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Banks in H1 2020: Imagining Beyond COVID-19

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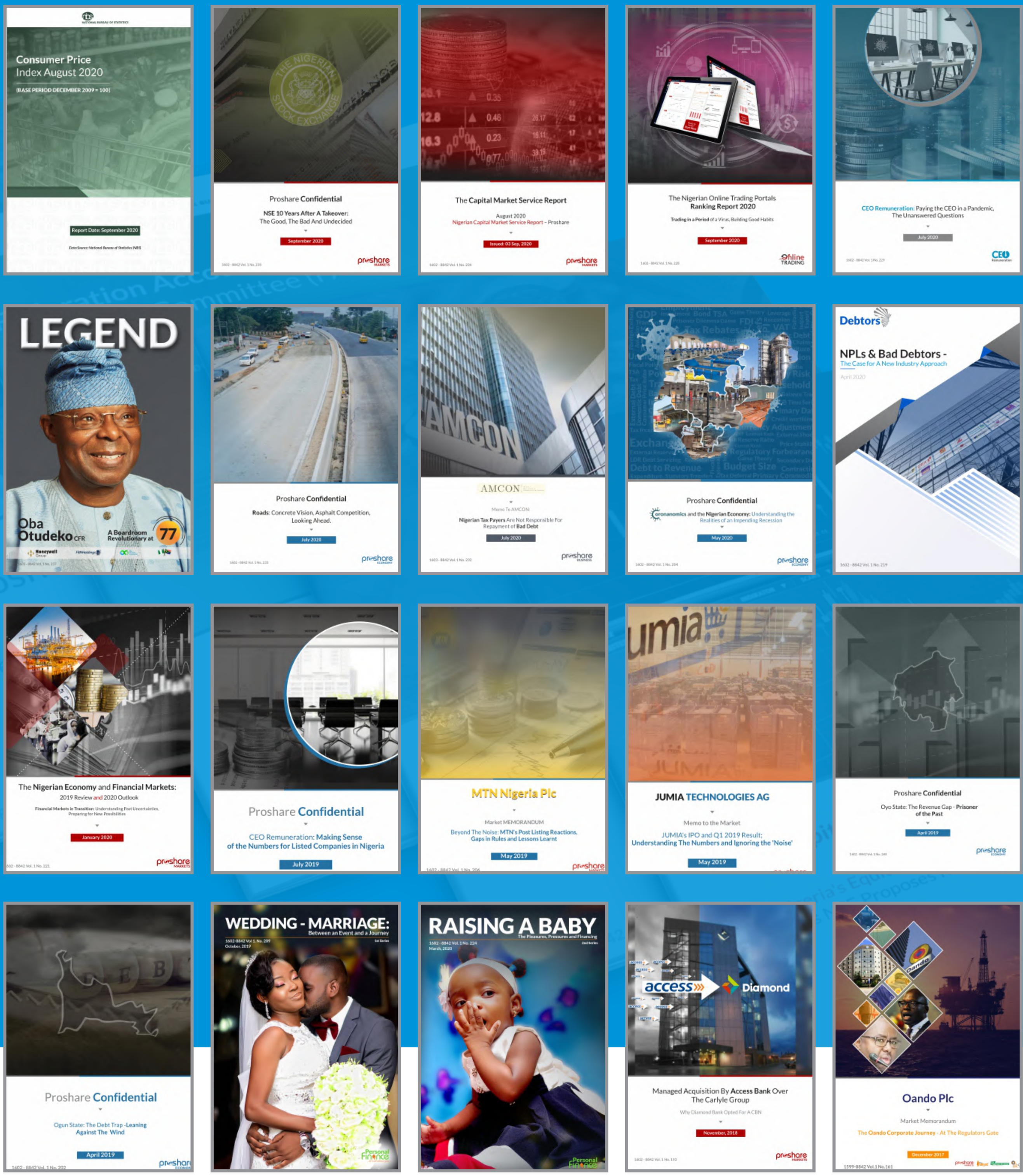

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Executive Summary

"It is well enough that people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning."
– Henry Ford

Nigeria's Banking sector in H1 2020 pulled in its neck and sauntered into the COVID-19-induced headwinds of Q1 and Q2. The brave challenge of a health and economic pandemic saw the sector with lower growth in topline income and decapitation of growth in bottom lines. The banking sector regardless of its weighty operational problems during the year has done a creditable job of remaining at the forefront of longer-term growth.

Indeed, markets are no strangers to shocks but with the advent of a global health pandemic both the nature and extent of the 2020 market shocks have been unprecedented and complex. A fall in the global demand for crude oil as a result of lockdowns in China and Europe started a trade war between members of the Organization of Petroleum Exporting Countries (OPEC) and the so-called OPEC plus nations which includes Russia.

The disagreement over the size of production cutbacks between both groups led to Saudi Arabia in February breaking rank to provide deep discounts on its oil and to also drop prices, the consequence was a sharp tumbling of international oil prices. The fall in oil price has prompted the Nigerian fiscal authorities to revise the benchmark oil price for the 2020 federal budget twice. From an initial assumption of US$57 per barrel in October 2019, the Q1 2020 fall in oil prices compelled the fiscal authorities to revise average oil price expectations down to US$30 per barrel in April 2020 and this toppled further to US$20 per barrel in May 2020.

Falling oil prices have meant a drop in revenues for most oil-producing African countries and this has had major effects on African economies across different economic sectors with the domestic financial service sector feeling a large part of the emerging pain.

Nigeria's Banking Sector; Taking The Pain with The Gain

Nigerian banks recorded mixed results in profit before tax in H1 2020. Eight (8) Nigerian banks among the thirteen (13) banks listed on the Nigeria Stock Exchange recorded an increase in profit before tax while five banks (5) banks recorded a decline in profit before tax. The top five banks with the highest profit before tax were Zenith Bank N114.12bn, GT Bank N109.71, Access Bank N74.31bn, ETI N64.13bn, and UBA N57.13bn while the three banks with the least profit before tax were Unity Bank N1.12bn, Wema Bank N1.73bn, and Sterling Bank N5.68bn. Wema Bank recorded the most significant year-on-year (Y-o-Y) decline of -33.72% in profit before tax (PBT) while FCMB recorded the most significant growth of PBT at +25.51%.

The mixed performance of banks in Q2 2020 reflected the diversity of their balance sheet structure and how close loans and advances were to the Central bank of Nigeria-imposed 65%. The banks that were already close to this ratio in Q4 2019 would not have seen much growth in Q2 2020 on a Y-o-Y basis as the additional earnings growth had already been almost completely factored into their performance. But banks that had to rapidly ramp up loans and advances and therefore profit numbers would have witnessed a more significant rise in PAT in Q2 2020 Y-o-Y.

The gross earnings of the majority of banks listed on NSE was unaffected by the coronavirus pandemic. Only three banks recorded a decline in their gross earnings in H1 2020. The three banks that recorded a decline in GE were Sterling Bank -2.8%, Wema Bank -6.6%, and ETI -3.3%.

Before the Storm

Months before the COVID-19 outbreak, some banks had realized that to stay profitable and sustainable they needed to restructure their businesses to be fit-for-purpose in a fast-paced new digital reality. Operating costs needed to decline as industry consolidation was beginning to look more inevitable to improve economies of scale and scope. Small-sized banks would exist for a season but as asset quality became more of an industry concern, larger-sized institutions would be at a competitive advantage as they serviced high net worth corporations and individuals with higher credit ratings while smaller banks are left with dregs of the loan bucket having to service riskier customers. In other words, smaller banks would have to face larger credit risks, higher impairment provisions, and lower profitability. The weaker balance sheet positions of smaller-sized banks had nothing to do with a virus and were the outcome of natural market logic. In finance small is not exactly beautiful.

Some banks had realized this quite early and built buffers into their operations to withstand sudden shocks to the lending system. Early in 2019, for example, Access Bank as part of its five-year strategic growth plan, merged with the erstwhile Diamond Bank, thereby creating Nigeria's largest lending institution by asset size. But what was more critical was that the bank leveraged the merger to strengthen its digital foundry and sandboxes and redesigned its institutional skill sets and workforce requirements.

The reconfiguration of the bank's business model meant that workers needed to be streamlined into the new competitive banking landscape. For a bank like Access Bank, this inevitably required a redesign of its workforce architecture, meaning some jobs had to shrink in number while others grew. The paradigm shift was similar for UBA which had to let go of over a thousand employees in January 2020 and ETI that laid off a large part of its older workforce and disengaged staff on contract in the middle of 2019.

Understanding the New Normal

Banks will have to cope with a new customer environment defined by less physical interaction, more demanding digital user experience and interaction (UX/UI) and greater fluidity in consumer loyalty as millennials begin to become a larger segment of bank's customer base, even though they may not constitute the largest demography by nominal deposit value.

The growth of generation Z and Y and their digital competence would gradually change the state of engagement between banks and customers. However, the change would be far from a sea change alteration, as Nigeria's large informal sector is still fairly digitally unsophisticated. While it is true that the unstructured supplementary service data (USSD) codes have been very successful in meeting the mobile payment solution needs of retail customers, the small enterprise solutions are yet to be as popularly adopted.

Nevertheless, the banking sector is creatively improvising to pull the informal sector into a banking payment and settlement loop by the promotion of agency banking in communities that do not have formal branches or cash centres or automated teller machines (ATMs). It is still early to tell how successful agency banking will be, but from reports of the larger tier 1 banks, the rural penetration rates have been impressive.

Digital banking will increasingly thrive in local cities but informal businesses on the fringes of urban economies will adopt new technology more slowly. The mortal error banks could commit in the new post-COVID-19 era is to believe their hype. Digital banking services will increase as more people go online to initiate and complete financial transactions, but the less fanciful services of banks must equally be addressed. Digital natives may be pleased with financial geekdom but digital nomads would likely feel more comfortable with a set of less exotic services, and since nomads typically have more spending power than natives, banks can only ignore them to their peril.

Increased social distancing in 2020 and 2021 would require banks to observe higher standards of environmental and health governance, by way of increased expenditure on hand and hard surface sanitizers, queue management technology, 'menu' costs of reminding customers of appropriate physical distancing rules and the cost of retraining of staff on handling physical customer interaction such as the use of non-medical face masks.

Dodging A Bullet

Can banks avoid the impact of global contagion on the Nigerian financial system? That would be desirable but near impossible. As long as bank customers have foreign product supply linkages and export-oriented operations both the banks and their customers would be affected by foreign exchange translation costs. The local businesses would also be affected by movements in global interest rates as investors move money across territories in search of superior returns. Sterilization of the impact of changes in international trade conditions on modern domestic open economies is improbable. Dodging external economic bullets is desirable, but like a man tied to the stake, the probability of survival is slim. Nigeria's economy with a heavy dependence on crude oil export is a ship on stormy global waters, the ship's stability depends on the dexterity of the captain and the courage of the crew, so far Nigeria's economic managers have found themselves tossed around like a tennis ball.

Banks would, therefore, need to gradually wind down their exposure to the oil and gas sector and take a second look at the power sector too. But can local banks afford to ignore two of the largest sectors of the local economy? Perhaps not. Banks may need to build stronger operational buffers to survive the uncertainty of the near future. A crucial area banks may need to address is the size of their shareholder's funds, the larger the funds the more resilient the bank would appear to be. The implications would be that going into 2021 some mergers and acquisitions (M&As) may occur to consolidate the industry and strengthen corporate balance sheets. Tier 1 institutions such as FBN may consider growing inorganically by searching for smaller tier two competitors with weaker balance sheets but strong potential value addition if relieved of constraining liabilities such as Asset Management Company of Nigeria (AMCON) obligations and negative or marginally positive shareholder's funds.

Back of The Book

The new business era is a game of innovation, creativity and efficiency. Banks will need to ramp up digital capacity very fast while also building creative less exotic service solutions for the large informal sector and the over 40.5m micro, small and medium-sized businesses (MSMEs) in the country.

Conventional banking will have its place, but that space could shrink at a disconcerting pace depending on how the international business outlook shapes up for the country in 2020 and 2021. An optimistic outlook would see banks reposition quickly to prepare themselves against future economic shocks, but if the outlook appears pessimistic the banks would likely be more focused on immediate tactical survival than on the finer points of strategic corporate longevity. As banks realize in the words of US Army General GB Sullivan, ***"Hope is Not a Method"***. They will have to survive by being trimmer, sharper, and more customer-centric.

Holding an umbrella against a cyclone is brave but ineffectual, likewise, banks would have realized by now that to survive the swiftly changing dynamics of domestic financial service delivery being small is a thick leg chain tied to a massive tree trunk. As safer loans float towards bigger lending institutions smaller banks will find themselves holding less qualitative risk assets making their books more vulnerable to the next business downturn, if anything is likely to happen to protect systemic stability, it is likely to be a dash towards industry consolidation. Being bigger may not be elegant but in the business of lending, it is far from ugliness.

Section 1 of the report takes a broad aerial view of Nigeria's banking landscape in H1 2020, capturing the nuanced landscape of a COVID-19-endangered financial system. It captures the efforts the local banks have made to break through the storm and hold up earnings as best as possible.

Section 2 of the report digs deeper into how Nigerian banks have evolved short-term strategies to fend off the more severe consequences of COVID-19 and oil price declines on their operations. The section dwelt heavily on the various types of risks that banks had to face and how they were required to navigate the challenges. The section pointed out that the second wave of restrictions on economic activities in 2020 could lead to a very exotic double-dip or wavy W-shaped recovery. According to the report ***"The spread of the virus will hurt businesses and individuals affecting their customer's ability to repay loans. Also, further restrictions if the virus persists might lead to an increase in withdrawals by depositors. To further compound issues, banks might record increased defaults and higher delinquent credit exposure as a result of the slowdown in economic activities".***

The report further noted that ***"Banks with a mismatch in their foreign currency (FCY) denominated assets and liabilities may experience significant exposure to currency risk occurring from expected defaults on their foreign currency assets compounded by recent adjustments in exchange rates by the CBN".***

Section 3 of the H1 2020 Banking analysis Breaks into the industry numbers for H1 2020, highlighting where each sector showed strengths and weaknesses while analyzing its opportunities and threats. The section does a drive-by observing the valleys, hills and sharp economic bends that have made 2020 a rough year for financial market operators. The impact of the economic and health shocks of the double whammy of COVID-19 and fiscal decline is captured in a series of tables and charts that show the vulnerability of the domestic financial system to external uncertainties. The report noted that ***"Nigeria has a peculiar and distinct domestic economy. Unlike other economies were banks recorded a significant decline in profit in H1 2020, a sum of the profits of thirteen banks listed on the Nigerian Stock Exchange revealed that there was an increase in gross earnings by +5.18% and a mild decline in profit before tax by -1.47%".***

Section 4 breaks into a deconstruction of the banking sector bank-by-bank exposing the underbelly of each bank based on its H1 financial records. According to the report ***"The majority of the banks listed on the Nigeria Stock Exchange (NSE) recorded an increase in their gross earnings in H1 2020. Ten (10) banks among the listed banks on the NSE recorded an increase in their gross earnings while three (3) banks recorded a decline in gross earnings. The top five banks with the highest gross earnings in H1 2020 were Access Bank N396.76bn, ETI N392bn, Zenith Bank N346.09bn, UBA N300.6bn, and FBNH N296.4bn while three banks with the lowest gross earnings were Unity Bank N22.87bn, Wema Bank N38.15bn, and Sterling bank N70.23bn"***

The report provides readers with an opportunity for assessing how well each local bank has coped with the challenges to domestic credit and tumbling consumer expenditure and savings. A peculiarity is that two banks (Unity Bank and Heritage Bank) have maintained negative shareholders funds for over three years and still walk the Banking bistro without consequences. This is a curiosity both domestic and foreign investors and academics have tried to understand and explain without success they have been stumped by theory and practical global regulatory best practices. In the case of Unity Bank, the bank has been able to drum up marginal profit before tax thereby incrementally reducing the capital deficit but Heritage Bank remains a stellar example of a puzzle wrapped in an enigma.

Section 5 enters into a pre-wrap up phase of the report by encapsulating issues around the forward-view of the industry and key takeaways from analyzing the H1 2020 financial statements of the banks. It detours into the monkey games that some agriculture-related Fintechs have played over the last half-year. The report points out that ***"Increasingly Fintech companies, especially those targeted at the agricultural sector have been offering returns on investments far above returns in alternative money market assets with investors piling into these digital investment wonders in search of superior returns. The problem with such schemes is that there is no underlying 'real' asset trading in a growth market that justifies the returns on offer. The schemes speak to the parable of the monkey market".***

Section 6 ends the report by capping with issues raised in earlier segments and introduces the **VUCA matrix** as a tool for assessing the challenges of the unfolding Holdco structures that virtually all tier 1 banks in the country have chosen to adopt.

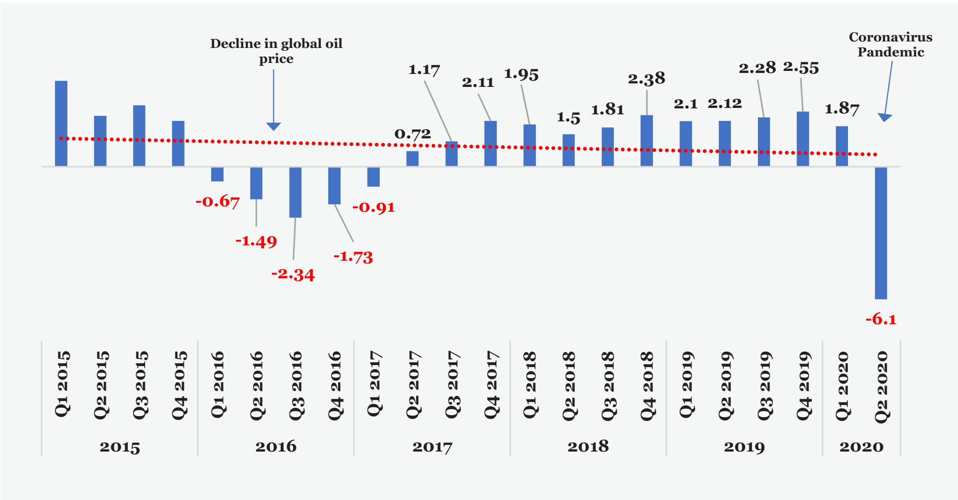
The report says, *"With the future shrouded in uncertainty, the outlook for banking is a gamble on the institutional resilience, far-sighted corporate leadership and the creative application of technology in the course of day-to-day business. The ability of local Nigerian banks to unhinge their hooks from the general economy provides hope that at least tier 1 banking institutions would provide backstops to an economic downturn in 2020 and 2021."*

Introduction

"Bottom line, having a customer-centric culture is more than just a good thing – it's become a matter of survival." **- Jim Marous**

The advent of the COVID-19 pandemic has affected various sectors in the Nigerian and global economy stunting economic growth. The restrictions in movements to curb the spread of the virus adversely affected corporates, individuals, and the overall economy. This was evident in the Q2 negative growth of the Nigerian economy which contracted by -6.10% in Q2 2020. Sectors such as the manufacturing sector, the airline industry, tourism, trade sector, and the oil sector were negatively affected by the virus (*see Chart 1*).

Chart 1: Nigeria's Quarterly GDP Growth Rate (%)

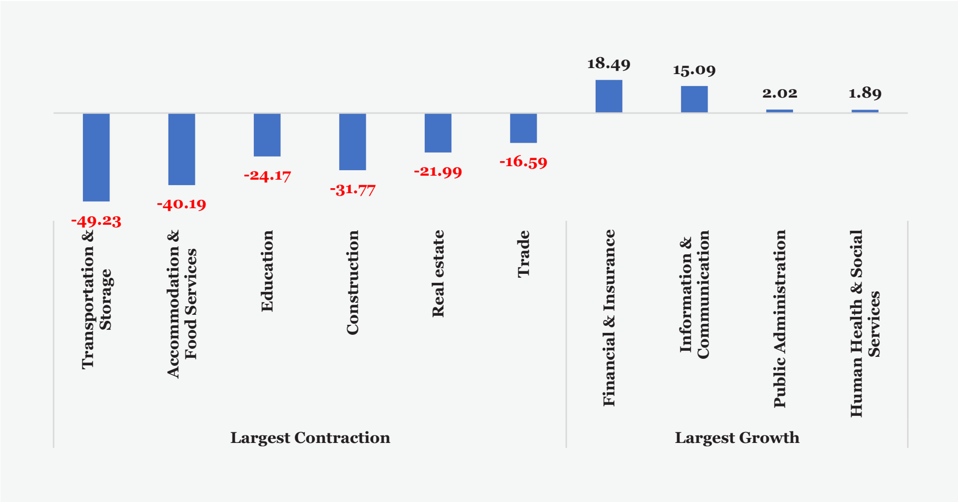


Source: NBS, Proshare Research

The virus exposed and compounded Nigeria's weak economic underbelly characterized by over-reliance on oil export revenues, weak infrastructure, and large import dependence. The transportation and storage sectors recorded the largest contraction of -49.23% while other notable sectors that recorded contraction were accommodation & food services -40.19%, education -24.17% construction sector -31.77%, real estate -21.99%, trade -16.59%. The two sectors with the highest recorded growth in Q2 2020 were financial & insurance +18.49%, and Information & communication sector +15.09%. Other sectors that recorded positive growth in Q2 2020 include agriculture +1.58%, human health, and social services +1.89% and public administration +2.02% (*see Chart 2*).

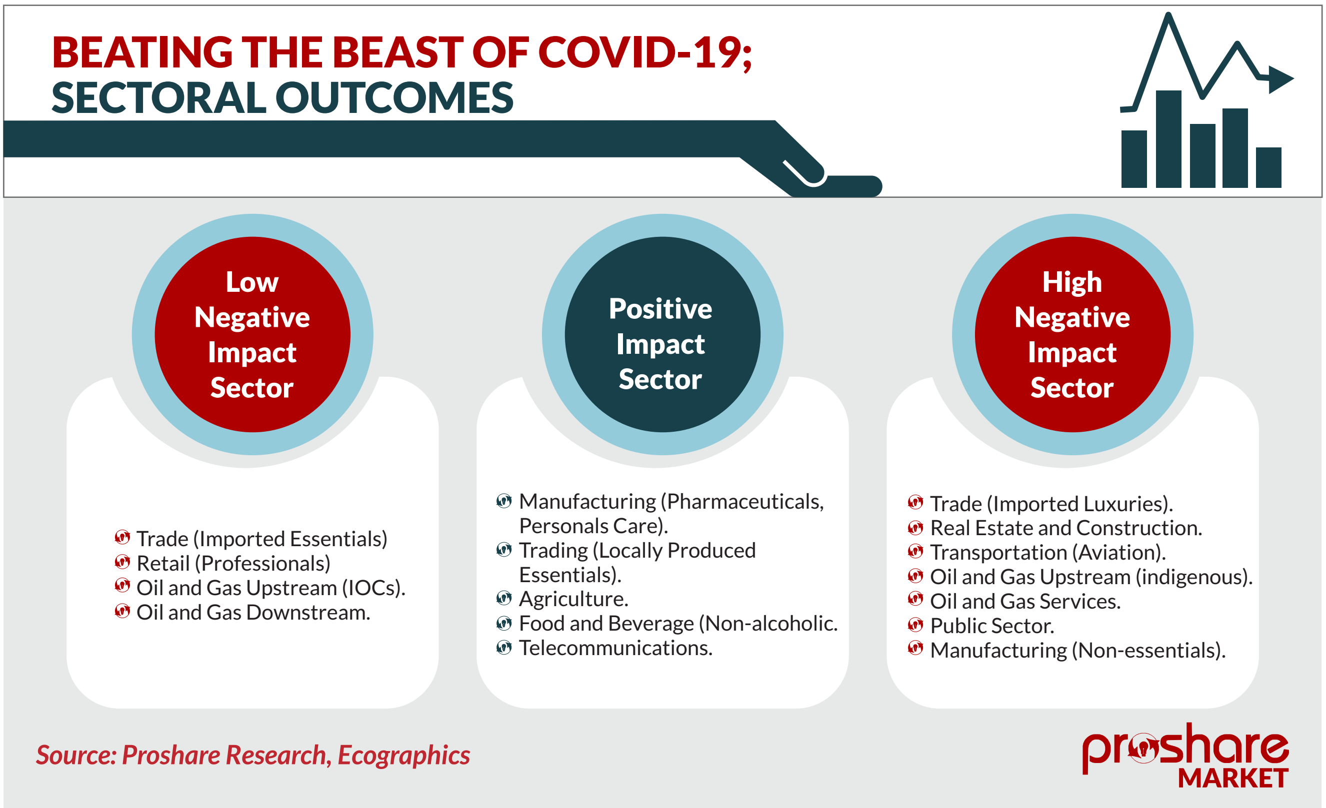
Chart 2: Largest Growth and Decline Sectors (%)

Chart 2: ***Largest Growth and Decline Sectors (%)***



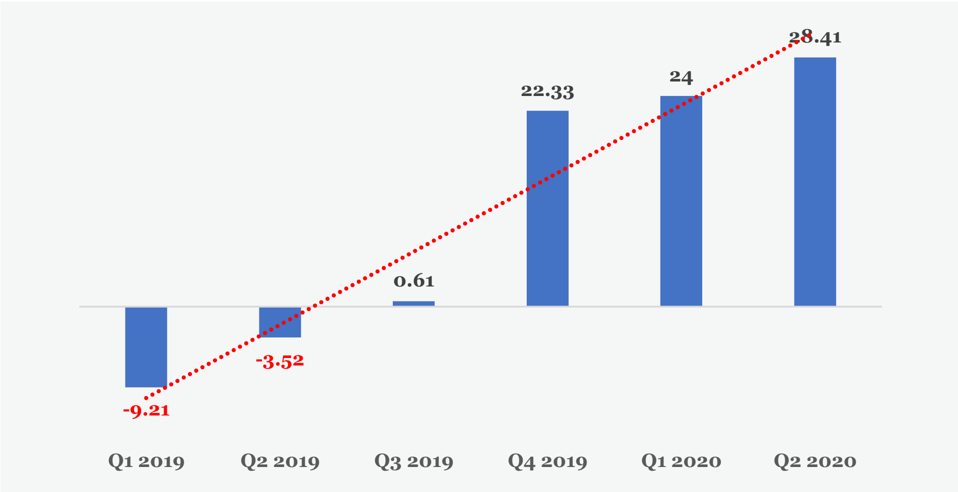
Source: NBS, Proshare Research

Illustration 1: ***Beating the Beast of COVID-19; Sectoral Outcomes***



Despite the negative effect of the coronavirus on the financial sector in Nigeria, the sector still proved resilient in the second quarter of 2020 as it recorded significant growth in Q2 2020 by +28.41 (*see Chart 3*).

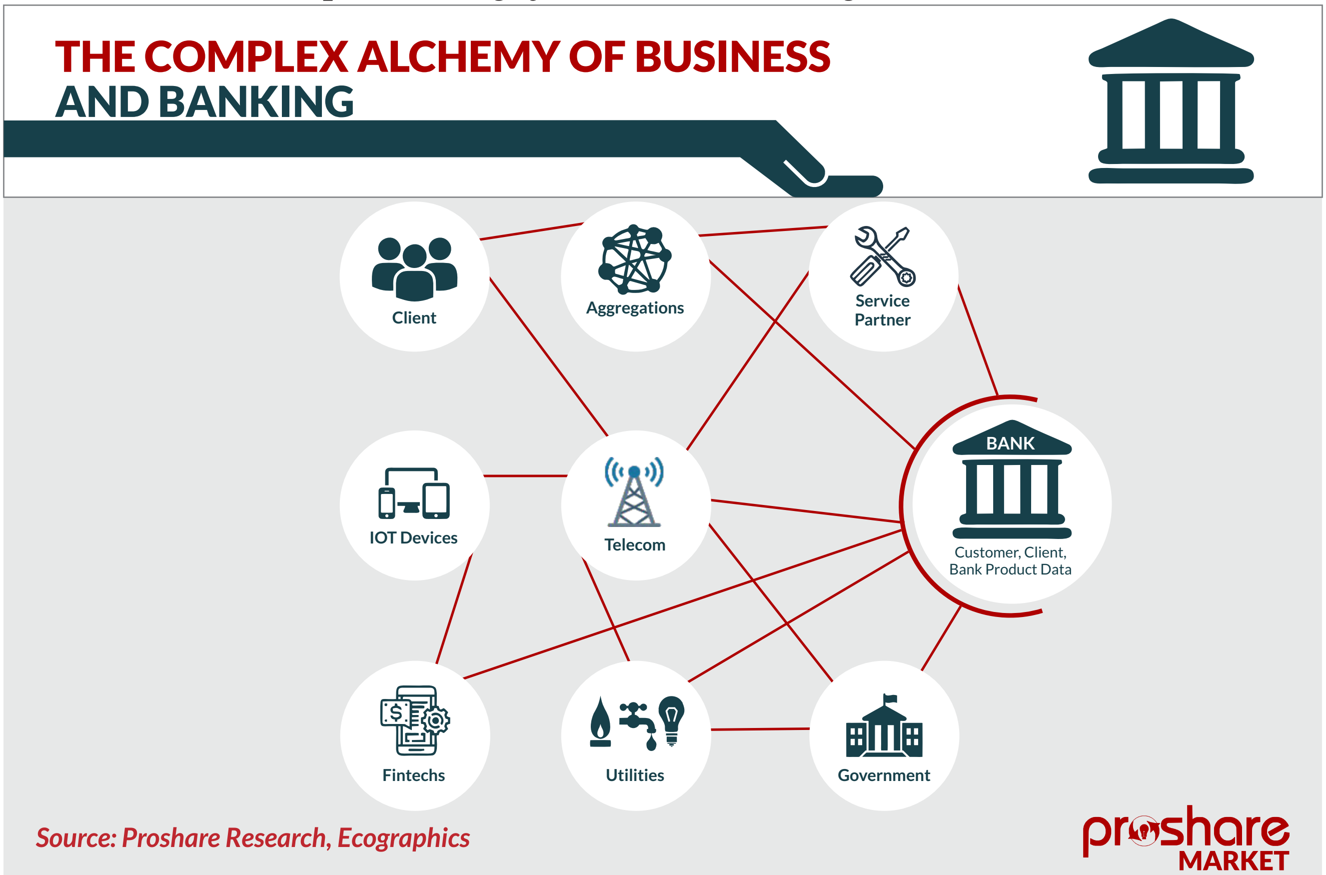
Chart 3: ***Financial Sector Growth Rate (%)***



Source: NBS, Proshare Research

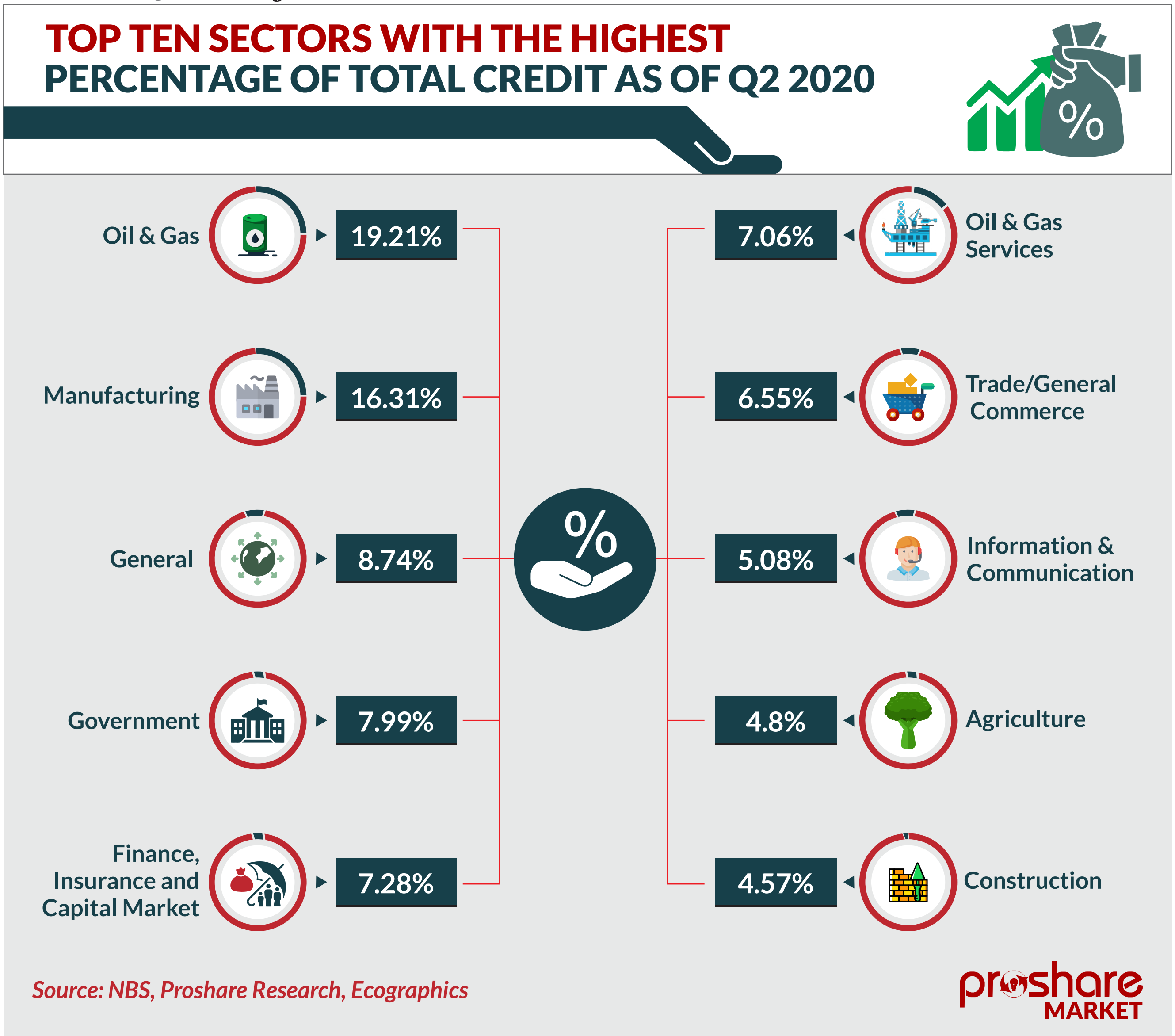
Banks are very crucial; they are the channel through which funds flow through to the economy as they provide funds to corporates and individuals. Their stability is vital to the proper functioning of the economy. The Nigerian banking sector has been adversely affected by the coronavirus. Its interconnectivity with other sectors of the economy makes it more vulnerable to the negative impacts of the virus. The sector's exposure to these vulnerable sectors threatens the asset quality of the banks and would cause a rise in impairment charges, lower yields on the loan books, lower interest income, and a decline in profit after tax of the banks in the sectors (*see Illustration 2*).

Illustration 2: ***The Complex Alchemy of Business and Banking***



The top five recipients of banking credits as of Q2 2020 were oil & gas 19.21%, manufacturing 16.31%, general 8.74%, government 7.28%, and finance, insurance & capital market (*see Illustration 3*).

Illustration 3: ***Banking Sector Credit to the Private Sector***

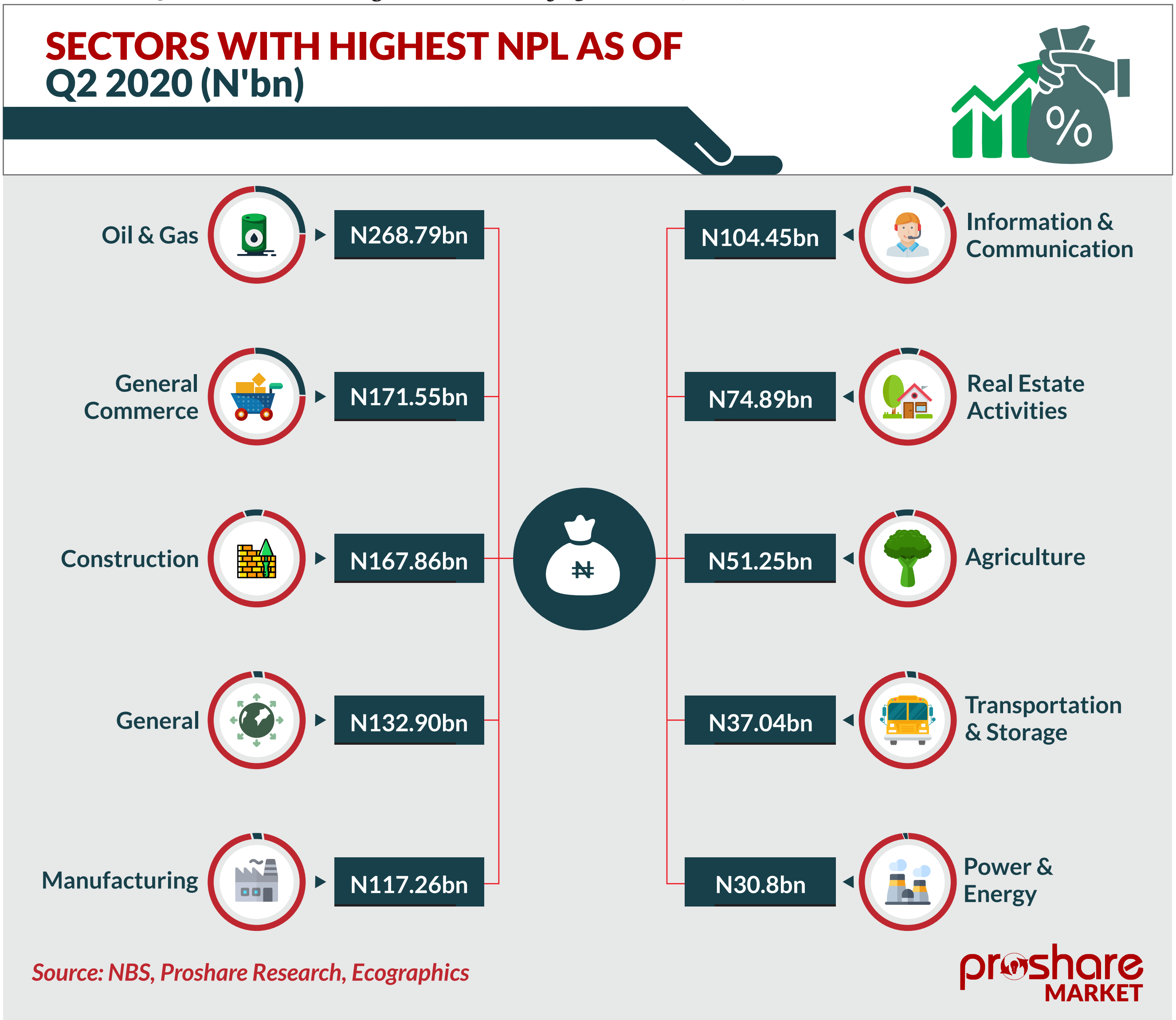


The disruption in the global supply chain led to a rise in the cost of inputs for manufacturers who depend on imported inputs. This adversely impacted the margins of producers as increased costs are not easily transferable to final consumers especially in a period of weakened purchasing power. There was also a decline in the demand for non-essential consumer goods due to the restrictions in the movement of people.

The largest recipient of banking credits in Nigeria is the oil and gas sector. The oil and gas sector received 19.21% of the total banking credit as of Q2 2020. The spread of the coronavirus caused a demand shock which negatively affected the sector. The fall in the global oil price and demand led to the decline in the earnings of firms in the sector hence, limiting the ability of the firms to meet up with loan repayment.

Furthermore, CBN's anticipated unification and devaluation of the country's exchange rate could hasten a liquidity crisis and increase the level of delinquent foreign currency loans dominated by the oil and gas, manufacturing, general commerce, and other import-dependent sectors (*see Illustration 4*).

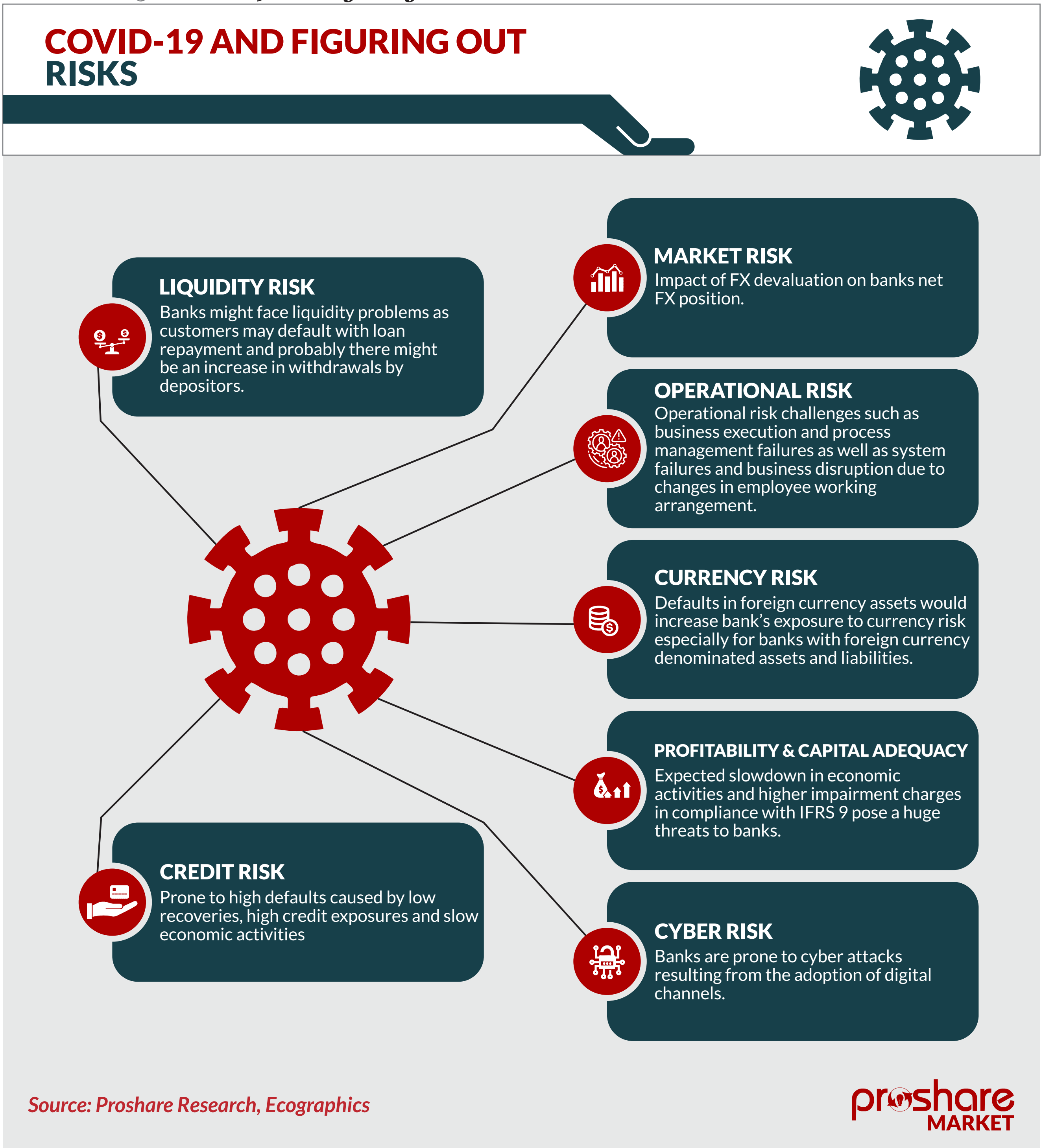
Illustration 4: ***Sectors with Highest NPL as of Q2 2020 (N'bn)***



COVID-19 and Figuring Out Risks

The COVID-19 pandemic exposed the banking sector to several risks in H1 2020. Such risks included credit risk, market risk, operational risk, liquidity risk, currency risk, profitability risk & capital adequacy risk. The multi-layered risk structure of domestic lending will put additional pressure on local domestic money banks (DMBs) as they try to figure out how to increase lending without hurting their non-performing loans (NPLs) position (*see Illustration 5*).

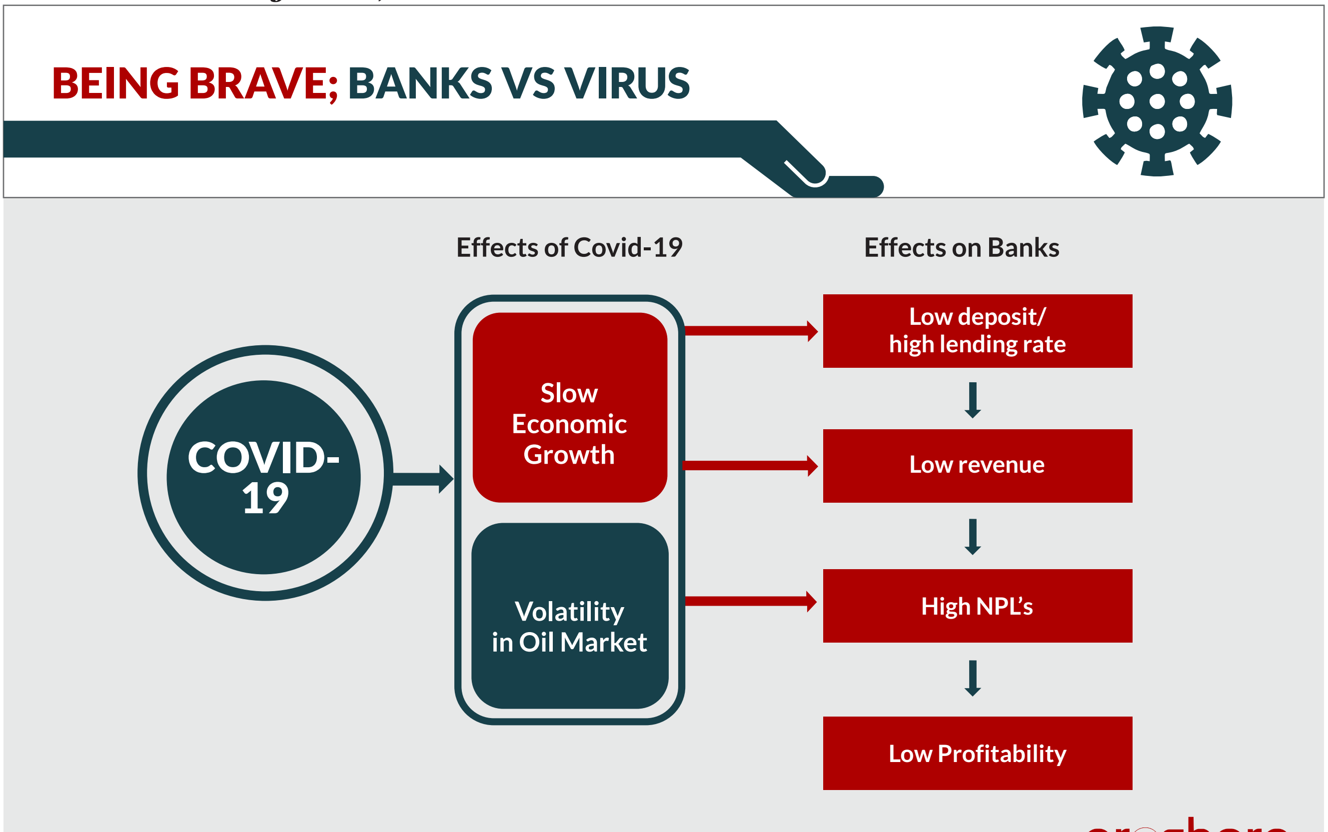
Illustration 5: ***COVID-19 and Figuring Out Risks***



There are fears that if the spread of the coronavirus becomes persistent, banks might face a liquidity crisis. The spread of the virus will hurt businesses and individuals affecting their customer's ability to repay loans. Also, further restrictions if the virus persists might lead to an increase in withdrawals by depositors. To further compound issues banks, might record increased defaults and higher delinquent credit exposure as a result of the slowdown in economic activities.

Banks with a mismatch in their foreign currency (FCY) denominated assets and liabilities may experience significant exposure to currency risk occurring from expected defaults on their foreign currency assets compounded by recent adjustments in exchange rates by the CBN. There are also concerns that the banking sector's profitability might be adversely affected by a slowdown in economic activities. The higher impairment charges that banks are likely to charge in compliance with the IFRS 9 rules could worsen their profit outlook (*see Illustration 6*).

Illustration 6: ***Being Brave; Banks Vs Virus***



Source: Proshare Research, Ecographics

Kicking-in a Response, Busting a Virus

Kicking-in a Response, Busting a Virus

"We're witnessing the creative destruction of financial services, rearranging itself around the consumer. Who does this in the most relevant, exciting way using data and digital, wins!" – **Arvind Sankaran**

To understand the impact of the COVID-19 pandemic on banks it is important to analyze the various possible response scenarios that might pan out. These scenarios enable stakeholders in the banking industry to properly plan and think through various outcomes that might arise as a result of the coronavirus pandemic.

Different scenarios are likely going to play out due to the complex nature of the virus. To simplify understanding, this report considers four scenarios. The scenarios include an effective domestic response, isolation response, collaborative response, and effective global response. An effective domestic response means that though there was an initial disruption caused by the virus, the spread would be relatively controlled. Examples of countries that have recorded relative success in the domestic response to the virus include Taiwan, China, Germany, and Canada.

Furthermore, the dynamic nature of the virus and the inability of the government to effectively respond might give rise to the need for collaboration between private individuals, companies, and the government to help combat the virus. A collaborative response could help mitigate any further disruption of economic activities that may arise. In Nigeria, there was a collaborative response between the government and the private sector. The private sector under an umbrella intervention body called Coalition Against Coronavirus (CACOVID) collaborated with the Nigerian government in a joint effort to fight against the virus and minimize its negative socio-economic consequences.

In contrast to the collaborative approach, some countries have adopted an isolation response strategy. This strategy is adopted where there are indications of an inefficient and weak global response. Due to the rapid spread of the virus, many nations initially locked down their borders and restricted movement. The initial isolationist response adopted disrupted economic activities and resulted in high factory lockdowns and early job losses. On the other hand, an effective global response provides succour for the global and domestic economy as it helps propel the growth and quick recovery of business and ancillary activities (*see Illustration 7*).

Illustration 7: Kicking-in a Response, Busting a Virus

Illustration 7: ***Kicking-in a Response, Busting a Virus***

Policy Responses; Banks Make Hard Work of Running Uphill

The banking sector would be affected differently from other parts of the economy depending on the defensive policies adopted by the government. An effective domestic response would most likely cause the banking sector to rebound quickly to pre-COVID levels of operations but fragile banks might still have hills to climb.

An effective global response to the pandemic could see a significant transformation of the banking industry as fintech platforms gain ascendancy and global players explore alliances. However, the isolation response is the least preferred COVID-19 strategy because its negative impact on the overall economy and financial markets could stretch for another two or more years, thereby ensuring that a couple of companies will go bust. An isolation response if adopted could cause a sever hit on the banking sector. A prolonged economic slowdown could see many banks struggle to navigate past poor long-term credit performances (*see Illustration 8*).

Illustration 8: ***Policy Responses; Banks Battle Fragile Outcomes***

POLICY RESPONSES;
BANKS BATTLE FRAGILE OUTCOMES

Effective Domestic Response

Although fragile banks struggle during the pandemic; Banking sector reverts to pre-COVID levels

Isolation Response

The banking sector is severely hit due to prolonged crisis; many banks struggle to navigate poor long-term credit performance

Collaboration Response

Banking sector participants rises which could lead to overcrowding as non-banks enter via banking-as -a-service

Effective Global Response

Significant transformation of the banking sector as platforms gain in popularity and foreign players and banks explore alliances

Source: Proshare Research, Ecographics

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Illustration 9: Nigerian Banking Sector in a World of Fluid Responses to COVID-19

Illustration 9: ***Nigerian Banking Sector in a World of Fluid Responses to COVID-19***

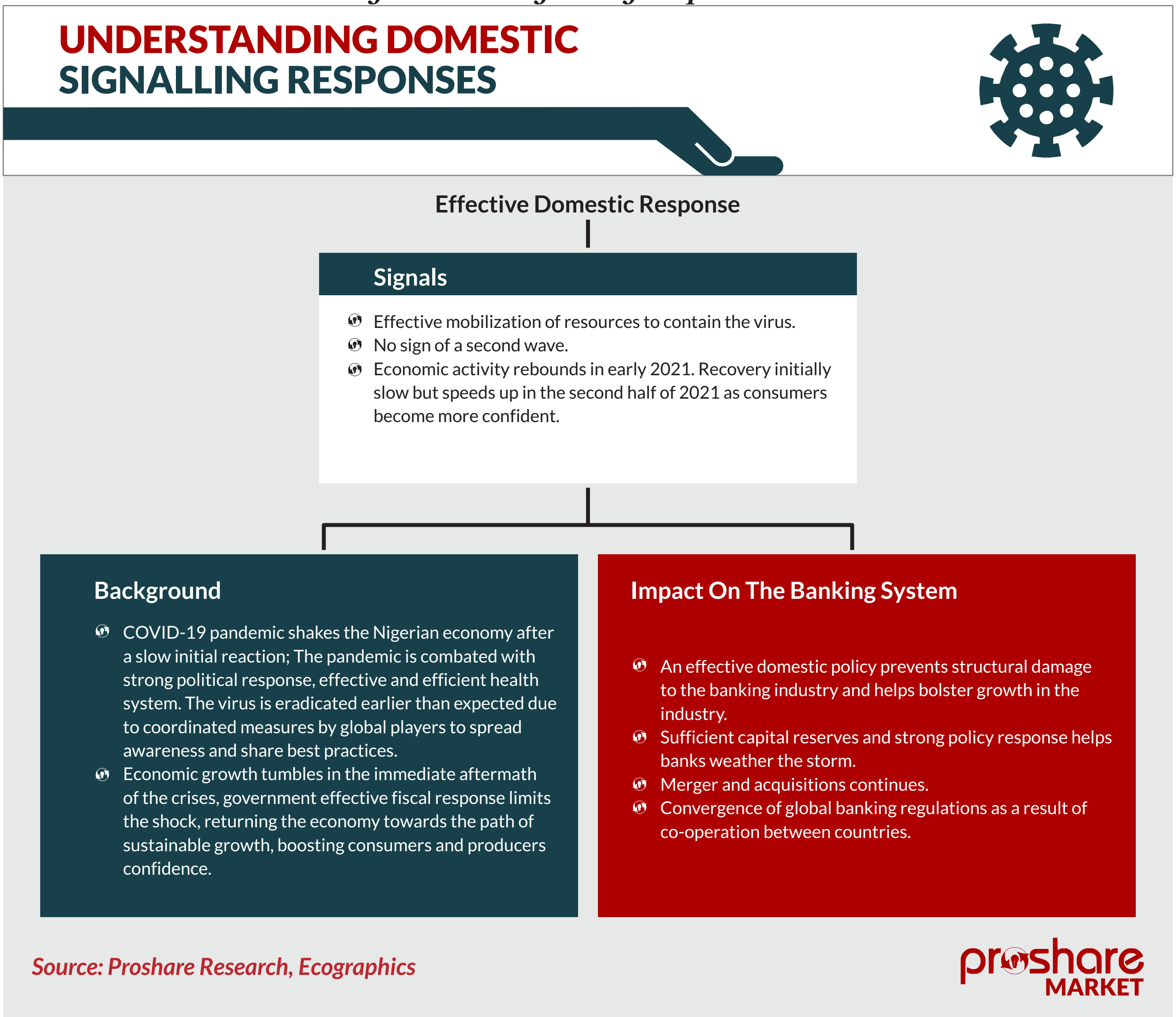
A Dive into The Strategy and Response Water Well

Analysts note that an effective domestic response clarifies the possible impact on the banking sector if the government mobilizes the required resources to combat the virus. Some of the signs of an effective domestic Nigerian response to the COVID-19 pandemic would include the effective mobilization of resources that contain the virus, no signs of a second wave, economic activity rebounds in early 2021 (GDP declined by -6.10% in Q2 2020) with recovery initially slow but speeding up by Q3 2021 as consumers regain confidence.

Understanding Domestic Signalling Responses

An effective domestic response would help prevent structural damage to the banking industry and help boost the sectoral growth. Banks would most likely record quick rebounds in their profitability (many of them saw declining profitability in Q2 2020) (*see Illustration 10*).

***Illustration 10:* Understanding Domestic Signalling Responses**



Banks' profit and top line earnings recovery in 2021 will ride on the back of a strong response to the pandemic as the government curtails the virus spread and allows businesses to stay open. The strong government intervention would see a gradual recovery in loan volumes to pre-COVID levels, with a rise in self-service financial channels, and a growing reliance on the use of Artificial Intelligence (AI) as customer confidence returns (*see Illustration 11*).

Illustration 11: ***Understanding Flashes, Signals, and Responses; An Effective Domestic Response to COVID-19***

UNDERSTANDING FLASHES, SIGNALS, AND RESPONSES; AN EFFECTIVE DOMESTIC RESPONSE

Effective Domestic Response

Competitive Implications

Customers

- MSMEs and low income consumers are the most adversely affected.
- Albeit, government effective policy response help to cushion the negative impact
- Customers confidence in the banking institution is strengthened, as banks are seen to largely weather the storm.
- Reliance on branches to satisfy complex needs despite being more accustomed to digital channels for transactional service.

Channels

- The fragility of human services channels is exposed by the pandemic.
- There is significant investment in self-service channel.
- There is significant branch transformation. Bank will rationalize, offer stand alone AIMs, develop companies branch models and develop significant use of Artificial Intelligence in branches.

Products

- Gradual recovery in the volume of loans to pre-COVID levels.
- Slow recovery of margins to pre-COVID levels, but pricing structures do not shift materially in the long-term.
- Customers use digital accounts functionally to open second accounts

Ecosystem Participant Implications

Incumbents

- Customers confidence is strengthened due to bank's resilience
- Some tier 2 banks with low capital reserves might record a decline in profitable margins, becoming acquisition targets for scale players to increase the size of their books.

New Entrants

- New banks focus on their pre-COVID strategy.
- Retailers and fintech firms record increase in online transactions, leading to more interest in offering consumer banking services through partnerships with banks.

Source: Proshare Research, Ecographics

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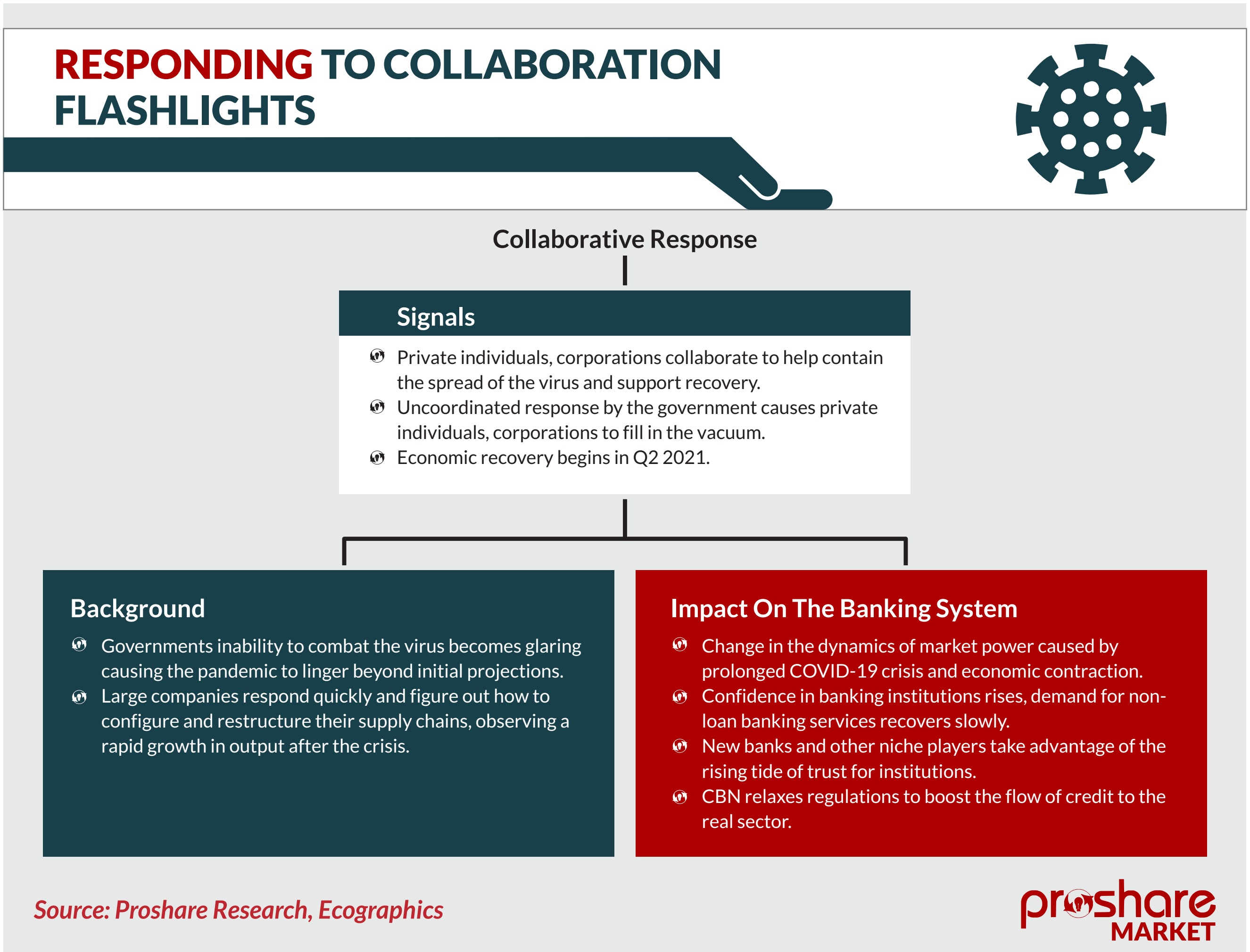
Responding to Collaboration Flashlights

In the last six months, the Nigerian government has been overwhelmed by the COVID-19 threat which has forced individuals and corporations to collaborate with the government to push back against the pandemic.

A prolonged crisis could lead to an uncoordinated response between the government and citizens which could result in the banking sector seeing changes in the dynamics of market power and a decline in profit margins. A collaborative response, on the other hand, would, therefore, cause banking activities to pick up gradually and the demand for non-loan banking services recover slowly as new banks and other niche players take advantage of the rising tide of customer trust (*see Illustration 12*).

***Illustration 12:* Responding to Collaboration Flashlights**



A collaborative response between the private sector and the government would have salutary effects on the banking system. A collaborative response would bolster customer confidence. There would be an increase in the use of digital channels, banks would most likely use customer data to develop personalized and tailored products and services. Banks that are slow to implement these adjustments would likely record thinner margins and a shrink in the customer base (*see Illustration 13*).

Illustration 13: ***Understanding Flashes, Signals, and Responses; Collaborative Response***

UNDERSTANDING FLASHES, SIGNALS, AND RESPONSES; COLLABORATIVE RESPONSE

Collaborative Response

Competitive Implications

Customers

- Customer confidence is bolstered for banks that collaborated with the government to combat the virus – leading to greater loyalty and lower price sensitivity.
- Banks access to consumer data, individuals and corporations helps them to provide relevant advice and products -enabling them to widen the scope of private banking-like experience down-market

Channels

- Increased demand, adoption, and usage of digital channels, leveraging AI to create conversational and more "human-like" interactions.
- Human based advice to continue significantly.
- Branch transformation is accelerated, migrating from a full-service channel that processes transactions, to a relationship management channel, focused on advice for consumers— enabled by stand-alone ATMs and strong support tools (e.g., AI)

Products

- Banks use customer data to develop personalized and tailored products and services.
- Advice and speed to credit are among the most critical competencies developed by good companies.
- Financial institutions develop innovative and targeted solutions for underbanked individuals, covering basic financial needs at an achievable cost

Ecosystem Participant Implications

Incumbents

- A low interest rate environment causes incumbents to recognize new business models that balance support for communities with sustainable profitability, improving allegiance from consumers.
- Established banks seize the opportunity to embed crisis-driven demand and processes into their long-term operating models (e.g., significant improvement of seamless digital channels and agile working).
- Incumbents slow to implement new ways of differentiating face declining margins, as traditional differentiators such as price and speed give way to new factors like personalization and ecosystems.
- Aggressive competition leads to further consolidation, notably among attractive mid-size players.

New Entrants

- Big tech firms become critical sources of data as customers demand greater personalization; these firms penetrate the market both single-handedly and through partnerships with banks
- Big tech firms use their customer service expertise to increase market share while penetrating the consumer banking industry.
- New entrants consider merger and acquisition of small- and medium-sized banks for increased speed to market.
- New entrants banks have the opportunity to provide products and services to underserved segments, while large banks battle big retail and tech companies for their existing customers' portfolio base.

