



2016

NOTICE OF ANNUAL GENERAL MEETING

THE 142ND ANNUAL GENERAL MEETING OF BANK OF QUEENSLAND LIMITED ACN 009 656 740 (BOQ) WILL BE HELD IN THE BALLROOM, LEVEL 5 AT THE HILTON HOTEL, 190 ELIZABETH STREET, BRISBANE CITY QLD 4000 ON WEDNESDAY, 30 NOVEMBER 2016 AT 10.00AM (BRISBANE TIME). REGISTRATION COMMENCES AT 9.15AM (BRISBANE TIME). 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.



27 October 2016

Dear Shareholder

I am pleased to invite you to attend the 142nd Annual General Meeting of Bank of Queensland Limited.

The meeting will be held at **10.00am (AEST) on Wednesday, 30 November 2016** in The Ballroom, Level 5 at the Hilton Hotel, 190 Elizabeth St, Brisbane City QLD 4000 with shareholder registration commencing at 9.15am.

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

Information on BOQ's performance for the year is available in the Financial disclosures section of BOQ's online Shareholder Centre (www.boq.com.au/shareholder.htm) and in the enclosed Shareholder Review (or Annual Report if you have elected to receive one). Shareholder questions for the AGM can be submitted via the online Investor Centre at www.linkmarketservices.com.au.

At the AGM, I will present BOQ's results for the financial year ended 31 August 2016 and invite your questions, comments and discussion on those results. Managing Director and Chief Executive Officer, Jon Sutton and I will also outline BOQ's plans for the future.

The business of the meeting includes a proposal for the re-election of David Willis as a director of BOQ. Karen Penrose, John Lorimer and Warwick Negus, who were appointed as additional non-executive Directors during the year, present themselves for election to the Board.

At the meeting I will also ask shareholders to:

- Approve the issue of 117,865 Performance Award Rights under the BOQ Award Rights Plan to Mr Jon Sutton, as part of his long term incentive package as Managing Director and Chief Executive Officer of BOQ.
- Approve an increase to the aggregate maximum amount of the non-executive director fee pool by \$200,000, from \$2,600,000 to \$2,800,000 to principally 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. This matter was last considered by shareholders at the BOQ Annual General Meeting held in November 2013.

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.

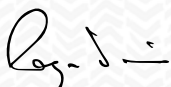
If you attend the meeting in person, please bring your personalised Proxy Form with you as it contains a barcode that will assist with registration and voting.

If you are unable to 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. 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 Monday, 28 November 2016 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

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AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the financial statements for the year ended 31 August 2016 and the related Directors' Report and Auditor's Report. (Refer to Item 1 of the Explanatory Statement).

2. ELECTION OF DIRECTOR

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

- a) *To re-elect a director, David Willis, who retires by rotation in accordance with the Constitution and, being eligible, offers himself for re-election.*
- b) *To elect a director, Karen Penrose, who was appointed since the last Annual General meeting and, being eligible, offers herself for election.*
- c) *To elect a director, John Lorimer, who was appointed since the last Annual General Meeting, and being eligible, offers himself for election.*
- d) *To elect a director, Warwick Negus, 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. 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, approval be given for the grant to, or for the benefit of, Mr Jon Sutton, Managing Director and Chief Executive Officer of BOQ, of 117,865 Performance Award Rights under the BOQ Award Rights Plan in accordance with the terms described in Item 3 in the Explanatory Statement.

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. 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 \$2,600,000 per annum (inclusive of superannuation guarantee charge (SGC) contributions) to \$2,800,000 per annum (inclusive of SGC contributions), to be allocated among the non-executive directors as they agree, be approved for all purposes including ASX Listing Rule 10.17.

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. 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 2016 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 5 of the Explanatory Statement).

PROXIES

1. A shareholder who is entitled to vote at the meeting may appoint:
 - (a) one proxy if the shareholder is only entitled to one vote; or
 - (b) one or two proxies if the shareholder is entitled to more than one vote.
2. Where the shareholder appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one half of the votes, in which case any fraction of votes will be disregarded.
3. A proxy need not be a shareholder of BOQ.
4. If you require an additional proxy form, BOQ will supply it on request.
5. Shareholders may register the appointment of proxies online at:

www.linkmarketservices.com.au

by using the secure online access information set out in the proxy form, no later than 10.00am (Brisbane time) on Monday, 28 November 2016.

