

FINANCIAL CONDITION AND PERFORMANCE OF DEPOSIT MONEY BANKS IN Q1 AND Q2 2020

By

**Research, Policy & International Relations AND Insurance and
Surveillance Departments**

1.0 INTRODUCTION

The Banking Industry's financial conditions showed an impressive resilience in the first half of the 2020, despite negative impacts of the COVID-19 Pandemic on the economy. Though the financial performance indicators declined in Q1 2020, most rebounded in Q2 2020, demonstrating inherent resilience and responsiveness to regulatory policies. Financial performance indicators like Profit Before Tax (PBT) and Return on Equity (ROE) increased in Q2 2020. Asset quality consistently improved with increase in the capital adequacy ratios in Q1 and Q2 2020 and a decline in the non-performing loan ratio in Q2 2020.

The rest of this chapter is organized as follows. Section 2 presents the structure of Assets and Liabilities. Section 3 assesses the financial condition of insured banks, while Section 4 concludes.

2.0 STRUCTURE OF ASSETS AND LIABILITIES

Total Industry Assets significantly increased from ₦40.40 trillion in Q4 2019 to ₦44.24 trillion in Q1 2020 and ₦47.61 trillion in Q2 2020, recording a percentage growth of 9.50% and 7.62% 2019 in the respective quarters. The large increase in Total Industry Assets by ₦3.84 trillion and ₦3.37 trillion in Q1 and Q2 of 2020 derived from increase in loans and advances, among other components. Loans and Advances to Customers which, as shown in Table 1, account for the largest proportion of total Asset increased by ₦909.06 billion (5.86%) from ₦15.52 trillion in Q4 2019 to ₦16.43 trillion in Q1 2020, and by ₦341.84 billion (2.08%) to ₦16.77 trillion in Q2 2020. Similarly, there were upticks in Loans and Advances to Other Banks of ₦179 billion (25.36%) from ₦704.30 billion in Q4 2019 to ₦883.0 billion in Q1 2020, and by ₦217 billion (2.07%) to ₦1.1 trillion in Q2 2020. Other sources of growth in Total Industry Assets in Q1 and Q2 2020, as shown in Table 2, were Financial Assets Held for Trading, Investment in Subsidiary and Associates and Investment Properties.

Total Liabilities of the Banking Industry comprised Total Deposits from Customers as the largest component (see Table 1), explaining 59.39% in Q2, 2020, against 59.63% and 54.45% in Q1, 2020 and Q4, 2019, respectively. Corresponding growth in the Industry Total Liabilities in Q1 and Q2 of 2020 stemmed from increase in Total Deposits from Customers by ₦2.29 trillion (9.52%) in Q4, 2019 from ₦24.09 trillion to ₦26.38 trillion in Q1 2020, and by ₦1.89 trillion (7.17%) to ₦28.27 trillion in Q2, 2020. Other significant sources of increase in Liabilities, as indicated in Table 2, were Deposit from Other Banks, Other Liabilities and Shareholder's Fund, among others.

Further details on the structure of the Industry's Total Assets and Liabilities for Q4 2019, Q1 2020 and Q2 2020 are presented in Table 1, while their quarterly growth

rate and contribution of each components to change in total asset and liability for Q1 2020 and Q2 2020 are presented in Table 2.

TABLE 1: Structure of DMBs' Assets and Liabilities for Q1 and Q2 2019

ASSETS (% of Total)	Q2, 2020	Q1, 2020	Q4,
Cash Balances	1.85	2.20	1.95
Balances with Banks & Central Bank	31.07	26.04	22.54
Loans & Advances to Banks	2.30	2.00	1.74
Loans & Advances to Customers	35.23	37.14	38.42
Financial Assets Held for Trading	5.93	5.96	5.67
Financial Assets held as Fair Value through	7.83	9.25	9.37
Financial Assets held as Amortised Cost	3.13	3.70	5.27
Assets Pledged as Collateral	4.71	5.13	5.84
Investment in Subsidiaries & Associates	0.96	1.03	1.10
Investment Properties	0.35	0.36	0.36
Property Plant and Equipment	2.07	2.18	2.41
Other Assets	4.51	4.94	5.25
Asset Classified as Held for Sale & Discontinued Operations	0.06	0.07	0.08
TOTAL ASSETS	100.00	100.00	100.00
LIABILITIES (% of Total)	Q2, 2020	Q1, 2020	Q4,
Deposit from Banks	7.35	7.33	6.50
Deposit from Customers	59.39	59.63	54.45
Financial Liabilities Held for Trading	0.44	0.34	0.11
Borrowings	8.11	8.75	8.30
Debt Instrument	2.50	2.95	2.91
Other Liabilities	13.56	12.16	10.69
Shareholders' Fund	8.65	8.85	8.38
TOTAL LIABILITIES	100.00	100.00	100.00

Source: NDIC

TABLE 2: Quarterly Growth of Asset and Liability Components and their Contributions