Source: Proshare Research, Ecographics

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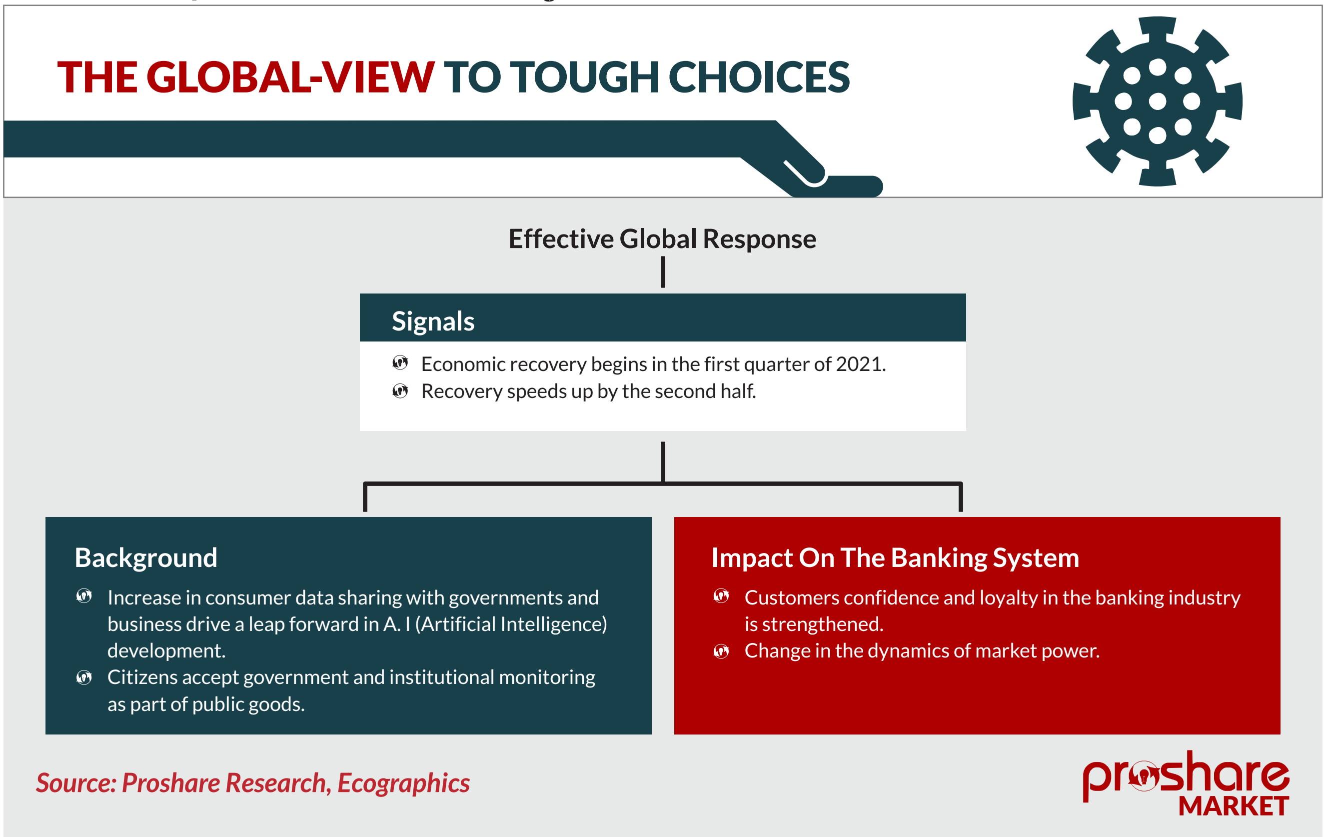
Nudging The Globe To Respond to Tough Choices

To complement collaborative domestic responses to COVID-19 a strong and effective global response would quicken the rate of the global economic recovery and banking sector rebound. An effective global response would lead to a recovery of the global economy at the beginning of Q1 2021 and recovery would become speedier in Q3 of 2021. With the rise in the global response to the virus, there would be an increase in the use of A.I in banking (*see Illustration 14*).

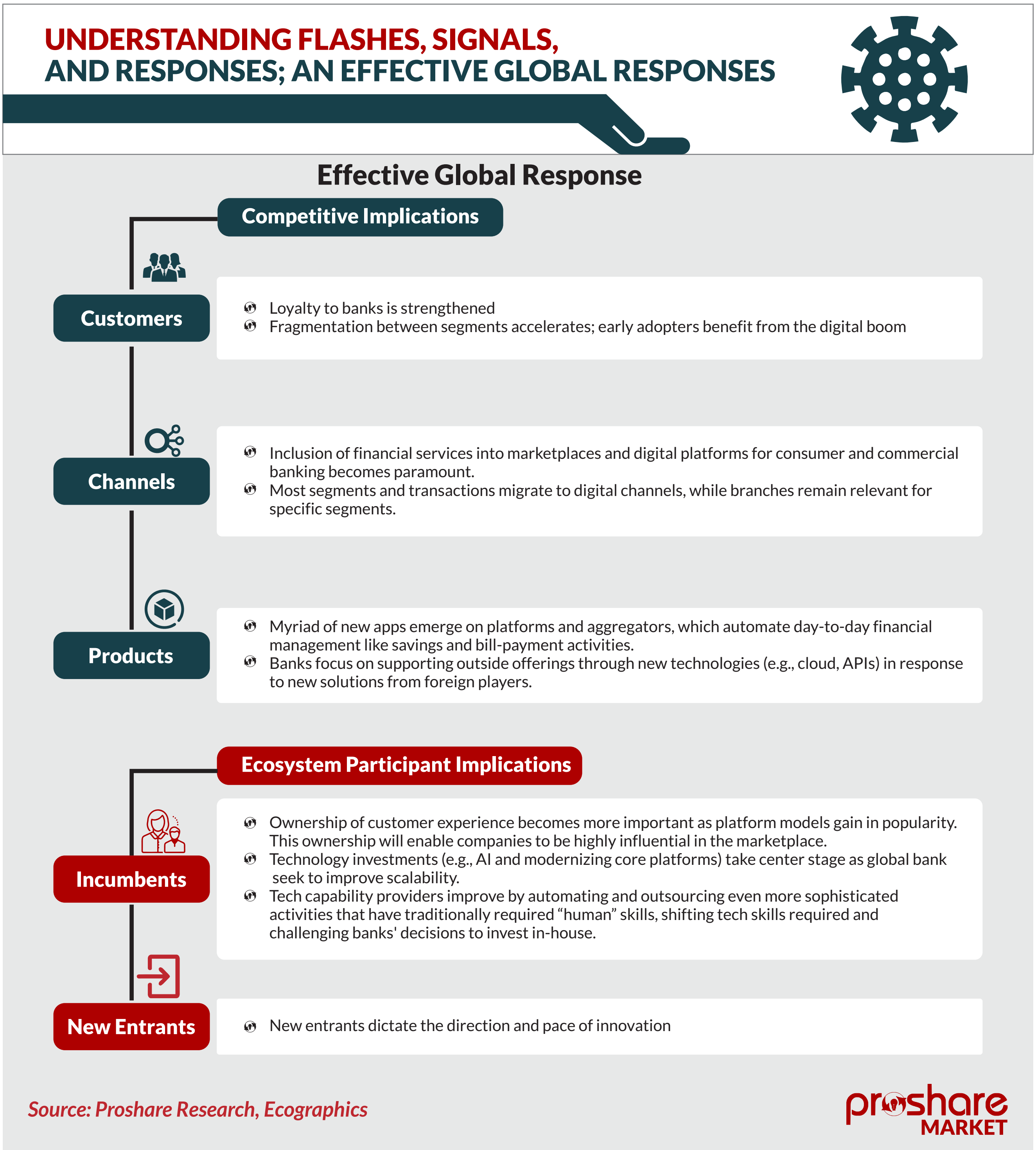
Illustration 14:* *The Global-View to Tough Choices



Banks are likely to increase their investment in technology and there will be a myriad of new apps that will emerge on platforms and aggregators, which automate day-to-day activities like savings and bill-payments (*see Illustration 15*).

Illustration 15: Understanding Flashes, Signals, and Responses; An Effective Global Responses

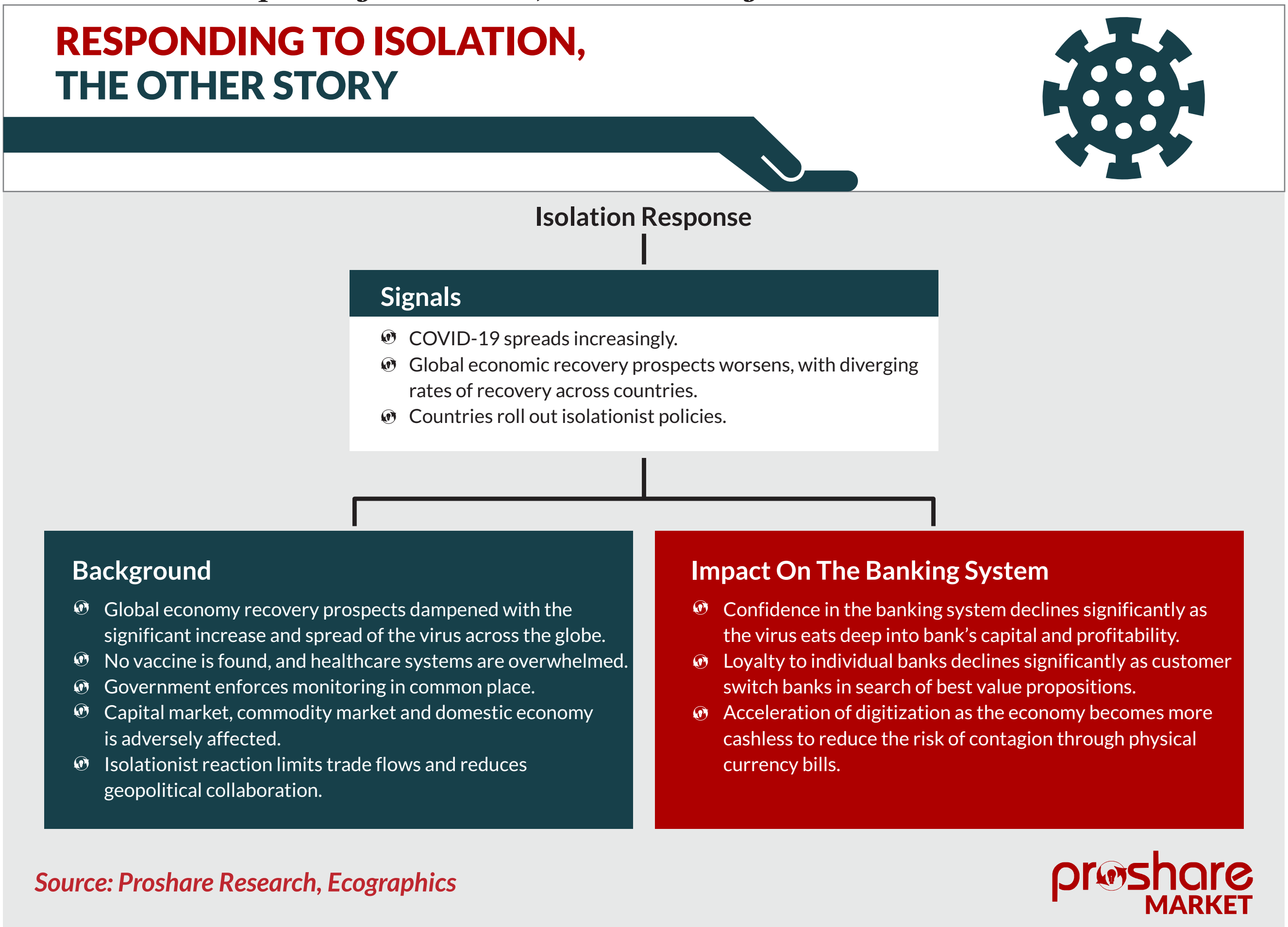
Illustration 15: ***Understanding Flashes, Signals, and Responses; An Effective Global Responses***



Responding to Isolation, the Other Story

Another strategy that could kick in between the rest of 2020 and 2021 is the isolation response which local economic analysts have said would be the least desirable response strategy. This response would most likely have a direct consequence on the banking industry. An isolation policy might be adopted when countries sense ineffectiveness in the global response to combating the virus. For example, the government might decide to restrict entry and movement into the country. Both global and domestic economic recovery prospects would most likely worsen as a result of the adoption of an isolation response. Due to the inability of a country to interact effectively with other economies, this might negatively affect the banking sector in Nigeria. There would likely be a decline in the confidence in the banking system as the virus might eat deep into the bank's capital and profitability. Furthermore, loyalty would change as customers would switch banks in search of the best value propositions (*see Illustration 16*).

Illustration 16: ***Responding to Isolation, the Other Story***



Due to the spread of the virus and its adverse effect on the banking industry, there would be a significant decline in the allegiance of customers to any bank as customers would be in search of stable banks with the best yield. Furthermore, there will be a decline in branch activity, and increased use of contact centers as social distancing becomes the new normal. New banks will struggle to survive as a prolonged crisis limits investment (*see Illustration 17*).

Illustration 15: Understanding Flashes, Signals, and Responses; An Effective Global Responses

Illustration 17: ***Understanding Flashes, Signals, and Responses; Isolation Responses***

UNDERSTANDING FLASHES, SIGNALS, AND RESPONSES; ISOLATION RESPONSES

Isolation Response

Competitive Implications

Customers

- Allegiance to individual banks declines as customers switch banks often in search of the best yield during continuous unemployment pressure.
- Sharp drop in cash payments, as individuals are afraid of getting infected thus accelerating the use of electronic payment methods as alternative.
- Heavy reliance on alternative payment methods.

Channels

- Decline in branch activity and increased use of contact centers as physical distancing becomes new
- Heavy reliance on digital channels by customers to meet their banking needs. The dynamics of channels (e.g., hyper-personalized, more human) becomes a significant differentiator.
- Strong desire for "no-touch and light-touch" hyper-personalized experiences drives adoption of all things contactless, including mobile payments, mobile authentication at ATMs, and voice assistants, which become meaningful differentiatiator.
- Rise in innovations to address customers' needs with minimal contact such as "drive-through channels" or "ATM on wheels".

Products

- Bare-bones digital direct deposits and savings accounts become widely popular due to lower acquisition costs, as customers are not willing to pay for complex customized products.
- Regular crises, a prolonged low-rate environment, and the proliferation of the sharing economy conditions customers to avoid purchasing big-ticket items and adopt a "pay-as-you-go" lifestyle focused on access and flexibility, leading to a need for new and entirely fee-based business models.
- Mergers and acquisitions results in less competition.
- Continued economic pressure and unemployment causes a reduction in auto-loan volumes.

Ecosystem Participant Implications

Incumbents

- Supportive regulation, consumer banks heavily invest in contactless payments as brick-and-mortar merchants seek to adopt facial recognition and geo sensors to pay for payments.
- Some banks may not be able to make the needed and required investments while encountering large losses. Regulators step in to support or take over struggling big banks.
- Low tier banks struggle to invest in the tech capabilities that customers are looking for, resulting in market consolidation and downstream impacts to suppliers like core banking outsourcers. Banks who can invest in tech updates have a better standing .
- International banks take a big hit as compliance costs associated with operating across different countries rise.
- Consumer banks implement remote work models and consolidate branches.

New Entrants

- New banks struggle to survive as a prolonged crisis limits investment capital and minimizes economics; the remaining challenger banks will cut prices to gain deposits and set lower or no fees-based products.
- Direct banks with no physical presence arise, decimating the branch-based models.
- Some digital challengers fail given a lack of profitability and investment funding drying up, causing many challengers to exit the market. Customer books and digital assets will be sold off to incumbents.

Source: Proshare Research, Ecographics

Economy Vs A Virus; Banking in Transition

Harried by the pains of shrinking economies and pressured healthcare facilities banking experts to believe it is crucial to create scenarios that help stakeholders in the banking industry make a better-informed decision. Illustration 17 below presents a scenario of the various expected growth rates of the economy combined with scenarios of the effectiveness in combating the spread of the virus. The best possible outcome for the Nigerian banking sector is for a quick recovery in the domestic economy combined with the discovery of a vaccine for the virus. If this occurs more banks are likely to spring forth, the profit and capital base of banks will be strengthened, loans will rise and NPL will decline while investment flows to the banking sector will rise significantly.

On the other hand, the worst-case scenario for the banking sector is a scenario where the rapid spread of the virus persists and the Nigerian economy experiences a recession. If this occurs, the banking sector would be negatively affected as most banks would cut cost, there would be a rise in the NPL in the banking sector, 2nd tier banks would grapple for customer's loyalty, there would be a decline in profit and earnings and the banks would tilt significantly towards digital banking and artificial intelligence becomes the new normal (*see Illustration 18*).

***Illustration 18:* Economy Vs Virus; Banking in Transition**

ECONOMY VS VIRUS; BANKING IN TRANSITION

	Recession	Mild Growth	Quick Recovery
Virus Persist	Banks cut cost (sack staffs). Increase in the banking's sector NPL. 2nd tier banks grapple for customer's loyalty. Decline in profit and earnings. Digital banking and artificial intelligence becomes the new normal.	Tier 1 banks have a faster rebound in profit. Shift towards digital banking and artificial intelligence. Banks grapple for the most profitable sectors as niche.	Banking sector recovers. Confidence in the banking sector rises. NPLs decline significantly. Artificial intelligence and digital banking become the new normal.
Virus Spread Declines	Mild increase in NPL. Decline in profit. Decline in loan assets. Decline in volume of transactions. No customer loyalty.	Restoration of confidence in the banking sector. Customers loyalty strengthened. Structured loan assets. Mild growth in transaction volume.	Volume of transaction rises. Banks come up with new products to capture the growing market size. PAT rises significantly.
Vaccine Found	Customers have a positive outlook to business and banking. Tier 1 banks gather momentum. Mergers and acquisitions in the banking sector. Volume of transactions low; but expected to rise.	New products by banks are developed (customer base changes). The capital base of banks rises. NPLs decline. Rise in interest and non-interest income.	More banks spring forth. Profit and capital base of banks are strengthened. Loan credit rises while NPL declines. Investment flows into the banking industry.

Source: Proshare Research, Ecographics

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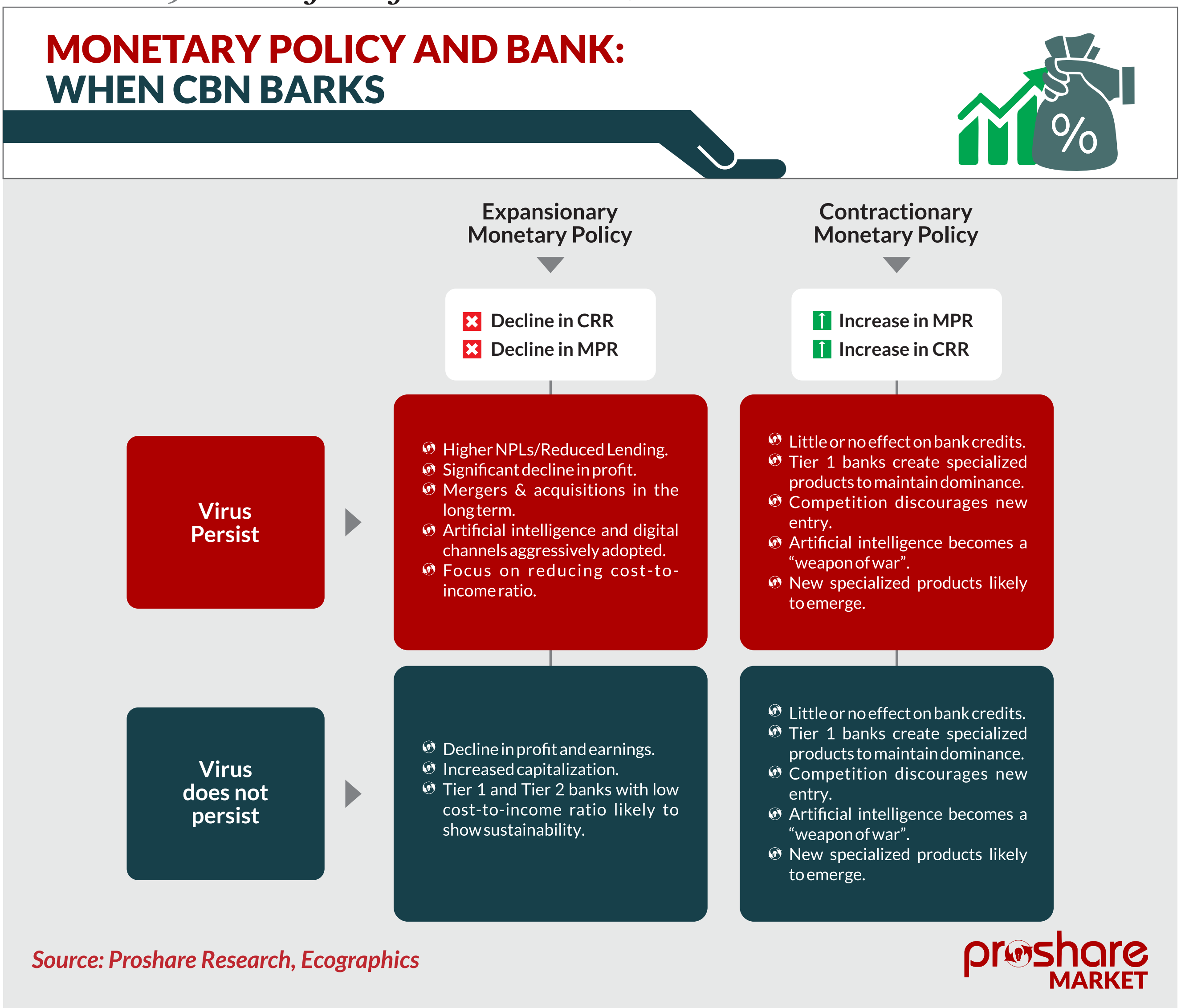
Monetary Policy and the Banks: When the CBN Barks

Nigerian banks would be affected by the CBN regulations and monetary policy scheme. It is therefore important for relevant stakeholders in the banking sector to understand how CBN's monetary policy either expansionary or contractionary monetary policy given the spread of the virus will affect the banking sector. The worst-scenario outcome for the banking industry would be CBN embarking on a contractionary monetary policy and the persistent spread of the virus in the country. If this occurs, there would be a rise in the NPL and reduced lending, a significant decline in profit, mergers & acquisitions in the long term, artificial intelligence, and digital channels aggressively adopted and focus on reducing the cost-to-income ratio.

On the other hand, the best possible outcome for the banking industry would be a scenario in which the CBN embarks on expansionary monetary policy and there is a, halt in the persistent spread of the virus. When this occurs, there would be a restoration of confidence in the banking sector, profits for both tier 1 &2 banks rise significantly, credit rises modestly and digital platforms become arsenals of competitive warfare (*see Illustration 19*).

Illustration 19: ***Monetary Policy and Bank: When CBN Barks and Bites***



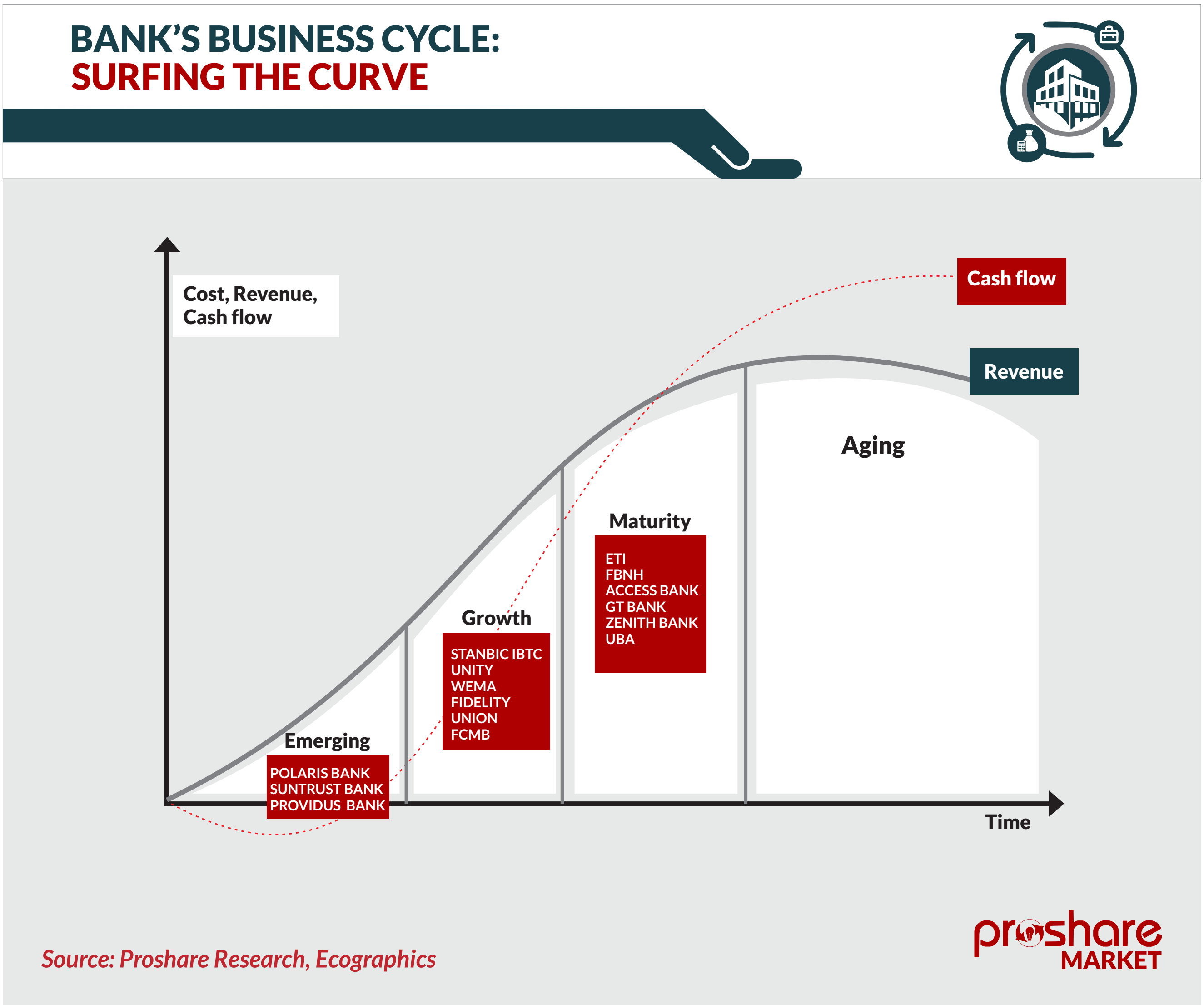
Breaking into Industry Numbers

"Banking has to work when and where you need it. The best advice and the best service in financial services happens in real-time and is based on customer behaviour, using principles of big data, mobility, and gamification" **- Brett King**

Nigeria has a peculiar and distinct domestic economy. Unlike other economies were banks recorded a significant decline in profit in H1 2020, a sum of the profits of thirteen banks listed on the Nigerian Stock Exchange revealed that there was an increase in gross earnings by +5.18% and a mild decline in profit before tax by -1.47%.

Despite the lockdown and the adverse effect of the coronavirus on the economy, the banks in Nigeria recorded an increase in loans and advances by +18.94% and customers deposits by +18.84%. This indicates that despite the lockdown and its negative impact there was an increase in banking activities as loans and advances and customer deposits rose.

Illustration 20: ***Bank's Business Cycle; Surfing the Curve***



Profit

Nigerian banks recorded mixed results in profit before tax in H1 2020. Eight (8) Nigerian banks among the thirteen (13) banks listed on the Nigeria Stock Exchange recorded an increase in profit before tax while five banks (5) banks recorded a decline in profit before tax. The top five banks with the highest profit before tax were Zenith Bank N114.12bn, GT Bank N109.71, Access Bank N74.31bn, ETI N64.13bn, and UBA N57.13bn while the three banks with the least profit before tax were Unity Bank N1.12bn, Wema Bank N1.73bn, and Sterling Bank N5.68bn (*see Table 1*).

Table 1: ***Top Five Profitable Banks in H1 2020***

TOP FIVE PROFITABLE BANKS IN H1 2020

	Banks	(N'bn)
1	Zenith Bank	114.12
2	GT Bank	109.71
3	Access Bank	74.13
4	ETI	64.13
5	UBA	57.13

Source: Proshare Research, Ecographics

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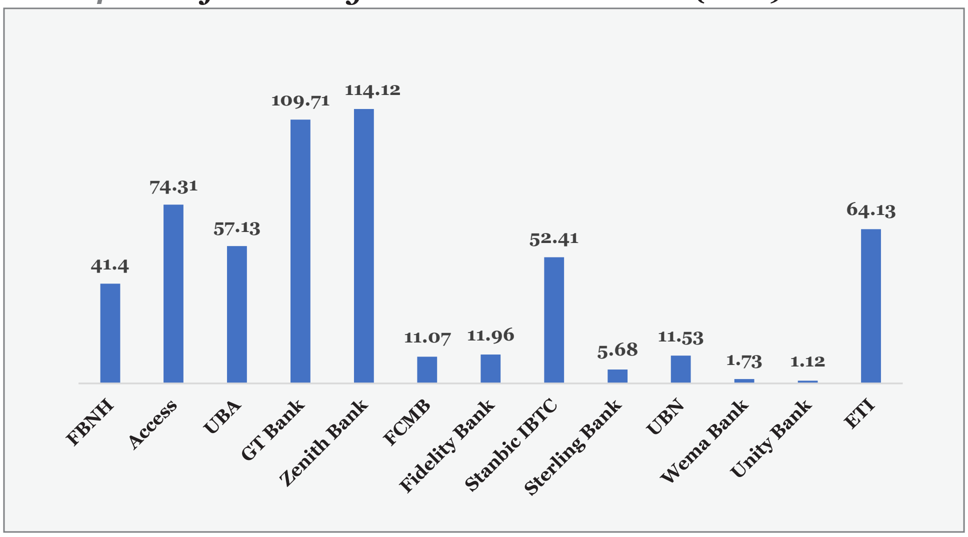
Wema Bank recorded the most significant year-on-year (Y-o-Y) decline of -33.72% in profit before tax (PBT) while FCMB recorded the most significant growth of PBT at +25.51% (*see Chart 4*).

Chart 4: ***PBT of Listed Nigerian Banks in H1 2020 (N'bn)***



Source: Proshare Research, NSE

Gross Earnings

The majority of the banks listed on the Nigeria Stock Exchange (NSE) recorded an increase in their gross earnings in H1 2020. Ten (10) banks among the listed banks on the NSE recorded an increase in their gross earnings while three (3) banks recorded a decline in gross earnings. The top five banks with the highest gross earnings in H1 2020 were Access Bank N396.76bn, ETI N392bn, Zenith Bank N346.09bn, UBA N300.6bn, and FBNH N296.4bn while three banks with the lowest gross earnings were Unity Bank N22.87bn, Wema Bank N38.15bn, and Sterling bank N70.23bn (*see Table 2*).

Table 2: ***Top Five Banks with the Highest Gross Earnings in H1 2020***

TOP FIVE BANKS WITH THE HIGHEST GROSS EARNINGS IN H1 2020

	Banks	(N'bn)
1	Access Bank	396.76
2	ETI	392
3	Zenith Bank	346.09
4	UBA	300.6
5	FBNH	296.4

Source: Proshare Research, Ecographics

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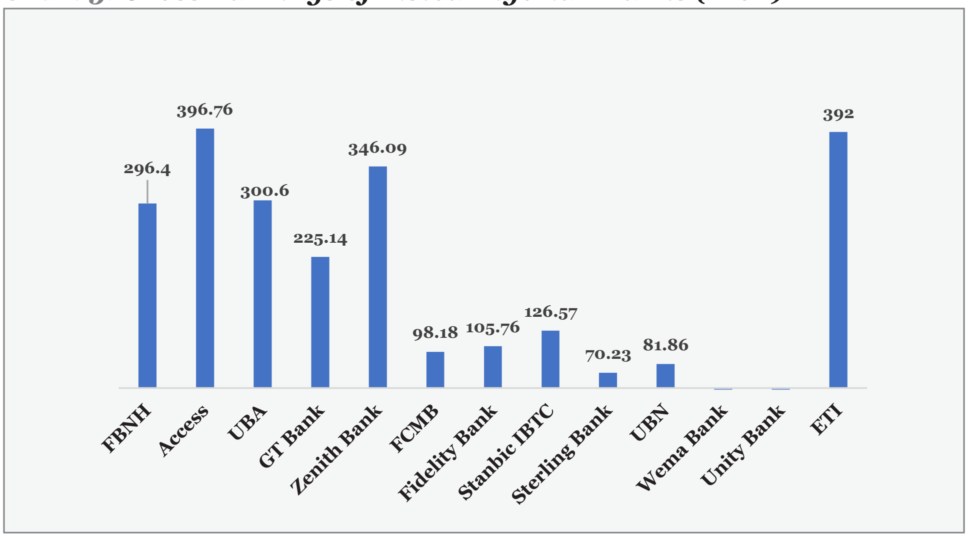
Access Bank recorded the highest significant increase Y-o-Y of +22.31% in gross earnings while Wema bank recorded the highest decline Y-o-Y of -6.59% in its gross earnings (*see Chart 5*).

Chart 5: ***Gross Earnings of Listed Nigerian Banks (N'bn)***



Source: Proshare Research, NSE

Shareholders Funds

All banks listed on the NSE recorded improvements in their shareholder's funds except for Unity Bank. The top five banks with the highest shareholders funds were Zenith Bank N988.98bn, ETI N742.74bn, GT Bank N720.93bn, FBNH N704.1bn, and Access Bank N670.36bn. While the three banks with the least shareholders fund were Unity Bank with negative shareholders funds of N-278.64bn, Wema Bank N55.11bn, and Sterling Bank N128.7bn (*see Table 3*).

Table 3: ***Top Five Banks with Highest Shareholders Funds in H1 2020***

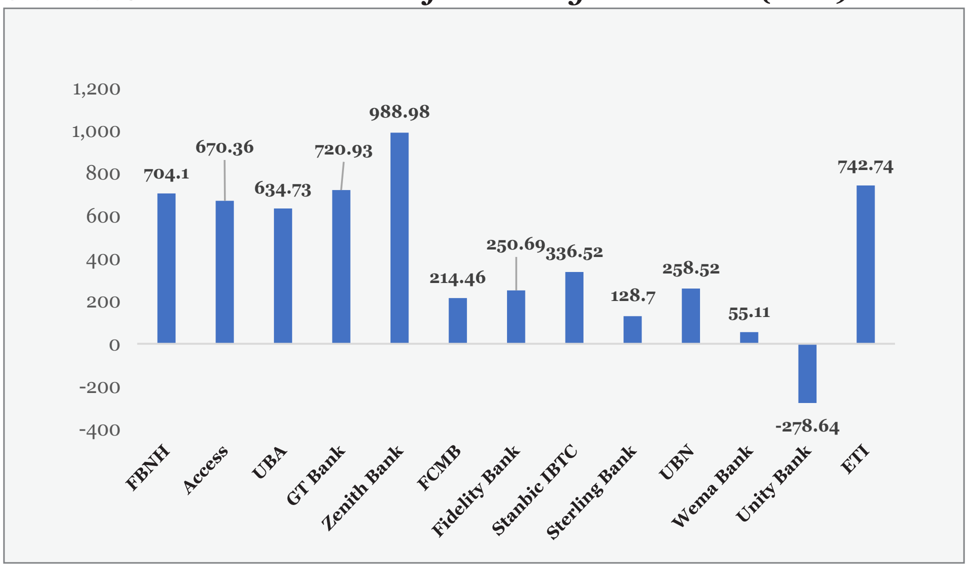
TOP FIVE BANKS WITH HIGHEST SHAREHOLDERS FUNDS IN H1 2020

	Banks	(N'bn)
1	Zenith Bank	988.98
2	ETI	742.74
3	GT Bank	720.93
4	FBNH	704.1
5	Access Bank	670.36

Source: Proshare Research, Ecographics

Stanbic IBTC Bank recorded the most significant (Y-o-Y) growth of +27.28% in shareholders funds while Unity Bank's shareholder's funds further worsened in H1 2020 (*see Chart 6*).

Chart 6: ***Shareholders Funds of Listed Nigerian Banks (N'bn)***



Source: Proshare Research, NSE

NPL Ratio

Despite the adverse effect of the COVID-19 pandemic, all the Tier 1 banks recorded a decline in their NPL except GT Bank whose NPL remained unchanged. FBNH recorded a significant decline in its NPL from 14.5% in H1 2019 to 8.8% in H1 2020, Access Bank recorded decline in NPL ratio from 6.4% in H1 2019 to 4.4% in H1 2020, UBA from 5.62% in H1 2019 to 4.1% in H1 2020, and Zenith Bank from 5.3% in H1 2019 to 4.7% in H1 2020. The top three banks with the highest NPL ratio were ETI 9.8%, FBNH 8.8%, and GT Bank 6.8% (*see Table 4*).

Table 4: ***Top Five Banks with Lowest NPL Ratio in H1 2020***

TOP FIVE BANKS WITH LOWEST NPL RATIO IN H1 2020

	Banks	(%)
1	Sterling Bank	2.1
2	FCMB	3.5
3	UBA	4.1
4	Access Bank	4.4
5	Zenith Bank	4.7

Source: Proshare Research, Ecographics

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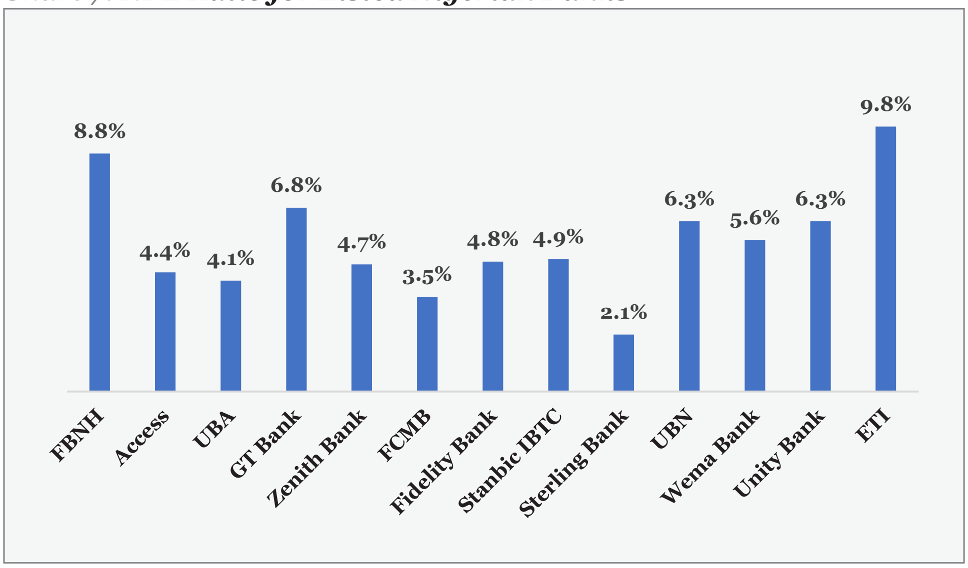
While three banks with the least NPL ratio were Sterling Bank 2.1%, FCMB 3.5%, and UBA 4.1% (*see Chart 7*).

Chart 7: ***NPL Ratio for Listed Nigerian Banks***



Source: Proshare Research, NSE

Impairment Charges

Due to the uncertainty posed by the coronavirus, there was an increase in the provisions for bad loans by all banks. The top five banks with the highest impairment charge for H1 2020 were ETI N36.48bn, FBNH N30.7bn, and Zenith Bank N23.92bn, Access Bank N16.47bn, Fidelity Bank N7.84bn. (*see Table 5*).

Table 5: ***Top Five Banks with the Highest Impairment Charges in H1 2020***

TOP FIVE BANKS WITH HIGHEST IMPAIRMENT CHARGES IN H1 2020

	Banks	(N'bn)
1	ETI	36.48
2	FBNH	30.7
3	Zenith Bank	23.92
4	Access Bank	16.47
5	Fidelity Bank	7.84

Source: Proshare Research, Ecographics

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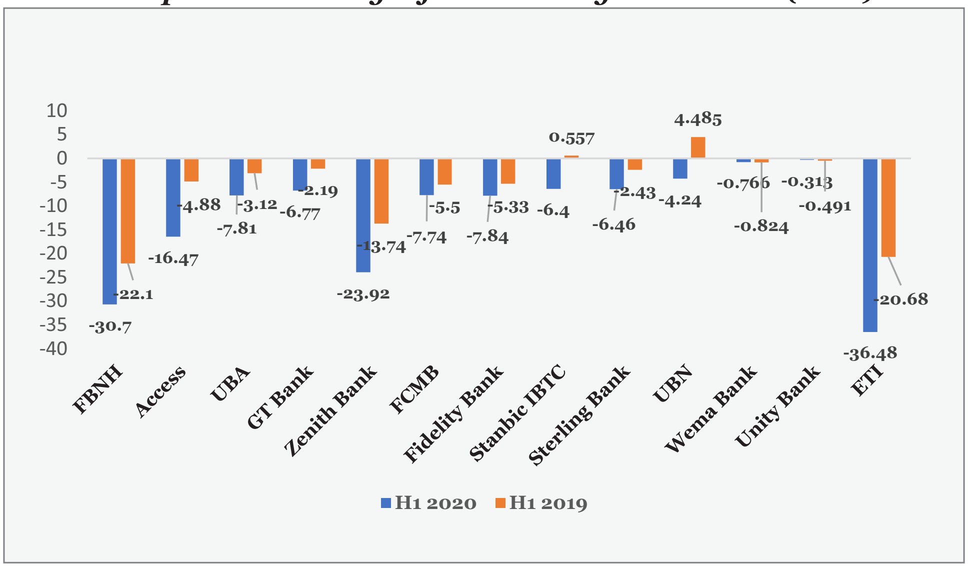
Despite, its large impairments provisions FBNH and Zenith Bank recorded a rise in profits of +14.21% and +2.18% respectively while ETI recorded a decline in its PBT by -12.67%. The banks with the least impairment charge for H1 2020 were Unity Bank N313m, Wema Bank N766m, and UBN N4.24bn in H1 2020 (*see Chart 8*).

Chart 8: ***Impairment Charges for Listed Nigerian Banks (N'bn)***



Source: Proshare Research, NSE

Customers Deposits

All listed banks on the Nigerian stock exchange recorded an increase in deposits from customers in H1 2020 from H1 2019. The top five banks with the highest deposits from customers in H1 2020 were ETI N6,461.50bn, Zenith Bank N4,905bn, UBA N4,800.31bn, Access Bank N4,667.66bn, and FBNH N4,373.22bn. While the three banks with the least customer deposits were Unity Bank N306.47bn, Wema Bank N680.32bn, and Stanbic IBTC Bank N769.28 (*see Table 6*).

Table 6: ***Top Five Banks with the Highest Customers Deposits***

TOP FIVE BANKS WITH HIGHEST CUSTOMERS DEPOSITS

	Banks	(N'bn)
1	ETI	6,461.50
2	Zenith Bank	4,905
3	UBA	4,800.31
4	Access Bank	4,667.66
5	FBNH	4,373.22

Source: Proshare Research, Ecographics

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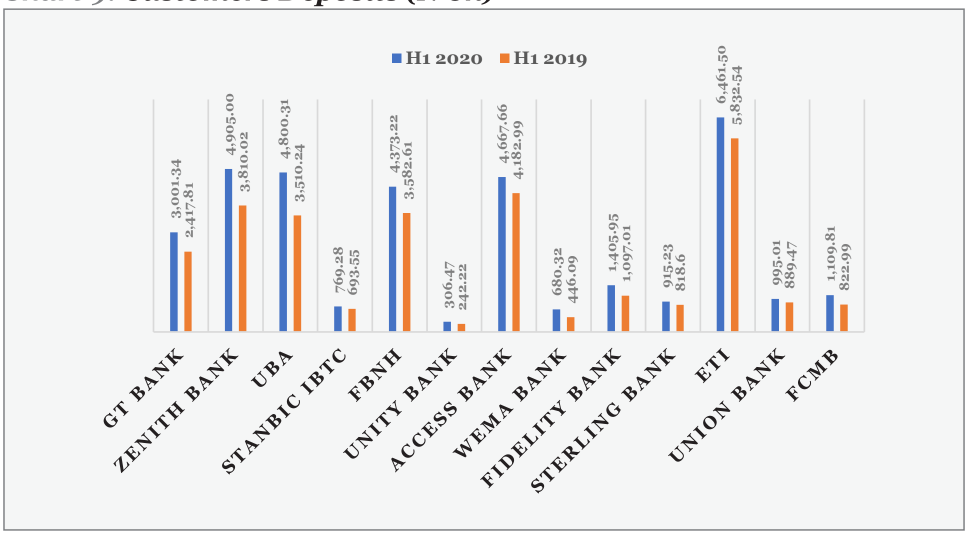
Wema Bank recorded the highest growth in deposits from customers which grew by +52.51%. Its deposits from customers increased from N446.09bn in H1 2019 to N680.32bn in H1 2020. On the other hand, ETI recorded the least percentage growth in deposits from customers. Its deposits from customer grew by +10.78% to N6,461.50bn in H1 2020 from N5,832.54bn in H1 2019 (*see Chart 9*).

Chart 9: ***Customers Deposits (N'bn)***



Source: Proshare Research, NSE

Loans and Advances to Customers

All banks except Sterling Bank recorded an increase in loans and advances to customers. The top three banks with the highest loans to customers in H1 2020 were ETI N3.33trn, Access Bank N3trn, and Zenith Bank N2.62trn. While three banks with the least loans to customers were Unity Bank N131bn, Wema Bank N337bn, and Union Bank N582bn (*see Table 7*).

Table 7: ***Top Five Banks with the Highest Loans and Advances in H1 2020***

TOP FIVE BANKS WITH HIGHEST LOANS AND ADVANCES IN H1 2020

	Banks	(N'bn)
1	ETI	3.33
2	Access Bank	3
3	Zenith Bank	2.62
4	UBA	2.19
5	FBNH	1.99

Source: Proshare Research, Ecographics

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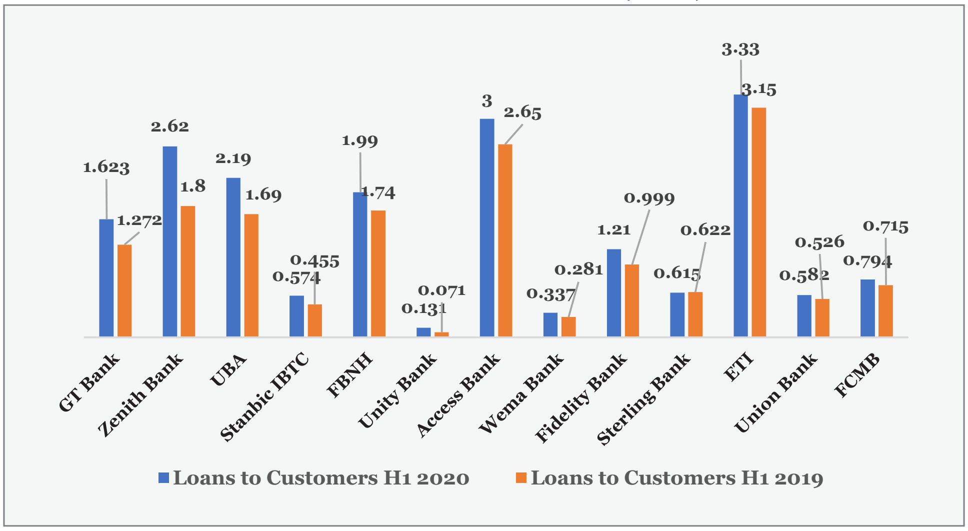
Unity Bank recorded the highest percentage increase in loans to customers of +84.51%, as its loans to customers rose from N71bn in H1 2019 to N131bn in H1 2020. While Sterling Bank recorded a decline in loans and advances to customers by -1.13%. Its loans and advances declined from N622bn in H1 2019 to N615bn in H1 2020 (*see Chart 10*).

Chart 10: ***Loans and Advances to Customers (N'bn)***



Source: Proshare Research, NSE

Cost-to-income Ratio

Six among the listed Nigerian banks on the Nigerian stock exchange recorded an increase in the cost-to-income ratio which were UBA, Access Bank, GT Bank, Zenith Bank, Wema Bank, and Unity Bank. On the other hand, seven (7) banks recorded a decline in cost-to-income ratio and they were FBNH, FCMB, Fidelity Bank, Stanbic IBTC Bank, Sterling Bank, UBN, and ETI.

The banks with the least cost-to-income ratio were GT Bank 43.16%, Stanbic IBTC Bank 45.12%, Zenith Bank 54.3%, Access Bank 65.75%, and FBNH 65.8% (*see Table 8*).

***Table 8:* Top Five Banks with Lowest Cost-to-income Ratio in H1 2020**

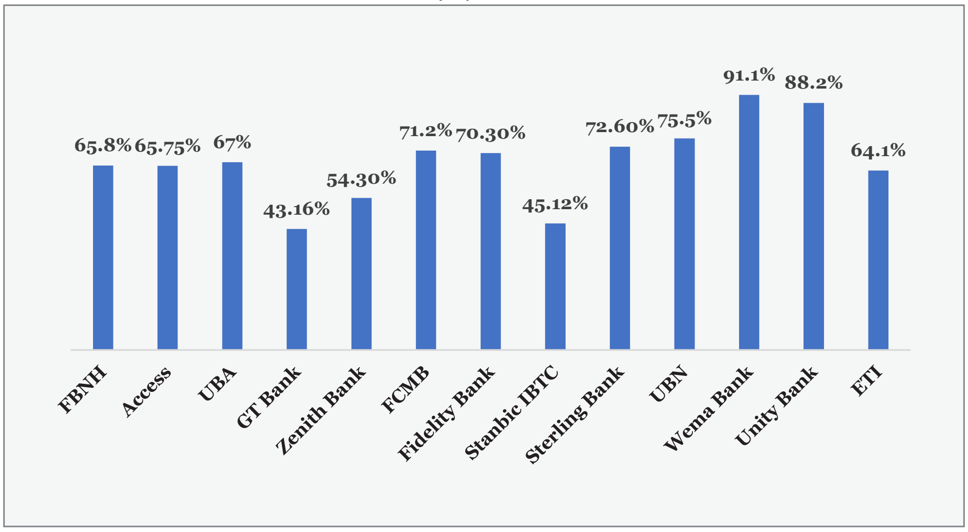
TOP FIVE BANKS WITH LOWEST
COST-TO-INCOME RATIO IN H1 2020

	Banks	(%)
1	GT Bank	43.16
2	Stanbic IBTC Bank	45.12
3	Zenith Bank	54.3%
4	Access Bank	65.75
5	FBNH	65.8

Source: Proshare Research, Ecographics

In H1 2020, Wema Bank recorded the highest cost-to-income ratio of 91.1% while GT Bank recorded the lowest cost-to-income ratio of 43.16% (*see Chart 11*).

***Chart 11:* Cost-to-income Ratio (%)**



Source: Proshare Research, NSE

Total Assets

All banks listed on the Nigeria Stock Exchange (NSE) recorded an increase in their total assets in H1 2020. The top three banks with the highest total assets as of H1 2020 were ETI N9.39trn, Access Bank N7.77trn, Zenith Bank N7.58trn, FBNH N7.13trn, and UBA N6.8trn (*see Table 9*).

Table 9: ***Top Five Banks with the Highest Total Assets***

TOP FIVE BANKS WITH HIGHEST TOTAL ASSETS

	Banks	(N'trn)
1	ETI	9.39
2	Access Bank	7.77
3	Zenith Bank	7.58
4	FBNH	7.13
5	UBA	6.8

Source: Proshare Research, Ecographics

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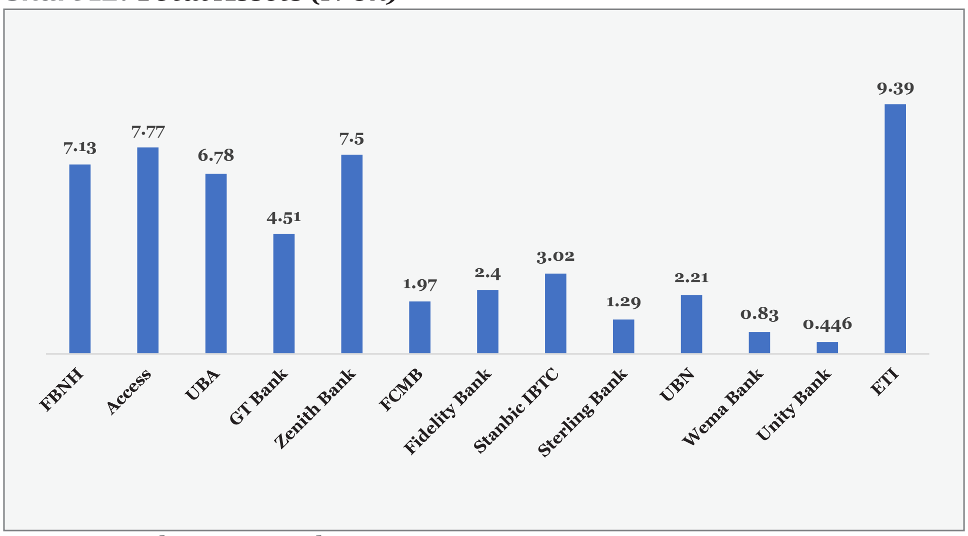
Unity Bank, Wema Bank, and Sterling Bank recorded the lowest total assets N445.95bn, N825.18bn, and N1.29trn (*see Chart 12*)

Chart 12: ***Total Assets (N'bn)***



Source: Proshare Research, NSE

Table 10: ***Summary of Financial Statements of Listed Banks on NSE***

SUMMARY OF FINANCIAL STATEMENTS OF LISTED BANKS ON NSE

	Banks	Profit (N'bn)	Gross Earnings (N'bn)	Shareholders Funds (N'bn)	Cost-to-income (%)	NPL Ratio (%)
1	FBNH	41.4	296.4	704.1	65.8	8.8
2	Access Bank	74.31	396.76	670.36	65.75	4.4
3	UBA	57.13	300.6	634.73	67	4.1
4	GT Bank	109.71	225.14	720.93	43.16	6.8
5	Zenith Bank	114.12	346.09	988.98	54.3	4.7
6	FCMB	11.07	98.18	214.46	71.2	3.5
7	Fidelity Bank	11.96	105.76	250.69	70.3	4.8
8	Stanbic IBTC Bank	52.41	126.57	336.52	45.12	4.9
9	Sterling Bank	5.68	70.23	128.7	72.6	2.1
10	UBN	11.53	81.86	258.52	75.5	6.3
11	Wema	1.73	38.15	55.11	91.1	5.6
12	Unity Bank	1.12	22.87	-278.64	88.2	6.3
13	ETI	64.13	392	742.74	64.1	9.8

Source: Proshare Research, Ecographics

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Deconstructing Banks' H1 2020 Individual Performances

Deconstructing Banks' H1 2020 Individual Performances

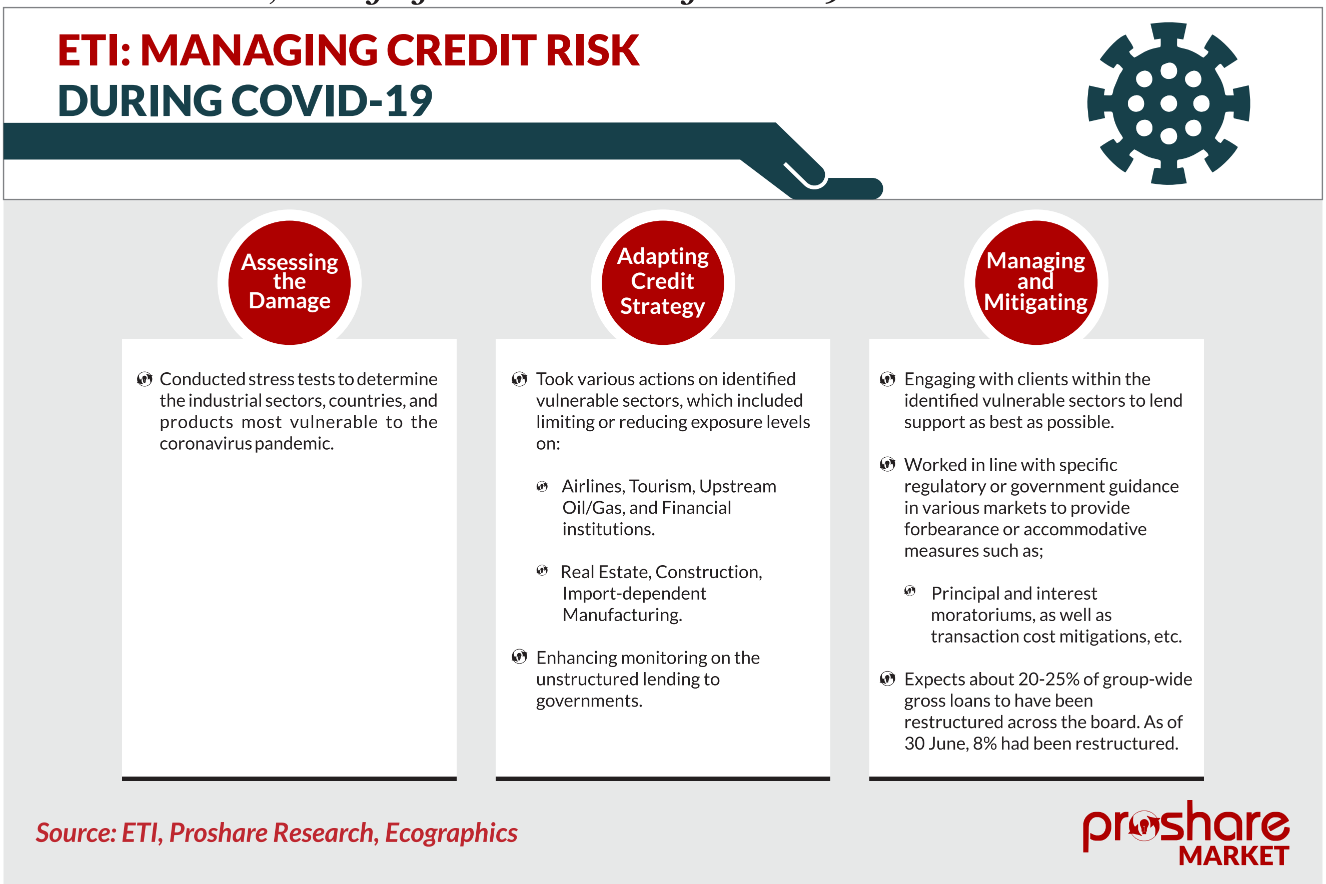
"The world needs banking but it does not need banks" – **Bill Gate**

This section analyses individual construct of banks listed on the NSE. It is important to understand how the COVID-19 pandemic affected the various banks, their strategies for coping with the "new normal" and the outlook for the banks going forward.

Ecobank Transnational Inc. (ETI)

ETI elbowed into 2020 with major expectations for lending and deposits. The Group beat analyst forecast of a slowing of loan asset growth and deposit liabilities, as the COVID-19 pandemic disrupted revenue streams and supply chain networks of the deposit money banking Group's (DMBG's) corporate customers in H1 2020. Nevertheless, the virus hurt the Group's profits, as it posted a fall in pre-tax earnings from N73.43bn in Q2 2019 to N64.13bn in Q2 2020.

Illustration 21: ETI, Managing Credit Risk During COVID-19



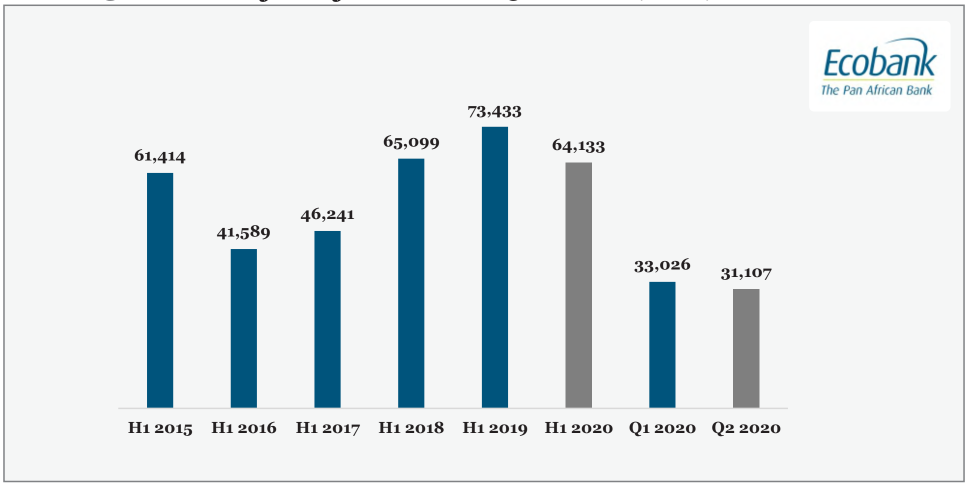
Profitability

The group recorded a decline of -12.67% year-on-year (Y-o-Y) in profit before tax from N73.43bn recorded in the corresponding period of the previous year to N64.13bn recorded in H1 2020. This was as a result of a Y-o-Y decline in recoveries and operating profit before tax of -50.66% and -7.72%

respectively (*see Chart 13*). H1 2019 total comprehensive income recorded a decline on a reported basis but recorded an increase when recorded in constant currency. The group also recorded an improvement in their foreign currency translation loss, from a loss of N76.57bn recorded in H1 2019 to a loss of N26.09bn recorded in H1 2020. The Group's cost of risk (CoR) rose from 0.9% in H1 2019 to 1.9% in H1 2020 suggesting increased corporate vulnerability to poor quality loans and advances.

ETI recorded a decline in Profit before tax on a quarter-on-quarter basis, PBT declined by -5.81%, this is attributable to the macroeconomic challenges caused by the COVID-19 pandemic (*see Chart 13*).
Recent results by ETI shows the Group's sustainable earnings growth is 13.9%, with recent return on equity (ROE) at 15.2% and dividend paid ratio at 0.085.

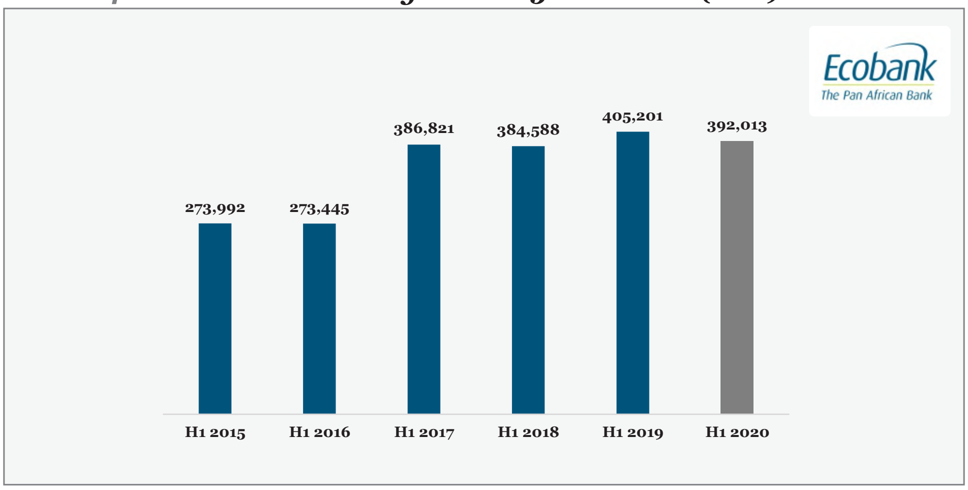
Chart 13: ETI's Profit Before Tax 2015 – 2020 (N' m)



Source: ETI Financial Statement, Proshare Research

Gross Earnings declined by -3.3% to N392bn from N405bn in the corresponding period of the previous year (*see Chart 14*). The fall in gross earnings was caused by a general slow-down in economic activities as full lockdowns in major commercial and industrial parts of the African sub-region from March 2020 caused a fall in the Group's revenues. Interest income and operating income increased by +4.55% and +3.64% respectively while non-interest income declined by -13.62% Y-o-Y.

Chart 14: ETI's Gross Earnings H1 2015 – H1 2020 (N'm)

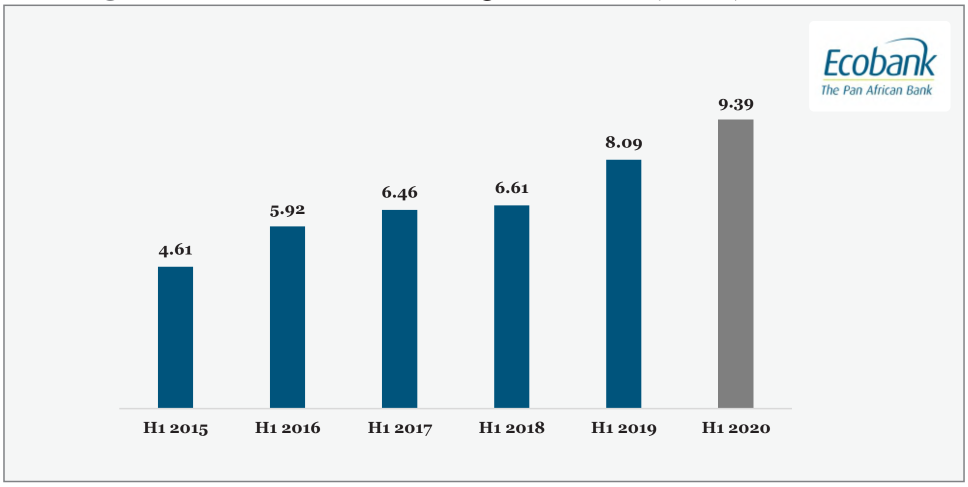


Source: ETI Financial Statement, Proshare Research

Asset Quality

ETI has an upward trend in the growth of the asset base of the group. ETI recorded a +16.15% increase in total assets for H1 2020 against N8.09trn recorded in H1 2019, this is despite the coronavirus pandemic that impacted the revenue lines of the group. The highest percentage increase of total assets between H1 2015 to H1 2020 was recorded in H1 2016 with a +28.37% percentage change, while the lowest percentage change was recorded in H1 2018 during the period (*see Chart 15*).

