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# Building on stronger foundations

H2 2026 Banking Sector Outlook Report



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## H2'26 banking sector outlook report | Building on stronger foundations

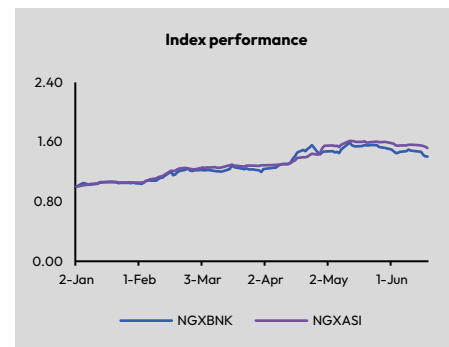
June 23, 2026

The first half of 2026 marked a significant turning point for Nigeria's banking sector. Following the successful completion of the Central Bank of Nigeria's (CBN) recapitalization exercise, the industry enters the second half of the year with stronger capital buffers but a more complex operating environment. Although inflation has moderated to 15.93% as of May 2026, the CBN has maintained a tight monetary stance, keeping the Monetary Policy Rate (MPR) at 26.5% to anchor price stability and support macroeconomic reforms.

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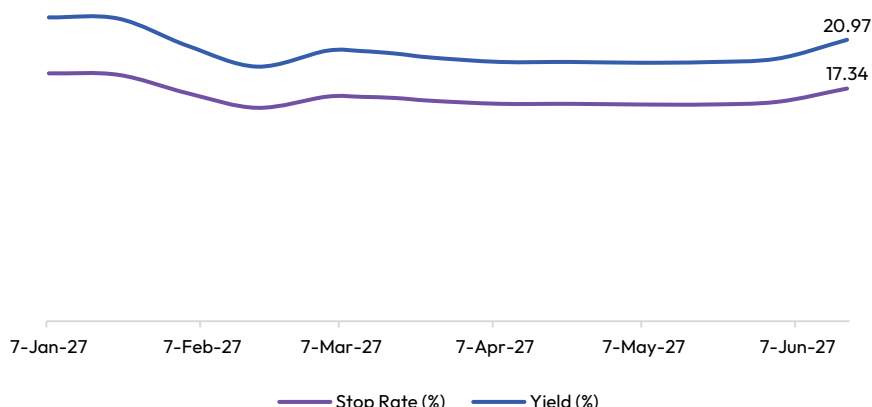
Against this backdrop, banks are expected to navigate a transition from the extraordinary earnings drivers that characterized the past two years. With foreign exchange revaluation gains fading and regulatory forbearance measures largely behind the industry, performance in H2'26 will increasingly depend on efficient capital deployment, the ability to preserve net interest margins amid evolving liquidity conditions, opportunities arising from elevated domestic fixed income yields driven by increased government borrowing, and continued discipline in managing asset quality as credit conditions normalize.



### Elevated yields to support interest margins

While easing monetary conditions are expected to underpin credit expansion over the medium term, the recent upward repricing of yields across the Nigerian fixed income market presents an additional earnings opportunity for banks in H2 2026. Rising yields in the short- to medium-tenor segment of the sovereign curve allow banks to reinvest maturing assets at more attractive rates while also creating opportunities to realize trading gains through active portfolio management, particularly for institutions with sizeable holdings of government securities. Furthermore, the Federal Government's elevated borrowing requirements, driven by fiscal financing needs and the widening budget deficit, are expected to sustain robust debt issuance through the remainder of the year. This increased supply is likely to keep yields relatively elevated, supporting treasury income and cushioning the impact of moderating net interest margins. Consequently, while core lending income may normalize as asset yields gradually soften, strong investment and trading income from fixed income portfolios should continue to provide a meaningful buffer to overall sector profitability in H2'26.

Increased government borrowing to sustain elevated yields



Source: DMO, Zedcrest research

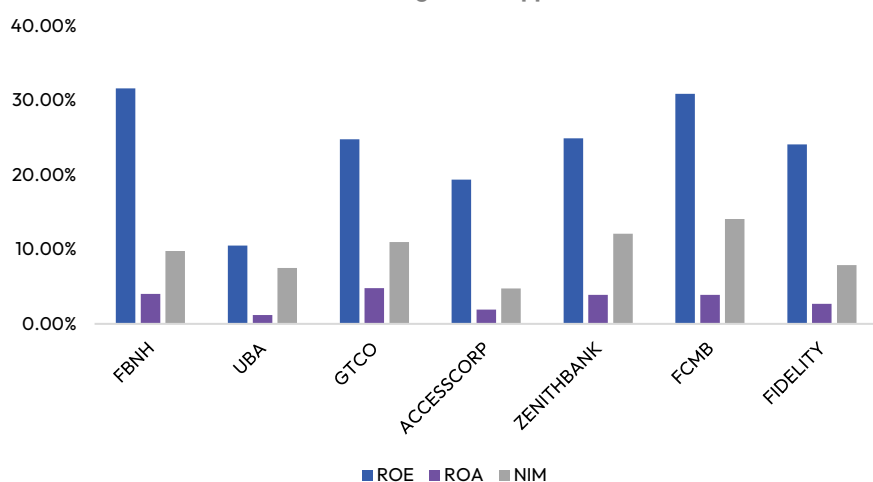
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## Asset quality pressures are expected to ease

