

Bank of Queensland

Perpetual Equity Preference Share Offer

**Prospectus for the issue of Bank of Queensland
Perpetual Equity Preference Shares (“BOQ PEPS”)
to raise \$150 million with the ability to accept up
to \$50 million in oversubscriptions**

Bank of Queensland Limited (ABN 32 009 656 740)

BOQ PEPS Information Line: 1300 657 383



Structuring Adviser
Joint Lead Manager
Underwriter



MACQUARIE

Joint Lead Manager
Underwriter

Co-Managers

ABN AMRO Morgans Limited
Macquarie Equities Limited



Supplementary Prospectus - BOQ PEPS Offer

This supplementary prospectus relates to the prospectus ("Prospectus") lodged by Bank of Queensland Limited ABN 32 009 656 740 ("Bank of Queensland") with ASIC on 9 November 2007 in connection with an offer of Bank of Queensland Perpetual Equity Preference Shares ("BOQ PEPS"). This supplementary prospectus should be read together with the Prospectus. Words and expressions used in this supplementary prospectus have the meanings given to them in the Prospectus.

This supplementary prospectus is dated 20 November 2007. A copy of this supplementary prospectus was lodged with ASIC on that date. ASIC takes no responsibility for the contents of this supplementary prospectus.

Update on proposed merger with Mackay Permanent Building Society

Section 3.1 of the Prospectus refers to Bank of Queensland's recommended proposal to acquire all the shares in Mackay Permanent by way of a scheme of arrangement, and a competing conditional takeover bid for Mackay Permanent announced on 29 October 2007 by Wide Bay.

On 14 November 2007, Wide Bay announced an increase in the scrip alternative under its takeover bid for Mackay Permanent from 0.65 Wide Bay shares plus \$1.00 cash for each Mackay Permanent share to 0.80 Wide Bay shares plus \$1.00 cash for each Mackay Permanent share. On 16 November 2007, the board of Mackay Permanent announced it has determined that, having regard to the risks and benefits of both proposals, the Wide Bay takeover offer is superior to the Mackay Permanent Merger proposal from Bank of Queensland and that it has withdrawn its recommendation that shareholders vote for the Mackay Permanent Merger at the scheme meeting, which has been adjourned to a date to be fixed. On 19 November 2007, Bank of Queensland announced that it would not increase its offer. BOQ announced on 20 November 2007 that it has terminated its Merger Implementation Deed with Mackay Permanent. As a result, the Mackay Permanent Merger will not occur.

Effect on Prospectus

The Offer is not conditional in any way on the outcome of the Mackay Permanent Merger. Bank of Queensland does not consider the outcome of the Mackay Permanent Merger as material to its assets and liabilities, financial position and performance, profits and losses or prospects.

In Sections 6.2.1 and 6.3.1, the income statement and balance sheet present pro forma consolidated financial information for Bank of Queensland on both a stand alone basis and combined with historical financial information from both Home and Mackay Permanent. Readers can use this information to see the effects without the Mackay Permanent Merger. The changes to the pro forma financial information for the Enlarged BOQ Group after removing the Mackay Permanent historical financial information are not material.

In Section 6.3.3, the pro forma capital adequacy of the Enlarged BOQ Group is presented. The changes to the capital adequacy information for the Enlarged BOQ Group after removing the Mackay Permanent historical information are not material.

As the Mackay Permanent Merger will not proceed, Bank of Queensland will not enjoy the expected benefits set out in Section 4.2.1 nor be subject to the risks related to the Mackay Permanent Merger set out in Section 5.4.

Consent to Lodgement

Each Director of Bank of Queensland has given, and has not withdrawn, their consent to lodgement of this supplementary prospectus with ASIC.

Important information

This Prospectus

This Prospectus is dated 9 November 2007 and was lodged with the Australian Securities and Investments Commission ("ASIC") on that date. The offer contained in this Prospectus is for an issue of Bank of Queensland Perpetual Equity Preference Shares ("BOQ PEPS") ("the Offer") by Bank of Queensland Limited (ABN 32 009 656 740) ("Bank of Queensland").

You should read this Prospectus in its entirety before deciding whether to participate in the Offer, and, in particular, you should consider the risk factors that could affect the performance of the BOQ PEPS or Bank of Queensland, some of which are outlined in Section 5.

The information in this Prospectus is not financial product advice and does not take into account your individual investment objectives, financial situation or needs. You should carefully consider the whole of this 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 BOQ PEPS.

No cooling off rights apply to the issue of BOQ PEPS.

As soon as practicable following the date of this Prospectus and in any event within seven days of the date of this Prospectus, Bank of Queensland will apply to ASX Limited ("ASX") for the BOQ PEPS to be quoted on ASX.

ASIC and ASX take no responsibility for the content of this Prospectus or for the investment to which this Prospectus relates.

No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

BOQ PEPS are not deposit liabilities of Bank of Queensland

Investments in BOQ PEPS are not deposit liabilities of Bank of Queensland nor savings accounts and are not subject to the depositor protection provisions of Australian banking legislation.

Foreign jurisdictions

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. If you come into possession of it outside Australia you should seek advice on such restrictions and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify BOQ PEPS or to otherwise permit a public offering of BOQ PEPS outside Australia. BOQ PEPS may be offered in a jurisdiction outside Australia where such an offer is made in accordance with the laws of that jurisdiction.

BOQ PEPS have not been, and will not be, registered under the United States Securities Act of 1933 ("Securities Act") and may not be offered or sold in the United States or to, or for the account or benefit of, a US Person (as defined in Regulation S under the Securities Act).

No representations other than in this Prospectus

No person is authorised to give any information, or to make any representation, in connection with the Offer described in this Prospectus that is not contained in this Prospectus. Any information or representation that is not in this Prospectus may not be relied on as having been authorised by Bank of Queensland or any other person in connection with the Offer.

Future performance and forward looking statements

Neither Bank of Queensland nor any other person warrants or guarantees the future performance of BOQ PEPS or any return on any investment made pursuant to this Prospectus.

The pro-forma financial information provided in this Prospectus is for illustrative purposes only and is not represented as being indicative of Bank of Queensland's view on its future financial condition and / or performance.

The forward looking statements in this Prospectus are based on Bank of Queensland's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of Bank of Queensland and the Directors, that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Prospectus.

No person named in this Prospectus, nor any other person, guarantees the performance of Bank of Queensland or the repayment of capital or the payment of a Dividend on the BOQ PEPS.

Prospectus availability

This Prospectus is available to Australian investors in paper form by calling the BOQ PEPS Information Line on 1300 657 383 (8:30am to 5:00pm Melbourne time Monday to Friday) and as an electronic Prospectus, which may be accessed online at www.boq.com.au. During the Offer Period, any person may obtain a free paper copy of this Prospectus by contacting the BOQ PEPS Information Line on 1300 657 383 (8:30am to 5:00pm Melbourne time Monday to Friday).

Information in this Prospectus that is not materially adverse information is subject to change from time to time and may be updated by Bank of Queensland. This information may be updated and made available to you on the Bank of Queensland website at www.boq.com.au or by contacting the BOQ PEPS Information Line on 1300 657 383. A paper copy of any updated information is available free on request.

Electronic access to Prospectus

If you access the Prospectus in electronic form, the following conditions apply:

- you must download the entire Prospectus from www.boq.com.au;
- your Application will only be considered where you have applied on an Application Form that accompanied the complete electronic Prospectus. By making an Application, you declare that you were given access to the complete Prospectus together with the Application Form;
- the Prospectus is available electronically to persons accessing and downloading or printing the electronic version of the Prospectus in Australia.

Application

Applications for BOQ PEPS may only be made on the Application Form attached to or accompanying a complete and unaltered copy of the Prospectus (including an electronic copy), or as otherwise set out in this Prospectus.

The Corporations Act prohibits any person from passing onto another person the Application Form unless it is attached to, or accompanied by, a complete and unaltered version of the Prospectus. Bank of Queensland will not accept a completed Application Form if it has reason to believe that the Applicant has not received a Prospectus or if it has reason to believe that the Application Form has been altered or tampered with in any way.

Exposure Period

The Corporations Act prohibits the processing of Applications in the period of seven days after the date of lodgement of this Prospectus ("Exposure Period"). This Exposure Period may be extended by ASIC by up to a further seven days. The Exposure Period is intended to enable this Prospectus to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of that period. Applications received during the Exposure Period will not have any greater priority conferred on them by receipt during the Exposure Period.

No withdrawal of Application

You cannot withdraw your Application once it has been lodged, except as permitted under the Corporations Act.

Diagrams

Diagrams used in the Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

Defined words and expressions

Some words and expressions used in this Prospectus have defined meanings, which are either explained in the Glossary in Section 10 or in the Terms of Issue set out in Section 9 of this Prospectus.

A reference to time in this Prospectus is to Brisbane time unless otherwise stated.

The financial amounts in this Prospectus are expressed in Australian currency unless otherwise stated. A reference to \$, A\$, AUD dollars and cents is to Australian currency, unless otherwise stated.

Enquiries

If you have any questions in relation to the Offer, please contact your stockbroker, solicitor, accountant or other financial adviser. If you have questions in relation to how to complete the Application Form, please call the BOQ PEPS Information Line on 1300 657 383 (8:30am to 5:00pm Melbourne time Monday to Friday).

Privacy

Please read the privacy statement located at Section 1.16 of this Prospectus. By submitting the Application Form accompanying this Prospectus or through the online facility, you consent to the matters outlined in that statement.

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Letter from the Chairman

9 November 2007

Dear Investor,

On behalf of the Board of Bank of Queensland Limited ("Bank of Queensland"), I am pleased to present you with an opportunity to invest in Bank of Queensland Perpetual Equity Preference Shares ("BOQ PEPS").

BOQ PEPS offer investors floating rate, discretionary, preferred, non-cumulative dividends with the first dividend scheduled to be paid on 15 April 2008. Subsequent dividends are scheduled to be paid semi-annually in arrears.

Bank of Queensland has maintained a strategy of strong growth, well above the rest of the banking system, for a number of years and our Ordinary Shareholders have benefited from this policy through total shareholder returns averaging 25% per annum over the last five years.

As part of its ongoing capital management strategy, Bank of Queensland intends to issue 1.5 million BOQ PEPS to raise \$150 million, with an ability to issue additional BOQ PEPS to raise up to an additional \$50 million in oversubscriptions.

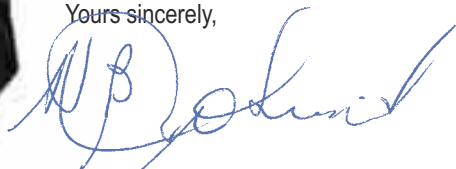
The proceeds raised from the issue of BOQ PEPS will increase Bank of Queensland's Tier 1 capital as part of its ongoing capital management and will be used to fund further growth of its business.

The issue of BOQ PEPS is another exciting chapter in Bank of Queensland's continuing growth. On 11 October 2007, Bank of Queensland announced its FY07 results highlighting strong profits. Bank of Queensland attained a normalised cash Net Profit After Tax ("cash NPAT") of \$106 million for the 2006/07 financial year through strong growth in lending and deposits, breaking the \$100 million cash NPAT mark for the first time and representing an increase of 22% on last year.

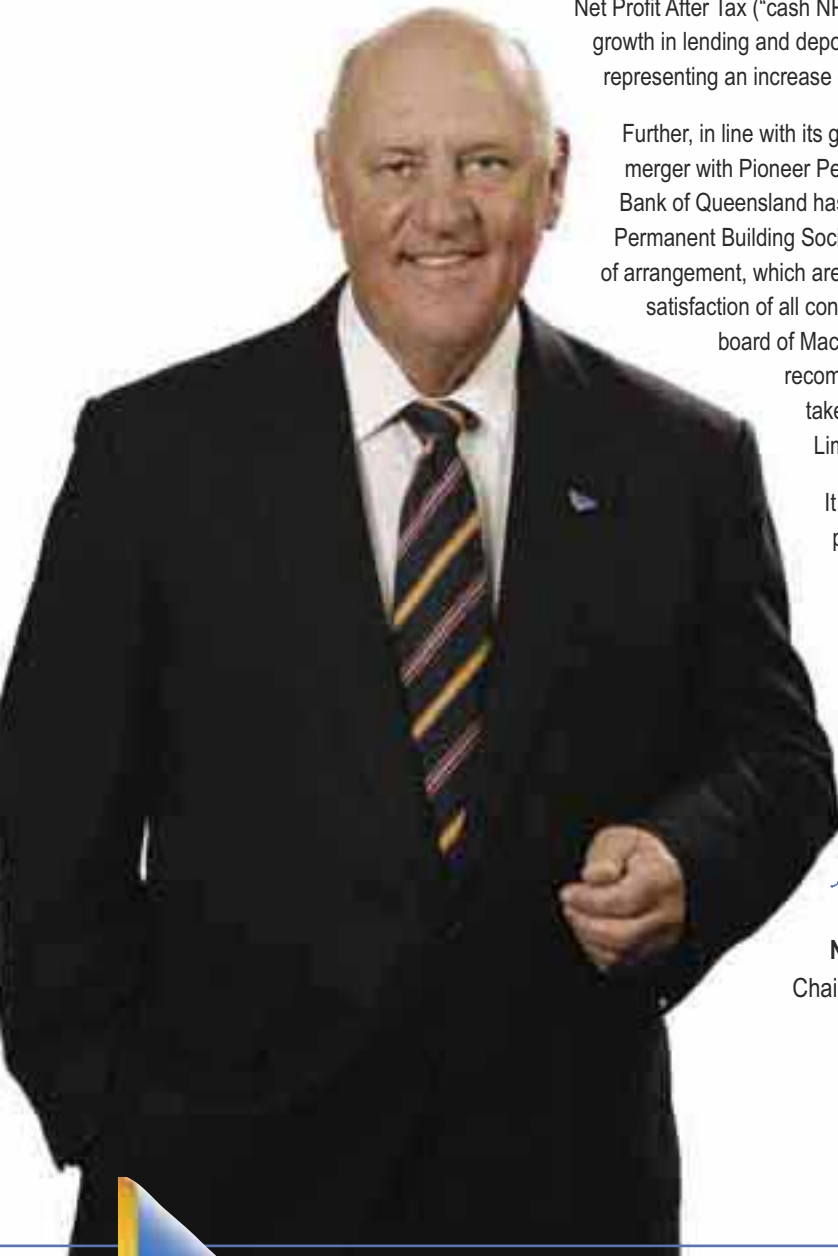
Further, in line with its growth strategy, Bank of Queensland successfully completed a merger with Pioneer Permanent Building Society Limited in December 2006. More recently, Bank of Queensland has announced recommended proposals to merge with Mackay Permanent Building Society Limited and Home Building Society Limited by separate schemes of arrangement, which are scheduled to be implemented during December 2007, subject to the satisfaction of all conditions, including all necessary shareholder and court approvals. The board of Mackay Permanent announced on 2 November 2007 that it continues to recommend the Bank of Queensland merger proposal in preference to a takeover bid for Mackay Permanent announced by Wide Bay Australia Limited on 29 October 2007.

It is important that you read this Prospectus carefully and consider particularly the risks in Section 5 before deciding whether to subscribe for BOQ PEPS. If you have any questions in relation to the Offer, please call the BOQ PEPS Information Line on 1300 657 383 (8:30am to 5:00pm Melbourne time Monday to Friday), or consult your stockbroker, solicitor, accountant or other professional adviser.

Yours sincerely,



Neil Roberts
Chairman





Key dates

Key dates for the Offer	Date
Prospectus lodged with ASIC	9 November 2007
Opening Date	19 November 2007
Annual General Meeting	6 December 2007
Closing Date	10 December 2007
Issue Date	17 December 2007
BOQ PEPS commence trading on ASX on a deferred settlement basis	17 December 2007
Expected despatch of Holding Statements	by 20 December 2007
BOQ PEPS commence trading on ASX on a normal settlement basis	21 December 2007

Key dates for BOQ PEPS	Date
First Dividend Payment Date	15 April 2008
First Bank of Queensland Redemption Call Date	17 December 2012

Dates may change

These dates are indicative only and are subject to change. Bank of Queensland, in consultation with the Joint Lead Managers, reserves the right to extend the Closing Date, to close the Offer early without notice, to accept late Applications, or to withdraw the Offer at any time prior to the issue of BOQ PEPS. Accordingly, investors are encouraged to submit their Application Forms as soon as possible after the Opening Date. If the Closing Date is varied, subsequent dates may also be varied.

Quotation

Bank of Queensland will apply to ASX within seven days after the date of this Prospectus for the BOQ PEPS to be quoted on ASX.

Applications

No Applications for BOQ PEPS will be processed (and no BOQ PEPS will be issued) until seven days after this Prospectus is lodged with ASIC. This period is known as the Exposure Period. ASIC may extend that period for up to a further seven days.

Key features

This summary is designed to provide investors with the key features of the BOQ PEPS. More detailed information is set out in Sections 2 and 9 and elsewhere in this Prospectus. You should read this Prospectus in its entirety, including the risks set out in Section 5, before deciding whether to invest in the BOQ PEPS.

Some words and expressions used in this Prospectus have defined meanings, which are either explained in the Glossary in Section 10 or in the Terms of Issue set out in Section 9 of this Prospectus.

General	
Issuer:	Bank of Queensland Limited (ABN 32 009 656 740).
Security:	Perpetual Equity Preference Shares, paying floating rate, discretionary, non-cumulative Dividends.
Face Value:	A\$100 per BOQ PEPS.
Minimum Subscription Amount	50 BOQ PEPS (\$5,000)
Term:	BOQ PEPS are preference shares, which are perpetual. The instrument can only be Redeemed by Bank of Queensland and not by Holders.
Expected Instrument Credit Rating ⁽¹⁾	'Baa1' from Moody's and 'BBB-' from Standard & Poor's ("S&P").
Non-Innovative Residual Tier 1 Capital:	The BOQ PEPS are structured to meet APRA's requirements for Non-Innovative Residual Tier 1 Capital.
Dividends	
Floating Rate:	Dividends are discretionary, preferred, non-cumulative, based on a floating rate and expected to be fully franked. Dividends are scheduled to be paid semi-annually in arrears and are subject to Dividend payment tests.
Dividend Rate:	The Dividend Rate will be calculated as: $(BBR + \text{Margin}) \times (1 - \text{Tax Rate})$ Where: <ul style="list-style-type: none">• BBR – is the 180 day Bank Bill Swap Rate on the first Business Day of each Dividend Period (or a near equivalent rate for the shorter first Dividend Period).• Margin – is 2.00%.• Tax Rate – 30% as at the date of this Prospectus.
Dividend Amount:	Dividends will be calculated as: $\frac{\text{Face Value} \times \text{Dividend Rate} \times \text{Days in Dividend Period}}{365}$
Dividend Payment Dates:	Dividends will be calculated semi-annually and are scheduled to be paid semi-annually in arrears. The first Dividend is scheduled to be paid on 15 April 2008. Subsequent Dividend Payment Dates are the 15 th day of April and October of each year. If any of these dates are not Business Days, then payment will be made on the next Business Day.

(1) Any issue credit rating of 'BBB-' or better from S&P or 'Baa3' or better from Moody's is currently considered to be investment grade. See Section 6.4 for further information on the issue credit ratings. These credit rating references are current but may be revised or withdrawn by the relevant credit rating agency at any time. These credit rating references are not a recommendation by the relevant credit rating agency to apply for the BOQ PEPS offered under this Prospectus. None of the credit ratings agencies referred to has consented to the use of their credit rating references in this Prospectus.

Key features (continued)

Franking:	Dividends are expected to be fully franked. If the Dividend is not franked to 100% the cash component of the Dividend will be increased in accordance with the Terms of Issue. See Section 2.3.8 and 9.6.2.
Dividend payment tests:	<p>Dividends are non-cumulative and Holders have no claim or entitlement in respect of a non-payment.</p> <p>The payment of any Dividend is subject to:</p> <ul style="list-style-type: none">• the Directors at their sole discretion determining that the Dividend is payable;• Bank of Queensland having sufficient profits lawfully available;• the amount of the Dividend not exceeding Distributable Profits on the relevant Dividend Payment Date, unless otherwise approved by APRA;• payment of the Dividend not resulting in any breach of APRA's then prevailing capital adequacy standards and guidelines or any other regulatory requirement, unless otherwise approved by APRA;• APRA having given its prior written approval of the payment of the Dividend and having not stated that if the proposed payment is made the BOQ PEPS will not be treated as Non-Innovative Residual Tier 1 Capital; and• in the case of an Optional Dividend (see Section 2.3.14), APRA giving its prior written approval.
Dividend Stopper:	<p>If Bank of Queensland fails to pay a Dividend in full within 3 Business Days after the relevant Dividend Payment Date, or fails to Redeem or Convert as required in accordance with the Terms of Issue, Bank of Queensland may not, without approval of a special resolution passed at a separate meeting of Holders, make any dividend or interest payments, return capital or distribute retained profits, on any:</p> <ul style="list-style-type: none">• Ordinary Shares; or• S1RPS or any other Capital Securities of Bank of Queensland ranking equal to BOQ PEPS in respect of dividends or distributions; or• other Capital Securities of Bank of Queensland ranking junior to the BOQ PEPS in respect of dividends or distributions. <p>These restrictions will no longer apply if:</p> <ul style="list-style-type: none">• two consecutive Dividends scheduled to be paid on the BOQ PEPS after the restrictions come into effect have been paid in full; or• an Optional Dividend has been paid to the Holders equal to the unpaid amount of the two immediately preceding Dividends prior to the date of payment of the Optional Dividend; or• all BOQ PEPS have been Redeemed or Converted. See Section 9.6.11 and Section 9.6.12 for more detail. <p>The restrictions do not prevent the pro rata payment of dividends on BOQ PEPS and other Capital Securities of Bank of Queensland ranking equal to the BOQ PEPS in respect of dividends or distributions (see Section 9.6.13 for more detail).</p>

Redemption or Conversion

When can the BOQ PEPS be Redeemed:	<p>Bank of Queensland may, with the prior written approval of APRA, choose to Redeem the BOQ PEPS:</p> <ul style="list-style-type: none">• on the Call Date (expected to be 17 December 2012), being the fifth anniversary of the Issue Date and on each subsequent Dividend Payment Date; or• following the occurrence of a Tax Event or Regulatory Event. <p>Bank of Queensland can elect to Redeem the BOQ PEPS by redemption, buy-back or cancellation for an amount equal to the Redemption Price which includes any Dividend payable for the Dividend Period ending on the Redemption Date.</p> <p>The BOQ PEPS are not Redeemable at the option of the Holder and Bank of Queensland is not in any circumstances obliged to Redeem the BOQ PEPS except under a Control Event.</p>
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Key features (continued)

Redemption after a Control Event:	After a Control Event the Directors must, within 20 Business Days or within 5 Business Days after APRA notifies Bank of Queensland of its written approval, choose whether to redeem, buy-back or cancel the BOQ PEPS for cash. If APRA does not provide written approval for Redemption, Conversion of the BOQ PEPS for a number of Ordinary Shares (subject to APRA's prior written approval and the Maximum Conversion Number test) will occur.
Conversion Number:	$\text{Conversion Number} = \frac{\text{Face Value} + \text{Unpaid Dividends}}{\text{Pre-Conversion VWAP} \times (1 - \text{DF})}$ <p>Where:</p> <ul style="list-style-type: none">• DF – is the discount factor of 2.5%.• Pre-Conversion VWAP – is the average daily volume weighted average price of the Ordinary Shares during the 20 Business Days on which Ordinary Shares were traded on ASX preceding the Conversion Date.• Unpaid Dividends means the Dividend that would be payable on a BOQ PEPS if Redeemed by redemption or cancellation for a Dividend Period ended on the Conversion Date as if that date was the Redemption Date.
Maximum Conversion Number test:	<p>The Maximum Conversion Number test is whether on the Conversion Date the Conversion Number does not exceed the Maximum Conversion Number.</p> $\text{Maximum Conversion Number} = \frac{\text{Face Value}}{\text{Pre-Issue VWAP} \times 0.5}$ <p>Where:</p> <ul style="list-style-type: none">• Pre-Issue VWAP – is the average daily volume weighted average price of Ordinary Shares during the 20 Business Days on which Ordinary Shares were traded on ASX preceding the Issue Date. <p>In the event that the Conversion Number is a higher number of Ordinary Shares than the Maximum Conversion Number (i.e. the Bank of Queensland Ordinary Share price has fallen below 50% of its price at the time of the BOQ PEPS Issue), a Holder will not be Converted unless the Holder elects to Convert at the Maximum Conversion Number.</p>
No Redemption:	If on Redemption, any Dividend cannot be paid as a result of the Dividend payment test not being satisfied, Redemption will not occur and the Dividend Stopper will apply except after a Control Event where Conversion has occurred.
Ranking	
Ranking for the payment of Dividends:	The BOQ PEPS rank subordinate to the RePS, equal to the S1RPS and in priority to Ordinary Shares for payment of Dividends.
Ranking in a winding up or liquidation of Bank of Queensland:	The BOQ PEPS rank subordinate to all creditors (including depositors) and current RePS holders, equal to current S1RPS holders, and in priority to Ordinary Shareholders for return of capital on winding up.

Key risks

Investors should read the whole of this Prospectus carefully and consider the risks associated with investing in BOQ PEPS, as well as risks associated with Bank of Queensland itself and the Enlarged BOQ Group. These risks may affect the value of the BOQ PEPS, the Dividends that are scheduled to be paid on the BOQ PEPS, or both. Some of the key risks associated with investing in BOQ PEPS are summarised below. For further discussion of these risks and other risks, please see Section 5 of this Prospectus.

BOQ PEPS specific risks	Market Price and Liquidity:	The market price of BOQ PEPS may fluctuate and there is a risk that BOQ PEPS may trade below the Issue Price. In addition, the market for BOQ PEPS is likely to be less liquid than the market for Bank of Queensland's Ordinary Shares, and you may be unable to sell BOQ PEPS at an acceptable price, or at all. BOQ PEPS are perpetual securities that do not have a fixed maturity.
	Changes in the Dividend Rate:	The Dividend Rate will fluctuate over time with movement in the 180 day Bank Bill Swap Rate, see Section 5.2.2. There is a risk that these rates may become less attractive when compared to the rates of return available on comparable securities.
	Dividends may not be paid:	There is a risk that Dividends will not be paid. Section 9.6.6 summarises the conditions in which a Dividend is scheduled to be paid and Section 5.2.3 outlines the consequences of a non-payment.
	Redemption at Bank of Queensland's initiation:	Bank of Queensland may initiate Redemption in certain circumstances before the Call Date or on dates not previously contemplated by you, the timing of which may be disadvantageous in light of market conditions or your individual circumstances. Refer to Section 9.11.1 for details of when Redemption may occur at Bank of Queensland's initiation and Section 5.2.5 for the specific risk.
	Risk on Conversion:	The value of the Ordinary Shares received on Conversion under a Control Event may be less than the Face Value of the BOQ PEPS as a result of share price movements. Refer to Section 9.12.2 for details of when Redemption or Conversion may occur following a Control Event and Section 5.2.7 for the specific risk.
Specific risks associated with Bank of Queensland and the Enlarged BOQ Group	Bank-specific risks:	There are a number of risks which arise directly from the operations of Bank of Queensland as a participant in the Australian financial services industry. These risks are categorised as market risk, credit risk, liquidity risk and operational risk. Market risk includes the risks associated with the recent developments in the global credit markets which may adversely affect the costs and availability of some of Bank of Queensland's sources of funding. See Section 5.3.1 for more detail on bank-specific risks.
	Competition:	There is substantial competition for the provision of financial services in the markets in which Bank of Queensland operates. The effect of competitive market conditions may adversely impact the financial performance and financial position of Bank of Queensland.
	Integration:	The mergers of Mackay Permanent and Home with Bank of Queensland involve the integration of businesses that have previously operated independently. This integration may not be achieved in an orderly fashion and within a reasonable period or, even if completed on a timely basis, may not realise the full benefits, cost savings and other synergies expected. See Section 5.4.1 for more detail on integration risks.

The Offer is conditional on the Terms of Issue being approved by special resolution at Bank of Queensland's Annual General Meeting ("AGM"). Therefore, there is a risk that Ordinary Shareholders will not approve the Terms of Issue and BOQ PEPS will not be issued and all Application Monies will be refunded (without interest) to Applicants. Refer to Sections 1.14 and 5.2.8 for more information.

You should read the whole of this Prospectus carefully. If you are unclear in relation to any matter or uncertain if BOQ PEPS are a suitable investment, you should consult your stockbroker, solicitor, accountant or other professional adviser.

Who can apply and what should they do?

Who may apply?

You may apply for BOQ PEPS if you are:

- an Australian resident who is an existing Bank of Queensland Ordinary Shareholder or an existing holder of RePS or S1RPS (together “Eligible Shareholders”) – through the Shareholder Priority Offer;
- an Australian resident retail investor – through the General Offer;
- an Australian resident retail client of a Co-Manager or other broker participating in the Broker Firm Offer (each a “Participating Broker”) – through the Broker Firm Offer; or
- an Institutional Investor in Australia and other selected jurisdictions – through the Institutional Offer.

