

Notice of Annual General Meeting and Explanatory Statement



The 134th Annual General Meeting of Bank of Queensland Limited (Bank) will be held at the Sofitel Hotel, 249 Turbot Street, Brisbane on Thursday, 11 December 2008 at 10.00am.

AGENDA

1. Financial Statements and Reports

To receive and consider the financial statements for the year ended 31 August 2008 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, Neil Summerson, who retires by rotation in accordance with the Constitution and, being eligible, offers himself for re-election.*
- (b) *To elect a director, Steve Crane.*
- (c) *To elect a director, Anthony (Tony) Howarth, who was appointed since the last Annual General Meeting and, being eligible, offers himself for election.*
- (d) *To elect a director, Roger Davis, 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. Approval of Future Issues Under the Award Rights Plan

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

'That issues of Award Rights under the Award Rights Plan be approved as an exception to ASX Listing Rule 7.1 pursuant to Exception 9 in ASX Listing Rule 7.2.'

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 Award Rights Under the Managing Director's Long Term Incentive Package

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

'That, for the purpose of ASX Listing Rules 7.2 (Exception 9) and 10.14 and Chapter 2E of the Corporations Act 2001 (Cth), approval be given for the issue to, or for the benefit of, Mr David Liddy, Managing Director and Chief Executive Officer of the Bank, of 175,072 Award Rights 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).

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5. Approval of Share Issues Under the Managing Director's Short Term Incentive Package

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

'That, for the purpose of ASX Listing Rules 7.2 (Exception 9) and 10.14 and Chapter 2E of the Corporations Act 2001 (Cth), approval be given for the issue to, or for the benefit of, Mr David Liddy, Managing Director and Chief Executive Officer of the Bank, of ordinary shares in accordance with the terms described in Item 5 of the Explanatory Statement.'

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. Ratification of Issue of Shares – DRP underwriting

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 1,909,391 ordinary shares on 16 May 2008 under the underwriting arrangements for the Dividend Reinvestment Plan be approved.'

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

(Refer to Item 6 of the Explanatory Statement).

7. 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 the Bank's 2008 Annual Report, be adopted.'

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

(Refer to Item 7 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 the Bank.
4. If you require an additional proxy form, the Bank 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 the Bank at the Bank's share registry no later than 10:00 am on Tuesday, 9 December 2008:
 - (a) by post to:

Computershare Investor Services Pty Limited
GPO Box 242
MELBOURNE VIC 3001
(reply paid envelope provided); or
 - (b) by delivery to:

Computershare Investor Services Pty Limited
Level 19
307 Queen Street
BRISBANE QLD; or
 - (c) by fax on (07) 3237 2152.

Alternatively, members may register the appointment of proxies online at www.investorvote.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 7:00 pm on Tuesday, 9 December 2008 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, the Bank will disregard any votes cast:

- (a) on resolutions 3, 4 and 5, by Mr David Liddy (being the only director who is eligible to participate in any employee incentive scheme in relation to the Bank) or an associate of Mr David Liddy; and
- (b) on resolution 6, by any person, or an associate of any person, who participated in the placement of shares under the underwriting arrangements,

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.

IMPORTANT NOTE

Please note that if you appoint Mr David Liddy as your proxy and do not direct him how to vote on resolutions 3, 4 or 5 (on which he personally cannot vote) then a vote cast by him on those resolutions will not be counted.

If you appoint him as your proxy, we strongly urge you to direct him how to vote on each resolution. Alternatively, we suggest that you appoint someone else (such as the Chairman) as your proxy.

DATED 3 November 2008

BY ORDER OF THE BOARD



Brad Edwards
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 on Tuesday, 9 December 2008.

Explanatory Statement

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 the Bank.

ITEM 2 – ELECTION OF DIRECTORS

(a) Mr Neil Summerson

Mr Summerson retires by rotation in accordance with the Bank's Constitution and, being eligible, offers himself for re-election.

Mr Summerson was appointed as a director of the Bank in December 1996 and was last elected in December 2006. He was appointed as Chairman of the Board on 20 August 2008.

Mr Summerson is a Chartered Accountant with 38 years experience, and a past Chairman of the Queensland branch of the Institute of Chartered Accountants. He was formerly the Queensland Managing Partner of Ernst & Young.

