



# Guaranty Trust Bank plc

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Financial Results - Dec 2009

*(with Highlights of Q1 performance)*

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# Outline

- GTBank Q1 2010 Financial Highlights
- GTBank Dec 2009 Highlights
- Regulatory Environment
- GTBank 2009 Financial Overview



# GTBank Q1 2010 Financial Highlights

# Q1 Financial snapshot

## Financial Highlights

	Q1 2010	Q1 2009
Gross Earnings	\$297m	\$239m
Profit before tax	\$87m	\$84m
Total loans and advances to customers	\$3,455m	\$2,904m
Total deposits from customers	\$4,649m	\$3,022m
Total assets and contingents	\$9,542m	\$8,633m
Shareholders' funds	\$1,318m	\$1,258m

## Key Ratios

Net interest margin	7.6%	7.1%
NPL/ Total loans	8.1%	1.8%
Cost-to-income	57.1%	48.1%
Liquidity ratio	53.1%	39.3%
Coverage ratio	84.2%	144.1%
Loans to deposits	66.9%	83.9%
Capital Adequacy Ratio	21.6%	22.5%



# GTBank Dec 2009 Highlights

# 2009 Financial Highlights

## Total Assets & Contingents

GAAP **\$8.9bn** / **\$9.4bn** IFRS

- Total Assets and Contingents of \$8.9bn up from \$8.7bn in Dec 08
- RoAA of 2.48%
- Strong institutional and commercial banking operation;
- Continuously exploring quality lending opportunities in real sector

## PBT

GAAP **\$180m** / **\$234m** IFRS

- PBT of \$180m despite \$238m in loan loss provisions
- Cost to Income ratio of 65.10% (inclusive of provisions)

## Shareholders' Equity

GAAP **\$1.26bn** / **\$1.32bn** IFRS

- Strong RoAE of 12.70%
- Dividend of 75k per share
- Best Bank in Nigeria – Euromoney Awards for Excellence (2009)

## Capital Adequacy Ratio

GAAP **25.99%** / **23.13%** IFRS

- Maintenance of optimal branch network through controlled expansion
- Completed strategic expansion into Anglo-west Africa
- Use of technology and alternate delivery channels to minimize branch expansion
- Strong brand recognition and visibility

## NPL

GAAP **12.26%** / **3.32%** IFRS

- NPL of 12.26%, due to required loan reclassifications outside of prudential guidelines

# Income Statement

	Group Dec. 2009 12 months \$'m	Group Dec. 2008 10 months \$'m	Bank Dec. 2009 12 months \$'m	Bank Dec. 2008 10 months \$'m
<b>GROSS EARNINGS</b>	1,087	673	1,014	622
Interest and similar income	799	449	741	429
Interest and similar expenses	(271)	(130)	(250)	(123)
<b>Net interest margin</b>	528	319	491	306
Fee and commission income	207	160	188	151
Fee and commission expenses	(2)	(1)	(2)	(1)
Net fee and commission income	204	159	185	150
Net foreign exchange income	40	30	34	25
Underwriting profit	9	8	-	-
Income from investments	31	25	51	16
Operating income	813	541	762	498
Operating expenses	(376)	(274)	(334)	(237)
Loan loss expenses	(240)	(27)	(238)	(26)
Diminution in other asset values	(11)	(4)	(10)	(2)
<b>PROFIT BEFORE TAXATION</b>	187	236	180	231
Taxation	(29)	(47)	(21)	(44)
<b>PROFIT AFTER TAXATION</b>	158	189	159	188
Non-controlling interest	(0)	(5)	-	-
Profit to equity holders of the Bank	158	185	159	188



# Balance Sheet

	Group Dec. 2009	Group Dec. 2008	Bank Dec. 2009	Bank Dec. 2008
	\$'m	\$'m	\$'m	\$'m
<b>ASSETS</b>				
Cash in hand and balances with CBN	240	430	233	418
Treasury bills	247	416	197	352
Due from other banks	1,507	1,470	1,356	1,278
Loans and advances to customers	3,767	2,783	3,598	2,768
Advances under finance lease	0	0	0	0
Insurance receivables	5	4	-	-
Investment securities	911	612	897	579
Investment in subsidiaries	-	-	199	189
Trading properties	34	101	-	-
Other assets	104	329	63	313
Deferred tax assets	3	0	-	-
Property and equipment	311	265	276	241
Goodwill on consolidation	2	2	-	-
<b>TOTAL ASSETS</b>	<b>7,130</b>	<b>6,413</b>	<b>6,819</b>	<b>6,139</b>
<b>LIABILITIES</b>				
Customers' deposits	4,567	3,146	4,428	2,980
Due to other banks	100	187	7	187
Claims payable	2	1	-	-
Finance lease obligations	15	14	15	14
Liability on investment contracts	7	4	-	-
Liabilities on insurance contracts	8	5	-	-
Current income tax payable	23	64	16	62
Other liabilities	572	1,326	543	1,250
Deferred tax liabilities	29	23	28	23
Retirement benefit obligations	2	3	2	3
Debt securities in issue	438	327	438	327
Other borrowings	82	94	82	94
<b>TOTAL LIABILITIES</b>	<b>5,845</b>	<b>5,196</b>	<b>5,559</b>	<b>4,939</b>
<b>TOTAL EQUITY</b>	<b>1,285</b>	<b>1,217</b>	<b>1,260</b>	<b>1,200</b>