Applications must be for a minimum of 50 BOQ PEPS (\$5,000).

The Offer is conditional on the Terms of Issue being approved by special resolution at the AGM (see Sections 1.14 and 5.2.8 for more information).

Read this Prospectus

Read this Prospectus in its entirety – paying particular attention to:

- important information on the inside front cover;
- answers to key questions in Section 2;
- risks that may be relevant to an investment in BOQ PEPS or Bank of Queensland in Section 5; and
- the Terms of Issue in Section 9.

Consider and consult

Consider all risks and other information about BOQ PEPS in light of your investment objectives, financial situation or particular needs (including financial and taxation issues).

Consult your stockbroker, solicitor, accountant or other professional adviser if you are uncertain as to whether you should apply for BOQ PEPS.

Completing and submitting Application forms

If you are eligible to apply for BOQ PEPS and you wish to apply for BOQ PEPS, then you need to complete and submit an Application Form.

Complete an Application Form

Eligible Shareholders

If you are an Eligible Shareholder, you are eligible to participate in a priority offer for BOQ PEPS ("Shareholder Priority Offer").

To receive your personalised Shareholder Priority Application Form you need to call the BOQ PEPS Information Line on 1300 657 383 (8.30am to 5.00pm Melbourne time Monday to Friday).

You can also participate in the Shareholder Priority Offer by applying online at www.boq.com.au.

Alternatively, you can submit the Application Form accompanying this Prospectus by ticking the relevant box to indicate that you are an Eligible Shareholder.

Broker Firm Applicants

You should contact your Participating Broker for information about how to submit an Application Form and for payment instructions.

General Public

If you wish to apply for BOQ PEPS, you should complete the Application Form accompanying this Prospectus or download the Application Form from the Bank of Queensland website at www.boq.com.au from 19 November 2007.

Members of the general public can also apply online at www.boq.com.au.

Submit your Application Form

If you are an Eligible Shareholder or a member of the general public

Mail or deliver your completed Application Form together with your Application Monies to the Registry:

by mail to:

OR

by hand to:

Bank of Queensland
Computershare Investor Services Pty Limited
Locked Box 5240
Brisbane QLD 4001

Computershare Investor Services Pty Limited
Level 19, 307 Queen Street
Brisbane QLD 4001

Alternatively, you can apply online at www.boq.com.au.

If you are a Broker Firm Applicant

Contact your Participating Broker for instructions on how to submit your Application Form and Application Monies.

Your completed Application Form and Application Monies must be received by the Registry no later than the Closing Date for the Offer, which is expected to be 5:00pm Brisbane time on 10 December 2007. The Offer may close early, so you are encouraged to lodge your Application Form and Application Monies promptly.

For more information

If you have any questions regarding the Offer or how to apply for BOQ PEPS after reading this Prospectus in its entirety, contact your stockbroker, solicitor, accountant or other professional adviser. Alternatively, contact the BOQ PEPS Information Line on 1300 657 383 (8.30am to 5.00pm Melbourne time Monday to Friday).

1. Details of the Offer



1. Details of the Offer

1.1 Offer

The Offer comprises:

- the Shareholder Priority Offer – made to Australian residents who are existing Bank of Queensland Ordinary Shareholders or existing holders of RePS or S1RPS (together “Eligible Shareholders”);
- the General Offer – made to Australian resident retail investors;
- the Broker Firm Offer – made to Australian resident retail clients of Participating Brokers (“Broker Firm Applicants”); and
- the Institutional Offer – made to Institutional Investors.

1.2 Who may apply

You may apply for BOQ PEPS if you are:

- an Eligible Shareholder – through the Shareholder Priority Offer (see Section 1.4.1);
- an Australian resident retail investor – through the General Offer (see Section 1.4.2);
- an Australian resident retail client of a Participating Broker – through the Broker Firm Offer (see Section 1.4.3); or
- an Institutional Investor in Australia and other selected jurisdictions – through the Institutional Offer (see Section 1.4.5).

1.3 When to apply

The Shareholder Priority Offer, the General Offer and the Broker Firm Offer are expected to open at 9.00am Brisbane time on 19 November 2007 and are expected to close at 5.00pm Brisbane time on 10 December 2007. Applications through the Shareholder Priority Offer and General Offer must be received by the Registry no later than 5.00pm Brisbane time on 10 December 2007 (see Section 1.4.4 for where to send your Application Form).

Broker Firm Applicants should not return their Application Form to the Registry but instead return it to their Participating Broker in accordance with the Participating Broker’s instructions (see Section 1.4.3).

Bank of Queensland, in consultation with the Joint Lead Managers, may close the Offer early, extend the Closing Date or withdraw the Offer without notice. Accordingly, Applicants are encouraged to submit their Application Form and Application Monies as soon as possible after the Opening Date. If the Closing Date is varied, subsequent dates may also be varied accordingly.

1.4 How to apply

To apply for BOQ PEPS, you must complete an Application Form during the Offer Period, which will begin at 9.00am Brisbane time on 19 November 2007 and is expected to close at 5.00pm Brisbane time on 10 December 2007.

Application Forms will only be available when the Offer opens.

The instructions for completing and returning your Application Form may vary depending on whether you are making an Application:

- as an Eligible Shareholder; or
- as a member of the general public; or
- as a Broker Firm Applicant; or
- as an Institutional Investor.

You should follow the instructions in this Section 1.4 and on the Application Form carefully as your Application may be rejected if you complete it incorrectly.

Persons who obtain the electronic version of the Prospectus should ensure that they download and read the Prospectus in its entirety prior to completing an Application Form.

Alternatively, you can apply online at www.boq.com.au.

1.4.1 Applying as an Eligible Shareholder

If you are an Eligible Shareholder and wish to apply for BOQ PEPS, you should complete your personalised Shareholder Priority Application Form or apply online at www.boq.com.au.

To receive your personalised Shareholder Priority Application Form, you need to call the BOQ PEPS Information Line on 1300 657 383.

Alternatively, you can complete the Application Form accompanying this Prospectus. You must tick the relevant box on the Application Form to indicate that you are an Eligible Shareholder.

1.4.2 Applying as a member of the general public

If you wish to apply for BOQ PEPS, you should complete the Application Form accompanying this Prospectus or download the Application Form from the Bank of Queensland website at www.boq.com.au. You can also apply online at www.boq.com.au.

1.4.3 Applying as a Broker Firm Applicant

If you are a Broker Firm Applicant, you should contact your Participating Broker for information on how to submit an Application Form and for payment instructions. Your Participating Broker will be your agent. The process of applying for BOQ PEPS for Broker Firm Applicants differs in two important respects from the process described for Applicants applying as Eligible Shareholders or as members of the general public:

- Application Monies must be made payable to the Participating Broker (not to “BOQ PEPS Offer”); and
- the completed Application Form and Application Monies must be delivered to the Participating Broker directly in accordance with their instructions (not to the Registry).

Please contact your Participating Broker if you have further queries.

1.4.4 Where to send your completed Application Forms

If you are applying as an Eligible Shareholder or as a member of the general public, your completed Application Form and Application Monies should be returned to:

By mail

Bank of Queensland
c/- Computershare Investor Services Pty Limited
Locked Box 5240
Brisbane QLD 4001

OR

By hand delivery

Computershare Investor Services Pty Limited
Level 19, 307 Queen Street
Brisbane QLD 4001

so that it is received by no later than 5.00pm Brisbane time on 10 December 2007. Application Forms and Application Monies from Applicants applying either under the Shareholder Priority Offer or the General Offer will not be accepted at any other address (including Bank of Queensland’s registered office or any other Bank of Queensland branch or office).

Alternatively, you can apply online at www.boq.com.au.

Broker Firm Applicants should return completed Application Forms and Application Monies directly to their Participating Broker.



1. Details of the Offer

1.4.5 Institutional Offer

Institutional Investors will receive instructions from the Joint Lead Managers as to the process for applying for BOQ PEPS and settlement of Application Monies.

1.4.6 Minimum Applications

The minimum Application under the Offer is 50 BOQ PEPS at \$100 each (\$5,000).

There is no maximum number of BOQ PEPS that may be applied for under the Offer. However, you may receive fewer BOQ PEPS than you applied for, and you may also receive fewer BOQ PEPS than the minimum Application amount of 50 BOQ PEPS. Please see Section 1.11 regarding allocation policy.

1.5 How to Pay

1.5.1 Payment

Application Forms from Eligible Shareholders and members of the general public, duly completed, must be accompanied by a cheque(s) in Australian dollars drawn on an Australian branch of a financial institution. Cheques should be crossed "not negotiable" and made payable to "BOQ PEPS Offer". No interest will be paid on funds received.

Broker Firm Applicants with firm allocations should refer to their Participating Broker for settlement instructions.

1.5.2 Online Payment by BPAY®

Applicants who apply online must pay by BPAY® by following the instructions set out online at www.boq.com.au. It is very important that you enter the Biller Code and Customer Reference Number ("CRN") correctly. Please note that you should contact your bank, credit union or building society if you have any questions about your payment. Your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY® that may vary between bank, credit union or building society. For more information please see www.bpay.com.au.

1.5.3 Application Monies held in trust

All Application Monies received before BOQ PEPS are issued will be held by Bank of Queensland in a trust account established solely for the purposes of depositing Application Monies received. Any interest that accrues in the trust account will be retained by Bank of Queensland.

1.5.4 Brokerage, stamp duty and tax file number

No brokerage or stamp duty is payable by Applicants in relation to the Application for BOQ PEPS. However, you may have to pay brokerage on any subsequent trading of your BOQ PEPS on ASX after the BOQ PEPS have been quoted on ASX.

You do not have to provide your Tax File Number ("TFN") or Australian Business Number ("ABN"). If you do not do so, your Application will not be affected. However, Bank of Queensland may be required to withhold Australian tax at the maximum marginal tax rate (currently 46.5% including the Medicare levy) on the amount of any Dividends in respect of your BOQ PEPS, if you do not provide one of your:

- TFN;
- TFN exemption details (if applicable); or
- ABN (if the BOQ PEPS are held in the course of an enterprise you carry on).

The Registry will provide you with a form on which to provide the above details when Holding Statements are mailed.

1.5.5 Refunds

Until BOQ PEPS are allotted, Bank of Queensland will hold the Application Monies on trust for Applicants.

If you are not allocated any BOQ PEPS or you are allocated fewer BOQ PEPS than the number you applied for, you will receive a refund cheque as soon as practicable after the conclusion of the Offer. No interest will be payable on Application Monies. In addition, if the Offer does not proceed for any reason, Applicants will have their Application Monies refunded to them (without interest) as soon as practicable. Any interest earned will be retained by Bank of Queensland.

1.6 Acceptance of Applications

Bank of Queensland may at its discretion reject any Application, including where the Application Form is not properly completed or where a remittance submitted with an Application is dishonoured.

Bank of Queensland may at its discretion accept any Application in part only and allocate to the relevant Applicant fewer BOQ PEPS than applied for. This may include scaling back to below the stated minimum Application amount of 50 BOQ PEPS.

1.7 Withdrawal and early close of the Offer

Bank of Queensland may close the Offer early or withdraw the Offer without notice. You are encouraged to submit your Application Form and Application Monies as soon as possible after the Opening Date. If the Closing Date is varied, subsequent dates may also be varied accordingly.

1.8 Broker Stamping Fee

Where the Application Form of an Applicant who receives BOQ PEPS under the General Offer bears the code of a member organisation of ASX, the Joint Lead Managers will pay that member organisation a broker stamping fee of an amount equal to 0.75% (inclusive of GST) of the total value of BOQ PEPS allotted to that Applicant, subject to a maximum amount of \$200 per Application. This broker stamping fee will not apply to BOQ PEPS issued under the Broker Firm Offer.

1.9 CHES and provision of Holding Statements

Bank of Queensland will apply for BOQ PEPS to participate in CHES. Each Holder will be provided with a statement of holding which sets out the number of BOQ PEPS held ("Holding Statement").

Holding Statements for the BOQ PEPS issued pursuant to this Prospectus are expected to be despatched by 20 December 2007. On admission to CHES, BOQ PEPS must be held in either the CHES subregister under sponsorship of a broker or on the issuer-sponsored subregister. These two subregisters will make up the register.

It is the responsibility of each Applicant to confirm their allocation of BOQ PEPS before trading in BOQ PEPS. Any person who sells BOQ PEPS before receiving confirmation of their allocation in the form of their Holding Statement will do so at their own risk. Bank of Queensland, the Registry and the Joint Lead Managers disclaim all liability, in negligence or otherwise, to any person who trades BOQ PEPS before receiving their Holding Statement, whether on the basis of a confirmation of allocation provided by any of them, the BOQ PEPS Information Line or otherwise.



1. Details of the Offer

1.10 Allotment

Bank of Queensland intends to issue 1.5 million BOQ PEPS at an Issue Price of \$100 each, to raise \$150 million. Bank of Queensland may accept oversubscriptions for up to an additional 500,000 BOQ PEPS to raise up to a further \$50 million.

Allotment will not commence until all proceeds from accepted Applications have been received by Bank of Queensland and ASX has granted permission for BOQ PEPS to be quoted on ASX. Bank of Queensland expects that BOQ PEPS will be allotted to successful Applicants on 17 December 2007. Bank of Queensland may change the Closing Date and the Issue Date or may withdraw the Offer at any time before Allotment.

Bank of Queensland reserves the right to issue less than \$150 million of BOQ PEPS.

1.11 Allocation Policy

The allocation policy for Institutional Investors and Participating Brokers will be determined by the Joint Lead Managers, in consultation with Bank of Queensland. The Joint Lead Managers and Bank of Queensland have absolute discretion regarding the basis of the allocation of BOQ PEPS, and there is no assurance that any Applicant will be allocated any BOQ PEPS, or the number of BOQ PEPS for which they have applied.

The allocation policy for Eligible Shareholders and members of the general public will be determined after the Closing Date when all Applications have been received.

Bank of Queensland reserves the right in the event of a scaleback to allocate fewer BOQ PEPS to Eligible Shareholders and members of the general public than they have applied for – possibly fewer than the minimum Application amount of 50 BOQ PEPS or even no BOQ PEPS. No assurance is given that any Applicant under either the Shareholder Priority Offer or the General Offer will receive an allocation.

If there is excess demand, Applications from Eligible Shareholders will receive preferential allocations over Applicants who have applied under the General Offer. In order to be eligible for such allocation, Eligible Shareholders must complete their personalised Shareholder Priority Application Form, apply online at www.boq.com.au, or tick the relevant box on the Application Form accompanying this Prospectus to indicate that you are an Eligible Shareholder.

1.12 Allocations to Broker Firm Applicants

The distribution of each allocation to Broker Firm Applicants by a Participating Broker will be at the discretion of that Participating Broker, which is subject to the terms and conditions of the offer made to that Participating Broker by the Joint Lead Managers.

1.13 Underwriting

ABN AMRO Rothschild and Macquarie Equity Capital Markets have underwritten \$150 million of the Offer. Details of the Underwriting Agreement, including the circumstances in which the Underwriters can terminate their obligations under the Underwriting Agreement, are set out in Section 8.6.

1.14 Offer condition

Bank of Queensland's Constitution does not include specific terms for the Redemption feature of the BOQ PEPS. As required by the Corporations Act, Bank of Queensland will seek shareholder approval of the Terms of Issue at its AGM on 6 December 2007, prior to the settlement of the BOQ PEPS. Bank of Queensland will also seek approval to amend its Constitution to include redemption provisions.

The Offer is therefore conditional on the Terms of Issue being approved by special resolution at the AGM. If the Ordinary Shareholders do not approve the Terms of Issue, the BOQ PEPS will not be issued and all Application Monies will be refunded (without interest) to Applicants as soon as possible.

1.15 No cooling off rights

No cooling off rights apply to an investment in BOQ PEPS.

1.16 Acknowledgment and privacy statement

The Application Form requires you to provide personal information to Bank of Queensland and the Registry. Bank of Queensland and the Registry collect, hold and use personal information to assess your Application for BOQ PEPS, service your needs as a Holder, provide facilities and services that you request, provide you with marketing materials on behalf of Bank of Queensland, carry out appropriate administration in relation to your BOQ PEPS holding and to comply with legislative and regulatory requirements, including crime prevention and investigation.

Bank of Queensland may also use your personal information to inform you about other products and services offered by Bank of Queensland or other members of the Bank of Queensland Group and in order to do that we may disclose your personal information to other member companies in the Bank of Queensland Group or to their third party service providers. Please contact the Registry on the number below if you do not consent to the use and disclosure of your personal information in these ways.

By submitting an Application Form (including an online Application), you agree that Bank of Queensland and the Registry may use the information provided by you on the Application Form for the purposes set out in this privacy statement and may disclose your personal information for those purposes to each other, the Joint Lead Managers (or your broker), Bank of Queensland's related entities, agents, contractors and third party service providers (including mail houses and professional advisers), ASX, other regulatory authorities and in any case, where disclosure is required or allowed by law or where you have consented. If you do not provide the information required on the Application Form, Bank of Queensland may not be able to accept or process your Application.

If you become a Holder, the Corporations Act requires Bank of Queensland to include information about Holders (including name, address and details of the securities held) in its public register ("Register"). The information contained in the Register must be retained, even if you cease to be a Holder. Information contained in the Register is also used to facilitate payments including Dividends and corporate communications (including Bank of Queensland's financial results, annual reports and other information that Bank of Queensland wishes to communicate to Holders) and to ensure compliance by Bank of Queensland with legal and regulatory requirements.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) Bank of Queensland or the Registry, subject to certain exemptions under law. A fee may be charged for such access. You can request access to your personal information or obtain further information about Bank of Queensland's or the Registry's privacy management practices by telephoning or writing to Bank of Queensland through the Registry as follows:

Bank of Queensland
c/- Computershare Investor Services Pty Limited
Level 19, 307 Queen Street
BRISBANE QLD 4001

BOQ PEPS Information Line: 1300 657 383

Bank of Queensland and the Registry aim to ensure that the personal information they retain about you is accurate, complete and up-to-date. To assist them with this, please contact the Registry if any of the details you have provided change. If you have concerns about the completeness or accuracy of the information held about you, steps will be taken to correct it.



1. Details of the Offer

1.17 Enquiries and further information

This Prospectus is important and requires your immediate attention. It should be read in its entirety. If you are unclear in relation to any matter or are uncertain if the BOQ PEPS are a suitable investment, you should consult your stockbroker, solicitor, accountant or other professional adviser. If you are a Broker Firm Applicant and you are in any doubt what action you should take, you should immediately contact your Participating Broker.

If you require assistance to complete the Application Form or additional copies of this Prospectus, or you have administrative questions relating to the Offer, please call the BOQ PEPS Information Line on 1300 657 383 (8.30am to 5.00pm Melbourne time Monday to Friday).

2. Key questions and answers



2. Key questions and answers

Outlined below are answers to some key questions about the BOQ PEPS. These answers are intended as a guide only. For detailed information, refer to the Section(s) listed in the third column. This Section 2 should be read in conjunction with the remainder of the information in this Prospectus.

If you are unsure whether BOQ PEPS are an appropriate investment for you, you should seek professional advice from your stockbroker, solicitor, accountant or other professional adviser before deciding whether to invest in the BOQ PEPS.

Some words and expressions used in this Prospectus have defined meanings, which are either explained in the Glossary in Section 10 or in the Terms of Issue set out in Section 9 of this Prospectus.

Questions	Answers	Where to find more Information
2.1 Description		
2.1.1 What are BOQ PEPS?	<p>The BOQ PEPS are Perpetual Equity Preference Shares which entitle Holders to discretionary, preferred, non-cumulative semi-annual floating rate Dividends that are expected to be fully franked. The payment of Dividends is subject to certain conditions including availability of profits and the Directors' discretion.</p> <p>Bank of Queensland has the right to Redeem the BOQ PEPS on the fifth anniversary of the Issue Date, or on each subsequent Dividend Payment Date, or following the occurrence of a Tax Event or Regulatory Event. After a Control Event the BOQ PEPS will be Redeemed or Converted, subject to certain conditions including prior written approval of APRA.</p>	Section 9
2.1.2 Who is the Issuer?	Bank of Queensland Limited (ABN 32 009 656 740).	Section 9.2
2.1.3 Are the BOQ PEPS rated?	<p>Bank of Queensland expects that the BOQ PEPS will be assigned a credit rating of 'BBB-' by S&P and 'Baa1' by Moody's, both independent credit rating agencies.</p> <p>These ratings are considered to be investment grade.</p>	Section 6.4
2.1.4 Can BOQ PEPS be traded on ASX?	<p>Application for official quotation of BOQ PEPS will be made to ASX. It is expected that trading of BOQ PEPS on ASX will commence on a deferred settlement basis on or about 17 December 2007, Holding Statements will be despatched by 20 December 2007, and that trading of BOQ PEPS on ASX will commence on a normal settlement basis on or about 21 December 2007.</p> <p>If ASX does not grant permission for BOQ PEPS to be quoted, BOQ PEPS will not be issued and all Application Monies will be refunded (without interest) to Applicants as soon as possible.</p>	
2.2 The Offer and Application		
2.2.1 What is the Offer?	The Offer is an invitation by Bank of Queensland for institutional and retail investors (including Eligible Shareholders) to subscribe for BOQ PEPS. Bank of Queensland intends to issue 1.5 million BOQ PEPS to raise \$150 million, with an ability to issue up to an additional 500,000 BOQ PEPS (up to \$50 million) if the Offer is oversubscribed.	Section 1
2.2.2 Will holders of Bank of Queensland Ordinary Shares, RePS and S1RPS get priority in the allocation of the BOQ PEPS?	Yes, the Offer includes the Shareholder Priority Offer, which is the offer of BOQ PEPS under this Prospectus to holders of Bank of Queensland Ordinary Shares, RePS and S1RPS. They will receive an allocation in priority to Applicants under the General Offer.	Section 1.1 Section 1.11

Questions	Answers	Where to find more Information
2.2.3 Why is Bank of Queensland issuing the BOQ PEPS?	The proceeds raised from the issue of BOQ PEPS will increase Bank of Queensland's Tier 1 capital as part of its ongoing capital management and will be used to fund further growth of its business.	Section 6.3.3
2.2.4 What are the risks of investing in the BOQ PEPS?	There are particular risks associated with investing in the BOQ PEPS as well as general risks associated with Bank of Queensland and the Enlarged BOQ Group which may be relevant to an investment in the BOQ PEPS.	Section 5
2.2.5 What are the tax consequences of holding and selling BOQ PEPS?	A general description of tax consequences for Australian resident investors is set out in Section 7. The taxation consequences of investing in the Offer will depend on your individual circumstances. Accordingly, you should obtain your own taxation advice before you invest in BOQ PEPS.	Section 7
2.3 Dividends		
2.3.1 What are the Dividends?	Dividends are discretionary, preferred, non-cumulative, paid semi-annually in arrears and subject to the Dividend payment tests. The Dividends are expected to be fully franked.	Section 9.6
2.3.2 How will Dividends be calculated?	Dividends will be calculated as: $\frac{\text{Face Value} \times \text{Dividend Rate} \times \text{Days in Dividend Period}}{365}$	Section 9.6.1
2.3.3 How will the Dividend Rate be calculated?	The Dividend Rate will be calculated as: $(\text{BBR} + \text{Margin}) \times (1 - \text{Tax Rate})$ Where: <ul style="list-style-type: none"> • BBR – means the 180 day Bank Bill Swap Rate on the first Business Day of each Dividend Period (or a near equivalent rate for the shorter first Dividend Period); • Margin – 2.00%; • Tax Rate – 30% as at the date of this Prospectus. 	Section 9.6.1
2.3.4 What is the 180 day Bank Bill Swap Rate?	The 180 day Bank Bill Swap Rate is a benchmark interest rate in the Australian money market, commonly used by major Australian banks to lend cash to each other over a 180 day period.	
2.3.5 Dividend Example	Assuming the 180 day Bank Bill Swap Rate (BBR) is 7.2933% per annum and the Margin is 2.00% then: <ul style="list-style-type: none"> • the Dividend including franking credits would be 9.2933% per annum; and • the cash component would be 6.5053% per annum, calculated as $9.2933\% \times (1 - \text{Tax Rate of } 30\%)$. 	
2.3.6 Will the Margin change?	No, the Margin will not change and is not subject to a step-up.	
2.3.7 When will Dividends be paid?	Dividends are scheduled to be paid semi-annually in arrears. The first Dividend is scheduled to be paid on 15 April 2008 and thereafter semi-annually on the 15 th day of April and October each year until the BOQ PEPS are Redeemed or Converted. If any of these dates are not Business Days, then payment will be made on the next Business Day. Dividend payments are subject to the Dividend payment tests (see Sections 2.3.10 and 2.3.11).	Section 9.6.3



2. Key questions and answers

Questions	Answers	Where to find more Information
2.3.8 Will the Dividends be franked?	Bank of Queensland expects, but does not guarantee, that Dividends will be fully franked. This means that Dividends would carry full franking credit benefits.	Section 7 Section 9.6.2
2.3.9 What happens when a Dividend is unable to be fully franked?	<p>If any Dividend is not franked to 100%, the Dividend will be adjusted in accordance with the following formula:</p> $\text{Dividend} = \frac{d}{1 - [t \times (1 - f)]}$ <p>Where:</p> <ul style="list-style-type: none"> d – is the Dividend; t – the Australian corporate tax rate at the Dividend Payment Date which is 30% as at the date of this Prospectus; and f – is the franking percentage of the Dividend, expressed as a decimal. 	Section 9.6.2
2.3.10 Will Dividends always be paid?	The payment of Dividends, including any Optional Dividends, is subject to various Dividend payment tests. If one or more of these conditions are not satisfied, such Dividends will not be paid.	Section 9.6.6
2.3.11 What are the Dividend payment tests?	<p>The payment of any Dividend is subject to:</p> <ul style="list-style-type: none"> the Directors at their sole discretion determining that the Dividend is payable; Bank of Queensland having sufficient profits lawfully available; the amount of the Dividend not exceeding Distributable Profits on the relevant Dividend Payment Date, unless otherwise approved by APRA; payment of the Dividend not resulting in any breach of APRA's then prevailing capital adequacy standards and guidelines or any other regulatory requirement, unless otherwise approved by APRA; APRA having given its prior written approval of the Dividend and having not stated that payment would result in BOQ PEPS not being treated as Non-Innovative Residual Tier 1 Capital; and in the case of an Optional Dividend, APRA giving its prior written approval. 	Section 9.6.6
2.3.12 What happens if Dividends are not paid in full?	<p>Dividends are non-cumulative and as a result, Holders have no claim or entitlement if Dividends are not paid.</p> <p>If Dividends are not paid in full to Holders, Bank of Queensland will be subject to the Dividend Stopper.</p> <p>If on Redemption any Dividend for the Dividend Period ending on the Redemption Date cannot be paid as a result of a Dividend payment test not being satisfied, Redemption will not occur and the Dividend Stopper will apply, except after a Control Event where Conversion has occurred.</p>	Section 9.6.5 Section 9.6.11 Section 9.11.7 Section 9.12.2

Questions	Answers	Where to find more Information
2.3.13 What is the Dividend Stopper?	<p>If Bank of Queensland fails to pay any Dividend in full within 3 Business Days after the relevant Dividend Payment Date, or fails to Redeem or Convert as required in accordance with the Terms of Issue, Bank of Queensland may not, without approval of a special resolution passed at a separate meeting of Holders, make any dividend or interest payments, return capital or distribute retained profits, on any:</p> <p>(a) Ordinary Shares; or</p> <p>(b) S1RPS or any other Capital Securities of Bank of Queensland ranking equal to the BOQ PEPS in respect of dividends or distributions; or</p> <p>(c) other Capital Securities of Bank of Queensland ranking junior to the BOQ PEPS in respect of dividends or distributions.</p> <p>These restrictions will no longer apply if:</p> <p>(a) two consecutive Dividends scheduled to be paid on the BOQ PEPS after the restrictions come into effect have been paid in full; or</p> <p>(b) an Optional Dividend 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; or</p> <p>(c) all BOQ PEPS have been Redeemed or Converted.</p> <p>The restrictions do not prevent the pro rata payment of dividends on BOQ PEPS and other Capital Securities of Bank of Queensland ranking equal to the BOQ PEPS in respect of dividends or distributions (see Section 9.6.13 for more detail).</p>	<p>Section 9.6.11</p> <p>Section 9.6.12</p> <p>Section 9.6.13</p>
2.3.14 What are Optional Dividends?	<p>Optional Dividends are dividends that may be paid by Bank of Queensland to Holders at the discretion of the Directors, equivalent to the unpaid amount of the two immediately preceding Dividends prior to the date of payment of the Optional Dividend.</p> <p>The payment of Optional Dividends is also subject to the Dividend payment tests and prior written approval from APRA.</p>	Section 9.6.4
2.4 Redemption or Conversion		
2.4.1 Can Holders request Redemption?	<p>No, the BOQ PEPS are not redeemable at the option of the Holder and Bank of Queensland is not required to Redeem the BOQ PEPS except after a Control Event.</p> <p>After a Control Event the Directors must, within 20 Business Days or within 5 Business Days after APRA notifies Bank of Queensland of its written approval, Redeem the BOQ PEPS for cash. If APRA does not provide written approval for Redemption, Conversion of the BOQ PEPS for a number of Ordinary Shares (subject to APRA's prior written approval and the Maximum Conversion Number test) will occur. Refer to Section 2.4.5 for further information on the Maximum Conversion Number test.</p>	<p>Section 9.11.2</p> <p>Section 9.12.4</p>