He is a director of AmerAlia Inc and Australian Made Campaign Limited. He is a former Chairman of the Brisbane Water Board and the United Health Care Group of Hospitals and is currently Chairman of Motorama Holdings Pty Ltd, Australian Property Growth Fund and Moore Stephens (Queensland) Limited.

Mr Summerson is currently a member of the Bank's Audit Committee and Chairman of the Bank's Remuneration and Nomination Committee.

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

(b) Mr Steve Crane

Mr Crane is nominated by the Board for election as a director.

At the Annual General Meeting, Mr Tony Love will retire in accordance with the Constitution but has decided not to stand for re-election. This creates a vacancy on the Board, which the Board proposes be filled by the election of Mr Crane as a director.

Mr Crane has worked in financial markets since 1970. He began his career at AMP and largely worked in the funds management area.

In 1988, he joined BZW Australia. He was promoted to Managing Director - Financial Markets in 1995 and became Chief Executive in 1996. In 1998, when ABN AMRO acquired BZW Australia, he became Chief Executive of ABN AMRO in Australia and remained in this role until his retirement in June 2003.

Mr Crane is now a member of ABN AMRO's Advisory Council and is Chairman of Global Valve Technology Limited and a director of Transfield Services, APA Ethane Limited, The Sunnyfield Association and the Taronga Conservation Society Australia and a trustee of Australian Reward Investment Alliance.

He is a former Chairman of Investa Property Group and Adelaide Managed Funds, a former non-executive director of Foodland Associates and Adelaide Bank Limited and a former Chairman of the Investment Banking and Securities Association.

The Board believes that Mr Crane's skills and experience will be a valuable addition to the mix of skills on the Board.

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

(c) Mr Anthony (Tony) Howarth

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

Mr Howarth was appointed as a director of the Bank on 18 December 2007 following the merger with Home Building Society Limited. He was appointed as Deputy Chairman of the Board on 20 August 2008.

Mr Howarth was Chairman of Home Building Society when it merged with the Bank in December 2007. He has worked in the banking and financial 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 CEO of Hartleys Limited.

Mr Howarth was a former Chairman of Alinta Limited (retired 24 July 2006) and is currently Chairman of Mermaid Marine Australia Limited and non-executive director of AWB Limited and Wesfarmers Limited. He is also involved with a number of business and community organisations being Chairman of St John of God Health Care Group, President of the Australian Chamber of Commerce and Industry and Chair of the Committee for Perth. In addition he is a director of the Rio-Tinto WA Future Fund, the Western Australian Community Foundation and is on the University of Western Australia's Senate.

Mr Howarth is currently a member of the Bank's Risk Committee, Remuneration and Nomination Committee and Corporate Governance Committee.

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

(d) Mr Roger Davis

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

Mr Davis was appointed as a director of the Bank on 20 August 2008.

Mr Davis has almost 30 years' experience in banking and investment banking in Australia, the US and Japan. He is currently a consulting director at Rothschild Australia Limited. He previously was a Managing Director at Citigroup and more recently he was a Group Managing Director at ANZ Bank.

He is a director of Macquarie Office Management Ltd, Aristocrat Leisure Ltd, Centric Wealth Management Ltd and Territory Insurance Office and Trust Ltd.

He was formerly chair of Pengana Hedgefunds Ltd and Esanda. He was formerly a director of ANZ (New Zealand) Limited, CitiTrust in Japan and Citicorp Securities Inc. in the USA.

Mr Davis has a Bachelor of Economics (Hons) degree from the University of Sydney, a Master of Philosophy degree from Oxford and is a Rhodes Scholar.

Mr Davis is currently a member of the Bank's Risk Committee.

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

Explanatory Statement

ITEM 3 – APPROVAL OF FUTURE ISSUES UNDER THE AWARD RIGHTS PLAN

3.1 Background and rationale

The Bank has undertaken a complete review of the framework for provision of long term incentives for the Bank's employees. That review, undertaken with the assistance of Egan Associates, an independent remuneration consultant, has resulted in the Board adopting the Award Rights Plan.

The Award Rights Plan is part of the Bank's remuneration policy of providing effective long term incentives for performance of the Bank's staff.

