APS 330 Remuneration Disclosures

YEAR ENDED 31 AUGUST 2014

TABLE 18: REMUNERATION DISCLOSURE REQUIREMENTS

The following remuneration disclosures have been prepared in line with the prudential standard APS 330 Public Disclosure (APS 330) and Board approved policy. The Australian Prudential Regulatory Authority's (APRA's) prudential disclosures require that all Authorised Deposit-taking Institutions (ADIs) meet the minimum requirements for public disclosure of qualitative and quantitative information of their remuneration practices.

This prudential disclosure is separate to the existing Remuneration Report requirements which cover only Key Management Personnel (KMP). This quantitative information relates to senior managers and material risk takers of the Bank of Queensland (the Bank) for the financial year ended 31 August 2014. The information contained within this disclosure is based on information that is consistent with information provided to the Bank's external auditor. However, the information reported is provided for regulatory disclosure purposes and is not comparable to accounting reporting or any other information disclosed elsewhere by the Bank.

Senior managers for the purpose of this disclosure include the Managing Director and CEO (CEO), the executive management team (KMP as reported in the Remuneration Report) and Responsible Persons (as per BOQ Remuneration Policy). A 'senior manager' refers to each responsible person included in an ADI's Remuneration Policy under paragraph 48(a) of Prudential Standard CPS 510 Governance (CPS 510). There are currently 24 employees within this group at BOQ.

Material risk takers are defined persons included in an ADI's Remuneration Policy under paragraph 48(c) of CPS 510 as all other persons for whom a significant portion of total remuneration is based on performance and whose activities, individually or collectively, may affect the financial soundness of the regulated institution. There are no employees outside of the senior management group that are considered material risk takers based on this definition. The Bank material risk takers are included in the senior manager category of this disclosure.

Remuneration governance

The Bank's Board of Directors (the Board) are responsible for remuneration governance. The Board has established a Human Resources & Remuneration Committee (the Committee) which makes recommendations to the Board regarding remuneration for groups of employees or third parties who, either individually or collectively:

- may materially impact the Bank's performance against its strategic and financial objectives; and
- receive remuneration which, if inappropriately structured and delivered, has the potential to negatively and materially impact upon the level of risk considered acceptable to the Bank.

The Committee comprises 4 non-executive directors and is Chaired by Mr David Willis. Members of the Committee are confirmed annually by the Board. This Committee makes recommendations on remuneration for employees of the Bank and subsidiaries, and provides recommendations to the Board of St Andrew's Australia Services Pty Ltd and the Board of BOQ Specialist Bank Ltd.

Where necessary, the Board seeks advice from independent experts and advisors including remuneration consultants. Remuneration consultants are engaged by and report directly to the Committee which ensures, upon engagement, that the appropriate level of independence exists from the Bank's management. Where the consultant's engagement requires a recommendation, the recommendation is provided to, and discussed directly with the Chairman of the Committee to ensure management cannot unduly influence the outcome. In 2014, the Committee commissioned information from Egan and Associates and KPMG regarding remuneration market data, market practice, regulatory and legislative advice.

The Committee makes recommendations to the Board on remuneration policies and Directors' and executives' remuneration. The Committee last reviewed the remuneration policy in August 2014 and the BOQ Board approved the updated policy to include the BOQ Specialist Bank Ltd employees.

The Committee's objectives include the following:
Assisting the Board to discharge its responsibilities to exercise due care, diligence and skill in relation to the following:

- The design of the Bank's remuneration structure and incentive reward plans for employees;
- The Bank's public reporting of financial information on remuneration matters;
- Remuneration policies, fees and other entitlements for the Non-Executive Directors and CEO; and
- The Bank's Remuneration Policy for senior executives and other Bank staff as required by APRA Prudential Standards, including APRA Prudential Standards CPS510 – Governance and CPS 520 – Fit and Proper ("the Standards");
- Providing a formal forum for communication between the Board and management on human resource issues; and
- Improving the efficiency of the Board by enabling delegation of appropriate tasks to the Committee where such tasks can be discussed in sufficient depth.

In summary, the Committee is responsible for recommending to the Board for approval:

- Conduct reviews of the Remuneration Policy including remuneration frameworks;
- Remuneration arrangements and all reward outcomes for the CEO, KMP, Responsible Persons and other individuals whose roles may affect the financial soundness of the Bank;
- Remuneration arrangements for finance, risk and internal control employees;
- Key performance indicators for the CEO;
- Proposed remuneration for KMP and appointments where the remuneration for the individual falls outside of the framework of the remuneration policy;
- Any incoming or outgoing payments, cash bonuses or equity issues proposed to be paid to any new employees who would be classified as a member of the KMP or as a Responsible Person;
- Review of the measurable objectives set on an annual basis pursuant to the Bank's Diversity Policy, reporting progress against them to the Board.

