

ACTIVITIES OF THE NDIC IN Q1 2021

by

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1.0 Introduction

The NDIC activities and achievements in First Quarter 2021 are presented as follows.

2.0 Update on Corporate Strategy Development Activities

The following are highlights of the major strategic activities of the Corporation for the quarter ended 31st March 2021:

- i. An Interdepartmental Committee was set up to develop a new NDIC 2021-2025 Strategic Plan following the expiration of its 2016-2020 Strategic Plan while also considering implications for the Banks and Other Financial Institutions Act (BOFIA) 2020. The Committee arrived at the outcomes that were presented to the Board Committee on IT and Strategy at its meeting held on January 22nd 2021.
- ii. A Customer Care Workshop was organised for the Northern Zone Focal Champions of the Corporation where SERVICOM Office of the Presidency presented a paper. The workshop aimed to develop participants' skills and behaviour to offer exceptional customer care services in their Departments/ Units/Zones.
- iii. The NDIC participated in the virtual meeting of the National Council of Nodal officers held on 11th March, 2021. The quarterly meeting is a platform for all MDAs to interact with the SERVICOM Office on their initiatives at providing quality service to their stakeholders.
- iv. During the first quarter 2021, the NDIC Help Desk System received One Hundred and Seventy-Four calls (174) and One Thousand and Four-Two (1042) e-mails. The NDIC attended to most of the enquires and issues bordering existing and closed DMBs, MFBs, PMBs and other general enquires on NDIC activities.
- v. The NDIC carried out the Review and Optimization of its Asset Management Department (AMD) business processes. The report, implementation and monitoring template for the optimized processes has been approved by Management.
- vi. Management approved the establishment of the Efficiency Section in its Strategy Development Department to promote cost minimization, efficiency in business processes and optimal utilization of physical assets. During the period, efficiency exercises were carried out in the Head Office and Lagos Office, as well as Kano and Enugu Zonal Offices.

3.0 Finance Activities

- i. The NDIC capital expenditure budget for 2020 was extended to 31st May, 2021 in line with the Federal Government's directive to improve its implementation of Capital Budget for 2020 which was hindered by the COVID-19 pandemic.

- ii. The NDIC, during Q1 2021, remitted the total outstanding sum of ₦2,712,172,000.00 being final payment of 80% of the Corporation's Net Operation Surplus to the FGN CRF for the year ended December 31, 2019.
- iii. It is worthy to note that the total sum of ₦320,025,710,619.00 had been remitted to the CRF from 2007 to date, in compliance with the Fiscal Responsibility Act (FRA 2007).

4.0 Operational Activities

4.1 Claims Settlement

4.1.1 Payments to Insured and Uninsured Depositors of Closed Insured Banks

- i. In Q1 2021, the NDIC paid ₦20,740,961.12 as uninsured sum to depositors of 49 Banks in-liquidation but there was no payment to insured depositors. Cumulatively, the NDIC has paid ₦8.268 billion to 443,946 insured depositors and ₦100.848 billion to uninsured depositors as at March 31, 2021.
- ii. The NDIC paid ₦3,126,564.35 as insured sum to 43 depositors of 325 Microfinance Banks (MFBs) in-liquidation, while there was no payment made to uninsured depositors during Q1, 2021. Cumulatively, the Corporation has paid ₦3.378 billion to 90,334 insured depositors and ₦1.218 billion to uninsured depositors as at March 31, 2021.
- iii. Also in the period, 248 insured depositors of 51 Primary Mortgage Banks (PMBs) were paid the sum of ₦7,589,540.26 while the sum of ₦647,178.54 was paid to uninsured depositors. The cumulative insured amount paid to 1,525 depositors was ₦107.34 million and the uninsured amount paid stood at ₦6.956 million as at March 31, 2021.

4.1.2 Payments to Uninsured Creditors of Banks in-Liquidation

During the review period, no creditor was paid. Cumulatively, the sum of ₦1.274 billion has been paid to 991 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.

4.1.3 Payments to Shareholders of Banks in Liquidation

During the period under review, 10 shareholders of banks in-liquidation were paid ₦134,406,110.00. Consequently, the cumulative sum of ₦4.726 billion has been paid to 958 shareholders as at March 31, 2021.

