

# #LOVEBOQ



## NOTICE OF ANNUAL GENERAL MEETING 2014

THE 140TH ANNUAL GENERAL MEETING OF BANK OF QUEENSLAND LIMITED (BOQ) WILL BE HELD IN THE BALLROOM, LEVEL 5 AT THE HILTON HOTEL, BRISBANE ON THURSDAY, 27 NOVEMBER 2014 AT 10.00AM AEST. REGISTRATION COMMENCES AT 9.15AM. ENTER THE HILTON HOTEL VIA THE QUEEN STREET MALL OR 190 ELIZABETH STREET.

24 October 2014

Dear Shareholder

**I am pleased to invite you to attend the 140th Annual General Meeting of Bank of Queensland Limited.**

The meeting will be held at 10.00am (AEST) on Thursday, 27 November 2014 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 2014 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](http://www.linkmarketservices.com.au).

At the AGM, I will present to you BOQ's results for the financial year ended 31 August 2014 and invite your questions, comments and discussion on those results. Your acting Chief Executive Officer, Jon Sutton, and I will also outline for you BOQ's plans for the future.

The business of the meeting includes proposals for the re-election of two current directors, being Michelle Tredenick and me. Bruce Carter and Margaret Seale, who were appointed as additional non-executive Directors during the year, offer themselves for election to the Board.

At the meeting I will also ask shareholders to approve future issues of award rights under the BOQ Award Rights Plan (this renews the approval which is required every three years and was last given in 2011). 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 strongly urge you to support each proposal.

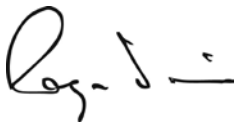
If you attend the meeting personally, please bring this letter with you as it contains a barcode that will assist with registration and voting.

If you are unable to be present, I encourage you to participate in the meeting by appointing a proxy. You can register your proxy appointment online at [www.linkmarketservices.com.au](http://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, 25 November 2014 to be valid.

The meeting will also be webcast live on [www.boq.com.au](http://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

# NOTICE OF ANNUAL GENERAL MEETING

## AGENDA

### 1. Financial Statements and Reports

To receive and consider the financial statements for the year ended 31 August 2014 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, Roger Davis, who retires by rotation in accordance with the Constitution and, being eligible, offers himself for re-election.
- (b) To re-elect a director, Michelle Tredenick, who retires by rotation in accordance with the Constitution and, being eligible, offers herself for re-election.
- (c) To elect a director, Bruce Carter who was appointed since the last Annual General Meeting and, being eligible, offers himself for election.
- (d) To elect a director, Margaret Seale, who was appointed since the last Annual General Meeting and, being eligible, offers herself for election.

(Refer to Item 2 of the Explanatory Statement).

### 3. Approval of Future Issues Under the Award Rights Plan

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

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

This resolution is subject to voting exclusions as set out at the end of this Notice. (Refer to Item 3 of the Explanatory Statement).

### 4. 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 2014 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 4 of the Explanatory Statement).

## PROXIES:

1. A member who is entitled to vote at the meeting may appoint:
  - (a) one proxy if the member is only entitled to one vote; or
  - (b) one or two proxies if the member is entitled to more than one vote.
2. Where the member appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one half of the votes, in which case any fraction of votes will be disregarded.
3. A proxy need not be a member of BOQ.
4. If you require an additional proxy form, BOQ will supply it on request.
5. Members may register the appointment of proxies online at:  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)  
by using the secure online access information set out in the proxy form, no later than 10.00 am (AEST) on Tuesday, 25 November 2014.
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 Tuesday, 25 November 2014:
  - (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).

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## VOTING RIGHTS

All of the shares that are quoted shares at 7.00pm (Sydney time) on Tuesday, 25 November 2014 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 – Approval of Future Issues Under the Award Rights Plan (Remuneration related resolution)

In accordance with the Corporations Act 2001, BOQ will disregard any votes cast on Resolution 3 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:

- (a) the proxy is the Chair of the meeting; and
- (b) 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.

### Item 4 – Remuneration Report – non-binding vote

In accordance with the Corporations Act 2001, BOQ will disregard any votes cast on Resolution 4 (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 to vote on Resolution 4; 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 4; and
    - (ii) expressly authorises the Chair to exercise the proxy on Resolution 4 even though Resolution 4 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 4 as proxy 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 4, 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 4 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 2014. 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 intends, as at the date of this notice, to vote IN FAVOUR of that Resolution on a poll.

DATED 24 October 2014

BY ORDER OF THE BOARD

### Melissa Grundy

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 Tuesday, 25 November 2014.

# NOTICE OF ANNUAL GENERAL MEETING

## 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

The BOQ Board is, at the date of this Notice of Meeting, comprised of 9 non-executive directors.

