



New ideas in banking

Bank of Queensland Limited

ABN 32 009 656 740

INFORMATION MEMORANDUM

In connection with proposed offers of Reset Preference Shares ("S1RPS") at an Issue Price of \$100 each with a minimum application of 500 S1RPS.

This information memorandum does not contain or represent an offer of securities or an invitation to apply for securities. If Bank of Queensland wishes to offer securities or to invite an application for securities, it will do so by means of a personal offer to a person who falls within one of the exceptions set out in section 708 of the Corporations Act or an offer in a jurisdiction outside Australia where permitted by law. This Information Memorandum is not to be distributed in, and no offer of S1RPS will be made in, the United States of America or in any other country where it would be unlawful to do so.

The Company will not offer the S1RPS under a prospectus, offer information statement or other disclosure document in accordance with Part 6D.2 of the Corporations Act.

This document is important and should be read in its entirety. Potential investors are directed to the disclaimers and limitations referred to in Section 1 of this document.

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The parties named above (other than BOQ) are named for information purposes only.

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1 IMPORTANT NOTICES

Limited Responsibility for Information

This Information Memorandum is dated 26 September 2003 and has been issued and prepared by BOQ based on the information available to it. Other than to the extent required by law, BOQ, the Lead Manager and Co-manager and their respective employees, officers and agents make no representation or warranty, express or implied, as to, and assume no responsibility or liability for, the authenticity, origin, validity, accuracy or completeness of, or any errors or omissions from any information, statement or opinion contained in this Information Memorandum or in any accompanying, previous or subsequent material or presentation.

The Lead Manager nor the Co-manager:

- does not make or purport to make, any statement or representation (including but not limited to any representation with respect to any future matter) contained in this Information Memorandum;
- is not responsible for the contents of this Information Memorandum;
- has not verified the accuracy or completeness of this Information Memorandum; and
- is not liable in any way for any mis-statement in or omission from the Information Memorandum, except as required by law and then only to that extent.

Except as required by law, neither BOQ, the Lead Manager nor the Co-manager undertakes to review the financial conditions or affairs of BOQ at any time or to advise any persons to whom the Information Memorandum has been delivered of any information coming to its attention.

No Requirement for Disclosure Document

This Information Memorandum does not contain or represent an offer of securities or any invitation to apply for securities. If BOQ wishes to offer the S1RPS or to invite an application for the S1RPS, it will do so by means of a personal offer to a person who falls within one of the exceptions set out in section 708 of the Corporations Act or an offer in a jurisdiction outside Australia where permitted by law.

BOQ will not offer the S1RPS under a prospectus, offer information statement or other disclosure document ("Disclosure Document") in accordance with Part 6D.2 of the Corporations Act.

The contents of this Information Memorandum may not be reproduced or used in whole or in part for any purpose without the express written permission of BOQ.

Investor Representations

Offers of S1RPS where the offers are received in Australia will only be made to investors that satisfy section 708(8) or section 708(11) of the Corporations Act. By applying for S1RPS, the applicant will be deemed to represent that they are not an investor in respect of which a Disclosure Document is required.

Information

As this Information Memorandum is not a Disclosure Document it does not contain all information that would be contained in a standard full-disclosure prospectus, including all information that investors and their professional advisers would reasonably require to make

an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of BOQ.

This Information Memorandum has been prepared by BOQ as at 26 September 2003 (the "Preparation Date"). The delivery of the Information Memorandum at any time after the Preparation Date does not imply the information contained in it is accurate, timely or complete at any time subsequent to the Preparation Date. Accordingly, neither the delivery of this Information Memorandum, nor the issue of S1RPS, implies or should be relied upon as a representation or warranty that there has been no change since the Preparation Date in the affairs or financial condition of BOQ or other information contained in this Information Memorandum.

No Recommendation

The information contained in this Information Memorandum is not a recommendation by BOQ or the Lead Manager and Co-manager that any person subscribe for S1RPS. Each intending subscriber should determine for itself the relevance of the information contained in this Information Memorandum, must conduct its own investigations and analysis of the operations and prospects of BOQ and must base its investment decision solely upon such independent assessment and investigation as it deems necessary.

No Other Material Authorised

BOQ has not authorised any person to give any information or make any representation in connection with the proposed offer of S1RPS which is not contained in this Information Memorandum and any such information or representation not contained in it must not be relied upon as having been authorised by or on behalf of BOQ or the Lead Manager and Co-manager.

No Offer in the United States or Other Countries Where Unlawful to Make Offer

This Information Memorandum is not to be distributed in, and no offer of S1RPS will be made in, the United States of America. The S1RPS have not been and will not be registered under the United States Securities Act of 1993 (as amended).

This Information Memorandum is not to be distributed in, and no offer of S1RPS will be made in any country in which it would be unlawful to do so.

No Official Quotation of S1RPS on ASX

BOQ does not intend to apply for quotation of the S1RPS on Australian Stock Exchange Limited (ASX) from their first date of issue.

BOQ intends to apply for quotation of the S1RPS at some time after the anniversary of the first issue of S1RPS.

BOQ will use all reasonable endeavours and furnish all documents, information and undertakings as may be reasonably necessary in order to procure, at its own expense, quotation of all Ordinary Shares issued on any exchange of the S1RPS into Ordinary Shares on each of the stock exchanges on which the other Ordinary Shares of BOQ are quoted on the date of exchange.

Stamp Duty

There are no stamp duties associated with the issue of and initial investment in S1RPS. Holders of S1RPS should obtain their own advice in relation to the application of stamp duty on any resale before undertaking any dealing in those S1RPS.

