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Proshare.

Presentation.

Tier 1 Banks Report: The
Class of 2024



Evaluating Tier 1 Banks: The Making of the Class of 2024.

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Proshare Research Group
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Lagos, Nigeria



Three (3) things I wish to achieve:

- ① Provide an **Overview** of the bespoke/Fit-for-Purpose Methodology for the TIER 1 Reports;
- ② Present the **New Class of 2024 Tier 1 Banks**; and
- ③ Comment briefly on the **Banking Recapitalisation** and offer **Closing Thoughts**.

“ To improve is to **change**; to be
perfect is to change often...”

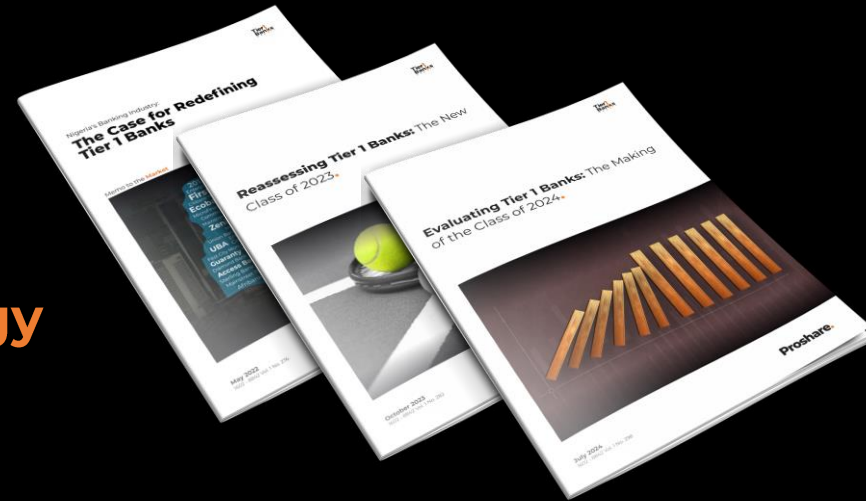
-Winston Churchill

1/3.



Why the Tier 1 Report?

- A Fit-for-purpose **Methodology**



“**Tier 1** banks tend to **edge out** other *Tiers* for **big-ticket** public and private sector **transactions...**”

