

REPORT OF THE MANAGING DIRECTOR/CEO



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Managing Director/CEO

It is my pleasure to present to you the report of activities of the Nigeria Deposit Insurance Corporation (NDIC) for the year ended 31st December, 2014. The NDIC continued in 2014 to operate its broad mandate of deposit guarantee, bank supervision, failure resolution and bank liquidation. The NDIC, working within its mandate and in collaboration with other safety-net participants, had protected depositors of insured deposit-taking financial institutions and contributed to the restoration of confidence, stability and soundness in the Nigerian banking industry in particular and the financial system in general. This report presents a review of the mandate as well as achievements of the NDIC in 2014 and highlights its future prospects.

1.0 Deposit Guarantee

In the discharge of this mandate, the NDIC paid a cumulative sum of ₦6.831 billion insured deposits to 529,046 depositors of the 49 closed DMBs as at 31st December, 2014 as against ₦6.824 billion paid to 528,277 depositors as at 31st December, 2013. It is important to note that the operating licence of African International Bank Ltd was formally revoked by CBN in September 2013 bringing the number of closed DMBs to 49. Also, as at 31st December, 2014, a cumulative amount of ₦2.772 billion was paid to 80,178 depositors of the closed 187 MFBs as against ₦2.524 billion paid to 75,571 depositors as at 31st December, 2013. Furthermore, cumulative payment of ₦2.02 million had been made to 30 depositors of the closed PMBs in 2014. The NDIC continued to pay the remaining depositors through branches of agent banks nearest to the locations of their closed MFBs during the year under review. The insurance cover during the year had remained at ₦500,000 and ₦200,000 for the DMBs and MFBs/PMBs respectively.

2.0 Supervision

In the year under review, the NDIC continued to discharge its responsibility of promoting safe and sound banking practices in the financial system through the supervision of insured institutions in conjunction with the CBN. The supervision was carried out through on-site examination and off-site surveillance, using the risk-based supervisory approach which optimizes supervisory resources and encourages prudent risk management by banks. In the year under review, the NDIC and CBN conducted the Maiden Examination of FBN Holding Company Plc, FCMB Group Plc and StanbicIBTC Holding Plc. In collaboration with the CBN, it also carried out Risk Assets Assessment as well as Foreign Exchange Examination of all the 24 DMBs. That was to ascertain the quality of their risk assets and adequacy of loan loss provisioning for the

purpose of approval of the banks 2013 annual accounts as well as the extent of compliance with foreign exchange regulations. In addition, it conducted RBS examination of Jaiz Bank Plc. and the non-interest window of the Stanbic IBTC Bank. In line with the RBS approach, a joint CBN/NDIC RBS examination of all the twenty-four (24) DMBs was also conducted. The examination revealed that some banks had issues of weak corporate governance, inadequate risk management practices, non-implementation of Examiners' recommendations, loan and deposit concentration, as well as breaches of banking regulation. However, most banks posted profit and recorded improved non-performing loans (NPL) ratios during the year under review.

The NDIC also carried out special investigations of thirty-two (32) complaints/petitions received from bank customers and other stakeholders. The allegations and complaints were mainly in respect of excessive interest charges, breach of trust, unlawful conversion of deposits, un-credited lodgements, arbitrary closure of customers' accounts, insider abuse and ATM frauds. Investigation on the complaints/petitions had been concluded and findings from these special investigations had led to refunds to affected bank customers. Through such investigations, the NDIC was able to send a strong signal to bank operators against unethical banking practices. These measures were aimed at promoting safety and soundness of the banking sector as well as engendering depositor confidence in the system. In the same vein, the NDIC in collaboration with the CBN also supervised the activities of the Microfinance Banks and Primary Mortgage Banks during the year under review.

3.0 Failure Resolution

It should be noted that the banking licence of Savannah Bank of Nigeria (SBN) Plc was revoked by the CBN in 2002 but restored by the court in 2009. In 2014, the NDIC in collaboration with the CBN continued to make concerted efforts to get the bank to resume operations in the interest of its depositors and customers who had suffered untold hardship since the closure of the bank. Accordingly, the Joint Committee of the CBN and NDIC earlier set up to engage with the bank owners to facilitate the commencement of operations of the bank had continued work assiduously with them to ensure the achievement of that objective.

During the year under review, AMCON successfully divested from 2 out of 3 banks it acquired from NDIC under the bridge bank failure resolution mechanism in September 2011. The two banks, Mainstreet Bank Ltd and Enterprise Bank Ltd were acquired by Skye Bank Plc and Heritage Bank respectively. The NDIC will continue to monitor the integration of the institutions to ensure that depositors' funds are protected.