2 SUMMARY OF PROPOSED OFFER

BOQ is proposing to offer S1RPS for \$100 each. The minimum application is for 500 S1RPS and in multiples of 100 thereafter. It is expected that 250,000 S1RPS will be offered to raise \$25 million, although BOQ will have the right to issue more or less than these amounts.

The Terms and Conditions of the S1RPS are contained in the Annexure.

Ratings

BOQ has been rated for creditworthiness by Standard & Poor's and Fitch.

BOQ – Long Term Senior Debt Rating

Standard & Poor's	BBB
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Fitch	BBB
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Ratings are subject to revision or withdrawal at any time.

These securities have not been rated.

3 ABOUT BANK OF QUEENSLAND

On 15 August 2003, Bank of Queensland lodged with the ASX a prospectus for its \$62.1 million rights issue. The details below are excerpts from this public document. This document is available from the Bank of Queensland website: www.boq.com.au or on request by calling the Lead Manager on (02) 8259 5953.

Overview

Bank of Queensland Limited has its origins in the Brisbane Permanent Benefit Building and Investment Society, which was formed in 1874. Brisbane Permanent converted from a building society into a bank in 1887.

Following various mergers and acquisitions the Bank was granted a banking licence in 1941 and changed its name to Bank of Queensland Limited in 1970.

Like many other Australian regional banks, the Bank's assets under management are dominated by its residential lending portfolio. The Bank, with its long history as a licensed bank, has also for some time managed a commercial lending portfolio, including equipment finance, in the small to medium sized business sector.

Its history of exposure to this sector has offered the Bank some protection against an over-reliance on residential lending and also afforded the Bank the experience necessary to deal with the more complex credit decisions and on-going management required when lending to the small business sector.

With total assets under management of \$7,296 million as at 28 February 2003, the Bank is one of the smaller Australian regional banks. In spite of its relatively small asset base it operates a widespread network of branches which cover all the major centres of population within the State of Queensland.

During the past two years the Bank has opened 27 new branches, all of which are owner managed branches. Currently the Bank has 120 branches, comprising 58 corporate branches and 62 owner managed branches. More new branches are planned over the next 12 months.

In addition, the Bank has established 6 business banking centres in Queensland to cater for its growing involvement in the SME sector. In May 2003 the Bank was awarded the Best Regional Bank Award in the Australian Banking and Finance Awards 2003.

Trading in 2003 to date

Since the Bank's half year results for the period to 28 February 2003 were announced in April 2003, the Bank has continued to experience strong asset growth while meeting the Bank's sound credit selection criteria. On 15 August, the Bank announced that net profit after tax for the year ending 31 August 2003 is expected to be towards the upper end of broker analysts' forecast range of \$41.9 million to \$44.5 million.

The Bank's strategy for growth

The Bank believes that the underlying strength of the Queensland economy is likely to continue to provide sufficient growth opportunities for the Bank in the short term. For the medium to longer term however, interstate expansion, using non-traditional distribution mechanisms such as electronic banking and the Bank's owner managed branches concept, is being actively considered. The physical size and diversity of Queensland acts to mitigate the well-recognised risks inherent in high levels of geographic and business concentration. Queensland is the second biggest state in Australia, has the least concentrated population and has a diversified economic base covering major economic sectors, including mining, agriculture, tourism, manufacturing and services.

The Bank has already commenced the expansion of its Business Banking Division, targeting primarily the SME market. The Bank already possesses key competencies in this market. This will help the Bank to diversify away from the current dominance of income streams generated from residential mortgages.

Acquisition of UFJ Finance Australia Limited ("UFFA")

The Bank is to acquire UFFA, an equipment finance company with a large, high quality and highly diversified portfolio of loan assets, with:

- Total managed receivables of approximately \$964 million (as at 31 December 2002) under approximately 28,000 contracts and 15,000 customers, with an average customer exposure of about \$64,000 and an average contract size of about \$34,000;
- Low exposure to single customers, with top ten customers representing less than 7%, and no customer more than 1% of total exposure;
- Low level of bad debts experience (net write offs were 0.27% of average balance sheet receivables in the calendar year 2002).

The Acquisition represents a strong strategic and operational fit which:

- Meets the Bank's stated goal to expand and grow its Business Banking division;
- Provides a platform from which the Bank can offer improved services to its existing customer base and an expanded customer base;
- Is consistent with the Bank's stated goal:

"To be Australia's best regional bank, by:

- building on our strong home base in Queensland; and
- selected inter-state expansion".

The Acquisition:

- Provides the Bank greater scale in the small to medium sized enterprise (SME) equipment financing market, increasing the Bank's total equipment finance assets under management from approximately \$200 million to over \$1.1 billion. Greater scale brings economies of scale which enable the Bank to continue to adopt best practice in back office operations and customer service while maintaining cost competitiveness with industry peers.

The result is a stronger platform for the Bank to service and distribute products to its existing customer base and an expanded customer base;

- Strengthens the Bank's market position in Queensland while providing a platform for a measured interstate expansion;
- Provides access to a national sales force and approximately 15,000 customers bringing the opportunity to generate additional revenue from these distribution channels and customers by offering the full range of the Bank's products;
- Helps to further diversify the Bank's revenue streams, providing greater insulation to adverse economic trends through a broader customer base and business mix;
- Will potentially generate cost savings through the integration with the Bank's existing equipment finance business.

