



It's personal

# BOOQ

Notice of Annual General Meeting  
and Explanatory Statement

# notice of annual general meeting and explanatory statement

**The 136th Annual General Meeting of Bank of Queensland Limited (BOQ) will be held at the Sofitel Hotel, 249 Turbot Street, Brisbane on Thursday, 9 December 2010 at 10.00am AEST.**

## AGENDA

### 1. Financial statements and reports

To receive and consider the financial statements for the year ended 31 August 2010 and the related Directors' Report and Auditor's Report.

(Refer to Item 1 of the Explanatory Statement).

### 2. Election of directors (ordinary resolutions)

- (a) To re-elect a director, William Kelly AC, who retires by rotation in accordance with the Constitution and, being eligible, offers himself for re-election.
- (b) To re-elect a director, Steve Crane, who retires by rotation in accordance with the Constitution and, being eligible, offers himself for re-election.
- (c) To elect a director, David Willis, who was appointed since the last Annual General Meeting and, being eligible, offers himself for election.

(Refer to Item 2 of the Explanatory Statement).

### 3. Ratification of issue of Convertible 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 300 Convertible Notes on 30 June 2010, is approved.*

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. Non-executive directors' remuneration

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

*That an increase in the aggregate maximum amount of non-executive directors' fees from \$1,500,000 per annum (inclusive of superannuation guarantee charge (SGC) contributions) to \$2,200,000 per annum (inclusive of SGC contributions), to be allocated among the non-executive directors as they agree, be approved pursuant to ASX Listing Rule 10.17.*

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. 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 2010 Annual Report, be adopted.*

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

(Refer to Item 5 of the Explanatory Statement).

### PROXIES:

1. A member who is entitled to vote at the meeting may appoint:
  - (a) one proxy if the member is only entitled to one vote; or
  - (b) one or two proxies if the member is entitled to more than one vote.
2. Where the member 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 member of BOQ.
4. If you require an additional proxy form, BOQ will supply it on request.
5. If a member appoints the Chairman of the meeting as the member's proxy and does not specify how the Chairman is to vote on an item of business, the Chairman will vote, as proxy for that member, in favour of that item on a poll.
6. 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 10.00am AEST on Tuesday, 7 December 2010:
  - (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  
Level 15  
324 Queen Street  
BRISBANE QLD 4000; or
  - (c) by fax on (02) 9287 0309.

Alternatively, members may register the appointment of proxies online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) by using the secure online access information set out in the proxy form.

### VOTING RIGHTS

All of the shares that are quoted shares at 6:00pm AEST on Tuesday, 7 December 2010 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

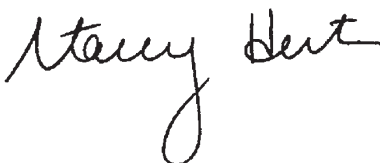
In accordance with the Listing Rules of the Australian Securities Exchange, BOQ will disregard any votes cast:

- (a) on Resolution 3 (Ratification of issue of Convertible Notes) by any person, or an associate of any person, who participated in the Convertible Note issue; and
- (b) on Resolution 4 (Non-executive directors' remuneration) by a director or an associate of any director,

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.

DATED 5 November 2010

BY ORDER OF THE BOARD



**Stacey Hester**  
Secretary

### PROXIES

Shareholders unable to attend the meeting are urged to complete the proxy form and return it or register their appointment of proxy online as soon as possible (see proxy form for details) and in any event no later than 10.00 am AEST on Tuesday, 7 December 2010.

## 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 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

#### (a) Mr William Kelty AC

Bill Kelty retires by rotation in accordance with BOQ's Constitution and, being eligible, offers himself for re-election.

Mr Kelty was appointed as a Director of BOQ in August 2001 and was last elected in December 2007.

Mr Kelty has over 33 years' experience in industrial relations. He was appointed a Director of BOQ in August 2001 and is currently a Director of the Linfox Group and a Commissioner of the Australian Football League. He is also involved in the Foundation for Rural and Regional Taskforce and was previously Chairman of the Federal Government's Regional Development Taskforce.

