



2015 NOTICE OF ANNUAL GENERAL MEETING

THE 141ST ANNUAL GENERAL MEETING OF BANK OF QUEENSLAND LIMITED ACN 009 656 740 (BOQ) WILL BE HELD IN THE BALLROOM, LEVEL 5 AT THE HILTON HOTEL, BRISBANE ON THURSDAY, 26 NOVEMBER 2015 AT 10.00 AM AEST. REGISTRATION COMMENCES AT 9.15AM. ENTER THE HILTON HOTEL VIA THE QUEEN STREET MALL OR 190 ELIZABETH STREET.

Bank of Queensland Limited ABN 32 009 656 740. AFSL No. 244616.



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AGENDA

1. Financial Statements and Reports

To receive and consider the financial statements for the year ended 31 August 2015 and the related Directors' Report and Auditor's Report.

(Refer to Item 1 of the Explanatory Statement).

2. Election of Director (ordinary resolution)

To re-elect a director, Richard Haire, who retires by rotation in accordance with the Constitution and, being eligible, offers himself for re-election.

(Refer to Item 2 of the Explanatory Statement).

3. Approval of Performance Award Rights under the Managing Director's Long Term Incentive Package - 2014 Top Up

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That for the purposes of ASX Listing Rule 10.14, approval be given for the grant to, or for the benefit of, Mr Jon Sutton, Managing Director and Chief Executive Officer of BOQ, of 45,637 Performance Award Rights under the BOQ Award Rights Plan in accordance with the terms described in Item 3 in the Explanatory Statement.

This resolution is subject to voting exclusions as set out at the end of this Notice.

(Refer to Item 3 of the Explanatory Statement).

4. Approval of Performance Award Rights under the Managing Director's Long Term Incentive Package - 2015 Package

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That for the purposes of ASX Listing Rule 10.14, approval be given for the grant to, or for the benefit of, Mr Jon Sutton, Managing Director and Chief Executive Officer of BOQ, of 97,774 Performance Award Rights under the BOQ Award Rights Plan in accordance with the terms described in Item 4 in the Explanatory Statement.

This resolution is subject to voting exclusions as set out at the end of this Notice.

(Refer to Item 4 of the Explanatory Statement).

5. Ratification of issue of Capital Notes

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That for the purposes of ASX Listing Rule 7.4, the issue of 15,000 Capital Notes on 26 May 2015, is approved.

This resolution is subject to voting exclusions as set out at the end of this notice.

(Refer to Item 5 of the Explanatory Statement).

6. Remuneration Report - non-binding resolution

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That the remuneration report, contained in BOQ's 2015 Annual Report, be adopted.

This resolution is advisory only and does not bind the directors.

This resolution is subject to voting exclusions as set out at the end of this Notice.

(Refer to Item 6 of the Explanatory Statement).

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PROXIES:

1. A shareholder who is entitled to vote at the meeting may appoint:
 - (a) one proxy if the shareholder is only entitled to one vote; or
 - (b) one or two proxies if the shareholder is entitled to more than one vote.
2. Where the shareholder appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one half of the votes, in which case any fraction of votes will be disregarded.
3. A proxy need not be a shareholder of BOQ.
4. If you require an additional proxy form, BOQ will supply it on request.
5. Shareholders may register the appointment of proxies online at:
www.linkmarketservices.com.au
by using the secure online access information set out in the proxy form, no later than 10.00 am (AEST) on Tuesday, 24 November 2015.
6. Alternatively, the proxy form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by BOQ at BOQ's share registry no later than 10.00 am (AEST) on Tuesday, 24 November 2015:
 - (a) by post to:
Bank of Queensland Limited
C/- Link Market Services Limited
Locked Bag A14
SYDNEY SOUTH NSW 1235; or
 - (b) by delivery to:
Bank of Queensland Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
RHODES NSW 2138
or
Level 12, 680 George Street
Sydney NSW 2000; or
 - (c) by fax on (02) 9287 0309
(international +61 2 9287 0309).

