

Bank of Queensland Capital Notes 3 Offer

24 October 2022

The Capital Notes 3 are not traditional fixed income securities. They can be Converted to Ordinary Shares (including at times when the risk of Ordinary Shares losing some or all of their value is relatively high) or Written Off, and payment of distributions is not guaranteed. Consequently the Capital Notes 3 have a higher risk than traditional fixed income securities. You should consider this Prospectus carefully to determine if an investment in Capital Notes 3 is right for you, if so what proportion of your investment portfolio should be made up of Capital Notes 3, and whether you are comfortable that the return on Capital Notes 3 is sufficient to compensate you for the risk of investing in Capital Notes 3.



Important information and disclaimer

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 3 (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 24 October 2022 (**Prospectus**). BOQ intends to lodge a replacement Prospectus which will include the Offer size and the Margin, on or around 31 October 2022.

UBS AG, Australia Branch, is the arranger to the Offer. ANZ Securities Limited, Morgans Financial Limited, National Australia Bank Limited, UBS AG, Australia Branch, Ord Minnett Limited and Westpac Institutional Bank (a division of Westpac Banking Corporation) are the joint lead managers to the Offer (**Joint Lead Managers**). LGT Crestone Wealth Management Limited and JBWere Limited are the co-managers (**Co-Managers**).

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. **The Prospectus is important and should be read in its entirety.** 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 3. Any decision by a person to apply for Capital Notes 3 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/capitalnotes3. Applications for Capital Notes 3 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.

The information in this Presentation is for general information only. To the extent that certain statements contained in this Presentation may constitute “forward-looking statements” or statements about “future matters”, the information reflects BOQ’s intent, belief or expectations at the date of this Presentation. BOQ gives no undertaking to update this information over time (subject to legal or regulatory requirements).

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.

No action has been taken to register or qualify Capital Notes 3 or the Offer or to otherwise permit a public offering of Capital Notes 3 outside Australia. The distribution of this Presentation, and the offer or sale of Capital Notes 3, may be restricted by law in certain jurisdictions. Persons who receive this Presentation outside Australia must inform themselves about and observe all such restrictions. Nothing in this Presentation is to be construed as authorising its distribution, or the offer or sale of Capital Notes 3, in any jurisdiction other than Australia and BOQ does not accept any liability in that regard.

Further, Capital Notes 3 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 3 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.

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BOQ Group is proud to acknowledge the Traditional Custodians of the land on which we gather today and pay our respects to their Elders past and present. We extend that respect to Aboriginal and Torres Strait Islander peoples here today

Artwork proudly created for Bank of Queensland (BOQ) by the
Harristown Clontarf Academy, Toowoomba.

OFFER SUMMARY

24 OCTOBER 2022

Bank of Queensland Capital Notes 3 Offer

Capital Notes 3 Offer

Issuer	<ul style="list-style-type: none"> Bank of Queensland Limited (BOQ)
Offer	<ul style="list-style-type: none"> Fully paid, unsecured, non-cumulative, perpetual, subordinated, convertible notes (Capital Notes 3) Capital Notes 3 are not deposit liabilities or protected accounts
Offer Size	<ul style="list-style-type: none"> \$300 million, with the ability to raise more or less
Use of Proceeds	<ul style="list-style-type: none"> Proceeds of Capital Notes 3 will be used for BOQ's general corporate and funding purposes. BOQ currently has an option to redeem the BOQ 2017 Wholesale Capital Notes on 28 November 2022 and will consider redeeming the BOQ 2017 Wholesale Capital Notes on that date, subject to various factors (including satisfactory completion of the Offer, market conditions and any required regulatory approvals).
Ranking¹	<ul style="list-style-type: none"> In a winding-up of BOQ, Capital Notes 3 will rank ahead of Ordinary Shares, equally among themselves and other equally ranked instruments (including Capital Notes 1 and Capital Notes 2) and behind all Senior Ranking Creditors
Term	<ul style="list-style-type: none"> Perpetual (no fixed maturity date) unless Converted, Redeemed or Resold Optional Conversion, Redemption or Resale on 15 December 2028, 15 March 2029, or 15 June 2029 or following a Regulatory Event or Tax Event; and Optional Conversion following a Potential Acquisition Event, each subject to APRA's prior written approval and provided certain conditions are satisfied Scheduled Mandatory Conversion into Ordinary Shares on 16 June 2031 provided Mandatory Conversion Conditions are satisfied, unless Redeemed or Converted earlier Mandatory Conversion into Ordinary Shares following a Loss Absorption Event or Acquisition Event
Distribution	<ul style="list-style-type: none"> Floating rate, quarterly, discretionary, non-cumulative payments subject to Payment Conditions Distributions are expected to be fully franked² The Margin will be determined by the Bookbuild and is expected to be in the range of 3.40% to 3.60%
Arranger	<ul style="list-style-type: none"> UBS AG, Australia Branch
Joint Lead Managers	<ul style="list-style-type: none"> ANZ Securities Limited, Morgans Financial Limited, National Australia Bank Limited, Ord Minnett Limited, UBS AG, Australia Branch, Westpac Institutional Bank (a division of Westpac Banking Corporation)
Quotation	<ul style="list-style-type: none"> BOQ will apply for Capital Notes 3 to be quoted on the ASX under ASX code "BOQPG"