4.2 Asset Management

4.2.1 Risk Assets Recovery

- i. In Q1 2021, the sum of ₦89,259,455.65 was recovered from eighteen (18) out of Forty-Nine (49) banks in-liquidation. Likewise, the sum of ₦2,544,650.39 and

₦12,429,138.98 were recovered from 9 MFBs and 4 PMBs in-liquidation, respectively.

- ii. The total recovery from Risk Assets in Q1 2021 was ₦104,233,245.02, representing an increase of ₦3,123,763.09 or 3.09% against the sum of ₦101,109,481.93 recovered in Q4 2020.

Table 1: Loan Recoveries for Fourth Quarter 2020 and First Quarter, 2021

	FOURTH QUARTER, 2020				FIRST QUARTER, 2021			
	Oct.	Nov.	Dec.	TOTAL	Jan.	Feb.	Mar.	TOTAL
	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m
Banks	59.70	15.49	18.02	93.20	1.47	41.92	45.87	89.26
PMBs	0	1.73	1.00	2.73	0	1.29	11.14	12.43
MFBs	2.08	2.04	1.05	5.17	0.91	0.12	1.52	2.55
GRAND TOTAL	61.78	19.26	20.07	101.11	2.38	43.33	58.53	104.24

Source: NDIC

The cumulative recovery for the banks in-Liquidation from 1994 to date was ₦30,280.09 million. The sum of ₦154.15 million was recovered from September 2010 to date in respect of closed banks, while PMBs had a cumulative recovery of ₦364.05 million.

4.2.2 Disposal of Physical Assets

- **Disposal of Physical Assets of Banks In-Liquidation**

There was no disposal of Physical Assets for the 49 banks in-liquidation in Q1 2021.

- **Disposal of Physical Assets of MFBs and PMBs In- Liquidation**

In Q1, 2021, the sum of ₦31,698,330.00 was realized from the disposal of Physical Assets of MFBs in-liquidation while the sum of ₦40,817,800.00 was realized from PMBs in-liquidation.

As at March 31, 2021, the cumulative realization from Physical Assets and Rent collected on properties of insured banks in-liquidation stood at ₦22,632.83 million. The amount comprised ₦21,923.32 million, ₦587.27 million and ₦122.41 million for banks, MFBs and PMBs in-liquidation, respectively.

4.2.3 Realisation of Investments of Banks in-Liquidation

The sum of ₦24,943,458.86 was realized from investments of banks in-liquidation during Q1 2021, comprising ₦4,624,705.31 and ₦20,318,743.55 for closed banks and MFBs, respectively.

The cumulative sum realized from investments of all insured institutions in liquidation from inception to March 2021 was ₦4,771,252,372.40. The total amount realized from investments of banks from 2008 to March 2021 stood at ₦4,729,978,141.45 and for MFBs from 2010 to March 2021 was ₦41,274,230.95.

4.3 Bank Supervision

4.3.1 Risk Asset Examination of DMBs

In Q1 2021, the CBN/NDIC jointly conducted Risk Assets Examinations of all the 29 banks as at 31st December, 2020 with NDIC leading the examination of 7 of the banks.

4.3.2 Risk Based Supervision (RBS) - On-Site Examination of DMBs

There was no RBS examination for banks in Q1 2021.

4.3.3 Investigations/Consumer Protection

The Corporation continued to investigate complaints from DMB's customers and other stakeholders. A total of 89 petitions/complaints were investigated as at March 31, 2021.

4.3.4 On-Site Examination of MFBs and PMBs

- i. The CBN allocated to NDIC 200 MFBs and 10 PMBs for on-site examination in 2021. The examination is scheduled to commence in Q2 2021.
- ii. During the review period, the reports of 194 MFBs and 10 PMBs examined in 2020 were issued. The executive summary on the critical issues observed during the Examination of PMBs & MFBs was submitted to Management. However, 6 MFBs were not examined due to security challenges and EndSARs Protest.

4.3.5 On-Boarding of MFBs to NAMBUIT

The CBN/NDIC financed Microfinance Banks Unified Information Technology (NAMBUIT) platform is still at the implementation phase. The platform, as at 31st March 2021, has on-boarded 123 MFBs, inclusive of 2 National MFBs (NIRSAL and NPF), 23 State MFBs and 98 Unit MFBs.

Further efforts were geared towards the on boarding of LAPO MFB and 70% milestone is expected to be achieved by April 2021.