One of the biggest concerns entering 2026 was the withdrawal of the Central Bank's regulatory forbearance measures, which resulted in higher impairment charges and increased provisioning across the banking industry.

However, much of this adjustment has already occurred. Most previously restructured loans have either been regularized or appropriately classified, suggesting that the bulk of credit costs associated with the forbearance exit have already been recognized. We expect impaired loan ratios to stabilize, with some Stage 2 exposures gradually migrating back to Stage 1 as borrower performance improves. Higher crude oil prices should further support repayment capacity within the oil and gas sector, which remains a key source of credit risk for several large banks.

Resilient Q1 banking ratios support the H2 outlook



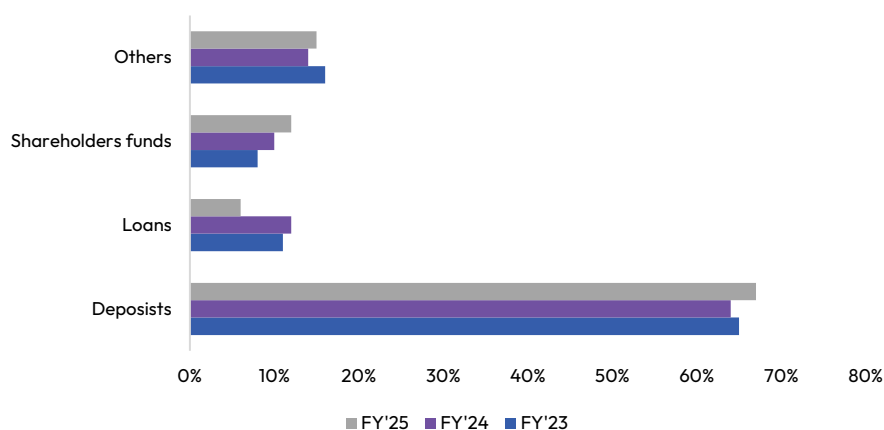
Source: Company filings, Zedcrest research

## Credit growth to accelerate as fixed income yields normalize

While the recent rise in domestic fixed income yields is expected to incentivize banks to maintain a relatively high allocation to government securities in the near term, we expect this trend to be temporary. Elevated sovereign yields, supported by increased government borrowing requirements, provide banks with attractive risk-adjusted returns and opportunities to strengthen treasury income, limiting the immediate incentive to aggressively expand private sector lending.

However, as government borrowing pressures ease and yields gradually moderate, the relative attractiveness of extending credit to the real economy is expected to improve. Coupled with stronger macroeconomic stability, improved exchange rate certainty, and moderating inflation, banks are likely to progressively rebalance their portfolios toward higher-yielding private sector loans. Consequently, we expect credit growth to gather pace in the latter part of H2 2026 and into 2027, although regulatory liquidity requirements and capital optimization considerations may temper the speed of expansion. Corporate lending is expected to remain the primary driver of loan growth, particularly across the manufacturing, telecommunications, agriculture, infrastructure, and selected oil and gas sectors, while retail lending should gradually recover as improving household purchasing power supports consumer demand.

Loan growth to strengthen as fixed income yields ease



Source: Company filings, Zedcrest research

### Capital adequacy remains supportive despite higher regulatory requirements

The banking recapitalization programme has largely achieved its objective, with most Nigerian banks successfully raising fresh equity to meet the Central Bank's revised minimum paid-in capital requirements. The successful capital raises have significantly strengthened loss-absorption capacity while positioning banks for future balance sheet expansion.

Nevertheless, attention is now shifting from raising capital to optimizing capital utilization. Certain institutions continue to manage prudential deductions arising from regulatory adjustments, foreign subsidiary investments, and the withdrawal of pandemic-era regulatory relief measures.

### Dividend prospects remain favourable

With recapitalization largely complete and regulatory uncertainties gradually subsiding, banks are expected to maintain attractive dividend distributions during H2 2026. Institutions with stronger capital buffers, lower prudential deductions, and healthier earnings retention are likely to sustain generous shareholder returns.

