

Notice of Annual General Meeting and Explanatory Statement

2012

The 138th Annual General Meeting of Bank of Queensland Limited (BOQ) will be held in the Ballroom, Level 5 at the Hilton Hotel, Brisbane on Thursday, 13 December 2012 at 10.00am AEST. Registration commences at 9.15am. Enter the Hilton Hotel via the Queen Street Mall or 190 Elizabeth Street.

**fit
focused**

different

AGENDA

1. Financial Statements and Reports

To receive and consider the financial statements for the year ended 31 August 2012 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, Carmel Gray, who retires by rotation in accordance with the Constitution and, being eligible, offers herself for re-election.

(b) To elect a director, Richard Haire, who was appointed since the last Annual General Meeting and, being eligible, offers himself for election.

(Refer to Item 2 of the Explanatory Statement).

3. Ratification of Issue of Ordinary Shares – April 2012 Placement

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

'That, for the purposes of ASX Listing Rule 7.4, the issue of 24,793,388 ordinary shares on 4 April 2012 be ratified.'

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. Adopt a New Constitution

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

'That for the purposes of section 136 of the Corporations Act 2001 (Cth) and for all other purposes, BOQ adopt the provisions of the Constitution tabled at the meeting and signed for the purposes of identification by the Chairman, as the Constitution of the company, in substitution for the present constitution which is repealed.'

(Refer to Item 4 of the Explanatory Statement).

5. Approval of CPS Terms of Issue

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

That:

(a) for the purposes of section 254A(2) of the Corporations Act 2001 (Cth) and for all other purposes, the terms of issue of the BOQ Convertible Preference Shares tabled at the meeting and signed for the purposes of identification by the Chairman, and as summarised in Attachment B of the Explanatory Statement, (Terms of Issue) are approved; and

(b) for the purposes of section 136 of the Corporations Act 2001 (Cth) and for all other purposes, the constitution of the company be amended to incorporate the Terms of Issue.'

(Refer to Item 5 of the Explanatory Statement).

6. Approve the Issue of CPS

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

'That for the purposes of Listing Rule 7.1 and for all other purposes, the issue of up to 3,000,000 BOQ Converting Preference Shares at \$100 per share to investors under a prospectus to be issued by BOQ, be approved.'

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

(Refer to Item 6 of the Explanatory Statement).

7. Approve a Selective Buy-Back of PEPS

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

'That for the purposes of section 257D of the Corporations Act 2001 (Cth) and for all other purposes, approval is given to the buy-back of up to 2,000,000 Perpetual Equity Preference Shares ASX Code: BOQPC (PEPS) from holders of PEPS on the Reinvestment Offer terms and conditions set out in the Explanatory Statement.'

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

(Refer to Item 7 of the Explanatory Statement).

8. 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 2012 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 8 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
by using the secure online access information set out in the proxy form, no later than 10.00am (AEST) on Tuesday, 11 December 2012.
6. Alternatively, the proxy form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by BOQ at BOQ's share registry no later than 10.00am (AEST) on Tuesday, 11 December 2012:
 - (a) by post to:
Bank of Queensland Limited
C/- Link Market Services Limited
Locked Bag A14
SYDNEY SOUTH NSW 1235; or
 - (b) by delivery to:
Bank of Queensland Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
RHODES NSW 2138;
or
Level 12, 680 George Street
Sydney NSW 2000; or
 - (c) by fax on (02) 9287 0309 (international +61 2 9287 0309).

VOTING RIGHTS

All of the shares that are quoted shares at 7.00pm (Sydney time) on Tuesday, 11 December 2012 will be taken, for the purposes of the Annual General Meeting, to be held by the persons who held them at that time.

VOTING EXCLUSIONS

Item 3 Ratification of Issue of Ordinary Shares - April 2012 Placement

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

Item 6 Approve the Issue of CPS

In accordance with the ASX Listing Rules, BOQ will disregard any votes cast on Resolution 6 by any person who may participate in the offer of CPS made under a prospectus issued by BOQ (i.e. applicants under the prospectus) and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if Resolution 6 is passed, and an associate of that person (or those persons), unless the vote is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

ASX has granted a waiver to permit a person holding solely in a fiduciary, nominee or custodial capacity (**Nominee**) to exercise votes on behalf of a beneficiary on Resolution 6 even though the Nominee may have participated in the offer of CPS on behalf of another beneficiary, if the first named beneficiary confirms in writing to the Nominee that the beneficiary has not participated in the CPS offer and directs the Nominee on how to vote on Resolution 6.

Item 7 Approve a Selective Buy-Back of PEPS

In accordance with the Corporations Act 2001 (Cth), BOQ will disregard any votes cast in favour of Resolution 7 by a PEPS holder who is entitled to receive the buy-back offer or by their associates.

