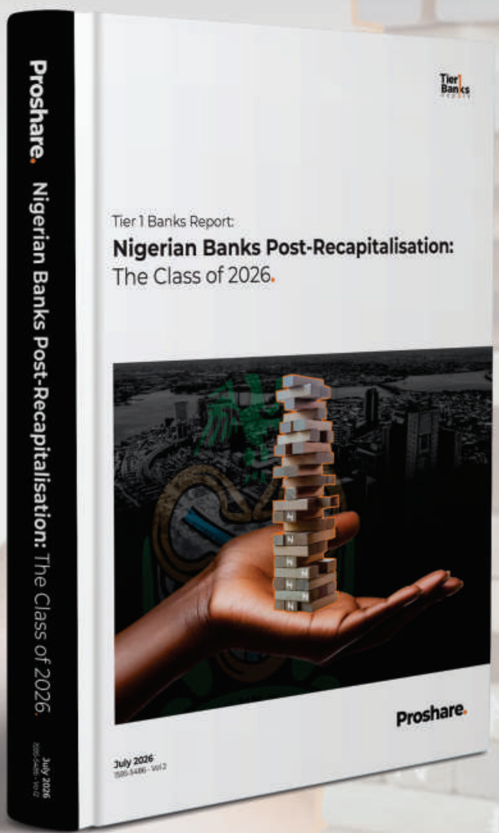
## Executive **Summary**.

Tier 1 Banks Report:

# Nigerian Banks Post-Recapitalisation:
# The Class of 2026.




**July 2026**
1595-5486 - Vol 2

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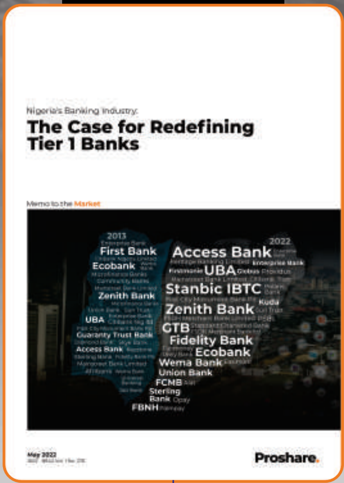


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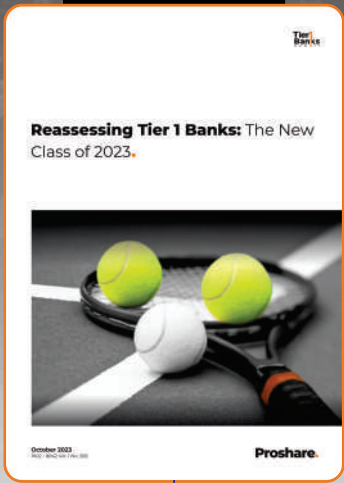


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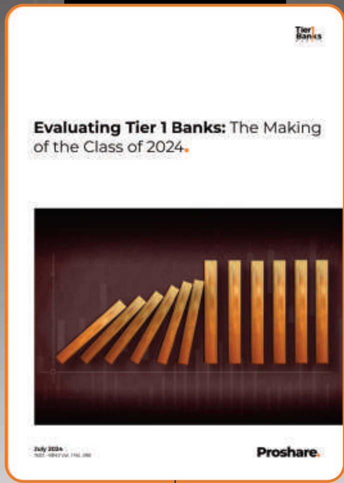


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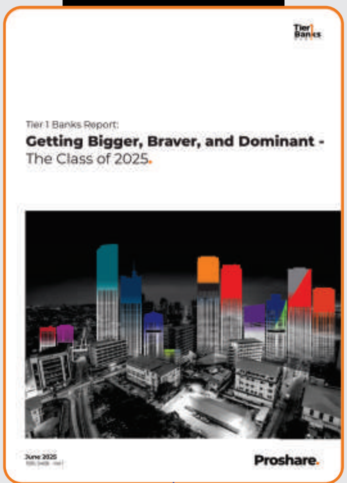