6. Alternatively, the proxy form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by BOQ at BOQ's share registry no later than 10.00am (Brisbane time) on Monday, 28 November 2016:

(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 Monday, 28 November 2016 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

REMUNERATION RELATED RESOLUTION

BOQ will disregard any votes cast on this resolution:

- by or on behalf of Mr Jon Sutton or his associates; and
- as proxy by any KMP on the date of the meeting,

unless it is cast as proxy for a person entitled to vote:

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

ITEM 4

NON-EXECUTIVE DIRECTORS' REMUNERATION RESOLUTION

BOQ will disregard any votes cast on this resolution:

- by or on behalf of a director or an associate of any director; and
- as proxy by any KMP on the date of the meeting,

unless it is cast as proxy for a person entitled to vote:

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

ITEM 5 - REMUNERATION REPORT - NON-BINDING VOTE

BOQ will disregard any votes cast on the resolution:

- by or on behalf of any KMP details of whose remuneration is included in the Remuneration Report (regardless of the capacity in which the vote is cast); and
- as proxy by any KMP on the date of the meeting,

unless it is cast as proxy for a person entitled to vote:

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

For the purposes of these voting exclusions:

1. KMP means the Key Management Personnel of the BOQ consolidated group, being the directors of BOQ (including the Chairman) and other employees having authority and responsibility for planning, directing and controlling the activities of BOQ, directly or indirectly. The Remuneration Report identifies the KMP for the BOQ consolidated group for the financial year ended 31 August 2016. A reference to the KMP in these voting exclusions includes their closely related parties. Their closely related parties are defined in the *Corporations Act 2001* (Cth), and include certain members of their family, dependants and companies they control.
2. BOQ will also apply these voting exclusions to persons appointed by an excluded shareholder as attorney to attend and vote at the meeting under a power of attorney on the basis that references to persons attending and voting as proxy are read as references to persons attending and voting as attorney and references to an instrument under which the proxy is appointed are read as references to the power of attorney under which the attorney is appointed.

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 CHAIR OF THE MEETING

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

DATED 27 October 2016
BY ORDER OF THE BOARD

Michelle Thomsen
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 10.00am (Brisbane time) Monday, 28 November 2016.

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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 DIRECTOR

The BOQ Board is, at the date of this Notice of Meeting, comprised of 9 non-executive directors and one executive director. During the last twelve months, there has been a significant renewal of the BOQ Board with the appointment of three new independent non-executive directors – Karen Penrose in November 2015, John Lorimer in January 2016 and Warwick Negus in September 2016. Ms Carmel Gray and Mr Neil Berkett stepped down from the BOQ Board since the last Annual General Meeting.

The Board regularly reviews its composition to ensure there is an appropriate range of skills, and an appropriate mix of business talents, outlooks, backgrounds and diversity that reflect the breadth of operation of the Bank's business and its future strategy. To assist in identifying the areas of focus and continue to maintain an appropriate mix of skills in the Board's membership, a board skills matrix is used which addresses factors such as age, gender, location of residence, professional network, and professional experience and qualifications, in order to promote a diverse range of skills and experience.

The BOQ Nomination & Governance Committee monitors the skills and experience of existing Directors and ensures that new board appointees enhance the skill diversity of existing directors.

All directors have extensive business experience in their chosen fields of endeavour, and in business generally and these skills are relevant to the business conducted by the Bank.

Background information on each director seeking election is provided below.

2.1 Re-election of Mr David Willis

Mr Willis has served on the Board of BOQ since February 2010.

Mr Willis has over 35 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 25 years' experience working with Australian and foreign banks.

Mr Willis is a Director of CBH (a grain cooperative in Western Australia) and Interflour Holdings (a Singapore based flour milling company). Mr Willis chairs a Sydney based Charity "The Horizons Program".

Mr Willis is Chair of the Human Resources & Remuneration Committee, and is a member of each of the Risk and the Nomination & Governance Committees. He is also a Non-Executive Director of the Bank's insurance subsidiary, St Andrew's.

