

GUARANTY TRUST HOLDING COMPANY PLC

BLOOMBERG: GTCO NL

NIR weakness drives earnings contraction

Guaranty Trust Holding Plc (NGX: GTCO — TP: UR*), in its H1'25 financial results posted a 50.4% YoY decline in profit after tax (PAT) to N449.0 billion, largely on the back of a sharp decline in Non-Interest Revenue (NIR) to N282.1 billion (-62.9% YoY). Notably, earnings per share (EPS) declined by 57.7% YoY to N13.59, reflecting the relative weakness in earnings and the dilutive impact of the higher weighted average number of shares of 32,470,054,000 (from 28,013,995,000 in the prior period). During the period under review, an interim dividend of N1.00 per share (same as last year) was proposed, implying a payout ratio of 7.4% and a dividend yield of 1.1% on a share price of N90.00.

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Interest income grew by 31.5% YoY to N812.4 billion, sufficient to cushion the impact of a pacier increase of 42.5% in interest expense to N180.1 billion, following a 40bps uptick in cost of funds (CoF) to 3.1%. Therefore, Net Interest Income (NII) increased by 28.6% YoY to N632.2 billion, translating to a Net-Interest Margin (NIM) of 11.7% (slightly lower than 11.9% in H1'24).

On the converse, NIR fell sharply by 62.9% YoY to N282.1 billion, primarily due to the 88.7% decline in other income which emanated from the unrealized fair value loss on financial instrument of N4.36 billion (from a gain of N493.02 billion in H1'24) and a 91.6% decline in unrealized gains on forward transactions to N10.9 billion, in the period.

Elsewhere, given the 28.1% expansion in operating expenses (OPEX) to N258.5 billion, and the 27.0% decline in operating income, cost-to-income ratio (CIR) printed at 28.3% (vs. 16.1% in H1'24). We also note the 20bps uptick in cost of risk (CoR) to 3.4% on the back of a 16.0% increase in loan impairment charge to N55.0 billion. NPLs inched up to print at 4.45% (H1'25: 4.25%).

Overall, the bank's performance translated to tamer profitability metrics, with annualized return on average assets (ROAA) moderating to 9.0% (from 15.0% in H1'24) and annualized return on average equity (ROAE) reducing to 49.6% (from 93.4% in H1'24).

In line with its H1'25 performance, GTCO posted a weak Q2'25 result, with PAT contracting by 57.4% YoY to N191.1 billion. Earnings were pressured by a sharp 55.2% YoY drop in non-interest income, alongside higher funding costs that weighed on net interest income despite solid growth in interest income. Notably, the 138.2% YoY surge in income tax expense to N109.5 billion further exacerbated the decline in profitability during the quarter.

*UR: Under Review

H1'25 Earnings breakdown

| N'billions | H1'25 | H1'24 | YoY | FY'25E | % of FY'25E |
|------------------------------|----------------|----------------|---------------|----------------|--------------|
| Gross Earnings | 1,072.7 | 1,392.5 | -23.0% | 2,172.2 | 49.4% |
| Interest income | 812.4 | 617.9 | 31.5% | 1,639.4 | 49.6% |
| Interest expense | (180.1) | (126.4) | 42.5% | (325.1) | 55.4% |
| Net interest income | 632.2 | 491.5 | 28.6% | 1,314.4 | 48.1% |
| Net Impairment Loss | (55.0) | (47.4) | 16.0% | (65.1) | 84.4% |
| Non-interest income | 282.1 | 761.5 | -62.9% | 532.8 | 52.9% |
| Operating Expenses | (258.5) | (201.8) | 28.1% | (493.0) | 52.4% |
| Profit before tax | 600.9 | 1,003.8 | -40.1% | 1,289.1 | 46.6% |
| Income tax expense | (151.9) | (98.2) | 54.7% | (186.9) | 81.3% |
| Profit for the period | 449.0 | 905.6 | -50.4% | 1,102.1 | 40.7% |
| Ratio Analysis | | | | | |
| Net-interest margin (NIM) | 11.7% | 11.9% | | | |
| Cost-of-risk (CoR) | 3.4% | 3.2% | | | |
| Cost to income (CIR) | 28.3% | 16.1% | | | |
| Annualized ROA | 9.0% | 15.0% | | | |
| Annualized ROE | 49.6% | 93.4% | | | |
| EPS (Naira) | 13.6 | 32.1 | | | |
| P/B | 1.0x | | | | |
| 10-yr average P/B | 1.1x | | | | |

Q2'25 Earnings breakdown

| N'billions | Q2'25 | Q2'24 | YoY | Q1'25 | QoQ |
|------------------------------|--------------|--------------|---------------|--------------|---------------|
| Gross Earnings | 549.4 | 712.2 | -22.9% | 515.5 | 6.6% |
| Interest income | 415.0 | 336.3 | 23.4% | 397.4 | 4.4% |
| Interest expense | (101.1) | (72.0) | 40.4% | (79.0) | 27.9% |
| Net interest income | 313.9 | 264.3 | 18.8% | 318.4 | -1.4% |
| Net Impairment Loss | (41.5) | (33.9) | 22.5% | (13.4) | 209.5% |
| Non-interest income | 164.2 | 366.6 | -55.2% | 118.1 | 39.0% |
| Operating Expenses | (135.8) | (102.5) | 32.6% | (122.7) | 10.8% |
| Profit before tax | 300.7 | 494.5 | -39.2% | 300.4 | 0.1% |
| Income tax expense | (109.5) | (46.0) | 138.2% | (42.3) | 158.7% |
| Profit for the period | 191.1 | 448.5 | -57.4% | 258.0 | -25.9% |

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