Furthermore:

- When combining the results of UFFA for the 12 month period to 31 December 2002 with those of the Bank for the 12 month period to 28 February 2003, the Acquisition is EPS accretive;
- Standard & Poor's, Moody's and Fitch have each affirmed the Bank's existing credit ratings post the announcement of the Acquisition;
- The acquisition price of \$13.1 million includes a \$7 million premium over the estimated net book value, and implies an acquisition price¹ to adjusted book value² multiple of 1.1 times³ and price to earnings multiple⁴ of 10.0 times 2002 earnings;
- Post the Acquisition and completion of the Capital Raising, the Bank will continue to meet its target total capital adequacy ratio of 10% to 11%, its target tier 1 ratio of 7% to 8% and its target of no more than 20% of tier 1 capital being in hybrid capital;
- The Bank intends to fund a sizeable proportion of the acquired assets through securitisation on an ongoing basis. Securitisation provides:
 - a mechanism for more efficient use of Bank capital; and
 - a release of capital which will underpin further growth of the Bank; whilst
 - maintaining the ongoing revenue stream from the securitised portfolio.

Financing the Acquisition

The Acquisition will be funded by the proceeds of the Placement, the Rights Issue, this S1RPS Issue and debt finance as set out below:

Source of funding	\$ millions
Placement	\$30.0
Rights Issue	\$62.1
S1RPS Issue	\$25.0
Subordinated debt	\$30.0
Acquisition Bridge and Refinance Facility	\$573.8
	\$720.9
Applications of funding	\$ millions
Estimated net assets ⁽¹⁾	\$6.1
Sales price premium to UFJ Australia	\$7.0
Repayment of certain current debt facilities	\$695.9
Payment of swap liability	\$9.0
Payment of equity raisings costs	\$2.9
Total	\$720.9

Note 1:

The estimated net asset value of UFFA includes dividends of \$60 million from UFFA to its parent company prior to the Acquisition and this estimate has been provided by the vendor, UFJ Australia. The actual net asset value will be determined on completion.

¹ Price is calculated as the adjusted book value plus the premium of \$7 million.

² The adjusted book value is calculated by adding back \$60 million of dividends declared in 2002 by UFFA to the estimated net book value at Acquisition of \$6.1 million.

³ The price to book value multiple is calculated as the sum of the premium (\$7 million) and the adjusted book value (\$66.1 million) divided by the adjusted book value (\$66.1 million).

⁴ The price to earnings multiple is calculated as the sum of the premium (\$7 million) and the adjusted book value (\$66.1 million) divided by the 2002 earnings (\$7.3 million).

4 Annexure

TERMS AND CONDITIONS – SERIES 1 RESET PREFERENCE SHARES (“S1RPS”)

1 DESCRIPTION

This document sets out the terms and conditions of \$100 perpetual preference shares, paying fixed non-cumulative fully franked dividends with certain terms periodically reset to be issued by the Bank of Queensland (the “S1RPS”). The dividends are intended to be fully franked. The first reset will be 20 October 2008. Subsequent reset dates will be 5 years after the preceding reset. Holders will have an option on each reset date to request that the S1RPS be exchanged for ordinary shares of the Bank of approximately equal value to the original issue price of the preference shares. The Bank may issue S1RPS in addition to those in the Initial Issue (in accordance with clause 4).

2 ISSUER

Bank of Queensland Limited.

3 DENOMINATION

The denomination of each S1RPS will be \$100 (the “Face Value”). Each S1RPS will be issued as fully paid. For the Initial Issue, the Issue Price of each S1RPS will be \$100. For each Subsequent Issue, the Issue Price of each S1RPS will be the price set out in the Pricing Supplement in relation to that issue.

4 MULTIPLE ISSUES

4.1 Reset Preference Share Issues

The Bank may issue S1RPS in addition to those in the Initial Issue. Such Subsequent Issues will comprise S1RPS which are identical in all respects to the existing S1RPS, save for the Issue Price and Issue Date which will be set out in the Pricing Supplement in relation to that issue. S1RPS issued in Subsequent Issues will rank pari passu with the existing S1RPS in all respects including right to dividends.

4.2 Issue Date

The Issue Date for the Initial Issue will be the Allotment Date (02 October 2003). The Issue Date for Subsequent Issues will be the date specified as the Issue Date by the Bank in the Pricing Supplement in relation to that Subsequent Issue.

5 MINIMUM SUBSCRIPTION AMOUNT

The Minimum Subscription Amount will be 500 S1RPS and in multiples of 100 thereafter. The Bank reserves the right to change the Minimum Subscription Amount at its absolute discretion.

6 MATURITY

None, the S1RPS are perpetual.

7 DIVIDENDS

7.1 Calculation

The S1RPS will pay a fixed dividend on each Dividend Payment Date (each a “**Dividend**”). The Dividend is calculated as:

$$\text{Dividend} = \frac{\text{Dividend Rate} \times \text{Face Value} \times D}{365}$$

Where:

D	is the number of days from (and including) the first date of issue of the S1RPS or the preceding Dividend Payment Date (whichever is the later) until (but not including) the relevant Dividend Payment Date;
Dividend Rate	is: (a) for the period to the first Reset Date, the greater of: (i) 5.15%; and (ii) the amount calculated as (Market Rate + Margin) x (1 - Ti); and (b) for the periods between succeeding Reset Dates, as reset by the Bank in accordance with clause 9;
Market Rate	has the meaning given in clause 7.2;
Margin	has the meaning given in clause 7.3; and
Ti	has the meaning given in clause 7.4; and
Face Value	has the meaning given in clause 3.

7.2 Market Rate

The initial Market Rate will be the rate, expressed as a percentage per annum, quoted as the 10:00am 5 year mid swap reference rate from the Australian Financial Markets Association (AFMA) rate set page as displayed at or around 10:15am (Australian Eastern Standard Time) on Reuters Monitor System page SWAPREF (or any page which replaces that page) on the business day immediately following the day on which the first offer of **S1RPS** closes.

