal of the Capital Notes for CGT purposes. Capital Note Holders should refer to the consequences as set out in section 1.3 above in relation to the CGT consequences on a sale of Capital Notes.

1.5. Resale of Notes

A Resale of the Capital Notes should constitute a disposal of Capital Notes for CGT purposes. Capital Note Holders should refer to the consequences as set out above in section 1.3 in relation to the CGT consequences on a sale of Capital Notes.

1.6. Conversion of Capital Notes into Ordinary Shares in BOQ

The Conversion of each Capital Note into Ordinary Shares will not result in a CGT event for CGT purposes which would give rise to a capital gain or loss at the time of Conversion.

The issue of Ordinary Shares to Capital Note Holders as part of the Conversion will not be assessable as either a dividend or as ordinary income in the hands of the Capital Notes Holders.

Each Ordinary Share received as a result of the Conversion will be taken to have been acquired for CGT purposes on the date of the Conversion (i.e. not on the date BOQ issues the Capital Notes). In order to be eligible for the CGT discount on the sale of the Ordinary Shares, Capital Note Holders will need to hold the Ordinary Shares for at least 12 months from the time of Conversion.

As a result of the Conversion, Capital Notes Holders will apportion the original cost base (or reduced cost base) of the Capital Notes across all of the Ordinary Shares held by the Capital Note Holder. 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.

1.7. Conversion of Capital Notes into Ordinary Shares in Approved NOHC

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

The Capital Notes Holders will not make a capital gain or loss as a result of the amendment to the Capital Notes Terms, provided the Capital Notes Holders do not receive any proceeds (or 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 Capital Note Holders due to the operation of special rules in the CGT provisions (i.e. where, on Conversion, the Capital Note 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 (i.e. not on the date BOQ issues the Capital Notes).

1.8. Write-off

Capital Notes may be written off (rather than converted) in certain circumstances following a Capital Trigger Event or a Non-Viability Trigger Event. A Write-off of the Capital Notes will result in Capital Notes Holders making a capital loss at the time of the Write-off on the basis that no capital proceeds will be provided to Capital Note Holders on a Write-off of their Capital Notes. As discussed above, capital losses may only be offset against capital gains (and not other income) of the same or later years of income.

2. ABN/TFN Withholding Tax

Capital Note Holders may choose to notify BOQ of their tax file number (**TFN**), Australian Business Number (ABN), or a relevant exemption from ABN/TFN withholding tax with respect to Distributions.

If BOQ does not receive such notification, withholding tax may be deducted from the cash amount of the unfranked part (if any) of the Distributions, at the current rate of 49%. This rate will apply temporarily in respect of Distributions made from 1 July 2014 until 30 June 2017 to take into account the Temporary Budget Repair Levy. A withholding rate of 47% is expected to then apply from 1 July 2017.

Capital Note Holders may be able to claim a tax credit or rebate in respect of any tax withheld on the Distributions in their income tax returns.

3. GST

Capital Notes Holders should not be liable for GST on the Acquisition, Sale, Redemption, Resale, Conversion, Disposal or Write-off of their Capital Notes.

Capital Notes Holders who are registered for GST may not be entitled to full input tax credits in respect of GST on costs associated with the aforementioned transactions involving Capital Notes.

4. Stamp Duty

Stamp duty should not be payable on the Acquisition, Disposal or Sale of Capital Notes by Capital Note Holders.

If the Capital Notes are Converted to Ordinary Shares in BOQ, Capital Note Holders should not have a liability for stamp duty provided BOQ is listed and all its shares quoted on the ASX at the time of the conversion.

Additional Information

Effect on the Issuer of the offer of the Capital Notes:

The net proceeds of the Capital Notes will be used for general corporate purposes. APRA has provided confirmation that Capital Notes, once issued, will qualify as Additional Tier 1 Capital for the purposes of the Issuer's regulatory capital requirements.

This will assist the Issuer to meet its regulatory capital requirements and maintain the diversity of its sources and types of capital funding.

The proceeds, less the costs of the issue, will be classified as debt in the financial reports of the Issuer. The issue of the Capital Notes will not have a material impact on the Issuer's financial position, affairs or creditworthiness.

Rights and liabilities attaching to the Capital Notes:

See "Summary" from page 11 of this Information Memorandum.

Effect on the Issuer of the issue of the Ordinary Shares when the Capital Notes are Converted:

The issuance of Ordinary Shares on Conversion of the Capital Notes will result in an increase in the Issuer's shareholders' equity.

The number of Ordinary Shares issued on Conversion is limited to the Maximum Conversion Number. Based on an Issue Date VWAP of \$13.1477, the Maximum Conversion Number for Conversion occurring on a Mandatory Conversion Date is 1,521.1786 Ordinary Shares per Capital Note. The Maximum Conversion Number for a Conversion on any other date is 3,802.9465 Ordinary Shares per Capital Note.

