

The Year in Review and 2026 Outlook

Executive Summary

1.0 Macroeconomic Section

Trade policy and tariffs were at the forefront of geopolitical discourse in 2025. The global economy in 2025 grew modestly as firms unwound earlier front-loaded adjustments triggered by tariff uncertainty and shifting trade policies. Global Gross Domestic Product (GDP) growth was reviewed upwards to 3.2% from 3.0% according to the IMF's projections, despite persistent increased geopolitical risks, uneven regional economic performance, and sticky inflation. Central banks eased rates cautiously, countries like the US cut rates by 75bps since the year started, despite intense political pressure to accelerate the easing due to lingering concerns over inflation, especially in light of the tariff face-off. The global economy in 2026 will most likely be a year of fragile stabilisation, with direction dependent on potential geopolitical flashpoints, easing inflation, and reduced trade tensions.

Domestically, 2025 unfolded with a more stable economic environment than was experienced in 2023 and 2024. Since mid-2023, the monetary authorities and the Federal Government have implemented a series of policies to aggressively tackle inflation and to stabilize the currency. The impact of these policies became evident not only in prices but also in real activity, with GDP growth firming in 2025, recording 3.98% growth in Q3 '25 as against 3.86% in Q3 '24. This improvement was driven by higher oil export production, a rebound in trade, and stronger agricultural output, alongside continued strength in ICT and financial services. Inflation dropped decisively from 24.48% y/y in January (post-rebasing) to 14.45% y/y by November 2025. The Naira, which had depreciated by 41.03% in 2024, has so far appreciated by 6.33% to N1,446.74/US\$1 in 2025 as of November. The performance of these metrics underscores an improving macroeconomic environment, reflecting stronger FX liquidity, enhanced policy coordination, and a gradual restoration of investor confidence.

The Monetary Policy Committee (MPC) did a 50bps cut on the MPR in September, bringing the policy rate to 27.00%, reflecting a cautious stance while highlighting improved liquidity conditions and a gradual easing of monetary tightness. To reinforce FX market stability and anchor investor confidence, the CBN also implemented a few key measures, including the Unified Market FX Framework and the revised FX reporting and compliance guidelines. These reforms have helped enhance transparency, improve monitoring of flows, and contribute to a more orderly exchange rate environment.

The response of foreign portfolio investors (FPI) has been positive as well, with over US\$10.95bn in FPI recorded by the CBN between January and November 2025. The

Federal Government of Nigeria also raised US\$2.35bn through a Eurobond issuance, attracting a record order book and signalling strong investor confidence in the recovering economy.

Cumulative effects of these developments in 2026

A key worry in regard to the Nigerian economy has been the very high inflation rate over the last few years, peaking at over 30% in 2024. Inflation trended lower in 2025, especially after the rebasing. In 2026, we expect inflation to continue on a broadly moderating path, easing in the first half of the year, on the back of improved FX liquidity and as policy credibility strengthens. This would be followed by a mild re-acceleration in the second half, as the December 2025 base effect fades and domestic demand strengthens, reflecting typical pre-election year dynamics, including projected higher fiscal spending, which will increase liquidity. Our outlook for the direction of the monetary policy and the exchange rate in 2026 is mainly positive. Monetary easing is expected to proceed cautiously, while improved FX liquidity, stronger external inflows, and more investor confidence in the market reforms should help anchor exchange rate stability during the year; however, being a pre-election year, we do not rule out some possible risks.

We developed three scenarios for the Naira/US dollar exchange rate, inflation, the MPR, GDP, oil prices (Bonny Light), and oil production. Barring any significant external shocks in 2026, our outlook is segmented into a base case, an optimistic case, and a pessimistic case.

Macroeconomic Projections

Core Economic Indicators	2025E		2026F	
	Base Case	Optimistic Case	Pessimistic Case	
GDP growth (% y/y)	3.86	4.22	5.06	3.37
Inflation (% y/y)	31.79	19.08	15.26	22.89
MPR (%)	27	24	22.50	25.50
Avg. Bonny Light (US\$/b)	63.74	61.56	73.87	49.24
Oil Production (mbbl/d)	1.4 - 1.6	1.79	2.00	1.43
Exchange Rate (N/US\$1)	1,456.06	1513.59	1346.17	1681.20

Source: NBS, CBN, and Coronation Research

The base case scenario is built on the assumption that fiscal and monetary authorities will continue to coordinate responses in 2026 to ensure the measures implemented since 2023 continue broadly in line with what we have seen so far.

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The optimistic scenario considers the possibility that key macroeconomic drivers outperform expectations, such as higher than projected FX inflows, quicker transmission of reforms in the macroeconomic environment, continued disinflation, and increased portfolio investment, leading to firmer exchange rate stability and stronger output growth. While the pessimistic scenario is built on a possible setback, either political or economic, such as weaker export oil production, delayed or rolled back policy execution, highly elevated political spending ahead of the elections, and renewed FX pressures, all of which could keep inflation higher for longer, limit monetary policy flexibility, and weigh on growth outcomes.

2.0 Policy Reforms in 2025

Nigeria's 2025 tax reforms constitute the most far-reaching restructuring of the country's fiscal architecture in a long time, replacing twelve legacy laws with a unified, modernised framework that becomes effective in 2026. The reform package—comprising the Nigeria Tax Act, the Nigerian Tax Administration Act, the Nigeria Revenue Service (Establishment) Act, and the Joint Revenue Board (Establishment) Act—streamlines administration, expands the tax base, harmonises multiple levies, and strengthens enforcement through digital fiscalisation and coordinated oversight across federal, state, and local tiers. Key provisions include a simplified corporate tax regime, a progressive capital gains tax structure aligned with global practice, and targeted reliefs for small businesses and low-income earners.

The **Investments and Securities Act 2025** (ISA 2025) delivers the most comprehensive modernisation of Nigeria's capital market framework in nearly two decades, replacing the 2007 Act with a globally aligned, more technology-responsive regime. It expands the definition of securities, formally brings virtual and digital assets under SEC oversight, strengthens the supervisory architecture for financial market infrastructures, and enhances investor protection through broader regulatory powers and tougher enforcement provisions. The Act opens new funding channels by recognising investment contracts, non-interest instruments such as Sukuk, and a wider spectrum of issuers—including crowdfunding platforms, entities in free-trade zones, and specialised government agencies.

3.0 Sector and Company Update

The **banking sector** demonstrated resilience in 2025 with solid balance sheet growth, though profitability moderated due to elevated funding costs and increased impairments. The defining theme has been the industry-wide recapitalisation drive, spurring a series of capital market activities as banks race to meet the March 2026 deadline. The exit from the CBN's forbearance scheme has also had a significant effect in the second half of the year. While investor sentiment has been mixed, leading to sector underperformance relative to the broader market, the outlook is anchored by this strengthening of capital bases and an expected normalization of earnings towards core banking activities in 2026. The Central Bank of Nigeria (CBN) has cut its policy rate by 50bps to 27.00%, reflecting improved liquidity conditions and a gradual easing of monetary tightness. To reinforce FX market stability and anchor investor confidence, the CBN has implemented a few key measures, including the Unified Market FX Framework and the Revised FX Reporting and Compliance Guidelines. These reforms have helped enhance transparency, improve monitoring of flows, and contribute to a more orderly exchange rate environment.

The **Nigerian consumer goods** sector staged a pronounced recovery in 2025, primarily fuelled by Naira stability, which drastically reduced the foreign exchange losses that had crippled profitability in 2023 and 2024. This macro shift, alongside sustained revenue growth, propelled a powerful equity rally, making the sector a top market performer. Shareholder distributions anticipated in 2026. However, this financial repair phase has led to a subdued near-term dividend outlook, as companies prioritize strengthening their balance sheets, with a return to shareholder distributions anticipated in 2026.

The **agriculture sector** remained a resilient contributor to Nigeria's GDP in 2025, showing moderate nominal and real growth, predominantly driven by crop production. International trade value surged significantly, led by cocoa and cashew exports, though momentum diverged quarterly due to volatile global cocoa prices, which retreated from 2024 peaks but are projected to stabilize at current elevated levels.

Executive Summary

The outlook for 2026 anticipates steady sectoral growth supported by crop production, with favourable oil palm prices and a strategic focus on export diversification critical to sustaining trade performance.

Nigeria's leading *listed oil palm producers*, Presco and Okomu, delivered another strong earnings cycle in 2025, extending their post-pandemic growth through divergent strategies; Presco pursued revenue scaling via regional acquisition and export diversification, while Okomu maintained exceptional operational efficiency and domestic market focus. Both companies reported robust profitability and shareholder-friendly dividends, though with differing balance sheet profiles—Presco carrying higher leverage due to their expansion strategy and Okomu maintaining a conservative, net-cash position. The 2026 outlook remains positive, underpinned by a structural domestic supply deficit and favourable pricing, with Presco expected to focus on integrating past acquisitions and Okomu on optimizing yields from its existing estates.

In 2025, the *Nigerian cement sector* experienced a moderation in activity, with the Cement PMI (Oct) declining to 46.9, reflecting softer sentiment, while underlying output remained resilient. Real sector growth outpaced the national GDP, supported by pricing discipline, operational efficiency, and steady domestic demand. Cement companies delivered strong financial performance, with robust revenue growth, margin expansion, and improved balance sheets, while Lafarge Africa and BUA Cement significantly outperformed the broader market. Looking into 2026, the sector is expected to achieve steady expansion, driven by ongoing infrastructure projects such as the Lagos–Calabar Coastal Highway, the Carter Bridge rejuvenation, and government and PPP-led housing initiatives. Structural housing demand, combined with more supportive financing conditions, is likely to sustain cement consumption, positioning the sector for stable, value-added growth despite tighter fiscal spending and a cautious macroeconomic backdrop.

The *Nigerian oil and gas sector* experienced a consequential year in 2025, benefiting from structural reforms like full petrol deregulation and the Dangote Refinery ramp-up, though operating against a softer global crude price environment. Improved pipeline security and the new National Tax Act reshaped the fiscal landscape, while cautious investor sentiment gradually improved due to operational adjustments and advancing gas commercialization. Key listed entities demonstrated strategic execution during the year, with Seplat Energy solidifying its positioning post the transformative MPNU acquisition and outlining a robust growth and dividend framework, while Aradel Holdings delivered resilient

performance through increased production, developments in Renaissance Energy, and new acquisitions like increasing its stake in ND Western. The sector enters 2026 on a surer footing, poised for deeper domestic value addition and gas monetization to counter external volatility.

The *Nigerian telecommunications sector* was shaped in 2025 by two major regulatory actions: a critical 50% tariff increase to offset FX pressures and forthcoming tax reform that simplifies the fiscal regime. These interventions supported a financial recovery for key operators. MTN Nigeria restored profitability and strengthened its equity position through strategic spectrum and roaming agreements. Airtel Africa returned to profit and continued the execution of its US\$100 million share buyback programme. The combined effect of these developments has stabilized the sector's operational and financial foundation.

The *Nigerian power sector* is undergoing a gradual recovery driven by regulatory restructuring, infrastructure upgrades, and increasing private-sector involvement. Reforms gained momentum in 2024 with the Electricity Act 2023, which decentralised the market and enabled states to regulate their own power systems, leading to new sub-national projects and improved generation capacity supported by better gas coordination and TCN investments. Despite these gains, the sector remains financially fragile due to the tariff structure, liquidity constraints, high ATAC losses, ageing infrastructure, and electrification levels below 60%. Looking ahead to 2026, the outlook is cautiously optimistic, supported by ongoing grid expansion, regulatory decentralisation, industry debt resolution, tariff reforms, and renewed efforts toward universal electricity access by 2030.

The *Nigerian mining sector* is shifting from an informal, sporadic industry to a more structured and regulated one. In 2025, it grew by 32.49% y/y, driven by strong performances in Metal Ores, Quarrying & Other Minerals, and Coal Mining. New reforms, especially the National Miners Cooperative Scheme and the digitalisation of the Mining Cadastre, have increased formalisation of mining activity, improved coordination, and attracted more formal private investment. Growth across all subsectors has become more stable, supported by industrial demand and major construction projects. In 2026, the sector is expected to continue this momentum, with more predictable seasonal patterns and deeper formalisation strengthening its overall contribution to the economy.

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Macroeconomic Update

Global Overview

GDP

The IMF reviewed its GDP projection upward to 3.2% in 2025 and 3.1% in 2026, up from 3.0%, reflecting the easing of earlier front-loaded activity by firms and modest improvements from fiscal and monetary adjustments in major economies like the U.S., EU, and China. However, continued geopolitical tensions involving Russia and Ukraine, uncertainty from future policy decisions in key economies, labour supply shocks, sharpen downside risks. Global central banks face weaker growth and sticky inflation in Q3 2025, prompting continued caution towards monetary easing. The U.S. Fed Reserve cut its fed fund rate by 25bps in September 2025, reducing it from the 4.50%-4.75% range in December 2024 to 3.75%-4.00%, The European Central Bank's deposit facility rate is now at 2.00%, down from 3.00% in December 2024, while the Bank of England's base rate stands at 4.00%, down from 4.75% in December 2024.

Chart 1.1: GDP Projections

Country	2023	2024	IMF 2025	IMF 2026	World Bank 2025	World Bank 2026
US	2.9	2.8	2.1	2.1	1.4	1.6
Euro Area	0.5	0.9	1.2	1.1	0.7	0.8
China	5.4	5.0	4.8	4.2	4.5	4.0
UK	0.4	1.1	1.3	1.3	1.3	1.1
Ghana	2.9	5.7	4.0	4.8	4.3	4.6
South Africa	0.8	0.5	1.1	1.2	0.9	1.2
Nigeria	2.9	3.4	3.9	4.2	4.1	4.2

Source: IMF, World Bank, Coronation Research

Inflation

U.S. inflation remains a persistent concern, with headline CPI at 3.0% as of September 2025 – the highest since January 2025 and still above the 2% target. Core CPI also stood at 3.0% in September, largely driven by a 4.1% increase in gasoline prices. The outlook suggests inflation will stay elevated, averaging around 2.9% in 2025 and rising to 3.2% in 2026.

The UK's annual inflation rate eased to 3.6% in October 2025 from 3.8% recorded in September, the lowest level in four months, although still significantly above the 2% target. Prices slowed for housing and utilities, gas and electricity, due to a change in the Office of Gas and Electricity Markets energy price cap in October. However, a mild increase was seen in restaurants, services, clothing, and footwear.

China witnessed its first inflation since June and the fastest pace since January at 0.2% in October, highlighting increased domestic demand. Core inflation rose by 1.2%, but the overall outlook is for prices to stay well under 2% in 2025.

Ghana's annual inflation rate fell to an over four-year low of 8% in October 2025 from 9.4% in September, marking the tenth consecutive period of slowing price growth. Inflation has now converged to the Bank of Ghana's 8% target range. This deceleration is due to the Cedi's strengthening on the back of strong cocoa and gold prices. And supported by easing food inflation, which declined to 9.5%, from 11% in September, while non-food price growth cooled to 6.9% from 8.2%.

Global Overview

Chart 1.2: Inflation Watch

Country	May '25	June '25	July '25	Aug '25	Sep '25	Oct'25	Change (m/m)
US	2.4	2.7	2.7	2.9	3.0	NA	NA
Eurozone	1.9	2.0	2.0	2.10	2.2	2.4	-0.1
China	-0.1	0.1	0.0	-0.4	-0.3	0.2	0.1
Uk	3.4	3.6	3.8	3.8	3.8	3.6	-0.2
Ghana	18.4	13.7	12.1	11.5	9.4	8.0	-1.4
South Africa	2.8	3.0	3.5	3.3	3.4	3.6	+0.2

Source: IMF, World Bank, Coronation Research

Crude Oil

Oil price movements between Q4 2024 and November 2025 moved downward from \$74.64/barrel at the end of last year to \$63.20/barrel. OPEC+'s firm decision to raise production quotas by an additional 548,000 bpd drove this fall. Simultaneously, demand-side sentiment deteriorated amid re-igniting global trade tensions, particularly between the US and China, and weak economic news from China, a major oil buyer.

Domestic Overview

GDP

GDP growth in the third quarter closed at 3.98% year-on-year; the non-oil sector drove much of the growth momentum on the back of a seasonal crop production boost. Average daily crude oil production decreased to 1.64 million barrels per day (mbpd), higher than the 1.47 mbpd recorded in Q3 2024 but lower than 1.68 mbpd in Q2 2025.

Chart 1.3: Nigeria at a Glance

GDP Growth Rate	Inflation	MPR
3.98%	14.45%	27.00%
Oil Price (Brent)	Bonny Light	External Res.
US\$63.02/b	US\$65.69/b	US\$44.67bn
Parallel Market	NAFEM	GDP Projection
N1,470.00	N1,446.74	4.2% (WB), 3.9% (IMF)

Source: IMF, World Bank, Coronation Research

Monetary Policy Rate (MPR)

The Monetary Policy Committee (MPC) retained its policy rate at 27.00%, adjusted the Standing Facility corridor around the MPR to +50/-450 basis points, retained the Cash Reserve Requirement (CRR) for Deposit Money Banks at 45.00 per cent, Merchant Banks at 16.00 per cent, and 75.00 per cent for non-TSA public sector deposits and kept the Liquidity Ratio unchanged at 30.00 per cent.

Inflation

Headline inflation further declined to 16.05% y/y in October from 18.02% y/y in September 2025, according to the NBS. On a month-on-month basis, the headline inflation rate was 0.93% higher than the rate in September 2025 (0.72%). The gross reserve in November 2025 increased to US\$44.67bn from US\$43.17bn in October 2025, gaining US\$1.50bn, sufficient to cover 8 months of imports for goods and services.

Credit Rating

Nigeria's credit ratings received a boost as Moody's upgraded its rating to B3 with a Stable outlook, citing improved external balances and fiscal discipline. Fitch likewise upgraded Nigeria to B with a Stable outlook, reflecting stronger fiscal and external indicators. S&P also upgraded Nigeria to a B- rating with a positive outlook, citing sustained reform momentum, which has strengthened key economic indicators and improved growth expectations. In October, the Financial Action Task Force (FATF) removed Nigeria from the list of jurisdictions under increased monitoring, commonly known as the "grey list".

Geopolitical Tensions

U.S. – China: Elevated Geopolitical Risk, Resilient Global Markets

U.S.-China relations in late 2025 have shifted toward a phase of managed competition rather than outright escalation. Recent high-level engagements delivered limited de-escalatory measures, including partial tariff reductions and temporary pauses on selected export controls. However, these steps remain tactical and have not altered the underlying strategic rivalry. Competition over critical technologies, semiconductors, and artificial

Intelligence and strategic minerals continue to intensify,

Both countries are pursuing industrial policy, export controls, and allied supply-chain arrangements to secure technological and economic advantage.

As a result, global supply chains are increasingly shaped by friend-shoring and near-shoring strategies, reinforcing bloc formation and reducing efficiency. While dialogue has lowered near-term tail risks, the persistence of structural tensions suggests US-China frictions will remain a key source of uncertainty for global trade, investment flows, and growth heading into 2026.

Israel-Iran tensions/ Middle East Conflict

The war in Gaza continues to drive regional instability, drawing in groups aligned with Iran and escalating tensions between Tel-Aviv and Tehran. Despite diplomatic efforts, a lasting ceasefire between Hamas and the Israeli government remains uncertain as violence continues and occasionally spills into neighboring areas such as Lebanon and the Red Sea corridor.

Further escalation could threaten vital oil and shipping routes, notably the Strait of Hormuz and the Suez Canal, disrupting global energy supply chains. Such developments would likely push oil prices higher, fuel inflationary pressures, and heighten volatility across global energy and financial markets.

Nato-Russia Tensions

No clear resolution appears in sight in the NATO-Russia standoff, as both sides continue to expand military readiness along Europe's eastern flank. The conflict in Ukraine remains the key flashpoint, with limited diplomatic progress despite a change in policy in this regard from the incoming U.S.

China-Taiwan Flashpoint

Tensions remain high as China increases military pressure around Taiwan through expanded drills and air incursions, while Taiwan strengthens its defense partnerships with the U.S., Japan, and other allies. No diplomatic breakthrough appears in sight, and cross-strait relations remain strained.

Any escalation, whether through a blockade, cyberattack, or limited military engagement, could severely disrupt global semiconductor supply chains, given Taiwan's dominance in chip production. Such disruptions would ripple through global manufacturing, heighten market uncertainty, and weigh on global trade and technology sectors.

Crude Oil

Global Oil Market: Demand Rebounds as Supply Growth Moderates

Global oil demand staged a strong rebound in Q3 25, rising by 920 thousand barrels per day (kb/d), supported largely by a recovery in Chinese consumption and a firmer global trade environment. The expansion was more than twice the 430 kb/d year-on-year increase recorded in the second quarter, reflecting a broad improvement in global macroeconomic conditions. For full-year 2025, demand is projected to grow by around 790 kb/d year-on-year, driven primarily by incremental consumption in the United States, China, and Nigeria, each contributing roughly 120 kb/d. Momentum is expected to remain intact into 2026, with global demand growth holding at about 770 kb/d year-on-year.

After months of uninterrupted growth, global oil supply experienced a brief pause in October, settling at 108.2 million barrels per day (mb/d), following a 440 kb/d monthly decline led by OPEC+. Despite this pullback, global supply has expanded sharply—up by 6.2 mb/d since January—with increases evenly split between OPEC+ and non-OPEC+ producers. Looking ahead, global supply is forecast to rise by 3.1 mb/d in 2025 and a further 2.5 mb/d in 2026, lifting average output to approximately 108.7 mb/d. Non-OPEC+ producers will remain the dominant contributors, accounting for 1.7 mb/d of growth in 2025 and 1.2 mb/d in 2026.

According to the International Energy Agency (IEA), global observed oil inventories surged by 77.7 mb, or 2.6 mb/d, in September, reaching the highest level since July 2021. Oil on water was up by a hefty 80 mb, while OECD stocks rose by a modest 5 mb and non-OECD drew by 7 mb. Over the first nine months of the year, observable inventories have risen by 313 mb, or 1.15 mb/d on average. Preliminary October data showed global stocks increased further, led by additional gains in oil on water.

In 2025, OPEC+ oil production averaged around 41.3 mb/d, reflecting a cautious but steady unwinding of earlier voluntary cuts by key members. Output growth was most pronounced in Iraq, the UAE, and Libya, supported by improved upstream investment and infrastructure recovery. These gains offset declines in Angola and Nigeria, where aging fields, underinvestment, and fiscal constraints continued to limit production capacity. Saudi Arabia spent 2025 balancing its desire to support prices with the need to preserve market share amid persistent global oversupply. Outside the grouping, rising output from the U.S., Brazil, and Guyana added further pressure to OPEC+'s market management efforts. So far in 2025, UK Brent crude has averaged USD 63.02/b as of October, while WTI averaged USD 67.24/b during the same period.

Chart 1.4: Brent Oil Price (2024-2026)

Commodity	End - 2024 (USD/b)	Nov- 2025 (USD/b)	2026F (USD/b)
Brent Oil (US\$/bbl)	\$73.9	\$64.07	\$52

Source: IEA, Coronation Research

Oil Production in Nigeria

Data from the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) showed a notable recovery in crude oil production across key terminals in Q3 2025, with Bonny (+37.0% y/y), Brass (+17.0% y/y), Forcados (+10.0% y/y), Ajapa (+53.0% y/y), Oyo/Obodo (+487.0% y/y), and Uptate (+195.0% y/y) recording significant year-on-year growth. This rebound reflects the combined impact of restored production facilities, enhanced security along major Niger Delta pipelines, and improved operational efficiency across key assets.

The oil sector rebounded sharply, expanding by +20.46% y/y in Q2 2025 after a prolonged period of contraction during 2023-24, although it moderated to 5.84% in Q3 2025, due to temporary production disruption seen in Q3. Higher output translated into increased export earnings, stronger fiscal revenues, and improved foreign exchange inflows, helping to ease pressure on external reserves.

However, overall production remained below Nigeria's estimated 1.8-2.0 mbpd potential, limited by intermittent pipeline shutdowns and historic underinvestment in upstream infrastructure. Looking ahead, output growth faces downside risks from aging assets, delayed field start-ups, and ongoing funding challenges that could constrain Nigeria's ability to sustain its production recovery and even increase it in 2026.

Chart 1.5: Bonny Oil Price and Production (2024-2026)

Commodity	Dec-2024	Nov-2025	2026F
Avg Bonny Light (USD/b)	\$82.4	\$65.69	\$61.56
Avg Oil Production (mbpd)	1.34	1.46	1.79

Source: NUPRC, CBN, and Coronation Research

Crude Oil

2026 Outlook

Oil production in Nigeria is projected to rise modestly in 2026, supported by ongoing upstream investments by Seplat Energy and Renaissance Africa Energy. Seplat plans to raise output from about 135,000 bpd to 200,000 bpd within five years under its \$2.5–\$3 billion capital expenditure program, while Renaissance targets output of around 300,000 bpd starting from Jan 2026, up from 230,000 bpd after Shell's exit. These expansions, alongside improved pipeline surveillance and sustained restoration of previously shut-in fields, are expected to lift average national output to between 1.7 mbpd and 1.8 mbpd in 2026. Increased infield drilling, workovers, and the completion of key brownfield projects should further stabilize supply.

However, downside risks persist from potential OPEC+ production cap adjustments, intermittent security challenges in the Niger Delta, and volatility in global oil prices driven by geopolitical tensions and demand uncertainty. Overall, stronger domestic crude utilization and steady export earnings are expected to support foreign exchange stability, enhance fiscal consolidation, and strengthen Nigeria's external balance in 2026.

Exchange Rate

Overview

The foreign exchange market recorded a notable recovery in 2025 across market segments, supported by sustained policy reforms, improved FX inflow from autonomous sources, and renewed investor sentiments.

At the official window, the Naira rebounded, appreciating by 6.33% YTD (as at the end of November) to settle at N1,446.74/US\$1, reflecting a significant improvement when compared to the sharp 41.03% depreciation in 2024. We observe a similar trend in the parallel market, where the Naira strengthened by 12.93% against the US Dollar. As a result, the gap between the official rate and the parallel rate narrowed materially to 1.73% from 7.91% as of the end of 2024.

Data from the CBN shows a noteworthy build-up in foreign reserves. The gross reserves expanded by 9.27% YTD (as at end-November) to settle at US\$44.67bn from US\$40.88bn in 2024, showing an accretion of US\$3.79bn over the period. The improvement indicates stronger FX inflow, higher crude oil-related receipts, and reduced FX demand for fuel imports.

Chart 1.6: External Reserve Vs. Exchange Rate (2024-2026)

Metric	End-2024	Nov-2025	Variance (%)
External Reserves (US\$ 'bn)	40.88	44.67	+9.27
NAFEM (NGN/US\$)	1538.25	1,446.74	+6.33
Parallel Market (NGN/US\$)	1,660.00	1,470.00	+12.93

Source: CBN, Coronation Research

2024 Developments

In 2024, the Central Bank of Nigeria (CBN) intensified reforms to restore transparency and efficiency in the FX market. The Bank revoked 4,173 Bureau De Change (BDC) licenses in March to curb speculative activity and reduce leakages into the parallel market. By mid-year, nearly US\$2 billion in FX backlog had been cleared, with the CBN announcing that all verified obligations were settled. In December, Bloomberg's BMatch platform was integrated into the Electronic Foreign Exchange Monitoring System (EFEMS) as the official order-matching system. This moves significantly improved transparency, enhanced price discovery, and facilitated a more unified exchange rate framework.

2025 Developments

Reform momentum continued in 2025 as the CBN launched the Nigeria FX Code in January, establishing clear governance, ethics, and conduct standards for market participants. The Bank approximately US\$4.1 billion in the first half of the year to defend the Naira and support liquidity amid persistent demand pressure. The combined use of BMatch/EFEMS improved interbank visibility and transaction efficiency, narrowing the gap between official and parallel rates. However, underlying pressures remained in the FX market, even as the Naira broadly stabilized and appreciated through 2025. Import demand continued to recover, oil export receipts stayed moderate, and foreign investment inflows (especially the FDI) were still relatively weak.

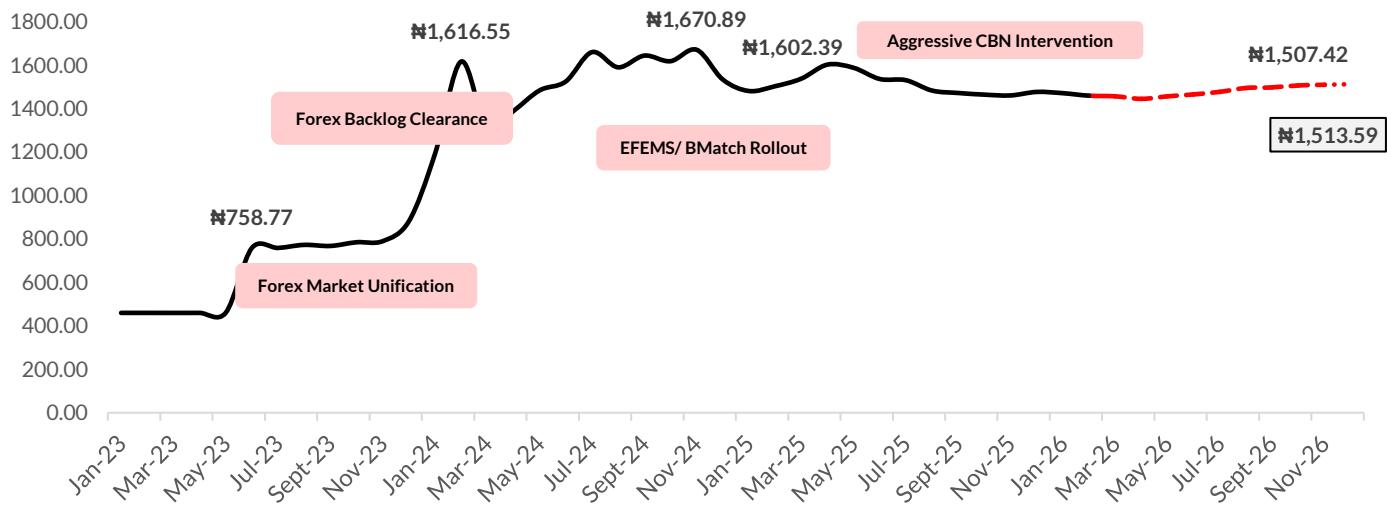
2026 Projections

Our exchange rate outlook is derived from our in-house model, which uses historical trends and volatility patterns in the Naira-US Dollar market, amongst other inputs. The projection reflects movements in key drivers such as oil prices, foreign reserves, monetary policy actions, and capital flows, ensuring a balanced view of both structural factors and short-term market dynamics.

The Naira is projected to trade within a range of N1,400-N1,500/USD in 2026, supported by higher oil production, reduced dependence on refined fuel imports, and improved FX liquidity from higher export earnings. Nonetheless, sustained exchange rate stability will hinge on maintaining policy consistency, strengthening investor confidence, ensuring fiscal prudence, and improving capital inflows through a more transparent and market-driven FX framework.

Exchange Rate

Chart 1.7: Exchange Rate Forecast 2026



Source: CBN, Coronation Research

GDP

Nigeria GDP 2025

Nigeria's economy expanded by 3.98% y/y in Q3'25, compared with 3.86% y/y in Q3'24, while slower than the 4.23% recorded in Q2'25. This improvement was driven largely by the non-oil sector, which contributed 96.6% total output and grew 3.91% y/y, up from 3.64% in the previous quarter. Resilient growth across trade, ICT, agriculture, and financial services continued to underpin economic performance. In contrast, the oil sector faced operational disruptions from strike actions and maintenance activities, which temporarily reduced crude production and softened its contribution.