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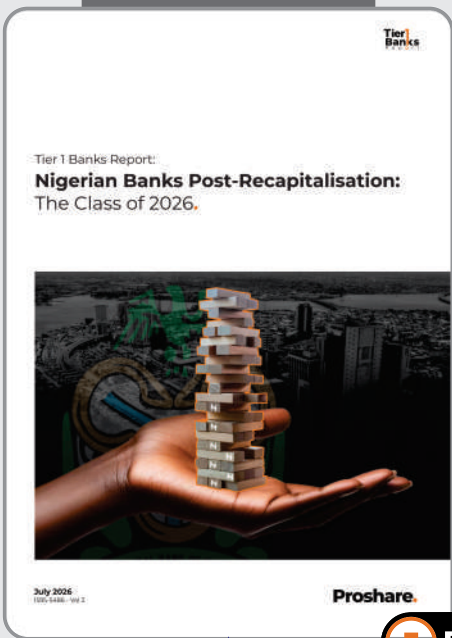


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**2026**

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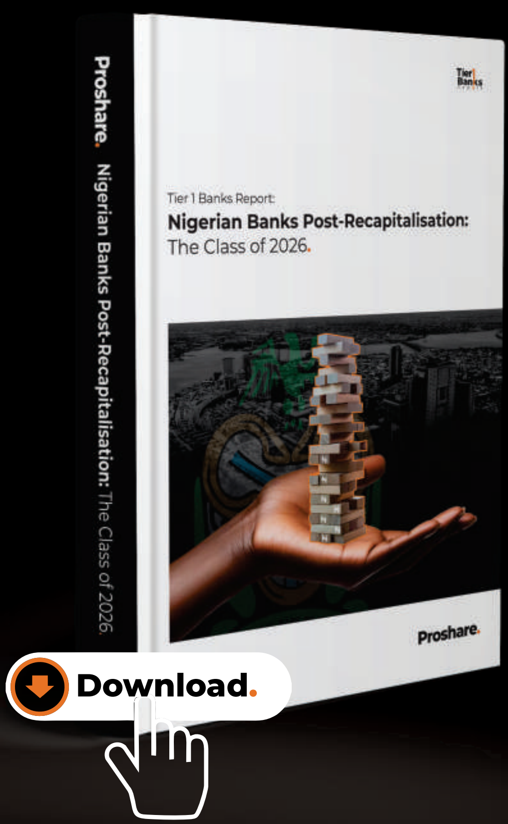

# Executive **Summary.**

*Nigeria's banking sector has completed its largest deliberate recapitalisation exercise, with the March 31, 2026, deadline now passed. Public records indicate that 33 banks have been cleared and approximately N4.65trn raised across the system. This milestone closes the compliance question that dominated the prior cycle. The Proshare Bank Strength Index (PBSI) signals that the more consequential question now concerns capital effectiveness rather than capital adequacy, whether raised capital converts into clean, loss-absorbing balance sheets, durable earnings, disciplined governance and productive intermediation. GTCO's ascent to the top of the ranking, Wema Bank's entry into the Tier I table following a N200bn raise, and the divergence between nominal and inflation-adjusted returns across the cohort should be read as directional signals of institutional differentiation, not as fixed market positions.*

*For Nigeria's banking system, the implications are structural. Completion of recapitalisation does not by itself resolve the valuation discount Nigerian banks carry relative to African peers, where the median price-to-book (P/BV) ratio across South Africa, Morocco, Egypt and Kenya stands at 0.99x. This discount reflects a composite of inflation-adjusted returns, foreign exchange uncertainty, regulatory structure and competitive pressure from fintechs and foreign banks. Institutions that convert enlarged capital into demonstrable capital quality, real earnings resilience and governance credibility are positioned to narrow this discount over time. While Institutions that treat the enlarged capital base as a static buffer may find that scale alone offers limited protection of market position, the more important issue is how capital is effectively and efficiently deployed to create superior earnings and defend operational sustainability.*

*Investors, regulators and policy watchers should monitor capital quality composition, real return on equity trends, dividend sustainability and disclosure consistency across coming reporting cycles as the principal indicators of which institutions are converting capital into lasting strength.*

The Nigerian banking system has completed the largest deliberate recapitalisation in its modern history. The minimum capital requirement deadline of 31 March 2026 has passed. The public record indicates that thirty-three banks have been cleared and that an aggregate of approximately N4.65trn has been raised across the system. These figures are drawn from public records, as summarised in the project materials, and are reported here as such, pending the institution-by-institution reconciliation set out in Section 5. The compliance question that defined the last cycle is answered. The question that defines this one is different and harder. It is whether each institution has converted its enlarged capital base into genuine strength.

