Capital Bancorp Plc

FEB 2026

First City Monument Bank PLC

Equity Report

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INVESTMENT THESIS

FCMB Group Plc presents a compelling re-rating opportunity supported by strong earnings recovery, improved capital productivity, and valuation discount relative to intrinsic and peer benchmarks.

The Group delivered a 141.22% year-on-year growth in profit after tax in FY2025, driven by significant net interest margin expansion, improved operating leverage, and strengthened liquidity buffers. Return on Equity rose to 23.39%, positioning FCMB within the upper range of Nigeria's mid-tier banking cohort.

Despite this improvement in profitability, the stock trades at 0.59x book value and 2.84x earnings, well below peer averages of 1.03x and 4.56x, respectively. The current valuation implies the market is pricing in sustained credit risk concerns and potential earnings normalisation, creating a discount to intrinsic value.

With recapitalisation milestones largely achieved and capital buffers strengthened, FCMB is positioned to re-accelerate loan growth while maintaining conservative liquidity metrics (LDR: 42.66%). As asset quality stabilises and earnings durability improves, we expect valuation convergence toward peer averages.

We derive a 12-month fair value of NGN17.70 per share using a blended valuation framework incorporating peer multiples and a justified P/B approach.

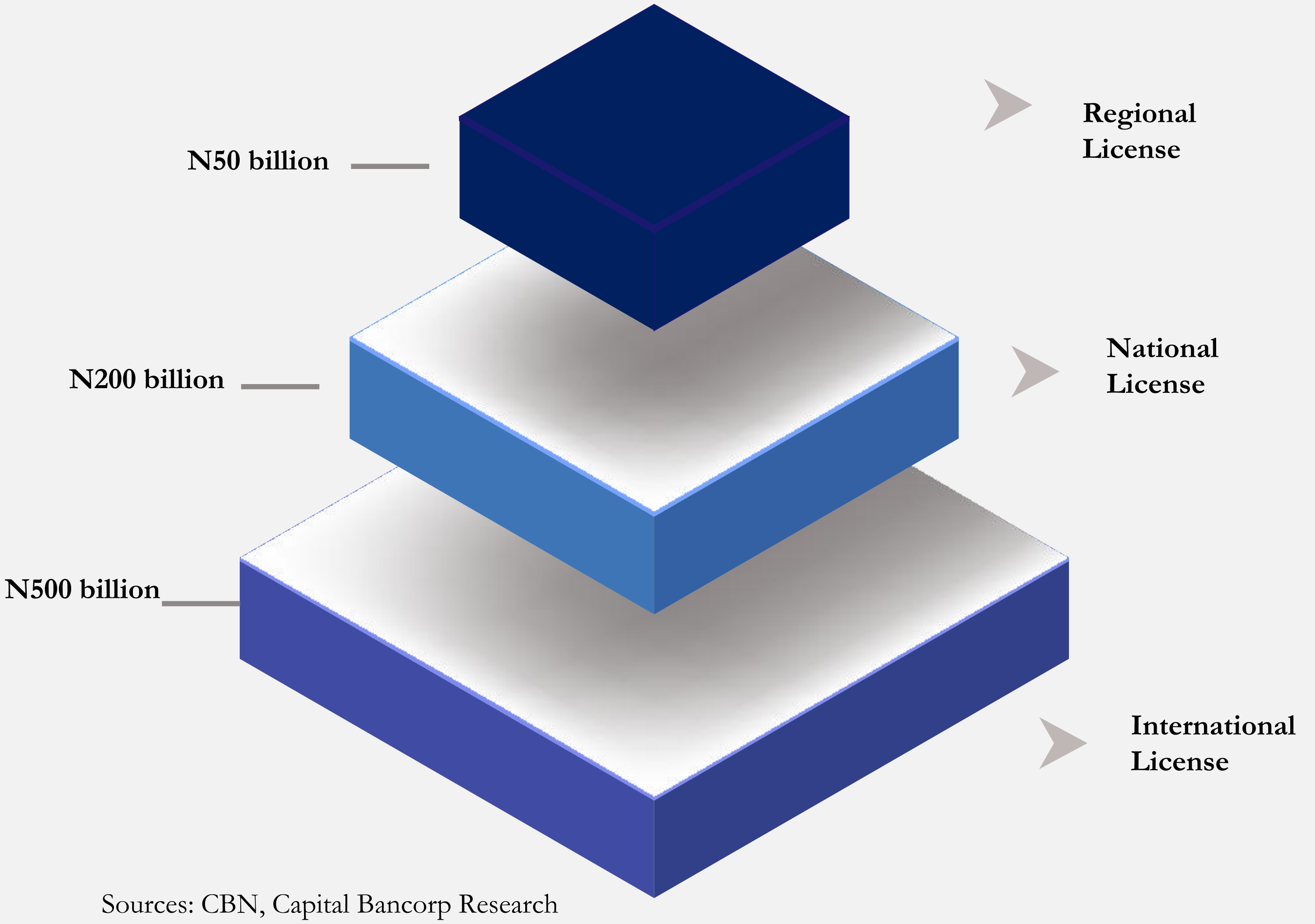
TICKER	FCMB
SECTOR	FINANCIAL SERVICES
SUB-SECTOR	OTHER FINANCIAL
SHARE PRICE(13.02..2026)	NGN11.25
12M TARGET PRICE	NGN17.70
FLOAT	42,771,706,274.00
MARKET CAP.	481,181,695,583
12M TRAILING EPS(NGN)	3.96
12M TRAILING P/E(x)	2.84
RATING	BUY
UPSIDE(%)	57.33%
52 WEEKS HIGH	12.95
52 WEEKS LOW	8.35

