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ASX RELEASE

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JON SUTTON APPOINTED AS BOQ CEO

Bank of Queensland (BOQ) today announced that Jon Sutton has been appointed Managing Director and Chief Executive Officer, effective immediately.

Chairman Roger Davis said that following an exhaustive international search process, the Board believed Mr Sutton was the best person to continue the successful implementation of BOQ's strategy, as well as lead the Bank as it responds to future opportunities and challenges.

Mr Sutton has been Acting CEO for approximately four months and was previously Chief Operating Officer. He joined BOQ in July 2012.

"Jon has played a key part in BOQ's turnaround, as well as the development and implementation of our four pillar strategy," Mr Davis said.

"We are at a crucial point in a major transformation program and growth agenda and we are confident that strong momentum will be maintained under Jon's leadership. He has overseen many of the Bank's key projects including digitisation of its back office and, as Acting CEO, has done an excellent job in steering BOQ's performance and communicating our results to investors over the last few months.

"We believe Jon has the energy and passion that the role requires and the Board has no doubts that he will continue to be a wonderful leader for BOQ and help us achieve our goal of becoming Australia's most loved Bank."

Mr Sutton said he was proud to have been appointed BOQ's CEO and looked forward to leading the organisation and helping unlock its potential.

"BOQ has achieved much over the last two years but we must continue to maintain the momentum we have built and continue to successfully deliver our strategy and customer-focused approach," he said.

"This will create the foundations we need to underpin BOQ's next phase of growth, which will require us to take advantage of the opportunities and challenges presented by rapidly changing macroeconomic and financial services environments, as well as technological advancements.

"I'm proud to have been appointed CEO and I will be focused on delivering the best outcomes for customers, staff and shareholders."

Mr Sutton has over 20 years' experience in financial services and has extensive retail and business banking experience.

Prior to joining BOQ in July 2012, Mr Sutton was Managing Director of Bankwest. He held a number of senior positions at the Commonwealth Bank including Executive General Manager of Agribusiness where he was central to establishing the agribusiness segment and growing it strongly; General Manager of Client Risk Solutions; and Head of Corporate Risk Management Commodities.

Mr Sutton's biography, as well as the key terms of his CEO contract, follow.

Ends

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Jon Sutton biography



Jon Sutton is a highly experienced executive with over 20 years of banking experience at BOQ and Commonwealth Bank of Australia (CBA). He has been BOQ's Acting CEO since September 2014 following the departure of Stuart Grimshaw.

Mr Sutton joined BOQ as Chief Operating Officer in July 2012 with responsibility for the group's operations, strategy, product development, marketing, property, procurement and enterprise program office, as well as the St Andrew's and BOQ Finance businesses.

As COO, he has played a key role in the Bank's turnaround and the development of its strategy. He has also overseen a number of important transformation initiatives including the ongoing digitisation of the Bank's back office and the acquisition of Investec Australia's professional finance and leasing businesses.

Prior to joining BOQ, Mr Sutton enjoyed an 18-year career at CBA which culminated in his appointment as CEO of subsidiary Bankwest. Mr Sutton introduced a new strategic direction for Bankwest and led the turnaround in its financial performance.

He held a variety of other roles at CBA including Executive General Manager Agribusiness, where he re-established a market presence and grew the business strongly.

He was also General Manager of Client Risk Solutions at CBA, where he was responsible for marketing derivative products including interest rates, commodities and foreign exchange; and Head of Corporate Risk Management Commodities.

Before CBA, Mr Sutton spent 12 years at the Ricegrowers Co-operative Limited where his roles included Group Treasurer and Regional Export Manager.

Mr Sutton is married and has three adult sons.

Summary of Terms and Conditions of the Employment Agreement between Bank of Queensland and Jon Sutton

The key terms and conditions of the Employment Agreement are summarised below.

The remuneration package is made up of three key components:

- Fixed Remuneration as per the employment agreement;
- participation in Short Term Incentives - at-risk remuneration consisting of cash and equity;
- participation in Long Term Incentives - at-risk equity remuneration.

