

Executive **Summary.**

Tier 1 Banks Report:

Getting Bigger, Braver, and Dominant - The Class of 2025.



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Contents



➤	What the Report Covered	2
➤	Executive Summary	3
➤	Advice to Users of this Report	14
➤	Contacts	15
➤	Recent Reports	16

What the **Report** Covered.

📄	Executive Summary	3
📄	Introduction - Banks and the Economy.	13
📄	📄 Global Banking in the Headlamps of Changing Trade Dynamics.	13
📄	📄 Africa's Banking Playbook: Finding The New Normal.	15
📄	📄 Nigerian Banks and the Economy: Of Macroeconomic Policy and Service Delivery.	20
📄	Nigerian Banks Recapitalisation: The Playbook Reset.	24
📄	📄 Nigerian Banks Recapitalisation: A Peek at Past Efforts and Impact.	24
📄	📄 The 2024 - 2026 Recapitalisation Playbook.	27
📄	📄 Possible Outcomes.	30
📄	Nigerian Banks Measured Against the PBSI Metrics	36
📄	📄 Recapitalisation: Between Share Capital, Share Premium, and Retained Earnings.	36
📄	📄 Asset Size and Quality: Total Asset, Loan Asset, Asset Growth, and NPLR.	37
📄	📄 Risk Profile: Capital Adequacy Ratio (CAR) and Cost of Risk (CoR).	39
📄	📄 Efficiency and Profitability: Earning Growth, CIR, and NIM.	40
📄	📄 Digitalisation: E-Banking-to-Gross Earnings.	41
📄	📄 Governance: Proportion of INED and Gender Diversity.	42
📄	The Class of 2025: The Proshare Bank Strength Index (PBSI) for FYE 2024	44
📄	📄 Tier 1 Banks in Historical Context.	44
📄	📄 Key Highlights of Methodology.	45
📄	📄 The Recapitalising Class of 2024/2025.	46
📄	📄 Emerging Tier 1 Contenders and Potential Movers.	49
📄	📄 Between Listed and Unlisted Banks.	50
📄	📄 Top Tier Banks and Economic Growth Target.	51
📄	Selected Banks at a Glance	56
📄	📄 Tier 1 Banks	56
📄	📄 Tier 2 Banks	65
📄	Closing Thoughts	72
📄	References & Related Links	74
📄	List of Charts, Tables, and Illustrations	77
📄	Appendixes	79
📄	Advice to Readers	80
📄	Acknowledgment/Contact US	81





Executive Summary.

Banking as a service (BaaS) is becoming an increasingly dominant theme in the financial services sector. Banks are transitioning from brick-and-mortar service providers to digital intermediaries between customers, retail vendors, wholesale providers, and manufacturers. The whole commercial economic ecosystem is shifting to digital platforms to improve efficiency, reduce costs, and meet customer service expectations.

Banks' digital incomes as a proportion of their gross earnings have steadily risen, with some banks growing faster than others. In this report, the analysts note that traditional bank service delivery has gone from face-to-face credit and non-credit service administration to digital platforms for the processing of specific customer requests. If all loan application spreadsheet fields are filled, banks can verify the data and embark on a physical inspection of commercial or production sites, Credit Appraisal Memoranda (CAM) are faster to process, and loan approval mandates are easier to give.

The new digital realities enable banks to offer their customers improved service journey experiences. This means that banks with better technology attract improved patronage, generate higher earnings, and provide their investors with superior equity returns (ROE). At a time of banking recapitalisation, banks are forced to make certain strategic decisions:

- ④ Meet customers' rapidly evolving expectations through technology adoption and adaptation (addressing digital natives), or face a market segment not naturally tied to technological evolution (digital nomads).
- ④ Grow the business organically or grow inorganically, which means that a bank could grow its business by setting up new branches, or it could simply take over the branches of other banks it acquires. Both approaches have their benefits and costs.
- ④ Create uncommon relationships with fintech companies in an environment of 'Co-opetition' or cooperating while competing or acquire fintech expertise and domesticate it within the bank itself as a wholly owned foundry. Analysts saw this as a significant consideration for a bank like WEMA BANK, which has a successful digital platform called 'ALART'. The platform could either be spun off as a separate fintech subsidiary or remain part of the bank's direct service offering.
- ④ Choose between a national or international license. This has become a knotty problem. While the prestige that comes with an international authorisation is admirable, the cost could be weighty. A Nigerian bank with a national license would need a tier 1 share capital of N200bn, while an international license would require a tier 1 share capital of N500bn. The problem here is about business scale and potential return on equity (ROE) and return on capital employed (ROCE). The larger the bank capital, the larger the required returns on business activities. Banks may need to balance the pressure for higher earnings with the state of growth of the overall economy and the impact high interest rates have on business investment and development.
- ④ Establish a relatively low Cost-to-Income Ratio (CIR) banking model regardless of rising local interest rates and domestic inflation.