However, BOQ will not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

Under the Corporations Act 2001 (Cth), ordinary shareholders who also hold PEPS are not entitled to vote in favour of resolution 7 including nominee or custodian PEPS holders (**Nominees**), who also hold ordinary shares on behalf of beneficial holders who are not PEPS holders.

ASIC has granted an exemption which enables a Nominee who holds BOQ ordinary shares on behalf of a beneficial holder to vote that beneficial holder's ordinary shares in favour of Resolution 7 provided that, prior to the vote being cast, BOQ receives from the Nominee confirmation that the beneficial holder has:

- (a) provided written confirmation that the beneficial holder does not hold PEPS; and
- (b) directed the Nominee to vote in favour of Resolution 7 of this Notice.

Item 8 Remuneration Report - non-binding vote

In accordance with the Corporations Act 2001, BOQ will disregard any votes cast on Resolution 8 (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 8; 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 8; and
- (ii) expressly authorises the Chair to exercise the proxy on Resolution 8 even though Resolution 8 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 8 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 8, 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 8 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 2012. Their closely related parties are defined in the Corporations Act 2001, and include certain members of their family, dependants and companies they control.
2. BOQ will also apply these voting exclusions to persons appointed as attorney by an excluded shareholder to attend and vote at the meeting under a power of attorney – on the basis that references to persons attending and voting as proxy are read as references to persons attending and voting as attorney and references to an instrument under which the proxy is appointed are read as references to the power of attorney under which the attorney is appointed.

Directing your proxy vote

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

Proxy Voting by Chairman

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

DATED 9 November 2012

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 10.00am (AEST) on Tuesday, 11 December 2012.

INTRODUCTION

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

ITEM 1 - FINANCIAL STATEMENTS AND REPORTS

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

ITEM 2 - ELECTION OF DIRECTORS

(a) Ms Carmel Gray

Ms Gray retires by rotation in accordance with BOQ's Constitution and, being eligible, offers herself for re-election.

Ms Gray was appointed as a director of BOQ in April 2006 and was last elected in December 2009.

Ms Gray has had an extensive career in IT and banking. Ms Gray was Group Executive Information Technology at Suncorp from 1999 to 2004. Prior to her Suncorp appointment she was General Manager of Energy Information Solutions Pty Ltd and Managing Director of Logica Pty Ltd. Ms Gray is Chair of Bridge Point Communications Pty Ltd.

Ms Gray is a member of the Risk Committee, the Nomination Committee and the Chair of the Corporate Governance Committee.

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

(b) Mr Richard Haire

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

Mr Haire was appointed as a director of BOQ on 18 April 2012.

Mr Haire has more than 28 years' experience in the international cotton and agribusiness industry, including 26 years in agricultural commodity trading and banking.

Mr Haire was Managing Director of Olam Pty Ltd and Regional Head for Australia and New Zealand. Mr Haire is a Director of the Australian Institute of Company Directors (Qld Div) and Cotton Research and Development Corporation and formerly a Director of Open Country Dairy (NZ) and New Zealand Farming Systems Uruguay.

Mr Haire is a member of the Information Technology Committee and the Risk Committee and the Chair of the Audit Committee.

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

ITEM 3 - RATIFICATION OF ISSUE OF ORDINARY SHARES - APRIL 2012 PLACEMENT

3.1 Background and rationale

On 4 April 2012, BOQ issued ordinary shares to certain investors qualifying under section 708 of the Corporations Act 2001 (Cth) in order to supplement BOQ's Tier 1 Capital. The placement was made in accordance with ASX Listing Rule 7.1.

ASX Listing Rule 7.1 provides that any listed entity must not issue equity securities that total more than 15% of its fully paid ordinary shares in a 12 month period without the approval of shareholders (**15% Rule**). Under ASX Listing Rule 7.4, members may ratify an issue of equity securities so that it is disregarded in determining in the future whether BOQ has reached that threshold.

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

3.2 Terms of the ordinary share issue

- (a) Number of ordinary shares allotted – 24,793,388.
- (b) Issue price – \$6.05 per share.
- (c) Terms of the ordinary shares – the shares were issued on the same terms as existing ordinary shares.
- (d) Allottees of ordinary shares under the issue – a number of institutional investors identified by the Lead Manager for the placement.
- (e) Use of the funds from the ordinary share issue – BOQ raised approximately \$150,000,000 from the issue. The funds raised supplemented BOQ's Tier 1 Capital for prudential purposes and the proceeds were used for the general purposes of BOQ's business.

3.3 Directors' Recommendation

The Board recommends that members vote in favour of the resolution.