- The Analyst

Tier 1 Report – *The Why?*

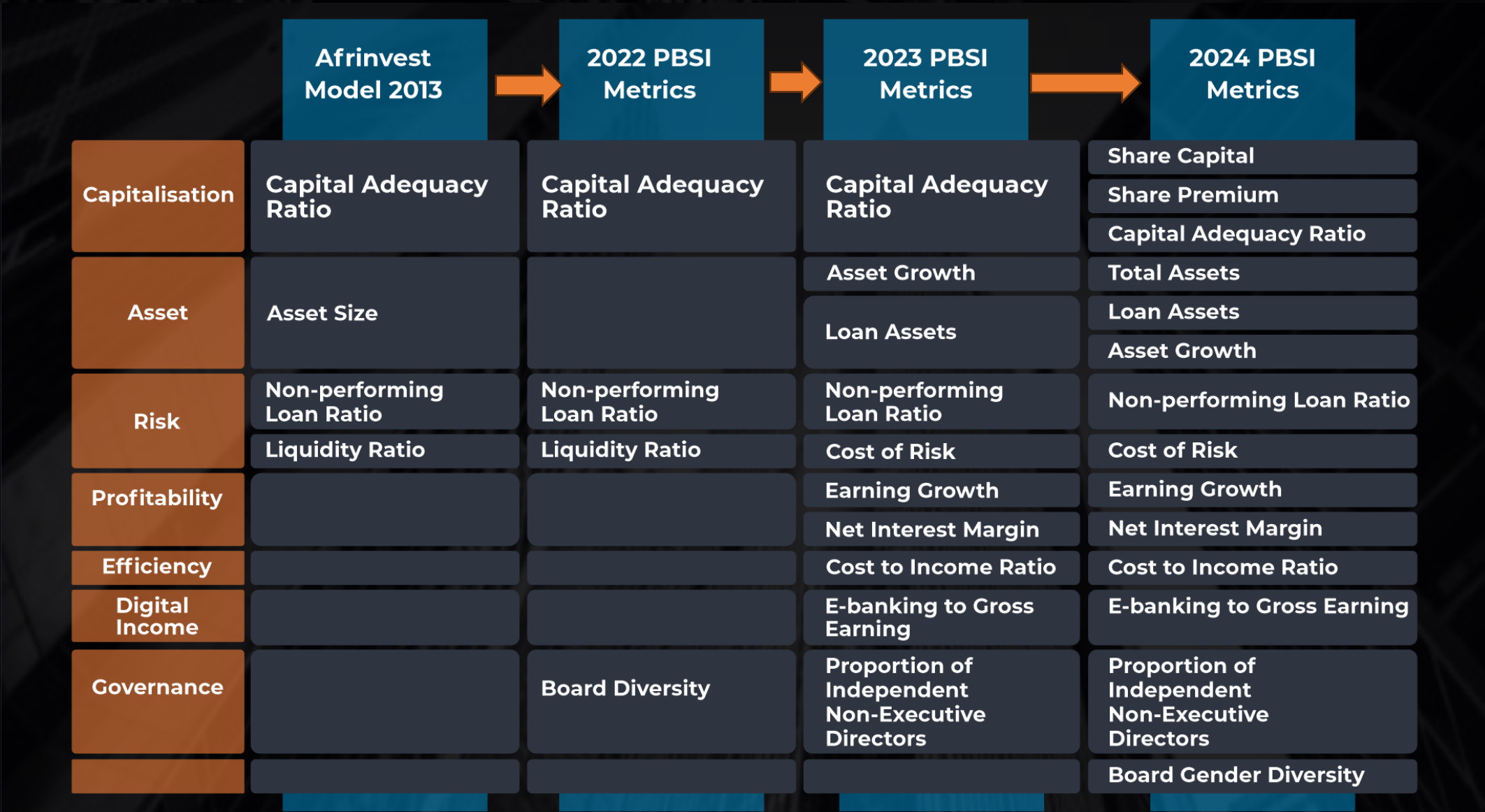
- The Central Bank of Nigeria (CBN) does not employ a **Tier-based classification** system for banks but adopts the **License Authorisation** and Basel model of **Systemically Important Banks (SIBs)**;
- Among other approaches, the SIBs criteria in Nigeria is based on the *indicator-based approach* and *supervisory judgement* of the CBN, which, at the base level, considers the proportion of **total assets, total deposits, and total credits** to industry total for six months.
- While these criteria may identify banks with significant influence on the system, **it does not represent** the **dynamics, strength, and resilience** of banks in the country.

Tier 1 Report – ***The Evolution!***

We resolved that the **evolving banking system** called for a **broader** tier-based classification of banks;

- Ⓟ Ranking banks based on asset size, deposit liabilities, and selected indicators *undermines their efficiency* and might be out of touch with the digital **evolution** of banking.
- Ⓟ The old classification may stick and become a convenient metric for banks as the extant ranking has done; but may not **fit the purpose** of today's banks.
- Ⓟ This gave rise to the **Proshare Bank Strength Index (PBSI)**

Evolution of Proshare Bank Strength INDEX.



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The New Class of 2024 Tier 1 Banks.


- Key Highlights



PBSI Ranking – The 2024 Class.

