Capital Bancorp Plc

NAVIGATING

A CHANGING LANDSCAPE AMID RISING UNCERTAINTY

Capital Bancorp Plc

Economic Review & Outlook

Half- Year 2026

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EXECUTIVE SUMMARY

The first half of 2026 was defined by a global economy that proved more resilient than widely anticipated despite heightened geopolitical tensions, persistent trade uncertainty and restrictive financial conditions. Rather than triggering a broad slowdown, stronger domestic demand in the United States, sustained investment in artificial intelligence and targeted policy support in China helped cushion global activity. However, renewed energy price shocks temporarily disrupted the global disinflation process, delaying the synchronised monetary easing cycle investors had expected at the start of the year and reinforcing a higher-for-longer interest rate environment. As a result, capital flows became increasingly selective, favouring economies with credible policy frameworks, macroeconomic stability and attractive real returns.

Across Africa, economic performance became increasingly differentiated as domestic policy choices outweighed regional trends. Countries that strengthened macroeconomic stability, preserved exchange-rate credibility and sustained reform momentum attracted stronger investor confidence, while economies facing fiscal constraints and external vulnerabilities remained more exposed to tightening global financial conditions. Although the continent's long-term structural growth story remains intact, H1 2026 reinforced that investment opportunities across Africa are becoming increasingly country-specific rather than broad-based.

Against this backdrop, Nigeria recorded meaningful progress in restoring macroeconomic stability. Exchange-rate conditions improved as foreign exchange liquidity strengthened, investor confidence recovered and policy reforms gained credibility, while inflation showed early signs of moderating despite remaining elevated. Although monetary conditions remained restrictive, the improving macroeconomic environment supported resilient economic activity and strengthened confidence in domestic financial assets.

Nonetheless, structural constraints including elevated financing costs, persistent food inflation, infrastructure deficits and lower-than-budgeted crude oil production, continued to moderate the pace of recovery, underscoring the importance of sustaining fiscal and structural reforms

These developments were reflected across Nigeria's financial markets. The equities market remained one of the strongest performers among frontier markets, supported by resilient corporate earnings, banking sector recapitalization, improving investor confidence and stronger macroeconomic fundamentals. The NASD market also maintained positive momentum as investors continued to seek quality unlisted securities, while elevated domestic yields preserved the attractiveness of fixed income instruments and continued to support portfolio inflows and exchange-rate stability.

In translating these views into portfolio positioning, we favour a balanced allocation weighted toward Nigerian equities and short-duration fixed income instruments, with selective exposure to Eurobonds and frontier sovereigns. Within equities, we maintain an overweight stance on Oil & Gas and Banking, a neutral stance on Industrial and Consumer Goods, and an underweight stance on Insurance, reflecting the sector's continued underperformance in H1 2026.

Looking ahead, the investment environment is expected to remain constructive but increasingly selective. While improving macroeconomic stability and continued policy reforms should provide further support for Nigeria's economy and financial markets, global geopolitical risks, commodity price volatility, and the pace of monetary easing across advanced economies remain key external risks. In this environment, investment performance is expected to be increasingly driven by policy credibility, earnings resilience and strong corporate fundamentals. We therefore favour disciplined security selection and active portfolio positioning over broad market exposure during H2 2026.

Glossary of Terms and Abbreviation

Abbreviation	Full Meaning
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AI	Artificial Intelligence
ASI	All-Share Index (NGX)
BEA	US Bureau of Economic Analysis
BKAM	Bank Al-Maghrib (Central Bank of Morocco)
BLS	US Bureau of Labor Statistics
BoE	Bank of England
BoG	Bank of Ghana
BoJ	Bank of Japan
BoT	Bank of Tanzania
bps	Basis points (1 bp = 0.01%)
Brent / WTI	International crude oil price benchmarks
BVPS	Book Value Per Share
CAC	Corporate Affairs Commission (Nigeria)
CBE	Central Bank of Egypt
CBK	Central Bank of Kenya
CBN	Central Bank of Nigeria
CP	Commercial Paper
CPI	Consumer Price Index
DMO	Debt Management Office (Nigeria)
DXY	US Dollar Index
ECB	European Central Bank
EMA	Exponential Moving Average
E-P/E(x)	Expected Price-to-Earnings ratio
EPS	Earnings Per Share
Eurobond	Foreign-currency-denominated sovereign or corporate bond
FAAC	Federation Account Allocation Committee
FAO	Food and Agriculture Organization of the United Nations
FATF	Financial Action Task Force
Fed	US Federal Reserve
FGN Bonds	Federal Government of Nigeria Bonds
FPI	Foreign Portfolio Investment
FTSE Russell	Global index provider (market classification reviews)
FX	Foreign exchange
GDP	Gross Domestic Product
HY	High-yield (credit)
ICT	Information and Communications Technology

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BEA	US Bureau of Economic Analysis
BKAM	Bank Al-Maghrib (Central Bank of Morocco)
BLS	US Bureau of Labor Statistics
BoE	Bank of England
BoG	Bank of Ghana
BoJ	Bank of Japan
BoT	Bank of Tanzania
bps	Basis points (1 bp = 0.01%)
Brent / WTI	International crude oil price benchmarks
BVPS	Book Value Per Share
CAC	Corporate Affairs Commission (Nigeria)
CBE	Central Bank of Egypt
CBK	Central Bank of Kenya
CBN	Central Bank of Nigeria
CP	Commercial Paper
CPI	Consumer Price Index
DMO	Debt Management Office (Nigeria)
DXY	US Dollar Index
ECB	European Central Bank
EMA	Exponential Moving Average
E-P/E(x)	Expected Price-to-Earnings ratio
EPS	Earnings Per Share
Eurobond	Foreign-currency-denominated sovereign or corporate bond
FAAC	Federation Account Allocation Committee
FAO	Food and Agriculture Organization of the United Nations
FATF	Financial Action Task Force
Fed	US Federal Reserve
FGN Bonds	Federal Government of Nigeria Bonds
FPI	Foreign Portfolio Investment
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GLOBAL
ECONOMY

1.1. Global Growth: Resilience Amid Divergence

The Global economy entered 2026 under one of the most uncertain macroeconomic environments since the post-pandemic recovery. Financial markets began the year expecting the cumulative effects of elevated interest rates, persistent trade policy uncertainty and slowing global trade to produce a broad-based moderation in economic activity. These concerns intensified during the second quarter as renewed geopolitical tensions in the Middle East disrupted energy markets, pushed Brent crude oil above US$100 per barrel and reignited inflation concerns across several economies.

Despite these headwinds, the global economy proved considerably more resilient than anticipated during the first half of 2026. Resilient household consumption in the United States, sustained investment in artificial intelligence and digital infrastructure, targeted policy support in China and relatively stable labour market conditions across major advanced economies helped offset weaker manufacturing activity and tighter financial conditions. Although geopolitical developments increased downside risks to the global outlook, they were insufficient to derail the underlying expansion of the global economy.

This resilience was reflected in the IMF's April 2026 World Economic Outlook, which revised global growth downwards to 3.1% for 2026 from 3.3% projected in January. While the downgrade acknowledged weaker trade momentum, elevated policy uncertainty and tighter financial conditions, it also underscored the continued resilience of global demand despite an increasingly challenging external environment.

Table 1: IMF Global Growth Outlook (%)

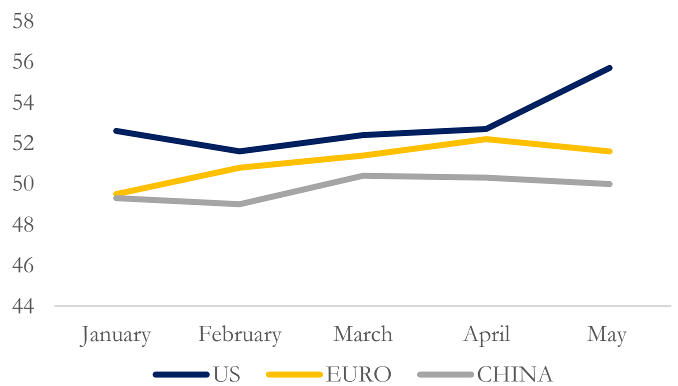
IMF Global GDP Growth	(%)
2025 Actual	3.20
2026 Jan Forecast	3.30
2026 April Forecast	3.10

Source: IMF, Bancorp Research. Data as of 24th June 2026

Nevertheless, economic momentum remained concentrated in the United States and parts of Asia, where resilient domestic demand, technology investment and targeted policy support continued to underpin global activity. However, the aggregate growth outcome masked an increasingly uneven global expansion. The United States remained the principal contributor to global growth, supported by strong consumer spending, a resilient labour market and continued investment in artificial intelligence and digital infrastructure. China avoided the sharper slowdown that many investors had feared, although growth continued to rely heavily on manufacturing, exports and targeted policy support. Europe, by contrast, continued to underperform, constrained by weak industrial activity, subdued investment and renewed energy-related pressures. This divergence in regional performance became one of the defining characteristics of the first half and increasingly shaped capital allocation, monetary policy expectations and investor positioning

Business activity indicators reinforced this divergence. The United States Manufacturing PMI strengthened from 52.6 in January to 55.7 in May, signalling continued expansion in industrial activity despite elevated borrowing costs. The Eurozone PMI improved from 49.5 in January to 52.2 in April

Chart 1: Manufacturing PMI Trends: US, Eurozone and China (Jan–May 2026)



Source: BLS, ONS, NBS, MIC, Bancorp Research. Data as of 24th June 2026 before easing slightly to 51.6 in May, indicating a gradual recovery from earlier contractionary conditions. Meanwhile, China's Manufacturing PMI remained broadly around the neutral 50-point threshold, rising from 49.3 in January to 50.4 in March before moderating to 50.0 in May, reflecting a stabilising but still fragile manufacturing recovery supported by targeted policy measures.

The divergence between regional PMIs illustrates that global growth during H1 2026 was increasingly driven by the resilience of the United States and the gradual stabilisation of Asia, while Europe's recovery remained comparatively fragile. More broadly, the continued strength of services, technology and knowledge-intensive industries relative to traditional manufacturing suggests that the global economy is undergoing a structural transition in which growth is becoming increasingly concentrated in higher-productivity sectors rather than broad-based industrial expansion.

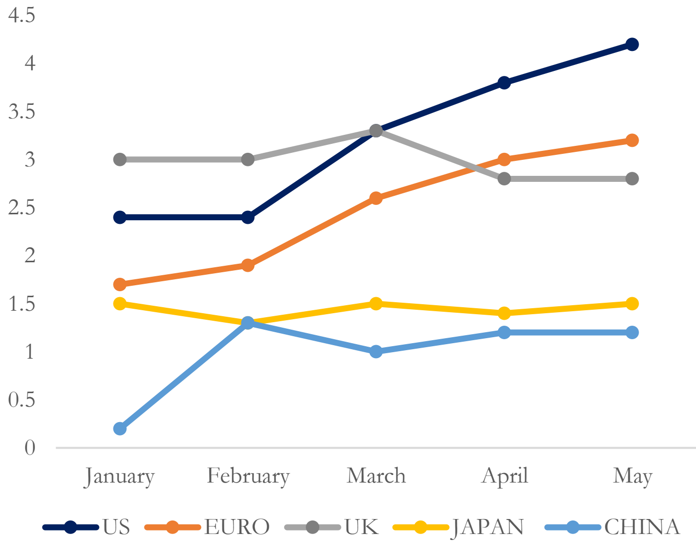
Looking ahead, this structural shift is expected to remain a defining feature of the global economy through the second half of 2026. Continued investment in artificial intelligence, digital infrastructure and advanced manufacturing should support global activity, although persistent geopolitical tensions, trade policy uncertainty and elevated financing costs are likely to limit a broad-based recovery in global manufacturing.

| 1.2. Global Inflation |

Global inflation continued to ease from the elevated levels recorded in recent years, suggesting that the aggressive monetary tightening implemented over the past two years had broadly achieved its initial objective. However, the disinflation process became increasingly uneven during H1 2026 as renewed energy price pressures and persistent services inflation slowed further progress. While inflation remained well below the multi-decade highs reached in 2022–2023, developments during the review period suggest that the global economy has entered the more difficult final stage of disinflation, where further progress is likely to be slower and less synchronized across economies.

This divergence was evident across the major economies. Headline inflation in the United States accelerated from 2.4% in January to 4.2% in May, reflecting higher energy prices and persistent domestic demand. The Eurozone experienced a similar trend, with inflation rising from 1.7% to 3.2%, largely driven by renewed energy costs. By contrast, inflation in the United Kingdom moderated from 3.0% to 2.8%, while Japan maintained relatively stable inflation between 1.3% and 1.5%, remaining below the Bank of Japan's target. China continued to experience subdued price pressures, with headline inflation remaining close to 1.2%, highlighting weak domestic demand despite targeted policy support.

Chart 2: Headline Inflation Trends: US, Eurozone, UK, Japan, and China (Jan–May 2026)



Source: Trading Economics, BLS, ONS, NBS, MIC , Bancorp Research. Data as of 24th June 2026

The primary challenge is that inflation has become increasingly concentrated in components that are less responsive to monetary policy. Across the United States, the Eurozone and the United Kingdom, headline inflation initially benefited from easing goods prices and improving supply conditions, but core inflation remained considerably more resilient. Services inflation continued to exceed headline inflation, supported by strong wage growth, tight labour markets and elevated housing costs. In the United States, core services inflation remained above 3.5%, while services inflation averaged around 3.5% in the Eurozone and approximately 4.7% in the United Kingdom. This widening gap between headline and underlying inflation suggests that although the initial phase of disinflation has largely been achieved, domestic price pressures remain persistent and are likely to slow the pace of future monetary policy easing.

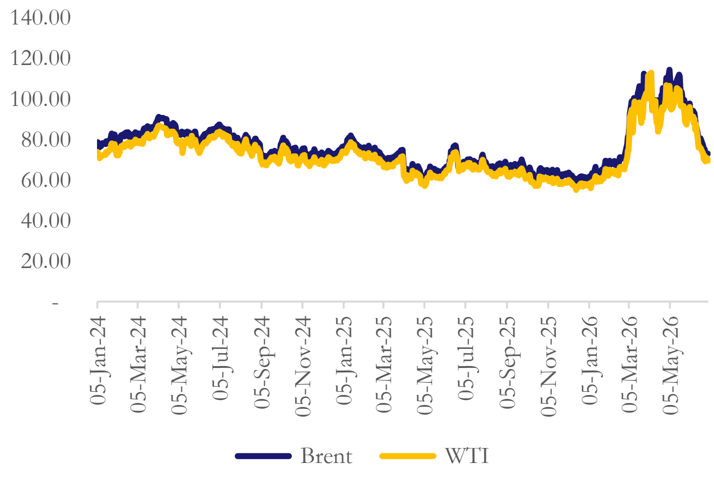
Energy prices emerged as the principal upside risk to the global inflation outlook during H1 2026. Renewed geopolitical tensions in the Middle East pushed Brent crude oil from below US$70 per barrel at the beginning of the year to around US$100–110 per barrel during the second quarter, increasing transportation, logistics and production costs across both advanced and emerging economies. The rebound in energy prices partially reversed earlier disinflation gains and reinforced concerns that inflation could remain above central bank targets for longer.

Food prices also firmed during the review period. The FAO Food Price Index increased from 125.1 in January to 130.8 in May, after reaching 131.0 in April, as higher prices for vegetable oils, meat and dairy products offset continued declines in cereal prices. While global food prices remained well below the peaks recorded in 2022, the renewed increase during H1 2026 added to inflationary pressures, particularly for food-importing economies. More importantly, higher energy costs amplified the impact of rising food prices by increasing transportation, logistics and production expenses, thereby limiting the pass-through of lower agricultural commodity prices to final consumers.

Although demand-driven inflation has moderated significantly, supply-side shocks remain capable of disrupting the disinflation process. This was particularly evident in Europe, where energy inflation increased from -3.1% in January to 10.9% in May, accounting for much of the rise in headline inflation from 1.7% to 3.2%. Similar dynamics emerged in the United States, where higher fuel prices contributed to the acceleration in headline inflation during the review period. These developments demonstrate that while central banks have largely succeeded in moderating demand-driven inflation, external supply shocks remain a significant source of upside inflation risk.

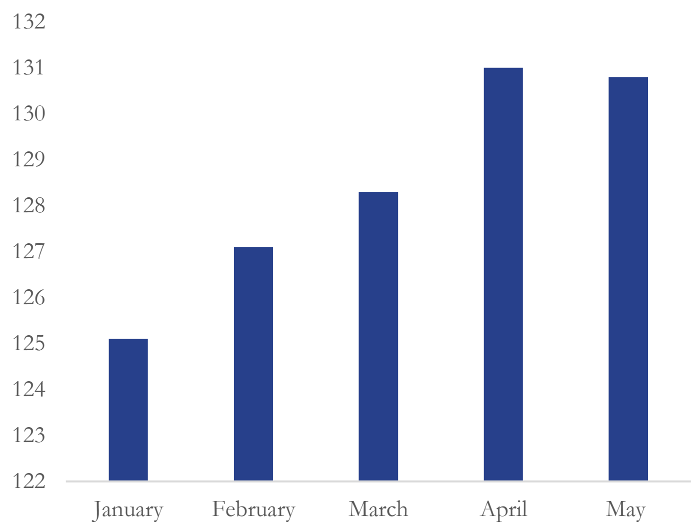
Looking ahead to H2 2026, global inflation is expected to continue moderating, albeit at a slower and more uneven pace. Services inflation, wage growth, housing costs and energy prices are expected to remain the principal determinants of inflation dynamics across advanced economies. Although the recent Middle East ceasefire has contributed to a moderation in crude oil prices from their Q2 highs, central banks are likely to remain cautious about easing monetary policy until they are confident that underlying inflationary pressures are moving sustainably towards target levels. Consequently, the path towards price stability is expected to remain gradual, reinforcing a higher-for-longer policy environment across most major economies.

Chart 3: Trend in Brent and WTI Oil Prices



Source: Oil Price.com, Bancorp Research. Data as of 24th June 2026

Chart 4: Trend in FAO Food Price Index(Jan-May 2026)



Source: FAO, Bancorp Research. Data as of 24th June 2026

1.3. Global Monetary Policy

Table 2: Major Central Bank Policy Rate Summary — H1 2026

CENTRAL BANK	Dec 2025	Jun 2026	H1 2026 DECISION
Fed	3.75%	3.75%	HOLD
BoE	3.75%	3.75%	HOLD
ECB	2.00%	2.25%	+25 bps
BoJ	0.75%	1.00%	+25 bps
PBoC	1.40%	1.40%	EASING BIAS

Source: Trading Economics, BLS, ONS, NBS, MIC, Bancorp Research. Data as of 24th June 2026

The persistence of underlying inflationary pressures shaped the global monetary policy landscape during the first half of 2026. Rather than the synchronised easing cycle anticipated at the beginning of the year, major central banks increasingly adopted divergent policy paths as differences in inflation dynamics, labour market conditions and domestic economic activity became more pronounced. While some policymakers maintained restrictive policy to guard against renewed inflation risks, others pursued gradual policy normalisation or continued policy support in response to weaker domestic demand. The Federal Reserve remained the anchor of this divergence, with its policy stance continuing to shape global liquidity conditions, capital flows and investor sentiment.

The Federal Reserve kept the federal funds rate unchanged at 3.75% throughout H1 2026, including a fourth consecutive policy hold in June. Although headline inflation eased to 2.4% and core inflation moderated to 2.5%, underlying economic conditions remained inconsistent with the start of an easing cycle. Labour market conditions remained remarkably resilient, with non-farm payroll growth averaging above 140,000 jobs per month, unemployment broadly stable between 4.2% and 4.3%, and business investment continuing to benefit from sustained spending on artificial intelligence infrastructure and semiconductor manufacturing.

As inflation accelerated again during the first quarter, reflecting persistent services inflation alongside firmer energy prices, the Fed's position became increasingly clear: a resilient economy combined with inflation still above target did not warrant lower interest rates. Consequently, the Federal Reserve remained the anchor of global monetary conditions, delaying the broad-based easing cycle that financial markets had anticipated entering the year. That stance significantly influenced policy decisions across other advanced economies.

The European Central Bank, already contending with energy-driven inflation that lifted Eurozone headline inflation from 1.7% in January to 3.2% by May, increased the Deposit Facility Rate by 25 basis points to 2.25% in June to contain renewed inflation risks and limit imported inflation from a weaker euro.

The Bank of England maintained a restrictive policy stance, leaving the Bank Rate unchanged at 3.75% throughout H1 2026. Persistent services inflation above 4.5%, reinforced by wage growth of around 5.6%, kept underlying price pressures elevated despite moderating headline inflation, leaving policymakers unwilling to begin easing.

Japan followed a different policy path. Although headline inflation remained below the Bank of Japan's 2% target, averaging between 1.3% and 1.5% during the review period, stronger wage settlements supported continued policy normalisation, culminating in a 25-basis-point increase in the policy rate to 1.00% in June. Higher domestic yields also encouraged capital repatriation, placing upward pressure on global sovereign bond yields and reinforcing tighter global financial conditions.

