

GUARANTY TRUST HOLDING COMPANY PLC

BLOOMBERG: GTCO NL

BUY

Dividend reboot meets earnings momentum

Target Price: N159.65

Ref Price: N130.00

We expect Guaranty Trust Holding Company Plc (GTCO) to extend its positive core earnings momentum into the 2026 financial year. In addition, we see legroom for sturdy growth in Profit Before Tax (PBT) and Profit After Tax (PAT) to N1.5 trillion and N1.1 trillion, respectively, compared to N1.2 trillion and N865.7 billion, apiece, in FY'25. These projections translate to an Earnings Per Share (EPS) of N29.83 (+17.3% YoY) despite the higher total outstanding shares of 36,550,229,514.

Over our five-year forecast horizon, our projections are guided by;

1. Management's sustained capital deployment across placements, investment securities, and loans to maximise asset yields
2. Efficient funding mix (average CASA ratio of 86.3% vs 79.5% for tier 1 peers) and aggressive deposit expansion (mean of 14.2% over forecast horizon) backed by the Group's expanded branch network and PoS strategy.
3. A 5-year mean Net Interest Margin (NIM) of 10.5% vs an average of 9.3% over the last five years, backed by the aforementioned points.
4. Stronger fee-based earnings supported by growth in digital adoption and complemented by the positive traction in the Group's non-banking verticals.
5. The return to the pre-2023 50.0% dividend payout ratio.
6. Cautiously optimistic loan growth, which we expect to average 18.6% over the next half-decade (vs 20.2% previously), given management's continued preference for deploying capital to placements and investment securities.

Meanwhile, we now project a 5-year mean Effective Tax Rate (ETR) of 25.0% (vs 21.0% previously), which has resulted in an average Return on Equity (ROE) forecast of 30.4% over the next five years vs 32.2% across the last five years.

Overall, net adjustments to our model translated to a 12-month Target Price (TP) of N159.65 (from N136.91 previously). This TP implies a potential capital appreciation of 22.8% and an unchanged BUY recommendation on the ticker.

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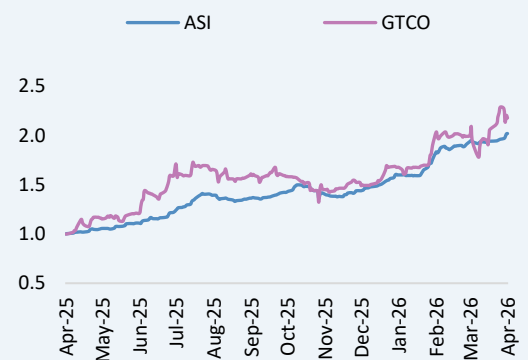
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Market Data

Market Cap (N'mn)	4,751,529.8
Last close price (N)	130.00
52-week high-low price (N)	136.50/59.10
Avg 3M daily volume (mn)	31.81

1-year price performance (rebased)



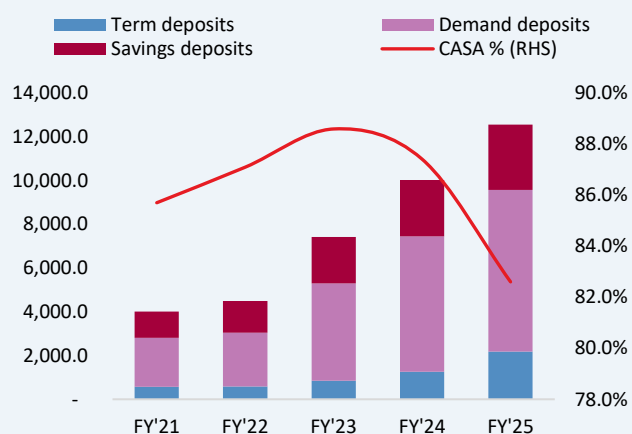
Source: Bloomberg, CardinalStone Research