ITEM 4 - ADOPT A NEW CONSTITUTION

4.1 Background and rationale - new constitution

BOQ's Constitution has not been comprehensively reviewed since 1995. At that time, BOQ adopted a form of constitution which anticipated developments in legislation where many corporate administration matters would be reflected in legislation or stock exchange rules.

Over time, those legislative developments have not fully come to fruition so the Board has decided to propose for adoption a new constitution in a form which sets out those matters in more detail and reflects a form which is usual for a listed company in Australia.

In addition to the changes discussed below, the proposed Constitution reflects changes to the Corporations Act 2001 (Cth) and the ASX Listing Rules made since 1995.

Under section 136 of the Corporations Act 2001 (Cth), a company must have member approval by a special resolution to adopt a new constitution.

Accordingly, Resolution 4 seeks shareholder approval to adopt the new Constitution.

4.2 Summary of Key Changes

A summary of the key changes reflected in the proposed Constitution is set out in Attachment A.

The proposed constitution will be available for review on the BOQ website: www.boq.com.au, and during normal office hours at the offices of BOQ at Level 17, 259 Queen Street, Brisbane.

4.3 Directors' Recommendations

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

ITEM 5 - APPROVAL OF CPS TERMS OF ISSUE

5.1 Background and rationale

BOQ is seeking shareholder approval of the proposed terms of the BOQ Convertible Preference Shares (**CPS**) which will be the subject of a proposed offer under a prospectus to be issued by BOQ.

BOQ would be able to issue CPS under the current Constitution without shareholder approval except for the proposed terms of issue permitting the write off of the amount of capital that may be repaid in a winding up in respect of those shares in certain circumstances. The Constitution does not expressly set out such terms for preference shares.

The Bank is therefore seeking approval of the terms of issue of the CPS as required by section 254A(2) of the Corporations Act 2001 (Cth) and to amend the Constitution to incorporate the terms of issue.

5.2 CPS and Proposed Offer

The CPS offer holders floating rate discretionary, preferred, noncumulative semi-annual dividends. As part of its ongoing capital management strategy, BOQ intends to issue CPS to raise up to \$200 million, with an ability to raise more or less.

The offer of CPS under the prospectus is subject to shareholder approval under this Resolution 5 and under Resolutions 6 and 7.

Subject to shareholder approval under Resolution 7, the offer will include an opportunity for PEPS holders to reinvest in CPS through an offer to buy-back PEPS.

The proceeds from the issue of CPS will increase BOQ's Tier 1 capital as part of its ongoing capital management and will be used to fund further growth of its business. The CPS have been structured to qualify as Non-Innovative Residual Tier 1 Capital under current APRA prudential standards and to qualify as Additional Tier 1 Capital under APRA's Basel III prudential standards which are expected to come into effect on 1 January 2013.

Neither the approval of the proposed terms of issue nor the issue of CPS by BOQ affects the existing rights of holders of PEPS, so no separate approval is required from those holders.

5.3 CPS Terms of Issue - Key Features

The key terms and conditions of CPS include:

- floating rate, discretionary, preferred, non-cumulative semi-annual dividends;
- dividends are payable semi-annually in priority to ordinary share dividends;
- if a dividend is not paid on a payment date, BOQ may not pay an ordinary share dividend until the next CPS dividend payment date on which a CPS dividend is paid;
- CPS have a preference for return of capital on a winding up but no other right to participate in surplus assets;
- BOQ may elect to convert or redeem the CPS at the dividend payment date on 15 April 2018 or on certain tax or regulatory events or where there is a potential takeover likely to occur;
- as an alternative to redemption, BOQ may arrange for the CPS to be transferred to a purchaser with an investment grade credit rating, for the same amount payable on redemption;
- CPS mandatorily convert on 15 April 2020, or earlier on a successful takeover occurring, into \$101.01 of ordinary shares provided the number of shares does not exceed a maximum conversion number and the ordinary shares remain listed on ASX;
- if BOQ's capital levels drop below a benchmark amount (capital trigger event) or APRA declares that BOQ is not viable or would become not viable without conversion (non-viability trigger event), the CPS must be converted without exceeding the maximum conversion number of shares, i.e. the value of the ordinary shares issued on conversion may be less than \$101.01;
- if, on a capital trigger event or non-viability trigger event, for any reason the CPS cannot be converted, the amount of capital that may be repaid in a winding up in respect of the CPS is written off to the amount which would have been represented by ordinary shares issued on conversion, and the dividend rate will be the same rate as any dividend declared on ordinary shares.

A summary terms sheet for the CPS is set out in Attachment B. A full set of the proposed terms of issue are available at www.boq.com.au.

