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1. The Operating Environment

“The operating environment and landscape has changed fundamentally; tomorrow’s environment will be different, but no less rich in possibilities for those who are prepared.”

– Ian Davis, McKinsey’s Worldwide Managing Director

The above quote was from the Nigerian Capital Market 2009 Report issued in March 2009 (<http://www.proshareng.com/analyst/index.php>). This was at the height of the uncertainty that pervaded the Nigerian financial services landscape where a sequence of uncoordinated responses from leaders in the industry coupled with the uncertainty in the public arena on the how the market would recover from the downward spiral gave rise to panic.

Our conviction then, and now, was predicated on the leadership meltdown that allowed the poor regulatory environment in place and the inadequate disclosure levels from the capital market to work together in creating and sustaining the panic that enveloped the investment community; leading to a severe decline in share prices and perception of worth for firms traded on the Nigerian Stock Exchange.

This challenge this development revealed however ran deeper than that. It caused the re-appraisal of the rules of engagement and how Nigerian businesses must manage their business in a global market space.

THE POST 2008 FINANCIAL MARKET

The post-crisis Nigerian Financial Market, which reached 2006 year lows, has begun the early phases of the dramatic changes that is to come but in strategy, operations and disclosures.

The rules of engagement are right now being re-written. The drivers for the new rules can be found within the opportunities these challenge has thrown up for those players with a long term vision of the market. Here are a few:

- ❶ The Nigerian Capital Market, once thought to be immune from global developments has experienced a paradigm shift that impacts the very way business is thought of,

conducted and regulated. The Nigerian business environment can no longer afford to ignore the impact of global developments on its economic and financial decision-making, despite the level of maturity of our markets.

- ❶ The investor, analyst, fund manager, regulator, financial journalists, government, the exchange and its listed companies must now learn a new way to engage the market. This process may prove unsettling at first, but those who are able to raise their game to meet global standards in efficiency and effectiveness will rise to the top of their industry. Alliances and strategic partnerships will have to be undertaken to bridge the immediate gaps that exist in this quest.
- ❷ The impact of oil revenues on the overall economy, business and social life appears overbearing and makes a compelling reason for the nation to pursue diversification of its revenue base as a matter of national interest/policy.
- ❸ The key challenges of instituting a regime of credible and enforceable regulation, transparency, prudent risk management and the significant reduction in the risk of financial instability is now a front and centre issue.
- ❹ The consolidation paradigm must shift towards a new order that emphasizes service brand-worth and quality of risky assets and sustainable earnings. The new era of consolidation will be driven by value based mergers & acquisitions in order to compete.
- ❺ Risk represents responsibility and this becomes a key leadership criteria/issue for organisations that seek to win.
- ❻ The old rules of assessing value within the business landscape (and sectoral reviews) will no longer be based on size, spread and visibility but on values, enterprise, corporate governance, management and staff quality and brand worth/reputation.
- ❼ The leadership changes at the Securities & Exchange Commission (SEC) and the Central Bank of Nigeria (CBN) signpost a new era for re-affirming supervisory responsibility and the enthronement of a level playing field.
- ❽ The level of outstanding shares for quoted companies in the system and its impact on the restoration and repositioning of the capital market will have to be addressed at some stage.

The market downturn experienced in the Nigerian Capital Market is without precedence. The early pains have been well worn – as the level of negativity is subsiding with a health anticipation of positive information from firms/market.

KEY CONCERNS IN BANKING

The key challenges facing the financial services sector can be described as follows:

- 🔴 The level and extent of disclosure in the financial system;
- 🔴 Concerns over banking supervision and focus on risk management;
- 🔴 The lack of confidence in the financial system by external parties;
- 🔴 the need for a stress test to determine credibility of financial statements and going concern issues (capital adequacy);
- 🔴 The need for an increase in the level of cover available to depositors in the banking sector (adjusted relative to risk in the environment) as a sign of confidence by the regulators in the banks under their supervision;
- 🔴 The quality, skill set and values of management & staff; and
- 🔴 The imperative for an improved corporate governance regime.

