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Impact of banking sector reforms on the Nigerian capital market (Equities).

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IMPACT OF BANKING SECTOR REFORMS ON THE NIGERIAN CAPITAL MARKET (EQUITIES)*

BY

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ABSTRACT

Following the outcome of the Special Joint Examination by the Central Bank of Nigeria (CBN) and Nigeria Deposit Insurance Corporation (NDIC), ten banks were indicted, out of which two were asked to recapitalize, while the Chief Executive Officers (CEOs) and Directors of the remaining eight were removed by CBN based on mismanagement and poor corporate governance. In order to protect the investors as well as prevent unprecedented dumping of the shares of the listed seven banks, two weeks of full suspension was imposed on trading of their shares on the stock market at various times. This paper attempts to determine the impact of the suspended seven banks on the banking sector shares, as well as, establish the relationship between equities total market capitalization and banking sector and non-banking sectors capitalization. Year 2010 provided the needed recovery of the stocks market with the establishment of Asset Management Corporation of Nigeria (AMCON) which will help stimulate the recovery of the financial system and ultimately, provide liquidity to the banks by buying their non-performing loans and recapitalizing the intervened banks, among other things. The paper also recommends ways of encouraging the listing of additional companies in other sectors so as to reduce the dominance of banks in the stocks market. Using data sourced from Nigerian Stock Exchange (NSE), the study adopts descriptive statistics in analyzing the data.

1.0 INTRODUCTION

In order to strengthen the competitiveness and operational capabilities of banks in Nigeria with a view to enhancing global and public confidence in the Nigerian banking system and the economy in general, the Central Bank of Nigeria commenced a banking sector reform in July 2004. A key element of the reform was a prescribed minimum capital base of N25.0 billion for each bank. The monetary authority also encouraged strategic mergers and acquisitions among the then existing 89 banks, which ultimately resulted in 25 consolidated banks with the least capitalized bank at the prescribed minimum capital base. The number of banks further dropped to 24 as a result of self-induced merger between two of the 25 banks. The impact of the reform made the Nigerian banking industry to emerge as one of the most dynamic and competitive industries in the country and in particular, improved the performance of their shares on the Nigerian Stock Exchange (NSE).

Prior to the reform, the industry was highly skewed, with many banks having very small and undiversified capital. With a much higher capital base, Nigerian banks were expected to play an important role in economic development, including increased financial intermediation support to the private sector.

Post-consolidation period for Nigerian banks, however, came with its own challenges. There were issues of corporate governance, shallow risk assessment capacity and deterioration of assets quality, among others. Consequently, the monetary authorities conducted a special examination in July 2009, which was jointly undertaken by the Central Bank of Nigeria (CBN) and Nigeria Deposit Insurance Corporation (NDIC) to ascertain the state of affairs of the Nigerian banks. The examination was intended to review, evaluate and determine the quality of all the banks portfolios. It focused attention on the banks asset quality, liquidity and corporate governance. Following the outcome of the two batches of the exercise, ten banks out of the twenty-four banks were indicted. Two out of the ten were directed to recapitalize, while the Chief Executive Officers (CEOs) and Directors of the remaining eight were removed by the CBN based on mismanagement and corporate governance issues.

Given the concerns over the shares of the affected banks on the NSE, a tripartite agreement between the CBN, Securities and Exchange Commission (SEC) and NSE was taken with a view to protecting investors and prevent unprecedented dumping of the shares of the seven affected banks that were listed on the Exchange. In that regards, two weeks of full suspension was imposed on trading of the shares of the first five banks namely: Afribank Nigeria Plc, Oceanic Bank International Plc, FinBank Plc, Intercontinental Bank Plc and Union Bank of Nigeria Plc on Monday, August 17, 2009; while Bank PHB and Spring Bank Plc were suspended on October 5, 2009 for one week, following the release of the second batch of the examination report and new CEOs were appointed for the banks by CBN.

The objective of this paper is to determine the relationship between equities market, banking and non-banking sectors' capitalization. The essence is to determine the impact of the suspended seven banks on: the banking sector shares and the non-banking sectors of the stock market as well as recommend ways of reducing the dominance of banks in the stocks market.

The views expressed in the paper are those of the author and do not in any way represent the official position or thinking of the Central Bank of Nigeria. The author acknowledges the comments and criticisms of anonymous reviewer.

For ease of exposition, the paper is structured into six parts. While part one is the introduction, the literature review is presented in section two. The methodology of data analysis is discussed in section three. The analyses of the results are presented in section four, section five proffers way forward while section six concludes with policy recommendations.

2.0 LITERATURE REVIEW

This chapter discusses issues on Banking Sector Reform, The Global Financial Crisis and Implications on the Nigeria Banking System, Recent Banking Reforms, Nigerian Capital Market Reform and other issues relating to capital market.

2.1 Banking Sector Reform

According to Oni (2009), reforms have been a regular feature of the Nigerian banking industry. They have been introduced either in response to challenges posed by developments within the economy or those from outside the economy such as the imminence of system distress, deregulation, liberalization and globalization. Recently, Nigeria had experienced two major banking reforms, the first one in July, 2004 and the ongoing reform that started in June, 2009.

Okonjo and Osafo (2007) elaborated that Nigerian banking sector prior to July, 2004 was weak and fragmented, often financing short-term arbitrage opportunities rather than productive private investments. The authors reiterated further that the roots of the financial sector weakness may be traced to its poorly managed liberalization during the structural adjustment programme (SAP) of the 1980s. The financial system was repressed before the SAP largely because of the imposition of interest rate ceilings that resulted in negative real interest rates. Initial attempts at financial liberalization, however, yielded poor results. Supervision remained weak and there was evidence that many banks had bad balance sheets. Many of them conducted only limited lending to the private sector, while engaging predominantly in more lucrative short-term arbitrage foreign exchange “roundtripping” activities. Consolidation and improved supervision of the sector were, therefore, needed to strengthen the financial sector.

In order to strengthen the banking sector and improve availability of credit to the private sector, a bank consolidation exercise was rolled out in July 6, 2004. The minimum capital base of all deposit money banks was raised from N2.0 billion to N25.0 billion effective December, 2005. Banks failing to meet the new requirements were expected to merge or else have their licenses revoked. Implementation of the consolidation exercise triggered various mergers/acquisitions and reduced the number of deposit money banks in Nigeria from 89 to 25. Moreover, in the process of meeting the new capital requirements, banks raised an equivalent of about $3.0 billion from the domestic capital market and attracted about $652.0 million of Foreign Direct Investment (FDI) into the Nigerian banking sector (Okonjo and Osafo (2007).

Abolo (2009) pointed out a number of outcomes of the consolidation exercise which include;

The ownership of banks became broad-based with the exception of the foreign-owned banks and Government ownership of banks (direct and indirect) that was limited to 10.0 per cent.

More than seven banks had Tier 1 capital in excess of USD1.0 billion by the end of 2008; 11 banks had market capitalization ranging between USD1.0 billion and USD5.3 billion; 16 banks were in the top 1,000 in the world; 5 Nigerian banks also ranked among the top 10 African banks as at May 2009.

Expansion into non-bank financial services such as insurance, asset management and mortgages.