# Regulatory Environment

# Regulatory Actions and Intervention

## Central Bank of Nigeria

### •Jan 2009

- Fx purchases by banks to be used for “eligible” transactions and cannot be sold to other banks
- Introduction of 5 day utilization for all fx purchases (not limited to RDAS)
- Repurchase by CBN of Fx purchases (Other than RDAS) after the utilization period at 1% maximum below its selling rate at the immediate previous RDAS
- Fx receipts by oil firms, Oil services companies and government agencies can be sold only to the CBN

### •Feb 2009

- Bid/Offer margin on all Fx transactions by Authorized Dealers restricted to maximum of 1% & 2% around CBN rates for interbank and BDC respectively
- Re-classification of BDC operators into classes A&B
- CBN commits to managing exchange rates between a band of +/-3%

### •Mar 2009

- MPC meets to reinstate move to uniform year-end and IFRS reporting for all Banks starting December 2009

### •April 2009

- CBN reduces MPR from 9.75% to 8%, CRR from 2% to 1%, and liquidity ratio from 30% to 25% (Sept 2008 - CBN reduces MPR from 10.25% to 9.75%, CRR from 4% to 2% and liquidity ratio from 40% to 30%)

### •May 2009

- CBN advises of return to wDAS system Banks now allowed to conduct interbank trading of foreign exchange
- Increase of fx net open position from 1% to 2.5%
- Banks no longer required to sell non-rDas and non-oil export proceeds to CBN
- Removal of restriction that banks transact foreign exchange at 1% around CBN rates
- Government Agencies and Oil Companies have discretion to sell fx at the interbank market or to CBN
- CBN Caps lending rates at 22% and deposit rates 15%

### •Jun 2009

- Lamido Sanusi appointed as new CBN Governor
- CBN lifts cap on deposit and lending rates

## Rationale

### •Jan 2009

- To discourage official and parallel market arbitrage opportunities
- To reduce artificial demand and distortions in the market
- To reduce fluctuation and stabilize exchange rates at  $\pm 3\%$
- To maintain control of large currency transactions and better regulate currency rates

### •Feb 2009

- To reduce fluctuation and stabilize exchange rates at  $\pm 3\%$
- To enable easier and more efficient currency control the CBN created two tier structure for BDCs
- To manage expectations, create stability and encourage trade

### •Mar 2009

- To further strengthen the banking sector, increase transparency & enable better regulation of the industry

### •April 2009

- To ensure continued market liquidity which would stimulate economic growth

### •May 2009

- To reduce parallel market distortions, and to curb exploitation of such distortions, through the reintroduction of a more liberalized foreign exchange market.

### •Jun 2009

- Tenor of previous CBN governor (Charles Soludo) expired
- To return to market determined rate system

# Regulatory Actions and Intervention (continued)

## Central Bank of Nigeria

### •July 2009

- CBN reduces MPR from 8% to 6%
- CBN returns to wDAS from rDAS
- Banks to reduce Total exposure to public sector to 10%
- CBN suspends the classification of BAs and CPs as off balance sheet items

### •August 2009

- CBN commences special examination of all Nigerian Banks
- CBN releases results of on going audit for 10 banks
- CBN declares 5 of the 10 banks as distressed, injects a combined N420bn into the distressed banks while changing executive management of the banks

### •October 2009

- CBN releases results for the remaining 14 banks and declares 4 of those banks to be in a grave situation
- CBN injects N200bn into distressed banks and changes the banks' executive management

### •November 2009

- CBN lifts temporary ban on use of BAs and CPs and issues new guidelines
- CBN waives 1% General Loan Loss Provision on performing loans for 2009

### •Jan – Mar 2010

- CBN extends guarantee for all interbank placements
- CBN limits tenures of bank MDs to 10 years
- New guidelines for publishing of Financial Results
- Audit of all banks prior to release of results
- Reinforcement of 12 year tenure limit for non-executive directors
- New prudential guidelines
- CBN releases draft guidelines on proposed cancellation of Universal Banking and the establishment of Bank holding company

## Rationale

### •July 2009

- To lower lending rates and damper interest rate spikes in the industry
- To better stabilize the exchange rate
- To reduce undue exposure to government sector
- To curb the perceived abuse Banker's Acceptances and Commercial Papers