However, dividend growth may be more measured than in previous years as banks balance shareholder distributions against capital conservation requirements needed to support future loan growth and regional expansion

### Beyond recapitalisation: CBN shifts focus to group governance

With the banking recapitalisation exercise largely concluded, the Central Bank of Nigeria (CBN) has shifted its regulatory focus from capital adequacy to the quality of capital and the governance of banking groups. In June 2026, the apex bank released an exposure draft of the revised Guidelines for Licensing and Regulation of Financial Holding Companies (HoldCos), replacing the existing framework introduced in 2014. The proposed guidelines seek to strengthen the resilience of financial groups by enhancing capital discipline, improving corporate governance standards, tightening oversight of intra-group transactions, and reinforcing consolidated supervision across banking groups.

A key feature of the proposed framework is the requirement for financial holding companies to maintain regulatory capital at least 20% above the combined minimum capital requirement of their subsidiaries, while ensuring that excess capital in one subsidiary cannot be used to offset deficiencies in another. The draft also introduces

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stricter rules governing shared services, related-party transactions, interlocking directorships, and the ownership of foreign subsidiaries. Collectively, these measures are designed to reduce contagion risk within banking groups, promote greater transparency, and ensure that each regulated entity remains adequately capitalised on a standalone basis.

## Key proposed changes under the revised HoldCo guidelines

- **Higher capital buffer:** Financial holding companies (HoldCos) must maintain regulatory capital that is at least 20% above the combined minimum regulatory capital requirement of all subsidiaries.
- **Ring-fencing of capital:** Excess capital in one subsidiary cannot be used to offset capital shortfalls in another subsidiary, ensuring each entity remains adequately capitalized on a standalone basis.
- **Minimum ownership requirement:** HoldCos must maintain at least a 51% equity stake in each subsidiary and be registered as the person with significant control.
- **Restructuring of foreign subsidiaries:** Foreign subsidiaries may now be held directly by the HoldCo through an intermediate holding company, streamlining group structures.
- **Stricter oversight of shared services:** Shared services require prior CBN approval, must be conducted on an arm's-length basis, and be subject to independent value-for-money audits every two years.
- **Tighter controls on intra-group transactions:** All intra-group dealings must be conducted at arm's length, with enhanced disclosure and transparency requirements.
- **Restrictions on parent company support:** HoldCos are prohibited from bearing subsidiary expenses or borrowing against subsidiary guarantees, except under limited approved arrangements.
- **Enhanced corporate governance standards:** Directors may only serve on the HoldCo and one subsidiary board, while HoldCo directors cannot account for more than 20% of a subsidiary's board composition.
- **Prohibition of insider-related lending:** Loans or credit facilities to insiders at the HoldCo level are strictly prohibited.
- **Strengthened consolidated supervision:** The CBN will exercise closer oversight of banking groups, with greater emphasis on governance, risk management, capital adequacy, and group-wide transparency.
- **Transition requirements:** Existing HoldCos will have six months from the effective date of the guidelines to notify the CBN of their preferred operating structure, while newly licensed HoldCos must operate for a minimum of five years before reversing their structure.

## What investors should watch

For investors, the revised HoldCo framework represents the next phase of Nigeria's banking sector reforms. While the recapitalisation programme strengthened banks' capital bases, the new guidelines are aimed at improving how that capital is deployed, governed, and supervised. Institutions with transparent corporate structures, strong governance practices, and efficient capital allocation are likely to be better positioned to generate sustainable returns, while those relying heavily on intra-group funding arrangements or complex organisational structures may face higher compliance costs and capital optimisation challenges.

The proposed framework could also have important implications for dividend capacity and return on equity over the medium term. By tightening rules around capital distribution, limiting intra-group financial support, and reinforcing prudential oversight, the CBN is seeking to ensure that shareholder distributions are supported

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by genuine earnings and robust capital positions rather than financial engineering. Although the reforms may modestly constrain capital flexibility in the near term, they should ultimately strengthen investor confidence, improve financial stability, and support the long-term sustainability of Nigeria's banking sector.

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## H2'26 banking sector outlook | FIRSTHOLDCO: Earnings recovery driven by stronger core income after recapitalisation

In light of First Holdco Plc's robust Q1 2026 performance and the sector's post-recapitalisation reset, we expect earnings momentum to strengthen through H2'26, setting the Group on course for a solid full-year recovery. With gross earnings projected to rise to ₦3.86 trillion in FY 2026 from ₦3.44 trillion in 2025, growth will be anchored by a rebound in core banking activities and improved balance sheet deployment following the completion of CBN's recapitalisation exercise.

Net interest income is forecast to increase to about ₦2.12 trillion in 2026 (interest income: ₦3.33 trillion; interest expense: ₦1.21 trillion), supported by stronger growth in interest-earning assets, disciplined loan book expansion, and higher asset yields in a still-elevated rate environment. While funding costs are expected to remain high as deposit rates adjust to the tighter monetary stance, a richer asset mix and more efficient capital deployment should help preserve margins relative to 2025 levels.

