

Denis Kelart

June 29, 2009

Committee Secretary
Parliamentary Joint Committee on Corporation and Financial Services
P. O. Box 6100
Parliament House
Canberra ACT 2600

Ref: Storm Financial/Bank of Queensland

Attached is a copy of my letter to Neil Summerson, Chairman of the Bank of Queensland concerning the bank's mortgage loans to Storm Clients. As I have stated in my letter I am a concerned Bank of Queensland shareholder.

I am forwarding this copy as it may be of use in your investigation.

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Neil Summerson
Chairman
Bank of Queensland Ltd
G. P. O. Box 898
Brisbane Qld 4001

Ref: Storm Financial

I, as a very minor shareholder, am concerned about the actions of the bank in respect to mortgage loans given to some if not all Storm clients. Many are well into their sixties, have no income other than through the Storm scheme. Now that Storm has collapsed due to the global financial crisis, the only income these folk have is the Australian Government pension. Their age and income means that there is no chance of their mortgages ever being repaid unless they sell their homes.

Around 1989, when I applied for a mortgage from the Bank of Queensland, I had to present several pay slips to show that I had the earning capacity to repay my loan. I also had to provide proof that I was employed on a permanent basis. I suppose this is what is called 'due diligence'. If this type of diligence was applied to Storm clients, they most certainly would *not* have been given loans. As a result of what I consider to be a most irresponsible action by B o Q, these Storm people are now faced with the heart breaking task of selling their homes in a depressed real estate market. They don't seem to be getting any support or sympathetic help of any kind from the B o Q. The B o Q seems to be taking the view that as the Bank is not responsible for calling in the Storm customer's margin loans, the problem has nothing to do with them. Well, let me remind the Board, that the B O Q is responsible for granting loans to people that should *never* have received them in the first place.

The loans in North Queensland seemed to have been negotiated by Storm with The Bank's North Ward, Townsville Branch. Is this one of those Owner – Managed Branch models of which your letter to Shareholders speaks so favorably? It seems that this branch was more interested in earning fees, commissions etc. than carrying out full and thorough checks on these unfortunate Storm clients. Surely the loan applications from Storm would have shown their relatively advanced ages, not to mention their low earning capacity other than 'paper' income? How much 'due diligence' occurred?

Not very much it seems. I again point out that it is the Boards responsibility that all branches operate according to the laws of the land and the bank's own rules.

I purchased Bank of Queensland shares, being part of a small portfolio as a hedge against inflation during positive economic times. Goodness knows that I would not be able to rely on the interest rates paid to depositors by all banks. I had a perception due to reports from various sources, as well as my own experience in dealing with the B o Q, that the Bank engaged in conservative and responsible lending policies.

The Bank's share price has dropped from a high of about \$16.00 to around \$8.90, almost a 50% reduction in value. I understand that all shares have fallen dramatically. However, with the specter of ASIC and Slater & Gordon hovering around, the price may drop even more.

I will certainly be selling my shares at the first favorable opportunity.

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