This edition of Proshare's Tier 1 Banks report advances a single organising proposition. The discriminating variable has shifted from capital adequacy to capital effectiveness. Adequacy is a test of whether a bank clears a regulatory floor. Effectiveness is a test of how the bank uses capital once raised. It asks whether the capital is clean and loss-absorbing rather than merely large, whether earnings endure once foreign exchange gains, impairment shocks, funding cost pressure and inflation are removed, whether governance can steward a larger and more complex balance sheet, whether capital is retained with discipline, and whether the market translates franchise strength into a credible valuation. **The Proshare Bank Strength Index (PBSI)** has been upgraded to read this shift across ten dimensions and twenty-five indicators.

## The PBSI Ranking, FY2025

Guaranty Trust Holding Company Plc (GTCO) leads the Class of 2026 with a composite PBSI score of 0.7404, the first time in five editions of this report that GTCO has occupied the top position. Access Holdings Plc follows at 0.5902, extending its run in second place for the second time in the last two editions of this report. Zenith Bank Plc, the Tier I cohort's third-placed, ranks third at 0.5629, up from fourth in the previous edition. Wema Bank Plc enters the ranked table for the first time at fourth position with a score of 0.5290, the most notable new entrant in this edition. Ecobank Transnational Incorporated (ETI) places fifth at 0.4650, Stanbic IBTC Holdings sixth at 0.4639, United Bank for Africa (UBA) seventh at 0.4604, and Fidelity Bank eighth at 0.4480. FBN Holdings Plc (FirstHoldCo) places ninth at 0.3489, FCMB Group tenth at 0.3280, and Sterling Financial Holdings eleventh at 0.1464, the widest gap between any two adjacent ranks in the table. Under the report's 100th-to-40th-percentile tier rule, ranks one through eight constitute PBSI Tier I; FirstHoldCo, FCMB and Sterling constitute PBSI Tier II. Unity-Providus Bank, Union Bank of Nigeria, Polaris Bank and Keystone Bank are recorded as Not Scored - Unlisted, a designation this report treats as a finding rather than a residual category (*see table 1*).

Table 1

**FIFTH-EDITION LONGITUDINAL RANKS, PRIOR YEARS VS FY2025.**

| Institution | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|---|---|---|---|---|---|
| Guaranty Trust (GTCO) | 5 | 2 | 6 | 6 | 1 |
| Access Holdings | 1 | 4 | 1 | 2 | 2 |
| Zenith Bank | 4 | 5 | 2 | 4 | 3 |
| Wema Bank | — | — | — | — | 4 |
| Ecobank (ETI) | — | — | 4 | 1 | 5 |
| Stanbic IBTC | 3 | 3 | — | — | 6 |
| United Bank for Africa | 2 | 1 | 5 | 5 | 7 |
| Fidelity Bank | 6 | — | — | — | 8 |
| FBN Holdings (FirstHoldCo) | — | 6 | 3 | 3 | 9 |
| FCMB Group | — | — | — | — | 10 |
| Sterling Financial Holdings | — | — | — | — | 11 |
| Unity-Providus Bank | — | — | — | — | Not Scored |
| Union Bank of Nigeria | — | — | — | — | Not Scored |
| Polaris Bank | — | — | — | — | Not Scored |
| Keystone Bank | — | — | — | — | Not Scored |

*Source: Proshare Tier 1 Banks Reports.*

Tier 1 Banks | Proshare.

Table 2.

## Three central findings

**First, size and strength have separated, and the framework is built to keep them apart.** The new modelling architecture scores Asset Size and Capitalisation as distinct dimensions and adds a Capital Quality measure that distinguishes durable share premium and market-endorsed capital from capital that merely meets a number. After a system-wide raise, the composition and behaviour of capital carry more analytical information than its quantum.

**Second, nominal returns overstate real returns across much of the cohort, and the gap is material.** The new Real Return on Equity indicator deducts a weighted operating-footprint inflation rate from nominal group return on equity. In the dataset, several institutions reported strong nominal returns that compress toward low single-digit or negative real returns once inflation is priced in, while a minority sustain double-digit real returns. The finding is directional and is presented as an analytical convention for comparability. It does not imply that any audited return is misstated.

**Third, the valuation discount to African peers is real and is not explained by fundamentals alone.** On the disclosed peer panel spanning South Africa, Morocco, Egypt, and Kenya, the median price-to-book ratio is 0.99x. Most Nigerian-listed banks in the cohort trade below the dataset median, with several trading at less than half of it. The discount reflects a composite of inflation-adjusted returns, sovereign risk, foreign-exchange uncertainty, structural regulatory burdens, and a competitive field tilted toward foreign banks and lightly regulated fintechs. The Fifth Edition documents the discount as a market observation and reads its drivers through the qualitative overlay rather than adjudicating mispricing.