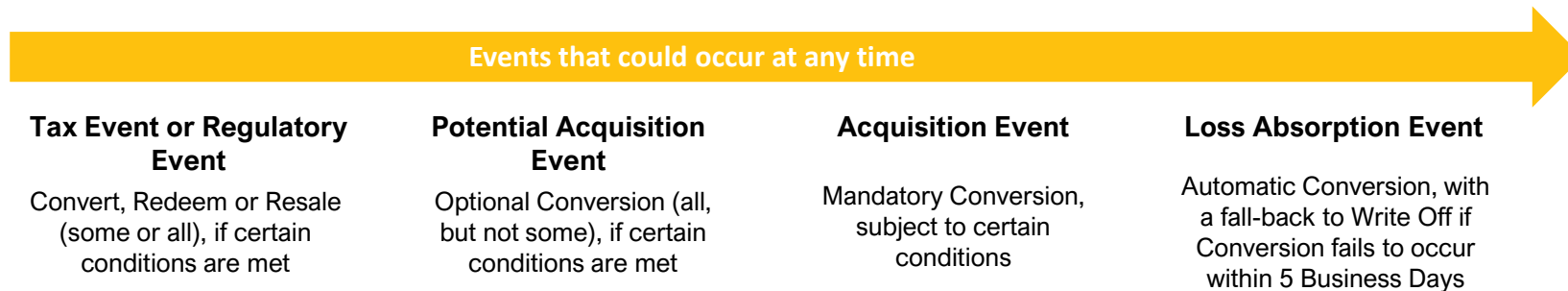
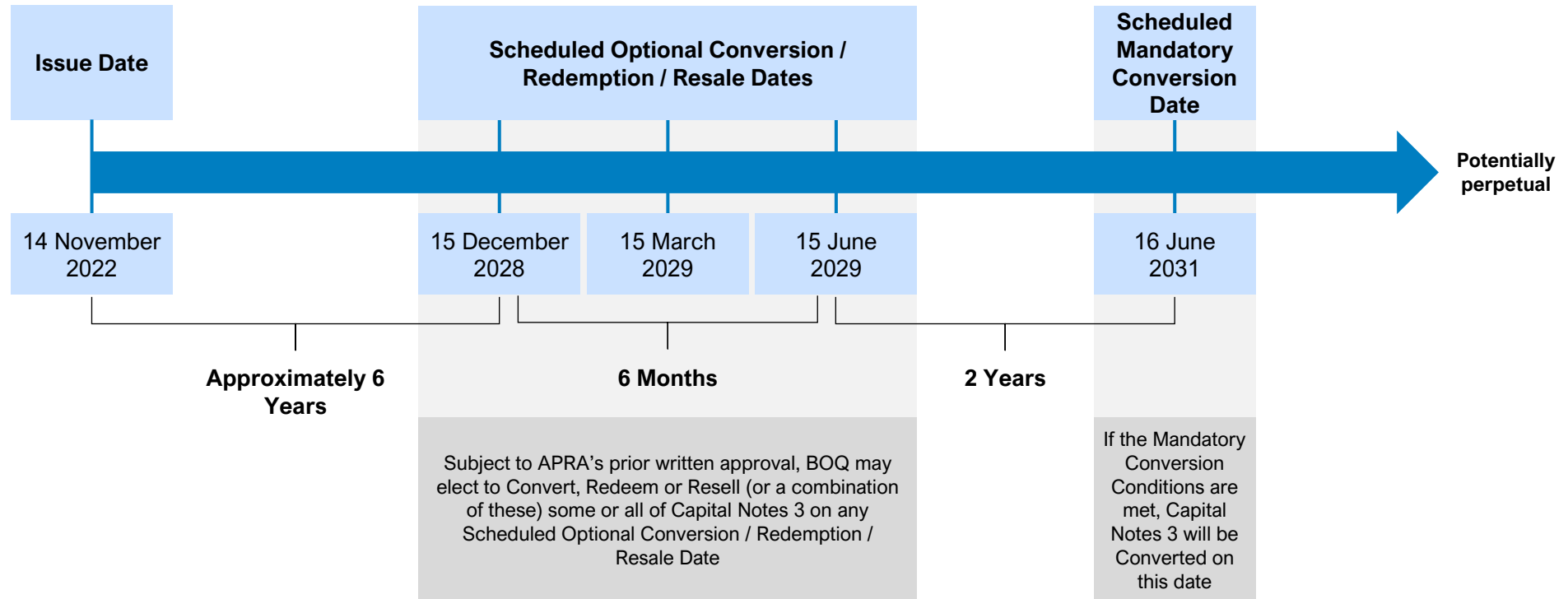
Note:

- 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
- Holders should be aware that the ability of a Holder to use franking credits will depend on their particular circumstances and the tax rules that apply at the time and that the potential value of franking credits does not accrue at the same time as the cash Distribution is received.

Offer structure and Capital Notes 3 Target Market

Offer structure	<ul style="list-style-type: none"> • Institutional Offer made to certain Institutional Investors; and • Broker Firm Offer made to eligible Australian resident clients of Syndicate Brokers who are either a (i) Wholesale Investor or (ii) Retail Investor within the Capital Notes 3 Target Market and has received personal advice from a qualified financial adviser
Capital Notes 3 Target Market	<ul style="list-style-type: none"> • BOQ has made a target market determination for Capital Notes 3 in accordance with its obligations under the Design and Distribution Obligations Regime (Target Market Determination) • The Target Market Determination is available at www.boq.com.au/capitalnotes3 • The Target Market Determination describes, among other things, the class of Retail Investors that comprises the target market for Capital Notes 3 being investors who: <ul style="list-style-type: none"> • Are seeking to acquire an investment product with the ability to generate income; • Are not seeking capital growth; • Are able to bear the risks associated with an investment in Capital Notes 3, in particular, the lack of certainty as to payment of distributions and the potential loss of some or all of the capital invested in Capital Notes 3; • Do not require certainty as to repayment of capital invested within a specific investment timeframe; and • Seek the ability to dispose of Capital Notes 3 by sale on a licensed securities exchange, at the price available on the exchange • Retail Investors wishing to apply for Capital Notes 3: <ul style="list-style-type: none"> • must seek professional advice on whether they are within the Capital Notes 3 Target Market and whether an investment in Capital Notes 3 is suitable in light of their particular investment objectives, financial situation and needs; and • can only apply for Capital Notes 3 if they are within the Capital Notes 3 Target Market and have received personal advice from a qualified financial adviser in connection with the Offer
Applications	<ul style="list-style-type: none"> • Unlike previous BOQ Capital Notes offers, there is no specific offer to BOQ securityholders, or a general public offer • All prospective investors who wish to apply for Capital Notes 3 will need to apply through a Syndicate Broker • No Applications can be made directly through BOQ or the Registrar
Risks	<ul style="list-style-type: none"> • An investment in Capital Notes 3 involves a number of risks • See the key risks section of this presentation on slides 28 - 30 and section 4 of the Capital Notes 3 Prospectus

Summary of events that may affect Capital Notes 3



FY22 RESULTS SUMMARY

24 OCTOBER 2022

Bank of Queensland Capital Notes 3 Offer

FY22 results overview

1. **Reported statutory NPAT up 15% to \$426m¹. Cash earnings** declined 5%¹ to \$508m, given the prior year loan impairment benefit, with underlying profit up 1%
 - > Income up by 1% impacted by ME GLAs decline prior to ownership and NIM pressure, recovering in second half
 - > Expenses flat on FY21
2. **Solid business momentum with NIM lifting in Q4**, growth in housing and business lending, particularly in SME
3. **ME integration delivering** ahead of plan:
 - > Key integration streams completed, program transitioning to BAU
 - > Synergies accelerated, \$38m of synergy benefits delivered during the year, integration costs in line with plan
4. **Delivering the new cloud digital end-to-end bank** with BOQ and VMA digital transaction and savings products in market. ME migration to Temenos v.18 completed and work underway to move to the new common digital bank
5. **Asset quality remains sound**, watching brief on changing economic conditions, with unemployment expected to remain low
6. **Capital remained above the target range**, with CET1 ratio of 9.57% supporting business growth and transformation investment
7. **2H22 final dividend of 24cps declared²**, representing a 65% payout ratio for 2H22³, bringing full year dividend to 46cps

Note: Cash earnings FY21 figures are on a pro forma basis which adjusts for the ME Bank acquisition and the St Andrews divestment

(1) Statutory NPAT on a pro forma basis is down 8%. Cash earnings decline is on a pro forma basis

(2) The dividend will be fully franked and the dividend reinvestment plan will operate with a 1.5% discount

(3) Payout ratio calculated on cash earnings

FY22 results

Higher underlying profit driven by disciplined lending growth and cost management

Key financial results (\$m)

	FY22	FY22 v FY21
Total income	1,682	1% ▲
Operating expenses	(937)	0% –
Underlying profit	745	1% ▲
Loan impairment expense	(13)	Large ▲
Cash profit before tax	732	(5%) ▼
Income tax expense	(224)	(5%)
Cash earnings after tax	508	(5%) ▼
Reported statutory net profit after tax¹	426	15% ▲
Return on average tangible equity ² (%)	10.6	40bps ▲
Return on average equity (%)	8.4	20bps ▲
Cash earnings per share (cents) ³	78.4	5% ▲
Cost to income ratio (%)	55.7	(10bps) ▼
CET1 ratio (%)	9.57	(23bps) ▼
Dividends per ordinary share (fully franked) ⁴	46c	18% ▲

Note: All cash P&L and CTI comparative periods are on a pro forma basis. Other metrics are consistent with previously reported numbers for FY21