ASSETS	Quarterly Growth		Contribution to	
	Q2,	Q1, 2020	Q2,	Q1, 2020
Cash Balances	-9.43	23.62	-2.74	4.83
Balances with Banks & Central	28.39	26.48	97.10	62.86
Loans & Advances to Banks	24.04	25.36	6.24	4.74
Loans & Advances to	2.08	5.86	10.16	23.67
Financial Assets Held for	6.97	15.22	5.54	9.01
Financial Assets held as Fair Value through Other	-8.90	8.07	-10.81	7.99
Financial Assets held as Amortised Cost	-8.84	-23.09	-4.35	-12.82
Assets Pledged as Collateral	-1.11	-3.88	-0.80	-2.34

Investment in Subsidiaries & Associates	0.11	2.76	0.04	0.29
Investment Properties	3.27	10.36	0.22	0.36
Property Plant and Equipment	1.90	-0.64	0.63	-0.24
Other Assets	-1.60	2.93	-1.13	1.68
Asset Classified as Held for Sale & Discontinued	0.11	-6.53	-0.07	-0.04
TOTAL ASSETS	7.62	9.50	100.00	100.00
LIABILITIES	Q2,	Q1, 2020	Q2,	Q1, 2020
Deposit from Banks	8.00	12.68	7.61	16.06
Deposit from Customers	7.17	9.52	56.24	114.13
Financial Liabilities Held for	37.22	220.11	1.75	2.76
Borrowings	-0.23	5.47	-0.29	13.48
Debt Instrument	-8.72	1.33	-3.41	3.37
Other Liabilities	20.07	13.75	31.94	27.63
Shareholders' Fund	5.27	5.62	6.02	13.79
TOTAL LIABILITIES	7.62	9.50	100.00	100.00

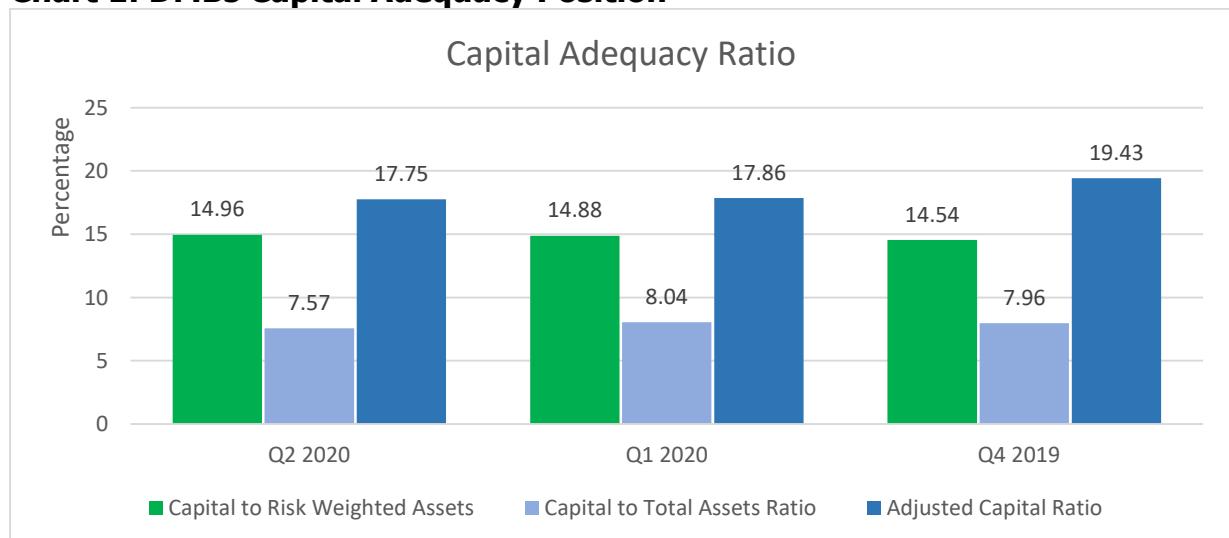
Source: NDIC

3.0 FINANCIAL CONDITION OF DMBs

3.1 Capital Adequacy

The Average Capital Adequacy Ratio (CAR) of the Banking Industry consistently improved, albeit slightly. Chart 1 shows that CAR increased from 14.54% in Q4 2019 to 14.88% and 14.96% in Q1 and Q2 of 2020, respectively. These increases derived from stronger growth performance of Qualifying Capital relative to growth in Risk Assets in the respective quarters. The capital increased by 9.52% and 1.49% while risk weighted asset rose by 4.47% and 0.72% in Q1 and Q2 of 2020, respectively.