The current report highlights the operating shifts needed for Nigerian banks to scale up their businesses to make them competitive and creative. The banks will need to rethink, remodel, and re-strategise their operations to meet the expectations of a changing customer demography. The now larger banks will need to meet the requirements of baby boomers who are wealthy but now in



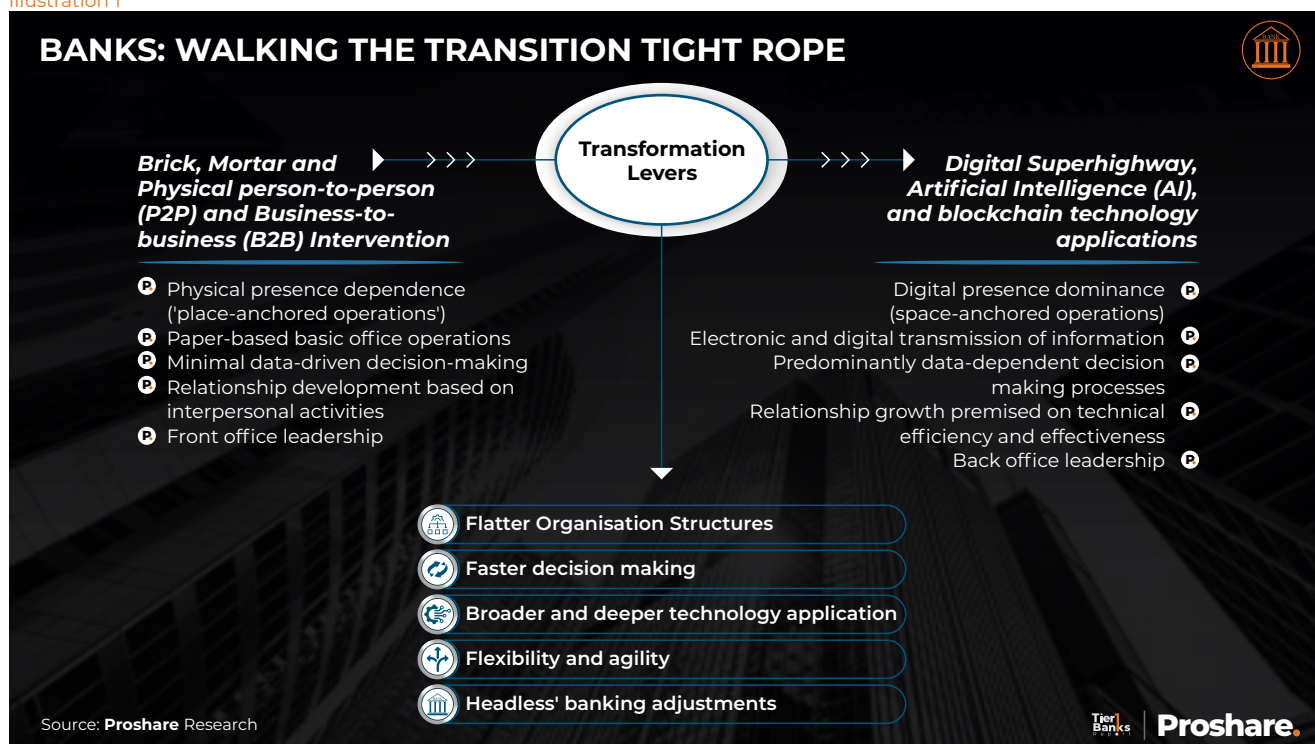
retirement or preparing to go into retirement, and the millennials and Gen Zs that are growing new wealth from different economic sectors and business channels. For example, several young Nigerians are generating money from software development and coding skills, therefore, banks will need to identify the needs of these digital natives and design methods of supporting them. Beyond programmers and software developers, Nigeria is witnessing an explosion of young talents in music and movies, these gifted individuals require a bouquet of banking services ranging from personal financial management, small and medium enterprise funding, to wealth management and assurance services.

The Proshare Tier 1 Banks report suggests that the now "bigger-sized" banks need to be imaginative, agile, and flexible if they are going to support the scaling up of the Nigerian economy into a US\$1trn continental behemoth by 2030 as envisioned by the Federal Government of Nigeria (FGN).

Upscaling banking sector activities over the next half decade will align with the growth aspirations of the FGN but would require local banks to deconstruct Nigeria's 46 sectors into what Proshare researchers have identified as 14 subeconomies. With increasingly larger equity bases and untroubled by liquidity and the cost of bank deposits, banks would be expected to find more creative ways of offering medium to long-term financing options to emerging growth sectors as they rebalance their lending portfolios. Proshare analysts believe that subeconomies that may benefit from the recapitalisation of banks include, but are not limited to, the Marine and Blue Economy, the Entertainment and Arts Economy, the Hospitality and Real Estate Economy, and the Mineral Mining and Energy Economies.

With an avalanche of sectoral data and greater proficiency in using Artificial Intelligence (AI), credit decision-making could be better and faster. Upscaling the interaction between technology and 'fuzzy' human logic and knowledge should lead to clever lending outcomes. The transition to 'headless' banking, for example, would improve both frontend and backend banking operations (see *Illustration 1*).