The Committee's key responsibilities are set out in its Charter which is reviewed by the Board annually.

The Charter is available on the Bank's website at www.boq.com.au

TABLE 18: REMUNERATION DISCLOSURE REQUIREMENTS (CONTINUED)

The Committee seeks to ensure that the Remuneration Policy continues to adequately support the Bank's overall risk management framework. The Committee meets at least six times per year and in the 2014 financial year eight meetings were held. The Chairman of the Board attends Committee meetings and received no payment for this. The fees paid to the Committee in total are set out below:

Item	Year
Financial Year	2014
Committee Members [2]	4
Number of Meetings	8
Total fees including the Committees members and Committee Chairman [3]	$57,916 [1]

(1) Fees are base fees without superannuation.

(2) Inclusive of the Chairman

(3) The Chairman of the Committee received $26,667 in fees.

Bank Remuneration Policy and framework

The Remuneration Policy applies to all Bank employees and employees of all Bank subsidiaries. The Remuneration Policy for the Bank provides a remuneration structure, comprising of basic salary, short term incentives (STI) and long term incentives (LTI) to reward its employees dependant on the level of responsibilty. The Bank administers remuneration according to the following principles:

1. The Bank will pay comparative levels of fixed pay to its employees fairly given their roles and responsibilities. Remuneration, in total, will be competitively relative to similar roles at other comparable companies.
2. Individuals must have individual performance objectives as part of their performance commitment to the Bank and ensure that they adhere to risk management practices to be eligible for incentive payments.
3. The Bank will provide rewards in terms of fixed pay, bonuses and LTIs where applicable as well as employee benefits that facilitate retention, improve performance and support achievement of the Bank's desired performance objectives.
4. Performance-based incentive arrangements will be operated in a responsible manner from the perspective of both investors and customers, and will be designed to encourage behaviour that supports:
   (a) The Bank's long-term financial soundness; and
   (b) The risk management framework of the Bank.
5. Threshold, target and maximum financial performance hurdles for Bank wide performance will be approved by the Board.
6. Long-term performance-based incentives will be provided on a selective basis to employees who are able to meaningfully influence the Bank's long-term performance and for whom retention is seen as important.
7. In general, short and long-term incentive awards will be paid in cases where threshold EPS performance has been met, where risk principles have been adhered to and where the Bank can demonstrate to its investors that awards are affordable and linked directly to the creation of shareholder value over the long term. Deferral and clawback principles will apply to STI payments. The Board has discretion over these payments where special circumstances arise.
8. Executives' and Responsible Persons' total remuneration will be approved by the Board based on market data and the performance of the Bank.
9. STI and LTI are discretionary in nature.

The remuneration structure in place for the employees (including the CEO) is consistent with the Bank's Remuneration Policy and is based on a total remuneration approach comprising an appropriate mix of fixed (salary and benefits) and variable pay in the form of cash and equity-based incentives. This equity portion is delivered over time and subject to continued tenure of the participant (the approach for the CEO and Group Executives is covered in the section covering Remuneration Components, the performance of the Bank, and compliance and risk gateways. The at-risk components (Deferred STI in the form of restricted shares and LTI in the form of performance award rights) are subject to clawback (at threshold) in part or whole.

The total remuneration opportunity for all employees is reviewed on an annual basis. Fixed remuneration is targeted at the market median however in cases where the Bank is actively pursuing strategic talent or the market is particularly competitive, remuneration may be higher than the median. The total remuneration mix for an individual varies depending on the level of the role within the organisation.

TABLE 18: REMUNERATION DISCLOSURE REQUIREMENTS (CONTINUED)

Remuneration Components

The Table below provides an overview of the remuneration components for all employees of the Bank.