On the non-interest side, we project income to climb to roughly ₦842 billion in 2026 from ₦755 billion in 2025, reflecting a normalisation away from volatile FX revaluation gains toward more sustainable fee, trading, and transaction-driven revenue. Stronger trading gains, higher payment and electronic banking volumes, and improving recoveries are expected to underpin this expansion, with Q1 2026 already showing a healthier contribution from non-interest income compared with the depressed FY 2025 base.

Operating expenses are projected to increase to about ₦1.48 trillion in 2026 from ₦1.23 trillion in 2025, driven by inflationary pressure, ongoing technology spend, and higher regulatory and compliance costs, though cost growth should remain below topline expansion, supporting gradual improvement in underlying efficiency metrics. Overall, profit after tax is forecast to rebound sharply to approximately ₦903 billion in FY 2026 from ₦140 billion in 2025, before rising further to about ₦1.05 trillion in 2027, as the earnings mix re-centres on core banking income and the enlarged capital base is more fully deployed in a stabilising macro environment.

Reflecting these positive revisions, we have maintain our target price at ₦86.54 and reaffirm our **BUY** rating on FIRSTHOLDCO.

Rating	BUY
NGX Ticker	FIRSTHOLDCO
Bloomberg Ticker	FIRSTHOLDCO:NL
Target price	₦86.54

Company statistics (Q1 2026)	
Return on average equity	4.00%
Net Interest Margin	9.80%
Cost to Income ratio	42.50%
Market cap	₦2.75trn

### Summary of forecasted income statement (₦'million)

	2024	2025	2026F	2027F
Gross earnings	3,212	3,435	3,856	4,217
Interest income	2,397	2,994	3,328	3,660
Interest expenses	(996)	(1,077)	(1,213)	(1,313)
Non-interest income	377	755	842	923
Operating expenses	(934)	(1,234)	(1,478)	(1,612)
PAT	677	140	903	1,046

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## H2'26 banking sector outlook | ZENITHBANK: Resilient core earnings with steady growth despite rising costs

Looking ahead, we expect Zenith Bank to deliver a solid but measured earnings performance over the rest of 2026, with full-year profit after tax projected at ₦1.10 trillion (2026F) and ₦1.18 trillion (2027F), up from ₦1.04 trillion in 2025. The bank's Q1'26 results already underscore resilient core earnings, as stronger interest and fee income offset rising operating expenses and modest margin compression.

Net interest income is expected to remain the key earnings driver, with interest income forecast to rise to ₦4.04 trillion in 2026 and ₦4.30 trillion in 2027, from ₦3.67 trillion in 2025, reflecting improved asset yields, continued loan growth and higher returns from fixed-income and money-market placements. Although funding costs are projected to stay elevated, interest expense is expected to grow at a slower pace, reaching ₦1.15 trillion in 2026 and ₦1.22 trillion in 2027, as management continues to optimise the deposit mix and sustain a strong CASA base. As a result, net interest income should expand steadily, supporting robust underlying profitability even as the rate environment normalises.

Non-interest income is projected to recover from the unusually weak outturn in 2025, rising to ₦464 billion in 2026 and ₦508 billion in 2027. Growth will be anchored by higher transaction volumes across digital and card channels, resilient corporate banking fees, and selective trading gains in FX and fixed-income markets, with Q1'26 already showing double-digit growth in fee and commission income. Loan recoveries and moderate FX revaluation gains are expected to provide additional support, helping to diversify revenue and reduce reliance on balance-sheet-driven income.

Operating expenses are forecast to increase to ₦1.14 trillion in 2026 and ₦1.22 trillion in 2027, from ₦1.04 trillion in 2025, driven by inflationary pressures, higher regulatory and compliance costs, and ongoing investments in technology and cybersecurity. Even so, Zenith's cost-to-income ratio is expected to remain one of the best in the sector, as topline growth outpaces expense escalation and digitalisation gains gradually feed through to efficiency metrics. Overall, the combination of strong net interest income, recovering non-interest income and disciplined cost management underpins our expectation that Zenith will sustain sector-leading returns, with ROE remaining comfortably in the mid-20s range over the medium term.