### •August 2009

- To assess the health of the banking system
- To ensure sound financial system

### •November 2009

- Measures aimed at improving system liquidity

### •Jan – Mar 2010

- To further strengthen the financial system



# GTBank 2009 Financial Overview

# Business Overview

## Institutional Banking

## Commercial Banking

## Retail Banking

## Public sector banking

### Selected Highlights

### Active Customers

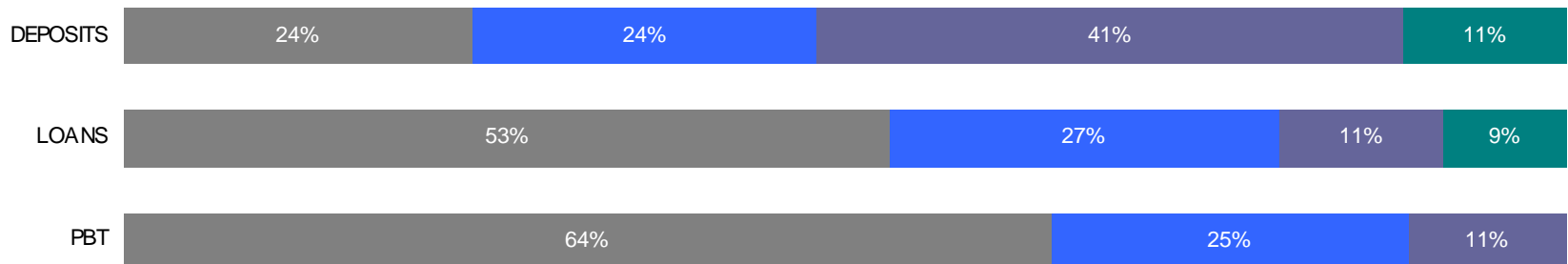
- Focus on multinationals and large corporates, with turnover in excess of US\$33m.
- Organised in 5 groups: Energy, Telecoms, Corporate Finance, Corporate Bank Group and Treasury
- Voted best bank in Nigeria at the Euromoney awards in UK in 2009
- Over 400

- Focus on small & medium companies, with turnover between US\$2m and US\$40m
- Extensive product range: tailor-made solutions and flexibility
- In-depth knowledge of local market
- Over 50,000

- Focus on retail customers
- Rapidly developing business
- **156 branches and 467 ATMs**
- Extensive leverage of alternative distribution channels
- Over 2.2million customers

- Focus on:
  - Federal government
  - State governments
  - Local governments and clients
- Active in all government segments