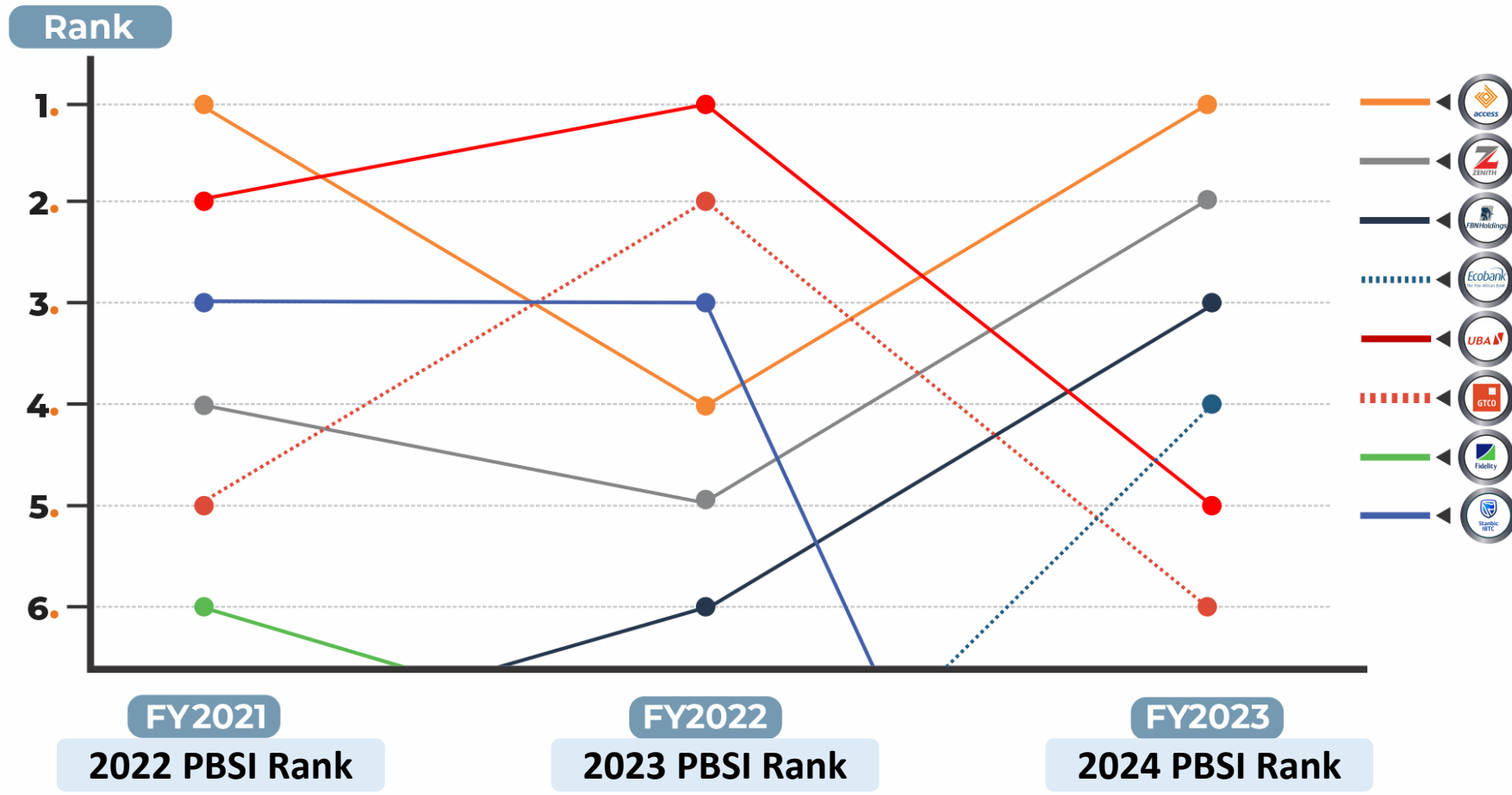
		Score	Percentile Rank	Tiers
	▶ ACCESS	7.28	100%	1
	▶ ZENITH	6.84	91%	
	▶ FBNH	6.32	82%	
	▶ ETI	5.96	73%	
	▶ UBA	4.22	64%	
	▶ GTCO	3.37	55%	
<hr/>				
	▶ FIDELITY	2.90	45%	2
	▶ FCMB	2.63	36%	
	▶ STANBIC IBTC	2.49	27%	
	▶ STERLING HOLDSCO	1.05	18%	
	▶ WEMA	0.49	9%	
	▶ UNITY (9M)	0.38	0%	

2024 PBSI Tier 1 Ranking in Context.

Banks	2022 PBSI Ranking	2023 PBSI Ranking	2024 PBSI Ranking
 ACCESS	1	4	1
 ZENITH	4	5	2
 FBNH	-	6	3
 ETI	-	-	4
 UBA	2	1	5
 GTCO	5	2	6
 FIDELITY	6	-	-
 FCMB	-	-	-
 STANBIC IBTC	3	3	-
 STERLING HOLDCO	-	-	-
 WEMA	-	-	-
 UNITY (9M)	-	-	-

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2024 PBSI Tier 1 Banks Ranking in Context.



