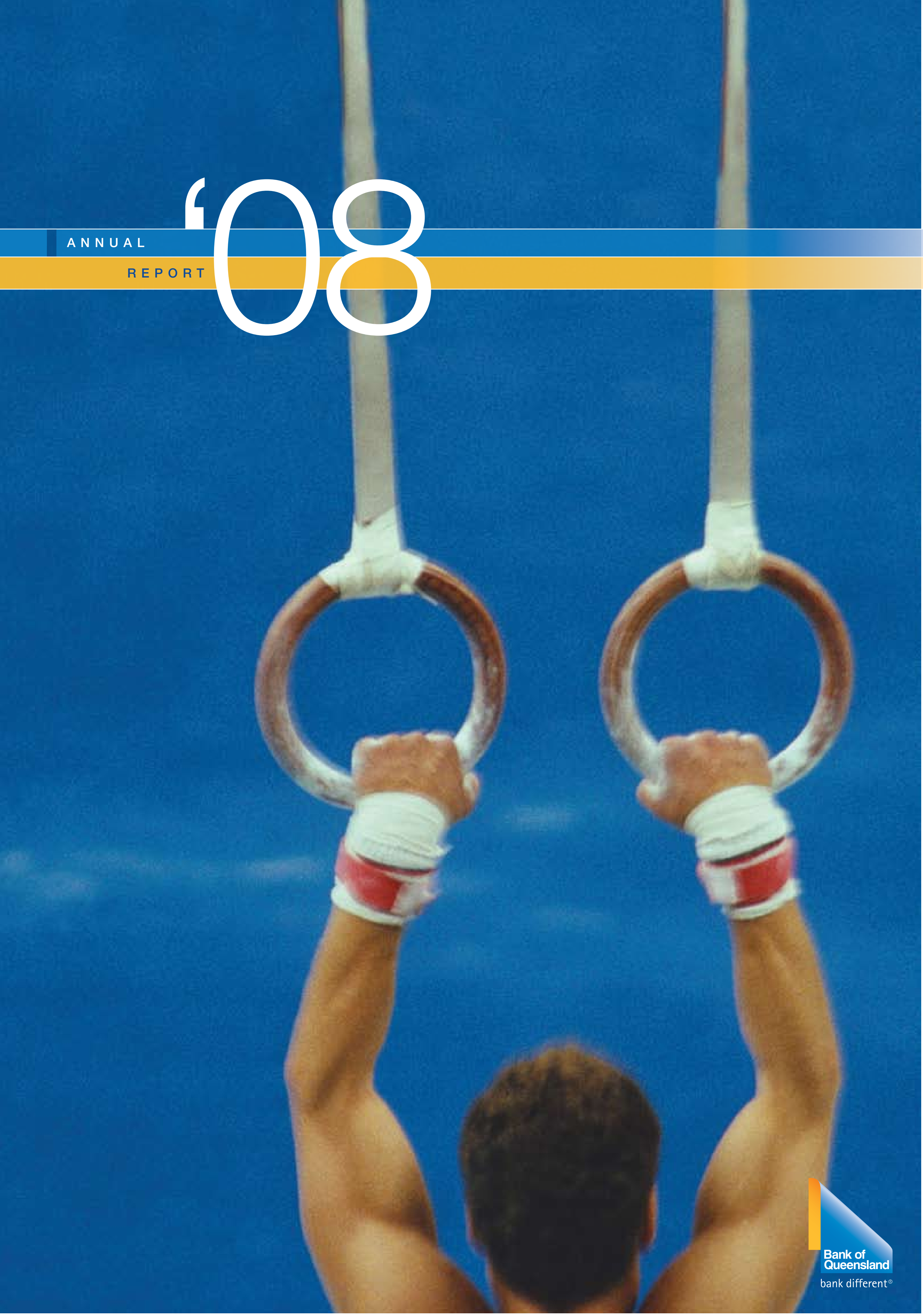
ANNUAL REPORT '08



Bank of Queensland
bank different®

BOQ's values

PASSION: Working with dedication and enthusiasm, and always doing the best job we can.

COURAGE: Taking the best, not the easiest, options and having the strength to think and act differently from our competitors.

ACHIEVEMENT: Always contributing to the best of our abilities, maintaining a sense of urgency and being motivated to act.

INTEGRITY: Doing the right thing by customers, shareholders, the community, the environment and our employees.

TEAMWORK: The engine room of our growth. Working hard, having fun and celebrating our success.

Secure, strong, flexible, unique - four traits which collectively helped underwrite another year of significant growth for the Bank and as any elite gymnast will testify, are essential ingredients for success at the ultimate level. They also underpin our commitment to Corporate Responsibility, enabling us to align our values and actions with the expectations of all our stakeholders. From our shareholders, customers and employees through to the community and environment, our unique relationships are built around security, strength and flexibility.

About this report

Our 2008 Annual Report contains the group's full financial statements. It strictly adheres to our environmental policy being printed on waterless presses and on Forest Stewardship Council (FSC) accredited paper from sustainable forests.

secure, strong, flexible, unique

Bank of Queensland

'07/ '08

Annual General Meeting

The Annual General Meeting will be held at the Sofitel Hotel, 249 Turbot Street, Brisbane on Thursday, 11 December 2008 at 10am (registration commences at 9.15am).

'08

‘07/‘08 highlights

SECURE: Bank of Queensland is a 134-year-old financial institution with an expanding national presence. We do not lend internationally and have minimal exposure to poorer quality, or “sub-prime” mortgage lending. ■ With the unfolding global market uncertainty experienced from late in 2007, the Bank has placed issues such as risk assessment, liquidity, capital adequacy and funding costs at the forefront of our business planning agenda. As a result of these endeavours, at year-end, our portfolio quality and capital position are as secure as they’ve ever been.

Branch network strengthened

> Successful merger with Western Australia-based Home Building Society and the opening of new branches swell BOQ's national branch network to 286 and customer base to over 650,000.

Above system lending and deposit growth

> Despite difficult market conditions, BOQ again outstrips Australian banking sector performance, recording retail deposit and lending growth 1.3 and 1.9 times respectively ahead of the system (this excludes the contribution from Home Building Society).

Successful integrations

> Integration of Pioneer Permanent Building Society was successfully completed, providing the Bank with strong market synergies in the booming Central and North Queensland economies.

> Integration of Home Building Society in Western Australia was completed in September 2008, nine months ahead of schedule.

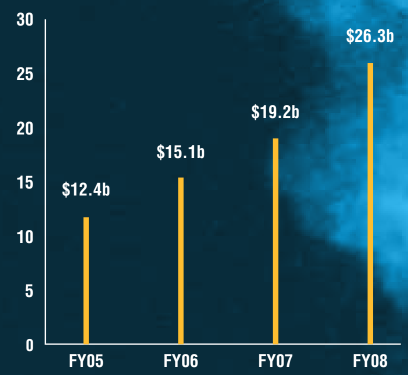
Corporate accolades

> BOQ heralded as Best Mid Cap Company in Australia by Asia Money Magazine.

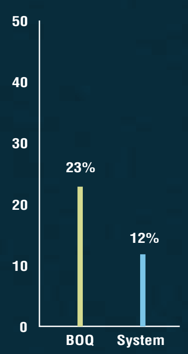
Financial highlights

- Continued focus on asset quality, combined with strong increases in lending and deposit growth, drive headline normalised cash net profit after tax up 46% to $155.4 million.
- Earnings growth guidance met with normalised cash diluted earnings per share up 11% to 102.9 cents per share.
- Full year dividend increases 6% to 73 cents fully franked, comprising 35 cents for the first half and 38 cents for the second half.
- BOQ out-performs overall banking sector by maintaining asset quality at levels similar to the prior year, with impaired assets to non-securitised loans increasing only 0.08% despite continued market volatility.
- An ongoing focus on efficiency and operating costs has driven a reduction of 10% in the normalised cash cost-to-income ratio to 56.1%, a significant achievement in a difficult market.

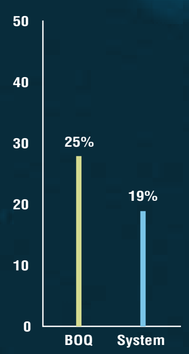
Loans under management
$ billion



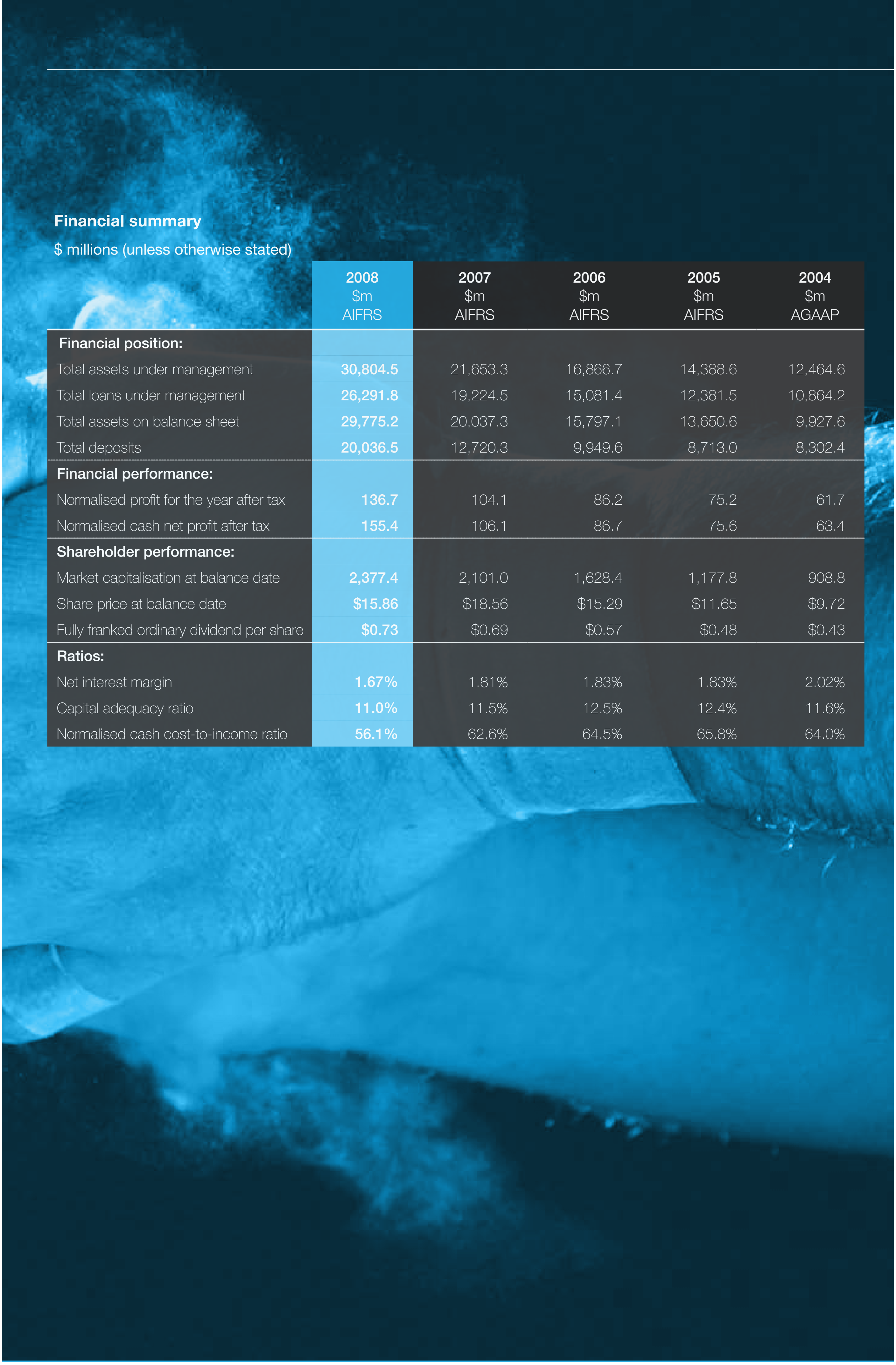
Lending growth
↑ *23%**



Retail deposits
↑ *25%**



** Excludes acquisition balances of Home Building Society.*



Financial summary

$ millions (unless otherwise stated)

	2008 $m AIFRS	2007 $m AIFRS	2006 $m AIFRS	2005 $m AIFRS	2004 $m AGAAP
Financial position:					
Total assets under management	**30,804.5**	21,653.3	16,866.7	14,388.6	12,464.6
Total loans under management	**26,291.8**	19,224.5	15,081.4	12,381.5	10,864.2
Total assets on balance sheet	**29,775.2**	20,037.3	15,797.1	13,650.6	9,927.6
Total deposits	**20,036.5**	12,720.3	9,949.6	8,713.0	8,302.4
Financial performance:					
Normalised profit for the year after tax	**136.7**	104.1	86.2	75.2	61.7
Normalised cash net profit after tax	**155.4**	106.1	86.7	75.6	63.4
Shareholder performance:					
Market capitalisation at balance date	**2,377.4**	2,101.0	1,628.4	1,177.8	908.8
Share price at balance date	**$15.86**	$18.56	$15.29	$11.65	$9.72
Fully franked ordinary dividend per share	**$0.73**	$0.69	$0.57	$0.48	$0.43
Ratios:					
Net interest margin	**1.67%**	1.81%	1.83%	1.83%	2.02%
Capital adequacy ratio	**11.0%**	11.5%	12.5%	12.4%	11.6%
Normalised cash cost-to-income ratio	**56.1%**	62.6%	64.5%	65.8%	64.0%

‘09 blueprint

1. **Enhance shareholder value**
   > Maintain efficiency gains of recent years by further reductions to the cost-to-income ratio.
2. **Achieve strong growth**
   > Leverage strong footholds in Australia’s two leading economies (Queensland and Western Australia) to maintain growth and asset quality.
   > Realise increased productivity from maturing branch network and continued conversion of corporate branches to Owner-Managed Branches™.
3. **Continue to make disciplined acquisitions**
   > Deliver full synergies from the Home Building Society integration.
   > Continue to target complementary acquisitions, particularly those that build on our competitive advantage in the Queensland and Western Australian power economies.
4. **Maintain strong asset quality**
   > Continue focus on well-secured housing and SME lending.
   > Maintain current low level of large exposures.
5. **Further strengthen funding sources**
   > Maximise diversification of funding sources.
   > Leverage strong retail funding franchise to grow long-lasting term deposits.
   > Build internal securitisation assets for contingent liquidity and maintain adequate liquidity levels.

"In my first report to shareholders as Chairman of Bank of Queensland, I look back on what has been a very challenging year".

The repercussions from the sub-prime problems in the United States have created immense pressure on the entire banking industry. While Bank of Queensland has had no direct exposure to the failed US companies, we have not been immune to the increased costs all banks have faced to secure their funding.

To manage our risk and in line with our funding strategy, we continued to diversify our borrowing, accessing across the interbank market, securitisation, short and long term senior debt, and domestic and offshore markets. This strategy ensured our liquidity was maintained at ample levels to support our operations throughout the year.

Shareholders would have witnessed the escalating market volatility. In response, the Bank heightened cost disciplines already in place across all levels of the organisation. By financial year end, all major expense categories had been kept flat relative to income growth.

Not surprisingly, there has been substantial fear in the market from shareholders as to the strength of the Australian banks. We are however most fortunate that the Australian banking industry is one of the strongest and most well regulated in the world.

It is noteworthy that even in this difficult environment, the Bank has announced our normalised cash net profit after tax of $155.4 million, an increase of 46% from the previous year.

Directors were able to declare a final dividend of 38 cents per share fully franked, which lifted the full year dividend to 73 cents per share fully franked. This compares to the 69 cents per share fully franked dividend paid the prior year.

In FY 2008, our balance sheet was strengthened by gains from the acquisitions of Home and Pioneer Building Societies.

In late November 2007, we successfully completed the integration of Pioneer Building Society, which consolidated our strategic presence in the buoyant Central and North Queensland economy, adding $300 million to our asset base, and delivering decisive revenue and earnings growth.

Furthermore, after receiving overwhelming support from Home's shareholders, we acquired Western Australia's largest building society in December 2007. After the move to a single brand in May 2008, our integration of Home Building Society was successfully completed nine months ahead of schedule in September 2008. At the close of the financial year the synergies being realised were already tracking on an upward basis.

The integration of these building societies in these testing market conditions is a testimony to the skills of our senior Executives and the commitment and service orientation of our front line people.

I also congratulate our senior managers, the Bank's Owner-Managers and business bankers throughout Australia and the 2,500 BOQ people that so admirably support their efforts. Their dedication and loyalty to our proud brand should be applauded.

In August 2008, we announced that our Managing Director, David Liddy, had agreed to extend his contract until 2011. David has had an enormous impact on the Bank's success over recent years, including the introduction of our highly effective Owner-Managed Branch™ model and dramatically expanding our reach from 93 branches solely within Queensland, to 286 nationally. His decision to remain at our helm for another three years is undoubtedly wonderful news for all shareholders.

I would also like to acknowledge our outgoing Chairman Neil Roberts, who has played an equally influential role for the Bank. In Mr Roberts' 13 years as Chairman, the Bank's market capitalisation has grown from $25 million to over $2.4 billion at the time of his retirement.

We are also fortunate to have appointed two highly qualified people to the Bank's Board during the year under review. Mr Tony Howarth, the former Chairman of Home Building Society, is our new Deputy Chairman. In addition Mr Roger Davis, who has extensive Australian and international banking and finance experience, including previous positions with Citibank and ANZ, joined us as a Director in August 2008.

I also pay tribute to Tony Love who is retiring as a Director at this year's Annual General Meeting. Tony has been a valuable Director for 14 years and has Chaired the Governance Committee and the Audit and Risk Committee during his term. I wish him well in his retirement.

Following Tony's retirement, Steve Crane has offered himself for election as a Director and the Board fully supports his election. Steve has extensive public company experience following a distinguished career in the banking and financial services industries. His skills and experience will be a valuable addition to the existing mix of skills on the Board.

Last but not least, I would like to thank our shareholders for their continued support throughout these troubled times. Although the immediate outlook for our operating environment remains uncertain, we remain robust and strongly positioned to weather the storm.

Neil Summerson

Chairman

‘08

STRONG: **Given our bias to the stronger growth economies and our strategy over recent years to insulate ourselves from the higher risk segments of the consumer market by outsourcing credit cards, margin lending and insurance, Bank of Queensland’s underlying business has remained very strong. ■ Our expansion strategy will continue to centre on rolling out the Bank’s Owner-Managed Branch™ (OMB) model. This is a low cost expansion strategy which provides us with a strong competitive advantage, and a branch network that is far more profitable than the conventional corporate outlets operated by our competitors.**

"The external events impacting on, and the outcomes achieved by Bank of Queensland in FY 2008 highlight just how robust and effective our chosen business model is."

The sub-prime problems flowing out of the United States and subsequent global liquidity crisis have caused one of the toughest years on record for the banking industry.

Our effort in recording a 46% rise in headline normalised net cash profit after tax of $155.4 million was unquestionably a significant achievement in a trading environment not conducive to the banking sector's growth.

Bank of Queensland's stringent cost and asset quality surveillance, along with continued efficiency gains, combined to produce this positive result.

Maintaining a strong balance sheet

In FY 2008, we maintained stringent surveillance on the quality of our balance sheet and specific market conditions that could impact it.

Accordingly, our commercial lending throughout the year remained extremely disciplined. The Bank's exposure to residential building and construction projects remained within pre-set risk parameters, and at financial year end continued to perform well.

We have not suffered any underlying deterioration of credit as, unlike our larger competitors, Bank of Queensland's portfolio has no significant corporate exposures. As at 31 August 2008, the Bank had only 69 exposures over $10 million, representing less than 5% of assets under management, with over half of these facilities due to mature within one year.

In FY 2008, we experienced only a relatively small increase in bad debt provisions, with impaired assets as a percentage of non-securitised loans increasing only 0.08%.

As widely publicised, the events of the past 12 months have had a profound impact on the Australian banking sector's funding channels and costs.

As shareholders may be aware, a result of the global credit crisis has been an upward repricing of risk which has dramatically diminished opportunities in securitisation markets and significantly increased the cost of banks' funding sources.

To ensure strong levels of liquidity, in April 2008 we successfully raised $628 million through an automobile and equipment receivables backed securitisation issue. The Bank also raised over $200 million through a hybrid capital issue, to help fund our forward growth and to maintain our Tier 1 capital adequacy ratios.

Leveraging off acquisitions

In late November 2007, we successfully completed the integration of Mackay-based Pioneer Permanent Building Society, following their members' acceptance of our $49.6 million merger proposal twelve months prior. This acquisition significantly bolstered our foothold in the booming Central and North Queensland economy.

Members of Home Building Society also overwhelmingly endorsed our $592 million merger proposal in November 2007. This merger with Home has delivered us an additional 24 branches, $2.7 billion in loans and advances and, significantly, in today's competitive funding environment, $2.5 billion in retail deposits.

As part of the integration process which was successfully completed nine months ahead of schedule in September 2008, all Home Building Society operations have been migrated to the Bank of Queensland brand and four overlapping branches have been consolidated.

With Western Australia's resource boom continuing to fuel the local economy, we remain committed to growing our retail footprint in this state under the Bank of Queensland banner in the near future.

Branch network

Given the overriding need to integrate Home and Pioneer Permanent into our operations and a softening of some interstate economies, particularly New South Wales, the Bank consciously slowed the rate of new branch openings in FY 2008.

At the time of this report's publication our Australia-wide footprint stood at 286 brances.

The Owner-Managed Branch™ model continued to drive shareholder value through superior sales productivity and a variable cost structure aligned to performance. The success of this model was evidenced by the Bank's retail deposits which grew to $14.0 billion in this difficult financial year.

A small number of Owner-Managed Branches™ struggled in the lagging New South Wales economy. The Bank assumed control of a number of these branches which we will manage until they are performing at a more successful level.

Outlook

There is no doubt that FY 2009 will present both opportunities and challenges. While we expect it will be at least 12 to 18 months before the market problems of liquidity and high borrowing costs stabilise, the underlying fundamentals of our strategy remain strong.

Whilst the forecast for economic conditions in the world are uncertain at the time of writing, the Reserve Bank of Australia and the Federal Government will no doubt continue to closely monitor developments and take action to ease the pressure on the local economy. The Government's recent actions to guarantee all deposits in Australia for the next three years, and to guarantee term wholesale funding by Australian financial institutions, is an excellent example of this.

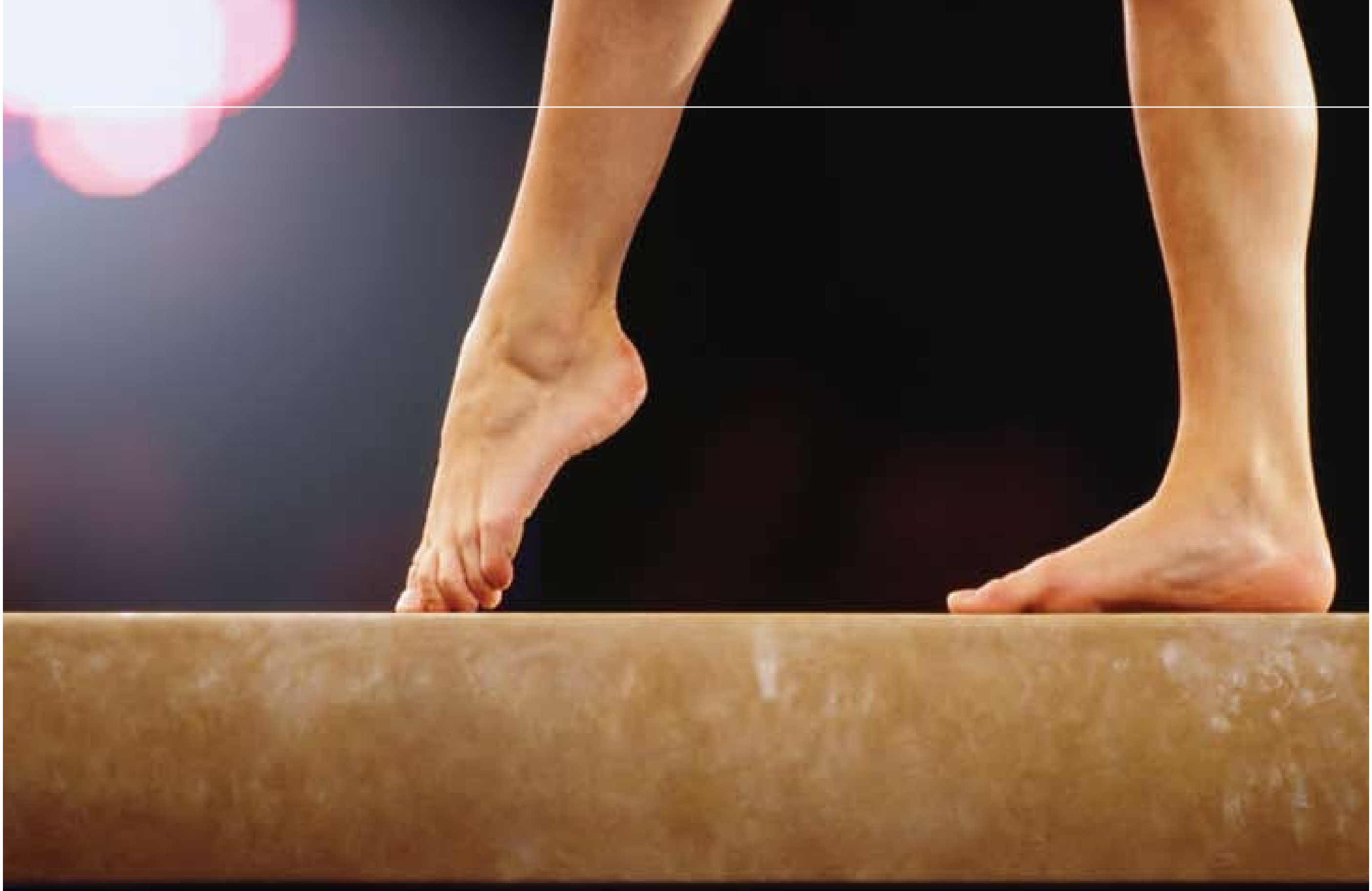
Bank of Queensland importantly has robust asset quality which reinforces the fact that at the core we are solely a retail bank with essentially low-risk retail assets. We will, however, maintain our rigorous focus on risk assessment.

Additional opportunities for strategic acquisitions in the foreseeable future are likely to materialise, particularly given the operating challenges ahead for smaller financial institutions. Backed by our proven track record of successfully integrating past acquisitions, the Bank is intent on maintaining a proactive position in the financial services consolidation process.

Overall, we will keep adjusting our strategy to respond to the changing market conditions ahead with the aim of continuing to be a rewarding investment for our shareholders.

David Liddy

Managing Director



UNIQUE: **Our unique and highly motivated Owner-Managed Branch network continued to spearhead our sector leading performance. Our chosen business model provides a distinct advantage over our competitors, most of whom continue to rely on traditional, less customer-centric corporate branch models. ■ The unique OMB model drives shareholder value through superior sales productivity, minimal branch start-up costs for the Bank and a variable cost structure aligned to performance. With this model we are able to uphold an advanced customer service focus and generate more revenue for the Bank and its shareholders.**

Community

BOQ proudly supports the communities in which it operates through fundraising activities, local level sponsorships and community partnerships in five major areas: education, health, welfare, the arts and the environment.

> The Bank's annual *Banking on our Kids* appeal raised $170,000 for Children's Hospital Foundations Australia (CHFA) to be used to support initiatives leading to breakthrough treatments and cures for sick and injured children.

> The most successful fundraising branch this year was BOQ Toowoomba which raised over $20,000 for *Banking on our Kids* through a range of local activities including a charity day at the horse races.

> The Bank matched over $85,000 raised by employees through its Dollar-for-Dollar program, supporting initiatives including the Leukaemia Foundation's World's Greatest Shave, Movember and the Starlight Foundation's Wishgranting program.

> Staff participated in the Bank's Workplace Giving Program, donating more than $8,000 to charity directly from their pre-tax pay.

> Shareholders donated over $22,000 to children's hospitals around Australia via the Investing in Hope program.

> We strengthened our partnerships with the Starlight Children's Foundation Australia, the Financial Basics Foundation, Flying Arts and the Queensland Museum Foundation.

> BOQ became a new sponsor of the Brisbane Centre for Young People, which aims to give street kids a chance at becoming productive members of society by providing housing and education.

> This year's Managing Directors' Gold Award for Community Involvement, which recognises and rewards the outstanding contributions employees make in their communities, went to Helena Youse who works tirelessly to help disadvantaged youth in her community. Helena received $20,000 to donate to the non-profit organisation of her choice, while 5 Silver Award recipients received $5,000 to donate.

Customers

At Bank of Queensland we are committed to providing customers with innovative and socially responsible banking solutions along with the best possible customer service experience.

> Our responsible lending and hardship provision policies are being reviewed to respond to the changed market conditions.

> We are discussing with customers what they want and using this information to design a set of service standards to ensure consistent delivery of a quality customer service experience.

> A customer charter is being developed to reinforce our service commitments.

Environment

We are reducing our environmental footprint via a number of energy-saving and recycling initiatives because we recognise our responsibility to protect and enhance the environment in which we operate:

> 107 tonnes of paper and cardboard were recycled by Bank of Queensland this financial year, saving approximately 1,400 trees.

> The Bank underwent an independent carbon impact assessment by EDS Australia, which captured energy and emissions data from each business unit, IT application and asset.

> We invested in new energy efficient IT equipment to reduce electricity consumption.

> Lighting and air conditioning have been put on automatic timers to switch off when not in use.

> All water taps in the Bank's head office have been fitted with flow restrictors.

> We also partner with Guides Australia on a cork recycling initiative.

Employees

We realise that attracting and retaining the best possible people is paramount, so we have created a workplace that makes BOQ a company people want to work for and an environment and culture where they can succeed.

> The Employee Assist Program, the Bank's free counselling service for staff, assisted in resolving personal issues and enhancing productivity for a number of employees.

> We introduced new flexible working practices to improve work life balance.

> Regular employee surveys are conducted to gauge satisfaction and to improve workplace conditions and culture.

> BOQ has recently implemented a new on-site recruitment solution with dedicated and skilled resources to ensure best practice and a structured and transparent approach to recruitment.

Government & Regulators

The Bank has a number of practices and policies in place that meet the demands of regulators and corporate responsibility industry bodies. These are continually reviewed to ensure we manage any compliance issues and future risks.

> We are preparing for energy targets and compliance standards introduced by the government's National Greenhouse Emissions Reporting (NGER) Act.

> A corporate social responsibility committee has been established to review activities and respond to future regulatory requirements.

> We are developing a corporate social responsibility reporting framework.

Shareholders

Our aim is to be a quality investment for our shareholders by driving efficiencies, identifying strategic opportunities and ensuring our leaders are committed to the Bank's performance. It is also our responsibility to provide shareholders with honest and clearly understandable information about our operations.

> Although the Corporations Legislation Amendment (Simpler Regulatory System) Act 2007 states that we no longer have to send annual reports to shareholders unless specifically requested to, the Bank has developed the shareholder review to maintain proactive contact with shareholders and to better communicate the performance of the Bank.

> The dedicated Shareholder Centre on the Bank of Queensland website is undergoing improvements.