Chart 1.8: Nigeria GDP (2024-2026)

Indicators	2024-2025 - (% change; y/y)				
	Q3 '24	Q4 '24	Q1 '25	Q2 '25	Q3 '25
Real GDP growth	3.86%	3.76%	3.13%	4.23%	3.98%
OIL	5.66%	2.08%	1.87%	20.46%	5.84%
NON- OIL	3.79%	3.80%	3.19%	3.64%	3.91%

Source: NBS, Coronation Research

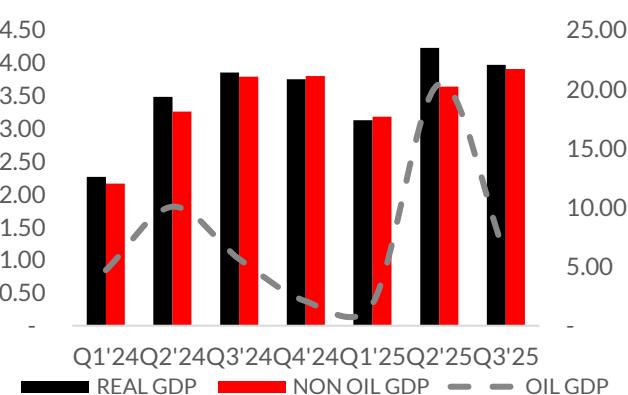
The oil sector grew by 5.84% y/y in Q3'25, marking a significant deceleration from the 20.46% y/y recorded in the previous quarter. Beyond the moderation in growth, the sector's share of total GDP fell to 3.44%, down from 4.05% in Q2 2025, underscoring the sector's vulnerability to operational and labour-related shocks. The weaker performance was largely driven by temporary production disruptions stemming from the PENGASSAN strike and scheduled maintenance activities across major oil facilities during the quarter. These operational challenges were reflected in the sector's output profile. Average crude oil production slipped to 1.64mbpd in Q3, down from 1.68mbpd in Q2 2025 but still higher than the 1.56mbpd recorded in the corresponding period of 2024.

The non-oil sector grew by 3.64% y/y (vs. 3.26% y/y in Q2'24), driven by sustained expansion in finance and insurance (16.18%), construction (5.27%), real estate (3.79%), telecoms (6.9%), and agriculture (2.82%). The modest uptick in manufacturing (1.60%) and trade (1.29%) suggests a gradual recovery in consumer and industrial demand amid tight monetary conditions. The agriculture sector maintained its growth momentum in Q3 '25,

expanding by 3.79% y/y, up from 2.82% y/y in Q2.

This growth was primarily driven by a sharp recovery in crop production, which accelerated to 3.90% y/y from 1.62%, supported by improved seasonal harvests and stronger domestic and export demand. The easing of some supply chain bottlenecks improved the flow of inputs and outputs, while good harvests helped reduce the rate of food inflation, as observed in three consecutive months of falling month-on-month food inflation prices during Q3.

Chart 1.9: Oil and Non-Oil GDP (N'trn) vs Real GDP (%)



Source: NBS, Coronation Research

GDP 2026 Outlook

The outlook for the rest of the year remains broadly positive, supported by stronger oil production, improved investor sentiment, and continued fiscal and structural reforms aimed at deepening productivity. is expected to see continued but moderate GDP expansion, with non-oil sectors, particularly services, agriculture, and manufacturing, leading the way, while the oil sector stabilizes. The Yuletide season will potentially present a temporary boost to consumption-driven sectors, which may positively influence quarterly growth and liquidity in the economy.

GDP

Forecasts Methodology

GDP projections in this report are derived from our internal model, which utilizes several inputs, including recent growth trends and available post-rebasing data. The approach ensures consistency with Nigeria's latest economic performance while maintaining a balanced and realistic outlook.

Chart 1.10: Nigeria Real GDP Forecast (2024-2026)

Indicator	2024-2026 - (% change; y/y)		
	FY '24	FY '25F	FY '26F
Real GDP growth	3.48%	3.82%	4.22%

Source: CBN, Coronation Research

Economic Consideration and Strategic Outlook

Nigeria's economy in 2025 remained in a state of transition into more macro-economic stability, supported by rising oil production—averaging 1.68mbpd in H1, and gradually easing inflationary pressures. Government reforms across the fiscal and monetary fronts continued to improve investor confidence and capital inflows, although consumer demand remained subdued amid elevated prices and constrained household purchasing power. Structural bottlenecks in logistics and energy supply also tempered the pace of recovery.

Looking ahead to 2026, we project GDP to grow by 4.22%, underpinned by sustained higher oil output and improved foreign exchange (FX) liquidity. Increased investments in the oil sector, combined with improved security in oil-producing regions, are expected to lift production levels and support fiscal stability through stronger export receipts and enhanced government revenues, especially as the unwinding of fuel subsidy arrears gathers momentum.

Beyond oil, non-oil sectors will remain the backbone of Nigeria's economic expansion. The services, agriculture, and industrial sectors are expected to drive growth momentum. Trade liberalization measures—such as the suspension of the 4% Free on Board (FOB) levy, customs digitization initiatives, and broader trade facilitation reforms—should spur private investment and streamline cross-border trade. Enhanced participation in the African Continental Free Trade Area (AfCFTA) is also poised to open greater access to an estimated \$3.4 trillion pan-African market, though persistent port congestion, renewed FX volatility, and regulatory uncertainty could limit the full realization of these benefits.

Inflation is expected to moderate further in 2026, driven by improved food supply chains, stable energy costs, and the continuation of a tight monetary policy stance. The exchange rate is projected to remain relatively stable, assuming no major global commodity or financial shocks. Additionally, continued reforms, higher oil receipts, and rising portfolio and remittance inflows (through official channels) are expected to strengthen Nigeria's external reserves, improving the CBN's capacity to provide liquidity as a last resort and sustain FX market confidence.

On the industrial front, large-scale projects such as the Dangote Refinery, which has already contributed to a 48% decline in fuel imports in H1 2025, will further enhance energy self-sufficiency and reduce import dependence on petroleum products. Similarly, Seplat Energy's \$2.5–\$3.0 billion gas investment program (2026–2030), involving the drilling of 120–150 new wells, is expected to expand domestic gas supply, boost industrial output, and enhance energy security when combined with the expected completion of the OB3 and AKK pipeline projects. Together, these developments will strengthen Nigeria's external balances, drive oil GDP growth, and reinforce the foundation for medium-term economic resilience.

Inflation

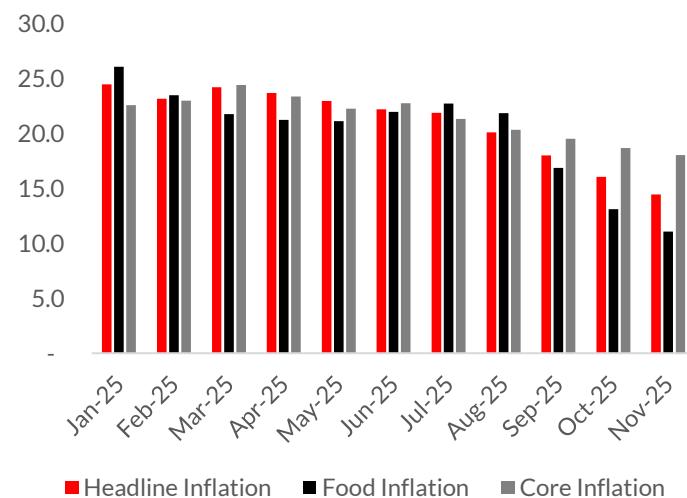
Inflation in 2025

The National Bureau of Statistics (NBS) rebased and re-weighted the Consumer Price Index (CPI) basket in Q1 2025, which led to a moderation of year-on-year inflation readings from January 2025. Headline inflation eased steadily, reaching 14.45% y/y in November from 34.60% in the corresponding period of 2025.

Food inflation fell to 13.12% y/y in October from 26.1% y/y in January 2025, supported by improved harvests and better food supply. Similarly, core inflation moderated to 18.69% y/y in October from 22.6% y/y in January 2025, aided by exchange rate stability and sustained naira appreciation, which helped reduce imported cost pressures.

The fading impact of earlier fuel and energy reforms, alongside improved domestic refining, further eased price pressures. In response, the CBN cut its policy rate by 50bps in September 2025, the first since 2020, while maintaining the rate at 27.00% at its November meeting. However, structural bottlenecks, high logistics costs, and insecurity in food-producing regions remain key risks.

Chart 1.11: Headline, Core and Food Inflation (%; y/y)



Source: CBN, Coronation Research

Inflation in 2026

We project headline inflation to ease to the 15–16% range by mid-2026, supported by improved food supply, tighter monetary conditions, a more stable exchange rate, continued FX liquidity, and the fading impact of fuel subsidy arrears. However, we expect inflation to rise again toward 19.08% by year-end as base effects fade, and demand-side pressures strengthen, amplified by increased election-related spending. Softer fuel costs and ongoing fiscal reforms should help temper the pace of this re-acceleration.

Food inflation should ease with improving harvests (supported by schemes such as the National Agricultural Growth Scheme (NAGS) initiatives), better logistics, more food imports, and increased local fertilizer supply. Yet, climate risks, insecurity in the breadbasket states, and any Naira weakness remain significant upside risks.

Chart 1.12: Inflation (2024 – 2026)

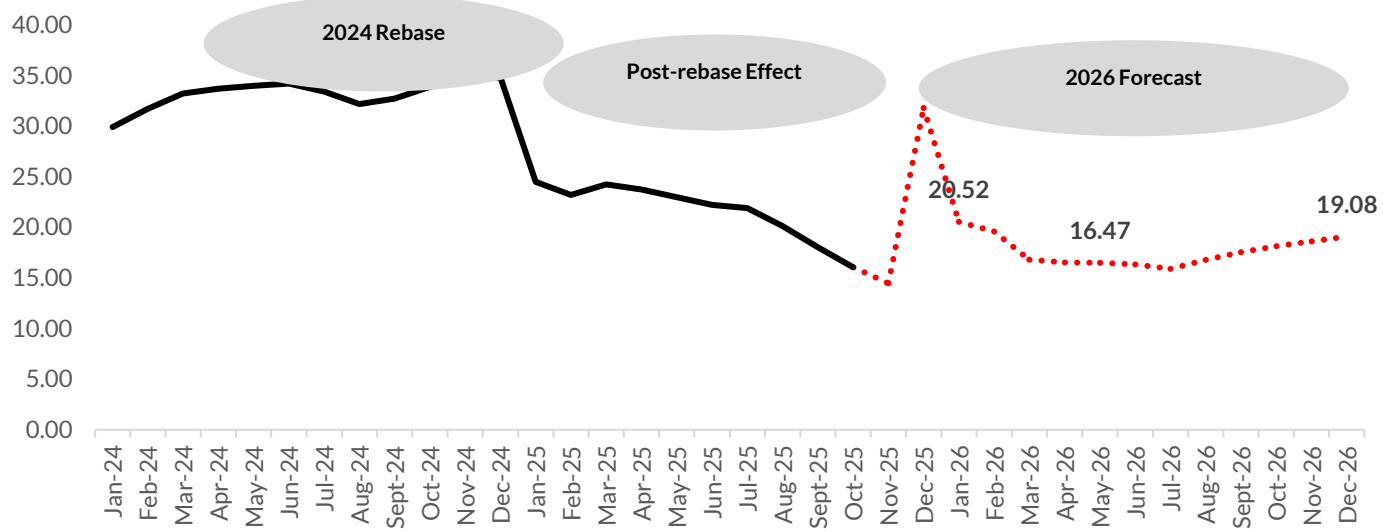
Indicator	2024-2025 - (% change; y/y)		
	End-Period '24	Nov '25	End-Period '26
Inflation (y/y)	34.80%	14.45%	19.08%

Source: CBN, Coronation Research

Monetary policy should be eased gradually, supported by capital inflows and continued Naira stability. Overall, disinflation is likely to be gradual, sustaining Nigeria's reform-driven recovery in 2026 but 2026 is also a pre-election year so there is some upside risks to inflation and financial sector liquidity from political considerations especially if it looks like it will be a tight election.

Inflation

Chart 1.13: Chart: Headline Inflation Trend and Forecast (%)

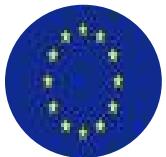


Source: CBN, Coronation Research

Monetary Policy Decisions in Selected Economies



The US Federal Reserve Bank: The Fed cut the federal funds rate by 25 bps to a range of 3.5%–3.75% in its December 2025 meeting, following similar reductions in September and October, bringing borrowing costs to their lowest level since 2022. Policymakers cited increasing downside risks to employment in recent months while inflation remains relatively elevated and above the 2% target. Forward guidance indicates there would likely not be another cut before year end, with more uncertainty on the direction in 2026 amid ongoing labour market and inflation risks.



The European Central Bank: The European Central Bank left interest rates unchanged for a third consecutive meeting in October, signaling confidence in a resilient eurozone economy and easing inflation pressures. The main refinancing rate remained at 2.15%, while the deposit facility rate stayed at 2.0%. The ECB has kept rates unchanged, signaling a pause in its easing cycle as inflation trends closer to the 2% target. However, a potential cut is possible in early 2026.



The Bank of England: The Bank of England kept the rate unchanged at 4% at its September meeting. With inflation still elevated and caution about the growth in the broader economy. Recent speculation about the November budget update and inflation numbers showing inflation dropping in October suggests that another 25bps cut in December is possible.



The South African Reserve Bank: The SARB cut its key repo rate by 25 bps to 6.75% in November 2025, as widely anticipated, after keeping it unchanged at 6.50% in September. Policymakers noted that inflation has accelerated somewhat over the past few months, reaching 3.6% for October, but they expect this to be temporary, with inflation remaining on track to meet the new 3% medium-term target.



The People's Bank of China: The PBoC kept key lending rates at record lows for a fifth consecutive month in October. -10bps and -15bps to 3.35% and 4.10% respectively. The Loan Prime Rate (LPR) remained unchanged at 3%, while the five-year LPR, which anchors mortgage rates, was held at 3.5%. The PBoC is likely to keep policy steady for the remainder of 2025, with possible modest easing in 2026 if growth slows further.



The Bank of Ghana: The BoG cut its rates by 350bps to 21.50% in Sept 2025 and is likely to follow a gradual easing path through the rest of 2025, with potential further cuts in 2026 if inflation and fiscal metrics continue to stabilize



The Central Bank of Kenya: The CBK lowered its rate to 9.25% in October 2025, marking its eighth consecutive rate reduction amidst cooling inflation. Further rate cuts are possible in late 2025 and into 2026 as growth remains supported and inflation remains moderate.



The Central Bank of Egypt: The CBE cut rates by 100bps to 21% at the October meeting. Additional modest cuts are expected before the end of 2025 if inflation continues to ease. In 2026, broader reform and external factors will shape the policy path.

Monetary Policy Committee - Nigeria

The MPC meeting was held on the 24th and 25th of November 2025.

MPC Decisions

The MPC retained the Monetary Policy Rate at 27.00%

- The asymmetric corridor around the MPR was adjusted to +50bps /-450bps from +250bps/-250bps
- Cash Reserve Ratio for Deposit Money Banks was retained at 45.00%
- CRR for Merchant Banks was retained at 16.00%.
- CRR on Non-TSA (Treasury Single Account) Public Sector deposits was maintained at 75%.
- Liquidity ratio retained at 30.00%.

Expectations

- The MPC decision at the next meeting would be driven by inflation and exchange trend.

Key 2025 CBN Policies

Non-Resident Bank Verification Number (NRBVN) platform

The Central Bank of Nigeria (CBN), in collaboration with the Nigeria Inter-Bank Settlement System (NIBSS), officially launched the Non-Resident Bank Verification Number (NRBVN) platform on May 13, 2025. This innovative digital gateway enables Nigerians in the diaspora to obtain a BVN remotely, eliminating the need for a physical presence in Nigeria for the process.

Launch of the Nigerian Foreign Exchange (FX) Code

On January 28, 2025, the CBN launched the Nigerian Foreign Exchange (FX) Code to promote a stable financial ecosystem and ensure that the authorized dealer banks deal ethically and comply with international best practices in foreign exchange transactions. The FX Code represents a set of principles generally recognized as good practice in the FX Market.

License Renewal Fee for BDCs Waived

On January 24, 2025, the Bank, in its efforts to stabilize and streamline operations in the country's foreign exchange market and ease the financial burden of Bureau De Change (BDC) operators, waived the 2025 non-refundable annual license renewal fee.

The aim was to help BDCs transition smoothly into the new structure, enabling them to allocate resources to comply with the revised guidelines.

PAPSS Rules Eased to Boost Nigeria's Intra-African Trade

The CBN's in a circular dated April 28, 2025, simplifies documentation for the Pan-African Payment and Settlement System (PAPSS) transactions, making cross-border payments faster and cheaper for Nigerians, especially SMEs under the AfCFTA. Individuals can now make payments up to \$2,000/month and businesses up to \$5,000/month with only basic KYC/AML documents. The policy also allows banks to source FX for PAPSS transactions through the official market, improving liquidity and easing intra-African trade.

CBN Tightens FX Rules with Suspension of Export Proceeds Extensions

The Bank suspended extensions on the repatriation of export proceeds for oil and non-oil exports effective January 8, 2025, in line with the Foreign Exchange Manual (2018), which mandates repatriation within 90 days for oil and 180 days for non-oil exports. The move

Monetary Policy Easing

In 2026, monetary policy is expected to gradually ease, aimed at consolidating the projected decline in inflation toward 15-16% in the first half of the year before it accelerates toward 19.08% in the second half. The MPC will likely balance price stability with measures to support credit growth, FX stability, and investment. Against this backdrop, we see the MPR easing toward 24%.

Monetary Policy Committee - Nigeria

CBN Uses OMO to Enforce TSA Compliance

The CBN is expected to sustain the use of Open Market Operations (OMO), with the primary objective of discouraging the placement of public deposits outside the Treasury Single Account (TSA) system. Recent bilateral OMO transactions also signal the Bank's intention to reinforce FX liquidity and strengthen compliance within the public-sector financial framework.

Chart 1.14: MPR 2026 Forecast Scenarios

Year	Base Case	Optimistic	Pessimistic
End-2026	24.00%	22.50%	25.50%

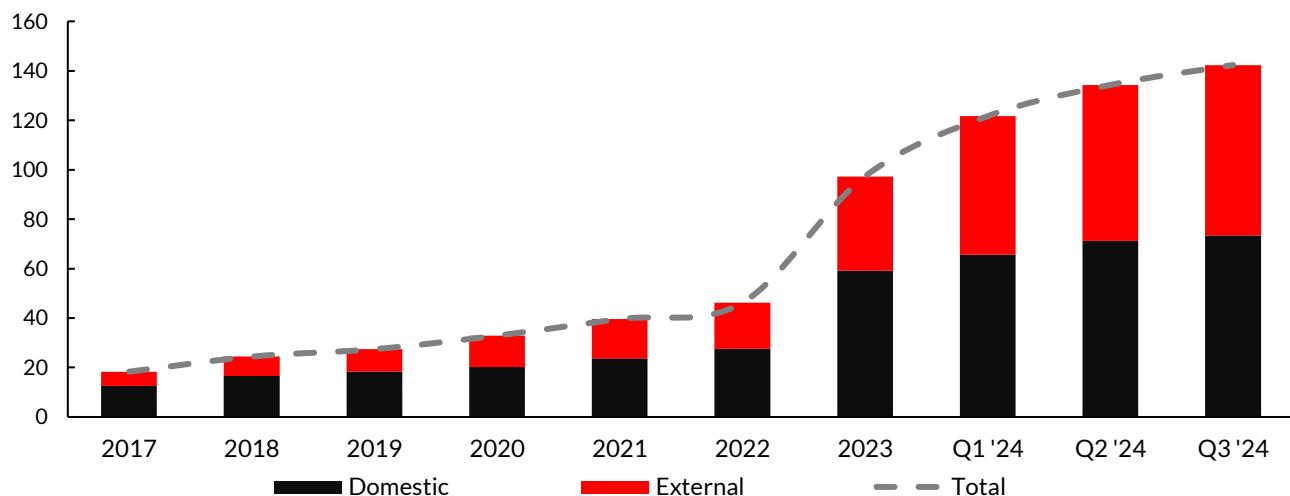
Source: Coronation Research

Fiscal Policy: Debt Management

Public Debt Stock

Total public debt stock stood at N152.40trn (securitized ways and means inclusive) as at Q2 2025, a 13.49% increase from N134.29trn in the corresponding period of 2024. Meanwhile, public debt rose marginally by 2.01%, primarily driven by new borrowings from both domestic and external lenders.

Chart 1.15: Total Public Debt Stock (N' trillion)



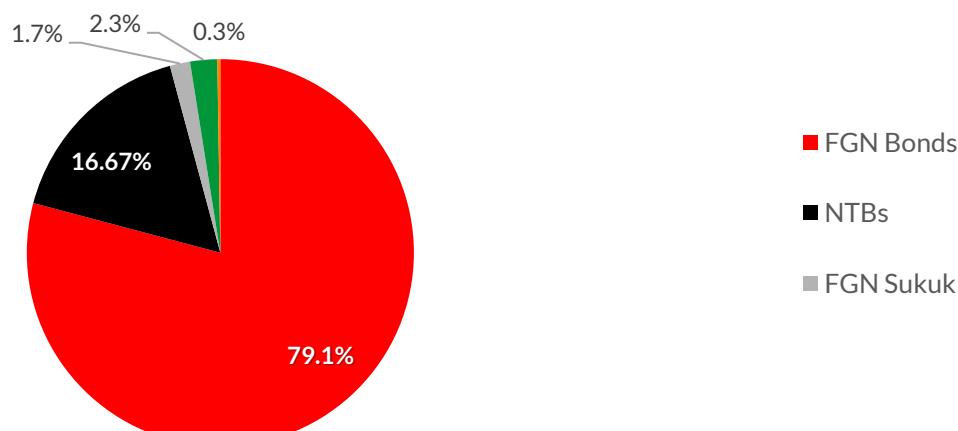
Source: DMO Coronation Research

Domestic Debt Stock

Domestic debt increased by 2.27% q/q to N74.89trn. There were q/q increases recorded across FGN bonds (1.42% q/q), T-bills (0.51%), FGN Savings bond (10.80% q/q), FGN SUKUK (30.22%), FGN Green Bond (315.70%) and Promissory Notes (33.07% q/q). The domestic debt for states and the FCT declined by -1.2% q/q to N5.7trn at the end June '25 from N5.8trn recorded at end-June '23. On a y/y basis, it grew by 7.1%. The most indebted states include Lagos (N1.04trn), Rivers (N364.39bn as at Q4 2025), Delta (N204.67 bn), Enugu (N180.49bn) and Ogun (N162.92bn). The total domestic debt stock accounts for 52.86% (N74.89trn) of total public debt.

In the first half of the year, new domestic borrowing stood at N6.18trn vs N13.10trn target in the FGN 2025 budget.

Chart 1.16: Composition of domestic debt as at end-June '25 (% share)



Source: DMO, Coronation Research

Fiscal Policy: Debt Management

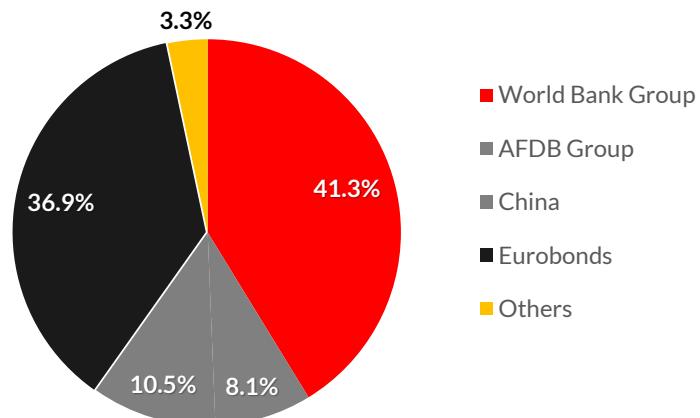
External Debt Stock

External debt stock inched up slightly by 1.73% q/q to US\$46.98bn at Q2 '2025 compared with US\$45.98bn recorded at Q1 '2025. Multilateral lenders like the World Bank and the African Development Bank Group (AFDB) remained Nigeria's largest creditor, accounting for 49.36% of the total external debt.

Bilateral lenders like China, Japan, India, Germany, and France collectively accounted for 13.21% of total external debt, while commercial loans (Eurobonds) and syndicated loans accounted for 37.43%.

Overall, the external debt stock accounts for 47.14% of total public debt.

Chart 1.17: External debt by lender group at end-June 25



Source: DMO, NBS, Budget Office, Coronation Research

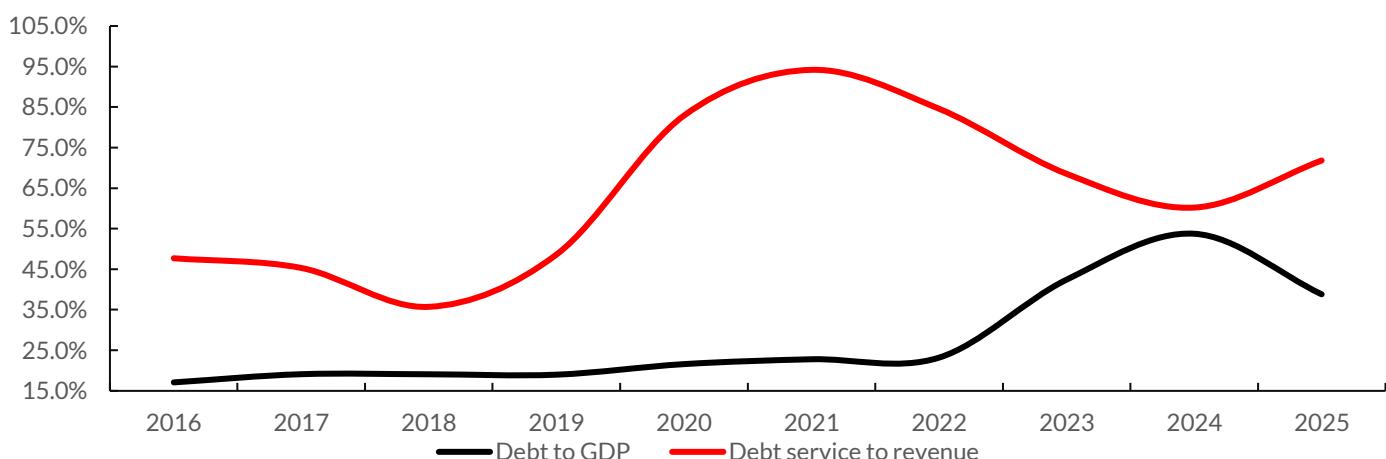
Debt Servicing

As at H1 2025, the FGN had spent c.N4.32trn on domestic debt servicing compared to N2.85trn in H1 '2024. On the external front, the DMO spent US\$2.32bn (about N3.4trn). This brings the total debt service cost to about N7.72trn (Vs N14.42trn in the FGN 2025 Budget) in the first half of the year.

The World Bank projects the debt service to revenue ratio to increase to 44% in 2025 from 38% in 2024. Public debt to GDP stood at 38.80% from over 50% in 2024, below the 60% revised threshold set by the Debt Management Office in the 2024-2027 Medium Term Debt Strategy. This is largely on the back of the GDP rebasing exercise.

This is below the 55% limit set by the World Bank for countries within Nigeria's peer group, such as Ghana (70.50%), Egypt (82.90%), and South Africa (76.90%). The World Bank projects the Debt to GDP ratio to be at 39.8% in 2025.

Chart 1.18: Debt-to-GDP ratio vs Debt-Service-to-revenue ratio (%)



Source: DMO, NBS, Coronation Research

Fiscal Policy: 2025 FGN Budget Performance

FGN Budget Performance (Jan – Jul 2025)

Fiscal Items (N 'billion)	2025 NASS Approval	Pro Rata (Jan-Jul)	Actual (Jan-Jul)	Variance (%)
Aggregate FGN expenditure	54,990.16	32,077.70	20,395.51	-36.42
Statutory Transfers	3,645.76	2,126.69	1,117.32	-47.46
Sinking Fund	377.30	220.09	96.70	-56.06
Non-Debt Recurrent Expenditure	13,588.01	7,926.34	5,865.51	-26.00
Debt Service	13,939.84	8,351.67	9,814.09	+17.51
Capital Expenditure	23,439.25	13,672.90	3,598.59	-73.68
Aggregate FGN revenue	40,889.74	23,852.35	13,665.56	-42.70
Oil Revenue	21,004.81	12,252.81	4,635.69	-62.20
Non-Oil Revenue	19,884.93	11,599.54	9,029.87	-22.15
Fiscal Deficit	-14,100.43	-8,225.25	-6,729.95	-18.18

Source: MTEF 2026-2028, Coronation Research

Highlights of the 2025 Budget Performance

- The 2025 approved budget was optimistic; however, performance was tempered by persistent underperformance in the oil sector, improved non-oil revenue, rising debt service obligations, and a significant capital spending shortfall.
- Oil revenue remained the weakest component of the 2025 budget implementation.** Performance within the first seven months of the year (January–July 2025) showed gross oil and gas revenue achieved only about 37.5% of its prorated target, reflecting continued challenges associated with crude oil production shortfalls, operational inefficiencies, and oil theft.
- The non-oil revenues demonstrated stronger performance, highlighting the growing importance of diversification efforts. CIT collections slightly exceeded prorated targets, while **VAT receipts outperformed expectations by approximately 10%**, reflecting improved compliance, expanded tax coverage, and sustained consumption levels. Electronic Money Transfer Levy (EMTL) collections also recorded significant overperformance, driven by increased adoption of electronic payment platforms.
- On the expenditure side, implementation in 2025 was restrained. Actual spending as of July 2025 fell below the prorated target. **A major factor influencing expenditure outcomes was the extension of the 2024 capital budget to December 2025**, which resulted in the deferral of significant portions of the 2024 capital expenditure to December 2025. **Debt servicing exceeded its prorated target, driven by high domestic interest rates and increased external debt obligations.** This trend reinforces the structural challenge posed by Nigeria's **rising debt service-to-revenue ratio (71.82%)**, which continues to limit fiscal flexibility.
- The combination of revenue shortfalls and elevated debt service obligations continued to widen fiscal pressures in 2025. Although under-execution of capital spending moderated the cash deficit, the underlying structural imbalance between revenues and recurrent obligations persisted. Deficit financing remained largely domestically oriented, with implications for interest costs.

Fiscal Policy: 2026 FGN Proposed Budget

Fiscal Items – Aggregate Expenditure and Aggregate Revenue

The proposed 2026 FGN budget paints a more realistic revenue and expenditure target, which aligns with current macroeconomic dynamics.

2026 FGN Proposed Budget

Fiscal Items (N 'billion)	2026 Proposed Budget	2025 Approved Budget	Variance (%)
Aggregate FGN expenditure	54,458.96	54,990.16	+0.97
Statutory Transfers	3,152.68	3,645.76	-13.52
Sinking Fund	388.54	377.30	-2.98
Non-Debt Recurrent Expenditure	15,265.88	13,588.01	+12.35
Debt Service	15,520.82	13,939.84	+11.34
Capital Expenditure	20,131.04	23,439.25	-14.11
Aggregate FGN revenue	34,334.86	40,889.74	-16.03
Oil Revenue	12,239.65	21,004.81	-41.73
Non-Oil Revenue	22,095.21	19,884.93	+11.12
Fiscal Deficit	-20,124.11	-14,100.43	+42.72

Source: MTEF 2026-2028, Coronation Research

Aggregate Expenditure

Aggregate FGN expenditure is projected at N54.46trn in 2026, representing a marginal increase of 0.97% from the 2025 approved budget. While total spending remains broadly stable, the composition of expenditure reveals notable reallocations. Non-debt recurrent expenditure rises significantly to N15.27trn, an increase of 12.35%, reflecting higher personnel costs and overheads. Debt service continues its upward trajectory, reaching N15.52trn, up 11.34% underscoring persistent fiscal strain from public debt obligations. Capital expenditure is budgeted at N20.13trn, a contraction of N14.11trn compared with 2025. This reduction may limit the pace of infrastructure development and public investment, with potential implications for medium-term growth.

Aggregate Revenue

Aggregate FGN revenue for 2026 is projected at N34.33trn, representing a sharp decline of 16.03% relative to the 2025 approved level. The revenue outlook is heavily influenced by weaker oil price expectations.

Oil revenue is forecasted at N12.24trn, a steep 41.73% decline, driven by lower benchmark oil prices (US\$64.85 per barrel) and reduced production assumptions (1.84 mbpd). Conversely, non-oil revenue is projected to rise to N22.10trn, reflecting an 11.12% increase, highlighting ongoing efforts to strengthen revenue diversification and tax administration.