Illustration 1

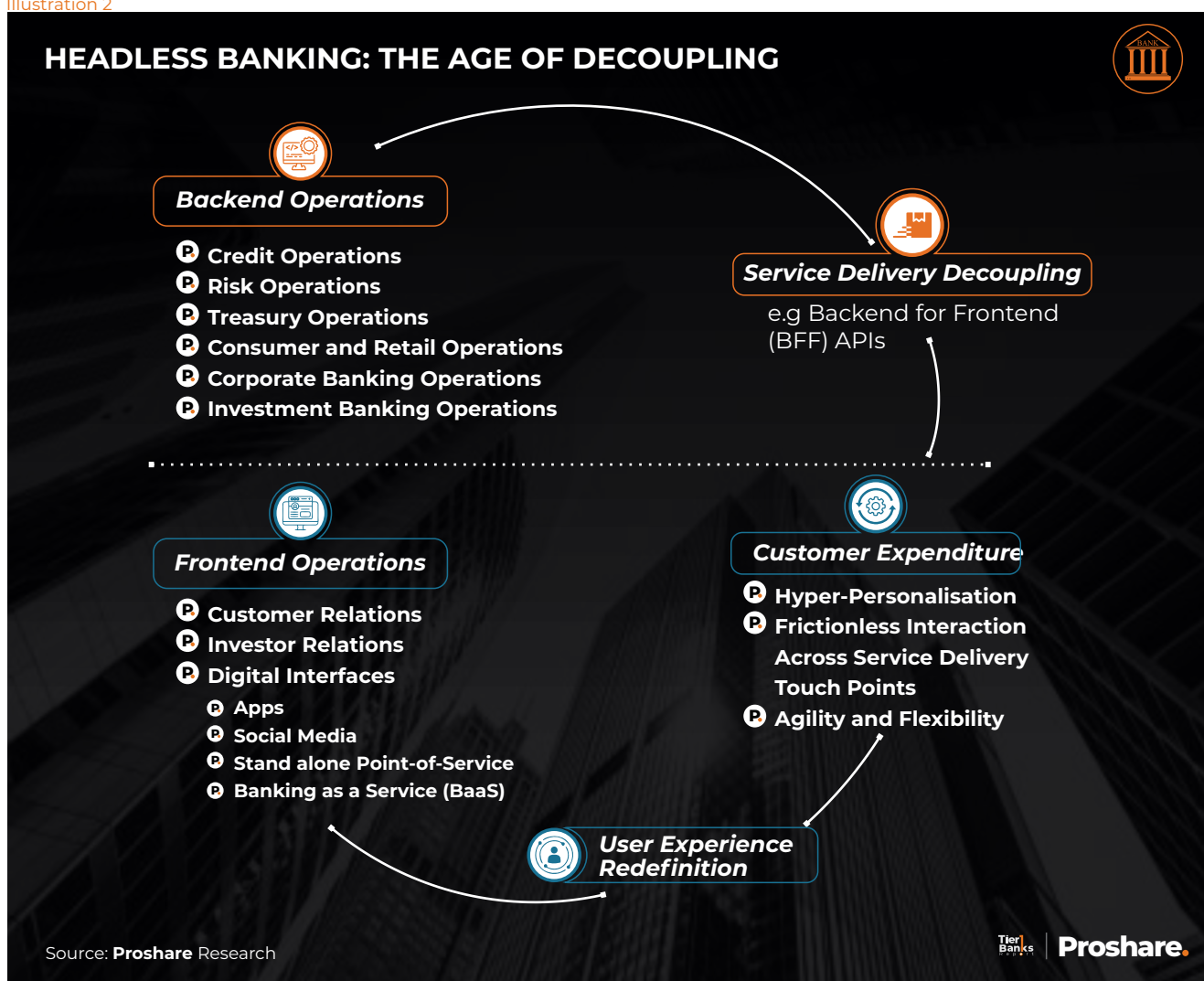




As banks move towards further automation in service delivery and more comprehensive adoption of AI in decision-making, bankers expect to see lower cost-to-income ratios (CIRs) and higher net interest margins (NIMs). Banking's digitalisation will change several things. The notion of who is a banker and what they do.

The automation of banking back-office operations, including auditing and credit report generation, will reduce some job categories and increase others; however, overall, the number of people who work in bank establishments will decline. While banks as brick-and-mortar institutions die, banking as a means of financial resource allocation, savings, and investments will remain alive and well. Dinosaurs did not die because they were big; they died because they could not evolve quickly enough, a lesson many banks would do well to learn (see illustration 2).

Illustration 2



The bigger the size of banks because of recapitalisation, the larger their headaches, and many will become victims of the 'winners' curse' or the tyranny of the 'Peter Principle', where people rise to their highest level of incompetence. This is not new in Nigerian banking. In 2004/2005, the Central Bank of Nigeria (CBN), then Governor Charles Soludo and his executive team, decided, correctly, that the country needed stronger and bigger banks to support the desired level of gross domestic product



(GDP) growth required to meet the country's big aspirations. They reduced the number of banks through mergers and acquisitions (M&As) from 89 institutions to 25 new banks with a minimum share capital of N20bn or ten times the earlier required share capital of N2 bn.

This resulted in banks being able to fund bigger ticket transactions and more complex lending structures. However, the unseen and unpredictable variable was that some of the banks had managers who lacked the competence to run institutions that were several times their former sizes. The resource allocation handbook was thrown out of the window, and lending jamborees became a common occurrence. Insider dealings became the rule rather than the exception, and bank executives suddenly became social rock stars. According to a former general manager of a bank at the time, *'it was like someone had given the industry a dose of communal amphetamines. Bank top executives were mentally in Pluto while their banks were undergoing credit distress here on Earth'*. It was a plain situation where the 'Cobra Effect' (the accident of unintended consequences) had taken hold, leading to unexpected outcomes. While banks grew bigger, the knowledge, competence, and capacity of their top executives did not change. The result was the Lamido Sanusi Lamido (now Emir Sanusi) decision in 2010 to embark on a second bank consolidation in a decade. The new consolidation saw Access Bank acquire Intercontinental Bank and ETI acquire Oceanic Bank. Admittedly, there are back stories to these consolidations, but the outcome was that banks had to merge, redesign and refocus their operations.