Chart 1: DMBs Capital Adequacy Position



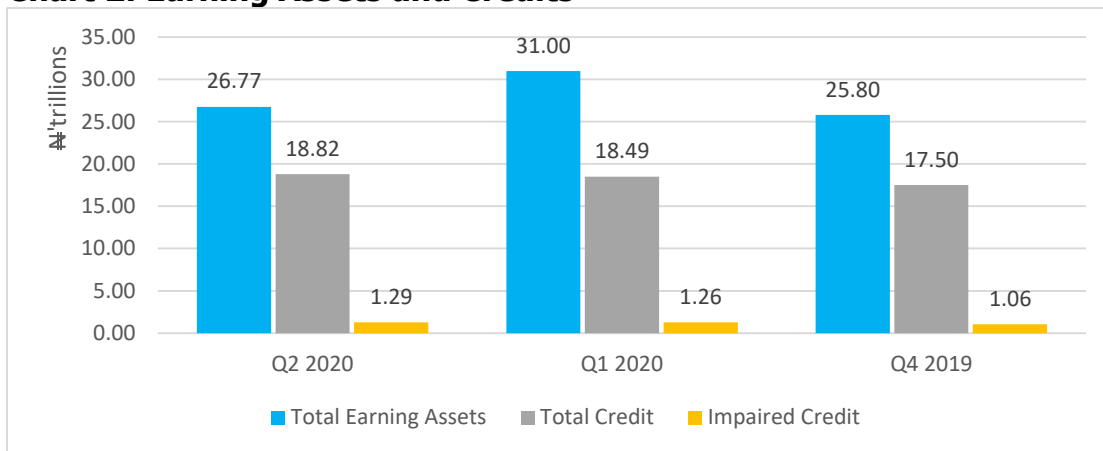
Source: NDIC

Capital to Total Assets fluctuated around 8%, rising from 7.96% in Q4 2019 to 8.04% in Q1 2020, before dipping to 7.57% in Q2, 2020. Adjusted Capital ratio, as chart 1 shows, declined consistently from 19.43% in Q4 2019 to 17.86% and 14.96% in Q1 and Q2, 2020, respectively.

3.2 Asset Quality

The Total Earning Assets increased, as depicted in chart 2, by 20.14% from ₦25.80 trillion in Q4 2019 to ₦31.00 trillion in Q1 2020, before declining by 13.65% to ₦26.77 trillion in Q2, 2020. Total credit however rose by 5.67% from ₦17.50 trillion in Q4 2019 to ₦18.49 trillion in Q1 2020, and by 1.79% to ₦18.82 trillion in Q2 2020.

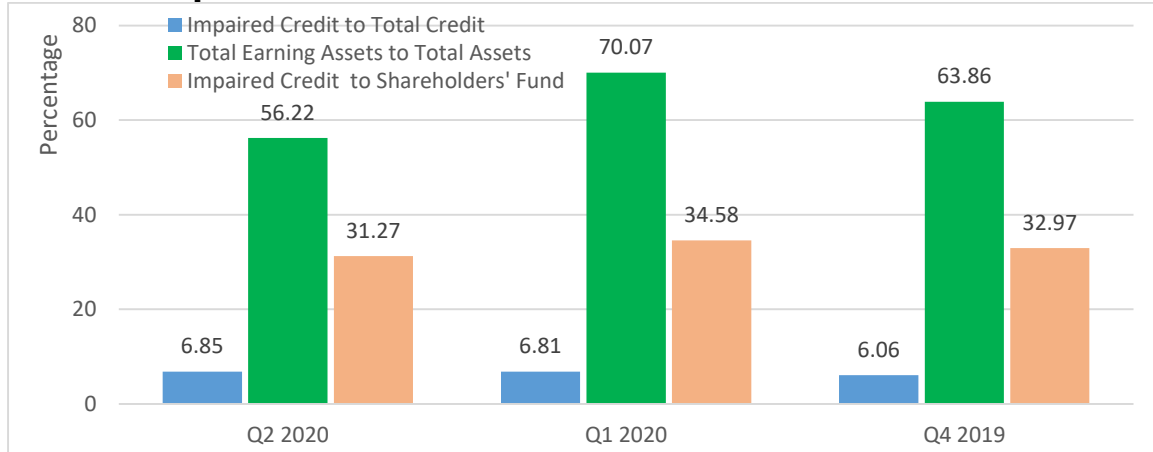
Chart 2: Earning Assets and Credits



Source: NDIC

The quality of the Industry's Risk Asset, measured by Nonperforming Loan ratio (NPL)/ratio of Impaired Credit to Total Credit dipped over the period, as depicted in chart 3. The Impaired Credit to Total Credit ratio increased from 6.06% in Q4 2019 to 6.81% in Q1 2020, and to 6.85% in Q2 2020, as shown in chart 3. The rising trend in the impairment ratio over the period was attributable to weak loan performance in the period occasioned by the COVID-19 Pandemic. Impaired Credit to Shareholders' Fund however declined to 31.27% in Q2 2020 from 34.58% in Q1 2020, having increased from 32.97% in Q4 2019. This showed that the credit risk indicated by NPL ratio was adequately cushioned by increase in Shareholder's Fund.

