

NIGERIA DEPOSIT INSURANCE CORPORATION

PLOT 447/448, CONSTITUTION AVENUE,

CENTRAL AREA, ABUJA

NEW YEAR GOODWILL MESSAGE TO STAFF

It is with gratitude to God and a deep sense of collective achievement that I address you in this letter. The year 2011 had no doubt been an eventful as well as a challenging one for you, the Management and the Board of the Corporation. Indeed, operating within our broad mandates of Deposit Guarantee, Banking Supervision, Failure Resolution and Bank Liquidation, we traversed many challenges, some of which bordered on issues that could threaten the stability of our financial system. We are all particularly aware of the unique challenge the Corporation faced with respect to the establishment of three bridge banks that took over the assets and liabilities of the erstwhile Afribank Plc, Bank PHB Plc and Spring Bank Plc. It is gratifying to note that the Corporation's response to the lingering problems of those banks had not only protected and engendered confidence of the depositors of those banks but had saved thousands of jobs. Beyond this major challenge, I am aware of several other efforts you variously made to not only make NDIC continuously relevant but make indelible mark in the efforts to ensure a stable financial system. However, while all of you might be aware, in one way or the other, of the various achievements recorded by the Corporation either by virtue of your level of responsibility or by your involvement in specific tasks, I wish to recount through this medium, some major areas of such achievements.

Newly Employed Staff

1. I am pleased to note that our newly employed staff have settled down at their various departments and are contributing appropriately to the achievement of the Corporation's goals.

Strategic Plan

2. The Corporation commenced the implementation of its Second Strategic Plan spanning 2011 to 2015. The Plan was hinged on four strategic thrusts, namely: Operational Readiness, Culture of Continuous Performance, Strategic Partnering and Collaboration, and Promotion of Public Confidence on Deposit Insurance System.

Deposit Guarantee:

3. In August 2011, the Corporation **commenced payment of insured deposits to the depositors** of Triumph and Fortune Banks closed in 2006 thereby bringing relief to the depositors whose deposits were trapped due to protracted litigation.
4. Following the revocation of operating licences of 103 MFBs by the CBN in September 2010, the Corporation had, as at August 2011, directly paid an aggregate sum of **N2.024 billion** to about **70,424 depositors**, which represented about **41%** of the total insured amount of about **N4.94 billion**. Payment to the rest of the depositors continues through branches of appointed Agent Banks close to the location of their closed MFBs.
5. The Corporation during the year, continued with the payment of **insured sums as well as liquidation dividends to uninsured depositors of the banks closed before 2006 and those closed in 2006**. As at the end of November 2011, the cumulative insured deposits as well as the liquidation dividends paid in respect of the 35 banks that were closed before 2006 were N3.304 and N6.162 respectively. Similarly, cumulative insured deposits and the liquidation dividends paid in respect of the 13 banks closed in 2006 were N4.294 and N66.757 respectively.
6. As part of efforts to sanitize the microfinance sub-sector, the Corporation had concluded arrangements to **prosecute about 55 directors, staff and related parties** of 19 closed MFBs who were found to be responsible for the collapse of their banks. This is expected to serve as a deterrent to would-be fraudsters in the MFBs.

7. A lot was done in the area of **public awareness** to facilitate knowledge about the Corporation and its activities by stakeholders. Activities in this area included **Radio and TV jingles** tagged “*NDIC Calling*” in the three main Nigerian languages, namely, Igbo, Hausa, and Yoruba; **a new robust and interactive Website-** www.ndic.org.ng; **Hosting of students** of Nigerian Universities and Polytechnics on excursion to Corporation; **Translation** of NDIC pamphlets into 3 major Nigerian languages; Circulation of NDIC various publications to the public; and a **Survey on the Effectiveness** of Public Awareness Activities of the Corporation to determine awareness gap.

Banking Supervision:

8. Supervisory collaboration between the Corporation and the CBN continued to strengthen during the year.
9. The Corporation, jointly with CBN carried out routine Risk-Based examination of the **16 non-intervened banks**. NDIC led in **6 banks**.
10. Joint (CBN/NDIC) Risk Assessment (Target) Examination of the 24 DMBs was carried out. The Corporation led in **9 banks**.
11. In its desire to satisfy its numerous stakeholders, the Corporation carried out special investigations of complaints/petitions received from bank customers and other stakeholders in respect of **9** out of the **24** DMBs. As a result of the findings of the investigations, some of the affected banks were directed to make some refunds to their customers.
12. In line with the renewed attention paid to Microfinance Banks and Primary Mortgage Institutions, 159 MFBs and 62 of the PMIs were examined during the year. The Corporation, in collaboration with the CBN, has initiated the resolution of the problems identified in some of the institutions.
13. As part of its contribution to making the **Financial Stability Fund** (established in 2010 and to which banks were expected to contribute 0.3% of their Assets over the next 10 years and CBN to contribute N500 billion over a 10-year period) a reality, the Corporation reviewed downward the premium payable by the banks by **reducing the assessment base rate** for premium computation

from *50 to 40* basis points. The reduction of the premium, which was made in 2011, resulted in about 35% relief to the banks.

