



Senior Management Option Plan Rules

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**BANK OF QUEENSLAND LIMITED SENIOR
MANAGEMENT OPTION PLAN**

RULES

1. Purpose

- 1.1 The Plan is established by the Company to provide Eligible Employees with a means of receiving options over Bank of Queensland Limited Shares.
- 1.2 The purpose of the Plan is:
- (a) to provide an incentive to Eligible Employees to drive continuing improvement in company performance;
 - (b) to provide market competitive reward mechanisms which allow individuals to be recognised for their contribution to the company;
 - (c) to provide Eligible Employees with the opportunity to be rewarded with equity for helping to create and sustain long term value for the shareholders in the company, and thereby to align the interests of the Eligible Employees more closely with the interests of the shareholders;
 - (d) to ensure that effective measures are in place to attract and retain key employees.

**2. Definitions and
Interpretation**

Definitions

- 2.1 In these Rules, unless the context otherwise requires:

ASX means the Australian Stock Exchange Limited.

Bank of Queensland Limited Group means the Company and each body corporate that is a subsidiary of the Company under Division 6 of Part 1.2 of the Corporations Law and any other body corporate nominated by the Board from time to time.

Board means all or some of the Directors acting as a committee or the person to whom the Board has delegated all or any of its powers.

Capital Event means any of the following:

- (a) if a person acquires a relevant interest (within the meaning of section 608 of the Corporations Act 2001) in more than fifty percent (50%) of the ordinary shares in the Company as a result of a takeover bid;
- (b) if a person acquires a relevant interest (within the meaning of section 608 of the Corporations Act 2001) in more than fifty percent (50%) of the ordinary shares in the Company through a scheme of arrangement;
- (c) if the Company is wound up or liquidated for the purposes of Part 5.4, 5.4A, 5.4B, 5.5, 5.7, or any other part of Chapter 5, of the Corporations Act 2001; or
- (d) any other event which the Board in its absolute discretion considers a capital event.

Company means Bank of Queensland Limited ABN 32 009 656 740.

Company Secretary means the person holding the position of company secretary for the Company from time to time.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Eligible Employee means a person in full time employment or permanent part time employment of a body corporate in the Bank of Queensland Limited Group in a management position, whom the Board determines to be eligible to participate in the plan but not including a non-executive director.

Exercise Notice means a notice in substantially the same form as that contained in the schedule.

Exercise Price means the amount that must be paid by a Participant to acquire a Share by the exercise of an Option.

Financial Year is the financial year of the Company which at the date of adoption of this plan is a 12 month period commencing on 1 September in a given year and ending on 31 August in the subsequent year.

Initial Date means in respect of any offer of Options the date of that offer or such date as determined by the Board in its absolute discretion.

Law means the applicable legislation of every jurisdiction that may apply in relation to the Plan.

Listing Rules means the official listing rules of the ASX and any other rules of ASX which are applicable while the Company is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver of ASX.

Managing Director means the person holding the position of managing director, or an equivalent position as chief executive officer, of the Company from time to time.

Non-Exercisable Period is the period that commences on the Initial Date and ends three years later or such other period as the Board determines in its absolute discretion and which is disclosed in the offer.

offer includes an invitation to apply for an Option.

Option means an option issued under the Plan to subscribe for a Share.

Participant means an Eligible Employee, or a person who was an Eligible Employee, who accepted an offer under the Plan or who holds an Option issued under the Plan.

Performance Period means any or all of those periods described in Rule 3.2.

Plan means the Bank of Queensland Limited Senior Management Option Plan.

Qualifying Reason means death, Total and Permanent Disability, redundancy, Retirement or any other reason as determined by the Board in its absolute discretion.

Retirement means completion of employment with the Bank of Queensland Limited Group with the intention of not undertaking further full time paid employment, usually occurring from age 50 onwards.

Rules means the rules of the Plan.

Share means a fully paid ordinary share in Bank of Queensland Limited.

Total and Permanent Disability means permanent incapacity as defined in Part 6 paragraph 6.01 of the Superannuation Industry (Supervision) Regulations of the Superannuation Industry (Supervision) Act 1993.