The Award Rights Plan is a framework for the provision of long term incentives to executives and employees of the Bank at all levels and replaces the Senior Management Option Plan and the Employee Share Plan.

Award Rights granted under the Award Rights Plan are rights to acquire fully paid ordinary shares in the Bank.

The Board intends to make regular grants of Award Rights under the Award Rights Plan, including in the current year.

As part of its policy of providing transparency in executive remuneration and as part of its capital management plan, the Board is seeking the approval of shareholders for issues of Award Rights under the Award Rights Plan for the purposes of Listing Rule 7.2.

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 7.2, members may approve issues of Award Rights under the Award Rights Plan as an exception to the 15% Rule. This means that issues of Award Rights under the Award Rights Plan are not considered for the purposes of calculating the capacity of the Bank to issue securities under the 15% Rule.

This approval continues for three years, at which time it must be renewed, or it will expire and issues of Award Rights under the Award Rights Plan revert to being included as part of the 15% Rule calculation.

If the resolution is not passed, issues of Award Rights under the Award Rights Plan may be made, but must fall within and be permitted by the 15% Rule at the time of issue.

The terms of the Award Rights Plan provide that the Bank may not grant

Award Rights where the ordinary shares that may be issued under the Award Rights would, together with other issues under the Award Rights Plan and any other employee incentive scheme during the previous 5 years (excluding offers made under a prospectus or that were exempt from prospectus disclosure), exceed 5% of the Bank's total issued ordinary shares.

By this approval, the Bank is seeking flexibility in being able to satisfy the exercise of Award Rights by either, or a mixture of, the issue of new shares or the acquisition on market of new shares, depending on what may be in the best interests of the Bank at the relevant time.

Whether or not the resolution is passed, the Bank may purchase, or arrange the purchase, on market of shares to satisfy Award Rights under the Award Rights Plan without shareholder approval.

In the opinion of the Board, the resolution will assist the Bank to manage its capital requirements efficiently by ensuring that the 15% limit is not diminished by issues of Award Rights under the Award Rights Plan and capacity is available for capital management and acquisitions, if necessary.

3.2 Types of Award Rights

The Award Rights Plan allows the Board to determine a number of matters that apply to a particular grant of Award Rights and to determine different types of Award Rights.

The two types of Award Rights that will initially be granted under the Plan are Performance Award Rights (PARs) and Deferred Award Rights (DARs).

No amount is payable by employees for the grant or exercise of these Award Rights.

PARs

The initial grant of PARs in the current year is proposed to be to those decision-makers that have the greatest impact on both shareholder returns and the long term future of the Bank.

PARs have a vesting framework based on Total Shareholder Return (TSR) of the Bank as measured against a Peer Group over a 3 year period. Initially that 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 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.

One half of an employee's PARs will vest if the Bank's TSR performance over the three year period is in the top 50% of the Peer Group. All of the PARs vest if the Bank'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.

Vested PARs are generally exercisable within 5 years after they are granted (2 years after vesting).

DARs

DARs are initially proposed to be granted to almost all employees of the Bank.

DARs are designed to promote employee retention and productivity by DARs vesting proportionately over 3 years in the ratio 20% (end Year 1), 30% (end Year 2) and 50% (end Year 3).

The number of DARs awarded to an individual employee will depend on their position and their relative performance, as determined under the normal performance review and development process that the Bank undertakes for all employees. DARs are performance tensioned and linked to this process by goals which must be achieved to receive DARs.

There are no market performance hurdles or vesting conditions for DARs but the holder must remain an employee of the Bank.

Vested DARs are generally exercisable within 5 years after they are granted (2 to 4 years after vesting).

Other PARs and DARs terms

PARs and DARs which lapse, do not vest or are not exercised within 5 years after they are granted will expire.

If the employee's employment ceases for serious misconduct involving fraud or dishonesty their PARs and DARs (whether exercisable or not) will lapse.

Where the employee resigns or is terminated for other reasons, vested PARs and DARs may generally be exercised within 90 days of the employee ceasing employment. PARs and DARs which are not vested may, at the Board's discretion, vest on a pro rata basis and become exercisable if the employment ceases due to a transfer of employment to an Owner Managed

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Branch[®], retirement, redundancy, death, total and permanent disablement, or with the Board's consent. Otherwise, PARs and DARs will lapse on cessation of employment.

