



2013 NOTICE OF ANNUAL GENERAL MEETING

THE 139TH ANNUAL GENERAL MEETING OF BANK OF QUEENSLAND LIMITED (BOQ)
WILL BE HELD IN THE BALLROOM, LEVEL 5 AT THE HILTON HOTEL, BRISBANE
ON WEDNESDAY, 27 NOVEMBER 2013 AT 10.00 AM AEST. REGISTRATION COMMENCES AT 9.15AM.
ENTER THE HILTON HOTEL VIA THE QUEEN STREET MALL OR 190 ELIZABETH STREET.

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



2013 NOTICE OF ANNUAL GENERAL MEETING

25 October 2013

Dear Shareholder

I am pleased to invite you to attend the 139th Annual General Meeting of Bank of Queensland Limited.

The meeting will be held at 10.00am (AEST) on Wednesday 27 November 2013 in the Ballroom, Level 5 at the Hilton Hotel, Brisbane with shareholder registration commencing at 9.15am. Enclosed is the Notice of Meeting and Explanatory Memorandum explaining the formal business of the meeting, as well as the shareholder voting form.

Also enclosed is the BOQ Shareholder Review for the year ended 31 August 2013 and, if you have elected to receive one, the BOQ Annual Report. Shareholder questions can be submitted via the Shareholder Feedback Form included in this pack or via www.linkmarketservices.com.au.

At the AGM, I will present to you BOQ's results for the financial year ended 31 August 2013 and invite your questions, comments and discussion on those results. Your Managing Director and Chief Executive Officer, Stuart Grimshaw, and I will also outline for you the Bank's plans for the future.

The business of the meeting includes proposals for the re-election of two current directors, Steve Crane and David Willis, who offer themselves for re-election. In addition, Neil Berkett, who was appointed as a Director during the year following the acquisition of Virgin Money Australia by BOQ, offers himself for election to the Board.

At the meeting I will also ask shareholders to:

- Ratify the issue of shares in BOQ to a Virgin Group subsidiary, which formed part of the purchase price for Virgin Money Australia.
- Approve important executive and employee remuneration initiatives, including approval of future issues of shares under the new BOQ Employee Share Plan and BOQ Restricted Share Plan.
- Approve issues of restricted shares under the BOQ Restricted Share Plan to BOQ's Managing Director and Chief Executive Officer, Stuart Grimshaw, as part of his short term incentive package and to approve a grant of performance award rights as part of his long term incentive package.
- Approve an increase to the non-executive director aggregate fee pool by \$400,000 to \$2,600,000 principally to allow flexibility to deal with future changes in membership and composition of the Board and to ensure that an appropriate mix of skills and experience can be maintained or added to the Board.

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

Your directors strongly urge you to support each proposal.

If you attend the meeting personally, please bring this letter with you as it contains a barcode that will assist with registration and voting.

If you are unable to be present, I encourage you to participate in the meeting by completing and lodging the Proxy Form. The completed Proxy Form can be returned in the reply paid envelope provided, by facsimile, or you can register your proxy appointment online at www.linkmarketservices.com.au. Your proxy must be received no later than 10.00am (AEST) on Monday, 25 November 2013 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





2013 NOTICE OF ANNUAL GENERAL MEETING

AGENDA

1. Financial Statements and Reports

To receive and consider the financial statements for the year ended 31 August 2013 and the related Directors' Report and Auditor's Report.

(Refer to Item 1 of the Explanatory Statement).

2. Election of Directors (ordinary resolutions)

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

(Refer to Item 2 of the Explanatory Statement).

3. Ratification of Issue of Ordinary Shares – Acquisition of Virgin Money Australia

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

That the issue of 3,203,115 ordinary shares to Corvina Holdings Limited be ratified for the purposes of ASX Listing Rule 7.4.

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

(Refer to Item 3 of the Explanatory Statement).

4. Approval of Future Issues of Shares under the BOQ Employee Share Plan

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

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

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

(Refer to Item 4 of the Explanatory Statement).

5. Approval of Future Issues of Shares under the BOQ Restricted Share Plan

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

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

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

(Refer to Item 5 of the Explanatory Statement).

6. Approval of Issue of Restricted Shares under the Managing Director's Short Term Incentive Package

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

That for the purposes of ASX Listing Rule 10.14 and Chapter 2E of the Corporations Act 2001 (Cth), approval be given for the issue to, or for the benefit of, Mr Stuart Grimshaw, Managing Director and Chief Executive Officer of BOQ, of Restricted Shares under the BOQ Restricted Share Plan and in accordance with the terms described in Item 6 in the Explanatory Statement.