5.4 Directors' Recommendation

The Board believes the capital raising through the issue of CPS is in the best interests of BOQ and provides BOQ with cost effective access to Tier 1 capital within APRA prudential requirements.

If member approval under this Resolution 5 is not obtained, the CPS will not be issued and the offer under the prospectus will not proceed.

The Board recommends that members vote in favour of the resolution.

ITEM 6 - APPROVE THE ISSUE OF CPS

6.1 Background and rationale

As discussed in respect of Resolution 5, the Company is proposing to issue up to a maximum of 3,000,000 CPS under a prospectus to be issued by BOQ.

Subject to shareholder approvals under Resolutions 5 and 6, the offer will be for 2,000,000 CPS at \$100 per CPS with the capacity to raise more or less.

6.2 Approval - Listing Rule 7.1 (15% Rule)

Under the 15% Rule, 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. For securities that convert into ordinary shares, the calculation is made on the basis of the number of ordinary shares into which those securities convert.

BOQ's capacity under the 15% Rule is such that the proposed issue of CPS is likely to exceed the 15% Rule limit on this basis.

Accordingly, member approval is required for the issue of the CPS.

Issues of equity securities made with the prior approval of members are also not subject to the 15% Rule limit. Accordingly, if Resolution 6 is passed, the CPS will not be counted towards the 15% Rule limit in respect of the issue of equity securities in the upcoming 12 month period.

6.3 Details of proposed CPS issue

In accordance with Listing Rule 7.3, the following information is provided:

- (a) The maximum number of CPS to be issued is 3,000,000 fully paid CPS.
- (b) The issue of the CPS will occur on or around 21 December 2012, and in any event will be no later than three (3) months after the date of this meeting.
- (c) The issue price of the CPS will be a fixed price of \$100 per share.
- (d) The allottees of the CPS will be subscribers under the prospectus (which includes an institutional offer, a broker firm offer, a shareholder offer and a general offer) that are nominated by the Joint Lead Managers in consultation with BOQ, as well as PEPS holders who seek to exchange their PEPS for CPS under the reinvestment offer (see Item 7 for more details on the reinvestment offer).
- (e) The CPS are preference shares which will be issued on the terms of issue described in Item 5.
- (f) Funds raised through the issue of CPS will be used for BOQ's general corporate purposes including effecting the buy-back of PEPS under the reinvestment offer (see Item 7) and providing BOQ with further capacity for continued growth.
- (g) Provided members approve Resolution 6, the CPS will be allotted on or about 21 December 2012, or in any event, no later than 3 months after this resolution is passed. BOQ does not intend to issue the CPS progressively.

6.4 Indicative notional conversion of CPS

Until the CPS are issued, BOQ cannot calculate the maximum number of ordinary shares into which the CPS may convert or calculate an indicative conversion for the purpose of Listing Rule 7.1.

Below is an indicative conversion of one CPS using the market price of BOQ ordinary shares as at close of trading on 26 October 2012 as the indicative conversion price to demonstrate the effect of conversion. The price of BOQ ordinary shares at the actual conversion date will be different and a different result is likely to occur:

$$\begin{array}{r} \$100 \\ \hline \$7.52 \times 0.99 \\ \hline = 13.4322 \text{ shares} \end{array}$$

If there were 2,000,000 CPS on issue, this would result in approximately 26,864,400 additional ordinary shares being on issue which as at 29 October 2012 is 8.7% of issued ordinary shares.

6.5 Directors' Recommendation

The Board believes the capital raising through the issue of CPS is in the best interests of BOQ and provides BOQ with cost effective access to Tier 1 capital within APRA prudential requirements.

If member approval under this Resolution 6 is not obtained, the CPS will not be issued and the offer under the prospectus will not proceed.

The Board recommends that members vote in favour of the resolution.

ITEM 7 - APPROVE A SELECTIVE BUY-BACK OF PEPS

7.1 Background and rationale

Resolution 7 seeks shareholder approval for the buy-back of PEPS as part of an opportunity for PEPS holders to exchange their PEPS for new CPS.

BOQ has decided not to redeem PEPS on the first call date of 17 December 2012. Instead, PEPS holders will be able to choose to retain their PEPS or exchange them for new CPS (**Reinvestment Offer**).

This section contains information for ordinary shareholders who must first approve the buy back of the PEPS before the Reinvestment Offer can be completed.

The PEPS Issue Terms are available at www.boq.com.au.

7.2 Background to PEPS redemption terms

On 17 December 2007, BOQ issued 2,000,000 PEPS with a face value of \$100 each. PEPS are perpetual equity preference shares that trade on ASX under the code "BOQPC".

