Jaiz Bank Q4 2026 Investment Thesis: A Profitable Franchise at a Valuation Crossroads

Jaiz Bank Plc is emerging as one of Nigeria's most distinctive listed banking franchises, combining a specialised non-interest banking model with strong reported profitability and significant exposure to Sukuk and other Sharia-compliant investments.

The bank's H1 2026 results, however, exposed a critical fault line in the investment case. Gross earnings increased sharply, but expenses grew even faster, limiting the conversion of revenue into shareholder profit. Jaiz Bank remains profitable and well positioned for long-term growth, but the shares now require evidence of better cost absorption and sustainable returns to justify their valuation premium.

My base case projects **Q4 2026 profit after tax of ₦8.4 billion**, taking FY2026 profit after tax to approximately **₦31.5 billion** and full-year earnings per share to approximately 70.7 kobo, assuming 44.589 billion shares outstanding and no material change in the share count. At the reference price of ₦7.90, the stock would trade at approximately 11.2 times the analyst's FY2026 base-case earnings and approximately 3.6 times reported H1 2026 book value.

My stance is **cautiously constructive**: Jaiz Bank has a compelling franchise and credible earnings power, but the valuation leaves limited room for operational disappointment.

H1 results reveal the central issue

Jaiz Bank's six-month results to 30 June 2026 showed strong income growth. Gross earnings increased 27.2% year over year to ₦57.95 billion, while total income rose 26.7% to ₦42.06 billion.

The bottom line was considerably less dynamic. Profit before tax increased 4.5% to ₦15.42 billion, while profit after tax also rose 4.5% to ₦15.09 billion. Earnings per share increased to 33.85 kobo from 32.40 kobo in H1 2025.

The gap between income and profit growth was caused by a 44.5% increase in total expenses to ₦26.64 billion. Consequently, the pre-tax margin declined from approximately 44.5% in H1 2025 to 36.7% in H1 2026.

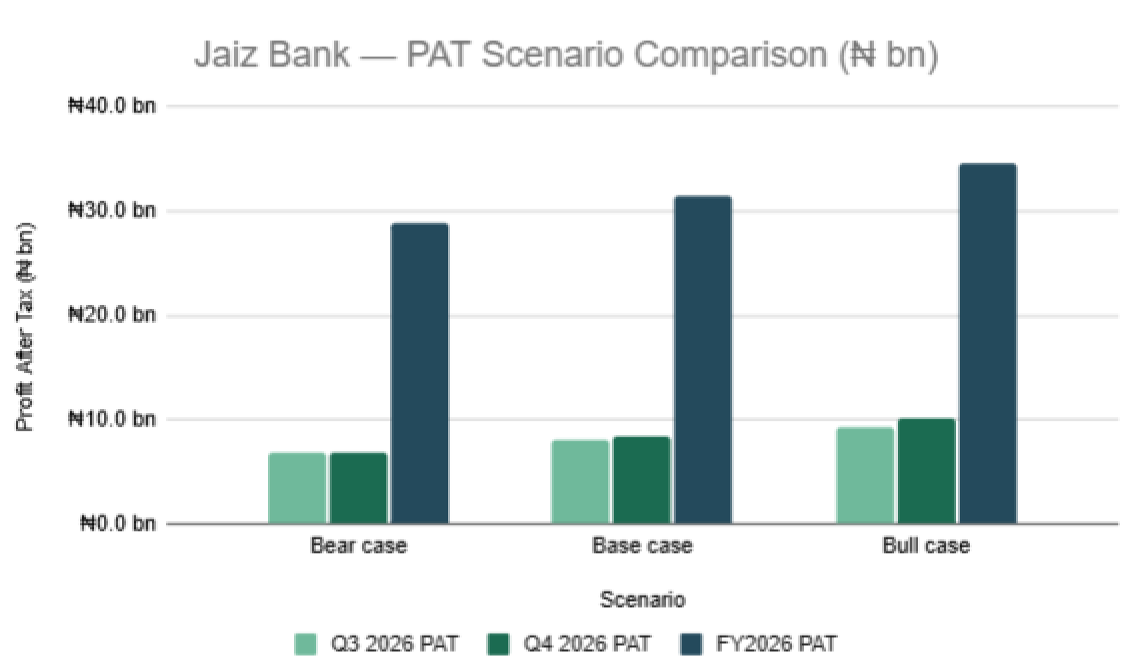
This is the most important signal in the financial statements. Jaiz Bank is demonstrating demand for its products and the ability to generate income, but the cost base is expanding too rapidly. For investors, the next phase of the story is therefore about **operating leverage**, not simply revenue growth.