INDUSTRY OVERVIEW

The Nigerian banking sector is undergoing its most significant structural transformation since the 2004–2005 consolidation exercise, when minimum capital requirements were increased from NGN2 billion to NGN25 billion, reducing the number of banks from 89 to 25 and strengthening systemic resilience. Two decades later, the industry faces another structural reset.

In March 2024, the CBN introduced a revised recapitalisation framework requiring a minimum capital of NGN500 billion for commercial banks with international authorisation, NGN200 billion for national banks, and NGN50 billion for regional banks, with a compliance deadline of March 31, 2026.

Unlike the 2005 cycle, today's banking system operates under tighter prudential standards, enhanced governance frameworks, and more diversified revenue models. Nonetheless, the magnitude of the new capital thresholds represents a substantial shift in competitive positioning.



Sources: CBN, Capital Bancorp Research

Several Tier 1 and Tier 2 banks, including Zenith Bank Plc, Guaranty Trust Holding Company Plc, Access Holdings Plc, United Bank for Africa Plc, Fidelity Bank Plc, and Wema Bank Plc, have already met the capital injection requirements set by the CBN. FCMB Group Plc also undertook structured capital-raising initiatives to strengthen its competitive positioning ahead of the deadline. With 23 banks now compliant, the Nigerian banking sector is poised for greater stability and growth.

INDUSTRY OVERVIEW

Equity market performance highlights the ongoing transformation in the banking sector. Banking stocks have remained among the most actively traded counters on the Nigerian Exchange Group (NGX), contributing significantly to market capitalisation growth. In 2024, the banking index recorded a 20.44% gain, followed by a 39.77% increase in 2025, underscoring robust investor interest amid recapitalisation efforts. Expectations for 2026 remain constructive as the sector transitions into a higher capital base environment.

Historical Performance of the NGX-Banking Index and NGX-ASI

Sources: NGX, Capital Bancorp Research

However, performance dispersion has widened. Investors are increasingly differentiating institutions based on capital strength, funding stability, asset quality discipline, and earnings durability. The industry is therefore moving from a rate-driven profit expansion phase into a capital-strengthened, efficiency-focused cycle, where valuation gaps are expected to reflect execution quality under the recapitalisation regime rather than broad-based optimism.

Against this backdrop, FCMB Group Plc's positioning within the mid-tier segment becomes central to its investment case. The Group's ability to complete its capital programme, optimise operating efficiency, and sustain return on equity will be key determinants of its relative valuation and investor appeal.

NGX-Banking Index FY PERFORMANCE

20.88%

2024 FY

39.77%

2025 FY

Sources: NGX, Capital Bancorp Research

OVERVIEW OF FCMB

FIRST CITY MONUMENT BANK GROUP PLC (FCMB) is a diversified financial services holding company operating across commercial banking, investment banking, and asset and pension management. The Group conducts its operations through three core segments: Corporate, Commercial and Retail Banking (First City Monument Bank Limited, Credit Direct Limited, FCMB (UK) Limited, and FCMB Microfinance Bank Limited); Investment Banking (FCMB Capital Markets Limited and CSL Stockbrokers Limited); and Investment Management (FCMB Pensions Limited, FCMB Asset Management Limited, and FCMB Trustees Limited).

Listed on the Nigerian Exchange Group under the ticker "FCMB," the Group's flagship subsidiary, First City Monument Bank Limited, ranks among Nigeria's top-tier lenders by asset size and customer base, serving over 8 million customers through a nationwide branch network and digital platforms. The Group also maintains an international presence through FCMB Bank (UK) Limited, regulated in the United Kingdom.

