

September 15, 2025



Earnings Note

Events

Following the bottom-line weakness recorded in Q1 2025, Q2 did not provide much relief as profit after tax declined 26% year on year to N116.16bn from N156.47bn in Q2 2024. The pressure came largely from a 45% contraction in non-interest income, as the N143.38bn gains recognised on financial instruments at fair value through profit or loss (FVTPL) in Q2 2024 reversed into a N5.75bn loss in Q2 2025. Despite this, gross earnings rose 33% year on year to N913.72bn from N686.67bn as interest income remained strong, accounting for 89% of gross earnings compared with 73% in Q2 2024.

Strong Interest Income Momentum

Interest income grew by 62% to N812.13bn, supported by a 74% growth in income from loans and advances to customers which printed at N546.15bn, alongside N223.47bn from investment securities and N42.51bn from loans to banks. The uplift was driven by a 7% year to date expansion in interest earning assets (IEA) and a relatively elevated interest rate environment, with yield on H1 2025 interest earning assets at 7.29% compared with 6.56% in H1 2024.

Funding Costs

Interest expense jumped 87% year on year to N272.49bn, driven by a 22% rise in payments on customer deposits to N166.75bn and a 95% surge in payments on deposits from banks to N75.12bn. In contrast, payments on borrowings fell 20% to N30.63bn even as total borrowings grew 13% year to date, reflecting the repricing advantage of the Group's liability structure, where short term obligations adjust more quickly to the softer yield environment. As a result, cost of funds eased to 2.41% from 3.04% in H1 2024. Overall, interest bearing liabilities were up 4% year to date, supported mainly by growth in customer deposits and borrowings.

Credit Costs Reflect Regulatory Pressure

Credit costs spiked as impairment charges rose 190% to N148.15bn from N51.05bn in Q2 2024, following the CBN directive on unwinding forbearance and enforcing the Single Obligor Limit (SOL). Management reiterated during the last investor call that these assets remain active and revenue generating, having been re-tenored to match borrower cashflows, while unresolved exposures are expected to be fully provisioned by year end. Nevertheless, net interest income after impairments rose 65% to N391.49bn from N237.03bn in Q2 2024.

Non-Interest Income Trends

Fee and commission income provided some uplift, rising 34% to N90.85bn on the back of a 30% growth in electronic banking fees, 36% growth in account maintenance charges and a 53% increase in other fees, although fee and commission expenses jumped 72% to N16.26bn. Overall, the 45% decline in non interest income was almost entirely explained by the fair value losses, which were in turn linked to relative stability in the naira during the quarter. Operating income therefore grew 16% to N476.82bn from N412.71bn.

HOLD

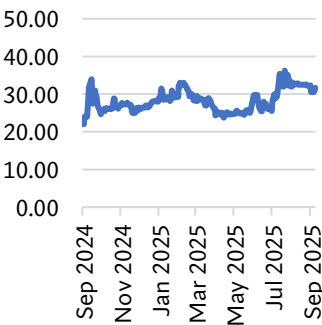
Fair Value Estimate:
N33.01

Total Return: +8%

Stock Data

Current price (N)	31.60
Shares Outstanding (mn)	41,878
Market Cap (N'mn)	1,323,340
52-week high (N)	37.50
52-week low (N)	23.05
Trailing EPS (N)	15.84
Forward EPS (N)	14.35
Forward PE (X)	2.20
Justified PE Multiple (X)	2.24

Price Movement



Stock Data	FY 2023	FY 2024	FY 2025F
P/E	4.29x	1.99x	2.20x
P/BV	0.65x	0.47x	0.39x
PBT Margin	23%	25%	21%
PAT Margin	20%	21%	18%
RoE	22%	29%	19%
Dividend Yield	1%	2%	4%

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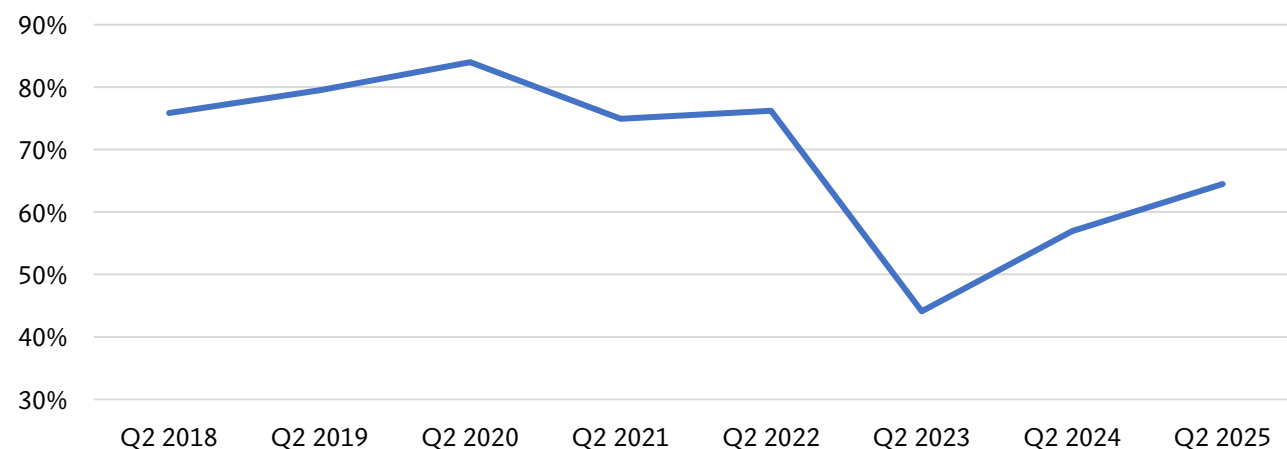
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Elevated Operating Costs

