

Rapporteur's Report.

Proshare Report Launch – CIBN
Auditorium, October 13, 2023.

Comperre / Moderator

- Mr. Ottoabasi **ABASIEKONG** - Team Lead, Proshare News, Proshare LLC

Goodwill Message

- Dr Ayo **TERIBA** - CEO Economic Associates
- Dr. Yemi **KALE** - Chief Economist, KPMG
- Ms. Chidinma **ALUWECHI** - Bank Directors Association of Nigeria (BDAN)

Presentations

- Presentation I - Macro-Economic Overview - Of GeoPolitics & GeoEconomics**
Mr. Tosin **IGE**, Senior Researcher, Impact Research, Proshare LLC
- Presentation II - The 2023 Tier 1 Report**
Mr Teslim **SHITTA-BEY** - Managing Editor/Chief Economist, Proshare LLC

Panel Discussion Theme

Banks are Dead, Banking is Reborn: Bridging Regulatory Compliance, Changing Business Models and Rising Expectations.

Speakers – Panel Session

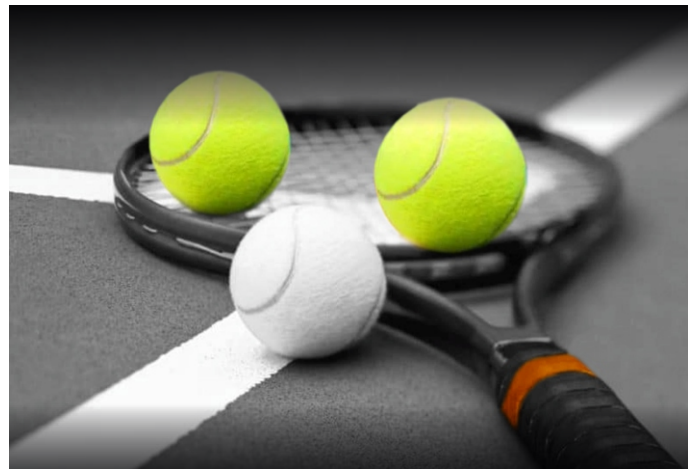
- Dr. Biodun **ADEDIPE**
CEO/ Chief Consultant, B. Adedipe Associates Ltd.
- Mr. Johnson **CHUKWU**
General Managing Director, Cowry Asset Management Ltd
- Ibukun **OYEDEJI, CFA**
Chief Financial Officer, Ecobank
- Mr. Ayodeji **EBO**
MD, Chief Business Officer, Optimus by Afrinvest
- Mr. Sodiq **SAFIRIYU**
Senior Research Analyst, Meristem Securities Ltd

Report written by

- Ademidun **SHOGO**,
Senior Analyst, Proshare Research

Friday, October 20, 2023
06.00AM

Picture Credit: Proshare



Introductions.

The Welcome and Introductions was delivered by Ottoabasi **ABASIEKONG**.

1 Executive Summary.

The event was structured around the 2023 Tier 1 ranking report based on the FYE 2022 results of quoted entities, with a brief look at their HT'2023 management accounts to reflect changing dynamics in the banking sector.

To this end, a session was organized to look at prevailing macroeconomic conditions (*Global, Africa and Nigeria*) to properly contextualize the performances of the entities, highlight the reasons for the ranking and the methodology driving the current tier 1 banks and a deep dive into banking evolutions, regulatory compliance, financial holding structure, risk assessment and management, through a panel session. The event featured key industry players, operators, and analysts, and stakeholders who eloquently gave incisive and evidence-backed insights on the thematic areas of the subject.

2 The Macro-Economy PRESENTATION - Main Points.

The global economy is transitioning through a cascading geopolitical and geoeconomic interventions and wars that has opened up frailties and fault-lines in the world. The shift towards new regional blocs and re-alignments has shown up the impacts of trade and markets in new political considerations and alliances.

Reassessing Tier 1 Banks:
The New Class of 2023.



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In this regard, Nigeria's attitude and approach to AfCFTA as a model will have to be reviewed along with other economic regional groups in Africa irrespective of the shifting political landscape in ECOWAS ie military interventions (coups), mounting debt and regional insecurity.

The world, now without exception, has accentuated the use of economic blocs with diverse individual objectives and goals, reflecting different trilemmas across regions and countries. The construction of and determination of sovereign trilemma means that each sovereign has to identify the levers of its current and desired economy to predicate its monetary policies on – and consequently, its fiscal, trade, technology, natural resource, foreign and people policies on.