The shares that are obtained on exercise of the PARs and DARs will initially be held by a trustee (appointed by the Board) for the employee's benefit and can remain in the trust for up to 10 years from the date the Award Rights are granted. While the shares are in the trust, they may be forfeited by the Bank if the employee's employment ceases for reasons of serious misconduct involving dishonesty or fraud.

The shares held by the trustee may be sold for the benefit of the employee or withdrawn from the trust by the employee, with the Board's approval.

3.3 Terms of the Award Rights Plan

A summary of the terms and conditions of the Award Rights Plan is set out in Attachment A to this Explanatory Statement.

A copy of the full terms of the Award Rights Plan is available on the Bank's website at www.boq.com.au.

3.4 Award Rights issued under the Award Rights Plan

As the Award Rights Plan has only recently been adopted, no Award Rights have yet been issued under the Plan.

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

4.1 Background and reasons for proposal

Mr David Liddy has been Managing Director of the Bank since 9 April 2001.

On 20 August 2008, the Bank announced that the Board had agreed with Mr Liddy to extend his term of appointment as Managing Director of the Bank until 31 December 2011.

His new remuneration package includes:

- a base salary of \$1,250,000 per annum (including superannuation), subject to annual review;
- a short term (annual) cash and equity performance incentive of up to 120% of base salary, subject to achievement of agreed performance indicators and stretch objectives set with the Board in each year;
- a one off additional bonus of \$250,000 in Restricted Shares in the Bank (to be acquired on market) for

the financial year ended 31 August 2008 (bringing the value of his bonus for that year to \$1.25 million) on condition that Mr Liddy takes at least \$250,000 of his cash bonus in the form of shares (acquired on market), which he has elected to do;

- a long term equity performance incentive consisting of 175,072 Performance Award Rights (PARs).

The unvested and unexercised options previously issued to Mr Liddy under his previous contract of employment and approved at the 2004 Annual General Meeting remain on issue according to their existing terms.

Mr Liddy is not entitled to any DARs.

The Board believes that part of the rewards for Mr Liddy's services to the Bank should be performance-based and at risk and should involve equity interests in the Bank. 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 the short and long term incentives to Mr Liddy aligns his interests with those of the Bank and its shareholders. The conditions for Mr Liddy to earn the short term performance incentive and the performance hurdles for the PARs comprising the long term incentive, will allow the Board to ensure that the incentives are aligned with the Bank's future strategies and the interest of shareholders.

Resolution 4 relates to the issue of PARs for the purpose of the long term performance incentive.

Resolution 5 relates to the issue of ordinary shares for the purpose of the short term performance incentive.

By these approvals, the Bank is seeking flexibility in being able to satisfy the exercise of PARs or the issue of shares under the short term incentive by either, or a mixture of, new shares or the acquisition on market of existing shares, depending on what may be in the best interests of the Bank at the relevant time.

If shareholders do not approve either or both of Resolutions 4 and 5, the new remuneration package will continue to apply, but the Bank will satisfy those short and long term equity incentives by either arranging for the purchase of existing ordinary shares on-market or paying an equivalent amount in cash.

4.2 Shareholder approval

ASX Listing Rule 10.14 requires the approval of shareholders to be sought where the company intends to issue securities under an employee incentive scheme to a related party. Mr Liddy is a related party of the Bank under the Listing Rules.

If given, the approval for the purposes of ASX Listing Rule 10.14 will last for three years, after which time the Bank would need to renew the approval.

ASX Listing Rules require that the approval of shareholders be sought where an issue of securities exceeds the 15% Rule. The proposed issue of PARs to Mr Liddy would not exceed that threshold. However, approval is sought under Exception 9 to Listing Rule 7.2 so that the issue is disregarded in determining in the future, whether the Bank has reached that threshold. If given, that approval continues for 3 years, after which it must either be renewed or it expires and issues of PARs revert to being included as part of the 15% Rule calculation.

The issue of PARs to Mr Liddy under the long term incentive constitutes the giving of a financial benefit to a related party of the Bank. For the sake of completeness, the Board has decided to seek the approval of shareholders in general meeting under Chapter 2E of the Corporations Act 2001 (Cth).

