

NUVEEN QUALITY PREFERRED INCOME FUND 2
Form N-CSR
March 09, 2009

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM N-CSR
CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT
COMPANIES**

**Investment Company Act file number 811-21137
Nuveen Quality Preferred Income Fund 2**

(Exact name of registrant as specified in charter)

Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606

(Address of principal executive offices) (Zip code)

Kevin J. McCarthy
Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606

(Name and address of agent for service)

Registrant's telephone number, including area code: (312) 917-7700

Date of fiscal year end: December 31

Date of reporting period: December 31, 2008

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles. A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORTS TO SHAREHOLDERS

Annual Report
December 31, 2008

Nuveen Investments
Closed-End Funds

NUVEEN QUALITY
PREFERRED INCOME
FUND
JTP

NUVEEN QUALITY
PREFERRED INCOME
FUND 2
JPS

NUVEEN QUALITY
PREFERRED INCOME
FUND 3
JHP

*High Current Income from a Portfolio of
Investment-Grade Preferred Securities*

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OR

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If you received your Nuveen Fund dividends and statements directly from Nuveen.

Chairman's
LETTER TO SHAREHOLDERS

i Robert P. Bremner ii Chairman of the Board

Dear Shareholders,

I write this letter in a time of continued uncertainty about the current state of the U.S. financial system and pessimism about the future of the global economy. Many have observed that the conditions that led to the crisis have built up over time and will complicate and extend the course of recovery. At the same time, government officials in the U.S. and abroad have implemented a wide range of programs to restore stability to the financial system and encourage economic recovery. History teaches us that these efforts will moderate the extent of the downturn and hasten the inevitable recovery, even though it is hard to envision that outcome in the current environment.

As you will read in this report, the continuing financial and economic problems are weighing heavily on the values of equities, real estate and fixed-income assets, and unfortunately the performance of your Nuveen Fund has been similarly affected. In addition to the financial statements, I hope that you will carefully review the Portfolio Managers Comments, the Common Share Distribution and Share Price Information and the Performance Overview sections of this report. These comments highlight the managers' pursuit of investment strategies that depend on thoroughly researched securities, diversified portfolio holdings and well established investment disciplines to achieve your Fund's investment goals. The Fund Board believes that a consistent focus on long-term investment goals provides the basis for successful investment over time and we monitor your Fund with that objective in mind.

Nuveen continues to work on resolving the auction rate preferred shares situation, but the unsettled conditions in the credit markets have slowed progress. Nuveen is actively pursuing a number of solutions, all with the goal of providing liquidity for preferred shareholders while preserving the potential benefits of leverage for common shareholders. We appreciate the patience you have shown as we have worked through the many issues involved. Please consult the Nuveen website: www.nuveen.com, for the most recent information.

On behalf of myself and the other members of your Fund's Board, we look forward to continuing to earn your trust in the months and years ahead.

Sincerely,

Robert P. Bremner
Chairman of the Board
February 23, 2009

Portfolio Managers COMMENTS

Nuveen Investments Closed-End Funds

JTP, JPS, JHP

The Nuveen Quality Preferred Income Funds are sub-advised by a team of specialists at Spectrum Asset Management, Inc., an affiliate of Principal Capitalsm. Mark Lieb, Bernie Sussman and Phil Jacoby, who have more than 75 years of combined experience in the preferred securities markets, lead the team. Here Mark, Bernie and Phil talk about their management strategy and the performance of each Fund for the twelve-month period ended December 31, 2008.

WHAT WERE THE GENERAL ECONOMIC CONDITIONS AND MARKET TRENDS DURING THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2008?

The period was dominated by fears of an economic recession, triggered or exacerbated by several significant developments. The cascading effects of sub-prime mortgage defaults, constrained liquidity in the capital markets and limited lending by many financial institutions caused many investors to seek refuge in U.S. Treasury securities. These events forced some financial firms to merge, restructure or go out of business. At the same time, the U.S. government essentially took over Fannie Mae and Freddie Mac, and also intervened on behalf of the giant insurer AIG. By the end of 2008, the U.S. Treasury had disbursed approximately \$350 billion of capital to financial institutions and others under the Troubled Assets Relief Program, with indications that a like amount would be distributed in 2009.