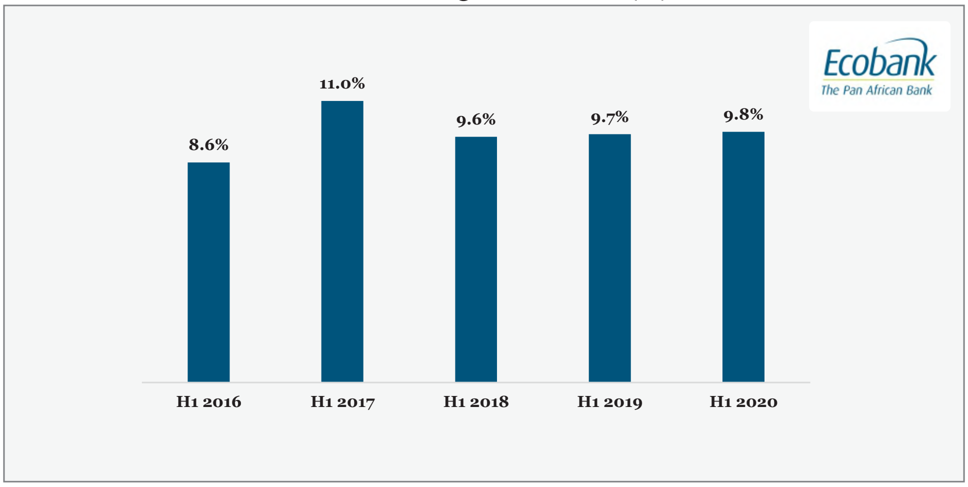
Chart 15: ***ETI's Total Assets H1 2015 – H1 2020 (N'trn)***



Source: ETI Financial Statement, Proshare Research

The non-performing loans ratio rose marginally to 9.8% in H1 2020 from 9.7% recorded in H1 2019. Between half-year 2016 and 2020, the highest NPL ratio was recorded in H1 2017 at 11% (see Chart 16). The higher the NPL growth, the lower the asset quality.

Chart 16: ***ETI's NPL Ratio H1 2015 – H1 2020 (%)***

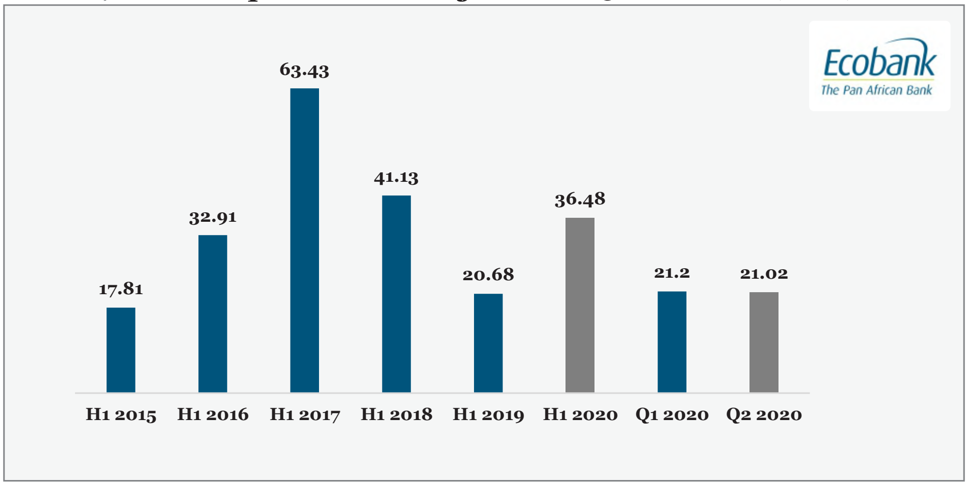


Source: ETI Financial Statement, Proshare Research

The group recorded a +76.42% Y-o-Y increase in impairment losses on financial assets as against N36.48bn recorded in the corresponding period of the previous year. The group recorded a decline of a -50.66% in loan recoveries and impairment charges on loans and advances increased marginally by +0.43%. However, impairment losses on financial assets declined by -0.85% quarter-on-quarter (Q-o-

Q) basis (*see Chart 17*). The highest impairment charge recorded by the Group during the period under review was recorded in H1 2017 with N63.43bn which also recorded the highest percentage change of +92.73% Y-o-Y.

Chart 17: ***ETI's Impairment Charges H1 2015 – H1 2020 (N'bn)***



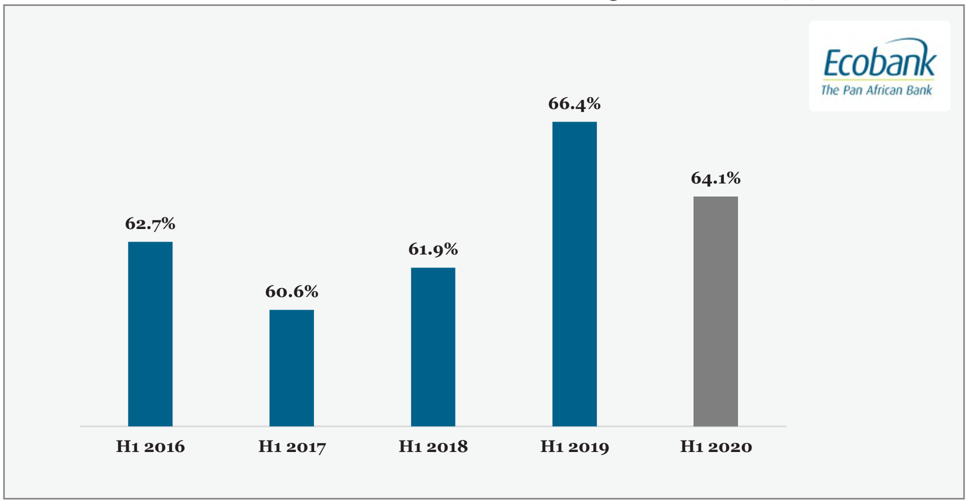
Source: ETI Financial Statement, Proshare Research

Cost

ETI's cost-to-income-ratio (CIR) declined slightly from 66.4% in H1 2019 to 64.4% in H1 2020. Although operating expenses increased by +11% this was higher than the +4% increase in operating income recorded by the Group. The rise in operating income could be attributed to the growth in the Group's net interest income by +23% (*see Chart 18*).

On a quarter-on-quarter (Q-o-Q) performance, operating expenses declined by -2% while operating income increased by +5% for the Group.

Chart 18: ***ETI's Cost-to-income Ratio H1 2015 – H1 2020 (%)***

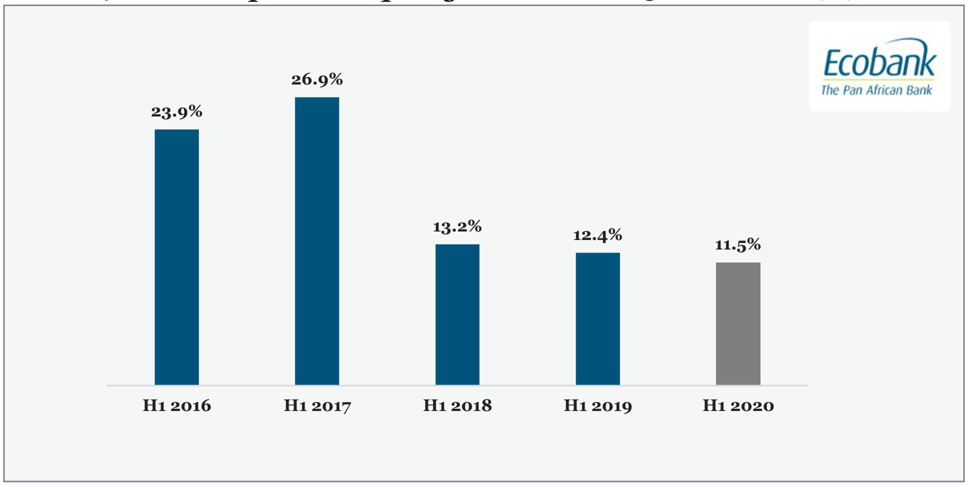


Source: ETI Financial Statement, Proshare Research

Capital and Liquidity

Capital adequacy ratio (CAR) declined to 11.5% in H1 2020 from 12.4% recorded in H1 2019, the reduction in CAR reflects macroeconomic challenges impacting the profit of the Group as well as currency translation cost (*see Chart 19*).

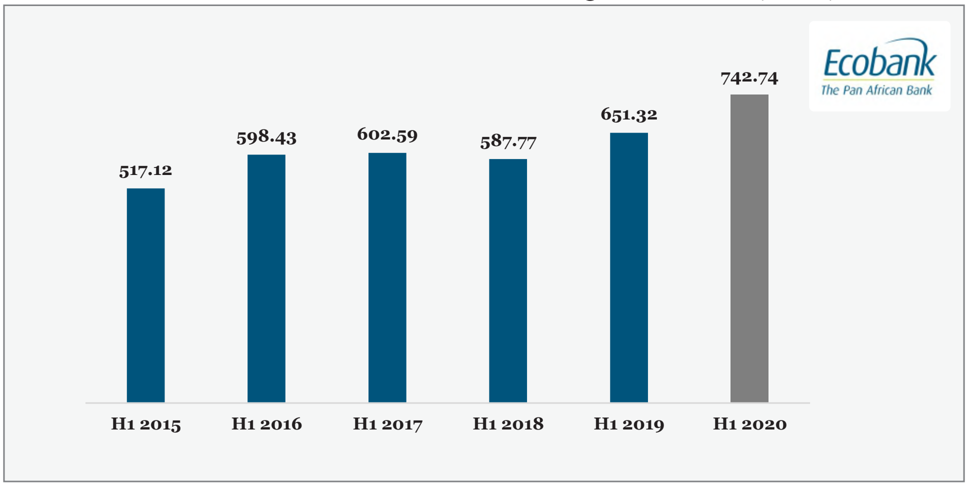
***Chart 19:* ETI's Capital Adequacy Ratio H1 2015 – H1 2020 (%)**



Source: ETI Financial Statement, Proshare Research

The group's equity had an upward trend, recording the highest percentage change of +15.73% in H1 2016 during the period under review. Shareholder's fund recorded a Y-o-Y increase of +14.04% as against N651.32bn recorded in H1 2019 while total liabilities also increased by +16.33% Y-o-Y (*see Chart 20*).

***Chart 20:* ETI's Shareholders Fund H1 2015 – H1 2020 (N'bn)**

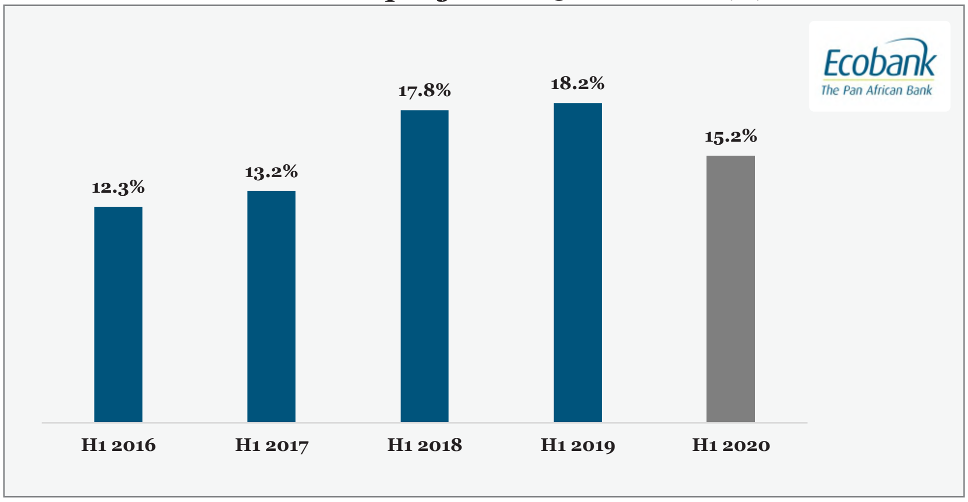


Source: ETI Financial Statement, Proshare Research

Investor Ratios

Return on equity (ROE) declined to 15.2% in H1 2020 from 18.2% recorded in the corresponding period of the previous year an outcome an investor may look at with a cautious side glance as they review the Group's ROE (*see Chart 21*). The majority of the geographical regions where the Group operates recorded higher ROE, that is, UEMOA, AWA and CESA recorded 19.7%, 27.1%, and 20.7% in ROE respectively while the Nigerian operations recorded 4.2% in ROE for H1 2020.

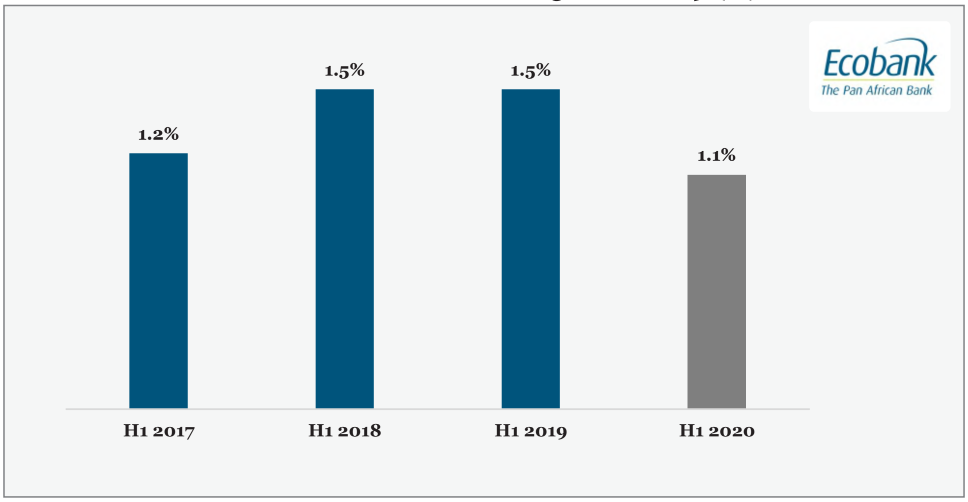
Chart 21: ***ETI's Return on Equity H1 2015 – H1 2020 (%)***



Source: ETI Financial Statement, Proshare Research

Return on assets (ROA) declined to 1.1% in H1 2020 from 1.5% recorded in H1 2019. AWA recorded the highest return on assets in the Group with a 3.3% return while the Nigerian operations recorded the lowest return on assets with 1.0% for H1 2020 (*see Chart 22*).

Chart 22: ***ETI's Return on Assets H1 2015 – H1 2019 (%)***

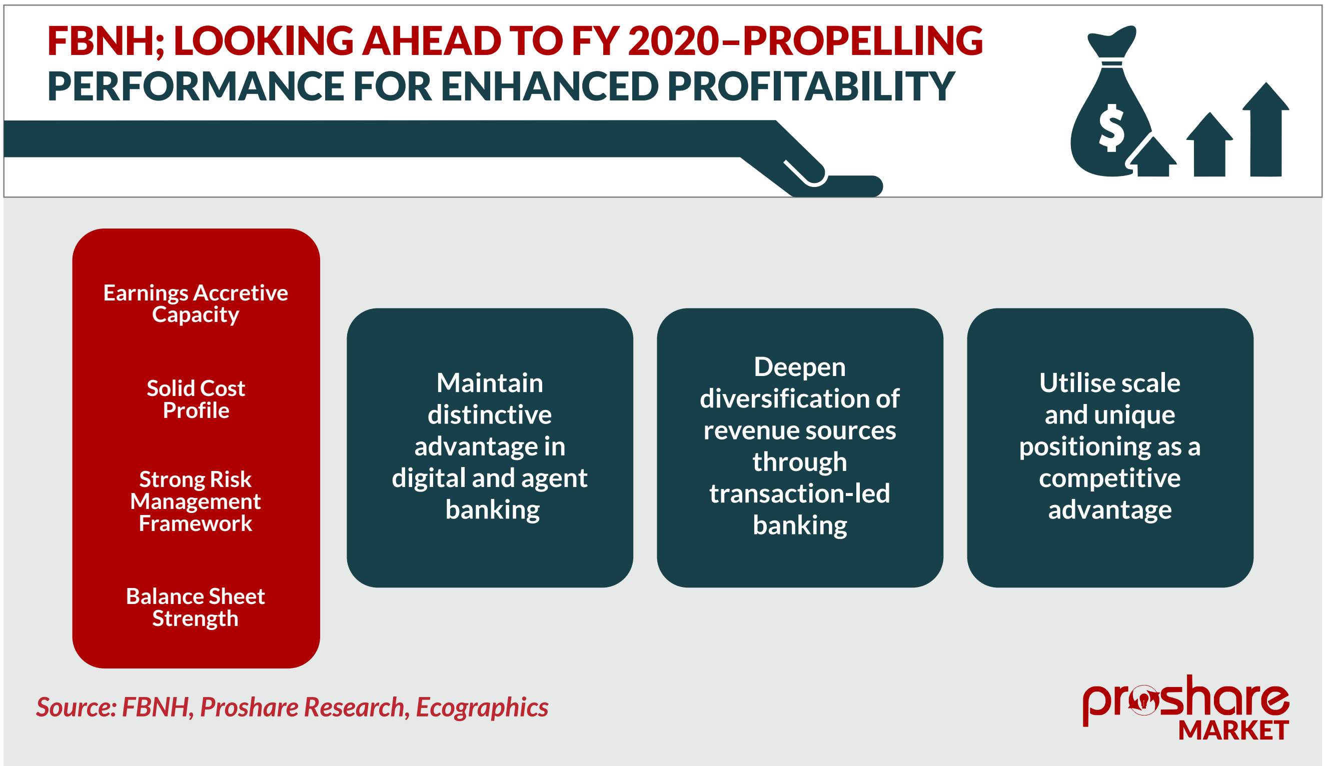


Source: ETI Financial Statement, Proshare Research

FBN Holdings (FBNH)

FBNH caught the eye of Nigeria's local media for a splendid H1 2020 result as gross earnings rose year-on-year (Y-o-Y) by +5.6%, from N280.3bn in June 2019 to N296.4bn in June 2020. Profit before tax (PBT) climbed by +14.3%, from N36.3bn in June 2019 to N41.4bn in June 2019. FBNH's management has represented that the Group was determined to restore its leadership position in the banking sector, but beyond the optics of tough talk, this might be a slight stretch.

Illustration 22: ***Looking Ahead to FY 2020 – Propelling Performance for Enhanced Profitability***



Profitability

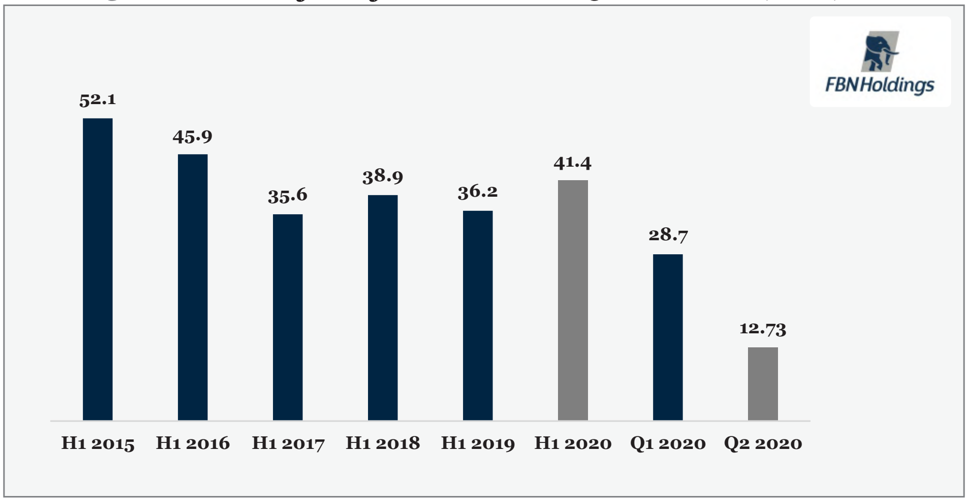
Profit before tax (PBT) increased by +14.36% for H1 2020 as against N36.2bn recorded in the corresponding period of the previous year. The increase in PBT was driven by a +14.70% Y-o-Y increase in operating profit and profit after tax (PAT) increased by +56.3% Y-o-Y. The Group also recorded a significant increase in agent banking from 27,476 agents in H1 2019 to 59,024 agents in H1 2020 and processed value recorded over 200% Y-o-Y increase in H1 2020.

The highest percentage change in PBT of the Group was recorded in H1 2020, while the lowest percentage change in PBT was recorded in H1 2017. Cost of Risk (COR) for the Group increased from 2.2% in H1 2019 to 3.1% in H2 2020. The Group recorded a -55.64% Q-o-Q decline in PBT, from N28.7bn recorded in Q1 2020 to N12.73bn recorded for Q2 2020 results. The decline in PBT on a Q-o-Q basis was driven by a -55.12% Q-o-Q decline in operating profit (*see Chart 23*).

Recent results by FBN Holdings shows the Group's sustainable earnings growth is 10.5%, with recent return on equity (ROE) at 14.5% and dividend paid ratio at 0.276.

Chart 23: FBNH's Profit Before Tax H1 2015 – H1 2020 (N'bn)

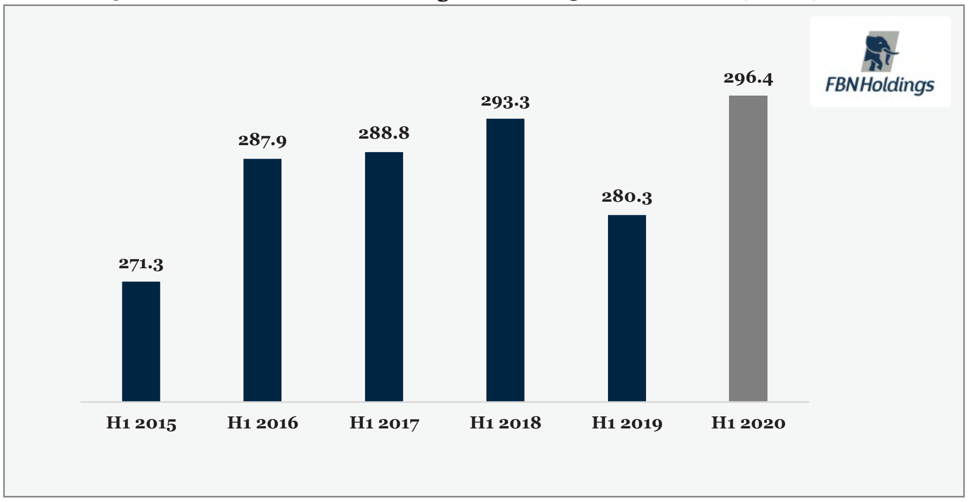
Chart 23: ***FBNH's Profit Before Tax H1 2015 – H1 2020 (N'bn)***



Source: FBNH's Financial Statement, Proshare Research

Gross earnings increased by +5.74% Y-o-Y from N280.3bn recorded in H1 2019 to N296.4bn recorded in H1 2020. The increase in gross earnings was majorly driven by non-interest income while interest income declined by -4.17%, interest income was impacted by the low yield environment. The increase in non-interest income was driven by growth in fee and commission by +12.24% and gains on investment securities recorded a significant increase from N3.7bn recorded in H1 2019 to N26.3bn recorded in H1 2020 (*see Chart 24*).

Chart 24: ***FBNH's Gross Earnings H1 2015 – H1 2020 (N'bn)***



Source: FBNH's Financial Statement, Proshare Research

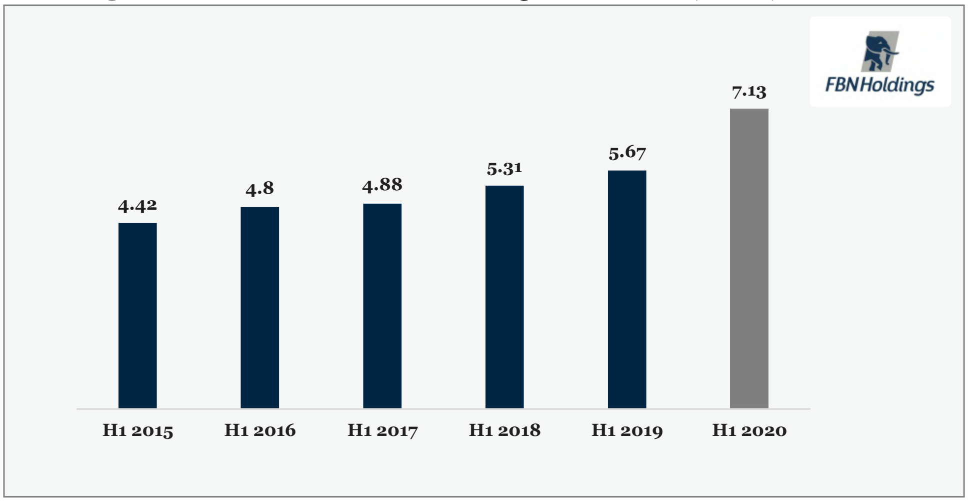
Asset Quality

FBNH recorded a significant rise in the total asset by +25.75%, from N5.67trn recorded in H1 2019 to N7.13trn recorded in H1 2020 (*see Chart 25*).

Cash and balances with central banks recorded a significant increase from N740.36bn recorded in H1 2019 to N1,806trn recorded in H1 2020, this could be as a result of deductions made by the central banks when the bank doesn't meet its loan-to-deposit ratio (LDR) obligations. In the domestic economy, the Groups LDR for H1 2019 was 63.04% below 65% mandated by the CBN, H1 2020 recorded 49.53% in

LDR which is also below the regulatory requirement, therefore the Group is also expected to record a rise in cash and balances in H1 2021 results which will also reflect in the total asset base of the Group.

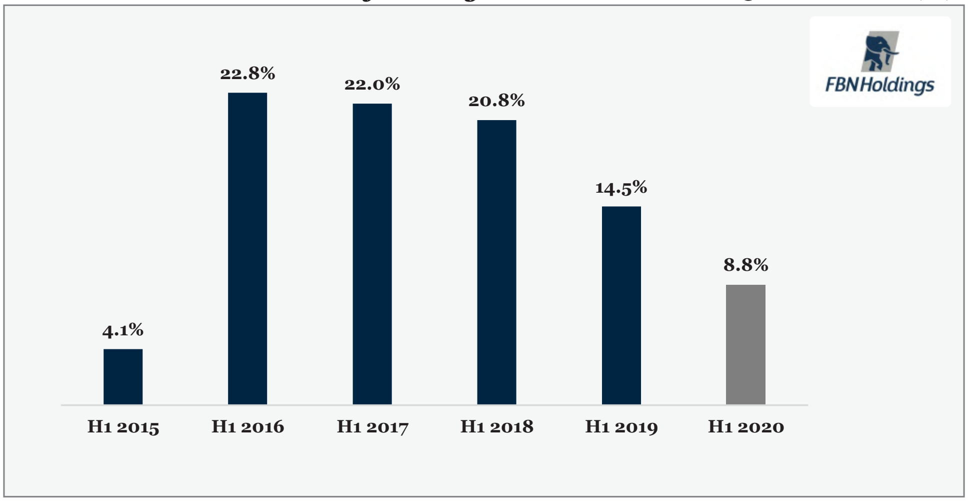
Chart 25: ***FBNH's Total Assets H1 2015 – H1 2020 (N'trn)***



Source: FBNH's Financial Statement, Proshare Research

NPL for the Group has a downward trend between H1 2016 to H1 2020, with H1 2015 recording the lowest NPL ratio of the Group. NPL ratio declined to 8.8% in H1 2020 from 14.5% recorded in H1 2019 and this shows an improvement in the asset quality of the bank (*see Chart 26*).

Chart 26: ***FBNH's Non-Performing Loan Ratio H1 2015 – H1 2020 (%)***

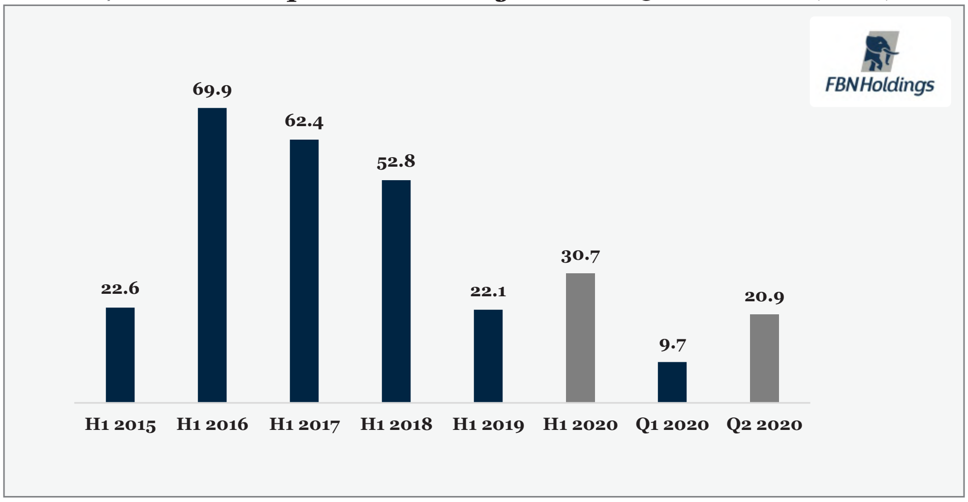


Source: FBNH's Financial Statement, Proshare Research

Impairment charge increased by +38.91% from N22.1bn recorded in H1 2019 to N30.7bn recorded in H1 2020, this was majorly driven by foreign exchange translations impact on loans and a challenging macroeconomic environment (*see Chart 27*).

Q-o-Q basis, the Group recorded a significant increase in impairment charges of +115.46% from N9.7bn recorded in Q1 2020 to N20.9bn recorded in Q2 2020 (*see Chart 27*).

Chart 27: ***FBNH's Impairment Charges H1 2015 – H1 2020 (N'bn)***

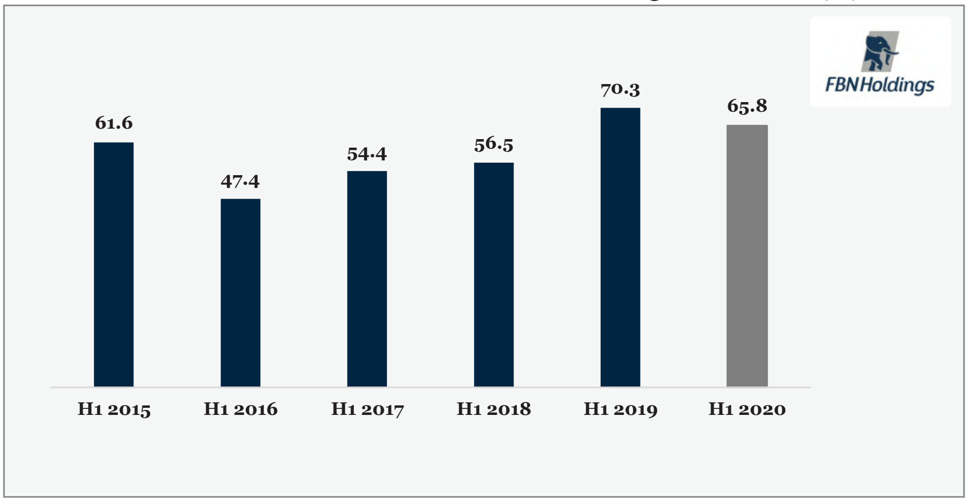


Source: FBNH's Financial Statement, Proshare Research

Cost

Cost-to-income ratio (CIR) declined to 65.8% in H1 2020 from 70.3% recorded in H1 2019. This is as a result of a +14.7% Y-o-Y increase in operating profit and a -4.7% decline in operating expenses, this was achieved by the Group despite currency devaluation and rising inflation. The Group recorded the highest cost-to-income ratio in H1 2019 and the lowest CIR was recorded in H1 2016 during the period under review (*see Chart 28*).

Chart 28: ***FBNH's Cost-to-Income Ratio H1 2015 – H1 2020 (%)***

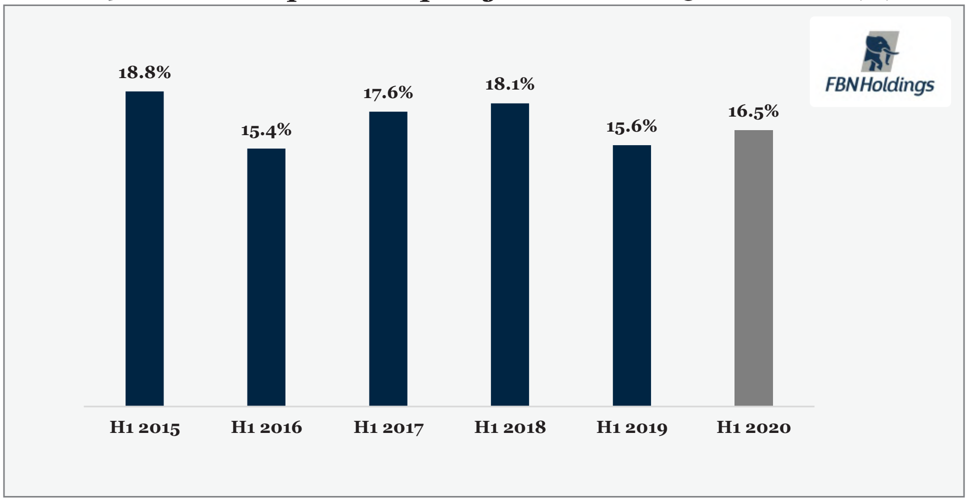


Source: FBNH's Financial Statement, Proshare Research

Capital and Liquidity

Capital adequacy ratio (CAR) increased to 16.5% in H1 2020 from 15.6% recorded in H1 2019, this was as a result of FBN Holdings injecting Tier 1 capital into FirstBank (see Chart 29). Retained earnings from the profit after tax recorded a significant Y-o-Y of +351.6%, from N24.3bn recorded in H1 2019 to N109.6bn recorded in H1 2020.

Chart 29: ***FBNH's Capital Adequacy Ratio H1 2015 – H1 2020 (%)***

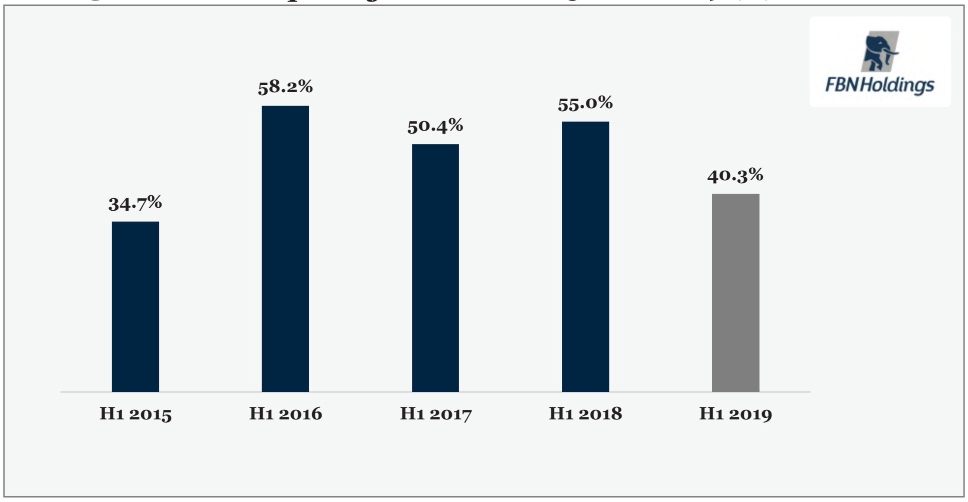


Source: FBNH's Financial Statement, Proshare Research

The liquidity ratio declined to 40.3% in H1 2020 from 55% recorded in H1 2019, the decline in liquidity ratio is attributable to the challenging macroeconomic environment caused majorly by the COVID-19 pandemic and oil price volatility.

During the period under review, FBN Holdings recorded the highest liquidity in H1 2016 while the lowest liquidity ratio was recorded in H1 2015 (*see Chart 30*).

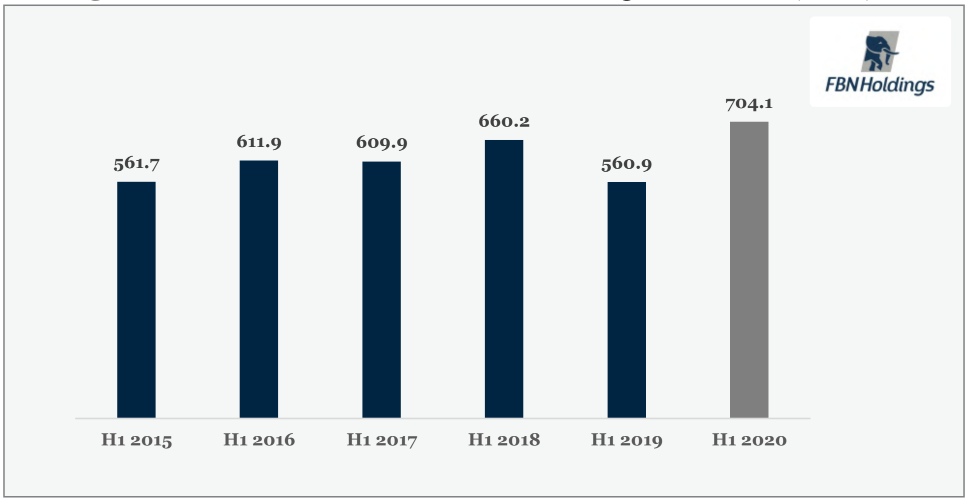
Chart 30: ***FBNH's Liquidity Ratio H1 2015 – H1 2019 (%)***



Source: FBNH's Financial Statement, Proshare Research

FBN Holdings recorded a +25.53% Y-o-Y increase in shareholder's fund in H1 2020, from N560.9bn recorded in H1 2019 to N704.1bn recorded in H1 2020, the growth in shareholders fund was led majorly by the +351.6% Y-o-Y growth recorded in retained earnings. H1 2020 recorded the highest percentage change by the Group in the growth of shareholders fund while the lowest percentage change in shareholder's fund was recorded in H1 2019 with -15.04% (*see Chart 31*).

Chart 31: ***FBNH's Shareholder's Fund H1 2015 – H1 2020 (N'bn)***



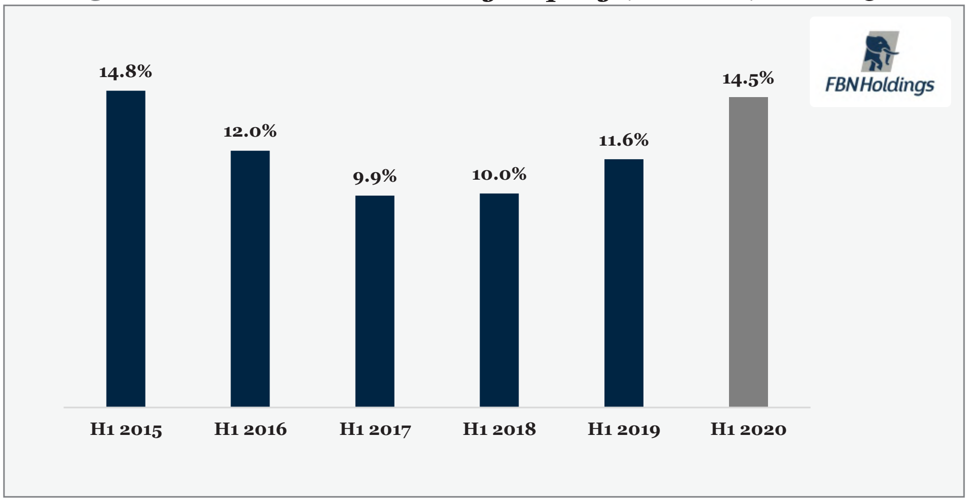
Source: FBNH's Financial Statement, Proshare Research

Investor Ratios

What would be closer to the hearts of investors would be the financial institution's return on equity (RoE). The RoE was healthy at 14.8% in H1 2015 but collapsed to 12% inH1 2016 and dropped further to 9.9% in H1 2016 before leveling off at 10% in 2018.

By H1 2019, the financial group's earnings fortune had started to look up with RoE leaping to 11.6%. In H1 2020, RoE skimmed just under its H1 2015 return to settle at H1 2020's return of 14.5% (*see Chart 32*).

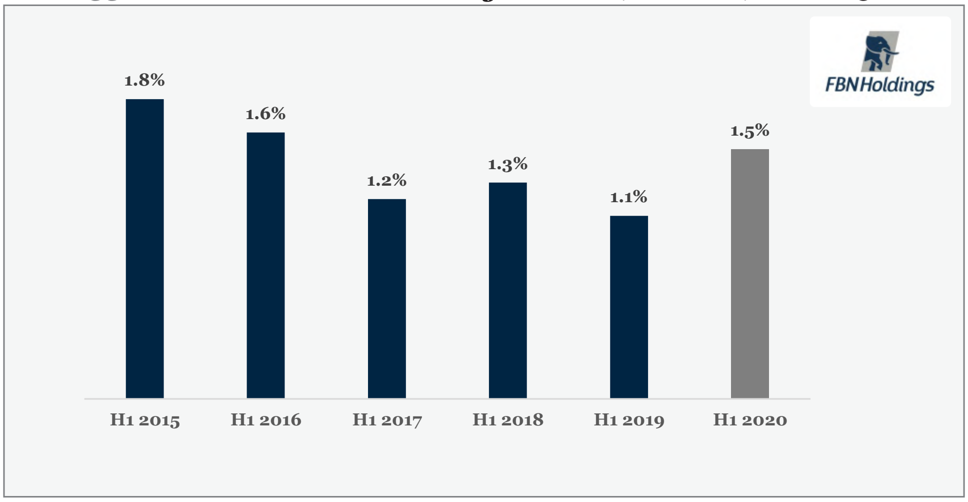
Chart 32: ***FBNH's Return on Average Equity (Post Tax) H1 2015 – H1 2020 (%)***



Source: FBNH's Financial Statement, Proshare Research

The group's return on assets (RoA) has slid downwards since H1 2015 but appears to have turned a corner in the recent half-year of 2020. The group's RoA fell from 1.8% in H1 2015 to 1.6% in H1 2016 and 1.2% in H1 2017, following the recessionary economic cycle downwards. In H1 2018 RoA saw a slight reversal by rising to 1.3% as recession blues gradually slid away. By H1 2019 another dip in asset returns occurred as the bank rapidly increased its loan book, perhaps as a result of the CBN's instruction for all banks to increase their LDR to 60% in September 2019 and then onto 65% by December of the same year. The financial group's books closed H1 2020 with an RoA of 1.5% (*see Chart 33*)

Chart 33: ***FBNH's Return on Average Assets (Post Tax) H1 2015 – H1 2020 (%)***



Source: FBNH's Financial Statement, Proshare Research

First City Monument Bank (FCMB)

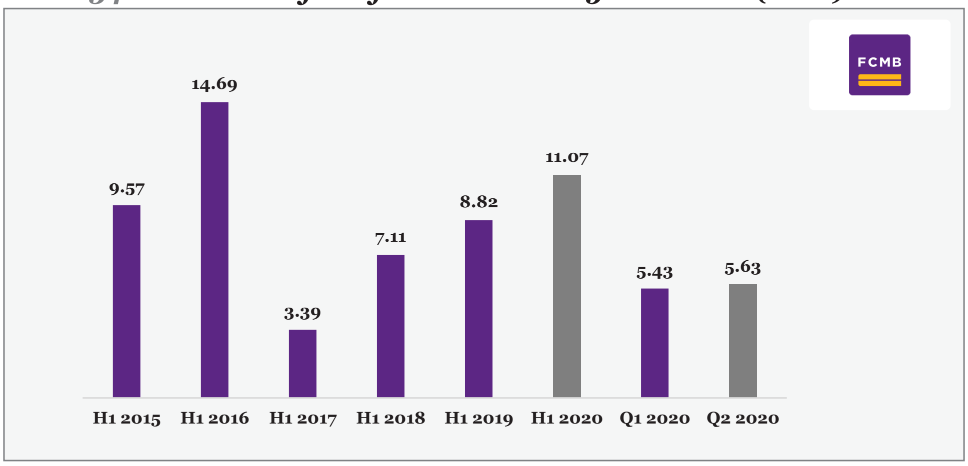
Despite the adverse effect of the COVID-19 pandemic on the Nigerian economy, FCMB recorded a significant improvement in profits before tax by +25.58% in 2020, growth in total assets by +30.54%, and a reduction in non-performing loans to 3.5%.

Profitability

FCMB recorded a +25.58% Y-o-Y increase in profit before tax (PBT) for H1 2020 from N8.82bn recorded in H1 2019 to N11.07bn recorded in H1 2020. The increase in PBT was driven majorly driven by +8.20%, and +27.64% Y-o-Y increase in interest income and securities trading respectively, and gains from Foreign exchange transactions also increased by +212.56%. the group's interest expense recorded a -3.01% Y-o-Y decline.

The Group recorded a +3.68% Q-o-Q increase in PBT, from N5.43bn recorded in Q1 2020 to N5.63bn recorded in Q2 2020, this was majorly driven by a +8.22% Q-o-Q increase in gains from fixed income instruments (*see Chart 34*).

Chart 34: ***FCMB's Profit before Tax H1 2015 – H1 2020 (N'bn)***

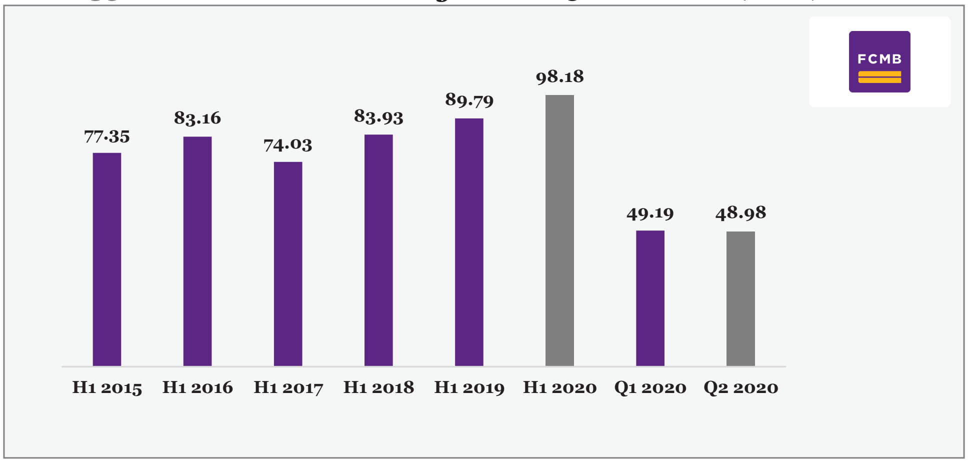


Source: FCMB's Financial Statement, Proshare Research

Gross earnings increased by +9.34% Y-o-Y, from N89.79bn recorded in H1 2019 to N98.18bn. This was majorly driven by personal banking, personal banking was the major contributed to the Group's revenue, contributing 45% while commercial banking contributed 2%, it was also the least contributor o the Group's net revenue.

The Group's gross revenue declined marginally by -0.43% Q-o-Q, which was driven by +2.19% in interest expense (*see Chart 35*).

Chart 35: FCMB's Gross Earnings H1 2015 – H1 2020 (N'bn)



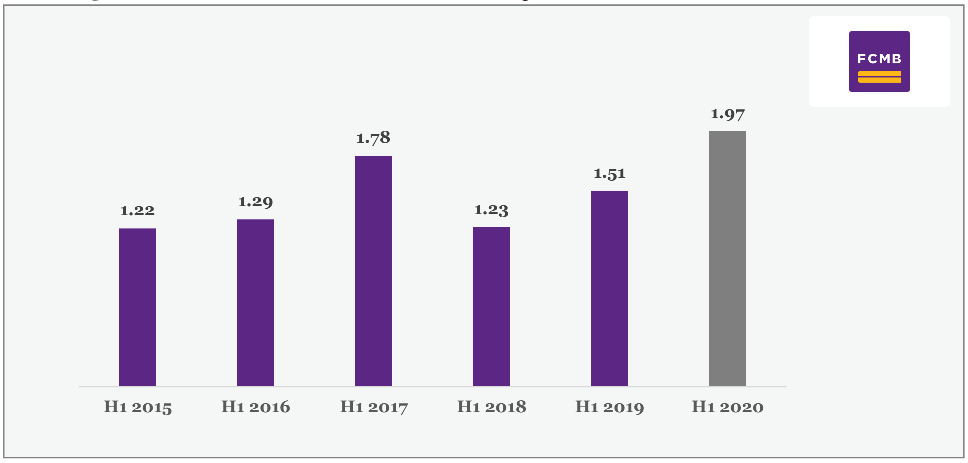
Source: FCMB's Financial Statement, Proshare Research

Asset Quality

Total assets grew by +30.54% Y-o-Y, from N1.51trn recorded in H1 2019 to N1.97trn recorded in H1 2020. The growth in total assets was driven majorly by a +153.95% Y-o-Y increase in the Group's restricted reserve deposits. The Group also met its loan-to-deposit ratio (LDR) obligation in H1 2019 and H1 2020. The restricted reserve deposits are not available for use in the banking subsidiary and the Group's day-to-day operations.

H1 2020 records the highest percentage change in the growth of total assets for the group while H1 2017 recorded a decline in the growth of the total assets of the group with -8.49% change (*see Chart 36*).

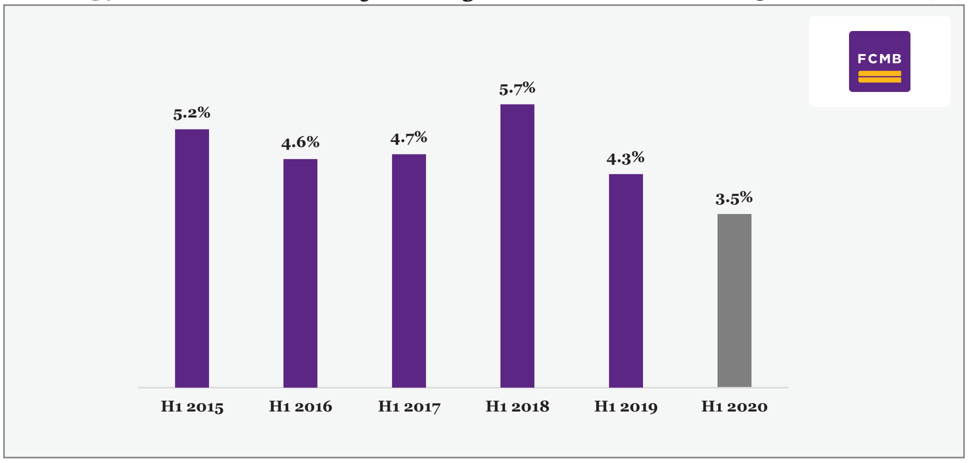
Chart 36: FCMB's Total Assets H1 2015 – H1 2020 (N'trn)



Source: FCMB's Financial Statement, Proshare Research

The Group's non-performing loans ratio (NPL) ratio declined to 3.5% in H1 2020 from 4.3% recorded in H1 2019, this was majorly driven by loan write-offs in the second half of 2019. H1 2018 recorded the highest NPL ratio while H1 2020 recorded the lowest NPL ratio of the Group (*see Chart 37*).

Chart 37: ***FCMB's Non-Performing Loans Ratio H1 2015 – H1 2020 (%)***

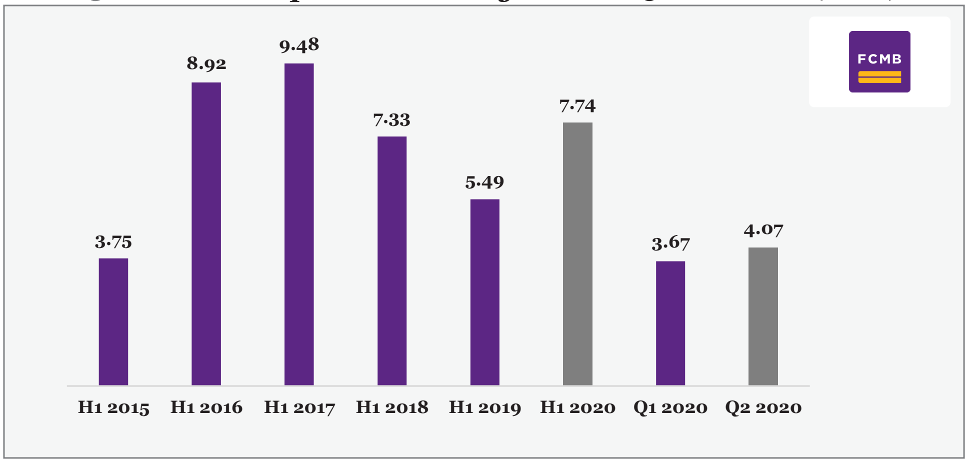


Source: FCMB's Financial Statement, Proshare Research

FCMB recorded a +40.8% Y-o-Y in impairment charges from N5.49bn recorded in H1 2019 to N7.74bn recorded in H1 2020. Q-o-Q impairment charges rose by +10.9%.

The highest percentage change in the growth of the Group's impairment charges of +138% was recorded in H1 2016, while the highest decline of -25% change in impairment charges was recorded in H1 2019 (*see Chart 38*).

Chart 38: ***FCMB's Impairment Charges H1 2015 – H1 2020 (N'bn)***

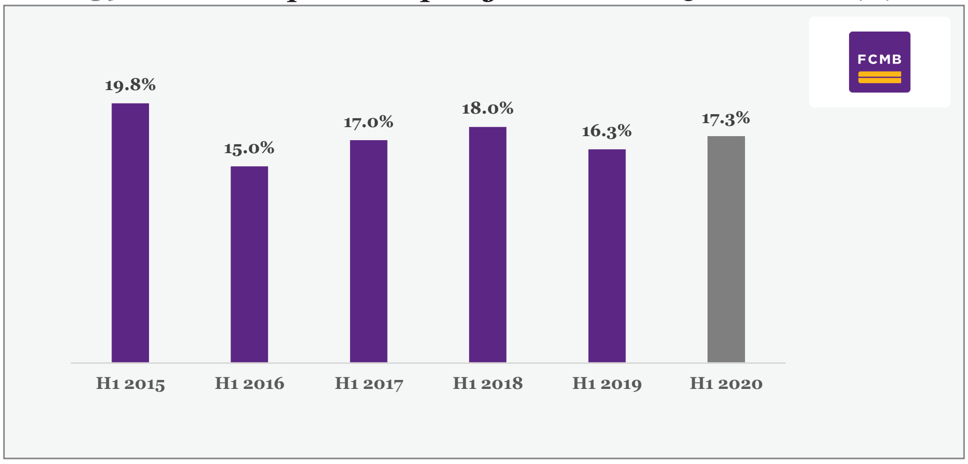


Source: FCMB's Financial Statement, Proshare Research

Capital and Liquidity

The Group's capital adequacy ratio (CAR) increased to 17.3% in H1 2020 from 16.3% recorded in H1 2019 which is above the regulatory minimum of 16% and this despite the +29% Y-o-Y increase in growth of the loan of the Group. In H1 2015, the group recorded the highest CAR while in H1 2019 the bank recorded the lowest capital adequacy ratio (*see Chart 39*).

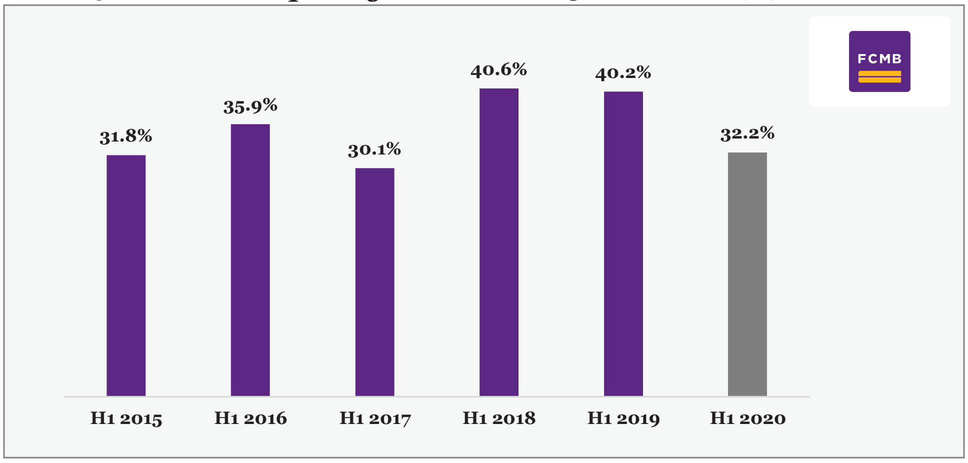
Chart 39: ***FCMB's Capital Adequacy Ratio H1 2015 – H1 2020 (%)***



Source: FCMB's Financial Statement, Proshare Research

The liquidity ratio declined to 32.2% in H1 2020 from 40.2% recorded in H1 2019, which is still above the regulatory minimum of 30%. The decline in liquidity ratio was a result of over a 100% YTD growth in cash reserve ratio (CRR). H1 2017 recorded the lowest liquidity ratio while H1 2018 records the highest liquidity ratio of the Group (*see Chart 40*).

Chart 40: ***FCMB's Liquidity Ratio H1 2015 – H1 2020 (%)***

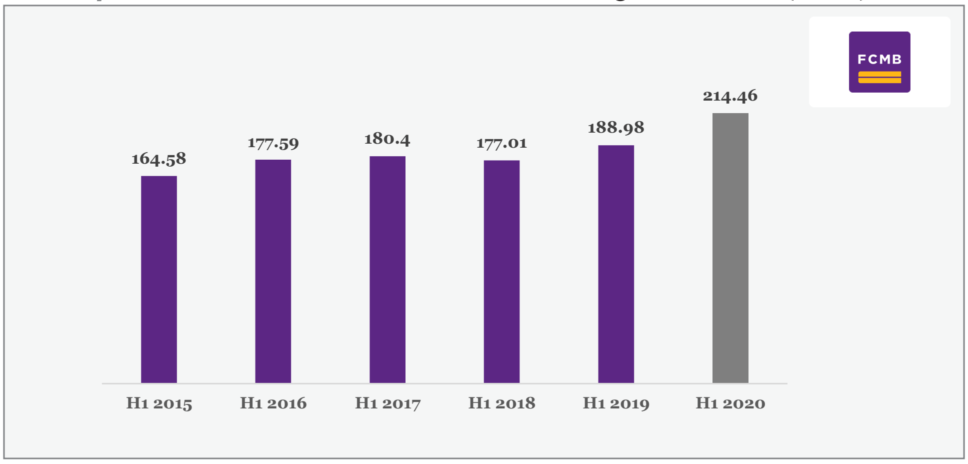


Source: FCMB's Financial Statement, Proshare Research

The Group's shareholders fund increased by +13.48% Y-o-Y, from N188.9bn recorded in H1 2019 to N214.5bn recorded in H1 2020. This growth in shareholders fund was majorly driven by +21.95% and +60.77% in retained earnings and other reserves respectively. The other reserves item in the financial statement includes the statutory reserve, fair value reserve, regulatory reserve, foreign currency translation reserve, and forbearance reserve.

The highest increase in percentage change was recorded in H1 2020, while the highest decline in growth of shareholders fund of -1.88% was recorded in H1 2018 (*see Chart 41*).

Chart 41: ***FCMB's Shareholders Fund H1 2015 – H1 2020 (N'bn)***

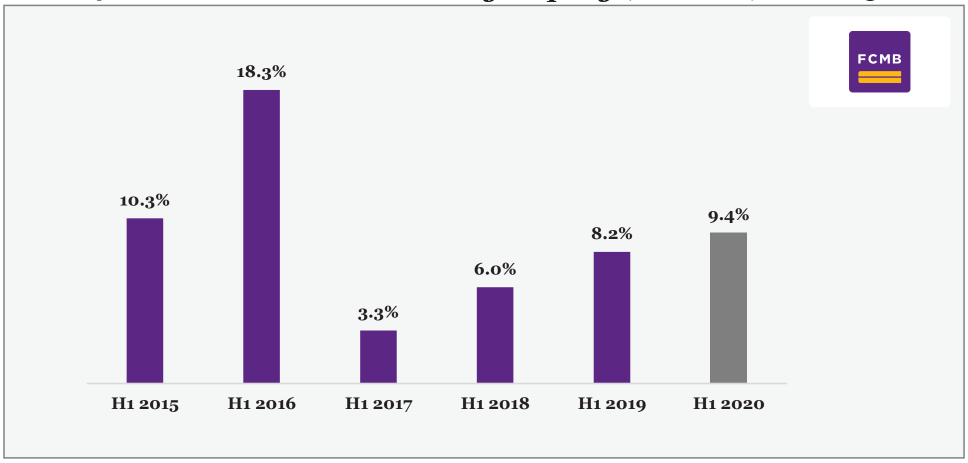


Source: FCMB's Financial Statement, Proshare Research

Investor Ratio

Return on average equity increased to 9.4% in H1 2020 from 8.2% recorded in H1 2019, this was driven by an increase in net interest margin and FX revaluation. The highest return on average equity was recorded in H1 2016, while the lowest return on average equity was recorded in H1 2017 (*see Chart 42*).

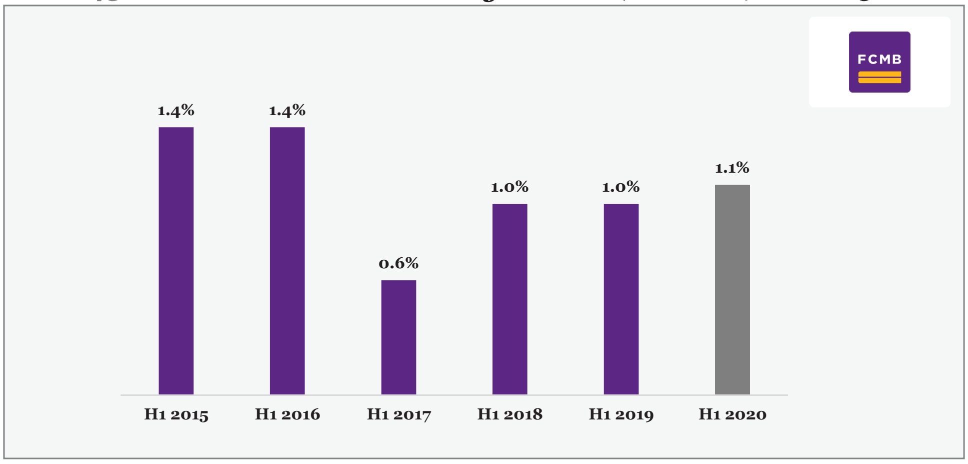
Chart 42: ***FCMB's Return on Average Equity (Post Tax) H1 2015 – H1 2020 (%)***



Source: FCMB's Financial Statement, Proshare Research

Return on average assets increased to 1.1% in H1 2020 from 1% recorded in H1 2019, this was driven by an increase in net interest margin and FX revaluation. The highest return on average assets was recorded in H1 2015 and H1 2016, while the lowest return on average assets was recorded in H1 2017 (*see Chart 43*).

Chart 43: ***FCMB's Return on Average Assets (Post Tax) H1 2015 – H1 2020 (%)***



Source: FCMB's Financial Statement, Proshare Research

Sterling Bank

Sterling Bank was among the pool of banks that recorded an impressive Q2 2020 result. Its percentage increase in profit before tax of about +55.9% was among the highest recorded in the banking sector in Q2 2020.