China, by contrast, remained focused on supporting economic growth. Persistently weak domestic demand kept consumer inflation subdued at around 1%, while producer prices remained in deflation, prompting targeted liquidity injections, reserve requirement reductions and continued fiscal support. Unlike previous easing cycles, however, China's policy measures generated only limited spillover effects, providing little offset to the restrictive global backdrop created by elevated US interest rates.

Collectively, these policy decisions produced a global monetary landscape characterised by widening policy divergence rather than synchronised easing. US Treasury yields remained elevated between 4.3% and 4.6%, real yields stayed positive, the US dollar remained resilient, and global financial conditions eased far less than markets had anticipated at the start of the year. Consequently, capital flows became increasingly selective, favouring economies with credible policy frameworks, macroeconomic stability and attractive real interest rates.

Looking ahead to H2 2026, monetary policy divergence is expected to remain a defining feature of the global economy. While moderating inflation may create room for selective policy easing across some advanced economies, persistent services inflation, resilient labour markets and geopolitical uncertainty are likely to keep central banks cautious. As a result, global financial conditions are expected to remain relatively restrictive, with capital continuing to favour economies demonstrating policy credibility, macroeconomic resilience and sustainable real returns.

| 1.4. United States – The Anchor of Global Financial Markets

The United States remained the principal anchor of the global economy during H1 2026 despite a moderation in economic growth. According to the US Bureau of Economic Analysis (BEA), real GDP expanded at an annualised 2.1% in the first quarter of 2026, supported by stronger business investment, exports and government spending, although household consumption moderated from the exceptionally strong pace recorded in 2025. Labour market conditions also remained resilient, with unemployment broadly stable between 4.2% and 4.3%, while non-farm payroll growth averaged above 140,000 jobs per month. Continued investment in artificial intelligence, semiconductor manufacturing and digital infrastructure further reinforced business investment and helped sustain economic momentum despite restrictive monetary policy.

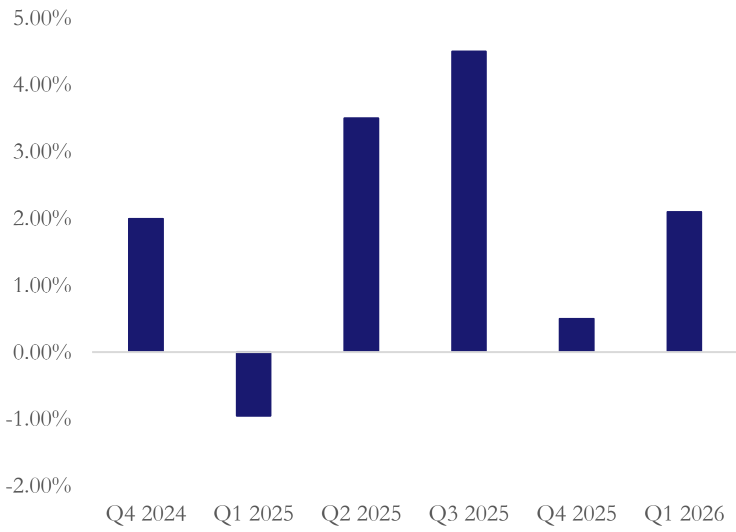
For emerging and frontier markets, including Africa, the resilience of the US economy reduced expectations for an early monetary easing cycle. Stronger economic fundamentals enabled the Federal Reserve to maintain a restrictive policy stance, delaying the return of abundant global liquidity that typically supports capital flows into higher-yielding emerging markets.

More significant than the growth outcome itself was the persistence of restrictive US monetary policy. The Federal Reserve maintained the federal funds rate at 3.75% throughout H1 2026, while the 10-year US Treasury yield remained elevated between 4.3% and 4.6%. Supported by a relatively firm US Dollar Index (DXY), these developments sustained higher global risk-free rates, tightened international financial conditions and encouraged investors to favour high-quality dollar-denominated assets over riskier investments. Consequently, sovereign borrowing costs remained elevated, global capital allocation became increasingly selective, and financing conditions for emerging markets remained challenging.

including US Treasuries and the US dollar. As a result, expectations for an early and synchronised global easing cycle weakened further, reinforcing the Federal Reserve's higher-for-longer policy stance and extending tighter global financial conditions.

The balance of risks suggests that US monetary policy will remain restrictive for longer than financial markets currently anticipate. While moderating inflation should gradually reduce policy pressures, resilient labour market conditions, persistent services inflation and elevated fiscal deficits are likely to keep Treasury yields relatively high. Consequently, global financial conditions are expected to remain tight, with capital continuing to favour high-quality assets until there is clearer evidence that inflation is converging sustainably towards the Federal Reserve's target.

Chart 5: Real GDP, Percent Change From Preceding Quarter

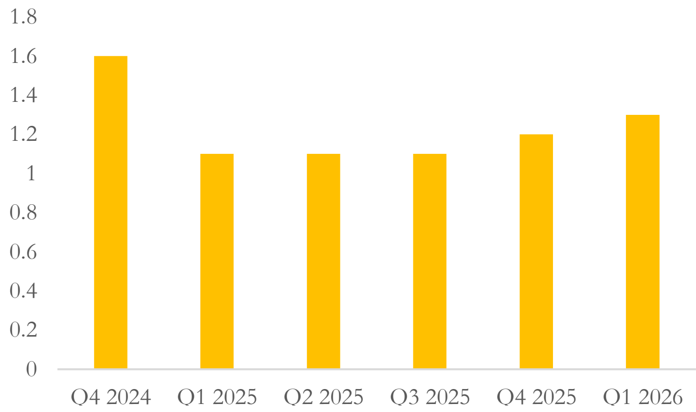


Source: US. Bureau of Economic Analysis, Bancorp Research. Data as of 25th June 2026

| 1.5. China –Industrial Strength and Economic Rebalancing

China remained one of the principal contributors to global economic activity during H1 2026. The economy maintained steady momentum, with official data from the National Bureau of Statistics showing real GDP growth accelerating to 1.3% (approximately 5.0% annualised) quarter-on-quarter in Q1 2026, from 1.2% in Q4 2025 and 1.1% in Q3 2025. The improvement reflected resilient industrial production, strong export activity and continued policy support. Advanced manufacturing, including electric vehicles, batteries, and semiconductor-related industries, continued to outperform, further strengthening China's role in global manufacturing supply chains.

Chart 6: Trend in GDP Growth Rate



Source: National Bureau of Statistics of China, Bancorp Research. Data as of 25th June 2026

Despite the resilient economic performance, underlying conditions remained uneven. Household consumption continued to recover only gradually, consumer inflation remained subdued, and the property sector remained under pressure, indicating that growth continued to rely more heavily on manufacturing, exports and public policy support than broad-based domestic demand. At the same time, strategic competition between the United States and China continued to reshape global trade and investment, accelerating supply-chain diversification while encouraging greater investment in advanced manufacturing, critical minerals and technological self-sufficiency.

As the world's second-largest economy, China's evolving growth model continues to influence global commodity demand, manufacturing supply chains and international trade. Continued expansion in industrial production and high-technology exports should support demand for industrial commodities. However, weaker domestic consumption and ongoing property market adjustments are likely to moderate the pace of global demand relative to previous expansion cycles.

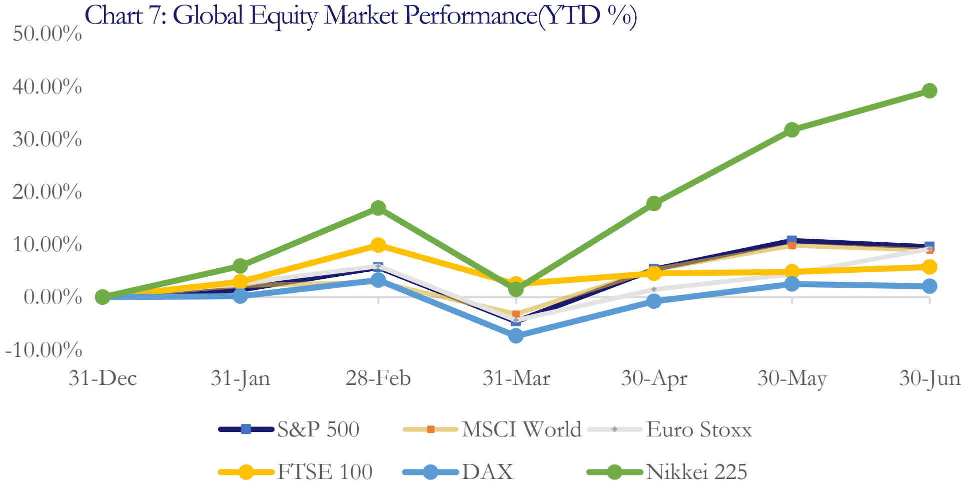
Policy support is expected to prevent a sharper slowdown in China's economy during H2 2026. However, continued weakness in household consumption and the property sector suggests that growth will remain increasingly dependent on manufacturing, exports and fiscal stimulus. Consequently, China is likely to remain an important source of global industrial demand and supply-chain investment, although its contribution to broad-based global growth is expected to remain below previous investment-led expansion cycles.

The defining macroeconomic theme for H2 2026 is expected to remain the interaction between restrictive US financial conditions, China's manufacturing-led recovery and persistent geopolitical uncertainty. Collectively, these factors are likely to sustain elevated market volatility, selective global capital allocation and a higher premium on policy credibility. Although global growth has proven more resilient than anticipated, geopolitical developments are expected to remain an important source of upside risk to inflation and downside risk to investor sentiment through their influence on energy markets and commodity prices. Investors are therefore expected to continue favouring economies demonstrating resilient domestic demand, sustainable external balances and credible macroeconomic policy frameworks.

| 2.1. Global Equity Market

Global equity markets delivered a resilient performance during the first half of 2026 despite an environment characterised by restrictive monetary policy, renewed geopolitical tensions and persistent policy uncertainty. Entering the year, investors broadly expected elevated interest rates, slowing global growth and trade tensions to weigh heavily on corporate earnings and equity valuations. Instead, resilient macroeconomic conditions, robust corporate profitability and an accelerating artificial intelligence (AI) investment cycle supported positive returns across most developed markets. Nevertheless, market leadership became increasingly concentrated within a relatively small number of sectors, companies and regions, highlighting the growing importance of structural earnings growth over broad market expansion.

Chart 7: Global Equity Market Performance(YTD %)



Source: Investing.com, Bancorp Research. Data as of 20th June 2026

Market performance during H1 2026 evolved through two distinct phases. The first quarter was characterised by elevated volatility as stronger-than-expected US economic data, persistent inflation and repeated repricing of Federal Reserve policy expectations prompted investors to reassess expectations for an early global easing cycle. Consequently, risk assets experienced a broad-based correction, with the S&P 500 declining 4.63% year-to-date by the end of March, the MSCI World Index falling 3.21%, the Euro Stoxx 50 retreating 4.39% and Germany's DAX declining 7.39%, reflecting widespread concerns that global interest rates would remain elevated for longer than previously anticipated.

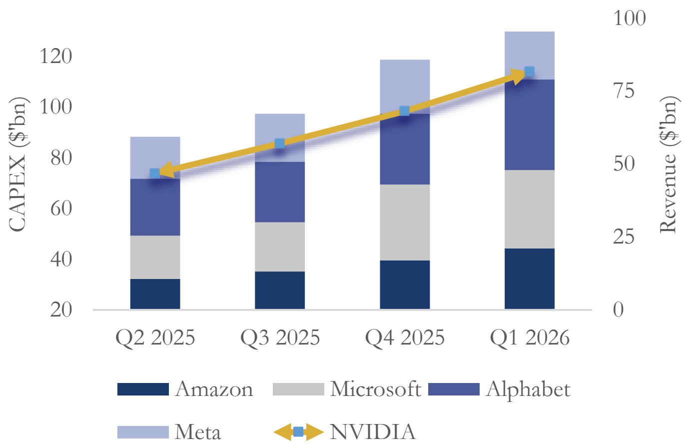
Investor sentiment improved markedly during the second quarter as first-quarter corporate earnings consistently exceeded expectations, inflation pressures gradually moderated and confidence surrounding the artificial intelligence investment cycle strengthened. Although renewed geopolitical tensions following the escalation of the Israel–Iran conflict temporarily increased market volatility by pushing Brent crude oil above US$100 per barrel, resilient corporate fundamentals ultimately supported a broad recovery across global equity markets.

By the end of H1 2026, regional market performance reflected significant divergence in macroeconomic fundamentals, earnings momentum and investor positioning. Japan emerged as the clear outperformer, with the Nikkei 225 surging 39.18%, supported by continued corporate governance reforms, sustained foreign institutional inflows, a weaker yen and resilient earnings across technology and industrial exporters. The S&P 500 recovered strongly to finish the period with a gain of 9.55%, underpinned by resilient corporate profitability and continued leadership from large-cap technology companies despite elevated Treasury yields and restrictive monetary policy.

Similarly, the MSCI World Index advanced 8.92%, highlighting the resilience of developed market equities despite heightened policy uncertainty. European markets also staged a meaningful recovery from their first-quarter weakness, with the Euro Stoxx 50 gaining 9.18% and the FTSE 100 rising 5.70%. Germany's DAX, however, significantly underperformed its European peers, returning only 2.06%, reflecting persistent weakness in manufacturing activity, subdued industrial production and slower earnings growth.

Artificial intelligence remained the defining structural investment theme throughout H1 2026. Rather than moderating after the exceptional gains recorded in 2025, the AI investment cycle accelerated further as hyperscale technology companies significantly expanded capital expenditure to support cloud computing, semiconductor manufacturing and next-generation AI infrastructure. This unprecedented investment cycle continued to underpin corporate earnings expectations, market leadership and investor positioning across global equity markets, reinforcing technology's dominant contribution to overall market returns.

Chart 8: The AI Infrastructure Engine — Q2 2025 to Q1 2026



Source: Form 10-Q & 10-K SEC Filings,, Bancorp Research. Data as of 26th June 2026

Combined quarterly capital expenditure by Amazon, Microsoft, Alphabet and Meta increased from approximately US$88.25 billion in Q2 2025 to US$129.75 billion in Q1 2026, representing cumulative growth of approximately 47% over four quarters. The sustained acceleration in infrastructure spending reflects the intensifying competition among hyperscale technology companies to expand AI computing capacity, strengthen cloud infrastructure and deploy increasingly sophisticated generative AI models. Unlike previous technology investment cycles driven primarily by consumer adoption, the current investment phase is centred on foundational infrastructure, suggesting that demand for semiconductors, cloud computing, networking equipment and data-centre capacity is likely to remain structurally strong over the medium term.

Taken together, the continued expansion in hyperscale capital expenditure indicates that artificial intelligence remains in the infrastructure build-out phase rather than the monetisation phase of its investment cycle. Consequently, AI is expected to remain one of the principal drivers of technology earnings, corporate investment and global equity market performance during the second half of 2026, while market leadership is likely to remain concentrated among companies capable of translating sustained capital investment into durable earnings growth and competitive advantage.

Global equity markets are expected to remain fundamentally supported during H2 2026 by resilient corporate earnings, continued artificial intelligence investment and gradually improving macroeconomic conditions.

Nevertheless, elevated geopolitical risks, uncertainty surrounding the timing of monetary policy easing and the possibility of renewed inflationary pressures suggest that market volatility is likely to remain elevated. Consequently, investment performance is expected to become increasingly selective, favouring companies with strong balance sheets, sustainable earnings growth, pricing power and durable competitive advantages over businesses whose valuations remain dependent primarily on expectations of future liquidity conditions.

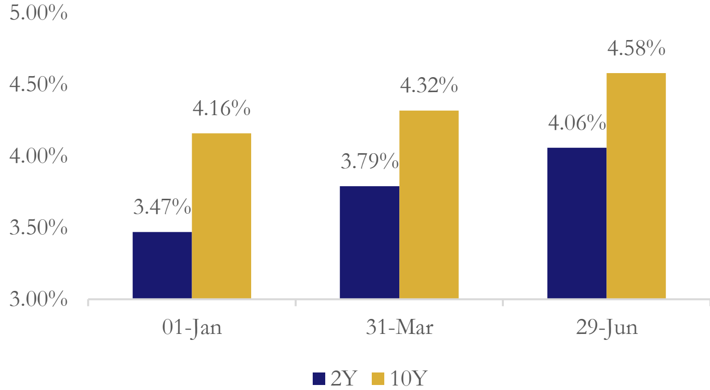
| 2.2.Global Fixed Income Market

Global fixed income markets remained under pressure during the first half of 2026 as persistent inflation, elevated energy prices and a more cautious Federal Reserve delayed the long-anticipated global easing cycle. Expectations at the beginning of the year centred on lower policy rates and declining sovereign bond yields. Instead, resilient economic activity, sticky inflation and renewed geopolitical tensions reinforced the higher-for-longer interest-rate narrative, resulting in higher sovereign yields, weaker bond prices and tighter global financial conditions.

US Treasury yields moved steadily higher across the curve during the review period. The 2-year Treasury yield increased from 3.47% at the end of 2025 to 4.08% by June 2026, while the 10-year Treasury yield rose from 4.16% to 4.51%, reflecting persistent inflation, resilient labour market conditions and growing investor expectations that the Federal Reserve would maintain restrictive monetary policy for longer than previously anticipated. Although the yield curve normalised gradually, long-term borrowing costs remained elevated, reinforcing tighter financing conditions across global markets.

Corporate credit markets reflected a similar pattern. Investment-grade bond yields increased during the first quarter before easing modestly as market sentiment improved, while high-yield credit under pressure as investors continued demanding higher compensation for credit risk amid elevated policy uncertainty and geopolitical tensions. Although credit conditions stabilised during the second quarter, spreads remained above year-opening levels, suggesting that investor risk appetite had not fully recovered.

Chart 1.9: US Treasury Yields — H1 2026



Source: Federal Reserve Economic Data (FRED), Bancorp Research. Data as of 26th June 2026

4.51%

10Y Treasury — 16-month high

+41bps

HY spreads above year-open

2.3. Global Commodities

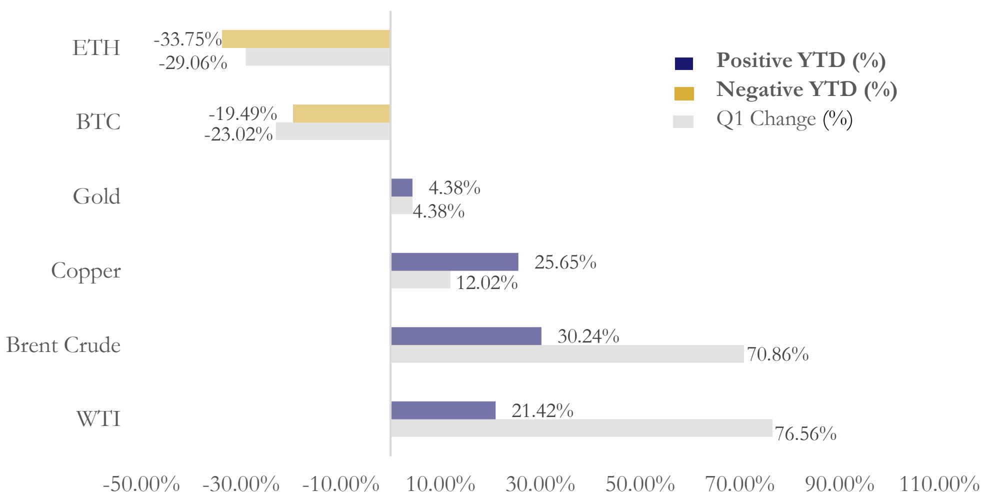
Energy dominated the commodity complex during H1 2026 as geopolitical tensions fundamentally reshaped the global supply outlook. OPEC+ entered the year implementing a gradual increase in production, but escalating hostilities between Israel and Iran quickly overshadowed supply policy as the dominant driver of energy markets. Concerns over potential disruptions to crude oil shipments through the Strait of Hormuz, through which roughly one-fifth of global oil trade passes, prompted markets to price in a sharply higher geopolitical risk premium. Consequently, WTI gained 21.42% during H1 2026, while Brent crude advanced 30.24%, with both benchmarks briefly trading above US$100 per barrel before moderating as immediate supply disruption concerns eased.

Gold's 4.38% gain during H1 2026 was one of the more counterintuitive market outcomes. While heightened geopolitical uncertainty and continued central bank purchases supported safe-haven demand, elevated US Treasury yields and higher real interest rates reduced the relative attractiveness of non-yielding assets. At the same time, periodic profit-taking following gold's exceptional performance over 2024–2025 moderated further upside. Nevertheless, bullion continued to perform its traditional role as a portfolio hedge during periods of heightened macroeconomic and geopolitical uncertainty.