Failure Resolution:

14. In a novelty approach to bank failure resolution in the Country, the Corporation **established three bridge banks** (Mainstreet, Keystone and Enterprise banks) to takeover the assets and liabilities of Afribank Plc, Bank PHB Plc and Spring Bank Plc respectively, which could not be recapitalised before September 30, 2011 deadline given by the CBN. The resolution was undertaken in an unprecedented and seamless manner so as to engender confidence in the banking system. Also, the takeover, which followed intensive consultation with the CBN and the Federal Ministry of Finance was intended to achieve a number of objectives which included **sustaining daily operations** of the failed banks with **577 branches**; safeguarding the banks' total **deposit liabilities of N809.4 billion**; safeguarding **6,667 jobs** in the affected banks; **enhancing the confidence** of both the depositors and creditors of the banks; and preventing the systemic repercussions of the failure of the banks on the entire financial system thereby ensuring financial and macro-economic stability.
15. In order to facilitate resumption of operation of the Savannah Bank, a joint committee of CBN and NDIC was set up to work with Savannah Bank Team. In the meantime, the Corporation had **successfully handed over the 104 branches** of the Bank to its owners. Similarly, outstanding balance of **N460 million** and **US\$1.029 million** of the Bank's fund were released during the year.

Liquidation activities

16. Agent banks had been appointed to continue to pay depositors of closed MFBs through branches close to the defunct MFBs. The Agent banks are Unity Bank Plc, First Bank of Nigeria Plc, Wema Bank Plc, UBA Plc, Mainstreet Bank Ltd. and Union Bank of Nigeria Plc.
17. In line with powers bestowed on it, the Corporation, on **December 7, 2011** successfully sold **Hallmark Homes (Savings & Loans) Limited (HHL)**, a

wholly owned subsidiary of Hallmark Bank Plc (in liquidation) to **Centage Savings & Loans Ltd** in the sum of **N1.15b**. The HHL was not in liquidation but technically out of operation following the revocation of the operating license of Hallmark Bank, the Parent bank. To ensure transparency, valuation for the sale was made by Akintola Williams Deloitte. By the various actions taken, **N1.15b** of depositors funds had been secured by Centage Savings & Loans Ltd. In the same vein, a total of about **1,630 depositors** having about **N752 million** in the former HHL would be availed access to their funds and benefit from other banking services at Centage Savings & Loans Limited (the new acquirer).

18. To facilitate the pace of debt recovery and payment of uninsured deposits the Corporation appointed Debt Recovery Agents to assist. The cumulative recovery for the banks in liquidation since 1994 rose from about **N21.756 billion in 2010 to about N22.158 billion** in 2011. On the other hand, the sum of **N8.33million** was recovered by the end of the year in respect of closed MFBs.

International Networking

19. The Corporation continued to participate actively in the activities of the International Deposit Insurance Association (IADI). It hosted 2 Regional programmes in May and December 2011. The theme of the first workshop was “**Resolution of Problem Banks: Purchase and Assumption (P&A) Option.**” The second one on the other hand was on “**Methodology For Assessment of Compliance With Core Principles For Deposit Insurance**”. The objective of the second workshop was to build the capacity of participants in conducting compliance assessment of deposit insurance systems with Core Principles, using the NDIC as a case study. The Corporation was found to be very much in compliance with the core principles.
20. The Corporation entered into a Technical Assistance Agreement with the Office of Technical Assistance (OTA) of the United States Treasury Department. This resulted in the deployment of a Resident Technical Advisor in the Person of Mr. Phillip Morris to the Corporation in May 2011, to facilitate capacity building according to the agreed Terms of Reference

(TOR). The Corporation also benefitted from the visit of 2 other technical advisors in the areas of International Financial Reporting Standard (IRFS) and Risk-Based Supervision.

Enhancement of Capacity, Processes and Systems

21. In recognition of the role of the **human capital** in achieving its mandate, the Corporation during the year trained a total of **1140** staff locally while **152 staff** benefited from various **overseas courses**. The trainings focused on Risk-based Supervision, International Financial Reporting Standards, Risk-based Audit and Enterprise Risk Management, management issues among others.
22. In order to address identified **IT security vulnerabilities**, the Corporation commenced **the development of the Information Technology Security Systems and Architecture Systems (ITSSA)**.
23. The Corporation, during the year also **developed an Information Technology Disaster Recovery (ITDR) blueprint** to facilitate business continuity in the event of a disaster.
24. Other areas of system and process enhancements which the Corporation was either working on or concluded work on included **a new web enabled Financial Institutions Liquidation Management System, a web enabled Performance Management System (PMS), a Video Conferencing Solution and Standard Operating Manual**.