Mr Willis has been assessed under the BOQ Fit & Proper Policy which requires an assessment of the fitness and propriety of all new and existing directors to hold office against BOQ's documented criteria of competencies required for the office. As part of this assessment, Mr Willis has confirmed to BOQ that he will be able to

dedicate sufficient time to fulfil his responsibilities as a non-executive director.

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

Mr Willis was last elected as a non-executive director in November 2013. He retires by rotation in accordance with BOQ's Constitution and, being eligible, offers himself for re-election.

2.1.1 Recommendation

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

2.2 Election of Ms Karen Penrose

Ms Penrose has been a director of the BOQ Board since November 2015. Ms Penrose is a member of the Audit Committee and the Human Resources & Remuneration Committee.

Ms Penrose has over 30 years' business experience across the finance, property and resources industries, including 20 years in banking with Commonwealth Bank of Australia and HSBC Bank Australia. Ms Penrose is also a Non-Executive Director of Vicinity Centres Limited, Spark Infrastructure Group, AWE Limited, Future General Global Investment Company Limited (pro bono role) and UrbanGrowth NSW.

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

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

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

2.2.1 Recommendation

The Board recommends that shareholders vote in favour of Ms Penrose's election as a director.

2.3 Election of Mr John Lorimer

Mr Lorimer has been a director of the BOQ Board since January 2016. Mr Lorimer is a member of the Risk Committee and the Information Technology Committee.

Mr Lorimer has spent more than 20 years in financial services and held executive roles in Australia, Asia and Europe. Mr Lorimer's most recent executive roles were in the United Kingdom where he was Group Head of Finance and then Group Head of Regulatory Risk and Compliance for Standard Chartered Bank. He also held a number of management positions in the retail bank of Citigroup and served as the Chairman of CAF Bank Limited (a subsidiary of Charities Aid Foundation based in the United Kingdom).

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Mr Lorimer is a Non-Executive Director of Bupa Ltd (Australia/NZ), Max Bupa (India) Ltd, Bupa Asia (HK) Ltd and Aberdeen New Dawn Investment Trust plc. Mr Lorimer was formerly a Non-Executive Director of the Bupa Group and International Personal Finance plc.

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

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

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

2.3.1 Recommendation

The Board recommends that shareholders vote in favour of Mr Lorimer's election as a director.

2.4 Election of Mr Warwick Negus

Mr Negus has been a director of the BOQ Board since September 2016.

Mr Negus brings more than 30 years' worth of finance industry experience in Asia, Europe and Australia. His most recent executive roles include Chief Executive Officer of 452 Capital, Chief Executive Officer of Colonial First State Global Asset Management and Goldman Sachs Managing Director in Australia, London and Singapore. He was also a Vice President of Bankers Trust Australia.

Mr Negus is a Director of Washington H Soul Pattinson and Co, Terrace Tower Group and FINSIA. He is a member of the Council of University of NSW, Chairman of UNSW Global Limited and a member of the Council of Cranbrook School. He is a member of the Sydney Advisory Board of the Salvation Army.

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

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

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

2.4.1 Recommendation

The Board recommends that shareholders vote in favour of Mr Negus' election as a director.

ITEM 3 - APPROVAL OF PERFORMANCE AWARD RIGHTS UNDER THE MANAGING DIRECTOR'S LONG TERM INCENTIVE PACKAGE

3.1 Background and reasons for the proposal

The Board is seeking the approval of shareholders for the grant of 117,865 Performance Award Rights (PARs) to Mr Jon Sutton, Managing Director and Chief Executive Officer of BOQ, under the BOQ Award Rights Plan.

Mr Sutton's remuneration package includes the following components:

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

The Board believes that part of the rewards for Mr Sutton's services to BOQ should be performance-based and at risk and should involve equity interests in BOQ. This approach reflects national and international best practice in executive remuneration and corporate governance. In structuring the terms of the short term and long term incentives, the Board has carefully considered market practice among comparable companies listed on the ASX.

Consistent with the Board's belief that part of the rewards for Mr Sutton's services to BOQ should be performance-based and at risk and should involve equity interests in BOQ, Board wishes to make a grant of 117,865 PARs to Mr Sutton in FY17.

