

RATINGS RELEASE

AGUSTO & CO ASSIGNS RATING OF 'Aa-' TO GTBANK SERIES 1 BOND

Guaranty Trust Bank Plc's ("The Bank", "GTBank" or "the Issuer") up to NGN 100 billion Senior Unsecured Bond ("the Bond" or "the Issue") has been assigned a rating of "Aa-" by Agusto & Co. Ltd. The Bond, which is the first tranche of the Bank's NGN200 billion Debt Issuance Programme has been adjudged to offer high safety of timely payment of interest and principal to bondholders. Our rating is validated by the Issuer's good industry position, strong brand, adequate capitalization, good liquidity profile and an experienced management team.

As at 30 June 2009, the Bank's total assets and contingents stood at NGN1.24 trillion. Asset quality was impaired by a sharp rise in non-performing loans (NPL) (and resultant provisioning), following a special regulatory audit in mid-2009. NPL rose by 198% to NGN22 billion, resulting in an NPL to TL ratio of 3.7%. Nonetheless, GTBank's NPL to TL ratio is much better than that of its selected peers and the industry average. Furthermore, its provisioning for these classified credits is good, with coverage of 147% as at half year end, well in excess of the minimum stipulated by prudential guidelines and other regulatory edicts. The key challenge for the Bank is ensuring that there is no significant asset deterioration in the coming years.

Rising funding costs and a significant increase in charge-offs (by over 500%) impaired the Bank's profitability in the half-year ended 30 June 2009. Operating expenses as a percentage of net earnings rose to 69% as at half-year end; up from 51% recorded during the 10 month period ended 31 December 2008. Despite this deterioration, GTBank's cost to income ratio compares well to that of its selected peers. The Bank's annualized pre-tax return on average assets (ROA) and equity (ROE) declined to 1.6% and 11% respectively, down from the 3.5% and 24% recorded in the previous 10 month period. Nonetheless, the Bank still performed better than its selected peers and the industry on average. We consider the charge-offs recorded in the period under review to be exceptional circumstances, and expect future earnings to improve in the short to medium term. Interest payments on the Bond are not expected to exceed 10% of the Bank's projected net earnings over the medium term, indicating ample ability of the Issuer to service interest payments over the tenor of the Bond. The Bond's proceeds are expected to deepen GTBank's funding profile, and we believe the Bank can adequately support its expected long term debt obligations. In our view, the Bank's liquidity profile is good and we consider its ability to refinance to be assured.

With a Basle Ratio of 20% as at half-year end, GTBank's capitalization is adequate for the level of risk assumed. We do not expect its Basle Ratio to fall below the regulatory minimum throughout the life of this Bond. GTBank's market share is good on most of our indicators, and we expect the Bank to take advantage of the difficulties and loss of market share being experienced by some of its competitors. GTBank's ability to sustain its Issue rating depends on its ability to improve its asset quality and enhance earnings over the tenor of the Bond.

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