> We are reviewing share registry services to ensure the best possible services are being provided.

executives & directors '08

FLEXIBLE: **With wholesale funding costs escalating through the year and mortgage-backed securitisation channels diminishing, the onus for all banks has been on increasing their retail funding bases. As a much smaller bank our flexibility enabled us to quickly and effectively switch our operational and marketing focus to building retail deposits, as is clearly evidenced by our strong growth in retail deposits. ■ Our ability to adapt acquired complementary businesses to the Bank of Queensland brand, also plays a pivotal role in our continued growth and profitability. This is evidenced by our integration with Home Building Society being completed nine months ahead of schedule and synergies already being realised.**

David Liddy
Managing Director &
Chief Executive Officer

David Liddy was appointed Managing Director of Bank of Queensland in April 2001. His 40 years' experience in banking includes international postings in London and Hong Kong. He has significant broad-based general management competencies and a proven record in achieving strong business performance.

Ram Kangatharan
Group Executive &
Chief Financial Officer

Ram Kangatharan was appointed in October 2007. He is responsible for Finance, Treasury, Group Risk, Legal and Management Information Systems. He is a senior finance executive with global corporate experience in a range of industries including banking, telecommunications and investments. He was most recently with EDS (Electronic Data Systems) in the US.

Robert Hines
Group Executive
Retail Financial Services

Robert Hines was appointed Group Executive Retail Financial Services in September 2007. He is responsible for the Bank's franchise banking, corporate branch banking, Private Banking, Direct Banking, Alliances, Wealth Management and Insurance Operations. For the prior seven years he was the Bank's Chief Financial Officer. Robert has 23 years' experience in retail and investment banking in London, Sydney and Brisbane.

Bruce Auty
Group Executive Group Risk

Bruce Auty was appointed Group Executive Group Risk in September 2007. His responsibilities include Credit Risk Assessment, Credit Risk Review, Credit Policy, Portfolio Performance, Internal Audit, Operational Risk, Compliance and Fraud. Bruce, who joined the Bank in 2004, has 40 years' experience in corporate, investment, commercial and retail banking in the U.S.A., Australia and New Zealand.

David Marshall
Group Executive
Business Financial Services

David Marshall was appointed Group Executive Business Financial Services in September 2007. He is responsible for Business Relationship Banking, Equipment Finance, Property Finance, Debtor Finance, Trade Finance and Risk Management. He has had 23 years' banking experience including senior national roles in business and retail banking and risk management with CBA and Westpac.

Daniel Musson
Group Executive
People & Corporate Services

Daniel Musson was appointed in October 2007 to oversee the Bank's Brand Management, Product Management, Human Resources, Customer Relations, Investor Relations and Corporate Affairs functions. He has broad experience in senior marketing, brand, product and customer management roles across the banking, insurance and retail sectors. He was most recently Head of Product and Underwriting Personal Insurance with the Insurance Australia Group (IAG).

Jim Stabback
Group Executive IT & Operations

Jim Stabback joined Bank of Queensland in September 2008 as Group Executive, IT & Operations. In this role, he oversees the strategic focus of the Bank's IT platform and its service delivery, along with the Bank's important outsourcing relationships with EDS and Fiserv. Jim has over 20 years' experience managing large scale operations, technology and service delivery management in the financial services and telecommunications industries.

Neil Summerson

B Com, FCA, FAICD, FAIM

Chairman – Age: 60

Neil Summerson is a Chartered Accountant with 38 years' experience and is a past Chairman of the Queensland branch of the Institute of Chartered Accountants. He was formerly the Queensland Managing Partner at Ernst & Young. He is a Director of AmerAlia Inc, Australian Made Campaign Limited, Australian Property Growth Limited and Moore Stephens (Queensland) Limited. He is a former Chairman of the Brisbane Water Board and is currently Chairman of Motorama Holdings Pty Ltd, Leyshon Corporation Limited and Australian Property Growth Fund. Mr Summerson was appointed Chairman on 20 August 2008.

Neil Roberts

BA, LLB, FAICD

Former Chairman – Age: 69
(not pictured)

Neil Roberts became a Director of the Bank in November 1987 and was elected Chairman in June 1995. He officially retired as Chairman on 20 August 2008. Neil was formerly Senior Partner in Queensland of the commercial national law firm Minter Ellison. He is President of the Queensland Library Foundation, the past President of Queensland Private Enterprise Centre, and a past President of The Brisbane Club.

Anthony Howarth, AO

FAICD, FAIM, SF Fin

Deputy Chairman – Age: 58

Tony Howarth was Chairman of Home Building Society Ltd which merged with the Bank in December 2007. He has worked in the banking and finance industry for over 30 years. His work has involved a number of overseas appointments. He has been the Managing Director of Challenge Bank Limited and the CEO of Hartleys Limited. He was a former Chairman of Alinta Limited (retired 24 July 2006) and is currently Chairman of Mermaid Marine Australia Limited and non-executive Director of AWB Limited and Wesfarmers Limited. He is also involved with a number of business and community organisations being Chairman of St John of God Health Care Group, President of the Australian Chamber of Commerce and Industry and Chair of the Committee for Perth. In addition he is a Director of the Rio-Tinto WA Future Fund, the Western Australian Community Foundation and is on the University of Western Australia's Senate. Tony was appointed Deputy Chair of the Bank in August 2008 and is a member of the Remuneration and Nomination Committee. He is a member of the Risk Committee.*

David Liddy

MBA, SF Fin, MAICD

Managing Director – Age: 58

David Liddy has 40 years' experience in banking, including international postings in London and Hong Kong. He was appointed Managing Director of the Bank in April 2001. He has a Masters in Business Administration. He is Chairman of the Queensland Museum Foundation, a Director of the Royal Children's Hospital Foundation, and a member of the Queensland University of Technology Council. He is a member of the Federal Treasurer's Financial Sector Advisory Council and a Director of the Brisbane Lions Australian Football Club. Mr Liddy is also a Senior Fellow of the Financial Services Institute of Australasia, a Member of the Australian Institute of Company Directors and sits on the Australian Bankers' Association Council.

Peter Fox

B Bus (Hons)

Director – Age: 46

Peter Fox has been with the Linfox Group for over 21 years. After a diverse career within the organisation, he was appointed, in chronological order, National Fleet Manager, Executive Officer, and Director of Linfox Pty Ltd, culminating in his appointment as Executive Chairman of Fox Group Holdings in 1994. Mr Fox was appointed a Director of the Bank in May 2001. He is also a Director of the Alfred Foundation and a member of the Australian Graduate School of Management Advisory Council (UNSW). He is a member of the Bank's Budget Review Committee.

David Graham

B Com, B Econ (Hons), MBA, FCPA, FAIM

Director – Age: 66

David Graham has had extensive experience in the financial sector specialising in capital market transactions. He was appointed as a non-executive Director of the Bank in October 2006. He has been a non-executive Director of a number of ASX listed companies and he is currently a non-executive Director of Bandanna Energy Limited. He is Executive Chairman of DDH Graham Limited, an advisory and funds management company he founded in 1981. He is a member of the Audit Committee.*

Carmel Gray

B Bus (Econ & Acc)

Director – Age: 59

Carmel Gray was appointed a Director of the Bank on 6 April 2006. Ms Gray has had an extensive career in IT and Banking. Ms Gray was Group Executive Information Technology and General Manager 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. She is Chair of Information Technologies Australia Pty Ltd. She is a member of the Bank's Budget Review Committee and the Corporate Governance Committee. Carmel is now Chair of the Audit Committee and a member of the Risk Committee.*

Bill Kelty

B Econ

Director – Age: 60

Bill Kelty has over 31 years' experience in industrial relations. He was appointed a Director of the Bank in August 2001 and is currently a Director of the Linfox Group and a Commissioner of the Australian Football League. He is also involved in the Foundation for Rural and Regional Taskforce and was previously Chairman of the Federal Government's Regional Development Taskforce. Mr Kelty was Secretary of the Australian Council of Trade Unions from 1983-2000 and a member of the Reserve Bank Board from 1988 to 1996. He is a member of the Bank's Corporate Governance Committee.

Antony Love

B Com, AAUQ, FAPI, FREI, FAICD

Director – Age: 61

Antony Love is a property consultant with 38 years' experience and is a Director of McGees Property. He is also a Director of AP Eagers Limited and Campbell Brothers Limited. He is Chairman of the Bank's Budget Review Committee and Chair of the Corporate Governance Committee. He has been a Director since June 1995 and served as Deputy Chairman from April 2003 to August 2008.

John Reynolds

B. Sc (Hons), B Bus, Dip Ed, FAIM

Director – Age: 65

John Reynolds was appointed a Director of the Bank in April 2003. He has extensive CEO-level experience at Top 100 media and resource companies in Australia and overseas. He is Chairman of Arrow Energy Limited. He is a Director of Mater Health Services Brisbane Limited, an advisor to various private companies and holds a number of university positions. Mr Reynolds is Chairman of the Bank's Risk Committee, a member of the Bank's Remuneration & Nomination Committee and a member of the Audit Committee.*

Roger Davis

B Econ (Hons), Masters Philosophy

Director – Age: 56

Roger Davis was appointed a Director of the Bank on 20 August 2008. He has almost 30 years' experience in banking and investment banking in Australia, the US and Japan. He is currently a consulting Director at Rothschild Australia Limited. He was previously a Managing Director at Citigroup where he worked for over 20 years and more recently was a Group Managing Director at ANZ Bank. He is a Director of Macquarie Office Management Ltd, Macquarie Leisure Operations Ltd, Aristocrat Leisure Ltd, Centric Wealth Management Ltd, Territory Insurance Office and Trust Ltd. He was formally Chair of Pengana Hedgefunds Ltd and Esanda. He was formerly a Director of ANZ (New Zealand) Limited, CitiTrust in Japan and Citicorp Securities Inc. in the USA. He has a Bachelor of Economics (Hons) degree from the University of Sydney, a Master of Philosophy degree from Oxford and is a Rhodes Scholar. Roger is a member of the Risk Committee.*

** The Board resolved on 8 October 2008 to split the Audit and Risk Committee into two separate committees for oversight of Audit and Risk.*

Overview

Directors and Management of the Bank are committed to excellence in corporate governance.

In striving to achieve its objectives, the Bank endeavours to be a bank that looks after its staff, values and services customers, rewards its shareholders and partners with the community.

Corporate governance is not just about compliance, but about our values and our behaviour. We believe in excellence in corporate governance because it is in the best interests of the Bank and all of its stakeholders.

The Board has over many years developed and implemented policies and practices which are consistent with the ASX Principles of Good Corporate Governance and Best Practice Recommendations, First Edition ('Principles') developed by the ASX Corporate Governance Council in 2003, and the corporate governance standards set out in Australian Prudential Standard (APS) 510 "Governance". In addition, the Board has adopted a fit and proper policy as required by APS 520 "Fit and Proper", which sets out the requirements for regulated authorised deposit-taking institutions to assess the competencies and fitness for office of persons appointed as Directors, senior managers and auditors.

You can read all of the Bank's corporate governance polices in full on its website (www.boq.com.au). These policies are overseen by the Board's Corporate Governance Committee under its Charter.

The Bank is required to disclose in this report the extent to which it has followed the best practice recommendations in the Principles throughout the 2008 financial year. The Bank has followed those recommendations throughout the year. A summary of the Bank's corporate governance policies and practices, organised in order of the Principles, is set out below.

In its annual report for the 2009 financial year, the Bank will be required to report against the Second Edition of the ASX Principles of Good Corporate Governance and Best Practice Recommendations, published in August 2007 ('Revised Principles'). The Bank is in the process of reviewing its existing corporate governance policies in light of the Revised Principles.

Principle 1: Board and Management

The Board Charter sets out the key governance principles adopted by the Board in governing the Bank. There is a functional difference between the Board's role and responsibilities and that of management which is recognised in the Board Charter.

Principle 2: Board Structure

The Board has ten Directors (including the Chairman) of whom nine are non-executive Directors and one executive Director (the Managing Director). The skills and experience of the Directors and their length of service, membership of Board committees and record of attendance at meetings, are set out in the Directors' Report.

The Remuneration and Nomination Committee monitors the skills and experience of existing Directors and the balance between experience and new skills, which may lead to consideration of appointments of new Directors. All new and existing Directors are subject to assessment of their fitness and propriety to hold that office under the Bank's fit and proper policy established under APS 520 (see Principle 8 for more details of this policy).

Every Director and Committee of the Board has the right to seek independent professional advice in connection with carrying out their duties at the expense of the Bank. Prior written approval of the Chairman is required.

The Board has assessed that a majority of the non-executive Directors are "independent". The non-executive Directors who have been assessed not to be independent are Mr Peter Fox and Mr Bill Kelty who are associated with substantial shareholder, the Linfox Group, and Mr David Graham who is Executive Chairman of DDH Graham Limited which has a commercial relationship with the Bank. The Board Charter requires that all Directors bring an independent mind to bear on all matters coming before the Board for consideration.

The basis of the Board's assessment is its independence policy which takes into account whether Directors have relationships with the Bank, its shareholders or advisers which are likely to materially interfere with the exercise of the Directors' unfettered and independent judgment, having regard to all the circumstances.

The Bank does not consider that the length of service on the Board of any of the independent Directors is currently a factor affecting the Directors' ability to act independently and in the best interests of the Bank. The Board generally judges independence against the ability, integrity and willingness of the Director to act, and places less emphasis on length of service as a matter which impairs independence.

Principle 3: Ethical and Responsible Decision-Making

The Bank's Code of Conduct sets out the principles which all Directors, employees, owner-managers and contractors are expected to uphold in order to promote the interests of the Bank and its shareholders and drive its relationships with employees, customers and the community. Through training and enforcement of the Code, the Bank actively promotes ethical and responsible decision-making within the Bank.

The Bank's Insider Trading Policy provides a framework to assist Directors, employees, owner-managers, agents and contractors of the Bank to understand their legal obligations with respect to insider trading.

Principle 4: Financial Reporting

The Managing Director and Chief Financial Officer state in writing to the Board that the Bank's financial reports present a true and fair view, in all material respects, of the Bank's financial condition and operational results in accordance with the relevant accounting standards.

The Audit and Risk Committee is comprised in accordance with the recommendations in the Principles and the requirements of APS 510. The Committee operates under a written Charter approved by the Board. The Committee is currently charged with making recommendations to the Board on the adequacy of external audit and the independence of the external auditor, internal audit, risk management (except credit risk) and compliance procedures.

The Board has resolved to constitute separate committees for oversight of Audit and Risk.

Principle 5: Timely and Balanced Disclosure

The Continuous Disclosure Policy provides a framework to assist the Bank in achieving its aims of keeping the market informed of material information and enhancing its communication with the market, thereby ensuring its compliance with legal requirements.

The Bank is committed to creating and maintaining an informed market in its securities and enhancing corporate governance by encouraging a culture of transparency in relation to its corporate activities. The Bank will also provide relevant information to media organisations, to ensure the broadest possible communication with investors and the general market.

The Managing Director and the Company Secretary are responsible for communications with the ASX. Continuous disclosure is a permanent item on the agenda for Board meetings. All announcements made by the Bank to the ASX are accessible via the Bank's website.

Principle 6: Respect Rights of Shareholders

The Bank's Investor Relations Policy is designed to promote effective communication with shareholders, provide them with ready access to balanced, understandable information about the Bank and simplify their participation at general meetings. This policy is in addition to and designed to enhance the Bank's Continuous Disclosure Policy.

All information released to the market and the media is available via the Bank's website. Feedback from shareholders is also welcomed through the Bank's branch network or through the 'contact us' page on the Bank's website.

Principle 7: Recognise and Manage Risk

The Board believes that risk management is a critical part of the Bank's operations and a comprehensive risk management program has been developed. Management of risk is currently a key function of the Audit and Risk Committee under its Charter, however the Board has resolved to constitute separate committees for oversight of Audit and Risk.

The Bank has separate risk management functions in Operational Risk, Internal Audit, Fraud and Compliance which each currently report to the Audit and Risk Committee (through the Managing Director and Group Executive Group Risk). Employees are trained on important risk management techniques.

Principle 8: Board and Management Effectiveness

The Board undertakes a periodic review of its own performance and the Chairman undertakes an annual review of each Directors' performance.

The Bank provides an induction program for new Board members and a periodic education program for all Directors on key aspects of the Bank's business.

The Chairman is available to the Board and to senior Executives at any time to discuss Board performance and the Deputy Chairman is likewise available in respect of the Chairman's performance. The Board undertakes an annual performance review of the Managing Director. Management has a program for annual performance reviews for all levels of management.

As part of their annual performance review, each Director is subject to an assessment of their fitness and propriety for office under the Bank's Fit and Proper Policy. This involves an assessment of the Directors' qualifications and experience against documented criteria for the competencies required for the office. The assessment includes checks on the Directors' propriety such as police checks and insolvency checks. APS 520 requires that any person who does not meet the fit and proper criteria in APS 520 must cease to hold office.

Principle 9: Remuneration

The Remuneration and Nomination Committee is charged with assisting the Board to discharge its responsibilities regarding the public reporting of remuneration information, appropriate Board composition and other matters.

The Board has approved a remuneration policy (see the Directors' Report). The remuneration of the Board, the Managing Director and senior management is overseen by the Remuneration and Nomination Committee.

Directors' retirement benefits were frozen in 2003 and the practice discontinued. Directors are entitled on retirement to their accrued benefit as at 31 August 2003 (increased annually in line with CPI increases).

Principle 10: Interests of Stakeholders

All Directors, employees, owner-managers, agents and contractors are expected at all times to uphold the Bank's Code of Conduct in order to promote the interests of the Bank and its shareholders and drive its relationships with employees, customers and the community.

Financial calendar

2008

Ordinary Shares (BOQ)*	
Ex-dividend date	7 November 2008
Record date	13 November 2008
Final dividend payment date	24 November 2008
Annual General Meeting	11 December 2008

2009

Ordinary Shares (BOQ)*	
Interim results and interim dividend announcement	9 April 2009
Ex-dividend date	29 April 2009
Record date	5 May 2009
Interim dividend payment date	19 May 2009
Final results and final dividend announcement	15 October 2009
Ex-dividend date	13 November 2009
Record date	12 November 2009
Final dividend payment date	1 December 2009
Annual General Meeting	10 December 2009
Reset Preference Shares (BOQPA)*	
Announcement date	17 March 2009
Ex-dividend date	20 March 2009
Record date	26 March 2009
Payment date	15 April 2009
Announcement date	18 September 2009
Ex-dividend date	23 September 2009
Record date	29 September 2009
Payment date	15 October 2009
Perpetual Equity Preference Shares (BOQPC)*	
Announcement date	17 March 2009
Ex-dividend date	20 March 2009
Record date	26 March 2009
Payment date	15 April 2009
Announcement date	18 September 2009
Ex-dividend date	23 September 2009
Record date	29 September 2009
Payment date	15 October 2009

** Dates are subject to change*

Australian Business and Company Numbers

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ACN 009 656 740

Registered Office

Bank of Queensland Limited
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Brisbane Qld 4000

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Facsimile: (07) 3212 3399

Website: www.boq.com.au

Investor Relations: (07) 3212 3463

Customer Service: 1300 55 72 72

Auditors

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Central Plaza One
345 Queen Street
Brisbane Qld 4000

Share Registry

Computershare Investor Services Pty Ltd
Level 19, CPA Building
307 Queen Street
Brisbane Qld 4000

Telephone: 1800 779 639
Facsimile: 07 3237 2152

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Financial Report

Bank of Queensland

‘07/‘08

‘08

The Directors present their report together with the financial report of Bank of Queensland Limited ("the Bank") and of the Consolidated Entity, being the Bank and its controlled entities for the year ended 31 August 2008 and the auditor's report thereon.

Directors

The Directors of the Bank at any time during or since the end of the financial year are:

Name, qualifications and independence status	Age	Experience, special responsibilities and other Directorships
Neil Summerson, B Com, FCA, FAICD, FAIM Chairman Non-Executive Independent Director	60	Neil Summerson is a Chartered Accountant with 38 years experience and is a past Chairman of the Queensland branch of the Institute of Chartered Accountants. He was formerly the Queensland Managing Partner at Ernst & Young. He is a Director of AmerAlia Inc, Australian Made Campaign Limited, Australian Property Growth Limited and Moore Stephens (Queensland) Limited. He is a former Chairman of the Brisbane Water Board and is currently Chairman of Motorama Holdings Pty Ltd, IDEC Pty Ltd and Australian Property Growth Fund. Mr Summerson has been a Director of the Bank since December 1996 and was appointed Chairman on 20 August 2008.
Anthony Howarth, AO FAICD, FAIM, SF Fin Deputy Chairman Non-Executive Independent Director	56	Tony Howarth was Chairman of Home Building Society Limited which merged with the Bank in December 2007. He has worked in the banking and finance industry for over 30 years. His work has involved a number of overseas appointments. He has been the Managing Director of Challenge Bank Limited and the CEO of Hartleys Limited. He was a former Chairman of Alinta Limited (retired 24 July 2006) and is currently Chairman of Mermaid Marine Australia Limited and Non- Executive Director of AWB Limited and Wesfarmers Limited. He is also involved with a number of business and community organisations being Chairman of St John of God Health Care Group, President of the Australian Chamber of Commerce and Industry and Chair of the Committee for Perth. In addition, he is a Director of the Rio-Tinto WA Future Fund, the Western Australian Community Foundation and is on the University of Western Australia's Senate. Tony was appointed Deputy Chair of the Bank in August 2008 and is a member of the Remuneration and Nomination Committee.
David Liddy, MBA, SF FIN, MAICD Managing Director Executive Non-Independent Director	58	David Liddy has 40 years experience in banking, including international postings in London and Hong Kong. He was appointed Managing Director of the Bank in April 2001. He has a Masters in Business Administration. He is Chairman of the Queensland Museum Foundation, a Director of the Royal Children's Hospital Foundation, and a member of the Queensland University of Technology Council. He is a member of the Federal Treasurer's Financial Sector Advisory Council and a Director of the Brisbane Lions Australian Football Club. Mr Liddy is also a Senior Fellow of the Financial Services Institute of Australasia, a Member of the Australian Institute of Company Directors and sits on the Australian Bankers' Association Council.
Roger Davis, B.Ec.Hons, Masters Philosophy Non-Executive Independent Director	56	Roger Davis was appointed a Director of the Bank on 20 August 2008. He has almost 30 years' experience in banking and investment banking in Australia, the US and Japan. He is currently a consulting Director at Rothschild Australia Limited. He was previously a Managing Director at Citigroup where he worked for over 20 years and more recently was a Group Managing Director at ANZ Bank. He is a Director of Macquarie Office Management Ltd, Macquarie Leisure Operations Ltd, Aristocrat Leisure Ltd, Centric Wealth Management Ltd, Territory Insurance Office and Trust Ltd. He was formally Chair of Pengana Hedgefunds Ltd and Esanda. He was formerly a Director of ANZ (New Zealand) Limited, CitiTrust in Japan and Citicorp Securities Inc. in the USA. He has a Bachelor of Economics (Hons) degree from the University of Sydney, a Master of Philosophy degree from Oxford and is a Rhodes Scholar.
Peter Fox, B Bus (Hons) Non-Executive Non-Independent Director	46	Peter Fox has been with the Linfox Group for over 21 years. After a diverse career within the organisation, he was appointed, in chronological order, National Fleet Manager, Executive Officer, and Director of Linfox Pty Ltd, culminating in his appointment as Executive Chairman of Fox Group Holdings in 1994. Mr Fox was appointed a Director of the Bank in May 2001. He is also a Director of the Alfred Foundation and a member of the Australian Graduate School of Management Advisory Council (UNSW). He is a member of the Bank's Budget Review Committee.
David Graham, B Com, B.Econ(Hons), MBA, FCPA Non-Executive Non-Independent Director	66	David Graham has had extensive experience in the financial sector specialising in capital markets transactions. He was appointed as a non-executive Director of the Bank in October 2006. He has been a non-executive Director of a number of ASX listed companies and he is currently a non-executive Director of Bandanna Energy Limited. He is Executive Chairman of DDH Graham Limited, an advisory and funds management company he founded in 1981. He is a member of the Audit and Risk Committee.
Carmel Gray, B Bus Non-Executive Independent Director	59	Carmel Gray was appointed a Director of the Bank on 6 April 2006. Ms Gray has had an extensive career in IT and Banking. Ms Gray was Group Executive Information Technology and General Manager 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 Information Technologies Australia Pty Ltd. Ms Gray is a member of the Bank's Budget Review Committee and the Corporate Governance Committee.

Name, qualifications and independence status	Age	Experience, special responsibilities and other Directorships
Bill Kelty, AC B Econ Non-Executive Non-Independent Director	60	Bill Kelty has over 31 years' experience in industrial relations. He was appointed a Director of the Bank in August 2001 and is currently a Director of the Linfox Group and a Commissioner of the Australian Football League. He is also involved in the Foundation for Rural and Regional Taskforce and was previously Chairman of the Federal Government's Regional Development Taskforce. Mr Kelty was Secretary of the Australian Council of Trade Unions from 1983-2000 and a member of the Reserve Bank Board from 1988-1996. He is a member of the Bank's Corporate Governance Committee.
Antony Love, B Com, AAUQ, FAPI, FREI, FAICD Non-Executive Independent Director	61	Antony Love is a property consultant with 38 years' experience and is a Director of McGees Property. He is also a Director of AP Eagers Limited and Campbell Brothers Limited. He is Chairman of the Bank's Budget Review Committee and was previously a member of the Remuneration & Nomination Committee and Audit and Risk Committee. He has been a Director since June 1995 and Deputy Chairman from April 2003 until August 2008.
John Reynolds, B Sc (Hons), B Bus, Dip Ed, FAIM Non-Executive Independent Director	65	John Reynolds was appointed a Director of the Bank in April 2003. He has extensive CEO-level experience at Top 100 media and resource companies in Australia and overseas. He is Chairman of Arrow Energy Limited. He is a Director of Mater Health Services Brisbane Limited, an advisor to various private companies and holds a number of university positions. Mr Reynolds is Chairman of the Bank's Audit & Risk Committee, a member of the Bank's Remuneration & Nomination Committee and was previously a member of the Corporate Governance Committee.

Neil Roberts retired as Chairman and as a Director on 20 August 2008.

Company Secretary

Mr Brad Edwards LLB was appointed to the position of company secretary and general counsel in May 2000. He is a Director of the Prince Charles Hospital Foundation. Prior to his appointment as company secretary and general counsel, Mr Edwards worked as a solicitor and partner in several legal firms in private practice.

Directors' meetings

The number of meetings of the Bank's Directors (including meetings of Committees of Directors) and the number of meetings attended by each Director during the financial year were:

	Board of Directors		Audit & Risk Committee		Corporate Governance Committee		Remuneration & Nomination Committee		Budget Committee		Investment Committee (1)	
	A	B	A	B	A	B	A	B	A	B	A	B
Neil Roberts (2)	9	10	-	-	-	-	7	7	-	-	2	2
Neil Summerson	9	10	5	7	1	1	7	7	-	-	6	6
Anthony Howarth (3)	6	6	-	-	-	-	-	-	-	-	-	-
David Liddy (4)	10	10	5	7	-	-	3	7	-	-	2	2
Peter Fox	9	10	-	-	-	-	-	-	1	1	-	-
David Graham	10	10	6	7	-	-	-	-	1	1	2	2
Carmel Gray	10	10	-	-	-	-	-	-	1	1	1	1
Bill Kelty	10	10	-	-	1	1	-	-	-	-	1	1
Antony Love	10	10	-	-	-	-	1	1	1	1	4	4
John Reynolds	10	10	7	7	1	1	6	7	-	-	4	4
Total number of meetings held	10		7		1		7		1		6	

A - Number of meetings attended

B - Number of meetings held during the time the Director was a member of the Board / Committee during the year

(1) The composition of the Investment Committee is not fixed. Composition and meetings held are set by the Board on an as required basis.

(2) Neil Roberts retired as Chairman and as a Director on 20 August 2008.

(3) Anthony Howarth was appointed as a Director on 18 December 2007.

(4) David Liddy attends Committee meetings but is not a formal Committee member.

Principal activities

The principal activity of the Consolidated Entity is the provision of financial services to the community. The Bank has an authority to carry on banking business under the Banking Act 1959 (Commonwealth) (as amended). There were no significant changes during the year in the nature of the activities of the Consolidated Entity. During the year, the Bank acquired Home Building Society Ltd ("Home") on 18 December 2007.

Operating and finance review

Profitability

Profit after tax for the year ended 31 August 2008 decreased by 2% to $126.8 million compared with the 2007 result of $129.8 million.

Included in the current after tax profit is the negative impact of credit markets on high quality bonds held for liquidity purposes and the impact of ineffectiveness on derivatives hedging the Home balance sheet on acquisition totalling $6.1m after tax and the gain on the Visa Initial Public Offering for $6.3m which is non-recurring. Expenses include an after tax cost of $9.6m incurred in relation to the integration of Home and after tax costs of $0.5m in relation to the integration of Pioneer.

If the above items are excluded from the 2008 result, the net profit after tax would be $136.7 million.

Included in the prior year after tax profit is the sale of the Bank's credit card portfolio to Citigroup Pty Limited, which realised a pre-tax profit of $41.6 million and an after tax profit of $29.1 million. Also included in the prior year's result is the after tax costs of $2.8 million incurred in relation to the integration of Pioneer and after tax costs of $0.6 million associated with the proposed merger with Bendigo Bank Limited. If these one-off items are excluded then the prior year's net profit after tax would have been $104.1 million.

The adjusted 2008 profit of $136.7 million is 31% higher than the adjusted prior year net profit after tax of $104.1 million.

Income

Total income increased by 14% during the current year to $570.6 million. Net interest income for the year ended 31 August 2008 increased by 31% to $421.1 million from the prior period result of $321.3 million.

Other operating income decreased by 16% to $149.5 million for the 2008 year from $178.7 million in the prior year. The prior period other operating income includes the impact of the sale of the Bank's credit card portfolio to Citibank on 4 June 2007. This sale realised a net profit before tax of $41.6 million, if the impact of this sale is excluded from the prior year, then other operating income increased by 9% for the current year.

Net interest income

Net interest income increased by 31% to $421.1 million for the 2008 financial year compared to the 2007 result of $321.3 million. This was due to the Bank being able to deliver strong asset growth. The Bank acquired Home in December 2007 which contributed to the increase in net interest income.

The Bank was able to grow total loans under management by 37% to $26.3 billion from loans under management at 31 August 2007 of $19.2 billion. Home contributed to 14% or $2.6m of this increase.

The Bank's net interest margin was 1.67% for the 2008 year, which is lower than the margin for the 2007 year of 1.81%. This is due to continued pressure on funding costs.

Other operating income

Other operating income for the financial year ended 31 August 2008 decreased by 16% to $149.5 million from the prior financial year result of $178.7 million. As noted above, the prior year's result includes the pre-tax gain of $41.6 million relating to the sale of the Bank's credit card portfolio. If the impact of this sale is excluded, then other operating income grew by 9% to $149.5 million.

Expenses

The Bank's costs increased by 22% to $360.7 million in the current financial year from the previous year's expenses of $294.7 million. However, non-recurring integration costs amounting to $14.0 million, and amortisation of customer contracts costs of $26.7 million are included in the current year expenses.

If these amounts were excluded, the Bank's expenses in the current year would be $320.0 million, an increase of 11% on the prior financial year expenses of $287.2 million which also excludes non-operational expenses. The increase in expenses largely reflects the expenses associated with Home. This result demonstrates the Bank's continued focus on expenses.