Budget Assumptions

The 2026 proposed budget is anchored on relatively conservative macroeconomic assumptions. GDP growth is projected at 4.68%, but dependent on strong non-oil sector performance and private investment, particularly as capital spending is being scaled back.

Fiscal Policy: 2026 FGN Proposed Budget

The oil price benchmark of US\$64.85/bbl appears conservative and broadly realistic given current global supply dynamics and softening demand growth. Similarly, the production assumption of 1.84mbpd, while more realistic than past targets, still presumes sustained security and operational gains that remain uncertain.

Chart 1.19: 2026 Proposed Budget Assumptions

Assumptions	2026 Proposed Budget	2025 Budget	Variance (%)
Benchmark oil price (US\$/b)	64.85	75.00	-13.53
Oil production (mbpd)	1.84	2.06	-10.68
Exchange rate (N/USD)	1,512.00	1,500.00	0.80
Target inflation (%)	16.5	15.8	4.43
GDP growth rate (%)	4.68	4.60	1.74

Source: MTEF 2026-2028, Coronation Research

Exchange Rate Assumptions

The exchange-rate assumption of N1,512/US\$ implies relative stability in the foreign-exchange market. While recent reforms have reduced distortions, the assumption leaves little margin for renewed pressure from capital outflows, oil revenue shortfalls, or external tightening. The 16.5% inflation target is achievable, but persistent structural supply constraints present upside risks, requiring tighter coordination between monetary and fiscal policy.

Fiscal Deficit and Financing

The fiscal deficit is projected to widen substantially to N20.12trn, representing a 42.72% increase compared to 2025. This widening gap reflects the combined impact of subdued revenue performance and sustained expenditure pressures. Deficit financing is expected to rely predominantly on borrowing. New borrowings are estimated at N15.84trn, with domestic borrowing bearing the bulk of the burden, accounting for N12.67trn and foreign borrowings at N3.17trn. Additional financing sources include N2.05trn in multilateral and bilateral project-tied loans, alongside N189.16bn in privatization proceeds.

Chart 1.20: Proposed 2026 Deficit Financing

Deficit Financing	2026 Proposed Budget (N 'bn)
Privatization proceeds	189.16
Multi-lateral/Bi-lateral project -tied loans	2,048.92
New Borrowings	15,841.48
Domestic Borrowings	12,673.18
Foreign Borrowings	3,168.30

Source: MTEF 2026-2028, Coronation Research

Nigeria Foreign Trade Review

Overview

The National Bureau of Statistics (NBS) released its report on foreign trade statistics for Q3 '25. Nigeria recorded a trade surplus of N6.69tn (about US\$4.47bn), as export growth outpaced import levels. Total merchandise trade (exports + imports) reached N38.93tn (US\$25.99bn), up by 8.71% year-on-year and 2.36% quarter-on-quarter in naira terms.

Exports

Exports rose by 11.08% y/y and 0.28% q/q, to N22.81tn (US\$15.2bn, 5.69% q/q in USD). In Q3 '25, India emerged as Nigeria's largest export destination, taking the lead from Spain which ranked first in Q2 '25. India received Nigerian goods valued at N2.25tn, accounting for 9.90% of total exports. Other major destinations during the quarter included Spain (N1.82tn; 8.02%), France (N1.65tn; 7.27%), the Netherlands (N1.54tn; 6.76%), and Italy (N1.45tn; 6.38%). Collectively, these five markets absorbed around 38% of Nigeria's total exports in Q3 '25, underscoring the continued concentration of export flows toward European economies alongside growing demand from Asia.

Imports

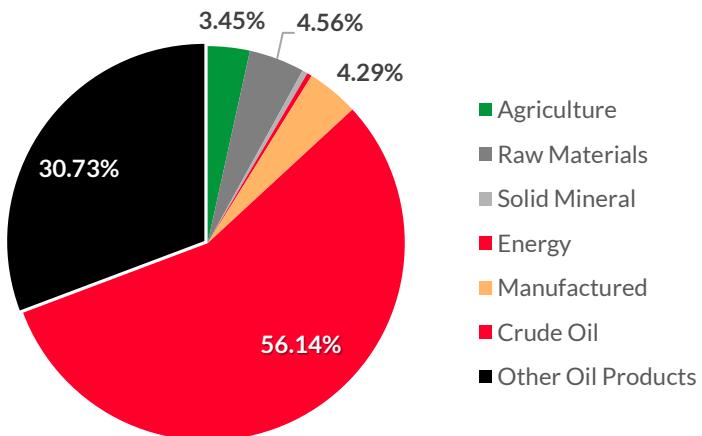
Imports rose 5.47% q/q to N16.12tn (US\$10.76bn, +11.17% q/q in USD) and 5.51% y/y. China remained Nigeria's largest source of imports in Q3 '25, supplying goods worth N4.78tn (29.68% of total imports). It was followed by the United States (N3.22tn; 19.96%), India (N1.38tn; 8.55%), United Arab Emirates (N790.66bn; 4.90%), Belgium (N690.22bn; 4.21%). Together, these five countries accounted for about 68% of total imports, underscoring the high concentration of Nigeria's import sources and its continued reliance on manufactured and refined products.

Trade Balance

Nigeria's trade balance weakened in Q3 '25, with a surplus of N6.69 trillion, down 10.36% from N7.46 trillion in Q2, as export earnings outpaced imports by a narrower margin. This deterioration reflects a moderation in export receipts alongside sustained import demand, particularly for raw materials and refined products, which compressed the surplus despite Nigeria remaining in a net export position during the quarter.

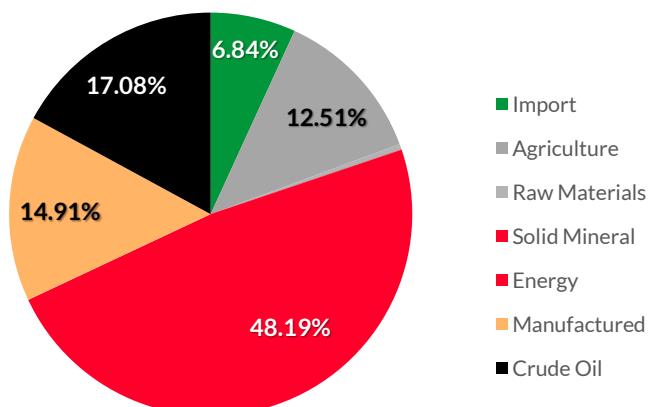
Trade Dynamics

Chart 1.21: % Share of Total Exports in Q3 2025



Source: NBS, Coronation Research

Chart 1.22: % Share of Total Imports in Q3 2025



Source: NBS, Coronation Research

Nigeria Foreign Trade Review

Trade Dynamics

Crude oil exports totaled N12.80 trillion and accounted for 56.14% of total export earnings. Domestic crude oil production averaged 1.44 mbpd (excluding condensates) in Q3 '25, down from 1.48 mbpd in Q2 '25. Crude oil export earnings declined by 4.47% y/y but increased by 7.03% q/q, despite lower average oil prices and weaker domestic production. This points to a higher proportion of available crude being channeled toward exports during the quarter, which helped support export receipts relative to Q2.

Non-oil exports grew by 19.37% y/y to N2.99trn and accounted for 13.14% of total exports. Superior quality cocoa beans, natural cocoa butter, soya beans, crude groundnut oil, frozen shrimps and prawns, shelled cashew nuts, crude palm kernel oil, and sesamum seeds, among others were featured as top major traded agricultural products in 2025.

Total imports reached N16.12tn in Q3 '25, an increase of 5.47% q/q from Q2 '25 and a 5.51% y/y increase compared to Q3 '24. Imports continued to grow on both a quarterly and yearly basis. By composition, agricultural imports declined sharply, falling by 37.39% q/q and 11.69% y/y, while raw material imports expanded strongly, rising by 26.83% q/q and 136.38% y/y. Manufactured goods imports eased by 6.03% q/q but recorded a 21.74% y/y

This re-composition of import demand in Q3 '25 contributed to an increase in aggregate import value, driven largely by stronger inflows of production-related inputs, even as imports of agricultural and manufactured consumer goods declined. The observed pattern reflects improved access to foreign exchange following ongoing FX market reforms, including the implementation of the FX Code in early 2025, which supported trade financing and allocation efficiency.

Major Policy Reforms

Fiscal & General Policy Reform

Overview

On 26 June 2025, President Bola Ahmed Tinubu enacted a historic package of four tax reform Acts, constituting the most comprehensive overhaul of Nigeria's fiscal system in decades. These reforms, which take effect in 2026, consolidate the previous twelve disparate tax legislations into a unified framework designed to streamline administration, eliminate multiplicity, and improve the ease of doing business.

Major New Laws

The Nigeria Tax Act (NTA)

This introduces a comprehensive overhaul of the country's tax framework, consolidating multiple outdated laws, repealing twelve older statutes, and amending fifteen others. The reforms aim to streamline tax administration, align Nigeria's system with international standards, and address domestic economic realities.

A key change is the expansion of the definition of a Nigerian company. The Act now includes foreign entities whose central or effective management is exercised in Nigeria. As a result, such companies, along with indirect disposals of shares in Nigerian businesses via offshore holding companies, may be liable for capital gains tax (CGT), subject to treaty relief.

The Act replaces the former "pioneer" tax holiday with an Economic Development Incentive (EDI). This designates certain activities as "priority" and allows qualifying companies to claim a tax credit equal to the tax on profits generated from these activities during the priority period. Unutilised credits may be carried forward for up to five years but cannot offset additional tax obligations arising from the minimum effective tax rate (ETR) rules.

Capital allowance rules are simplified: qualifying expenditures can now be claimed on a straight-line basis over the asset's useful life, replacing the previous mix of initial and reducing-balance allowances. Pro-rata treatment applies only where non-taxable income exceeds 10% of total income.

Free Zone companies retain full exemptions for export-oriented activities, but proportionate taxation applies if more than 25% of sales are made into the customs territory. From January 1, 2028, profits from these domestic sales will generally become taxable, though the

President may extend this up to ten years from the NTA's effective date.

Small companies benefit from full exemptions from Companies Income Tax (CIT), CGT, and the newly introduced Development Levy. These are defined as entities with annual turnover of N50 million or less and fixed assets not exceeding N250 million. Their income remains exempt from withholding tax.

Personal income tax has been revised: individuals earning up to N800,000 per year are now tax-exempt, while higher earners face rates up to 25%. The Act also clarifies the concept of tax residence, extending liability to individuals with significant economic ties or immediate family connections in Nigeria, and taxing employment income only if duties are performed in Nigeria or the individual is a resident not taxed elsewhere.

The new tax reforms bring a streamlined system: a single 4% Development Levy replaces four old taxes, while small companies under N50m turnover gain full exemption. For individuals, those earning up to N800,000 per year are now tax-exempt, while higher earners face rates up to 25%. Foreign firms managed from Nigeria will now be taxed locally, and selling Nigerian shares from offshore could attract Capital Gains Tax. Free Zone companies lose their local-sales tax break in 2028, and the pioneer status is swapped for a sector-focused tax credit. Businesses can now reclaim VAT, with essentials like food, drugs, and school fees completely VAT-free.

The NTA broadens the scope of taxable activities for non-resident companies. Force-of-attraction rules allow certain operations by non-residents or related parties to be included in the profits of a Nigerian permanent establishment, even if the activities occur outside the PE.

Fiscal & General Policy Reform

Profits from Engineering, Procurement, and Construction (EPC) contracts can also be taxed in Nigeria, even if partially carried out offshore. Non-resident entities are now subject to a minimum tax based on the proportion of Nigerian-sourced EBIT, with payable tax not falling below applicable withholding tax or 4% of income. The interaction between this minimum tax and the 15% minimum ETR for multinational group constituent entities is expected to require further clarification.

The Development Levy consolidates several existing sector-specific levies (Tertiary Education Tax, IT levy, NASENI levy, and Police Trust Fund levy) into a single 4% charge on assessable profits. Additionally, undistributed profits of foreign subsidiaries controlled by Nigerian companies may now be taxed in Nigeria, potentially raising double-taxation concerns that will require administrative guidance.

Severance and injury compensation exemptions have increased from N10 million to N50 million. VAT remains at 7.5%, but the system now follows globally recognised rules, allowing businesses to reclaim input VAT on purchases, services, and capital assets related to taxable supplies. The zero-rated list has been expanded to essential goods and services including basic food items, pharmaceuticals, medical services and equipment, educational materials, electricity generation and transmission, tuition fees, and most exports (excluding oil and gas). This expansion allows businesses selling these items to recover VAT that was previously unrecoverable.

Overall, the NTA represents a significant shift in Nigeria's fiscal policy landscape, strengthening tax compliance, expanding the tax base, modernising incentives, and providing clearer rules for both domestic and international businesses.

Fiscal & General Policy Reform

Nigerian Tax Administration Act (NTAA)

This establishes a comprehensive framework for tax administration across all tiers of government—federal, state, and local—by consolidating administrative provisions from multiple existing laws. Its objective is to streamline tax compliance, enhance transparency, and improve enforcement. Under the NTAA, all taxable persons, including individuals, companies, and government agencies, are required to register with the relevant tax authority and obtain a Taxpayer Identification Number (TIN). Non-resident entities that earn only passive income from Nigeria are generally exempt from registration, though they may be required to provide information as requested by tax authorities.

The Act introduces detailed filing obligations across sectors. Monthly returns are now required for petroleum royalties, mineral royalties, and shipping or airline activities carried out by non-resident companies. Petroleum companies must file by the 14th of the month following the reporting period, while mining companies and non-resident shipping and airline firms are required to submit by the 21st. Petroleum license holders are also obligated to file annual royalty returns within five months after the close of each accounting period. The NTAA also empowers tax authorities to issue guidelines for simplified income tax returns for low-income earners and operators in the informal sector. In addition, the Act imposes new filing obligations for transactions subject to the reactivated five percent fossil fuel surcharge and virtual asset transactions carried out through Virtual Asset Service Providers (VASPs), with returns due by the 21st of the month following the transaction. Midstream companies engaged in liquefied natural gas operations are required to submit monthly estimated profit or loss returns by the second month of each accounting period, with the first payment due by the third month.

The NTAA codifies VAT fiscalisation rules and mandates e-invoicing, placing Nigeria alongside other African countries that have adopted digital VAT collection systems. Companies are required to implement the fiscalisation systems deployed by tax authorities to ensure accurate VAT reporting and collection. The Act also introduces mandatory disclosure of tax planning arrangements. Taxable persons must proactively notify the authorities of any transactions or schemes that could result in a tax

advantage, including new or increased reliefs, accelerated or deferred tax payments, or reduced tax obligations. Companies and individuals must also file Annual Tax Incentives returns alongside their standard tax filings.

The Act revises the VAT revenue-sharing formula, reducing the Federal Government's share from fifteen to ten percent, while increasing allocations to states and local governments to fifty-five and thirty-five percent, respectively. The distribution to states and local authorities is further divided, with fifty percent shared equally, twenty percent based on population, and thirty percent based on place of consumption, with fiscalisation expected to improve the accuracy of consumption-based allocations.

The new tax administration rule introduce mandatory e-invoicing and hefty fines for non-compliance, including a N5 million penalty for contracting unregistered entities. The VAT revenue formula shifts more funds to states, and authorities gain power to tax non-residents based on deemed profits if reported income is too low. Taxes must be paid in the transaction's currency, potentially increasing foreign exchange demand..."

Enforcement measures have been strengthened through higher penalties for non-compliance and the introduction of new penalties. Failure to file returns now attracts a penalty of N100,000 for the first month and N50,000 for each subsequent month, while awarding contracts to unregistered entities can incur a penalty of N5 million. Additional penalties apply for failure to provide access for deployment of technology or for actions that interfere with tax officers. The NTAA also encourages joint audits and information exchange between tax authorities, fostering collaboration and transparency while improving audit efficiency.

Fiscal & General Policy Reform

The taxation of non-residents has been expanded, allowing authorities to deem taxable profits based on Earnings Before Interest and Tax (EBIT) when reported profits are deemed insufficient. Finance costs may not be deducted under this approach, effectively standardising the assessment of profit margins for non-residents. Taxes remain payable in the currency of the transaction, which may necessitate sourcing foreign currency for certain payments and could place additional pressure on Nigeria's foreign exchange availability. This requirement may also conflict with policy objectives aimed at encouraging Naira-based payments for non-oil income.

"The NTAAs revises the VAT revenue-sharing formula, reducing the Federal Government's share from 15% to 10%, while increasing allocations to states and local governments to 55% and 35%, respectively...."

Fiscal & General Policy Reform

Nigeria Revenue Service Act (NRSEA)

This Act (NRSEA) replaces the Federal Inland Revenue Service (Establishment) Act of 2007 and establishes a modern federal revenue administration framework. Under the NRSEA, the Nigeria Revenue Service (NRS) is created as the central federal authority responsible for administering, collecting, and accounting for all taxes and revenues legislated by the National Assembly. The Act sets out a comprehensive framework to govern the operations of the NRS, reflecting its expanded role in revenue administration.

A key reform under the NRSEA is the renaming of the Federal Inland Revenue Service to the Nigeria Revenue Service, highlighting its broader mandate to assess, collect, and account for federal revenue. Simultaneously, State Internal Revenue Services (SIRS) are granted full operational autonomy, allowing them to manage their affairs independently. At the same time, the NRSEA provides a legal mechanism for the NRS to support states and local governments upon request, offering technical and operational assistance in tax collection and administration.

The Act also establishes a more robust and predictable funding model for the NRS. Funding is now set at four percent of total revenue collected—excluding petroleum royalties—supplemented by other sources. This broader funding base is designed to ensure that the NRS has adequate resources to fulfil its enhanced responsibilities, including supporting state and local governments as needed.

In addition, the NRSEA empowers the NRS to provide technical and operational assistance beyond federal boundaries. The Service may support states and local governments in revenue collection, and it may also act on behalf of foreign governments to collect taxes where there are agreements or arrangements in place to prevent double taxation. This provision allows the NRS to serve as a central coordinating body in domestic and international tax administration, promoting efficiency and compliance across multiple layers of government.

“A key reform under the NRSEA is the renaming of the Federal Inland Revenue Service to the Nigeria Revenue Service, highlighting its broader mandate to assess, collect, and account for federal revenue...”

“...Simultaneously, State Internal Revenue Services (SIRS) are granted full operational autonomy, allowing them to manage their affairs independently....”

“...Funding is now set at 4% of total revenue collected—excluding petroleum royalties—supplemented by other sources...”

Fiscal & General Policy Reform

The Joint Revenue Board & Nigeria Revenue Service

The Joint Revenue Board Establishment Act (JRBEA) introduces a unified institutional structure aimed at improving the coordination and effectiveness of revenue administration across Nigeria. One of its central reforms is the creation of the Joint Revenue Board (JRB), which replaces the long-standing Joint Tax Board. While the former JTB functioned largely as a consultative forum for tax authorities, its role was limited because it lacked the authority to enforce decisions. The newly established JRB, however, carries a more robust mandate. It is empowered to align and coordinate tax administration practices across federal, state, and local governments, thereby reducing duplication, policy conflicts, and administrative inconsistencies. This shift positions the JRB as a central mechanism for achieving coherence within Nigeria's multi-tiered tax system.

Another significant innovation under the JRBEA is the establishment of the Tax Ombuds office. This office serves as an independent channel through which taxpayers can lodge complaints or seek redress on issues relating to taxes, levies, duties, or similar regulatory charges. Its function is to engage directly with tax authorities on behalf of taxpayers and help resolve disputes or administrative challenges in an impartial manner. Although the Ombuds office plays an important role in safeguarding taxpayer rights, its authority is carefully circumscribed: it cannot interpret the law, determine tax liabilities, intervene in court proceedings, or address internal personnel issues within tax agencies. Instead, it acts as an accessible, neutral intermediary focused on administrative fairness and improved service delivery in the tax system.

The Reshaping of FIRS into the Nigeria Revenue Service and Its Implications for Nigeria's Fiscal Landscape

Nigeria's ongoing tax reforms mark one of the most far-reaching institutional restructurings of the country's fiscal machinery in decades. At the centre of this transformation is the replacement of the Federal Inland Revenue Service (FIRS) with the Nigeria Revenue Service (NRS), a reform that goes beyond a change in name. It signals a fundamental reorientation of the tax authority's mandate, governance model, funding capacity, and operational scope. Combined with the establishment of a Joint Revenue Board and the tightening of administrative rules across the federal, state, and local tiers, Nigeria is moving toward a more integrated, transparent, and technology-

driven revenue system.

"A new national Joint Revenue Board will coordinate federal, state, and local taxes, reducing overlap. State tax agencies gain explicit independence, but the new Nigeria Revenue Service can step in to support or enforce when needed, creating a unified yet decentralized system..."

"The NRS will be funded by 4% of all non-petroleum revenue, guaranteeing it a sustainable budget to modernize, fight evasion, and deploy technology, moving Nigeria toward a tech-driven, less oil-dependent fiscal future..."

The full implementation of this system will have profound implications for government finances, macroeconomic stability, the business environment, and the compliance obligations of corporates.

The shift to the NRS underscores the government's intention to build a revenue agency that not only administers tax laws but also functions as the central enforcement body for revenues assigned to the federation. The explicit independence granted to State Internal Revenue Services (SIRS) – alongside an NRS empowered to support them when requested – marks the beginning of a coordinated but decentralised fiscal ecosystem. This is designed to address long-standing inefficiencies, limit jurisdictional conflicts, and promote clearer revenue accountability. By moving away from the fragmented system that has often enabled leakages, discretion, and overlapping mandates, the new structure aims to strengthen institutional coherence across all levels of government.

Fiscal & General Policy Reform

Nigeria Revenue Service Act

A significant change under the new framework is the enhanced funding model for the NRS. With a statutory allocation of 4% of all non-petroleum royalty revenue collections, the agency is a sustainable financial foundation to fund the implementation of modern tax administration practices from digital infrastructure and analytics tools to staff development and enforcement technology. Adequate funding is a prerequisite for combating leakages in a system where weak monitoring and outdated infrastructure have historically undermined the efficiency of collection. As the NRS's operational capacity expands, taxpayers should expect more consistent enforcement, real-time data validation, and greater use of behavioural analytics to detect evasion patterns.

For the broader economy, the restructuring reflects a long-needed shift away from the unsustainable dependence on oil revenue and intermittent windfalls from commodity cycles. A more efficient, technology-driven tax system enhances revenue predictability, which is crucial for macroeconomic planning, debt sustainability, and the government's ability to meet expenditure commitments without recourse to excessive borrowing. Reduced fiscal uncertainty also improves sovereign credibility, influences interest rate dynamics, and helps address the persistent fiscal deficits that constrain capital spending. Over time, a stable and effective collection system can reduce the pressure for ad-hoc fiscal measures, such as abrupt tax increases or emergency levies, which often distort business planning.

The new tax administration landscape also has implications for the private sector. Corporates will operate in an environment where compliance expectations are clearer, audits are more data-driven, and the scope for discretionary assessments is reduced. With the NTAA, NRSEA, and related reforms codifying e-invoicing, fiscalisation for VAT, monthly filings for specific sectors, and expanded reporting obligations for virtual assets and fossil-fuel activities, companies will need to strengthen their tax governance frameworks. Internal controls around data quality, documentation, and intercompany transactions must be tightened, especially as the NRS and SIRS gain the ability to conduct joint audits and exchange information seamlessly.

The increased enforcement capacity will inevitably raise the compliance burden, particularly for multinationals and large domestic corporates. Transfer pricing audits,

substance tests, and scrutiny of cross-border payments are likely to intensify. The new minimum effective tax rate rules combined with the expanded definition of a Nigerian company will also affect cross-border structuring, profit allocation, and investment decisions. Foreign companies operating from managerial hubs in Nigeria or engaging in indirect share disposals may find themselves subject to Nigerian tax obligations in ways that were previously unclear or untested. These developments stress the need for corporates to revisit their operational structures, evaluate tax exposures, and reassess the sustainability of existing tax planning strategies.

For businesses, the reforms may appear stringent, but they also present benefits. The introduction of a Tax Ombuds office provides taxpayers with a structured dispute resolution mechanism outside traditional channels, reducing administrative friction and enhancing trust. Over time, a more consistent and transparent tax administration system can lower the cost of doing business by reducing ambiguity, informal charges, and compliance bottlenecks. The shift toward harmonisation across government tiers also supports ease of doing business by reducing the overlap of federal and state demands a major source of tension for many companies.

Additionally, more predictable revenue flows allow the government to invest in infrastructure, human capital, and public services that improve the business environment.

A critical factor determining the success of this transformation will be the capacity of the NRS and the Joint Revenue Board to deploy technology effectively, manage data securely, and collaborate with subnational tax authorities without creating new bureaucratic obstacles. The transition period will likely come with implementation challenges, including adjustment of legacy systems, resistance from entrenched interests, and the need for extensive stakeholder education. However, if executed well, these reforms could mark a turning point in Nigeria's fiscal consolidation efforts.

Ultimately, the restructuring of FIRS into the NRS represents a deliberate move toward a modern fiscal state – one built on transparency, efficiency, and accountability. For government finances, it promises more stable and sustainable revenue. For the economy, it lays the foundation for improved macro-fiscal management and reduced dependence on volatile oil receipts.

Fiscal & General Policy Reform

Capital Gains Tax

For corporates, it ushers in a new era of disciplined compliance, structured reporting, and more predictable interactions with tax authorities. The long-term outcome will depend on consistent implementation, policy stability, and continued investment in administrative capacity. But the direction is clear: Nigeria is building a revenue administration system aligned with global best practices and better suited to the demands of a diversified, modern economy.

Capital Gains Tax Reform: What It Really Means for Equities Investors

The recent overhaul of Nigeria's Capital Gains Tax (CGT) regime has generated significant debate, especially within the capital market community. However, a closer look at both the reform and the broader tax system shows that the CGT changes are not targeted at equities investors. Instead, they form part of a wider effort to modernise Nigeria's tax structure, strengthen the investment environment, and bring the country closer to the practices of major global markets such as the US, UK, China, India and South Africa.

Under the previous system, investors could face tax liabilities on isolated transactions even when their overall portfolio was in a loss position. This created unnecessary risk, discouraged participation, and often penalised long-term investment behaviour. The new framework addresses these distortions by introducing a progressive, harmonised system where gains and losses are netted before tax, and where tax rates reflect an investor's income band rather than a flat 10% charge. This is now the global norm, and its adoption aligns Nigeria with more sophisticated and investor-friendly markets.

A key misconception in public discourse has been the assumption that government intends to raise taxes on capital market investors. The reform can make market participation more equitable and cost-efficient. Reliefs remain in place for reinvestment into Nigerian companies, ensuring that long-term investors can roll over gains tax-efficiently. Small businesses and individuals also receive targeted exemptions, including 0% CGT for small companies, and relief for individuals with proceeds below N150 million and gains below N10 million. These provisions reduce the burden on a typical retail investor

and protects entrepreneurs who frequently recycle capital.

Crucially, only around 1% of current market participants will be affected by the removal of the old N100 million blanket exemptions — a rule originally introduced to curb short-term speculative trading. The government's new position encourages more stable, longer holding periods, which strengthens liquidity quality and reduces the disruptive volatility caused by high-frequency speculative trades. At the same time, the capital market enjoys several investor-friendly tax incentives: stamp duty exemption on share transfers, tax-neutral corporate reorganisations, lower withholding tax on dividends, bonus-share exemptions, and CIT reduced from 30% to 25%. These reforms collectively reduce the cost of capital and enhance valuations.

The updated CGT rules also address long-standing arbitrage gaps that have allowed both local and foreign investors to avoid tax on gains genuinely derived from Nigeria's economy. Under the old framework, it was common for foreign entities to earn substantial profits from Nigerian operations through offshore structures while paying little or no tax locally. The introduction of clearer rules on indirect share disposals, alignment with BEPS standards, and fair treatment of cross-border investors ensures that taxation reflects actual value creation. Over 70 countries now apply similar rules, and Nigeria's adoption is an important credibility step.

"Capital Gains Tax is now calculated by netting gains against losses, ending the old rule where a single gain could be taxed even if your overall portfolio was down. Only about 1% of investors are affected by the removal of the old N100 million blanket exemption..."

"Reforms introduce progressive CGT rates based on income bands, not a flat 10%. Small businesses pay 0% CGT, and individuals are exempt if sale proceeds are under N150 million or gains under N10 million—sheltering most retail investors..."

Fiscal & General Policy Reform

For equities investors, the broader tax reform package materially strengthens the investment environment. A simplified tax structure reduces compliance friction; the elimination of minimum tax on capital frees companies from punitive taxes in loss years; lower corporate tax boosts earnings and return on equity; and input-VAT credits improve cash flow and profitability. These improvements directly enhance the intrinsic value of listed companies and support higher market capitalisation over time. Retail investors also benefit from lower withholding taxes on investment income, personal tax reliefs, and the removal or suspension of several levies – all of which improve disposable income and widen the potential investor base.

From a macro perspective, the government's intention is to reduce the cost of doing business, enhance capital formation, and support long-term market deepening. The reforms support mergers and acquisitions, ease business entry and exit, provide incentives for R&D, and harmonise overlapping levies that previously created uncertainty. For households, wage support and lower taxes increase spending power, which in turn supports corporate earnings. For government, a broader and more compliant tax base reduces deficits and reliance on debt, promoting fiscal stability – a critical determinant of investor confidence.

Overall, the CGT reform should be seen not as a punitive measure but as part of a coherent, pro-growth strategy aimed at improving fairness, reducing distortions, and positioning the Nigerian capital market as a more competitive and globally aligned investment destination. By removing inefficiencies, supporting profitability, and ensuring a more predictable tax environment, the reforms strengthen the foundations for sustainable market expansion. For equity investors – both domestic and foreign – the long-term effect is a healthier, more efficient market where value creation, not arbitrage, drives returns.

Expectations for January 2026: Transition Uncertainties, Market Sensitivities and the Road Ahead

With the full implementation of Nigeria's tax reforms scheduled for January 2026, the economic and market environment is entering a delicate transition phase defined by policy uncertainty, administrative adjustments, and cautious anticipation. While the reform package is structurally positive—streamlining taxes, reducing costs

for businesses, modernising CGT rules, and closing leakages—the pathway toward full clarity has not been entirely smooth. This became particularly evident in November, when ambiguity around certain provisions triggered noticeable volatility in the equities market.

During November, equity investors reacted to gaps in communication around the CGT reforms and the equity market. The absence of explicit clarity on treatment of capital gains, transitional rules for existing portfolios, and implementation timelines created room for speculation. This led to profit-taking, softer risk appetite, and temporary pullbacks across board. Although the market stabilised in the first week in December as the government began offering more reassurance, the episode highlighted how policy uncertainty remains a sensitivity point for domestic and foreign investors alike.

Against that backdrop, expectations for January 2026 carry both opportunity and caution. One major uncertainty relates to administrative readiness. The transition from FIRS to the newly created Nigeria Revenue Service (NRS) will require rapid alignment of systems, staffing, digital platforms, and dispute-resolution channels. Such institutional restructuring may initially slow refund processes, generate interpretational queries, or create backlogs as both companies and regulators adjust their internal compliance frameworks. Until those processes settle, markets may continue to price in an element of caution.

For businesses and investors, the first month of implementation could also bring transactional frictions, particularly around the operationalisation of the new progressive CGT regime, the harmonised levy structure, and the revised corporate income tax rate. Investors may hold off on large disposals, M&A activity, or restructuring until they are confident about how the new rules interact with accounting treatments, holding periods, and cross-border tax obligations. Foreign portfolio investors will closely monitor whether the enforcement of "tax-where-earned" rules is efficient and predictable.

However, beyond the initial adjustment period, the upside potential is significant. The reforms provide substantial relief to businesses—lower CIT, elimination of minimum tax, harmonised levies, input VAT credits, and clearer dispute resolution mechanisms. These measures should

Fiscal & General Policy Reform

Investment & Securities Act

strengthen liquidity, margin resilience, and overall corporate profitability through 2026. If inflation's downward trend holds and interest rates gradually ease, stronger post-tax earnings could feed into improved stock valuations, enhanced deal-making activity, and renewed investor participation.

