



Notice of Annual General Meeting 2017

The Annual General Meeting (**Meeting**) of Bank of Queensland Limited ACN 009 656 740 (**BOQ** or **Company**) will be held in The Ballroom, Level 5 at the Hilton Hotel, 190 Elizabeth Street, Brisbane City QLD 4000 on Thursday, 30 November 2017 at 10.00am (AEST). Registration commences at 9.15am (AEST). Enter the Hilton Hotel via the Queen Street Mall or 190 Elizabeth Street.

24 October 2017

Dear Shareholder

I am pleased to invite you to attend the Annual General Meeting of Bank of Queensland Limited.

The meeting will be held at **10.00am (AEST) on Thursday, 30 November 2017** in The Ballroom, Level 5 at the Hilton Hotel, 190 Elizabeth St, Brisbane City QLD 4000 with shareholder registration commencing at 9.15am.

This Notice of Meeting includes an Explanatory Statement which details the formal business of the meeting. A personalised proxy form is also enclosed.

Information on BOQ's performance for the year is available in the Financial Disclosures section of BOQ's online Shareholder Centre¹, Annual Report² and in the enclosed Shareholder Review. Shareholder questions for the AGM can be submitted via the online Investor Centre at www.linkmarketservices.com.au.

At the AGM, I will present BOQ's results for the financial year ended 31 August 2017 and invite your questions, comments and discussion on those results. Managing Director & Chief Executive Officer, Jon Sutton, and I will also outline for you BOQ's plans for the future.

The business of the meeting includes a proposal for the re-election of four current directors, being Ms Michelle Tredenick, Ms Margaret Seale, Mr Bruce Carter and me.

At the meeting I will also ask shareholders to:

- Approve the issue of 99,239 Performance Award Rights under the BOQ Award Rights Plan to Mr Jon Sutton, as part of his long term incentive package as Managing Director and Chief Executive Officer of BOQ.
- Approve to the future issue of shares under the BOQ Employee Share Plan, BOQ Restricted Share Plan and BOQ Award Rights Plan.
- Approve the Selective Buy-Back Schemes in relation to the BOQ Convertible Preference Shares.

The other important item of business is a non-binding resolution regarding BOQ's Remuneration Report, which is contained in the Annual Report.

Your directors recommend that you support and vote in favour of each of the resolutions.

If you attend the meeting in person, please bring your personalised Proxy Form with you as it contains a barcode that will assist with registration and voting.

If you are unable to attend, I encourage you to participate in the meeting by appointing a proxy. You can register your proxy appointment online at www.linkmarketservices.com.au. Alternatively, you can complete the Proxy Form and return it in the reply paid envelope provided or by facsimile. Your proxy must be registered or received no later than 10.00am (AEST) on Tuesday, 28 November 2017 to be valid.

The meeting will also be webcast live on www.boq.com.au. An archive of the webcast will be made available on the website shortly after the meeting.

We look forward to your participation at this year's Annual General Meeting and thank you for your support.

Yours sincerely,



Roger Davis

Chairman of the Board of Directors

Bank of Queensland Limited

1 www.boq.com.au/shareholder.htm

2 This is available online at http://www.boq.com.au/shareholder_annual_report.htm and has been posted to those who have elected to receive a hard copy of the Annual Report.

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BUSINESS

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the Financial Report, Directors' Report and Auditor's Report for the Company and its controlled entities for the year ended 31 August 2017.

Note: There is no requirement for shareholders to approve these reports. Accordingly, there is no vote on this item.

2. ELECTION OF DIRECTORS

To consider and, if thought fit, to pass each of the following resolutions as a separate **ordinary** resolution:

- a) *That Mr Roger Davis, who retires by rotation in accordance with the Company's Constitution and, being eligible, be re-elected as a Director of the Company.*
- b) *That Ms Michelle Tredenick, who retires by rotation in accordance with the Company's Constitution and, being eligible, be re-elected as a Director of the Company.*
- c) *That Ms Margaret Seale, who retires by rotation in accordance with the Company's Constitution and, being eligible, be re-elected as a Director of the Company.*
- d) *That Mr Bruce Carter, who retires by rotation in accordance with the Company's Constitution, and, being eligible, be re-elected as a Director of the Company.*

Note: Each resolution will be voted on separately.

3. GRANT OF PERFORMANCE AWARD RIGHTS TO THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

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

That approval be given for all purposes under the Corporations Act 2001 (Cth) and the ASX Listing Rules, including ASX Listing Rule 10.14, for the grant of 99,239 Performance Award Rights to the Managing Director & Chief Executive Officer of the Company, Mr Jon Earle Sutton, in accordance with the terms of the BOQ Award Rights Plan and as described in Item 3 in the Explanatory Statement.

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

4. APPROVAL OF FUTURE ISSUANCES UNDER THE BOQ EMPLOYEE SHARE PLAN

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

That issues of shares under the BOQ Employee Share Plan, as described in the Explanatory Statement, be approved as an exception to ASX Listing Rule 7.1 pursuant to Exception 9 in ASX Listing Rule 7.2.

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

5. APPROVAL OF FUTURE ISSUANCES UNDER THE BOQ RESTRICTED SHARE PLAN

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

That issues of shares under the BOQ Restricted Share Plan, as described in the Explanatory Statement, be approved as an exception to ASX Listing Rule 7.1 pursuant to Exception 9 in ASX Listing Rule 7.2.

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

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6. APPROVAL OF FUTURE ISSUANCES UNDER THE BOQ AWARD RIGHTS PLAN

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

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

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

7. APPROVAL OF SELECTIVE BUY-BACK SCHEMES IN RELATION TO BOQ CONVERTIBLE PREFERENCE SHARES

To consider and, if thought fit, to pass each of the following resolutions as a separate **special** resolution:

- a) *That the conduct, terms and conditions of the First Selective Buy-Back Scheme in relation to the Convertible Preference Shares issued by the Company on 24 December 2012, as described in the Explanatory Statement, be approved.*
- b) *That the conduct, terms and conditions of the Second Selective Buy-Back Scheme in relation to the Convertible Preference Shares issued by the Company on 24 December 2012, as described in the Explanatory Statement, be approved.*

Note: Each resolution will be voted on separately. These resolutions are subject to voting exclusions as set out at the end of this Notice of Meeting.

8. REMUNERATION REPORT

To consider and, if thought fit, to pass the following as a non-binding **ordinary** resolution:

That the Remuneration Report for the financial year ended 31 August 2017, be adopted.

Note: This resolution is advisory only and does not bind the Directors or the Company.

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

DATED 24 October 2017
BY ORDER OF THE BOARD

Michelle Thomsen
General Counsel & 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 of Meeting and return it as soon as possible (see proxy form for details) and in any event no later than 10.00am (AEST) on Tuesday, 28 November 2017.

The Explanatory Statement set out on pages 8 to 27 accompanies and forms part of the Notice of Meeting and provides more information on each of the items of business.