Efficiency

The Bank's cash cost to income ratio has decreased from the 2007 result of 58.9% to 58.3% in the current year.

Adjusting for aforementioned non recurring items, the Bank cash cost to income ratio has decreased from 62.6% in the 2007 year to 56.1% in the current year.

Operating and finance review (continued)

Asset quality and provisioning

Impairment on loans and advances

Expenses relating to impairment on loans and advances were $27.0 million for the year ended 31 August 2008. This expense consisted of $24.3 million of specific provision impairment expense and $2.7 million of expense relating to the collective provision.

The impairment expense of $27.0 million for the 2008 financial year has increased by $6.1 million or 29% on the prior period expense of $20.9 million. This increase reflects the substantial growth in the Bank's loan book.

Impaired assets

Impaired assets increased in gross terms to $31.6 million at 31 August 2008 from $11.4 million for the prior year. Impaired assets as a percentage of non-securitised loans have increased to 0.17% from 0.09% in the prior year. Specific provisions have been raised for $18.7m (59%) of impaired assets.

Lending approvals and asset growth

Lending approvals for the year were $13.9 billion, an increase of $0.9 billion over the comparative 2007 approval result of $13.0 billion. This increase of 7% is due to the increased points of presence in the retail and business banking network and highlights the effectiveness of the Bank's distribution model. Home has contributed to 4% or $0.5 billion of this increase since acquisition.

The lending approval growth translated into a loans under management balance of $26.3 billion, an increase of $7.1 billion from 31 August 2007 which represents growth of 37%. Of this increase, $2.7 billion relates to the acquisition of Home on 18 December 2007. If the impact of the Home acquisition is excluded, loans under management grew by $4.4 billion or 23%.

Of the loans under management balance of $26.3 billion, $25.3 billion is on balance sheet and $1.0 billion off balance sheet. The off balance sheet lending relates to REDS EHP leasing trusts which are not consolidated for accounting purposes as the residual risk has been sold by the bank.

Retail deposit growth

Retail deposits have grown strongly during the 2008 financial year and have reached $14.0 billion, an increase of $4.8 billion or 55% from $9.2 billion as at 31 August 2007. Of this increase of $4.8 billion, $2.5 billion relates to the acquisition of Home on 18 December 2007. If the impact of the Home acquisition is excluded, then retail deposits grew by $2.3 billion or 25% from 31 August 2007.

Capital management

The Board has set capital targets at 8.0% of risk weighted assets as Tier 1 capital with a minimum of 7.0% provided that total capital does not fall below 10.0%. The total capital adequacy ratio at 31 August 2008 was 11.0% and Tier 1 capital was 7.2%. Reset Preference Shares ("RePS", "S1RPS" and "PEPS"), issued as hybrid capital instruments, comprise 25% of total Tier 1 capital.

Total Tier 1 capital of 7.2% is represented by 5.4% of Core Tier 1 capital and 1.8% of hybrid capital instruments, including preference shares.

The Bank continued with an active capital management program, combining securitisation of housing and leasing assets and the maintenance of the Dividend Reinvestment Plan.

Branch network expansion

The Bank opened nine branches during the financial year and also has added 24 branches with the Home acquisition to bring total branches to 268 as at 31 August 2008.

Of these 268 branches, 115 are located outside Queensland. The Bank has converted five corporate branches to owner managed branches during the financial year. The Bank has also opened two additional Private Bank sites.

Shareholder returns

Diluted earnings per share decreased 25% from 112.7c in the 2007 year to 84.6c in the current year.

Excluding the impact of non-cash and non-recurring items the Bank's diluted earnings per share would be 102.9c. The 2007 result also adjusted for non-cash and non-recurring items was 93.0c.

On this basis, the current year's diluted earnings per share increased by 11%.

In light of the strong second half performance, the Bank has increased the final dividend to 38c per share fully franked. This brings the total 2008 dividend to 73c, a 6% increase over the 2007 total dividend of 69c.

Dividends

Dividends paid or declared by the Bank to members since the end of the previous financial year were:

Type	Cents per share	Total Amount $m	% franked	Date of Payment
• **Final 2007**				
Declared and paid during the year				
- Final – preference shares (RePS)	257	1.2	100%	15/10/2007
- Final – preference shares (S1RPS)	261	1.7	100%	22/10/2007
- Final – ordinary	37	42.5	100%	26/11/2007
• **Interim 2008**				
Declared and paid during the year				
- Interim – preference shares (RePS)	257	1.2	100%	15/04/2008
- Interim – preference shares (S1RPS)	261	1.7	100%	21/04/2008
- Interim – preference shares (PEPS)	216	4.3	100%	15/04/2008
- Interim – ordinary	35	51.3	100%	16/05/2008
• **Final 2008**				
Declared after the end of the year				
- Final – preference shares (RePS)	257	1.2	100%	15/10/2008
- Final – preference shares (S1RPS)	261	1.7	100%	20/10/2008
- Final – preference shares (PEPS)	353	7.1	100%	15/10/2008
- Final – ordinary	38	57.0	100%	24/11/2008

All the franked dividends paid or declared by the Bank since the end of the previous financial year were franked at the tax rate of 30%.

The balance of the Bank of Queensland Limited dividend franking account at the date of this report, after adjusting for franking credits and debits that will arise on payment of income tax and dividends relating to the year ended 31 August 2008, is $25.1 million credit calculated at the 30% tax rate (2007: $26.4 million credit).

It is anticipated, based on these franking account balances that the Bank will continue to pay fully franked dividends in the foreseeable future.

Environmental regulation

The Consolidated Entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The Board believes that the Consolidated Entity is not aware of any breach of environmental requirements as they apply to the Consolidated Entity.

State of affairs

Significant changes in the state of affairs of the Consolidated Entity during the financial year were as follows:

Acquisitions

In December 2007, the Bank acquired 100% of the issued capital of Home Building Society Limited ("Home").

The Bank also established the following securitisation vehicles in the financial year:

- Series 2007-2 REDS Trust;
- Series 2008-1 REDS Trust;
- Series 2008-2 REDS Trust;
- Series 2008-1E EHP REDS Trust; and
- REDS Warehouse Trust No. 3.

Refer to Note 34 of the financial report for further information.

Disposals

The following securitisation vehicles were wound up in the financial year.

- Series 2001-2 REDS Trust;

Refer to Note 34 of the financial report for further information.

Events subsequent to balance date

Dividends have been declared after 31 August 2008, refer to Note 7.

The financial effect of the above transactions have not been brought to account in the financial statements for the year ended 31 August 2008.

On 18 December 2007, the Bank acquired all the shares of Home and its subsidiaries. On 18 September 2008, the Australian Prudential Regulation Authority issued a Voluntary Transfer Approval under the Financial Sector (Business Transfer and Group Restructure) Act 1999 ("the Act") in respect of the partial transfer ("the transfer") of business from both Home and Statewest Financial Services Limited to the Bank.

All customers' accounts were successfully transferred to the Bank on 21 September 2008.

Likely developments

The Bank will continue to provide a wide range of banking and financial services for the benefit of its customers, expanding and developing these where appropriate. This will require further investment, particularly in systems and information technology.

Further information about likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years have not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

Remuneration Report - Audited

This remuneration report is prepared for consideration by shareholders at the 2008 Annual General Meeting of the Bank.

The report sets out:

- The Bank's remuneration policy;
- Key management personnel;
- Non-executive Directors remuneration framework;
- Executive Director remuneration framework;
- Executives remuneration framework;
- Remuneration disclosures for key management personnel;
- At risk remuneration;
- Option terms;
- Indemnification of officers; and
- Insurance of officers.

Remuneration Policy - Audited

The Bank recognises that it needs to regularly reshape its remuneration programs to effectively support its business operations, goals, strategies and to enhance shareholder value. The Bank needs to remain competitive in the market place and remunerate reasonably and responsibly, helping it to attract, retain, motivate and reward its diverse workforce.

The Remuneration & Nomination Committee, chaired by the Chairman of the Board, is responsible for making recommendations to the Board on remuneration policies and Directors' and Executives' remuneration (which includes the Company Secretary). This Committee considers remuneration issues at least annually and obtains advice from external independent remuneration specialists to assist in its decisions. The objective is to ensure remuneration packages properly reflect the person's duties and responsibilities and level of performance as well as ensuring that remuneration attracts and motivates people of the highest calibre.

The policies relating to non-executive Director remuneration are discussed later in this report in the Non-Executive Directors Remuneration Framework.

Remuneration at all other levels of the organisation can be comprised of 3 main components:

- Fixed Component - salary based pay and benefits
- Short-term incentives - performance based cash bonuses
- Long-term incentives - retention and performance based equity programs

The Bank has guidelines restricting the dealings of Directors and Executives in Bank securities through its Insider Trading Policy. The Board is presently considering the formulation of its policies on margin lending and hedging of risk associated with Directors' and Executives' ownership of Bank securities.

Remuneration Report – Audited (continued)

Remuneration Policy - Audited (continued)

Fixed Component

Executives and senior management are offered a competitive fixed component of pay and rewards that reflect the core performance requirements and expectations of the role. This amount is market tested annually by remuneration specialists to ensure that it remains competitive.

Short-term Incentives

Payments in cash are provided to Executives and senior management once specified quantifiable results are achieved. Linking these short-term incentives to individual and corporate performance ensures that Executives and senior management continue to create a performance focused work culture within the Bank. The target award for each executive level participant is stated as a percentage of the Executive's total fixed remuneration. Business objectives and Short-term Incentive Plan design features are revisited annually by the Remuneration and Nomination Committee prior to the commencement of the plan year, but typically may include achievement of financial and non-financial targets for a person, team or division and individual performance criteria.

Long-term Incentives - Options

The Senior Management Option Plan ("SMOP") is a shareholder approved equity based program that offers options over Bank of Queensland Limited shares based on the achievement of specific performance hurdles. The purpose of the plan is to provide an incentive to drive continuing improvement in company performance and help to create and sustain long term value for Bank of Queensland Limited shareholders. The ability to exercise options under this plan is conditional upon the Bank achieving specific performance hurdles. Further details of the SMOP are set out later in this report.

The Remuneration and Nomination Committee is presently reviewing the long term incentive program and SMOP. The Committee may make recommendations to the Board for changes to the program, which if adopted by the Board, will be brought to shareholders for approval.

Further details of the nature and amount of each of the major elements of the remuneration paid to each Director and each Executive, including the five most highly paid executive officers of the Bank and the Consolidated Entity, are detailed in this report.

Key management personnel – Audited

Key management personnel including Directors and Executives have authority and responsibility for planning, directing and controlling the activities of the Bank and Consolidated Entity. Key management personnel include the five most highly remunerated S300A Directors and Executives of the Bank and Consolidated Entity.

(i) Directors:

Neil Summerson	Chairman (non executive) (appointed 20 August 2008)
Anthony Howarth	Director (non executive) (appointed 18 December 2007)
David Liddy	Managing Director and Chief Executive Officer
Roger Davis	Director (non executive) (appointed 20 August 2008)
Peter Fox	Director (non executive)
David Graham	Director (non executive)
Carmel Gray	Director (non executive)
Bill Kelty	Director (non executive)
Antony Love	Director (non executive)
John Reynolds	Director (non executive)

Neil Roberts retired as Chairman on 20 August 2008

Remuneration Report – Audited (continued)

Remuneration Policy - Audited (continued)

(ii) Executives:

Robert Hines	Group Executive Retail Financial Services
Ram Kangatharan	Group Executive and Chief Financial Officer (appointed 29 October 2007)
Len Stone	Treasurer
David Marshall	Group Executive Business Financial Services (appointed 12 November 2007)
Daniel Musson	Group Executive People & Corporate Services (appointed 12 November 2007)
Bruce Auty	Group Executive Group Risk
Jim Stabback	Group Executive and Chief Information Officer (appointed 1 September 2008)

Donna Quinn resigned as Group Executive National Franchise Banking on 26 October 2007.

Iain Blacklaw resigned as Group Executive and Chief Information Officer on 9 July 2008.

Non-executive Directors Remuneration Framework - Audited

Directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee, chaired by the Chairman of the Board. These fees and payments reflect advice given by independent remuneration specialists to ensure market comparability. The Chairman's fees are determined independently to the fees of other Directors and again are based upon information provided by independent remuneration specialists about market rates. The Chairman is not present at any discussions relating to determination of his own remuneration.

Directors' Fees

The current fixed component of remuneration for Directors is $90,000 plus superannuation per Director per year. The Chairman receives remuneration of $225,000 plus superannuation per year. The Chairman receives no additional remuneration for involvement with committees.

Additional remuneration is paid to non-executive Directors for committee work:

- Audit and Risk Committee: Chairman $50,000, members $25,000;
- Remuneration and Nomination Committee: Members $8,000;
- Corporate Governance Committee: Chairman $10,000, members $7,000;
- Budget Committee: Chairman $2,250 and members $1,500 per deliberative meeting; and
- Investment Committee: Chairman $2,250 and members $1,500 per deliberative meeting.

Non-executive Directors' fees are determined within an aggregate fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $1,500,000 (inclusive of superannuation) and was approved by shareholders on 7 December 2006.

No part of non-executive Director remuneration is based on the performance of the Director or the Bank or is otherwise at risk. Non-executive Directors do not participate in the Bank's plans designed for the remuneration of Executives.

Equity Participation

Non-executive Directors do not receive shares or share options.

Retirement Benefits

In line with Principle 9 of the ASX Corporate Governance Council's Principles of Good Corporate Governance, non-executive Directors are no longer provided with retirement benefits apart from statutory superannuation. The accumulated value of non-executive Director retirement benefits was frozen effective from 31 August 2003. The balance of the accrued benefits will be increased annually by the Consumer Price Index.

Remuneration Report – Audited (continued)

Executive Director Remuneration Framework - Audited

Remuneration for the Managing Director is designed to:

- Incentivise the Managing Director to pursue the long term growth and success of the Bank within an appropriate control framework;
- Demonstrate a clear relationship between the Managing Directors' performance and remuneration; and
- Provide sufficient and reasonable rewards for the time and effort required in this role and to ensure retention of the Managing Director for the key role he undertakes.

The Managing Director, David Liddy, commenced employment with the Bank in April 2001 under an initial 5 year contract term expiring on 8 April 2006. On 14 October 2004, the Bank extended the term of David Liddy's appointment as Managing Director until 31 August 2009 under a new employment agreement. On 20 August 2008, the Bank extended the term of David Liddy's appointment as Managing Director until 31 December 2011 under new employment arrangements.

The remuneration structure is consistent with the Bank's remuneration policy and includes:

- base salary (fixed component);
- short term cash performance incentives that are subject to achievement against targets established annually at the discretion of the Board based on the achievement of specified, quantifiable results including the Bank's performance against budget for profit after tax and cost to income ratio as well as individual performance criteria (short term incentive); and
- the grant of long-term incentives in the form of performance options and / or award rights (long term incentive).

On 9 December 2004, shareholders approved the issue of 2,000,000 options over unissued ordinary shares of the Bank as a long term equity performance incentive package. The options are subject to continuous employment and performance hurdles which are detailed later in this report.

The existing contract may be terminated by the Bank at any time by the payment of a termination benefit equal to the lesser of:

- 1.5 times base salary; or
- Unearned base salary for the balance of the contract term.

The termination benefit also applies if the Managing Director resigns after ceasing to be the most senior executive of the Bank (whether at the instigation of the Board or as a result of a merger or takeover), or is removed as a Director by shareholders.

The Bank will seek approval from shareholders at the Annual General Meeting for the Managing Directors' new employment arrangements.

Executives Remuneration Framework - Audited

The Bank's executive reward structure is designed to:

- Incentivise management to pursue the long-term growth and success of the Bank within an appropriate control framework;
- Demonstrate a clear relationship between key executive performance and remuneration; and
- Provide sufficient and reasonable rewards to ensure the Bank attracts and retains suitably qualified and experienced people for key roles within the Bank.

Executive employment contracts are for a fixed term of 3 years with terms and conditions in line with the standards of the Australian banking and finance industry. Total remuneration is currently a mix of fixed salary in addition to short term incentives and long term incentives under the SMOP.

Payment of termination benefits on early termination by the employer, other than for gross misconduct, equal the lesser of 2 years remuneration or the fixed remuneration payable for the balance of the contract term.

Fixed Component

Executives are offered a competitive fixed component of remuneration that reflects the core performance requirements and expectations of the role. This amount is market tested annually by remuneration specialists to ensure that it remains competitive.

Executives Remuneration Framework - Audited (continued)

Short-term Incentive

Payments in cash are provided to Executives based on the achievement of specified, quantifiable results being normalised cash net profit after tax. These results include the Bank's performance against the budget for profit after tax, and the Bank's normalised cash cost to income ratio as well as individual performance criteria. Linking these short-term incentives to individual and corporate performance ensures that Executives create a performance-focused work culture within the Bank. Short-Term Incentive Plan design features and business objectives are reviewed annually by the Remuneration and Nomination Committee.

Long-term Incentive

The SMOP was approved by ordinary shareholders on 9 December 2004. It is an equity based program that offers options over Bank of Queensland Limited shares based on the achievement of specific performance objectives. The purpose of the plan is to provide an incentive to drive continuing improvement in performance and help to create and sustain long-term value for Bank shareholders. The ability to exercise options under this plan is conditional upon the Bank achieving specific performance hurdles. Details of these financial hurdles and specifics about issues of SMOP options are detailed later in this report.

The Remuneration and Nomination Committee is presently reviewing the long-term incentive program and SMOP. The committee may make recommendations to the Board for changes to the program, which if adopted by the Board, will be brought to shareholders for approval.

The current SMOP sets out the general terms and conditions attaching to options. Options are exercisable not less than 3 years and not more than 5 years after they are granted to eligible employees. Each option will convert into one ordinary fully paid share on exercise, after payment to the Bank of a strike price. Options which are exercisable, but which have not been exercised, lapse on the first to occur of the following events:

- their expiry date;
- 6 months after the option holder ceases employment because of a Qualifying Reason, i.e. death, total and permanent disability, redundancy, retirement or other reason determined by the Board;
- the option holder ceasing employment for any reason other than a Qualifying Reason;
- 6 months after a Capital Event (50% or more of the Bank's ordinary shares are acquired by way of takeover or scheme of arrangement, the Bank is wound up or liquidated or another event which the Board considers to be a Capital Event); or
- if the option holder has acted fraudulently, dishonestly or in breach of the option holder's obligations to the Bank.

If an option holder ceases employment because of a Qualifying Reason, then a proportion of unvested options will become exercisable, such proportion being based on the time elapsed in the non-exercise period. The Board may allow more unvested options to become exercisable than the formula allows. If a Capital Event occurs, all unvested options become exercisable.

The Board has a discretion to allow options to become exercisable in circumstances where it would otherwise be unfair to the holder for the options to lapse or not be exercisable.

Option holders do not participate in new issues of securities made by the Bank but adjustments are to be made to the number of shares over which the options exist and/or the exercise price to take into account changes to the capital structure of the Bank that occur by way of pro rata and bonus issues, according to the formula set out in the plan and the ASX Listing Rules. In any capital reconstruction, options will be similarly reconstructed in accordance with the Listing Rules.

Remuneration Report – Audited (continued)

Remuneration disclosures for key management personnel - Audited

The following table shows the nature and amount of each major element of the remuneration of all of the Directors of the Bank including the five highest paid members of the executive team and other key management personnel, who were officers of the Bank and the Group for the year ended 31 August 2008.

2008 Financial Year

		Short-term				Post-employment (3)
		Salary and fees $	STI Cash Bonus (1) $	Non-Monetary benefits (2) $	Total $	$
Non-Executive Directors						
Neil Summerson	2008	134,750	-	-	134,750	55,130
	2007	79,500	-	-	79,500	85,986
Anthony Howarth	2008	63,929	-	-	63,929	5,754
(commenced 18 December 2007)	2007	-	-	-	-	-
Roger Davis	2008	7,500	-	-	7,500	675
(commenced 20 August 2008)	2007	-	-	-	-	-
Peter Fox	2008	90,000	-	-	90,000	10,077
	2007	91,500	-	-	91,500	9,139
David Graham	2008	94,500	-	-	94,500	8,505
	2007	75,985	-	-	75,985	7,149
Carmel Gray	2008	93,000	-	-	93,000	8,370
	2007	90,000	-	-	90,000	8,100
Bill Kelty	2008	100,000	-	-	100,000	10,753
	2007	98,500	-	-	98,500	9,666
Antony Love	2008	104,000	-	-	104,000	17,372
	2007	104,750	-	-	104,750	13,090
John Reynolds	2008	145,083	-	-	145,083	12,925
	2007	86,667	-	-	86,667	64,721
Former Directors						
Neil Roberts (retired 20 August 2008)	2008	124,750	-	-	124,750	127,352
	2007	124,750	-	-	124,750	113,022
Executive Directors						
David Liddy Managing Director	2008	982,972	1,000,000	7,354	1,990,326	13,197
	2007	983,446	1,000,000	7,354	1,990,800	12,723

(1) *STI cash reflects amount paid or accrued in respect of the year ended 31 August 2008. Refer to "Executive Director remuneration framework" for a discussion of the Bank's short term incentive arrangement.*

(2) *The Bank has also paid insurance premiums in respect of Directors' and Officers' Liability Insurance which is not reflected in the above table as there is no appropriate basis for allocation.*

(3) *This includes superannuation benefits, salary sacrificed benefits and interest which is accrued at the CPI rate on Director retirement benefits which was frozen effective from at 31 August 2003.*

(4) *Comprises long service leave accrued or utilised during the financial year.*

(5) *The fair value of the options is calculated at the date of grant using an industry accepted option pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period.*

(6) *The shares will not be issued until after the date of this report and cannot be traded until the term of his engagement as Managing Director terminates.*

Other long term [4]	Termination benefits	Share based payments		Total	S300A (1)(e)(i) Proportion of remuneration performance related	S300A (1)(e) (vi) Value of options as proportion of remuneration
		Options and rights [5]	Shares and units [6]			
$	$	$	$	$	%	%
-	-	-	-	189,880	-	-
-	-	-	-	165,486	-	-
-	-	-	-	69,683	-	-
-	-	-	-	-	-	-
-	-	-	-	8,175		-
-	-	-	-	-	-	-
-	-	-	-	100,077	-	-
-	-	-	-	100,639	-	-
-	-	-	-	103,005	-	-
-	-	-	-	83,134	-	-
-	-	-	-	101,370	-	-
-	-	-	-	98,100	-	-
-	-	-	-	110,753	-	-
-	-	-	-	108,166	-	-
-	-	-	-	121,372	-	-
-	-	-	-	117,840	-	-
-	-	-	-	158,008	-	
-	-	-	-	151,388	-	-
-	648,041	-	-	900,143	-	-
-	-	-	-	237,772	-	
31,958	-	433,895	250,000	2,719,376	53%	16%
22,158	-	947,843	-	2,973,524	-	-

Remuneration Report – Audited (continued)

Remuneration disclosures for key management personnel - Audited (continued)

2008 Financial Year

		Short-term				Post-employment (3)
		Salary and fees $	STI Cash Bonus (1) $	Other short-term employee benefits (2) $	Total $	$
Executives						
Robert Hines	2008	450,565	450,000	-	900,565	47,519
	2007	450,565	400,000	-	850,565	47,519
Ram Kangathran (commenced 29 October 2007)	2008	409,296	375,000	-	784,296	12,233
	2007	-	-	-	-	-
Len Stone	2008	284,544	275,000	-	559,544	56,608
	2007	306,309	240,000	-	546,309	12,723
David Marshall (commenced 3 September 2007)	2008	338,548	350,000	-	688,548	33,483
	2007	-	-	-	-	-
Daniel Musson (commenced 12 November 2007)	2008	273,867	280,000	115,000	668,867	27,026
	2007	-	-	-	-	-
Bruce Auty	2008	312,682	210,000	-	522,682	35,978
	2007	312,681	220,000	-	532,681	34,253
Former Executives						
Jenny Brice (resigned 13 March 2007)	2008	-	-	-	-	-
	2007	154,215	-	-	154,215	6,708
Jennifer Heffernan (resigned 8 August 2007)	2008	-	-	-	-	-
	2007	268,542	-	-	268,542	11,918
Ross Norton (resigned 10 August 2007)	2008	-	-	-	-	-
	2007	335,436	-	-	335,436	41,576
Donna Quinn (resigned 26 October 2007)	2008	60,773	-	-	60,773	2,062
	2007	387,457	200,000	-	587,457	12,723
Iain Blacklaw (resigned 9 July 2008)	2008	306,850	-	-	306,850	29,295
	2007	281,019	200,000	-	481,019	27,793

(1) STI cash reflects amount paid or accrued in respect of the year ended 31 August 2008. Refer to the earlier section, "Executive remuneration framework" for a discussion of the Bank's short term incentive arrangement.

(2) This relates to a sign on cash incentive.

(3) This includes superannuation and salary sacrificed benefits.

(4) Comprises long service leave accrued or utilised during the financial year.

(5) The fair value of the options is calculated at the date of grant using an industry accepted option pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period.

Other long term [4]	Termination benefits	Share based payments	Total	S300A (1)(e)(i) Proportion of remuneration performance related	S300A (1)(e)(vi) Value of options as proportion of remuneration
		Options and rights [5]			
$	$	$	$	%	%
22,374		253,411	1,223,869	58%	21%
15,012	-	306,494	1,219,590	-	-
555		124,748	921,832	54%	14%
-	-	-	-	-	-
13,117		182,811	812,080	56%	23%
17,926	-	225,962	802,920	-	-
525		71,285	793,841	53%	9%
-	-	-	-	-	-
397		71,285	767,575	61%	9%
-	-	-	-	-	-
4,650		160,931	724,241	51%	22%
1,687	-	216,762	785,383	-	-
-	-	-	-	-	-
-	120,000	-	280,923	-	-
-	-	-	-	-	-
-	225,000	449,777	955,237	-	-
-	-	-	-	-	-
-	360,917	493,630	1,231,559	-	-
-	72,274	-	135,109		
8,463	-	258,821	867,464	-	-
-	12,512	-	348,657		
298	-	41,395	550,505	-	-

Remuneration Report – Audited (continued)

Remuneration disclosures for key management personnel - Audited (continued)

The following factors and assumptions were used in determining the fair value of options on grant date:

Option Type	Grant date	Expiry date	Fair value per option	Exercise price (1)	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
Executives								
SMOP 7	01 November 2007	01 November 2012	$2.57	$19.25	$19.44	14.0%	6.50%	4.3%

(1) The exercise price is calculated as the volume weighted average price of shares traded over the ten business days immediately after the date of the announcement of the Bank's most recent annual results and requires Board approval.

At Risk Remuneration - Audited

Short-term incentive

The short-term incentive referred to in the above remuneration table represents 100% of the short term incentive component of "at risk" remuneration in the year for the benefit of the Executive Director and the Executives. Those bonuses were determined on the basis of the Bank's and the individual executive's performance over the financial year ended 31 August 2008 and are therefore deemed to be attributable to that year, although payment will not occur until October 2008. Based on the remuneration policies and practices described in this report there were no short-term incentive bonus amounts attributable to the Executive Director and Executives that are considered to have been forfeited or deferred in the year.

Consequences of performance on shareholder wealth

In considering the Consolidated Entity's performance and benefits for shareholder wealth, the Remuneration and Nomination Committee had regard to certain financial performance measures including the normalised cash net profit after tax, normalised cash diluted earnings per share, normalised cash cost to income ratio and change in share price in respect of the current financial year and the previous four financial years.

Normalised cash net profit after tax and normalised cash cost to income ratio are considered as targets in setting the short term incentive. Normalised cash results exclude one-off, non-recurring amounts and amortisation of customer contracts. Normalised cash diluted earnings per share is included in the calculation of current long term incentives for Executives and for the Managing Directors' options.

Currently, the performance-linked component of remuneration comprises approximately 54% (2007: 53%) of total payments made to the Managing Director and Executives.

Remuneration Report – Audited (continued)

Option Terms – Audited

Details of the vesting profile of the options over ordinary shares in the Bank granted as remuneration to each key management person of the Bank is detailed below:

	Options granted								Value yet to vest	
	Number	Date	% vested during year	% forfeited in year [(1)]	Financial years in which options vest	Fair value per option at grant date ($)	Exercise Price per option ($)	Expiry date	Min [(2)] ($)	Max [(3)] ($)
Executive Director										
David Liddy	500,000	24 December 2004	100%	-	31 August 2008	1.17	10.71	24 December 2009	Nil	-
Managing Director	500,000	1 November 2005	-	-	31 August 2009	2.16	13.37	20 December 2010	Nil	145,941
	500,000	1 November 2006	-	-	31 August 2010	2.13	16.40	20 November 2011	Nil	733,920
Executives										
Robert Hines	200,000	20 December 2004	100%	-	31 August 2008	1.17	10.71	20 December 2009	Nil	-
	200,000	17 October 2005	-	-	31 August 2009	2.16	13.37	17 October 2010	Nil	121,894
	175,000	20 November 2006	-	-	31 August 2010	2.13	16.40	20 November 2011	Nil	262,217
	175,000	1 November 2007	-	-	31 August 2011	2.57	19.25	1 November 2012	Nil	387,376
Ram Kangatharan	350,000	1 November 2007	-	-	31 August 2011	2.57	19.25	1 November 2012	Nil	774,752
Len Stone	150,000	20 December 2004	100%	-	31 August 2008	1.17	10.71	20 December 2009	Nil	-
	150,000	17 October 2005	-	-	31 August 2009	2.16	13.37	17 October 2010	Nil	91,421
	100,000	20 November 2006	-	-	31 August 2010	2.13	16.40	20 November 2011	Nil	149,839
	130,000	1 November 2007	-	-	31 August 2011	2.57	19.25	1 November 2012	Nil	287,765
David Marshall	200,000	1 November 2007	-	-	31 August 2011	2.57	19.25	1 November 2012	Nil	442,715
Daniel Musson	200,000	1 November 2007	-	-	31 August 2011	2.57	19.25	1 November 2012	Nil	442,715
Bruce Auty	100,000	20 December 2004	100%	-	31 August 2008	1.17	10.71	20 December 2009	Nil	-
	150,000	17 October 2005	-	-	31 August 2009	2.16	13.37	17 October 2010	Nil	91,421
	100,000	20 November 2006	-	-	31 August 2010	2.13	16.40	20 November 2011	Nil	149,839
	100,000	1 November 2007	-	-	31 August 2011	2.57	19.25	1 November 2012	Nil	221,358

Remuneration Report – Audited (continued)

Option Terms – Audited (continued)

	Options granted								Value yet to vest	
	Number	Date	% vested during year	% forfeited in year (1)	Financial years in which options vest	Fair value per option at grant date ($)	Exercise Price per option ($)	Expiry date	Min (2) ($)	Max (3) ($)
Former Executives										
Donna Quinn	200,000	20 December 2004	100%	-	31 August 2008	1.17	10.71	20 December 2009	Nil	-
	150,000	17 October 2005	100%	-	31 August 2008	2.16	13.37	17 October 2010	Nil	-
	125,000	20 November 2006	-	100%	Not applicable	2.13	16.40	Not applicable	Nil	-
Iain Blacklaw	100,000	20 November 2006	-	100%	Not applicable	2.13	16.40	Not applicable	Nil	-
	150,000	1 November 2007	-	100%	Not applicable	2.57	19.25	Not applicable	Nil	-

(1) The % forfeited in the year represents the reduction in number of options available due to cessation of employment.