Overall, January 2026 is shaping up as a calibration month—where the economy navigates implementation frictions while positioning for broader reform-driven gains. The November experience demonstrated that markets remain extremely sensitive to gaps in policy communication. But once clarity deepens, administrative systems stabilise, and corporate Nigeria adjusts to the new framework, the reforms have the potential to unlock a more competitive, transparent, and investment-friendly environment for the year ahead.

The Investments and Securities Act 2025: A Modern Framework for a New Capital-Market Era

The Investments and Securities Act 2025 (ISA 2025), signed into law in March 2025, represents the most significant overhaul of Nigeria's capital-market rulebook in nearly two decades. By replacing the 2007 Act, the new legislation delivers a modern, technology-aware and globally aligned regulatory framework that responds to the evolving structure of financial markets, the rise of digital finance, and the growing interest of states and government agencies in long-term funding. The Act incorporates standards consistent with leading international jurisdictions—particularly those promoted by International Organisation of Securities Commissions (IOSCO)—while strengthening market governance, investor protection and the competitiveness of Nigeria's capital market.

A major feature of ISA 2025 is the formal recognition of virtual and digital assets as securities. With digital finance expanding rapidly worldwide, the law now places crypto-assets, digital tokens and similar instruments within the regulatory perimeter, bringing clarity to a space that previously sat between innovation and regulatory uncertainty. The Act equips the Securities and Exchange Commission (SEC) with robust supervisory powers over this emerging asset class, including the authority to conduct inspections, impose administrative sanctions and obtain subscriber information from telecommunications

operators when enforcing securities laws. This change creates a clearer operating environment for digital-asset firms, broadens investment channels for younger investors, and lays the foundation for regulated digital-asset exchanges—mirroring models seen in markets such as Malaysia. Given projections that Nigeria's crypto revenues could exceed \$1.6bn by 2025, the new rules provide a pathway for integrating this momentum into the formal capital-market landscape.

ISA 2025 also expands the definition of securities to include "investment contracts," a category that captures pooled investment schemes where investors rely on the managerial effort of others. This aligns Nigeria with the long-standing global approach used in markets such as the United States. The inclusion creates regulatory certainty for activities such as crowdfunding, infrastructure-focused partnerships, and innovative financing structures that have grown outside the formal market. The updated definition positions the capital market as a viable channel for long-term project and infrastructure funding, including public-private partnerships across federal and state levels. It also supports the development of specialised exchanges focused on these instruments, ultimately increasing transparency, investor protection and capital formation.

"For the first time, crypto assets and digital tokens are formally recognized as securities, bringing them under SEC regulation and paving the way for licensed digital asset exchanges, tapping into Nigeria's estimated \$1.6bn crypto economy..."

"The Act creates a formal regulatory framework for commodities exchanges and warehouses, allowing warehouse receipts to be used as bank collateral—a revolutionary step to formalize Nigeria's massive agricultural and solid minerals sectors..."

Fiscal & General Policy Reform

To reinforce market integrity, the Act significantly strengthens the SEC's regulatory mandate. It introduces a comprehensive regime for financial market infrastructures—including exchanges, clearing houses, and central counterparties—supported by tailored insolvency provisions that account for their systemic importance. Public companies undertaking major restructurings such as spin-offs, conversions, acquisitions or disposals must now obtain SEC approval, ensuring regulatory oversight in transactions that materially alter their business direction. These enhancements, combined with wider jurisdiction for the Investments and Securities Tribunal and tougher penalties for unlawful schemes, are designed to deepen confidence in the market and improve regulatory coordination among the SEC, CBN, PENCOM and other oversight bodies.

A further innovation is the introduction of non-interest financial instruments—such as Sukuk—as eligible debt instruments for federal, state and local government financing. While Nigeria's non-interest capital-market segment remains nascent, the Act opens the door for broader adoption by subnational governments and public agencies, expanding the funding options available for development projects. With only a handful of state-level Sukuk issuances to date, this reform is expected to stimulate more activity and accelerate the growth of the domestic non-interest financial market.

The commodities ecosystem also receives a significant upgrade. ISA 2025 introduces a regulatory framework for commodities exchanges, licensed warehouses and the issuance of warehouse receipts. These provisions address longstanding inefficiencies in the largely informal spot market by enabling the development of reliable storage infrastructure, standardised warehouse practices, and tradable receipts that can serve as collateral in the banking system. As seen in advanced markets where exchanges eventually evolve into platforms for exchange-traded commodities and derivatives, the new framework sets the stage for a more structured, transparent and liquid commodities market in Nigeria.

Issuers eligible to raise capital from the public are also expanding. In addition to public companies and statutory institutions, the Act now recognises crowdfunding platforms, collective investment schemes, entities operating in free trade zones and a range of government agencies as potential issuers. This expansion democratises access to market-based funding, enabling emerging businesses and specialised entities to tap into a wider pool of investors.

Finally, ISA 2025 introduces a modern categorisation for securities exchanges. Exchanges may now operate either as composite platforms—offering a broad suite of securities, commodities and financial instruments—or as specialised, non-composite exchanges that focus on a specific niche. This includes mono exchanges, such as agricultural-only commodity exchanges or digital-asset-only platforms, as well as alternative trading systems designed for block trades by institutional investors. Global precedents such as the CME Group and LIFFE demonstrate how specialisation can increase efficiency, attract targeted investor segments, and deepen market sophistication.

In totality, ISA 2025 marks a decisive step toward a more dynamic, integrated and globally competitive Nigerian capital market. By expanding the range of instruments, widening the pool of issuers, embracing digital finance, and strengthening regulatory oversight, the Act positions the market for stronger participation, more innovation and deeper capital formation in the years ahead.

PenCom's New Investment Rules and Capital Requirements

Introduction

In late 2025, Nigeria's National Pension Commission (PenCom) rolled out a number of reforms aimed at strengthening the pension industry's stability and investment capacity. Two key changes were introduced:

These reforms come as the Contributory Pension Scheme (CPS) marks over 20 years of operation, with pension assets reaching a new milestone of over N25 trillion in assets under management.

Key Changes in PenCom's Revised Investment Regulation (2025)

PenCom's Revised Regulation on Investment of Pension Fund Assets (issued September 2025) introduced more flexible and diversified investment options for pension funds, aligning with global best practices. Below are the key new permissible instruments and rules that PFAs can now utilize, broadening the range of assets for better diversification and hopefully returns:

- **Gold-Backed Securities:** For the first time, PFAs can invest in gold-linked instruments. PenCom approved "gold receipts" (safekeeping receipts backed by physical gold) and gold-backed Exchange-Traded Funds (ETFs) as eligible asset classes. These gold-backed instruments provide a hedge against inflation and currency risk, enhancing portfolio diversification. Analysts hailed this as a strategic reform that will "enhance portfolio diversification, improve returns, and strengthen the resilience of retirement savings". PenCom emphasized that any investment in gold-backed assets must meet strict transparency, risk management, and valuation standards, with defined allocation limits to ensure contributors' funds remain secure.
- **Commodities and Safekeeping Receipts:** Beyond gold, the revised rules allow PFAs to tap into other commodity-based investments through regulated safekeeping receipts. These are SEC-approved, tradable receipts representing underlying physical commodities held by licensed custodians. All such commodity instruments must be traded on SEC-registered exchanges (e.g., the Lagos Commodities and Futures Exchange) and fully insured, opening the door for pension funds to finance sectors like solid minerals and agriculture in a structured manner. This is expected to deepen Nigeria's commodities markets and stimulate growth in those sectors.
- **Securities Lending and Repos:** PenCom also introduced a framework for PFAs to engage in securities lending and repurchase agreement (repo) transactions for the first time. A separate circular (issued alongside the new investment regulation) permits PFAs to lend out securities or do repos under strict conditions to earn incremental income. These transactions must be done with licensed counterparties and within risk limits set by PenCom. Allowing securities lending is expected to improve liquidity in the capital market and enable PFAs to generate additional returns on their large bond and equity holdings, while maintaining asset safety through collateral and regulatory oversight.
- **Exchange-Traded Derivatives for Hedging:** In a bid to strengthen risk management, PFAs may now utilize exchange-traded derivatives (futures, options, swaps, forward rate agreements) solely for hedging purposes. The revised rules require that any derivative instrument be approved by the SEC and traded on a licensed exchange, or, in the case of certain swaps and forward agreements, with CBN-licensed counterparties. For example, currency swaps are allowed only to hedge foreign currency exposure on investments. This marks a cautious entry into derivatives for PFAs so they can mitigate interest rate or FX risks in their portfolios, but speculative use of derivatives remains prohibited. All derivative positions will be subject to additional PenCom guidelines and reporting to ensure they are strictly for risk management.

PenCom's New Investment Rules and Capital Requirements

- **Expanded Multi-Fund Structure (Fund VII Introduction):** The multi-fund structure governing RSA (Retirement Savings Account) funds has been expanded from six to seven funds. Notably, PenCom introduced a new "Fund VII" – a Dollar-Denominated Fund – aimed at Nigerians in the diaspora and others earning foreign income. This allows eligible contributors to make pension contributions in foreign currency, which PFAs will invest in USD-denominated instruments. Under this framework, PFAs can invest these foreign currency funds in assets like Eurobonds, global money market instruments with Nigerian ties, and supranational bonds, or even local Naira instruments if fully hedged. All foreign investments are valued in Naira for reporting but held in FX to protect against devaluation. The introduction of Fund VII is a significant innovation to attract offshore pension contributions and hedge currency risk for contributors – effectively "internationalizing" a portion of Nigeria's pension funds. In addition, PenCom refined existing fund categories (e.g., splitting the non-interest Fund VI into separate sub-funds for active and retiree investors) to better align investment risk with contributors' profiles.

Overall, the revised investment guidelines give PFAs more tools to navigate Nigeria's evolving economic environment. Broadening allowable assets (into commodities, FX instruments, etc.) and permitting risk management techniques (lending, hedging), PenCom aims to elevate returns for contributors while safeguarding assets. As PenCom's Head of Investment Supervision noted, these "progressive developments align with our mission to unlock new investment opportunities that connect long-term funds to Nigeria's real sector". Market participants have welcomed the changes, seeing them as timely given high inflation and market volatility.

1. **PFA Capital Base:** Raised from N5 billion to N20 billion: Each Pension Fund Administrator must increase its shareholders' fund (unimpaired by losses) to at least N20 billion, up from the previous N5 billion minimum. This fourfold increase applies to all PFAs and is aimed at boosting their financial stability and capacity to invest in technology, talent, and risk management. PenCom has set December 31, 2026, as the deadline for existing PFAs to meet this requirement, giving a transition period of about 15 months. Any new PFA entering the market must now have N20 billion paid-up capital to be licensed.
2. **Additional Capital for Large PFAs (AUM-Based):** In a novel approach, PenCom linked part of the capital requirement to the size of Assets Under Management. PFAs with AUM exceeding N500 billion must hold additional capital equal to 1% of the AUM amount above N500 billion. In other words, N20 billion is the base for all, but the largest PFAs need more. For example, a PFA managing N600 billion would require an extra N1 billion (1% of the N100 billion above the threshold), for a total of N21 billion capital. This proportional buffer means capital keeps pace with fund size, ensuring big PFAs, which have greater operational risk exposure, are "adequately equipped to absorb risks" as their fiduciary responsibilities grow. According to PenCom, this model aligns with global best practice of tying capital to risk metrics like AUM. Special PFAs that manage closed, single-sponsor schemes have their own benchmarks: NPF Pensions (Police PFA) must raise capital to N30 billion, given its unique mandate, and the Nigerian Universities Pension Management Company (NUPEMCO) must have a N20 billion capital base.

New Minimum Capital Requirements for PFAs and PFCs

In addition to investment reforms, PenCom announced a major recapitalisation mandate for all pension operators in September 2025. This is the most sweeping increase in capital standards since the 2011–2012 reforms, and it is designed to ensure PFAs/PFCs have sufficient capital buffers commensurate with their rapidly growing pension assets and risk management needs. The key points of the revised capital requirements are as follows:

PenCom's New Investment Rules and Capital Requirements

3. PFC Capital Base Raised from N2 billion to N25 billion:

Pension Fund Custodians, the licensed institutions that hold pension assets in custody, face an even steeper hike. The minimum shareholders' fund for PFCs jumps more than tenfold to N25 billion (from N2 billion). Moreover, similar to PFAs, PFCs must add 0.1% of Assets Under Custody (AUC) to that base. Since PFCs collectively hold in custody the entire industry's N25 trillion+ assets, this additional 0.1% can be substantial for the largest custodians. For instance, a PFC holding N5 trillion AUC would need an extra N5 billion on top of N25 billion, totaling N30 billion capital. Any new PFC entrant also must meet a minimum N25 billion plus the AUC-linked addon upfront. It's noteworthy that PFC capital requirement had not been reviewed since the CPS began in 2004 a period in which industry AUC grew exponentially so this update was long overdue to "match the scale and sophistication of today's pension ecosystem".

4. Compliance Timeline and Ongoing Monitoring:

Both PFAs and PFCs have until December 2026 to comply with the new capital requirements. PenCom deliberately set a long runway (over 15 months from announcement) to allow operators to raise funds incrementally or merge if needed. Post-2026, PenCom will conduct biennial capital adequacy reviews for each operator based on audited financials. If any shortfall arises (for example, due to AUM growth pushing a PFA into needing additional capital), the firm must rectify the gap within 90 days by injecting new funds. This dynamic monitoring ensures that capital remains continuously aligned with business size and risk. PenCom's circular also emphasised that this exercise is not just a tick-box for compliance, but about reinforcing the credibility and long-term sustainability of the pension system. With larger capital buffers, PFAs/PFCs should be better able to invest in improved services and technology (e.g., cybersecurity) and withstand macroeconomic shocks (such as high inflation or market volatility).

Rationale: The Commission cited several reasons for the recapitalisation changes. Since the last PFA capital requirement raise in 2021, pension assets have grown geometrically, and the operating environment has become more complex. With the CPS now over two decades old and over 10 million contributors enrolled, PenCom wants operators to have the financial muscle to support larger portfolios and new initiatives. Higher capital will "enhance

financial stability, operational resilience, improve service delivery and ensure long-term viability" of PFAs and PFCs. It also brings Nigerian pension operators closer to capitalization levels seen in other key financial sectors. For context, Nigerian banks have also been mandated in 2025 to raise their capital (Tier 1 international banks to N500 billion, national banks to N200 billion) by March. In that light, a N20–30 billion capital for a firm managing hundreds of billions in pension assets is seen as reasonable for robustness.

Impact on PFAs and Industry Implications

Capital Raising and Potential Consolidation: The immediate impact of the new capital requirement is that virtually all PFAs must raise additional equity over the next 15 months. Out of Nigeria's 18 PFAs, only three had capital well above N20 billion prior to this policy announcement (Stanbic IBTC Pension, Access ARM Pensions and Leadway Pensure). Industry data analysis indicates that PFAs collectively need about N276.8 billion in new capital to meet the requirements by the 2026 deadline. The burden is heaviest on the largest pension managers due to the AUM-linked component:

PFA	AUM (N Trillion)	Current Shareholder's Funds (N Billion)	Required Total Capital (N Billion)	Capital Shortfall (N Billion)
Stanbic IBTC Pension Managers	5.9	45.4	73.9	28.5
Access-ARM Pensions	3.5	22.8	50.0	27–28
Leadway Pensure	1.8	Not stated	33.1	25.5
NPF Pensions	1.1	Much lower base	30.0	22.6
Premium Pensions	1.2	Not stated	Not stated	18.7
Trustfund Pensions	1.23	Not stated	Not stated	4.9
FCMB Pensions	0.5	Not stated	Not stated	12.0

PenCom's New Investment Rules and Capital Requirements

- **Required capital is based on:**
N20 billion minimum + 1% of AUM above N500 billion.
- **These figures highlight the scale of recapitalisation likely to occur across Nigeria's pension industry from late 2025 into 2026.**
- **To meet these requirements, PFAs are expected to employ a mix of strategies: retained earnings (profits over the next 15 months will add to capital), injection of funds by existing shareholders, private placements, and mergers & acquisitions.**

To meet these requirements, PFAs are expected to employ a mix of strategies: retained earnings (profits over the next 15 months will add to capital), injection of funds by existing shareholders, rights issues or private placements to new investors, and mergers & acquisitions. We predict a wave of consolidation similar to what happened in banking in 2004. Smaller PFAs that struggle to raise N20+ billion may decide to merge with or be acquired by larger, financially stronger competitors. We are already seeing early signs of this, in October 2025, **Verod Capital (a private equity firm)** announced the sale of its majority stake in **Tangerine APT Pensions** to another investor, explicitly noting PenCom's new recapitalisation mandate as a catalyst for this "strategic restructuring". **Tangerine APT is a mid-sized PFA (N445 billion AUM)** that now must attain **N20 billion capital**, and the change in ownership to APT Securities is aimed at meeting that goal. More such deals are anticipated as the 2026 deadline approaches.

On the flip side, well-established PFAs that are subsidiaries of major financial groups may be better positioned to meet the requirement. For instance, **Stanbic IBTC Pensions** is part of Stanbic IBTC Holdings (a banking and financial services group) which will likely shore up its pension arm's capital, as required. In general, PFAs backed by banks or insurers may leverage group resources or attract new strategic investors more readily than standalone PFAs. We should however bear in mind that even PFAs that are part of larger financial groups in banking and insurance will be looking for capital when their group entities are either still raising their own capital or have just raised to meet their own respective

regulatory requirements.

Pressure on Bank and Insurance Holding Companies:

Many PFAs and PFCs in Nigeria are owned by bank holding companies or insurance groups. These groups are concurrently navigating their own recapitalisation exercises in the financial sector, creating a potential capital challenge. **Access Holdings** for instance, has already completed its recapitalization, successfully meeting the Central Bank of Nigeria's **N500 billion capital requirement** for international banks. Meanwhile, its affiliated PFA, **AccessARM Pensions**, is estimated to require an additional N20-30 billion to comply with PenCom's new capital guidelines. FCMB Group, on the other hand, is currently undertaking the recapitalisation of its banking subsidiary through a **N160 billion** public share offer launched on October 15, 2025. This move is aimed at retaining its international banking license under the CBN's revised capital framework. Concurrently, **FCMB Pensions** bolstered by its acquisition of AICO Pensions and now managing **N580 billion** in assets faces a projected capital shortfall of about **N12 billion** under the new PenCom regulations.

For **insurance conglomerates**, the narrative is similar. Insurance companies have been undergoing **NAICOM-led** recapitalisation. **Leadway Assurance**, one of the largest insurers, owns **Leadway Pensure PFA** meaning the group likely must fund the insurer's increase (to **N20 billion** for a composite insurer) and simultaneously boost the PFA's capital to an estimated **N33 billion** total. While a strong parent can inject capital into the PFA, the trade-off is that parent firms must allocate funds across multiple regulated entities which can be exacerbated when different recapitalisation requirements occur around the same time. Some groups might consider restructuring their holdings due to this strain, a conglomerate might divest a non-core PFA or bring in an external investor to share the burden (as seen with **AXA Mansard selling its PFA business in 2020**, or Verod's exit in 2025).

PenCom's New Investment Rules and Capital Requirements

2026 Outlook and Expectations

Looking ahead to 2026, the Nigerian pension sector is entering a transformative phase. The top priority will be recapitalisation: by the end of 2026, every PFA and PFC must have the required capital on their balance sheet. We anticipate a busy period of capital raising with many PFAs approaching the capital markets or parent companies for funding. At least a few mergers or acquisitions are likely, as weaker players combine to meet the N20 billion threshold. By Q4 2026, the total number of PFAs could shrink (just as the banks did in past recapitalisations), leaving a smaller roster of better capitalized administrators. This consolidation can be positive for the industry's stability, though it needs to be managed to avoid any service disruptions for contributors during transitions.

Concurrently, investment dynamics in 2026 will be shaped by the new rules. PFAs will gradually deploy some of their new contributions and shift some of their existing portfolios into the newly allowed asset classes. We expect to see, for example, the first allocations by PFAs to gold-backed ETFs or commodities funds in 2026, albeit starting small (given regulatory limits and the need to gain familiarity). The Fund VII (foreign currency fund) might also debut in 2026 as PFAs, together with PenCom, rolling out operational guidelines for Nigerians abroad to open RSAs that accept dollar contributions. This could tap into the Nigerian diaspora community, bringing new inflows. Although the initial scale may be modest, over time, it sets the stage for global diversification of Nigeria's pension assets. By 2026, one or two PFAs might launch pilot dollar-denominated funds for qualifying clients, investing in Eurobonds and other permitted USD assets – a landmark development for the industry's globalization.

In the broader financial market, pension funds in 2026 will remain influential players. The allowance of securities lending could improve market liquidity. PFAs hold large volumes of government bonds and blue-chip stocks, and by lending some out (for short periods secured by collateral), they can both support trading activity and earn additional income. We anticipate PenCom will issue detailed guidelines in early 2026 on how PFAs should conduct securities lending and repos (e.g., limits on percentage of portfolio that can be lent, acceptable collateral, etc.). Once operational, this could deepen the fixed-income and equity markets. Similarly, with derivatives now permitted for hedging, PFAs may engage in interest rate futures or FX

forwards to protect their portfolios against adverse moves. The SEC's ongoing work to develop a derivatives market framework will complement this, and by late 2026, we might see PFAs as participants in Nigeria's nascent derivatives exchanges.

From a regulatory perspective, 2026 will be about implementation and oversight. PenCom will be monitoring the quarterly progress of each PFA's recapitalisation plan. We can expect more frequent disclosures or updates from PFAs on their capital raising efforts (some have already begun informing shareholders of needed injections). If any PFA looks unlikely to meet the deadline, PenCom may nudge it towards a merger with a stronger peer. The Commission will also be fine-tuning the new investment rules as it receives feedback – possibly issuing clarifications or adjusting limits. By the end of 2026, PenCom's biennial review of capital adequacy will kick in, meaning operators must not only hit the target once, but sustain it going forward. This heralds a new regime of continuous capital adequacy monitoring, similar to what CBN does with banks, entrenching a culture of financial soundness in the pension industry.

Implications for contributors in 2026

For the 9+ million RSA holders, these changes should largely be positive and somewhat seamless. PFAs will continue their core operations of managing funds and paying benefits, but under the hood, they should be stronger and have more investment avenues available to them. PenCom's recapitalisation and investment reform is part of what it calls "Pension Revolution 2.0", which includes other initiatives like governance and transparency improvements.

Nigeria's Political Landscape and 2026 Outlook

Nigeria is gearing up for a significant general election due in 2027 and pre-election activities will ramp up in 2026. Since the 2023 elections that brought President Bola Tinubu to power, Nigeria's political landscape has been marked by significant shifts such as political cross parties of politicians and policies. Tinubu's victory was legally affirmed in October 2023 when the Supreme Court dismissed opposition challenges and upheld his election, giving the 71-year-old president a mandate. With the legitimacy question settled, both the ruling party and the opposition turned their eyes toward the next electoral contest. The current administration has embarked on economic reforms that are reshaping the economic backdrop for the coming campaign, while opposition forces are regrouping in hopes of mounting a stronger challenge. In parallel, institutions like the National Assembly and the Independent National Electoral Commission (INEC) are considering changes to improve the electoral process ahead of 2027. Overall, 2026 is poised to be a year of intense political activity a period in which policy choices and power plays will significantly influence Nigeria's democratic trajectory and economic direction.

Business and Capital Market Implications

Election cycles in Nigeria have consistently introduced elevated risk aversion within capital markets, with the 2022–2023 period exemplifying this trend. Pre-election uncertainty during that time dampened momentum in both equity and debt segments: Initial Public Offerings (IPOs) stalled, investor sentiment weakened, and valuation multiples compressed. As the 2027 election approaches, a comparable risk posture is likely to re-emerge driven by intensified campaign spending, reduced policy transparency, and heightened political volatility.

Nevertheless, 2026 may represent a tactical inflection point for market participants. Should macroeconomic stability persist, it could become Nigeria's first year of sustained real GDP per capita growth since 2014 a development with both symbolic and structural significance.

Foreign Portfolio Investors (FPIs), who have made a significant return primarily in the fixed income market since foreign exchange rate liberalisation process started in 2023, will continue to anchor decisions around policy continuity, macro stability and monetary credibility. The

durability of FPI inflows will depend on sustained FX flexibility, predictable fiscal consolidation, and coherent monetary policy. Any shift toward populist reversals such as reintroducing subsidies or reimposing capital controls would risk reversing these gains and triggering renewed portfolio outflows.

Key Political Timelines

- April 2026–Jan 2027: Nationwide voter registration window.
- July–Sept 2026: Political party congresses and primaries (candidate selection).
- Oct 1–31, 2026: Parties submit candidate lists to INEC.
- Nov 15, 2026: Final candidate lists published; campaigns begin soon after.
- Late 2026: Presidential and legislative campaigns (starting mid-Nov) and state campaigns (starting mid-Dec).
- Feb–Mar 2027: Scheduled election dates (subject to change if new Act passes).

Sector and Company Update

Oil & Gas Sector

Upstream Industry

The Oil and Gas industry remained a key contributor to the Nigerian economy in 2025. Crude petroleum and natural gas accounted for about 0.81% of nominal GDP in 9M 2025, although sectoral output declined by 20.13% y/y to N6.49trn, driven by lower crude oil prices. Crude exports also saw a sharper contraction of 11.30% to N24.92trn, reflecting lower crude oil prices and potentially the early effects of the emerging local refinery capacity, which may have diverted some crude from the export market.

Crude oil output (excluding condensates) trended lower by 8.94% year-to-date (YTD) from 1.54 mbpd in January to 1.40 mbpd in October 2025. Although mild month-on-month upticks were recorded in April (+6.06%), June (+3.62%), and July (+0.13%), October (+0.82%), these intermittent gains were insufficient to restore production to the levels seen at the start of the year, leaving output well below both the 2.06 mbpd budget benchmark (2025) and Nigeria's 1.5 mbpd OPEC quota.

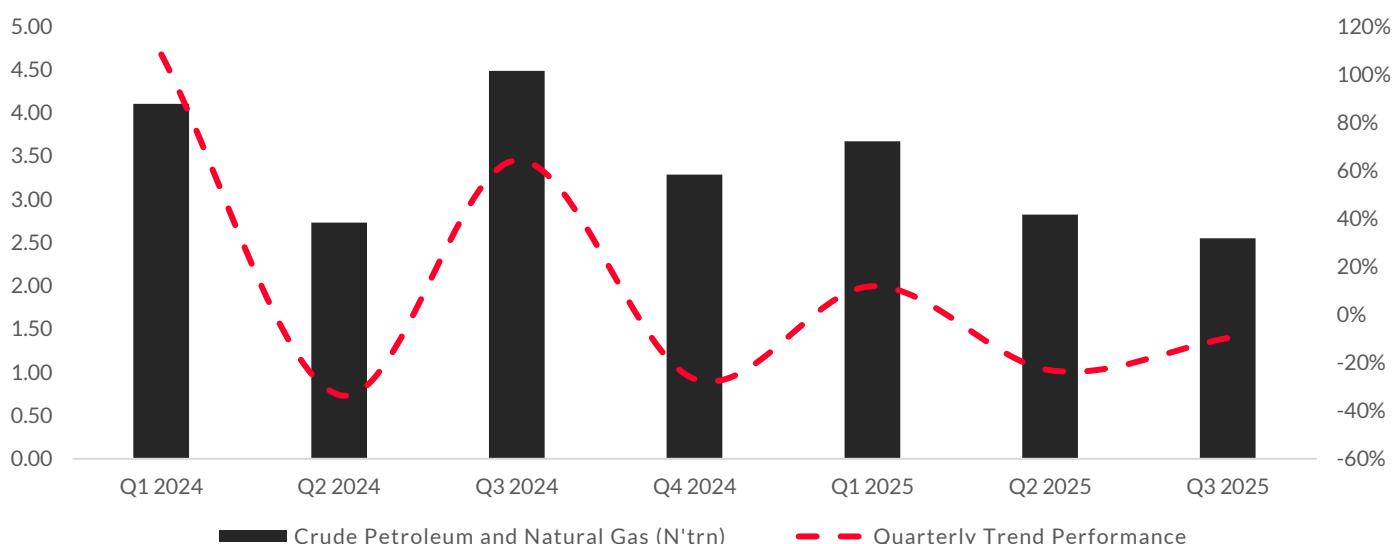
Looking ahead, we expect oil production to stabilize between 1.7-1.8 mbpd in 2026, lower than the NUPRC's 2.5 mbpd and the NNPC's 2.0 mbpd medium-term targets (2027). Our projections factor in incremental volumes from Seplat, which targets a ramp-up to 200,000 bpd (135,000 bpd in H1 2025), over five years (2026 - 2030). Renaissance Energy, on the other hand, aims to reach 300,000 bpd by early 2026 (which is currently around 230,000 bpd as of August 2025).

The proposed amendments to the Petroleum Industry Act (PIA) stood out as one of the year's most consequential developments in the upstream industry. The key thrust of the proposal is curbing "statutory leakages" and improving direct oil inflows into the Federation Account. The proposal also includes vesting some ownership with the Ministry of Finance Incorporated (MOFI) and redefining the roles of the Nigerian Upstream Petroleum Regulatory Commission (NUPRC).

This structural reallocation, while well-intentioned, raises governance concerns. This includes concentrating regulatory and commercial powers in NUPRC, blurring accountability lines, and heightening potential conflicts of interest. Although transferring some ownership to the MOFI suggests that the Ministry of Petroleum Incorporated (MOPI) is too close to NNPC to provide independent oversight.

Specifically, the proposal also reduces the Frontier Exploration Fund allocation from 30% to 5%, a move that could constrain frontier basin development unless offset by private participation. Although the NNPC track record in increasing reserves is poor compared to the commercial discoveries made by the private sector. Conversely, 25% of profit oil would be redirected as revenue inflows into the Federation Account.

Chart 2.1: GDP Data (N' trn) & Quarterly Trend Performance (%)



Source: National Bureau of Statistics (NBS), Coronation Research

Oil & Gas Sector

On the fiscal side, NNPC's failure to remit dividends to the Federation Account again drew scrutiny, compounded by unresolved discrepancies in oil revenue transfers. Forward crude oil sales further limit crude availability for exports as well as near-term domestic supply and complicate compliance by oil companies with the Domestic Crude Obligation (DCO) to local refiners.

Midstream Industry

Nigeria's refining landscape, long constrained by critically inadequate operational capacity, underwent a structural transformation in 2025. According to S&P Global's report titled "Dangote update: Journey of Africa's largest refinery", Nigeria's refining sector now has an installed capacity of approximately 1 million bpd, largely dominated by the Dangote Refinery (617,000 bpd), the country's only fully operational large-scale facility. NNPC's refineries, with a combined design capacity of 424,000 bpd, remain largely offline despite billions of US dollars expended and years of rehabilitation efforts.

Chart 2.2: NNPC's offline refineries

Port Harcourt II Refinery (143,000 b/d): Offline since 2020, with no near-term restart expected.

Warri Refinery (119,000 b/d): Briefly restarted in late 2024, but currently inactive.

Kaduna Refinery (105,000 b/d): Offline since 2020 but restarting in the short term also seems unlikely.

Port Harcourt I Refinery (67,000 b/d): Restarted in late 2024, but currently not operational.

Source: S&P Global, Coronation Research

Collectively, these facilities illustrate the persistent underutilization of the state-owned refining assets, in sharp contrast to the Dangote Refinery, which has effectively repositioned Nigeria from a fuel-importing economy to a regional net exporter within its first operational year. According to the National Bureau of Statistics (NBS), this shift has led to a near 50% reduction in petrol (motor spirit) import bills, down to N4.14trn in H1 2025 from N8.18trn in the same period in 2024. The value of exported petroleum and refined products notably increased by 32.16% y/y to N12.21trn in H1 2025 from N9.24trn in H1 2024.

Notably, in H1 2025, the country's fuel imports were down nearly half to N4.14trn (from the N8.18trn in the corresponding period in 2024). Conversely, Dangote continues to import crude oil from the US, despite Nigeria being a net crude oil exporter. Between January and June 2025, the Dangote Refinery imported about 60 million barrels of crude oil from the United States and other countries. In contrast, Nigeria exported N2.44trn worth of crude to India in H1 2025 (which led the export table out of the total value of N11.57trn). India's resurgence as a buyer of Nigerian crude is probably linked to renewed pressure from US President Donald Trump they stop purchases of Russian crude.