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IMPORTANT VOTING INFORMATION

VOTING RIGHTS

For the purposes of the Meeting, you will be eligible to attend and vote at the Meeting if you are registered as a shareholder of the Company at 7.00pm (AEDST) on Tuesday, 28 November 2017.

VOTING RESTRICTIONS

ITEM 3 – GRANT OF PERFORMANCE AWARD RIGHTS TO THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

BOQ will disregard any votes cast on this resolution:

- by, or on behalf of, Mr Jon Earle Sutton or any of his associates; and
- as proxy by a person who is a member of the KMP on the date of the Meeting and their closely related parties.

However, BOQ need not disregard a vote if it is cast as proxy for a person entitled to vote:

- in accordance with the directions on the proxy form; or
- by the Chair of the Meeting, in accordance with an express authorisation in the proxy form to exercise the proxy even though the resolution is connected with the remuneration of a member of the KMP.

ITEMS 4, AND 6:

- Item 4 - Approval of future issuances under the BOQ Employee Share Plan
- Item 5 - Approval of future issuances under the BOQ Restricted Share Plan
- Item 6 - Approval of future issuances under the BOQ Award Rights Plan

BOQ will disregard any votes cast on resolutions 4, 5 and 6:

- by, or on behalf of, a director of the Company (except a director who is ineligible to participate in the relevant employee incentive scheme) or an associate of those directors; and
- as proxy by a person who is a member of the KMP on the date of the Meeting and their closely related parties.

However, BOQ need not disregard a vote if it is cast as proxy for a person entitled to vote:

- in accordance with the directions on the proxy form; or
- by the Chair of the Meeting, in accordance with an express authorisation in the proxy form to exercise the proxy even though each resolution is connected with the remuneration of a member of the KMP.

ITEMS 7(A) AND 7(B) – APPROVAL OF SELECTIVE BUY-BACK SCHEMES IN RELATION TO BOQ CONVERTIBLE PREFERENCE SHARES

Although Convertible Preference Shares (**CPS**) holders have voting rights in respect of certain limited matters (including in respect of a proposal to reduce BOQ's share capital or on a resolution to approve the terms of a buy-back), in accordance with section 257D(1)(a) of the *Corporations Act 2001* (Cth), no votes may be cast in favour of Items 7(a) or 7(b) by a CPS holder or any of their associates.

Accordingly, BOQ will disregard any votes cast in favour of resolutions 7(a) and 7(b) by, or on behalf of, a CPS holder or any of their associates.

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Important information for nominees and custodians who hold CPS and ordinary shares

The Company has obtained an exemption from the Australian Securities and Investments Commission (**ASIC**) to allow nominee or custodians who hold ordinary shares on behalf of shareholders who are **not** CPS holders to vote those ordinary shares in favour of Items 7(a) and 7(b), notwithstanding that the nominee or custodian also holds CPS on behalf of other persons.

The exemption applies where:

- the person on whose behalf the nominee or custodian (**Nominee**) is to cast votes in favour of Item 7(a) or Item 7(b) (as applicable) (**Beneficial Holder**) is not a CPS holder, or an associate of a CPS holder; and
- the Company has received written confirmation from the Nominee that:
 - the Beneficial Holder has provided written confirmation to the Nominee, before the date of the Meeting, that the Beneficial Holder is not a CPS holder or an associate of a CPS holder; and
 - the Nominee has been directed to vote in favour of Item 7(a) or Item 7(b) (as applicable) by the Beneficial Holder, and that the Nominee has not exercised any discretion in casting a vote on behalf of the Beneficial Holder.

Nominees who complete and return a proxy form for a Beneficial Holder, with a direction for their proxy to vote in favour of Item 7(a) or Item 7(b) (as applicable) will be deemed to have provided the Company with the written confirmations described above, unless the Company determines otherwise.

ITEM 8 - REMUNERATION REPORT

This resolution is advisory only and does not bind the Directors or the Company.

BOQ will disregard any votes cast on the resolution:

- by or on behalf of a member of the KMP details of whose remuneration is included in the Remuneration Report for the year ended 31 August 2017, or that KMP's closely related parties (regardless of the capacity in which the vote is cast); and
- as a proxy by a member of the KMP on the date of the meeting or that KMP's closely related parties, unless it is cast as proxy for a person entitled to vote:
 - in accordance with the directions on the proxy form; or
 - by the Chair of the Meeting, in accordance with an express authorisation in the proxy form to exercise the proxy even though the resolution is connected with the remuneration of the KMP.

For the purposes of these voting restrictions:

1. **KMP** means the key management personnel of BOQ, 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. The Remuneration Report identifies BOQ's key management personnel for the financial year ended 31 August 2017.
2. **Closely related party** has the meaning given in the *Corporations Act 2001* (Cth) and when used in relation to a member of the KMP will include a spouse, dependent and certain other close family members as well as any other companies controlled by the member of the KMP.
3. 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.

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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 10.00am (AEST) on Tuesday, 28 November 2017.
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 10.00am (AEST) on Tuesday, 28 November 2017:
 - (a) **by post to:**
Bank of Queensland Limited
C/- Link Market Services Limited
Locked Bag A14
SYDNEY SOUTH NSW 1235
 - (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).**

Directing your proxy vote

If you wish to direct your proxy how 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 Chair of the Meeting

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

Poll

Voting on all resolutions will be determined by a poll at the Meeting rather than on a show of hands.

Shareholders and proxy holders attending the Meeting will be provided with poll voting cards. Shareholders not attending the Meeting may vote by completing the attached proxy form and returning it to the Company as soon as possible (see proxy form for details) and in any event no later than 10.00am (AEST) on Tuesday, 28 November 2017.

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INTRODUCTION

EXPLANATORY STATEMENT

The following Explanatory Statement has been provided to shareholders to inform them about the business of the Meeting and each of the resolutions proposed in the Notice of Meeting.

The purpose of these notes is to provide shareholders with information they reasonably require to decide how to vote on each resolution. The Board recommends that shareholders read these notes before determining whether or not to support a resolution.

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 independent Auditor's Report to be presented before the 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 9 Non-Executive Directors and 1 Executive Director.

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 Company'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 and 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 Company.

Background information on each director seeking re-election is provided below.

2(a) Mr Roger Davis

Mr Davis has served on the Board of BOQ since August 2008 and was appointed Chairman of the Board on 28 May 2013. Mr Davis is the Chair of the Nomination & Governance Committee and the Investment Committee, and is a member of the Audit Committee and Risk Committee. Mr Davis also attends meetings of the Human Resources & Remuneration Committee and Information Technology Committee.

Mr Davis has over 30 years' experience in banking and investment banking in Australia, the United States and Japan. Mr Davis has a Bachelor of Economics (Hons) from the University of Sydney, and a Master of Philosophy degree from Oxford University.