Founded in 1977 as City Securities Limited, FCMB evolved from a merchant banking institution into a universal bank in 2001 before adopting a HoldCo structure in 2013. This transition enabled diversification into pensions, asset management, trusteeship, and consumer finance, reducing reliance on pure commercial banking income and improving earnings resilience.

1997
Founded
City Securities Limited was established

Acquired Banking License
1982
It was Nigeria's first privately owned bank without government backing

2001
Name Change
Renamed First City Monument Bank following transition to a universal bank.

Private Placement
2004
Raised NGN7bn via private placement; converted to a public liability company.

2005
Initial Public Offering
Completed IPO, met NGN25bn CBN capital requirement, and acquired three banks.

Public Offering
2007
The Bank attracts sizeable foreign shareholding. Capital raised increased by 329.03%

2012
Merger
The Federal High Court of Nigeria approved the merger of FCMB Plc and FinBank

Group Restructuring
2013
Adopted HoldCo structure; listed as FCMB Group Plc

2014
FCMB(UK) License
FCMB (UK) obtained commercial banking licence.

Acquired Legacy Pension
2017
Acquired majority stake in Legacy Pensions (now FCMB Pensions).

2021
Acquired Stake in AIICO Pension
Acquired 96.3% stake in AIICO Pensions Managers.

Capital Target
2024-2026
Executed two public offers; pursuing NGN500bn international capital target.

OVERVIEW OF FCMB

Within Nigeria's banking landscape, FCMB operates in the mid-tier segment alongside institutions such as Fidelity Bank Plc, Stanbic IBTC Holdings Plc, Sterling Financial Holdings Company Plc, and Wema Bank Plc.

Unlike Tier-1 institutions that dominate large-ticket infrastructure and oil-sector financing, mid-tier banks compete primarily through targeted retail, SME, and digital-led growth strategies. FCMB differentiates itself through its integrated HoldCo structure, which enables cross-segment synergies between banking, pensions, asset management, and capital markets operations.

Non-bank subsidiaries now contribute a meaningful share of group earnings, providing revenue diversification and partially insulating the Group from cyclical volatility in net interest income.

To meet the NGN500 billion minimum capital requirement for international commercial banks, FCMB has undertaken structured capital-raising initiatives, including public offers and other equity instruments. Having met the NGN200 billion threshold applicable to national authorisation, the Group is progressing toward the higher international capital target ahead of the March 31, 2026 deadline.

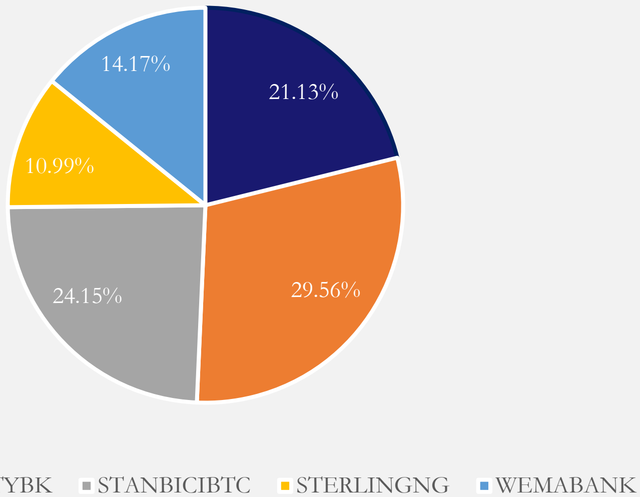
The recapitalisation programme is central to FCMB's medium-term strategy, as enhanced capital buffers will support loan growth, trade finance capacity, and cross-border expansion.

FCMB operates within Nigeria's mid-sized banking segment, commonly referred to as Tier-2 banks. This group includes Fidelity Bank, Stanbic IBTC, Wema Bank, and Sterling Financial Holdings.

As of 2025, these five mid-sized banks collectively manage approximately NGN35.7 trillion in total assets. FCMB accounts for about NGN7.5 trillion of that amount, meaning it represents roughly one-fifth of the combined asset base of its immediate peers.

In terms of size, FCMB ranks third among the five Tier-2 banks analyzed, smaller than Fidelity Bank and Stanbic IBTC, but larger than Wema Bank and Sterling Financial Holdings.