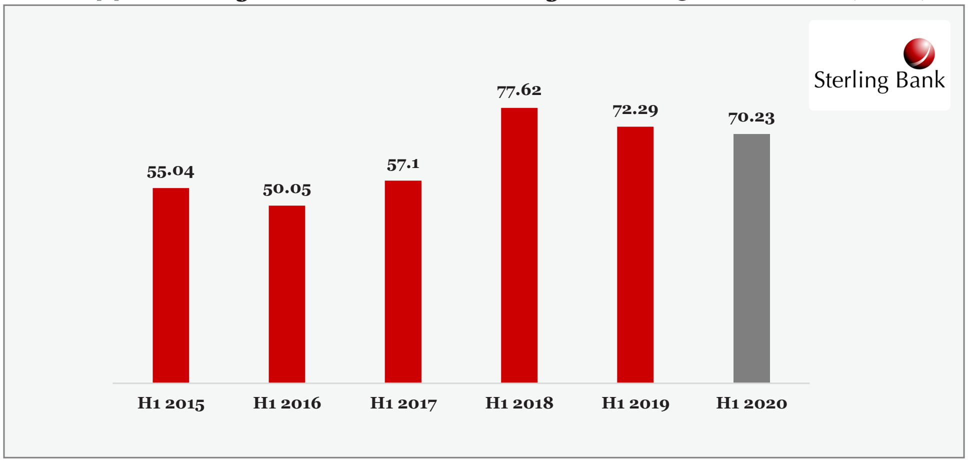
Illustration 23: ***Sterling Bank Strategic Objectives***

Profitability

Gross earnings for Sterling bank declined by -2.85% Y-o-Y from N72.29bn recorded in H1 2019 to N70.23bn recorded in H1 2020. The decline in the Group's gross earnings was majorly driven by -4.28% and -29.70% Y-o-Y decline in interest income and fees and commission, respectively. The decline in fees and commission was driven by a downward review of electronic banking fees by the CBN (*see Chart 44*).

The highest percentage increase in the Group's gross earnings was recorded in H1 2018 while the highest percentage decline in gross earnings was recorded in H1 2016 (*see Chart 44*).

Chart 44: ***Sterling Bank's Gross Earnings H1 2015 – H1 2020 (N'bn)***

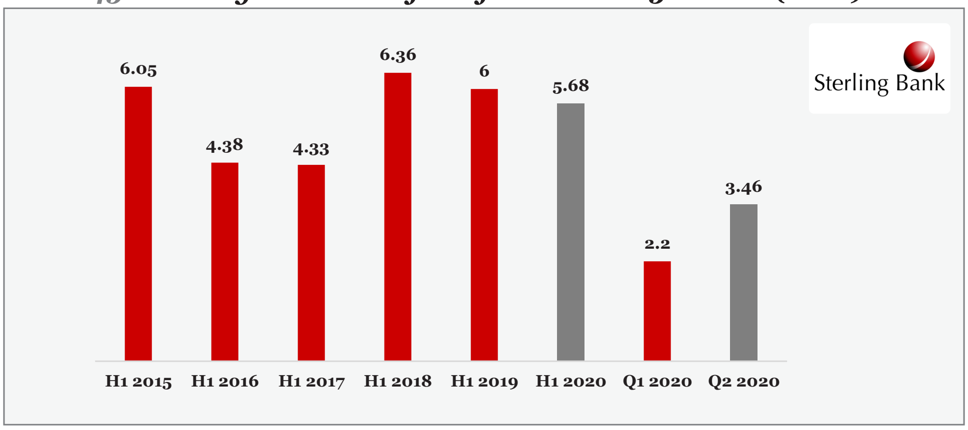


Source: Sterling Bank's Financial Statement, Proshare Research

The Group's profit before tax (PBT) declined by -5.4% Y-o-Y, from NN6bn recorded in H1 2019 to N5.68bn recorded in H1 2020. This was driven by a +9.04% Y-o-Y increase in operating income despite the challenging macroeconomic environment caused by the COVID-19 and fall in oil prices. In H1 2016, the Group recorded the highest percentage decline of -27.6% while in H1 2018 the Group recorded the highest percentage increase of +46.8% in profit before tax.

For Q-o-Q profit, before tax increased significantly by +55.9% from N2.2bn recorded in Q1 2020 to N3.46bn recorded in Q2 2020, this was as a result of a +21.68% Q-o-Q increase in operating income (*see Chart 45*).

Chart 45: ***Sterling Bank's Profit before Tax 2015 – 2020 (N'bn)***

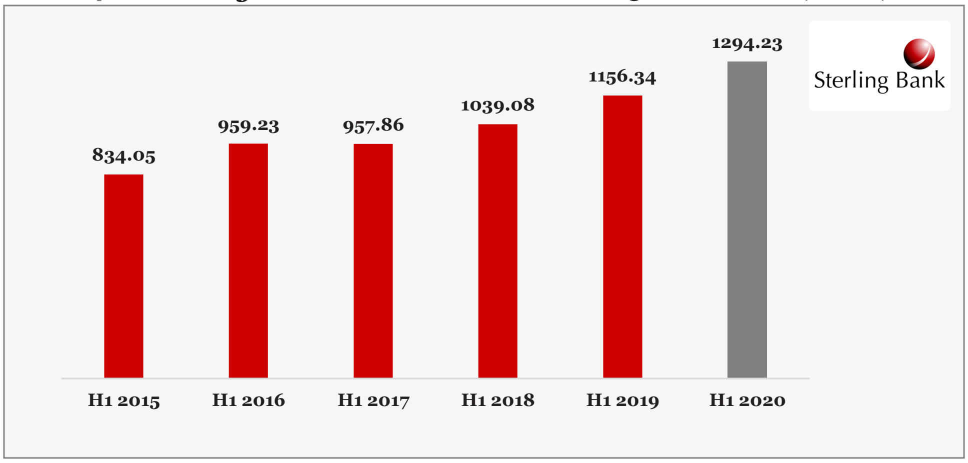


Source: Sterling Bank's Financial Statement, Proshare Research

Asset Quality

Total asset increased by +11.92% Y-o-Y from N1.16trn recorded in the corresponding period of the previous year to N1.29trn recorded in H1 2020, this was majorly driven by a +47.84% Y-o-Y increase in debt instruments at fair value through other comprehensive income (FVOCI) (*see Chart 46*).

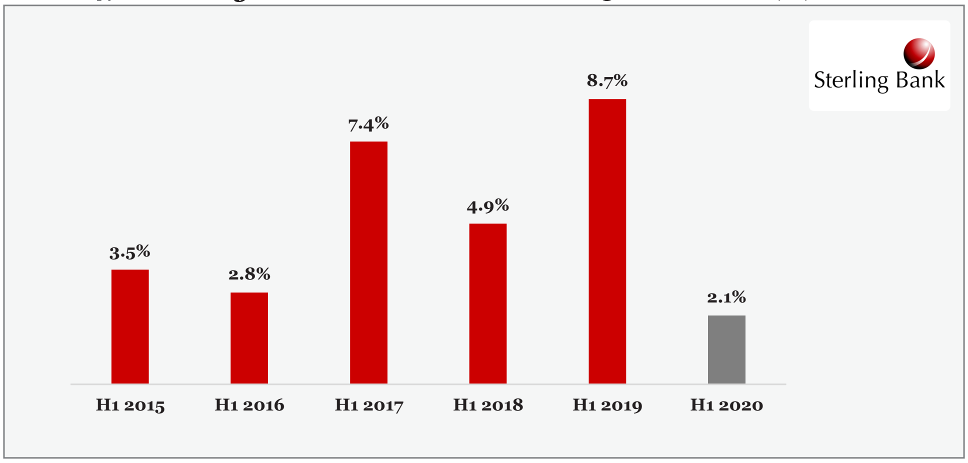
Chart 46: ***Sterling Bank's Total Assets H1 2015 – H1 2020 (N'trn)***



Source: Sterling Bank's Financial Statement, Proshare Research

The Group's non-performing loan (NPL) ratio declined to 2.1% in H1 2020 from 8.7% recorded in H1 2019, this shows an improvement in the loan book of the Group. In H1 2019, the Group recorded the highest NPL ratio while the lowest NPL ratio of the Group was recorded in H1 2020 (*see Chart 47*).

Chart 47: ***Sterling Bank's NPL Ratio H1 2015 – H1 2020 (%)***

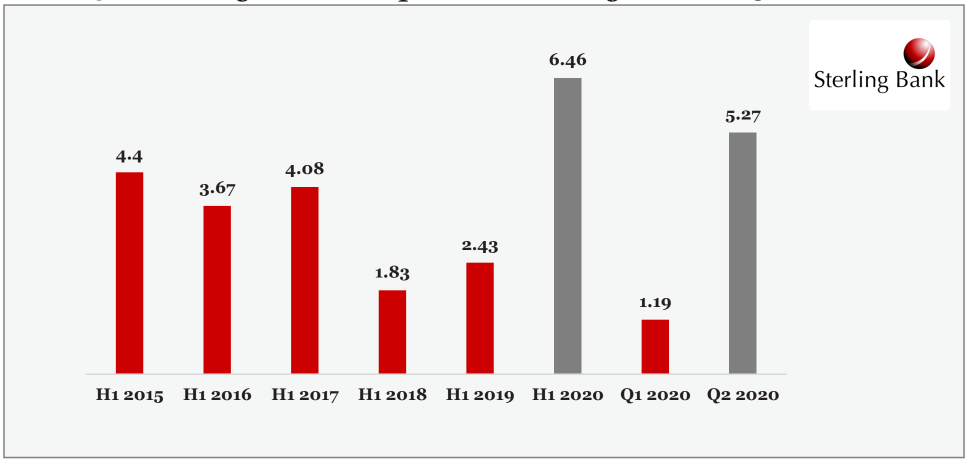


Source: Sterling Bank's Financial Statement, Proshare Research

Sterling bank recorded a significant increase in its impairment charges in H1 2020, impairment charges increased by +165.8% from N2.43bn recorded in H1 2019 to N6.46bn recorded in H1 2020. The Group also recorded a significant increase in impairment charges in Q2 2020, from N1.19bn recorded in Q1 2020 to N5.27bn recorded in Q2 2020.

The highest percentage decline of -55.2% in impairment charges was recorded in H1 2018 (*see Chart 48*).

Chart 48: ***Sterling Bank's Impairment Charges H1 2015 – H1 2020 (N'bn)***

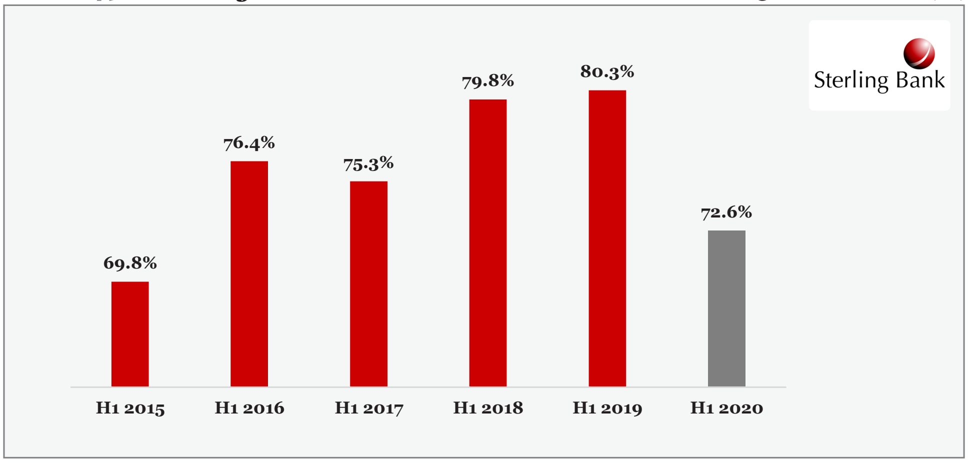


Source: Sterling Bank's Financial Statement, Proshare Research

Cost

The cost-to-income ratio (CIR) declined to 72.6% in H1 2020 from 80.3% recorded in H1 2019, this was driven by a marginal Y-o-Y decline in operating expense of -0.11% and a +9.04% Y-o-Y increase in operating income. The decline recorded in operating expense was achieved despite growth in expenses of the Group including AMCON and insurance fees (*see Chart 49*).

Chart 49: ***Sterling Bank's Cost-to-Income Ratio H1 2015 – H1 2020 (%)***

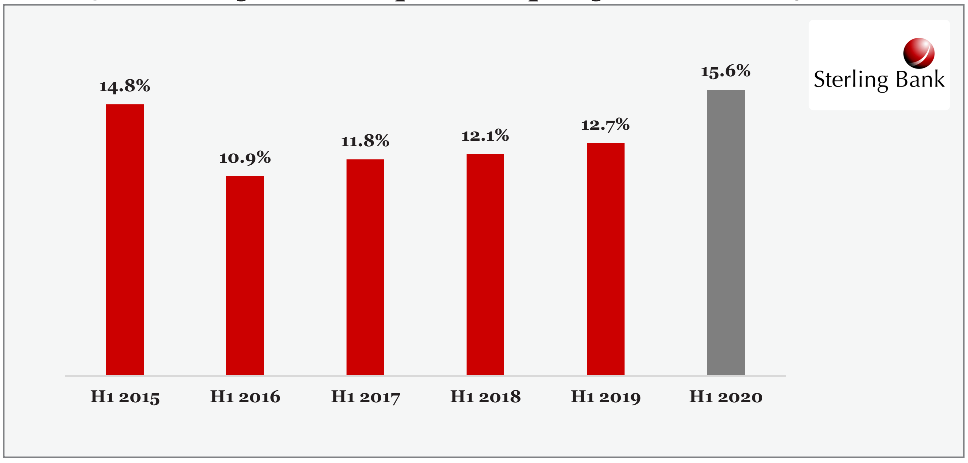


Source: Sterling Bank's Financial Statement, Proshare Research

Capital and Liquidity

The capital adequacy ratio increased to 15.6% in H1 2020 from 12.7% recorded in H1 2019. The highest CAR of the Group was recorded in H1 2020 while it recorded the lowest capital adequacy ratio in H1 2016 (*see Chart 50*).

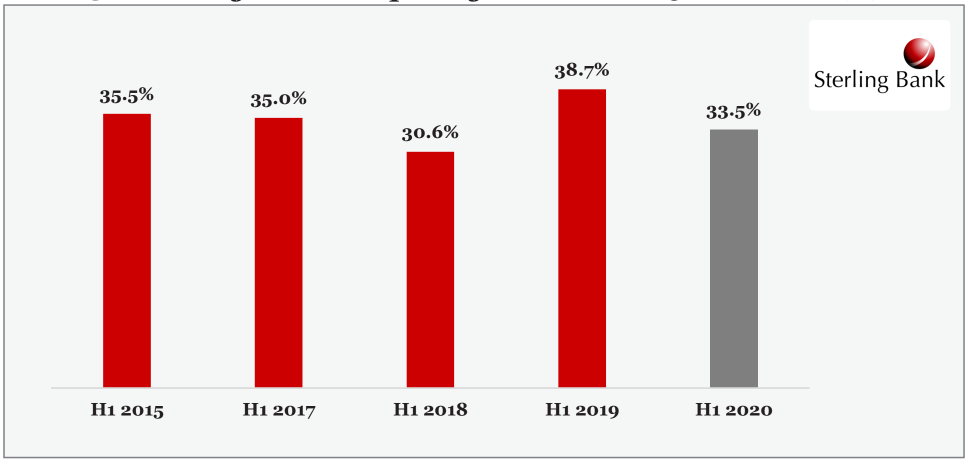
Chart 50: ***Sterling Bank's Capital Adequacy Ratio H1 2015 – H1 2020 (%)***



Source: Sterling Bank's Financial Statement, Proshare Research

The Group recorded a decline in its liquidity ratio from 38.7% recorded in the corresponding period of the previous year to 33.5% in H1 2020 which is above the regulatory minimum of 30%. In H1 2019, the Group recorded the highest liquidity ratio of 38.7% while in H1 2018, it recorded the lowest liquidity ratio of 30.6% (*see Chart 51*).

Chart 51: ***Sterling Bank's Liquidity Ratio H1 2015 – H1 2020 (%)***

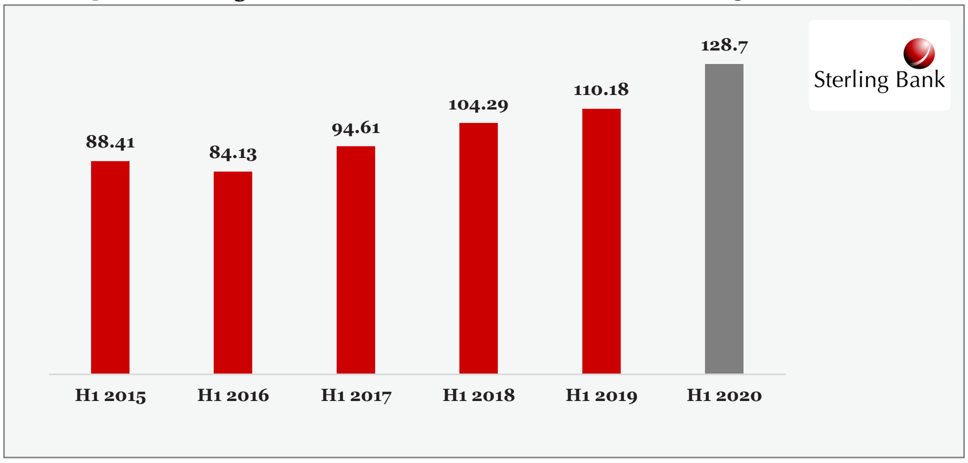


Source: Sterling Bank's Financial Statement, Proshare Research

Shareholder's fund increased by +16.81% Y-o-Y from N110bn recorded in H1 2019 to N128bn recorded in H1 2020, the increase was majorly driven by a significant rise in retained earnings. Retained earnings increased by +587% Y-o-Y from N1.5bn recorded in H1 2019 to N10.7bn recorded in H1 2020 (*see Chart 52*).

Chart 52: Sterling Bank's Shareholder's Fund H1 2015 – H1 2020 (N'bn)

Chart 52: ***Sterling Bank's Shareholder's Fund H1 2015 – H1 2020 (N'bn)***

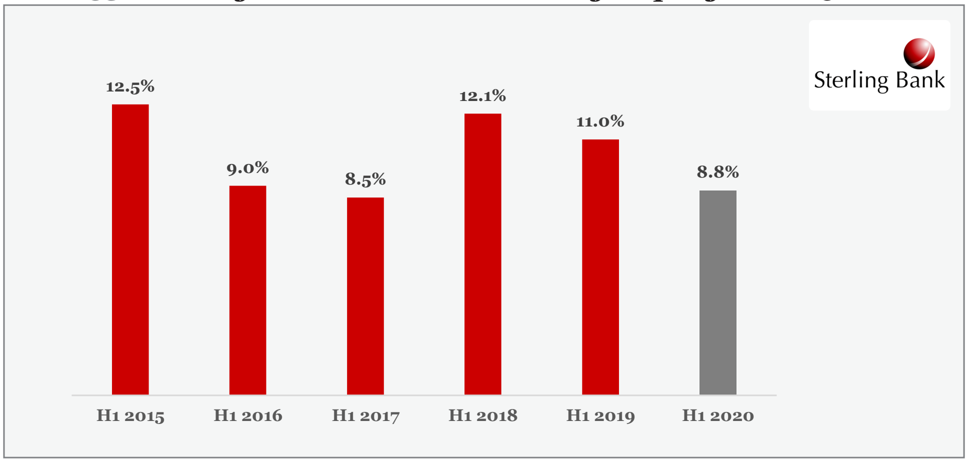


Source: Sterling Bank's Financial Statement, Proshare Research

Investor Ratio

Return on average equity (post-tax) declined to 8.8% in H1 2020 from 11% recorded in H1 2019. The highest return on average equity of 12.5% was recorded in H1 2015 while the lowest return on average equity of 8.5% was recorded in H1 2017 (*see Chart 53*).

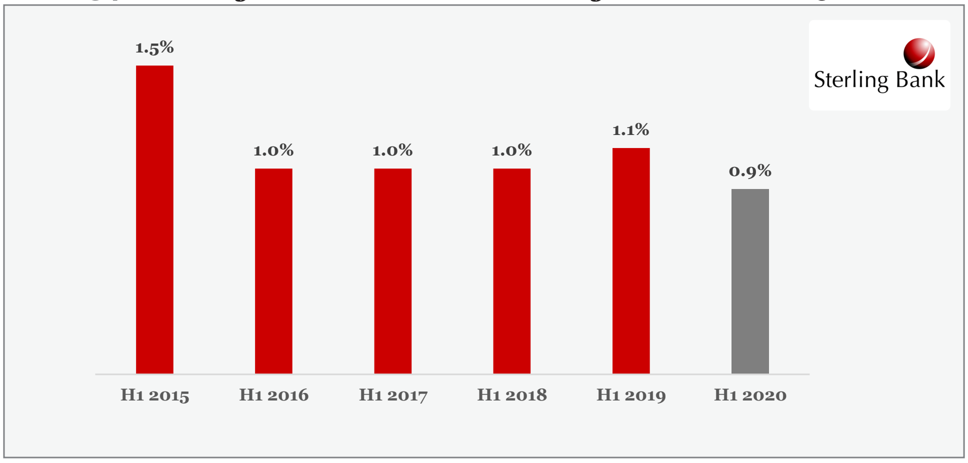
Chart 53: ***Sterling Bank's Return on Average Equity H1 2015 – H1 2020 (%)***



Source: Sterling Bank's Financial Statement, Proshare Research

Return on average assets (post-tax) declined to 0.9% in H1 2020 from 1.1% recorded in H1 2019. The highest return on average assets of 1.5% was recorded in H1 2015 while its lowest return on average assets of 0.9% was recorded in H1 2020(*see Chart 54*).

Chart 54: ***Sterling Bank's Return on Average Assets H1 2015 – H1 2020 (%)***



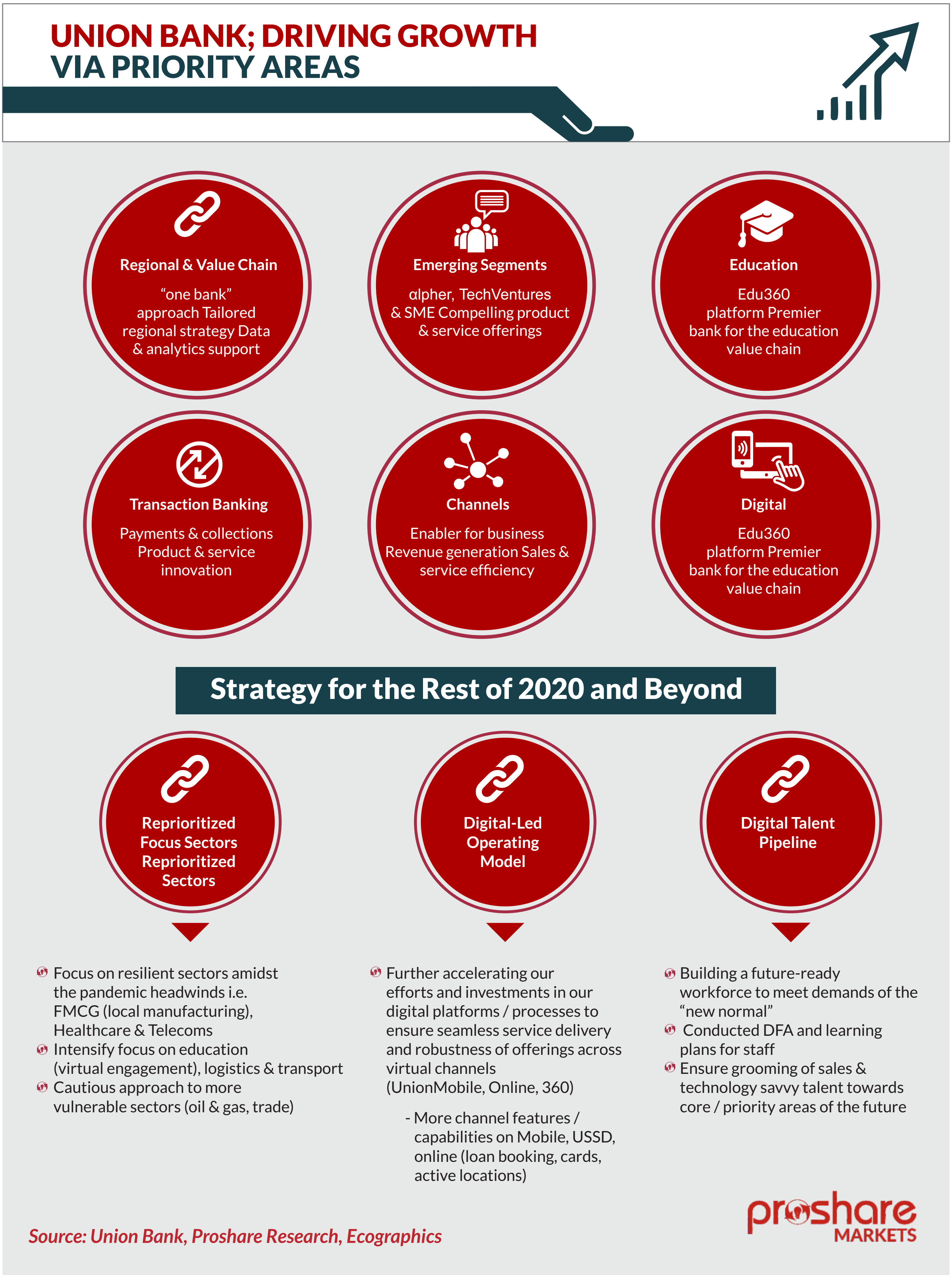
Source: Sterling Bank's Financial Statement, Proshare Research

Union Bank Of Nigeria (UBN)

Union Bank's top line was adversely affected by the coronavirus pandemic. It recorded a mild decline of -6.99% in its profit before tax while its gross earnings grew slightly by +7.68%.

Illustration 24: Union Bank;
Driving Growth Via Priority Sectors

Illustration 24: ***Union Bank; Driving Growth Via Priority Sectors***

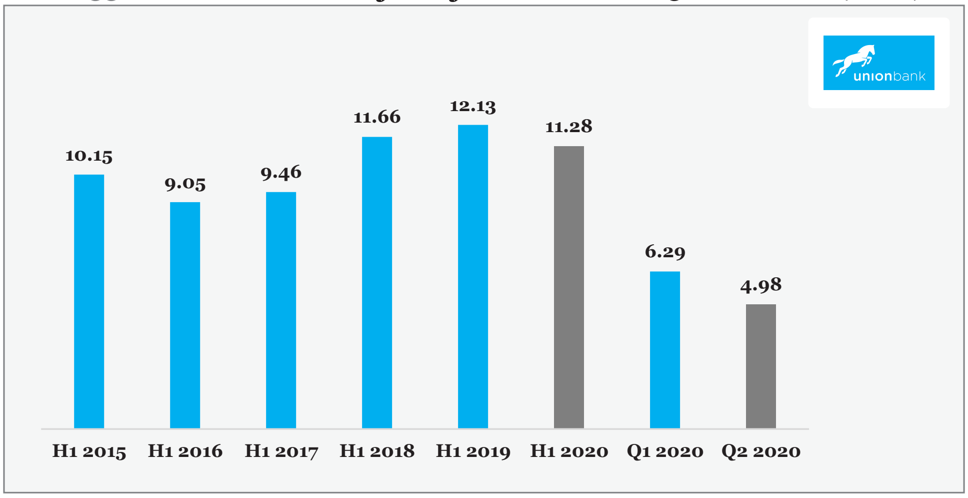


Profitability

The Group's profit before tax recorded a decline of -6.99% Y-o-Y, from N12.13bn recorded in H1 2019 to N11.28bn recorded in H1 2020. The decline was majorly driven by -49.76% Y-o-Y decline recorded in cash recoveries and -30.14% Y-o-Y decline recorded in net impairment write-back on other financial assets. The +0.97% Y-o-Y increase in operating income and -0.13% decline recorded in the operating expense of the Group could not cover up the decline recorded in recoveries.

On a Q-o-Q basis, the Group also recorded a -20.93% decline in profit before tax, this was majorly driven by a -8.08% Q-o-Q decline recorded in operating income, despite the significant increase recorded in cash recoveries from N501m recorded in Q1 2020 to N2.15bn recorded in Q2 2020 (*see Chart 55*).

Chart 55: ***Union Bank's Profit Before Tax H1 2015 – H1 2020 (N'bn)***



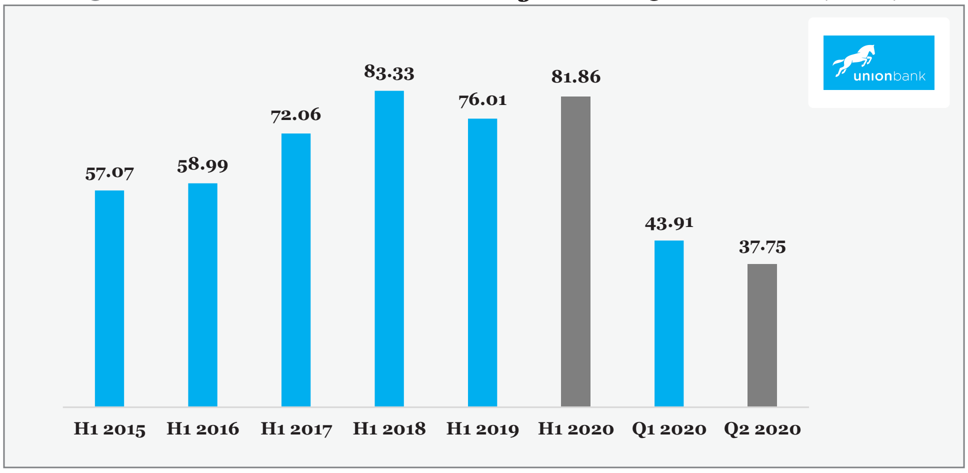
Source: Union Bank's Financial Statement, Proshare Research

Union bank's gross earnings increased by +7.68% Y-o-Y from N76.01bn recorded in H1 2019 to N81.86bn recorded in H1 2020. This was majorly driven by +6.19% and +24.35% Y-o-Y increase recorded in interest income and non-interest income respectively, interest expense recorded a decline of -4.52% Y-o-Y which also supported the earnings of the Group. A major driver of the increase in non-interest income was foreign exchange revaluation gains which increased by +1361.7% Y-o-Y from N188m recorded in H1 2019 to N2.75bn recorded in H1 2020.

Gross earnings declined by -14.03% from N43.91bn recorded in Q1 2020 to N37.75bn recorded in Q2 2020 which was driven by -7.39% and -3.72% Q-o-Q decline recorded in interest income and non-interest income, respectively. The major driver of the decline recorded in non-interest income was -37.4% Q-o-Q decline recorded in fees and commission (*see Chart 56*).

Chart 56: Union Bank's Gross Earnings H1 2015 – H1 2020 (N'bn)

Chart 56: Union Bank's Gross Earnings H1 2015 – H1 2020 (N'bn)

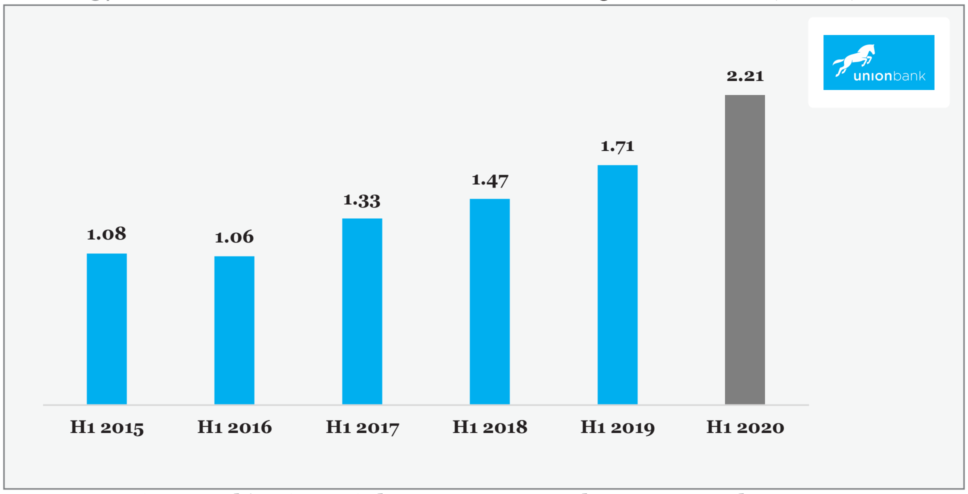


Source: Union Bank's Financial Statement, Proshare Research

Asset Quality

Total assets grew by +29.06% Y-o-Y from N1.71trn recorded in H1 2019 to N2.21trn recorded in H1 2020. The increase in total assets was driven by significant growth in the financial asset at fair value through profit and loss, trading properties, and cash reserve requirement by +169.81%, +876.34%, and +64% respectively (*see Chart 57*).

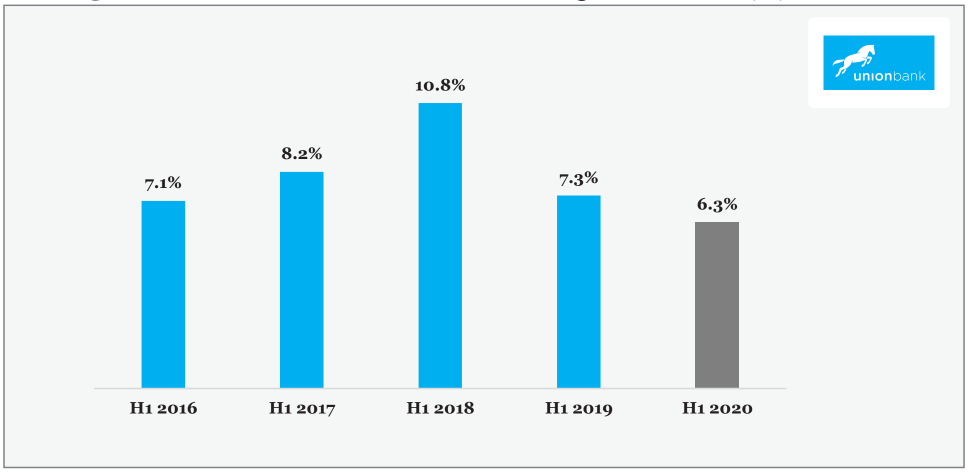
Chart 57: Union Bank's Total Assets H1 2015 – H1 2020 (N'trn)



Source: Union Bank's Financial Statement, Proshare Research

Union bank's non-performing loans ratio declined to 6.30% in H1 2020 from 7.30% recorded in H1 2019 this shows an improvement in the asset quality of Union bank. The highest NPL ratio of 10.8% was recorded in H1 2018, while its lowest NPL ratio of 6.3% was recorded in H1 2020 (*see Chart 58*).

Chart 58: ***Union Bank's NPL Ratio H1 2015 – H1 2020 (%)***

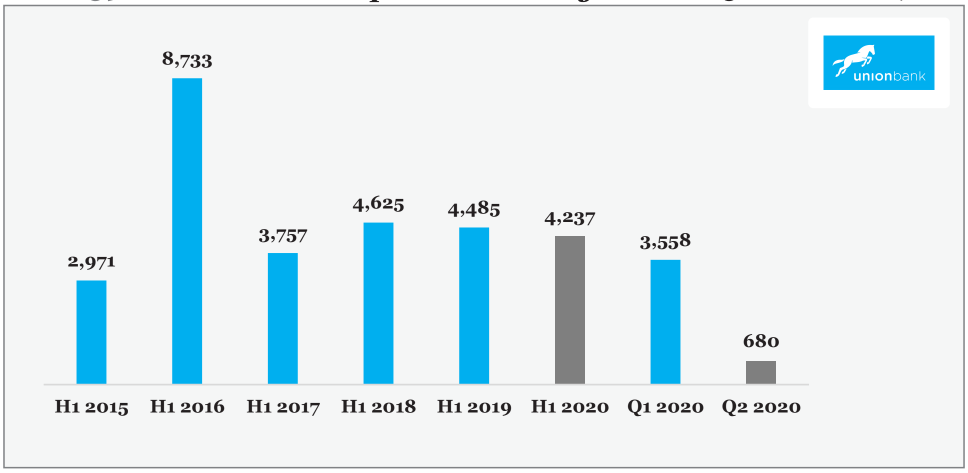


Source: Union Bank's Financial Statement, Proshare Research

Impairment charges declined by -5.53% Y-o-Y from N4.48bn recorded in the corresponding period of the previous year to NN4.24 recorded in H1 2020; this was achieved despite the challenging macroeconomic environment of the domestic economy.

Impairment charges improved significantly on a Q-o-Q basis; the Group recorded a -80.89% decline in impairment charges from N3.56bn recorded in Q1 2020 to N680mn recorded in Q2 2020. Recent results show the Group isn't highly exposed to the oil and gas sector but to the power sector, this could explain the significant improvement in impairment charges as the companies under the power sector were able to make more remittances during the lockdown period (*see Chart 59*).

Chart 59: ***Union Bank's Impairment Charges H1 2015 – H1 2020 (N'bn)***



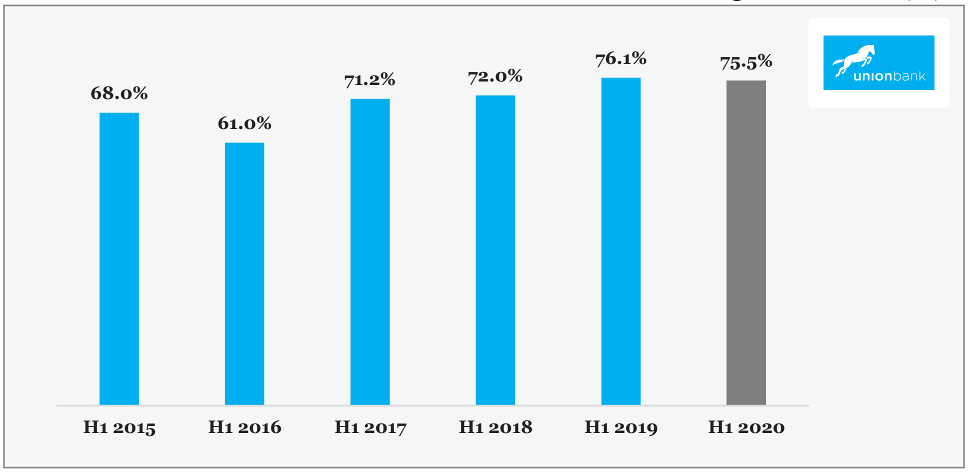
Source: Union Bank's Financial Statement, Proshare Research

Cost

Cost-to-income ratio declined marginally to 75.5% in H1 2020 from 76.1% recorded in H1 2019. The decline could be attributed to the marginal decline recorded in operating expenses and the increase recorded in operating income. Operating expenses declined by -0.13% while operating income increased by +0.97% Y-o-Y.

The highest cost-to-income ratio of 76.1% was recorded in H1 2019 while the lowest cost-to-income ratio of the Group of 61% was recorded in H1 2016 (*see Chart 60*).

Chart 60: ***Union Bank's Cost-to-Income Ratio H1 2015 – H1 2020 (%)***

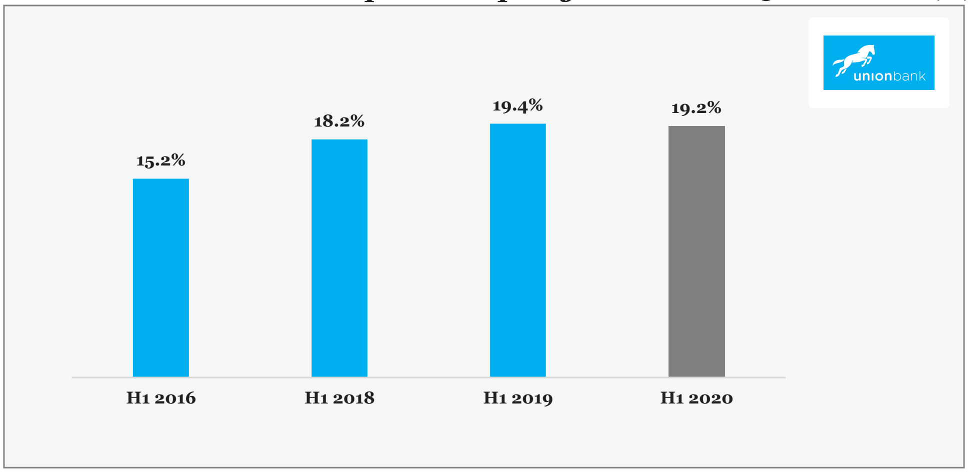


Source: Union Bank's Financial Statement, Proshare Research

Capital and Liquidity

The capital adequacy ratio declined marginally to 19.2% in H1 2020 from 19.4% recorded in the corresponding period of the previous year. The highest capital adequacy ratio of 19.4% was recorded in H1 2019 while the lowest capital adequacy ratio of 15.2% was recorded in H1 2016.
Note: Data for H1 2015 and H1 2017 for CAR was not available (*see Chart 61*).

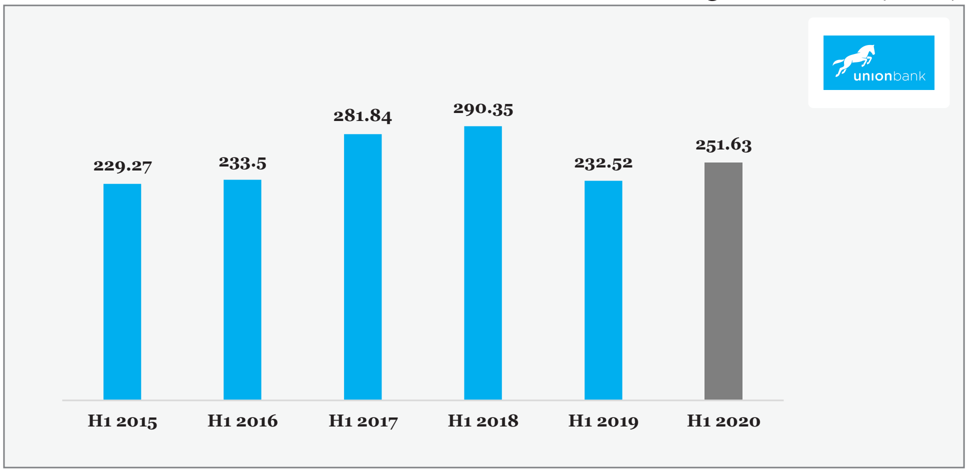
Chart 61: ***Union Bank's Capital Adequacy Ratio H1 2015 – H1 2020 (%)***



Source: Union Bank's Financial Statement, Proshare Research

Union bank's shareholder's fund grew by +8.22% to N251bn recorded in H1 2020 from N232bn recorded in the corresponding period of the previous year. A major driver of the growth in shareholder's fund was the +19.38% Y-o-Y increase of the other reserve item on the balance sheet of the financial statement of the Group. Components of the other reserve include majorly the fair value reserve, statutory, and regulatory reserve (*see Chart 62*).

Chart 62: ***Union Bank's Shareholder's Fund H1 2015 – H1 2020 (N'bn)***

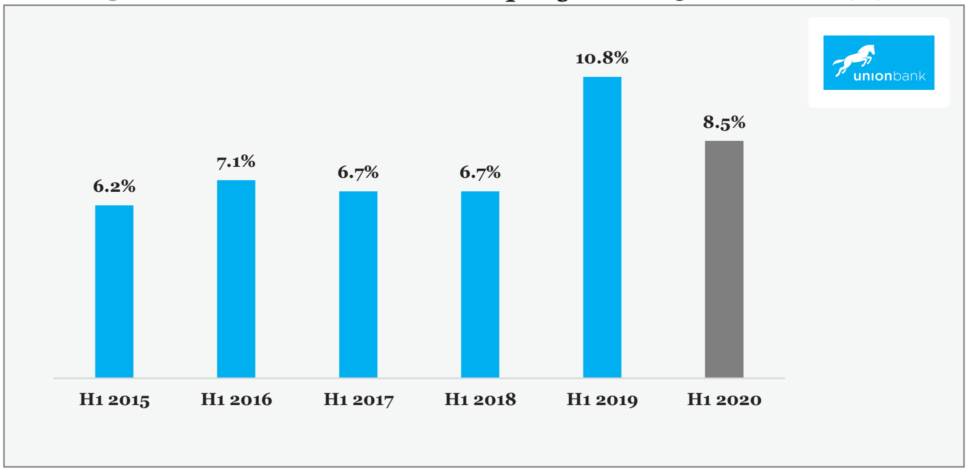


Source: Union Bank's Financial Statement, Proshare Research

Investor Ratio

Return on equity declined to 8.5% in H1 2020 from 10.8% recorded in H1 2019. The highest return on equity of 10.8% was recorded in H1 2019 while the lowest return on equity of 6.2%was recorded in H1 2015 (*see Chart 63*).

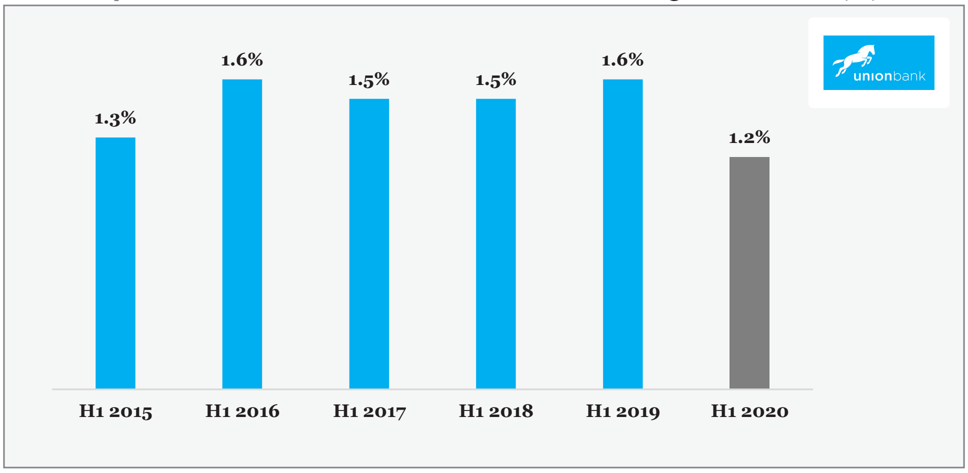
Chart 63: ***Union Bank's Return on Equity H1 2015 – H1 2020 (%)***



Source: Union Bank's Financial Statement, Proshare Research

Return on assets declined to 1.2% in H1 2020 from 1.6% recorded in H1 2019. Union Bank recorded the highest return on assets of 1.6% in H1 2016 and H1 2019 while it recorded the lowest returns on assets of 1.2% in H1 2020 (*see Chart 64*).

Chart 64: ***Union Bank's Return on Assets H1 2015 – H1 2020 (%)***

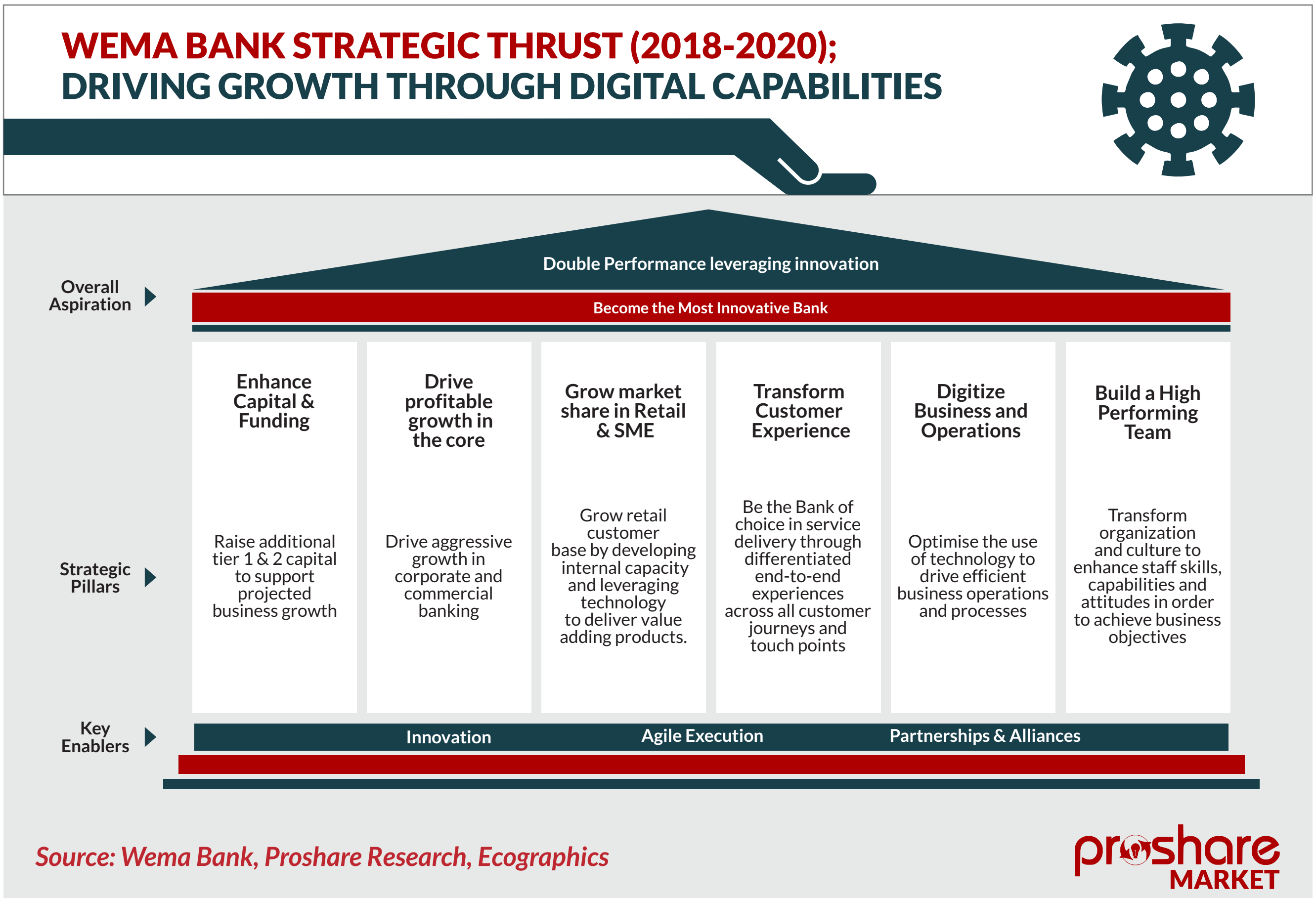


Source: Union Bank's Financial Statement, Proshare Research

Wema Bank

Wema Bank's topline and bottom line were both adversely hit by the COVID-19 pandemic. Its profit before tax declined significantly by -33.75% while its gross earnings declined slightly by -6.59% in H1 2020. To further add to its woes its non-performing loans rose to 5.6% in H1 2020 from 3.55% In H1 2019.

Illustration 25: ***Wema Bank Strategic Thrust (2018-2020); Driving Growth Through Digital Capabilities***

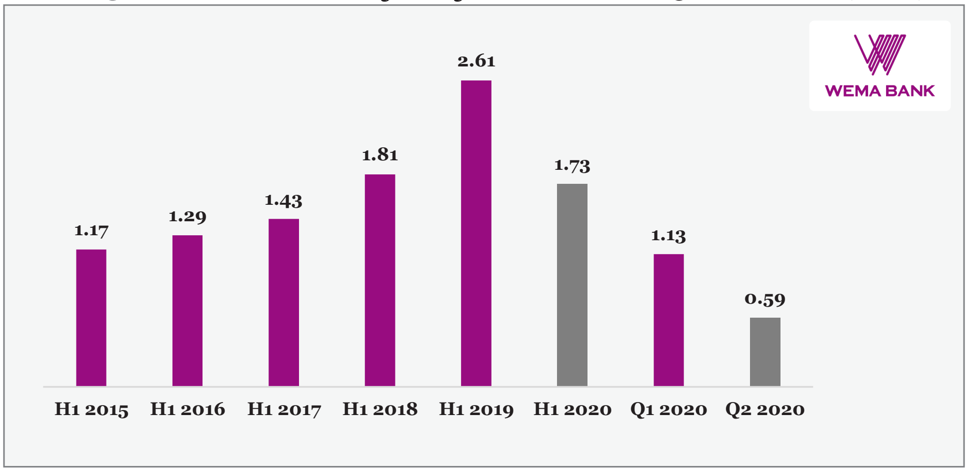


Profitability

The Group's profit before tax declined by -33.75% Y-o-Y from N2.6bn recorded in H1 2019 to N1.73bn recorded in H1 2020, the decline in profit before tax was majorly driven by a +3.39% Y-o-Y increase recorded in operating expense.

Profit before tax also declined by -47.09% Q-o-Q, from N1.13bn recorded in Q1 2020 to N597mn recorded in Q2 2020, majorly driven by a -7.34% decline in operating income and the harsh macroeconomic environment of the domestic economy (*see Chart 65*).

Chart 65: ***Wema Bank's Profit Before Tax H1 2015 – H1 2020 (N'bn)***

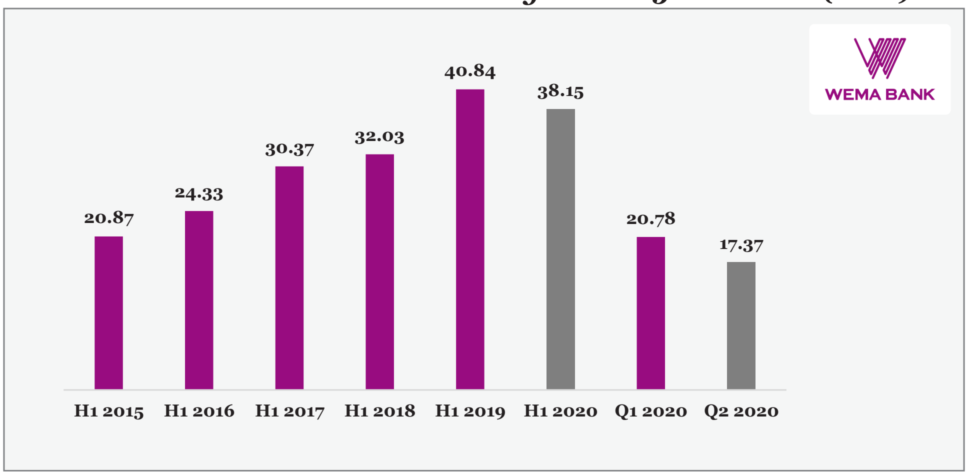


Source: Wema Bank's Financial Statement, Proshare Research

Gross earnings for the Group declined by -6.59% to N38.15bn from N40.84bn recorded in the corresponding period of the previous year, this was due to a -9.23% decline in interest income. Major drivers of the decline in interest income include loans and advances and investment securities which declined by -9.59% and -20.98% Y-o-Y respectively.

The group also record a -16.41% Q-o-Q decline in gross earnings; this was due to a -23.26% Q-o-Q decline in interest income (*see Chart 66*).

Chart 66: ***Wema Bank's Gross Earnings H1 2015 – H1 2020 (N'bn)***

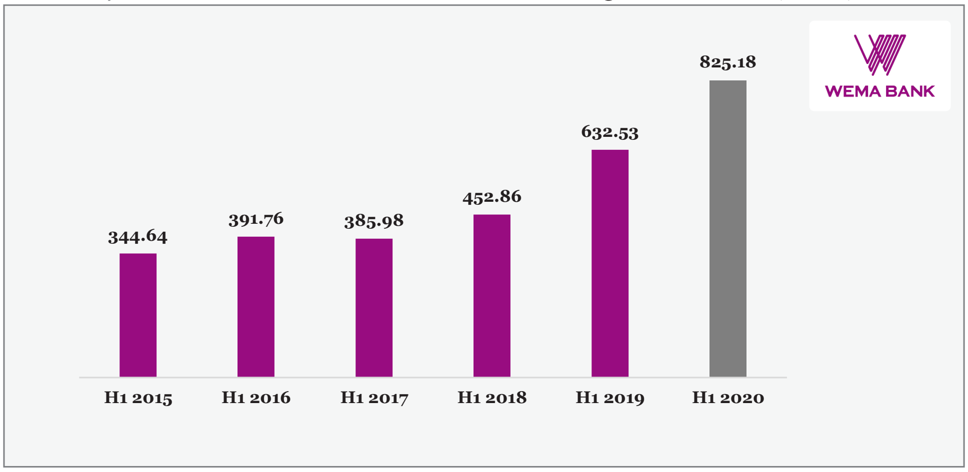


Source: Wema Bank's Financial Statement, Proshare Research

Asset Quality

Total assets of Wema bank increased significantly by +30.5% Y-o-Y from N632.5bn recorded in the corresponding period of the previous year to N825.2bn recorded in H1 2020. Major drivers responsible for the growth of the total assets are cash and cash equivalents, restricted deposit and loans and advances to customers all recorded significant increase of +102.94%, +167.32%, and +20.14% respectively (*see Chart 67*).

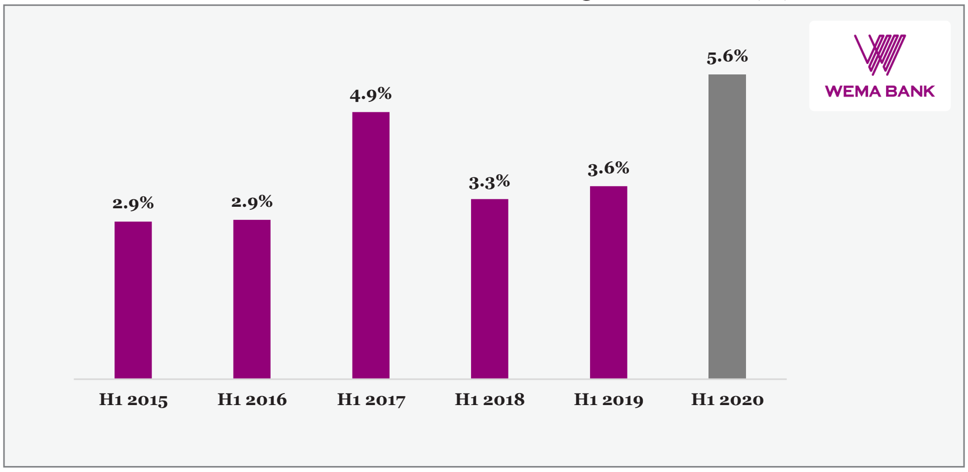
Chart 67: ***Wema Bank's Total Assets H1 2015 – H1 2020 (N'bn)***



Source: Wema Bank's Financial Statement, Proshare Research

The non-performing loans ratio increased to 5.6% in H1 2020 from 3.55% recorded in H1 2019, this is the highest NPL ratio recorded by the Group during the period under review. The Group's loan portfolio analysis has the oil and gas sector accounts for the highest amount of borrowings of N69.47bn while the NPL portfolio analysis has the general commerce sector as the highest percentage of non-performing loans of 43.17%. The general commerce sector covers loans to commercial businesses that deal with general goods which have been heavily impacted by the COVID-19 pandemic, this explains the growth of the NPL ratio in H1 2020 and the decline in asset quality of the Group (*see Chart 68*).

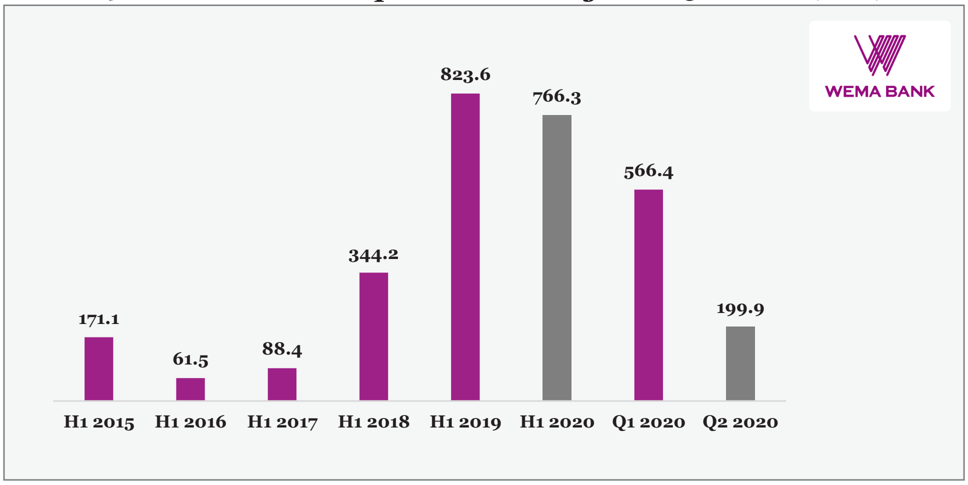
Chart 68: ***Wema Bank's NPL Ratio H1 2015 – H1 2020 (%)***



Source: Wema Bank's Financial Statement, Proshare Research

Wema bank's impairment losses on financial assets declined by -6.96% Y-o-Y, from N823.6m recorded in the previous period to N766.3m recorded in H1 2020. Also, impairment charges recorded a significant decline in Q2 2020 of -64.71%, from N566.4m recorded in Q1 2020 to N199.9m recorded in Q2 2020 (*see Chart 69*).

Chart 69: ***Wema Bank's Impairment Charges 2015 – 2020 (N'm)***

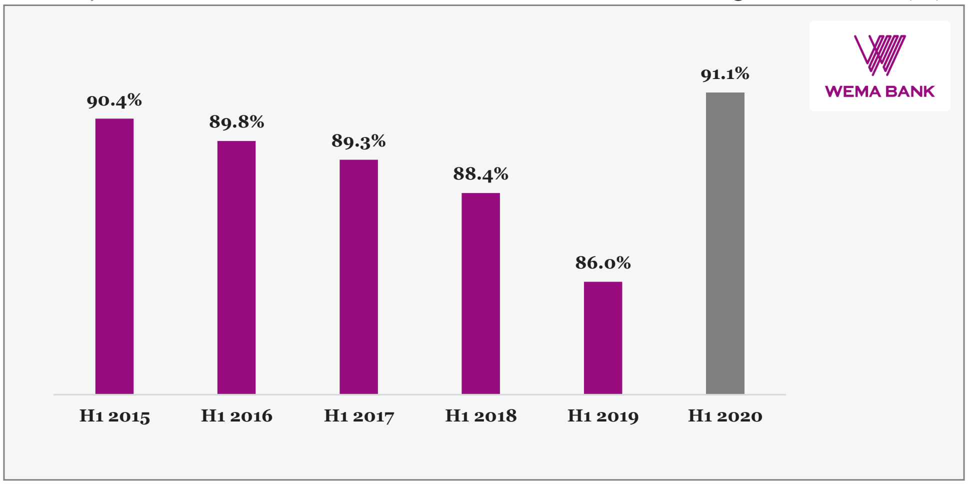


Source: Wema Bank's Financial Statement, Proshare Research

Cost

The cost-to-income ratio increased to 91.1% in H1 2020 from 86.03% recorded in H1 2019, this was driven by a +3.39% growth in operating expense in H1 2020. The increase in cost is driven by statutory expenses, NDIC premium, and AMCON levy all of which increased by +106%, +20%, and +14.4% respectively. Wema Bank's highest cost-to-income ratio of 91.1% within the review period was recorded in H1 2020 while its lowest cost-to-income ratio of 86.03% was recorded in H1 2019 (*see Chart 70*).

Chart 70: ***Wema Bank's Cost-to-Income Ratio H1 2015 – H1 2020 (%)***

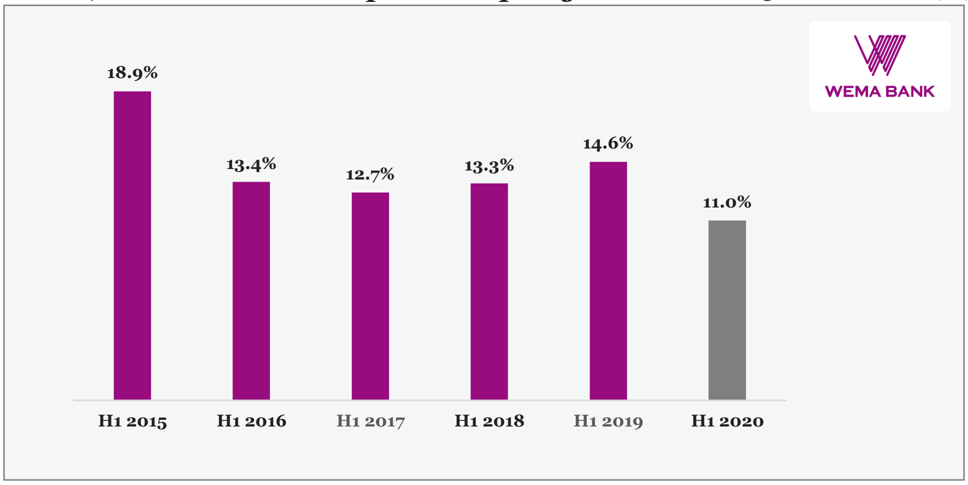


Source: Wema Bank's Financial Statement, Proshare Research

Capital and Liquidity

Wema Bank's capital adequacy ratio declined to 11% in H1 2020 from 14.59% recorded in H1 2019, which was also the lowest capital adequacy ratio recorded by the Group. It recorded the highest capital adequacy ratio of 18.9% in H1 2015 within the review period (*see Chart 71*).