(2) The minimum value of options yet to vest is $nil as the performance criteria may not be met and consequently the options may not vest.

(3) Is the residual fair value expense to be recognised in future years assuming all performance criteria are met.

No options have been granted since the end of the financial year. The above options were provided at no cost to the recipients.

Remuneration Report – Audited (continued)

Option Terms - Audited (continued)

During the financial year, the following shares were issued on the exercise of options previously granted as remuneration:

	2008	
	Shares issued (number)	$ per share paid
Executive Director		
David Liddy		
Managing Director	500,000	$10.71
Executives		
Len Stone	150,000	$10.71
Bruce Auty	100,000	$10.71
Former Executives		
Donna Quinn	200,000	$10.71
	150,000	$13.37

Options have been issued under the SMOP to Executives and senior management on an ongoing basis in line with the Bank's remuneration policy. The performance hurdles are reviewed annually by the Board Remuneration and Nomination Committee.

There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when vested options are exercised. Options may lapse in the event of cessation of employment depending on the circumstances of such cessation.

Managing Director options

Managing Director Option Plan

The Managing Director, David Liddy has been granted the following options as approved by shareholders at the Annual General Meeting held on 9 December 2004:

Tranche	Number of options	Exercise date	Expiry date	Exercise price	Issue price
3	500,000	Date of release of financial results in October 2008	20 December 2010	$13.37	Nil
4	500,000	Date of release of financial results in October 2009	20 November 2011	$16.40	Nil

Tranche 3 was granted on 1 November 2005 and Tranche 4 on 1 November 2006.

Tranche 2 vested during the year as the performance hurdles required by the Managing Director Option Plan had been met.

The ability to exercise the options is conditional on the Consolidated Entity achieving certain performance hurdles. The performance hurdles for Tranche 3 and 4 are based on diluted cash EPS growth and require the Bank's diluted cash EPS growth to outperform the average diluted cash EPS growth of the Comparison Banks over the relevant performance period (financial years 2006 - 2008 for Tranche 3 and financial years 2007 - 2009 for Tranche 4).

To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period:

Percentage range by which cash EPS growth exceeds Comparison banks	Percentage of options to vest
5% and up to but not exceeding 10%	25%
10% and up to but not exceeding 15%	50%
15% and up to but not exceeding 20%	75%
20% or more	100%

Remuneration Report – Audited (continued)

Managing Director options (continued)

Managing Director Option Plan (continued)

Should any Tranche 3 options remain unvested as at November 2009, the EPS test will be applied across financial years 2006, 2007, 2008 and 2009.

Should any Tranche 3 options remain unvested as at November 2010, the EPS test will be applied across financial years 2006, 2007, 2008, 2009 and 2010.

Should any Tranche 4 options remain unvested as at November 2010, the EPS test will be applied across financial years 2007, 2008, 2009 and 2010.

Should any Tranche 4 options remain unvested as at November 2011, the EPS test will be applied across financial years 2007, 2008, 2009, 2010 and 2011.

There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the vested options are exercised. Options may lapse in the event of cessation of employment depending on the circumstances of such cessation.

Using industry accepted pricing methodologies, each Tranche 3 option had a value of $2.16 as at date of granting and Tranche 4 option had a value of $2.13 as at date of granting.

The market value of shares at 31 August 2008 was $15.86 (2007: $18.56).

Option Terms - Audited

Senior Managers' options

1. Options issued on 23 November 2001 (SMOP 1). All options that vested were exercised or forfeited in prior financial years.
2. Options issued on 4 November 2002 (SMOP 2). All options that vested were exercised or forfeited in prior financial years.
3. Options issued on 10 November 2003 (SMOP 3):

Options originally issued:	3,120,000;
Options lapsed during the year:	Nil;
Options exercised during the year:	35,000;
Options on issue at balance date:	10,000;
Exercise date:	10 November 2006;
Expiry date:	10 November 2008;
Options exercisable at balance date:	10,000;
Issue price:	$Nil; and
Exercise price:	$9.49.

These options vested in a previous year as the performance hurdles had been met.

4. Options issued on 20 December 2004 (SMOP 4):

Options originally issued:	3,005,000;
Options lapsed during the year:	Nil;
Options exercised during the year:	2,162,000;
Options on issue at balance date:	418,000;
Exercise date:	20 December 2007;
Expiry date:	20 December 2009;
Options exercisable at balance date:	418,000;
Issue price:	$Nil; and
Exercise price:	$10.71.

During the year, 2,580,000 options vested under this plan as the performance hurdles had been met.

Remuneration Report – Audited (continued)

Option Terms - Audited (continued)

Senior Managers' options (continued)

5. Options issued on 17 October 2005 (SMOP 5):

Options originally issued:	3,805,000;
Options lapsed during the year:	125,575;
Options exercised during the year:	563,880;
Options on issue at balance date:	2,585,375;
Exercise date:	17 October 2008;
Expiry date:	17 October 2010;
Options exercisable at balance date:	61,635;
Issue price:	$Nil; and
Exercise price:	$13.37.

The ability to exercise the options is conditional on the Consolidated Entity achieving certain performance hurdles. The performance hurdles are based on diluted cash EPS growth and require the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the financial years 2006, 2007 and 2008 ("performance period"), as described above.

To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period:

Percentage range by which cash EPS growth exceeds Comparison banks	Percentage of options to vest
5% and up to but not exceeding 10%	25%
10% and up to but not exceeding 15%	50%
15% and up to but not exceeding 20%	75%
20% or more	100%

Should any SMOP 5 options remain unvested as at October 2009, the EPS test will be applied across financial years 2006, 2007, 2008 and 2009.

Should any SMOP 5 options remain unvested as at October 2010, the EPS test will be applied across financial years 2006, 2007, 2008, 2009 and 2010.

Using the trinomial pricing methodology, each option had a value of $2.16 as at date of granting. The market value of shares at 31 August 2008 was $15.86 (2007: $18.56).

During the year, 449,425 options vested under this plan at the discretion of the Directors, as permitted under the terms of the option plan.

6. Options issued on 20 November 2006 (SMOP 6):

Options originally issued:	3,370,000;
Options lapsed during the year:	444,233;
Options exercised during the year:	63,856;
Options on issue at balance date:	2,355,456;
Exercise date:	20 November 2009;
Expiry date:	20 November 2011;
Options exercisable at balance date:	8,522;
Issue price:	$Nil; and
Exercise price:	$16.40.

The ability to exercise the options is conditional on the Consolidated Entity achieving certain performance hurdles. The performance hurdles are based on diluted cash EPS growth and require the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the financial years 2007, 2008 and 2009 ("performance period"), as described above.

Remuneration Report – Audited (continued)

Option Terms - Audited (continued)

Senior Managers' options (continued)

To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period:

Percentage range by which cash EPS growth exceeds Comparison banks	Percentage of options to vest
5% and up to but not exceeding 10%	25%
10% and up to but not exceeding 15%	50%
15% and up to but not exceeding 20%	75%
20% or more	100%

Should any SMOP 6 options remain unvested as at November 2010, the EPS test will be applied across financial years 2007, 2008, 2009 and 2010.

Should any SMOP 6 options remain unvested as at November 2011, the EPS test will be applied across financial years 2007, 2008, 2009, 2010 and 2011.

Using the trinomial pricing methodology, each option had a value of $2.13 as at date of granting. The market value of shares at 31 August 2008 was $15.86 (2007: $18.56).

During the year 74,326 options vested under this plan at the discretion of the Directors, as permitted under the terms of the option plan.

7. Options issued on 1 November 2007 (SMOP 7):

Options originally issued:	3,999,000
Options lapsed during the year:	380,493;
Options exercised during the year	Nil;
Options on issue at balance date:	3,618,507;
Exercise date	1 November 2010
Expiry date	1 November 2012
Options exercisable at balance date	7,507;
Issue Price	$Nil; and
Exercise Price	$19.25

The ability to exercise the options is conditional on the Consolidated Entity achieving certain performance hurdles. The performance hurdles are based on diluted cash EPS growth and require the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the financial years 2008, 2009 and 2010 ("performance period"), as described above.

To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period:

Percentage range by which cash EPS growth exceeds Comparison banks	Percentage of options to vest
5% and up to but not exceeding 10%	25%
10% and up to but not exceeding 15%	50%
15% and up to but not exceeding 20%	75%
20% or more	100%

Should any SMOP 7 options remain unvested as at November 2011, the EPS test will be applied across financial years 2008, 2009, 2010 and 2011.

Should any SMOP 7 options remain unvested as at November 2012, the EPS test will be applied across financial years 2008, 2009, 2010, 2011 and 2012.

Using the trinomial pricing methodology, each option had a value of $2.57 as at date of granting. The market value of shares at 31 August 2008 was $15.86 (2007: $18.56).

During the year 7,507 options vested under this plan at the discretion of the Directors, as permitted under the terms of the option plan.

Remuneration Report – Audited (continued)

Indemnification of officers

The Bank's Constitution provides that all officers of the Bank are indemnified by the Bank against liabilities incurred by them in the capacity of officer to the full extent permitted by the Corporations Act 2001.

Insurance of officers

Since the end of the previous financial year the Bank has paid insurance premiums in respect of a Directors' and Officers' liability insurance contract. The contract insures each person who is or has been a Director or executive officer (as defined in the Corporations Act 2001) of the Bank against certain liabilities arising in the course of their duties to the Bank and its controlled entities. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

Directors' interests

Directors' interests as at the date of this report were as follows:

Director	No. of ordinary shares in which relevant interest held	Nature of relevant interest in shares		Convertible Preference Shares
Neil Summerson	18,528	3,755	Held beneficially	-
		14,773	Held non-beneficially	-
Anthony Howarth	37,819	37,819	Held beneficially	-
David Liddy	1,616,565	1,572,649	Held beneficially	-
		43,916	Held non-beneficially	-
Roger Davis	2,909	2,909	Held beneficially	-
Peter Fox	11,801,257	11,800,257	Held by Linfox Share Investment No.2 Pty Ltd	-
		1,000	Held beneficially	-
David Graham	6,000	1,000	Held beneficially	-
		5,000	Held non-beneficially	-
Carmel Gray	4,000	4,000	Held beneficially	-
Bill Kelty	1,088	1,088	Held beneficially	-
Antony Love	11,990	6,086	Held beneficially	-
		5,904	Held non-beneficially	500
John Reynolds	1,000	1,000	Held beneficially	-
Neil Roberts (1)	21,464	21,464	Held non-beneficially	-

(1) Neil Roberts retired as chairman on 20 August 2008.

Audit and Non–audit services

During the year KPMG, the Bank's auditor, has performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the year by the auditor are in accordance with written advice provided by resolution of the Audit & Risk Committee, and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Bank and have been reviewed by the Audit & Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Bank, acting as an advocate for the Bank or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Bank, KPMG and its related practices for audit and non-audit services provided during the year are set out below:

	Consolidated		Bank	
	2008 $000	2007 $000	2008 $000	2007 $000
Audit services – KPMG Australia				
- Audit and review of the financial reports	843.0	631.8	763.9	537.2
- Other regulatory and audit services	133.3	50.2	81.7	48.2
	976.3	682.0	845.6	585.4
Audit related services – KPMG Australia				
- Other assurance services (1)	450.0	298.5	151.6	67.3
	450.0	298.5	151.6	67.3
Other services – KPMG Australia				
- Due diligence services	107.5	76.3	-	-
	107.5	76.3	-	-

(1) Other assurance services comprise accounting opinions, and audit related services provided in relation to mortgage securitisation trusts which are consolidated under AIFRS.

Fees for audit and non-audit services paid to KPMG which were provided in relation to leasing securitisation trusts which are not consolidated by the Bank were $139,159 (2007: $85,785).

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 43 and forms part of the Directors' report for the year ended 31 August 2008.

Rounding of amounts

The Bank is a company of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (as amended by Class Order 04/667 dated 15 July 2004) and in accordance with that Class Order, amounts in this financial report and Directors' report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

Dated at Brisbane this ninth day of October 2008.

Signed in accordance with a resolution of the Directors:

Neil Summerson
Chairman

David Liddy
Managing Director

Lead Auditor's Independence Declaration

under Section 307C of the Corporations Act 2001

To the Directors of Bank of Queensland Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 August 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

John Teer

Partner

Brisbane, 9 October 2008

KPMG, an Australian partnership, is part of the KPMG International network.

KPMG International is a Swiss cooperative

Income Statements
For the year ended 31 August 2008

	Note	Consolidated 2008 $m	Consolidated 2007 $m	Bank 2008 $m	Bank 2007 $m
Interest income	4	2,043.1	1,311.1	1,808.0	1,250.5
Less: Interest expense	4	1,622.0	989.8	1,518.2	1,016.6
Net interest income		421.1	321.3	289.8	233.9
Other operating income	4	149.5	178.7	194.7	249.7
Total operating income		570.6	500.0	484.5	483.6
Less: Expenses	5	360.7	294.7	294.4	285.1
Profit before impairment on loans and advances and tax		209.9	205.3	190.1	198.5
Less: Impairment on loans and advances	13	27.0	20.9	20.3	18.3
Profit before income tax		182.9	184.4	169.8	180.2
Less: Income tax expense	6	56.1	54.6	52.9	57.0
Profit for the year	23	126.8	129.8	116.9	123.2
Basic earnings per share Ordinary shares	8	88.8c	117.0c		
Diluted earnings per share Ordinary shares	8	84.6c	112.7c		

The above income statements should be read in conjunction with the accompanying notes.

Statements of recognised income and expense

For the year ended 31 August 2008

	Note	Consolidated 2008 $m	Consolidated 2007 $m	Bank 2008 $m	Bank 2007 $m
Items of income and expense (net of tax)					
Cash flow hedges:					
Net gains / (losses) taken to equity	23	(28.0)	14.8	(31.8)	16.2
Net gains transferred to income statement	23	(2.1)	(3.6)	(2.1)	(3.6)
Change in fair value of assets available for sale	23	(2.8)	0.8	(0.9)	0.8
Net income / (expense) recognised directly in equity		(32.9)	12.0	(34.8)	13.4
Profit for the year		126.8	129.8	116.9	123.2
Total recognised income and expense for the year		93.9	141.8	82.1	136.6
Attributable to:					
Equity holders of the parent		93.9	141.8	82.1	136.6

Other movements in equity arising from transactions with owners as owners are set out in Note 23. The amounts recognised directly in equity are disclosed net of tax, refer to Note 6.

The above statements of recognised income and expense should be read in conjunction with the accompanying notes.

Balance Sheets
As at 31 August 2008

	Note	Consolidated 2008 $m	Consolidated 2007 $m	Bank 2008 $m	Bank 2007 $m
Assets					
Cash and liquid assets	9	399.5	479.1	242.9	228.8
Due from other financial institutions	10	66.3	46.8	133.0	93.9
Other financial assets	11	3,263.9	1,606.9	3,180.6	1,513.6
Derivative financial instruments		22.4	35.3	22.4	35.3
Loans and advances at amortised cost	12	25,246.8	17,600.8	20,669.5	16,309.0
Shares in controlled entities	34	-	-	680.8	80.6
Property, plant and equipment	14	25.4	19.7	18.3	16.6
Current tax assets		0.3	-	0.3	-
Other assets	16	141.3	120.5	179.9	135.6
Intangible assets	17	571.6	128.2	89.8	86.0
Investments accounted for using the equity method	38	37.7	-	-	-
Total assets		29,775.2	20,037.3	25,217.5	18,499.4
Liabilities					
Due to other financial institutions	18	135.6	121.5	135.6	121.5
Deposits	19	20,036.5	12,720.3	17,920.1	12,331.1
Derivative financial instruments		19.7	58.1	56.5	61.1
Accounts payable and other liabilities		296.5	233.4	222.9	204.5
Current tax liabilities		-	21.2	-	21.2
Provisions	20	17.0	12.7	12.8	12.3
Deferred tax liabilities	15	11.4	11.6	18.5	19.5
Borrowings including subordinated notes	21	7,579.5	6,004.2	1,514.1	1,628.4
Amounts due to controlled entities		-	-	3,687.4	3,263.1
Total liabilities		28,096.2	19,183.0	23,567.9	17,662.7
Net assets		1,679.0	854.3	1,649.6	836.7
Equity					
Issued capital	22	1,439.4	615.7	1,439.4	615.7
Reserves	23	60.3	87.6	46.2	80.7
Retained profits	23	179.3	151.0	164.0	140.3
Total Equity		1,679.0	854.3	1,649.6	836.7

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of Cash Flows

For the year ended 31 August 2008

	Note	Consolidated 2008 $m	Consolidated 2007 $m	Bank 2008 $m	Bank 2007 $m
Cash flows from operating activities					
Interest received		2,000.0	1,304.7	1,732.3	1,243.7
Fees and other income received		142.7	178.0	119.0	182.6
Dividends received		0.1	-	-	-
Interest paid		(1,564.8)	(962.8)	(1,462.2)	(1,001.5)
Cash paid to suppliers and employees		(306.9)	(295.5)	(282.8)	(317.2)
Operating income tax paid		(58.9)	(25.8)	(56.3)	(25.7)
Other taxes paid		(0.3)	(0.6)	(0.3)	(0.6)
		211.9	198.0	49.7	81.3
Decrease in operating assets:					
Loans and advances at amortised cost		(5,032.2)	(3,526.5)	(3,309.2)	(2,505.0)
Other financial assets		(1,315.5)	(364.5)	(2,265.8)	(429.7)
Increase in operating liabilities:					
Deposits		4,786.0	2,384.2	5,550.3	2,433.5
Securitisation liabilities	21	1,240.0	1,122.9	-	-
Net cash from operating activities	28	(109.8)	(185.9)	25.0	(419.9)
Cash flows from investing activities					
Payments for property, plant and equipment		(11.3)	(4.7)	(6.9)	(4.6)
Payments for intangible assets - software		(20.2)	(13.4)	(20.2)	(13.4)
Cash distribution received from equity accounted investments		3.0	-	-	-
Payments for acquisition of Home Building Society Ltd	34 (b)	(66.2)	-	(103.3)	-
Payments for acquisition of Pioneer Permanent Building Society Limited	34 (b)	-	(7.2)	-	(23.4)
Proceeds from sale of credit card portfolio		-	325.8	-	325.8
Proceeds from sale of property, plant and equipment		5.5	2.9	0.8	2.9
Net cash from investing activities		(89.2)	303.4	(129.6)	287.3
Cash flows from financing activities					
Proceeds from issue of ordinary shares	22	90.0	34.6	90.0	34.6
Cost of capital issues		(6.2)	-	(6.2)	-
Proceeds from borrowings	21	2,758.6	1,897.8	2,757.9	1,897.8
Repayments of borrowings	21	(2,866.0)	(1,785.3)	(2,866.0)	(1,768.7)
Proceeds from issue of Perpetual Equity Preference Shares		200.0	-	200.0	-
Dividends paid		(57.0)	(47.3)	(57.0)	(42.0)
Net cash from financing activities		119.4	99.8	118.7	121.7
Net increase / (decrease) in cash and cash equivalents		(79.6)	217.3	14.1	(10.9)
Cash and cash equivalents at beginning of year		479.1	261.8	228.8	239.7
Cash and cash equivalents at end of year	9	399.5	479.1	242.9	228.8

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to and Forming Part of the Financial Statements
Year ended 31 August 2008

1. Reporting entity

Bank of Queensland Limited (the "Bank") is a company domiciled in Australia. The address of the Bank's registered office is Level 17, 259 Queen Street, Brisbane, QLD, 4000. The consolidated financial report of the Bank for the financial year ended 31 August 2008 comprises the Bank and its subsidiaries (together referred to as the "Consolidated Entity") and the Consolidated Entity's interest in equity accounted investments.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs" – including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The financial statements and notes of the Consolidated Entity and Bank also comply with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board.

The consolidated financial report was authorised for issue by the Directors on 9 October 2008.

(b) Basis of measurement

The financial report is prepared on the historical cost basis with the exception of the following assets and liabilities which are stated at their fair value:

- derivative financial instruments;
- financial instruments held for trading; and
- financial instruments classified as available-for-sale.

(c) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Bank's functional currency and the functional currency of the majority of the Consolidated Entity.

(d) Rounding

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in this financial report and Directors' report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

(e) Use of estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Consolidated Entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Provisions for impairment – Note 13;
- Intangible assets - Note 17;
- Provisions - Note 20;
- Financial instruments - Note 27; and
- Controlled entities - Note 34.

3. Significant accounting policies

The following standards and amendments have been identified as those which may impact the Bank and were available for early adoption at 31 August 2008 but have not been applied in these financial statements:

- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interest at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Bank's 31 August 2010 financial report. The Bank has not yet determined the potential effect of the revised standard on the Bank's financial statements;

- AASB 8 *Operating Segments* replaces the presentation requirements of segment reporting in AASB 114 *Segment Reporting*. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Bank as the standard is only concerned with disclosures;

- AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Bank's 31 August 2010 financial report. The Bank has not yet determined the potential effect of the revised standard on the Bank's disclosures;

- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Bank's 31 August 2010 financial statements. The Bank has not yet determined the potential effect of the revised standard on the Bank's financial report;

- AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Bank's 31 August 2010 financial statements. The Bank has not yet determined the potential effect of the amending standard on the Bank's financial report;

- AASB 2008-5 and AASB 2008-6 *Amendments to Australian Accounting Standards* arising from the Annual Improvements Project makes amendments to a number of accounting standards. AASB 2008-5 and AASB 2008-6 become mandatory for the Bank's 31 August 2010 financial statements. The Bank has not yet determined the potential effect of these amending standards on the Bank's financial report; and

- AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* makes the following changes: the definition of 'cost method' is removed; all dividends from subsidiaries, jointly controlled entities or associates to be recognised as income in the separate financial statements of the investor; receipt of dividend may be an indicator of impairment if certain criteria are met; and specified accounting for certain transaction where a newly formed entity become the new part of another entity in a group. AASB 2008-7 becomes mandatory for the Bank's 31 August 2010 financial statements. The Bank has not yet determined the potential effect of the amending standard on the Bank's financial report.

Except as described in the subsequent notes, the accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report, and have been applied consistently across the Consolidated Entity.

3. Significant accounting policies (continued)

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to benefit from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases. In the Bank's financial statements, investments in subsidiaries are carried at cost.

(ii) Securitisation

The Bank conducts a loan securitisation program whereby mortgage loans are packaged and sold to the REDS Securitisation and Warehouse Trusts ("RMBS Trusts").

The Bank also securitises Hire Purchase, Chattel Mortgages and Finance Leases which are packaged and sold to REDS EHP Securitisation Trusts ("REDS EHP Trusts").

Consolidated Entity

The Consolidated Entity receives the residual income distributed by the RMBS Trusts after all payments due to investors and associated costs of the program have been met and as a result the Consolidated Entity is considered to control the RMBS Trusts and they are treated as controlled entities.

The RMBS Trusts fund their purchase of the loans by issuing floating-rate pass-through debt securities. The securities are issued by the RMBS Trusts. These are represented as other liabilities of the Consolidated Entity, however the Consolidated Entity does not stand behind the capital value or the performance of the securities or the assets of the RMBS Trusts. The Consolidated Entity does not guarantee the payment of interest or the repayment of principal due on the securities. The loans subject to the securitisation program have been pledged as security for the securities issued by the RMBS Trusts. The Consolidated Entity is not obliged to support any losses that may be suffered by investors and does not intend to provide such support.

The Bank also securitises Hire Purchase, Chattel Mortgages and Finance Leases to the REDS EHP Trusts. Where the residual income units in these trusts are held by external investors the trusts are not consolidated as the Consolidated Entity does not meet the conditions associated with control of an entity as defined by AASB 127 Consolidated and Separate Financial Statements and the original sale of these assets meets the de-recognition criteria set out in AASB 139 as the residual income units in these trusts are held by external investors.

To the extent that the Consolidated Entity does not substantially transfer all the risk and rewards associated with these assets, the level of the Consolidated Entity's continuing involvement in these assets continues to be recognised.

Bank

Interest rate risk from the RMBS Trusts is transferred back to the Bank by way of interest rate swaps. Accordingly, under AASB 139 the original sale of the mortgages from the Bank to the RMBS Trusts does not meet the de-recognition criteria set out in AASB 139. The Bank continues to reflect the securitised loans in their entirety and also recognises a financial liability to the RMBS Trusts. The interest payable on the intercompany financial asset / liability represents the return on an imputed loan between the Bank and the RMBS Trusts and is based on the interest income under the mortgages, the fees payable by the RMBS Trusts and the interest income or expense not separately recognised under interest rate and basis swaps transactions between the Bank and the RMBS Trusts.

All transactions between the Bank and the RMBS Trusts are eliminated on consolidation.

(iii) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows from the assets have expired, or where the Bank has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership, or where control is not retained. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expired.

3. Significant accounting policies (continued)

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement.

Where a foreign currency transaction is part of a hedge relationship it is accounted for as above, subject to the Hedge Accounting rules set out in Note 3 (c) Derivative financial instruments and hedging.

(c) Derivative financial instruments and hedging

Derivatives

The Consolidated Entity uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. In accordance with its treasury policy, the Consolidated Entity can hold derivative financial instruments for trading purposes. Also, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value and are subsequently remeasured at fair value at the reporting date. The gain or loss on re-measurement is recognised immediately in the Income Statement. However, when derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship discussed below.

The fair value of interest rate swaps is the estimated amount that the Consolidated Entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price. The fair value of futures contracts is their quoted market price.

All of the Bank's hedging relationships are designated as cash flow hedges. The Bank has not designated any hedges as fair value hedges.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability of the cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised immediately in the Income Statement. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified into the Income Statement in the same period or periods in which the asset acquired or liability assumed affects the Income Statement (i.e. when interest income or expense is recognised).

When a hedging instrument expires or is sold, terminated or exercised, or the Consolidated Entity revokes designation of the hedge relationship but the hedged forecast transaction still is expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss is recognised immediately in the Income Statement.

Financial investments

The Bank classifies its financial investments into one of the following two categories upon initial recognition.

(i) Financial assets at fair value through the Income Statement

Financial assets are designated at fair value through the Income Statement if the Bank manages such financial assets and makes purchase and sale decisions based on their fair value in accordance with the Bank's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in the income statement when incurred. Financial instruments at fair value through the Income Statement are measured at fair value, and changes therein are recognised in the income statement.

(ii) Available-for-sale

Assets that are intended to be held for an indefinite period of time but which may be sold in response to changes in interest rates, exchange rates and liquidity needs are classified as available for sale. These assets are initially measured at fair value with any changes in fair value being recognised in equity until the asset is sold. Interest income received on these assets is recorded as net interest income and any realised gains or losses recorded in other revenue from other activities.

3. Significant accounting policies (continued)

(d) Cash and Liquid assets

Cash and liquid assets comprise cash at branches, cash on deposit, balances with the Reserve Bank of Australia and money market deposits at call.

(e) Receivables due from other Banks

Receivables due from other banks include nostro balances (an account held with a foreign bank usually in a foreign currency) and settlement account balances.

(f) Loans and advances at amortised cost

Loans and advances are originated by the Bank and are recognised upon cash being advanced to the borrower. Loans and advances are initially recognised at fair value and subsequently measured at each reporting date at amortised cost using the effective interest method.

Refer Note 3 (j) for impairment of loans and advances.

(g) Leases

Finance Leases

Finance leases in which the Bank is the lessor, are recorded in the Balance Sheet as loans and advances at amortised cost. They are recorded on the commencement of the lease as the net investment in the lease, being the present value of the minimum lease payments.

The Consolidated Entity does not have finance leases as lessee.

Operating Leases

Operating leases in which the Bank is the lessee, are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property. When an operating lease terminates before the lease period expires, any payment required to be made to the lessor by way of penalty, is recognised as an expense in the period in which termination takes place.

The Consolidated Entity does not have any operating leases as lessor.

(h) Property, plant and equipment

Recognition and initial measurement

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Subsequent Costs

Subsequent additional costs are only capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the assets will flow to the Bank in future years. Where these costs represent separate components, they are accounted for as separate assets and are separately depreciated over their useful lives. Costs that do not meet the criteria for subsequent capitalisation are expensed as incurred.

Subsequent Measurement

The Bank has elected to use the cost model to measure property, plant and equipment after recognition. The carrying value is the initial cost less accumulated depreciation and any accumulated impairment losses.

3. Significant accounting policies (continued)

(h) Property, plant and equipment (continued)

Depreciation

Deprecation is charged to the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

	Years	
• Buildings	40	
• IT equipment	3 – 10	
• Plant, furniture and equipment	3 – 25	
• Leasehold improvements	10	(or term of lease if less)

The residual value, if not insignificant, is reassessed annually.

Surplus leased premises

A provision is recognised for surplus leased premises where it is determined that no material benefit will be obtained by the Bank for its occupancy. This arises where premises are leased under non-cancellable operating leases and the Bank either:

- currently does not occupy the premises and does not expect to occupy it in the future;
- sublets the premises for lower rentals than it is presently obliged to pay under the original lease; or
- currently occupies the premises which has been assessed to be of no material benefit beyond a known future date.

The provision is calculated on the basis of net future cash outflows.

(i) Intangible Assets

Initial recognition and measurement

Intangible assets are stated at cost less any accumulated amortisation and any impairment losses. Expenditure on internally generated goodwill, research costs and brands is recognised in the Income Statement as an expense as incurred.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Goodwill

Goodwill is the excess of the cost of acquisition over the fair value of the Bank's share of the identifiable net assets of the acquired subsidiary. Any goodwill is tested annually for impairment, with any impairment taken directly to the Income Statement. Refer Note 3 (j).

Amortisation

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful life of the intangible asset unless the life of the intangible asset is indefinite. Where applicable, intangible assets are amortised from the date they are available for use. The amortisation period and method are reviewed on an annual basis.

The amortisation rates used in the current and comparative periods are as follows:

	Years
• Software	5-10
• Customer contracts	3-5
• Technology Infrastructure	12

3. Significant accounting policies (continued)

(j) Impairment

The carrying value of the Bank's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. For goodwill, the recoverable amount is estimated annually.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement unless the asset has previously been revalued in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess being recognised through the Income Statement.

Impairment losses recognised in respect of cash-generating units are allocated firstly to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units), and secondly to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the Income Statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the Income Statement is the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in the Income Statement.

Calculation of recoverable amount

Receivables with a short duration are not discounted. The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The unwinding of the discount from initial recognition of impairment through to recovery of the written down amount is recognised through interest income.

Impairment of loans and advances

The Bank uses two methods for calculating impairment:

(i) Specific impairment provisions

Impairment losses on individually assessed loans and advances are determined on a case-by-case basis. If there is objective evidence that an individual loan or advance is impaired, then a specific provision for impairment is raised. The amount of the specific provision is based on the carrying amount of the loan or advance, including the security held against the loan or advance and the present value of expected future cash flows. Any subsequent write-offs are then made against the specific provision for impairment.

The unwinding of the discount from initial recognition of impairment through to recovery of the written down amount is recognised through interest income.

(ii) Collective impairment provisions

Where no evidence of impairment has been identified for loans and advances, these loans and advances are grouped together on the basis of similar credit characteristics for the purpose of calculating a collective impairment loss. Collective impairment provisions are based on historical loss experience adjusted for current observable data. The amount required to bring the collective provision for impairment to its required level is charged to the Income Statement.

