

# NIGERIAN BANKS

# SIGNS OF LIFE

*After wowing the world with their recapitalisation exercise, Nigerian banks quickly fell into bad habits and a stock market bubble swiftly followed – but some of them are beginning to see the light*

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**T**he oft-quoted veteran investor Warren Buffet once said: “It’s only when the tide goes out that you learn who’s been swimming naked.” In the Nigerian banking community, and even at the Central Bank of Nigeria (CBN), there should certainly be some embarrassment now. Some hold the CBN governor, Charles Soludo, responsible for allowing a host of bad banking practices to go unchecked. Fortunately, a growing number of banks are beginning to equate more transparency with better returns.

Nigerian banks have had a rough ride. The Nigerian Stock Exchange (NSE) has lost over 65% of its value since March 2008 and an estimated N8trn (\$54bn) has been wiped off bank stocks, which represent two-thirds of total market capitalisation. The CBN believes that the sector could face up to N1trn of bad loans and has talked of setting up an asset management company onto which banks can offload their toxic assets.

#### SOMETHING TO HIDE

Some banks are badly exposed. Wema Bank has not presented audited accounts since 2007. Unity Bank has not even released its 2007 accounts. For Latyr Diop of Afrinvest West Africa, the reasons are clear: “Most of the banks have over-leveraged their balance sheets during the boom cycle and are stuck with trillions of naira worth of bad debts without disclosing it to investors. Nigeria’s minimum reporting standards only demand the quarterly publication of gross earnings, pre-tax profit and net profit, making it difficult for investors to estimate future trends.”

The overhaul of the banking system was

an uncontested triumph of former President Olusegun Obasanjo’s second term (2003-2007). New minimum capital requirements in 2005 caused a quickfire round of mergers and acquisitions, with 24 banks left standing out of 89. In 2007, with the economy booming alongside a buoyant oil price, and a sovereign credit-rating upgrade, the remaining banks found it easy to access capital markets. Several of the top-tier banks started to expand into the sub-region.

The bubble was perhaps inevitable. Lending was particularly strong to government and the oil and telecom sectors. Though telecoms seem to be holding up, the other two pose greater problems. The fall in the price of oil has put several energy-related companies out of business, with repercussions for those banking them. Many banks ▶▶▶

#### SOME BANKS ARE DOING MUCH BETTER THAN OTHERS

##### STRONG

- Diamond Bank
- First Bank
- GTBank
- Skye Bank

*Thriving, may be in a position to profit from the crisis*

#### AFTER THE CRISIS EXPOSED THEM TO THE PLUMMETING NIGERIAN STOCK MARKET AND A SHARP DROP IN OIL-RELATED REVENUE

##### SATISFACTORY

- Afribank
- Citibank Nigeria
- Equatorial Trust Bank
- Fidelity Bank
- Platinum Habib Bank
- Stanbic IBTC
- Standard Chartered Nigeria Bank
- United Bank of Africa
- Zenith Bank

*Some have margin lending issues but all will survive*

##### SHAKEN

- Access Bank
- Ecobank Nigeria
- First City Monument Bank
- Intercontinental Bank
- Oceanic Bank
- Sterling Bank
- Union Bank

*Serious governance issues need urgent attention*

##### STRESSED

- First Inland Bank
- Spring Bank  
(pending takeover appeal)
- Unity Bank
- Wema Bank

*On the ropes, will either sink or be swallowed*