

# Banking Strategy Report

## What's on the card?

2026 has opened on a bullish note, with the first month of trading registering a 6.3% gain and the market capitalisation reaching N106.1 trillion. This rally was primarily driven by strong performances across the oil & gas (+13.8%), insurance (+11.8%), commodities (+9.3%), and banking (+7.0%) sectors. Notably, the positive sentiments towards banking stocks align with our optimism about the sector's fundamentals. Additionally, PENCOM's increase of the investment limits for Fund I, Fund II, Fund III and RSA Fund VI Active bodes well for banking stocks.

This report provides further clarity on our coverage banks, highlighting where we believe significant upside potential still remains. Our recommendations continue to be driven by fundamental assessments and qualitative analysis.

Despite the initial bearish sentiments that greeted the CBN forbearance exit disclosure, our coverage of banking stocks performed very well in 2025. This performance was aided by strong Net-Interest Margins (NIM), which benefited from improved macroeconomic environments. Looking ahead, we expect the sector-wide balance sheet cleanup to anchor real credit growth and drive interest income for 2026. In addition, with no significant loan impairments anticipated, there should be ample room for earnings to expand.

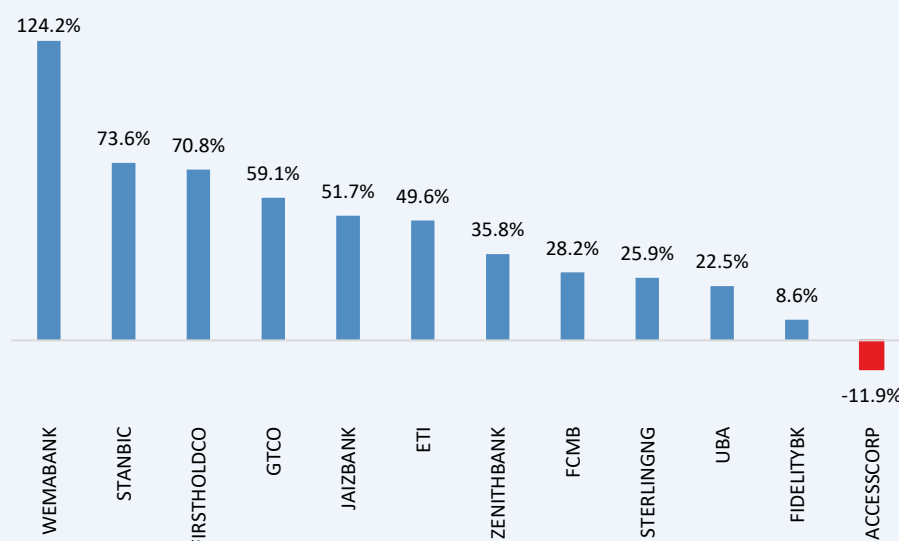
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Figure 1: Listed banks price performance in 2025



Source: Bloomberg, Cardinalstone Research

Figure 2: Stock recommendation table

Stocks	Recommendation	Current Price	*Target Price	Upside/Downside	Suggested Weight in a Sub-Banking Portfolio	Rationale (Positive/Negative)
ACCESSCORP	BUY	24.00	45.12	88.0%	10.0%	Consolidation phase may extend beyond 12 months, which could limit FY'26 ROE expansion. However, the upside potential is significant, and we believe an improved dividend outlay may drive re-rating
ETI	HOLD	49.30	50.32	2.1%	8.0%	Suspension of dividends caps total returns.
FIRSTHOLDCO	HOLD	48.00	51.03	6.3%	9.0%	We are optimistic that the balance sheet clean-up would lead to significant reduction in impairments and propel future earnings growth.
FCMB	BUY	11.50	15.93	38.5%	10.0%	Strategic NIM management (orchestrated through the lowering of liabilities to strengthen NII growth) is positive for earnings
FIDELITYBK	BUY	19.55	26.17	33.8%	10.0%	Strong NIM efficiency and recapitalization inflows to strengthen earnings
GTCO	BUY	106.00	136.91	29.2%	15.0%	A return to strong loan growth to catalyse earnings.
STANBIC	HOLD	117.70	121.02	2.8%	8.0%	Earnings remain strong, but dividend yield is relatively low. It is also trading above EMEA peer mean PB, capping upside compared to other coverage names.
UBA	BUY	47.00	63.99	36.1%	15.0%	Strong earnings diversification and dividend
ZENITHBANK	BUY	77.85	105.98	36.1%	15.0%	Strong earnings & dividend profile, alongside the recent balance sheet clean-up, should normalise historically elevated impairment charges and provide headroom for earnings accretion.
<b>Total Weight</b>					<b>100.0%</b>	