Looking ahead, there remains a strategic imperative to invest in domestic refining capacity to ensure long-term energy security and regional competitiveness. In OPEC's World Oil Outlook 2050, there is a US\$100bn refining investment gap in Africa over the next 25 years, with \$40bn needed by 2030 for new refineries and an additional US\$60bn for upgrades to existing ones beyond 2030.

The Dangote Group is positioning its US\$20bn facility to capture this opportunity, planning to expand capacity from 650,000 bpd to 700,000 bpd by the end of 2026, with longer-term ambitions to double to 1.4 million bpd before 2030, surpassing the capacity of the world's largest single train refinery in India. Meanwhile, the NNPC maintains public optimism, aiming to attract \$30–\$60 billion in new investments by 2030 and raise its equity stake in Dangote Refinery to 20% (from 7.2% currently), aligning with Dangote's planned expansion and partial listing in 2026.

Separately, the Federal Government of Nigeria approved a 15% import duty on petrol and diesel, although now postponed to Q1 2026, as part of the initiatives to support the industry and protect local refining businesses. These projects include BUA Refinery with 200,00 bpd and several modular refineries (including OPAC, Duport, Aradel Holdings, Edo, Waltersmith, Azikel, Ogbele, and Abia refineries) with a combined capacity of about 150,000 bpd. The tariff initiative, while having good intentions, may result in cost pass-through to final consumers, which would likely lead to price increases and inflationary pressure if those imports are required because domestic refining cannot meet domestic demand.

Oil & Gas Sector

Oil & Gas Industry Externalities

Nigeria's oil and gas industry continued to benefit from major structural reforms, including full petrol-price deregulation, the progressive operational ramp-up of the Dangote Refinery, renewed rehabilitation efforts across state-owned refineries, and an intensified national push toward gas commercialization. These measures were reinforced by improved security and uptime across strategic pipeline corridors, which enhanced production reliability and reduced crude losses. At the same time, a more competitive regulatory environment encouraged new investments in refining capacity, distribution networks, and gas-processing infrastructure. Together, these shifts strengthened sector fundamentals and created a more compelling environment for long-term private capital inflows.

Despite these gains, 2025 presented a more complex operating landscape globally. Crude prices moderated significantly, with Brent peaking at just \$81.29/barrel (versus \$91.17/barrel in 2024) and averaging \$68.65/barrel (versus \$79.85/barrel in 2024) for much of the year. The softer pricing environment reflected a combination of weaker global demand and expanding supply, especially from non-OPEC producers. China's slower-than-expected demand recovery—despite its role as one of the world's largest crude consumers at approximately 16 million bpd—further dampened upward price pressure.

On the supply side, phased OPEC+ output increases added additional barrels into an already cautious market. The International Energy Agency projected that the global oil market could move into a surplus of up to 4.1 million bpd by 2026—an imbalance that, if realised, could exceed storage capacity and intensify downward price pressure. However, some industry analysts contest the magnitude of this projected surplus, arguing that the imbalance is cyclical and likely to unwind by the end of Q2 2026. Consequently, sentiment for 2026 remains guarded, with geopolitical developments expected to have significant influence over market trajectories as the year unfolds.

For Nigeria, the interplay between price and production shaped sector performance more visibly than in prior years. Bonny Light, Nigeria's benchmark crude, maintained its historical link to Brent, typically trading at a premium of \$1–\$2/bbl. Accordingly, Brent price direction remained the principal determinant of earnings expectations and valuation multiples for NGX-listed companies. Investors

remained cautious for much of the year, with the NGX Oil & Gas Index recording year-to-date returns between -9.34% and -9.86% through the first three quarters as capital markets priced in weaker margins and softer revenue expectations. However, operational adjustments—ranging from production optimisation to cost-control initiatives—helped listed companies manage earnings volatility. By December 2025, the index had narrowed its YTD decline to 1.03%, reflecting improved investor sentiment and better clarity around production increases. Gas commercialisation also advanced steadily, supported by infrastructure development, improved flare-out compliance, and rising industrial demand. Together, these shifts offered partial insulation from global price softness by broadening the sector's revenue mix beyond crude exports alone.

"The new National Tax Act (NTA) introduces profound changes to tax obligations across the oil and gas value chain. A minimum effective tax rate of 15% now applies to all companies....This change requires companies to reassess the net benefit of long-standing incentives relative to their total tax burden. Midstream gas operators must now file estimated income tax returns and make monthly tax payments, aligning their obligations with upstream operators."

Looking ahead, fiscal and regulatory developments will play an increasingly central role in shaping performance. The new National Tax Act (NTA) introduces profound changes to tax obligations across the oil and gas value chain. A minimum effective tax rate of 15% now applies to all companies—including upstream operators previously benefiting from tax credits associated with greenfield non-associated gas projects like Seplat's ANOH Gas project and entities enjoying Economic Development Tax Credits. This change requires companies to reassess the net benefit of long-standing incentives relative to their total tax burden. Midstream gas operators must now file estimated income tax returns and make monthly tax payments, aligning their obligations with upstream operators.

Oil & Gas Sector

"For upstream operators, the removal of the 1% tax residue on qualifying capital expenditure and the reinstatement of full capital cost deductibility improves the attractiveness of long-term investments....At the multinational level, parent companies may also face Nigerian taxation if their offshore effective tax rate falls below 15% or if profits that could be distributed are retained. "

For upstream operators, the removal of the 1% tax residue on qualifying capital expenditure and the reinstatement of full capital cost deductibility improves the attractiveness of long-term investments. However, concerns remain around the extended scope of the Hydrocarbon Tax, especially for Production Sharing Contracts (PSCs) that have converted under the PIA fiscal regime. The exclusion of deep offshore assets from the earlier exemption creates uncertainty, particularly for investors who made long-term commitments based on the previous fiscal structure. Likewise, changes to capital allowance rules for converted PSCs could affect project economics and are expected to trigger extensive industry-government engagement. At the multinational level, parent companies may also face Nigerian taxation if their offshore effective tax rate falls below 15% or if profits that could be distributed are retained. These provisions may reshape global tax planning and repatriation strategies for Nigerian energy multinationals.

Overall, 2025 was characterised by a softer global pricing environment but meaningful operational gains across the upstream and midstream segments, supported by recent acquisitions, improved evacuation performance, and expanding gas infrastructure. As Nigeria prepares for a potentially transformative 2026—marked by the prospective market debuts of Dangote Refinery and NNPC—the continued execution of downstream deregulation, accelerated investment in gas processing and transportation, and deliberate efforts to stabilise crude production have created a more constructive platform for sector growth.

The outlook for 2026 will hinge on Nigeria's ability to counter external price pressures through deeper domestic value addition, enhanced operating efficiency, and strengthened regulatory alignment under the evolving NTA framework. Successful scaling of gas monetisation, coupled with the integration of major new refining capacity into the domestic energy matrix, could significantly broaden the sector's earnings base. If these catalysts progress as intended, Nigeria's oil and gas market stands to enter 2026 with a more resilient, diversified, and investment-attractive profile, despite continued global volatility.

Oil & Gas Sector

Seplat Energy Plc: Operational Progress, Strategic Execution, and Medium-Term Outlook

Seplat Energy Plc sustained its position as one of the most strategically active operators in 2025, delivering meaningful operational progress while laying out a clear medium-term expansion pathway following the landmark acquisition of Mobil Producing Nigeria Unlimited (now Seplat Energy Producing Nigeria Unlimited – SEPNU). The acquisition, finally completed in December 2024, fundamentally redefined the company's scale, reserve base, and offshore footprint, making it the largest indigenous energy producer listed on the NGX.

Seplat's September 2025 Capital Markets Day set out a refreshed 2026–2030 strategy focused on scale expansion, stronger cash generation, disciplined reinvestment, and enhanced shareholder distributions. The company targets working-interest production of c.200 kboepd by 2030 (about 50 percent above its 6M 2025 base), supported by USD 2.5–3.0 billion in capital spending and 120–150 new wells, alongside up to three new gas developments. Over the period, Seplat projects USD 5–6 bn in cumulative operating cash flow—2.5–3.0 times the 2020–2024 level—while reducing unit operating cost to USD 10/boe and keeping net leverage within 0.5x–1.5x, assuming Brent prices stay above USD 50/bbl.

Additionally, a new Competent Person's Report confirmed substantial reserve upgrades, including a 40 percent rise in offshore 2P reserves and a 378 percent increase in 2C resources. Group-wide, 2P reserves grew 18 percent and 2C resources rose 282 percent, expanding total 2P+2C volumes to over 2.3 billion boe. These upgrades strengthen visibility on long-term production and cash flow and support the strategic rationale for the MPNU transaction.

On the 2nd December, Seplat announced a major milestone with the completion of the Inlet Gas Exchanger (IGE) Replacement Project on the East Area Project (EAP) platform in OML 67. The new IGE module, a critical component of the Natural Gas Liquids (NGL) extraction process, represented the company's principal offshore capital project for 2025 and was delivered on schedule and within budget. Following the restart of the EAP complex, facility performance aligned with technical expectations and drove a significant enhancement in output. Late November gross NGL production increased to approximately 6,850bopd (about 3,500bopd net to Seplat),

more than double the average of 3,360 bopd (1,720 bopd net) recorded in the nine months to 30 September 2025. The company anticipates that production could rise toward 11,000 bopd (5,700 bopd net) in the coming months as the facility ramps up to optimal efficiency. The upgrade involved load-out, lifting, installation, tie-in, commissioning, and start-up activities executed over a six-week period, with more than 2.2 million man-hours completed without incident—a testament to Seplat's safety culture and operational discipline.

During the year, Seplat maintained consistent shareholder distributions in line with its commitment to a stable and predictable dividend profile. Total declared dividends amounted to 15.30 cents, driven by quarterly payouts of 3.60 cents in Q4 2024 (paid in early 2025), 4.60 cents in Q1 2025, 4.60 cents in Q2 2025, and 2.50 cents in Q3 2025, which collectively translated to cash outflows of N57.95, N72.91, N70.71, and N36.08 respectively. Although the Q3 dividend moderated to reflect a softer earnings environment, the cumulative payout reflects Seplat's discipline in sustaining returns even amid weaker oil prices and operational headwinds. This performance also provides a credible base for the newly introduced 2026–2030 dividend framework, which targets distributing 40–50 percent of free cash flow and sets a minimum annual base dividend of \$120 million, subject to Brent averaging above \$50/bbl.

Overall, Seplat enters 2026 with a stronger operational platform, enhanced reserves, a significantly expanded offshore operating base, and a clearly defined capital and returns framework. The completion of the IGE replacement project supports immediate production uplift, while the five-year plan signals disciplined growth, increased gas monetisation, and sustained shareholder value creation.

Oil & Gas Sector

Aradel Holdings Plc – 2025 Performance Review

Aradel delivered a resilient performance in 2025 despite weaker oil prices and elevated cost pressures, supported by increased production, improved evacuation infrastructure, and strategic investments that deepen its long-term growth outlook. Higher associate contributions and continued expansion of its asset base strengthened confidence in the company's medium-term value trajectory.

In Q1 2025, Aradel commenced the year strongly with revenue up 69.6% year-on-year. Improved uptime on the TNP, lower crude losses, Alternative Crude Evacuation (ACE) utilisation, and additional wells boosted crude sales to 1.20 million barrels. Although gas pipeline disruptions reduced refined product and gas income, operations normalised before quarter-end. Cost pressures intensified due to higher royalties, handling charges, and the introduction of a cash-settled share-based incentive scheme. Operating profit rose 54% year-on-year though margins narrowed. Finance costs increased following SPDC-related borrowings, but profit before tax still grew 46.2%. Completion of the SPDC acquisition through the Renaissance consortium and Aradel's increased stake to 33.3% marked a major strategic milestone.

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Completion of the SPDC acquisition through the Renaissance consortium and Aradel's increased stake to 33.3% marked a major strategic milestone.

At the end of June, revenue rose 15.2% year-on-year to

USD 237.5 million, supported by higher crude production (+19.7 percent) and refined output (+35.3 percent), offsetting the decline in realised crude prices from USD 86.41/bbl in H1 2024 to USD 67.61/bbl. Enhanced use of TNP and ACE remained central to performance.

Profitability was pressured by higher royalties, depreciation from new assets, and increased administrative costs tied to incentives and staffing. Nonetheless, substantial growth in associate income—especially from ND Western and Renaissance—drove profit before tax up 16.9 percent to USD 123.45 million and lifted profit after tax 50.8 percent. Total assets expanded 9.3 percent following new investments, including a 6.01 percent stake acquired in Chappal Energies.

At the end of Q3 2025, Aradel maintained strong momentum into Q3, with nine-month revenue up 27.5% year-on-year to USD 345mn. Output improved across crude, refined products, and gas, supported by better well performance and completion of the gas system revamp, which delivered record production of about 73mmscf/d. Refinery reliability improved, while the Ever Depot acquisition eased storage constraints and reduced deferments. A planned refinery turnaround commenced in September.

Despite revenue growth, Q3 gross profit declined marginally due to higher production costs and statutory charges. Administrative expenses and finance costs remained elevated. However, associate income surged 448% year-on-year, driving profit before tax up 34.4% to USD 195.3mn and profit after tax up 79.3% to USD 159.2mn. Total assets rose 22.6% year-on-year.

On the ND Western Transaction, Aradel progressed long-term strategy by signing an agreement to acquire an additional 40% stake in ND Western, increasing total ownership well above its current 41.67%. ND Western's interest in OML 34 and its 50% stake in Renaissance Africa Energy Holding Company significantly expanding Aradel's exposure to high-value upstream assets and reinforcing its leading role within the Renaissance JV, now owner of the SPDC onshore portfolio. Completion awaits Nigerian Upstream Petroleum Regulatory Commission (NUPRC), Federal Competition and Consumer Protection Commission (FCCPC) and Ministerial approvals.

On dividend distribution, the company maintained strong shareholder distributions, declaring N32.00 per share for 2025 (N22.00 for Q4 2024 and N10.00 in Q3).

Oil & Gas Sector

Overall, Aradel demonstrated strong operational execution in 2025, with rising production, enhanced infrastructure reliability, and expanded strategic investments. While weaker oil prices moderated margins, the company delivered solid earnings growth supported by exceptional associate contributions and transformative acquisitions. The planned increased stake in ND Western and strengthening Renaissance exposure, positions Aradel for continued scale, improved cash flow, and sustained long-term shareholder value creation.

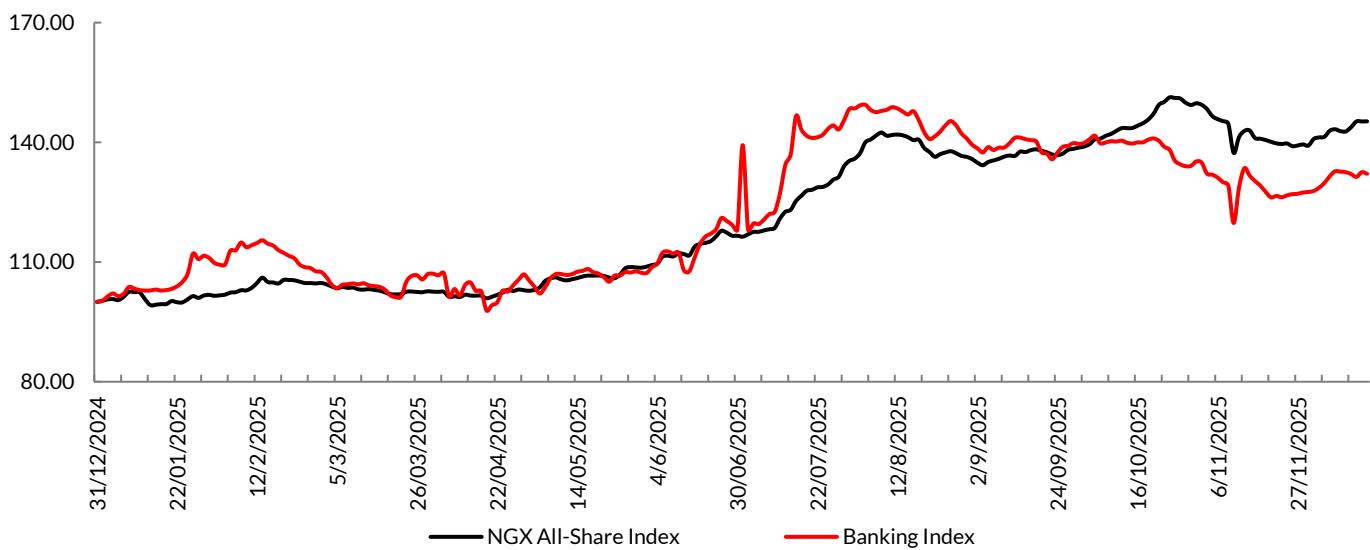
Banking Sector

Overview

The Nigerian banking sector remained broadly resilient through 2025, supported by strong balance sheet expansion and solid liquidity, but headline profitability softened. High funding costs, rising impairments, and regulatory changes, including forbearance withdrawal, the windfall tax on foreign exchange gains, and the ongoing recapitalisation drive, have redefined the sector's landscape since 2024.

Key performance determinants during the year were the conservative monetary stance of the CBN with the Monetary Policy Rate (MPR) at 27.0%, exchange rate stability which spurred some normalisation in the trading income compared to the previous period. The ongoing recapitalisation drive with compliance due by March 2026 led to a series of capital market activities ranging from right issues to public offers and a few announced mergers and acquisitions. Simultaneously, the CBN ended pandemic era forbearance measures, compelling banks to recognise previously deferred impairments and tighten provisioning, this has led to higher provisioning seen in earnings releases putting a drag on bottom line of most banks. Lower than expected dividend payouts also contributed to investor sentiment towards the sector, essentially leading to the sector underperforming the broader index.

Chart 2.3: Banking Index Performance (Rebased)



Source: Bloomberg, Nigerian Stock Exchange, Coronation Research

Financial Performance

Balance sheet growth through the year was steady (as of 9M 2025), supported by higher interest rates, stable funding inflows, and sustained loan expansion. Total industry assets are estimated to grew by 11.6% year-to-date to N241.34trn, reflecting organic growth in loans and investment securities rather than currency revaluation effects seen in the previous year, as the naira appreciated by c. 6% year-to-date on improved FX liquidity and higher portfolio inflows. The stronger naira led to a moderation in the naira value of foreign currency assets, tempering overall balance sheet expansion compared to 2024.

Loan book grew modestly, up by 6.6% year-to-date, as banks cautiously expanded credit to corporates in oil & gas, manufacturing, and trade sectors, while maintaining conservative exposure to consumer and SME lending. The improvement in FX stability and better visibility on input costs supported modest credit growth. Despite this, asset quality pressures persisted, with the industry's NPL ratio estimated to be around 4.5%-6.0% from 4% in FY 2024, as tighter CBN provisioning standards and the withdrawal of pandemic related forbearance led to higher impairment recognition.

On the funding side, customer deposits increased by 16.3% year-to-date. The elevated interest rate environment continued to attract retail and institutional deposits, but also pushed funding costs higher, with the industry cost of funds now averaging 4.5% as of 9M 2025, but well below 2024 limits. Nevertheless, liquidity positions remained strong, with liquidity ratios well above the 30% regulatory minimum.

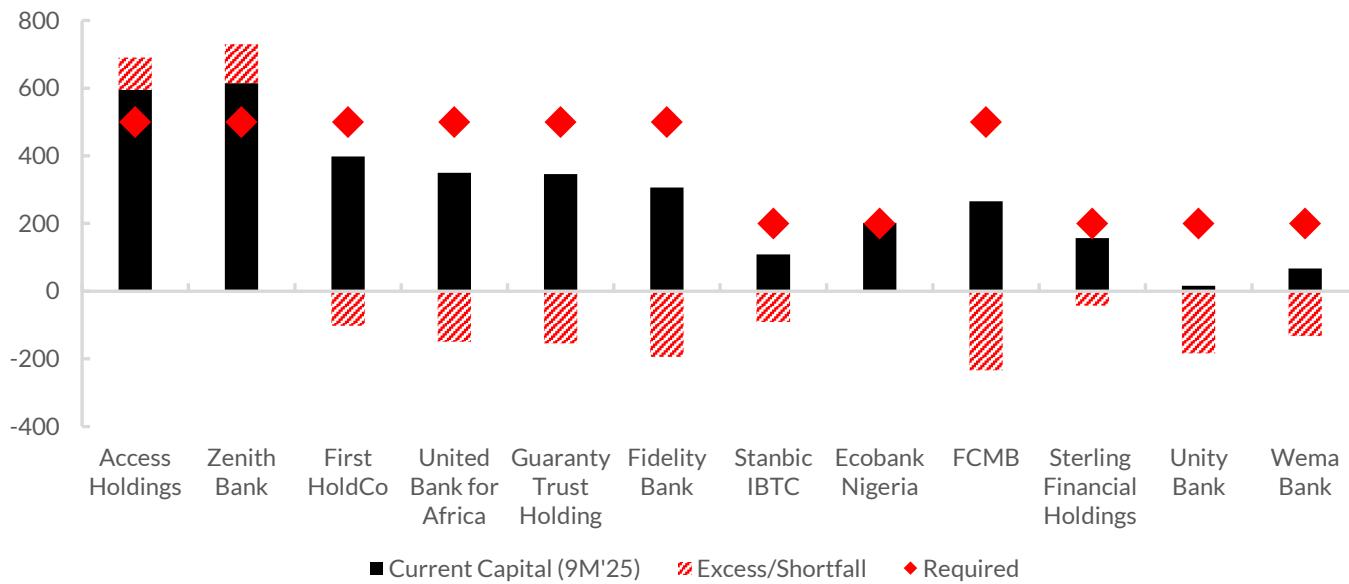
Banking Sector

Profitability has risen more softly compared to last year's record earnings, with industry pre-tax profit rising by 5.2% y/y. This smaller growth is due to a combination of higher loan-loss provisions, higher operating costs amid persistent inflationary pressures, and the impact of lower trading gains. Although net interest income has remained strong, reflecting the higher yield environment, these gains have been offset by elevated impairment charges, higher staff, and technology costs, as well as increased regulatory levies. Consequently, the sector's ROAE is expected to moderate to around 23-29%, down from c.37% in FY 2024, while cost-to-income ratios will stay around 35-40%, indicating margin compression.

Recapitalisation in focus

From a regulatory standpoint, the recapitalisation programme remains the defining theme of 2025, with banks actively pursuing capital raises via rights issues, private placements, public offers, and mergers and acquisitions ahead of the March 2026 deadline. This exercise is expected to strengthen the sector's resilience, support larger ticket lending, and enhance its ability to meet Basel III requirements. Simultaneously, the phased exit from CBN forbearance, coupled with tighter credit and market risk guidelines, marks a deliberate shift toward normalisation of regulatory oversight after the post-COVID relief period.

Chart 2.4: Comparing Required Capital and Current Capital



Source: Company's Financials, Coronation Research

Most Tier-1 and some Tier 2 banks, including GTCO, Zenith, UBA, Stanbic IBTC, Jaiz, and Access Holdings, have completed their capital-raising programmes through rights issues, public offers, and private placements. While others like FCMB, First HoldCo, Fidelity, and Sterling, have CBN approval for multiple offers is already in place or in the pipeline. With about three months to go, we expect to see more capital market activities and final calls on capital raise programs from the banks as they race to meet to the deadline.

We expect the average capital adequacy ratio (CAR) for Tier 1 banks to sit above the regulatory minimum after the conclusion of the exercise and all verification processes have been concluded.

Forbearance Exit

The end of regulatory leniency in 2025 prompted a more rigorous reassessment of loan portfolios across the banking industry. With the CBN's forbearance on restructured exposures now fully withdrawn, banks have begun recognising legacy problem loans, particularly in sectors exposed to FX volatility and subsidy removal effects. As a result, the industry's NPL ratio is projected to increase modestly to between 5.0% and 5.5% in FY 2025, above regulatory threshold as the banks exits these positions. This uptick reflects the normalisation of impairment recognition rather than a broad-based deterioration in credit quality.

Banking Sector

Manufacturing and trade related exposures have accounted for a notable share of the increase, as import dependent borrowers contend with tighter FX access and elevated input costs. Meanwhile, the oil and gas upstream segment has shown relative resilience, supported by improved crude prices and stronger cash flows so far in the year. In contrast, downstream and power sector loans have seen lower recovery due to rising receivables and delayed tariff adjustments.

Market Performance

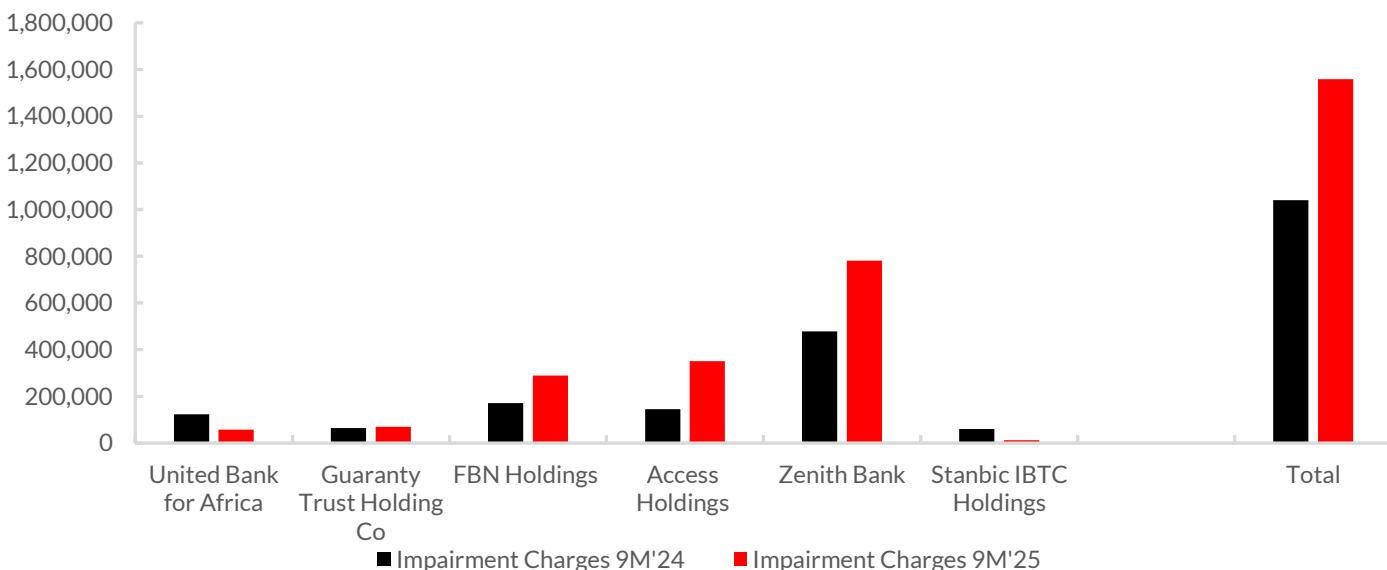
The NGX Banking Index has advanced by over 30% year-to-date, underperforming the broader NGX All-Share Index, which is up 45.58% year-to-date (as of 17 December, 2025). The sector's performance has been mixed, reflecting divergent investor sentiment across Tier-1 and mid-tier banks. Among the large caps, Zenith Bank (+39.6% ytd), Guaranty Trust Holding Co (+55.1% ytd), Ecobank Transnational Inc (+30.4% ytd) and United Bank for Africa (+17.1% ytd) posted solid gains, supported by strong

earnings fundamentals, robust capital positions, and dividend declarations. In contrast, Access Holdings (-12.8% ytd) lagged due to delay in H1 earnings result publication and uncertainty around dividend payments.

Mid-tier names showed stronger momentum, with Wema Bank (+104.4% ytd), Stanbic IBTC (+82.3% ytd), and Sterling Financial Holdings (+31.3% ytd) recording substantial year-to-date gains, driven by improved profitability and investor rotation into value plays.

While the sector has not matched the pace of the broader market, where Consumer goods, Industrials, and Insurance have led advance, investor interest in banks remains being the sector preferred for liquidity. The recapitalisation exercise and improving FX stability continue to anchor long-term sentiment, even as near term pressures from elevated funding costs and higher provisioning temper upside potential.

Chart 2.5: Banking Index Performance (Rebased)



Source: Company's Financials, Coronation Research

Outlook

Earnings in Q4 2025 is expected reflect a continuous shift back to core operations after the extraordinary foreign exchange driven gains of 2024. The naira's steady performance this year has largely removed the upside from currency revaluations and combined with stricter credit assessments under the CBN's updated forbearance rules, this has moderated overall sector profitability. Adjusting for last year's exceptional items, earnings are returning to more sustainable levels driven by traditional banking activities.

Banking Sector

Looking into 2026, anticipated policy rate cuts should stimulate lending activity, while disciplined credit management, improved asset yields, and growth in fee-based income are expected to underpin a gradual recovery in interest income and overall sector performance.

We believe the sector is well positioned to become a major driver of growth in 2026 as macroeconomic stability gradually returns. Improving inflation dynamics, better FX liquidity, and a less volatile interest-rate environment should ease pressure on funding costs and risk assets.

While declining yields may temper margins, stronger core earnings, expanding loan books, and improved capital flexibility are expected to support profitability and balance sheet growth. With regulatory cleanup largely behind the sector and capital buffers strengthening, banks are better placed to scale lending, support investment activity, and deliver more durable value creation over the medium term.

Consumer Goods Sector

Overview

The Nigerian consumer goods sector showed a compelling turnaround in 2025, driven primarily by two factors: significant reductions in foreign exchange losses and revenue growth. This recovery was supported by Naira appreciation and through clearing existing FX backlogs, which altogether supported FX stability, with the exchange rate stabilising below N1,500/US\$1.

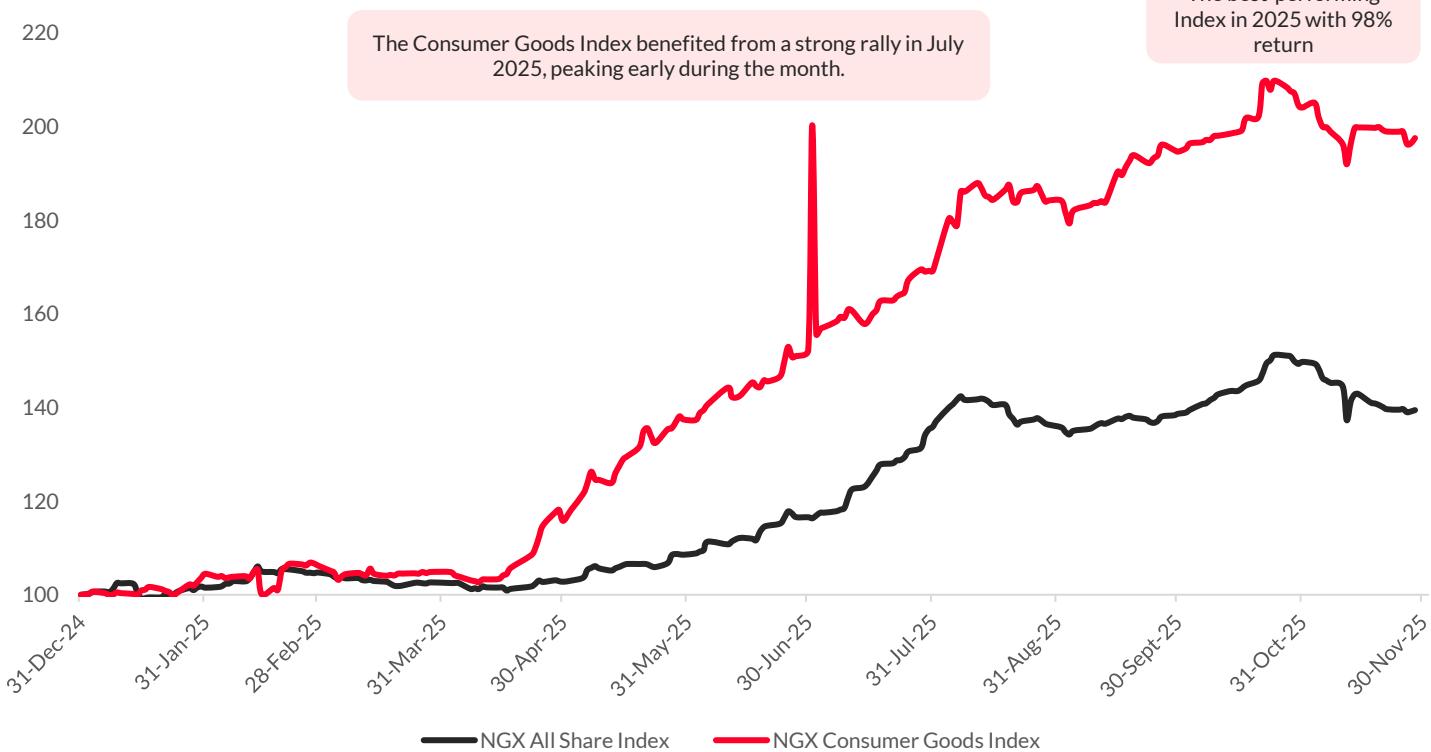
At the company level, the gains were not merely a function of macro stability; there was some payoff from strategic investments made in prior periods. Most firms with dollar-denominated liabilities had been actively investing in expansion plans, increasing local sourcing, although importation is still a key part of their value creation process.

