

GUARANTY TRUST HOLDING COMPANY PLC

BLOOMBERG: GTCO NL

BUY

Target Price: N128.63

Ref Price: N90.05

Rebuilding operating income momentum in FY'26

For FY'25, we now expect Guaranty Trust Holding Company Plc (GTCO) to report a 4.8% YoY decline in Profit Before Tax (PBT) and a 6.4% YoY decline in Profit After Tax (PAT) to N1.2 trillion and N952.8 billion, respectively. Our revised forecasts reflect a lower operating income estimate of N1.7 trillion (vs. N2.0 trillion previously), following softer-than-expected earnings in spite of milder increases in operating and income tax expenses in Q3'25.

However, reaffirming our constructive five-year outlook for GTCO, we expect renewed loan growth momentum to underpin sustained expansion in Net Interest Income (NII) across the forecast horizon. A larger loan book should also support Non-Interest Revenue (NIR) growth through higher credit-related fees and commissions, while efficient capital deployment is poised to strengthen digital capabilities and drive electronic banking income. As such, we now estimate a 5-year operating income CAGR of 16.2% (vs. 12.1% previously) and a 5-year earnings CAGR of 14.9% (vs. 10.1% previously).

On valuation, we have reduced our equity risk premium to 13.8% (from 14.3%). We also consider the potential re-inclusion of Nigeria to Frontier Market status by FTSE Russell, which could trigger a re-rating of GTCO toward valuation levels more consistent with its EMEA peers. All in, we revise our 12-month Target Price ("TP") to N128.63 and maintain our BUY rating on the counter.

We target a FY'25E Earnings Per Share (EPS) of N25.81

Our operating income estimate has been revised downward to N1.7 trillion (from N2.0 trillion) following softer-than-expected Net Interest Income (NII) and Non-Interest Revenue (NIR) prints in Q3'25, which respectively reflected sticky cost of funds and fair value losses.

For NII, we forecast an 18.5% YoY increase to N1.3 trillion in FY'25, reflecting our expectations for cost of funds to remain sticky at 3.2%. This follows the 27.7% YtD expansion in term deposits to N1.6 trillion in 9M'25, which reduced CASA ratio slightly to 86.4% (vs. 87.4% in FY'24). On NIR, we maintain our view that revaluation gains will be minimal through H2'25, amid the risk of fair value losses on dollar-denominated financial instruments—particularly equity holdings that may be adversely impacted by further Naira appreciation. These potential losses could offset the momentum in fee & commission income. As a result, we further lower our NIR estimate to N463.4 billion, translating to a 40.2% YoY decline.

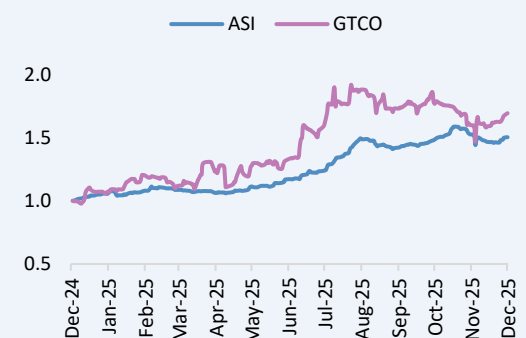
Stephen Chima
stephen.chima@cardinalstone.com

Ngozi Odum
ngozi.odum@cardinalstone.com

Philip Anegebe, CFA
philip.anegebe@cardinalstone.com
(Team lead)

Market Data	GTCO
Market Cap (N'mn)	2,856,492.2
Last close price (N)	90.05
52-week high-low price (N)	103.20/52.00
Avg 3M daily volume (mn)	25.44

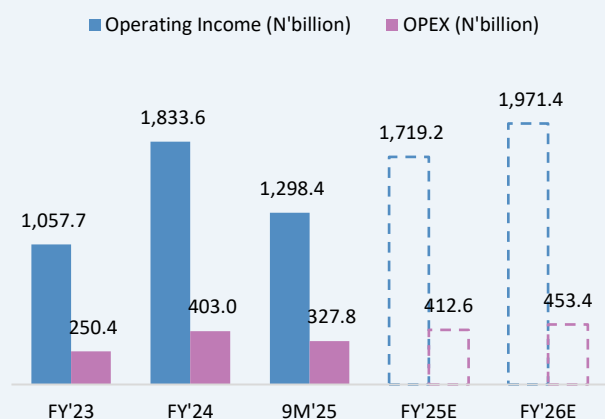
1-year price performance (rebased)



Elsewhere, we expect OPEX to moderate in Q4'25, supported by the sustained easing in headline inflation and the seasonally softer cost profile associated with the second half of the year, given the absence of AMCON charges. Accordingly, we now project a modest 2.3% YoY increase in OPEX to N412.2 billion.

