

Capital Notes 2 Offer

26 October 2020

IMPORTANT NOTICE

Important Notice

This presentation (**Presentation**) has been prepared by Bank of Queensland Limited ABN 32 009 656 740 (**BOQ**). This Presentation has been prepared in relation to the proposed offer of Capital Notes 2 (the **Offer**). The Offer will be made pursuant to a prospectus prepared by BOQ that complies with Part 6D of the Corporations Act 2001 (Cth) (as modified by the ASIC Corporations (Regulatory Capital Securities) Instrument 2016/71) which was lodged with ASIC on 26 October 2020 (**Prospectus**). BOQ intends to lodge a replacement Prospectus which will include the Offer size and the Margin, on or around 3 November 2020. Goldman Sachs Australia Pty Ltd, is the arranger to the Offer. ANZ Securities Limited, Morgans Financial Limited and National Australia Bank Limited are the joint lead managers to the Offer (**Joint Lead Managers**). JBWere is the co-manager (**Co-Manager**).

Summary information

The information in this Presentation is not financial product advice and does not take into account your individual investment objectives, financial situation or needs. You should carefully consider the whole of the Prospectus in light of your particular investment needs, objectives and financial situation (including your taxation situation) and seek professional advice from your stockbroker, solicitor, accountant or other professional adviser before deciding whether to invest in Capital Notes 2. Any decision by a person to apply for Capital Notes 2 should be made on the basis of information contained in the Prospectus and an independent assessment as to whether to invest, and not in reliance on any information contained in this Presentation.

A copy of the Prospectus is available at www.boq.com.au/capitalnotes2. Applications for Capital Notes 2 under the Offer may only be made using an Application Form to be issued with, contained in, or accompanying the replacement Prospectus.

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

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

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

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Further, Capital Notes 2 may not be offered or sold, directly or indirectly, and neither this Presentation nor any other offering material may be distributed or published, in any jurisdiction except under circumstances that will result in compliance with any applicable law or regulations.

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

Capital Notes 2 have not been, and will not be, registered under the United States Securities Act of 1933 (**US Securities Act**) or the securities law of any state of the United States, and may not be offered or sold in the United States (**US**), except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws. This Presentation may not be distributed or released, in whole or in part, in the United States or to anyone acting as a nominee for a person in the United States.

All amounts are in Australian dollars unless otherwise indicated.

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

SECTION 1

Offer Summary

SECTION 2

About BOQ

SECTION 3

Key Features of Capital Notes 2

SECTION 4

Offer Process

Offer Summary

CAPITAL NOTES 2 OFFER

Issuer	<ul style="list-style-type: none"> > Bank of Queensland Limited (BOQ) <ul style="list-style-type: none"> – ASX100 index company – Strong balance sheet with the majority of loans under management secured by residential mortgages – Approximately \$3.1bn market capitalisation¹
Offer	> Fully paid, subordinated, perpetual, unsecured, non-cumulative, mandatorily convertible notes (Capital Notes 2)
Offer Size	> \$200 million, with the ability to raise more or less
Use of Proceeds	> Proceeds of Capital Notes 2 will be used for BOQ's general corporate and funding purposes
Ranking²	> In a winding-up of BOQ, Capital Notes 2 will rank ahead of Ordinary Shares, equally among themselves and other equally ranked instruments (including Capital Notes 1) and behind all senior creditors of BOQ
Term	<ul style="list-style-type: none"> > Perpetual (no fixed maturity date) unless Converted, Redeemed or Resold > Optional Conversion, Redemption or Resale (subject to APRA's prior written approval³, and provided certain conditions are satisfied) on 14 May 2027⁴ at BOQ's option, or following a Tax Event or a Regulatory Event and Optional Conversion following Potential Acquisition Event > Scheduled Mandatory Conversion into Ordinary Shares on 15 May 2029 if Mandatory Conversion Conditions are satisfied, unless Capital Notes 2 are Redeemed or Converted earlier > Acquisition Event results in Conversion of Capital Notes 2, if certain conditions are satisfied > Loss Absorption Event results in required Conversion of Capital Notes 2 into Ordinary Shares and, if not Converted, Written-Off
Distributions	<ul style="list-style-type: none"> > Floating rate, quarterly, discretionary, non-cumulative payments subject to no Payment Condition existing > Distributions are expected to be fully franked <ul style="list-style-type: none"> – If any Distribution payment is not fully franked, the Distribution will be increased to adjust for any unfranked component of the Distribution, based upon the applicable Franking Rate. > Margin is expected to be in the range of 3.80% to 4.00% per annum over the 3 month Bank Bill Swap Rate
Offer Structure	> Institutional Offer, Broker Firm Offer, Securityholder Offer
Arranger	> Goldman Sachs
Joint Lead Managers	> ANZ Securities, Morgans, National Australia Bank
Quotation	> BOQ will apply for Capital Notes 2 to be quoted on the ASX under ASX code "BOQPF"

(1) As at 23 October 2020.

(2) The ranking of Holders in a winding-up will be adversely affected if Conversion or Write Off occurs – refer to section 2.6 of the Prospectus.

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

(4) As 15 May 2027 is not a Business Day, this date has been brought forward to the preceding Business Day.

About BOQ

OUR DIFFERENTIATORS

- > Unique brands with proud history
- > Deeply anchored in local communities
- > Highly specialised bankers, within niche industry segments
- > Building an innovative digital offering and loyalty

OUR DISTINCTIVE BRANDS

Retail Banking



The digital bank of bigger possibilities

Business Banking



Specialised banking solutions that meet core business and personal needs

KEY STATISTICS FOR FY20

c.900k Customers	c.575k BOQ c.200k VMA	c.35k Specialist c.85k Finance
165 Branches ²	>2k Employees	\$82b Footings
74% Deposit-to-Loan Ratio	1.59%¹ Market share - Housing	1.75%¹ Market share - Business

(1) Internal BOQ Analysis and APRA monthly authorised deposit-taking institution statistics excluding International Institutional banks, August 2020.

(2) Total branches includes transaction and service centres.

FY20 RESULTS

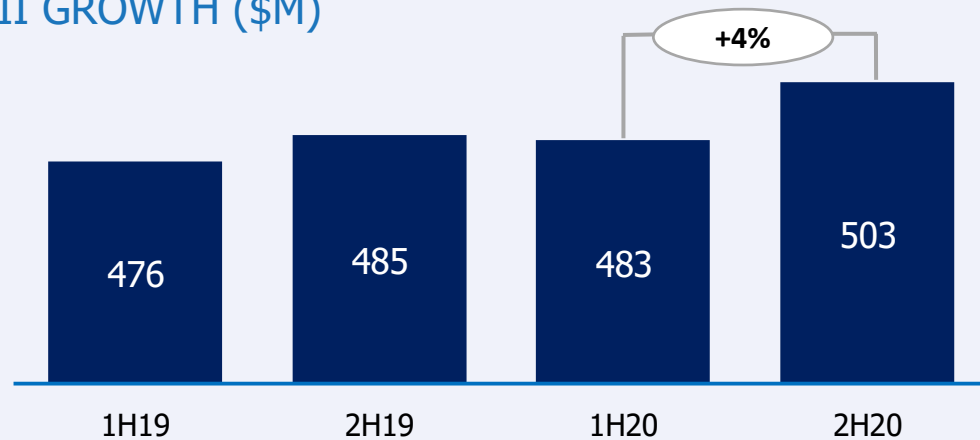
LOWER STATUTORY PROFIT IN A STRATEGIC TRANSITION YEAR, FURTHER IMPACTED BY COVID-19

Key financial results \$ million	FY20	FY19	FY20 v FY19
Statutory net profit after tax	115	298	(61%) ▼
Cash earnings after tax	225	320	(30%) ▼
Cash return on average equity	5.4%	8.3%	(290bps) ▼
Common Equity Tier 1 ratio	9.78%	9.04%	74bps ▲
Cash earnings per share	51.1c	79.5c	(36%) ▼
Dividend per share	12c	65c	(82%) ▼