4.0 Bank Liquidation

In the year under review, the NDIC continued the liquidation of closed DMBs through asset realization and payment of liquidation dividends to un-insured depositors and

other eligible claimants. Accordingly, with respect to asset realization, the NDIC had recovered a cumulative sum of N26.74 billion from debtors of DMBs in-liquidation as at 31st December, 2014 as against N25.31 billion as at 31st December, 2013. Similarly, a total cumulative recovery of N127.64 million was realized from debtors of closed MFBs in 2014 as against the sum of N45.33 million realized in 2013. In the same vein, a cumulative sum of N20.91 billion was realized from the disposal of physical assets of closed DMBs in 2014 as against N19.77 billion in 2013; while the sum of N224.79 million was realized from the disposal of physical assets of closed MFBs in 2014 as against N173.30 in 2013. As a result of all these efforts, the NDIC paid a cumulative liquidation dividend of N94.737 billion to un-insured depositors of closed DMBs in 2014 as against N93.512 billion paid in 2013. Also, a cumulative liquidation dividend of N1.247 billion was paid to 889 un-insured creditors of DMBs out of N1.728 billion declared for 9 DMBs in-liquidation. Furthermore, the sums of N551.41 million, N620.00 million and N860.55 million cumulative liquidation dividends had been paid to shareholders of Alpha Merchant Bank, Nigeria Merchant Bank and Pan African Bank in-liquidation as at 31st December 2014, respectively.

5.0 Deposit Insurance Fund

To ensure prompt reimbursement of depositors of closed insured institutions, it is imperative for every Deposit Insurance System (DIS) to be adequately funded at any point in time. Funding of DIS is usually done through premium contribution by insured financial institutions. The cumulative premium contributed by insured institutions is referred to as deposit insurance fund (DIF). The NDIC currently maintains 3 Funds, namely: the Deposit Insurance Fund (DIF) for deposit money banks; the Special Insured Institutions Fund (SIIF) for other insured deposit-taking financial institutions such as Microfinance Banks (MFBs) and Primary Mortgage Banks (PMBs), and the Non-interest Deposit Insurance Fund (NIDIF) for non-interest deposit-taking financial institutions.

As at 31st December, 2014, the DIF stood at N614.16 billion as against N508.06 billion reported as at 31st December, 2013. That was an increase of N106.10 billion or 20.88% over the 2013 figure. Similarly, the SIIF increased by 23.39% from N57.71 billion as at 31st December, 2013 to N71.21 billion as at 31st December, 2014. In the same vein, the NIDIF increased by 594.11% from N0.017 billion as at 31st December, 2013 to N0.118 billion as at 31st December, 2014.

6.0 Financial Performance

The NDIC had continued to prepare its financial statements on the basis of International Financial Reporting Standard (IFRS) and in line with the requirements of the Financial Reporting Council of Nigeria (FRCN).

The Total Operating Income of the NDIC increased by 28.73% from N66.94 billion as at 31st December, 2013 to N86.17 billion as at 31st December, 2014. Total Operating Expenses increased by 22.77% from N24.73 billion as at 31st December, 2013 to N30.36

billion as at 31st December, 2014. The net surplus of operating income over operating expenses for 2014 and deposit insurance fund stood at 138.81 billion as against 114.18 billion in 2013, after remittance of 15.38 billion to the FGN Consolidated Revenue Fund Account.

7.0 Organisational Development

In the year under review, the Enterprise Risk Management Unit (ERMU), which had been a Unit since February 2009, was upgraded to a full-fledged Department. That was to reflect the importance of ERM to the NDIC's operations. The Department reports directly to the Managing-Director/CEO of the NDIC.

8.0 Public Awareness Initiatives

Public Awareness is germane to the activities of the NDIC, as small and uninformed depositors usually constitute the majority who suffer most in the event of any bank closure. In the year under review, the NDIC continued to carry out a number of public enlightenment programmes to sensitize the public and its major stakeholders on its activities. Some of the public awareness initiatives carried out in the year included: airing of several television programmes in various television stations (including the popular programme captioned 'NDIC Calling'); sponsorship of radio programmes and jingles and aired in the three major Nigerian languages as well as in Pidgin English; sponsorship of newspaper publications and press releases in major national dailies; organization of workshops for Financial Correspondents Association of Nigeria (FICAN); organization of academic excursions for students; sensitization of Youth Corpers in their orientation camps across the country; maintenance of a robust and interactive Website - www.ndic.gov.ng; participation at the 2014 International Trade Fairs; and use of social media platform to broaden awareness about the NDIC and its activities.

In addition, as part of its public awareness and consumer protection initiatives, the NDIC had continued to maintain a 24-hour Help Desk facility to attend to complaints/inquiries from members of the general public. The establishment of the Helpdesk in 2010 had enhanced the ability of the NDIC in fostering financial literacy and consumer protection in the nation's financial system as enquiries and complaints by the public were attended to promptly.

