

Nigeria's Banking Recapitalization

capital reset, structural shift, strategic consequences





Executive Summary

Nigeria's banking sector is undergoing its most significant capital restructuring in over two decades, driven by sharply increased regulatory capital thresholds and a compressed compliance timeline. This reform represents a decisive intervention aimed at strengthening the financial system's resilience and aligning banking capacity with the scale and complexity of Nigeria's evolving economy.

The Central Bank of Nigeria (CBN) announced that 33 banks met the March 31, 2026 deadline of its recapitalization exercise and raised a total of N4.65 trillion in new capital, with 72.55% of the capital sourced locally and 27.45% from international markets across public and private markets. This has resulted in stronger balance sheets, improved capital adequacy, and enhanced shock absorption capacity. However, early indicators suggest that this expansion in capital may not translate directly into broader credit access across the economy.

Instead, the system has entered a phase best understood as credit reallocation rather than credit expansion. Lending is becoming more selective, increasingly risk-sensitive, and more concentrated among larger, more structured

borrowers.

This creates a fundamental divergence between financial system strength and financial system inclusiveness.

Key Insight

Recapitalization strengthens the supply side of finance but does not necessarily expand access. Credit will change form, become more structured, priced, and selective before it expands in volume.

For clients, this marks a shift from an environment where credit availability was uneven but accessible, to one where access is conditional on structure, transparency, and scale.

Introduction

A System at an Inflection Point

Nigeria's banking sector is once again at a defining moment. Two decades after the landmark consolidation of 2004, the industry is undergoing a new wave of restructuring, this time it is not driven by the need to reduce fragmentation, but by the imperative to expand capacity.

The current recapitalization exercise, anchored on sharply increased minimum capital thresholds and a firm compliance deadline of March 2026, represents more than a regulatory adjustment. It is a deliberate attempt to reposition the financial system for a more volatile macroeconomic environment and a more ambitious economic future.

At one level, the logic is straightforward: stronger banks are better able to absorb shocks, finance large-scale projects, and support economic growth. But beneath that logic lies a more complex reality. Capital, on its own, does not guarantee credit expansion. The channels through which credit flows, including risk pricing, institutional quality, and borrower structure, remain decisive.

What is emerging, therefore, is not simply a recapitalized banking system, but a reconfigured one.

The Capital Reset: Scale, Structure, and Urgency

At the core of the reform is a substantial upward revision of minimum capital requirements, differentiated by banking

license category:

- International Commercial Banks: N500 billion minimum capital base
- National Commercial Banks: N200 billion minimum capital base
- Regional Commercial Banks: N50 billion minimum capital base
- Merchant Banks: N50 billion minimum capital base
- Non-interest Bank: N10 billion (Regional)/N20 billion (National) capital base

These thresholds represent a significant increase from previous levels, effectively forcing banks to rethink their scale, strategy, and positioning. The compressed timeline, less than two years to full compliance, introduced urgency into the system. Banks did not merely adjust; they actively reshaped their capital structures through:

- Rights issues, allowing existing shareholders to inject fresh equity
- Private placements, attracting institutional investors, including foreign capital
- Public offerings and listings, deepening engagement with capital markets

Capital Base by Tier: Strategic Implications

The new capital thresholds are not merely numerical targets, but strategic signals that define the role each category/tier is expected to play in the economy.

Tier 1: International Banks (N500bn+)

Banks operating at this level are expected to:

- Participate in large-ticket financing, including infrastructure and energy
- Support cross-border transactions and trade finance
- Engage in structured finance and syndication

At N500 billion and above, these banks are positioned to operate not just domestically, but regionally and globally. Their balance sheets must support:

- Long-tenor financing
- Complex risk structures
- Large exposure limits

Implication:

Tier 1 banks will increasingly dominate high-value segments of the credit market, capturing opportunities that require scale and sophistication.

Tier 2: National Banks (N200bn+)

National banks occupy a middle ground:

- Broad domestic coverage
- Focus on corporate and commercial lending

- Limited but growing capacity for structured deals

At N200 billion, these institutions must balance:

- Growth ambitions
- Capital efficiency
- Competitive pressure from both larger and smaller peers

Implication:

Tier 2 banks face the greatest strategic tension. They must either scale up or specialize, as the space between Tier 1 dominance and Tier 3 agility narrows.

Tier 3: Regional and Merchant Banks (N50bn+)

These institutions are not designed to compete on scale. Instead, their role is increasingly defined by:

- Niche focus (sectoral or geographic)
- Relationship banking
- Specialized financial services, including advisory and structured products with a N50 billion capital base, their comparative advantage lies in precision rather than breadth.





Implication:

Survival at this level depends on differentiation, not expansion.