Under the PEPS Issue Terms, BOQ may, with the prior written approval of APRA, choose to redeem the PEPS:

- on 17 December 2012, being the fifth anniversary of the issue date, or on each subsequent "Dividend Payment Date" (each 15 April or 15 October); or
- following the occurrence of certain tax or regulatory events.

BOQ can elect to redeem the PEPS by redemption, buy-back or cancellation for an amount equal to the redemption price, which is the face value of \$100 together with any dividend payable for the dividend period ending on the redemption date.

The PEPS are not redeemable at the option of the holder and BOQ is not obliged to redeem the PEPS except under a control event (which is a successful takeover).

BOQ has determined not to redeem PEPS on the first call date of 17 December 2012 but will make the Reinvestment Offer, subject to Resolutions 5, 6 and 7 being passed.

7.3 Reinvestment Offer

Unlike CPS, PEPS are unlikely to meet new Australian regulatory capital requirements for Tier 1 capital eligibility that apply to BOQ as an Australian authorised deposit - taking institution from 1 January 2013. As part of the offer of CPS, BOQ will make the Reinvestment Offer, i.e. offer existing PEPS holders the opportunity to exchange their PEPS for CPS.

The Reinvestment Offer is not a redemption under the PEPS Issue Terms but is a buy-back of shares which is permitted under the Corporations Act 2001 (Cth) with the approval of shareholders.

PEPS holders that elect to participate in the Reinvestment Offer will have their PEPS bought back by BOQ for \$100 each and the proceeds applied to subscribing for CPS (\$100 per CPS). PEPS holders that elect not to participate in the Reinvestment Offer will continue holding PEPS.

Eligible PEPS holders who participate in the Reinvestment Offer will receive a cash dividend equal to the dividend their PEPS would have accrued in the period from 15 October 2012 to the buy back date.

If an eligible PEPS holder owns 50 PEPS or fewer, they must apply to reinvest all their PEPS in CPS if they wish to participate in the Reinvestment Offer. If an eligible PEPS holder owns more than 50 PEPS, they must apply for a minimum number of 50 CPS (\$5,000).

See Item 6 for further information on CPS.

7.4 Why are we seeking shareholder approval?

A buy-back of PEPS requires approval by way of special resolution under the Corporations Act 2001 (Cth).

The issue of CPS is being made as part of BOQ's capital management strategy. CPS qualify as regulatory capital of BOQ for APRA purposes. The proceeds of CPS will be used for BOQ's general corporate purposes.

The Reinvestment Offer provides BOQ with the opportunity to roll those PEPS holders who wish to do so into the new complying security without having to make a cash redemption of those PEPS.

Those PEPS which are not bought back and exchanged will continue on issue and will continue to be counted as complying Tier 1 capital on a transitional basis, with a proportion being removed from the calculation of prudential capital each year (currently expected to be 10% per annum).

BOQ will be able to redeem any remaining PEPS at a time which it determines that coincides with a Dividend Payment Date. BOQ has not made any decision as to if or when it will redeem any remaining PEPS.

7.5 What are the potential advantages and disadvantages of the buy-back?

BOQ considers that the principal potential advantages and disadvantages of the buy back are as follows:

Advantages

- A proportion of the Residual Tier 1 capital represented by the PEPS will be replaced in a cashless transaction by CPS, which will comply with the new capital rules applying from 1 January 2013.
- As no cash is involved, the reinvestment transaction will have no effect on liquidity of BOQ.
- Remaining PEPS will receive transitional relief and will continue to be counted toward BOQ's regulatory capital on a reducing basis.

Disadvantages

- There is a risk that PEPS will be trading below their face value of \$100 (which is the buy-back price) at the time of the Reinvestment Offer so BOQ may effectively pay more than the ASX market price of PEPS. However, the buy-back price of \$100 is the amount for which PEPS could be redeemed in accordance with the PEPS Issue Terms.

The volume weighted average share price of PEPS over the 30 trading days to 26 October 2012 was \$89.44. The highest trading price over the previous 6 months to that date was \$94.15 on 12 July 2012 and the lowest trading price in that period was \$86.00 on 26 September 2012.

7.6 Interests of Directors

The Directors do not have any interests in PEPS as at the date this Notice.

7.7 The financial effect of the buy-back on BOQ

There would be no financial cost of the buy-back of PEPS under the Reinvestment Offer due to the cash-less nature of the exchange for CPS.

The reduction of capital from the buy-back is offset by the subscription of proceeds for CPS so there is no net reduction of capital from the buy-back.

The dividend paid to PEPS holders who reinvest in CPS will be satisfied from BOQ's general cash funding sources in the ordinary course of its banking business.

The Directors cannot conduct the buy-back unless they are satisfied that the buy-back will have no material adverse impact on BOQ's financial or regulatory capital position and no material prejudice to BOQ's ability to pay its creditors.