VOTING RIGHTS

All of the shares that are quoted shares at 7.00pm (Sydney time) on Tuesday, 24 November 2015 will be taken, for the purposes of the Annual General Meeting, to be held by the persons who held them at that time

VOTING EXCLUSIONS

Items 3 and 4 - Remuneration related resolutions

In accordance with the *Corporations Act 2001* (Cth) and the ASX Listing Rules, BOQ will disregard any votes cast on Resolutions 3 and 4 by Mr Jon Sutton and his associates, unless the vote is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

In accordance with the *Corporations Act 2001* (Cth), BOQ will disregard any votes cast on Resolutions 3 and 4 as proxy by any KMP that is appointed as a proxy where the proxy appointment does not specify the way the proxy is to vote on the Resolution, unless:

- (a) the proxy is the Chair of the meeting; and
- (b) the proxy appointment expressly authorises the Chair to exercise the proxy on the Resolution even though it is connected directly or indirectly with the remuneration of a member of the KMP.

Item 5 - Ratification of issue of Capital Notes

In accordance with the ASX Listing Rules, BOQ will disregard any votes cast on Resolution 5 by any person, and an associate of any person, who participated in the Capital Note issue, unless the vote is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

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Item 6 - Remuneration Report - non-binding vote

In accordance with the *Corporations Act 2001* (Cth), BOQ will disregard any votes cast on Resolution 6 (personally or as proxy) by any KMP whose remuneration details are included in the Remuneration Report and their closely related parties, unless:

- (a) the vote is cast by such a person as proxy for a person who is entitled to vote and the proxy form directs how the proxy to vote on Resolution 6; or
- (b) the vote is cast by the Chairman of the meeting as proxy and the appointment of the Chairman as proxy:
 - (i) does not specify the way the proxy is to vote on Resolution 6; and
 - (ii) expressly authorises the Chair to exercise the proxy on Resolution 6 even though Resolution 6 is connected directly or indirectly with the remuneration of a member of the KMP.

Further, BOQ will disregard any votes cast on Resolution 6 as proxy by any KMP whose remuneration details are not included in the Remuneration Report, or a closely related party of such KMP, that is appointed as a proxy where the proxy appointment does not specify the way the proxy is to vote on Resolution 6, unless:

- (a) the proxy is the Chair of the meeting; and
- (b) the proxy appointment expressly authorises the Chair to exercise the proxy on Resolution 6 even though it is connected directly or indirectly with the remuneration of a member of the KMP.

For the purposes of these voting exclusions:

1. "KMP" means the key management personnel of the BOQ consolidated group, being the directors of BOQ (including the Chairman) and other employees having authority and responsibility for planning, directing and controlling the activities of BOQ, directly or indirectly, and includes their closely related parties. The Remuneration Report identifies the key management personnel for the BOQ consolidated group for the financial year ended 31 August 2015. Their closely related parties are defined in the *Corporations Act 2001* (Cth), and include certain members of their family, dependants and companies they control.
2. BOQ will also apply these voting exclusions to persons appointed by an excluded shareholder as attorney to attend and vote at the meeting under a power of attorney on the basis that references to persons attending and voting as proxy are read as references to persons attending and voting as attorney and references to an instrument under which the proxy is appointed are read as references to the power of attorney under which the attorney is appointed.

Directing your proxy vote

If you wish to direct your proxy to vote on any Resolution, you can mark the "For", "Against" or "Abstain" box online or in Step 2 on the proxy form accordingly.

Proxy Voting by Chairman

If you appoint the Chairman of the meeting as your proxy or the Chairman is appointed as your proxy by default and you do not specify how the Chairman is to vote on a Resolution, the Chairman intends, as at the date of this notice, to vote IN FAVOUR of that Resolution on a poll.

DATED 26 October 2015

BY ORDER OF THE BOARD

Michelle Thomsen

Company Secretary

LODGEMENT OF PROXIES

Shareholders unable to attend the meeting are urged to register their appointment of proxy online or complete the proxy form attached to this notice and return it as soon as possible (see proxy form for details) and in any event no later than 10.00 am (AEST) on Tuesday, 24 November 2015.