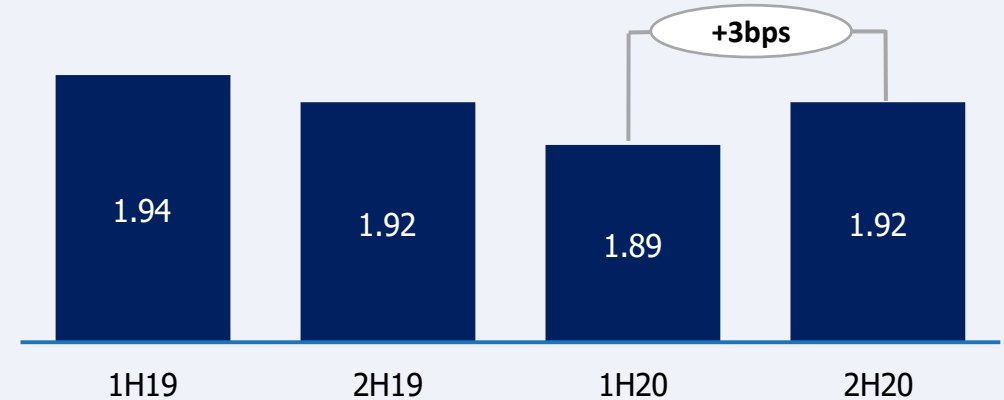
KEY ELEMENTS OF THE RESULT

LENDING MOMENTUM AND MARGIN MANAGEMENT DRIVING RESULT, IMPACTED BY COLLECTIVE PROVISION OVERLAY FOR COVID-19

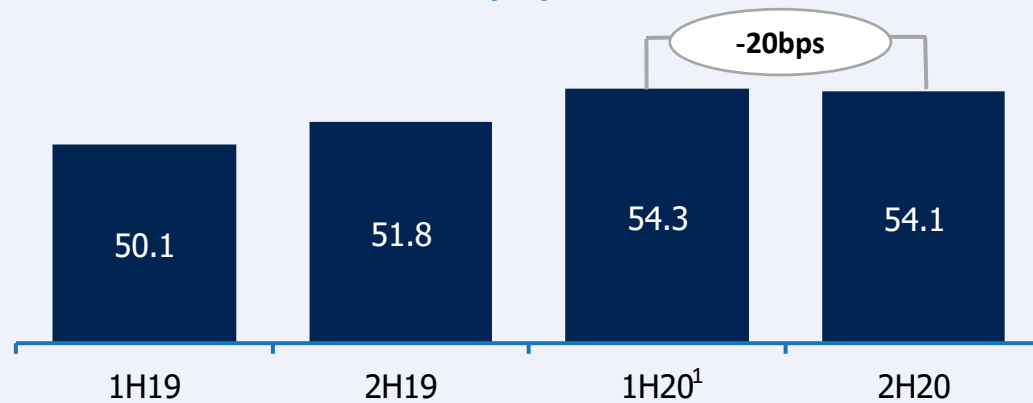
NII GROWTH (\$M)



NET INTEREST MARGIN (%)

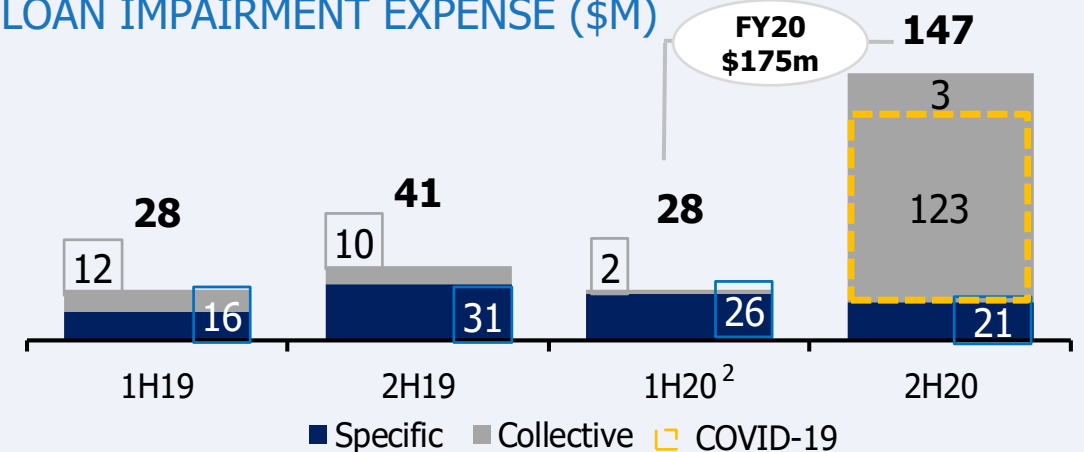


COST TO INCOME RATIO (%)



(1) Increase in costs driven by regulation and strategic investment as guided to the market.

LOAN IMPAIRMENT EXPENSE (\$M)

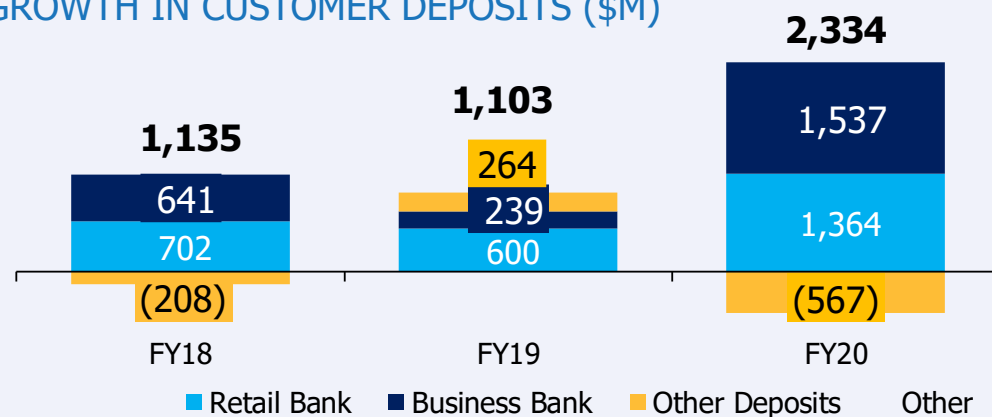


(2) 1H20 includes a \$10m collective provision overlay in respect of COVID-19.