7.3 Margin

The Margin, expressed as a percentage per annum, for the period to the first Reset Date, will be 2.00% (“**Initial Margin**”).

7.4 Gross-up

If any Dividend is not franked to 100% under Part 3-6 of the Tax Act (or any provisions that revise or replace that Part), the Dividend will be adjusted in accordance with the following formula:

$$\text{Dividend} = \frac{D}{1 - [Ti \times (1 - f)]}$$

where:

D	is the Dividend calculated under clause 7.1;
Ti	is the Australian corporate tax rate applicable to the franking account of the Bank from which the Dividend will be franked, expressed as a decimal; and
f	is the franking percentage (within the meaning of Part 3-6 of the Tax Act or any part that replaces or revises that part) of the Dividend, expressed as a decimal.

7.5 Payment

Dividends will be payable on the S1RPS in arrears on each Dividend Payment Date, with the first Dividend Payment Date being on 20 April 2004 and thereafter on each 20 April and 20 October until the S1RPS are exchanged or except to the extent varied under clause 9.

7.6 Non-Cumulative

Dividends are non-cumulative. If and to the extent that all or any part of a Dividend is not paid because of the provisions of these Terms of Issue, the Bank will have no liability to pay, and the Holders will have no right to be paid, any amount in respect of that Dividend.

7.7 Restrictions

A Dividend is only payable if:

- the Directors, at their discretion, determine that the dividend is payable;
- unless otherwise approved by APRA, the amount of payments on Tier 1 Securities on the relevant Dividend Payment Date does not exceed the Distributable Profits on the relevant Dividend Payment Date;
- the Bank complies with APRA's then prevailing capital adequacy standards and guidelines; and
- APRA has not issued any objection to the Dividend payment or stated that if the proposed payment is made the S1RPS will cease to be treated as Tier 1 Capital.

7.8 Record Date

A Dividend is only payable to those persons registered as Holders on the date which is 11 business days before the Dividend Payment Date for that Dividend.

7.9 Deductions

The Bank may deduct from any Dividend payable to a Holder the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount. If any such deduction has been made and the amount of the deduction accounted for by the Bank to the relevant revenue authority and the balance of the amount payable has been paid to the Holder concerned, then the full amount payable to such Holder will be taken to have been duly paid and satisfied by the Bank. The Bank must pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring penalty under the applicable law and must, if required by any Holder, deliver to that Holder the relevant receipt issued by the revenue authority without delay after it is received by the Bank.

7.10 Ordinary Dividend Restrictions

If the Bank fails to pay a Dividend in full within 20 business days after the relevant Dividend Payment Date, the Bank may not, without approval of a special resolution passed at a separate meeting of Holders, make any payments, or return capital, on any Tier 1 Securities ranking junior to the S1RPS until:

- (a) the Bank has complied with clause 8.1; or
- (b) all S1RPS have been exchanged.

8 OPTIONAL DIVIDEND

8.1 Optional Dividend

The restrictions in clause 7.10 will no longer apply if:

- a) two consecutive Dividends stated to be payable on the S1RPS thereafter have been paid in full (or an equivalent amount of Dividends if the frequency of payment is other than semi-annual); or

- b) an optional dividend (“**Optional Dividend Payment**”) has been paid to the Holders equal to the unpaid amount (if any) of the two immediately preceding Dividends prior to the date of payment of the Optional Dividend Payment (or equivalent Dividends if the frequency of payment is other than semi-annual).

8.2 Restrictions

Payment of an Optional Dividend Payment is subject to the restrictions set out in clause 7.7.

8.3 Record Date

An Optional Dividend Payment is only payable to those persons registered as Holders on the date prior to its payment that is determined by the Bank from time to time or such other date as may be required by the ASX from time to time.

9 RESET FEATURE

9.1 Right to “Reset”

The Bank will have the ability to “Reset” certain terms of the S1RPS on specific future dates (each a “**Reset Date**”). The first Reset Date will be 20 October 2008. Each subsequent Reset Date will be 5 years after the preceding Reset Date. The Bank will offer new terms within the Notice Period in a Dividend Reset Notice, specifying:

- a) the timing of the next Reset Date (which must be a Dividend Payment Date);
- b) the Dividend Rate to apply to the period commencing on the Reset Date until the next Reset Date; and
- c) the frequency of Dividend Payment Dates (including appropriate adjustments to the calculations of Dividends and the next Dividend Payment Date),

and generally in the form set out in Schedule 4.

9.2 Restrictions on variation of terms

The variation of terms on Reset Dates will be subject to the following restrictions (unless otherwise agreed by APRA):

- a) the Dividend Rate will be calculated as $(\text{Market Rate} + \text{Margin}) \times (1 - T_i)$;
- b) the Market Rate will be the rate, expressed as a percentage per annum, quoted as the 10:00am mid swap reference rate for the period between the relevant Reset Dates from the Australian Financial Markets Association (AFMA) rate set page displayed at or around 10:15am (Australian Eastern Standard Time) on Reuters Monitor System page SWAPREF (or any page which replaces that page) on the relevant Reset Date;
- c) subject to paragraph (d), (e) and (f) of this clause 9.2, the Margin will be a percentage per annum determined by the Bank;
- d) subject to clause 9.2(e), the Margin may be varied on any Reset Date provided that it does not exceed the lesser of:
 - (i) the Margin that applied on the previous Reset Date plus 100 basis points;
 - (ii) the Initial Margin plus 100 basis points; and
 - (iii) the Initial Margin $\times \frac{(FR - FRG)}{(FI - FIG)}$

where:

- FR is the fair market value yield curve on Bloomberg Page FMCS for BBB rated five year AUD securities (or any page which replaces that page) on the relevant Reset Notice Date;
- FI is the fair market value yield curve on Bloomberg Page FMCS for BBB rated five year AUD securities (or any page which replaces that page) on the first issue date of S1RPS;
- FRG is the fair market value yield curve on Bloomberg Page FMCS for Australian government five year AUD securities (or any page which replaces that page) on the relevant Reset Notice Date; and
- FIG is the fair market value yield curve on Bloomberg Page FMCS for Australian government five year AUD securities (or any page which replaces that page) on the first issue date of the S1RPS;
- e) the Margin may not be varied in any way from the Initial Margin until 15 years after the Initial Issue; and
- f) The Bank may not change the Margin on a Reset Date if the credit rating of the Bank as determined by a majority of rating agencies (or if only one rating agency has rated the Bank, that rating agency) (as agreed with APRA or any other similar credit test approved by APRA) has declined since the immediately preceding Reset Date.

As stated above, APRA may from time to time waive any or all of the restrictions in this clause 9, in which event the Bank may vary the terms as contemplated under clause 9.1, without regard to the restrictions in clause 9.2.

10 RANKING

10.1 Subordinated

The S1RPS are subordinated to all depositors and creditors of the Bank without any rights of set-off. S1RPS do not represent a deposit liability of the Bank.

10.2 Dividends

Until exchange, the S1RPS rank ahead of Ordinary Shares for payment of Dividends.

10.3 Liquidation preference

In a winding-up or liquidation of the Bank, the S1RPS rank:

- Subordinate to all creditors including depositors;
- Junior to holders of RePS;
- Senior to holders of Ordinary Shares; and
- At least equal with other preference shares,

for return of the Face Value and the amount of any Dividend due but unpaid, and otherwise do not participate in a winding up.

11 SET-OFF

No contractual right of set-off exists between the rights of the Holders and any claims by the Bank on the Holders.

12 OTHER ISSUES

12.1 Right to participate

Holders do not have a right to participate in issues of securities to, or capital reconstructions affecting, holders of Ordinary Shares.

12.2 Other issues

The Bank reserves the right to issue further S1RPS or preference shares which rank equally with existing S1RPS, whether in respect of dividends, return of capital on a winding-up or otherwise. The Bank reserves the right to issue further RePS which rank ahead of these S1RPS. Such issues do not constitute a variation or abrogation of the rights attached to the then existing S1RPS.

13 VOTING

Holders will not be entitled to vote at any general meeting of the Bank except that they may vote:

- a) if at the time of the meeting, a Dividend is due and payable but has not been paid in full by the relevant Dividend Payment Date;
- b) on a proposal:
 - (i) to reduce the Bank's share capital;
 - (ii) that affects rights attached to the S1RPS;
 - (iii) to wind up the Bank; or
 - (iv) for the disposal of the whole of the Bank's property, business and undertaking;
- c) on a resolution to approve the terms of a buyback agreement;
- d) during the winding up of the Bank; and
- e) in any other circumstances in which the Listing Rules require holders of preference shares to be entitled to vote,
- f) in which case Holders will have the same rights as to manner of attendance and to voting as a holder of Ordinary Shares with one vote per S1RPS.

14 EXCHANGE PRIOR TO A RESET DATE

14.1 Bank of Queensland Exchange

The Bank has the right, in its absolute discretion, to exchange some or all of the S1RPS on the Reset Date by delivering to a Holder an Exchange Notice, within the Notice Period, requiring the exchange of the Holder's S1RPS for the Exchange Number of Ordinary Shares.

14.2 Holder Exchange

Prior to a Reset Date, Holders may request an exchange of some or all of their S1RPS within the Notice Period by delivering an Exchange Notice to the Bank.

15 EXCHANGE NOTICE

An Exchange Notice is an irrevocable notice given by either:

- a) a Holder to the Bank requesting the exchange of their S1RPS for Ordinary Shares in accordance with clause 14.2 or 18.1; or

- b) the Bank to a Holder stating that the Bank intends to exchange some or all of the Holder's S1RPS in the manner specified in the notice.

An Exchange Notice by a Holder must be accompanied by evidence of the title to the S1RPS being converted.

An Exchange Notice by a Holder must be in the form set out in:

- a) Schedule 1 if given under clause 14.2; or
- b) Schedule 2 if given under clause 18.1.

Once a Holder has given or received an Exchange Notice, that Holder must not deal with, transfer, dispose of or otherwise encumber the S1RPS the subject of the Exchange Notice and must do all things reasonably required to give effect to the exchange or sale of the Holder's S1RPS in accordance with these Terms of Issue.

16 BANK OF QUEENSLAND EXCHANGE OPTIONS

On the receipt of an Exchange Notice from a Holder, the Bank in its absolute discretion must determine and notify Holders within the Notice Period which of the following actions to undertake (singularly or in combination):

- a) exchange the Holder's S1RPS for the Exchange Number of Ordinary Shares; or
- b) arrange for the Holder's S1RPS to be each acquired at the Face Value by a third party and that the proceeds are delivered to the Holder.

17 BANK OF QUEENSLAND EXCHANGE - SPECIAL EVENTS

On the occurrence of a Tax Event or a Regulatory Event, the Bank has the right, in its absolute discretion, to exchange some or all of the S1RPS for the Exchange Number of Ordinary Shares on the next Dividend Payment Date. The Bank must notify Holders of the exchange within the Notice Period.