2.1.1 The Global Financial Crisis and Implications on the Nigeria Banking System

The first stage of the global financial crisis started with "liquidity constraints," when conduits and aggregators of securitized products and financial institutions faced difficulties in raising funds in the United State of America (USA). The second stage was the time of "credit contraction." In this stage, financial institutions in the USA tightened their credit standards and their lending attitudes, and this exerted strong downward pressure on the economy. Most recently, a third stage has emerged. In this stage, delinquency rates of not only sub-prime-related products, but also commercial real estate loans and consumer loans have been rising, reflecting the sluggishness in the U.S. economy. As a result, financial institutions' asset quality deteriorated with further adverse impact on the economy. The U.S. economic growth remained sluggish for some time, since it was unforeseeable at that time when and how the negative feedback loop will diminish. In Europe, economic growth is slowing further. In Asia, although Chinese and Indian economies have continued to post relatively high growth, some of the other Asian economies are showing deceleration in exports and signs of slowing domestic demand. Most of these institutions had in their books a very huge loss, arising from the deteriorated quality of assets accumulated without being sure of the fundamentals of those assets in the market. In addition, the affected institutions in the US and Europe were not adhering to prudential regulations guiding the operations of the mortgage industry, hence the abrupt collapse of the sub-sector.

However, the situation in the US had partial negative effect on some Nigerian banks because of their trading relationship with some of these banks in the US. Following the successful conclusion of the first phase of the consolidation in the Nigerian banking industry, some Nigerian banks were given the opportunity of managing the nation's external reserves by partnering with their foreign correspondent banks in the US and Europe. It is therefore expected that if any of these correspondent banks is affected by the global financial crisis, the corresponding local bank will be equally affected.

Furthermore, the Nigerian capital market has been bearish since the inception of the global financial crisis. Specifically, since the beginning of second quarter, 2008, the capital market recorded downward trend in its major indicators. Market capitalization (equities only) fell, from N12.0 trillion in first quarter 2008, to N11.2 trillion by end of the second quarter 2008 and further to N10.0 trillion at end-September, 2008 and down to N7.0 trillion at end-December 2009. Combined efforts by the Federal Government, CBN, SEC and NSE to make the market rebound had started producing the desired results, leading to appreciation of share prices, especially banking stocks. The banking sector market capitalization had declined from an all-time high of N7.2 trillion in February, 2008 to not more than N5.0 trillion by December, 2009. The development is not likely to abate as even high net worth local investors are still skeptical of the market.

Apart from its impact on the financial sector, the Nigerian economy as a whole took considerable pounding from the global crisis. As a matter of fact, the US economy constitutes more than 20.0 per cent of the global domestic product (GDP) and consumes more than 20.0 per cent of the global oil supply. With the US economy contracting, there was considerable drop in demand for oil, which impacted negatively on prices.

Besides, the global credit crunch restricted the flow of foreign investment into the Nigerian economy. In this circumstance, foreign investors consider a lot of factors before they can stake in their money. With the worsening and decaying infrastructure as well as the heightening insecurity in the country, Nigeria found it extremely difficult to compete for scarce foreign investment inflow along with more stable emerging markets backed by dependable infrastructure begging for foreign investment.

2.1.2 Recent Banking Reforms

As a result of the global financial crisis which adversely affected the Nigerian economy, in particular the capital market and oil and gas sector, it was observed by the regulators that some Nigerian banks had huge concentration of exposure to these two sectors. In addition, there were observed general weaknesses in risk management practices, poor corporate governance practices and signs of illiquidity. It therefore became compelling to ascertain the true financial health of the Nigerian banks in the public interest.

In July, 2009, a special joint examination by CBN and NDIC was set up to review, evaluate and determine the quality of all the banks portfolios. The focus of the special examination was asset quality, liquidity and corporate governance. The outcome of the special examination necessitated pragmatic actions, which included the strict implementation of the code of corporate governance with zero tolerance to false reporting, institution of common year end, need for the recapitalization of some banks and massive recoveries of sticky loans facilities. Following the outcome of the two batches of the examination exercise, ten out of 24 banks were indicted. Two out of the ten were asked to recapitalize, while the Chief Executive Officers (CEOs) and Directors of the remaining eight were removed by CBN based on mismanagement and corporate governance issues.

With the conclusion of the bank examination exercise, CBN came to the end of the first phase of the process of restoring financial sector stability. Ongoing actions were expected to focus on building capacity within the regulatory regime; fast-tracking the implementation of risk-based, consolidated and cross border supervision frameworks; easing the flow of credit, particularly to the real sector of the economy; improving governance structures and practices in the financial services sector; repeal of universal banking regime which requires banks to divest from all non-banking business and the establishment of the Assets Management Corporation (AMCON), which was expected to take over the non-performing assets of banks and in the long-run improving confidence in the economy in general.

2.2 Nigerian Capital Market Reform

The ongoing reforms in the banking sector were also designed to reposition the Nigerian capital market for effectiveness and restore investors' confidence, rather than cripple listed companies on the Exchange. For effective regulation of the market, Securities and Exchange Commission (SEC) applied various regulatory/supervisory tools such as registration of market facilities, operators and securities to be traded in the market, monitoring/inspection, investigation, enforcement and rule making.

2.2.1 Industry/Sector Market Players

The key market players in the Nigerian capital market include: Ministry of Finance; CBN; The Nigerian Stock Exchange; Abuja Securities and Commodity Exchange; Issuing Houses; Underwriters; Registrars; Rating Agencies; Capital Market Consultants; Fund Managers; Portfolio Managers; Investment Advisers; Stockbrokers/Dealers Central Securities Clearing System/Depository; Market Makers; Commodity Brokers; Stockbrokers and Warehouse Operators.

2.2.2 The Roles of Nigerian Capital Market

The Research and Market Development of SEC, elaborate the roles of Nigerian Capital Market in Nigerian financial sector stability and development. The importance of the capital market as a barometer of economic performance can be inferred from daily news reporting. Media organisations report daily the performance of the capital market aggregates (especially the stock market index) and individual stocks. The reporting of the performance of different markets across the globe indicates the relative competitiveness of the underlying economies and stocks. This becomes even more interesting when a particular stock is dual-listed. It provides opportunities for companies to borrow funds needed for long-term investment purposes and provide avenue for the marketing of shares and other securities in order to raise fresh funds for expansion of operations, leading to increase in output/productivity. In addition, requirements are provided to enable foreign businesses offer their shares to the market. In other words, the public has the opportunity to invest and participate in the ownership of foreign business. This ultimately encourages inflow of foreign capital when foreign companies or investors invest in domestic securities. Government is offered the opportunities to finance projects aimed at providing essential amenities for socio-economic development and employed the capital market to carry out its privatization exercise by offering its shareholdings in state-owned enterprises to members of the public through the stock exchange.

Overall, the Nigerian capital market ensures an efficient and effective distribution of scarce finance resources for optimal benefit to the economy. It provides employment opportunities for the ever growing labour force and encourages transparency and good accounting/management practices, by ensuring that companies disclose relevant and adequate information to enable potential investors and shareholders make well informed decisions. It also creates an avenue for the populace to participate in the corporate sector of the economy and share in its wealth through ownership of securities. It provides the needed seed money for venture capital development which could serve as a vehicle for industrial development.

2.2.3 Industry Issues

Key issues and challenges includes: technology and market infrastructure; illiquidity; cost of transactions; lack of integration of securities settlement; ownership and operational control; international participation; banking/capital market financing; operational capacity; regulatory framework; investor protection; legal framework; development of the bond market; enhanced corporate governance; market research and innovative instruments and ratings culture, among others.

During the FSS 2020 (2008) conference, financial stakeholders and analyst discussed extensively on the net effects of the challenges highlighted above, which limit the capacity of the Nigerian capital market to attain the dream of becoming a leading financial hub for capital formation in Africa. The situation has limited the sector from contributing maximally to the economic growth and development of the nation. Issues like liquidity and cost directly impact on the issuance of securities and the secondary trading in such securities as well as in attracting foreign investments. Having a multiple settlement system is inimical to the development of the market, as a functional integration of these systems would guarantee standardization of services. The lack of investors' confidence would lead to an erosion of value and the market would not reach its apex of value creation.

