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22 November 2017

Dear CPS Holder

BOQ announces Capital Notes Offer

Bank of Queensland Limited (**BOQ**) has today announced an offer of fully paid, unsecured, non-cumulative, perpetual, convertible notes (**Capital Notes**) to raise \$300 million with the ability to raise more or less (**Offer**). The Offer is being made under a prospectus lodged with ASIC and ASX on 22 November 2017 (**Prospectus**).

As part of the Offer, eligible holders of Convertible Preference Shares (**CPS**) can apply to have their CPS bought back by BOQ and have the proceeds applied to the acquisition of Capital Notes (**Reinvestment Offer**).

The purpose of this letter is to inform you, as a holder of CPS, of the Reinvestment Offer and to communicate how you can participate (if you are eligible). Participation in the Reinvestment Offer is voluntary.

Capitalised terms used in this letter have the meaning given to them in the Prospectus.

Are you eligible to participate in the Reinvestment Offer?

To participate in the Reinvestment Offer, you must be an Eligible CPS Holder. An Eligible CPS Holder is a person who:

- was a registered holder of CPS as at 7:00pm (Sydney time) on 17 November 2017;
- is shown on the CPS register as having an address in Australia; and
- is not in the US or acting as a nominee for, or for the account or benefit of, a US Person, or not otherwise prevented from receiving the invitation to participate in the Reinvestment Offer or receiving Capital Notes under the laws of any jurisdiction.

If you do not satisfy the criteria of an Eligible CPS Holder as outlined above, you may not participate in the Reinvestment Offer and will continue to hold your CPS (subject to the CPS Terms).

How does the Reinvestment Offer work?

If you are an Eligible CPS Holder, you may apply for some or all of your CPS to be bought back for \$100 each on 28 December 2017 and for the buy-back proceeds (i.e. \$100 per CPS) to be applied to the acquisition of Capital Notes under the Reinvestment Offer. If you elect to reinvest all of your CPS in Capital Notes under the Reinvestment Offer, you may also apply for additional Capital Notes – but you will have to make an application payment (of \$100 per Capital Note) for those additional Capital Notes.

If your Application under the Reinvestment Offer is successful, in addition to receiving Capital Notes, you will also receive a Pro-Rata Dividend for your Reinvestment CPS, subject to the payment tests in the CPS Terms. The Pro-Rata Dividend is a separate payment which does not form part of the buy-back proceeds and cannot be applied towards the application of Capital Notes.

The buy-back of CPS under the Reinvestment Offer is subject to approval by Ordinary Securityholders to be proposed at the BOQ Annual General Meeting on 30 November 2017. The Reinvestment Offer will not proceed unless this approval is obtained, in which case all Eligible CPS Holders will continue holding CPS, subject to the CPS Terms.

Refer to Sections 1.4 and 5 of the Prospectus for further information about the Reinvestment Offer.

Where to get more information?

Full details of this investment opportunity and the Capital Notes are set out in the Prospectus.

There are risks associated with investing in Capital Notes. You should read and consider the Prospectus and the Capital Note Terms in full before deciding whether to invest in Capital Notes. BOQ strongly recommends that investors obtain professional advice which takes into account their particular investment objectives and circumstances before deciding whether to invest in Capital Notes and/or participate in the Reinvestment Offer. Capital Notes are not guaranteed by, nor are they deposit liabilities of, BOQ.

How to participate

If you are an Eligible CPS Holder and would like to participate in the Reinvestment Offer, please follow these steps:

1. Obtain a copy of the Prospectus

- A copy of the Prospectus and a personalised Application Form will be sent to Eligible CPS Holders once the Reinvestment Offer opens (30 November 2017).
- You can also download the Prospectus from BOQ's website www.boq.com.au/capitalnotes.

2. Read the Prospectus in full

The Prospectus contains details of the Offer and the Reinvestment Offer, as well as the Capital Note Terms. You should read the Prospectus carefully (and seek professional advice) before deciding whether to participate in the Reinvestment Offer, as the Capital Notes are complex and involve more risks than simple debt or ordinary equity instruments.

In particular, Capital Notes and CPS have different rights, benefits and risks. A comparison of the key features is summarised in Section 5.5 of the Prospectus.

3. Decide whether to participate

Participation in the Reinvestment Offer is voluntary.

You may apply to participate in the Reinvestment Offer by submitting an application through a Syndicate Broker or the share registry once the Offer opens. More information about the options available to Eligible CPS Holders is outlined in Section 5.2 of the Prospectus, including how to apply for additional Capital Notes. Further details on how to apply to participate in the Reinvestment Offer are in Sections 5 and 6 of the Prospectus.

If you do not wish to participate in the Reinvestment Offer, your CPS will remain on issue in accordance with their terms. Under the CPS Terms, BOQ currently has an option to convert, redeem or transfer the CPS on 16 April 2018¹ and will consider converting, redeeming or transferring the outstanding CPS that are not reinvested in Capital Notes on that date, subject to various factors.

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

Key Dates for CPS Holders

CPS Record Date for determining Eligible CPS Holders for Reinvestment Offer (relevant CPS must also be held on the Reinvestment Date for the Reinvestment Offer)	7:00pm (Sydney time), 17 November 2017
Opening Date for the Reinvestment Offer	30 November 2017
Closing Date for the Reinvestment Offer (including the Broker Firm Offer in respect of Reinvestment CPS)	5:00pm (Sydney time), 15 December 2017
Record Date for Pro-Rata Dividend payment for Reinvestment CPS	7:00pm, (Sydney time) 19 December 2017
Number of Reinvestment CPS confirmed and announced	28 December 2017
Reinvestment Date	28 December 2017
Issue Date	28 December 2017
Payment date for Pro-Rata Dividend for Reinvestment CPS ²	28 December 2017

Dates may change

These dates are indicative only and are subject to change without notice. References to time are to Sydney time. BOQ, the Arranger and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice or accepting late Applications, whether generally or in particular cases, at their discretion. BOQ may withdraw the Offer at any time before Capital Notes are issued.

Important information

This letter does not constitute an offer of any securities (including Capital Notes or CPS) for sale or issue. No action has been taken to register or qualify Capital Notes or the Offer or to otherwise permit a public offering of Capital Notes outside Australia. In particular, this announcement does not constitute an offer of securities for sale in the United States. Neither the Capital Notes nor the Ordinary Shares have been or will be registered under the US Securities Act or the securities laws of any state of the United States, and they may not be offered or sold in the United States or to, or for the account or benefit of, a US Person.

Yours sincerely



Roger Davis
Chairman
Bank of Queensland Limited

² Payment of the Pro-Rata Dividend is subject to the payment tests in the CPS Terms.