(1) FY22 statutory net profit after tax is down 8% on a pro forma basis

(2) Based on after tax earnings applied to average shareholders' equity (excluding preference shares and treasury shares) less goodwill and identifiable intangible assets (customer related intangibles/brands and computer software)

(3) FY21 cash EPS included earnings from ME Bank for the period 1 July 2021 to 31 August 2021

(4) The dividend will be fully franked and the dividend reinvestment plan will operate with a 1.5% discount

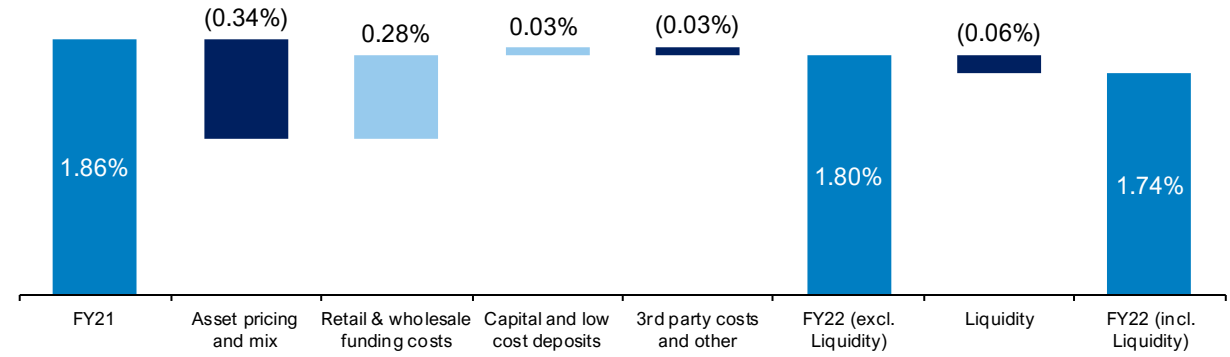
Net interest margin

Underlying 2H22 NIM up 4bps from funding cash rate benefits, partially offset by continued impact of competition

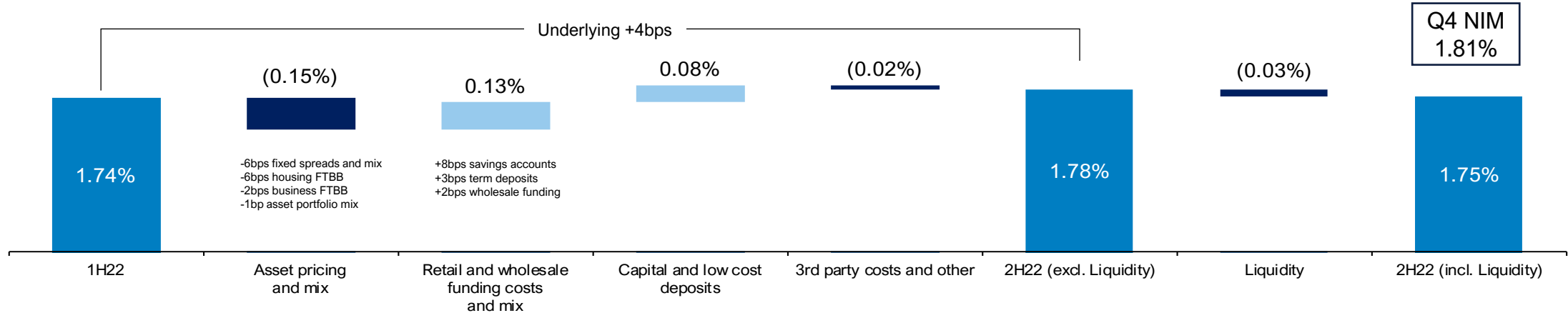
Summary

- > NIM recovery in 2H22 with funding cost and replicating portfolio benefits offsetting increasing competition impacts
- > Fixed rate lending impacts peaked and reversed
- > Competition continuing to impact front to back book
- > Funding costs continued to benefit from changes to deposit rates and improved wholesale funding costs
- > Increased liquidity build to enable CLF reduction

Net interest margin – FY21 to FY22 (%)



Net interest margin – 1H22 to 2H22 (%)

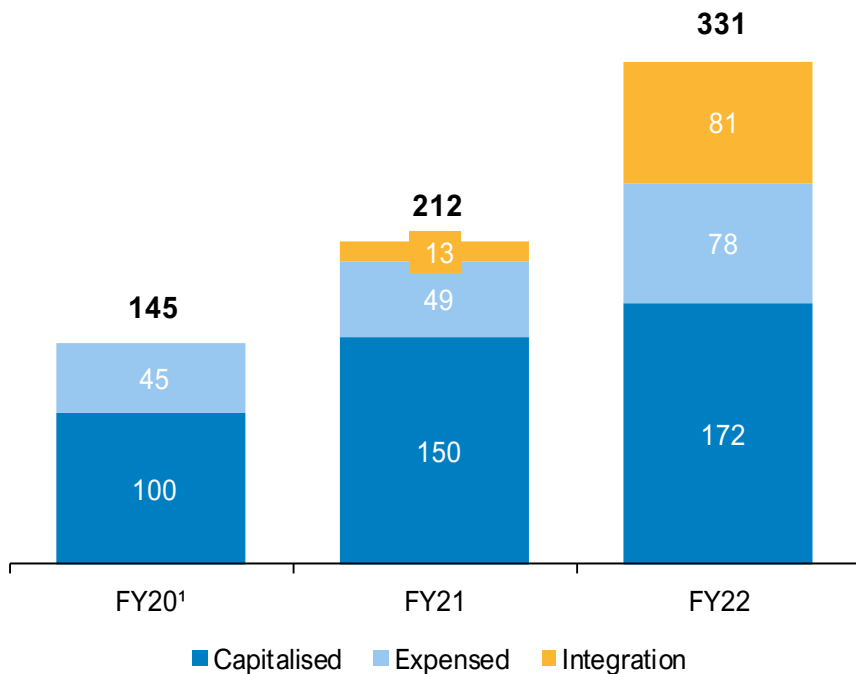


Note: All comparative periods prior to FY22 are on a pro forma basis

Transformation investment

Ongoing investment to deliver transformation roadmap

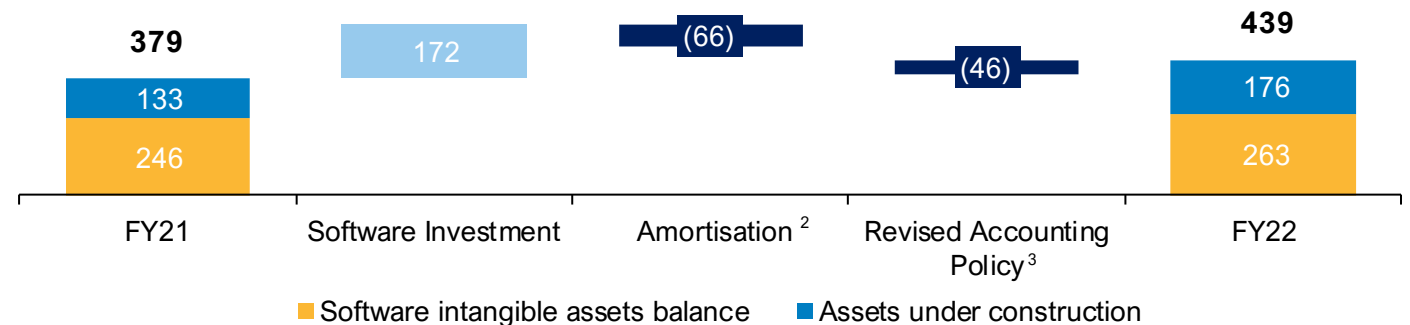
Investment spend (\$m)