Interpretation

2.2 In these Rules unless the context otherwise requires:

- (a) words importing the singular include the plural and vice versa;
- (b) the masculine gender shall include the feminine and neuter genders and vice versa;
- (c) a reference to a person includes the legal personal representative of that person and also corporations and other entities recognised by law;
- (d) reference to a clause or paragraph is a reference to a clause or paragraph of these Rules, or the corresponding Rule or Rules of this Plan as amended from time to time;
- (e) headings are for convenience only and do not affect the interpretation of these Rules;
- (f) references to any law or the Listing Rules includes that law or the Listing Rules as amended, re-enacted or replaced and any law or any Listing Rule that supersedes that law or any Listing Rule (as the case may be); and
- (g) references to any law includes any legislation, statutory instrument, regulation, binding determination and ruling made in connection with that law.

3. Offer, Application and Grant of Options

Eligibility

- 3.1 The Board may in its absolute discretion offer Options to Eligible Employees after consultation with the Managing Director. In selecting Eligible Employees to receive the offer, the Board may have regard to:
- (a) the Eligible Employee's length of service with any company in the Bank of Queensland Limited Group;
 - (b) the contribution made by the Eligible Employee to any company in the Bank of Queensland Limited Group;
 - (c) the potential contribution to be made by the Eligible Employee to any company in the Bank of Queensland Limited Group; and
 - (d) any other matters which the Board considers relevant.

Performance Periods

- 3.2 The Board in its absolute discretion may establish Performance Periods for the purposes of this Plan.

Offer of Options

- 3.3 An offer of Options to an Eligible Employee shall be in writing and shall specify:
- (a) the amount (if any) payable per Option by the Eligible Employee upon accepting the offer;
 - (b) the Exercise Price or how the Exercise Price is to be determined. Unless determined otherwise by the Board in its absolute discretion, the Exercise Price shall be the volume weighted average price of Shares traded over the 10 business days immediately after the date of announcement of the Bank's most recent annual results;
 - (c) the maximum number of Options which the Eligible Employee may apply for;
 - (d) the closing date for applications;
 - (e) the minimum holding periods (if any) in relation to any or all of the Options or Shares acquired as a result of the exercise of any or all of the Options; and
 - (f) any other terms and conditions relating to the offer which are not inconsistent with these Rules.

Consideration

- 3.4 Unless the Board determines otherwise, Options will be granted for no cash consideration.

Application by Eligible Employee and Acceptance

- 3.5 An Eligible Employee may apply for Options and will be taken to have accepted the terms of an offer by completing and signing the appropriate application form and returning it to the Company by the time and date specified in the offer. Upon acceptance of the application by the Company, the Eligible Employee becomes a Participant in the Plan.

Grant of Options

- 3.6 On acceptance of the application by the Company after receipt of the completed application form, the Company shall grant Options to the Participant in accordance with the offer.

Terms of Grant

- 3.7 Options must be granted on the terms of these Rules and each Participant will be taken to have agreed to be bound by these Rules on acceptance of any offer of Options.
- 3.8 The Participant must not sell, transfer, mortgage, charge or otherwise dispose of, deal with, grant any interest in or encumber any Options except with the consent of the Board which may be either:
- (a) a consent given or withheld for a particular Participant in the particular circumstances of the case; or
 - (b) a general consent applying to all Participants, or a class of them, in specified circumstances.
- 3.9 Options will not be quoted on the ASX.

4. Exercise of Options

Conditions for the Exercise of Options

- 4.1 The Board may, in its absolute discretion, specify terms and conditions that may be applicable to when, or whether or not, an Option granted will become exercisable.
- 4.2 Subject to Rule 4.6, Rule 4.7 and any other terms and conditions applying to the exercise of Options granted, Participants shall not be entitled to exercise all or some of their Options before the Non-Exercisable Period has expired.
- 4.3 An Option that does not become exercisable in accordance with its terms and conditions lapses at the time that the terms and conditions are not satisfied or otherwise become unable to be met.

Lapse of Options

- 4.4 Subject to clause 4.5, an Option that has become exercisable may be exercised at any time on or before the expiry of five (5) years from the date of grant of the Option.
- 4.5 An Option that has become exercisable but is not exercised will lapse on the first to occur of:
- (a) the expiry of five (5) years after the grant of the Option;
 - (b) the expiry of six (6) months, or such other period as the Board determines, after the Participant ceases to be employed by any body corporate in the Bank of Queensland Limited Group due to a Qualifying Reason;
 - (c) the Participant ceasing to be employed by any body corporate in the Bank of Queensland Limited Group for any reason other than a Qualifying Reason;
 - (d) the expiry of six (6) months, or such other period as the Board determines, after a Capital Event;
 - (e) the Board determining that the Participant has acted fraudulently, dishonestly or in breach of the Participant's obligations to the Company or any body corporate in the Bank of Queensland Limited Group, whether or not the Participant's employment has been terminated.