Copper emerged as the best-performing major commodity during the period, advancing 25.65% as resilient Chinese industrial demand, accelerating investment in artificial intelligence infrastructure, electrification projects and the global energy transition supported continued demand for industrial metals. Across agricultural markets, higher energy prices increased fertiliser, transportation and logistics costs, while weather-related risks continued to influence crop production. Consequently, food prices remained elevated despite improving global supply conditions, reinforcing the importance of supply-side pressures in the global inflation outlook.

Commodity markets are expected to remain highly sensitive to geopolitical developments, OPEC+ production decisions and the pace of global economic activity during H2 2026. While easing tensions in the Middle East have reduced immediate supply disruption risks, continued uncertainty surrounding energy security, industrial demand and weather-related agricultural production suggests that commodity price volatility is likely to remain elevated.

Chart 9: Where the Real Moves Were — H1 2026



Source: Trading Economics, CoinMarketCap, LME, Bancorp Research. Data as of 30th June 2026

THE AFRICAN ECONOMY

3.1. Diverging Growth Paths Amid Improving Macroeconomic Stability

Africa's economic performance during H1 2026 was characterised by increasing divergence across economies as differences in policy credibility, reform implementation, fiscal positions, and external sector dynamics shaped macroeconomic outcomes. While countries such as Nigeria, Egypt, and Morocco benefited from improving macroeconomic stability, moderating inflation, and stronger investor confidence, others continued to face pressures from elevated debt burdens, fiscal constraints, and rising energy-related inflation.

Three themes defined the continent's economic landscape during the period. First, exchange rate performance remained uneven, reflecting varying levels of foreign exchange liquidity, external financing conditions, and policy credibility. Second, the disinflation momentum observed across much of 2025 began to moderate as higher food, transportation, and energy costs reintroduced inflationary pressures in several economies. Third, fiscal sustainability remained a key structural challenge, with elevated debt-servicing obligations constraining policy flexibility across many frontier markets.

While short-term macroeconomic conditions remain uneven across economies, Africa's medium- and long-term growth prospects continue to be supported by favourable demographics, rapid digital adoption, improving financial inclusion, infrastructure investment, urbanisation, and the gradual implementation of the African Continental Free Trade Area (AfCFTA). Sustaining this growth trajectory, however, will depend on policymakers' ability to preserve macroeconomic stability, strengthen fiscal positions, attract investment, and maintain reform momentum.

Table 3: H1 2026 Macroeconomic Snapshot of Selected African Economies

Country	GDP Real Growth	Headline Inflation	Policy Rate	Currency vs USD H1 2026	Key H12026 Story
Ghana	6.4%	3.70	14.00	-6.73%(Depreciation)	Growth resilient, inflation contained, currency moderately weaker
Nigeria	3.89%	15.93%	26.50%	+4.8%(Appreciation)	Stabilisation supported by currency strength with steady growth, inflation sticky
South-Africa	0.5%	4.50%	7.00%	+0.32%(Appreciation)	Growth recovering gradually, inflation contained, unemployment elevated
Egypt	4.2%	14.60%	19.50%	+1.07%(Appreciation)	Disinflation gaining traction, growth recovering, currency broadly stable
Kenya	4.60%	6.70%	8.70%	-0.34%(Depreciation)	Growth resilient, inflation pressure emerging, currency marginally weaker
Morocco	4.2%	1.20%	2.25	-1.99%(Depreciation)	Growth strengthening, inflation subdued, macro stability maintained

Source: NBS, CBN, SARB, CBK, BOG, CBE, KNBS, STAS.SA, BKAM. Data as of 24th June 2026

African Central Bank Policy Rate Tracker – H1 2026

Dec 2025 vs Current (Latest Available)

Country / Central Bank	Dec 2025 Policy Rate	Current (Latest) Policy Rate	Change (bps)	Direction	Policy Stance	Key Context
Nigeria *Central Bank of Nigeria (CBN)*	27.00%	26.50% *(May 2026)*	-50	↓	Easing (cautious)	Prioritizing FX stability, sustaining investor confidence and preserving positive real yields.
Egypt *Central Bank of Egypt (CBE)*	20.50%	19.50% *(May 2026)*	-100	↓	Easing	Inflation moderation supports easing to revive growth and credit expansion.
Ghana *Bank of Ghana (BoG)*	18.00%	14.00% *(Jun 2026)*	-400	↓	Easing (paused)	Strong disinflation delivered large cuts; easing paused as energy risks rise.
Kenya *Central Bank of Kenya (CBK)*	9.00%	8.75% *(Jun 2026)*	-25	↓	Hold (cautious)	Fuel price pressures complicate outlook; easing trajectory on hold.
South Africa *South African Reserve Bank (SARB)*	6.75%	7.00% *(May 2026)*	+25	↑	Tightening	SARB raised rates to anchor inflation expectations and support the Rand.
Morocco *Bank Al-Maghrib*	2.25%	2.25% *(Jun 2026)*	0	–	Stable	Inflation near target; no need for policy adjustment.

Source: Respective Central Banks' MPC Communiqués and Press Releases.

H1 2026 was characterised by improving macroeconomic stability across much of Africa, although economic outcomes remained increasingly differentiated across countries. Unlike previous periods when global shocks produced broadly similar outcomes across the continent, performance during the review period was largely determined by domestic policy choices, reform implementation, and country-specific fundamentals.

One of the clearest examples was the divergence in exchange-rate performance. Nigeria recorded one of the strongest currency performances among the economies reviewed, supported by improving foreign exchange market liquidity, stronger portfolio inflows, elevated domestic yields, and continued exchange-rate reforms. South Africa also benefited from improved investor sentiment and stronger commodity export earnings, while Ghana, Egypt, Morocco, and Kenya experienced varying degrees of depreciation against the US dollar.

A second defining theme was the moderation in inflation across several major economies following the elevated price pressures experienced during 2023 and 2024. However, inflation outcomes remained uneven. Morocco maintained one of the continent's lowest inflation environments at approximately 1.2%, while Ghana and South Africa recorded relatively contained inflation rates of 3.7% and 4.5%, respectively. In contrast, inflation remained elevated in Egypt (14.6%) and Nigeria (15.9%), while Kenya experienced renewed price pressures with inflation rising to 6.7%. The persistence of food inflation, rising transportation costs, exchange-rate pass-through effects, and supply-side constraints continued to shape inflation dynamics across several economies.

The divergence in inflation outcomes was reflected in monetary policy decisions across the continent. Ghana delivered the most significant policy adjustment among the economies reviewed, reducing its policy rate by 400 basis points from 18.0% at the end of 2025 to 14.0% as inflation moderated sharply and macroeconomic conditions improved. Egypt also continued its easing cycle, lowering rates by 100 basis points to 19.5% as disinflation gained traction and economic activity strengthened.

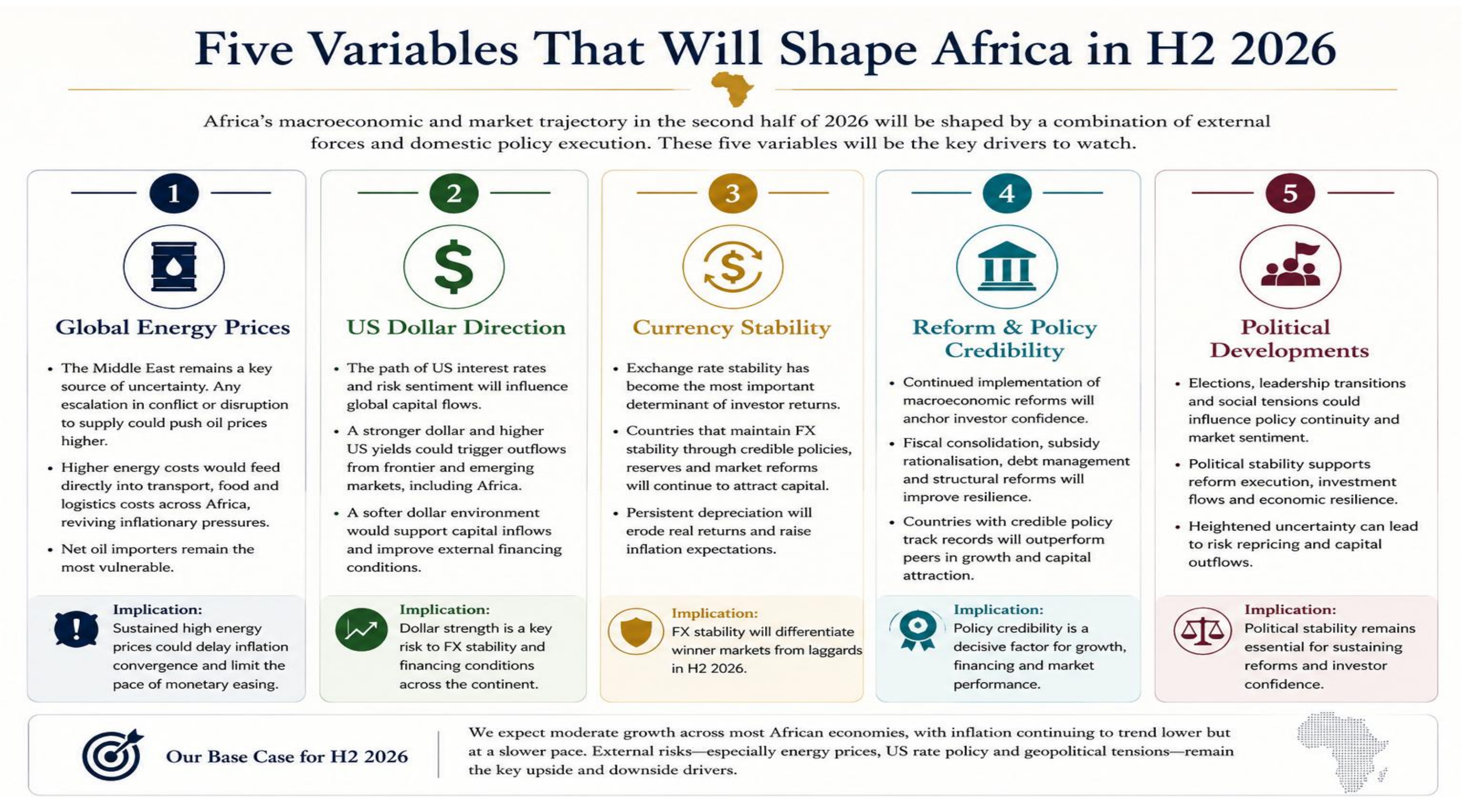
In contrast, Nigeria and Kenya adopted considerably more cautious approaches. The Central Bank of Nigeria reduced the Monetary Policy Rate by just 50 basis points to 26.5%, reflecting policymakers' continued emphasis on exchange-rate, capital inflows, and inflation management. Similarly, Kenya reduced rates by only 25 basis points as authorities balanced growth considerations against emerging inflationary pressures linked to higher energy and transportation costs. Elsewhere, Morocco maintained its policy rate at 2.25%, while South Africa increased rates by 25 basis points to 7.0%, underscoring the South African Reserve Bank's continued focus on anchoring inflation expectations and preserving macroeconomic stability.

The differing policy responses reinforce the absence of a common African monetary cycle. While some economies have begun easing policy in response to improving inflation dynamics, others remain focused on preserving price stability, supporting their currencies, and maintaining investor confidence amid an uncertain global backdrop.

For investors, H1 2026 reinforced a critical lesson across African markets: exchange-rate stability is becoming as important as nominal yields in determining investment returns. Markets that successfully combined attractive yields with currency stability generally delivered stronger risk-adjusted returns than those where foreign exchange depreciation eroded nominal gains. As a result, macroeconomic stability, policy credibility, and currency performance are increasingly influencing capital allocation decisions across the continent.

Africa enters H2 2026 from a stronger macroeconomic position than a year earlier, supported by moderating inflation, improving exchange-rate conditions, and strengthening investor confidence across several major economies. However, risks remain tilted toward external factors, particularly the global energy market, where sustained increases in oil prices could reignite inflationary pressures and delay monetary easing. Global capital flows, US dollar strength, and domestic political developments will also remain important drivers of market performance.

While the outlook remains broadly constructive, economic and market outcomes are expected to become increasingly country-specific. As a result, performance during H2 2026 will depend less on regional growth trends and more on each country's ability to maintain policy credibility, exchange-rate stability, and macroeconomic discipline amid a challenging global environment.



3.2. African Equities Market

African equity markets delivered a strong performance during H1 2026, with several frontier exchanges outperforming both regional and global peers despite heightened geopolitical uncertainty and a volatile external environment. Improving macroeconomic stability, moderating inflation across several economies, stronger domestic institutional participation, and continued policy reforms supported investor confidence, although market performance remained highly differentiated.

Ghana emerged as Africa's best-performing equity market during the review period, supported by declining interest rates, improved macroeconomic confidence, and a rotation of domestic capital from fixed income into equities following debt restructuring. Nigeria also ranked among the continent's strongest performers, driven by banking recapitalisation, improving exchange-rate stability, stronger corporate earnings, and expectations surrounding the country's prospective FTSE Russell Frontier Market inclusion. Egypt and Tanzania also delivered robust returns, while South Africa,, Malawi and Morocco recorded comparatively subdued performance amid weaker earnings momentum and external market headwinds.

Table 4: Performance Across the African Exchanges

Country	Benchmark index	January Return	February Return	March Return	April Return	May Return	June Return	Year To Date
Nigeria	NGX All-Share Index	6.27%	16.60%	4.39%	20.36%	3.24%	-8.28%	47.43%
Ghana	GSE Composite Index	2.69%	42.89%	1.48%	15.85%	-5.13%	2.58%	67.89%
Tanzania	Tanzania All Share Index DSEI	18.01%	22.31%	-3.44%	1.81%	0.41%	2.88%	46.59%
Zimbabwe	ZSE All-Share	28.14%	0.86%	-0.16%	1.85%	6.60%	7.33%	50.37%
Tunisia	TUNINDEX	6.72%	5.72%	1.25%	4.51%	10.04%	12.42%	47.69%
Egypt	EGX 30	14.24%	2.99%	-7.91%	14.21%	1.73%	-4.12%	20.70%
WAEMU	BRVM Composite	5.54%	14.47%	-3.44%	0.14%	4.67%	7.19%	31.08%
South Africa	JSE All Share Index	3.64%	7.01%	-11.20%	0.98%	-0.48%	-3.77%	-4.76%
Kenya	NSE All-Share	4.71%	10.61%	-9.84%	5.40%	0.17%	8.97%	20.14%
Morocco	Moroccan All Share Index	-0.95%	-2.82%	-5.40%	8.29%	1.57%	-3.48%	-3.34%
Malawi	MSE All-Share Index	-1.53%	-2.42%	0.11%	-8.85%	-2.08%	1.65%	-12.38%
Zambia	LuSE All-Share Index	1.19%	2.92%	1.10%	-2.10%	-4.19%	0.73%	-0.52%

Source: NGX, GSE, African Financials, Investing. Data as of 30th June 2026

The divergence in market performance reinforces an important investment conclusion: African equity returns are increasingly being driven by domestic macroeconomic conditions and policy execution rather than a single continental narrative. Markets that combined improving macroeconomic stability with supportive domestic liquidity generally outperformed peers where earnings growth, monetary conditions, or external financing remained constrained.

African equity markets enter H2 2026 from a significantly stronger macroeconomic position than a year earlier, supported by moderating inflation, improving exchange-rate stability, gradually less restrictive monetary conditions, and resilient domestic liquidity. While the backdrop remains supportive, market performance is expected to become increasingly differentiated across countries.

The key driver of returns is likely to shift from macroeconomic stabilisation to good corporate earnings. Financial institutions remain well positioned to sustain earnings growth, while consumer-facing sectors may recover more gradually as elevated financing costs and still-fragile household demand continue to weigh on activity.

Domestic liquidity should remain supportive, particularly in markets where declining inflation and lower interest rates encourage portfolio rotation from fixed income into equities. However, external risks, including higher oil prices, renewed US dollar strength, and a slower global easing cycle, could tighten financial conditions and delay foreign portfolio inflows.

Overall, we maintain a constructive but selective outlook on African equities. We continue to favour reform-oriented markets where improving macroeconomic stability is translating into stronger earnings, deeper liquidity, and rising investor confidence. Nigeria, Ghana, and Egypt remain our preferred opportunities, while South Africa offers liquidity and diversification, and Morocco provides a lower-volatility exposure anchored by macroeconomic stability and policy credibility.

African Market Performance Drivers

NGX	**The NGX experienced structural expansion following the transition to a T+1 settlement cycle on June 1st and the extension of trading hours to 9:00 AM–4:00 PM WAT (April 27, 2026). Capital formation was led by the tier-one banking recapitalization ($3.4 billion) by the March 31 deadline. The S&P's sovereign upgrade to 'B' on May 15, 2026. Portfolio positioning continues ahead of the September 21, 2026, FTSE Russell frontier market reclassification**
JSE	**The JSE All-Share Index rallied to record highs above 120,000 points in early 2026, driven by surging gold and PGM prices lifting resource counters. The rally reversed from Q1, however, as gold retreated over 15% from its peak, Middle East-driven oil price shocks triggered emerging-market outflows and a hawkish SARB hold at 6.75%, and the Rand weakened toward R17.00/USD pulling the index back toward the 110,000 level by mid-year.**
GSE	**The GSE Composite Index led regional returns, supported by the completed Eurobond restructuring and Fitch's upgrade to 'B' (Positive Outlook) on May 8, 2026. Aggressive yield compression, with the Ghana Reference Rate easing to 10.02% and 91-day T-bills nearing 9.5% after the March policy rate cut to 14%, drove a marked reallocation from government debt into large-cap equities.**
EGX 30	**Market deepening accelerated with the March 2026 launch of EGX 30 Index Futures via Taswyaat Clearing Services, extended in June to single-stock futures on CIB and TMG. Buoyed by exchange rate stability, Gulf SWF inflows, and FTSE Russell's June 30 watch-list assessment, Secondary Emerging retention versus Frontier demotion now pending.**
NSE	**The NSE saw a divergence between concentrated institutional absorption and broadening retail access. The KES 106.3 billion KPC IPO (listed March 10, 2026) cleared at 105.7% subscription. Conversely, retail liquidity deepened following Safaricom's February launch of Ziidi Trader within M-PESA, opening NSE trading to its 35 million mobile-money users and quickly accounting for roughly 40% of trades on the bourse.**
MASI	**The Casablanca MASI saw a volatile first six months of 2026, a Q1 risk-off correction (-7% by early April) was erased by an 8.3% April rally driven by a 58.9% mining surge, with Managem overtaking Attijariwafa Bank as the largest capitalization. S&P's investment-grade BBB- rating, Africa's sole sovereign at that level, underpins sentiment, though weak credit growth in financials and construction caps broader upside.**

3.3. African Sovereign Debt Markets

Sovereign	H1 2026 Key Fixed Income Theme	Credit Direction	Key Supporting Data (H1 2026)	H2 2026 View
Nigeria	S&P rating upgrade; improving external reserves & FX liquidity stabilization.	⬆ Improving	Improved external buffers; heavy chunk of local market capitalization.	Positive
South Africa	Domestic market resilience against geopolitical volatility; fiscal reform traction.	⬌ Stable	Resilient SARB positioning; stable domestic yield curves.	Neutral–Positive
Angola	Heavy supply hitting the market to manage maturities amid shifting oil dynamics.	⬌ Stable	Raised $4.0B YTD across two massive Eurobond issuances; coupon clearing up to 9.50%.	Neutral
Kenya	Aggressive liability management successfully targeted short-term refinancing risks.	⬌ Stable	Normalization of near-term curve following proactive debt buybacks.	Positive
Côte d'Ivoire	Premier regional benchmark credit; massive global institutional oversubscription.	⬆ Strong	Issued $1.3B (15-yr); oversubscribed 5x ($6.3B book); compressed to 5.39% cost (hedged).	Positive

African sovereign debt markets remained resilient during H1 2026 despite heightened global financial market volatility. Improving macroeconomic fundamentals, declining inflation across several frontier economies, sovereign rating upgrades and continued IMF-supported reforms strengthened investor confidence and supported renewed access to international capital markets. While geopolitical tensions temporarily widened sovereign spreads during the second quarter, the correction proved selective rather than systemic, highlighting the growing importance of country-specific fundamentals in determining investor demand.

The reopening of international debt markets reinforced this trend. Côte d'Ivoire successfully raised US$1.3 billion through a heavily oversubscribed 15-year Eurobond, while Kenya returned to international markets through a US$2.25 billion liability-management transaction. These issuances demonstrated that global investors continue to differentiate African sovereign issuers based on fiscal discipline, reform credibility and external sustainability rather than viewing the continent as a single frontier-risk bloc.

Consequently, sovereign credit performance across Africa became increasingly divergent during the review period. Reform-oriented economies continued to experience improving financing conditions and stronger investor participation, while countries facing weaker fiscal positions, elevated refinancing risks or slower reform implementation remained exposed to higher borrowing costs and greater market sensitivity.