18 EXCHANGE - CONTROL EVENT

18.1 Holder Exchange - Control Event

On the occurrence of a Control Event, the Bank must give notice to Holders of the occurrence. The Holders have the right to request exchange of some or all of the Holder's S1RPS by delivering an Exchange Notice within the Notice Period to the Bank to exchange some or all of their S1RPS 35 business days after the date of despatch of the notification to Holders of the occurrence of a Control Event. Where a Holder requests an exchange the Bank in its absolute discretion must determine and notify Holders promptly which of the following actions to undertake (singularly or in combination):

- a) exchange the Holder's S1RPS for the Exchange Number of Ordinary Shares; or
- b) arrange for the Holder's S1RPS to be each acquired at the Exchange Amount by a third party and that the proceeds are delivered to the Holder.

18.2 Bank of Queensland Exchange - Control Event

Following notification to Holders of the occurrence of the Control Event, the Bank has the right, in its absolute discretion, to exchange some or all of the Holder's S1RPS for the Exchange Number of Ordinary Shares, 35 business days after the date of despatch of a notice to Holders under this clause 18.2. The Bank must notify Holders of the exchange within the Notice Period.

19 NOTICE PERIOD

Notice Period is:

- a) in respect of a Dividend Reset Notice given under clause 9.1 or an Exchange Notice given under clause 14.1 (Bank of Queensland Exchange), at least 50 business days prior to the Reset Date;
- b) in respect of an Exchange Notice given under clause 14.2 (Holder Exchange), at least 35 business days prior to the Reset Date;
- c) in respect of Bank of Queensland Exchange Options (clause 16), at least 20 business days prior to the Reset Date;
- d) in respect of a Bank of Queensland Exchange - Special Events (clause 17) at least 20 business days prior to the next Dividend Payment Date;
- e) in respect of a notice given under clause 18.1 (Holder Exchange - Control Event), the 20 business days following the despatch of the notification to Holders of the Control Event; and
- f) in respect of a notice given under clause 18.2 (Bank of Queensland Exchange - Control Event), the 10 business days following the expiry of the period referred to in clause 19(e).

20 VWAP

20.1 Calculation

The VWAP is, subject to any adjustment made in clause 20.3, 97.5% of the volume weighted average of the sale prices at which Ordinary Shares were sold on ASX over the period ("Reference Period") of 20 Trading Days prior to the relevant date for exchange, but does not include:

- a) special crossings (in accordance with Business Rule 2.8);
- b) crossings prior to commencement of normal trading (in accordance with Business Rule 2.7.4A); or
- c) crossings during the after hours adjust phase (in accordance with Business Rule 2.7.3).

20.2 Fractions

Where the total number of Ordinary Shares to be allotted to a Holder in respect of the total number of S1RPS being exchanged at that time includes a fraction, that fraction will be disregarded except where the total number is less than one, in which event the total number will be deemed to equal one.

20.3 Adjustment

If the Ordinary Shares have been sold cum dividend or cum entitlement during the Reference Period, and the ordinary shares to be issued to Holders will not carry that entitlement, then the price for sales of Ordinary Shares cum dividend or cum entitlement will be reduced by an amount equal to:

- a) the cash amount of the dividend (including, if the dividend is franked, any additional amount which would be included in the assessable income of a recipient of the dividend who is a natural person under the Tax Act);
- b) the cash amount or the value of the other entitlement.

Appropriate adjustments will be made by the Directors for any capital reconstruction during this period.

21 ACCRUED DIVIDEND AMOUNT

The Accrued Dividend Amount is only payable, subject to APRA approval, where a Holder or the Bank has elected to exchange their S1RPS after the occurrence of a Control Event.

The Accrued Dividend Amount is the Dividend payable on the next Dividend Payment Date multiplied by the number of days from (but not including) the last Dividend Payment Date until the date on which the S1RPS will be exchanged, divided by the number of days between the relevant Dividend Payment Dates.

22 CONTROL EVENT

22.1 50% offer or scheme

Subject to clause 22.2, a Control Event occurs when:

- a) there is an unconditional takeover offer for more than 50% of the Ordinary Shares and:
 - (i) the offeror becomes entitled to more than 50% of the voting power; and
 - (ii) the Board of Bank of Queensland recommends acceptance; or
- b) a scheme of arrangement is finally approved which when implemented a person will have more than 50% of the voting power of the Ordinary Shares.

22.2 Concurrent offer or scheme involving S1RPS

The Board of Bank of Queensland may in its absolute discretion deem an event of the type set out in clause 22.1 not to be a Control Event where a concurrent or simultaneous unconditional takeover offer or scheme of arrangement is made or proposed that effectively includes all of the S1RPS on issue at the relevant time and under which Holders would receive consideration for their S1RPS at least equal to the Exchange Amount referred to in paragraph (c) of the definition of Exchange Amount.

23 NOTICE AND MEETINGS

Holders of S1RPS will be entitled to:

- a) receive notice of and attend (but not vote, except in accordance with clause 13) at any general meeting of the Bank;
- b) receive all reports and audited accounts of the Bank which are sent by the Bank to holders of Ordinary Shares.

Failure by the Bank to give a Holder any notice, report or other document to which that Holder is entitled under this paragraph will not affect the validity of any meeting (or any proceedings at any meeting), transaction or document which relates to the document which was not received by the Holder.

24 QUOTATION

The Bank must use all reasonable endeavours and furnish all documents, information and undertakings as may be reasonably necessary in order to procure, at its own expense, quotation of all Ordinary Shares issued on any exchange of the S1RPS into Ordinary Shares on each of the stock exchanges on which the other Ordinary Shares of the Bank are quoted on the date of exchange.