### Contribution to GTBank



Supported by strong support centers



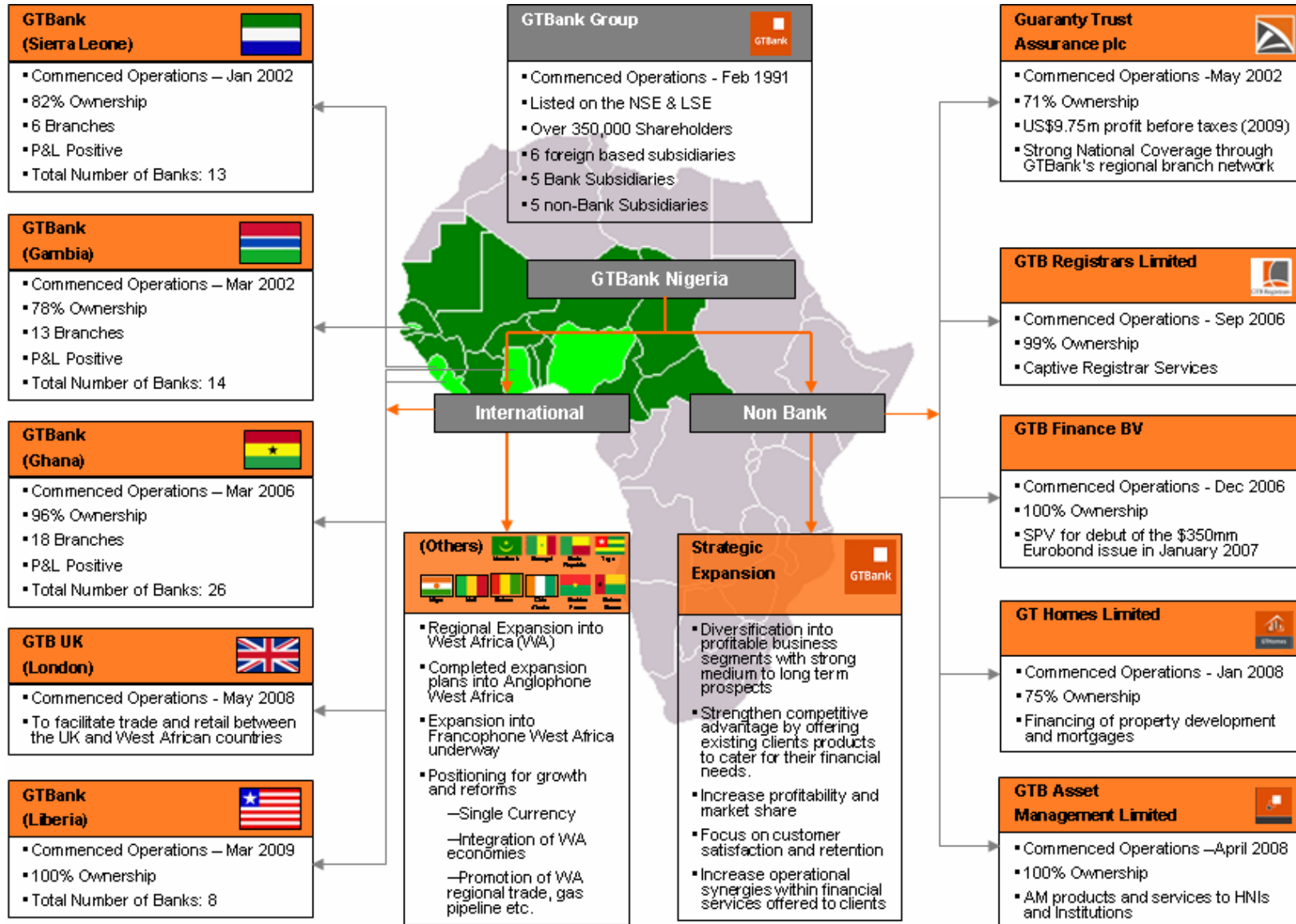
Finance

Operations / HR

Risk management

Information technology

# Regional Presence and Business Diversification

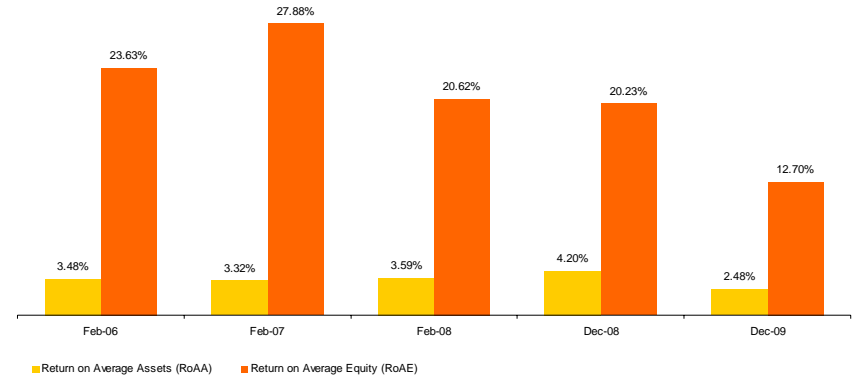


# Profitability

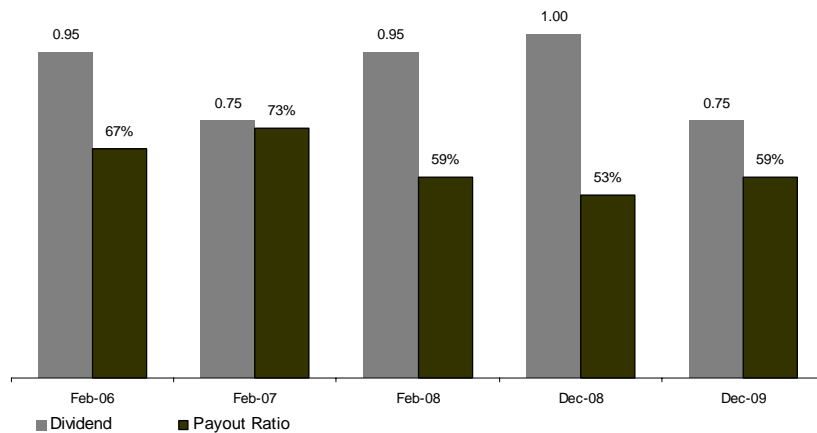
## Comments

- Stayed very profitable over the years, especially through past two rough financial years in the Nigerian macro and banking environment
- Relatively strong ROAA of 2.48%; ROAE of 12.70%
- Highest dividend payout in industry for 2009
- Maintained already low, operating cost profile

