

THE ACTIVITIES OF THE NDIC IN Q1 2020
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1.0 INTRODUCTION

The activities and achievements of the NDIC in the First Quarter of 2020 are presented below.

2.0 PROGRESS REPORT ON THE REVISED 2016-2020 STRATEGIC PLAN AS AT 31ST MARCH, 2020

The Board of Directors at its 106th meeting of September 2019 approved the revised 2016-2020 Strategic Plan of the Corporation. The five-year Strategic Plan (2016-2020) aims to address emerging challenges faced by the NDIC within its operating environment, while also conceptualizing possible issues that could pose some level of significant risks to its operation.

The NDIC, as part of its revised 2016 – 2020 Strategy set out “To be one of the best Deposit Insurers in the world by 2020”. This strategy was anchored on four themes, twelve strategic objectives and twenty-two enterprise initiatives.

TABLE 1.1. Revised Strategic Themes and Results

S/N	Strategic Theme	Expected Results
1	Operational Resilience	Enhanced ability to fulfill our mandate in terms of organizational capacity, processes, technology and financial strengths.
2	Performance-Driven Culture	Emergence of a performance-driven organization that focuses on excellence, employee satisfaction, individual and collective accountability.
3	Collaboration and Strategic Partnering	Clear understanding of our mission by stakeholders who are expected to partner with us to enhance efficiency, productivity and achieve our goals.
4	Public Awareness in DIS	Enhanced stakeholders understanding of the benefits and limitations of Deposit Insurance System (DIS).

During the period, the following activities with regard to the Strategic Plan were undertaken:

- i. The sensitisation of staff on the Corporation's 2016 – 2020 revised Strategic Plan was carried out in all the Corporation's locations.
- ii. Training on how to measure and align the implemented three (3) Management Systems International Standards- ISO 20000; ISO 22301; and ISO 27001 – with corporation's strategic objectives towards achieving its mandate.
- iii. The MD/CEO in a documentary interview granted to FSS 2020 Secretariat, reiterated the role the Corporation has played in achieving one of the FSS 2020's objective of strengthening and deepening the Nigerian financial system.
- iv. The Corporation acquired the Quickscore Software to facilitate the automation of its Strategy Plan and measurement of strategic objectives. The steering committee to commence the deployment process for the software has been set-up.
- v. The Corporation hosted staff of Bank of Uganda in a five (5)-day attachment programme on "Technical Cooperation in Strategy Management, Performance Measurement and Reporting".
- vi. As part of efforts to ensure standardisation and consistency of the Corporation's business processes to deliver its corporate goals, it has concluded the review of the Standard Operating Procedures (SOP's) of departments in the Head Office as well as the Lagos Office and some selected Zonal Offices (Benin, Bauchi, and Kano).

3.0 FINANCE ACTIVITIES

The Corporation remitted the sum of ₦5.0 billion (Five billion naira) to the Federal Government of Nigeria (FGN) Consolidated Revenue Fund (CRF) during the period. This amount represents the third tranche of its 80% Operating Surplus for the year ended 2019. Total Remittance for the Year amounted to ₦55 billion (Fifty five Billion Naira). The amount brought the cumulative remittance to the CRF as at 31st March, 2020 to ₦267.71 billion.

4.0 OPERATIONAL ACTIVITIES

4.0 CLAIMS SETTLEMENT

4.0.1 Payments to Insured and Uninsured Depositors of Closed Insured Banks

- i. Payments to depositors of the defunct 325 Microfinance Banks (MFBs) continued during the period under review. A total of 185 insured depositors were paid ₦11,467,517.94 while there was no payment to uninsured depositors of MFBs.

Cumulatively, the Corporation paid ₦3.352 billion to 89,903 insured depositors and ₦1.218 million to uninsured depositors in this category.

- ii. During the period under review, 37 insured depositors of 51 Primary Mortgage Banks (PMBs) were paid the sum of ₦3,004,897.75. The cumulative insured amount paid to 969 depositors of 51 PMBs as at 31st March, 2020 was ₦81.249 million and ₦6.309 million for uninsured.
- iii. The Corporation paid insured sum of ₦1,645,515.04 to 147 depositors of 49 Deposit Money Banks (DMBs), while the uninsured sum of ₦69,079,830.31 was also paid during the period under review. Cumulatively, the NDIC has paid ₦8.265 billion to 443,870 insured depositors and ₦100.815 billion to uninsured depositors as at 31st March, 2020.

