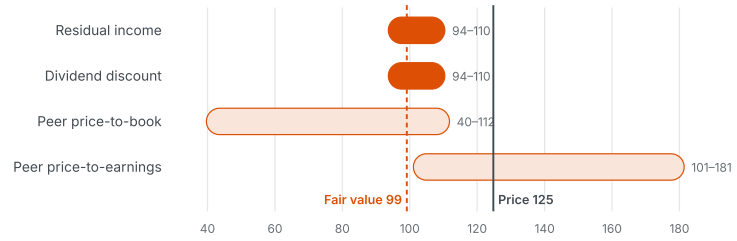
Guaranty Trust Holding Company: priced for returns that rate cuts will take away

GTCO is Nigeria's best-run bank. At 1.4x book the shares already pay for it to stay that way. We start at **Sell** with a fair value of ₦99.12.

Investment summary

- **The price needs a 26.6% return on equity, indefinitely.** At a 22.0% cost of equity and 9.9% growth, that is what 1.38x book implies. We expect returns to settle near 22% as the policy rate falls from 26.5% to 23% and below.
- **Earnings have stalled.** H1 2026 profit before tax was flat at ₦603bn and profit after tax fell 7.8%. Loans grew 0.5% in six months; growth came from securities, whose yields are now falling.
- **The premium to peers is large.** GTCO trades at 1.38x book against a tier-1 median of 0.77x. Its returns are the best in the group, but the gap to Zenith (21.7% ROE, 1.07x book) no longer justifies 30% more per naira of equity.
- **Valuation.** Residual income and dividend discount (60% together) give ₦101.35; peer multiples give ₦69.39 on book and ₦122.19 on earnings. The blend is ₦99.12, 21% below the ₦124.80 share price.
- **What would change our view.** Returns holding above 26%, a pick-up in lending, or faster growth at HabariPay and the asset manager, whose combined pre-tax profit rose 85% in H1.

Valuation range by method (₦ per share)



Low and high: cost of equity ±1 point for income methods; peer 25th and 75th percentiles for multiples.

Rating
SELL
Fair value ₦99.12 · downside 21%

Share price (16 Oct 2026)	₦124.80
Fair value	₦99.12
Range (low–high)	84–125
Expected total return, 12m	-10.4%
Market capitalisation	₦4.56trn
Shares outstanding	36.55bn
Price / book (Jun 2026)	1.38x
Price / trailing earnings	5.6x
Dividend yield (FY2025)	10.2%
Beta (5-year)	0.85
Cost of equity	22.0%

Key figures, H1 2026

Profit before tax	₦603.0bn
Profit after tax	₦414.2bn
Net interest income	₦649.6bn
Total assets	₦18.6trn
Customer deposits	₦13.96trn
Cost-to-income	31.5%
Capital adequacy (group)	34.9%
Cost of risk	0.6%

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How GTCO got here

Thirty-six years ago a group of young Nigerian bankers set up Guaranty Trust Bank. It grew into one of Nigeria's most profitable banks. Now the conditions behind those profits are changing.



How it got here

GTBank built its name on discipline: a cheap deposit base, careful lending and tight cost control. It was the first Nigerian company to list in London, in 2007, and in 2021 it became a holding company, adding payments (HabariPay), fund management and pensions to the bank.

Where it is now

In 2025 the central bank raised the minimum capital for internationally licensed banks. GTCO raised ₦209.4bn from a local public offer and US$105m in London, where it listed all its shares in July 2025, lifting GTBank's paid-up capital to ₦504bn. Capital adequacy now stands at 34.9%.

Profit, though, has stopped rising. FY2025 profit after tax fell to ₦865.7bn from ₦1,017.8bn as the previous year's revaluation gains reversed, and H1 2026 profit fell 7.8% to ₦414.2bn.

Why

GTCO's recent earnings came from a high-rate world: securities yields rose with a policy rate above 26%, while its deposits cost very little. That world is ending. The policy rate fell from 26.5% to 23% in September, and Treasury bill yields have dropped to about 16%. Loans grew only 0.5% in the first half; the balance sheet is growing in securities instead.

What comes next

Management is leaning on diversification: the non-bank businesses made ₦15.9bn of pre-tax profit in H1 2026, up 85%. The new capital gives room to lend and to keep paying large dividends, after a record ₦12.76 for FY2025.

> The question: when interest rates fall, can Nigeria's best bank keep earning 25% on its equity, and is the share price assuming it will?