Market Share by Total Assets



Sources: Company Report, Capital Bancorp Research

OVERVIEW OF FCMB

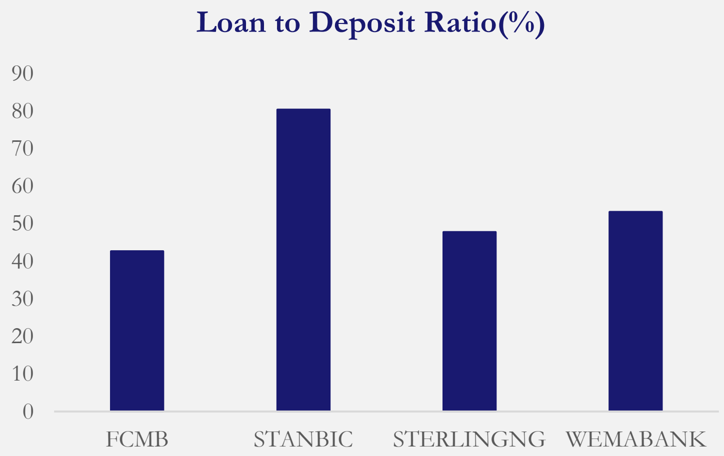
In terms of profitability, FCMB delivered a Return on Equity (ROE) of 23.39% in 2025, positioning it above Stanbic IBTC (11.40%) and Sterling (21.57%), though below Wema Bank (44.00%) and ETI (41.17%). This places FCMB in the upper-middle range of the Tier-2 cohort, reflecting solid capital productivity without excessive leverage risk.

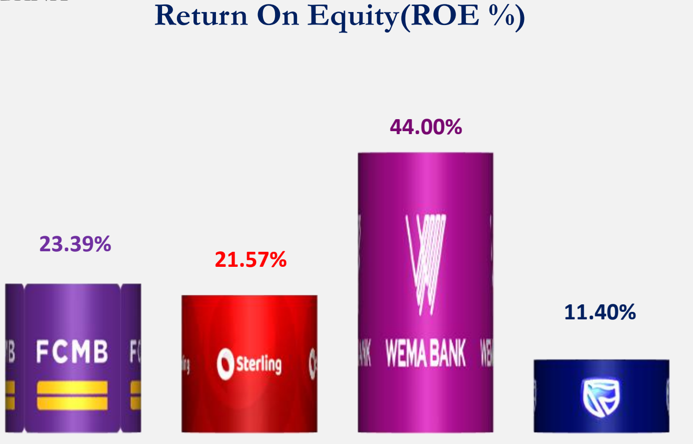
Net Interest Margin (NIM) expanded significantly to 6.89% in 2025 from 3.19% in 2024, indicating improved asset repricing and funding optimisation. While below Wema (8.32%) and Stanbic (7.53%), FCMB's margin exceeds Sterling (5.60%) and ETI (4.61%), suggesting competitive yield management within its lending portfolio.

FCMB's Non-Performing Loan (NPL) ratio was 5.02% in 2025, higher than peers Sterling (4.7%), Stanbic (4.7%), Fidelity (2.2%), and Wema (2.18%), and slightly above the regulatory benchmark. This signals elevated credit risk, particularly in the SME and retail segments, underscoring the need for robust provisioning and disciplined underwriting.

Despite a diversified earnings model providing some insulation against net interest income volatility, asset quality remains a key monitor, with sustained NPL improvement critical for durable earnings growth.

Strategically, FCMB occupies Nigeria's mid-tier banking segment, balancing diversified income streams with conservative liquidity management and improving profitability. While mid-sized, the bank shows upper-tier profitability among peers, though its credit risk is higher than Tier-2 leaders like Fidelity and Wema. With recapitalization and liquidity headroom intact, FCMB can expand its loan book, but forward performance will hinge on disciplined credit deployment, capital allocation, and margin management in a moderating rate environment.





Sources: Company Report, Capital Bancorp Research

FINANCIAL PERFORMANCE

FCMB delivered a strong earnings performance in FY2025, supported by margin expansion, improved operating leverage, and strengthened liquidity buffers, despite elevated funding costs and higher impairment charges.

Gross earnings increased by 41.81% to NGN 1.13 trillion, up from NGN 794.43 billion in FY2024. The growth was largely driven by a 60.82% rise in interest and discount income to NGN 1.00 trillion, reflecting effective asset repricing in a persistently high interest-rate environment.

The Group's growth trajectory extends beyond the current cycle. Between 2018 and 2025, gross earnings expanded from NGN 177.25 billion to NGN 1.13 trillion, representing a compound annual growth rate (CAGR) of 30.23%.