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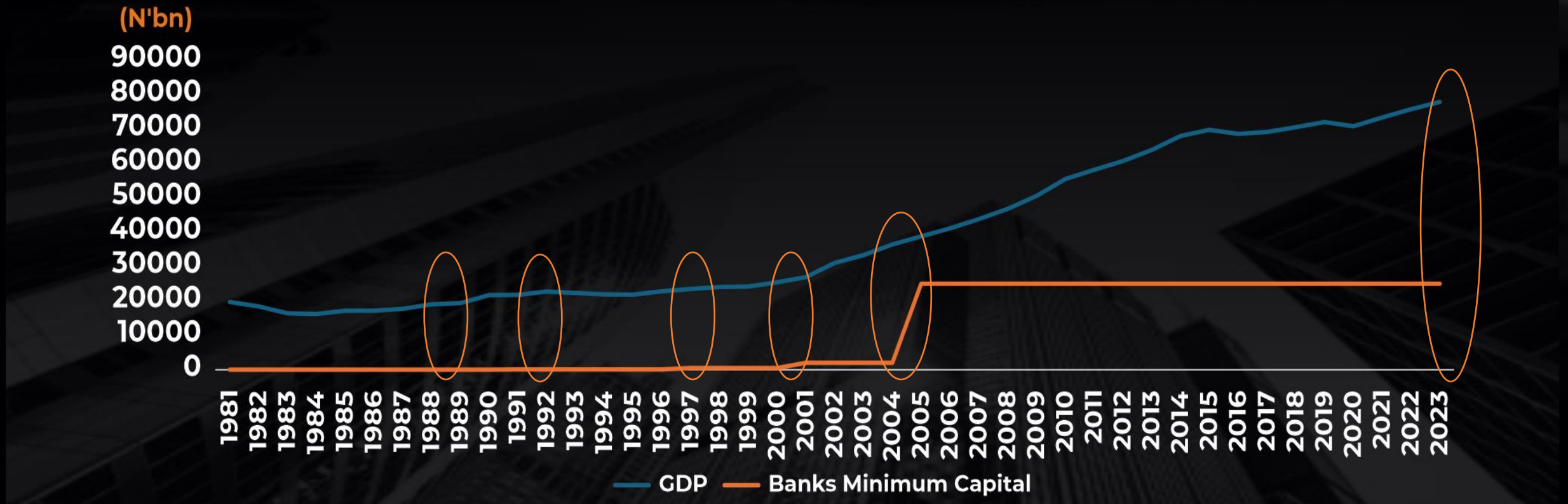


Banking Recapitalisation.

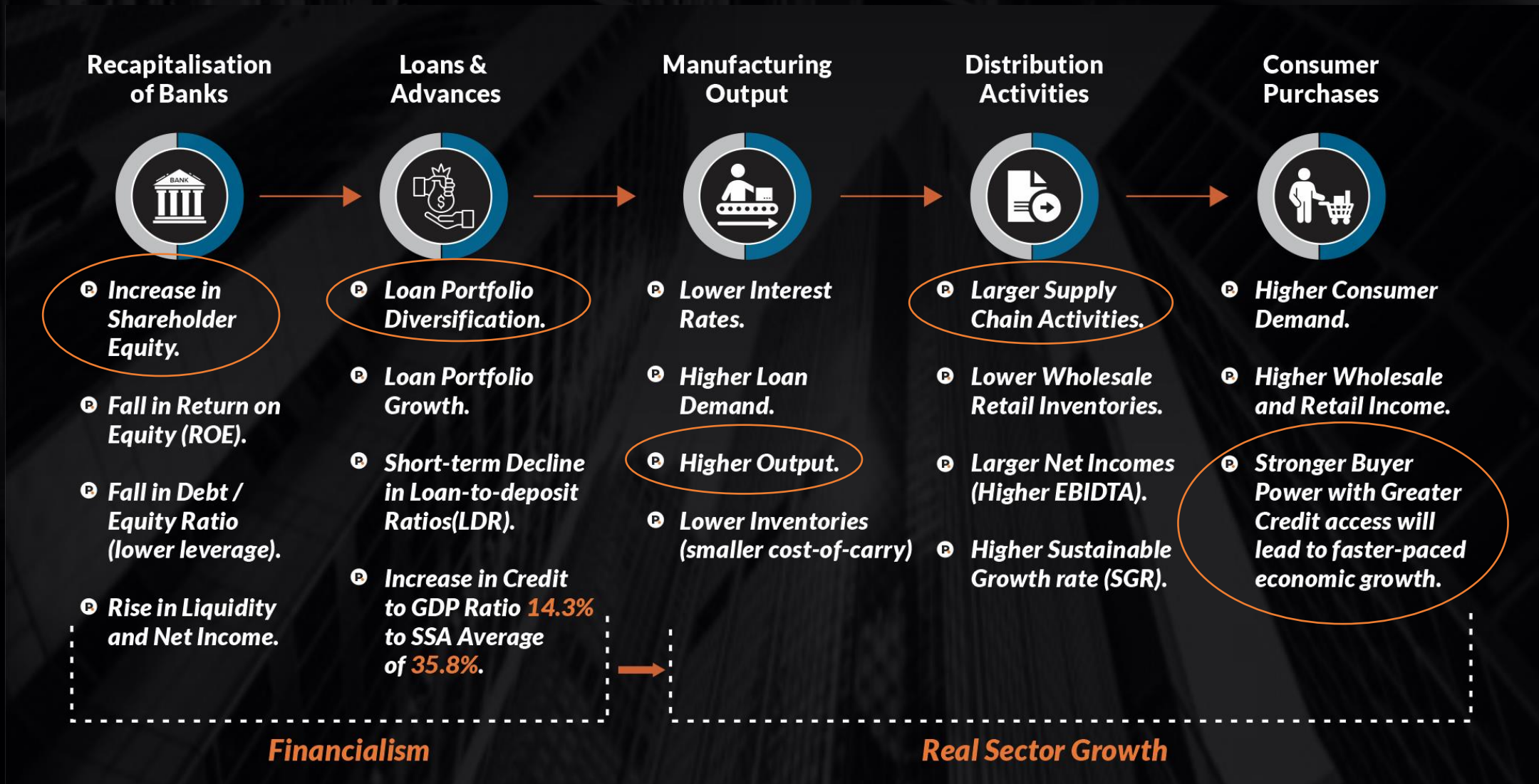
- Closing Thoughts.