Source: Cardinalstone Research

We are constructive on UBA and ZENITHBANK, aided by their capacity to sustain healthy margins (mean NIM of 9.8% as of 9M'25 vs last 5-year average of 6.7% and Tier-1 median of 6.0%) and generate robust Non-Interest Revenue (NIR). In addition, both banks maintain strong and consistent dividend cultures, which enhance total return prospects. ZENITHBANK, in particular, stands out. Following the regularisation of loan forbearance, the bank has a long runway for earnings consolidation, with EPS projected to rise from N26.82 in FY'25 to N38.70 in FY'26. This earnings recovery supports the resumption of robust dividend payouts, consistent with its pre-2023 five-year average payout ratio of 42.4%. We see scope for 2026 total returns of 44.7% and 48.5% for UBA and ZENITHBANK, with capital appreciation and dividend yield accounting for an average of 36.1% and 10.5%, respectively.

For GTCO, our optimism on the counter is primarily hinged on expectations of improved loan growth in the current year. This view is supported by the recent clearance of legacy problem loans and improved macroeconomic conditions that now position the bank to grow credit assets in a market where volume is expected to be the key earnings fulcrum amidst moderating yields. We also expect GTCO to maintain its high efficiency operations and good dividend payout, with FY'25 and FY'26 projections set at 32.5% and 30.0%, respectively (5-year mean of 36.9%).

We also like FCMB and FIDELITYBK in the Tier-2 space. Our primary rationale for FCMB and FIDELITYBK is their resilient margins. FCMB, following its capital injection, has paid down a portion of its expensive liabilities, freeing up necessary resources to enjoy the accommodative interest-rate environment, thus improving its margins.

\*Target Prices have been updated to account for the changes in Equity Risk Premium from 13.8% to 12.64%

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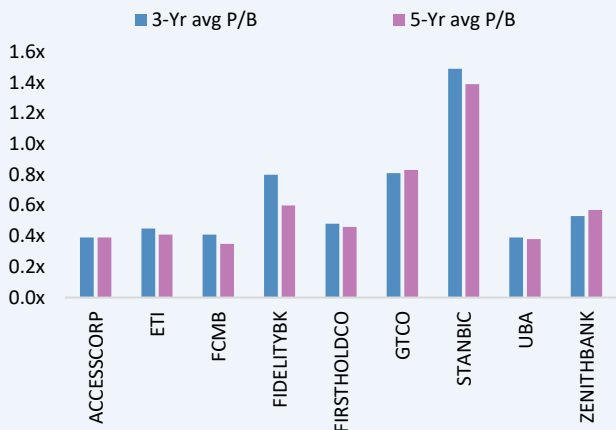
Similarly, FIDELITYBK has maintained improvements in its margins on the back of its relatively robust asset yield (c.18.5% in Q3'25 vs 17.6% in Q3'24), solidifying its earnings positions. For the two companies, the inflows from the recent capital raise should support earnings in the current year despite expected moderation in interest rates.

From a fundamental perspective, ACCESSCORP appears to have the most upside relative to its current reference price. Its PB ratio of 0.4x pales in comparison to its EMEA peer mean PB of 1.3x, even though its LTM ROE of 17.4% is higher than the 16.1% for EMEA peers. However, compared to domestic Tier-1 peers, its story is mixed, with its PB at a 30bps discount to Tier-1 average but its LTM ROE 4ppts below the average for GTCO, ZENITHBANK, and UBA. The drag in ROE vs those of select domestic peers and concerns around dividends/distributions may provide some explanation for the recent aversion to the stock (-11.9% in 2025). The scale of its balance sheet has also not translated into commensurate earnings growth, given the extended focus on first aggressively expanding footprints across foreign shores. That said, ACCESSCORP's transition from acquisition to a 2-year consolidation phase is expected to create legroom for better optimisation of acquired assets with a view to improving their yields and associated passthrough to earnings. This view informs our sanguine outlook for the stock, with a projected one-year total return of 101.0% (82.3% in capital appreciation and 10.5% in dividend yield).

