

Guaranty Trust Holding Company Plc

Renewed loan growth momentum lifts outlook

BUY

Target Price: N115.93

Ref Price: N94.00

We have revised our FY'25 estimates for GTCO, lowering expected PBT and PAT to N1.26 trillion and N944.1 billion, respectively (vs. N1.29 trillion and N1.10 trillion previously). The downward revisions primarily reflect weaker-than-expected Net Interest Revenue (NIR) and a higher income tax expense disclosed in the Group's H1'25 results. They have also resulted in a new forecast FY'25 EPS of N25.60 (-27.8% YoY), which factors in the dilutive impact of a higher share base.

However, we have a positive view on GTCO's five-year outlook, with Net Interest Income (NII) expected to grow by a CAGR of 18.4% (vs 13.0% previously) on renewed loan growth momentum. We also see latitude for NIR improvement as deployed capital helps to boost digital transformation and electronic banking income. Elsewhere, we revise our risk-free rate valuation assumption down to 16.4% compared to 18.0% in previous publications to reflect sustained moderation in fixed income yields. This adjustment and the revised outlook for NII and NIR over our forecast horizon cascaded to a higher 12-month Target Price ("TP") of N115.93 (vs. N98.91 previously). Hence, we reiterate a BUY recommendation on the counter.

Gross earnings projected to reach N2.2 trillion in FY'25E

Our revised gross earnings forecast is underpinned by a stronger outlook for interest income, supported by a sustained increase in Interest-Earning Assets (IEAs). Precisely, we foresee a modest 5.3% YoY (+2.6% YoY previously) growth in gross earnings to N2.2 trillion. The key driver of this growth projection is an expected 29.5% increase in FY'25 IEA compared to the 16.5% YtD expansion in H1'25. Specifically, we adjusted our projections across key IEA lines such as loans, investment securities, and cash. While the revisions for investment securities and cash were marginal, we made a significant upward adjustment to loan growth, which is now forecasted at 30.0% YoY (from 11.5% previously) in line with management's target disclosed during the H1'25 earnings call and overall improvement in the macroeconomic environment.

Management also signalled a strategic shift in response to the moderating interest rate environment, prioritising loan book expansion over incremental growth in fixed income securities. Notably, within the loan portfolio, the Manufacturing, Oil & Gas, Retail, and SME segments are projected to see the strongest expansion. This pivot suggests a rising contribution from loans & advances to the total IEA base, and by extension, total interest income.

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Market Data

Market Cap (N'mn)	753,148.1
Last close price (N)	94.00
52-week high-low price (N)	103.20/48.00
Avg 3M daily volume (mn)	18.91

1-year price performance (rebased)



On a broader view, it signals a more aggressive risk–return posture, potentially reshaping both earnings quality and capital adequacy over time. With asset yield expected to remain robust at 15.0%, we forecast interest income to grow by 27.9% YoY to reach N1.7 trillion by year-end.

Meanwhile, following the weaker-than-expected NIR of N282.1 billion (-62.9% YoY) reported in H1'25, we were inclined to cautiously taper our full-year forecast to N513.1 billion (-33.8% YoY). The moderated decline vs H1'25's 62.9% highlights the impact of the materially low base in H2'24, which was negatively impacted by a combined N41.7 billion unrealised loss on forward transactions and foreign exchange revaluation. Our NIR view also ties finely with our expectation for little or no revaluation gains in H2'25, amidst potential fair value losses on financial instruments in the period (e.g dollar-denominated financial holdings in equity investments that could be impacted by Naira appreciation), which could offset the strong momentum in fees and commission income.

Figure 1: Interest income mix and forecast (N'billion)