Summary

- > Overall investment increased primarily due to integration costs in the period
- > Material capital investment in FY22 focused on new cloud digital retail banking platform and key foundational components of the Data Platform and Open Banking
- > Speed and cost of digital bank delivery is improving with each additional phase
- > Assets of the combined entity have an average useful life of 6.3yrs, with an average remaining life of 3.0yrs
- > Amortisation is anticipated to increase in FY23 as assets under construction complete

Software intangible asset balances (\$m)



Note: Integration costs are not included in cash earnings

(1) FY20 does not include ME Bank, all other comparative periods prior to FY22 are on a pro forma basis

(2) Amortisation has decreased by c.\$14m and project expenses have increased by c.\$14m as a result of the SaaS accounting changes

(3) Revised accounting policy in relation to the SaaS changes. Refer to Financial statements for further detail

Executing on the ME integration

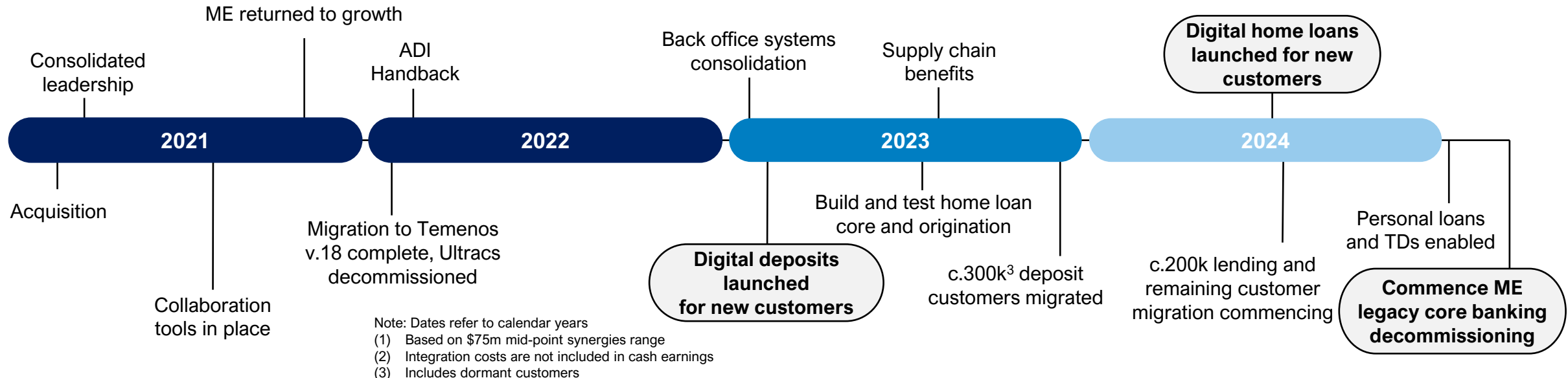
Integration program well progressed and clear pathway to a single retail digital core banking platform

Integration benefits flowing

- > Synergies accelerated and increased from original expectations of \$70-\$80m annualised to \$95m+
- > Core foundational integration activities mostly completed
- > Clear pathway to full integration to digital platform and decommissioning of legacy technology

Synergy and integration cost profile

	FY21	FY22	FY23	FY24+
Synergies annualised run rate	-	\$47m	c.\$70 - \$80m	\$95m+
Delivered percentage ¹	-	63%	100%	125%+
Integration costs²	\$13m	\$81m	c.\$40m	c.\$5m
Cumulative	\$13m	\$94m	c.\$135m	c.\$140m



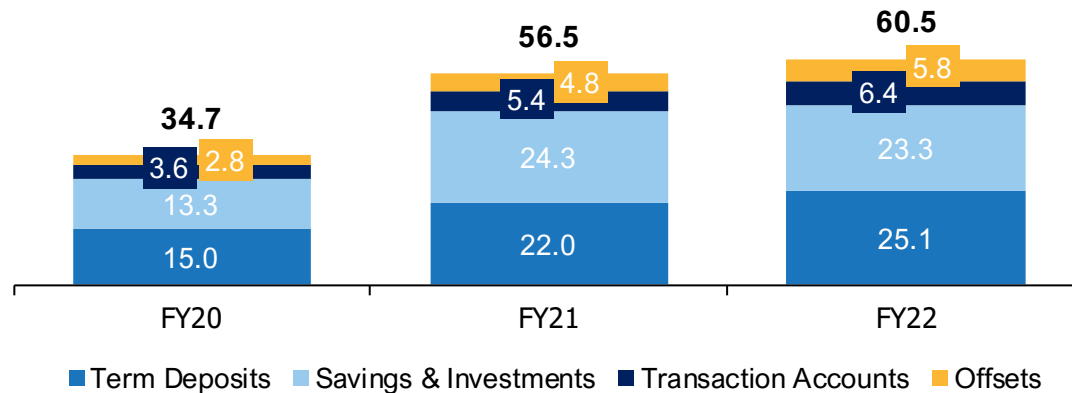
Funding & liquidity

Increasing deposit portfolio supporting business growth

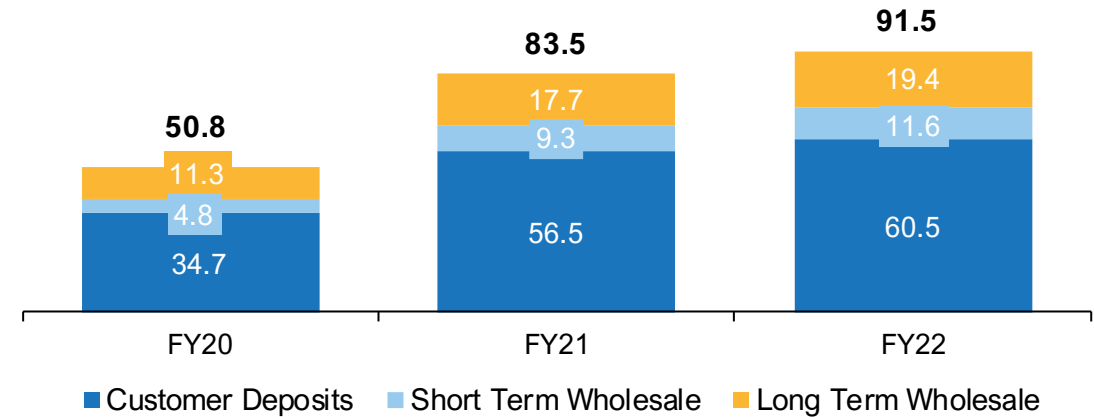
Summary

- > Deposit to loan ratio broadly stable at 74%
- > Growth in transaction accounts of 19%
- > Cash rate increases driving growth in term deposits as customers seek yield following a low interest rate cycle
- > Term deposits currently providing favourable funding source due to pricing compared to BBSW, \$1.7bn is new money
- > Long term wholesale funding increased to replace CLF
- > FY22 LCR of 139% and NSFR of 125%