Investors have taken advantage of this recovery, which is evident with the strong capital appreciation in many stocks, as we have seen the Consumer Goods Index (+97.56%) leading the sectoral performance on a year-to-date basis (as of November 2025). Notably, BUA Foods, holding more than 70% of the market capitalisation of the index, has been one of the key drivers of this performance. Overall, the year-to-date return across all consumer goods stocks discussed in this report had an average of 138.64%, with a high and low of 239.90% and 66.87%, respectively.

Dividend outlook remains weak, as most companies under consideration strive to restore their balance sheet to a positive distributable equity position. Historically, this sector has been known for a decent dividend yield. Yet, past losses, especially the recent significant ones in 2023 and 2024, mainly due to foreign exchange losses, have depleted retained earnings for many companies, leaving them with accumulated deficits rather than distributable profits. Consequently, dividend payments for the 2025 financial year remain highly uncertain. However, we do expect a dividend declaration for the 2026 financial year from many of the companies following their strong performances this year.

The following section will provide a comparative financial review of major players within the Food, Brewing, and Food & Beverage Segments. Furthermore, we give an overview of the landmark acquisition of C.H.I Limited by UAC of Nigeria Plc ("UACN"), as this deal signals a potential turning point for UACN.

Chart 2.6: Consumer Goods Performance (Rebased)



Consumer Goods Sector: Food Industry

Overview

The food manufacturing sector demonstrated robust revenue growth during the first nine months of 2025. A comparative analysis of BUA Foods Plc ("BUA Foods"), Nascon Allied Industries Plc (Nascon"), and Dangote Sugar Refinery Plc ("Dangote Sugar"), however, reveals key divergences in their respective profitability drivers, margin quality, and financial resilience. The period was notably characterized by a significant reduction in foreign exchange (FX) losses, which had a material impact on the prior year's bottom line.

Top-Line Performance: Uniform Growth Trajectory

Revenue growth was a common theme, driven by the pass-through of elevated input costs into selling prices. However, the moderating inflationary trend may have provided relief to real disposable incomes. Given the highly inelastic demand nature of essential food items, the significant growth recorded likely reflects a combination of residual price effects and relatively stable volumes.

BUA Foods reported the highest absolute revenue at N1.42 trillion for 9M 2025, a 32.68% increase from the prior year. Dangote Sugar posted a 29.27% increase to N626.24bn. Nascon achieved the highest growth rate among its peers, with revenue expanding by 46.88% to N117.35bn.

Profitability Analysis: Operational Strength and FX Impact

The analysis of profitability requires a distinction between operational performance, best captured by EBITDA, and the impact of financial factors like FX movements.

1. EBITDA and Operational Margins

In absolute terms, BUA Foods generated the largest operational cash flow, with an EBITDA of N444.29bn, significantly higher than Nascon's N35.08bn and Dangote Sugar's N89.76bn. The EBITDA margin provides a clearer

picture of operational efficiency. BUA Foods leads with a margin of 31.27%, followed by Nascon at 29.90%. Dangote Sugar's EBITDA margin stands at 14.33%, which, while substantially lower than its peers, represents a significant improvement from 3.38% in the prior year. This indicates that all three companies improved their core operational profitability during the period.

2. Foreign Exchange Loss Dynamics

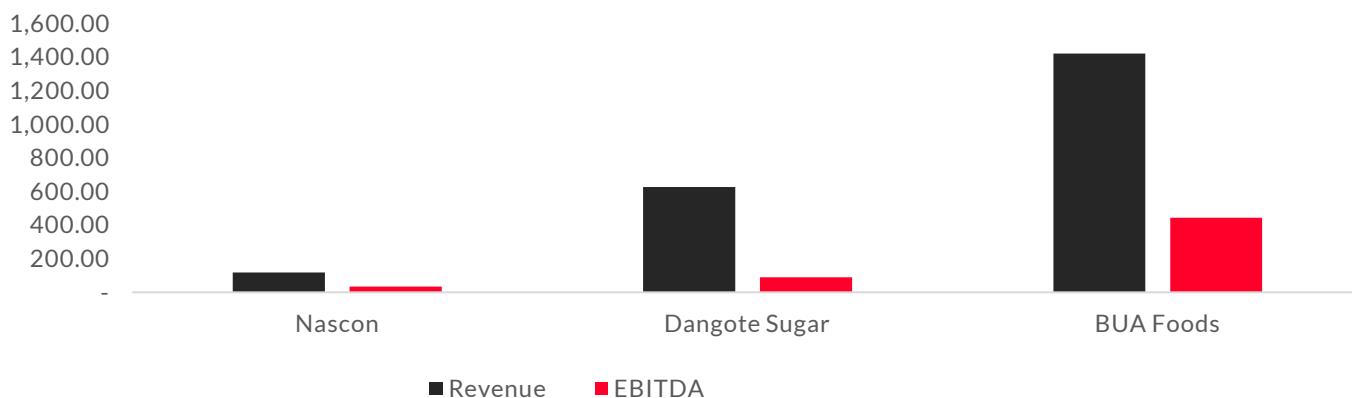
A pivotal factor in the year-on-year profitability shift was the management of foreign exchange exposures. In the 9M 2024 period, all companies reported substantial net FX losses. BUA Foods recorded the largest absolute FX loss at N233.50bn, Dangote Sugar reported N87.96bn, and Nascon reported N1.80bn. The 9M 2025 period saw a sharp reversal of this trend. BUA Foods markedly reduced its FX loss to N139.15 million. Dangote Sugar reported a net exchange gain of N4.86 million, a complete recovery from the prior year's loss. Nascon also reduced its FX loss to N912.61 thousand.

This recovery was a primary driver behind the improved net profit for both BUA Foods and Nascon. Notably, BUA Foods was able to report a net profit of N405.27bn in 9M 2025 despite the previous year's large FX loss, underscoring the fundamental strength and profitability of its underlying operations, which generated sufficient gross profit to absorb the financial shock.

3. Bottom-Line Results

The net profit margin reflects these combined operational and financial effects. BUA Foods converted 28.53% of its revenue to net profit, while Nascon achieved a net profit margin of 20.73%. Dangote Sugar reported a net loss of N10.59bn for the period, a considerable improvement from the N184.36bn loss in 9M 2024 but resulting in a negative net profit margin.

Chart 2.7: Operating Performance – 9M 2025 Revenue vs EBITDA (N' bn)



Source: Company Financials, Coronation Research

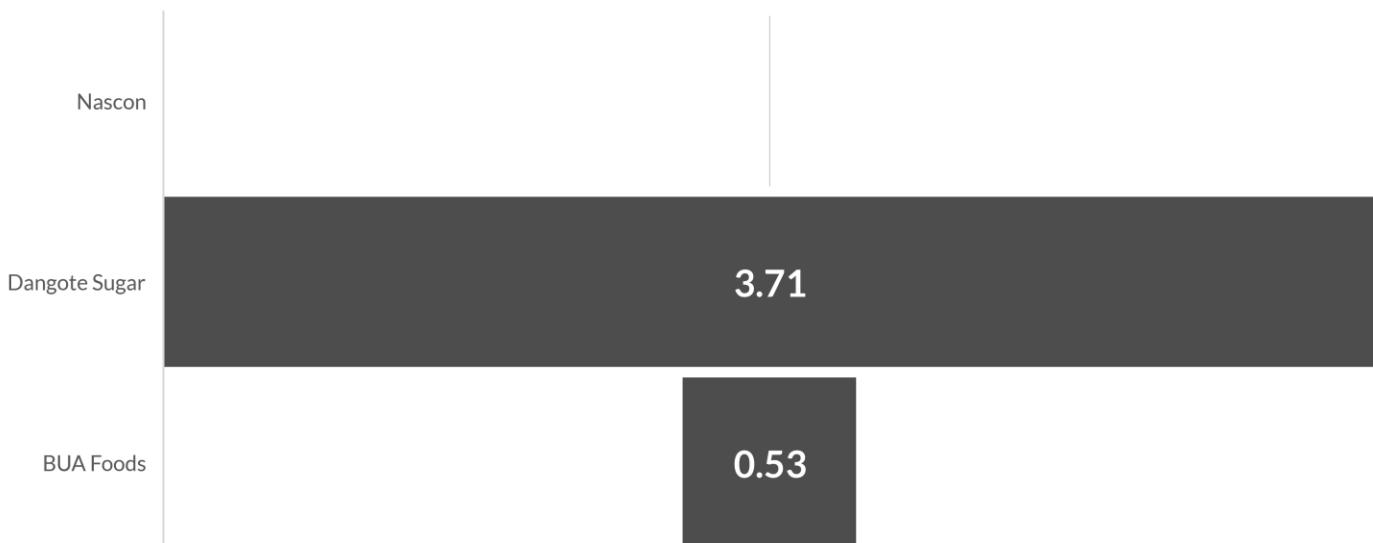
Consumer Goods Sector: Food Industry

Financial Position and Leverage

The capital structures of the three companies indicate differing strategic approaches to financing. Nascon maintains a conservative balance sheet, with a debt-to-equity ratio of 0.001. BUA Foods employs a moderate level of leverage, with its debt-to-equity ratio at a manageable 0.532. Dangote Sugar's financial structure is characterized by a higher degree of leverage, with a debt-to-equity ratio of 3.709.

...Dangote Sugar remains the most leveraged among its peers due to its burden of accumulated losses...

Chart 2.8: Debt-to-equity - 9M 2025



Source: Company Financials, Coronation Research

Strategic Considerations and 2026 Outlook

For **Dangote Sugar**, the priority for 2026 will be to build upon the operational recovery evidenced in 9M 2025. The significant expansion in its gross profit margin from 4.09% to 14.38% and the reduction of its net loss are positive steps. The key challenge remains its capital structure; with a debt-to-equity ratio of 3.709, the company's profitability is highly susceptible to domestic interest rate fluctuations and further exchange rate volatility. Its outlook hinges on its ability to sustain margin improvements while managing its substantial debt burden.

For **NASCON**, its standalone strategy is fortified by the highest gross profit margin in the group at 48.73% and a virtually debt-free balance sheet. This provides a lot of financial flexibility for 2026. The focus will be on whether it can maintain its exceptional revenue growth rate and high margins independently, potentially funding new growth initiatives from its internal cash flows.

For **BUA Foods**, the outlook is one of sustained sector leadership. Its combination of scale (N1.42 trillion revenue), robust EBITDA margin (31.27%), and moderate, improving leverage (Debt/Equity of 0.532) positions it to navigate market shifts from a position of strength. Its ability to generate a N405.27bn net profit in 2025, even after absorbing significant finance costs, demonstrates a resilient business model.

A critical factor for 2026 across all companies, particularly the sugar refiners, will be the stability of the foreign exchange environment. The pronounced appreciation of the Naira in 2025 was a material contributor to the sharp reduction in FX losses across all three balance sheets and likely aided gross margins by lowering the cost of imported raw materials. Barring a significant reversal, this stable FX environment should continue to support profitability and reduce financial statement volatility in the near term. The primary risk to this outlook would be an unforeseen macroeconomic shock that disrupts the current relative currency stability.

Consumer Goods Sector: Brewing Industry

Overview

The Nigerian brewing sector reported improved financial results for the first nine months of 2025, showing a recovery from the challenges of the previous year. This performance was supported by revenue growth across all major players, improved operational margins, and a material reduction in foreign exchange losses. The period resulted in a return to profitability for the sector, though the companies exhibit differing levels of operational scale and financial leverage.

Top-Line Performance

The sector demonstrated consistent revenue growth during the period. Nigerian Breweries reported the highest absolute revenue at N1.05 trillion, a 47.20% increase from the prior year. International Breweries grew its revenue by 37.59% to N472.57bn, while Guinness Nigeria recorded an 18.49% increase to N335.07bn. Champion Breweries, while significantly smaller in scale, reported a 52.86% growth in revenue to N21.44bn. This indicates a positive demand environment for the sector as a whole, above the inflation rate.

Profitability Analysis

The improvement in profitability was driven by two main factors: stronger operational results and a decrease in financial costs.

1. Operational Performance

The EBITDA margin, which reflects core operational profitability before financing and accounting decisions, expanded across the sector. International Breweries reported the most significant improvement, moving from an EBITDA loss of N90.77bn in 9M 2024 to a positive N116.06bn in 9M 2025, resulting in an EBITDA margin of 24.56%. Nigerian Breweries increased its EBITDA to

N215.44bn, with a margin of 20.59%. Guinness Nigeria and Champion Breweries also posted stronger EBITDA margins of 18.49% and 28.73%, respectively.

2. Impact of Foreign Exchange

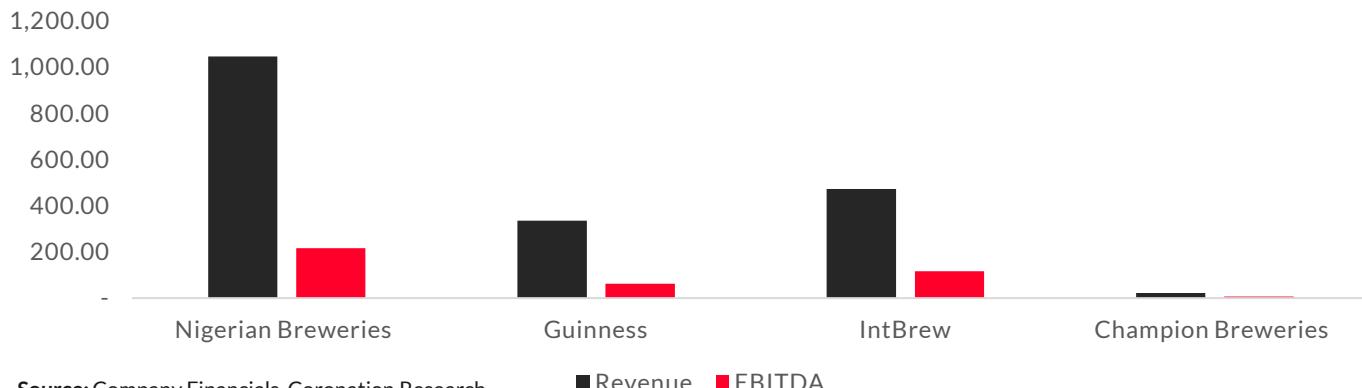
A key differentiator between the 9M 2024 and 9M 2025 results was the scale of foreign exchange losses. In the prior year, these losses were a major contributor to net finance costs and overall losses. In the current period, these losses have reduced substantially. Nigerian Breweries reported a net exchange gain of N10.25bn, a shift from a N48.21bn loss. International Breweries reduced its net exchange loss from N155.30bn to N4.79bn. This reduction was a primary factor in the decline of net finance costs for Nigerian Breweries and Guinness, and the return to net profit for the sector.

This recovery was a primary driver behind the improved net profit for both BUA Foods and Nascon. It is particularly notable that BUA Foods was able to report a net profit of N405.27bn in 9M 2025 despite the previous year's large FX loss, underscoring the fundamental strength and profitability of its underlying operations, which generated sufficient gross profit to absorb the financial shock.

3. Bottom-Line Results

The combination of higher revenue, improved operational margins, and lower finance costs led to a return to profitability. Nigerian Breweries reported a profit after tax of N85.51bn, a recovery from a loss of N149.50bn. International Breweries reported a profit of N57.83bn, compared to a loss of N112.81bn. Guinness Nigeria and Champion Breweries also reported profits of N26.59bn and N2.05bn, respectively, moving from loss-making positions in 9M 2024.

Chart 2.9: Operating Performance – 9M 2025 Revenue vs EBITDA (N' bn)



Consumer Goods Sector: Brewing Industry

Financial Position and Leverage

The companies maintained distinct capital structures. International Breweries and Champion Breweries operated with no borrowings, indicating a more conservative financial approach. Nigerian Breweries significantly reduced its total borrowings from N652.10bn to N162.17bn. This deleveraging, combined with a return to positive equity, lowered its debt-to-equity ratio to 0.30. Guinness Nigeria also reduced its borrowings, though it maintains a higher debt-to-equity ratio of 2.04.

Chart 2.10: Food Manufacturers' Debt-to-equity - 9M 2025



Source: Company Financials, Coronation Research

Strategic Considerations and 2026 Outlook

The 9M 2025 results indicate a recovery in the fundamental operating environment for Nigerian brewers. The outlook for 2026 is closely tied to the stability of the foreign exchange market, given the sector's demonstrated sensitivity to currency movements. The reduction in FX losses was a critical factor in the return to profitability, and a similar stable environment would be supportive of continued financial performance.

The ability of companies to maintain their improved gross and EBITDA margins will be crucial. For those with higher leverage, the management of debt servicing costs will remain a focus. Nigerian Breweries enters the period with a deleveraged balance sheet, while International Breweries and Champion Breweries benefit from their debt-free status. Guinness Nigeria will continue to manage its relatively higher leverage ratio.

In conclusion, the brewing sector has moved from a period of net losses to one of profitability. Nigerian Breweries maintains its position as the sector leader in scale, while International Breweries showed a strong operational recovery. The performance of all companies in 2026 will be significantly influenced by the trajectory of the Naira and their ability to sustain current margin levels.

Consumer Goods Sector: Food & Beverage Industry

Overview

The Food & Beverage sector, represented by Nestlé Nigeria Plc ("Nestlé") and Cadbury Nigeria Plc (Cadbury), demonstrated a parallel trajectory of robust revenue growth and a return to profitability in the first nine months of 2025. This recovery was fuelled by a significant expansion in gross margins and a pivotal shift in foreign exchange dynamics. While Nestlé operates at a substantially larger scale, both companies successfully navigated from a period of net loss in the prior year to posting profits, underscoring a sector-wide improvement in financial conditions.

Top-Line Performance

Both companies reported almost identical rates of revenue growth, pointing to similar underlying market demand. Nestlé Nigeria's revenue increased by 32.96% to N884.54bn from N665.29bn. Similarly, Cadbury Nigeria's revenue grew by 33.19% to N119.25bn from N89.53bn. The disparity in absolute revenue figures confirms Nestlé's position as the larger entity in the segment, while the congruent growth rates suggest effective commercial execution by both firms.

Profitability Analysis: Operational Strength and FX Impact

The improvement in profitability stemmed from enhanced operational performance and a material reduction in financial costs.

1. Operational Performance

Both companies achieved a notable expansion in their gross profit margins, indicating improved cost management or a more favorable product mix. Nestlé Nigeria's gross profit. The margin increased to 36.95%

from 31.01%, while Cadbury Nigeria's margin rose to 23.27% from 16.49%.

This operational strength is further reflected in the EBITDA margin. Nestlé's EBITDA margin improved to 23.62% from 19.49%, and Cadbury's margin increased to 15.39% from 8.61%. The data indicates that both companies enhanced their core operational efficiency during the period.

2. Impact of Foreign Exchange

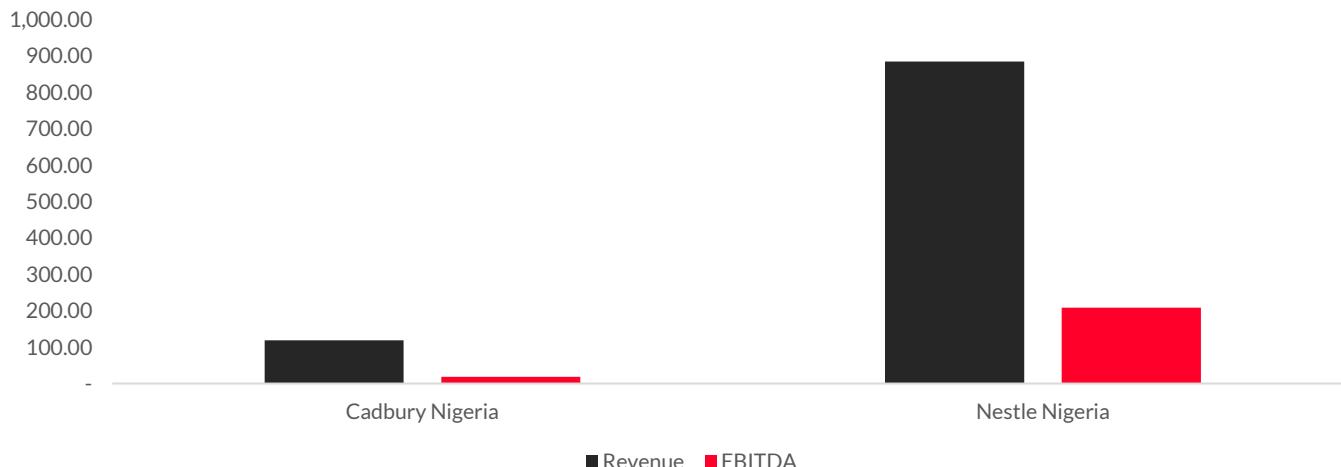
The most significant factor differentiating the 2025 results from 2024 was the movement in foreign exchange losses. In 9M 2024, both companies recorded substantial net exchange losses—N285.29bn for Nestlé and N18.87bn for Cadbury. These losses were a primary component of their net finance costs and a major contributor to their overall net losses.

In 9M 2025, this trend reversed. Nestlé Nigeria reported a net exchange gain of N20.75bn, and Cadbury reported a net exchange gain of N1.66bn. This shift was the critical driver behind the sharp reduction in net finance costs for both companies.

3. Bottom-Line Results

The combination of higher revenue, improved operational margins, and significantly lower net finance costs resulted in a return to profitability. Nestlé Nigeria reported a profit of N72.48bn for the period, a recovery from a loss of N184.27bn. This translates to a net profit margin of 8.19%. Cadbury Nigeria reported a profit of N9.68bn, a swing from a loss of N11.86bn, achieving a net profit margin of 8.12%.

Chart 2.11: Beverage Producers' Operating Performance – 9M 2025 Revenue vs EBITDA (N' bn)



Source: Company Financials, Coronation Research

Consumer Goods Sector: Food & Beverage Industry

Financial Position and Leverage

The capital structures of the two companies present different financial risk profiles. Cadbury Nigeria holds a debt-to-equity ratio of 2.15, with total borrowings of N30.19bn against total equity of N14.06bn.

Nestlé Nigeria's financial structure is characterized by a higher absolute debt level, with total borrowings of N521.01bn. The company's shareholder equity remained negative at -N19.70bn, though this is an improvement from -N112.08bn in 9M 2024. Due to the negative equity, a conventional debt-to-equity ratio is not applicable, though the aforementioned total borrowings relative to the asset base of N847.30bn indicates a highly leveraged position.

Cadbury Nigeria maintains a measured debt-to-equity position (2.15x). In stark contrast, Nestlé Nigeria carries negative equity, indicating high financial leverage.

Strategic Considerations and 2026 Outlook

The 9M 2025 results signify a critical recovery for both Nestlé and Cadbury. The outlook for 2026 is heavily dependent on the stability of the foreign exchange environment, given that the reversal of FX losses was a primary factor in their return to profitability.

The ability of both companies to maintain their improved gross and EBITDA margins will be essential for sustaining performance. For Nestlé, the management of its substantial debt burden and the continued journey toward a positive equity position will be a key focus. Cadbury, with a positive equity base and lower absolute debt, will aim to build upon its regained profitability.

In conclusion, both Nestlé Nigeria and Cadbury Nigeria have moved from loss-making positions to profitability, driven by strong operational execution and a favourable shift in forex conditions. Their continued performance in 2026 will be closely linked to the stability of the Naira and their ability to sustain the operational efficiencies demonstrated in the current period.

Consumer Goods Sector: UAC of Nigeria Plc - Acquisition of C.H.I. Limited

Overview

UACN of Nigeria ("UACN") completed the full acquisition of C.H.I. Limited ("CHI") on 3 October 2025, which represents a substantial change in its scale, whilst increasing its exposure to the packaged food and beverage sector. The 9M 2025 results show revenue growth alongside a material decline in net profit, driven by FX gains reversal and increased finance costs. The post-acquisition period will be governed by the execution of management's stated plans for margin improvement of C.H.I. Limited and debt reduction of the entire group.

"UACN acquired 100% of CHI for a total consideration of N182.4 billion...with a mix of cash (17%) and debt (83%)...including hedging cost of N17.6 billion."

Acquisition of C.H.I Limited

1. Rationale and Transaction Structure

UACN acquired 100% of CHI for a total consideration of N182.4 billion. Management's stated rationale centred on four factors: internal preparedness, the rarity of the asset given its 45-year history, timing amid an improving macroeconomic environment, and strategic fit with UACN's existing food operations.

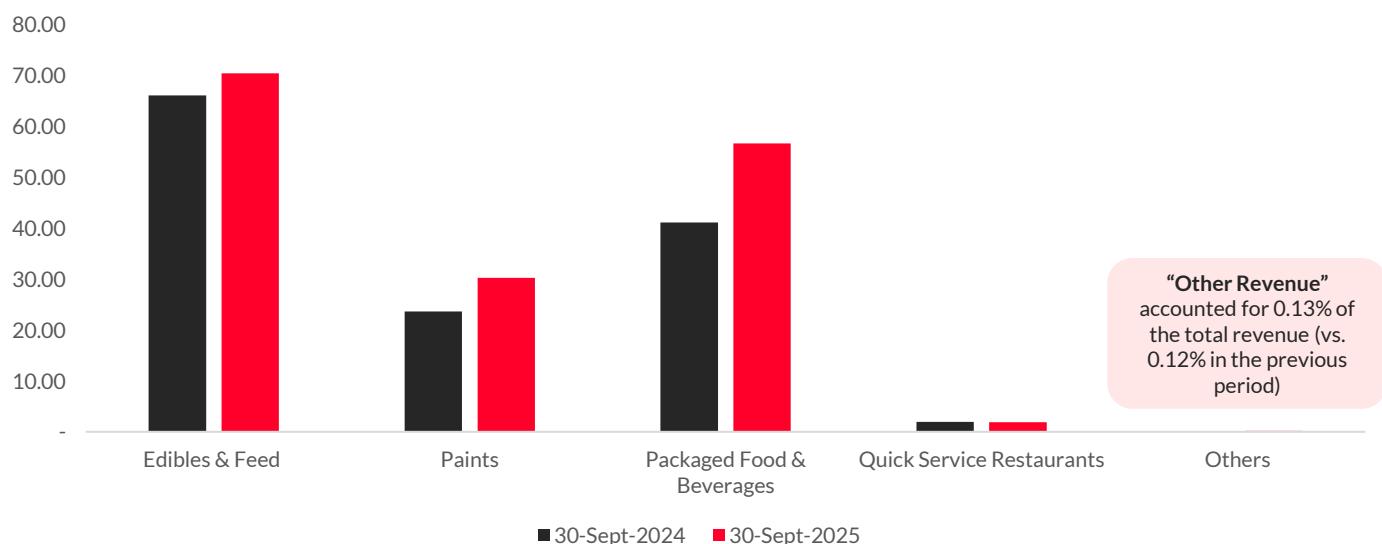
The transaction was funded through a mix of cash (17%) and debt (83%). An initial US dollar bridge loan was secured, with a stated plan to refinance into Naira via bonds and term loans in Q4 2025 or Q1 2026. Additionally, the total acquisition-related costs, including hedging, was stated at N17.6 billion. Hedging was completed through a forward contract, although its cost rose sharply due to the recent currency appreciation.

2. Post-Acquisition Business Profile

On a pro-forma basis, the acquisition increases UACN's LTM revenue to September 2025 by 221% to N717 billion and LTM EBITDA by 168% to N67 billion. The Group's revenue mix shifts significantly, with Packaged Food & Beverages and Paints contributing 85% of pro-forma revenue.

Management identified two primary risks from CHI: foreign exchange exposure due to CHI's high import dependency, and elevated inventory days of 229 as of FY 2024. The stated mitigation strategy includes replacement cost pricing and applying improved inventory management practices used in other Group subsidiaries, with CAP Plc cited as a benchmark with approximately 90 inventory days.

Chart 2.12: Pre-Acquisition Operating Performance – Revenue Composition (N' bn)



Source: Company Financials, Coronation Research

Consumer Goods Sector: UAC of Nigeria Plc – Financial Review

The near-term focus areas communicated by management are margin improvement at CHI and debt reduction. The margin improvement strategy references prior success at UAC Foods Limited and involves pricing and SKU rationalization. The debt reduction strategy targets a Long-Term Debt/EBITDA ratio near 1.5x, to be achieved through asset divestments, free cash flow, and working capital optimization. Management has stated that CHI will continue to operate on a standalone basis.

Analysis of 9M 2025 Financial Performance

1. Operational Results

UACN's revenue increased by 19.8% to N159.6 billion for the nine months ending 30 September 2025. Growth was led by the Packaged Food & Beverages segment (+37.4%) and the Paints segment (+28.0%). The gross profit margin expanded by 159 basis points to 24.67%.

Operating profit grew by 9.1% to N13.4 billion. However, net finance costs were N5.7 billion, a reversal from net finance income of N7.8 billion in the prior period. A foreign exchange loss of N0.4 billion replaced a gain of N10.2 billion in 9M 2024. Consequently, profit for the period declined by 60.6% to N5.4 billion. Net profit margin contracted from 10.26% to 3.37%.

2. Pre-Acquisition Financial Position Profile

Before consolidating CHI, UACN's total debt increased to N33.0 billion as of 30 September 2025, from N26.3 billion a year earlier. The debt-to-equity ratio stood at 1.68x as of 9M 2025 (vs. 2.44x in the prior year period).

Forward Outlook

The acquisition alters UACN's business profile and introduces a higher degree of leverage. Management's ability to execute its stated plans will influence future performance. Key items to watch include:

- The trend in CHI's EBIT margin.
- Progress in reducing CHI's inventory days.
- The execution and terms of the planned Naira debt refinancing.
- Progress against the stated debt reduction target.
- The outcome of non-core asset divestment initiatives.

The Group's results will remain sensitive to foreign exchange movements and macroeconomic conditions. Performance will be contingent on the application of management's stated operational strategies to the newly acquired business. The Management has shown the financial nous to plan and complete the acquisition; now they have to show the operational capacity to efficiently run this enlarged platform.

Group revenue expanded from N223bn pre-acquisition to N717bn (LTM Sep. 2025). However, CHI's declining EBIT margin remains a key focus, with the new management targeting at least 15% by Q4 2026.