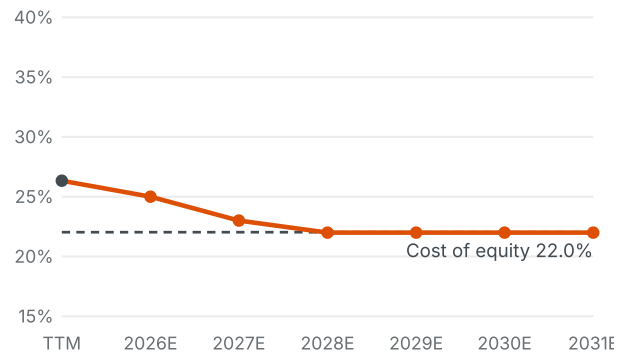
1. Returns are heading towards the cost of equity

GTCO's earnings power rests on two things: one of the cheapest deposit bases in Nigeria and a large book of government securities. Both earned extraordinary spreads while the policy rate sat above 26%. That is ending. The central bank cut by 3.5 points to 23% in September, and the one-year Treasury bill has fallen to about 15.9%.

Deposits are already as cheap as they can get, so falling yields come straight off the margin. Net interest income rose only 2.7% in H1 2026 while interest expense rose 24%. We forecast return on opening equity of 25% in 2026, 23% in 2027 and 22% from 2028.

> At 22%, GTCO earns its cost of equity and little more. A bank that earns its cost of equity is worth about its book value, not 1.4 times it.

Return on equity against the cost of equity



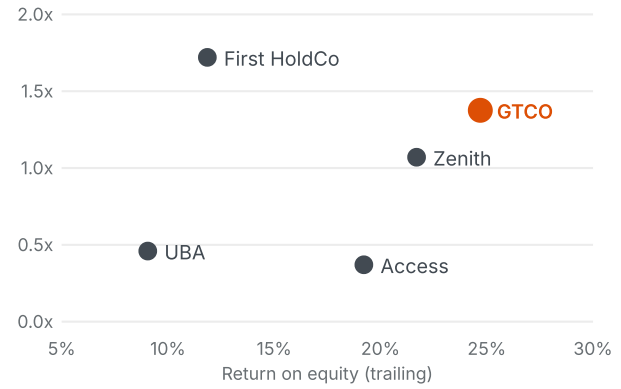
TTM: trailing ROE to June 2026, StockAnalysis.com. 2026E onwards: author's forecast.

2. Earnings have stopped growing

Profit after tax fell from ₦1,017.8bn in FY2024 to ₦865.7bn in FY2025 as revaluation gains of ₦517.5bn turned into a loss of ₦81.8bn. H1 2026 continued the pattern: a ₦46.2bn fair value loss held profit before tax flat, and profit after tax fell 7.8% to ₦414.2bn. Underneath, the core is solid. Impairments fell 66% and cost of risk dropped to 0.6%. But lending is flat (loans +0.5% in six months), and the bank is growing its securities book into falling yields.

3. The premium to peers is hard to defend

Price-to-book against return on equity, tier-1 banks



StockAnalysis.com, prices 7 Aug–19 Oct 2026; GTCO at 16 Oct 2026.

The market pays GTCO 1.38x book for a trailing return on equity of about 25%. Zenith earns 21.7% and trades at 1.07x. Access earns 19.2% at well under half of book. GTCO deserves a premium for quality: a cost-to-income ratio near 30%, 34.9% capital adequacy and a growing non-bank business. The question is how much.

The holding company's payments (HabariPay), fund management and pension businesses made ₦15.9bn of pre-tax profit in H1, up 85%. That is 2.6% of group profit: promising, but too small to carry the valuation.

The 10.2% dividend yield gives support; it is why we see a total return of -10.4% rather than the full -21% price move.

Valuation: ₦99.12 per share

We value banks on equity rather than cash flow, because deposits are a bank's raw material rather than its financing. The blend weights residual income at 40%, dividend discount at 20% and peer price-to-book and price-to-earnings at 20% each. Values are at 31 December 2026, from a book value of ₦100.80 per share.

Methods

Method (₦ per share)	Weight	Low	Mid	High
Residual income	40%	93.66	101.35	110.41
Dividend discount	20%	93.66	101.35	110.41
Peer price-to-book	20%	39.68	69.39	111.79
Peer price-to-earnings	20%	101.08	122.19	181.38
Fair value	**100%**	**84.35**	**99.12**	**124.88**

Residual income and the dividend model give the same answer because the forecast obeys clean-surplus accounting: book value grows only by retained profit. Their ranges flex the cost of equity by ±1 point.