	Price	Price	% Change	Price	% Change	% Change
	Mar 31 '08	Jan 01 '09	Jan 09 - Mar 08	Jun 17 '09	Jun 09-Mar 08	Jun 09-Jan 09
SPRINGBANK	4.21	5.59	32.78%	5.59	32.78%	0.00%
DIAMONDBNK	18.5	7.09	-61.68%	9.88	-46.59%	39.35%
FIRSTBANK	47.24	21	-55.55%	23.53	-50.19%	12.05%
UBN	43.5	15.5	-64.37%	21.00	-51.72%	35.48%
FCMB	18.5	6.15	-66.76%	8.30	-55.14%	34.96%
SKYEBANK	17.4	8.17	-53.05%	7.43	-57.30%	-9.06%
FIDELITYBK	10.7	4.69	-56.17%	4.55	-57.48%	-2.99%
ACCESS	24.01	7.3	-69.60%	9.39	-60.89%	28.63%
GUARANTY	34.99	13	-62.85%	13.45	-61.56%	3.46%
IBTC	22.33	10.36	-53.61%	8.46	-62.11%	-18.34%
AFRIBANK	26.5	9.13	-65.55%	9.99	-62.30%	9.42%
Sterling bank	7.28	2.4	-67.03%	2.66	-63.46%	10.83%
ZENITHBANK	48	20.98	-56.29%	16.85	-64.90%	-19.69%
OCEANIC	27.3	12.02	-55.97%	9.51	-65.16%	-20.88%
UNITYBNK	8.2	3	-63.41%	2.72	-66.83%	-9.33%
PLATINUM	28.8	9.99	-65.31%	8.69	-69.83%	-13.01%
UBA	50.1	13.4	-73.25%	14.99	-70.08%	11.87%
FIRSTINLND	10.8	4.4	-59.26%	3.23	-70.09%	-26.59%
INTERCONT	45.5	13.46	-70.42%	12.52	-72.48%	-6.98%
WEMABANK	15	14.29	-4.73%	3.94	-73.73%	-72.43%

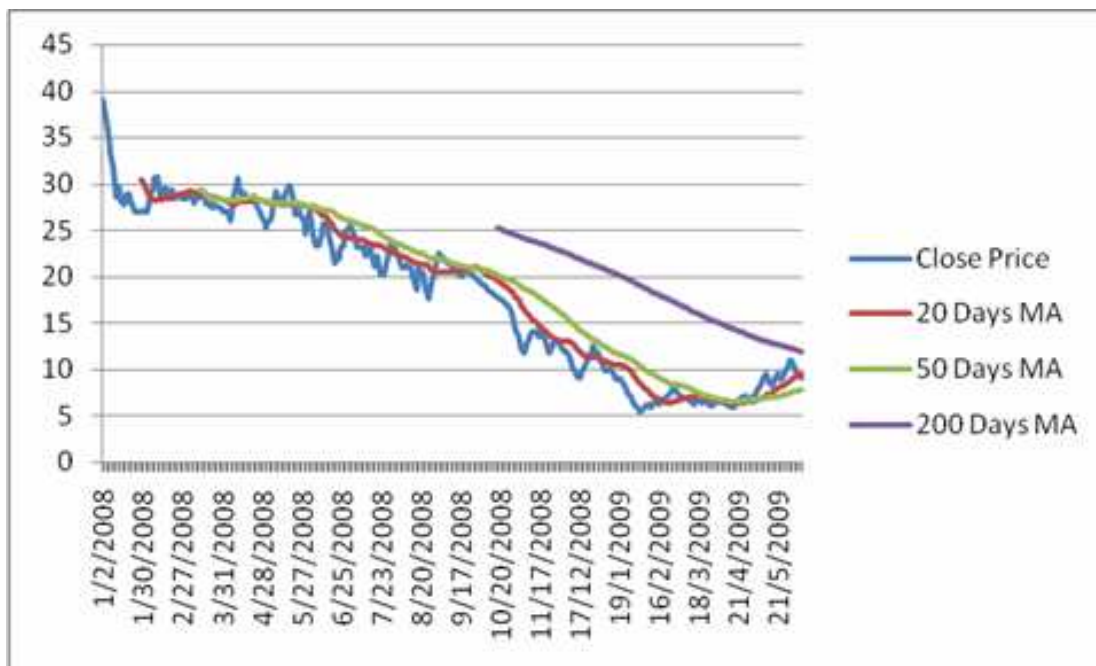
Fig 1. The analysis of banking sector performance since Mar 31, 2008 to June 17, 2009