7.8 Effect of any buy-back on the control of BOQ

As holders of PEPS are entitled to vote (together with the holders of ordinary shares in BOQ) only on a limited number of matters, including any proposal to wind-up BOQ or any proposal to vary the rights attaching to PEPS, a buy-back will not have any material effect on the control of BOQ. The total number of votes capable of being exercised by the holders of PEPS in those limited circumstances would be 2 million or approximately 0.65% of BOQ's total issued share capital as of 29 October 2012.

7.9 Other relevant information

There is no other information known to any of the directors of BOQ which may reasonably be expected to influence the shareholders of BOQ in deciding whether or not to vote in favour of the resolution to approve the buy back which BOQ has not previously disclosed.

7.10 Directors' Recommendation

The Directors recommend that you vote in favour of the resolution.

ITEM 8 - 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.

Attachment A

ATTACHMENT A - SUMMARY OF PROPOSED NEW CONSTITUTION

What are the key differences between the existing Constitution and the proposed new Constitution?

BOQ is proposing to replace the existing Constitution in its entirety and replace it with a new Constitution which is significantly different in its style, form and content. Even though there are these differences, most do not represent material changes to current practice. In most instances, the new Constitution makes the rules behind those practices clearer for the benefit of BOQ and shareholders.

It is not feasible to provide a comprehensive summary of every change to the existing Constitution. Shareholders who wish to do so may read the proposed new Constitution (see the Explanatory Statement for access details).

Key differences where practices may be to some degree different relate to:

- conduct of meetings of shareholders, including providing for direct voting;
- provisions relating to requirements imposed on Authorised Deposit Taking Institutions (**ADI**) under Australian Prudential Regulation Authority Prudential Standards (**APRA Standards**) and the Banking Act 1959 (Cth) (**Banking Act**);
- certain other general insertions and amendments which, among other things, broadly bring the existing Constitution up to date and more in line with a modern listed company Constitution

These key differences are summarised below. There are a number of other differences which are not summarised in detail below. These include changes:

- to update provisions relating to applicable regulatory requirements in ASX Listing Rules and the Corporations Act. Importantly, the Constitution includes a provision that, while BOQ is listed on ASX, the requirements of the Listing Rules prevail to the extent inconsistent with the Constitution;
- to remove outdated or redundant provisions;
- to enable the use of technology at shareholder and board meetings, and for written board resolutions by majority; and
- to update names, terms and terminology, e.g. updated references to ASX and its trading platforms and rules.

What changes are proposed for the conduct of meetings of shareholders?

The existing Constitution provides that the procedures to be adopted at shareholder meetings of BOQ are as determined by the directors by resolution from time to time, or if no resolution is made, by the chairperson of the meeting. There are no express procedures in the existing Constitution for the conduct of meetings.

The proposed new Constitution reflects modern practice for listed company constitutions by including express provisions to facilitate the orderly and efficient conduct of general meetings. This includes provisions relating to calling and giving notice of meetings, the business of the meeting, quorum of at least 2 shareholders, appointment of the chairperson, conduct of the meeting, attendance by shareholders, voting at meetings and appointment of proxies and attorneys. Many of these reflect current practice based on existing law. A summary of some of the new provisions are set out below.

Calling a meeting using technology - The Board may call a general meeting at 2 or more venues using technology which gives attending shareholders as a whole a reasonable opportunity to participate.

Quorum - The quorum for a meeting of members has been reduced from 5 to 2 attending shareholders entitled to vote on a resolution at that meeting.

Conduct of the meeting - Generally, the chairperson is responsible for the general and orderly conduct of the meeting, and for the procedures for the casting or recording of votes.

Attendance by shareholders and multiple appointments - Shareholders who are entitled to attend and vote at a meeting may attend in person, or by proxy, by attorney, or if the shareholder is a body corporate, by corporate representative. This represents no change to current practice.

If more than one appointed attorney or corporate representative is present at a meeting, those appointed to act at that particular meeting may act to the exclusion of any standing appointments. Subject to that, the most recent appointment may act to the exclusion of earlier appointments.

Shareholders are permitted to appoint up to 2 proxies to act at a meeting, in default of which the appointment(s) made first in time are to be revoked, or suspended (in the case of standing appointments). If both proxies attend the meeting, neither may vote on a show of hands or on a poll if their appointments exceed the total votes that could be cast by the shareholder.

An appointed proxy is not entitled to and must not vote on a resolution if an attorney or corporate representative also appointed by the shareholder votes on that resolution at the meeting.

The authority of a proxy or attorney to speak or vote at a meeting is suspended while the shareholder is present in person at the meeting.

