



BANKGUAM HOLDING COMPANY

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PRESS RELEASE

BANKGUAM HOLDING COMPANY AND BANK OF GUAM DISAGREE WITH FITCH RATINGS

Hagåtña, Guam – Over the past fourteen years, Bank of Guam has engaged the services of Fitch Ratings Ltd. to assess the Bank’s financial condition and performance, and to assign short- and long-term ratings based upon those assessments.

BankGuam Holding Company and Bank of Guam decided as of April 2, 2014, to terminate its Rating Service Agreement with Fitch Ratings, to be effective upon the expiration of the Agreement on December 31, 2014, and provided formal notification of that decision to Fitch. Subsequently, on December 3, 2014, Fitch Ratings published a notification in Bloomberg’s “Business Wire” of its “plans to withdraw its ratings on BankGuam Holding Company (BGHC) and Bank of Guam on or about Jan. 5, 2015, for business reasons.”

Despite the termination of its Rating Service Agreement and its plans to withdraw its ratings, Fitch Ratings issued a press release on Friday, February 6, 2015, entitled “Fitch Downgrades and Withdraws BankGuam Holding Company & Bank of Guam’s Long-Term ‘BBB-‘ IDRs,” indicating that the “rating Outlook was revised to Stable from Negative” . . . and that the “ratings are being withdrawn for commercial reasons.” Actually, much of the content of the Fitch press release appears to contradict one of its initial statements regarding “Key Rating Drivers”: “BGHC ‘BBB-‘ Issuer Default Rating (IDR) and Viability Rating (VR) reflect its solid franchise and deposit base in Guam as well as relatively stable performance through the cycle.”

Nonetheless, BankGuam Holding Company and Bank of Guam disagree with several aspects of the Fitch release. Bank of Guam’s central disagreement is due to their statement that, “[t]he large reduction to capital was outside of Fitch’s expectation for capital management.” In fact, Bank of Guam’s capital was not reduced at all. It increased by \$4.6 million (4.9%) during the first nine months of 2014, and over the past five years the Bank’s capital has increased from \$84.4 million in 2010 to \$98.4 million at the end of September 2014, with the increase generated internally through its retention of earnings.

The Fitch release notes that, “The downgrades reflect lower capital ratios year over year . . .” We acknowledge that our capital ratios have been trending downward. This is primarily attributed to the substantial increase (\$253.7 million, or 21.4%) in our customer deposit base during the first nine months of 2014, continuing the rapid growth of \$547.8 million (61.6%) in deposits from 2010 through September 30, 2014, to \$1.44 billion. That increase led to a significant increase in our cash balances at the Federal Reserve Bank and in our investments in U.S. Gov’t securities, which put downward pressure on our capital ratios.

Regardless of this rapid expansion in assets, the Holding Company and the Bank continue to exceed the well capitalized standards under each of the three regulatory capital ratios used by the U.S. Federal Deposit Insurance Corporation (FDIC) and the U.S. Federal Reserve in assessing banks' safety and soundness.

The Fitch release neglects to mention that the "strong out of market loan growth" is in the Bank's California region, a market in which Bank of Guam has operated a branch for more than 30 years. The release states that, "Fitch believes BGHC's mainland growth could lead to asset quality metrics that are weaker than the company's historically solid levels." The Bank finds no basis for this belief, since the asset quality of the California loan portfolio is particularly strong, and it continues to perform exceptionally well.

The request of BankGuam Holding Company and Bank of Guam that Fitch Ratings Ltd. reconsider the content of its press release, in light of the facts presented above, was ignored. For that reason, BGHC and Bank of Guam have provided this information so that our depositors, our stockholders, the regulatory agencies and the financial markets will understand the Bank's and the Holding Company's financial condition and performance more clearly than the Fitch Ratings press release would allow.

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For more information, please contact Ms. Lourdes Leon Guerrero, President and Chair of the Board for both BGHC and Bank of Guam, at (671) 472-5271.