

FAILURE OF CITY EXPRESS BANK

1.0 INTRODUCTION

The bank was originally licenced as Industrial Bank Limited (Merchant Bankers) on 26th October 1988 to render merchant banking services. It was a Private Limited Liability Company promoted by a group of investors led by an entrepreneur. The bank commenced operations on 15th November 1988 from its corporate Head Office located in Victoria Island, Lagos. The bank took advantage of CBN's policy of promoting competitive equity and fair competition by removing the dichotomy between Commercial and Merchant Banks. It therefore converted to commercial banking status on 9th July 1999 and its name was changed to City Express Bank Limited. The change of status enabled the bank to establish a network of 31 branches across Nigeria between 1999 and January 2006. It was also able to grow its volume of business at a faster rate as reflected in the 5-year financial summary provided in Table 1 below:

Table 1

	FINANCIAL INDICATORS: 1998 – 2002			<u>N' Millions</u>	
	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Loans & Advances	4,830	4,282	1,570	1,022	758
Total Assets	13,241	15,649	7,982	2,196	1,489
Deposit & Current A/Cs	9,389	9,990	3,596	1,492	1,053
Total Liabilities	11,620	14,440	7,252	1,609	1,273
Shareholders' Funds	1,621	1,209	730	587	216
Gross Earnings	3,461	2,429	1,013	410	341
Profit Before Tax	473	678	248	77	49
Profit After Tax	412	573	208	52	33

From the above, it is apparent that the bank's financial condition took a declining trend in 2002 when compared with the previous year. Total deposits, total assets and total liabilities and profit before tax declined. However, caution should be exercised in applying the above financial statement statistics to assess the bank's performance because Bank Examiners had since 1997 highlighted the fact that the bank had consistently under-provided for deterioration of its risk assets portfolio. The analysis of the bank's performance in the next section would show that the management had engaged in financial misreporting and manipulation of prudential returns filed with the Regulatory Authorities.

The rest of this case study is organized into five sections. Section 2 reviews the bank's performance while section 3 focuses on regulatory intervention. Section 4 identifies the core reasons for failure while Section 5 discusses failure resolution. Section 6 covers lessons learnt and conclusion.

2.0 OVERVIEW OF BANK PERFORMANCE

The CAMEL (Capital Adequacy, Asset Quality, Management, Earnings and Liquidity) parameters would be utilized to analyse the bank's performance based on available information. The various CAMEL components are discussed below:

2.1 Ownership, Board and Management

At the time the bank was licenced in 1988, board-based ownership was one of the condition precedents to grant of banking licence. That condition was later relaxed in the spirit of the liberalization and deregulation reform agenda for the banking sector. The principal promoter of the bank took advantage of that liberalization to turn the bank into a closely-held financial institution. Overtime the direct and indirect shareholding of Board Chairman increased to 78.74% while that of his daughter, the Managing Director increased to 15.26%. With the combined equity holding of 94% by a nuclear family, the bank effectively became a family business. The stranglehold of the duo was used to perpetrate malpractices as shown below, that expedited the bank's journey to failure. The composition of the Board of Directors was designed to undermine sound corporate governance principles. A Six-Member Board

structure was maintained for the better part of the bank's life. By way of illustration, the Board composition in 1994 and 2005 is presented below:

28th February 1994

Prince Samuel Adedoyin – Chairman
Chief E. Ayo Awodeyi – Managing Director
Mr. A.A. Abidogun – Director
Alh.LabaranKago – Director
Mrs. OlusolaAdeoti – Executive Director
Mr. KayodeFolorunsho – Director

30th September 2005

Prince Samuel Adedoyin – Chairman
Mrs.OlusolaAdeoti – Managing Director
Prof. Oladimeji Awe – Director
Chief Emmanuel Adetunji – Director
Mr. KayodeFolorunsho – Director
Mr. Shehu Jafiya – Executive Director

Both CBN and NDIC Examiners recommended that the Board be enlarged to create an effective committee structure but that was not heeded by the Board. For example, while the CBN recommended that the Board which comprised 5 members in 2000 be enlarged, NDIC Examiners found that the Board had reduced to four in 2001 due to the resignation of an Executive Director. This is indicative of lack of appreciation of the role of a Board in providing strategic direction as well as inclination to run the bank as a family business.