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

(Refer to Item 6 of the Explanatory Statement).

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

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

That for the purposes of ASX Listing Rule 10.14 and Chapter 2E of the Corporations Act 2001 (Cth), approval be given for the grant to, or for the benefit of, Mr Stuart Grimshaw, Managing Director and Chief Executive Officer of BOQ, of Performance Award Rights under the BOQ Award Rights Plan and in accordance with the terms described in Item 7 in the Explanatory Statement.

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

(Refer to Item 7 of the Explanatory Statement).

8. Non-Executive Directors' Remuneration

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

That an increase in the aggregate maximum amount of non-executive directors' fees from \$2,200,000 per annum (inclusive of superannuation guarantee charge (SGC) contributions) to \$2,600,000 per annum (inclusive of SGC contributions), to be allocated among the non-executive directors as they agree, be approved pursuant to ASX Listing Rule 10.17.

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

(Refer to Item 8 of the Explanatory Statement).

9. Remuneration Report - non-binding resolution

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

That the Remuneration Report, contained in BOQ's 2013 Annual Report, be adopted.

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

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

(Refer to Item 9 of the Explanatory Statement).



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PROXIES:

1. A member who is entitled to vote at the meeting may appoint:
 - (a) one proxy if the member is only entitled to one vote; or
 - (b) one or two proxies if the member is entitled to more than one vote.
2. Where the member appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one half of the votes, in which case any fraction of votes will be disregarded.
3. A proxy need not be a member of BOQ.
4. If you require an additional proxy form, BOQ will supply it on request.
5. Members may register the appointment of proxies online at:
www.linkmarketservices.com.au
by using the secure online access information set out in the proxy form, no later than 10.00 am (AEST) on Monday, 25 November 2013.
6. Alternatively, the proxy form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by BOQ at BOQ's share registry no later than 10.00 am (AEST) on Monday, 25 November 2013:
 - (a) by post to:
Bank of Queensland Limited
C/- Link Market Services Limited
Locked Bag A14
SYDNEY SOUTH NSW 1235; or
 - (b) by delivery to:
Bank of Queensland Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
RHODES NSW 2138
or
Level 12, 680 George Street
Sydney NSW 2000; or
 - (c) by fax on (02) 9287 0309 (international +61 2 9287 0309).

VOTING RIGHTS

All of the shares that are quoted shares at 7.00pm (Sydney time) on Monday, 25 November 2013 will be taken, for the purposes of the Annual General Meeting, to be held by the persons who held them at that time.

VOTING EXCLUSIONS

Item 3 - Ratification of Issue of Shares - Acquisition of Virgin Money Australia

In accordance with the ASX Listing Rules, BOQ will disregard any votes cast on Resolution 3 by Corvina Holdings Limited, and an associate of Corvina Holdings Limited, unless the vote is cast by such a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

Items 4 to 8 - Remuneration related resolutions

In accordance with the ASX Listing Rules and the Corporations Act 2001, BOQ will disregard any votes cast on Resolutions 4, 5, 6, 7 or 8:

- (a) as proxy by any key management personnel for the BOQ consolidated group, or a closely related party of such key management personnel, that is appointed as a proxy where the proxy appointment does not specify the way the proxy is to vote on the Resolution, unless:
 - (i) the proxy is the Chair of the meeting; and
 - (ii) the proxy appointment expressly authorises the Chair to exercise the proxy on the Resolution even though it is connected directly or indirectly with the remuneration of a member of the key management personnel of the BOQ consolidated group; or
- (b) by Mr Stuart Grimshaw and his associates (Mr Grimshaw being the only director who is eligible to participate in any employee incentive scheme in relation to BOQ), unless the vote is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

Item 8 - Non-executive directors' remuneration

In accordance with the ASX Listing Rules, BOQ will disregard any votes cast on Resolution 8 by a director and an associate of any director, unless:

- (a) the vote is cast by such a person as proxy for a person who is entitled to vote and the proxy form directs how the proxy is to vote on Resolution 8; or
- (b) the vote is cast by the Chairman of the meeting as proxy and the appointment of the Chairman as proxy directs how the Chairman is to vote on Resolution 8.