Item	Structure, Performance & Risk Alignment
Fixed remuneration Base salary, salary sacrificed benefits, other benefits plus superannuation	Fixed remuneration is commensurate with the size and complexity of the role, individual responsibilities, individual performance, experience and skills. The majority of roles are aligned to market median and annually reviewed considering the individual's performance and market relativity. Superannuation contributions are paid according to statutory requirements.
Short Term Incentives (STI) Corporate incentive plans	Employees are able to participate in the Bank's STI Plan. There are two STI plans, one for Enterprise Agreement employees and one for Senior Managers and other employees. *Senior Mangers and other employees* The corporate STI plan has a strong link between performance and reward. The performance hurdles for the 2014 financial year include: • The Bank's performance against target NPAT; • The Bank's cost to income ratio; • Individual performance criteria; and • Adherence with the Bank's risk framework and expected behaviours. A Senior Manager's individual performance criteria for the 2014 financial year was comprised of the Bank's strategic initiatives; • Customer in Charge; • Grow the Right Way; • There's Always a Better Way; • Loved Like No Other; • Demonstration of appropriate leadership behaviours. *Enterprise Agreement employees* Enterprise Agreement employees have a plan that is linked to both Bank and individual performance criteria.
Short Term Incentive Governance	The Board approves funding for the incentive pool for the corporate incentive plans annually. In its consideration, the following factors are reviewed: • Bank performance against key financial and non-financial scorecard measures; • Long-term financial soundness and shareholder return. Whilst the performance of the Senior managers is assessed against a range of performance measures, the Board and the Committee recognise that there are still a range of factors which must be taken into account when considering overall remuneration outcomes. The Committee may recommend discretionary adjustments to the outcomes for the Senior Managers that may impact their remuneration negatively or positively The Board has the discretion to adjust all performance based remuneration downwards to zero, for either individuals or groups of individuals, where deemed appropriate based on risk outcomes or behaviour or non-compliance with policies, standards, guidelines and procedures.

TABLE 18: REMUNERATION DISCLOSURE REQUIREMENTS (CONTINUED)

Remuneration Components (Continued)

Item	Structure, Performance & Risk Alignment
Long Term Incentives (LTI) for Senior Managers	LTI reward Senior Managers primarily for potential and retention. Senior Managers contribute to long term performance and shareholder value creation. There are two types of award rights that can be granted to employees under the plan, Performance Award Rights ("PARs") and Deferred Award Rights ("DARs"), the CEO and Group Executives are excluded from allocations of DARs. Eligibility, quantum and mix of LTI vary based upon a participant's accountabilities, contribution, potential and seniority. The allocation of LTIs is based on a face value, rather than a fair value methodology. The reported values of "Shares and share - linked instruments" in this document follow this methodology for greater transparency. Grants of PARs to Senior Managers align their interests with those of the Bank and its shareholders. This includes encouraging behaviour that supports the risk management framework and the long-term financial soundness of the Bank that in turn supports long-term performance. PARs focus Senior Managers on achievement of Total Shareholder Return (TSR) improvement though an external objective measure used to define performance outcomes against comparators. PARs vest based on the Bank's TSR performance measured against a comparator group over a 3 year period. Upon termination, the unvested PARs held by the CEO and Group Executives may remain on foot, with Board approval. This is to create alignment in decision making with long term financial performance of BOQ post employment. All unvested PARS that remain on foot are at risk and subject to previously agreed hurdles. PARS awarded to other employees are cancelled upon cessation of employment with BOQ DARs are awarded to a broader group of employees and are designed to promote employee retention and productivity. The number of DARs awarded to an individual employee depends on their position and relative performance and potential as determined under the normal performance review and development process undertaken for all employees. The remuneration governance framework allows the Board to exercise its judgment to reduce or increase LTI. Employees cannot hedge equity instruments that are vested, unvested or subject to restrictions.

Aligning remuneration with risk management

Risk forms a key part of the remuneration structure at the Bank and is embedded in the assessment and allocation of variable compensation. Risk management practices are governed by an integrated framework of policies (including risk appetite statements and the Remuneration Policy). In assessing performance, the Chief Risk Officer provides feedback to the Board concerning risk behaviours and outcomes during the financial year.

Current and future risks are also included in the Bank-wide key performance indicators for all employees with the financial targets for the Bank including:

- A separately weighted risk measure; and
- An assessment based on behavioural and cultural measures, which consider adherence to the risk management framework.

The Board ensures that risk management is a specific performance goal and also a hurdle for eligibility.

The Committee's starting point when considering STI and LTI outcomes is the Bank's performance scorecard which is then followed by a consideration of other variables such as the shareholder return, risk related performance and the financial soundness of the outcomes achieved. Once consideration has been made for these factors the Board makes its determination on the STI and LTI pools. The intent of this process is to moderate the STI and LTI allocation upwards or downwards to ensure alignment of outcomes between employees and shareholders.

The table below provides the key risks and measures for the Bank for the 2014 financial year which are updated periodically to ensure compliance with the legislative standards. Additionally, the Bank updates periodically to ensure alignment with the risk appetite. There has been no change to these measures in the past year.