2. Share Performance Commentary

MOST RECENT STOCK PERFORMANCE OF OCEANIC BANK PLC SHARES

JUNE 17, 2009

Activity level in Oceanic Bank's shares has slowed down in the market since last week as the stock price is down by N1.47 or 13.4% since June 1, 2009 with an average volume of about 13 million shares traded daily. Investors are bemoaning the prolonged delay in the release of the Bank's audited results for the FYE December 31, 2008. (See graph below)



The bank currently is trading at N9.16 and is trading below its 20 Days and 200 days Moving Average of N 9.49 and N11.97 respectively while trading above its 50 Days Moving Average of N7.86.

Although the stock is down the last two weeks because of the market pull back, but based on the 2009 low of N5.5, it is up 72.9%. It is only slightly below the 20 CSMA, but above the 30 CSMA.

The bank's year to date return is **-23.79%** as it started the year with N12.02 with a year high and low of N 12.02 and N 5.5 respectively.

Its share price closed at a price of N9.16 on Wednesday, a year to date (YTD) depreciation of 23.09%, with a year high of N12.02 and year low of N5.50k. Although the stock is not yet in trouble, but there are a few warning signs. If it goes below 30 CSMA, an investor should consider exiting the trade. Additionally, it has closed below the previous days close the last two weeks, and it is trading below the banking index (i.e., 10.06 as of today's close).

The bank's posted PAT translates to fourth quarter EPS of 185.55 kobo on its current share in issue of 22.2 billion units. Its earnings is currently trading at multiple of 10.28x PE on its latest fourth quarter earnings.

MOST RECENT FINANCIAL RESULTS

Oceanic Bank Plc's previous reporting date was September 2008. The bank has since changed its accounting year-end from September to December.

The bank presented its fourth quarter result for the year ended 30th September, 2008. **Turnover** increased by 101.43 % to N150.94bn from N74.936bn while **PAT** increased by 135.13% to N41.23bn from N17.53bn in the comparable period. NPM increased marginally by 16.73% to 27.31% from 23.40%.

The **Gross Earnings** of the bank increased in 2007 over 2006 by 65.44% to N74.94bn was comprised of N47.63bn (64.43%) interest income and N26.29bn (35.57%) non-interest income.

The **interest related expenses** increased by 41.28% between the year 2006 and 2007, but with a increase of 64.43% increase in the interest income as compared to last year thus leading to a gain in the **Net Interest Income** of 89.35% to N30.04bn from N15.86bn in the previous year.

The Bank's **Loans and Advances** increased by 230.97% to N351.29bn in 2007 from N106.14bn in 2006, while the non performing loans increased by 159.67% from N4.36bn in 2006 to N11.33bn in 2007. This resulted in a decrease in the **non-performing loan** to gross loans from 4.11% in 2006 to 3.23% in 2007.

Net Profit Margin of bank currently stands at 27.32% from 23.40% as compared to 2007.

The return on **average equity** and return on **average total assets** as at September 2007 stood at 13.47% and 3.07% respectively.