Corporate governance was very poor throughout the bank's existence. The small size of the Board was a hindrance to the establishment of Board Committees to oversee major activities of the bank. The Board Credit Committee (BCC) was chaired by the Board Chairman in violation of CBN circular prohibiting such arrangement. The CBN 1997 Examination Report specifically recommended that the Board Chairman should relinquish the chairmanship of the BCC but it was ignored. The same recommendation which was repeated in the 2004 NDIC Routine Examination Report was equally ignored. Worse still, was the observation of NDIC Examiners that the Board had abdicated its responsibility for credit approvals to the BCC. As far back as 1998, CBN Examiners noted that the BCC functions were limited to the consideration and approval of new credits while existing facilities were neither reviewed nor monitored. Therefore, a significant proportion of the credit portfolio was delinquent including insider-related credits. In fact, NDIC

Examiners in 2001 directed that non-performing director-related credits should be regularized within three months failing which, appropriate sanctions would be applied.

There were several other instances of willful violation of banking laws, rules and regulations. Some examples are listed below:

1. The bank violated the provision of section 6 of BOFIA by opening Branches and Cash Centres without obtaining CBN approvals.
2. The bank engaged in financial misreporting. For example, deposit liability of N15.92 billion was reported as N12.36 billion as at 31st March 2004, which implied N3.56 billion under-reporting in order to reduce its Cash Reserve Requirement obligation to the CBN.
3. The bank increased its equity stake in City Express Securities and Finance and acquired 75% equity interest in Trust and Guarantee Insurance Company without CBN approval as required by the provisions of BOFIA.
4. The Managing Director authorized the International Operations Department to open some accounts for illegal foreign exchange transactions. For example, the following accounts were opened and operated by her:
 - i. FEM Bid Account which had a debit balance of N388,370,000 since 2001
 - ii. Accounts in the name of Rockages Marketers Limited operated by the MD/CEO's spouse and Aldawood Shipping Lines Limited Both accounts were used for illegal foreign exchange transactions.
 - iii. Two accounts in the names of Chain Investment Limited and Yaffa Investment Global Nigeria Limited were being used for disbursing public relations (brokerage fees) to Public-sector officials.
 - iv. Remittances of Foreign Exchange – The sum of \$1,938,816.00 was transferred through UBA, New York and cash of \$512,928.00 was withdrawn. The MD/CEO claimed that the drawings were used for public relations (brokerage fees) on Public Sector deposits and expenses incurred on sourcing

investors for the bank's recapitalization and purchase of Bureau de Change in London Germany and Ghana. But there were no documentations to support the expenses.

There was no evidence that the Board or Management recognized the need for risk management while internal control was at a low-ebb. As far back as 1994, NDIC Examiners noted that the environment was not conducive for effective internal audit function. The Internal Auditor was relieved of his appointment on 28th April 1994 and the position was left vacant. The recommendation that the position be filled within 3months was not heeded. Furthermore, NDIC's recommendation in 1996 that the status of Head of Audit should be commensurate with that of other Heads of Department was ignored while the admonition that the Department should be given adequate management support to enable it perform effectively was not heeded. The Department was usually understaffed hence resident auditors were assigned to cluster of branches. In addition, due to inadequate staffing, Corporate Investment Banking, Commercial and Retail Banking, Corporate Finance, Exports and Energy Departments were not covered. Examiners also noted that the Board Audit Committee did not monitor the correction of audit exceptions nor ensured that Branch Managers who persistently failed to attend to audit exceptions were sanctioned.

It is on record that the bank was accused of fraudulent conversion of the sum of N75.3 million in June 2002 by a company known as Sharp Trade (Nigeria) Limited. According to the law firm of Henry N. Mbajunwa & Associates, which petitioned on behalf of its client, two bank-drafts raised in the name of City Express Bank in May 2002 by Platinum Bank Ltd for the sum of N4million and Manny Bank Ltd for the sum of N71.3million were deposited at the bank's OkeArin Branch on 21st May 2002 for purchase of foreign exchange. After the failure of the branch to deliver the foreign exchange for which the naira equivalent had been received, the prospective purchaser went to the bank's Head Office to protest the non-delivery of the foreign exchange he paid for. He discovered at the Head Office that the bank drafts issued in the name of the bank were credited to the account of its customer known as Alhado Group. The purchaser on 26th June 2002 demanded for a refund of his N75.3million with interest. Rather than make restitution, the bank took a

strange step by writing a petition on 8th July 2002 to the Inspector General of Police (IGP) accusing Alhado Group of Companies and some other persons of conspiracy and stealing. The bank's petition was referred to the Special Fraud Unit (SFU) by the IGP for investigation. The findings of SFU as conveyed by Ade A. Ajakaiye, CP in its Interim Report dated 30th July 2002 were as follows:

1. The drafts issued in the name of City Express Bank were curiously paid into the account of Alhado Group of Companies on the same day.
2. It was a gross act of professional misconduct to have paid drafts issued in favour of a bank into a customer's account.
3. The statement of the bank in its petition to the IGP was not a statement of truth. The bank was clearly economical with the truth.
4. The motive for this transaction was the criminal gains from foreign exchange round-tripping deals.
5. It was expedient upon City Express Bank to urgently pay back to MD of Sharp Trade the sum of N75.3million without delay.

In spite of the unambiguous findings of SFU, the bank resisted making restitution. That made the Solicitor of Sharp Trade to write a petition dated August 8, 2002 to NDIC for its intervention. The matter was eventually resolved by CBN debiting the bank's account and the purchaser credited through its bankers.

The foregoing unethical practices and lapses clearly show that the Board and Management lacked the skill and competence to ensure the bank's viability. It was crystal clear that the bank was being driven on the path to failure.

2.2 Capital Adequacy

Virtually all Bank Examination Reports on the bank since 1996 recommended injection of additional capital to support the volume and character of its business. For example, NDIC reports of 1996, 2001 and May 2004 recommended additional capital injection of N8.2 million, N274.7 million and N381.5 million respectively. The bank's external auditors (KPMG) in its 2001 report also recommended additional capital injection but all the

recommendations were not implemented. The CBN on its part, in 2002 directed the bank not to incur capital expenditure due to its capital deficiency.

The foregoing clearly show that the bank had suffered severe capital erosion beyond the capability of the shareholders before the new minimum capital requirement introduced by CBN in July 2004. That the bank failed to meet that requirement was predictable. The cumulative effect of its capital erosion was that shareholders' fund was negative to the tune of N8.95 billion as at the date of revocation of its licence on 16th January 2006. While the bank claimed to be a member of the still-born Alliance Bank Group, it made no contribution whatsoever to the ill-fated project. The main cause of the bank's capital erosion were provisioning for huge delinquent credits, losses incurred from non-banking activities and misappropriation of the bank's resources.

2.3 Asset Quality

Credit Administration in the bank revealed very poor understanding of credit process which was compounded by suppression of insider-related credit and willful violation of banking laws, rules and regulations. While the credit policy stipulated authorized approval limits for the Board (above N70 million) Board Credit Committee (up to N70 million) and Management Credit Committee (up to N20million) it did not grant authorization limit to various levels of management from the Managing Director down to Branch Managers. The admonition by both CBN and NDIC Examiners that the policy should be reviewed was ignored. Also, the bank failed to undertake quarterly review of credits as stipulated in the Prudential Guidelines issued by CBN. Debt recovery was centralized at the Head Office with little or no involvement of branches that were closer to borrowing customers and therefore was ineffective.

Bank Examiners noted several irregularities in the credit process some of which are listed below:

- i. Un-authorized lending was pervasive bank-wide.
- ii. Several credits were operating in excess of approved limits.
- iii. Some director-related credits were suppressed and not reported to the Regulatory Authorities. The exposure of N1.2 billion to Doyin

- Investment Limited was uncovered by CBN/NDIC Examination conducted in 2005.
- iv. The Management renewed expired and even classified credits in violation of Prudential Guidelines.
 - v. Temporary Overdrafts (TOD) granted for a period of 10 days remain unpaid for 6 months while some TODs were approved without evidence of customers' request.
 - vi. There were instances of violation of the bank's single obligor limit. In 2002, CBN noted director-related exposure of N1.23 billion while the single obligor limit was only N382,901,400.
 - vii. Non-performing credits were under-reported to the tune of N1.28 billion as at September 2005.
 - viii. Concentration of credit was noted with credits totaling N8.93 billion (or 64.11%) of the credit portfolio of N13.93 billion granted to 20 obligors and delinquent.

