

2018 NOTICE OF ANNUAL GENERAL MEETING

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, 29 November 2018 at 10.00am (AEST). Registration commences at 9.15am (AEST). Enter the Hilton Hotel via the Queen Street Mall or 190 Elizabeth Street.

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 2018.

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

2. Re-election of Director

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

That Mr Richard Haire, who retires by rotation in accordance with the Company's Constitution and, being eligible, be re-elected as a Director of the Company.

3. Amendment of the Constitution of the Company

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

That Articles 47(a) and 71 of the Company's Constitution be amended as set out in the Explanatory Statement with effect from the close of the Meeting.

4. 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 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 4 in the Explanatory Statement.

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

5. 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 2018, be adopted.

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

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

DATED 17 October 2018

BY ORDER OF THE BOARD

Vicki Clarkson

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, 27 November 2018.

The Explanatory Statement set out on pages 5 to 11 accompanies and forms part of this Notice of Meeting and provides more information on each of the items of business.

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 (AEST) on Tuesday, 27 November 2018.

VOTING RESTRICTIONS

Item 4 - Grant of Performance Award Rights to the Managing Director and Chief Executive Officer

BOQ will disregard any votes cast on this resolution:

- in favour of the resolution by, or on behalf of, Mr Jon Earle Sutton or any of his associates (regardless of the capacity in which the vote is cast); 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.

ITEM 5 - REMUNERATION REPORT

BOQ will disregard any votes cast on this 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 2018, and 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 and that KMP's 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 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 2018.
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. **Associate** has the meaning given in the ASX Listing Rules and when used in relation to the Managing Director and Chief Executive Officer will include a spouse, parents, children, as well as any companies controlled by any of them, unless the contrary is established.

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, 27 November 2018.
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, 27 November 2018:
 - (a) by post to:

Bank of Queensland Limited
C/- Link Market Services Limited
Locked Bag A14
SYDNEY SOUTH NSW 1235; or

(b) by delivery to:

Bank of Queensland Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
RHODES NSW 2138

or

Level 12, 680 George Street
Sydney NSW 2000; or

(c) by fax on (02) 9287 0309 (international +61 2 9287 0309).

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, by completing and submitting the proxy form, you expressly authorise the Chair of the Meeting to vote your proxy as he sees fit.

The Chair of the Meeting intends, as at the date of this Notice of Meeting, to vote IN FAVOUR of each of the resolutions set out in this Notice of Meeting.

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, 27 November 2018.

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 Notes 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.

The Company's auditor will be present at the AGM to answer audit-related questions from shareholders. Shareholders may also submit written questions to the Company's auditor on the content of the Auditor's Report or the conduct of its audit of the Company's Financial Report for the year ended 31 August 2018. Such questions must be received by no later than 5pm (AEST) on Thursday, 22 November 2018. The auditor is not obliged to provide written answers.

ITEM 2 - RE-ELECTION OF DIRECTOR

The BOQ Board is, at the date of this Notice of Meeting, comprised of 8 Non-Executive Directors and one 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 gender, 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 the Director seeking re-election is provided below.

Mr Richard Haire

Mr Haire has served on the Board of the Company since April 2012 and is Chair of the Audit Committee, and a member of the Risk Committee, Information Technology Committee and Human Resources & Remuneration Committee.

Mr Haire holds a Bachelor of Economics from the University of New England and is a Fellow of the Australian Institute of Company Directors.

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

He is Chair of the Cotton Research and Development Corporation and Reef Corporate Services Limited and also serves as a Non-Executive Director of BEC Stockfeed Solutions Pty Ltd and Endeavour Foundation.

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

Mr Haire's extensive business experience, particularly in the field of agribusiness, has added valuable expertise to the Board of the Company.

Mr Haire was last elected as a Non-Executive Director of the Company in November 2015. He retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election.

Recommendation

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

ITEM 3 - AMENDMENT OF THE CONSTITUTION OF THE COMPANY

3.1 Background

The Company's current Constitution was last amended in December 2012. It is proposed that Articles 47(a) and 71 of the Constitution be amended as explained below. A copy of the proposed amendments to the Constitution is available on the Company's website at <https://www.boq.com.au/Shareholder-centre/my-shareholding/Annual-general-meetings>

3.2 Increase to maximum Board size

Under Article 47(a) of the current Constitution, the Directors may determine the number of Directors on the Board but this number may not be less than three or more than 10, provided that the number determined is not less than the number of Directors at the time of the determination.

It is proposed that Article 47(a) be amended to increase the maximum number of Directors permitted on the Board under the Constitution from 10 to 12.

