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A Member of the Nigerian Stock Exchange

Guaranty Trust Bank Plc

Interim Result: Q3 ended September 30, 2010

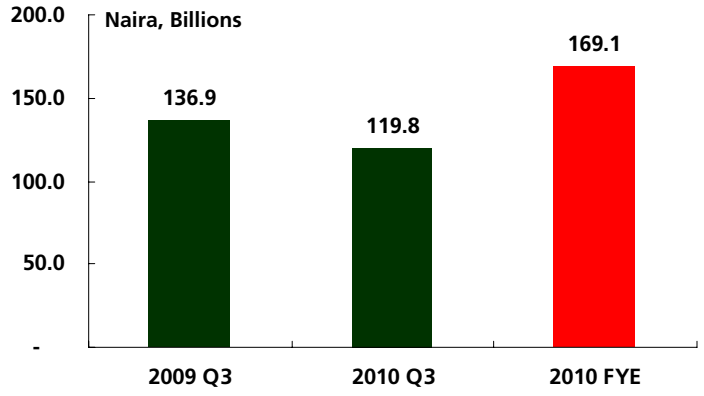
Research Update

October 25, 2010

GTBank Q3, September 2010 Interim Results

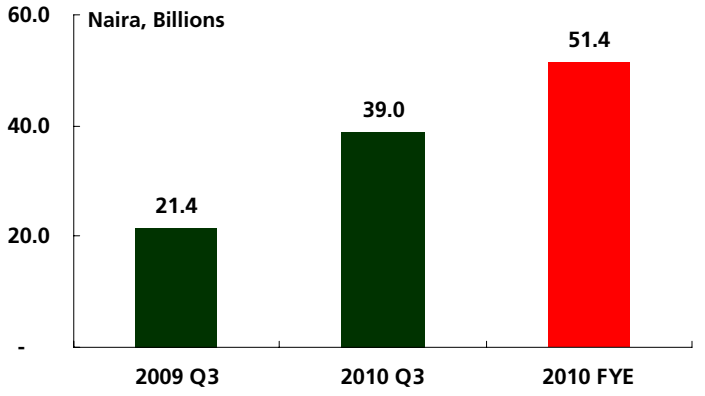
Efficiency Driving Profitability Albeit Challenged Top-line Numbers: GTBank's Q3 results for the 9 months ended September 30, 2010 show that gross earnings went down by 11.9% to N119.8bn from the N136.1bn recorded in the corresponding 2009 period. The bank however reported an impressive 82.1% increase in pre-tax profit numbers from N21.4bn to N39.0bn. We believe this stellar performance is efficiency-driven; the bank has driven down its interest expense by 43.6% from N43.8bn in 2009 to N24.7bn in 2010, thus keeping its net-interest margin relatively flat at N60.2bn (Q3 2009 was N60.6bn) despite a significant drop in interest income. While we remain positive in our outlook on GTBank, we have revised our forecasts on the back of the bank's decision to adopt a mono-line commercial banking business model as against a holding company structure whereby accounts of subsidiaries are consolidated. On the basis of the new banking model adopted by GTB, we have reviewed our initial top-line forecast of N211.4bn down by 20.0% to N169.2bn. We have however revised our initial pre-tax forecast of N46.7bn up by 10.0% to N51.4bn. On the basis of the above, we reiterate our **ACCUMULATE** recommendation on GTBank as our revised forecast shows that the bank is currently trading at a discount to its peers (based on trailing and forward 2010 numbers) and still has room for further price appreciation. We expect GTBank's price to trade between a 12.5% - 17.5% upside over the next 6-12 months.

Chart 1: Gross Earnings, Q3 '09, Q3 '10 and FYE 2010 Forecast



Source: NSE, Afrinvest Research

Chart 2: Pre-Tax Profits, Q3 '09, Q3 '10 and FYE2010 Forecast



Source: NSE, Afrinvest Research

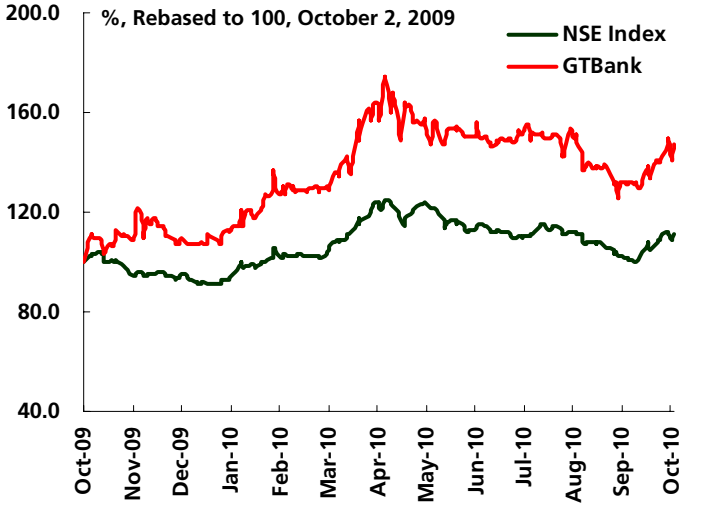
Chart 3: Key Ratios and Statistics

12– Month Price Target (Naira)	19.85
Share Price, Naira (October 25, 2010)	17.00
Market Cap (Naira, bn)	385.7
Market Cap (US$, m)	2,539.9
* 52-Week Range (Low - High)	11.22 - 19.57
ROAE (FY 2010E), %	17.9%
2010FYE EPS (Naira)	1.50
2010FYE P/E, Times	11.3x
Shares Outstanding (m)	23,317.18

Company Description: Guaranty Trust Bank is a top-tier commercial bank with total assets now in excess of N1.14tn (US$7.5bn). The bank's strength and growth is leveraged on an enviable strong brand name built on efficiency, professionalism, value adding service delivery, excellent corporate governance practices and a sound risk management framework. GTBank operates from about 250 branches spread across Nigeria, West Africa and the United Kingdom.

Source: Afrinvest Research

Chart 4: Last Twelve Months Price Performance, versus NSE



Source: NSE, Afrinvest Research

* Adjusted Price (after adjusting for the recent 1 for 4 bonus)

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