Operating expenses rose by 31%, driven by a 47% rise in personnel costs and a 26% jump in other operating expenses, reaching N185.52bn from N147.82bn in Q2 2024. This pushed the cost-to-income ratio higher to 64% from 57% in Q2 2024, a level that closely aligns with historical averages outside the exceptional FX linked gains of Q2 2023 and Q2 2024 which had temporarily suppressed the ratio to 44% and 57%, respectively.

Cost to Income Ratio Trend



Source: Company's Account, WSTC Research

Consequent to the jump in impairment, disappearance of FX linked gains and higher cost, profit before tax fell 5% to N169.45bn, while profit after tax contracted 26% to N116.16bn, further pressured by a 150% spike in income tax which pushed the Q2 2025 effective tax rate to 31%, far above the seven-year Q2 average of 12%.

Recapitalisation Plans

The group announced plans to raise an additional N350bn in H2 2025, to be executed in phases through private placement, as part of its recapitalisation exercise.

Valuation and Outlook

Following the weaker bottom line, we now forecast FY 2025 profit after tax at N600.79bn, lower than our earlier projection of N719.43bn. The downgrade reflects higher impairment charges, now estimated at N417.38bn (vs N304.74bn previously), as the Group continues to make provision in line with regulatory directives. Interest income will remain the primary driver of earnings, while the non-recurring exceptional FX gains, alongside persistent cost pressures, will weigh on profitability.

Our fair value estimate has been revised upward to N32.49 per share, from N30.75 in our previous report. At the market price of Friday's close at N31.60, this implies a capital appreciation potential of just 3%. Factoring in dividend yield, total return rises modestly to around 7%, which we view as insufficient to sustain our **BUY** case as we now recommend a **HOLD**.

Q2 2025 Financial Performance

Income Statement	Q2 2025	Q2 2024	(%)
Gross earnings	893,846	686,666	33%
Interest income	812,128	501,548	62%
Interest expense	(272,493)	(213,462)	28%
Net interest income	539,635	288,086	87%
Impairment losses	(148,146)	(51,053)	190%
Net interest after impairment	391,489	237,033	65%
Non-interest income	101,593	185,118	-45%
Fee and commission income	90,850	67,924	34%
Fee and commission expense	(16,260)	(9,439)	72%
Net fee and commission income	74,590	58,485	28%
FX gain/ (loss)	(6,938)	(66,454)	-90%
Net gains on sale of investment	7,314	(207)	-3633%
Net gains/(loss) from financial instruments at FVTPL	(5,754)	143,375	-104%
Dividend income	10,040	7,663	31%
Other operating income	6,081	32,817	-81%
Operating income	476,822	412,712	16%
Personnel expenses	(102,941)	(70,099)	47%
Depreciation	(19,079)	(16,997)	12%
Other expense	(185,521)	(147,819)	26%
Operating expenses	(307,541)	(234,915)	31%
Net operating income	169,281	177,797	-5%
Share of profit from associates	173	25	592%
Profit before tax	169,670	177,822	-5%
Income tax	(53,294)	(21,357)	150%
Profit after tax	116,376	156,465	-26%