(k) Financial Liabilities

Financial liabilities including current accounts, deposits, subordinated notes and term deposits are initially recognised at fair value plus transaction costs that are directly attributable to the issue of the financial liability and are subsequently measured at amortised cost using the effective interest method.

Securitisation set-up costs relating to on-balance sheet assets are included with securitisation borrowings and amortisation is recorded as interest expense.

3. Significant accounting policies (continued)

(l) Employee benefits

(i) Wages, Salaries and Annual Leave

Liabilities for employee benefits to wages, salaries and annual leave represents present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Bank expects to pay as at reporting date including related on-costs.

(ii) Long Service Leave

The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made resulting from employee's services provided to reporting date. The provision is calculated using expected future increases in wage and salary rates including related on-costs, and expected settlement dates based on turnover history and is discounted using the rates attached to national government bonds at reporting date which most closely match the terms of maturity of the related liabilities.

(iii) Superannuation plan

The Bank contributes to a number of defined contribution superannuation plans which complies with the Superannuation Contributions Act Legislation. Contributions are charged against income as they are made.

(iv) Share based payments

The Bank operates the following equity-settled compensation plans.

Option Plans

The Bank has the following option plans:

- Managing Director Option Plan ("MD plan"); and
- Senior Management Option Plan ("SMOP").

The above plans allow Bank employees to acquire shares in the Bank. The fair value of options granted is recognised as an employee expense with a corresponding increase to the Employee Benefits Reserve. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using industry accepted option pricing methodologies, taking into account the terms and conditions upon which the options are granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

(m) Provisions

A provision is recognised in the Balance Sheet when the Consolidated Entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(n) Preference Shares

Preference share capital is classified as equity if it is non-redeemable only at the Bank's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon declaration by the Directors.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in the income statement as accrued.

3. Significant accounting policies (continued)

(o) Revenue

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised in the Income Statement using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but not future credit losses. The calculation includes all amounts paid or received by the Bank that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts. Transaction costs include loan acquisition costs such as commissions paid to Owner Managed Branches, Agents and other intermediaries.

Interest on impaired financial assets is recognised at the original effective interest rate of the financial asset applied to the carrying amount as reduced by any allowance for impairments.

Non-interest income

Non-yield related lending application fees received are recognised as income when the loan is disbursed or the commitment to lend expires.

Service fees that represent the recoupment of the costs of providing the service are recognised on an accruals basis when the service is provided.

Lending fees that are considered an integral part of the effective interest rate are recognised within interest revenue on an effective interest rate basis.

Fair value gains and losses from financial assets held at fair value are recognised in the Income Statement immediately.

Franchise fees received under Owner Managed Branch agreements are recognised as income upon the signing of an unconditional agreement.

(p) Income tax

Income tax on the Income Statement for the periods presented comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the Balance Sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax Consolidation

The Bank is the head entity in the tax consolidated group comprising all the Australian wholly-owned subsidiaries. The implementation date for the tax-consolidated group was 1 September 2004.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using a 'group allocation' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Bank as an equity contribution, or distribution from the subsidiary.

3. Significant accounting policies (continued)

(p) Income tax (continued)

The Bank recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding and tax sharing arrangements

The Bank, in conjunction with other members of the tax-consolidated group, has entered into a tax funding agreement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding agreement requires payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the Bank recognising an inter-entity payable (receivable) equal in amount to the tax liability (asset) assumed.

Contributions to fund the current tax liabilities are payable as per the Tax Funding Arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The Bank, in conjunction with other members of the tax-consolidated group, has also entered into a Tax Sharing Agreement ("TSA"). The TSA provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the TSA is considered remote.

(q) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the statements of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(r) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the Consolidated Entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares), by the weighted average number of ordinary shares of the Bank, adjusted for any bonus issues.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

(s) Business Combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Consolidated Entity.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed by the Consolidated Entity, plus costs directly attributable to the acquisition. The subsidiary's identifiable assets, liabilities and contingent liabilities are measured at their fair values at the acquisition date. If the cost of acquisition is more than the fair value of the Consolidated Entity's share of the identifiable net assets acquired, the excess is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

(t) General reserve for credit losses

The Bank is required by the Australian Prudential Regulation Authority ("APRA") to maintain a general provision for credit losses at 50 basis points of risk weighted assets. As the Bank is unable to hold a general provision under current accounting standards, the Bank has created a general reserve for credit losses. The general reserve for credit losses and collective provision for impairment are aggregated for the purpose of satisfying the APRA requirement for a general reserve of 50 basis points of risk-weighted assets.

3. Significant accounting policies (continued)

(u) Investment in jointly controlled operations

The Bank has interest in joint ventures that are part of jointly controlled operations. The Bank's investments in jointly controlled joint venture entities are accounted for under the equity method of accounting in the consolidated financial statements. These are entities in which the Bank has joint control over all operational decisions and activities.

Under the equity method, the investments in joint ventures are recognised at the cost of acquisition and the carrying value is subsequently adjusted by the Bank's share of the joint venture entity's profit or loss and movement in post-acquisition reserves, after adjusting to align the accounting policies with that of the Bank.

The Bank's share of the joint venture entity's net profit or loss is calculated based on the sale of land, together with any tax expense, and is brought to account based on the proportion of settled land sales contracts.

4. Operating income

	Consolidated		Bank	
	2008 $m	2007 $m	**2008 $m**	2007 $m
Interest income				
Loans and advances	1,811.8	1,200.6	1,597.6	1,156.9
Trading and other securities	231.3	110.5	210.4	93.6
Total interest income	2,043.1	1,311.1	1,808.0	1,250.5
Interest expense				
Retail deposits	731.7	407.4	617.2	392.5
Wholesale deposits and borrowings	890.3	582.4	901.0	624.1
Total interest expense	1,622.0	989.8	1,518.2	1,016.6
Net interest income	421.1	321.3	289.8	233.9
Income from operating activities				
Other customer fees and charges	116.6	111.8	110.8	108.5
Securitisation income (1)	5.7	10.3	36.9	64.5
Net income / (loss) from financial instruments and derivatives at fair value	(8.9)	5.0	(4.7)	5.0
Commission – insurance and financial planning	9.8	4.3	5.5	4.2
Franchise fees	2.6	1.8	2.6	1.8
Management fee – controlled entities	-	-	24.9	20.0
Bad debts recovered	1.4	1.0	0.7	0.8
ATM branding royalties	4.8	2.1	4.8	2.1
Foreign exchange income – customer based	4.8	4.2	4.8	4.2
Income from outside operating activities				
Profit on sale of property, plant and equipment	2.3	0.9	0.3	0.9
Other income (2)	20.3	5.4	18.0	5.8
Share of fee revenue paid to Owner Managed Branches (3)	(9.9)	(9.7)	(9.9)	(9.7)
Total other revenue from ordinary activities	149.5	137.1	194.7	208.1
Individually significant item				
Profit from sale of credit card portfolio (4)	-	41.6	-	41.6
Other operating income	149.5	178.7	194.7	249.7
Total operating income	570.6	500.0	484.5	483.6

(1) At a consolidated level represents securitisation income from the Bank's leasing trusts which are not consolidated.
(2) Includes the gain on the Visa Initial Public Offering of $6.3m after tax.
(3) Represents the share of fees paid to Owner Managed Branches.
(4) In the prior year, the Bank sold its Credit Card portfolio to Citigroup Pty Limited on 4 June 2007 realising an after tax profit of $29.1m.

	Consolidated		Bank	
	2008 $m	2007 $m	2008 $m	2007 $m
5. Expenses				
Operating expenses				
Advertising	12.5	11.3	11.8	11.3
Commissions to Owner Managed Branches	10.2	10.0	10.2	10.0
Communications and postage	13.9	10.4	12.4	10.2
Printing and stationery	4.7	4.4	4.5	4.4
Non-lending losses	8.6	3.1	5.2	3.1
Amounts set aside to provision for credit card rewards	-	4.7	-	4.7
Processing costs	32.9	31.7	29.1	31.3
Amortisation – securitisation setup costs	1.7	1.6	0.8	1.2
Other operating expenses	10.0	10.0	12.6	9.1
	94.5	87.2	86.6	85.3
Administrative expenses				
Professional fees	6.3	7.0	5.8	6.5
Directors' fees	1.0	0.8	1.0	0.8
Other	4.5	3.5	3.9	3.4
	11.8	11.3	10.7	10.7
Computer costs				
Data processing	46.8	42.9	45.5	42.8
Amortisation – computer software (intangible)	14.2	13.6	13.9	13.6
Amortisation – technology infrastructure (intangible)	1.5	2.2	1.5	2.2
Depreciation – IT equipment	2.0	2.2	1.5	1.9
	64.5	60.9	62.4	60.5
Occupancy expenses				
Lease rental	16.3	13.6	13.7	13.1
Depreciation of plant, furniture, equipment and leaseholdimprovements	3.9	3.0	3.1	2.9
Other	1.6	1.6	1.5	1.5
	21.8	18.2	18.3	17.5
Employee expenses				
Salaries and wages	96.6	85.1	84.3	81.3
Superannuation contributions	10.7	9.1	9.6	8.9
Fringe benefits tax	1.5	1.1	1.1	1.1
Amounts set aside to provision for employee entitlements	3.1	0.8	2.2	0.8
Payroll tax	5.2	4.5	4.4	4.3
Equity settled transactions	5.2	6.9	5.2	6.9
Other	5.2	2.9	4.8	2.8
	127.5	110.4	111.6	106.1
Other				
Amortisation – acquired intangibles (1)	26.7	2.7	1.0	1.0
Pioneer integration costs (2)	0.3	4.0	0.3	4.0
Home integration costs (3)	13.6	-	3.5	-
	40.6	6.7	4.8	5.0
Expenses	360.7	294.7	294.4	285.1

(1) Increase from prior period relates to the amortisation of acquired intangibles recognised upon acquisition of Home Building Society Ltd on 18 December 2007.

(2) Relates to non-recurring integration costs associated with the acquisition of Pioneer Permanent Building Society Limited.

(3) Relates to non-recurring integration costs associated with the acquisition of Home Building Society Ltd.

	Consolidated		Bank	
	2008 $m	2007 $m	**2008 $m**	2007 $m
6. Income tax expense				
Recognised in the Income Statement				
Current tax expense				
Current year	38.2	46.0	39.1	55.0
Adjustments for prior years	(1.9)	(52.7)	(1.6)	(2.9)
	36.3	(6.7)	37.5	52.1
Deferred tax expense				
Origination and reversal of temporary differences	19.8	61.3	15.4	4.9
	19.8	61.3	15.4	4.9
Total income tax expense in Income Statement	56.1	54.6	52.9	57.0
Attributable to:				
Continuing Operations	56.1	54.6	52.9	57.0
Deferred tax recognised in equity				
Equity raising costs	(1.9)	-	(1.9)	-
Cash flow hedge reserve	(14.5)	(5.2)	(14.3)	(5.2)
Other	(1.2)	(0.2)	(0.8)	(0.8)
	(17.6)	(5.4)	(17.0)	(6.0)
Numerical reconciliations between tax expense and pre-tax profit				
Profit before tax - continuing operations	182.9	184.4	169.8	180.2
Profit before tax	182.9	184.4	169.8	180.2
Income tax using the domestic corporate tax rate of 30% (2007: 30%)	54.9	55.3	50.9	54.1
Increase in income tax expense due to:				
Non-deductible expenses	3.7	4.1	3.2	4.1
Decrease in income tax expense due to:				
Research and development expenses	(0.5)	-	(0.5)	-
Tax exempt revenues	(2.3)	(2.4)	-	(0.5)
	55.8	57.0	53.6	57.7
Over provided in prior years	0.3	(2.4)	(0.7)	(0.7)
Income tax expense on pre-tax net profit	56.1	54.6	52.9	57.0

	Bank					
	2008			2007		
	Cents per share	$m	Percentage franked %	Cents per share	$m	Percentage franked %
7. Dividends						
Ordinary shares						
Final 2007 dividend paid 26 November 2007 (2007: 27 November 2006)	37	42.5	100%	30	32.8	100%
Interim 2008 dividend paid 16 May 2008 (2007: 10 May 2007)	35	51.3	100%	32	35.9	100%
		93.8			68.7	
Preference shares recognised as liabilities						
RePS half-yearly dividend paid 15 October 2007 (2007: 16 October 2006)	257	1.2	100%	257	1.2	100%
S1RPS half-yearly dividend paid 22 October 2007 (2007: 20 October 2006)	261	1.7	100%	261	1.7	100%
RePS half-yearly dividend paid 15 April 2008 (2007: 16 April 2007)	257	1.2	100%	255	1.2	100%
S1RPS half-yearly dividend paid 21 April 2008 (2007: 20 April 2007)	261	1.7	100%	259	1.7	100%
		5.8			5.8	
Preference shares not recognised as liabilities						
Half-yearly PEPS dividend paid on 15 April 2008 (2007: nil)	216	4.3	100%	-	-	-

All the franked dividends paid or declared by the Bank since the end of the previous financial year were franked at the prevailing tax rate of 30%.

Since the end of the financial year, the Directors have declared the following dividends:	Cents per share	$m	Percentage franked %	Date of payment
- RePS half-yearly dividend (BOQPA)	257	1.2	100%	15 October 2008
- S1RPS half-yearly dividend (BOQPB)	261	1.7	100%	20 October 2008
- PEPs (BOQPC)	353	7.1	100%	15 October 2008
- Final - ordinary shares (BOQ)	38	57.0	100%	24 November 2008

	Bank	
	2008 $m	2007 $m
Dividend franking account		
30% franking credits available to shareholders of the Bank for subsequent financial years	25.1	26.4

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking debits that will arise from the refund of the amount of the current tax assets;

(b) franking debits that will arise from the payment of dividends subsequent to year-end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the year end; and

(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

	Consolidated 2008 cents	Consolidated 2007 cents
8. Earnings per share		
Basic earnings per share	88.8c	117.0c
Diluted earnings per share	84.6c	112.7c

	2008 $m	2007 $m
Earnings reconciliation		
Net profit	126.8	129.8
Less other equity instrument dividends	(4.3)	-
Basic earnings	122.5	129.8
Effect of distributions on convertable preference shares	10.2	5.9
Diluted earnings	132.7	135.7

Weighted average number of shares used as the denominator	Consolidated 2008 Number	Consolidated 2007 Number
Number for basic earnings per share		
Ordinary shares	137,872,200	110,944,471
Number for diluted earnings per share		
Ordinary shares	137,872,200	110,944,471
Effect of SMOP (1)	840,452	2,003,932
Effect of Managing Director options (2)	251,244	317,484
Effects of converting preference shares	17,860,112	7,096,040
	156,824,008	120,361,927

(1) *During the year 2,824,736 (2007: 3,051,514) options were converted into ordinary shares under the Senior Management Option Plan. The diluted EPS calculation includes that portion of these options assumed to be issued for nil consideration weighted with reference to the date of conversion. The weighted average number included is 260,199 (2007: 448,723).*

(2) *During the year 500,000 (2007: 500,000) options were converted into ordinary shares under the Managing Director Option Plan. The diluted EPS calculation includes that portion of these options assumed to be issued for nil consideration weighted with reference to the date of conversion. The weighted average number included is 166,978 (2007: 45,358).*

	Consolidated 2008 $m	Consolidated 2007 $m	Bank 2008 $m	Bank 2007 $m
9. Cash and liquid assets				
Notes, coin and cash at bank	334.0	447.7	177.4	197.3
Bills receivable and remittances in transit	65.5	31.4	65.5	31.5
	399.5	479.1	242.9	228.8
10. Due from other financial institutions				
Term deposits	66.3	46.8	133.0	93.9
	66.3	46.8	133.0	93.9

	Consolidated		Bank	
	2008 $m	2007 $m	2008 $m	2007 $m
11. Other financial assets				
At fair value through income statement				
Floating rates notes and bonds	435.6	833.4	435.6	833.4
Negotiable certificates of deposit	1,522.5	257.7	1,522.5	224.5
Deposits at call	152.4	110.8	217.4	63.1
Bank accepted bills	593.1	195.6	323.9	183.2
Promissory notes	139.7	73.9	139.7	73.9
	2,843.3	1,471.4	2,639.1	1,378.1
Investment securities available for sale				
Debt instruments	401.0	132.5	531.5	132.5
Unlisted equity instruments	19.6	3.0	10.0	3.0
	420.6	135.5	541.5	135.5
Total other financial assets	3,263.9	1,606.9	3,180.6	1,513.6
12. Loans and advances at amortised cost				
Residential property loans - secured by mortgages (1)	12,441.5	8,591.5	10,487.4	8,344.0
Securitised residential property loans - secured by mortgages (1)	5,960.4	4,218.8	5,589.5	4,218.8
Personal loans (1)	457.4	336.6	380.6	320.7
Credit Cards	0.1	0.4	0.1	0.4
Overdrafts	481.8	328.3	461.7	328.3
Commercial loans (1)	3,956.8	3,135.5	3,768.9	3,091.7
Leasing finance	2,262.9	1,167.6	2.9	17.0
Gross loans and advances at amortised cost	25,560.9	17,778.7	20,691.1	16,320.9
Less:				
Unearned lease finance income	(279.7)	(164.0)	(0.1)	(0.7)
Collective provision for impairment	(15.7)	(7.7)	(9.8)	(6.6)
Specific provisions for impairment	(18.7)	(6.2)	(11.7)	(4.6)
Total loans and advances at amortised cost	25,246.8	17,600.8	20,669.5	16,309.0

(1) On 18 December 2007, the Bank acquired Home Building Society Ltd which resulted in the following increase of gross loans on acquisition date totalling $2,669.2m (refer Note 34):
- *Residential property loans - $1,283.4m;*
- *Securitised residential property loans - $355.0m;*
- *Personal loans - $334.0m; and*
- *Commercial loans - $696.8m.*

12. Loans and advances at amortised cost (continued)

	Consolidated		Bank	
	2008 $m	2007 $m	**2008 $m**	2007 $m
Product concentration of credit risk for loans and advances at amortised cost (net of specific provisions and unearned income):				
Residential	18,400.3	12,809.6	16,075.2	12,562.1
Consumer	455.7	335.4	379.2	319.6
Commercial	4,427.1	3,461.5	4,222.2	3,417.8
Leases	1,979.4	1,002.0	2.7	16.1
Total before collective provision	25,262.5	17,608.5	20,679.3	16,315.6
Geographical concentration of credit risk for loans and advances at amortised cost (before provisions and unearned income):				
Queensland	16,707.4	13,904.4	16,013.1	13,226.9
New South Wales	2,869.3	1,971.2	2,445.9	1,687.5
Victoria	2,306.0	1,343.8	1,679.1	1,127.6
Northern Territory	59.7	36.1	54.2	36.1
Australian Capital Territory	279.3	201.3	159.0	116.4
Western Australia	3,081.2	195.9	272.7	118.8
South Australia	110.9	31.9	27.7	7.6
Tasmania	45.4	-	39.4	-
International (New Zealand)	101.7	94.1	-	-
	25,560.9	17,778.7	20,691.1	16,320.9

Securitisation of leases

The Bank has entered into a securitisation program via the REDS EHP Trusts ("REDS EHP program") whereby the Bank securitises chattel, hire purchase and finance leases.

Where the residual income units of the REDS EHP Trusts are held by external investors, these Trusts are not recognised on the balance sheet of the Bank as the original sale of these assets meet the de-recognition criteria set out in AASB 139 *Financial Instruments: Recognition and Measurement*. The assets of these Trusts are not consolidated under AASB 127 *Consolidated and Separate Financial Statements* as the Consolidated Entity does not meet the conditions associated with control of an entity. In the current year, Series 2008-1E EHP REDS Trust is recognised on the balance sheet as the residual income unit is not held by external investors.

The securities issued by the REDS EHP program do not represent deposits or other liabilities of Bank of Queensland Limited or any other member of the Bank of Queensland group. Neither Bank of Queensland Limited nor any other member of the Bank of Queensland group in any way stands behind the capital value or performance of the REDS EHP program. The Bank does however provide the REDS EHP program with arm's length services and facilities including the management and servicing of the leases securitised. As at 31 August 2008, off balance sheet securitised leases under management amounted to $1,006.3m (2007: $1,616.0m).

The Bank has no right to repurchase any of the securitised leases and no obligation to do so, other than in certain circumstances where there is a breach of warranty within 120 days of the sale or when certain criteria are met under the Clean up Provision per the Trust Deed Supplement.

	Consolidated		Bank	
	2008 $m	2007 $m	2008 $m	2007 $m
13. Provisions for impairment				
Specific provision:				
Balance at the beginning of the year	6.2	5.7	4.6	3.6
Add: Expensed during the year	24.3	19.1	17.1	16.6
Add: Acquired during the year (1)	3.2	0.2	-	-
Less: Amounts written off against specific provision	(15.0)	(18.0)	(10.0)	(14.8)
Less: Release on sale of credit card portfolio (2)	-	(0.8)	-	(0.8)
Balance at the end of the year	18.7	6.2	11.7	4.6
Collective provision:				
Balance at the beginning of the year	7.7	8.1	6.6	7.9
Add: Expensed during the year	2.7	1.8	3.2	1.7
Add: Acquired during the year (1)	5.3	0.8	-	-
Less: Release on sale of credit card portfolio (2)	-	(3.0)	-	(3.0)
Balance at the end of the year	15.7	7.7	9.8	6.6
Total provisions for impairment	34.4	13.9	21.5	11.2

(1) Provisions acquired in the current year relates to the acquisition of Home Building Society Ltd on 18 December 2007 and the prior year relates to the acquisition of Pioneer Permanent Building Society Limited on 5 December 2006.

(2) In the prior year, the Bank sold its credit card portfolio to Citigroup Pty Limited on 4 June 2007. The release of the provisions is included in the pre-tax gain of $41.6m.

14. Property, plant and equipment

2008	Land	Buildings	Leasehold improvements	Plant, furniture and equipment	IT equipment	Capital works in progress	Total
	$m	$m	$m	$m	$m	$m	$m
Consolidated							
Cost							
Balance at the beginning of the financial year	1.1	1.3	11.6	22.6	31.5	0.8	68.9
Acquired during the year [1]	-	-	1.8	3.4	1.7	-	6.9
Additions	-	0.1	2.9	6.2	1.0	1.1	11.3
Disposals	(1.3)	(1.4)	(0.5)	(4.4)	(5.5)	-	(13.1)
Transfers between categories	0.2	-	0.6	-	-	(0.8)	-
Balance at the end of the financial year	-	-	16.4	27.8	28.7	1.1	74.0
Depreciation							
Balance at the beginning of the financial year	-	-	5.4	16.4	27.4	-	49.2
Depreciation charge for the year	-	-	2.3	1.6	2.0	-	5.9
Disposals	-	-	(0.3)	(1.7)	(4.5)	-	(6.5)
Balance at the end of the financial year	-	-	7.4	16.3	24.9	-	48.6
Carrying amounts							
Carrying amount at the beginning of the financial year	1.1	1.3	6.2	6.2	4.1	0.8	19.7
Carrying amount at the end of the financial year	-	-	9.0	11.5	3.8	1.1	25.4
Bank							
Cost							
Balance at the beginning of the financial year	-	-	11.6	22.0	29.8	0.8	64.2
Transferred in from subsidiary	-	-	-	0.6	1.6	-	2.2
Additions	-	0.1	2.9	2.0	0.8	1.1	6.9
Disposals	(0.2)	(0.1)	(0.5)	(1.7)	(4.4)	-	(6.9)
Transfers between categories	0.2	-	0.6	-	-	(0.8)	-
Balance at the end of the financial year	-	-	14.6	22.9	27.8	1.1	66.4
Depreciation							
Balance at the beginning of the financial year	-	-	5.4	16.0	26.2	-	47.6
Transferred in from subsidiary	-	-	-	0.4	1.3	-	1.7
Depreciation charge for the year	-	-	2.1	1.0	1.5	-	4.6
Disposals	-	-	(0.3)	(1.3)	(4.2)	-	(5.8)
Balance at the end of the financial year	-	-	7.2	16.1	24.8	-	48.1
Carrying amounts							
Carrying amount at the beginning of the financial year	-	-	6.2	6.0	3.6	0.8	16.6
Carrying amount at the end of the financial year	-	-	7.4	6.8	3.0	1.1	18.3

(1) The increase in property, plant and equipment is due to the acquisition of Home Building Society Ltd on 18 December 2007.

14. Property, plant and equipment (continued)

2007	Land $m	Buildings $m	Leasehold improvements $m	Plant, furniture and equipment $m	IT equipment $m	Capital works in progress $m	Total $m
Consolidated							
Cost							
Balance at the beginning of the financial year	-	-	11.9	24.7	31.6	0.1	68.3
Acquired during the year (1)	1.1	1.3	0.5	2.2	2.7	-	7.8
Additions	-	-	1.8	1.0	1.1	0.8	4.7
Disposals	-	-	(2.6)	(5.3)	(3.9)	-	(11.8)
Transfers between categories	-	-	-	-	0.1	(0.1)	-
Write-off associated with sale of credit card portfolio (2)	-	-	-	-	(0.1)	-	(0.1)
Balance at the end of the financial year	1.1	1.3	11.6	22.6	31.5	0.8	68.9
Depreciation							
Balance at the beginning of the financial year	-	-	4.6	18.0	26.1	-	48.7
Acquired during the year (1)	-	-	0.3	1.5	1.9	-	3.7
Depreciation charge for the year	-	-	1.8	1.2	2.2	-	5.2
Disposals	-	-	(1.3)	(4.3)	(2.7)	-	(8.3)
Write-off associated with sale of credit card portfolio (2)	-	-	-	-	(0.1)	-	(0.1)
Balance at the end of the financial year	-	-	5.4	16.4	27.4	-	49.2
Carrying amounts							
Carrying amount at the beginning of the financial year	-	-	7.3	6.7	5.5	0.1	19.6
Carrying amount at the end of the financial year	1.1	1.3	6.2	6.2	4.1	0.8	19.7
Bank							
Cost							
Balance at the beginning of the financial year	-	-	11.9	24.7	31.6	0.1	68.3
Additions	-	-	1.8	1.0	1.0	0.8	4.6
Disposals	-	-	(2.1)	(3.7)	(2.8)	-	(8.6)
Transfers between categories	-	-	-	-	0.1	(0.1)	-
Write-off associated with sale of credit card portfolio (2)	-	-	-	-	(0.1)	-	(0.1)
Balance at the end of the financial year	-	-	11.6	22.0	29.8	0.8	64.2
Depreciation							
Balance at the beginning of the financial year	-	-	4.6	18.0	26.1	-	48.7
Depreciation charge for the year	-	-	1.8	1.1	1.9	-	4.8
Disposals	-	-	(1.0)	(3.1)	(1.7)	-	(5.8)
Write-off associated with sale of credit card portfolio (2)	-	-	-	-	(0.1)	-	(0.1)
Balance at the end of the financial year	-	-	5.4	16.0	26.2	-	47.6
Carrying amounts							
Carrying amount at the beginning of the financial year	-	-	7.3	6.7	5.5	0.1	19.6
Carrying amount at the end of the financial year	-	-	6.2	6.0	3.6	0.8	16.6

(1) The increase in property, plant and equipment is due to the acquisition of Pioneer Permanent Building Society Limited on 5 December 2006.

(2) The Bank sold its Credit Card portfolio to Citigroup Pty Limited on 4 June 2007 and all related credit card assets were written-off. These write-offs are included in the pre-tax gain of $41.6m.

15. Deferred tax assets and liabilities

Recognised tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2008 $m	2007 $m	2008 $m	2007 $m	2008 $m	2007 $m
Consolidated						
Accruals	1.0	2.7	-	-	1.0	2.7
Capitalised expenditure	-	-	(24.4)	(14.4)	(24.4)	(14.4)
Intangibles	6.0	-	(7.5)	(2.5)	(1.5)	(2.5)
Other investments	6.1	1.9	(3.4)	-	2.7	1.9
Leasing	6.9	8.0	-	-	6.9	8.0
Property, plant, equipment and software	-	0.4	(16.4)	(15.5)	(16.4)	(15.1)
Provision for impairment	9.1	4.2	-	-	9.1	4.2
Provisions other	9.1	6.3	-	-	9.1	6.3
Receivables	-	-	(4.3)	(1.6)	(4.3)	(1.6)
Unrealised trading gains	-	-	(6.2)	(0.7)	(6.2)	(0.7)
Unrealised trading losses	4.5	5.6	-	-	4.5	5.6
Equity reserves	8.1	-	-	(6.0)	8.1	(6.0)
Tax assets / (liabilities)	50.8	29.1	(62.2)	(40.7)	(11.4)	(11.6)
Bank						
Accruals	1.0	2.7	-	-	1.0	2.7
Capitalised expenditure	-	-	(20.1)	(11.9)	(20.1)	(11.9)
Intangibles	-	-	(0.7)	(1.0)	(0.7)	(1.0)
Other investments	2.7	1.6	-	-	2.7	1.6
Leasing	-	-	-	-	-	-
Property, plant, equipment and software	-	-	(16.5)	(15.5)	(16.5)	(15.5)
Provision for impairment	6.5	3.4	-	-	6.5	3.4
Provisions other	7.0	6.3	-	-	7.0	6.3
Receivables	-	-	(4.3)	(1.6)	(4.3)	(1.6)
Unrealised trading gains	-	-	(6.2)	(0.7)	(6.2)	(0.7)
Unrealised trading losses	4.5	3.7	-	-	4.5	3.7
Equity reserves	7.6	-	-	(6.5)	7.6	(6.5)
Tax assets / (liabilities)	29.3	17.7	(47.8)	(37.2)	(18.5)	(19.5)

16. Other assets

	Consolidated		Bank	
	2008 $m	2007 $m	2008 $m	2007 $m
Accrued interest	56.4	40.0	56.0	39.5
Other debtors and prepayments	84.9	80.5	123.9	96.1
	141.3	120.5	179.9	135.6

17. Intangible assets

	Consolidated				
	Goodwill and other identifiable intangibles [1] $m	Customer contracts [1] $m	Computer software $m	Technology infrastructure $m	Total $m
2008					
Cost					
Balance at the beginning of the financial year	45.0	12.0	131.9	18.0	206.9
Acquisitions through business combinations [1]	465.1	-	0.5	-	465.6
Other acquisitions	-	-	20.2	-	20.2
Disposals	-	-	(0.8)	-	(0.8)
Balance at the end of the financial year	510.1	12.0	151.8	18.0	691.9
Amortisation and impairment losses					
Balance at the beginning of the financial year	-	3.4	67.1	8.2	78.7
Amortisation for the year	23.7 [2]	3.0	14.2	1.5	42.4
Disposals	-	-	(0.8)	-	(0.8)
Balance at the end of the financial year	23.7	6.4	80.5	9.7	120.3
Carrying amounts					
Carrying amount at the beginning of the financial year	45.0	8.6	64.8	9.8	128.2
Carrying amount at the end of the financial year	486.4	5.6	71.3	8.3	571.6

(1) The increase in "Goodwill and other Identifiable assets" is due to the provisional accounting applied to the acquisition of Home Building Society Ltd on 18 December 2007. Refer Note 34 (b).

(2) Relates to provisionally accounting for amortisation of identifiable intangibles not yet separated from goodwill. Refer Note 34 (b).