Non-Interest Banks: (N10bn Regional / N20bn National)

These institutions are not simply smaller banks; they are model-specific players operating under profit-and-loss sharing principles rather than conventional interest-based intermediation. Their role is increasingly defined by:

- Ethical and faith-based finance (compliance with non-interest principles)
- Asset-backed lending and real-sector linkage
- Underserved segments, including SMEs, retail customers excluded from conventional banking, and parts of Northern Nigeria
- Partnership-driven growth, often co-financing with development finance institutions

With a capital base of N10–20 billion, their comparative advantage lies not in scale, but in trust, structure, and market positioning.

Implication:

Survival and growth at this level depend on credibility and ecosystem depth, not balance sheet expansion.

Why Recapitalization Now: Pressure and Ambition

The drivers of recapitalization lie in both necessity and ambition.

On the necessity side, macroeconomic instability has eroded the effective strength of bank capital. The sharp depreciation of the naira has reduced capital adequacy in real terms, while inflation has increased uncertainty and risk across lending portfolios.

On the ambition side, Nigeria's development trajectory (including the target of a \$1 trillion economy by 2030) demands a banking system capable of financing:

- Large-scale infrastructure projects
- Industrial expansion
- Energy transition and investment

These are capital-intensive activities that require banks with deeper balance sheets and greater risk-bearing capacity.

Recapitalization is therefore a response to a central question: Can Nigeria's banks support the economy policymakers want to build?

From Fragmentation to Functional Segmentation

One of the most consequential outcomes of recapitalization is structural. The Nigerian banking system has historically been characterized by breadth without depth, having many banks competing across similar segments, with limited differentiation. Recapitalization is changing this.

A more clearly defined tiered structure is emerging, where:

- Tier 1 banks focus on scale and complexity
- Tier 2 banks focus on domestic intermediation
- Tier 3 banks focus on specialization
- Non-interest banks focus on supporting infrastructure

Result:

The system becomes more efficient in theory, but also more stratified in practice.

Stronger Balance Sheets, Slower Credit Transmission

The immediate effect of recapitalization is visible in improved balance sheet metrics:

- Higher capital adequacy ratios
- Greater loss-absorbing capacity
- Increased investor confidence

However, credit expansion has not kept pace.

Banks are exhibiting caution, driven by:

- Elevated macroeconomic risk

- Pressure to maintain asset quality
- Investor expectations for disciplined capital deployment

This creates a divergence between capacity to lend and willingness to lend.

Changing Bank Behavior: From Expansion to Selectivity

Recapitalization most likely will reinforce a shift already underway: from aggressive balance sheet expansion to risk-managed growth.

Banks are:

- Tightening credit assessment frameworks
- Increasing collateral requirements
- Prioritizing sectors with predictable cash flows

The beneficiaries of this shift are clear:

- Oil and gas
- Infrastructure
- Large corporates with audited financials

Conversely, borrowers without scale or transparency will face increasing barriers.

Effect:

Credit is becoming a screened resource, not a broadly accessible one.

The Core Constraint: Why Access Remains Limited

Three structural constraints may continue to limit credit expansion:

1. Risk Pricing

High interest rates reflect macro instability, making borrowing expensive and risky.

2. Informality

A large informal sector reduces the pool of bankable borrowers.

