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THE PROFITABILITY OF NIGERIAN BANKS

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ABSTRACT

The paper investigates the extent to which stocks of commercial banks listed on Nigeria Stock Exchange (NSE) are positioned on the selected profitability performance indices over the period 2000-2010. The profitability performance was determined using return on assets, return on equity, earnings per share, dividend per share, earnings yields, dividend yields and increments in net asset per share. The findings revealed that First Bank of Nigeria was truly the first in terms of yield on earning assets, earnings per share, dividend per share, net asset per share, and the most priced bank in Nigeria. Diamond was the most profitable bank in terms of earnings yield and dividend yield while StanbicIbtc and Wema were the most profitable banks in terms of return on assets and return on equity respectively for the study period.

Keywords: Bank, Profit, Nigeria

INTRODUCTION

The main aim of every investor is to make profit on his investment. The returns can come in the form of streams of income/dividend payments and/or capital gains arising from appreciation of value of the investment. That is why, all things being equal, investors would prefer to invest in or hold on to investments that promise higher returns. Even, in a free market economy profit maximization has been regarded as an objective measure of the value of a business. Over times, majority of investors in the Nigerian Stock Exchange had shown noticeable preference for banking stocks in spite of the series of bank distress in which investors' wealth was at high risk of being lost. As a result of the rush to buy the shares of banks, the share prices were in most periods pushed beyond the rational levels. Majority of investors point to the direction of profitability as one factor responsible for that but these preferences have not been subjected to empirical test. As profitability is deemed to be the anchor that propels the preference for the banking shares, the relevant question that quickly comes to mind has been, are the banks still rendering reasonable returns to the owners as to warrant such craze for the equity stocks? Consequently there occurs a need to ascertain the

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profitability levels of the individual commercial bank quoted on Nigeria Stock Exchange. In the light of the above explanation the general objective of the study is to undertake a fact-based research to find out the position of each of the existing quoted commercial banks on the selected bank profitability performance indices in order to especially navigate the minds of the investors in the right direction. In specific terms the study will identify the most profitable banks in Nigeria under each index for each of the years from 2000-2010. The study covered the entire quoted commercial banks on the Nigerian stock Exchange (NSE) from the year 2000 to 2010. The study is restricted to only commercial banks because they dominate the Nigerian banking system in terms of total capitalization, asset base, credit delivery, employment and accessibility to the general banking public. It would also be recalled that Nigeria returned to constitutional democracy on May 29, 1999 after 16 years (198–1999) of the second phase of military dictatorship. The return to democratic government signaled the commencement of Nigeria's fourth republic. Banking sector reforms within the period 2000 to date constitute the fourth republic cluster of banking reforms. As a result, the study was restricted in terms of period, 2000 to 2010 to fall in line with the fourth republic Banking reforms period in Nigeria.

Regulatory environment banks operate

Based on chronological grouping of banking reforms in Nigeria, Okafor (2011) identified five major reform cluster periods namely; pre and post Independence era (1958-1969), indigenization era (1970-1976), Okigbo Committee era (1977-1985), SAP era (1986-1999), and Democracy or fourth republic era (2000-2010). Based on reform targets or issues based reforms, he identified seven major reform issues namely, banking structure and supervision (rural banking scheme 1979-1998, BOFIA 1991 as amended to date, universal banking model (2002 -2010), bank capitalization (increased from 20% (1969) to 1150% in 2004, and 12 bank recapitalization episodes as at 2005 with average rate of increase of 317.08%, credit operations (control of aggregate level of bank lending, sectoral distribution of loans, and banks lending rates). Others are risk-asset quality, liquidity management, bank corporate governance, and exchange rate control (which involved 14 exchange rate management from 1962-Feb. 20, 2006. The first chronological reforms, made up of four reforms, were all proactive aimed at developing banking capacity to address the anticipated future needs of banking environment of an independent Nigeria. The reforms were the CBN Act 1958, Banking Act 1958 (which raised expatriate bank capitalization from £12500 to £25000, Treasury bill Act 1959, and Lagos stock Exchange Act 1961. The second chronological reforms, made up of three reforms, were developmental aimed at promoting the active participation of Nigerians and Nigerian government in the ownership and control of banks. The banking Amendment Act 1969 which took effect 1970 call for compulsory incorporation of all banks operating in Nigeria, increase in bank share capital, maintenance of minimum statutory transfer from annual profits. Nigerian Enterprises Promotion Decree (NEPD) 1972 imposed a minimum of 40% indigenous equity participation in Nigerian banks. In compliance with NEPD 1972 the FGN increased its equity interest in the three biggest of the then expatriate banks to 40%.