4.3 The proposal

Under Resolution 4, approval is sought for the issue to Mr David Liddy, the Managing Director and Chief Executive Officer of the Bank, of 175,072 PARs under the Award Rights Plan.

The PARs are expected to be granted to Mr Liddy in December 2008.

Number of Ordinary Shares to be issued under PARs

The number of PARs to be issued was calculated as follows:

$$\text{Number of PARs} = \frac{\$2,300,000}{\text{VWAP}}$$

where VWAP is the average of the daily volume weighted average prices of ordinary shares in the Bank over the 10 business days starting on the day after the announcement of the FY08 results (\$13.1375).

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

The maximum number of ordinary shares that may be provided to Mr Liddy under these PARs is 175,072.

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If Resolution 4 is not approved, the Bank will either satisfy the PARs by arranging for the acquisition of ordinary shares on-market when the PARs are exercised or paying an equivalent amount in cash.

Performance hurdles

The performance hurdles for vesting of the PARs to be granted to Mr Liddy are:

- the Total Shareholder Return (TSR) of the Bank relative to a Peer Group (based on the ASX 200 and constituted of the same entities as the Peer Group for the PARs of other executives and senior managers as outlined in Section 3.2) over a 2 year period (instead of the 3 year period applicable to the PARs of other senior managers); and
- for the first \$500,000 of PARs, the Board must have determined that Mr Liddy has fulfilled his special responsibilities as Managing Director and Chief Executive Officer as agreed with the Board, including to have managed the process of succession planning for those positions, to the satisfaction of the Board.

The Board believes that these hurdles provide challenging targets for Mr Liddy which are aligned with shareholder interests and provide fair and reasonable measures of Mr Liddy's performance.

Other PARs terms

Once the PARs granted to Mr Liddy vest, they are generally exercisable within a further period of 3 years.

The PARs granted to Mr Liddy under the Award Rights Plan are otherwise granted on the same terms outlined in Sections 3.2 and 3.3 as apply to the other executives and senior managers of the Bank. These terms include potential accelerated vesting of PARs in the event of a change of control of the Bank.

4.4 Effect of the proposal

As at 31 August 2008, Mr Liddy had an interest in 1,616,565 ordinary shares in the Bank. That represents 1.04% of the total issued ordinary shares in the Bank.

If all of the PARs proposed to be granted to Mr Liddy vested and were exercised, he would acquire approximately 175,072 shares. If these were newly issued shares, Mr Liddy would have an interest in 1.16% of the total issued ordinary shares in the Bank.

If Resolution 4 is passed, those ordinary shares may be newly issued shares,

which would have a small dilutionary effect on the existing shareholders' percentage interests.

Details of any PARs issued under this approval will be published in each annual report of the Bank relating to a period in which PARs were issued under this approval. Mr Liddy is the only director, 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.

4.5 Value of PARs

The estimated value of the proposed PARs that may be issued to Mr Liddy is \$7.39 per PAR, or a total value of \$1,293,782.08, as at 21 October 2008.

The value is calculated using the Monte Carlo simulation method, taking into account the terms and conditions on which the PARs are granted and the following assumptions.

This approach values the PARs by simulating future TSR performance on a risk-neutral basis for the Bank for the period 21 December 2008 to 21 October 2011, and using the results to determine the vesting percentage for each simulation.

The vesting percentage 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 will depend on the actual share price at the time of grant and the TSR performance achieved relative to the vesting conditions described in Section 3.2. The value given above is indicative and may not reflect the value at the time of grant, vesting or exercise.

The assumptions include:

- an estimate of volatility of 26.7%, reflecting current historical volatility of the Bank's ordinary shares over the last 5 years;
- dividend yield of 5.2% pa;
- all dividends will be 100% franked and paid in cash;
- a risk free rate of return of 4.49% pa;
- BOQ share price at the valuation date of \$13.93.

The closing price of the Bank's ordinary shares over the 12 months to 24 October 2008 has ranged between a high of \$19.44 on 1 November 2007 and a low of \$11.00 on 10 October 2008.

4.6 Use of funds raised

As no amount is payable on the grant or exercise of PARs, no funds will be raised.