4.3.6 On-Boarding CBN/NDIC Basel II Project Implementation in OFIs

The CBN/NDIC Basel II Project Implementation continued with its roadmap for the implementation of Basel II in Other Financial Institutions (OFIs) operating in Nigeria based on proportionality principle.

4.4 Off-site Activities/ Analysis on Banks

i. **Off-Site Bank Surveillance: Bank Analysis**

The financial condition and performance of the 28 DMBs, 2 NIBs and 2 NIB windows were reviewed Q1 2021 through off-site analysis of returns rendered through the Financial Analysis System (FinA).

The Average Banking Industry Capital Adequacy Ratio (CAR) increased slightly from 15.05% in Q4 2020 to 16.10% in Q1 2021, which was attributable to increase in the banks' Total Qualifying Capital (TQC) by 11.27% from ₦3.74 Trillion, in Q4 2020 to ₦4.18 trillion in Q1 2021.

The Industry Average Liquidity Ratio (ALR) slightly declined from 44.44% in Q4, 2020 to 41.01% as at 31st March, 2021, resulting from decrease in the Total Specified Liquid Assets of banks by ₦715.35 billion or 5.96%.

In terms of Profitability, the banking industry recorded the sum of ₦164.30 billion Profit Before Tax (PBT) in Q1 2021, a declined of ₦95.72 billion or 36.81% from ₦260.02 billion in Q4 2020.

ii. **Whistle Blowing**

The Corporation received 118 whistle blowing cases from 18 banks, bordering on service dissatisfaction, unauthorized access to account, cash suppression, fraud, unethical and unprofessional conduct, discrimination and ill treatment among others, during the review period. The cases were referred to the relevant departments for further investigation.

iii. **Fraud and Forgeries**

The level of attempted Fraud and Forgeries in the Banking Industry substantially decreased by ₦8.01 billion or 56.45% from ₦22.20 billion in the previous quarter to ₦14.19 billion as at 31st March, 2021. Similarly, the expected/actual loss decreased by ₦0.018 billion or 1.02% from ₦1.78 billion at 31 December 2020 to ₦1.76 billion during the quarter under review. However, the fraud success rate increased from 8.05% in the previous quarter to 12.46% in the quarter under review.

The top five (5) banks with the Highest Attempted incidences of Fraud and Forgeries had a total of ₦12.59 billion or 88.71% of Industry Total of ₦14.19 billion as at the quarter-ended March 31, 2021 while, the top five banks with the Highest Actual loss accounted for a total of ₦1.54 billion or 87.31% of Industry Total of ₦1.76 billion as at March 31, 2021.

- iv. **Report on Status Enquiry Requests (Fit & Proper)**
As at 31 March 2021, a total of 397 requests were received from the CBN, SEC, PENCOM and NAICOM. All the requests were treated and forwarded back to the respective agencies.
- v. **Mobile Money Operations (MMO)**
There were 30 licensed MMOs as at March 31 2021. Thirteen (13) of the MMOs were bank-led, while Seventeen (17) were non-bank-led. Out of the Thirty (30) licensed MMOs, twenty-five (25) active MMOs rendered Returns while the remaining Five (5) had not rendered Returns to the NDIC.
- vi. **Dismissed/Terminated Bank Staff**
All the twenty-Eight (28) banks and Two (2) non interest banks rendered Returns to the Corporation on Dismissed/Terminated Staff for Q1 2020. Total of Ninety-two (92) staff or 0.10% of the Total Industry Staff of 93,171 were dismissed/terminated during the review period.

5.0 Enterprise Risk Management Activities

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

- 5.1 A report on the risk profile of the Corporation as at 31 December 2020 was submitted for consideration by the Senior Management and Board Committee on IT/Corporate Strategy.
- 5.2 The 2021 Risk Forecast of the Corporation was developed highlighting key risks that could impede the achievement of the NDIC mandates and objectives and recommended mitigants to reduce their likelihood and/or impact if they crystalize.
- 5.3 As part of the continual improvement plan, the Corporation successfully migrated from ISO 22301:2012 to 22301:2019 on Business Continuity Management Systems (BCMS) and have continued to maintain: actions to address risks and opportunities; Lessons Learnt Register; Incident Log; and BCMS Issues Tracking/Management Log.
- 5.4 The Annual Risk Monitoring Exercise on the implementation of ERM Framework conducted for the NDIC Head office, Zonal Offices and some Departments/Units/Offices in Lagos Office.