2.2.4 Recent Developments in the Nigerian Capital Market

Activities in the capital market increased tremendously following the release of the 13-point banking sector reform agenda by the Central Bank of Nigeria on July 6, 2004 which required the banks in the country to achieve a minimum shareholders fund of N25.0 billion by end-December 2005. Many of the banks resorted to the equity market to raise funds to meet this requirement. Nigerian capital market has been bearish since the inception of the global financial crisis. Specifically, since the beginning of second quarter, 2008, the capital market recorded downward trend in its major indicators. Market capitalization (equities only) fell, from N12.0 trillion in first quarter 2008, to N11.2 trillion by end of the second quarter 2008.

This decline in market indicators caused the Federal Government of Nigeria (FGN) and all the major stakeholders in the Nigerian Capital market to meet in August, 2008 in order to appraise the market and map out ways to stem the sliding fortunes of the Nigerian equity market. The major decisions of the meeting and the proposed measures were as follows:

The Central Bank of Nigeria (CBN) should take appropriate measures to ensure adequate Liquidity within the capital market.

Commercial banks advised to restructure existing facilities to aid operations of licensed stockbrokers, institutional and individual investors on longer repayment terms.

The Securities and Exchange Commission (SEC), the Nigerian Stock Exchange (NSE), and all Capital Market operators agreed jointly to reduce the burden on investors by cutting fees significantly. The NSE had decided to cut its fees by 50.0 per cent effective August 27, 2008.

The stakeholders resolved to set up a Presidential Advisory Team on the Nigerian Capital Market. The Presidential Advisory Team on the Capital Market would continue to meet regularly to articulate and implement medium to long-term measures that are necessary for the healthy growth and development of the Capital Market.

The Office of the Attorney General of the Federation should issue an exemption to the provisions of the relevant sections of the Companies and Allied Matters Act, 1990, to permit quoted companies to buy back up to 20.0 per cent of their shares.

The NSE should review its trading rules and regulations. In the interim, it had taken the following steps: One per cent maximum downward limit on daily price movement would be allowed while the current five per cent limit on upward movement would be retained.

The SEC and NSE would also take administrative actions to stem the rate of new listings until the market stabilizes.

Having gone through the steps for delisting, the stock exchange will de-list all the moribund companies earlier advertised.

To establish a Capital Market Stabilisation Fund as an intervention instrument to curb spate of bearish trading in the market.

The experience of 2008 and 2009 crashes of the Nigerian Capital Market has been unprecedented in its historic evolution since 1960. Its market capitalization nose-dived from an all time high of N12.0 trillion (equities only) in February 2008 to not more than N5.2 (equities only) trillion by December, 2009. Besides, the All-Share Index (a measure of the magnitude and direction of general price movement) also plummeted from 66,000 basis points to less than 21,000 points in the same period. The stock prices experienced a downward movement regime (with more than 60. 0 per cent of the quoted securities on constant offer) on a continuous basis. Consequently, many of the quoted stocks lacked liquidity as their holders were trapped, not being able to convert them to cash to meet their domestic and other investment needs. On the other hand, fresh investors were cautious as a result of the uncertainties surrounding the markets.

Olisaemeka (2009) enumerated a number of factors that have been blamed for declining state of affairs as global phenomenon, pull-out of foreign investors, lack of infrastructure and high production costs, impact of commercial banks, avalanche of private placement offers and structural deficiencies of the Nigerian Capital Market as well as regulatory inconsistencies and pronouncements.

Many foreign investors that already had troubles in their home economies pulled out of the Nigerian stock market leading to the dumping of shares beyond the ability of domestic investors to contain. Consequently, supply of equities, overwhelmed demand, leading to price fall. Available statistics showed that purchase by foreign investors during 2008 was in excess of N150.2 billion, representing 6.3 percent of the aggregate turnover and a decline when compared with the N256.0 billion recorded in 2007. Concurrently, total sales by foreign investors during the year were in excess of N556.93 billion, culminating in a net outflow of about N406.8 billion. However, 2010 recorded modest global economic recovery despite the equity price declines and the additional risks in investing in emerging markets as foreign investors continued to demonstrate confidence in the economy during the year. Some of the erstwhile foreign investors are returning, while new investors seek opportunities considering the key attributes of high returns, liquidity and safety of investments. Available statistics showed that purchases by foreign investors during 2010 stood at N381.34 billion, representing 48.0 percent of the aggregate turnover. This was an increase when compared with the N202.48 billion recorded in 2009. Concurrently, total sales (outflow) during the year was about N194.63 billion, culminating in a net inflow in excess of N186.71 billion, an increase over the preceding year's net inflow of N33.4 billion. The cost of doing business in Nigeria is high. Basic infrastructures like good roads, power supply are lacking, leading to high cost of doing business. Many quoted and unquoted companies like Dunlop Nigeria Plc and Michelin Nigeria have closed down shops. Most of the textile industries have also stopped production, leading to the crash of their share prices.

Following the recapitalization of banks to a minimum of N25.0 billion, almost all banks utilized and accessed the capital market to raise funds. Within two years, many of the banks besieged the capital market more than once, raising funds through mega offers in a single tranche. Through, enticing marketing strategies, the banks succeeded in their various offers. The primary market seemed to experience a boom, as many investors dumped their shares in the secondary market, in favour of the primary market offers achieved through bewitching marketing efforts of banks. A total of N2.2 trillion was raised through various public offers dominated by the banks in 2008. Much of this came through disposal of shares in the secondary market.

A number of private companies did private placement of their shares at lower prices, while they sought or intended to seek quotation of their shares at higher values on the Nigerian Stock Exchange, thus making such private placements very attractive. This lured investors to dispose or dump their shares in the secondary market, purchase the private placements and dispose of same immediately after their listing on the Stock Exchange at higher prices. The regulating body, the Investment and Securities Act, 2007, does not place private companies under their control. Thus, so much liquidity was sucked from the Nigerian capital market in favour of private placements of private companies, many of which remained unquoted till date, leading to the crash of the Nigerian capital market.

There appears to be some inadequacies of the Nigerian capital market, especially the absence of market makers. As at third week of January 2009, the Nigerian Securities and Exchange Commission (SEC) had licensed five market makers, but the Nigerian Stock Exchange was yet to also license them due to avoidable administrative bottlenecks. Thus, there were no functional market makers that could provide exit windows for investors who wished to check out.
The apex regulator of the Nigerian stock market, the Securities and Exchange Commission, prior to the crash of the market had alleged publicly that stock market prices were being manipulated and it announced that it was probing some quoted companies. Following the publication, investors became afraid, thus provoking panic selling of stocks among investors. This contributed to the crash of the market in 2008.

2.2.5 Industry Challenges

The recent market meltdown led to loss of depositors/shareholders funds with the banks. It is estimated that banks were exposed to the capital market in excess of N1.0 trillion through losses in the value of securities for which margin facilities were granted to investors in Nigeria. This significantly increased the quantum of banks non-performing assets. The market meltdown also induced massive withdrawal of foreign investments from the Nigerian financial system, damping the remaining source of hope for possible market recovery.

On a positive note, the Nigerian capital market meltdown compelled investment diversification, especially real estate and government bonds. Investors now scamper for safety rather than high returns at the expense of possible huge or near total losses, which equity investment symbolizes - where the investor either enjoys too much or suffers too much. The way out from the market meltdown as diagnosed by Olisaemaka (2009) was that, only physical injection of funds can change the direction of the market. With the present liquidity crunch and investors loss of confidence, it is not reasonable to expect salvation from individual and institutional investors. A strong government bail-out as obtained in USA, Russia, Britain and Singapore, is the magic wand needed to be waived in the four corners of the market.