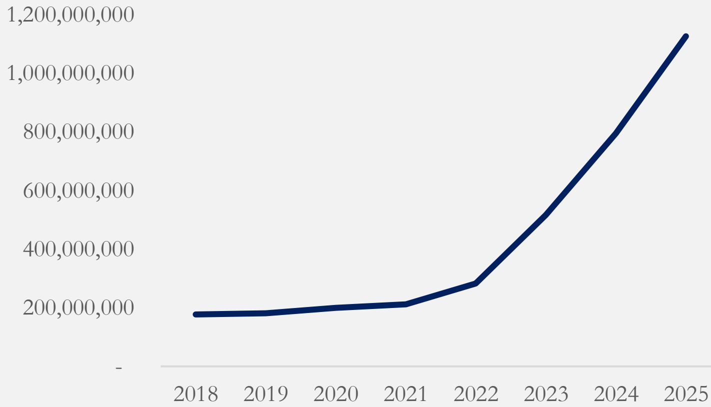
Profit before tax rose by 79.58% to NGN 200.91 billion, while profit after tax increased by 141.28% to NGN 176.91 billion, compared to NGN 73.34 billion in FY2024. Earnings per share improved to NGN 3.96, up from NGN 2.46, representing a 60.98% increase.

Over a seven-year period, profit after tax grew from NGN 14.97 billion in 2018 to NGN 176.91 billion in 2025, translating to a CAGR of 42.34%. The faster growth in profitability relative to revenue reflects improving margin quality and operating leverage across the Group.

Return on equity stood at 23.39%, indicating strong capital productivity and positioning FCMB within the upper range of the Tier-2 segment. Return on assets was approximately 2.35%, reflecting improved asset utilisation and stronger earnings conversion relative to total balance sheet size.

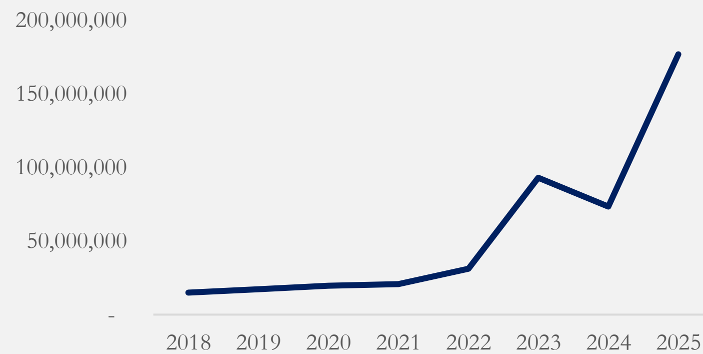
Net interest margin expanded to 6.89%, up from 3.19% in the prior year. The sharp expansion highlights the benefit of asset repricing and improved yield management. However, funding pressures remain visible, as interest expense increased by 25.90% to NGN 499.23 billion, reflecting elevated deposit and borrowing costs.

Trend in Gross Earnings(NGN'000)



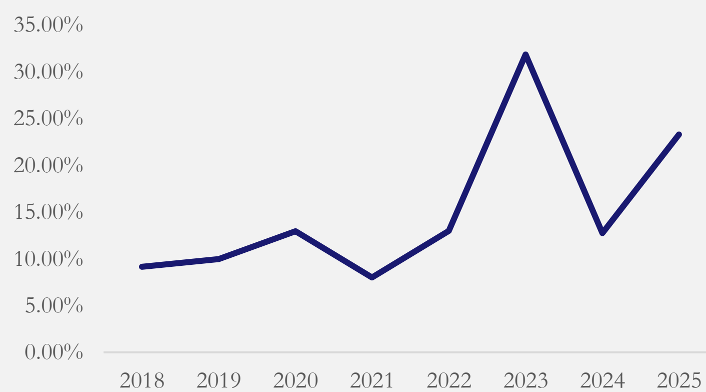
Sources: Company Report, Capital Bancorp Research

Trend in Profit after tax(NGN'000)



Sources: Company Report, Capital Bancorp Research

Trend in ROE(%)



Sources: Company Report, Capital Bancorp Research

FINANCIAL PERFORMANCE

Credit cost remains the key risk variable. Net impairment losses more than doubled, increasing by 108.56% to NGN 86.00 billion. With an NPL ratio estimated at 5.02%, asset quality remains above certain Tier-2 peers and marginally above the regulatory benchmark. Estimated cost of risk stands at approximately 3.76%, indicating elevated provisioning relative to the loan book. Sustained improvement in asset quality will be critical to preserving earnings stability

Operating expenses increased by 49.90% to NGN 405.06 billion, driven by personnel and administrative cost pressures. Nevertheless, revenue growth outpaced expense expansion, resulting in improved operating leverage. The cost-to-income ratio improved significantly to 52.72%, down from 67.79%, reflecting better efficiency dynamics despite inflationary pressures.

