

Company Brief

Guaranty Trust Bank plc is a leading African financial institution with vast business interests spanning West and East Africa, as well as the United Kingdom. The Bank has an Asset Base of ₦3.351 trillion, Shareholders' funds of ₦613.7 billion and employs over 10,000 people in Nigeria, Gambia, Ghana, Liberia, Sierra Leone, Cote d'Ivoire, Uganda, Rwanda, Kenya, Tanzania and the United Kingdom.

Guaranty Trust Bank Plc released its FY 2017 financial statement showing marginally growth of 1.11% year-on-year (YOY) in gross earnings to ₦419.3 billion while the Profit After Tax (PAT) grew by 28.87% YOY to ₦170.5 billion. Also, the management of Guaranty Trust Bank Plc has proposed a final dividend of ₦2.40 per share which represents a dividend yield of 5.07%.

Decline in loan loss provision fuelled the PAT growth

On a year on year basis, despite a fall in the Non-Interest Income by 39.59% and a marginal growth of Gross earnings by 1.11%, the growth in PAT by 28.87% was driven by a surge in the provision for loan loss by 81.39%.

However, the breakdown of the provision for loan loss shows a reversal of ₦21.23 billion in collective impairment and loan as against an increase of ₦39.10 billion in collective impairment and loan in FY 2016. Meanwhile, provision for specific impairment rose by 26.73% between FY 2016 and FY 2017.

Fall in the Non-Interest Income by 39.59% was driven by 64.99% fall in the company's Other Income. A thorough analysis of the company's Other Income shows that foreign exchange revaluation gain slumped by 70.74% from ₦87.29 billion to ₦25.54 billion between 2016 and 2017. Also, Net valuation gain on disposal of long term investment fell by 96.89% during the periods under consideration.

RATING: HOLD

Income Statement Summary

In millions of Naira	Dec-17	Dec-16	YOY%
Gross Earnings	419,226	414,616	1.11%
Interest Income	327,334	262,494	24.70%
Interest Expenses	(80,670)	(67,094)	20.23%
Net interest Income	246,663	195,400	26.23%
Loan Loss Expenses	(12,169)	(65,290)	-81.36%
Non-Interest Income	91,893	152,121	-39.59%
Operating Expenses	(123,258)	(113,639)	8.47%
Profit before Tax	200,242	165,136	21.26%
Tax expenses	(29,772)	(32,856)	-9.38%
Profit after Tax	170,470	132,281	28.87%
EPS (Kobo)	603	467	29.12%

Stock Information

Bloomberg Ticker	GUARANTY:NL
NSE Ticker	GUARANTY
Market Price	47.30
Share Outstanding (Mn)	29,431
Market Cap (N'Bn)	1,392,095