The lessons were that:

- ❶ Bigger was not necessarily better; there is more to a bank than size.
- ❷ Recapitalisation must be accompanied by the rethinking, reimagining, and restructuring of banks' businesses. To this end, dynamic socioeconomic shifts require new strategic playbooks.
- ❸ Bank lending portfolios need to be forward-looking, strategy-focused, and industry-tailored; acting like Lemmings will not support business sustainability (the Blue vs. Red Ocean argument).
- ❹ Bigger banks require big, hairy, and audacious goals (BHAG). The idea that capital is capital and all that is needed is to continue to do the old things at a larger scale is wrong. New capital will have to run faster and sweat more than old capital because new investors will require to see reasonable returns on investments over a shorter time horizon than their predecessors. The notion of patient capital knocks against the aspirations of a younger generation in a hurry to 'blow', in the local parlance. Success for many younger people banking is not a leisurely donkey ride but a Bugatti Chiron Super sport dash.
- ❺ Banks may be big, but their operations need to be lean, mean, and hungry. If the now bigger-sized banks are to remain sustainable institutions, they must have fire in their bellies. They must find a reason to exist beyond meeting overhead obligations and their executives living the 'good' life. BHAG must become a culture. Apple Computers in the United States of America learned this lesson the hard way when they had to recall the founder, Steve Jobs, to take a second spin at the CEO job.
- ❻ The hard way is the only way. In his book **'The Obstacle is the Way'**, Ryan Holiday points out that *'...a castle can be an intimidating, impenetrable fortress, or it can be turned into a prison when surrounded. The difference is simply a shift in action and approach'*. He advised that people and institutions should be like Arthur Ashe, the black Lawn Tennis player of the early 1970s, who defeated both the court and white prejudice, and who described himself as 'physically loose and mentally tight'.

The recapitalisation of Nigerian banks is not new, but the era in which it is now happening is different. The contemporary era is hinged on a shift in the needs of bank customers. It is more aligned with the



transactional needs of customers for bespoke services than the 'Fordian' concept of customers having any car they like, as long as it is black, does not apply. There is an evolutionary process where customers' expectations are becoming more nuanced, as banks are held to higher standards of service quality and delivery.

This edition of the report captures improvements in the performance of Nigeria's premier banks. For example, ETI knocked ACCESS and ZENITH Bank off the top of the tier 1 totem. Much of ETI's improvement came from operations in francophone West Africa and a few Anglophone countries, excluding Nigeria. Its 67.11% asset growth was a significant push factor that improved its ranking.

The report equally looked at the banks' recapitalisation efforts and how they performed between 2023 and 2024 to meet the Central Bank of Nigeria (CBN) capital threshold of common equity tier 1 capital (CET 1) of N200bn for nationally licensed banks and N500bn for banks with international licenses. All Tier 1 banks are licensed for international operations. However, tier 1 borderline banks (the highest ranked tier 2 banks) have also chosen to achieve N500bn share capital to compete aggressively in the emerging global and continental banking markets. FIDELITY Bank falls into this category and is expected to be a full-fledged member of the tier 1 tribe by financial year end (FYE) 2025. Admittedly, the bank has experienced a recent setback due to a Supreme Court judgment (based on a legacy transaction of an acquired FSB International Bank) in favour of Messrs Sagecom. The judgment debt came to N225bn, or enough to set up a new national bank. Despite this drawback, FIDELITY Bank can negotiate a managed cash flow scheduling that would not adversely affect its liquidity or corporate existence.

The present report is the fourth in a series and suggests that while things have changed, they have, in some sense, remained the same. The six tier 1 banks from the beginning of Proshare's review of annual bank performances have remained essentially the same, but with changing rankings. The exception was in the first edition of the report when FIDELITY Bank climbed into the tier 1 class at sixth position. By the second edition in 2022, the bank had fallen back, but only slightly. With its recapitalisation momentum and strategic repositioning, Proshare analysts expect the bank to return to the tier 1 category by the end of 2025. ETI was out of the tier 1 category in the first two reports but entered the third report in the fourth position. The report notes that both ZENITH Bank and ACCESSCORP have achieved their recapitalisation thresholds, with ZENITH Bank's new capital at N614.65bn and Access Bank's at N594.90bn. GTCO and FIDELITY Bank are on their way to a N500bn threshold, and ETI has chosen to retain a national license for its local subsidiary, Ecobank Nigeria, at N201bn.

We note that between 2021 and 2022, the PBSI methodology changed based on conversations with senior bank risk managers and chief financial officers (CFOs), and more metrics were introduced to improve the nuance of the measurement of bank strength. The first report was based on an earlier assessment of top-tier banks based on an extant industry classification that coined the term FUGAZ, an acronym for First Bank, UBA, GTB, Access Bank, and ZENITH Bank. The Proshare PBSI expanded the valuation criteria and fine-tuned them further in the third edition. The fourth edition retained the variables and methodology for the 2024 edition of the report to ensure that the two reports were comparable. Proshare will review the criteria every three years to protect report comparability and consistency. A review after three years is to keep up with changing sector realities that may require a revision of the methodology.