For H2 2026, African sovereign debt performance will be shaped primarily by five variables: US Treasury yields, oil price direction, IMF and reform progress, credit rating actions, and domestic political and fiscal discipline. Our outlook remains constructive but selective. We favour sovereigns where credible reforms, improving external buffers and stable fiscal management continue to strengthen credit quality and support investor confidence. This provides the regional fixed-income backdrop for the deeper assessment of Nigeria’s bond market and sovereign credit conditions in the next section.

THE NIGERIAN ECONOMY

Summarized

NIGERIAN ECONOMIC DASHBOARD

NAFEM	N1,379/$ Jun'26	N1,435/$ Dec'25
Parallel Market	N1,385/$ Jun'26	N1,480/$ Dec'25
FX Reserves	$51.43bn Jun'26	$45.50bn Dec'25
Money Supply (M3)	N129.21trn May'26	N124.40trn Dec'25
GDP Growth	3.89% Q1'26	3.13% Q1'25
MPR	26.50% May'26	27.00% Dec'25
Inflation	15.93% May'26	15.15% Dec'25
PMI	49.60 May'26	57.60 Dec'25
Oil Production	1.53mbpd May'26	1.42mbpd Dec'25
Public Debt Stock	N159.28trn Dec'25	N144.67trn Dec'25
NGX Mar. Cap	N147.28trn Jun'26	N99.38trn Dec'25
NASD Mar. Cap	N2.58trn Jun'26	N2.12trn Dec'25

4.1. Reform Impact Supports Stability Metrics Despite Uneven Recovery Trend

Nigeria's macroeconomic environment stabilised further during H1 2026 as the effects of reforms implemented since 2023 continued to transmit through the economy. Relative to the elevated volatility experienced during 2023 and 2024, exchange rate conditions improved, inflation moderated significantly from crisis levels, and financial market confidence strengthened, creating a more predictable operating environment for businesses and investors.

Despite the improvement in macroeconomic stability, the recovery remained uneven. While financial conditions supported investor sentiment and selective expansion across key service sectors, inflation continued to erode household purchasing power, consumer demand remained subdued, and businesses faced elevated financing and operating costs. Consequently, the benefits of macroeconomic stabilisation have yet to translate into broad-based improvements in living standards.

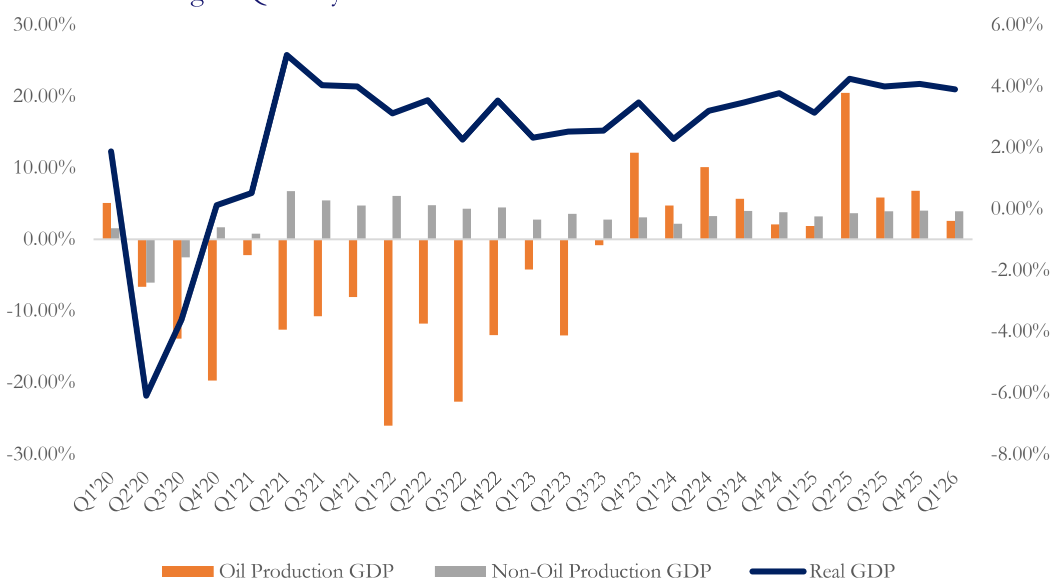
External developments also influenced economic conditions during the period. Elevated geopolitical tensions supported crude oil prices at various points in H1 2026, strengthening Nigeria's fiscal and external position. However, higher global energy prices also contributed to transportation and logistics costs domestically, partially offsetting the benefits of stronger oil revenues.

Against this backdrop, Nigeria's economy continued its gradual recovery trajectory. Real GDP expanded by 3.89% year-on-year in Q1 2026, compared with 3.13% in Q1 2025 and 4.07% in Q4 2025, confirming the continuation of the recovery cycle while also indicating a moderation in growth momentum. Nominal GDP increased to NGN110.79 trillion from NGN94.05 trillion in the corresponding period of 2025, reflecting both real economic expansion and elevated price levels across the economy. However, with population growth estimated at approximately 2.5% annually, gains in real per capita income remained modest.

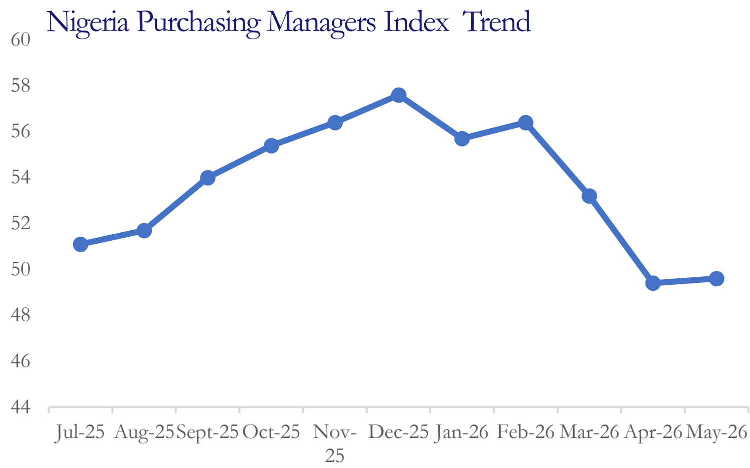
The GDP rebasing exercise, which updated the base year to 2019, further reshaped perceptions of the economy by increasing the contribution of telecommunications, fintech, e-commerce, and creative industries. This reinforced the structural transition toward a more services-dominated economy.

High-frequency indicators pointed to a moderation in growth momentum as the second quarter progressed. The Composite Purchasing Managers' Index (PMI) rose to 55.7 points in January and 56.4 points in February before easing to 53.2 points in March and falling below the 50-point threshold to 49.4 points in April. Although the index improved marginally to 49.6 points in May, it remained in contraction territory, suggesting that private sector activity lost momentum during Q2 despite improving macroeconomic stability.

Chart 10: Nigeria Quarterly GDP Trend



Source: National Bureau of Statistics(NBS). Data as of 15th June 2026.



Source: Central Bank of Nigeria(CBN). Data as of 15th June 2026.

Sectoral Contribution to GDP – Q1 2026

Sector	Growth(%)	Contribution to GDP(%)
Services	4.14	57.73
ICT	10.98	11.31
Finance & Insurance	8.54	3.76
Agriculture	3.15	23.16
Manufacturing	3.29	9.57
Industries	4.57	19.11

Source: National Bureau of Statistics(NBS). Data as of 15th June 2026.

The structure of growth continued to highlight the dominance of the non-oil economy, which accounted for 96.08% of GDP in Q1 2026, compared with 96.03% in Q1 2025 and 97.13% in Q4 2025. Services remained the primary growth driver, contributing 57.73% of GDP, supported by strong performance in information and communication as well as financial services. The ICT sector recorded real growth of 10.98% year-on-year, driven by rising broadband penetration, fintech adoption, and increased digital transactions, while financial services expanded by 8.54%, supported by elevated interest rate conditions, stronger treasury income, and recapitalisation-related balance sheet expansion across the banking sector.

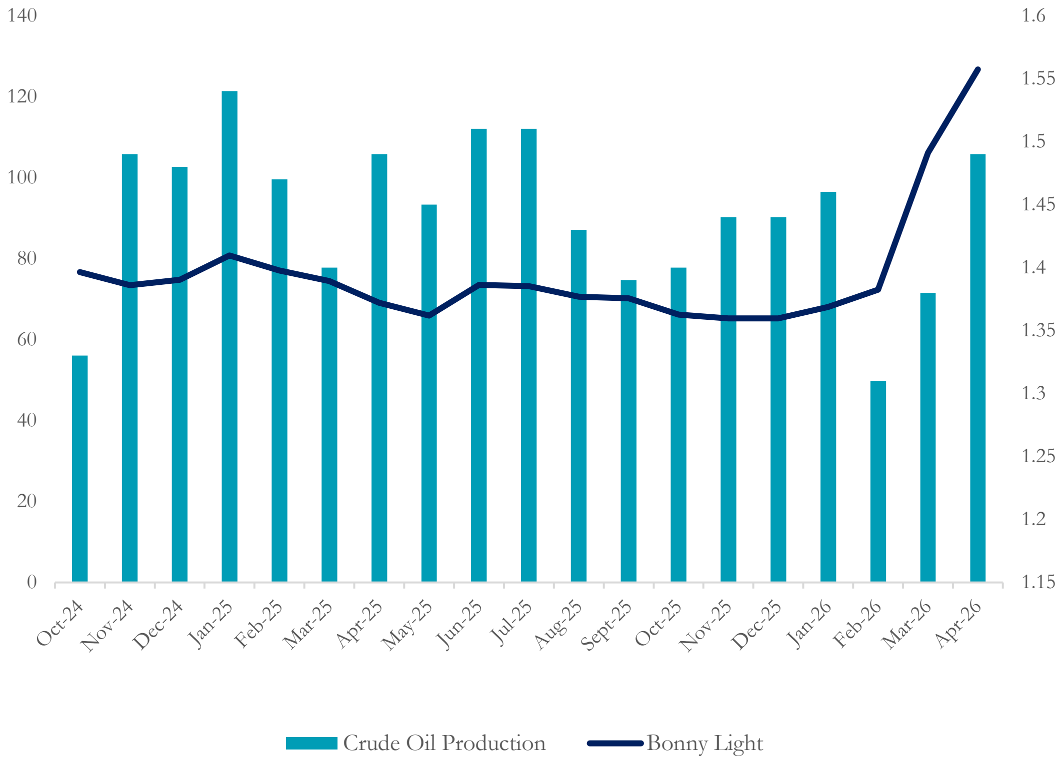
Agriculture grew by 3.15% year-on-year in Q1 2026, reflecting modest improvement but continuing to face structural constraints, including insecurity in key food-producing regions, climate-related disruptions, weak storage infrastructure, and elevated logistics costs. Despite positive output growth, food inflation remained elevated over the same period, underscoring persistent inefficiencies in the food supply chain and weak transmission from production to consumer price stability.

Manufacturing recorded real growth of 3.29% year-on-year in Q1 2026, compared with 1.69% in Q1 2025, indicating gradual recovery. However, the sector remained constrained by elevated FX-related input costs, weak consumer demand, high financing costs, and persistent energy challenges. Continued reliance on diesel-powered self-generation further increased operating costs and weighed on industrial competitiveness.

Although accounting for just 3.92% of GDP in Q1 2026, the oil sector remained central to fiscal and external dynamics. The sector expanded by 2.57% year-on-year, compared with 1.87% in Q1 2025, but slowed from 6.79% in Q4 2025. Output remained structurally constrained, with average production at approximately 1.55 million barrels per day, below the government target of 1.84 million barrels per day, due to theft, pipeline disruptions, infrastructure limitations, and underinvestment.

Global oil prices remained relatively supportive during H1 2026, trading above benchmark assumptions of $64.85per barrel at various points due to geopolitical tensions. However, Nigeria was unable to fully capitalise on favourable price conditions due to persistent production constraints. An important offset came from domestic refining activity, which rose sharply to 37.46 in Q1 2026, compared with 12.33 in Q4 2025 and 11.51 in Q1 2025, reflecting a significant increase in downstream capacity utilisation and reducing dependence on imported refined petroleum products.

Inflation remained a key constraint on real economic activity despite improved macro stability. While disinflation trends persisted, price levels remained elevated, continuing to erode household purchasing power across food, transport, housing, and energy categories. As a result, nominal growth gains did not translate into meaningful improvements in consumption conditions.



Source: Central Bank of Nigeria(CBN). Data as of 15th June 2026.

This dynamic was reflected in corporate performance, where revenue growth across consumer-facing sectors continued to outpace volume growth. Pricing adjustments rather than demand expansion remained the primary driver of earnings, highlighting weak real consumption recovery despite improved macro stability.

Financial sector developments provided a partial offset to weaker real-sector dynamics. The completion of the banking sector recapitalisation exercise in March 2026, alongside the approaching insurance recapitalisation deadline in July 2026, is expected to strengthen financial system resilience and support medium-term credit expansion, particularly in infrastructure, energy, manufacturing, and trade finance, provided macro stability is sustained.

Looking ahead, macroeconomic conditions in H2 2026 are expected to be shaped by the interaction between ongoing reform implementation and rising pre-election dynamics ahead of the 2027 elections. While reforms since 2023 have supported improved investor confidence, exchange rate stability, and external sector resilience, risks remain tilted toward fiscal pressures, policy trade-offs, and persistent inflation dynamics.

We forecast full-year GDP growth of 4.20%, broadly consistent with multilateral projections but below government expectations of 4.68%. While this confirms continued recovery, growth remains insufficient to meaningfully close Nigeria's output gap or deliver broad-based improvements in living standards, given persistent structural constraints in energy, infrastructure, security, and food supply chains. The next phase of growth will depend on whether recent stability gains can transition into sustained productivity-led expansion across key sectors of the economy

4.2. Nigeria's Inflation Entered a New Phase

Inflation remained the most important macroeconomic variable shaping monetary policy, consumer spending, and corporate earnings during H1 2026. While Nigeria entered the year benefiting from the sharp disinflation achieved throughout 2025, recent data suggest that the period of rapid inflation moderation has largely ended, with price pressures stabilising at elevated levels rather than continuing on a sustained downward trajectory.

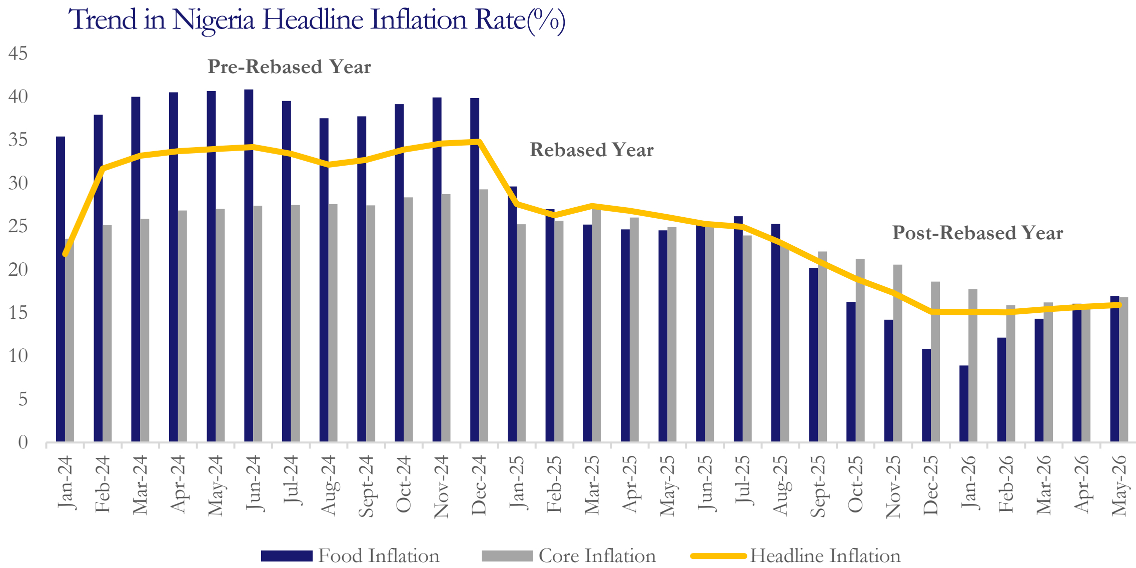
It is important to note that inflation trends continue to be influenced by the National Bureau of Statistics' CPI rebasing exercise implemented in January 2025, which updated the base year from 2009 to 2024 and revised expenditure weights to better reflect current consumption patterns. Consequently, inflation readings should be interpreted within the context of the new methodology.

Headline inflation opened the year at 15.10% in January and moderated marginally to 15.06% in February before rising steadily to 15.38% in March, 15.69% in April, and 15.93% in May. The three consecutive monthly increases indicate that the powerful disinflation momentum recorded during the second half of 2025 has faded, with inflation entering a phase of relative stabilisation

The most important development during H1 2026 was the sharp reversal in food inflation. After declining to 8.89% in January, food inflation accelerated consistently to 16.96% by May 2026. The speed of this increase highlights the continued vulnerability of Nigeria's food supply chain to structural disruptions, including insecurity across food-producing regions, elevated transportation costs, weak storage infrastructure, climate-related challenges, and persistent post-harvest losses.

By contrast, exchange-rate conditions remained considerably more supportive than during the inflation crisis of 2024. Relative naira stability, improved forex liquidity, and tighter monetary conditions helped reduce imported inflation pressures across industrial inputs, household goods, pharmaceuticals, and other trade-sensitive categories. As a result, imported inflation became a less significant contributor to overall price growth during the review period.

The divergence between moderating imported inflation and accelerating food inflation carries an important policy implication. Nigeria's inflation challenge has increasingly shifted from an exchange-rate-driven problem toward a domestically driven supply-side problem. Consequently, while monetary tightening and exchange-rate stability remain important anchors

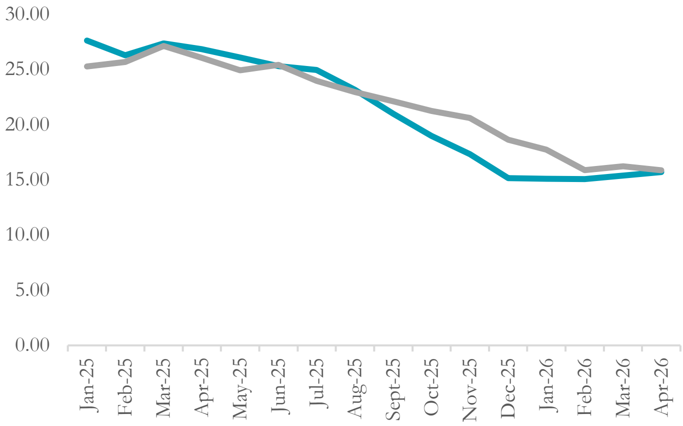


Source: National Bureau of Statistics(NBS). Data as of 25th May 2026.

for inflation expectations, further progress on disinflation will depend increasingly on improvements in agricultural production, food logistics, transportation networks, and distribution efficiency.

Core inflation also remained elevated, rising to 16.82% in May after moderating earlier in the year. The persistence of core inflation suggests that underlying cost pressures remain present across transportation, housing, healthcare, education, and services despite a more stable exchange-rate environment. This reinforces the view that inflationary pressures have become broader than imported cost shocks alone.

The inflation backdrop continues to have important implications for both consumers and corporates. Across several consumer-facing sectors, revenue growth continues to outpace volume growth, indicating that pricing adjustments rather than stronger demand remain the primary driver of earnings expansion. While exchange-rate stability has improved operating conditions and reduced cost volatility for many businesses, household purchasing power remains constrained by elevated price levels and weak real income growth. Consequently, demand recovery remains uneven across the economy.



Source: National Bureau of Statistics(NBS).Data as of 25th May 2026.

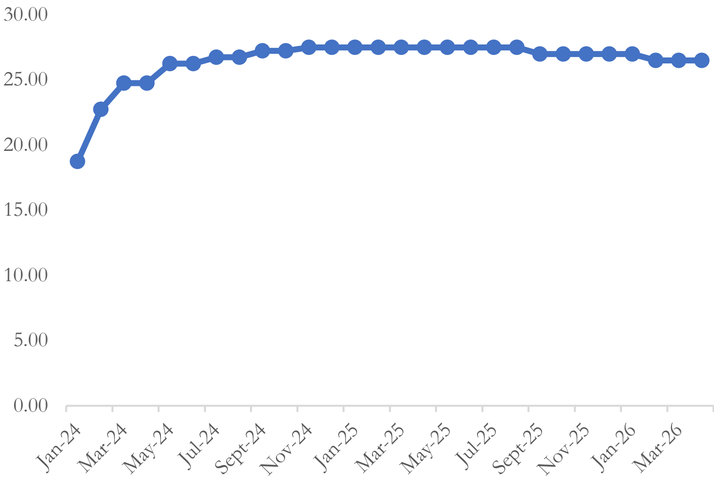
From an investment perspective, the moderation in imported inflation and improvement in macroeconomic stability are supportive of financial assets, particularly fixed-income instruments that continue to benefit from positive real interest rates. However, the persistence of food inflation suggests that consumer spending conditions are likely to remain challenging, favouring companies with strong pricing power, resilient brands, and exposure to essential consumption categories.