The credit portfolio which stood at N6,053,044,477 in December 2003 grew by 130% to N13,926,926,492 as at 30th September 2005. The growth was partly accounted for by concealed director-related credits, under-reported non-performing credits and interest accrual on large volume of non-performing credits. According to the CBN/NDIC Special Examination as at 30th September, 2005, N13.16 billion or 94.49% of the credit portfolio was non-performing. Of particular concern, were non-performing credits related to the Chairman, the Managing Director and associated companies which totaled N6,946,862,620 or 52.795 as detailed below:

Chairman	-	N1,359,710,434
Managing Director	-	N756,758,038
Subsidiary Companies	-	N271,517,287
International Operations Dept Trading		
Account subscribed to MD/CEO	-	N2,816,147,311
Companies established with insider		
Relationship	-	<u>N1,742,729,551</u>
TOTAL	-	<u>N6,946,862,620</u>

The fact that non-performing insider-related credits accounted for about 50% of total credit of N13.93 billion was a clear indication that the major shareholders/directors were not interested in the survival of the bank.

Another worrisome feature of the credit process was persistent under-provisioning for credit impairment as noted in various bank examination reports. For example, NDIC reported under-provision of N29 million in 1994 while CBN reported under-provisioning of N9.5 million in 1997, N31.8million in 1998 and N50.7 million in 2000 respectively. Under-provisioning continued to increase until the bank's licence was revoked on 16th January 2006.

2.4 Earnings

The bank was advised by CBN Examiners to embark on cost-reduction measures in view of observed high operating expense throughout the period between December 1996 and November 1998 but the advice was not heeded.

Rather than concentrate on core banking business, the bank indulged in speculative businesses which resulted in a loss of N1.256 billion as detailed below:

i.	Joint sale of petroleum products with some customers	-	N807million
ii.	Commodity trading by importing rice	-	N95million
iii.	Iron Rod trading	-	N70million
iv.	Micro start loan scheme	-	N30million
v.	Investment in City Finance & Securities Ltd	-	N254million

Other malfeasance perpetrated by the Managing Director contributed to the losses sustained by the bank. For example, dollar deposit of \$1,545,000 deposited by two customers at Abuja Branch for safe-keeping was transferred to the Head Office. The management deposited \$1million with Union Bank as clearing collateral while \$512,000 out of the balance of \$545,000 was converted by the Managing Director for personal use according to investigations conducted by the bank's Internal Control and Audit. The bank would be obliged to make full restitution by paying the two depositors their funds because Union Bank had realized the \$1million collateral to reduce City Express Bank's indebtedness to it.

Against the backdrop of under-provisioning and the various malfeasances that took place, the purported profits made by the bank over the years were unrealistic. For example, the bank recorded a profit after tax of N33million in 1998 when under-provision for loan losses was N31.8million.

2.5 Liquidity

The bank relied on expensive and volatile interbank funds and public-sector deposits to fund its operations. Its account with CBN was being overdrawn. For example, CBN in its May 2002 Examination Report recommended that the Board should discuss the overdrawn position of the bank with CBN which had persistently been in debit for over one year. Due to lack of liquidity to bid for foreign exchange at CBN's auctions, the bank's foreign exchange operations was being funded by interbank purchases at rates higher than those obtainable from CBN. The recommendation by NDIC in 2004 that unutilized fixed assets be disposed of to shore up liquidity was ignored.

The deposit profile portended asset and liability mismatch. For example, NDIC's 2004 examination report showed that 62.9% of deposits had 30-day tenor while the bank had granted long-term credits. Given its delinquent

credit portfolio, the resultant effect was serious liquidity crisis. As at May 2004, unstable public-sector depositors stood at N8.64billion and accounted for 53.97% of deposit liability while private deposits which stood at N7.37billion accounted for 46.03%. At the peak of its liquidity crisis in 2004, the bank applied to NDIC for a Special Liquidity Support of N4billion. Given that NDIC does not grant uncollateralised facility, the bank was requested to provide acceptable collateral. In response, the bank submitted title documents of seven landed properties it intended to pledge as collaterals without disclosing that any of the properties was encumbered. Subsequent legal search conducted by NDIC revealed that