Another indicator of economic weakness was the U.S. unemployment rate, which soared to 7.2% as of December 31, 2008, compared with 4.9% one year earlier. Practically all segments of the economy showed signs of slowing by the end of the period. During the third quarter of 2008, gross domestic product contracted to an annual rate of 0.5%, the biggest decrease since 2001. Preliminary reports for the fourth quarter showed a contraction of 3.8%, the worst showing in more than 25 years. This was mainly the result of the first decline in consumer spending since 1991 and an 18% drop in residential investment. Fortunately, inflation was not a significant factor as the Consumer Price Index rose just 0.1% in 2008. The Federal Reserve cut the widely followed short-term fed funds rate seven times during 2008, lowering the rate from 4.25% to 0-0.25% as of year end.

Certain statements in this report are forward-looking statements. Discussions of specific investments are for illustration only and are not intended as recommendations of individual investments. The forward-looking statements and other views expressed herein are those of the portfolio managers as of the date of this report. Actual future results or occurrences may differ significantly from those anticipated in any forward-looking statements and the views expressed herein are subject to change at any time, due to numerous market and other factors. The Funds disclaim any obligation to update publicly or revise any forward-looking statements or views expressed herein.

The financial services sector volatility caused by the sub-prime mortgage crisis and the subsequent liquidity crisis and credit concerns severely impacted the preferred securities market over this period. Over 70% of preferred securities come from issuers in the financial services sector, and many of these issues experienced rapid and unprecedented price declines, especially in the second half of the year. There was a significant discrepancy in performance between the \$25 par preferred sector and the \$1,000 par hybrid sector during the year. While the Merrill Lynch \$25 par Preferred Stock, Hybrid Securities index returned -9.0% during the twelve-month period ended December 31, 2008, the Barclays Capital \$1,000 par USD Capital Securities index returned -18.6%. Interestingly, after the first nine months of the year, the total return of the \$25 par and \$1,000 par indices were only 200 basis points apart. It was during the fourth quarter that the \$25 par sector outperformed significantly. The difference, in our opinion, was due primarily to liquidity concerns. While the \$25 par preferred securities universe is exchange-traded, the \$1,000 par universe is exclusively traded over-the-counter. As investors gained confidence in the financial services sector, and specifically comfortable with subordination risk in financial services, the bias was to acquire exposure through the more liquid \$25 par exchange-traded structure.

WHAT KEY STRATEGIES WERE USED TO MANAGE THE FUNDS DURING THIS REPORTING PERIOD?

As noted, the volatility caused by the sub-prime mortgage crisis and general illiquidity in the credit markets severely impacted preferred securities during this period. As a result, our main focus was to moderate concentration risk, and therefore we reduced credit exposure to the brokerage, regional bank and monoline insurance sectors. Although new issuance was heavy, market liquidity was extremely limited which also put downward pressure on the secondary market prices. Nonetheless, we did find a few opportunities to sell some holdings and reinvest the proceeds into deeper discount or better structured capital securities. We sold Bank of America, JPMorgan and Wells Fargo \$25 par preferreds that were currently callable and trading above \$24, and replaced them with deeper discount issues that had higher yields and, we believed, had better long-term potential. We also we were able to reduce the Funds' exposure to Countrywide by 22% when prices improved after Bank of America acquisition.

While we could not shelter the Funds' holdings from the steep valuation declines experienced by all preferred securities during this period, we did employ several risk management techniques in an effort to protect Fund shareholders from extreme market moves and the impact of leveraging within each Fund. For example, we invested in highly liquid securities such as U.S. Treasuries when the capital risk of being invested 100% in preferred securities became temporarily intolerable.

HOW DID THE FUNDS PERFORM OVER THIS TWELVE-MONTH PERIOD?