2.2.6 Global/Regional Trends

Globally, capital markets are becoming increasingly dynamic with series of innovations in infrastructures, products and services. Consolidation of exchanges is the approach undertaken by older and more established exchanges to remain competitive. Therefore, the development of the capital market must be seen in the context of regional integration of markets. The Ghanaian and Nigerian SECs have collaborated on a number of issues through the instrumentality of the bilateral Memorandum of Understanding (MoU) signed in year 2002. Within the Anglophone West Africa, the Nigerian and Ghanaian Exchanges are the leading stock exchanges. Several other exchanges are being established to trade specific securities like commodities futures and exchange traded funds. New products such assets-backed and mortgage-backed securities, real estate investment scheme, ethical and Islamic capital market products as well as hedge funds are being introduced to deepen the various markets.

The quality of service delivery has also been enhanced through the automation of processes: the introduction of electronic filing, e-trading, remote trading, e-bonus, e-dividend, shelf-registration and electronic issuance of securities; linkages of Central Securities Depositories (CSD); increase in corporate restructuring, mergers and acquisitions; introduction of risk-based supervision and convergence of international financial reporting standard; international cooperation and information sharing between jurisdictions through the instrumentality of the International Organisation of Securities Commissions (IOSCO); and Multilateral Memorandum of Understanding (MMoU). In contrast, European and Asian countries had recorded tremendous recovery in their share prices after the global crisis (Table I).

Table I: All Share Index of some Selected Stock Exchanges

COUNTRY	INDEX	CODE	END YEAR, 2008 ` (1)	END YEAR, 2009 ` (2)	% Change Between `(1) & (2)
NIGERIA	ASI	.LAGLG	31,450.78	20,561.15	-34.62
GHANA	GHI	.GHAGH	10,461.43	5,355.92	-48.80
KENYA	NAIROBI INDEX	.NSE20	3,347.99	3,187.60	-4.79
US	S&P 500	.NDX	1,199.17	1,822.52	51.98
RUSSIA	MICEX INDEX	.MCX	628.38	1,355.56	115.72
GERMANY	SE XETRA DAX	.GDAXI	4,718.58	5,866.06	24.32
JAPAN	NIKKEI 225	.N225	8,636.02	10,250.95	18.70
CHINA	SHANGHAI SE A	.SSEA	2,014.80	3,339.11	65.73
INDIAN	BSE SENSEX	.BSEDX30	1,663.47	2,992.26 (DEC.30)	79.88

Source: Reuters

3.0 DATA ANALYSIS AND METHODOLOGY

3.1 Sources of Data

The data used for this study were sourced from Nigerian Stock Exchange (NSE) comprising: Equities Total Market Capitalization, Sectoral Market Capitalization, Companies' Market Capitalization and All-Share Index.

3.2 Data Analysis Methodology

The analysis focused more on the impact of the first five suspended banks, ostensibly because the other two banks did not make significant impact on the market during the suspension period. The Nigerian Stock Exchange (NSE) recorded its end-month pick market indicators of Total Market Capitalization (TMC) and All Share Index (ASI) on February 28, 2008; hence the study adopted the trading day as the base period for all the analyses.

Descriptive statistics was employed for this study. This includes graphical analysis to explain the behavioral pattern of the variables under consideration. Pearson correlation coefficient (r) was used to determine the degree of association among the variables. In addition, the coefficient of variation was used to assess the degree of volatility (risk) of the variables. The NSE All-Share Index was rebased to obtain the CBN Index, ostensibly for ease of analysis.

3.3 Compilation of Major Capital Market Statistics

3.3.1 Market Capitalization (MC) of the Stock Exchange

Market Capitalization is a function of market price and volume of paid-up capital of listed companies. For individual company, the market capitalization is the product of market price and number of outstanding shares i.e. Number of Outstanding Shares multiplied by Market Price. The sum total of market capitalization for all listed equities on an Exchange gives the aggregate equity market capitalization of a stock market. Equity market capitalization is perhaps the most important criterion in assessing the size of a capital market. For individual quoted companies, the size of market capitalization is an indicator of the market value (i.e. investor's perception or assessment) of the company. Thus, market capitalization does fluctuate with movements in the market price of company equity and changes in outstanding shares. For instance, an increase in the outstanding shares of company with market price either held constant or increased would enhance the market capitalization of a company. Generally, the aggregate market capitalization of a stock market would show an upward trend in a bullish market, while the converse would happen in a bearish market situation.

3.3.2 All-Share Index (ASI)

A stock market index is a listing of stocks and a statistic reflecting the composite value of its components. It is a measure of the magnitude and direction of general price movement. The All-Share Index of the Nigeria Stock exchange is one such index and is an indicator designed by the regulator to show the investor the following:

- Price movements of quoted stocks
- Summary measure of the behavior of the stock market as it indicates changes in the aggregate market value or the value of some selected stocks.
- The relationship between the prices of individual stocks and the improvements in the stock market, which helps in stock tracking and equity portfolio construction.
- The relationship between stock prices and other economic and financial variables such as money supply, industrial production, consumer price index, corporate profits, lending and deposit rates.

All Share Index formula

$$\frac{\sum_i P_{it} Q_{it}}{\sum_i P_{io} Q_{io}} x\ 100$$

P_{it} = Price of stock i at day t
P_{io} = Price of stock i at base period
Q_{it} = Outstanding shares of i at day t
Q_{io} = Outstanding shares of stock i at base period
Base period = January 1984 (Value = 100)

Note: The NSE All-Share Index is made up of all equities quoted on the Exchange.

Most indicators and ratios in the capital market are aimed at showing the market and financial performances of the stock exchange and firms, respectively, with the resulting benefits to the shareholders and investors. Some of these indicators and ratios are; Volume of Share Traded, Value of Stock Traded, Liquidity or Stock Turnover Ratio, Earnings Per Share (EPS), Price-Earnings Ratio (P/E), Earning Yield, Dividend Per Share (DPS), Dividend Pay-out Ratio (DPR), Earnings Retention Ratio (ERR), Dividend Yield, Dividend Cover and other useful ratios.

3.4 Definitions of Statistical Tools

3.4.1 Pearson Correlation Coefficient (r)

This is an important measure of association between two variables. The larger (r), ignoring sign, the stronger the linear association between the two variables and the more accurately you can predict one variable from knowledge of the other variable. The sign of the correlation implies the "direction" of the association. A positive correlation is a direct relationship where as the amount of one variable increases, the amount of second variable also increases. In a negative correlation, as the amount of one variable goes up, the levels of another variable go down.

3.4.2 Coefficient of Variation (CV)

This a statistical measure of the dispersion of data points in a data series around the mean. The coefficient of variation represents the ratio of the standard deviation to the mean, and it is a useful statistic for comparing the degree of variation from one data series to another, even if the means are drastically different from each other. In the investing world, the coefficient of variation allows you to determine how much volatility (risk) you are assuming in comparison to the amount of return you can expect from your investment. Hence, the lower the ratio of standard deviation to mean return the better your risk-return tradeoff.

4.0 ANALYSIS OF RESULTS

4.1 Correlation Analysis (CA)

The CA was applied to analyze the banking sector intervention in 2009 in relation to Stocks Market recovery in 2010. The correlation coefficient is estimated using data from Nigerian Stock Exchange (NSE) to determine the correlation between Equities Total Market Capitalization (ETMC) and Banking Sector Capitalization (BSC) as well as ETMC and Non-Banking Sectors Capitalization (NBSC). NBS Sectors comprise 33 sectors (see appendix II for list of the sectors).