THE 2007 PUBLIC OFFER

The bank raised N53.17bn from the capital market through an Offer for Subscription of 3,357,993,375 ordinary shares of 50k each at N16.50k per share and realized gross proceeds of N174bn from in 2007.

The bank held the funds from the Public Offer as deposit for shares as at the end of the financial year in 2007 and the utilization of the proceeds started during the financial year 2008.

The banks result is overdue and investors are waiting for the dividend for the year. The bank has declared its last dividend in January 2008 of N1.02, while bank has declared Bonus for 1F4 in January 2007.

Return on Investment in the Banking Sector (Public Offer Investors)

Taking all the banks that approached the market to raise funds vide a Public Offer and comparing how well they have performed, the conclusions discernable therefrom appears mixed.

It appears at first glance that most investors (without exception) lost money due to the meltdown or an overpriced offer relative to the prevailing market conditions at the time; or both.

Oceanic Bank Plc on its part, appear to be 36.98% removed from reversing this trend as shown in the table below.

Company	Offer Price	Total	Open Date	Listing Date	Listing Date	Price as at 170609	% Change
Intercontinental Bank	13.5	74,780,637,616	28-Sep-06	30-Nov-07	30-Nov-07	12.52	-7.26%
FBN	33	203,600,356,839	14-May-07	14-Dec-07	14-Dec-07	23.53	-28.70%
Access Bank	14.9	70,355,420,037	3-Jul-07	19-Feb-08	19-Feb-08	9.39	-36.98%
Diamond Bank	15.94	59,924,764,270	20-Nov-07		12-Feb-09	9.88	-38.02%
Oceanic Bank	16.5	174,582,985,138	5-Mar-07	8-Jan-08	8-Jan-08	9.51	-42.36%
Fidelity Bank	8	36,707,264,000	28-Sep-07	8-Jul-08	8-Jul-08	4.55	-43.13%
Skye Bank	14	17,242,388,030	14-Jan-08	3-Sep-08	3-Sep-08	7.43	-46.93%
Bank PHB	17	85,000,000,000	19-Nov-07	22-May-08	22-May-08	8.69	-48.88%
GTB	29.76	114,576,000,000	9-Jul-07	24-Jul-07	24-Jul-07	13.45	-54.81%
Zenith Bank	38.9	68,580,700,000	6-Dec-07	7-May-08	7-May-08	16.85	-56.68%
UBA	35	84,537,778,745	1-Mar-07	1-Nov-07	1-Nov-07	14.99	-57.17%
Afribank	25	100,000,000,000	1-Nov-07	1-Sep-08	1-Sep-08	9.99	-60.04%
First Inland	9.5	85,500,000,000	3-Jan-08		12-Feb-09	3.23	-66.00%

Fig 2. The performance of individual banks post their last public offer as at June 17, 2009

NOTE: We did not adjust FBN offer price for the subsequent bonus shares, as with others as well. Ordinarily, we would have to adjust the offer prices for the bonus shares to give an accurate representation of the performance of the shares.

The bank has shown a remarkable ability to sustain and improve on per share metric despite the 90.9% increase in its issued share capital from allotment of 10.58 bln units of shares from its last public offering. There is every indication that this will be carried through to the end of the current financial year.

3. The Public Feedback and Concerns

As part of the Proshare Share Support Service (SSS), we have detailed the following concerns from the investing public arising from the news carried yesterday in ThisDay Newspaper, viz:

Oceanic Bank Mulls N20bn Dividend Payout

“There are indications that Oceanic Bank will be declaring a sumptuous dividend payout for shareholders for the financial year to December 31, 2008. Sources within the bank put the dividend figure to be in the region of N20 billion, said to be one of the highest dividend paid out by any bank in the country. It would be recalled that the bank in 2007 paid a dividend of N1.02 per share in the financial year ended September 30 2007 compared to 42 kobo paid in the 2006 financial year. Analysts said the bank's dividend policy has been one of the most attractive in the industry in the past years. Aside surpassing its projection in 2007 by paying 102 kobo per share, it paid 75 kobo per share in 2006, 32 kobo in 2005 and 25 kobo in 2004, a total of N21.2 billion in five years.”