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INTRODUCTION

This Explanatory Statement is provided to shareholders to inform them about the business of the meeting and each of the resolutions proposed in the accompanying Notice of Meeting. The information is also provided under the requirements of the ASX Listing Rules and *Corporations Act 2001* (Cth).

ITEM 1 - FINANCIAL STATEMENTS AND REPORTS

The *Corporations Act 2001* (Cth) requires the Financial Report (which includes the financial statements and Directors' declaration), the Directors' Report and the Auditor's Report to be laid before the Annual General Meeting. Shareholders will be given a reasonable opportunity at the meeting to ask questions and make comments on these reports and on the business, operations and management of BOQ.

ITEM 2 - ELECTION OF DIRECTORS

The BOQ Board is, at the date of this Notice of Meeting, comprised of 8 non-executive directors and one executive director.

During the last twelve months, Jon Sutton assumed the role of Managing Director and Chief Executive Officer and Mr Steve Crane stepped down from the BOQ Board.

The Board regularly reviews its composition to ensure there is an appropriate range of skills, and an appropriate mix of business talents, outlooks, backgrounds and diversity that reflect the breadth of operation of the Bank's business and its future strategy. To assist in identifying the areas of focus and continue to maintain an appropriate mix of skills in the Board's membership, a board skills matrix is used which addresses factors such as age, gender, location of residence, professional network, and professional experience and qualifications, in order to promote a diverse range of skills and experience.

The BOQ Nomination & Governance Committee monitors the skills and experience of existing Directors ensures that new board appointees enhance the skill diversity of existing directors.

All directors have extensive business experience in their chosen fields of endeavour, and in business generally and these skills are relevant to the business conducted by the Bank. Eight directors live in Australia and one director lives overseas.

Background information on Mr Richard Haire, who is seeking re-election, is provided below.

Mr Richard Haire

Mr Haire has served on the Board of BOQ since April 2012.

Mr Haire has more than 28 years' experience in the international cotton and agribusiness industry, including 26 years in agricultural commodity trading and banking.

He is the Executive Chairman of Webster Limited and was also formerly a Director of Open Country Dairy (NZ) and New Zealand Farming Systems Uruguay.

Mr Haire is Chair of the Audit Committee and a member of the Risk and Information Technology Committees.

Mr Haire has been assessed under the BOQ Fit & Proper Policy which involves an assessment of the fitness and propriety of all new and existing directors to hold office against BOQ's documented criteria of competencies required for the office. As part of this assessment, Mr Haire has confirmed to BOQ that he will be able to dedicate sufficient time to fulfil his responsibilities as a non-executive director.

In accordance with BOQ's Policy on Independence of Directors, the Board has determined that Mr Haire remains independent and he is able to exercise independent judgement to provide an objective assessment of matters considered by the Board. Mr Haire's extensive business experience, particularly in the field of agribusiness, has added valuable expertise to the BOQ Board.

Mr Haire was last elected as a non-executive director in December 2012. He retires by rotation in accordance with BOQ's Constitution and, being eligible, offers himself for re-election.

Board Recommendation

The Board recommends that shareholders vote in favour of Mr Haire's re-election as a director.

ITEM 3 - APPROVAL OF PERFORMANCE AWARD RIGHTS UNDER THE MANAGING DIRECTOR'S LONG TERM INCENTIVE PACKAGE - 2014 TOP UP

[This section contains information relevant to Resolutions 3 and 4]

3.1 Background and reasons for the proposals

On 5 January 2015, the Board announced the appointment of Mr Jon Sutton as the new Managing Director and Chief Executive Officer of BOQ.