This report evaluates banks before, during, and after recapitalisation to provide insight into the contemporary evolution of Nigerian banking. The report suggests that the recapitalisation of Nigerian banks is timely, even though it may result in a short-term decline in banks' return on equity,



assets, and capital employed. It is expected that price-earnings ratios will rise, and price-to-book value will decline. Nevertheless, with improved capital adequacy ratios, non-performing loan ratios, and lower cost of risk, banks should soon see improved adjustments to their performance metrics. The report observes that a significant challenge with Nigerian banks is their relatively inadequate use of balance sheet leveraging. The poor use of off-balance sheet and on-balance sheet resources has made banking in Nigeria suboptimal. Notably, while off-balance sheet (OBS) transactions have grown exponentially globally, this type of banking operation remains relatively underutilised in Nigeria.




Section 1 of Proshare's 2025 tier 1 banks report scans global banking development. It highlights those trends that define the international, continental, and national readjustments based on changing expectations, geoeconomic transitions, and geopolitical disruptions. For example, the recent universal tariffs introduced by American President Donald Trump have led investors to rebalance their global asset distributions. Large fund managers have slowly moved their clients' money away from the US dollar and treasury instruments into gold, Samurai fixed income assets, and non-dollar-denominated global real estate. The decoupling of the United States of America and China's economies is expected to have adverse consequences for both markets, with global consequences that are undetermined but equally undesirable in the short term.

According to the report, *'The impact of shifting trade dynamics on banking institutions globally varies across countries, with new models adopted to highlight the shifts. These changes are not limited to structure but also strategy, which has had an impact on banks' service delivery, capital deployment, and client retention. The global banking system has witnessed a shift away from its traditional reliance on the US dollar. It has opened a new era of currency diversification, digital settlement systems and more intensive competition among technology companies and different sovereign actors.'* (see table 1).


Table 1:

TOP-TIER AFRICAN BANKS BY TIER 1 CAPITAL IN 2024			
Headquarters	Bank Name	Total Assets (US\$m)	Rank
South Africa	Standard Bank Group	13	1
Egypt	National Bank of Egypt	7	2
Morocco	Attijariwafa Bank	6	3
South Africa	Absa Bank	5	4
Morocco	Banque Centrale Populaire	5	5
Egypt	Banque Misr	5	6
South Africa	FirstRand	5	7
South Africa	Nedbank	5	8
Algeria	Banque Extérieure d'Algérie	4	9



Headquarters	Bank Name	Total Assets (US\$m)	Rank
 Morocco	Bank of Africa - BMCE Group	3	10
 Algeria	Banque Nationale d'Algérie	3	11
 South Africa	Investec Bank	2	12
 Egypt	Arab African International Bank	2	13
 Egypt	Commercial International Bank (CIB)	2	14
 Nigeria	FBN Holdings (First Bank of Nigeria)	2	15
 Nigeria	Access Bank	2	16
 Nigeria	Zenith bank	2	17
 Algeria	Crédit Populaire d'Algérie	2	18
 Egypt	QNB Al Ahli	2	19
 Nigeria	United Bank of Africa (UBA)	2	20

Source: African Business, Proshare Research

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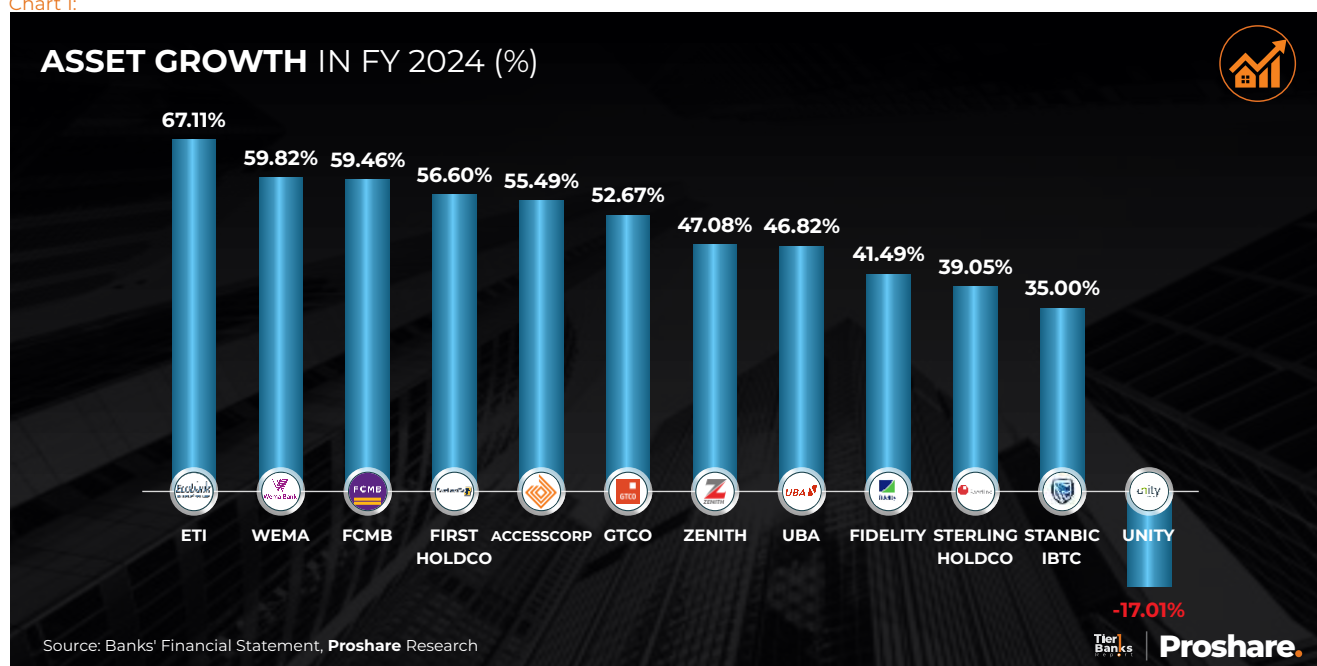
Section 2 of the report dealt with the emerging banking playbooks. The tier 1 banks will line up to aggressively compete in technology and off-balance sheet (OBS) growth. The smaller banks will intensify local expansion by either partnering with fintech companies to develop and deploy Apps for their retail market customers or deploying in-house expertise to grow the retail and local commercial markets aggressively through bespoke rather than off-the-shelf Apps.