In the last twelve months there has been significant renewal of the BOQ Board with Roger Davis assuming the role of Chairman, two new independent non-executive directors having been appointed – Margie Seale in January 2014 and Bruce Carter in February 2014, and the recruitment for a new Chief Executive Officer is under way.

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. 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 Bank. Eight directors live in Australia and one director lives overseas.

Background information on each director seeking election is provided below.

### (a) Mr Roger Davis

Mr Davis has served on the Board of BOQ since August 2008 and was appointed Chairman on 28 May 2013. Mr Davis is Chair of the Nomination and Governance Committee, a member of the Audit Committee and Risk Committee and an attendee at all other Board Committee meetings.

Mr Davis has 32 years' experience in banking and investment banking in Australia, the United States and Japan. Mr Davis has a Bachelor of Economics (Hons) degree from the University of Sydney, a Master of Philosophy degree from Oxford.

He is currently a consulting Director at Rothschild Australia Limited. He 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 a Director of ANZ (New Zealand) Limited, CitiTrust in Japan and Citicorp Securities Inc. in the United States of America.

Mr Davis currently serves as a non-executive director of AIG Australia Ltd, Argo Investments Limited, Ardent Leisure Management Ltd and Ardent Leisure Ltd and Aristocrat Leisure Ltd.



Mr Davis has been assessed under the BOQ Fit & Proper Policy which involves an assessment of the fitness and propriety of all new and existing directors to hold office against the BOQ's documented criteria of competencies required for the office. As part of this assessment, Mr Davis has confirmed to BOQ that he will be able to dedicate sufficient time to fulfil his responsibilities as Chairman of the Board.

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. BOQ considers his independence is evidenced by his ability to constructively challenge and independently contribute to the work of the Board.

Mr Davis was last elected as a non-executive director in December 2011. He retires by rotation in accordance with BOQ's Constitution and, being eligible, offers himself for re-election.

### **Board Recommendation**

The Board, with the exception of Mr Davis, recommends that shareholders vote in favour of Mr Davis' re-election as a director.

### (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 a member of the Human Resources & Remuneration Committee and the Risk Committee.

Ms Tredenick has more than 30 years' experience in the banking, insurance and wealth management industries across Australia and New Zealand.

Ms Tredenick has held senior 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 for NAB and MLC companies. During her career, she has held various roles as Chief Information Officer, Head of Strategy as well as line responsibility for corporate superannuation, insurance and wealth management businesses.

In addition to her role at BOQ, Ms Tredenick currently serves as a non-executive director of Vocation Ltd and Canstar Pty Ltd. She is Chair of IAG and NRMA Superannuation Pty Ltd and is a Member of the Senate of the University of Queensland and the Board of St James Ethics Centre.

Ms Tredenick has been assessed under the BOQ Fit & Proper Policy which involves an assessment of the fitness and propriety of all new and existing directors to hold office against the BOQ's documented criteria of competencies required for the office. As part of this assessment, Ms Tredenick has confirmed to BOQ that she will be able to dedicate sufficient time to fulfil her responsibilities as a non-executive director of the Board.

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's extensive experience in banking, insurance and wealth management has added valuable expertise to the BOQ Board.

Ms Tredenick was last elected as a non-executive director in December 2011. She retires by rotation in accordance with the BOQ's Constitution and, being eligible, offers herself for re-election.

### **Recommendation**

The Board, with the exception of Ms Tredenick, recommends that shareholders vote in favour of Ms Tredenick's re-election as a director.



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## **(c) Mr Bruce Carter**

Mr Carter has been a director of the BOQ Board since February 2014.

Mr Carter is a member of the Audit Committee and the Risk Committee.

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.

He has worked with all the major financial institutions in Australia. Before Ferrier Hodgson, Mr Carter was employed 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 Australian Submarine Corporation and Territory Insurance Office and is a non-executive director of SkyCity Entertainment Group Limited and Genesee & Wyoming Australia Pty Ltd.

Mr Carter has been assessed under the BOQ Fit & Proper Policy which involves an assessment of the fitness and propriety of all new and existing directors to hold office against the BOQ's documented criteria of competencies required for the office. As part of this assessment, Mr Carter has confirmed to BOQ that he will be able to dedicate sufficient time to fulfil his responsibilities as a non-executive director of the Board.

The Board has assessed that Mr Carter is an independent director. Mr Carter's appointment has enhanced the Board's skill set with his deep experience across accounting, insurance and government liaison in Australia and internationally.

Bruce Carter, having been appointed since the last Annual General Meeting and, being eligible, offers himself for election.

### **Board Recommendation**

The Board, with the exception of Mr Carter, recommends that shareholders vote in favour of Mr Carter's election as a director.

## **(d) Ms Margaret Seale**

Ms Seale has been a director of the BOQ Board since January 2014.

Ms Seale is a member of the Information Technology Committee and the Human Resources & Remuneration Committee.

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 assist them adapt and thrive in 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, the global company. Amongst other roles prior to that she held national sales and national marketing roles for Oronot and Pan Macmillan respectively.