Mr Sutton's remuneration package includes the following components:

- (a) a base salary of \$1,250,000 per annum (including superannuation) subject to annual review;
- (b) a short term (annual) cash and equity performance incentive consisting of a 50% cash portion and a 50% Restricted Shares portion. The short term incentive has a range between 0% and 150% of base salary, based on achievement of minimum gateways and other performance objectives, as well as Board approval; and
- (c) a long term equity performance incentive consisting of performance award rights (PARs), which are subject to a performance hurdle.

The Board believes that part of the rewards for Mr Sutton's services to BOQ should be performance-based and at risk and should involve equity interests in BOQ. This approach reflects national and international best practice in executive remuneration and corporate governance. In structuring the terms of the short term and long term incentives, the Board has carefully considered market practice among comparable companies listed on the ASX.

The grant of short and long term incentives to Mr Sutton aligns his interests with those of BOQ and its shareholders. The minimum gateways required for Mr Sutton to earn the short term incentive, and the performance hurdle for the PARs comprising the long term incentive, will allow the Board to ensure that the incentives are aligned with BOQ's future strategies and the interests of shareholders.

On appointing Mr Sutton to the role of Managing Director and Chief Executive Officer, the Board decided to make a grant of 45,637 PARs to Mr Sutton to top up his annual long term incentive package that was granted to him in December 2014 in his previous role as Chief Operating Officer.

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This top up grant is in recognition of his new and additional responsibilities and accountability as the leader of the senior management team at BOQ, and will be due to vest in 2017, subject to the performance hurdles discussed below.

Resolution 3 seeks approval of this top up grant of PARs to Mr Sutton.

Resolution 4 (see Item 4 below) deals with a separate proposed grant of PARs to Mr Sutton as part of his annual long term incentive package to be offered in December 2015, which is due to vest in 2018 subject to performance hurdles.

The performance hurdle for the PARs in Resolution 3 is that applicable to senior management in December 2014 as it is a top up of the offer made to Mr Sutton at that time.

For the PARs in Resolution 4, relating to his 2015 LTI package, the vesting of those PARs will, in line with grants to other senior management, be subject to an additional performance hurdle.

The terms of the PARs under Resolutions 3 and 4 are otherwise similar. The general information below will apply to the PARs under both Resolutions 3 and 4 unless otherwise indicated. Specific details of the PARs proposal under Resolution 4, including the performance hurdles, are set out in Item 4.

3.2 Shareholder approvals under Resolutions 3 and 4

ASX Listing Rule 10.14 requires the approval of shareholders to be sought where BOQ intends to issue securities (the alternative being to purchase shares on-market) under an employee incentive scheme to a related party. Mr Sutton is a related party of BOQ under the ASX Listing Rules.

While it is not currently intended that shares will be issued (as opposed to being acquired on market) to satisfy an award under vested PARs, shareholder approval is nonetheless being sought to provide that option.

Resolutions 3 and 4 relate to those grants of PARs and do not relate to any future grants of PARs that the Board may decide to make.

3.3 Effect of the proposals in Resolutions 3 and 4

As at 21 October 2015, Mr Sutton had an interest in 72,372 ordinary shares in BOQ, 248,975 PARs, 10,728 Deferred Award Rights (DARs) and 95,921 Restricted Shares (including 46,931 Restricted Shares which will be allocated to him as part of his FY15 short term incentive).

Subject to Resolutions 3 and 4 being passed, Mr Sutton will be granted an additional 143,411 PARs.

If all of the DARs and PARs currently held and all of the PARs proposed to be granted to Mr Sutton under Resolutions 3 and 4 vested and were exercised, then together with his ordinary shares and Restricted shares, he would hold approximately 571,407 shares. Mr Sutton would have an interest in approximately 0.15% of the total issued ordinary shares in BOQ.

If Mr Sutton's PARs are ultimately exercised, and the ordinary shares acquired are newly issued shares, this would have a small dilutionary effect on the existing shareholders' percentage interests.

Details of any PARs issued under these approvals will be published in each annual report of BOQ relating to a period in which PARs were issued under the approval.

Mr Sutton is the only director of BOQ, or associate of a director, entitled to participate in the Award Rights Plan. No other director or their associate will be permitted to participate unless approved by shareholders under Listing Rule 10.14.