The performance of JTP, JPS and JHP, as well as a comparative index and benchmark, is presented in the accompanying table.

Average Annual Total Returns on Common Share Net Asset Value
For the twelve-month period ended 12/31/2008

Past performance does not guarantee future results. Current performance may be higher or lower than the data shown.

Returns do not reflect the deduction of taxes that shareholders may have to pay on Fund distributions or upon the sale of Fund shares. For additional information, see the individual Performance Overview for your Fund in this report.

	1-Year	5-Year
JTP	-46.97%	-11.81%
JPS	-47.58%	-11.76%
JHP	-48.00%	-12.25%
Barclays Capital Aggregate Bond Index ¹	5.24%	4.65%
Comparative Benchmark ²	-20.86%	-4.65%

The past calendar year proved to be a poor time to own preferred securities, as can be seen by comparing the performance of the Funds and their benchmark with the Barclays Capital Aggregate Bond Index. The Barclays Capital index often is used as one measure of bond market performance, and it covers a much more varied and comprehensive group of securities than the specific types in which these Funds invest. The Funds do not attempt to track the performance of this index, which is shown as a general reference only.

1. The Barclays Capital Aggregate Bond Index is an unmanaged index that includes all investment-grade, publicly issued, fixed-rate, dollar denominated, nonconvertible debt issues and commercial mortgage backed securities with maturities of at least one year and outstanding par values of \$150 million or more. Index returns do not include the effects of any sales charges or management fees. It is not possible to invest directly in an index.

2. Comparative benchmark performance is a blended return consisting of: 1) 55% of the Merrill Lynch Preferred Stock Hybrid Securities Index, an unmanaged index of investment-grade, exchange traded preferred stocks with outstanding market values of at least \$30 million and at least one year to maturity; and 2) 45% of the Barclays Capital Tier 1 Capital Securities Index, an unmanaged index that includes securities that can generally be viewed as hybrid fixed-income securities that either receive regulatory capital treatment or a degree of equity credit from a rating agency.

The Funds also significantly underperformed their unmanaged, unleveraged benchmark. There were several reasons for these relatively poor returns. First, most of the relative underperformance, compared to the benchmark, was due to the Funds use of financial leverage (see below).

Additionally, the Funds returns also were negatively impacted by the sale of securities in a very weak and challenging market environment in order to accommodate the redemption of a portion of each Fund s auction rate preferred securities. This decision to redeem some auction rate preferred shares and replace them with borrowings, which the Funds adviser believed was in the best long-term interests of both common and preferred shareholders, led the Funds to sell holdings that could attract buyers despite the adverse market conditions. After these sales, the Funds remaining

securities were likely to have a greater tendency to react negatively in the continued volatile market conditions.

Sector and security selection also hurt the Funds' relative performance. All three Funds held high concentrations of preferred securities issued by commercial banks, insurance companies and others in the financial services sector. Generally, these issues performed poorly over the period. The Funds owned small positions in Fannie Mae and Freddie Mac when these entities went into federal conservatorship. We were able to reduce our Washington Mutual position, but continued to own some securities issued by that institution when it went into receivership. We also owned a small position of Lehman Brothers securities when that firm went into bankruptcy. All of these small positions, while reduced from their size at the beginning of 2008, contributed to each Fund's relatively poor performance.

Not all the news was negative. On the positive side, we avoided Bear Stearns completely and were able to reduce positions in Capital One, Pulte Homes, National City Bank, Royal Bank of Scotland, Merrill Lynch, and Morgan Stanley, thereby avoiding some of the losses experienced by the securities issued by each of these firms.

IMPACT OF THE FUNDS CAPITAL STRUCTURES AND LEVERAGE STRATEGIES ON PERFORMANCE

In this generally unfavorable investment environment, the most significant factor impacting the returns of the Funds relative to the comparative benchmark was the Funds' use of financial

leverage. The Funds use leverage because their adviser believes that, over time, leveraging provides opportunities for additional income and total return for common shareholders. However, the use of leverage also can expose common shareholders to additional risk especially when market conditions are as unfavorable as they were during this period. As the prices of most securities held by the Funds declined during the year, the negative impact of these valuation changes on common share net asset value and common shareholder total return was magnified by the use of leverage.