The correlation coefficient (r) of 96.4 per cent between Equities Total Market Capitalization (ETMC) and Banking Sector Capitalization (BSC) shows a high degree of association between the two variables. However, Non-Banking Sectors which constitutes the remaining 33 sectors has about 87.6 per cent influences on the ETMC. This goes to show that banking sector alone exerts about 8.8 percentage points more influence on the ETMC than the Non-Banking Sectors that constitute 33 different sectors. However, even within the banking sector, the influence of the first 5 intervened banks on the total banking sector capitalization had been significant as it influenced about 97.3 per cent of the movements in the total banking sector capitalization. This, when compared with the 97.7 per cent of the other banks, represent only a marginal increase of 0.3 percentage point (Tables 2 and 3).

The investors' pessimism that was widespread after two consecutive years of losses in mid-2008 and 2009 gradually gave way to cautious optimism as the various confidence building measures initiated by the regulatory authorities such as: the removal and prosecution of bad CEOs; review of the universal banking model; and the integration of the financial sector with the real economy; zero tolerance for market infractions and compliance with post-listing requirements and the establishment of Asset Management Corporation of Nigeria (AMCON), begins to yield results.

4.2 Coefficient of Variation Analysis

The Coefficient of Variation Analysis (CV) is being used to analysed the pre-intervention/reform period of 2008 as well as the intervention/reform period of 2009 and the post-intervention banking reform of 2010. The CV computed for both the MC and Indices data revealed the same pattern of result. The degree of volatility of Equity Total Market Capitalization (ETMC), Banking Sector Capitalization (BSC), Non-Banking Sectors Capitalization (NBSC), Other Banks Capitalization (OBC) and Intervened Banks Capitalization (IBC) were shown by their levels of risk (Tables 2 and 3). The relative volatility of NBSC was the least at 25.7 per cent when compared to other sectors. IBC have the highest level of volatility at 93.6

per cent when compared with others, signifying the vulnerability of the suspended banks.
The Banking Sector Capitalization (BSC) level of volatility at 49.3 per cent was higher than the Equities Total Market Capitalization (ETMC) at 34.6 per cent, this showed the vulnerability of the Banking sector when compared with the ETMC. The impact of the five intervened banks was highly reflected in the other banking sector capitalization (37.6 per cent) during the suspension period as investors' preference changed immediately to Non-Banking Sectors. This ultimately reduced the dominance of banking sector share prices in favour of Non-Banking sectors as the market movers (Fig 1).

Transaction on the Nigeria Stock Exchange has been driven by the activities in the Banking Sector up to August 2009. However, dominance of Non-Banking sectors was prominent post-August 2009, especially during the suspension period of the intervened banks (Table 2 and 3). It was quite revealing that the Banking Sector was yet to return to its domineering position even when the suspension on trading in the shares of the intervened banks was lifted (Fig 2).

Extending the analysis to December 31, 2010, it was obvious that the share prices of Non-Banking sectors had not trended down. This justifies the conclusion that more companies should be listed on the Non-Banking Sectors in order to dilute the dominance of the banking sector. Also, the daily trading revealed that investors have began to give preference to non-banking stocks due to the high volatility experienced in the banking sector. In addition, since the suspension on the intervened banks was lifted August 31, 2009, their shares have not trended along with other banks as their prices continue to depreciate when compared with the market performances of the non-intervened banks (Fig. 2).

TABLE 2
MARKET CAPITALIZATION (Billion Naira) Equities Only

PERIOD		EQUITIES TOTAL MARKET CAP. (ETMC)	BANKING SECTOR MKT. CAP (BSC)	NON-BANKING SECTORS MKT. CAP. (NBSC)	INTERVENED BANKS MKT. CAP (IBC)	OTHER BANKS MKT. CAP (OBC)
	MARCH , 2008	12,001.45	7,041.42	4,960.02	1,928.28	5,113.15
	JUNE, 2008	11,241.52	6,398.63	4,842.89	1,756.75	4,641.88
	SEPT, 2008	10,199.87	5,714.55	4,485.32	1,683.90	4,030.65
	DEC., 2008	6,984.61	3,711.92	3,272.68	845.97	2,865.95
	MARCH, 2009	4,489.68	2,017.22	2,472.47	466.10	1,551.12
	JUNE, 2009	6,125.26	3,179.64	2,945.62	658.06	2,521.57
Trading day preceding the suspension of the intervened 5 banks (Friday)	AUG. 14, 2009	5,554.13	2,827.87	2,726.26	492.45	2,335.42
Suspension of the 5 banks (Monday)	AUG. 17, 2009	5,423.87	2,214.75	3,209.12		2,214.75
Suspension of the 5 banks (Friday)	AUG. 21, 2009	5,037.14	1,941.51	3,095.00		1,941.51
Intervened 5 Banks suspension listed trading day	AUG. 31, 2009	5,274.40	2,575.94	2,698.46	436.44	2,139.50
	SEPT., 2009	5,192.40	2,529.73	2,662.67	337.39	2,192.34
	DEC., 2009	4,989.39	2,238.32	2,749.73	196.17	2,042.15
	MAR., 2010	6,124.98	2,810.59	3,314.39	215.40	2,595.19
	JUNE, 2010	6,118.50	2,546.82	3,571.68	176.36	2,370.46
	SEPT., 2010	5,648.28	2,115.50	3,532.77	122.47	1,993.04
	DEC., 2010	7,913.75	2,710.17	5,203.58	194.94	2,515.23
Mean		6,769.95	3,285.91	3,483.92	679.33	2,691.49
Standard Deviation		2,343.57	1,618.74	894.92	636.14	1,011.43
Coefficient of Variation		34.62	49.26	25.69	93.64	37.58
Count		16	16	16	14	16
Correlation Coefficient		NSE MC	0.964	0.876	0.896	0.977
			BSC	0.715	0.973	0.989
				NBSC	0.591	0.769
					IBC	0.931

Source: NSE

TABLE 3
MARKET INDICES (REBASED)

PERIOD		NSE ALL SHARE INDEX	REBASED ALL SHARE INDEX (RASI)	BANKING SECTOR REBASED INDEX (BSRI)	NON-BANKING SECTORS REBASED INDEX (NBSRI)	INTERVENED BANKS REBASED INDEX (IBRI)	OTHER BANKS REBASED INDEX (OBRI)
	FEB, 2008	65,652.40	100.00	100.00	100.00	100.00	100.00
	MARCH , 2008	63,016.00	97.05	97.80	96.02	99.86	97.04
	JUNE, 2008	55,949.00	90.91	93.22	93.75	90.98	88.10
	SEPT, 2008	46,216.13	82.49	80.47	86.83	87.21	76.50
	DEC., 2008	31,450.78	56.48	51.61	63.35	43.81	54.39
	MARCH, 2009	19,851.89	36.31	32.27	47.56	27.55	38.00
	JUNE, 2009	26,249.28	49.53	46.96	57.02	34.08	47.86
Trading day preceding the suspension of the intervened 5 banks (Friday)	AUG. 14, 2009	24,237.85	44.92	39.28	52.77	25.50	44.32
Suspension of the 5 banks (Monday)	AUG. 17, 2009	23,661.03	43.86	30.77	62.12		42.03
Suspension of the 5 banks (Friday)	AUG. 21, 2009	21,973.96	40.73	26.97	59.93		36.85
Intervened 5 Banks suspension listed trading day	AUG. 31, 2009	23,009.10	42.65	35.78	52.24	22.60	40.61
	SEPT., 2009	22,192.85	40.58	33.85	49.95	21.44	38.39
	DEC., 2009	20,827.17	40.35	31.09	53.22	10.16	38.76
	MAR., 2010	25,322.87	49.53	39.04	64.16	11.16	49.25
	JUNE, 2010	25,154.26	49.48	35.37	69.14	9.13	44.99
	SEPT., 2010	23,050.59	45.68	29.38	68.39	6.34	37.83
	DEC., 2010	24,770.52	64.00	37.64	100.73	10.10	47.74
Mean		31,916.80	57.33	49.50	69.25	39.99	54.27
Standard Deviation		15,425.07	21.45	25.80	18.66	35.63	21.68
Coefficient of Variation		48.33	37.41	52.12	26.95	89.09	39.95
Count		17	17	17	17	15	17
Correlation Coefficient		NSE ASI	0.974	0.987	0.794	0.955	0.995
			RASI	0.969	0.899	0.912	0.982
				BSRI	0.765	0.979	0.992
					NBSRI	0.658	0.809
						IBRI	0.953