We see scope for more low-cost funding and strong deposit growth

GTCO's funding profile remains anchored on a robust deposit base, complemented by a high CASA mix which has averaged 86.3% over the last five years. The CASA ratio, however, fell to 82.6% in FY'25 (vs 87.4% in FY'24) following a 73.1% jump in term deposits to N2.2 trillion, which management attributed to placements from asset management AUM flows. We anticipate a strong, albeit cautious, deposit growth of 24.8% (vs management's guidance of 40.0%) to N15.7 trillion and foresee an upward reversal in the CASA ratio in FY'26. This outlook aligns with management's aggressive PoS strategy and expanded branch network across Nigeria, Ghana, the Ivory Coast, and East Africa. GTCO's PoS strategy revolves around a zero-fee initiative designed to support SMEs and boost digital transaction volumes, which serves as a major driver for retail deposit growth.

We also note the 73.5% YoY decline in other borrowed funds in FY'25, reflecting the full repayment of obligations under a cross-currency swap arrangement, further reinforcing the Group's disciplined funding profile. Ultimately, with an improved CASA ratio and continued disciplined funding, we project a 30bps decline in cost of funds (CoF) to 3.0% in FY'26, translating to a measured 13.4% YoY increase in interest expense to N445.3 billion.

Figure 1: Deposit mix (N'billion) and CASA ratio



Source: Company Financials, CardinalStone Research

Increased deployment to placements and investment securities to support NIM in FY'26

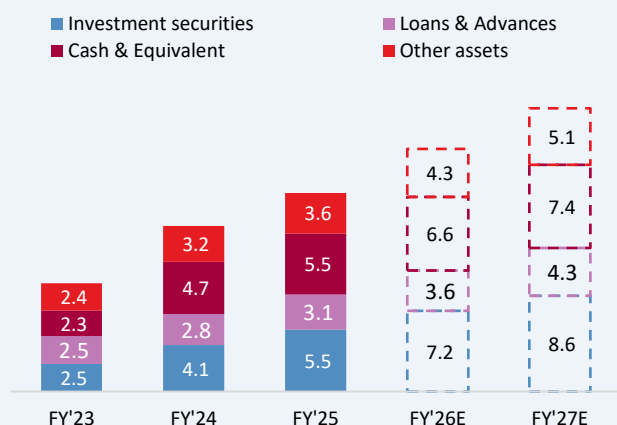
Over the last five years, investment securities have been the predominant driver for interest-earning assets (IEA), which grew at a 5-year CAGR of 34.1%. Notably, within IEA, loans and advances increased by a more modest 13.9% CAGR in the review period. At its recent investor conference call, management indicated its continued preference for deploying capital into placements and investment securities, in line with its focus on optimising asset yields and preserving margins.

With yields on government securities expected to remain sticky through 2026, the Group is likely to retain its strong focus on placements and investment securities. This strategy supports near-term yield optimisation and gains support from lower reinvestment risks linked to expectations of

higher-for-longer yields. As such, we anticipate a 30.3% YoY increase in investment securities in FY'26. This traction should support blended asset yield at 14.2% for the ongoing financial year (vs 14.6% in FY'25), which could cascade to 20.9% YoY rise in interest income to N2.0 trillion.

NIM would likely remain flattish at 11.0% in FY'26, before falling to 10.5% in FY'27E, where monetary policy could become relatively accommodative.

Figure 2: Increased deployment (N'trillion) in placements and investment securities in FY'26E and FY'27E



Source: Company Financials, CardinalStone Research

Robust fee-based earnings to fuel NIR growth in FY'26

The full deployment of earmarked capital into technology investments, aimed at driving digital transformation, underpins our expectations for sustained growth in fee and commission income. With improved digital banking capabilities and rising customer adoption, we anticipate continued strength in electronic banking-related fees, which should remain a key driver for NIR through FY'26. Notably, in FY'25, the Group recorded robust transaction value across its digital channels, including "GTWorld", "POS" and "Pay With Transfer" to the tune of c.N60.0 trillion (vs c.40.4 trillion in FY'24), reflecting stronger user adoption driven by speed and convenience.