Chart 3: Impaired Credit Ratios



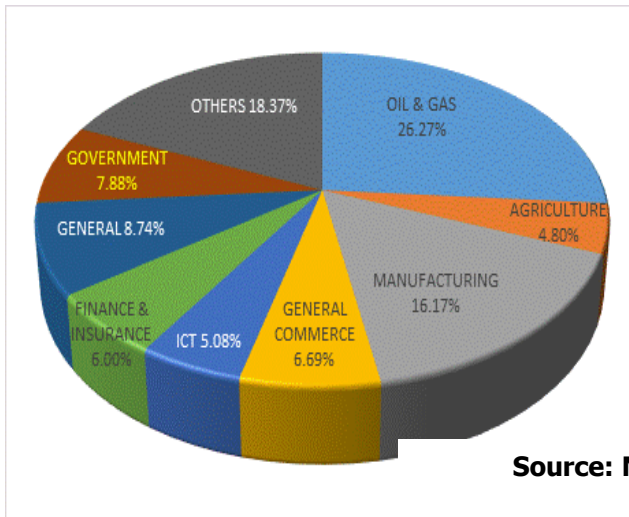
Source: NDIC

3.3 Sectoral Credit Allocation

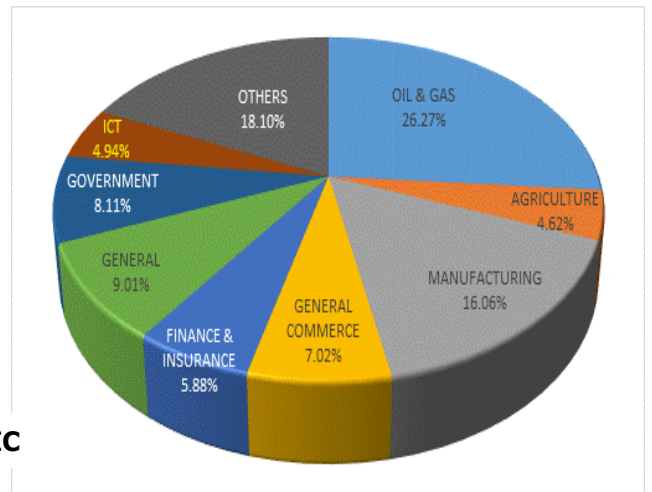
The structure of sectoral credit allocation was relatively stable with allocations in Q1 2020 not significantly different from Q2 2020. Charts 4 & 5, show that dominant sectors with highest allocations in Q1 2020 continued to receive largest credit allocation in Q2 2020. The concentration of credit allocations to Oil & Gas, Manufacturing and General Commerce continued to be high, attaining 26.27%, 16.17% and 6.69% in Q2 2020; against the 26.28%, 16.06% and 7.02% in Q1 2020, respectively.

CHART 4: Sectoral Credit Allocation in Q2 2020

CHART 5: Sectoral Credit Allocation in Q1 2020



Source: NDIC



3.3 Earnings and Profitability

The financial performance of the Banking Industry improved in Q2 2020 from the decline witnessed in Q1 2020 in the wake of COVID-19 Pandemic. The unaudited Profit Before Tax (PBT) of DMBs increased by 8.50% from ₱202.16 billion in Q1 2020 to ₱219.34 billion in Q2 2020, as against 3.48% profit decline in Q1 2020 from ₱209.44

billion in Q4 2020. Other profitability indicators had the same trajectory as PBT, registering positive growth in Q2 2020 and growth declines in Q1 2020.

Table 4 shows that the positive growth in PBT arose from a strong growth in Interest Income of 15.32% from in Q2 2020 from ₦428.67 billion in Q1 2020 to ₦494.33 billion in Q2 2020. That in turn stemmed from stronger growth of 10.57% in Interest Income, compared to 3.59% growth in Interest Expense.

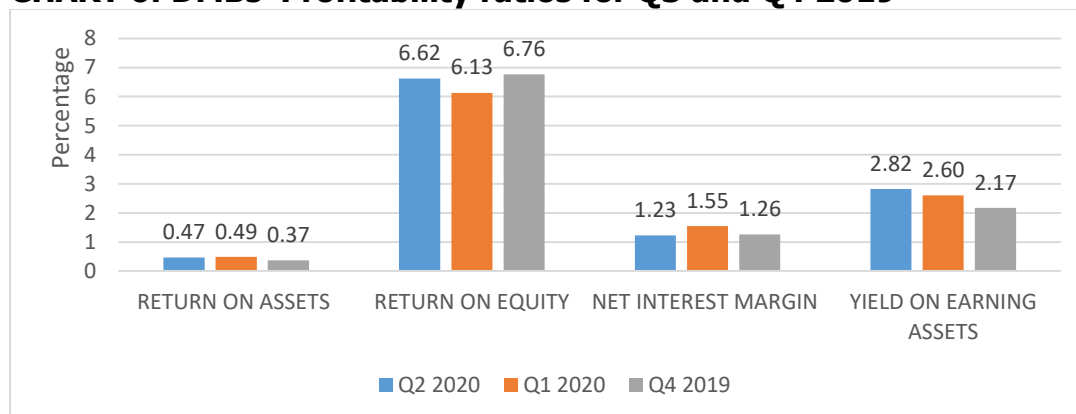
TABLE 4: DMBs Earnings and Profitability Indicators for Q3 and Q4 2019

Indicators (N' billion)	Q2 2020		Q1 2020		Q4 2019
	Magnitude	Quarterly Growth	Magnitude	Quarterly Growth (%)	Magnitude
Profit Before Tax	219.34	8.50	202.16	-3.48	209.44
Interest Income	796.97	10.57	720.81	-5.05	759.12
Interest Expense	302.64	3.59	292.15	-7.98	317.50
Net-Interest	494.33	15.32	428.67	-2.93	441.62
Operating	491.65	11.50	440.95	-2.17	450.74

Source: NDIC

Return on Assets (ROA) increased, as depicted in Chart 6, from 0.37% in Q1 2020 to 0.49% in Q2 2020 before a slight decline to 0.47% in Q4 2019. Return on Equity (ROE) however declined from 6.76% in Q4, 2019 to 6.13% in Q1 2020, before rising to 6.62% in Q2 2020. Generally, there were marked differences in the trajectory followed by these ratios, as well as others like net interest margin and yield on earning assets. That may be due to difference in the trend of the underlying variables.