He was Secretary of the Australian Council of Trade Unions from 1983-2000 and a member of the Reserve Bank Board from 1988-1996.

Mr Kelty is Chair of BOQ's Corporate Governance Committee and a member of the Audit Committee.

The Board recommends that shareholders vote in favour of his re-election as a director.

#### (b) Mr Steve Crane

Steve Crane retires by rotation in accordance with BOQ's Constitution and, being eligible, offers himself for re-election.

Mr Crane was appointed a Director of BOQ at the Annual General Meeting on 11 December 2008.

He has 40 years' experience in financial markets in Australia, including experience at both AMP and BZW Australia, where he was promoted to Managing Director – Financial Markets in 1995 and became Chief Executive in 1996. In 1998, when RBS Group (Australia) Pty Limited (formerly ABN AMRO Australia Pty Limited) acquired BZW Australia and New Zealand, Mr Crane became Chief Executive and remained in this role until his retirement in June 2003.

He is now a member of the Advisory Council for RBS Group (Australia) and a Director of Transfield Services, nib holdings limited, APA Ethane Limited, The Sunnyfield Association, Taronga Conservation Society Australia and Chairman of Global Valve Technology Limited.

Mr Crane is a member of BOQ's Risk Committee, the Corporate Governance Committee and Chair of the Budget Committee.

The Board recommends that shareholders vote in favour of his re-election as a director.

#### (c) Mr David Willis

David Willis was appointed since the last Annual General Meeting and, being eligible, offers himself for election.

Mr Willis was appointed as a Director of BOQ on 23 February 2010.

Mr Willis has over 32 years' experience in financial services in the Asia Pacific, the UK and the US. He is a qualified Accountant in Australia and New Zealand and has had some 17 years experience working with Australian and Foreign Banks.

Mr Willis has held senior executive roles at Westpac, HBOS Australia, Lloyds Bank Australia and Southpac Corporation; a corporate advisory business owned by The National Bank of New Zealand and Lloyds Bank. He is a Director of New Zealand Post and Kiwi Bank together with CBH (A Grain Cooperative in Western Australia).

He is Chair of the Remuneration Committee, a member of the Corporate Governance Committee and a member of the St Andrew's Remuneration Committee.

The Board recommends that shareholders vote in favour of his election as a director.

### ITEM 3 - RATIFICATION OF THE ISSUE OF CONVERTIBLE NOTES

#### 3.1 Background and rationale

In accordance with its announcement on 30 June 2010, BOQ has issued \$150,000,000 of Lower Tier 2 Convertible Notes (Convertible Notes) pursuant to a private placement. The placement 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, members may ratify an issue of equity securities 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.

#### 3.2 Terms of the Convertible Note issue

- (a) Number of Convertible Notes issued - 300, being 120 Tranche 1 notes, 90 Tranche 2 notes and 90 Tranche 3 notes.
- BOQ has received confirmation from ASX that for the purposes of the 15% Rule, BOQ may notionally convert the Convertible Notes into ordinary shares according to the conversion formula in the terms of the Convertible Notes based upon the market price of BOQ's ordinary shares at the time the Convertible Notes were issued. On such a notional conversion, the Convertible Notes equate to 14,691,479 ordinary shares.

- (b) Issue price - \$500,000 per Convertible Note.
- (c) Terms of the Convertible Notes - The Convertible Notes are cumulative, convertible, unsecured, subordinated notes due June 2020, and pay, subject to a solvency condition, a monthly coupon equal to the 30 day bank bill rate plus 400 basis points. The Convertible Notes are unlisted.

The Convertible Notes were issued by BOQ in three tranches of \$60 million (Tranche 1), \$45 million (Tranche 2) and \$45 million (Tranche 3) and convert into a variable number of ordinary shares on 10 July 2011

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(in the case of Tranche 1), 10 December 2011 (in the case of Tranche 2) and 10 June 2012 (in the case of Tranche 3) or each monthly interest payment date thereafter, at the holders' option, or earlier following the occurrence of certain events.