## Institutional standouts

Proshare's PBSI's Fifth Edition is designed to recognise five institutional standouts: the most improved institution, the strongest risk-adjusted return, the highest-quality capital accretion, the best governance score, and the institution most structurally transformed by recapitalisation. Guaranty Trust Holding Company is this edition's most improved institution, rising to first position from fourth in the prior edition, driven by capital quality, cost efficiency and market liquidity strength. Wema Bank records the sector's most favourable Real Return on Equity at 21.03%, and Stanbic IBTC the second highest, both aided by strong nominal ROE and comparatively low or diversified operating-footprint inflation exposure. GTCO again leads on capital accretion quality, combining the highest Capital Quality Score in the cohort with the highest absolute Capital Adequacy Ratio. On governance, ETI's board, with an Independent Non-Executive Director proportion of 46.15%, the highest in the assessed cohort, scores best on the Governance dimension, notwithstanding the leadership transition following the Nedbank Group divestment. Wema Bank is this edition's most structurally transformed institution by recapitalisation, having completed a N200bn capital raise that funded the fastest asset growth rate in the peer group (41.16% year-on-year) and a first-time entry into the Tier I-ranked table.

## The capital-effectiveness panel

The capital-effectiveness panel summarises the four dimensions introduced in the analytical upgrade, namely Stress Readiness, Dividend Sustainability, Market Liquidity and Investor Confidence, and the strengthened Capital Quality and Impairment Realism measures, together with the two indicators introduced in the PBSI Fifth Edition upgrade, namely Real Return on Equity and Price-to-Book Value (P/BV) Relative to the African Peer Median. The panel is the analytical core of the Fifth Edition. It is populated for the listed cohort in section 10 (*see table 2*).

Table 2

## CAPITAL EFFECTIVENESS PANEL, DIMENSION AND INDICATOR MAP

| Dimension | New or strengthened indicator | Direction and weight |
|---|---|---|
| Capitalisation | Capital Quality Score (composite) | Reward, **+7%** |
| Risk Management | Impairment Realism Score (composite) | Penalty offset, **-5%** |
| Earnings Quality | Real Return on Equity (v3.4 new) | Reward, **+5%** |
| Stress Readiness | Tier 1 Cushion and Leverage Ratio | Reward, **+10% dimension** |
| Dividend Sustainability | Payout, Retention, Clearance Status | Reward, **+10% dimension** |
| Market Liquidity and Investor Confidence | P/B Relative to African Peer Median (v3.4 new) | Reward, **+5%** |

***Weights are dimension-consistent and preserve the net composite at +100%.***

***Source: Proshare PBSI Version 3.4 methodology***

Tier 1 Banks | Proshare.

The panel reframes the assessment from a balance-sheet contest into a test of capital behaviour. Stress Readiness reads the cushion above the supervisory minimum and the leverage position. Dividend Sustainability reflects the balance between distribution and retention without penalising institutions paused by regulatory constraints. The two v3.4 indicators add the real-economic and continental-valuation lenses that the prior framework lacked. Read together, these measures are where the difference between adequacy and effectiveness becomes visible.

### Section guide

For the Central Bank of Nigeria, the signal is to sustain the shift from capital quantity to capital quality with clarity and predictability, so that the stress-testing direction translates into a stable surveillance regime that institutions and investors can plan around. For the Nigerian Exchange, the signal is that valuation translation and free-float depth are now scored variables, which strengthens the case for measures that deepen liquidity and broaden beneficial ownership. For the Securities and Exchange Commission, the signal concerns the quality of disclosure and the consistency of segmental and prudential reporting that this framework depends on. For NAICOM and PenCom, the signal is the systemic interconnection between banking recapitalisation and the parallel recapitalisation of insurance, pensions, and the wider financial-services landscape, as addressed in Section 8. For development finance institutions, the signal is that genuine franchise strength now coexists with a documented valuation discount, creating an allocation opportunity wherever governance and capital quality are sound.