The third chronological order reforms were five and developmental aimed at deepening the intermediation capacity of banks to extend to under-banked rural areas. The key elements of the reforms include introduction of rural banking 1977 to cultivate banking habit, mobilize rural savings, promote rural credit delivery and reduce rural-urban migration of both funds and people; enactment of NEPD 1977 which increased minimum equity shareholding of Nigerians in banks and 56 other enterprises to 60%; enactment of SEC Decree No. 71. of 1979 to serve as apex regulator of the capital market; introduction of credit ceilings of 30% and 40% for big and small banks respectively in 1978 but subsequently reduced to 25% and 35% in 1983; and introduction in 1982 reservation of a minimum of 30% of total deposit mobilized by each rural bank branch to provide credit facilities to the rural community and a percentage level of bank credit for loans to small scale enterprises. The fourth chronological order reforms involved reforms that substantially liberalized and deregulated banking operations from July 1986. They also promoted competition in banking and made banking operations more market driven. The key elements of the SAP reforms are, (1) entry into banking business was liberalized in 1986 and this increased the number of commercial banks from 40 in 1985 to 120 in 1992, (2) auction- based 2nd tier forex market (SFEM) was introduced in September 1986 to operate alongside the fixed exchange rate 1st tier forex market (meant for specified government transactions). The specified government transactions covered in the 1st tier market included foreign debt servicing charges, contributions to international organization, and transfers to Nigerian missions abroad, (3) foreign currency domiciliary Account scheme was introduced in 1986, (4) economic sectors and sub-sectoral groupings of 4 and 18 respectively in 1985 were reduced to 2 broad categories of high priority sectors and others in 1987 for bank credit ceiling control purposes of which Agriculture and manufacturing constitute the high priority sectors, (5)1st and 2nd tier forex markets were abolished and a unified auction-based forex market established for all transactions in July 1987, (6) interest rate movement was deregulated in August 1987 while Minimum Rediscount Rate (MRR) now known as Monetary Policy Rate (MPR) was used to signal the desired direction of interest rate movement, (7) NDIC was established in 1988 to insure bank depositor's funds in the event of bank failure, owned 60% by the FGN and CBN respectively, (8) CBN Decree no. 24 of 1991 was enacted to replace CBN Act 1958. BOFID no. 25 of 1991 was also enacted to replace Banking Act 1969. The fifth order reforms aimed at banking sector efficiency and competitiveness were as follows: (1) minimum bank equity capital was raised fifty-fold from N500m to N1 billion in 1999, to N2 billion in 2001, to N25 billion in 2004. A strong and reliable banking sector is capable of playing active developmental roles in the local economy and of being competent and competitive players in the African regional and global financial system. (2) Universal banking model was introduced with effect from January 10, 2001 through CBN Guidelines for the practice of Universal Banking in Nigeria (BSD/DO/CIR/Vol.1/10/2000 dated 22/12/2000) under which all the merchant banks concerted to commercial bank. (3) In August 2001 small and medium industries equity investment scheme (SMIEIS) was introduced to provide a long-term investment window for banks. (4) In 2001, other financial Institutions Department (OFID) was created in CBN to handle the expanded regulatory and supervision mandate vested on CBN through an amendment to BOFID 1991. With the amendment CBN became vested with direct responsibility for the regulation, supervision and control of non-bank financial institutions, which include the then community banks (now microfinance banks), development banks, Primary Mortgage Institutions (PMIs), finance companies, and Bureau-de-change. (5) In July 2002, Dutch Auction system (DAS) forex market was introduced but later upgraded to wholesale Dutch Auction System (WDAS) on February 20, 2006. (6) In 2004, state-wide and local government-wide microfinance banks with minimum capitalization of N1billion andN20m respectively were introduced.

With the emergence of SanusiLamidoSanusi as the CBN Governor on June 4, 2009, another round of reforms were enacted with the intention to promote financial stability, improve the quality of banks generally, and create a healthy environment for future evolution of the sector as well as to increase the contribution of the banking sector to real sector growth and development (Sanusi 2010). Sanusi (2010) felt there was need to address the emerging post consolidation structural and operational weaknesses of the banks particularly in the areas of liquidity, asset quality and capital erosion. The essence is to promote banking sector efficiency and competitiveness through banking product specialization rather than the multi-product strategy of universal banking. Six reform measures have so far been introduced by him from June 4, 2009 to December 31, 2010.

(1) On August 14, 2009 CBN sacked the Managing Directors and the management teams of all the eight banks adjudged to have failed the stress test of an industry-wide special audit undertaken by the CBN and NDIC in 2009. The banks were said to be suffering from serious capital erosion arising from huge over-hang of non-performing loans as well as mismanagement culminating in negative shareholders funds and illiquidity. The CBN later injected N620 billion as a bail-out fund in the form of tier II Capital into the eight distressed banks and instituted CBN appointed directorate management team.
(2) With the repeal of Universal banking model with effect from November 15, 2010, the CBN withdrew the regulation on the scope of banking activities and ancillary matters no. 3, 2010, which also specified commercial, Merchant and specialized banks as the types of banks permitted to carry on the banking business in Nigeria.
(3) AMCON was established by AMCON Act 2010 which was signed into law by the president on July 19, 2010 to provide a sustainable platform for relieving banks of non-performing assets.
(4) CBN rolled out the modalities for the operations of Islamic banking and gave license to the first such banking in June 2011.
(5) CBN announced a new cash policy under which an individual can withdraw a maximum of N150,000 cash from banks while organizations can withdraw a maximum of N1m. Amounts above these cash withdrawal limits will attract graduated levels of surcharges. The trial run of the policy is expected to start in Lagos in January 2012 and other locations in mid 2012.

(6) In August 2011, three of the eight distressed banks which indicated apparent inability to meet September 30, 2011 deadline for recapitalization were nationalized (Afribank, Bank PHB, Spring banks) and bridge banks(Mainstreet, Keystone, Enterprise banks respectively) created to run and resuscitate them over a temporary period of 3 years. AMCON acquired the bridge banks on behalf of the FGN and injected a total of N678 billion to fully recapitalize the banks. The bridge banks will be privatized in future when the FGN divests its holdings.

A firm has several objectives but profit maximization is said to be paramount among these (Damilola, 2007; KPMG, 2005; Raheman and Nasr, 2007). Profit is a tool for efficient resources allocation because it is the most appropriate measure of corporate performance under competitive market conditions (Pandey, 2005). Conceptually profit connotes the excess of revenue generated by a firm over its associated costs for an accounting period. Operationally the term profit is imprecise, as many variants exist. The term profit could refer to profit before tax, profit after tax, gross profit, net profit, profit per share, return on assets, among other variants (Damilola, 2007; Pandey, 2005). This imprecision has often posed decisional challenges to researchers who must select an appropriate variant to proxy profitability. However, the most commonly used variants as appropriate measure of profitability include Gross operating profit, Net operating profit, Return on Assets (Deloof, 2003; Teruel and Solano, 2006; Lazaridis and Tryfonidis, 2005; Raheman and Nasr, 2007). According to Okafor (2011) the profitability performance also can be accessed from both book value and market value perspectives. On book value profitability assessment four parameters can be adopted namely return on assets deployed in banking operations which includes both income earning assets and fixed assets (i.e. profit before tax to total assets), return on equity (i.e. Profit after tax to total shareholders' funds), yield on earning assets (i.e. total interest margin to total value of bank earning assets), net assets per share. On market value profitability assessment, five parameters were derived from stock market profitability indicators of banks namely; average market price per share (AMPPS), earnings per share (EPS), dividend per share (DPS), earnings yield (EY) and dividend yield (DY).Damodaran (2006) reasoned that when investors buy stock in publicly traded companies, they generally expect to get two types of cash flows namely, the dividends during the holding period and an expected price at the end of the holding period, and since the expected price is itself determined by future dividends, the value of a stock is the present value of dividends through infinity. By this view, a share price is calculated with reference to estimated future annual dividend payments in perpetuity, based on the assumptions of infinite stock holding period, since the company is assumed to last forever.