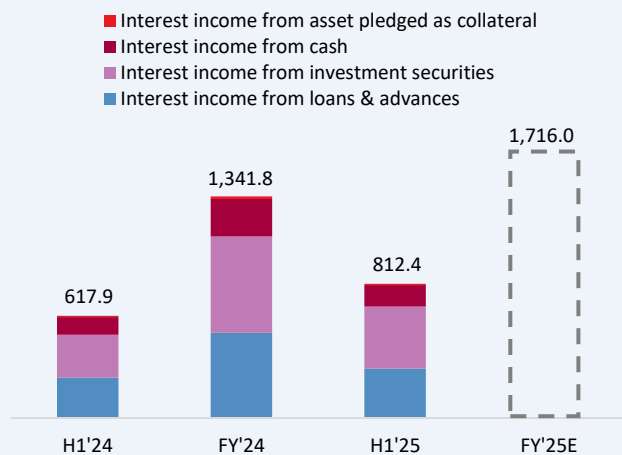


Figure 2: Interest income expected to contribute c.77.0% of gross earnings

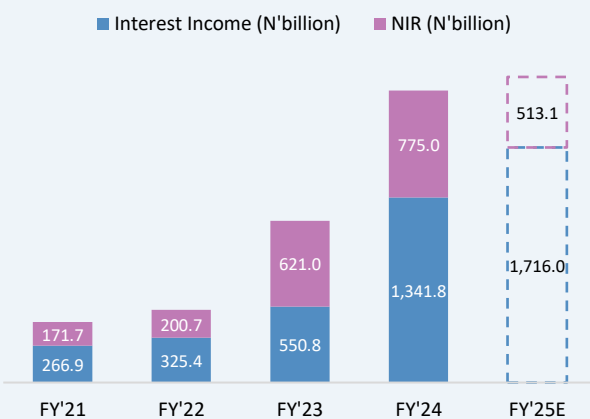


Figure 3: Projected net loans & advances to customers (N'billion)

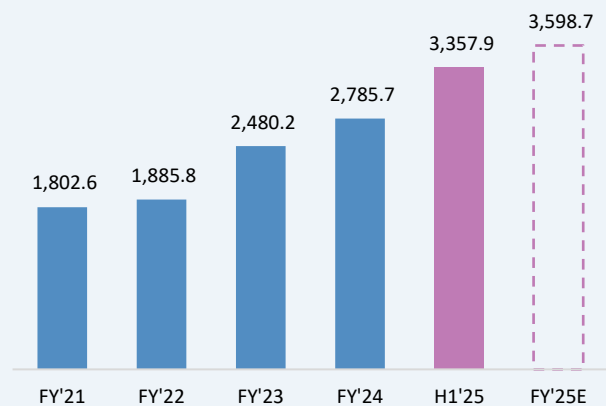
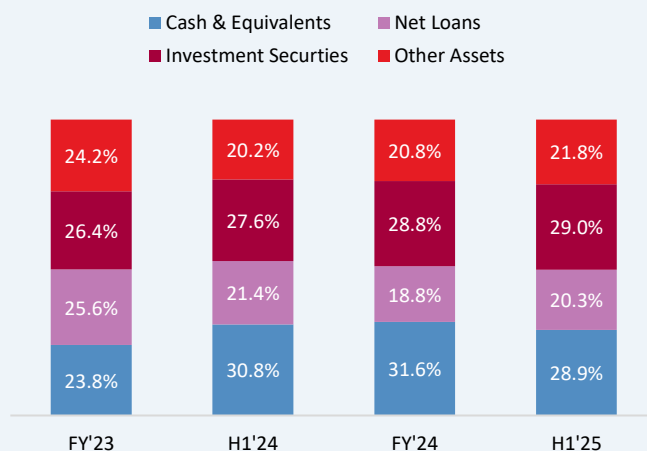


Figure 4: Composition of asset base

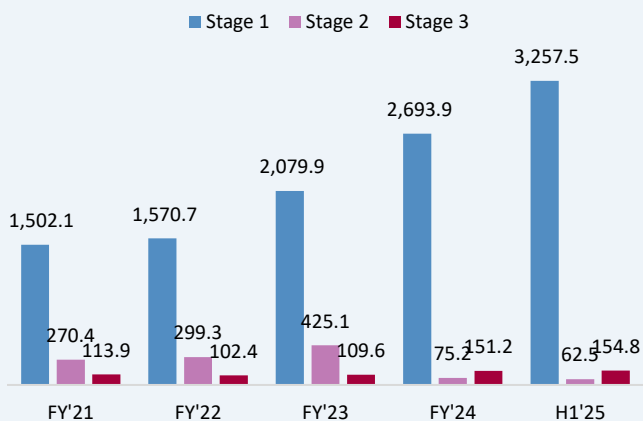


Source: Company Financials, CardinalStone Research

Prudent risk posture amid asset quality resilience

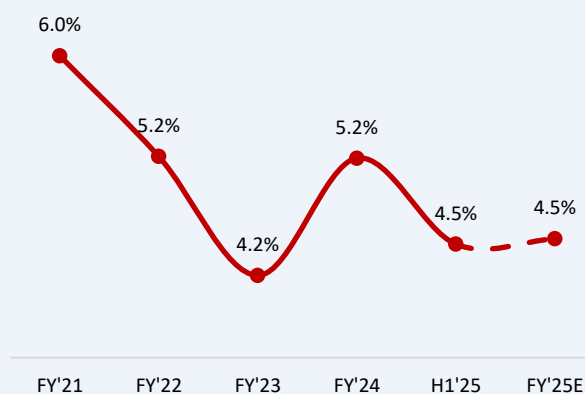
We like the resilience of GTCO's loan portfolio as demonstrated in its strong asset quality, with the contribution of stage 2 loans further dropping to 1.8% from 2.6% in FY'24 and 16.3% in FY'23. That said, we note a marginal uptick in the Non-Performing Loan (NPL) ratio to 4.5%, alongside higher impairment charges of N55.0 billion in the last half-year result, driven by the write-off of a syndicated Oil & Gas exposure. Management clarified that the exposure was classified as non-performing in line with the Group's conservative risk management framework. Importantly, the facility continues to be monitored and could potentially result in a write-back before year-end should performance improve. Nonetheless, we adopt a conservative stance, revising our impairment charge on loan forecast upward to N83.5 billion for FY'25 (from N65.1 billion previously), which translates to a higher cost-of-risk projection of 2.2% from 2.0% previously.