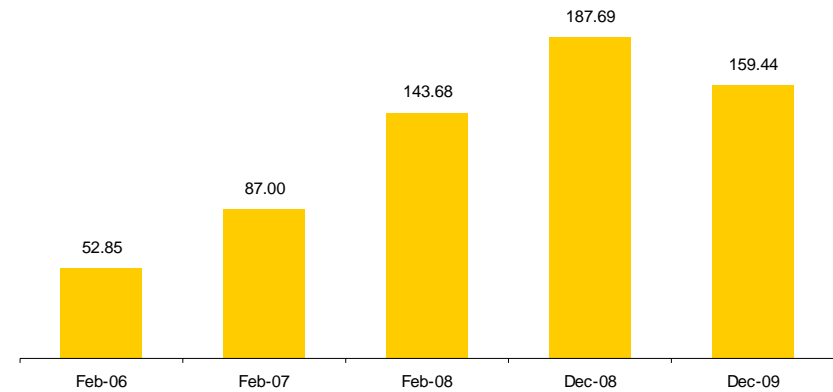
## RoAA and RoAE



## Dividends



## Earnings [after tax] \$m



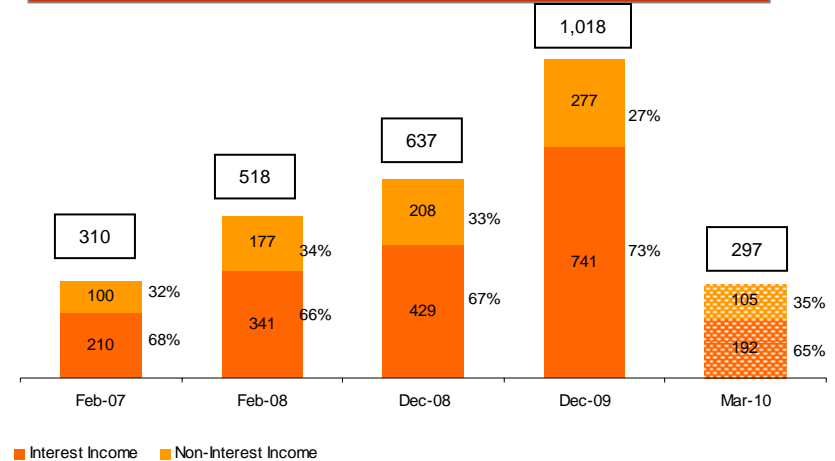


# Revenue Composition

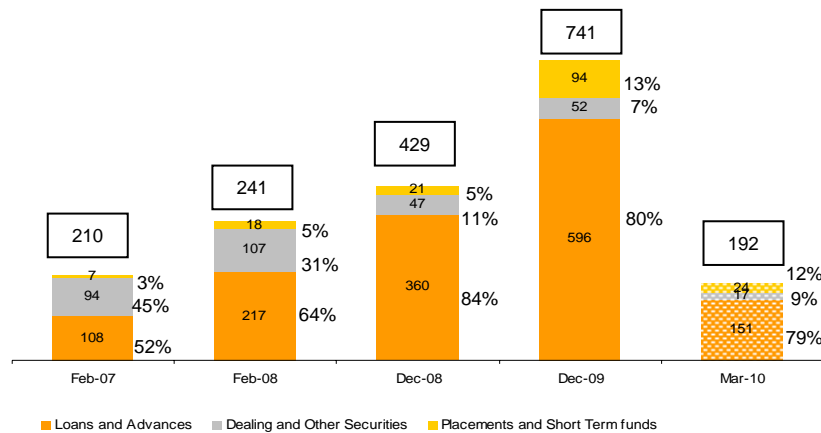
## Strong Revenue-Growth model

- Revenue growth driven by continued lending to quality names
- Revenue mix of
  - \$277m in non-interest income
  - \$741m in interest income
- Conservative focus on increasing market share in established players in stable markets

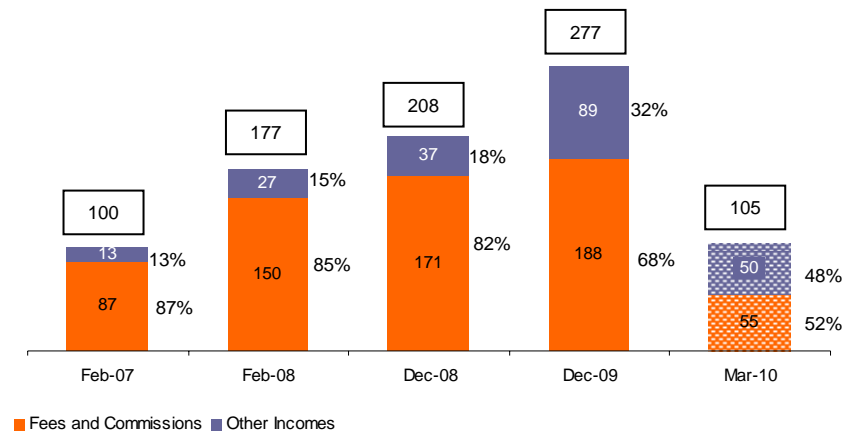
## Revenue mix (\$'m)