### Editorial position of the Fifth Edition

The editorial position of the Fifth Edition can be stated in two sentences suitable for reproduction. Adequacy was the question of the last cycle, and effectiveness is the question of this one. The institutions that treat the post-recapitalisation period as the beginning of a discipline rather than the end of an obligation will be the ones that earn the confidence of long-term capital.

The fully renewed methodology is set out in Section 9, and the public methodology statement is reproduced in Appendix A. The scorecards and the conditions for the definitive ranking are set out in Section 10. Readers seeking the complete evidentiary base for the findings summarised here are directed to Sections 5 and 9 for methodology, Section 10 for the full ranking and dimension-level sub-scores, and Section 13 for institution-by-institution narrative profiles.

**Section 1** of **Proshare's** 2026 Tier 1 banks report reviews the status of Nigerian banks in the context of a domestic economy at a strategic inflexion point. The concept of an inflexion point was promoted by **Andrew S. Grove**, former Chief Executive Officer (CEO) of computer chip maker Intel. Grove, in his book, '**Only the Paranoid Survive**', emphasised the importance of identifying strategic inflexion points for a business, a country, or even a continent, and knowing how to pre-empt likely outcomes when change occurs and earlier assumptions change. For example, in Nigeria in 2024, a new Central Bank Governor, Mr Olayemi Cardoso, was appointed with no illusions about the need for an equity capital shake-up, a conscientious reduction in regulatory forbearance, and the cleaning of banking sector balance sheets.

The consequence of the new regulatory thinking was the decision to increase commercial bank share capital for banks with international licenses to N500bn from N20bn in 2024, and banks with national licenses to N200bn from N20bn. Other categories of banks also saw an increase in their regulatory share capital requirements. The new capital of banks was designed to achieve a few objectives, which included but were not limited to the following:

- Strengthen domestic banks' capital base to serve as a buffer to financial sector shocks.
- Increase equity capital to allow for adjustments to forbearance, with banks being able to write down bad and doubtful loans and advances.
- Support bank liquidity to enable the banks to extend credit at lower interest rates and risk profiles.
- Recalibrate banks along their capital quality rather than their capital size.

Nigeria's contemporary strategic inflexion point occurred in 2023, with the removal of the oil subsidy on the retail sale of Premium Motor Spirit (PMS), followed by the harmonisation and deregulation of the foreign exchange market. Both policies led to a recalibration of domestic pricing and a redirection of capital flows. The policy shift has had a differential impact on various sectors of the economy, with the banking sector being one of the most visibly affected. Domestic recalibration led to the recapitalisation of the banking sector between 2024 and 2026, and a movement of regulatory oversight to cleaner bank balance sheets and larger capital buffers than the mere monitoring of loan asset quality.

**Section 2** deals with the Global Financial System in the Grip of Geopolitics. The section notes that Nigerian banks operate inside a global system shaped by great-power rivalry, a shifting rates cycle, evolving capital standards and the redirection of cross-border capital. This section analyses the local banking cohort in this external context.

The section addresses Nigeria's Banking Class of 2026 is defined by three forces. The first is geopolitical rivalry, principally between the United States and China, which has fragmented trade and capital flows and raised the premium on resilience over efficiency in financial systems worldwide. The second is the global rates cycle, which, after a prolonged tightening, has begun to turn, with consequences for emerging-market capital flows, sovereign spreads, and the cost of external funding for African banks. The third is the continued evolution of capital standards under the Basel framework, which keeps pressure on the quality and quantity of bank capital and on the disclosure of leverage and liquidity positions upward

**Section 3** spotlights Africa's Banking Playbook and explains the evolution of Nigerian banking within a continental context. The section assesses the continental positioning of Nigerian banks, the regional deployment of capital, and the balance-sheet discipline that Pan-African operations require, as reflected in the capitalisation findings from independent research.

The section observes that a directional conclusion is that the external environment rewards institutions that combine genuine capital quality with credible disclosure. In a fragmented and risk-sensitive global system, the banks that can demonstrate clean balance sheets, transparent governance and resilient earnings will retain access to cross-border capital and correspondent relationships on better terms than peers of similar size but weaker disclosure.

**Section 4** of Proshare's Fifth Edition of the Tier 1 Banks report examines the channels through which the banking system transmits and is shaped by macroeconomic recovery, including inflation transmission, exchange-rate adjustment, intermediation depth, real returns and credit conditions for households and corporates.