RESEARCH METHODOLOGY

Essentially this study has a historical setting. The main issues under investigation were obtained from established historical facts situated in the past. Therefore ex-post facto research design approach was adopted. Secondary data constituted the bulk of research material utilized. A large percentage of such data was derived from the annual reports and accounts of the banks, the CBN, NDIC and the Nigerian Bureau of statistics publications. All the quoted commercial banks on the Nigerian Stock Exchange were taken to ascertain the rank of each on the profitability indices. The profitability performance was assessed from both book value and market value perspectives. On book value profitability assessment four parameters were adopted namely return on assets deployed in banking operations which includes both income earning assets and fixed assets (i.e. profit before tax to total assets), return on equity (i.e. Profit after tax to total shareholders' funds), yield on earning assets(i.e. total interest margin to total value of bank earning assets), net assets per share. On market value profitability assessment, five parameters were derived from stock market profitability indicators of banks namely; average market price per share (AMPPS), earnings per share (EPS), dividend per share (DPS), earnings yield (EY) and dividend yield (DY).

RESULTS AND DISCUSSIONS

This section shows the position of the banks on profitability based on the indices as indicated in Table 1.

Table 1: Return on assets (%)

Rank	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Ave
1	OCE 6.39	SIB 8.70	SIB 8.74	SIB 7.86	SIB 6.48	STE 26.21	SIB 5.01	SIB 4.93	FCM 4.39	FBN 13.77	WEM 6.06	SIB 6.09
2	ICB 5.58	OCE 7.65	OCE 5.86	OCE 5.06	OCE 3.97	SIB 8.48	ECO 3.79	AFR 3.90	AFR 4.29	ACC 3.70	UNI 4.65	STE 4.68
3	DIA 4.05	GTB 4.73	WEM 5.20	ZEN 4.83	FID 3.91	FID 4.48	FBN 3.55	ECO 3.24	SIB 4.16	SIB 3.03	GTB 4.21	OCE 4.28
4	ECO 3.87	DIA 4.70	ZEN 4.32	FID 4.82	FBN 3.87	ICB 4.00	FCM 3.41	GTB 3.23	GTB 3.72	GTB 2.62	UBN 3.64	ICB 4.03
5	UBA 3.32	ICB 4.68	ICB 4.15	ICB 4.54	GTB 3.87	GTB 3.92	GTB 3.40	ICB 3.21	ICB 3.28	ZEN 2.11	SIB 3.52	FBN 4.02
6	FBN 2.96	ECO 3.93	FID 4.05	ECO 4.07	ECO 3.50	FBN 3.57	OCE 3.13	FBN 2.89	STE 3.19	FCM 0.93	ZEN 2.64	GTB 3.67
7	FID 2.66	FID 3.48	DIA 3.67	WEM 3.73	ZEN 3.31	ECO 3.35	FID 2.96	FCM 2.89	ZEN 3.14	DIA 0.87	ACC 2.01	ZEN 3.14
8	ACC 1.98	UBN 3.33	GTB 3.36	GTB 3.64	ACC 3.04	OCE 3.34	AFR 2.93	DIA 2.81	FBN 3.12	FID 0.74	FBN 1.87	FID 3.12
9	WEM 1.09	FBN 3.00	UBN 3.00	ACC 3.59	UBA 2.83	ZEN 2.78	ICB 2.78	PHB 2.69	FID 3.05	UBA 0.43	FID 1.80	FCM 2.57
10	AFR - 0.80	WEM 2.06	AFR 2.97	FBN 3.52	UBN 2.82	DIA 2.68	ZEN 2.49	ZEN 2.64	UBN 2.92	SKY 0.13	SKY 1.80	ECO 2.50
11		AFR 1.68	ECO 2.97	UBN 3.33	AFR 2.33	UBA 2.60	DIA 2.43	UBN 2.49	UBA 2.87	ECO - 1.67	STE 1.79	DIA 2.44
12		ACC 1.45	FBN 2.12	UBA 2.52	WEM 1.99	UBN 2.35	PHB 2.21	UBA 2.48	SKY 2.74	STE - 5.26	FCM 1.69	PHB 2.36
13		UBA 0.89	UBA 1.23	AFR 1.50	DIA 1.73	FCM 2.13	UNI 2.08	ACC 2.45	DIA 2.59	UBN - 5.41	DIA 0.80	AFR 2.17
14			ACC -0.16	DIA 0.52		PHB 2.04	UBN 2.03	FID 2.34	PHB 2.50	UNI - 8.77	ECO 0.47	UBN 2.05
15						UNI 1.38	UBA 1.45	OCE 2.22	ACC 1.82	SPR - 19.64	UBA 0.20	ACC 1.97
16						ACC 1.12	SKY 1.22	FIN 1.92	OCE 0.90	WEM -21.84		UBA 1.89
17						WEM 1.02	ACC 0.67	SKY 1.69	FIN 0.35			SKY 1.52
18						AFR 0.71	STE 0.67	STE 1.45	UNI - 3.79			FIN - 3.05
19							WEM -5.99	UNI 1.15	WEM -36.36			WEM -3.81
20							FIN - 11.42	WEM 1.14				SPR - 19.64
21												
AVE	3.11	3.87	3.68	3.82	3.36	4.23	1.44	2.59	0.45	-2.14	2.48	1.21

Source: Computed from the data from Financial Statements of the banks

Based on return on assets Stanbic-Ibtc bank polled the first position in 6 out of the 11years and with an average of 6.09 percent, it made the overall first position for the study period. The yearly average returns on assets and the positions of other banks within the study period can be seen from Table 2.