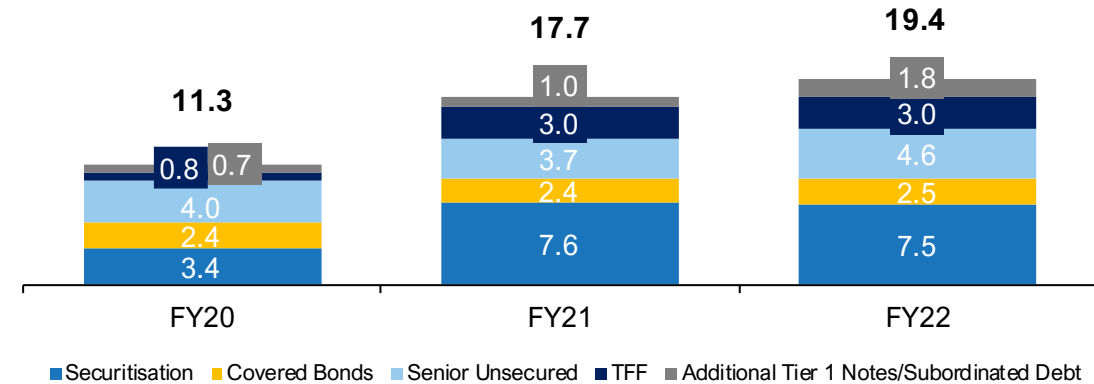
Customer deposit balances (\$bn)¹



Funding mix (\$bn)¹



Long term wholesale funding (\$bn)²



Note:

(1) FY20 does not include ME Bank, all other comparative periods prior to FY22 are on a pro forma basis

(2) \$0.3b additional tier 1 capital notes are included in 'other equity instruments' in the Financial Statements. Upon ADI licence handback completed on 28 February 2022, these notes, which were originally issued by ME, formed part of the Group's capital adequacy

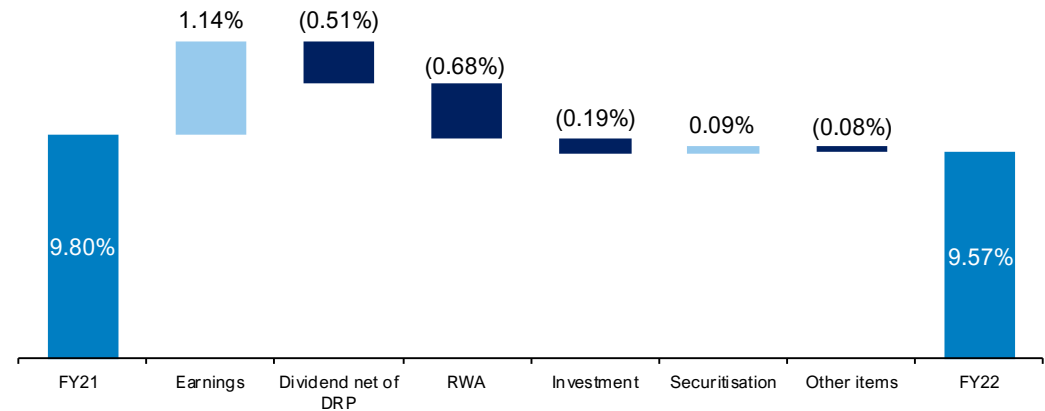
Capital

Investing in growth and transformation

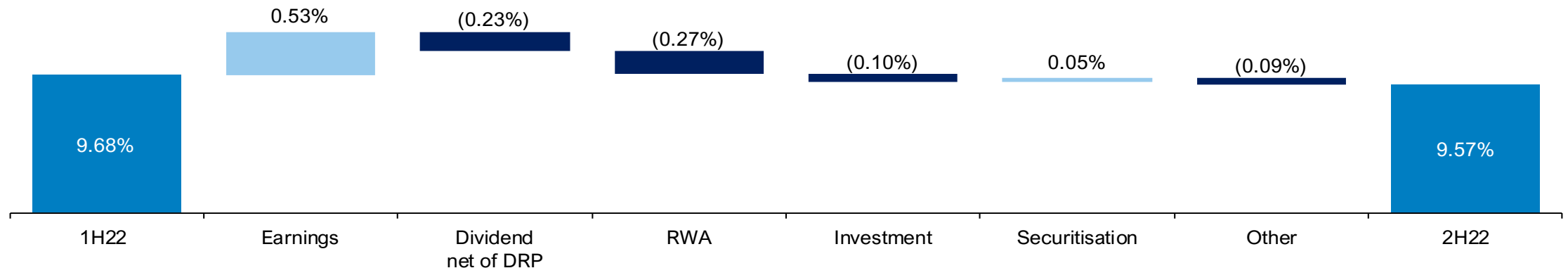
Summary

- > CET1 remains above the target range, at 9.57% for 2H22
- > Solid quality growth generating earnings
- > Continued investment in transforming the business
- > Impact of c.6bps in 2H22 from mark-to-market on HQLA portfolio (impacting Other)
- > Final dividend at lower end of target payout range and DRP discount of 1.5% implemented to retain capital while growth opportunities remain and investing in transformation¹

CET1 (%) – FY21 to FY22



CET1 (%) – 1H22 to 2H22







Note:

(1) Following payment of the FY22 final dividend in November 2022, CET1 is expected to fall below 9.5%, before increasing to above 9.5% by the end of 1H23. We will reassess our CET1 target once the final impacts of APRA's changes to RWAs and capital calibration are understood.





Building a sustainable business

Supporting the transition towards decarbonisation, supporting our communities and enriching our people


Environmental commitments

-  **Supporting our customers to transition** – starting to develop financing solutions for solar panels and electric vehicles
-  **Carbon neutral certified** – reducing our operational footprint
-  **Targeting 100% renewable energy by 2025** – 54% of electricity needs powered by renewable sources in FY22
-  Carbon footprint to be reduced by 90% for scope 1 and scope 2 emissions and 40% for scope 3 by FY30¹

Supporting our communities

-  **Supporting regional areas** – growing our OM branch footprint
-  **Owner managers embedded in communities** – 111 OM branches with long tenure and deep relationships in their community
-  **Supporting our communities** – c.\$1.6m invested in community
-  **Building the resilience of our customers** – particularly vulnerable customers and those in financial distress

Enriching people

-  **Building a future fit capability** – transformation and digital capabilities required for future state
-  **Developing curious bankers and an agile organisation** – execution capability, ability to pivot quickly, banker tools and a flexible digital platform
-  **Driving employee engagement** – grounded in purpose, a clear strategy, inclusive leadership and empowered teams
-  **Diverse workforce** – inclusive leaders and encouraging diversity of thought
-  **Strengthening risk culture** – our people increasingly feel safe to speak up, ongoing work to improve risk controls and decrease manual processes

Note:

(1) Compared to a 2020 baseline. Scope 3 refers to organisational supply chain emissions

KEY FEATURES OF CAPITAL NOTES 3

24 OCTOBER 2022

Bank of Queensland Capital Notes 3 Offer

Key terms: Offer summary

Issuer	> Bank of Queensland Limited (BOQ)
Offer	> Fully paid, unsecured, non-cumulative, perpetual, subordinated, convertible notes (Capital Notes 3)
Offer Size	> \$300 million, with the ability to raise more or less
Face Value	> \$100 per Capital Note 3
Ranking¹	> In a winding-up of BOQ, Capital Notes 3 will rank ahead of Ordinary Shares, equally among themselves and other equally ranked instruments (including Capital Notes 1 and Capital Notes 2) and behind all Senior Ranking Creditors
Term	<ul style="list-style-type: none"> > Perpetual (no fixed maturity date) unless Converted, Redeemed or Resold > Optional Conversion, Redemption or Resale on 15 December 2028, 15 March 2029, or 15 June 2029 or following a Regulatory Event or Tax Event; and Optional Conversion following a Potential Acquisition Event, each subject to APRA's prior written approval and provided certain conditions are satisfied > Scheduled Mandatory Conversion into Ordinary Shares on 16 June 2031 provided Mandatory Conversion Conditions are satisfied, unless Redeemed or Converted earlier > Mandatory Conversion into Ordinary Shares following a Loss Absorption Event or Acquisition Event
Use of Proceeds	> Proceeds of Capital Notes 3 will be used for BOQ's general corporate and funding purposes. BOQ currently has an option to redeem the BOQ 2017 Wholesale Capital Notes on 28 November 2022 and will consider redeeming the BOQ 2017 Wholesale Capital Notes on that date, subject to various factors (including satisfactory completion of the Offer, market conditions and any required regulatory approvals).
Quotation	> BOQ will apply for Capital Notes 3 to be quoted on the ASX under ASX code "BOQPG"