Agriculture Sector

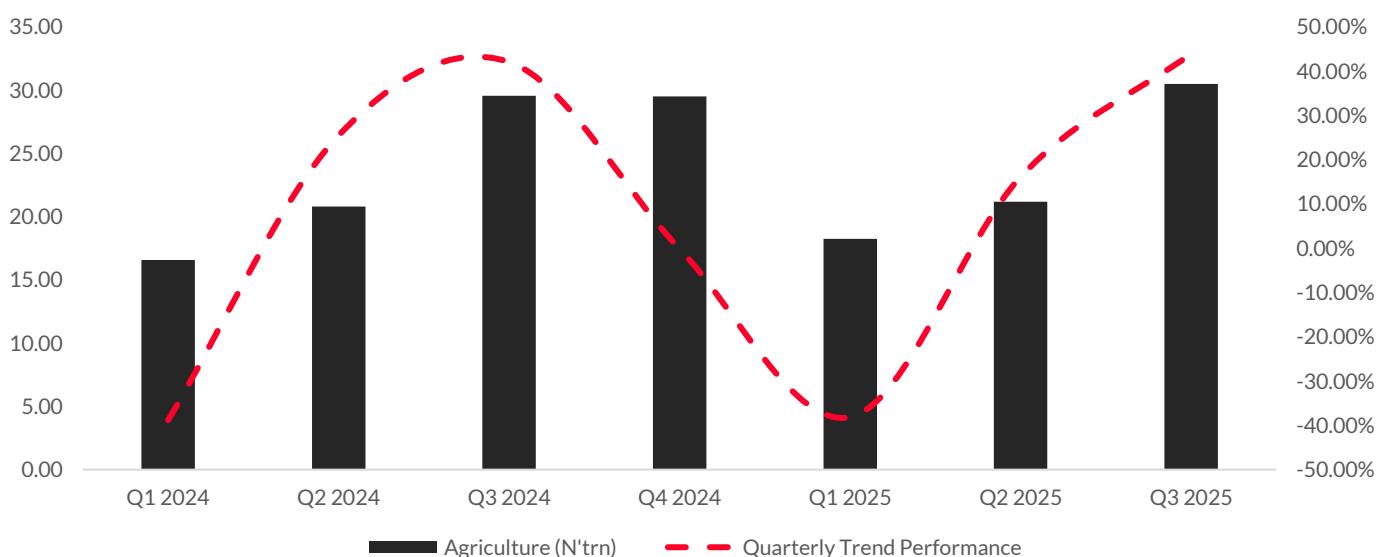
Overview

The agriculture sector remained a resilient contributor to Nigeria's GDP. The sector comprising four primary economic activities (Crop Production, Livestock, Forestry, and Fishing) showed a nominal growth of 4.46% y/y in 9M 2025 (with a total of N69.94trn), lower than the 11.73% y/y recorded in 9M 2024. Crop Production remains the dominant activity contributing 62.91% (N44.00trn) of the overall nominal value of the sector in the first nine-month of the year.

In real terms, based on the rebased GDP (2019 base year), the sector also showed improvement, rising by 2.46% y/y in 9M 2025 compared with 1.33% y/y in the same period of 2024. As in nominal terms, Crop Production remains the main driver of growth in real activity.

GDP grew 4.46% y/y in 9M 2025, continuing the positive momentum from the same period in 2024.

Chart 2.13: GDP Data (N'trn) & Quarterly Trend Performance (%)



Source: National Bureau of Statistics (NBS), Coronation Research

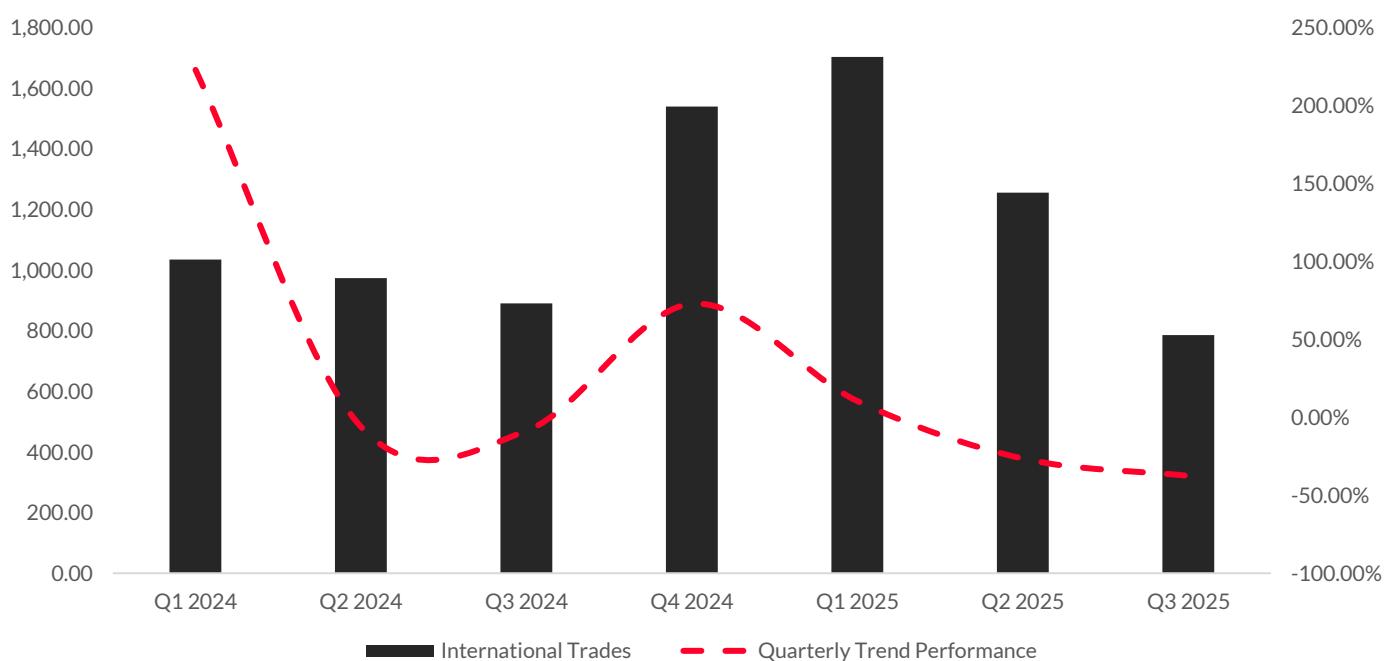
Agriculture Sector

Trade Performance

The value of international trades of agricultural commodities in 9M 2025 expanded by 29.24% y/y to N3.75trn, from a notable surge of 271.48% y/y from the amount recorded in 9M 2024. In Q3 2025, major traded agriculture products were led by Standard Quality Cocoa beans (32.48%), Superior Quality Cocoa beans (24.79%), and Natural cocoa butter (11.22%). However, it is noteworthy Cocoa, the quarterly export trades showed a 7.70% q/q contraction in Q3, driven by the declines of 'Superior Quality Cocoa' by 29.98% q/q, outweighing the 21.90% q/q in Standard Quality Cocoa'. Similarly, Cashew nuts in shell declined by 83.33% q/q to N58.80bn in Q3, from the surged 123.73% q/q Q2 2025, reflecting a shift in export momentum.

International Trades expanded by 29.24% y/y to N3.75trn in 9M, from a notable surge in the same period of 2024

Chart 2.14: International Trade Performance (N' bn) & Quarterly Trend Performance (%)



Source: National Bureau of Statistics (NBS), Coronation Research

Agriculture Sector

Global Commodity Prices

Cocoa, representing 57.27% of major traded agricultural products in Q3 2025, though remaining critically affected by volatility in global prices. World Bank historical data showed that global cocoa prices peaked at unprecedented levels in 2024, with average prices rising 123.42% y/y from \$3,280.67 per metric ton (MT) in 2023 to \$7,329.65/MT. According to the International Cocoa Association (ICCO), the 2024 surge was attributed to severe supply deficits in Côte d'Ivoire and Ghana, the world's two largest cocoa producers.

In 2025, cocoa prices have trended lower, falling from \$10,745.11/MT in January to \$7,025.09/MT in September, a 52.95% year-to-date decline. Minor rebounds in May (+10.31% m/m) and August (+3.10% m/m) were insufficient to offset the downward trend. The softening prices reflect weaker industrial demand and eased concerns over a drought affecting supply, although levels remain structurally above pre-2024 norms. Looking ahead, the World Bank projects a 10% rebound in global cocoa output in 2025-26, driven by a 5% increase in Côte d'Ivoire and a 34% rise in Ghana. Consequently, average cocoa prices are expected to increase modestly to \$8,000/MT by the 2025 year-end. This global outlook, however, contrasts with projections for Nigeria. The Nigerian Cocoa Association forecasts that the country's 2025/26 crop production will fall by

11% year-on-year to 305,000 MT, down from the 344,000 MT expected in the 2024/25 season.

Global oil palm prices also revealed a volatile pattern. After falling from \$1,070.31/mt in January to \$907.58/mt in May 2025, prices recovered steadily to \$1,038.36/MT by September. World Bank expects prices to remain above \$1,000/MT over the next two years, reaching \$1,020/MT in 2025 and \$1,051/MT in 2026. This trend is expected to favor key oil palm producers in Nigeria, with domestic prices likely exceeding global benchmarks due to the existing import ban.

Outlook

Overall, the Agriculture sector is expected to maintain steady, albeit moderate, growth supported by Crop Production and sustained commodity demand. Cocoa prices are likely to stabilize around the current levels, while oil palm prices are expected to sustain the recovery observed in H2 2025. Continued focus on export diversification, particularly in cashew and other high-value crops, will be critical to sustaining trade performance.

Global Prices and 2026 Outlook

"Cocoa, representing 57.27% of major traded agricultural products in Q3 2025, though remaining critically affected by volatility in global prices."

"The Nigerian Cocoa Association forecasts the country's 2025/26 crop production will fall by 11% year-on-year to 305,000 MT, down from the 344,000 MT expected in the 2024/25 season."

"Global oil palm prices also revealed a volatile pattern. After falling from \$1,070.31/mt in January to \$907.58/mt in May 2025, prices recovered steadily to \$1,038.36/MT by September. World Bank expects prices to remain above \$1,000/MT over the next two years, reaching \$1,020/MT in 2025 and \$1,051/MT in 2026."

"Cocoa prices have trended lower, falling from \$10,745.11/MT in January to \$7,025.09/MT in September, a 52.95% year-to-date decline. Minor rebounds in May (+10.31% m/m) and August (+3.10% m/m) were insufficient to offset the downward trend."

Oil Palm Industry

The Financial Year Review

The 2025 financial year marked another strong earnings cycle for Nigeria's two leading integrated palm oil producers, Presco Plc ("Presco") and Okomu Oil Palm Plc ("Okomu"). These oil producers extended their post-pandemic growth trajectories, though in different ways. Presco scaled through regional diversification, while Okomu maintained a leaner business model and operational steadiness.

Presco and Okomu have delivered solid nine-month financial results (for the year ended September 2025). Presco delivered a standout 113.5% y/y growth in revenue, buoyed by the full consolidation of Ghana Oil Palm Development Company (GOPDC) and new export routes into Europe. The diversification of its earnings base now includes contributions from Ghana and European markets, collectively accounting for about 28% of group turnover. Conversely, Okomu achieved a commendable 67.3% y/y rise in revenue, anchored by a robust 76% expansion in local sales, underscoring its strength in the domestic market despite limited geographic diversification.

On profitability, both firms maintained solid earnings quality. Presco's EBITDA margin expanded to 61.5%, compared with Okomu's 51.9%, reflecting scale advantages and synergy gains from its newly consolidated operations. Similarly, Okomu's results reveal admirable cost efficiency and pricing resilience, with net profit rising 112.9% y/y versus Presco's 114.0% y/y (in their respective nine-month financial report). In addition, the

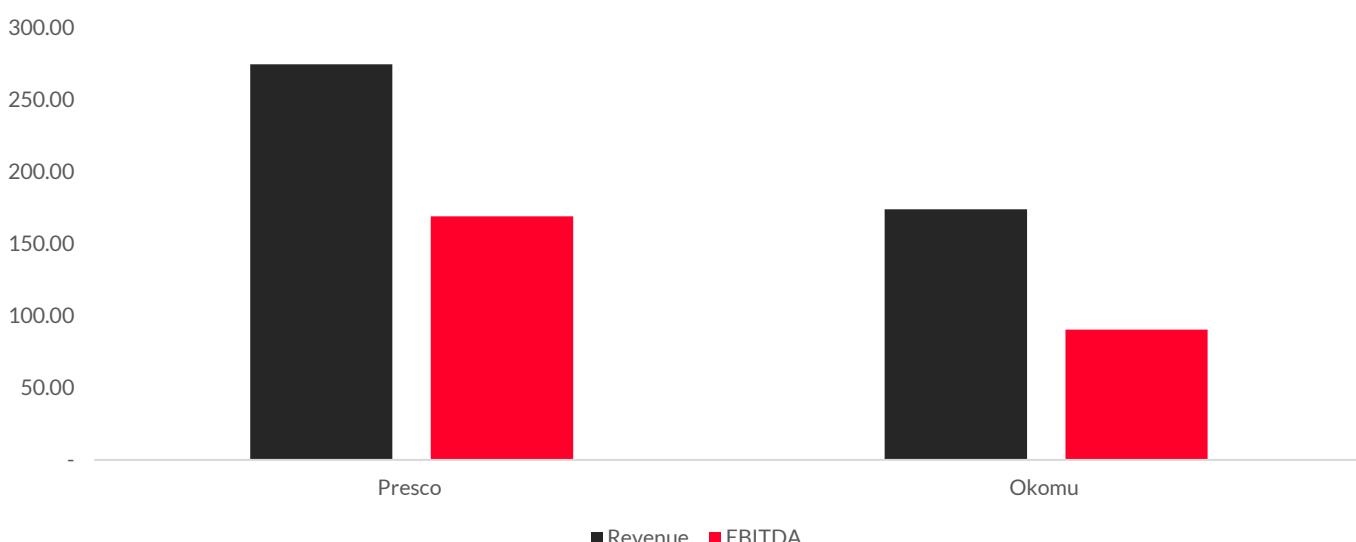
absolute gap in earnings (N110.8bn for Presco vs. N60.3bn for Okomu) was largely reflective of the varying business size and not linked to an underlying profitability weakness. However, seasonal factors weighed on both in Q3 2025, a typically lean production period. Presco's revenue contracted 27.8% q/q, while Okomu's declined 38.5% q/q.

From a balance sheet standpoint, the two companies ended the period on diverging paths. Presco's total assets surged to N613.0bn following its acquisitions, though leverage increased (debt-to-equity 0.68x) as funding costs rose. Okomu maintained a conservative capital structure, with minimal gearing (0.09x) and a net cash position of N19.8bn, providing ample flexibility for reinvestment or potential distribution.

Dividend policy remained shareholder-friendly across the board. Presco declared cumulative interim dividends of N30/share, while Okomu paid N40/share. Notably, Okomu's return on average equity (ROAE) of 102.4% exceeded Presco's 50.2%, reflecting its superior capital efficiency despite a smaller balance sheet.

In summary, 2025 reinforced the sector's resilience. Presco demonstrated the benefits—and challenges—of expansion-driven growth, while Okomu exemplified the virtues of disciplined execution. Both closed the year with strong earnings momentum but differing risk-return profiles: Presco leaning toward scale-driven growth, Okomu toward margin preservation.

Chart 2.15: 9M 2025 Operating Performance (N' bn)



Source: Company Financials, Coronation Research

Oil Palm Industry

Operational and Strategic Outlook for 2026

The outlook for Presco and Okomu remains broadly positive, underpinned by steady palm oil prices and limited availability of viable substitutes for institutional and industrial consumers. Domestic production volumes remain critically low relative to demand, with Nigeria's supply deficit approaching 1 million metric tons — a structural shortfall that continues to support strong pricing fundamentals.

For 2026, Presco is expected to focus on consolidation rather than further expansion, prioritizing the integration of past investments and operational efficiency gains. Okomu, by contrast, is likely to sustain its lean operating model, optimizing yields from existing plantations and selectively regenerating older crops to enhance productivity and maintain cost discipline.

Both producers are well-positioned to benefit from Nigeria's enduring edible oil supply gap, with earnings resilience expected to be driven by disciplined cost management and stable market demand rather than aggressive volume growth.

Domestic production volumes remain critically low relative to demand, with Nigeria's supply deficit approaching 1 million metric tons. This structural shortfall continues to support premium pricing fundamentals within the local market.

Nigerian Cement Industry

Activity in the cement sector moderated in 2025, with sentiment indicators implying softer conditions even as underlying output remained relatively stable. The Cement PMI declined to 46.9 in October 2025, down from 61.8 in the same period of 2024. This movement reflects a clear easing in purchasing activity, production scheduling, and inventory expansion across firms. Importantly, the trend is consistent with the broader Manufacturing and Industrial PMIs, both of which also recorded lower readings during the year, signaling a more cautious operating environment. While the PMI decline indicates near-term softness, it points more towards short-term moderation rather than structural weakness, given that PMI measures sentiment and operational adjustments rather than actual output.

Real sector data provides clearer context for interpreting activity within the cement industry. *The cement segment recorded 4.86% growth in Q2 2025 and 4.68% in Q3 2025, significantly above its 2024 full-year growth rate of 2.37%.*

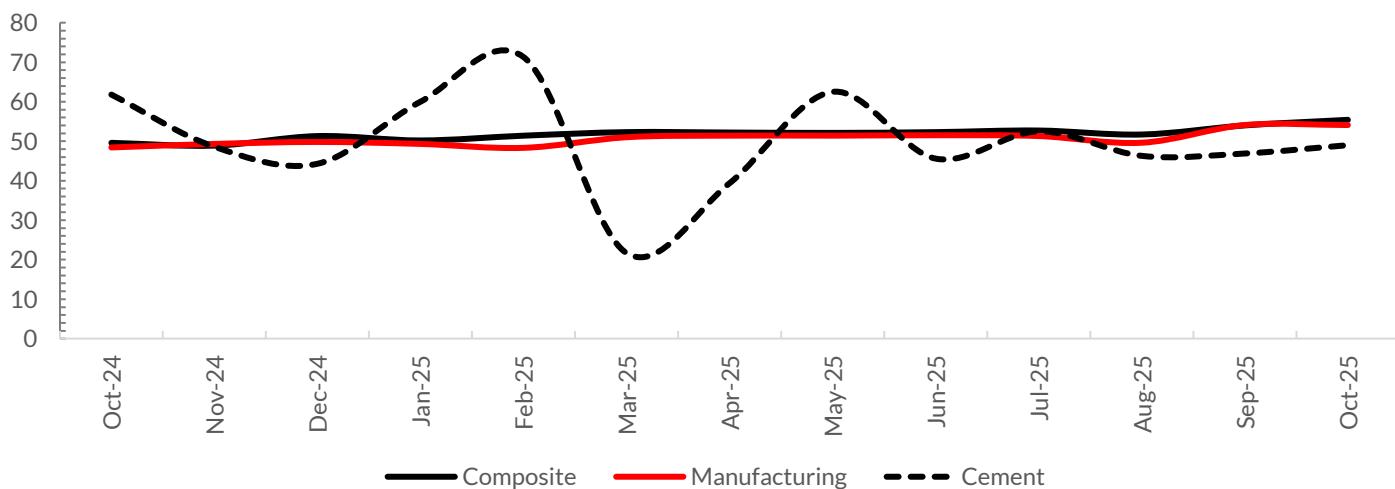
When benchmarked against the wider economy, where overall real GDP expanded by 4.23% in Q2 2025 and 3.98% in Q3 2025, the cement sector outperformed the national average, underscoring its relative resilience. However, it is important to recognise that Nigerian cement GDP is largely price-driven rather than volume-driven, as reflected in listed producers' financials, where revenue growth is typically supported by pricing adjustments even when volume trends are flat or slightly weaker. The steady GDP numbers therefore likely reflects a blend of stable-to-modest volumes supported by strong pricing effects, rather

than a pronounced increase in physical output. This also explains the divergence from softer PMI readings; while sentiment and purchasing activity cooled, firms maintained value-added performance through pricing discipline rather than accelerated production.

Financing conditions remained mildly supportive during the year. Credit to the industrial sector grew by 3.5% year-on-year as of April 2025, with manufacturing credit following a similar upward pattern. Although the pace of credit expansion slowed relative to previous periods, the sector did not experience a contraction in funding availability. This moderated yet positive credit growth implies that firms retained access to working capital and operational financing necessary to sustain activity. The continued expansion in credit aligns with the observed stability in cement real GDP and further supports the view that the 2025 slowdown was more sentiment-driven than output-driven.

Cement stocks delivered broadly positive returns year-to-date, with performance varying relative to both the broader market and the Industrial Goods sector, under which cement companies are classified. The NGX Industrial Goods Index gained 43.43% YTD, outpacing the NGX All-Share Index (ASI) at 39.44% YTD and reflecting strong investor appetite for specific sector names throughout the year.

Chart 2.16: Purchasing Managers Index



Source: CBN, Coronation Research

Nigerian Cement Industry

Company Review

Within the cement sub-sector, Lafarge Africa and BUA Cement posted exceptional gains, rising 91.57% YTD and 72.04% YTD, respectively, well above both the sector and overall market performance. Their significant outperformance aligns with strong earnings momentum, improved cost efficiency, and favourable sentiment toward companies showing rapid margin and profit recovery. In contrast, Dangote Cement returned 11.65% YTD. Although positive in absolute terms, this performance lagged both the sector and the broader market. The relatively subdued share movement suggests a more tempered investor reaction, shaped by slower valuation re-rating compared to peers despite strong profitability. Financing conditions remained mildly supportive during the year. Credit to the industrial sector grew by 3.5% year-on-year as of April 2025, with manufacturing credit following a similar upward pattern. Although the pace of credit expansion slowed relative to previous periods, the sector did not experience a contraction in funding availability. This moderated yet positive credit growth implies that firms retained access to working capital and operational financing necessary to sustain activity. The continued expansion in credit aligns with the observed stability in cement real GDP and further supports the view that the 2025 slowdown was more sentiment-driven than output-driven.

Revenue and Volumes

The Nigerian cement sector delivered strong growth in 9M 2025, driven by resilient domestic demand and effective pricing. Dangote Cement led in revenue, recording N3.15 trillion (+23.2% y/y), supported by stable

domestic volumes despite weaker Pan-African demand. BUA Cement followed with N858.7 billion (+47.2% y/y), driven by higher production output and improved plant reliability. Lafarge Africa posted N780.5 billion (+63% y/y), underpinned by pricing strength and healthy volume growth, with cement remaining the dominant contributor across all players. Seasonal construction slowdowns affected Q3 revenue for all companies, particularly BUA and Lafarge, reflecting the typical rainy season impact.

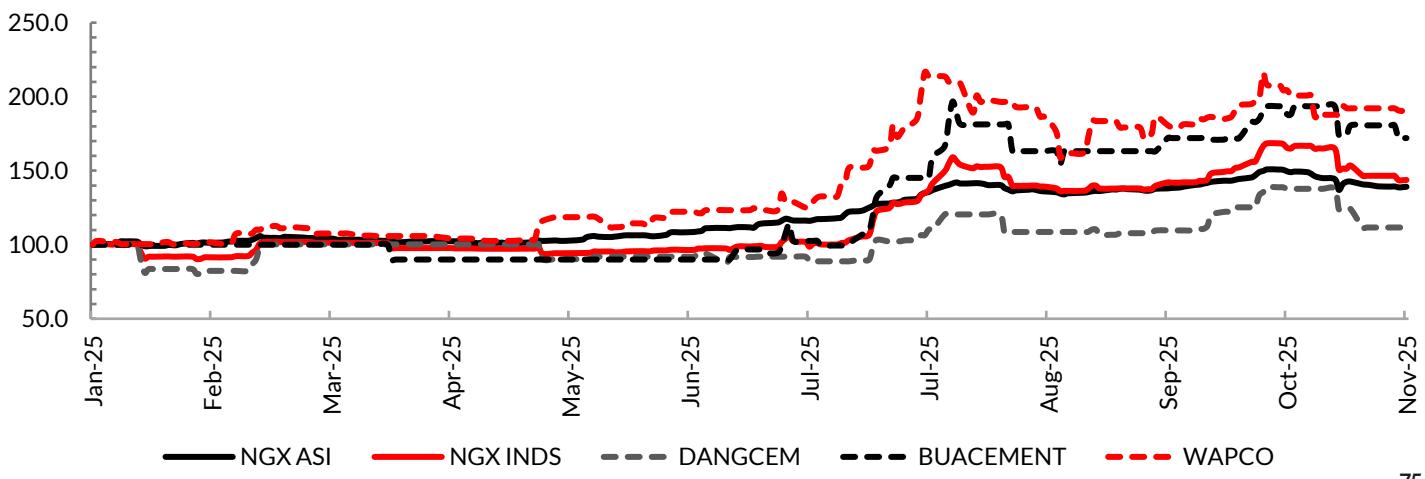
Net Finance and Tax

Financial performance improved across the board. Dangote Cement reduced net finance costs by 46%, BUA Cement turned net finance from a cost to income of N46.1 billion, and Lafarge Africa recorded net finance gains of N14.9 billion. Effective tax rates declined for BUA (14.4%) and Dangote (28.6%), while Lafarge maintained 33.7%, contributing to substantial growth in net profit. Profit after tax surged across the sector: Dangote to N734.1 billion, BUA to N289.9 billion, and Lafarge to N207.8 billion, reflecting strong bottom-line performance.

Balance Sheet and Returns

Leverage positions improved significantly for all companies, with net debt/EBITDA dropping to 0.48x (Dangote), 0.66x (BAU), and a net cash position for Lafarge. Return on equity and assets demonstrated the sector's strong profitability, with ROAE at 43.1%, 77.5%, and 48.9% respectively, and ROAA at 16.1%, 24.1%, and 27.5%. This indicates that the sector is generating high returns on capital while maintaining strong balance sheet discipline.

Chart 2.17: Industry Index vs Individual Index Performance



Nigerian Cement Industry

"The sector's performance is underpinned by operational efficiency, energy optimisation, and plant reliability, while structurally supported demand from ongoing multi-year infrastructure projects and Nigeria's persistent housing deficit positions cement producers for steady growth despite fiscal tightening."

Operational Highlights

Efficiency gains, energy optimisation, and adoption of alternative fuels were common drivers across the three companies. Strong operational discipline allowed for pricing strength to translate into significant margin expansion, while plant reliability improvements supported higher volumes. The sector remains well-positioned to sustain performance, with continued infrastructure demand and cost management expected to support 2025 FY results.

2026 Outlook

Nigeria's cement sector is set for steady expansion in 2026, anchored by the continuation of large multi-year public works and the country's persistent housing deficit, even as fiscal consolidation limits the initiation of new projects. Federal Government capital expenditure is projected to decline from N26.19 trillion in 2025 to N22.37 trillion in 2026, reducing the pipeline of fresh infrastructure projects; however, substantial rollover spending from ongoing commitments will sustain baseline demand. The Lagos–Calabar Coastal Highway, with financing oversubscribed by over \$100 million, accelerated construction, and Section 1 nearing public opening, is expected to remain a major cement offtake driver. Additional federal initiatives, including the Carter Bridge rejuvenation and other road expansions, further reinforce demand stability.

Structural housing needs continue to underpin the sector. The Federal Ministry of Housing & Urban Development (FMHUD) estimates that Nigeria requires approximately 550,000 new housing units annually to address the persistent housing deficit, a figure highlighting long-term, ongoing construction requirements. Government-led programmes, including the Renewed Hope housing initiative and state-level public-private partnerships, are expected to contribute steady incremental activity, supporting cement demand across urban and peri-urban areas.

Sentiment indicators such as the Manufacturing and Cement PMIs may remain subdued in early 2026, reflecting a cautious operating environment amid fiscal tightening and ongoing macro adjustments. Financing conditions are likely to remain moderately supportive, enabling firms to manage working capital efficiently and maintain operational continuity. Overall, the sector enters 2026 with stable, structurally supported demand driven by multi-year infrastructure projects and the nation's housing backlog, positioning it for consistent value-added growth despite a tightened fiscal environment.

Telecommunication Sector

Overview

At the beginning of 2025, Nigeria's telecommunications sector continued to face significant pressures arising from lingering currency volatility, as operators continued to manage substantial dollar-denominated obligations. The persistent foreign-exchange impact drove elevated finance costs and contributed to sector-wide net losses, accentuating the sensitivity of industry earnings to macroeconomic fluctuations. In response and recognising that the last tariff adjustment had been implemented over a decade earlier in 2013, the Nigerian Communications Commission (NCC) approved a long-overdue 50% tariff increase, effective 11 February 2025. This adjustment provided essential pricing flexibility to support cost recovery, safeguard network operations, and enhance the long-term sustainability of the sector.

The NCC justified the increase based on elevated inflation, persistent foreign-exchange instability, and the resulting escalation in operating and capital expenditure requirements. The policy objective was clear: to restore financial sustainability across the industry and ensure operators retain the capacity to invest in network expansion, service quality, and digital infrastructure. As part of the approval framework, the NCC also imposed stricter obligations on operators, mandating measurable improvements in network performance within three months and putting in place heightened regulatory oversight, including more stringent penalties for non-compliance.

The reform had an immediate signaling effect on capital markets. Investor sentiment toward telecom equities improved notably as the tariff adjustment provided clearer earnings visibility, reduced downside risk, and strengthened the medium-term cash-flow outlook for listed operators. Overall, the decision marked a pivotal step in rebalancing the sector's economics and re-establishing a foundation for sustainable growth and investment momentum.

The Telecommunications Sector and Tax Reforms

The Nigerian Taxation Act (NTA), effective from 1 January 2026, represents a structural overhaul of the fiscal environment for ICT operators, introducing a more coherent and modernised tax framework. For the telecommunications sector in particular, the act replaces a previously fragmented levy structure with a streamlined system intended to enhance transparency, reduce

compliance frictions, and align fiscal policy with national development priorities.

A key feature of the new regime is the introduction of a unified Development Levy, which consolidates multiple earmarked taxes—including the Tertiary Education Tax, IT Tax, NASENI Levy, and Police Fund Levy—into a single 4% levy applied on assessable profits (profit before capital allowances and tax losses). The proceeds are ring-fenced for priority national initiatives, including education, student financing, technology development, and engineering infrastructure, encompassing facilities and systems that support innovation, industrial growth, and technical capacity building. For telecoms operators, who historically faced overlapping and often duplicative levies, the consolidation materially simplifies the administration of tax and improves the predictability of fiscal obligations.

The overall financial effect of the Development Levy will vary by operator. While the unified levy generally offers cost efficiencies relative to the prior system, its base-taxable profit before depreciation and loss relief—differs from the accounting profit base used for the IT Tax and NASENI Levy. As a result, the benefit will depend on individual operators' profitability profiles and the scale of their capital expenditure programmes. Despite this nuance, market expectations broadly suggest that the majority of ICT players will experience net relief under the new structure. Importantly, the Act's decision not to impose excise duties on telecoms services further limits cost escalation and supports continued investment in digital infrastructure.

The NTA also revises the capital allowance regime, moving all qualifying capital expenditure to a straight-line deduction model over the asset's useful life. This replaces the mixed system of initial and annual allowances previously applied and is intended to simplify compliance and improve consistency. A significant change for the telecoms sector is the reclassification of mast infrastructure as qualifying expenditure eligible for a straight-line allowance at 10% per annum. This extends the recovery period relative to the earlier four-year schedule available under the plant and machinery category. Given the capital-intensive nature of network roll-outs, the elongated cost-recovery timeline may influence investment planning, asset-replacement cycles, and dividend-payout considerations.

Telecommunication Sector

In addition, ***the act introduces mandatory e-invoicing and VAT fiscalisation***, alongside a broader scope for input VAT recoverability, now including VAT incurred on services and fixed assets tied to vatable supplies. However, recovery challenges may persist for telecoms operators whose customers are required to withhold VAT at source. In such cases, companies may request refund processing within 30 days, after which unreimbursed amounts can be offset against other federal tax liabilities. These measures reduce liquidity pressures associated with VAT deductions, strengthen reporting discipline, and contribute to a more operationally efficient tax environment.

Collectively, the tax reforms are set to reshape sector economics from 2026 onward—balancing reduced levy fragmentation with a more structured capital-allowance regime—while reinforcing the policy objective of a more sustainable, investment-supportive digital economy.

Telecommunication Sector: MTN Nigeria

"In June 2025, the NCC approved a three-year national roaming agreement between MTN Nigeria and 9Mobile, enabling Telecommunications Services Limited (9Mobile) subscribers to roam on MTN's nationwide footprint."

Overview

MTN Nigeria's 2025 operating environment was defined by a combination of significant regulatory decisions, improving macroeconomic conditions, and strong commercial execution. Collectively, these factors supported a broad-based financial recovery and strengthened the company's long-term strategic positioning.

Regulatory and Strategic Developments

The year featured a series of material regulatory decisions that bolstered MTN Nigeria's spectrum portfolio, enhanced network capacity, and deepened industry collaboration. In January, MTN secured renewals for its 800MHz spectrum assets. The first 800MHz licence (Channel 1) was renewed for ten years from January 2025 to December 2034, while the second licence (Channel 2) was extended by four years to harmonise both licences to a unified expiry date of December 2034. This alignment strengthens long-term network-planning certainty and supports more efficient spectrum utilisation.