4.0.2 Payments to Uninsured Creditors of Banks in-Liquidation

As at 31st March, 2020, the sum of ₦1.274 billion has been paid cumulatively to 990 out of 1,320 creditors. Meanwhile, ₦1.741 billion has been declared to Creditors of eleven (11) banks in respect of banks in-liquidation till date.

4.0.3 Payments to Shareholders of Banks in Liquidation

During the period under review, no shareholder of banks in-liquidation were paid. Consequently, the sum of ₦3.713 billion, as the cumulative amount, was paid to 720 shareholders as at 31st March, 2020.

4.1 ASSET MANAGEMENT

4.1.1 Risk Assets Recovery

- During the period under review, the sum of ₦50,295,606.49 was recovered from Seventeen (17) out of 49 DMBs in-liquidation. This represented a decrease of ₦121,604,690.25 or 70.74% from the sum of ₦171,900,296.74 recovered for fourth quarter, 2019. The decrease can be attributed to the slowdown of economic activities usually observed at the beginning of the year which was further compounded by the COVID-19 pandemic culminating to economic lockdown from March 2020.
- Also, the sum of ₦1,953,783.23 was recovered from 2 of the MFBs in-liquidation within the period under review. This represented a decrease of ₦154,766.77 or 7.34% from the sum of ₦2,108,550 recovered from MFBs in-liquidation within the fourth quarter, 2019.
- Furthermore, the sum of ₦30,834,249.26 was recovered from three (3) of the PMBs in-liquidation, representing an increase of ₦29,502,387.66 or 2215%

from the sum of ₦1,331,861.60 recovered from PMBs between October and December 2019. The increase also resulted from a large single account payment from B-Waks Consultants of ₦29.74 million in February 2020.

- The total recovery from Risk Assets for first quarter, 2020 was ₦83,083,638.98 against the sum of ₦175,340,708.34 recovered from fourth quarter, 2019.

Table 2: Loan Recoveries for Fourth Quarter 2019 and First Quarter, 2020

	FOURTH QUARTER, 2019				FIRST QUARTER, 2020			
	Oct	Nov	Dec	TOTAL	Jan	Feb	March	TOTAL
	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m
DMBs	38.20	127.05	6.65	171.9	22.24	6.22	11.84	50.30
PMBs	0.3	0.83	0.20	1.33	0.01	29.74	1.09	30.84
MFBs	1.09	0.70	0.31	2.10	0.74	1.21	0.00	1.95
GRAND TOTAL	39.59	128.58	7.16	175.33	22.99	37.17	12.93	83.09

The cumulative recovery for the DMBs in-Liquidation from 1994 to date was ₦29,945.10 million. The sum of ₦144.48 million was recovered from September 2010 to date in respect of closed MFBs, while PMBs had a cumulative recovery of ₦334.88 million.

4.1.2 DISPOSAL OF PHYSICAL ASSETS

- **Disposal of Physical Assets of Deposit Money Banks (DMBs) (In-Liquidation)**

During Q1 2020, a total sum of ₦40,000 was realized from the sale of Physical Assets of DMBs in-liquidation.

- **Disposal of Physical Assets and Handover of Rented Premises of MFBs and PMBs In- Liquidation**

The total sum of ₦29,935,000 was realized from the disposal of Physical Asset of MFBs in-liquidation within the period under review. However, there was no disposal of Physical Asset for PMBs in-liquidation in first quarter, 2020.

Table 3: Amount realized from Physical Asset for Fourth quarter of 2019 and First quarter of 2020.

BANKS	FOURTH QUARTER, 2019				FIRST QUARTER, 2020			
	Oct	Nov	Dec	TOTAL	Jan	Feb	Mar	TOTAL

	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m
DMBs	1.65	0.00	0.00	1.65	0.00	0.04	0.00	0.04
MFBs	2.42	6.70	33.71	42.83	29.92	0.00	0.015	29.935
PMBs	0.00	2.05	0.00	2.05	0.00	0.00	0.00	0.00
GRAND TOTAL	4.07	8.75	33.71	46.53	29.92	0.04	0.015	29.975

Thus, the total amount realized from the sale of Physical Assets and Rent collected on properties of DMBs in-liquidation since inception to date is ₦21,653.43 million, MFBs in-liquidation is ₦503.06 million and ₦80.23 million for PMBs in-liquidation.