Rights and liabilities attaching to the Ordinary Shares:

The rights and liabilities attaching to the Ordinary Shares are set out in the constitution of the Issuer and are also regulated by the Corporations Act, ASX Listing Rules and the general law.

This section summarises the key rights attaching to the Ordinary Shares. It is not intended to be an exhaustive summary of the rights and obligations of holders of Ordinary Shares. Investors who wish to inspect the Issuer's constitution may do so in accordance with the instructions set out below.

Dividends

Holders of Ordinary Shares are entitled to receive such dividends on Ordinary Shares as may be determined by the directors of the Issuer in their discretion. A dividend is payable on an Ordinary Share according to the proportionate amount paid on the Ordinary Share.

Dividends must only be paid in accordance with applicable laws and the Issuer's constitution. Under the Corporations Act, as at the date of this Information Memorandum, the Issuer is restricted from paying dividends unless:

- the Issuer's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- the payment of the dividend is fair and reasonable to the Issuer's shareholders as a whole; and
- the payment of the dividend does not materially prejudice the Issuer's ability to pay its creditors.

The Issuer may also be restricted from paying dividends on Ordinary

Shares by prudential standards of APRA, or potentially in particular circumstances by the terms of certain of its regulatory capital instruments (like the Capital Notes).

Meetings and voting rights

Holders of Ordinary Shares are entitled to receive notice of, attend and vote at meetings of ordinary shareholders of the Issuer. Each holder of an Ordinary Share present at a meeting of ordinary shareholders (whether in person or by proxy or representative) is entitled to one vote on a show of hands or one vote for each fully paid up Ordinary Share held (or a fraction of one vote for each partly paid up Ordinary Share) on a poll.

Winding-up of the Issuer

Subject to the preferential entitlement (if any) of preference shareholders, on a winding-up of the Issuer, holders of Ordinary Shares are entitled to participate equally in the distribution of any surplus assets of the Issuer remaining after payment of its debts, subject to the Issuer's constitution and according to the proportionate amount paid on their Ordinary Shares.

Transfers

Transfers of Ordinary Shares are not effective until registered. Subject to the ASX Listing Rules, the Issuer may refuse to register a transfer of Ordinary Shares. However, the ASX Listing Rules substantially restrict when the Issuer may refuse to register a transfer.

Unless otherwise required by law, the Issuer is not required to recognise any interest in, or right in respect of, Ordinary Shares except an absolute right of legal ownership of the holder of Ordinary Shares registered as the holder of those Ordinary Shares, regardless of whether the Issuer has notice of the interest or right.

Issue of further Ordinary Shares

The directors control the issue of Ordinary Shares. Subject to the Corporations Act and any rights and restrictions attached to a class of shares or other securities, the directors of the Issuer may issue shares, options to acquire shares and other securities with rights of conversion to shares on any terms, to any person, at any time, and for any consideration, as the directors resolve.

Other information:

The Issuer 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. The Issuer must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about the Issuer that a reasonable person would expect to have a material effect on the price or value of its listed securities, including the Ordinary Shares.

Copies of documents lodged with ASIC can be obtained from, or inspected at, an ASIC office and the Issuer's ASX announcements may be viewed on www.asx.com.au.

Copies of the following documents are available at www.boq.com.au/shareholder and the Issuer will provide a copy of any of the following documents free of charge to any person who requests a copy:

- the Issuer's most recent half-yearly and annual financial reports;

- any continuous disclosure notices given by the Issuer after the lodgement of BOQ Group's half-yearly financial results for the six months ended 28 February 2015, but before the date of this notice,

in person from, or by request made in writing to, the Issuer at:

Address: Level 6, 100 Skyring Terrace, Brisbane QLD
4006

Attention: Investor Relations

E-mail: InvestorRelations@boq.com.au

A copy of the Issuer's constitution is available at www.boq.com.au/aboutus_corporate_governance.htm or by request as above.

Directory

ISSUER

Bank of Queensland Limited

Level 6
100 Skyring Terrace
Brisbane QLD 4006

SOLE ARRANGER

National Australia Bank Limited

Level 25, NAB House
255 George Street
Sydney NSW 2000

JOINT LEAD MANAGERS

National Australia Bank Limited

Level 25, NAB House
255 George Street
Sydney NSW 2000

Deutsche Bank AG, Sydney Branch

Level 16, Deutsche Bank Place
126 Phillip Street
Sydney NSW 2000

Westpac Banking Corporation

Level 2, Westpac Place
275 Kent Street
Sydney NSW 2000

REGISTRAR

Austraclear Services Limited

20 Bridge Street
Sydney NSW 2000

Telephone: + 61 2 8298 8476
Facsimile: + 61 2 9256 0456
Attention: Manager, Clearing and
Settlement Operations