Receipt of appointments - An appointment of a proxy or attorney is only effective if BOQ receives the appointment not less than 48 hours before the time appointed for commencement of the meeting.

Voting at a meeting - A resolution at a meeting of shareholders must be decided on a show of hands unless a poll is demanded pursuant to the Constitution and not withdrawn. On a poll, each shareholder with a right to vote has one vote for each fully paid up share, and a fraction of one vote for each partly paid up share (equal to the proportion which the amount paid up bears to the total issue price of the share). A shareholder is not entitled to vote in respect of any shares on which any calls due and payable have not been paid.

The chairperson may close a meeting before the completion of a count of votes on a poll and declare the result of that poll after the meeting has closed.

The proposed new Constitution allows the Board to introduce direct voting, which involves shareholders directly recording their vote electronically, or otherwise by an approved means, before the meeting (rather than appointing a proxy or other representative to do so at the meeting). If the Board determines that votes may be cast by direct vote, the Board may make such rules as it considers appropriate for the casting of direct votes.

What new provisions are proposed in relation to APRA Standards and Banking Act requirements (ADI Standards)?

As an ADI, BOQ must comply with certain ADI Standards relating to the fitness and propriety of directors, senior managers and auditors.

The proposed new Constitution provides that the appointment of directors is subject to the provision of information by the candidate as BOQ requires in order to comply with the ADI Standards or other legal, financial or reporting requirements (such as reporting requirements around director's security holdings). A candidate will not be eligible for appointment if assessed as not of appropriate fitness and propriety by reference to BOQ's fit and proper policy which it is required to implement under the ADI Standards.

Under the proposed new Constitution, a director will also cease to hold office if he or she is subject to a direction under section 23 of the Banking Act, which permits APRA to direct the removal of a director where the director is disqualified by virtue of the provisions of the Banking Act, including the fitness and propriety provisions.

What other changes are proposed in the new Constitution?

Certain provisions in the proposed new Constitution are highlighted below which are either new or amend existing provisions in the Constitution:

- the power to issue preference shares which are convertible or redeemable according to issue terms determined by the directors but which also allow for a write down on capital return on winding up if provided for in the issue terms. This allows for certain Additional Tier 1 capital conditions in the Basel III prudential standards to be applied;

- confirming the paramountcy of the ASX Listing Rules and updates the equivalent provisions relevant to the Listing Rules in the existing Constitution;
- providing that the courts of Queensland and the Federal Court of Australia are the competent courts with respect to any proceedings relating to the proposed new Constitution;
- updating provisions regarding the capital of BOQ, including as to the issue of securities (including preference shares), class rights, alterations of capital, recognition of registered holders and issue of share certificates and holding statements, which reflect current laws;
- new provisions dealing with calls on shares in respect of unpaid amounts and updating provisions regarding forfeiture and liens over shares when amounts are unpaid;
- new provisions regarding the transfer, registration and transmission of shares which reflect current laws and administrative practice;
- a new provision that BOQ must have not less than 3 directors (the current maximum is 10 - this is not proposed to be changed) and that directors are no longer required to hold 1,000 shares to qualify for office, as required by the existing Constitution;
- updating the meeting and written resolution provisions for directors. Included in the changes is use of technology for meetings and that written resolutions of directors may be by majority decision (the existing Constitution requires a unanimous decision of all directors who are in Australia at the time);
- including express provisions allow dividends and distributions by payment of cash or distribution of assets, non-payment of dividends to a holder of an ASX restricted (or escrowed) share when in breach of the restriction conditions and rules around the timing and method of payment (including allowing for direct crediting);
- updating provisions regarding notices to shareholders and new provisions regarding notices to BOQ, including the methods of giving notice and the deemed time of service of notices. For example, a notice of meeting will be taken to be received on the day after posting. This allows BOQ to set timetables for meetings with certainty;
- new provisions allowing distributions of assets on a winding up of BOQ; and
- new provisions giving BOQ power, on notice, to sell holdings of shares which are less than a marketable parcel.