Mr Davis is currently a consulting Director at Rothschild Australia Limited and serves as a Non-Executive Director of AIG Australia Ltd, Argo Investments Limited, Ardent Leisure Management Ltd and Ardent Leisure Ltd.

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Mr Davis was previously a Managing Director at Citigroup where he worked for over 20 years and more recently was a Group Managing Director at ANZ Bank. Mr Davis was formerly Chair of Charter Hall Office REIT and Esanda, and served as a Director of AIG Australia Ltd, ANZ (New Zealand) Limited, CitiTrust in Japan and Citicorp Securities Inc. in the United States of America. Mr Davis was also a Non-Executive Director of The Trust Company Limited and Aristocrat Leisure Ltd.

In accordance with BOQ's Policy on Independence of Directors, the Board has determined that Mr Davis remains independent and he is able to exercise independent judgement to provide an objective assessment of matters considered by the Board.

Mr Davis was last elected as a Non-Executive Director of the Company in November 2014. He retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election.

Recommendation

The Board (with Mr Davis abstaining) recommends that shareholders vote in favour of Mr Davis' re-election as a Non-Executive Director of the Company.

2(b) Ms Michelle Tredenick

Ms Tredenick has served on the Board of BOQ since February 2011. She is the Chair of the Information Technology Committee and is a member of the Human Resources & Remuneration Committee, Risk Committee and the Nomination & Governance Committee.

Ms Tredenick has a Bachelor of Science degree from the University of Queensland.

Ms Tredenick has more than 30 years' experience in the banking, insurance and wealth management industries across Australia and New Zealand. She is an experienced company director and is currently a Non-Executive Director of Canstar Pty Ltd, Urbis Pty Ltd, Cricket Australia and is Chair of IAG & NRMA Corporate Superannuation Pty Limited. She is also a member of the Senate of the University of Queensland and a Director of the Ethics Centre.

Ms Tredenick has previously held executive roles and been a member of the Executive Committee at National Australia Bank, MLC and Suncorp-Metway Limited, as well as serving as an Executive Director of National Australia Bank and of certain MLC group companies. Her experience includes holding the position of Chief Information Officer with each of these companies as well as Head of Strategy and Marketing and divisional profit and loss roles in Corporate Superannuation, Insurance and Funds Management.

Ms Tredenick was also formerly a Non-Executive Director of Vocation Limited (in Liquidation).

In accordance with BOQ's Policy on Independence of Directors, the Board has determined that Ms Tredenick remains independent and she is able to exercise independent judgement to provide an objective assessment of matters considered by the Board.

Ms Tredenick was last elected as a Non-Executive Director of the Company in November 2014. She retires by rotation in accordance with the Company's Constitution and, being eligible, offers herself for re-election..

Recommendation

The Board (with Ms Tredenick abstaining) recommends that shareholders vote in favour of Ms Tredenick's re-election as a Non-Executive Director of the Company.

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2(c) Ms Margaret Seale

Ms Seale has served on the Board of BOQ since January 2014. She is a member of the Human Resources & Remuneration Committee and the Information Technology Committee.

Ms Seale has a Bachelor of Arts degree from the University of Sydney.

Ms Seale has more than 25 years' experience in senior executive roles in Australia and overseas in the global publishing, health and consumer goods industries, and in the transition of traditional business models to a digital environment.

Most recently, Ms Seale was Managing Director of Random House Australia (with managerial responsibility for Random House New Zealand) and President, Asia Development for Random House Inc. Ms Seale was also a Non-Executive Director and Chair of the Board of Penguin Random House until September 2016.

Amongst other roles prior to those at Random House, Ms Seale held national sales and marketing roles with Orotan and Pan Macmillan respectively.

Ms Seale is a Non-Executive Director of Telstra Corporation Limited, Ramsay Health Care Limited and Scentre Group Limited. She has also served on the boards of the Australian Publishers' Association, The Powerhouse Museum and Chief Executive Women.

In accordance with BOQ's Policy on Independence of Directors, the Board has determined that Ms Seale remains independent and she is able to exercise independent judgement to provide an objective assessment of matters considered by the Board.

Ms Seale was last elected as a Non-Executive Director in November 2014. She retires by rotation in accordance with the Company's Constitution and, being eligible, offers herself for re-election.

Recommendation

The Board (with Ms Seale abstaining) recommends that shareholders vote in favour of Ms Seale's re-election as a Non-Executive Director of the Company.

2(d) Mr Bruce Carter

Mr Carter has served on the Board of BOQ since February 2014. Mr Carter is Chair of the Risk Committee and is a member of the Audit Committee, Investment Committee and Nomination & Governance Committee.

Mr Carter has a Bachelor of Economics from the University of Adelaide and a Masters of Business Administration from The Heriot-Watt University of Edinburgh. In addition, he is a Fellow of the Institute of Chartered Accountants and a Fellow of the Australian Institute of Company Directors.

Mr Carter was a founding Managing Partner of Ferrier Hodgson South Australia, a corporate advisory and restructuring business, and has worked across a number of industries and sectors in the public and private sectors. He has been involved with a number of state government-appointed restructures and reviews including chairing a task force to oversee the government's involvement in major resource and mining infrastructure projects.

Mr Carter had a central role in a number of key government economic papers including the Economic Statement on South Australian Prospects for Growth, the Sustainable Budget Commission, and the Prime Minister's 2012 GST Distribution Review.

Mr Carter has worked with all the major financial institutions in Australia. Before Ferrier Hodgson, Mr Carter held positions at Ernst & Young for 14 years, including four years as Partner in Adelaide. During his time at Ernst & Young, he worked across the London, Hong Kong, Toronto and New York offices.

Mr Carter currently serves as the Chair of the Australian Submarine Corporation and Aventus Capital Limited, and is a Non-Executive Director of SkyCity Entertainment Group Limited, Genesee & Wyoming Australia Pty Ltd and Eudunda Farmers Limited.

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In accordance with BOQ's Policy on Independence of Directors, the Board has determined that Mr Carter remains independent and he is able to exercise independent judgement to provide an objective assessment of matters considered by the Board.

Mr Carter was last elected as a Non-Executive Director in November 2014. He retires by rotation in accordance with the Company's Constitution and being eligible, offers himself for re-election.

Recommendation

The Board (with Mr Carter abstaining) recommends that shareholders vote in favour of Mr Carter's re-election as a Non-Executive Director of the Company.

ITEM 3 – GRANT OF PERFORMANCE AWARD RIGHTS TO THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

3.1 Background and reasons for the proposal

The Board is seeking the approval of shareholders for the grant of 99,239 Performance Award Rights (**PARs**) (and any shares issued on vesting of those PARs) to Mr Jon Sutton, Managing Director and Chief Executive Officer of BOQ, under the BOQ Award Rights Plan.

Mr Sutton's remuneration package includes the following components:

- a) fixed remuneration, comprising base salary and superannuation;
- b) short term incentives; and
- c) long term incentives.

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.

Consistent with the Board's belief 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, the Board wishes to make a grant of 99,239 PARs to Mr Sutton in FY18.