**Section 5** is, arguably, the most consequential Section of the Fifth Edition. It moves from the mechanics of recapitalisation to the substance of capital effectiveness, covering holding company structures, capital instruments, capital quality, stress readiness, impairment realism, forbearance resolution, institutions that did not recapitalise, and the structural constraints documented in the Chapel Hill Denham framework.

The directional conclusion of Section 5 is that capital effectiveness is shaped as much by structure as by performance. A high cash reserve requirement, a binding foreign-equity cap and an uneven competitive field all constrain the return that a given quantum of capital can earn. The framework reads these constraints institutionally and leaves the policy adjudication to the policymaker.

**Section 6** assesses completed and pending banking combinations, with attention to transaction certainty, integration risk, capital deployment, governance and post-merger execution. Banking Mergers and Acquisitions (M&As) in Nigeria have had mixed historical outcomes, but they have broadly enhanced systemic stability and teased out improved market and operational value.

**Section 7** examines ownership concentration, free float, trading turnover and the persistent discount of Nigerian banking shares relative to African peers, incorporating the new PBSI model Price-to-Book (P/BV) Relative to the African Peer Median indicator.

From an investor's perspective, a bank's P/BV is an important valuation indicator, and free-float considerations are important for estimating a banking stock's fair market value. The Proshare Memorandum Capitalisation-Weighted Free Float Indigenous Company Index provides insight into the significance of the quantity of a bank's shares available for active trading on an official equity exchange. Comparing this with P/BVs across the continent adds depth to the valuation of continental banking institutions.

**Section 8** observes that banking recapitalisation falls within a wider recapitalisation of the financial services industry. This section places the banking cohort within a broader financial landscape, covering insurance, equity, debt, and mezzanine securities, pensions, microfinance, development finance and systemic interconnections.

**Section 9** sets out the full Proshare Bank Strength Index (PBSI) methodology revision, Version 3.4, which is a public-facing, technically rigorous form. It documents the analytical philosophy, the ten-dimension architecture, the twenty-five indicators, the static weights, the normalisation and tier rules, the two new Version 3.4 indicators, the data-quality protocol, the limitations and the qualitative overlay. It is the reference against which the definitive ranking was produced.

**Section 10** presents the Banking sector Tier 1 Class of 2026 scorecards. In accordance with the

evidence-status note, it is not a definitive league table for FYE 2025. It sets out the conditions under which a definitive ranking would be seen as objective, evidential, data-based, and shows the current workbook ordering as a detailed framework for dispassionate analysis of Nigerian banking sector data.

**Section 11** provides the five-edition longitudinal context. The historical ranks for prior years are drawn from the published editions and are validated. The FYE 2025 column is validated within the new model's explanatory variables static weighting framework. It provides insight into how each bank has progressed through the Tier 1 banking classification over the last five years.

**Section 12** sets out the sectoral and competitive outlook for the cohort after recapitalisation, covering credit supply, digital banking, financial inclusion, capital market development, competition from fintechs and foreign banks, regulatory frictions and the outlook for capital deployment.

Recapitalisation of Nigeria's banking cohorts plugs into a reset narrative. The story is less about bank size than about improved operational and institutional quality. This involves cleaner, more reliable comprehensive income statements and capital strength to absorb shocks to banks' statements of financial position. The recapitalisation of banks is not a direct credit play but, more significantly, a strategic reassessment of capital quality. The critical analytical focus is on the efficient conversion of equity into value-creating credit and non-credit assets following pathways of efficiency, effectiveness, and competitiveness.

**Section 13** provides an institutional profile for each assessed institution in the listed cohort. Each profile includes an institutional overview, a PBSI score panel, key strengths and vulnerabilities, the capital strategy, the risk posture, the governance posture, the digital and customer strategy, the regulatory status, and an investor relevance statement. Two disciplines govern the section. The first is that the quantitative panels are drawn from the data workbook and are reproduced as FYE 2025 data closure. The second is that the narrative commentary engages the disclosed evidence on its own terms and carries no promotional positioning toward any institution.

**Section 14** assesses the outlook for the Tier 1 Banking Class of 2026. It notes that it is one of differentiation. The institutions that combine clean capital, resilient real returns, disciplined risk, credible governance, and effective digital franchises will defend their deposit bases, deploy capital into productive credit, and narrow their valuation discount relative to continental peers over the horizon. The institutions that treat the enlarged base as a static buffer will find that scale alone does not protect market position. The section emphasises the importance of capital effectiveness rather than scale post-recapitalisation.

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