4.2.3 Realisation of Investments of Banks in-Liquidation

There was no realization from Investments of banks-in-Liquidation in the first quarter, 2020. However, the cumulative amount realized on Investments since inception amounted to ₦4,620,316,275.30 for DMBs and the sum of ₦2,960,891.40 for MFBs in-liquidation.

The cumulative amount realized on Investments as at 31st March 2020 was ₦4,623,277,166.70.

4.2.4 Termination of Liquidation Activities

Following the Board's approval for the transfer of the residual Assets of the 19 banks earmarked for termination to ARCO, the Corporation has effectively transferred the Assets of the 19 banks to ARCO for the consideration price and the banks have been subsequently removed from the Risk Assets Register Asset Management Department of the Corporation.

The Corporation has further identified 13 closed banks for termination of liquidation activities, as the banks have had no substantial realizations of risk assets and physical assets since 2018.

5.0 BANK SUPERVISION

5.1 Risk Asset Examination (RAE)

During the period under review, the joint CBN/NDIC Risk Assets Examinations were conducted on 26 DMBs as at 31st December, 2019. The Corporation led the examination of seven (7) of those banks, namely: UBA, Ecobank, Wema, Standard Chartered, Suntrust, Coronation and Jaiz.

RAE aims to assess income and quality of the assets of the DMBs with a view to ascertaining the adequacy of banks' loss provisions prior to the approval of their annual accounts by the CBN.

5.2 Investigations/Consumer Protection

The Corporation continued to investigate complaints from bank customers and other stakeholders during the period under review. A total of 36 petitions/complaints against DMBs were received and investigated as at 31st March, 2020.

5.3 Risk Based Supervision - On-Site Examination of DMBs

During the quarter under review, the risk-based supervision (RBS) of banks were yet to commence. During the fourth quarter 2019, the Corporation, in collaboration with the CBN, undertook the RBS of 11 insured DMBs.

5.3.1 On-Site Examination of MFBs and PMBs

The CBN allocated 200 MFBs and 10 PMBs to the Corporation for 2020 on-site examination. A total of forty MFBs were examined as at 31st March, 2020 and their reports are currently being finalised.

The remaining MFBs slated for 2nd and 3rd quarters RBS would be delayed due to COVID-19 pandemic and consequent interstate movement restrictions. All the ten (10) MFBs would possibly be examined in Q4, 2020.

5.4 Off-site Activities/ Analysis on DMBs, non-interest Banks and MMOs

i. Premium Assessment

The Corporation during the period under review assessed premium rates for the Insured Financial Institutions using the Differential Premium Assessment System (DPAS), and premium payable computed for 2020. The banks were contacted on the premium payable, the CBN was advised accordingly, and respective banks' accounts were debited.

ii. Early Warning Signal

The Corporation conducted an Early Warning Signal (EWS) on all the Insured DMBs to determine their viability, safety, soundness and financial capability. This process provides an early indication of an individual bank's potential problems as well as systemic problems. The result of the review showed that irrespective of the composite rating of the banks, virtually all of them showed non-compliance or infractions in one prudential threshold or the other of the CAMEL parameters.

iii. **Update on the Integrated Regulatory System (IRS)**

The scheduled functional testing by both CBN and NDIC had commenced in February, 2020, which was followed by a User Acceptance Test by all User Departments in both institutions in March 2020. The contractor was given a deadline of April 2020 to complete one or more modules of the application. However, the COVID-19 pandemic had since stalled the progress of the Software development and as such it has been suspended till further notice

iv. **Whistle Blowing**

The Corporation received a total of One Hundred and Five (113) Whistle blowing cases from seventeen (17) banks, bordering on service dissatisfaction, unauthorized access to account, cash suppression, fraud, unethical and unprofessional conduct, discrimination and ill treatment among others, during the quarter ended 31st March, 2020. The cases would be forwarded to the Bank Examination Department of NDIC for further investigation.

v. **Report On Status Enquiry Requests (Fit & Proper)**

During the quarter under review, a total of 346 requests were received from the CBN, SEC, NAICOM, and PENCOM. All were evaluated and reported back to the respective institutions.

vi. **Fidelity Bond Insurance**

Out of the twenty seven (27) DMBs and two (2) non- interest banks, only sixteen (16) DMBs and one non-interest Bank submitted their Fidelity Insurance Coverage. A review of the returns showed that ten (10) DMBs and one (1) non-interest bank (68.75%) maintained adequate Fidelity Insurance coverage as required. The twelve (12) banks that did not meet the Fidelity coverage were advised accordingly.

vii. **Mobile Money Operations (MMO)**

There were Twenty-nine (29) licensed MMOs as at 31st March, 2020. Twelve (12) of the MMOs were bank-led, while Seventeen (17) were non-bank-led. Out of the twenty nine (29) licensed MMOs, sixteen (16) active MMOs rendered returns while the remaining thirteen (13) had not rendered returns to the Corporation.