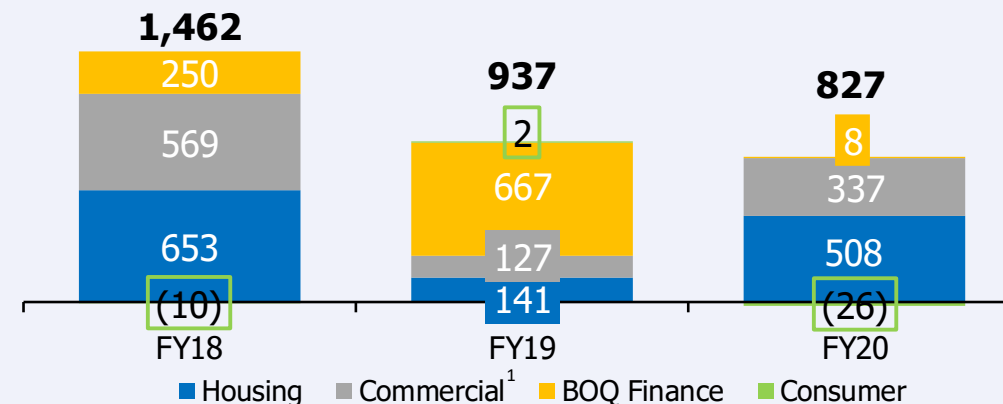
LENDING AND DEPOSIT GROWTH

NICHE SEGMENT STRATEGY DELIVERING GROWTH

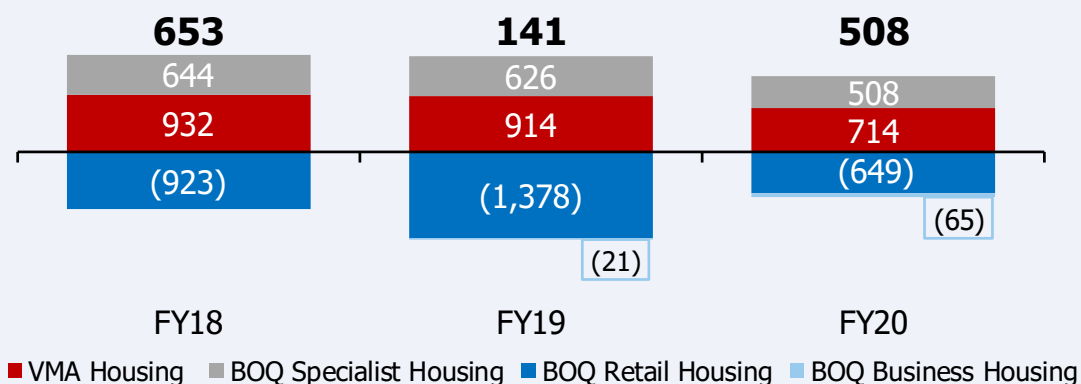
GROWTH IN CUSTOMER DEPOSITS (\$M)



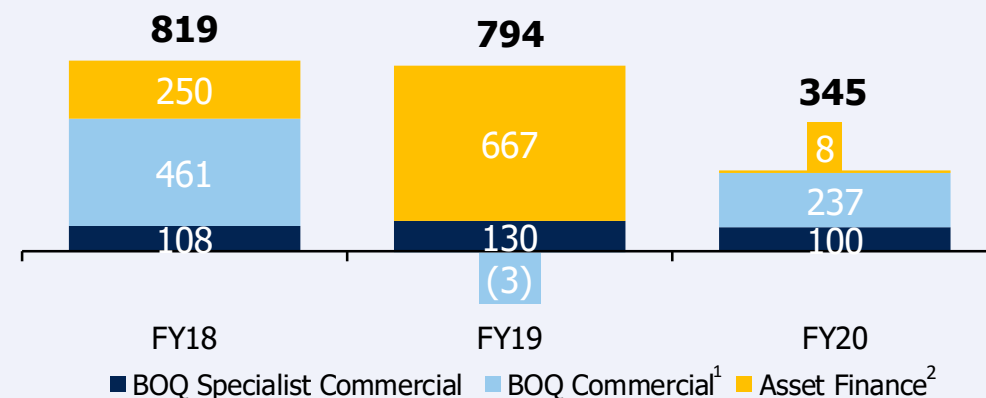
GROWTH IN LENDING (\$M)



GROWTH IN HOUSING GLA (\$M)



BALANCED GROWTH ACROSS BUSINESS BANKING GLA (\$M)



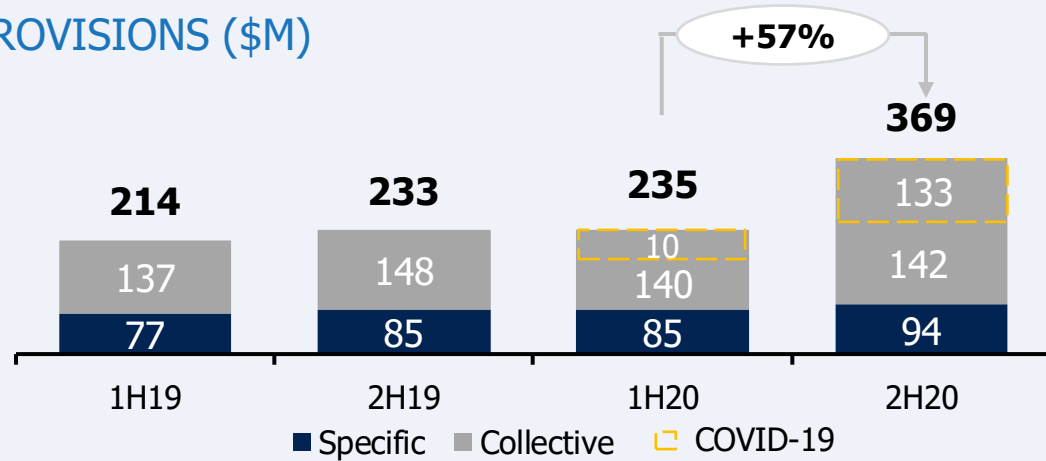
(1) Includes Commercial, Agribusiness and SME lending.

(2) The reduction in Asset Finance growth reflects a strategic decision to focus on risk/ return in a declining market.

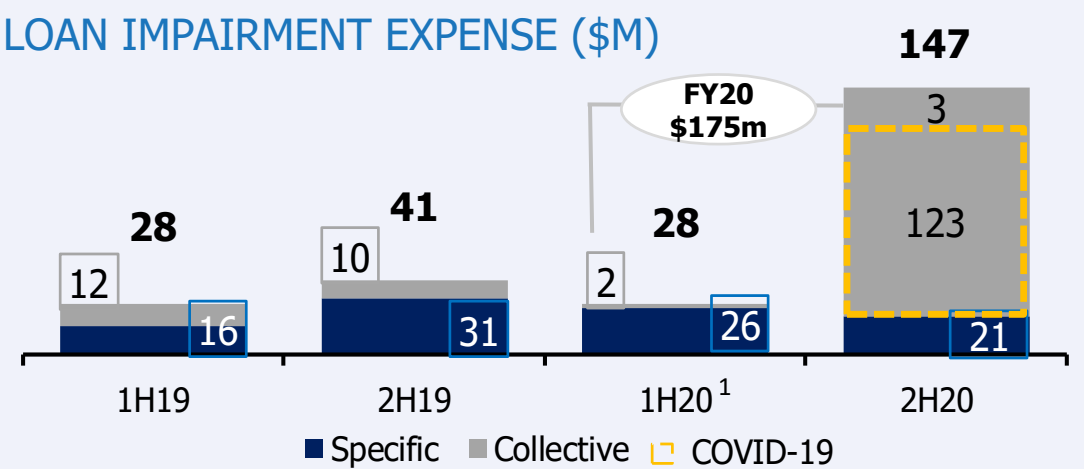
PORTFOLIO AND LOAN IMPAIRMENT EXPENSE

PRUDENT PROVISIONING LEVELS GIVEN ONGOING UNCERTAINTY

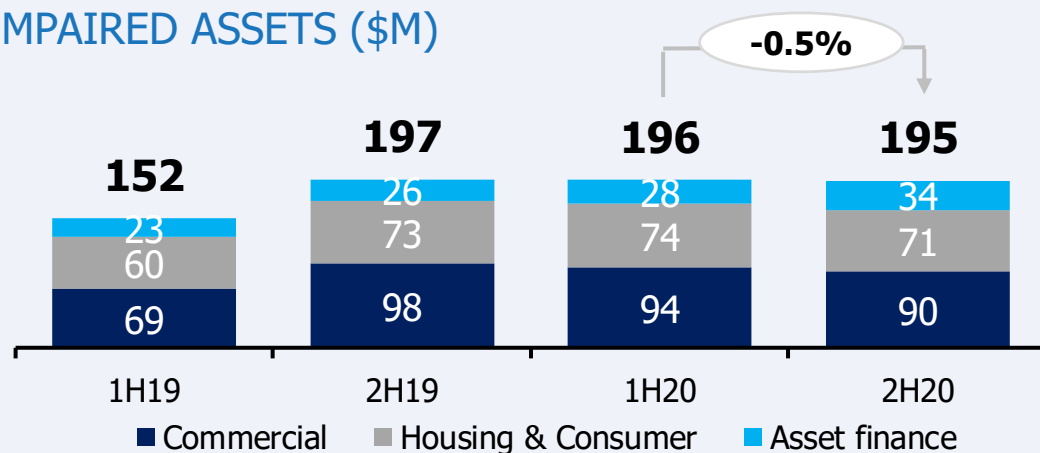
PROVISIONS (\$M)