3. Institutional Gaps

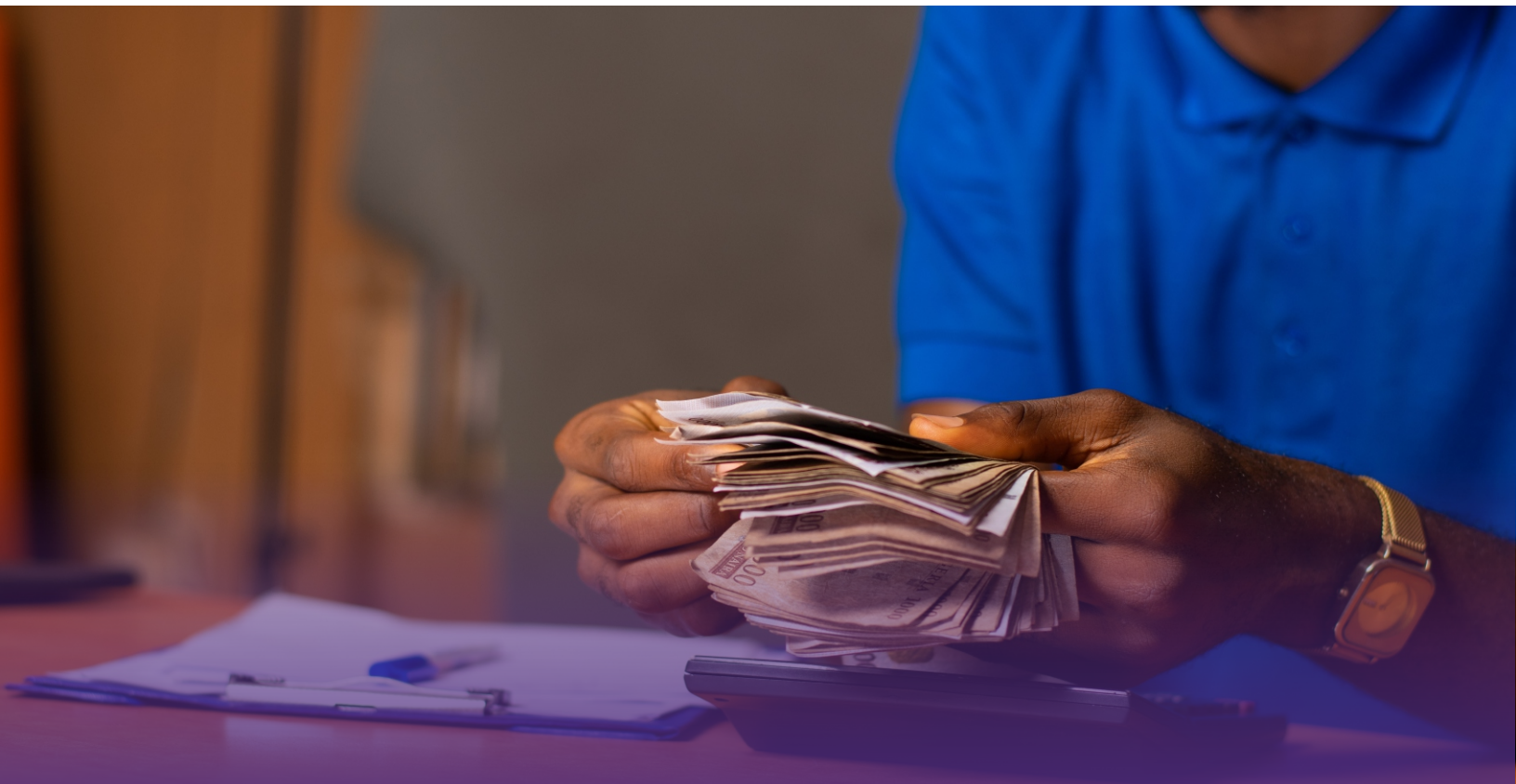
Weak credit infrastructure limits the ability to assess and enforce lending relationships.

These constraints mean that recapitalization alone cannot deliver broad-based credit expansion.

Implications for Clients: Divergence, Not Convergence

The effects of recapitalization will vary significantly across client segments.

Large corporates will benefit from improved access and larger deal sizes. Mid-sized firms will face increased competition and higher expectations. SMEs will continue to struggle with access, relying more on alternative financing channels. The gap between bankable and non-bankable firms is likely to widen.



Strategic Themes: Where the System Is Heading

Three themes define the direction of travel:

- Alignment with industrial policy
- Capital deepening without inclusion
- Greater structural hierarchy within the financial system

These trends point toward a stronger system, but also more selective.

What Clients Should Do: Strategic Adaptation

Clients must adapt to a new financing reality.

In the short term, this means improving financial transparency and governance. In the medium term, it requires diversification of funding sources and engagement with capital markets.

The underlying shift is clear: Access to finance is becoming capability driven.

Scenario Outlook: Three Possible Futures

The trajectory of recapitalization depends on broader economic conditions:

- Optimistic: Credit expands alongside capital, supporting growth
- Base Case: Credit remains selective, with moderate impact
- Downside: Capital concentration leads to tighter lending and uneven growth

Conclusion:

The Real Test of Recapitalization

Nigeria's recapitalization will produce stronger banks. That outcome is already visible.

But strength alone is not the objective. The real goal is effective intermediation, ensuring that capital flows to productive uses across the economy.

Whether this happens will determine whether recapitalization becomes a foundation for growth or merely a reconfiguration of financial power without broader inclusion.

The success of recapitalization will not be measured by how much capital is raised, but by how effectively that capital is deployed, and how widely its benefits are felt by way of tangible economic growth and development.

Contact



Nkwachi Abuka

Principal Partner & Head,
Advisory Services
T : +234 8033736625
E : nkwachi.abuka@ng.gt.com



Ajayi Irivboje

Senior Partner & Head, Tax Services
T : +234 7060471514
E : ajayi.irivboje@ng.gt.com



Ayobami Salam

Associate Director, Tax Services
T : +234 (0) 8067236745
E : ayobami.salam@ng.gt.com



Vincent Nwanma

Economist
T : +234 (0) 7064690899
E : vincent.nwanma@ng.gt.com

About Us

We are a network of independent assurance, tax and advisory firms, made up of 80,000 people in over 150 markets. We are the fastest growing international professional services network with technology powered by AI, grounded in human insights, and shaping better futures for our people, our clients and our communities.

This publication has been prepared for general guidance on matters of interest only and does not constitute professional advice. The information contained in this publication should not be acted upon without specific professional advice. While efforts are made to ensure the accuracy of information contained in our publications, we do not guarantee that such information may not have changed at the time of publication given the rapid pace of developments in our world today. Therefore, no representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained herein, and Grant Thornton Nigeria, its members, employees and agents do not accept or assume any liability for any consequence of your acting, or refraining to act, in reliance on the information.