Table 2: Return on equity (%)

s/n	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Ave
1	OCE 64.76	OCE 61.05	WEM 39.32	FBN 40.48	GTB 34.70	FBN 26.78	FBN 27.91	GTB 27.46	WEM 227.75	WEM 47.75	WEM 105.13	WEM 42.57
2	UBA 43.32	DIA 41.35	OCE 39.28	OCE 39.84	ZEN 33.12	UBA 25.31	OCE 25.38	FBN 22.05	AFR 25.06	SPR 25.72	UNI 28.33	OCE 32.59
3	ICB 41.92	ICB 40.46	ZEN 37.65	ZEN 34.97	OCE 31.73	UBN 22.64	UBA 23.80	ACC 21.43	UBN 21.60	GTB 12.65	STE 19.31	GTB 25.61
4	DIA 34.46	GTB 38.90	GTB 36.86	FID 34.07	FBN 27.92	OCE 18.97	GTB 23.51	PHB 21.40	UBA 21.15	ACC 11.30	GTB 18.51	ICB 24.09
5	ECO 23.98	UBN 38.25	SIB 29.78	GTB 33.21	FID 25.96	ZEN 18.94	ICB 13.25	ECO 21.39	STE 20.99	SIB 9.50	SIB 10.51	ZEN 20.51
6	FID 22.52	FID 30.81	AFR 28.68	ICB 30.56	ACC 23.59	GTB 17.26	SIB 12.42	FCM 19.13	ICB 16.96	ZEN 6.10	ZEN 10.27	FBN 20.20
7	WEM 10.87	ECO 28.40	DIA 28.50	SIB 24.75	UBA 23.17	ICB 16.46	FID 12.38	SKY 18.91	SKY 16.70	DIA 4.51	FBN 9.81	UBA 18.35
8	FBN 3.91	FBN 25.55	FID 28.16	ACC 23.53	UBN 20.99	SIB 15.62	ZEN 12.25	AFR 16.51	ZEN 14.99	FBN 3.73	SKY 9.46	FID 17.89
9	ACC 3.41	AFR 24.57	FBN 23.74	ECO 23.21	ECO 20.27	UNI 14.85	ECO 12.14	ZEN 16.30	SIB 14.34	FCM 3.10	ACC 6.34	SIB 17.69
10	AFR - 18.13	SIB 24.54	ICB 23.48	UBA 22.01	SIB 20.24	FID 12.72	DIA 11.31	SIB 15.23	GTB 13.04	FID 1.42	FCM 5.89	DIA 16.17
11		WEM 23.87	ECO 18.80	UBN 21.63	AFR 14.92	DIA 12.13	FCM 11.29	FID 14.74	PHB 11.68	UBA 1.16	FID 4.39	ECO 13.67
12		UBA 14.00	UBN 17.57	WEM 20.07	DIA 13.65	FCM 11.06	UBN 10.75	DIA 13.04	FCM 11.29	SKY 0.01	ECO 2.18	AFR 12.85
13		ACC 8.45	UBA 14.74	AFR 13.43	WEM 20.03	ECO 6.24	SKY 9.46	UBN 12.90	DIA 10.98	ECO - 6.24	DIA 1.21	PHB 11.80
14			ACC -2.84	DIA 6.76		PHB 5.55	AFR 9.02	UBA 12.78	FBN 10.27	STE - 42.80	UBA 0.38	ACC 11.16
15						ACC 3.56	PHB 8.59	FIN 11.97	FIN 9.98	UBN - 123.28	UBN - 91.94	SKY 10.91
16						WEM 3.48	UNI 4.45	UNI 10.14	FID 9.64	UNI - 233.33		FCM 10.29
17						AFR 1.82	STE 4.04	WEM 10.14	ACC 9.35			UBN -4.89
18						STE - 205.29	ACC 2.55	ICB 9.64	OCE 4.41			FIN - 11.55
19							WEM - 32.14	OCE 7.87	UNI - 70.48			STE - 32.84
20							FIN - 56.60	STE 6.70				UNI - 41.01
21												
AVE	24.28	30.78	25.98	26.32	23.25	1.56	7.29	15.49	19.98	-17.42	9.32	11.51

Source: Computed from the data from Financial Statements of the banks

Based on return on equity, Oceanic bank and GTB made two appearances on the first position, FBN made three while Wema made four appearances on the first position to become, on average the most profitable bank within the period of study. The yearly average returns on equity and the positions of other banks within the study period can be seen from Table-3.

Table 3: Yield on earning assets (%)

s/n	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Ave
1	ACC 31.35	ICB 18.27	FBN 17.26	SIB 15.25	FID 14.57	FCM 15.56	FCM 16.88	AFR 10.85	AFR 11.12	GTB 7.70	UNI 9.73	FCMB 8.94
2	ECO 10.99	OCE 13 71	SIB 14.06	ACC 14.82	ECO 10.37	SIB 11.78	SIB 6.31	UNI 8.49	SIB 7.85	SKY 7.33	GTB 6.26	ICB 8.80
3	ICB 10.99	FBN 12.61	GTB 12.39	ECO 12.71	FBN 8.85	ECO 9.97	ECO 6.19	SIB 7.74	FCM 7.23	DIA 6.64	DIA 5.88	FBN 8.29
4	OCE 10.53	SIB 12.21	DIA 11.63	ICB 11.60	SIB 8.77	DIA 9.45	FBN 5.70	WEM 7.62	UBN 6.87	ACC 6.63	ECO 4.79	ACC 7.80
5	FBN 9.96	GTB 10.94	WEM 10.24	FID 11.31	OCE 7.40	FID 9.02	UNI 5.32	UBN 7.27	ECO 6.03	FID 6.34	SIB 4.77	GTB 7.65
6	DIA 9.31	DIA 10.28	ICB 9.46	FBN 10.95	UBN 7.07	UBN 7.92	GTB 5.24	STE 6.65	OCE 6.01	FCM 6.23	ZEN 3.94	OCE 7.60
7	WEM 6.93	FID 7.21	UBN 8.93	GTB 10.52	WEM 6.72	FBN 7.63	OCE 5.20	DIA 6.46	GTB 5.87	UBN 6.06	SKY 3.77	ECO 7.26
8	UBA 6.52	ECO 6.34	ZEN 8.64	ZEN 10.27	GTB 6.70	ACC 6.92	AFR 5.07	ACC 6.41	UBA 5.78	SIB 5.97	FID 3.50	DIA 7.22
9	AFR 5.52	UBN 5.37	OCE 8.60	UBN 9.07	DIA 6.60	PHB 6.51	UBN 4.94	PHB 5.74	SKY 5.33	ZEN 5.91	STE 3.31	FID 7.00
10	FID 5.04	AFR 4.80	AFR 8.42	UBA 6.33	ACC 6.49	ICB 6.50	FID 4.26	FCM 5.65	ACC 5.31	UBA 5.62	FBN 3.19	AFR 6.58
11		WEM 4.59	FID 7.11	OCE 7.67	ZEN 6.19	GTB 6.23	PHB 4.12	ECO 5.41	FBN 5.05	FBN 5.11	UBA 2.62	UBN 6.54
12		ACC 2.61	ECO 4.20	WEM 6.20	UBA 4.53	OCE 5.56	DIA 3.96	FIN 5.20	ZEN 4.79	ECO 2.91	ACC 2.98	SIB 6.09
13		UBA 1.97	UBA 3.63	DIA 4.50	AFR 3.94	AFR 5.11	ZEN 3.87	ICB 5.04	DIA 4.76	STE 2.39	FCM 2.10	ZEN 5.86
14			ACC -0.30	AFR 4.41		ZEN 5.02	ICB 3.84	FBN 4.88	ICBB 4.73	SPR - 5.70	UBN 1.89	PHB 5.16
15						WEM 3.97	WEM 3.63	FID 4.72	UNI 4.59	UNI - 6.22	WEM -4.53	SKY 4.72
16						UBA 3.23	SKY 3.38	GTB 4.65	STE 4.52	WEM -16.91		UBA 4.20
17						UNI 3.16	ACC 2.52	ZEN 4.11	PHB 4.29			UNI 4.18
18						STE - 28.97	UBA 2.50	SKY 3.80	FID 3.88			WEM 2.26
19							STE 1.94	OCE 3.72	FIN 3.00			FIN 0.20
20							FIN - 7.60	UBA 3.44	WEM -3.62			STE - 1.69
21												SPR - 5.70
AVE	10.71	8.53	8.88	9.69	7.55	5.25	4.36	5.89	5.17	2.63	3.61	5.35