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Item 9 - Remuneration Report - non-binding vote

In accordance with the Corporations Act 2001, BOQ will disregard any votes cast on Resolution 9 (personally or as proxy) by:

- (a) any key management personnel of the BOQ consolidated group whose remuneration details are included in the Remuneration Report, including the Chairman and other directors; and
- (b) any closely related party of key management personnel, unless:
 - (c) the vote is cast by a person described in paragraph (a) or (b) as proxy for a person who is entitled to vote and the proxy form directs how the proxy is to vote on Resolution 9; or
 - (d) the vote is cast by the Chairman of the meeting as proxy and the appointment of the Chairman as proxy:
 - (i) does not specify the way the proxy is to vote on Resolution 9; and
 - (ii) expressly authorises the Chair to exercise the proxy on Resolution 9 even though Resolution 9 is connected directly or indirectly with the remuneration of a member of the key management personnel of the BOQ consolidated group.

Further, BOQ will disregard any votes cast on Resolution 9 by any key management personnel for the BOQ consolidated group whose remuneration details are not included in the Remuneration Report, or a closely related party of such key management personnel, that is appointed as a proxy where the proxy appointment does not specify the way the proxy is to vote on Resolution 9, unless:

- (a) the proxy is the Chair of the meeting; and
- (b) the proxy appointment expressly authorises the Chair to exercise the proxy on Resolution 9 even though it is connected directly or indirectly with the remuneration of a member of the key management personnel of the BOQ consolidated group.

For the purposes of these voting exclusions:

1. "Key management personnel" of the BOQ consolidated group are 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 the key management personnel for the BOQ consolidated group for the financial year ended 31 August 2013. Their closely related parties are defined in the Corporations Act 2001, and include certain members of their family, dependants and companies they control.
2. BOQ will also apply these voting exclusions to persons appointed as attorney by an excluded shareholder to attend and vote at the meeting under a power of attorney – on the basis that references to persons attending and voting as proxy are read as references to persons attending and voting as attorney and references to an instrument under which the proxy is appointed are read as references to the power of attorney under which the attorney is appointed.

Directing your proxy vote

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

Proxy Voting by Chairman

If you appoint the Chairman of the meeting as your proxy or the Chairman is appointed as your proxy by default, and you do not specify how the Chairman is to vote on a Resolution, the Chairman, if eligible to vote as your proxy, will vote IN FAVOUR of that Resolution on a poll.

DATED 25 October 2013

BY ORDER OF THE BOARD

Melissa Grundy

Company Secretary

LODGEMENT OF PROXIES

Shareholders unable to attend the meeting are urged to register their appointment of proxy online or complete the proxy form attached to this notice and return it as soon as possible (see proxy form for details) and in any event no later than 10.00 am (AEST) on Monday, 25 November 2013.

INTRODUCTION

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

ITEM 1 - FINANCIAL STATEMENTS AND REPORTS

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

ITEM 2 - ELECTION OF DIRECTORS

(a) Mr Steve Crane

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

Mr Crane was first elected as a director of BOQ at the Annual General Meeting on 11 December 2008 and was last re-elected at the Annual General Meeting on 9 December 2010.

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

He is now a member of the Advisory Council for CIMB (Australia) and a Director of Transfield Services, APA Pipeline Limited, Taronga Conservation Society Australia and Chairman of NIB Holdings Limited and Global Valve Technology Limited.

Mr Crane is Chair of the Risk Committee and a member of the Human Resources & Remuneration Committee and of the Nomination & Governance Committee.

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

(b) Mr David Willis

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

Mr Willis was first appointed as a director of BOQ on 23 February 2010 and was last elected at the Annual General Meeting on 9 December 2010.

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

Mr Willis is a Director of New Zealand Post and Kiwi Bank, CBH (a grain cooperative in Western Australia), Interflour Holdings (a Singapore based flour milling company), Convergica (a privately owned IT business) and Couriers Please.

Mr Willis is Chair of the Human Resources & Remuneration Committee and a member of the Risk Committee.

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

(c) Mr Neil Berkett

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

Mr Berkett was appointed a director of BOQ on 30 July 2013. Mr Berkett is a member of the Audit Committee and the Information Technology Committee.

Mr Berkett recently stepped down as Chief Executive Officer of Virgin Media Inc after eight years with the company and was appointed to the BOQ Board following the acquisition of Virgin Money Australia by BOQ in April 2013.

Mr Berkett has had extensive experience in financial services, digital media and telecommunications in Australia, New Zealand and the United Kingdom.