The package has been designed to promote alignment of reward with shareholders' interests and provide an appropriate focus on both the short term and long term performance of Bank of Queensland.

Position and term

The appointment to the position of Managing Director and Chief Executive Officer will be ongoing with reviews of performance and remuneration annually.

Fixed Remuneration

Base annual remuneration of \$1.25 million, including the minimum statutory contribution to superannuation (Total Remuneration – TR). This remuneration will be reviewed by the Board annually.

Short Term Incentive (STI)

The STI links individual performance over a year with that of BOQ. Mr Sutton has the opportunity to participate in the BOQ STI Bonus Scheme and achieve an award in a value range of 0 - 150% of TR, at the Board's discretion and dependent upon the achievement of specified, quantifiable results and within appropriate risk management parameters.

The performance gateways for an STI award under the scheme in FY15 are:

- performance against target earnings per share (EPS);
- assessment against individual performance criteria;
- adherence with BOQ's risk framework and expected behaviours.

If the gateways are achieved, the STI award is assessed based on achievement against performance factors which are weighted for their relative importance. The performance factors and weightings for FY15 are NPAT target (50%), individual performance rating (40%) and cost to income ratio target (10%).

If an STI award exceeds \$100,000, 50% of the STI award is deferred by being paid as Restricted Shares. A disposal restriction applies to 50% of restricted shares for one year and to the other 50% for two years.

The decision to release Restricted Shares from the disposal restrictions will be subject to forfeiture conditions - summary dismissal, leaving employment to take employment with a competitor or acts of fraud, financial mismanagement or similar conduct.

The Board may determine that circumstances have arisen which cause it to reconsider an STI award that has already been made. In this case, the Board may cause a number of unvested Restricted Shares to be forfeited or further deferred.

Long Term Incentive

Grants of Performance Award Rights (PARs) are made to senior executives (including Mr Sutton as MD and CEO) due to the important role they play in achieving the longer-term business goals of BOQ.

PARs have performance hurdles which generally are measured over a three year period and determine how many of the PARs vest and convert to ordinary shares in BOQ. This allows the Board to ensure that incentives are aligned with BOQ's future strategies and the interests of shareholders.

BOQ's long term incentive remuneration policy for FY15 is to base allocations of PARs at the Board's discretion on a face value of 0 - 100% of TR.

PARs and Restricted Shares held by Mr Sutton at the date of appointment will continue on their present terms of grant or issue, as applicable.

BOQ will offer to Mr Sutton an additional \$550,000 of Performance Award Rights (PARs), being 45,637 PARs at a VWAP of \$12.0516, to add to the 58,084 PARs granted to him on 16 December 2014. The form of that offer will so far as possible mirror the terms of PARs granted on 16 December 2014, including the vesting condition based on a comparison of BOQ's Total Shareholder Return over three years against a comparator group.

The offer of additional PARs is subject to shareholder approval at the 2015 AGM.

Shareholder approvals

Awards of PARs or Restricted Shares to Mr Sutton may be subject to shareholder approvals which will be obtained at the relevant AGM.

If any shareholder approval that is necessary for BOQ to grant or issue some or all of an equity based incentive (including performance right, options, shares or other equity based incentives) (equity incentive), BOQ may adjust the terms of the equity incentive to be granted so that BOQ may elect to satisfy any obligation to deliver the equity incentive by either or a mixture of:

- arranging for any shares to be acquired on market; or
- payment of an amount in cash equal to the value of the equity incentive.

Residence and rental allowance

For the duration of his employment Mr Sutton agrees to maintain a residence in Brisbane and will be paid a rental assistance allowance of \$50,000 per calendar year.

Termination

Termination may be instigated by either party on 9 months notice.

Restraints

The executive is subject to a restraint for a 9 month period after ceasing employment with BOQ or a maximum combined "gardening leave" and restraint of 12 months. This restraint covers being employed or engaged by a financial services institution which is in competition with BOQ. The executive also warrants that he will not solicit away from BOQ any BOQ employees, customers or clients with whom the MD and CEO has had direct contact in the previous twelve months.