2. Key questions and answers

Questions	Answers	Where to find more Information
2.4.2 What is a Control Event?	<p>A Control Event occurs when:</p> <p>(a) there is an unconditional takeover offer for more than 50% of the Ordinary Shares and:</p> <p>(i) the offeror becomes entitled to more than 50% of the voting power of Bank of Queensland; and</p> <p>(ii) the Board recommends acceptance of the unconditional takeover offer; or</p> <p>(b) a scheme of arrangement is finally approved such that, when implemented, a person will own more than 50% of the voting power of Bank of Queensland.</p>	Section 9.17
2.4.3 What will Holders receive if the BOQ PEPS are Redeemed for cash under a Control Event?	<p>Holders of the BOQ PEPS will receive the Redemption Price which is the Face Value plus the Dividend for the Dividend Period ended on the Redemption Date.</p>	Section 9.17
2.4.4 What will Holders receive if the BOQ PEPS are Converted for Ordinary Shares after a Control Event?	<p>If Bank of Queensland does not receive APRA's written approval to Redeem the BOQ PEPS, Bank of Queensland will (subject to APRA's prior written approval and the Maximum Conversion Number test) Convert the BOQ PEPS to Ordinary Shares. The number of Ordinary Shares will be calculated as:</p> <p>Conversion Number</p> $= \frac{\text{Face Value} + \text{Unpaid Dividends}}{\text{Pre-Conversion VWAP} \times (1 - \text{DF})}$ <p>Where:</p> <p>DF – is the discount factor of 2.5%.</p> <p>Pre-Conversion VWAP – is the average daily volume weighted average price of the Ordinary Shares during the 20 Business Days on which Ordinary Shares were traded on ASX preceding the Conversion Date.</p> <p>Unpaid Dividends – the Dividend that would be payable on a BOQ PEPS if Redeemed by redemption or cancellation for a Dividend Period ended on the Conversion Date as if that date was the Redemption Date.</p> <p>The number of Ordinary Shares issued upon Conversion must not exceed the Maximum Conversion Number.</p>	Section 9.12.5
2.4.5 What is the Maximum Conversion Number test?	<p>The Maximum Conversion Number test is whether on the Conversion Date the Conversion Number does not exceed the Maximum Conversion Number.</p> <p>Maximum Conversion Number = $\frac{\text{Face Value}}{\text{Pre-Issue VWAP} \times 0.5}$</p> <p>Where:</p> <p>Pre-Issue VWAP – is the average daily volume weighted average price of the Ordinary Shares during the 20 Business Days on which Ordinary Shares were traded on ASX preceding the Issue Date.</p> <p>In the event that the Conversion Number is a higher number of Ordinary Shares than the Maximum Conversion Number (i.e. the Bank of Queensland Ordinary Share price has fallen below 50% of its price at the time of the BOQ PEPS Issue), a Holder will not be Converted unless the Holder elects to Convert at the Maximum Conversion Number.</p> <p>Holders can elect to be Converted after receiving the Conversion Notice (see Section 9.12.2) and up to 5 Business Days before the Conversion Date.</p>	<p>Section 9.12.2</p> <p>Section 9.12.6</p>

Questions	Answers	Where to find more Information
2.4.6 Can Bank of Queensland Redeem the BOQ PEPS?	Bank of Queensland will be entitled to Redeem the BOQ PEPS: <ul style="list-style-type: none"> on the fifth anniversary of the Issue Date (expected to be 17 December 2012), and on each subsequent Dividend Payment Date; or following the occurrence of a Tax Event or Regulatory Event. 	Section 9.11.1
2.4.7 What is a Tax Event?	A Tax Event means the receipt by Bank of Queensland of an opinion from a reputable legal counsel or tax adviser in Australia experienced in such matters, to the effect that as a result of a change in tax legislation, tax law or tax administration which is effective or announced on or after the Initial Issue Date, there is a more than insubstantial risk that Bank of Queensland would be exposed to more than a <i>de minimis</i> increase in its costs in relation to the BOQ PEPS as a result of increased taxes, duties or other governmental charges or civil liabilities.	Section 9.17
2.4.8 What is a Regulatory Event?	A Regulatory Event means: <ol style="list-style-type: none"> the receipt by Bank of Queensland of advice from a reputable legal counsel that as a result of a change in law or regulations, additional requirements would be imposed with respect to the BOQ PEPS which Bank of Queensland determines (at its sole discretion) to be unacceptable; or a determination by Bank of Queensland that there is a risk that Bank of Queensland will not be entitled to treat all of the BOQ PEPS as Non-Innovative Residual Tier 1 Capital under APRA guidelines. 	Section 9.17
2.4.9 How can the BOQ PEPS be Redeemed?	Bank of Queensland can elect to Redeem the BOQ PEPS by redemption, buy-back or cancellation for the Redemption Price or, in the case of buy-back, the equivalent Buy-Back Price, which includes an amount equal to any Dividend payable for the Dividend Period ending on the Redemption Date.	Section 9.11

2.5 Prudential Regulation and Regulatory Capital

2.5.1 What is APRA?	<p>APRA is the Australian Prudential Regulation Authority which is the prudential regulator of the Australian financial services industry. It oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance companies, friendly societies, and most members of the superannuation industry.</p> <p>Bank of Queensland is regulated by APRA because of its status as an Authorised-Deposit taking Institution (“ADI”). APRA’s prudential standards aim to ensure that ADIs (including Bank of Queensland) maintain adequate capital to support the risks associated with their activities on both a stand-alone and group basis.</p> <p>APRA’s website at www.apra.gov.au includes further details of its functions, prudential standards and guidance notes.</p>
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2. Key questions and answers

Questions	Answers	Where to find more Information
2.5.2 What is Tier 1 Capital?	<p>APRA classifies capital into two tiers for its supervisory purposes – referred to as Tier 1 Capital and Tier 2 Capital. APRA requires all ADIs to maintain a minimum ratio of capital to risk weighted assets, at least half of which must be maintained in the form of Tier 1 Capital, with the remainder being in the form of Tier 2 Capital.</p> <p>Tier 1 Capital consists of paid up ordinary shares, general reserves, retained profits, non-cumulative preference shares and other innovative capital instruments not redeemable at the holder's option (as approved by APRA) together with minority interests, but excludes retained profits and reserves of subsidiaries and associates that are not consolidated for capital adequacy purposes.</p>	
2.5.3 What are Distributable Profits?	<p>Under the Dividend payment test there is reference to Distributable Profits, which is the amount of profits within Bank of Queensland from which Dividends can be paid. The amount is calculated at two levels within Bank of Queensland – on a Level 1 and Level 2 basis as defined by APRA.</p> <p>Broadly, Level 1 is the Bank of Queensland corporate entity without its controlled entities and Level 2 is the consolidated Group.</p>	Section 9.17
2.6 Ranking and Voting Rights		
2.6.1 How do BOQ PEPS rank in relation to Dividends?	Subordinate to the RePS, equal with the S1RPS and in priority to the Ordinary Shares.	Section 9.7.2
2.6.2 How do BOQ PEPS rank in relation to a winding up or liquidation event?	Subordinate to all creditors (including depositors) and the RePS holders, equal with the S1RPS holders and in priority to Ordinary Shareholders for return of capital on winding up.	Section 9.7.3
2.6.3 Do Holders of the BOQ PEPS have voting rights?	<p>Holders have limited voting rights. These rights include the right to vote on a proposal:</p> <ul style="list-style-type: none"> to reduce Bank of Queensland's share capital or to approve buy-back agreements (other than in connection with a Redemption of BOQ PEPS); that affects the rights attached to the BOQ PEPS; to wind up Bank of Queensland; or for the disposal of the whole of Bank of Queensland's property, business and undertaking (other than in connection with a Redemption of BOQ PEPS). <p>Holders may also vote in general meetings of Bank of Queensland during the winding up of Bank of Queensland, when a Dividend is due and payable but has not been paid, and in any other circumstances in which the ASX Listing Rules require Holders to be entitled to vote.</p>	Section 9.10

Questions	Answers	Where to find more Information
2.6.4 Does Bank of Queensland's Constitution allow for a Redemption feature?	Bank of Queensland's Constitution does not currently include specific terms for the Redemption feature of the BOQ PEPS. Hence, Bank of Queensland will seek approval of the Terms of Issue and an amendment to the Constitution at its AGM on 6 December 2007. If Ordinary Shareholders do not approve the Terms of Issue, BOQ PEPS will not be issued and all Application Monies will be refunded (without interest) to Applicants as soon as possible.	Section 5.2.8
2.6.5 Do the BOQ PEPS have participation rights?	Holders do not have a right to participate in issues of Capital Securities to, or capital reconstructions affecting, Ordinary Shareholders or holders of other Capital Securities.	Section 9.9.1
2.6.6 Can Bank of Queensland issue additional BOQ PEPS or Capital Securities?	Bank of Queensland reserves the right to issue further BOQ PEPS or other Capital Securities which rank equal with or are subordinate to BOQ PEPS, whether in respect of dividends, return of capital on a winding-up or otherwise. Such issues of BOQ PEPS or other Capital Securities do not constitute a variation or abrogation of the rights attached to the then existing BOQ PEPS nor does any buy-back, redemption or return or distribution of capital in respect of any Capital Security other than a BOQ PEPS.	Section 9.9.2
2.6.7 Can the Terms of Issue be amended?	Subject to complying with all applicable laws and with APRA's prior approval, Bank of Queensland may without the authority, assent or approval of Holders amend or add to the Terms of Issue if such amendment or addition is, in the opinion of Bank of Queensland: <ul style="list-style-type: none"> • of a formal, minor or technical nature; • made to correct a manifest error; or • not likely to be materially prejudicial to the interests of the Holders. 	Section 9.15
2.7 Other		
2.7.1 How are the BOQ PEPS different to the RePS and S1RPS?	Table 1 on the following page provides a summary of the main features of RePS, S1RPS and BOQ PEPS. This list is not an exhaustive guide to all the features of these instruments.	
2.7.2 How do I apply?	Applicants should read this Prospectus carefully and in its entirety and refer to Section 1 for details on how to apply.	Who can apply and what should they do and Section 1
2.7.3 Who can I call to get more information on the Offer?	If you have any questions regarding the Offer or how to apply for BOQ PEPS after reading this Prospectus in its entirety, you should contact your stockbroker, solicitor, accountant or other professional adviser. Alternatively, contact the BOQ PEPS Information Line on 1300 657 383 (8.30am to 5.00pm Melbourne time Monday to Friday).	



2. Key questions and answers

Table 1: Summary of key features of BOQ PEPS, RePS, and S1RPS

Feature	RePS	S1RPS	BOQ PEPS
Legal Form	Preference Share	Preference Share	Preference Share
Issuer	Bank of Queensland	Bank of Queensland	Bank of Queensland
Quotation on ASX	Yes – BOQPA	Yes – BOQPB	To be Applied for
Distribution	Dividend	Dividend	Dividend
Rating	BBB- (S&P) ⁽¹⁾	BBB- (S&P) ⁽¹⁾	'BBB-' (S&P) 'Baa1' (Moody's)
Fixed/Floating	Fixed	Fixed	Floating
Reference Rate	5 year swap rate (5.42%)	5 year swap rate (5.425%)	180 day Bank Bill Swap Rate (7.2933%) ⁽²⁾
Margin over Reference Rate	1.90%	2.00%	2.00%
Current Dividend including franking	7.32%	7.425%	9.2933% ⁽²⁾
Expected to be Fully Franked	Yes	Yes	Yes
Non-Cumulative Dividend	Yes	Yes	Yes
Dividend payment tests	Yes	Yes	Yes
Dividend Stopper	Yes	Yes	Yes
Next Reset Date	15 Oct 2010	20 Oct 2008	N/A
Issuer Initiated Exchange	Yes	Yes	Yes, only after Control Event and if BOQ PEPS are not Redeemed
Holder Initiated Exchange	Yes	Yes	No
BOQ Initiated Redemption for Cash	No	No	After fifth anniversary of the Issue Date and on each subsequent Dividend Payment Date, or after a Tax Event or a Regulatory Event
Control Event Redemption	No	No	Yes – only after a Control Event
Ranking	Ahead of S1RPS and BOQ PEPS	Behind RePS and equal with BOQ PEPS	Behind RePS and equal with S1RPS
Issue date	11 Oct 2000	2 Oct 2003	17 Dec 2007
Qualifying Tier 1 Capital	Yes (Innovative)	Yes (Innovative)	Yes (Non-Innovative)

(1) Ratings were not initially sought with respect to the RePS and the S1RPS, but were granted by S&P subsequent to issue.

(2) Based on the relevant 180 day Bank Bill Swap Rate on 7 November 2007 (source: Bloomberg). This is indicative only and may not reflect the actual rate at the Initial Issue Date which will be used to set the Dividend Rate on the BOQ PEPS.

3. Description of Bank of Queensland



3. Description of Bank of Queensland

3.1 Introduction

Bank of Queensland is a leading Australian financial institution and one of Australia's fastest growing banks.

Bank of Queensland has a history of more than 130 years and was first listed on ASX in 1971. Bank of Queensland has a market capitalisation of approximately \$2.1 billion, placing it well within Australia's top 150 listed entities¹.

Bank of Queensland currently has 237 branches and 16 business banking centres across Australia. Bank of Queensland is continuing to expand its presence, with more new branches to be opened over the next 12 months. Bank of Queensland's widespread network of branches is strongest in its home state of Queensland, but is steadily expanding in New South Wales, Victoria, Western Australia and the Northern Territory.

Bank of Queensland's growth strategy includes the pursuit of organic growth, through opening further branches and business banking centres, and assessing acquisition and merger opportunities that enhance its business and increase shareholder value. Bank of Queensland believes that consolidation in the financial services industry is inevitable, as the need for scale in order to compete efficiently increases, and seeks to be a participant in that consolidation.

Proposed merger with Mackay Permanent Building Society Limited

On 13 August 2007, Bank of Queensland announced a recommended proposal (the "Mackay Permanent Merger") to acquire all the shares in Mackay Permanent Building Society Limited ("Mackay Permanent") which valued Mackay Permanent at \$53.2 million². The Mackay Permanent Merger is to be implemented by way of a scheme of arrangement and is scheduled to be implemented during December 2007.

The Bank of Queensland proposal offers 0.5 Bank of Queensland Ordinary Shares per Mackay Permanent ordinary share plus a \$1.00 dividend from Mackay Permanent, and an alternative election to receive cash consideration of \$9.25 (\$8.25 plus the \$1.00 dividend from Mackay Permanent) per Mackay Permanent ordinary share.

On 29 October 2007, Wide Bay Australia Limited ("Wide Bay") announced a takeover bid for Mackay Permanent, offering cash consideration of \$9.40 per Mackay Permanent ordinary share with a scrip alternative of 0.65 Wide Bay shares plus \$1.00 cash per Mackay Permanent ordinary share. The cash offer values Mackay Permanent at \$54 million³.

The value of the scrip consideration alternatives under both the Mackay Permanent scheme of arrangement (the Bank of Queensland proposal) and the Wide Bay takeover bid will vary with movements in the respective acquiring companies' share prices as quoted on ASX.

On 2 November 2007, the Board of Mackay Permanent announced that they do not support Wide Bay's offer and unanimously recommended that, in the absence of a superior proposal, Mackay Permanent shareholders vote in favour of the proposed Mackay Permanent Merger, which is scheduled to be voted on by Mackay Permanent shareholders on 21 November 2007.

The Wide Bay takeover bid may have an effect on the outcome of the proposed Mackay Permanent Merger.

Proposed merger with Home Building Society Limited

On 31 August 2007, Bank of Queensland announced a recommended proposal (the "Home Merger") to acquire all the issued shares and options in Home Building Society Limited ("Home") which valued Home at approximately \$600 million⁴. The Home Merger is to be implemented via a scheme of arrangement which is scheduled to be implemented during December 2007.

¹ Based on 113,775,125 quoted Ordinary Shares and Bank of Queensland's closing share price of \$18.80 on 8 November 2007 (Source: IRESS).

² Based on 5,748,762 Mackay Permanent Ordinary Shares on issue at 12 August 2007 at \$9.25 under the cash consideration election in the Mackay Permanent scheme of arrangement.

³ Based on 5,748,762 Mackay Permanent ordinary shares on issue at 12 August 2007 at \$9.40 under the cash consideration election in the Wide Bay takeover bid.

⁴ Based on 32,527,376 Home ordinary shares on issue and Bank of Queensland's closing share price of \$18.25 on 30 August 2007, and 1,242,500 Home options.

3.2 Business overview

3.2.1 Business summary

Bank of Queensland is an APRA regulated ADI approved under the Banking Act 1959 to conduct banking business. It has an Australian Financial Services Licence.

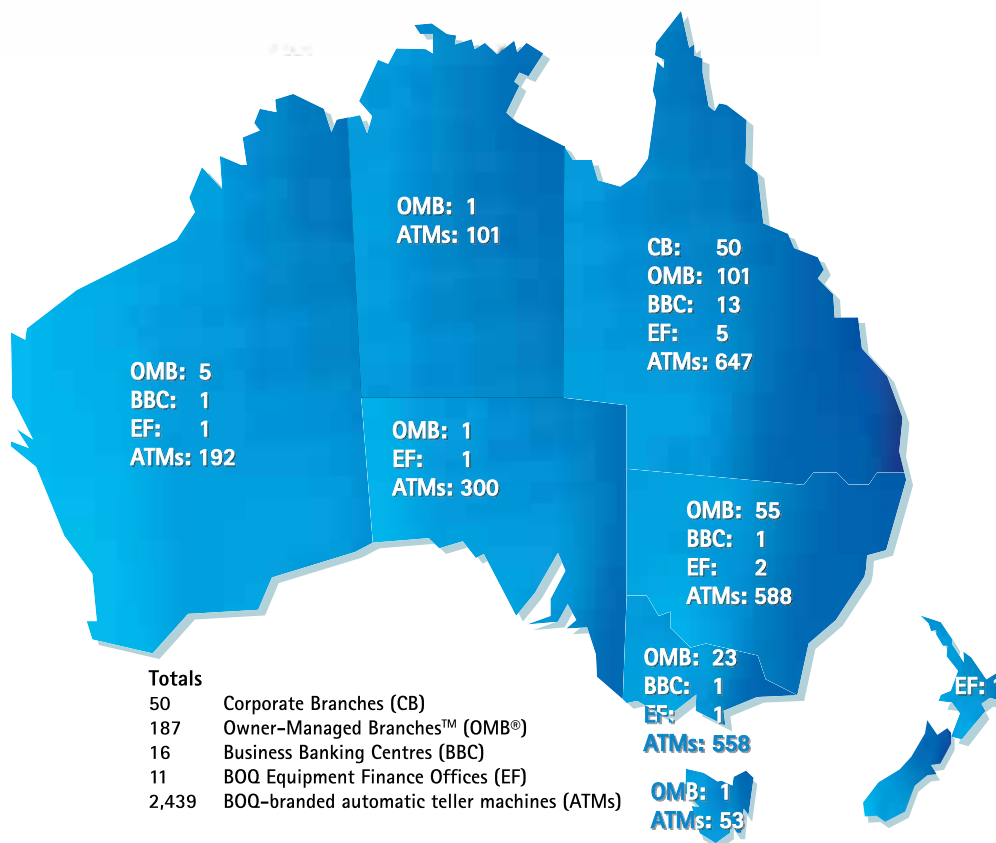
As at 31 August 2007, Bank of Queensland had loans under management of \$19.2 billion⁵, retail deposits of \$9.2 billion, wholesale deposits of \$3.5 billion and approximately 530,000 customers.

Bank of Queensland currently has 237 branches, comprising 50 corporate branches and 187 owner managed branches. Bank of Queensland's branch growth has been, and will likely continue to be, achieved primarily through the establishment of new owner managed branches.

Bank of Queensland's Owner-Managed Branch™ ("OMB®") model is a unique empowered distribution model for a licensed retail bank that provides Bank of Queensland with a sustainable competitive advantage.

The OMB® model allows a motivated person to own their own business of operating a Bank of Queensland branch under a franchise arrangement in a local community. The model recognises performance and rewards owner managers in line with their sales and service skills, in a Bank of Queensland shareholder accretive manner.

The OMB® has a financial incentive to grow the asset and deposit base of Bank of Queensland in addition to providing traditional retail banking transaction services.



Bank of Queensland's business lending portfolio has been underpinned by the strong growth of its equipment finance arm, BOQ Equipment Finance Limited ("BOQEF"), which currently represents approximately 43% of the business loans under management. BOQEF has grown from the acquisition and successful integration of UFJ Finance Australia Limited in 2003.

⁵ Including off balance sheet securitised leasing of \$1.6 billion.

3. Description of Bank of Queensland

Bank of Queensland's operations comprise the following key activities:

Retail banking

- Housing and consumer finance activities including everyday banking accounts, savings and investment products, credit cards, margin lending products and personal and home loans.

Commercial banking

- 16 business banking centres across Australia offering a range of commercial banking products and services including business loans and property finance, transaction accounts, business charge cards and investment and statutory trust accounts;
- Commercial insurance products through alliances established with selected insurance suppliers; and
- Equipment finance operations via 11 offices throughout Australia and New Zealand including chattel and lease finance for office equipment, machinery and vehicles through customer and vendor finance distribution channels, as well as commercial hire purchase and rentals.

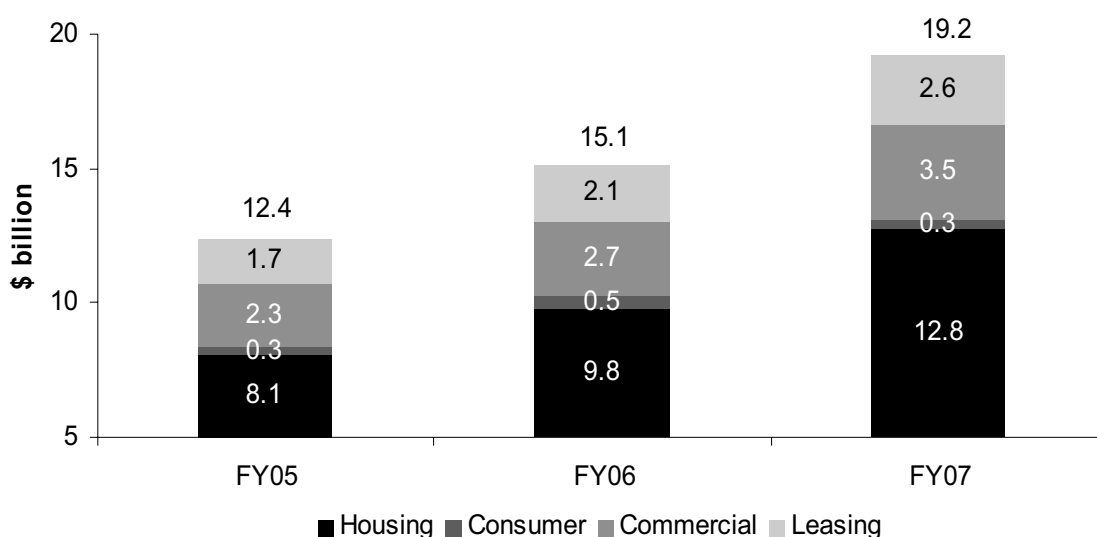
Other

- An alliance with Genesys Wealth Advisers ("Genesys") to offer wealth management services to retail and commercial clients. The alliance comprises access to Genesys' network of advisers nationwide and provides Bank of Queensland's customers with access to a comprehensive range of wealth management products including retirement planning, risk insurance and managed funds; and
- In June 2007, Bank of Queensland transferred its credit card portfolio to Citibank as part of a strategic arrangement for Citibank to provide Bank of Queensland-branded credit cards to its customers. The ongoing alliance will provide Bank of Queensland with back office and marketing support to ensure that Bank of Queensland's credit card capability grows in line with the rest of its rapid expansion.

3.2.2 Loans under management

Loans under management comprise a diversified mix of housing, consumer, business and leasing finance and are a key driver of Bank of Queensland's profitability and growth.

The chart below provides an overview of the growth in loans under management for the years ended 31 August 2005 to 31 August 2007 and includes both securitised and non-securitised loans.



Growth in loans under management has been achieved across all key product lines, with growth being particularly strong in housing and leasing finance.

As at 31 August 2007, housing and business loans (including leasing) were the two largest contributors to total loans under management, representing 67% and 32% of total loans under management respectively. Securitised and non-securitised loans under management represented 30% and 70% respectively.

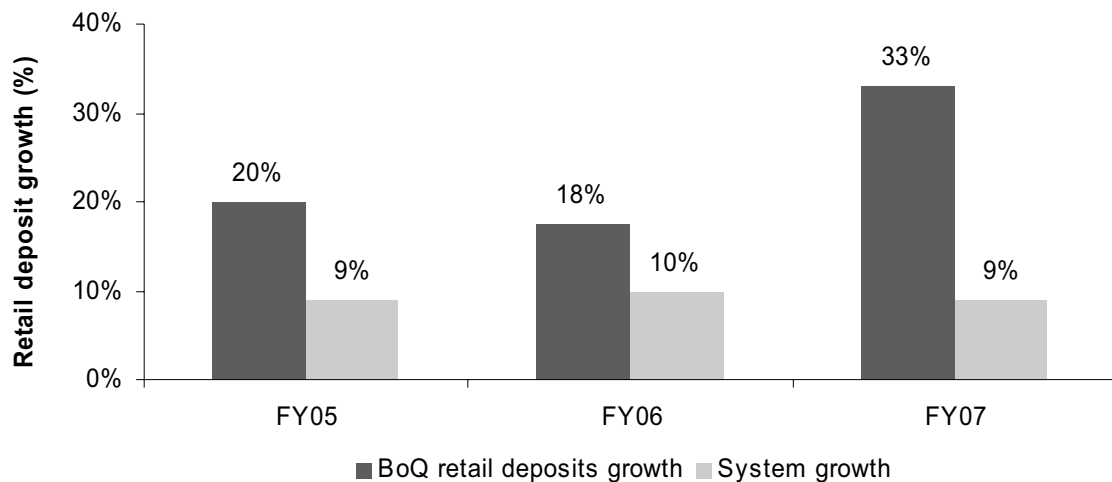
Growth in loans under management is expected to continue in FY2008 as a result of additional branch openings and continued development of Bank of Queensland's small and medium sized enterprise ("SME") portfolios.

Bank of Queensland has been able to achieve strong growth in loans under management without compromising the overall asset quality. As at 31 August 2007, impaired assets as a percentage of non-securitised lending was 0.09%. The relatively low level of impaired assets reflects Bank of Queensland's strict lending and risk management policies. These controls include the requirement for mortgage insurance for loans failing to meet a minimum loan to value ratio and actively managing the level of low doc loans written relative to the total loan portfolio.

3.2.3 Retail deposits growth

Retail deposits represent a key source of funding for Bank of Queensland's lending activities, with approximately 52% of lending assets (on balance sheet lending) financed via retail deposits. Since 2003, Bank of Queensland has been able to achieve retail deposit growth well in excess of the overall growth of the Australian retail banking industry, commonly referred to as "system" growth.

The following graph provides a summary of recent growth in retail deposits.



Source: System growth figures sourced from APRA Monthly Banking Statistics (various dates).

Bank of Queensland achieved retail deposit growth of 33% for the financial year ended 31 August 2007. This growth compares to system growth for the same period of 9%.