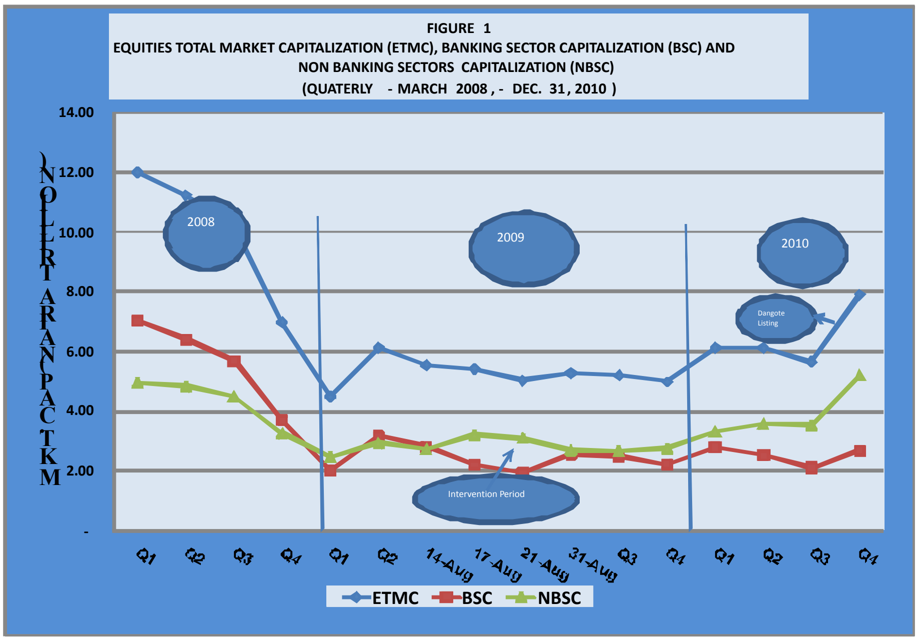


FIGURE 1
EQUITIES TOTAL MARKET CAPITALIZATION (ETMC), BANKING SECTOR CAPITALIZATION (BSC) AND NON BANKING SECTORS CAPITALIZATION (NBSC)
(QUATERLY - MARCH 2008 , - DEC. 31, 2010)

Source: Nigerian Stock Exchange (NSE)

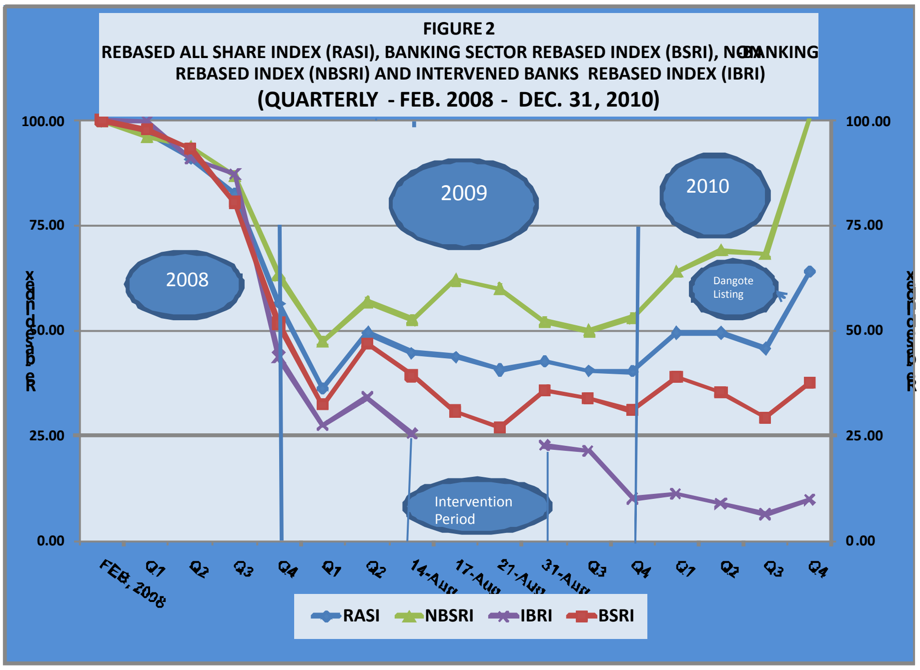


FIGURE 2
REBASED ALL SHARE INDEX (RASI), BANKING SECTOR REBASED INDEX (BSRI), NON BANKING REBASED INDEX (NBSRI) AND INTERVENED BANKS REBASED INDEX (IBRI)
(QUARTERLY - FEB. 2008 - DEC. 31, 2010)

Source: Nigerian Stock Exchange (NSE)

4.3 Stocks Market Recovery in 2010

The CBN sustained its banking sector reform in 2010, which was designed to foster financial sector stability. The set time lines were realized in the commencement of operations of the Asset Management Corporation of Nigeria (AMCON), significant milestones were recorded, especially in the areas of releasing the new prudential guidelines; tenor limits for Managing Directors as well as non executive directors of banks and implementation of the Nigerian Uniform Bank Account Number (NUBAN) scheme.

Consequently, the weekly analyses showed that the ETMC of listed equities, which opened the year with N4.89 trillion ended the year in green at N7.9 trillion while the All-Share Index closed higher at 24,770.52 points, up from 20,827.17 points at the beginning of January 2010. On October 29, 2010 Dangote Cement Company was listed through merger into one of the non-banking sector (building materials) on NSE market, this increased equities market capitalization from N5.6 trillion at end-September to N7.9 trillion at end-December, 2010 (Figure3).

On November 3, 2010, AMCON approved the purchase of all the margin loans in the banking sector, including total non-performing loans of banks rescued by the CBN in 2009. The total loans to be purchased were initially estimated at N2.2 trillion. AMCON had valued non-performing loans backed by shares of listed companies at an implied premium of approximately 60.0 per cent on the 60-day average of recent prices, ending November 15, 2010. On December 31, 2010 a total of N1.04 trillion non performing loans were purchased from the banks with a three year initial consideration zero coupon bond, which would subsequently be registered with SEC and become discountable by CBN.

4.4 Base Period Implications for NSE All-Share Index

The study also revealed high degree of relationship between the All-Share Index of NSE computed with base year of 1984 and the Rebased ASI computed with February 28, 2008 as base period. This implied that computing the base year with a recent or realistic base period would not distort the Index. Overall, the NSE ASI and RASI trends have stabilized thenceforth up till December 31, 2010 (Fig. 3).