Since the last shareholder approval was given on 27 November 2013 under Listing Rule 10.14 for a grant of PARs, an amount of 107,481 PARs were granted to Mr Stuart Grimshaw on 16 December 2013 under the Award Rights Plan in accordance with that approval. No amount was payable on the grant of these PARs.

3.4 The proposal in Resolution 3 - 2014 Top Up

Under Resolution 3, approval is sought for the grant of 45,637 PARs to Mr Sutton under the BOQ Award Rights Plan.

Those PARs are expected to be granted to Mr Sutton before the end of December 2015.

Number of Shares to be issued under PARs

The number of PARs to be issued was calculated based on a face value as follows:

$$\text{Number of PARs} = \frac{\$550,000}{\text{VWAP}}$$

Where VWAP was the daily volume weighted average price of ordinary shares in BOQ over the 5 business days starting on the business day after the announcement of the FY14 results in October 2014 (\$12.0516).

No amount is payable by Mr Sutton on the grant or exercise of PARs.

The maximum number of ordinary shares that may be provided to Mr Sutton under these PARs is 45,637.

These PARs effectively top up the grant of 58,084 PARs made to Mr Sutton as Chief Operating Officer in December 2014.

Performance hurdle for 2014 PARs

Half of Mr Sutton's PARs will vest if BOQ's Total Shareholder Return (TSR) performance over a three year period is in the top 50% of the Peer Group (delisted companies will be excluded from the Peer Group at the time of testing). All of the PARs vest if BOQ's TSR performance is in the top 25%. For TSR performance between those targets, a relative proportion of the PARs between one half and 100% would vest. None of the PARs vest if BOQ's TSR performance is in the bottom 50%.

Initially the Peer Group will consist of the S&P / ASX 200 from time to time excluding selected entities in resources, real estate investment trusts, telecommunications (offshore headquartered), energy and utilities and such other inclusions and exclusions as a qualified adviser to the Board considers appropriate.

TSR is a measure of the entire return a shareholder would obtain from holding an entity's securities over a period, taking into account factors such as changes in the market value of the securities and dividends paid over the period.

The three year performance period for the top up PARs under Resolution 3 is 2014 to 2017.

Other PARs terms

Once the PARs granted to Mr Sutton vest, they will be taken to have been exercised on vesting.

If Mr Sutton ceases to be employed by BOQ due to summary termination of his employment for reasons associated with a serious breach of employment terms or any policy of BOQ, including serious misconduct involving dishonesty or fraud, the PARs will lapse.

Otherwise, on cessation of employment, the Board may in its absolute discretion determine that all or a proportion of unvested PARs will not lapse and will continue in accordance with their terms, including vesting conditions. If the Board does not exercise its discretion, unvested PARs will lapse on cessation of employment.

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PARs that continue after employment ends following the exercise of discretion by the Board and are unvested will lapse if the Board subsequently forms the view that during his employment the executive has committed an act of fraud, material misstatement, financial mismanagement, gross misconduct, a serious breach of duties and obligations in relation to BOQ's affairs or a serious breach of employment terms or any policy of BOQ including serious misconduct involving dishonesty or fraud. Otherwise PARs are granted on the terms in the BOQ Award Rights Plan.

3.5 Present value of PARs under Resolution 3

The estimated present value as at 21 October 2015 of the proposed PARs that may be issued to Mr Sutton under Resolution 3 is \$5.22 per PAR, or a total value of \$238,225.

The value is calculated using the Monte Carlo simulation method, taking into account the terms and conditions on which the PARs are granted and assumptions regarding expected share price and dividend performance, and performance against the performance hurdles on a risk-neutral basis over the three year performance period.

After determining the vesting percentage for each simulation, it is applied to the projected share price at the vesting date and the projected share price is discounted to determine the present value of the PARs in the simulation. The final value is determined as the average of all the simulations performed.