Looking ahead, we expect inflation to remain broadly stable through Q3 2026 before edging higher in Q4 as seasonal food pressures re-emerge and fiscal spending gradually increases ahead of the election cycle. We project headline inflation to average approximately 16.1% during H2 2026 and rise to around 16.8% by December 2026.

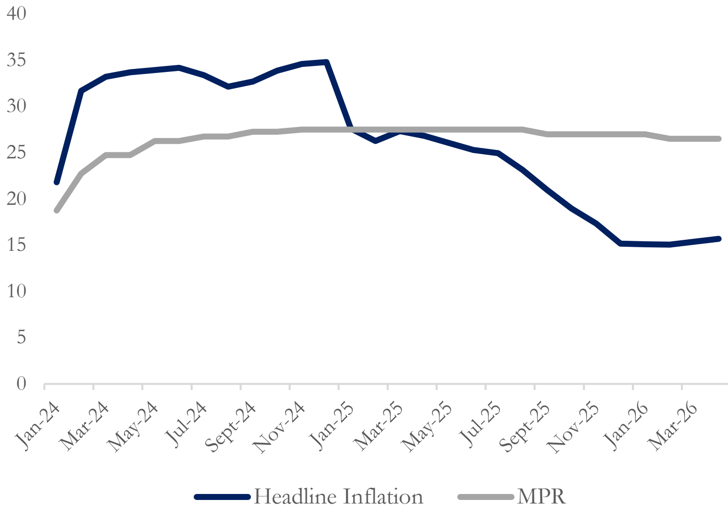
While exchange-rate stability and restrictive monetary conditions should continue to contain imported inflation pressures, the outlook remains subject to important domestic risks. Higher energy costs arising from potential increases in petrol or electricity tariffs, elevated logistics expenses, and persistent insecurity across key agricultural belts could disrupt food production and distribution, thereby exerting renewed pressure on food prices. These factors remain the principal upside risks to our inflation forecast.

In our view, the next phase of Nigeria's inflation story will be determined less by movements in the naira and more by the country's ability to address longstanding structural constraints across agriculture, transportation, storage, food distribution networks, energy infrastructure, and security. Sustained improvements in these areas would support a more durable moderation in inflation, while limited progress could keep price pressures elevated despite improving macroeconomic stability. Until meaningful progress is achieved, inflation is likely to remain above long-term historical averages despite ongoing improvements in macroeconomic stability.

4.3. The Tightening Worked — The Challenge Now Is Normalisation



Source: Central Bank of Nigeria(NBS). Data as of 25th May 2026.



Source: National Bureau of Statistics(NBS), Central Bank of Nigeria(NBS). Data as of 25th May 2026.

The first half of 2026 marked a turning point in Nigeria's monetary policy cycle. With inflation showing early signs of moderation and foreign exchange market conditions improving, policy discussions gradually shifted from the need for further tightening toward the sustainability of the current restrictive stance.

Unlike the previous two years, when policy decisions were dominated by the need to contain inflation and stabilise the foreign exchange market, H1 2026 was characterised by growing debate around the timing and pace of eventual policy normalisation.

The Monetary Policy Committee (MPC) held two meetings during the review period. At its February 2026 meeting, the Committee reduced the Monetary Policy Rate (MPR) by 50 basis points to 26.50% from 27.00%, reflecting increasing confidence in the disinflation process and improving stability across key macroeconomic indicators. The decision marked the first easing action since the tightening cycle began and signalled that policymakers believed inflation risks had moderated sufficiently to allow for a cautious adjustment in policy settings.

However, the tone of policy became more cautious by the May 2026 meeting. Although inflation remained significantly below the levels recorded during the inflation crisis, food inflation had begun to reaccelerate while headline inflation showed signs of stabilising rather than continuing its earlier downward trajectory.

Consequently, the MPC maintained the MPR at 26.50%, emphasising the need to preserve price stability, sustain positive real interest rates, and anchor investor confidence.

Period	MPR(%)	Headline Inflation(%)	Real Rate(%)
Dec-25	27.00	15.15	11.85
Feb-26	26.50	15.06	11.44
May-26	26.50	15.93	10.57

Source: National Bureau of Statistics(NBS), Central Bank of Nigeria(CBN), Analyst computation

A key development during the review period was the maintenance of strongly positive real interest rates. With the MPR at 26.50% and headline inflation at 15.93% in May 2026, Nigeria's real policy rate stood at approximately 10.57%, among the highest across major African economies. This represented a significant shift from the deeply negative real interest rate environment that characterised the inflation surge and contributed to improving investor confidence, strengthening foreign exchange market liquidity, and reducing speculative pressure on the naira. However, the same restrictive conditions also increased financing costs and constrained credit creation, business expansion, and private investment activity.

Country	MPR(%)	Headline Inflation(%)	Real Rate(%)
Nigeria	26.50	15.93	10.57
South Africa	7.00	4.50	2.50
Kenya	8.75	6.70	2.05
Ghana	14.00	3.70	10.30
Egypt	19.50	14.60	4.90
Morocco	2.25	1.20	1.05
Tanzania	5.75	4.20	1.55

Source: NBS, CBN, SARB, CBK, BOG, CBE, BOT, BKAM. Data as of 8th June 2026

The effects of tight monetary conditions were most evident within the credit market. Commercial lending rates frequently remained above 30%, significantly increasing financing costs for manufacturers, SMEs, traders, and consumer-facing businesses. For many firms, the cost of borrowing exceeded expected returns on investment, reducing incentives for expansion and discouraging productive credit demand. At the same time, elevated yields on government securities encouraged banks to allocate a larger share of their balance sheets toward sovereign instruments rather than private sector lending.

Consequently, while the banking sector remained profitable and well-capitalised, access to affordable credit continued to represent a major constraint on broader economic activity. The completion of the banking recapitalisation exercise provides an important medium-term opportunity to improve credit creation. Larger capital buffers strengthen the capacity of banks to support infrastructure financing, corporate lending, and private sector investment. Nevertheless, the full benefits of recapitalisation are unlikely to materialise until borrowing costs begin to normalise and the incentive structure shifts more decisively toward productive lending.

Beyond interest rate policy, the Central Bank introduced revised cash management measures during the review period, including lower cash withdrawal limits alongside the removal of previous restrictions on cash deposits. These measures form part of broader efforts to deepen electronic payment adoption, enhance transaction traceability, strengthen anti-money laundering controls, and support the formalisation of economic activity. While the immediate macroeconomic impact is expected to remain limited, continued expansion of digital payments is likely to improve financial inclusion and strengthen monetary policy transmission over the medium term.

Looking ahead, monetary policy is expected to operate within a more challenging environment characterised by persistent food supply constraints, rising fiscal pressures, and increasing political uncertainty as the country moves closer to the 2027 election cycle. While inflation remains significantly below its recent peak, the recent reacceleration in food prices suggests that underlying inflation risks remain elevated despite broader macroeconomic improvements.

Against this backdrop, we expect the MPC to maintain the Monetary Policy Rate at 26.50% through most of H2 2026 as policymakers assess the durability of the disinflation process and the evolving balance between inflation and growth. Although headline inflation has edged higher in recent months, moderating month-on-month inflation, stable exchange-rate conditions, and strongly positive real interest rates provide some room for a gradual recalibration of policy should inflation expectations remain anchored.

Accordingly, we believe the MPC could deliver a final 50-basis-point reduction in Q4 2026, bringing the policy rate to 26.00% by year-end. Even under this scenario, monetary conditions would remain firmly restrictive, preserving positive real interest rates and supporting exchange-rate stability. Overall, the direction of policy now points toward gradual normalisation rather than renewed tightening, although the pace of easing is likely to remain considerably slower than market expectations.

4.4. Exchange Rate And Foreign Reserves

Nigeria's foreign exchange market recorded one of its strongest performances since the commencement of the reform programme in 2023. Following a prolonged period characterised by exchange rate volatility, FX shortages, parallel market distortions, and investor repatriation concerns, H1 2026 was marked by notable improvements in exchange rate stability, reserve accumulation, market liquidity, and investor confidence. More importantly, these gains increasingly reflected strengthening market fundamentals rather than heavy reliance on direct Central Bank intervention.

The naira appreciated from NGN1,435.76/US$ at end-December 2025 to NGN1,379.68/US$ as of 30 June 2026, representing a gain of approximately 4.06% against the US dollar during the period. The strongest appreciation occurred during the first two months of the year, supported by improving market liquidity, elevated domestic yields, and strengthening confidence in the FX framework. Although the currency recorded a modest correction during March, exchange rate conditions became noticeably more stable thereafter. Daily movements narrowed significantly relative to the volatility observed during 2023 and 2024, suggesting improving market liquidity and growing confidence in the market-based exchange rate framework.

Beyond the appreciation of the naira, one of the most important developments during H1 2026 was the continued convergence between the official and parallel foreign exchange markets.

The parallel market rate appreciated from approximately NGN1,480/US$ in December 2025 to around NGN1,385/US$ as of 30th June 2026, representing a 6.85% appreciation. More importantly, the spread between the official and parallel markets remained relatively narrow throughout most of the review period. The narrowing premium reflects stronger FX liquidity, improved accessibility through formal channels, and growing confidence in the official market. From a policy perspective, the convergence between the two markets is one of the clearest indicators of improving FX market functionality and the gradual maturation of Nigeria's exchange rate reforms. The improvement in exchange rate conditions was accompanied by a strengthening of Nigeria's external reserve position.

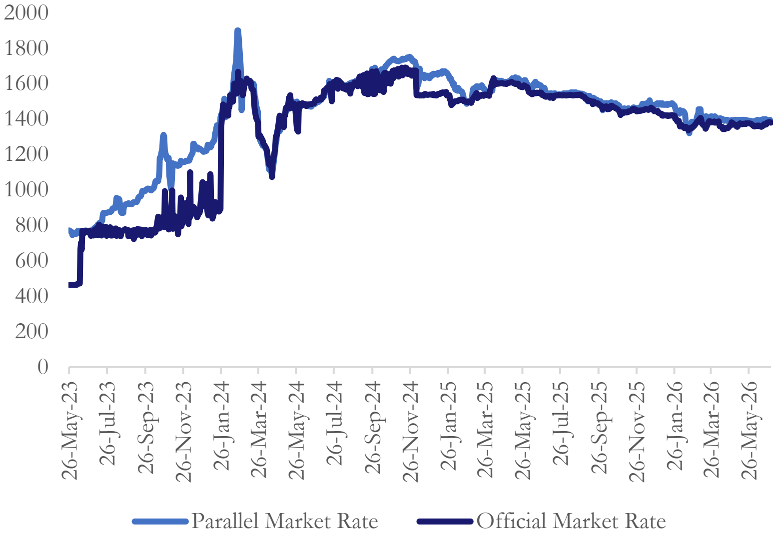
Gross external reserves increased from approximately US$45.50 billion at end-December 2025 to US$51.45 billion at end-June 2026, representing an increase of US$5.95 billion. The reserve accumulation was supported by stronger oil export receipts, sovereign external financing proceeds, improving remittance inflows, and reduced pressure on foreign exchange demand as domestic refining capacity continued to expand.

NAFEM Exchange Rate Performance – H1 2026

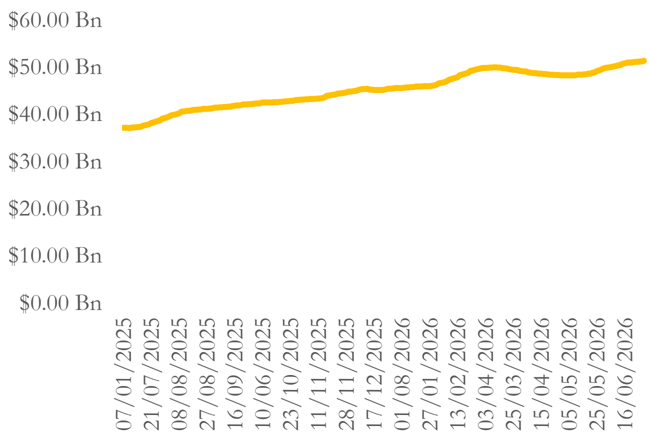
Month	Opening NGN/$	Closing NGN/$	Monthly Average	M/M Average % Change
Jan-26	1,430.85	1,386.55	1,416.27	-2.44%
Feb-26	1,390.36	1,363.39	1,355.52	-4.29%
Mar-26	1,378.02	1,386.72	1,379.98	+1.80%
Apr-26	1,378.70	1,374.94	1,361.21	+1.36%
May-26	1,365.25	1,373.25	1,369.99	+0.64%
Jun-26	1,366.79	1,379.68	1,366.33	-0.27%

Source: CBN. Data as of 11th June 2026

Naira Exchange Rate: Official and Parallel Market



Movement in Foreign Reserves



Beyond strengthening Nigeria's external position, the improvement in gross reserves reinforced the Central Bank's capacity to support orderly market functioning and sustain improved liquidity conditions in the foreign exchange market. This stronger buffer reduced the likelihood of disorderly adjustments in the exchange rate and helped anchor market expectations around greater policy credibility. In addition, sustained FX market reforms, improved transparency in price discovery, and relatively tighter monetary conditions collectively contributed to a more balanced FX environment during the period.

The continued improvement in FX market conditions was also reflected in the narrowing gap between the official and parallel market rates, which points to a gradual reduction in structural distortions that previously characterised the foreign exchange market. This convergence suggests improving efficiency in FX allocation, increased access to official channels, and strengthening confidence in the market-based exchange rate framework.

Looking ahead, we expect the naira to remain broadly stable through H2 2026, hovering around NGN1,400/US$ to NGN1,450/US$, supported by continued FX reforms, sustained reserve buffers, relatively attractive domestic yields, and improving foreign exchange inflows from both oil and non-oil sources. In addition, ongoing improvements in domestic refining capacity are expected to moderate demand for imported petroleum products, further easing pressure on foreign exchange demand. Overall, these factors should support a stable exchange rate environment, albeit with periodic adjustments reflecting global and domestic liquidity conditions.

However, risks to the outlook remain. A sustained decline in crude oil prices, weaker-than-expected foreign portfolio inflows, elevated external debt service obligations, or a reversal in global risk sentiment could constrain foreign exchange supply and reintroduce pressure on the naira. Similarly, any slowdown in the implementation of ongoing FX reforms could weaken market confidence and slow the pace of convergence between the official and parallel markets.

From an investment perspective, sustained exchange rate stability remains a key macroeconomic positive for Nigerian financial markets. A more stable currency environment supports improved earnings visibility for corporates, reduces imported inflationary pressures, strengthens business planning, and enhances foreign investor participation across asset classes. Continued improvements in FX liquidity and reserve buffers are therefore likely to remain supportive of broader market sentiment, although global oil price dynamics and external financial conditions will remain important variables to monitor in the near term.

5.1. Fiscal Developments and Budget Performance

The first half of 2026 marked an important phase in Nigeria's fiscal reform programme as the Federal Government sought to consolidate recent macroeconomic gains while sustaining an ambitious public investment agenda. Fiscal policy remained expansionary throughout the review period, supported by continued implementation of structural reforms, stronger non-oil revenue mobilisation and increased capital spending.

However, the operating environment remained challenging, characterised by persistent crude oil production shortfalls, elevated debt servicing costs and a still-constrained revenue base. Consequently, the fiscal story during H1 2026 was less about expenditure expansion and more about whether improving macroeconomic conditions were sufficient to support a significantly larger budget without undermining fiscal sustainability.

During the review period, the National Assembly approved a substantial upward revision to the 2026 Appropriation Act, increasing total expenditure from NGN54.99 trillion to NGN68.32 trillion, representing an increase of approximately 24.2%.

The revision reflected additional allocations for strategic infrastructure, security, healthcare, education, pension obligations and statutory transfers, while also accommodating newly approved capital projects and legacy commitments. Correspondingly, projected government revenue was revised upward to NGN34.33 trillion, while the fiscal deficit widened, increasing the government's financing requirement and reinforcing the importance of successful revenue mobilisation throughout the remainder of the fiscal year.

The revised fiscal framework was anchored on a crude oil price benchmark of US$64.85 per barrel, average crude oil production of 1.84million barrels per day, an exchange rate assumption of approximately NGN1,400/US$, and projected real GDP growth of 4.28%. These assumptions became the benchmark against which fiscal performance during H1 2026 can be evaluated.

Macroeconomic developments in the first half of the year 2026 produced mixed outcomes relative to the benchmark assumptions. International crude oil prices remained comfortably above the budget benchmark for much of the review period,

Revised 2026 Budget Framework and Mid-Year Assessment

Variable	2026 budget	2026 current	Status
Oil price benchmark ($/b)	64.85	112.63	
Oil production (mbpd)	1.84	1.53	
Exchange rate (NGN/$)	1,400.00	1,379.68	
Real GDP growth (%)	4.28%	3.89%	
Inflation (%)	14.58%	15.93%	

Source: Official Publications, Bancorp Research. Data as of 30th June 2026 following heightened geopolitical tensions in the Middle East before moderating towards the end of June. However, the supportive oil price environment was largely offset by domestic crude oil production remaining below the budget assumption of 1.84 million barrels per day, limiting the revenue benefits associated with stronger international prices. Conversely, foreign exchange conditions performed considerably better than anticipated.

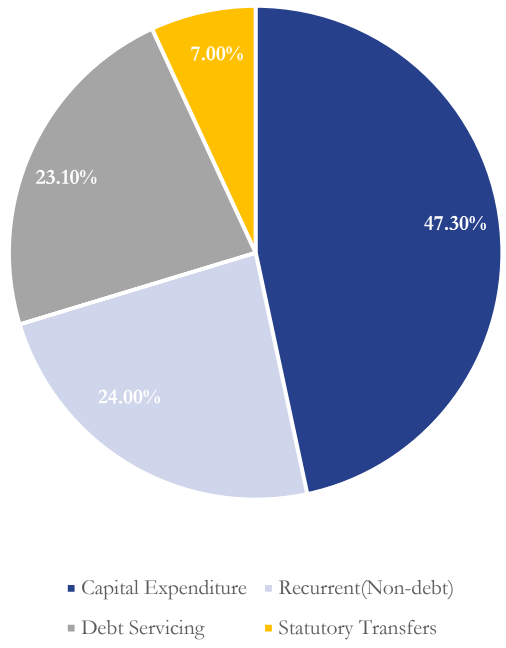
The naira appreciated from NGN1,435.76/US$ at the end of 2025 to NGN1379.68/US$ in June, supported by improved foreign portfolio inflows, tighter monetary conditions and continued exchange-rate reforms. Real GDP growth remained resilient at 3.89% year-on-year in Q1 2026, while inflation showed further signs of moderation despite remaining above historical averages.

Collectively, these developments indicate that the revised fiscal assumptions delivered mixed results during the first half of the year. While exchange-rate stability, moderating inflation and resilient economic activity strengthened the overall macroeconomic backdrop, weaker-than-budgeted crude oil production remained the principal constraint on fiscal performance, preventing the government from fully benefiting from higher international crude oil prices.

The composition of the revised budget highlights the government's continued preference for investment-led fiscal expansion. Capital expenditure accounted for NGN32.29 trillion (47.3%) of total expenditure, followed by recurrent (non-debt) expenditure of NGN16.43 trillion (24.0%), debt servicing of NGN15.81 trillion (23.1%), and statutory transfers of NGN4.80 trillion (7.0%). The expenditure mix demonstrates a deliberate effort to preserve capital investment despite elevated financing costs. Nevertheless, debt servicing absorbing almost one-quarter of total planned expenditure illustrates the growing fiscal trade-off between meeting existing debt obligations and creating additional fiscal space for productive public investment.

Revenue performance remained relatively supportive during H1 2026, reflecting improvements in non-oil tax collections, customs duties and stronger Federation Account Allocation Committee (FAAC) distributions. The Federation distributed NGN1.894 trillion in February 2026 from gross revenues of NGN2.230 trillion, while distributable revenue increased further to NGN2.036 trillion in March from gross collections of NGN2.364 trillion, resulting in higher allocations across the three tiers of government. The improvement in FAAC distributions

Composition of the 2026 Federal Budget



Source: Official Publications, Bancorp Research. Data as of 30th June 2026

reflects the combined effects of exchange-rate reforms, stronger customs collections and gradual improvements in domestic revenue mobilisation, helping to ease immediate fiscal liquidity pressures despite continued oil production challenges.