Q2 provided an additional caution. Profit after tax was approximately ₦7.01 billion, below the ₦7.85 billion reported in Q1. The decline does not invalidate the growth story, but it indicates that earnings momentum softened during the first half.

Q4 and FY2026 earnings outlook

Our forecast uses a scenario-based framework:

Scenario	Q3 2026 PAT	Q4 2026 PAT	FY2026 PAT	FY2026 EPS
Bear case	₦6.9bn	₦6.8bn	₦28.8bn	64.6 kobo
Base case	₦8.0bn	₦8.4bn	₦31.5bn	70.7 kobo
Bull case	₦9.2bn	₦10.2bn	₦34.5bn	77.4 kobo



The base case assumes FY2026 profit after tax of approximately ₦31.5 billion. With H1 2026 profit after tax of ₦15.09 billion, this requires H2 profit after tax of approximately ₦16.4 billion.

Given a Q4 forecast of ₦8.4 billion, the model implies Q3 profit after tax of approximately ₦8.0 billion. This represents a 14.2% recovery from Q2 to Q3, followed by 4.9% sequential growth in Q4. Q4 PAT would be approximately 19.8% above the ₦7.01 billion reported in Q2.

The following illustrative Q4 income statement sets out the base-case assumptions and their mathematical effect on earnings;

Illustrative Q4 2026 estimate	**Base case**	Calculation / assumption
Gross earnings	₦31.0bn	7.0% above H1 2026 quarterly average
Total income	₦22.5bn	7.0% above H1 2026 quarterly average
Operating expenses	₦13.4bn	0.6% above H1 2026 quarterly average
Cost-to-income ratio	59.6%	Operating expenses ÷ total income: ₦13.4bn ÷ ₦22.5bn
Profit before tax	₦9.1bn	₦22.5bn − ₦13.4bn
Effective tax rate	7.7%	Tax expense ÷ PBT ₦0.7bn ÷ ₦9.1bn
Tax expense	₦0.7bn	₦9.1bn × 7.7%
Profit after tax	₦8.4bn	₦9.1bn − ₦0.7bn
EPS	18.8 kobo	₦8.4bn ÷ 44.589bn shares

Base-case forecast assumptions: Q4 gross earnings and total income are assumed to be 7.0% above their H1 2026 quarterly averages. Operating expenses are assumed to be 0.6% above the H1 quarterly average, implying that the cost-to-income ratio declines from 63.3% in H1 2026 to approximately 59.6% in Q4. The model applies an illustrative effective tax rate of 7.7% and assumes stable investment-account-holder distributions, manageable impairment charges and no material deterioration in credit quality. This is an analyst scenario, not company guidance. .

Investment income remains pivotal

Jaiz Bank's earnings are increasingly linked to investment returns. Investment income was approximately ₦25.89 billion in H1 2026, while Sukuk investments stood at about ₦329.4 billion at 30 June.

This asset mix offers clear benefits. Higher realised Sukuk and placement yields, together with favourable liquidity conditions, could support the bull case; this assumption should be supported with portfolio-yield and maturity data. The bank has a substantial pool of funds that can generate income without requiring immediate expansion of its customer-financing book.

The trade-off is earnings sensitivity. If investment yields decline, assets mature into lower-return instruments or market liquidity weakens, income could slow. A bank with a significant contribution from investment income may report strong results during favourable market conditions but face weaker earnings when reinvestment opportunities become less attractive.

The market should therefore assess not only the level of investment income but its durability and contribution to recurring shareholder returns.

Account-holder distributions and earnings retention

Jaiz Bank's unrestricted investment-account structure is central to its non-interest banking model. These account holders receive distributions linked to returns generated by the bank's investment and financing activities, subject to the bank's contractual and Sharia-compliant arrangements.

The return distributed to equity investment-account holders increased to approximately ₦15.21 billion in H1 2026 from ₦12.00 billion in H1 2025.

The increase may help Jaiz attract and retain deposits, but it also affects earnings retention. If the bank must allocate a larger share of income to account holders, gross earnings can rise without a proportional increase in profit available to shareholders.

This creates an important analytical distinction between **income growth** and **earnings quality**. Investors should track the proportion of total income retained after distributions, provisions and expenses.

