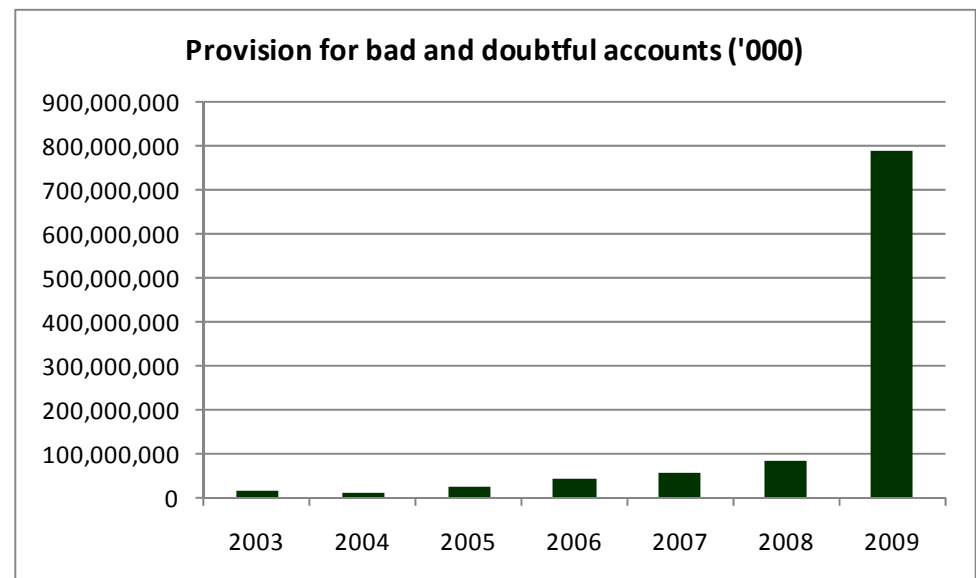


## BANKS' PROVISIONING AND ITS EFFECTS ON PERFORMANCE

Year	Provision for Risk Assets
2003	16,334,532
2004	13,080,000
2005	28,992,294
2006	45,176,038
2007	58,301,854
2008	84,878,572
2009	785,255,759

The approach to banking reform taken by the new Governor of the Central Bank of Nigeria (CBN), Mallam Sanusi Lamido Sanusi has continued to put pressure on banks to make full provisions for their non-performing assets. The regulator's stance on disclosure and adequate provisioning has seen provision for risk assets going up significantly to N785billion from N84.9billion in 2008.



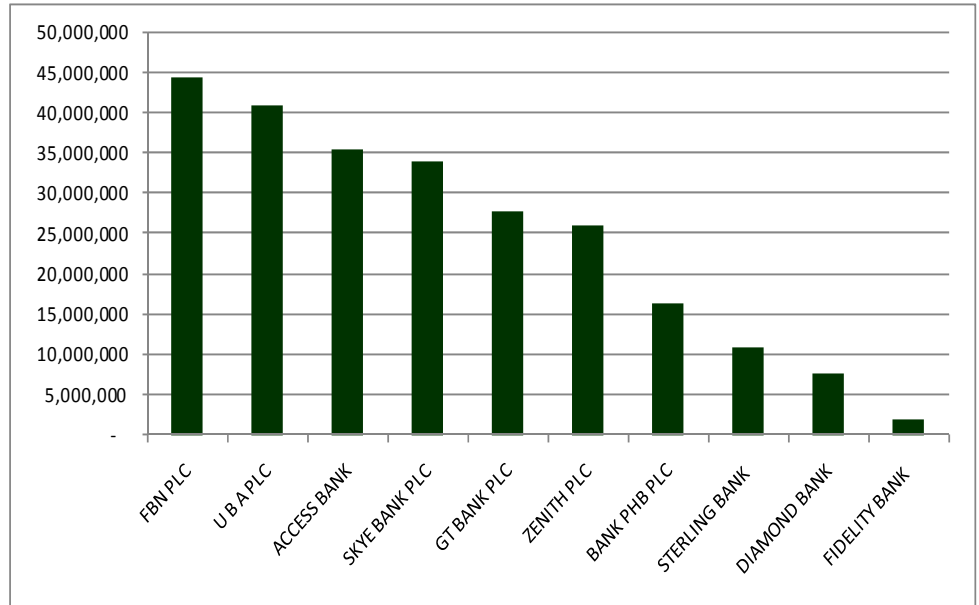
Source: Companies' Annual Reports, CBN, BGL Research

### Banks' Provisions for 2009

Banks	Provision for Risk Assets
FBN PLC	44,476,000
U B A PLC	41,076,000
ACCESS BANK	35,673,000
SKYE BANK PLC	34,178,000
GT BANK PLC	27,866,759
ZENITH PLC	26,144,000
BANK PHB PLC	16,317,000
STERLING BANK	10,831,000
DIAMOND BANK	7,694,000
FIDELITY BANK	1,910,000

While the first group of five banks that failed the CBN's stress test accounted for most of the provisioning (N539.09billion), other individuals banks also made varying amount of provisions for bad loans either as normal provisioning (usual in the line of business) or exceptional items (denoting the significant size of the amount). The amount varies from as high as N44.5billion made by First Bank Plc and N1.9billion made by Fidelity Bank.