Additionally, the accelerated growth in the Group's non-banking subsidiaries— Pensions, Asset Management, and Habari Pay creates an extra layer of support for fee & commission income growth. Interestingly, management has guided that its non-banking subsidiaries should account for 3.0% of the Group's PBT in FY'26 (vs 1.7% in 2025). In line with this view, NIR is projected to reach N589.8 billion (+27.4% YoY) in FY'26, with momentum expected to spill into FY'27 (+21.2% YoY to N715.0 billion).

Higher effective tax expense on lower tax-exempt income

In FY'25, income tax expense rose sharply by 47.0% YoY to N365.3 billion, driving the ETR to a multi-year high of 29.7%. This increase was primarily driven by a significant contraction in tax-exempt income, which declined to N57.2 billion from N195.0 billion in FY'24.

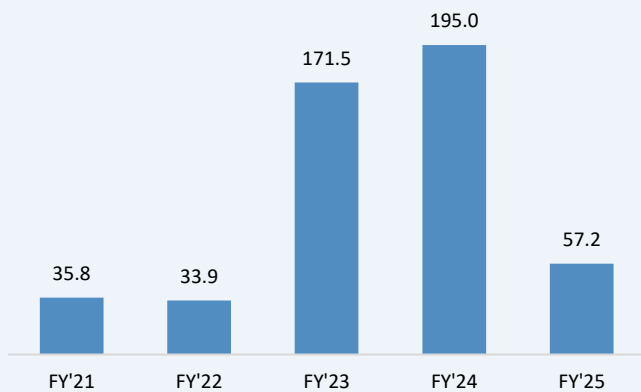
This trend is further aligned with recent directives from Nigeria's tax authorities mandating withholding tax on interest income from short-term securities—including treasury bills, promissory notes, and corporate bonds, etc. Given GTCO's sizeable exposure to treasury bills, which no longer

enjoy tax-exempt status, the implication is a structural upward bias in ETRs. However, management has indicated a potential reallocation toward FGN bonds, which retain tax-exempt status, as part of efforts to moderate tax pressures. In any case, we maintain a cautious view that ETRs will remain elevated over the medium term, as we revise our 5-year average ETR assumption upward to 25.0% (from 21.0% previously).

43.8% Capital Adequacy Ratio supports dividend outlook

The N12.76 total dividend declared for the 2025 financial year represented a 50.2% payout ratio, marking a return to the Group's pre-2023 average. Management has guided that the c.50.0% payout ratio will be sustained in FY'26 and beyond, underscoring its commitment to consistent shareholder returns. In our view, the Group's strong capital position (CAR of 43.8%), which provides a substantial buffer of 28.8 ppts above the regulatory minimum, supports the sustainability of this payout. Additionally, this improved capital and dividend profile strengthens the investment case, reinforcing expectations for strong catalysts in the near to medium term.

Figure 3: Tax exempt income (N'billion)