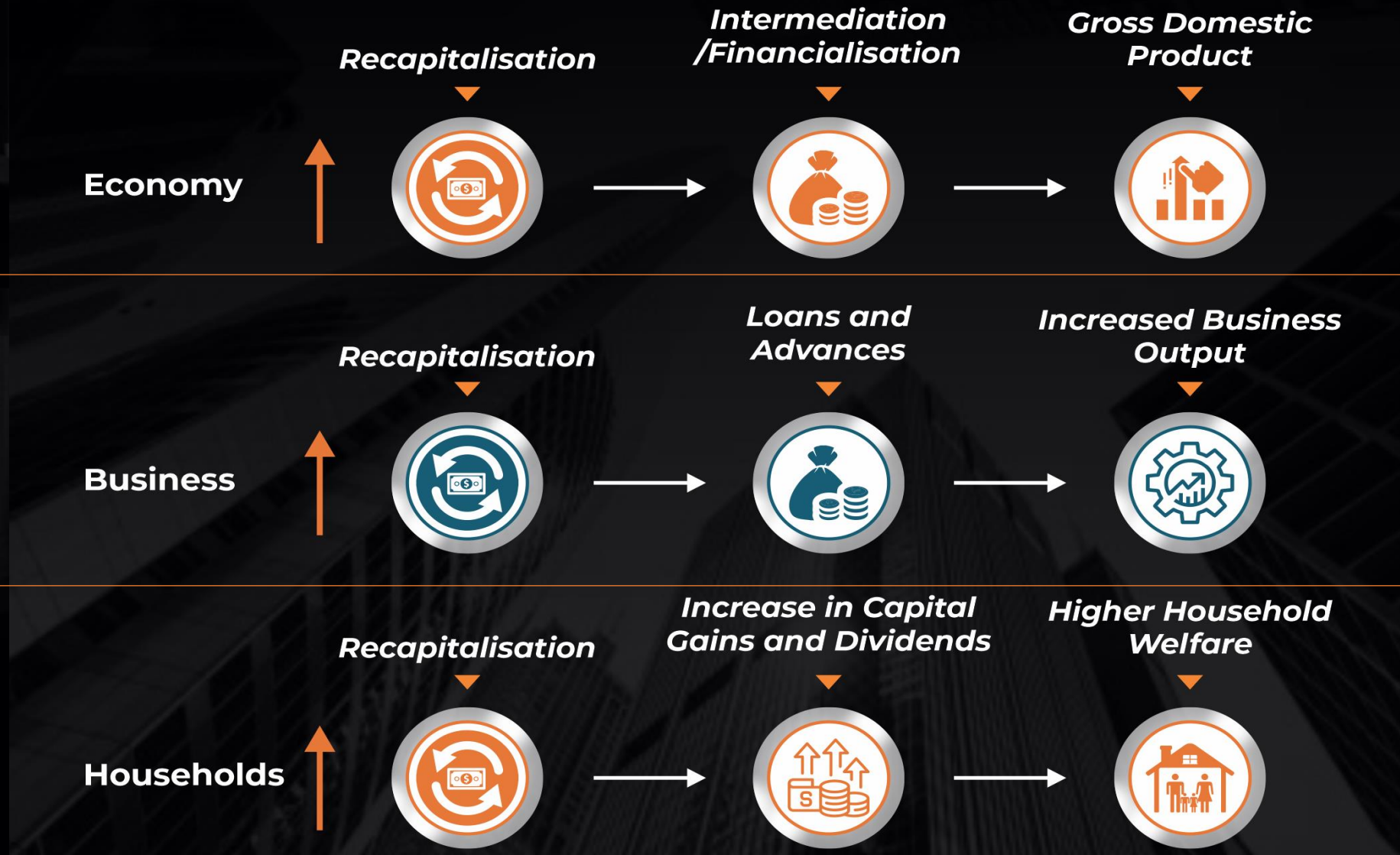
GDP and Bank Recapitalisation Trends in Nigeria.