The presenter surmised that Nigeria's trilemmas are - inflation, interest rate and exchange rate. The decision on the two main focus will have to be done by understanding the drivers of growth and the linkages thereof.

3 The Tier 1 Report **PRESENTATION - Main Points.**

The need, relevance and basis for a Tier 1 ranking (not capital) is now more relevant than when it was first created in 2013., post the global financial crisis. The evolution in regulatory response (or non-harmonisation of same), the changing consumer patterns, the rate and level of technological adoption, and the commonality of opportunities has changed the landscape and compelled the need for a redefinition of Tiers 1, 2 and 3. Thus, the definition of tier 1 banks will never remain static going forward, but will be premised around changing indices reflecting risks, regulations, consumer patterns and performance measures.

Proshare embarked on this process, in part, to reflect these dynamics and new measures of appraisal beyond a single year review – more so since the adoption of a HoldCo structure under the supervision of the CBN (which to all extent reflects an upgrade of universal banking), which has not evolved from the one-size-fits-all regulator it has always been.

The CBN has three distinct components – monetary policy, financial conduct & governance; and prudential regulation or supervision. These are yet to be decoupled to appreciate the universal regulation stage we have entered into. Banks' adoption of the Holdco structure

heightens operation and regulation risk and complexity and we need to separate monetary policy responsibility from governance and regulation.

Nigerian banks' balance sheet is a different animal today; most banks' balance sheets are tilting towards **off-balance sheet activities**, justifying the need for a fit-for-purpose methodology to capture risk.

The FYE 2022 results showed Access, UBA, GTCO, Stanbic, and Zenith Bank retained their positions as tier 1 banks while fidelity dropped out of the list despite an impressive result with the re-entry of FBNH to the tier 1 class.

Banking is alive and getting rejuvenated. The new banking structure mixes financial technology, regulatory fluidity, and fast-changing consumer expectations to condense universal banking-like creation into HoldCo structures that will now be assessed based on their collective performance, efficiency, governance and risk weightings.

4 Goodwill Messages.

Goodwill Message by Ayo Teriba, PhD, CEO, Economic Associates

Dr Ayo TERIBA commended Proshare for launching the second edition Tier 1 bank Report. He mentioned that the report raises the bar of corporate performance, the quality of conversation and the quest for excellence in management in the financial sector, particularly in the banking sector.

Goodwill Message by Yemi Kale, PhD, Chief Economist, KPMG

Dr Yemi KALE congratulated Proshare on the report, stating the extensive coverage of trends and regulations shaping the banking sector. He further commented that the report will be of immense value to the stakeholders and regulators in the banking industry.

Goodwill Message by Chidinma Ayanlewechi, Research Analyst, BDAN

Ms Chidinma ANYALEWECHI congratulated Proshare on the report launch, stating that Nigerian banks have been harried by a swarm regulatory environment that unconsciously or otherwise, have acted to constrain their ability to increase lending and expand their market service delivery. For instance, the CRR requirement is excessive, and the mandatory NDIC premium

and AMCON charges increase banks' operating costs, as espoused in the BDAN commissioned report on the role, place and future of the AMCON/NDIC. Kindly [download](#) and read report here.

5 The Panel **SESSION.**

1 Dr. Biodun ADEIPE

Banking is evolving and remains relevant in a contemporary economy, but the players (banks) will evolve based on their ability to reposition, re-strategise and adjust to the evolution based on their level of adoption, adaptation and acculturation.

As the Nigerian economy evolves, the banking sector's relevance will persist, but its key players will undergo transformation. Embracing resilience, agility, and governance in banking services is imperative. Banks will therefore have to dig deep into data analytics and data engineering to remain relevant.

Nigeria's fundamental banking issue is premised around a single factor - and that is that everything changes when the exchange value of naira changes. This makes the exchange rate a central issue in setting our trilemma priorities. Regarding risk management therefore, Nigerian banks must not only do proper risk pricing (a lesson from the Global Financial Crisis of 2007-2008), they must also sweat their balance sheet extensively and continually rethink asset and liability management.

2 Mr. Johnson CHUKWU

Banking is, and has always evolved ahead of its peers in Nigeria. To sustain this, it will have to continually self-disrupt their old structure to enhance the utilization of digital services in delivering value to its ever-changing consumer needs.

The adoption of technology is its calling card and a major metric to determine the scalability of a bank in the near future. Banks must embrace the change that society seeks for them to remain relevant.

Currently, Nigerians Banks are under a capital pressure to meet the needs of its corporate customers to fund growth and big-ticket deals the economy has opened up, primarily due to the exchange rate conundrum. Banks now have a compelling need beyond increasing liability to increase operating assets and consequently

liquidity. Basically, two factors drive the new need for recapitalization: economic inconsistency and accruable income to investors.