	Consolidated				
	Goodwill and other identifiable intangibles [1] $m	Customer contracts [1] $m	Computer software $m	Technology infrastructure $m	Total $m
2007					
Cost					
Balance at the beginning of the financial year	21.0	5.0	120.2	28.6	174.8
Acquisitions through business combinations	24.0	7.0	-	-	31.0
Other acquisitions	-	-	13.4	-	13.4
Write-off associated with sale of credit card portfolio [2]	-	-	(1.7)	(10.6)	(12.3)
Balance at the end of the financial year	45.0	12.0	131.9	18.0	206.9
Amortisation and impairment losses					
Balance at the beginning of the financial year	-	0.7	54.2	10.2	65.1
Amortisation for the year	-	2.7	13.6	2.2	18.5
Write-off associated with sale of credit card portfolio [2]	-	-	(0.7)	(4.2)	(4.9)
Balance at the end of the financial year	-	3.4	67.1	8.2	78.7
Carrying amounts					
Carrying amount at the beginning of the financial year	21.0	4.3	66.0	18.4	109.7
Carrying amount at the end of the financial year	45.0	8.6	64.8	9.8	128.2

(1) The increase in goodwill and customer contracts is due to the acquisition of Pioneer Permanent Building Society Limited on 5 December 2006. Refer Note 34.

(2) The Bank sold its Credit Card portfolio to Citigroup Pty Limited on 4 June 2007 and all related credit card software and technology assets were written-off. These write-offs are included in the pre-tax gain of $41.6m.

	Bank				
	Goodwill	Customer contracts	Computer software	Technology infrastructure	Total
	$m	$m	$m	$m	$m
	8.1	5.0	131.9	18.0	163.0
	-	-	-	-	-
	-	-	20.2	-	20.2
	-	-	(0.7)	-	(0.7)
	8.1	5.0	151.4	18.0	182.5
	-	1.7	67.1	8.2	77.0
	-	1.0	13.9	1.5	16.4
	-	-	(0.7)	-	(0.7)
	-	2.7	80.3	9.7	92.7
	8.1	3.3	64.8	9.8	86.0
	8.1	2.3	71.1	8.3	89.8

	Bank				
	Goodwill	Customer contracts	Computer software	Technology infrastructure	Total
	$m	$m	$m	$m	$m
	8.1	5.0	120.2	28.6	161.9
	-	-	-	-	-
	-	-	13.4	-	13.4
	-	-	(1.7)	(10.6)	(12.3)
	8.1	5.0	131.9	18.0	163.0
	-	0.7	54.2	10.2	65.1
	-	1.0	13.6	2.2	16.8
	-	-	(0.7)	(4.2)	(4.9)
	-	1.7	67.1	8.2	77.0
	8.1	4.3	66.0	18.4	96.8
	8.1	3.3	64.8	9.8	86.0

17. Intangible assets (continued)

Impairment testing of the cash generating unit containing goodwill

The aggregate carrying amounts of goodwill and other identifiable intangible assets are:

	Consolidated		Bank	
	2008 $m	2007 $m	**2008 $m**	2007 $m
BOQ Equipment Finance Limited	12.9	12.9	-	-
Orix debtor finance division	8.1	8.1	8.1	8.1
Pioneer Permanent Building Society Limited	24.0	24.0	-	-
Home Building Society Ltd	441.4	-	-	-
	486.4	45.0	8.1	8.1

The cash generating unit ("CGU") to which all goodwill has been allocated is the Consolidated Entity's primary segment, retail banking.

The impairment test for goodwill is performed by comparing the CGU's carrying amount with its recoverable amount. The recoverable amount is based on the CGU's value in use.

Value in use was determined by discounting the future cash flows generated from the continued use of the CGU and was based on the following assumptions:

- cash flows based on the Consolidated Entity's 5 year projections;
- a medium term growth rate of 10% for the 5 years subsequent to these projections;
- a terminal value at year 10 based on a long term growth rate of 3% and a terminal price earnings multiple of 12.5 times earnings; and
- a pre tax discount rate of 15.7%.

The values assigned to the key assumptions represent management's assessments of future trends in retail banking and are based on both external sources and internet sources.

	Consolidated		Bank	
	2008 $m	2007 $m	**2008 $m**	2007 $m
18. Due to other financial institutions				
Amounts payable – at call	135.6	121.5	135.6	121.5
19. Deposits				
Deposits at call [(1)]	8,039.9	6,148.4	6,614.3	6,010.5
Term deposits [(1)]	7,308.5	3,740.9	6,563.8	3,482.0
Certificates of deposit	4,688.1	2,831.0	4,742.0	2,838.6
Total	20,036.5	12,720.3	17,920.1	12,331.1
Concentration of deposits:				
Retail deposits	13,984.5	9,160.9	11,849.3	8,764.1
Wholesale deposits	6,052.0	3,559.4	6,070.8	3,567.0
Total	20,036.5	12,720.3	17,920.1	12,331.1

Deposits are well-diversified across industries and regions. All deposits are sourced in Australia.

(1) On 18 December 2007, the Bank acquired Home Building Society Ltd which resulted in an increase of $781.3m of call deposits and $1,722.2m of term deposits as at acquisition date. Refer Note 34.

	Consolidated		Bank	
	2008 $m	2007 $m	2008 $m	2007 $m
20. Provisions				
Employee benefits	13.2	9.2	11.0	8.8
Directors' retiring allowance (1)	0.4	1.0	0.4	1.0
Surplus lease space	1.3	0.1	0.1	0.1
Restructuring (2)	-	1.6	-	1.6
Other	2.1	0.8	1.3	0.8
Total	17.0	12.7	12.8	12.3

(1) The Directors' retiring allowance has been frozen as at 31 August 2003 and will only be increased in line with CPI movements.
(2) Provision relates to integration costs associated with the acquisition of Pioneer Permanent Building Society Limited in the prior year.

Movements in provisions

Movements in each class of provision during the year, other than employee benefits, are as follows:

	Consolidated			Bank	
	Surplus lease space $m	Restructuring (1) $m	Other $m	Surplus lease space $m	Other $m
2008					
Carrying amount at beginning of year	0.1	1.6	0.8	0.1	0.8
Additional provision recognised	0.1	0.4	0.5	0.1	0.5
Acquired during the period (2)	1.2	-	0.8	-	-
Payments made	(0.1)	(2.0)	-	(0.1)	-
Carrying amount at end of year	1.3	-	2.1	0.1	1.3

Consolidated and Bank – 2007	Credit card reward scheme $m	Surplus lease space $m	Restructuring (1) $m	Other $m
Carrying amount at beginning of year	6.0	0.4	-	0.2
Additional / (release) provision recognised	4.7	(0.3)	4.0	0.8
Acquired during the period (2)	-	0.2	-	-
Payments made	(4.1)	(0.2)	(2.4)	(0.2)
Release on sale of credit card portfolio (3)	(6.6)	-	-	-
Carrying amount at end of year	-	0.1	1.6	0.8

(1) Provision relates to integration costs associated with the acquisition of Pioneer Permanent Building Society Limited.
(2) Provision acquired during the current year relates to the acquisition of Home Building Society Ltd on 18 December 2007 and the prior year relates to the acquisition of the Pioneer Permanent Building Society Limited on 5 December 2006.
(3) Released on the sale of the credit card portfolio. This release is included in the pre-tax gain on sale of $41.6m.

21. Borrowings including subordinated notes

The Consolidated Entity recorded the following movements on borrowings including subordinated notes:

	Securitisation liabilities (1) $m	EMTN Program $m	ECP Program $m	Borrowings including subordinated notes $m	Preference shares $m	Total $m
Year ended 31 August 2008						
Balance at beginning of year	4,375.8	853.1	398.4	265.0	111.9	6,004.2
Recognised on acquisition of Home	365.0	-	-	46.0	-	411.0
Proceeds from issues	2,763.0	-	2,588.9	169.7	-	5,521.6
Repayments	(1,522.3)	(331.1)	(2,479.9)	(55.0)	-	(4,388.3)
Deferred establishment costs	(7.3)	-	-	-	-	(7.3)
Amortisation of deferred costs	2.9	-	-	-	-	2.9
Foreign exchange translation	41.6	(57.6)	51.4	-	-	35.4
Balance at end of the year	6,018.7	464.4	558.8	425.7	111.9	7,579.5
Year ended 31 August 2007						
Balance at beginning of year	3,256.5	787.7	317.3	345.0	111.9	4,818.4
Recognised on acquisition of Pioneer	-	-	-	16.6	-	16.6
Proceeds from issues	2,401.2	511.3	1,386.5	-	-	4,299.0
Repayments	(1,278.5)	(384.7)	(1,304.0)	(96.6)	-	(3,063.8)
Deferred establishment costs	(5.8)	-	-	-	-	(5.8)
Amortisation of deferred costs	2.0	-	-	-	-	2.0
Foreign exchange translation	0.4	(61.2)	(1.4)	-	-	(62.2)
Balance at end of the year	4,375.8	853.1	398.4	265.0	111.9	6,004.2

(1) Securitisation liabilities are secured by a floating charge over securitised assets for amounts owing to noteholders and any other secured creditors of the securitisation vehicles.

The Bank recorded the following movements on borrowings including subordinated notes:

	EMTN Program	ECP Program $m	Borrowings including subordinated notes $m	Preference shares $m	Total $m
Year ended 31 August 2008					
Balance at beginning of year	853.1	398.4	265.0	111.9	1,628.4
Proceeds from issues	-	2,588.9	169.0	-	2,757.9
Repayments	(331.1)	(2,479.9)	(55.0)	-	(2,866.0)
Foreign exchange translation	(57.6)	51.4	-	-	(6.2)
Balance at end of the year	464.4	558.8	379.0	111.9	1,514.1

21. Borrowings including subordinated notes (continued)

The Bank recorded the following movements on borrowings including subordinated notes:

	EMTN Program $m	ECP Program $m	Borrowings including subordinated notes $m	Preference shares $m	Total $m
Year ended 31 August 2007					
Balance at beginning of year	787.7	317.3	345.0	111.9	1,561.9
Proceeds from issues	511.3	1,386.5	-	-	1,897.8
Repayments	(384.7)	(1,304.0)	(80.0)	-	(1,768.7)
Foreign exchange translation	(61.2)	(1.4)	-	-	(62.6)
Balance at end of the year	853.1	398.4	265.0	111.9	1,628.4

	Note	Consolidated 2008 $m	Consolidated 2007 $m	Bank 2008 $m	Bank 2007 $m
22. Issued capital					
Issued and paid up capital					
Ordinary Shares, fully paid	(a)	1,243.7	615.7	1,243.7	615.7
Perpetual Equity Preference Shares, fully paid	(b)	195.7	-	195.7	-
Balance at end of year		1,439.4	615.7	1,439.4	615.7
(a) Ordinary shares					
Movements during the year					
Balance at the beginning of the year – 113,188,223 (2007: 106,469,145), fully paid		615.7	531.2	615.7	531.2
Dividend reinvestment plan – 2,572,109 shares (2007: 1,687,641)		41.1	26.7	41.1	26.7
Share Issuance – 3,258,880 shares (2007: nil)		52.7	-	52.7	-
Exercise of options – 3,324,736 shares (1) (2007: 3,551,514)		37.3	34.6	37.3	34.6
Home Acquisition – 27,603,771 shares (2007: nil) (2)		496.9	-	496.9	-
Pioneer Acquisition – nil shares (2007: 1,479,923)		-	23.2	-	23.2
Balance at the end of the year – 149,947,719 (2007: 113,188,223), fully paid		1,243.7	615.7	1,243.7	615.7

(1) Refer to Note 32 (c) for further information.
(2) Net of costs before tax of $4.4m.

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Bank, ordinary shareholders rank after RePS, S1RPS and PEPS shareholders and creditors and are fully entitled to any proceeds of liquidation.

	Consolidated		Bank	
	2008 $m	2007 $m	2008 $m	2007 $m
22. Issued capital (continued)				
(b) Perpetual Equity Preference Shares ("PEPS")				
Issue of PEPS – 2,000,000 (2007: nil) (1)	195.7	-	195.7	-
Balance at end of the year – 2,000,000 (2007: nil), fully paid	195.7	-	195.7	-

(1) Net of costs before tax of $5.9m.

Terms and conditions

The PEPS are fully paid, redeemable, perpetual, non-cumulative preference shares. Dividends are non-cumulative and payable semi-annually at the discretion of Directors and subject to certain conditions being met, such as sufficient distributable profit. BOQ is entitled to redeem, buy-back or cancel the preference shares on a call date (5 years from issue date) and each subsequent dividend payment date, subject to the prior written approval from APRA. BOQ is also entitled to redeem the preference shares on the occurrence of a regulatory event, tax event or a control event. The preference shareholders have no right to demand redemption of the preference shares but they are entitled to receive a liquidation amount being equal to the issue price plus all dividends due but unpaid. PEPS are subordinate to all creditors and depositors, holders of RePS, and rank equally with S1RPS and ahead of ordinary shareholders for return of capital on liquidation.

23. Reserves and retained profits

	Employee benefits reserve $m	General reserve for credit losses $m	Cashflow hedge reserve $m	Available for sale reserve $m	Total reserves $m	Retained profits $m
Consolidated						
2008						
Balance at beginning of year	16.1	57.5	12.4	1.6	87.6	151.0
Total recognised income and expense	-	-	(30.1)	(2.8)	(32.9)	126.8
Dividends to ordinary shareholders	-	-	-	-	-	(93.8)
Dividends to PEPS	-	-	-	-	-	(4.3)
Equity settled transactions	5.2	-	-	-	5.2	-
Transfers	-	0.4	-	-	0.4	(0.4)
Balance at end of year	21.3	57.9	(17.7)	(1.2)	60.3	179.3
2007						
Balance at beginning of year	9.2	49.8	1.2	0.8	61.0	97.6
Total recognised income and expense	-	-	11.2	0.8	12.0	129.8
Dividends to ordinary shareholders	-	-	-	-	-	(68.7)
Equity settled transactions	6.9	-	-	-	6.9	-
Transfers	-	7.7	-	-	7.7	(7.7)
Balance at end of year	16.1	57.5	12.4	1.6	87.6	151.0

23. Reserves and retained profits (continued)

	Employee benefits reserve	General reserve for credit losses	Cashflow hedge reserve	Available for sale reserve	Total reserves	Retained profits
	$m	$m	$m	$m	$m	$m
Bank						
2008						
Balance at beginning of year	16.1	49.2	13.8	1.6	80.7	140.3
Total recognised income and expense	-	-	(33.9)	(0.9)	(34.8)	116.9
Dividends to ordinary shareholders	-	-	-	-	-	(93.8)
Dividends to PEPS	-	-	-	-	-	(4.3)
Equity settled transactions	5.2	-	-	-	5.2	-
Transfers	-	(4.9)	-	-	(4.9)	4.9
Balance at end of year	21.3	44.3	(20.1)	0.7	46.2	164.0
2007						
Balance at beginning of year	9.2	43.2	1.2	0.8	54.4	91.8
Total recognised income and expense	-	-	12.6	0.8	13.4	123.2
Dividends to ordinary shareholders	-	-	-	-	-	(68.7)
Equity settled transactions	6.9	-	-	-	6.9	-
Transfers	-	6.0	-	-	6.0	(6.0)
Balance at end of year	16.1	49.2	13.8	1.6	80.7	140.3

24. Segment reporting

Business segments

The Consolidated Entity comprises one segment, this being the provision of retail banking services and products. This determination is based on the risks involved with the provision of these services and products and the Consolidated Entity's management reporting system.

Geographical segments

The Consolidated Entity's business segment operates principally in Australia, with the majority of customers being in Queensland, with the exception of leasing assets which are spread throughout Australia and New Zealand.

25. Risk management

The Bank adopts a "managed risk" approach to its banking and trading activities. As such, the articulation of a risk aware culture is prevalent throughout the Bank's credit, liquidity, market, operational risk and compliance policies and procedures. The Board has adopted policies in relation to the assessment, management and monitoring of these risks and ownership of the frameworks within which these risks are managed reside with the Group Executive, Group Risk.

Group Executive, Group Risk contributes towards the achievement of the Bank's corporate objectives through the operationalisation and progressive development of the group's risk management function. In particular, improvement of the risk management function is focussed in a number of areas:

1. the efficiency and effectiveness of the Bank's credit, liquidity, market, operational risk and compliance management process controls and policies to support improved competitive advantage, support growth and enable improved cost controls;
2. to provide management and the Board with risk reporting that contributes to the further development of sound corporate governance standards;
3. to maintain regulatory compliance in line with regulators' expectations;
4. to provide a sound basis from which the Bank can progress to the required compliance level under the Basel II accord; and
5. to contribute to BOQ achieving risk based performance management.

Group Risk is an independent function and is responsible for providing the framework, policies and procedures for managing credit, liquidity, market, operational risk and compliance throughout the Bank. Policies are set in line with the governing strategy and risk guidelines set by the Board.

25. Risk management (continued)

(a) Market risk

Market risk is the risk that movements in market rates and prices will result in profits or losses to the Bank.

(i) Interest rate risk management

The management of interest rate market risk is separated into balance sheet (non-traded) and traded market risk.

Balance sheet (non-traded) market risk

The operations of the Bank are subject to the risk of interest rate fluctuations as a result of mismatches in the timing of the repricing of interest rates on the Bank's assets and liabilities.

It is the principal objective of the Bank's asset/liability management process to maximise levels of net interest income whilst limiting the effects of volatile and unpredictable movements in interest rates. To achieve these objectives, the Bank uses derivative financial instruments, principally interest rate swaps, forward rate agreements and futures.

The current policy of the Bank is to eliminate market risk in the balance sheet where practical and to consciously establish specific positions within conservative limits for changes in value of the residual risk.

A 1% parallel shock in the yield curve is used to determine the potential adverse change in net interest income in the ensuing 12 month period. This is a standard risk quantification measure used by the Bank. A number of supplementary scenarios comprising variations in size and duration of interest rate moves together with changes in the balance sheet size and mix are also used to provide a range of net interest income outcomes.

The figures in the table below indicate the potential change in net interest income for an ensuing 12 month period. The change is expressed as a percentage and dollar impact of expected net interest earnings based on a 1% parallel adverse shock.

Consolidated and Bank	2008 %	2007 %	2008 $m	2007 $m
Exposure at the end of the year	0.43	1.88	2.1	6.7
Average monthly exposure during the year	1.02	2.73	4.9	9.7
High month exposure during the year	1.83	5.91	8.8	21.0
Low month exposure during the year	0.30	0.07	1.5	0.3

Traded market risk

Traded market risk is primarily measured and monitored using a value-at-risk ("VaR") analysis. VaR is a statistical technique that estimates the potential losses that could occur on risk positions taken due to movements in market rates and prices over a specified holding period and to a given level of confidence. The Bank uses a 1-day holding period and a 99% confidence level.

As VaR is a statistical measure and only attempts to cover losses to a 99% confidence level, the Bank supplements this analysis with stress testing. Stress testing attempts to adequately assess the risks inherent in its trading activities by applying appropriate scenario analyses.

The VaR for the Bank's trading portfolio for the year was as follows:

Trading VaR	2008 $m	2007 $m
Average	0.28	0.18
Maximum	0.52	0.47
Minimum	0.08	0.06

(ii) Foreign exchange risk

It is the Bank's policy not to carry material foreign exchange rate exposures. At balance date there are no material foreign exchange rate exposures.

The Bank uses cross currency swaps and foreign exchange forwards to hedge its exchange rate exposures arising from borrowing off-shore in foreign currencies. The Bank uses forward foreign exchange contracts to hedge potential exchange rate exposures created by customer-originated foreign currency transactions.

25. Risk management (continued)

(b) Credit risk

Credit risk arises in the business from lending activities, the provision of guarantees including letters of credit and commitments to lend, investment in bonds and notes, financial market transactions and other associated activities. Credit risk is the potential loss arising from the possibility that customers or counterparties fail to meet contractual payment obligations to the Bank as they fall due.

The Board of Directors has implemented a structured framework of systems and controls to monitor and manage credit risk comprising:

- documented credit risk management principles which are disseminated to all staff involved with the lending process;
- documented policies;
- a process for approving risk based on tiered delegated approval authorities, whereby the largest exposures are jointly assessed by the Managing Director and the Group Executive Group Risk;
- risk grading the Bank's commercial exposures for facilities greater than $100,000 based on items inclusive of financial performance and stability, organisational structure, industry segment and security support. Exposures within this segment of the portfolio are generally subject to annual review including reassessment of the assigned risk grade;
- an automated scorecard approval model for the Bank's retail portfolio inclusive of home loans, personal loans, lines of credit and credit cards. This model is supported by experienced Risk Assessment Managers; and
- a series of management reporting detailing industry concentrations, counterparty concentrations, loan grades and security strength ratings.

The Bank has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Consolidated Entity uses derivative financial instruments to hedge it's exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. In accordance with its treasury policy, the Consolidated Entity can hold derivative financial instruments for trading purposes. Credit risk on derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

The carrying amount of the Consolidated Entity's and Bank's financial assets represents the maximum credit exposure. The Bank's maximum exposure to credit risk at the reporting date was:

	Consolidated		Bank	
	2008 $m	2007 $m	**2008 $m**	2007 $m
Cash and liquid assets	399.5	479.1	242.9	228.8
Due from other financial institutions	66.3	46.8	133.0	93.9
Other financial assets	3,263.9	1,606.9	3,180.6	1,513.6
Derivative financial instruments	22.4	35.3	22.4	35.3
Loans and receivables at amortised cost	25,246.8	17,600.8	20,669.5	16,309.0
	28,998.9	19,768.9	24,248.4	18,180.6

Loans which are 90 or more days past due are not classified as impaired assets where the estimated net realisable value of the security is sufficient to cover the repayment of all principal and interest amounts due. No losses are anticipated from these loans as they are adequately secured, for housing products usually by residential mortgage, and are spread across a range of customer and product groups.

The Bank holds collateral against loans and advances to customers in the form of mortgage interest over property, other registered securities over assets and guarantees and mortgage insurance. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

The aging of the Consolidated Entity and the Bank's gross loans and receivables, collateral held for total loans and advances at amortised cost and impairment at the reporting date was:

25. Risk management (continued)

(b) Credit risk (continued)

		Past due but not impaired					
	Current $m	Less than 30 days $m	31 to 90 days $m	More than 90 days $m	Impaired $m	Total $m	Value of collateral held $m
Consolidated							
2008							
Loans and advances at amortised cost	24,205.8	564.9	287.1	157.4	31.6	25,246.8	51,741.2
2007							
Loans and advances at amortised cost	17,092.9	256.6	151.7	88.2	11.4	17,600.8	32,035.6
Bank							
2008							
Loans and advances at amortised cost	19,818.7	425.3	262.7	139.1	23.7	20,669.5	46,276.5
2007							
Loans and advances at amortised cost	15,836.3	236.6	143.1	86.0	7.0	16,309.0	30,081.7

	Consolidated		Bank	
	2008 $m	2007 $m	**2008 $m**	2007 $m
Income received on impaired assets for the year:				
Gross interest receivable	1.1	0.5	1.1	0.5
Less : Interest foregone	(1.1)	(0.5)	(1.1)	(0.5)
Interest taken to account	-	-	-	-

There is no item included in impaired assets which exceeds 5.0% of shareholders' equity (2007: nil)

(c) Liquidity risk

Liquidity risk arises from the possibility that the Bank is unable to meet its financial obligations as they fall due. Liquidity risk is managed through a series of detailed policies, including the management of cash flow mismatches, the maintenance of a stable, core retail deposits base, the diversification of the funding base and the retention of adequate levels of high quality liquid assets.

The Consolidated Entity manages liquidity risk by maintaining adequate reserves and facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

	Carrying amount $m	At Call $m	3 mths or less $m	3 to 12 mths $m	1 to 5 years $m	Over 5 years $m	Total contractual cash flows $m
Consolidated							
2008							
Financial liabilities							
Due to other financial institutions	135.6	135.6	-	-	-	-	135.6
Deposits	20,036.5	6,862.3	8,333.4	4,479.8	817.6	-	20,493.1
Derivative financial instruments (1)	19.7	-	21.9	-	-	-	21.9
Accounts payable and other liabilities	296.5	-	296.5	-	-	-	296.5
Securitisation liabilities (2)	6,018.7	-	576.3	3,215.9	2,517.2	630.7	6,940.1
Borrowings including subordinated notes	1,448.9	-	590.3	82.3	914.7	-	1,587.3
Preference shares	111.9	-	67.6	1.2	50.8	-	119.6
Total	28,067.8	6,997.9	9,886.0	7,779.2	4,300.3	630.7	29,594.1

(1) Derivative financial instruments other then those designated in a cashflow hedge reserve.
(2) Repayment of securitisation bonds is forecast based on the expected repayment profile of the underlying assets of the trusts.

25. Risk management (continued)

(c) Liquidity risk (continued)

	Carrying amount $m	At Call $m	3 mths or less $m	3 to 12 mths $m	1 to 5 years $m	Over 5 years $m	Total contractual cash flows $m
Consolidated							
2008							
Derivative financial instruments (hedging relationship)							
Contractual amounts payable	-	(1.0)	(696.0)	(430.0)	(1,154.0)	(4.0)	(2,285.0)
Contractual amounts receivable	-	1.0	670.0	469.0	1,121.0	4.0	2,265.0
	(3.0)	-	(26.0)	39.0	(33.0)	-	(20.0)
2007							
Financial liabilities							
Due to other financial institutions	121.5	121.5	-	-	-	-	121.5
Deposits	12,720.3	6,209.4	4,237.7	1,426.5	1,062.8	-	12,936.4
Derivative financial instruments (1)	58.1	-	58.4	-	-	-	58.4
Accounts payable and other liabilities	233.4	-	233.4	-	-	-	233.4
Securitisation liabilities (2)	4,375.8	-	387.5	1,664.7	2,267.3	534.1	4,853.6
Borrowings including subordinated notes	1,516.5	-	293.7	584.1	750.0	-	1,627.8
Preference shares	111.9	-	2.9	2.9	119.7	-	125.5
Total	19,137.5	6,330.9	5,213.6	3,678.2	4,199.8	534.1	19,956.6
Derivative financial instruments (hedging relationship)							
Contractual amounts payable	-	(1,373.0)	(102.3)	(280.1)	(833.0)	-	(2,588.4)
Contractual amounts receivable	-	1,352.2	106.4	299.4	829.7	-	2,587.7
	(28.3)	(20.8)	4.1	19.3	(3.3)	-	(0.7)
Bank							
2008							
Financial liabilities							
Due to other financial institutions	135.6	135.6	-	-	-	-	135.6
Deposits	17,920.1	6,149.4	7,186.5	3,974.6	814.2	-	18,124.7
Derivative financial instruments (1)	56.5	-	56.8	-	-	-	56.8
Accounts payable and other liabilities	222.9	-	222.9	-	-	-	222.9
Borrowings including subordinated notes	1,402.2	-	589.3	59.3	884.6	-	1,533.2
Preference shares	111.9	-	67.6	1.2	50.8	-	119.6
Amounts due to controlled entities	3,687.4	3,687.4	-	-	-	-	3,687.4
Total	23,536.6	9,972.4	8,123.1	4,035.1	1,749.6	-	23,880.2
Derivative financial instruments (hedging relationship)							
Contractual amounts payable	-	(1.0)	(696.0)	(430.0)	(1,154.0)	(4.0)	(2,285.0)
Contractual amounts receivable	-	1.0	670.0	469.0	1,121.0	4.0	2,265.0
	(39.7)	-	(26.0)	39.0	(33.0)	-	(20.0)

(1) Derivative financial instruments other then those designated in a cashflow hedge reserve.
(2) Repayment of securitisation bonds is forecast based on the expected repayment profile of the underlying assets of the trusts.

25. Risk management (continued)

(c) Liquidity risk (continued)

	Carrying amount $m	At Call $m	3 mths or less $m	3 to 12 mths $m	1 to 5 years $m	Over 5 years $m	Total contractual cash flows $m
Bank							
2007							
Financial liabilities							
Due to other financial institutions	121.5	121.5	-	-	-	-	121.5
Deposits	12,331.1	6,468.2	4,077.2	1,339.5	1,051.5	-	12,936.4
Derivative financial instruments (1)	61.1	-	61.4	-	-	-	61.4
Accounts payable and other liabilities	204.5	-	204.5	-	-	-	204.5
Borrowings including subordinated notes	1,516.5	-	293.7	584.1	750.0	-	1,627.8
Preference shares	111.9	-	2.9	2.9	119.7	-	125.5
Amounts due to controlled entities	3,263.1	3,263.1	-	-	-	-	3,263.1
Total	17,609.7	9,852.8	4,639.7	1,926.5	1,921.2	-	18,340.2
Derivative financial instruments (hedging relationship)							
Contractual amounts payable	-	(1,373.0)	(102.3)	(280.1)	(833.0)	-	(2,588.4)
Contractual amounts receivable	-	1,352.2	106.4	299.4	829.7	-	2,587.7
	(31.3)	(20.8)	4.1	19.3	(3.3)	-	(0.7)

(1) Derivative financial instruments other then those designated in a cashflow hedge reserve.

(d) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational risk is managed by the Bank through appropriate reporting lines, defined responsibilities, policies and procedures and an operational risk program which incorporates quarterly risk monitoring and reporting by each Business unit. Operational Risks and their mitigants are documented in the Business unit risk databases. These provide the basis for the business unit and Bank wide risk profile. The Bank wide risk profile is reported to the Board on a regular basis.

26. Capital management

The Bank and Group's capital management strategy aims to ensure that the Consolidated Entity maintains adequate capital to act as a buffer against risks associated with activities whilst maximising returns to shareholders.

The Bank's capital is measured and managed in line with Prudential Standards issued by APRA. This regulatory capital differs from statutory capital in that certain liabilities such as preference shares are considered capital from a regulatory perspective and certain assets including goodwill and other intangibles are considered a deduction from regulatory capital.

The Bank and Group have a capital management plan, consistent with their overall business plans, for managing capital levels on an ongoing basis. This plan sets out:

(i) the strategy for maintaining adequate capital over time including the capital target, how the target level is to be met and the means available for sourcing additional capital when required; and

(ii) the actions and procedures for monitoring compliance with minimum regulatory capital adequacy requirements, including trigger ratios to alert management to, and avert, potential breaches of these requirements.

The capital management plan is updated at least annually and submitted to the Board for approval. Current and projected capital positions are reported to the Board and APRA on a monthly basis.

The Board has set capital targets at 8.0% of risk weighted assets as Tier 1 capital with a minimum of 7.0% provided that total capital does not fall below 10.0%. The total capital adequacy ratio at 31 August 2008 was 11.0% and Tier 1 capital was 7.2%. Reset Preference Shares ("RePS", "S1RPS" and "PEPS"), issued as hybrid capital instruments, comprise 25% of total Tier 1 capital.

Total Tier 1 capital of 7.2% is represented by 5.4% of Core Tier 1 capital and 1.8% of hybrid capital instruments, including preference shares.

A summary of the consolidated capital position is shown in the table opposite.