4.7 Recommendations

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

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

ITEM 5 – APPROVAL OF SHARE ISSUES UNDER THE MANAGING DIRECTOR'S SHORT TERM INCENTIVE PACKAGE

5.1 Background and reasons for proposal

The background and reasons for Resolution 5 are set out in Section 4.1.

5.2 Shareholder approval

The same approvals described in Section 4.2 for the issue of PARs are required for the issue of ordinary shares under the short term incentive package.

5.3 The proposal

Under Resolution 5, approval is sought for the issue to Mr David Liddy, the Managing Director and Chief Executive Officer of the Bank, of ordinary shares as part of his short term incentive package.

Number of Ordinary Shares to be issued under Short Term Incentive

The maximum amount of Mr Liddy's short term incentive (bonus) for each year is 120% of his base salary, which for FY09 is \$1,500,000 based on his base salary of \$1,250,000. This bonus is to be taken as a mixture of cash and equity.

The short term incentive is structured so that if the bonus payable exceeds two thirds of the maximum (e.g. in FY09 exceeding \$1,000,000), the excess amount is to be satisfied by providing Mr Liddy ordinary shares in the Bank which are subject to disposal restrictions (Restricted Shares).

As an incentive for Mr Liddy to take up additional equity, if his bonus does exceed two thirds of the maximum, he can sacrifice up to a quarter of his cash bonus (e.g. \$250,000 in FY09) and take this in the form of shares.

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For example, if Mr Liddy achieved the maximum bonus in FY09 of \$1.5 million and elected to take the maximum equity amount, he would receive \$750,000 in shares and \$750,000 in cash.

The number of Restricted Shares will be calculated as follows:

$$\text{Restricted Shares} = \frac{\text{Equity Amount (STI)}}{\text{VWAP}}$$

where VWAP is the average of the daily volume weighted average prices of ordinary shares in the Bank over the 10 business days starting on the business day after the release of the Bank's annual results in the year under review.

No amount is payable by Mr Liddy on the issue of Restricted Shares.

If Resolution 5 is not approved, the Bank may satisfy the equity component of any short term incentive bonus by a mixture of cash and shares acquired on-market.

Restricted Shares

Any Restricted Shares issued are subject to a disposal restriction that generally applies until 31 December 2011, being the expected expiry date of Mr Liddy's term of employment.

The restriction may cease in the event of a successful takeover or other capital event affecting the Bank which results in a change of control.

The restriction will also cease in the event of Mr Liddy's death or where the Board determines on the grounds of hardship or that continuation of the restriction is unfair to Mr Liddy or his dependants.

If the Bank terminates Mr Liddy's employment without cause, the restrictions will cease on the date of termination.

If Mr Liddy elects to retire after 31 December 2010 but before 31 December 2011, the restrictions cease on the date of retirement.

Mr Liddy is entitled to all dividends payable on Restricted Shares and to exercise the voting rights attaching to those shares.

5.4 Effect of the proposal

As at 31 August 2008, Mr Liddy had an interest in 1,616,565 ordinary shares in the Bank. That represents 1.04% of the total issued ordinary shares in the Bank.

By way of example, based on the VWAP of ordinary shares in the Bank over the 10 business days following release of the Bank's FY08 results starting on 10 October 2008 (\$13.1375),

if the maximum bonus was earned by Mr Liddy in October 2009 and he elected to receive the maximum number of Restricted Securities, Mr Liddy may acquire approximately 57,089 shares. If these were newly issued shares, Mr Liddy would have an interest in 1.08% of the total issued ordinary shares in the Bank (disregarding any shares issued on exercise of PARs).

If Resolution 5 is passed, those Restricted Shares may be newly issued shares, which would have a small dilutionary effect on the existing shareholders' percentage interests.

Under Listing Rule 10.14, the Bank will only issue ordinary shares in reliance on this approval within 3 years from the date of the approval.

Details of any ordinary shares issued under this approval will be published in each annual report of the Bank relating to a period in which ordinary shares were issued under this approval. No person other than Mr Liddy participates in the Managing Director's short term incentive package. No other person will be permitted to participate unless approved by shareholders under Listing Rule 10.14.

