

## REPORT OF THE MANAGING DIRECTOR/CEO



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Managing Director/CEO

*I am pleased to present the report of the activities of the Nigeria Deposit Insurance Corporation (NDIC) for the year ended 31st December, 2015. The NDIC operates a deposit insurance system (DIS) with a broad mandate of deposit guarantee, bank supervision, failure resolution and bank liquidation. In the year under review, the NDIC, in collaboration with other safety-net participants, had continued to achieve its public policy objectives of protecting depositors, sustaining public confidence and contributing to financial system stability. This report reviews the activities and accomplishments of the NDIC in 2015 against its mandate.*

### 1.0 Deposit Guarantee

In the year under review, the NDIC paid a cumulative sum of ₦6.796 billion insured deposits to 426,324 depositors of the 48 closed DMBs as at 31st December, 2015 as against the sum of ₦6.795 billion paid to 426,320 depositors as at 31st December, 2014. In addition to the payment in respect of the 48 banks, it should be noted that the depositors of the three (3) bridge banks were fully covered while the insured deposits of African International Bank (AIB) had been paid. Also, as at 31st December, 2015, a cumulative amount of ₦2.86 billion was paid to 81,328 depositors of the 187 closed MFBs as against ₦2.77 billion paid to 80,178 depositors as at 31st December, 2014. For the closed PMBs, cumulative payment of ₦45.05 million had been made to 595 depositors as at 31st December, 2015 as against ₦2.02 million paid to 30 depositors in 2014.

Furthermore, the NDIC introduced Pass-Through Deposit Insurance (PTDI) for subscribers of Mobile Money Operators (MMOs) in Nigeria during the period under review. The new insurance scheme seeks to promote financial inclusion, as well as protect and ensure the safety and stability of mobile payment system (MPS) in the country. With this scheme, subscribers of MMOs are guaranteed the payment of the sum of ₦500,000 in the event of a failure of a DMB where MMOs maintain pool account.

### 2.0 Bank Supervision

The NDIC continued to discharge its mandate of supervision of insured financial institutions in collaboration with the CBN. The supervision was done through on-site examination and off-site surveillance using the risk-based supervisory approach which optimises supervisory resources and encourages prudent risk management by banks. In the year under review, the NDIC and CBN conducted the Risk Assets examination of 24 DMBs (including a non-interest bank) to assess the quality of their risk assets, the

adequacy of their loss provision figures as well as their weighted capital ratios to facilitate the approval of their 2014 annual accounts. The NDIC in collaboration with the CBN also carried out the Risk-Based Examination of 23 DMBs in the system. In addition, it conducted a joint examination of Jaiz Bank Plc. and Stanbic-IBTC Non-Interest Window. Also, the risk-based examinations of FCMB Group Plc and Stanbic-IBTC Holdings Plc were jointly carried out by CBN/NDIC in 2015. The essence of the examination was to determine the financial condition of the insured banks and their compliance with banking rules and regulations. Furthermore, the NDIC, in collaboration with CBN and other member agencies of the Financial Services Regulation Coordinating Committee (FRSCC), conducted a pilot Consolidated Risk-Based Examination of FBN Holdings Plc. The joint CBN/NDIC examinations revealed continued existence of some weaknesses in the DMBs.

In addition, the NDIC and CBN monitored the implementation of recommendations contained in the examination reports to ensure compliance. The NDIC also investigated 47 petitions/complaints received from bank customers and other stakeholders and ensured that, where necessary, the affected customers' complaints were appropriately addressed. The complaints were mostly on ATM frauds and conversion of cheques to suppress deposits, amongst others.

During the year under review, the NDIC conducted risk-based examination of 205 MFBs and 6 PMBs. The outcome of the examination indicated that some of the institutions were incapable of honouring their customers' obligations as and when due. The regulatory authorities were considering appropriate resolution options.

### **3.0 Failure Resolution**

In the year under review, the NDIC and CBN continued to make efforts to ensure that Savannah Bank Plc., whose banking licence was revoked by the CBN in 2002 and restored by the court in 2009, resumes operation in the interest of its depositors and customers. The joint committee of the NDIC and CBN earlier set up to engage with the bank owners to facilitate the commencement of operations of the bank had continued to work relentlessly to achieve that objective.