Since the publication of this news and the follow up dissemination on the proshare service, we have received countless of mails for which we believe the bank's IR unit should consider in order to help shape the discourse properly and provide qualitative responses to as part of its brand building objectives that should help separate the facts from the mis-information.

Here are some of the feedbacks:

From: Ido Edem Ukpeh [mailto: idoukpeh@yahoo.com]
Subject: Oceanic Bank's dividend

EFCC, Please note: Who is telling lies? The bank or its shareholders. Please make enquiries.

Full name: Isiyaku Shuaibu
Email: isiyaku.shuaibu@gmail.com

Comment: My concern is that why has the bank been silent on its financial (Dec. 2008 account) six months after the closure of its financial year end. We need an explanation.

Full name: Anthony
Email: a.hilary@hotmail.com

Comment: Oceanic bank is almost bankrupt that is why Cecilia Ibru has been appearing constantly on the pages of newspapers, making tantalizing promises to shareholders she has no intention of fulfilling. Very soon, her antics would be exposed and the public will come to know her for the true (URHOBO WAYO) woman, she is. The truth of the matter is that oceanic bank has never paid any dividend or bonuses to the shareholders since the 2007, public offering.

Full name: Ojo Olakunle
Email: ojoolakunle@yahoo.com

Comment: This is a mere image laundry piece. Oceanic is one of the worst organization in terms of dividend payout. I continue to regret ever subscribing to the 2007 public offer.

Full name: adeyinka adedayo

Email: fagbemiadevinka@yahoo.com

Comment: why is it that oceanic bank have not declare anything since their new year end December is 6 month away now like gtb. I had a rumor last week that oceanic bank is doing 1 for 2 and a dividend of ₦1.10. pls let me get the latest from you.

Full name: AGBONMAMWENWAEN

Email: victoragbons@yahoo.com

Comment: YES 00! OCEANIC BANK, Please speak up. Your Annual Result is long overdue. Your final Year was postponed from Sept 2008 to Dec 2008. Now it is June 2009, result yet to be declared. Investors are anxious, OCEANIC BANK, speak up, declare your FY result now.

Full name: lukman HASSAN

Email: lukman450@yahoo.com

Comment: what is going on with Oceanic bank plc we have not heard anything from them as to their dividend payment for 2008.

Full name: daniel Agofure

Email: danagof@yahoo.com

Comment: What is going on with Oceanic Bank. They have not paid dividend in a long time. Dangote Sugar 2008 dividend payout drops by 29.41%

Full name: VICTOR AGBONS

Email: Victoragbons@yahoo.com

Comment: Comment: WHEN WILL OCEANIC BANK RELEASE THEIR FINAL YEAR RESULT? THIS IS LONG OVERDUE

Full name: OLUSEYI OLUKOLE

Email: talk2lakan@yahoo.com

Story: I appreciate all the good work you have been doing. May God continue to help you. please, I will like you to look in to Oceanic Bank is being almost two year the bank had declared last dividend.

Full name: raph nwsu

Email: raphaelnwsu@yahoo.co.uk

Comment: It is not true that Oceanic Bank paid ₦1.02 dividend in the year 2007. Mrs. C. Ibru promised or just said it but never paid anything. None of my friends, my family members and myself got any dividends from Oceanic in 2007. Oceanic needs to reward shareholders with dividends and bonus issues. They need to learn from First Bank, UBA, Zenith, GTB and Afribank's way of rewarding shareholders with both dividends and bonuses especially this time of financial meltdown. Mrs. C. Ibru will always go to the press to announce she (Oceanic) is going to make shareholders smile, going to pay this and that, but it is only watery talk as nothing is paid at the end of the day. Can Oceanic officially confirm that it paid out dividend of ₦1.02 per share in the year 2007? I am fed up of this stock.