For example, while surveying developments in the sector, Proshare analysts noticed that banks like Premium Trust Bank will, from 2026, shift into a new gear, driving towards digital application-based customer experience remodelling. A few of the bank's highest-ranking executives have had experience in digital product development, marketing, and support. From either the last quarter of 2025 or the first quarter of 2026, the bank is expected to launch a series of new customer service and product options aimed at improving upon the success of Polaris Bank's **Vulte** product. During the research and data gathering stage of this report, the Proshare Economy and Market Intelligence (EMI) unit gathered information indicating that, upon completing its capital raise exercise, the mid-sized bank will embark on national market risk diversification by collaborating with other African banks to provide bespoke services in new African markets. Unlike UBA, which has chosen to set up flags in other African markets, banks like Premium Trust appear to be opting for what has been called 'co-opetition' with fintech companies and a few continental lending institutions. The model may differ from UBA and Access Bank, but it may still be no less effective in scaling operations across the continent.

The bank's strategy appears to be to own the customer by controlling the technical support backend rather than competing to control the frontend human-to-human interface. In other words, a so-called 'headless' banking structure and operational relationship with other financial service providers



Chart 1:



Section 4 of the report explains the outcomes of **Proshare's Bank Strength Index (PBSI)**. It digs into the panel data results for the banks listed on the Nigeria Exchange Limited (NGX) and probes the banks' governance quality. The 2024 analysis takes a stab at the performance of a few unlisted banks to see if there are significant operating and governance differences between listed and unlisted banks.

For example, the analysts observed that *'With an average Tier 1 capital gap of over N100bn for those with National licences, requiring N200bn in regulatory capital requirements, these unlisted banks face steep capital gaps that have mainly been sourced through private placements and/or rights issues. Providus Bank, with the smallest gap of N8.88bn, is better positioned. Still, its ongoing engagement for a merger with UNITY BANK raises uncertainty about the course of action the bank is likely to take. Proshare analysts have written that in the case of the Unity and Providus Banks union, the benefits appear uneven, and the costs are cleverly masked from prying eyes, leaving the unexplained activities of significant stakeholders in one of the banks very much in the dark.'*

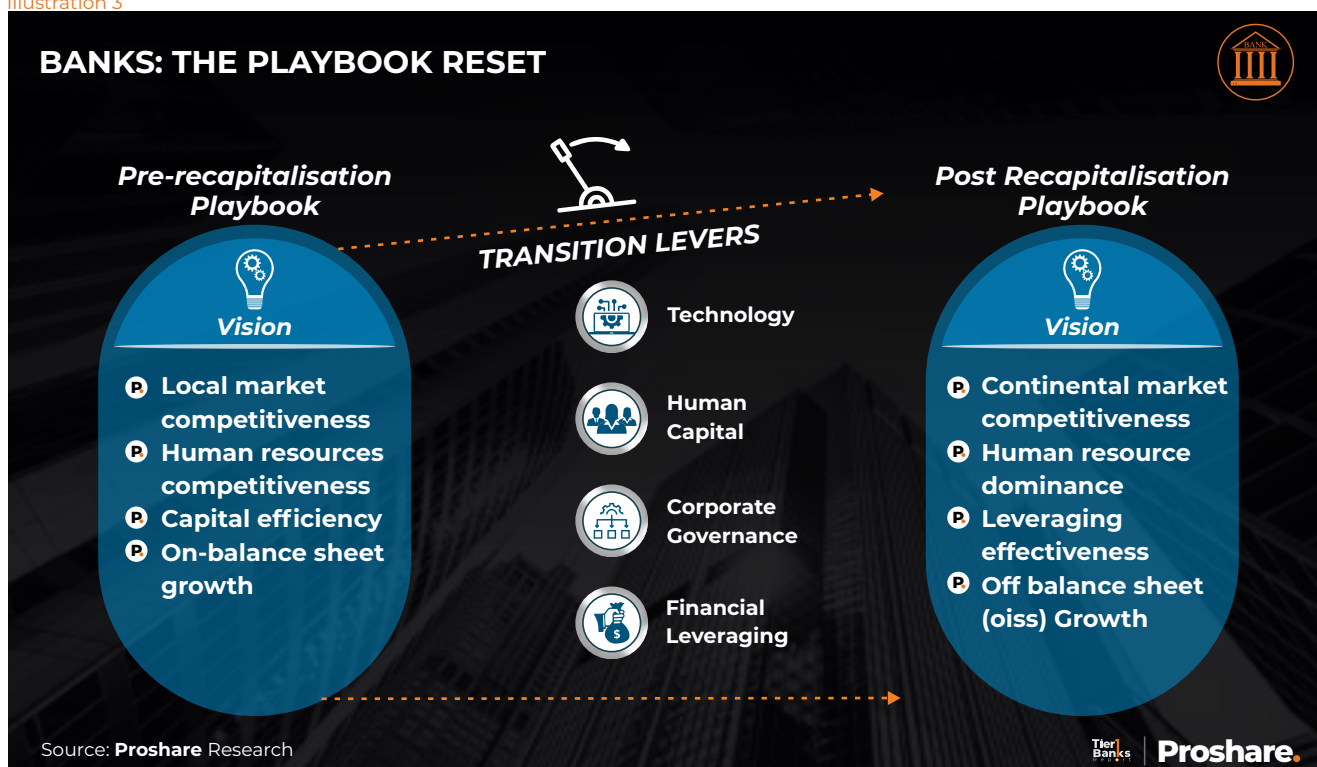
They further found that *'for other unlisted banks, the recapitalisation exercise also depends on the financial strength and networks of existing owners. However, the big move to top-tier banks hinges on merging operational efficiency with aggressive capital mobilisation strategies, lest they fall further behind the listed elite;'*