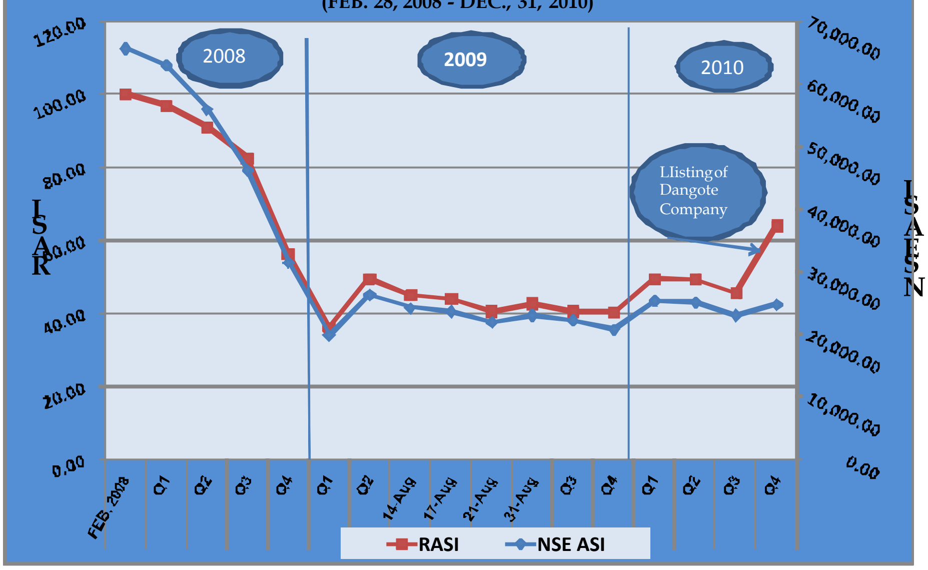
5.0 Industry Way forward

The 2008 2009 meltdowns and the recovery of 2010 in the Nigerian capital market provided excellent opportunities for both local and foreign investors to grab the shares at rock-bottom prices. There appears to be no better time to buy the shares in the Nigerian capital market than now. The fundamentals of the Nigerian capital market are still very strong-high earnings per share, high dividends per share, high earning yields, high dividend yields, good bonuses and low price earnings ratios. With the complete internationalization of the Nigerian capital market, foreign investors can acquire up to 100 percent of Nigerian companies and exercise full control.

5.1 Key Success Factors

The Nigerian capital market has

FIGURE 3
NSE ALL SHARE INDEX (NSE ASI) AND
REBASED ALL SHARE INDEX (RASI)
(FEB. 28, 2008 - DEC., 31, 2010)



Source: Nigerian Stock Exchange (NSE)

witnessed tremendous growth in recent years. This growth is attributable to the Federal Government economic reform programme in the areas of Banks and Insurance companies consolidation, privatization, pension reforms, mortgages as well as increased investor awareness, confidence in the market and relative political stability.

Oteh (2010), in her testimony before the United States House of Representatives committee on financial services spelled out the reform agenda embarked by the Nigerian Securities and Exchange Commission in her efforts to awaken the hope of investors. The reforms are to reposition the Nigerian capital market to play a pivotal role in capital formation and the development of the Nigerian economy. Some of the areas of focus for the Commission's reform programme were outlined as follows:

5.1.1 Strengthened enforcement and enhanced regulatory oversight

The Commission has zero tolerance on market infractions and indeed any act which could undermine the integrity of the market as well as enforcement actions against operators and issuers with respect to inadequate filing of periodic returns and other market infractions. Following the audits of banks in 2009, led by the Central Bank, the Commission launched investigations into possible cases of market abuse that were associated with the capital raising exercises of banks. This has resulted in the Commission instituting legal proceedings against some 260 individuals and entities at the Investments and Securities Tribunal (IST).

5.1.2 Recent changes to the commission's rules and regulations

The Commission had set standards and created a level playing field for participants. These standards are also meant to promote orderly trading, transparency and market efficiency. Experience revealed that the absence or inadequate rules in some respect contributed to the scale of the crisis in Nigeria capital market. Some of the new rules were introduced to encourage the emergence of new products, strengthen the protection of customer assets in the market and improve financial reporting and governance of public companies.

5.1.3 Reforming the Nigerian Stock Exchange

Stock Exchange is known to be a visible symbol of the capital market and must not only exhibit but be perceived by the public to exhibit the highest level of good governance, transparency, fairness and accountability. Investors obviously will not want to participate in a market which lacks these attributes and nor would issuers. The Commission, in early August 2010 intervened in the Nigerian Stock Exchange, replacing the leadership with an interim administration. NSE should be ultimately demutualised and is examining the best model for Nigeria with the various initiative to reform the exchange a more focused, transparent and efficient exchange would emerge.

5.1.4 Promoting collective investment schemes

The experience of the recent past clearly revealed that most retail investors do not have the capacity for direct investing in the capital market. The Commission is therefore encouraging a more institutional market with retail participation principally through Collective Investment Scheme (CIS). The Commission had intensify establishment of Real Estate Investment Trusts (REITs), Exchange Traded Funds (ETFs) and in view of increased interest in mutual funds, the Commission has intensified it examination and monitoring of fund managers and trustees of such schemes and recently encouraged the establishment of an industry trade group for mutual fund managers.

5.1.5 Disclosure issues

Any meaningful reform of the capital market and indeed the financial market must of necessity include the reform of the governance of entities and players in the market. Such governance reform must not only be beamed at public companies but should also focus on regulated entities. For the Commission, the capital market reform agenda includes a review of our 2003 Corporate Governance Code in order to address weaknesses in current practices and strengthen governance and disclosure by public companies. The draft of the new Corporate Governance Codes which is comparable to internationally acclaimed codes has already been exposed to the public and will soon be released in the near future. The Central Bank and the Commission has also been sponsoring sensitization and awareness programmes for company directors.

The importance of transparency and disclosure cannot be over-emphasized in enthroning good corporate governance. The public want to believe the numbers they see and information they are given by companies. As is well known, financial information is a key barometer of the state of health of a business entity and should be timely, accurate and reliable to be meaningful to others. Information that is outdated would not serve investors much purpose in taking timely investment decisions. The Commission has therefore continued to strengthen its disclosure rules and to penalize issuers who violate the rules. Additionally, the auditor of a public company is now expected to issue a statement in his audit report to the company of the existence, adequacy and effectiveness or otherwise of the internal control system. This is borne out of the fact that a strong internal control system is important in promoting good governance of entities. The adoption of International Financial Reporting Standards (IFRS) by listed companies and regulated entities should improve the quality of financial reporting in the country. Through the efforts of the Commission and other stakeholders, the Federal Government has approved that Nigeria should adopt IFRS, and publicly listed companies and significant interest entities such as banks are required to comply by January 2012.

5.1.6 Greater emphasis on capacity building and investor education

In addition to enhancing the rigor with which it evaluates capital market operators, the Commission is reviewing ways to enhance the programmes offered by its training institute, the Nigerian Capital Markets Institute to ensure that the capacity of the industry continues to evolve in line with the growth in the size and complexity of the capital market product offerings. It is supporting trade groups and associations and encouraging them to develop and enhance their continuing education programmes, and develop accreditation schemes.

A well informed investing public will be better placed to protect itself, forming the first layer in investor protection. For instance, an investor who understands his right is most likely to assert his right and seek redress when such rights are violated. Similarly, an investor who understands the workings of the market is less likely to be taken advantage of by unscrupulous market participants than one who has a low knowledge of the market. When investors are knowledgeable about the workings of the capital markets, they are also better able to assess the risks and rewards of investment opportunities and participate in the market.

