MESSAGE FROM THE CHAIRMAN

It is my pleasure to present the Annual Report and Statement of Accounts of the Nigeria Deposit Insurance Corporation for the year ended 31st December, 2012. The report reviews important developments in the macroeconomic and socio-political environments as they impact on the nation's banking industry and on the operations of the NDIC.

MACROECONOMIC/SOCIO-POLITICAL ENVIRONMENT

The macroeconomic and socio-political environment of the country in the year 2012 was characterised by a series of developments some of which presented great challenges for the economy while others gave reason for hope and optimism. Foremost among the challenges was the security situation in the country, particularly the Boko Haram insurgency in the north and the spate of wanton kidnappings in the eastern part of the country. The two challenges constituted serious distraction to government resolve to deliver dividends of democracy to the citizens, created infrastructural deficit and posed a challenge to both local and international investment drives. It was consoling to note however, that government had taken vital steps to address the security situation confronting the nation, so as to continue to ensure a conducive environment for growth and development.

One of the major developments in 2012 was partial removal of fuel subsidy in January 2012, which led to a nation-wide industrial action that paralysed economic activities at the beginning of the year. Another significant development which impacted negatively on the economy in the year was the flood incident in many parts of the country. The widespread flooding destroyed many houses and household items. In addition, it destroyed many farm lands which created serious concern about the possibility of food scarcity in the coming year.

However, in spite of the aforementioned developments, the successful unbundling of the Power Holding Company of Nigeria (PHCN), notably the generation and distribution companies, which took place within the year, gave reason for optimism on the prospect of development in the country. That exercise, which would lead to eventual privatization of most power sector components, was expected to boost power supply in the country, thereby heralding a quantum forward leap in the country's quest for industrial development.

Also, the successful conduct of elections in some States, which were considered to be
free and fair by the international community, boosted the image of the country as a stable democracy.

In spite of the foregoing developments, the economy performed well as depicted in the major economic indices for the year. The economy recorded an estimated GDP growth rate of 6.6% in 2012 compared with the growth rate of 7.43% in 2011. External reserves stood at US$44.17 billion as at 31st December, 2012 compared with US$32.92 billion in the corresponding period of 2011 while inflation stood at 12.2% as at 31st December, 2012 compared with 11.0% recorded in the corresponding period of the preceding year.

At the international scene, economic activities in some countries in the euro-zone such as Greece and Italy gave cause for serious concern on the stability of the global economy. The debt crisis, which was caused mainly by fiscal problems, was gradually being addressed through a bail-out programme financed by the European Monetary Union (EMU) member-countries and the International Monetary Fund (IMF), thus restoring relative stability.

THE BANKING INDUSTRY IN 2012

In the year under review, the Central Bank of Nigeria (CBN) continued to consolidate on its banking reforms by introducing a number of policies. A key development in the industry was the introduction of a Cashless Economy Programme. The policy commenced by directing all Deposit Money Banks to adhere to certain rules in respect of cash-based transactions. It stipulated a 'cash handling charge' on daily cash withdrawals or deposits that exceeded N150,000 for individuals and N1,000,000 for corporate bodies. However, the limit was later reviewed upward to N500,000 and N3.0 million for individuals and corporate bodies, respectively. The new policy was introduced to usher in an efficient and modern (electronic-based) payment system and to reduce the cost of cash management and other banking services. In addition, it aimed at helping the CBN improve the effectiveness of the monetary policy in the area of managing inflation and driving economic growth. The implementation of the policy, which took-off in Lagos State, would be gradually extended to other States of the Federation.

Another key development in the industry during the year was the development of a Draft Guidelines on Bank Charges. The guidelines sought to align the tariff regime in the banking industry with the observed economic realities and to ensure standard application of charges on different types of banking products and services. It also proposed the development of a minimum disclosure to bank customers prior to the consummation of every credit transaction. The exposure draft on the guidelines was issued to all DMBs and other stakeholders for their inputs.