On the balance sheet, total assets expanded by 6.93% to NGN 7.54 trillion. Cash and cash equivalents increased to NGN 1.30 trillion, while investment securities rose to NGN 2.06 trillion. In contrast, gross loans declined by 2.97% to NGN 2.29 trillion, signalling a cautious credit posture amid rising impairment charges.

Liquidity metrics remain conservative, with a loan-to-deposit ratio of 42.66%, providing significant headroom for future lending expansion without funding strain. Customer deposits increased by 2.33% to NGN 4.40 trillion, while total equity strengthened by 19.50% to NGN 823.42 billion, reinforcing regulatory capital buffers ahead of recapitalisation milestones.

Operating cash flow rose sharply by 296.97% to NGN 1.67 trillion, reflecting stronger earnings conversion and improved liquidity resilience. This level of cash generation provides flexibility for investment activity while maintaining capital stability.

Technically, FCMB's share price is trading above its 10-day, 50-day, and 100-day moving averages, indicating short-term strength and an improving medium-term trend, with recent price action suggesting a shift away from prior consolidation.

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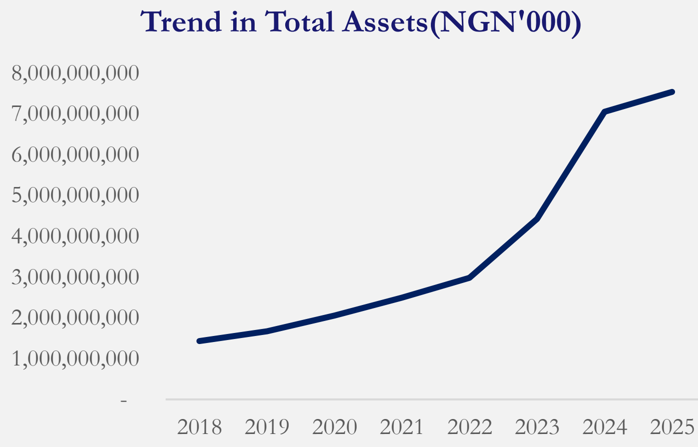
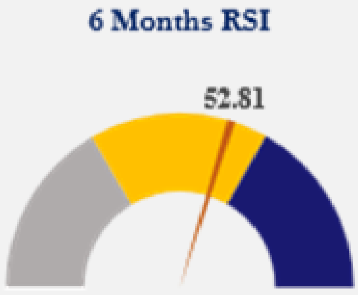


Sources: Company Report, Capital Bancorp Research



VALUATION SUMMARY

To determine the fair value of FCMB Group Plc, we adopted a blended valuation framework combining: Peer Comparable Analysis (P/E and P/B multiples), a Justified Price-to-Book model derived from the Gordon growth relationship

Given FCMB's low dividend payout ratio and high earnings retention, we do not consider a single-stage Dividend Discount Model appropriate as a primary valuation tool. Our valuation, therefore, places greater weight on book-based and earnings-based approaches.

For the cost of equity, we applied the Capital Asset Pricing Model (CAPM). A risk-free rate of 16.89% was used, based on Nigeria's 10-year bond yield. We incorporated a mature market equity risk premium of 4.61% and a country default spread of 5.52%. Adjusting for relative equity volatility of 1.52x, we derived a country risk premium of 8.39%, resulting in a total equity risk premium of 13.00%. Applying a levered beta of 0.5826, derived from the median of selected Nigerian banking comparable, we arrived at a cost of equity of 24.46%.

FCMB currently trades at 2.84x FY2025 earnings and 0.59x book value, representing a significant discount to peer averages of 4.56x and 1.03x, respectively. This valuation gap persists despite the Group delivering a return on equity above 23%, suggesting that the market is applying a risk premium related to asset quality and earnings sustainability.

Applying the peer average P/E multiple of 4.56x to FCMB's FY2025 earnings per share of NGN3.96 yields an implied equity value of NGN18.06 per share. Similarly, applying the peer average P/B multiple of 1.03x to FCMB's book value per share of NGN19.23 results in an implied value of NGN19.81 per share

Justified P/B Framework

Bank valuations are fundamentally anchored on the relationship between return on equity, cost of equity, and sustainable growth. To capture this dynamic, we apply the Gordon-derived justified Price-to-Book framework.