In this respect, the Commission has developed various investors' education initiatives including providing educational materials for various investor types, sponsoring seminars, town hall meetings, quiz competitions, and capital market studies in universities. It also has capacity building programmes for financial journalists and judges.

6.0 CONCLUSION AND POLICY RECOMMENDATIONS

The current efforts by the financial regulatory authorities have in many ways restored confidence in to the Nigerian capital market. Though, the effect of the global financial crisis was visibly felt in the stock market, as the prices of the shares of most of the stocks were highly depreciated, the timely intervention of the financial regulators to sanitize the system was imperative.

Based on the findings from this paper, the following are recommended for adoption: (1) Securities and Exchange Commission (SEC) should actively formulate policy that would encourage companies outside the banking sector to be listed on the NSE; (2) The current collaboration among the financial regulators should be sustained so as to enhance robust financial system; and (3) NSE should urgently review the 1984 base year currently used to compute the All-Share Index (ASI), to a more realistic base year.

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APPENDIX 1

CAPITAL MARKET (EQUITIES) STATISTICS

		VOLUME OF TRANSACTION (Million)	VALUE OF TRANSACTION (N'M)	NUMBER OF DEALS	MARKET CAPITALIZATION (MC) (N'B)		ALL SHARE INDEX
					(EQUITIES ONLY)	TOTAL (MC)	
2008	**JAN**	20,081.0	183,193.1	349,601	10,692.7	13,817.6	58,570.6
	FEB	29,770.6	213,265.4	475,716	12,503.2	15,639.2	65,652.4
	MAR	18,699.0	193,897.5	377,838	12,125.9	15,266.7	63,016.6
		68,550.6	**590,356.0**	**1,203,155**			
	APR	16,477.4	160,685.9	394,235	11,491.3	14,611.1	59,440.9
	MAY	16,798.7	132,948.5	356,909	11,614.5	14,981.5	58,929.0
	JUN	19,789.0	149,480.1	330,332	10,920.3	14,225.0	55,949.0
		53,065.1	**443,114.5**	**1,081,476**			
	JUL	19,977.6	190,754.0	357,000	10,971.8	13,931.9	53,110.9
	AUG	17,380.0	169,638.1	249,937	9,744.5	13,040.7	47,789.2
	SEP	10,651.0	134,382.8	197,213	9,836.9	13,010.0	46,216.1
		48,008.6	**494,774.9**	**804,150**			
	OCT	5,851.0	139,714.4	118,364	7,969.1	10,777.6	36,325.9
	NOV	7,973.0	166,829.5	188,544	7,305.9	10,111.5	33,025.8
	DEC	9,684.7	44,289.5	136,932	6,957.5	9,563.0	31,450.8
		23,508.7	**350,833.5**	**443,840**			
2009	**JAN**	4,793.5	29,761.0	138,700	4,879.1	7,453.9	21,813.8
	FEB	6,603.2	38,264.7	157,297	5,231.9	7,859.1	23,377.1
	MAR	7,801.0	40,153.1	131,419	4,483.5	7,177.9	19,851.9
		19,197.7	**108,178.9**	**427,416**			
	APR	7,957.0	42,367.4	121,940	4,883.3	7,575.8	21,491.1
	MAY	7,961.3	56,867.9	135,499	6,759.6	9,455.5	29,700.2
	JUN	11,272.0	94,130.6	217,949	5,986.3	8,809.6	26,249.3
		27,190.3	**193,365.9**	**475,388**			
	JUL	9,921.0	72,384.1	187,748	5,796.5	8,480.7	25,286.6
	AUG	9,910.0	68,741.9	156,726	5,274.4	7,919.7	23,009.1
	SEP	9,053.2	66,013.4	123,106	5,130.3	7,649.4	22,065.0
		28,884.3	**207,139.4**	**467,580**			
	OCT	10,670.9	73,312.4	134,394	5,144.0	7,818.8	21,804.7
	NOV	9,335.6	56,116.9	114,607	4,998.1	7,692.1	21,010.0
	DEC	7,572.9	47,603.9	119,979	4,989.4	7,030.8	20,827.2
		27,579.4	**177,033.1**	**368,980**			
2010	**JAN**	8,627.3	48,654.6	302,901	5,441.6	7,484.2	22,594.9
	FEB	7,858.2	54,061.1	133,112	5,535.7	7,615.8	22,985.0
	MAR	10,734.2	90,996.9	185,643	6,280.6	8,378.4	25,966.3
		27,219.6	**193,712.7**	**621,656**			
	APR	12,600.0	108,300.8	206,182	6,393.6	8,455.6	26,453.2
	MAY	8,250.0	76,140.2	180,489	6,373.0	8,425.3	26,183.2
	JUN	7,105.5	60,729.2	172,861	6,174.4	8,217.0	25,384.1
		27,955.5	**245,170.1**	**559,532**			
	JUL	7,638.1	58,795.8	134,220	6,320.6	8,370.9	25,844.2
	AUG	5,266.0	46,910.3	142,594	5,946.8	8,000.7	24,268.2
	SEP	4,836.0	47,255.6	117,366	5,648.2	7,825.6	23,050.6
		17,740.1	**152,961.7**	**394,180**			
	OCT	6,714.2	91,045.2	117,465	7,986.4	10,099.6	25,042.2
	NOV	7,434.1	60,339.2	121,531	7,912.2	10,015.5	24,764.7
	DEC	6,627.1	56,676.1	111,114	7,913.5	9,918.2	24,770.5
		20,775.4	**208,060.5**	**350,110**			

NOTE; VOL, VALUE & NO. OF DEALS ARE ADDITIVE WHILE ASI & MC ARE STOCK VALUE

APPENDIX II

21 Quoted Banks Listed on the Nigerian Stock Exchange

1. Access Bank Plc.
2. Guaranty Trust Bank Plc.
3. First Inland Bank Plc.
4. Intercontinental Bank Plc.
5. Afribank Nigeria Plc.
6. Unity Bank Plc.
7. Skye Bank Plc.
8. Diamond Bank Plc.
9. PlatinumHabib Bank Plc.
10. Fidelity Bank Plc.
11. Oceanic Bank International Plc.
12. Ecobank Nigeria Plc.
13. Zenith Bank Plc.
14. Stanbic IBTC Bank Plc.
15. Spring Bank Plc.
16. First Bank of Nigeria Plc.
17. Sterling Bank Plc.
18. Union Bank Plc
19. United Bank for Africa Plc.
20. Wema Bank Plc.
21. First City Monument Bank Plc.

Banks Not Listed on NSE

1. Nigeria International Bank Limited
2. Equatorial Trust Bank
3. Standard Chartered Bank Nigeria Ltd.

APPENDIX III

Other Sectors on the NSE

1. Agriculture / Agro Allied
2. Airline Services
3. Automobile and Tyre
4. Aviation
5. Breweries
6. Building Materials
7. Chemical and Paints
8. Commercial/Services
9. Computer and Office Equipment
10. Conglomerates
11. Construction
12. Engineering Technology
13. Food/Beverages and Tobacco
14. Footwear
15. Healthcare
16. Hotel and Tourism
17. Industrial/Domestic Products
18. Information, Communication and Telecommunication
19. Insurance
20. Leasing
21. Machinery (Marketing)
22. Maritime
23. Media
24. Mortgage Companies
25. Other Financial Institutions
26. Packaging
27. Petroleum (Marketing)
28. Priting and Publishimg
29. Real Estate
30. Real Estate Investment Trust
31. Road Transportation
32. Textiles
33. The Foreign Listing