Mr Berkett has held senior manager and executive roles at Prudential Assurance Company Ltd UK, St George Bank, Citibank Limited (Australia division), Lloyds TSB plc (UK), East West Airlines Australia and ICL Australia.

Mr Berkett is on the Board of Trustees for the National Society of the Prevention of Cruelty to Children and is the non-executive chairman of the Guardian Media Group and a non-executive director of Sage Group Plc. The Board recommends that shareholders vote in favour of his election as a director.

ITEM 3 - RATIFICATION OF ISSUE OF SHARES - APRIL 2013 ISSUE

3.1 Background and rationale

On 30 April 2013, BOQ acquired Virgin Money (Australia) Pty Ltd (VMA).

Part of the purchase price for the acquisition was satisfied by the issue to a subsidiary of the Virgin Group of approximately \$30 million in fully paid ordinary shares in BOQ. The issue price of the shares was \$9.45 based on a volume-weighted average price calculated under the sale agreement.

ASX 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 (Shares) in a 12 month period without the approval of shareholders (15% Rule). Under ASX Listing Rule 7.4, members may ratify an issue of equity securities so that it is disregarded in determining in the future whether BOQ has reached that threshold.

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

The resolution will assist BOQ to manage its capital requirements efficiently by ensuring that the 15% limit is not diminished by this Share issue and capacity is available for capital management and acquisitions, if necessary.

3.2 Terms of the ordinary share issue

- (a) Number of ordinary shares issued – 3,203,115.
- (b) Issue price – \$9.45 per share (rounded up to the nearest cent).
- (c) Terms of the ordinary shares – the shares were issued on the same terms as existing ordinary shares.
- (d) Allottee of ordinary shares under the issue – Corvina Holdings Limited.

3.3 Directors' Recommendation

The Board recommends that members vote in favour of Resolution 3.



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

4.1 Background and rationale

BOQ has undertaken a review of employee benefits which has resulted in the Board adopting the BOQ Employee Share Plan (**ESP**).

The ESP has been 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 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 Shares under the ESP for the purposes of ASX Listing Rule 7.2 (Exception 9).

4.2 Shareholder approval

Under ASX Listing Rule 7.2, members may approve issues of Shares under an employee incentive scheme as an exception to the 15% Rule. This means that issues of Shares under such a scheme are not considered 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.

If Resolution 4 is not passed, issues of Plan Shares under the ESP 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 Plan Shares under the ESP without shareholder approval.

By 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.

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 acquisitions, 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.

4.4 ESP Rules

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

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

As the ESP has only recently been adopted, no Plan Shares have yet been issued under the plan.

4.6 Directors' Recommendations

The Board recommends that members vote in favour of Resolution 4.

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

5.1 Background and rationale

The Board has adopted the BOQ Restricted Share Plan (**RSP**). 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 has been 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 (**DARs**) under the BOQ Award Rights Plan. Holders of Restricted Shares will receive any dividends paid on ordinary shares.

The Board considers that the establishment of the RSP and 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 its policy to provide transparency in executive remuneration and as part of its capital management plan, the Board is seeking approval of shareholders for future issues of Restricted Shares under the RSP for the purposes of ASX Listing Rule 7.2, the effect of which is described in detail above in section 4.2.

If Resolution 5 is not passed, 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 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.

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 acquisitions, if necessary.





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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:

- (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 (i.e. revert to the Trustee for re-allocation) 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;
 - (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.

The terms of the RSP 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

As the RSP has only recently been adopted, no Restricted Shares have yet been issued under the plan.

5.6 Directors' Recommendation

The Board recommends that members vote in favour of Resolution 5.

ITEM 6 - APPROVAL OF RESTRICTED SHARES UNDER THE MANAGING DIRECTOR'S SHORT TERM INCENTIVE PACKAGE

6.1 Background and rationale

To align the Managing Director and Chief Executive Officer's short term incentives with those of the rest of the KMP and with the interests of shareholders, the Board has agreed that half of any STI Award to which Mr Grimshaw becomes entitled will be paid by way of Restricted Shares under the RSP.

The background to the adoption, and details of the operation, of the RSP are set out in Item 5.

Previously, half of Mr Grimshaw's STI Award was payable by a grant of DARs. DARs are rights to be allocated Shares at the end of specified periods, in Mr Grimshaw's case, 50% after 12 months and 50% after 24 months.