5.5 Use of funds raised

No funds will be raised, as no amount is payable for the issue of the Restricted Shares.

5.6 Recommendations

Each of the Directors (other than Mr Liddy) recommends that you vote in favour of Resolution 5. None of the Directors (other than Mr Liddy) has an interest in the outcome of the resolution.

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

ITEM 6 – RATIFICATION OF THE ISSUE OF ORDINARY SHARES UNDER THE DIVIDEND REINVESTMENT PLAN UNDERWRITING

6.1 Background and rationale

As part of the Bank's active management of its capital base, the Bank engaged ABN AMRO to underwrite the Bank's Dividend Reinvestment Plan (DRP) for the Bank's 2008 interim dividend.

On 16 May 2008, the Bank issued 1,909,391 ordinary shares by way of placement pursuant to the Dividend Reinvestment Plan Underwriting

Agreement. Together with DRP participation by shareholders, this resulted in an amount equal to the interim dividend being reinvested in the Bank's business.

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

6.2 Terms of the Ordinary Share Issue

- Number of ordinary shares allotted – 1,909,391.
- Issue price – \$15.4029 per share (590,956 shares) and \$15.1695 per share (1,318,435 shares).
- Terms of the Ordinary Shares – the underwritten shares were issued on the same terms as existing ordinary shares.
- Allottees of ordinary shares under the issue – Fleet Nominees Pty Ltd on behalf of ABN AMRO.
- Use of the funds from the ordinary share issue – the Bank raised approximately \$29,100,000 from the issue. The funds raised supplemented the Bank's Tier 1 Capital for prudential purposes and the proceeds were used for the general purposes of the Bank's business.

ITEM 7 – 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 the Bank's performance, and other information required by the Corporations Act about director and senior manager remuneration.

Attachment A

ATTACHMENT A – SUMMARY OF THE AWARD RIGHTS PLAN

1. Under the Award Rights Plan, the Board may grant Award Rights to employees (including executive directors) of the Bank and its related bodies corporate and to other persons determined by the Board.
2. The Board may determine the number and classes of any Award Rights to be granted under the Plan, as well as the exercise price, vesting conditions, exercise period, lapsing conditions and any other terms applicable to particular Award Rights or a class of Award Rights.
3. Each Award Right which has vested and not lapsed or expired entitles the participating employee to one fully paid ordinary share in the Bank on exercise. Subject to the terms of grant, the Bank may issue new shares or arrange a transfer or purchase of existing shares.
4. Unless the Board determines otherwise at the time of grant, Award Rights are granted on terms requiring that shares to which the participant becomes entitled will be held for the participant's benefit by a trustee.
5. Shares may be subject to disposal restrictions or forfeiture conditions determined by the Board at the time of grant.
6. Unless the Board determines otherwise, Award Rights will expire if:
 - (a) the vesting conditions have not been satisfied by the end of the vesting period;
 - (b) the Award Rights have not vested and the employee ceases to be employed by the Bank or a related body corporate of the Bank, subject to the terms on which the Award Rights are granted;
 - (c) vested Award Rights are not exercised within their exercise period; or
 - (d) the employee purports to transfer or encumber their Award Rights without the consent of the Board.
7. Award Rights do not carry entitlements to participate in new issues of securities made by the Bank. However, subject to the Listing Rules, adjustments may be made to the number of shares to which Award Rights relate and/or the exercise price to take into account changes to the capital structure of the Bank that occur by way of a pro rata issue or bonus issue.
8. In any reconstruction of the Bank's capital, Award Rights may be adjusted in a similar way as applies to options under the Listing Rules.
9. If there is a change of control of the Bank, Award Rights will vest on a pro rata basis according to the time period over which they would otherwise vest. Where performance conditions apply to vesting, the Board may determine that a lesser number of Award Rights will vest having regard to the performance conditions.
10. The Bank may not grant Award Rights where the ordinary shares that may be issued under the Award Rights would, together with shares issued by the Bank under the Plan and any other employee or non-executive share or option scheme during the previous 5 year period (disregarding offers that were made under a prospectus or that do not need disclosure under section 708 of the Corporations Act), exceed 5% of the Bank's total issued ordinary shares.
11. A copy of the Award Rights Plan is available on the Bank's website at boq.com.au.