3 Mrs. Ibukun OYEDEJI

Nigerian Banks have always taken risk management into consideration, but now, this has taken on a new point of emphasis given the changes in needs, opportunities and compliance requirements arising from the new structures they operate under; coupled with additional considerations to digital operations and business channels.

Banks have acknowledged the Fintech proposition and its value appealing model to keep service delivery costs low. The technology integration and agility demonstrated by fintech's is now being embraced to optimize cost and grow profitability (digitalization). Each bank must therefore have a funding plan provision for systemic shock(s), which will see Nigerian banks more resilient and able to withstand known unknowns.

Banks now are moving towards a focus on and prioritisation of balance sheet efficiency by accumulating high-quality loans to lessen risk and diversion to non-interest-generating assets. The non-interest assets ensure income inflow with low cost and risk. Consequently, speed and prompt execution are extremely important goals for every bank currently.

4 Mr. Ayodeji EBO

Given what prompted the review of Tier 1 banks in 2013, we have evolved along with banking and appreciate the imperatives of risk management, efficiency and other metrics defining the new arena, especially under a holding structure.

The current capital requirement for banks is higher and sufficient; yet it needs closer monitoring for which assessment criteria continue to evolve, as it should. That said, recapitalisation, currently within BASLE requirements, will need to be re-assessed if the benchmark is in US\$ Dollar terms.

The focus of the new CBN leadership should be focused on its own internal reforms that allows a refocusing on monetary issues (allowing other ancillary tasks to be done in a way that matches regulatory risks with practices), allowing banks to make effective use of available capital. Banks' current cash reserve ratio (CRR) needs to be

revised to aid lending to the real sector that will grow the economy. As a moot point, charges for traditional banks are still high and should be reduced to instil trust and confidence that helps shrink the wide unbanked population.

⑤ **Mr. Sodiq SAFIRIYU**

The time is nigh for banks and the practice of banking to adopt a more customer-centric and whole-of-regulation approach rather than the traditional banking practices and regulations we now hold on to in the face of changing dynamics.

Banks will have to continue to prioritize remodelling to capture the lifestyle of customers to stay relevant; and work with stakeholders to nudge regulation in the right direction.

The volatility in the economy makes it important for banks to monitor their capital adequacy, amongst other indicators other panellists have mentioned. The heightened exposure of banks' risk-weighted assets could suppress the banks' capital adequacy.

⑥ **Discussion - Q & A.**

Question from **Festus ODUME**, Journalist:

- a) What are the regulatory or governance threats in the new Holdco structure?
- b) The regulators are more prepared for the new structure than during the universal banking era, which allows for multiple income sources.

Question from **Samson SOWANDE**, Financial Controller:

- a) How can an organization contain FX exposures under the current environment?
- b) How do Firms optimize a hedge and ensure FX income inflow to bridge the gap?

⑦ **Closing REMARKS.**

Closing Remarks was delivered by **Mr Saheed KIARIBE**, Director of Data, Content and Stakeholder Engagement, Proshare LLC.

⑧ **Conclusions.**

The banking industry is undergoing a transformation, and the key players (banks) appear equipped to stay ahead of the game (in Africa) because of their huge investments in technology adoption and adaptation, strategic evaluation and consistent engagements to

maintain their relevance while deploying customer-centric services to ensure it remains competitive and deepen financial inclusion and coverage. This report is a means-tested indicator of how well these firms are doing on this journey.

⑨ **Recommendations.**

- Ⓟ Banks must adopt a more dynamic management of assets and liabilities to curtail asset and liability (AL) mismatch.
- Ⓟ The economic volatility calls for Nigerian banks' recapitalization to boost operating assets, lessen risk and ensure sufficient capital available for large projects.
- Ⓟ The statutory and discretionary cash reserve ratio (CRR) needs to be reduced to stimulate credit to the real sector that can drive the economy.
- Ⓟ Off-the-balance sheet items have gradually become essential income contributors and might continue to grow.
- Ⓟ Banks might need to grow non-interest income, emphasizing digitalization and service-based delivery.
- Ⓟ Banks need to be proactive and agile to embrace technological evolution.
- Ⓟ Idle national assets must be financialization and securitized to optimize their value.