The value of PARs when granted will depend on the actual share price at the time of grant. The value given above is indicative and may not reflect the value at the time of grant, vesting or exercise.

The closing price of BOQ's ordinary shares over the 12 months to 21 October 2015 has ranged between a high of \$14.64 on 19 March 2015 and a low of \$11.39 on 29 September 2015.

3.6 Use of funds raised

As no amount is payable on the grant or exercise of PARs, no funds will be raised. There is no loan funding involved in the Plan.

3.7 Recommendations

Each of the Directors (other than Mr Sutton) recommends that you vote in favour of Resolution 3. None of the Directors (other than Mr Sutton) has a personal interest in the outcome of the resolution.

As Mr Sutton has an interest, he will not make a recommendation and will not vote on the resolution (other than directed proxies).

ITEM 4 - APPROVAL OF PERFORMANCE AWARD RIGHTS UNDER THE MANAGING DIRECTOR'S LONG TERM INCENTIVE PACKAGE - 2015 PACKAGE

4.1 Background and reasons for the proposal

See Section 3.1 for the background to Mr Sutton's appointment as the new Managing Director and Chief Executive Officer of BOQ and the Board's approach to incentive remuneration, as well as details of his remuneration package.

Resolution 4 deals with a proposed grant of PARs to Mr Sutton as part of his annual long term incentive package to be offered in December 2015, which is due to vest in 2018 subject to performance hurdles.

4.2 Shareholder approvals

The purpose and reason for this shareholder approval is set out in Section 3.2.

4.3 Effect of the proposal

Mr Sutton's interests in securities and other incentive rights, and the effect of the proposals in Resolutions 3 and 4 and information on previous grants of PARs, are set out in Section 3.3.

4.4 The proposal in Resolution 4 - 2015 Package

Under Resolution 4, approval is sought for the grant of 97,774 PARs to Mr Sutton under the BOQ Award Rights Plan.

Those PARs are expected to be granted to Mr Sutton before the end of December 2015.

Number of Shares to be issued under PARs

The number of PARs to be issued was calculated based on a face value as follows:

$$\text{Number of PARs} = \frac{\$1,250,000}{\text{VWAP}}$$

Where VWAP is the daily volume weighted average price of ordinary shares in BOQ over the five business days starting on the business day after the announcement of the FY15 results in October 2015 (\$12.7845).

No amount is payable by Mr Sutton on the grant or exercise of PARs.

The maximum number of ordinary shares that may be provided to Mr Sutton under these PARs is 97,774.

Performance hurdles for 2015 PARs

As a result of shareholder feedback, the Board considers that a dual framework offers greater flexibility for setting appropriate performance conditions for PARs and has decided to adopt a dual vesting framework for the 2015 allocation.

Under this approach, two vesting frameworks have been selected by the Board. Each of the vesting frameworks selected will apply to a proportion of the PARs issued to an employee:

- up to 80% of the PARs may vest based on the first measure which is the TSR performance measure set out in Section 3.4; and
- up to 20% of the PARs may vest on successfully meeting the second vesting measure, which is an assessment of BOQ's relative non-diluted cash Earnings per Share (EPS) against a peer group. The EPS performance measure is set out below,

For the EPS-measured portion, half of Mr Sutton's PARs (10%) will vest if BOQ's relative cash EPS performance over the three year period is ranked in the top 40% of the Financial Services Peer Group (i.e. the four major banks and the Bendigo & Adelaide Bank). All of the PARs (20%) vest if BOQ's relative cash EPS performance is in the top 10%. For EPS performance between those targets, a relative proportion of the PARs between 50% and 100% would vest. None of the PARs vest if BOQ's relative cash EPS performance is in the bottom 60%.

While the Board believes the EPS targets and vesting schedule strike an appropriate balance between being achievable yet sufficiently challenging, the Board retains a discretion to adjust the EPS performance hurdle as required to ensure that Mr Sutton is neither advantaged nor disadvantaged by matters outside his control that may materially affect EPS (for example, by excluding one-off non-recurrent items or the impact of significant acquisitions or disposals).