## Interest Income Mix (\$'m)



## Non Interest Income Mix (\$'m)

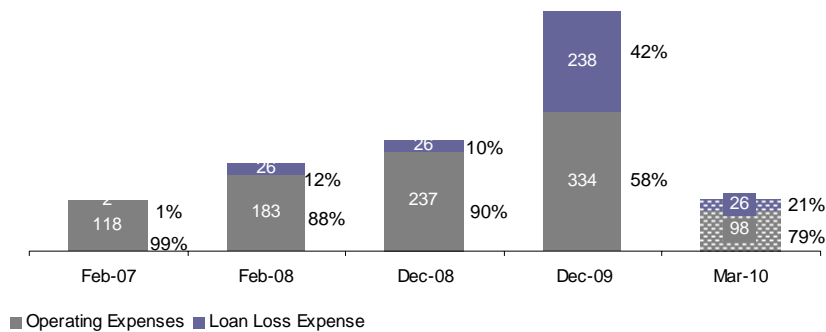


# Expenses

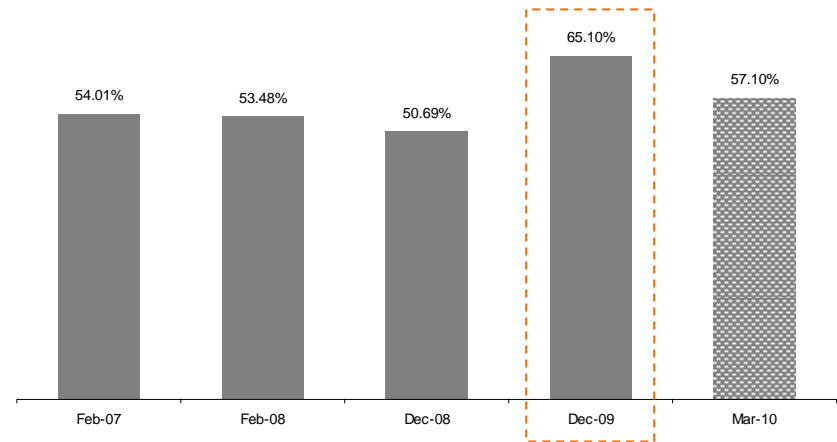
## Expense

- Rise in cost-to-income ratio, a result of spike in loan loss expense
- Increased loan loss expense caused by provisions mandated during CBN/NDIC special examination
- Stable operating cost profile.
- Bank maintains a continuous focus on efficiency and controlled growth

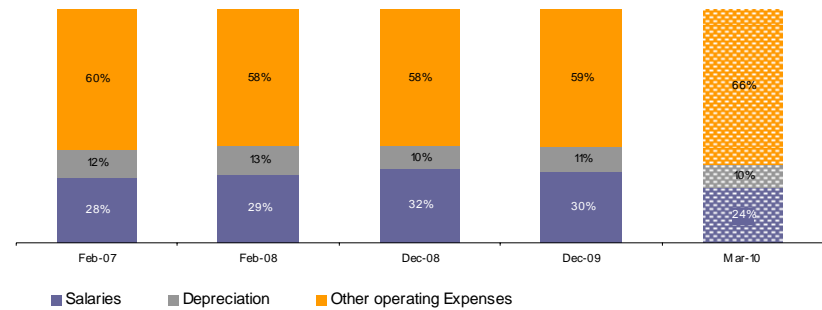
## Expense Summary



## Cost to Income



## Operating expense profile

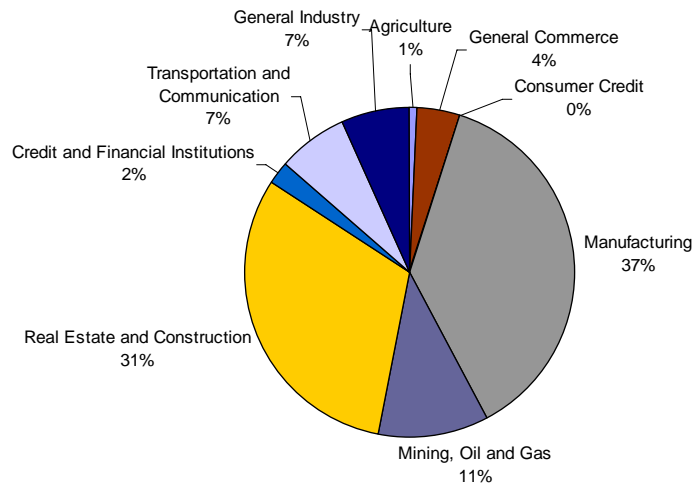


# Non Performing Loans

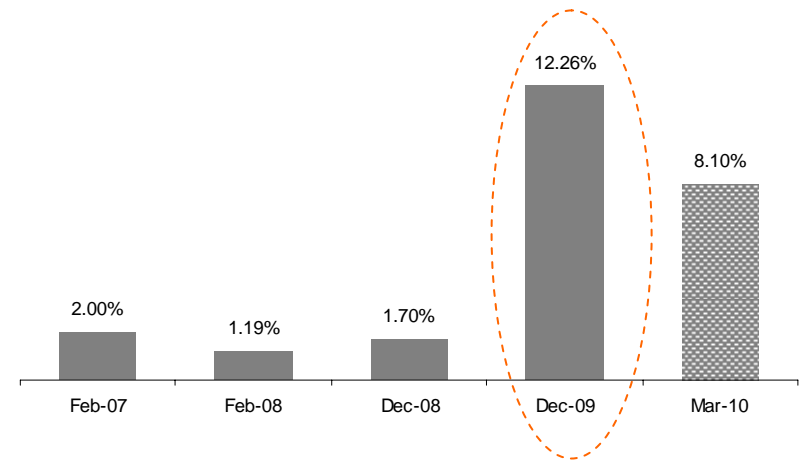
## NPL

- Drastic increase in NPLs, a result of post year-end target audit of all banks by CBN/NDIC
- Focus of Audit resulted in mandated reclassification of performing loans to Non-performing based on subjective factors
- Target audit was imposed after YE, resulting in drastic dip in coverage.
- CBN special exam on GTBank conducted mid-2009 resulted in a greater focus on increasing provisioning levels while 2009 target audit conducted in Feb 2010 resulted in a greater focus on reclassification of loans for targeted companies.