Source: Company Financials, CardinalStone Research

Figure 4: Projected PBT and Effective Tax Rate

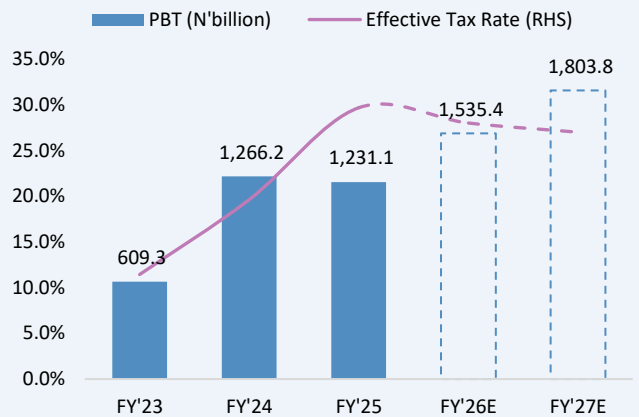
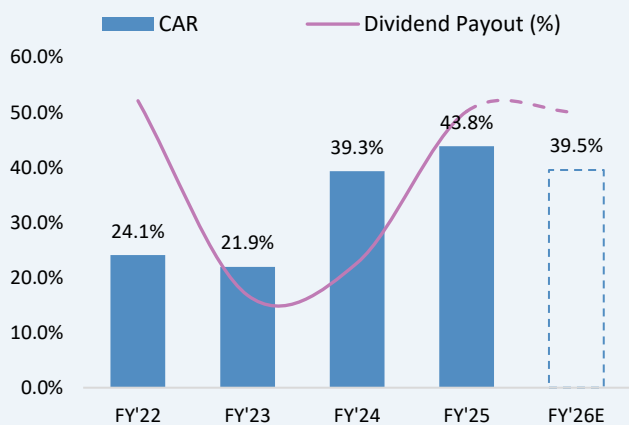
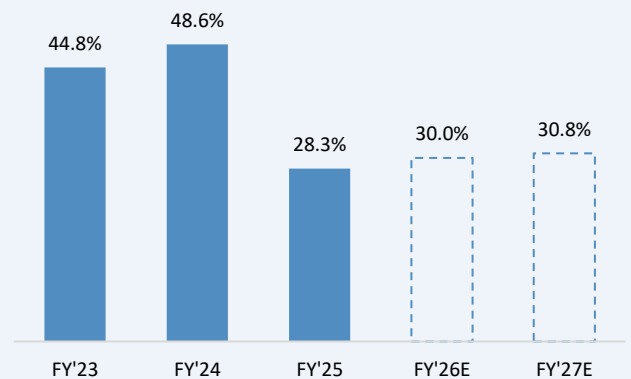


Figure 5: Dividend payout backed by strong capital adequacy



Source: Company Financials, CardinalStone Research

Figure 6: Projected ROAEs



Valuation summary

Revisions to key assumptions across our forecast horizon cascaded to an average ROE of 30.4% across our forecast horizon (vs 28.1% previously). Importantly, the return to a pre-2023 50.0% dividend payout ratio strengthened our valuation through the Dividend Discount Model (DDM) methodology. All in, we revise our 12-month TP to N159.65 and maintain our BUY rating on the counter. Our new TP portends a potential upside of 22.8% (from the current reference price of N130.00) and represents an exit P/B of 1.5x, slightly above the counter's MEA peer mean of 1.3x. We assess that the ticker's exit PB premium is justified by superior return metrics, with its FY'25 ROE and ROA of 28.3% and 5.3% above the averages of 22.6% and 2.8% for its MEA peers.

Figure 7: Summary of Financials

Income Statement (N' billion)	2024A	2025A	2026E	2027E
Gross Earnings	2,116.8	2,116.3	2,589.2	2,984.8
Interest Income	1,341.8	1,653.2	1,999.4	2,269.8
Interest expense	(283.2)	(392.6)	(445.3)	(507.3)
Net interest income	1,058.6	1,260.6	1,554.0	1,762.5
Non-interest income	775.0	463.1	589.8	715.0
Loan loss provisions	(136.7)	(66.4)	(62.5)	(60.7)
Operating expenses	(403.0)	(475.4)	(578.8)	(644.1)
Net impairment charge on financial assets	(27.7)	49.2	32.9	31.2
PBT	1,266.2	1,231.1	1,535.4	1,803.8
Tax	(248.4)	(365.3)	(429.9)	(487.0)
PAT	1,017.8	865.7	1,105.5	1,316.8
EPS attributable to the equity holders of the parent entity (NGN)	35.4	25.4	29.8	35.5
DPS (NGN)	8.0	12.8	14.9	17.8
Payout ratio	22.7%	50.2%	50.0%	50.0%
Weighted average number of ordinary shares in issue (billion)	28.4	33.6	36.6	36.6