Change of Control or Cessation of Employment

- 4.6 Where a Participant ceases to be employed by any body corporate in the Bank of Queensland Limited Group because of a Qualifying Reason:
- (a) a proportion of the number of Options granted which have not otherwise become exercisable under the terms and conditions referred to in Rule 4.2 ('terms and conditions') will become exercisable despite those terms and conditions. That proportion of Options will be calculated as follows:
 - Step 1. Work out the number of days from the Initial Date up to and including the date of cessation of employment;
 - Step 2. Divide the result from Step 1 by the number of days in the Non-Exercisable Period;
 - Step 3. Multiply the number of Options granted which have not otherwise become exercisable under the terms and conditions by the result from Step 2. This is the pro-rated number of Options that become exercisable; and
 - (b) the Board may in its discretion decide that a greater proportion of the Options granted which have not otherwise become exercisable under the terms and conditions shall become exercisable.

- 4.7 If a Capital Event occurs, unless the Board determines otherwise, all Options which have not otherwise become exercisable under the terms and conditions will become exercisable despite those terms and conditions.
- 4.8 Where a Participant ceases to be employed by any body corporate in the Bank of Queensland Limited Group for a reason other than a Qualifying Reason, all Options which have not otherwise become exercisable will lapse.
- 4.9 The Board may, at its discretion, allow Options to become exercisable in circumstances where, in the Board's view, it would otherwise be unfair to the Participant or the dependents of a deceased Participant for the Options to lapse or not be exercisable.

5. Method of Exercise of Options

- 5.1 An Option is exercisable by the holder lodging a duly completed Exercise Notice, together with the Exercise Price for each Share to be issued on exercise, with the Company Secretary or such other person as the Board designates.
- 5.2 Options must be exercised in multiples of 100 or such other number agreed to by the Board.
- 5.3 Subject to the Listing Rules, the Company must allot Shares on exercise of an Option in accordance with the Rules.
- 5.4 Unless the Option terms provide otherwise, Shares issued on the exercise of Options will rank pari passu with all existing Shares from the date of issue.

6. Maximum Number of Options

- 6.1 The number of Shares to be received on exercise of an Option, which is offered under the Plan when aggregated with:
- (a) the number of Shares in the same class which would be issued if each outstanding Offer or Option to acquire unissued Shares were to be accepted or exercised, being Offers made or Options acquired pursuant to an employee share or option plan extended only to employees or directors of the Company and its associated bodies corporate; and
 - (b) the number of Shares in the same class issued during the previous 5 years pursuant to any employee share or option scheme extended only to employees or directors of the Company and its associated bodies corporate,
- but disregarding any Offer made, or Option acquired or Share issued by way of or as a result of:
- (c) an Offer to a person situated at the time of receipt of the Offer outside of Australia; or
 - (d) an Offer that did not need disclosure because of section 708 of the Corporations Act 2001 (or a previous equivalent),

must not exceed 5% of the total number of issued Shares in that class of Shares of the Company as at the time of the making of the Offer of Options under the Plan.

7. General

Notwithstanding any Rule or the terms of any Option no Option may be offered, granted or exercised if to do so would contravene the Corporations Act, the Listing Rules or any other applicable Laws.

8. Participation in Future Issues

- 8.1 Shares issued as a result of an exercise of an Option will be entitled to dividends which have a record date for determining entitlements after the date of issue.
- 8.2 A Participant may only participate in new issues of securities to holders of Shares if Shares have been issued as a result of an exercise of an Option in accordance with these Rules before the date for determining entitlements to the issue.
- 8.3 Subject to clause 8.6, a Participant may only participate in rights issues or other securities pro rata if Shares have been issued as a result of an exercise of an Option in accordance with these Rules before the date for determining entitlements to the issue.
- 8.4 Subject to clause 8.7, a Participant may only participate in bonus issues or other securities pro rata if Shares have been issued as a result of an exercise of an Option in accordance with these Rules before the date for determining entitlements to the issue.
- 8.5 If Options are exercised simultaneously then the Participant may aggregate the number of Shares or fractions of Shares or other securities to which the Participant is entitled to subscribe under those Options. Fractions in the aggregate number only will be disregarded in determining the total entitlement to subscribe.
- 8.6 If the Company makes a pro rata issue (except a bonus issue) to the holders of ordinary shares, the exercise price of each Option will be reduced with the new exercise price of each Option to be calculated in accordance with the following formula:

$$O' = O - \frac{E[P - (S + D)]}{N + 1}$$

O' is the new exercise price of the Option

O is the old exercise price of the Option

E is the number of underlying securities into which one Option is exercisable

- P is the average market price per security under the pro rata issue
- S is the subscription price for a security under the pro rata issue
- D is the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue)
- N is the number of securities with rights or entitles that must be held to receive a right to one new security