Under the changes agreed by the Board, Mr Grimshaw's remuneration package will include the following components:

- (a) a base salary of \$1,350,000 per annum (including superannuation) (previously \$1,250,000 for the financial year ended 31 August 2013), subject to annual review;
- (b) a short term (annual) cash and equity performance incentive consisting of a 50% cash portion and a 50% Restricted Shares portion (instead of DARs). Holders of Restricted Shares will receive any dividends paid on ordinary shares. As was the case with DARs, Restricted Shares vest at the end of specified periods, 50% after 12 months and 50% after 24 months. The short term incentive falls in a range between 0% and 150% of base salary, based on achievement of minimum gateways and other performance objectives, as well as Board approval; and
- (c) a long term equity performance incentive currently consisting of participation in grants of Performance Award Rights (**PARs**), which are subject to a performance hurdle (see Item 7 for details).

The Board believes that part of the rewards for Mr Grimshaw'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.

6.2 Shareholder approval

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

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

The issue of Restricted Shares to Mr Grimshaw constitutes the giving of a financial benefit to a related party of BOQ. For the sake of completeness, the Board has decided to seek the approval of shareholders in general meeting under Chapter 2E of the Corporations Act 2001 (Cth).

6.3 The proposal

Under Resolution 6, approval is sought for the issue to Mr Grimshaw of Restricted Shares under the RSP as part of his STI Award for the financial year ending 31 August 2013 and for subsequent financial years or part financial years during Mr Grimshaw's employment.

Under ASX Listing Rule 10.14, BOQ will only issue Shares under the RSP in reliance on this approval within the three years from the date of this approval.

Number of Shares to be issued under the RSP

An STI Award is to be taken as a mixture of cash and equity, with 50% of the STI Award to be taken in the form of Restricted Shares.

The number of Restricted Shares will be calculated as follows:

$$\text{Number of Restricted Shares} = \frac{50\% \text{ of STI Award}}{\text{VWAP}}$$

where VWAP is the daily volume weighted average price of ordinary shares in BOQ over the 10 business days starting on the business day after the announcement of BOQ's results for the financial year under review.

For the financial year ended 31 August 2013, the Board has determined that Mr Grimshaw is entitled to an STI Award of \$1,406,250, with 50% to be taken in cash (being \$703,125) and 50% (being \$703,125) in the form of 60,458 Restricted Shares, at an issue price of \$11.63 per Share.





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If Resolution 6 is not approved, BOQ will either satisfy the allocation of Restricted Shares to Mr Grimshaw by arranging for the acquisition of ordinary shares on-market or paying an equivalent amount in cash.

Restricted Share terms

The Restricted Shares allocated to Mr Grimshaw will be held by the Trustee and are granted under the RSP on the same terms outlined in Item 5.

6.4 Effect of the proposal

Details of Mr Grimshaw's shareholdings in BOQ and the effect of the issue of Restricted Shares and other securities to Mr Grimshaw are discussed in section 7.4.

If Resolution 6 is passed, the Restricted Shares allocated to Mr Grimshaw may be newly issued Shares, which would have a small dilutionary effect on the existing shareholders' percentage interests.

Details of any Restricted Shares issued under this approval will be published in each annual report of BOQ relating to a period in which Restricted Shares were issued under this approval.

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

6.5 Use of funds raised

As no amount is payable on the issue of Restricted Shares, no funds will be raised.

6.6 Recommendations

Each of the directors (other than Mr Grimshaw) recommends that you vote in favour of Resolution 6. None of the directors (other than Mr Grimshaw) has a personal interest in the outcome of the resolution.

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

ITEM 7 - APPROVAL OF PERFORMANCE AWARD RIGHTS UNDER THE MANAGING DIRECTOR'S LONG TERM INCENTIVE PACKAGE

7.1 Background and reasons for the proposal

Consistent with the Board's belief that part of the rewards for Mr Grimshaw's services to BOQ should be performance-based and at risk and should involve equity interests in BOQ (as discussed in section 6.1), the Board has decided to make a grant of 107,481 PARs to Mr Grimshaw as part of his annual long term incentive package.

7.2 Shareholder approval

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

Resolution 7 relates to this grant of PARs and does not relate to any future grants of PARs that the Board may decide to make.

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

7.3 The proposal

Under Resolution 7, approval is sought for the grant of 107,481 PARs to Mr Grimshaw under the BOQ Award Rights Plan.

