



Your own personal bank

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## ASX RELEASE

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### BOQ responds to Moody's ratings change

Moody's Investor Service has today announced a downgrade of BOQ's rating from A3 to Baa1.

Ratings affected by this downgrade are the Bank's senior unsecured debt rating to Baa1 from A3, subordinated debt rating to Baa2 from Baa1, preference stock rating to Ba2(hyb) from Ba1(hyb) and Bank Financial Strength Rating affirmed at C- (its stand-alone rating, which maps to a Baa2 from Baa1 on the long-term ratings scale). BOQ's short-term rating was affirmed at Prime-2 and the outlook on all ratings is Stable.

BOQ Managing Director and Chief Executive Officer Stuart Grimshaw said "While we are obviously disappointed that Moody's has chosen to downgrade the Bank's rating, we are pleased they have recognised the many positive actions the Bank is taking, including:

- A new Executive Leadership Team with significant experience to drive restructure and growth
- A reduction in expensive government guaranteed debt through significant recent buybacks – addressing our funding profile
- A boost in capital through a \$450m capital raising earlier this year, bringing BOQ's capital adequacy in line with our banking peers.
- Strengthened provisioning to problem loans at market leading levels
- Recent REDS EHP 2012-1 deal that raised \$700m
- Sale of three of our largest impaired loans to Goldman Sachs (announced earlier today).

Mr Grimshaw said Moody's had largely attributed the downgrade to the weak state of the economy in south-east Queensland and depressed property market; and the earnings challenges faced by Australia's regional banks generally.

"These are challenging times for all banks impacted by the changing environment in which we operate, but I am confident in our leadership team and the actions BOQ is taking to improve operating efficiencies and leverage growth opportunities.

"BOQ remains a well capitalised Australian bank with a strong funding and liquidity position."

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