Analysis of the returns revealed that, Total Deposits amounted to ₦9.17 billion. Further breakdown of the deposits showed that, the insured amount, which represented the Corporation's exposure to Subscribers of the MMO's stood at ₦4.79 billion, while uninsured portion amounted to ₦4.38 billion as at March 31, 2019.

6.0 ENTERPRISE RISK MANAGEMENT ACTIVITIES

The following Enterprise Risk Management activities of the Corporation were carried out during the period under review:

- 6.1 The risk assessment was carried out on the NDIC and a report on the risk profile of the Corporation as at 31st December, 2019 was submitted for consideration by the Senior Management and Board Committee on IT/Corporate Strategy.
- 6.2 The 2020 Risk Forecast of the Corporation was prepared highlighting key risks that the Corporation would likely face during the year while also articulating treatments/controls to reduce their likelihood and impact if they crystalize.
- 6.3 The Corporation, in consultation with Afenoid Enterprise Ltd., updated Risk Appetite, Key Risk Indicators and Risk Tolerance Policy of the Corporation.
- 6.4 The monthly and quarterly risk analysis of activities of NDIC across various locations were carried out during the reviewed quarter. Feedbacks were provided on risks facing business units in the Corporation that require urgent attention.
- 6.5 The Corporation maintained, reviewed and updated its Corrective Action and Preventive Action (CAPA) Plan in line with the requirements of ISO 22301:2012 on continual improvement plan. That includes relevant documents, such as: Lessons learnt register; Incident log; and Business Continuity Management System (BCMS) Issues Tracking/ Management log that had been developed.
- 6.6 The testing of the availability and readiness of critical suppliers to the Corporation was conducted during the period under review. The essence was to ensure that in the event of any serious disruption, providers of key services will continue to render services to the Corporation.
- 6.7 The Corporation commenced the review and update of all BCM Framework supporting documents such as BCM Strategy, Emergency and Evacuation Procedure, BCM Competency Manual, Warnings and Communications, Vendors Evaluation Procedure, BCMS Sustainability Plan, Legal and Regulatory Requirements etc.
- 6.8 The report of the 4th Quarter, 2019 Information Technology test conducted in February 2020 with the Process Owners in various Departments, Units and Offices had been presented to the Business Continuity Steering Committee (BCSC) for necessary action.
- 6.9 The Corporation undertook physical inspection and evaluation (suitability and proximity to primary office) of three proposed sets of facilities for use as Lagos Office Alternate Site on 13th January, 2020.
- 6.10 The meeting of the Business Continuity Steering Committee (BCSC) held on 18th March, 2020 where important decisions regarding Corporation's response to COVID-19 were taken.

7.0 EXECUTION OF CAPITAL PROJECTS

The construction of the three (3) major building projects - Lagos Office Building at Ikoyi, Lagos; Training Centre at Lekki, Lagos and Head Office Annex in Abuja – handed over to the contractors on 24th June 2016 - had progressed satisfactorily during the period under review. Also, the Federal Executive Council (FEC) has approved the construction of the Bauchi Zonal Office and the project was handed over to the contractor on 11th February, 2020. The status of the construction works is stated as follows:

- 7.1 **Lagos Office Building Ikoyi Project (LOBP):** The Ikoyi Project is a 15-storey office complex and has reached 38% completion. The Second (2nd) to the third (3rd) floor vertical elements and slabs have been completed. However, slow pace of work was observed.
- 7.2 **Training Centre Project, Lekki (TCPL):** The Lekki project is a 9-storey building training facility for the Corporation and had reached 50% completion (adjusted). Sub construction works and basement to the fifth (5th) floor academic wings and the eight (8th) floor residential wing has been completed. Also, the casting of all the staircases have been completed. However, request for extension of project tenure is being reviewed.
- 7.3 **Head Office Annex Project, Abuja (HOAP):** The Abuja project has reached 43% completion. Plastering from ground to 6th floor is completed and external plastering is 60% completed. Mechanical and Electrical (piping works) is on- going and the installation of Aluminium cladding profiles is at 35% completion.
- 7.4 **Bauchi Zonal Office Project, (BAZOP):** BAZOP site clearance has been completed while the setting out of the Main building, Mosque, Chapel/Crèche and Project office is at 70% completion. Also, the harmonisation of construction drawings by the consultants is ongoing.