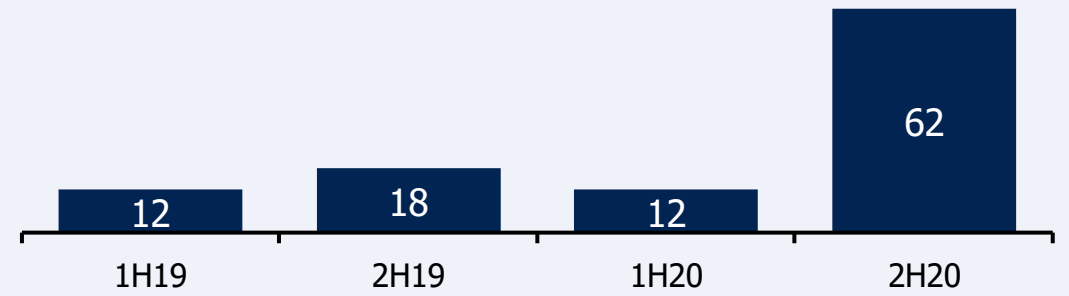
LOAN IMPAIRMENT EXPENSE (\$M)



IMPAIRED ASSETS (\$M)



LOAN IMPAIRMENT EXPENSE TO GLA (BPS)²



(1) 1H20 includes a \$10m collective provision overlay in respect of COVID-19.

(2) Collective provision overlay in respect of COVID-19 represents 28bps of GLA.

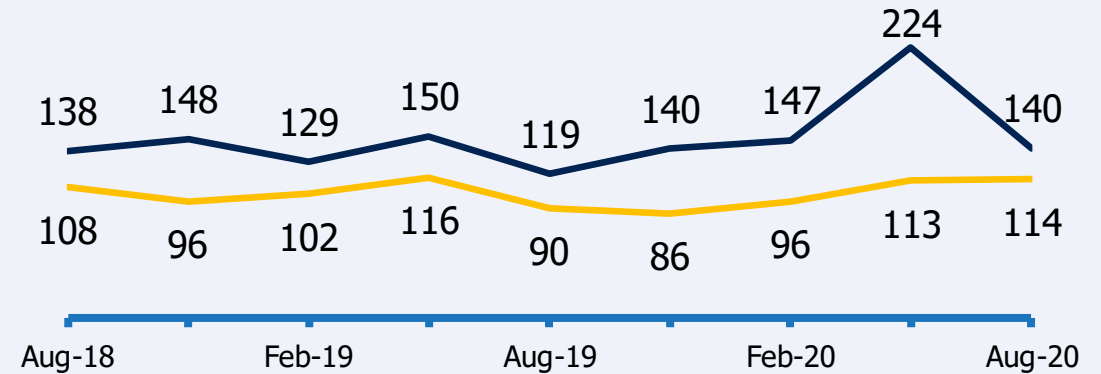
PORTFOLIO QUALITY

ELEVATED ARREARS IN RESPONSE TO COVID-19

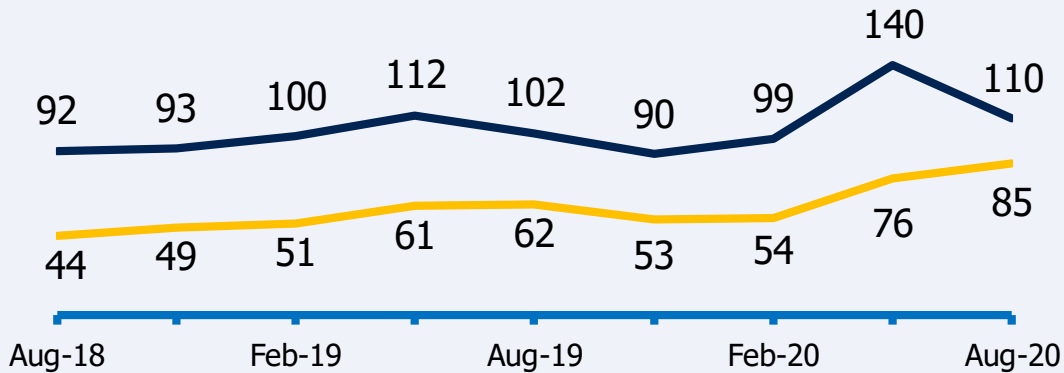
SUMMARY

- Housing and commercial arrears increased during the half as economic conditions worsened due to COVID-19
- 90 days is elevated due to changed enforcement activities and slower transitions back to performing
- Increased arrears in May 2020 resulted from a slowdown in collection activity
- Arrears uplift in line with industry

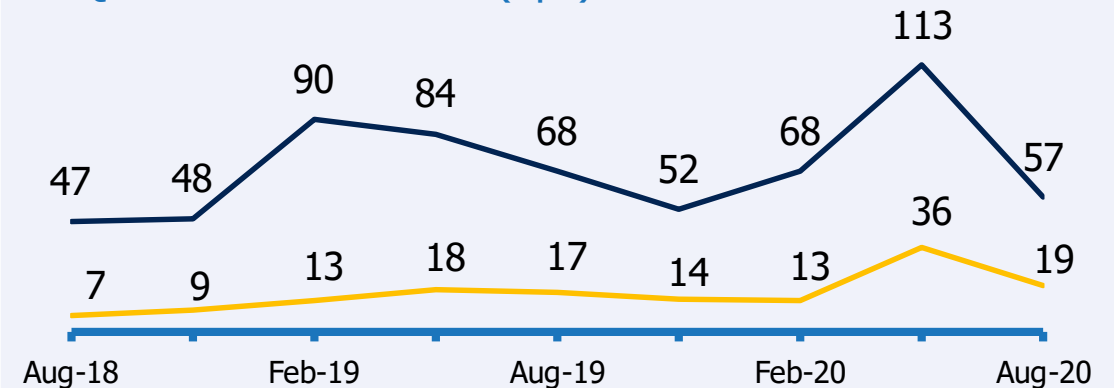
COMMERCIAL ARREARS (bps)



HOUSING ARREARS (bps)



BOQ FINANCE ARREARS (bps)



(1) Arrears figures differ from those reported to APRA due to different definitions. Arrears figures have been normalised following processing of banking relief package requests.