### **4.0 Bank Liquidation**

During the period under review, the NDIC had continued to play its role as liquidator of closed DMBs as well as MFBs/PMBs through the realisation of assets of the closed banks and payment of liquidation dividends to un-insured depositors and other eligible claimants. In that regard and with respect to asset realization, the NDIC had recovered a cumulative sum of N27.41 billion from debtors of DMBs in-liquidation as at 31st December, 2015 as against ~~N~~26.75 billion recovered in 2014. Similarly, a cumulative recovery of N125.61 million was realized from debtors of closed MFBs in 2015 as against the sum of ~~N~~124.38 million realized in 2014, representing an increase of 0.99%. The debt recoveries for the PMBs amounted to ~~N~~24.73 million.

In respect of physical assets, the cumulative sum of ₦21.21 billion was realized from the disposal of physical assets of closed DMBs in 2015 as against ₦20.91 billion in 2014 while the sum of ₦341.08 million was realized from the disposal of physical assets of closed MFBs in 2015 as against ₦224.79 million in 2014. As a result of all these efforts, the NDIC paid a cumulative liquidation dividend of ₦95.77 billion to un-insured depositors of closed DMBs in 2015 as against ₦94.74 billion paid in 2014. Also, a cumulative liquidation dividend of ₦1.26 billion was paid to 965 creditors of DMBs out of ₦1.72 billion declared for 10 DMBs in-liquidation.

Furthermore, the NDIC paid the sum of ₦9.85 million to 74 shareholders of the defunct Alpha Merchant Bank, Rims Merchant Bank, Cooperative and Commerce Bank and Continental Merchant Bank in-liquidation in 2015. That brought the cumulative liquidation dividend paid to the 550 shareholders of the six defunct DMBs, namely: Alpha Merchant Bank, Rims Merchant Bank, Cooperative and Commerce Bank, Continental Merchant Bank, Nigeria Merchant Bank and Pan African Bank to ₦2.41 billion as at 31st December, 2015 as against ₦2.03 billion paid to 453 shareholders in 2014.

## 5.0 Insurance Fund

The importance of adequate funding for a Deposit Insurer cannot be over-emphasised. A robust insurance fund (IF) guarantees prompt reimbursement of depositors of closed insured institutions. Funding of DIS is usually done through premium contribution by insured financial institutions. The NDIC currently maintains 3 Funds, namely: the Deposit Insurance Fund (DIF) for deposit money banks; the Special Insured Institutions Fund (SIIF) for MFBs and PMBs, and the Non-interest Deposit Insurance Fund (NIDIF) for non-interest banks.

As at 31st December, 2015, the DIF stood at ₦725.58 billion as against ₦614.16 billion recorded as at 31st December, 2014. That was an increase of ₦111.42 billion or 18.14% over the 2014 figure. Similarly, the SIIF increased by ₦6.28 billion or 8.82% from ₦71.21 billion as at 31st December, 2014 to ₦77.49 billion as at 31st December, 2015. In the same vein, the NIDIF increased by ₦0.12 billion or 100% from ₦0.12 billion as at 31st December, 2014 to ₦0.24 billion as at 31st December, 2015.

## 6.0 Financial Performance

The NDIC had continued to comply with the requirements of the laws and standards in the preparation of its financial statements. Accordingly, the NDIC complied with the International Financial Reporting Standards (IFRS) and the requirements of the Financial Reporting Council of Nigeria (FRCN) in the preparation of its 2015 financial statements.

The total operating income of the NDIC increased by 20.39% from ₦86.17 billion as at 31st December, 2014 to ₦103.74 billion as at 31st December, 2015. Total Operating

Expenses increased by 16.27% from ₦30.36 billion as at 31st December, 2014 to ₦35.30 billion as at 31st December, 2015. The net operating surplus and insurance premium stood at ₦148.04 billion as at 31st December, 2015 as against ₦138.81 billion as at 31st December, 2014.

The NDIC remitted the sum of ₦24.19 billion to the Consolidated Revenue Fund of the Federation in 2015 as against ₦15.38 billion in the previous year.

## **7.0 Institutional Development**

In the year under review, two new departments were created, namely: Engineering and Technical Services (ETS) and NDIC Academy. The creation of the ETSD was predicated on some key building projects which the NDIC was to embark on in the next few years; while the upgrade of the Academy to a directorate status was based on a consultant's recommendation which was accepted by the board.