### Banks' Provisioning (N'000) - 2009



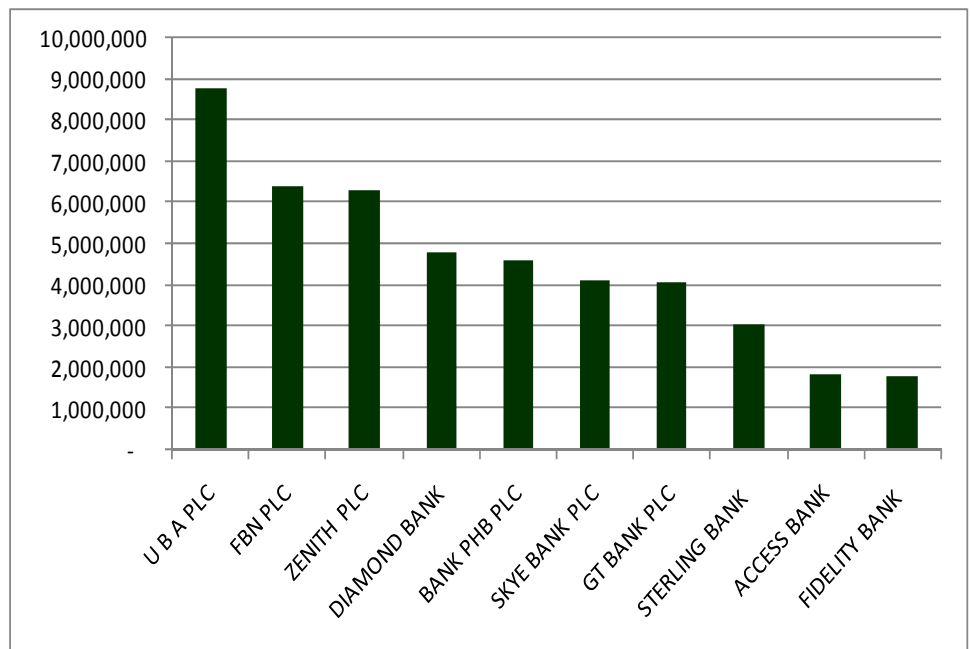
### Banks' Provisions for 2008

Banks	Provision for Risk Assets
UBA PLC	8,786,000
FBN PLC	6,423,000
ZENITH PLC	6,326,832
DIAMOND BANK	4,808,026
BANK PHB PLC	4,628,064
SKYE BANK PLC	4,113,000
GT BANK PLC	4,095,514
STERLING BANK	3,081,000
ACCESS BANK	1,861,000
FIDELITY BANK	1,774,423

Source: Companies' Annual Reports, BGL Research

Provisioning was at a significantly lower rate in the previous year. Total provisions were estimated at N85billion in 2008, a far cry from the current N785billion.