Following the normalisation of income tax expense to N49.3 billion in Q3'25 (-55.0% QoQ) after the Q2 spike, we anticipate a measured rise to N50.18 billion in Q4'25. This expected Q4'25 tax burden suggests a 56.0% YoY decline relative to Q4'24, which was inflated by the N51.2 billion windfall tax in the period. As such, our estimate only translates to a 1.2% YoY increase in income tax expense in FY'25E. We also note that the net impact of the tamer operating income, contained OPEX, and normalised tax burden expectations cascades to a 7.1% YoY decline in PAT to N945.5 billion and a 27.7% YoY decline in EPS to N25.62 that also accounts for the Group's expanded equity share base

Figure 1: Projected Operating income vs OPEX



Source: Company Financials, CardinalStone Research

Sustained efficiencies into FY'26 further bolster outlook

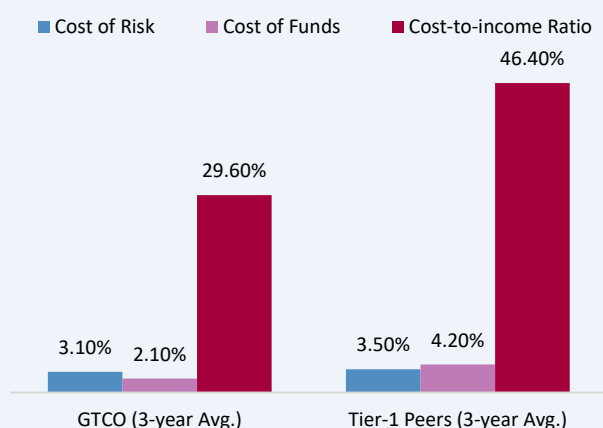
GTCO continues to distinguish itself as Nigeria's most operationally efficient bank, reflected in its consistently superior cost-to-income ratio (CIR), cost of risk (CoR), and cost of funds (CoF) relative to Tier-1 peers in recent years (see Figure 2). We expect this outperformance to persist in FY'26E, supported by the Group's strategy to deepen its retail banking franchise that is helping to attract cheaper and stickier deposits and easing funding pressures amidst a mostly dovish monetary policy cycle.

Technology-driven cost efficiencies, a softening inflation backdrop, and a more stable Naira also underpin our expectation for a moderation in CIR to 23.0% in FY'26 (vs. 24.0% in FY'25E). Meanwhile, GTCO's healthy asset quality and disciplined risk management, combined with an anticipated expansion in the loan book in 2026, barring any exogeneities, support our forecast for a lower CoR of 1.5% in FY'26.

We also project a notable recovery in NIR to N522.1 billion (+12.6% YoY), on the back of sturdy fee-based income and an improved derivative investment play. The assumption for fee-based income is partly supported by an expected positive passthrough of loan book expansion on credit-related fees and growing traction in GTCO's fund management, pensions, and payment verticals. We also view the successful transition of the Group's core banking platform to Finacle as positive for electronic and fee-based income lines amidst the implied better tech-led efficiencies.

On the strength of the above analysis, operating income is set to grow by 14.7% YoY to N2.0 trillion in FY'26. FY'26 bottom-line is also likely to print stronger at N1.1 trillion (+18.8% YoY), with an EPS of N30.65.

Figure 2: Historical CoR, CoF, and CIR vs Tier1 peers



Source: Company Financials, CardinalStone Research

Valuation Summary

The renewed loan growth momentum would be a key catalyst for NII expansion, while growing traction in digital transformation and electronic banking income continues to fuel NIR growth across our forecast horizon. As such, we now estimate a 5-year operating income CAGR of 16.2% (vs. 12.1% previously). This outlook is also supported by the sustained cost efficiencies reflected in our expectations for CIR, CoF and CoR, which have resulted in a 5-year PAT CAGR of 14.9% (vs. 10.1% previously).

Furthermore, we have reduced our equity risk premium to 13.8% (from 14.3%). We also consider the potential re-inclusion of Nigeria to Frontier Market status by FTSE Russell, which could trigger a re-rating of GTCO toward valuation levels more consistent with its MEA peers. All in, we revise our 12-month TP to N128.63 and maintain our BUY rating on the counter. Our new TP portends a potential upside of 42.8% (from the current reference price of N90.05) and represents an exit P/B of 1.1x, slightly below the counter's 10-year mean P/B of 1.2x

Figure 3: Summary table

Income Statement (N'billion)	2024A	2025E	2026E	2027E
Gross Earnings	2,116.8	2,091.3	2,322.3	2,709.1
Interest Income	1,341.8	1,627.5	1,800.2	2,107.5
Interest expense	(283.2)	(372.1)	(350.9)	(368.9)
Net interest income	1,058.6	1,255.4	1,449.3	1,738.5
Non-interest income	775.0	463.8	522.1	601.7
Loan loss provisions	(136.7)	(72.3)	(60.2)	(81.9)
Operating expenses	(403.0)	(412.6)	(453.4)	(538.2)
Net impairment charge on financial assets	(27.7)	(28.3)	(44.1)	(53.3)
PBT	1,266.2	1,206.0	1,413.7	1,666.7
Tax	(248.4)	(253.3)	(282.7)	(333.3)
PAT	1,017.8	952.8	1,131.0	1,333.4
EPS attributable to the equity holders of the parent entity (NGN)	35.4	25.8	30.7	36.1
DPS (NGN)	8.0	8.4	9.2	10.1
Payout ratio	22.7%	32.5%	30.0%	28.0%
Weighted average number of ordinary shares in issue (billion)	28.4	36.4	36.4	36.4