For FIRSTHOLDCO, the FY'25 unaudited report revealed an earnings weakness due to the N748.1 billion in total impairments but simultaneously opened up optimism for future earnings trajectory - one devoid of significant impairments. We project softer impairments (and lower CoR) and sustained growth in revenue lines in FY'26. The implied passthrough to earnings and the impact of the concluded capital raise should support the capital adequacy position and prospects for future dividends. However, EPS growth may be softer owing to the additional issued shares. We forecast FY'26 dividend payout at 10.0%.

Following adjustments to impairments using cost of risk and a change in equity risk premium to 12.6% from 13.8%, FIRSTHOLDCO's target price moves from N42.45 to N51.02. This improvement translates to a HOLD recommendation.

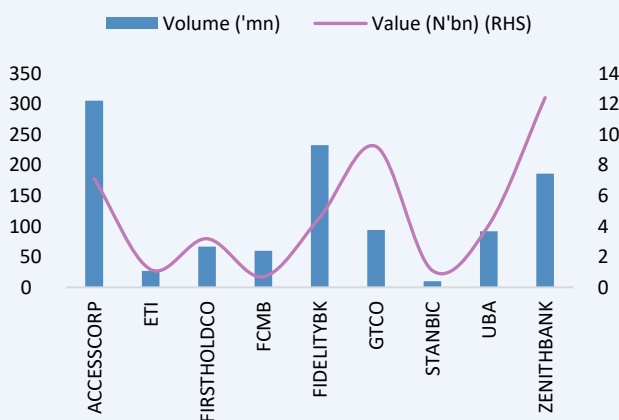
Figure 3: STANBIC has a significant pricing premium



Source: S&P Capital IQ, CardinalStone Research

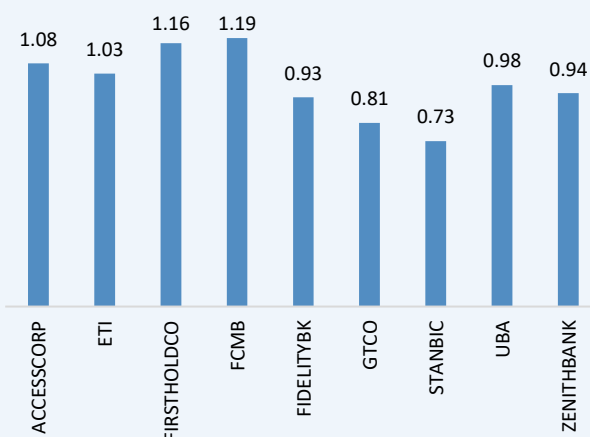
Elsewhere, we are less sanguine on ETI and STANBIC, with their respective expected capital returns of 2.1% and 2.8%, apiece. In an environment where the preference for dividends over capital appreciation is likely to increase on account of potentially higher Capital Gains Tax (CGT), the case for ETI is further weakened. This point is informed by the pause in dividend payments by the Holding Company. Meanwhile, STANBIC offers modest income upside, with an estimated dividend yield of 5.1% for 2026 (vs 8.0%, 8.4%, and 10.5% for ZENITHBANK, GTCO, and ACCESSCORP, respectively). The stock continues to trade at a premium to domestic peers, possibly reflecting its association with its reputable parent, Standard Bank Group (Stanbic SA). Given improving visibility for Tier-1 names such as GTCO, we expect our top coverage banks to be re-rated closer to STANBIC’s valuation multiples in the near to medium term.