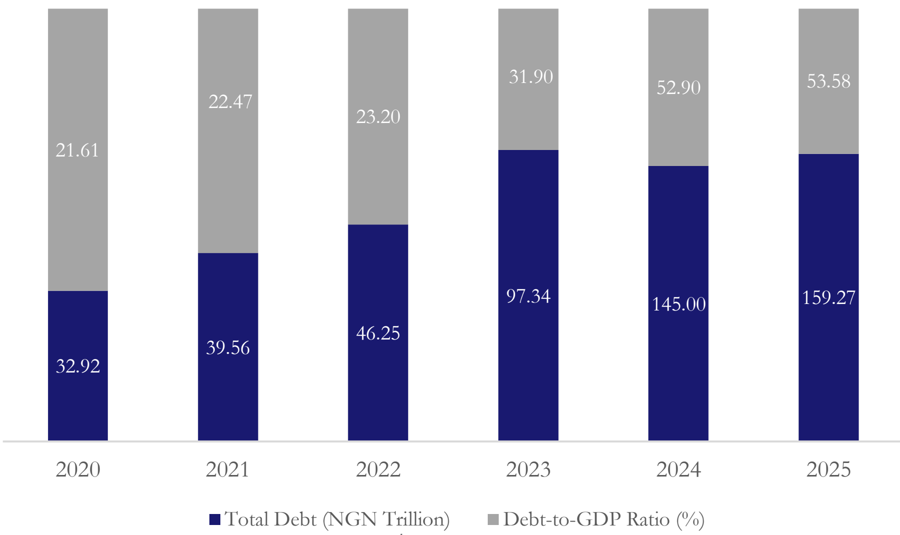
Overall, Nigeria's fiscal position strengthened during H1 2026 as improving macroeconomic stability, exchange-rate reforms and resilient non-oil revenue collections partially offset continued weaknesses in crude oil production. While the upward revision of the budget demonstrates the government's confidence in the reform agenda and commitment to accelerating economic development, successful implementation of the revised fiscal framework will increasingly depend on narrowing the gap between planned and actual crude oil production, sustaining tax administration reforms and maintaining expenditure discipline. In our view, fiscal policy is likely to remain expansionary through the remainder of 2026, although rising debt-service obligations and the gradual build-up of pre-election fiscal pressures ahead of the 2027 general elections will require careful policy management to preserve investor confidence and fiscal credibility.

5.2. Public Debt and Fiscal Sustainability

A continued increase in public borrowing has inevitably accompanied Nigeria's fiscal expansion as the government finances budget deficits, supports infrastructure development and manages legacy obligations. However, assessing Nigeria's fiscal position solely through the growth in public debt provides an incomplete picture. From a sovereign credit perspective, the more important question is whether the economy is generating sufficient revenue and productive investment to sustain a higher debt burden over time. Accordingly, debt sustainability should be evaluated by revenue mobilisation, debt affordability, and the productivity of public expenditure, rather than by debt accumulation in isolation.

According to the latest official figures released by the Debt Management Office (DMO), Nigeria's total public debt increased to NGN159.28 trillion as at 31 December 2025, representing a 10.1% increase from NGN144.67 trillion in 2024. Domestic debt stood at NGN84.85 trillion, accounting for 53.3% of total public debt, while external obligations amounted to NGN74.43 trillion, representing 46.7% of the debt portfolio. Relative to GDP, public debt stood at 53.58%, broadly stable compared with the prior year. While naira-denominated borrowing pushed the nominal debt stock higher, the pace of debt accumulation moderated relative to recent years, pointing to an early stabilisation in Nigeria's debt trajectory rather than unchecked expansion. The increase reflected continued domestic debt issuance, external borrowings and exchange-rate valuation effects following the realignment of the foreign exchange market.

The government's financing strategy has also evolved during the review period. Beyond financing the revised 2026 budget, additional borrowing approvals were sought to support strategic infrastructure projects, strengthen energy and transport networks, and refinance existing obligations where appropriate. While these developments have generated public debate regarding Nigeria's rising debt profile, the quality and purpose of borrowing remain considerably more important than the absolute level of debt. Borrowing directed towards infrastructure capable of improving productivity, expanding the tax base and strengthening long-term economic growth enhances future repayment capacity. Conversely, sustained borrowing to finance recurrent expenditure without corresponding improvements in government revenue would gradually weaken fiscal sustainability.



Source: DMO, Bancorp Research. Data as of 30th June 2026

Despite the increase in public debt, Nigeria's debt-to-GDP ratio of 53.58% remains relatively moderate when compared with many peer emerging market economies. The country's principal fiscal constraint therefore remains its narrow revenue base rather than excessive indebtedness. Debt servicing continues to absorb a substantial share of federally retained revenues, limiting the fiscal space available for capital investment and reinforcing the importance of expanding non-oil revenue sources, improving tax administration and increasing crude oil production. Consequently, long-term fiscal sustainability will depend less on slowing debt accumulation and more on strengthening the government's capacity to generate stable and diversified revenue.

Nigeria's sovereign credit profile has improved meaningfully over the past year, supported by stronger exchange-rate stability, improving investor confidence, sustained structural reforms and a more stable external position. The latest validated print , a debt-to-GDP ratio of 53.58% alongside a moderating pace of debt growth, supports a picture of broad stabilisation rather than deterioration. Nevertheless, fiscal risks remain tilted to the upside. Persistent oil production shortfalls, elevated domestic borrowing costs and the gradual emergence of election-related spending pressures ahead of the 2027 general elections could increase financing requirements if revenue growth fails to keep pace with expenditure commitments. In our view, maintaining fiscal credibility through disciplined borrowing, sustained revenue mobilisation and continued structural reforms will remain critical to preserving macroeconomic stability and supporting Nigeria's medium-term sovereign credit outlook.

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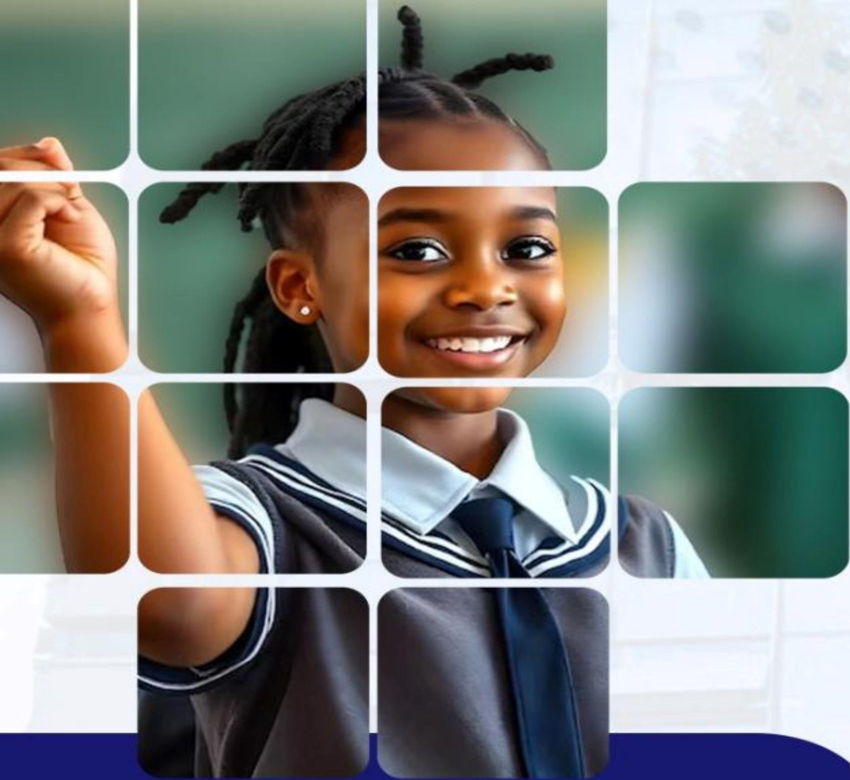

Building Brighter Future Starts Now

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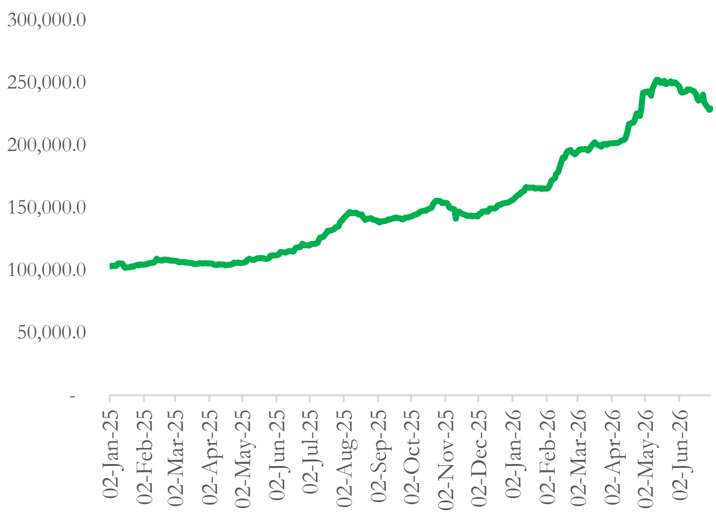
FINANCIAL MARKETS

6.1. Nigerian Equities Market

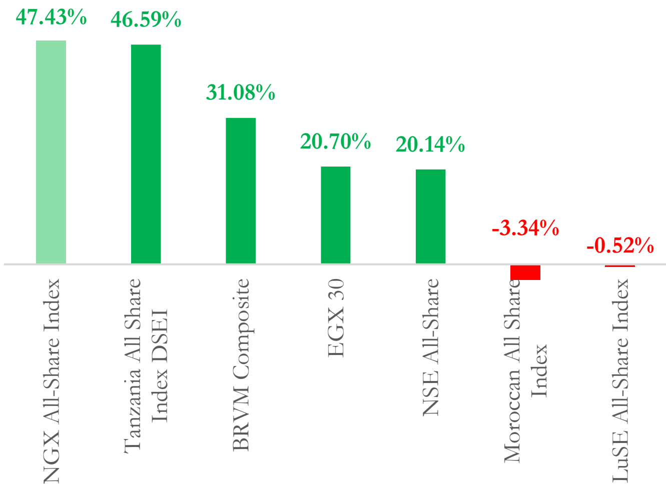
The Nigerian equities market sustained its exceptional performance during the first half of 2026, reinforcing its position as one of the strongest-performing frontier equity markets globally despite a still restrictive domestic monetary policy environment. The NGX All-Share Index (ASI) advanced by 47.43% to close at 229,419.18 points as at 30 June 2026, while total market capitalisation expanded by 48.14% to NGN147.28 trillion, reflecting broad-based price appreciation, successful equity issuances and continued capital formation. Trading activity also strengthened considerably during the review period, highlighting improved market liquidity and sustained investor confidence despite elevated domestic interest rates.

The market's strong performance was underpinned by a favourable convergence of macroeconomic improvements, resilient corporate fundamentals and structural market reforms. Exchange-rate stability, moderating inflationary pressures, resilient first-quarter corporate earnings, Nigeria's sovereign credit rating upgrade by S&P Global Ratings, and continued implementation of market-oriented reforms collectively reinforced investor confidence throughout the review period. Furthermore, structural enhancements within the Nigerian Exchange, including the migration to a T+1 settlement cycle and the extension of trading hours, improved market efficiency and liquidity, providing additional support to overall market activity.

Trend in NGX-ASI



Source: NGX, Bancorp Research. Data as of 30th June 2026



Source: NGX, Bancorp Research. Data as of 30th June 2026

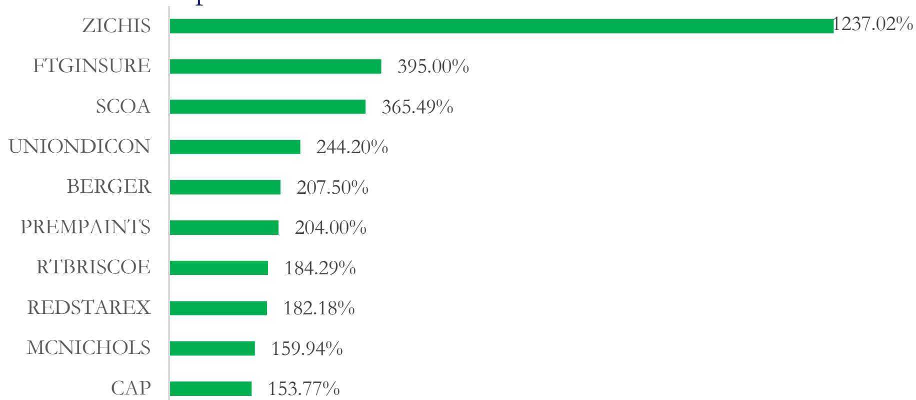
The rally, however, was not uninterrupted. Following a year-to-date gain exceeding 60% by the end of May, the market entered a period of orderly profit-taking during June as investors crystallised gains after an extended rally. The resulting pullback reflected portfolio rebalancing and valuation normalisation rather than a deterioration in underlying market fundamentals, allowing the market to consolidate part of its earlier gains while preserving its broader upward trajectory.

From a technical standpoint, the market enters H2 2026 with short-term momentum moderating but the medium-term trend remaining constructive. The NGX ASI closed both its 7-day moving average below (233,926.84 points) and 20-day moving average (239,457.55 points). In comparison, the 12-day exponential moving average (235,521.76 points) remained below the 26-day exponential moving average (238,140.35 points), producing a negative MACD of -2,618.59, signal line of -754.48, and histogram reading of -1,864.11. Similarly, the 14-day Relative Strength Index (RSI) moderated to 32.73, indicating that bullish momentum weakened materially towards quarter-end as the market approached oversold territory following the recent correction.

Importantly, the moderation in momentum was not accompanied by a broad deterioration in underlying market participation. Market breadth remained positive at 1.12x, while the up/down ratio of 1.38x reflected 4,109 advancing stocks against 3,671 declining stocks, suggesting that selling pressure remained concentrated in selected counters rather than signalling broad-based market liquidation. Furthermore, the NGX ASI concluded the review period at approximately 82% of its 52-week trading range, remaining only 9.7% below its 52-week high of 254,067.42 points, while trading approximately 91.6% above its 52-week low of 119,717.05 points. Collectively, these indicators reinforce our view that the June weakness represents a healthy technical consolidation within an ongoing bull market rather than the emergence of a structural market reversal.

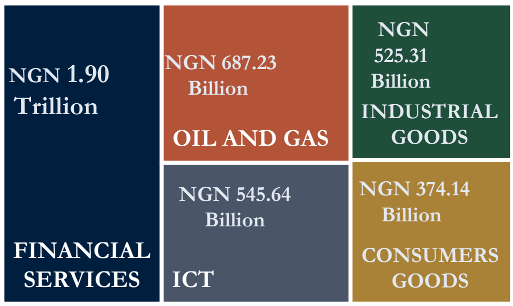
Looking ahead, we expect Nigerian equities to remain increasingly fundamentals-driven during the second half of 2026. Corporate earnings, domestic liquidity conditions, monetary policy expectations, exchange-rate stability, new listings, especially the Dangote refinery and the pace of foreign portfolio inflows are expected to remain the principal determinants of market performance. While the FTSE Russell decision to place Nigeria's proposed Frontier Market reclassification under further review introduces some uncertainty regarding the timing of passive foreign inflows, the country's improving macroeconomic backdrop and resilient corporate fundamentals continue to provide a supportive investment environment. Consequently, we maintain a constructive outlook on Nigerian equities and continue to favour fundamentally strong companies with resilient earnings, robust balance sheets and sustainable dividend-paying capacity, as disciplined stock selection is expected to remain the primary driver of alpha generation during H2 2026.

Top 10 Gainers Chart for Half-Year 2026

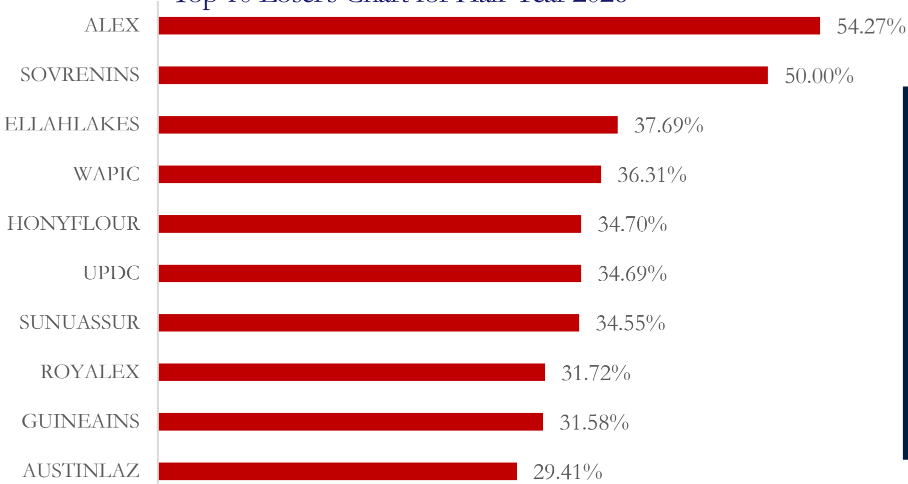


Source: NGX, Bancorp Research. Data as of 30th June 2026

Drivers of NGX Turnover Value For Half-Year 2026

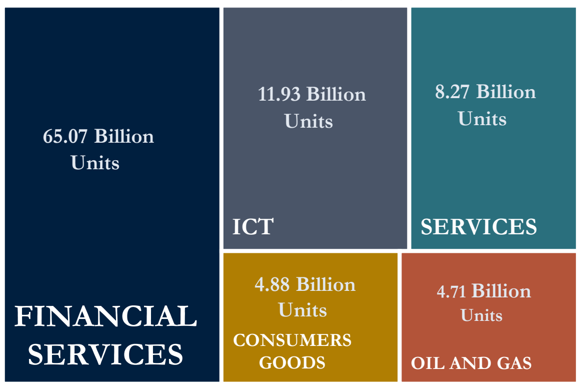


Top 10 Loser's Chart for Half-Year 2026



Source: NGX, Bancorp Research. Data as of 30th June 2026

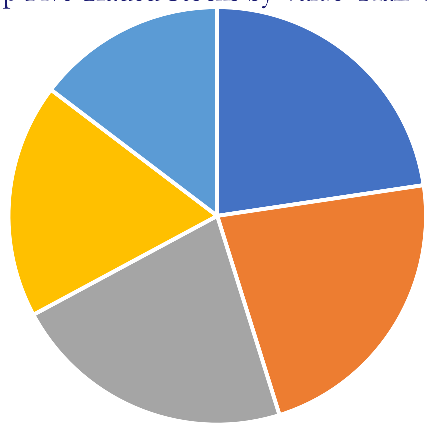
Drivers of NGX Trading Volume For Half-Year 2026



Top Five Traded Stocks by Volume- Half Year 2026

Source: NGX, Bancorp Research. Data as of 30th June 2026

Top Five Traded Stocks by Value- Half Year 2026



Source: NGX, Bancorp Research. Data as of 30th June 2026

Sectoral Indices YTD Performance

1	NGX Oil/Gas Index	90.21%
2	NGX Industrial Index	79.03%
3	NGX Banking Index	36.56%
4	NGX Consumer Goods Index	15.57%
5	NGX Insurance Index	-7.67%

Primary Market Activities & Corporate Actions for Half Year 2026

Mergers & Acquisitions

- MTN Group / IHS Towers — Announced a proposed acquisition of the remaining 75.3% stake in IHS Towers in February 2026, valuing the company at USD6.2bn, with completion subject to shareholder and regulatory approvals
- Legend Internet Plc / Spectranet Limited — Proposed merger announced in March 2026, pending regulatory approvals.
- Zenith Bank Plc / Paramount Bank Kenya Limited — Completed the acquisition of Paramount Bank in April 2026, expanding into East Africa.
- Champion Breweries Plc / Bullet Brand (Sun Mark) — Acquired an 80% stake in the Bullet RTD brand via a holding entity in February 2026, expanding across African markets.
- United Capital Plc / NGX Group Plc — Acquired a 5% stake in NGX Group in June 2026 and expanded operations into Ethiopia and Rwanda.

Delistings

- DN Tyre and Rubber Plc & Greif Nigeria Plc — Delisted from the Daily Official List effective April 9, 2026

Trading Suspensions

- FTG Insurance / Fortis Global Insurance Plc — Trading was suspended in June 2026 to facilitate a share reconstruction and shareholder register reconciliation ahead of listing the reconstructed shares.

New Listing

- Zichis Agro-Allied Industries Plc — Listed by introduction on the NGX Growth Board, January 20, 2026, 600m shares at NGN1.81/share.

Change of Name

- Lafarge Africa Plc → HBM Nigeria Plc — Name change approved at the AGM on 30 April 2026, formalized with CAC certification and NGX notification on 23 June 2026.
- Deap Capital Management & Trust Plc → Critical Minerals Financing Corporation (CMFC) Plc — Name change and strategic shift to critical minerals financing approved by shareholders in March 2026.
- Abbey Mortgage Bank Plc → Abbey Bank Plc (pending) — Transition approved in January 2025; conversion to a commercial bank remains subject to raising an additional NGN43.4 billion in capital.

Capital Raising

- Dangote Sugar Refinery Plc — Announced an 8.10bn-share, 2-for-3 rights issue at NGN60.00 per share.
- Champion Breweries Plc — Concluded a combined NGN57.9bn capital raise, comprising a NGN15.9bn 1-for-9 rights issue and a NGN42.0bn public offer at NGN16.00 per share.
- Lasaco Assurance Plc — Launched a NGN18.47bn 5-for-6 rights issue at NGN2.00 per share.
- SUNU Assurance Plc — Announced a NGN9.34bn 5-for-14 rights issue at NGN4.50 per share.