Source: Computed from the data from Financial Statements of the banks

First City Monument bank made the most profitable bank in terms of yield on income earning assets with an average of 8.94 percent. However, funny enough and surprisingly, Unity bank which is considered a weak bank in Nigeria occupied the first position in 2010 as the most profitable bank in terms of yield on income earning assets. The yearly average yields on income earning assets and the positions of other banks within the study period can be seen from Table 4.

Table 4: Earnings per share (Kobo)

s/n	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Ave
1	FBN 346	UBN 448	ZEN 341	FBN 434	FBN 399	FBN 335	FBN 332	UBA 261	ZEN 383	ACC 130	UBN 830	FBN 272
2	UBA 318	FBN 312	FBN 235	ZEN 375	UBN 249	UBN 219	ZEN 191	ZEN 202	UBA 311	GTB 127	GTB 163	UBN 228
3	ICB 139	DIA 234	UBN 225	UBN 308	UBA 177	UBA 161	UBA 187	FBN 175	FBN 267	ZEN 82	WEM 163	ZEN 222
4	DIA 137	OCE 206	GTB 180	SIB 146	ZEN 168	ICB 159	UBN 173	GTB 162	PHB 248	FBN 51	ZEN 119	UBA 157
5	OCE 97	GTB 107	AFR 163	UBA 129	GTB 138	ZEN 136	GTB 142	OCE 151	UBN 232	SIB 43	FBN 102	GTB 143
6	ECO 81	AFR 101	SIB 147	GTB 126	SIB 79	GTB 115	OCE 103	ICB 141	ICB 189	DIA 36	SKY 78	ICB 119
7	FID 38	SIB 93	DIA 137	OCE 101	AFR 60	OCE 63	ICB 93	UBN 137	SKY 181	FCM 25	ACC 63	OCE 103
8	WEM 19	UBA 75	OCE 109	ICB 95	DIA 57	SIB 55	DIA 59	PHB 119	AFR 176	UBA 10	SIB 50	PHB 100
9	ACC 11	ECO 66	WEM 95	ECO 54	OCE 55	DIA 30	AFR 55	AFR 99	ACC 171	FID 5	FCM 49	DIA 85
10	AFR -59	ICB 63	UBA 92	WEM 48	ECO 51	FCM 25	FCM 36	DIA 91	GTB 167	SKY 0.07	STE 40	SIB 76
11		WEM 46	ICB 69	AFR 42	WEM 31	PHB 17	SKY 33	ACC 87	FCM 135	UNI -1	UNI 38	SKY 73
12		FID 37	ECO 51	FID 36	FID 30	ECO 15	SIB 33	SKY 74	DIA 118	ECO -64	FID 21	AFR 72
13		ACC 6	FID 32	DIA 31	ACC 21	FID 14	ECO 21	FCM 63	SIB 64	STE -72	ECO 12	FCM 56
14			ACC -2	ACC 21		ACC 12	FID 19	SIB 46	STE 52	WEM -189	DIA 9	ACC 48
15						UNI 12	PHB 16	ECO 34	FID 46	UBN -537	UBA 3	ECO 29
16						WEM 9.5	STE 10	FID 29	OCE 43	SPR -213		FID 28
17						AFR 9	ACC 7	FIN 27	FIN 11			UNI 10
18						STE -113	UNI 6	UNI 25	ECO -3			STE -11
19							WEM -66	WEM 25	UNI -19			FIN -23
20							FIN -107	STE 18	WEM -455			WEM -25
21												SPR -213
AVE	113	138	134	139	117	71	67	98	116	-35	116	74

Source: Computed from the data from Financial Statements of the banks

First Bank was the most profitable bank in Nigeria in terms of Earnings per Share(EPS) with an average of 272 kobo per year from 2000 – 2010. The yearly most profitable banks and the yearly industry averages can be observed from Table 5.