Overall, Zenith Bank is well-positioned to capitalize on its strong capital base, earnings momentum, and strategic initiatives in H2 2026. We maintain our **BUY** rating for ZENITHBANK as we with our target price at ₦143.05

Rating	BUY
NGX Ticker	ZENITHBANK
Bloomberg Ticker	ZENITHBA
Target price	₦143.05

Company statistics (Q1 2026)	
Return on average equity	24.90%
Net Interest Margin	12.10%
Cost-to-income	43.50%
Market cap	₦4.84trn

### Summary of forecasted income statement (₦'million)

	2024	2025	2026F	2027F
Gross earnings	3,822	4,078	4,403	4,744
Interest income	2,721	3,673	4,040	4,296
Interest expenses	(993)	(1,033)	(1,147)	(1,218)
Non-interest income	1,100	405	464	508
Operating expenses	(843)	(1,040)	(1,144)	(1,218)
PAT	1,033	1,041	1,103	1,181

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## H2'26 banking sector outlook | GTCO: Solid earnings recovery supported by strong margins and improving asset quality

We expect GTCO to deliver a steady recovery in earnings over 2026–2027, anchored on resilient core income and improving asset quality despite near-term pressure from higher taxes and softer NIR. Based on our forecast, profit after tax is projected at ₦932 billion in 2026 and ₦988 billion in 2027, compared with ₦866 billion in 2025 and the weaker Q1'26 bottom line.

Net interest income should remain the main earnings driver. Interest income is projected to rise to ₦1.88 trillion in 2026 and ₦2.06 trillion in 2027, from ₦1.65 trillion in 2025, supported by a 23.3% expansion in interest-earning assets, stronger loan growth and higher yields on cash equivalents and customer loans. Funding costs are expected to stay elevated as deposit volumes expand and the CASA ratio moderates, with interest expense forecast at ₦452 billion in 2026 and ₦489 billion in 2027 (vs ₦393 billion in 2025). Even so, GTCO's low-cost funding base should allow it to preserve healthy margins, with NII growing faster than funding costs over the forecast horizon.

We expect non-interest income to recover from the Q1'26 slump and grow to ₦556 billion in 2026 and ₦611 billion in 2027, after the soft ₦463 billion recorded in 2025. The sharp unrealised fair value loss booked in Q1'26 is treated as non-recurring; underlying trends in fees, commissions and realised FX trading gains remain positive, and should be further supported by higher transaction volumes across digital channels and regional operations. This should help rebuild the NIR contribution and reduce earnings volatility relative to recent quarters.

Operating expenses are projected to rise to ₦557 billion in 2026 and ₦613 billion in 2027, from ₦475 billion in 2025, reflecting inflationary pressures, technology investments and regulatory costs. Nonetheless, revenue growth is expected to outpace cost escalation, keeping GTCO's cost-to-income ratio around the low-30s and comfortably below most peers. With impairment charges moderating on the back of improving NPL stock and a lower cost of risk, and assuming the effective tax rate normalises from the elevated Q1'26 level, GTCO is positioned to sustain strong profitability metrics, with ROE expected to remain in the mid-20s over the medium term.

GTCO's strategic focus on maintaining asset quality, optimizing funding costs, and investing in digital transformation positions it well to navigate the evolving banking landscape in H2 2026. We maintain our target price of ₦132.47 and our **BUY** recommendation, the bank's resilient fundamentals and sustained earnings power continue to make it an attractive proposition in Nigeria's banking sector.

Rating	BUY
NGX Ticker	GTCO
Bloomberg Ticker	GTCO:NL
Target price	₦132.47

Company statistics (Q1 2026)	
Return on average equity	24.80%
Net Interest Margin	11.00%
Cost to Income ratio	30.90%
Market cap	₦4.65trn

### Summary of forecasted income statement (₦'million)

	2024	2025	2026F	2027F
Gross earnings	2,117	2,150	2,438	2,682
Interest income	1,342	1,653	1,883	2,064
Interest expenses	(283)	(393)	(452)	(489)
Non-interest income	775	463	556	611
Operating expenses	(403)	(475)	(557)	(613)
PAT	(1,018)	(866)	932	988

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## H2'26 banking sector outlook | ACCESSCORP: Diversified earnings anchored by gradual core income normalisation

Access Holdings Plc (AccessCorp) is poised for solid growth in the second half of 2025, building on a strong performance outlook and strategic initiatives focused on asset optimization and operational efficiency. We expect Access Holdings Plc to deliver a firmer earnings trajectory through H2 2026, with full-year profit after tax projected at ₦857 billion in 2026 and ₦922 billion in 2027, up from ₦743 billion in 2025. The Q1 2026 performance underscores a resilient but mixed profile, where softer core yields and FX-driven income are gradually transitioning toward a more balanced and sustainable earnings mix.