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Primary Market Activities & Corporate Actions for Half Year 2026

Capital Raising

- Linkage Assurance Plc — Announced a NGN16.30bn 2-for-3 rights issue at NGN1.32 per share.
- Guinea Insurance Plc — Launched a NGN5.82bn 2-for-3 rights issue at NGN1.10 per share.
- Universal Insurance Plc — Announced a NGN3.22bn 1-for-6 rights issue at NGN1.20 per share.
- International Energy Insurance Plc — Launched a NGN17.5bn public offer at NGN3.20 per share.
- Regency Alliance Insurance Plc — Announced a NGN3.04bn 1-for-5 right issue at NGN0.95 per share.

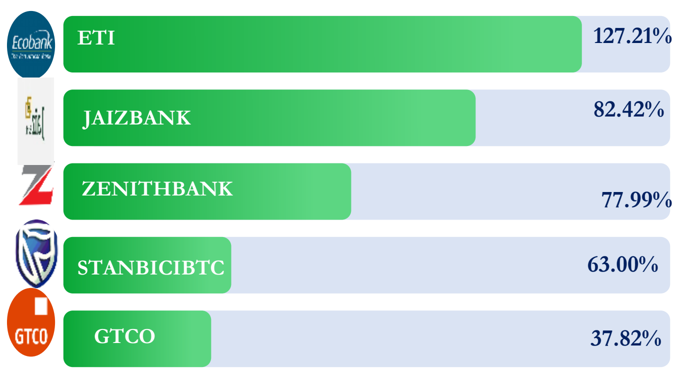
Other Development

- Banking Sector Recapitalization — Completed on March 31, 2026.
- NGX Trading Window Expansion — Extended daily trading hours to 9:00 am–4:00 pm (effective April 27, 2026) with SEC approval, to the session to seven hours.
- NGX T+1 Settlement Transition — Shifted from a T+2 to a T+1 settlement cycle effective June 1, 2026; however, FTSE Russell placed Nigeria's Frontier Market reclassification under review on June 30, 2026, due to potential prefunding risks for international institutional investors.
- NGX Equity Pricing Reform — Proposed a tiered pricing framework in June 2026, replacing the uniform 100,000-unit price movement threshold with volume thresholds scaled to price bands; implementation date not yet confirmed.

|NGX Banking Index |

The NGX Banking Index gained 36.56% during the first half of 2026, supported by resilient earnings growth, stronger capital positions and sustained investor demand for fundamentally strong banking stocks. Performance was broad-based across both tier-one and select tier-two lenders, with ETI (+127.21%) leading the rally, followed by JAIZBANK (+82.42%), ZENITHBANK (+77.99%), STANBICIBTC (+63.00%) and GTCO(+37.83%).

The sector recorded its strongest monthly gains in February (+16.67%) and April (+20.45%), reflecting positive investor reaction to robust FY-2025 and Q1-2026 earnings releases, attractive dividend declarations and continued progress in the banking sector recapitalisation programme. Although the index declined 12.22% in June as investors locked in gains following the strong year-to-date rally, the correction was largely technical and did not materially alter the sector's positive medium-term fundamentals.



Fundamental Valuation Summary –NGX Banking Sector

COMPANY	SP (NGN)	EPS(NGN)	BVPS	T-P/E(x)	T-P/B(x)	T-ROE(%)	IP/E	JP/B	TP	Upside(%)
ACCESSCORP	22	14.76	73.39	1.49x	0.30x	13.19%	2.68x	0.54x	39.60	80.00%
ETI	95.2	21.68	116.73	4.39x	0.82x	18.25%	4.79x	0.89x	103.87	9.11%
FCMB	10.35	4.60	17.27	2.25x	0.60x	30.94%	5.18x	1.38x	23.83	130.25%
FIDELITYBK	18.35	5.44	21.94	3.37x	0.84x	24.08%	4.11x	1.02x	22.37	21.92%
FIRSTHOLDCO	56.05	23.96	76.71	2.34x	0.73x	32.08%	4.89x	1.53x	79.60	42.02%
GTCO	125	23.56	98.24	5.31x	1.27x	24.72%	5.75x	1.38x	135.53	8.43%
STANBIC	163	28.60	78.49	5.70x	2.08x	38.51%	6.09x	2.22x	174.22	6.88%
UBA	38.4	12.44	94.51	3.09x	0.41x	13.27%	3.87x	0.51x	48.18	25.46%
WEMABANK	26	4.79	17.05	5.43x	1.53x	38.72%	6.76x	1.90x	32.39	24.59%
ZENITHBANK	110	30.56	125.69	3.60x	0.88x	24.89%	5.55x	1.35x	169.65	54.23%

Estimates; Bancorp Research. Data as of 30th June 2026

SP- Share Price as at 30th June 2026
EPS- Earnings Per share
BVPS- Book Value Per Share
T-P/E(x)- Trailing Price to Earnings Ratio
T-P/B(x)– Trailing Price to Book Ratio
IP/E- Implied Price to Earnings
JP/B- Justified Price to Book
TP- Target Price

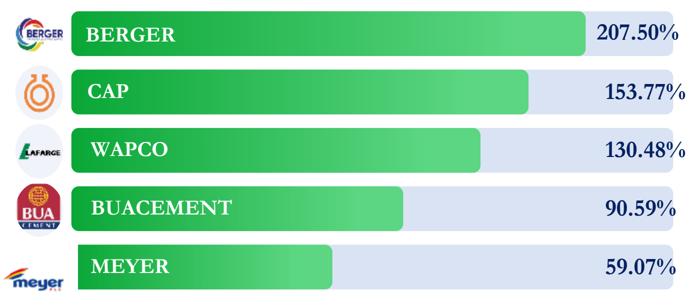
We remain constructive on the banking sector, with the investment narrative expected to shift from recapitalisation to earnings quality and efficient capital deployment. Banks with resilient loan growth, diversified non-interest income and strong returns on equity are likely to attract stronger investor interest as expectations of a gradual policy easing build. At the same time, ongoing regulatory reforms, including the CBN's proposed Financial Holding Company framework and data localisation requirements, should strengthen governance, operational resilience and long-term sector competitiveness. We therefore continue to favour fundamentally strong banking groups with robust capital positions, sound asset quality and sustainable dividend-paying capacity.

| NGX Industrial Goods Index|

The NGX Industrial Goods Index gained 79.03% during the first half of 2026, emerging as one of the strongest-performing sectors on the Nigerian Exchange. Performance was driven by broad-based gains across cement and building materials companies, with BERGER(+207.50%) recording the highest return within the sector, followed by CAP (+153.77%), WAPCO(+130.48%), BUACEMENT(+90.59%) and MEYER (+59.07%).

The sector maintained positive momentum throughout the first five months of the year, recording notable gains of 22.20% in February and 28.75% in April, as investors responded favourably to stronger corporate earnings, improving macroeconomic stability and renewed optimism surrounding infrastructure and construction activities.

However, the index declined 17.02% in June as investors locked in gains following the prolonged rally, resulting in a healthy correction rather than a deterioration in underlying sector fundamentals.



Fundamental Valuation Summary – NGX Industrial Goods Sector

COMPANY	SP (NGN)	EPS(NGN)	BVPS	T-P/E(x)	T-P/B(x)	T-ROE(%)	E-P/E(x)	TP	Upside(%)
BERGER	147.60	6.32	18.78	23.35x	7.86x	35.00%	24.50x	152.67	3.44%
BETAGLAS	562.80	52.32	173.54	10.76x	3.24x	31.33%	12.00x	647.74	15.09%
BUACEMENT	340.20	20.83	25.08	16.33x	13.57x	92.70%	20.64x	348.47	2.43%
CAP	175.10	7.76	19.43	22.56x	9.01x	63.63%	23.50x	186.79	6.68%
DANGCEM	963.00	76.56	163.98	12.58x	5.87x	48.52%	17.20x	1232.20	27.95%
MEYER	20.60	1.16	4.58	17.76x	4.49x	25.71%	19.50x	26.63	29.28%
WAPCO	310.00	24.32	49.17	12.75x	6.31x	52.74%	16.34x	371.25	19.76%

Estimates; Bancorp Research. Data as of 30th June 2026

SP- Share Price as at 30th June 2026
EPS- Earnings Per share
BVPS- Book Value Per Share
T-P/E(x)- Trailing Price to Earnings Ratio
T-P/B(x)– Trailing Price to Book Ratio
IP/E- Implied Price to Earnings
JP/B- Justified Price to Book
TP- Target Price

We maintain a positive outlook on the Industrial Goods sector as improving macroeconomic stability continues to support operating conditions across cement, paints and building materials companies. The continued stability of the naira is expected to ease imported input cost pressures, improve cost visibility and support margin recovery, while stronger execution of public infrastructure projects and resilient private construction activity should sustain demand for construction materials. As the sector transitions from price-led growth towards volume expansion, investor focus is expected to shift towards capacity utilisation, operating efficiency and earnings sustainability. We therefore continue to favour companies with strong market leadership, efficient cost structures and robust balance sheets that remain well positioned to benefit from Nigeria's ongoing infrastructure and urban development cycle.

| NGX Consumer Goods Index|

The NGX Consumer Goods Index appreciated 15.57% in the first half of 2026, supported by strong rallies across key tickers including MCNICHOLAS which gained 159.94%, followed by VITAFOAM (+103.43%), NASCON (+104.19%), PZ (+92.78%), and UNILEVER(+75.00%). The performance reflects sustained investor interest in defensive consumption names amid improving macroeconomic stability and early signs of earnings recovery within the sector.

The index recorded its strongest monthly performance in April (+11.58%), driven by positive Q1 earnings releases and improving consumer demand conditions. However, momentum moderated in the second quarter, with the index declining 6.33% in June amid broader market weakness and profit-taking activities across previously outperforming counters.

Overall, sector performance continues to reflect a combination of earnings recovery in select names and improving price stability in the macro environment, particularly as inflationary pressures begin to ease and FX conditions stabilise input cost dynamics for consumer goods manufacturers.

Fundamental Valuation Summary – NGX Consumer Goods Sector

COMPANY	SP (NGN)	EPS(NGN)	BVPS	T-P/E(x)	T-P/B(x)	T-ROE(%)	E-P/E(x)	TP	Upside(%)
BUAFOODS	939.00	31.64	47.54	29.68x	19.75x	18.14%	32.50x	1028.30	9.51%
CADBURY	56.00	6.40	7.48	8.75x	7.49x	79.33%	10.50x	67.20	20.00%
DANGSUGAR	67.80	6.32	12.20	10.73x	5.56x	13.82%	12.50x	79.00	16.52%
HONYFLOUR	14.30	2.08	6.80	6.88x	2.10x	36.09%	8.20x	17.06	19.27%
NASCON	219.50	14.63	30.00	15.00x	7.32x	12.99%	17.20x	251.71	14.68%
NB	72.50	7.20	19.89	10.07x	3.64x	9.51%	12.50x	90.00	24.14%
NESTLE	3125.00	196.80	65.15	15.88x	47.97x	120.87%	18.00x	3542.40	13.36%

Estimates; Bancorp Research. Data as of 30th June 2026

SP- Share Price as at 30th June 2026
EPS- Earnings Per share
BVPS- Book Value Per Share
T-P/E(x)- Trailing Price to Earnings Ratio

T-P/B(x)– Trailing Price to Book Ratio
IP/E- Implied Price to Earnings
JP/B- Justified Price to Book
TP- Target Price

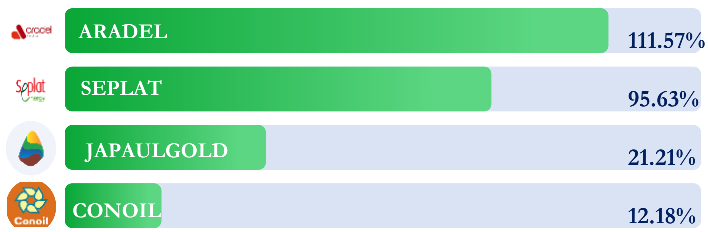
We maintain a neutral to cautiously positive outlook on the Consumer Goods sector. Although exchange rate stability should improve earnings visibility and reduce the volatility of imported input costs, persistent inflationary pressures and still-fragile household purchasing power are expected to constrain a broad-based recovery in consumer demand. Nevertheless, seasonal demand during the year-end festive period and a gradual increase in economic activity ahead of the 2027 election cycle could provide selective support to sales volumes. Consequently, we expect investors to remain focused on companies with strong pricing power, efficient cost structures, resilient distribution networks and the ability to protect margins while delivering sustainable volume growth.

| NGX Oil and Gas Index |

The NGX Oil/Gas Index was the best-performing sectoral index in H1 2026, returning 90.21% year-to-date, driven by strong gains across key upstream and integrated oil and gas names. The performance was primarily led by Aradel (+111.57%) and Seplat (+95.63%), reflecting sustained investor interest in upstream players benefiting from elevated crude oil prices and improved earnings visibility. Mid and downstream names also contributed modestly, with Japaul Gold (+21.21%) and Conoil (+12.18%) recording more subdued gains over the period.

Sector performance was strongly influenced by the rally in global crude oil prices, which supported earnings expectations for upstream producers and improved sentiment across the energy value chain. This triggered sharp monthly gains in February (+33.63%) and April (+39.15%), representing the strongest single-month sectoral performances during the period, as investors rotated into oil and gas names to capture the earnings upside from higher oil prices and improved output expectations.

However, momentum moderated in the latter part of the period, with the index declining in May (-1.93%) and June (-15.06%) as investors engaged in profit-taking following the sector's significant year-to-date rally. The correction also reflected heightened sensitivity to crude oil price volatility and portfolio rebalancing activities across the broader market, as investors locked in gains from outperforming energy stocks.



Fundamental Valuation Summary – NGX Oil and Gas Sector

COMPANY	SP(NGN)	T-P/E (x)	T-EV/EBITDA (x)	E-P/E (x)	E- EV/EBITDA (x)	TP	Upside(%)
ARADEL	1,417.50	42.3x	3.84x	54.00x	4.81x	1,786.00	26.00%
CONOIL	210.00	9.34x	8.41x	13.00x	9.50x	240.00	14.29%
ETERNA	27.75	6.55x	8.38x	10.00x	9.00x	30.00	8.11%
SEPLAT	11,363.90	36.5x	5.39x	45.00x	6.00x	15,250.00	34.20%
TOTAL	640.00	46.38x	6.78x	16.00x	8.00x	675.00	5.47%

Estimates; Bancorp Research. Data as of 30th June 2026

Valuation Methodology: Upstream companies (Aradel and Seplat) are valued using FY2026E EV/EBITDA, while downstream companies (Conoil, Eterna and Total) are valued using forward FY2026 P/E. Target P/E and EV/EBITDA multiples shown for non-primary valuation methods represent implied valuation cross-checks.

SP- Share Price as at 30th June 2026
EBITDA-Earnings Before Interest Tax Depreciation and Amortization
EV- Enterprise Value
T-P/E(x)- Trailing Price to Earnings Ratio

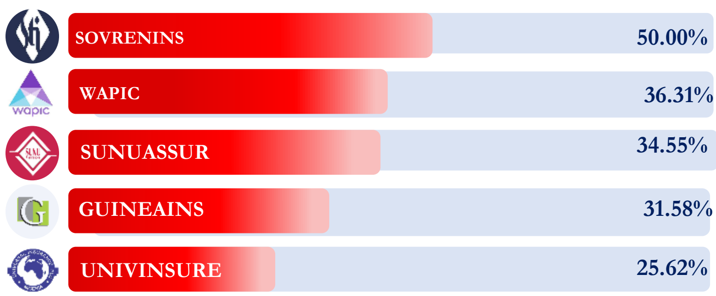
We maintain a strongly positive outlook on the Oil & Gas sector and believe it is well positioned to emerge as the best-performing sector on the Nigerian Exchange by year-end. Unlike previous years, the investment narrative is increasingly shifting beyond crude oil prices towards Nigeria's broader energy transformation, underpinned by improving upstream production, expanding domestic refining capacity and growing investment in natural gas. Continued implementation of the Petroleum Industry Act (PIA), improving operational efficiency and sustained investor interest in the sector are expected to support earnings momentum during H2 2026. Furthermore, expectations surrounding the potential future listing of Dangote Refinery could significantly deepen the market, enhance liquidity and redefine the sector's investment landscape. We therefore continue to favour companies with resilient production profiles, growing gas exposure, disciplined capital allocation and strong balance sheets, which we believe remain best positioned to benefit from the sector's structural transformation and deliver superior shareholder returns over the remainder of the year.

| NGX Insurance Index |

The NGX Insurance Index was the sole sectoral decliner among the five major NGX sectoral indices, contracting 7.67% year-to-date despite a strong start (+11.76% in January). The index came under sustained pressure from March through April, declining 6.02% and 7.16%, respectively, before a brief recovery of 6.45% in May was more than offset by a sharp 13.06% decline in June.

The weak sector performance reflected broad-based selling pressure across insurance counters, with eleven of the twenty-two listed insurers closing the period in negative territory. SOVRENINS (-50.00%) recorded the steepest decline, followed by WAPIC (-36.31%), SUNUASSUR (-34.55%), GUINEAINS (-31.58%), and UNIVINSURE (-25.62%). The widespread declines outweighed gains recorded in a handful of stocks, resulting in the sector's overall negative performance.

Despite the broad weakness, selective investor interest supported notable gains in a few counters. FTGINSURE emerged as the best-performing insurance stock, advancing 395.00% year-to-date, followed by INTENEGINS (+131.60%), INFINITY (+60.71%), Consolidated Hallmark (+38.25%) and AIICO (+5.80%). These gains suggest that investors remained willing to accumulate companies with attractive fundamentals and company-specific catalysts, even as sentiment towards the broader sector remained subdued



Fundamental Valuation Summary – NGX Insurance

COMPANY	SP (NGN)	ROE%	T-P/E (x)	T-P/B (x)	E-P/E(x0	E-P/B (x)	TP	Upside (%)
AIICO	4.01	20.33%	7.16x	1.42x	8.07x	1.60x	4.52	12.72%
CONHALLPLC	6.00	154.86%	0.80x	1.04x	1.00x	1.30x	7.48	24.67%
LINKASSURE	1.58	50.24%	1.17x	0.55x	1.80x	0.85x	2.43	53.80%
MANSARD	12.00	26.68%	7.50x	1.90x	8.27x	2.10x	13.23	10.25%
NEM	28.10	18.96%	8.67x	1.60x	9.76x	1.80x	31.61	12.49%
UNIVINSURE	0.90	26.46%	3.20x	0.76x	4.02x	0.95x	1.13	25.39%
VERITASKAP	1.37	29.16%	1.56x	0.92x	1.78x	1.05x	1.57	14.60%

Estimates; Bancorp Research. Data as of 30th June 2026

SP- Share Price as at 30th June 2026
EPS- Earnings Per share
BVPS- Book Value Per Share
T-P/E(x)- Trailing Price to Earnings Ratio
T-P/B(x)– Trailing Price to Book Ratio
IP/E- Implied Price to Earnings
JP/B- Justified Price to Book
TP- Target Price

We maintain a positive outlook on the Insurance sector as the investment narrative shifts from recapitalisation towards capital deployment, underwriting quality and earnings execution. While stronger capital positions are expected to enhance underwriting capacity and enable insurers to underwrite larger and more profitable risks, investor attention will increasingly focus on companies capable of translating additional capital into sustainable premium growth, improved underwriting margins and superior returns on equity. Continued enforcement of compulsory insurance policies, together with increased infrastructure development and the gradual formalisation of the economy, should provide further support to industry premium growth. We therefore continue to favour well-capitalised insurers with disciplined underwriting practices, diversified investment portfolios and strong earnings resilience, which we believe remain best positioned to outperform during H2 2026..

| Domestic and Foreign Investor Participation|

The year opened on a subdued note, as total market transactions declined to NGN0.86197tn in January. Foreign participation remained muted during the month, with total foreign transactions of NGN0.11414tn, comprising inflows of NGN0.04786tn and outflows of NGN0.06628tn, indicating continued net foreign selling. Domestic activity accounted for the bulk of market turnover at NGN0.74783tn, with institutional investors (NGN0.38797tn) marginally ahead of retail investors (NGN0.35986tn), reflecting a still-cautious but stable domestic base.

February marked a strong domestic-led rebound in market activity, as total transactions rose sharply to NGN1.54236tn. The improvement was driven almost entirely by domestic investors, whose participation increased to NGN1.40333tn. Institutional flows nearly doubled to NGN0.85483tn, highlighting a resurgence in institutional risk appetite amid improving market conditions, while retail participation also strengthened. Foreign activity improved modestly to NGN0.13903tn, though outflows (NGN0.07232tn) continued to exceed inflows (NGN0.06671tn), reflecting lingering offshore caution despite improving sentiment.

