

Quick Take: Strong growth in both Interest and Non-Interest Income

GTCO's gM 2023 unaudited numbers showed a 61.1%y/y growth in Interest Income to N374.6bn driven by growth in Interest Income on Net Loans and Investment Securities. Net Loans and advances to Customers was up 17.7% in gM 2023 relative to December 2022 (inclusive of the impact of devaluation of foreign currency loans). The bank has been very reluctant to increase risk assets amidst the negative headwinds. On the other hand, Interest Expense also grew strongly, up 79.9% y/y to N77.0bn. Customer Deposits grew moderately, up 39.3% (inclusive of the impact of devaluation) in September 2023 compared with December 2022. Overall, Net Interest Income grew 56.9% y/y to N297.5bn and was up 26.0% q/q (Q3 2023 compared with Q2 2023).

Net Fee and Commission Income grew strongly both y/y and q/q, up 41.5% y/y and 43.1%q/q. Main drivers of the y/y growth were strong growth in credit related fees, account maintenance charges, Commission on foreign exchange deals, E-Business Income, and transfer related charges.

gM 2023 (Nm)

	gM 2022	gM 2023	y/y %	Q2 2023	Q3 2023	Q/q %
Interest income	232,492	374,557	61.1%	121,866	148,611	21.9%
Interest expense	-42,804	-77,018	79.9%	-26,558	-28,531	7.4%
Net Int Income	189,688	297,539	56.9%	95,308	120,080	26.0%
Net Fee & Commission Income	58,307	82,480	41.5%	21,612	30,932	43.1%
Other Income	64,872	384,458	492.6%	366,658	-3,784	-101.0%
Total Op Inc.	312,868	764,476	144.3%	483,578	147,227	-69.6%
Opex	-139,444	-182,698	31.0%	-69,437	-57,122	-17.7%
Cost to income	44.6%	23.9%	-2,067bps	14.4%	38.8%	2,444bps
Loan losses	-3,699	-89,465	2318.5%	-79,520	-6,503	-91.8%
Net impairment charge on other financial assets		-59,110	n/a	-81,313	22,204	n/a
PBT	169,724	433,203	155.2%	253,308	105,806	-58.2%
Tax	-39,376	-65,786	67.1%	-30,993	-18,871	-39.1%
Net Profits	130,348	367,417	181.9%	222,315	86,935	-60.9%

Source: Company's Financials, CSL Research.

Other Income (Net gains on financial instruments held at FVTPL and Other Income) grew significantly, up 492.6% y/y with almost all the growth in Q2 2023. Q/q, Other Income was down to a loss of N3.8bn in Q3 2023 from N366.7bn in Q2 2023 mainly due to no revaluation gains in Q3. The significant y/y growth was due to strong revaluation gains of N334.4bn reported in gM 2023 compared with a loss of N7.4bn booked in gM 2022.

OPEX grew significantly, up 31.0% y/y. The lower y/y growth in Opex, compared with a 144.3%y/y growth in total Operating Income led to a sharp drop in the bank's cost to income ratio ex-provisions (CIR ex-provisions) to 23.9% y/y in gM 2023 compared with 44.6% in gM 2022. Excluding revaluation gains, CIR ex provisions comes to 42.5% in gM 2023.

Loan Impairment Charge grew significantly to N89.5bn from N3.7bn in gM 2022, bringing gM 2023 annualised cost of risk (COR) to 5.5% compared with 0.6% for December 2022. The group also reported Net impairment charge/reversal of N59.1bn related to Ghana bonds.

Overall, PBT grew significantly, up 155.2% y/y while Net Profit was up 181.9% y/y to N367.4bn for gM 2023 from N130.3bn bringing gM 2023 annualised ROAE to 44.5%.

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In an attempt to normalise earnings, we excluded revaluation gains and assumed COR at 9M 2022 levels of 0.3% to exclude excess impairments due to the devaluation and normalise impairments. This gives a profit growth of 34.3% as seen below.

	9M 2022	9M 2023	y/y %
Interest income	232,492	374,557	61.1%
Interest expense	-42,804	-77,018	79.9%
Net Int Income	189,688	297,539	56.9%
Net Fee & Commission Income	58,307	82,480	41.5%
Other Income	64,872	50,106	-22.8%
Total Op Inc.	312,868	430,124	37.5%
Opex	-139,444	-182,698	31.0%
Cost to income	44.6%	42.5%	-209bps
Loan losses	-3,699	-6,563	77.4%
Net impairment charge on other financial assets			n/a
PBT	169,724	240,863	41.9%
Tax	-39,376	-65,786	67.1%
Net Profits	130,348	175,077	34.3%

We have a Buy recommendation on the stock. Current Price N36.0/s. Our estimates are being reviewed.

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