The grant of 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.

3.2 Shareholder approval for Item 3

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 director.

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 the flexibility to issue the shares should that be desirable at the relevant time.

Resolution 3 relates to the grant of 99,239 PARs to Mr Sutton and does not relate to any future grants of PARs that the Board may decide to make.

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3.3 Effect of the proposal in Item 3

As at 20 October 2017, Mr Sutton had an interest in 194,438 ordinary shares in BOQ, 319,360 PARs and 68,799 Restricted Shares.

Since the last shareholder approval was given under the BOQ Award Rights Plan on 30 November 2016 under Listing Rule 10.14, Mr Sutton:

- was granted 117,865 PARs on 23 December 2016 under the Award Rights Plan in accordance with that approval. No amount was payable on the grant of these PARs;
- was granted an amount of 45,333 Restricted Shares under the Award Rights Plan. No amount was payable on the grant of these Restricted Shares; and
- acquired 44,577 ordinary shares on the exercise and conversion of DARs and Restricted Shares and acquired 38,882 ordinary shares on the exercise and conversion of PARs. No amount was payable on the issue of these ordinary shares.

No other director or an associate of a director received securities including PARs under the BOQ Award Rights Plan since 30 November 2016.

If all of the DARs and PARs currently held and all of the PARs proposed to be granted to Mr Sutton under this resolution vested and were exercised, then together with his ordinary shares and Restricted Shares, he would hold approximately 727,639 shares. Accordingly, Mr Sutton has an interest in approximately 0.19% of the total issued ordinary shares in BOQ as at the date of this Notice of Meeting.

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 BOQ Award Rights Plan. No other director or their associate will be permitted to participate unless approved by shareholders under Listing Rule 10.14.

3.4 Further details

Under this resolution, approval is sought for the grant of 99,239 PARs (and any shares issued on vesting of those Performance Award Rights) to Mr Sutton under the BOQ Award Rights Plan.

Those PARs are expected to be granted to Mr Sutton before the end of December 2017 and no later than 30 November 2018.

Number of PARs and Shares to be issued

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

$$\text{Number of PARs} = \frac{\$1,300,000}{\text{VWAP}}$$

Where VWAP was 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 FY17 results in October 2017 being \$13.0996.

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 99,239.

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Performance hurdles for 2017 PARs

As a result of shareholder feedback, the Board considers that a dual vesting framework offers greater flexibility for setting appropriate performance conditions for PARs and has decided to adopt a dual vesting framework for the 2017 allocation.

Under this approach:

- up to 80% of the PARs may vest based on successfully meeting the first vesting measure, which is the Total Shareholder Return (**TSR**) performance measure. The TSR performance measure is set out below; 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.

The performance period for the 2017 PARs is 2017 to 2020.

TSR Measure

For the TSR-measured portion, half (being 40% of all 2017 PARs) of Mr Sutton's PARs will vest if BOQ's 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 (being 80% of all 2017 PARs) of Mr Sutton's PARs will vest if BOQ's TSR performance over a three year period is in the top 25%. For TSR performance between those targets, a relative proportion of the PARs between one half (being 40% of all 2017 PARs) and 100% (being 80% of all 2017 PARs) 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.

EPS Measure

For the EPS-measured portion, half of Mr Sutton's PARs (being 10% of all 2017 PARs) 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 (being 20% of all 2017 PARs) of Mr Sutton's PARs will 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% (being 10% of all 2017 PARs) and 100% (being 20% of all 2017 PARs) 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).

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Other PARs terms

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

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 Mr Sutton's employment.

PARs that continue after Mr Sutton's 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, Mr Sutton 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 his 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 Item 3

The estimated present value as at 13 October 2017 of the proposed PARs that may be issued to Mr Sutton under the resolution is \$616,525.

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 19 October 2017 has ranged between a high of \$13.51 on 19 October 2017 and a low of \$9.91 on 9 November 2016.

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 in relation to the PARs.

Recommendation

Each of the Directors (other than Mr Sutton) recommend 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 as a proxy who has been directed how to vote on the resolution).

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ITEM 4 – APPROVAL OF FUTURE ISSUES UNDER THE BOQ EMPLOYEE SHARE PLAN

4.1 Background and reasons for the proposal

In 2013, BOQ undertook a review of employee benefits which resulted in the Board adopting the BOQ Employee Share Plan (**ESP**), which was subsequently approved by shareholders at BOQ's 2013 Annual General Meeting.

The ESP was established by BOQ to offer eligible employees across the business an opportunity to become shareholders of BOQ and enhance employee engagement by aligning employees' interests with BOQ's performance and the interests of shareholders.

Under the ESP, an eligible employee may contribute either \$500 or \$1,000 of their pre-tax income in each financial year by way of an effective salary sacrifice to acquire shares in BOQ under the ESP (**Plan Shares**).

The Plan Shares to be allocated under the ESP may be acquired through an on-market purchase on the ASX or directly issued as new shares by BOQ.

The Board is seeking the approval of shareholders for future issues of Plan Shares for the purposes of ASX Listing Rule 7.2 (Exception 9).

4.2 Shareholder approval

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 ASX Listing Rule 7.2, shareholders may approve the issue of shares under an employee incentive scheme as an exception to the 15% Rule. This means that issues of shares under such a scheme would not be included for the purposes of calculating the capacity of BOQ to issue securities under the 15% Rule.

This approval continues for three years, at which time it must be renewed, or it will expire.

In the absence of such an approval, Plan Shares may be issued, but must fall within and be permitted by the 15% Rule at the time of issue. Whether or not the resolution is passed, BOQ may acquire shares on-market to satisfy the allocation of Plan Shares under the ESP without shareholder approval.

By renewing this approval, BOQ is seeking flexibility in being able to satisfy, at its discretion, an allocation of Plan Shares by either, or a mixture of, the issue of new shares or the acquisition on-market of existing shares, depending on what may be in the best interests of BOQ at the relevant time.

In the opinion of the Board, the resolution will assist BOQ to manage its capital requirements efficiently by ensuring that the 15% limit is not diminished by the issue of Plan Shares and capacity is available for capital management and other purposes, if necessary.

4.3 Terms of issue of the Plan Shares

The Plan Shares will initially be held by a trustee, BOQ Employee Share Plans Nominee Pty Ltd as trustee for the Bank of Queensland Limited Employee Share Plans Trust (**Trustee**), for the participating employee's benefit.

Participating employees will be unable to sell, transfer or otherwise deal with the Plan Shares for a disposal restriction period of three years.

Participating employees otherwise enjoy all entitlements attaching to the Plan Shares held on their behalf by the Trustee, including voting at general meetings of BOQ and payment of dividends.

The Plan Shares are not subject to any vesting or forfeiture conditions.

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4.4 ESP Rules

A summary of the ESP Rules is set out in Attachment A to this Explanatory Statement.

A copy of the full terms of the ESP is available on BOQ's website at www.boq.com.au.