— 30DPD — 90DPD

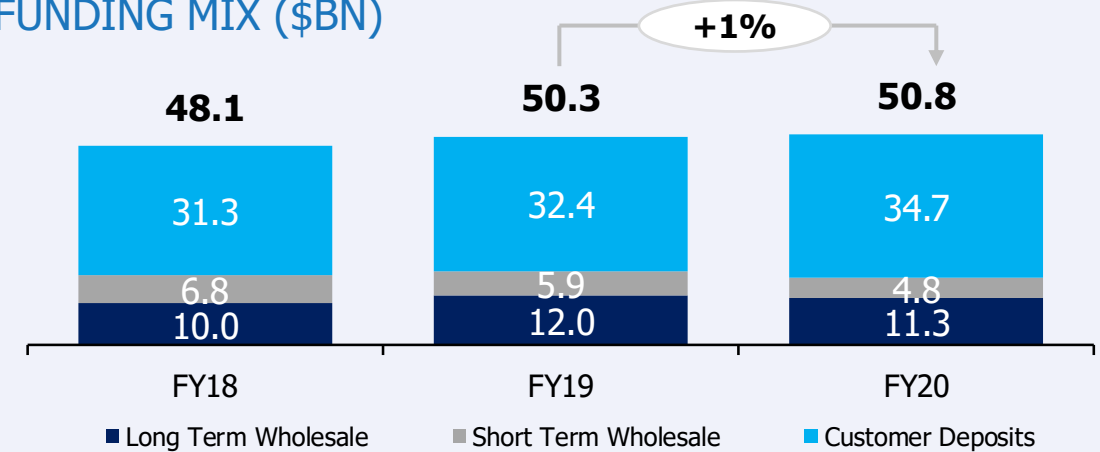
FUNDING & LIQUIDITY

RESILIENT FUNDING & LIQUIDITY PROFILE WITH STRATEGIC OPTIONS TO GROW

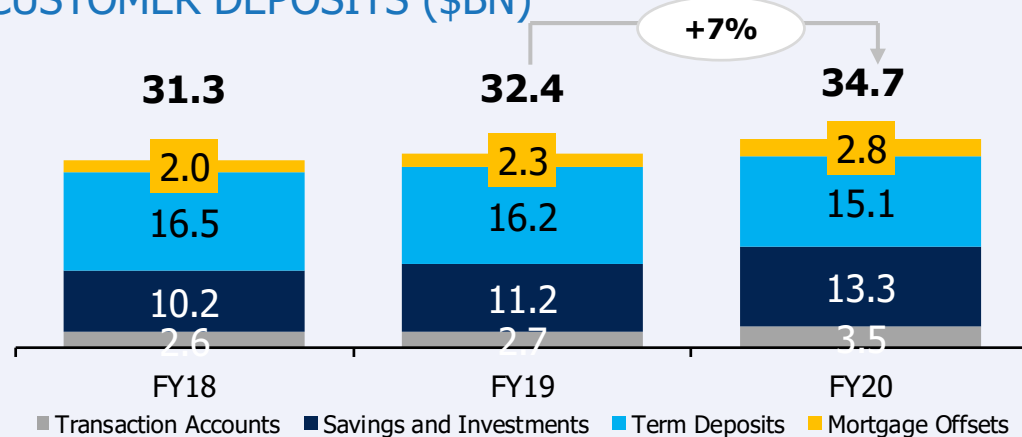
SUMMARY

- Strong customer deposit growth during FY20
- Deposit to loan ratio of 74%
- Reduced reliance on short term wholesale funding
- Term funding facility providing additional funding capacity to lend to businesses
- BOQ redeemed Wholesale Capital Notes in May 2020 following approval granted by APRA

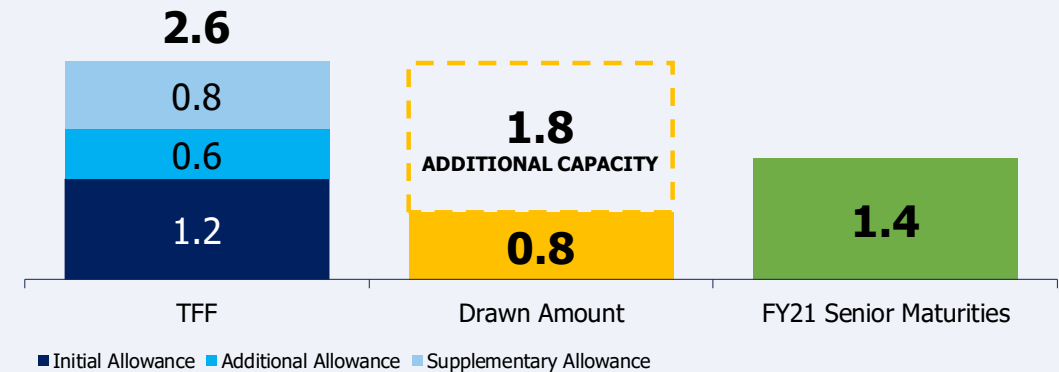
FUNDING MIX (\$BN)



CUSTOMER DEPOSITS (\$BN)

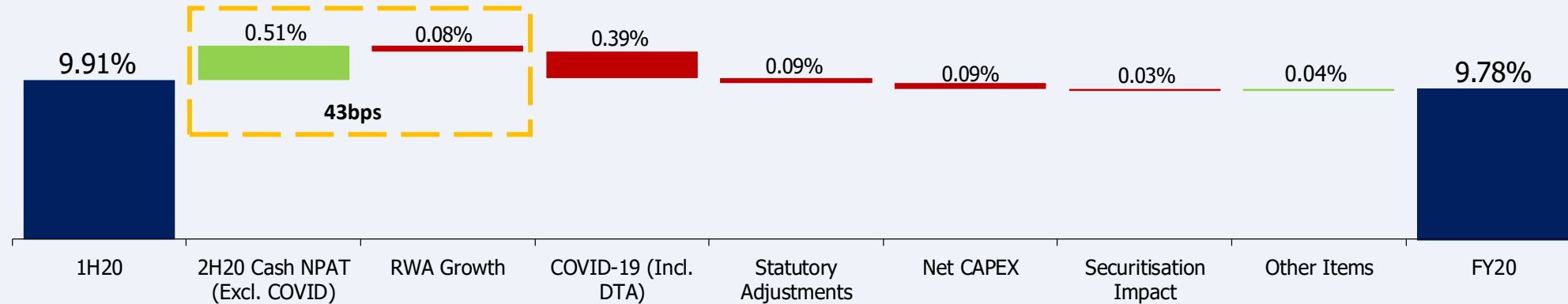


TERM FUNDING FACILITY (\$BN)¹



(1) As at 1 September 2020. The Additional Allowance provided by the RBA is subject to change.

CET1 1H20 VS 2H20



SUMMARY

- Capital raise provided significant uplift in CET1
- Good underlying capital generation of 43bps in 2H20
- Lending growth driving small uplift in RWAs
- COVID-19 provision and statutory adjustments absorbed during the half

OUTLOOK

- CET1 of 9.78% sees the bank in a strong position
- BOQ well capitalised to manage any further impacts from COVID-19
- Sufficient capital to support transformation agenda and asset growth momentum

Key Features of Capital Notes 2

SUMMARY


Issuer	> Bank of Queensland Limited (BOQ)
Offer	> Fully paid, subordinated, perpetual, unsecured, non-cumulative, mandatorily convertible notes (Capital Notes 2)
Offer Size	> \$200 million, with the ability to raise more or less
Ranking¹	> In a winding-up of BOQ, Capital Notes 2 will rank ahead of Ordinary Shares, equally among themselves and other equally ranked instruments (including Capital Notes 1) and behind all senior creditors of BOQ
Term	<ul style="list-style-type: none">> Perpetual (no fixed maturity date) unless Converted, Redeemed or Resold> Optional Conversion, Redemption or Resale (subject to APRA's prior written approval², and provided certain conditions are satisfied) on 14 May 2027³ at BOQ's option, or following a Tax Event or a Regulatory Event and Optional Conversion following Potential Acquisition Event> Scheduled Mandatory Conversion into Ordinary Shares on 15 May 2029 if Mandatory Conversion Conditions are satisfied, unless Capital Notes 2 are Redeemed or Converted earlier> Acquisition Event results in Conversion of Capital Notes 2, if certain conditions are satisfied> Loss Absorption Event results in required Conversion of Capital Notes 2 into Ordinary Shares and, if not Converted, Written-Off
Distributions	<ul style="list-style-type: none">> Based on a floating rate, quarterly, preferred, discretionary, non-cumulative payments subject to no Payment Condition existing> Distributions are expected to be fully franked> Margin is expected to be in the range of 3.80% to 4.00% per annum over the 3 month Bank Bill Swap Rate
Distribution Payment Dates	<ul style="list-style-type: none">> The first Distribution payment date is 15 February 2021> Distribution Payment Dates are 15 February, 15 May, 15 August and 15 November each year

(1) The ranking of Holders in a winding-up will be adversely affected if Conversion or Write Off occurs – refer to section 2.6 of the Prospectus.

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

(3) As 15 May 2027 is not a Business Day, this date has been brought forward to the preceding Business Day.