In June 2025, the NCC approved a three-year national roaming agreement between MTN Nigeria and 9Mobile, enabling Telecommunications Services Limited (9Mobile) subscribers to roam on MTN's nationwide footprint. The arrangement enhances service continuity for customers while promoting industry-wide resource optimisation and network sustainability.

Further consolidation of network capacity came in September when the NCC authorised MTN to lease spectrum from T2 Mobile (formerly 9Mobile). Effective October 2025, MTN will lease 5MHz in the 900MHz band and 15MHz in the 1800MHz band for three years. The lease supports the national roaming agreement by ensuring MTN has sufficient bandwidth to absorb incremental traffic from T2 users. The integrated structure—combining spectrum trading and roaming—demonstrates MTN Nigeria's commitment to infrastructure sharing, network efficiency, and broader digital-inclusion objectives.

Financial Performance

MTN delivered a robust rebound this financial year. Revenue grew strongly across Q1, H1, and 9M, supported by tariff adjustments, stabilising FX conditions, and sustained demand for data services. Data remained the largest contributor to financial performance throughout the year, reflecting higher consumption, rising traffic volumes, and ongoing subscriber expansion. Voice revenue also improved, aided by increased activity following the tariff review.

EBITDA strengthened significantly, with margins expanding due to revenue growth, ongoing efficiency measures, and the material cost savings generated from revised tower-lease agreements. Operating expenses rose, reflecting inflation and currency effects, but were partially offset by lease renegotiations and disciplined cost management. Foreign-exchange losses contracted sharply through the year as the naira stabilised, culminating in a sizeable FX gain by 9M 2025.

Profitability improved meaningfully, with Profit Before Tax recovering from losses recorded in 2024 to strong positive levels across H1 and 9M. Profit After Tax followed the same trend, supported by revenue growth, margin expansion, and favourable currency movements.

Telecommunication Sector: MTN Nigeria

“Management upgraded FY25 guidance to target service revenue and EBITDA growth in the low-50% range, alongside a full return to positive retained earnings and net assets. From 2026 onward, MTN expects service revenue growth in at least the low-20% range and an EBITDA margin of 53-55%”

Operational and Investment Highlights

Subscriber growth remained resilient despite stricter SIM registration rules introduced by regulators. Active data users increased steadily, supported by continued investment in network capacity and coverage. MTN advanced several strategic infrastructure projects, including the rollout of its Tier-3 Dabengwa Data Centre and fibre-to-the-home deployments, reinforcing its digital-services strategy. Fintech adoption expanded, with growth in active wallets over the period.

Capital expenditure remained elevated in line with network-expansion priorities, contributing to higher total assets. However, capex intensity is expected to moderate as major projects mature and free cash flow strengthens. Liquidity improved further as the company settled outstanding USD exposures, reduced Naira-denominated debt, and improved its effective borrowing cost.

Following sustained momentum, management upgraded FY25 guidance to target service revenue and EBITDA growth in the low-50% range, alongside a full return to positive retained earnings and net assets. From 2026 onward, MTN expects service revenue growth in at least the low-20% range and an EBITDA margin of 53-55%, assuming stable macroeconomic conditions and no further price adjustments.

Overall Assessment

MTN Nigeria's 2025 operating environment was defined by a succession of material regulatory approvals that reinforced its spectrum position, expanded capacity, and deepened industry collaboration. These approvals—spanning tariff adjustments, multi-band spectrum renewals, national roaming permissions, and additional spectrum leases—collectively enhanced the company's ability to sustain network quality and accommodate sector-wide traffic growth. Importantly, the year also marked a major financial inflection point. Consistent with management guidance, MTN Nigeria **restored positive retained earnings and shareholders' equity to N142.7bn** (Dec 2024: -N607.5bn) and N293.1bn (Dec 2024: -N458.0bn), respectively, while **EPS rebounded sharply to N35.77 from -N24.51 in the prior period**. This decisive recovery, underpinned by improved pricing flexibility and strengthened operational fundamentals, underscores the company's renewed financial resilience and reinforces its capacity to monetise its enhanced spectrum assets and deliver sustainable value going into 2026.

Telecommunication Sector: Airtel Africa

Overview

Airtel Africa's operating environment in 2025–2026 was characterised by a sharp rebound in profitability, strengthened financial discipline, and enhanced shareholder-return initiatives, despite persistent macroeconomic volatility across several key markets. The Group demonstrated improved execution across its mobile services and fintech segments, supported by rising data adoption, strengthened network capacity, and a more stable regulatory and currency landscape relative to the prior year.

Strategic Capital Actions and Shareholder Returns

A significant highlight of the year was the continued execution of the Company's US\$100 million share buyback programme. Following the completion of the first tranche in early 2025, Airtel Africa commenced the second tranche—valued at up to US\$55 million—in partnership with Barclays Capital Securities Limited. Under the arrangement, Barclays operates as a riskless principal with full execution autonomy, including during closed periods. All repurchased shares are designated for cancellation, reinforcing the programme's core objective of capital reduction and long-term value accretion.

Financial Performance Summary

Airtel Africa delivered a marked improvement in its financial performance over the 2025 financial year, highlighting a strong recovery from the prior year's losses. Importantly, the Group's reporting cycle runs from 1 April to 31 March, meaning that its Q1 and H1 2026 results fall within FY2026. These early-2026 disclosures provide valuable forward-looking context, confirming that the operational and financial momentum established in FY2025 continued into the new financial year.

The Group returned to profitability in FY2025, reporting a profit after tax of US\$328 million—a sharp turnaround from the US\$89 million loss recorded in the preceding year. The recovery was driven by improving revenue trends, disciplined cost management, and a reduction in derivative and foreign-exchange losses. Full-year revenue declined marginally by 0.5% y/y in reported currency terms due to significant devaluations in Nigeria, Malawi, and Zambia; however, underlying trends strengthened, with Q4 2025 revenue accelerating 17.8% y/y on the back of currency stabilisation and continued customer growth.

EBITDA declined 5.1% y/y to US\$2.30 billion, largely reflecting adverse FX translation effects. Nonetheless, operational efficiency gains supported sequential margin expansion, with EBITDA margins improving from 45.3% at the start of the year to 47.3% by year-end. Financing costs increased materially, driven by tower-contract renewals and a strategic tilt toward local-currency borrowing to mitigate future FX-risk exposure. The effective tax rate also rose, compressing pre-tax profitability.

Capital expenditure contracted 9.1% y/y as certain data-centre investments were deferred, while FY2026 capex guidance was set at US\$725–750 million to support continued network investment. The Group strengthened its balance sheet through substantial deleveraging—repaying US\$702 million in USD-denominated borrowings and fully settling US\$550 million in HoldCo debt—although reported leverage increased to 2.3x due to lower translated EBITDA and higher lease-adjusted obligations.

Telecommunication Sector: Airtel Africa

"The new Nigerian Tax Act (NTA), effective January 2026, introduces a simplified, unified Development Levy while preserving incentives for capital investment, including straight-line capital allowances for network infrastructure such as masts."

Conclusion

Overall, Airtel Africa's results reflect a successful operational and financial turnaround, driven by stronger revenue diversification, margin improvement, cost discipline, and progress on balance-sheet optimisation. The continuation of this momentum into early FY2026 reinforces confidence in the Group's capacity to deliver sustained growth and enhanced shareholder value over the medium term.

Looking ahead, the sector-wide implementation of the new Nigerian Tax Act (NTA), effective January 2026, introduces a simplified, unified Development Levy while preserving incentives for capital investment, including straight-line capital allowances for network infrastructure such as masts. The NTA is expected to reduce compliance complexity, provide clearer alignment between taxable profits and strategic investment decisions, and support long-term industry sustainability. Combined with the full-year effect of the 50% tariff adjustment, these reforms are anticipated to expand revenue growth, margin expansion, and improved cash-flow generation.

Power Sector

The Current Landscape

The Nigerian power sector is undergoing a significant transition driven by regulatory restructuring, infrastructure upgrades, and renewed private sector interest. After years of persistent outages, liquidity shortfalls, and operational inefficiencies, the industry is gradually stabilizing as reforms take hold and investment flows into generation, transmission, and distribution assets.

2024-2025: Pivotal Developments

Following a prolonged period of erratic supply and stalled reforms, the sector began showing signs of recovery in 2024. The implementation of the Electricity Act 2023, which decentralized the electricity market and empowered states to regulate their own power systems, marked a turning point, opening the door for sub-national generation and distribution projects.

On the operational side, available generation capacity improved modestly, supported by better gas supply coordination, incremental grid investments by the Transmission Company of Nigeria (TCN), and performance-based interventions across several Distribution Companies (DisCos).

Momentum continued into early 2025, with several states, including Enugu, Ekiti, Ondo, and Imo, activating their electric power markets. But despite these improvements, the sector's financial health remained fragile. DisCos continued to face liquidity constraints, driven by non-cost-reflective tariffs (particularly in non-Band A categories), high technical and commercial losses, and gas pricing challenges.

The sector's structural weaknesses were reflected in the national grid reliability issues, recurrent partial collapses, and a distribution system struggling with ageing infrastructure. Electrification levels remained below 60%, underscoring the urgent need for deeper reforms, fresh

199.32MWh/h (-5.27% q/q) compared to the 3,781.94MWh/h recorded in Q1. During the quarter, the average available generation capacity of the grid-connected power plants increased by 28.84 MW (+0.54%) to 5,395.72 MW. However, the average hourly generation and total output decreased by 5.65% and 4.60%, respectively, which can be attributed to a decrease in load offtake by grid-connected customers.

The average transmission loss factor in Q2 2025 was 8.58%, an improvement from the 9.00% recorded in Q1. Despite this progress, the factor still exceeded the 7% target set. Consequently, the Transmission Service Provider (TSP) will not earn its full revenue requirement, incurring a cost of N17.97bn for this underperformance. Notably, there was no incidence of system disturbance on the National Grid in Q2.

The Federal Government is in advanced talks with China's Export-Import Bank for a US\$2 billion loan to build a new electricity super grid, designed to tackle Nigeria's long-standing power supply challenges as an alternative to the existing national grid.

In 2019, the Federal Government signed an implementation agreement for the Nigeria Electrification Roadmap with Siemens. The first phase of the project focused on essential and quick-win measures to increase the system's end-to-end operational capacity to 7,000 MW has been completed, the second phase targets remaining network bottleneck's to enable full use of existing generation and distribution capacities, bringing the systems operational capacity to 11,000 MW is currently ongoing, while third phase to develop the system up to 25,000 MW is yet to begin. This project is designed to upgrade and expand the Nation's power supply in generation, transmission, and distribution.

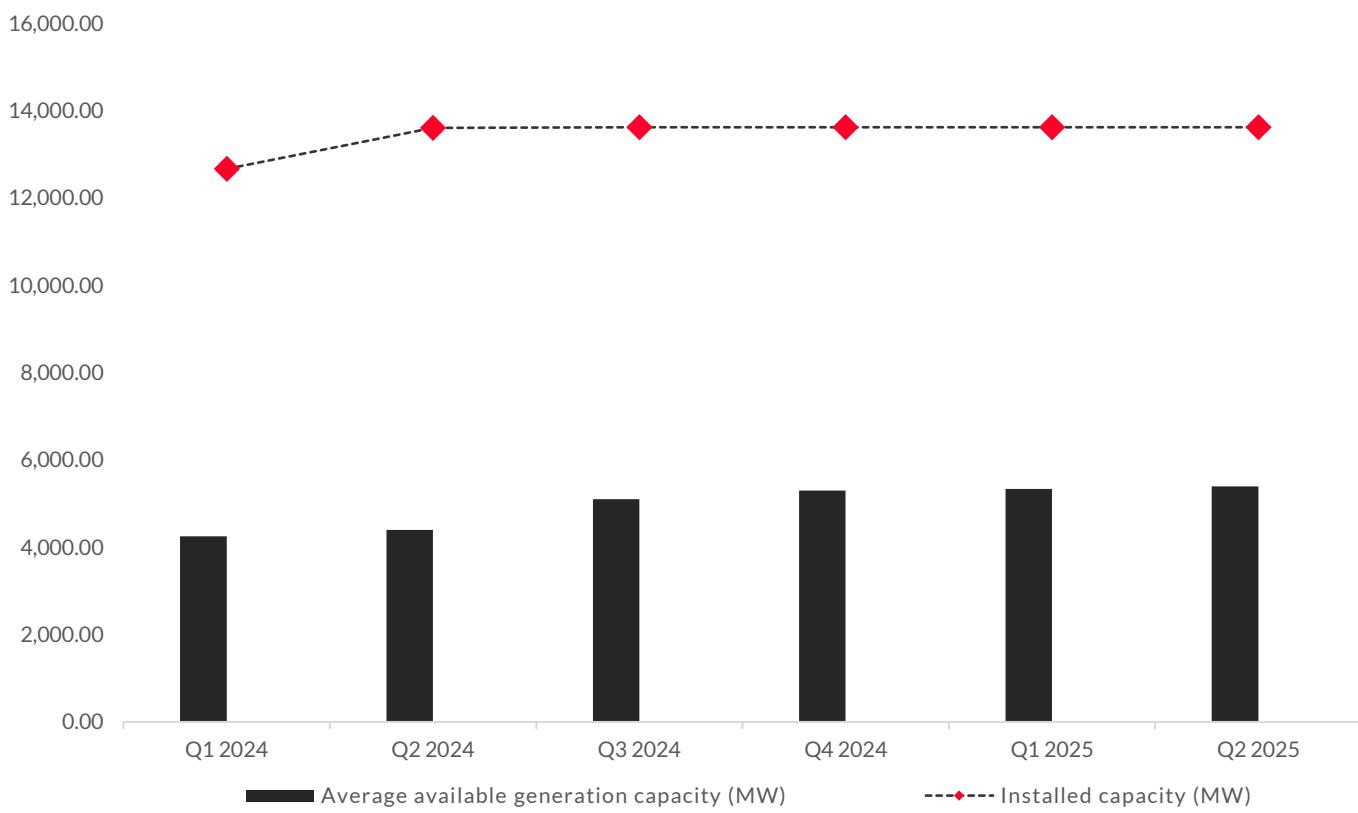
The government has also approved a N4 trillion bond to clear verified generation and gas supply debts. This move seeks to eliminate legacy debts that have stifled growth, strengthened the financial standing of utility companies, and enhanced the reliability of power supply nationwide. It represents a major step by the federal government towards restoring financial stability and investor confidence in the sector.

2025 Operational Performance and Catalyst for Change

In Q2 2025, the average energy offtake by DisCos was at was 3,582.62 MWh/h, which represents a decrease of

Power Sector

Chart 2.18: Limited Utilisation Despite High Installed Capacity



Source: NERC, Coronation Research

Cautious Optimism in 2026 Outlook

The outlook for Nigeria's power sector is cautiously optimistic, given current reform momentum and targeted interventions. Key pillars of this optimism include ongoing grid capacity expansion, regulatory decentralisation, debt resolution, tariff reform, and meeting the universal electricity access target by 2030.

A new dimension is emerging in Nigeria's energy future: a growing wave of investment in renewables, notably solar mini-grids and hybrid systems. Their penetration remains low currently, but their potential to reshape the sector is significant. These decentralized solutions can reduce loads on the central grid, increase access in underserved areas, and provide environmental benefits.

DisCos will also be required to meet a minimum capital adequacy threshold to qualify for license renewal in 2028. This reform, all things being equal, should boost infrastructure investment and improve supply reliability.

However, for this cautious optimism to translate into a sustained transformation, the various initiatives must overcome significant hurdles. Renewable energy projects need to scale dramatically, grid expansions and decentralized solutions must be strategically aligned, significant new capital from the private sector is required, and all reforms require consistent and effective regulatory enforcement to ensure a lasting impact.

Mining Sector

Overview

The section of the report excludes crude petroleum and natural gas, and discusses the **Coal Mining, Metal Ores, and Quarrying & Other Minerals**. The sector is largely dominated by informal small-scale miners but increasingly transforming into the formal economy.

Nigeria's mining sector is undergoing one of its most important transformations in decades. The sector recorded a strong 32.49% y/y expansion in the Q3 GDP report, with total output rising to N287.37bn from N216.91bn in the same period last year. Metal Ores remained the primary driver, accounting for 66.38% of total sectoral output, followed by Quarrying & Other Minerals at 27.34%, and Coal Mining at 3.85%. The third-quarter 2025 GDP results also highlight broad-based improvement across all three subsectors, with Coal Mining, Metal Ores, and Quarrying & Other Minerals posting year-on-year growth rates of 36.97%, 27.80%, and 43.65%, respectively.

Historically, mining production figures from the GDP data have shown sharp swings from one quarter to the next, with the different sub-sectors signalling spasmodic performance. Conversely, the data from the first nine months of 2025 shows a more confident picture. The growth discussed is neither random or temporary; it reflects deeper changes in the industry, driven by stronger regulation and reforms, tightening security, and formalizing the mining environment. These reforms include creation of the National Miners Cooperative Scheme (NMCS) and Digitalisation of the Mining Cadastre launched in 2024 and 2025, respectively. This has supported rising domestic demand, better coordination, and a surge in private investment, which ultimately contributed to these improved figures. We now see the Nigerian mining sector shifting from unpredictable and fragmented to structured, and increasing its contribution, although in small steps at first, to economic growth.

Coal Mining

In the Coal Mining Sub-Sector, the GDP data follows a quarter-specific seasonality trend for the last three years. The data typically shows low output in the first and third quarter of the year, while indicating a surge during the second and fourth quarters. The second quarter is also regularly observed to have the highest output within the period under review. Despite the seasonal fluctuations, the

cumulative output for 9M 2025 reached N11.43bn, exceeding the N10.79bn recorded in the full year of 2024.

Following the aforementioned seasonality, this year began with a modest N1.67bn in the first quarter, consistent with the sector's slow starts in previous years. This changed sharply in second quarter, which saw a 412.75% q/q growth to N8.58bn. This surge was largely driven by a structural shift in demand from Nigeria's industrial base, most notably the cement industry. Cement manufacturers, led by Dangote Cement and BUA Cement, now often consider coal a cheaper and more stable alternative power source to gas. Although the third quarter output dropped by 86.28% q/q to N1.18bn, this was in tandem with the typical seasonality observed in the last three years.

On the supply side, the sector's structure changed significantly. Private operators such as Dangote Industries and the BUA Group intensified backward integration into coal mining resources in Kogi, Enugu, Benue, and Sokoto. However, the needs of these conglomerates may not be adequately satisfied with their in-house production efforts alone. Therefore, there is likely to be additional demand to be met by third-party coal miners, increasing overall demand. We conclude that the sub-sector trended higher despite seasonal disruptions in the first and third quarters, partially offset by structural improvements.

"Overall mining sector output grew to N287.37bn in Q3 2025, marking a 32.49% year-on-year expansion from N216.91bn in the same period last year, with all three sub-sectors; Coal Mining, Metal Ores, and Quarrying & Other Minerals showing simultaneous positive growth of 36.97%, 27.80%, and 43.65% respectively, indicating broad-based momentum beyond seasonal fluctuations"

Mining Sector

Metal Ores

Metal Ores showed a different but consistent pattern in the GDP data over the last three years. The second and third quarters of the year were observed to have the lowest output, while the first and fourth quarters were typically the highest. The highest quarter was consistently the fourth. The GDP data for the *first nine months shows a notable expansion, rising to N190.75bn*, well above the N149.26bn recorded for the full year in 2024.

In line with the typical pattern, the first quarter of the year recorded the highest quarterly performance at N122.93bn, suggesting strong global demand and rising construction activity within this quarter. This growth was supported by tighter regulatory measures that limited illegal mineral exports and ensured more minerals were sold through the formal economy.

As expected, the subsector data shows that production output fell sharply by 84.61 q/q in Q2, but this is a familiar pattern driven by export timing rather than weak production.

Shipments likely cluster around specific months and may be tied to international buyer schedules and logistical factors. Following the same pattern, output rebounded strongly in the third quarter to N48.90bn, representing a 158% q/q increase, reinforcing that the Q2 decline was a seasonal dip, not a sign of weakening activity.

This recovery was also partially supported by the growing importance of mining cooperatives, which now help small-scale miners pool their minerals, negotiate better prices, and schedule bulk exports more effectively. The overall direction is boldly upward, supported by increased production anticipated in the first and fourth quarters of the year due to demand cycles. The sector continues to expand its scale and is becoming a more reliable contributor to the economy.

Quarry and Other Minerals

Quarrying and Other Minerals delivered a growth of 43.65% y/y, *with a cumulative output of N85.20bn in the first nine months of the year*. However, as with other sub-sectors, a pattern was observed during the quarterly performance. A typical low output in the first quarter is followed by a remarkable surge in second and fourth quarters, with the

highest performance usually the last quarter of the year.

Quarterly Seasonality Patterns

Coal Mining

Distinct bimodal peaks in Q2 & Q4 driven by industrial energy demand. Q2 consistently strongest.

Peaks: Q2 & Q4

Metal Ores

Unique Q1 & Q4 peaks tied to export schedules and global demand cycles.

Peaks: Q1 & Q4

Quarrying & Other Minerals

Construction-driven cycles with major Q2 surge and highest annual output in Q4

Peaks: Q2 & Q4

Key insight

Quarterly fluctuations follow predictable seasonal patterns. Dips are cyclical, not indicative of sector weakness. All three sectors showed strong growth in Q3 2025 despite seasonal patterns

Given the observed seasonal pattern, the first quarter of the year recorded the lowest output so far, likely linked to demand cycles for key projects. For the first nine months, the second quarter recorded the highest surge, showing a growth of 22,292.18% q/q to N61.38bn. This may also be linked to growing infrastructure need within the country. The GDP outputs dropped in the third quarter to N23.54bn, a 61.65% q/q decline, and is expected to rise significantly in the fourth quarter, following the pattern experienced in previous years.

Large national projects such as the "Coastal Highway", the "Renewed Hope" housing program, and other major road developments across several states contributed to this substantial growth through demand for building materials like crushed stones, limestone, granite, and laterite.

The strong demand for construction materials is more importantly, tied to long-term infrastructure needs, meaning the increased activity is likely to continue.

Mining Sector

"The outlook for 2026 projects continued growth across all mining subsectors, driven by established seasonal patterns and ongoing reforms. Coal Mining is expected to maintain its Q2/Q4 peaks due to steady industrial demand. Metal Ores should see strong Q1/Q4 performance as formalization and cooperatives improve export efficiency. Quarrying will be supported by sustained infrastructure projects, with robust Q2/Q4 output anticipated. Overall, sector formalization and investment are likely to reduce historical volatility, supporting more stable, upward growth in 2026"

reforms. The sector's performance will likely be characterized by predictable quarterly fluctuations, yet within a context of heightened annual output. Coal mining is expected to follow its pronounced seasonality, with its most significant contributions to GDP anticipated in the second and fourth quarters, driven by sustained demand from cement manufacturers for whom coal remains a critical energy source. The Metal Ores segment will continue to see its highest outputs in the first and final quarters, aligning with global demand cycles and more coordinated export schedules facilitated by mining cooperatives. Similarly, Quarrying and Other Minerals will experience its major surges in the second and fourth quarters, propelled by the unabated needs of large-scale national construction projects.

This observed seasonally patterned growth will be the deepening impact of formalization in the coming years. The digital cadastre will continue to improve the transparency and security of mineral rights, attracting further investment. Meanwhile, the National Miners Cooperative Scheme is expected to bring a greater volume of artisanal production into the formal economy, stabilizing supply chains and improving revenue capture for both miners and the government.

Conclusion & Outlook

Conclusions

The 2025 performance of Nigeria's solid minerals sector marks a potential pivot from a historically informal and fragmented industry toward a structured, formal, and strategically significant pillar of the national economy. The implementation of key initiatives like the National Miners Cooperative Scheme (NMCS) and the Digital Mining Cadastre has begun to instil order, enhance coordination, and attract significant private capital. This institutional framework has successfully channelled burgeoning domestic demand from industrial giants and flagship infrastructure projects into recorded economic output.

2026 Outlook

The outlook for 2026 is for the consolidation of this new growth trajectory, directly shaped by the established seasonal patterns and the continuing integration of recent

Fixed Income Market

System liquidity has remained notably strong in 2025, a sharp reversal from the negative close of N166.29bn at the end of 2024. Liquidity expanded from N353.26bn at the start of the year to N1.80tn, though not without fluctuations. Average liquidity was tight in Q1 (- N293.21bn) due to mild monetary tightening but improved significantly to N807.64bn in Q2 and N1.22tn in Q3. This liquidity was from maturity payments, NTB and OMOs coupons, FAAC and CRR refunds and resulted in the broadly bullish tone in the fixed income market.

Treasury Bills Market Review – Year to Date (as at 30 Nov 2025)

Year-to-date, the Nigerian Treasury Bills (NTB) market reflected a dynamic interplay between buoyant liquidity, moderating inflation expectations, and shifting monetary policy guidance. Yields across Nigerian Treasury Bills (NTBs) followed a clear three-quarter easing trajectory in 2025—initial firmness in Q1, moderation in Q2, pronounced declines in Q3, and steady rate as of November—driven by shifting inflation dynamics, sustained liquidity, and calibrated policy actions by the Central Bank of Nigeria (CBN) and the Debt Management Office (DMO).

The Debt Management Office (DMO) has so far conducted twenty-four NTB Primary Market Auctions (PMAs) this year, largely maintaining its two-auction-per-month schedule.

Q1 2025: Stop rates ranged between 17.00% p.a. and 22.62% p.a. across the 91-, 182-, and 364-day papers as strong subscription levels met the DMO's conservative issuance stance. The inflation rate was rebased from 34% in Dec 2024 to 24.5% in Jan 2025, improving investor sentiment. The DMO allotted N5.54tn against an offer of N5.12tn despite total subscriptions of N15.02tn, reflecting strong preference for risk-free assets amid ample liquidity.

Q2 2025: Rates began to ease, with stop rates on the 91-, 182-, and 364-day bills moderating by 18bps, 15bps, and 51bps respectively to 17.80%, 18.35%, and 18.84% p.a. by quarter-end. The movement aligned with a steady year-on-year decline in inflation and a stable policy outlook. Despite lower yields, demand remained robust, prompting the DMO to oversell—issuing N2.97tn versus a N2.86tn offer and total subscriptions of N7.47tn.

Q3 2025: The downward trend in yields persisted, with stop rates falling further to 15.00%, 15.30%, and 16.78%

p.a. across the 91-, 182-, and 364-day papers by September. This reflected continued disinflation and the month-on-month moderation in July and August, which prompted the MPC to cut the policy rate by 50bps to 27.00%. Despite a total subscription of N5.37tn, the DMO maintained a measured stance, allotting N1.90tn against a N1.76tn offer—an oversale of N139.20bn.

November 2025: The stop rate held steady within October and November, with rates remaining unchanged at 15.30%, 15.50%, and 16.04% p.a. across the 91-, 182-, and 364-day papers by November. Given the upward movement in the month-on-month inflation in October, the MPC decided to hold the monetary policy rate steady at 27.00%. The period recorded a total subscription of N4.28tn, the DMO similarly maintained a measured stance, allotting N2.60tn against a N2.22tn offer—an oversale of N377.85bn.

Year-to-date (30 November 2025): Cumulatively, N13.00tn has been issued YTD—N1.04trn above the N11.96tn offered. Effective yields have declined YTD by 294bps, 358bps, and 1,011bps across the 91-, 182-, and 364-day maturities respectively, reinforcing the year's sustained downward yield trajectory.

Complementing these developments, the CBN has conducted twenty-eight OMO auctions YTD, offering short-, mid-, and long-tenor bills at an average yield of 20.50%. Investor appetite remained strong, with total sales of N32.51tn—N16.12tn above the N16.40tn offered—affirming continued confidence in sovereign instruments.

Overall, 2025 has been characterized by abundant liquidity, resilient demand, and prudent issuance—factors that collectively fueled yield compression and sustained bullish sentiment in the Treasury Bills market. The CBN's accommodative policy stance, reflected in a 50bps rate cut and adjustments to the CRR framework, while holding rate in November setting the tone for a supportive stance for Q4.

FGN Bonds

The Nigerian Federal Government Bond (FGN) market has navigated a dynamic path through the first three quarters of 2025, characterized by distinct shifts in investor sentiment. The year's narrative has been shaped by a confluence of evolving supply dynamics, the steady march of disinflation, and fluctuating system liquidity.

Fixed Income Market

Following a bullish commencement, the market entered a cautious phase before a powerful rally as of November 2025, ultimately closing the period on a constructive note.

The first quarter of 2025 opened on a cautious note, with the January bond auction clearing around 22.60% levels as tight system liquidity and cautious investor sentiment kept the market bearish. By mid-February, however, renewed liquidity inflows and growing policy optimism began to shift sentiment, triggering a strong rally in the bond market. The turning point came with the DMO's removal of the 2035s from its auction calendar — a move widely interpreted as an effort to reduce borrowing costs and signal a more deliberate issuance strategy following the rebased inflation rate. This policy signal, coupled with expectations of eventual monetary easing, spurred aggressive demand for long-dated instruments. The bullish momentum intensified through March, driving a 104bps compression in average secondary-market yields to 18.71%. The strength of this rally was affirmed at the March auction, where the DMO's N1.10 trillion offer across four tenors drew N2.83 trillion in subscriptions and N1.78 trillion in allotments, underscoring robust investor confidence and renewed appetite for duration.

A reversal emerged in the second quarter as initial optimism was tempered by the reality of heavier prospective supply and growing, yet uncertain, expectations for a policy rate cut. In a surprising move, the DMO moderated issuance to N750 billion. Despite robust subscription figures (N1.54 trillion), the cautious undertone was evident. Primary market rates retracted sharply across the curve (down 123-138bps), and secondary market yields followed, shedding 33bps to average 18.38% as investors adopted a defensive stance in anticipation of tighter funding conditions.

Sentiment turned decisively positive from the third quarter till date, marking the most vibrant period of the year. This rally was underpinned by a potent mix of strong system liquidity, a neutral policy shift following the Monetary Policy Committee's (MPC) unexpectedly holding rate in November, and strategic supply from the DMO. The introduction of a new 2030 bond and a re-issuance of the 2032 tenor were well-received. A total auction offering of N1.20trn was met with an astounding N3.54 trillion in demand, highlighting the renewed confidence.

On a year-to-date basis, the auction participation remains strong, with yields contracting by 524bps and 600bps across the 5 year and 7 year papers, respectively.

Outlook

In summary, the FGN bond market's performance in 2025 YTD has been a direct reflection of the interplay between issuance patterns, liquidity conditions, and monetary policy direction. While a mid-year supply shock briefly tested resolve, the powerful disinflation trend, abundant liquidity, and a supportive pivot from the Central Bank of Nigeria (CBN) ultimately fuelled a significant rally. The market concludes on a firm footing, setting a decidedly positive tone as we advance into the first quarter of the 2026.

Eurobond

The latest US\$2.35 billion Eurobond issuance — split between US\$1.25 billion (2036, Long 10-year) and US\$1.10 billion (2046, Long 20-year) — was priced at 8.625% and 9.125%, respectively, and attracted a record US\$13 billion in orders, representing an oversubscription of about 453% (US\$10.65 billion). This compares favourably with the US\$2.2 billion raised in December 2024 across the 2031 (9.625%) and 2034 (10.375%) tranches, which drew an orderbook of just over US\$9 billion. The lower pricing despite longer maturities and a larger issue size underscores a significant improvement in investor sentiment toward Nigeria's credit outlook and fiscal management, reflecting stronger external confidence and improved risk perception year-on-year.

In the short term, the issuance is expected to bolster Nigeria's external reserve position and enhance FX liquidity (supporting the naira), while providing the government with fiscal space to partly finance its 2024/2025 budget deficit and refinance maturing external obligations — thereby alleviating pressure on domestic borrowing and local-market yields.

However, from a risk perspective, the transaction increases external debt service obligations and heightens exposure to exchange-rate fluctuations. While investor demand is a positive signal, the reliance on Eurobond financing underscores vulnerabilities in Nigeria's revenue base and exposes the country to potential global market shocks.

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