The industry further witnessed another development with the introduction of Uniform
Accounting Year for Other Financial Institutions. It would be recalled that a similar policy was introduced for Deposit Money Banks (DMBs) in 2009. The policy required all banks to have a uniform year-end of December 31st of every year. Accordingly, all other financial institutions including; Primary Mortgage Banks (PMBs), Microfinance Banks (MFBs) and Finance Companies were required to comply with the policy effective from December 2012.

CORPORATE GOVERNANCE
During the year under review, the vacant position of Executive Director, Corporate Services was filled by government. With that development, the Board of the NDIC, for the first time, operated under a full complement of 12 members. The composition of the NDIC Board was as follows:

1. Ambassador (Dr.) Hassan Adamu, (Wakili Adamawa), CON - Chairman
2. Alhaji Umaru Ibrahim, mni, FCIB - Managing Director/CEO
3. Prince Aghatise Erediauwa - Executive Director (Operations)
4. Hon. Omo’lola Abiola-Edewor - Executive Director (Corporate Services)
5. Director, Home Finance - Representative, Federal Ministry of Finance
6. Director, Banking Supervision Department - Representative, Central Bank of Nigeria
7. Chief Davidson Oghenekevwode - Director
8. Chief Oyebisi L. Ilaka - Director
9. Mr. Lawan Zakaria Gana - Director
10. Mr. Rasaq Tunde Lawal - Director
11. Mr. Aliyu Abdulrahman Dikko - Director
12. Ms. Bennedikter China Molokwu - Director

It is worthy of note that the Board discharged its responsibilities creditably well in the period under review, as it rolled out several policies that enhanced the efficient and effective performance of the NDIC.

As usual, the NDIC had continued to run its affairs in strict compliance with relevant regulations and extant laws guiding its operations, including regulations issued by the Offices of the Accountant-General and Auditor-General of the Federation. While the NDIC remained a self-accounting organisation, its Annual Accounts were audited by external auditors in line with the provisions of the Companies and Allied Matters Act (CAMA), 1990, as amended. Also, in accordance with standard practices, the NDIC’s Annual Accounts were published in its Annual Report, while it’s Statement of Accounts were made available to its shareholders as well as other key stakeholders.

The NDIC also complied with the provisions of the Fiscal Responsibility Act (FRA) in respect of the appropriation of its operating surplus at the end of the year. The provisions of the Pension Reforms Act in terms of monthly remittances to various Pension...
Fund Administrators (PFAs) chosen by staff were also fully complied with. Members of staff that retired prior to the commencement of the new pension scheme continued to draw their pension directly from the NDIC, on a monthly basis, pending the time when arrangements would be completed to transfer the legacy fund to competent PFAs. Also, all staff contributions towards the operation of the National Health Insurance Scheme (NHIS) and the National Housing Fund (NHF) were appropriately remitted in compliance with the provisions of the respective Acts.

The NDIC, as the sole government agency responsible for the liquidation of failed banks, had rendered returns in respect of banks-in-liquidation to the Corporate Affairs Commission (CAC) and CBN as required by the CAMA 1990 (as amended) and the Banks and Other Financial Institutions Act (BOFIA) 1991 (as amended). In addition, the NDIC complied with the Code of Conduct Bureau and Tribunal Act 1990 for public officers by ensuring that all its staff and political appointees declared their assets accordingly.

CONCLUSION

I wish to conclude this message by expressing my delight over the successes recorded by the NDIC in the discharge of its mandate in 2012, particularly in making payments to depositors of failed financial institutions and in fostering relative stability in the banking sub-sector of the economy. These, and many other achievements, could not have been possible without the commitment of the members of the Supervisory Board, the Management and Staff of the Corporation and, indeed, other institutional stakeholders such as the CBN and the Federal Ministry of Finance. As we enter a new year (2013), I enjoin our stakeholders to continue to lend their hands of support so as to achieve greater efficiency and effectiveness in the discharge of our mandate. Meanwhile, I assure us all of the Board’s resolve to providing staff with conducive working environment and motivation to perform optimally. I therefore look forward to a fruitful year ahead.

Ambassador (Dr.) Hassan Adamu (Wakili Adamawa), CON
Chairman