RANKING OF CAPITAL NOTES 2 IN A WINDING UP

	Type	Illustrative Examples
Higher Ranking  Lower Ranking	Preferred and secured debt	Liabilities in Australia in relation to protected accounts (generally savings accounts and term deposits), liabilities preferred by law including employee entitlements and secured creditors
	Unsubordinated and unsecured debt	Unsubordinated and unsecured bonds and notes, trade and general creditors
	Subordinated and unsecured debt	Subordinated and unsecured debt obligations
	Capital notes and preference securities	Capital Notes 2 and other Equal Ranking Instruments (including Capital Notes 1)
	Ordinary Shares	BOQ Ordinary Shares

DISTRIBUTIONS

Distributions	<ul style="list-style-type: none">> Distributions are floating rate, quarterly, discretionary, non-cumulative payments subject to no Payment Condition existing> Distributions are expected to be fully franked<ul style="list-style-type: none">– if any Distribution payment is not fully franked, the Distribution will be increased to adjust for any unfranked component of the Distribution, based upon the applicable Franking Rate.> Margin is expected to be in the range of 3.80% to 4.00% per annum over the 3 month Bank Bill Swap Rate
Payment Dates	<ul style="list-style-type: none">> The first Distribution payment date is 15 February 2021> Distribution Payment Dates are 15 February, 15 May, 15 August and 15 November each year
Distribution Rate	<ul style="list-style-type: none">> Distribution rate is $(\text{Bank Bill Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$> Bank Bill Rate is the 3-month Bank Bill Swap Rate (BBSW) expressed as a percentage per annum on the first Business Day of the relevant Distribution Period> Margin is to be determined through the bookbuild and is expected to be between 3.80% to 4.00% per annum
Payment Conditions	<ul style="list-style-type: none">> Distributions may not be paid in certain circumstances where a Payment Condition exists on the relevant Distribution Payment Date or BOQ elects not to pay a Distribution> A Payment Condition is considered to exist on a Distribution on a Distribution Payment Date if any of the following applies:<ul style="list-style-type: none">– paying the Distribution would result in BOQ or the Group not complying with APRA’s then current Prudential Capital Requirements;– unless APRA otherwise approves in writing, the payment of Distributions would result in BOQ or the Group exceeding any limit on distributions of earnings applicable under (and calculated in accordance with) APRA’s then current capital conservation requirements as they are applied to BOQ or the Group (as the case may be) at the time;– APRA otherwise objects to the payment of the Distribution; or– paying the Distribution would result in BOQ becoming, or being likely to become, insolvent for the purposes of the Corporations Act.
Distribution Restriction	<ul style="list-style-type: none">> If a Distribution is not paid in full within three business days of the Relevant Distribution Payment Date, then subject to certain exclusions in the Capital Notes 2 terms, BOQ may not:<ul style="list-style-type: none">– declare, determine or pay any Ordinary Share Dividend; or– undertake any Buy-Back or Capital Reduction.> Distributions are non-cumulative and BOQ has no liability to pay the unpaid amounts> Failure to pay is not considered an event of default

OPTIONAL CONVERSION, REDEMPTION OR RESALE

Conversion, Redemption or Resale by BOQ	<ul style="list-style-type: none">> Subject to prior written approval by APRA, BOQ may elect to:<ul style="list-style-type: none">– Convert, Redeem or Resell all or some Capital Notes 2 on 14 May 2027¹– Convert, Redeem or Resell all or some Capital Notes 2 after a Tax Event or a Regulatory Event– Convert all (but not some only) Capital Notes 2 following a Potential Acquisition Event
Conversion	<ul style="list-style-type: none">> Conversion is subject to a number of conditions (refer to page 21 on this presentation and section 2.2 of the Prospectus)> If the Conversion occurs, Holders will receive a number of BOQ Ordinary Shares worth, on a VWAP basis, \$101.01 per Capital Note 2
Redemption and Resale	<ul style="list-style-type: none">> If a Redemption or Resale occurs, a Holder will receive the Face Value (\$100) in cash for each Capital Note 2 that it holds
Holder Rights	<ul style="list-style-type: none">> Holders do not have a right to request Conversion, Redemption or Resale

(1) As 15 May 2027 is not a Business Day, this date has been brought forward to the preceding Business Day.

MANDATORY CONVERSION

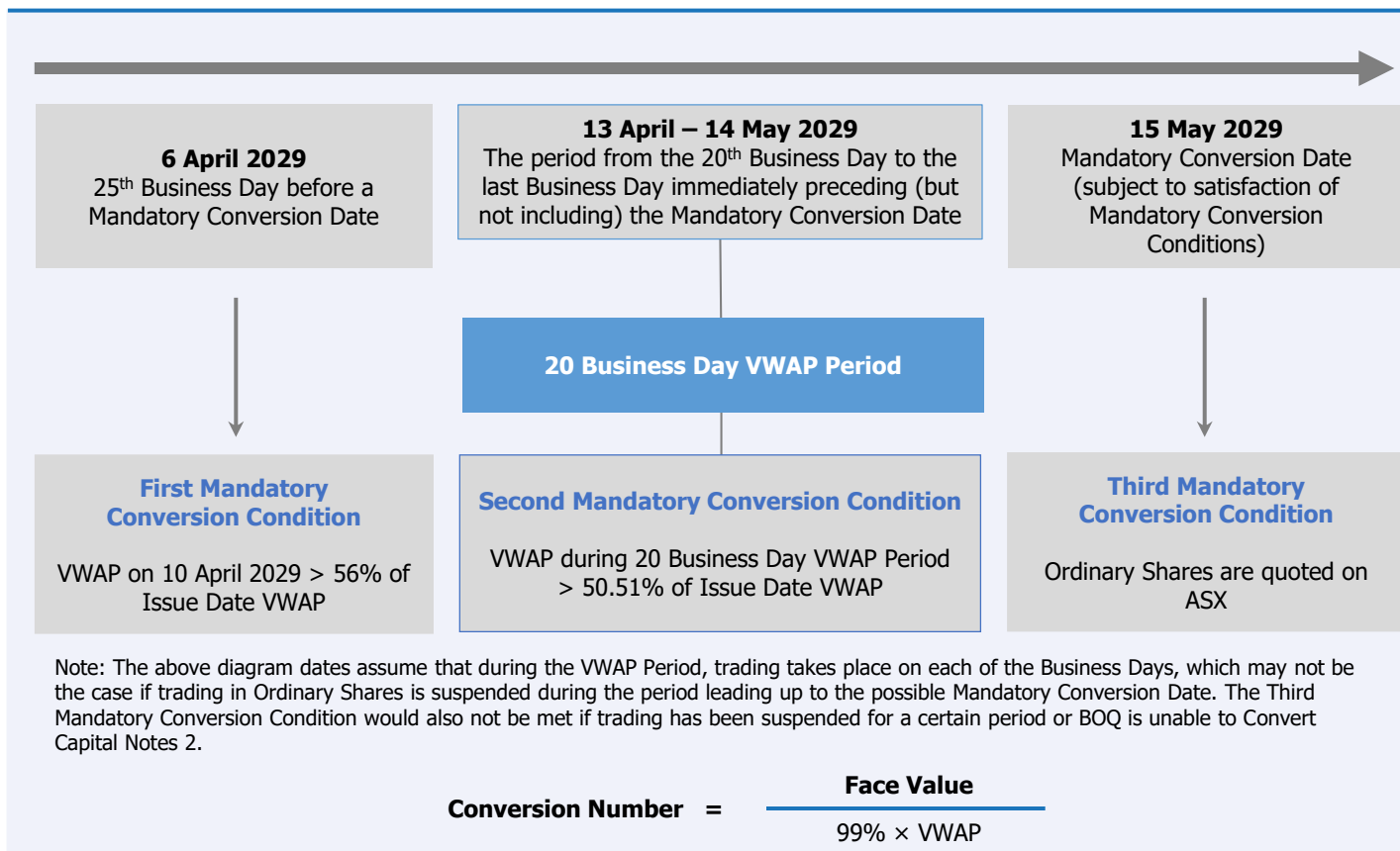
SCHEDULED

- > On 15 May 2029, subject to satisfaction of the Mandatory Conversion Conditions illustrated below, BOQ must Convert all (but not some) Capital Notes 2 to a variable number of Ordinary Shares at a 1% discount to the 20 Business Day VWAP¹ unless previously Converted, Redeemed or Written-Off
- > If any of the Mandatory Conversion Conditions are not satisfied, the Mandatory Conversion Date will be deferred until the next Distribution Payment Date on which all of those conditions are satisfied. Capital Notes 2 may remain on issue indefinitely if those conditions are not satisfied