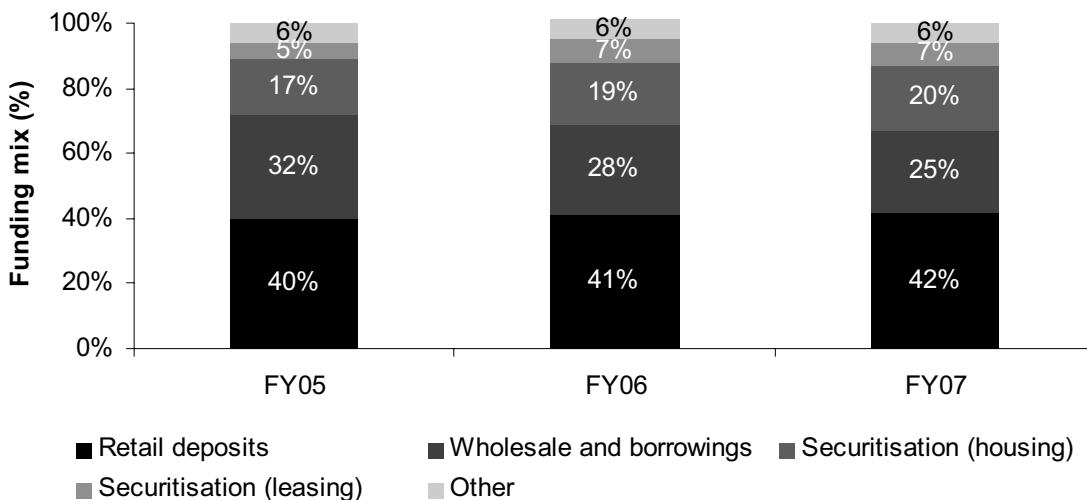
The ability to generate strong retail deposit growth has been a key contributor to Bank of Queensland's net interest margin and reflects recent investment by Bank of Queensland in developing innovative savings and investment products.



3. Description of Bank of Queensland

3.2.4 Funding mix

Bank of Queensland accesses various sources of funds including retail deposits, wholesale funding and securitisation. The majority of funding is sourced from retail deposits which account for 42% of the overall funding mix.



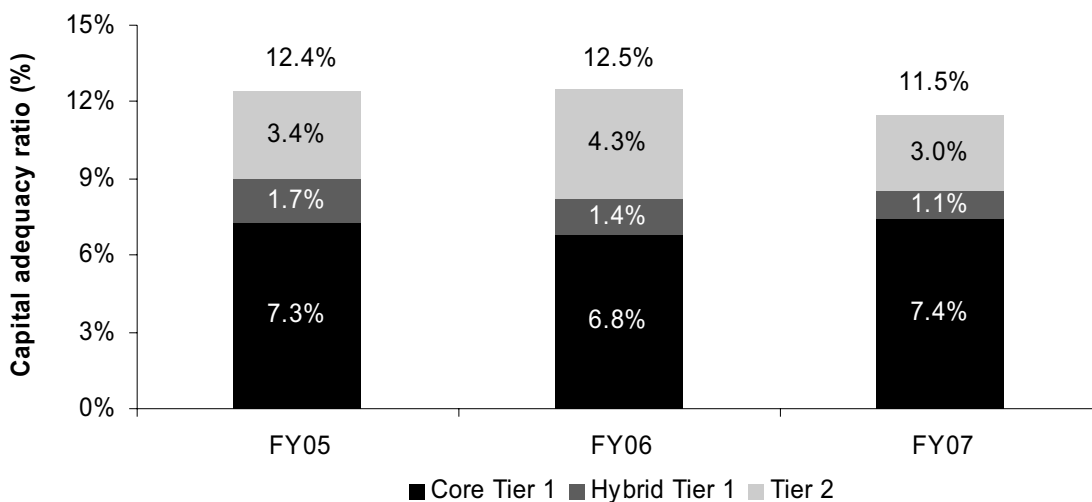
Recently, developments in the US sub-prime mortgage industry have adversely affected the liquidity of global credit markets. This has resulted in an increase in the cost of wholesale funds throughout global credit markets including Australia, and in some cases a reduction in the availability of some funding sources. Bank of Queensland utilises various funding sources, including wholesale funds and securitisation, and as a consequence its overall cost of funds has increased and may continue to increase and the availability of these funds may reduce.

Bank of Queensland has reviewed and continues to review its pricing model and funding mix in light of recent developments to ensure products are appropriately priced.

3.2.5 Regulatory capital

Bank of Queensland has a strong capital base with a total capital adequacy ratio of 11.5% as at 31 August 2007. Bank of Queensland has a target capital adequacy ratio of at least 10% of risk weighted assets with Tier 1 capital representing 7% to 8% of risk weighted assets.

An overview of Bank of Queensland's capital base as at 31 August 2005, 2006 and 2007 is provided in the graph below.



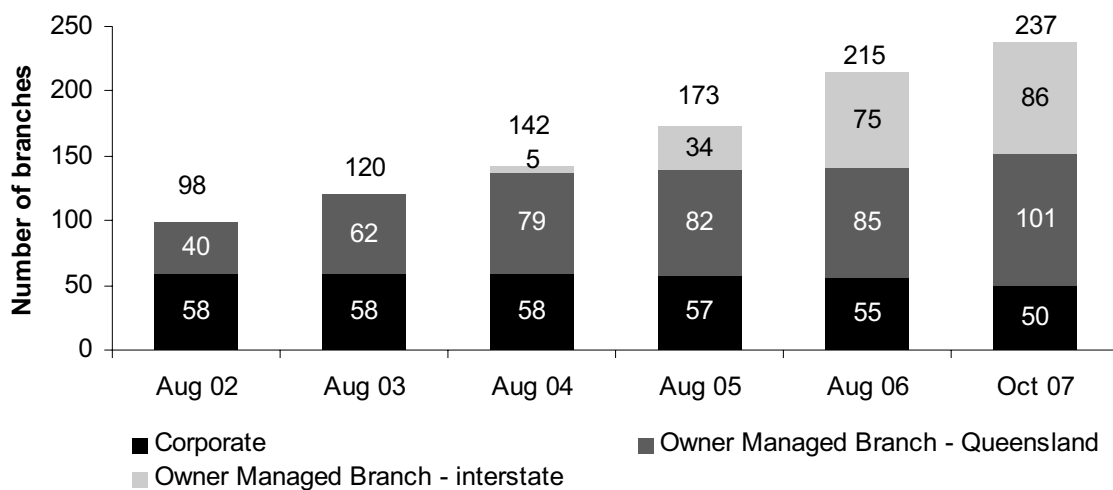
Bank of Queensland primarily manages its capital base through a mixture of Ordinary Share issues, securitisation, dividend reinvestment programs and the issue of hybrid instruments.

The offer of BOQ PEPS will strengthen Bank of Queensland's Tier 1 capital position (see Section 6.3.3 for more information).

APRA's proposal to apply capital adequacy principles as determined by Basel II may result in changes to Bank of Queensland's capital adequacy ratios. Basel II seeks to provide regulatory capital requirements that are both more comprehensive and more sensitive to risks, making the Australian banking system safer and more efficient. Bank of Queensland is working closely with APRA to ensure compliance with capital requirements.

3.2.6 Growth strategy

The underlying strength of the Queensland economy is anticipated to continue to provide sufficient growth opportunities for Bank of Queensland in the short term. However, for the medium to longer term, interstate expansion, using Bank of Queensland's OMB® model, is being actively pursued.



For the period 1 September 2006 to 12 October 2007, Bank of Queensland established 11 new branches (outside Queensland), bringing the total number of branches throughout Australia to 237 (of which 86 are outside Queensland). Bank of Queensland will continue to expand its national distribution network, as demonstrated by the Mackay Permanent Merger and the Home Merger.

Bank of Queensland's unique OMB® model will underpin expansion into interstate markets. Going forward, Bank of Queensland expects to continue to invest in asset growth, new branches, brand recognition and interstate expansion.

In addition to the pursuit of organic growth, Bank of Queensland actively looks for acquisition opportunities to grow the business.

Bank of Queensland believes that consolidation in the financial services industry is inevitable, particularly in the credit union and building society sector, as the need for scale in order to compete efficiently increases. Bank of Queensland will continue to assess opportunities as they arise and pursue those that enhance the business and increase shareholder value.

Bank of Queensland has undertaken and integrated a number of successful acquisitions in recent years including:

- 2003 - UFJ Finance Australia Limited (now BOQ Equipment Finance Limited);
- 2003 - ATM Solutions Australasia Pty Ltd (since sold to Macquarie Bank in 2005);
- 2005 - ORIX Debt Factoring business; and
- 2006 - Pioneer Permanent Building Society Limited.



3. Description of Bank of Queensland

The Mackay Permanent Merger is expected to further enhance Bank of Queensland's presence in the fast growing state of Queensland and provide a greater branch network in Central and North Queensland.

The Home Merger will increase Bank of Queensland's exposure to Western Australia, the fastest growing state in Australia and provide a strong platform to build the business in Western Australia.

Bank of Queensland's strategy includes becoming a leader in financial product distribution, sourcing product from third party suppliers where that provides the best result for customers and enhances shareholder value. Examples include the alliances with Genesys in financial planning and Citibank in relation to credit cards.

3.2.7 Directors and senior management

Profiles of the Directors and senior management of Bank of Queensland are contained in documents lodged with ASIC and which are incorporated by reference in this Prospectus (see Section 8.5 for further information). Information on a proposed appointment of a Director is contained in Section 8.9.

4. Description of the Enlarged BOQ Group



4. Description of the Enlarged BOQ Group

4.1 Introduction

Bank of Queensland recently announced recommended proposals to merge with Mackay Permanent Building Society and Home Building Society (together the "Mergers"). Both transactions are subject to a number of conditions which are yet to be satisfied and will be implemented via a scheme of arrangement. Subject to all approvals being obtained and satisfaction of the outstanding conditions, the schemes of arrangement are scheduled to be implemented during December 2007.

On 29 October 2007, Wide Bay Australia Limited announced a takeover bid for Mackay Permanent. Further details are contained in Section 3.1. This takeover bid may have an effect on the outcome of the proposed Mackay Permanent Merger, which is scheduled to be voted on by Mackay Permanent shareholders on 21 November 2007.

The Mergers are not in any way conditional on the outcome of the Offer and the Offer is not conditional in any way on the outcome of the processes for the Mergers. The Offer will proceed irrespective of the outcome of the processes for the Mergers.

Following the implementation of the Mergers, the combination of Bank of Queensland, Mackay Permanent and Home will form the Enlarged BOQ Group.

4.2 Rationale for the Mergers

Bank of Queensland has undertaken analysis to assess the potential benefits and risks of the Mergers. The expected benefits of the Mergers are set out below.

The statements set out in this Section are based on the current knowledge and intentions of the Board and accordingly may be subject to change as new information becomes available or as circumstances change.

4.2.1 Rationale for the merger with Mackay Permanent

Mackay Permanent background

Mackay Permanent is based in Mackay, Queensland. The company's shares were first quoted on ASX on 1 December 2000.

Mackay Permanent's principal activities are the raising of deposits and the provision of finance for housing and other purposes. It operates a portfolio of loans with the majority being secured by registered mortgages over residential property and covered by lender's mortgage insurance. It has developed a network of branches and agencies in the Mackay-Whitsunday region and in Central and Northern Queensland.

Mackay Permanent's operations principally comprise the following:

- *Personal banking* - Housing and consumer finance, including everyday banking accounts, savings and investment products, cashcards and personal and home loans;
- *Business banking* - Business banking products and services, including transaction accounts, business loans and overdraft facilities and investment accounts; and
- *Insurance* - Personal and commercial insurance products, including home and contents, motor vehicle, business and consumer insurance through Financial Lifestyle Solutions Pty Ltd including QBE, Allianz and Lumley.

The Mackay Permanent Merger will create one of the largest banking presences in the Central and North Queensland region and build on Bank of Queensland's merger with Mackay-based Pioneer Permanent in December 2006.

Stronger financial position

The Mackay Permanent Merger is expected to:

- add approximately \$353 million in assets to Bank of Queensland's balance sheet;
- enhance Bank of Queensland's footprint in regional Queensland and give Bank of Queensland access to a further 13 branches and 13 agencies; and
- increase Bank of Queensland's customer base by approximately 21,000 accounts.

Complementary businesses and strong cultural alignment

The Mackay Permanent Merger involves the consolidation of two complementary business models. Bank of Queensland and Mackay Permanent share similar origins and cultures which focus on superior customer service and active community involvement. This facilitates a smooth integration of Mackay Permanent's business into Bank of Queensland's current operations.

Enhanced product and service offering

The Mackay Permanent Merger will be able to provide Mackay Permanent members with access to a larger product portfolio and more comprehensive service offering that is available from a combined national network comprising 250 branches and access to more than 2,400 Bank of Queensland-branded ATMs.

Access to synergies

It is anticipated that the Mackay Permanent Merger will deliver cost savings from operational efficiencies. Synergies are expected to be realised from the consolidation of IT platforms and back office functions, head office overhead savings and consolidation of Mackay Permanent branches and conversion to OMBs® where appropriate.

4.2.2 Rationale for the merger with Home

Home Building Society background

Home is the only listed ADI headquartered in Western Australia. Home merged with StateWest Financial Services Limited on 10 July 2006. At 30 June 2007 the resulting entity had lending assets of \$2.4 billion and deposits of \$2.2 billion.

Home has 29 branches and in excess of 126,000 customers. In addition, it operates an online banking service and operates a call centre that is open five days per week. Home also utilises mortgage brokers who promote Home's lending products.

The principal activities of Home are providing financial services and property development through four key operating divisions:

- Retail Banking;
- Relationship and Commercial Banking;
- Property Development; and
- Home Financial Planning.

The Home Merger brings together two successful regionally-based financial institutions which have the same strong roots in community banking and share a similar culture and customer focus. The Home Merger will create a stronger regional banking platform centred on the two fastest growing State economies in Australia.

Greater exposure to Australia's two fastest growing States

The Home Merger will create a financial institution with a strong presence in Queensland and Western Australia, the two fastest growing states in Australia, with 151 branches in Queensland and 34 branches in Western Australia. The enhanced presence in Western Australia provides a solid platform to grow the business in that state and significantly expand the business banking presence, particularly in equipment and debtor finance.

Stronger financial position

The Home Merger is expected to:

- increase operational scale and geographic diversification of earnings;
- add approximately \$3 billion in assets to Bank of Queensland's balance sheet;
- enhance Bank of Queensland's national footprint and augment Bank of Queensland's branch network in Western Australia by 29 branches; and
- increase Bank of Queensland's customer base by 126,000.



4. Description of the Enlarged BOQ Group

Complementary businesses and strong cultural alignment

The Home Merger involves the consolidation of two complementary businesses with minimal branch overlap. Bank of Queensland and Home share a similar culture and commitment to delivering superior customer service and active community involvement. This aids a smooth integration of Home's business into Bank of Queensland's current operations.

Access to synergies

It is anticipated that the Home Merger will deliver cost savings from operational efficiencies. Synergies are expected to be realised from the conversion of Home branches to OMBs® where appropriate, consolidation of IT platforms and back office functions, funding benefits, procurement savings and administration.

In addition to cost synergies, Bank of Queensland will seek to derive revenue synergies from the roll out of additional Bank of Queensland products to Home's customer base, including margin lending, equipment and debtor finance products and a broad range of business banking products for small to medium enterprises.

Enhanced product and service offering

The Home Merger delivers an enhanced banking proposition for regional and community banking in Australia. Customers will have access to a wider product portfolio and more comprehensive service offering that is available from a combined national network comprising over 260 branches and access to more than 2,400 Bank of Queensland-branded ATMs.

4.3 Information on the Mergers

Each of Mackay Permanent and Home has prepared and released to ASX a scheme booklet in relation to the schemes of arrangement proposed to implement the respective mergers. A copy of each scheme booklet, and of a supplementary scheme booklet issued by Mackay Permanent, is available at www.boq.com.au. These booklets contain detailed information about the Mergers.

5. Risk factors

5. Risk factors

5.1 Introduction

Before applying for the BOQ PEPS, you should consider whether the BOQ PEPS are a suitable investment for you. You should be aware that there are risks associated with an investment in the BOQ PEPS, many of which are outside the control of Bank of Queensland.

These risk factors are set out below. The risks to which the BOQ PEPS are subject can be categorised as:

- risks associated with investing in the BOQ PEPS;
- risks associated with Bank of Queensland; and
- risks associated with the Enlarged BOQ Group.

The summary of risks below is not exhaustive. You should read this Prospectus in its entirety and consult your stockbroker, solicitor, accountant or other professional adviser before deciding whether to apply for the BOQ PEPS.

5.2 BOQ PEPS specific risks

Set out below are the risks associated with an investment in the BOQ PEPS.

5.2.1 Market price and liquidity

Bank of Queensland will apply to ASX within seven days after the date of this Prospectus for BOQ PEPS to be quoted on ASX. However, Bank of Queensland is unable to forecast the market price and liquidity of the market for the BOQ PEPS. The market price of the BOQ PEPS may fluctuate due to various factors including general movements in:

- Australian and international economic conditions, interest rates and equity markets;
- investor perceptions; and
- factors which may affect Bank of Queensland's financial performance and position.

The market for the BOQ PEPS is likely to be less liquid than the market for Bank of Queensland's Ordinary Shares. Holders of the BOQ PEPS who wish to sell their BOQ PEPS may be unable to do so at an acceptable price, if at all, if insufficient liquidity exists in the market for BOQ PEPS.

5.2.2 Changes in the Dividend Rate

The Dividend Rate fluctuates in line with movements in the Bank Bill Swap Rate. Refer to the chart below for historical movements in the Bank Bill Swap Rate.

180 Day BBSW (October 1997 - October 2007)



Note: Historical levels are not indicative of future performance.

Source: IRESS

As the Dividend Rate fluctuates, there is a risk that this rate may become less attractive when compared to the rates of return available on comparable securities issued by Bank of Queensland or other entities.

5.2.3 Dividends may not be paid

There is a risk that Dividends will not be paid. Dividends will not be paid if the Dividend payment tests (set out in Section 9.6.6) are not satisfied. The Dividend payment tests include the availability of Bank of Queensland profits and the Directors having resolved that the Dividend is to be paid.

Dividends on the BOQ PEPS are non-cumulative. Therefore, if a Dividend is not paid in full for any particular Dividend Period, Holders will not be entitled to receive that Dividend and will not receive that Dividend unless Bank of Queensland causes that Dividend to be made up through payment of an Optional Dividend (subject to APRA approval).

However, if Bank of Queensland fails to pay a Dividend in full within 3 Business Days after the relevant Dividend Payment Date, or fails to Redeem or Convert as required in accordance with the Terms of Issue, Bank of Queensland may not, without approval of a special resolution passed at a separate meeting of Holders, make any dividend or interest payments, return capital or distribute retained profits, on:

- any Ordinary Shares; or
- S1RPS or other Capital Securities of Bank of Queensland ranking equal to the BOQ PEPS in respect of dividends or distributions; or
- any other Capital Securities of Bank of Queensland ranking junior to the BOQ PEPS in respect of dividends or distributions,

until:

- Bank of Queensland has complied with the conditions set out in Section 9.6.12; or
- all BOQ PEPS have been Redeemed or Converted.

The restrictions do not prevent the pro rata payment of dividends on BOQ PEPS and other Capital Securities of Bank of Queensland ranking equal to the BOQ PEPS in respect of dividends or distributions (see Section 9.6.13 for more detail).

5.2.4 Dividends may not be fully franked

It is expected that Dividends on the BOQ PEPS will be fully franked. However, it is possible that Dividends paid on the BOQ PEPS may not be fully franked. If a Dividend is not fully franked, it will be grossed up by a cash amount to compensate for the unfranked amount, subject to the Dividend payment tests.

5.2.5 Redemption at Bank of Queensland's initiation

Bank of Queensland may initiate Redemption (subject to APRA approval) under certain circumstances, as set out in Section 9.11, before the fifth anniversary of the Issue Date. The timing of Redemption may not coincide with your individual preference, which may be disadvantageous in light of market conditions or your individual circumstances at the time.

Where you receive cash on Redemption, the rate of return on which you could re-invest your funds may be lower than the Dividend Rate at the time.

5.2.6 No fixed maturity date

The BOQ PEPS are a perpetual security and Holders do not have a right to require Bank of Queensland to Redeem their BOQ PEPS. After a Control Event the Directors must, within 20 Business Days or within 5 Business Days after APRA notifies Bank of Queensland of its approval, choose whether to redeem, buy-back or cancel the BOQ PEPS for cash. If APRA does not provide written approval for Redemption, Conversion of the BOQ PEPS for a number of Ordinary Shares (subject to APRA's prior written approval and the Maximum Conversion Number test) will occur.

The timing of Redemption or Conversion may not coincide with your individual preference, and may be disadvantageous in light of market conditions or your individual circumstances at the time.

APRA may not approve Redemption or Conversion so those actions may not be permitted to occur when they might otherwise be expected to occur.

5. Risk factors

5.2.7 Risks on Conversion

The number of Ordinary Shares issued on Conversion (following a Control Event and Redemption being unavailable) will depend on the price of the Ordinary Shares over the 20 Business Days on which trading in Ordinary Shares takes place immediately prior to the Conversion Date. The market price on the Conversion Date of each Share issued may therefore be different to the price used to calculate the number of Ordinary Shares to be issued.

The value of the Ordinary Shares after Conversion will depend on the market price of the Ordinary Shares after the Conversion Date. The market price of the Ordinary Shares will fluctuate due to various factors, including investor perceptions, domestic and worldwide economics, and factors that affect Bank of Queensland's financial performance and position. The risks described in this Section 5 may have an impact on the market price of the Ordinary Shares to a greater or lesser extent than that of BOQ PEPS.

In addition, there may be limited liquidity in the secondary trading market for the Ordinary Shares. Holders who wish to sell their Ordinary Shares may be unable to do so at an acceptable price, if at all, if insufficient liquidity exists in the market for the Ordinary Shares.

If the Conversion Number is greater than the Maximum Conversion Number and a Holder does not elect to accept the Maximum Conversion Number, then Conversion for that Holder will not occur. The Maximum Conversion Number may reflect a value of Ordinary Shares which is materially less than the value of the Conversion Number of Ordinary Shares.

5.2.8 Risk of No Shareholder Approval

Bank of Queensland will seek approval of the Terms of Issue and an amendment to the Constitution at its AGM on 6 December 2007 in relation to the Redemption feature. There is a risk that Ordinary Shareholders will not approve the Terms of Issue and BOQ PEPS will not be issued and all Application Monies will be refunded (without interest) to Applicants.

5.2.9 Ranking of the BOQ PEPS

The BOQ PEPS are not deposit liabilities or debt instruments of Bank of Queensland and the payment of Dividends and cash Redemption proceeds are not guaranteed by Bank of Queensland. In the event of a winding up of Bank of Queensland, the BOQ PEPS rank:

- subordinate to all creditors including depositors;
- subordinate to holders of RePS and any other Capital Securities of Bank of Queensland ranking senior to the BOQ PEPS in respect of return on capital;
- in priority to Ordinary Shareholders and any other Capital Securities of Bank of Queensland ranking junior to the BOQ PEPS in respect of return of capital; and
- equal to holders of S1RPS and any other Capital Securities of Bank of Queensland ranking equally to the BOQ PEPS in respect of return of capital,

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

If there is a winding up of Bank of Queensland, there is a risk that Holders will not receive full return of capital or any Dividend due and unpaid at the time.

5.2.10 Credit Rating

There is a risk that the credit rating of Bank of Queensland or of the BOQ PEPS may change. This could affect the market price and liquidity of the BOQ PEPS. Credit ratings are not 'market' ratings, nor are they a recommendation to buy, hold or sell securities and are subject to revision or withdrawal at any time.

The credit ratings may not reflect the potential impact of all risks related to the structure under which the BOQ PEPS are issued, market and additional factors discussed in this Section 5.2, and other factors that may affect the value of the BOQ PEPS or Bank of Queensland's financial performance or position (see also Section 6.4).

5.2.11 Regulatory classification

APRA has provided confirmation that the BOQ PEPS qualify as Non-Innovative Residual Tier 1 Capital Instruments under current prudential standards at the date of this Prospectus. However, if APRA subsequently determines that the BOQ PEPS are not or will not qualify for Non-Innovative Residual Tier 1 Capital Instruments, Bank of Queensland may decide that a Regulatory Event has occurred. This will allow Redemption (subject to any required APRA approval) at Bank of Queensland's discretion.

The timing of Redemption may not coincide with your individual preference, and may be disadvantageous in light of market conditions or your individual circumstances at the time.

5.2.12 Taxation treatment

A general description of the taxation consequences of investing in the BOQ PEPS is set out in Section 7. This discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular investor. Accordingly, investors should seek independent advice in relation to their individual tax position.

If there is a change of law, policy or practice that adversely affects the tax position of Bank of Queensland, a Tax Event may occur. This may give Bank of Queensland the right to elect to Redeem the BOQ PEPS.

The timing of Redemption may not coincide with your individual preference, and may be disadvantageous in light of market conditions or your individual circumstances at the time.

5.2.13 Accounting standards

A change in accounting standards by either the International Accounting Standards Board or the Australian Accounting Standards Board may affect the reported earnings and financial position of Bank of Queensland in future financial periods. This may adversely affect the ability of Bank of Queensland to make dividend payments with respect to the BOQ PEPS.

5.2.14 Future issue of securities by the Issuer

Bank of Queensland may in future issue securities that:

- rank for dividend or return of capital (including in the winding up of Bank of Queensland) equally with or behind;
- have the same or different dividend, interest or distribution rates; or
- have the same or different terms and conditions as;

the BOQ PEPS.

An investment in the BOQ PEPS carries no right to participate in any future issue of securities (whether equity, hybrid, debt or otherwise) by Bank of Queensland.

No prediction can be made as to the effect, if any, such future issues of securities by Bank of Queensland may have on the market price or liquidity of the BOQ PEPS.



5. Risk factors

5.3 Bank of Queensland business specific risks

Set out below are the risks associated with Bank of Queensland's business.

5.3.1 Bank-specific risks

There are a number of risks which arise directly from the operations of Bank of Queensland as a participant in the Australian financial services industry. These risks are categorised as market risk, credit risk, liquidity risk and operational risk.

Market risk

Market risk is the risk of an adverse event in financial markets causing a loss of earnings to Bank of Queensland. This risk generally arises from either funding risk or interest rate risk.

Funding risk is the risk of over-reliance on a particular funding source, including securitisation, affecting the volatility in the cost or availability to Bank of Queensland of funds.

Recently, developments in the US sub-prime mortgage industry have adversely affected the liquidity of global credit markets. This has resulted in an increase in the cost of wholesale funds throughout global credit markets including Australia, and in some cases a reduction in the availability of some funding sources. Bank of Queensland utilises various funding sources, including wholesale funds and asset securitisation (see Section 3.2.4), and as a consequence its overall cost of funds has increased and may continue to increase and the availability of these funds may reduce.

Interest rate risk arises from a variety of sources, including mismatches between the repricing periods of assets and liabilities. As a result of these mismatches, movements in interest rates may affect earnings or the value of Bank of Queensland.

Bank of Queensland has reviewed and continues to review its pricing model and funding mix in light of recent developments to ensure products are appropriately priced.

Credit risk

Credit risk is the potential for loss arising from a debtor or counterparty failing to meet their financial contractual obligations to Bank of Queensland or the failure to recover the recorded value of equity investments or specific investments. This risk will be inherent in Bank of Queensland's lending activities.

Liquidity risk

Liquidity risk is the possibility of Bank of Queensland being unable to meet its financial commitments when they fall due as a result of mismatches in its cash flows from financial transactions.

The availability of funding from uncertain financial markets may increase liquidity risks to financial institutions generally, as discussed above under market risk.

Operational risk

Operational risk is the risk of potential variations in the minimum standards relating to Bank of Queensland's day to day activities, other than those captured in the credit and market risk categories, and which relate to strategic and business decisions, process, systems and people error, and external events.

While the Directors have adopted policies and procedures to control exposure to, and limit the extent of, these risks, there are inherent limitations in any risk management control system. The development and maintenance of effective control systems should provide an appropriate foundation for Bank of Queensland to manage these risks. Some of the specific risks in this category are set out below.

5.3.2 Basel II

APRA's proposal to apply capital adequacy principles as determined by Basel II may result in changes to Bank of Queensland's capital adequacy ratios. Basel II seeks to provide regulatory capital requirements that are both more comprehensive and more sensitive to risks. The outcomes for Bank of Queensland of the implementation of Basel II are uncertain and there is a risk that Bank of Queensland may require additional capital to meet the requirements, which may have a negative effect on Bank of Queensland's earnings per share. Bank of Queensland is working closely with APRA to ensure compliance with capital requirements.

5.3.3 Changes in technology

Technology plays an increasingly important role in the delivery of financial services to customers in a cost effective manner. Bank of Queensland's ability to compete effectively in the future will, in part, be driven by its ability to maintain an appropriate technology platform for the efficient delivery of its products and services.

5.3.4 Industry competition

There is substantial competition for the provision of financial services in the markets in which Bank of Queensland operates. The effect of competitive market conditions may adversely impact the earnings and assets of Bank of Queensland.

5.3.5 Risks to Bank of Queensland's growth strategy

The Mackay Permanent Merger and the Home Merger form part of Bank of Queensland's acquisition growth strategy, in addition to the organic growth of its financial services operations. Risks that relate to Bank of Queensland's growth strategy are interrelated and include risk of local market saturation and risks associated with geographical diversification.

Risk of local market saturation

Bank of Queensland currently has a growing market share in Queensland. Despite the size of the Queensland market, Bank of Queensland faces the challenge of maintaining a high penetration rate in that market in order to achieve continued growth. In addition, Bank of Queensland will continue to be exposed to fluctuations in the Queensland economy in particular.