Table 5: Dividend per Share (Kobo)

s/n	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Ave
1	FBN 125	UBN 150	FBN 130	FBN 150	FBN 155	FBN 160	ZEN 110	UBA 120	ZEN 170	FBN 135	GTB 100	FBN 124
2	UBA 85	FBN 130	UBN 125	UBN 135	UBN 140	UBN 140	FBN 100	OCE 102	FBN 120	GTB 75	ZEN 85	UBN 99
3	ECO 60	DIA 65	ZEN 90	ZEN 70	GTB 70	GTB 70	UBA 100	FBN 100	UBN 100	ACC 70	FBN 60	ZEN 90
4	DIA 50	GTB 40	GTB 83	GTB 60	ZEN 70	ZEN 70	UBN 100	UBN 100	GTB 95	ZEN 45	SKY 40	GTB 76
5	ICB 40	ECO 36	WEM 45	UBA 45	UBA 60	UBA 60	GTB 95	ZEN 100	ICB 75	SIB 30	SIB 39	UBA 56
6	FID 25	SIB 27	DIA 35	ICB 40	OCE 25	ICB 42	ICB 45	GTB 75	UBA 75	UBA 10	FCM 35	ICB 45
7	WEM 15	UBA 25	ICB 30	SIB 40	SIB 25	OCE 32	OCE 42	PHB 70	ACC 65	DIA 9	ACC 30	OCE 31
8	ACC 7.5	WEM 25	SIB 30	OCE 32	AFR 20	SIB 20	SIB 20	ICB 65	SKY 60	FID 5	DIA 15	PHB 30
9	OCE 4	ICB 20	UBA 30	WEM 25	DIA 15	ECO 9	FCM 13	DIA 55	DIA 56	FCM 5	FID 14	SIB 30
10		AFR 15	OCE 21	FID 20	ACC 10	FCM 7.5	FID 11	ACC 40	AFR 50	SKY 5	UNI 5	DIA 29
11		OCE 18.4	AFR 15	DIA 19	WEM 10	UNI 5	ECO 9	FCM 35	FCM 50		UBA 5	SKY 28
12			ECO 12	EC0 16			PHB 12	SKY 35	PHB 45			FCM 24
13				AFR 15				AFR 30	SIB 40			ACC 21
14				ACC 5				SIB 30	STE 10			AFR 16
15								ECO 24				ECO 15
16								FID 16				FID 8
17												STE 2
18												UNI 2
19												WEM 1
AVE	46	50	54	48	55	56	54	62	72	39	39	38

Source: Computed from the data from Financial Statements of the banks

In terms of Dividend per share (DPS), First Bank was the most profitable dividend paying bank in Nigeria from 2000 – 2010 with an average dividend payment of 124 kobo per year. The bank maintained first position in dividend payment in 6 out of the 11years of study. The yearly most profitable banks in terms of dividend payment and the yearly industry averages can be observed from Table 6.

Table 6: Earnings yields (%)

s/n	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Ave
1	ICB 171.60	DIA 90.00	ICB 89.61	SIB 58.40	SIB 21.94	ICB 20.13	OCE 10.71	SKY 6.79	PHB 13.50	ACC 20.16	WEM 146.85	ICB 47.27
2	DIA 67.16	OCE 80.64	ZEN 56.83	ZEN 34.40	UBA 16.39	UBA 13.96	UBA 10.70	OCE 6.12	SKY 12.61	GTB 10.00	UBN 160.54	OCE 25.31
3	OCE 42.04	ICB 55.26	DIA 49.82	OCE 25.16	ECO 16.04	SIB 12.04	GTB 9.23	DIA 5.97	ACC 10.23	SIB 6.96	UNI 35.07	DIA 24.08
4	ECO 39.71	SIB 30.00	SIB 45.94	ICB 21.84	FBN 15.48	FBN 11.83	DIA 8.94	PHB 5.96	ZEN 9.50	ZEN 5.60	STE 20.20	SIB 19.60
5	UBA 27.27	ECO 25.38	OCE 42.04	ECO 20.69	DIA 13.10	GTB 10.58	ZEN 8.86	UBA 5.77	FCM 9.23	DIA 5.32	GTB 9.48	UBN 18.53
6	FID 25.33	FID 23.87	GTB 29.85	GTB 19.63	FID 11.54	OCE 10.38	FCM 8.09	SIB 5.54	UBA 8.56	FCM 4.13	SKY 8.44	ZEN 16.42
7	FBN 18.70	GTB 18.97	WEM 18.70	FBN 18.63	ZEN 10.86	ZEN 9.16	FBN 8.06	ACC 5.30	STE 8.46	FBN 3.11	ZEN 8.19	GTB 12.98
8	WEM 10.05	WEM 16.85	AFR 18.61	UBA 16.45	GTB 10.56	UBN 9.07	SIB 7.75	GTB 5.26	AFR 7.72	FID 1.72	FID 7.98	ECO 12.05
9	ACC 8.54	UBN 14.98	ECO 18.55	FID 14.40	AFR 8.82	FCM 4.84	ICB 7.44	AFR 5.01	DIA 7.64	UBA 0.87	FBN 7.35	WEM 11.17
10	AFR -7.97	FBN 11.71	FID 15.24	WEM 12.37	OCE 8.73	FID 4.33	FID 7.12	FCM 4.70	FBN 7.27	SKY 0.01	ACC 7.09	FID 10.90
11		AFR 11.65	UBA 10.87	UBN 11.99	UBN 8.69	ECO 4.29	UBN 6.66	ZEN 4.37	ICB 6.76	UNI -0.66	SIB 6.68	FBN 10.63
12		UBA 5.49	FBN 10.47	DIA 11.88	WEM 6.37	DIA 3.87	STE 6.37	ECO 4.36	UBN 6.28	ECO -2.60	FCM 6.26	UBA 10.60
13		ACC 5.25	UBN 10.21	ACC 7.92	ACC 5.29	ACC 3.67	SKY 6.26	FBN 4.31	GTB 6.22	WEM -43.15	ECO 2.29	PHB 8.03
14			ACC -1.30	AFR 6.06		PHB 6.56	PHB 6.11	UNI 4.06	FID 5.14	UBN 46.86	DIA 1.15	UNI 7.28
15						UNI 6.05	AFR 5.97	UBN 3.72	SIB 2.58	STE -43.90	UBA 0.27	SKY 6.82
16						WEM 2.44	ECO 4.09	SIB 3.71	OCE 1.98	SPR -47.33		ACC 6.74
17						AFR 1.23	UNI 2.34	FID 3.24	FIN 1.25			AFR 6.34
18						STE -41.09	ACC 2.02	FIN 3.17	ECO -0.24			FCM 6.21
19							WEM -19.76	WEM 2.84	UNI -3.20			STE -7.87
20							FIN -37.02	STE 2.74	WEM 30.64			FIN -10.87
21												SPR -47.33
AVE	40.24	30.00	29.67	19.99	11.83	5.19	3.50	4.65	4.54	-7.91	28.52	9.28

Source: Computed from the data from Financial Statements of the banks

When the EPS was weighed against the market price of each bank, Intercontinental bank presented the best picture as at 2008 while Diamond bank polled the Earnings yield of 24.08 percent to make the first position as the most profitable bank among the banks that operated with published financial statement up to 2010. The yearly most profitable banks in terms of Earnings yields and the yearly industry averages can be observed from Table 7.