Bank Recapitalisation: From Financialism to Growth.



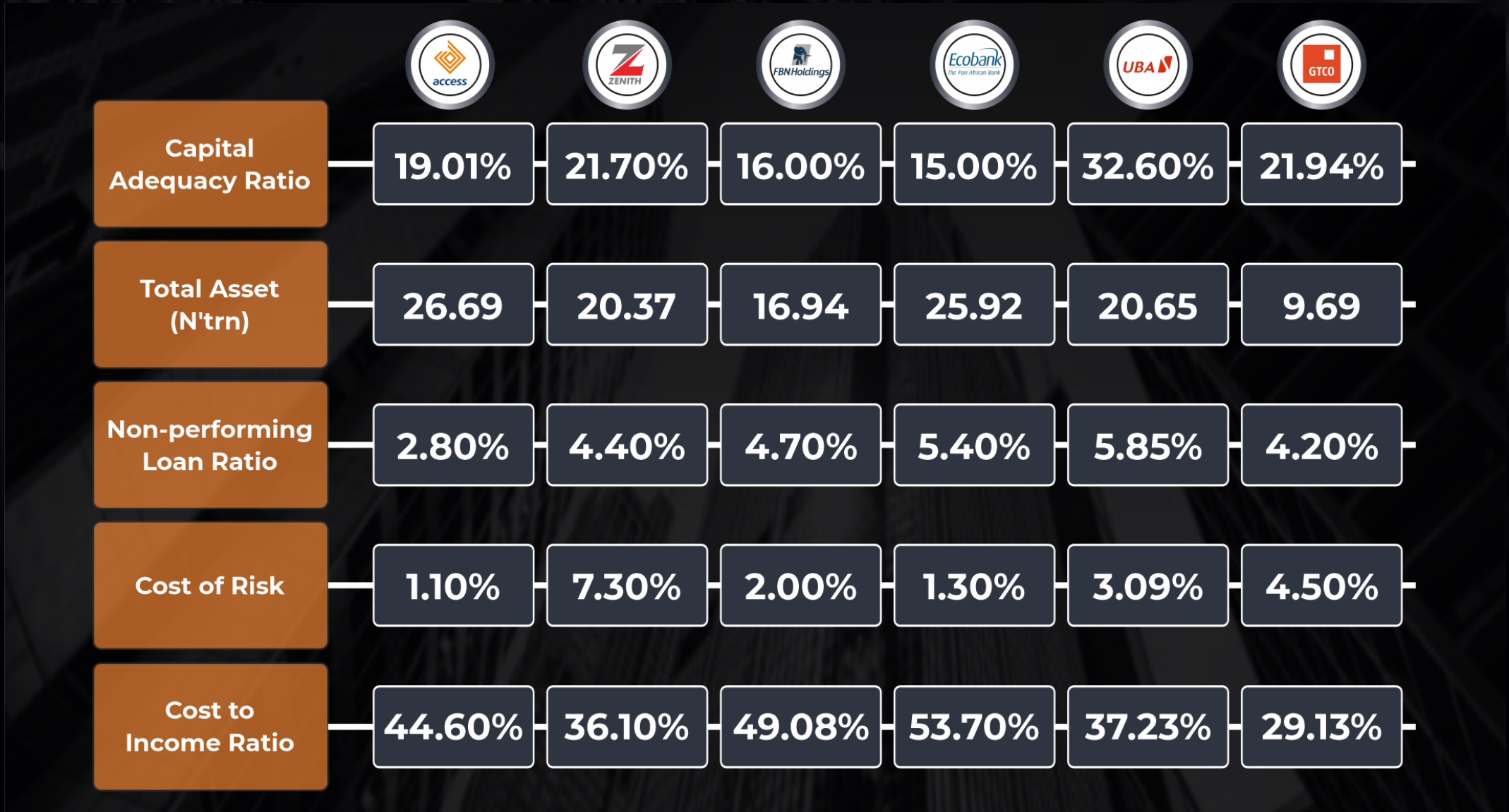
Bank Recapitalisation: **Economic Transitions.**