Those PARs are expected to be granted to Mr Grimshaw prior to the end of December 2013.

Number of Shares to be issued under PARs

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

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

Where VWAP is the daily volume weighted average price of ordinary shares in BOQ over the 10 business days starting on the business day after the announcement of the FY13 results (\$11.63).

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

The maximum number of ordinary shares that may be provided to Mr Grimshaw under these PARs is 107,481.

Performance hurdle for PARs

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

Applying that test, as an example, if BOQ's TSR rank is in the 70th percentile (that is, just outside the top 30%), 90% of Mr Grimshaw's PARs would vest.

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

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

The Board believes that this hurdle provides a challenging target for Mr Grimshaw which is aligned with shareholder interests and provides a fair and reasonable measure of Mr Grimshaw's performance.

Other PARs terms

Once the PARs granted to Mr Grimshaw vest, they are generally exercisable within a further period of 2 years (5 years after their grant).

If Mr Grimshaw ceases to be employed by BOQ due to summary termination of his employment, the PARs will lapse. Otherwise, the PARs do not lapse on cessation of employment and continue in accordance with their terms, including vesting conditions.

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



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7.4 Effect of the proposal

As at 24 October 2013, Mr Grimshaw had an interest in 3,506 ordinary shares in BOQ, 288,552 PARs and 64,620 DARs.

If all of the DARs and PARs currently held and all of the PARs proposed to be granted to Mr Grimshaw vested and were exercised, then together with the 60,458 Restricted Shares to be allocated under his 2013 STI Award (see section 6.3), he would hold approximately 524,617 shares.

Mr Grimshaw would have an interest in approximately 0.16% of the total issued ordinary shares in BOQ.

If Resolution 7 is passed and the PARs are exercised, those ordinary shares may be newly issued shares, which would have a small dilutionary effect on the existing shareholders' percentage interests.

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

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

7.5 Value of PARs

The estimated value as at 17 October 2013 of the proposed PARs that may be issued to Mr Grimshaw is \$6.07 per PAR, or a total value of \$652,410.

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

This approach values the PARs by simulating, 150,000 times, future TSR performance on a risk-neutral basis for BOQ for the period 10 October 2013 to 13 October 2016, and using the results to determine the vesting percentage for each simulation.

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

The value of PARs when granted will depend on the actual share price at the time of grant and the TSR performance achieved relative to the vesting conditions described in Section 7.3. The value given above is indicative and may not reflect the value at the time of grant, vesting or exercise.

The assumptions include:

- an estimate of volatility of 25.2%, reflecting current historical volatility of BOQ's TSR over the last 3 years;
- the degree to which BOQ's TSR movements are correlated to the TSR movements of the comparison companies;
- dividend yield of 5.0% pa;
- all dividends will be 100% franked and paid in cash;
- a risk free rate of return of 2.8% pa; and
- BOQ share price at the valuation date of \$11.74.

The closing price of BOQ's ordinary shares over the 12 months to 17 October 2013 has ranged between a high of \$11.74 on 17 October 2013 and a low of \$6.82 on 20 November 2012.

7.6 Use of funds raised

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

7.7 Recommendations

Each of the Directors (other than Mr Grimshaw) recommends that you vote in favour of Resolution 7. None of the Directors (other than Mr Grimshaw) has a personal interest in the outcome of the resolution.

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

ITEM 8 - NON-EXECUTIVE DIRECTORS' REMUNERATION

Total fees paid to non-executive directors of BOQ are limited to a maximum amount set by shareholders. The present limit of \$2,200,000 per annum (inclusive of SGC contributions) was set at BOQ's Annual General Meeting held in December 2010. Shareholder approval is sought for an increase of that limit by \$400,000 to \$2,600,000 (inclusive of SGC contributions).

BOQ's non-executive director remuneration strategy is based upon the need to attract and retain individuals of appropriate calibre. Fees are reviewed annually by the Human Resources & Remuneration Committee with regard to advice provided by independent remuneration specialists to ensure market comparability.

The increased aggregate fee pool principally will allow the Board flexibility to deal with planned changes in the size and composition of the Board to ensure that an appropriate mix of skills and experience can be maintained or added to the Board.

The fees paid to the non-executive directors for the financial year ended 31 August 2013 are set out in the Remuneration Report.

ITEM 9 - REMUNERATION REPORT (NON-BINDING RESOLUTION)

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

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



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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 for 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), 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 the 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:
 - (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.



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