Table 7: Dividend yields (%)

s/n	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Ave
1	ICB 49.38	DIA 25.00	ICB 38.96	SIB 16.00	SIB 6.94	GTB 6.44	GTB 6.18	OCE 4.15	ZEN 4.22	ACC 10.85	ZEN 5.85	ICB 16.15
2	ECO 29.41	ICB 17.54	ZEN 15.00	GTB 9.35	FBN 6.01	UBN 5.80	UBA 5.72	DIA 3.61	SKY 4.19	FBN 8.22	GTB 5.81	DIA 7.59
3	DIA 24.51	ECO 13.85	GTB 13.76	ICB 9.20	UBA 5.56	FBN 5.65	ZEN 5.10	PHB 3.50	ACC 3.89	GTB 5.91	FID 5.32	GTB 6.59
4	FID 16.67	WEM 9.16	DIA 12.73	OCE 8.04	GTB 5.36	ICB 5.32	SIB 4.69	SKY 3.23	DIA 3.62	SIB 4.85	SIB 5.21	SIB 6.42
5	WEM 7.94	SIB 8.71	SIB 9.38	FID 8.00	UBN 4.88	OCE 5.25	OCE 4.38	ECO 3.08	GTB 3.54	ZEN 3.07	UNI 4.67	ZEN 5.67
6	UBA 7.21	OCE 7.22	WEM 8.86	DIA 7.28	ZEN 4.52	UBA 5.20	FID 4.12	UBN 2.71	FCM 3.42	FID 1.72	FCM 4.47	ECO 5.56
7	FBN 6.76	GTB 7.09	OCE 7.88	FBN 6.44	OCE 3.97	ZEN 4.72	UBN 3.85	UBA 2.65	FBN 3.27	DIA 1.33	FBN 4.33	FBN 5.11
8	ACC 5.91	UBN 5.02	FBN 5.79	WEM 6.44	DIA 3.45	SIB 4.38	ICB 3.60	FCM 2.61	UBN 2.71	UBA 0.87	SKY 4.33	OCE 4.71
9	OCE 1.52	FBN 4.88	UBN 5.61	ZEN 6.42	AFR 2.94	ECO 2.57	FCM 2.92	ICB 2.56	ICB 2.68	FCM 0.83	ACC 3.38	UBA 3.72
10		UBA 1.83	ECO 4.36	ECO 6.13	ACC 2.52	UNI 2.46	PHB 2.48	FBN 2.46	PHB 2.45	SKY 0.72	DIA 1.91	UBN 3.59
11		AFR 1.73	UBA 3.55	UBA 5.74	WEM 2.05	FCM 1.45	FBN 2.43	ACC 2.43	AFR 2.19		UBA 0.45	WEM 3.13
12			AFR 1.71	UBN 5.26			ECO 1.75	GTB 2.43	UBA 2.06			ACC 2.81
13				AFR 2.16				SIB 2.42	STE 1.63			FCM 2.62
14				ACC 1.89				ZEN 2.16	SIB 1.61			SKY 2.49
15								FID 1.79				PHB 2.11
16								AFR 1.52				UNI 1.19
17												AFR 1.36
18												STE 0.27
AVE	16.60	9.28	10.63	7.03	4.38	4.48	3.94	2.71	2.96	3.84	4.16	4.45

Source: Computed from the data from Financial Statements of the banks

When the DPS was weighed against the market price of each bank, Intercontinental bank presented the best picture as at 2008 while Diamond bank polled the Earnings yield of 7.59 percent to make the first position as the most profitable bank among the banks that operated with published financial statement up to 2010. The yearly most profitable banks in terms of Dividend yields and the yearly industry averages can be observed from Table 8.

Table 8: Average annual market price per share (kobo)

s/n	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Ave
1	FBN 1850	UBN 2991	FBN 2245	UBN 2568	UBN 2867	FBN 2832	FBN 4118	ZEN 4625	ZEN 4032	ECO 2462	GTB 1720	FBN 2670
2	UBA 1166	FBN 2665	UBN 2204	FBN 2330	FBN 2577	UBN 2414	UBN 2598	FBN 4057	UBN 3696	FBN 1642	ZEN 1453	UBN 2469
3	AFR 740	UBA 1366	AFR 876	ZEN 1090	ZEN 1547	ZEN 1484	ZEN 2156	UBA 4527	FBN 3671	ZEN 1464	FBN 1387	ZEN 2050
4	OCE 230	AFR 867	UBA 846	UBA 784	GTB 1307	UBA 1153	UBA 1747	UBN 3686	UBA 3635	GTB 1270	UBA 1118	UBA 1688
5	DIA 204	GTB 564	GTB 603	AFR 693	UBA 1080	GTB 1087	GTB 1538	GTB 3082	ICB 2794	UBA 1148	SKY 923	GTB 1450
6	ECO 204	SIB 310	ZEN 600	GTB 642	AFR 680	ICB 790	ICB 1250	ICB 2543	GTB 2684	UBN 1146	ACC 888	PHB 1089
7	WEM 189	WEM 273	WEM 508	ICB 435	OCE 630	DIA 775	OCE 958	OCE 2460	SIB 2479	SKY 698	DIA 784	AFR 1085
8	FID 150	DIA 260	SIB 320	OCE 400	WEM 487	AFR 734	AFR 921	PHB 1998	AFR 2280	DIA 677	FCM 783	ICB 1011
9	ACC 127	ECO 260	DIA 275	WEM 388	DIA 435	OCE 610	DIA 660	AFR 1975	OCE 2174	ACC 645	SIB 748	SKY 932
10	ICB 81	OCE 255	ECO 275	ACC 265	ACC 397	FCM 516	SKY 525	ACC 1643	PHB 1837	SIB 618	ECO 523	FCM 859
11		FID 155	OCE 260	DIA 261	SIB 360	SIB 457	ECO 513	DIA 1524	ACC 1671	FCM 606	UBN 517	OCE 886
12		ACC 122	FID 210	ECO 261	ECO 318	WEM 390	FCM 445	FCM 1340	DIA 1545	SPR 450	FID 263	SIB 721
13		ICB 114	ACC 158	FID 250	FID 260	ECO 350	SIB 426	SIB 1239	WEM 1485	WEM 438	STE 198	FIN 674
14			ICB 77	SIB 250		ACC 327	ACC 347	SKY 1083	FCM 1463	FID 290	WEM 111	DIA 673
15						FID 323	WEM 334	FID 894	SKY 1432	STE 164	STE 164	ECO 652
16						STE 275	FIN 289	WEM 881	ECO 1231	UNI 153		WEM 499
17						PHB 259	FID 267	FIN 851	FID 895			FID 360
18						UNI 203	PHB 262	ECO 779	FIN 882			STE 344
19							UNI 250	STE 656	STE 615			UNI 321
20							STE 157	UNI 616	UNI 594			
21												
AVE	494	785	676	758	996	832	988	2023	2055	895	768	1052