Note:

(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

Key terms: Distributions


Distributions	<ul style="list-style-type: none"> > Floating rate, quarterly, discretionary, non-cumulative payments subject to Payment Conditions > Distributions are expected to be fully franked¹ <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
Payment Dates	<ul style="list-style-type: none"> > The first Distribution Payment Date is 15 March 2023 > Distribution Payment Dates are 15 March, 15 June, 15 September, and 15 December each year
Distribution Rate	<ul style="list-style-type: none"> > Distribution Rate is $(\text{BBSW Rate} + \text{Margin}) \times (1 - t)$ > BBSW 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 > The Margin will be determined by the Bookbuild and is expected to be in the range of 3.40% to 3.60%
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 exists on a Distribution Payment Date if any of the following applies: <ul style="list-style-type: none"> • payment results in BOQ or the Group not complying with APRA's then current capital adequacy 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 • payment results in BOQ or the Group becoming or being likely to become insolvent for the purposes of the Corporations Act.
Restrictions in the case of non-payment	<ul style="list-style-type: none"> > If a Distribution has not been paid in full on a Distribution Payment Date, subject to certain exceptions, BOQ must not, until and including the next Distribution Payment Date; <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 an event of default

Note:

(1) Holders should be aware that the ability of a Holder to use franking credits will depend on their individual position and that the potential value of franking credits does not accrue at the same time as the cash Distribution is received

Ranking of Capital Notes 3 in a Winding Up

Ranking of Capital Notes 3 in a Winding Up if they have not Converted

	Type	Illustrative Examples
<p>Higher Ranking</p>  <p>Lower Ranking</p>	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 3 and preference securities	Capital Notes 3 and other Equal Ranking Instruments (including Capital Notes 1 and Capital Notes 2)
	Ordinary shares	Ordinary Shares

Optional Conversion, Redemption or Resale

Conversion, Redemption or Resale by BOQ

- > Subject to prior written approval by APRA, BOQ may elect to:
 - **Convert, Redeem or Resell** all or some Capital Notes 3 on 15 December 2028, 15 March 2029, or 15 June 2029
 - **Convert, Redeem or Resell** all or some Capital Notes 3 after a Tax Event or Regulatory Event
 - **Covert** all (but not only some) Capital Notes 3 following a Potential Acquisition Event

Conversion

- > Conversion at BOQ's option is subject to a number of restrictions (refer to section 2.5.6 of the Prospectus)
- > If the Conversion occurs, Holders will receive a number of Ordinary Shares worth, on a VWAP basis, approximately \$101.01 per Capital Notes 3 (subject to Maximum Conversion Number)

Redemption and Resale

- > If a Redemption or Resale occurs, a Holder will receive the Face Value (\$100) in cash per Capital Notes 3

Holdings' Rights

- > Holders do not have a right to request Conversion, Redemption or Resale

Mandatory conversion

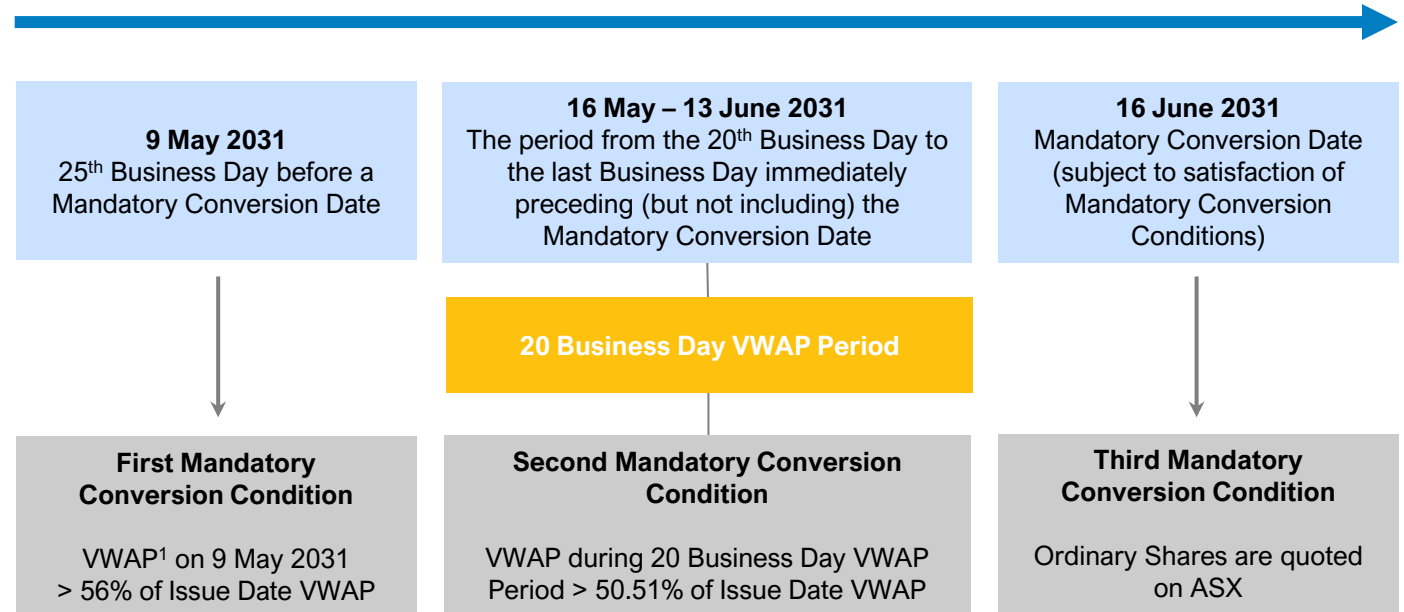
Scheduled mandatory conversion

- > On 16 June 2031, subject to satisfaction of the Mandatory Conversion Conditions, BOQ must Convert all (but not some) Capital Notes 3 unless previously Converted, Redeemed or Written-Off. On Conversion, Holders will receive approximately \$101.01 per Capital Note 3 (subject to the Maximum Conversion Number).
- > 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 3 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 3) occurs, BOQ must Convert all Capital Notes 3 on issue to Ordinary Shares.
- > On Conversion, Holders will receive approximately \$101.01 per Capital Note 3 (subject to the Maximum Conversion Number).

Mandatory conversion conditions



Note: The above diagram dates assume that during the VWAP Period, trading takes place on each of the Business Days, which may not be the case if trading in Ordinary Shares is suspended during the period leading up to the possible Mandatory Conversion Date. The Third Mandatory Conversion Condition would also not be met if trading has been suspended for a certain period or BOQ is unable to Convert Capital Notes 3.