8.0 COLLABORATION AND PUBLIC AWARENESS ACTIVITIES

During the period under review, the Corporation executed various public awareness initiatives and sensitized various stakeholders on the practice, benefits and limitations of Deposit Insurance System. Some of the activities of the Corporation during the period under review are as follows:

- 8.1 The Corporation celebrated the International Women’s Day (IWD) on the 9th and 12th March 2020 in Abuja and Lagos, respectively, as part of its maiden edition to mark the annual March 8 women’s day celebration. A one-day seminar/workshop was organized by the Corporation in recognition of its women as well as to create an enabling environment that would continue to promote women empowerment while mainstreaming gender in both its employment opportunities and

appointment of executives. The theme for this year's celebration was *I am Generation Equality: Realizing Women's Rights*.

- 8.2 The Corporation participated in the 41st Kaduna, 31st Enugu and 11th Sokoto International Trade Fairs with 172, 442 and 153 visitors, respectively to NDIC Pavilions. The Trade Fair platform is used to enhance one-on-one interactions in addressing depositors' and other strategic stakeholders' enquiries/concerns while enlightening them on the mandate and activities of the Corporation. It also serves as a veritable avenue to promote financial literacy among visitors to the NDIC Pavilion.
- 8.3 The Corporation received a total number of 120 students on excursion visit; 80 Students of Banking and Finance from the University of Abuja and 40 Student of Waziri Umaru Federal Polytechnic Birnin Kebbi on Tuesday 25th February, 2020. As part of financial literacy programme of NDIC, students from tertiary, secondary and primary schools are enlightened about the mandate and activities of the Corporation as well as its impact on the stability of the financial system during such excursion visits.
- 8.4 The Corporation has continued to enhance its public awareness through various social media platforms such as Facebook, twitter, Instagram and LinkedIn. Public awareness activities, such as; monitoring of social media trends, providing analysis of comments for Management attention, and proactive placing of posts messages, placement of images or videos about the NDIC on the social media platforms.

9.0 LEGAL ACTIVITIES

The major legal activities of the Corporation during the period under review are as follows:

- 9.1 About 14 (Fourteen) criminal prosecution cases instituted by the Corporation and pending in various courts, and 27 ongoing investigations with the Financial Malpractices Investigation Unit (FMIU) were monitored during the reviewed period.
- 9.2 The Corporation continued to monitor the publishing, marketing and distribution of the Nigerian Banking Law Report.
- 9.3 The Winding-up Orders were obtained to Wind up 35 (thirty-five) Microfinance Banks from the Federal High Court in respect of the 138 MFBs whose licences were revoked in September 2018.
- 9.4 The Corporation continued to manage and monitor of 21 (twenty one) Corporate cases and 32 (thirty two) debt recovery cases of N100Million and above involving the Corporation and debt recovery proceedings in respect of banks-in-liquidation.

10.0 CHALLENGES

Notwithstanding the achievements recorded above, the Corporation is still faced with a few challenges. Some of the challenges included:

- Inadequate documentation of borrowers' information by failed banks.
- Delay in the amendment of the NDIC enabling Act.
- Unwilling attitude of high net-worth debtors of failed banks to liquidate their debts.
- Protracted legal processes due to frequent adjournment of cases.
- Inadequate public awareness on the Deposit Insurance System.

The Corporation is addressing some of the above challenges through the repeal and re-enactment of its Act, improving public awareness initiatives and the development of Integrated Regulatory Solution (IRS) and the National Association of Microfinance Banks Unified IT Platform (NAMBUIT) Project to improve data integrity and renditions by the insured financial institutions.

11.0 CONCLUSION

During the period under review, the Corporation consistently pursued the achievement of its mandate of depositor protection and the promotion of safe and sound banking practices. As an active component of the Nigerian financial safety-net, the Corporation is committed to engendering confidence and contributing to financial system stability.