The PBSI is an index developed by the Proshare research team to provide a data-based and objective metric for categorising banks into tiers following the 2013 exercise conducted by Afrinvest that resulted in the acronym FUGAZ, for the five top-tier banks in the country as of then. According to the report *'The definition of a Tier 1 bank has evolved beyond traditional metrics. It is no longer solely about who has the deepest pockets or the most expansive reach. Today's top banks are those that combine financial strength with an unshakable grip on risk and innovation to ensure the company thrives. The Proshare Bank Strength Index (PBSI) captures this shift by ranking banks not just by what they own, but by how well they manage their assets!'* The report emphasises the slight change in positioning amongst the banks considered to have qualified as Tier 1 using the PBSI measurement (see table 2)



make this option feasible. The report examined the development of a new, future-oriented banking service architecture that redefines the competitive landscape and forges the concept of mutually acceptable simultaneous collaboration and competition. The report's writers observed that while big is beautiful, it is not definitive in determining business success. The difference between a good and a great bank is playbook execution. As good as asset size is, strategic deployment of capital remains at the heart of the corporate chess play (see *Illustration 3*)

Illustration 3



Section 3 of the report takes a deeper dive into Nigerian Banks based on their 2024 audited annual accounts. The analysts observed that share capital and share premium accounts have become increasingly crucial to banks following the Central Bank of Nigeria's (CBN) announcement of a new set of capital requirements for different banking licences. The new capital raise requirements had a deadline of March 2026; several banks have either met these requirements or are close to meeting them, except for a few odd ones.

The report writers observed that as of the time of report production, 'only 2 Tier 1 banks had a combined share capital and share premium exceeding N500 billion; ZENITH Bank at N614.65bn and ACCESSCORP at N594.90bn. Other Tier 1 banks moving to join the league of ZENITH and ACCESSCORP were ETI at N353.51bn, and GTCO at N345.30bn. The top five banks ranked by share capital and share premium were ZENITH, ACCESSCORP, ETI, GTCO and FIDELITY.

The report observed that banks' ranking by asset growth was different from their ranking by asset size. The top five banks by asset growth were ETI at 67.11%, WEMA BANK at 59.82%, FCMB at 59.46%, FIRSTHOLDCO at 56.60%, and ACCESSCORP at 55.49%. Non-performing loans increased, which was a high point for the report, as the challenges faced by different economic sectors put some strain on the quality of bank lending. The Proshare model appears to suggest that asset size and growth have different importance, with size showing strong significance (see *chart 1*).



Table 2:

2023/2024 PROSHARE BANK STRENGTH INDEX (PBSI) METRICS.		
	Tier I Metrics	Tier II Metrics
Capitalisation	Share Capital	Share Capital
	Share Premium	Share Premium
	Capital Adequacy Ratio	Capital Adequacy Ratio
Asset	Total Assets	Total Assets
	Loan Assets	Loan Assets
	Asset Growth	Asset Growth
Risk	Non-performing Loan Ratio	Non-performing Loan Ratio
	Cost of Risk	Cost of Risk
Profitability	Earning Growth	Earning Growth
	Net Interest Margin	Net Interest Margin
Efficiency	Cost to Income Ratio	Cost to Income Ratio
Digital Income	E-banking to Gross Earning	E-banking to Gross Earning
Governance	Proportion of Independent Non-Executive Directors	Proportion of Independent Non-Executive Directors
	Board Gender Diversity	Board Gender Diversity
PBSI Score	Percentile > 50	Percentile < 50