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

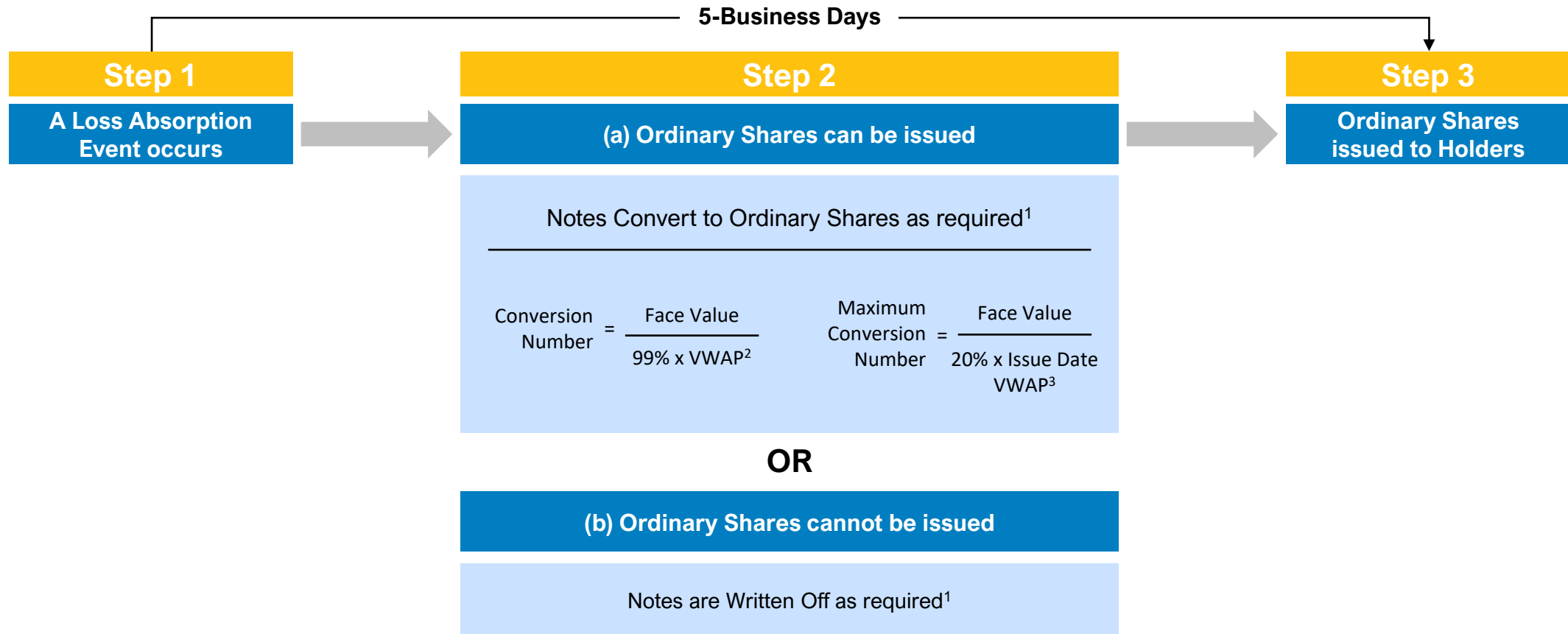
Note:

- (1) VWAP means, subject to any adjustments under clause 7 of the Capital Notes 3 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** > A Loss Absorption Event is each of a **Common Equity Capital Trigger Event** or a **Non-Viability Trigger Event**
-
- Common Equity Capital Trigger Event** > 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** > 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** > Upon a Loss Absorption Event BOQ may be required to Convert a number of Capital Notes 3 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 3 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** > 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 3 and is likely to suffer a loss as a consequence
-

What happens following a Loss Absorption Event



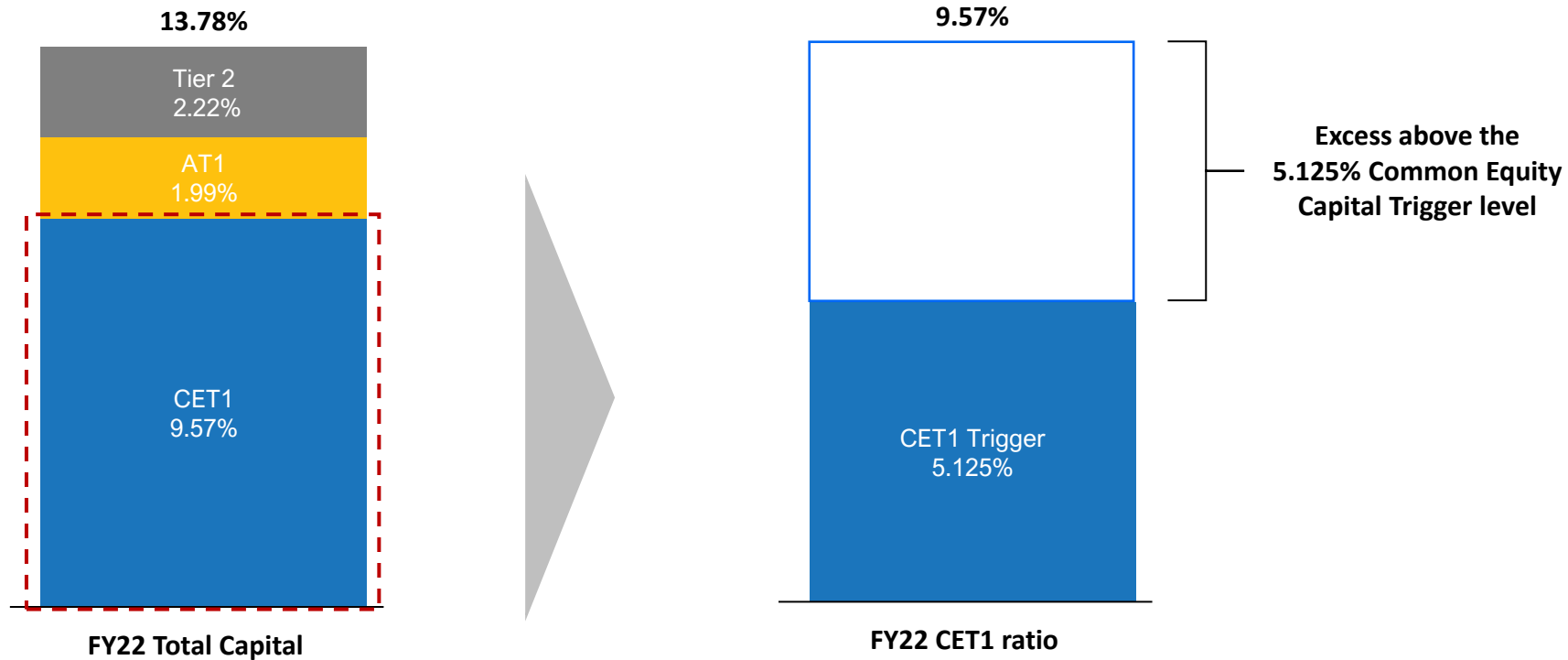
Note:

- (1) All Notes are Converted or Written Off if APRA determines a public sector injection of capital is required
- (2) VWAP is calculated over the 5 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Loss Absorption Event Conversion Date
- (3) Issue Date VWAP is calculated over the 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Issue Date

BOQ Capital Position and Loss Absorption Trigger

BOQ Capital Position

- > Capital position of 9.57% 'unquestionably strong'
- > BOQ intend to operate with CET1 above the target range of 9.0-9.5%¹
- > BOQ Common Equity Tier 1 Capital Ratio is well above the Common Equity Capital Trigger Event level²



Note:

- (1) Following payment of the FY22 final dividend in November 2022, CET1 is expected to fall below 9.5%, before increasing to above 9.5% by the end of 1H23. We will re-assess our CET1 target once the final impacts of APRA's changes to RWAs and capital calibration are understood.
- (2) BOQ only discloses Common Equity Tier 1 Capital at Level 2. The difference between the calculation at Level 1 and Level 2 is not material.

