

GUARANTY TRUST HOLDING COMPANY PLC

Revenue slowdown and higher taxes drove PAT weakness

Guaranty Trust Holding Company Plc (NGX: GTCO – TP: N159.65), in its audited H1'26 results reported a modest growth of 0.4% YoY in Profit Before Tax (PBT) to N603.0 billion with the sharp decline in loan impairment (-65.9% YoY) alongside a tamer increase in Operating Expense (+7.3% YoY) cushioning underlying weakness in key revenue lines. However, the higher Effective Tax Rate (ETR) of 31.3% (vs 25.3% in H1'25) weighed on Profit After Tax (PAT) which printed at N414.2 billion (-7.8% YoY), in the period.

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Gross earnings increased marginally by 3.2% YoY to N1.1 trillion having delivered a modest growth of 7.5% YoY in interest income and a 12.0% YoY decline in Non-Interest Revenue (NIR).

For specifics, the modest growth in interest income to reach N873.4 billion largely reflects the 1.4ppts decline in asset yields to 13.7% in H1'26. Notably, c.66.0% of interest income came from placements and investment securities, with the 34.0% from loans highlighting the muted loan growth (+0.5% YtD) in the period. The Group's funding costs rose by 24.2% YoY to N223.8 billion, largely driven by the trifecta of (i) a 11.3% YoY expansion in customer deposits to N13.2 trillion, (ii) a 78.4% YoY jump in term deposits, and (iii) a 6.2ppts YoY moderation in the CASA ratio to 81.7%. Although, cost of funds were contained at 3.3%. Ultimately, Net Interest Income (NII) grew marginally by 2.7% YoY to N649.6 billion, translating to a lower Net Interest Margin (NIM) of 10.2% (vs 11.7% in H1'25).

Elsewhere, NIR fell by 12.0% YoY, pressured by unrealised fair value loss of N46.2 billion (+960.1% YoY). Also, net fee & commission income declined by 9.0% YoY to N123.0 billion following significantly lower commission on touch points (-90.7% YoY)— likely a consequence of the bank's zero merchant service charge strategy on all GTBank POS terminals. Despite the underlying weakness in operating income, Cost to Income Ratio (CIR) remained healthy at 32.1% (albeit higher than the 29.5% of H1'25).

Loan impairment charge (-65.9% YoY) was notably lower, following the material decline in Stage 2 impairments (-97.8% YoY), and also consistent with the Group's healthy asset quality: NPL ratio at 4.6% (vs 5.7% in H1'25 and 5.3% in FY'25). Accordingly, Cost of Risk (CoR) fell sharply to 1.2% in H1'26 from 3.4% in the prior period.

Overall, profitability ratios — annualised ROAA and ROAE both printed lower at 4.6% (vs 5.7% in H1'25) and 24.6% (vs 31.5% in H1'25), respectively. Earnings per share (EPS) printed at N11.18 kobo (-17.7% YoY), upon which an interim dividend of N1.00 was proposed (9.0% payout ratio).

H1'26 Earnings breakdown

N'billions	H1'26	H1'25	YoY	FY'26E	% of FY'26E
Gross Earnings	1,107.5	1,072.7	3.2%	2,589.2	42.8%
Interest income	873.4	812.4	7.5%	1,999.4	43.7%
Interest expense	(223.8)	(180.1)	24.2%	(445.3)	50.3%
Net interest income	649.6	632.2	2.7%	1,554.0	41.8%
Loan impairment charges	(18.7)	(55.0)	-65.9%	(29.6)	63.3%
Non-interest income	214.7	244.0	-12.0%	589.8	36.4%
Net impairment reversals on financial assets	34.9	38.1	-8.5%	N/A	N/A
Operating expenses	(277.4)	(258.5)	7.3%	(578.8)	47.9%
Profit before tax	603.0	600.9	0.4%	1,535.4	39.3%
Income tax expense	(188.8)	(151.9)	24.3%	(429.9)	43.9%
Profit for the period	414.2	449.0	-7.8%	1,105.5	37.5%

Ratio Analysis

Net-interest margin (NIM)	10.2%	11.7%
Cost-of-risk (CoR)	1.2%	3.4%
Cost to income (CIR)	32.1%	29.5%
Annualised ROAA	4.6%	5.7%
Annualised ROAE	24.6%	31.5%
EPS (Naira)	11.18	13.59
P/B	1.4x	
10-yr average P/B	1.2x	

Q2'26 Earnings breakdown

N'billions	Q2'26	Q2'25	YoY	Q1'26	QoQ
Gross Earnings	536.1	549.4	-2.4%	571.4	-6.2%
Interest income	406.4	415.0	-2.1%	467.0	-13.0%
Interest expense	(113.1)	(100.9)	12.1%	(110.7)	2.1%
Net interest income	293.3	314.1	-6.6%	356.3	-17.7%
Loan impairment charges	(10.8)	(41.5)	-74.0%	(7.9)	35.5%
Non-interest income	120.8	126.0	-4.1%	93.9	28.6%
Net impairment reversals on financial assets	35.0	38.2	-8.2%	(0.2)	NM
Operating expenses	(138.2)	(136.1)	1.6%	(139.2)	-0.7%
Profit before tax	300.1	300.6	-0.2%	302.9	-0.9%
Income tax expense	(104.1)	(109.5)	-5.0%	(84.8)	22.8%
Profit for the period	196.1	191.1	2.6%	218.1	-10.1%

Source: CapIQ, NGX, CardinalStone Research

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