Other PARs terms

The other terms of these PARs, including the treatment of PARs on cessation of employment, are discussed in Section 3.4.

The PARs are granted on the terms in the BOQ Award Rights Plan.

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4.5 Present value of PARs under Resolution 4

The estimated value as at 21 October 2015 of the proposed PARs that may be issued to Mr Sutton under Resolution 4 is \$5.56 per PAR, or a total value of \$543,623.

The value is calculated using the same methodology and assumptions set out in Section 3.5 applied over the 3 year performance period to October 2018.

The value of PARs when granted will depend on the actual share price at the time of grant. The value given above is indicative and may not reflect the value at the time of grant, vesting or exercise.

4.6 Use of funds raised

As no amount is payable on the grant or exercise of PARs, no funds will be raised. There is no loan funding involved in the Plan.

4.7 Recommendations

Each of the Directors (other than Mr Sutton) recommends that you vote in favour of Resolution 4. None of the Directors (other than Mr Sutton) has a personal interest in the outcome of the resolution.

As Mr Sutton has an interest, he will not make a recommendation and will not vote on the resolution (other than directed proxies).

ITEM 5 - RATIFICATION OF THE ISSUE OF CAPITAL NOTES

5.1 Background and rationale

On 26 May 2015, BOQ issued \$150,000,000 of Additional Tier 1 Capital in the form of unquoted wholesale capital notes (Capital Notes). The issue was made in accordance with Listing Rule 7.1.

Listing Rule 7.1 provides that any listed entity must not issue equity securities that total more than 15% of its fully paid ordinary shares in a 12 month period without the approval of shareholders (15% Rule). Under Listing Rule 7.4, shareholders may ratify an issue of equity securities made within that threshold so that it is disregarded in determining in the future whether BOQ has reached that threshold.

The directors are seeking shareholder ratification of this issue so that it is not considered in calculating the capacity of BOQ to issue further securities under the 15% Rule.

5.2 Terms of the Capital Note issue

- (a) Number of Capital Notes issued - 15,000.
- (b) Issue price - \$10,000 per Capital Note.
- (c) Terms of the Capital Notes - The Capital Notes are perpetual, subordinated, unsecured, convertible notes due on 26 May 2022 (mandatory conversion date).

Distributions under the Capital Notes are discretionary, based on a floating rate, and unless they have been converted, redeemed, resold or written off, are scheduled to be paid half-yearly on 26 November and 26 May, commencing on 26 November 2015, subject to a solvency condition. Distributions are non-cumulative.

The variable number of ordinary shares to be issued on any conversion is determined by reference to the average of the daily volume weight average price of BOQ's ordinary shares sold on ASX during the number of trading days prior to the conversion determined for the relevant event in accordance with the terms of the Capital Notes.

BOQ may elect to redeem or re-sell the Capital Notes on 26 May 2020, subject to the approval of APRA.

Further details of the terms of the Capital Notes are set out in BOQ's ASX Release lodged with ASX on 26 May 2015 and available at www.boq.com.au/shareholder_asx.htm

- (d) Capital Notes were offered by BOQ through the joint lead managers National Australia Bank Limited, Deutsche Bank AG, Sydney Branch and Westpac Banking Corporation and issued to eligible wholesale investors.
- (e) Use of the funds from the Capital Note issue - BOQ has received confirmation from APRA that the funds raised will qualify as Additional Tier 1 Capital. BOQ intends to use the proceeds for general corporate purposes.

ITEM 6 - REMUNERATION REPORT (NON-BINDING RESOLUTION)

Under the *Corporations Act 2001* (Cth), listed companies are required to put to their shareholders a resolution to adopt the remuneration report contained in the Annual Report. The resolution is advisory only and does not bind the directors.

The remuneration report sets out the Board's policies for director and senior manager remuneration, including a discussion of the relationship of remuneration to BOQ's performance, and other information required by the *Corporations Act 2001* (Cth) about director and senior manager remuneration.