26. Capital management (continued)

	Consolidated 2008 $m	Consolidated 2007 $m
Qualifying capital		
Tier 1		
Fundamental Tier 1		
Ordinary Share Capital	1,243.7	615.7
Reserves	1.2	16.1
Retained profits (1)	156.9	137.0
	1,401.8	768.8
Residual Tier 1		
Non Innovative (PEPS)	195.7	-
Innovative (RePS and S1RPS)	111.9	111.9
Residual Tier 1 transferred to Upper Tier 2	(57.4)	-
	250.2	111.9
Tier 1 Deductions		
Deferred Expenditure	(66.6)	(35.0)
Goodwill and other identifiable	(573.1)	(128.2)
Other deductions	(11.3)	(1.8)
Add: APRA transitional relief	-	111.9
	(651.0)	(53.1)
Net Tier 1 Capital	1,001.0	827.6
Tier 2		
Upper Tier 2		
General Reserve for Credit Losses	68.9	45.6
Residual Tier 1 transferred to Upper Tier 2	57.4	-
Unrealised gains on cashflow hedge reserve	-	12.4
	126.3	58.0
Lower Tier 2		
Term subordinated debt	426.0	265.0
	426.0	265.0
Tier 2 Deductions	(31.4)	(31.0)
	(31.4)	(31.0)
Net Tier 2 Capital	520.9	292.0
Capital Base	1,521.9	1,119.6
Risk Weighted Assets	13,813.0	9,696.8
Capital Adequacy Ratio	11.0%	11.5%

(1) For calculation of capital adequacy retained profits includes current year's profit less accrual of expected dividends net of expected dividend reinvestment

27. Financial instruments

(a) Derivative financial instruments

The Consolidated Entity and Bank used derivative financial instruments for both hedging and trading purposes in the current year.

Refer to Note 25 for an explanation of the Consolidated Entity's and Bank risk management framework.

The following table summarises the notional and credit equivalent amounts of the Bank's commitments to derivative financial instruments at 31 August 2008. Notional amounts do not represent amounts exchanged by the transaction counterparties, and thus, are not a measure of the exposure of the Bank through its use of derivatives. Net fair value in relation to derivative financial instruments is calculated using the quoted market price less transaction costs. Where the instrument does not have a quoted market price, the net fair value is estimated using the net present value techniques. Credit equivalent amounts give an indication of the estimated potential loss if the counterparty were to default and are based on APRA's capital adequacy guidelines.

	Notional Amount		Net Fair Value Asset / (Liability)		Credit Equivalent	
	2008 $m	2007 $m	2008 $m	2007 $m	2008 $m	2007 $m
Consolidated						
Interest rate contracts:						
Swaps	10,293.8	8,359.4	(6.8)	21.2	25.8	135.1
Forward rate agreements	500.0	300.0	0.1	-	-	-
Futures	5,582.2	10,695.0	3.7	5.8	-	-
Foreign exchange:						
Swaps	1,659.5	2,165.9	(12.9)	(48.0)	28.1	100.4
Foreign exchange forwards	580.1	498.3	18.6	(1.8)	5.7	9.0
Bank						
Interest rate contracts:						
Swaps	10,293.8	8,359.4	(6.8)	21.2	25.8	135.1
Forward rate agreements	500.0	300.0	0.1	-	-	-
Futures	5,582.2	10,695.0	3.7	5.8	-	-
Foreign exchange:						
Swaps	577.7	878.4	(49.7)	(51.0)	28.1	32.1
Foreign exchange forwards	580.1	498.3	18.6	(1.8)	5.7	9.0

(b) Other financial instruments

Where an active and liquid market exists for a financial instrument, net fair value is calculated using the quoted market price adjusted for any transaction costs of disposal.

Where there is no market for a financial instrument, or an illiquid market exists, estimates of net fair value have been made using net present value techniques. If such a financial instrument has no specific maturity or is at call, and the interest rate is either discretionary or will reprice in the short term, the historical cost or face value is used to approximate net fair value.

Net fair values which are based on estimates and which rely on information current at only one point in time are subjective, change continuously and are not necessarily representative of the underlying value of the financial instrument to the economic entity.

27. Financial instruments (continued)

(b) Other financial instruments (continued)

Fair values of financial instruments at balance date are as follows:

	Consolidated Entity			
	Carrying value		Net fair value	
	2008 $m	2007 $m	2008 $m	2007 $m
Assets				
Cash and liquid assets	399.5	479.1	399.5	479.1
Due from other financial institutions	66.3	46.8	66.3	46.8
Other financial assets	3,263.9	1,606.9	3,263.9	1,606.9
Loans and advances at amortised cost	25,246.8	17,600.8	25,202.8	17,600.8
Liabilities				
Balances due to other banks	(135.6)	(121.5)	(135.6)	(121.5)
Deposits	(20,036.5)	(12,720.3)	(20,047.2)	(12,720.4)
Borrowings including subordinated notes	(7,579.5)	(6,004.2)	(7,608.0)	(6,006.4)

	Bank			
Assets				
Cash and liquid assets	242.9	228.8	242.9	228.8
Due from other financial institutions	133.0	93.9	133.0	93.9
Other financial assets	3,180.6	1,513.6	3,180.6	1,513.6
Loans and advances at amortised cost	20,669.5	16,309.0	20,610.7	16,309.0
Liabilities				
Balances due to other banks	(135.6)	(121.5)	(135.6)	(121.5)
Deposits	(17,920.1)	(12,331.1)	(17,930.8)	(12,331.2)
Borrowings including subordinated notes	(1,514.1)	(1,628.4)	(1,542.6)	(1,630.6)

The fair value of derivative financial instruments can be found in Note 27 (a). The estimated net fair values disclosed do not include the assets and liabilities that are not considered financial instruments.

28. Notes to the statements of cash flows

Reconciliation of profit for the year to net cash provided by operating activities.

	Consolidated		Bank	
	2008 $m	2007 $m	**2008 $m**	2007 $m
Profit from ordinary activities after income tax	126.8	129.8	116.9	123.2
Add / (less) items classified as investing / financing activities or non cash items				
Depreciation	5.9	5.2	4.6	4.8
Amortisation	26.7	2.7	1.0	1.0
Software amortisation	15.7	15.8	15.4	15.8
Loss on sale / asset writedowns	3.5	1.5	0.5	0.9
Share based payments	5.2	6.9	5.2	6.9
Property, plant & equipment	(0.1)	0.1	-	(0.1)
Sale of credit card portfolio	-	(269.1)	-	(269.1)
Purchase of Pioneer Permanent Building Society Limited	-	(4.8)	-	-
Purchase of Home Building Society Ltd	90.6	-	-	-
Profit on sale of property, plant and equipment	(2.3)	(0.9)	(0.3)	(0.9)
Profit on sale of credit card portfolio	-	(49.3)	-	(49.3)
Increase in due from other financial institutions	(19.5)	(1.8)	(39.1)	(26.8)
Increase decrease in other financial assets	(1,661.6)	(496.2)	(1,668.9)	(402.9)
Increase in loans and advances at amortised cost	(7,666.5)	(3,597.2)	(4,370.8)	(3,290.1)
(Increase) / decrease in derivatives	(68.5)	58.2	(46.0)	(16.1)
Increase / (decrease) in provision for impairment	20.5	0.1	10.3	(0.3)
(Increase) / decrease in deferred tax asset	(0.3)	53.9	(0.3)	-
(Increase) / decrease in other assets	(23.8)	42.4	(44.3)	(39.7)
Increase in investments accounted for using the equity method	(37.7)	-	-	-
Increase in amounts due from controlled entities	-	-	424.3	1,114.0
Increase in due to other financial institutions	14.1	25.9	14.1	25.9
Increase in deposits	7,316.2	2,770.7	5,589.0	2,364.0
Increase in accounts payable and other liabilities	63.1	71.7	18.4	50.6
Decrease in current tax liabilities	(21.2)	(33.3)	(21.2)	(33.2)
Increase / (decrease) in provisions	4.3	2.0	0.5	(3.7)
Increase in deferred tax liabilities	16.4	6.5	15.7	5.2
Increase in borrowings including subordinated notes	1,682.7	1,073.3	-	-
Net cash from operating activities	(109.8)	(185.9)	25.0	(419.9)

(iii) Cash flows presented on a net basis

Cash flows from the following activities are presented on a net basis in the statements of cash flows:

- Sales and purchases of investment securities;
- Customer deposits in and withdrawals from deposit accounts; and
- Loan drawdowns and repayments.

	Consolidated		Bank	
	2008 $000	2007 $000	**2008 $000**	2007 $000
29. Auditors' remuneration				
Audit services – KPMG Australia				
- Audit and review of the financial reports	843.0	631.8	763.9	537.2
- Other regulatory and audit services	133.3	50.2	81.7	48.2
	976.3	682.0	845.6	585.4
Audit related services – KPMG Australia				
- Other assurance services (1)	450.0	298.5	151.6	67.3
	450.0	298.5	151.6	67.3
Other services – KPMG Australia				
- Due diligence services	107.5	76.3	-	-
	107.5	76.3	-	-

(1) Other assurance services comprise accounting opinions, and audit related services provided in relation to mortgage securitisation trusts which are consolidated under AIFRS.

Fees for audit and audit related services paid to KPMG which were provided in relation to leasing securitisation trusts which are not consolidated were $139,159 (2007: $85,785).

	Consolidated		Bank	
	2008 $m	2007 $m	**2008 $m**	2007 $m
30. Contingent liabilities				
Guarantees	63.4	130.9	62.0	130.9
Letters of credit	47.3	24.0	47.3	24.0

Guarantees, indemnities and letters of credit

There are contingent liabilities arising in the normal course of business for which there are equal and opposite contingent assets and against which no loss is anticipated. Guarantees are provided to third parties on behalf of customers. The credit risks of such facilities are similar to the credit risks of loans and advances.

31. Commitments

(a) Lease commitments

Future rentals in respect of operating leases (principally in respect of premises) not provided for in these financial statements comprise amounts payable:				
Within 1 year	30.2	20.0	26.8	20.0
Between 1 year and 5 years	65.5	46.7	55.1	46.7
Later than 5 years	10.7	8.0	5.0	8.0
	106.4	74.7	86.9	74.7

(b) Customer funding commitments

Loans to customers approved but not drawn at year end	780.8	928.8	750.4	925.3
Amounts undrawn against lines of credit	672.9	315.9	202.7	314.4
	1,453.7	1,244.7	953.1	1,239.7

In the normal course of business the Bank makes commitments to extend credit to its customers. Most commitments either expire if not taken up within a specified time or can be cancelled by the Bank within one year. Credit risk is significantly less than the notional amount and does not crystallise until a commitment is funded.

32. Employee benefits

(a) Superannuation commitments

The Consolidated Entity contributes to any defined contribution superannuation plan which complies with the Superannuation Contributions Act legislation.

Basis of contributions

Employee superannuation contributions are based on various percentages of employees' gross salaries. The Consolidated Entity's contributions are also based on various percentages of employees' gross salaries.

The Consolidated Entity is under no legal obligation to make superannuation contributions except for the minimum contributions required under the Superannuation Guarantee Legislation.

During the year the Consolidated Entity made employer contributions of $10,706,016 (2007: $9,147,745).

(b) Employee share plan

The Bank's Employee Share Plan ("ESP") was originally approved by shareholders on 5 December 1996 and is re-approved every three years. If the Board approves an offer to be made under the plan, all full time and part time employees of the Bank who have completed a prerequisite period of continuous service may be offered shares to a market value of $1,000 at no cost. Only one offer may be made any each financial year. Shares issued under the plan cannot be sold for three years or until the employee leaves the Bank and rank equally with other fully paid ordinary shares.

During the year nil (2007: nil) shares were issued. Since the commencement of the plan 841,953 shares have been issued. At 31 August 2008, these shares were valued at $13,353,375 (2007: $15,626,648) under the terms of the plan.

The aggregate number of shares issued under the plan or any other employee share plan during any five year period must not exceed 5% of the total issued capital of the Bank at the end of that five year period.

32. Employee benefits (continued)

(c) Share based payments

The Consolidated Entity has two options plans. The Managing Director option plan, which was established in 2001 and the Senior Management Option Plan ("SMOP"), which was established in 2001.

For options issued before 7 November 2002, the recognition and measurement principles in AASB 2 have not been applied to these grants in accordance with the transitional provisions in AASB 1.

The terms and conditions of options granted under the above plans are as follows, whereby all options are settled by physical delivery of shares:

Grant date / employee entitled	Number of instruments	Vesting conditions	Contractual life of options
Options granted to key management at 23 November 2001 – SMOP 1	1,270,000 (1)	To reach the performance hurdle the Consolidated Entity must achieve a minimum return on equity of 13.5% in the financial year immediately preceding the third anniversary of the issue date (31 August 2004). A return on equity of 13.5% will result in 50% of the issued options vesting. Each 0.01% return on equity in excess of 13.5% will result in an additional 1% of options vesting. A return on equity equal to or greater than 14.0% will result in 100% of the issued options vesting.	5 years
Options granted to Managing Director at 13 December 2001	200,000 (2)	To reach the performance hurdle the Consolidated Entity must achieve a minimum return on equity of 13.05% in the 2003 financial year. A return on equity of 13.05% will result in 50% of the issued options vesting. Each 0.01% return on equity in excess of 13.05% will result in an additional 1% of options vesting. A return on equity equal to or greater than 13.55% will result in 100% of the issued options vesting.	4 years
	300,000 (1)	To reach the performance hurdle the Consolidated Entity must achieve a minimum return on equity of 13.50% in the 2004 financial year. A return on equity of 13.50% will result in 50% of the issued options vesting. Each 0.01% return on equity in excess of 13.50% will result in an additional 1% of options vesting. A return on equity equal to or greater than 14.00% will result in 100% of the issued options vesting.	5 years
	500,000 (3)	To reach the performance hurdle the Consolidated Entity must achieve a minimum return on equity of 14.00% in the 2005 financial year. A return on equity of 14.00% will result in 50% of the issued options vesting. Each 0.01% return on equity in excess of 14.00% will result in an additional 1% of options vesting. A return on equity equal to or greater than 14.50% will result in 100% of the issued options vesting.	6 years
Options granted to key management at 4 November 2002 – SMOP 2	1,905,000 (3)	To reach the performance hurdle the Consolidated Entity must achieve a minimum return on equity of 14.0% in the financial year immediately preceding the third anniversary of the issue date (31 August 2005). A return on equity of 14.0% will result in 50% of the issued options vesting. Each 0.01% return on equity in excess of 14.5% will result in an additional 1% of options vesting. A return on equity equal to or greater than 14.5% will result in 100% of the issued options vesting.	5 years

(1) These options vested in the 2005 financial year.
(2) These options vested in the 2004 financial year.
(3) These options vested in the 2006 financial year.

32. Employee benefits (continued)

(c) Share based payments (continued)

Grant date / employee entitled	Number of instruments	Vesting conditions	Contractual life of options
Options granted to key management at 10 November 2003 – SMOP 3	3,120,000 (1)	To reach the performance hurdle the Consolidated Entity must achieve a minimum return on equity of 14.5% in the financial year immediately preceding the third anniversary of the issue date (31 August 2006). A return on equity of 14.5% will result in 50% of the issued options vesting. Each 0.01% return on equity in excess of 14.5% will result in an additional 1% of options vesting. A return on equity equal to or greater than 15.0% will result in 100% of the issued options vesting. At the Annual General Meeting on 9 December 2004, ordinary shareholders approved the following change under ASX Listing Rule 6.23.4: • that should any SMOP 3 options remain unvested as at November 2007, the new earnings per share test will be applied across financial years 2005, 2006 and 2007; and • should any SMOP 3 options remain unvested as at November 2008, the new earnings per share test will be applied across financial years 2005, 2006, 2007 and 2008. The new Earnings Per Share ("EPS") test requires the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of a group of comparison banks over approximately the same period. The comparison banks are seven peer group banks, being ANZ, National Australia Bank, Commonwealth Bank, Westpac, St George Bank, Adelaide Bank and Bendigo Bank ("Comparison Banks"). The Bank engages an independent analyst to make adjustments to reported EPS figures to ensure they are prepared on a comparable basis. A cap of 20% growth and a floor of 10% decline will be applied to each adjusted EPS growth figure to account for abnormal results of a Comparison Bank. To reach the EPS performance hurdle the Consolidated Entity must achieve the following:	5 years

Percentage range by which cash EPS growth exceeds Comparison banks	Percentage of options to vest
5% and up to but not exceeding 10%	25%
10% and up to but not exceeding 15%	50%
15% and up to but not exceeding 20%	75%
20% or more	100%

(1) These options vested in the 2007 financial year.

32. Employee benefits (continued)

(c) Share based payments (continued)

Grant date / employee entitled	Number of instruments	Vesting conditions	Contractual life of options
Options granted to Managing Director at 24 December 2004	500,000 (1)	The performance hurdle is based on diluted cash EPS growth and requires the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the relevant performance period (financial years 2005 – 2006) To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period: Percentage range by which cash EPS growth exceeds Comparison banks — Percentage of options to vest 5% and up to but not exceeding 10% — 25% 10% and up to but not exceeding 15% — 50% 15% and up to but not exceeding 20% — 75% 20% or more — 100% Should any options remain unvested as at November 2007, the EPS test will be applied across financial years 2005, 2006 and 2007. Should any options remain unvested as at November 2008, the EPS test will be applied across financial years 2005, 2006, 2007 and 2008.	4 years
	500,000 (2)	The performance hurdle is based on diluted cash EPS growth and requires the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the relevant performance period (financial years 2005 – 2007) To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period: Percentage range by which cash EPS growth exceeds Comparison banks — Percentage of options to vest 5% and up to but not exceeding 10% — 25% 10% and up to but not exceeding 15% — 50% 15% and up to but not exceeding 20% — 75% 20% or more — 100% Should any options remain unvested as at November 2008, the EPS test will be applied across financial years 2005, 2006, 2007 and 2008. Should any options remain unvested as at November 2009, the EPS test will be applied across financial years 2005, 2006, 2007, 2008 and 2009.	5 years

(1) These options vested in the 2007 financial year.

(2) These options vested in the 2008 financial year.

32. Employee benefits (continued)

(c) Share based payments (continued)

<table>
<tr><th>Grant date / employee entitled</th><th>Number of instruments</th><th>Vesting conditions</th><th>Contractual life of options</th></tr>
<tr><td>Options granted to key management at 20 December 2004 – SMOP 4</td><td>3,005,000 (1)</td><td>The ability to exercise the options is conditional on the Consolidated Entity achieving certain performance hurdles. The performance hurdles are based on diluted cash EPS growth and require the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the financial years 2005, 2006 and 2007 ("performance period"), as described above.

To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period:
<table>
<tr><th>Percentage range by which cash EPS growth exceeds Comparison banks</th><th>Percentage of options to vest</th></tr>
<tr><td>5% and up to but not exceeding 10%</td><td>25%</td></tr>
<tr><td>10% and up to but not exceeding 15%</td><td>50%</td></tr>
<tr><td>15% and up to but not exceeding 20%</td><td>75%</td></tr>
<tr><td>20% or more</td><td>100%</td></tr>
</table>
Should any SMOP 4 options remain unvested as at December 2008, the EPS test will be applied across financial years 2005, 2006, 2007 and 2008. Should any SMOP 4 options remain unvested as at December 2009, the EPS test will be applied across financial years 2005, 2006, 2007, 2008 and 2009.</td><td>5 years</td></tr>
<tr><td>Options granted to key management at 17 October 2005 - SMOP 5</td><td>3,805,000</td><td>The ability to exercise the options is conditional on the Consolidated Entity achieving certain performance hurdles. The performance hurdles are based on diluted cash EPS growth and require the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the financial years 2006, 2007 and 2008 ("performance period"), as described above.

To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period:
<table>
<tr><th>Percentage range by which cash EPS growth exceeds Comparison banks</th><th>Percentage of options to vest</th></tr>
<tr><td>5% and up to but not exceeding 10%</td><td>25%</td></tr>
<tr><td>10% and up to but not exceeding 15%</td><td>50%</td></tr>
<tr><td>15% and up to but not exceeding 20%</td><td>75%</td></tr>
<tr><td>20% or more</td><td>100%</td></tr>
</table>
Should any SMOP 5 options remain unvested as at November 2009, the EPS test will be applied across financial years 2006, 2007, 2008 and 2009. Should any SMOP 5 options remain unvested as at November 2010, the EPS test will be applied across financial years 2006, 2007, 2008, 2009 and 2010.</td><td>5 years</td></tr>
</table>

(1) These options vested in the 2008 financial year.

32. Employee benefits (continued)

(c) Share based payments (continued)

Grant date / employee entitled	Number of instruments	Vesting conditions	Contractual life of options
Options granted to Managing Director at 1 November 2005 (continued)	500,000	The performance hurdle is based on diluted cash EPS growth and requires the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the relevant performance period (financial years 2006 – 2008) To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period: Percentage range by which cash EPS growth exceeds Comparison banks – Percentage of options to vest 5% and up to but not exceeding 10% – 25% 10% and up to but not exceeding 15% – 50% 15% and up to but not exceeding 20% – 75% 20% or more – 100% Should any options remain unvested as at November 2009, the EPS test will be applied across financial years 2006, 2007, 2008 and 2009. Should any options remain unvested as at November 2010, the EPS test will be applied across financial years 2006, 2007, 2008, 2009 and 2010.	5 years
Options granted to Managing Director at 1 November 2006 (continued)	500,000	The performance hurdle is based on diluted cash EPS growth and requires the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the relevant performance period (financial years 2007 – 2009) To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period: Percentage range by which cash EPS growth exceeds Comparison banks – Percentage of options to vest 5% and up to but not exceeding 10% – 25% 10% and up to but not exceeding 15% – 50% 15% and up to but not exceeding 20% – 75% 20% or more – 100% Should any options remain unvested as at November 2010, the EPS test will be applied across financial years 2007, 2008, 2009 and 2010. Should any options remain unvested as at November 2011, the EPS test will be applied across financial years 2007, 2008, 2009, 2010 and 2011.	5 years

32. Employee benefits (continued)

(c) Share based payments (continued)

Grant date / employee entitled	Number of instruments	Vesting conditions	Contractual life of options
Options granted to key management at 20 November 2006 - SMOP 6	3,370,000	The ability to exercise the options is conditional on the Consolidated Entity achieving certain performance hurdles. The performance hurdles are based on diluted cash EPS growth and require the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the financial years 2007, 2008 and 2009 ("performance period"), as described above. To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period: Percentage range by which cash EPS growth exceeds Comparison banks — Percentage of options to vest 5% and up to but not exceeding 10% — 25% 10% and up to but not exceeding 15% — 50% 15% and up to but not exceeding 20% — 75% 20% or more — 100% Should any SMOP 6 options remain unvested as at November 2010, the EPS test will be applied across financial years 2007, 2008, 2009 and 2010. Should any SMOP 6 options remain unvested as at November 2011, the EPS test will be applied across financial years 2007, 2008, 2009, 2010 and 2011.	5 years
Options granted to key management at 1 November 2007 - SMOP 7	3,999,000	The ability to exercise the options is conditional on the Consolidated Entity achieving certain performance hurdles. The performance hurdles are based on diluted cash EPS growth and require the Bank's diluted cash EPS to outperform the average diluted cash EPS growth of the Comparison Banks over the financial years 2008, 2009 and 2010 ("performance period"), as described above. To reach the EPS performance hurdle the Consolidated Entity must achieve the following for the performance period: Percentage range by which cash EPS growth exceeds Comparison banks — Percentage of options to vest 5% and up to but not exceeding 10% — 25% 10% and up to but not exceeding 15% — 50% 15% and up to but not exceeding 20% — 75% 20% or more — 100% Should any SMOP 7 options remain unvested as at November 2011, the EPS test will be applied across financial years 2008, 2009, 2010 and 2011. Should any SMOP 7 options remain unvested as at November 2012, the EPS test will be applied across financial years 2008, 2009, 2010, 2011 and 2012.	

32. Employee benefits (continued)

The following factors and assumptions were used in determining the fair value of options on grant date:

Option Type	Grant date	Expiry date	Fair value per option	Exercise price (1)	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
Executives								
SMOP 4	20 December 2004	20 December 2009	$1.17	$10.71	$10.65	17.5%	5.45%	4.0%
SMOP 5	17 October 2005	17 October 2010	$2.16	$13.37	$13.06	20.1%	5.85%	3.7%
SMOP 6	20 November 2006	20 November 2011	$2.13	$16.40	$14.90	15.0%	6.00%	4.5%
SMOP 7	1 November 2007	1 November 2012	$2.57	$19.25	$19.44	14.0%	6.50%	4.3%
Managing Director								
MD Scheme 2 – Tranche 2	24 December 2004	24 December 2009	$1.17	$10.71	$10.65	17.5%	5.45%	4.0%
MD Scheme 2 – Tranche 3	1 November 2005	20 December 2010	$2.16	$13.37	$13.06	20.1%	5.85%	3.7%
MD Scheme 2 – Tranche 4	1 November 2006	20 November 2011	$2.13	$16.40	$16.37	15.0%	6.00%	4.5%

(1) The exercise price is calculated as the volume weighted average price of shares traded over the ten business days immediately after the date of the announcement of the Bank's most recent annual results and requires Board approval.

The number and weighted average exercise price of share options is as follows:

	Weighted average exercise price 2008	Number of options 2008 '000	Weighted average exercise price 2007	Number of options 2007 '000
Outstanding at the beginning of the period	$13.55	10,263	$11.39	10,788
Forfeited during the period	$17.14	(950)	$14.98	(843)
Exercised during the period	$11.26	(3,325)	$9.75	(3,552)
Granted during the period	$19.25	3,999	$16.40	3,870
Outstanding at the end of the period	$16.25	9,987	$13.55	10,263
Exercisable at the end of the period		506		523

The options outstanding at 31 August 2008 have an exercise price in the range of $10.00 to $19.50 and a weighted average contractual life of 3.2 years (2007: 3.2 years).

During the year 3,324,736 options were exercised (2007: 3,551,514). The weighted average share price at the date of exercise was $17.79 (2007: $15.66).

33. Key management personnel disclosures

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Bank and the Consolidated Entity, including Directors and other Executives. Key management personnel include the five most highly remunerated S300A Directors and Executives for the Bank and Consolidated Entity.

(a) Key management personnel compensation

Key management personnel compensation included in 'administrative expenses' and employee expenses' (refer note 5) is as follows:

	Consolidated and Bank 2008 $	Consolidated and Bank 2007 $
Short-term employee benefits	7,439,963	6,513,680
Post-employment benefits	514,314	520,432
Long term employee benefits	73,576	65,544
Termination benefits	732,827	705,917
Share based employment benefits	1,548,366	2,940,684
	10,309,046	10,746,257

33. Key management personnel disclosures (continued)

(a) Key management personnel compensation (continued)

Individual Directors and Executives compensation disclosures

Information regarding individual Directors and Executives compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the Directors' report.

Apart from the details disclosed in the note, no Director has entered into a material contract with the Bank since the end of the previous financial year and there were no material contracts involving Directors' interest existing at year end.

(b) Equity Instruments - holdings and movements

The movement during the reporting period in the number of options over ordinary shares in Bank of Queensland Limited held, directly, indirectly or beneficially, by key management personnel, including their personally related entities, is as follows:

Managing Director and Senior Management Option Plans ("SMOP")

All options issued under the Managing Director option plan and SMOP refer to options over ordinary shares of Bank of Queensland Limited, which are exercisable on a one-for-one basis.

During the reporting period, the following options over ordinary shares were granted to Executives under the SMOP:

	Held at 1 September 2007	Granted as remuneration	Exercised (1)	Other changes (2)	Held at 31 August 2008	Vested at 31 August 2008	Vested and exercisable at 31 August 2008
Managing Director option plan:							
David Liddy	1,500,000	-	(500,000)	-	1,000,000	500,000	-
SMOP:							
Executives							
Robert Hines	575,000	175,000	-	-	750,000	200,000	200,000
Len Stone	400,000	130,000	(150,000)	-	380,000	150,000	-
Ram Kangatharan	-	350,000	-	-	350,000	-	-
David Marshall	-	200,000	-	-	200,000	-	-
Daniel Musson	-	200,000	-	-	200,000	-	-
Bruce Auty	350,000	100,000	(100,000)	-	350,000	100,000	-
Former Executives							
Donna Quinn	475,000	-	(350,000)	(125,000)	-	350,000	-
Iain Blacklaw	100,000	150,000	-	(250,000)	-	-	-

(1) Options exercised had an exercise price of $10.71 and $13.37.
(2) Other changes represent options that forfeited during the year.

33. Key management personnel disclosures (continued)

(b) Equity Instruments - holdings and movements (continued)

	Held at 1 September 2006	Granted as remuneration	Exercised (1)	Other changes (2)	Held at 31 August 2007	Vested at 31 August 2007	Vested and exercisable at 31 August 2007
Managing Director option plan:							
David Liddy	1,500,000	500,000	(500,000)	-	1,500,000	500,000	-
SMOP:							
Executives							
Robert Hines	600,000	175,000	(200,000)	-	575,000	200,000	-
Donna Quinn	550,000	125,000	(200,000)	-	475,000	200,000	-
Len Stone (3)	500,000	100,000	(200,000)	-	400,000	200,000	-
Bruce Auty	450,000	100,000	(200,000)	-	350,000	200,000	-
Iain Blacklaw	-	100,000	-	-	100,000	-	-
Former Executives							
Jenny Brice	120,000	75,000	-	(195,000)	-	-	-
Jennifer Heffernan	500,000	100,000	(527,737)	(72,263)	-	527,737	-
Ross Norton	550,000	125,000	(200,000)	(92,945)	382,055	582,055	382,055

(1) Options exercised had an exercise price of $9.49, $10.71, $13.37 and $16.40.
(2) Other changes represent options that expired or were forfeited during the year.
(3) Len Stone became a member of the key management personnel on 1 September 2006.

33. Key management personnel disclosures (continued)

(b) Equity Instruments - holdings and movements (continued)

Movement in shares

The number of shares held directly, indirectly or beneficially by each key management person is as follows:

Ordinary shares	Held at 1 September 2007	Purchases (Sales)	Received on exercise of options	Held at 31 August 2008
Directors of Bank of Queensland Limited				
Neil Summerson	17,731	797	-	18,528
Anthony Howarth	-	37,819	-	37,819
David Liddy	1,412,387	(295,822)	500,000	1,616,565
Roger Davis	-	2,909	-	2,909
Peter Fox	11,294,704	506,553	-	11,801,257
David Graham	6,000	-	-	6,000
Carmel Gray	1,000	3,000	-	4,000
Bill Kelty	1,040	48	-	1,088
Antony Love	11,990	-	-	11,990
John Reynolds	1,000	-	-	1,000
Former Directors				
Neil Roberts [(1)]	21,464	-	-	-
Executives				
Robert Hines	347,999	(150,000)	-	197,999
Len Stone	250,000	(387,500)	150,000	12,500
Bruce Auty	200,000	(200,000)	100,000	100,000
Former Executives				
Donna Quinn	167,725	-	-	-

(1) Neil Roberts retired as Chairman and as a Director on 20 August 2008.

Convertible Preference shares	Held at 1 September 2007	Purchases	Held at 31 August 2008
Directors of Bank of Queensland Limited			
Antony Love	-	500	500

33. Key management personnel disclosures (continued)

(b) Equity Instruments - holdings and movements (continued)

Ordinary shares	Held at 1 September 2006	Purchases (Sales)	Received on exercise of options	Held at 31 August 2007
Directors of Bank of Queensland Limited				
Neil Roberts	21,464	-	-	21,464
Neil Summerson	17,071	660	-	17,731
David Liddy	1,112,387	(200,000)	500,000	1,412,387
Peter Fox	11,071,671	223,033	-	11,294,704
David Graham	-	6,000	-	6,000
Carmel Gray	1,000	-	-	1,000
Bill Kelty	1,000	40	-	1,040
Antony Love	11,990	-	-	11,990
John Reynolds	1,000	-	-	1,000
Former Directors				
Bruce Phillips	23,835	-	-	23,835
Executives				
Robert Hines	296,160	(148,161)	200,000	347,999
Donna Quinn	251,195	(283,470)	200,000	167,725
Len Stone	107,000	(57,000)	200,000	250,000
Bruce Auty	10,000	(10,000)	200,000	200,000
Former Executives				
Jennifer Heffernan	250,284	(260,284)	527,737	517,737
Ross Norton	127,869	(127,869)	200,000	200,000

No shares were granted to key management during the reporting period as compensation in 2008 or 2007.