CHART 6: DMBs' Profitability ratios for Q3 and Q4 2019



Source: NDIC

3.4 Liquidity Profile

The Average Liquidity Ratio (ALR) of the Banking Industry consistently declined from 45.45% in Q4 2019 to 41.94% and 36.94% in Q1 and Q2 of 2020, respectively. Similarly, Net Credit to Deposit (NCD) Ratio fell from 68.68% in Q4 2019 to 65.87% and 63.04% in Q1 and Q2 of 2020, respectively. The decline in ALR may be attributable to the Banking Sector's compliance with the CBN Loan to Deposit Ratio (LDR). The decline in NCD ratio may though suggests otherwise, but this could be largely explained away by the impact of the COVID Pandemic.

TABLE 5: DMBs Liquidity Profile for Q3 and Q4 2019

Indicators (%)	Q2 2020	Q1 2020	Q4 2019
Average Liquidity Ratio	36.94	41.94	45.45
Net Credit to Deposit Ratio	63.04	65.87	68.68
Inter-Bank Takings to Deposit Ratio	1.04	1.63	0.74

Source: NDIC

4.0 CONCLUSION

The Banking Industry demonstrated resilience in the period under review, especially in the second quarter of 2020. During this period, the financial performance improved, with Profit Before Tax increasing from ₦202.16 billion in Q1 2020 to ₦219.34 billion in Q2 2020, and Return on Equity rising from 6.13% in Q1 2020 to 6.62% in Q2 2020. Although the Total Earning Asset declined from ₦31.00 trillion in Q1 2020 to ₦26.77 trillion in Q2 2020, Yield on Earning Asset increased from 2.6% in Q1 2020 to 2.82% in Q2 2020.

The quality of credit though dipped with Impaired Credit to Total Credit (NPL) ratio increasing from 6.81% in Q1 2020 to 6.85% in Q2 2020, the decrease in Impaired Credit to Shareholder's Fund from 34.58% in Q1 2020 to 31.27% in Q2 2020 show that there was more capital available to cushion the effects of risk inherent in rising NPL ratio.

THE ACTIVITIES OF THE NDIC FOR Q1 & Q2 2020
By
Research, Policy & International Relations

PROGRESS REPORT ON THE ACTIVITIES OF THE NIGERIA DEPOSIT INSURANCE CORPORATION (NDIC) FOR THE SECOND QUARTER OF 2020

1.0 INTRODUCTION

This progress report is to apprise the Central Bank of Nigeria (CBN) on the activities and achievements of the Corporation in the Second Quarter of 2020. The NDIC activities and achievements are presented below.

2.0 PROGRESS REPORT ON THE REVISED 2016-2020 STRATEGIC PLAN AS AT 30TH JUNE, 2020

The Corporation's 2016-2020 Strategic Plan will be expiring in December, 2020. However, the Board and Management has continued to implement the plan in order to enhance service delivery and ensure that the mandate of the Corporation is delivered efficiently and effectively.

The status of the implementation of revised corporate strategic initiatives as at 30th June 2020 is as follows:

- i. NDIC has achieved about 60% in the implementation of the 22 corporate strategic initiatives that were meant to close performance gap and assist the Corporation in achieving its vision of becoming "one of the best Deposit Insurers in the world by year 2020".
- ii. Considering the expiration of the 2016-2020 Strategic Plan, EXCO approved the establishment of an interdepartmental Committee to commence the process of renewing the expiring plan. The Committee was to conduct SWOT analysis of the Corporation, review elements of the strategy and relevant assumptions and present holistic report for further consideration.

3.0 OPERATIONAL ACTIVITIES

3.1 CLAIMS SETTLEMENT

3.1.1 Payments to Insured and Uninsured Depositors of Closed Insured Banks

- i. Payments to depositors of the defunct 325 Microfinance Banks (MFBs) continued during the period under review. A total of 293 insured depositors were paid ₦15,137,832.76, while there was no payment made to uninsured depositors. Cumulatively, the Corporation paid ₦3.367 billion to 90,196 insured depositors and ₦1.218 million to uninsured depositors in this category.

- ii. During the period under review, 17 insured depositors of 51 Primary Mortgage Banks (PMBs) were paid the sum of ₦1,138,473.02. The cumulative insured amount paid to 986 depositors as at 30th June, 2020 was ₦82.387 million and ₦6.309 million for uninsured.
- iii. The Corporation paid uninsured sum of ₦1,263,317.03 to 4 depositors of 49 Deposit Money Banks (DMBs) in-liquidation while no insured depositor of the same DMBs was paid during the period of review. Cumulatively, the NDIC has paid ₦8.265 billion to 443,870 insured depositors and ₦100.816 billion to uninsured depositors as at 30th June, 2020.

3.1.2 Payments to Uninsured Creditors of Banks in-Liquidation

As at 30th June, 2020, one (1) creditor was paid ₦48,054.87. 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.

3.1.3 Payments to Shareholders of Banks in Liquidation

During the period under review, 203 shareholders of banks in-liquidation were paid ₦868,444,114.00. Consequently, the sum of ₦4.582 billion has been paid to 923 shareholders as at 30th June, 2020.