ACQUISITION EVENT

- > If an Acquisition Event (as defined by the terms of the Capital Notes 2) occurs, BOQ must Convert all Capital Notes 2 on issue to Ordinary Shares worth on a VWAP basis approximately \$101.01 per Capital Note 2 (subject to satisfying certain other terms)

OVERVIEW



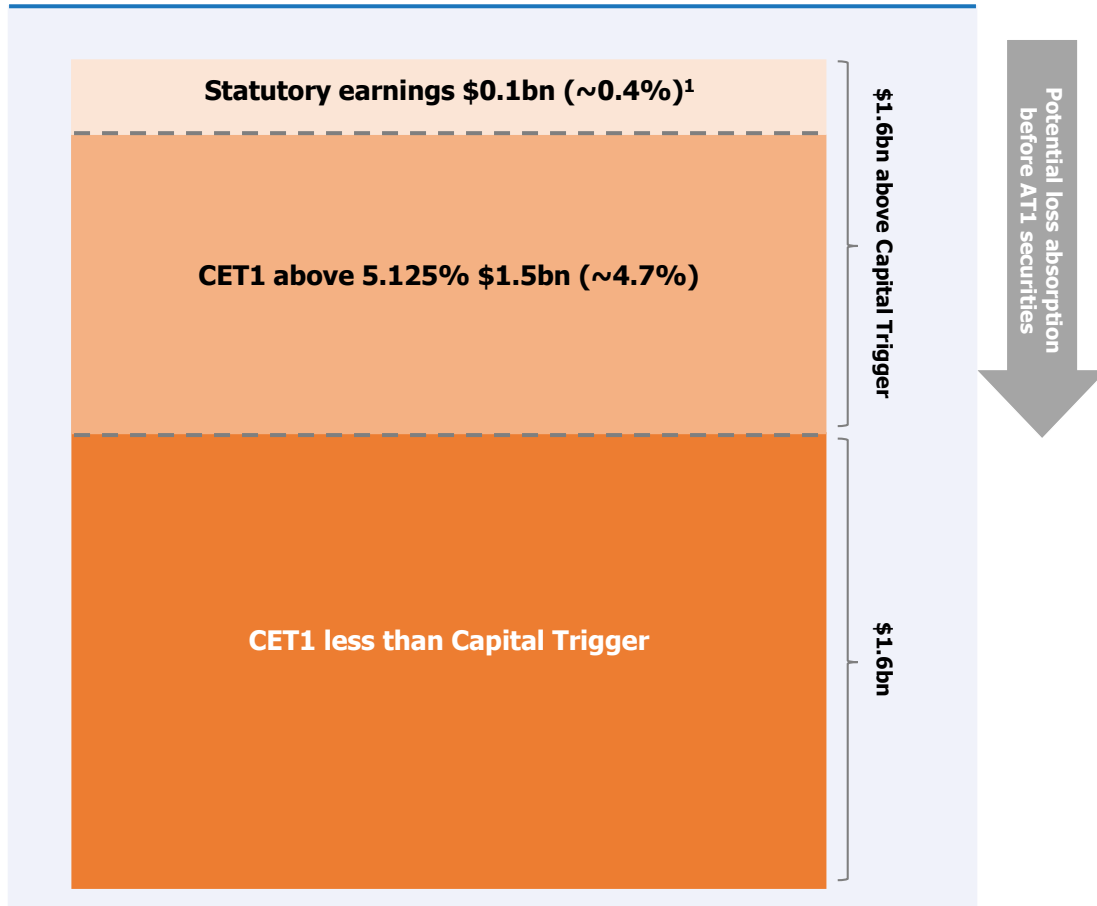
(1) VWAP means, subject to any adjustments under clause 7 of the Capital Notes 2 Terms, the average of the daily volume weighted average sale prices (such average being rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days but does not include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

LOSS ABSORPTION CONVERSION

Loss Absorption Event	<ul style="list-style-type: none">> A Loss Absorption Event is each of a Common Equity Capital Trigger Event or a Non-Viability Trigger Event
Common Equity Capital Trigger Event	<ul style="list-style-type: none">> A Common Equity Capital Trigger Event will occur when the Common Equity Tier 1 Capital Ratio as determined by BOQ or APRA at any time is equal to or less than 5.125%
Non-Viability Trigger Event	<ul style="list-style-type: none">> A Non-Viability Trigger Event occurs where APRA provides a written determination to BOQ that the Conversion into Ordinary Shares or write off of Relevant Tier 1 Capital Instruments in accordance with their terms or by operation of law is necessary because without the conversion or write off, APRA considers that BOQ would become non-viable, or that without a public sector injection of capital into, or equivalent support with respect to, BOQ, APRA considers that BOQ would become non-viable.
Conversion Following a Loss Absorption Event	<ul style="list-style-type: none">> Upon a Loss Absorption Event BOQ may be required to Convert a number of Capital Notes 2 into Ordinary Shares immediately> If Conversion has not been effected within 5 Business Days after the Loss Absorption Event Conversion Date for any reason (including an Inability Event), the Capital Notes 2 will be Written Off with effect on and from the Loss Absorption Event Conversion Date and a Holder will suffer loss as a consequence
Maximum Conversion Number	<ul style="list-style-type: none">> The number of Ordinary Shares a Holder receives upon Conversion is calculated using the formula on the previous page, but is not subject to any conditions and is capped at the Maximum Conversion Number> The Maximum Conversion Number is calculated as $\text{Face Value} / (\text{Issue Date VWAP} \times 0.2)$> This means that, depending on the market price of Ordinary Shares at the relevant time, a Holder is likely to receive significantly less than \$101.01 worth of Ordinary Shares per Capital Note 2 and is likely to suffer a loss as a consequence

BOQ LOSS ABSORPTION AND CAPITAL POSITION

BOQ CET1 LOSS ABSORPTION

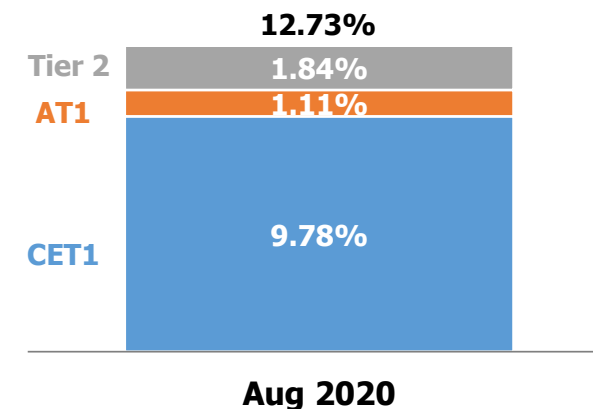


BOQ ACTIONS TO STRENGTHEN CAPITAL LEVELS

BOQ may implement a number of capital actions to strengthen capital levels before reaching the Capital Trigger including, without limitation:

- > Reducing dividend payout
- > DRP discount and underwrite
- > Share issuance
- > RWA growth restrictions
- > Expense management

BOQ CAPITAL POSITION AS AT 31 AUGUST 2020



(1) Note that "Statutory earnings" is not a forecast. Based on the prior 12 months of Statutory NPAT (FY20 Statutory NPAT).