## **8.0 Public Awareness Initiatives**

Public awareness is an essential ingredient in the administration of a DIS and it plays a significant role in engendering public confidence in the financial system. Public awareness is targeted at depositors and other stakeholders, particularly small and uninformed depositors who constitute the majority and who suffer most in the event of a failure of an insured deposit-taking financial institution. During the period under review, the NDIC continued to embark on several public awareness initiatives including: Airing of several television programmes in the three major languages in the country; sponsorship of various radio and television jingles; sponsorship of newspaper publications and press releases; participation in all the major international trade fairs across the country; sensitization seminars for members of the National Youth Service Corps (NYSC) in 14 states across the six geo-political zones of the country; workshop for Financial Correspondents Association of Nigeria (FICAN); and, the use of robust and interactive social media platforms to broaden awareness on NDIC and its activities.

Furthermore, the NDIC in 2015 introduced two (2) courses on Deposit Insurance (DI) to Nigerian Universities to further boost public understanding of the concept and practice of deposit insurance in Nigeria.

## **9.0 Capacity Building Activities**

One of the most important assets of any organisation is its human capital. In realisation of that fact, therefore, the NDIC had continued to place emphasis on capacity building by ensuring that staff acquired necessary skills that would enable them perform effectively. In the year under review, the NDIC administered the following capacity building programmes: in-house training, local training, overseas training and mandatory continuing professional education (MCPE) training. Accordingly, a total of 2,737 participants benefited from various training programmes within the year, as against 2,677 who benefited in 2014, representing an increase of 60 or 2.24%. The

breakdown indicated that 2,304 participants benefited from Local/ in-house training, while 399 and 34 benefited from MCPE and Overseas programmes respectively.

Also, in the year under review, NDIC deployed an e-Learning portal and some of the courses of the NDIC Academy were uploaded on the portal. The platform seeks to enhance job effectiveness, career growth and productivity of staff.

### **10.0 Enhancement of Processes and Systems**

During the year under review, the NDIC implemented System Centre Operations Manager. The software enabled system administrators to be in tune with the health of the computer environments so as to guarantee high availability and operational efficiency. The NDIC had also identified and hosted critical servers of the NDIC with a tier three data centre for disaster recovery purposes. That exercise would enable NDIC migrate to the other site easily without any loss of data. In addition, Knowledge Management/e-Learning platform was deployed to enable staff learn from subject-matter experts within the NDIC on different subject areas. The platform would complement the traditional classroom-based training for staff.

The NDIC created a system of transmitting meeting documents and invitations online. That had helped in cutting down on paper usage, enhanced efficiency and improved meeting productivity. Furthermore, the NDIC had commenced the process of certification with the International Standardization Organization (ISO) 27001. The certification with ISO 27001 would ensure that proper controls were put in place which would facilitate proper risk management.

### **11.0 Research Studies and Surveys**

The NDIC had continued to conduct research in relevant areas and publish the findings for access by all stakeholders with a view to improving its processes, performance and operations. Accordingly, the following research studies were conducted and published:

- A Synthesis of Grameen Microfinance Model: Lessons for Nigeria.
- Case Study of Bank Failures in Nigeria.
- Analysing Financial System Stability.
- Measuring and Managing Systemic Risk in the Nigerian Banking System.

### **12.0 Collaborative Efforts (Local and International)**

In its efforts to strengthen its operations and performance through partnership, information and experience sharing, the NDIC continued to collaborate with various local and international agencies in order to derive mutual benefits. Accordingly, the NDIC participated in various meetings, conferences, seminars and workshops organised by IADI Secretariat and other Deposit Insurance Agencies around the world. As part of the collaboration, the World Bank extended technical assistance to the NDIC in the development of a target fund ratio framework.

### 13.0 Future Outlook

The continued fall in the crude oil price at the international oil market had impacted negatively on government's fiscal position. As a result, government took policy measures including ensuring effective aggregate control and management of cash balances. The combined effects of the fall in crude oil price and government's cash management policy impacted significantly on the banking system particularly banks' exposure to the oil and gas sector. Going forward, developments such as these could redefine the focus of banking in Nigeria. The NDIC would therefore continue to strengthen all aspects of its functions to address any emerging challenge that might likely affect the banking system in the future.

### 14.0 Conclusion

During the year under review, the NDIC recorded remarkable accomplishments in the fulfilment of its mandate. As a component of financial safety-net, the NDIC would continue to strive for excellence in the discharge of its mandate and contribute to the stability of the Nigerian financial system.

Finally, I wish to thank the Board, Management and Staff for their dedication and commitment to duty. In the same vein, I wish to appreciate and commend our regulatory colleagues in the financial services industry for their support and cooperation. I enjoin all staff to remain focused in the discharge of our responsibilities in order to enable the NDIC discharge its mandate more effectively and efficiently.



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