Figure 4: YtD, ACCESSCORP and ZENITHBANK has dominated the volume and value chart respectively



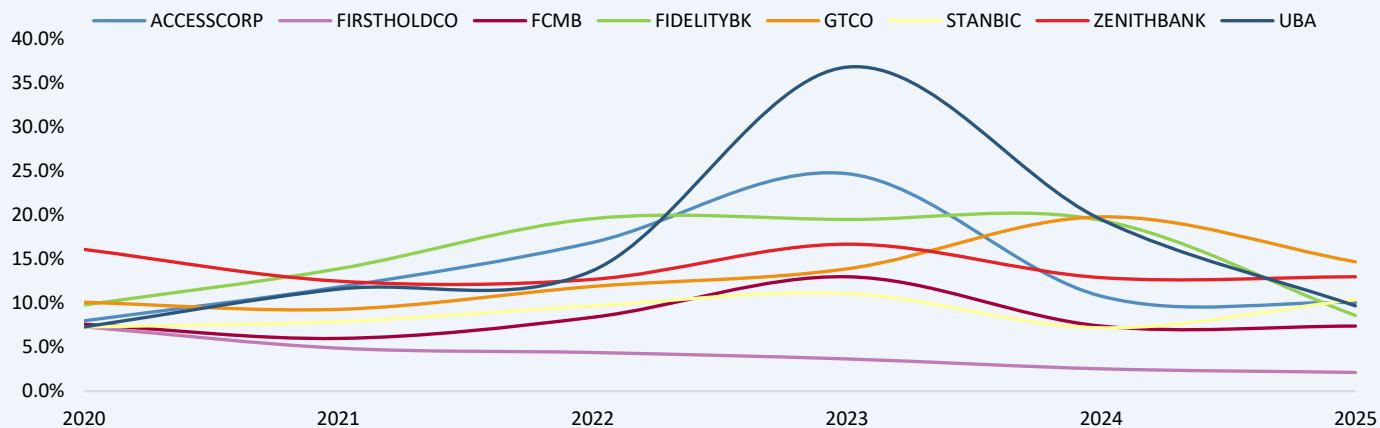
Source: NGX, CardinalStone Research

Figure 5: 1-year Beta on coverage companies



Source: Bloomberg, CardinalStone Research

Figure 6: ZENITHBANK has maintained a consistent dividend trajectory



Source: Company Financials, CardinalStone Research

Figure 7: Financial performance and valuation metrics

	FY'26E PAT (N'bn)	FY'26E ROE	FY'26E Dividend Yield	5-year average PB	Current PB
ACCESSCORP	804.8	17.4%	8.6%	0.4x	0.4x
ETI *	685.3	29.4%	-	0.4x	0.5x
FIRSTHOLDCO**	763.6	1.8%	2.1%	0.5x	0.7x
FCMB**	185.6	23.4%	5.9%	0.4x	0.6x
FIDELITYBK	363.3	30.5%	7.1%	0.6x	0.9x
GTCO	1,131.0	21.1%	14.1%	0.8x	1.0x
STANBIC**	413.0	42.4%	9.5%	1.4x	1.7x
UBA	803.7	19.7%	9.7%	0.4x	0.4x
ZENITHBANK	1,586.4	23.5%	11.6%	0.6x	0.6x

\*ETI in \$'mn

\*\*based on FY'25 unaudited values

Source: Company Financials, S & P Capital IQ, CardinalStone Research

## Disclosure

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Buy  $\geq +15.00\%$  expected share price performance

Hold  $+0.00\%$  to  $+14.99\%$  expected share price performance

Sell  $< 0.00\%$  expected share price performance with weak fundamentals

A BUY rating is given to equities with strong fundamentals, which have the potential to rise by at least  $+15.00\%$  between the current price and the analyst’s target price

An HOLD rating is given to equities with good fundamentals, which have upside potential within a range of  $+0.00\%$  and  $+14.99\%$ ,

A SELL rating is given to equities that are highly overvalued or have weak fundamentals, where potential returns of less than  $0.00\%$  are expected between the current prices and the analyst’s target prices.

A NEGATIVE WATCH is given to equities whose fundamentals may deteriorate significantly over the next six (6) months, in our view.

A POSITIVE WATCH is given to equities whose fundamentals may improve significantly over the next six (6) months, in our view

Rating	Buy	Sell	Hold	Negative Watch
% of total recommendations	72%	11%	17%	0%
% with investment banking relationships	0%	0%	0%	0%

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