- i. Property situate at Plot 701, Usman Street Maitama, Abuja had been mortgaged to Union Homes Savings & Loans.
- ii. Property situate at Plot 2177 Cadastral Zone A2 Wuse, Abuja had been mortgaged to Union Homes Savings & Loans
- iii. Property situate at Plot 169 Ibrahim Taiwo Road Ilorin was not registered in the bank's name.
- iv. File in respect of property situate at Plot 15B Post Office Road Kano could not be located at the Land Registry.
- v. File in respect of property situate at Plot 2445, Asokoro, Abuja could not be located at the Land Registry.
- vi. Property situate at Plot 9, Agodogo Avenue Park View Ikoyi, Lagos was not registered in the bank's name.
- vii. Property situate at Plot 147 Trans-Amadi Industrial Layout, P/Harcourt was not registered in the bank's name.

The legal searches revealed that two of the properties had been mortgaged to Union Homes and the bank had no valid titles to the five other properties. The non-disclosure of the encumbrances on two of the properties raised doubt as to whether the bank acted in good faith. Like any prudent lender, NDIC places high premium on the character of prospective borrowers. Apart from defective title documents, the values of the properties offered were grossly inadequate to secure a N4billion facility. In the circumstances, the bank could not access NDIC Liquidity Facility, while its liquidity crisis continued unabated.

3.0 REGULATORY INTERVENTION

Given the precarious conditions of the bank, the CBN invoked the provisions of BOFIA and ordered a special examination of the bank to be jointly conducted by CBN and NDIC Examiners. The scope of the examination was to:

- i. Ascertain the financial condition of the bank as at 30th September 2005.
- ii. Assess the quality of risk assets portfolio.
- iii. Ascertain the status of recapitalization or merger efforts of the shareholders.

The Special Examination was conducted at the bank's Head Office. There was no branch visit because as at 30th September 2005, there was no operation going on in all its 31 branches. The report concluded that

- a. The bank's financial condition had deteriorated to the extent that it could not meet maturing obligations as there was a serious run on it.
- b. The credit portfolio had deteriorated to the extent that about N13.2billion (or 94.49%) was classified as non-performing, inclusive of all director-related facilities.
- c. The prospects of the bank's recapitalization or merger with other banks were very slim.

Given the foregoing scenario, the CBN, even before the December 31 terminal date for recapitalization, removed the Board and Management of the bank on 8th November 2005 and appointed an Interim Management Board (IMB) to superintend over the bank. The IMB remained in place until the bank's licence was revoked on 16th January 2006.

4.0 CORE REASONS FOR FAILURE

The core reasons for the bank's failure can be summarized as follows:

- 4.1 The stranglehold of the nuclear family through its 94% equity interest was deployed to the detriment of the bank's viability. With father and daughter as Board Chairman and Chief Executive

Officer respectively, the bank was run as a family business without regard for corporate governance principles. The bank's resources were deployed without regard for accountability, prudence and transparency.

- 4.2 The board composition was the prerogative of the Chairman. Hence appointees were either his family members or associates. Their selection was not based on their skill or competence to contribute to the bank's viability. In particular, the board size of six at the best of time was not conducive to creation of Board Committees for effective oversight of the major functional areas of the bank's business. Rather than heed the admonition of the Regulatory Authorities the Chairman endowed himself with enormous powers. Even the recommendation by CBN and NDIC that he should relinquish the Chairmanship of the Board Credit Committee was not heeded. The performance review under Board and Management showed the Board's incompetence in policy formation and lack of capacity to provide strategic direction for the bank.
- 4.3 The Management was incompetent and unprofessional in managing the resources at its disposal. The various malpractices cited in the case such as opening of spurious accounts for illegal foreign exchange trading, purchase of bureau de change in three foreign countries, utilization of foreign exchange deposited by two customers for safe-keeping as collateral for bank's clearing account and conversion of deposit of N75.3million for purchase of foreign exchange all attest to Management's incompetence and fraudulent disposition. Most of the illicit acts of management resulted in avoidable losses to the bank.
- 4.4 The lack-lustre performance of the bank rendered it incapable of generating profits to create and build up reserves to serve as a buffer for absorbing operational losses. Furthermore, the shareholders lacked the capacity to inject additional capital to sustain its operations. Consequently, the capital subscribed was completely eroded to the extent that shareholders' fund was negative to the tune of N8.95billion at the date of closure.

