



GUARANTY TRUST BANK H1 2017

13 SEPTEMBER 2017

MPR: 14%
 July '17 Inflation Rate: 16.05%
 Q2 '17 GDP: 0.55%

TICKER: GUARANTY
 Price as at 12 September 2017: N37.52
 Target Price: N28.48
 Performance Rating: A (Excellent)
 Recommendation: REDUCE

	H1 2017	H1 2016	Y-o-Y %Δ
Gross Earnings	214.10	209.87	2.01%
Interest Income	165.88	109.78	51.11%
Operating Cost	67.83	54.71	23.98%
PAT	83.68	71.77	16.60%
Total Loans	1,490.75	1,562.27	-4.58%
Deposits	2,021.98	2,007.86	0.70%
H1 Total Assets	3,232.24	2,931.00	10.28%
H1 Shareholders' Fund	538.00	452.80	18.82%

Source: Company Financials, Cowry Research

Financial Ratios	H1 2017	H1 2016	Industry Average*
Cost of interest bearing liabilities	1.80%	1.64%	3.17%
Cost to Income ratio	48.66%	40.68%	71.45%
Cost of Risk ratio	0.47%	2.62%	1.42%
Loan to Deposit	73.73%	77.81%	76.29%
Net Interest Margin	8.49%	5.53%	5.84%
Yield on Interest Earning Assets	10.87%	7.67%	10.03%
Debt to Capital	39.79%	41.55%	45.18%
Return on Equity	16.89%	17.13%	6.49%
Return on Total Assets	2.72%	2.62%	0.88%

Source: Company Financials, Cowry Research

Investment Ratios	H1 2017	Industry Average*
EPS TTM (NGN)	4.90	1.49
F' EPS (NGN)	5.69	1.84
NAV (NGN)	20.05	13.22
PER TTM (x)	7.66	4.79
Weighted PER (x)	2.33	5.81
P/B (x)	1.87	0.58
Target Price (NGN)	28.48	

Source: NSE, Company Financials, Cowry Research

Key: EPS – Earnings Per Share; NAV – Net Asset Value; PER – Price to Earnings; P/B – Price to Book; F' – Full Year Forecast; TTM – Trailing Twelve Months

Performance Ratings: A – Excellent; BB – Investment Grade; Bb – Acceptable (Average); D-E – Not Acceptable

* Estimated as Skve Bank Plc was vet to release its financials as at report time

GTBank Records Positive Performance, But Overvalued...

GTBank's H1 2017 financial performance was quite impressive; and given its superlative efficiency and profitability viz-a-viz industry metrics, among other things, we arrived at an 'A' rating. However, it has an upside of -ve 24.09% to its target price, indicating that the shares are over-priced. Thus, a REDUCE recommendation is advised on its shares.

...Return on Equity (ROE) outperforms the Industry

The excellent performance of the top tier bank was driven by greater efficiency compared to industry. Following a 51.11% increase in interest income to N165.88 billion and a 141.38% spike in Net gains on financial instruments to N5.66 billion, GTBank, posted an ROE of 16.89% which considerably exceeds its industry average of 6.49%. In addition, Net interest margin stood at 8.49%, higher than industry's 5.84%, amid a 4.58% decline in total loans to N1.49 trillion; while cost of interest bearing liabilities was 1.80%, against the industry average of 3.17%, following a 0.70% rise in total deposits to N2.02 trillion.

Last Interim Dividend: 30k

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