Risk of geographical diversification

The Mackay Permanent Merger and the Home Merger enable Bank of Queensland to expand its geographical presence and distribution. This brings challenges to Bank of Queensland's management and control systems as it becomes a more geographically diverse organisation.

5.3.6 Disputes

In the course of its operations, Bank of Queensland may be involved in disputes and possible litigation. The extent of such disputes and litigation cannot be ascertained at this time. However, there is a risk that any material or costly dispute or litigation could adversely affect the value of the assets or future financial performance of Bank of Queensland. While Bank of Queensland is currently party to certain disputes, none of those disputes are considered by Bank of Queensland as likely to give rise to any material liability.

5.4 Enlarged BOQ Group business specific risks

The information set out in this Section 5.4 describes specific risks in relation to the Enlarged BOQ Group.

5.4.1 Integration risks

The mergers of Mackay Permanent and Home with Bank of Queensland involve the integration of businesses that have previously operated independently and may involve:

- unexpected delays, liabilities and costs including but not limited to in relation to integrating information technology systems, management systems, carrying out branch conversions and expanding product offerings;
- operational interruptions;
- the loss of key employees, customers or suppliers of Mackay Permanent or Home;
- the termination of contractual arrangements as a result of the change in control of Mackay Permanent and Home; and
- diminished customer acceptance of the branding strategy adopted by the Board for Mackay Permanent and Home.

The integrations may not be achieved in an orderly fashion and within a reasonable period or, even if completed on a timely basis, may not realise the full benefits, cost savings and other synergies expected. Any increase in expected integration costs or failure to achieve expected synergies could adversely impact the financial performance and position of Bank of Queensland. Bank of Queensland, Mackay Permanent and Home operate on different suites of banking systems which introduces additional complexity and timing risk to the integration process.

5. Risk factors

5.4.2 Reliance on information

Bank of Queensland has conducted due diligence enquiries in relation to information provided by Mackay Permanent and Home in the course and for the purpose of the Mackay Permanent Merger and the Home Merger. Bank of Queensland has relied on this information in making an assessment of the assets and liabilities, profits and losses and prospects of Mackay Permanent and Home. Such investigations were carried out in a limited time. Bank of Queensland is satisfied that it has sufficient information to decide to proceed with the Mackay Permanent Merger and the Home Merger. However, there is a risk that material information on which Bank of Queensland has relied may not be complete or may contain inaccuracies which may have a material effect on Bank of Queensland's assessment of Mackay Permanent and Home.

5.5 General risks

5.5.1 Changes in economic conditions

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

- changes in economic growth, unemployment levels and consumer confidence which may lead to a general fall in the demand for Bank of Queensland's products and services;
- changes in underlying cost structures for labour and service charges;
- changes in fiscal and monetary policy, including interest rates, which may impact the profitability of Bank of Queensland or a general fall in the demand for Bank of Queensland's products and services; and
- national or international political and economic instability or the instability of national or international financial markets including as a result of terrorist acts or war.

Although Bank of Queensland will have in place a number of strategies to minimise the exposure to economic risk and will engage in prudent management practices to minimise its exposure to risk in the future, such factors may nonetheless have an adverse impact on Bank of Queensland's financial performance and position.

5.5.2 Changes in government policy

Bank of Queensland may be affected by changes in general government policy or legislation applying to banks or the financial services sector.

5.6 Other risks

The above list of risk factors ought not to be taken as exhaustive of the risks faced by Bank of Queensland. The above risks, and others not specifically referred to above, may in the future materially affect the financial performance and position of Bank of Queensland and the value of the BOQ PEPS offered under this Prospectus. Therefore, no assurances or guarantees of future profitability, payment of dividends, returns of capital or performance of Bank of Queensland or the BOQ PEPS can be provided by Bank of Queensland.

6. Financial information

6. Financial information

6.1 Introduction

This Section 6 contains financial information for the Enlarged BOQ Group⁶ including:

- the historical income statement for Bank of Queensland, Mackay Permanent, and Home and pro forma income statement for the Enlarged BOQ Group; and
- the historical balance sheet for Bank of Queensland, Mackay Permanent, and Home and pro forma balance sheet for the Enlarged BOQ Group.

Bank of Queensland has a 31 August financial year end and Mackay Permanent and Home have a 30 June financial year end.

The pro forma financial information in this Section 6 should be read in conjunction with the risks described in Section 5 and other information contained in this Prospectus.

The pro forma financial information has been prepared in accordance with the measurement and recognition requirements of Australian Accounting Standards, with the exception of some recognition requirements of AASB 3 Business Combinations, is unaudited and is presented in abbreviated form in so far as it does not include all the disclosures and statements of comparative information as required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The Directors are not in a position, as at the date of this Prospectus, to determine the fair values of the Mackay and Home assets to be acquired. More information is contained in Section 6.3.2.

The unaudited pro forma financial information is for illustrative purposes only and is prepared on the basis that the Mackay Permanent Merger and the Home Merger had occurred on 1 September 2006. If the Mergers had occurred in the past, the Enlarged BOQ Group's financial position and operating results would likely have been different from that presented in the pro forma financial information in this Section. It does not reflect that Bank of Queensland may own Mackay Permanent and Home for part of the 2008 financial year.

The Enlarged BOQ Group pro forma financial information has been prepared by Bank of Queensland based on publicly available financial information of Bank of Queensland, Mackay Permanent and Home.

On 29 October 2007, Wide Bay announced a takeover bid for Mackay Permanent. Further details are contained in Section 3.1. This takeover bid may have an effect on the outcome of the proposed Mackay Permanent Merger, which is scheduled to be voted on by Mackay Permanent shareholders on 21 November 2007.

6.1.1 Accounting policies

The accounting policies of the Enlarged BOQ Group used to prepare the pro forma financial information are based on the accounting policies of Bank of Queensland contained in its audited financial statements for the year ended 31 August 2007.

No material differences have been identified between the accounting policies of Bank of Queensland, Mackay Permanent and Home based on publicly available information. Accordingly, no adjustments have been made to the pro forma income statement and balance sheet.

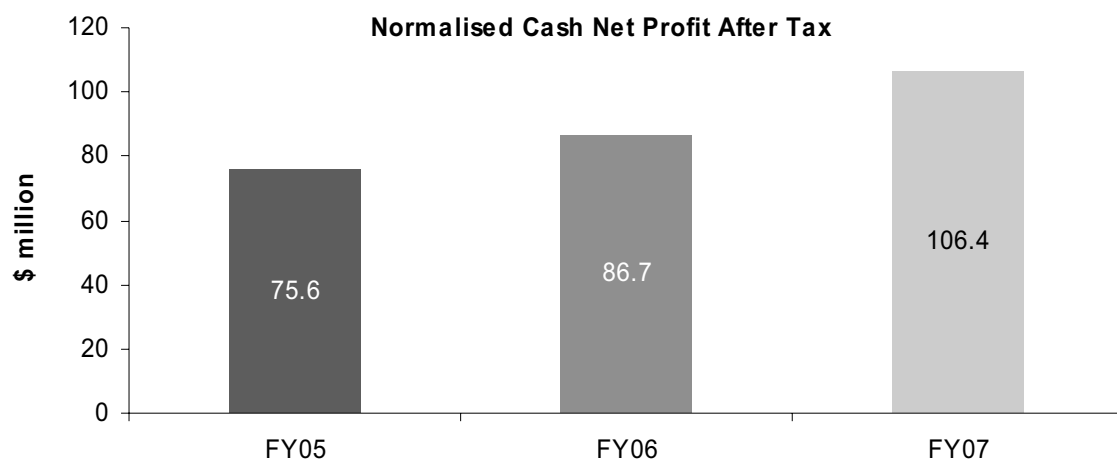
A full and detailed review of the application of accounting policies will be undertaken after completion of the Mergers.

6.2 Historical financial information

The Bank of Queensland profit for the year ended 31 August 2007 increased by 40% to \$129.8 million compared with the result of \$92.7 million for the year ended 31 August 2006. Adjusting for one-off, non-recurring and non-cash items, the 2007 and 2006 normalised cash net profit (after tax) is \$106.1 million and \$86.7 million respectively. This 22% increase in normalised cash net profit from 2006 is due to strong growth in loans and deposits, control of expenses and a stable net interest margin compared to the previous year.

⁶ The pro forma financials for the Enlarged BOQ Group means the pro forma financials for Bank of Queensland, Mackay Permanent and Home.

The following chart illustrates the strong growth in Bank of Queensland's normalised cash net profit after tax for the years ended 31 August 2005, 2006 and 2007:



More detailed information with respect to Bank of Queensland's historical financial statements can be found in the annual financial report for the year ended 31 August 2007, which was lodged with ASX and ASIC on 11 October 2007 and 16 October 2007 respectively and is incorporated by reference in this Prospectus (see Section 8.5 for further information).

6.2.1 Income statement

The pro forma income statement of the Enlarged BOQ Group has been compiled as though the Mackay Permanent Merger and the Home Merger had occurred on 1 September 2006 and therefore are included in the pro forma income statement of the Enlarged BOQ Group for FY07.

The pro forma income statement of the Enlarged BOQ Group for the year ended 31 August 2007 is based on:

- the audited consolidated income statement of Bank of Queensland for the year ended 31 August 2007 extracted from the financial statements for the year ended 31 August 2007;
- the audited consolidated income statements of Mackay Permanent and Home for the year ended 30 June 2007 extracted from their respective financial statements for the year ended 30 June 2007; and
- the pro forma adjustments as discussed below.

It is not expected that there would be material differences in the pro forma income statement had it been compiled using the income statements of Mackay Permanent and Home for the year ended 31 August 2007 had these results been available.



6. Financial information

Summary of income statement ⁽¹⁾					
	Bank of Queensland	Mackay Permanent	Home	Pro forma	Enlarged BOQ Group
\$m	Actual	Actual	Actual	Adjs	Pro Forma
Interest income	1,311	25	192	-	1,528
Interest expense	(990)	(16)	(133)	-	(1,139)
Net interest income	321	9	59	-	389
Other income	179	4	19	-	202
Total income after interest expense	500	13	78	-	591
Operating expenses	(316)	(10)	(60)	-	(386)
Profit before tax	184	3	18	-	205
Income tax	(54)	(1)	(5)	-	(61)
Net profit	130	2	13	-	145
Adjustments					
BOQ one-off, non-recurring and non-cash items ⁽²⁾	(34)				(34)
Merger and restructuring costs, & other adjustments ⁽³⁾			14		14
Costs of acquisition funding ⁽⁴⁾				(9)	(9)
Tax impact ⁽⁵⁾	10		(4)	3	9
Total adjustments	(24)		10	(6)	(20)
Normalised cash net profit after adjustments	106	2	23	(6)	125

(1) Numbers may not add due to rounding.

(2) This adjustment removes the impact of the gain on the sale of the Bank of Queensland credit card portfolio, the costs relating to the proposed merger with Bendigo Bank Limited, non-recurring costs associated with the integration of Pioneer Permanent Building Society and amortisation of customer contracts.

(3) This adjustment removes the impact of Home's merger and restructuring costs in relation to the acquisition of StateWest Credit Society Limited, and other non-recurring and non-cash items identified.

(4) This adjustment is in respect of the annual costs of additional debt to be raised to fund the Mackay Permanent Merger (\$2 million) and the Home Merger (\$7 million).

(5) This represents the tax effect of the adjustments based on the corporate tax rate of 30%.

6.2.2 Adjustments underlying the income statement

One-off, non-recurring and non-cash items

Cash net profit has been adjusted for items considered non-recurring in nature.

Adjustments with respect to Bank of Queensland include:

- an after tax gain of \$29 million relating to the sale of Bank of Queensland's credit card portfolio to Citibank;
- after-tax costs of \$0.6 million relating to the proposed merger with Bendigo Bank Limited;
- non-recurring costs of \$2.8 million after tax related to the integration of Pioneer Permanent; and
- amortisation of customer contracts amounting to \$2.0 million after tax.

Adjustments with respect to Home include:

- merger and restructuring costs and amortisation of customer contracts (\$10 million) relating to the acquisition of StateWest Credit Society Limited by Home; and
- non-recurring items which relate to a provision for stamp duty (\$3.1 million), amortised share options due to redundant executives (\$0.4 million) and a provision for legal claims against the financial planning division (\$0.3 million).

Financing of the Mergers

The annual funding cost of an additional \$31 million of debt to fund the Mackay Permanent Merger and an additional \$99 million of debt to fund the Home Merger to be raised by Bank of Queensland has been recognised assuming bank bill rate plus 25 basis points (estimated at 7.15%). Refer to the section below headed "Adjustments relating to the impact of acquisition accounting" for further details regarding adjustments relating to the impact of acquisition accounting.

Taxation

The potential tax impact arising from the pro forma adjustments in respect of the Mergers (with exception of the capital gain on the sale of Bank of Queensland's credit card portfolio) is based on the corporate tax rate of 30%.

Synergies and costs

No adjustment has been made to the pro forma income statement for the impact of synergies, integration costs or transaction costs related to the Mergers.

Adjustments relating to the impact of acquisition accounting

The impact of acquisition accounting is discussed in more detail in Section 6.3 below.

The Directors are not in a position, as at the date of this Prospectus, to assess the fair value of the tangible assets or separately identifiable intangible assets. The fair value assessment will be performed post the completion of the Mackay Permanent Merger and the Home Merger.

For the purpose of the pro forma income statement no adjustments have been made to reflect the impact of acquisition accounting. Rather the book value of Mackay Permanent and Home's assets and liabilities, as reported in their financial statements for the year ended 30 June 2007, are assumed to be equal to their fair value at the date of acquisition.

The expected impact of adopting acquisition accounting on the income statement of the Enlarged BOQ Group may include an amortisation charge for finite life intangible assets. Refer to Section 6.3.2 for further discussion on potential intangible assets which may arise as a result of the Mackay Permanent Merger and the Home Merger.

Home's net profit for the financial year ended 30 June 2007 includes profits from the sale of development properties of \$10 million. Acquisition accounting adjustments to recognise the fair value of the development properties at acquisition may reduce the future accounting profits from the Enlarged BOQ Group's share of the property portfolio. No adjustment has been made for this impact as it will be dependent on an analysis of the individual properties.

6.3 Impact of the BOQ PEPS

6.3.1 Balance sheet

This Section outlines the pro forma balance sheet of the Enlarged BOQ Group as though the Offer was completed and the BOQ PEPS were issued on 31 August 2007 and as though the Mackay Permanent Merger and the Home Merger had occurred on 1 September 2006, and therefore are included in the pro forma balance sheet of the Enlarged BOQ Group as at 31 August 2007.

The pro forma balance sheet of the Enlarged BOQ Group as at 31 August 2007 is based on:

- the audited consolidated balance sheet of Bank of Queensland as at 31 August 2007 extracted from the financial statements for the financial year ended 31 August 2007;
- the audited consolidated balance sheet of Mackay Permanent and Home as at 30 June 2007 extracted from their respective financial statements for the financial year ended 30 June 2007; and
- the pro forma adjustments as discussed below.

It is not expected that there would be material differences in the pro forma balance sheet had it been compiled using the balance sheets of Mackay Permanent and Home as at 31 August 2007 had this information been available.

The pro forma balance sheet of the Enlarged BOQ Group also reflects the issue of the BOQ PEPS assuming Bank of Queensland raises net proceeds of \$146 million through the Offer.



6. Financial information

Summary of balance sheet as at 31 August 2007 ⁽¹⁾							
	Bank of Queens- land 31 Aug 07 Actual	Impact of the BOQ PEPS ⁽²⁾	Total	Mackay Permanent 30 Jun 07 Actual	Home 30 Jun 07 Actual	Pro forma Adjs ⁽³⁾	Enlarged BOQ Group Pro Forma
Assets							
Cash and cash equivalent	479	146	625	21	24	(20)	650
Financial assets and derivatives	1,642	-	1,642	3	324	-	1,969
Loans and advances	17,601	-	17,601	292	2,430	-	20,323
Other assets	187	-	187	37	10	-	234
Intangible assets	128	-	128	-	171	361	660
Total assets	20,037	146	20,183	353	2,959	341	23,836
Liabilities							
Deposits	12,720	-	12,720	316	2,179	-	15,215
Financial liabilities and derivatives	58	-	58	-	-	-	58
Borrowings	6,004	-	6,004	10	417	130	6,561
Other liabilities	401	-	401	9	45	(3)	452
Total liabilities	19,183	-	19,183	335	2,641	127	22,286
Net assets	854	146	1,000	18	318	214	1,550
Equity							
Issued capital	616	146	762	7	266	277	1,312
Reserves	88	-	88	1	7	(8)	88
Retained profits	151	-	151	10	43	(53)	151
Minority interest	-	-	-	-	2	(2)	-
Total equity	854	146	1,000	18	318	214	1,550

(1) Numbers may not add due to rounding.

(2) Expenses related to the Offer are estimated to be \$4 million as at the date of this Prospectus and will be deducted from the assumed \$150 million gross proceeds of the Offer.

(3) Adjustments for Mackay Permanent and Home relate to pro forma acquisition accounting adjustments. Specific assumptions are set out below.

6.3.2 Merger adjustments underlying the balance sheet

Mackay Permanent

Bank of Queensland's anticipated transaction costs of \$2 million in relation to the Mackay Permanent Merger have been included as an adjustment to the pro forma balance sheet, with a corresponding reduction in the cash position on the basis that these costs will be recognised as part of the investment in Mackay Permanent and will increase intangible assets recognised at acquisition. The final amounts incurred and allocation may be different to that reflected for the purposes of the pro forma balance sheet.

Mackay Permanent's anticipated transaction costs of \$1 million have been included as adjustments to the pro forma balance sheet, with a corresponding reduction in the cash position on the basis that these costs will be incurred by Mackay Permanent and will increase intangible assets recognised at acquisition. The final amounts incurred and allocation may be different to that reflected for the purposes of the pro forma balance sheet.

The Mackay Permanent Merger adjustments assume 5,748,762 Mackay Permanent shares were on issue and 50% of Mackay Permanent ordinary shareholders accept the cash alternative and 50% of Mackay Permanent ordinary shareholders accept the scrip alternative. The cash alternative is based on a total consideration of \$8.25 cash and a \$1.00 final dividend per Mackay Permanent share. The scrip alternative is based on a total consideration of 0.5 new Bank of Queensland Ordinary Shares and a \$1.00 final dividend per Mackay Permanent share. A Bank of Queensland Ordinary Share price of \$18.89 (being the Bank of Queensland closing share price on 10 October 2007) is assumed in the pro forma balance sheet adjustments. For the purposes of calculating the intangible assets and goodwill for Bank of Queensland and Mackay Permanent on consolidation, the book value of Mackay Permanent's assets and liabilities, as reported in the Mackay Permanent audited financial statements as at 30 June 2007, are assumed to be equal to their fair value at the date of acquisition.

In addition, it is assumed that the 135,798 Mackay Permanent preference shares are converted to 293,617 Mackay Permanent shares and are subject to the same acquisition assumptions, noted above, as existing Mackay Permanent shares.

Home

Bank of Queensland's anticipated transaction costs of \$12 million in relation to the Home Merger have been included as adjustments to the pro forma balance sheet, with a corresponding reduction in the cash position on the basis that these costs will be recognised as part of the investment in Home and will increase intangible assets recognised at acquisition. The final amounts incurred and allocation may be different to that reflected for the purposes of the pro forma balance sheet.

Home's anticipated transaction costs of \$5 million have been included as adjustments to the pro forma balance sheet, with a corresponding reduction in the cash position on the basis that these costs will be incurred by Home and will increase intangible assets recognised at acquisition. The final amounts incurred and allocation may be different to that reflected for the purposes of the pro forma balance sheet.

The Home Merger adjustments assume a Bank of Queensland Ordinary Share price of \$18.89 (being the Bank of Queensland closing share price on 10 October 2007) and an exchange ratio of 0.844 new Bank of Queensland Ordinary Shares plus cash of \$2.80 for each Home share and that 32,693,855 Home shares were on issue. For the purposes of calculating the intangible assets (including goodwill) for the Enlarged BOQ Group on consolidation, the book value of Home's assets and liabilities, as reported in the Home audited financial statements as at 30 June 2007, are assumed to be equal to their fair value at the date of acquisition.

The general reserve for Home's credit losses of \$4.2 million prior to the merger with Bank of Queensland which is eliminated on consolidation is deemed to be re-instated by a transfer from the Enlarged BOQ Group's retained earnings of an equivalent amount as an initial transaction entry.

Adjustments relating to the impact of acquisition accounting

Australian Accounting standard AASB 3 Business Combinations requires Bank of Queensland to record the net assets and contingent liabilities acquired in the Mackay Permanent Merger and the Home Merger at their fair value as at the date of acquisition with the balance of consideration (both equity and cash) paid by Bank of Queensland in exchange for control of Mackay Permanent and Home classified as goodwill.

Bank of Queensland Ordinary Shares form part of the cost of acquisition. In accordance with accounting standards, the fair value of these shares will be determined as the published market price on the date of the acquisition. For the purposes of calculating the cost of acquisition a value of \$18.89 has been used, being the closing share price of Bank of Queensland Ordinary Shares on 10 October 2007. To the extent the share price of Bank of Queensland's Ordinary Shares changes in the period to the acquisition date, the cost of acquisition and accordingly the value of intangible assets acquired (discussed below) will change.

The costs of the Mackay Permanent Merger and the Home Merger include assumed pre-tax transaction costs of \$2 million and \$12 million respectively. As these costs form part of the cost of acquisition and are non-recurring in nature, they do not impact the pro forma historical income statement that is presented in Section 6.2.1.

6. Financial information

All identifiable assets (including intangible assets), liabilities and contingent liabilities that meet certain recognition criteria should be recognised separately in the consolidated financial statements of the Enlarged BOQ Group. Once this process has been completed, the excess of the cost of the Mackay Permanent Merger and the Home Merger over and above Bank of Queensland's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities should be recognised as intangible assets and goodwill. The goodwill will only be quantified once the Mackay Permanent Merger and the Home Merger occur. Similarly, the identification and valuation of intangible assets, including the breakdown between finite life and infinite life intangibles, will not be possible until after the completion of the Mackay Permanent Merger and the Home Merger. Accounting standards allow a period of 12 months to finalise provisional acquisition accounting adjustments from the date of acquisition.

The following potential identifiable intangible assets may be recognised in the consolidated balance sheet subsequent to the Mergers:

- market related assets such as brands;
- customer related assets such as loans and customer relationships;
- contract based assets such as contracts in force, funds under management, employment contracts and lease agreements; and
- technology based assets such as software.

For the purposes of the pro forma balance sheet, total intangible assets, including goodwill, relating to the acquisition of Mackay Permanent and Home have been calculated at \$42 million and \$319 million respectively. This amount will change once the fair value of all assets, liabilities and contingent liabilities acquired are determined as at the acquisition date. These amounts totalling \$361 million are determined as the aggregate of the excess of the cost of acquisition of \$60 million and \$620 million based on the estimated consideration for the Mackay Permanent Merger and the Home Merger, respectively, adjusted for the net assets acquired, Mackay Permanent preference shares and associated transaction costs.

As part of the acquisition of Home and Mackay Permanent, certain assets are expected to be transferred to Bank of Queensland. In preparing the pro forma financial information included in this Prospectus, any stamp duty payable on the acquisition of the assets has not been taken into account. During the 12 month period subsequent to obtaining control of the assets, the amount of stamp duty that may be payable will be determined. Any stamp duty paid directly as a result of the acquisitions would be treated for accounting purposes as an increase in the cost of the business acquired with a corresponding impact on the amount of goodwill recorded on acquisition.

Adjustments relating to financing

Adjustment to borrowings represents the senior debt to be raised to fund the cash consideration payable in respect of the Mackay Permanent Merger of \$31 million and the Home Merger of \$99 million (including \$7.5 million to Home option holders).

6.3.3 Capital adequacy

This Section outlines the pro forma capital adequacy of Bank of Queensland prior to the Mergers and of the Enlarged BOQ Group as though the Mackay Permanent Merger and the Home Merger had occurred on 1 September 2006 and therefore are included in the pro forma capital adequacy of Bank of Queensland as at 31 August 2007.

In addition, the pro forma column of the capital adequacy table adjusts the Enlarged BOQ Group for:

- the issue of the BOQ PEPS assuming Bank of Queensland raises net proceeds of \$146 million through the Offer (being \$150 million less \$4 million estimated Offer costs); and
- the removal of a transitional capital relief from APRA of approximately \$112 million⁷.

⁷ On transition to AIFRS on 1 July 2006, Bank of Queensland's capital decreased by \$110 million, with the primary factor being \$86 million of capitalised software at that time being classified as an intangible and therefore a Tier 1 deduction. Bank of Queensland has received transitional capital relief from APRA to add the \$110 million back to Tier 1 capital for the purposes of calculating regulatory capital, however, this capital relief will only be available until 31 December 2007.

Summary pro forma capital adequacy as at 31 August 2007⁽¹⁾

	Bank of Queensland	Enlarged BOQ Group	Enlarged BOQ Group (Pro Forma)
Risk-weighted capital ratios			
Tier 1 – Fundamental	7.4%	6.5%	5.5%
Tier 1 – Residual Non-Innovative	-	-	1.3%
Tier 1 – Residual Innovative	1.1%	1.0%	1.0%
Total Tier 1	8.5%	7.5%	7.8%
Tier 2	3.3%	3.4%	3.4%
Deductions	(0.3%)	(0.3%)	(0.3%)
Total	11.5%	10.7%	10.9%

(1) Numbers may not add due to rounding.

6.4 Credit Ratings

Bank of Queensland and the BOQ PEPS have each been rated by Standard & Poor's and Moody's. In addition Bank of Queensland has been rated by Fitch.

As at the date of this Prospectus, the ratings are as follows:

Bank of Queensland – Long-Term Senior Debt Rating		Investment Grade
Standard & Poor's ⁽¹⁾	BBB+	Yes
Moody's ⁽²⁾	A2	Yes
Fitch ⁽³⁾	BBB+	Yes
BOQ PEPS – Expected Issue Credit Rating		
Standard & Poor's	BBB-	Yes
Moody's	Baa1	Yes

(1) Standard & Poor's long-term senior debt rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations.

(2) Moody's long-term senior debt rating is an opinion of the ability of an issuer to honour senior unsecured financial obligations.

(3) Fitch's long-term senior debt rating reflects the issuer's ability to meet all of their most senior financial obligations on a timely basis over the term of the obligation.

An issue credit rating is a current opinion of the creditworthiness of an obligor with respect to specific financial obligations, a specific class of financial obligations or a specific financial program. The BOQ PEPS issue credit ratings set out above are the prospective issue credit ratings that Standard & Poor's and Moody's have indicated will be assigned to the BOQ PEPS once issued, subject to no material changes occurring to the transaction structure or documentation.



6. Financial information

According to Standard & Poor's:

- An obligation with a 'BBB' long term issue credit rating exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.
- An obligor with a 'BBB' long term issuer credit rating has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

Ratings may be modified by the addition of a plus (+) or minus (-) sign to show the relative standing within the rating category, with (+) indicating the obligation ranks in the higher end of the category and (-) indicating the obligation ranks in the lower end of the category.

The outlook applied to Bank of Queensland's long-term rating by S&P is 'outlook stable'.

According to Moody's:

- Obligations rated 'Baa' are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.
- Obligations rated 'A' are considered upper-medium grade and are subject to low credit risk.

Within the Moody's generic 'Baa' rating classification, 'Baa1' indicates that the obligation ranks in the higher end of its generic 'Baa' rating category and 'Baa3' indicates that the obligation ranks in the lower end of its generic 'Baa' category.

The outlook applied to Bank of Queensland's long-term rating by Moody's is 'outlook stable'.

According to Fitch:

- A 'BBB' rating indicates good credit quality and that there are currently expectations of low credit risk. The capacity for payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this capacity. This is the lowest investment grade category.

Ratings may be modified by the addition of a plus (+) or minus (-) sign to show the relative status within the rating category, with (+) indicating the obligation ranks in the higher end of the category and (-) indicating the obligation ranks in the lower end of the category.

The outlook applied to Bank of Queensland's long-term rating by Fitch is 'outlook stable'.

Ratings are statements of opinion, not statements of fact or recommendations to buy, hold or sell any securities. Ratings may be changed, withdrawn or suspended at any time. In Australia, credit ratings are assigned by Standard & Poor's (Australia) Pty Limited, Moody's Investor Service Pty Limited and Fitch Ratings Australia Pty Ltd, which do not hold an Australian Financial Services Licence under the Corporations Act.

Credit ratings are subject to revision or withdrawal at any time. As at the date of this Prospectus, no issue credit rating has been sought from any other rating agency.

The issue credit ratings and long term services debt ratings referred to above are not a recommendation by the credit ratings agencies or any other person to apply for BOQ PEPS. None of the credit ratings agencies referred to above have consented to the use of the credit rating references in this Prospectus.

