

RESULTS FIRST LOOK

Wednesday, 24 September 2025

Guaranty Trust Holding Company**Core earnings strength tempered by soft NIR****Stock Rating:** HOLD**Price Target:** N105.60**Price (24 September 2025):** N91.00**Potential Upside (Downside):** +16.0%**Ticker:** GTCO NL (Bloomberg)

Guaranty Trust Holding Company (GTCO) reported gross earnings of N1.07trn in H1 2025, representing a 23.0% y/y decline from N1.39trn in H1 2024 due to a drag in non-interest income. For context, interest income rose 31.5% y/y to N812.4bn, driven by loan book growth (+19.0% year-to-date to N3.47trn) and higher securities holdings (+15.6% year-to-date to N4.79trn). However, funding pressures persisted, with interest expense climbing 42.5% y/y to N180.1bn on the back of a 15.3% year-to-date rise in interest-bearing liabilities. As a result, net interest margin compressed slightly by 23bps to 10.1%. Still, net interest income improved 28.6% y/y to N632.2bn. For FY 2025, we project funded income to come in at c. N1.41trn, representing 5.4% y/y growth (vs. N1.34trn in FY 2024). This outlook reflects the moderation in asset yields, given the downward trajectory of fixed-income rates, partly offset by sustained loan growth, which we expect to close the year at around 12% – 15% y/y.

The Group's non-interest income displayed mixed underlying trends. Fees and commissions rose 33.7% y/y to N135.2bn, supported by stronger e-banking revenues, higher transaction volumes, and asset management fees, while trading revenues grew 24.4% y/y to N37.9bn, benefitting from fixed-income trading activity. However, other income fell sharply by 82.7% y/y to N109.0bn, compared to N629.9bn in H1 2024, due to a 100.9% decline in unrealised fair value losses on financial instruments and a 91.6% dip in unrealised gains from forward transactions, due to relative Naira stability so far in 2025. As a result, non-interest revenue contribution weakened significantly to 26.3% from 54.7% in H1 2024. We expect fees and commissions to remain resilient at around N278.3bn–N307.6bn (vs. N221.2bn in FY 2024), supported by continued growth in digital transactions and electronic payment adoption. However, we anticipate trading income and FX-related gains to stay muted, given the relative stability in the Naira. As a result, non-interest revenue is projected to grow moderately to c. N496.4bn, compared to the sharp swing seen in 2024.

Operating expenses rose by 28.1% y/y to N258.5bn, reflecting higher personnel costs (+31.1% y/y), regulatory levies (+38.7% y/y), and general inflationary pressures, which drove the cost-to-income ratio up to 28.3% (vs. 16.1% in H1 2024). Loan impairment charges also increased 16.0% y/y to N55.0bn, in line with a higher NPL ratio of 4.5%, based on our estimates, (vs. 4.3% in H1 2024), reflecting cautious provisioning. Consequently, pre-provision operating profit declined 37.6% y/y to N655.9bn, and pre-tax profit dropped 40.1% y/y to N600.9bn. After accounting for a higher tax charge (+54.7% y/y), net profit fell sharply by 51.0% y/y to N441.3bn, translating into an EPS of N12.12 (vs. N24.71 in H1 2024). Return ratios weakened materially due to this, with ROAE declining 6,196bps to 31.5% and ROAA falling 926bps to 5.7%. Looking ahead, we expect operating expenses to rise by about 18% – 20% y/y in FY 2025, reflecting persistent inflationary pressures and higher regulatory levies, while loan loss provisioning could edge up in line with the uptick in the NPL ratio. Consequently, net profit growth will likely remain constrained, with FY 2025 earnings projected to settle broadly around N818.4bn–N904.5bn.

Interim Dividend

Despite the weaker bottom line, the Group proposed an interim dividend of N1.00/share, unchanged from H1 2024. The proposed dividend represents a dividend yield of 1.10% based on the stock's closing price of N91.00 as of 24 September 2025.

