



CENTRAL BANK OF NIGERIA

PRESS RELEASE **ON THIRD QUARTER (Q3) RESULTS RELEASED BY DEPOSIT MONEY BANKS**

In line with the Central Bank of Nigeria's new disclosure standards which are central to the Bank's ongoing banking sector reforms, all deposit money banks (DMBs) in Nigeria have announced financial results for the third quarter 2009 in line with clearly defined and transparent reporting requirements.

All Nigerian banks have now reported their results according to these stringent standards for corporate governance, transparency and disclosure. As expected, the third quarter earnings announcements for a number of banks have included a level of provisions that have led to reported losses, reflecting the true position of the lending portfolios. This has been particularly evident in the nine banks assessed to be in a 'grave situation' following the outcome of the combined CBN /NDIC examination.

There are two key reasons for the current reported losses:

1. Following more detailed investigations, the new management of these banks found the situation in a number of the Affected Banks to be worse than had been originally thought. A number of issues only came to light after the CBN had put in place new management teams who therefore had access to greater and more up to date information. As a result of these findings, the banks had to make provisions over and above the CBN's initial recommendations.
2. Nigerian banks, like other banks in countries around the world have faced a very challenging operating environment this year.

However, the CBN is confident that the worst is now behind us. The current management teams of the Affected Banks have made significant progress towards restoring stability in their operations and continue to work diligently to ensure that sustainable, long term solutions are implemented with a view to building a solid platform for future growth.

In parallel, the CBN remains steadfast in its commitment to the Affected Banks and will continue to see that the interests of both their depositors and creditors are safeguarded. As part of our mandate of preserving the integrity of the Nigerian banking system, the CBN will continue to support efforts towards restoring good governance, best practice, liquidity and capital in the Affected Banks. To this end, the Tier 2 capital injected in the banks in August and October to help bolster their capital positions will remain in place. Furthermore, the CBN will continue to stand by its inter-bank guarantee issued in July this year.

The CBN maintains its commitment to support the banks in protecting depositors funds and meeting obligations to creditors. It will introduce additional liquidity as required to ensure that the banking system continues to function normally.

We are actively supporting management of the banks in their efforts to recover outstanding loans and improve corporate governance in their respective institutions. For us at the CBN, it is important that the previous lapses in corporate governance are not allowed to repeat themselves.

Our intention is to transition the affected banks into the hands of institutions and people that will safeguard the interests of depositors. To this end, we will be placing a great deal of emphasis on the technical capabilities of such interested parties.

We are in the process of setting-up an Asset Management Company (AMC) in conjunction with the Federal Ministry of Finance. The AMC will take impaired assets off the banks' balance sheets and replace them with government guaranteed bonds. This will provide liquidity to the entire Nigerian banking system and bolster the prospects for long-term growth. A further statement in this regard will be made in due course;

The customers, investors and other stakeholders of our banks can take encouragement from the progress made to date as well as our continued commitment to ensuring that the Affected Banks are strengthened without their interests being jeopardised.

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HEAD CORPORATE AFFAIRS