Source: Company's Account, WSTC Research

H1 2025 Financial Performance

Income Statement	H1 2025	H1 2024	(%)
Gross earnings	1,656,656	1,402,492	18%
Interest income	1,437,409	947,694	52%
Interest expense	(532,582)	(432,761)	23%
Net interest income	904,827	514,933	76%
Impairment losses	(185,397)	(92,986)	99%
Net interest after impairment	719,430	421,947	71%
Non-interest income	219,247	454,798	-52%
Fee and commission income	168,572	129,926	30%
Fee and commission expense	(29,875)	(19,090)	56%
Net fee and commission income	138,697	110,836	25%
FX gain/ (loss)	73,543	(165,046)	-145%
Net gains on sale of investment	7,450	11,827	-37%
Net gains/(loss) from financial instruments at FVTPL	(53,668)	432,201	-112%
Dividend income	10,201	8,027	27%
Other operating income	13,149	37,863	-65%
Operating income	908,802	857,655	6%
Personnel expenses	(169,980)	(134,197)	27%
Depreciation	(35,459)	(30,494)	16%
Other expense	(347,387)	(280,999)	24%
Operating expenses	(552,826)	(445,690)	24%
Operating profit	355,976	411,965	-14%
Share of profit from associates	173	25	592%
Profit before tax	356,149	411,990	-14%
Income tax	(72,379)	(51,725)	40%
Profit after tax	283,770	360,265	-21%
Balance Sheet (N'mn)	H1 2025	H1 2024	Growth (%)
Assets			
Cash & balances with CBN	4,818,617	3,489,197	38%
Loans and advances to banks	4,789,346	3,191,566	50%
Loans and advances to customers	8,864,621	9,056,206	-2%
Investment securities	6,460,609	4,009,955	61%
Financial assets	296,584	674,606	-56%
Others	1,969,342	3,003,998	-34%
Total Assets	27,199,119	23,425,528	16%
Liabilities			
Deposits from banks	2,823,544	2,656,299	6%
Deposits from customers	17,899,781	15,130,576	18%
Borrowings	1,754,293	1,802,520	-3%
Others	1,774,666	1,622,629	9%
Total Liabilities	24,252,284	21,212,024	14%
Net Assets	2,946,835	2,213,504	33%

Source: Company Accounts, WSTC Research

Financial Projections

Income Statement (N'mn)	FY 2023	FY 2024	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F
Gross Earnings	1,560,953	3,212,114	3,384,385	3,707,736	4,041,187	4,623,731	5,254,969	5,990,529
Interest Income	936,682	2,397,428	2,936,411	3,229,796	3,546,945	4,043,691	4,592,967	5,228,917
Interest Expense	(390,394)	(996,119)	(1,117,169)	(1,192,992)	(1,276,969)	(1,460,145)	(1,670,970)	(1,907,002)
Net Interest Income	546,288	1,401,309	1,819,242	2,036,804	2,269,977	2,583,546	2,921,997	3,321,914
Non-Interest Income	624,271	814,686	447,973	477,940	494,241	580,040	662,002	761,612
Operating Expense	(557,027)	(934,160)	(1,076,292)	(1,169,320)	(1,287,241)	(1,455,478)	(1,631,677)	(1,861,037)
Impairment Charge	(224,948)	(426,294)	(417,383)	(305,799)	(284,439)	(275,282)	(260,581)	(246,413)
Profit Before Tax	356,148	796,467	708,438	968,224	1,112,970	1,341,802	1,587,769	1,857,428
Profit After Tax	308,433	663,490	600,785	821,094	943,845	1,137,904	1,346,494	1,575,176
Earnings Per Share (N)	8.59	15.84	14.35	19.61	22.54	27.17	32.15	37.61
Dividend Per Share (N)	0.40	0.60	1.15	2.94	4.51	6.79	9.65	13.16
Balance Sheet (N'mn)								
Gross Loans	6,908,372	9,758,018	10,687,784	11,280,387	13,138,347	14,867,717	17,055,919	19,417,318
Net Loans	6,633,833	9,262,953	10,192,659	10,765,879	12,513,490	14,176,378	16,261,846	18,507,186
Total Assets	16,937,684	26,524,218	29,555,657	31,906,437	36,610,134	41,785,188	47,752,462	54,430,456
Customers Deposits	10,663,346	17,170,690	18,870,140	20,512,969	23,455,586	26,817,643	30,620,872	34,918,215
Shareholders' Funds	1,747,021	2,795,334	3,370,992	4,144,023	4,964,704	5,913,839	6,975,857	8,147,084
Book Value Per Share (N)	48.67	66.75	80.50	98.96	118.55	141.22	166.58	194.54
Ratio Analysis								
ROE	22.49%	29.21%	19.49%	21.85%	20.72%	20.92%	20.89%	20.83%
ROA	2.24%	3.05%	2.14%	2.67%	2.76%	2.90%	3.01%	3.08%
Cost-to-Income Ratio	61.05%	53.99%	60.33%	54.72%	53.65%	52.05%	50.70%	50.06%
Loan-to-Deposit Ratio	59.64%	51.06%	54.01%	52.48%	53.35%	52.86%	53.11%	53.00%

Source: Company Accounts, WSTC Research



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WSTC uses a 3-tier recommendation system for stocks under coverage: Buy, Hold, and Sell.

- Buy Rating: estimated fair value is $\geq 20\%$ above current market price.
- Hold Rating: estimated change in price is between -10% and 19% of current market price.
- Sell Rating: estimated change in price is $\leq -10\%$ of current market price.

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