Figure 5: Gross loan staging (N' billion)



Source: Company Financials, CardinalStone Research

Figure 6: NPL trend and forecast



Higher effective tax expense on lower tax-exempt income

We observed a notable spike in income tax expense to N151.9 billion (+54.7% YoY) in H1'25, with c.72.0% of this amount recognised in Q2'25. The surge in tax and effective tax rate mostly reflects the sharp contraction in tax-exempt income to N68.8 billion in H1'25 from N219.7 billion in H1'24. This tax-exempt income comprises FX translation gains, dividends, and interest earned on FGN bonds. We expect the effective tax rate to remain elevated (25.0%) vs the 19.6% recorded in FY'24 and the 9.8% in H1'24, mostly on the impact of lower FX translation gains.

Figure 7: Cash profit (N'million) by H1'24

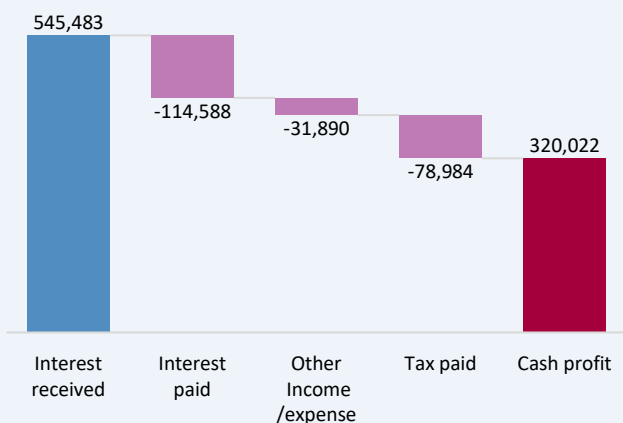
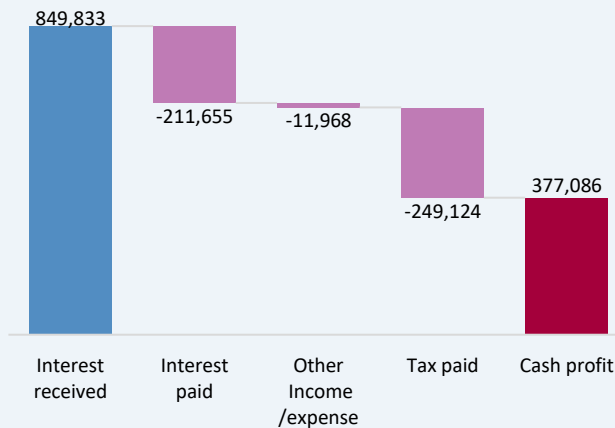


Figure 8: Cash profit (N'million) by H1'25



Source: Company Financials, CardinalStone Research

Valuation summary

Although downward revisions to our FY'25 estimates culminated in a lower forecast for Return on Average Equity (ROAE) at 29.7% (vs. 36.7% previously), our outlook remains optimistic. We maintain a positive view on GTCO's 5-year outlook, with the renewed loan growth momentum being a key catalyst for NII expansion. The deployed capital is expected to drive digital transformation, and electronic banking income fuels growth in NIR across our forecast horizon.

We have also revised our risk-free rate valuation assumption down to 16.4% compared to 18.0% in previous publications to reflect sustained moderation in fixed income yields. This adjustment and the revised outlook for NII and NIR over our forecast horizon cascaded to a higher 12-month Target Price ("TP") of N115.93 (vs. N98.91 previously). Hence, we reiterate our BUY recommendation on the counter. Our new TP implies a 23.3% upside from the current market price of N94.00 and an exit P/B multiple of 1.1x, broadly in line with the stock's 10-year historical mean of 1.1x.