No change will be made to the number of shares to which the Option holder is entitled.

- 8.7 If the Company makes a bonus issue to holders of ordinary shares (other than an issue in lieu of dividends or by way of dividend reinvestment pursuant to any shareholder election), the number of Shares issued on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised before the record date for the bonus issue. No change will be made to the exercise price.
- 8.8 In clauses 8.6 and 8.7, 'pro rata issue' and 'bonus issue' have the same meaning as in the Listing Rules.
- 8.9 In the event of any reconstruction of the issued ordinary capital of the Company, the number of Shares attaching to each Option or the Exercise Price per Share of an Option or both will be reconstructed in the manner required by the Listing Rules and otherwise in the manner determined by the Board.

9. Administration of the Plan

The Plan shall be managed by the Board which shall have power to:

- (a) determine appropriate procedures for administration of the Plan consistent with the provisions of these Rules;
- (b) resolve conclusively all questions of fact or interpretation arising in connection with the Plan;
- (c) exercise any discretions expressly conferred on it by these Rules or which may otherwise be required in relation to the Plan;
- (d) delegate to any one or more persons for such period and on such conditions as they may determine the exercise of any of their powers or discretions arising under the Plan; and
- (e) subject to these Rules and to any restrictions imposed by the Law or the Listing Rules, add to, delete or vary these Rules.

10. Rights of Participants

Nothing in these Rules:

- (a) confers on any Executive the right to receive any Options;

- (b) confers on any Participant the right to continue as an employee of the Company or any body corporate in the Bank of Queensland Limited Group;
- (c) affects any rights which the Company or a body corporate in the Bank of Queensland Limited Group may have to terminate the employment of any employee; or
- (d) may be used to increase damages in any action brought against the Company or a body corporate in the Bank of Queensland Limited Group in respect of any such termination.

11. Amendment and Termination

Amendment

- 11.1 The Company may at any time by written instrument or by resolution of the Board, amend all or any of the provisions of these Rules (including this Rule 11.1). Notwithstanding the foregoing provision, the Company may not amend the Plan so as to reduce the rights of a Participant in respect of Options held by the Participant, where those Options were held prior to the date of the amendment, unless otherwise agreed by the Participant.
- 11.2 No amendment may be made except in accordance with and in the manner stipulated (if any) by Law and the Listing Rules.

Termination

- 11.3 The Company may at any time by written instrument or by resolution of the Board, terminate the Plan in whole or in part in respect of some or all of the Participants, without any liability whatsoever on the Company or any body corporate in the Bank of Queensland Limited Group for any such complete or partial termination.
- 11.4 If the Plan is terminated in whole or in part, the Board must determine how Options then held by affected participants under the Plan which have not been exercised are to be dealt with and shall give such directions regarding the operation of the Plan as the Board may require.

12. Connection With Other Plans

Participation in the Plan does not affect, and is not affected by, participation in any other incentive or other scheme operated by the Company unless the terms of that scheme provide otherwise.

13. Notices

Any notice regarding Options granted under the Plan will be sent to the registered address of the Participant as recorded in the register of Participants maintained by the Company.

14. Governing Law

The laws of Queensland govern these Rules.

**Schedule
Exercise Notice
Application for Shares on Exercise of Options**

To: Bank of Queensland Limited

I, being the registered holder of Options under the Bank of Queensland Limited Senior Management Option Plan, hereby:

1. irrevocably exercise () Options granted on () and exercisable in terms of the Company Secretary's advice dated () to have () 00 Shares* allotted to me ; and
2. request the entry of my name in the register of shareholders of Bank of Queensland Limited in respect of the shares allotted in consequence of (1) above.

A cheque for \$ is attached covering the exercise price of \$ per option in respect of () options.

- There must be a minimum of 100 shares unless otherwise agreed with the Board.

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Date / /