Gross earnings are forecast to rise to ₦5.83 trillion in 2026 and ₦6.30 trillion in 2027, from ₦5.36 trillion in 2025, supported by measured loan growth, improved contribution from regional subsidiaries, and continued expansion of the group's non-banking businesses. Interest income is projected to recover to ₦3.90 trillion in 2026 and ₦4.25 trillion in 2027, following the 7.2% y/y decline recorded in Q1 2026, as asset yields gradually re-price upward and the drag from lower returns on FVOCI securities fades. At the same time, interest expenses are expected to increase to ₦2.41 trillion in 2026 and ₦2.58 trillion in 2027, from ₦2.19 trillion in 2025, reflecting a normalisation from the unusually low Q1 funding cost and the impact of competition for deposits in a high-rate environment. Even so, liability optimisation efforts and deeper customer funding relationships should preserve a reasonable margin, keeping net interest income on a positive growth path.

Non-interest income is projected to remain a key support to earnings, rising to ₦2.01 trillion in 2026 and ₦2.17 trillion in 2027, from ₦1.81 trillion in 2025. While FX revaluation gains made an outsized contribution in Q1 2026, we expect the mix to gradually tilt toward more recurring sources such as transaction fees, digital and card income, trade finance, and earnings from non-banking subsidiaries. The group's diversified business model and expanding regional footprint should help smooth volatility in FX-linked income over time, while still providing upside when currency markets remain active.

Operating expenses are forecast to increase to ₦1.80 trillion in 2026 and ₦1.96 trillion in 2027, from ₦1.64 trillion in 2025, reflecting persistent inflationary pressures, higher personnel costs, and ongoing investments in technology, digital channels and risk infrastructure. Nonetheless, cost growth is expected to remain broadly contained relative to revenue expansion, allowing the group to maintain acceptable efficiency levels as scale benefits and digitalisation gains continue to crystallise. With steady balance sheet growth, strong liquidity buffers and disciplined funding cost management, Access Holdings is positioned to sustain a robust earnings profile through 2026–27, even as core yields normalise and FX-related tailwinds gradually moderate.

Overall, AccessCorp's strategic focus on balancing growth with efficiency, alongside its strong capital position, positions it well to deliver sustained earnings growth and operational resilience in H2 2025. Given these solid fundamentals and growth prospects, we maintain our target price of ₦35.76 and reaffirm our **BUY** recommendation on AccessCorp.

Rating	BUY
NGX Ticker	ACCESSCORP
Bloomberg Ticker	ACCESSCO:NL
Target price	₦35.76

Company statistics (Q1 2026)	
Return on average equity	19.37%
Net Interest Margin	4.76%
Cost-to-income ratio	51.71%
Market cap	₦1.24 trn

### Summary of forecasted income statement (₦ million)

	2024	2025	2026F	2027F
Gross earnings	4,778	5,359	5,831	6,298
Interest income	3,481	3,546	3,901	4,251
Interest expenses	(2,212)	(2,189)	(2,408)	(2,575)
Non-interest income	1,299	1,813	2,012	2,173
Operating expenses	(1,455)	(1,639)	(1,803)	(1,962)
PAT	642	743	857	922

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## H2'26 banking sector outlook | FCMB: Strong core income momentum with improving operating leverage

FCMB Group Plc's Q1 2026 performance sets the stage for sustained earnings strength through the rest of the year and into 2027, with full-year profit after tax projected at ₦221 billion in 2026 and ₦244 billion in 2027, compared with ₦177 billion in 2025. The sharp 137.4% y/y jump in Q1'26 PAT to ₦76.5 billion confirms the depth of the core earnings recovery and provides a solid base for this medium-term outlook.

Net interest income is expected to remain the primary growth engine. In Q1'26, NII expanded by 92.4% y/y to ₦168.3 billion, supported by a 33.5% increase in interest income and a 7.2% decline in interest expense as the cost of funds fell and the CASA ratio improved to 74.3%. Translating this into run-rate expectations, interest income is projected to rise from ₦1.00 trillion in 2025 to about ₦1.22 trillion in 2026 and ₦1.32 trillion in 2027, underpinned by higher yields on cash and placements with foreign banks, as well as larger holdings of high-yield government securities. Interest expenses are forecast at ₦591 billion in 2026 and ₦633 billion in 2027 (vs ₦499 billion in 2025), reflecting balance sheet growth but still benefiting from the shift away from expensive term deposits. Overall, this should preserve a structurally higher net interest margin after the 5.1ppt expansion to 14.1% recorded in Q1.

On the non-interest side, the expectation is for a gradual normalisation and rebuild of NIR after the 46.1% y/y decline to ₦17.7 billion in Q1'26, which was driven by FX losses and bond trading setbacks. Full-year non-interest income is projected at ₦129 billion in 2026 and ₦142 billion in 2027, up from ₦102 billion in 2025, as the drag from one-off FX and trading losses fades and fee-based income continues to grow. Stronger contributions from payments, cards, corporate banking services and occasional portfolio gains—such as the Q1 gain on disposal of a 10% stake in FCMB Pensions—should underpin a more stable and diversified NIR profile.