3.2 ASSET MANAGEMENT

3.2.1 Risk Assets Recovery

- During the period under review, a total sum of ₦102,797,602.50 was recovered from Ten (10) out of Forty-Nine (49) DMBs in liquidation. This represented an increase of ₦52,501,996.01 or 51.07% from the sum of ₦50,295,606.49 recovered for First Quarter, 2020. The increase although minimal, was due to the gradual easing of the lockdown placed to check the spread of Covid-19.
- Also, the sum of ₦1,156,161.32 was recovered from One (1) of the Micro Finance Banks in-liquidation within the review period. This represented a decrease of ₦797,621.91 or 40.82% from the sum of ₦1,953,783.23 recovered from MFBs in liquidation during the First Quarter of 2020.
- There was no recovery from the Primary Mortgage Banks in-liquidation during Q2 2020, compared to the sum of ₦30,834,249.26 recovered from PMBs between January and March 2020.
- The total recovery from Risk Assets for second quarter, 2020 was ₦103,953,763.82 against the sum of ₦83,083,638.98 recovered from January to March 2020.

Table 2: Loan Recoveries for First Quarter 2020 and Second Quarter, 2020

	FIRST QUARTER, 2020				SECOND QUARTER, 2020			
	Jan	Feb	March	TOTAL	April	May	June	TOTAL
	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m
DMBs	22.24	6.22	11.84	50.30	0.00	35.54	67.25	102.79
PMBs	0.01	29.74	1.09	30.84	0.00	0.00	0.00	0.00
MFBs	0.74	1.21	0.00	1.95	0.00	0.00	1.16	1.16
GRAND TOTAL	22.99	37.17	12.93	83.09	0.00	35.54	68.41	103.95

The cumulative recovery for the DMBs in-liquidation from 1994 to date was ₦30,047.89 million. The sum of ₦145.64 million was recovered from September 2010 to date in respect of closed Microfinance Banks, while Primary Mortgage Banks had a cumulative recovery of ₦334.88 million.

3.2.2 Disposal of Physical Assets

- Disposal of Physical Assets of Deposit Money Banks (DMBs) (In-Liquidation)**

During Q2 2020, there was no disposal of Physical Asset for DMBs in-liquidation compared to the sum of ₦40,000 realized in Q1, 2020.

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

The total sum of ₦11,907,500 was realized from the disposal of Physical Asset of MFBs in-liquidation during the quarter ended 30th June, 2020.

However, there was no disposal of Physical Asset for PMBs in-liquidation during the second quarter, 2020.

Table 3: Amount realized from Physical Asset for First quarter of 2020 and Second quarter of 2020.

BANKS	FIRST QUARTER, 2020				SECOND QUARTER, 2020			
	Jan	Feb	Mar	TOTAL	April	May	June	TOTAL
	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m
DMBs	0.00	0.04	0.00	0.04	0.00	0.00	0.00	0.00
MFBs	29.92	0.00	0.015	29.935	0.00	0.907	11.00	11.907
PMBs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GRAND TOTAL	29.92	0.04	0.015	29.975	0.00	0.907	11.00	11.907

The cumulative receipt on the realization of Physical Assets and Rent collected on properties of banks in-liquidation as at 30th June 2020 amounted to ₦22,248.62 million. The figure included ₦21,653.43 million, ₦514.96 million and ₦80.23 million for DMBs, MFBs and PMBs in-liquidation, respectively.

3.2.3 Realisation of Investments of Banks in-Liquidation

During Q2 2020, the sum of ₦77,877,500.84 was realized from Investments of One Deposit Money Bank (Nigeria Merchant Bank) in-liquidation. There was no realization from investments of Primary Mortgage Banks and Microfinance Banks in-liquidation.

The total realization on investment of DMBs from 2008 to June 2020 was ₦4,698,193,776.14 and for MFBs from 2010 to June 2020 was ₦2,960,891.40. Therefore, the cumulative realization on investment from inception to June 2020 was ₦ 4,701,154,667.54.

3.3 BANK SUPERVISION

3.3.1 Risk Asset Examination (RAE)

No RAE was conducted during the Q2, 2020 compared to the Q1 2020 when joint CBN/NDIC Risk Assets Examinations were conducted on 26 Deposit Money Banks as at 31st December, 2019 with NDIC leading the examination of 7 of the banks, namely: UBA, Ecobank Wema, Standchart, Suntrust, Coronation and Jaiz.

RAE aims to assess income and quality of the assets of the DMBs with a view to ascertaining the adequacy of banks' loss provisions prior to the approval of their annual accounts by the CBN.

3.3.2 Investigations/Consumer Protection

The Corporation continued to investigate complaints from DMB's customers and other stakeholders. A total of 84 such petitions/complaints were investigated as at 30th June, 2020 with 41, concluded as against 36 petitions/complaints that were investigated as at 31st March, 2020 with 15, concluded.

Also, 6 petitions by MFBs/PMBs customers sent through the NDIC Helpdesk were promptly resolved by email to the consumers.

3.3.3 Risk Based Supervision - On-Site Examination of DMBs

The risk-based supervision (RBS) of banks were yet to commence in Q2, 2020. However, NDIC and CBN had engaged extensively during the period on the modalities to be adopted for the RBS Examinations of Deposit Money Banks during the Covid-19 era. Towards this end a joint CBN/NDIC Committee was set up to work on the modalities and make appropriate recommendations to the two institutions.