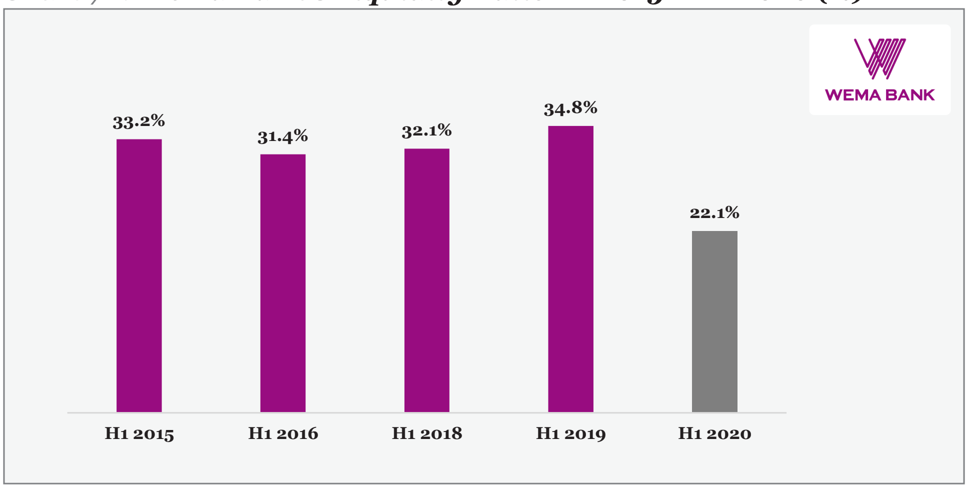
***Chart 71:* Wema Bank's Capital Adequacy Ratio H1 2015 – H1 2020 (%)**



Source: Wema Bank's Financial Statement, Proshare Research

The liquidity ratio declined to 22.07% in H1 2020 from 34.81% recorded in H1 2019 which is below the regulatory minimum of 30%. Its lowest liquidity ratio of 22.07% was recorded in H1 2020 while the highest liquidity ratio of 34.81% was recorded in H1 2019 (*see Chart 72*).

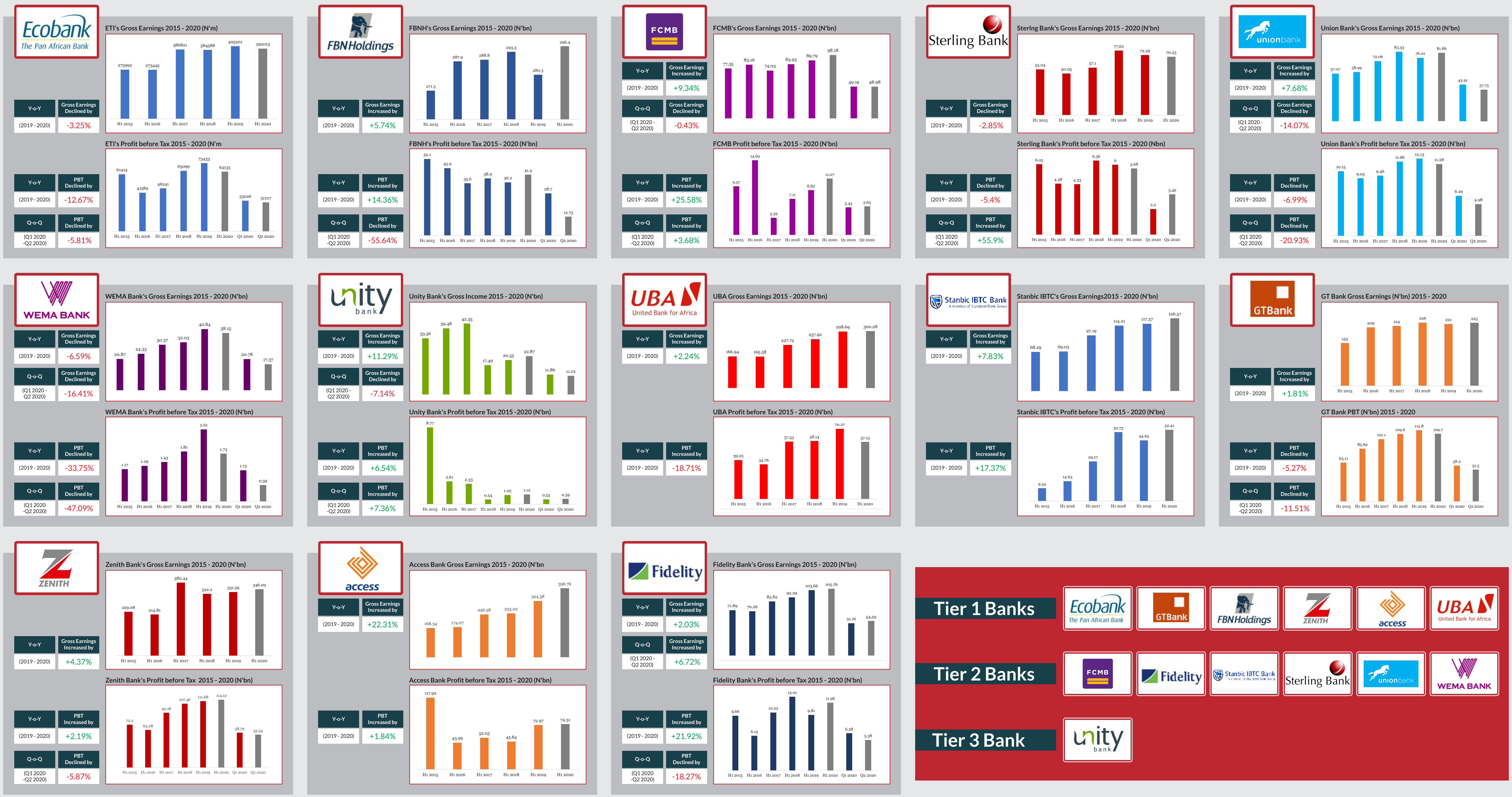
***Chart 72:* Wema Bank's Liquidity Ratio H1 2015 – H1 2020 (%)**



Source: Wema Bank's Financial Statement, Proshare Research

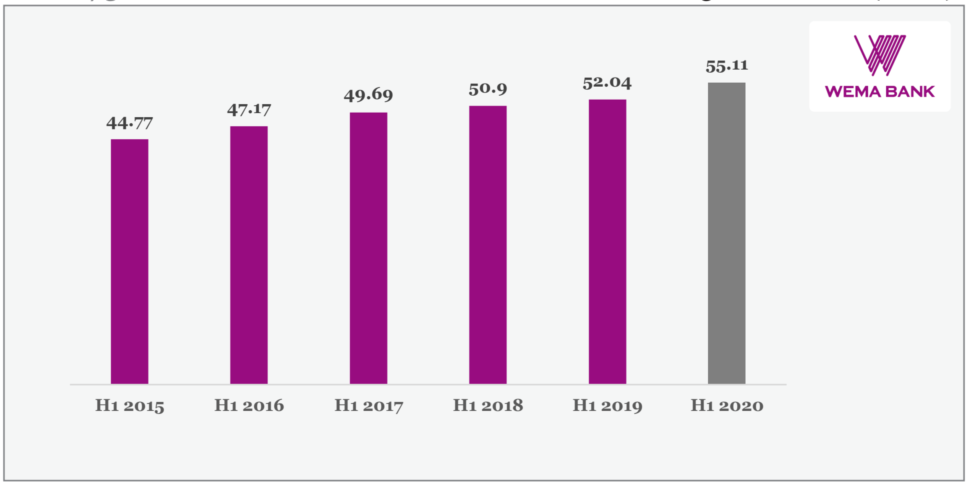
There has been a steady growth in the shareholder's fund of the Group, shareholders fund grew by +5.91% Y-o-Y, from N52bn recorded in H1 2019 to N55bn recorded in H1 2020. This was majorly driven by a +131.9% growth recorded in the regulatory risk reserve of the Group in H1 2020 (*see Chart 73*).

NIGERIAN BANKS IN H1 2020: FIGHTING A VIRUS SLOWLY



Source: Proshare Research, Ecographics

Chart 73: ***Wema Bank's Shareholders Fund H1 2015 – H1 2020 (N'bn)***

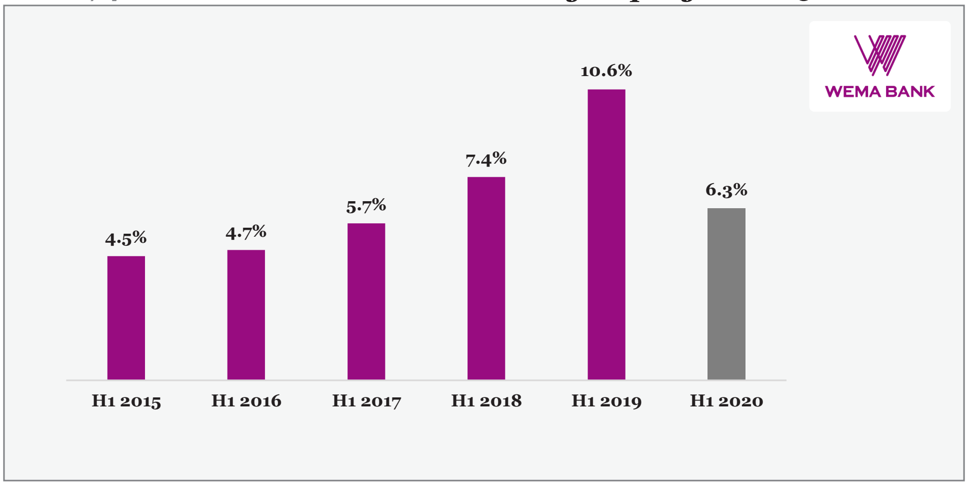


Source: Wema Bank's Financial Statement, Proshare Research

Investor Ratios

Return on equity declined to 6.25% in H1 2020 from 10.57% recorded in H1 2019. The highest return on average equity of 10.57% was recorded in H1 2019 while the lowest return on average equity of 4.51% was recorded in H1 2015 (*see Chart 74*).

Chart 74: ***Wema Bank's Return on Average Equity H1 2015 – H1 2020 (%)***

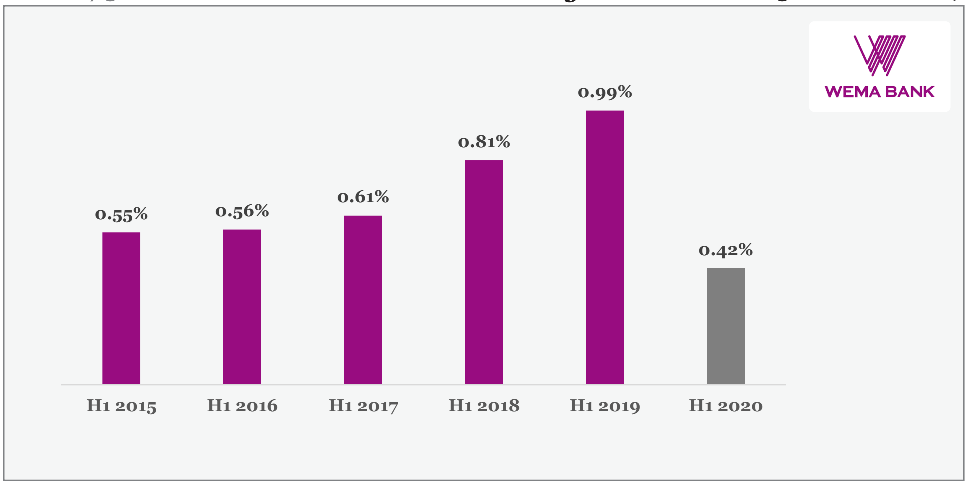


Source: Wema Bank's Financial Statement, Proshare Research

Return on assets declined to 0.42% in H1 2020 from 0.99% recorded in H1 2019. The highest return on assets of 0.99% was recorded in H1 2019 while the lowest return on assets of 0.46% was recorded in H1 2020 (*see Chart 75*).

Chart 75: Wema Bank's Return on Average Asset H1 2015 – H1 2020 (%)

Chart 75: ***Wema Bank's Return on Average Asset H1 2015 – H1 2020 (%)***



Source: Wema Bank's Financial Statement, Proshare Research

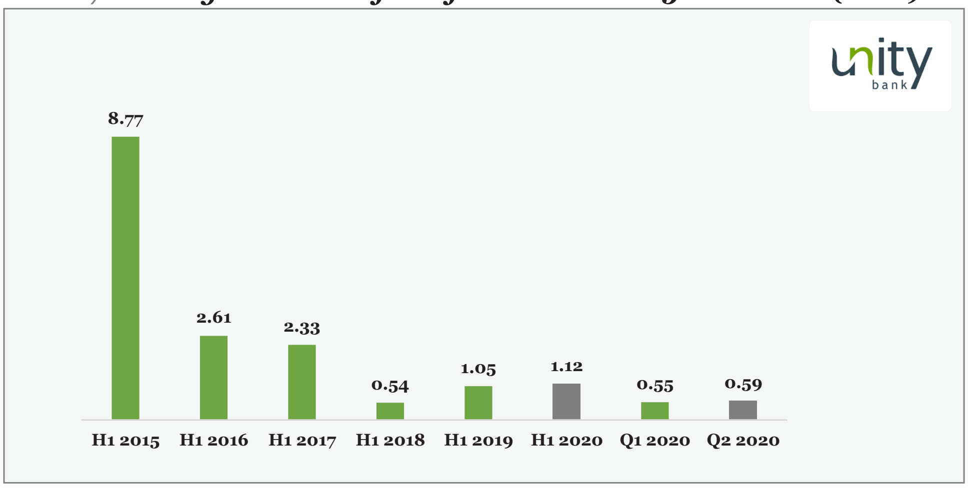
Unity Bank

Unity Bank Plc pulled off a strange feat in H1 2020, despite operating on the equivalent of petrol fumes as represented by its negative shareholder funds, the bank was able to muster a half-year profit before tax of N1.12bn which was +6.46% higher than its bottom-line profit in the contemporary period of 2019. The skip in Unity Bank's profit rode on the back of a major rise in the bank's fee-based earnings for 2020 which rose +67.99% higher than in H1 2019.

Profitability

Unity Bank recorded a +6.54% Y-o-Y increase in profit before tax, from N1.052bn recorded in the corresponding period of the previous year to N1,120bn recorded for H1 2020, profit after tax (PAT) also recorded a +7% increase for the Y-on-Y performance, the growth in profitability could be attributed a 36% decline in credit loss expense which translated to a +16% increase in the net operating income.
Profit before tax also recorded a growth of +7.36% Q-o-Q, from N550m recorded in Q1 2020 to N590m recorded in Q2 2020 (*see Chart 76*).

Chart 76: ***Unity Bank's Profit Before Tax H1 2015 – H1 2020 (N'bn)***

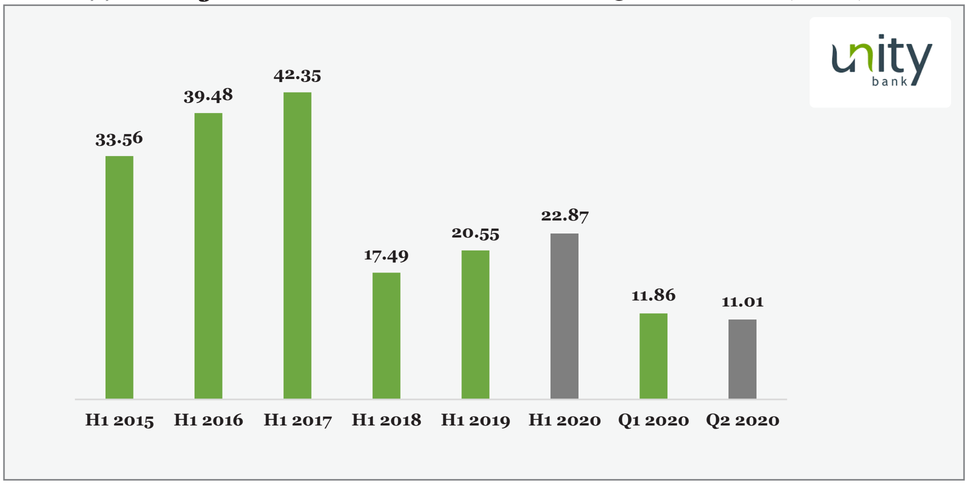


Source: Unity Bank's Financial Statement, Proshare Research

Gross earnings grew Y-o-Y by +11.28% from N20.547bn recorded in the corresponding quarter of the previous year, the growth in gross earnings could be attributed to the +22% and +68% increase in net interest income and fee and commission respectively. This is despite the macroeconomic challenges caused by the COVID-19 pandemic.

Unity Bank recorded a decline of -7.14% Q-o-Q in gross earnings, from N11.85bn recorded in Q1 2020 to N11bn recorded in Q2 2020. The decline in gross earnings in Q2 2020 was majorly driven by -3.52%, -42.45%, and -9.48% Q-o-Q decline in interest income, fees and commission, and total operating income respectively (*see Chart 77*).

***Chart 77:* Unity Bank's Gross Income H1 2015 – H1 2020 (N'bn)**

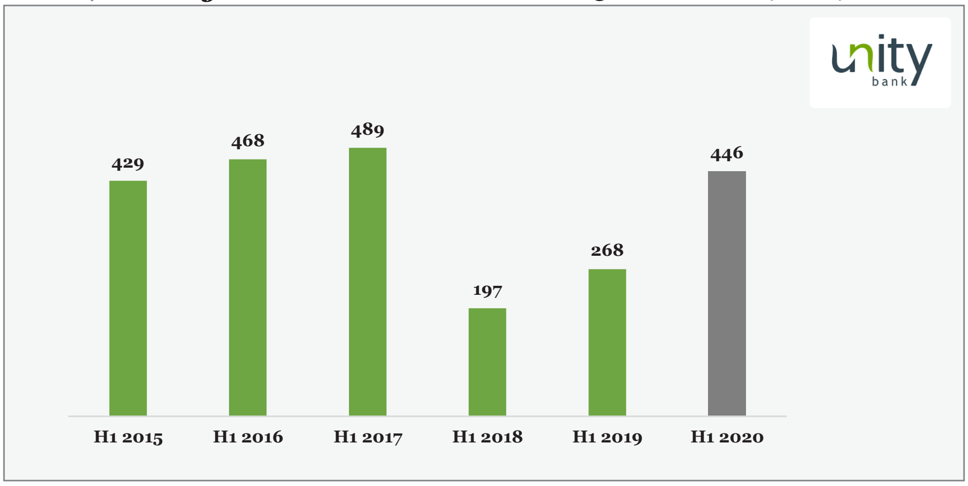


Source: Unity Bank's Financial Statement, Proshare Research

Asset Quality

The total asset of Unity bank grew by +52.17% Y-o-Y from N267.7bn recorded in the same period in the previous year, to N445.9 bn recorded for H1 2020, this was driven by a +616.7%, +61.6%, and +86.2% Y-o-Y increase recorded in cash and balances with central banks, dues from banks and net loans and advances to customers respectively (*see Chart 78*).

***Chart 78:* Unity Bank's Total Assets H1 2015 – H1 2020 (N'bn)**

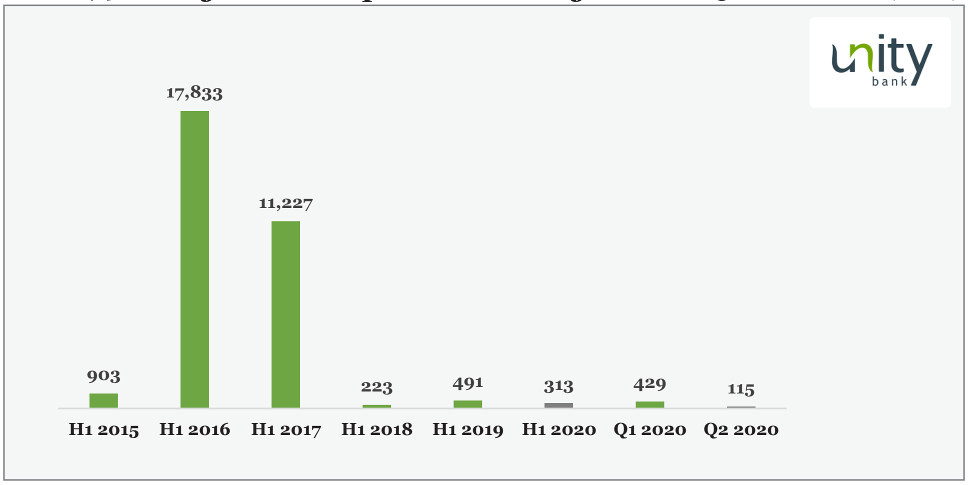


Source: Unity Bank's Financial Statement, Proshare Research

Impairment charges declined by -36.07% Y-o-Y from N491mn recorded in H1 2019 to N313mn recorded in H1 2020, the bank also recorded a -73.07% decline in impairment charges Q-o-Q, which is an in improvement in loan recoveries of the bank. Although the recent result of the NPL ratio shows a decline in asset quality, the NPL ratio of the bank grew from 0.1% in H1 2019 to 0.6% in H1 2020 (*see Chart 79*).

The highest percentage increase in impairment charges with over a +1000% was recorded in H1 2016 while the highest percentage decline in impairment charges of -98% for Unity bank during the review period was recorded in H1 2018 (*see Chart 79*).

Chart 79: ***Unity Bank's Impairment Charges H1 2015 – H1 2020 (N'm)***

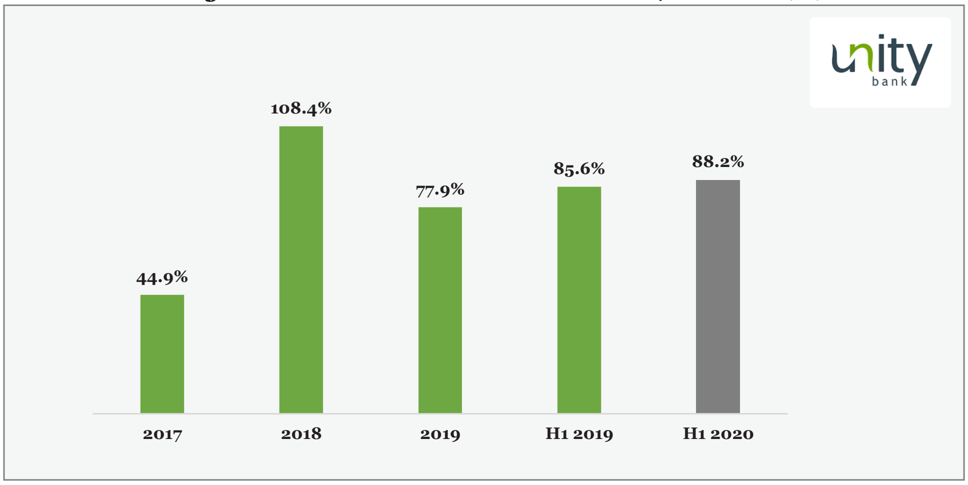


Source: Unity Bank's Financial Statement, Proshare Research

Cost

The cost-to-income ratio increased to 88.2% for H1 2020, from 85.6% recorded in the corresponding quarter of the previous year. The increase in the cost-to-income ratio could be attributed to the +17% Y-o-Y increase in total operating expenses (*see Chart 80*)

Chart 80: ***Unity Bank Cost-to-income Ratio 2017 – 2020 (%)***

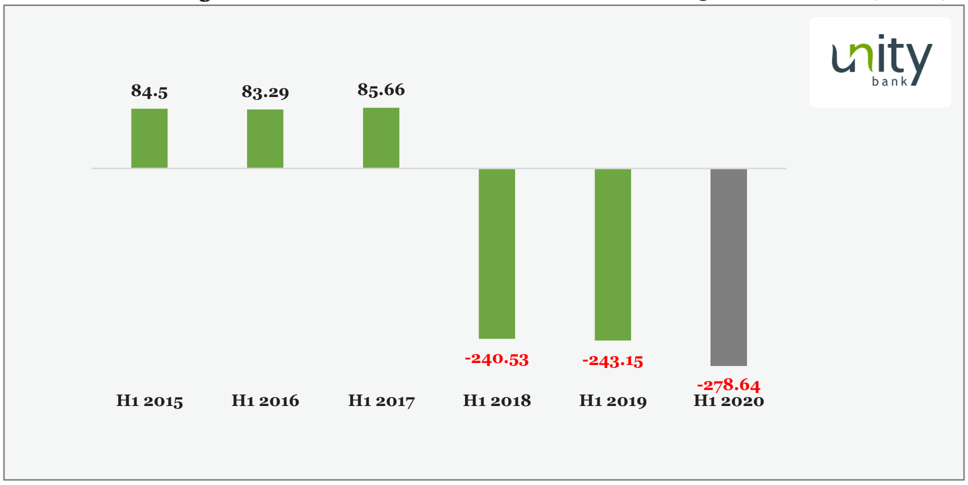


Source: Unity Bank's Financial Statement, Proshare Research

Capital and Liquidity

Unity bank recorded a -14.60% Y-o-Y decline in its shareholder's fund, continuing a stream of declines over the past three years (*see Chart 81*).

Chart 81: ***Unity Bank's Shareholder's Fund H1 2015 – H1 2020 (N'bn)***



Source: Unity Bank's Financial Statement, Proshare Research

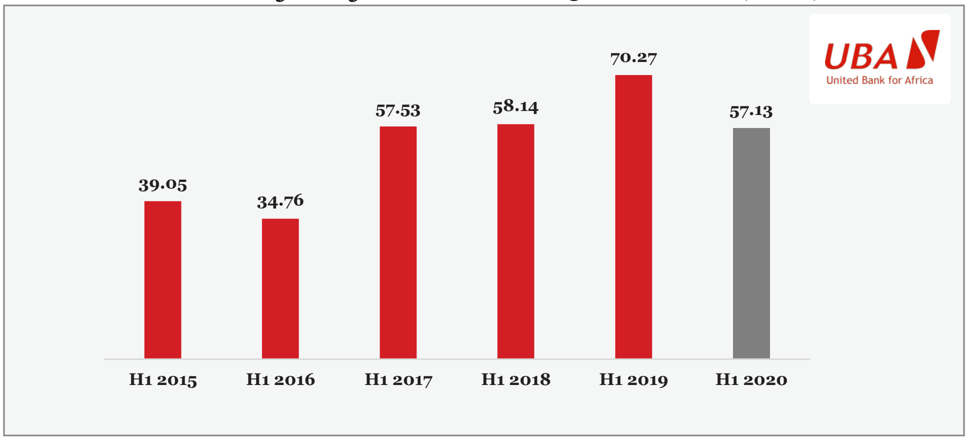
United Bank For Africa (UBA)

UBA's steady rise in its top-line figures was halted by the COVID-19 pandemic. Its profit before tax declined significantly by -18.71% while its gross earnings grew slightly by +2.24% in H1 2020.

Profitability

UBA recorded a -18.71% Y-o-Y decline in profit before tax from N70.27bn recorded in H1 2019 to N57.13bn in H1 2020. The Group also recorded a -21.69% Y-o-Y decline in profit after tax. This was as a result of a +22.60% increase recorded in operating expenses, PBT declined despite a +7.01% Y-o-Y uptick in net fee and commission. Total comprehensive income for the period increased by +3.28%, foreign currency revaluation gain grew significantly by +618.8% Y-o-Y while foreign exchange trading income declined by -7.29% Y-o-Y (*see Chart 82*)

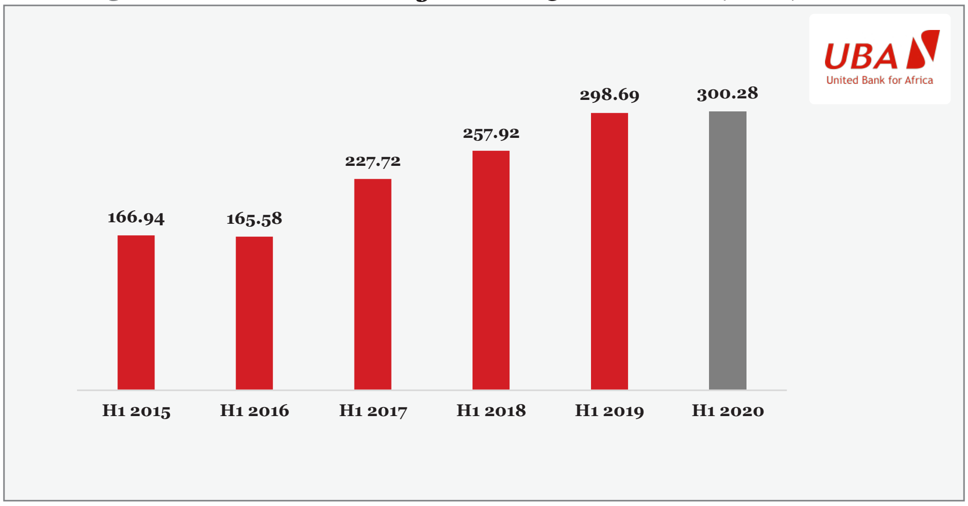
Chart 82: ***UBA's Profit Before Tax H1 2015 – H1 2020 (N'bn)***



Source: UBA's Financial Statement, Proshare Research

Gross earnings grew by +2.24% Y-o-Y from N293.7bn recorded in the corresponding period of the previous year to N300.3bn recorded in H1 2020. Interest income grew marginally by +0.34% Y-o-Y while interest declined by -8.97%, net fee and commission increased Y-o-Y by +7.01%. foreign exchange revaluation gains grew significantly by +619.8% while foreign exchange trading income declined Y-o-Y by -7.29% (*see Chart 83*)

***Chart 83:* UBA's Gross Earnings H1 2015 – H1 2020 (N'bn)**

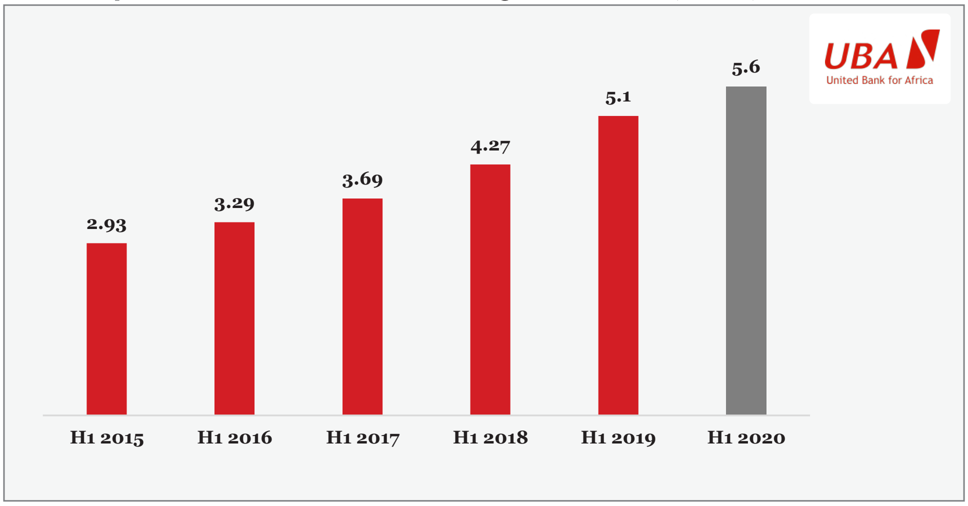


Source: UBA's Financial Statement, Proshare Research

Asset Quality

Total assets increased by Y-o-Y by +9.84% from N5.1trn recorded in H1 2019 to N5.6trn recorded in H1 2020. Major drivers of the increase in total assets of the Group were cash and bank balances and investment securities held at amortized cost, they both recorded a significant increase by +51.03% and +69.71% Y-o-Y respectively (*see Chart 84*).

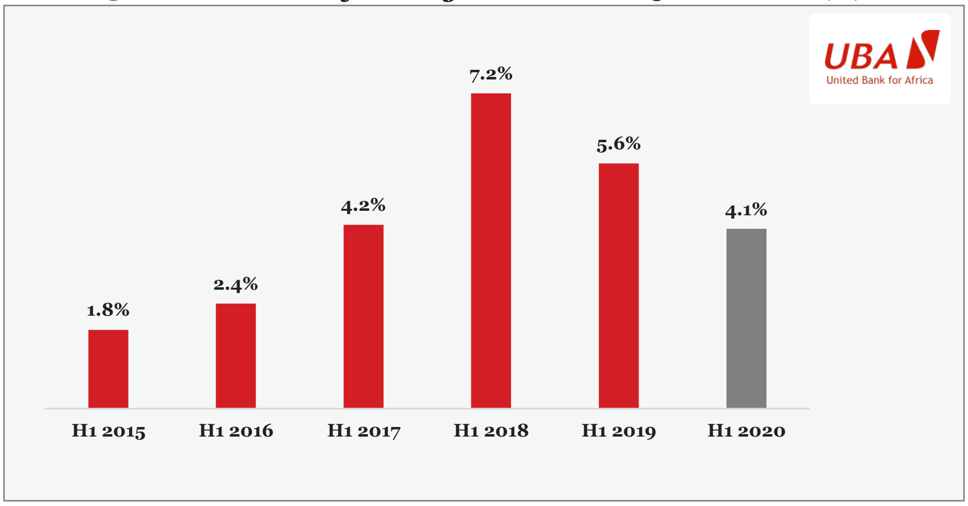
***Chart 84:* UBA's Total Assets H1 2015 – H1 2020 (N'trn)**



Source: UBA's Financial Statement, Proshare Research

Non-performing loans declined to 4.1% in H1 2020 from 5.6% recorded in H1 2019. The highest NPL ratio of 7.2% was recorded in H1 2018 while the lowest non-performing loan of 1.8% was recorded in H1 2015 (*see Chart 85*).

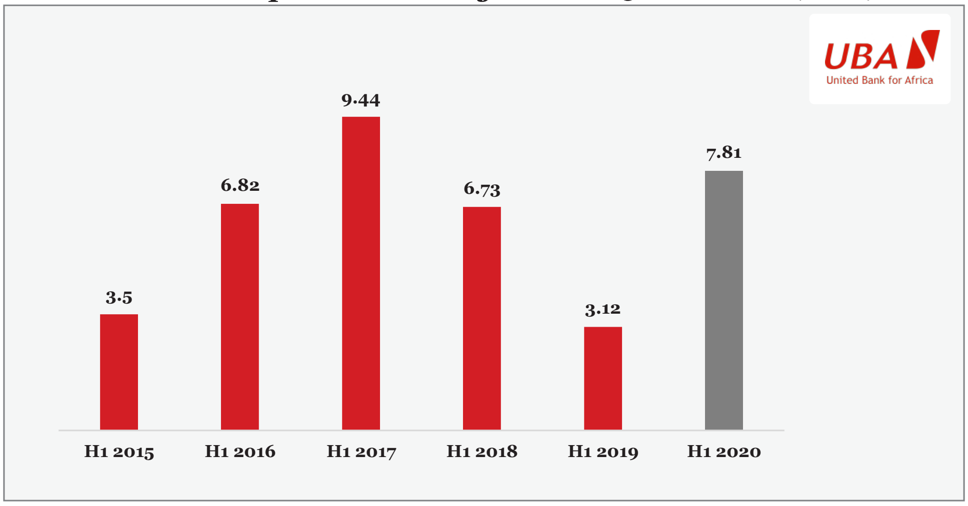
Chart 85: ***UBA's Non-Performing Loans H1 2015 – H1 2020 (%)***



Source: UBA's Financial Statement, Proshare Research

During the period under review impairment charges were on a steady decline, however, in H1 2020 impairment charges for the Group grew significantly by +150.22% recording the highest growth in impairment charges for the Group. In H1 2019, the Group recorded the highest decline of -53.65% in impairment charges (*see Chart 86*). Total loans and advances grew by +27.41% Y-o-Y with loans and advances to customers driving the growth.

Chart 86: ***UBA's Impairment Charges H1 2015 – H1 2020 (N'bn)***

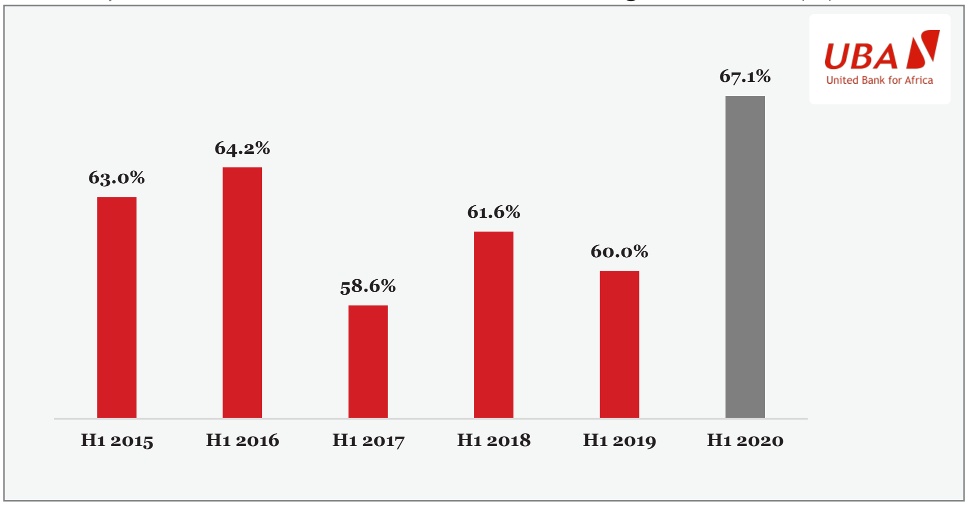


Source: UBA's Financial Statement, Proshare Research

Cost

Operating cost increased Y-o-Y by +22.6% which drove the significant increase in the cost-to-income ratio for H1 2020. Major drivers of the growth in operating expenses where the donations of the Group and penalties, both grew significantly by +11665% and +6117.8% respectively. The cost-to-income ratio increased Y-o-Y to 67.1% from 60% recorded in H1 2019 (*see Chart 87*).

Chart 87: ***UBA's Cost-to-Income Ratio H1 2015 – H1 2020 (%)***

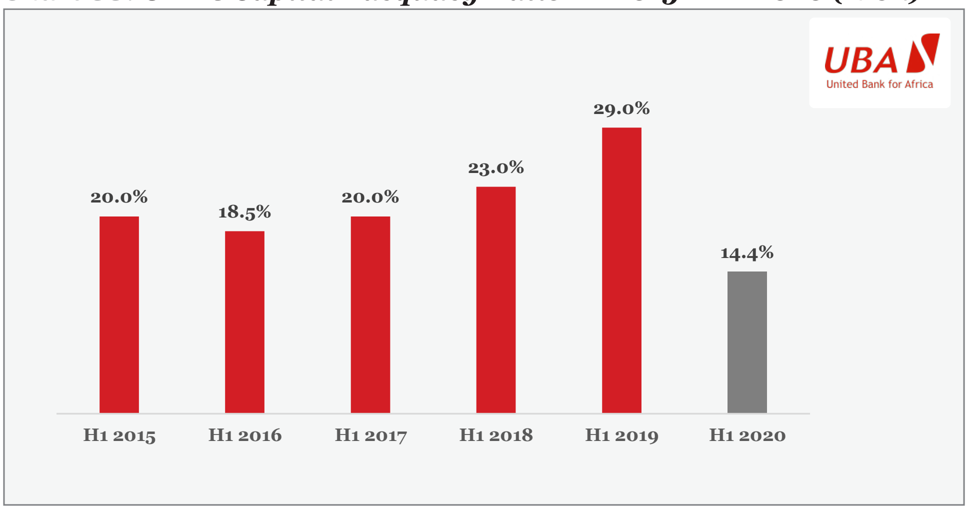


Source: UBA's Financial Statement, Proshare Research

Capital and Liquidity

The capital adequacy ratio declined significantly to 14.4% in H1 2020 from 29% recorded in H1 2019. UBA recorded its lowest capital adequacy ratio of 14.4% in H1 2020 while it recorded its highest capital adequacy of 29.0% in H1 2019. (*see Chart 88*).

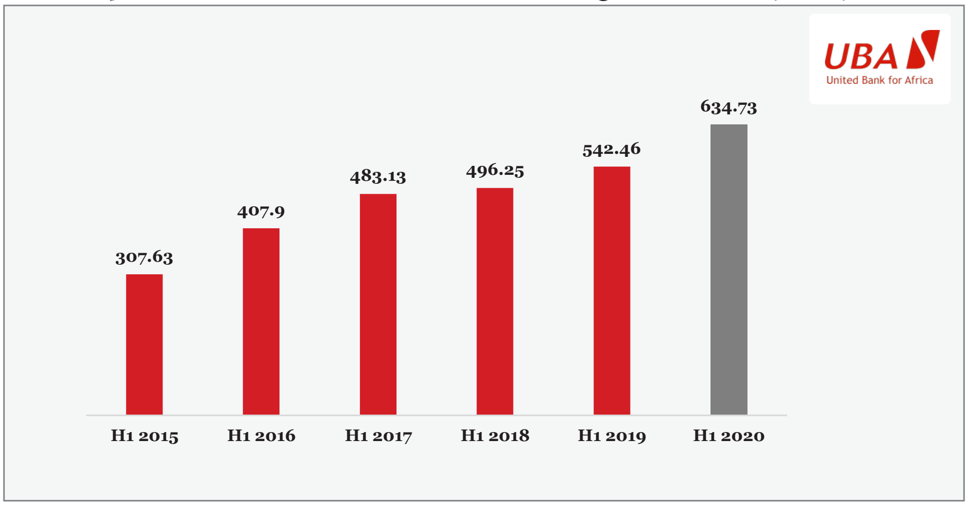
Chart 88: ***UBA's Capital Adequacy Ratio H1 2015 – H1 2020 (N'bn)***



Source: UBA's Financial Statement, Proshare Research

Shareholders' funds grew significantly by +17.01% Y-o-Y from N542.5bn recorded in the corresponding period of the previous year to N634.7bn recorded in H1 2020. Major drivers of the growth recorded in shareholder's fund are growth in the retained earnings and other reserve elements of the shareholder's fund. Both grew by +7.32% and +33.73% Y-o-Y respectively. Other reserve elements of the shareholder's fund include a statutory reserve, fair value reserve, regulatory risk reserve, and translation reserve (*see Chart 89*).

***Chart 89:* UBA's Shareholders Fund H1 2015 – H1 2020 (N'bn)**

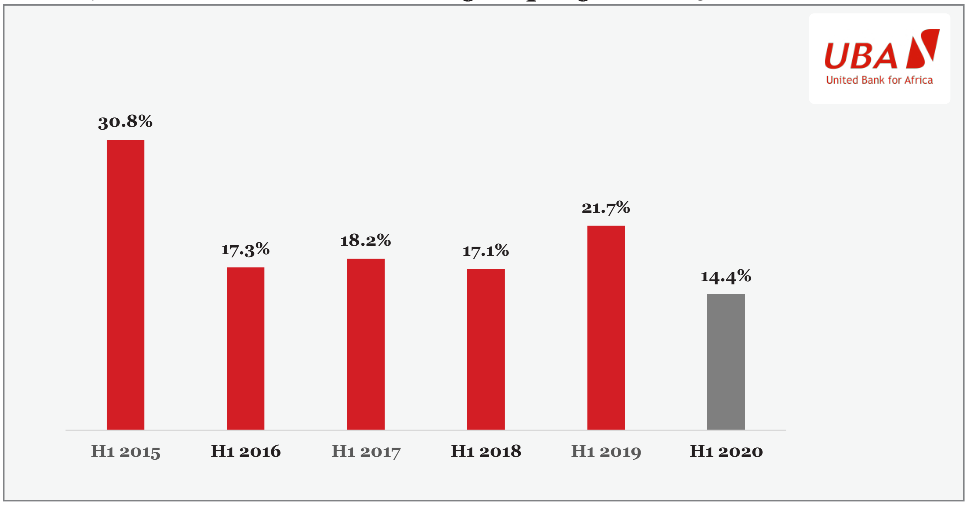


Source: UBA's Financial Statement, Proshare Research

Investor Ratios

UBA's return on average equity declined significantly to 14.4% in H1 2020 from 21.7% recorded in H1 2019. UBA recorded the highest return on average equity of 30.8% in H1 2015 while it recorded the lowest return on average equity of 14.4% in H1 2020 (*see Chart 90*).

***Chart 90:* UBA's Return on Average Equity H1 2015 – H1 2020 (%)**

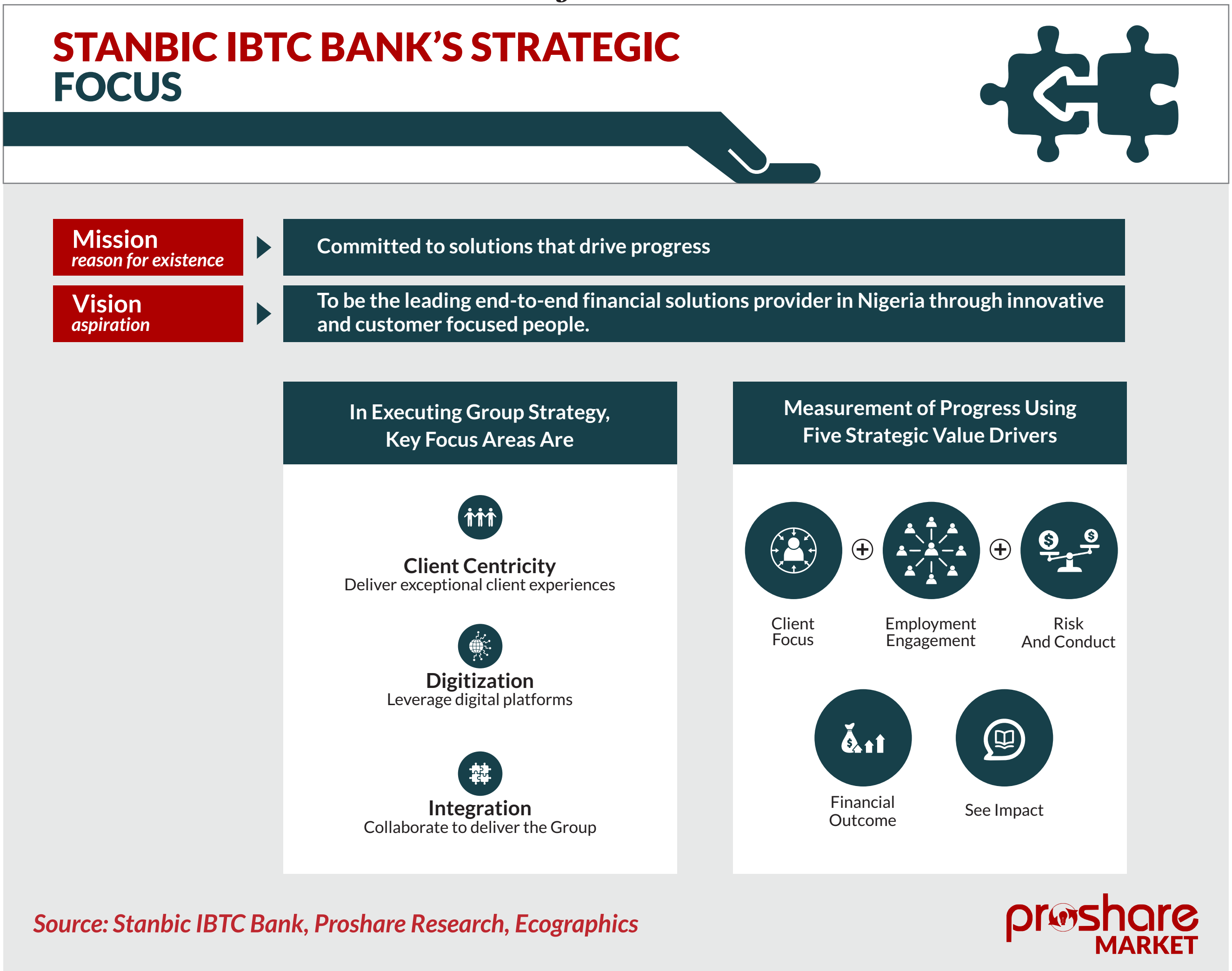


Source: UBA's Financial Statement, Proshare Research

Stanbic IBTC Bank

Stanbic IBTC Bank's financial results revealed a rebound in its profit before tax of +17.37% in H1 2020 after recording a decline in H1 2019. Its strong rebound in profit growth defied analyst expectations who had predicted a further decline in profits as a result of the macroeconomic headwinds posed by the COVID-19 pandemic.

Illustration 26: ***Stanbic IBTC Bank's Strategic Focus***

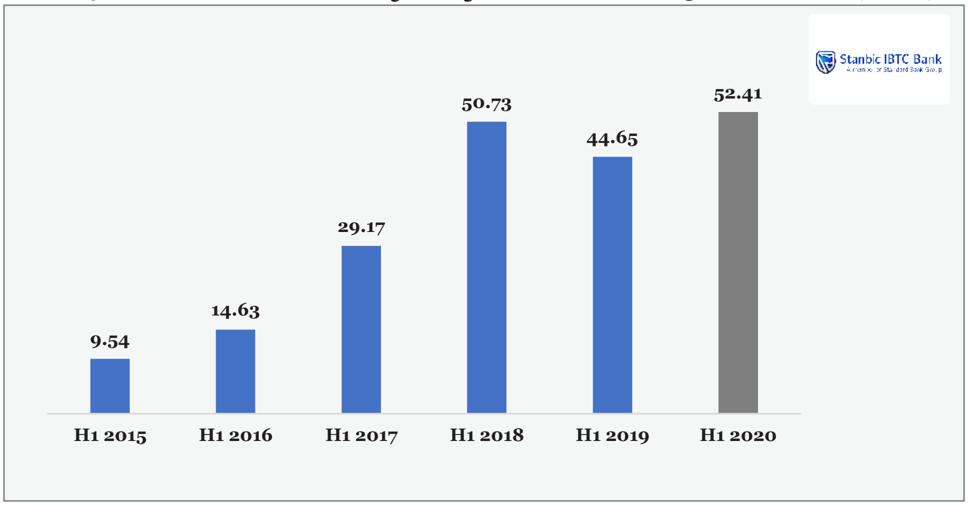


Profitability

Stanbic IBTC bank recorded Y-o-Y growth in its profit before tax by +17.37% from N44.65bn recorded in H1 2019 to N52.41bn recorded in H1 2020. Profit after tax increased significantly by +24.72% from N36.2bn recorded in H1 2019 to N45.2bn recorded in H1 2020, this was as a result of a +14% Y-o-Y increase in net operating income and +36.95% increase in total comprehensive income while operating expense declined by -3.06% Y-o-Y.

The highest percentage growth in PBT of +99.45% was recorded in H1 2017 while the highest percentage decline in PBT of -11.99% was recorded in H1 2019 (*see Chart 91*)

Chart 91: ***Stanbic IBTC's Profit Before Tax H1 2015 – H1 2020 (N'bn)***

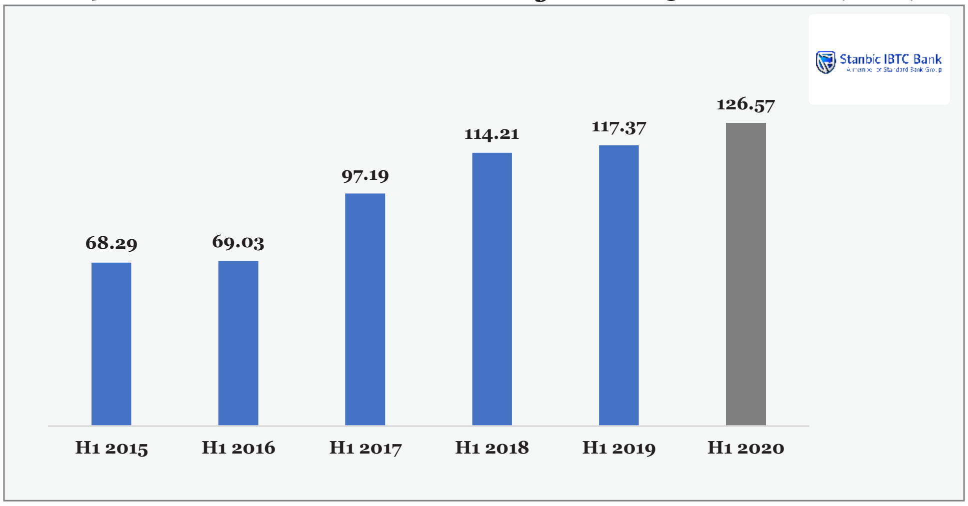


Source: Stanbic IBTC's Financial Statement, Proshare Research

Gross earnings increased by +7.83% Y-o-Y from N117.4bn recorded in H1 2019 to N126.6bn recorded in H1 2020, this was majorly driven by a +27.24% Y-o-Y increase in non-interest rate. Fixed income and currencies increased by +94.64% which was the major driver in the growth recorded in the non-interest income while fees and commission declined Y-o-Y by -2.55%. Interest income declined by -4.48% Y-o-Y which was covered up by the significant growth in non-interest income.

The highest percentage increase in gross earnings of +40.81% was recorded in H1 2017 while the lowest percentage change in gross earnings of +1.07% was recorded in H1 2016 (*see Chart 92*).

Chart 92: ***Stanbic IBTC's Gross Earnings H1 2015 – H1 2020 (N'bn)***

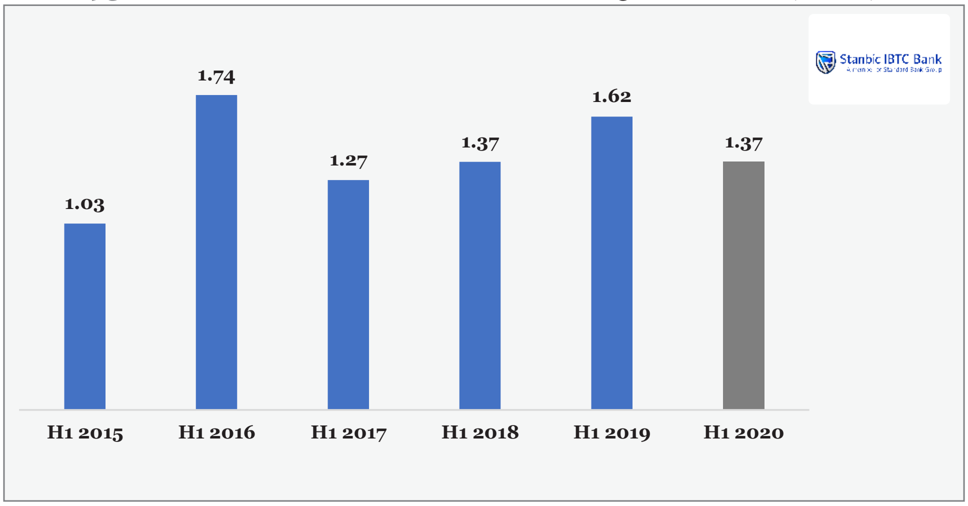


Source: Stanbic IBTC's Financial Statement, Proshare Research

Asset Quality

The Group had an upward trend in the growth of its total assets except in H1 2017 and H1 2020. In H1 2020, total assets declined by -15.26% from N1.6trn recorded in H1 2019 to N1.4trn recorded in H1 2020, this was despite the growth recorded in cash and cash equivalents and trading assets which grew Y-o-Y by +147.96% and +588.3% respectively (*see Chart 93*).

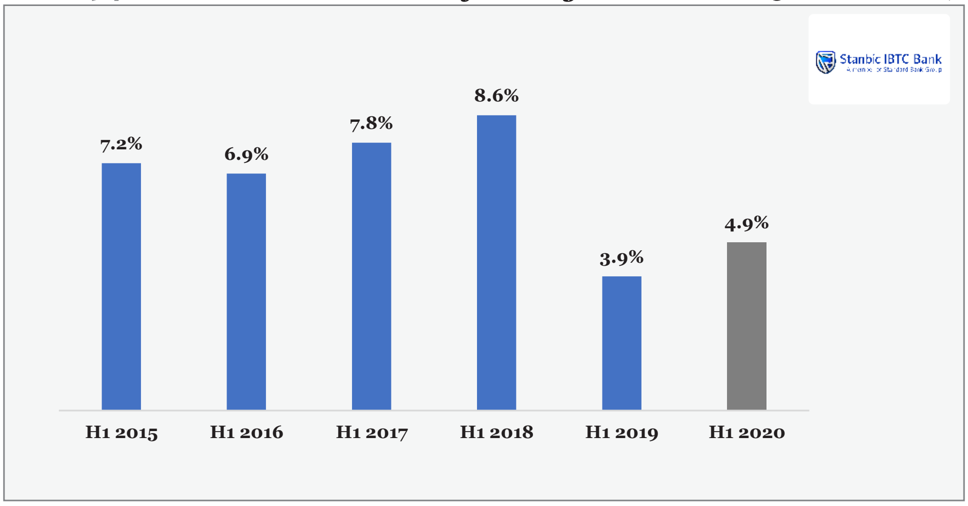
Chart 93: ***Stanbic IBTC's Total Assets H1 2015 – H1 2020 (N'trn)***



Source: Stanbic IBTC's Financial Statement, Proshare Research

Non-performing loans increased significantly to 4.9% in H1 2020 from 3.9% recorded in H1 2019. Gross loans and advances of the Group grew Y-o-Y by +25.72% and +8.39% YTD. Agriculture has the highest portion of the Group's NPL by sector, covering about 33% of the Group's non-performing loans (*see Chart 94*).

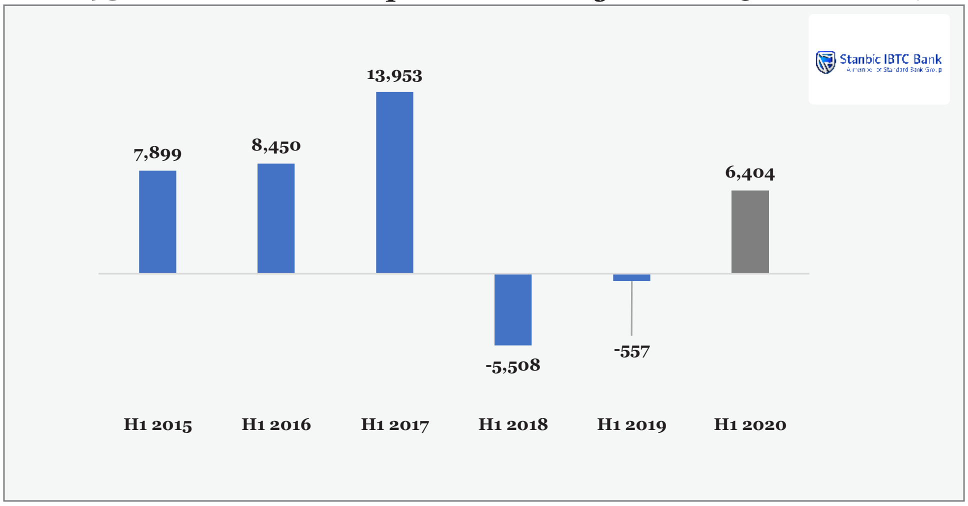
Chart 94: ***Stanbic IBTC's Non-Performing Loans H1 2015 – H1 2020 (%)***



Source: Stanbic IBTC's Financial Statement, Proshare Research

Stanbic IBTC recorded significant growth in impairment charges for H1 2020 which reduces the asset quality of the Group while in H1 2018 and H1 2019 the Group recorded enough recoveries to cover its impairments charges. Impairment charges grew by over +1200% from N557m recovered in H1 2019 to N6.4bn recorded in H1 2020, this could be attributed to +23.06%Y-o-Y increase recorded in loans and advances (*see Chart 95*).

Chart 95: ***Stanbic IBTC's Impairment Charges H1 2015 – H1 2020 (N'm)***

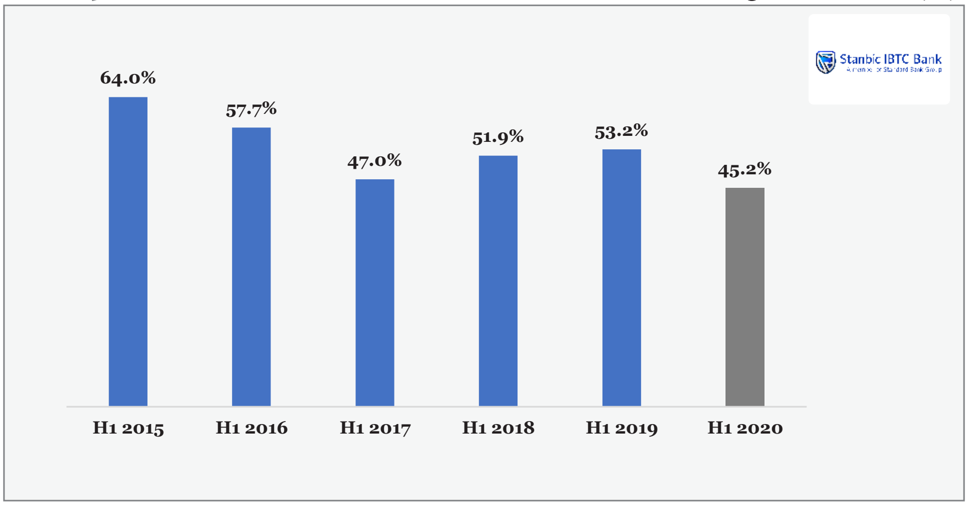


Source: Stanbic IBTC's Financial Statement, Proshare Research

Cost

Operational cost for the Group declined significantly in H1 2020, this was reflected in the decline recorded in its cost-to-income ratio which declined significantly to 45.2% in H1 2020 from 53.2% recorded in H1 2019. This was achieved majorly by a Y-o-Y declined in operating expenses by -3.06% while operating income increased Y-o-Y by +14%. Drivers of the decline recorded in operating expenses were the training expenses and bank charges, both declined by -86.9% and -74.24% respectively (*see Chart 96*).

Chart 96: ***Stanbic IBTC's Cost-to-Income Ratio H1 2015 – H1 2020 (%)***

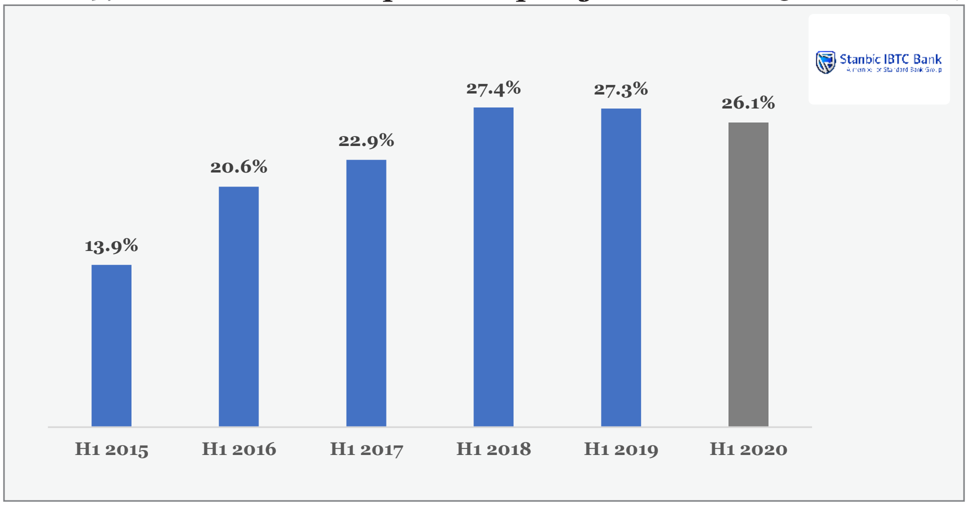


Source: Stanbic IBTC's Financial Statement, Proshare Research

Capital and Liquidity

Stanbic IBTC's capital adequacy ratio declined marginally to 26.1% in H1 2020 from 27.3% recorded in H1 2019 which is well above regulatory limits (*see Chart 97*).

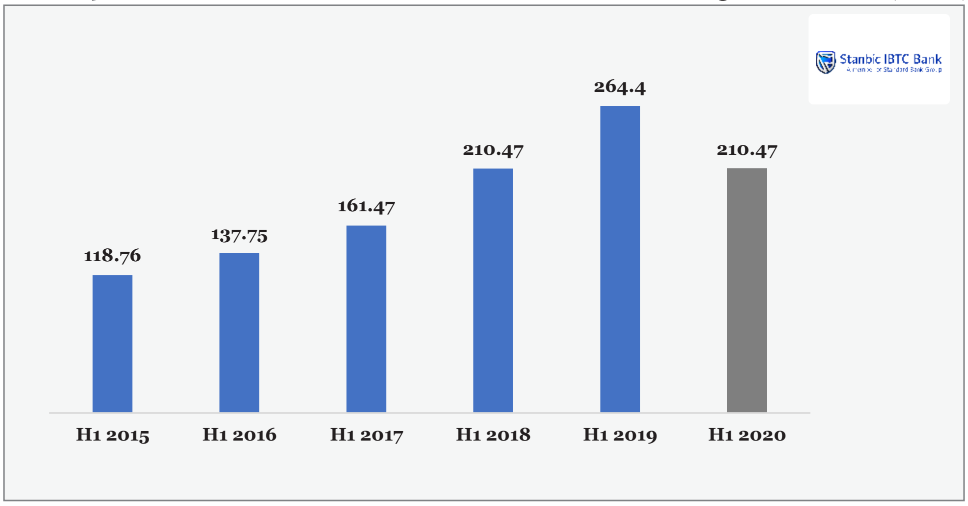
Chart 97: ***Stanbic IBTC's Capital Adequacy Ratio H1 2015 – H1 2020 (%)***



Source: Stanbic IBTC's Financial Statement, Proshare Research

Shareholder's fund declined by -20.40% Y-o-Y from N264.4bn recorded in H1 2019 to N210.5bn recorded in H1 2020, this was despite +27.11% Y-o-Y growth recorded in equity attributable to ordinary shareholders. The growth recorded in equity attributable to ordinary shareholders was driven by a +32.55% Y-o-Y increase in reserve (*see Chart 98*).