25 TRANSFERS OF S1RPS

The S1RPS are transferable at the holder's option in accordance with the Constitution and, if they are quoted on ASX, any other relevant rules or requirements flowing from quotation provided that, unless the S1RPS are quoted on ASX, during the first 12 months after their issue, S1RPS:

- a) must be transferred in minimum parcels of 500 S1RPS and then in increments of 100. After 12 months, there will be no restrictions as to the number of S1RPS able to be transferred; and
- b) must not be transferred except pursuant to invitations or offers which do not require disclosure because of section 708 of the *Corporations Act*.

26 AMENDMENTS TO THE TERMS OF ISSUE

Subject to complying with all applicable laws and with APRA's prior approval, the Bank may without the authority, assent or approval of Holders amend or add to these terms of issue if such amendment or addition is, in the opinion of the Bank:

- a) of a formal, minor or technical nature;
- b) made to correct a manifest error; or
- c) not likely (taken as a whole and in conjunction with all other modifications, if any, to be made contemporaneously with that modification) to be materially prejudicial to the interests of the Holders of the S1RPS.

27 INTERPRETATION

27.1 Definitions

In these Terms of Issue, the following expressions have the following meanings:

Accrued Dividend Amount has the meaning given in clause 21.

Allotment Date means the date the S1RPS are first allotted to holders of the S1RPS.

APRA means the Australian Prudential Regulatory Authority.

ASX means the Australian Stock Exchange Limited.

Bank of Queensland or **the Bank** means Bank of Queensland Limited ABN 32 009 656 740.

Business Day has the meaning given in the listing rules of the ASX.

Business Rules has the meaning given in the listing rules of the ASX.

Control Event has the meaning given in clause 22.

Distributable Profits means the operating profits after income tax of the Bank for the immediately preceding year, less dividends, distributions or coupons already paid on any Tier 1 Securities during the current year.

Dividend has the meaning given in clause 7.

Dividend Payment Date has the meaning given in clause 7.5.

Dividend Rate has the meaning given in clause 7.1.

Dividend Reset Notice means a notice given by the Bank under clause 9.1.

Exchange Amount means:

- a) in the case of exchange under clause 14, the Face Value;
- b) in the case of exchange under clause 16, the Face Value;
- c) in the case of exchange under clause 17, the Face Value; or
- d) in the case of exchange under clause 18, the Face Value plus the Accrued Dividend Amount.

Exchange Consideration means the product of the Exchange Amount and the number of S1RPS held by the Holder that are to be exchanged.

Exchange Notice has the meaning given in clause 15.

Exchange Number is the number of Ordinary Shares to be exchanged for a Holder's S1RPS and is calculated by dividing the Exchange Consideration by the VWAP.

Face Value has the meaning given in clause 3.

Holders means the persons whose names are for the time being registered in the register of S1RPS as a holder of S1RPS.

Initial Issue means the S1RPS proposed to be issued on the Allotment Date.

Initial Margin has the meaning given in clause 7.3.

Issue Date has the meaning in clause 4.2.

Issue Price has the meaning given in clause 3.

Margin has the meaning given in clause 7.3.

Market Rate has the meaning given in clause 7.2.

Notice Period has the meaning given in clause 19.

Optional Dividend Payment has the meaning given in clause 8.1(b).

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

Pricing Supplement means, in respect of a Subsequent Issue of S1RPS, a pricing supplement substantially in the form of schedule 3 which supplement gives the particulars of that issue.

Regulatory Event means the determination by the Bank to the effect that, as a result of:

- a) the introduction of, or an amendment or clarification to or change in (or announcement of a prospective introduction of, amendment or clarification to or change in):

- (i) a law or regulation of the Commonwealth of Australia or any State, Territory or other political subdivision thereof or therein; or
 - (ii) any directive, order, requirement, guideline or statement (whether or not having the force of law) of APRA or any central bank or government or governmental, fiscal, monetary, supervisory or other authority in Australia or elsewhere (any such central bank, government or authority to be for the purpose of this definition an “**Authority**”); or
- b) any statement, notification or advice by APRA or an Authority; or
- c) a decision by any court, interpreting, applying or administering any such law, regulation, directive, order, requirement, guideline or statement,

which occurs on or after the Issue Date, there is a risk that the Bank is not or will not be entitled to treat all of the S1RPS as “Tier 1 Capital” (or the then equivalent thereof) for the purposes of the capital adequacy directives, requirements, guidelines or statements of APRA, as then in effect and applicable to the Bank.

RePS means the non-cumulative reset preference shares in the class first issued under Article 3.8 of the Constitution in October 2000.

Reset Date has the meaning given in clause 9.1.

Reset Notice Date means the date on which a Dividend Reset Notice is despatched to Holders.

S1RPS has the meaning given in clause 1.

Subsequent Issue means any issue of S1RPS taking place after the Initial Issue.

Tax Act means the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997 or any act which replaces either of them.

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

- a) any amendment to, clarification of, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of Australia or any political subdivision or taxing authority thereof or therein affecting taxation;
- b) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (“**Administrative Action**”); or
- c) any amendment to, clarification of, or change in, the pronouncement that provides for a position within respect to an Administrative Action that differs from the theretofore generally accepted position,

in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known, which is effective or announced on or after the Issue Date, there is more than an insubstantial risk that the Bank would be exposed to more than a de minimis increase in its costs in relation to the S1RPS as a result of increased taxes, duties or other governmental charges or civil liabilities.

Tier 1 Capital means the core capital of the Bank as defined by APRA under Guidance note AGN 111.1.

Tier 1 Securities means the S1RPS, the Ordinary Shares and any other security issued by the Bank which constitutes Tier 1 Capital.

Trading Day has the meaning given in the listing rules of the ASX.

VWAP has the meaning given in clause 20.1.