The terms of the ESP provide that BOQ may not issue Plan Shares where such shares would, together with other issues of Plan Shares under the ESP 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 BOQ's total issued ordinary shares.

4.5 Shares issued under the BOQ Employee Share Plan

123,458 Plan Shares have been issued under the ESP since its last approval on 27 November 2013.

Recommendation

The Board recommends that shareholders vote in favour of Item 4.

ITEM 5 – APPROVAL OF FUTURE ISSUES UNDER THE BOQ RESTRICTED SHARE PLAN

5.1 Background and reasons for the proposal

In 2013, the Board adopted the BOQ Restricted Share Plan (**RSP**), which was subsequently approved by shareholders at BOQ's 2013 Annual General Meeting. The RSP forms part of BOQ's short term incentive arrangements for key management personnel (**KMP**), who represent the senior executive managers of BOQ.

The RSP was established to allow payment of a proportion of short term incentives (a form of annual bonus) through the allocation of ordinary shares (**Restricted Shares**) rather than cash or, in the case of the Managing Director, Deferred Award Rights under the BOQ Award Rights Plan. Holders of Restricted Shares will receive any dividends paid on ordinary shares.

The Board considers that the ability to issue Restricted Shares better aligns the KMP's interests and contribution to BOQ with shareholders by enabling the KMP to share in BOQ's performance as a shareholder.

The amount of a short term incentive award (**STI Award**) to an individual member of the KMP depends on their position and their relative performance, as determined under the normal performance review and development process that BOQ undertakes. Short term incentives are linked to performance against goals which must be achieved to receive the award.

An eligible KMP member entitled to an STI Award of less than \$100,000 will have the STI Award paid in cash. An eligible KMP member entitled to an STI Award of above \$100,000 will have the STI Award paid in a mixture of cash and an offer of Restricted Shares.

The Restricted Shares to be allocated under the RSP may be acquired through an on-market purchase on the ASX or directly issued as new shares by BOQ.

5.2 Shareholder approval

As part of the Company's policy to provide transparency in executive remuneration and as part of its capital management plan, the Board is seeking the approval of shareholders for future issues of Restricted Shares under the RSP for the purposes of ASX Listing Rule 7.2 (Exception 9), the effect of which is described in detail above in section 4.2 of this Explanatory Statement.

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In the absence of such an approval, issues of Restricted Shares under the RSP may be made, but must fall within and be permitted by the 15% Rule at the time of issue. Whether or not the resolution is passed, BOQ may acquire shares on-market to satisfy the allocation of Restricted Shares under the RSP without shareholder approval.

By renewing this approval, BOQ is seeking flexibility in being able to satisfy, at its discretion, an allocation of Restricted Shares by either, or a mixture of, the issue of new shares or the acquisition on-market of existing shares, depending on what may be in the best interests of BOQ at the relevant time.

In the opinion of the Board, the resolution will assist BOQ to manage its capital requirements efficiently by ensuring that the 15% limit is not diminished by the issue of Restricted Shares and capacity is available for capital management and other purposes, if necessary.

5.3 Terms of issue of the Restricted Shares

The Restricted Shares will initially be held by the Trustee for the KMP member's benefit.

There are no vesting conditions attached to the Restricted Shares but the shares are subject to a disposal restriction and forfeiture conditions, as follows:

- a) One half of the Restricted Shares will be subject to a disposal restriction for 12 months and the remaining half will be subject to a disposal restriction for 24 months.
- b) Until the disposal restriction ceases, the Restricted Shares must not be sold, transferred or otherwise dealt with.
- c) During the disposal restriction period, Restricted Shares are liable to forfeiture if a participant:
 - (i) resigns to take up employment with specified competitors or ceases employment and takes up employment with a competitor within 3 months;
 - (ii) is summarily dismissed or ceases employment for reasons associated with a breach of their employment obligations; or
 - (iii) commits an act of fraud, material misstatement, financial mismanagement, gross misconduct or a serious breach of their duties and obligations in relation to the affairs of BOQ.

Participating KMP otherwise enjoy all entitlements attaching to the Restricted Shares held on their behalf by the Trustee, including voting at general meetings of BOQ and payment of dividends.

5.4 RSP Rules

A summary of the RSP Rules is set out in Attachment B to this Explanatory Statement.

A copy of the full terms of the RSP is available on BOQ's website at www.boq.com.au.

The RSP Rules provide that BOQ may not issue Restricted Shares where such shares would, together with other issues of Restricted Shares under the RSP 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 BOQ's total issued ordinary shares.

5.5 Shares issued under the BOQ Restricted Share Plan

678,651 Restricted Shares have been issued under the RSP since its last approval on 27 November 2013.

Recommendation

The Board recommends that shareholders vote in favour of Item 5.

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ITEM 6 – APPROVAL OF FUTURE ISSUES UNDER THE BOQ AWARD RIGHTS PLAN

6.1 Background and reasons for the proposal

In 2008, the Board adopted the BOQ Award Rights Plan, which was subsequently approved by shareholders at BOQ's 2008 Annual General Meeting. The approval of the Award Rights Plan was subsequently renewed at BOQ's 2011 Annual General Meeting and again at BOQ's 2014 Annual General Meeting.

The 2014 approval, given for the purposes of Listing Rule 7.2, is due to expire this year. The purpose of this Resolution is to renew that approval.

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

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

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

6.2 Shareholder approval

As part of its policy of providing transparency in executive remuneration and as part of its capital management plan, the Board is seeking renewal of the approval of shareholders for issues of Award Rights under the Award Rights Plan (and for shares issued to satisfy Award Rights) for the purposes of Listing Rule 7.2 (Exception 9), the effect of which is described in detail above in section 4.2 of this Explanatory Statement.

In the absence of such an approval, issues of Award Rights under the Award Rights Plan (and shares issued to satisfy Award Rights) may be made, but must fall within and be permitted by the 15% Rule at the time of issue. Whether or not the resolution is passed, BOQ may purchase, or arrange the purchase of, existing shares on-market to satisfy Award Rights under the Award Rights Plan without shareholder approval.

By renewing the approval, BOQ 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 existing shares, depending on what may be in the best interests of BOQ at the relevant time.

In the opinion of the Board, the resolution will assist BOQ in continuing 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 initiatives and other purposes, if necessary.

6.3 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 are currently used under the renewed Plan are PARs and DARs.

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

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PARs

In 2014 the Board adopted a dual vesting framework, which commenced in the 2014/2015 financial year. Under this approach, two vesting measures may be selected by the Board. The Board will determine how these measures may be applied, for example as a separate vesting condition applying to a separate proportion of a grant of PARs (e.g. half of the PARs are subject to the first measure and the other half the second measure) or as a cumulative test across all the PARs in a grant. A number of measures are being currently assessed to partner the relative Total Shareholder Return (**TSR**) measure, under which BOQ's TSR is measured against a Peer Group over a 3 year period.