Source: Audited Financial Statements, Proshare Research

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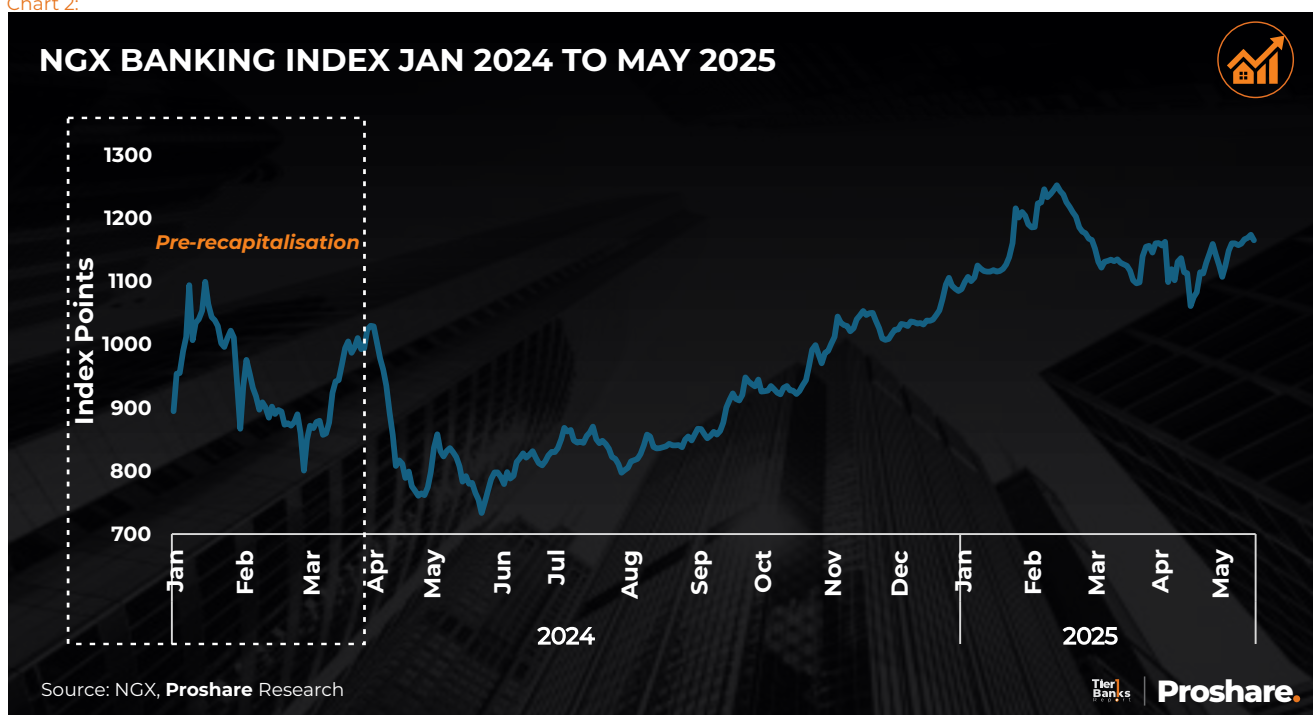
The report equally noted that 'though smaller in size than their listed counterparts, unlisted Nigerian banks have shown pockets of resilience and operational efficiency. Among others, Standard Chartered Bank, Providus Bank, Globus Bank, Premium Trust Bank, and Optimus Bank posted significant growth in assets that outpaced the average 54% recorded by the six Tier 1 banks in 2024. They also had capital adequacy ratios that outperformed the regulatory 10% and posted between 2 and 3-digit growth in pre-tax profit!'

The report provides the context for both listed and unlisted banks and insights into why some banks outperformed the others, regardless of listing status. While a bank's listing sets a basis for proper equity valuation, it is not an elixir for good corporate governance. Apparently, more than a ticker symbol is required for banks to live up to the best global corporate governance standards.

Section 5 of the report reviews the individual financial performance of each Tier 1 bank for 2024. It provides context for their rankings and offers insight into what makes them unique. This section also reviews the market response to the recapitalisation journeys of the banks, particularly the listed banks, as captured by the NGX banking index (see chart 2)



Chart 2:



Section 6 concludes the report and describes the features of banks that were in the Tier 1 category and their outlook. It suggests that certain key factors will separate Nigeria's banking best from the rest:

- Zoning on the behavioural habits of different corporate and retail customers will be a key factor in service delivery excellence using AI as a significant product and service design tool.
- Remaining agile and flexible regardless of corporate size will enable leading banks to meet evolving customer expectations. In the new banking reality, elephants must dance or learn to.
- Co-competition with fintechs will distinguish the winners from the losers in the money market, as the digital agility of fintechs will offer customers the frontend convenience they seek.
- Concurrently, the backend rigour of banks in the lending process will guarantee high-quality loan portfolios and sound credit decisions. However, this may raise the question of who truly owns the customer: the bank or the fintech? The jury is still out on this matter. Strong arguments exist for both types of lending institutions.
- The age of artificial intelligence (AI) will change the banking landscape, making deposit and loan services a routine digital entry of codes. The loan approval process will be linked to a customer's cash-to-cash cycle, assessed for risk and reliability, or payment based on their past transaction history stored in the encrypted data cache of a bank or fintech's cloud storage. The decoupling of many financial decisions from human biases may improve the credit process exponentially, depending on which side of the fence you are sitting on.
- Tier 1 banks will ramp up digital faster and for longer. Their immense investment in technology and intense competitiveness mean that over the next half-decade. At the same time, banks, as we know them, will slowly fade away, and banking will evolve to act as a smooth and well-oiled intermediary between different customer needs and available financial resources.

The new competitive banking landscape encompasses several key milestones that will shape bank rankings and the evolution of Banking as a Service (BaaS). This will distinguish between those who gaze wistfully at the future and those who act. If this report reveals anything, it is that the smart move for banks is to remain nimble, agile, and deliberate; today's actions will shape tomorrow's outcomes.



Advice To Users of This Report.

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