Chart 98: ***Stanbic IBTC's Shareholders Fund H1 2015 – H1 2020 (N'bn)***

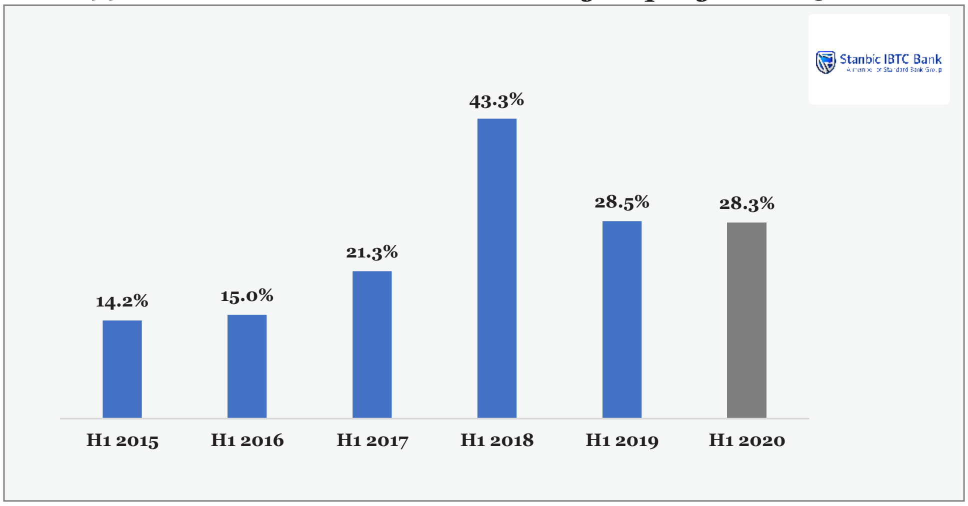


Source: Stanbic IBTC's Financial Statement, Proshare Research

Investor Ratios

Return on equity post-tax declined marginally to 28.3% in H1 2020 from 28.5% recorded in H1 2019. The highest return on equity of 43.3% was recorded in H1 2018 while the lowest return on equity of 14.2% was recorded in H1 2015 (*see Chart 99*).

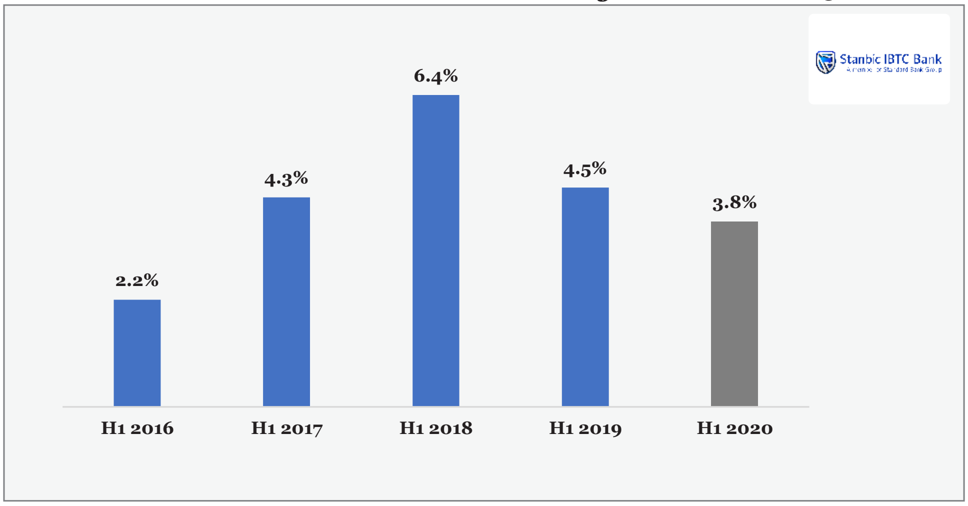
Chart 99: ***Stanbic IBTC's Return on Average Equity H1 2015 – H1 2020 (Post Tax) (%)***



Source: Stanbic IBTC's Financial Statement, Proshare Research

Return on average assets post-tax declined to 3.8% in H1 2020 from 4.5% recorded in H1 2019. The highest return on average assets of 6.4% was recorded in H1 2018 while the lowest return on average assets of 2.2% was recorded in H1 2016 (*see Chart 100*).

Chart 100: ***Stanbic IBTC's Return on Average Assets H1 2015 – H1 2020 (%)***



Source: Stanbic IBTC's Financial Statement, Proshare Research

Guaranty Trust Bank (GTB)

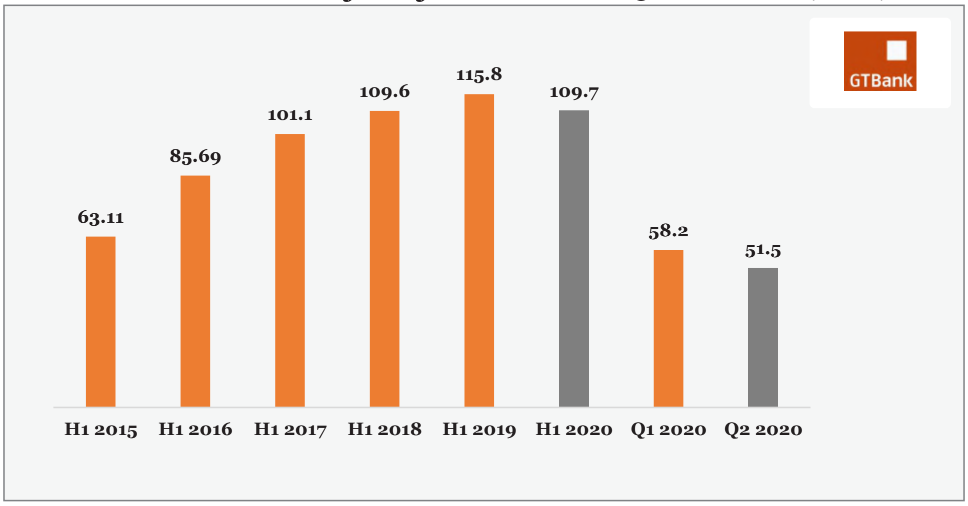
GT Bank was among the tier 1 banks that recorded a decline in its profit before tax in H1 2020. Unlike other banks, its profit before tax declined slightly by -5.27%. GT Bank's cost-to-income ratio rose to 43.2% and its impairment charges increased to N6.8trn in H1 2020.

Profitability

Profit before tax for the Group for H1 2020 recorded a decline of -5.27% from N115.8bn recorded in H1 2019 to N109.7bn recorded in H1 2020 while, profit after tax declined by -4.90% this was due to the impact of the COVID-19 on the financial institution. total operating income increased by +2.31% Y-o-Y however not as large as operating expense which increased significantly by +19.23% majorly driven by a +143.89% Y-o-Y increase in finance cost. Total comprehensive income for the period increased by +7.05% from N100.2bn recorded in H1 2019 to N107.2bn recorded in H1 2020.

Profit before tax declined -11.51% Q-o-Q from N58.2bn recorded in Q1 2020 to N51.5bn recorded in Q2 202 (*see Chart 101*).

***Chart 101:* GT Bank's Profit Before Tax H1 2015 – H1 2020 (N'bn)**

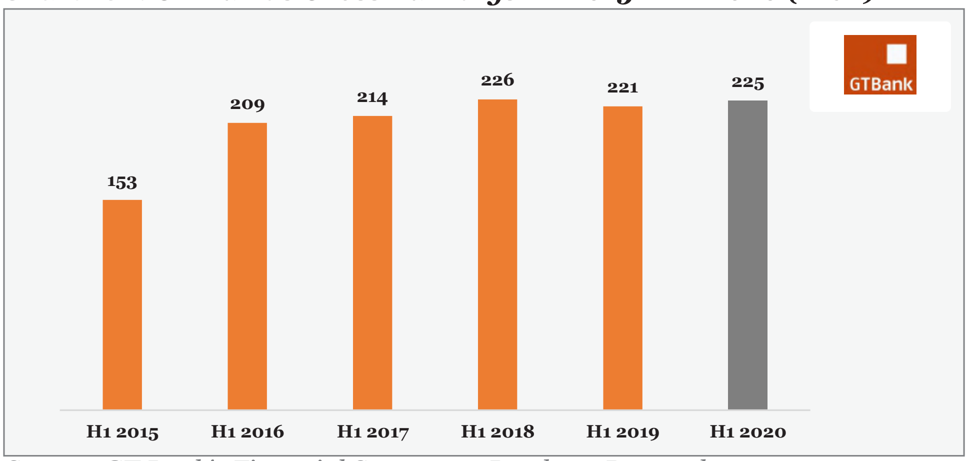


Source: GT Bank's Financial Statement, Proshare Research

The Group recorded a +1.81% Y-o-Y increase in its gross earnings from N221bn recorded in H1 2019 to N225bn recorded in H1 2020. Interest income increased by +3.17% Y-o-Y while interest expense significantly by -20.03%, net fee and commission declined Y-o-Y by -34.13% while other income segments of the Group increased by +28.07%. One major driver of the growth in other income was the growth recorded in foreign exchange valuation gains which increased Y-o-Y by +723.15% from N2.7bn recorded in the same period of the previous year to N21.9bn recorded in H1 2020.

The highest percentage change in gross earnings of +36.6% was recorded in H1 2016 while the highest percentage decline in the growth of gross earnings of -2.21% was recorded in H1 2029 (*see Chart 102*).

***Chart 102:* GT Bank's Gross Earnings H1 2015 – H1 2020 (N'bn)**

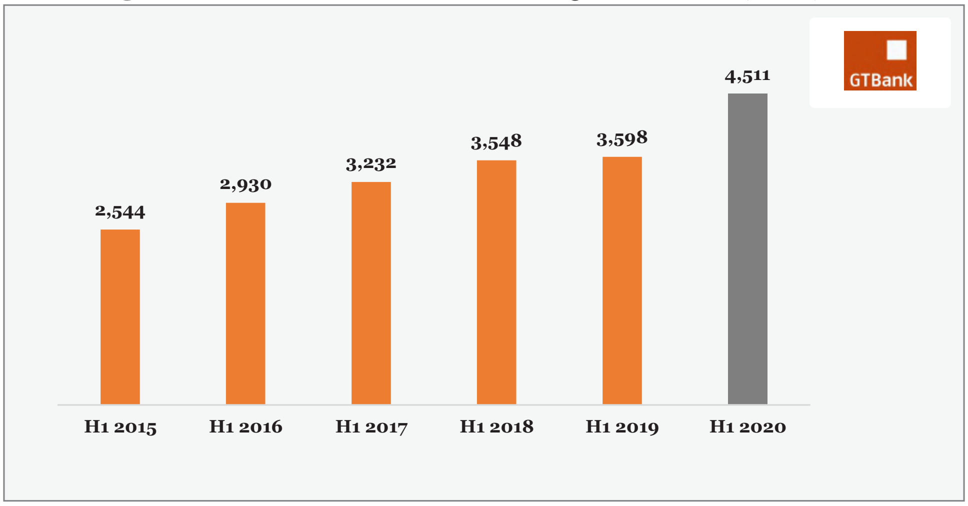


Source: GT Bank's Financial Statement, Proshare Research

Asset Quality

Total assets of GT Bank grew significantly in H1 2020, it grew by +25.38% Y-o-Y from N3.5trn recorded in H1 2019 to N4.4trn recorded in H1 2020. Major drivers of the growth in total assets were financial assets at fair value through profit and loss, derivative financial assets, and restricted assets, they all grew Y-o-Y by +270%, +2153%, and +112% respectively (*see Chart 103*).

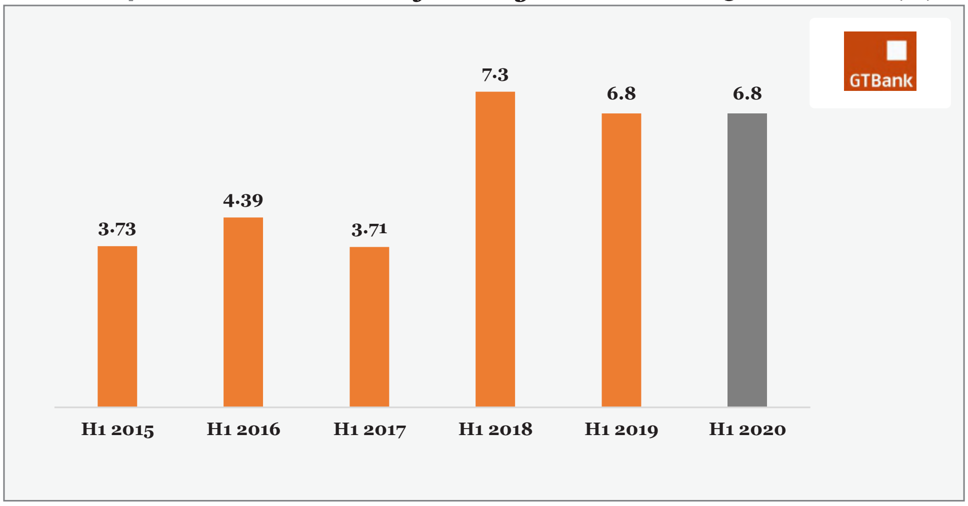
***Chart 103:* GT Bank's Total Assets H1 2015 – H1 2020 (N'bn)**



Source: GT Bank's Financial Statement, Proshare Research

GT Bank's non-performing loan was flat for H1 2020, it recorded 6.8% in H1 2020 against 6.8% recorded in H1 2019 although higher than 6.53% recorded for FY 2019. Results released for FY 2019 shows the Group is more exposed to the oil and gas sector (mid-stream and downstream) and general commerce, the downturn of economic activities both in general commerce and the oil and gas sector which was caused by the COVID-19 pandemic led to the increase of the Group's NPL in H1 2020 showing a reduction in the asset quality of the Group (*see Chart 104*).

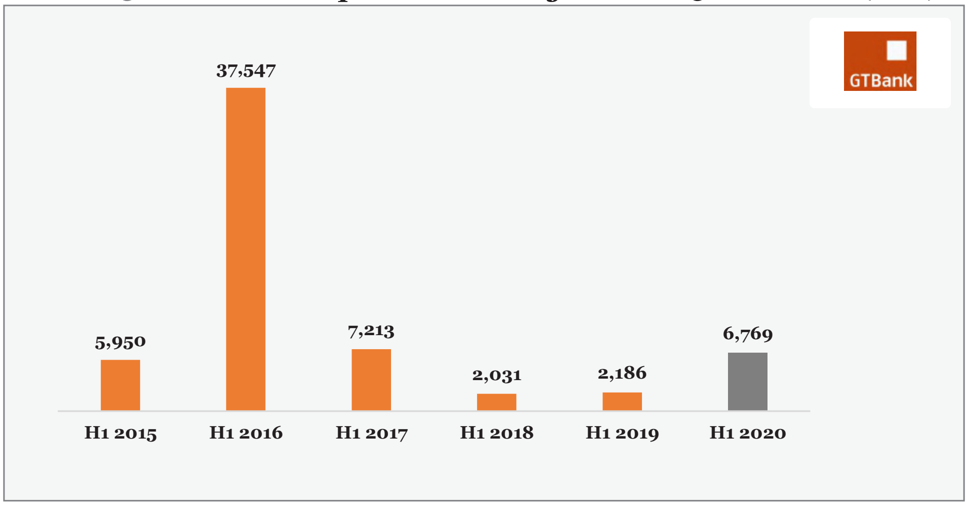
***Chart 104:* GT Bank's Non-Performing Loans H1 2015 – H1 2020 (%)**



Source: GT Bank's Financial Statement, Proshare Research

GT Bank recorded significant growth in impairment charges for H1 2020, impairment charges increased by +209.65% Y-o-Y from N2.2bn recorded in the same period the previous year to N6.8bn recorded in H1 2020. Loans and advances to customers grew significantly by +27.52% while loans and advances to banks declined significantly by -28.64% Y-o-Y (*see Chart 105*).

Chart 105:* *GT Bank's Impairment Charges H1 2015 – H1 2020 (N'm)

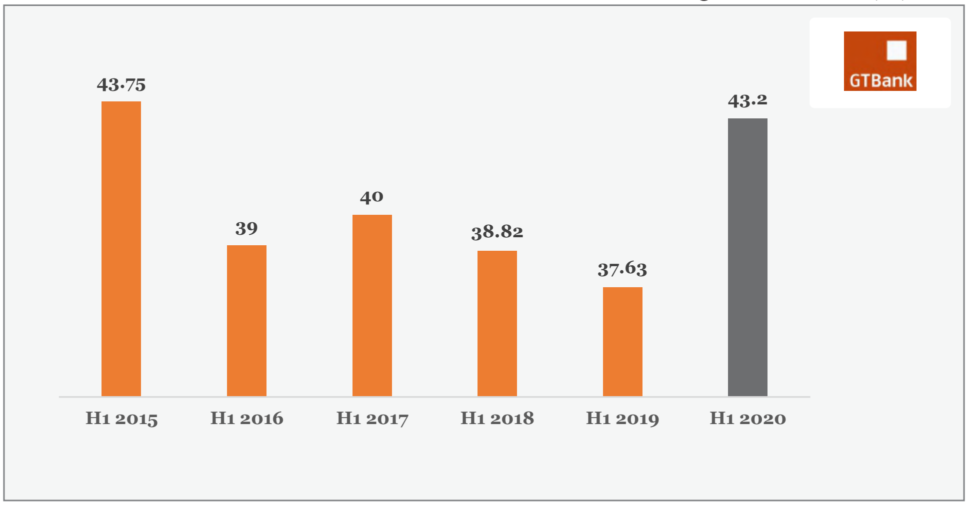


Source: GT Bank's Financial Statement, Proshare Research

Cost

The Group recorded 43.2% in its cost-to-income ratio for H1 2020 against 37.63% recorded in H1 2019. Operating income increased by +2.31% while operating expenses increased by +19.23% Y-o-Y which led to the increase recorded in CIR. Its highest cost-to-income ratio of 43.75% was recorded in H1 2015 while the lowest cost-to-income ratio of 37.63% was recorded in H1 2019 (*see Chart 106*).

Chart 106:* *GT Bank's Cost-to-Income Ratio H1 2015 – H1 2020 (%)

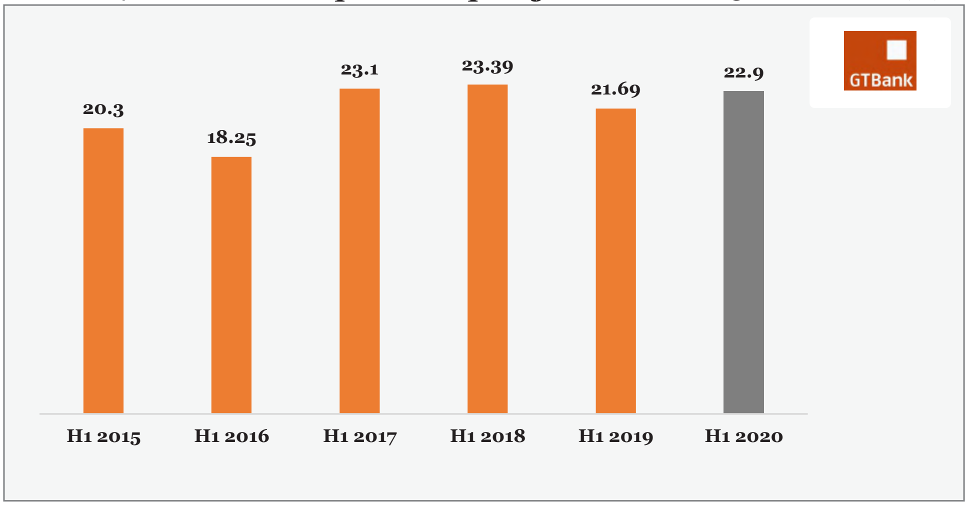


Source: GT Bank's Financial Statement, Proshare Research

Capital and Liquidity

Capital adequacy ratio stood at 22.9% in H1 2020 higher than 21.69% recorded in H1 2019 which is well above the regulatory minimum of 16% (*see Chart 107*)

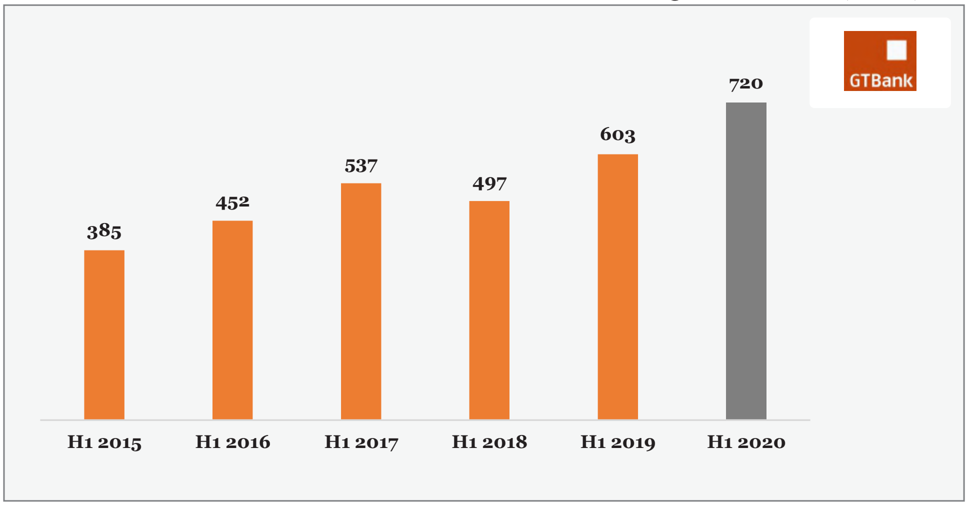
Chart 107: ***GT Bank's Capital Adequacy Ratio H1 2015 – H1 2020 (%)***



Source: GT Bank's Financial Statement, Proshare Research

The shareholder's fund of GT Bank has been on an upward trajectory except in H1 2018 where shareholders fund declined by -7.45%. H1 2020 shareholders fund increased by +19.40% from N603bn recorded in H1 2019, this was majorly driven by +19.76% Y-o-Y (*see Chart 108*)

Chart 108: ***GT Bank's Shareholders Fund H1 2015 – H1 2020 (N'bn)***

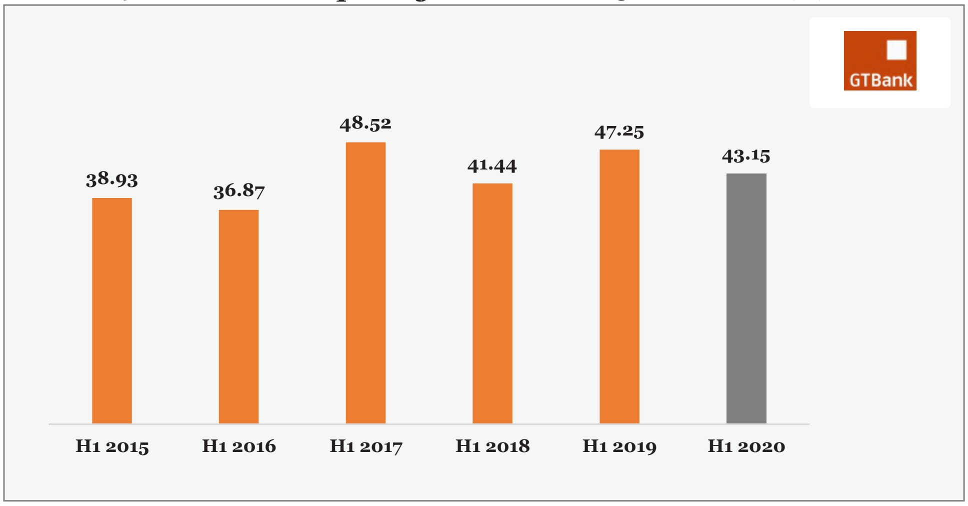


Source: GT Bank's Financial Statement, Proshare Research

The liquidity ratio of the Group declined to 43.15% in H1 2020 against 47.25% recorded in H1 2019 which is above the regulatory minimum 30%. H1 2017 records the highest liquidity ratio recorded by the Group while H1 2016 records the lowest liquidity ratio of the Group during the period under study. The liquidity ratio was impacted by challenging macroeconomic challenges caused by the pandemic (*see Chart 109*).

Chart 109: GT Bank's Liquidity Ratio 2015 – 2020 (%)

Chart 109: ***GT Bank's Liquidity Ratio H1 2015 – H1 2020 (%)***

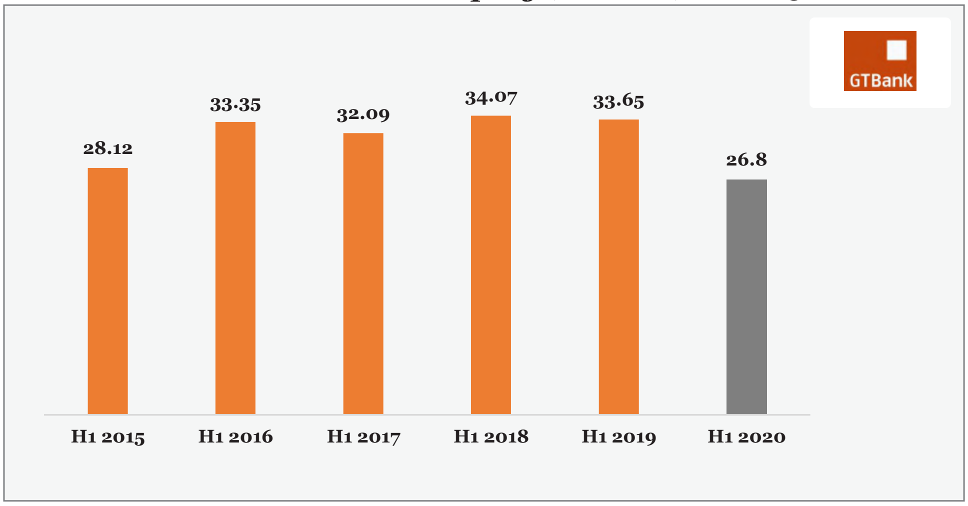


Source: GT Bank's Financial Statement, Proshare Research

Investors Ratios

As a very profitable bank, return on equity declined to 26.8% in H1 2020 from 33.65% recorded in H1 2019. The highest return on equity of 34.07% was recorded in H1 2018 while the lowest return on average equity of 26.8% was recorded in H1 2020. The decline could be plausibly attributed to the downturn in economic activities (*see Chart 110*).

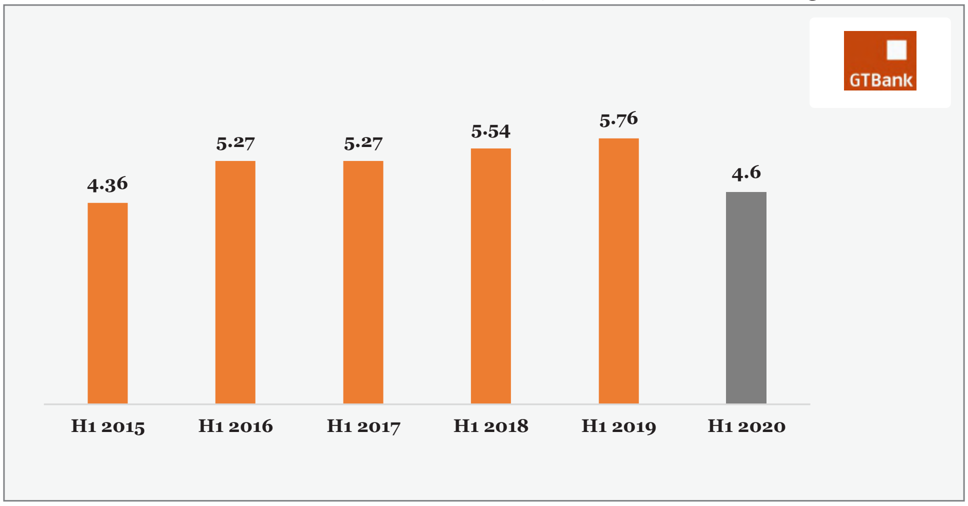
Chart 110: ***GT Bank's Return on Equity (Post Tax) H1 2015 –H1 2020***



Source: GT Bank's Financial Statement, Proshare Research

The Group's return on assets declined to 4.6% in H1 2020 from 5.76% recorded in H1 2019. The highest return on assets of 5.76% was recorded in H1 2019 while the lowest return on average assets of 4.36% was recorded in H1 2015 (*see Chart 111*).

Chart 111: ***GT Bank's Return on Assets (Post Tax %) H1 2015 –H1 2020***



Source: GT Bank's Financial Statement, Proshare Research

Zenith Bank

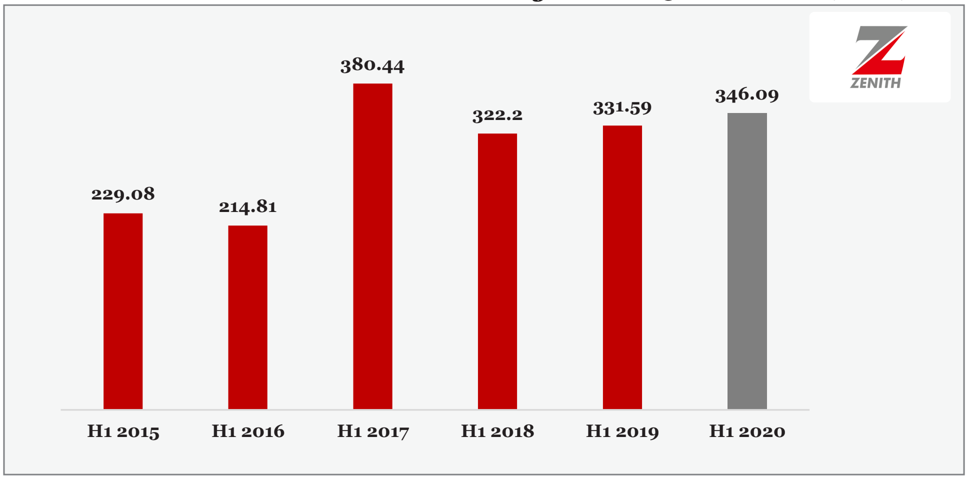
Leaning against coronavirus-induced headwinds in H1 2020, Zenith Bank recorded a solid performance, maintaining status as the most profitable bank in Nigeria listed on the Nigerian Stock Exchange (NSE). It posted modest growth in PBT of +2.2%, gross earnings of +4.38%, but saw a leap in shareholder's funds of +20.68%.

Profitability

Gross earnings grew by +4.37% Y-o-Y from N331.6bn recorded in H1 2019 to N346.1bn recorded in H1 2020. This was majorly driven by a -17.40% decrease in interest expense while interest income grew by +1.1% Y-o-Y. Although net fees and commission declined significantly by -39.97%, trading gains grew by +30.45%. Major drivers of the growth in trading gains were treasury bills trading income and bond trading income which grew significantly by +18.90% and +203.86% respectively.

The highest percentage increase in gross earnings of +77.10% was recorded in H1 2017 while the highest percentage decline in the growth of gross earnings of -15.31% was recorded in H1 2018 (*see Chart 112*).

Chart 112: ***Zenith Bank's Gross Earnings H1 2015 –H1 2020 (N'bn)***



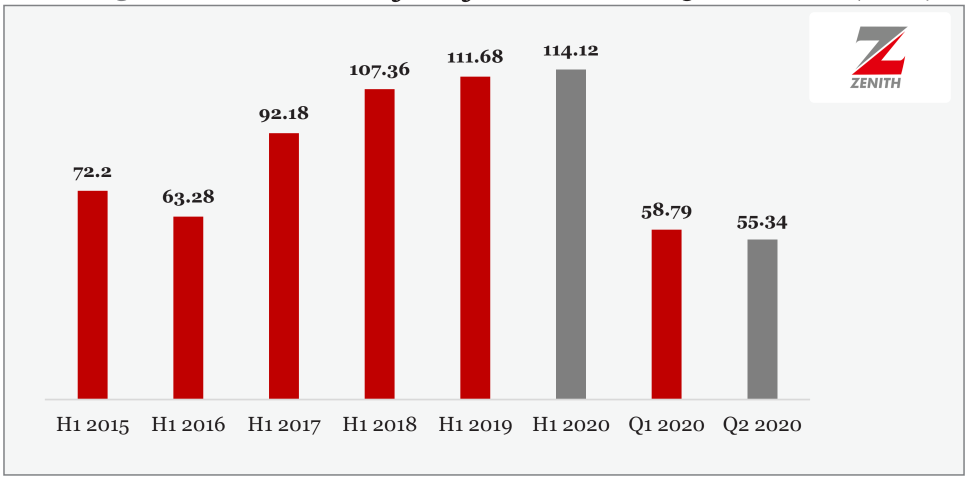
Source: Zenith Bank's Financial Statement, Proshare Research

Zenith bank recorded +2.19% Y-o-Y growth in profit before tax, from N111.7bn recorded in H1 2019 to N114.1bn recorded in H1 2020. This was achieved despite the significant increase recorded in operating expenses, operating expenses grew by +113.64% Y-o-Y, however, other operating income increased by +174.01% Y-o-Y. A major driver of the growth in other operating income was foreign exchange revaluation gain which increased significantly by +239.62%, the Group also recorded recoveries of N1bn and gains on disposal of investment of N891m in H1 2020.

Profit before tax declined by -5.87% Q-o-Q from N58.79bn recorded in Q1 2020 to N55.34bn recorded in Q2 2020. This was as a result of a -46.49% decline recorded in other operating income and a +5.87% increase in operating expense.

The highest percentage increase in profit before tax of +45.67% was recorded in H1 2017 while the highest percentage decline in PBT of -12.35% was recorded in H1 2016. (*see Chart 113*).

Chart 113: ***Zenith Bank's Profit before Tax H1 2015 – H1 2020 (N'bn)***



Source: Zenith Bank's Financial Statement, Proshare Research

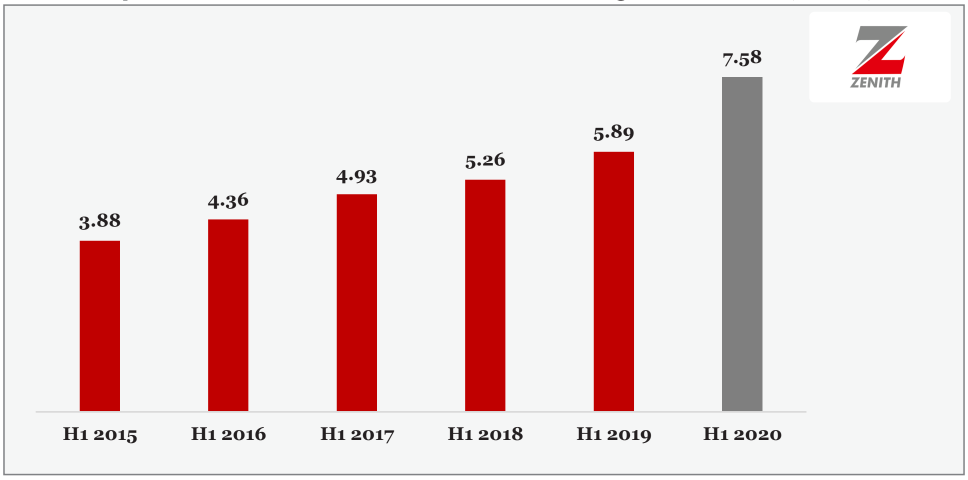
Asset Quality

Total assets of Zenith Bank have an upward trend, total assets grew by +28.51% Y-o-Y, from N5.89trn recorded in H1 2019 to N7.58trn recorded in H1 2020. Major drivers of the growth in total assets were cash and balances with central banks and loans and advances, they both recorded significant growth of +121.77% and +45.65% respectively.

The highest percentage increase in total assets was recorded in H1 2020 while the lowest percentage increase in growth of total assets of +6.68% was recorded in H1 2018 (*see Chart 114*).

Chart 114: Zenith Bank's
Total Assets H1 2015 – H1 2020 (N'trn)

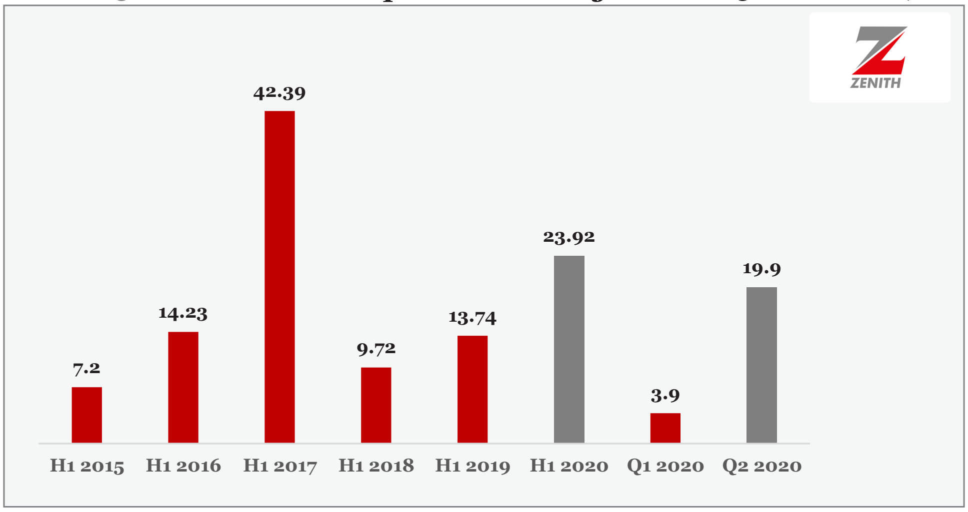
Chart 114: ***Zenith Bank's Total Assets H1 2015 – H1 2020 (N'trn)***



Source: Zenith Bank's Financial Statement, Proshare Research

Impairment charges for the Group grew by +74.18% Y-o-Y from N13.7bn recorded in H1 2019 to N23.9bn recorded in H1 2020, impairment charges also grew significantly by +405.5% Q-o-Q from N3.9bn recorded in Q1 2020 to N19.9bn recorded in Q2 2020. Loans and advances of the Group also recorded increased by +45.65% Y-o-Y from N1.8trn recorded in H1 2019 to N2.6trn recorded in H1 2020 (*see Chart 115*).

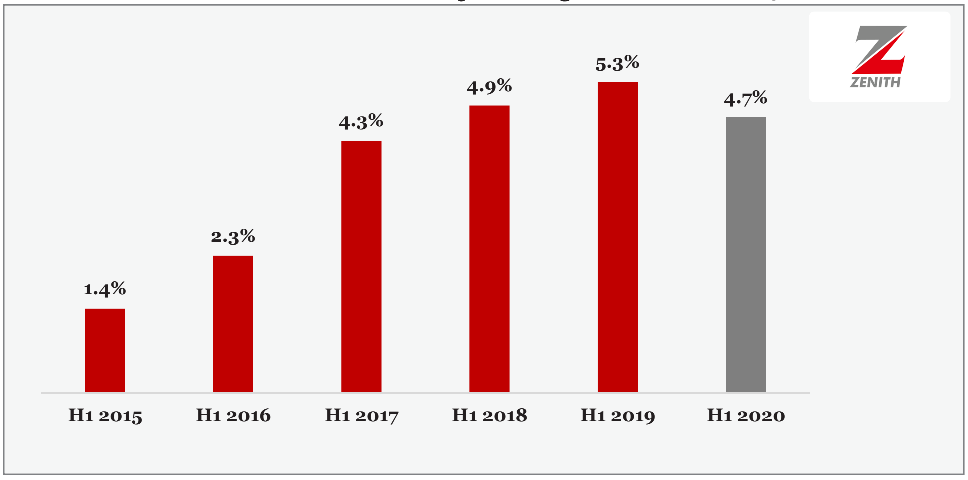
Chart 115: ***Zenith Bank's Impairment Charges H1 2015 –H1 2020 (N'bn)***



Source: Zenith Bank's Financial Statement, Proshare Research

Zenith bank's non-performing loans declined to 4.7% in H1 2020 from 5.3% recorded in H1 2019, this shows an improvement in the asset quality of the Group (*see Chart 116*).

Chart 116: ***Zenith Bank's Non-Performing Loans H1 2015 –H1 2020 (%)***

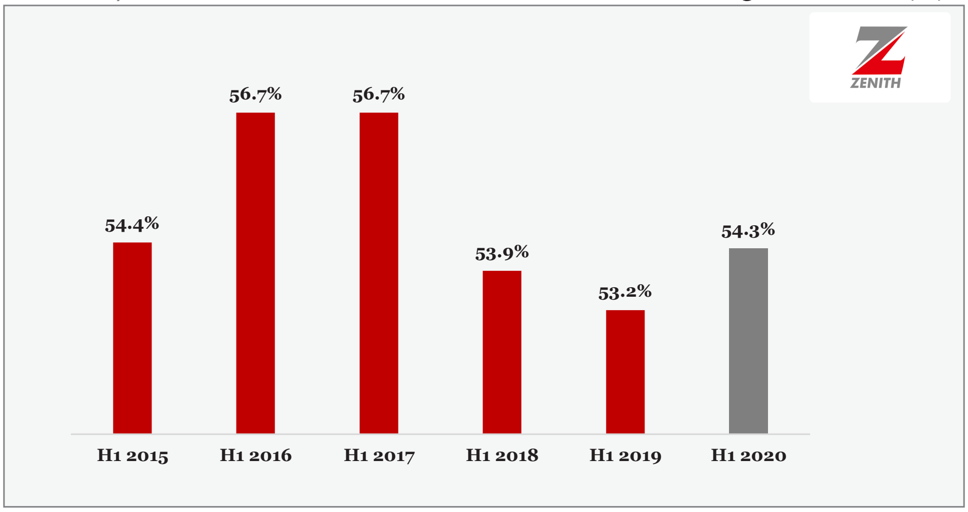


Source: Zenith Bank's Financial Statement, Proshare Research

Cost

The cost-to-income ratio increased to 54.3% in H1 2020 from 53.2% recorded in H1 2019, this was a result of a +113.64% Y-o-Y increase in operating expenses although other operating income also recorded growth by +174.01% Y-o-Y. The highest cost-to-income ratio of 56.7% was recorded in H1 2016 and H1 2017 while the lowest cost-to-income ratio of 53.2% was recorded in H1 2019 (*see Chart 117*).

Chart 117: ***Zenith Bank's Cost-to-Income Ratio H1 2015 –H1 2020 (%)***

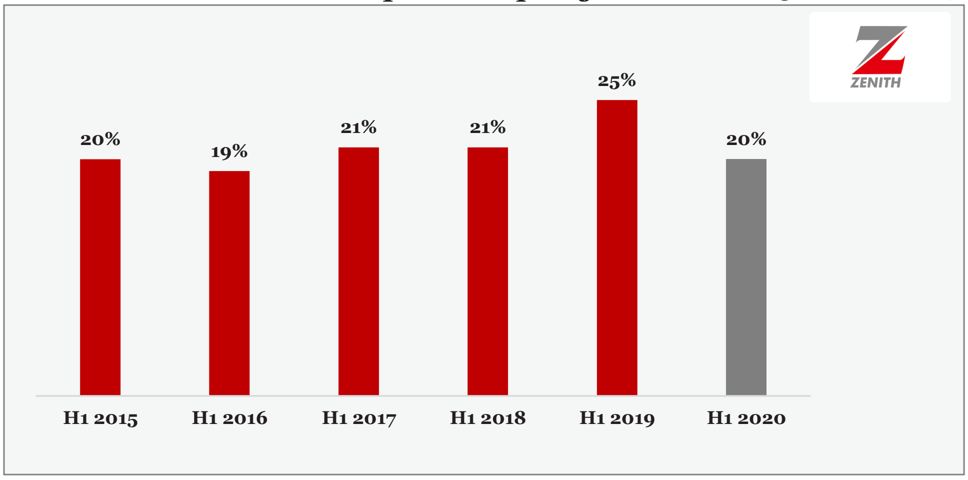


Source: Zenith Bank's Financial Statement, Proshare Research

Capital and Liquidity

The capital adequacy ratio declined to 20% in H1 2020 from 25% recorded in H1 2019, this shows a decline in the capital and liquidity position of the Group. The highest CAR of the Group of 74.6% was recorded in H1 2018 while the lowest capital adequacy ratio of 43.8% was recorded in H1 2015 (*see Chart 118*).

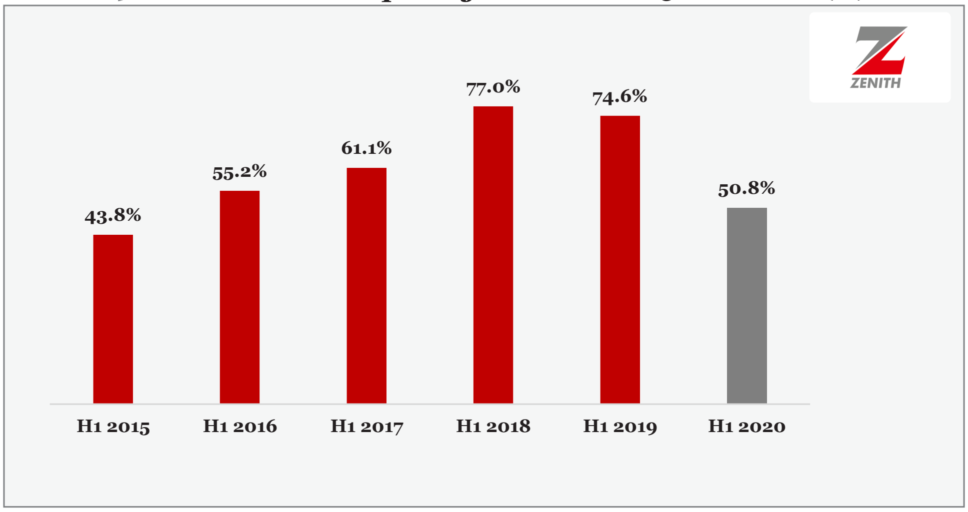
Chart 118:* *Zenith Bank's Capital Adequacy Ratio H1 2015 –H1 2020 (%)



Source: Zenith Bank's Financial Statement, Proshare Research

The liquidity ratio of Zenith Bank declined further in H1 2020 to 50.8% from 74.6% recorded in H1 2019 and 77% recorded in H1 2018. Its liquidity position was negatively impacted by the challenging macroeconomic environment of the domestic economy (*see Chart 119*).

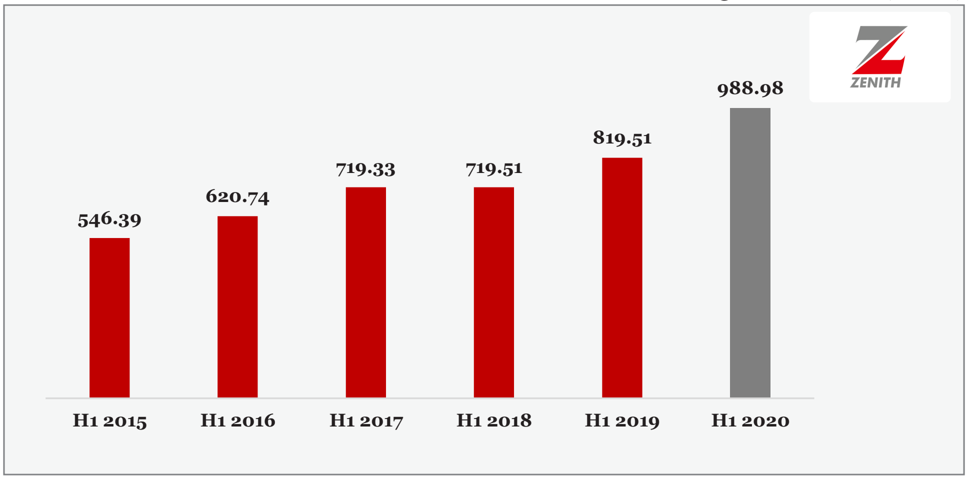
Chart 119:* *Zenith Bank's Liquidity Ratio H1 2015 –H1 2020 (%)



Source: Zenith Bank's Financial Statement, Proshare Research

Shareholder's fund of the Group recorded a significant increase in H1 2020 by +20.68% from N819.5bn recorded in H1 2019 to N988.9bn recorded in H1 2020. This was majorly driven by +33.52% recorded in retained earnings and +27.34% Y-o-Y increase recorded in other reserves. A major driver of the growth recorded in the other reserve segment was the foreign currency translation reserve (*see Chart 120*).

Chart 120: ***Zenith Bank's Shareholders Fund H1 2015 –H1 2020 (N'bn)***

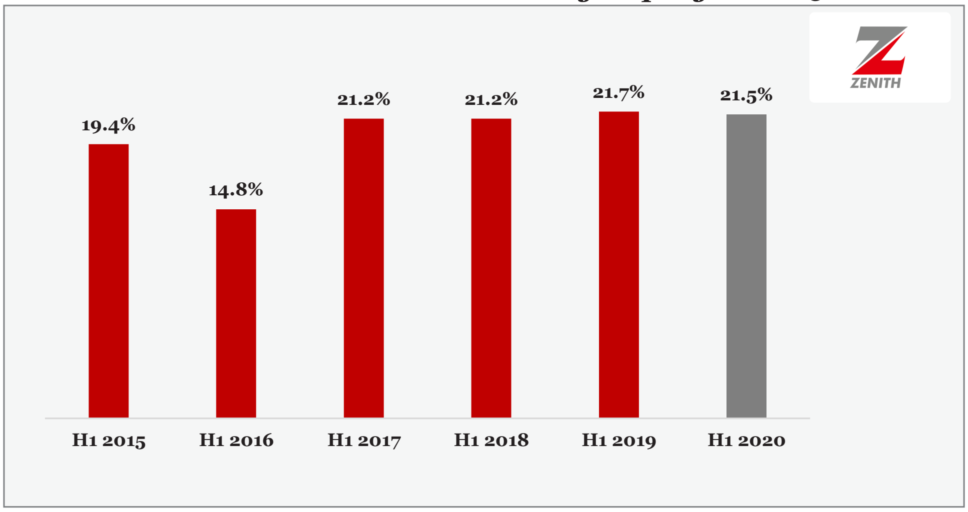


Source: Zenith Bank's Financial Statement, Proshare Research

Investors Ratio

The Group's return on average equity (post-tax) declined marginally to 21.5% in H1 2020 from 21.5% recorded in H1 2019. The highest return on average equity of 21.76% was recorded in H1 2019 while the lowest return on average equity of 14.8% was recorded in H1 2016 (*see Chart 121*).

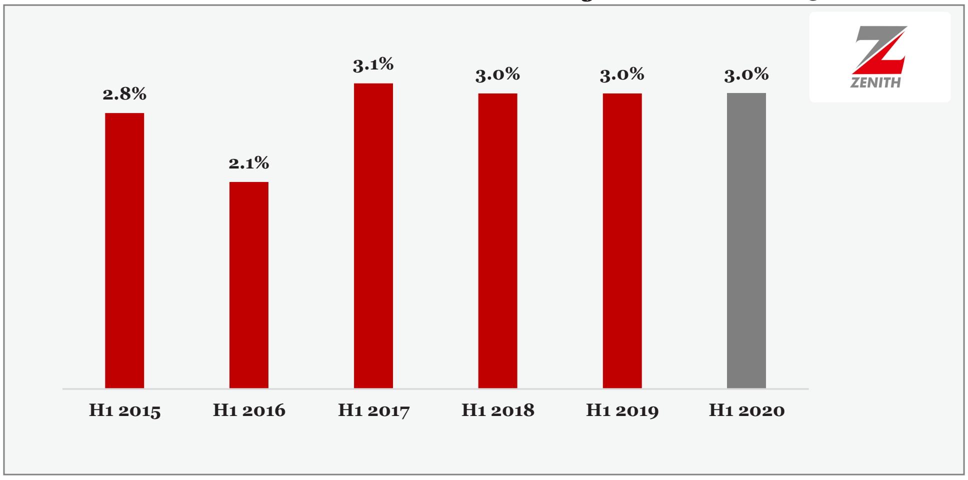
Chart 121: ***Zenith Bank's Return on Average Equity H1 2015 –H1 2020***



Source: Zenith Bank's Financial Statement, Proshare Research

Zenith bank's return on average asset (post-tax) was 3% in H1 2020 which was flat against 3% recorded in H1 2019. The highest return on average assets of 3.1% was recorded in H1 2017 while the lowest return on average assets of 2.1% was recorded in H1 2016 (*see Chart 122*).

***Chart 122:* Zenith Bank's Return on Average Assets H1 2015 –H1 2020 (%)**



Source: Zenith Bank's Financial Statement, Proshare Research

***Illustration 27:* Zenith Bank Strategies for Driving Its Vision**

ZENITH BANK STRATEGIES FOR DRIVING VISION

1

Compete aggressively for market share, but focus on high quality assets while adopting cost reduction strategies

- The Bank focuses on cost effective deposits from the retail end of the market to lend to the corporate end with emphasis on emerging business opportunities.

2

Delivering superior service experience to all clients and customers

- The Bank accomplishes this strategy by:
- Use of robust digital platform.
- Consistent focus and investment in attracting and keeping quality people.
- Employing cutting edge technology.
- Deploying excellent customer service.

3

Effective Risk Management

- Entrenched strong risk management and corporate governance practices.
- Value preservation is absolutely important.

4

Treasury Management

- We are taking advantage of our liquidity in Naira and foreign currencies to optimize our yields in the FX and money markets.

5

Develop specific solutions for each segment of our customers base

- Leveraging our capabilities and brand strength to consistently meet our clients' needs.
- Developing a strong Zenith Bank platform to serve as an integrated financial solutions provider to our diverse customers base.

6

Retail and Digital Footprint

- Deepen retail market penetration by leveraging on our digital platforms.
- Continue to create innovative solutions to grow market share.
- Increase the volume of our transactions within the digital space

Source: Zenith Bank Plc, Proshare Research, Ecographics

proshare MARKET

Access Bank

Access Bank's H1 2020 financial result showed growth across its different income lines and saw an improvement in its asset quality despite local macroeconomic headwinds caused by a global coronavirus pandemic.

Illustration 28: ***Managing the Financial Impact of COVID-19***

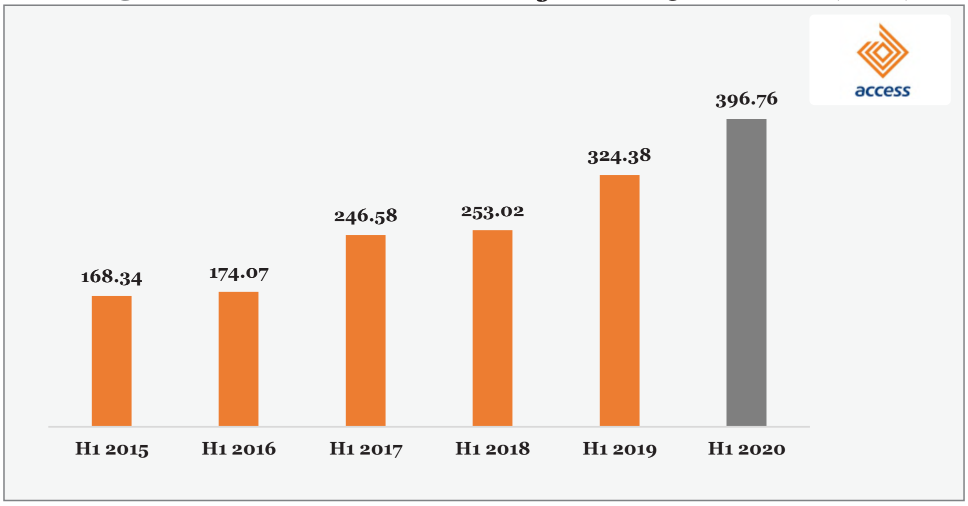
Source: Access Bank, Proshare Research and Ecographics

Profitability

Access bank had an upward trend in its gross earnings, H1 2019 shows a significant growth in gross earnings after the merger with Diamond bank. The Group has continued the trend in H1 2020, gross earnings grew by +22.31% Y-o-Y from N324.4bn recorded in H1 2019 to N396.8bn recorded in H1 2020. This was majorly driven by +23.69% Y-o-Y growth recorded in fees and commission, this despite the -18.65% decline recorded in interest income and +2.35% increase recorded in interest expense.

The highest percentage increase in gross earnings of +41.65% was recorded in H1 2017 while the lowest percentage increase in gross earnings of +2.62% was recorded in H1 2018 (*see Chart 123*).

Chart 123: ***Access Bank's Gross Earnings H1 2015 –H1 2020 (N'bn)***



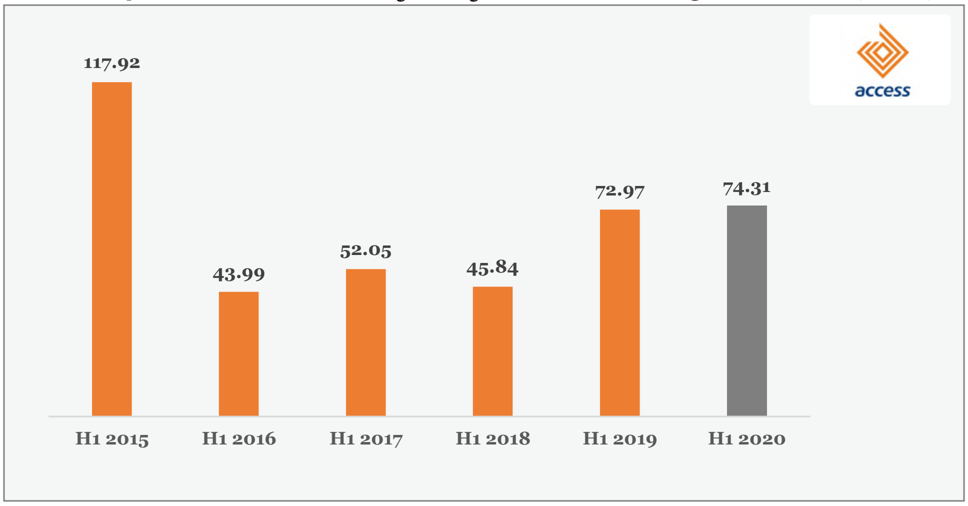
Source: Access Bank's Financial Statement, Proshare Research

Profit before tax increased by +1.84% Y-o-Y, from N72.9bn recorded in H1 2019 to N74.3bn recorded in H1 2020. This was majorly driven by a +21.42% Y-o-Y increase recorded in other operating income and a significant increase recorded in net gain on the financial instrument by +3153%, from N4.1bn recorded in H1 2019 to N134.8bn recorded in H1 2020. A major driver of the growth recorded in other operating income was the +60.1% increase in recoveries and the Group also recorded N2.45bn from gains on disposal of property environment. The Group recorded a loss in its foreign exchange trading by -37.25% Y-o-Y, although also coming from a loss position for H1 2019, it still recorded losses in foreign exchange trading in H1 2020.

Access bank recorded the highest percentage increase in growth of profit before tax of +59.16% in H1 2019, this was driven by the merger with Diamond Bank, while the lowest percentage decline in PBT of -62.69% was recorded in H1 2016 (*see Chart 124*).

Chart 124: Access Bank's Profit Before Tax H1 2015 –H1 2020 (N'bn)

Chart 124: ***Access Bank's Profit Before Tax H1 2015 –H1 2020 (N'bn)***

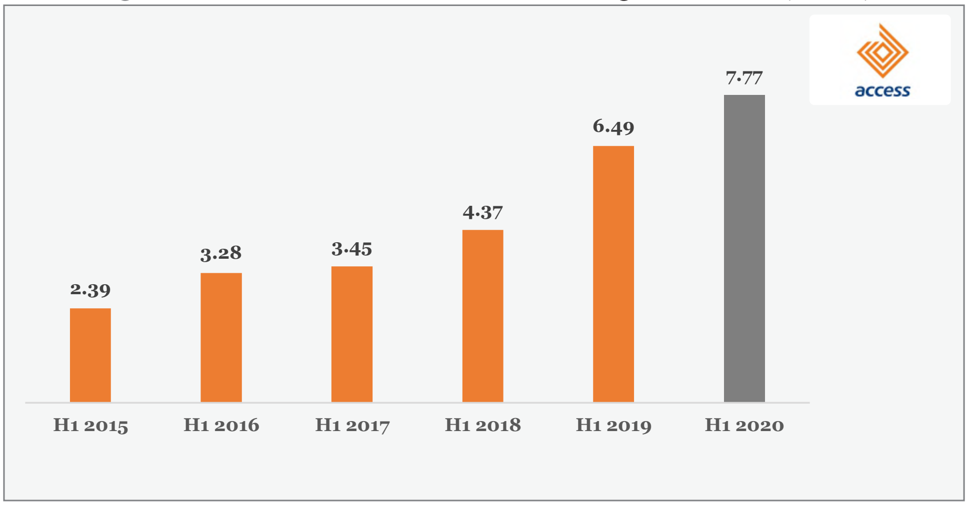


Source: Access Bank's Financial Statement, Proshare Research

Asset Quality

Total assets of the Group have an upward trend, with significant growth recorded in 2019 after the acquisition of Diamond bank's assets and liabilities. H1 2020 recorded +19.53% Y-o-Y growth in total assets from N6.5trn recorded in H1 2019 to N7.8trn recorded in H1 2020. Major drivers of the growth in total assets were non-pledged trading assets, derivative financial assets, and investment securities, which recorded significant growth of +248.44%, +106.6%, and +62.81% Y-o-Y respectively (*see Chart 125*).

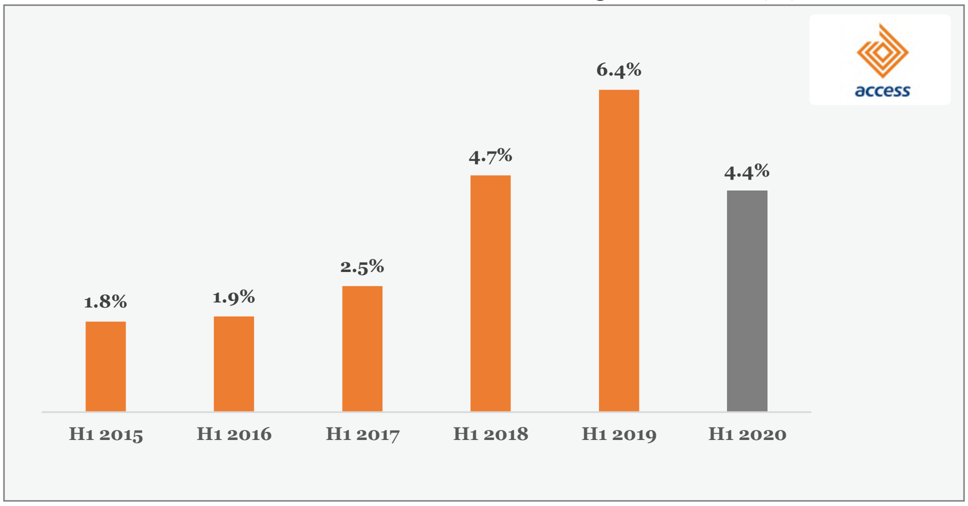
Chart 125: ***Access Bank's Total Assets H1 2015 –H1 2020 (N'trn)***



Source: Access Bank's Financial Statement, Proshare Research

Non-performing loans of Access bank declined to 4.4% in H1 2020 from 6.4% recorded in H1 2019. This was as a result of a +60.10% Y-o-Y increase in recoveries recorded by the Group, which shows an improvement in asset quality. Access Bank's highest NPL ratio was recorded in H1 2019 while its lowest NPL ratio was recorded in H1 2015 (*see Chart 126*).

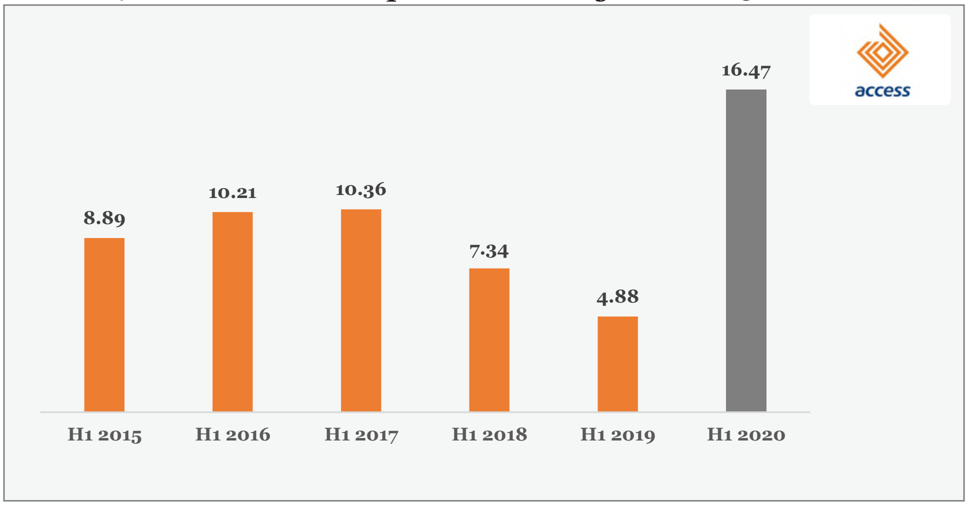
Chart 126: ***Access Bank's NPL Ratio H1 2015 –H1 2020 (%)***



Source: Access Bank's Financial Statement, Proshare Research

Impairment charges grew significantly in H1 2020, this was as a result of harsh macroeconomic realities faced by the Group which led to an increase in assets impaired which is charged against the profit of the bank. Impairment charges grew by +237.4% Y-o-Y from N4.88bn recorded in H1 2019 to N16.47bn recorded in H1 2020. Despite the increase in impairment charges, its total loans and advances grew by +18.83% Y-o-Y (*see Chart 127*).