Ms Seale currently serves as a non-executive director of Telstra and is a member of its Audit & Risk Committee. She has also served on the boards of the Australian Publishers' Association and the Powerhouse Museum, and on the Council of Chief Executive Women, chairing its Scholarship Committee from 2011 to 2012. She remains a non-executive director of Random House Australia and New Zealand.

Ms Seale has been assessed under the BOQ Fit & Proper Policy which involves an assessment of the fitness and propriety of all new and existing Directors to hold office against the BOQ's documented criteria of competencies required for the office. As part of this assessment, Ms Seale has confirmed to BOQ that she will be able to dedicate sufficient time to fulfil her responsibilities as a non-executive director of the Board.

The Board has assessed that Ms Seale is an independent director. Ms Seale's extensive expertise in marketing and strategy and has added significant expertise to the BOQ Board.

Margaret Seale, having been appointed since the last Annual General Meeting, and being eligible, offers herself for election.

### **Board Recommendation**

The Board, with the exception of Ms Seale, recommends that shareholders vote in favour of Ms Seale's election as a director.

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

### **3.1 Background and rationale**

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

The 2011 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.

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 for the purposes of Listing Rule 7.2.

Listing Rule 7.1 provides that any listed entity must not issue equity securities that total more than 15% of its fully paid ordinary shares in a 12 month period without the approval of shareholders (15% Rule).

Under Listing Rule 7.2, members may approve issues of Award Rights under the Award Rights Plan as an exception to the 15% Rule. This means that issues of Award Rights under the Award Rights Plan are not considered for the purposes of calculating the capacity of 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, issues of Award Rights under the Award Rights Plan may be made, but must fall within and be permitted by the 15% Rule at the time of issue.

The terms of the Award Rights Plan provide that 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



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under a prospectus or that were exempt from prospectus disclosure), exceed 5% of BOQ's total issued ordinary shares.

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.

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

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 acquisitions, if necessary.

### 3.2 Types of Award Rights

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

The two types of Award Rights that are currently used under the renewed Plan are Performance Award Rights (PARs) and Deferred Award Rights (DARs).

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

#### PARs

The BOQ approach to PARs up to the current financial year has been to issue PARs with a single vesting framework. That vesting framework is based on Total Shareholder Return (TSR) of BOQ as measured against a Peer Group over a 3 year period.

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.

Half of an employee's PARs would vest if BOQ's TSR performance over the three year period is in the top 50% of the Peer Group and 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.

The Board now considers that a dual framework may offer greater flexibility for setting performance conditions for PARs and has decided to adopt a dual vesting framework commencing 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 current Relative TSR measure.

PARs that are currently on issue will not be affected by the change in approach to vesting and will continue to be subject to the vesting conditions set at the time of issue.

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 two 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).

#### Other PARs and DARs terms

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

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

Under the currently issued PARs and DARs, where the employee 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 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 employment.

The Board may offer PARs and DARs that do not lapse on resignation or termination. If an employee 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 trust, they may be forfeited by BOQ if the employee's employment ceases for reasons of serious misconduct involving dishonesty or fraud.

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

#### 3.3 Terms of the Award Rights Plan

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

A copy of the full terms of the Award Rights is available on BOQ's website at [www.boq.com.au](http://www.boq.com.au).

#### 3.4 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 8 December 2011 are as follows:

Allocation Date	DARs Issued	DARs outstanding balance as at 31 August 2014
16/12/2011	471,620	158,223
20/01/2012	1,216	0
21/01/2012	9,121	4,560
04/06/2012	65,432	0
06/07/2012	138,261	0
23/07/2012	30,030	0
18/12/2012	442,414	305,044
08/03/2013	20,317	16,911
20/05/2013	38,484	27,108
16/12/2013	420,932	410,784
<b>Total DARs</b>	<b>1,637,827</b>	<b>922,630</b>

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Allocation Date	PARs Issued	PARs outstanding balance as at 31 August 2014
16/12/2011	444,803	117,703
21/01/2012	3,040	3,040
04/06/2012	162,940	162,940
06/07/2012	142,103	142,103
23/07/2012	75,075	75,075
18/12/2012	718,074	632,895
08/03/2013	13,430	13,430
20/05/2013	37,789	37,789
16/12/2013	777,655	777,655
07/08/2014	113,109	113,109
<b>Total PARs</b>	<b>2,488,018</b>	<b>2,075,739</b>

### 3.5 Board Recommendation

The Board recommends that shareholders vote in favour of Resolution 3. 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 Plan.

### ITEM 4 – 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 between remuneration and BOQ's performance, and other information required by the Corporations Act 2001 (Cth) about director and senior manager remuneration.

### Attachment A

#### Summary of the Award Rights Plan

1. Under the Award Rights Plan, the Board may grant Award Rights to employees (including executive directors) of 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](http://www.boq.com.au).

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