Source: Computed from the data from Financial Statements of the banks

First bank was the highest priced banking stock in the market at an average of 2670 kobo per share and thus the most profitable bank in terms of capital gain. The yearly most profitable banks in terms of market value and the yearly industry averages can be observed from Table 9.

Table 9: Net asset per share (Kobo)

s/n	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Ave
1	FBN 8861	FBN 1189	UBN 1281	UBN 1426	FBN 1188	FBN 1233	UBN 1603	OCE 1914	ZEN 2056	FBN 1357	ZEN 1158	FBN 1878
2	UBA 432	UBN 1171	FBN 951	FBN 1063	UBN 1184	ICB 966	FBN 1189	ICB 1463	FBN 1788	ZEN 1345	FBN 1044	ZEN 1075
3	DIA 397	SIB 630	ZEN 906	ZEN 817	UBA 766	UBN 966	ZEN 1023	UBA 1459	GTB 1143	ACC 1136	ACC 976	UBN 926
4	ECO 339	DIA 567	UBA 625	SIB 588	ZEN 506	UBA 635	UBA 687	ZEN 1237	UBA 1119	GTB 1003	GTB 878	UBA 761
5	ICB 332	UBA 533	AFR 568	UBA 584	DIA 420	ZEN 630	GTB 606	UBN 1062	PHB 1106	UBA 842	FCM 828	SKY 628
6	AFR 320	OCE 333	SIB 493	DIA 462	GTB 392	GTB 541	AFR 569	FBN 796	ACC 1064	FCM 796	SKY 823	GTB 627
7	ACC 318	GTB 247	GTB 481	GTB 390	SIB 392	AFR 497	ICB 508	AFR 602	UBN 1029	DIA 775	DIA 737	DIA 554
8	WEM 171	ECO 232	DIA 479	AFR 316	AFR 351	DIA 341	DIA 461	GTB 592	OCE 977	SKY 760	UBA 682	OCE 535
9	FID 169	WEM 192	OCE 278	ICB 284	WEM 258	OCE 334	OCE 404	DIA 575	DIA 882	FID 447	FID 470	FCM 533
10	OCE 148	ICB 156	ECO 271	OCE 253	ECO 254	WEM 272	SKY 348	PHB 562	FCM 821	UBN 435	SIB 447	ICB 493
11		FID 120	WEM 242	WEM 236	OCE 173	SIB 267	SIB 271	ACC 406	SKY 818	SIB 429	STE 208	AFR 475
12		ACC 77	ICB 237	ECO 231	ACC 90	ECO 247	FCM 265	SKY 389	AFR 645	STE 168	UNI 132	PHB 470
13		AFR 41	FID 112	FID 106	FID 41	ACC 173	STE 247	FCM 327	FID 483	UNI 43	WEM 128	SIB 425
14			ACC 72	ACC 88		FCM 160	ACC 207	SIB 300	ECO 440	ECO 1	ECO 1	ACC 419
15						FID 114	WEM 207	STE 265	SIB 430	WEM -396	UBN -901	FID 218
16						PHB 66	FIN 189	WEM 250	STE 249			ECO 210
17						STE 55	FID 156	FIN 228	UNI 118			STE 199
18						UNI 6	PHB 147	FID 183	FIN 110			FIN 176
19							ECO 135	UNI 174	ICB 1			WEM 124
20							UNI 71	ECO 161	WEM -200			UNI 91
AVE	1149	451	500	489	463	417	465	647	754	609	507	541

Source: Computed from the data from Financial Statements of the banks

The most profitable bank with respect to the net asset per share within the period of study is first Bank followed by Zenith bank. First Bank had an average net asset per share of 1878 kobo followed by Zenith bank with net asset per share of 1075 kobo. The yearly most profitable banks in terms of net asset per share and the yearly industry averages can be observed from Table 9.

CONCLUSIONS AND RECOMMENDATIONS

This paper sets out to empirically establish the position of the listed commercial banks on the profitability scale, in Nigeria. After a theoretical exploration of some relevant literature as well as empirical examination of 21 banks, the paper found that for the 11-year assessment period, StanbicIbtc and Wema were the most profitable banks in terms of return on assets and return on equity respectively, while Diamond was the most profitable bank in terms of earnings yield and dividend yield, and FBN was truly the first in terms of yield on earning assets, EPS, DPS, net asset per share, and the most priced bank in Nigeria.Expectedly, the way in which profitability of the banks is managed will have a significant impact on the market value. On the premises of the revelations from the study the following recommendations are inevitable. The bank operators should formulate investment polices geared towards effective management of profitability in view of its inherent value adding role on the share price. The financial controllers in banks should pay attention to the management of each component of profitability as the adverse effect of one could asphyxiate the positive effect of the other components.

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