6.0 Collaboration and Public Awareness Activities

During the period under review, the Corporation implemented various public awareness initiatives focusing more on media relations, corporate awareness events, social media/digital/radio/TV engagements, participation in International Trade fairs/exhibitions and legislative liaison. Such strategic awareness initiatives included:

6.1 Press Releases and Broadcast of Special Events

- 6.1.1 The Corporation issued press releases during Q1, 2021 under the captions (i) "SENATE CONFIRMS HASSAN, IBRAHIM AS NDIC'S MD/CE, ED" (ii) "NDIC boss charges ICAN member-auditors on accuracy, integrity" and a rejoinder (iii) "The judgment in Winners Diagnostics & Research Institute Ltd. vs. Ecobank Nigeria Ltd. & 7 Ors. Case No. IST/OA/03/19: NDIC's reaction thereto". The rejoinder was released to clarify the NDIC's position on the judgment of the Investment and Securities Tribunal in respect of the court case under reference.
- 6.1.2 The Corporation provided publicity on (i) the assumption of duty by the MD/CE and ED (Ops) on the Network Services of the NTA, AIT, FRCN and the print media and (ii) the 2021 capacity building workshop for law enforcement agencies on NTA, TVC, FRCN and over ten (10) national dailies.

6.2 Social Media Public Awareness:

In view of the restrictions imposed on its other public awareness initiatives by the COVID-19 Pandemic, the Corporation had placed premium on the optimization of its social media handles such as Facebook, Instagram, Twitter, LinkedIn and YouTube social media platforms. Different creative and engaging live and explainer videos, graphics and infomercials on different aspects of the Corporation's mandate and financial literacy campaigns were created and deployed on all the social media handles.

Through these efforts, the Corporation recorded a total number of 144 posts across various social media platforms in Q1, 2021 compared to 177 posts in Q4, 2020.

7.0 Legal Activities

The major legal activities of the Corporation during Q1 2021 were as follows:

- 7.1 Continued to monitor a total of 15 criminal prosecutions in various courts and 34 ongoing investigations with the (FMIU). The department continued to review and make inputs into various financial legislations referred to the Corporation by the National Assembly.
- 7.2 Made input into the following financial legislations referred to it by the National Assembly and also attended public hearing with respect to those bills: (i) The Loan Recovery Regulations Bill 2020 (ii) The Asset Management Corporation of Nigeria (Amendment No. 3) Bill, 2021 SB 669.
- 7.3 Embraced the adoption of the approved standard contract format by Bureau of Public Enterprise and vetted/reviewed 47 Contract Agreements in line with the new format.
- 7.4 Continued to monitor civil litigations at various courts regarding its debt recovery of various sums of money owed Banks In-liquidation. Also, monitored application

and registration of Vesting Orders of 27 Properties belonging to banks in-liquidation during the review period.

8.0 Challenges

Despite these achievements, the NDIC is still confronted with the following major challenges:

- i. Delay in the amendment of the NDIC enabling Act.
- ii. Difficulty in the execution of judgment debts.
- iii. Protracted legal processes due to frequent adjournment of cases.
- iv. Inadequate documentation on borrowers' information by failed banks.
- v. Difficulty in debt recovery and realization of physical assets of failed banks due to non-availability of some title documents, protracted litigation on ownership of title documents of debtors and remote locations of properties.
- vi. Apathy of customers of some failed banks with small balances, especially those without alternative bank accounts and those with inadequate documentation to file their claims.
- vii. Unwilling attitude of high net-worth debtors of failed banks to liquidate their debts.
- viii. The Impact of the Fiscal Responsibility Act (FRA) of 2007: Compliance with the FRA Act, 2007 had impaired the growth of the General Reserve Fund (GRF) and, by extension, the growth in the Funds available for both failure resolution and deposit-payoff.
- ix. Inadequate public awareness on the Deposit Insurance System.

9.0 Conclusion

As one of the components of the Nigerian financial safety-net, the NDIC has continued to engender public confidence and contribute to the stability of the financial system. The Corporation through its various activities has consistently pursued the achievement of its public policy of depositor protection and the promotion of safe and sound banking practices.