Downloadable Versions of **Tier 1 Banks Report (PDF).**

1. Executive Summary: 2023 Tier 1 Banking Report
2. Full Report: Reassessing Tier 1 Banks: The New Class of 2023 - October 13, 2023.
3. Full Report: Redefining Tier 1 Banks: The New Class of 2022.
4. FBNH Moves up Four Places on Proshare's Ranking of Nigerian Banks as it Releases FY 2021 Results.
5. Africa Needs to Reposition for Financialization to Attract More FDIs - Ayo Teriba.
6. N22trn Financial Engineering, Warehousing is no Securitization.
7. Incoming Administration Should Embrace Securitization of National Assets.
8. FGN Securitization of Ways and Means: The Gains, the Violations, and the Likely Outcomes.
9. FAQs on the Securitization of the N22.7trn Naira Ways and Means Advances at the CBN.
10. Senate Approves FGN Securitization of Ways and Means, as President Launches Agenda 2050.

11. Analysts Note: NASS Revisits Section 38 of the CBN Act, as Economists Flinch at Debt Securitization.
12. Experts Eyeball Beneficial Oil Bloc Ownership, Manufacturing Contribution to GDP, and W&M Securitization.
13. Approved 2023 Budget Under the Microscope, as OML 11 Falls into Dispute, and W&M Securitization Rejected.

Related Links.

1. PBSI 2023: Four Tier 1 Banks Retain Ranking, Stanbic IBTC, Fidelity Drop to Tier 2 – Financial Edge – Sep 14, 2023.
2. Banks to embark on new recapitalisation drive soon – Experts – NAN - Sep 14, 2023.
3. Finance Experts Advocate Increased Risk Mgt In Banks – Leadership - Sep 14, 2023.
4. Four Tier 1 Nigerian Banks Retain Ranking – Punch – Sep 14, 2023.
5. Report: Access, GTCO, Zenith, UBA Retain Tier One Ranking - ThisDay – Sep 17, 2023.

Related Videos.

1. Proshare Tier 1 Banks Report 2023 - Banking Evolution and Future Trends - WebTV - Sep 14, 2023.
2. Four Tier 1 Nigerian Banks Retain Ranking – News Central TV – Sep 16, 2023.
3. Banking Sector Report: Four Tier 1 Banks Retain Ranking - Silverbird – Sep 16, 2023.
4. Markets Now: Proshare Launches New Banking Report - Arise News – Sep 17, 2023.
5. Proshare's Panel Session on Disruptions Nigerian Banks Face – Arise News – Sep 17, 2023.
6. Key Takeaways from Proshare's Second Tier 1 Banking Report – WebTV - Sep 17, 2023.
7. Assessing Nigeria's Tier 1 Banks – Channels TV - Sep 17, 2023.

Tier 1 Banks Report

Official Launch
2nd Edition of our Tier 1 Banks Report.

Theme for the Panel Session:
Banks are Dead, Banking is Reborn:
Bridging Regulatory Compliance, Changing Business Models and Rising Expectations

October 13, 2023
Friday | 10:00am

Venue:
CIBN Hall, Adeola Hopewell Street,
Victoria Island, Lagos.

Moderator:
Bosson OMOFAYE
Head, Asset Strategy, Analyst
Proshare

Panelist:

- Mr. Johnson CHUKWU
General Managing Director,
Central Bank Management Ltd
- Dr. Biodun ADEDIPE
CEO/Chief Consultant,
B. Bankers Association Ltd
- Mr. Ayodeji EBO
MSI Chief Business Officer,
Optimus
- Ibukun OYEDEJI, CMA
Chief Financial Officer,
Ecobank
- Mr. Sodiq SAFIRIYU
Senior Research Analyst,
Meristem

REGISTRATION LINK: <https://bit.ly/Tier1Banks>

Livestream on [@webtvnigeria](#) & [@proshare](#)

Launch partners:
Ecobank, WebTV, WEMA BANK

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Rapporteur:

Ademidun **SHOGO**

Date:

20th October 2023

Launch Partners:



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This report was published on October 20, 2023, and is based on the best publicly available information at that time. The PDF version was created on October 20, 2023. For comments, feedback, and updates, kindly send us an e-mail via research@proshare.co. Thank you.



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Online TRADING 9th Edition: 2023

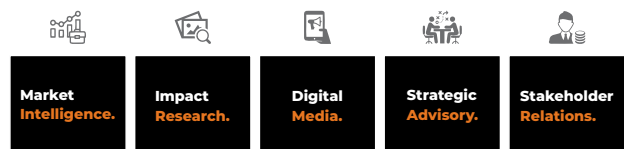
An Eye on the Capital Markets Digital Future; Matters Arising.

A Proshare Report Out this October, 2023.



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