Cost control is the decisive catalyst

Jaiz Bank's staff costs reached approximately ₦11.30 billion in H1 2026, while other operating expenses were approximately ₦13.84 billion.

The rise may reflect investment in personnel, technology, compliance, branches and business expansion. Such expenditure can be justified if it creates future revenue and financing growth. It becomes a concern if the spending produces persistent margin compression without sufficient operating leverage.

The base-case forecast depends on moderation in expense growth and a stable or improving conversion of total income into pre-tax profit. If the H1 trajectory continues, Q4 profit could remain near ₦6.8 billion to ₦7.5 billion, pulling FY2026 earnings below the base case.

The strongest bullish signal would be a decline in the cost-to-income ratio accompanied by stable credit quality. That would demonstrate that Jaiz can scale its franchise without sacrificing profitability.

Balance sheet and credit risk

At 30 June 2026, Jaiz Bank reported total assets of approximately ₦1.287 trillion, financing assets of ₦246.8 billion, inventory financing of ₦61.8 billion and equity of ₦98.5 billion. Customer current deposits stood at approximately ₦724.1 billion, while unrestricted investment accounts were approximately ₦655.5 billion.

The reported balance sheet shows substantial equity, although liquidity and regulatory capital adequacy cannot be assessed fully from the balance-sheet totals alone, but regulatory capital adequacy cannot be assessed from these figures alone. A robust assessment should incorporate the bank's capital-adequacy ratio, risk-weighted assets and the applicable CBN minimum.

The H1 statement reports total assets of ₦1.287 trillion at 30 June 2026, compared with ₦1.635 trillion at 31 December 2025. The statement's comparative column is labelled 31 December 2025, so assets did decline by approximately ₦347.7bn, or 21.3%.

This suggests that H1 earnings growth was not driven primarily by total-asset expansion. The income statement points instead to stronger returns from financing and investment activities, although the available interim data do not establish whether this reflected higher yields, portfolio turnover or changes in asset composition.

H1 impairment charges rose to approximately ₦675 million from ₦352 million in the comparable period. The amount remains small relative to reported total income, but the increase warrants monitoring, particularly alongside changes in financing assets, Stage 2 exposures and expected-credit-loss coverage.

The next financial statements should be evaluated for non-performing financing, Stage 2 exposures, expected-credit-loss coverage, sector concentration and recoveries. Islamic financing does not eliminate default risk; the bank must still manage underwriting, collateral and counterparty exposure rigorously.

Valuation and market expectations

At the ₦7.90 reference price and with 44.589 billion shares outstanding, Jaiz Bank's implied market capitalisation was approximately ₦352.3 billion.

Valuation measure	Bear	Base	Bull
FY2026 EPS	₦0.646	₦0.707	₦0.774
Forward P/E	12.2x	11.2x	10.2x

Using H1 2026 reported owners' equity of ₦98.5 billion, book value per share was approximately ₦2.21. At the ₦7.90 reference price, the shares traded at approximately 3.6 times reported H1 2026 book value per share.

That premium requires confidence in sustained high returns on equity. The shares are not necessarily expensive on earnings alone, but the price-to-book multiple makes the stock vulnerable to any perception that profitability is normalising.

Verdict

Jaiz Bank is a **high-quality, specialised banking franchise with meaningful execution risk**. Its non-interest banking model, liquidity and investment platform provide a credible foundation for long-term growth. The bank is expected to remain profitable in Q4 under the base-case assumptions, with our base case pointing to ₦8.4 billion in quarterly profit after tax and ₦31.5 billion for FY2026.

However, the investment case depends on a transition from gross earnings growth to stronger profit conversion. Management must control expenses, preserve investment income, maintain competitive account-holder distributions without weakening shareholder returns and prevent credit costs from rising materially.

At the ₦7.90 reference price, Jaiz Bank is best described as a growth opportunity trading at a demanding valuation, rather than a clear bargain. The stock could rerate higher if Q3 and Q4 results confirm improving operating leverage. Conversely, continued margin compression or a deterioration in asset quality could trigger valuation pressure.

Bottom line: Jaiz Bank offers attractive long-term exposure to Nigeria's non-interest banking and Islamic-finance market, but investors should demand evidence of sustainable earnings quality before assigning the bank a higher premium.

This article is based on Jaiz Bank's H1 2026 unaudited financial statements, FY2025 audited financial statements and market data available at the time of analysis. The projections are analyst estimates, not company guidance, and this article is not personalised investment advice.