ATTACHMENT B - SUMMARY OF CPS TERMS OF ISSUE

Legal form	Preference share
Term	Perpetual, no maturity date but subject to Mandatory Conversion
Issuer	Bank of Queensland Limited
Issue Date	Expected to be 21 December 2012
Face Value	\$100 per CPS
Quotation on ASX	Yes – expected to trade under “BOQPD”
Nature of dividends	Semi-annual, frankable, preferred, discretionary, non-cumulative dividends, subject to dividend payment tests: <ul style="list-style-type: none"> ■ The Directors’ discretion ■ BOQ being lawfully able to pay under the Corporations Act ■ The payment not resulting in non-compliance with APRA’s capital adequacy standards (unless APRA consents) ■ No APRA objection
Dividend rate	Floating rate of a margin above a reference rate, being the 180 day Bank Bill Swap Rate
Margin	To be determined by the bookbuild conducted under the prospectus offer
Dividends expected to be fully franked	Yes. Gross up will apply to compensate for no franking
Dividend Payment Dates	15 April and 15 October
Dividend restriction if scheduled dividends not paid	Unless approved by special resolution of CPS Holders, BOQ must not resolve to pay or pay a dividend or distribution on Ordinary Shares or buy back or reduce the capital on Ordinary Shares until and including the next CPS Dividend Payment Date, unless the scheduled CPS dividend is paid in full within three business days of the due date
Mandatory Conversion	CPS will mandatorily convert on: <ul style="list-style-type: none"> ■ 15 April 2020 subject to the Conversion Conditions being satisfied or a Dividend Payment Date after that date on which date the Conversion Conditions are satisfied; ■ The occurrence of a Capital Trigger Event; ■ The occurrence of a Non-Viability Trigger Event; or ■ The occurrence of an Acquisition Event subject to the Conversion Conditions being satisfied.
Optional conversion or redemption	CPS may be converted (subject to Conversion Conditions being satisfied), redeemed or transferred at BOQ’s election, following: <ul style="list-style-type: none"> ■ A Tax Event (i.e. tax changes result in significant extra tax liability for BOQ); ■ A Regulatory Event (i.e. regulatory changes result in significant extra cost for BOQ); or ■ On the Optional Conversion/Redemption Date of 15 April 2018. <p>CPS may be converted (subject to Conversion Conditions being satisfied), at BOQ’s election, following a Potential Acquisition Event.</p> <p>CPS Holders have no right to require redemption, conversion or transfer.</p>

Conversion discount	1.00% to a VWAP in a calculation period before the Conversion event
Conversion Conditions	<p>The Conversion Conditions are based on the price and continuing quotation of Ordinary Shares. The price of the Ordinary Shares needs to be above a certain level for the Conversion Conditions to be satisfied. The Conversion Conditions are intended to protect CPS Holders against receiving on Conversion of CPS a number of Ordinary Shares that would be worth less than \$101.01 per CPS and that the Ordinary Shares they receive are listed on ASX.</p> <p>The Conversion Conditions do not apply to a conversion on a Capital Trigger Event or a Non-Viability Trigger Event, where the CPS must be converted without exceeding the maximum conversion number of Ordinary Shares, i.e. the value of the Ordinary Shares may be less than \$101.01.</p>
Acquisition Event	<p>An Acquisition Event will occur where:</p> <ul style="list-style-type: none"> ■ a takeover bid is made to acquire all or some of the Ordinary Shares and the offer is, or becomes, unconditional and the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or ■ a court approves a scheme of arrangement under Part 5.1 of the Corporations Act, which scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented, and all regulatory approvals necessary for the acquisition to occur have been obtained.
Potential Acquisition Event	<p>A Potential Acquisition Event occurs where:</p> <ul style="list-style-type: none"> ■ a takeover bid is made to acquire all or some Ordinary Shares and the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue and the offer is, or becomes, unconditional except that all regulatory approvals necessary for the acquisition to occur have not been obtained; or ■ a court orders the holding of meetings to approve a scheme of arrangement under Part 5.1 of the Corporations Act and the scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented.
Capital Trigger Event	BOQ's ratio of Common Equity Tier 1 Capital (before 1 January 2013, Fundamental Tier 1 Capital) to total risk weighted assets falls to, or below, 5.125%, calculated on a Level 1 or Level 2 basis.
Non-Viability Trigger Event	APRA has determined that CPS and other Relevant Tier 1 Capital Instruments (i.e. other Tier 1 capital instruments which can be converted or written off in a similar way to CPS) must be Converted because without Conversion, Write Off or a public sector injection of capital (or equivalent capital support) BOQ would become, in APRA's opinion, non-viable.
Write-off	If, on a Capital Trigger Event or Non-Viability Trigger Event, for any reason the CPS cannot be converted, the amount of capital that may be repaid in a winding up in respect of the CPS is written off to the amount which would have been represented by Ordinary Shares issued on conversion, and the dividend rate will be the same rate as any dividend declared on Ordinary Shares
Ranking in a winding up	<p>Rank ahead of Ordinary Shares, equally with certain issued preference shares and any other equal ranking instruments including PEPS, but behind all senior ranking securities or instruments, and behind all depositors and other creditors.</p> <p>Return in a winding up may be adversely affected on account of a Capital Trigger Event or a Non-Viability Trigger Event.</p>
Voting rights	No right to vote at general meetings of holders of Ordinary Shares, except in limited circumstances