RECENT DEVELOPMENTS IN THE AUCTION RATE PREFERRED SECURITIES MARKETS

As noted in the last shareholder report, beginning in February 2008, more shares were submitted for sale in the regularly scheduled auctions for the auction rate preferred shares issued by these Funds than there were offers to buy. This meant that these auctions failed to clear, and that many or all of the Funds' auction rate preferred shareholders who wanted to sell their shares in these auctions were unable to do so. This decline in liquidity in auction rate preferred shares did not lower the credit quality of these shares, and auction rate preferred shareholders unable to sell their shares received distributions at the maximum rate applicable to failed auctions, as calculated in accordance with the pre-established terms of the auction rate preferred shares.

These developments generally have not affected the portfolio management or investment policies of these Funds. However, one continuing implication for common shareholders of these auction failures is that the Funds' cost of leverage will likely be higher, at least temporarily, than it otherwise would have been had the auctions continued to be successful. As a result, the Funds' future common share earnings may be lower than they otherwise might have been.

As noted in the last shareholder report, the Funds' Board of Trustees has authorized a program to redeem portions of each Fund's FundPreferred shares and replace those shares in each Fund's capital structure with borrowings.

As of December 31, 2008, JTP, JPS and JHP had redeemed and/or noticed for redemption \$375,125,000, \$670,000,000 and \$147,900,000, respectively, FundPreferred shares, (85.3%, 83.8% and 89.1%, respectively, of their original outstanding FundPreferred shares of \$440,000,000, \$800,000,000 and \$166,000,000, respectively), and had \$64,875,000, \$130,000,000 and \$18,100,000, respectively, FundPreferred shares still outstanding. While the Funds' Board and management continue to work to resolve this situation, the Funds cannot provide any assurance on when the remaining outstanding FundPreferred shares might be redeemed.

For up-to-date information, please visit the Nuveen CEF Auction Rate Preferred Resource Center at: <http://www.nuveen.com/ResourceCenter/AuctionRatePreferred.aspx>.

Common Share
Distribution and Share Price

INFORMATION

The information below regarding your Fund's distributions is current as of December 31, 2008, and likely will vary over time based on each Fund's investment activities and portfolio investment value changes.

All three Funds reduced their monthly distributions to common shareholders three times over the course of 2008. Some of the factors affecting these distributions are summarized below.

The Funds employed financial leverage through the issuance of Fund Preferred shares and borrowings. Financial leverage provides the potential for higher earnings (net investment income), total returns and distributions over time, but as noted earlier also increases the variability of common shareholders' net asset value per share in response to changing market conditions. Over the reporting period, the impact of financial leverage on the Funds' net asset value per share contributed positively to the income return and detracted from the price return. The overall impact of financial leverage detracted from the Funds' total return.

During certain periods, the Funds may pay dividends at a rate that may be more or less than the amount of net investment income actually earned by the Funds during the period. If a Fund has cumulatively earned more than it has paid in dividends, it holds excess in reserve as undistributed net investment income (UNII) as part of the Fund's NAV. Conversely, if a Fund has cumulatively paid dividends in excess of earnings, the excess constitutes negative UNII that is likewise reflected in a Fund's NAV. As of December 31, 2008, JTP had a positive UNII balance for financial statement purposes and a zero balance for tax purposes. JPS had positive UNII balances for both financial statement and tax purposes. JHP had a negative UNII balance for financial statement purposes and a zero balance for tax purposes.

The following table provides information regarding each Fund's common share distributions and total return performance for the fiscal year ended December 31, 2008. This information is intended to help you better understand whether the Funds' returns for the specified time period were sufficient to meet each Fund's distributions.