7. Taxation considerations for Investors



7. Taxation considerations for Investors



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9 November 2007

**Subject: Bank of Queensland Limited
Perpetual Equity Preference Shares
Australian Taxation Consequences – Investor**

Dear Directors

We have been instructed by Bank of Queensland Limited (“BOQ”) to prepare a tax opinion letter on the Australian tax consequences for Australian tax resident investors (“Holders”) who acquire the Perpetual Equity Preference Shares (“BOQ PEPS”) and hold them on capital account. We understand that this tax opinion letter will be included in the Prospectus for the issue of the BOQ PEPS.

Note that tax consequences for investors that are in the business of share trading, dealing in securities or otherwise hold the BOQ PEPS on revenue account have not been considered in this opinion letter.

This opinion letter is based on the income tax law and administrative practice currently in force as at the date of this Prospectus. The law is complex and subject to change periodically as is its interpretation by the courts and the ATO. In this respect, this opinion letter is necessarily general in nature and is not intended to be definitive advice to the Holders. Accordingly, each Holder should seek their own tax advice in relation to the BOQ PEPS such that it is specific to their particular circumstances.

Unless the context indicates otherwise, all capitalised terms in this tax opinion letter bear the same meaning as those contained in the Glossary of the Prospectus and the definitions in the Terms of Issue.

Liability limited by a scheme approved under Professional Standards Legislation

1.0 TAXATION TREATMENT OF DIVIDENDS

The BOQ PEPS are properly classified as equity interests in BOQ for income tax purposes (rather than debt interests). Accordingly, dividends on the BOQ PEPS (including Dividends and Optional Dividends) should be frankable distributions for BOQ for tax purposes.

In this respect, it is currently expected that BOQ will only pay fully franked dividends. Accordingly, all Holders should include in their assessable income the amount of the fully franked dividends, grossed up for the franking credits attached to the dividends. However, no gross up will be required to be included where a Holder is not a “qualified person” (refer to section 2.0 below).

Further, if the Holder is a “qualified person”, they may qualify for a tax offset (equivalent to the franking credits attached to the dividends) against their income tax liability for the relevant income year in which the dividends are received.

To the extent that the tax offset attributable to the franking credits on a dividend exceeds the amount of a Holder’s income tax liability for the relevant income year, the excess tax offset may be refunded to the Holder (if the Holder is an individual or a complying superannuation fund). Excess franking credits cannot be carried forward by such Holders for use in a later income year.

Note that Holders that are companies or non-complying superannuation funds are not entitled to refunds of tax offsets. However, Holders that are companies will be entitled to a credit in their franking account equal to the amount of the franking credits on the dividends.

2.0 QUALIFICATION FOR FRANKING CREDITS ON DIVIDENDS

Certain imputation measures contained in the Tax Act provide that a shareholder is not required to include the grossed up amount of the franking credits in their assessable income and is not entitled to the tax offset unless the shareholder is a “qualified person” in relation to a dividend.

A shareholder is a “qualified person” if they satisfy both the “holding period rule” and the “related payments rule”.

In order to satisfy the “holding period rule”, a Holder must have held the relevant BOQ PEPS “at risk” for a continuous period of at least 90 days (excluding the day of disposal) within a period beginning on the day after the date on which the Holder acquired the relevant BOQ PEPS and ending on the 90th day after the date on which the relevant BOQ PEPS became ex-dividend.

In this respect, a Holder would be “at risk” in relation to the BOQ PEPS provided that it does not enter into any arrangements which could result in a materially reduced risk of loss, or opportunity for gain, in relation to the BOQ PEPS. In calculating the 90 day holding period for the BOQ PEPS,



7. Taxation considerations for Investors



any days where the Holder has materially diminished its risk of loss or opportunity for gain are excluded.

Note that a Holder is taken to have materially diminished its risk if its net position in relation to the BOQ PEPS is such that it has less than 30% of the risks and opportunities associated with the BOQ PEPS.

In order to satisfy the "related payments rule", a Holder who is obliged to make a "related payment" in respect of a dividend (which is essentially a payment passing on the benefit of the dividend) must hold the relevant BOQ PEPS "at risk" for at least 90 days (not including the days of acquisition and disposal) within the period beginning 90 days before and ending 90 days after the relevant BOQ PEPS became ex-dividend.

Further to the "holding period rule" and "related payments rule" outlined above, note that a Holder will automatically be taken to be a "qualified person" in relation to a dividend paid on the BOQ PEPS if the total amount of the tax offsets in respect of all franked distributions (including the dividend on the BOQ PEPS) to which the Holder would be entitled in an income year is \$5,000 or less. This is referred to as the Small Shareholder Rule. However, a Holder will not be a "qualified person" pursuant to the Small Shareholder Rule if "related payments" have been made, or will be made, in respect of the dividend or a distribution attributable to the dividend.

Although certain changes to the tax law have affected the applicability of the above rules, the Australian Government has indicated in a press release dated 27 September 2002 that it intends to amend the law to ensure these rules continue to apply in the above manner.

3.0 CGT CONSEQUENCES ON DISPOSAL OF BOQ PEPS

The BOQ PEPS will be regarded as a Capital Gains Tax ("CGT") asset for income tax purposes. Accordingly, a capital gain or capital loss may arise on disposal of the BOQ PEPS.

3.1 Sale of BOQ PEPS

To the extent that the capital proceeds received by a Holder on the sale of the BOQ PEPS exceeds its cost base, the excess would constitute a capital gain in the hands of the Holder. Conversely, a capital loss would arise on a sale of the BOQ PEPS equal to the amount by which the sale proceeds received are less than its reduced cost base.

In this respect, the cost base or reduced cost base of the BOQ PEPS should include the amount paid to acquire the BOQ PEPS (when issued by BOQ) as well as any incidental costs (eg. brokerage fees) associated with the acquisition and disposal of the BOQ PEPS.

Further, if the BOQ PEPS have been owned for at least 12 months prior to the sale, a Holder may be entitled to a CGT discount in respect of any capital gain arising on disposal of the BOQ PEPS. The CGT discount is applied to the amount of the gross capital gain after offsetting any current year or carried forward capital losses made by the Holder. The CGT discount percentage is 50% for Holders that are individuals or trusts and 33.33% for Holders who are complying superannuation funds. Companies are not entitled to receive the CGT discount on any capital gain arising on disposal of the BOQ PEPS.

Holders who dispose of the BOQ PEPS within 12 months of acquiring them, or who dispose of the BOQ PEPS under an agreement entered into within 12 months of acquiring them, will not be entitled to receive the above CGT discount.

3.2 Redemption of BOQ PEPS

BOQ may elect to Redeem the BOQ PEPS on a Call Date (being the 5th anniversary of the Issue Date for the relevant BOQ PEPS and each subsequent Dividend Payment Date). Further, BOQ is also able to Redeem the BOQ PEPS upon the occurrence of a Tax Event, or a Regulatory Event and, subject to APRA's approval must Redeem the BOQ PEPS after a Control Event.

In this respect, based on the Terms of Issue, BOQ can elect to Redeem the BOQ PEPS for cash by way of a redemption, buy-back or cancellation. The tax consequences arising should BOQ elect to Redeem the BOQ PEPS are outlined below.

3.2.1 Redemption or Cancellation of the BOQ PEPS

The cash proceeds on a redemption or cancellation of the BOQ PEPS should not be treated as a dividend for the Holder to the extent to which the proceeds are debited by BOQ against an amount standing to the credit of an untainted share capital account, provided that BOQ gives the Holder a notice specifying the amount paid up on each of the BOQ PEPS being redeemed or cancelled.

However, to the extent to which the redemption or cancellation proceeds paid by BOQ are funded out of an account other than its share capital account, that amount will be an assessable dividend in the hands of the Holder. If the Holder is a "qualified person", any franking credits attached to the dividend will also be assessable, however a tax offset may be available for the same (refer sections 1.0 and 2.0 above).

The redemption or cancellation of the BOQ PEPS will constitute a CGT event for income tax purposes. Accordingly, a Holder may also derive a capital gain or a capital loss pursuant to such a CGT event. A capital gain will arise to the extent that the capital proceeds exceed the cost base of the disposed BOQ PEPS. A capital loss will arise to the extent that the capital proceeds are lower than the reduced cost base.



7. Taxation considerations for Investors



It is noted that the cost base (or reduced cost base) of the BOQ PEPS for these purposes would include the amount paid by a Holder to acquire the BOQ PEPS plus the incidental costs associated with the acquisition and disposal of the BOQ PEPS.

In addition, the amount of the capital gain resulting from redemption or cancellation of the BOQ PEPS would be reduced (but not below nil) under the anti-overlap rules to the extent that the whole or part of the proceeds is treated as a dividend. A Holder (other than a company) may be entitled to the CGT discount in respect of any remaining capital gain (refer to section 3.1 above) not reduced by the anti-overlap rules.

3.2.2 Buy-Back of the BOQ PEPS

BOQ may choose to Redeem the BOQ PEPS through a buy-back. Such an event would give rise to income tax and CGT consequences for Holders similar to those described in relation to a return of capital on a redemption or cancellation of the BOQ PEPS (refer to section 3.2.1 above). However, depending on the terms of the buy-back and how much of the proceeds are debited to BOQ's share capital account, the calculation of the capital gain or capital loss arising may be different.

Further detailed advice should be obtained by the Holders should such a buy-back be proposed and having regard to the circumstances at the time.

3.3 Conversion of the BOQ PEPS

After the occurrence of a Control Event and if the BOQ PEPS are not Redeemed, BOQ will, subject to APRA's approval, issue a Conversion Notice to convert the BOQ PEPS to Ordinary Shares. It is noted that the Conversion of the BOQ PEPS is expressed to not constitute a redemption or cancellation of the BOQ PEPS being converted, or an issue, allotment or creation of a new share (other than additional Ordinary Shares issued). Instead, the Conversion involves changing the rights attached to the BOQ PEPS.

There will be no tax consequences as a result of the BOQ PEPS being Converted into Ordinary Shares. The issue of additional Ordinary Shares should not be an assessable dividend. Further, upon Conversion of the BOQ PEPS, their cost will be apportioned over both the Ordinary Share into which the BOQ PEPS convert and the additional Ordinary Shares issued on Conversion. A subsequent sale of the Ordinary Shares may give rise to a capital gain or capital loss to a Holder. These Ordinary Shares will be deemed to have been acquired at the time when the BOQ PEPS to which they relate were acquired.

In this regard, in Taxation Ruling TR 94/30, the Commissioner of Taxation has expressed the view that the variation of rights attaching to a share does not result in either a full or partial disposal of an asset for CGT purposes unless there is a redemption or cancellation of the share. Accordingly,

the Conversion of the BOQ PEPS to Ordinary Shares should not result in either a full or partial disposal of the BOQ PEPS by the Holders for CGT purposes. The value shifting provisions will also not apply on Conversion of the BOQ PEPS to Ordinary Shares.

4.0 PAY-AS-YOU-GO WITHHOLDING TAX

Holders may decide to notify BOQ of their TFN, ABN or a relevant exemption from same.

In the event that BOQ is not so notified, tax will be automatically deducted by BOQ at the highest marginal tax rate (including medicare levy) from the gross cash dividends to the extent that dividends are not franked. This rate is currently 46.5%.

BOQ is required to withhold such tax until such time as the relevant TFN, ABN or exemption notification is given to it. Holders will be able to claim a tax credit / rebate (as applicable) in respect of any tax withheld on the dividends in their income tax returns when lodged.

5.0 GOODS & SERVICES TAX

Holders should not be liable to Goods & Services Tax ("GST") in respect of their investment in the BOQ PEPS or the Conversion of the BOQ PEPS to Ordinary Shares.

Further, Holders registered for GST are unlikely to be entitled to an input tax credit for any GST paid in respect of costs associated with the acquisition of BOQ PEPS (eg. adviser fees).

6.0 STAMP DUTY

The acquisition of the BOQ PEPS under the proposed Terms of Issue should not attract any stamp duty. Further, the conversion, redemption, cancellation or buy-back of the BOQ PEPS should also not attract any stamp duty given that the BOQ PEPS will be quoted (and tradeable) on the Australian Stock Exchange ("ASX").

7.0 DISCLAIMER

This opinion letter does not purport to give advice to any specific Holder, as each Holder's tax position will depend on their own particular circumstances. Holders should seek their own professional tax advice regarding their individual circumstances.

Further, the information contained in this opinion letter does not constitute "financial product



7. Taxation considerations for Investors



advice" within the meaning of the *Corporations Act 2001 (Cth)* ("Corporations Act"). The PricewaterhouseCoopers partnership which is providing this advice is not licensed to provide financial product advice under the Corporations Act. To the extent that this document contains any information about a "financial product" within the meaning of the Corporations Act, taxation is only one of the matters that must be considered when making a decision about the relevant financial product.

This opinion letter has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any Holder. Accordingly, any Holder should, before acting on this opinion letter, consider taking advice from a person who is licensed to provide financial product advice under the Corporations Act. Any Holder should, before acting on this opinion letter, also consider the appropriateness of this opinion letter having regard to their objectives, financial situation and needs and consider obtaining independent financial advice.

Yours faithfully

A handwritten signature in blue ink that reads "Graham Sorensen".

Graham Sorensen
Partner
Tax and Legal Services

8. Additional information



8. Additional information

8.1 Rights attaching to BOQ PEPS

The rights attaching to BOQ PEPS are governed by the Constitution and by the Terms of Issue contained in Section 9.

8.2 Rights attaching to the Ordinary Shares

Ordinary Shares may be issued to you if your BOQ PEPS are Converted into Ordinary Shares under the Terms of Issue. Any Ordinary Shares issued on Conversion will be fully paid and will rank equally with the Ordinary Shares already on issue.

The rights attaching to Ordinary Shares are contained in the Constitution and, in certain circumstances, are regulated by the Corporations Act, the ASX Listing Rules, the ASTC Settlement Rules and the general law.

Under the Constitution, Ordinary Shareholders:

- (a) are entitled to receive all notices of, and to attend, general meetings of Bank of Queensland and to receive all notices, accounts and other documents required to be sent to Ordinary Shareholders under the Constitution, the Corporations Act or the ASX Listing Rules;
- (b) are entitled to be present in person or by proxy, attorney or representative at a meeting of Ordinary Shareholders, to one vote on a show of hands and, on a poll, to one vote for every fully paid Ordinary Share held, and a proportionate vote for every partly paid Ordinary Share, registered in that Ordinary Shareholder's name on Bank of Queensland's share register;
- (c) are entitled to receive dividends on the Ordinary Shares declared by the Board;
- (d) may transfer shares by a market transfer according to any computerised or electronic system established or recognised by ASX or the Corporations Act for the purpose of facilitating transfers in Ordinary Shares or by an instrument in writing in a form approved by ASX, in any other usual form or in any form approved by the Directors.

Bank of Queensland currently has three classes of shares on issue - RePS, S1RPS and Ordinary Shares. Following a successful completion of the Offer, the BOQ PEPS will also be on issue. The transfer procedures referred to in (d) above are applicable to all shares on issue.

On a winding up, once all the liabilities of Bank of Queensland are satisfied, any surplus must then be used to return the capital represented by the RePS, followed by the capital represented by the S1RPS and the BOQ PEPS and then the return of capital represented by the Ordinary Shares, in that order. Ordinary Shareholders are entitled to any surplus on winding up after the return of capital.

A liquidator may, with the authority of a special resolution of Ordinary Shareholders, divide the whole or any part of the remaining assets of Bank of Queensland among the Ordinary Shareholders at the time. The liquidator may, with the sanction of a special resolution of the Ordinary Shareholders, vest the whole or any part of the assets in trust for the benefit of Ordinary Shareholders as the liquidator thinks fit. However, no Ordinary Shareholder can be compelled to accept any shares or other securities in respect of which there is any liability.

The Constitution may be amended only by a special resolution passed by Ordinary Shareholders.

The Directors may (subject to the restrictions on the allotment of shares imposed by the Constitution, the ASX Listing Rules and the Corporations Act) allot or otherwise dispose of further Ordinary Shares or other securities on such terms and conditions as they see fit.

Where an electronic transfer of shares is registered and it results in a person holding shares in contravention of a law, the Directors may require a shareholder holding shares in excess of that limitation to dispose of those shares and failing compliance the Directors may sell those shares.

8.3 Ownership limitations of Ordinary Shares

The Financial Sector (Shareholdings) Act 1998 (Cth) restricts ownership by persons (together with their associates) to a maximum of 15% of the total voting shares held in Bank of Queensland. Any shareholder may apply to the Australian Treasurer to increase its or their ownership beyond the 15% limit, but approval will not be granted unless the Treasurer is satisfied that approval is in the national interest.

8.4 Disclosing entity

As a disclosing entity for the purposes of the Corporations Act and the ASX Listing Rules, Bank of Queensland is subject to regular reporting and continuous disclosure obligations.

These obligations include compliance with the requirements of the Corporations Act and the ASX Listing Rules concerning notification of information to the market operated by ASX. Subject to limited exceptions for certain categories of confidential information set out in the ASX Listing Rules, Bank of Queensland must notify ASX immediately of any information concerning it which it is, or becomes aware of, and which a reasonable person would expect to have a material effect on the price or value of its listed securities. That information is kept on public file with ASX and ASIC.

Bank of Queensland must also prepare and lodge with ASIC full and half yearly financial statements accompanied by a Directors' statement and report, and an audit or review report.

8.5 Documents incorporated by reference and copies of documents

Annual financial report and information about Directors

The Bank of Queensland annual financial report for the year ended 31 August 2007 lodged on 11 October 2007 is incorporated by reference in this Prospectus under section 712 of the Corporations Act. The annual financial report includes:

- the financial statements of Bank of Queensland and accompanying notes for the financial year ended 31 August 2007, including the balance sheet, income statements and statement of cash flows;
- the independent auditors' report on the financial statements;
- the directors' report for the financial year ended 31 August 2007 which includes, amongst other information, the operations and finance review, details of the Directors (including profiles) and the remuneration report for Directors and senior management;
- the corporate governance statement summarising Bank of Queensland's corporate governance policies; and
- other information required to be included in the financial reports by the Corporations Act and the ASX Listing Rules.

Announcement of senior management restructure

On 11 October 2007, Bank of Queensland announced to ASX a restructure of the Group Executive Committee led by Managing Director, David Liddy. This included the announcement of new appointments of Group Executives and a Chief Financial Officer. The new management structure and short profiles of the Group Executives and Chief Financial Officer are included in the announcement, which is incorporated by reference in this Prospectus under section 712 of the Corporations Act.

8. Additional information

Copies of documents

Copies of documents lodged with ASIC by Bank of Queensland may be obtained from, or inspected at, an ASIC office.

Bank of Queensland will provide a paper copy of:

- (a) its annual financial report for the year ended 31 August 2007 lodged with ASX on 11 October 2007 (as described above); and
- (b) any continuous disclosure notices given by Bank of Queensland after the lodgement of the 2007 annual financial report and before the lodgement of this Prospectus with ASIC, including the senior management restructure announcement of 11 October 2007,

free of charge, to any person who asks for a copy during the Offer Period. You may request a copy by attending the offices of Bank of Queensland, located at Level 17, BOQ Centre, 259 Queen Street, Brisbane, Queensland, or by writing to Bank of Queensland's Company Secretary at that address or by telephoning the Registry on 1300 657 383.

The annual financial report for the year ended 31 August 2007 and continuous disclosure notices are also available from Bank of Queensland's website at www.boq.com.au.

8.6 Underwriting Agreement

Bank of Queensland and the Joint Lead Managers entered into an underwriting agreement dated 9 November 2007 (the "Underwriting Agreement"). Under the terms of the Underwriting Agreement, the Joint Lead Managers agree to act as lead managers and to underwrite \$150 million of the Offer as to one half each on a several basis.

Bank of Queensland will pay ABN AMRO Rothschild a fee of 0.25% of the gross proceeds of the Offer as Structuring Adviser. Bank of Queensland will also pay the Joint Lead Managers, on an equal basis, fees in consideration for their services as lead managers and underwriters, comprising 2.25% of the gross proceeds of the Offer, plus various incidental and out of pocket expenses, including legal fees.

Customary and usual representations and warranties are given by the parties in relation to matters such as power to enter into the Underwriting Agreement, corporate authority and approvals and the validity of their obligations.

Bank of Queensland has given a number of additional representations and warranties in favour of the Joint Lead Managers, including, but not limited to, its eligibility to issue the BOQ PEPS, which are issued free from encumbrance, its compliance with the Corporations Act and the ASX Listing Rules, that this Prospectus complies with the Corporations Act and does not contain any statements that are misleading or deceptive or any omissions and that there has been no material adverse change to Bank of Queensland, since 31 August 2007 (other than as disclosed in this Prospectus).

Either Joint Lead Manager may terminate its obligations under the Underwriting Agreement by notice in writing to Bank of Queensland on the occurrence of a number of customary termination events ("Termination Events"). If one Joint Lead Manager terminates, the other Joint Lead Manager may elect to take up the obligations of the terminating Joint Lead Manager.

The Termination Events are in summary:

- (a) the share price of the Ordinary Shares falls 15% from the close of business on the business day immediately before the date of the Underwriting Agreement and remains below that level for 5 consecutive Business Days prior to the end of the Settlement Date disregarding any price effect of the Ordinary Shares going ex-dividend in relation to the 2007 financial year final dividend, or the share price of the Ordinary Shares falls 20% or more below its level at the close of business on the Business Day immediately before the date of the Underwriting Agreement disregarding any price effect of the Ordinary Shares going ex-dividend in relation to the 2007 financial year final dividend;
- (b) Bank of Queensland withdraws this Prospectus or the Offer or Bank of Queensland fails to issue the BOQ PEPS within the time required under the Underwriting Agreement, or is prevented from doing so by the ASX Listing Rules or applicable laws or an order of a court or governmental authority;

- (c) Bank of Queensland fails to give the Joint Lead Managers the certification required in the event of a shortfall;
- (d) a Director, or any person who is anticipated to become a Director is charged with a criminal offence relating to any financial or corporate matter or disqualified from managing a corporation, a governmental authority commences public action against Bank of Queensland or any of its Directors in their capacity as Director, or announces that it intends to take such action;
- (e) there is a Tax Event or Regulatory Event or Bank of Queensland or one of its subsidiaries becomes insolvent or subject to insolvency administration or there is a material adverse change or effect in or affecting the Group, the market price of BOQ PEPS or Ordinary Shares or Bank of Queensland's capacity to make settlement of the Offer;
- (f) consents required for this Prospectus are withdrawn or a consenting person notifies Bank of Queensland of deficiencies in the Prospectus;
- (g) the Prospectus is misleading or deceptive, omits required material or fails to comply with applicable laws, a new circumstance has arisen that would have required inclusion in the Prospectus, a supplementary Prospectus is required or ASIC issues an interim or final stop order, applies for certain court orders under the Corporations Act, gives notice of intention to hold a hearing regarding a proposed stop order or gives notice of an intention to prosecute or commence proceedings against Bank of Queensland or its representatives in relation to this Prospectus;
- (h) ASX refuses or does not grant quotation approval on or before 7 December 2007 or that approval is withdrawn or withheld;
- (i) the average mid-rate for the iTraxx Europe Subordinated Financials Index (Series 8) of a term of 5 years is 0.25% or more above its level as at the close of business on the Business Day immediately before the date of the Underwriting Agreement and remains at or above that level for 3 consecutive business days (or at any time is 0.35% or more above that level);
- (j) the "BBSW" rate for 180 day bank bills is 0.50% or more below its level as at the close of business on the Business Day immediately before the date of the Underwriting Agreement and remains at or below that level for 3 consecutive Business Days (or at any time is 0.75% or more below that level);
- (k) one of the Joint Lead Managers validly terminates the Underwriting Agreement;
- (l) a general moratorium on commercial banking activities in Australia, the United Kingdom or the United States is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement, payment or clearance services in any of those countries, the effect of which is to make it, in the reasonable opinion of the Joint Lead Managers, impractical to promote the Offer or to enforce contracts to issue and allot the BOQ PEPS;
- (m) information supplied by Bank of Queensland to the Joint Lead Managers is or is found to be false or misleading or deceptive or likely to mislead or deceive or the certification given by Bank of Queensland to the Joint Lead Managers in the event of a shortfall is untrue or incorrect, or misleading or deceptive or contains omissions;
- (n) Bank of Queensland is in default of the Underwriting Agreement or its warranties under the Underwriting Agreement are or become misleading or deceptive or incorrect, Bank of Queensland fails to comply with its Constitution, applicable laws or requirements of government authorities, there is an undisclosed alteration to the composition of Bank of Queensland's senior management, Board, its share capital or its Constitution or any material contract or any contract necessary to conduct Bank of Queensland's businesses is breached by Bank of Queensland, terminated, materially altered or found to be unenforceable;
- (o) any material statement or estimate in this Prospectus which relates to a future matter is or becomes incapable of being met;



8. Additional information

- (p) a new law or government policy is likely to prohibit (or regulate in a materially adverse way) the Offer, BOQ PEPS or the stock market operated by ASX, trading of all securities quoted on ASX is suspended, or there is a material limitation in trading, for more than 3 Business Days on which that exchange is open for trading;
- (q) there is an outbreak or a major escalation of new hostilities involving Australia, New Zealand, the United States, the United Kingdom, any member of the European Union, Indonesia, North Korea or the People's Republic of China or the declaration by any of these countries of a national emergency or war, or a major terrorist attack is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world or there is another calamity or crisis or any major disruption in financial, political or economic conditions or financial markets in Australia, Hong Kong, the United States, or the United Kingdom; or
- (r) an event in the timetable for the Offer is delayed without the Joint Lead Managers' approval.

The Termination Events in paragraphs (m) to (r) above can only be exercised by the Joint Lead Managers where they believe that the event has had or is likely to have a material adverse effect on the success or outcome of the Offer, the Joint Lead Managers' ability to market or settle the Offer, the performance of the secondary trading market during the 30 day period following quotation of the BOQ PEPS or is likely to expose the Joint Lead Managers to a liability under the Corporations Act or any other applicable law.

Bank of Queensland agrees to keep the Joint Lead Managers and certain affiliated parties indemnified from all losses incurred directly or indirectly as a result of certain circumstances arising in connection with the Offer, except where a court has determined or the parties have agreed, that the loss has resulted from the recklessness, wilful misconduct, fraud, dishonesty, negligence or material breach of the terms of the Underwriting Agreement by the Joint Lead Managers.

8.7 Litigation

The Directors are not aware of any litigation of a material nature in progress, pending or threatened, which may significantly affect the financial position of Bank of Queensland.

8.8 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director or proposed director of Bank of Queensland holds at the date of this Prospectus, or has held in the 2 years before the date of this Prospectus, an interest in:

- the formation or promotion of Bank of Queensland;
- the Offer; or
- any property acquired or proposed to be acquired by Bank of Queensland in connection with its formation or promotion or with the Offer,

nor has any amount been paid or agreed to be paid, or benefit given or agreed to be given, to any Director or proposed director of Bank of Queensland:

- to induce him or her to become, or to qualify him or her as, a director of Bank of Queensland; or
- for services provided by him or her in connection with the formation or promotion of Bank of Queensland or with the Offer.

8.8.1 Interests in Ordinary Shares

The Directors' interests in Ordinary Shares and options in Bank of Queensland as at the date of this Prospectus are as follows:

Name	Ordinary Shares	Options over Ordinary Shares
Neil Roberts	21,464	Nil
David Liddy	1,115,574	1,500,000
Antony Love	11,990	Nil
Neil Summerson	17,731	Nil
Peter Fox	11,294,704	Nil
William Kelty	1,040	Nil
John Reynolds	1,000	Nil
Carmel Gray	1,000	Nil
David Graham	6,000	Nil

Bank of Queensland expects that a tranche of 500,000 options held by Mr Liddy will become exercisable on the satisfaction of performance hurdles from 9 November 2007. The exercise price per option is \$10.71. Mr Liddy has indicated that he intends to exercise those options during November 2007, which will result in his holdings of ordinary shares increasing by 500,000 shares to 1,615,574 and his holdings of options decreasing by that amount to 1,000,000.

Directors do not have any interests in RePS or S1RPS.

8.8.2 Directors' remuneration

The Directors are paid fees in accordance with the Constitution. Details of Directors' remuneration are set out in the remuneration report contained in Bank of Queensland's annual financial report for the year ended 31 August 2007, which was lodged with ASX and ASIC on 11 October 2007 and 16 October 2007 respectively, and is incorporated by reference into this Prospectus pursuant to section 712 of the Corporations Act (see Section 8.5 for further information).

8.9 Proposed Director

Mr Anthony (Tony) Howarth is currently the Chairman of Home. Bank of Queensland has invited Mr Howarth to join the Board if the Home Merger is approved and implemented, and Mr Howarth has accepted that invitation.