COMPARISON OF INVESTMENTS IN BOQ

	Standard Term Deposit	Capital Notes 1	Capital Notes 2	Ordinary Shares
Issuer	> BOQ	> BOQ	> BOQ	> BOQ
Legal Form	> Bank Deposit	> Unsecured, subordinated debt	> Unsecured, subordinated debt	> Ordinary share
Maturity	> Up to five years	> Perpetual	> Perpetual	> Perpetual
Ranking in Winding-up¹	> Senior to general unsecured creditors of BOQ	> Senior to ordinary shares > Equal with Equal Ranking Instruments (including Capital Notes 2) > Junior to all creditors (including depositors and holders of Tier 2 capital instruments) other than holders of Equal Ranking Instruments	> Senior to ordinary shares > Equal with Equal Ranking Instruments (including Capital Notes 1) > Junior to all creditors (including depositors and holders of Tier 2 capital instruments) other than holders of Equal Ranking Instruments	> Junior to all creditors
Protection Under Financial Claims Scheme	> Yes (up to \$250k in aggregate)	> No	> No	> No
Transferable on Market	> Not listed	> Yes (quoted on ASX)	> Yes (quoted on ASX)	> Yes (quoted on ASX)
Distribution Rate	> Interest is fixed	> Floating (BBSW + 3.75%)*(1-tax rate)	> Floating (BBSW + margin)*(1-tax rate)	> Variable dividends
Distribution Frequency	> Variable	> Quarterly	> Quarterly	> Semi-annual
Distribution Discretionary	> No	> Yes	> Yes	> Yes
Distribution Cumulative	> Interest payments cannot be waived or deferred	> Non-cumulative	> Non-cumulative	> Non-cumulative
Restriction on Ordinary Share Dividends if Distribution Not Paid	> No	> Yes, until next Distribution Payment Date	> Yes, until next Distribution Payment Date	> n/a
Franking	> Not franked	> Expected to be fully franked	> Expected to be fully franked	> Expected to be fully franked
Non-viability Conversion or Write Off	> No	> Yes	> Yes	> No
Treated by APRA as Regulatory Capital	> No	> Yes, Additional Tier 1	> Yes, Additional Tier 1	> Yes, CET1
Mandatory Conversion to Ordinary Shares (if still outstanding)	> No	> Yes on 15 August 2026	> Yes on 15 May 2029	> n/a

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

KEY RISKS ASSOCIATED WITH AN INVESTMENT IN CAPITAL NOTES 2

- > Capital Notes 2 are not deposit liabilities of BOQ, are not protected accounts under the Banking Act, and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction, or by any other person
- > The price Holders are able to sell Capital Notes 2 on the ASX is uncertain
- > The market price of Capital Notes 2 (and the Ordinary Shares into which they can Convert) may fluctuate due to various factors including investor perceptions, general financial market conditions, interest rates, the availability of better rates of return on other securities and factors that may affect BOQ's financial performance or position
- > Unlike Ordinary Shares, Capital Notes 2 do not provide exposure to growth in BOQ's business
- > There may be no liquid market for Capital Notes 2 and the market for Capital Notes 2 may be volatile and less liquid than the market for Ordinary Shares or other securities issued by BOQ
- > 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 2 are Converted. That market may be volatile depending on securities markets conditions at that time
- > The market price of Ordinary Shares may fluctuate due to various factors, including investor perceptions, Australian and worldwide economic conditions, BOQ's financial performance and position and transactions affecting the share capital of BOQ
- > Distributions will fluctuate (both increasing and decreasing) over time as a result of movements in the BBSW Rate. The Distribution Rate will also fluctuate if there is a change in the Tax Rate
- > There is a risk that Distributions will not be paid on Capital Notes 2, including where BOQ decides not to pay a Distribution or where a Payment Condition exists
- > Distributions are non-cumulative. If BOQ does not pay a scheduled Distribution, a Holder has no entitlement to that Distribution. Further, there is no guarantee that BOQ will have sufficient franking credits in the future to fully frank Distributions.
- > In a winding up of BOQ, Capital Notes 2 rank for payment of capital ahead of Ordinary Shares, equally with Capital Notes 1 and other Equal Ranking instruments, but behind the claims of all Senior Ranking Creditors (including depositors and unsubordinated and subordinated creditors). If there is a shortfall of funds on a winding-up of BOQ to pay all amounts ranking ahead of or equally with Capital Notes 2, Holders will lose all or some of their capital. Further there is no limit on the amount of senior debt, deposits or other obligations or securities (whether ranking equally with, or in priority or junior to Capital Notes 2) that may be incurred or issued by BOQ at any time or the incurring or guaranteeing by BOQ of any indebtedness, which may affect a Holder's ability to be repaid on a winding-up of BOQ
- > There is a risk that Conversion will not occur on the Scheduled Mandatory Conversion Date because the Mandatory Conversion Conditions are not satisfied. Mandatory Conversion may therefore not occur when scheduled or at all.
- > Holders have no right to request that their Capital Notes 2 be Converted, Redeemed or Resold. Unless their Capital Notes 2 are Converted, Redeemed or Resold, in order to realise their investment, Holders would need to sell their Capital Notes 2 on the ASX at the prevailing market price. That price may be less than the Face Value, and there may be no liquid market for Capital Notes 2
- > It is uncertain whether and when Conversion, Redemption or Resale may occur
- > In the event of a Conversion following a Loss Absorption Event, depending on the market price of Ordinary Shares at the relevant time, Holders are likely to receive Ordinary Shares that are worth significantly less than \$101.01 for each Capital Note 2 they hold and may suffer a loss as a consequence
- > If, following the occurrence of a Loss Absorption Event, Capital Notes 2 are not Converted when required, those Capital Notes 2 are Written-Off and all obligations are terminated. In this scenario, Holders will likely be worse off than holders of Ordinary Shares
- > If Capital Notes 2 are Written-Off, all rights in relation to those Capital Notes 2 will be terminated (and Holders will not get back their capital or receive compensation in relation to those Capital Notes 2).
- > Subject to complying with all applicable laws, BOQ may amend the Capital Notes 2 Terms and the Capital Notes 2 Deed Poll without the approval of Holders in certain circumstances, such amendments may affect the rights of Holders and are binding on all Holders despite the fact that a Holder may not agree with the amendments.
- > See sections 1.3, 4.2 and 4.3 of the Prospectus for more information on risks associated with Capital Notes 2
- > See section 4.4 of the Prospectus for more information on risks associated with an investment in the BOQ Group

Offer Process

OFFER STRUCTURE

Institutional Offer

> Offer to certain institutional investors

Broker Firm Offer

> Offer to Australian resident retail and high net worth clients of Syndicate Brokers

Securityholder Offer

> Offer to Eligible Securityholders of BOQ as at 7:00pm (Sydney time) on 23 October 2020 to apply for an allocation of Capital Notes 2

KEY DATES¹

KEY DATES FOR THE OFFER	DATE
Record Date for determining Eligible Securityholders for Securityholder Offer	7:00pm ² , 23 October 2020
Lodgement of the original Prospectus with ASIC	26 October 2020
Bookbuild	On or before 2 November 2020
Announcement of the Margin	2 November 2020
Lodgement of replacement Prospectus with ASIC	3 November 2020
Opening Date of Offer	3 November 2020
Closing Date for the Securityholder Offer	5:00pm², 17 November 2020
Closing Date for the Broker Firm Offer	10:00am², 23 November 2020
Broker Firm Settlement Date	27 November 2020
Issue Date	30 November 2020
Capital Notes 2 commence trading on ASX (ordinary settlement basis)	1 December 2020
Expected despatch of Holding Statements	1 December 2020
KEY DATES FOR CAPITAL NOTES	DATE
First Distribution Payment Date	15 February 2021
Optional Conversion / Redemption / Resale Date	14 May 2027 ³
Scheduled Mandatory Conversion Date	15 May 2029

(1) Subject to change.

(2) Sydney time.

(3) As 15 May 2027 is not a Business Day, this date has been brought forward to the preceding Business Day.

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