Comparison of investment in BOQ

	Standard Term Deposit	Capital Notes 2	Capital Notes 3	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-up	• Senior to general unsecured creditors of BOQ	<ul style="list-style-type: none"> • Senior to Ordinary Shares • Equal with Equal Ranking Instruments (including Capital Notes 1 and Capital Notes 3) • Junior to the claims of all creditors (including depositors and holders of Tier 2 capital instruments) other than holders of Equal Ranking Instruments 	<ul style="list-style-type: none"> • Senior to Ordinary Shares • Equal with Equal Ranking Instruments (including Capital Notes 1 and Capital Notes 2) • Junior to the claims of 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	• No (not listed)	• Yes (quoted on ASX)	• Yes (quoted on ASX)	• Yes (quoted on ASX)
Distribution Rate	• Interest is fixed	<ul style="list-style-type: none"> • Floating (BBSW + margin)*(1-tax rate) • Margin of 3.80% p.a. 	<ul style="list-style-type: none"> • Floating (BBSW + margin)*(1-tax rate) • Margin expected to be in range of 3.40% to 3.60% 	• Variable dividends
Distribution Frequency	• Variable	• Quarterly	• Quarterly	• Semi-annually
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, Common Equity Tier 1
Mandatory Conversion to Ordinary Shares (if still outstanding)	• No	• Yes on 15 May 2029	• Yes on 16 June 2031 ¹	• n/a

(1) As 15 June 2031 is not a Business Day, this date has been postponed to the following Business Day.

KEY RISKS ASSOCIATED WITH TERMS OF CAPITAL NOTES 3

24 OCTOBER 2022

Bank of Queensland Capital Notes 3 Offer

Key risks associated with terms of Capital Notes 3

Capital Notes 3 are not deposit liabilities or protected accounts	> Capital Notes 3 are not deposit liabilities of BOQ, are not protected accounts for the purposes of the Banking Act or any other accounts with BOQ and are not guaranteed or insured by any government or other person
Suitability	> Capital Notes 3 are a complex investment and may be difficult to understand, even for experienced investors. You should ensure that you understand the Capital Notes 3 Terms and risks of investing in Capital Notes 3 and consider whether Capital Notes 3 are an appropriate investment for your particular circumstances
Changes in Distributions	> The Distributions payable on Capital Notes 3 are based on a floating rate plus a fixed Margin. The Distributions will fluctuate in line with movements in the BBSW Rate which is influenced by a number of factors and varies over time
Distributions may not be paid	> There is a risk that Distributions will not be paid on Capital Notes 3, including where the Directors decide not to pay a Distribution or where a Payment Condition exists
Distributions may not be fully franked	> BOQ currently 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
Restrictions on rights and ranking in a winding-up of BOQ	> Capital Notes 3 are unsecured and subordinated. In a winding-up of BOQ, Capital Notes 3 rank for payment of capital ahead of Ordinary Shares, equally with Capital Notes 1 and Capital Notes 2 and other Equal Ranking Instruments, but behind the claims of all Senior Ranking Creditors
Mandatory Conversion may not occur on the Scheduled Mandatory Conversion Date	> There is a risk that Conversion will not occur on the Scheduled Mandatory Conversion Date because the Mandatory Conversion Conditions are not satisfied
 Holders have no right to request Conversion, Redemption or Resale	> Holders have no right to request that their Capital Notes 3 be Converted, Redeemed or Resold

There are many other risks associated with an investment in Capital Notes 3. The risks associated with Capital Notes 3 and an investment in the BOQ Group are outlined in Section 4 of the Prospectus:

- See sections 1.3, 4.2 and 4.3 of the Prospectus for more information on risks associated with Capital Notes 3.
- See section 4.4 of the Prospectus for more information on risks associated with an investment in the BOQ Group.

Key risks associated with terms of Capital Notes 3 (con't)

It is not certain whether and when Capital Notes 3 may be Converted, Redeemed or Resold	> Capital Notes 3 are perpetual and may not be Converted, Redeemed or Resold at all, in which case they may remain on issue indefinitely and you may not receive your capital back or receive any Ordinary Shares
Conversion following a Loss Absorption Event	> Conversion following a Loss Absorption Event is not subject to any conditions. If Conversion occurs following a Loss Absorption Event, you may receive significantly less than \$101.01 worth of Ordinary Shares per Capital Note 3
Market price of Capital Notes 3	> The price at which Holders are able to sell Capital Notes 3 on ASX is uncertain. It is possible that Capital Notes 3 may trade at a market price below their Face Value of \$100
Exposure to BOQ's financial performance and position	> The market price of Capital Notes 3 (and the Ordinary Shares into which they can Convert) may be affected by BOQ's financial performance and position
Liquidity	> There may be no liquid market for Capital Notes 3 and the market for Capital Notes 3 may be volatile and less liquid than the market for Ordinary Shares or other securities issued by BOQ
Ranking of Ordinary Shares	> The Ordinary Shares held as a result of any Conversion will following Conversion, rank equally with existing Ordinary Shares
Fluctuation in Ordinary Share price	> The market price of Ordinary Shares may fluctuate due to various factors, including investor perceptions, Australian and worldwide economic conditions, BOQ's financial performance and position, and transactions affecting the share capital of BOQ. As a result, the value of Ordinary Shares received by Holders on Conversion may be greater than or less than Holders anticipated
BOQ may issue further securities or incur other indebtedness	> 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 3) 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
Amendment of Capital Notes 3 Terms	> Subject to complying with all applicable laws, BOQ may amend the Capital Notes 3 Terms and the Capital Notes 3 Deed Poll without the approval of Holders in certain circumstances

There are many other risks associated with an investment in Capital Notes 3. The risks associated with Capital Notes 3 and an investment in the BOQ Group are outlined in Section 4 of the Prospectus:

- See sections 1.3, 4.2 and 4.3 of the Prospectus for more information on risks associated with Capital Notes 3.
- See section 4.4 of the Prospectus for more information on risks associated with an investment in the BOQ Group.

KEY DATES AND KEY CONTACTS

24 OCTOBER 2022

Bank of Queensland Capital Notes 3 Offer

Key dates¹

Key date for the Offer	Date
Lodgement of the original Prospectus with ASIC	24 October 2022
Bookbuild	On or before 31 October 2022
Announcement of the Margin	31 October 2022
Lodgement of replacement Prospectus with ASIC	1 November 2022
Opening Date of the Offer	1 November 2022
Closing Date of the Offer	10am (Sydney time), 9 November 2022
Settlement Date	11 November 2022
Issue Date	14 November 2022
Capital Notes 3 commence trading on ASX (ordinary settlement basis)	15 November 2022
Expected despatch of Holding Statements	16 November 2022

Key dates for Capital Notes 3	Date
First Distribution Payment Date	15 March 2023
Optional Conversion / Redemption / Resale Date	15 December 2028, 15 March, 2029, and 15 June 2029
Scheduled Mandatory Conversion Date	16 June 2031 ²

Note:

(1) Subject to change, all times refer to Sydney time

(2) As 15 June 2031 is not a Business Day, this date has been postponed to the following Business Day.

Key contacts

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