Balance Sheet and Asset Quality

On the balance sheet, total assets grew 12.8% year-to-date to N16.69trn, supported by loan growth (+19.0% year-to-date to N3.47trn) and higher securities holdings (+15.6% year-to-date to N4.79trn). Customer deposits increased 18.6% year-to-date to N11.88trn, reinforcing a stable funding base, though long-term funding declined 31.8% year-to-date to N211.3bn. Asset quality showed a slight deterioration, with the NPL ratio rising to 4.5% from 4.3% in H1 2024, showing some pressures in loan performance, while the cost of risk also inched higher by 27bps to 3.4%, indicating higher provisioning requirements to cover likely emerging credit risks.

Recommendation

We have revised our fair value estimate for the ticker upward to N105.60 (previously N102.58), following adjustments to our blended valuation (FCFE, DDM, and Relative Valuation). This revision implies an upside potential of 16.0% from the stock's closing price of N91.00 as of 24 September 2025, therefore we maintain a HOLD rating on the stock.

GTCO H1 2025 financial results summary

Income Statement (N'm)	H1 2024	H1 2025	y/y	Q1 2025	Q2 2025	q/q
Interest income	617,888	812,360	31.5%	397,390	414,971	4.4%
Interest expense	(126,376)	(180,122)	42.5%	(79,028)	(101,095)	27.9%
Net interest income	491,512	632,238	28.6%	318,362	313,876	-1.4%
Fees & commissions	101,069	135,174	33.7%	71,300	63,874	-10.4%
Trading revenues	30,472	37,920	24.4%	20,248	17,672	-12.7%
Other income	629,914	109,029	-82.7%	26,373	82,656	213.4%
Total operating expenses	(201,795)	(258,489)	28.1%	(122,482)	(136,007)	11.0%
Pre-provision operating profit	1,051,171	655,872	-37.6%	313,801	342,071	9.0%
Loan impairment provisions	(47,395)	(54,971)	16.0%	(13,424)	(41,547)	209.5%
Pre-tax profit	1,003,776	600,901	-40.1%	300,377	300,524	0.0%
Tax	(98,208)	(151,890)	54.7%	(42,347)	(109,543)	158.7%
Minorities	(5,672)	(7,716)	36.1%	(3,544)	(4,172)	17.7%
Net profit	899,896	441,295	-51.0%	254,486	186,809	-26.6%
EPS (Basic, Naira)	24.71	12.12	-51.0%	6.99	5.13	-26.6%
DPS (Interim, Naira)	1.00	1.00	0.0%			

Balance Sheet (Naira millions)	FY 2024A	H1 2025	y-t-d
ASSETS			
Net Loans	2,785,664	3,357,921	20.5%
Gross Loans	2,920,120	3,474,663	19.0%
Interbank	88	84	-4.3%
Securities	4,148,296	4,794,276	15.6%
Interest Earning Assets	11,781,269	13,203,975	12.1%
Total Assets	14,795,707	16,692,090	12.8%
LIABILITIES			
Customer Deposits	10,013,021	11,877,730	18.6%
Interbank Funding	388,420	250,377	-35.5%
Long-term Funding	310,021	211,328	-31.8%
Interest Bearing Liabilities	10,762,637	12,409,245	15.3%
Total Liabilities	12,083,689	13,697,476	13.4%
Shareholders' equity	2,712,018	2,994,614	10.4%

Ratios	H1 2024	H1 2025	y/y
Net Interest Margin	10.4%	10.1%	-23bps
Cost of Funds	2.7%	3.1%	37bps
Cost to Income	16.1%	28.3%	1,216bps
Cost of Risk	3.2%	3.4%	27bps
NPL Ratio	4.3%	4.5%	20bps
ROAE	93.4%	31.5%	-6,196bps
ROAA	15.0%	5.7%	-926bps

Source: Company Financials, Bloomberg, Capital IQ, Coronation Research