Chart 127: ***Access Bank's Impairment Charges H1 2015 –H1 2020 (N'bn)***

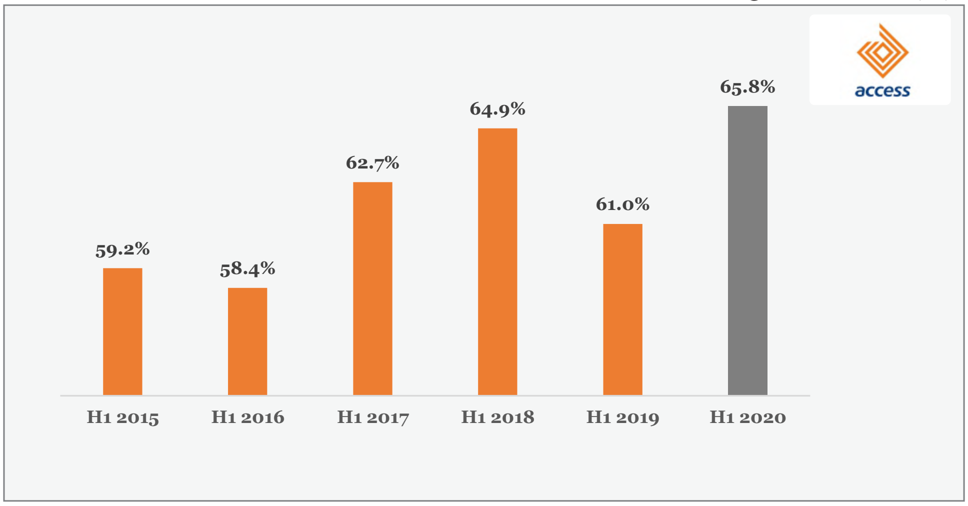


Source: Access Bank's Financial Statement, Proshare Research

Cost

The cost-to-income ratio increased to 65.8% for H1 2020 from 61.0% recorded in H1 2019, this was driven by a +49.76% increase recorded in operating expenses. The major driver of the increase recorded in operating expenses was the +86.40% Y-o-Y increase recorded in outsourcing cost (*see Chart 128*).

Chart 128: ***Access Bank's Cost-to-Income Ratio H1 2015 –H1 2020 (%)***

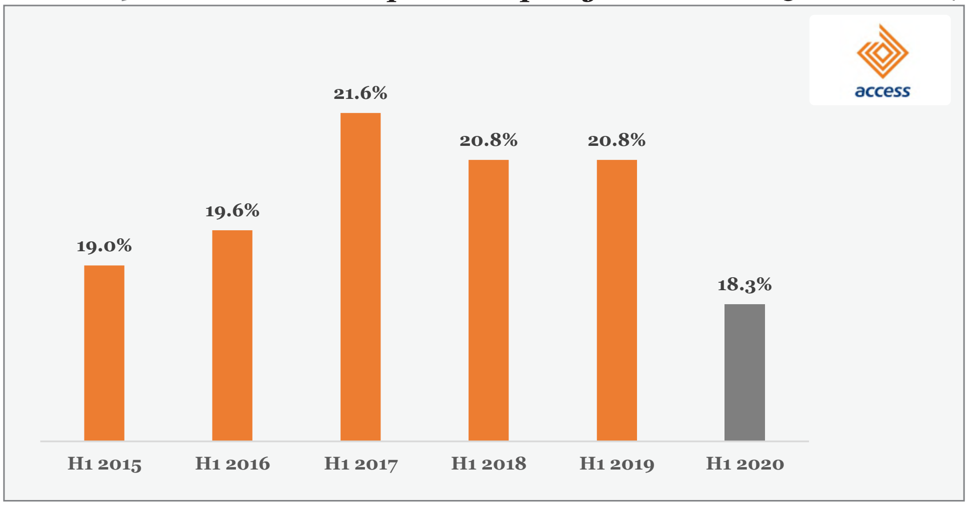


Source: Access Bank's Financial Statement, Proshare Research

Capital and Liquidity

The capital adequacy ratio of Access bank declined marginally to 20% in H1 2020 from 20.8% recorded in H1 2019. The highest capital adequacy ratio of 21.6% was recorded in H1 2017 while the lowest capital adequacy ratio of 18.34% was recorded in H1 2020 (*see Chart 129*).

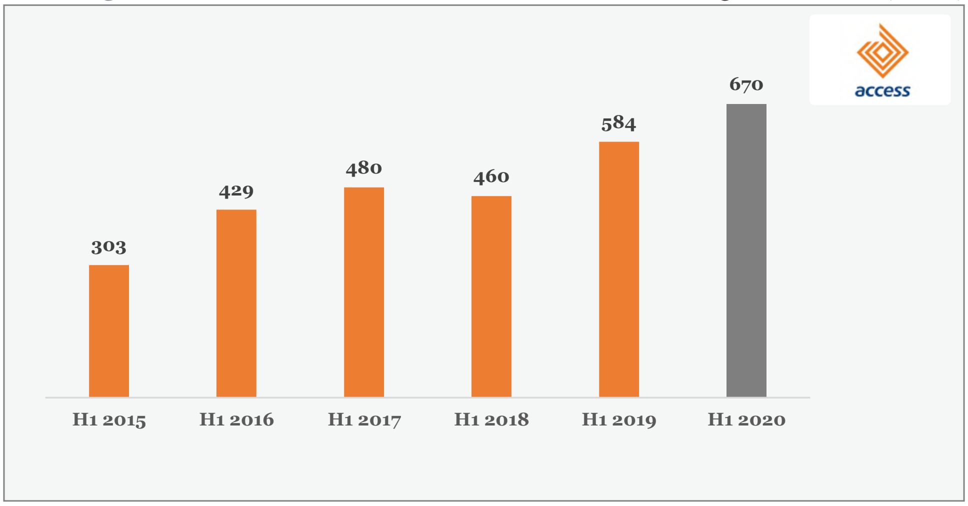
Chart 129: ***Access Bank's Capital Adequacy Ratio H1 2015 –H1 2020 (%)***



Source: Access Bank's Financial Statement, Proshare Research

Shareholder's fund grew by +14.73% from N584bn recorded in H1 2019 to N670bn recorded in H1 2020. This was largely driven by +24.35% Y-o-Y growth in retained earnings and a +31.31% increase recorded in other components of equity. The highest percentage growth in shareholders fund of +41.58% was recorded in H1 2016 while the highest percentage decline in shareholders fund of the Group was recorded in H1 2018 (*see Chart 130*).

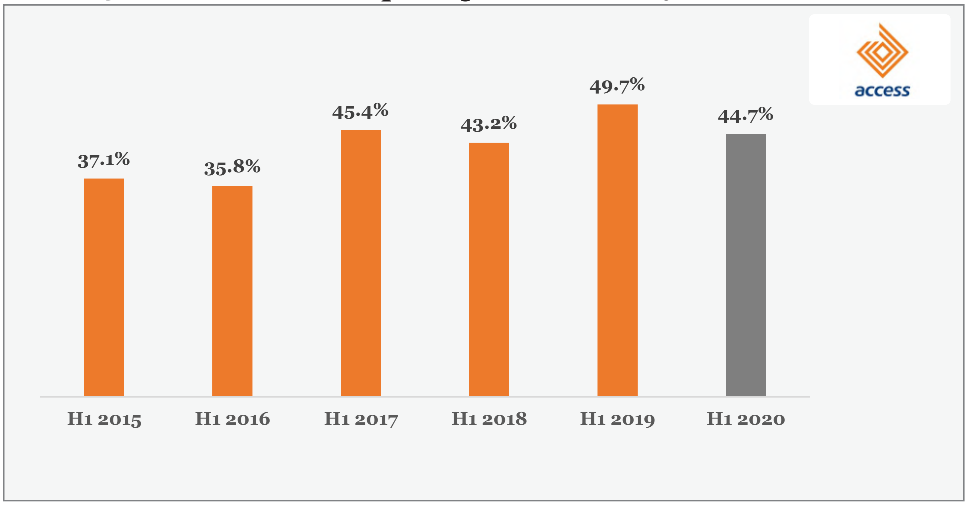
Chart 130: ***Access Bank's Shareholders Fund H1 2015 –H1 2020 (N'bn)***



Source: Access Bank's Financial Statement, Proshare Research

The liquidity ratio of the Group declined to 44.7% in H1 2020 from 49.7% recorded in H1 2019 which is still above the regulatory minimum of 30% (*see Chart 131*).

Chart 131: ***Access Bank's Liquidity Ratio H1 2015 –H1 2020 (%)***



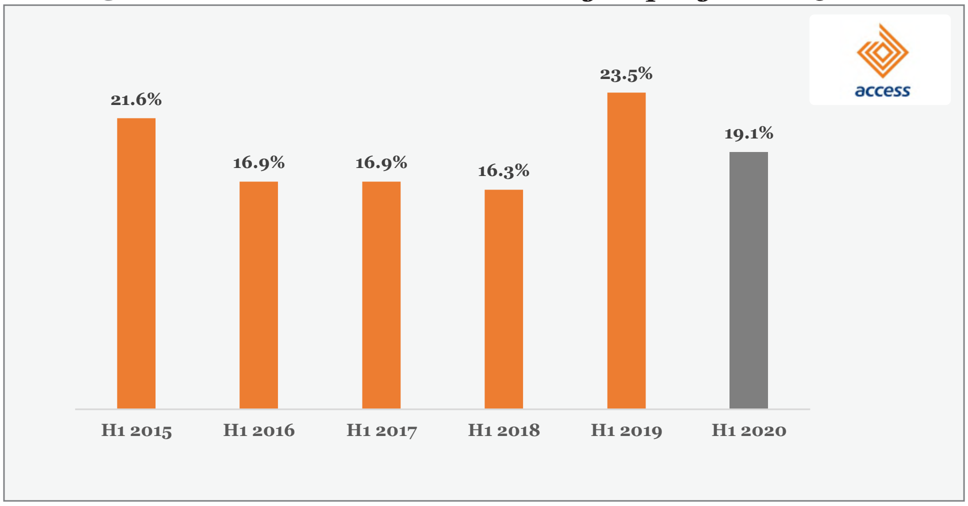
Source: Access Bank's Financial Statement, Proshare Research

Investors Ratio

Return on average equity after tax increased to 19.1% in H1 2020 from 23.5% recorded in H1 2019. The highest return on average equity of 23.5% was recorded in H1 2019 while the lowest return on average equity of 16.3% was recorded in H1 2018 (*see Chart 132*).

Chart 132: Access Bank's
Return on Average Equity H1 2015 – H1 2020

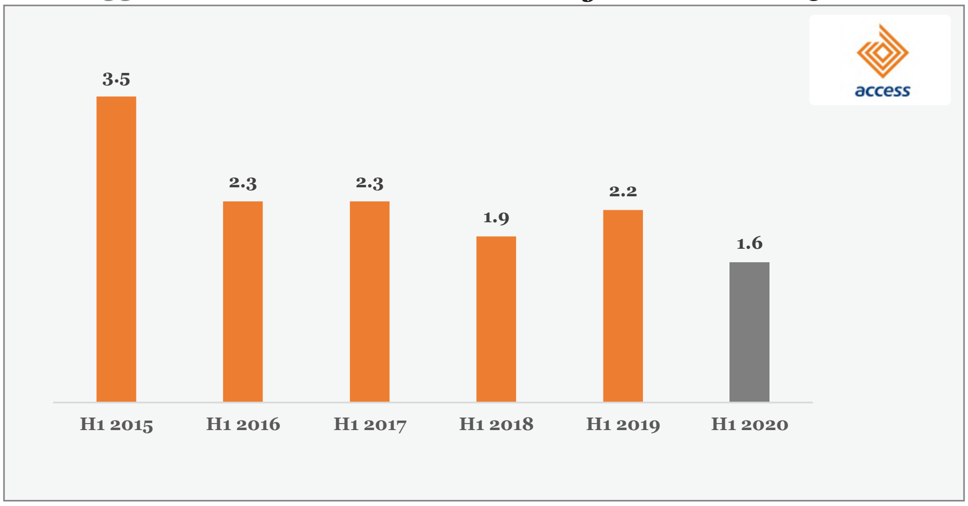
Chart 132: ***Access Bank's Return on Average Equity H1 2015 – H1 2020***



Source: Access Bank's Financial Statement, Proshare Research

Return on average assets after tax for the Group declined to 1.6% in H1 2020 from 2.2% recorded in H1 2019. The highest return on average assets of 3.5% was recorded in H1 2015 while the lowest return on average assets of 1.6% was recorded in H1 2020 (*see Chart 133*).

Chart 133: ***Access Bank's Return on Average Assets H1 2015 – H1 2020 (%)***



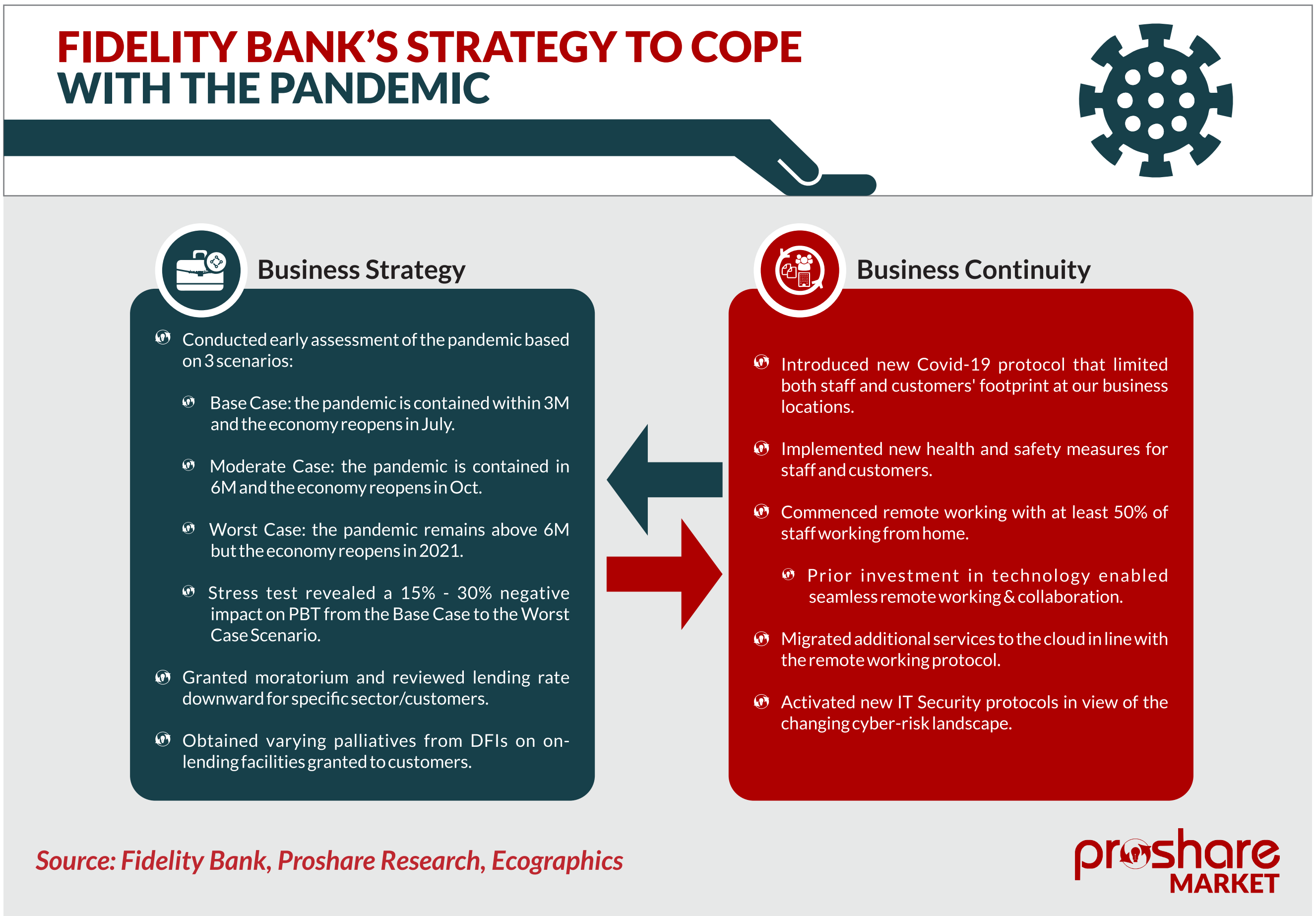
Source: Access Bank's Financial Statement, Proshare Research

Fidelity Bank

Despite coronavirus-induced headwinds, Fidelity Bank Plc successfully chiselled growth in its PBT in H1 2020. The bank's performance according to analysts could be attributed to its re-strategizing its operations and adopting a fit-for-purpose business continuity plan.

Illustration 29: Fidelity's Bank Strategy to Cope with the Pandemic

*Illustration 29: **Fidelity's Bank Strategy to Cope with the Pandemic***

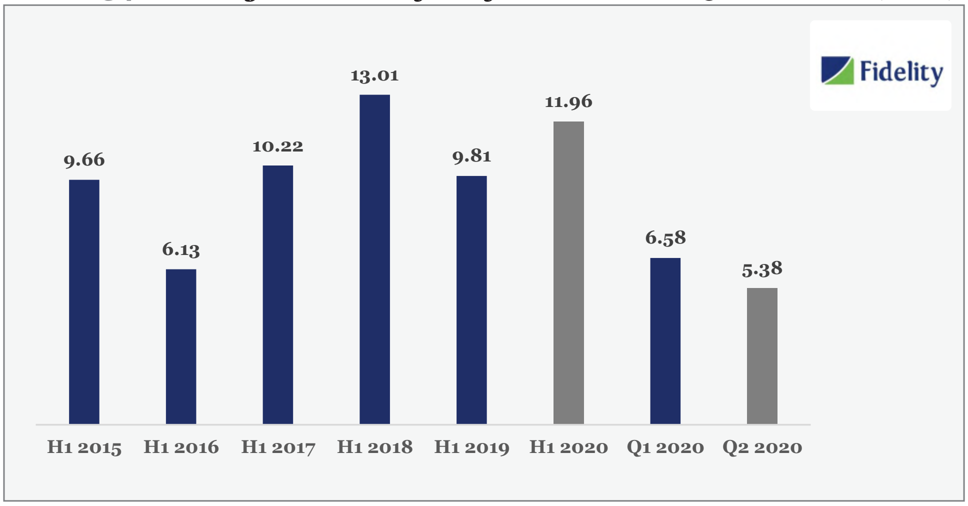


Fidelity Bank

Despite the disruptive effect of the coronavirus pandemic on the Nigerian economy, Fidelity Bank was able to record improvements in its PBT, profit before tax grew significantly by +21.9% Y-o-Y from N9.81 bn (adjusted) recorded in H1 2019 to N11.96 bn recorded in H1 2020. This was majorly driven by +80.78% Y-o-Y growth in operating income and +2191.5% Y-o-Y increase in net gains from financial assets. Growth in operating income was majorly driven by +151.96% increase recorded in net foreign exchange, growth in PBT was recorded despite the +8.26% Y-o-Y increase recorded in operating expense.

Profit before tax declined significantly by -18.27% from N6.58bn recorded in Q1 2020 to N5.38bn recorded in Q2 2020. This was majorly driven by a +16.58% Q-o-Q increase in operating expenses and a +172.85% increase in impairment losses. PBT for Q2 2020 declined despite the +19.84% Q-o-Q growth in operating income, +223.36% Q-o-Q increase in FX income, and +120.65% Q-o-Q increase recorded in net fee income (*see Chart 134*).

Chart 134: ***Fidelity Bank's Profit before Tax H1 2015 – H1 2020 (N'bn)***

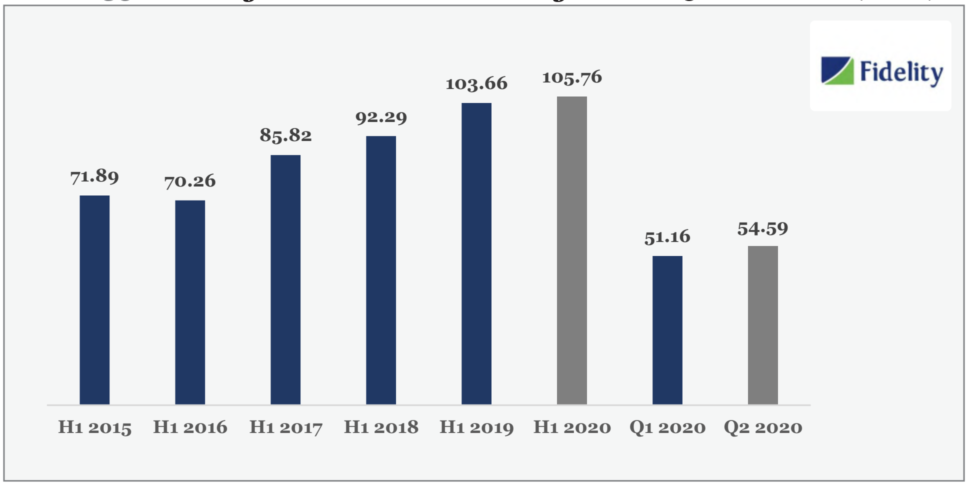


Source: Fidelity Bank's Financial Statement, Proshare Research

Fidelity bank recorded +2.03% Y-o-Y growth in PBT from N103.66bn recorded in H1 2019 to N105.8bn recorded in H1 2020. This was driven by a +2.09% increase recorded in total interest income despite the -27.04% Y-o-Y decline recorded in fees and commission.

Gross earnings grew significantly by +6.72% Q-o-Q from N51.16bn recorded in Q1 2020 to N54.59bn recorded in Q2 2020. This was majorly driven by +24.29% Q-o-Q growth recorded in total interest income despite a +3.36% increase in interest income.
Fidelity Bank recorded the highest percentage increase in gross earnings of +22.15% in H1 2017 while it recorded the highest percentage decline in growth of gross earnings by -2.27% in H1 2016 (*see Chart 135*).

Chart 135: ***Fidelity Bank's Gross Earnings H1 2015 – H1 2020 (N'bn)***

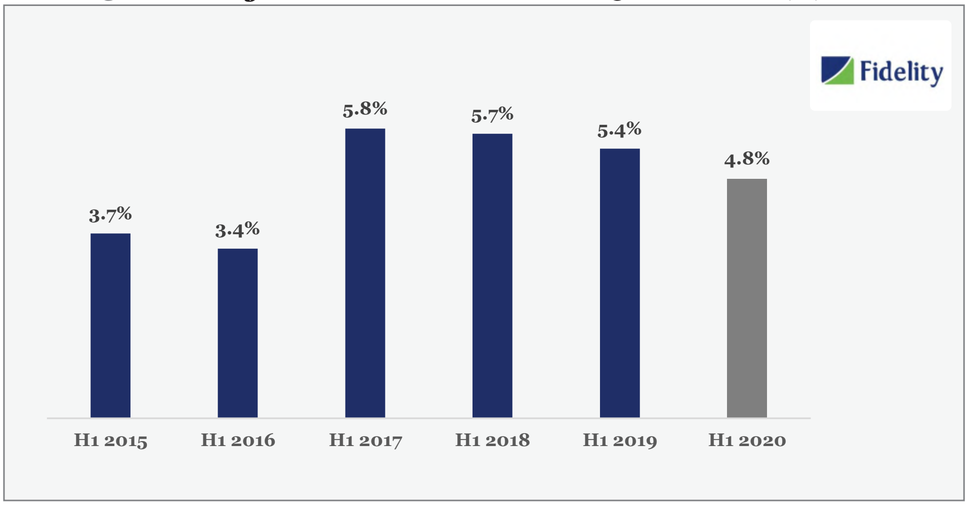


Source: Fidelity Bank's Financial Statement, Proshare Research

Asset Quality

Fidelity Bank NPL ratio declined slightly to 4.8% in H1 2020. Its NPL ratio declined from 5.4% in H1 2019 to 4.8% in H1 2020. Its relatively high NPLs could be attributed to the early identification of sectors likely to be impacted by the pandemic and economic lockdown. Foreign currency NPL accounted for 11.5% of total NPL which was largely in the oil & gas downstream and the transport sector (*see Chart 136*).

***Chart 136:* Fidelity Bank's NPL Ratio H1 2015 – H1 2020 (%)**

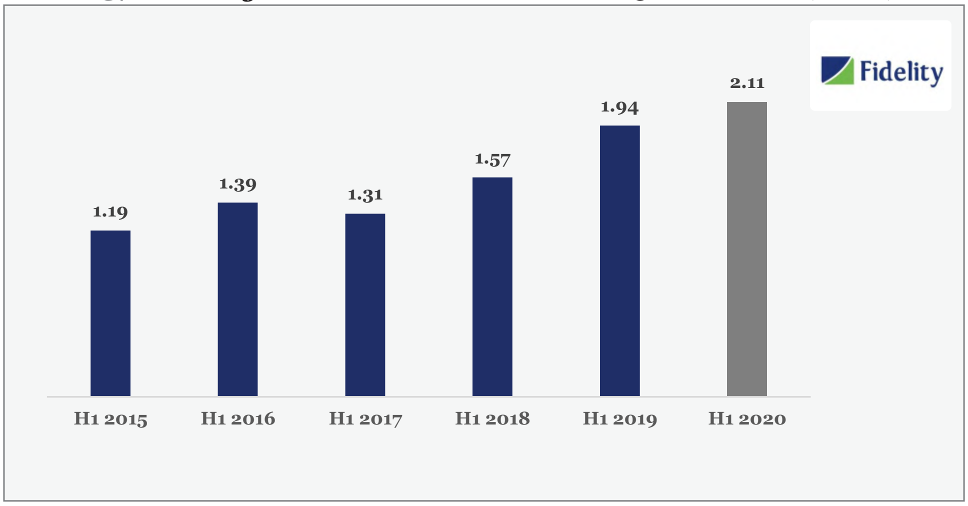


Source: Fidelity Bank's Financial Statement, Proshare Research

Total assets grew by +8.96% Y-o-Y from N1.9trn recorded in H1 2019 to N2.11trn recorded in H1 2020. This was largely driven by a +32.68% Y-o-Y increase in cash and balances with the central bank, +36.48% Y-o-Y increase in dues from banks, and +98.29% increase recorded in intangible assets.

Fidelity Bank recorded the highest percentage increase in total assets of +23.77% in H1 2019 while it recorded the highest percentage decline in growth of total assets of -6.38% in H1 2017 (*see Chart 137*).

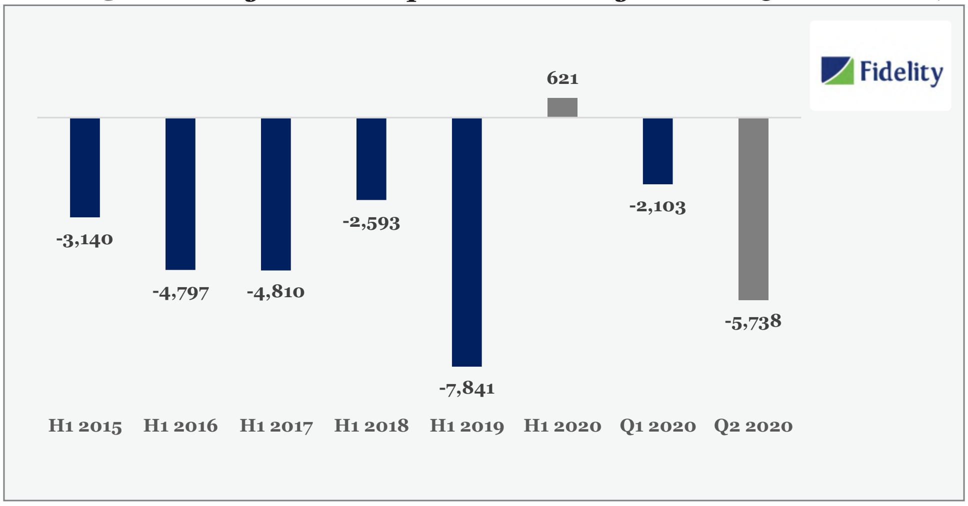
***Chart 137:* Fidelity Bank's Total Assets H1 2015 – H1 2020 (N'trn)**



Source: Fidelity Bank's Financial Statement, Proshare Research

Fidelity bank's impairment charges improved significantly in H1 2020. In H1 2020, Fidelity Bank recorded impairment charges of N621m as recoveries against -N7.84bn recorded as impairment losses. Loans and advances grew by +20.99% Y-o-Y from N999.3bn recorded in H1 2019 to N1.21trn recorded in H1 2020. Impairment charges significantly increased Q-o-Q; it grew by +172.85% from N2.1bn recorded in Q1 2020 to N5.74 bn recorded in Q2 2020 (*see Chart 138*).

Chart 138: ***Fidelity Bank's Impairment Charges H1 2015 – H1 2020 (N'm)***

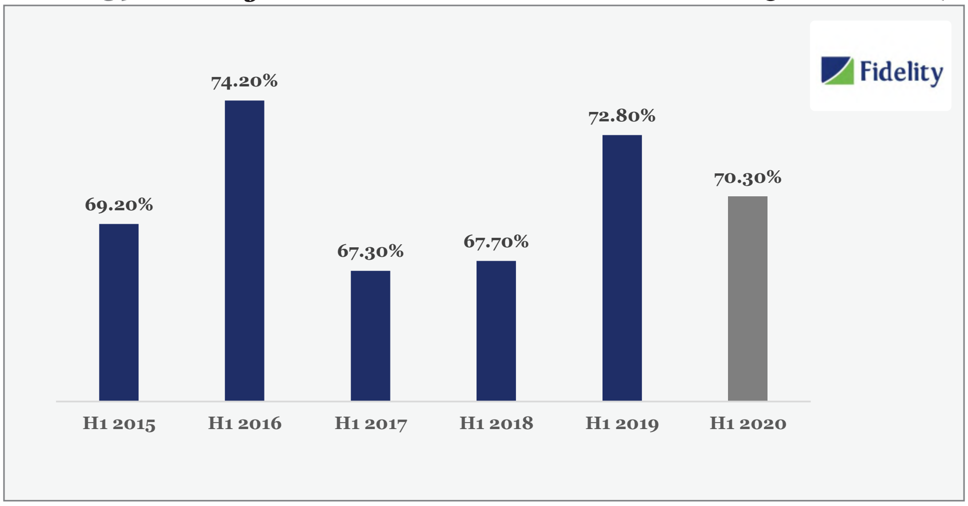


Source: Fidelity Bank's Financial Statement, Proshare Research

Cost

Total operating income increased by +27.1% to N66.6bn while total operating expenses increased by +8.3% to N46.8bn largely due to increased regulatory costs. It should be noted that Fidelity Bank's growth in operating expenses remained below the headline inflation rate. Fidelity Bank recorded a mild decline in its cost-to-income ratio. Its cost-to-income ratio for H1 2020 saw an improvement to 70.3% from 72.8% in H1 2019 (*see Chart 139*).

Chart 139: ***Fidelity Bank's Cost-to-Income Ratio H1 2015 – H1 2020 (%)***

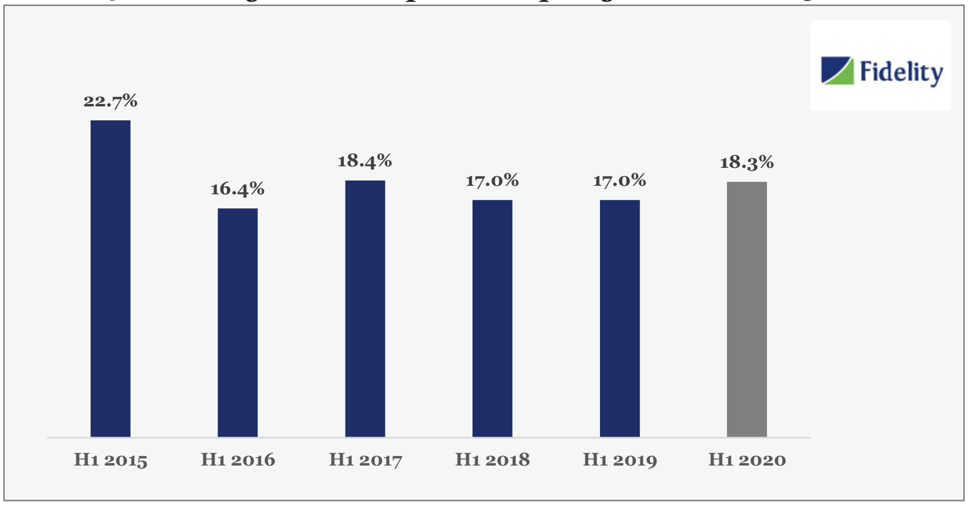


Source: Fidelity Bank's Financial Statement, Proshare Research

Capital and Liquidity

The capital adequacy ratio increased slightly to 18.3% in H1 2020 from 17% recorded in H1 2019 which is well above the regulatory minimum of 15%. The highest capital adequacy ratio of 18.4%was recorded in H1 2017 just slightly higher than what was recorded in H1 2020 while the lowest capital adequacy ratio of 16.4% was recorded in H1 2016 (*see Chart 140*).

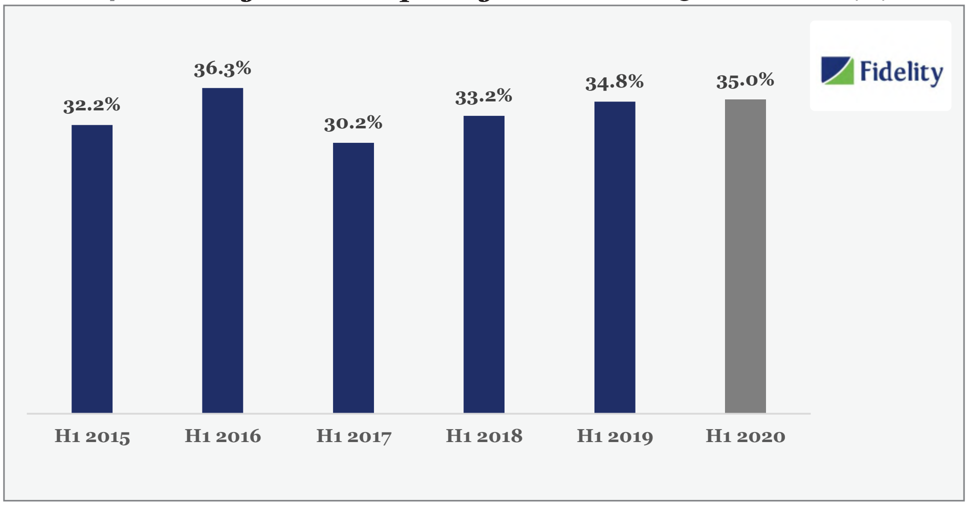
Chart 140: ***Fidelity Bank's Capital Adequacy Ratio H1 2015 – H1 2020 (%)***



Source: Fidelity Bank's Financial Statement, Proshare Research

The liquidity ratio increased marginally to 35% in H1 2020 from 34.8% recorded in H1 2019 which is above the regulatory minimum of 30%. The highest liquidity ratio of 36.3% was recorded in H1 2016 while the lowest liquidity ratio of 32.2% was recorded in H1 2015 (*see Chart 141*).

Chart 141: ***Fidelity Bank's Liquidity Ratio H1 2015 – H1 2020 (%)***

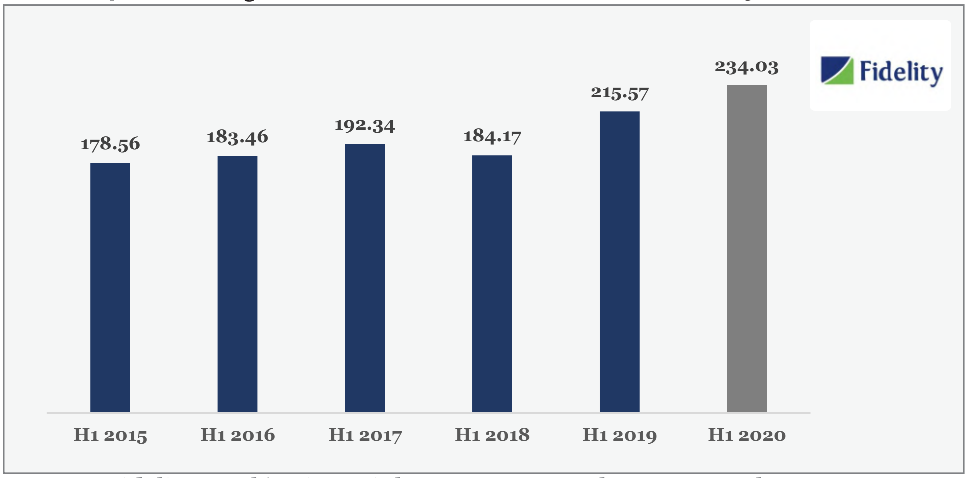


Source: Fidelity Bank's Financial Statement, Proshare Research

The bank's shareholder's fund grew by +8.57% Y-o-Y from N215.6bn recorded in H1 2019 to N234bn recorded in H1 2020. A major driver of the growth in shareholders fund was the retained earnings and other reserve both grew by +14.26% and +4.84% respectively, one component of the other reserve that recorded growth is the fair value reserve which grew by +53.17% Y-o-Y.

The highest percentage increase of +17.05% in shareholders fund was recorded in H1 2019 while the highest percentage decline in shareholder's fund of -4.25% was recorded in H1 2018 (*see Chart 142*).

Chart 142: ***Fidelity Bank's Shareholder's Fund H1 2015 – H1 2020 (N'bn)***

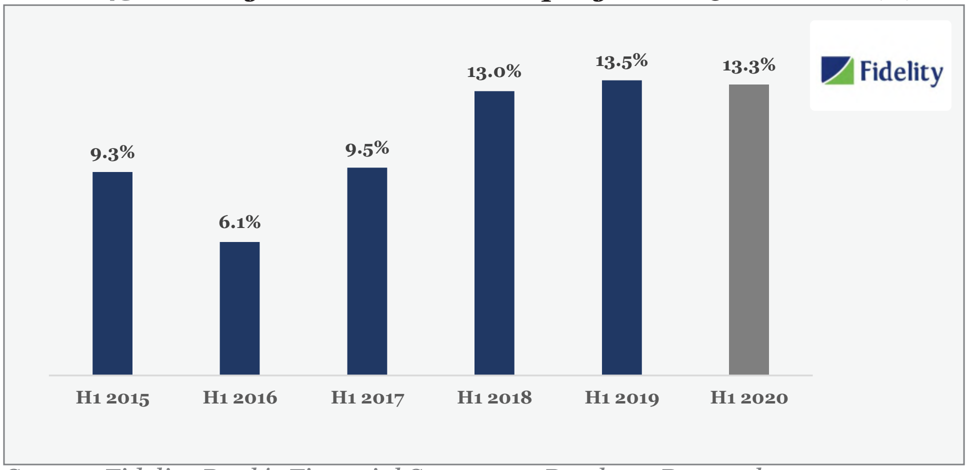


Source: Fidelity Bank's Financial Statement, Proshare Research

Investor Ratio

The bank's return on equity (post-tax) declined marginally to 13.3% in H1 2020 from 13.5% recorded in H1 2019. The highest return on equity of 13.5% was recorded in H1 2019 while the lowest return on equity of 6.1% was recorded in H1 2016 for the review period (*see Chart 143*).

Chart 143: ***Fidelity Bank's Return on Equity H1 2015 –H1 2020 (%)***



Source: Fidelity Bank's Financial Statement, Proshare Research

Unlisted Banks

NOVA Merchant Bank

Although not listed on the Nigerian Stock Exchange, Nova merchant bank offers financial solutions majorly wholesale banking and investment banking. Its 2019 result released by the merchant bank shows tremendous improvement from the 2018 financial position of the lender, also, data gathered from returns from CBN for the half-year 2020 shows significant improvement in the financial position of the bank. The bank is rated BBB by Agusto & Co and A+ by Datapro.

Its profit before tax increased by +57.91% Y-o-Y for FY 2019 from N960.6m recorded in 2018 to N1.5bn recorded in 2019 i.e. comparing Y-o-Y activities of the bank segment of the Group. The increase in PBT was driven majorly by +141.37%, +467.74% growth in interest income, and other income of the bank respectively. The other income component comprises of other sundry income and gains on disposal of property and equipment. Profit after tax also recorded significant growth of +43.42% Y-o-Y for FY 2019 from N1.15bn recorded in 2018 to N1.65bn recorded in 2019.

Data from CBN shows the Group recorded a +34.11% increase in profit before tax to N2.03bn recorded in H1 2020 against N1.5bn recorded for FY 2019, while the total deposit was N85.8bn in H1 2020. Other income increased significantly by +705.59% while interest income declined by -4.56% in H1 2020 against FY 2019. Operating expenses recorded a decline in H1 2020 by -40.75% against N1.9bn recorded in FY 2019.

In 2019, the Group posted 0% in non-performing loans (NPL) however, impairment charges grew significantly by over +6000%, from N1.1m recorded in 2018 to N78.8mrecorded in 2019 (*see Table 11*). Total assets increased by +155.36% Y-o-Y from N24.9bn recorded in 2018 to N63.8bn recorded in 2019. The growth in total assets was driven majorly by Y-o-Y significant growth balances with banks, loans and advances, and derivative financial assets by +306.52%, +1106.25%, and +6937.65% respectively. Data gathered from CBN returns also showed total assets grew significantly by +141.98% to N154.4bn recorded in H1 2020 as against N63.8bn recorded FY 2019 for the Group.

Total equity of the Merchant bank increased by +11.29% Y-o-Y from N17.6bn recorded in 2018 to N19.6bn recorded in 2019. This was driven by Y-o-Y increase recorded in statutory reserve and regulatory risk reserve by +99.35% and +967.76% respectively. Data from CBN shows the Merchant bank's total capital and the reserve was N19.5bn (*see Table 11*).

***Table 11:* Nova Merchant Bank's Financial Position**

NOVA'S FINANCIAL POSITION

Key Financials	YTD (Jan-June 2020 N'000)	2020 (N'000)	2019 (N'000)	2018 (N'000)	% Change 2019/2018 (Bank)	% Change 2020/2019 (YTD/Group)
Interest Income	4,329,566	4,536,246	4,529,392	1,876,519	141.37%	-4.56%
Other Income	90,879	11,281	11,281	1,987	467.74%	705.59%
Profit/Loss before Tax	2,027,512	1,511,877	1,516,886	960,591	57.91%	34.11%
Profit/Loss after Tax	2,027,512	1,645,708	1,650,717	1,150,985	43.42%	23.20%
Impairment Charge	-	78,766	78,766	1,148	6761.15%	-
Total Operating Income	3,181,781	-	-	-	-	-
Operating Expenses	1,154,269	1,948,063	1,880,058	1,420,382	32.36%	-40.75%
Total Deposits	85,872,931	-	-	-	-	-
Total Assets	154,397,685	63,805,903	63,805,299	24,986,139	155.36%	141.98%
Total Equity	-	19,554,802	19,599,811	17,611,431	11.29%	-
Total Liabilities	154,397,685	44,251,101	44,245,488	7,374,708	499.96%	248.91%
Total Capital and Reserve	19,467,160	-	-	-	-	-

Source: Nova Merchant Bank's Financial Statement, Proshare Research

Polaris Bank Limited

The erstwhile Skye Bank has experienced a rebirth in its financial position before the bank was nationalized by the CBN, all prudential ratios were not complying with regulatory requirements and capital was negative. The bank is not listed on the Nigerian Stock Exchange, however, 2019 results posted by the bank show a stronger financial position than expected which is well ahead of some Tier 2 banks. However, the bank recorded a marginal decline in total liabilities, and in total assets from 2018 – FY 2019, total deposits also declined marginally from N861bn recorded in 2018 to NN857.8bn recorded for FY 2019.

Data collated from returns to CBN for H1 2020 shows a decline in the profit and loss account as well as the balance sheet of the bank when compared against FY 2019 figures. Profit before tax declined by -31.62% from N27.3bn recorded in FY 2019 to N18.7bn recorded in H1 2020, net interest income also declined by -46.19% from N87.8bn recorded FY 2019 to N47.2bn recorded in H1 2020. There was a decline in impairment charges by -52.88% while recoveries recorded during the period totaled N52 in H1 2020.

Total liabilities increased by +8.12% from N1.07trn recorded in FY 2019 to N1.16trn recorded in H1 2020 while contingent liabilities with the bank was N51bn for H1 2020.

Total equity for FY 2019 grew by +48.03% against N58.76bn recorded between Sept 2018 – Dec 2018 while total capital and reserve for the bank stood at N67.9bn for H1 2020.

Total assets for the bank declined by -0.05% for H1 2020 against N1.16trn recorded in 2019, Polaris bank also recorded a decline in total assets in 2019 by -1.03% as against N1.17trn recorded between Sept-Dec 2018 (*see Table 12*).

Table 12:* *Polaris Bank's Financial Position

POLARIS FINANCIAL POSITION

	Group			
Key Financials	**YTD (Jan -June 2020 N'000)**	**2018 (N'000)**	**2017 (N'000)**	**% Change YTD/2018**
Net Interest Income	47,246	87,797	9,377	-46.19%
Other Operating Income	-	3,997	1,066	-
Profit/Loss before Tax	18,697	27,342	2,456	-31.62%
Profit/Loss after Tax	18,697	26,290	2,856	-28.88%
Impairment Charges	6,656	14,126	2,796	-52.88%
Recoveries	525	-	-	-
Total Operating Expense	35,085	-	-	-
Total Operating Income	53,782	-	-	-

Total Deposits	836,879	857,885	861,044	-2.45%
Total Assets	1,156,074	1,156,644	1,168,658	-0.05%
Total Equity	-	86,980	58,757	-
Total Capital and Reserve	67,904	-	-	-
Contingent Liablities	51,001	-	-	-
Total Liabilities	1,156,074	1,069,225	1,109,901	8.12%

Source: Polaris Financial Statement, Proshare Research

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Suntrust Bank Nigeria Limited

Although SunTrust bank has a determination to succeed and deliver value to all stakeholders, 2018 results posted by the bank sings a different song. The bank which is not listed on the Nigerian Stock Exchange started as a mortgage bank and sought for commercial banking license when the management was able to grow the bank's balance to a reasonable size which they got in 2015.

Data collated from returns to CBN shows that the bank made significant improvement in profit before tax in H1 2020, from a loss position recorded in 2018 to N1.18bn recorded in H1 2020. Operating income increased by +33.40% in H1 2020 against N457mn recorded in FY 2018 while operating expense stood at N1.79bn in H1 2020. Total deposit by +100.8% in H1 2020 against N24.6mn recorded for FY 2018 while recoveries stood at N3.79mn for H1 2020.

Total assets of the bank recorded significant growth in both 2018 and H1 2020 as shown by returns to CBN, total assets grew by +52.71% in H1 2020 against N43.97bn recorded in 2018, the bank also recorded a significant increase in impairment and liabilities by +2410% and +113.04% respectively while contingent liabilities amount to N35.32bn in H1 2020 and total capital and reserve were N6.07bn in H1 2020 (*see Table 13*).

Table 13: SunTrust Bank's Financial Position

SUNTRUST'S FINANCIAL POSITION

Key Financials	YTD (Jan -June 2020 N'000)	2018 (N'000)	2017 (N'000)	% Change YTD/2018	% Change 2018/2017
Interest Income	-	2,463,045	2,211,608	-	11.37%
Impairment Charges	-	841,133	33,505	-	2410.47%
Recoveries	3,797	-	-	-	-
Total Deposits	40,151,817	24,647	12,272	162807.52%	100.84%
Operating Income	610,952	457,996	2,051,858	33.40%	-77.68%

Operating Expense	1,798,251	-	-	-	-
Profit/Loss before Tax	1,183,502	-3,889,776	285,144	130.43%	-1464.14%
Profit/Loss after Tax	1,183,502	-3,670,096	157,873	-132.25%	-2424.71%
Total Assets	67,139,750	43,966,804	26,558,632	52.71%	65.55%
Total Equity	-	9,984,467	10,607,434	-	-5.87%
Total Capital and Reserve	6,070,269	-	-	-	-
Total Liabilities	67,139,750	33,982,337	15,951,198	97.57%	113.04%
Contingent Liabilities	35,321,482	-	-	-	-

Source: Suntrust Financial Statement, Proshare Research

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Table 14: ***Foreign Currency Translation – Y-o-Y % Change***

FOREIGN CURRENCY TRANSLATION- Y-o-Y %CHANGE

BANK	H1 2020 (N'm)	H1 2019 (N'm)	% Change
Ecobank Transnational Inc.	-26,086	-76,569	-65.93%
FBN Holdings	3,135	-3,353	-193.50%
FCMB	943,554	66,541	1318.00%
Sterling Bank	67	-151	-144.37%
Union Bank of Nigeria	1,456	-39	-3833.33%
Wema Bank	-	-	-
Unity Bank	-	-	-
Access Bank	12,551,892	-163,609	-7771.88%
Zenith Bank	9,604	-6,441	-249.11%
Guranty Trust Bank	1,806,511	-5,929,901	-130.46%
United Bank for Africa	7,997	1,111	619.80%
Stanbic IBTC	-	-	-
Fidelity Bank	-	-	-

Source: Bank's Financial Statement, Proshare Research

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Table 15: ***Foreign Exchange Trading Income Y-o-Y % Change***

FOREIGN EXCHANGE TRADING INCOME-Y-o-Y %CHANGE

BANK	H1 2020 (N'm)	H1 2019 (N'm)	% Change
Ecobank Transnational Inc.	35,939	53,569	-32.91%
FBN Holdings	-3,586	4,779	-175.04%
FCMB	171,136	91,703	86.62%
Sterling Bank	63	284	-77.82%
Union Bank of Nigeria	1,017	517	96.71%
Wema Bank	81,371	62,289	30.63%
Unity Bank	30,342	64,087	-52.65%
Access Bank	8,559	13,640	-37.25%
Zenith Bank	22,021	6,484	239.62%
Guranty Trust Bank	7,651	5,329	43.57%
United Bank for Africa	13,374	14,426	-7.29%
Stanbic IBTC	-	-	-
Fidelity Bank	7,443	2,954	151.96%

Source: Bank's Financial Statement, Proshare Research

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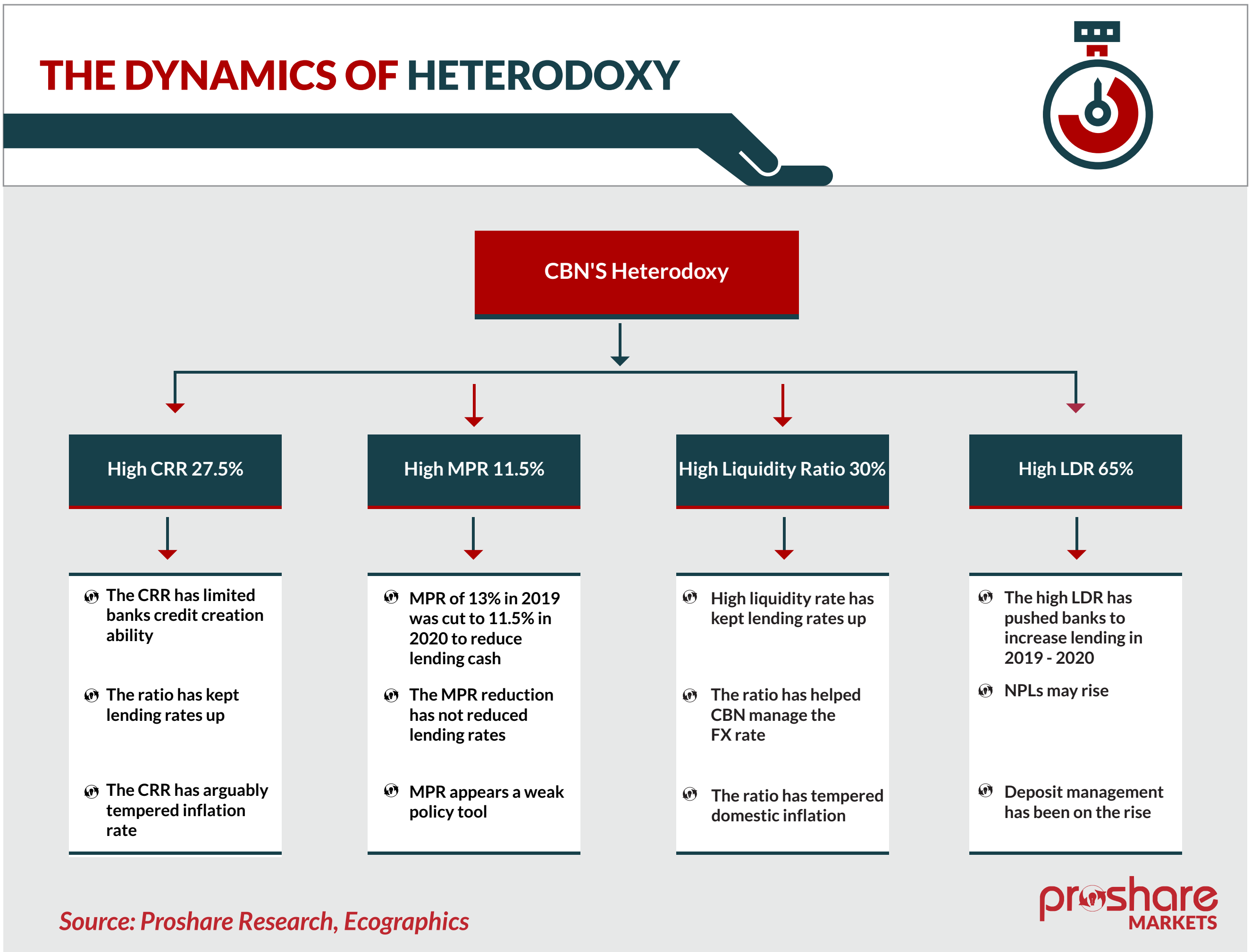
Banking Strategies Post-COVID

Banking Strategies Post-COVID

"Financial institutions must be able to deliver an easy to navigate, and seamless digital platform that goes far beyond a miniaturized online banking offering." – **Jim Marous**

Nigeria's banks have been barged from side-to-side by a variety of problems as a general economic slowdown and vicious coronavirus pandemic puncture earlier growth projections. To worsen the problem of slowly crawling risk asset growth, CBN's policy heterodoxy has limited the sector's ability to expand credit portfolios, which is a critical source of its operating income (*see Illustration 30*).

Illustration 30: The Dynamics of Heterodoxy

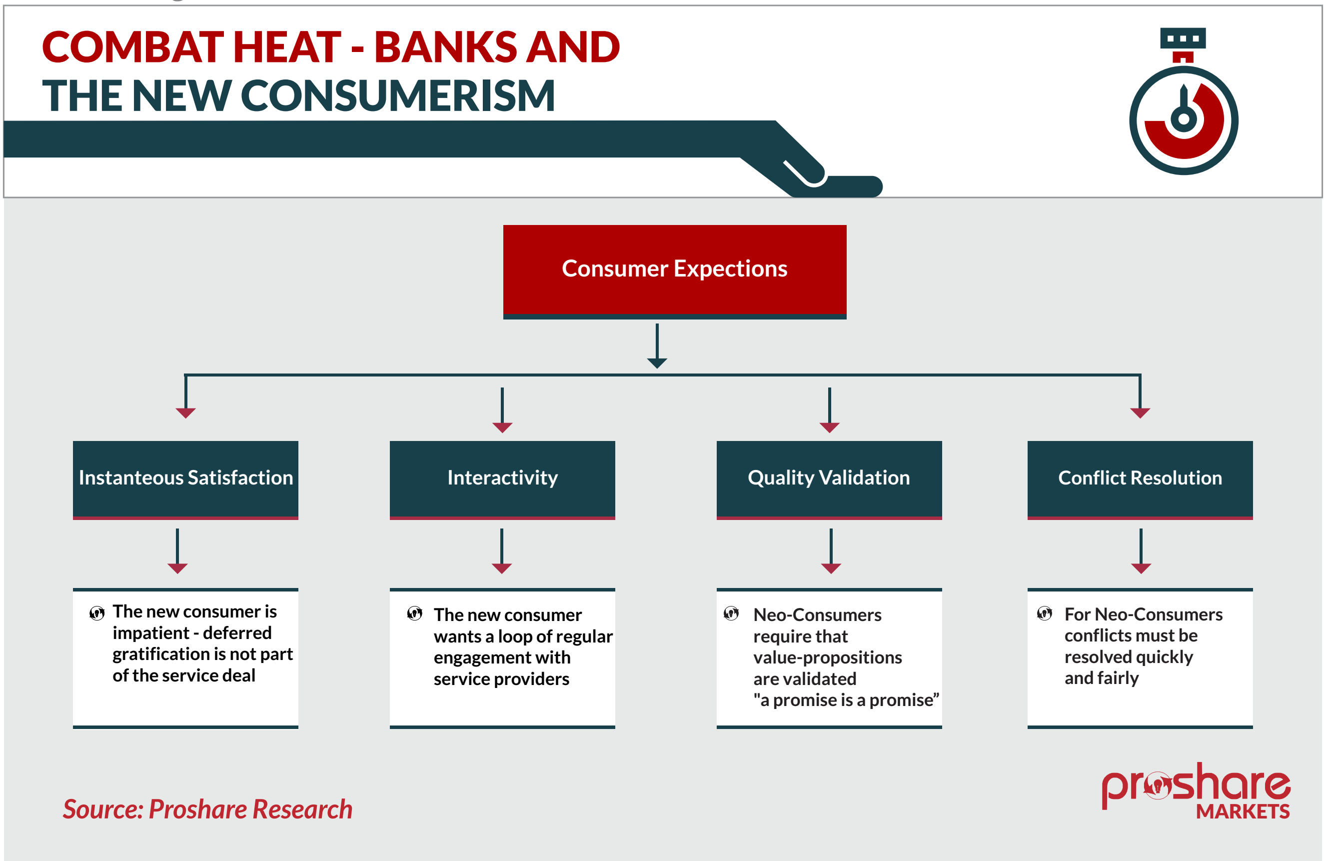


However, despite these challenges emerging opportunities exist in the sector. Banks would have to piggyback on these opportunities to strategically remodel their activities to stay afloat despite the broader socioeconomic impact of the virus.

Consumer Satisfaction

For banks to keep heads above troubled waters during the pandemic, consumer satisfaction needs to be a top priority. During a crisis such as the COVID-19, consumers tend to be disloyal as they search for banks that can offer the best yields and superior consumer journey experience. Post-COVID-19 bank customers will be more interested in instantaneous satisfaction i.e. they will be impatient and deferred gratification would not be part of the deal. The Neo-consumer wants a loop of regular engagement with service providers, fair and quick resolutions of conflicts, and demand that value-propositions are validated such as "a promise is a promise". In a bid to enhance consumer satisfaction most banks would need to shift towards the use of artificial intelligence (AI) and other digital channels (a trend that is becoming increasingly apparent and is reflected in the rapid rise in the banking sector e-banking incomes). Banks who are quick to adopt new technology will capture a greater share of the market. Sector analysts note that banks able to satisfy emerging and prospective consumer needs would record an increase in their market share and will most likely witness a quick rebound in their profits (*see Illustration 31*).

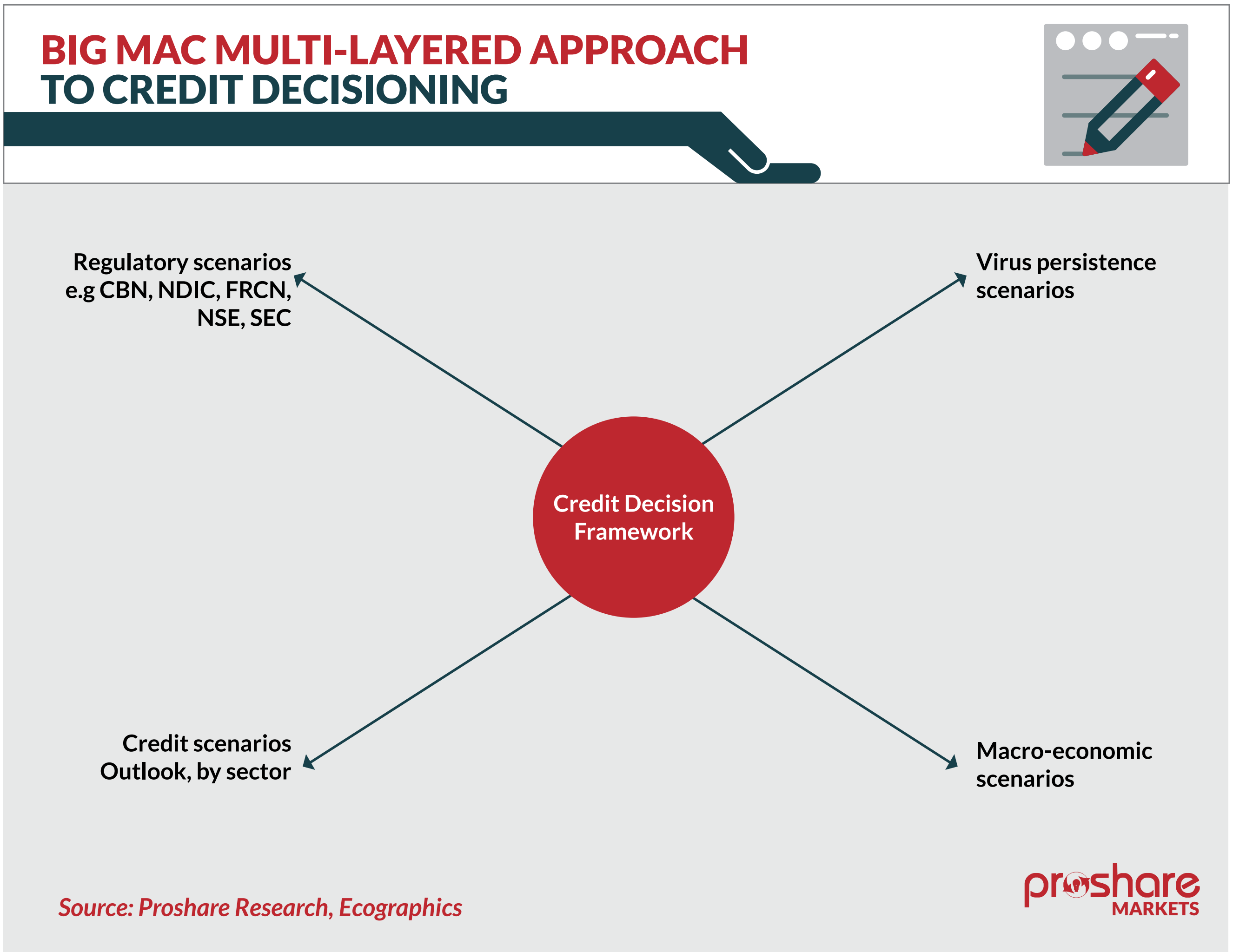
***Illustration 31:* Combat Heat-Banks and The New Consumerism**



Robust Credit Decisioning

To survive banks will have to adopt a robust credit decision structure. The peculiarity of the pandemic, according to analysts, would necessitate the need for credit decisions to run a new track of decisions with multi-layered decision criteria beyond the old paradigms that heavily weight historical business performance. The new decision framework would need to be forward rather than backward-facing. Detailed scenario analysis such as response scenario, credit scenario outlook, macroeconomic scenario, regulatory scenario, and virus persistence scenario need to be onboarded, to gain proper credit guidance. The ***virus persistent scenario*** should consider how the virus will play out while the ***macroeconomic scenario*** would consider key economic parameters such as GDP, inflation, and sector performance and its impact on the banks. A ***regulatory scenario*** should consider the effect of key policy decisions from institutions such as CBN, NDIC, FRCN, NSE, and SEC on the banks and its ability to expand credit while the ***credit scenario*** would consider the economic effects that will translate into company performance, default probabilities, collateral values, etc. Financial experts note that these scenarios will need to be updated as the situation evolves (*see Illustration 32*).