### Banks' Provisioning (N'000) - 2008

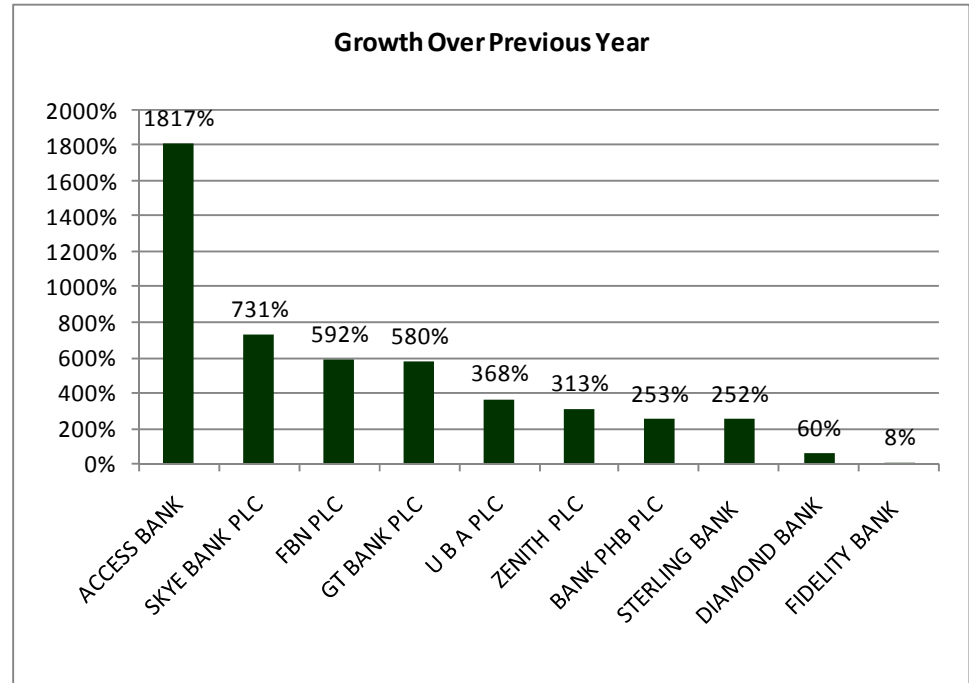


Source: Companies' Annual Reports, BGL Research

### Growth in Provisions

Banks	2009	2008	Growth
FBN PLC	44,476,000	6,423,000	592.45%
U B A PLC	41,076,000	8,786,000	367.52%
ACCESS BANK	35,673,000	1,861,000	1816.87%
SKYE BANK PLC	34,178,000	4,113,000	730.97%
GT BANK PLC	27,866,759	4,095,514	580.42%
ZENITH PLC	26,144,000	6,326,832	313.22%
BANK PHB PLC	16,317,000	4,628,064	252.57%
STERLING BANK	10,831,000	3,081,000	251.54%
DIAMOND BANK	7,694,000	4,808,026	60.02%
FIDELITY BANK	1,910,000	1,774,423	7.64%

The current provisioning amounted to a significant growth over the previous years especially for some banks like Access Bank and Skye Bank which did not have a history of huge provisions.



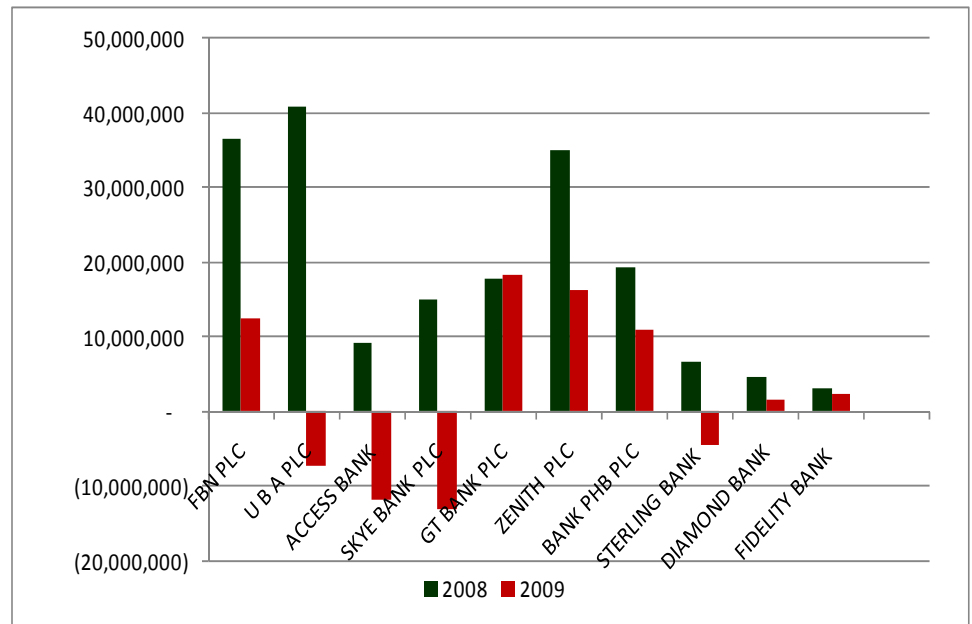
Source: Companies' Annual Reports, BGL Research

### Change in Net Earnings

Banks	2008	2009	Change
FBN PLC	36,679,000	12,569,000	-65.73%
U B A PLC	40,825,000	(7,292,000)	-117.86%
ACCESS BANK	9,187,000	(11,758,000)	-227.99%
SKYE BANK PLC	15,126,000	(13,263,000)	-187.68%
GT BANK PLC	17,731,000	18,181,000	2.54%
ZENITH PLC	35,018,000	16,390,000	-53.20%
BANK PHB PLC	19,437,000	10,933,318	-43.75%
STERLING BANK	6,583,000	(4,584,000)	-169.63%
DIAMOND BANK	4,710,000	1,615,000	-65.71%
FIDELITY BANK	3,024,000	2,273,000	-24.83%