Balance Sheet (N'billion)	2024A	2025E	2026E	2027E
Cash and cash equivalents	4,673.0	5,146.3	6,153.1	7,451.1
Pledged Assets	114.6	77.8	90.9	84.7
Investments Securities	4,148.3	4,920.6	5,187.8	6,448.6
Loans and Advances	2,785.8	3,552.8	4,643.2	5,528.2
Financial & Derivative Assets	59.6	105.3	167.8	203.2
Other Assets	2,684.2	2,761.3	3,065.0	3,684.5
PP&E	330.2	406.9	475.5	575.8
Proceeds from capital raise		157.7	157.7	157.7
Total assets	14,795.7	17,128.7	19,941.0	24,133.8
Customer deposits	10,013.0	11,968.2	13,984.3	16,934.3
Due from banks	388.4	388.4	388.4	542.6
Trading Liabilities	51.2	4.1	4.1	4.1
Other Liabilities	1,134.4	840.7	867.0	1,026.3
Current income tax payable	186.7	145.1	145.1	145.1
Borrowings	310.0	131.9	121.0	103.3
Total liabilities	12,083.7	13,478.4	15,510.0	18,755.8
Shareholders' equity	2,655.3	3,583.0	4,363.8	5,310.8
Minority interests	56.8	67.2	67.2	67.2
Total liabilities & equity	14,795.7	17,128.7	19,941.0	24,133.8

Loan Analysis	2024A	2025E	2026E	2027E
Loan growth	11.7%	25.0%	20.0%	20.0%
Cost of Risk (CoR)	4.9%	2.2%	1.5%	1.7%
NPL ratio	5.2%	4.5%	3.8%	3.0%
NPL Coverage	89.0%	110.0%	110.0%	110.0%

Capital & Liquidity Analysis	2024A	2025E	2026E	2027E
Capital adequacy	39.3%	44.3%	40.5%	38.1%
Liquidity ratio	74.0%	75.3%	73.7%	74.6%

Ratio Analysis	2024A	2025E	2026E	2027E
Asset Yield	16.3%	15.0%	14.1%	13.8%
Cost of Funds (CoF)	3.1%	3.2%	2.6%	2.3%
Net Income Margin (NIM)	12.9%	11.6%	11.4%	11.4%
Cost-to-Income (CIR)	22.0%	24.0%	23.0%	23.0%
PBT Margin %	59.8%	57.7%	60.9%	61.5%
Tax Rate	19.6%	21.0%	20.0%	20.0%

Profitability Analysis	2024A	2025E	2026E	2027E
ROAA	8.3%	6.0%	6.1%	6.1%
ROAE	48.6%	30.0%	28.0%	27.2%

Growth Analysis	2024A	2025E	2026E	2027E
Gross Earnings YoY Growth	80.7%	-1.2%	11.0%	16.7%
Pre-provision operating profit YoY Growth	97.0%	-8.9%	15.3%	18.6%
Impairment charge YoY Growth	32.7%	-47.1%	-16.7%	36.0%
OPEX YoY Growth	60.9%	2.4%	9.9%	18.7%
PBT YoY Growth	107.8%	-4.8%	17.2%	17.9%
PAT YoY Growth	88.6%	-6.4%	18.7%	17.9%
EPS YoY Growth	85.8%	-27.2%	18.8%	17.9%
Total assets YoY Growth	52.7%	15.8%	16.4%	21.0%
Total liabilities YoY Growth	47.1%	11.5%	15.1%	20.9%
Equity YoY Growth	83.4%	34.9%	21.8%	21.7%

Valuation	2024A	2025E	2026E	2027E
P/E (x)	2.4	3.3	2.8	2.3
P/BV (x)	0.9	0.9	0.7	0.6
Dividend Yield	9.5%	9.9%	10.8%	11.9%

Source: Company reports, CardinalStone Research estimates

Note: NGN in billions (except per-share data). Fiscal year ends in December.

*Totals may not add up due to independent rounding

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Sell $< 0.00\%$ expected share price performance with weak fundamentals

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Rating	Buy	Sell	Hold	Negative Watch
% of total recommendations	64%	18%	14%	0%
% with investment banking relationships	0%	0%	0%	0%

CardinalStone Research distribution of ratings/Investment banking relationships as of December 9, 2025

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Company	Disclosure
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