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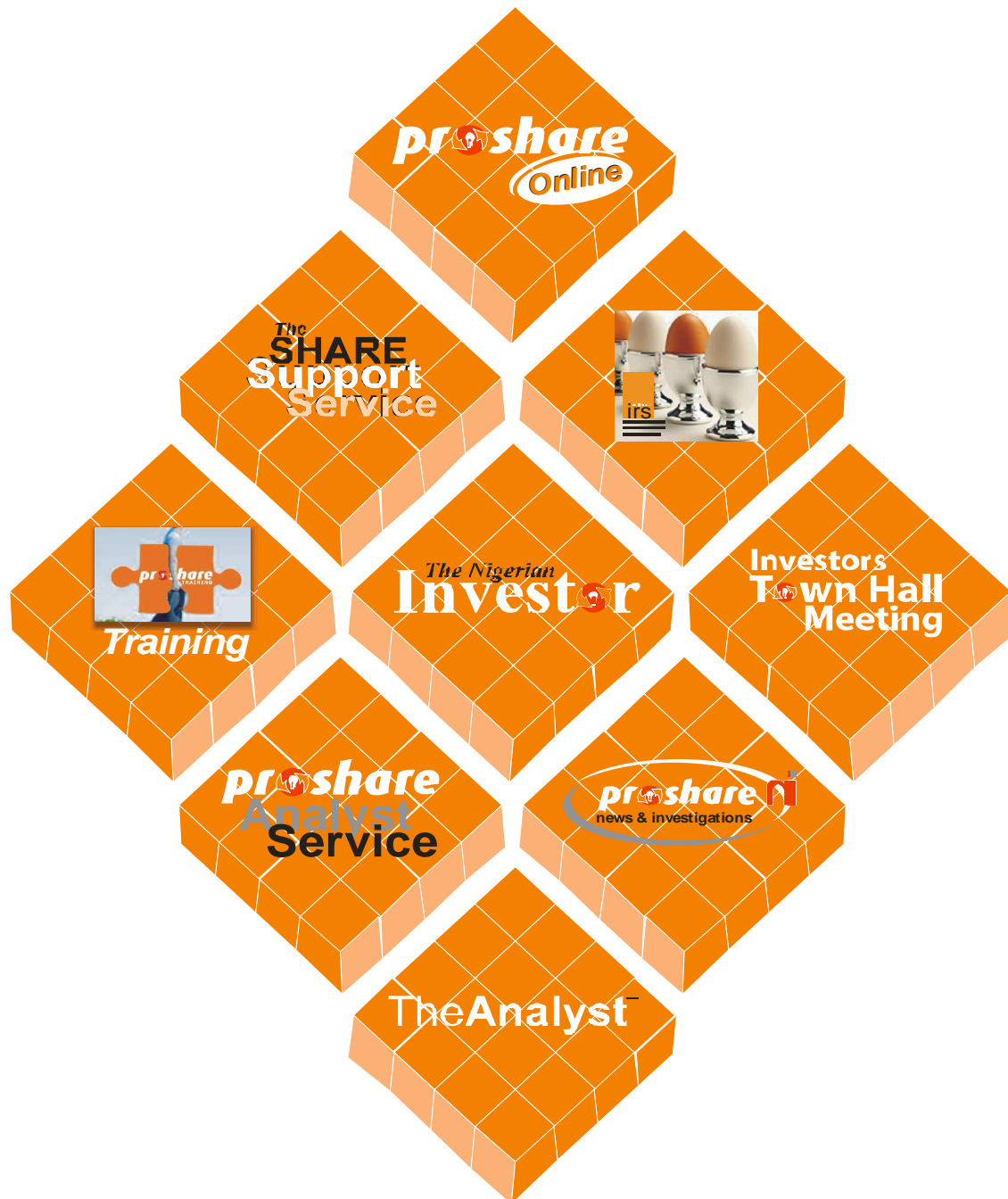
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