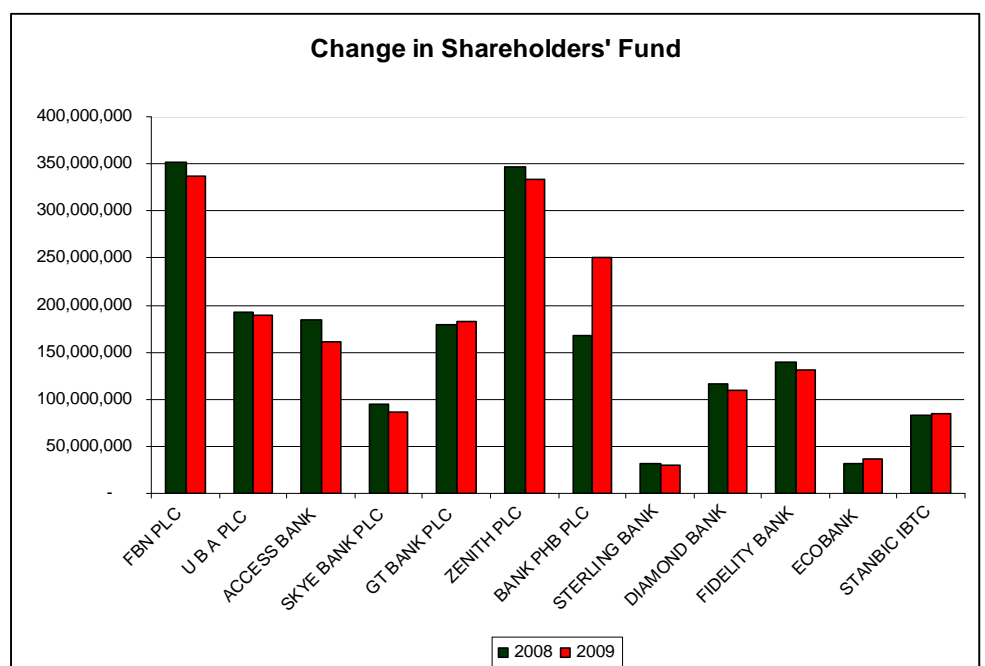
The provisioning has caused a significant drop in profit of the few banks that have released their result from the corresponding period of last year. Total profit dropped from N194.6 billion in 2008 to N37.5 billion in 2009, representing a drop of 80.71%. Each bank's profit fell in varying degree with Access Bank leading the pack with a drop of 228% in profit while Fidelity Bank has the least fall in profit of 25%. GT Bank however grew profit marginally at 3%.

### Banks' Change in Profitability between 2008 and 2009



Source: Companies' Annual Reports, BGL Research

Shareholders' Fund is been haemorrhaged as a result of the provisioning. For the few banks under consideration, Total Shareholders' Fund grew slightly by less than 1% from N1.917trillion in 2008 to N1.933trillion in 2009; however several banks' equity is losing value due to huge provisions.



### Change in Shareholders Fund

Banks	2008	2009	Change
FBN PLC	351,854,000	337,405,000	-4.11%
U B A PLC	193,041,000	188,418,000	-2.39%
ACCESS BANK	184,159,000	161,535,000	-12.29%
SKYE BANK PLC	93,853,000	86,901,000	-7.41%
GT BANK PLC	179,550,000	182,809,000	1.82%
ZENITH PLC	346,617,000	334,421,000	-3.52%
BANK PHB PLC	167,480,000	250,186,000	49.38%
STERLING BANK	31,272,000	29,868,000	-4.49%
DIAMOND BANK	116,544,000	109,613,000	-5.95%
FIDELITY BANK	138,888,000	131,693,000	-5.18%
ECOBANK	31,755,000	35,971,000	13.28%
STANBIC IBTC	82,834,884	85,080,871	2.71%

Making a projection of the banks' performance may be kind of uncertain for now. Being that as it may, we are positive that some good percentage of the provisions would be recovered before year-end in December 2009. Further recovery would go into the next financial year when some other significant portion of the provisions would be recovered subject to continued efforts on loan recovery by the concerned banks and the regulatory bodies. By the end of September 2009, about N110 billion has been recovered out of the N1.413trillion of the non-performing loans in the first five "filthy" banks indicating about 20% recovery of the N539.09billion of provisions made in the banks.