Operating expenses are projected to rise to ₦381 billion in 2026 and ₦413 billion in 2027, from ₦319 billion in 2025, reflecting inflationary pressure, wage adjustments and continued investment in technology and distribution capacity. Even so, with operating income growing faster than costs, FCMB's cost-to-income ratio is expected to trend down from the already improved 46.7% posted in Q1'26, deepening operating leverage. Impairment charges are likely to remain elevated in absolute terms, with cost of risk around the low-2% range, but stronger asset quality and lower NPLs should keep credit costs manageable. Altogether, the bank is positioned to sustain robust profitability, with ROE expected to stay around 30% and ROA near 4% over 2026–27, consolidating the significant step-up in earnings quality signalled by the Q1 2026 results.

Overall, FCMB is well-positioned to capitalize on its strong capital base, earnings momentum, and strategic initiatives in H2 2026. We maintain our **HOLD** rating for FCMB as we with our target price at ₦11.86.

Rating	BUY
NGX Ticker	FCMB
Bloomberg Ticker	FCMB:NL
Target price	₦11.86

Company statistics (Q1 2026)	
Return on average equity	30.90%
Net Interest Margin	14.10%
Cost-to-income ratio	46.70%
Market cap	₦ 699.12bn

### Summary of forecasted income statement (₦'million)

	2024	2025	2026F	2027F
Gross earnings	794	1,127	1,373	1,510
Interest income	622	1,002	1,215	1,320
Interest expenses	(397)	(499)	(591)	(633)
Non-interest income	157	102	129	142
Operating expenses	(229)	(319)	(381)	(413)
PAT	73	177	221	244

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## H2'26 banking sector outlook | FIDELITYBK: Profitability stabilising as funding costs and credit charges are gradually rebalanced

Fidelity Bank's Q1 2026 performance signals a period of earnings consolidation rather than outright acceleration, with full-year profit after tax projected at ₦327 billion in 2026 and ₦362 billion in 2027, compared with ₦242 billion in 2025. The 18.2% y/y decline in Q1'26 PAT to ₦74.5 billion reflects near-term pressure from sharply higher funding costs, heavier impairment charges and rising operating expenses, despite still-solid topline growth.

Net interest income is expected to recover gradually over the forecast horizon. Q1'26 showed a 25.5% y/y uplift in interest income to ₦353.3 billion, driven by resilient asset yields (17.4%) but offset by a 90.3% y/y jump in interest expense to ₦172.5 billion as cost of funds spiked to 8.4% on the back of higher term-deposit and wholesale funding costs. Translating this into the full-year view, interest income is projected to rise from ₦1.30 trillion in 2025 to ₦1.65 trillion in 2026 and ₦1.79 trillion in 2027, helped by balance sheet growth and sustained high asset yields. Interest expenses, meanwhile, are forecast to increase to ₦615 billion in 2026 and ₦660 billion in 2027 (from ₦467 billion in 2025) but at a slower pace than in Q1, as management refinances expensive short-term borrowings and rebalances the funding mix. This should allow net interest income to stabilise and gradually improve from the Q1 contraction, even if NIM remains below the exceptional 2023–24 levels.

Non-interest income provides an important offset to funding cost pressures. In Q1'26, NIR more than doubled to ₦77.8 billion, driven largely by ₦48.0 billion of unrealised FX revaluation gains and strong fee and commission growth (up 38.9% y/y) from ATM charges, letters of credit and digital channels. For the full year, we project non-interest income at about ₦146 billion in 2026 and ₦160 billion in 2027, compared with a small negative outturn in 2025, as recurrent fee income remains strong while FX revaluation gains moderate to more sustainable levels. This shift should improve the quality and predictability of NIR while still leaving room for upside in periods of heightened FX market activity.

Our forecast embeds OPEX of ₦551 billion in 2026 and ₦584 billion in 2027 (from ₦443 billion in 2025), implying that cost growth remains elevated but below revenue growth, allowing some incremental efficiency gains as digital investments scale. Impairment charges surged to ₦29.2 billion in Q1'26 on specific provisions for sundry and e-payment receivables; we expect provisioning to normalise from this spike but remain higher than in the pre-2024 period, keeping cost of risk elevated but contained. In aggregate, these dynamics support the projected improvement in full-year PAT to ₦327 billion in 2026 and ₦362 billion in 2027, with profitability metrics gradually recovering from the Q1 2026 dip as funding costs and credit charges are better managed.

Overall, FIDELITYBANK is well for sustained performance in H2 2026. Reflecting these positive fundamentals, we maintain our BUY rating on FIDELITYBANK with a target price of ₦29.10.