3.3.4 On-Site Examination of MFBs and PMBs

The CBN allocated 200 MFBs and 10 PMBs to the Corporation for 2020 on-site examination. The reports of the forty (40) MFBs examined in First Quarter, 2020 had been finalised and issued.

The examination of MFBs slated for 2nd quarters RBS was delayed due to COVID-19 pandemic and consequent interstate movement restrictions. However, about 132 MFBs were proposed to be examined in Q3 2020. While the remaining 28 MFBs and all the 10 PMBs would be examined during the 4th Quarter, 2020.

3.3.5 Premium Assessment from MFBs and PMBs

The Corporation has assessed premium of 700 MFBs and 32 PMBs out of 911 MFBs and 34 PMBs in existence as at 30th June, 2020 as against 586 MFBs and 29 PMBs assessed as at 31st March, 2020.

Furthermore, Differential Premium Assessment System (DPAS) had been deployed to MFBs sub-sector effective January, 2020. The NDIC Management has approved sensitisation workshops on DPAS for MFBs operators in Lagos, Abuja, Kano, Owerri and Calabar.

3.3.6 Premium Collection from MFBs and PMBs

As at 30th June, 2020, 536 banks comprising 519 MFBs and 17 PMBs paid premium of ₦889.76 million as indicated below:

S/N	Bank	No. of Banks	Premium Collected in (₦' Million)
1	MFBs	519	₦ 744.30
2	PMBs	17	₦ 145.46
	Total	536	₦ 889.76

₦889.76 million represents 74.14% of the ₦1.2 billion target collection for 2020.

3.3.7 On-Boarding of MFBs to NAMBUIIT

The National Association of Microfinance Banks Unified Information Technology (NAMBUIIT) platform as at 30th June 2020, had on-boarded 112 MFBs inclusive of 2 National MFBs (NIRSAL and NPF) as against 60 MFBs as at 31st March 2020.

The COVID-19 pandemic lockdown afforded NDIC/CBN/INLAKs and MFBs opportunity to expedite the on-boarding of more MFBs to NAMBUIT. The Deputy Governor (Financial System Stability, FSS), CBN had given directive to NAMBUIT Steering and Technical Committee to ensure 100% on-boarding of 10 National MFBs warehousing 67% of the MFBs Deposits and Loans on or before 31st December, 2020.

The DG (FSS) further directed that the establishment of National Operating Centre (NOC) be suspended till the NAMBUIT platform stabilizes and become scalable. Meanwhile, CBN/NDIC will continue to bear the fixed and variable costs (licence, updates and training of operators) of NAMBUIT pending when a verifiable pricing template is computed and approved. Currently, none of the MFBs are charged with the cost.

The activities of NOC are currently handled by twelve (12) staff of CBN and six (6) staff of NDIC which were considered inadequate. Consequently, NAMBUIT Steering Committee had requested NDIC and CBN to respectively deploy six (6) and ten (10) additional staff with relevant skills to NAMBUIT Assignment.

3.3.8 Off-site Activities/ Analysis on DMBs, non-interest Banks and MMOs

i. Premium Assessment

The Corporation during the period under review assessed premium rates for the Insured Financial Institutions using the Differential Premium Assessment System (DPAS), and premium payable computed for the year 2020.

ii. Report On Status Enquiry Requests (Fit & Proper)

In Q2 2020, a total of Seventy-Nine (79) requests were received from the CBN, SEC and NAICOM. Seventy-Six requests were evaluated and reported back to the respective institutions. However, three (3) requests were outstanding (pending further investigations).

iii. Fidelity Bond Insurance

Out of the twenty-seven (27) DMBs and two (2) non-interest banks, only eighteen (18) DMBs and one non-interest Bank submitted their Fidelity Insurance Coverage. A review of the returns showed that, eleven (11) or 57.89% out of (19) nineteen DMBs that submitted maintained adequate Fidelity Insurance Coverage as required. The remaining ten (10) banks that did not render their Fidelity coverage were advised accordingly.

iv. Mobile Money Operations (MMO)

There were Twenty-nine (29) licensed MMOs as at 30th June, 2020. Twelve (12) of the MMOs were bank-led, 17 were non-bank-led. Out of the 29 licensed MMOs, 24 active MMOs rendered returns while the remaining 5 had not rendered returns to the Corporation. Analysis of the returns revealed that, Total Deposits amounted to ₦30.94 billion. Further breakdown of the deposits

showed that, the insured amount, which represented the Corporation's exposure to Subscribers of the MMO's stood at ₦9 billion, while uninsured portion amounted to ₦21.94 billion as at June 30, 2020.