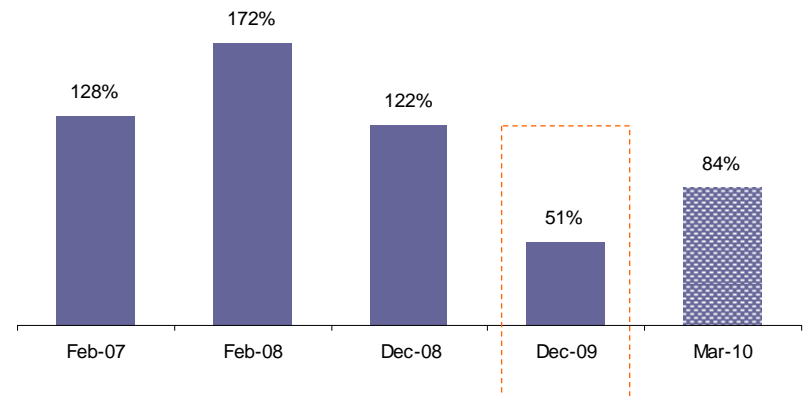
## NPLs by Industry



## NPLs



## Coverage Ratio

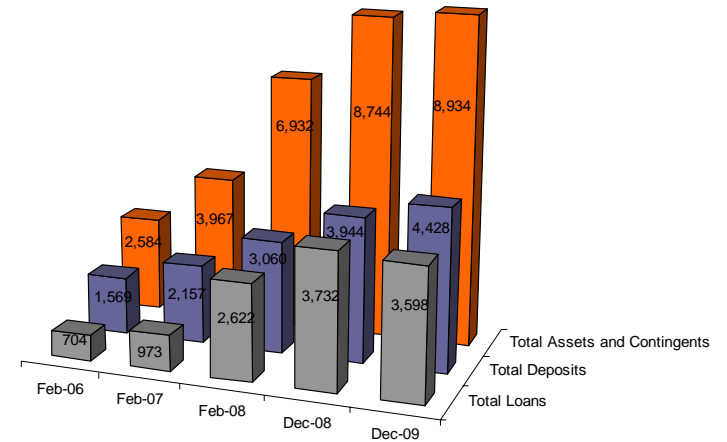


# Balance sheet profile

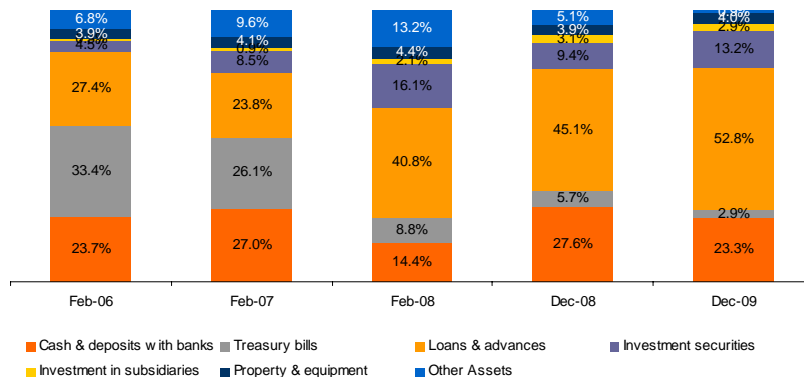
## Comments

- Market liquidity, crash in interest rates and flight to safety, created increased attractiveness for short term deposits
- Bank maintains long term focus by striving to maintain optimal mix of short term deposits and long term, more stable liabilities.
- Slight decrease in loan book due to continued, cautious approach to lending given macro and market conditions
- Loan growth - (3.6%)
- Deposit growth – 12.3%