Extension of Deposit Insurance System to Non-Interest Bearing Banks

To support the new licensing regime and as part of its preparations to extend Deposit Insurance System (DIS) to **non-interest bearing banks**, the Corporation during the year continued to fine-tune the developed Framework that would enable it extend DIS to non-interest bearing financial institutions licensed by the CBN.

Help Desk Facility

The 24-hour Help Desk facility continued its services in 2011 with more than 2000 calls received and attended to promptly. Most of the enquiries and complaints

received through the facility centered on depositor reimbursement and abnormal charges by banks.

Security Enhancement

It is crucial to note that a lot of efforts are being made to enhance the security standard of the Corporation through installation of modern security gadgets. The Corporation in collaboration with the Directorate of State Security Service (SSS) has also provided training to staff on risk mitigation and more of such training will continue in future. I believe with such complementary roles and services, our general working environment will greatly improve.

Enhancement Of Pension Benefits For The Corporation's Retirees

In recognition of the changing economic circumstances and the contribution of its former staff, the Corporation has enhanced the take-home of its pensioners who retired under the old pension scheme. I am pleased to note that most of them are still alive and happy and contributing in one way or the other to the Corporation's strides.

Establishment of New Zonal Offices

The Corporation has established new zonal offices in Sokoto, Portharcourt and Yola. The main objective was to bring the Corporation's supervision closer to the banks. The Microfinance Banks and the Primary Mortgage Institutions in particular had suffered inadequate supervision in the past, which contributed to a myriad of problems in the subsector.

Amendment to the NDIC's Enabling Act

The Corporation, in 2011, continued to pursue the proposed amendment to its 2006 Act. The primary objective of the proposed amendment is to enhance the effectiveness of the Corporation in the discharge of its mandate. Included among the issues being proposed for review by the National Assembly were granting the Corporation powers to review books of subsidiaries of banks, independent enforcement powers to deal with erring banks and their directors/ officials and protection of the Corporation's assets against creditors who obtain judgment against closed institutions.

Restoration of the Board of the Corporation

It is a thing of pride that shortly after the dissolution of Boards of Government Agencies and Parastatals, the Corporation's Board was graciously restored by Mr. President to continue its work. This, no doubt, is a testimony to government's recognition of not only the importance of the Corporation in the scheme of things but also of the contribution of the present Board in steering the affairs of the Corporation. I therefore wish to call on you to join me in congratulating our Board on this singular honour.

2012 In Perspective

Given the achievements recorded in 2011, it behoves the Corporation to do a lot more to sustain the successes and indeed move to higher levels in 2012. To that extent, in addition to normal engagements, the Corporation will focus further on building capacity and enhancing its processes and systems. Of critical importance in the area of capacity building is the **Repositioning the Human Resources Department (HRD)** in line with global best practices to enable it meet the challenges of a contemporary organization. Further training will also need to be pursued in the areas of **Risk Based Supervision, Consolidated Supervision, International Financial Reporting Standard, Enterprise Risk Management and Communications and Report Writing**. On systems and processes attention will be paid to **development and deployment of a robust early warning system for insured institutions; framework for resolving systemically important financial institutions; Framework for Integrated Deposit Insurance System and the completion of the Performance Management System** among others.

Other areas the Corporation would focus on in 2012 include the following:

- Completion of the development and deployment of an appropriate **resolution framework for MFBs** so as to continue to engender confidence in the sub-sector thereby assisting to facilitate financial inclusion and poverty eradication.

- Completion of the **automation of the Enterprise Risk Management System** which should facilitate management of risks facing the Corporation in the most efficient manner.

- Development of **Business Continuity and Disaster Recovery Plan** as a strategy for mitigating risks arising from natural and other disasters that could disrupt continuous operations of the Corporation in the event of their occurrence.
- Completion of the **framework for financial and technical assistance** to ensure the effectiveness of the Corporation in the performance of this function.

Call For Rededication

What we accomplished in 2011 was certainly the result of your dedication, sacrifice and patience. While I would want to see us all working in less stressful atmosphere in coming times, the demands of the job sometimes call for extra efforts on the part of all of us. I therefore urge us all to rededicate ourselves and continue to offer our best to make the Corporation the best Deposit Insurance System not only in Africa but globally.

On a final note, I wish to thank you all for a wonderful 2011 and pray that we would all be alive and healthy to contribute further and better in 2012.

Umaru Ibrahim, mni

MD/CEO