Figure 9: Summary of financials

Income Statement (N'billion)	2023A	2024A	2025E	2026E
Gross Earnings	1,171.7	2,116.8	2,229.1	2,591.1
Interest Income	550.8	1,341.8	1,716.0	1,984.3
Interest expense	(114.1)	(283.2)	(343.1)	(407.0)
Net interest income	436.7	1,058.6	1,372.9	1,577.4
Non-interest income	621.0	775.0	513.1	606.8
Loan loss provisions	(103.0)	(136.7)	(83.5)	(70.0)
Operating expenses	(250.4)	(403.0)	(509.2)	(589.7)
Net impairment charge on financial assets	(95.0)	(27.7)	(34.5)	(37.1)
PBT	609.3	1,266.2	1,258.8	1,487.3
Tax	(69.7)	(248.4)	(314.7)	(297.5)
PAT	539.7	1,017.8	944.1	1,189.9
EPS attributable to the equity holders of the parent entity (NGN)	19.1	35.4	25.6	32.2
DPS (NGN)	3.2	8.0	8.5	9.7
Payout ratio	16.8%	22.7%	33.2%	30.0%
Weighted average number of ordinary shares in issue (billion)	28.0	28.4	36.4	36.4
Balance Sheet (N'billion)	2023A	2024A	2025E	2026E
Cash and cash equivalents	2,309.6	4,673.0	4,941.9	5,799.7
Pledged Assets	86.6	114.6	173.6	219.4
Investments Securities	2,469.3	4,148.3	5,463.1	5,452.8
Loans and Advances	2,480.3	2,785.8	4,163.1	6,074.6
Financial & Derivative Assets	57.0	59.6	160.3	188.1
Other Assets	2,064.2	2,684.2	3,341.0	3,583.9
PP&E	224.3	330.2	478.0	627.0
Proceeds from capital raise			157.7	157.7
Total assets	9,691.3	14,795.7	18,878.8	22,103.2
Customer deposits	7,410.8	10,013.0	13,356.5	15,674.8
Due from banks	136.1	388.4	388.4	388.4
Trading Liabilities	0.8	51.2	69.8	69.8
Other Liabilities	553.0	1,134.4	1,203.1	1,300.8
Current income tax payable	41.3	186.7	107.3	107.3
Borrowings	72.1	310.0	104.9	92.0
Total liabilities	8,214.1	12,083.7	15,230.1	17,633.1
Shareholders' equity	1,447.6	2,655.3	3,578.4	4,399.8
Minority interests	29.5	56.8	70.3	70.3
Total liabilities & equity	9,691.3	14,795.7	18,878.8	22,103.2

Loan Analysis	2023A	2024A	2025E	2026E
Loan growth	32.6%	11.7%	30.0%	23.0%
Cost of Risk (CoR)	3.9%	4.7%	2.2%	1.5%
NPL ratio	4.2%	5.2%	4.5%	3.9%
NPL Coverage	122.5%	89.0%	110.0%	110.0%

Capital & Liquidity Analysis	2023A	2024A	2025E	2026E
Capital adequacy	21.9%	39.3%	40.1%	36.5%
Liquidity ratio	59.2%	74.0%	69.5%	65.1%

Ratio Analysis	2023A	2024A	2025E	2026E
Asset Yield	10.6%	16.3%	15.0%	14.0%

Cost of Funds (CoF)	1.8%	3.1%	2.8%	2.7%
Net Income Margin (NIM)	8.4%	12.9%	12.0%	11.1%
Cost-to-Income (CIR)	23.7%	22.0%	27.0%	27.0%
PBT Margin %	52.0%	59.8%	56.5%	57.4%

Tax Rate	11.4%	19.6%	25.0%	20.0%
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Profitability Analysis	2023A	2024A	2025E	2026E
ROAA	6.7%	8.3%	5.6%	5.8%
ROAE	44.8%	48.6%	29.7%	29.3%

Growth Analysis	2023A	2024A	2025E	2026E
Gross Earnings YoY Growth	122.7%	80.7%	5.3%	16.2%
Pre-provision operating profit YoY Growth	215.0%	97.0%	-4.3%	16.0%
Impairment charge YoY Growth	758.9%	32.7%	-38.9%	-16.1%

OPEX YoY Growth	26.5%	60.9%	26.4%	15.8%
PBT YoY Growth	184.5%	107.8%	-0.6%	18.2%
PAT YoY Growth	219.0%	88.6%	-7.2%	26.0%
EPS YoY Growth	220.5%	85.8%	-27.8%	26.1%
Total assets YoY Growth	50.3%	52.7%	27.6%	17.1%
Total liabilities YoY Growth	48.9%	47.1%	26.0%	15.8%
Equity YoY Growth	58.7%	83.4%	34.8%	23.0%

Valuation	2023A	2024A	2025E	2026E
P/E (x)	5.0	2.7	3.7	3.0
P/BV (x)	1.8	1.0	1.0	0.8
Dividend Yield	3.3%	8.4%	8.9%	10.1%

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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% with investment banking relationships	0%	0%	0%	0%

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GUARANTY TRUST HOLDING COMPANY PLC	A

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