The proposed increase will enable the Company to appoint additional Non-Executive Directors if considered appropriate as part of the Board's succession planning strategy and to ensure that the Board continues to have the right balance of skills, knowledge and experience, taking into account the Company's strategy.

3.3 Company notices to lost shareholders

It is proposed that the shareholder notice provisions in Article 71 be amended so that where a shareholder does not have a registered address or the Company believes they are not known at the registered address, notice is deemed to be given to the shareholder if the Company displays the notice at its registered address for 48 hours (unless and until the shareholder informs the Company of the shareholder's new address). This amendment is intended to provide the Company with an option for giving notice to shareholders who are otherwise uncontactable.

Recommendation

The Board recommends that shareholders vote in favour of resolution 3.

ITEM 4 - GRANT OF PERFORMANCE AWARD RIGHTS TO THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

4.1 Background and reasons for the proposal

The Board is seeking the approval of shareholders for the grant of 128,571 Performance Award Rights (PARs) (and any shares issued on vesting of those PARs) to Mr Jon Earle 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 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 128,571 PARs to Mr Sutton in FY19.

The grant of long term incentives to Mr Sutton aligns his interests with those of BOQ and its shareholders. The performance hurdles for the PARs comprising the long term incentive will allow the Board to ensure that the incentive is aligned with the interests of shareholders.

4.2 Shareholder approval for Item 4

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

Item 4 relates to the grant of 128,571 PARs to Mr Sutton and does not relate to any future grants of PARs that the Board may decide to make.

4.3 Effect of the proposal in Item 4

As at 5 October 2018, Mr Sutton had an interest in 177,616 ordinary shares in BOQ, 314,878 PARs and 68,470 Restricted Shares.

Since the last shareholder approval was given under the BOQ Award Rights Plan on 30 November 2017 under Listing Rule 10.14, Mr Sutton:

- was granted 99,239 PARs on 13 December 2017 under the BOQ Award Rights Plan in accordance with that approval. No amount was payable on the grant of these PARs; and
- was granted 45,803 Restricted Shares on 13 December 2017 under the BOQ Awards Rights Plan. No amount was payable on the grant of these ordinary shares; and
- acquired 46,132 ordinary shares on the exercise and conversion of Restricted Shares. No amount was payable on the grant of these ordinary shares.

No other Director, or an associate of a Director, received securities including PARs under the BOQ Award Rights Plan since 13 December 2017.

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 ASX Listing Rule 10.14.

4.4 Further details

Under this resolution, approval is sought for the grant of 128,571 PARs (and any shares issued on vesting of those PARs) to Mr Sutton under the BOQ Award Rights Plan.

Those PARs are expected to be granted to Mr Sutton soon after the Meeting and, in any event, no later than 12 months from the date of the Meeting.

Number of PARs and Shares to be issued

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

$$\text{Number of PARs} = \frac{\$1,365,000}{\text{VWAP}}$$

Where:

- \$1,365,000 is 105% of Mr Sutton's fixed remuneration; and
- 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 FY18 results on 4 October 2018 being \$10.6167.

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 128,571.

Mr Sutton's maximum long term incentive opportunity was 120% of his fixed remuneration.

Performance hurdles for 2018 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 2018 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 2018 PARs is 2018 to 2022.

TSR Measure

For the TSR-measured portion, half (being 40% of all 2018 PARs) of Mr Sutton's PARs will vest if BOQ's TSR performance over a four year period is in the top 50% of the Peer Group. All (being 80% of all 2018 PARs) of Mr Sutton's PARs will vest if BOQ's TSR performance over a four 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 2018 PARs) and 100% (being 80% of all 2018 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. Delisted companies will be excluded from the Peer Group at the time of testing.

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 2018 PARs) will vest if BOQ's relative cash EPS performance over the four 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 2018 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 2018 PARs) and 100% (being 20% of all 2018 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).

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.

4.5 Present value of PARs under Item 4

The estimated present value as at 4 October 2018 of the proposed PARs that may be issued to Mr Sutton under the resolution is \$638,998.

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 11 October 2018 has ranged between a high of \$13.51 on 19 October 2017 and a low of \$9.72 on 13 June 2018.

4.6 Use of funds raised

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

There is no loan funding in relation to the PARs.

If approval is given for the issue of ordinary shares on the vesting of PARs under ASX Listing Rule 10.14, approval is not required under ASX Listing Rule 7.1.

Recommendation

The Board (with Mr Sutton abstaining) recommends that shareholders vote in favour of resolution 4.

ITEM 5 - 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.