Risk	Measure	Review of the measure
Compliance Risks	Audit findings - Internal and external Branch scorecard performance and audits Completion of mandatory compliance training Regulatory compliance breaches	Compliance measures are reviewed monthly.
Operational Risk	Quantitative measures include: • Clients, Products and Business Practices • Internal & External Audits • Execution, Delivery & Process Management • Business Disruption, Continuity & System Failure • IT Security	These quantitative measures are produced and reviewed on a monthly basis.
Financial Risk	Metrics embedded within KPI's include compliance with Board delegated trigger limits for key credit, liquidity, funding, rate of return, earnings volatility, target debt rating, capital and market risk limits.	Market risk, liquidity and funding composition are monitored daily. The other financial risks are monitored at least monthly.

TABLE 18: REMUNERATION DISCLOSURE REQUIREMENTS (CONTINUED)

Risk framework and expected behaviours

Participants are expected to demonstrate behaviours that reflect values and objectives of the Bank as approved by the Board, including adherence with the Bank's overall risk framework.

The STI and LTI continues to include specific risk key performance indicators (KPI) designed to ensure specified quantifiable results are achieved within appropriate risk management parameters. The risk framework includes KPI's at an individual and Bank level, KPI's for the CEO and Group Executives are subject to Board oversight. Failure to meet the risk KPI's will result in modification, suspension or withdrawal of STI and LTI and will impact the participant's deferred STI, providing a mechanism for claw-back, where appropriate.

Deferral and claw-back

The remuneration structure is inclusive of deferral of variable remuneration for all employees who meet the parameters set out in the table below. The table below provides a summary of the various deferral arrangements applicable to different groups across the Bank. This deferral ensures appropriate risk reviews are conducted before all variable remuneration is paid.

At the end of the deferral period, the deferred incentive may be reduced or forfeited (referred to as 'claw-back').

Deferral and potential claw-back are in place to encourage a longer term focus. The Bank's remuneration governance framework allows for the Board to claw-back, in part or whole, all unvested performance based incentives. The Board retains discretion to determine what constitutes a "claw-back" event and such events can include breaches of risk KPI's and instances where there has been a material misstatement in the financial statements.

Group	Deferral Arrangement
CEO and Group Executives	Once any STI payment exceeds $100,000, 50% of the total amount awarded is deferred into restricted shares for a period of 2 years (50% vesting at the end of year 1 and 50% at the end of year 2). Restricted shares are ordinary BOQ shares held by a trustee on behalf of participants and subject to disposal restrictions, and eligible for receipt of dividends. The restricted share will be released to the individual at the end of the deferral period subject to continued employment and the Board determining that no "forfeiture" events have occurred. The board retains discretion to determine what constitutes a "clawback" event; such events can include breaches of risk KPI's, departure to a direct competitor and instances where there has been a material misstatement in the financial statements. LTI Awards are deferred over a 3 year period and subject to set performance hurdles.
Senior Managers	Once any STI payment exceeds $100,000, 50% of the total amount awarded is deferred into cash for a period of 2 years. Deferred STI vest in 2 equal tranches: 50% vests in 12 months, and the remaining 50% in 24 months from performance period start date (including interest accrued) and is subject to vesting conditions. LTI Awards are deferred over a 3 year period and subject to set performance hurdles.
All Other Employees	Once any STI payment exceeds $100,000, 50% of the total amount awarded is deferred into cash for a period of 2 years. Deferred STI vest in 2 equal tranches, 50% vests in 12 months and the remaining 50% in 24 months from performance period start date (including interest accrued) and is subject to vesting conditions.

Risk and financial control personnel

Risk and financial control personnel (as defined in paragraph 48(b) of CPS 510) are employed in centralised functions across the Bank. Remuneration outcomes for these individuals are based on the performance of the Bank and their individual performance against KPIs.

The KPIs set for individuals in these functions are not linked to the financial performance of the business unit they oversee. KPIs for senior managers are reviewed by the Committee. The Boards Audit Committee reviews the Chief Financial Officer, and the Boards Risk Committee reviews the Chief Risk Officer KPIs

TABLE 18: REMUNERATION DISCLOSURE REQUIREMENTS (CONTINUED)

Senior Manager Quantitative Remuneration for year ended 31 August 2014

The following tables have been prepared in accordance with the quantitative requirements outlined in APS 330.

The table below provides a breakdown of the value of fixed and variable remuneration for senior managers for the year ended 31 August 2014.