- 4.5 The absence of a risk management framework manifested in heavy reliance on volatile public sector deposits and interbank borrowings, mismatch of assets and liabilities profile and concentration of credit with 64% of the credit portfolio availed to 20 customers. The Board Credit Committee focused, mainly on approval of new credits to the neglect of review and monitoring of existing credit facilities. The management involvement in commodity trading equally reflected unbridled risk appetite which resulted in avoidable losses to the bank.
- 4.6 The deliberate neglect of internal control in spite of Regulators recommendation that Internal Audit and Control should be given adequate management support, encouraged the misapplication of the bank's resources and avoidable losses. Even the Board Audit Committee did not monitor correction of audit exceptions. In addition, major operations departments were not subjected to audit partly because the department was grossly understaffed while the Head of the Control function was relatively junior in the management hierarchy.
- 4.7 The huge volume of non-performing credit, 53% of which was insider-related, denied the bank of substantial income and substantially contributed to its liquidity crisis. As at the date of closure, 94.5% of the credit portfolio was non-performing. The quantum of insider-related credits showed that the shareholders were not interested in the bank's survival.

5.0 FAILURE RESOLUTION

After the revocation of the banking licence on 16th January 2006, NDIC applied to the Federal High Court to be appointed its liquidator. At the same time winding-up petition was filed before the same court. The Chairman of the failed bank appointed two law firms to oppose NDIC's applications. The court proceedings' dragged on till April 2007 when the Chairman de-briefed the law firms and discontinued the failed bank's opposition to applications

filled by NDIC. Thereafter, NDIC was appointed liquidator of City Express Bank and winding-up order sought was also granted.

In keeping with the decision to adopt Purchase and Assumption (P&A) as the resolution option for banks that failed post-consolidation, NDIC prepared Bid Information Package on City Express Bank and offered the bank to healthy banks for acquisition. Upon receipt and evaluation of bids, United Bank for Africa (UBA) Plc emerged as the successful bidder. UBA Plc assumed the private deposit liability of the failed bank and acquired its business premises to render banking services. The bank was handed over to UBA on 9th July 2007. NDIC, as Liquidator was saddled with the responsibility of recovering the risk assets of the failed bank.

6.0 LESSONS LEARNT AND CONCLUSION

Some of the lessons that can be drawn from the failure of City Express Bank are summarized below:

- 6.1 The willful indulgence of the Board Chairman and the Managing Director who held 94.5% of the bank's equity brought to the fore the need to discourage emergence of family banks. A closely-held company can be easily abused as was indeed the case in City Express Bank. The bank consolidation programme has to a large extent reduced the potential for abusive ownership.
- 6.2 The small size of a Board is not conducive for constituting Board Committees to oversee major activities of a bank. Effective committees facilitate good governance. The small Board size in the bank was designed to subvert good corporate governance. The Corporate Governance Code issued by CBN in 2006 discouraged concentration of power in one person and specified key committees a Board must have which include Credit, Audit, and Risk Management Committees. It also prohibits a Board Chairman from chairing any Board Committee and two family members serving on the board. The Code if faithfully implemented would remove City Express Bank-like arrangement.

- 6.3 Total absence of risk management as was the case in the bank is a recipe for failure as it provides a conducive environment for dissipation and misapplication of resources. It equally provides a fertile ground for unethical and fraudulent practices. Post-consolidation, the CBN issued Guidelines for Developing Risk Management Framework by banks, while both CBN and NDIC had also adopted Risk-based Supervisory approach.
- 6.4 Saddling a bank with an incompetent and unprofessional Board and Management would ultimately lead to its failure as demonstrated by the case of City Express Bank. The lesson therefore is that the fit and proper persons criteria need to be strengthened by CBN.
- 6.5 Delayed intervention in a troubled bank would lead to worsening of a precarious condition as was the case in this bank. The chairman persistently failed to implement examiners findings and recommendations while the bank willfully violated banking laws, rules and regulations. The lesson is that Regulators should take prompt corrective actions to save a troubled bank. Both the Board and Management should have been removed long before year 2005.

In conclusion, given the demonstrated incompetence by the Board and Management of City Express Bank as reflected by the various acts of insider dealing, financial malpractices, lack of capacity to recapitalize and large volume of non-performing credits including insider-related credits, the bank's failure was inevitable.

A bank without sound management, adequate capital and effective risk management is doomed to fail.

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