Currently (and in respect of PARs to be granted in 2017), the Board has determined that both a TSR and non-diluted cash earnings per share (EPS) performance hurdles will apply, as set out in the table below. These performance hurdles will be measured against a Peer Group over a 3 year period.

Proposed Grant Date	Performance Period	Tranche %	Performance Hurdle Description
13 December 2017	3 years	TSR 80%	BOQ relative TSR ranking at or above 50th percentile triggers 50% vesting of the award tranche up to BOQ relative TSR ranking at or above the 75th percentile triggering 100% vesting of the award tranche.
		EPS 20%	BOQ relative EPS ranking at or above the 60th percentile triggers 50% vesting of the award tranche up to BOQ relative EPS ranking at or above the 90th percentile triggering 100% vesting of the award tranche.

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

DARs

DARs are designed to promote employee retention and productivity. DARs usually vest proportionately over 2 to 3 years. This is typically 20% at the end Year 1, 30% at the end of Year 2 and 50% at the end of Year 3 or 50% each year over 2 years.

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 BOQ 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 BOQ.

Vested DARs are generally exercisable within 5 years after they are granted (2 to 3 years after vesting).

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

If a participant resigns or is terminated for other reasons, their 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 participant's employment ceases due to a transfer of employment to an 'Owner Managed Branch', retirement, redundancy, death, total and permanent disablement, or with the Board's consent. Otherwise, these PARs and DARs will lapse on cessation of the participant's employment.

The Board may offer PARs and DARs that do not lapse on resignation or termination. If a participant ceases employment, they may be entitled to retain their rights if their exit is on good terms. This approach is designed to drive the long term focus of senior management.

The shares that are obtained on exercise of 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 Bank of Queensland Limited Employee Share Plans Trust, they may be forfeited by BOQ if the participant'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 participant or withdrawn from the Bank of Queensland Limited Employee Share Plans Trust by the participant, with the Board's approval.

6.4 Terms of the Award Rights Plan

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

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

The terms of the Award Rights Plan provide that BOQ 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 BOQ's total issued ordinary shares.

6.5 Award Rights issued under the Award Rights Plan

The number and type of Award Rights issued under the Award Rights Plan since its last approval on 27 November 2014 are as follows:

- 1,739,821 DARs; and
- 2,808,587 PARs.

Recommendation

The Board recommends that shareholders vote in favour of Item 6.

None of the Non-Executive Directors are entitled to participate in the Award Rights Plan and therefore none of them hold Award Rights, including PARs and DARs, under the Award Rights Plan.

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ITEM 7 – APPROVAL OF SELECTIVE BUY-BACK SCHEMES IN RELATION TO BOQ CONVERTIBLE PREFERENCE SHARES

7.1 Background

About the CPS

On 24 December 2012, the Company issued 3,000,000 CPS pursuant to a replacement prospectus dated 19 November 2012 (**CPS Prospectus**). Each CPS has a face value of \$100 each and the issue raised \$300 million.

The full terms of the CPS are set out in Appendix A of the CPS Prospectus (**CPS Terms**), a copy of which is available on the BOQ website at www.boq.com.au/shareholder (under the “capital raisings” link). Unless otherwise defined, capitalised terms used in this section of the Explanatory Statement have the meanings given to them in the CPS Terms.

Under the CPS Terms, the Company has the option, subject to approval from the Australian Prudential Regulation Authority (**APRA**), to Convert (subject to the Conversion Conditions being satisfied), Redeem or Transfer (or some combination thereof) all or some CPS on the Optional Conversion / Redemption Date of 16 April 2018¹. The Company is not obliged to Redeem, Convert or Transfer the CPS.

The CPS Terms allow for a Redemption to occur by way of a redemption, buy-back (other than an on-market buy-back) or cancellation of the CPS pursuant to a reduction of capital (or any combination thereof).

The Company may also, subject to obtaining the necessary agreements and approvals (including of shareholders and APRA), seek to undertake a Selective Buy-Back in relation to the CPS outside of the CPS Terms.

Under the CPS Terms, if not redeemed earlier, the CPS will mandatorily Convert into Ordinary Shares on the first Mandatory Conversion Date on which certain Conversion Conditions are satisfied. The first Mandatory Conversion Date is 15 April 2020 or, if the Conversion Conditions are not satisfied on that date, the CPS will Convert on the first Dividend Payment Date after 15 April 2020 on which the Conversion Conditions are satisfied.

Regulatory Capital Requirements

The Company is considering whether to offer a regulatory capital instrument to replace the CPS before the Optional Conversion / Redemption Date. Any replacement instrument would be of a kind eligible for inclusion in the Company's Additional Tier 1 Capital. The making of an offer of the replacement instrument would be subject to receipt of all necessary regulatory approvals (including from APRA). Subject to market conditions and receipt of all necessary regulatory approvals (including from APRA), an offer may occur during the first-half of BOQ's 2018 financial year (ending 28 February 2018), however there is no guarantee that this will be the case.

If an offer of any such replacement regulatory capital instrument is made, the Company would (subject to all necessary regulatory approvals being received) seek to give CPS holders the option to exchange their existing CPS for the replacement regulatory capital instrument pursuant to a reinvestment offer (Reinvestment Offer). Any exchange of the CPS would likely be by way of a Selective Buy-Back, pursuant to which:

- a) existing CPS holders who wish to participate in the Reinvestment Offer would have their CPS bought-back by the Company for the amount described below; and
- b) the proceeds of the buy-back would be applied directly by the Company to pay the issue price of the replacement instrument.

¹ The CPS Terms specify the Optional Conversion / Redemption Date as being 15 April 2018. However, as that date is a Sunday, in accordance with the CPS Terms, the Optional Conversion / Redemption Date will instead fall on the next Business Day (being 16 April 2018).

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The Company may also consider Redeeming any remaining CPS on the Optional Conversion / Redemption Date (including by way of a Selective Buy-Back).

Accordingly, approval of Items 7(a) and 7(b) will allow the Company to elect, subject to APRA approval, to:

- a) undertake one or more Selective Buy-Backs in relation to all or some of the CPS outside of the CPS Terms (including pursuant to a Reinvestment Offer) but otherwise in accordance with the *Corporations Act 2001* (Cth) (Item 7(a)) (the **First Selective Buy-Back Scheme**); and
- b) Redeem all or some of the CPS on the Optional Conversion / Redemption Date by way of one or more Selective Buy-Backs in accordance with the CPS Terms (Item 7(b)) (the **Second Selective Buy-Back Scheme**).

One or both of these buy-back schemes could be used and implemented at different times in respect of up to 100% of the CPS then on issue.

As at the date of this Notice of Meeting, no decisions have been made by the Company in relation to any of the matters outlined above.

This Notice is not an offer or invitation to apply for any regulatory capital instrument in any jurisdiction. No offer or invitation will be made except in accordance with applicable laws.