$P/B = (ROE - g) / (Ke - g)$

Although FCMB's near-term implied growth rate (ROE × retention ratio) is approximately 19.29%, we view this as cyclical and driven by the current high-rate environment. Given regulatory capital requirements, competitive intensity, and long-run nominal GDP constraints, such growth is unlikely to be sustained in perpetuity.

For steady-state valuation, we adopt more conservative long-term assumptions:
Sustainable ROE: 22.40%
Long-term growth rate (g): 6.00%
Cost of equity (Ke): 24.46%
Applying these inputs yields an implied justified P/B multiple of;

$$(22.40\% - 6.00\%)/(24.46\% - 6.00\%) = 0.89x$$

When applied to FCMB's book value per share of **NGN19.23**, this results in an intrinsic value estimate of **NGN17.08** per share.

SINGLE STAGE GORDON GROWTH DIVIDEND MODEL (Reference Only)

A single-stage dividend discount model produces an implied value of NGN3.16 per share. However, FCMB retains over 86% of earnings to fund balance sheet growth and capital expansion. Given this reinvestment profile, dividend-based valuation significantly understates intrinsic value and is therefore not relied upon in determining our target price.

RECOMMENDATION

We initiate coverage with a BUY recommendation on FCMB Group Plc and a 12-month target price of NGN17.70 per share, implying 57.33% upside from the share price of NGN11.25 as at 13th February 2026.

Our target price is derived from a blended valuation framework incorporating peer multiple analysis and a justified Price-to-Book approach.

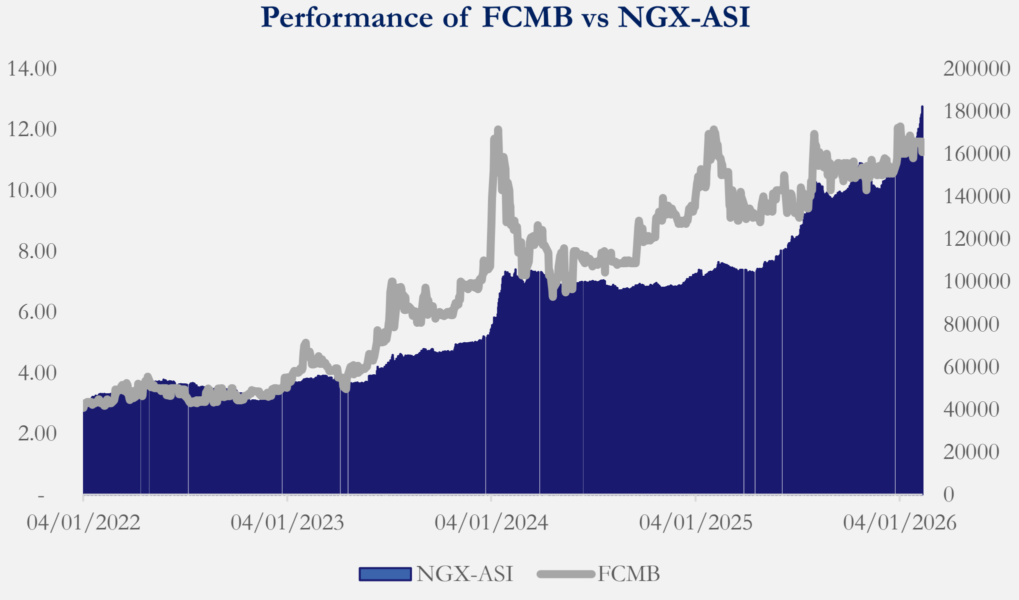
Peer P/E valuation: NGN18.06
Peer P/B valuation: NGN19.81
Justified P/B valuation: NGN17.08

The average of these methodologies yields a fair value estimate of **NGN17.70 per share.**

Despite delivering ROE of 23.39% in FY2025 and improved cost efficiency, FCMB trades at 0.59x book value and 2.84x earnings, a notable discount to comparable mid-tier institutions. We believe this discount reflects elevated credit risk concerns rather than structural profitability weakness.

While asset quality remains a key monitoring variable (NPL ratio: 5.02%), strengthened capital buffers, conservative liquidity positioning (LDR: 42.66%), and recapitalisation progress provide a foundation for earnings durability and medium-term valuation convergence.

From a technical perspective, the stock remains below intrinsic valuation levels and within its recent trading range. A sustained breakout above resistance levels could reinforce upward momentum as fundamentals re-price.



Sources: NGX, Capital Bancorp Research

INVESTMENT RISK

1. **ASSET QUALITY RISK:** The NPL ratio of 5.02% is above certain Tier-2 peers and marginally above the CBN benchmark. Net impairment charges increased to NGN86bn in FY2025 despite a 2.97% decline in gross loans, suggesting stress within segments of the existing loan portfolio. Any sustained deterioration in credit quality could elevate provisioning costs and moderate earnings growth in FY2026.