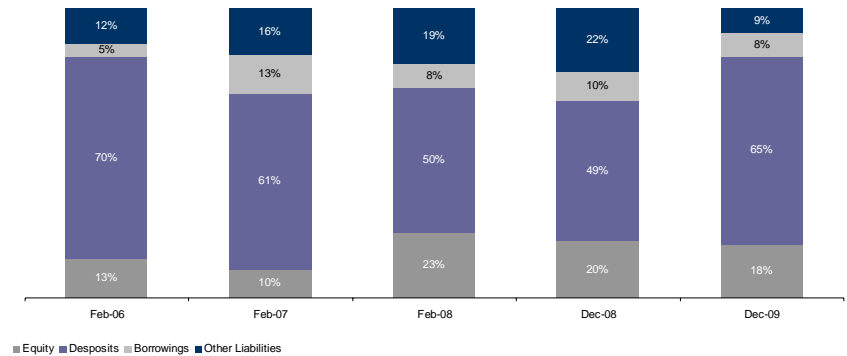
## Assets, Loans & Deposits



## Asset Base and Components



## Funding Mix

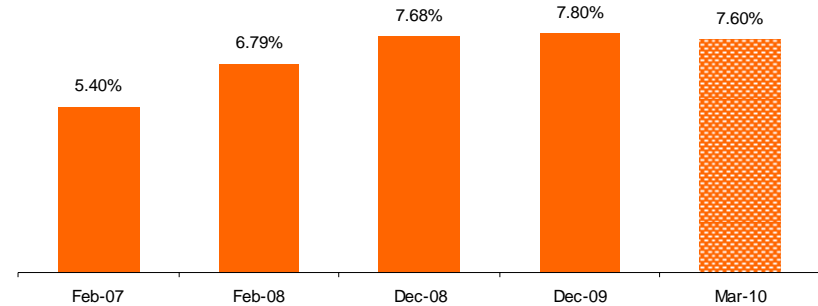


# Margins

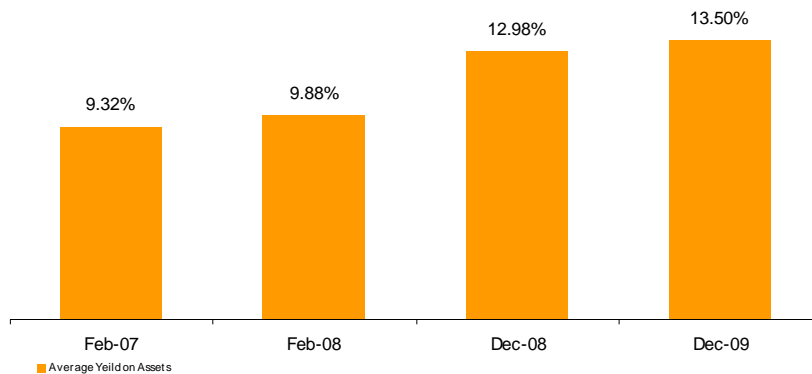
## Margins

- Consistently strong NIM
- Higher cost of liabilities in '09 due to pre-CBN audit operating environment in which there was a liquidity crisis and capital flight following the stock market meltdown.
- Cost of Liabilities have since come down due to
  - market liquidity
  - crash in deposit rates
  - flight to safety/quality

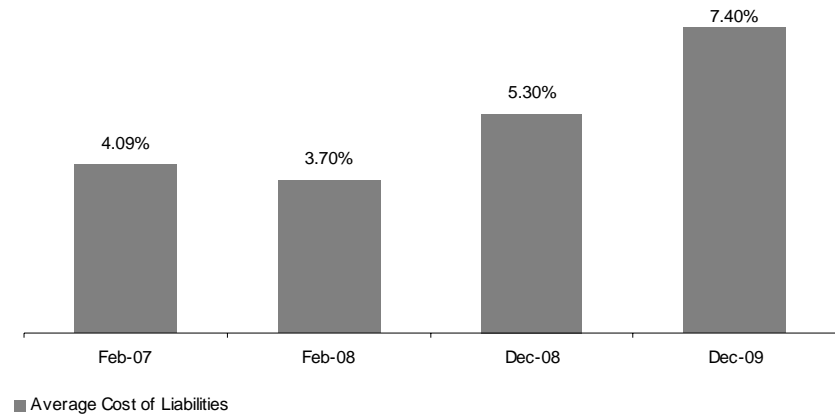
## NIM



## Average yield on interest earning assets



## Average Cost of interest yielding liabilities



# 4 Year Financial Summary

Key Financials \$'m	28-Feb-07	28-Feb-08	31-Dec-08	31-Dec-09	31-Mar-10
<b>Balance Sheet</b>	12 months	12 months	10 months	12 months	3 months
<b>Total Advances and Loans to Customers</b>	972.76	2,622.00	3,731.56	3,597.90	3,455
<b>Total Deposits from Customers</b>	2,156.74	3,059.76	3,943.88	4,427.77	4,649
<b>Shareholders' Funds</b>	317.13	1,076.77	1,200.45	1,260.12	1,319
<b>Total Assets</b>	3,410.80	5,448.87	7,103.19	6,818.96	7,191
<b>Total Assets and Contingents</b>	3,967.13	6,931.92	8,743.88	8,934.23	9,542
<b>Profit and Loss Account</b>					
<b>Interest Income</b>	209.75	341.28	429.18	741.39	192
<b>Non-Interest Income</b>	100.36	176.61	192.72	272.84	87
<b>Profit Before Taxes</b>	102.63	181.85	231.39	180.25	87
<b>Profit After Taxes</b>	87.00	143.68	187.69	159.44	59
<b>Performance Ratios</b>					
<b>Return on Average Assets (RoAA)</b>	3.32%	3.59%	4.20%	2.48%	1.34%
<b>Return on Average Equity (RoAE)</b>	27.88%	20.62%	20.23%	12.70%	6.75%
<b>Net Interest Margin</b>	5.40%	6.79%	7.68%	7.80%	7.60%
<b>Cost/Income</b>	54.01%	53.48%	50.69%	65.10%	57.10%
<b>Balance Sheet Ratios</b>					
<b>Loans to Customers/ Deposits</b>	33.40%	70.60%	81.70%	72.70%	74.30%
<b>Liquidity Ratio</b>	69.99%	51.86%	42.00%	43.50%	53.12%
<b>Capital Adequacy Ratio</b>	16.64%	27.55%	22.11%	25.99%	21.56%
<b>Asset Quality Ratios</b>					
<b>NPL/Total Loans</b>	2.00%	1.19%	1.70%	12.26%	8.10%
<b>Provisions for Loan Losses/NPL</b>	127.60%	172.00%	122.00%	50.68%	84.20%

# Thank You