Profile

Mr Howarth has worked in the banking and finance industry for over 30 years. His work has involved a number of overseas appointments. He has been the Managing Director of Challenge Bank Limited and the Chief Executive Officer of Hartleys Limited. He is also involved with a number of business and community organisations as Chairman of St John of God Health Care Group and is a Director of the Rio Tinto WA Future Fund, the Western Australian Community Foundation and the Australian Chamber of Commerce and Industry. He is also on the University of Western Australia's Senate and is the Chairman of the Committee of Perth. He is currently a Director of the following listed companies: AWB Limited, Mermaid Marine Australia Limited (Chairman) and Wesfarmers Limited.



8. Additional information

ASIC relief and disclaimer

As Mr Howarth's proposed appointment is contingent on events outside the control of both Bank of Queensland and Mr Howarth (such that his proposed appointment may not take effect) and will not take effect until after the close of the Offer, Bank of Queensland has obtained the following relief from ASIC:

- Bank of Queensland is not required:
 - to obtain Mr Howarth's consent to lodgement of the Prospectus under section 720 of the Corporations Act;
 - to include in the Prospectus, as required by section 710(3)(c), information known, or which in the circumstances ought reasonably to have been obtained by making enquiries, by Mr Howarth;
 - to include in the Prospectus information required by sections 711(2) and (3) of the Corporations Act regarding Mr Howarth's interests in the formation or promotion of Bank of Queensland, property acquired or proposed to be acquired by Bank of Queensland or amounts paid to induce him to become a director;
- a declaration to the effect that section 729(1) of the Corporations Act does not apply to Mr Howarth so that he will not be liable as a proposed director for contraventions of section 728(1) of the Corporations Act relating to any misstatement in, or omission from, the Prospectus.

Mr Howarth has not consented to the lodgement, or caused or authorised the issue, of this Prospectus and does not make, or purport to make, any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus.

8.10 Interests of experts and advisers

ABN AMRO Rothschild and Macquarie Equity Capital Markets are acting as Joint Lead Managers and Underwriters for the Offer, in respect of which they are entitled to fees as set out in Section 8.6. ABN AMRO Rothschild has also acted as Structuring Adviser and is entitled to the fees outlined in Section 8.6 in relation to that role.

ABN AMRO Morgans Limited and Macquarie Equities Limited are acting as Co-Managers to the Offer. The Joint Lead Managers will be responsible for fees payable to each Co-Manager.

KPMG has acted as auditor for Bank of Queensland and has also provided other professional services in relation to due diligence enquiries on financial matters relating to the Offer. Bank of Queensland estimates that fees of approximately \$95,000 (excluding disbursements and GST) will be payable to KPMG for this work up to the date of lodgement of this Prospectus. KPMG will receive further fees for any additional work done in accordance with its normal time based charges.

PricewaterhouseCoopers ("PWC") has acted as tax adviser for Bank of Queensland and prepared the taxation letter in Section 7. Bank of Queensland estimates that fees of approximately \$35,000 (excluding disbursements and GST) will be payable to PWC for this work up to the date of lodgement of this Prospectus. PWC will receive further fees for any additional work done in accordance with its normal time based charges.

Clayton Utz has acted as legal adviser to Bank of Queensland and has provided a range of legal services in connection with the Offer. Bank of Queensland estimates that fees of approximately \$220,000 (excluding disbursements and GST) will be payable to Clayton Utz for this work up to the date of lodgement of this Prospectus. Clayton Utz will receive further fees for any additional work done in accordance with its normal time based charges.

Computershare Investor Services Pty Ltd has been appointed to act as the registry services provider for Bank of Queensland in connection with the Offer.

Other than as set out above or elsewhere in this Prospectus:

- no person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- nor any promoter of Bank of Queensland or underwriter to the Offer;
- nor any financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds at the date of this Prospectus, or has held in the 2 years before the date of this Prospectus, any interests in:

- the formation or promotion of Bank of Queensland;
- the Offer; or
- any property acquired or proposed to be acquired by Bank of Queensland in connection with its formation or promotion or with the Offer,

nor has any amount been paid or agreed to be paid, or benefit given or agreed to be given, to any of them for services provided by them in connection with the formation or promotion of Bank of Queensland or with the Offer.

8.11 Expenses of the Offer

The expenses of the Offer (which include underwriting, advisory, legal, accounting, tax, listing and administrative fees as well as printing, advertising and other expenses incurred in preparing and issuing this Prospectus) are, at the date of this Prospectus, estimated to be approximately \$4 million and are to be paid by Bank of Queensland.

8.12 Consents

Each of the entities below (each a "**Consenting Party**"):

- has given its written consent to be named in this Prospectus, and at the date of lodgement of this Prospectus with ASIC, has not withdrawn that consent;
- has not authorised or caused the issue of this Prospectus;
- does not make, or purport to make, any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, other than a statement or report included in this Prospectus as specified in the paragraphs below;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus, other than the reference to its name in the form and context in which it is named.

The Consenting Parties are:

- ABN AMRO Rothschild;
- Macquarie Equity Capital Markets;
- each Co-Manager;
- KPMG, which has also given, and at the date of lodgement of this Prospectus with ASIC, has not withdrawn, its consent to the inclusion in this Prospectus of its independent auditor's report on the financial statements of Bank of Queensland for the year ended 31 August 2007 (which is incorporated by reference in this Prospectus – see Section 8.5) and to references to that audit in Section 6, each in the form and context in which they are included;
- PricewaterhouseCoopers, which has also given, and at the date of lodgement of this Prospectus with ASIC, has not withdrawn, its consent to the inclusion of the taxation letter in Section 7 in the Prospectus in the form and context in which it is included;
- Clayton Utz; and
- Computershare Investor Services Pty Ltd.

8. Additional information

8.13 ASX Confirmations and Waivers

Bank of Queensland has obtained the following confirmations and waivers from ASX:

- a confirmation that the terms of the BOQ PEPS are appropriate and equitable for the purposes of ASX Listing Rule 6.1;
- a confirmation that the absence of voting entitlements of Holders in relation to a Redemption under the Terms of Issue complies with ASX Listing Rule 6.3;
- a confirmation that ASX considers the BOQ PEPS to confer an entitlement to a dividend at a commercial rate in preference to holders of ordinary securities for the purposes of ASX Listing Rule 6.5;
- a confirmation that ASX Listing Rules 6.10 and 6.12 do not apply to Redemption or Conversion of BOQ PEPS under their Terms of Issue;
- a confirmation that the priority to be given to Eligible Shareholders under the Shareholder Priority Offer does not constitute an entitlements offer for the purposes of the ASX Listing Rules;
- a confirmation that the conversion rate for the BOQ PEPS for the purposes of ASX Listing Rule 7.1.4 will be taken to be the market price of Ordinary Shares at the close of trading on the Business Day immediately prior to the issue of the BOQ PEPS and that any Bank of Queensland securities issued on conversion of the BOQ PEPS will be treated as if they were issued under an exception in ASX Listing Rule 7.2;
- a waiver from ASX Listing Rule 10.11 to permit the Directors and their associates to be issued with BOQ PEPS under the Offer without the approval of Ordinary Shareholders, provided that collectively those issues do not exceed 0.2% of the BOQ PEPS issued under the Offer, the participation of those persons in the Offer is on the same terms and conditions as other subscribers, the terms of the waiver are disclosed in this Prospectus and Bank of Queensland announces to the market the aggregate number of BOQ PEPS issued to those persons.

8.14 Directors' consents to lodgement

Each Director has given, and not withdrawn, his or her consent to the lodgement of this Prospectus with ASIC.

9. Terms of Issue

9. Terms of Issue

9.1 Description

This Section 9 sets out the terms and conditions of perpetual redeemable preference shares, paying discretionary, floating rate non-cumulative dividends (the "BOQ PEPS"). The dividends are intended to be fully franked.

9.2 Issuer

The BOQ PEPS will be issued by Bank of Queensland Limited ABN 32 009 656 740 ("Bank") under Article 3.8 of the Constitution and on the terms and conditions set out in these Terms of Issue.

9.3 Denomination and Issue Price

The denomination of each BOQ PEPS will be \$100 (the "Face Value"). Each BOQ PEPS will be issued as fully paid.

For the Initial Issue, the Issue Price of each BOQ PEPS will be \$100. For each Subsequent Issue, the Issue Price of each BOQ PEPS will be the price stated or determined in the manner determined by the Directors, in their sole discretion, in relation to that issue.

9.4 Multiple issues

9.4.1 Initial and Subsequent Issues

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

9.4.2 Issue Date

The Initial Issue Date will be the date of allotment of the Initial Issue of BOQ PEPS.

The Subsequent Issue Date will be the date specified as the Subsequent Issue Date by the Directors, in their sole discretion, in relation to that Subsequent Issue.

9.5 Maturity

None, the BOQ PEPS are perpetual.

9.6 Dividends

9.6.1 Calculation

Subject to these Terms of Issue, the BOQ PEPS will pay a dividend on each relevant 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):

- (i) for the Initial Issue, the Initial Issue Date; or
- (ii) for any Subsequent Issue, the relevant Subsequent Issue Date,

or the preceding Dividend Payment Date (whichever is the later) until (but not including) the relevant Dividend Payment Date;

Dividend Rate (expressed as a percentage rate per annum) is:

$$(BBR + \text{Margin}) \times (1 - t)$$

where:

BBR means the Bank Bill Swap Rate on the first Business Day of the Dividend Period, expressed as a percentage per annum;

Margin means 2.00% percent per annum;

t 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;

Face Value has the meaning given in clause 9.3.

9.6.2 Gross-up for partly franked dividends

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:

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

where:

d - is the Dividend calculated under clause 9.6.1;

t - has the meaning given in clause 9.6.1; and

f - is the franking percentage (within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that Part) of the Dividend, expressed as a decimal.

9.6.3 Dividend Payment Date

Dividends will be payable on the BOQ PEPS in arrears on each Dividend Payment Date, with the first Dividend Payment Date being on 15 April 2008 and thereafter semi-annually on each 15 April and 15 October until the BOQ PEPS are:

- (a) Redeemed by redemption or cancellation (in which case the Redemption Date will be the final Dividend Payment Date);
- (b) Redeemed by buy-back (in which case the last Dividend Payment Date preceding the Buy-Back Agreement coming into effect will be the final Dividend Payment Date); or
- (c) Converted (in which case last Dividend Payment Date preceding the Conversion Date will be the final Dividend Payment Date).

9.6.4 Optional Dividends

Subject to these Terms of Issue, the Directors, at their sole discretion, and with the prior written approval of APRA, may pay Optional Dividends in the amount described in clause 9.6.12(b).

9.6.5 Non-cumulative

- (a) Dividends are non-cumulative. If and to the extent that all or any part of a Dividend or Optional Dividend is not paid because of the provisions of these Terms of Issue or because of any applicable law, 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 or Optional Dividend.
- (b) The Holders will have no claim or entitlement (including without limitation on winding up of the Bank) in respect of such non-payment, and such non-payment will not constitute an event of default or give Holders any right to apply for the winding-up or administration of the Bank, or cause a receiver, or receiver and manager, to be appointed in respect of the Bank.
- (c) No interest accrues on any unpaid Dividend or Optional Dividend, and the Holder has no claim or entitlement in respect of interest on any unpaid Dividend or Optional Dividend.



9. Terms of Issue

9.6.6 Restrictions on dividend payments

The payment of a Dividend and any Optional Dividend (in each case including on Redemption) is subject to:

- (a) the Directors, at their sole discretion, determining that the Dividend or Optional Dividend is payable;
- (b) the Bank having sufficient profits lawfully available for the payment of the Dividend or Optional Dividend;
- (c) the amount of the Dividend or Optional Dividend not exceeding Distributable Profits on the relevant dividend payment date, unless otherwise approved by APRA;
- (d) payment of the Dividend or Optional Dividend not resulting in any breach of APRA's then prevailing capital adequacy standards and guidelines or any other regulatory requirement, unless otherwise approved by APRA; and
- (e) APRA having given its prior written approval to the Dividend or Optional Dividend and having not stated that if the proposed payment is made the BOQ PEPS will not be treated as Non-Innovative Residual Tier 1 Capital.

Without limiting clause 9.6.6(b), the Directors will not declare a Dividend or Optional Dividend to be payable if, in their opinion, making the payment would result in the Bank becoming, or being likely to become, insolvent for the purposes of the Corporations Act.

9.6.7 Record date for Dividends

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 or such other date as may be required by the ASX from time to time.

9.6.8 Record date for Optional Dividends

An Optional Dividend 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.

9.6.9 Deductions

The Bank may deduct from any Dividend or Optional 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.

9.6.10 Means of payment

Subject to clause 9.12.5, a Dividend or Optional Dividend shall be paid by cheque, direct credit, or such other means authorised by the Directors.

9.6.11 Restrictions where failure to pay Dividend, Redeem or Convert

If the Bank:

- (a) fails to pay a Dividend in full within 3 Business Days after a Dividend Payment Date; or
- (b) fails to Redeem or Convert BOQ PEPS as required under these Terms of Issue, including a failure to Redeem or Convert BOQ PEPS by reason of clause 9.11.7,

then subject to clause 9.6.13, the Bank may not, without approval of a special resolution passed at a separate meeting of Holders, make any dividend or interest payments, return capital or distribute retained profits, on:

- (c) any Ordinary Shares; or
- (d) S1RPS or any other Capital Securities of the Bank ranking equal to the BOQ PEPS in respect of dividends or distributions; or

- (e) any other Capital Securities of the Bank ranking junior to the BOQ PEPS in respect of dividends or distributions, until:
- (f) the Bank has complied with clause 9.6.12; or
- (g) all BOQ PEPS have been Redeemed in accordance with clause 9.11 or clause 9.12.2 or Converted in accordance with clause 9.12.

9.6.12 Removal of restrictions

The restrictions in clause 9.6.11 will no longer apply if:

- (a) two consecutive Dividends scheduled to be payable on the BOQ PEPS after the restrictions come into effect 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 has been paid to the Holders equal to the unpaid amount (if any and adjusted on the same basis as a Dividend under clause 9.6.2) of the two immediately preceding Dividends prior to the date of payment of the Optional Dividend (or an equivalent amount of Dividends if the frequency of payment is other than semi-annual).

9.6.13 Exception to restrictions

The restrictions in clause 9.6.11 do not apply to a payment in respect of any dividend or interest, return of capital or distribution of retained profits made pro rata on BOQ PEPS and Capital Securities of the Bank that rank equally with the BOQ PEPS in respect of that payment.

9.7 Ranking

9.7.1 Subordinated

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

9.7.2 Dividends

For payment of Dividends or Optional Dividends, the BOQ PEPS rank:

- (a) behind holders of RePS and any other Capital Securities of the Bank ranking senior to the BOQ PEPS in respect of dividends or distributions;
- (b) ahead of Ordinary Shares and any other Capital Securities of the Bank ranking junior to the BOQ PEPS in respect of dividends or distributions; and
- (c) equally with holders of S1RPS and any other Capital Securities of the Bank ranking equally to the BOQ PEPS in respect of dividends or distributions.

9.7.3 Liquidation preference

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

- (a) subordinate to all creditors including depositors;
- (b) behind holders of RePS and any other Capital Securities of the Bank ranking senior to the BOQ PEPS in respect of return of capital;
- (c) ahead of holders of Ordinary Shares and any other Capital Securities of the Bank ranking junior to the BOQ PEPS in respect of return of capital; and
- (d) equally with holders of S1RPS and any other Capital Securities of the Bank ranking equally to the BOQ PEPS in respect of return of capital,

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



9. Terms of Issue

9.7.4 Default

The Bank will only be in default under these Terms of Issue in the event of a winding up of the Bank and such winding up will not affect the ranking of the BOQ PEPS and amounts payable under the BOQ PEPS.

9.8 Set-off

9.8.1 No set off

No contractual right of set-off exists between any amount due to a Holder in respect of BOQ PEPS and any claim by the Bank on the Holder.

9.8.2 No offsetting claims

A Holder will have no offsetting rights or claims on the Bank if the Bank does not pay any Dividend or Optional Dividend.

9.9 Other issues

9.9.1 Right to participate

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

9.9.2 Other issues

The Bank reserves the right to issue further BOQ PEPS or other Capital Securities (whether redeemable or not) which rank equally with or behind BOQ PEPS, whether in respect of dividends (whether cumulative or not), return of capital on a winding-up or otherwise.

Such issues of BOQ PEPS or other Capital Securities do not constitute a variation or abrogation of the rights attached to the then existing BOQ PEPS, nor does any buy-back, redemption or return or distribution of capital in respect of any Capital Security other than a BOQ PEPS (whether that Capital Security ranks equally, senior or junior with BOQ PEPS).

9.10 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 or (or part of 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 (other than in connection with a Redemption of BOQ PEPS);
 - (ii) that affects rights attached to the BOQ PEPS;
 - (iii) to wind up the Bank; or
 - (iv) for the disposal of the whole of the Bank's property, business and undertaking (other than in connection with a Redemption of BOQ PEPS);
- (c) on a resolution to approve the terms of a buy-back agreement (other than in connection with a Redemption of BOQ PEPS);
- (d) during the winding up of the Bank; and
- (e) in any other circumstances in which the ASX Listing Rules require holders of preference shares to be entitled to vote, in which case Holders will be entitled:
 - (f) on a show of hands, to exercise one vote;
 - (g) on a poll, to exercise one vote for each BOQ PEPS held by them.

9.11 Redemption

9.11.1 Redemption by the Bank

The Bank may, in its sole discretion and with the prior written approval of APRA, elect to Redeem BOQ PEPS:

- (a) on any of the following dates ("Call Date"):
 - (i) for BOQ PEPS issued under the Initial Issue:
 - A. the fifth anniversary of the Initial Issue Date; and
 - B. each subsequent Dividend Payment Date; or
 - (ii) for BOQ PEPS issued under a Subsequent Issue:
 - A. the fifth anniversary of the relevant Subsequent Issue Date; and
 - B. each subsequent Dividend Payment Date; or
- (b) following the occurrence of a Tax Event or Regulatory Event,
by giving the Holders a Redemption Notice:
- (c) in the case of a Redemption under clause 9.11.1(a), not less than 21 Business Days before the relevant Call Date; or
- (d) in the case of a Tax Event or Regulatory Event, at any time within 6 months after the occurrence of the Tax Event or Regulatory Event.

Without limiting the Bank's sole discretion as to the form of Redemption under this clause 9.11.1, a Redemption Notice must, if given, be in respect of all (and not some) of the BOQ PEPS.

9.11.2 No redemption by Holder

The BOQ PEPS are not Redeemable at the option of the Holder. The Bank is not in any circumstances obliged to Redeem the BOQ PEPS except as provided in clause 9.12.2, which includes obtaining APRA's prior written approval.

9.11.3 Effect of Redemption Notice

Once a Holder has been given a Redemption Notice, that Holder must not deal with, transfer, dispose of or otherwise encumber the BOQ PEPS the subject of the Redemption Notice and must do all things reasonably required to give effect to the Redemption of the Holder's BOQ PEPS in accordance with these Terms of Issue. The restrictions in this clause 9.11.3 will cease if the Redemption Notice ceases to become effective under clause 9.11.7.

9.11.4 Redemption of BOQ PEPS

If the Bank determines to Redeem any BOQ PEPS by redemption and gives a Redemption Notice to the relevant Holders notifying that their BOQ PEPS are to be redeemed, on the relevant Redemption Date the Bank shall redeem every BOQ PEPS it has elected to redeem and identified in the Redemption Notice. To effect the Redemption of each BOQ PEPS, the Bank shall pay the Redemption Price to the relevant Holders on the relevant Redemption Date.

9. Terms of Issue

9.11.5 Buy-back of BOQ PEPS

Each Holder of BOQ PEPS from time to time agrees with the Bank on terms as set out in the Buy-Back Agreement that, upon the Bank determining to Redeem any BOQ PEPS by buy-back and giving a Redemption Notice to the relevant Holders notifying them of BOQ PEPS that are to be bought back, those Holders will be deemed to have sold to the Bank the BOQ PEPS which the Bank has determined to buy back and identified in the Redemption Notice on the terms of the Buy-Back Agreement.

The Buy-Back Agreement will take effect upon the later of:

- (a) the Bank giving the relevant Holders a Redemption Notice notifying them of the Bank's determination to buy back the BOQ PEPS identified in the Redemption Notice; and
- (b) the Bank obtaining all consents (if any) to the buy-back which are required to be obtained from the Bank's shareholders or any regulatory authority or other person, pursuant to, and in the manner required by, any applicable law or the ASX Listing Rules (subject to any applicable modifications and waivers of such laws or ASX Listing Rules),

Subject to these Terms of Issue, the Bank shall buy back the BOQ PEPS that the Bank has determined to buy back and identified in the Redemption Notice on the terms of the Buy-Back Agreement. For each BOQ PEPS that is being bought back, an amount equal to the Buy-Back Price will be paid by the Bank to the relevant Holders on the relevant Redemption Date as consideration for the buy-back.

9.11.6 Cancellation of BOQ PEPS

If the Bank:

- (a) determines to Redeem any BOQ PEPS by cancellation;
- (b) obtains all consents (if any) to the cancellation which are required to be obtained from the Bank's shareholders or any regulatory authority or other person, pursuant to and in the manner required by any applicable law or the ASX Listing Rules; and
- (c) gives a Redemption Notice to the relevant Holders notifying them of the Bank's determination to cancel the BOQ PEPS identified in the Redemption Notice,

then subject to these Terms of Issue, the Bank will, on the relevant Redemption Date, cancel every BOQ PEPS that the Bank has determined to cancel and identified in the Redemption Notice. For each BOQ PEPS that is cancelled, an amount equal to the Redemption Price will be paid by the Bank to the relevant Holders on the relevant Redemption Date in respect of the cancellation.

9.11.7 No Redemption

If on the relevant Redemption Date, any Dividend or amount calculated by reference to Dividends, comprised in the Redemption Price or the Buy-Back Price cannot be paid because of the application of clause 9.6.6, then:

- (a) the Redemption Notice in respect of the Redemption will cease to have effect and will be taken not to have been given; and
- (b) the Bank will be taken to have failed to Redeem the BOQ PEPS for the purposes of clause 9.6.11(b).

9.11.8 Further assurances

If required by the Bank, where the Terms of Issue provide that the Bank is entitled to Redeem any BOQ PEPS, the Holder must to the extent permitted by law:

- (a) vote in favour (subject to compliance with the law and to the extent the Holder is entitled to do so) or otherwise abstain from any required resolution;
- (b) provide all documentation and execute any authorisation or power necessary; and
- (c) take all other action necessary or desirable,

to effect the Redemption of those BOQ PEPS.

9.11.9 Power of attorney and agency

Each Holder irrevocably:

- (a) appoints the Bank, each of its Authorised Officers and any liquidator, administrator or statutory manager of the Bank (each Relevant Person) severally to be the attorney of the Holder and the agent of the Holder with power in the name and on behalf of the Holder to do all such acts and things including by exercising any voting rights attached to the BOQ PEPS held by the Holder and signing all documents and transfers as may, in the opinion of the Relevant Person, be necessary or desirable to be done in order to effect, record or perfect the transfer or Redemption (or transactions contemplated by the Redemption) of the BOQ PEPS held by the Holder when required or permitted in accordance with these Terms of Issue (including but not limited to acting as the agent and/or attorney of each Holder to facilitate the buy back or cancellation of the BOQ PEPS held by the Holder under clause 9.11.5 or 9.11.6); and
- (b) authorises and directs the Bank to make such entries in the register of BOQ PEPS (including any amendments and additions to the register) which the Bank considers necessary or desirable to record the transfer or Redemption of the BOQ PEPS in accordance with these Terms of Issue and to record the cessation of the Holder's registration as the holder of the BOQ PEPS upon such transfer or Redemption.

The power of attorney and agency appointment given in this clause is irrevocable and given for value consideration to secure the performance by the Holder of its obligations under these Terms of Issue.

9.12 Control event

9.12.1 Notice of Control Event

On or before the fifth Business Day after the occurrence of a Control Event, the Bank must:

- (a) notify the Holders that the Control Event has occurred; and
- (b) make a written request to APRA for its prior written approval of the proposed Redemption by the Bank under this clause 9.12.

9.12.2 Redemption or Conversion by the Bank

- (a) On or before the 20th Business Day after the occurrence of a Control Event or within 5 Business Days after APRA notifies the Bank of its written approval under clause 9.12.1(b), whichever is the later, the Bank must give the Holders a Redemption Notice in respect of all BOQ PEPS.
- (b) If APRA does not give its prior written approval to Redemption, the Bank must apply to APRA for written approval to Convert the BOQ PEPS and within 5 Business Days of receiving such written approval, give the Holders a Conversion Notice in respect of all BOQ PEPS specifying a date for Conversion at least 30 Business Days after the date of the notice.
- (c) If the Bank gives a Redemption Notice and subsequently fails to Redeem all BOQ PEPS in the circumstances set out in clause 9.11.7, then the Bank must within 20 Business Days after the scheduled Redemption Date apply to APRA for written approval to Convert the BOQ PEPS and within 5 Business Days of receiving such written approval, give the Holders a Conversion Notice in respect of all BOQ PEPS specifying a date for Conversion at least 30 Business Days after the date of the notice.
- (d) A Conversion Notice must notify the Holders of the Maximum Conversion Number and of each Holder's right to elect to proceed with Conversion under clause 9.12.5 up to the Maximum Conversion Number if the Conversion Number exceeds the Maximum Conversion Number. Each Holder may then make such an election by giving the Bank written notice of their election to do so by the date which is 5 Business Days before the Conversion Date. Subject to clause 9.12.2(e), if the Conversion Number exceeds the Maximum Conversion Number, only the BOQ PEPS of Holders who have made an election to Convert under this clause 9.12.2(d) will be Converted.
- (e) If Conversion of all BOQ PEPS does not occur because the Conversion Number exceeds the Maximum Conversion Number and not all Holders make an election under clause 9.12.2(d), the Bank must repeat the process in clauses 9.12.2(b) and 9.12.2(d). If Conversion of all BOQ PEPS does not occur because the Conversion Number exceeds the Maximum Conversion Number when the process is repeated, then in respect of all BOQ PEPS which have not been Converted, any Conversion Notice given will cease to have effect.

9. Terms of Issue

9.12.3 Redemption process

For the avoidance of doubt, clauses 9.11.2 to 9.11.9 apply to a Redemption under clause 9.12.2.

9.12.4 No other rights of conversion by Holder

Subject to clause 9.12.2:

- (a) the BOQ PEPS are not convertible at the option of the Holder; and
- (b) the Bank is not in any circumstances obliged to convert the BOQ PEPS.

9.12.5 Effect of Conversion Notice

If any BOQ PEPS are to be Converted, then on the Conversion Date:

- (a) each BOQ PEPS being Converted will Convert into one Ordinary Share; and
- (b) each Holder will be issued an additional number of Ordinary Shares for each BOQ PEPS being Converted equal to one less than the following number calculated to four decimal places:

$$= \frac{\text{Face Value} + \text{Unpaid Dividends}}{\text{Pre-Conversion VWAP} \times (1 - \text{Discount Factor})}$$

where:

Discount Factor means 0.025;

Pre-Conversion Period means the period of 20 Business Days on which Ordinary Shares were traded on ASX immediately preceding, but not including, the Conversion Date;

Pre-Conversion VWAP means the VWAP during the Pre-Conversion Period;

Unpaid Dividends means the Dividend that would be payable on a BOQ PEPS if Redeemed by redemption or cancellation for a Dividend Period ended on the Conversion Date as if that date was the Redemption Date.

9.12.6 Maximum Conversion Number

For the purposes of clauses 9.12.2 and 9.12.5, the Maximum Conversion Number is

$$= \frac{\text{Face Value}}{0.5 \times \text{Pre-Issue VWAP}}$$

where:

Pre-Issue VWAP means the VWAP during the period of 20 Business Days on which Ordinary Shares were traded on ASX immediately preceding, but not including, the relevant Issue Date.

9.12.7 Fractions on Conversion

Where the total number of Ordinary Shares that a Holder is entitled to in respect of the total number of BOQ PEPS being Converted at that time includes a fraction, that fraction will be disregarded.

9.12.8 Announcement of Maximum Conversion Number

The Bank must make an announcement to ASX to notify Holders of the Maximum Conversion Number within a reasonable period after the relevant Issue Date.