The Company will make an announcement to the ASX if it decides to do any one or more of the following:

- a) undertake an issue of any replacement regulatory capital instrument;
- b) undertake one or more Selective Buy-Backs in relation to the CPS (including pursuant to any Reinvestment Offer); or
- c) Redeem all or some of the CPS on the Optional Conversion / Redemption Date, and any such announcement will, to the extent made prior to the date of the Meeting, be deemed to supplement this Notice of Meeting and Explanatory Statement.

Copies of announcements made by the Company are also available on the BOQ website at www.boq.com.au/shareholder_asx.htm.

7.2 Reasons for seeking shareholder approval

In accordance with section 257D(1) of the *Corporations Act 2001* (Cth), the terms of any Selective Buy-Back of the CPS must be approved by a special resolution passed at a general meeting of the Company (with no votes being cast in favour of the resolution by a CPS holder or any of their associates).

As at the date of this Notice of Meeting, the Company has not made a decision on whether to:

- a) effect a Redemption of the CPS on the Optional Conversion / Redemption Date (or, if it decides to do so, the method by which the Redemption would be effected); or
- b) undertake one or more Selective Buy-Backs in relation to all or some of the CPS outside of the CPS Terms.

The approvals being sought in Items 7(a) and 7(b) provide maximum flexibility for the Company to manage its capital position in relation to the CPS going forward. In particular, approval is being sought at the Meeting so that the Company does not need to convene an extraordinary general meeting if it later decides to Redeem the CPS or to conduct a Selective Buy-Back in respect of the CPS.

If Items 7(a) and 7(b) are approved, any Selective Buy-Back scheme in relation to the CPS (pursuant to a Redemption of the CPS or otherwise) would be effected within 12 months of the date of the Meeting.

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If Items 7(a) and 7(b) are not approved, the Company may still proceed with the issue of a replacement regulatory capital instrument (subject to all necessary regulatory approvals being received), however:

- a) no Reinvestment Offer would be made to existing CPS holders; and
- b) the Company will not be able to Redeem the CPS on the Optional Conversion / Redemption Date by way of a Selective Buy-Back.

If Item 7(a) is approved, but Item 7(b) is not approved, the Company may still proceed with the issue of a replacement regulatory capital instrument (subject to all necessary regulatory approvals being received) and the Reinvestment Offer, however, the Company will not be able to Redeem the CPS on the Optional Conversion / Redemption Date by way of a Selective Buy-Back.

If Item 7(a) is not approved, but Item 7(b) is approved, the Company may still proceed with the issue of a replacement regulatory capital instrument (subject to all necessary regulatory approvals being received), however no Reinvestment Offer would be made to existing CPS holders (although the Company would be able to Redeem the CPS on the Optional Conversion / Redemption Date by way of a Selective Buy-Back should it elect to do so).

7.3 Information about the Redemption of the CPS by way of Selective Buy-Back

Under the CPS Terms, if the Company elects to Redeem the CPS by way of a buy-back (including pursuant to the Second Selective Buy-Back Scheme), each CPS holder has agreed to accept the buy-back offer for their CPS on the terms of the buy-back agreement set out in Schedule 1 to the CPS Terms.

Under the CPS Terms, on Redemption of the CPS by way of a buy-back, the Company must pay to each CPS holder on the Optional Conversion / Redemption Date an amount equal to:

- a) the Face Value (\$100 per CPS); plus
- b) the Dividend for the Dividend Period ended on the Redemption Date (if the directors determine to pay such a dividend),

(the **Redemption Price**) for each CPS Redeemed.

7.4 Information about the Selective Buy-Back of the CPS outside of the CPS Terms

As noted above, in addition to the Redemption of the CPS by way of a buy-back under the CPS Terms, the Company may also seek to buy-back all or some of the CPS from time to time with the agreement of the relevant CPS holders outside the CPS terms (including pursuant to the First Selective Buy-Back Scheme).

Any such Selective Buy-Back would be conducted at a maximum price equivalent to the Redemption Price (but calculated as if the relevant date of the buy-back were a Redemption Date) plus such other reasonable amount (if any) as the Company determines to be appropriate to facilitate the buy-back.

Any such Selective Buy-Back may be conducted in multiple tranches, at times determined by the Directors and as agreed with the relevant CPS holders.

If the Company was to make or agree to a voluntary buy-back in relation to the CPS, it would, to the extent possible, make the offer available to all CPS holders (subject to applicable laws, the number of the CPS sought to be bought back and any scale-backs).

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7.5 Will any Selective Buy-Back in respect of the CPS take place?

As at the date of this Notice of Meeting, no decision has been made by the Board regarding whether to Redeem the CPS (or the method by which the Redemption would be effected) or to undertake any one or more Selective Buy-Backs in respect of the CPS (or the timing of any such transactions).

The Board would only decide to undertake any selective buy-back of the CPS in accordance with either or both of the First Selective Buy-Back Scheme and the Second Selective Buy-Back Scheme if the Board considers that it is in the best interests of the Company to do so.

7.6 Financial effect of a Selective Buy-Back

The Board would not implement either or both of the First Selective Buy-Back Scheme and the Second Selective Buy-Back Scheme unless it is satisfied that the transaction:

- a) will have no material adverse impact on the Company's financial or regulatory capital position;
- b) will have no material prejudice to the Company's creditors; and
- c) is in the best interests of the Company.

Cost of Selective Buy-Back

The cost of a Redemption of all of the CPS by way of a Selective Buy-Back (including pursuant to the Second Selective Buy-Back Scheme and whether in one or more tranches) would be \$300 million (representing the aggregate face value for all outstanding CPS) plus any Dividend determined to be payable on the Optional Conversion / Redemption Date.

In the case of a Selective Buy-Back in respect of all of the CPS conducted outside the CPS Terms (including pursuant to the First Selective Buy-Back Scheme), the cost would be \$300 million (representing the aggregate face value for all outstanding CPS) plus an amount equal to a Dividend in respect of the CPS calculated to the date of the buy-back and a reasonable amount (if any) as the Company determines to be appropriate to facilitate the scheme.

Financial statements and source of funds

The Company's latest audited financial statements, being the audited financial statements for the financial year ended 31 August 2017, are available on the BOQ website at www.boq.com.au/Financial_disclosures.

The funds for either or both of the First Selective Buy-Back Scheme and the Second Selective Buy-Back Scheme may be provided through existing cash reserves, or through implementing other funding alternatives.

The Board will, at the relevant time, consider the best alternative or combination of alternatives for funding any such transaction.

7.7 Additional information

Effect of Selective Buy-Back on the control of BOQ

CPS holders have limited voting rights. Given these limited voting rights and the nature of the CPS, the Board considers that the implementation of either or both of the First Selective Buy-Back Scheme and the Second Selective Buy-Back Scheme would not have a material effect on the control of the Company.

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Advantages of approving Items 7(a) and 7(b)

If Items 7(a) and 7(b) are approved, the Company would have the flexibility to effect either or both of the First Selective Buy-Back Scheme and the Second Selective Buy-Back Scheme if the Board considers these transactions to be in the best interests of the Company.