Balance Sheet (N' billion)	2024A	2025A	2026E	2027E
Cash and cash equivalents	4,673.0	5,456.6	6,578.8	7,434.9
Pledged Assets	114.6	119.0	141.0	148.7
Investments Securities	4,148.3	5,540.7	7,218.9	8,563.7
Loans and Advances	2,785.8	3,132.3	3,602.7	4,275.1
Financial & Derivative Assets	59.6	167.1	188.2	223.3
Other Assets	2,684.2	2,879.9	3,432.8	4,046.7
PP&E	330.2	465.6	532.6	632.0
Total assets	14,795.7	17,761.2	21,694.9	25,324.4
Customer deposits	10,013.0	12,547.0	15,663.7	18,587.2
Due from banks	388.4	327.0	834.5	855.5
Trading Liabilities	51.2	81.1	81.1	81.1
Other Liabilities	1,134.4	1,093.8	867.6	916.6
Current income tax payable	186.7	218.6	218.6	218.6
Borrowings	310.0	82.2	72.8	59.4
Total liabilities	12,083.7	14,349.8	17,738.3	20,718.4
Shareholders' equity	2,655.3	3,377.6	3,922.8	4,572.3
Minority interests	56.8	33.7	33.7	33.7
Total liabilities & equity	14,795.7	17,761.2	21,694.9	25,324.4

Loan Analysis	2024A	2025A	2026E	2027E
Loan growth	11.7%	10.6%	15.0%	18.0%
Cost of Risk (CoR)	4.9%	2.5%	1.8%	1.5%
NPL ratio	5.2%	5.0%	4.3%	3.5%
NPL Coverage	89.0%	60.3%	70.0%	70.0%

Capital & Liquidity Analysis	2024A	2025A	2026E	2027E
Capital adequacy	39.3%	43.8%	39.5%	38.3%
Liquidity ratio	74.0%	77.5%	78.6%	77.9%

Ratio Analysis	2024A	2025A	2026E	2027E
Asset Yield	16.3%	14.6%	14.2%	13.5%
Cost of Funds (CoF)	3.1%	3.3%	3.0%	2.8%
Net Income Margin (NIM)	12.9%	11.1%	11.0%	10.5%
Cost-to-Income (CIR)	22.0%	27.6%	27.0%	26.0%
PBT Margin %	59.8%	58.2%	59.3%	60.4%
Tax Rate	19.6%	29.7%	28.0%	27.0%

Profitability Analysis	2024A	2025A	2026E	2027E
ROAA	8.3%	5.3%	5.6%	5.6%
ROAE	48.6%	28.3%	30.0%	30.8%

Growth Analysis	2024A	2025A	2026E	2027E
Gross Earnings YoY Growth	80.7%	0.0%	22.3%	15.3%
Pre-provision operating profit YoY Growth	97.0%	-7.5%	23.2%	16.7%
Impairment charge YoY Growth	32.7%	-51.4%	-5.9%	-2.8%
OPEX YoY Growth	60.9%	17.9%	21.8%	11.3%
PBT YoY Growth	107.8%	-2.8%	24.7%	17.5%
PAT YoY Growth	88.6%	-14.9%	27.7%	19.1%
EPS YoY Growth	85.8%	-28.2%	17.3%	19.1%
Total assets YoY Growth	52.7%	20.0%	22.1%	16.7%
Total liabilities YoY Growth	47.1%	18.8%	23.6%	16.8%
Equity YoY Growth	83.4%	27.2%	16.1%	16.6%

Valuation	2024A	2025A	2026E	2027E
P/E (x)	3.7	5.1	4.4	3.7
P/BV (x)	1.4	1.3	1.2	1.0
Dividend Yield	6.2%	9.8%	11.5%	13.7%

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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Hold +0.00% to +14.99% expected share price performance

Sell < 0.00% expected share price performance with weak fundamentals

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Guaranty Trust Holding Company Plc	a, v

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