“Being **overcapitalised** is just as **dangerous**
as being **undercapitalised**...”

- The Analyst

FUGAZE 2024 Snapshot.










Concluding Thoughts...

- Policymakers have associated big banks with larger economies and faster-growing gross domestic products (GDPs), but the assumption is unproven.
- Nigeria's GDP in 2005 was N38.78trn and rose to N77.94trn, roughly two times in 2023, suggesting an average annual growth of 3.55% in the last two decades. However, between 2000 and 2005, bank equity sizes **grew over ten times** or by 1,150% from N2bn to N25bn.
- In other words, for a decade and a half, banks have used ten times more equity in their businesses than before 2005, yet the country's GDP growth has been fairly modest.

Concluding *Thoughts*...

- We must realise that when banks grow bigger, they are not necessarily better.
- A bigger bank unlocks opportunities for creating larger business value at lower operating costs;
- Proshare's Tier 1 banks (*using the PBSI framework*) will be under the regulatory and investor microscope for some time, as stakeholders hope the banks will be bigger for the better.
- Proshare will take a deeper dive into Bank Recapitalisation and **likely M&As** in our Q3 '2024 report.

Before the Regulator's Calibration of Banks.

Banks	2022 PBSI Ranking	2023 PBSI Ranking	2024 PBSI Ranking
 ACCESS CORP	1	4	1
 ZENITH	4	5	2
 FBNH	-	6	3
 ETI	-	-	4
 UBA	2	1	5
 GTCO	5	2	6
 FIDELITY	6	-	-
 FCMB	-	-	-
 STANBIC IBTC	3	3	-
 STERLING HOLDCO	-	-	-
 WEMA	-	-	-
 UNITY (9M)	-	-	-

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Research TEAM.



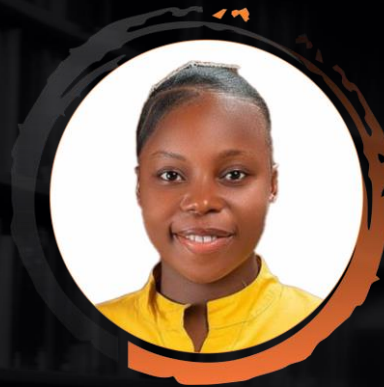
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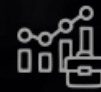
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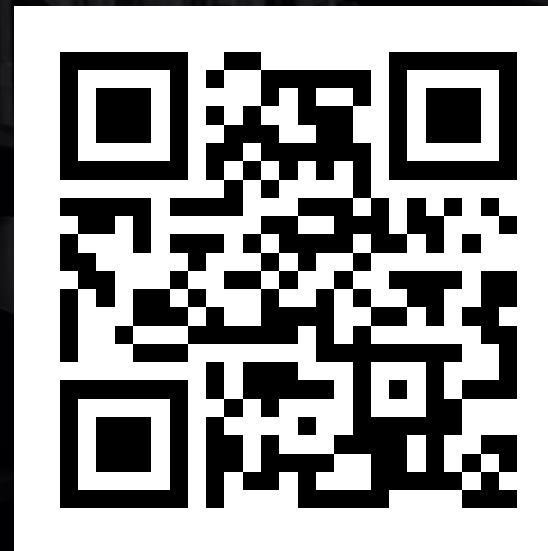
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