The variable number of ordinary shares to be issued on any conversion is determined by reference to the average of the daily volume weighted 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 Convertible Notes, after applying a 2.5% discount.

Subject to the prior written approval of APRA, BOQ may redeem the Convertible Notes on 10 July 2011 (in the case of Tranche 1), 10 December 2011 (in the case of Tranche 2) and 10 June 2012 (in the case of Tranche 3) or each monthly interest payment date thereafter, or following the occurrence of certain events. The redemption price payable on redemption will be the face value with all accrued but unpaid interest.

Further details of the terms of the Convertible Notes are set out in BOQ's Appendix 3B - new issue announcement lodged with ASX on 5 July 2010 and available at [www.asx.com.au](http://www.asx.com.au).

- (d) Allottees of Convertible Notes under the issue - Deutsche Bank AG.
- (e) Use of the funds from the Convertible Note issue - The funds raised supplement BOQ's Tier 2 Capital for prudential purposes and the proceeds were used for BOQ's general corporate purposes.

## ITEM 4 - NON-EXECUTIVE DIRECTORS' REMUNERATION

Total fees paid to non-executive directors of BOQ are limited to a maximum amount set by shareholders. The present limit of \$1,500,000 per annum (inclusive of SGC contributions) was set at BOQ's Annual General Meeting held in December 2006. Shareholder approval is sought for an increase of that limit by \$700,000 to \$2,200,000 (inclusive of SGC contributions).

As it has been four years since the maximum aggregate directors' fees were approved by shareholders,

BOQ's Nomination Committee commissioned an independent remuneration consultant to review the level of non-executive director fees paid by BOQ. BOQ undertakes regular reviews of the fees paid to non-executive directors to ensure that they are competitive and allow BOQ to attract and retain high quality directors to best serve the interests of shareholders.

In recommending an increase to the non-executive director fee pool, the Board has considered:

- (a) The increased responsibilities of the directors, particularly in light of the additional complexity and obligations of the regulatory environment of banks and other APRA-regulated entities and listed companies generally, requiring a greater time commitment on their part.
- (b) The additional responsibilities and commitments of directors at a Board and committee level arising from their additional appointments as directors of the St Andrew's and CIT subsidiary companies acquired by BOQ in 2010. The St Andrew's subsidiaries are also APRA regulated entities.
- (c) The increased time commitment and requirements for service on some Board committees and the complexity of work undertaken by directors serving on those committees due to regulatory changes and revised compliance and governance obligations.
- (d) The need to attract appropriate directors with different skills, experience and abilities reflecting the size, complexity and geographic spread of BOQ's operations.
- (e) Fees paid by comparable companies and independent advice from remuneration consultants.

Based on the independent advice received, the directors have formed the view that the proposed increase in the maximum aggregate amount of directors' fees is appropriate for BOQ, and is in line with the non-executive director fee pools of comparable companies.

BOQ asks for shareholder approval to increase the maximum aggregate amount of non-executive director remuneration in order to:

- provide the Board with flexibility to manage any future changes in its membership and composition; and

- allow for increases in individual directors' fees in line with CPI increases for the 2011 and 2012 financial years, without the need to return to shareholders for approval. It is proposed to obtain an independent review by remuneration consultants during 2012, to determine whether the fee cap is still appropriate.

It is not intended that the full amount of the proposed increased cap be used immediately, but rather that it be set at a level that can be called upon to meet a range of future possible requirements, including CPI increases (as set out above) or changes in director responsibilities or board committee composition.

As the non-executive directors have an interest in the outcome of this item, the Board as a whole makes no recommendation as to how shareholders should vote in relation to this resolution.

## ITEM 5 - REMUNERATION REPORT (NON-BINDING RESOLUTION)

Under the Corporations Act, 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 about director and senior manager remuneration.



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