Cost of equity

Input	
FGN 10-year yield, December 2025	16.81%
Less: Nigeria default spread (B3)	(5.52%)
Riskless naira rate	11.29%
Beta × Nigeria equity risk premium	0.85 × 12.64%
Cost of equity	**22.03%**

Following Damodaran, the default spread is stripped from the bond yield so country risk is not counted twice. The price implies about 21.1% (dividend yield plus growth), close to our estimate.

Residual income

Value equals book value plus the present value of profit earned above the cost of equity. Residual income is about ₦36bn in 2027E, then slightly negative from 2028E as returns settle at 22%, a touch below the 22.0% cost of equity. The model adds almost nothing to book value, which is the point: GTCO's premium rests on returns we do not expect to last.

Justified price-to-book (₦ per share)

ROE \ cost of equity	20%	21%	22%	23%	24%
18%	81	74	67	62	58
20%	101	92	84	78	72
22%	121	110	**101**	93	87
24%	141	128	117	108	101
26%	161	146	134	124	115
28%	181	164	151	139	129

P/B = (ROE − g) / (cost of equity − g), g = 9.9%, on December 2026 book value. Base case shaded. The share price needs a sustainable ROE of about 26–27%.

Peer multiples

Bank	P/B	P/E	ROE	Dividend yield	Price date
Zenith Bank	1.07x	5.28x	21.7%	7.5%	29 Sep 2026
United Bank for Africa	0.46x	5.63x	9.0%	0.6%	7 Aug 2026
Access Holdings	0.37x	2.21x	19.2%	0.0%	29 Sep 2026
First HoldCo	1.72x	15.50x	11.9%	0.0%	19 Oct 2026
GTCO	**1.38x**	**5.57x**	**24.7%**	**10.2%**	**16 Oct 2026**
Peer median	**0.77x**	**5.46x**	**15.5%**		

Forecast summary

₦ unless stated	H2 2026E	2027E	2028E	2029E	2030E	2031E
Profit after tax (₦bn)	406	847	894	983	1,080	1,187
Return on opening equity	12.2%	23.0%	22.0%	22.0%	22.0%	22.0%
Earnings per share (₦)*	22.44	23.18	24.47	26.89	29.56	32.48
Dividend per share (₦)*	12.34	12.75	13.46	14.79	16.26	17.87
Book value per share (₦)	100.80	111.24	122.25	134.35	147.65	162.27
Shareholders' funds (₦bn)	3,684	4,066	4,468	4,911	5,397	5,931

*2026E earnings and dividend per share are full-year; the H2 2026E column otherwise covers July–December, starting from June 2026 book value of ₦90.70. Payout 55% from 2027E (FY2025: 50%).

Historic performance

₦bn unless stated	FY2024A	FY2025A	H1 2026A
Interest income	1,341.8	1,653.0	873.4
Fair value gain / (loss)	517.5	(81.8)	(46.2)
Profit before tax	1,266.0	1,231.0	603.0
Profit after tax	1,017.8	865.7	414.2
Earnings per share (₦)	35.44	25.43	11.33
Total assets	14,796	17,761	18,600
Loans to customers	2,786	3,132	3,150
Customer deposits	10,401	12,874	13,960
Cost of risk	4.9%	2.2%	0.6%

Risks to our view

- **Rates stay higher for longer.** If inflation's recent fall reverses (core prices rose 1.1% in September alone), the central bank may pause, protecting margins and returns.
- **Lending recovers.** Cheaper money could lift loan demand; GTCO has the capital (34.9% adequacy) and deposits to grow quickly.
- **Dividends.** A higher payout from surplus capital would support the share price, as the record ₦12.76 did for FY2025.
- **Non-bank growth.** HabariPay and the asset manager are growing fast; a separate valuation for them could narrow the gap.

Sources

GTCO H1 2026 results (ThisDay, 4 Oct 2026; Vanguard, Sep 2026; Invest Data); FY2025 highlights (Nairametrics, 1 Apr 2026); StockAnalysis.com market data and peer statistics; share price 16 Oct 2026 (allAfrica); Damodaran country risk premiums, January 2026; CBN September 2026 MPC decision; Treasury bill auction 14 Oct 2026 (Nairametrics).

Disclosures

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