March recorded the clearest foreign re-entry into the market during the period, with foreign transactions rising sharply to NGN0.28882tn, more than double the previous month. This increase was driven by both inflows (NGN0.10705tn) and outflows (NGN0.18177tn), and was supported by improved offshore sentiment following Nigeria's exit from the FATF Grey List and its reclassification by FTSE Russell to Frontier Market status. Domestic activity also remained strong, increasing to NGN1.4556tn, with institutional investors maintaining dominance at NGN0.91423tn. Total market turnover rose to NGN1.74442tn.

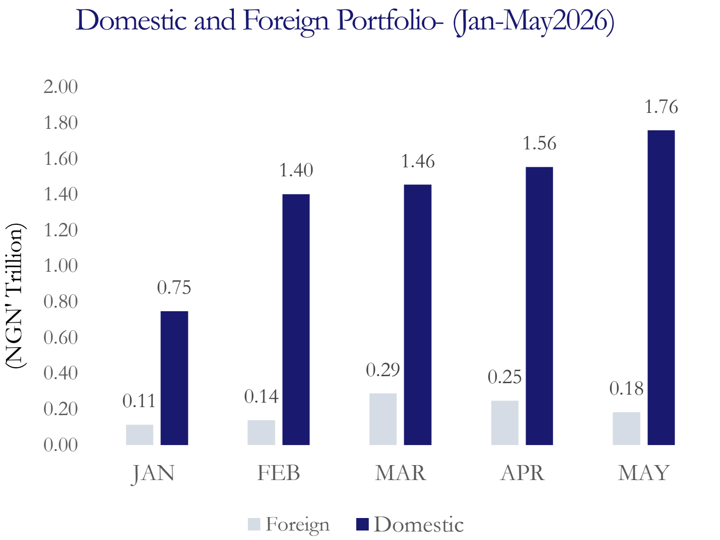
In April, foreign participation moderated to NGN0.24778tn as outflows (NGN0.15694tn) again exceeded inflows (NGN0.09084tn), signalling a return to net foreign selling despite earlier gains. Domestic investors, however, sustained market liquidity, with total domestic transactions rising to NGN1.55512tn. Retail participation strengthened further to NGN0.68374tn, its highest level in the period, while institutional flows eased slightly to NGN0.87138tn. Total market turnover increased further to NGN1.8029tn, supported by continued domestic inflows.

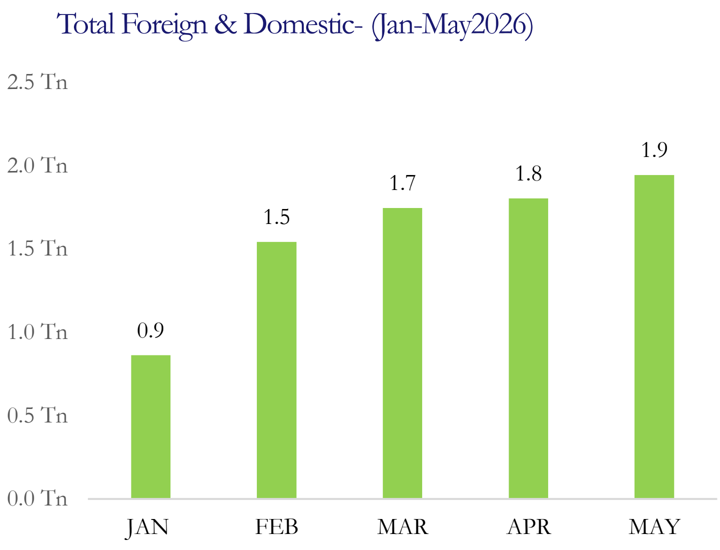
By May, market activity broadened further, with total domestic transactions rising to NGN1.75964tn. Institutional investors crossed the NGN1.0tn threshold at NGN1.03337tn, while retail participation remained resilient at NGN0.72627tn. Foreign activity moderated to NGN0.18361tn, with inflows and outflows both easing from April levels, although outflows (NGN0.09601tn) still slightly exceeded inflows (NGN0.0876tn), indicating continued net foreign selling despite improving overall market activity. Total market turnover reached NGN1.94325tn, the highest level during the five-month period.

Overall, the period reflects a consistent structural pattern in market participation. Domestic institutional investors remained the primary anchor of liquidity in the Nigerian equities market, consistently absorbing supply and driving turnover growth.

Retail participation also showed steady improvement, particularly in April and May, supporting broader market depth. In contrast, foreign participation remained cyclical, with periods of sharp re-entry, particularly in March, followed by renewed outflows, reflecting sensitivity to global risk sentiment and Nigeria-specific policy developments.

Looking ahead, domestic institutional investors are expected to remain the dominant source of market liquidity, supported by improving corporate earnings visibility, relatively attractive equity valuations, and stable domestic macroeconomic conditions. Foreign participation is expected to gradually recover over time, supported by continued FX stability, improving policy credibility, and Nigeria's strengthened positioning within frontier market indices. However, inflows are likely to remain highly sensitive to global liquidity conditions, crude oil price movements, and the pace of domestic reform implementation.





Source: NGX, Bancorp Research. Data as of 30th June 2026

6.2. NASD-OTC

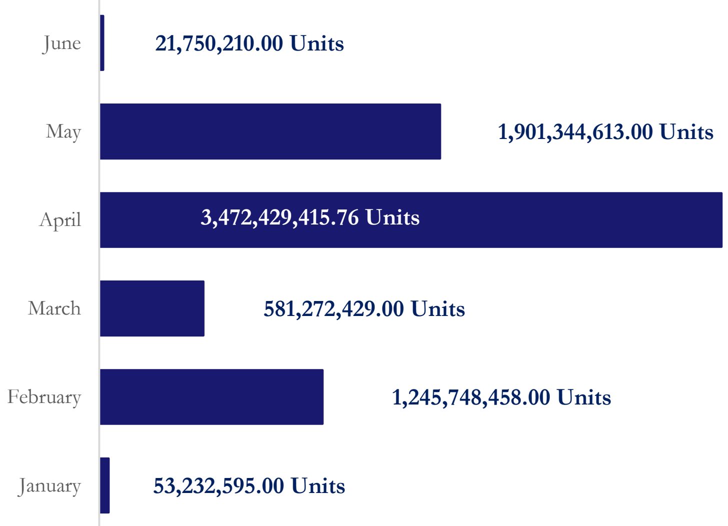
The NASD OTC market delivered a strong performance during the first half of 2026, supported by renewed investor interest, improving macroeconomic conditions, and sustained demand for fundamentally strong OTC securities. As at 30 June 2026, the NASD Security Index (NSI) closed at 4,299.41 points, representing a 21.32% year-to-date (YTD) gain, while total market capitalisation rose to NGN2.58 trillion, reflecting a 21.71% YTD increase. Although the OTC market underperformed the broader Nigerian equities market, the positive performance underscores growing investor confidence in alternative investment opportunities and continued appetite for quality unlisted securities.

The positive performance reflected sustained demand for fundamentally strong OTC counters, supported by improving corporate earnings expectations, attractive dividend prospects, and selective institutional positioning. As macroeconomic conditions gradually improved during the period, investors increasingly sought opportunities beyond the listed market, reinforcing the NASD platform's role as an important alternative investment market.

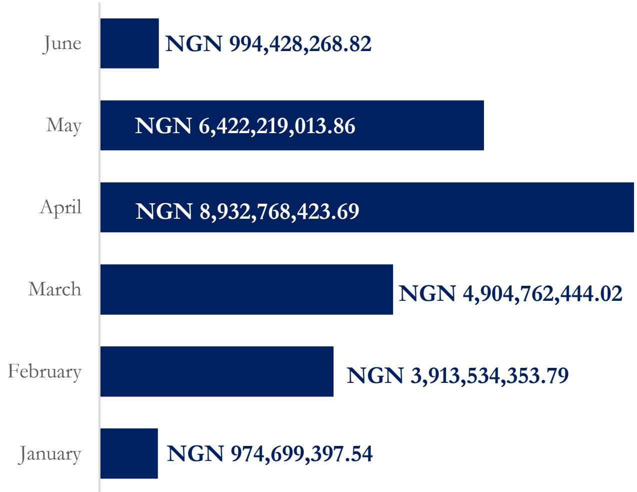
Trading activity remained concentrated in a few securities throughout the review period. Trading volumes peaked in April at 3.47 billion units, largely driven by significant block transactions, while trading value also reached its highest level during the month at NGN8.93 billion. Market activity moderated in June following the exceptionally strong trading recorded in April and May, suggesting a normalisation in trading volumes after heightened institutional activity during the second quarter.
The best-performing stocks during the period were led by SDIPWAPLC, which gained 765.69% YTD, followed by SDGNI (+420.00%), SDFSTTRUSTMB (+295.24%), SDFCWAMCO (+223.43%), and SDCSCSPLC (+151.43%). The strong gains reflected increased investor demand for fundamentally sound OTC securities, supported by improving market sentiment and company-specific fundamentals.

On the downside, SDGEFLUID emerged as the weakest-performing stock with a 60.50% YTD decline, followed by SDNASDPLC (-44.50%), SD11PLC (-31.29%), SDFOODCPT (-26.47%), and SDMRS (-23.05%). The losses were primarily driven by profit-taking, weaker investor sentiment in selected counters, and portfolio rebalancing following strong gains recorded elsewhere within the market.

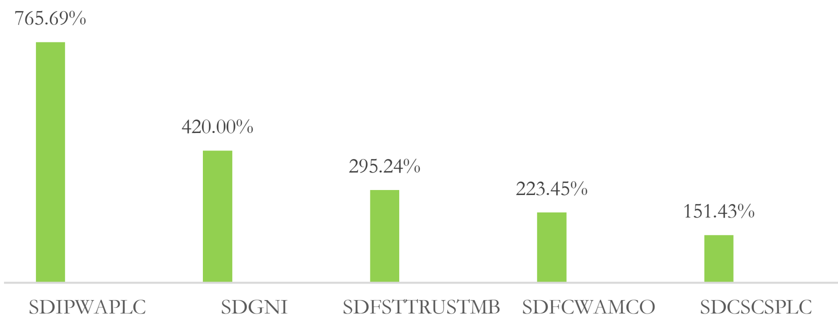
NASD OTC Monthly Trading Volume For Half-Year 2026



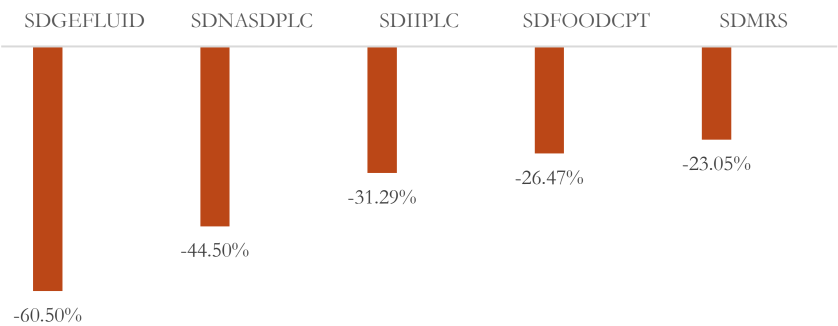
NASD OTC Monthly Turnover Value For Half-Year 2026



NASD Top 5 Gainers Chart for Half-Year 2026



NASD Top 5 Loser's Chart for Half-Year 2026



Overall, the NASD OTC market demonstrated resilience during H1 2026, with broad index gains supported by improving investor confidence despite a moderation in trading activity towards the end of the review period. While liquidity remained concentrated in a relatively small number of securities, the market continued to benefit from sustained demand for fundamentally strong counters and increasing recognition of the OTC platform as a complementary investment destination alongside the listed equities market.

Looking ahead, continued improvements in macroeconomic stability, exchange rate conditions, and investor confidence are expected to support further activity in the NASD OTC market through H2 2026. However, given the relatively shallow nature of the market, liquidity is likely to remain concentrated in fundamentally strong securities, while price movements in selected counters may continue to exhibit elevated volatility. Investors should therefore remain selective, focusing on companies with strong fundamentals, earnings resilience, and sustainable growth prospects.

Notable Update on The NAD OTC Market For Half Year 2026

Change of Name

Air Liquide Nigeria PLC officially changed its name to Nitrox Industrial Gases Plc (trading under the new ticker SDNITROXGAS) on April 29, 2026.

Capital Raising

Great Nigeria Insurance announced a NGN15.60bn 6-for-7 right issue on June 19, 2026, at 2.60 per share.

6.3. FIXED INCOME

Fixed income market performance in H1 2026 was largely shaped by tightening liquidity conditions, increased government borrowing, evolving inflation expectations, and active liquidity management by the Central Bank of Nigeria (CBN). Overall, market yields trended higher across both Treasury bills and FGN bonds, reflecting a gradual shift in sentiment from early optimism around stable policy rates to renewed pricing of fiscal and inflation-related risks in the second quarter.

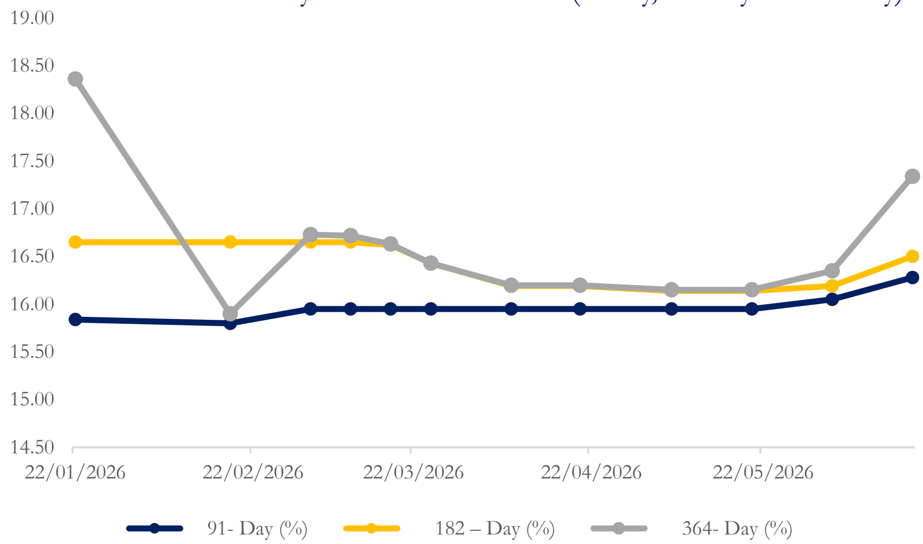
Yields initially moderated in Q1 2026, supported by strong system liquidity and expectations of a stable monetary policy stance. However, this trend reversed in Q2 as liquidity conditions tightened following increased CBN Open Market Operations (OMO), higher fiscal borrowing requirements, and renewed global risk pressures. As a result, average Treasury bill yields rose from 17.72% in January to 18.67% by June, while average FGN bond yields increased from 16.55% to 17.70%, reflecting a repricing of duration risk across the curve.

In the Treasury bills market, demand remained robust throughout the period, supported by elevated nominal yields and strong participation from banks, pension fund administrators, and asset managers. The 364-day instrument remained the preferred tenor, as investors sought to lock in attractive real. returns amid moderating inflation. Stop rates on the 364-day bill initially declined to the 16.15%–16.35% range in May on the back of strong liquidity and aggressive bidding, before rising to 17.34% in June as liquidity tightened and issuance pressures increased

The FGN bond market followed a similar trajectory, although pricing dynamics were more heavily influenced by fiscal financing needs than short-term liquidity conditions. Early in the year, improving macroeconomic sentiment supported demand for longer-duration instruments. However, increased domestic borrowing by the Debt Management Office (DMO) in Q2 led to a gradual upward adjustment in yields, particularly at the mid- and long-end of the curve. The June bond auction was the largest during the period, with NGN1.20 trillion offered across multiple maturities, and stop rates on longer-dated bonds clearing at 18.34%–18.35%, the highest levels recorded in H1.

Primary market activity remained exceptionally strong across both Treasury bills and OMO auctions, reflecting persistent liquidity within the financial system. In late January, the CBN conducted two consecutive OMO auctions that underscored the scale of excess liquidity. The first auction attracted

H1 2026 Treasury Bills Yield Movement (91-day, 182-day and 364-day)



Source: CBN, Bancorp Research. Data as of 30th June 2026 subscriptions of NGN4.80 trillion against an offer of NGN600 billion, while the second recorded even stronger demand of NGN5.92 trillion. Despite strong oversubscription, the CBN allotted NGN3.78 trillion at stop rates of 17.20%–17.25%, highlighting its active liquidity sterilisation stance.

The strong demand for government securities was further supported by improving real yield conditions, as nominal yields remained elevated while inflation moderated into the mid-teens.
This widened the real return differential and reinforced the attractiveness of Nigerian fixed income assets relative to other frontier markets. Combined with FX market reforms and improved exchange rate stability, this also supported renewed foreign portfolio participation in the domestic debt market.

Looking ahead, fixed income market activity is expected to remain strong in H2 2026, supported by sizeable liquidity injections from maturing Treasury bills and continued issuance by the Debt Management Office. According to the Q3 2026 issuance calendar, total Treasury bill supply is expected to remain elevated, with a significant proportion concentrated in the 364-day tenor, while bond issuance is also expected to continue through re-openings of benchmark maturities.

However, yield direction will remain highly sensitive to liquidity conditions, inflation trajectory, fiscal borrowing requirements, and the pace of CBN liquidity management operations. As a result, yields are expected to remain broadly elevated, with intermittent periods of compression driven by liquidity surges and strong auction demand.
From an investment perspective, elevated yields continue to present attractive opportunities for both domestic and foreign investors, particularly in the short- to medium-term end of the curve. However, duration risk remains elevated, and portfolio positioning is expected to remain sensitive to inflation dynamics and fiscal supply pressures.

6.4. CAPITAL ALLOCATION

Recommended H2 2026--- Asset Mix

Asset class	Allocation	Rationale
Nigerian equities	40%	NGX up 47.43% YTD; earnings-led phase ahead, momentum moderating but medium-term trend intact
Short-duration bonds / Treasury bills	35%	Real policy rate 10.57%, among the highest in Africa; strong demand at the 364-day tenor
Long-duration FGN bonds	10%	Yield curve still repricing fiscal supply; duration risk elevated
Eurobonds / frontier sovereigns	10%	Cote d'Ivoire and Kenya reopened markets successfully; selective exposure to reform-credible sovereigns
Cash / FX	5%	Naira stability and narrowing official-parallel spread reduce the case for holding FX

This is a balanced-risk framework. A more conservative investor would shift 10–15 points from equities into short-duration bonds; a growth-oriented investor would do the reverse

Sector Tilt Within Nigerian Equities

Sector	Positioning	Rationale
Oil & Gas	Overweight	Best-performing sector in H1 (+90.21%); PIA implementation, possible listing of the Dangote refinery, and growing gas exposure expected to sustain momentum
Banking	Overweight	Recapitalisation complete; narrative shifting to earnings quality and capital deployment
Industrial Goods	Neutral	Strong H1 (+79.03%) already priced in significant upside; less room to run
Consumer Goods	Neutral	Earnings recovery underway but constrained by still-fragile household purchasing power
Insurance	Underweight	Sole sectoral decliner in H1 (-7.67%); weak breadth despite pockets of stock-specific strength

Key Risks to Monitor

- Momentum has moderated. The NGX ASI's 14-day RSI sits near oversold territory (32.73) following a 12%+ June pullback across banking and industrial goods; further gains are expected to be more selective and earnings-driven than broad-based.
- FTSE Russell reclassification remains under review (decision expected around September 21, 2026), introducing timing uncertainty for passive foreign portfolio inflows.
- Real yields remain attractive but conditional, the current 10.57% real policy rate depends on inflation staying anchored; a reacceleration in food inflation could compress this advantage.

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ANALYSTS' CERTIFICATION

We, the undersigned analysts, certify that the views expressed in this report reflect our independent assessments of economic conditions and trends.

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COMPANY DISCLOSURE

The company may have financial or beneficial interest in securities or related investments discussed in this report, which could, unintentionally, affect the objectivity of this report.

RESEARCH METHODOLOGY

This report is based on:

- Primary Data: Sources include the Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS),
- Federal Reserve Economic Data (FRED) database, Nigerian Upstream Petroleum Regulatory Commission
- (NUPRC).
- Secondary Data: Reports from the Nigerian Exchange Group(NGX), NASD OTC Securities Exchange(NASD), African Development Bank (AfDB), and World Bank.
- Analysis Tools: Statistical modelling, historical trend analysis, and forward-looking projections based on key indicators like GDP growth, inflation forecasts, fiscal and monetary policies, and trade balances.

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.

INVESTMENT GUIDE

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 +14.99%. 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.

For more details on company-specific valuation methodologies, upside/downside risks to current valuation, send an email to research@capitalbancorpgroup.com or Bancorp House, 9 Wesley Street, Marina Rd, off Joseph Harden Street, Lagos Island,114135, Lagos

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