Item	Senior Managers [a] ($'000)	Material Risk Takers [b] ($'000)
Number of Incumbents	24	-
Fixed Remuneration		
Cash-based (Non Deferred) [1]	$9,492	-
Shares and share linked instruments	-	-
Other [2]	$1,462	-
Variable Remuneration		
Cash-based (Non Deferred) [3]	$3,172	-
Cash-based (Deferred) [4]	$557	-
Share linked instruments (Deferred) [5]	$6,149	-
Other	-	-

(a) All senior managers received a variable remuneration award during the 2014 financial year (total of 24 individuals). No guaranteed bonuses, sign on or termination payments were made during the financial year for Senior Managers.

(b) There are no employees outside of the senior management group that are considered material risk takers based on this definition. BOQ material risk takers are included in the senior manager category of this disclosure.

(1) Represents actual fixed remuneration received, including salary sacrificed benefits, employer superannuation and car parking costs (including associated benefits tax).

(2) This includes annual leave and long service leave accruals and rental allowances.

(3) Cash incentives earned in financial year 2014, this includes deferred cash portion of awards including interest accrued.

(4) For all cash deferred awards this includes the total value deferred and is subject to potential clawback during the deferral period.

(5) Represents the LTI allocated for performance in the 2014 financial year at the face value allocation price as at 31 August 2014

TABLE 18: REMUNERATION DISCLOSURE REQUIREMENTS (CONTINUED)

Senior Manager Quantitative Remuneration for year ended 31 August 2014 (continued)

The table below provides a summary of deferred cash and equity-based remuneration, including total amount of outstanding awards, and those that have vested during the 2014 financial year, including any reductions due to ex post explicit and implicit adjustments.

The table below summarises the requirements under paragraphs 18 (i), (j) and (k) of table 18A of APS 330.

Item	Senior Managers [a] ($'000)	Material Risk Takers [b] ($'000)
Number of Incumbents	24	-
Outstanding Remuneration		
Cash based awards	$690	-
Shares and share – linked instruments [2]	$25,929	-
Total Outstanding Remuneration (Deferred)	$26,619	-
Total outstanding remuneration vesting during the 2014 financial year [2]	$2,982	-
Total amount of reductions during the 2014 financial year due to explicit adjustments [3]	$737	-
Total amount of reductions during the 2014 financial year due to implicit adjustments [3]	-	-

(a) All senior managers received a variable remuneration award during the 2014 financial year (total of 24 individuals). No guaranteed bonuses, sign on or termination payments were made during the financial year for Senior Managers.

(b) There are no employees outside of the senior management group that are considered material risk takers based on this definition. BOQ material risk takers are included in the senior manager category of this disclosure.

(1) All deferred remuneration is exposed to ex post explicit and implicit adjustments. This includes the sum of all outstanding deferred cash and equity awards as at 31 August 2014. For all equity-based deferred STI awards this includes the total face value, and for all LTI awards this includes the total fair value of outstanding awards.

(2) Shares and share – linked instruments are expressed as face value, aligning with BOQ's allocation methodology.

(3)This includes any reductions to awards which vested during 2014 financial year. Explicit adjustments include all reductions due to revaluation of awards, downward adjustments to outcomes and forfeitures.

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TABLE 18: REMUNERATION DISCLOSURE REQUIREMENTS (CONTINUED)

Glossary of Key Terms

To assist readers, key terms and abbreviations used in this report as they apply to the Bank are set out below.

Term Definition

Base Remuneration	Cash and non-cash remuneration paid regularly with no performance conditions.
Board	The Board of Directors of the Bank of Queensland.
Fixed Remuneration	Consists of Base Remuneration plus employer contributions to superannuation.
Key Management Personnel (KMP)	Persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity. For APS 330, this includes the CEO and all Group Executives (non-executive directors are not subject to the prudential disclosures).
Key Performance Indicators (KPIs)	Quantitative and qualitative measures, agreed at the start of the performance year, to drive performance outcomes at the Bank, Business Unit, team and individual level.
Long Term Incentive (LTI)	A remuneration arrangement which grants benefits to participants that may vest if, and to the extent that, performance hurdles are met over a period of three or more years.
NPAT	Net profit after tax.
Salary Sacrifice	An arrangement where an employee agrees to forgo part of his or her cash component of Base Remuneration
Total Shareholder Return (TSR)	TSR measures a company's share price movement, dividend yield and any return of capital over a specific period.
Short Term Incentive (STI)	Remuneration paid with direct reference to the Bank's and the individual's performance over one financial year.
Total Remuneration	The total combination of fixed and variable remuneration (STI and LTI) that an employee has the potential to receive if they achieve target performance objectives.
Variable Remuneration	Performance-based remuneration, which includes short term incentives that reward performance over the financial year, and long term incentives that reward performance over a longer term.