9.0 Capacity Building Activities

Human resource is the greatest asset that requires to be continuously upgraded. Accordingly, the NDIC continued to place great emphasis on staff training and development to ensure its staff are motivated and encouraged towards achieving excellence. In that regard, training programmes under the following categories were administered; in-house training, local training, overseas training and mandatory continuing professional education (MCPE) training. Accordingly, a total of 2,677 staff benefited from various training programmes within the year, as against 1,864 who

benefitted in 2013, representing an increase of 813 or 43.61%. The breakdown indicated that 2067 and 330 staff benefitted from local courses and MCPE respectively, while 280 staff benefitted from overseas training programmes.

10.0 Enhancement of Processes and Systems

The NDIC successfully changed its domain name by migrating from www.ndic.org.ng to www.ndic.gov.ng thus complying with the directive of the Federal Government. Also, the NDIC upgraded its email platform from the 2007 version to the latest version known as 'Exchange 2013' which had added benefits of improved functionality, reliability and usability. In addition, the instant messaging platform (Lync) was deployed to enhance workplace productivity through collaboration.

The NDIC implemented Comprehensive Data Protection software in order to ensure server backup and recovery across both physical and virtual environments as well as a mobile device management solution to tackle the probable loss of data in the event of stolen or misplaced devices. Server virtualization was also implemented for the purpose of reducing energy consumption, minimizing datacentre footprint, faster server provisioning, increased uptime and improved disaster recovery. In addition, IP based telephony system was deployed at the Head Office to replace the traditional PABX system. The IP System guarantees cost savings in management, maintenance, phone call costs and additional benefits of added business collaboration and efficiencies.

Also, for the proper management of significant risks that are likely to impede the effective discharge of the NDIC's mandate, the NDIC went live with the use of the Enterprise Risk Assessor (ERA) Application, as all risk reports across the NDIC were being rendered via ERA. To safeguard its records, the NDIC's documents in Abuja and Lagos Offices from 1989-1999 had been fully digitized.

The automation of the Performance Management System (PMS) was concluded and the 2014 Performance Planning and Staff Performance Appraisal exercises were successfully conducted with the aid of PMS application. The application had significantly enhanced the quality of performance reports.

11.0 Research Studies and Surveys

In order to continuously enhance the effectiveness of its operations, the NDIC had continued to undertake research projects and publish the findings. During the year under review, the following research projects were published:

- Issues in Funding of Deposit Insurance System: Lessons for Nigeria.
- The Role of Microfinance Banks in the Economic Development of a Nation.
- Building Blocks to Sustainable Banking Practice in Nigeria.
- The Impact of Interest Rate Deregulation on Financial Deepening in Nigeria.
- The Impact of Mergers and Acquisitions on the Growth and Survival of Banks in

Nigeria: Case Studies of United Bank for Africa Plc and Access Bank Plc.

12.0 Collaborative Efforts (Local and International)

During the year under review, NDIC sustained its collaboration with various local and international agencies for the purpose of achieving mutual benefits through knowledge and experience sharing. Thus, the NDIC participated in meetings, conferences, workshops and seminars organized by IADI secretariat and other Deposit Insurance organizations around the world. As part of collaboration a Memorandum-of-Understanding (MoU) between the NDIC and Bank Guarantee Fund (BGF), Poland was signed during the year under review. The MoU sought to promote cooperation and collaboration on common areas of interest for both countries.

13.0 Corporate Social Responsibility (CSR)

During the period under review, the NDIC continued to finance projects under CSR. It considered it compelling to extend the CSR beyond tertiary institutions. Accordingly, the NDIC Supervisory Board approved the expansion of the project scope to include secondary schools and community-based facilities. Under its Project Support Scheme initiative, the NDIC executed projects in several tertiary institutions and secondary schools as well as constructed some community-based clinics across the country.

14.0 Focus for Future

In view of the significant fall in the price of crude oil in the international oil market and its attendant effects on the Nigerian economy, and the banking system, the NDIC will continue to strengthen all aspects of its functions to ensure a safe and sound financial system.

15.0 Conclusion

The year 2014 was quite remarkable as the NDIC had accomplished a lot in the fulfilment of its mandate. The NDIC will continue to direct its efforts and resources to strengthen its state of operational readiness and effectiveness towards advancing the achievement of its mandate. As an integral part of the financial safety-net, the NDIC will continue to contribute to the stability of the financial system through effective depositor protection and the promotion of safe, sound and stable banking system in Nigeria.

I thank the Board, Management and staff for their support and commitment to the discharge of our mandate. I enjoin us to rededicate ourselves towards promoting improved performance in the discharge of our responsibilities.



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