33. Key management personnel disclosures (continued)

(c) Loans to key management personnel disclosures

Details of loans outstanding at the reporting date to key management personnel, where the individuals aggregate loan balance exceeded $100,000 at any time in the reporting period, are as follows:

	2008				2007			
	Balance at 1 September 2007 $	Interest paid and payable during the year $	Balance at 31 August 2008 $	Highest balance during the year $	Balance at 1 September 2006 $	Interest paid and payable during the year $	Balance at 31 August 2007 $	Highest balance during the year $
Directors:								
Neil Summerson	-	2,631	352,631	352,631	-	-	-	-
David Graham	4,147,107	466,869	4,109,574	4,245,144	- (1)	143,461	4,147,107	4,261,107
Bill Kelty	325,782	23,989	325,782	325,792	325,782	23,488	325,782	325,782
Antony Love	278,800	25,680	217,750	497,800	320,000	22,868	278,800	320,000
Executives:								
Robert Hines	3,132,176	290,992	3,880,380	4,765,279	1,122,107	50,202	3,132,176	3,793,054
Len Stone	1,085,203	52,070	521,068	1,060,870	1,044,625	55,617	1,085,203	1,715,899
Daniel Musson	400,000	41,378	1,015,807	1,832,596	-	-	-	-
Former Executives:								
Donna Quinn	1,049,629	7,249	-	1,512,632	941,367	62,437	1,049,629	1,052,951
Jennifer Heffernan	-	-	-	-	1,269,274	78,790	-	1,846,013
Ross Norton	-	-	-	-	1,351,123	92,428	-	1,274,487
Iain Blacklaw	530,863	42,609	-	564,090	-	29,942	530,863	541,101

(1) David Graham was appointed as a Director on 11 October 2006.

All loans with key management personnel are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the economic entity to all key management personnel and their related parties, and the number of individuals in each group are as follows:

	Balance at 1 September 2007 (1) $	Balance at 31 August 2008 $	Interest paid and payable $	Number in group at 31 August 2008 #
Directors:	4,751,689	5,005,737	492,998	4
Executives:	5,397,870	5,417,255	434,298	3

	Balance at 1 September 2006 $	Balance at 31 August 2007 $	Interest paid and payable $	Number in group at 31 August 2007 #
Directors:	645,782	4,751,689	189,817	3
Executives:	5,728,496	5,797,871	369,416	4

(1) Balance as at 1 September 2007 will not equal 31 August 2007 closing balance due to new key management personnel additions.

33. Key management personnel disclosures (continued)

(d) Other financial instrument transactions with key management personnel and personally-related entities

A number of key management persons or their related parties hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Financial instrument transactions with key management personnel and personally-related entities during the financial year arise out of the provision of banking services, the acceptance of funds on deposit, the granting of loans and other associated financial activities. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis. Included in these transactions are certain loans made to the Linfox Group. At 31 August 2008 these facilities totalled $28.2m (2007: $33.1m). DDH Preferred Income Fund (a fund managed by DDH Graham Limited) is a noteholder in the Series 2007-1 REDS Trust holding an investment of 10,000 units at $100 totalling $1,000,000 (2007: $1,000,000).

Other non financial instrument transactions with key management personnel

Antony Love is a Director of McGees Property which from time to time renders services to the Bank and its controlled entities in the ordinary course of business. Fees paid to the firm by the Bank and its controlled entities during the financial year amounted to $58,031 (2007: $45,345).

Peter Fox and Bill Kelty are Directors of Linfox Proprietary Limited of which Linfox Armaguard Pty Ltd is a subsidiary. The Bank has paid $1,956,987 (2007: $1,499,419) to Linfox Armaguard Pty Ltd in the ordinary course of business for cash delivery services. The Directors in question have no involvement in the contract negotiation nor the provision of these services.

The Bank of Queensland has entered into a rolling five year contract with DDH Graham Limited, of which David Graham is the Executive Chairman. Under this contract, DDH Graham Limited provides funding to the Bank through introduced customer money market deposit accounts, and in turn the Bank pays DDH Graham Limited a commission based on the value of deposited funds held with the bank. Commission is paid on a monthly basis for the duration of the contract. The existing contract expires in 2012. Commission amounts for these services were billed based on normal market rates and were due and payable under normal payment terms. Commission payments paid to the firm by the Bank during the financial year amounted to $4,349,973 (2007: $3,334,326).

Liabilities recognised at reporting date arising from the above transactions were:

- Accounts payable and other liabilities - $455,427 (2007: $592,864)

Other transactions with Directors, Executives and their personally-related entities are conducted on an arm's length basis and are deemed trivial or domestic in nature.

33. Key management personnel disclosures (continued)

(d) Other financial instrument transactions with key management personnel and personally-related entities (continued)

The following are transactions undertaken between the Consolidated Entity and key management personnel as at 31 August 2008.

	Balance as at		For the period [(1)]			
	01/09/07 [(2)] $	31/08/08 $	Total Loan Repayments $	Total Loan Redraws / Further Advances $	Total Loan / Overdraft interest $	Total Fees on Loans / Overdraft $
Term Products (Loans / Advances)	(10,149,559)	(10,422,992)	10,355,260	(10,971,215)	(927,295)	(16,398)

	Balance as at		For the period [(1)]			
	01/09/06 $	31/08/07 $	Total Loan Repayments $	Total Loan Redraws / Further Advances $	Total Loan / Overdraft interest $	Total Fees on Loans / Overdraft $
Term Products (Loans / Advances)	(6,374,278)	(13,305,640)	6,587,470	(10,894,910)	(559,234)	(30,795)

	Balance as at		For the period [(1)]			
	01/09/07 [(2)] $	31/08/08 $	Total Deposits $	Total Withdrawals $	Total Account Fees $	Total Deposit Interest $
Transaction Products (Deposits)	984,396	2,224,558	16,937,627	(15,792,400)	(4,622)	99,557

	Balance as at		For the period [(1)]				
	01/09/06 $	31/08/07 [(3)] $	Total Deposits / Card Repayments $	Total Withdrawals / Card Purchases $	Total Account / Card Fees $	Total Card Interest $	Total Deposit Interest $
Transaction Products (Deposits / Credit Cards)	2,117,493	1,439,540	17,174,644	(18,163,585)	(4,267)	(1,663)	170,621

(1) Amounts are included only for the period that the Director / Executive are classified as a member of the key management personnel.

(2) Balance as at 1 September 2007 will not equal 31 August 2007 closing balance due to changes in key management personnel during the year.

(3) Excludes credit card balances as the Bank's credit card portfolio was sold to Citigroup Pty Limited on 4 June 2007.

	Parent entity's interest		Amount of Investment (at cost)	
	2008	2007	2008 $m	2007 $m

34. Controlled entities

(a) Particulars in relation to controlled entities

Controlled entities:				
B.Q.L. Management Pty Ltd	100%	100%	-	-
B.Q.L. Nominees Pty Ltd	100%	100%	5.0	5.0
B.Q.L. Properties Limited	100%	100%	-	-
Queensland Electronic Switching Pty Ltd	100%	100%	0.1	0.1
BOQ Wealth Management Pty Ltd	100%	100%	-	-
BOQ Equipment Finance Limited	100%	100%	15.4	15.4
Electronic Financial Solutions Pty Ltd	100%	100%	-	-
Series 2001-2 REDS Trust	-	100%	-	-
Series 2002-1 REDS Trust	100%	100%	-	-
Series 2003-2 REDS Trust	100%	100%	-	-
Series 2004-1 REDS Trust	100%	100%	-	-
Series 2005-1 REDS Trust	100%	100%	-	-
Series 2005-2 REDS Trust	100%	100%	-	-
REDS Warehouse Trust No.1	100%	100%	-	-
REDS Warehouse Trust No.2	100%	100%	-	-
Series 2006-1E REDS Trust	100%	100%	-	-
Series 2007-1E REDS Trust	100%	100%	-	-
Series 2007-2 REDS Trust	100%	-	-	-
Series 2008-1 REDS Trust	100%	-	-	-
Series 2008-2 REDS Trust	100%	-	-	-
Series 2008-1E EHP REDS Trust	100%	-	-	-
REDS Warehouse Trust No.3	100%	-	-	-
Pioneer Permanent Building Society Limited	100%	100%	60.1	60.1
Home Building Society Ltd	100%	-	600.2	-
Home Financial Planning Pty Ltd	100%	-	-	-
Horizon Portfolio Services Pty Ltd	100%	-	-	-
Home Direct WA Pty Ltd	100%	-	-	-
Home Credit Management Ltd	100%	-	-	-
Statewest Financial Services Ltd	100%	-	-	-
Statewest Conveyancing Pty Ltd	100%	-	-	-
Statewest Financial Planning Pty Ltd	100%	-	-	-
			680.8	80.6

(b) Acquisition of controlled entities

The following controlled entities were acquired or disposed of during the financial year:

Acquisition of entities

On 18 December 2007, the Bank acquired all the shares of Home Building Society Ltd ("Home") for $600.2 million in a combination of cash and ordinary shares in the Bank. Home operates as an authorised deposit taking institution providing various financial services, and includes property development activity via equity accounted investments, and in the period from 18 December to 31 August 2008 contributed profit of $12.3 million. If the acquisition had occurred on 1 September 2007, management estimates that consolidated total operating income would have been $597.9 million and consolidated profit would have been $133.6 million for the year ended 31 August 2008.

34. Controlled entities (continued)

(b) Acquisition of controlled entities (continued)

The acquisition had the following effect on the consolidated entity's assets and liabilities:

	Recognised values on acquisition $m	Pre-acquisition carrying amounts $m
Cash	37.1	37.1
Loans and advances	2,634.9	2,668.2
Investments accounted for using the equity method	39.4	27.7
Other financial assets	365.6	365.6
Derivative financial instruments	6.0	6.0
Property, plant and equipment	7.0	7.0
Other assets	2.8	2.8
Deferred tax assets	14.4	1.6
Intangible assets	0.3	170.2
Deposits	(2,503.5)	(2,503.5)
Borrowings including subordinated notes	(411.0)	(411.0)
Deferred tax liabilities	(12.3)	(12.3)
Accounts payable and other liabilities	(40.2)	(40.2)
Provisions	(5.4)	(4.7)
Net identifiable assets and liabilities	135.1	314.5
Goodwill and other identifiable intangibles on acquisition	465.1	
Total Consideration	600.2	
Consideration paid, satisfied in Bank ordinary shares [(1)]	496.9	
Consideration paid, satisfied in cash [(2)]	103.3	
Cash acquired	(37.1)	
Net cash outflow	66.2	

(1) Shares were issued at $18.00, based on the closing price on the day of acquisition.

(2) Includes cash of $91.6 million, option payments of $7.4 million and incidental costs of $4.3 million.

At 31 August 2008, the acquisition accounting balances are provisional due to ongoing work finalising valuations and tax related matters which may impact acquisition accounting entries.

34. Controlled entities (continued)

(b) Acquisition of controlled entities (continued)

The following controlled entities were acquired or disposed of during the financial year:

Acquisition of entities

Prior period

On 5 December 2006, the Bank acquired all the shares of Pioneer Permanent Building Society Limited ("Pioneer") for $46.6 million in a combination of cash and ordinary shares in the Bank. Pioneer is a provider of financial services and in the 9 months to 31 August 2007 contributed an after tax profit of $2.4m. If the acquisition had occurred on 1 September 2006, management estimates that consolidated total operating income would have been $503.7 million and consolidated profit would have been $133.0 million for the year ended 31 August 2007.

Details of the acquisition were as follows:

	Recognised values on acquisition $m	Pre-acquisition carrying amounts $m
Cash	16.2	16.2
Loans and advances	341.4	341.4
Other financial assets	133.5	133.5
Property, plant and equipment	4.2	4.2
Other assets	4.8	4.8
Deferred tax assets	0.8	0.1
Intangible assets	-	2.0
Deposits	(456.3)	(456.3)
Borrowings including subordinated notes	(16.6)	(16.6)
Current tax liabilities	(0.1)	(0.1)
Accounts payable and other liabilities	(6.2)	(6.2)
Provisions	(6.1)	(6.1)
Net identifiable and liabilities	15.6	16.9
Customer contracts recognised on acquisition	7.0	
Goodwill on acquisition	24.0	
Total Consideration	46.6	
Consideration paid, satisfied in Bank ordinary shares	23.2	
Consideration paid, satisfied in cash *	23.4	
Cash acquired	(16.2)	
Net cash outflow	7.2	

* *Includes incidental costs of $1.1 million.*

35. Related parties information

Controlled entities

Details of interests in controlled entities are set out at Note 34.

During the year there have been transactions between the Bank and all its controlled entities. The Bank conducted normal banking business with its operating controlled entities. Amounts owing to or from controlled entities do not attract interest, except in respect of Queensland Electronic Switching Pty Ltd, BOQ Equipment Finance Limited, Pioneer Permanent Building Society Limited and Home Building Society Ltd where interest is charged on normal terms and conditions.

The Bank receives management fees from B.Q.L. Management Pty Ltd, B.Q.L. Properties Limited, BOQ Equipment Finance Limited and Home Building Society Ltd. The Bank pays management fees to Home Building Society Ltd.

36. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

- B.Q.L. Properties Limited; and
- BOQ Equipment Finance Limited.

It is a condition of the Class Order that the Bank and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Bank guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Bank will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Bank is wound up.

The subsidiaries to the Deed are:

- B.Q.L. Properties Limited;
- BOQ Equipment Finance Limited;
- B.Q.L. Management Pty Ltd;
- Queensland Electronic Switching Pty Ltd;
- B.Q.L. Nominees Pty Ltd;
- Electronic Financial Solutions Pty Ltd; and
- BOQ Wealth Management Pty Ltd.

A consolidated Income Statement and consolidated Balance Sheet, comprising the Bank and its controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 August 2008 is set out as follows:

SUMMARISED INCOME STATEMENT AND RETAINED PROFITS

	Consolidated	
	2008 $m	2007 $m
Profit before tax	182.6	182.1
Less: Income tax expense	47.9	54.0
Profit for the year	134.7	128.1
Retained profits at beginning of year	152.0	99.8
Dividends to shareholders	(98.1)	(68.7)
Equity settled transactions and transfers	4.2	(7.2)
Retained profits at end of year	192.8	152.0
Attributable to:		
Equity holders of the parent	134.7	128.1
Profit for the year	134.7	128.1

36. Deed of cross guarantee (continued)

BALANCE SHEET

As at 31 August 2008

	Consolidated	
	2008 $m	2007 $m
Assets		
Cash and liquid assets	242.9	227.2
Due from other financial institutions	133.0	93.9
Other financial assets	2,931.1	1,506.0
Derivative financial instruments	22.4	35.2
Loans and advances at amortised cost	21,161.3	17,294.6
Shares in controlled entities	660.3	60.1
Property, plant and equipment	18.3	16.6
Other assets	179.1	144.2
Intangible assets	100.9	98.9
Total assets	25,449.3	19,476.7
Liabilities		
Due to other financial institutions	135.6	121.5
Deposits	17,786.1	12,304.5
Derivative financial instruments	56.5	61.0
Accounts payable and other liabilities	230.3	210.3
Current tax liabilities	0.3	21.2
Provisions	12.7	12.3
Deferred tax liabilities	15.4	14.7
Borrowings including subordinated notes	818.5	1,621.1
Amounts due to controlled entities	4,708.6	4,253.8
Total liabilities	23,764.0	18,620.4
Net assets	1,685.3	856.3
Equity		
Issued capital	1,439.4	615.7
Reserves	53.1	88.6
Retained profits	192.8	152.0
Total equity	1,685.3	856.3

37. Events subsequent to balance date

Dividends have been declared after 31 August 2008, refer to Note 7.

The financial effect of the above transactions have not been brought to account in the financial statements for the year ended 31 August 2008.

On 18 December 2007, the Bank acquired all the shares of Home and its subsidiaries. On 18 September 2008, the Australian Prudential Regulation Authority issued a Voluntary Transfer Approval under the Financial Sector (Business Transfer and Group Restructure) Act 1999 ("the Act") in respect of the partial transfer ("the transfer") of business from both Home and Statewest Financial Services Limited to the Bank.

All customers' accounts were successfully transferred to the Bank on 21 September 2008.

38. Investments accounted for using the equity method

The Consolidated Entity's share of profit in its equity accounted investees for the year was $1.3m (2007: nil).

The principal activity of the joint venture entities is land subdivision, development and sale. Details of material interest in joint ventures are as follows:

	Percentage Ownership Interest	
	2008 (%)	2007 (%)
Ocean Springs Pty Ltd (Brighton)	9.31	-
Dalyellup Beach Pty Ltd (Dalyellup)	17.08	-
Wanneroo North Pty Ltd (The Grove)	21.42	-
East Brusselton Estate Pty Ltd (Provence)	25.00	-
Coastview Nominees Pty Ltd (Margaret River)	5.81	-
Satterlley Austin Cove Pty Ltd (Austin Cove)	4.18	-

The above companies are proprietary companies incorporated in Australia. There were no impairment losses relating to the investment in joint ventures and no material capital commitments relating to the joint ventures.

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the consolidated entity and fair value adjustments on acquisition is contained in the table below.

	2008 $m	2007 $m
Balance Sheet		
Current assets	298.4	-
Non-current assets	31.3	-
Total assets	329.7	-
Current liabilities	86.3	-
Non-current liabilities	7.5	-
Total liabilities	93.8	-
Net assets	235.9	-
Profit and Loss		
Revenues	99.2	-
Expenses	40.6	-
Profit / (Loss)	58.6	-

Director's Declaration

1 In the opinion of the Directors of Bank of Queensland Limited ("the Bank"):

(a) the financial statements and notes, including the remuneration disclosures that are contained in the Remuneration report of the Directors' report, set out on pages 20 to 108 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Bank and Consolidated Entity as at 31 August 2008 and of their performance, for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2 (a);

(c) the remuneration disclosures that are contained in the Remuneration report of the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001; and

(d) there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable.

2 There are reasonable grounds to believe that the Bank and the Controlled Entities identified in Note 34 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Bank and those Controlled Entities pursuant to ASIC Class Order 98/1418.

3 The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 August 2008.

Signed in accordance with a resolution of the Directors:

Neil Summerson

Chairman

David Liddy

Managing Director

Dated at Brisbane this ninth day of October 2008

KPMG

Report on the financial report

We have audited the accompanying financial report of Bank of Queensland Limited (the "Bank"), which comprises the Balance Sheets as at 31 August 2008, and the Income Statements, Statements of Recognised Income and Expense and Statements of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 38 and the Directors' declaration of the Consolidated Entity comprising the Bank and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Bank are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2 (a), the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Consolidated Entity and the Bank, comprising the financial statements and notes, comply with International Financial Reporting Standards.

The Directors of the Bank are also responsible for the remuneration disclosures contained in the Directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Bank's and the Consolidated Entity's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) The financial report of Bank of Queensland Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Bank's and the Consolidated Entity's financial position as at 31 August 2008 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) The financial report of the Consolidated Entity and Bank also comply with International Financial Reporting Standards as disclosed in note 2 (a).

KPMG, an Australian partnership, is part of the KPMG International network.

KPMG International is a Swiss cooperative.

KPMG

Report on the remuneration report

We have audited the Remuneration Report included in pages 25 to 41 of the Directors' report for the year ended 31 August 2008. The Directors of the Bank are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A for the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Bank of Queensland Limited for the year ended 31 August 2008, complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

John Teer

Partner

Brisbane, 9 October 2008

KPMG, an Australian partnership, is part of the KPMG International network.

KPMG International is a Swiss cooperative.

As at 26 September 2008, the following shareholding details applied:

1. Twenty largest ordinary shareholders

Shareholder	No. of ordinary shares	%
HSBC Custody Nominees (Australia) Limited	16,439,085	10.96
Linfox Share Investment No2 Pty Ltd (1)	11,800,257	7.87
National Nominees Limited	6,817,422	4.55
J P Morgan Nominees Australia Limited	5,510,937	3.68
Milton Corporation Limited	4,582,333	3.06
ANZ Nominees Limited	3,912,648	2.61
Abned Nominees Pty Limited	1,249,157	0.83
Citicorp Nominees Pty Limited	1,105,783	0.74
Warbont Nominees Pty Ltd	1,065,399	0.71
Washington H Soul Pattinson and Company Limited	918,035	0.61
Challenger Managed Investments Limited	859,000	0.57
Mr David Paul Liddy	822,649	0.55
Choiseul Investments Limited	812,208	0.54
Cogent Nominees Pty Limited (2)	688,000	0.46
Australian Executor Trustees Limited	620,534	0.41
UBS Nominees Pty Ltd	596,625	0.40
Cogent Nominees Pty Limited	546,258	0.36
Australian Reward Investment Alliance	516,553	0.34
Argo Investments Limited	460,147	0.31
The Manly Hotels Pty Limited	369,797	0.25
Total	59,692,827	39.81

(1) Fox Group Holdings Pty Ltd
(2) SL non cash Collateral Account

Voting rights

On a show of hands every person present who is a holder of ordinary shares or a duly appointed representative of a holder of ordinary shares has one vote, and on a poll each member present in person or by proxy or attorney has one vote for each share that person holds.

2. Twenty largest RePS shareholders

Shareholder	No. of REPS shares	%
ANZ Nominees Limited	31,464	6.67
Milton Corporation Limited	15,598	3.31
Taverner No 11 Pty Ltd	8,250	1.75
Argo Investments Limited	7,500	1.59
National Nominees Limited	6,050	1.28
Questor Financial Services Limited	5,859	1.24
Citicorp Nominees Pty Limited	5,775	1.22
Choiseul Investments Limited	5,000	1.06
Cogent Nominees Pty Limited	4,201	0.89
Mr Kevin Joseph Troy & Mrs Dawn Troy	3,495	0.74
Mrs Eily Dawn Campbell	3,000	0.64
Laidlaw Family Investments Pty Ltd	3,000	0.64
Miss Joan Sorrell Norris	3,000	0.64
Trustees of the Diocese of Tasmania	2,962	0.63
Mr Alan Muir Greenfield & Mrs Dawn Marjorie Greenfield	2,800	0.59
Mleq Nominees Pty Ltd	2,720	0.58
BT Portfolio Services Limited	2,595	0.55
Driscoll Securities Pty Ltd	2,500	0.53
Uniting Church in Australia Property Trust (WA)	2,500	0.53
The Invergowrie Foundation	2,385	0.51
Total	120,654	25.59

Voting rights

The RePS do not give the holders any voting rights at any general shareholders meetings, except in certain circumstances.

3. Twenty largest S1RPS shareholders

Shareholder	No. of S1RPS shares	%
J P Morgan Nominees Australia Limited	163,500	25.25
CS Fourth Nominees Pty Ltd	109,958	16.98
ANZ Nominee Limited	91,357	14.11
UBS Nominees Pty Ltd	63,633	9.83
Citicorp Nominees Pty Limited	49,164	7.59
Citicorp Nominees Pty Limited (1)	20,026	3.09
Merrill Lynch (Australia) Nominees Pty Limited	17,600	2.72
The Australian National University	15,000	2.32
Goldman Sachs JBWere Capital Markets Ltd	14,779	2.28
Netwealth Investments Limited (2)	10,315	1.59
M F Custodians Ltd	8,216	1.27
Netwealth Investments Limited (3)	7,240	1.12
National Nominees Limited	7,000	1.08
RBC Dexia Investor Services Australia Nominees Pty Limited	6,611	1.02
Argo Investments Limited	5,000	0.77
Cambooya Pty Limited	5,000	0.77
Taverner No 11 Pty Ltd	5,000	0.77
M & J Superannuation Fund Pty Ltd	4,600	0.71
Elise Nominees Pty Limited	4,000	0.62
Faete Holdings Pty Limited	3,540	0.55
Total	611,539	94.44

(1) CFSIL CFS WS ENH Yield Account
(2) Super Services Account
(3) Wrap Services Account

Voting rights

The S1RPS do not give the holders any voting rights at any general shareholders meetings, except in certain circumstances.

4. Twenty largest PEPS shareholders

Shareholder	No. of PEPS shares	%
J P Morgan Nominees Australia Limited	188,460	9.42
Milton Corporation Limited	50,000	2.50
RBC Dexia Investor Services Australia Nominees Pty Limited (1)	46,568	2.33
HSBC Custody Nominees (Australia) Limited	45,854	2.29
Domer Mining Co Pty Ltd	32,200	1.61
P Ilhan Investments Pty Ltd	26,100	1.31
Australian Executor Trustees Limited	19,914	1.00
Cogent Nominees Pty Limited	18,000	0.90
Count Financial Limited	18,000	0.90
Avanteos Investments Limited	17,812	0.89
RBC Dexia Investor Services Australia Nominees Pty Limited (2)	12,679	0.63
FJP Pty Ltd	10,663	0.53
Corlette Holdings Pty Ltd	10,000	0.50
Eastcote Pty Ltd	10,000	0.50
F & B Investments Pty Limited	10,000	0.50
Presbyterian Church of Victoria Trusts Corporation	10,000	0.50
Mr Kevin Albert Thompson	10,000	0.50
ANZ Nominees Limited	9,255	0.46
Equity Trustees Limited	9,100	0.46
Baptist Investments and Finance Ltd	8,546	0.43
Total	563,151	28.16

(1) MLCI Account
(2) NMSMT Account

Voting rights

The PEPS do not give the holders any voting rights at any general shareholders meetings, except in certain circumstances.

5. Distribution of equity security holders

	Ordinary shares		RePs		S1RPS		PEPS	
Category	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
1 - 1,000	64,545	24,181	1,170	1,182	70	76	4,169	-
1,001 - 5,000	16,845	14,669	50	48	12	10	142	-
5,001 – 10,000	1,752	1,574	5	4	4	5	20	-
10,001 – 100,000	878	792	2	2	8	9	11	-
100,001 – and over	52	54	-	-	2	1	1	-
Total	84,072	41,270	1,227	1,236	96	101	4,343	-

The number of ordinary shareholders holding less than a marketable parcel is 4,178.

The number of reset preference shareholders holding less than a marketable parcel is 3.

The number of series 1 reset preference shareholders holding less than a marketable parcel is 96.

The number of perpetual equity preference shareholders holding less than a marketable parcel is 1.

6. Partly Paid Shares

There are no partly paid shares.

7. The names of substantial shareholders in the Bank and the number of shares in which each has an interest as disclosed in substantial shareholder notices given to the Bank are:

Substantial shareholders	No. of ordinary shares in which interest is held (at date of notification)	Date of notification
Linfox Share Investment No.2 Pty Ltd	11,800,257	19 May 2004
BRED Banque Et Populaire	15,693,744	8 July 2008

8. Stock exchange listing

The shares of Bank of Queensland Limited ("BOQ"), RePS ("BOQPA"), S1RPS ("BOQPB") and PEPS ("BOQPC") are quoted by the Australian Securities Exchange.

9. Options

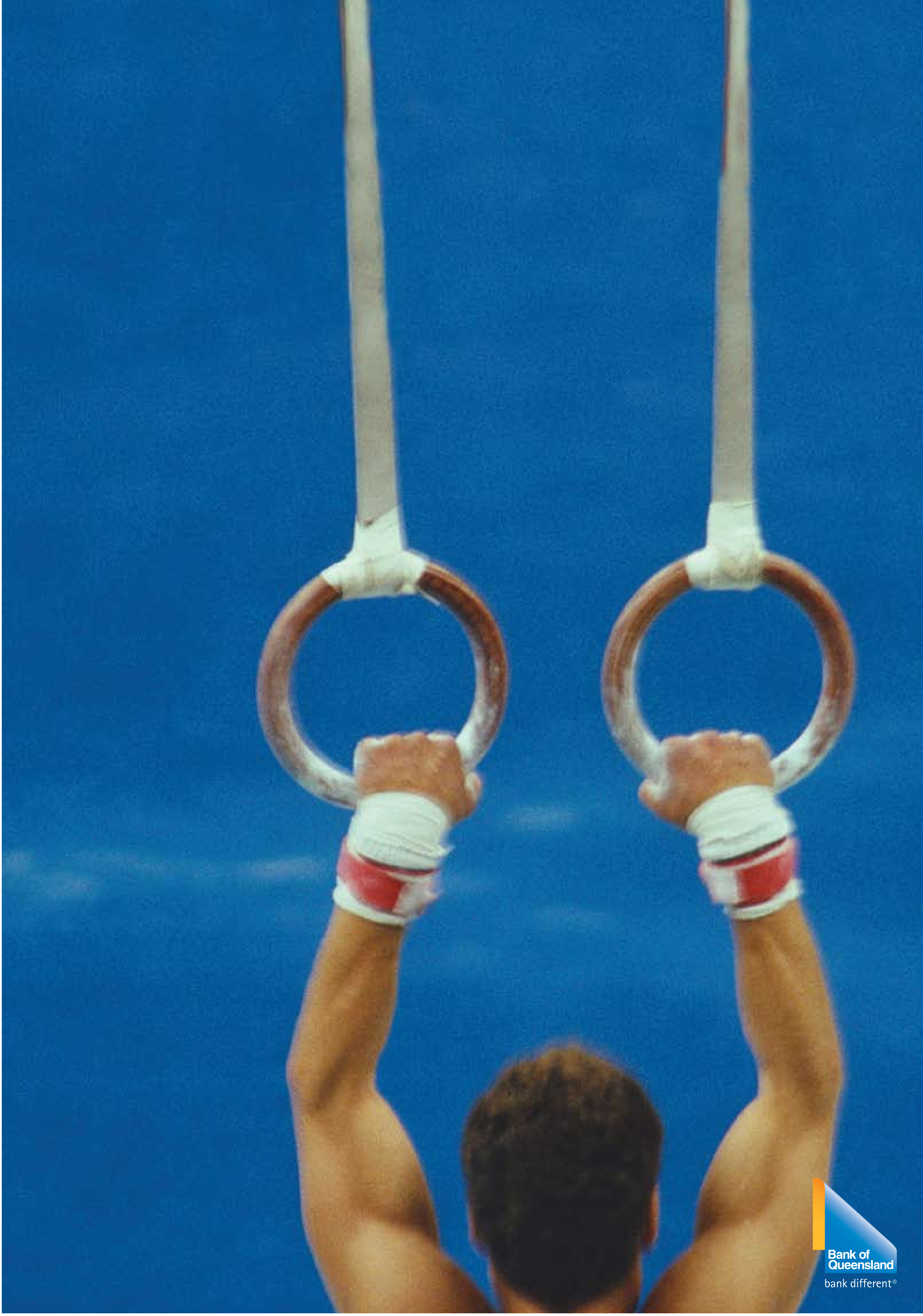
At 31 August 2008 there were options over 9,957,338 (2007: 10,263,375) unissued ordinary shares. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

10. On market buy-back

There is no current on market buy-back.

11. Other information

Bank of Queensland Limited is a publicly listed company limited by shares and is incorporated and domiciled in Australia.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