The grant of long term incentives to Mr Sutton aligns his interests with those of BOQ and its shareholders. The minimum gateways required for Mr Sutton to earn the short term incentive, and the performance hurdle for the PARs comprising the long term incentive, will allow the Board to ensure that the incentives are aligned with BOQ's future strategies and the interests of shareholders.

3.2 Shareholder approval for Item 3

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

While it is not currently intended that shares will be issued (as opposed to being acquired on market) to satisfy an award under vested PARs, shareholder approval is nonetheless being sought to provide the flexibility to issue the shares should that be desirable at the relevant time.

Resolution 3 relates to the grant of 117,865 PARs to Mr Sutton and does not relate to any future grants of PARs that the Board may decide to make.

3.3 Effect of the proposal in Item 3

As at 17 October 2016, Mr Sutton had an interest in 110,979 ordinary shares in BOQ, 261,684 PARs, 4,515 Deferred Award Rights (DARs) and 63,528 Restricted Shares.

Since the last shareholder approval was given under the BOQ Award Rights Plan on 26 November 2015 under Listing Rule 10.14, Mr Sutton:

- was granted an amount of 143,411 PARs on 18 December 2015 under the Award Rights Plan in accordance with that approval. No amount was payable on the grant of these PARs.
- was granted an amount of 46,932 Restricted Shares under the Award Rights Plan. No amount was payable on the grant of these Restricted Shares.
- acquired 38,607 ordinary shares on exercise and conversion of DARs and Restricted Shares and acquired 130,702 ordinary shares on exercise and conversion of PARs. No amount was payable on the issue of these ordinary shares.

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No other director or an associate of a director received securities including PARs under the BOQ Award Rights Plan since 26 September 2016.

If all of the DARs and PARs currently held and all of the PARs proposed to be granted to Mr Sutton under this resolution vested and were exercised, then together with his ordinary shares and Restricted Shares, he would hold approximately 603,904 shares. Mr Sutton would have an interest in approximately 0.16% of the total issued ordinary shares in BOQ as at the date of this notice.

If Mr Sutton's PARs are ultimately exercised, and the ordinary shares acquired are newly issued shares, this would have a small dilutionary effect on the existing shareholders' percentage interests.

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

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

3.4 Further details

Under this resolution, approval is sought for the grant of 117,865 PARs to Mr Sutton under the BOQ Award Rights Plan.

Those PARs are expected to be granted to Mr Sutton before the end of December 2016.

Number of PARs and Shares to be issued

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

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

Where VWAP was the daily volume weighted average price of ordinary shares in BOQ over the five business days starting on the business day after the announcement of the FY16 results in October 2016 (\$11.0296).

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

The maximum number of ordinary shares that may be provided to Mr Sutton under these PARs is 117,865.

Performance hurdles for 2016 PARs

As a result of shareholder feedback, the Board considers that a dual vesting framework offers greater flexibility for setting appropriate performance conditions for PARs and has decided to adopt a dual vesting framework for the 2016 allocation.

Under this approach:

- up to 80% of the PARs may vest based on successfully meeting the first vesting measure, which is the Total Shareholder Return (TSR) performance measure. The TSR performance measure is set out below; and
- up to 20% of the PARs may vest on successfully meeting the second vesting measure, which is an assessment of BOQ's relative non-diluted cash earnings per share (EPS) against a peer group. The EPS performance measure is set out below.

The performance period for the 2016 PARs is 2016 to 2019.

TSR Measure

For the TSR-measured portion, half (being 40% of all 2016 PARs) of Mr Sutton's PARs will vest if BOQ's TSR performance over a three year period is in the top 50% of the Peer Group (delisted companies will be excluded from the Peer Group at the time of testing). All (being 80% of all 2016 PARs) of Mr Sutton's PARs will vest if BOQ's TSR performance over a three year period is in the top 25%. For TSR performance between those targets, a relative proportion of the PARs between one half (being 40% of all 2016 PARs) and 100% (being 80% of all 2016 PARs) would vest. None of the PARs vest if BOQ's TSR performance is in the bottom 50%.

