



Earnings Update: GUARANTY TRUST HOLDINGS PLC

Unimpressive Performance on the Back of Weak Earnings

13 September 2021

THINGS WE LIKE ABOUT THE RESULT

1. Interest Income on Financial Assets was valued at ₦9.2 billion 186.4% higher in H1-2021 than the ₦3.2 billion recorded in the corresponding period in 2020.
2. The decline in Interest Expense by 27.1% to ₦19.0 billion compared to the ₦26.1 billion recorded in 2020.
3. Loan Impairment Charges decreased by 30.4% y/y to ₦4.7 billion from ₦6.8 billion in H1-2020.
4. Fee and Commission Income increased by 44.7% y/y to ₦38.3 billion versus the ₦26.5 billion in 2020 due to the 59.9%v growth in E-business Income to ₦10.5 billion.
5. Total Assets was valued 1.5% higher year-on-year compared to H1-2020 owing to massive gains in Investment Securities at Amortized Cost (205.1%) and Deferred Tax Assets (125.1%).
6. Other Liabilities declined by 7.8% to 328.3 billion to 356.2 billion

THINGS WE DID NOT LIKE ABOUT THE RESULT

1. Despite the 27.1% decline in Interest Expense, Net Interest Income still declined by 16.1% year-on-year (y/y) to ₦107.1 billion in H1-2021 from ₦127.6 billion in the corresponding year.
2. Net Trading Income moderated by 3.4% to ₦10.4 billion from the ₦10.8 billion recorded in H1-2020 due to a steep decline in Treasury Bills (-74.4%).
3. A decline in the bottom line, PBT and PAT by 15.2% and 15.8% y/y to ₦93.1 billion and ₦79.4 billion, respectively in H1-2021 (versus the ₦109.7 billion and ₦94.3 billion recorded in the similar period in 2020).
4. Cost to Income Ratio was higher in H1-2021 by 47.7% compared to the 41.7% in H1-2020.

Kindly click [here](#) for the full financial statement.

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TICKER	GTCO
Price (₦) at 10 Sep 2021	27.05
Shares Outstanding	29,431,179,224
P/E	3.81
Entry Price 1 (₦)	27.00
Entry Price 2 (₦)	26.90
Exit Price 1 (₦)	36.00
Exit Price 2 (₦)	32.00
Expected Return 1 (%)	33.33%
Expected Return 2 (%)	18.96%
Rating	BUY

REBASED PRICE MOVEMENT IN GTCO & NGX ASI

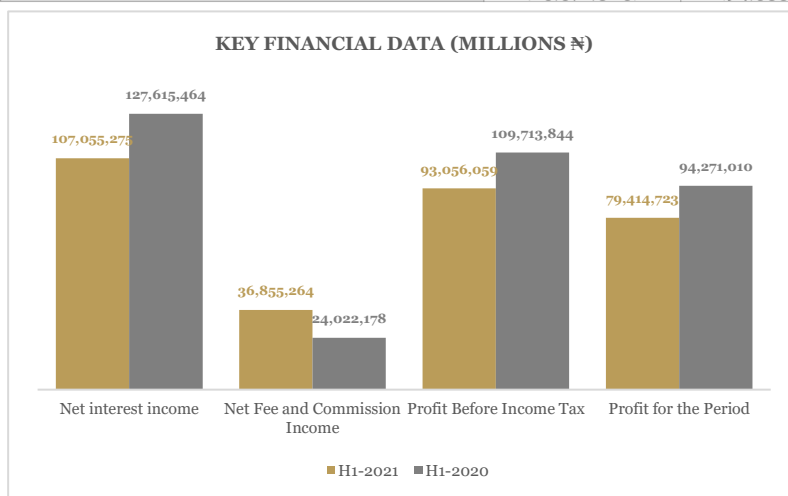


Source: Investing, PSL Research



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INCOME STATEMENT	H1-2021	H1-2020	Change (%)
Interest income calculated using the effective interest method	116,864,807	150,486,443	-22.34%
Interest income on financial assets at fair value through profit or loss	9,226,294	3,222,038	186.35%
Interest expense	-19,035,826	-26,093,017	-27.05%
Net interest income	107,055,275	127,615,464	-16.11%
Loan impairment charges	-4,714,675	-6,769,093	-30.35%
Net interest income after loan impairment charges	102,340,600	120,846,371	-15.31%
Fee and commission income	38,284,192	26,457,209	44.70%
Fee and commission expense	-1,428,928	-2,435,031	-41.32%
Net fee and commission income	36,855,264	24,022,178	53.42%
Net gains on financial instruments held at fair value through profit or loss	10,430,087	10,791,307	-3.35%
Other income	33,109,025	34,181,820	-3.14%
Personnel expenses	-17,234,789	-17,449,311	-1.23%
Right-of-use asset depreciation	-2,430,876	-958,621	153.58%
Depreciation and amortisation	-15,330,912	-14,024,670	9.31%
Other operating expenses	-54,340,633	-50,875,308	6.81%
Profit before income tax	93,056,059	109,713,844	-15.18%
Income tax expense	-13,641,336	-15,442,834	-11.67%
BALANCE SHEET	H1-2021	Dec-2020	Change (%)
Cash and bank balances	794,323,951	745,557,370	6.54%
Financial assets at fair value through profit or loss	76,244,179	67,535,363	12.90%
Investment securities FV through PorL	3,273,771	3,273,771	0.00%
Investment securities FV Through OCI	290,067,066	693,371,711	-58.17%
Investment securities At Amortized Cost	865,137,145	283,582,832	205.07%
Loans and advances to banks	89,241	99,043	-9.90%
Loans and advances to customers	1,632,088,961	1,662,731,699	-1.84%
Property and equipment	153,501,362	148,782,835	3.17%
Intangible assets	19,515,587	19,872,523	-1.80%
Deferred tax assets	10,616,550	4,716,154	125.11%
Total Assets	5,017,281,637	4,944,653,293	1.47%
Deposits from banks	129,535,081	101,509,550	27.61%
Deposits from customers	3,625,217,843	3,509,319,237	3.30%
Total Liabilities	4,219,699,174	4,130,257,616	2.17%
CASH FLOW STATEMENT	H1-2021	H1-2020	Change (%)
Net cash generated from operating activities	364,295,664	111,287,150	227.35%
Net cash used in investing activities	(216,119,246)	103,009,198	-309.81%
Net cash used in financing activities	(85,571,305)	(94,533,603)	-9.48%



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