27.2 Exchange

In these Terms of Issue:

- a) a reference to “exchange the Holder’s S1RPS for the Exchange Number of Ordinary Shares” is a reference to the conversion of the Holder’s S1RPS into the Exchange Number of Ordinary Shares. Exchange of the Holder’s S1RPS into Ordinary Shares in this manner does not constitute cancellation, redemption or termination of any S1RPS or an issue, allotment or creation of new shares (other than additional Ordinary Shares issued to make up the Exchange Number); and
- b) a reference to “exchanged” or “exchange” is a reference to the S1RPS being converted or sold as determined by the Directors.

27.3 Restriction on conversion

Notwithstanding any other provision of these Terms of Issue, if the conversion of S1RPS into Ordinary Shares for a particular Holder would result in that Holder breaching any provision of the constitution of the Bank or any applicable law, the Board of Bank of Queensland has the discretion not to convert that Holder’s S1RPS into Ordinary Shares and instead to buy-back or procure the sale of that Holder’s S1RPS (whether or not the specific event would otherwise permit such action under these Terms of Issue). Before taking such action, the Board of Bank of Queensland will take reasonable steps to determine which is preferred by the particular Holder.

27.4 Interpretation

Unless the context otherwise requires or unless otherwise specified:

- a) if there is any inconsistency between the provisions of these Terms of Issue and the constitution of the Bank then, to the maximum extent permitted by law, the provisions of these Terms of Issue will prevail;
- b) the Board of the Bank may exercise all powers of the Bank under these Terms of Issue as are not, by the Corporations Act or by the Bank’s constitution, required to be exercised by the company in general meeting;
- c) notices may be given by the Bank to a Holder in the manner prescribed by the Bank’s constitution for the giving of notices to members of the Bank and the relevant provisions of the Bank’s constitution apply with all necessary modification to notices to Holders;
- d) a reference to a clause is a reference to a clause of these Terms of Issue;
- e) if a calculation is required under these Terms of Issue, unless the contrary intention is expressed, the calculation will be rounded to two decimal places. For the purposes of making payment to any person, any fraction of a cent will be disregarded;
- f) definitions and interpretation under the Bank’s constitution will also apply to these Terms of Issue subject to clause 27.4(a);
- g) any provisions which refer to the requirements of APRA or any other prudential regulatory requirements will apply to the Bank only if the Bank is an entity or the

holding company of an entity subject to regulation and supervision by APRA at the relevant time;

- h) the terms “takeover bid”, “relevant interest” and “scheme of arrangement” when used in these terms have the meaning given in the Corporations Act;
- i) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them; and
- j) if an event under these terms must occur on a stipulated day which is not a business day, then the stipulated day will be taken to be the next business day.

SCHEDULE 1

**S1RPS Holder Exchange Notice
Bank of Queensland Limited
(ABN 32 009 656 740)**

HOLDER EXCHANGE NOTICE

I/We, being holder(s) of [] S1RPS, hereby give notice, pursuant to and in accordance with clause 14.2 of the terms of the S1RPS ('Issue Terms'), of my/our wish to exchange []% of those S1RPS, at the next Reset Date.

Words and expressions defined in and for the purposes of the Issue Terms have the same meanings where used in this notice.

.....
[Name and signature of holder(s)]

Dated: []

A corporation must execute by signing by 2 directors or a director and secretary or under its corporate seal (if it has one). In the case of joint holders, all holders must sign. Where the notice is signed under a power of attorney, the attorney warrants that he or she has received no notice of revocation of the power by death of the grantor or otherwise.

SCHEDULE 2

**S1RPS Holder Event Exchange Notice
Bank of Queensland Limited
(ABN 32 009 656 740)**

CONTROL EVENT EXCHANGE NOTICE

Having received notice of the occurrence of a Control Event, I/We, being a holder(s) of [] S1RPS, hereby give notice, pursuant to and in accordance with clause 18.1 of the terms of the S1RPS ('**Issue Terms**'), of my/our wish to exchange []% of those S1RPS, at the next Reset Date.

Words and expressions defined in and for the purposes of the Issue Terms have the same meanings where used in this notice.

.....
[Name and signature of holder(s)]

Dated: []

A corporation must execute by signing by 2 directors or a director and secretary or under its corporate seal (if it has one). In the case of joint holders, all holders must sign. Where the notice is signed under a power of attorney, the attorney warrants that he or she has received no notice of revocation of the power by death of the grantor or otherwise.

SCHEDULE 3

**S1RPS Pricing Supplement
Bank of Queensland Limited
(ABN 32 009 656 740)**

PROPOSED ISSUE OF S1RPS

In relation to the proposed issue of [] S1RPS be advised that:

- (1) The Issue Price is [] per S1RPS; and
- (2) Issue Date is [].

Upon issue, the S1RPS will rank parri passu with all existing S1RPS in all respects including the right to dividends.

Executed by Bank of Queensland Limited

Signature of director

Name of director (print)



Signature of director/company secretary
(Please delete as applicable)

Name of director/company secretary (print)



Dated:

SCHEDULE 4

S1RPS Dividend Reset Notice

Bank of Queensland Limited

(ABN 32 009 656 740)

TO [Name and Address of Holder(s)]

The Bank hereby gives notice under clause 9 of the terms and conditions of issue of the S1RPS in the Bank that:

- (1) the next Reset Date is [date];
- (2) the Dividend Rate applying from [insert Reset Date] to [insert next Reset Date] is []%;
- (3) Until the next Reset Date, Dividends will be payable on the [insert new Dividend Payment Date].

Executed by Bank of Queensland Limited

Signature of director

Name of director (print)

←

Signature of director/company secretary
(Please delete as applicable)

Name of director/company secretary (print)

←

Dated: []