As of 12/31/08 (Common Shares)	JTP	JPS	JHP
Inception date	6/25/02	9/24/02	12/18/02
Calendar year ended December 31, 2008:			
Per share distribution:			
From net investment income	\$0.90	\$0.97	\$0.90
From short-term capital gains	0.00	0.00	0.00
From long-term capital gains	0.00	0.00	0.00
From return of capital	0.01	0.00	0.02
Total per share distribution	\$0.91	\$0.97	\$0.92
Distribution rate on NAV	17.33%	17.90%	17.90%
Annualized total returns:			
1-Year on NAV	-46.97%	-47.58%	-48.00%
5-Year on NAV	-11.81%	-11.76%	-12.25%
Since inception on NAV	-6.74%	-6.47%	-8.01%

COMMON SHARE REPURCHASES AND SHARE PRICE INFORMATION

The Funds' Board of Trustees approved an open-market share repurchase program on July 30, 2008, under which each Fund may repurchase up to 10% of its outstanding common shares. As of December 31, 2008, the Funds had not yet repurchased any of their common shares.

As of December 31, 2008, the Funds' shares were trading relative to their common share NAVs as shown in the accompanying table:

	12/31/08 Discount	12-Month Average Discount
JTP	-7.43%	-7.23%
JPS	-7.01%	-6.41%
JHP	-1.17%	-6.13%

Fund Snapshot

Common Share Price	\$4.86
Common Share Net Asset Value	\$5.25
Premium/(Discount) to NAV	-7.43%
Current Distribution Rate ¹	16.30%
Net Assets Applicable to Common Shares (\$000)	\$339,270

Average Annual Total Return

(Inception 6/25/02)

	On Share Price	On NAV
1-Year	-47.05%	-46.97%
5-Year	-13.68%	-11.81%
Since Inception	-8.24%	-6.74%

Industries

(as a % of total investments)²

Commercial Banks	28.9%
Insurance	22.1%
Real Estate/Mortgage	16.2%
Capital Markets	6.7%
Media	6.0%
Diversified Financial Services	5.1%
Short-Term Investments	1.4%
Other	13.6%

Top Five Issuers

(as a % of total investments) ³	
Firststar Realty LLC	4.2%
Banco Santander Finance	4.1%
Deutsche Bank AG	3.9%
ING Groep N.V.	3.8%
AgFirst Farm Credit Bank	3.3%

JTP
Performance
OVERVIEW

Nuveen Quality
Preferred Income
Fund
as of December 31, 2008

Portfolio Allocation (as a % of total investments)²

2008 Monthly Distributions Per Common Share

Common Share Price Performance Weekly Closing Price

1 Current Distribution Rate is based on the Fund's current annualized monthly distribution divided by the Fund's current market price. The Fund's monthly distributions to its shareholders may be comprised of ordinary income, net realized capital gains and, if at the end of the calendar year the Fund's cumulative net ordinary income and net realized gains are less than the amount of the Fund's distributions, a tax return of capital.

2 Excluding investments in derivatives.

3 Excluding short-term investments and investments in derivatives.

Fund Snapshot

Common Share Price	\$5.04
Common Share Net Asset Value	\$5.42
Premium/(Discount) to NAV	-7.01%
Current Distribution Rate ¹	16.90%
Net Assets Applicable to Common Shares (\$000)	\$649,377

Average Annual Total Return

(Inception 9/24/02)

	On Share	
	Price	On NAV
1-Year	-47.49%	-47.58%
5-Year	-12.70%	-11.76%
Since Inception	-7.87%	-6.47%

Industries

(as a % of total investments)²

Commercial Banks	29.0%
Insurance	20.9%
Real Estate/Mortgage	15.0%
Electric Utilities	6.7%
Diversified Financial Services	6.3%
Media	6.0%
Short-Term Investments	0.7%
Other	15.4%

Top Five Issuers

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(as a % of total investments)³

Wachovia Corporation 6.3%

ING Groep N.V. 3.7%

Banco Santander Finance 3.2%

Entergy Corporation 3.0%