If we assume a possible recovery of 20% in all the provisions so far this year, and barring any further provisioning from the listed banks, we can project a return to profit of slightly over N150billion by end of December 2009 indicating an industry profitability of almost N200billion.

## APPENDIX

Banks	Report Date	Prior Full Year	Report Type	Turnover	PBT	Tax	PAT	Provision for Exceptional Item	Shareholders Funds
ACCESS BANK PLC.	30-Sep-09	31-Mar-09	Half Yr	64,326,000	(14,221,000)	2,463,000	(11,758,000)	(35,673,000)	161,535,000
			Half Yr	49,189,000	14,175,000	4,988,000	9,187,000	(1,861,000)	184,159,000
	% Change			31%	-200%	-51%	-228%	1817%	-12%
BANK PHB PLC	30-Jun-09	30-Jun-08	12 Mth	141,213,331	15,002,226	4,068,908	10,933,318	(16,317,000)	250,186,000
			Full Year	86,483,000	30,434,000	6,369,000	19,437,000		167,480,000
	% Change			63%	-51%	-36%	-44%		49%
DIAMOND BANK NIGERIA PLC	31-Jul-09	30-Apr-09	1st Qtr	23,991,000	2,019,000	403,982	1,615,000	(7,694,000)	109,613,000
			1st Qtr	21,802,000	6,000,000	1,290,000	4,710,000	(367,872)	116,544,000
	% Change			10%	-66%	-69%	-66%		-6%
ECOBANK NIGERIA PLC	30-Jun-09	31-Dec-08	Half Yr	30,194,000	6,252,000	2,000,000	4,251,000	-	35,971,000
			Half Yr	25,038,000	6,036,000	1,932,000	4,104,000		31,755,000
	% Change			21%	4%	4%	4%		13%
FIDELITY BANK PLC	30-Sep-09	30-Jun-09	1st Qtr	18,555,000	2,841,000	568,312	2,273,000	(1,910,000)	131,693,000
			1st Qtr	13,939,000	3,780,000	756,063	3,024,000		138,888,000
	% Change			33%	-25%	-25%	-25%		-5%
FIRST BANK OF NIG. PLC	31-Mar-09	31-Mar-09	Full Year	218,287,000	27,686,000	14,591,000	12,569,000	(44,476,000)	337,405,000
			Full Year	155,725,000	47,906,000	10,747,000	36,679,000	(6,423,000)	351,854,000
	% Change			40%	-42%	36%	-66%		-4%
GUARANTY TRUST BANK PLC.	30-Sep-09	31-Dec-08	3rd Qtr	114,503,000	20,389,000	2,207,000	18,181,000	(27,866,759)	182,809,000
			3rd Qtr	66,532,000	26,075,000	8,344,000	17,731,000	(4,095,514)	179,550,000
	% Change			72%	-22%	-74%	3%	580%	2%
SKYE BANK PLC	30-Sep-09	31-Dec-08	12 Mth	101,448,000	(12,633,000)	626,956	(13,263,000)	(34,178,000)	86,901,000
			Full Year	74,615,000	20,425,000	5,299,000	15,126,000	-	93,853,000
	% Change			36%	-162%	-88%	-188%		-7%
STANBIC IBTC	30-Jun-09	31-Dec-08	Half Yr	40,119,000	10,348,000	2,156,000	8,191,000	-	85,080,871
			Half Yr	7,699,000	3,003,000	841,113	2,162,000		82,834,884
	% Change			421%	245%	156%	279%		3%
STERLING BANK PLC.	30-Sep-09	30-Sep-08	12 months	37,768,000	(4,345,000)	239,000	(4,584,000)	(10,831,000)	29,868,000
			12 months	36,300,000	7,982,000	1,398,000	6,583,000	(3,081,000)	31,272,000
	% Change			4%	-154%	-83%	-170%		-4%
U B A PLC	30-Sep-09	30-Sep-08	12 months	198,149,000	(5,032,000)	2,260,000	(7,292,000)	(41,076,000)	188,418,000
			Full Year	169,581,000	48,029,000	6,645,000	40,825,000	(8,786,000)	193,041,000
	% Change			17%	-110%	-66%	-118%		-2%
ZENITH INTERNATIONAL BANK PLC	30-Sep-09	30-Sep-08	12 months	199,000,000	47,158,000	4,623,000	16,390,000	(26,144,000)	334,421,000
			Full Year	166,635,000	44,894,000	9,876,000	35,018,000	-	346,617,000
	% Change			19%	5%	-53%	-53%		-4%