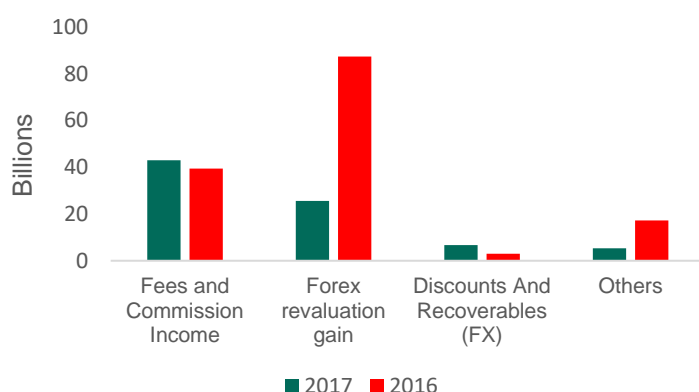
Price Performance

	GUARANTY	NSE
WTD*	-0.84%	-0.76%
MTD*	-3.47%	-1.13%
YTD*	16.07%	12.02%

Valuation

	2017	2016
P/E (x)	7.84	5.29
P/BV (x)	2.27	1.47
Dividend Yield (%)	5.07	8.10

Non-Interest Income



NSE ASI VS GUARANTY

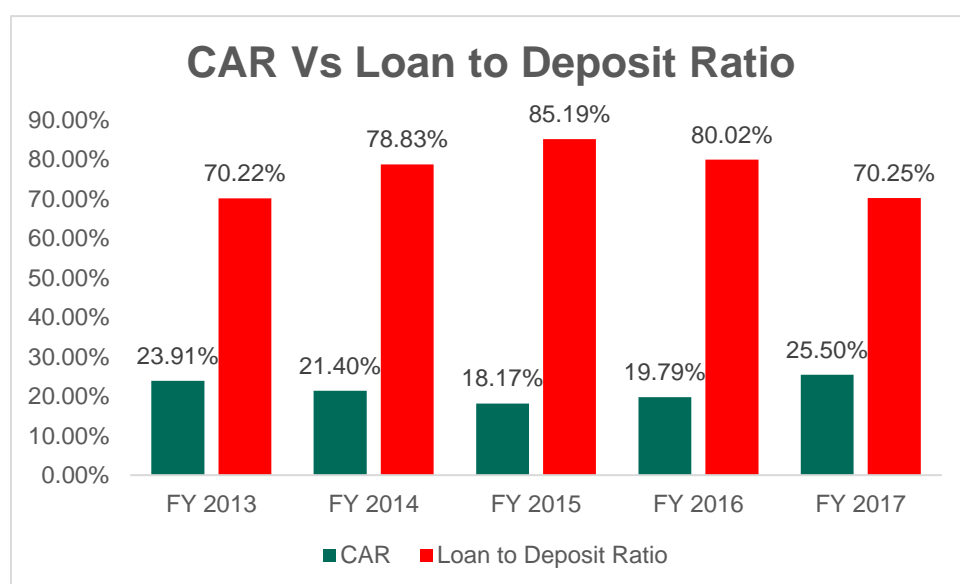


*Using Market Price as at 14 March 2018

Slight Improvement in Financial Position

We highlight a slight improvement recorded in the balance sheet line items with the customers' deposit growth of 3.82% and total asset growth of 7.53% while the customers' loan fell by 8.86% to a total of ₦1.45 billion.

Also, the Bank's Capital Adequacy Ratio (CAR) rose to 25.50% from the previous rate of 19.79% in the FY 2016 while the Group CAR stood at 25.65%. This is above the regulatory requirement of 15% for banks with international license and 16% for systemically important banks. While, the Non-Performing Loan (NPL) moderates at 4.60% in 2017. This is below the regulatory minimum of 5.00%.



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Income Statement	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
(in Million Naira)					
Interest Income	327,334	262,494	229,237	200,603	185,383
Interest Expenses	(80,670)	(67,094)	(69,290)	(58,211)	(48,444)
Net interest Income	246,663	195,400	159,947	142,392	136,939
Loan Loss Expenses	(12,169)	(65,290)	(12,408)	(7,098)	(2,886)
Non-Interest Income	(123,258)	(113,639)	-96,378	(94,438)	(82,538)
Operating Expenses	200,242	165,136	120,695	116,386	107,091
Profit before Tax	(29,772)	(32,856)	(21,258)	(21,952)	(17,067)
Tax expenses	170,470	132,281	99,437	94,434	90,024
Profit after Tax	6.03	4.67	3.51	3.32	3.17
EPS (Kobo)	327,334	262,494	229,237	200,603	185,383
Balance Sheet	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
(in Million Naira)					
Cash & Cash Equivalent	641,974	455,863	254,633	246,940	307,396
Loan and Advances	1,448,533	1,589,430	1,371,926	1,275,681	1,002,371
PPE	98,670	93,488	87,989	76,236	68,306
Total Asset	3,351,097	3,116,393	2,524,594	2,355,877	2,102,846
Total Deposit	2,062,048	1,986,246	1,610,350	1,618,208	1,427,494
Total Liabilities	2,725,929	2,611,491	2,111,032	1,991,162	1,775,851
Total Equity	625,168	504,903	413,562	364,714	326,996
Total Liabilities & Equity	3,351,097	3,116,393	2,524,594	2,355,877	2,102,846
Key Ratios	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Return on Average Equity (ROAE)	30.17%	28.80%	25.55%	27.30%	27.53%
Return on Average Asset (ROAA)	5.27%	4.69%	4.07%	4.24%	4.28%
Loan to Deposit Ratio	70.25%	80.02%	85.19%	78.83%	70.22%
Capital Adequacy Ratio	25.50%	19.79%	18.17%	21.40%	23.91%
Valuation Multiples					
Last Price (₦)	47.30	24.70	18.18	25.18	27.02
Basic EPS	6.03	4.67	3.51	3.32	3.17
P/E Ratio (x)	7.84	5.29	5.18	7.58	8.52
BVPS	20.85	16.85	13.83	12.20	11.12
P/B Ratio (x)	2.27	1.47	1.31	2.06	2.43

*Using Market Price as at 14 March 2018