4.0 ENTERPRISE RISK MANAGEMENT ACTIVITIES

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

- 4.1 A report on the risk profile of the Corporation as at 31st March, 2020 was submitted for consideration by the Senior Management and Board Committee on IT/Corporate Strategy.
- 4.2 The Corporation invoked its Disaster Recovery Plan (DRP), Crisis Communication Plan (CCP) and Notification Call Tree (NCT) which are being implemented due to the Corona Virus (COVID-19) Pandemic in the Country.
- 4.3 All Business Continuity Management (BCM) Framework supporting documents were reviewed and updated such as BCM Strategy, Emergency and Evacuation Procedure, BCM Competency Manual, Warnings and Communications, Vendors Evaluation Procedure, BCMS Sustainability Plan, Legal and Regulatory Requirements etc.
- 4.4 The Corporation, in consultation with Afenoid Enterprise Ltd., commenced the update of its Risk Appetite, Key Risk Indicators and Risk Tolerance Policy. However, the project was disrupted due to the outbreak of COVID-19 in the country and the national responses thereof.
- 4.5 The Corporation maintained, reviewed and updated its Corrective Action and Preventive Action (CAPA) Plan in line with the requirements of ISO 22301:2012 on continual improvement plan. That includes relevant documents, such as: Lessons learnt register; Incident log; and Business Continuity Management System (BCMS) Issues Tracking/ Management log.

5.0 COLLABORATION AND PUBLIC AWARENESS ACTIVITIES

The COVID-19 lockdown which came into effect within the period under review with widespread restrictions on socio-economic activities nationwide greatly constrained the public awareness activities of the Corporation. Notwithstanding, the Corporation was able to re-strategize its public awareness initiatives focusing more on social media/digital and radio/TV engagements. The following strategic initiatives were implemented during the period:

- 5.1 NDIC COVID-19 Radio and TV Campaigns:** The Corporation conducted a 2-week long depositor protection and awareness radio and television campaign during the COVID-19 total lockdown from 12th – 30th April, 2020. The campaign involved the production and transmission of 60-seconds public enlightenment radio and television jingles, across the six (6) geo-political zones. The campaigns were designed to sensitize depositors and the general public

about the safety of their money in the banks as a strategy to forestall the panic and threat of bank runs during the lockdown. The jingles also included procedures for online filling of claims through the NDIC website during the lockdown by depositors whose deposits are still trapped in failed banks. The radio jingles were produced in Pidgin, Yoruba, Hausa, Kanuri and Igbo languages, while the television jingles were produced in English language only. Over 1,271 slots of radio and television jingles were broadcast over the 2-week period.

5.2 Media Relations: The Corporation issued three (3) press releases on its activities comprising

- i. "Scheduled Decontamination of the NDIC Head Office Building" issued on 22nd June 2020.
- ii. "Rushes of the screening of nominees of President Buhari as NDIC Non-Executive Directors by the Senate Committee on Banking, Insurance and Other Financial Institutions" issued on 8th June 2020.
- iii. "NDIC condoles with President Buhari on death of Chief of Staff, Mallam Abba Kyari" issued on 17th April 2020.

5.3 Social Media Public Awareness:

In a bid to enhance the effective engagement with NDIC's stakeholders on the various social media platforms, especially during the COVID-19 Pandemic, the Corporation engaged in strategic content creation with a total of 91 interactive and engaging posts designed. The posts which included infographics, infomartials, animations and live action video created to sensitize stakeholders on the safety of their deposits during the lockdown. Timely and appropriate responses were also provided to different enquiries by depositors and other stakeholders on the different platforms (Facebook, Twitter, Instagram, LinkedIn and Youtube).

6 LEGAL ACTIVITIES

The major legal activities of the Corporation during the period under review are as follows:

- 6.1** As at 30th June, 2020, the Winding-up Orders were obtained from the Federal High Court to Wind up 43 (forty-three) MFBs in respect of the 138 MFBs whose licences were revoked in September 2018.
- 6.2** The Corporation continued to manage and monitor of 52 (fifty-two) Corporate cases and 63 (sixty-three) debt recovery cases of N100 Million and above involving the Corporation and debt recovery proceedings in respect of banks-in-liquidation.
- 6.3** Also, NDIC has continued to monitor 15 criminal cases pending in the various courts while liaising with the Financial Malpractices Investigation Unit (FMIU) on the investigation of the pending complaints during the period under review.

- 6.4** The Corporation continued to monitor the publishing, marketing and distribution of the Nigerian Banking Law Report.

7 CHALLENGES

Notwithstanding the achievements recorded above, the Corporation is still faced with a few challenges. Some of the challenges included:

- i. Poor documentation by failed banks and inadequate information on borrowers
- ii. 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), by extension, the growth in the Funds available for both failure resolution and Deposit-Payoff.
- iii. Inadequate documentation of borrowers' information by failed banks.
- iv. Delay in the amendment of the NDIC enabling Act.
- v. Unwilling attitude of high net-worth debtors of failed banks to liquidate their debts.
- vi. Protracted legal processes due to frequent adjournment of cases.
- vii. Uncollateralized loans and large outstanding insider-related debts.
- viii. Inadequate public awareness on the Deposit Insurance System.

The Corporation is addressing some of the above challenges through the repeal and re-enactment of its Act, improving public awareness initiatives, the on-boarding of MFBs to the National Association of Microfinance Banks Unified IT Platform (NAMBUIT) to improve data integrity and renditions by the insured financial institutions. Furthermore, the Corporation is currently developing a mobile application and updating the Corporation's website to enable depositors process their claims online.

8 CONCLUSION

As a key component of the Nigerian financial safety-net, NDIC is committed to engendering confidence and contributing to financial system stability. The Corporation has consistently pursued excellence in the achievement of its mandates of depositor protection, distress resolution, banking liquidation and banking supervision to promote safe and sound banking practices in Nigeria.