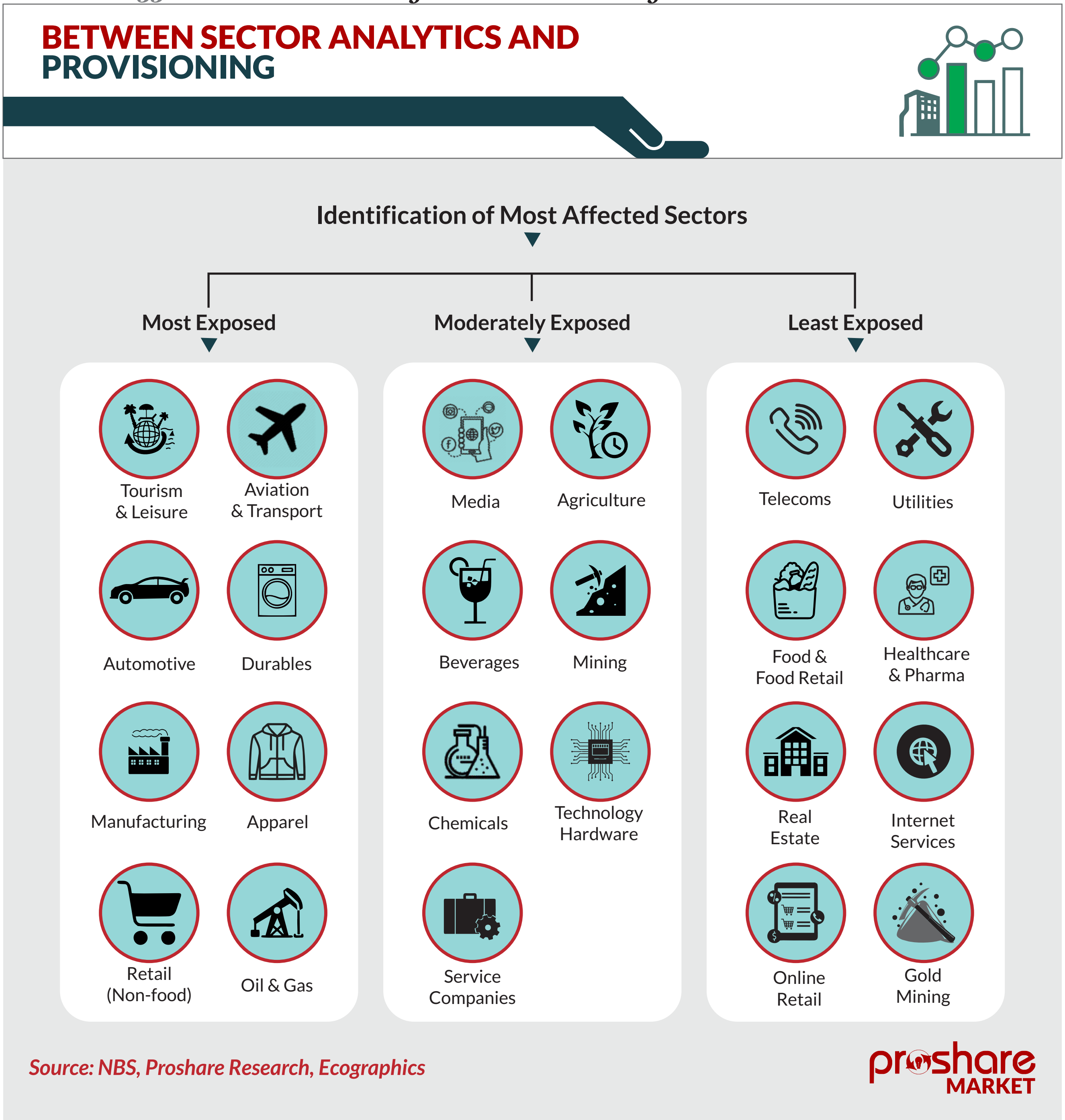
Illustration 32: ***Big Mac Multi-layered Approach to Credit Decisioning***



Furthermore, proper credit analytics would be carried out to undermine the impact of the virus on sectoral risks. This will help to build better credit decisions. Sectors with the greatest credit risks in recent months include aviation and transport, tourism & leisure, automotive, durables, manufacturing, apparel, retail, and oil & gas while sectors with moderate risk include the media, agriculture, beverage, mining, chemicals, technology hardware, service companies. On the other hand, the sectors with the least credit risk include telecoms, food & food retails, healthcare & pharma, internet services, online retail, and gold mining (*see Illustration 33*).

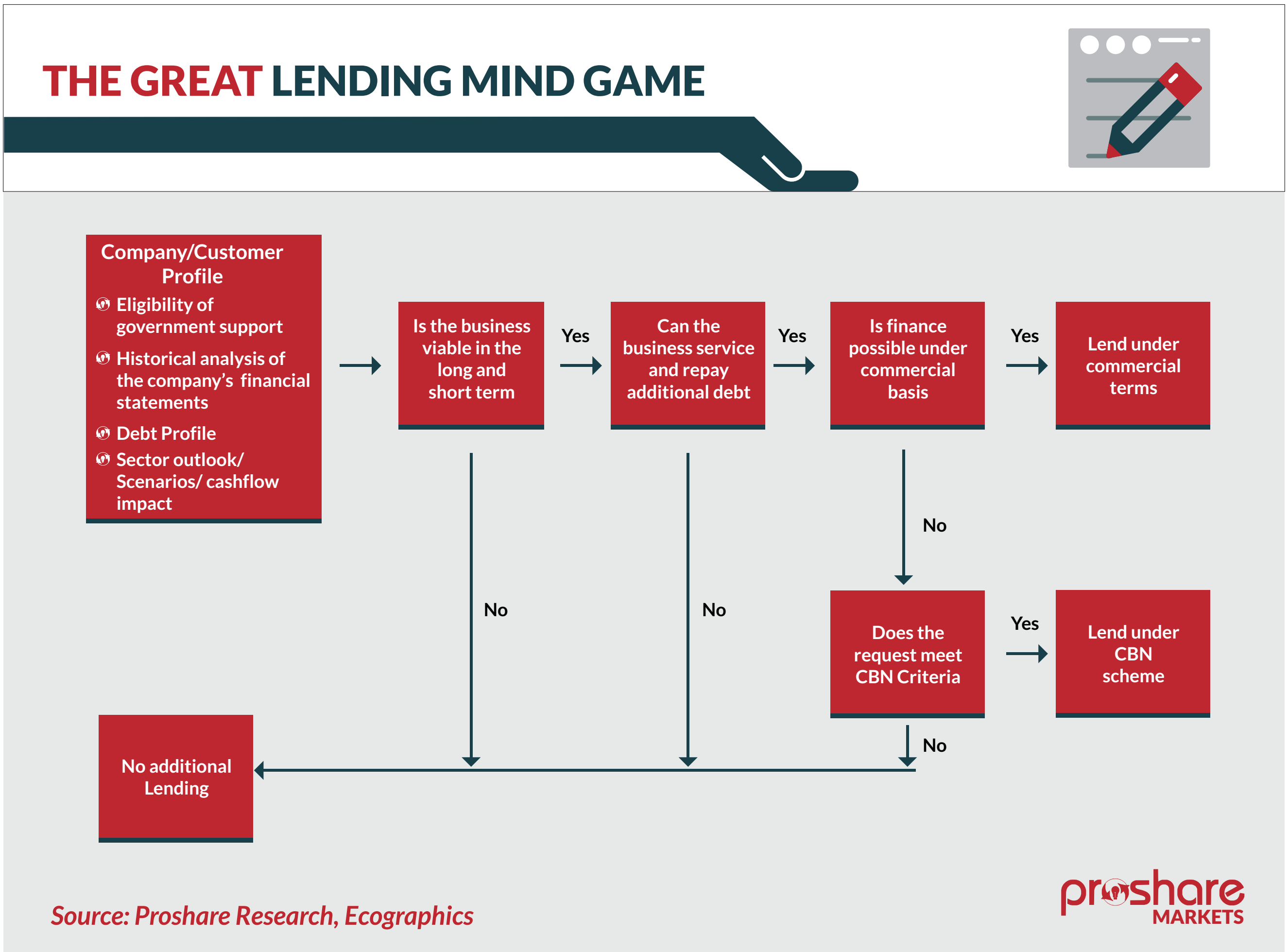
Illustration 33: Between Analytics
and Provisioning

Illustration 33: ***Between Sector Analytics and Provisioning***



A decision tree should be constructed that will provide a decision logic that recommends treatment strategies based on the customer's situation, distinguishing between those that were healthy pre-crisis and are not in a hard-hit sector, those that were previously healthy customers but in hard-hit impacted sectors, and customers that were already struggling pre-crisis (*see Illustration 34*).

Illustration 34: ***The Great Lending Mind Game***

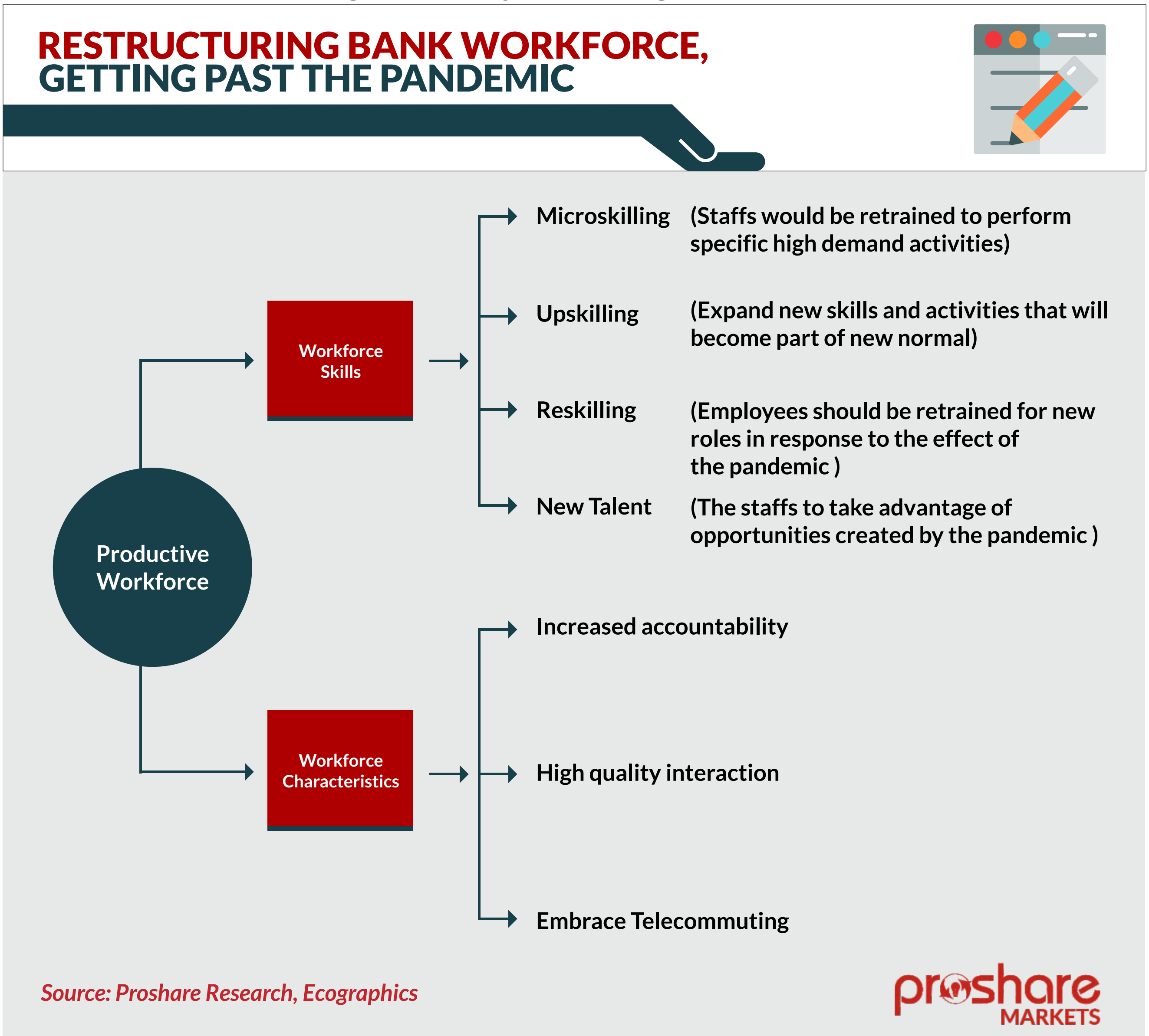


Restructuring the Troops

Tough times present opportunities as well as threats. Banks that reshape and restructure their staff strength are most likely to recover strongly and quickly after the COVID-19 crisis. Banks should expand employees' skill sets without fundamentally changing the nature of skills. Employees should be retrained to perform specific high demand activities and new roles in response to the effect of the pandemic. New staff that can take advantage of opportunities created by the pandemic should be employed (*see Illustration 35*).

Illustration 35: Restructuring Bank Workforce, Getting Past the Pandemic

Illustration 35: ***Restructuring Bank Workforce, Getting Past the Pandemic***



Gravitating Towards Sustainability

There are practical steps that can be taken by the banks to ensure their sustainability despite the coronavirus. Banks are likely going to encounter a liquidity crisis as a result of the pandemic what banks can do is to determine the size and impact of any liquidity shortfall if liquidity stress indicators are being triggered. When Bank's revenue and cost are negatively affected what banks can do is to develop an understanding of potential revenue sources and steps for mitigation. While for capital management banks should engage in additional stress tests with different underlying scenarios specific to COVID-19 should be conducted (*see Illustration 36*).

Illustration 36: ***Gravitating Towards Sustainability-The New Future***

GRAVITATING TOWARDS SUSTAINABILITY -THE NEW FUTURE

	Current and Potential Developments	Actions Point
Liquidity Management	CBN's consistent debit of banks to meet up with the CRR requirement might cause a liquidity crisis.	Analysis should be conducted to determine the size and impact of any liquidity shortfall if liquidity stress indicators are being triggered regularly
Capital Management	Slow economic growth and recovery in key sectors might cause a rise in impairment charges	Additional stress tests with different underlying scenarios specific to COVID-19 should be conducted
Revenue & Cost Management	An economic contraction could cause a decline in banking products and services	Work with relevant departments and units globally to develop an understanding of potential revenue sources and steps for mitigation
Loan Book	Some bank customers may record a decline in their earnings which might affect their loan repayment. Collaterals may record a decline in value	Analysis should be conducted to determine the size and impact of any liquidity shortfall if liquidity stress indicators are being triggered regularly

Source: Deloitte, Proshare Research, Ecographics

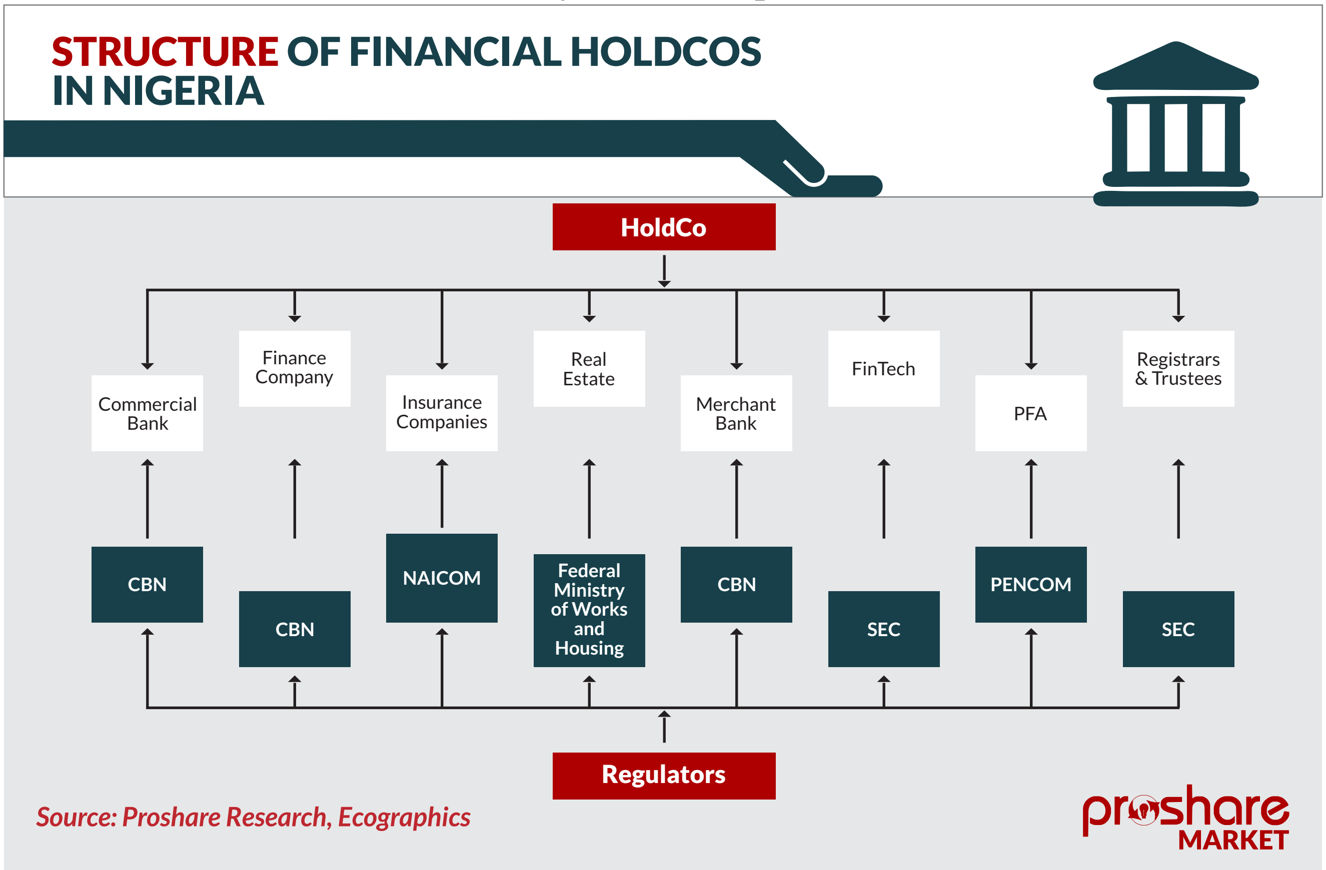
proshare MARKET

Key Findings

Key Findings

- Eight (8) banks amongst those listed on the Nigeria Stock Exchange (NSE) recorded an increase in pre-tax profit (PBT) while five (5) banks recorded a decline in PBT in H1 2020.
- Nine (9) banks recorded an increase in impairment charges while three banks which include WEMA Bank, Unity Bank, and Union Bank recorded a decline in their impairment charges in H1 2020.
- More banks recorded an increase in their cost-to-income ratio (CIR), seven (7) banks saw CIR climb while six (6) banks experienced a mild drop in their cost-efficiency.
- Despite the troubling effects of COVID-19, all banks listed on the NSE witnessed an increase in loans to customers and their deposits from customers.
- Banks have gradually taken to the Holdco structure as the new default organizational structure by owners of tier 1 banks in the country. The new structure is a mild shift from the universal banking structure introduced by the bank regulator in 1999 under Joseph Enitan Sanusi, the then CBN Governor. The trouble here is that there could be a repeat of the transaction patterns that saw universal banks trap customers in a vortex of group-owned businesses. Holdco ocompanies are likely to engage in cross-selling of services and true Holdco financial positions could be submerged under an interlocking network of related-party transactions.

Illustration 37: ***Holdcos: The New Face of Financial Supermarkets***



- Tier1 banks, in particular, have shown a strong increase in the proportion of e-banking income to their gross earnings, hence underscoring the growing importance of remote payment and settlement solutions in the flow of domestic financial transactions.

- Artificial Intelligence (AI) may become a major game-changer in financial service delivery in a COVID-19 world as consumer experiential journies will be critical to bank profitability and patronage. Generation-Z and Y are becoming increasingly important influencers of financial flows in Nigeria, even though baby boomers still control the bulk of domestic private sector financial resources.
- Fintech will play an increasingly important role in the banking sector from 2021 but for the impact to be significant it must grasp the customer's experiential journey more robustly than mere payment solutions and retail lending products based on regular cash flows such as salaries. The depth and breadth of technology innovation must rise above the spin of high-press media adverts to offer a deeper value proposition. Whether or not this happens, analysts note that several Fintech companies in Nigeria will go bust between 2021 and 2022 primarily because their consumer offerings are trite with little if any value-addition and their lending products are unguarded by sensible credit-risk controls, therefore, propelling them to spiral into a vicious cycle of delinquent assets. The promise of Fintech applications to financial service solutions would require major and minor tweaking.

  Fintechs in the financial service sector will likely be pulled by two forces, the first would be the positive force of increased adoption at the top and lower end of the customer pyramid driven by the realities of social distancing prompted by COVID-19, and the second force would be the economic downturn leading to a loss of customer incomes and jobs, which in turn would result in a rise in delinquent loan assets with a few Fintech lenders going bust. Which force will dominate will rely heavily on domestic fiscal and monetary policies and the shape of the COVID-19 recovery curve- V, U, W, or K.

However, writers at global management consultancy McKinsey are optimistic about the future outlook of Fintech in Nigeria. In a recent report on the Nigerian Fintech industry titled **'Harnessing Nigeria's Fintech Potential,'** the McKinsey analysts note that "A youthful population, increasing smartphone penetration, and a focused regulatory drive to increase financial inclusion and cashless payments, are combining to create the perfect recipe for a thriving fintech sector."

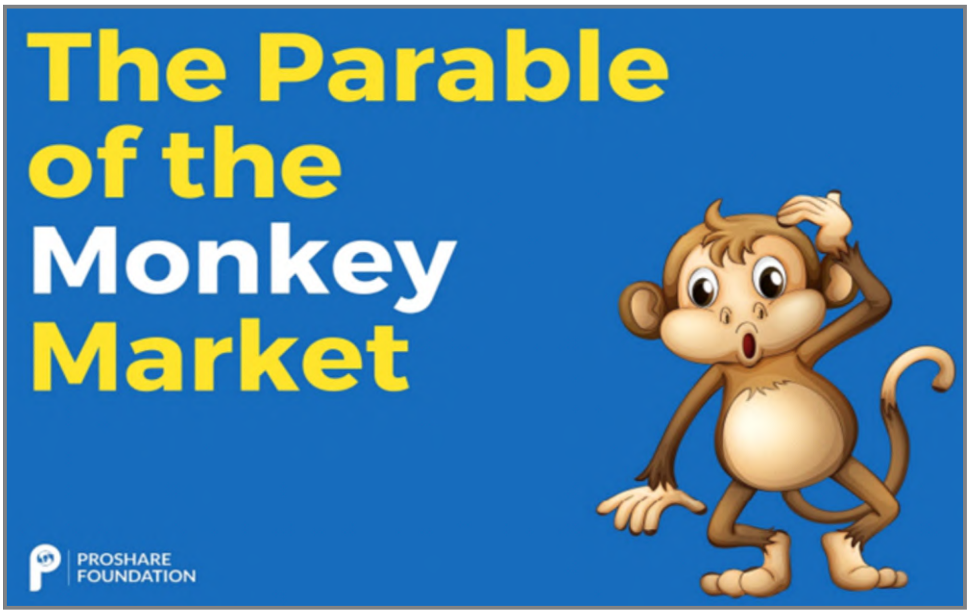
The report continues to observe that, "Fintechs have led with innovation in product development, designing useful, convenient and affordable financial products and services for millions of Nigerians. In the process, they have created a multiplier effect across the economy, unlocking new business models beyond financial services, fueling the growth of e-commerce, increasing the STEM talent pipeline, and moving the needle on progress towards the country's development goals." This may be so, but Fintechs are not without problems.

A severe challenge for Fintechs is in the credit arena. Although algorithms try to figure out the likelihood of default of particular borrowers, as Shakespeare presciently observed, "there is no art to find the mind's construction in the face", and indeed the same could be said about the face of advanced mathematical equations. With job losses on the incline and companies in a recessionary gridlock, the rise in loan default rates is likely to be staggering. Without structured lending frameworks as banks, most Fintech lenders are likely to see their loans disappear into a black hole.

Most Fintechs have targeted early adopters and have not had the courage or the inclination to break new grounds by introducing the financially excluded to fresh financial opportunities by way of digital technology. However, opportunity favours the brave, about 40% of Nigeria's estimated 200m population do not have bank accounts, this provides a potential customer base that is fresh, free, and fragile this potential market can be nurtured carefully to be late adopters and compelling advocates for services offered by Fintechs.

The Odd Monkey Market and its Parable

Increasingly Fintech companies, especially those targeted at the agricultural sector have been offering returns on investments far above returns in alternative money market assets with investors piling into these digital investment wonders in search of superior returns. The problem with such schemes is that there is no underlying 'real' asset trading in a growth market that justifies the returns on offer. The schemes speak to **the parable of the monkey market.**



Source: Proshare Foundation

The parable of the monkey market is an analysis of Ponzi schemes in which investors are left stranded with a mirage of economic value created on the back of the human frailties of greed, gratification, and misdirection. Investors are promised high rates of returns on their investment with no economic or business rationale to support the high rates.

Some Fintechs in Nigeria appear to operate like Ponzis. The rise of these schemes seems to be jumping off the wagon of low domestic returns on investments across money and capital market instruments. Nigerian banks are closely knit to Fintech companies and currently offer low rates on fixed deposit and savings accounts while their Fintech associates offer higher returns but on significantly riskier premise. For example, the Central Bank of Nigeria (CBN) recently instructed deposit money banks (DMBs) that from September 1, 2020 interest rates on local currency savings deposits will be negotiable subject to a minimum of 10% per annum of Monetary Policy Rate (MPR). With the recent MPR at 11.5%, this brings savings rate to a minimum of 1.15% and if adjusted for inflation at 13.2% as of August 2020, the real savings deposit rate would be -12.05%. With this kind of real rate, it appears that investors will sprint to riskier market assets with higher short to medium-term yields. But where they sprint to is just as important as where they are sprinting from.

Some Fintechs in Nigeria offer a return on investments that pull silva from the mouth but their high yields represent a higher risk of a payment default. Following the moral of the parable of the monkey market, the higher interest rates offered by Fintech companies are not sustainable and will eventually leave unsuspecting investors stranded on the investment tarmac. Greed may inspire but it also kills.

Conclusion

"If you compare banks to companies like Google, it's evident that banks are still at the nascent stage of the digital and data revolution." - **Vik Atal**

There were expectations by banking sector analysts that the Nigerian banking sector would be severely hit by the COVID-19 pandemic due to its high exposure to the oil & gas sector, contraction of the economy, and a COVID-19-induced economic lockdown. Contrary to expectations, the Nigerian banking sector's performance tipped noticeably past the average sector performance in countries like the US, Singapore, South Africa, etc. Amongst the thirteen (13) banks listed on the Nigerian Stock Exchange, eight (8) banks recorded an improvement in their PBT in H1 2020 while five (5) banks recorded a decline in their PBT. FCMB recorded the highest percentage increase of +25.51% in PBT while WEMA bank recorded the largest decline of -33.72% in PBT in H1 2020.

In line with expectations of a rise in credit risk, nine (9) of the listed banks on the Nigeria Stock Exchange (NSE) recorded a rise in their impairment charges in H1 2020 while three (3) banks which include Unity Bank, WEMA Bank, and Union Bank recorded a decline in impairment charges. The rise in impairment charges could be attributed to the increase in provisions due to the negative outlook towards loan asset performance in Q3 and Q4 2020. The forward-facing IFRS9 standards for impairment recognition would compel upward impairment adjustments in a period of relative downward-looking economic expectations in H2 2020. Although the economic performance of the Nigerian economy is expected to shrink by only -3.12% by H2 2020 (according to Proshare's linear macroeconomic forecast model), the economic outlook is still mildly depressing even though it is an improvement on the -6.10% recorded in August.

The COVID-19 pandemic has muscled banks into rethinking their business strategies to adapt to the "new normal". Some banks have had to close branches, right-size staff, diversify loan assets to more profitable sectors and work aggressively towards becoming digitalized to stay afloat during the pandemic-induced downturn.

The trend amongst deposit money banks (DMBs) towards a holding company (Holdco) structure creates interesting regulatory and business detours. Sterling Bank recently obtained the CBN's approval to transmute from a stand-alone commercial bank to a holding company. Also, GT Bank has spelled out its plans to convert to a Holdco. Access Bank recently announced that it has gotten approval-in-principle (AIP) from the CBN to restructure to a holding company. Some of the motives for evolving into a Holdco structure could be to protect its assets, reduce/minimize the risk of insolvency, and allow the Holdco to diversify more efficiently as it invests in new ventures.

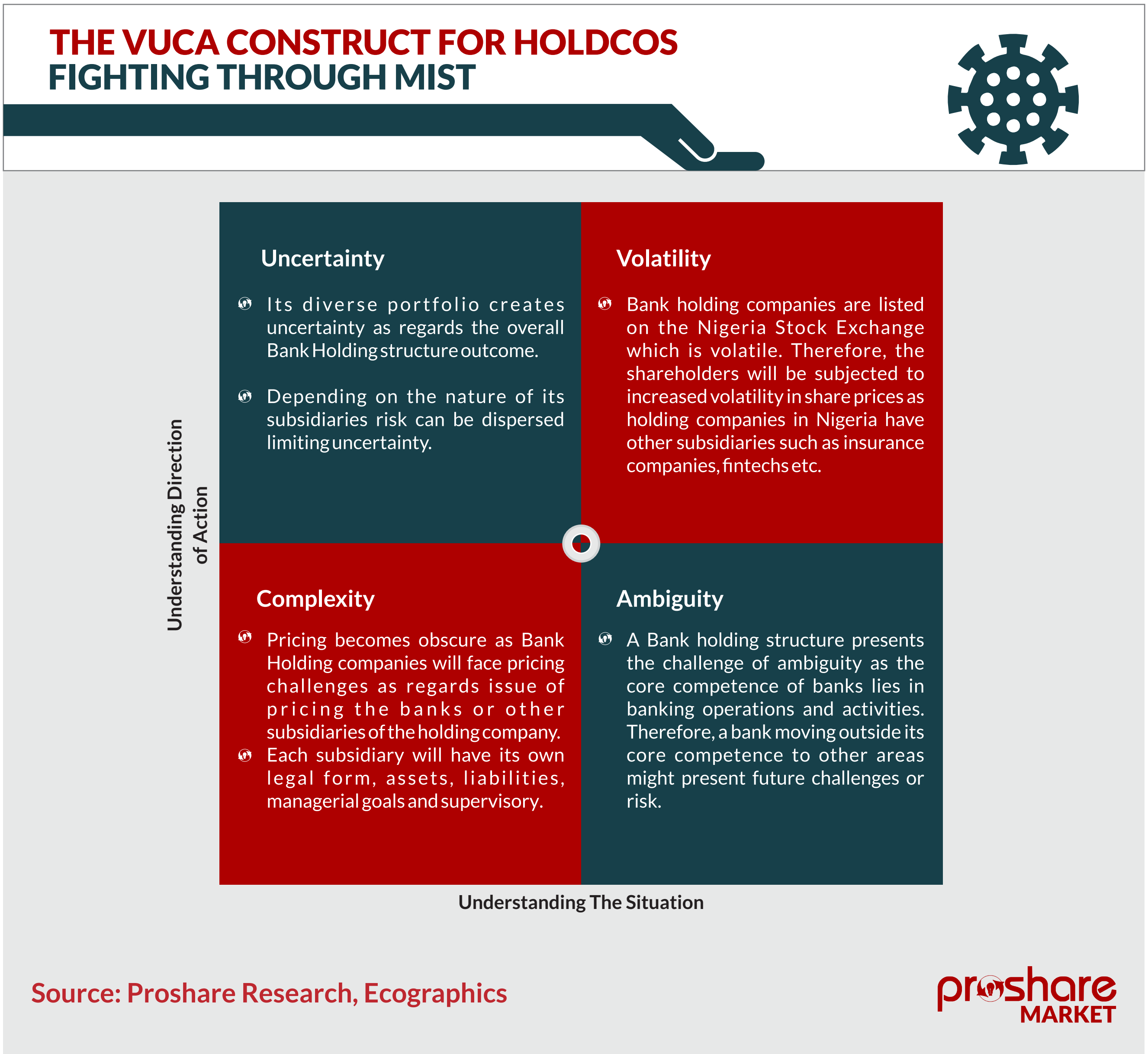
Trying To Avoid VUCA

A systemic problem, however, is the confusion of regulatory oversight. Banks have announced that they have approvals or approvals-in-principle by the CBN to become holding companies but this appears slightly odd. ***A Holdco structure is a structure that has banking as a part of a wider financial supermarket arrangement of a group of companies and each company within that structure has a different regulator. This is where trouble occurs. The CBN does not regulate all the companies under the Holdco and a Holdco should not require the***

approval of the CBN, except those institutions under the CBN regulatory purview who wish to become members of a Holdco. The more appropriate approving authority for the creation of a Holdco should be the Securities and Exchange Commission (SEC).

The recent rush to the press to affirm an approval-in-principle (AIP) by the CBN for banks wishing to become part of a Holdco structure creates market volatility (for NSE-listed institutions), business uncertainty, structural complexity, and ambiguity or what local analysts have preferred to call VUCA.

Illustration 39: ***Bank Holding Structure and the Mistiness of Progress***

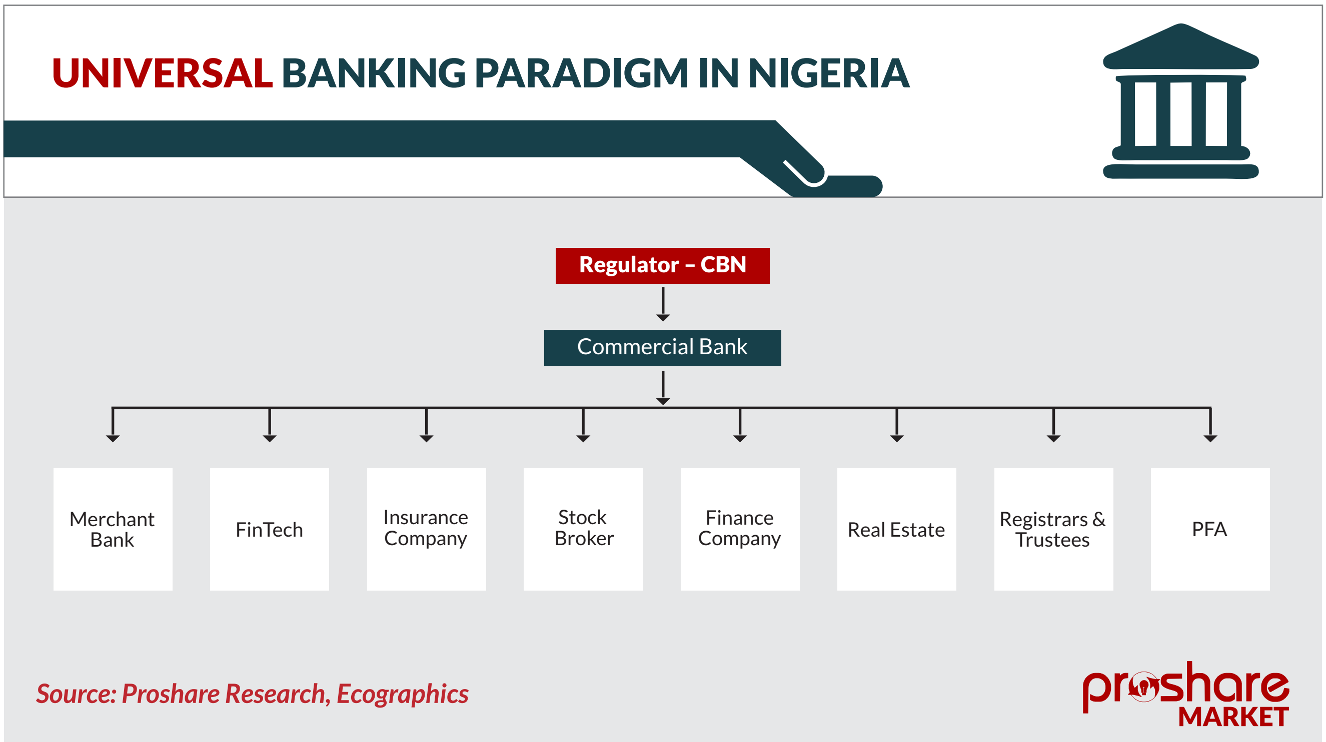


ETI and FBNH are clear examples of the mist that can develop from a Holdco structure. ETI is the Holdco of the Ecobank continental group, but often investors confuse ETI for Ecobank Nigeria, so in analyzing ETI are investors pricing-in all operations of the group across the continental economies of Africa in multiple currencies? (see Ecobank Nigeria: The Case For Restructuring, Repositioning, and Retooling) Ecobank Nigeria constitutes about a fifth of the groups continental business and with its local subsidiary's relatively poor corporate earnings (even before the wider COVID-19 troubles) in the last three years, it is unclear whether the stocks pricing on the NSE is a reflection of the group's overall performance or investors finicky observation of the bank's local Nigerian subsidiary. Most analysts dissect the financial statement of accounts of the group rather than the local bank but the awkward perception of the Nigerian subsidiary far overshadows the group's overall continental scorecard.

In 2018 **Proshare** had, as part of its market reporting responsibility, to take on the bank's management in respect of its perceived non-compliance with **IFRS9** accounting rules on the treatment of its loan impairments and the **IAS** 21 rules concerning foreign exchange translation recognition and reporting, these fuzzy areas of Holdco accounting and operations can prove difficult to untangle. For example, while the CBN capital adequacy rules may affect Ecobank Nigeria, it certainly cannot be said to be relevant to the business of the overall group which operates in different economic jurisdictions. Furthermore, even though ETI is the listed entity in Nigeria. SEC rules apply to which entity, as most of the group's businesses are outside the country?

The FBNH structure has different complexities. FBNH structure has a series of subsidiary banks under Holdco but also has an investment bank, a stockbroking operation, a trusteeship line of business, and until recently an insurance company. The Holdco is more of a financial supermarket in the mode of the universal banking (UB) model between 1999 and 2010/2011. It represents a one-stop financial boutique. The model has some advantages such as the cross-selling of financial services and the capturing of the customer journey experience within a web of businesses within one financial group. The problem, however, is that the absence of 'Chinese walls' between businesses could lead to transfer pricing and creative accounting practices between group affiliates. It was this incestuous relationship and the lack of clarity in the books of UBs that prompted erstwhile CBN Governor, Sanusi Lamido Sanusi, to scrap UBs in 2010 (*see Illustration below*).

Illustration 40: ***UBs-The Walking Undead***



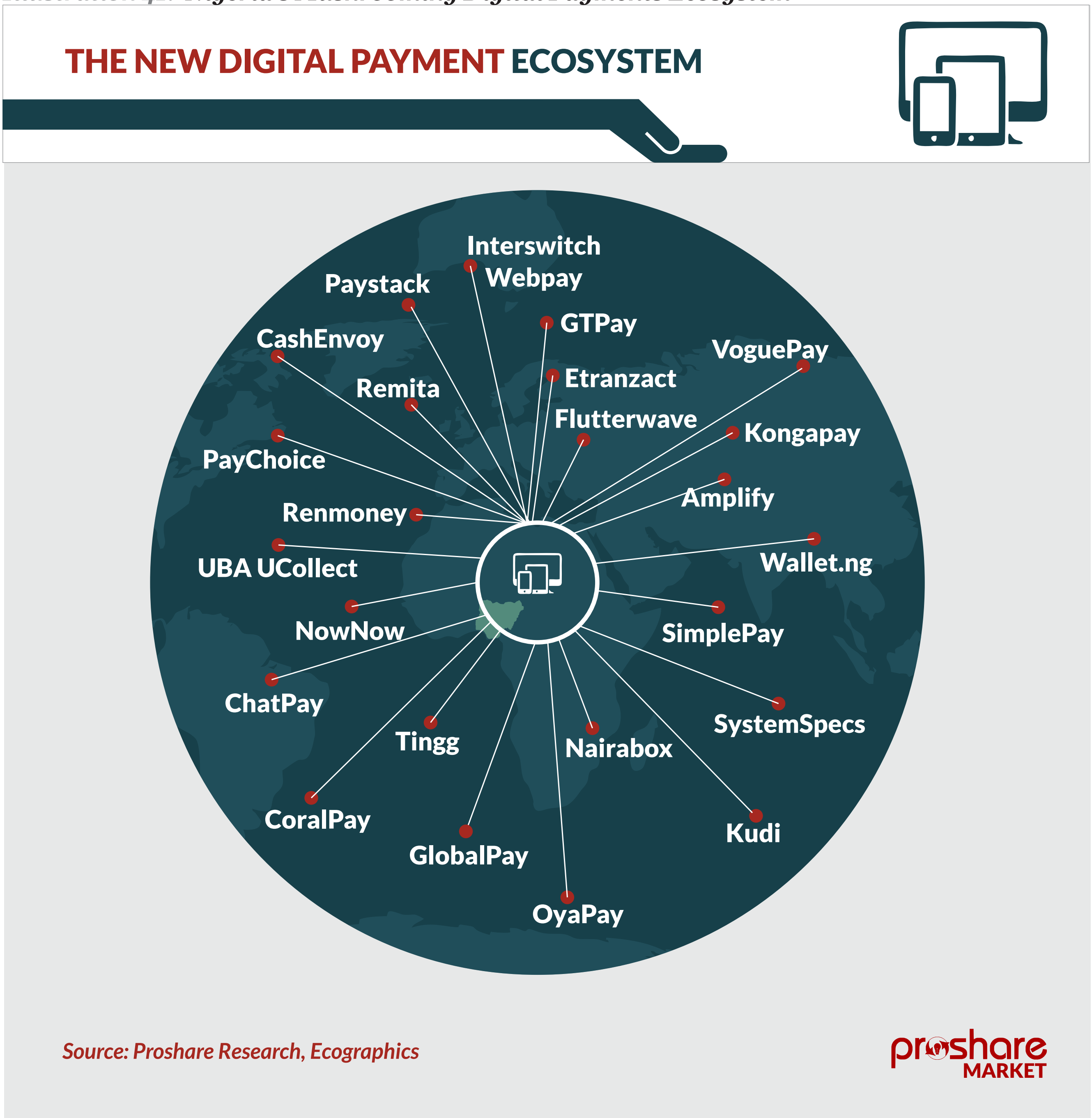
Banks in A Time of COVID-19; The Unspoken Words

The Banking sector's resilience would depend on fiscal and monetary policy interventions as well as the effectiveness of the government's response to the spread of the coronavirus in Nigeria. If there is a sudden spike in the spread of the virus and a lockdown is re-imposed then the banking sector becomes potentially vulnerable to a longer-term dip in domestic economic fortunes. On the other hand, if the government's response is effective and the spread of the virus is successfully curbed then the banking sector would rebound quickly to pre-COVID levels. An uncommon observation is that the local banking industry got hit for six in the first two months of the pandemic by the third month the managers of banks had started to decouple the institutions from the travails of the broad economy. This explains why Nigerian banks have not been as badly hit by the COVID-19 challenge as other companies in the economy. The ability of banks to engage in countervailing measures to temper the severity of the virus on the economy suggests unspoken built-in sector resilience. The adoption of digital solutions before the pandemic outbreak meant that many customers could continue banking relations without the need for physical presence for most payment and settlement transactions.

The use of digital mediums of transactions for financial flows meant that banks saw a spiraling of e-banking incomes and a reduction in cash handling costs between Q1 and Q2 2020, available but non-verified information suggests that the trend has continued into Q3 2020. Even at the informal retail end of markets involving such primary activities as barbing, tailoring, and meat selling bank transfers have increasingly become acceptable means of payment. The rise in digital transactions has improved non-lending transaction income and enabled banks to improve their earnings or reduce their potential earning declines as the economy went into a freeze over the first six months of 2020. In other words, banks had a tough time in H1 2020 but their ability to unhinge from the broader value destruction going on in the economy by Q2 2020 provided them with a softer cushion to fall on and a much lower height to drop.

Illustration 41: Nigeria's Mushrooming Digital Payments Ecosystem

Illustration 41: ***Nigeria's Mushrooming Digital Payments Ecosystem***



Source: Proshare Research, Ecographics

The Nigerian banking sector narrative in H1 2020 has been a tale of dodged bullets. The capacity of local banks to ride over the wave of a health pandemic and an economic implosion caused by falling fiscal revenues is a brilliant stage performance in Act 1 Scene 1. The next open curtain call introduces Act 1 scene 2 which would require banks to depend less on fortune and more on strategy.
As banks recover fully from the COVID-19 pandemic they would need to revise their survival playbook. The three cornerstones of their forward play should be the following:

- Reimagine the future
- Rethink the past and,
- Reconsider present concerns

Illustration 42: ***Constructing Strategic Narratives***

With the future shrouded in uncertainty, the outlook for banking is a gamble on the institutional resilience, far-sighted corporate leadership, and the creative application of technology in the course of day-to-day business. The ability of local Nigerian banks to unhinge their hooks from the general economy provides hope that at least tier 1 banking institutions would provide backstops to an economic downturn in 2020 and 2021.

Going into 2021 Nigerian banks will have to pull out all the stops to drive harder top and bottom-line earnings as the economy makes a weak recovery heading into Q3 2021. Q1 should see the economy ease into a modest real GDP growth of slightly less than 1% and this should push up into Q2 as economic expansion gains momentum. If banks could face down headwinds in the eye of the COVID-19 storm in Q1 and Q2 2020, then they should do quite well growing their P&L and statements of financial positions (balance sheets) in Q2 and Q3 2021. The outlook, however, relies heavily on the pandemic slowing down and an antivirus being available by the end of H1 2021 at the latest. Until the economy shows signs of solidity in its key drivers not many people will sleep with both eyes closed.

Methodology

Methodology

The report relies on three (3) primary sources of information: 1. The Nigerian Stock Exchange (NSE) 2. Audited Accounts of Listed Companies on the NSE 3. Proshare Investor Relations (IR) Pages. The report relied on the audited corporate statement of accounts for five years (2014-2018) for P&L and Statement of Financial Position for each bank analysed and listed in the relevant pages of the report. We also relied on disclosures in notes to the respective accounts. The data sets were disaggregated for meaningful analysis and interpretation. We equally engaged in other in-house modelling processes to provide clarity by way of dimensioning time series and cross-sectional data. The cut-off date for our analysis was August 2019, reports submitted outside this date were not considered and will be included in any subsequent report we publish on banks listed on the NSE. Full-year annual accounts used for data analysis were from the financial year ended December 2014 to the financial year ended in December 2019.

For banks not listed on the Nigerian Stock Exchange, we relied on information supplied by banks in their financial returns submitted to the Central Bank of Nigeria for H1 2019. There were some differences between the bank's published accounts and the figures contained in their reports to the CBN. Preference was given to published reports but where such reports were not available recourse was made to CBN reports for H1 2019.

The analysis essentially took a time series approach to historical data and took line items over a five-and-a-half-year period from either the profit and loss accounts of the banking institutions or their statement of financial position (balance sheet). The qualitative aspects of the report were drawn from discussions with senior banking officials or theoretical constructs applied to frontier markets.

Regression analysis and e-views analytical tools were applied to a variety of data sets from bank financial statements to establish relationships between dependent and independent variables within the data architecture. Some results were frivolous, others consistent with existing theory while some were interesting oddities that contradicted basic theoretical postulations. The detailed regression and other analytical results were deliberately left out of the report to make it as easy to read and understand as possible and to ensure that the technical details do not distract from the central insights gained during the research process.

List of Tables, Charts & Illustration

List of Tables, Charts & Illustration

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References and Related Links for Further Reading

References and Related Links for Further Reading

Related News On Banking Sector

1. FIDELITYBK Declares N11.3bn PAT in H1 2020 Audited Results, (SP:N1.80k)
2. ACCESS declares N61.03bn PAT in Q2 2020 Results; Proposes 25kobo Interim Dividend, (SP:N6.40k)
3. ZENITHBANK Declares N103.8bn PAT in H1 2020 Audited Results; Proposes 30K Interim Div, (SP:N16.95k)
4. GUARANTY Declares N94bn PAT in H1 2020 Audited Results; Proposes 30K Interim Dividend, (SP:N25.65k)
5. STANBIC Declares N45.2bn PAT in H1 2020 Audited Results; Proposes 40K Interim Dividend, (SP:N36.50k)
6. UBA Declares N44.43bn PAT in H1 2020 Audited Results; Proposes 17k Interim Dividend, (SP:N6.55k)
7. STERLNBANK Declares N5.4bn PAT in Q2 2020 Unaudited Results, (SP:N1.19k)
8. UBN Declares N10.8bn PAT in Q2 2020 Results, (SP:N5.40K)
9. FCMB Declares N9.7bn PAT in Q2 2020 Results, (SP:N1.95k)
10. WEMABANK Declares N1.5bn PAT in Q2 2020 Results, (SP:N0.52k)
11. FBNH Declares N49.5bn PAT in Q2 2020 Results, (SP:N5.00k)
12. UNITYBNK Declares N1.03bn PAT in Q2 2020 Results, (SP:N0.61k)
13. ETI Declares N48.5bn PAT in Q2 2020 Results, (SP:N10.45k)
14. Banking Stocks: ZENITHBANK Records 24.42% Gain One Week After As UBA Dips By -10.71%
15. Banks Bring Down Cost-to-income ratios As Industry Margins Tighten
16. Zenith Bank Share Price Hits N10.85k; Lost N249.60bn In Market CAP, -42.29% Wtd
17. ACCESS Declares N97.5bn PAT in 2019 Audited Results, Proposes N0.40k Final Div. (SP:N8.50k)
18. UBN Declares N19.9bn PAT in 2019 Audited Results Proposes N0.25k Final Div. (SP:N6.85K)
19. STANBIC Declares N75.04bn PAT in 2019 Audited Results, Proposes N2 Final Dividend,(SP:N32.50K)
20. GUARANTY Declares N196.8bn PAT in 2019 Audited Results, Proposes N2.50k Final Div. (SP:N23.80k)
21. UBA Declares N89.09bn PAT in 2019 Audited Results; Proposes 80k Final Dividend,(SP:N6.70k)
22. ZENITHBANK Declares N208bn PAT in 2019 Audited Results; Proposes N2.50k Final Div. (SP:N19.40K)
23. FCMB Declares N17.7bn PAT in 2019 Unaudited Results,(SP:N1.90k)
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29. Bank Equity Returns Do Not Look So Good in 2019
30. Nigerian Banks: A Season of Mixed Performance; Reviewing The Growth Numbers
31. ETI: Walking A Tight Rope; Earnings Down As Continental Headwinds Persist
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45. Nigerian Banks' Performance - H1 2018
46. FBNHoldings Plc Q1' 2017 Performance Assessment Report Updated
47. Analysing the Performance of FBN Holdings Plc - A Comprehensive Report

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2. Fitch Affirms First City Monument Bank at 'B-' Stable; off Rating Watch Negative
3. Fitch Affirms Sterling Bank at 'B-' Stable; off Rating Watch Negative
4. Fitch Maintains Wema Bank''s Long-Term IDR of ''B-'' on Rating Watch Negative
5. Fitch Revises Bank of Industry's Outlook to Stable; Affirms IDR at 'B'
6. Fitch Affirms Fidelity Bank at 'B-'; off Rating Watch Negative; Outlook Stable
7. Fitch Affirms Access Bank at 'B'; off RWN; Outlook Negative
8. Fitch Affirms UBA at 'B'; off RWN; Outlook Stable
9. Fitch Affirms Zenith Bank at 'B'; Off Rating Watch Negative, Outlook Stable
10. Fitch Affirms Guaranty Trust Bank at 'B'; off RWN; Outlook Stable
11. Fitch Affirms FBN Holdings Plc at ''B-''; off RWN; Outlook Negative
12. S and P Global Ratings Affirmed First Bank of Nigeria Ltd Ratings, Outlook Stable
13. Fitch Affirms Coronation Merchant Bank's Rating at B-
14. Fitch Rates Coronation Merchant Bank Limited at ''B-''; Outlook Negative
15. Moody's Announces Completion of a Periodic Review of Ratings of Union Bank of Nigeria Plc
16. Moody's Announces Completion of a Periodic Review of Ratings of Sterling Bank Plc
17. Moody's Announces Completion of a Periodic Review of Ratings of Access Bank Plc
18. Moody's Announces Completion of a Periodic Review of Ratings of Fidelity Bank Plc
19. Moody's Announces Completion of a Periodic Review of Ratings of FCMB Limited
20. Moody's Announces Completion of a Periodic Review of Ratings of First Bank of Nigeria
21. Moody's Announces Completion of a Periodic Review of Ratings of Zenith Bank Plc
22. Moody's Announces Completion of a Periodic Review of Ratings of Guaranty Trust Bank Plc
23. Moody's Announces Completion of a Periodic Review of Ratings of UBA Plc
24. Moody's Announces Completion of a Periodic Review of Ratings of Bank of Industry
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26. Coronavirus Shock Likely to Reduce Some Banks' Capital, Increase Credit Vulnerabilities
27. Fitch Maintains Access Bank's 'Aplus (nga)' National Long-Term Rating on RWN
28. Fitch Revises 2 Nigerian Banks' National Ratings
29. Banking System Outlook Update - Nigeria Outlook Changes to Negative Due to Oil Price Collapse
30. Various Rating Actions On Nigerian Banks By S and P Following Sovereign Downgrade; Outlooks Stable
31. Nigerian Banks at Severe Risk from Oil Price Slump, Coronavirus
32. Fitch Downgrades 3 Nigerian Banks to 'B', Places All 10 Banks on Negative Watch
33. Outlooks On Six Nigerian Banks Revised To Negative After Same Action On Sovereign
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46. S and P Global Ratings Affirmed ETI And Ecobank Nigeria Ltd Ratings; Outlook Stable
47. Fitch Rates Access Bank's Tier 2 Subordinated Debt Final 'A(nga)'
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4. CBN Issues Framework for the Implementation of Intervention Facility for the NGEP - Sep 15, 2020
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12. CBN Provides Non-Interest Guidelines for Intervention Programmes – Jul 25, 2020
13. CBN Unveils Non-Interest Guidelines for AGSMEIS, MSMEDF, Others – Jul 14, 2020
14. CBN Discontinues the Processing of Form M for the Importation of Maize – Jul 13, 2020
15. Regulatory Forbearance for the Restructuring of Credit Facilities of OFIs Impacted by COVID-19 – Jul 09, 2020
16. CBN Urges Nigerians to Embrace Its N50bn Targeted Credit Facility; Waives Requirement – Jun 08, 2020
17. CBN Grants Stirling Trust Company Ltd Approval to Commence Cash-In-Transit Operations – Jul 07, 2020
18. CBN Expands The Scope of Regional Banks in Nigeria – Jul 03, 2020
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53. CBN Issues Circular On The Guidelines For The Disbursement Of Lower Denomination Banknotes -Aug 21, 2019
54. CBN To Disburse Lower Currencies To Microfinance Banks -Aug 16, 2019
55. CBN Publishes Consumer Protection Framework Guidelines On Disclosure And Transparency -Aug 05, 2019
56. CBN Releases Consumer Protection Guidelines On Responsible Business Conduct - Aug 05, 2019
57. CBN Issues Guidelines on Accessing Standing Deposit Facility; Effective Thursday July 11, 2019 – Jul 10, 2019

58. CBN Releases Modalities For The Implementation of The Creative Industry Financing Initiative - Jul 05, 2019
59. DMBs No Longer Require Prior Approval From CBN To Offer Mobile Money Wallet Services - Jul 05, 2019
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62. CBN Requests For Information On The Proposed Payments System Vision 2030 Initiative -May 16, 2019
63. CBN Announces Creative Industry Financing Initiative - May 08, 2019
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65. CBN Issues Clean Notes Policy - Apr 26, 2019
66. CBN Releases Guidelines On Pillar 2 Risks And Stress Testing For Banks – Apr 18, 2019
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68. CBN Guidance Notes On The Calculation Of Capital Requirement For Operational Risk For NIFIs - Apr 17, 2019
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73. Anti-Money Laundering And Combating The Financing Of Terrorism Policy and Procedure Manual - Feb 08, 2019
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80. CBN Releases Code of Corporate Governance for Microfinance Banks in Nigeria - Oct 30, 2018
81. CBN Releases Code of Corporate Governance For Bureaux De Change In Nigeria - Oct 30, 2018
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103. CBN Directs DMBs to Establish Consumer Complaint Help Desk – Mar 09, 2018
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105. DMB That Does Not Meet the Minimum Capital Adequacy Ratio Shall Not Be Allowed to Pay Dividend - CBN – Feb 19, 2018
106. CBN to Sanction Erring Banks for Infractions of Payments System Rules and Regulations – Jan 08, 2018
107. CBN Suspends Extension of Settlement Banking Arrangement to All the Clearing Sessions – Dec 22, 2017
108. CBN to Draft Framework on Credit to SMEs – Dec 05, 2017
109. CBN Extends Settlement Banking Arrangement to All Clearing Sessions Effective January 1, 2018 – Nov 10, 2017
110. CBN Issues Further Clarification on the Enforcement of GIFMIS Revenue Reference Number – Oct 24, 2017
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112. Implementation of Electronic Certificate of Capital Importation – Sep 08, 2017
113. Exposure Draft of Regulatory Framework for Unstructured Supplementary Service Data- Sep 08, 2017

114. CBN Introduces Funding for Liquidity and Intra-day Facilities for Non-Interest Banks – Aug 24, 2017
115. CBN Revised the Guidelines for Commercial Agricultural Credit Scheme (CACS) – Aug 21, 2017
116. CBN Extends Timeline of BVN Enrolment for OFIs to December 31, 2017 – Aug 07, 2017
117. CBN Announces the Introduction of the Nigeria Customs Service Electronic Auction (eAUCTION) Platform – Jul 25, 2017
118. CBN Issues Statements of Payment Finality for the Nigerian Payments Schemes - Jul 25, 2017
119. CBN Directs OFIs to Enroll Customers for BVN – Apr 25, 2017
120. CBN Suspends the Implementation of Interchange Regime Indefinitely – Apr 21, 2017
121. CBN Issues Circular on the Amendments of S4 Business Rules and Guidelines – Feb 02, 2017
122. CBN Enhances Minimum Qualifications for Banks CCOs to Ensure Compliance – Sep 30, 2016
123. CBN Issues Directives on the Removal of Fixed Interest Rate on Credit cards – Aug 05, 2016
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125. CBN Publishes Exposure Draft Guidelines on Regulations & Supervision of Non-Interest MFBs in Nigeria – May 12, 2016
126. CBN Publishes Approved Guidelines on Transactions Switching in Nigeria -May 09, 2016
127. CBN pledges more interventions to create jobs, wealth – Apr 19, 2016
128. CBN Publishes Exposure Draft on Guide to Charges for Banks & OFIs in Nigeria – Mar 14, 2016
129. CBN Publishes Reports of Activities under the Agricultural Credit Guarantee Scheme – Mar 10, 2016
130. CBN Publishes Revised Guidelines on Real Sector Support Facility - Mar 10, 2016
131. CBN Releases National Financial Literacy Framework Report - Mar 07, 2016
132. CBN Publishes Guidelines for the Operations of TSA by State Governments in Nigeria – Feb 09, 2016
133. CBN Extends BVN Enrolment for Nigerian Banks' Customers in Diaspora to 30th June, 2016 – Feb 05, 2016
134. CBN Publishes Guidelines for Banking Operations in the Free Trade Zones in Nigeria – Feb 02, 2016
135. CBN Invites Financial Institutions to Make Payment of Annual Licence Renewal Fee through e-Channels – Jan 04, 2016
136. CBN Releases Revised Guidelines for Bureaux De Change in Nigeria -Dec 11, 2015
137. CBN Issues Guidelines on International Mobile Money Remittance Service in Nigeria – Nov 20, 2015
138. CBN Directs PMBs and DFIs to Comply with FG's Directives on TSA – Nov 19, 2015
139. CBN Extends BVN Enrolment to 31st January 2016 for Nigerian Bank Customers in Diaspora – Nov 03, 2015
140. CBN Orders BDCs to Honour Letter of Credit Established Prior to Jun 23rd for 41 Items Ban for FOREX – Oct 23, 2015
141. CBN Publishes Guidelines for Approved Persons' Regime for Financial Institutions – Oct 22, 2015
142. CBN Issues Guidelines on the Management of Dormant Accounts & Other Unclaimed Funds by Banks & OFIs – Oct 09, 2015
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147. CBN Directs Development Finance Institutions to Obtain Licence - Sep 08, 2015
148. CBN Directs Banks to Remit FG's Funds into the Treasury Single Account - Sep 08, 2015
149. CBN Finalises Guidelines for the Enrolment of Nigerian Bank's Customer in Diaspora – Aug 19, 2015
150. CBN Directs All Licensed BDCs to Consummate Transactions with Customers' BVN Effective 1st August – Jul 21, 2015
151. CBN Warns Authorized Dealers Against Funding Items Classified as "Not Valid for Forex" – Jul 01, 2015
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165. CBN Sets Guidelines for N300 Billion Real Sector Support Facility – Mar 04, 2015
166. CBN Directs Banks to Commence FG's Treasury Single Account Scheme – Feb 26, 2015

167. CBN Restricts Use of Unfettered Access in Exchange Manual - Feb 23, 2015
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170. CBN Releases Exposure Draft for Dormant Accounts Management by Banks – Feb 18, 2015
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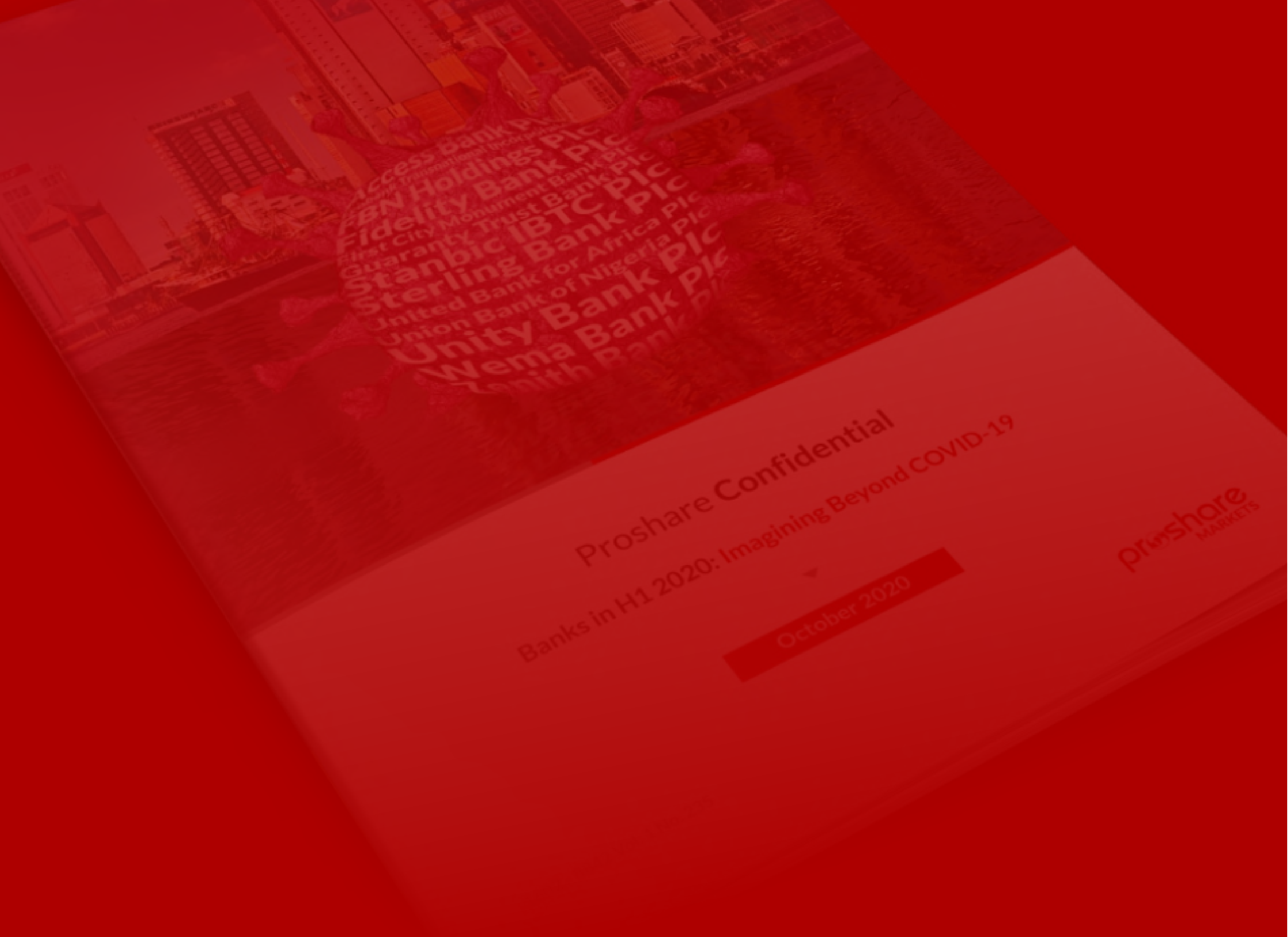
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