9.12.9 Adjustment to VWAP

For the purposes of calculating VWAP in this clause 9.12:

- (a) where, on some or all of the Business Days in the Period for which VWAP is determined ("VWAP Period"), Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and BOQ PEPS will Convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend, distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend, cum distribution or cum entitlement shall be reduced by an amount ("Cum Value") equal to in the case of:
 - (i) a dividend or other distribution, the amount of that dividend or distribution including, if the dividend or distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or distribution who is a natural person resident in Australia under the Tax Act;
 - (ii) an entitlement that is not a dividend or other distribution under clause 9.12.9(a)(i) and which is traded on ASX on any of those Business Days, the volume weighted average price of all such entitlements sold on ASX during the VWAP Period on the Business Days on which those entitlements were traded; or
 - (iii) an entitlement that is not a dividend or other distribution under clause 9.12.9(a)(i) and which is not traded on ASX during the VWAP Period, the value of the entitlement as reasonably determined by the Directors;
- (b) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement, and BOQ PEPS will Convert into Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement shall be increased by the Cum Value; and
- (c) where the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities during a VWAP Period, the VWAP shall be adjusted by the Directors as they consider appropriate. Any adjustment made by the Directors will constitute an alteration to these Terms of Issue and will be binding on all Holders and these Terms of Issue will be construed accordingly. Any such adjustment will promptly be notified to all Holders.

9.12.10 Adjustments to Maximum Conversion Number for rights issues or bonus issues

- (a) Subject to clauses 9.12.10(b) and 9.12.10(c), if the Bank makes a rights issue (including an issue of the kind known as a "jumbo issue", where offers to certain institutional holders, or beneficial holders, are made in advance of offers to other holders) or bonus issue (in either case being a pro rata issue) of Ordinary Shares to Ordinary Shareholders generally, the Maximum Conversion Number will be adjusted immediately under the following formula:

$$CN = \frac{CNo \times P \times (RD + RN)}{(RD \times P) + (RN \times A)}$$

where:

CN means the Maximum Conversion Number applying immediately after the application of this formula;

CNo means the Maximum Conversion Number applying immediately before the application of this formula;

P means the VWAP during the period from (and including) the first Business Day after the announcement of the rights or bonus issue to ASX up to (and including) the last Business Day of trading cum rights or bonus issue (or if there is no period of cum rights or bonus issue trading, an amount reasonably determined by the Directors as representing the value of an Ordinary Share cum the rights or bonus issue);

RD means the number of Ordinary Shares on issue immediately before the issue of new Ordinary Shares under the rights or bonus issue;

RN means the number of Ordinary Shares issued under the rights or bonus issue; and

A means the subscription price per Ordinary Share for a rights issue (and is zero in the case of a bonus issue).

- (b) No adjustment to the Maximum Conversion Number will occur if A exceeds P.
- (c) Clause 9.12.10(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or dividend reinvestment plan.
- (d) For the purpose of this clause 9.12.10, an issue will be regarded as a pro rata issue notwithstanding that the Bank does not make offers to some or all Ordinary Shareholders with registered addresses outside Australia, provided that in so doing the Bank is not in contravention of the ASX Listing Rules.



9. Terms of Issue

9.12.11 Adjustments to Maximum Conversion Number for off market buy-backs

- (a) Subject to clause 9.12.11(b), if the Bank undertakes an off market buy-back under a buy-back scheme which but for any applicable restrictions on transfer would be generally available to holders of Ordinary Shares (or otherwise cancels Ordinary Shares for consideration), the Maximum Conversion Number will be adjusted immediately using the following formula:

$$CN = \frac{CNo \times P \times (BD - BN)}{(BD \times P) - (BN \times A)}$$

where:

CN means the Maximum Conversion Number respectively applying immediately after the application of this formula;

CNo means the Maximum Conversion Number applying immediately before the application of this formula;

P means the VWAP during the period of 20 Business Days before the announcement to ASX of the buy-back (or cancellation);

BD means the number of Ordinary Shares on issue immediately before the buy-back (or cancellation);

BN means the number of Ordinary Shares bought back (or cancelled); and

A means the buy-back (or cancellation) price per Ordinary Share.

- (b) No adjustment to the Maximum Conversion Number will occur if P exceeds A.

9.12.12 Adjustment to Maximum Conversion Number for return of capital

If the Bank makes a pro rata return of capital to holders of Ordinary Shares without cancellation of any Ordinary Shares, the Maximum Conversion Number will be adjusted under the following formula:

$$CN = \frac{CNo \times P}{P - C}$$

where:

CN means the Maximum Conversion Number applying immediately after the application of this formula;

CNo means the Maximum Conversion Number applying immediately before the application of this formula;

P means the VWAP during the period from (and including) the first Business Day after the announcement to ASX of the return of capital up to and including the last Business Day of trading cum the return of capital (or if there is no period of cum return of capital trading, an amount reasonably determined by the Directors as representing the value of an Ordinary Share cum the return of capital);

and

C means with respect to a return of capital, the amount of the cash and/or the value (as reasonably determined by the Directors) of any other property distributed to Ordinary Shareholders per Ordinary Share (or such lesser amount such that the difference between P and C is greater than zero).

9.12.13 Other adjustments to Maximum Conversion Number

Where the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities, the Maximum Conversion Number shall be adjusted by the Directors as they consider appropriate (consistently with the way in which the number of Ordinary Shares the subject of an option over Ordinary Shares would have been adjusted under the ASX Listing Rules). Any adjustment made by the Directors will constitute an alteration to these Terms of Issue and will be binding on all Holders and these Terms of Issue will be construed accordingly. Any such adjustment will promptly be notified to all Holders.

9.12.14 Directors' sole discretion regarding adjustments to Maximum Conversion Number

Despite the provisions of clauses 9.12.10 to 9.12.13, where:

- (a) the effect of any of the adjustment provisions set out in clauses 9.12.10 to 9.12.13 is not, in the reasonable opinion of the Directors, appropriate in any particular circumstances (including because more than one adjustment provision applies); or
- (b) any other event occurs in relation to the Bank that may have a dilutive or concentrative effect on the value of the Ordinary Shares,

and, in the reasonable opinion of the Directors, such occurrence would affect the relative values of BOQ PEPS and the Ordinary Shares, the Directors may (subject to APRA's prior written approval):

- (c) make such alterations to the Face Value and the Maximum Conversion Number as they reasonably consider appropriate or necessary to maintain that relativity; or
- (d) extend an entitlement to the Holders to participate in such event based on the number of Ordinary Shares to which those Holders would have been entitled if their BOQ PEPS had been Converted on a date nominated by the Directors to maintain the relativity.

9.12.15 Mechanics of Conversion

A BOQ PEPS confers all of the rights attaching to one Ordinary Share but these rights do not take effect until 5.00pm on the date of Conversion. At that time:

- (a) all other rights or restrictions conferred on that BOQ PEPS under these Terms of Issue will no longer have any effect (except for any rights relating to a Dividend payable on or before the Conversion Date); and
- (b) the Ordinary Share resulting from Conversion will rank equally with all other Ordinary Shares then on issue and the Bank will issue a statement that the holder of those shares holds a share so ranking.

Conversion does not constitute a buy-back, cancellation, redemption or termination of a BOQ PEPS or an issue, allotment or creation of a new share (other than the additional Ordinary Shares issued under clause 9.12.5).

9.13 Notice and meetings

Holders of BOQ PEPS will be entitled to:

- (a) receive notice of and attend (but not vote, except in accordance with clause 9.10) 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.

9.14 Transfers of BOQ PEPS

The BOQ PEPS are transferable at the Holder's option in accordance with the Constitution and Corporations Act and, if they are quoted on ASX, the ASX Listing Rules, ASTC Settlement Rules and any other applicable requirements flowing from quotation.

9. Terms of Issue

9.15 Amendments to the Terms of Issue

Subject to complying with all applicable laws and with APRA's prior written 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 BOQ PEPS.

9.16 Governing law

These Terms of Issue are governed by the law of Queensland, Australia.

9.17 Interpretation

9.17.1 Definitions

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

"Allotment Date" means the date the BOQ PEPS are first allotted to holders of the BOQ PEPS.

"APRA" means the Australian Prudential Regulation Authority.

"APRA Guidelines" means prudential standards, guidelines, practice guides, policy statements and practice notes or other equivalent statements of APRA which are applicable to the Bank.

"ASX" means the licensed market operated by ASX Limited ABN 98 008 624 691.

"ASX Listing Rules" means the listing rules of the ASX from time to time with any modifications or waivers applicable to the Bank.

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

"Bank Bill Swap Rate" means the average mid-rate for bills of a term of 180 days which average rate is displayed on the page of Reuters Monitor System designated "BBSW" (or any page which replaces that page) at 10:30am (Sydney time) on the relevant date, or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10:30am (Sydney time) on that date (or if the relevant date is the first Business Day of the first Dividend Period and the first Dividend Period is less than 180 days), the rate specified by the Bank in good faith at or around that time on the relevant date having regard, to the extent possible, to:

- (a) the rate otherwise bid and offered for bills of 180 days or for funds of that tenor displayed on that page BBSW (or replacement page) at that time on the date; and
- (b) if bid and offer rates for bills of that term are not otherwise available (or if the relevant date is the first Business Day of the first Dividend Period and the first Dividend Period is less than 180 days), the rates otherwise bid and offered for funds of that tenor at or around that time.

"BBR" has the meaning given in clause 9.6.1.

"Business Day" has the meaning given in the ASX Listing Rules.

"Business Rules" has the meaning given in the ASX Listing Rules.

"Buy-Back Agreement" means an agreement under which the Bank buys back BOQ PEPS in the form contained in Schedule 1 to these Terms of Issue.

"Buy-Back Price" means the sum of all of:

- (a) the Face Value; and
- (b) an amount equal to the amount that would be otherwise payable under paragraph (b) of the definition of Redemption Price if the Redemption was by redemption or cancellation.

"Call Date" has the meaning given in clause 9.11.1(a).

"Capital Securities" means shares or any equity, hybrid or subordinated debt capital securities (whether comprised of one or more instruments) issued by the Bank or a member of the Group, and "Capital Security" has a corresponding meaning.

"Constitution" means the constitution of the Bank.

"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 the Bank 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,

provided that the Directors may in their sole discretion deem such an event 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 BOQ PEPS on issue at the relevant time and under which the Holders would receive consideration for the BOQ PEPS at least equal to the Redemption Price that would be payable on a redemption of the BOQ PEPS on the Business Day prior to the date on which the Directors exercise that discretion.

"Conversion" means the taking effect of the rights of a BOQ PEPS under clause 12.15 (including the issue of additional Ordinary Shares under clause 9.12.5), and **"Convert"** and **"Converted"** have a corresponding meaning.

"Conversion Date" means the date for Conversion specified by the Bank under clause 9.12.2.

"Conversion Notice" means a notice given by the Bank under clause 9.12.2.

"Conversion Number" means the aggregate of the number of Ordinary Shares into which a BOQ PEPS Converts and the number of additional Ordinary Shares which are to be issued to the holder on Conversion of a BOQ PEPS, under clause 9.12.5.

"Corporations Act" means the Corporations Act 2001.

"Cum Value" has the meaning given in clause 9.12.9(a).

"Directors" means the directors of the Bank.

"Distributable Profits" means the lesser of Level 1 Distributable Profits and Level 2 Distributable Profits.

"Dividend" has the meaning given in clause 9.6.1.

"Dividend Payment Date" means a date on which a Dividend is payable under clause 9.6.3 (or would be payable but for clause 9.6.6), whether or not a Dividend is, or is able to be, paid on that date.

"Dividend Period" means the period from (and including) the Issue Date or the day following the preceding Dividend Payment Date (whichever is the later) until and including the following Dividend Payment Date.

"Dividend Rate" has the meaning given in clause 9.6.1.

"Face Value" has the meaning given in clause 9.3.

"Group" means the Bank and its controlled entities (on a Level 2 basis).



9. Terms of Issue

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

"Initial Issue" means the BOQ PEPS proposed to be issued on the Allotment Date.

"Initial Issue Date" has the meaning given to that term in clause 9.4.2.

"Initial Offer" means the invitation made by the Bank to subscribe for BOQ PEPS in the Initial Issue.

"Issue Date" means:

- (a) for the Initial Issue, the Initial Issue Date; and
- (b) for a Subsequent Issue, the relevant Subsequent Issue Date.

"Issue Price" has the meaning given in clause 9.3.

"Level 1" and **"Level 2"** means those terms as defined by APRA from time to time.

"Level 1 Distributable Profits" means the after tax profits of the Bank (on a Level 1 basis) calculated before any dividend or interest payments on Capital Securities which are included in the Bank's Upper Tier 2 Capital or Tier 1 Capital (on a Level 1 basis) for the immediately preceding Reporting Year (or any other amount as determined by APRA to be applicable for the purpose of the Bank's Upper Tier 2 Capital and Tier 1 Capital instruments (on a Level 1 basis)), less the aggregate amount of dividends or interest paid or payable by the Bank on those of its Capital Securities which are included in the Bank's Upper Tier 2 Capital or Tier 1 Capital (on a Level 1 basis) (but not including dividends or interest paid or payable to a member of the Group by another member of the Group) in respect of that Reporting Year.

"Level 2 Distributable Profits" means the after tax profits of the Group (on a Level 2 basis) calculated before any dividend or interest payments on Capital Securities which are included in the Group's Upper Tier 2 Capital or Tier 1 Capital (on a Level 2 basis) for the immediately preceding Reporting Year (or any other amount as determined by APRA to be applicable for the purpose of the Bank's Upper Tier 2 Capital and Tier 1 Capital instruments (on a Level 2 basis)), less the aggregate amount of dividends or interest paid or payable by a member of the Group on those of the Group's Capital Securities which are included in the Group's Upper Tier 2 Capital or Tier 1 Capital (on a Level 2 basis) (but not including dividends or interest paid or payable to a member of the Group by another member of the Group) in respect of that Reporting Year.

"Margin" has the meaning given in clause 9.6.1.

"Maximum Conversion Number" has the meaning in clause 9.12.6.

"Non-Innovative Residual Tier 1 Capital" means non-innovative residual tier 1 capital of the Group as defined by APRA from time to time.

"Optional Dividend" has the meaning given in clause 9.6.4.

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

"Pre-Conversion Period" has the meaning in clause 9.12.5.

"Redemption" includes a redemption, buyback of, or a return of capital in an amount equal to the Redemption Price, and **"Redeem"** has a corresponding meaning.

"Redemption Date" means:

- (a) in the case of a Redemption under clause 9.11.1(a), the relevant Call Date;
- (b) in the case of a Redemption under clause 9.11.1(b) or 9.12.2, the Redemption Date specified by the Bank in the Redemption Notice, which must be:
 - (i) no later than 40 Business Days after the date of the relevant Redemption Notice; and
 - (ii) at least 20 Business Days after the date of the relevant Redemption Notice.

"Redemption Price" means in respect of Redemption by redemption or cancellation, the sum of:

- (a) the Face Value; and
- (b) the Dividend for the Dividend Period ended on the Redemption Date.

"Redemption Notice" means a notice in the form set out in Schedule 2.

"Regulatory Event" means:

- (a) the receipt by the Bank of advice from reputable legal counsel that, as a result of any change or proposed change in any law or regulation of Australia or elsewhere, any change in judicial interpretation of any such laws or regulations or any official administrative pronouncement or action interpreting or applying such laws or regulations, that is effective or is announced on or after the Issue Date, additional requirements would be imposed on the Bank or any other member of the Group which the Bank determines (at its sole discretion) to be unacceptable; or
- (b) a determination by the Bank that there is a risk that the Bank is not or will not be entitled to treat all of the BOQ PEPS as Non-Innovative Residual Tier 1 Capital under APRA Guidelines (except to the extent that such treatment is due only to the excess amount of Non-Innovative Residual Tier 1 Capital over prudential requirements, and not the eligibility of the BOQ PEPS to be treated as Non-Innovative Residual Tier 1 Capital).

"Reporting Year" means, for a Dividend Payment Date, the 12 month period ending 31 August or 28 February (or if that month of February has more than 28 days, the last day of February) last preceding the Dividend Payment Date, or such other period approved by APRA in connection with any change in the financial reporting periods of 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.

"S1RPS" means the series 1 reset preference shares in the class first issued under Article 3.8 of the Constitution in October 2003.

"Subsequent Issue" means any issue of BOQ PEPS taking place after the Initial Issue.

"Subsequent Issue Date" has the meaning given to that term in clause 9.4.2.

"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 Initial 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 BOQ PEPS as a result of increased taxes, duties or other governmental charges or civil liabilities.

"Terms of Issue" means these terms of issue for the BOQ PEPS, including the Schedules.

"Tier 1 Capital" means the tier 1 capital of the Group as defined by APRA from time to time.

"Upper Tier 2 Capital" means the upper tier 2 capital of the Group as defined by APRA from time to time.

"VWAP" means the amount (expressed in dollars and cents and rounded to the nearest full cent) that is the average of the daily volume weighted average sale prices of Ordinary Shares sold on ASX during the relevant period, but does not include any "crossing" transacted outside the "Open Session State" or any "special crossing" transacted at any time (as those terms are defined in the ASX Market Rules), or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

9. Terms of Issue

9.17.2 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 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 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 Constitution for the giving of notices to members of the Bank and the relevant provisions of the 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 four 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 Constitution will also apply to these Terms of Issue subject to clause 9.17.2(a);
- (g) a reference to a body (including APRA or any other institute, association or authority but excluding the Bank or a Holder), whether statutory or not:
 - (i) which ceases to exist; or
 - (ii) whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (h) 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;
- (i) the terms "takeover bid", "relevant interest" and "scheme of arrangement" when used in these terms have the meaning given in the Corporations Act;
- (j) 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
- (k) if an event under these terms, including payment of a Dividend or Optional Dividend, must occur on a stipulated day which is not a Business Day, then the stipulated day for that event will be taken to be the next Business Day.

Schedule 1

BOQ PEPS Buy-Back Agreement

Bank of Queensland Limited

(ABN 32 009 656 740)

1. **Effective date**

- (a) This agreement is entered into between the Bank and the Holders and shall come into force and effect upon the happening of the last to occur of the following events:
- (i) the Bank giving a Redemption Notice to the relevant Holders that it has determined to buy back the BOQ PEPS identified in the Redemption Notice; and
 - (ii) the Bank obtaining all consents (if any) to the Buy-Back which are required to be obtained from the Bank's shareholders or any regulatory authority or other person, pursuant to, and in the manner required by, any applicable law or the ASX Listing Rules (subject to any applicable modifications and waivers of such laws or ASX Listing Rules).
- (b) The terms and conditions set out in this agreement are of no force and effect unless and until this agreement has become effective under clause 1(a).

2. **Buy-Back**

Each Holder agrees to sell to the Buyer the Buy-Back Shares on the terms set out in this agreement.

3. **Buy-Back Price**

The Buyer will pay the Buy-Back Price for each Buy-Back Share bought back from a Holder under this agreement.

4. **Completion**

Completion of the Buy-Back will be effected on the Redemption Date, on which date:

- (a) the Buyer will pay the amount determined under clause 3 to the relevant Holder; and
- (b) the Holder will deliver to the Buyer a duly executed transfer of the Buy-Back Shares.

5. **Appointment of attorney**

By virtue of its holding of the Buy-Back Shares, each Holder irrevocably appoints any director or officer or duly authorised attorney of the Bank (each an "Attorney") as the true and lawful attorney of the Holder to execute a transfer to the Buyer in registrable form of the Buy-Back Shares (or such other document by which title to the Buy-Back Shares may be vested in the Buyer) and to give any necessary direction to any other person or take any other action which may be required to facilitate the transfer to the Buyer of the Buy-Back Shares, and agrees that in exercising this power of attorney, the Bank or any Attorney shall be entitled to act in the interests of the Bank (or a nominee) as the Buyer of the Buy-Back Shares.

6. **Further assurance**

The Holders will do all things necessary or desirable to give effect to the provisions of this agreement and the transactions contemplated by it.

7. **Definitions and interpretation**

In this agreement, the following expressions have the following meanings:

Buy-Back means, in relation to the BOQ PEPS, the purchase of BOQ PEPS from the Holder pursuant to this agreement.

Buy-Back Price means the Buy-Back Price determined under the Terms of Issue.

Buy-Back Shares means the BOQ PEPS referred to in the Redemption Notice which are the subject of the Buy-Back under this agreement.

Buyer means the Bank.

Holder means each Holder from time to time to whom the Bank gives a Redemption Notice which indicates that BOQ PEPS are to be bought back by the Bank.

Redemption Date means the date specified in the Redemption Notice as the date for completion of the Buy-Back, determined in accordance with the Terms of Issue.

Redemption Notice means a notice given by the Bank to Holders from time to time under clause 9.11.1 of the Terms of Issue under which the Bank elects to buy back any BOQ PEPS under clause 9.11.5 of the Terms of Issue.

All other words and expressions used in this agreement which are defined in the Terms of Issue have the same meaning in this agreement.

9. Terms of Issue

Schedule 2

BOQ PEPS Redemption Notice Bank of Queensland Limited (ABN 32 009 656 740)

1. **Redemption Notice**

To: [Name and Address of Holder(s)]

The Bank hereby gives notice under clause [9.11][9.12.2] of the Terms of Issue of the BOQ PEPS in the Bank that the BOQ PEPS will be Redeemed as follows:

1. []% of those BOQ PEPS will be Redeemed by redemption under clause 9.11.4;
2. []% of those BOQ PEPS will be Redeemed by buy-back under clause 9.11.5;
3. []% of those BOQ PEPS will be Redeemed by cancellation under clause 9.11.6;
4. The Redemption Date will be []

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

Executed by Bank of Queensland Limited

Signature of Director

Signature of Director/Company Secretary
(Please delete as applicable)

Name of Director (print)

Name of Director/Company Secretary (print)

Dated: []



10. Glossary

Term	Meaning
A\$, \$ or dollars	Australian dollars
AASB	Australian Accounting Standards Board
ABN	Australian Business Number
ABN AMRO Rothschild	the Australasian joint venture between ABN AMRO Equity Capital Markets Australia Limited (ABN 17 000 757 111) (AFSL 221950) and N.M. Rothschild & Sons Limited (ARBN 121 247 345) part of the Worldwide Equity Capital Markets Joint Venture of the Rothschild and ABN AMRO Groups
ADI	Authorised Deposit-taking Institution
AGM	Annual General Meeting of Bank of Queensland to be held on 6 December 2007
AIFRS	Australian equivalents to International Financial Reporting Standards
Allotment	the allotment of BOQ PEPS to successful Applicants
Allotment Date	the date the BOQ PEPS are first allotted to holders of the BOQ PEPS, expected to be on or around 17 December 2007
Applicant	a person who submits an Application pursuant to this Prospectus
Application	an application for BOQ PEPS made in accordance with this Prospectus
Application Form	each Application Form accompanying this Prospectus upon which an application for BOQ PEPS must be made, and includes a personalised Shareholder Priority Application Form for an Eligible Shareholder either in hard copy or completed online
Application Monies	the monies payable on Application
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ASTC	ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 532)
ASTC Settlement Rules	the settlement rules of ASTC
ASX	ASX Limited (ABN 98 008 624 691) or the market operated by it, as the context requires
ASX Listing Rules	the official ASX Listing Rules of ASX and any other rules of ASX as they apply to Bank of Queensland
ASX Market Rules	the market operating rules of ASX
ATO	Australian Taxation Office
Bank of Queensland	or the "Bank" means Bank of Queensland Limited (ABN 32 009 656 740)
Bank of Queensland Group	or the "Group" means Bank of Queensland and its controlled entities
Basel II	Basel II is the second of the Basel Accords, which are recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision. The purpose of Basel II is, amongst others, to improve the consistency of capital regulations internationally. The Basel II framework will be implemented in Australia from 1 January 2008 through APRA's prudential standards.

Term	Meaning
Board	the board of directors of Bank of Queensland
BOQ PEPS	Bank of Queensland Perpetual Equity Preference Shares
Broker Firm Applicant	an Applicant who applies for BOQ PEPS through a Broker Firm allocation of a Participating Broker
Broker Firm Offer	the invitation made to Australian resident retail clients of the Participating Brokers to apply for an allocation of BOQ PEPS from the relevant Participating Broker under this Prospectus
Business Day	has the meaning given in the ASX Listing Rules
Call Date	the first scheduled date on which Bank of Queensland may initiate Redemption of BOQ PEPS, expected to be 17 December 2012, subject to Bank of Queensland's right to Redeem earlier in certain circumstances
CGT	capital gains tax
CHESS	the Clearing House Electronic Sub-register System
Closing Date	10 December 2007
Co-Manager	A co-manager of the Offer appointed by the Joint Lead Managers
Constitution	the constitution of Bank of Queensland
Corporations Act	the Corporations Act 2001 (Cth)
Directors	the directors of Bank of Queensland as at the date of this Prospectus
Dividend	Dividends scheduled to be paid on the BOQ PEPS as described in the Terms of Issue
Eligible Shareholders	Australian residents who are existing Bank of Queensland Ordinary Shareholders, existing RePS holders or S1RPS holders
Enlarged BOQ Group	Bank of Queensland and its subsidiaries assuming the Mackay Permanent Merger and the Home Merger proceed and therefore including Mackay Permanent and Home and their respective subsidiaries
Face Value	has the meaning given in Section 9.3 of this Prospectus
Fitch	Fitch Ratings Australia Pty Ltd (ACN 081 339 184)
FY or Financial Year	each period of 12 months ending on 31 August
General Offer	the offer of BOQ PEPS under this Prospectus to Australian retail investors
Genesys	Genesys Wealth Advisers
GST	the goods and services tax levied in Australia pursuant to A New Tax System (Goods and Services Tax) Act 1999 (Cth)
HIN	Holder Identification Number
Holder	a person whose name is for the time being registered in the register of "BOQ PEPS" as a holder of BOQ PEPS
Holding Statements	the statements to be issued to successful Applicants following Allotment of their BOQ PEPS



10. Glossary

Term	Meaning
Home	Home Building Society Limited (ACN 051 900 380)
Home Merger	the proposed merger of Home with Bank of Queensland through a scheme of arrangement
Institutional Investor	an institutional investor who subscribes for BOQ PEPS under the Institutional Offer
Institutional Offer	the invitation to certain institutional investors to bid for BOQ PEPS
Issue Date	For the date of first issue of BOQ PEPS, it is the Initial Issue Date (as defined in Section 9.4.2), which is expected to be 17 December 2007. For a Subsequent Issue, it is the relevant Subsequent Issue Date (as defined in Section 9.4.2).
Issue Price	For the Initial Issue, the Issue Price of each BOQ PEPS will be \$100. For each Subsequent Issue, the Issue Price of each BOQ PEPS will be the price stated or determined in the manner determined by the Directors, in their sole discretion, in relation to that issue.
Issuer	Bank of Queensland Limited (ABN 32 009 656 740)
Joint Lead Managers	ABN AMRO Rothschild and Macquarie Equity Capital Markets
Mackay Permanent	Mackey Permanent Building Society Limited (ABN 34 087 652 033)
Mackay Permanent Merger	the merger of Mackay Permanent with Bank of Queensland through the implementation of a scheme of arrangement, such that Mackay Permanent becomes a wholly owned subsidiary of Bank of Queensland
Macquarie Equity Capital Markets	Macquarie Equity Capital Markets Limited (ACN 001 374 572)
Mergers	the Mackay Permanent Merger and the Home Merger
Moody's	Moody's Investor Service Pty Limited (ABN 61 003 399 657)
Offer	the invitation made pursuant to this Prospectus for investors to offer to subscribe for BOQ PEPS
Offer Period	the period from (and including) the Opening Date to (and including) the Closing Date
OMB®	Owner-Managed Branch™
Opening Date	19 November 2007
Ordinary Share	a fully paid ordinary share in the capital of Bank of Queensland
Ordinary Shareholder	a person registered on Bank of Queensland's share register as the holder of an Ordinary Share
Participating Broker	a broker who is participating in the Broker Firm Offer
Pioneer Permanent	Pioneer Permanent Building Society Limited (ACN 087 652 042)
Privacy Act	the Privacy Act 1988 (Cth)

Term	Meaning
Prospectus	this prospectus as lodged with ASIC on 9 November 2007 (and any copy of this prospectus accessed electronically from Bank of Queensland's website)
Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277)
RePS	Bank of Queensland Non-Cumulative Reset Preference Shares in the class first issued in October 2000, and subsequently in November 2001 and July 2002.
S1RPS	Bank of Queensland Series 1 Reset Preference Shares in the class first issued in October 2003 and subsequently in February 2004
Settlement Date	17 December 2007
Shareholder Priority Application Form	a personalised Application Form that Eligible Shareholders can obtain from the Registry or online at www.boq.com.au
Shareholder Priority Offer	the offer of BOQ PEPS under this Prospectus to Eligible Shareholders
Standard & Poor's and S&P	Standard & Poor's (Australia) Pty Limited (ACN 007 324 852)
Structuring Adviser	ABN AMRO Rothschild
Terms of Issue	Terms of issue of the BOQ PEPS by Bank of Queensland as set out in Section 9 of this Prospectus
TFN	Tax File Number
Underwriters	ABN AMRO Rothschild and Macquarie Equity Capital Markets
Underwriting Agreement	the underwriting agreement between Bank of Queensland and the Joint Lead Managers dated 9 November 2007
US	United States
US Person	has the meaning given in Regulation S under the US Securities Act
US Securities Act	United States Securities Act of 1933, as amended
Wide Bay	Wide Bay Australia Limited (ACN 087 652 060)