2. **MARGIN NORMALIZATION RISK:** Net interest margin expanded from 3.19% to 6.89%, largely reflecting asset repricing in a high interest-rate environment. As monetary conditions evolve, margin expansion may normalise. Interest expense increased to NGN499bn (+25.90% YoY), which may limit earnings resilience if funding costs remain elevated.

3. **RECAPITALIZATION AND DILUTION RISK:** The March 31, 2026 deadline for the NGN500bn international capital requirement necessitates continued capital strengthening. Two public offers have increased shares outstanding from 26.8bn to 42.8bn. While enhancing capital buffers, further equity issuance could dilute near-term earnings per share and influence return metrics.

4. **MACROECONOMIC AND FX RISK:** Nigeria's economic environment remains unstable, with currency volatility and high government borrowing costs affecting investor confidence. In FY2025, the Group recorded an FX-related loss compared to a gain in the previous year, highlighting sensitivity to exchange rate movements. Continued economic uncertainty could delay investor re-rating of the stock and weigh on profitability.

5. **LEGAL AND COMPLIANCE RISK:** The Group has a number of ongoing legal claims, which increased significantly during the year. While management does not expect these cases to result in major financial losses, the scale of pending claims requires monitoring, as adverse outcomes could affect earnings and reputation.

APPENDIX

Valuation Sensitivity Analysis

Bank valuations are highly sensitive to assumptions around sustainable return on equity and cost of equity. We therefore stress-test our justified P/B framework under alternative scenarios.

Scenario 1: ROE moderates to 20%

P/B=(20%-6%)/(24%-6%)=0.76x

Implied Value=0.76 x 19.23= **NGN14.61pershare**

Even under moderate ROE compression, valuation remains above current trading levels.

Scenario 2: Cost of equity declines to 22%

P/B=(22.40%-6%)/(22%-6%)=1.03x

Implied Value=1.03 x19.23=NGN19.08 pershare

This highlights potential upside should macro risk premium compress..

Cost of Equity	
Risk Free Rate	16.89%
Mature Market ERP	4.61%
Country Default Spread	5.52%
Realtive Equity Volatitity	1.52
Calculated Country Risk Premium	8.39%
Total ERP	13.00%
Levered Beta	0.5826
Cost of Equity	24.46%

Estimating beta for FCMB

Comparables	Country	Equity Beta
STANBIC	Nigeria	0.4108
GTCO	Nigeria	0.4859
ZENITHBANK	Nigeria	0.5309
FBNH	Nigeria	0.5414
UBA	Nigeria	0.5826
ACCESSCORP	Nigeria	0.6256
STERLINGNG	Nigeria	1.0684
ETI	Nigeria	1.0782
WEMABANK	Nigeria	1.9237
MEDIAN		0.5826
Sources; Financial Times		
FCMB	Nigeria	0.5486

Analyst's Certification and Disclaimers

ANALYSTS' CERTIFICATION

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- All analysis made by the analyst(s) were in good faith based on public information regarding the companies, securities, industries or markets and the views expressed reflect the analyst's opinion, without undue influence or any intervention

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Capital Bancorp Research applies a three-tier rating system—Buy, Hold, and Sell—for all equities under active coverage.

- A Buy rating is assigned to stocks with strong fundamentals and an expected price appreciation of +15.00% or more from the current market price to the target price.

- A Hold rating is used for stocks with fair upside potential, where expected returns range between +10.00% and +10.50%. These are typically companies with solid fundamentals but limited near-term catalysts.

- A Sell rating is given to stocks that are either significantly overvalued or have weak fundamentals, with expected returns of less than 10.00% from current levels to the analyst's target price.

FREQUENCY OF NEXT UPDATE: We will provide an updated view on the company (or companies) as soon as there are material developments or significant financial disclosures

CONFLICT OF INTEREST DISCLOSURE: Analysts declare no material conflicts of interest with entities referenced in this report. Any potential conflicts are disclosed in the appendix.

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For more details on company-specific valuation methodologies, upside/downside risks to current valuation, send an email to research@capitalbancorpgroup.com

Building Wealth that
Transcends
Generations

About Us:

Our sector experts provide advisory services to help our clients drive their strategies. They analyze the clients'needs, define the problems clearly,come up with solution options, appraise the options, guide the client to the optimal solutions, and help with the disciplined execution of the gold-standard course of action.

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