More generally, the Company is committed to maintaining an efficient capital structure. The practical ability to effect either or both of the First Selective Buy-Back Scheme and the Second Selective Buy-Back Scheme without the need to obtain further shareholder approval would provide greater capital management flexibility. This may also increase the Company's general flexibility to manage its regulatory capital.

Disadvantages of approving Items 7(a) and 7(b)

A potential disadvantage of conducting either or both of the First Selective Buy-Back Scheme and the Second Selective Buy-Back Scheme is that the Company would have a reduced capital base following those transactions.

However, no decision has been made by the Board regarding whether to undertake either or both of the First Selective Buy-Back Scheme and the Second Selective Buy-Back Scheme. The Board would consider the adequacy of the reduced capital base having regard to the Company's present and anticipated future needs, in making any such decision. In addition, the Board would not implement either or both of the First Selective Buy-Back Scheme and the Second Selective Buy-Back Scheme unless it is satisfied that the transaction will have no material adverse impact on the Company's financial or regulatory capital position, no material prejudice to the Company's creditors and is in the best interests of the Company.

Directors' interests

No director of the Company has an interest in any CPS.

Market price

The closing price of CPS on 19 October 2017 was \$102.35.

Other information

As at the date of this Notice of Meeting, there is no other information known to the Board which may be material to the decision on how to vote in relation to Items 7(a) and 7(b) which the Company has not been previously disclosed.

Any such material information which becomes available prior to the date of the Meeting will be released to the ASX and made available on the BOQ website at www.boq.com.au/shareholder_asx.htm.

Recommendation

The Board recommends that shareholders vote in favour of Items 7(a) and 7(b).

ITEM 8 – 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 or the Company.

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.

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ATTACHMENT A – Summary of the BOQ Employee Share Plan

1. The Board may invite eligible employees to subscribe for or acquire shares on such terms and conditions as the Board may determine.
2. The Board may determine the number of shares for which the eligible employee may apply under the plan, as well as the amount payable (if any) per Share and any salary sacrifice arrangements and any other terms applicable to Shares allocated under the plan.
3. Subject to the terms of the invitation, BOQ may issue new shares or arrange a transfer or purchase of existing shares.
4. Unless the Board determines otherwise at the time of invitation, the shares allocated under the plan will be held for the participant's benefit by a trustee (for the time being, BOQ Employee Share Plans Nominee Pty Ltd as trustee for the Bank of Queensland Limited Employee Share Plans Trust).
5. Shares may be subject to disposal restrictions or vesting conditions determined by the Board at the time of the invitation.
6. Unless the Board determines otherwise, a participant may not dispose of, deal in, or grant a security interest over any interest in shares allocated under the plan until the earlier of:
 - (a) the end of three years (or such longer period determined by BOQ) from the date the shares are allocated;
 - (b) the date the relevant employee is no longer employed at the BOQ consolidated group; or
 - (c) the end of any other period determined by the Board.
7. While disposal of the shares allocated under the plan are restricted, the relevant participant is entitled to receive all entitlements relating to those shares.
8. If there is a change of control of BOQ, the Board may determine that shares allocated under the plan be disposed of or dealt with by the trustee or, where applicable, such shares be dealt with by the trustee as directed by the participating employee.
9. BOQ may not issue an invitation to apply for Shares if the shares that may be issued under the plan would, together with other shares issued by BOQ 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 2001* (Cth)), exceed 5% of BOQ's total issued ordinary shares.
10. A copy of the BOQ Employee Share Plan is available on BOQ's website at www.boq.com.au.

ATTACHMENT B – Summary of BOQ Restricted Share Plan

1. The Board may invite eligible key management personnel to subscribe for or acquire shares on such terms and conditions as the Board may determine.
2. The Board may determine:
 - (a) the acquisition price (if any);
 - (b) the number of shares for which the eligible employee may apply for under the plan;
 - (c) whether the shares are subject to vesting conditions or disposal restrictions;
 - (d) whether the shares are to be acquired or delivered by the trustee;
 - (e) whether the shares are to be held by the trustee for the benefit of a participant; and
 - (f) any other terms applicable to shares allocated under the plan.
3. The Board may determine that shares allocated under the plan may not be disposed of or dealt with in any way whatsoever until the earlier of:
 - (a) the end of the period determined by the Board when making an offer, such period to commence at the time the shares are allocated;
 - (b) the time when the participant is no longer employed at the BOQ consolidated group; and
 - (c) the time the employer of the participant at the time of the offer is no longer a related company of the BOQ consolidated group.
4. If there is a change of control of BOQ, the Board may determine that shares allocated under the plan be disposed of or dealt with by the trustee or, where applicable, such shares be dealt with by the trustee as directed by the participating employee.
5. While disposal of the shares allocated under the plan are restricted, the relevant participant is entitled to receive all entitlements relating to those shares.
6. While the shares allocated under the plan are subject to vesting conditions that have not been satisfied or waived or subject to disposal restrictions, those shares will be forfeited if:

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- (a) those shares have not become vested by the end of any applicable vesting period or the Board determines that the vesting conditions are incapable of being satisfied by the end of the vesting period;
 - (b) the relevant participant resigns for any reason set out in the relevant offer, or if no reasons specified, if the participant resigns for any reason whatsoever;
 - (c) the relevant participant's employment ceases by reason of summary dismissal or for reasons associated with a breach of that participant's terms of employment or any policy of BOQ or a related company of BOQ;
 - (d) the Board determines that the relevant participant commits an act of fraud, material misstatement, financial mismanagement, gross misconduct or a serious breach of his/her duties and obligations in relation to the affairs of BOQ, or such other circumstances specified in an offer in relation to BOQ or a related company of BOQ.
7. A participant has no right to the proceeds of the sale of forfeited shares or to the associated entitlements of forfeited shares.
 8. BOQ may not issue any shares under the plan if the shares that may be issued under the plan would, together with other shares issued by BOQ 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 BOQ's total issued ordinary shares.
 9. A copy of the BOQ Restricted Share Plan is available on BOQ's website at www.boq.com.au.

ATTACHMENT C – Summary of BOQ Award Rights Plan

1. Under the Award Rights Plan, the Board may grant Award Rights to employees (including Executive Directors) of BOQ 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 BOQ on exercise. Subject to the terms of grant, BOQ 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 BOQ or a related body corporate of BOQ, 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 BOQ. 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 BOQ that occur by way of a pro rata issue or bonus issue.
8. In any reconstruction of BOQ'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 BOQ, 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. BOQ may not grant Award Rights where the ordinary shares that may be issued under the Award Rights would, together with shares issued by BOQ 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 BOQ's total issued ordinary shares.
11. A copy of the Award Rights Plan is available on BOQ's website at www.boq.com.au.



Find out more:
boq.com.au/annual_reports/2017