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

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

EPS Measure

For the EPS-measured portion, half of Mr Sutton's PARs (being 10% of all 2016 PARs) will vest if BOQ's relative cash EPS performance over the three year period is ranked in the top 40% of the Financial Services Peer Group (i.e. the four major banks and the Bendigo & Adelaide Bank). All (being 20% of all 2016 PARs) of Mr Sutton's PARs will vest if BOQ's relative cash EPS performance is in the top 10%. For EPS performance between those targets, a relative proportion of the PARs between 50% (being 10% of all 2016 PARs) and 100% being 20% of all 2016 PARs) would vest. None of the PARs vest if BOQ's relative cash EPS performance is in the bottom 60%.

While the Board believes the EPS targets and vesting schedule strike an appropriate balance between being achievable yet sufficiently challenging, the Board retains a discretion to adjust the EPS performance hurdle as required to ensure that Mr Sutton is neither advantaged nor disadvantaged by matters outside his control that may materially affect EPS (for example, by excluding one-off non-recurrent items or the impact of significant acquisitions or disposals).

Other PARs terms

Once the PARs granted to Mr Sutton vest, they will be taken to have been exercised. If Mr Sutton ceases to be employed by BOQ due to summary termination of his employment for reasons associated with a serious breach of employment terms or any policy of BOQ, including serious misconduct involving dishonesty or fraud, the PARs will lapse.

Otherwise, on cessation of employment, the Board may in its absolute discretion determine that all or a proportion of unvested PARs will not lapse and will continue in accordance with their terms, including vesting conditions. If the Board does not exercise its discretion, unvested PARs will lapse on cessation of employment.

PARs that:

- continue after employment ends following the exercise of discretion by the Board, and
- are unvested,

will lapse if the Board subsequently forms the view that, during his employment, Mr Sutton has committed an act of fraud, dishonesty, material misstatement, financial mismanagement, gross misconduct, a serious breach of duties and obligations in relation to BOQ's affairs or a serious breach of employment terms or any policy of BOQ.

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

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3.5 Present value of PARs under Item 3

The estimated present value as at 7 October 2016 of the proposed PARs that may be issued to Mr Sutton under the resolution is \$615,255.

The value is calculated using the Monte Carlo simulation method, taking into account the terms and conditions on which the PARs are granted and assumptions regarding expected share price and dividend performance, and performance against the performance hurdles on a risk-neutral basis over the three year performance period.

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

The value of PARs when granted will depend on the actual share price at the time of grant. The value given above is indicative and may not reflect the value at the time of grant, vesting or exercise.

The closing price of BOQ's ordinary shares over the 12 months to 14 October 2016 has ranged between a high of \$14.49 on 23 November 2015 and a low of \$10.03 on 8 July 2016.

3.6 Use of funds raised

As no amount is payable on the grant or exercise of PARs, no funds will be raised. There is no loan funding in relation to the PARs.

3.7 Recommendation

Each of the Directors (other than Mr Sutton) recommends that you vote in favour of Resolution 3. None of the Directors (other than Mr Sutton) has a personal interest in the outcome of the resolution.

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

ITEM 4 – NON-EXECUTIVE DIRECTORS' REMUNERATION

Total fees paid to non-executive directors of BOQ are limited to a maximum set by shareholders. The present limit of \$2,600,000 per annum (inclusive of SGC contributions) was set at BOQ's Annual General Meeting held in November 2013. Shareholder approval is sought for an increase of that limit by \$200,000 to \$2,800,000 (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 future changes in membership and composition of the Board to ensure that an appropriate mix of skills and experience can be maintained or added to the Board. In this regard, BOQ has appointed 3 non-executive directors since the last Annual General Meeting and 2 non-executive directors have stepped down from the Board since that time. BOQ expect to continue to refresh the Board in the future. These new appointments are not expected to fully utilise the aggregate fee pool for FY17.

The fees paid to the non-executive directors for the financial year ended 31 August 2016 are set out in the Remuneration Report.

No securities were issued to non-executive directors under ASX Listing Rule 10.11 or 10.14 in the preceding 3 years.

ITEM 5 - REMUNERATION REPORT (NON-BINDING RESOLUTION)

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

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.