Rating	BUY
NGX Ticker	FIDELITYBK
Bloomberg Ticker	FIDELITY:NL
Target price	₦29.10

Company statistics (Q1 2026)	
Return on average equity	24.10%
Net Interest Margin	7.90%
Cost-to-income ratio	52.90%
Market cap	₦ 1.13trn

### Summary of forecasted income statement (₦'million)

	2024	2025	2026F	2027F
Gross earnings	1,043	1,280	1,663	1,829
Interest income	951	1,299	1,654	1,794
Interest expenses	(321)	(467)	(615)	(660)
Non-interest income	143	(19)	146	160
Operating expenses	(332)	(443)	(551)	(584)
PAT	278	242	327	362

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## H2'26 banking sector outlook | UBA: Earnings rebuild supported by resilient core income amid rising costs and impairments

United Bank for Africa's Q1 2026 result points to an earnings phase marked by slower headline growth but still-solid core income, with full-year profit after tax projected at ₦904 billion in 2026 and ₦1.05 trillion in 2027, compared with ₦405 billion in 2025. The 22.8% y/y drop in Q1'26 PAT to ₦146.6 billion was driven mainly by sharply higher operating expenses and a spike in loan impairment charges, rather than weakness in underlying revenue generation.

Core income trends remain constructive. Gross earnings are forecast to rise from ₦3.09 trillion in 2025 to ₦3.86 trillion in 2026 and ₦4.22 trillion in 2027, reflecting gradual balance sheet expansion and sustained growth in interest-earning assets. Interest income is projected to increase from ₦2.65 trillion in 2025 to ₦3.33 trillion in 2026 and ₦3.66 trillion in 2027, building on the 6.9% y/y uptick to ₦641.1 billion recorded in Q1'26, which was largely powered by higher yields and volumes in government securities. While income on customer loans contracted in the quarter, we expect modest loan growth and gradual repricing to support a recovery over the forecast horizon. Interest expenses are expected to track upward more slowly—from ₦1.03 trillion in 2025 to ₦1.21 trillion in 2026 and ₦1.31 trillion in 2027—as the cost of funds remains relatively contained around current levels, preserving a healthy net interest income trajectory.

Non-interest income is projected to become a more meaningful earnings lever. After a soft ₦238 billion print in 2025, NIR is forecast at ₦842 billion in 2026 and ₦924 billion in 2027, supported by still-growing fee and commission income, higher transaction volumes across UBA's pan-African franchise, and selective FX and trading gains. The 17.3% y/y rise in Q1'26 NIR to ₦137.1 billion, driven by stronger fee and commission lines, illustrates the underlying capacity of the franchise to grow non-funded income even in a tougher environment. As this momentum is sustained and one-off swings in trading income are better managed, the contribution of NIR to total operating income should increase, improving earnings diversification.

Cost and risk remain the main headwinds but should be progressively better contained. Operating expenses rose 29.8% y/y to ₦319.0 billion in Q1'26, pushing the cost-to-income ratio to 61.2% as staff costs, fuel, maintenance and IT spending all moved higher. Our forecast embeds operating expenses of ₦1.48 trillion in 2026 and ₦1.61 trillion in 2027 (vs ₦1.10 trillion in 2025), implying still-elevated but moderating growth relative to income as efficiency initiatives and scale benefits kick in. Impairment charges, which jumped 190.9% y/y to ₦41.2 billion in Q1'26 and drove cost of risk up to 2.0%, are expected to remain high in absolute terms but become more manageable as credit monitoring is tightened and the legacy pockets of stress are worked through. Taken together, these assumptions support a strong rebound in full-year PAT to ₦904 billion in 2026 and ₦1.05 trillion in 2027, with profitability metrics (ROAA and ROAE) improving from the Q1 2026 trough as operating leverage and credit cost discipline gradually restore UBA's return profile.

Overall, UBA is well for sustained performance in H2 2026. Reflecting these positive fundamentals, we maintain our BUY rating on UBA with a target price of ₦59.14.

Rating	BUY
NGX Ticker	UBA
Bloomberg Ticker	UBA:NL
Target price	₦59.14

Company statistics (Q1 2026)	
Return on average equity	10.50%
Net Interest Margin	7.50%
Cost-to-income ratio	59.50%
Market cap	₦1.77 trn

	Summary of forecasted income statement (₦million)			
	2024	2025	2026F	2027F
Gross earnings	2,973	3,090	3,856	4,217
Interest income	2,412	2,649	3,329	3,660
Interest expenses	(859)	(1,031)	(1,214)	(1,313)
Non-interest income	551	238	842	924
Operating expenses	(1,046)	(1,104)	(1,478)	(1,613)
PAT	767	405	904	1,046

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